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Give&Take®

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Noncash Gifts **Surge**

By Barlow Mann

With the IRS reporting record levels of noncash charitable gifts, an organization's fundraising strategy could benefit from encouraging these gifts.

According to the latest information from the IRS, noncash charitable gifts have recently increased to all-time record levels. The report, in the summer *2017 Statistics of Income Bulletin,* analyzes millions of individual federal income tax returns filed for 2014 and reveals a marked rise in gifts of stock and other noncash property. While the number of noncash gifts rose 3.9 percent from the previous year, the dollar amount of such gifts rose significantly more—30.1 percent.

The 22.2 million taxpayers who itemized deductions in 2014 reported $65.3 billion in gifts other than cash, some 25 percent of all individual giving reported by *Giving USA* for the year 2014. The actual figure is likely several billion dollars larger when noncash gifts by nonitemizers and those whose gifts are in excess of AGI limitations are considered. Of the 22.2 million total, some 8 million taxpayers used Form 8283, which is required to itemize noncash gifts that total more than $500. This smaller group of itemizers was responsible for $60.4 billion in noncash charitable gifts in 2014.

Noncash gifts weighted in stock

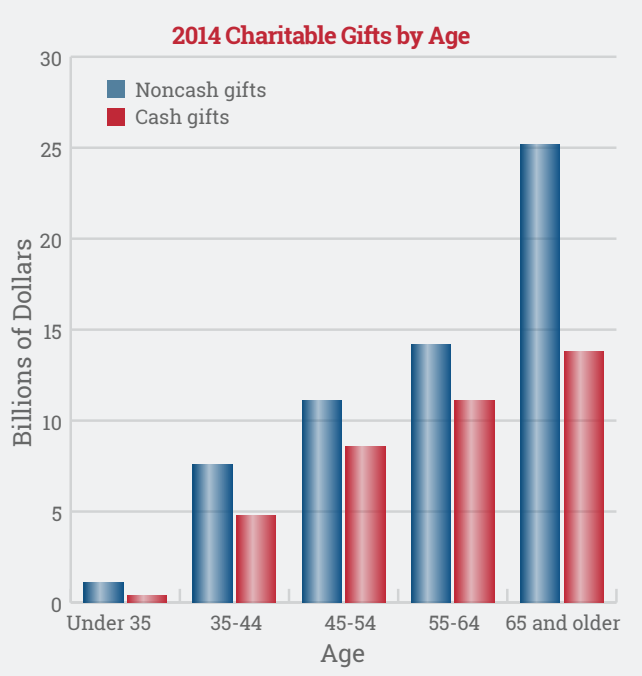
Almost half of noncash gifts came in the form of corporate stock. Following the rise in the stock market, the value of such gifts increased 48 percent from the previous year to $29.2 billion. Additionally, gifts of mutual funds increased 29.1 percent to $2.1 billion. Gifts of other investments totaled $1.9 billion. Combined, gifts of stock, mutual fund shares and other investments totaled $33.2 billion, or more than 50 percent of all noncash gifts on Form 8283.

Charitable recipients

While charitable organizations of all types received noncash gifts, large nonprofits and foundations gained market share overall at the expense of educational institutions, health and medical research nonprofits and public and societal benefit organizations as a whole. Arts and cultural, environmental and animal-related and religious groups, as well as donor advised funds, all saw an increase in noncash contributions.

Seniors lead the way

Taxpayers 65 years and older who reported noncash contributions on Form 8283 gave the most in total contributions (both cash and noncash) reported as itemized deductions on Schedule A (see chart below). These seniors gave 35 percent of the $39.4 billion total of cash gifts and 41.6 percent of the $60.4 billion in total noncash gifts claimed on Form 8283. Some 72.1 percent of the noncash gifts from this group of seniors came in the form of corporate stocks, mutual funds and other investments.



Source: *IRS 2017 Statistics of Income Bulletin*

These numbers are even more surprising considering that this group represented only 19 percent of the 8 million individual income tax returns reporting noncash gifts on IRS Form 8283. Their average contribution was $16,419, more than twice the average amount for all taxpayers. Thus, it is clear that those over 65 are among America's most generous donors.

The next most generous group was between 55 and 65 years of age, with an average contribution of $7,097. Those in the 45 to 55 age category averaged contributions of $5,060 per return, and those under 45 reported less than $5,000 in total noncash contributions.

What this may mean for 2017

It appears from industry data that the recovery in charitable giving demonstrated by these 2014 filings has not abated. The number of affluent and wealthy households in the U.S. is on the rise. One household in ten now has a net worth greater than $1 million, excluding personal residences, and U.S. household net worth has grown to a record $96.2 trillion in 2017, fueled largely by stock market gains and recovery in real estate values.

With continued growth in the economy and low unemployment, 2017 may well be shaping up to be the best year ever for charitable giving. That being said, not all fundraising programs will benefit equally. Those that take the time to encourage charitable gifts of stocks, mutual funds and other appropriate noncash gifts this year will likely see greater success than those that do not.

How can you claim your share? Start by identifying your best prospects for noncash gifts, and then develop an effective communication strategy to reach them. Sharpe Group can help with every stage of the process. Contact Sharpe at info@SHARPEnet.com or visit www.SHARPEnet.com to get started. ■

Barlow Mann is Chief Operating Officer for Sharpe Group.

Sharpe Group on the Road

Sharpe Group Chief Consultant and Chairman Robert Sharpe has been named Dean of the Summit Track at the **National Conference on Philanthropic Planning (NCPP)** in Baltimore, October 9-11. He will present along with five other veteran charitable gift planners. He will also chair a closing plenary panel discussion of proposed charitable tax reforms.

In addition, Robert will lead a one-day seminar for gift planners in the Charlotte, North Carolina area on Thursday, October 19. The seminar, "Gift Planning … When That's Not All You Do," is hosted by the **Foundation for the Carolinas** and the **Association of Fundraising Professionals NC Charlotte Chapter**.

Managing Consultant Joe Chickey will present "Ethical Challenges in Gift Planning—Black and White or Shades of Grey" and "Gift Planning—Marketing Dos and Don'ts in Today's Ever-Changing Marketplace" for the **Association of Fundraising Professionals Central Pennsylvania Chapter's Capital Conference** on October 25 in Camp Hill, Pennsylvania.

Sharpe Group COO Barlow T. Mann will present "Developing Major Gifts Now and in the Future" in Chicago on November 8 for the **Partners in Philanthropy Joint Day Program** hosted by the **Suburban Chicago Planned Giving Council** and the **West Suburban Philanthropic Network**.

Joe Chickey will present "Gift Planning: Accelerating the Traditional Bequest" on November 13 for the **Charitable Gift Planners of Austin**.

Robert Sharpe will speak on November 16 at the final luncheon, presenting "Introducing the 'Gerntrophilanthroplutocracy,'" as well as lead the breakout session "How Will the Baby Boomers Really Boom?" at the **Minnesota Planned Giving Council's Annual Conference, "Philanthropy in Practice,"** in St. Paul.

Sharpe Group Speakers Bureau

Since 1963, Sharpe Group has been a leader in the field of major gift planning. In addition to our popular seminar series, Sharpe consultants frequently speak to groups of all sizes and at national and professional conferences. For more information, visit www.SHARPEnet.com/speakers-bureau. ■

Four Ways to **Boost Year-End Giving**

With tax reform on the horizon, this year-end may be an especially important time for fundraising. Below are four tips to make the most of the final months of the year.

1 Review your website.

Look at your organization's website from an outsider's perspective. Is it donor friendly? Is it easy to discover how to make a gift from your homepage? Does your website list gifts of securities and additional ways to give beyond cash gifts?

Remember that many middle-aged and older donors have reservations about making gifts or conducting other financial transactions online, so be sure your mailing address and phone number are prominently placed on your home page.

2 Rethink your digital year-end giving strategy.

Remember the giving season does not end on #GivingTuesday. After November 28, review your scheduled digital marketing calendar, remove references to #GivingTuesday and change your messaging, providing links to reflect giving during the rest of the year. Consider incorporating a series of year-end giving email appeals in the weeks before December 31. (See "Planning Your Year-End Fundraising Calendar" in the August 2017 *Give & Take* for other important year-end fundraising dates.)

3 Get coordinated.

Coordinate digital and print appeals. It has been well established that multiple appeals generate more gifts than a single appeal, but be sure you time them carefully so your donors don't feel overwhelmed.

4 Appeal to special people.

Consider sending a special mail appeal to a targeted group of your most loyal and/or wealthiest supporters. Depending on your time and budget, this might go out to a relatively small portion of your active donor file, perhaps those you will not have time to personally visit or call later in the calendar year. Some possible audiences include:

a. Donors who have made substantial gifts in the past but haven't yet made a gift this year.

b. Those who made a gift during the first nine months of the year and may consider making an additional gift this year-end.

c. Donors who have made noncash gifts in the past to remind them of the special benefits associated with gifts of appreciated securities.

d. *LYBUNTS* (donors who gave last year but not this year) or *SYBUNTS* (donors who give some years but not this one). Such donors may warrant a single special appeal or segment in your printed marketing initiatives.

Sharpe Group's Year-End Giving Brochures are specially designed to motivate giving before December 31 and explore various ways to make a charitable gift, including cash, securities, gifts from retirement plans and bequests. As with all Sharpe publications, Year-End Giving Brochures may be personalized with your organization's contact information and logo on the front and/or back cover. With every order, Sharpe includes a sample cover letter, P.S. language and suggested web/article copy.

For more information and to order, visit www.SHARPEnet.com/publications/yearend. Or you may contact us by calling 901.680.5300 or emailing info@SHARPEnet.com. ■

"I enjoyed the seminar and came away with some ideas I can use right now. Nothing recommends a seminar better than that."

—Weston Hatfield,
Assoc. VP, Development,
James Madison University

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.

Chicago March 22-23, 2018
Washington, DC September 10-11, 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.

Washington, DC April 4-5, 2018
Chicago June 14-15, 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.

Where There's No Will, **Is There a Way?** Part 2

The following article is Part 2 of a two-part series on non-probate estate settlement issues. Part 1 was published in the September 2017 *Give & Take*.

Last month, *Give & Take* began a conversation with Andy Fussner about the challenges of settling non-probate estate gifts, which often come in the form of a beneficiary designation from a retirement plan, life insurance policy or investment account. As an attorney who is Vice President of Estate Settlement at the American Heart Association, Mr. Fussner has noticed a rise in both the number of such gifts and the problems charities often face in managing the receipt of these funds. Last month, Mr. Fussner outlined some of those challenges; this month he shares additional challenges and some of the best ways he has found to cope with this aspect of the estate settlement process.

Give & Take: What are some other problems associated with non-probate estate settlement?

Fussner: In addition to the certification requirements and regulations I have already mentioned, I'd say our most common problems have to do with notification. Sometimes an executor or trustee will give us a heads up that a gift will be received from a retirement plan or other vehicle, but other times we are solely dependent on receiving a notice from the financial institution.

Even when we are notified, it can be difficult to obtain information about the donor (especially if he/she was never known to us). We are not usually provided with the original beneficiary designation form even if we ask for it, so we often have no information on a donor's place and dates of birth and death or home address.

Having this information can be important for estate settlement. The charity is often asked to provide a death certificate for the deceased, but these can be difficult to acquire without that information or a way to prove a relationship with the donor. If we are named to receive funds only if someone else has died before the donor (i.e. we are a contingent beneficiary), we may be asked to provide a death certificate for that person as well.

Give & Take: What are some of the best ways to smooth the settlement process?

Fussner: The number one thing I would suggest to charities is to create a corporate bequest resolution that will apply to these types of testamentary gifts. The corporate resolution should identify an individual at the charity who is responsible for estate settlement and specify what actions that person can take and what he or she is authorized to do on behalf of the charity. The resolution should be reviewed and approved by the board each year and should be as detailed as possible.

For instance, it may say that the named individual is not only authorized to receive gifts from estates but can also open accounts and transfer stocks. Keep in mind, though, that you probably don't want to give too much power to one person; it may be a good idea to require multiple signatures to ensure the charity's protection (you have to decide how much of a trade-off you want to make between convenience and security).

Even if you have your corporate resolution in place, sometimes financial institutions want to use their own particular form or their specific language for a corporate resolution. In those cases, I usually end up calling the financial institution, explaining how we typically handle these situations and asking them to be flexible with us, or I simply handwrite on their form that we have adopted a substantially similar resolution that I attach therewith.

Give & Take: What other advice can you give to help speed up non-probate estate settlements?

Fussner: Act quickly when receiving paperwork. Some institutions put artificial timelines on getting things done, and it can take time to get death certificates, signature guarantees or the necessary signatures.

Also, if you are required to obtain a death certificate, try to coordinate with other named charitable beneficiaries (if you can find out who they are) to get a single death certificate, rather than everyone going their own way.

Give & Take: What is your best advice for handling potential roadblocks with financial institutions? I'm thinking specifically about the medallion signature guarantee "Catch-22" you mentioned earlier (see last month's *Give & Take*).

Fussner: Most of these situations can be handled if you pick up the phone and start talking to people at the institution. The first people you reach may not be very experienced or may not have the authority to give you what you need. Be persistent, and make a note of the names and titles of the

people you speak with. If you keep working your way up the chain of command, eventually you should reach someone who has the authority to be flexible in their requirements.

Give & Take: You mentioned earlier that the Know Your Client Rule effectively requires that you open an account with these financial institutions every time you are notified of a new bequest. Why can't you just leave these accounts open?

Fussner: The entities would likely require us to maintain a minimum balance to keep the account open, and having open accounts with minimum balances at a number of institutions would lead to major accounting and auditing headaches. Frankly, it's easier to keep opening and closing accounts. Plus, when you get enough of these gifts, you could be talking about having "holding" accounts at 50 or more institutions, and most CFOs wouldn't be willing to do that.

Give & Take: It's too bad we can't have a preapproved list for charities so those organizations don't have to jump through hoops every time they are left a bequest of this kind.

Fussner: That has been my suggestion too. It would be nice if the government could create a "clear list" that the institutions could check. Each charity could apply for special status and supply all the information that is needed, but that would only need to happen one time. After being approved, charities could simply provide their clearance number to the financial institution asking for verification, and the institution would then know the charity had been cleared in advance.

If that system existed, we could essentially go back to the old method with a simpler form, adding one line for the charity's clearance number. I imagine it would save time and administrative costs for both charities and the financial institutions involved. Larger charities would probably be willing to pay the government an annual fee to accomplish this.

Give & Take: What other changes would you like to see made to the way non-probate estate gifts are settled?

Fussner: It would be helpful if financial institutions could develop forms specifically for charitable beneficiary claims. It would reduce the amount of paperwork and provide alternatives that are less time consuming for all involved.

On that note, I'd also like the financial institutions to develop beneficiary designation forms that provide sufficient space for donors to indicate any particular instructions related to the gift, such as indicating use restrictions or making it in honor or memory of a loved one. Sometimes the beneficiary designation is the only contact we will ever have with the donor, and we want to know we are honoring the donor's wishes in the way he or she envisioned.

Give & Take: Do you have any additional thoughts?

Fussner: I would like to underscore that even though these gifts can be problematic for the charity, we certainly would not want to stop encouraging donors to give in this way. Making a charity a beneficiary of a retirement plan or life insurance policy is such a great way to give. It's so simple for the donors. We just want to make it simpler for the charities as well. ■

Keep Up With the Latest in Tax Reform News

Sharpe Group experts will be monitoring tax reform measures as negotiations continue and legislation is prepared. We'll keep you updated on the Sharpe Group blog.

Sign up for tax reform updates and other gift planning news and tips at **www.SHARPEnet.com/blog**.

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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

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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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