



### Planned Giving Made Easy

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### Philanthropic Estate Planning – Why Do It?

“What mankind fears is not so much extinction, but extinction with insignificance.” Man wants to know that his life has somehow counted, if not for himself, then at least in the larger scheme of things. That it has left a trace, a trace that has meaning.”

▸ Ernest Becker, *psychologist*

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### Appreciate the Power of Planned Giving

- Donors have the POWER TO GIVE MORE
- Nonprofits have the POWER TO RAISE MORE

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**Planned Giving 101 – Today we will...**

- ▷ Define planned giving
- ▷ Discuss planned giving benefits to both the nonprofit and the donor
- ▷ Learn how to identify planned gift prospects
- ▷ Learn about two types of planned gifts: gifts that give later – and gifts that give back
- ▷ Identify steps to get started with a planned giving program

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**Planned Giving Defined**

▷ *Any gift given for any amount, given for any purpose, which is carefully considered by the donor in light of estate and financial planning.*

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**Another Perspective**

*“the motivation (for a charitable bequest) also includes the belief that the values of an institution align with the donor’s own values and that these values should be preserved for the future.”*

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### Percentage of Group Leaving Charitable Bequests

- ▷ 5% - Everyone
- ▷ 10% - Those who give \$500 a year or more in philanthropy
- ▷ 20% - Moderately wealthy – passing away with \$3.5 million to \$10 million
- ▷ 28% - Pretty wealthy – passing away with \$10 million to \$20 million
- ▷ 40% - Very wealthy – passing away with over \$20 million in assets

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### Planned Giving from the Nonprofit's Perspective

- ▷ Enhances annual giving
- ▷ Builds a pipeline for the future
- ▷ Links to growing an endowment
- ▷ Deepens relationships with donors
- ▷ Attracts major donors you might not get

8

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### Planned Giving from the Donor's Perspective

- ▷ Other than annual giving
- ▷ More effort than writing a check
- ▷ More reflection
- ▷ Often added to endowment
- ▷ Legacy aspect

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### Benefits to the Donor

- ▷ Major gift to charity and the community she cares about
- ▷ Possible life income
- ▷ May increase income from asset used for gift
- ▷ Potential tax advantages
  - Elimination or reduction in capital gains
  - Income tax deduction
  - Reduction of taxable estate
- ▷ Lowers the cost of giving

10

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### Who Are Our Planned Giving Prospects?

- ▷ Long term donors
- ▷ Committed volunteers
- ▷ Former board members and leadership
- ▷ Major gift donors/ capital campaign donors
- ▷ Older donors (60+)
- ▷ Donors without children or with very successful children
- ▷ Donors at life changing moments

11

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### Identifying Planned Giving Prospects

- ▷ The "would if coulds"
- ▷ Listening for cues
- ▷ Conversational planned giving
  - Do more than you ever thought possible
  - Gift beyond your lifetime
  - Perpetuate your annual support
  - Leave a perpetual legacy

12

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### Gifts for the Future

- ▷ Wills and bequests
- ▷ Beneficiary designations through retirement plans
- ▷ Beneficiary designations through life insurance

13

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### Wills and Bequests 101

Bequests can include any of the following:

- Specific Dollar Amount
- Real Property
- Personal Property (jewelry, art, collectibles, etc.
  - Related Use Rule
- Residuary Gift
- Contingent Gift

14

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### Beneficiary Designated Gifts in General

- ▷ Types: IRAs, 401(k)s, certain bank accounts, commercial annuities, life insurance and brokerage accounts
- ▷ Beneficiary designations trump any provisions in Will or Trust
- ▷ If not properly stated, the gift may lapse and pass through the Estate causing expense and unintended consequences
- ▷ If Donor tells you of this gift, try to get as much information as you can because these gifts can be difficult to find after death

15

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### Retirement plan designations

- ▷ Potential benefits
  - Tax savings because income tax builds up in deferred income plans
  - Under certain tax scenarios, the taxes to a non-spouse beneficiary can be as high as 75%!
- ▷ Potential pitfalls
  - If the designation is done incorrectly, it can be a problem for the family
  - Need to consult with a professional before a donor changes his/her designation

**However, most people give income tax free assets to charity through bequests and give taxable income to heirs. That's bad planning and in many cases should be reversed!**

16

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### Life Insurance Designations

- ▷ Advantages
  - Permits a large gift at a low cost (leverage smaller amount to get a larger payout)
  - No income or estate tax, no probate costs and charity gets 100%
- ▷ Ways to use life insurance
  - Simple: Name charity as beneficiary
  - Fairly simple: Donate existing policy to charity
  - May not get income tax deduction but policy is not in gross estate
  - More complex: Allow a charity to buy insurance on donor's life
  - Charity buys the policy and donor makes tax-deductible gift that pays premium

**Best thing to remember: A donor can invest a small amount of money to make a big impact and leave a significant legacy with insurance gifts.**

17

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### Gifts that Give Back (to the donor that is...)

- ▷ Charitable gift annuities
- ▷ Charitable remainder trusts

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## Charitable Gift Annuities

Donor transfers assets to a charity in exchange for charity's promise to pay a fixed annuity payment to one or two life annuitants.

- ▷ CGA is general obligation of issuing charitable organization
- ▷ Many states require licensing and other regulatory compliance (not RI)
- ▷ The rates are usually lower than commercial annuities but the donor gets a charitable deduction in the year of the initial gift
- ▷ The donor also gets favorable tax treatment on the payout

19

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## Charitable Remainder Trusts

- ▷ What is it?
  - ▷ Trust that holds property transferred by a donor with charity(ies) named as remainder
  - ▷ Donor can name him/herself or another person as income beneficiaries for a lifetime or a term of years (not to exceed 20)
  - ▷ Donor can elect a payout (minimum of 5%)
- ▷ Two Types
  - ▷ Annuity – pays a fixed amount over the term
  - ▷ Unitrust – pays an annually adjusted amount

**CRTs provide donors with more control over the assets than CGAs but they have more costs associated with implementation and participation.**

20

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### Deduction Calculator

Deduction calculations are available for gift annuities, remainder unitrusts, remainder annuity trusts and lead trusts. These calculations are provided solely for educational purposes and are not professional tax or legal advice. Individuals should consult a qualified professional advisor about their specific situation.

**Gift Annuity**  
The charitable gift annuity makes fixed payments for one or two lives. Part of the payout may be tax free.

**Annuity Trust**  
An annuity trust pays a fixed amount equal to five percent or more of the initial corpus for one or two lives.

**Annuity Trust for Term of 1-20 Years**  
An annuity trust may pay a fixed amount of five percent or more of initial corpus for a term of one to twenty years. The annuity may be divided among two or more recipients.

**Deferred Gift Annuity**  
The deferred gift annuity makes fixed payments for one or two lives. Part of the payout may be tax free.

**Lead Annuity Trust for Term of 1-35 Years**  
This lead annuity trust pays a fixed amount each year to a qualified charity for from one to thirty-five years, with remainder to family or family trust.

**Lead Unitrust for Term of 1-35 Years**  
This lead unitrust may pay any percentage amount to qualified charities for one to thirty-five years, with remainder to family or family trust.

**Unitrust**  
The tax-exempt unitrust pays five percent or more each year to the recipients for one or two lives.

**Unitrust for Term of 1-20 Years**  
A unitrust may pay five percent or more each year for a term of one to twenty years. The income may be divided among two or more recipients.

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### Getting Ready

- ▷ Educate the board
- ▷ Make a short list
- ▷ Seek introductions if necessary
- ▷ Staff leads the effort
- ▷ Each approach is personal and customized
- ▷ Timing is driven by the donor, not your needs – but you still need to ask
- ▷ Repetition is key

22

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### Steps to Secure a Planned Gift

- ▷ Know your donor
- ▷ Learn about his/her objectives, goals and motivations
- ▷ Once door is open, prepare a proposal
- ▷ Review in person and explain the details
- ▷ Provide full disclosure
- ▷ Encourage donor to review with their professional legal/financial/tax advisors

23

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### What is a Legacy Society and Why Do We Need One?

- ▷ Honor current donors
- ▷ Attract new donors
- ▷ Provide a growing prospect pool
- ▷ Promote additional planned gifts

24

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### Stewardship, Stewardship!

- ▷ Mailings and invitations
- ▷ Annual appreciation event
- ▷ Annual visits
- ▷ Remembrances
- ▷ Visible recognition

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### Key Things to Remember as You Venture Forth

- ▷ This is a long term process
- ▷ Cultivation is the key
- ▷ Lead by doing
- ▷ Be authentic
- ▷ Be visionary
- ▷ Use language of dreams and aspirations

26

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### Action Items

- ▷ Determine and prioritize your prospect pool
- ▷ Assign staff responsibility for identification, cultivation and stewardship
- ▷ Individualize donor cultivation process for each prospect
- ▷ Have a plan for keeping planned gift donors engaged
- ▷ Continue to develop your pipeline
- ▷ Keep smiling!

27

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**RESOURCES**

- ▷ Planned Giving Today – newsletter  
<http://www.liebertpub.com/overview/planned-giving-today/235/>
- ▷ Planned Giving Advisors – blog <http://plannedgivingadvisors.com>
- ▷ Partnership for Philanthropic Planning– national organization  
<http://www.pppnet.org/>
- ▷ Partnership for Philanthropic Planning of R.I. – <http://www.pppri.org>
- ▷ Planned Giving Simplified: The Gift, The Giver, and the Gift Planner by [Robert F. Sharpe](#)
- ▷ Planned Giving Design Center – <http://www.pgdc.com>

28

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*Lead, Transform, Inspire*

**Q & A**

Thank you for being here.

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