4 Building Blocks for Planned Giving Success

The Minnesota Alliance of Local History Museums

🌟 SAINT PAUL & MINNESOTA FOUNDATION
Four Building Blocks

1. Tools
2. Assets
3. Donors
4. Partners
Why Planned Giving?

• **An organization’s motivation:**
  • Creates an ongoing source of income and diversifies income stream
  • Provides for future generations
  • Enhances stability, prestige, sophistication and permanency
  • Relieves pressure on the annual fund
  • Allows for program expansion
  • Builds a pipeline of future gifts
Why Planned Giving?

• A donor’s motivation:
  • Identify with a cause or community
  • Leave a legacy and/or memorialize a loved one
  • Make a financial statement about one’s values/beliefs
  • Recognition/status (i.e. named endowments)
  • Financial security (life income stream)
  • Limit transfer of assets to heirs
  • Enjoy tax benefits
Tools: Overview of Common Planned Gifts
Types of Planned Gifts

• Bequests
• Beneficiary Designation
• Life Insurance
• Life Income Gifts
  • Charitable Remainder Trust
  • Charitable Gift Annuity
• Donor Advised Funds
• Designated Funds
Bequests

- Provision to charity included in a will or trust
  - **Specific bequest**: exact dollar amount (or a specific valuable item)
  - **Percentage bequest**: percentage of estate left to charity
  - **Residual bequest**: directs that what is left (if anything) after distributions is given to charity
  - **Contingency bequest**: a charitable contribution is to be made only if certain things happen first
Bequests

- Simplest and most straightforward planned gift
- Most frequently executed planned gift
- Nearly all bequests are revocable, so stewardship is key!
- Bequest language should be readily available on your website and/or marketing collateral:
  - “I devise and bequeath $_____ or _____% of my gross estate as determined for federal estate tax purposes to _____________ (organization name and EIN) for (general support, specific program, its endowment, etc.).”
Beneficiary Designation

• IRA (Traditional or Roth): deferred savings plan
  • During lifetime: can be used for charitable contributions after age 59½
  • Required minimum distributions take effect at age 70½
  • After lifetime: percentage or dollar amount named to a specific charity
IRA Charitable Rollover

• For donors 70 ½ or older
• Avoid taxes on transfers of up to $100,000 from IRA to nonprofit per person
• Satisfy required minimum distribution (RMD) for the year
• Reduce taxable income (impacts Medicare, etc.)
IRA Charitable Rollover

• How it works:
  • Donor instructs IRA plan administrator to make a gift from IRA to nonprofit
  • IRA funds are directly transferred to nonprofit
  • Nonprofit receipts donor (specific receipt guidelines for IRA Charitable Rollover gifts)

• **Note:** IRA charitable rollovers do not qualify for a charitable tax deduction and cannot be placed in DAFs
Life Insurance

• A contract to pay a specific amount or percentage of money upon the death of the insured
  • Name an organization as the beneficiary of an insurance policy
  • Name an organization as the owner of an insurance policy and receive a tax deduction for annual premiums
Life Insurance

- Involved parties:
  - **Donor**: buys and pays for the policy; right to change beneficiary
  - **Insurer**: promises to pay $ or % of money upon death of the insured
  - **Insured**: the one upon whose death the insurer will pay death benefit
  - **Beneficiary (charity)**: the organization to which the death benefit will be paid
Charitable Remainder Trust

- Irrevocable trust
- Provides income to one or more beneficiary for life or set term (up to 20 years)
- Remainder benefits designated charity upon gift maturity
- Most powerful and flexible charitable planning vehicle
- Two types of CRTs:
  - Annuity Trust (CRAT) – fixed dollar payment to donor
  - Unitrust (CRUT) – fixed percentage payment to donor
- Farm equipment, land, real estate, etc.
Charitable Gift Annuity

- A contract issued by the charity to pay a fixed dollar amount annually for the lifetime of one or two individuals; contract issued in exchange for a contribution.
- Simple and low barrier to entry (as low as $10K)
- Favorable interest rates in today’s environment, particularly for older donors
- Simpler than other split interest gifts like CRATs and CRUTs
- Immediate tax benefits
Donor Advised Funds

- Donor Advised Funds must have an ending beneficiary:
  - **Unrestricted**: annual grants distributed via competitive grantmaking process
  - **Field of Interest**: annual grants distributed via competitive grantmaking process to specified areas of interest (i.e. “the arts”)
  - **Designated**: specified organizations receive annual grants
Designated Funds

• Donors establish a permanently endowed fund during or after their lifetime to benefit one or more of their favorite charities
Tools Takeaways

• Promote bequests
• Include bequest language on website, in newsletters, collateral, etc.
Assets: Overview of Common Planned Gift Assets
Assets in the United States

- Real Estate: 30%
- Stocks/MF: 16%
- Retirement/LI: 20%
- Cash: 11%
- Other: 23%

Federal Reserve Data (2008)
Assets for Consideration

• Cash
• Securities
• Retirement assets
• Real estate
• Agricultural assets
• Virtual currency
• Tangible personal property
Assets for Consideration

• **Retirement assets** inherited by individuals are reduced by both estate tax and income taxes (i.e. heavy tax burden for heirs)

• **Real estate** makes up over 30% of wealth

• **Agricultural assets** can make great gifts:
  • Farm equipment
  • Commodities (grain, oats, corn, soybeans, etc.)
  • Livestock
Funding a CGA with Pigs

1. Donor funds CGA with pigs
2. Donor receives tax deduction and fixed payments for life
3. At death, remainder goes to charity
Funding a CRT with Artwork

1. Donor gifts artwork to CRT
2. CRT sells artwork (“flip” event)
3. Donor receives tax deduction and payments*
4. At death, remainder goes to charity

*for up to 20 years
Assets Takeaways

• Ask for more than gifts of cash and securities
Donors: Who makes a great planned gift donor?
Who Makes a Great Planned Gift Donor?

- People age 60+
- Couples with no children
- Single adults (often widows/widowers)
- Champions of your mission
  - Board Members
  - Volunteers
- Donors with frequent and consistent donations
- Donors with real estate beyond primary home
Market with the Prospect in Mind

- Establish an emotional link between the organization, its mission, and the donor
- Be brief and to the point
- Make materials easy to read and understand
- Use visuals to demonstrate impact
- Include a call to action
- Provide direct contact information to a real person
Compelling Themes and Messages

- Named endowment funds
- Endowing an annual gift
- Endowment for a specific programmatic area
- Memorial gifts
- Legacy society
- Stewardship benefits
- Stories of real (living) people
Donor Takeaways

- Establish a list of prospective donors to ask for a planned gift by the end of 2021
- Consider the organization’s plan for receiving planned gifts
Partners: Who can support your planned giving work?
Planned Giving Partners

• **Professional Advisors:**
  • Estate planning attorneys
  • CPAs
  • Wealth managers and financial advisors

• **Community Foundations:**
  • State-wide foundations
  • Local/regional foundations

• **Minnesota Gift Planning Association**
  • Leave a Legacy MN
Partner Takeaways

• Determine which partners exist in your area
• Contact your partners to explore how they can support your work
Thank you

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