The Rotary Foundation Has Global Impact

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Karena Bierman is Director of Gift Planning at The Rotary Foundation in Evanston, Ill., the fundraising arm of Rotary International. During the past 110 years, Rotary has grown to become a major factor in both local and global initiatives to address critical issues affecting quality of life for millions.

Give & Take:
What led you to become a gift planner?

Bierman:
After practicing law for several years at a downtown Chicago law firm, I realized that I wanted to do something that would allow me to give more back to the community. I started looking for a nonprofit I could put my heart into, and I found Rotary. I was drawn to Rotary’s dedication to ethics and commitment to improving opportunities for others.

A career in gift planning appealed to me because it requires me to use both sides of my brain. Working with donors and designing effective marketing require creativity, but I also enjoy crunching numbers, contemplating tax and other financial implications of gifts and watching the markets. I joined The Rotary Foundation as a gift planning officer 10 years ago, and I now serve as the Director of Gift Planning.

Give & Take:
Can you share some of Rotary’s history and its evolution through the years?

Bierman:
When I tell people I work for Rotary, I’m always surprised by how many people have a personal story about how Rotary has improved their lives. Whether they received a grant, their child received a scholarship or their community was bettered by a Rotary project, it’s always rewarding to learn how many people’s lives have been touched by Rotary.

Rotary was founded in 1905 by a group of businessmen in Chicago who wanted to establish a forum to exchange ideas, promote ethics and better the community. The idea caught on quickly and within 16 years, Rotary had a presence on six continents. Rotary now has 1.2 million members worldwide.

Rotary clubs are managed locally yet are associated with and supported by The Rotary Foundation. Local clubs decide what impact they would like to make on their community or on the world and then can apply to The Rotary Foundation for help. We use our expertise to ensure their proposal is sustainable and that their project will be managed properly, both financially and ethically. As a result, Rotary projects are community driven and managed. Local people identify a need and The Rotary Foundation gives them a way to fulfill that need.

Give & Take:
Can you talk about Rotary’s involvement in the international initiative to conquer polio?

Bierman:
Rotary was the exclusive leader behind the eradication of polio in the Philippines in 1979 and has continued the fight against the disease ever since. The Rotary Foundation provided the initial grant to vaccinate children against polio in the Philippines to test if the disease could be eradicated in one area, and it worked! That got people thinking that if we can destroy the threat of polio in one area, we could do it globally. Now, 35 years later, we are just about to close the door on polio. Polio is now endemic in only three countries—Nigeria, Afghanistan and Pakistan. If everyone stays committed and financial resources are made available, it will be just the second disease to ever be eradicated from the planet, following smallpox in 1979.

To that end, our End Polio Now campaign has enjoyed significant support from the Bill & Melinda Gates Foundation. As part of a recent gift, they will match $2 for every $1 Rotary spends on polio eradication, up to $35 million, through 2018. They are doing this not just to help raise funds but also to raise awareness of Rotary’s polio eradication efforts. People often think that since it is not in the U.S., the polio virus is gone, but there is still a need. The virus is still present.

The planned giving area at Rotary doesn’t directly market for polio gifts because the need is more imminent, but it is certainly a passion of this organization and a testament to Rotary’s commitment to improving the world.

Give & Take:
With such a global constituency, how are you able to interact with your donors?

Bierman:
We have a couple of different avenues for doing that. First, we have a number of trained volunteers in each region charged with keeping in touch with our donors. We also have major gift officers and other staff assigned to various regions (called Rotary zones) who are responsible for meeting and working with our supporters on a face-to-face basis as often as possible.

We also recently launched a Gift and Estate Planning Professionals Group, which allows Rotarians who are CPAs, estate planning attorneys or fund development professionals to
This very generous gift has been both interesting and challenging for us to work with because of its long-term nature. We are setting up conditions that will be enforced and in effect for several decades, depending on the longevity of the donor's children. In setting up the conditions, we are instructing the future workers of Rotary how to handle this amazing gift while at the same time encouraging his family to stay committed to Rotary and our mission. I was honored to be able to help.

Give & Take:
Do you have any advice for people who are new to gift planning?

Bierman:
People who are just starting out need to appreciate the intricacies and subtleties of what they're doing. It's important that they don't go rushing out to talk to donors on Day Two. They need to make sure they've taken the time to learn everything they need to know and have applied it in a non-risk situation. Above all else, they need to make sure they don't give someone bad advice.

Give & Take:
What do you like most about your job?

Bierman:
I get to meet people who are committed to changing the world. They often have financial and other advisors, but in many cases no one's helping them intellectually structure their charitable giving. They have made the emotional decision to support Rotary, but once they decide that, what's next?

It's like a puzzle. When I have conversations with donors, they tell me pieces of information, some of which they may have no idea is valuable in addressing their challenges. When we start turning the pieces, not unlike a Rubik's Cube, we sometimes find an option that solves several problems at once. This is where the right and left brain both come into play in many instances.

I love helping people who are using their wealth not for some percentage gain or investment return but to better the world we share. These supporters want to make the planet a better place for people to live. Helping them accomplish their goals is what makes my job so meaningful.

Did you know that we recently added over 600 historical Give & Take articles to our website?

Estate Settlement
Dos and Don’ts, Part 2

by Tamara Lane-Wilson

In the May issue of Give & Take, Tamara Lane-Wilson, a market development consultant based in Sharpe Group’s Washington, D.C. office, shared some of the best practices she developed during her years in estate administration at two national charities. This month, she shares some estate settlement “don’ts”—practices to avoid when handling bequests, trusts and other estate settlement issues for nonprofits.

Common mistakes

It is important to keep in mind that your nonprofit will often not be the only charitable beneficiary listed in a donor’s estate. Sometimes several nonprofits will each receive a predetermined amount, which may be the same for each charity or may vary widely (for example, $10,000 to Charity A, $5,000 to Charity B and $1,000 to Charity C).

More often, however, a donor will designate that the remainder of the estate or a set amount should be split among several charities (for instance, $16,000 to be split equally among three charities). In such cases, it is critical that all of the charities work together where possible in order to achieve their mutual best interests.

Receipt and release forms.

In my experience, when my organization shared a donor’s estate with other nonprofits, I sometimes found that other charities would be in such haste to deposit distribution checks that they would do so before reviewing the document, conducting inventory or waiting for final accounting. They frequently would also sign a receipt and release form before conducting due diligence, often to their detriment and possible enrichment of other charities.

While the laws vary from state to state, when signing a receipt and release form the charity accepts responsibility for what it has been given and may be waiving rights to accountings and other duties of the executor. Such forms are often used by executors, financial advisors and personal representatives as a way to minimize their liability should there be any errors in the distributions or potential legal issues after closing the estate.

It is not uncommon for receipt and release forms provided with partial distributions prior to the closing of an estate to include language stating that the charity will refund the distribution if the estate needs it down the road.

Signing the form makes it very difficult to obtain relief in the future if something is incorrect. In some cases, charitable estate administrators who may be encouraged to accept checks that accompany the release forms will dutifully and promptly sign and return the forms to the executor without taking the time to read them carefully or consult counsel.

Final accounting.

Some charities fail to carefully review inventories that are provided as part of the final accounting for the estate. If the final accounting is not properly examined, the organization could potentially lose funds it would otherwise receive.

Personal representative fees and expenses are part of the final accounting. Don’t trust that the estate representative will always be competent and upstanding. In some instances, personal representatives may overpay themselves, report inaccurate numbers of hours or billing rates or include expenses that are not necessarily related to the estate’s needs or requirements.

Hesitancy can result in lost funds.

Nonprofits should not settle for incomplete files or missing documents. The executor has a legal obligation to provide the charity with proper documentation, and you can request a copy of any document related to the bequest. If the executor or personal representative is hesitant to provide it, you can request a copy that has been redacted with other names, numbers and specifics blacked out. You may also request the portion of the document that names your charitable institution.

Your duty to the donor.

Overlooking any of the issues raised here can result in losses that may not be substantial in a particular case but can become very significant over time. Most importantly, don’t forget that as a representative of the charity that a donor chose to elevate to the status of a family member, you are in essence the steward of the donor’s gift. You have an obligation to make sure your charity receives the gift your donor envisioned and intended.

John Jensen
Receives Distinguished Service Award

Sharpe Group Senior Consultant John Jensen has been named the 2014 Distinguished Service Award recipient by the National Capital Gift Planning Council in Washington.

Announced in April at the Council’s Planned Giving Days conference, the Distinguished Service Award honors individuals with a superior long-term record of service in gift planning.
“Thank you for the great seminar on Integrating Major and Planned Gifts. Top ideas and insights! Our office put several of your suggestions in place and we have seen great success across campus. Thank you!”

— Ashley Burderus, University of Denver

## 2014 Dates for Sharpe Group Training Opportunities

**An Introduction to Planned Giving**

Discover how to build your planned giving program.

Learn the keys to effective communications with your donors. Examine the donor life cycle and how you can help donors make larger gifts today and plan gifts through bequests, trusts, gift annuities and other techniques. Learn to work effectively with those 65+ who may make up much of your donor base—or soon will. This seminar is appropriate for those who are laying the foundation for a successful gift planning program or are looking to improve the effectiveness of an existing program.

### Locations

- **New York**
  - October 13-14
- **Chicago**
  - December 8-9

**Gift Planning Fundamentals**

Who makes the larger gifts and why?

Help donors understand the best asset to give, the best way to transfer it and how timing can affect the size and tax benefits of the gift. Increase your knowledge and understanding of the what, when and how of various gift planning vehicles for maximum gift value and return on investment. Register for this seminar if you are new to planned giving responsibilities and need to learn gift types in more detail or if you could benefit from a refresher course.

### Locations

- **New York**
  - July 14-15
- **Chicago**
  - September 15-16

**Integrating Major and Planned Gifts**

Learn how major and planned giving can work together.

Discover how to help donors make the best gifts for their age, wealth and other factors, while meeting your current, capital and endowment needs. Learn how to interpret a donor’s verbal and non-verbal clues to determine which giving option is right and how to help donors make larger charitable gifts that might not otherwise be possible due to personal planning concerns. This seminar is for you if your organization has both departments and would like to bring everyone together, or if you or others are responsible for both major and planned gifts.

### Locations

- **San Francisco**
  - August 18-19
- **Washington**
  - November 6-7

See full agendas and register at [www.SHARPEnet.com/seminars](http://www.SHARPEnet.com/seminars) or call 901.680.5318 with questions.
In March 2014, the IRS released its latest annual review of split-interest trusts for filing year 2012. The study chronicled a recent seven-year decline in the number of charitable remainder trusts (CRTs) between 2005 and 2012. Could it be that the recent decline in CRTs will be followed by a new period of growth?

**Background information**

While charitable remainder trusts have existed for many years, charitable remainder annuity trusts and unitrusts were codified in the Tax Reform Act of 1969 with the goal of allowing and encouraging trusts for charitable purposes that provide income for one or more persons for their lifetime or certain other periods of time.

Faced with new code section 664 and associated regulations, many estate planners, banks and traditional trustees initially shied away from the new category of qualified charitable trusts. A small number of larger colleges, universities and other charities created the necessary infrastructure to encourage these gifts throughout the 1970s and early 1980s, but a variety of factors limited the attractiveness of these plans in the years immediately following passage of the legislation.

**The ‘last game in town.’**

By the mid-1980s, banks, trust companies and other financial service companies had reentered the charitable trust services market in greater numbers. The trend accelerated after the Tax Reform Act of 1986, which eliminated or curtailed most tax shelters and other tax-favored planning techniques.

When the dust settled, the charitable deduction remained intact. Suddenly, larger numbers of tax and financial planners began to appreciate the benefits of charitable remainder trusts. Financial service providers spent millions of dollars to train their financial consultants in the workings of these trusts, and they began promoting plans such as the build-up unitrust with wealth replacement as the “last game in town” from a tax planning perspective.

The broad availability of tax deduction calculation software allowed both the for-profit and nonprofit communities to promote these plans during a period of relatively higher income and capital gains tax rates. The value of the tax savings against higher tax rates, the ability to bypass capital gains tax at the time the trust was funded and the creation of a tax-exempt trading or investment platform created a very attractive planning opportunity at the same time that stocks and real estate values were rapidly increasing during the 1990s.

**After the bubble burst.**

During this period, a growing number of CRTs were created by the financial planning community with little or no active involvement by charitable organizations and institutions. Unfortunately, many such trusts featured build-up unitrusts with high payouts and even higher earning assumptions. After a period of better-than-average returns during the 1990s, the tech bubble burst and a number of build-up unitrusts failed to meet expectations. In the late 1990s, the IRS also became vigilant in identifying new types of abuses and regulating them through minimum charitable remainder percentages, maximum payout rates and other adjustments.

As the 21st century began, additional tax reforms resulted in lower income tax and capital gains tax rates. Lower tax rates in turn reduced the tax savings associated with charitable remainder trusts. Nonetheless, the number of charitable remainder trusts continued to grow from around 85,000 in 1998 to just over 116,000 in 2005 before trending downward. By 2012 the number of charitable remainder trusts had fallen off 9 percent from its peak.

This drop was due to a number of economic influences in the wake of the Great Recession that led to years when more trusts were terminated than were created. Charitable remainder unitrusts, the most popular type of charitable trust, peaked in 2008 just prior to the market crash. Unitrusts survived the Great Recession relatively intact, with only a 5 percent drop by 2012 from their peak in 2008. Charitable remainder annuity trusts, on the other hand, peaked in 2001 and then fell by over 36 percent by
A renaissance for CRTs?
The environment for the creation of new charitable trusts has changed considerably since 2012. Household net worth has recovered to an all-time high, and the numbers of millionaires and multi-millionaires are once again at record levels. Many of these wealthy individuals are likely to have experienced unpleasant tax increases as a result of the American Taxpayer Relief Act of 2012, which was enacted in 2013. Those in the highest income and capital gains tax brackets now have greater incentives to minimize those taxes.

In addition, the prime age group for charitable and retirement planning is growing rapidly as 10,000 baby boomers turn 65 every day. Studies suggest that 68 is the most common age at creation of charitable remainder trusts. The combination of increased tax rates, asset values for the wealthy and numbers of age-appropriate prospective donors could and should lead to a resurgence of CRTs. For charitable organizations and the planning community, the key will be to reach the right people at the right time for the right gifts.

This time around, trusts are likely to be created using more reasonable earnings and payout assumptions, thereby protecting both individual and charitable beneficiaries.

Charitable Remainder Trusts May Be the Perfect Solution for These Situations

Consider suggesting one of these charitable remainder trusts to your donors as a way to accomplish personal and charitable goals simultaneously.

1. The Bridge to Retirement CRT: Use a term of years CRT to provide a donor with income and a tax deduction until he or she is required to take retirement plan distributions.

2. The Golden Years CRT: Use highly appreciated assets to fund a 5 percent unitrust that could provide a growing income stream in the future and near-term tax deductions.

3. The Honor Thy Mother and Father CRT: Take care of aging parents with a tax-advantaged plan that provides them with an income and the donor with tax savings.

4. The Children’s Education CRT: Instead of paying tuition from after-tax dollars, use a term of years CRT to provide an income stream for the educational needs of a donor’s children or grandchildren while the donor receives an income tax deduction.

5. The Art Appreciation CRT: Turn that Renoir or other valuable collectible into an income stream based on the full value of the item without the loss of up to 31.8 percent due to higher capital gains tax on personal property combined with the Additional Medicare Tax.

6. The Flip CRT: Fund a CRUT with assets that are difficult to value or sell and receive income for life or a term of years following the sale of the property.

Note: Income, gift, estate and other tax consequences will vary depending on the circumstances.

To learn more about how charitable remainder trusts can help donors make meaningful gifts while meeting other personal goals, consider attending one of Sharpe Group’s popular seminars. See Page 5 or visit SHARPEnet.com/seminars for details.
To update your mailing information, visit www.SHARPEnet.com and select Contact in the top right. To access our new Give & Take archive, visit Give & Take > Articles.

Sharpe Group Training Opportunities

Development executives have relied on Sharpe Group for premier training since 1967. Increase your awareness of gift planning techniques and help your program reach its full potential by attending these Sharpe Gift Planning Seminars. Please visit www.SHARPEnet.com/seminars for more information.

An Introduction to Planned Giving
Discover how to lay the foundation for a successful gift planning program, revitalize existing efforts and master concepts underlying charitable gift planning.

Gift Planning Fundamentals
Learn the basics of gift planning tools, whether your focus is on facilitating gift planning or you have multiple responsibilities and need to broaden your knowledge.

Integrating Major and Planned Gifts
For those who have separate major and planned gift programs and want to bring them together or who have responsibility for both major and planned gifts.

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