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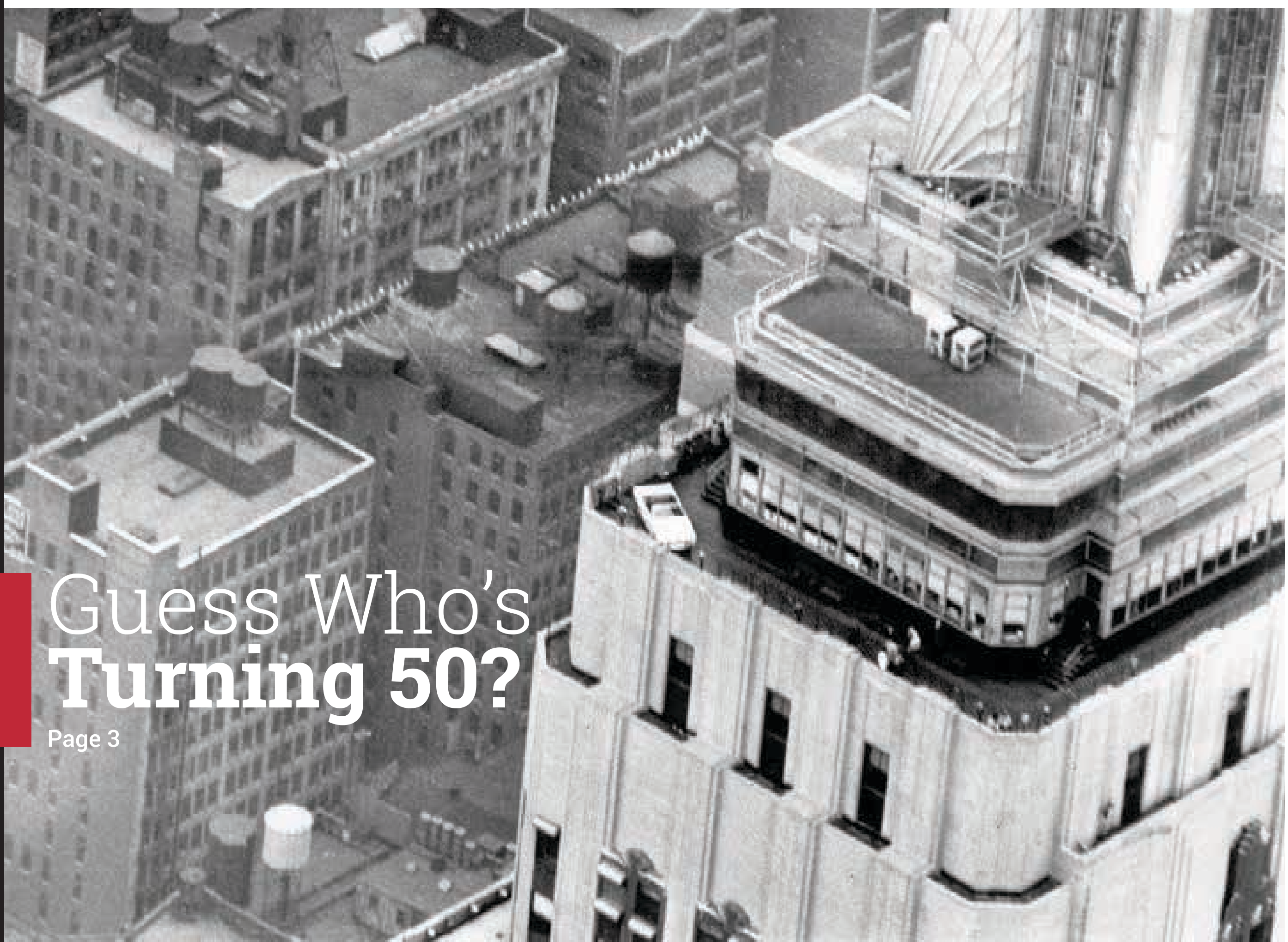
Give&Take®

IDEAS AND INSIGHTS FROM SHARPE GROUP



Guess Who's **Turning 50?**

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SOURCE: FORD MOTOR COMPANY

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Good Times **Are Coming**

by Barlow Mann

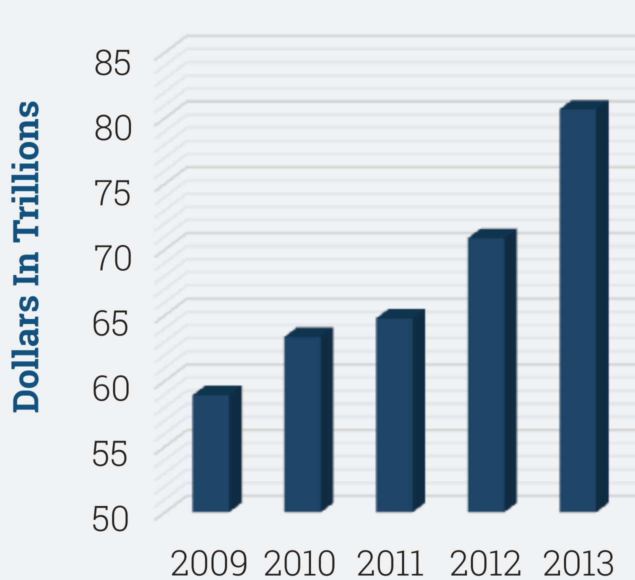
In good news for nonprofits, a number of critical economic, demographic and tax policy factors are converging to create what may be the best environment for fundraisers since 2007.

Economy on the upswing.

The Federal Reserve recently reported that household net worth in the United States is at an all-time high. The growth in 2013 alone was $9.8 trillion, or 14 percent. The ongoing economic recovery has led to a drop in unemployment figures and a rise in the value of real estate, stocks and other investments. Improving economic conditions such as these have historically led to a boost in charitable giving.

In May of this year, the Dow Jones stock index hit a record high, thereby increasing the amount of appreciated assets available to fund current or deferred gifts. Charitable gift planning can be employed to make gifts while also avoiding spikes in income that could lead to additional income, capital gains and healthcare taxes. Such gifts may also generate valuable itemized deductions.

U.S. Household **Net Worth, 2009-2013**



Source: U.S. Federal Reserve

Growth in generous generations.

Demographic trends also bode well for philanthropic activity. By the end of this year, all baby boomers will be in their early 50s to late 60s. Many are in the midst of their peak earning years and are seeing a significant increase in their personal net worth. As boomers reportedly give more to charity each year than any other age group, they are likely to share this prosperity with others.

In fact, according to federal estate tax returns, more charitable bequests are received each year from those 90 and older than from all persons under 80.

Meanwhile, according to the U.S. Census, the 85+ population group is now the fastest-growing segment of the population. The growing number of people in the later stages of life should provide a significant boost to the pool of traditional planned gift prospects.

Traditionally, the majority of charitable gifts that occur at death come from this group. In fact, according to federal estate tax returns, more charitable bequests are received each year from those 90 and older than from all persons under 80.

Taxing matters.

From a tax policy standpoint, the current environment is positive for charitable gifts made both during lifetime and at death. The American Taxpayer Relief Act (ATRA) extended the Bush tax cuts for the vast majority of taxpayers, preserving existing tax incentives for itemizers. This is welcome news for nonprofits since, according to *Giving USA* figures, those who itemize provide the majority of charitable gift dollars from individuals each year.

ATRA also increased the income and capital gains tax rates for America's most affluent taxpayers. As a result, their charitable gifts may actually "save" more in taxes now than in recent tax years. Meanwhile, talks have begun again about possible future tax reforms, which could reduce or eliminate tax incentives for charitable gifts for many Americans. This means that the existing tax treatment for charitable gifts may make it more attractive to make charitable gifts now than to wait until the future. For more on recently proposed legislation and its possible implications for charitable giving, read Robert Sharpe's latest contribution to *Trusts & Estates* magazine at www.SHARPEnet.com/about/publicity.

In summary, conditions have converged that create an environment that is more favorable for philanthropic planning than it has been for years or may be in the future. Fundraisers who understand these factors and act accordingly may well enjoy record levels of charitable gifts in 2014 and beyond.

If you are interested in learning more about encouraging charitable gifts in today's environment, consider attending one of Sharpe's upcoming training programs. See Page 5 for more information. ■

Guess Who's **Turning 50?**

In April, Ford celebrated the Mustang's 50th birthday with a reenactment of its historic promotion of the 1966 Mustang on the roof of the Empire State Building.

Source: Ford Motor Company

Fifty years ago this year marked the year the last of the baby boomers were born and the first year of the Ford Mustang. Just like the iconic car, baby boomers aren't slowing down anytime soon.

A spectacular birthday party.

How do you place a Ford Mustang on the observation deck of the Empire State Building? With no crane able to lift a car to the 86th floor (over 1,000 feet) and a helicopter lift deemed too dangerous, Ford engineers had to get creative. A team of workers divided the Mustang into three parts small enough to fit in the building's elevators and then reassembled the car on the 86th floor observation deck.

But why go to this herculean effort, and not once, but twice? Back in 1965, Ford was attempting to rev up its image. The sleek and sporty Ford Mustang was designed to speak to a whole new generation of baby boomer drivers. In an ambitious marketing stunt, Ford displayed its new car on top of what was then the world's tallest building.

In April of this year, Ford recreated the event to celebrate the Mustang's 50th birthday. The yellow 2015 Ford Mustang was on display for two days on the 86th floor observation deck before being disassembled yet again.

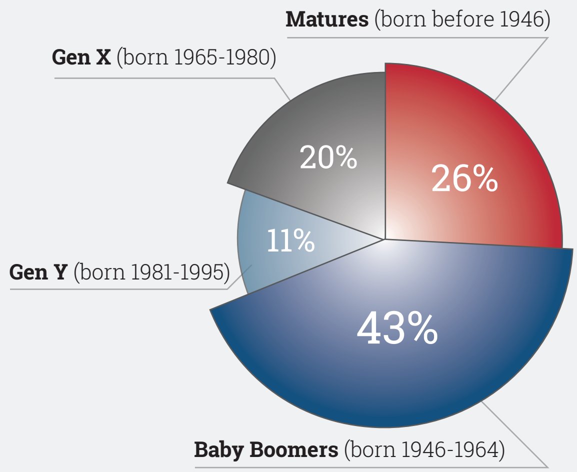
Boomers still booming.

The Ford Mustang is not alone in turning 50 this year. 1964 was the final year of the 1946-1964 span that marked the births of the baby boomers, the youngest of whom turn 50 this year. Still an estimated 76 million members strong and some 25 percent of the population, boomers have always been and continue to be a significant philanthropic, economic and cultural force.

Now 50 to 68 years old, boomers are at the peak of their earning potential. Many are still enjoying good health and have no plans to slow down anytime soon.

Used to being leaders, boomers have become a strong force in philanthropy. A recent study of charitable giving habits across generations found that boomer donors account for just 34 percent of all donors yet are responsible for 43 percent of all charitable gifts, the largest share of any generation.

Charitable Giving **by Generation**



Source: "The Next Generation of American Giving" by Blackbaud

Reaching out.

Like the Mustang, the youngest boomers are still going full speed. Even the oldest boomers, though approaching 70, are likely to enjoy lifespans of 15 or more years. Most are years away from making their final estate plans, but many who are nearing retirement will now have an interest in learning about gift annuities and other gifts that generate income that can help supplement their retirement years.

Given their numbers, their philanthropic bent and the fact that they enjoy life expectancies of 18 to 30 years or more, baby boomers can be expected to remain an important force in the philanthropic world for decades to come.

Giving to Colleges and Universities Reaches **Historic High**

After reaching a previous record high in 2008, giving to colleges and universities fell sharply during the Great Recession. Five years later, giving has not only recovered but has reached its highest level to date.

In its annual Voluntary Support of Education survey of colleges and universities, the Council for Aid to Education (CAE) found that giving for fiscal year 2013 was up 9 percent (7 percent when adjusted for inflation). Income from bequests was up 11 percent, outpacing the overall rate of growth.

The total raised by colleges and universities during the period was $33.8 billion, the largest amount recorded in the history of the survey and the most since the years before the Great Recession.

Almost 60 percent of respondents reported raising more in fiscal year 2013 than in the year before. Ann E. Kaplan, director of the survey, attributes the rise in giving to the performance of the stock market during the period and to the general economic recovery.

Individual giving.

Giving by alumni accounted for 26.6 percent of all giving, up from 24.8 percent in 2012. Giving from non-alumni individuals represented 18.3 percent of total giving in 2013, meaning that giving from individuals (not including corporations, foundations, etc.) made up 44.9 percent of all giving last year.

Alumni giving last year rose 16.9 percent (14.7 percent when adjusted for inflation) over fiscal year 2012, while giving by non-alumni individuals rose 6.4 percent (4.4 percent when adjusted for inflation).

Other sources of giving.

Giving from other sources was up as well, with the exception of corporate gifts, which fell slightly (2.9 percent, or 4.7 percent when adjusted for inflation). Gifts from foundations, religious and other organizations saw gains ranging from 9.1 percent to 14.3 percent (7.0 to 12.1 when adjusted for inflation). While bequest income was up 11 percent, the present value of trusts and other deferred gifts was flat.

Endowment.

The rise in stock market values led to growth of the endowments at many colleges and universities. Institutions that reported to both the 2012 and 2013 surveys saw an average increase in endowment values of 9.8 percent.

Top institutions.

The ten institutions that had the most success in fundraising in fiscal year 2013 accounted for 17.3 percent of all gifts. Top among these was Stanford University, which raised $931.57 million. Rounding out the top ten were Harvard University, University of Southern California, Columbia University, Johns Hopkins University, University of Pennsylvania, Cornell University, New York University, Yale University and Duke University.

The full report is available for purchase at www.cae.org. ■

Bequests and Present Value of Deferred Gifts as Reported by VSE Respondents, 2003-2013 **(Dollars in Thousands)**

Year	All Individual Giving	Bequests	Deferred Gifts
2003	$8,864,086	$2,225,286	$455,049
2004	$9,673,150	$2,445,945	$508,416
2005	$10,116,192	$2,085,962	$660,163
2006	$12,146,049	$2,185,085	$579,490
2007	$12,140,496	$2,469,902	$608,426
2008	$13,268,550	$2,654,372	$740,474
2009	$10,739,787	$2,338,799	$380,493
2010	$10,597,255	$2,164,734	$363,413
2011	$12,140,854	$2,313,696	$447,239
2012	$11,751,157	$2,110,470	$513,116
2013	$13,554,286	$2,332,274	$513,616

2014 Dates for **Sharpe Group Training Opportunities**

"Practical. Applicable. Relevant. Awesome! Worth every penny."

—**Gordon Dowell,** Gift Planning Officer, Kansas State University Foundation, Manhattan, Kan.

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 life cycle and how you can help donors make larger gifts today and plan gifts through bequests, trusts, gift annuities and other techniques. Learn to work effectively with those 65+ who may make up much of your donor base—or soon will. This seminar is appropriate for those who are laying the foundation for a successful gift planning program or are looking to improve the effectiveness of an existing program.

New York	•	October 13-14
Chicago	•	December 8-9

Gift Planning Fundamentals

Who makes the larger gifts and why?

Help donors understand the best asset to give, the best way to transfer it, and how timing can affect the size and tax benefits of the gift. Increase your knowledge and understanding of the what, when and how of various gift planning vehicles for maximum gift value and return on investment. Register for this seminar if you are new to planned giving responsibilities and need to learn gift types in more detail or if you could benefit from a refresher course.

New York	•	July 14-15
Chicago	•	September 15-16

Integrating Major and Planned Gifts

Learn how major and planned giving can work together.

Discover how to help donors make the best gifts for their age, wealth and other factors, while meeting your current, capital and endowment needs. Learn how to interpret a donor's verbal and non-verbal clues to determine which giving option is right and how to help donors make larger charitable gifts that might not otherwise be possible due to personal planning concerns. 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.

San Francisco	•	August 18-19
Washington	•	November 6-7

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

ACGA 2013 Survey Results

by Lewis von Herrmann

In its latest national Survey of Charitable Gift Annuities, the American Council on Gift Annuities (ACGA) explores the effect the Great Recession and the ongoing economic recovery have had on gift annuities.

About the ACGA Survey.

Those who manage many types of split-interest gifts, including charitable remainder trusts, lead trusts, and pooled income funds, are required to file annual tax returns with the IRS. These returns are then studied by the IRS Statistics of Income group and are reported upon annually. On the other hand, the IRS does not collect statistics about charitable gift annuities since they are completed gifts subject to income payments.

Fortunately, the American Council on Gift Annuities (ACGA) periodically undertakes a national survey of organizations with active charitable gift annuity programs. With surveys completed every four or five years since 1994, the ACGA has amassed a very helpful repository of data about gift annuities over the past 20 years.

The ACGA released the results of its most recent survey in April at the 31st annual ACGA conference in Baltimore. The 2013 survey is now the only source of information about charitable gift annuity practices, policies and trends.

Background information on charitable gift annuities.

Charitable gift annuities are a time-tested arrangement whereby a donor makes a gift to a qualified charity in exchange for payments for life. These contracts have increased in popularity over the past 150 years and are offered by thousands of charitable organizations. American Bible Society has the oldest ongoing gift annuity program in the United States and has issued tens of thousands of charitable annuities continuously since 1843.

Survey highlights: Residuum percentages.

According to the latest survey, the average residuum (remainder) for annuities that terminated as a result of the annuitant's death over the past five years was 64 percent of the initial contribution. As may have been expected given investment market conditions during the period in question, this figure is lower than the 82 percent residuum reported in the 2009 survey covering the previous five years. The latest survey includes gift annuities that terminated between 2009 and 2013, and the termination of many of these annuities coincided with the depths of the stock market lows experienced in 2009 and 2010. Annuities that have terminated since the market recovery will likely yield a residuum closer to the norms of prior surveys.

Annualized returns.

The rise in stock market values has helped raise the annualized returns of gift annuity assets as well. The mean annualized return for the last fiscal year was 9 percent, closer to the mean return of 8 percent for the last 10 years. Some 37 percent of respondents reported a return in the range of 10 to 20 percent for the last fiscal year, while only 19 percent of respondents saw that level of return over the past four years.

ACGA rate adoption.

Almost all responding charities, 96 percent, reported that they usually or always follow ACGA rates. Since the inception of the ACGA survey in 1994, the percentage of respondents who follow the ACGA's recommended rates has never fallen below 95 percent.

Contracts issued and face value.

The reported average number of contracts issued per year was 16.4. Of those, 70 percent were one-life annuities while 30 percent were issued for two lives. While most CGAs were of the immediate payment variety, 12 percent were deferred payment annuity contracts, an all-time record. Some 66 percent of gift annuities had a reported value of $500,000 or less, compared with 73 percent in 2009, indicating a trend toward larger funding amounts.

About gift annuitants.

Women accounted for 57 percent of gift annuitants, while men made up the remaining 43 percent. In spite of the percentages, it appears men and women are about equally as likely to consider a charitable gift annuity (due to the fact that there are simply more women than men in the age ranges of the primary prospect pool).

The average age of a charitable gift annuitant continues to be 79 years of age, and about 75 percent of annuitants are older than 75. Persons age 70 to 90 accounted for approximately 94 percent of all immediate gift annuitants over the five-year period studied.

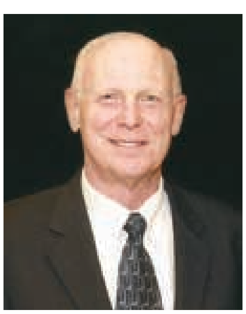
These are just a few of the highlights of the 2013 Survey of Charitable Gift Annuities. Organizations with an interest in charitable gift annuities can access the full report, including information on state regulations, minimum ages, minimum amounts and more, at the ACGA's website, www.acga-web.org.

Moving forward.

With record numbers of Americans currently in the prime age range for gift annuities, those with active charitable gift annuity programs may expect to see growing interest in this time-tested gift planning vehicle.

Recent surveys conducted by the Pew Research Internet Project indicate that 62 percent of Americans over 77 remain offline, making it increasingly important to carefully combine print with other marketing channels where gift annuities are concerned.

If one of Sharpe Group's program consultants may be of assistance as you consider the implications of the latest ACGA survey, please call 901-680-5300 or email info@sharpenet.com. For proven marketing and communication materials, visit our website at www.SHARPEnet.com. ■



Lewis von Herrmann is a senior consultant in Sharpe Group's Atlanta office. For over nine years, he directed the gift planning efforts of American Bible Society.

Giving Pledge Marks Fourth Anniversary

Four years ago, billionaires Warren Buffett and Bill and Melinda Gates conceived the Giving Pledge, a plan to encourage philanthropy among the mega-wealthy. With members from 12 countries and 25 U.S. states and the District of Columbia, those embracing the Giving Pledge have rapidly grown in numbers and influence since its inception in 2010.

Membership in this exclusive club is open to individuals and families who are billionaires or would be billionaires were it not for their philanthropy. The number of billionaires who have agreed to donate at least half of their wealth to philanthropic causes, either during life or in their wills, has grown to over 120 individuals ranging in age from 27 to 98.

While not legally binding, the Giving Pledge serves to encourage philanthropy by example. Among this elite group:

- Paul C. Allen, Microsoft
- Sara Blakely, Spanx
- Michael Bloomberg, Bloomberg, L.P.
- Richard and Joan Branson, Virgin Group
- Larry Ellison, Oracle
- Reed Hastings and Patty Quillin, Netflix
- Peter B. Lewis, Progressive Insurance
- Elon Musk, PayPal
- Mark Zuckerberg, Facebook

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An Introduction to Planned Giving

Discover how to lay the foundation for a successful gift planning program, revitalize existing efforts and master concepts underlying charitable gift planning.

New York • October 13-14
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Gift Planning Fundamentals

Learn the basics of gift planning tools, whether your focus is on facilitating gift planning or you have multiple responsibilities and need to broaden your knowledge.

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Integrating Major and Planned Gifts

For those who have separate major and planned gift programs and want to bring them together or who have responsibility for both major and planned gifts.

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See full agendas and register at www.SHARPEnet.com/seminars or call 901.680.5318 with questions. Register early to ensure your spot. Registration is limited to allow interaction between participants and instructors.

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