February/March 2018 | Vol. 51 No. 2

Give&Take®

IDEAS AND INSIGHTS FROM SHARPE GROUP

The **Heart of the Matter**

Page 2

SHARPE GROUP®

WASHINGTON • ATLANTA • MEMPHIS • CHICAGO • SAN FRANCISCO

The **Heart of the Matter**

by Barlow Mann

Understanding why people make charitable gifts is an important part of the gift development process.

Americans are traditionally among the most generous people in the world, and 2017 was no exception. This past December saw a surge of charitable gifts that is likely to propel total philanthropic giving to an all-time high. Watch for the *Giving USA* estimates for giving in 2017 to be released later this year.

Some of the surge in year-end giving was fueled by individuals who were spurred to make larger gifts by the pending *Tax Cuts and Jobs Act of 2017* that was signed into law last December. Faced with the likelihood of lower tax rates and an increased standard deduction starting in 2018, many donors raced to make gifts that took full advantage of itemized deductions under last year's higher tax rates.

The same phenomenon occurred more than 30 years ago when Congress passed the *Tax Reform Act of 1986*. At the time, Sharpe Group reported that many larger gifts were accelerated into 1986 before the new lower tax rates took effect the following year. The combination of accelerated giving and a steep stock market decline in the fall of 1987 resulted in a drop in individual giving that year. Yet, despite predictions to the contrary, giving subsequently resumed to echo long-term prior growth trends until the declines during the Great Recession more than 20 years later despite lower tax rates and reduced tax savings. History clearly reveals that tax and economic considerations are just part of the reason people choose to give.

Why people give

Understanding the many other reasons people make charitable gifts is an important part of the fundraising process. Some donors are driven by logical motivations and others

Sharpe Group and R&R Newkirk Announce Combination

Two companies with more than 100 years of combined experience serving the nonprofit community have joined forces. Jim Ross, CEO of Sharpe Group, and Kathy Sperlak, President of R&R Newkirk, are pleased to announce a combination of talent and knowledge to better meet the needs of charitable organizations and institutions.

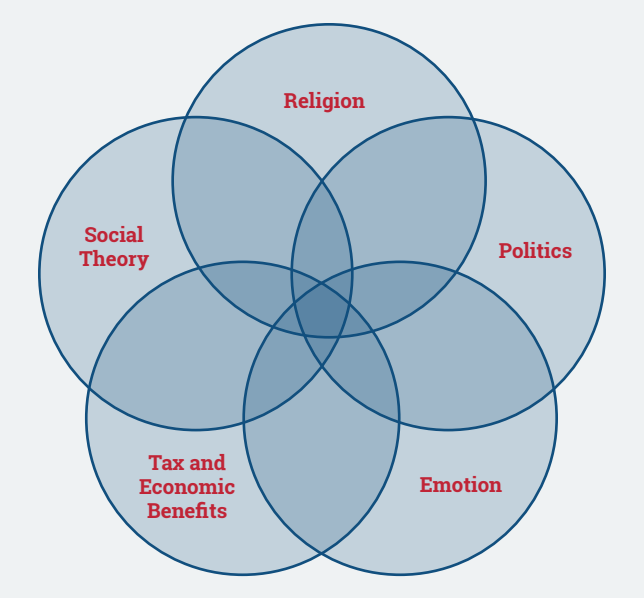
"The breadth and depth of our expertise is enhanced through this combination, allowing us to more effectively serve both brands' clients," said Ross. "By blending the unique characteristics of Sharpe Group and R&R Newkirk, a greater range of services is available to nonprofit organizations and institutions of all sizes."

"The Sharpe Group is a well-respected name in the fundraising world," said Sperlak, adding that the staff of R&R Newkirk "looks forward to complementing and enhancing Sharpe Group's work on behalf of charitable organizations."

Sharpe Group, headquartered in Memphis, TN, has consultants in San Francisco, Nashville, Atlanta and Washington, DC, and will now add Chicago to that roster.

Throughout their histories, both companies have helped ensure the financial longevity of thousands of America's educational, healthcare, religious, social service and cultural institutions, providing a broad array of information, training, tools and communication resources designed to support client efforts to help donors make gifts in the most effective ways. ■

by emotional and spiritual ones; many give because of some combination of the two. Additionally, some people are motivated to give by deeply held beliefs in politics or social theory. No two donors are alike. The reasons donors give are as complex and unique as individuals themselves. There are typically multiple motivations, sometimes conscious and other times not (see "Charitable Giving: Good for Charities, Good for Donors" in the December 2015 *Give & Take*).



The National Association of Charitable Gift Planners (CGP)—formerly the Partnership for Philanthropic Planning—has conducted several nationwide surveys of donors to discover what motivates people to give to charity. For example, a 2006 survey found that the top two motivations for bequests, life income gifts and other planned gifts are a belief in the mission and work of the charity and a long-term relationship with the institution.

Do tax considerations matter?

It appears that most donors choose to support a charity because they are devoted to its mission and to the institution itself. That said, tax and financial considerations can be a major factor in determining the amount, timing and property used to complete a gift, as evidenced by the 2017 surge in year-end giving. The larger the gift, the more likely tax considerations are to play a significant role.

In reality, a person will normally decide to make a gift for non-tax reasons. They then decide how to structure the gift in the most efficient manner possible. Planned and major gift donors are more likely to be impacted by tax considerations than the majority of non-itemizing taxpayers who will continue to not itemize tax deductions under recent tax law changes. The relatively small group of itemizers will, however, as in the past, continue to provide the majority of the dollar value of all individual gifts. (See "Tax Reform," Page 6.)

In short, it is a mistake to either over- or under-emphasize the tax treatment of gifts. The best approach may be to focus on the primary motivators—who you are and the work you do—while providing ideas for the most effective types of gifts that people can make during life and through their estates.

With all the negative predictions about the possible impact of the new law on charitable giving, now is the time to inform your constituents that the new tax law preserved the special place that the charitable deduction has held in our tax code for more than 100 years. Assure them that their gifts will be put to good use, while also providing information on gift techniques and strategies they may find beneficial. A "stitch in time" may help prevent predictions of gloom and doom from becoming a self-fulling prophecy. ■

Barlow Mann is Sharpe Group's Chief Operating Officer.

Follow Us!

@sharpegroup
www.SHARPEnet.com/blog

Helping Donors **Navigate Tax Reform**

Last December, Congress enacted the *Tax Cuts and Jobs Act of 2017*, ushering in the most far-reaching changes in the federal tax code in more than 30 years. The provisions of the new tax law will affect virtually every American in some way.

What the law did and didn't do…

In addition to rate cuts, a number of widely used income tax deductions, credits and adjustments were repealed or curtailed. The very good news is the charitable deduction came through the process unscathed and was even enhanced for some donors. The final version of the legislation maintained the charitable deduction and increased the adjusted gross income limitations for the deductibility of charitable gifts from 50% to 60%.

Other changes, such as the repeal of the Pease Limitation, will make charitable and other deductions more valuable for many higher income taxpayers. Full advantages of gifts of appreciated assets and directed gifts from IRAs also remain.

What to do now

Unfortunately, dire predictions of decreases in giving due to provisions of the new law were published during the summer and fall of 2017 and read by many fundraisers and donors. Unless charitable organizations and institutions act quickly to inform their donors of the positive news in the final legislation, misinformed predictions could become unfortunate realities.

New resource

Sharpe Group has published "Your Guide to Effective Giving After Tax Reform," a helpful tool for informing donors of the realities of tax reform and charitable giving.

The content is directed to those who now deduct their gifts and are likely to continue to do so. It includes a number of strategies to help donors maximize their giving by taking full advantage of powerful incentives still in place.

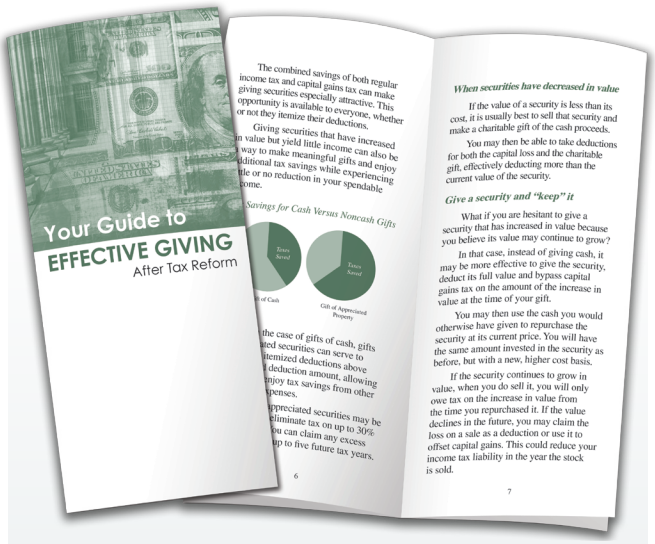
Who should receive the booklet?

"Your Guide to Effective Giving After Tax Reform" is designed to help communicate tax reform's impact on charitable giving in a number of ways:

- As an insert in acknowledgments of larger gifts
- In a special mailing to major donors, planned gift recognition society members and others
- As information for donors in response to inquiries about tax reform
- As leave-behind material for use by front-line fundraisers when donors express interest in tax reform and its impact
- As an educational tool for all executive and senior program staff to help alleviate their fears and provide talking points when interacting with donors
- In informational packets at special events and other gatherings of donors.

Act now

Be among the first to share the good news with your donors. Visit www.SHARPEnet.com/product/guide-effective-giving-tax-reform to download a preview of the booklet and find ordering information. Sharpe can personalize the booklet with your contact information and logo on the front and/or back cover. Contact us at info@SHARPEnet.com or 901.680.5300 for more information on additional customization options. ■



"This is a remarkable seminar! Thank you for providing a much needed service to the fundraising industry. These are concepts I am implementing daily in my work to enhance donors' giving."

—Dan Bolsen,
Director of Development,
Purdue 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 comprise 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 thought possible. In the days ahead, donors and advisors will increasingly turn to blended gifts to reap both current and future benefits. Note that new 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 to listen for clues to assist donors in the best giving options for their circumstances so they can 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	October 4-5, 2018
Washington, DC	November 6-7, 2018

See full agendas and register at www.SHARPEnet.com/seminars or call 901.680.5300 with questions.

Tax Reform—Who Wins, Who Loses, Who Doesn't Care

by Robert F. Sharpe, Jr.

A look at how four couples may be impacted by the *Tax Cuts and Jobs Act of 2017.*

Now that the dust is settling from December's major tax overhaul, it's time to start getting a better fix on who was negatively impacted, who was relatively unaffected and who benefits from the combination of higher standard deductions, lower tax brackets, expanded amounts of charitable gifts that can be deducted and repeal of limitations on charitable and other deductions.

Those who feel the pinch

Kathy and Alan are both over age 65 and comfortably retired. They enjoy an income of over $200,000 per year. Their home is paid for, so they have no mortgage interest deduction. Their state income tax is $12,000 and property taxes are $8,000 per year. They make charitable gifts of $5,000 per year.

Last year their total deductions of $25,000 substantially exceeded their standard deduction of $15,200, and their charitable gifts were thus fully deductible against a 28% marginal tax rate, saving $1,400 in taxes.

This year their deductions, now totaling $15,000, will be less than their new standard deduction of $26,600,* and they will no longer be able to deduct their charitable gifts.

In their new 24% tax bracket, it will now require nearly $6,600 in pretax income to make the same gifts that required pretax income of just $5,000 last year. Keep in mind, however, they will have $11,400 less income subject to tax on account of their higher standard deduction and they will enjoy additional savings due to their lower tax rate.

Despite the increased cost of their gifts, they plan to continue making gifts of the same amount as before, as they have lifelong relationships with the charities they support. They doubt, however, that they will start any more significant philanthropic relationships in the near future.

Note the situation would be different if Kathy and Alan were single. That is because the standard deduction is only $13,600 for single taxpayers over 65, and the $10,000 cap on state taxes applies to both single and married taxpayers. As a result, many more single donors will be able to clear the standard deduction "hurdle" and will continue to itemize all or a portion of their charitable gifts.

Relatively neutral impact for others

Let's look at another example. Cindy is a nurse supervisor and makes $83,000 per year. Jim is a police cap-

Sharpe Group on the Road

Aviva Shiff Boedecker, Sharpe Group Managing Consultant, will present "Looking for Gifts in All the Right Places" on March 16, 2018, in Portland, Oregon at the joint membership meeting of the **Northwest Planned Giving Roundtable** and the **Association of Fundraising Professionals (AFP) of Oregon and SW Washington**. She will also present this talk at the monthly luncheon on March 28 for the **AFP Permian Basin** in Midland, Texas.

Managing Consultant Joe Chickey will present "Marketing Planned Gifts: How to Craft a Message That Resonates" for the **Suburban Chicago Planned Giving Council** monthly meeting on March 21, 2018.

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. ■

tain earning $81,000. They pay state income tax of $7,900 per year. They pay mortgage interest of $14,964. Their property taxes are $6,300. Their property and income taxes exceed the aggregate limit of $10,000, so they are "capped" at that amount.

Their itemized deductions without making charitable gifts amount to $24,964.

Under this example, they would be better off itemizing their deductions as their deductions slightly exceed their standard deduction amount of $24,000.

Note the $24,974 figure does not include their charitable gifts. They make total gifts to a number of charitable interests totaling $7,500 per year. Because their "fixed" deductions already exceed their standard deduction, they are able to fully deduct their charitable gifts, the same as under prior law.

The difference is that in 2017 they would have deducted their gifts against a 28% rate, saving them $2,100 in taxes. In 2018 their marginal tax rate will be 24%. Their tax savings would decrease by $300 to $1,800. They do not plan to significantly alter their charitable giving plans due to this change.

Let's look at the impact on a higher-income couple. Consider the case of John, a corporate executive making $750,000 per year, and Sara, an architect making the same amount.

They have a $1.5 million mortgage on their home and pay $67,000 in interest, $44,000 of which is deductible given the $1 million mortgage limit for interest deductibility. (The maximum mortgage for which interest can be deducted is reduced to $750,000 for mortgages incurred after 2017.) Their state income taxes are $75,000 per year, and their property taxes are $25,000. They also make annual charitable gifts totaling $25,000.

Under prior law their total deductions were $169,000. They were not, however, allowed to deduct this entire amount in 2017 because the Pease Limitation required them to reduce their total itemized deductions by 3% of the amount their income exceeded $313,800, or $35,586.

Under the new law, their deductions will be reduced to $10,000 worth of state and local taxes and their mortgage interest deduction of $44,000. Along with their $25,000 in charitable gifts, they will still have total deductions of $79,000. Because the Pease Limitation is repealed, they will not have to reduce this amount.

Their new standard deduction is $24,000. Even without their charitable gifts, the $54,000 in other deductions places them well above the $24,000 standard deduction.

Under prior law they would have deducted their gifts against the highest tax rate of 39.6%, saving them $9,900 in taxes.

Under the new law, the maximum tax rate is 37% and their gifts will save them $9,250 in taxes. They have no plans to alter their giving patterns as it requires no additional income to make the same gifts; furthermore, the after-tax cost of giving $25,000 increases by only $650.

The principal winners

Some higher-income individuals making larger gifts will actually see the cost of their gifts decline under the new law.

Take the case of Lewis and Melissa. Their AGI is $2 million. They have an outstanding capital gift pledge of $300,000 to a campaign where Lewis is on the steering committee.

In 2009 they decided to "take a flyer" and invested $200,000 in Ford Motor Company stock. It is now worth $1 million. Their state and federal capital gains tax liability would be over $250,000 if they sold the stock.

The couple decides instead to use $300,000 worth of the stock to satisfy their pledge. Their mortgage interest and state income taxes are sufficient for them to itemize their deductions. Their $300,000 gift is thus fully deductible as it does not exceed the 30% of AGI limit for gifts of appreciated assets.

They were surprised to learn that their tax savings from this gift will actually be greater in 2018 than in the past. How is that possible?

Had they made their gift last year, the Pease Limitation would have required them to reduce their itemized deductions by $50,586 (3% of the amount their income exceeds the Pease threshold of $313,800).

Their net deduction of $249,414 would have been deducted against the 2017 maximum tax rate of 39.6%, saving them some $98,768 in federal taxes.

Because the Pease Limitation was repealed by the 2017 tax legislation, they will be able to take the full $300,000 deduction in 2018. This will be deducted against the 2018 maximum tax rate of 37%, and yield tax savings of $111,000, which is $12,232 (or 12%) more than what their 2017 savings would have been.

Summary

These examples illustrate that nonprofits will experience the impact of recent tax legislation differently depending on the demographics of their constituency. Next month we will explore a number of ways donors who are negatively impacted can make changes in the way they give to restore prior tax benefits. ■

Robert Sharpe is Chairman of Sharpe Group.

*24,000 plus additional $1,300 each for being taxpayers over 65 years old.

Publication Order Form

Booklets (minimum of 12 pages, 4 x 9")

Item Code	Title	Imprint	Quantity
☐ 110A	37 Things People "Know" About Wills That Aren't Really So	☐	_____
☐ 130ZA	Giving Through Your Will	☐	_____
☐ 140ZA	How to Make a Will That Works	☐	_____
☐ 180ZA	How to Protect Your Rights With a Will	☐	_____
☐ 211ZA	Giving Through Gift Annuities ☐ *With Rates* ☐ *Without Rates*	☐	_____
☐ 220A	Planning for the Future	☐	_____
☐ 310ZA	Giving Securities	☐	_____
☐ 410ZA	Giving Through Living Trusts	☐	_____
☐ 430ZA	Giving Through Life Income Plans	☐	_____
☐ 450ZA	Giving Through Charitable Remainder Trusts	☐	_____
☐ 460ZA	Giving Through Charitable Lead Trusts	☐	_____
☐ 510ZA	Giving Through Life Insurance	☐	_____
☐ 610ZA	Better Estate Planning	☐	_____
☐ 710ZA	Giving Real Estate	☐	_____
☐ 730A	Personal Financial Affairs Record	☐	_____
☐ 820ZA	Giving Through Retirement Plans	☐	_____
☐ 925A	Your Guide to Effective Giving After Tax Reform	☐	_____
☐ 930A	Charted Giving Plans	☐	_____

Booklets (Specialty) add 60¢ per copy to booklet prices

☐ 170	Personal Financial Affairs Record (5.5 x 8.5")	☐	_____

Booklet total _____

Booklet Pricing

Quantity	Prices
100 - 249	$1.30 each
250 - 499	$1.20 each
500 - 999	$1.10 each
1,000 - 2,499	$1.05 each
2,500 - 4,999	$1.00 each
5,000 - 7,499	$.95 each
7,500 - 9,999	$.90 each
10,000 or more	Ask for quote

Prices based on total quantity of booklets ordered. Titles and formats may be combined for quantity pricing. In the event of cancellation, Sharpe Group reserves the right to charge for services rendered up to that point. See reverse of this page for imprint information.

Brochures (6-panel, 8.5 x 3.6875")

Item Code	Title	Imprint	Quantity
☐ 1116B	The State Has Made Your Will	☐	_____
☐ 1126B	When Should a Woman Have a Will?	☐	_____
☐ 1136B	Eleven Things to Remember	☐	_____
☐ 1146B	You Never Need to Change Your Will Unless	☐	_____
☐ 1442B	What to Tell Your Attorney About Your Plans	☐	_____
☐ 1612B	How a Will Works for You	☐	_____
☐ 1632B	An Estate Planning Quiz	☐	_____
☐ 2020B	Questions & Answers About Life Insurance	☐	_____
☐ 2021B	Questions & Answers About Retirement Plan Giving	☐	_____
☐ 2024B	Questions & Answers About Wills and Bequests	☐	_____
☐ 2025B	Questions & Answers About Estate Planning	☐	_____
☐ 2026B	Questions & Answers About Gift Annuities ☐ *With Rates* ☐ *Without Rates*	☐	_____
☐ 2027	Questions & Answers About Giving for Income	☐	_____
☐ 2031B	Questions & Answers About Giving Securities	☐	_____
☐ 2032B	Questions & Answers About Estate Planning for Women	☐	_____
☐ 2033B	Questions & Answers About Deferred Payment Gift Annuities	☐	_____
☐ 2035B	Questions & Answers About Giving Real Estate	☐	_____
☐ 5000	Five Ways to Make the Most of Your Gifts	☐	_____
☐ 8222	The Charitable IRA	☐	_____
☐ MEM8	Giving Through Living Memorials	☐	_____
☐ TFG9	Thanks for Giving (Type)	☐	_____

Brochure total _____

Brochure Pricing

Quantity	Prices
1,000 - 2,499	$.55 each
2,500 - 4,999	$.44 each
5,000 - 7,499	$.39 each
7,500 - 9,999	$.34 each
10,000 - 14,999	$.32 each
15,000 - 19,999	$.31 each
20,000 - 29,999	$.30 each
30,000 - 39,999	$.29 each
40,000 - 49,999	$.28 each
50,000 or more	Ask for quote

Prices based on total quantity of brochures ordered. Titles may be combined for quantity pricing. In the event of cancellation, Sharpe Group reserves the right to charge for services rendered up to that point. See reverse of this page for imprint information.

Publication Order Form

For fastest delivery, simply complete and fax to 901.680.5343 or email **orders@SHARPEnet.com**.
To place a phone order, call 901.680.5300.

Billing Address

Name _____

Title _____

Organization _____

Address _____

City _____ State _____ Zip _____

Phone (____) _____

Fax (____) _____

Email _____

Purchase order # (optional) _____

Shipping Address

(If different from billing. No P.O. Boxes, please.)

Name _____

Title _____

Organization _____

Address _____

City _____ State _____ Zip _____

Phone (____) _____

Fax (____) _____

Method of Payment

☐ Please bill me. ☐ Enclosed is a check for $ _____

☐ Please charge my: ☐ Mastercard ☐ Visa ☐ AmEx

Card # _____ Exp. date _____

Name on card _____

Signature _____

Imprinting Information

☐ Use Imprint on File

☐ Front ☐ Back ☐ Both ☐ None

Brochure Imprint Fee*: *$85*
Booklet Imprint Fee*: *$85 PER SIDE*

**Charges for additional text, photos, etc. may apply. Call for quote.*

› Publications will be imprinted in black.

› Logos and text for new imprints may be sent to **imprints@sharpenet.com**. For specific information on how to submit artwork and recommended file types, please call us.

Shipping & Handling

Total Order Amount	Shipping & Handling Fee*
$100.00 to $249.99	$16.00
$250.00 to $499.99	$22.00
$500.00 to $749.99	$29.00
$750.00 to $999.99	$37.00

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

› Prices shown are for shipment in continental U.S. Additional charges may apply for shipments elsewhere.

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

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 901.680.5322. Other questions, call 901.680.5300 or email orders@SHARPEnet.com.

SHARPE GROUP®

855 Ridge Lake Blvd. Suite 300
Memphis, TN 38120