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New Transfer of Wealth Study

by Barlow Mann, Sharpe Group C.O.O.

A new study suggests the long-promised transfer of wealth may now be upon us.

The Chronicle of Philanthropy has recently collaborated with the Center for Rural Entrepreneurship/LOCUS (Center) to create a new study, *\$9 Trillion and Counting: How Charities Can Tap Into the Transfer of Wealth*.

While recent *Giving USA* reports estimate that charitable bequests are again on the rise, charitable bequests were flat from 2000 through 2013 and actually declined over that period in real dollars (see figure 1).

Why now?

With household net worth at an all-time record high and the number of deaths in America growing from 2.4 to 2.5 million per year in the 2000s to over 2.8 million in 2017, the transfer of wealth from older generations is finally starting to accelerate.

The total amount in assets transferred set a new record for 2017. It is unclear if this increase will result in a “bequest boom” for every charity, but it is likely that charitable organizations and institutions that actively encourage gifts through

most common age at death of those leaving charitable bequests is the late 80s to early 90s. Most Baby Boomers are still decades away from being a significant source of realized bequest gifts.

“We’re not even through the Silent Generation yet. We’re about six years out from realizing the beginning of the Baby Boom curve,” explains Robert F. Sharpe, Jr., Sharpe Group Chief Consultant, who was quoted in the study.

Cautious optimism

It is important to keep in mind that there are major unknowns looming on the economic, social and political horizons that may influence the actual wealth transfer numbers over the coming decade. Medical advances that lead to longer life expectancies, combined with reforms to federal and state entitlement programs, may result in greater consumption of capital during the final years of life, resulting in a reduction in assets remaining at death.

The fact that much of the wealth of the Baby Boomers is held in the form of tax-deferred retirement accounts is another factor to be considered. In the past, seniors may have paid lower capital gains taxes when converting appreciated assets to spendable funds. Today, that same appreciation in value will be taxed at regular income rates, consuming more of the asset’s worth in taxes—and those taxes will be assessed because of mandatory retirement plan withdrawals whether or not there was a need to convert those assets to income.

Of course, the wealth transfer will still occur under these circumstances, but more of it will actually be “transferred” in the form of taxes to governmental entities rather than

Inflation Adjusted Giving USA Bequest Income 2000-2017

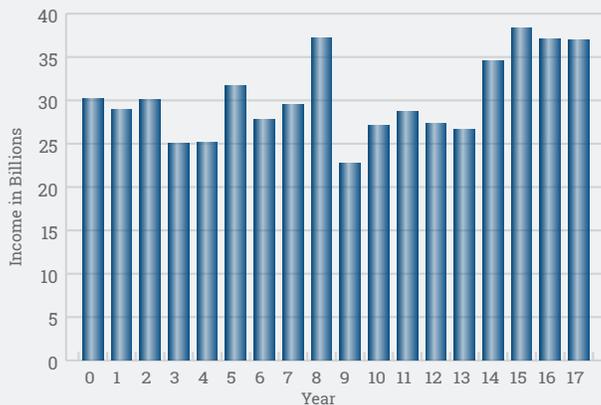


Figure 1. Giving USA

Using updated data and analysis by LOCUS in a partnership with the Center, *The Chronicle of Philanthropy* report offers a more focused look into the near-term transfer of wealth between now and 2027. It does not project how much of the total wealth transfer will actually flow to charity but points out that the growth in wealth transfer overall will create an opportunity for the nonprofit sector to benefit.

estates and offer appropriate stewardship to estate gift donors will enjoy a greater share of the new rising tide of bequest transfers.

During the next 15 to 20 years, the bulk of gifts through estate transfers will continue to come from America’s most senior generations—the remaining members of the G.I. Generation and the Silent Generation—because the

loved ones and philanthropic interests. Time will tell.

Worth reading

The report includes comments from academic researchers, consultants and experienced fundraisers, as well as estimated amounts of the distribution of wealth by age and the type of assets owned by wealth range based on research in the Federal Reserve Study of Consumer Finances and other sources.

Planned gift case studies include The Nature Conservancy, American Heart Association and Southwest Initiative Foundation. Additionally, the report includes a section on tips to improve planned gift development efforts, stages of giving based on age including how to broach planned giving topics with donors. See “Trends in Giving” on page 6 for suggestions to help increase giving to your organization this fall.

For the full report and information on bulk orders of *\$9 Trillion and Counting*, visit store.philanthropy.com/collections/reports. ■



Barlow Mann is Sharpe Group's Chief Operating Officer.

Family Finances and Philanthropy

Last fall, the *Federal Reserve Bulletin* examined changes in family finances from 2013 to 2016 based on the *2016 Survey of Consumer Finances*. The report found broad-based gains in income and net worth since 2013. Because donors give from discretionary income and assets, these trends should be of interest to fundraisers.

Real growth of income and wealth

The real gross domestic product (GDP) grew at an annual rate of 2.2%. Unemployment fell from 7.5% to 5%. The positive economic performance resulted in gains for many families.

Between 2013 and 2016, median family income grew 10% and average family income grew 14%. The difference between the median and mean income growth indicates that families at the top of the income distribution range enjoyed the largest increases. Rising real estate values and stock market prices combined to increase both median and mean family net worth. Median family net worth grew 26%. These growth figures also reflect that larger gains were concentrated in households in the top quintile in terms of income and wealth.

A closer look at the figures

Overall, median income rose from \$48,100 to \$52,700, and the average family income grew from \$89,900 to \$102,700. While every age group experienced increases in income, the largest percentage income gains were found among those 75 and older.

Family Income Trends 2013-2016		
Median Income		
2013	2016	Change
\$48,100	\$52,700	10%
Mean Income		
2013	2016	Change
\$89,900	\$102,700	14%

Similar positive trends were reflected in family net worth. The wealth of all families grew during this period with median net worth increasing 16% to nearly \$100,000 and the average rising 26% to almost \$700,000. Once again, there were distinct trends based on age.

Median net worth steadily increased by age range with the 75+ age range topping out at over a quarter of a million dollars in 2016. The 75+ age group also had the second highest average net worth at just over one million dollars. Overall, the 55-64 age range had the highest average income and net worth in 2016.

Family Net Worth		
Median Net Worth		
2013	2016	Change
\$83,700	\$97,300	16%
Mean Net Worth		
2013	2016	Change
\$551,300	\$692,100	26%

What this means for giving

It appears that positive trends from 2013-2016 are continuing with household net worth reaching all-time highs in 2017 buoyed by real estate and stock market values. Unemployment has continued to drop to 3.8%, and family income may increase as a result. It is also clear that the increases are not spread evenly across the board and smart fundraisers will increasingly segment fundraising efforts based on giving history and other factors such as age and wealth. This will be especially true as a result of recent tax law changes that have created a greater need to target major and planned gift marketing communications to the right groups of your constituency at the right time in their lives to consider regular, special and planned gifts. ■

Helping Donors **Navigate Tax Reform**

We are pleased to offer two resources to help you explain to donors and advisors the impact of tax reform on charitable gifts: ***Your Guide to Effective Giving After Tax Reform*** (for donors) and the ***2018 Federal Tax Pocket Guide*** (for advisors and selected donors).

You can add your logo and contact information on the front, back or both for *Your Guide to Effective Giving* (and the front for the *Pocket Guide*).

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

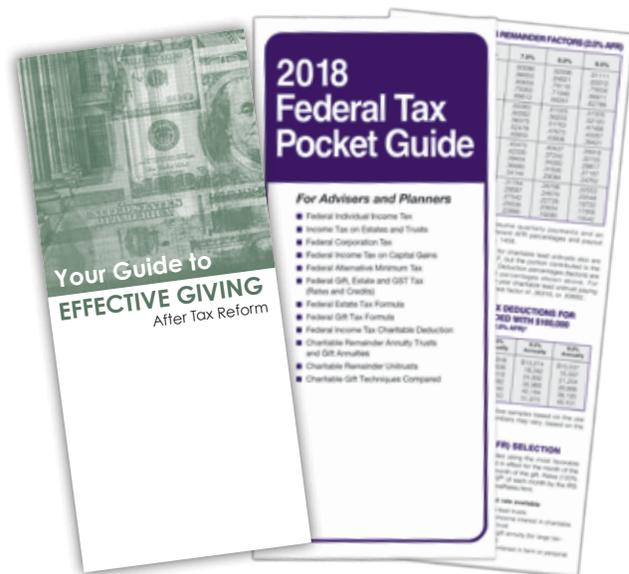
For more information, visit www.SHARPEnet.com/giving-after-tax-reform or contact us at 901.680.5300 or info@SHARPEnet.com. ■

Your Guide to Effective Giving After Tax Reform

Sharpe created this booklet primarily to help individuals understand how the tax law did and did not affect their charitable giving. This booklet is directed to those who have deducted their current gifts and are likely to continue to do so. It also includes strategies to help donors who may not otherwise itemize under the new law discover ways to restore tax benefits for gifts. There are also references to changes in estate and gift tax laws and how this could result in larger gifts through bequests and other estate plans.

2018 Federal Tax Pocket Guide

This reference guide is ideal for advisors and more sophisticated donors. Imprinted with your organization's name and contact information, the *Pocket Guide* is an effective tool for keeping your organization top of mind with the professional advisors and estate planners in your community and building goodwill among your top donors and prospects.



Sharpe Group on the Road

Joe Chickey, Sharpe Group Senior Vice President and Managing Consultant, will attend the **Colorado Planned Giving Roundtable Summer Symposium** in Denver, August 22-23.

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

Aviva Shiff Boedecker, Sharpe Group Senior Consultant, will attend the **Northwest Planned Giving Roundtable Annual Conference** in Portland, Oregon, September 27.

The annual **National Association of Charitable Gift Planners National Conference** will be held in Las Vegas on October 17-19. Aviva Boedecker and John Jensen will be joined by Executive Vice President Kathy Sperlak.

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. ■

“It was a pleasure attending your seminar. I came away feeling as though I need to send all of my fundraisers as soon as possible.”

—**Julie Turley**,
Vice President of Development,
Catholic Church Extension Society,
Chicago



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.

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.

2019 dates coming soon.

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.



Trends in Giving: New Reports on U.S. Philanthropy

A number of recently released reports provide different perspectives on trends currently affecting charitable giving in the United States.

Two of the most broadly followed reports, *Giving USA 2018: The Annual Report on Philanthropy for the Year 2017* and the *2017 Voluntary Support of Education (VSE)* survey, both revealed record levels of charitable giving for the most recent years studied. Additional studies by the Nonprofit Research Collaboration and the Blackbaud Institute provide more insights into fundraising trends that are impacting many fundraising programs.

Giving USA sets new record

Charitable giving from individuals, estates, foundations and corporations all increased in 2017, totaling an estimated \$410 billion (up from \$390 billion in 2016). Overall charitable giving was approximately 2.1% of Gross Domestic Product (GDP) and benefitted from continued economic growth in 2017.

There was a surge in philanthropic activity in December as some donors reportedly accelerated their gifts in anticipation of tax law changes.

Charitable bequests exceeded \$35.7 billion in 2017. An estimated \$106.22 billion in charitable bequests have been received over the past three years, another all-time multi-year record, perhaps representing the leading edge of the much anticipated “Great Wealth Transfer.”

The *Giving USA Annual Report on Philanthropy* covers more than 400 pages and includes in-depth coverage and analysis of contributions by source and recipient category. The entire report is available for purchase at givingusa.org.

2017 Voluntary Support of Education

The 60th anniversary edition of the *Voluntary Support of Education (VSE)* survey found that gifts to reporting colleges and universities grew 6.3% to \$43.6 billion, the highest amount ever recorded (see table above). As seen in the *Giving USA* report, individuals represented the number-one source of contributions to higher education. Last year, contributions from both alumni and non-alumni individuals

2017 Voluntary Support of Education Bequests and Deferred Gifts 2007-2017 (Dollars in Thousands)

Year	All Personal Giving	Bequests	*Deferred Gifts
2007	\$12,140,496	\$2,469,902	\$1,520,000
2008	\$13,268,550	\$2,654,372	\$1,853,000
2009	\$10,739,787	\$2,338,799	\$950,000
2010	\$10,597,255	\$2,164,734	\$908,000
2011	\$12,140,854	\$2,313,696	\$1,118,000
2012	\$11,751,157	\$2,110,470	\$1,283,000
2013	\$13,554,286	\$2,332,274	\$1,283,000
2014	\$14,445,345	\$2,730,380	\$1,425,000
2015	\$16,543,931	\$3,002,929	\$1,553,000
2016	\$15,142,307	\$2,755,010	\$1,555,000
2017	\$19,230,000	\$2,947,208	\$1,208,000

*Estimated face value

increased. Nearly half a billion dollars were given in the form of deferred gifts and nearly three billion more in the form of bequests.

Charitable bequests and deferred gifts accounted for approximately \$3.3 billion in the 2017 *VSE*. For the 430 survey respondents, an average of 21 bequests were received in the 2017 fiscal year. This group also reported an average of 27 new bequest intentions. The three largest bequests accounted for a majority of all bequests received by various types of colleges and universities.

Also of interest to development executives will be the increase in the total value of gifts of securities to higher education, which grew from \$2.4 billion in 2016 to \$3.05 billion in 2017. This represents a 27% rise in the value of donated securities for 2017. The number of such gifts also climbed some 22% from 50,034 to 60,916. The average gift of securities was more than \$50,000.

For more information or to order the full report, including individual institutional data, visit cae.org.

What to do now

➔ *Wealth transfer*: the next decade is likely to see a record amount of wealth transferred from estates, creating an opportunity for the nonprofit sector to benefit.

Tip: Consider consistent marketing and communication strategies for the 65-74, 75-89 and 90+ donor segments made up of older Boomers, Silents and G.I. Generation. Studies show that the last wills, executed when donors are in their 80s, include charities for the first time in 50% of the cases. There is still time to ensure your share.

🔑 *Income and wealth:* Recent increases in income and wealth provide another opportunity for fundraisers. While the increases are relatively broad-based, rising real estate and securities prices have primarily benefitted the top quintile of families.

Tip: Consider the benefits of using income and wealth estimates to better target affluent individuals for larger gifts of stock, real estate and other appropriate property. Many planned and major gift donors will be found among the top 20% of households. Recent tax law changes make these

gifts more attractive than ever because a donor need not itemize deductions to enjoy capital gains tax savings.

🔑 *The surge of giving in December 2017:* The acceleration of gifts in anticipation of tax reform in 2018 may have driven giving to an all-time high last year. That may create a challenge for the current year. Several studies are predicting a relatively minor drop in giving for 2018.

Tip: While every gift, regardless of size, is important and appreciated, remember the importance of larger gifts to the success of your annual fundraising efforts and make sure that those donors are aware that tax reform had little or no negative impact on the tax benefits associated with their gifts. Consider targeted newsletters, booklets and digital content in the second half of 2018 that delivers that message. See page 4 for suggested communications. ■

Other Recent Reports on Charitable Giving

2017 Charitable Giving Report, Blackbaud Institute

This report is based on data on nearly \$30 billion in charitable gifts tracked in the Blackbaud Index and discusses fundraising trends by sector and organizational size including statistics on donor characteristics and gift size.

Highlights

- ▶ Giving data represents 8,453 organizations and \$29.7 billion in gifts.
- ▶ Overall giving increased 4.1%.
- ▶ Online giving continued to grow to about 7.6% of all gifts.
- ▶ December was the most generous month of the year, with 18.2% of overall giving.
- ▶ Over a third of all giving occurred in October, November and December.
- ▶ The average age of U.S. donors was 64.

Winter 2018 Nonprofit Fundraising Study, Nonprofit Research Collaborative

The AFP, APC, CFRE, Giving USA and CGP are the members of the Nonprofit Research Collaborative. The project, based on more than 1,300 survey responses, is managed by Melissa S. Brown of Melissa S. Brown and Associates.

Highlights

- ▶ 63% of survey participants reported an increase in charitable giving in 2017.
- ▶ 75% met their fundraising goals in 2017.
- ▶ Major and planned gifts ranked as the top two fundraising methods utilized.
- ▶ The average size bequest at the median was in the range of \$25,000 to \$100,000.
- ▶ Growth in giving nationally was uneven and the Northeast and Midwest saw a drop in the share of organizations with growth.
- ▶ About 60% of U.S. charitable organizations plan to inform their donors about recent tax law changes. ■

Sharpe Gift Planning Seminars

Development executives have relied on Sharpe Group for premier training since 1967. Increase your understanding of gift planning techniques and help your program reach its full potential by attending these Sharpe Gift Planning Seminars. Please see Page 5 for more information.

An Introduction to Planned Giving



Washington, DC September 10-11, 2018

Structuring Blended Gifts



2019 Dates Coming Soon.

Integrating Major and Planned Gifts



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See full agendas and register at www.SHARPEnet.com/seminars or call **901.680.5300** with questions. Registration is limited to allow interaction between participants and instructors. Act now to ensure your spot.

Sharpe Newkirk 5-Day Comprehensive Seminar

Join us next January in Orlando for the Sharpe Newkirk 5-Day Comprehensive Planned Giving Seminar.

January 21-25, 2019

Holiday Inn Orlando – Disney Springs Area

- ▶ In-depth coverage on tax law and how it may affect charitable giving.
- ▶ Phenomenal presenters who bring real-life, hands-on experience.
- ▶ Perfect for those new to charitable gift planning or who would like a refresher course with new tax law information.

Visit www.SHARPEnet.com/seminars for more information. Or contact us at 901.680.5300 or seminars@SHARPEnet.com.



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901.680.5300