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## **Planned Giving**

**KLR Not-for-Profit Services Group**

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## **Planned Giving**

Not-for-profit organizations with a long-term view for the future should seriously consider a planned giving program.

Planned giving vs. unplanned giving? Annual donations, usually modest in amount may be thought of as impulse or unplanned although we seldom use that term. Planned giving usually refers to the developing, marketing and administering of charitable gifts from a donor's estate. Planned giving may also embrace larger, current gifts. In either case, the time needed to consummate a planned gift is frequently substantially longer than an annual or even a capital campaign gift.

The opportunities for not-for-profit organizations to raise funds through planned giving is greater now than ever before. Substantially more Americans will be dying over the next 20 years prompting a transfer of wealth unseen in the past. These individuals, when educated to the benefits of planned giving, may consider gifts to their favorite charity when planning their estate.

## **Types of Giving**

Bequests from donors' wills and "life income" instruments constitute the majority of planned giving vehicles.

A bequest from a donor's will is the most straight forward and easy to understand. A donor makes a donation via his/her will that goes to the not-for-profit organization upon their death.

The "life income" instrument is more complex. Its advantage over the bequest is that it may provide the donor a tax benefit while they are still alive. In addition, the instrument may be irrevocable thereby providing the not-for-profit with more assurance than the bequest.

The most popular "life income" vehicles are the pooled income fund (PIF) and the charitable remainder trust (CRT). In addition, a somewhat less popular vehicle is the "charitable gift annuity."

A PIF is a trust that allows irrevocable gifts from different donors to be combined for investment purposes. The donor contributes a sum to the charity and the donor (or beneficiary) receives a proportionate share of the income earned until his/her death, at which time that share of the fund's assets is distributed to the organization.

A CRT is similar to a PIF except funds from multiple donors are not pooled together. With a CRT, the donated property is held in trust, and the trust makes payments to the donor (or beneficiary) until a stipulated term of years is over, or the donor/beneficiary dies. Then the principal goes to the charity. There are two types of CRT — the Unitrust and the Annuity Trust. Each offers different advantages to the donor.

With a "charitable gift annuity" the donor makes an outright gift to the charity, but the charity provides an annuity payment back to the donor for life. The gift is partially a purchase of an annuity and partially a charitable gift. When the donor dies, the charity is free to use the remaining funds.

## **Establishing a Planned Giving Program**

Board involvement is crucial. The Board must understand the types of planned giving and determine which types of gifts will be accepted and which will be discouraged, if any. Each vehicle has specific administrative requirements that will need to be addressed and a long-term commitment made to the implementation of the program.

Various documents will be needed. These include trust or annuity agreements. Annual and/or quarterly reports may be necessary and tax returns for the trusts may be needed. Gifts must be received, valued and acknowledged. Employees must be in place with the skills necessary to help identify and cultivate potential donors and discuss options that fit their specific needs. A great deal of this work may be out-sourced to professional tax advisors. However, some effort will be necessary at the not-for-profit organization regardless of the amount of work delegated to outside professionals.

Once the program is in place, the not-for-profit organization will need to educate its constituents to the benefits of these estate planning tools. Marketing can take the form of newsletters to legacy societies, testimonials, seminars and special events. But personal visits will always play the largest role in the successful planned giving program.

### **Costs and Timetable**

A planned giving program can take a long time to achieve results. An organization without a long-term commitment will do more harm than good by starting a planned giving program and not staying with it.

Because planned gifts are usually substantially larger than normal giving, the cost per dollar raised is frequently much smaller than any other giving. In addition, because the planned giving effort is a long-term effort, the annual costs of maintaining the program's visibility is smaller than other development programs.

A good approach for a not-for-profit organization beginning a planned giving program is to first promote only bequests. This can be done with merely an additional paragraph or two in the charity's existing fund raising literature. Over time, the organization may add one life income instrument at a time as the internal knowledge and comfort with the concept grows.

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