

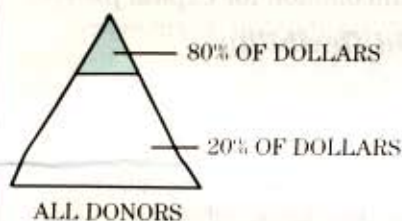
Give & Take

News and Ideas for Development Executives of Nonprofit Institutions

An Integrated Concept for Financial Development

By Robert F. Sharpe, Jr., Executive Vice President

If you have been involved in fund gathering for any period of time, you are probably familiar with a useful illustration of the process of efficiently securing funds. A pyramid is often used to depict the proper distribution of gift sources. The premise is that the majority of gifts is ideally made by a broad base of donors, while the majority of dollars comes from a relatively small group:



Unfortunately, in most cases, the explanation stops here. How do you motivate the top few persons to give? Where do you find them? What should they give? When should they give? What form should their gifts take? What, if anything, do tax considerations have to do with the gift making decision?

Those who set about to obtain

funds in a professional manner succeed because they spend a great deal of time learning and understanding the *who, why, what, when, and how* of the giving process. They learn by trial and error, at professional development conferences and seminars, and by reading professional literature.

In recent months, we have worked out a new way to consider the traditional funding pyramid. This pyramid provides a helpful framework from which to view the art of helping people give. We hope it will serve as a useful guide to organizing a program that effectively relates to the needs of your donors at different stages in their lives. (See the pyramid below and refer to the enclosed full-page diagram as you read.)

How it works

Let us start with the premise that all gifts can be broken down into two main categories, namely "planned gifts" and "other gifts."

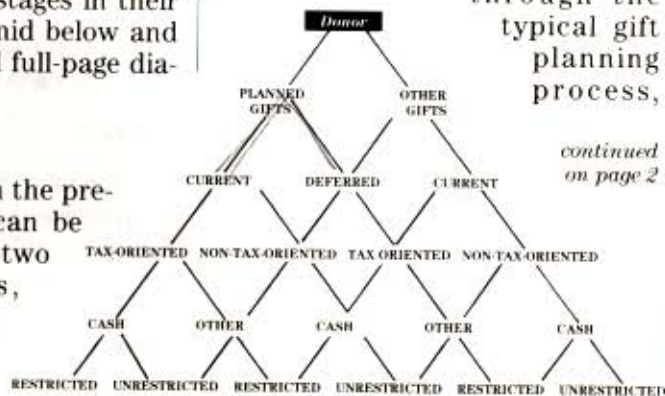
We define a planned gift as "any thoughtful gift of any amount, given for any purpose—operations, capital expansion, or endowment—whether current or deferred, which requires the assistance of a knowledgeable staff person, a qualified volunteer, or the donor's advisor(s) to complete. In addition, it includes any gifts of such magnitude as to be carefully considered in light of estate and financial plans."

"Other" gifts are those that do not meet the above criteria.

When looking at the pyramid, keep in mind that a relatively few gifts fall into the category of a "planned gift." Still, these few gifts provide the majority of many institutions' gift income. In most cases, the overwhelming majority of gifts received falls into the "other" category.

From the top: Levels 1 & 2

Let's take a moment to think through the typical gift planning process,



continued on page 2

"Integrated Concept"

Continued from page 1

using the pyramid as a guide.

The first determination is whether the gift is "planned" or "other." The next step is to determine whether the gift will be current or deferred.

Moving across the pyramid, consider the following examples:

1. The "planned" current gift category includes the large outright transfer of cash or other property. Most capital campaign gifts fall into this category of carefully considered, well-conceived gifts.

2. The "planned" deferred gift is what is thought of as the traditional "planned" or "deferred" gift. Regardless of how it is funded, it is a carefully considered part of the overall estate plan.

3. "Other" deferred gifts are made spontaneously, perhaps in response to a question from an advisor regarding charitable wishes as part of a noncharitably motivated planning process. Many small, unrestricted bequests received without the organization's prior knowledge fall into this category. Bequest promotion efforts are frequently aimed at encouraging this type of gift.

4. "Other" current gifts include the largest number of gifts. Smaller annual and direct mail gifts belong here. They are most often made as an immediate response to a request whether in the form of mail, a phone call, or a personal solicitation.

Level 3

The next step in helping the giver explore options is to determine whether the gift is tax-oriented or not. It can be a mistake to adopt a heavily tax-oriented approach with givers who are not motivated by tax savings, and an equally damaging error to ignore taxes in dealing with donors or their advisors for whom this factor is crucial.

Level 4

A consideration of tax issues naturally leads us to the *form* in which the gift is made.

For example, once a donor has decided to make a planned, current, tax-oriented gift of \$50,000, a knowledgeable student of the field will recognize that the next question will be, "What should be given?" As we move straight down the left side of the pyramid, we find the next choice is between "cash" or "other." The answer for many givers will be "other," specifically non-cash appreciated property. Other givers may make a large tax-oriented gift, but it will be in cash.

Level 5

Finally, we come to "why" people give, i.e., for what purpose. Any of the gifts described above can be for restricted or unrestricted purposes. In fact, in the context of a capital campaign, most if not all of the gifts will be restricted as part of a marketing process that also involves the creation of a case statement, goal, and a deadline.

Draw on your experience

Think back and consider one or more of the largest recent gifts received by your organization and mentally work your way down the pyramid.

Now consider a recent failure in the quest for major gifts. Could you have backed up and taken a new tack in making your way through the pyramid?

Consider Mr. and Mrs. Donor. They are presented with a proposal for a \$100,000 gift to a capital campaign. They would like to make the gift, but decline because they are committed to help educate a grandchild.

In the most successful programs, procedures exist for backing up one step and suggesting an arrangement that suits both needs. For instance, a trust that pays income to the grandchild for five years, with the \$100,000 coming to the campaign at the end of that period, might be the answer. The Donors would still receive a large tax deduction and the money would be received after five years, which is not uncommon for capital pledges.

Build flexibility

"Gift planning" is the process of negotiating the turns, or decision points, in the funding pyramid. Too often, development executives stop when they hit an obstacle, or they over-emphasize some facets to the exclusion of others.

Start with the donor and his or her interests at the top and organizational needs at the bottom, and make sure all facets are covered. Then you will be able to provide the flexibility required for success in the nineties and beyond. ■

Robert Sharpe, Jr., is executive vice president and legal counsel for Robert F. Sharpe and Company.

See p. 6 for practical implications of the pyramid.

Give & Take

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Time, Attention, Patience Foster Program's Growth

Thorough preparation and a philosophy of one-on-one contact with givers have been key elements in this active gift planning program.

Dr. Samuel Sink, president of the United Methodist Charities of West Virginia, has combined his natural enthusiasm with education to build a forward-moving deferred planned giving program.

Six years ago when the previous president resigned, the Conference Bishop appointed Dr. Sink to fill the opening at this organization that gathers funds to support a variety of Methodist agencies in the region.

Since his previous experience as a pastor and superintendent of the Charleston district did not include planned giving, Dr. Sink recognized that his own education was the first priority.

That was in June 1982. Two months later he attended the first of eight National Planned Giving Institute seminars, completing all of them over a two-year span.

Fulfill need to give

Discovering individuals' "patterns of giving and working with them to save money" has been a key to his program's growth. The emphasis is clearly one-to-one contact with each individual.

"Much of the confidence that allows me to work with a variety of people, whether a CEO or attorney with a big firm, has come from knowledge I gained from the seminars," he said.

At least two days a week Dr. Sink is on the road, meeting with people who have shown interest in gift planning. And they regularly stop by or call to visit with him at the office.

One such visit that he enjoys telling about concerns a woman who had been making \$1,000 to

\$3,000 gifts annually. She called to say she had "a little money to place."

She owned stock in an oil company that had been sold, netting her \$256,000. She wanted to give it immediately. Although she had looked at other organizations as possible recipients, she chose the United Methodist Charities because she trusted Dr. Sink.

After he had explained several giving plans, she elected to set up a \$100,000 gift annuity providing her lifetime payments. The remainder of the gift was placed in a trust agreement whereby specific agencies received the income.

Large gifts are nice, but...

Not all gifts they receive are that large, of course. Dr. Sink encourages smaller trust agreements as well.

"I'm sold on smaller trust funds," Dr. Sink explained. "You build from small to average to large."

The evidence seems to support his belief, since the number of trust agreements for the benefit of his organization has grown from 14 to 143 since he assumed his current role.

"Right now we are at a turning point where we start telling people more about insurance, gift annuities, unitrusts, real estate, pooled income funds...we have to inform people of what they can give," he said. Part of that process is distributing publications supplied by Robert F. Sharpe and Company.

To further inform them, he uses articles in the Charities' newsletter (circulation 50,000) and the annual report. Dr. Sink is convinced that learning of a gift one person has

made often prompts others to give as well.

Facing resistance

In the early days, Dr. Sink was surprised to find that he faced resistance from some of his colleagues in local churches who viewed his activities as "competition" for gift dollars.

Educating them became essential. He distributed copies of the manual, *27-Plus Ways to Increase Giving to Your Church*, by Robert F. Sharpe. It explains the philosophy of service that's behind the gift planning program, helping to make colleagues more receptive to current and deferred major gifts. The more givers know about gift options, the better for all agencies involved.

"It's not just one instrument, but the whole orchestra that makes a symphony," Dr. Sink believes. With givers, board members, pastors, and other colleagues working together harmoniously, the future of West Virginia United Methodist Charities grows stronger every day. ☐

A worldwide perspective

Representatives from nonprofit organizations in 70 nations will meet at the first World Congress on Philanthropy May 23-27 in Toronto, Canada. They will discuss ways to enhance philanthropy worldwide, including by exploring new funding sources.

Registration is open to representatives of non-governmental and governmental agencies, as well as international funding sources.

Write to World Congress on Philanthropy, 1145 19th Street, N.W., Suite 717, Washington, D.C. 20036-3701, for more information or to register. ☐

Maximizing Memorials

Let's look at some basic ideas to enhance your memorial program and build a foundation for major gifts:

1. If your records allow you to identify multiple or frequent memorial donors, supply them with a set of memorial cards and business reply envelopes so they can conveniently make gifts at will.

2. Be aware of commemorative opportunities. When a person dies, memorial gifts are received in his or her honor, perhaps to fund a particular project. The time for encouraging significant gifts for a specific fund is relatively short. If a project is not funded within the first six months, the chances drop dramatically with each passing month.

3. Recognize memorial givers publicly. In addition to listing names in your magazine or newsletter, include them in your annual report. Be sure that any articles about major gifts point out the memorial link, if applicable. Examples can help encourage others to make similar plans.

4. Contact and arrange to visit, if possible, the next-of-kin to acknowledge the gifts. It will be gratifying to them to know that respect for their relative has produced such a response. This may also open the door in an appropriate fashion to discuss other memorial opportunities.

5. Don't hesitate to promote memorials at times that traditionally trigger memorial thinking. As spring is such a time, with Easter, Mother's Day, Memorial Day, etc., consider ways to raise the visibility of your program so that it does more than accept the occasional gift in lieu of flowers. ■

Memorials: Not Just on Memorial Day

Have you considered ways to expand your memorial program so that it can be a bridge from current to planned giving?

By Barlow T. Mann

While the majority of memorial gifts tend to be small, they are an important source of gift revenues and new donors. Some organizations have carefully managed their memorial and honor giving programs as a primary means of acquiring new donors.

As we all know, it is from these many smaller contributors that long-term major donors will emerge.

Popular expressions

To see the importance of memorial and honor gifts in the area of major giving—current and deferred—look around as you visit colleges, churches, museums, libraries, and other places. Endowment funds, programs, buildings, rooms, and books often bear the names of persons memorialized by gifts. In fact, entire organizations have been named in memory of loved ones.

Coupling the family's name with an appropriate project can increase a current or deferred gift ten- to a hundredfold.

Invite major memorials

An organization that receives memorial gifts by accident—because friends insist on sending memorials from time to time—will never see many major memorial gifts.

But the fact that memorials are received despite lack of promotion bodes well for more active programs. Such activity should include participation by a key development person who examines the memorial program and makes sure the basic mechanics are in place:

- Proper acknowledgments sent both to the giver and family of

the deceased or the person being honored. Contact frequent memorial givers by phone to say thanks.

- Special treatment for first-time givers. They should be informed about the organization and what it does, and then contacted regularly over time with the goal of making them regular contributors.

- Review of memorial gifts to suggest additional memorial possibilities. For example, if enough gifts are received to justify doing so, the family may wish to create a special memorial fund, thus opening the door to additional gifts.

Develop a list of projects meeting organizational needs with price tags ranging from small to extremely large. They might range from a \$15 memorial bookplate to a major program requiring a six-figure gift. Families often welcome suggestions to preserve and honor the name of someone special.

Organizations, both large and small, have long been the grateful recipients of memorial gifts of all sizes. Awareness of the potential of memorial gifts followed by a few simple practices can help increase the number of gifts that make a lasting difference in the scope of your organization's activities. ■

Barlow T. Mann is vice president, Robert F. Sharpe and Company. He formerly served as director of development for University of Tennessee Center for the Health Sciences.

AMT Worries May Be Overstated

Have you heard accounts lately of gifts being lost due to alternative minimum tax (AMT) problems?

With 1987 being the first tax year in which the appreciation element of gift property was treated as a tax preference, some fund gatherers have indeed found that AMT factors may have quelled a large gift.

But keep the issue in perspective. Here are a few points gleaned from a session led by Jonathan Tidd, J.D., at the recent National Planned Giving Institute seminar, "Taxes and Giving":

- A giver generally must have a very high income in order to be touched by AMT (typically \$250,000 or more). Most people who give appreciated stock or real estate will not have to deal with AMT at all.

- For this majority of givers, capital gain property remains deductible at full value. They still avoid payment of capital gain taxes.

- Even if a donor encounters an "AMT problem" with a gift, it can

generally be eliminated by careful timing of the gift or utilizing other giving techniques.

- *In no case will a gift of appreciated property—even if AMT is triggered—result in a higher tax than if the property were sold and regular tax were paid on the entire amount.* An accountant may rightly advise a donor that the gift is causing some tax to be paid. But it's a question of reduced savings rather than more tax. And the donor is fulfilling a desire to give.

- Be aware that AMT is not familiar to many donors, accountants, attorneys, and others you deal with. You need not be an expert yourself, but be aware that misinformation abounds. In general, real deterrents to giving will not be found in AMT, but may result from misunderstandings.

See *Give & Take*, December 1986, pages 3 and 4, for a discussion of AMT.

Development Office Tips

If the development office is to gain the necessary stature to attract the money desired, consider these suggestions:

- **Be sure** it's located near the chief executive's office so the CEO can take people to the development office easily.

- **Provide** furnishings that are functional and attractive. They must quietly "welcome the most important people to join with us."

- **Make sure** letters and reproduced material are first-class. If you're communicating with top-level people, you must communicate in a style they are accustomed to.

Reprinted with permission from *communications briefings*, Jan. 88. Source: Dr. Albert Prentice, president, Institutional Management Services, writing in *Christian Management Report*, P.O. Box 4638, Diamond Bar, CA 91765.

Subscribe!

If you are not a subscriber to *Give & Take*, consider what you may be missing:

- Delivery of every issue via first class mail. Bulk mail service promises only to get worse, as the post office trims services due to budget cuts.

- A binder that holds two years' worth of issues for reference.

- A subject and author index prepared annually.

To subscribe, send \$39.50 for 12 monthly issues to *Give & Take*, Robert F. Sharpe and Company, Inc., or call 1-800-238-3253. Additional subscriptions for others at your organization are available at \$21.50 per year each.

Health Care Cost at Older Ages

American Demographics magazine reports in its February 1988 issue on a study of the cost of dying for people at different ages.

The findings of researchers at the University of Manitoba, Canada show that persons dying at ages 85 and older average much longer stays in nursing homes, resulting in higher costs. The study points to a faster-growing need for nursing home care than for hospital beds, as older people make up a larger and larger share of our population.

Development executives may want to take note. More and more prospective major givers will be planning for supporting themselves through longer lives and perhaps expensive illnesses.

The flexibility of planned gifts in providing income and other benefits will address their needs more than ever as they plan ahead.

"Health Care Utilization in the Years Prior to Death," vol. 65, No. 2 (1987) of *The Milbank Quarterly*, The Milbank Memorial Fund, 1 East 75th Street, New York, NY 10021.

Dates & Locations

National Planned Giving Institute®

Designing a Planned Giving Program

June 13-15, 1988 *Colorado Springs*

Sept. 12-14, 1988 *Williamsburg*

Marketing Planned Gifts

June 15-17, 1988 *Colorado Springs*

Sept. 14-16, 1988 *Williamsburg*

Securing Major Gifts Using Gift Planning Techniques

July 18-20, 1988 *Colorado Springs*

Oct. 17-19, 1988 *Williamsburg*

Taxes and Giving

July 20-22, 1988 *Colorado Springs*

Oct. 19-21, 1988 *Williamsburg*

The Plans of Giving—Part I: Wills, Revocable Trusts, Gift Annuities, Life Insurance, Life Estate Agreements, and Retirement Benefits

April 11-13, 1988 *Memphis*

August 8-10, 1988 *Colorado Springs*

The Plans of Giving—Part II: Charitable Remainder Unitrusts, Annuity Trusts, Pooled Income Funds, and Charitable Lead Trusts

April 13-15, 1988 *Memphis*

August 10-12, 1988 *Colorado Springs*

Charitable Gift Planning—Part I

August 22-24, 1988 *Colorado Springs*

January 23-25, 1989 *Williamsburg*

Charitable Gift Planning—Part II

August 24-25, 1988 *Colorado Springs*

January 25-26, 1989 *Williamsburg*

Coordinating Development Functions

Successfully implementing the "Funding Pyramid" (see diagram enclosed and article on page 1) requires that all fund-gathering approaches work together.

Often the entire development program is based on the current, capital, and endowment needs of the organization rather than the donor's needs. Separate departments may be charged with making each of the results happen.

One department is set up to encourage unplanned, current, non-tax, cash gifts for unrestricted purposes and is called the annual giving program, membership department, or direct mail campaign. Another group might be established to encourage planned, current, tax-oriented, gifts of cash or other property for restricted purposes and is called a capital or major gifts office.

Somewhere in the middle, others are often charged with encouraging the traditional "planned gift" which all too often is simply a euphemism for "deferred gift."

Three dimensions

There are really three pyramids in one. (See shading on the enclosed diagram.)

The challenge is to properly manage all areas and the crucial points of overlap in the deferred gift area. Different sizes of staffs handle the process differently.

Gifts should not be allowed to "fall through the cracks" between separate departments. Properly coordinating the functions serves the common good.

In a one-person shop, the person simply rethinks the way in which he or she perceives the gift planning process. With numerous staff members, complexity increases and constant effort is required to minimize structural friction.

Often, the greatest problems come from decentralized budgets

and the "credit" lines mandated to offset them.

Undoubtedly, substantial gift income is lost each year because of time consumed in deciding "whose" donor it is, who will get the "credit" for the gift, and how it will be "counted."

New factor to consider

The catalyst for a new consideration may very well lie in the new treatment of appreciated property gifts called for by the Tax Reform Act of 1986. After a few more six-figure lead gifts are lost to misinformed advisors, we predict a much greater incentive for development managers to make sure all facets of the pyramid are well managed.

Since the solution to alternative minimum tax problems may often lie in more sophisticated gift planning techniques, the programs that lack expertise in this area or that have isolated those who possess

Programs that lack expertise in this area or that have isolated those who possess the necessary knowledge from the mainstream of the program will increasingly suffer.

the necessary knowledge from the mainstream of the program will increasingly suffer. They will lose revenue to institutions that operate in a more enlightened manner.

Accept the challenge to "complete" your funding pyramid. Whether your staff consists of one or one hundred, the process of gift planning is achievable and can help assure solid footing for your funding program. 

1970

18 Years Ago in *Give & Take*

The following is reprinted from the September/October 1970 issue of Give & Take, headlined "Do You Ask Your Board Members to Give?"

It is amazing how many organizations and institutions carefully refrain from asking their board members to give.

The reasoning in most cases, apparently, is that they are "already giving enough" without being asked—enough money or enough time and concern.

Yet most institutions and organizations start with their board members, and ask them to contribute substantially as an example to others.

If you aren't asking them, you're an exception to the general rule and should, perhaps, rethink your strategy. Anyone willing to serve on the board is, or should be, totally committed to the goals of the organization and eager to help financially as much as possible. ■

Footnotes for Gift Planners*

*News about publications and services related to articles in this issue of *Give & Take*.

Remember memorials

Just in time for use in the traditional memorial season of spring, "Giving Through Living Memorials" has a new look. See the copy enclosed.

"Giving Through Living Memorials" is a six-page brochure that introduces the concept of giving in memory or in honor of a person special to the giver. Readers learn they can make such gifts in several ways in addition to the well-known gift of cash.

The brochure features a tear-off reply coupon which can be returned by a reader wishing to make a memorial gift.

"Giving Through Living Memorials" encourages readers to think beyond the usual concept of memorials, inviting them to consider gift planning methods that may help them give more at lower cost.

"Giving Through Living Memorials" is appropriate for donors at all levels of giving, especially frequent memorial givers. It's another way to expand awareness of special ways of giving.

The next step after wills

If you have been sending materials on wills and bequests to your donor/prospects and want to broaden the scope of information they receive, take note.

Four brochures on non-wills subjects, "Giving for Income," "How to Give More by Giving Securities," "How the Pooled Fund Works for You and Us," and "Questions and Answers About Gift Annuities," all carry designs that match many of our wills brochures.

The advantage: You can vary the subject matter of your mailings without interrupting the graphic continuity of your program.

For samples, return the enclosed Information and Order Form or call the number below. ■

For more details, please call toll-free 1-800-238-3253 or (901) 767-2330. See also the enclosed Information and Order Form for publications and prices.

Tax Time = Information Time

The weeks surrounding April 15 can be a good time to clear up confusion caused by the current income tax preparation season.

When donors are looking for ways to make sure their tax experience next year is better than this year's, provide them with information that clearly and succinctly answers questions about giving.

"Your Guide to Effective Giving in 1988," "Giving Securities," and a number of other booklets are written specifically to clear up potentially confusing matters about giving.

If you have copies of our newly revised booklets for 1988, place your order soon. For samples, call or write.



“A donor usually considers a current gift to your institution as a cash outlay *now*.

“To make a deferred gift, a person decides to give at some future date, either a number of years from now or at death. A deferred gift is a present decision to make a future gift, evidenced by a legal contract.

“While the name, deferred giving, is the best known to professionals in the field, it is not a term that communicates very much to the average donor. Therefore, we suggest the term ‘planned giving.’ When a person makes a *planned* gift, it suggests forethought.”

—Robert F. Sharpe, Sr.,
Give & Take, Vol. 4, No. 10
August 1972

The more things change, the more they stay the same.

***Celebrating our 25th year leading the field of
current and deferred planned gift development.***



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