

Give & Take®

IDEAS AND INSIGHTS FROM SHARPE GROUP



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Is Your **Gift Planning Library** Obsolete?

The last six months have perhaps ushered in more changes in the charitable gift planning world than any other period in the past 30 years.

Given these developments, gift planners need to review the online and print materials they rely on to educate and motivate donors to make sure they are still effective in today's environment.

What has happened?

Since December of 2017 we have seen dramatic changes in federal income tax laws; the elimination of the federal estate tax for 99.9% of Americans; rising interest rates that have a major impact on the size of charitable deductions for certain types of charitable trusts and gift annuities; and new recommended gift annuity rates that are higher for almost all ages. In addition, the stock market has reached record heights and real estate markets have recovered or exceeded pre-recession levels in much of the country.

In short, the charitable giving landscape has changed dramatically, and it is vital that communication materials be updated to reflect these changes.

Gift planners need to understand the urgency of this task. It is not just a matter of changing a few tax rates and other details in examples. The scope of the changes that have occurred demand different underlying strategic themes. Updated materials should focus on different types of property and timing considerations and should acknowledge and dovetail with major changes in non-charitable tax and financial planning strategies.

Income tax planning is rapidly replacing estate tax concerns when a donor is considering how to best structure his or her estate plans. For example, a previously planned bequest that is not expected to result in estate tax savings

As seen in *Forbes*



Forbes magazine, one of the foremost voices in business media, recently featured Sharpe Group and Robert F. Sharpe Jr. in an article about charitable giving under the tax law.

"Charity in the Age of Trump," published on April 30, 2018, shares some of Sharpe's strategies as outlined in its white paper (see www.SHARPE.net.com/sharpe-education) for maximizing giving in the current environment, despite an increase in the standard deduction and other challenges to charitable giving ushered in by the law. The article also highlights some of the positive aspects of the tax reform's impact on charitable giving, particularly for donors who make the largest gifts. It's a message that is important and hasn't been presented in many of the analyses of tax law and its predicted impact on charitable giving.

The online piece, "What Beats a Charitable Bequest Under the New Tax Law?," explores the multiple tax benefits offered by gifts other than bequests in the current environment. See "Is Your Gift Planning Library Obsolete?" above for suggestions on how to communicate these ideas to best donors and prospective donors.

Links to both articles are available on the Sharpe Group home page at www.SHARPE.net.com. ■

and that will leave a donor exposed to asset attrition may no longer be the best gift planning solution. A better approach may now be a charitable gift annuity (CGA) or charitable remainder trust (CRT) that features immediate income and capital gains tax savings rather than no tax benefits at death for most donors.

Another benefit of accelerating a bequest through a CGA, CRT or other split interest gifts may be the restoration of itemizer status for the donor by virtue of the sizeable charitable deductions these plans can generate. Those deductions may in themselves be sufficient to clear the new higher standard deduction hurdles and allow donors to itemize other deductible expenditures. The concepts are included in a number of revised Sharpe booklets.

A new gift king

When it comes to outright charitable gifts, cash may no longer be king. For donors who don't expect to itemize their charitable gifts, securities and other properties that have increased in value may be a much better choice to fund both current and deferred gifts. That's because the donor will not normally owe state and federal capital gains of 30% or more, in some cases, when appreciated assets are donated, whether or not the donor itemizes their deductions. The donor can then find other uses for the cash that may have previously been earmarked for the charitable gift because no income needs to be taxed in order to make the donation. Do your current materials illustrate that fact?

Multi-channel approach needed

Gift planners may also need to rethink how they deliver their messages. Authoritative "brain science" is now revealing Baby Boomers and others who are not "digital natives" respond best to a mix of media. Scientific studies show those beyond their mid-40s are firmly and irrevocably programmed to mentally accept information, other than advertising, in a print format on paper, preferably utilizing the serif typefaces that Boomers are familiar with from their educational experiences earlier in life. (See "Think Print Is Dead? Think Again," *Give & Take*, November 2015, featuring studies published in *Scientific American* in 2013.)

This does not mean, however, that nonprofits should just send print postcards or newsletters with bullet points and expect information on the website to do the "heavy lifting." That will not work for most donors in their 60s and beyond. Many, if not most, in that age group will need to receive detailed information in print format. Organizations that are successful in charitable gift planning already know this. It's not too late for others to return to proven communication techniques while we await the maturity of a younger generation of digital natives.

Getting down and direct

In the busy world of ceaseless images and sounds assaulting your donors' senses, it may be more effective to take the time to not only do mass marketing through newsletters, eblasts and other means, but also carefully target the people you really want to reach and not sit around like the proverbial Maytag repairperson waiting for them to ask for it.

Response rates to all forms of "planned gift marketing" are spotty at best. Planned gift "lead development" through print and email may be oversaturated and past its prime experienced in the 1990s and early 2000s.

Gift planners need to adjust their approach in response. For example, instead of sending 10,000 newsletters on property gifts and hoping 0.2% (20 people) will return a card or go to your website, why not cut the newsletter mailing to 9,000 and send 1,000 detailed booklets to the group that analysis reveals are most likely to make a gift of securities or other property? Which approach do you suspect will result in more gifts?

In reality, you need to do it all—mass and targeted approaches—but in a well-planned way and with updated materials. Optimizing your marketing may cause more donors to act. The goal should be to produce quality activity, not simply quantity.

Sharpe and Newkirk booklets and brochures have all been carefully rewritten to help you communicate the multi-faceted changes in our tax and economic landscape and, in so doing, encourage and complete more gifts.

Now is the time to build a new gift planning "library" or make sure your tools are up to date. Visit www.SHARPEnet.com/gift-planning-library for more details. ■

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Higher Rates for Gift Annuities

The Rates Committee of the American Council on Gift Annuities (ACGA) recently announced an increase in the suggested maximum rates payable for charitable gift annuities at the 33rd ACGA Conference in Seattle April 25-27, 2018.

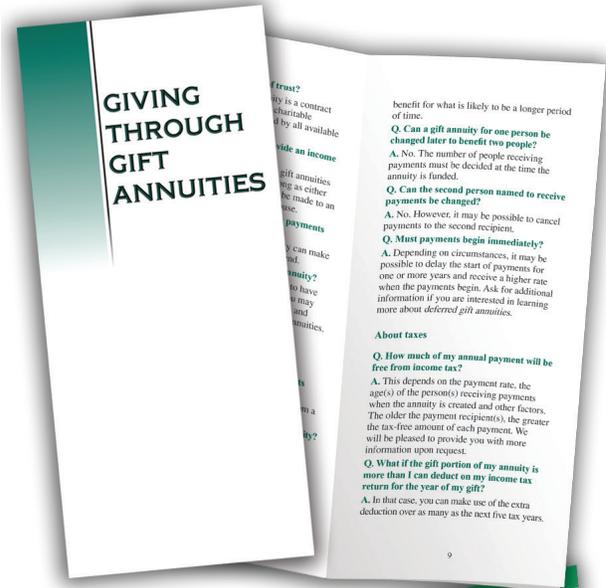
The new rate table was subsequently released with a suggested July 1, 2018, effective date. According to ACGA surveys, 97% of charitable organizations offering charitable gift annuities usually or always follow the recommended rates, which are designed to result in approximately 50% of the initial gift remaining at the death of the payment recipient(s). Recent ACGA surveys found the actual residuum for terminated annuities to be in the 62% to 64% range over the past ten years. This underscores the conservative assumptions underlying the rates.

The suggested rate changes are based on an earnings assumption of 4.75% (up from 4.25%) assuming the ACGA allocation of cash, equities and fixed income investments and a 50/50 age distribution between men and women and quarterly payments at the end of the period.

The suggested rate change will be in the 0.3% to 0.5% range depending on the annuitant's age and is expected to have a positive impact on charitable gift annuity activity nationwide. See the rate chart below for representative changes.

A chart with additional rates and a comparison to older rates is available at www.SHARPE.net/gift-planning-library.

All Sharpe marketing materials have been updated with the new suggested rates and are available for use by July 1, 2018. Brochures, booklets and newsletter content are also available with the new ACGA rates or may be customized based on a client's needs. For more information or to order updated gift annuity brochures or booklets, go to www.SHARPE.net/gift-planning-library. ■



ACGA Rate Comparison (Single Life)

Age	Old Rate	New Rate	Increase
65	4.7%	5.1%	0.4
70	5.1	5.6	0.5
75	5.8	6.2	0.4
80	6.8	7.3	0.5
85	7.8	8.3	0.5
90+	9.0	9.5	0.5

"I would take this entire seminar over again and learn much more. Excellent seminar. Well worth it!"

—**Sharon Morrissey**,
Director of Planned Giving,
Saint Peter's 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 July 9-10, 2018
Washington, DC September 10-11, 2018

Structuring Blended Gifts

Explore ways donors can give by 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.

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 Is Opportunity for Conversations: Experiences From McKendree University



McKendree University, located in Lebanon, IL, was founded in 1828 as Illinois's first institution of higher education. Today, the liberal arts university has just under 3,000 undergraduate and graduate students and more than 23,000 alumni. We spoke with Whitney Strang (pictured), McKendree's Director of Major and Planned Giving, about recent successes they've had in reaching out to their past and current donors to educate them about the new tax law and its potential impact on charitable giving.

Give & Take: How long have you been at McKendree working in planned giving?

Strang: I started in 2011, but my affiliation with McKendree began when I was a student here majoring in speech communication. I worked at several nonprofits in the Washington, DC area before this role, and gradually moved into fundraising. I knew I liked working with people on a personal level, and that's such a key component of planned giving. It's so important to have an instant comfort level with people in this role.

G & T: What is one of your favorite things about your work?

Strang: It's a special thing to be able to form relationships with donors who get to the level of making a planned gift. You get to help facilitate people's relationships with the organization, and you get to build individual relationships too; it's truly special when someone lets you in to that extent—you become like a family member. That's why planned giving is so powerful.

G & T: What is McKendree's philosophy on communicating with their donors and potential donors?

Strang: In recent years, we have ramped up the touch points with our constituents. We do quarterly mailings, our planned giving newsletter, renewal letters, emails and an annual

Giving Day. We have also increased our effort to "methodically steward" our donors, and not always make an "ask" in all of our outreach.

That's one of the reasons our planned giving newsletter is so important and has been so successful. It is more informational and educational for our donors. Over time, we've seen a great response with this method. We will sometimes find out that McKendree is included in a person's estate plans through newsletter follow-up. Often, we hear that our donors like reading it, and it will be out on their coffee table when we come to their home for a visit.

G & T: Is this informational and stewardship approach what came to mind when you were considering a mailing on tax reform?

Sharpe Group on the Road

Sharpe Group Senior Consultant Aviva Shiff Boedecker will present "10 Clues That You're Talking to a Planned Giving Prospect and What to Do About It" for the **AFP Silicon Valley Chapter** in Santa Clara, California, on June 19. Aviva will also present two sessions for the annual **Big Brothers Big Sisters National Conference** June 27-28 in St. Louis.

Kathy Sperlak, Sharpe Newkirk Executive Vice President, will attend the **Colorado Planned Giving Roundtable Summer Symposium** in Denver, August 22-23.

Sharpe Group Senior Consultant and SVP John Jensen will join Senior Editor John Ryan in Chicago for the **National Catholic Development Conference** (NCDC), September 15-18.

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. ■

Strang: Yes. Like many in our industry, we were uncertain what impact the tax changes would have, and we knew our donors would have questions. Many others might not seek out this type of information and would only randomly be exposed to what's on the news or read what's provided for them. This may be the only material they will receive that is specifically focused on the charitable dimension of the new law. That's where we saw value in sending out a positive message and stewardship piece about giving in light of tax law changes. When we mailed out the booklet and cover letter, we framed it as a message for those interested in philanthropy who are probably hearing about changes to tax law, and we wanted to provide helpful information for them to use in their planning. We didn't really expect much of a response and did not include a reply device.

G & T: And what kind of response did you see?

Strang: It was really nice to have such positive feedback. We sent the mailing out from our Senior Vice President and included contact information for the other fundraising members of our team. Among the group of three of us, we received calls, emails and notes of thanks for sending the material. We received some questions that opened the door for conversation. We also had people tell us they would be meeting with their advisors about how to adjust their charitable plans. We plan to follow up with those people once they have had a chance to meet with their advisors since we know this information will take a while to digest.

One of the neatest things was hearing from people we hadn't heard from in a while. We initially sent the mailing out to about 700 of our high-level annual fund donors, major givers and Old Main Society (our legacy society) members. After the initial positive response, we sent the mailing to a second group of former prospects and people we had not heard from recently, and received positive feedback from that group as well. To continue to get this positive message out there, since it's still so relevant, we are sending the booklet out monthly to new higher-level donors as part of the acknowledgment process when they make recent larger gifts.

G & T: From what you've seen in your role, how do you think tax reform will impact giving?

Strang: I think it's still too early to tell. There will be some who become more engaged with their advisors or with their favorite institutions like McKendree. And then there will always be others who tend to be more passive recipients of information, and will reach out when they feel ready. That's why I think it's so important for us to educate our constituents through regular mailings and a newsletter. We can get timely information to donors who might not see it anywhere else.

One of the greatest benefits of these communications is that they open the door to conversations—that's often the hardest part. Estate and charitable planning can be an intimidating topic for people, and having something that can start the conversation is critical. ■

Sharpe Group Senior Consultant Receives Prestigious Gift Planning Award



The Northern California Planned Giving Council (NCPGC) honored Sharpe Group's Senior Consultant and NCPGC founding member Aviva Shiff Boedecker for her service to the planned giving community with the Phil Hoffmire Service Award. The award was presented at the 2018 Northern California Planned Giving Conference.

The Phil Hoffmire Service Award is presented to those "whose professional accomplishments have made a significant and lasting impact on the field of planned giving in Northern California, and whose life and character have earned the respect and admiration of their professional colleagues."

Based in San Francisco, Aviva is an attorney with more than 30 years of gift planning experience. She has served for more than a decade each as a director of planned giving at the University of California, Berkeley and the Marin Community Foundation. She initiated San Francisco Ballet's planned giving program after beginning her career in the private practice of law.

Aviva has served on the board of the National Association of Charitable Gift Planners and is a past president of the Northern California Planned Giving Council and of the Marin County Estate Planning Council. She has been a member of *Planned Giving Today's* Editorial Advisory Board, writes for many planned giving publications and is a frequent lecturer on planned giving and a resource on philanthropy for professional advisors and individual donors. She also served on the advisory committee for the CGA Model Standards for Gift Valuation.

Aviva is a Big Sister with Big Brothers Big Sisters and has been involved with a variety of nonprofit and community organizations. She is an alumna of the University of California, Berkeley and the University of California, Hastings College of the Law and a member of the California Bar. ■

Helping Donors Navigate **Tax Reform**

A few of the ways you can use “Your Guide to Effective Giving After Tax Reform”:

- As an insert in gift acknowledgments
- As leave-behind material for use by front-line fundraisers when donors express interest in tax reform
- As an educational tool for all executive and senior program staff

Ways you can use the “2018 Federal Tax Pocket Guide”:

- As a mailing to attorneys, trust officers, financial planners, accountants and other influencers
- As response information for high net-worth donors
- As an insert with major and planned gift proposals

For more uses, visit www.SHARPEnet.com/giving-after-tax-reform.

On January 1, 2018, most of the provisions of the *Tax Cuts and Jobs Act* took effect. This legislation represents the most far-reaching changes to the Federal Tax Code in more than 30 years. The new tax law will touch the life of virtually every American.

In addition to rate cuts, a number of widely used income tax deductions, credits and adjustments were repealed or curtailed. The 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 in place.

Unfortunately, dire forecasts of decreases in giving due to provisions of the new law were published and read by many fundraisers and donors before the final law was signed. Unless charitable organizations and institutions act quickly to inform their donors of the positive news in the final legislation, misinformed predictions could become self-fulfilling prophecies.

Sharpe Group and R&R Newkirk have two resources to help you explain to donors and advisors the impact of tax reform on their charitable gifts: **“Your Guide to Effective Giving After Tax Reform”** (for donors) and the **“2018 Federal Tax Pocket Guide”** (for advisors and selected donors). For more information, visit www.SHARPEnet.com/giving-after-tax-reform.



Personalization

Sharpe and Newkirk can add your logo and contact information on the front, back or both for “Your Guide to Effective Giving” (only the front for the “Pocket Guide”).

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

Prefer something more unique to your brand?

We can customize communications specifically for your needs.

Sharpe and Newkirk look forward to working with you to ensure that this year will be a successful one for your organization. Call us at 901.680.5300 or visit www.SHARPEnet.com/giving-after-tax-reform.

Tax Reform Order Form

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