September 2017 | Vol. 50 No. 9

Give&Take®

IDEAS AND INSIGHTS FROM SHARPE GROUP

Where There's No Will, Is There a Way?

Page 2

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Where There's No Will, **Is There a Way?**

An interview with Andy Fussner, Vice President of Estate Settlement for the American Heart Association, about non-probate gifts.

The planned giving community has long encouraged donors to look at their retirement plans and life insurance policies along with their wills as a source for charitable giving. One quick and easy change to a beneficiary designation form can result in a significant charitable gift with welcome tax benefits.

While simple for the donor and always appreciated by the recipient organization, such gifts can sometimes lead to long delays and paperwork headaches for charities when they act to secure the gift the donor intended.

As Vice President of Estate Settlement for the American Heart Association, Andy Fussner has seen these issues unfold firsthand and on a large scale. Here he shares with *Give & Take* some of the reasons behind the distribution delays that are currently frustrating many charities. Next month's follow-up interview will outline some of the solutions and best practices Mr. Fussner and his staff have developed to speed up these distributions.

Give & Take: How did you become involved with estate settlement?

Andy Fussner: Before coming to the American Heart Association, I worked a number of years at a law firm in Tampa practicing estate planning and tax law. About 17 years ago, I had an opportunity to join the American Heart Association as a planned giving director. Over time, my role evolved into my current position, Vice President of Estate Settlement. I oversee estate settlement and bequest administration for the American Heart Association nationwide, and we have settled over 10,000 testamentary gifts during my tenure. I also work very closely with our planned giving office because we feel bequest administration is a vitally important "feedback loop" for planned giving.

Give & Take: Can you put the recent surge in non-probate gifts from deceased donors in perspective?

Fussner: Estate settlement involves a mix of different types of gifts: will bequests, trust bequests, beneficiary designations on financial arrangements such as IRAs, life insurance and so on. Estate gifts to the Heart Association are primarily wills and revocable living trusts. Over the last 10 years, however, we've seen a dramatic increase in other beneficiary designations, mainly retirement assets and pay-on-death instruments. Right now, these types of gifts make up about 20 percent of our estate gift income, but they are definitely growing.

Give & Take: What are some of the problems you are encountering with these gifts?

Fussner: Non-probate estate gifts, such as the ones made through beneficiary designations, used to be the estate settlement department's favorite type of gift. The institution holding the asset would send us notification that the donor had died, accompanied by a one-page beneficiary claim. Three or four weeks later we would get a check.

After the enactment of the Patriot Act in 2001 and the FINRA Know Your Client Rule that became effective in 2012, banks and other financial institutions that manage those funds have had to jump through a lot more hoops. Now when we are notified that we are a beneficiary, we are required to open an account at the institution that is holding the funds. That entails filling out a seven- or eight-page application that asks for information about our organization and its assets.

We then must identify an individual at our organization to provide his or her personal information such as investment experience, Social Security number, driver's license number, home address and so on. By having us open an account, the financial institution is then able to confirm that the American Heart Association is not a conduit for transporting terrorist funds.

After the account is opened, the institution can transfer the assets from the donor's account to the charity's account. When we want to liquidate the assets, however, the institution starts a whole new verification process before they will release the funds. When that process is finally complete, we typically close the account—until the next time we get a notification, and the process starts again.

Distributions now take typically three or four times longer than they used to. And it's probably ten times as much paperwork. Additionally, sometimes we have problems opening an account. Because we're opening an account for a corporation, the institution wants to make sure that the person opening the account is an authorized signatory for that corporation. The transferring institution wants to have a corporate resolution granting authority to an individual to take certain actions, and ideally they want to use their own corporate resolution (which would have to be approved by the charity's Board). All of that takes time.

Ever Wonder How Much Donors Give?

Each year, approximately 30 percent of individual taxpayers itemize their deductions for tax purposes, while the remainder take the standard deduction based on their filing status. Taxpayers decide every year, based on the year's activities, whether itemizing or taking the standard deduction makes more economic sense for them. Some years it may save taxes to itemize while other years it may be more beneficial to take the standard deduction. According to *Giving USA*, 80 percent of all giving from individuals each year comes from those who itemize their charitable deductions.

The most common itemized deductions include certain interest expenses, various other taxes paid, charitable gifts and medical expenses. Preliminary data from 2015 income tax returns reveals the following information about charitable giving, broken down by adjusted gross income.

Average Charitable Gift and Total Itemized Deduction Amounts

Adjusted Gross Income	Average Itemized Deductions	Average Charitable Gifts Deducted	Charitable Gifts as Percentage of Total Itemized Deductions
Under $15,000	$15,624	$1,533	9.8%
$15K to $29,999	$17,826	$2,483	13.9%
$30K to $49,999	$16,026	$2,812	17.5%
$50K to $99,999	$19,050	$3,244	17.0%
$100K to $199,999	$25,300	$4,155	16.4%
$200K to $249,999	$35,369	$5,779	16.3%
$250K and above	$81,394	$21,769	26.7%

Source: www.irs.gov/uac/soi-tax-stats-individual-income-tax-returns

As might be expected, the higher the income level, the larger the dollar amount of gifts deducted. But also note that at the highest income levels, charitable gifts also represent a higher percentage of total itemized deductions. Proposed deduction limitations may, as a result, have a disproportionate impact on major donors giving larger amounts. ■

Give & Take: I understand that many financial institutions require that the charity representative's signature be "medallion signature guaranteed." Can you discuss what that entails?

Fussner: There are various levels of signature verification used on official documents. Beyond witnesses and notaries, there is a level called "medallion signature guaranteed." It's basically a stamp awarded by a bank during a transaction such as the transferring of stock or some other asset. The medallion signature guarantee means that the bank is essentially guaranteeing your signature and providing insurance to the transferring institution that you are who you say you are. If you then tricked them and ran off with the funds, the bank would be on the hook.

Because of the risk, many banks simply will not offer a medallion signature guarantee anymore. And if they do offer it, they want the charity to be a client and require the person wanting the guarantee to be a signatory on the account. Even if the institution is willing to do it and they're willing to use your signature, there's another problem. The bank, understandably, wants information about the asset being transferred. After all, they are going to be on the hook for it. The problem is, the institution that has the asset to be transferred often won't give the charity information about it—what it is, how many shares there are, the total dollar value—until they get the paperwork from us, so we fall into a Catch-22. The institution giving the medallion guarantee won't stamp it until they know about the asset, and the institution transferring the asset won't give us the information we need until we get the medallion guarantee. I understand why it's happening, but we are caught in the middle.

Give & Take: Are you ever in a situation where you just can't work out a resolution?

Fussner: So far, we haven't given up, but some settlements have dragged on for as long as 12 months. It becomes a lot more work on our end and delays the distribution process, which prevents the money from being used toward our mission and adds to our administrative costs. We would much rather spend our time raising money than collecting it. ■

Next month: *Mr. Fussner offers ideas on how to facilitate non-probate estate gift settlement.*

Turn a Record Dow Into **Record Charitable Gifts** This Fall

As the Dow has hit record levels in recent months, it is important to note that this surge, along with a growing optimism among donors, coincides with the all-important year-end giving season. Given the rise in stock market values, many donors may feel more capable of making charitable gifts this fall. (Note the recent headline-grabbing stock gifts by billionaires Warren Buffet and Bill Gates.*) And if you remind them in time, your donors will also have the extra motivation of lowering their tax bill by making gifts before December 31.

Turn to Sharpe Group for the materials you need to encourage year-end giving. In addition to **Year-End Brochures** (see Page 8), your higher capacity donors and prospective donors and their advisors may benefit from the more in-depth information found in Sharpe's 16-page booklet ***Giving Securities***. This popular booklet explains why now is a great time to give securities and describes the tax benefits associated with these gifts, how to give a security while "keeping" it, and how a "balanced sale" of shares can help donors meet multiple goals.

Keep copies of ***Giving Securities*** on hand to share with donors in person during visits or at other gatherings. Or you may want to make it a focal point of a special targeted mailing to a select group of top donors who may then decide to use gifts of securities to fulfill pledge commitments or make other outright gifts that they had not thought possible.

Like all Sharpe materials, ***Giving Securities*** may be personalized with your organization's logo and contact information on the front and/or back covers. Additional customization options are also available. For more information, visit www.SHARPEnet.com/publications or reach out to us at info@SHARPEnet.com or 901.680.5300. ■

* Peterson-Withorn, Chase, "Warren Buffett Sets Personal Record, Donates Nearly $3.2 Billion in a Single Day," *Forbes*, July 10, 2017.

* Metcalf, Tom, "Bill Gates Makes Largest Donation of Microsoft Stock Since 2000 With $4.6 Billion Gift," *The Seattle Times*, August 14, 2017.

Sharpe Group on the Road

Sharpe Group Senior Consultant Aviva Shiff Boedecker will lead the **Northern California PG Council's Basics Course—A Six-Part Course for Beginners** on September 19 in San Francisco by presenting the opening session.

On September 26, Senior Vice President and Consultant John Jensen will present the webinar "**Special Needs Trusts and Pooled SNTs: Untapped Gift Planning Opportunities"** for the National Association of Charitable Gift Planners (CGP).

Sharpe Group Chairman Robert F. Sharpe, Jr., will present **"Introducing the 'Gerontrophilanthroplutocracy'"** as the keynote speaker at the National Catholic Development Conference (NCDC) in San Diego, September 27-30. He will also lead two breakout sessions: **"How Will the Baby Boomers Really Boom?"** and **"Accelerating Bequests—How to Effectively 'Mine' Your Bequest Goldmine."** ■

"I have been to three planned giving conferences—this has been by far the most helpful and engaging."

—**Mary Beliveau**,
Regional Director,
Department of Development,
Archdiocese of Baltimore

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 finding ways to enhance an existing program.

Washington, DC	September 14-15, 2017
Chicago	March 22-23, 2018

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.

Chicago	October 2-3, 2017
Washington, DC	April 4-5, 2018

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 listen for clues to help donors determine which giving option may be the best fit for them and how to help them 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.

Washington, DC	November 2-3, 2017
Memphis	January 22-23, 2018

See full agendas and register at www.SHARPEnet.com/seminars or call 901.680.5318 with questions.

A Peek at **Charitable Bequests of the Wealthy**

Earlier this year the Internal Revenue Service released in-depth information from federal estate tax returns for 2013 decedents that provides valuable clues about charitable bequest behaviors of wealthy Americans.

There were 11,309 estate tax returns filed for 2013 decedents, some 6,926 men and 4,383 women (see Figure 1). The vast majority of the decedents were older. Only 17 percent, or 1,909, were under the age of 70 when they died. The remaining 83 percent, or 9,400, were over the age of 70, and more estate tax returns were filed for decedents 90 and older than for all those who died under the age of 70 (see Figure 2).

2013 Decedents Filing Estate Tax Returns

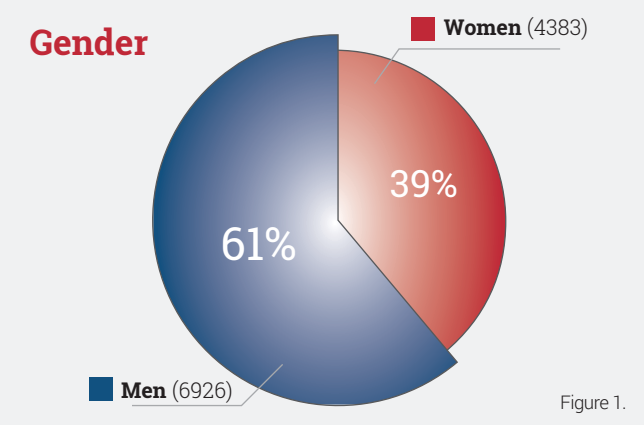

Figure 1.

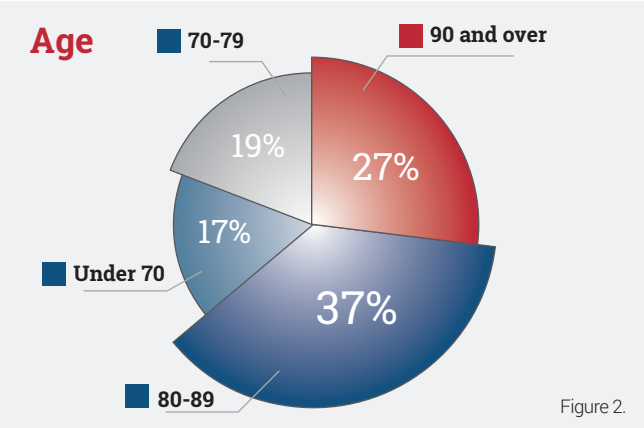

Figure 2.

Charitable estates

Nearly 25 percent of this group (some 2,634 decedents) provided for charitable bequests, and these bequests totaled $18.5 billion. This compares to estimates that five to six percent of the general population includes bequests. [*American Charitable Bequest Demographics (1992-2012)*, Page 21, Russell James, J.D., Ph.D.] The wealthier charitable bequest population was nearly equally divided between men (1,333) and women (1,301). Based on the entire 2013 estate tax return population, it is clear that female decedents were significantly more likely to include a charitable bequest than their male counterparts. Some 30 percent of female decedents' estate tax returns included a charitable provision; only about 20 percent of male decedents' estate tax returns did so (see Figures 3 and 4). This finding is in line with results from previous studies.

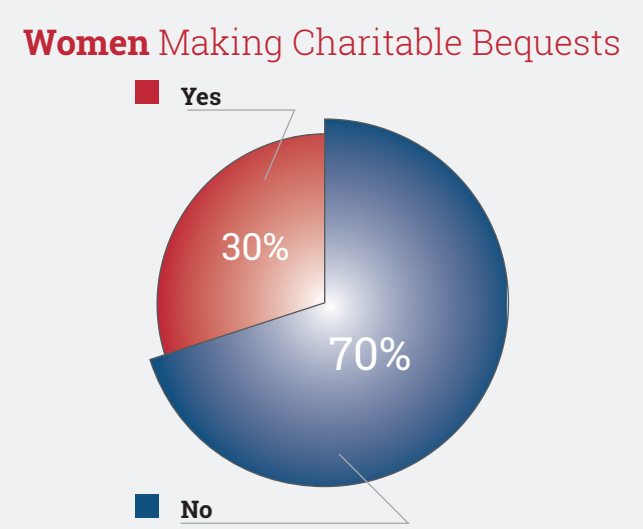

Figure 3.

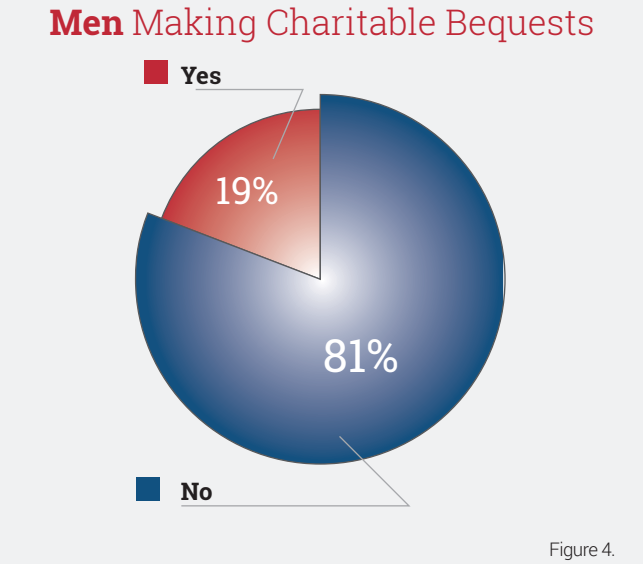

Figure 4.

Marital status

Whether one is married, widowed or single also plays an important role in the likelihood of including a charitable bequest. The majority of charitable bequests were made by decedents who were widowed, single, divorced or legally separated. This is no surprise since the primary beneficiary of most married people would be their surviving spouse. Still, there were major differences between male and female behaviors. Only 10 percent of married female decedents claimed a charitable deduction on their estate tax returns, while 40 percent of married male decedents included a charitable bequest. Overall, about 25 percent of charitable decedents were married and the balance were not. Charitable men were over four times more likely to be married than women.

Lessons learned

The charitable decedent population appears to be older than the general decedent population, and wealthy older men and women are more likely to include charitable bequests than the general population. The likelihood that an individual will make a charitable bequest, and the size of that bequest, increases with wealth. The most likely prospects are men and women who are not married.

The key to finding your organization listed among charitable beneficiaries is to identify and communicate with your donors with special attention to those who are wealthier and older. **Sharpe Data Enhancement Services** can help you analyze your constituent list and find those likeliest to make a bequest or other type of planned gift. Contact a Sharpe representative at info@SHARPEnet.com or 901.680.5300 or visit www.SHARPEnet.com/data-enhancement-services for more information. ■

Number of Millionaire U.S. Households Reaches New Record

Last year saw a notable increase in the number of U.S. households with a net worth of $1 million or more, not including a person's primary residence. The number of American households on this millionaire list increased by 400,000 in 2016 to a record 10.8 million, according to *Spectrem Group's Market Insights Report 2017*.

Spectrem Group's annual report analyzes American households by net worth, from those with a minimum net worth of $100,000 to those with assets of $25 million or more. The number of households in every wealth segment increased from 2015 figures (see chart below).

Key findings include:

- In 2016, 30.5 million households had a net worth between $100,000 and $1 million, an increase of 700,000 households from 2015.
- Millionaires with a net worth between $1 million and $5 million reached a record 9.38 million (238,000 more than in 2015).
- Those with a net worth between $5 and $25 million numbered 1,264,000 households, an increase of 54,000 from 2015.
- There were 156,000 households with a net worth of at least $25 million in 2016, 11,000 more than in 2015.

George Walper, Jr., President of Spectrem Group, attributed the increases in wealth to the broader economic recovery: "The record levels of households reflect the significantly higher values of all asset classes post-recession, and the recent record level of the United States markets following the presidential election has added demonstrably to the asset level of most affluent investors." In other words, the ongoing trends in wealth concentration in the U.S. continued in 2016 with the number of $5-million-and-up households growing some 4.8 percent, twice the 2.4 percent increase in households with wealth between $100,000 and $5 million. The largest growth came in the top tenth of 1 percent where the numbers increased by 7.6 percent.

After the decline in affluent households during and after the recession, all wealth segments have surged beyond their pre-2008 levels, and 1.6 million more Americans can claim "millionaire status" in 2016 than had reached that milestone in 2007, just before the recession.

These trends foretell an even greater importance for major gift funding efforts as America's philanthropic community makes plans for efforts to increase funding in the future. ■

Net Worth Value	2015	2016	Increase	Percentage Growth
$100K to $1 Million	29,800,00	30,500,00	700,000	2.3%
$1 to $5 Million	9,142,000	9,380,000	238,000	2.6%
$5 to $25 Million	1,210,000	1,264,000	54,000	4.5%
$25+ Million	145,000	156,000	11,000	7.6%
Total	40,297,000	41,300,000	1,003,000	2.5%

Source: spectrem.com

Year-End Order Form

901.680.5300 Email **orders@SHARPEnet.com**

Item#	Title/Description	Check Imprint Location				Quantity	Unit Cost	Total Cost
		Front	Back	Both	None			
8024	Giving Thanks at Year-End (Leaves)							+
8124	Giving at Year-End (Pinecones)							+
8444	Giving Before December 31st (Trees)							+
								+
								+

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SUBTOTAL _____

Shipping + _____

GRAND TOTAL _____

Quantity Pricing

		Unit Cost	Incentive Pricing*
Minimum	1,000 - 2,499	$.55 each	$.45 each
	2,500 - 4,999	$.44 each	$.34 each
	5,000 - 7,499	$.39 each	$.29 each
	7,500 - 9,999	$.34 each	$.24 each
	10,000 -14,999	$.32 each	$.22 each
	15,000 -19,999	$.31 each	$.21 each
	20,000 -29,999	$.30 each	$.20 each
	30,000 or more		Ask for quote

Prices based on total quantity of brochures ordered.
Titles may be combined with other brochures for quantity pricing.

***Incentive pricing only applies to year-end orders placed by October 15, 2017.**

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$100.00 to $249.99	$16.00
$250.00 to $499.99	$22.00
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$750.00 to $999.99	$37.00

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Additional charges may apply for shipments elsewhere.

Orders are shipped via FedEx Ground® unless another method is requested.

*Shipping prices are subject to increase if carrier fees increase.

Orders over $1,000: Rates will be determined based on method of shipment. Publication orders shipped to California addresses may be subject to CA Use Tax. Please add use tax appropriate to the California county in which delivery is taken. Questions about CA Use Tax, please call 901.680.5318. Other questions: call 901.680.5300 or email orders@SHARPEnet.com.

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Phone ( ) _____

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Purchase order # (optional) _____

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Name _____

Title _____

Organization _____

Address _____

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The **Year-End Season** Is Here

How can you use year-end communications to encourage gifts this year?

- ☐ As part of your regularly scheduled year-end appeal
- ☐ As an insert in gift acknowledgments this fall
- ☐ To include in pledge reminders and proposals
- ☐ As handouts at donor events
- ☐ As part of a mailing to members of your giving clubs and societies
- ☐ As part of your digital fundraising strategy

2017 has seen continued economic growth, record household net worth values, low unemployment and new highs in the stock market. In this positive environment, it's a great time to remind your donors of the benefits of giving before the end of the year. Start the conversation with your donors now.

Donors should be aware that possible future tax law changes could mean greater potential savings from gifts made before year-end. Many may benefit from giving through retirement plans or noncash gifts such as stock.

Sharpe's 2017 year-end giving communications are a convenient and cost-effective way to share with donors the advantages of funding gifts with cash or other assets including appreciated property.

You can order year-end brochures conveniently from our online shop at www.SHARPEnet.com/publications/yearend.

Personalization

Sharpe can add your logo and contact information on the front, back or both.

We include a sample cover letter, reply card text, P.S. language and suggested web/article copy for use with your publications.

Prefer something more unique to your brand? We can customize communications specifically for your needs.

Sharpe Group looks forward to working with you to ensure that 2017 will be a successful year for your organization. Call us at 901.680.5300 or visit www.SHARPEnet.com/publications/yearend.

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