CREATE a Jewish Legacy

TALKING TO DONORS ABOUT ENDOWMENT GIFTS

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Kathryn W. Miree is President of Kathryn W. Miree & Associates, Inc., a consulting firm that works with boards and staff of nonprofits and foundations to develop administrative policies, structure, and planned giving programs. She received her undergraduate degree from Emory University and her law degree from The University of Alabama School of Law. She spent 15 years in various positions in the Trust Division of a large regional bank before joining Sterne, Agee & Leach, Inc. to charter and serve as President & CEO of its trust company. She established Kathryn W. Miree & Associates, Inc. in 1997.

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TALKING TO DONORS ABOUT ENDOWMENT GIFTS

Talking to donors about endowed gifts can be challenging without the right message and strategy. This session focuses on:

- The importance of the case statement
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- The role of volunteers in making the call
- How to make an endowment call, including preparation, the visit, and follow through
- How to ensure donors keep making annual gifts – and commit to the endowment gift
- Factors to consider in gift design
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I. Preparing to Talk to Donors

A. Defining Endowment

One of the first stumbling blocks to building endowment is defining the term. The term "endowment" is broadly used throughout this discussion to describe funds set aside for the long-term benefit of the nonprofit (rather than as current operating reserves). One of the difficulties in having a discussion about endowment is that each nonprofit defines the term in its own way. There are three types of endowments: true endowments; quasi-endowments; and term endowments.

- **True Endowment.** A true endowment consists of funds permanently set aside (restricted by document or donor) to generate income for the nonprofit. The donor directs principal (however that is defined) will be invested and that income (again, sometimes defined) will be spent for broad or specific purposes.[1] When a donor limits the use of endowed funds, the endowment gift is considered restricted; when the donor leaves spending discretion to the nonprofit, the endowed gift is unrestricted.

- **Quasi-endowment**. Quasi-endowed funds are funds committed to long-term use (endowment) generally by board resolution. Board-restricted funds may include unrestricted bequests or planned gifts received by the nonprofit, surplus funds available at year-end (that are not needed for operating reserves), or funds resulting from the sale of an asset. Since the board created the restriction on use of principal, it can remove it. The board should establish procedures to govern distribution of income and withdrawal of principal.

- **Term Endowment**. A term endowment is a gift in which the principal is restricted for a specific period of time. For example, a donor may create a gift for ten years to benefit a particular university program, or to fund a need for a limited period of time. Alternatively, a donor may contribute funds to amortize a bond issue and tie the term to the life of the

[1] Income is defined by state law, unless the document creating the endowment provides an overriding definition.

bonds. After the expiration of the time, the board may use the principal or allocate it as a quasi-endowment.

B. The Case Statement

The endowment case statement is key to your success in building endowment. The endowment must play a key role in the long-term success of your charity, and the charity's board must have a clear vision of need.

1. The Role of Endowment in Your Charity's Mission

- **Begin with a vision – what does the charity need from an endowment?** The best way to focus the board is to involve them in setting objectives. Use the organization's long-term strategic plan to identify specific funding objectives, whether those are unrestricted funds to support shortfalls in operating revenue, funds to expand programs, funds to award scholarships to create a more diverse student population, etc.

- **Move to the practical – why does the charity need an endowment?** Why are these goals critical to the nonprofit's future? If the organization is building from a long-term strategic plan, the answers will be in the plan. If it does not have one, it should engage in one to provide a foundation for the need, prioritize the needs, and provide the context for the endowment campaign.

- **Bridging the vision and the reality: when can you achieve the endowment objectives?** Goals must be grounded in reality. Most endowment campaigns have short-term and long-term goals. Begin by articulating those goals and then getting advice from counsel on the feasibility of those goals. Goals will vary depending upon the length of the endowment campaign, and the non-financial goals that are integral to success (especially with the long-term endowment building approach using a planned giving program). The key is to think beyond the purely financial goals.

Short-term goals may include:

- ✓ Developing a prospecting and donor identification process.
- ✓ Employing campaign counsel.
- ✓ Writing a case statement for the campaign.
- ✓ Setting dollar goals for the advance gift stage.
- ✓ Developing campaign specific campaign literature.
- ✓ Conducting a board campaign.
- ✓ Training board and staff on planned giving.
- ✓ Adding staff to support the campaign.

Long-term goals may include:.

- ✓ Raising a specific dollar value in current gifts.
- ✓ Obtaining commitments of a specific dollar amount in deferred gifts.
- ✓ Making xxxx calls on donors.
- ✓ Successfully establishing a professional advisory council.

- ✓ Sponsoring educational events for professional advisors.
- ✓ Add a planned giving staff member.

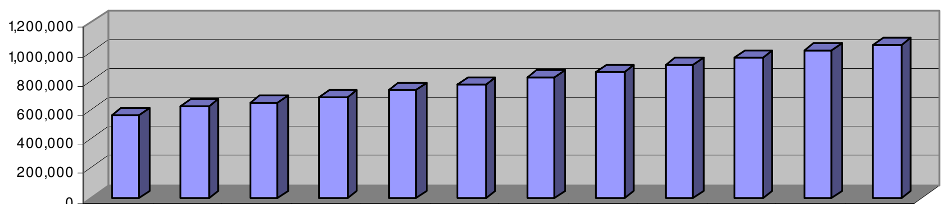
2. The Elements of Case

Nonprofits have faced a number of fundraising challenges over the last decade. Consider these issues:

- The economy has impacted available funds contributed by individual donors, especially for certain segments of the charitable sector. While the total giving has continued to increase, areas such as education have seen dramatic ups and downs.

- The number of nonprofit entities has increased dramatically, rising from 558,745 in 1994 to 1,045,979 in 2005 as reported by the IRS in its Annual Data Book and shown in Table 1. This represents an increasing demand for donor dollars.

TABLE 1
GROWTH OF CHARITIES 1994 – 2005



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Number of Entities	558,745	626,226	654,186	692,524	733,790	773,934	819,000	865,096	909,574	964,418	1,010,365	1,045,979

- Government, foundation, and corporate grants are decreasing. Government entities – with less tax revenue during the economic downturn – have had fewer funds to distribute in discretionary funds. Foundations, suffering from sharp downturns in asset values, have lower required distribution amounts and are employing more conservative grantmaking strategies. (Even charities with their own foundations have experienced more conservative spending policies resulting from the bear markets.) Corporations, struggling to remain profitable, have reduced funds available to charities. These shifts have prompted charities highly dependent on such grants to diversify fundraising and approach individual donors for support, again increasing competition for available dollars.

- Worldwide tragedies have diverted donor funds, shifting dollars from traditional support for the September 11th tragedy, the Asian tsunami, Hurricanes Katrina and Rita, and many other earthquakes, mudslides, and floods.

These factors suggest charities need protection from these fluctuations. Endowments offer one solution. There is no purely objective test that leads an organization to decide to establish an endowment. The following questions may help a board remain focused on objective, rather than emotional, issues in making the decision. Positive answers to any of these questions may lead the organization to consider the creation of an endowment:

- *Does the organization serve a purpose or need that is likely to exist on a long-term basis?*
- *Do cyclical economic variances impact the receipt of annual or special event gifts?*
- *Does the organization face increasing operating costs?*
- *Does the organization currently have new programs related to its purpose that cannot be operated because they lack funding?*
- *Does the organization anticipate future needs for programs that may not be met for lack of funding?*
- *Does the organization face increasing competition for annual gifts?*
- *Is the organization dependent upon government or private grants for its organizational expenses?* .
- *Has the organization lost major annual gifts through attrition of its donors?*

3. Writing the Case Statement

The case statement must be written in a way to clearly capture the unique role of the endowment, reflect the endowment campaign form, anticipate concerns (or objections), and build consensus among staff and volunteer leaders. Use these tips in writing the case statement.

- ✓ *Start with a copy of the case statement for operating support of the nonprofit*. This will save you time and remind you why the nonprofit exists in your community.
- ✓ *Shift the perspective of the case statement for annual campaign to the long-term objectives related to endowment.* The case statement for current support is based on today's needs, while the case statement for endowment is based on meeting future needs, maintaining stability of funding, adding capacity for funding, and having the ability to respond in the event of emergency.
- ✓ *Put the donor in the picture*. Draft the case statement in such a way that it pulls the donor into the process. Read the statement when complete to determine whether you (as a donor) would understand your role in ensuring the future of the charity.
- ✓ *Pare the finished product down so that it is concise, clear, and compelling*. While you will want to keep a well-articulated long-version of the case statement for use in marketing, you must be able to make the case in one or two sentences.
- ✓ *Get buy-in from staff and volunteers.* Suggestions on how to build consensus and excited are described in more detail later.

The real challenge (and critical initial step) involves crafting a compelling, visionary case statement for endowment. Cast the case statement in terms of impact, value added, and the donor's role in ensuring the future quality and survival of the entity. Often this is easier to do when donors have specific objectives such as funding scholarships, chairs, professorships, a children's day care program, so other clear and tangible objectives.

II. How To Make an Endowment Call

A. Profiling Donors

Identifying potential endowment donors is similar to identifying planned gift donors – look for those individuals who are most connected, and most passionate about, the organization and its mission. This is relatively simple for those nonprofits that place emphasis on collection and maintenance of data and stewardship of donors. Nonprofits without good records may be left to read tea leaves or hope for some other miracle that will provide insight into their donor base. Those distinctions aside, almost every organization can do a better job of gathering and maintaining data – as long as they know the information they will need to identify prospects. Sources of potential endowment donors include the following, distinguished as internal and external resources:

- **Internal – Current Donors.** Begin the search by reviewing giving history, volunteer history, and use of services. The best prospects are:

  - ✓ *Multi-year annual fund donors.* Use the donor database to identify donors who have made gifts for five or more years at any gift level. If the organization has a large database, and many years of giving history, begin the search at 7 years of giving, 10 years of giving or higher to isolate the top 10 percent of the donor base with the most consistent giving history.
  - ✓ *Major gift donors*. While consistency in giving is a better indicator of endowment gift potential than size of gift, consider this group (especially those with multi-year giving histories). Gift size may (but does not always) reflect capacity. Focus on major gift donors who have other relationships (board service, volunteer service) for initial calls. These donors may serve as leaders for others in the donor pool.
  - ✓ *Long-term volunteer leadership (former board members, annual fund volunteers, other volunteers).* Most nonprofits have volunteers involved in board leadership, annual fund leadership, capital campaign structure, service volunteers, or other volunteer roles. These volunteers not only understand the nonprofit's role in the community – they are committed to it. If the organization does not have a current way to identify or recognize long-term volunteers, consider such a program. If the nonprofit does not capture volunteer data, do so. These individuals are closely tied to mission and have a better understand of the value of the services provided by the charity than the general public.
  - ✓ *Current board members***.** If the charity does a good job in rolling out the endowment program and getting buy-in from the board, they will be many steps closer to considering an endowment commitment. Tell this group at the outset they should consider a lead gift to endowment, setting the pace for other potential donors. Review the list of board members to prioritize those with the longest relationship and most involvement with the nonprofit. Call on them personally to solicit an endowment commitment.
  - ✓ *Corporate leadership.* Nonprofits that rely heavily on corporate leadership have another group of potential endowment investors. These individuals may be solicited for corporate matching gifts to attract endowment donors, as well as a personal gift. Look at board leadership, campaign volunteers, and up and coming corporate leadership for these prospects.

- ✓ *Staff*. Do not overlook staff. Staff can make outright, bequest or insurance gifts. Or they may choose to name the charity as beneficiary of a portion of their retirement funds. Staff are generally extremely committed and passionate about the charity's mission. Their gifts make a statement about the universal nature of endowment participation, and reinforce the concept that you do not have to be wealthy to make a significant contribution.

- **External – Community Investors.** Include community leaders in a volunteer role in the endowment building process. This provides an outside perspective and will help you identify potential donors outside the charity's current records. Segments may include professionals associated with the charity's mission, those served by the charity, or other pockets unique to the organization. Use these community leaders to brainstorm those groups with the greatest interest and potential to give, and develop a strategy to reach them. If these pockets of donors are not currently solicited, it may be best to add them to annual fund solicitations and direct mail and cultivate a relationship with them. Individuals who have never supported an organization before are not likely to make an endowment commitment.

The art of making donor calls will be covered in more detail in the follow up session to this two day workshop. It is appropriate, however, to address the basics here. If you have never made personal calls on donors, the process can be intimidating. Here are the basics.

B. Making the Call

Planning is critical to the success of a call. It is true that there is not a second chance to make a first impression. What is required to set up the call? Information and a calling strategy.

1. Developing The Information

The planned giving officer should have a basic set of facts about the prospect that forms the basis of identifying the prospect for the call. The following information is also important:

- Information about the prospect's relationship with the organization, contacts with the organization and gifts to the organization. (Use your own records to develop this information.)

- Information from public sources about the prospect's history, family and business. (Use archives - newspapers, eyes, ears and the Internet.)

- Information about the prospect's philanthropic history. What do you know about the organizations that the individual supports through volunteer work or contributions?

2. Developing The Strategy

Have a good understanding of the information you have developed. Be familiar with the donor's contact points with your organization, and potential interests in your organization. Is the prospect a member of your organization? Is your prospect an alumni? Is your prospect a former patient? The nature of the relationship may drive the vision that you cultivate.

Develop possible gift strategies that address the potential interests. Make a list of needs, and identify those needs that are most likely to appeal to the prospect. Be prepared to listen, and to be flexible. You may find there are other interests or needs that are more important to the prospect than the ones you have identified.

3. The Steps

Once information on the prospect is developed, set up the call using these six simple steps.

Step 1 *Review the information on the donor.* Know the strategy in calling on the prospect, and think through the logistics of calling on the prospect.

Step 2 *Send the letter*. Send a letter to introduce yourself and to let the prospect know that you will be in contact shortly to schedule a personal visit.

Step 3 *Make a phone call to follow up on the letter*. Contact the prospect within the time period outlined in the letter. Do not send the letter, and then lose your courage. Be prepared to clearly state the purpose of the call when you get in touch. Practice what you will say. Make sure it makes sense. Make sure that it's sincere.

Step 4 *Set a time to meet*. If the prospect is not willing to commit to a time, analyze the problem. Perhaps the call should wait for a while. Maybe the better course of action is to add the prospect to the mailing list, and to give them more time to become familiar with the organization. Do not force the issue.

You may find that a volunteer member of the planned giving committee or the board can make this initial call. Volunteers are extremely valuable in opening doors. A trip in a door with a volunteer adds credibility to your visit. Use this resource whenever possible or appropriate.

Step 6 *Follow the phone call with a letter confirming the meeting time and place*. Make sure that the prospect has your telephone number in the even that the meeting must be cancelled or moved.

4. The Course of the Call

Once the visit is set, make the visit and be prepared to move through the six steps of the call at the pace set by the donor.

- **Establish a Relationship With the Donor**

The planned giving officer must establish a relationship with the donor. The initial visit may be for the purpose of an introduction and to establish the planned giving officer as a person rather than a voice. The PGO can deliver requested information in person or deliver event tickets in person.

- **Develop Information About the Prospect**

Ask the right questions. Ask the right questions about possible motivation. Topics include:

- ✓ *Family, friends and finances.* Prospects enjoy talking about themselves, their family and their success in the business or charitable world. Allow them that pleasure and listen carefully for information that may prove useful in developing a gift proposal.

- ✓ Make sure that you develop information about the donor's background, family and personal interests, information about financial assets, information about professional advisors and the level of estate planning the prospect has completed and family planning goals and objectives.

- ✓ *Fanatical interests***.** For example, if the prospect is a member of the board, ask them to tell you the most important program or service that the nonprofit provides. Or ask them to identify the most important need that the nonprofit fails to meet. Help that board member develop a vision of the future organization, and show that board member how they can make it happen.

- ✓ *If the prospect is a long-term giver*, ask them why they give. Ask them if they are satisfied with the manner in which the money is spent. Determine why they are committed to your organization.

- ✓ *If the prospect is in the natural constituency group*, ask they to describe the most pressing need that they see in their day to day practice. Ask them how they would address that need.

- ✓ *If the prospect is a service user*, ask them to describe the value of that service. Ask them to distinguish the service of your organization from others in the community. Determine the value-added component of your service. Ask the donor if it is important to insure that that service be available to others.

- **Share Information About Your Organization**

Make sure that the story of the organization is easily related. Put the story into the context of the prospect's interests. Leave behind information that reinforces the story that is told. Make sure that the information is attractive, and easy to read.

- **Qualify the Donor**

Use the information that is gathered about the prospect's family, family resources and interests to qualify the individual as a potential donor. Does this individual have the interest? Does this individual have the resources? Do the interests match the resources? Is this donor at a personal stage to consider a gift? What type of gift is appropriate?

The planned giving officer should qualify the prospect to the degree possible to determine whether the prospect should remain on the calling list, or whether the individual should be removed. For example, the officer may determine that the prospect should be contacted again in the future.

Do not rush to judgment on the issue of qualification. Make sure that enough information is developed to reach an appropriate conclusion. Begin to look for the answers to these questions on the first visit.

- **Move the Prospect To the Next Step**

The planned giving officer should conclude the visit by identifying the next step and by setting up an opportunity for the next visit. Identify additional information that will interest the prospect. Identify seminars or events that might prove helpful. Look for an opportunity to add a layer to the relationship.

- **Ask For the Gift.**

The process of asking for the gift involves several steps.

✓ *The donor must be qualified.* The planned giving officer must first have enough information about the donor, the donor's resources and the donor's goals to qualify the prospect as a true potential donor.

✓ *Determine the amount and the type of gift.* The PGO must use the information developed in the visit to create a strategy on the size and type of gift that is best. Consider the donor's resources, the donor's goals, and the way in which the proposed gift meets those goals. Consider these factors in writing the proposal, and incorporate the appropriate elements to communicate this analysis to the donor. The proposal must tie the gift to the donor's goals. Highlight the benefits and details of the proposal. Explain how the proposal meets the prospect's objectives. Fully disclose the details of the transaction. Describe the next step in the process. Write the proposal as if the donor's professional advisors will review it. They will. Encourage the donor to ask for the review.

✓ *Set the time to make the "ask"***.** Personal judgment s required to determined the right time and place to ask for the gift. Make the proposal in person if at all possible.

Address the individual's goals and vision. Explain the value of the gift to the nonprofit organization. Make the proposal, and then listen. And watch.

If the donor says "yes", talk about follow through. Suggest a joint meeting with the professional advisor to discuss the plan. Describe the next step in the process. Make sure that follow through is possible and probable.

If the donor says "no", probe for reasons. Do not pressure the donor, but attempt to determine why the proposal is not attractive. Does the donor have a concern about personal resources? Is the vision murky? Is now the wrong time? Are there events in the donor's life that create a need to wait for resolution of other items or events before making a gift? Does the donor have a problem or concern with the charitable organization? Analysis of a "no" can provide a wealth of helpful information.

- ✓ *Thank the donor for his or her time at the end of the call*, regardless of the outcome of the call. The donor would not have allowed the PGO to make a personal visit without some interest in the organization and the process.

- ✓ *Be Patient*. Development of planned gift donors takes time. The planned giving officer may develop a gift in one visit, in one year, or in 3 years. Consistency is the key. Once the planned giving officer has identified an interest, keep that prospect on the radar screen. Keep the prospect in the information loop. And look for opportunities to move the prospect to the donor level.

5. The Follow Up On the Call

Once the call has been made, review the call and take the following steps:

- *Make notes about the call, the information developed and the follow up.* These notes should be made as soon after the call as possible. Notes that are recorded at the end of a week or month will always leave out important details. Record these notes in the donor database so that they are available to others in the development process that may need the information.

- *Assess the value of the call*. Was the call productive? Was the prospect a qualified prospect? If so, what was the greatest qualifying feature of the prospect's relationship with the nonprofit? If not, how can you identify the problem with future prospects?

- *Make a list of follow up items*. The call should have ended with a follow up activity that will allow the planned giving officer to take the next step with the prospect. What is required? When will the activity be completed? What information or help is required to complete the activity?

- *Send a thank you note for the call*. Follow up quickly with the prospect. Thank the prospect for taking the time to talk with you. Remind the prospect of the next step. Include a personal note that involves information developed in the visit.

6. Listening Tips

- **Listen carefully to personal needs that may be met through planned gifts.** For example:

    - My income has been cut in half! My certificate of deposit is due to be renewed, and the interest rate is less than 2%!
    - Income from my stocks and bonds has dropped significantly over the last two years. I don't enough income to continue to make annual gifts.
    - I wish I could sell my stocks – but I hate to add the capital gains tax to the other taxes I pay now.
    - I'm worried about providing for my parents. I wish there were a way to get more income to them without transferring my assets.
    - I've got a child with special disabilities who qualifies for SSI. It's hard to know how to make sure they will always have resources.

- **Listen carefully for major financial transaction indicators that may be leveraged through a charitable gift**. For example.

    - My brother and I are going to sell land we inherited from our parents. I'm tired of paying the taxes and dealing with trash dumped on the land. Do you know any brokers?

- I’ve decided not to pass the family business to my children. I think it will be better to sell it now, while it still has substantive value.
- I’m worried about retirement. How will I ever create enough income, and ensure that income stream will continue through retirement? I think I’ll sell my financial assets and purchase tax exempt bonds.

III. The Role of Volunteers in Making the Call

Help the board understand its role in supporting the planned giving program. Duties include:

1. Design and Review of the Planned Giving Program and Endowment Initiative.

The board should establish the case for planned giving and prioritize the planned giving program on the charity’s list of development activities. This prioritization is essential in expressing the importance of the program. The board should ensure that the planned giving program is established in an orderly and logical manner. The board should conduct on ongoing review of the program activities to identify strengths and weaknesses.

2. *Adoption of Gift Acceptance Policies*

The board has a fiduciary duty to ensure that the charity is protected from receipt of harmful gifts and that it has a plan to manage gifts it receives. What types of gifts will be a part of the program? Are there certain gifts that require review before acceptance? Will the charity serve as trustee? If so, under what circumstances? Are there minimums for any types of gifts? Will the charity pay appraisal or legal fees? These questions must be asked, answered and reduced to writing.

3. *Adoption of Investment Management Policies*

The board also has a duty to manage the funds entrusted to its care. This requires setting standards for investment management and standards for how those investments will be measured and reviewed. The board must decide whether to manage the money in-house or to hire a money manager. If outside managers are used, a process of review and replacement must be established. The board must set spending policy, parameters for types of assets purchased for investment, and goals for long term performance. A decision must be made on how to handle disposition of gifts made to the fund. The determinations on these issues must be reduced to writing and reviewed at least annually.

4. *Establishment of Ethical Guidelines For Planned Giving*

The charity must operate its planned giving program in an ethical manner. The board should be familiar with, and adopt, the Model Standards of Conduct for the Charitable Gift Planner promulgated by the National Committee on Planned Giving, and the ethical standards of conduct established by the National Society of Fund Raising Executives. Staff and board should be trained to understand the dangers of paying planners for a gift, and of compensating staff based on dollars raised. Methods of ensuring compliance must be put in place. The credibility and reputation of the charity will depend upon the ethical standards reflected in its conduct.

5. *Establishment of Goals for the Planned Giving Program and Endowment Initiative*

The board must set financial and non-financial goals for the planned giving program. Non-financial goals may include the number of calls made by staff or the number of new members in the planned giving recognition society. Financial goals relate to new dollars received in planned gifts. Make sure that the goals are realistic and encourage ethical behavior. Also, the goals and the staff available to achieve them must correlate.

6. *Provide Leadership, Direction and Consistency for the Planned Giving Program and Endowment Initiative*

The future of the charity organization must be secure. Ongoing leadership, orderly transition in leadership, stability on the board, and a solid strategic plan are signs that charity is well managed. Clear reporting of the charity's fiscal health is another positive indicator. The public must believe that the charity will survive and be responsive.

7. *Commitment of a Personal Planned Gift to the Endowment*

Commitment in planned giving begins with the board. Each board member should be asked and should consider making a personal commitment through a bequest or other planned gift. This request for support should be made on an individual basis. Make an appointment to visit each board member to explain planned gift options and reinforce the value of a planned gift. Set goals for board participation. Generally these goals are set in terms of the percentage of the board that has made a planned gift. Report the board participation level as a part of the ongoing planned giving report.

8. *Identification of Potential Donors to the Endowment*

The charity's long-term survival depends upon its success in developing planned gifts as a part of the long-term revenue base. Board members have a fund-raising responsibility. One of the most valuable services they can render is to work with the development staff to identify prospects and to introduce those prospects to the charity staff. These duties should be spelled out on recruitment, and taught during training. By clearly communicating expectations the charity has a greater likelihood of selecting and keeping members willing to fulfill those expectations.

9. *Participation in Calls on Potential Endowment Donors*

Explain the value of the board member's introduction to prospective donors and the valuable link it provides between development staff and the prospect. Then provide the board with a list of potential planned giving donors (carefully prepared through an objective and subjective review and ranking of potential donors) and get their help in calling on those donors. Ask board members to pick three to five names from list who they know well enough to telephone to arrangement an appointment. The development staff should develop the information about the donor prior to the call and follow-up with the donor after the call. The staff can keep the calling volunteer involved in the process by copying the volunteer with subsequent correspondence. Make sure the donor is linked to staff and not the volunteer. Do not leave the follow-up and "ask" to the board member.

There are a few dangers in using board members and other volunteers to make calls. These problems can be avoided if fully understood.

- *Do not take a board member on a call who has not been personally solicited for a planned gift. The board member that has not thought through a planned gift in a personal context will not provide much assistance or enthusiasm on the call.* This is easily remedied. Do not begin the calls on the public until all board members have been solicited.

- *Do not allow the donor relationship to transfer from staff to volunteer. The long-term relationship and follow-through should be handled by staff.* Make sure that the volunteer understands his or her role and that the donor understands the staff member's role.

- *Do not take a board member on a call until he or she has been trained or educated on the purpose and the flow of the call.* Be aware that the board member may be uncomfortable in making the call unless their role is explained and clarified. Most board members will be concerned that the donor will ask them a technical question: "Can you explain how the flip trust works?" or "What is the income tax deduction for creating a charitable remainder trust?" It is the nature of leaders to establish and maintain control in such situations and they will not relish the idea that they may appear uneducated, uninformed, or out of control.

The charity's staff can address these concerns with a clear description of the flow of the call and encouragement to allow staff to answer technical questions. In truth, the initial prospect meeting is designed to create and identify an interest by the prospect in the charity and to ask for involvement. In general, the board member's role in the meeting is to express his or her personal experiences with the nonprofit and why he or she believes in the charity. Development of planned gift options come much later.

A volunteer may spin the meeting out of control if the development officer has not clearly defined the purpose of the visit. A bad call will leave an unpleasant impression on both the volunteer and the potential donor.

10. *Support of Other Marketing Activities*

The board can support the planned giving program's marketing efforts in other areas as well. Ask for board for help in these activities.

- *Design of seminars and workshops*. One of your biggest challenges is determining the "perfect" topic or topics for public events. Give your board a list of potential topics such as retirement planning, maximizing transfer to children, solving problems with real estate, etc., and ask them to rate their choices on a 1-10 scale. Also give them options on the location of the event and the time of day and ask them to rank those options on a similar scale. Be sure to define your intended audience. This system not only gives you good input, it also gives the board an opportunity to take responsibility for the event's success.

- *Participation in seminars, workshops, or other public planned giving events.* The events will generally include information of value to the board. Encourage participation. Never forget they are potential donors.

- *Identification of additional participants for seminars or workshops beyond the charity's mailing list.* Set aside some time in a development committee meeting, or even a board meeting (depending on its size and structure) to brainstorm to identify neighbors, friends, and other interested individuals to include on the mailing list.

- *Writing personal notes to potential attendees and participants*. Ask board members to set aside some time in a pre-board or post-board setting to sort through the addressed invitations and write personal notes encouraging attendance on the invitations of those they know. Note not only increase the response rate but also increases the likelihood that the board member will attend the event. This form of participation also helps the board take responsibility for the final success of the event.

- *Outreach to the professional community*. Reaching the professional community is an essential element in any planned giving marketing program. Begin with the professionals connected to your board members. Ask each board member to help you build your contact list by providing you with the names of their own attorneys, accountants, financial planners, insurance professionals, brokers and trust officers. Explain the need to establish good referral sources for other donors and to educate the professional community and that you would like to follow up to contact and collect information about the professional so that you can add his or her name to your referral database. (The information is also valuable for your donor profile database.)

IV. Considerations in Gift Design

A. A Barrier to Planning: Common Assumptions

Some of the difficulties in sorting the ethical issues in planning are based on assumptions made in planning. Planners often make three assumptions.

Assumption One: The client wants to leave his or her entire estate to family. The estate planning process usually centers on the assumption that a client wants to leave her entire estate – or as much as is possible after taxes – to immediate family members. Immediate family generally consists of two basic groups: souse, and children or descendants of children. Sometimes depending on facts or preferences, this definition is expanded to include siblings, nieces and nephews, or other extended family members with special needs.

The spouse is generally the testator's immediate priority in planning. The provisions made for the spouse may vary depending upon the length and nature of the marital relationship, the assets that each individual brought to the marriage, resources available, or other special circumstances. Once the spouse is protected, the planner may then assume the remainder should be transferred to children or other lineal descendants. This assumption is based on the traditional image of parents working, sacrificing, and building assets so that children will begin life with more financial assets than they had. In truth, the decision to leave money to children depends on personal values, practical experience, and the funds available for distribution. This assumption is not always accurate.

Assumption Two: The client is driven by tax avoidance. So much of what the client reads in *Forbes*, *The Wall Street Journal*, or even the local newspaper on estate planning focuses on tax avoidance or reduction. The planning professional also focuses on estate planning techniques and tax avoidance. The donor is focused on neither. Instead, he is concerned about personal needs, family needs and in many cases, charitable goals; he is not willing to sacrifice those goals merely to save taxes.

This emphasis on the tax benefits has several negative effects:

- *The intricacies of the planning process are difficult for donors (and potential donors) to appreciate*. Donors find it difficult to pursue concepts they do not understand.
- *The emphasis on tax elements reinforces the idea that charitable giving is driven primarily by personal gain rather than by philanthropic goals*. It further conveys the idea that charitable planning is solely for tax purposes, and that those without significant tax burdens need not be involved.
- *The publicity often attracts the unwanted attention of the Internal Revenue Service to planning techniques whose many personal benefits eclipse the charitable element.* Indeed, when planners create estate planning techniques that use charitable gifts to avoid tax and leave little to charity, the IRS takes note and may act quickly to close the door. Good examples of such scheme – such as the "accelerated charitable remainder trust," the "son of accelerated charitable remainder trust," and the "charitable reverse split-dollar insurance policy" – have been precluded by Congressional action (through changes in the tax code) after considerable print media coverage.

When clients are driven solely by the tax benefits of a gift and complete a transaction expecting to "make money," their expectations are rarely met. For example, many donors are told that creating a charitable remainder trust together with an irrevocable wealth replacement trust (an irrevocable trust that purchases an insurance policy equal to the value contributed to charity) will allow them to make a gift to charity, receive the deduction, and replace the assets given to charity with an insurance policy in an irrevocable trust that avoids estate tax. Illustrations use the dollars saved by the charitable deduction and the increased annual income stream from the charitable remainder trust to pay for the insurance policy, showing the donor he can pass more to his family free of income, gift and estate tax than if he had not made the charitable gift.

In truth, the creation of a charitable remainder trust and the funding of an irrevocable insurance trust are two separate decisions that sometimes work well together. However, any taxpayer can create an irrevocable trust, funded with insurance, to increase funds available to his family at death. When the gift to the charitable remainder trust is considered on its own, the transaction leaves the donor with fewer assets for heirs than prior to the gift. In other words, the transaction does not "make money" for the taxpayer. When the technique is marketed in this way, it is misleading to the donor, and potentially damaging to Congress' attitude about the value of a charitable deduction for the charitable remainder trust.

Every charitable transaction requires the donor to part with some or all of his interest in property in order to claim a charitable deduction. Thus the donor has less property than he had prior to the charitable gift.

Assumption Three: The client has fully thought through the issues that impact estate planning. Most have not. It is important to understand the perspective of the client involved in charitable planning. While the professionals involved consider the tax consequences and alternatives, the donor is dealing with more personal issues. The donor must first ensure that he or she will be able to maintain or improve a lifestyle. This is sometimes expressed in terms of attaining financial independence. Next, the donor must ensure that he or she can provide for family, both during life and at death. This thought process involves not only financial security for the family, but more difficult issues such as how to provide for this security after death. Issues related to responsibility, trusts, trustees, and other concerns must be articulated and addressed. Finally, the donor may want to impact or benefit those charitable organizations that were priorities during life. If the donor has not taken the time to articulate or quantify these concerns and goals, it is difficult to make decisions in the planning process.

B. The Benefits to Estate Planning and Planning a Gift

There are many benefits to planning:

- Planning allows a donor to protect his/her spouse, his/her children and other loved ones by making decisions about what will happen to personal assets instead of allowing state law to make those decisions.
- Planning allows a donor to minimize the cost of transferring his estate to heirs by taking advantage of tax laws that may reduce or eliminate taxes.
- Planning allows the donor to allocate dollars to meet priorities such as charities he has supported throughout his life.
- Planning gives a donor the security and peace of mind of knowing he has plans in place to deal with the uncertainties and inevitabilities of life.

There are also barriers to estate planning.[2]

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[2] These concerns are well expressed by Zoe Hicks in her book ***The Woman's Estate Planning Guide.***

- Planning requires the donor to engage in a discussion of his death.
- Planning implies that the donor will lose control of his assets.
- Planning requires that the donor make difficult decisions that affect the family.
- Planning requires that the donor talk to his attorney and other advisors (which ranks as something worse than going to the dentist).
- The donor may not know where to start.
- The donor is likely a champion procrastinator.

C. Why Do Donors Give?

Donors give for a variety of reasons. The challenge in developing philanthropic goals in a discussion with the donor is to elicit those goals, to determine if they are realistic, and to determine how they can be met. The real value in the gift planning process is that it provides so many timing and structure options, and allows donors to combine personal and philanthropic goals. The place to start, however, is by determining the donor's goal for the specific gift transaction. The most common motivations are described in more detail below.

- **The donor's commitment to the vital role the nonprofit organization serves in the community.** Some community organizations, such as churches, hospitals, or the United Way meet a critical need that is not fully addressed by the public sector.

- **The donor's appreciation of the organization because of a service provided.** Organizations such as schools or hospitals may have provided a direct benefit to a donor or his family.

- **The donor's understanding of the nonprofit's contribution to quality of life.** An entity such as a museum, symphony, or dance company adds value to the community and could not exist without private support.

- **The donor's perception of the nonprofit's role in research or development**. The donor may recognize or be motivated to support a research effort that could "change the world" or vastly improve quality of life.

- **The donor's gratitude for personal economic success**. A private school that prepares a student for college, a college that prepares a student for the business world, or a graduate school that prepares a student for a license in law or medicine are examples of nonprofits that will benefit from donors that associate success with the school.

- **The donor's interest in facilitating change in the community through the nonprofit organization.** A donor may create scholarships, or may fund organizations that offer opportunities to others that were denied to the donor.

- **The donor's interest in establishing a memorial**. A gift may represent a way that a donor can honor or remember a family member, a mentor, or other important figure.

- **The donor's need for personal contact.** Ongoing gifts, or planned gifts, are an excellent way to open and maintain lines of communication with individuals at an institution. This communication may fill a donor's need for regular contact.

- **The donor's need for recognition or attention**. A donor may seek attention on several levels. The donor may want the public clamor that accompanies a large gift because it is flattering. Or he may seek the public attention to foster his social or professional standing in the community. This need for recognition is generally accompanied by philanthropic goals as well.

- **The donor's desire to influence or control the activities of the nonprofit organization**. Some donors are motivated to make gifts to ensure that they will control or influence the activities or direction of an organization. The desired influence may relate to personal needs. For example, the donor may want to ensure that the hospital will treat his family if needed. Or the donor may want to ensure that a school will accept a marginal student. Not all such goals are realistic or ethical. The nonprofit should be careful to listen for these interests and be honest about the results of the gift.

- **The donor's guilt**. Guilt is an overlooked motivator. Nonprofits should not make the assumption that all gifts are motivated by altruism. Some donors attempt to pay back or correct wrongs, or to "compensate" society in a way that is important.

- **The donor's tax incentives**. Tax incentives are rarely the primary motivation for a gift. Tax incentives represent an "advantage" achieved in the process of making a gift. Much has been made of the tax advantages associated with charitable giving. However, it is rare if not impossible to create a situation in which the donor "makes money" from making a charitable gift since a completed gift results only from the irrevocable transfer of property to a qualified nonprofit organization. Be cautious and skeptical about a donor that is motivated by tax incentives alone. The gift, if made, will generally not be satisfying for the donor or for the organization.

D. A Checklist for Goal Setting

Many individuals have difficulty establishing goals for planning. These individuals may not have taken the time to person goals for lifetime needs or for the disposition of wealth. Help lead them through this process. The worksheet at Appendix A is an example of a simple form used to elicit this information. Common planning goals may include:

- **Providing for sufficient assets for spouse and family and addressing special needs**.

- **Providing for children**. This requires a discussion of the amount or nature of the property to be left to the child, and the form of the gift. The client should review whether the child is capable of financial asset management or if an advisor or trustee should be appointed.

- **Providing for grandchildren.** This also requires a discussion of how much and in what fashion. Can they handle financial asset management? Would a professional trustee be of benefit?

- **Providing for special educational, rehabilitation, medical or remedial provisions that should be made for one or more dependents**.

- **Providing for the care of extended family members**. Do you have any special concerns or needs that should be addressed in providing for your parents? Are there any other extended family members (or siblings?) that require special help?

- **Creating a way to maintain control or allow for flexibility**. How important is the ability to provide direction and meet needs?

- **Establishing family values and philanthropic goals that are important**.

- **Support specific charities that the client has supported during his or her lifetime**.

The worksheet allows the client to accomplish several goals. First, he is able to articulate priorities in planning. Second, he is prompted to quantify the costs of meeting those goals. For example, many individuals have not thought about the cost of providing for long-term health care, or providing a college education, or even the amount that they want to leave their children after death. The goal-setting process allows donors who have not quantified those goals to take the next step to talk with a financial planner, a CPA, or other professional that can help assign a dollar amount to a priority goal. Finally, he is able to take action to achieve goals, or make alternate plans if the goals cannot be met.

E. The Building Blocks

As with capital campaign, endowment campaign donor proposals should focus on gifts of assets rather than income. The "focus gifts" for the campaign should be tied to campaign goals and the immediacy of those goals. This is simple logic, but stated here to clarify the tie between the immediacy of the need to the form of gift. A simple matrix outlining the gift options is set out in Table 5.

TABLE 5
MOST COMMON ENDOWMENT GIFT OPTIONS

Outright Gifts (For Current Campaign Needs)	Gifts that Pay Income (For Deferred Campaign Needs)	Deferred Gifts (For Deferred Campaign Needs)

Publicly traded stocks	Charitable gift annuities	Insurance beneficiary designations
Publicly traded bonds	Charitable remainder trust	Retirement plan beneficiary designations
Mutual funds	Pooled income fund	Bequest under will
Privately traded stocks and bonds		Bequest under will substitute (such as a revocable trust)
Tangible personal property		Family foundation pledge
Real estate		Qualified conservation contribution
Gifts of remainder interest in home or farm		
Intellectual property gifts		
Bargain sales		
Insurance policy		
Partial interest gift		
Qualified conservation contribution		

V. Tracking Results

A. What to Track

Tracking results is critical to call analysis and follow through. Keep the following information:

1. Track the number of calls made to solicit endowment gifts, and the total number of calls made on each donor. You should be able to develop a ratio reflecting the number of donors who respond annually (as both a raw number and percentage of donors who respond positively). You'll also be able to develop an average number of calls required to close an endowment gift.

2. Track the number of outright gifts to endowment and deferred gift commitments to endowment. Track these gifts by type. Include donors who made deferred gift commitments in your Legacy Society.

3. Track the number of endowment mentions are made in published materials.

4. Track the number of inquiries you received from newsletters and other publications.

B. Never, Never Quit Building

The best endowment campaign is one that reaches its goal and keeps on going. While annual and capital campaigns have clear finish lines, the nonprofit's future is never fully funded. Ensure the campaign never ends by developing (and continually reviewing) endowment goals as part of the organization's ongoing strategic planning process to help donors envision the next level of success.

There is a second reason to keep the case statement and planned giving effort alive after the campaign's conclusion. Many of the endowment gifts will be deferred and revocable. The ongoing emphasis on future needs and mission ensure donor commitments stay in place.

C. Use the Opportunity to Build Planned Giving

One of the greatest benefits of any endowment campaign is its ability to bring form, focus, and urgency to the nonprofit's planned giving program. Often a planned giving program is launched with excitement and a great deal of activity by board and staff. Once the board realizes gifts are deferred and do not generate cash for many years, they lose interest. The endowment campaign provides a commitment platform for staff, board and donors.

The campaign is also a good excuse to assess the charity's planned giving infrastructure – gift acceptance, data, donor management, and investment policies. If those policies and procedures haven't been reviewed in a while, there is a good chance they are gathering dust, may not be current, and may be unfamiliar to many of the staff and board. This is a great time to get reacquainted.