The Passing of the Greatest Generation: What Does it Mean?

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The Passing of the Greatest Generation: What Does It Mean?

By Robert F. Sharpe, Jr.

December 7, 2016, marks the 75th anniversary of Pearl Harbor. Many of us grew up with parents, grandparents and other relatives or friends who were members of the generation whose lives were forever changed that fateful day.

As we observe this solemn anniversary, we pause as a nation to remember those Tom Brokaw aptly dubbed the “Greatest Generation.” This generation, sometimes referred to as the “G.I. Generation,” is comprised of the millions of American men and women who were born between the turn of the 20th century and the mid-1920s. They reached adulthood during the Great Depression, fought during World War II and presided over the unprecedented postwar economic expansion. They also raised the bar for public service and giving back to others.

Much heralded for their resourcefulness, diligence and hard work, the youngest members of this generation are now predominately women in their early 90s and older who are rapidly fading from the scene.

The nonprofit world faces a significant challenge as it navigates what may be treacherous generational straits between the Greatest Generation and the Baby Boomers. This challenge may be especially difficult where charitable gifts through estates are concerned.

As the numbers of the G.I. Generation decline, fundraisers will depend more heavily on succeeding generations. How will this affect charitable giving?

Approximately two million members of the G.I. Generation are still living, with the youngest now 92 years old. That total is less than the number of living Baby Boomers born in 1946 alone. All too soon, the final bequests from the Greatest Generation will have been received.

Understanding the Silents

The Silent Generation has fewer members than either the Greatest Generation or the Baby Boomers, so it consequently has fewer potential donors of both current and deferred gifts. Even when its smaller size is taken into account, however, the Silent Generation appears to be underrepresented as a percentage when looking both at numbers of legacy society members and those who have died and left bequests in recent years.

Sharpe studies of thousands of estates received by multiple organizations and institutions have confirmed this. For example, one leading university did not receive a single bequest last year from a member of the class of 1957, even though class sizes were consistent throughout the 1950s and those in the class of 1957 are now roughly 80 years of age. By contrast, the same institution had many bequests from alumni who were ten years older, as well as from the class of 1967 which turned 70 this year on average.

No one knows how extensive these trends are, but they certainly deserve careful monitoring. Some institutions should be prepared to experience a “double dip” in bequest receipts as they transition to a smaller pool of donors who, for whatever reason, may also be less likely to make gifts through their estates.

Anticipating the future

We should take time now to honor and reflect on the importance of this historic generation and look ahead to the challenges and opportunities that await those involved in encouraging major gifts to be received in both the near and long term.

The last two decades in estate giving have been largely defined by bequests from the Greatest Generation as those donors reached their 70s, 80s and early 90s. More than half a trillion dollars (in 2016 dollars) has been received in gifts from their estates, more than twice the amount received from the so-called “Lost Generation” that preceded them.

Over the next two decades, we will pivot away from the G.I. Generation and begin relying instead on estate gifts from the smaller Silent Generation. Understanding how the Silent Generation differs from the G.I. Generation will be essential for those who want to succeed in planned giving over the next 10 to 20 years.

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Granted, the Greatest Generation may be simply a historical aberration that raised the bar for bequests higher than the average generation is likely to reach. Early indications are, however, that the Greatest Generation’s children, the idealistic Baby Boomer Generation, are leaving bequests at the same—or even at a higher—percentage as their parents.

Given their sheer numbers, even if Boomers make charitable bequests only at the same rate as the Silent Generation, the fact that the Baby Boomer Generation is 50 percent larger than the Silent Generation should in and of itself bode well for bequest income 10 to 15 years from now.
In that case, the bequests from Baby Boomers who pass away at the front end of their generational mortality curve may help offset the loss of the Greatest Generation and serve to ease the impact of the “Silent Generation phenomenon.”

What to do now

In the meantime, how do we get from here to there? Even if the Silent Generation eventually proves to be as generous as their Greatest Generation predecessors, there are undeniably fewer of them. Actuarial realities thus foretell a flattening of the numbers of charitable bequests over the coming 20 years as those now aged 70 to 90 pass from the scene.

First and foremost, fundraisers need to manage expectations. There has been no shortage of hyping the “Great American Wealth Transfer” and the “Golden Age of Philanthropy” it will supposedly usher in. Such expectations have not been lost on nonprofit management and boards.

This wealth transfer may or may not be “real.” In any event, it will be another decade before the leading edge of the Boomers turns 80 and death rates turn up significantly along with the volume of wealth being transferred.

Take time now to study your bequest receipts over the past several years and become knowledgeable of where your gifts are—and are not—coming from. Extrapolate those trends and make sure your organization’s leadership, especially on the financial side, is aware of what the next decade may bring in terms of cash flow from estates.

Then, turn your attention to the Silent Generation and take all steps possible to “frack” that file. To maintain current levels of income, it may be necessary to increase the average size of a smaller number of estates. There are a number of ways to do that, the most important of which is to properly steward your existing expectancies and make sure they are not forgotten as efforts proceed to influence new gifts.

Finally, realize that the oldest Baby Boomer couples still have a 22-year life expectancy and the youngest Boomers may have more than 40 years ahead of them. As estate gifts from Boomers will naturally be delayed for a number of years, work to maximize outright gifts from that group over the coming decade. Knowledgeable gift planning professionals can also provide donors with many options for structuring blended gifts that will eventually result in significant bequests from Boomers while also providing current gift revenue during the remainder of their lives.

We now find ourselves at a critical juncture in the world of charitable gift planning. The passing of the Greatest Generation will not go unnoticed, or unfelt, in the world of philanthropy. However, those who act now and redouble their efforts to maximize income from the Silent Generation, while carefully managing the transition of Baby Boomers from current to deferred giving in coming decades, may well find they will, in fact, experience a golden age for their philanthropic funding.

This article is synopsized from sessions in the new Sharpe seminar “Structuring Blended Gifts,” to be introduced in January 2017 in Memphis. See Page 5 or www.SHARPEnet.com/seminars for more information regarding content, dates and locations.

Robert F. Sharpe, Jr. is the Chairman of Sharpe Group.

Ranks of Affluent and Wealthy Continue to Grow

Recent reports indicate that households with wealth over $25 million showed the greatest increase in numbers in the aftermath of the Great Recession. Note that there are now some 1.7 million households with wealth over $5 million. These facts could foretell an even greater reliance on major gifts in coming years.

<table>
<thead>
<tr>
<th>Household Net Worth (excluding primary residence)</th>
<th>Number of Households</th>
<th>Approximate Percent Increase Since 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 billion and over</td>
<td>538</td>
<td>13%</td>
</tr>
<tr>
<td>$25 million and over</td>
<td>145,000</td>
<td>73%</td>
</tr>
<tr>
<td>$5 million to $25 million</td>
<td>1.21 million</td>
<td>59%</td>
</tr>
<tr>
<td>$1 million to $5 million</td>
<td>9.1 million</td>
<td>54%</td>
</tr>
<tr>
<td>$100,000 to $1 million</td>
<td>29.8 million</td>
<td>22%</td>
</tr>
</tbody>
</table>

Tax Reform and Charitable Giving

Many experts anticipate tax reform in 2017. What might this mean for charitable giving?

After several years of bipartisan Congressional studies and committee work in the House and the Senate, it now appears that the prospects for comprehensive tax reform have moved to the front of the legislative agenda for 2017.

The president-elect’s tax reform proposal is based on an agenda designed to stimulate the economy by cutting taxes and creating jobs. While not identical, the plan largely follows the “Better Way” blueprint laid out in a policy statement made by Republican Congressional leaders this past summer.

The plans’ similarities will no doubt make it easier to craft a final bill. House Ways and Means Committee Chair Kevin Brady has said that his staff is already drafting tax reform legislation to be reviewed during the first 100 days of the new administration. Meanwhile, Senate Majority Leader Mitch McConnell has also indicated that he is enthusiastic about the prospects for bipartisan tax reform.

Some legislative experts have stated that there is an 80 percent probability that Congress will pass comprehensive tax reform legislation before the August 2017 recess.

What tax reform may look like

The basis of most tax reform plans calls for simplification of the Internal Revenue Code by eliminating or curtailing various deductions or policies that reduce tax revenue, thereby broadening the tax base. Additionally, tax rates may be reduced or increased depending on the plan, a taxpayer’s marital status and other factors.

Some of the various tax reform proposals feature reduced tax incentives for charitable giving, according to the Tax Policy Center. The potential reduction is in the 2 to 9 percent range, or potentially $6 billion to $26 billion per year.

Even though the percentage drop is small, the dollar amount is significant. It is certain that organizations like the Association of Fundraising Professionals (AFP), the National Association of Charitable Gift Planners (CGP), the Independent Sector and Charitable Coalition and other groups will rally to protect the important incentives to encourage charitable gifts.

In past tax reform acts, Congress has carefully addressed changes that would adversely affect philanthropy. Since the income tax deduction for charitable gifts has been a central component of the modern federal income tax code for nearly 100 years, many observers are confident that Congress will once again act to protect incentives for qualified gifts to charity.

Sources for More Information

› House Ways and Means Committee (waysandmeans.house.gov)
› Senate Finance Committee (finance.senate.gov)
› White House (whitehouse.gov)
› Congressional Budget Office (.cbo.gov)
› Alliance for Charitable Reform (acreform.org)
› Urban Institute (urban.org)
› Brookings Institution (brookings.edu)
› Tax Policy Center (taxpolicycenter.org)
› Tax Foundation (taxfoundation.org)
› Association of Fundraising Professionals (afpnet.org)
› National Association of Charitable Gift Planners (charitablegiftplanners.org)
› National Catholic Development Conference (ncdc.org)
› Association for Healthcare Philanthropy (ahp.org)
› Council for the Advancement and Support of Education (case.org)
› Independent Sector (independentsector.org)
› Giving Institute (givinginstitute.org)
› Library of Congress (congress.gov)
Sharpe’s newest offering, “Structuring Blended Gifts: Planned Gifts That Produce Current Revenue,” kicks off our 2017 seminars in January in Memphis, Tennessee. This new seminar will explore how to recognize concerns that are blocking donors from making gifts and how to help them make those gifts in ways that address their desire to fund retirement, provide for loved ones and meet other expected and unexpected personal planning needs.

Pictured is Beale Street in Memphis, one of the nation’s foremost music venues.

Upcoming Sharpe Group Seminars

**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 lifecycle and explore how you can help donors make larger gifts today and plan gifts through bequests, trusts, gift annuities and other vehicles. Learn to work effectively with those 65 and older who may make up much of your donor base—or soon will. This seminar is appropriate for those who are new to planned giving or responsible for looking for ways to enhance an existing program.

**Structuring Blended Gifts**

Explore ways donors can give using a blend of current and deferred gifts.

This seminar explains how blended gifts can make it feasible for those balancing multiple financial priorities to make larger gifts than they may have thought possible. In the days ahead, donors and advisors will increasingly turn to blended gifts to reap both current and future benefits. Note that proposed tax law changes will be incorporated throughout the presentation. Make sure you’re informed so your organization doesn’t miss out on this growing trend.

**Integrating Major and Planned Gifts**

Learn how major and planned giving can work together.

Discover how to help donors make the best gifts based on 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 for them and how to help donors make charitable gifts that might not otherwise be possible. 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.

Chicago March 23-24, 2017
Washington DC September 14-15, 2017

Memphis January 24-25, 2017
Washington DC April 18-19, 2017
New York August 10-11, 2017
Chicago October 2-3, 2017

Chicago June 29-30, 2017
Washington DC November 2-3, 2017

See full agendas and register at www.SHARPEnet.com/seminars or call 901.680.5318 with questions.
Reflections on December Giving
by Barlow T. Mann

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December can be one of the busiest months for fundraising, but it’s also a time to look forward to a new year.

As we enter the most philanthropic time of the year, overall charitable giving in America seems poised to set an all-time record in 2016. While the official Giving USA estimate for charitable giving this year will not be released for some months, several trends lead to this conclusion.

Economic recovery continues
Gross domestic product (GDP) figures remain positive for the year. Recently released government reports reveal increased income levels for many Americans, and the Federal Reserve household net worth figures once again reached record levels in 2016. The stock market also set new records in recent weeks. Since individuals and their estates traditionally account for about 80 percent of all charitable giving, which is generally derived from “discretionary income and assets,” we should see a rising tide in giving that will lead to a record year for philanthropy culminating in December.

The most generous time of the year
Numerous studies have shown that December is generally the most productive month for fundraising. Funds are solicited and raised via multiple channels, including traditional print correspondence, email, personal interactions and websites. December 31 is traditionally the biggest day of the year for online fundraising, and many donors make large and small gifts at this time.

While tax considerations are rarely the prime motivator for making gifts, they can influence a donor’s decision about not only what to give but when. Given the recent election, the timing of gifts may be especially important this year. The probability of tax reform measures next year may make it particularly attractive for some wealthier donors to accelerate deductions, including charitable gifts, into 2016.

Why do they give?
Why do donors support one charitable organization over another, and what can you do to point them in your direction? A recent Gallup Poll (www.gallup.com) provides some interesting insights into this question. The research panel found that 81 percent of U.S. adults who have made charitable contributions in the past 12 months indicated that their belief in an organization’s mission was the predominant factor in their gift decision. These mission-oriented donors are twice as likely to make an additional contribution in the next 12 months as donors who say the mission was not a major influence on their decision to give.

There are many other reasons people give, including:

- Wanting to make a difference
- Right thing to do
- Organization supports someone I know
- A friend or acquaintance asked
- Other (compelling story, obligation to give back, tax deduction, etc.)

Highlight your mission this December
Some of the most successful charitable organizations share similar characteristics. They present a clear, consistent purpose/mission, and they act on the stated mission. In other words, they not only “talk the talk,” but they also “walk the walk.” Additionally, they communicate consistently.

Since research shows that mission is the number one reason donors give, your organization should have a clear purpose and a trustworthy brand to leverage the mission aspect of your appeal. Sharing where and how funds are expended and services delivered can establish trust through organizational transparency. Donors also rely on annual reports, financial statements and watchdog
agencies to determine which charities they will support from year to year.

**Looking toward the future**
The Gallup analysis of charitable giving found that of those who gave in the last 12 months, only 5 percent intend to give less in the next 12 months. Some 18 percent plan to give more.

How can you turn these intentions into actions? Reach out to your most loyal contributors in 2017. Let them know that their gifts are appreciated and detail how they will be used. Over the course of the year, keep your constituents informed via multiple communication channels and give them repeated opportunities to give.

Carefully crafted communications early in the new year can reinforce the reasons they chose to support you in 2016 and can lay the groundwork for additional gifts in 2017. If you will be sending an additional acknowledgment to your donors of $250 or more, include a brochure or booklet on various ways of giving, how to find additional information on your website and whom to contact with any questions.

Remember, your existing donors are your most likely pool of prospects for additional gifts now and in the future. Show them you value their past contributions and look forward to building the future of your organization with their continued support. Your success this December may help to lay the foundation for your fundraising efforts next year.

One of the most effective ways to reach your donors is with a consistent newsletter. Sharpe Newsletters make this easy for organizations to incorporate gift planning communications to targeted donors. Visit www.SHARPEnet.com/newsletters for more information.

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*Sharpe Newsletters*

In the midst of the age of digital marketing, print publications are still the most effective way to reach those in the 75-and-older age segment who will be the source of the bulk of estate gifts over the coming decade.

For more information about Sharpe Newsletters, visit www.SHARPEnet.com/newsletters or contact us at 901.680.5300 or info@SHARPEnet.com.
Donor Data Enhancement Services

Donor Base File Enhancement

Dramatically improve your ability to communicate with donors more effectively. With findings from the Sharpe KnowledgeBase®, we know that donors give at different levels and in different ways based on age, income and net worth. We can help you identify and target these groups with the most effective communications for each.

By adding demographic data to your donor files, you can segment and communicate gift planning strategies better, increasing your success in current and deferred planning efforts.

In partnership with the largest data compilation company in the world, we offer this data packaged at a special group rate for Sharpe clients.

You can choose Net Worth Silver or Net Worth Gold and you'll receive age, gender, marital status and net worth information about your donors (see charts below). Ask about other ways we can enhance your data à la carte (such as Deceased Suppression, Telephone Append or Age Append).

This donor data enhancement forms the basis for our Sharpe Gift Planning Matrix®. Visit us online at www.SHARPEnet.com for more information on our findings. And ask your Sharpe Group consultant how to make this data work for you or how to combine it with other services for more favorable pricing.

How It Works

1. Upload your list to a secure site in a simple, pre-approved format.
2. Sharpe appends valuable demographic data to your file.
3. Your file is returned to you to upload to your database along with a summary report, which your Sharpe consultant will review with you.

It's Fast. It's Easy. It's Secure.

<table>
<thead>
<tr>
<th>Net Worth Silver</th>
<th>Net Worth Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age (Month/Year)</strong></td>
<td><strong>Gender</strong></td>
</tr>
</tbody>
</table>
| **Marital Status** | **Net Worth Silver Wealth Rating**
|                  | up to $500,000+* |

* Data reported in nine levels, up to top level of $500,000+

- $2,500 minimum for up to 25,000 matched records
- Then, $45 per thousand additional matched records

<table>
<thead>
<tr>
<th>Net Worth Gold</th>
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</thead>
<tbody>
<tr>
<td><strong>Age (Month/Year)</strong></td>
</tr>
</tbody>
</table>
| **Marital Status** | **Estimated Income and Net Worth Gold Wealth Rating**
|                  | up to $2 million +** |

** Data reported in eleven levels, up to top level of $2 million+

- $2,750 minimum for up to 10,000 matched records
- Then, $98 per thousand additional matched records

For more information on Donor Data Enhancement Services, contact your Sharpe Group consultant at 901.680.5300 or email info@SHARPEnet.com

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Contact us to learn more.

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