Planned Giving MENTOR™
◆ The Newsletter for Newcomers to Gift Planning ◆

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Reasons People Give

As you get started in planned giving, remember that people give to your organization because they believe in your charitable mission. They want to play a part in helping the people you serve. They want to make a difference with their donation.

When you seek planned gifts, be very clear about your mission and how a particular planned gift will support it. Sharpen your case for support and make it as attractive as possible for the prospective planned gift donor.

While it may be enough for your annual donors to simply believe in your organization's good work, a planned-gift donor needs a compelling reason to give. Unlike your annual donors, who make gifts from their disposable income, planned gifts are made from assets that your donors have accumulated over their lifetimes.

Because planned-gift donors are giving away their life savings (or at least some of it), approach them as investors. Help them see clearly the return on their investment. With a charitable gift, of course, the return on investment is measured in terms of the good work your organization can accomplish in carrying out its mission.

Make Your Case

Learn to make a compelling case for support to potential planned-gift donors. Help them visualize the impact of their gift, even though your organization may not receive it for several years. For example, you might put it this way: "Your bequest for $100,000 will establish a perpetual endowment that will provide $4,000 every year. These funds will provide a scholarship for a deserving student who would otherwise be unable to attend our school."

The more your donors can identify with the people you serve, the more motivated they will become. Help them move from the abstract to the concrete. Provide them with opportunities to see firsthand whom you serve and how it helps.

For example, invite them along on a Meals-on-Wheels route, so they can meet the recipients. Or take them on a tour of your sheltered workshop so they can see the life of a disabled person firsthand.

The average planned gift is about $50,000, and many are much larger. Donors who donate such large gifts need to know how your organization will use the gift. They may wish to direct their gift to a particular program or service, or they may wish to establish a perpetual endowment fund. In planned giving, you need to work hard to customize the gift arrangement so that it meets the goals and needs of the donor.

Heartfelt Giving

The giving decision has a strong emotional component. Despite all of the sophisticated tax planning we hear so much about in planned giving, almost all large gifts are given from the heart. The tax considerations are often important in planning the gift, but the initial decision is mostly based on feelings of concern and empathy for the people in need.

Large-gift fundraising is always based on personal relationships. Get out of the office and meet with your prospects face-to-face. The main reason that donors fail to make gifts is simply that they were never asked. Learn to ask for the gift skillfully, mindful of each donor's need to make a difference. Patiently wait until you know the donor well enough to suggest exactly the right gift. If you have listened well, you will be able to propose a gift idea that is perfectly aligned with your donor's values and interests.

It feels good to give, so make sure you handle the gift-planning process so that each donor can fully enjoy the satisfaction of giving. The donor's feeling of doing good in the world is really the only reward he or she will ever receive for arranging the gift.

If you pay close attention to how your donors feel, you can avoid the common mistakes of those charitable organizations that unwittingly alienate their donors by ignoring them after the gift. Keep working on the relationship, moving your donors closer and closer to your mission and the people you serve. Show them how their support is assisting your mission. When you do this well, you are responding directly to, and reinforcing, the fundamental reason they give, which is simply to make a difference.

– John Elbare

Determining Donor Motivation

In the world of planned giving, gifts are not always as neat and tidy as they are in the outright giving business. For instance, when a donor gives you cash or stock from a publicly traded company, it's hard to imagine how the donor has any other motivation than to support your organization.

However in planned giving, it's sometimes not so easy to determine what motivates the donor — particularly as they contemplate gifts of real estate or life insurance. Not every proposed planned gift is a good gift!

PGMentor Topics: A Two-Year Glance

Sometimes a prospective donor may be looking to "unload" a property he has owned for some time that has no market for resale; or worse, the property has environmental issues associated with it.

Gifts of life insurance can often have issues, too. The two most common areas of concern deal with insurance agents who are selling insurance as a way to build endowments (in a myriad of forms), or donors who are using "gifts" of life insurance as part of a personal tax avoidance technique.

Warning Signs

So how can you know when a prospective donor has true charitable intent as it relates to their proposed planned gift arrangement? There are several signs.

First, are you hearing from this prospective donor, or their professional advisor, for the very first time? Has there been a pattern of philanthropic support previously, or is the prospective donor a virtual stranger to you and your organization?

Second, do you feel pressure to accept the gift immediately? Often, real estate gifts are contemplated too close to the end of a calendar year for you and your organization to have sufficient time for due diligence on the property. I've turned down more real estate gifts in the last three weeks of December than I've accepted throughout my career.

Finally, is someone going to make money if the gift is made to your organization?

If the proposed gift arrangement is not a traditional gift of cash or publicly traded stock to fund a standard gift annuity or charitable trust, then there is a whole different level of complexity and research that must be done prior to accepting the gift.

In order to help you navigate through proposed gifts beyond cash and publicly traded stock, it's advisable to have a comprehensive planned-gift acceptance policy to consult. Planned giving policy has come along way in the last five years, and most organizations that have adopted good policy — and then follow it — will avoid accepting gifts they later regret.

Do you feel pressure to accept the gift immediately?

Also, many thoughtful charitable organizations invite professionals from the real estate, insurance, investment, legal, and accounting fields to help them contemplate these more complex gifts. Most charitable organizations have formed their planned giving committees hoping that these professionals will bring planned gift arrangements to them. In my experience, these committees are often more effective in helping you review proposed planned gift arrangements from other sources.

Gifts Requiring Caution

Here is a list of proposed gift arrangements that should cause your caution light to turn on. There are more, but these are most common:

Certain Real Estate Gifts:

- Buildings that were constructed earlier than the 1970s;
- Wetland property or property with significant easement issues;
- Property with debt on it of any kind;
- Property with buried tanks or rusty metal of any kind;
- Property in communities where real estate markets are stagnant; and,
- Time shares.

Life Insurance Gifts That Focus On:

- Wealthy donors only;
- Loans from financial institutions to fund premium payments;
- Groups of people who are willing to have their lives insured;
- The term "split dollar" in any form; and,
- Any start-up life insurance program that promises to help build endowments.

In some cases, a charity can negotiate its way through some of these proposed arrangements toward a good outcome. For instance, gifts of buildings constructed prior to 1972 don't automatically have asbestos in the ceiling tiles or lead-based paint on the walls. Again, the key is to have good operating policy that will help you discover whether a prospective donor, and his or her advisors, has true and clear charitable intent.

With good policy, proper procedures, and a strong planned giving advisory committee, even charitable organizations that are fairly new to planned giving can avoid the pitfalls that many of us have experienced over the years.

– Gene Christian

Planned Giving Mentor™ is a monthly, tutorial publication written by a national board of full-time gift-planning consultants (NBOC) on subjects of interest to newcomers to planned giving. Each consultant espouses the *Model Standards of Practice for the Charitable Gift Planner* promoted by the National Committee on Planned Giving (www.ncpg.org) and desires to help newcomers learn about planned giving. Readers are invited to correspond with NBOC members by email.

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