

Establishing a Planned Giving Program

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Since the early 1900s, individuals have relied on specific charitable instruments—bequests, charitable gift annuities, and various charitable trusts—to fulfill their philanthropic desires. However, it wasn't until the mid-1970s that nonprofits experienced a significant surge in planned giving activities. Most of this activity was centered on the establishment and marketing of charitable bequest programs, which continues to be the cornerstone of most successful planned giving programs. *Giving USA* (AAFRC Trust for Philanthropy, 2002) reports that of the \$212 billion contributed in 2001, bequests accounted for \$16.33 billion, representing 7.7 percent of all contributions made in 2001.

Beginning with the tax legislation enacted in 1986—which dramatically increased capital gains taxes—professional financial advisors and donors turned to other charitable planning instruments such as the charitable remainder trust to fulfill a philanthropic desire and simultaneously avoid, minimize, or delay the capital gains taxes. An aging donor population and an unprecedented growth in asset values further strengthened the attractiveness of other planned giving instruments such as the charitable remainder trust and charitable gift annuity. A survey conducted by the National Committee on Planned Giving (2001), reports that life income vehicles—charitable remainder trusts and charitable gift annuities—have increased in popularity, with 2 percent of Americans indicating that they have created one or the other (or both) of these types of instruments in 2000. This is more than triple the 0.6 percent of respondents in 1992 who reported making a life income planned gift.

Some nonprofits responded to this “new” giving opportunity by hiring individuals to master the technical aspects of planned giving. Other nonprofits, primarily because of budgetary constraints, have instead, found creative ways to “market” the basic planned giving opportunities, such as bequests, to their constituencies.

The important point to recognize is that planned giving should become part of your development efforts, regardless of your organization's size, mission, age, budget, in-house expertise, or prior giving history. Hank challenged all nonprofit organizations to work toward the total development program that included planned giving (see Chapter Seven). The material contained in this chapter is designed to assist you in determining the level of planned giving activity appropriate for *your* organization. Your organization's planned giving program may end up looking remarkably different from the planned giving program at the nonprofit across the street. That is OK, for planned giving programs can be built over time, with additional layers added to the program once a particular level has been achieved. This chapter also contains a brief overview of the “core” planned giving instruments as well as a discussion regarding the marketing of planned gifts and how to identify viable planned giving prospects.

INSTITUTIONAL READINESS

Institutional readiness depends on giving consideration to the organization and its staff, its board, its planned giving professional, and its policies and guidelines.

The Organization and Staff

Not all nonprofit organizations are prepared to implement a comprehensive planned giving program. In fact, most small to midsize organizations, particularly those in existence for a short period of time, do not have the financial resources and personnel to allow for an all-inclusive planned giving program. But it is important to recognize that no matter how old the organization is or how limited the resources are, there are ways to begin a planned giving program that can be enhanced over time.

First, make sure organizational plans exist before developing a planned giving plan. Does the organization have a strategic plan that outlines goals and objectives for the next three to ten years? Is the mission statement clear, and does it accurately depict the organization as it exists today? Is there a case statement that clearly and concisely describes what the organization does, why the organization must do it, and how it proposes to do it? If the organization's mission and case statements are unclear, the planned giving program will most likely experience only limited success.

Since some planned gifts benefit the nonprofit organization at some future date, donors must be comfortable with the stability and permanence of the organization. How long has the organization existed? Will the organization be in existence thirty years from now to receive the planned gift? Is the organization growing or shrinking? These are some of the questions donors will ask before contemplating a planned gift for the benefit of an organization.

Potential planned gift donors may also be interested in the financial stability of the organization. Does the organization have the capacity to satisfy current operating expenses? Does the organization have a history of balancing its budget? Will the organization be a responsible steward of the gift? Does the organization have the financial staff to account for and invest the gift properly? Will the organization ultimately use the gift in accordance with the donor's wishes? Donors are expecting greater accountability from organizations today; organizations must consequently be prepared to provide financial reports and information concerning the organization's overall financial performance and in some cases the performance of specific funds established by the donor.

People give to people with causes. Planned giving fund raising involves developing close personal relationships with individuals. To be successful in planned giving, organizations must have knowledgeable development staff who are capable of clearly articulating the organization's mission and programs, as well as a point person who has the ability to explain the various planned giving options to donors and their financial advisors in an understandable manner.

The Board

The planned giving program must have full support from all members of the board. They must understand the role planned giving plays in ensuring the growth and long-term stability of the organization. In addition, they must be willing to assist the development department with the planned giving program and play an active role in it.

Before introducing a proposed planned giving program to the board, first educate the board as to what planned giving is all about. Show them not only how planned giving benefits the organization but also how it can provide significant benefits to donors. Consider conducting a brief seminar for the board to address the various planned giving options and help them understand how planned giving would be used to complement the organization's existing development efforts. Don't hesitate to bring in an outside consultant or a third party who can articulate the merits of planned giving clearly and concisely.

There is no better way to begin a planned giving program than by securing planned gift commitments from individual board members. Do this by meeting with each board member individually, rather than making a broad appeal to the entire board. By participating in the planned giving program through their own personal commitments, the board members will send a strong message to the organization's constituency that these types of gifts are important and should be made in addition to participating in the annual fund.

The Board must be willing to provide the financial resources necessary to begin implementing a planned giving program. An effective program will be built around the development of long-term personal relationships with donors. This is a labor-intensive process that may require adding a new development professional to the staff whose primary responsibility is to spend time outside of the office developing the personal relationships. Financial resources may also be needed to market the planned giving program. It is not imperative that the organization develop new print materials to promote the various planned giving opportunities. At the outset, it may be sufficient to incorporate planned giving messages into existing publications.

Because planned giving is a process dependent on relationship building, the board must recognize that the organization may not experience immediate results in the form of completed planned gift arrangements. Some planned gifts may occur within a six-month period; others may take years to complete. Each donor will ultimately decide when he or she is ready to make the gift. For that reason, the progress of a planned giving program should be based more on the contacts made and the relationships built than completed arrangements or dollars in hand. The board can provide leadership to the planned giving program by publicly endorsing it, identifying prospective donors, introducing development staff to prospective donors, and assisting in the solicitation of planned gift prospects.

By properly educating the board members at the outset and using their time judiciously throughout the process, you will find that most will vigorously endorse and support the planned giving program. Along the way, be sure to keep them informed and share with them your progress and success stories in the planned giving area.

The Planned Giving Professional

Due to budget constraints and limited manpower, many nonprofit organizations are not able to hire a full-time development professional whose sole responsibility is planned giving. Therefore, it is common for many organizations to ease their way into planned giving by marketing a selected number of planned giving opportunities, rather than the full menu of available arrangements.

Organizational responses to planned giving inquiries from individuals can be handled in a number of ways. The organization can assign that responsibility to a development officer whose sole responsibility is to raise money—preferably a major gifts officer—who is interested in adding planned giving to his or her list of responsibilities. This approach will cut down on that person's ability to travel and develop relationships with donors, for it will require devoting a certain amount of time to technical training, developing planned giving policies and procedures, identifying planned giving prospects, and marketing the planned giving program.

A second option is to rely on friends of the organization who have experience working in the charitable estate planning and related areas. These friends could come from a variety of professions, including attorneys, certified public accountants, certified financial planners, bank trust officers, certified life underwriters, and stock brokers. Although these individuals may be able to provide the organization with the technical support necessary to respond to planned giving inquiries from interested donors, it is probably not advisable to rely on these professionals to develop the personal relationships with donors that are so crucial to the success of a planned giving program. The professional advisers are best suited to handle functions such as drafting planned giving instruments, accompanying the development professional on a personal visit when the donor has decided to make a gift and is now contemplating how the gift should be structured, and assisting in developing planned giving policies and procedures.

A third option is to hire a development professional whose primary responsibility is planned giving. This person may or may not have previous development experience as a major gift or annual fund development officer. A growing number of planned giving officers are coming from the for-profit world. These individuals may have previously practiced law, served as a bank trust officer, or held a position in the financial services industry and are seeking a career change or have an interest in serving an organization whose mission they are passionate about.

It is not imperative that the planned giving officer be an attorney, although it is advantageous if that individual has some familiarity with the technical issues involved in planned giving. Some of the best planned giving professionals have come from

nontechnical backgrounds and learned the technical aspects of planned giving through independent study, attending seminars, and hands-on training.

What attributes should a nonprofit organization look for when hiring a planned giving officer? The following characteristics merit attention:

- *Good interpersonal skills.* The ideal planned giving officer has the ability to develop meaningful personal relationships with donors.
- *A proactive mindset.* An effective planned giving officer must spend significant time outside the office developing personal relationships with donors, rather than being consumed with in-office administrative details. Approximately 30 to 60 percent of a planned giving officer's time should be spent visiting donors and their professional financial advisors.
- *Simplicity and understanding.* Individuals skilled in explaining the technical aspects of planned giving with simplicity and understanding will experience a high degree of success in planned giving. This same skill is also important when training other development staff, the board, and volunteers.
- *A thirst for knowledge.* The tax laws surrounding planned giving are constantly changing, so an effective planned giving officer must be willing to stay abreast of tax law changes and case law developments that affect charitable gift planning.
- *Articulateness and perceptiveness.* Not only is the planned giving officer responsible for explaining the technical aspects of planned giving and identifying the donor's financial objectives, but that individual must also be able to clearly articulate the organization's mission and programs and identify the donors' philanthropic objectives.

Planned Giving Policies and Guidelines

Before embarking on a planned giving program, written policies and guidelines governing the program should be developed. It is highly recommended that board approval be a prerequisite to the implementation of such policies and guidelines. Once the board has approved, development personnel, volunteers, and donors must adhere to the parameters contained in the document, thereby positioning the planned giving program to move forward with unity and clarity.

The following is a list of issues a nonprofit organization should consider addressing in its policies and guidelines document:

- Will the organization offer charitable gift annuities to its donors?
- Will the organization serve as trustee of charitable remainder trusts and charitable lead trusts? If not, is it the donor's responsibility to secure a trustee?
- Will the organization administer charitable trusts or charitable gift annuities? If not, who will serve as the third-party administrator?
- What minimum amounts and other limitations should be established for each of

the planned giving instruments? What is the minimum gift amount the organization is willing to accept for a charitable gift annuity? What is the minimum gift amount the organization is willing to accept for it to serve as the trustee of a charitable remainder trust? Are there minimum age requirements the donor must meet before the organization will enter into a charitable gift annuity contract? Are there maximum payout percentages the organization is willing to offer for charitable gift annuities and charitable remainder trusts?

- Who in the organization has the authority to accept gifts of appreciated property, particularly real estate and closely held stock? Is board approval required before such assets are accepted?
- Who in the organization is authorized to negotiate the terms of a planned giving instrument, such as a charitable gift annuity or charitable remainder trust, with a donor? Is board approval required before the document may be executed?
- Who in the organization has the authority to sign the planned giving document on behalf of the organization?

Here are some specific guidelines to consider incorporating into a policies and guidelines document:

- *Percent payout rate on charitable remainder trusts.* The percent payout rate on charitable remainder trusts must be at least 5 percent but should generally not exceed 10 percent.
- *Minimum age requirements and funding levels for charitable remainder trusts.* If the organization is willing to serve as trustee, the minimum age of an income beneficiary should be fifty-five. The minimum funding level should be \$50,000.
- *Percent payout on charitable gift annuities.* It should be the organization's general practice to use the gift annuity rates established by the American Council on Gift Annuities.
- *Minimum age requirements and funding levels for charitable gift annuities.* The organization should not offer charitable gift annuity contracts to donors under age fifty-five. The minimum funding level should be \$10,000.
- *Trustee.* Most organizations should not serve as trustee of charitable remainder trusts and charitable gift annuities. In such instances, the donor is responsible for selecting a trustee.
- *Real estate.* All proposed gifts of real estate must receive board approval before accepted.
- *Donor-centered philanthropy.* All arrangements entered into with donors should always have the donor's best interests in mind, provided the terms of the arrangement do not violate the organization's policies and guidelines.
- *Legal counsel.* Donors should be advised to consult with their legal counsel before entering into any legal arrangements with the organization.
- *Confidentiality.* All information about a donor or named income beneficiaries, including names, ages, gift amounts, and net worth should be kept strictly

confidential by the organization unless permission is obtained from the donor to release such information.

PLANNED GIFT OPTIONS

Planned giving generally involves one of three gifting methods—current outright gifts, expectancies, and deferred gifts. A common misconception in the planned giving industry is that all planned gifts are “deferred gifts.” Some planned gifts are structured to provide immediate benefits to the nonprofit organization, others provide deferred benefits to the organization, and still others may involve a combination of methods, whereby a current outright gift is combined with a deferred gift or an expectancy to achieve the donor’s philanthropic and financial objectives.

Current Outright Gifts

Gifts of assets such as stock, real estate, and tangible personal property, although given for the current use and enjoyment of a nonprofit organization, qualify as planned gifts by virtue of their dollar value and the fact that they are combined with other assets. These gifts are generally made jointly by spouses and require significant contemplation and planning, unlike annual fund gifts, which are often made spontaneously in response to a mail appeal and satisfied by writing a check from income.

Stock

Appreciated stock—publicly traded or closely held—represents the most common type of noncash gift. Nonprofit organizations prefer gifts of publicly traded stock because it is highly liquid—it can be sold instantaneously by a phone call from the owner to the broker—and it has a readily ascertainable fair market value, published daily in newspapers like the *Wall Street Journal*. Closely held stock, by contrast, may be difficult to value and requires the services of a qualified independent appraiser, which could take several weeks to complete. Such stock may also prove to be illiquid in that it may be subject to restrictions prohibiting it from being gifted to a nonprofit organization, or it may be unsalable if a ready, willing, and able buyer cannot be found. Individuals who started their own companies may have a significant percentage of their wealth in closely held stock.

Real Estate

Real estate is the second most common type of noncash gift. There are a number of issues a nonprofit organization should address before accepting a gift of real estate. Is the estate subject to a debt? Are there liens or encumbrances on the real estate? Is the donor the sole owner, or is the property jointly owned with others? Once accepted, will the organization be able to sell the property within a reasonable period of time, and if not, does the organization have funds available to pay for the insurance, taxes, and maintenance? Will the organization retain the property and use it for its exempt purpose? Have environmental tests been conducted on the property to ensure that it is not contaminated?

Many organizations require board approval before accepting gifts of real estate. Some even create a real estate checklist that must be satisfied before the proposed gift is presented to the board. Since most organizations are not interested in entering into the real estate management business, acceptance of a gift of real estate may be predicated on the ability to sell the property within a short period of time.

When deciding on which assets to give currently to an organization, donors often choose to give the most highly appreciated assets, thereby entitling the donor to a charitable income tax deduction equal to the current fair market value of the property. This is a more attractive option for the donor than to sell the property and become liable for capital gains taxes on it. Furthermore, if the donor gives appreciated assets to the organization and the organization sells those assets, capital gains tax is avoided thanks to the organization's tax-exempt status. So this arrangement is advantageous from both the donor's and the nonprofit's point of view.

Charitable Lead Trust

A charitable lead trust is a trust arrangement that pays current annual income to the nonprofit organization for a specified period of years, with the trust principal reverting to the donor or the donor's family when the trust ends. The annual income payment by the trust is similar to an outright gift of cash, for the charity is free to use the cash as soon as it is received, subject, of course, to any restrictions placed on the gift by the donor. The charitable lead trust is probably the most sophisticated of all the planned giving instruments, so it is advisable to seek the assistance of an experienced charitable estate planner before entering into this type of arrangement.

Expectancies

Expectancies involve a promise by a donor to make a gift to the nonprofit organization at some future date; however, that promise may be revoked at any time prior to the donor's death. Since the gift is not a completed gift during the donor's lifetime, the donor does not enjoy the benefit of a charitable income tax deduction when the expectancy provision is created. The most common types of expectancies are bequests, retirement plan and IRA designations, and life insurance designations.

Bequests. Bequests are the backbone of all planned giving programs and historically are the most popular planned giving method used by donors. Donors like bequests because they are easy to understand and do not require the donor to part with assets during life. This provides the donor peace of mind knowing that assets are available to satisfy unforeseen expenses such as medical or nursing home costs. Charities like bequests because they are easy to explain, require very little cost to promote, and once in place are rarely revoked.

A bequest is a written statement in a donor's will directing that specific assets, or a percentage of the estate, will be transferred to charity at the donor's death. Since most individuals should have a will and since bequests can be for any dollar amount, nonprofit organizations should consider marketing bequests to their entire constituency,

regardless of age and net worth. If you do nothing else but regularly include sample will language in your organization's communication devices, you will have initiated a planned giving program that will pay dividends to your organization for years to come.

Retirement Plans and IRAs. A second type of expectancy gaining in popularity among donors involves naming an organization as the beneficiary of a retirement plan or IRA. For many individuals, retirement plan assets represent the single largest asset in their portfolios. Like the bequest, it is easy to understand and easy to implement. This gifting opportunity merely involves obtaining a beneficiary designation form from the retirement plan administrator and naming a charity as the entire, or partial, beneficiary of the retirement plan assets upon the owner's death. A donor may achieve significant income and estate tax savings by naming a charity as the beneficiary of the retirement plan assets rather than a noncharity—sometimes the tax savings is as much as 75 cents on the dollar.

Life Insurance. A third type of expectancy, life insurance, may be attractive to donors because it affords donors the opportunity to make a gift at a sizeable face value for a minimal outlay of cash. Donors may give an existing policy, either fully paid or partially paid, or a new policy. Similar to a retirement plan designation, the proposed gift to charity is accomplished by naming the charity as a beneficiary of the policy on the beneficiary designation form. Upon the donor's death, the charity will receive all, or a portion of, the proceeds from the policy. The donor is entitled to a charitable income tax deduction equal to the cash surrender value of the property and any future premiums paid only if the charity is named as the owner and beneficiary of the policy.

Deferred Gifts.

Deferred gifts involve irrevocable transfers of cash or property not available for the charity's use and enjoyment until some time in the future. Although the gift is complete, thereby entitling the donor to a current charitable income tax deduction, a future event such as the donor's death or the expiration of a specific term of year will cause the charity's interest to come to fruition. The most prevalent types of deferred gift arrangements are charitable gift annuities and charitable remainder trusts.

Charitable Gift Annuity. A charitable gift annuity is a simple contract between the donor and the charity whereby the donor makes an irrevocable transfer of cash or property to the charity. In return for the contributed property, the charity agrees to pay a fixed amount of money each year for the lifetime of one or two individuals. The payout rate offered by a charity will depend on the number of annuitants and their ages. The annuitants have the option to defer receiving their annuity payments until some future date, provided that this decision is made at the time the contract is entered into.

Many charities offer charitable gift annuities to their donors because they are easy to explain and require minimal administrative time and expense to implement. Charitable gift annuities are attractive to donors who are interested in making a gift to charity but are unable to make a current outright gift—they require an additional stream of income in return for their gift.

Most states regulate charitable gift annuities; a charity should therefore familiarize itself with state restrictions, regulations, and reporting requirements before initiating a charitable gift annuity program. The charity must be concerned with requirements not only in states where it has offices but also in states where the charitable gift annuity donors are domiciled.

Charitable Remainder Trust. A charitable remainder trust is an irrevocable trust in which the donor transfers cash or property to a trustee and in return the donor or other individuals named by the donor as income beneficiaries receive income from the trust for life or a specified term of years not to exceed twenty years. When the trust terminates, the corpus is distributed to the charities named as the charitable remainder beneficiaries.

There are two main types of charitable remainder trusts—the charitable remainder annuity trust and the charitable remainder unitrust. Although the two are similar in many ways, they do have a few differences, the most significant being the method by which the annual income paid by the trust to the income beneficiaries is calculated. Another major difference is that annuity trusts do not allow for additional contributions once funded, whereas unitrusts allow for additional contributions at any time.

A charitable remainder annuity trust pays a fixed dollar amount, annually, based on the initial fair market value of the property transferred to the trust. For example, if a donor transfers \$100,000 to an annuity trust and selects a payout percentage of 5 percent, the named income beneficiaries will receive \$5,000 per year until the trust terminates, regardless of whether the trust principal increases or decreases in value over time. Thus, annuity trusts are generally favored by donors who are more interested in receiving a fixed income than they are in chancing market volatility.

A charitable remainder unitrust, by contrast, provides fluctuating income payments to the income beneficiaries, based on a fixed percentage of the annually revalued trust corpus. For example, if a donor transfers \$100,000 to a unitrust and selects a payout percentage of 5 percent, the named income beneficiaries will receive \$5,000 in the first year. But if in the second year the trust grows in value to \$110,000, the income beneficiaries will receive \$5,500, thereby enjoying the benefit from the appreciation experienced by the trust. Alternatively, if in the second year the trust drops in value to \$90,000, the income beneficiaries will receive only \$4,500 in the second year. Market volatility will thus have a direct impact on the income payments received each year by the income beneficiaries.

The payout percentage provided for in the trust document must be at least 5 percent. Most charitable remainder trusts have payout percentages ranging from 5 percent to 10 percent, depending on the number of income beneficiaries and their ages. Charities that serve as trustees can determine the payout percentage offered for each particular trust, but charities that do not serve as trustees are not in a position to dictate the trust's payout percentage. Many charities choose not to serve as trustees because of the legal fiduciary responsibility one assumes as trustee.

MARKETING PLANNED GIFTS

Developing a planned giving program internally within a nonprofit organization is not enough. Thought must be given to how the organization will market the fact that it is in the planned giving business, to whom it should direct its appeals, and which planned opportunities to promote.

For organizations just getting started in planned giving, it is unrealistic to expect that a comprehensive program offering every available planned giving opportunity must be introduced. Many organizations develop planned giving programs on a piecemeal basis, first introducing revocable arrangements such as bequests, retirement plan designations, and life insurance designations and later introducing irrevocable arrangements such as charitable gift annuities and charitable remainder trusts. If an organization is not in a position to respond to inquiries concerning the more technical instruments such as charitable remainder trusts, it is probably a good idea not to market that particular giving option. Donors must be left with the impression that the organization is capable of answering questions accurately and fully explaining the benefits of a particular opportunity to both the donor and the organization.

Not every available planned giving opportunity will be marketed to an organization's entire constituency. In some instances, it may be prudent to market a particular giving method to the entire constituency but other giving methods to a narrow segment of the constituency. Age, family situation (living spouse, children, grandchildren, and so on), prior giving history, level of affluence, and involvement with the organization are some of the factors to consider when determining which gift opportunities will be marketed to a particular donor.

The essence of a successful planned giving marketing program is to educate and inform the organization's constituency about the various gifting opportunities available to help individual constituents accomplish their philanthropic and financial objectives. Communications regarding the organization's planned giving business should send the message that it is looking to the future to address long-term goals and objectives. Consequently, many donors may choose to direct their planned gifts for endowment purposes rather than to support current operating expenses. Be prepared to share with your donors the various endowment opportunities that the organization has available.

Print Materials

The development of print materials may be the first step in disseminating planned giving messages to the organization's constituency. Print materials may include brochures, newsletters, inserts, ads, stand-alone mailings made up of a cover letter and accompanying illustration, and the integration of planned giving messages throughout all facets of the organization's communication pieces.

Brochures and newsletters are commonly used by organizations to market planned giving opportunities. There are two basic approaches to consider with brochures. The

first is the creation of a comprehensive brochure containing a brief explanation of each available planned giving opportunity. Such brochures tend to be widely distributed because they cover all available planned giving opportunities, from the most basic, bequests, to the most sophisticated, charitable lead trusts. An all-inclusive brochure may be particularly attractive to organizations with a limited budget since design and printing expenses will be kept to a minimum.

The second approach is the creation of a series of planned giving brochures, each describing in detail a particular planned giving method. For example, individual brochures may be created for bequests, charitable gift annuities, retirement plan and IRA designations, charitable remainder trusts, and so on. These brochures are typically not intended for widespread distribution but rather are available to share with donors expressing an interest in supporting the organization who require additional information about a particular giving method.

Regardless of which approach is taken, there are a number of companies who offer generic brochures that can be purchased and imprinted with the organization's name and logo. Many of these companies also offer nonprofit organizations the option of custom-tailoring the generic brochure so that it includes photos and mission-related information and stories about the organization and its donors. By weaving the organizational information into the generic text, an organization is able to produce a brochure with a look and message consistent with its other development and communication pieces.

Some organizations assume the task of preparing the entire planned brochure in-house. Although there is merit to this approach in that it is completely written and produced by individuals who work for the organization and therefore know its mission well, before embarking on a project of this magnitude, an organization should ask itself, "Do we have the manpower and technical expertise in-house to produce an effective brochure which is technically sound, conveys a clear and understandable message to our constituency, and can be produced in a timely fashion?" An organization may conclude that the planned giving officer's time is better spent out of the office developing relationships with key donors, rather than behind a desk preparing brochures.

Each brochure should contain a reply device giving donors the opportunity to request additional information, indicate they have already included the organization in their will or estate plan, request an illustration, or request a personal visit from the planned giving officer. Donors who take the time to respond to mailings are prime planned gift prospects and should be contacted immediately through a personal phone call to gather additional information and schedule a personal visit.

The mailing of a planned giving newsletter on a regular basis (quarterly, semiannually, annually), is another way to market planned giving opportunities to the organization's constituency. Each newsletter may focus on a specific planned gift opportunity and contain a story about a donor who has used that particular method in the past to benefit

the organization. Some nonprofit organizations have been successful in securing newsletter sponsors, such as law firms or banks, who are willing to underwrite the cost of producing the newsletter in exchange for placing the firm's name on the newsletter. Newsletters typically lend themselves to widespread distribution—donors of record, volunteers, professional financial advisors, and so on—for the cost-per-newsletter drops significantly once a certain production volume has been attained.

One-page planned giving inserts or ads in existing organizational publications may be a cost-effective way to communicate with a broad base of the organization's constituency. For instance, if a hospital or university regularly sends a health-related or alumni magazine to its constituency, an insert or ad inside the magazine highlighting the opportunity to support the organization through a bequest or charitable gift annuity may generate interest and cause new planned giving prospects to surface.

Integration with Annual Appeals

Nonprofit organizations interested in marketing planned giving opportunities to their constituency should consider reviewing existing communication devices to find ways to incorporate planned giving messages. Something as basic as including a line on the annual appeal card giving donors the opportunity to tell you they have included the organization in their will or estate plan or they would like additional information about a particular planned giving method is a cost-effective way to identify planned gift prospects. It is also a way for organizations with a limited marketing budget, who do not possess the financial resources to produce brochures or newsletters, to begin placing planned giving messages in front of their constituency.

Stand-Alone Mailings

Virtually for the cost of postage alone (currently just a nickel per letter at the nonprofit rate), stand-alone mailings, highlighting a particular planned giving method, consisting of a cover letter and accompanying illustration can be a cost-effective marketing strategy. For example, mailing sample bequest language with a cover letter signed by a key board member, volunteer, or leader within the organization, extolling the benefits of a particular planned giving method to the donor and the organization, can be conducted with minimal time and expense.

Revocable planned giving methods, such as bequests, retirement plan designations, and life insurance designations, are typically marketed to a broader base of donors than irrevocable planned giving arrangements, such as charitable gift annuities and charitable remainder trusts. This is due to the fact that revocable arrangements are easy to understand, can be implemented with minimal effort, and can be designated for any dollar amount, large or small. Since revocable arrangements appeal to a narrower segment of an organization's constituency, consider segmenting marketing messages based on age, level of affluence, prior giving history, involvement with the organization, or some combination of these factors.

Seminars

Planned giving seminars are an excellent way for an organization to educate its constituency about the various planned giving opportunities and create an awareness that the organization is prepared to discuss such plans with donors and assist them in facilitating such gifts. Seminars can be designed for a variety of audiences, including donors, volunteers, board members, faculty, and professional financial advisors.

The audience will dictate the level of technical content presented at the seminar. It is important to keep donor and volunteer seminars concise and understandable. This may be the first opportunity the donor or volunteer has had to learn about the various giving methods, so you want to be sure they leave the seminar with a clear understanding of what was discussed, rather than feeling confused or overwhelmed. Donor and volunteer seminars should avoid presentations involving deep technical discussions about specific planned giving methods. Discussions about bequests, retirement plan and life insurance designations, charitable gift annuities, and in some cases charitable remainder trusts are best suited for these types of seminars. Securing a well-respected professional financial advisor from the community to participate as a presenter will lend credibility to the program, but make sure this individual is capable of presenting the material in an understandable fashion for nonprofessionals.

Seminars for professional financial advisors should be more technically oriented than donor and volunteer seminars. Many, but not all, financial advisors understand the basics of planned giving, so these presentations should provide a more thorough analysis of the specific instruments and address the income, capital gains, and estate and gift tax benefits available through each instrument. Offering continuing education credit may make the seminar particularly attractive to the financial advisor.

Personal Visits

The most important aspect of marketing is ensuring that once an individual responds to a mailing, a personal call is made immediately by the planned giving officer to answer questions, provide additional information, and schedule a personal visit. Many planned gifts are completed as a result of the organization's ability to build a personal relationship with the donor and identify ways to involve the donor with the organization. Letters, e-mails, and telephone calls are not substitutes for personal visits but should be used in addition to the visits. Depending on one's job responsibilities beyond fund raising, all development officers should attempt to make a certain number of personal donor visits per month. In the early stages of a planned giving program, it is sometimes more prudent to gauge the planned giving officer's progress on the number of personal visits made rather than the number of planned gift arrangements closed or dollars raised.

Planned Giving Recognition Society

The impetus for creating a planned giving recognition society is to identify individuals who have included the organization in their will or estate plan. Donors may neglect to notify the charitable organization that it has been included as a beneficiary in the estate

plan. Such omissions are sometimes intentional, but usually the donor simply fails to think about notifying the organization. Creating a planned giving recognition society and marketing it to the organization's constituency creates a heightened awareness among individuals that the organization is interested in learning about their future plans to benefit the organization. It also provides an opportunity to begin building relationships with those donors and identify ways to involve them in the organization's activities.

The charitable organization is free to choose which planned gift arrangements qualify one for membership in the society. Many organizations make membership all-inclusive in that any one of the various planned giving methods qualify one for membership, regardless of dollar amount and regardless of whether the commitment is revocable or irrevocable. Some organizations require the donor to provide a copy of the legal document that references the donor's gift, while others are comfortable taking donors at their word and merely require a written statement from the donor summarizing the gift arrangement.

Planned giving recognition society brochures explaining the impetus for starting the society, the organization's mission, a brief description of the planned gift methods that qualify one for membership, a roster of current planned gift donors, and an explanation of what action must be taken to become a member are sometimes created to help market the society. These brochures are typically sent to planned gift donors of record, board members and volunteers, annual giving donors beginning with those individuals at the highest annual giving levels, and professional financial advisors.

An annual event exclusively for society members, such as a luncheon or dinner, is used by some organizations as a way to thank members for their participation. Most planned gift donors do not expect organizations to give them tangible objects such as plaques or paperweights. In fact, some donors are adamant that the organization refrain from using gift dollars for anything other than activities and programs directly supporting the mission of the organization.

PROSPECT IDENTIFICATION

Planned giving prospects come in all ages, levels of affluence, family situations, philanthropic objectives, and financial objectives. It is a mistake to pigeonhole planned giving prospects into a narrowly defined set of characteristics. Sometimes planned gifts are made by donors you least expect, so it is important not to overlook a prospect or segment of your prospect population because of particular characteristics. With that said, where do you begin? Some organizations begin the prospect identification process by analyzing individuals who are currently on the radar screen, namely, those individuals who have previously made planned gift commitments to the organization or are supporting the organization on a regular basis through annual fund commitments. Don't feel as though the process of identifying planned gift prospects must begin by identifying "new" prospects with no previous gift history. It is more likely than not that those individuals who become planned gift donors have a history of previous giving or involvement with the organization.

Current Planned Gift Donors

First, identify individuals who have current planned gift commitments in place. Perhaps they have named the organization as a beneficiary in a will, retirement plan, or life insurance policy. As discussed previously, a donor has no obligation to notify an organization that it has been included as a beneficiary. For that reason, some organizations create planned giving recognition societies in addition to including one-line responses on annual appeals that provide an opportunity for the donor to notify the organization that a planned gift commitment is already in place. Once current planned gift donors are identified, it is the planned giving officer's responsibility to contact those donors, thank them for their commitments, and attempt to begin building personal relationship with those donors. Not only will this provide an opportunity to obtain details about their planned gift commitments, but it will also create an opportunity to convert revocable arrangements, like bequests, into irrevocable commitments.

Annual Fund Donors

Second, analyze donors who have participated in the organization's annual fund. In particular, look at the number of years they have participated. Individuals who have made annual fund gifts for each of the last ten years or eight out of the last ten years are sending a message that they are interested in the organization and are willing to support the organization on a consistent basis. These same people may be interested in learning how they can support the organization in a more significant way, either during their lifetime or at death. Because some planned gift arrangements offer income to the donor in return for their gift and provide various tax benefits to the donor, some donors may conclude that they are capable of making a gift they did not think was otherwise possible or are capable of making a gift at a level that is much higher than they ever expected.

Board, Volunteers and Staff

Next, look at individuals who have a history of direct involvement with the organization. These individuals may be former or current board members or trustees, volunteers, administrative and professional staff, former donors and community leaders. The linkage to the organization exists or did exist at one time—it is the planned giving officer's responsibility to determine if the ability and interest are still present. Keep in mind that most individuals have a variety of charitable interests, so even if the interest in the organization is not at the highest possible level, an individual may still be interested in supporting the organization, particularly through an estate plan arrangement that does not require a current outlay of cash or assets. Not all planned giving prospects have a high net worth. There may be many individuals of moderate wealth who would be willing to entertain the idea of making a current transfer to an organization in return for a stream of income or willing to include an organization as a partial beneficiary in a will, retirement plan, or life insurance policy. In addition, don't overlook donors who fall below certain annual giving levels, such as \$500. Some individuals, even though interested in a particular organization, will never make a significant commitment to that organization during their lifetime because they are conservative or need the peace of mind that they will have sufficient assets available for unforeseen emergencies such as major medical

expenses. However, these same individuals may be willing to make a significant gift to the organization at death through one of the various planned giving methods.

Professional Financial Advisors

Networking with professional financial advisors, particularly those practicing in the local community, can sometimes lead an organization to new prospects. Clients sometimes look to their professional advisors, such as attorneys, accountants, financial planners, and trust officers, for advice in satisfying philanthropic objectives. Many financial advisors actively promote various planned giving instruments to their clients, recognizing that some clients will lose control over a certain percentage of assets at death due to estate tax. With proper lifetime planning, some planned giving instruments can allow individuals to redirect dollars that would have otherwise been lost to the government in the form of taxes to their favorite charities, thereby allowing the individual to determine how their hard-earned dollars are spent.

Some organizations formalize their network of financial advisors by creating a planned giving committee that meets periodically to create gift acceptance policies, review prospect lists, prepare articles for planned giving newsletters and learn more about the organization's mission. Many professional advisors welcome the opportunity to learn more about an organization's mission, the programs it offers, and the people it serves. Creating opportunities for advisors to come to an organization's site and observe firsthand the organization and its people as they carry out that mission may leave an indelible mark that may cause advisors to think of the organization when discussing philanthropic alternatives with their clients.

CONCLUSION

To be successful, planned giving programs must be carefully planned and designed to meet the needs of each particular organization. Commitment from institutional leaders is critical. As gift planners, we must address the donor's philanthropic and financial objectives. Never lose sight of the significance of your organization's mission to the donor. Planned gifts are rarely strictly for tax considerations. A belief in the organization's mission is generally the driving force behind most planned gifts. Once a donor has decided that your organization merits their support, helping the donor understand the various giving opportunities and how to make the gift in the most advantageous manner becomes the responsibility of the charitable gift planner.

Like other areas of development, success in planned giving requires the ability to develop meaningful relationships with your constituency. People give to people with causes. Understanding your donor's motivations and objectives—which is accomplished primarily through personal contacts and relationship building—is far more important than understanding the technical nuances of planned giving. Begin to develop relationships with your top prospects, learn the gift planning process, and recognize that most planned gifts require the efforts of a team of individuals who understand their roles and those of the other parties involved. Success will follow.

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