

WHY PLANNED GIFTS MATTER

PLANNED GIVING IS AT THE TOP OF THE DONOR PYRAMID

Along with major gifts, planned gifts are the biggest donations a nonprofit receives. They can both greatly aid your organization and help to continue a loyal donor's legacy.

Although you won't immediately receive planned gifts as you would major gifts, their scope and scale make them worth the wait.

On the whole, planned giving represents a large, often untapped, proportion of donor gifts.

PLANNED GIFTS ARE OFTEN OVERLOOKED

Many organizations do not actively seek planned gifts, arguing that planned giving is difficult to anticipate because a donor does not have to reveal their intentions in advance of the future gift.

They are regularly regarded as surprises but are too consequential for this practice to be the norm.

Through looking for key donor traits (like loyalty) and active promotion, your organization will be on the right track.

COMMON PLANNED GIVING TERMS

PLANNED GIVING AWARENESS

1. BEQUEST INTENTION

- **Definition:** The bequest intention is the donor's notice of their intention to make a planned gift. It is not a legally binding commitment but a courtesy so that the nonprofit can expect the future donation.
- **Quick Tip:** Honor your donors who've made a bequest intention as you would your major donors, but keep the expenses to a minimum due to the contribution's non-binding nature.

2. BEQUEST EXPECTANCY

- **Definition:** It's the approximate value of future planned gifts based upon your nonprofit's previous planned giving data. Bequest expectancy helps nonprofits visualize future revenue.
- **Quick Tip:** Nonprofits will approach bequest expectancy differently. Many take an average from a multi-year period (e.g., 5 years). Just make sure to eliminate any outliers before calculating.

3. PLANNED GIFT NOTIFICATION

- **Definition:** This is the official notification that your organization will receive once a planned gift has come to fruition. It might take some time to determine the exact gift amount.
- **Quick Tip:** Since a planned gift notification may not produce a clear figure at first (e.g., the donor pledged a percentage of their estate), you can use data on the donor to gauge an amount.

TYPES OF PLANNED GIVING ASSETS

1. NON-PROBATE TRANSFER VEHICLES

- **Definition:** These "Transfer on Death Deeds" allow planned donors to bypass the probate process (i.e. the process by which a will is proved in court) and give directly to your nonprofit.
- **Quick tip:** Non-probate transfer vehicles can be used for real estate, savings and checking accounts, money market, and other investment funds (such as retirement or life insurance).

2. NON-CASH ASSET

- **Definition:** A gift that is not cash. These gifts often take the form of securities, life insurance policies, retirement accounts, or real property.
- **Quick tip:** Non-cash assets are the opposite of cash assets, or gifts that are cash. Different non-cash assets may require different processes for receiving them or different value assessments for determining their worth.

3. REAL PROPERTY

- **Definition:** Real property consists of land, additional property on that land (such as buildings or machinery), and the property rights associated with that land.
- **Quick tip:** Real property can either be encumbered or unencumbered. You will receive encumbered real property when a third party has some sort of claim to the property (mortgages or other payment plans, for example).

PLANNED GIFT VARIETIES

1. CHARITABLE BEQUEST

- **Definition:** The charitable bequest is the official statement in a will, a trust, or an estate plan that designates a gift to a specific charity.
- **Quick tip:** Gift amounts are stated in three main ways in charitable bequests. A specific amount is the exact amount of money that a donor will give. A percentage amount is a percentage of what the donor will give (such as a percentage of their estate). A remainder amount is the leftover funds that you'll receive once the donor has paid their other bequests.

2. CHARITABLE GIFT ANNUITY

- **Definition:** Charitable gift annuity occurs when a donor makes an agreement with a nonprofit. The donor gives a large amount of money to the nonprofit. The nonprofit then pays the donor an annual set income from that sum until the pay period ends (usually with the donor's death). The nonprofit retains the leftover funds.
- **Quick tip:** Charitable gift annuities can take various forms, and states will have different laws regarding each type of charitable gift annuity. Familiarize yourself with the laws in your state.

3. CHARITABLE REMAINDER TRUST

- **Definition:** A charitable remainder trust is a trust gifted to a charity that pays an annual amount to the trustee(s). Once the trust is complete, the charity receives the remaining funds. A charitable remainder annuity trust pays an amount each year, while a charitable remainder unitrust pays a percentage of the remaining trust fund.
- **Quick tip:** In a charitable lead trust, the charity receives an annual amount from the trust fund, and the beneficiaries receive the remainder of the funds when the trust term ends.

PLANNED GIFT VALUE ASSESSMENTS

1. PRESENT VALUE

- **Definition:** Present value is the current value of a future gift. Before the gift is received, the donor will pledge a certain amount or percentage, which will differ from the value of the gift when it is actually received. The future value of a gift will be worth less than the present value because the value of a gift decreases over time, due to factors such as inflation.
- **Quick tip:** Currency fluctuations, inflation, and other factors affect value, so having a financial advisor on your team will help you anticipate these value changes.

2. FAIR MARKET VALUE

- **Definition:** Fair market value is an estimate of how much an asset or a piece of property is worth, based on the price that a knowledgeable buyer and seller would agree upon in a free market.
- **Quick tip:** To assess fair market value, you'll need a knowledgeable team member with expertise regarding your non-cash assets. For example, someone who knows the real estate market and who can determine the quality of a building would be well-equipped to find the fair market value on real property.

3. COST BASIS

- **Definition:** Cost basis is an asset or property's price at the time of the original purchase — in other words, it's what the donor initially paid. When you receive the item as a donation, the value that has accrued since the original purchase may be subject to taxation.
- **Quick tip:** The value of an asset will be appreciated or depreciated at the time of giving. Appreciated value occurs when the original cost is less than the current value. Depreciated value occurs when the original cost is greater.

BENEFITS OF PLANNED GIFTS

FOR DONORS

SIZABLE TAX BREAK

From a fiscal perspective, the tax breaks are a huge advantage to making a planned giving arrangement. The specifics will vary according to a range of factors, so you'll need to evaluate the possibilities on a case-by-case basis.

DETERMINE HOW FUNDS ARE USED

Donors can give to a certain campaign or to the annual fund, but rarely do they have the chance to detail exactly how their money should be spent within the organization. Planned gifts put complete power in the donor's hands.

FOR NONPROFITS

CAPITALIZE ON DONOR LOYALTY

Many donors want to give major gifts in their lifetimes but don't have the financial flexibility to do so. Planned giving lets donors give those large gifts after they have passed away, when life expenses won't interfere.

RECEIVE LARGEST YEARLY GIFTS

Historically, planned gifts are up there with major gifts in terms of donation amount. For example, charitable bequests are 2.74 times larger than donors' lifetime charitable giving. As we've said, they're at the top of the donor pyramid.

NONPROFITS:

ARE YOU READY TO SEEK PLANNED GIFTS?

- ✓ **YOU HAVE A WELL-DEVELOPED MAJOR GIFTS PROGRAM.**
- ✓ **YOU ARE PREPARED TO HANDLE THE LEGAL COMPLEXITIES.**
- ✓ **A SUBSTANTIAL SEGMENT OF YOUR DONORS HAS GIVEN 5+ TIMES.**
- ✓ **YOUR NONPROFIT IS GOING TO BE AROUND FOR MANY YEARS TO COME.**

STEPS TO LAUNCH A PLANNED GIVING PROGRAM



1. FAMILIARIZE YOURSELF AND YOUR TEAM WITH PLANNED GIVING DETAILS.

Before you can initiate your planned giving program, you'll need to gain a firm grasp on planned gifts and what they entail.

Once you've thoroughly researched planned giving, consider:

- How it will fit into your nonprofit's infrastructure.
- What resources will be allocated to your planned giving program.
- If you'll be hiring an expert or training a current staff member.
- The types of planned gifts your program will actively seek.

Source: <https://www.donorsearch.net/planned-gifts-complete-guide/>



2. LOCATE YOUR PROSPECTS.

Now that you've established your planned giving program, you need to identify your future contributors.

Performing a prospect screening will help you pinpoint your top candidates by taking into account factors such as:

- Age
- Wealth
- Philanthropic interests

Loyalty is the first defining trait you should zero in on, so remember to focus on prospects who have given to your nonprofit many times over many years.



3. GENERATE MARKETING MATERIALS.

For your planned gifts program to work, people need to know about it!

Spreading awareness about your program will allow future gift donors to come to you.

There are several marketing strategies that you can try, but some well-established and effective strategies include:

- Branding your program as a legacy program.
- Creating materials for a variety of channels (direct mail, email, etc.).
- Drafting reminders to encourage donors to announce bequest intentions.

They say you can lead a horse to water but you can't make him drink. Well, he definitely won't drink if he's never even near the water! So increase your chances of success, and bring planned giving to your donors.



4. SEND OUT COMMUNICATIONS.

Creating awareness is your most important task.

Since you've identified your most likely planned gifts prospects, you'll need to send deliberate, personalized communications to these generous donors.

Examples of potential planned gift program communications include:

- Email
- Web pages
- Direct mail
- Newsletters

And those are only a few examples of the communications that you can and should be using to spread the word about your new program. Testimonials from other planned givers are very personal and effective communications to persuade other donors.

Finally, don't forget to be sure to have a direct contact that donors can reach out to!



5. KEEP THINGS GOING WITH ACKNOWLEDGEMENTS.

Planned gifts have a much longer delay than major gifts, so you'll want to keep your planned gift donors properly stewarded and engaged during the time period between their announcement of their gift and the point that you receive the gift.

Acknowledge how grateful you are for their donation and thank them in numerous ways, treating them as you would a major donor.

In the case where a donor doesn't alert you to their planned gift, be sure that you properly acknowledge them based on their history with your organization and insight from the donor's family members.

IDENTIFYING PLANNED GIVING PROSPECTS

DEMOGRAPHICS:

APPRECIATED PROPERTY

Appreciated property indicates wealth, which is a key factor in major giving. Additionally, donors might choose to donate their appreciated valuable property instead of a traditional cash contribution.

OLDER IN AGE

Older donors are crucial to approach on three levels. They are much more likely to have a will in place, the finances to donate a planned gift, and a longstanding relationship with your organization.

SINGLE OR WIDOWED

When allocating their assets, people tend to leave the majority of their assets with their spouse. If a donor is singled or widowed, they might have more financial flexibility with the allocation of said assets.

DESIRE TO GIVE BEYOND CURRENT MEANS

Not every planned gift will come from a wealthy person. Supporters may wish they could give more than their finances currently allow. Through bequests in wills, planned gifts let interested parties do just that.

PHILANTHROPIC HISTORY:

POSITIVELY AFFECTED BY YOUR MISSION

A prospect who has personally received help from your charitable organization may be inspired to show their gratitude and help others in the future. They have firsthand experience in the value of your nonprofit's services.

FREQUENT DONATIONS

Past donations are the strongest indicator of future donations. It's rare to receive a planned gift from a donor who has never given to your cause. Bottom line: planned gift donors are loyal donors.

CONVICTION IN YOUR MISSION

A supporter who consistently volunteers, donates, and promotes your cause to others feels strongly about your work and what you do. These are top signs that a supporter is an advocate for you and would be open to a legacy gift.

NO CHILDREN

Just like with spouses, often donors will leave their personal fortunes to their children. For donors who are parents but are also interested in planned giving, encourage them to look into charitable gift annuities.

PLANNED GIVING ETHICS

With planned giving, some ethical questions surface. Though ethical dilemmas are **rare** and of **little concern** to most planned giving programs, it's a good idea to keep these notes in mind so that you're prepared in the unlikely event that you need them.

ARE THERE ANY ETHICAL ISSUES SURROUNDING TAX BREAKS ASSOCIATED WITH PLANNED GIFTS?

As mentioned in the **Benefits of Planned Gifts** section, sizable tax breaks often go along with the allocation of a planned gift. A tax break is a win-win situation for donors and nonprofits. Of course, some might consider tax breaks to be tax loopholes.

As long as you and your donor recognize that charity is the most important and primary driving factor behind the planned gift, then you can accept these donations in good conscience.

DO DONORS OFFER MORE THAN THEY ARE REALISTICALLY CAPABLE OF DONATING?

Sometimes, donors will offer an amount that's too good to be true. This problem will likely never be the result of malicious intent. In fact, it's the opposite. A donor who wants to do right by your nonprofit will overestimate their abilities.

Gently guide the donor toward a more reasonable donation. Recognize their good intentions and offer to set them up with a financial advisor to verify their donation.

APPOINTING A PLANNED GIFT OFFICER

KEY RESPONSIBILITIES:

- Leading the planned giving program.
- Identifying and contacting planned giving prospects.
- Initiating program branding and creating marketing materials.
- Managing stewardship of planned donors once they've committed to a planned gift.
- Educating prospective donors (and your staff) about planned giving.
- Tracking planned giving data and reporting updates to board members.

REQUIRED EXPERIENCE:

- 10+ years of fundraising and/or leadership experience.
- Experience managing gifts of \$10,000 or more.
- Bachelor's Degree (Master's degrees are usually preferred).
- Track record of securing donations.
- Experience with donor databases and data analysis
- **Bonus:** background in finance, sales, or marketing!

NECESSARY SKILLS:

- The ability to work both independently and in a team setting.
- Detailed, in-depth knowledge of planned giving and its terminology.
- Clear communication and presentation skills.
- Multi-tasking and deadline prioritization.
- Ability to analyze data to identify prospects.
- Ability to assess the needs of planned donors.

STRATEGIES FOR MARKETING PLANNED GIFTS

REMEMBER THAT PLANNED GIVING MARKETING STARTS WITH DONOR RETENTION.

The marketing plan: Reach out to your already-established donor pool. Introduce your donors to your planned giving program and explain how they can further their contributions and generosity through planned gifts.

Why it's important: Keep in mind that your most likely prospects are those who've already donated to your organization. By retaining the donors you have now, you'll set yourself up for future success.

DESIGN A PLANNED GIVING BROCHURE.

The marketing plan: Create brochures that reflect the information on your website, using separate brochures for each type of planned gift you accept. Be sure to highlight the benefits of each gift option and include testimonials to make your program personal. Hand them out after informational meetings, or mail them to prospects.

Why it's important: Having a hard copy of information will keep planned giving in the mind of your prospects and will reach people who prefer not to find their information online.

WORK PLANNED GIVING INTO YOUR EXISTING MARKETING MATERIALS.

The marketing plan: Use the resources that you already have to market your planned giving program. Your current emails, newsletters, and 'ways to give' page on your website are prime materials for spreading the word.

Why it's important: By integrating your planned giving into your existing marketing, you can ease prospects into the program naturally without spending time and money on additional resources.

SCHEDULE IN-PERSON MEETINGS WHEN NECESSARY.

The marketing plan: Establish deeper connections with prospects by initiating in-person meetings with interested parties. Ground your meeting in your mission, and emphasize how much good a planned gift can do.

Why it's important: Planned gifts can be complicated and overwhelming for potential donors. In-person conversations can clear up confusion and reassure them that they're placing their finances in good hands.

CREATE A PLANNED GIVING PAGE ON YOUR WEBSITE.

The marketing plan: Begin the page with a general explanation of planned giving. Then, specify its role in your organization, describing what types of planned gifts your organization will accept and including contact information for your planned gifts representative.

Why it's important: Planned giving needs to be as foundational to your donor-seeking efforts as your other programs. Having a page on your website will inform donors and legitimize your planned gift efforts.

WRITE SENTIMENTALLY, NOT TECHNICALLY.

The marketing plan: Balance the more complicated planned giving terms with a focus on your mission and cause. Show how a donor's contributions can truly impact your organization. Emphasize how a donor can use a planned gift to leave a lasting legacy that will help others.

Why it's important: Technical terms right off the bat may scare your donors away. Making your planned giving program accessible through sentimental writing will get donors on board and more willing to have the more complicated conversations down the road.

PLANNED GIVING BEST PRACTICES

STARTING A PLANNED GIFT PROGRAM:

FORM AN ADVISORY COMMITTEE

What to do: Build a team of people with outside knowledge and expertise that is relevant to the ins and outs of planned giving. Members of the committee should include (but are not limited to): lawyers, financial planners, and realtors.

Why it's valuable: An advisory committee will help keep your organization's planned giving program on the right track. Additionally, the committee can offer guidance in areas that may not have needed much attention prior to the program.

APPROACH YOUR BOARD FIRST

What to do: Your board members are likely to be planned gift prospects. Approach them first to build up a base of planned gift donors. Ask them to provide testimonials that you can then use to market the program to others.

Why it's valuable: Donors are more likely to be persuaded by a thriving planned giving program with several confirmed contributors. Your board members are the perfect candidates to begin your program because they've already shown how dedicated they are to your nonprofit!

BEGIN WITH BEQUESTS

What to do: Bequests, or gifts obtained through the act of a will, are the simplest type of planned gift. Start by accepting and marketing bequests before moving into more complicated planned gifts.

Why it's valuable: Easing your way into planned giving will help everyone on your team develop a firm grasp of the program. Once you've established the program, you can focus on diversifying and expanding it to include more complex gifts.

DEVELOPING A PLANNED GIFT PROGRAM:

BRAND YOUR PROGRAM

What to do: Use positive words ("legacy" or "endowment," for example) to name your program. Build benefits for joining the program to encourage planned gift donors to make their intentions known.

Source: <https://www.donorsearch.net/planned-gifts-complete-guide/>

Why it's valuable: Branding will help donors recognize your organization's planned giving program, and the benefits will help encourage them to join. After all, donors are more likely to announce their intention to make a planned gift if they'll receive perks for doing so!

LEARN HOW TO IDENTIFY PROSPECTS

What to do: Become an expert in identifying planned donor traits. Loyalty and age are your key ingredients, and then contextualize these factors with the other demographic and philanthropic markers that you've learned.

Why it's valuable: Think of your planned giving program like you do your major gifts program. The same reasoning behind prospect research for major gifts applies here: identifying prospects will help you target key individuals who are most likely to donate.

INCLUDE AGE IN YOUR DONOR DATABASE

What to do: Segment your organization's donor database by age and then evaluate your prospects. Using this information, target your most likely candidates with planned giving marketing materials.

Why it's valuable: Because age is a driving factor in figuring out who may be a candidate for making a planned gift, you'll be able to easily identify — and market to — a receptive audience. Additionally, segmenting your donors will help you streamline your prospect search.

COMMUNICATING A PLANNED GIFT PROGRAM:

OFFER EDUCATION

What to do: Host an educational event where donors can learn about the basics of planned giving. Focus on the essence of planned giving — and hammer home how it can help your organization's mission — instead of delineating into technical jargon.

Why it's valuable: Understanding planned gifts isn't easy! Donors want to be able to make an educated decision about where their money will go. Education will help align your prospects' knowledge with your own, easing them into the program.

INITIATE DIALOGUE

What to do: Inform your prospects and open lines of communication. Include your planned gifts representative's contact information on all marketing materials. Introduce donors to planned giving over lunch before making your ask. Give a call to action for donors to follow up, such as including a self-addressed postcard.

Why it's valuable: Dialogue will soften the process and build trust between you and your donor. If your donor feels as if they can come to you for any concerns, they'll be more comfortable with the concept and process.

ASK FOR TESTIMONIALS

What to do: Ask your planned donors why they chose to provide a planned gift and why they chose your nonprofit as its recipient. Use their response for marketing purposes and include it in your planned giving materials.

Why it's valuable: Storytelling and first-hand accounts are incredibly valuable assets for your planned giving program. They help reassure your donors that they're making the right choice. If donors see that others have taken the initiative to make a planned gift, then they'll be more willing to make a gift of their own.