



Trends in Planned Giving

*Presented by
Robert Sharpe
The Sharpe Group
April 9, 2014*

OVERVIEW OF TRENDS

- **Change Is Constant**
- **Changing Conditions Always Underlie Trends**
- **Charitable Gift Planning Is Constantly Evolving**
- **Understanding And Accommodating Change Is Key To Success**

WHAT DRIVES TODAY'S TRENDS?

- **Economic Issues**
- **Aging of Donor Base**
- **Proposed Changes In Tax Policy**
- **Increased Competition**

MAJOR TRENDS

- Political Uncertainty
- Economic Fluctuations
- Demographic Shifts
- Tax Changes
- Social Change
- More Organizations

ACGA 2002

TRENDS IN PLANNED GIVING

Committee on Gift Annuities
March 9, 1995

2. Planned giving is now the fastest growing source of income for many organizations.
- Greater interest among "allied professionals."
 - Greater interest among regulators.
 - Greater emphasis on costs and benefits of planned giving.
 - More resources being directed toward planned giving.
 - Greater involvement of financial professionals and regulators.
 - Greater volatility in financial markets.

I. Introduction.

A. The "Golden Age" of planned giving.

1. Changes in society are resulting in unprecedented interest in planned giving.
 - a. Aging of America.
 - b. Changing political climate.
 - c. Changing family structures.

B. New ways of planning gifts.

1. New uses for old plans.
2. Emergence of "blended" gifts.
3. Working with nontraditional market segments.

LOOKING AHEAD

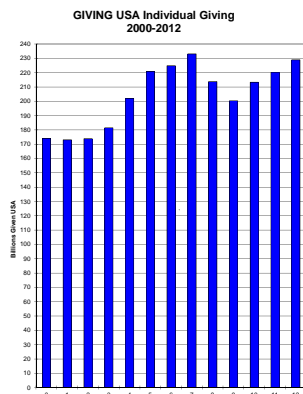
- We Will Examine 9 Trends
- They Are Inter-Related In Various Ways

TREND

Individual Giving
Still Weak

TREND IN GIVING BY INDIVIDUALS

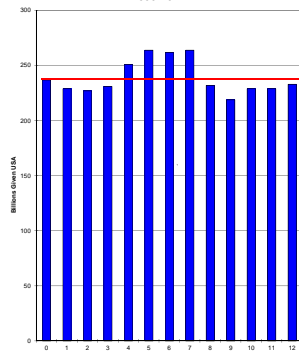
- Has Not Yet Recovered To 2007 Levels



TREND IN GIVING BY INDIVIDUALS

- Inflation Adjusted Totals Still Significantly Below 2007 Levels

GIVING USA Inflation-Adjusted
Individual Giving
2000-2012



TREND IN GIVING BY INDIVIDUALS

- Some Have Predicted It Will Be 2016 Before Full Recovery
- This Is “Out There” In The Background
- Pressure To Make Goals
- Can Planned Gifts Fill The Gap?

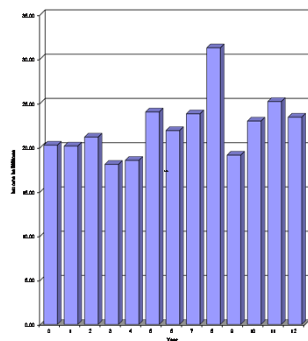
TREND

Planned Gift Results
Are Mixed

A LOST DECADE FOR BEQUESTS

- Little Growth Over Past Decade

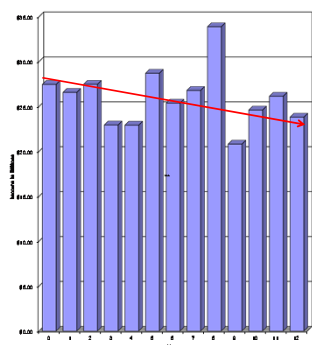
Giving USA Bequest Income
2000-2012



BEQUEST INCOME HAS STAGNATED

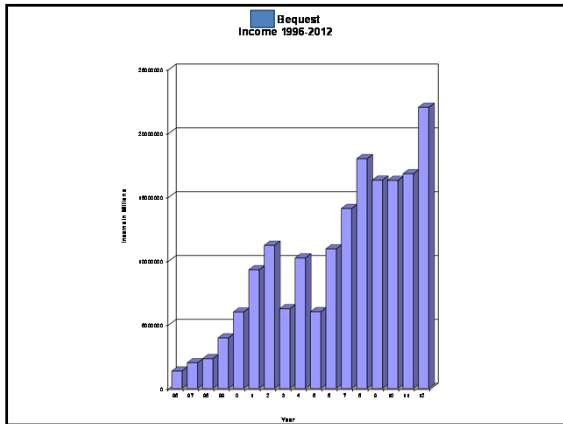
- Is Below 2000 Levels When Adjusted For Inflation

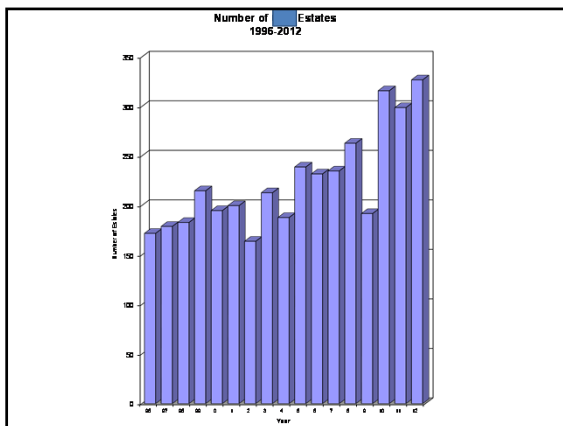
Inflation Adjusted Giving USA Bequest
Income 2000-2012



RESULTS ARE NOT UNIFORM BY ORGANIZATION

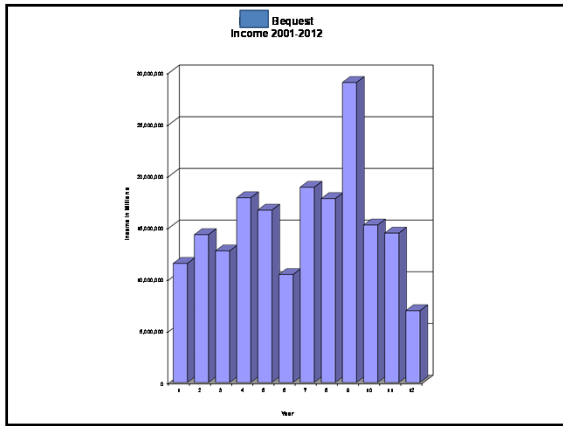
- Some Have Grown In Terms of Dollars and Numbers Estates Opened Each Year

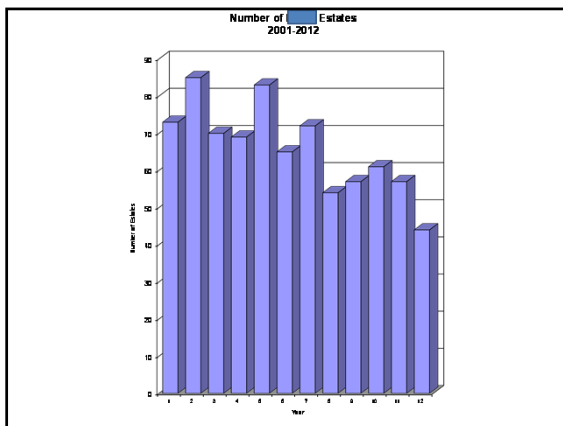


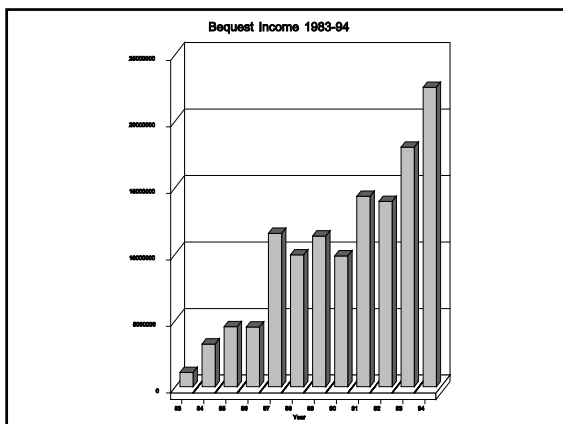


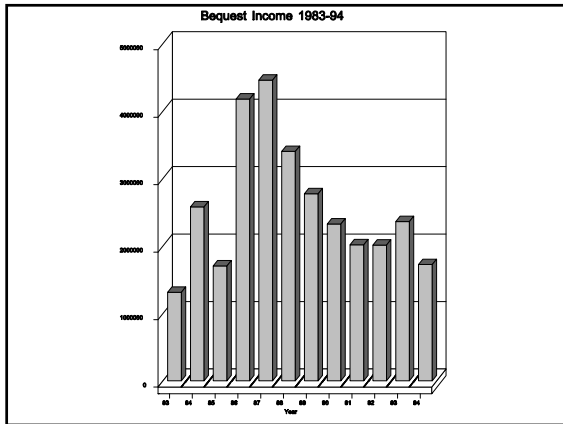
RESULTS ARE NOT UNIFORM BY ORGANIZATION

- Some Have Declined In Terms of Dollars and Numbers Estates Opened Each Year



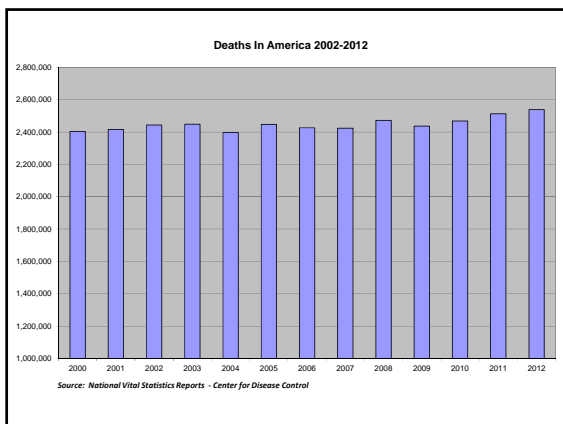


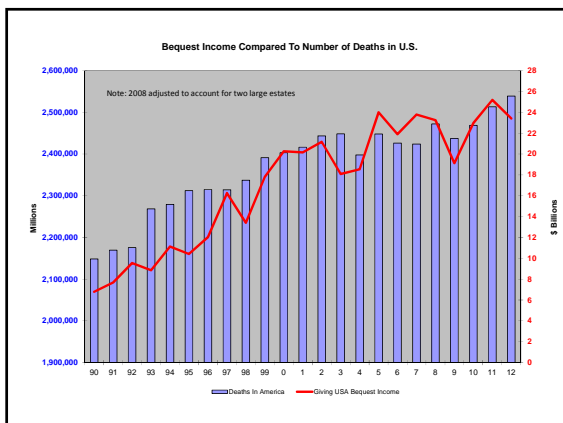




REASONS FOR BEQUEST TRENDS

- Flat Number of Deaths On Macro Level



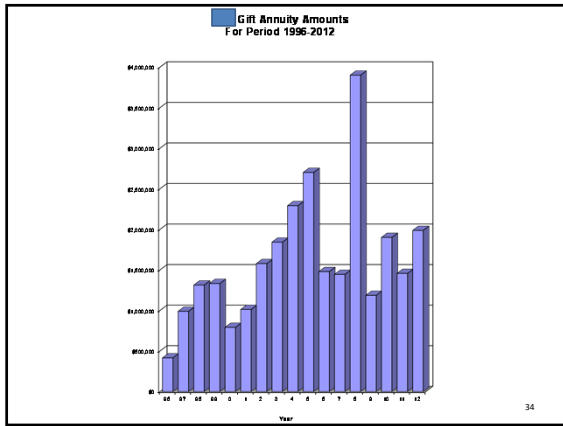


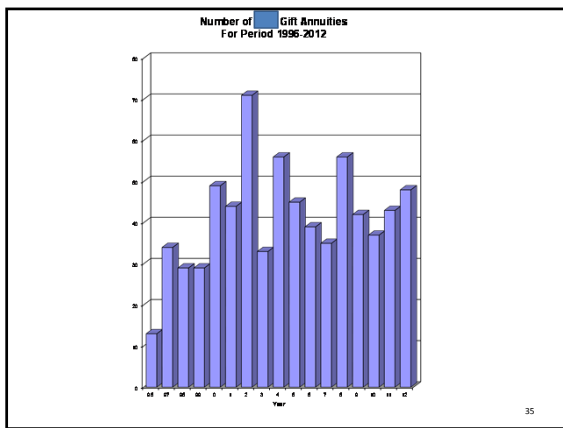
REASONS FOR DECLINES

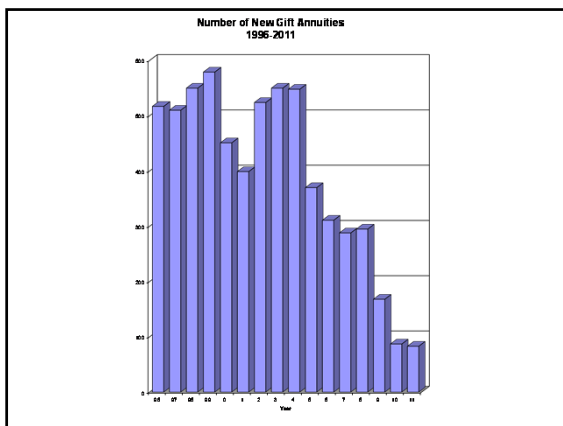
- More Competition On Micro Level
- Marketing Decisions In Some Cases
- Lack of Adequate Stewardship In Other Cases

SIMILAR TRENDS FOR GIFT ANNUITIES

- Most Programs Affected By Economic Dislocations
- Divergence In Results Mirrors Bequest Experience

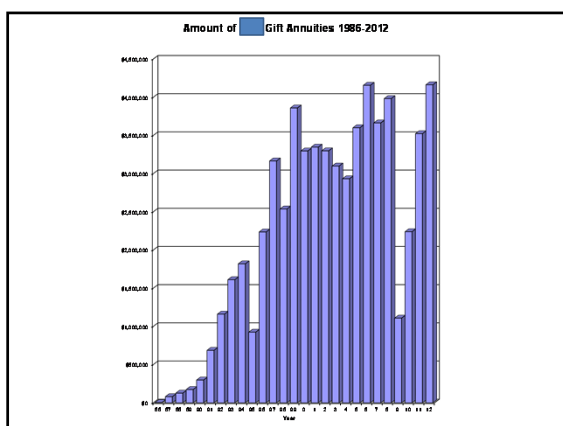


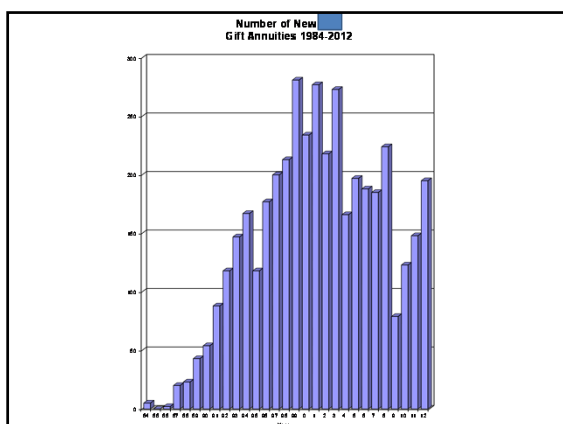


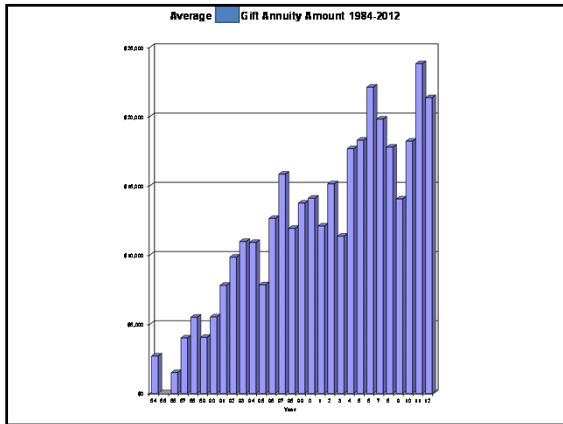


SIMILAR TRENDS FOR GIFT ANNUITIES

- Programs That Have Recovered Are Seeing Larger Average Gifts In Some Cases





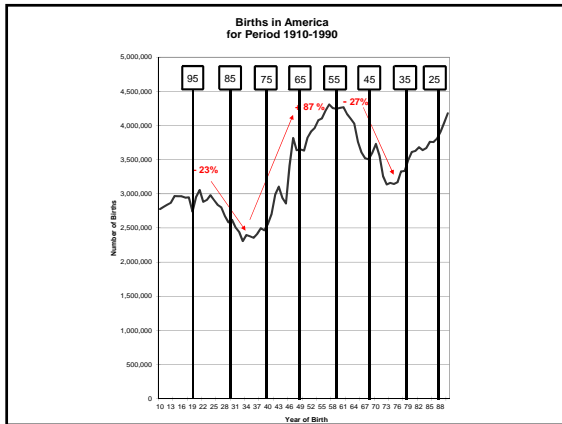


TREND

“Graying” of America
Continues

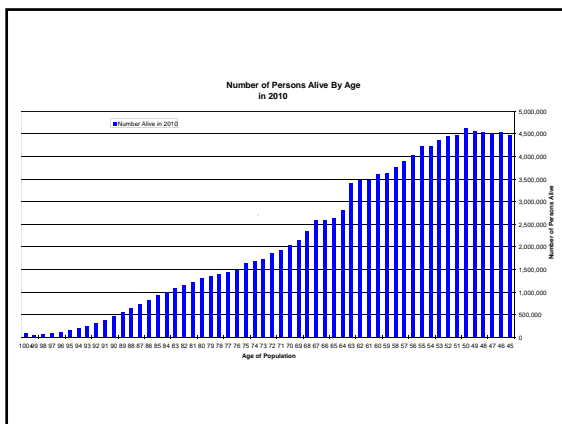
**AMERICA’S DONOR
POPULATION AGING**

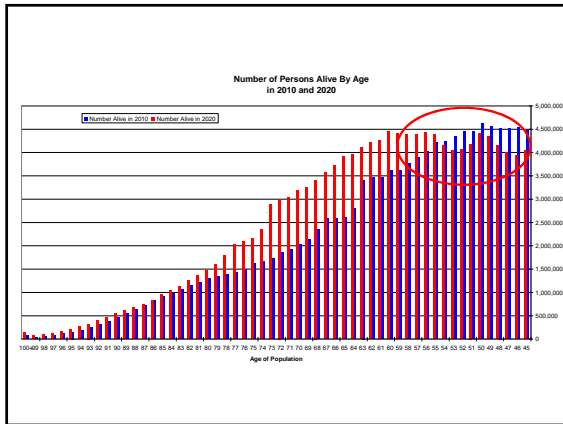
- Impact Of Uneven 20th Century
Birth Rates Continues



AMERICA'S DONOR POPULATION AGING

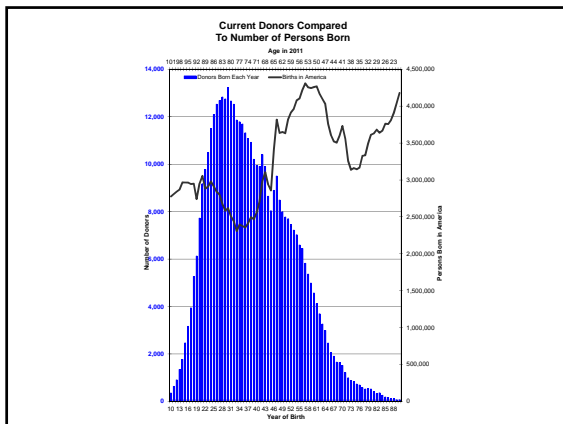
- Greatest Growth in 60 to 75 Age Range
- Decline in 45 to 55 Age Range

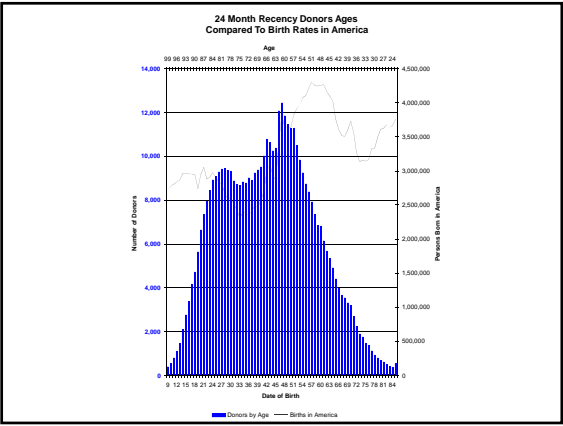


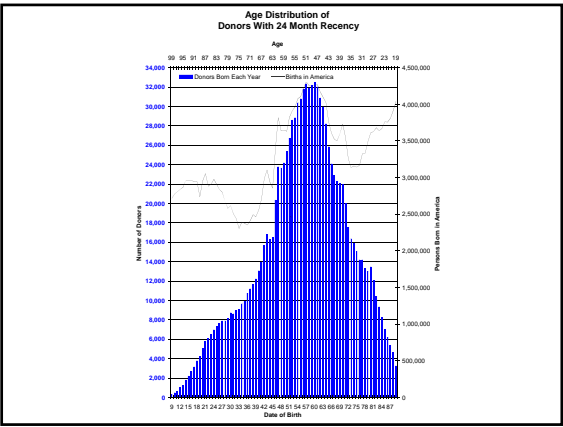


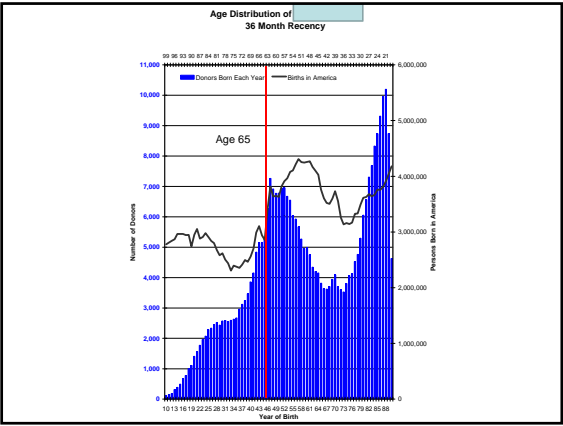
IMPACT VARIES WIDELY BY ORGANIZATION

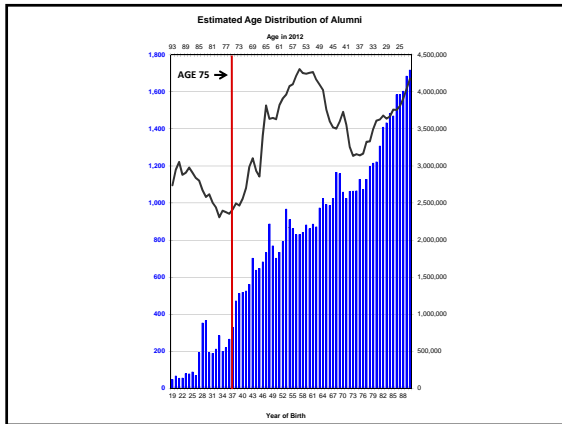
- Donor Distribution By Age
Can Be Very Different

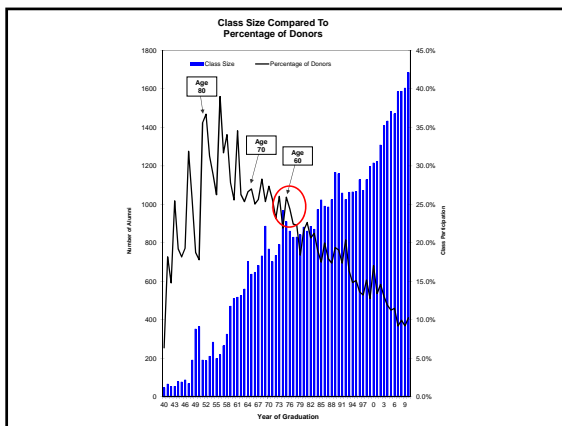












IMPACT VARIES WIDELY BY ORGANIZATION

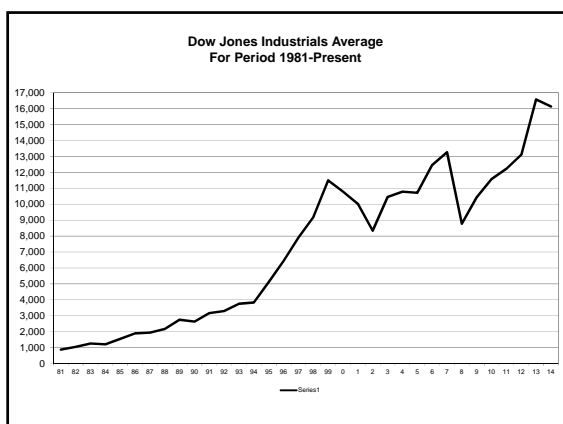
- This Impacts Planned Giving In Various Ways

TREND

Economic Conditions
Favorable For
Planned Gifts

ECONOMIC FACTORS

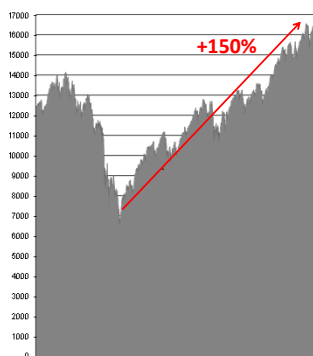
- Stock Market Has Recovered From 2009 Lows



ECONOMIC FACTORS

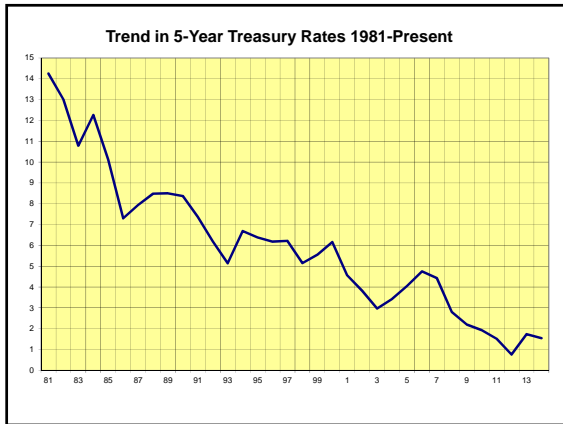
- Increased 150% From Low Point In March 2009

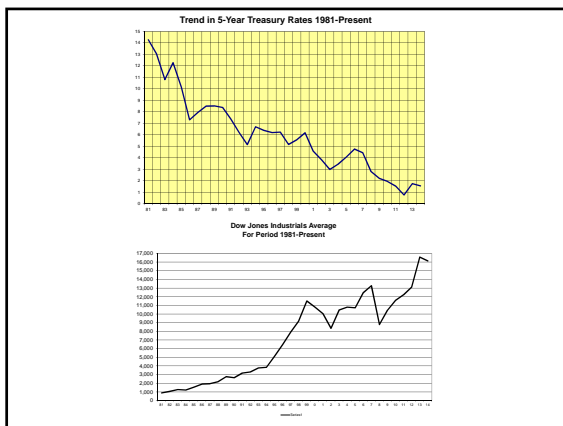
Dow Jones Daily Close
January 2007 - Present

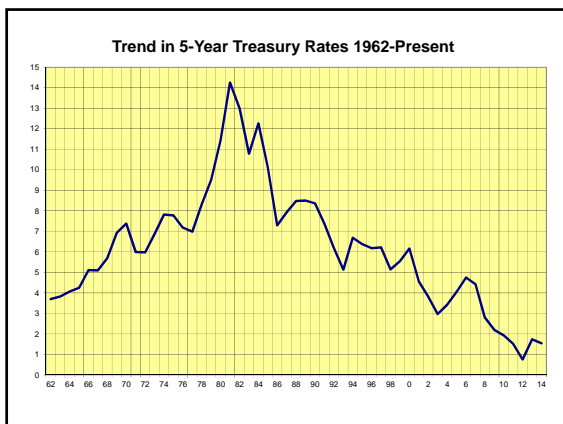


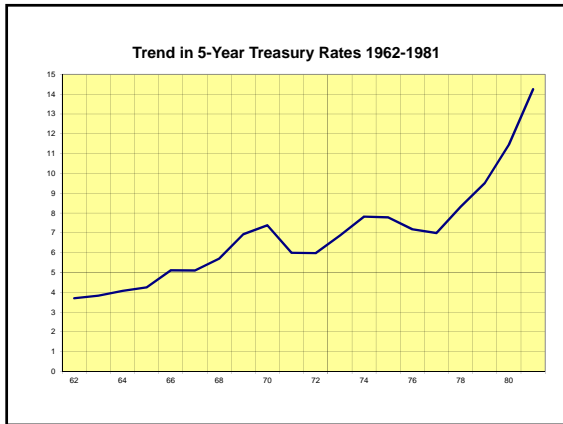
ECONOMIC FACTORS

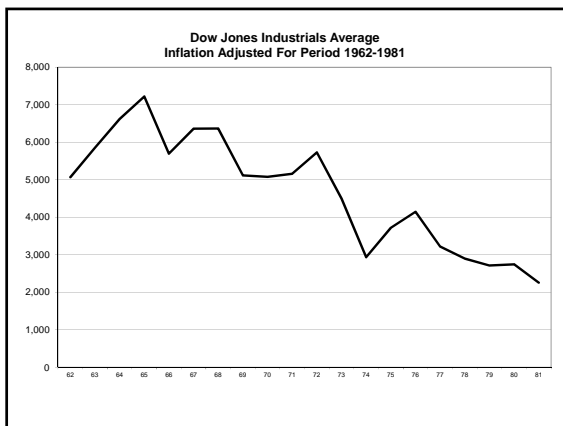
- Interest Rates Continue In Record Low Ranges

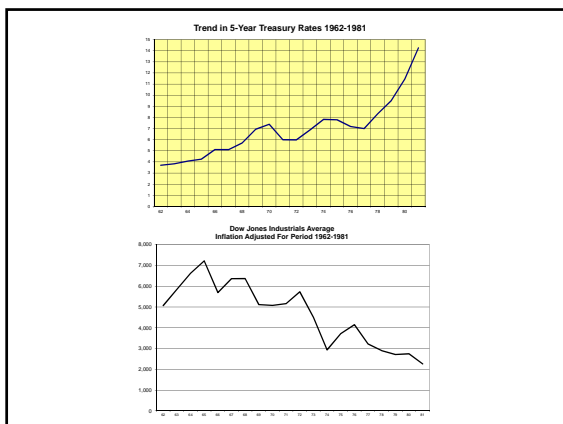












ECONOMIC FACTORS

- Housing Values Have Returned To Historical Norms
- Market Has Corrected For Bubble Of The 2000s
- Prices Rising Above 2007 Levels In Some Markets
- There Is Still Some Wishful Thinking

WHAT DOES IT MEAN?

- Good Supply Of “Raw Material” For Gifts
- Low Returns Seem To Open Opportunities To Market Life Income Gifts
- Many Seniors Are Concerned They Will Not Have “Enough”

WHAT DOES IT MEAN?

- Confidence On Wall Street Is High
- “Main Street” Still Skittish
- Especially Among Seniors
- Financial Community Has Adapted To New Realities

INTER-RELATIONSHIP OF FACTORS

- Slow Recovery in Outright Gifts By Individuals
- Record Amounts of Wealth
- Low Returns On Investments
- An Aging Donor Base
- Bright Future For Planned Gifts?

TREND

Divergence In Planned
Gift Marketing

ARE WE MARKETING “PLANS” OR “GIFTS?”

- Most Are Encouraging Planned Gifts As Natural Part Of Donor Life Cycle
- Emphasis On Those Who Would Like To Make Gift Of A Lifetime
- Understand That A Bequest Means You Are Family

ARE WE MARKETING “PLANS” OR “GIFTS?”

- Others Are Comparing Planned Gifts To Investments
- Is This Wise Marketing?
- Does It Invite A New Trend?
- More Regulation?
- How So?

TRUTHS ABOUT GIFT ANNUITIES

- Fixed Payments From Gift Annuities Can Be Attractive
- They Offer Opportunity For Additional Income For Seniors
- Tax Benefits Can Be “Icing” On The Cake

BUT CAN PLANNED GIFTS “COMPETE?”

- Can Gift Annuity Rates Be Compared To Stocks and CDs?
- Should We Use After-Tax Cost To Bump “Yield?”
- Message Is That It Is A Way To Do Better While Doing Good

BUT CAN PLANNED GIFTS “COMPETE?”

- Example Of 80 Year-Old Woman And Gift Annuity
- Gift Of \$25,000
- 6.8% Payment Rate
- Charitable Deduction of \$12,270

MARTHA GIVES \$25,000 AND RECEIVES:

Charitable deduction	\$12,270
Income tax savings (33% tax rate)	\$ 4,049
Net cost of contribution	\$20,951
Annual annuity payment (6.8%)	\$ 1,700
Portion of payment tax-free (or life expectancy)	\$ 542
Portion of payment taxed as capital gain (15%)	\$ 813
Portion of payment taxed as ordinary income (33%)	\$ 345
Fully taxable rate that Martha would have to earn to equal her 6.8% annuity rate	10.4%

Figures above are based on assumptions that can change over time.

6.8%

Fully taxable rate that Martha would have to earn to equal her 6.8% annuity rate

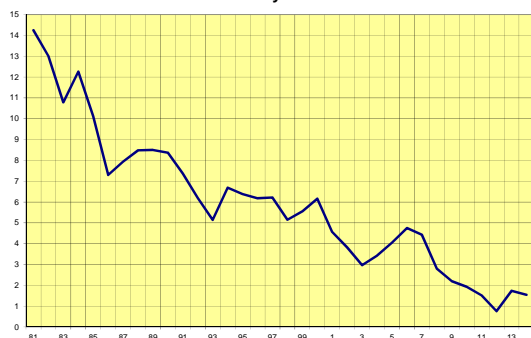
10.4%

**Compared To
What?**

COMPARING CHARITABLE GIFT ANNUITIES

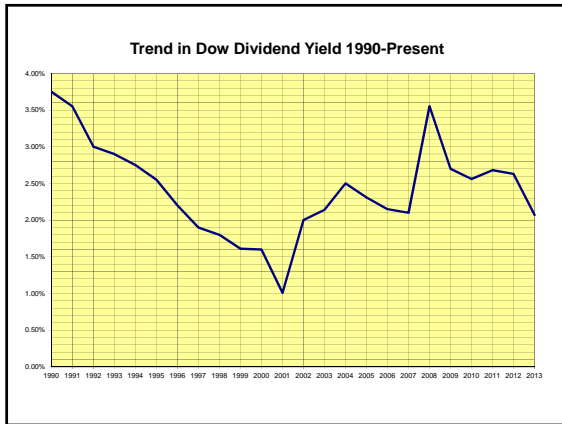
- To Certificates of Deposit?
- To Gov't and Corporate Bonds?

Trend in 5-Year Treasury Rates 1981-Present



COMPARING CHARITABLE GIFT ANNUITIES

- To Stock Dividends?



COMPARING CHARITABLE GIFT ANNUITIES

- What Investment Is The Only Valid Comparison?
- What Do Charities “Compare” To When They Reinsure?
- Commercial Annuities Are Arguably The Only Valid “Investment” Comparison

AARP Lifetime Income Program

Life Insurance **Annuities**

Monthly Income Examples

The payments shown below are examples only, based on the state, age, and gender you entered. Actual monthly income will be based on other factors as well. To get your personalized Lifetime Income quote, request a free information kit by mail.

7.8%

Cash Refund Examples*

\$322.00 / month purchase amount of \$50,000	\$662.00 / month purchase amount of \$100,000	\$1,669.00 / month purchase amount of \$250,000
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Example Based On:
State: TN
Age: 80
Gender: Female

[Edit Information](#)

CASH REFUND ANNUITY

- Donor Purchases Commercial Annuity For \$25,000
- Receives One Year of Payments Totaling \$1,932 And Passes Away At Age 81
- Heirs Receive Lump Sum "Refund" of \$23,068

AARP Lifetime Income Program

Life Insurance Annuity

Monthly Income Examples

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Example Based On:
 State: TN
 Age: 80
 Gender: Female
[Edit Information](#)

10 Year Guarantee Examples*		
\$364.00 / month purchase amount of \$50,000	\$739.00 / month purchase amount of \$100,000	\$1,857.00 / month purchase amount of \$250,000

TEN YEAR GUARANTEE ANNUITY

- Donor Purchases Commercial Annuity For \$25,000
- Receives One Year of Payments Totaling \$2,184 And Passes Away At Age 81
- Heirs Receive Payments For 9 More Years

CAN PLANNED GIFTS COMPETE?

- Monthly Income At 8.7% Rate Is Still Higher When Applied Against \$20,951 After-Tax Cost of CGA
- Single Donor Must Have \$186,000 In Taxable Income To Be In 33% Bracket
- Income Level is \$226,000 For Married Taxpayers

CAN PLANNED GIFTS COMPETE?

- Commercial Annuity Rates Are Higher Than CGA Rates
- More May Be Received Free of Tax As Return of Principal
- Plus They Offer Continued Payments or Refunds If Donor Passes Away Early
- What Does The Son-In-Law Have To Say?

UNITED of OMAHA LIFE INSURANCE COMPANY



ILLUSTRATIVE QUOTES

As of April 2, 2014

\$50,000 Gift	QUARTERLY PAYMENT	PREMIUM*	CHARITY'S RESIDUUM
Female, Age 80 Life Only	\$ 850.00	\$ 35,938.00	\$ 14,062.00

*Premium Assumes 3% Commission Payable

Annual Payment \$850 X 4 = \$3,400
 Premium \$35,938
 Annuity Rate 9.46%
 Rate With No Commission 9.75%

	Cost	Annual	Effective
	Of Annuity	Income	Rate
Pre-Tax CGA	\$25,000	\$1,700	6.8%
After-Tax CGA	\$20,951	\$1,700	8.1%
Straight Commercial	\$25,000	\$2,375	9.5%
Commercial Refund	\$25,000	\$1,950	7.8%
Commercial 10 Pay	\$25,000	\$2,175	8.7%

WHAT ARE THE RISKS OF INVESTMENT APPROACH

- Gift Annuities Are Securities Under Federal Securities Law
- Regulated By S.E.C.

[\[PDF\] TAX AND PHILANTHROPY PROTECTION ACT OF 1995 ...](#)
[neu-plan.org/legacy.org/pdf/new_cga_disclosure.pdf](#)
 TAX AND PHILANTHROPY PROTECTION ACT OF 1995 DISCLOSURE STATEMENT
 NORTHEASTERN UNIVERSITY CHARITABLE GIFT ANNUITIES Northeastern ...

[Texas Presbyterian Foundation - Investment Disclosures](#)
[tgif.org/institutions/investment-disclosures](#) *
 Investment Disclosures. The Philanthropy Protection Act of 1995 (P.L. 104-62) includes
 a provision requiring charities that maintain collective investment funds, such ...

[Sample Gift Annuity Disclosure Statement - Philanthropic ...](#)
[www.pgresources.com/charitable-gift-annuities/sample-gift-annuity...](#) *
 The Philanthropy Protection Act of 1995 requires nonprofit organizations to deliver a
 Gift Annuity Disclosure Statement to all prospective donors to the Gift Annuity ...

[Sec. 36b-32a. Applicability of The Philanthropy Protection ...](#)
[law.justia.com](#) * Chapter 672a Uniform Securities Act *
 Applicability of The Philanthropy Protection Act of 1995. Sec. 36b-32a. Applicability of
 The Philanthropy Protection Act of 1995. (a) ...

[\[PDF\] SECURITIES REGULATION OF FUNDRAISING ACTIVITIES ...](#)
[www.law.stetson.edu/lawreview/media/securities-regulation-of...](#)
 See Philanthropy Protection Act of 1995 § 6(a), 15 U.S.C. § 60a-3a(c) (Supp. I 1995).
 211. A possible exception is the unusual situation where the annuity contract or

[Philanthropy Protection Act of 1995 \(Book 1995 ...](#)
[www.worldcat.org/title/philanthropy-protection-act-of-1995/odot...](#)
 Get this from a library! Philanthropy Protection Act of 1995. [United States.]

WHAT ARE THE RISKS OF INVESTMENT APPROACH

- Anti-Fraud Provisions Apply
- Federal Courts Have Not Looked Kindly On Comparing CGA's to Investments

FOR PUBLICATION

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

LAWRENCE J. WARFIELD,
Plaintiff-Appellee,
v.

MICHAEL ALANIZ,

Defendant,

and

LEONARD BESTGEN; BETTY BESTGEN;
ROBERT CARROLL; CHARLES DAVIS;
PATRICK WEHRLY; ANDREA
WEHRLY,
Defendants-Appellants.

No. 07-15586
D.C. No.
CV-03-02390-JAT

[4] Our review of the record in this case demonstrates that the Foundation marketed its gift annuities as investments, and not merely as vehicles for philanthropy. One promotional brochure entitled "Maximizer Gift Annuity: A Gift that Offers Lifetime Income . . . and Beyond" states, under the heading "Attractive Returns," that "[y]our annuity payment is determined by your age and the amount you deposit. The older you are, the more you'll receive." The brochure goes on to list the "current average net-yield" rates. Elsewhere, under a heading titled "A Gift that Gives to the Donor," the brochure states:

To get this same return through the stock market, [the hypothetical investor] would have had to find investments that pay dividends of 19.3%! (Even the most profitable companies rarely pay dividends of more than 5%.) The rate of return on a Mid-America Foundation "Gift Annuity" is hard to beat!

NO EXEMPTION FROM ANTI-FRAUD PROVISIONS OF SECURITIES LAWS

Quote from Senator Christopher Dodd, a Senate sponsor of the "Philanthropy Protection Act of 1995:"

"It [the legislation] also codifies certain exemptions that the Securities Exchange Commission has recognized for charitable organizations that pool and invest donations. However, none of these changes would make it easier for charities to commit fraud. The legislation would not change the anti-fraud provisions in federal securities law or affect federal tax laws related to fraud. People could still bring appropriate lawsuits against cheats or swindlers attempting to disguise themselves as charities, or charities acting fraudulently.

HOW MUCH IS TOO MUCH COMPARISON

- May Also Be Unwise To Tout After-Tax Yields Made Possible By Charitable Income Tax Deduction
- Congress is Looking For Evidence Of Abuse of Current Laws

WHAT IS THE BETTER COMPARISON?

- Gift Annuities and Other Life Income Gifts Might Better Be Compared To Other Types of Charitable Gifts
- "Bequest Substitutes" That Generate Current Benefits

DEFERRED GIFT ANNUITIES FOR BABY BOOMERS?

- Some Are Marketing DGA's To 55 Year-Olds As Retirement Plan Supplements
- Current Annuity Rate 4%
- Annuity Deferred to 65 Is 6.5%
- Tax Deduction Is 36%
- Life Expectancy is 29 Years

ANOTHER ALTERNATIVE

- Consider 70 Year-Old Who Has Notified Of \$100,000 Bequest Intention
- Estate Of \$3 Million
- No Anticipated Estate Tax
- CGA Would Pay 5.5%
- Tax Deduction Of \$42,000

ANOTHER ALTERNATIVE

- She Responds That She Has No Need For Additional Income
- Mandatory IRA Withdrawal And Social Security Cover Her Living Expenses
- Why Doesn't She Just Give \$100,000 Today?

ANOTHER ALTERNATIVE

- Suppose She Funds DGA With \$100,000
- Deferral To Age 85
- Rate Would Be 12.2%
- Income Tax Deduction of \$78,000
- Life Expectancy Is 22 Years

ANOTHER ALTERNATIVE

- Flexible DGA Another Alternative If She Is Willing To Reduce Current Income Tax Deduction
- Case By Case Determination

THE OUTCOME

- Immediate Tax Savings To Offset Current Income Taxes
- Tax Free Buildup For 15 Years Inside Annuity Account
- Income of 12.2% If She Is Alive At Age 85
- Current Income Tax Deduction For "Bequest" of \$100,000 If She Dies Sooner

THE OUTCOME

- What If She Passes Away At Age 80
- If Annuity Reserve Earns 4.25% Her Balance Would Be Over \$131,000
- Balance At Age 85 Would Be \$150,000
- Payments of 12.2%, or \$12,200 Would Be 8.1% Of Balance

THE OUTCOME

- If She Begins Payments At At 85 Her Life Expectancy His Just Under 7 Years
- Expected Balance At Death Is Just Under \$100,000

GROWING TREND?

- Changes In Estate Tax Laws And Increasing Longevity Are Inter-Related
- Result May Be More Deferred Gift Annuities From "Younger Old" Donors

TREND

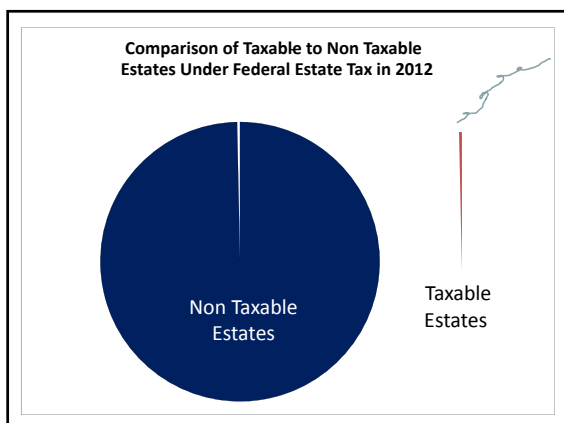
Estate Taxes Less
Important For Most

IMPACT OF RECENT ESTATE TAX CHANGES

- Threshold For Federal Estate And Gift Taxes Raised To \$5 Million Per Person in 2012
- Adjusted For Inflation To \$5.34 Million for 2014
- \$10.68 Million For Married Couple
- Gift Tax Exemption The Same

WHAT DOES THIS MEAN?

- An Estimated 2,530,577 Americans Died in 2012
- According to IRS, Some 8,423 Had Estates Worth Over \$5 Million, the Exemption Threshold For Estate Tax
- 99.7% Died With Assets Less Than The Threshold

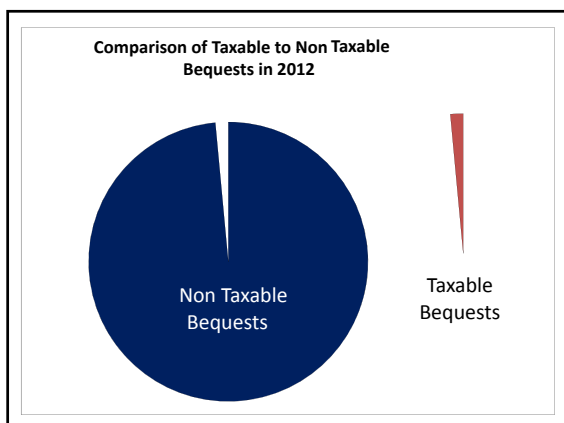


IMPACT OF NEW ESTATE TAX LAWS

- Of The 8,423 With Estates Over \$5 Million In 2012, Some 2,225 Left Charitable Bequests
- That Represents 26% Of Those With Taxable Estates

IMPACT OF NEW ESTATE TAX LAWS

- Of The 2,530,477 Who Passed Away in 2012, An Estimated 6% Left Charitable Bequests
- That Totals 150,000 Charitable Estates
- Just 2,225 of Those Were Taxable
- This Means 98.5% of Bequests Come From Non-Taxable Estates



IMPACT ON MARKETING

- Where Does Discussion Of Estate Taxes Now Fit?
- Is There A Risk In Over-Emphasis On Estate Tax Savings?
- Does "Zero-Tax" Planning Make Sense When Close to "Zero" Pay Federal Estate Tax
- What Does Son-In-Law Say?

PLANNING FOR GIFT TAX EXEMPTION

- Using Planned Gifts To Provide For Those Other Than Donor
- Gift Tax Was Often An Impediment In The Past

PLANNING FOR GIFT TAX EXEMPTION

- Assume \$1 Million Charitable Remainder Annuity Trust For 85 Year-Old Parent
- Funded By 60 Year-Old Child
- Payment Rate of 7.8% Same As CGA Rate
- Charitable Deduction is \$566,000
- Taxable Gift of \$434,000

PLANNING FOR GIFT TAX EXEMPTION

- This Gift Absorbs Less Than 10% Of Lifetime Gift Tax Exemption
- As Recently As 2010 It Would Have Used 43% of \$1 Million Lifetime Gift Tax Exemption

CRAT VERSUS CGA?

- Why Might The Donor Choose A CRAT Over A CGA?
- Why Might The Donor Choose A CGA Over A CRAT?
- Can Be Issues With Advisors

PLANNING FOR GIFT TAX EXEMPTION

- Using Planned Gifts To Transfer Assets To Younger Generation
- Gift Tax More Important In The Past
- Recall \$1 Million Exemption As Recently As 2010

PLANNING FOR GIFT TAX EXEMPTION

- A 65 Year-Old Donor Funds A Lead Annuity Trust In The Amount of \$8 Million
- Payment Rate of 6.25% For Period of 10 Years
- Charity Receives \$500K Per Year
- Total Of \$5 Million In Charitable Gifts Over Term of Trust

PLANNING FOR GIFT TAX EXEMPTION

- Gift Tax Deduction of \$4.4 Million
- Taxable Gift of \$3.6 Million
- Uses 34% Of \$10.68 Lifetime Gift Tax Exemption For Couple
- If Trust Earns 6.25% Heirs Receive \$8 Million At "Cost" of \$3.6 Million Exemption Amount

PLANNING FOR GIFT TAX EXEMPTION

- Gift Tax Exemption “Grows” At Rate Of 8.3% Over The Ten Year Period
- Amount That \$3.6 Million Would Have To Earn To Equal \$8 Million
- Trust Must Only Earn 6.25% To Preserve \$8 Million

PLANNING FOR GIFT TAX EXEMPTION

- Donors Complete \$5 Million Gift Over 10-Year Period
- Becomes One Of The Lead Gifts To A Capital Campaign
- Is This In Reality An “Extended Pledge?”
- Is It A “Collateralized Pledge?”

PLANNING FOR GIFT TAX EXEMPTION

- Compare To \$5 Million Bequest Commitment From 65 Year Old
- Present Value Of Bequest Is \$1.5 Million At 6.25% Discount Rate For 20-Year Life Expectancy
- Present Value Of Lead Trust Payments Is \$3.6 Million
- Helps Rebuild Individual Giving

PLANNING FOR GIFT TAX EXEMPTION

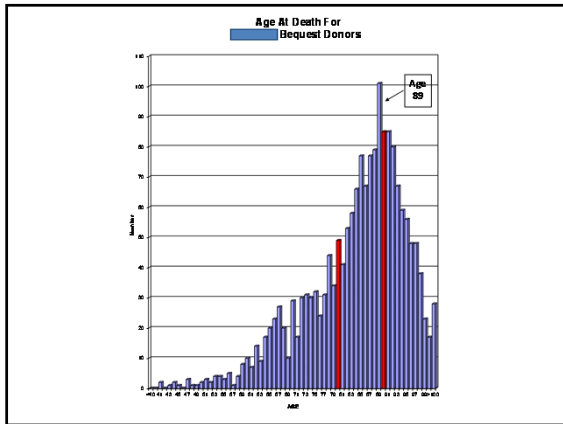
- Lead Trust Represents A Way To “Accelerate” A Bequest
- Other Split Interest Gifts Like Deferred Gifts Annuities and Term of Years Trusts Can Do The Same

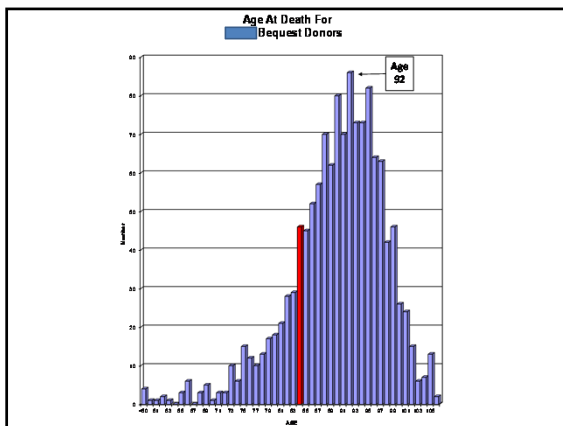
TREND

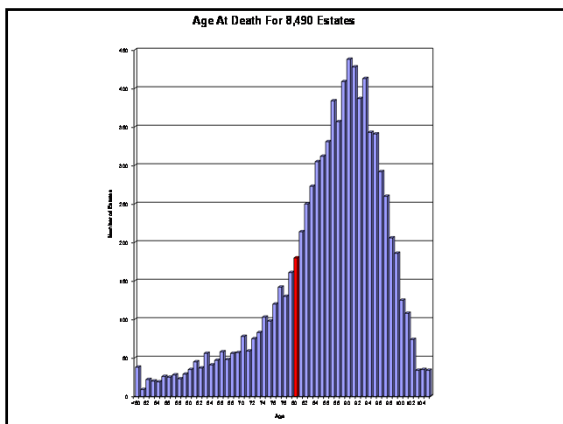
Bequest Donors
Living Longer

AGE OF BEQUEST DONORS AT DEATH

- Bequest and Other Planned Gift Donors Living Longer
- Planned Giving Officers Have Always Known This
- Average Age At Death Is Now Late 80s
- Can Be Observed In Individual Planned Gift Programs




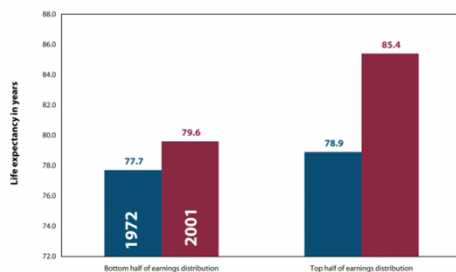




AGE OF BEQUEST DONORS AT DEATH

- Wealthier Donors Appear To Live Longer Than Others
- Various Studies And IRS Data Confirm This

 **Most gains in life expectancy have gone to high earners**
Life expectancy for male Social Security-covered workers (age 60) by earnings group, 1972 and 2001



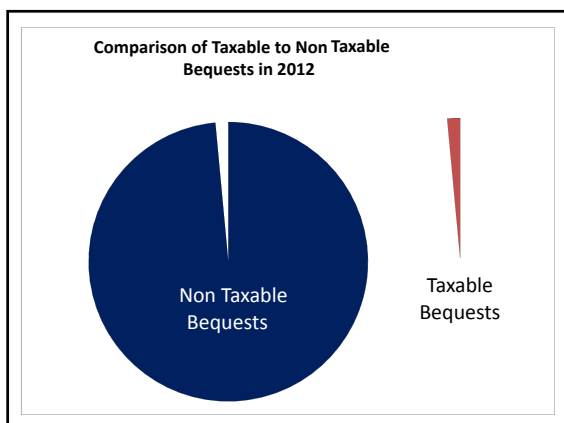
Source: EPI analysis of Waldron (2007).

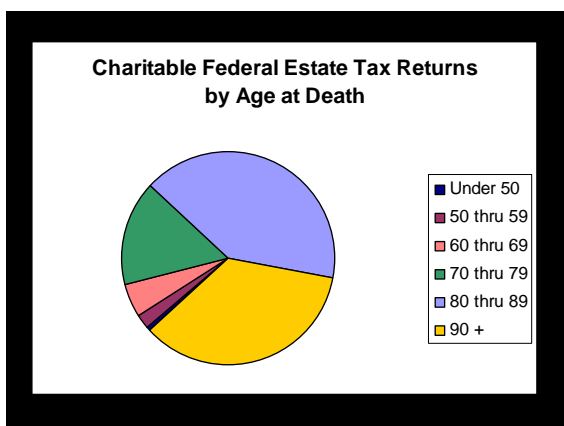
Age of Top 10 Bequest Donors At Death

Donor 1	100
Donor 2	99
Donor 3	97
Donor 4	97
Donor 5	97
Donor 6	95
Donor 7	94
Donor 8	93
Donor 9	92
Donor 10	85

Source: Chronicle of Philanthropy

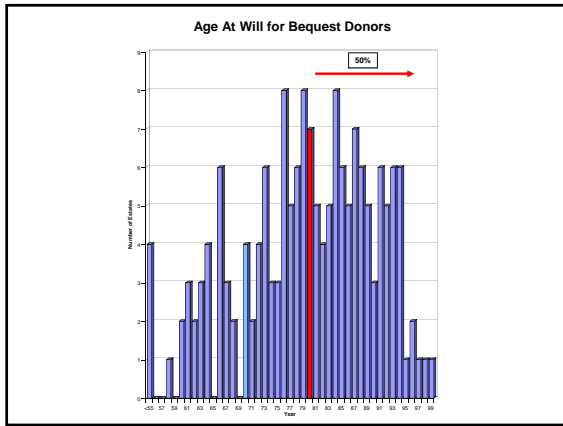
Average Age of Bequest Donors At Death = 95

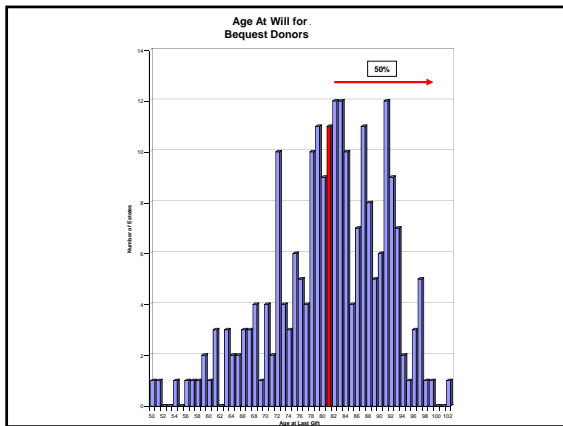


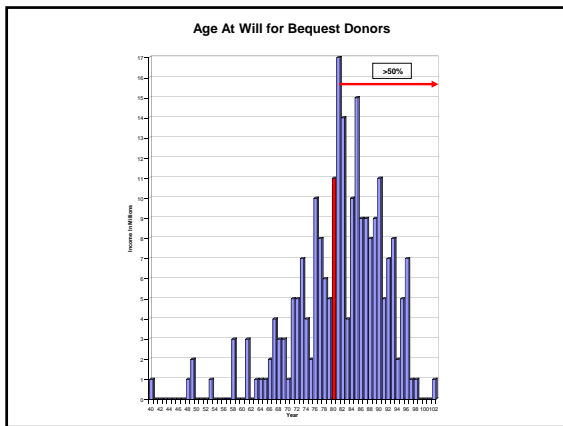


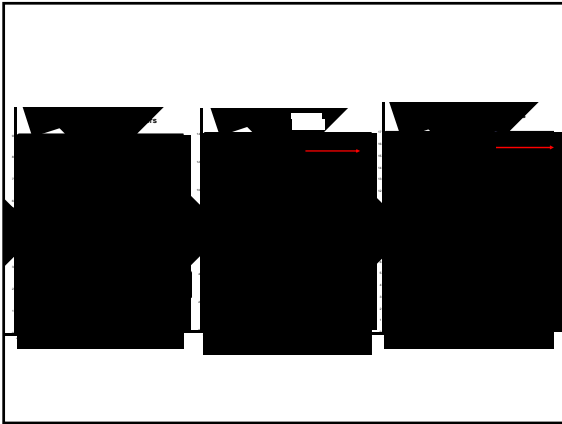
AGE OF BEQUEST DONORS AT FINAL WILL

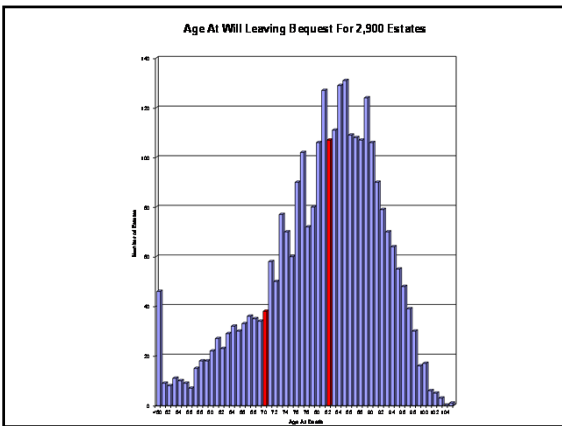
- Studies Show Most “Operative” Wills Are Completed After The Age of 70
- Often A Woman Who Is The Second Spouse To Die

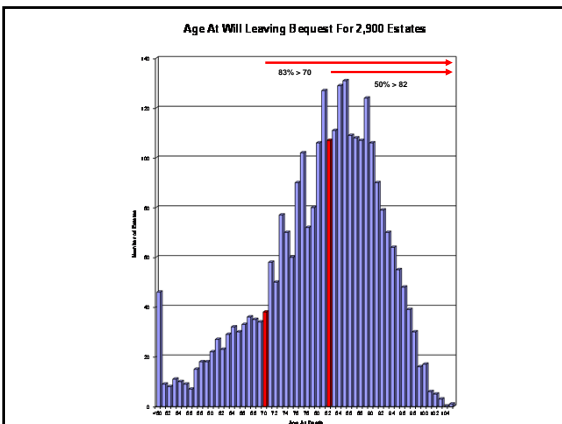






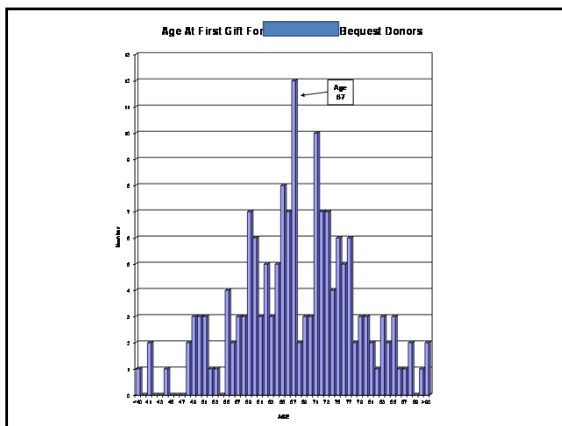






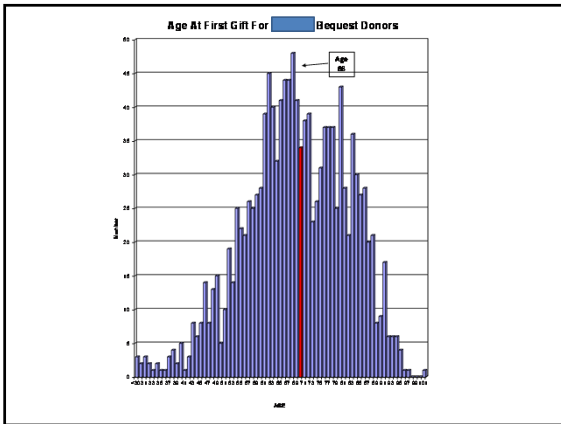
BEQUESTS AND AGE

- Many Bequests and Other Planned Gift Donors Don't Make First Gift Until Age 55 Or Older
- See Medical Center



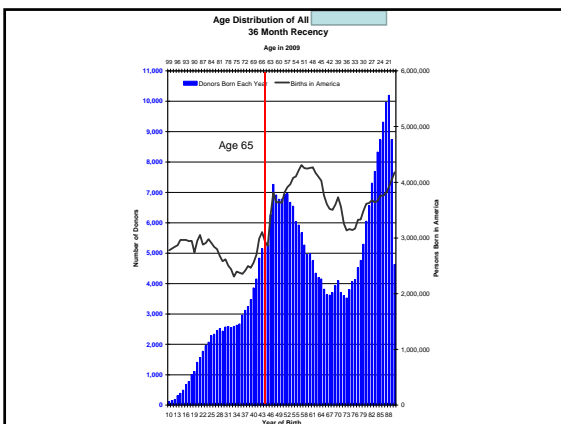
BEQUESTS AND AGE

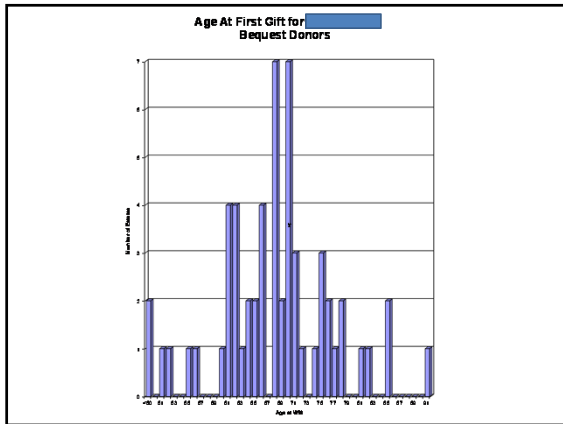
- See National Health Charity



BEQUESTS AND AGE

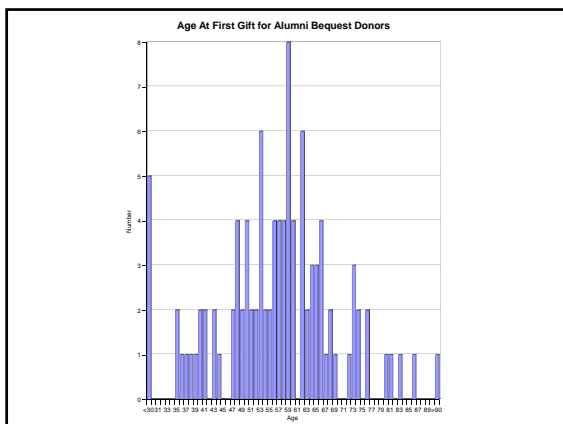
- See Environmental Charity

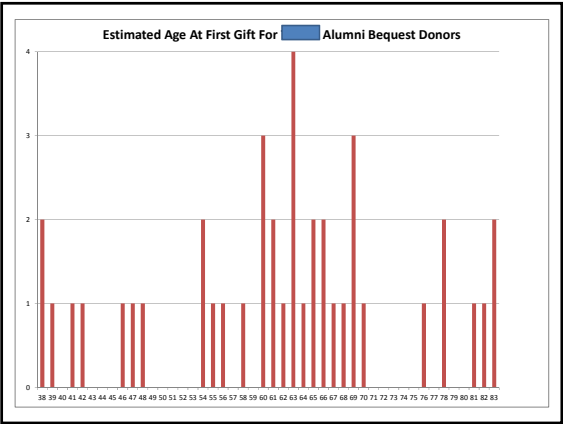


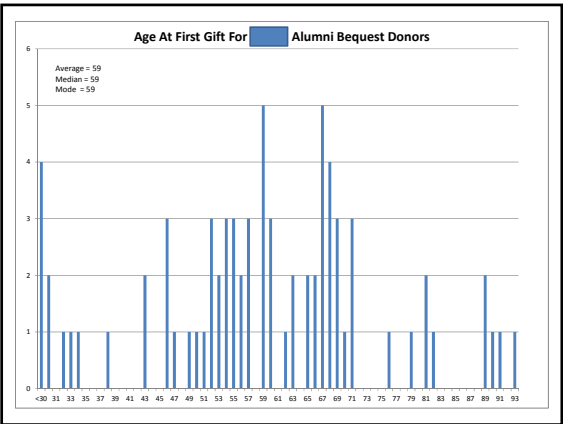


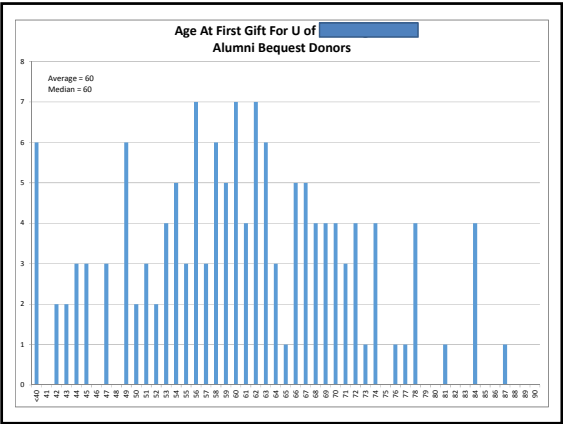
BEQUESTS AND AGE

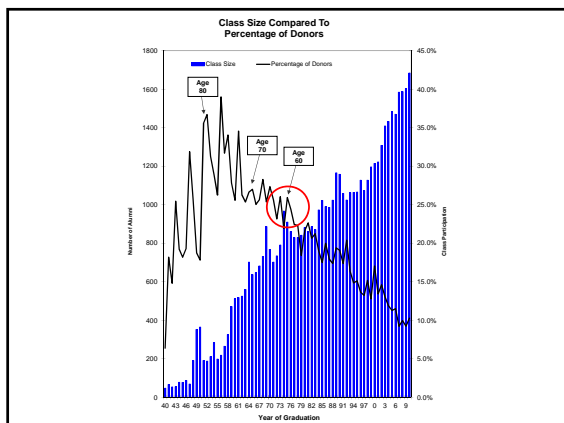
- Same Can Be True For Educational Institutions









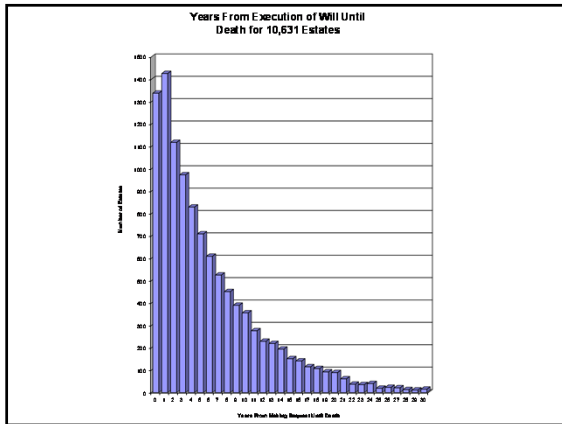


BEST PRACTICES FOR BEQUEST MARKETING

- Most Bequests Come From Persons Who Make Will After Age 75
- Studies Show That Next To Last Will Often Includes No Charitable Beneficiaries
- See Dr. Russell James Studies

BEST PRACTICES FOR BEQUEST MARKETING

- Most Wills Come From Persons Who Die Within 4 Years Of Making Operative Will
- Data From Sharpe KnowledgeBase



BEST PRACTICES FOR BEQUEST MARKETING

- Focus On Donors Over 70 If Returns Expected Within Next 20 Years
- The “First Will” May Count In Campaigns
- The “Last Will” Is The One That Counts On Income Statements

BABY BOOMERS AND BEQUESTS

- Youngest Baby Boomer Couples Have Life Expectancy Of 22 Years

Life Expectancy

	Age	Single	Couple
	35	48	55
	40	44	50
	45	39	45
Baby Boomers	50	34	40
	55	30	36
	60	25	31
	65	21	26
	70	17	22
	75	13	18
	80	10	14
	85	8	11
	90	6	8
	95	4	6
	100	3	4

**BABY BOOMERS
AND BEQUESTS**

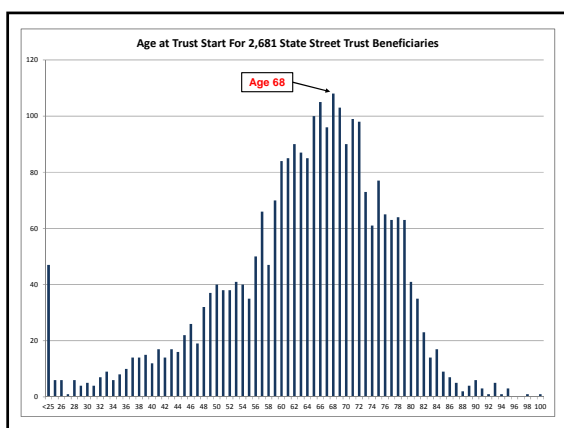
- Important To Be Encouraging Bequests Over The Long Term
- The “Long Term” Will One Day Be The “Short Term”

**WHAT ABOUT OTHER
PLANNED GIFTS?**

- According to the IRS, the Average Length of Time In Existence For CRT's Is 15 Years

BABY BOOMERS AND OTHER GIFTS

- Oldest Baby Boomers Are Now Entering Age Range For Life Income Gifts
- Studies Indicate Average Age of Beneficiaries of Charitable Remainder Trusts Is Late 60s



BABY BOOMERS AND CRTs

- “Planets” May Be Aligned For CRTs In Ways Not Seen Since the 1990s
- Increased Supply of Donors With Oldest Baby Boomers Now 68
- Increased Supply of Appreciated Property For Funding

BRIGHT FUTURE FOR CRTs

- Ordinary and Capital Gains Tax Rates Favorable
- Lower Estate Taxes May Lead To “Acceleration” of Bequests Through Life Income Gifts
- Current Tax Savings For “Bequest”
- More Certainty For Charity

TREND

MULTI-MEDIA MARKETING

IMPACT ON MEDIA

- Traditional Mail
 - Will Continue To Be Primary Means Of Contact For Those Over 65
 - See Convio Study (www.convio.com)



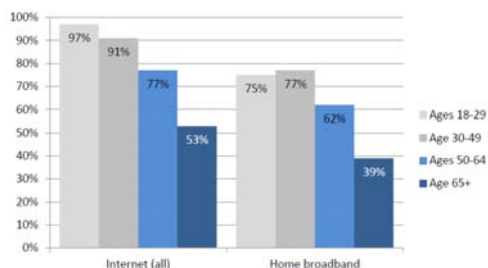


CHOOSE MEDIA CAREFULLY

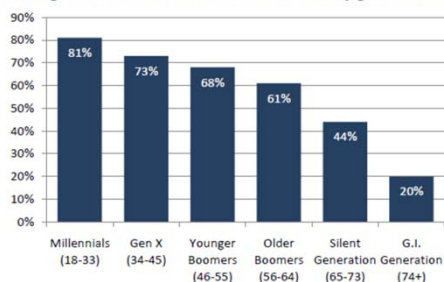
- Internet
 - Can Be Effective With Many
 - See Pew Foundation Reports (www.pewinternet.org)
 - May Be Better For Fulfillment Than Lead Development For Baby Boomers

Internet and home broadband use by age group

% of all adults in each age group who go online, and also who have broadband at home



Percentage of adults with home broadband, by generation



Source: Pew Internet Study 12/16/10

After age 75, internet and broadband use drops off significantly.

Looking more closely at the "G.I. generation" (those who are currently ages 76 and older) reveals a starkly different reality. Internet adoption among this group has only reached 34% as of April 2012, and home broadband use has inched up to 21%.

Few among this oldest segment of the population are likely to start using the internet without some assistance and encouragement. In 2010, when non-users from the G.I. Generation population were asked if they felt they knew enough about computers and technology to start using the internet and email on their own, 68% said they did not feel confident enough and would need someone to help them get online.⁵ Perceived relevancy is also a major issue for this group, as 38% of non-users in the G.I. not interested.⁶ Only 4% of non-internet users in the G.I. Generation population said they would like to start using the internet and email in the future.⁶

Offline adults by age

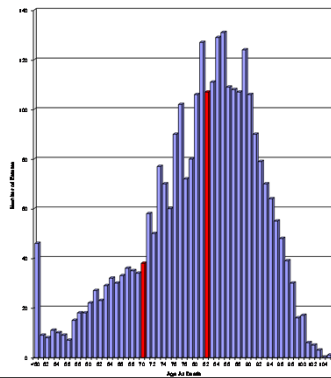
% in each group who do not use the internet or email

All Americans ages 18+ (n=2,252)		% who do not go online
Age		
a	18-29 (n=404)	2
b	30-49 (n=577)	8 ^a
c	50-64 (n=641)	17 ^{ab}
d	65+ (n=570)	44 ^{bc}

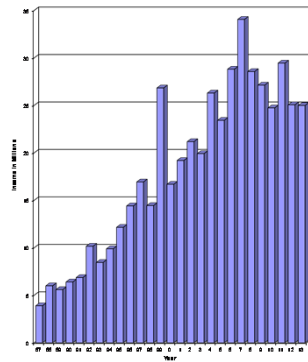
Source: Pew Research Center's Internet & American Life Project Spring Tracking Survey, April 17 - May 19, 2013. N=2,252 adults ages 18+. Interviews were conducted in English and Spanish and on landline and cell phones. The margin of error for results based on all adults is +/- 2.3 percentage points.

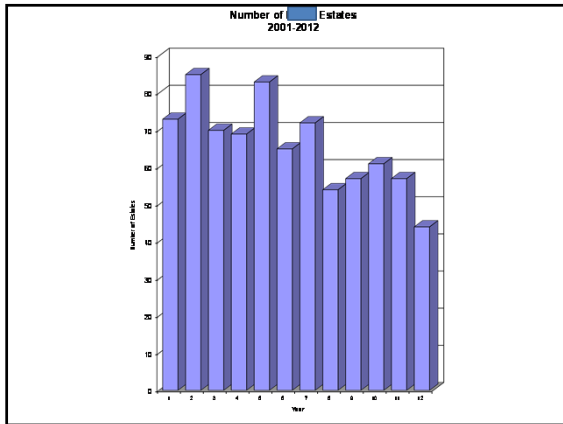
Among adults ages 77+ 62% are offline

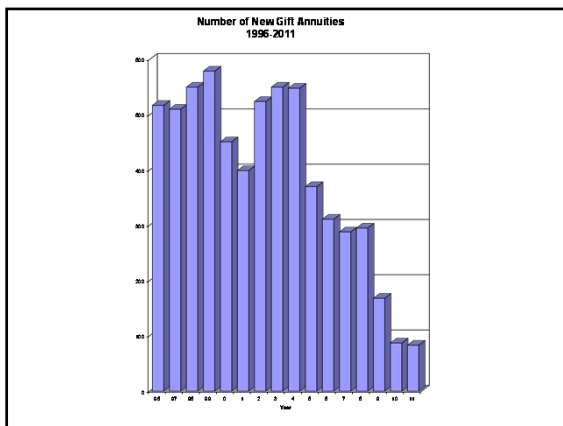
Age At Will Leaving Bequest For 2,900 Estates

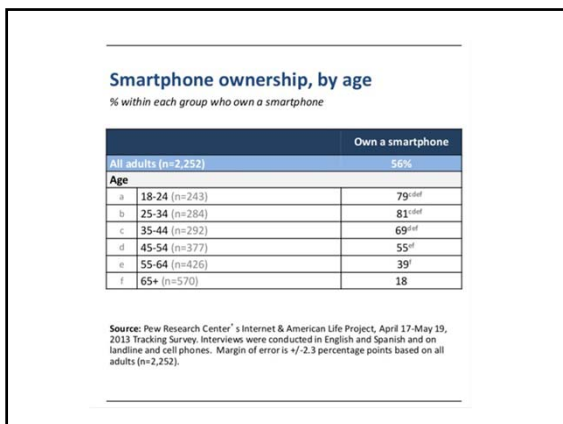


Bequest Income 1987-2013









TREND

CHANGES IN INCOME TAX INCENTIVES?

PROPOSED INCOME TAX LAW CHANGES

- Many Proposals Have Been Put Forth
- Administration Has Proposed Limiting Value of Deductions
- A Ceiling Proposed Rather Than A Floor
- Camp Proposal Suggests a Floor

PROPOSED INCOME TAX LAW CHANGES

- Administration Proposals Would Be Undesirable
- Camp Proposal Could Be Much Worse
- It Is Tantamount To Elimination of Charitable Deduction For Most Donors, Especially Seniors

CAMP PROPOSAL

- Many Years In Preparation
- **Could Be Blueprint For Future Proposals**

CAMP PROPOSAL

- Overview of Camp Proposal
 - Lower Rates
 - Broader Base
- Impact on Charitable Giving
 - Limits on Deductible Amounts
 - Less Savings Lower Rates
 - More Gifts From After-Tax Income

PROPOSED CHANGES

- New Floor on Charitable Gifts
 - No Floor Under Current Law
 - Proposal Would Introduce 2% of Adjusted Gross Income (AGI) Floor On Deductible Amounts
 - Reports Indicate Average American Gives About 3% of Income

OTHER LIMITATIONS ON DEDUCTIONS

- Increase in Standard Deductions
 - From \$6,100 for Singles to \$11,000
 - From \$12,200 For Married to \$22,000
- Elimination of Personal Exemptions
- Limits On Mortgage Interest Deductions
- No Deduction For Home Equity Loans Unless Used For Home Improvements
- No State Income or Property Tax Deductions

OTHER LIMITATIONS ON DEDUCTIONS

- Reduction in Charitable Deductions To 40% of AGI, Down From Current Limit of 50%
- Same Limit For Cash and Appreciated Property
- Hits Those Who Are Retired And Others With Relatively Low AGI
- Disproportionately Impacts Seniors

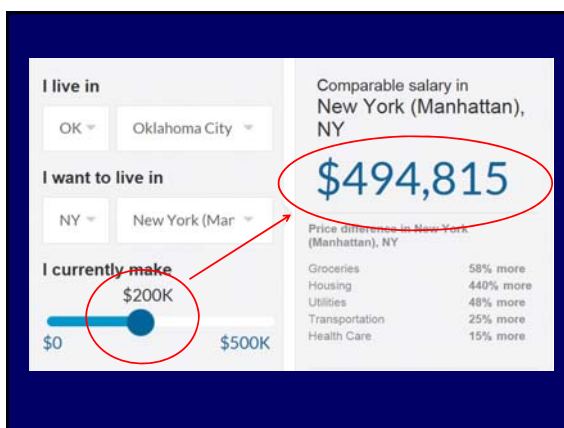
Age Of Taxpayers Who Carry Forward Charitable Deductions

18 under 26	6,775	\$21,029	0%
26 under 35	38,443	\$208,947	1%
35 under 45	75,887	\$633,759	2%
45 under 55	98,208	\$2,365,688	9%
55 under 65	98,751	\$2,613,334	10%
65 and over	121,162	\$20,523,693	78%
All returns	439,233	\$26,366,506,000	100%

Source: Internal Revenue Service

GIVING WHERE YOU ARE LIVING?

- Persons With Same Lifestyles Are Impacted Differently Depending on Where They May Reside
- Persons In High Cost Areas May Experience Greater Increase In Cost of Their Gifts



OTHER LIMITATIONS ON DEDUCTIONS

- Limitation of Deductions for Gifts Of Appreciated Property To Cost Rather Than Current Value
- Exceptions For Publicly Traded Stock, Easements, Tangible Property For Related Use, Inventory and Research Property
- Primary Impact On Real Estate Gifts And Stock of Closely Held Entities

SUMMARY

- Only A Small Percentage Would Still Itemize Charitable Gifts
- More Donors Will Have To Make Contributions From After-Tax Dollars
- Results in Tax Increases For Many Through Taxation of Amounts Used To Make Charitable Gifts

WHO IS AFFECTED?

- Biggest Impact Will be Felt By Those In High Income, High Tax States
- Those Who Make Average Gifts
- Seniors May Be Most Affected As A Group
 - Higher Standard Deduction More Applicable
 - 2% Floor Where They CAN Itemize
- IRA Rollover Provision Would Be More Important Than Ever Though Not In Camp Proposal

IMPACT ON PLANNED GIFTS

- Typical Gift Annuity Donor Would Not Realize Benefits From Income Tax Deduction
- After-Tax Net Cost of Gift Annuity Less Relevant
- Gift Annuities Will Have To Rest On More Powerful Motivations

IMPACT ON PLANNED GIFTS

- Other Split Interest Gifts Would Gain In Popularity
- Charitable Remainder Trusts Not Addressed By Camp
 - Capital Gains Advantages Remain
 - Tax-Free Buildup Remains
 - Ability To Make Gifts Out of Income Stream

IMPACT ON PLANNED GIFTS

- Charitable Lead Trusts Would Remain Attractive
 - Not Receiving Income Is Same As Receiving and Fully Deducting
 - Will Be Attractive To 1% Who Are Concerned With Estate and Gift Tax

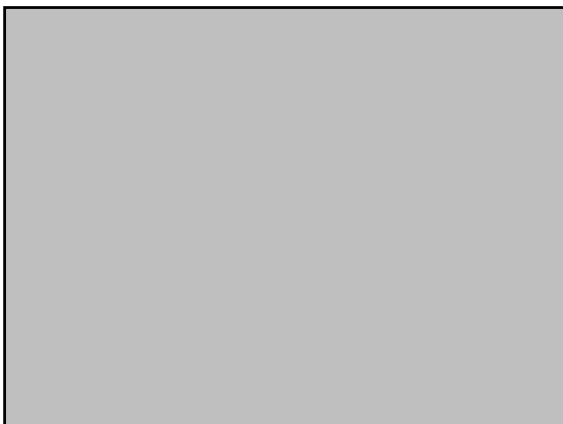
IMPACT ON PLANNED GIFTS

- Continue To Communicate Tax Benefits
- Keep Them In Perspective
- They May Or May Not Be A Permanent Fixture
- In The Meantime Help Donors Make "TaxWise" Gifts



WISDOM FROM YOGI BERRA

"It's Déjà Vu All Over Again...."





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