



# 4 Building Blocks for Planned Giving Success

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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

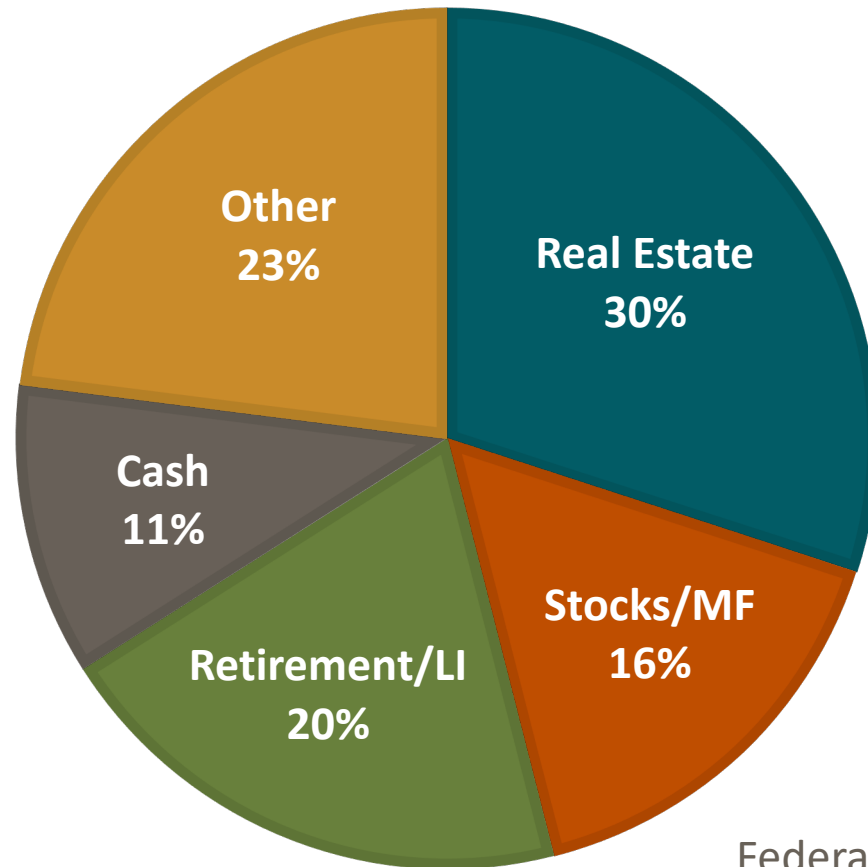
- Promote bequests
- Include bequest language on website, in newsletters, collateral, etc.

*Assets:  
Overview of Common  
Planned Gift Assets*

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# Assets in the United States



Federal Reserve Data (2008)

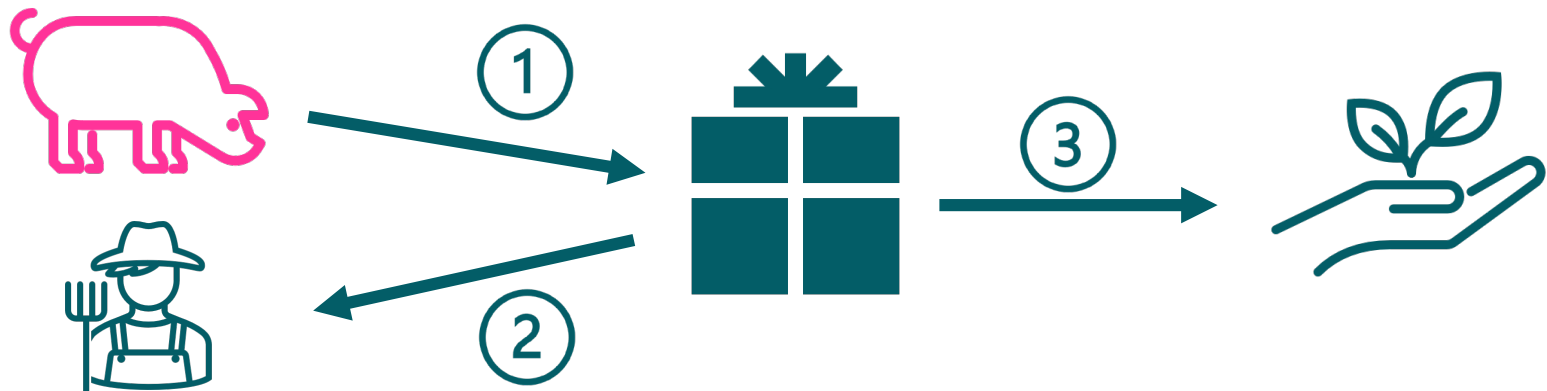
# Assets for Consideration

- Cash
- Securities
- Retirement assets
- Real estate
- Agricultural assets
- Virtual currency
- Tangible personal property

# Assets for Consideration

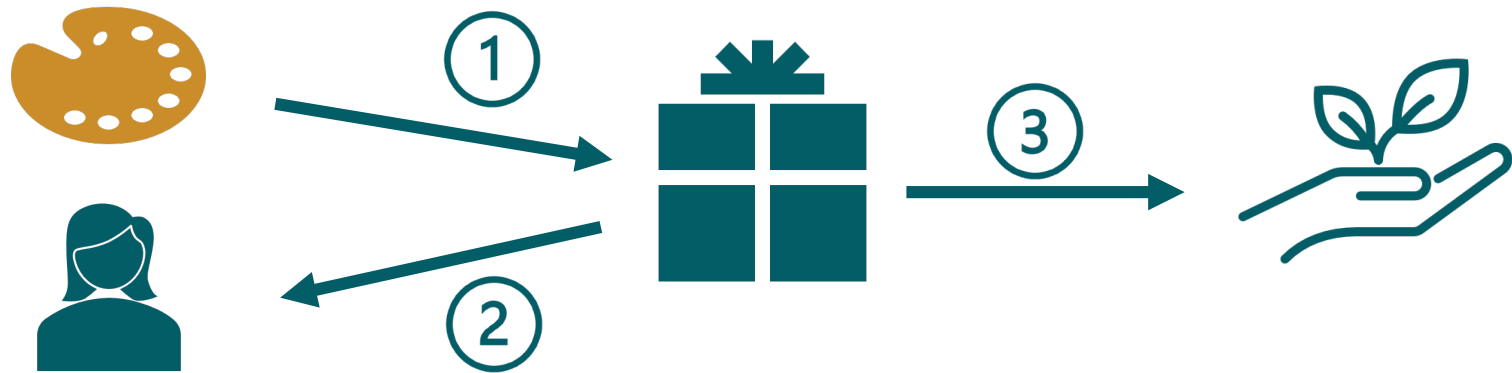
- **Retirement assets** inherited by individuals are reduced by both estate tax and income taxes (i.e. heavy tax burden for heirs)
- **Real estate** makes up over 30% of wealth
- **Agricultural assets** can make great gifts:
  - Farm equipment
  - Commodities (grain, oats, corn, soybeans, etc.)
  - Livestock

# 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

A man with dark hair and glasses is smiling broadly, showing his teeth. He is wearing a light green t-shirt with a circular logo that says "HOW DOE Y". He has his arms crossed and is standing in front of a concrete wall covered in graffiti. The graffiti includes large white letters and symbols. A dark teal semi-transparent rectangle is overlaid on the left side of the image, containing the text "Donors: Who makes a great planned gift donor?".

*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



A group of people, likely volunteers or staff, are working together to lift a large, dark wooden structure, possibly a piece of equipment or a large box. They are wearing outdoor gear, including hats, sunglasses, and life vests. One person in the foreground is wearing a red life vest, while another is wearing a blue life vest with "NRS" on it. A name tag on the blue vest identifies the person as "Omena" and "Staff". The background shows a green car with a Minnesota license plate "904-701" and a "PER TAX EXEMPT" sticker. The scene is outdoors with green foliage in the background.

◆  
*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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