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Planned Gifts Hold Tremendous Promise

Is your organization pursuing planned gifts? It should be. Research suggests that the average planned gift in the United States falls between $35,000 and $70,000 -- and the amount may increase with more Baby Boomers moving into retirement. Yet many not-for-profits, especially small and medium-sized organizations, lack formal planned giving programs.

Benefits of Planned Giving

According to Blackbaud, a software and service provider for not-for-profits, planned gifts to charitable organizations over the past 40 years or so have grown 4.5 to 5.0 percent annually on average, even during economic downturns. These gifts can play a critical role in sustaining nonprofits by helping to diversify revenue sources.

Moreover, Blackbaud reports, once a planned giving program is established, it typically boasts an enviable cost-to-donation ratio, in the range of 3 to 15 cents of cost per $1 raised. And think about it: If the average planned gift is, say, $50,000, you could secure $1 million simply by landing 20 planned gifts — funds that you could use for new or existing programs or facilities or to establish endowments.

A planned giving program also can serve as a useful tool for building donor loyalty. Individuals who make planned gifts usually want to be involved in the organization over the long term and often will make more donations along the way.

Common Gifts

Donors can use a variety of vehicles to make planned gifts, but the following are some of the most common:

- **Bequests.** The majority of planned gifts are made as bequests in a will. A will might leave a charity a flat dollar amount, a percentage of the estate or the remainder of the estate after other bequests. All of these can provide donors substantial estate tax savings.

  Blackbaud research indicates that loyalty

Dos and Don'ts for Your Planned Giving Program

Well-executed planned giving programs can provide multiple benefits for a not-for-profit, but they're not without risks. Following some dos and don'ts can help you avoid those pitfalls:

***Do* conduct research.** Before you suggest different planned giving instruments to your prospects (whom you also should research), you need to acquire a basic understanding of each type. Your financial expert can help get you up to speed.

***Do* treat the donors with special care.** Major donors typically like to be recognized.

***Don't* dismiss loyal donors who've made only smaller donations.** You never know how large their estates could turn out to be. They might own a closely held business or valuable real estate.

***Don't* ignore the cost.** As you explore opportunities for planned gifts with your is the hallmark of those who make bequests, translating to consistent giving over the years as well as other forms of involvement. Not-for-profit organizations should consider targeting loyal donors in their mid-40s and older, who are most likely to be engaged in the estate planning process.

- **Charitable gift annuities (CGAs).** Donors can use CGAs to contribute assets, usually cash or securities, now, while still enjoying some current financial benefits from the assets. How? The donor receives a guaranteed income stream for life, paid by the not-for-profit. He or she also enjoys a charitable income tax deduction.

CGAs are appealing to donors in slow economic times. They provide some assurance to those who worry about outliving their resources, along with potentially a higher after-tax rate of return than might be achieved from other investments.

Loyal, retired donors in their late 60s and older make good prospects for CGAs. Blackbaud again warns against putting too much weight on the size of previous donations, finding that annual gifts of these donors are generally under $100.

- **Charitable remainder trusts (CRTs**). CRTs are irrevocable trusts that pay a specific amount or percentage to one or more "income beneficiaries" -- often the donor and his or her spouse -- for a fixed term or their lifetimes, similar to a CGA. When that period expires, the remaining property in the trust goes to a specific charity or charities. CRTs are popular with the wealthy and often result in large gifts.

CRTs may be particularly attractive to donors holding low-yielding but highly appreciated assets like real estate or stock. By using a CRT, a donor can transfer the asset, avoiding capital gains when the trust sells the asset while simultaneously obtaining an income stream (some of which may be taxable).

The donor gets a charitable income tax deduction at the time of the original gift, and the remaining property that will be transferred to the charity is removed from the taxable estate. (If the donor names someone else as an income beneficiary, tax liability may be incurred when the CRT is funded.)

donors, make certain that you've evaluated the resources you need to manage these gifts. You may want to establish a planned giving policy that sets a minimum level for each type of gift.

Don't **provide legal or tax advice.** Donors may ask for your input on legal or financial aspects of their gifts. You should politely refer them to the appropriate professional and, if they refuse to seek such advice, clearly document your attempts to encourage them to obtain advice.

Look Before You Leap

While planned giving holds tremendous promise for not-for-profit organizations, it's important to recognize that some of the vehicles require significant hands-on involvement from an organization. Consult with your financial and tax advisers to determine the best approach for your program.

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