February 2014
Vol. 47 No. 2

GIVE & TAKE®

Ideas and Insights from the Sharpe Group

WASHINGTON • MEMPHIS • SAN FRANCISCO

Fundraiser Makes a Career of Preserving History

Carolina Camargo is Director of Special Gifts at George Washington's Mount Vernon in Virginia. Prior to joining Mount Vernon, Ms. Camargo worked as the Director of Development for the Daughters of the American Revolution and the Rappahannock Area chapter of the American Red Cross. Here she shares some of the history of Mount Vernon as well as the insights she has gained from her varied experiences.

***Give & Take*:** What led you to a career in development?

Camargo: I've been working in development ever since college. While still a student, I helped the alumni office organize a number of class reunions and was exposed for the first time to the generosity of donors. After graduating, I was very fortunate to be offered a position in development at the Daughters of the American Revolution (DAR).

Soon after I started at DAR, my supervisor took a leave of absence. I was on my own trying to figure out my new role. While it was a challenging time, it was also a wonderful learning opportunity.

One of my first responsibilities was data entry, which turned out to have tremendous benefits for me in my career. In development, everything seems to inevitably come back to data. From the very beginning, I learned how critical it is to keep track of relevant information. In this capacity, I worked very closely with our Sharpe consultant, John Jensen, who had been brought in to conduct a planned giving program audit. It became increasingly clear to me that DAR's future, like that of many other organizations, was going to be heavily dependent on planned giving.

Carolina Camargo

In addition to data entry, I oversaw the direct mail program, worked in donor relations, and then became a planned giving officer. Eventually the position of Director of Development became available. After giving it a lot of thought, I decided not to apply for the job as I felt I needed to gain leadership experience at a smaller organization before taking on such a large responsibility.

I left DAR to assume the role of Director of Development at the Rappahannock Area American Red Cross chapter in Virginia. The two organizations could not have been more different. A lot of the techniques that had worked well at a preservation

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organization like DAR didn't translate to a more urgent-cause organization such as the Red Cross. Instead of focusing on longer-term concepts surrounding cultural legacies and patriotism, I found that I needed to concentrate on meeting immediate needs. I was still at the Red Cross when the Director of Development position at DAR became available again. They called me back, and this time I decided to take on the challenge.

We expanded DAR's regional offices around the country and then created a plan for how they would interact with local chapters to promote planned giving. It was at this point that the program really started taking off. The first marketing approach we undertook with the guidance of the Sharpe Group received so many responses that within a month we had to hire an additional person. It was exciting to verify the existence of so much untapped potential.

At DAR I managed major gifts and direct marketing in addition to planned giving. This broad range of experiences helped me realize that I really wanted to focus my career more specifically on charitable gift planning. About three years ago, I made the transition to Mount Vernon to become Director of Special Gifts.

One thing I discovered about planned giving donors at both DAR and at Mount Vernon is that many of them have never made particularly large current gifts.

***Give & Take*:** How would you characterize donors to historical preservation organizations like Mount Vernon?

Camargo: For many of our donors, Mount Vernon represents a chance to better educate America's children about George Washington's leadership and inspire them to become good citizens.

One thing I discovered about planned giving donors at both DAR and at Mount Vernon is that many of them have never made particularly large current gifts. For instance, we have received several significant testamentary gifts from donors who, when they were actively donating, had contributed at most $10 or $20. Some 95 percent of the bequest gifts that are now being realized are coming from donors who gave relatively small amounts during their lifetime. Many of these individuals had never been to Mount Vernon but believed passionately in our mission.

***Give & Take*:** What are some of the most effective ways you've found to communicate with your donors?

Camargo: A newsletter the Sharpe Group helps produce several times a year informs our donors of the benefits of more thoroughly planning their current and future gifts. This piece also includes donor testimonials and information about the Ann Pamela Cunningham Society, our recognition society for donors who have made provisions for Mount Vernon as part of their estate plans.

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The Mount Vernon Ladies' Association

After the deaths of George and Martha Washington, Mount Vernon fell into a state of disrepair. Upon seeing the estate while traveling along the Potomac in 1853, southern socialite Louisa Bird Cunningham was appalled by its dilapidated condition. In a letter to her daughter, Ann Pamela Cunningham, she remarked, "Why was it that the women of his country did not try to keep it in repair, if the men could not do it?"

Ann Pamela Cunningham took on her mother's cause and formed the Mount Vernon Ladies' Association to raise the necessary funds to buy Mount Vernon from the Washington family. They were successful in doing so and took possession of Mount Vernon on Washington's birthday in 1860.

The Association is now the fund-raising arm of Mount Vernon and has helped make possible many of the renovations and expansions to the estate over the past 150 years. Despite being one of America's most famous historical sites, Mount Vernon has never asked for or received government funding.

In the summer of 2013, Mount Vernon completed a three-year, $100 million campaign for the construction of the Fred W. Smith National Library. The library now serves as a resource for scholars of the Revolutionary period and will house rare books, maps and important documents. Among the holdings is George Washington's personal copy of the *Acts of Congress*, which contains his handwritten notes on the Constitution. The Mount Vernon Ladies' Association purchased the volume at auction for almost $10 million in 2012.

The Mount Vernon Ladies' Association

Time for a Check-Up?

The benefits of a planned giving program audit

By John Jensen

Unlike major or annual giving programs, the results of current planned giving efforts may not be seen for a period of time. As a result, it can sometimes be difficult to determine if a planned giving program is working as it should. That's why getting an outside look can often be helpful.

A planned giving program audit is a comprehensive review of an organization's strengths and weaknesses. Audits are a way of discovering valuable information that can help drive your current and future marketing and donor cultivation efforts.

What's involved in a planned giving audit?

A planned giving program audit analyzes all aspects of a program. Steps include:

- Interviewing staff and senior management
- Analyzing a series of multi-dimensional database reports to determine if gifts and estates are being handled systematically and proactively

A planned giving program audit is a comprehensive review of an organization's strengths and weaknesses.

- Examining estate administration and gift acceptance policies and suggesting improvements where appropriate
- Comparing the organizational experience with industry norms
- Evaluating marketing materials and communication strategies to determine if they are appropriate and effective for your donors
- Examining age and demographics of current and deceased members of a donor recognition society to determine effective stewarding practices
- Reviewing and analyzing an appropriate number of realized bequests to determine important metrics such as how many other charities are named in estates, whether any appear repeatedly and the ratio of residual to specific bequests

Addressing challenges

One common problem in many organizations is that senior managers often have little direct experience with planned giving and, as a result, can have unrealistic expectations as to both potential and appropriate cost factors. An audit can bring perspective to senior management regarding how a program succeeds over time and can help set reasonable expectations.

Organizations often forego significant revenue because of ineffective estate management. It is estimated that charities may lose as much as 25 percent of an intended bequest between the donor's death and the time the estate is settled. This happens as a result of many sources of "leakage" a charity will never recognize unless staff members are vigilant and know what to look for.

Other charities incrementally move staff time and resources away from planned giving in favor of more short-term goals such as events and campaigns. This is a common mistake, and often management does not understand the real economic loss associated with neglect of important but less obvious uses of staff resources.

In the world of planned giving, expectations and results don't always match. Issues not discovered and addressed can worsen and result in even more missed opportunities.

An outside assessment can help management tune up a program to ensure your donors don't forget how much they value your mission when they are considering the philanthropic aspect of their estate and financial plans. G&T

Sharpe Group Senior Consultant John Jensen will be speaking at the National Capital Gift Planning Council's Planned Giving Days conference held in Washington, D.C., on May 29-30.

John Jensen

Are Retirement Plan Gifts Past Their Prime?

By Barlow Mann

The charitable IRA provision that allowed donors over 70½ to make direct distributions of up to $100,000 per year to charity expired on December 31, and it is now uncertain whether it will be extended in legislation either this year or in the future.

Since 2006, many have promoted retirement plan gifts by focusing on the special benefits that existed under the now-expired provision. With the opportunity to make gifts directly from IRAs not currently available, fundraisers should take time to remind donors that other ways to make gifts from retirement plans remain under existing law:

- Gifts at death via beneficiary designations and other arrangements
- Withdrawals by those over 59½ followed by outright deductible gifts that can effectively result in tax-free retirement plan gifts

Note also that the special IRA provision applied only to traditional and Roth IRAs. The opportunities outlined here will work with virtually all qualified retirement plans including 401(k)s, 403(b)s and other plans that hold nearly as much as IRA accounts. The IRA rollover did not apply to these other types of qualified retirement accounts.

Becoming a beneficiary

Donors considering leaving a charitable bequest may not realize that they can also make a meaningful gift simply by naming a favorite charity as the beneficiary of an IRA, 401(k), 403(b) or other retirement plan. Gifts arranged in this manner are generally easy to execute and do not require drafting or amending a will or living trust. The charity may be named as a primary or contingent beneficiary through revision of a readily obtainable form.

Keep in mind, however, that if the account holder is married, the spouse should be informed and may have to consent to the gift. The plan assets may also be left to a charitable or marital trust. In these cases an attorney and possibly other advisors should be consulted.

Why wait?

Depending on their circumstances, donors may also choose to make current gifts using funds withdrawn from their qualified retirement plans. Individuals over 59½ may generally withdraw funds from retirement plans without penalty, make a gift with these funds and then claim an offsetting deduction. In most cases, a gift made in this manner will result in a "wash" for tax purposes.

For higher-income donors affected by the Pease Limitation, the withdrawal would swell adjusted gross income (AGI) and reduce itemized deductions by 3 percent of the amount of their AGI. This in turn would result in a roughly 1.2 percent "haircut" in the total savings (3 percent of the swollen AGI times the 39.6 percent maximum income tax rate). The good news is that this limitation only applies to individuals with incomes of $254,000 or more ($305,000 in the case of married couples).

A case in point

For example, if John, 62, decides to make a $10,000 gift, he may withdraw $10,000 from his IRA or 401(k) account and give those funds to charity. If he itemizes his deductions, the $10,000 gift should result in a wash for tax purposes, as the $10,000 in income is offset by the $10,000 deduction, resulting in zero net income taxes.

With retirement account balances at record highs, fundraisers will want to encourage both current and future gifts of retirement plan assets.

Donors must stay within the overall 50 percent of AGI limitation, and higher-income taxpayers must recognize the possible minimal impact of the Pease limitation. In the previous example, the $10,000 increase in John's AGI could cause the loss of the benefit of $300 of itemized deductions. If the donor is in a 39.6 percent income tax bracket, the $10,000 gift would result in an increase in taxes of $118.80, meaning that it is a virtual 99 percent wash for tax purposes.

With retirement account balances at record highs and often representing one of the largest financial holdings of middle-aged and older donors, fundraisers will want to encourage both current and future gifts of retirement plan assets. Act now to make your donors aware of these gift opportunities. G&T

Barlow Mann

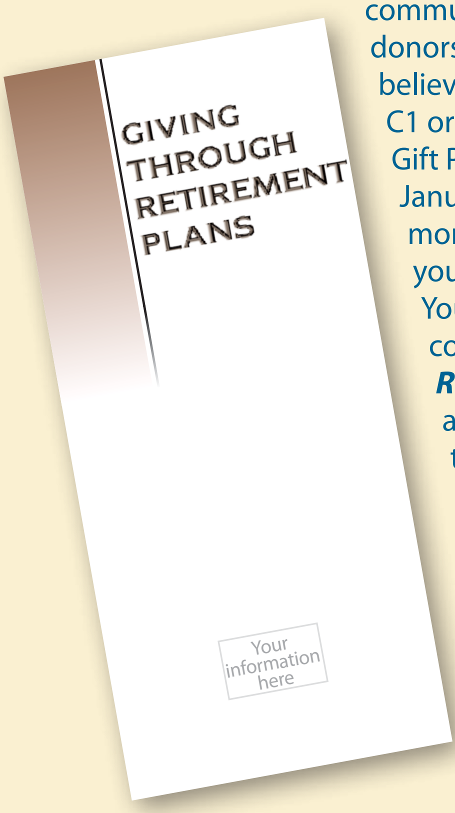
Remind Donors of the Benefits of *Giving Through Retirement Plans*

The charitable IRA rollover provision has expired, but the benefits of giving from retirement plans have not (see Page 4 for more on this topic).

If you are looking for an effective way to remind your donors not to overlook retirement plans as a source for charitable gifts, Sharpe's 16-page booklet ***Giving Through Retirement Plans*** can help.

This booklet combines straightforward approaches with clear and useful examples to highlight the most popular ways to fund gifts with retirement plans. Included in the booklet are the following:

- The benefits of naming a charity as a beneficiary of a retirement plan
- Ways to give from retirement plans that maximize tax benefits
- A technical advisory section that outlines tax considerations of such a gift
- A place for donors to record pertinent information about their retirement plans

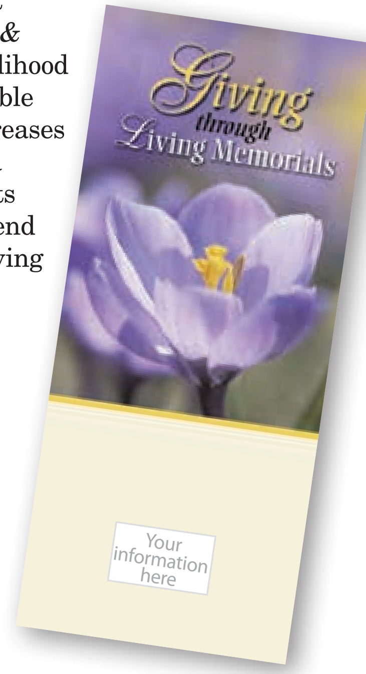


Consider sending a special communication on the topic to donors over age 59½ who you believe may fall into the B1, C1 or C2 boxes of the Sharpe Gift Planning Matrix© (see the January issue of *Give & Take* for more on utilizing the matrix in your donor communications). You may also wish to have copies of ***Giving Through Retirement Plans*** on hand as you meet with donors to discuss possible gift opportunities.

To learn more or see a sample, email **info@sharpenet.com** or call **901-680-5300**. G&T

Make the Most of the Memorial Giving Season

As noted in last month's *Give & Take*, the likelihood of receiving a charitable gift from a donor increases dramatically "when a charity can connect its cause to a donor's friend or family member (living or deceased)."



With Mother's Day, Father's Day, Memorial Day and a number of religious holidays rapidly approaching, the coming months offer the perfect time for gift planners to promote the memorial concept to their constituents.

Remind donors about memorial giving

As with most charitable giving opportunities, memorial and honor giving need to be regularly explained to your donors.

Communications encouraging memorial gifts need not be complicated. Consider sending Sharpe's **"Giving Through Living Memorials"** brochure along with a cover letter and reply device to a broad group of donors or inserting brochures in gift acknowledgments.

"Giving Through Living Memorials" is one element of a special marketing bundle that includes a sample:

- Cover letter
- Post script copy
- Article and/or web site copy

For more information about the best ways to communicate the benefits of memorial gifts, email **info@sharpenet.com** or call **901-680-5300**. G&T

“Great conference. I continue to learn more about gift planning each time I attend a Sharpe seminar.”

—Fred Brown, Major Gifts Officer,
Gettysburg College, Gettysburg, Pa.

2014 Dates for Sharpe Group Training Opportunities

An Introduction to Planned Giving

Learn how to build your planned giving program. Discover 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 future 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 • February 10-11
Washington • June 2-3
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.

Washington • March 3-4
New York • July 14-15
Chicago • September 15-16

Integrating Major and Planned Gifts

Learn how major and planned giving can work together for positive results; how to help donors make the best gifts for their age, wealth and other factors, while meeting your current, capital and endowment needs; 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.

Chicago • April 3-4
Boston • May 5-6
San Francisco • August 18-19
Washington • November 6-7

See full agendas and register at **sharpenet.com/training** or call **901-680-5318** with questions. G&T

...Preserving History

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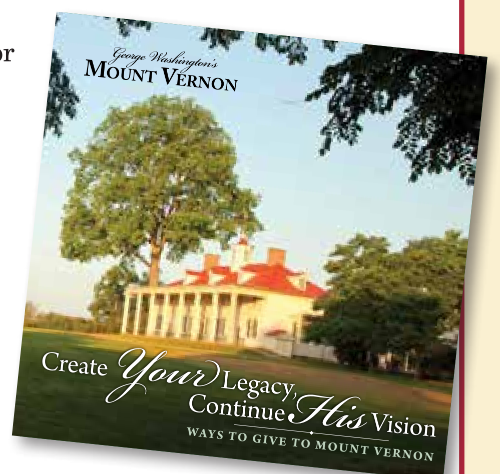
I am fortunate that Mount Vernon has a fantastic team of curators and educators. Each month, they put together a summary of recent developments at Mount Vernon. I modify the content of that document and then forward it to the members of the Ann Pamela Cunningham Society. They enjoy realizing they're part of a group that is helping to make exciting enhancements to Mount Vernon. Knowing that helps keep them motivated and involved.

In addition, the Sharpe Group helped us produce a special piece that our frontline fundraisers use as they make presentations while soliciting gifts and/or thanking donors. It makes a wonderful piece to leave with donors who are considering making a larger current or deferred gift to Mount Vernon but have not yet committed.

Give & Take: Do you have any advice for someone considering development work?



Camargo: Many people think that the role of fundraisers is to constantly ask people for money. While that's a very important part of it, what fundraisers really need to do is listen. If you're an active listener and try to piece together the donor's intent with the organization's needs, you can build a relationship based on mutual trust that can lead to wonderful gifts donors may have never thought possible. In effect, fundraisers do not necessarily ask for gifts as much as they simply help donors accomplish something they really want to do.

Fortunately, Sharpe consultants Robert Sharpe and John Jensen helped me realize very early on that development work can become a rich, challenging and satisfying career. What keeps me going every day is the pleasure I get from being exposed to so many fabulous people, hearing what they want to accomplish and actually making it happen. It's exciting to know there's a lot more I can do for a special place like Mount Vernon. G&T

Sometimes Acknowledging a Gift Is Not as Simple as It Seems

When a donor makes a gift, the most important thing for a charity to do is to acknowledge the gift quickly with a letter, appropriate receipt and possibly a phone call or personal visit, depending on the size of the gift, its use and the charity's resources.

But sometimes acknowledging a gift is not so straightforward. Consider these situations:

Q. A donor made a gift through a donor-advised fund. How should I acknowledge the gift?

A. The advised fund should be receipted for the gift. The donor who "advised" the gift should be acknowledged with a thank you letter, but the tax-deductible gift was made to the fund. The donor should not be given a receipt for the gift.

Q. When a donor gives from a revocable trust (sometimes referred to as a "living trust"), does the donor receive the tax benefits of that gift?

A. With a living trust, all the tax ramifications flow through to the donor and are reported on his or her individual tax return. A donor who makes a gift through a living trust should receive an acknowledgment for the gift and should report the gift as a charitable deduction if the donor itemizes. The revocable living trust does not file a separate return.

If the gift is instead made through the donor's personal foundation, the acknowledgment would be made to the foundation as the foundation is a separate legal entity. Nothing would be claimed on the donor's personal return.

If in doubt, it is important to contact donors to determine the nature of a particular entity. It can be difficult to distinguish between entities that are equivalent to the donor and those with a separate legal identity.

These questions and others are answered in Sharpe's popular seminar "Gift Planning Fundamentals." See Page 6 for seminar dates and locations for 2014. G&T

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