

Blended Gift Strategies:

Accomplishing Philanthropic Goals Today, Tomorrow and in the Future!

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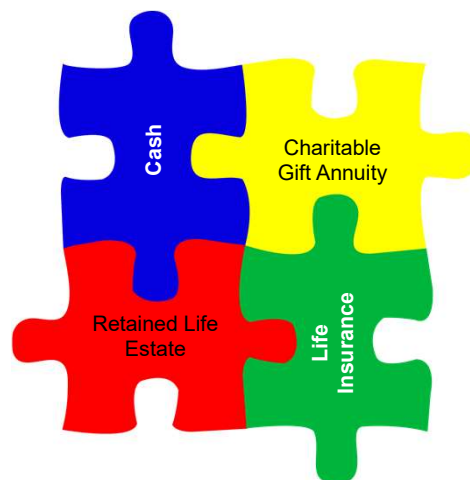
Vice President, Thompson & Associates
Nonprofit's Trusted Partner in Estate Planning

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Strategic Philanthropy for Nonprofits and Individuals

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Today we will...

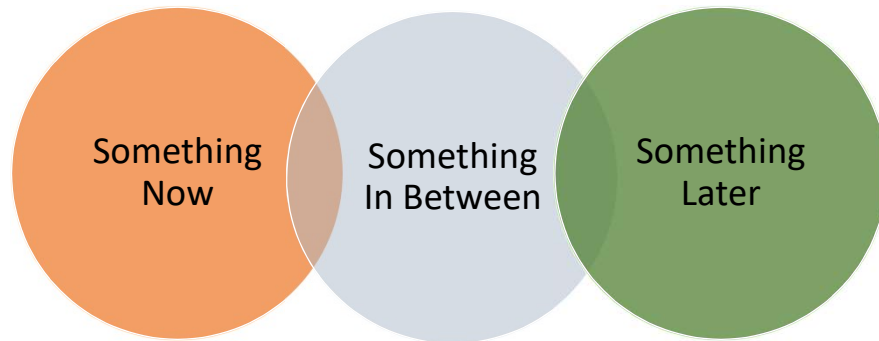
- Define the “Blended Gift”
- Discuss Why We Should Use Blended Gift Strategies
- Review Case Studies
- Highlight Some Gift Talking Points



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Defining the “Blended Gift”



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Blended Gifts Enable Donors To:

- Make gifts that are sensitive to their cash flow needs
- Address tax, financial and estate planning needs
- Provide for family and charity
- Make a meaningful impact on the organization
- Benefit from enduring recognition for their contribution
- Engage their family in philanthropy and instill humanitarian values in their heirs
- Make gifts larger than thought possible
- Leave their legacy

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What Blended Gifts Look Like

A combination of outright/lifetime gifts and planned gifts

For Example:

- \$150K commitment:
\$50K gift of stock + \$100K bequest

A combination of different planned gifts

For Example:

- \$1M commitment:
\$500K appreciated stock + \$500K testamentary CRT

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Blended Gift Combinations

Something Now	Something In Between	Something Later
<ul style="list-style-type: none"> • Cash • Securities • Real Estate • Art & Collectibles • Personal Property 	<ul style="list-style-type: none"> • Gift Annuities • Charitable Remainder Trusts • Bargain Sale • Retained Life 	<ul style="list-style-type: none"> • Will/Trust • IRA/Retirement Plan • Life Insurance • Other Beneficiary Designations

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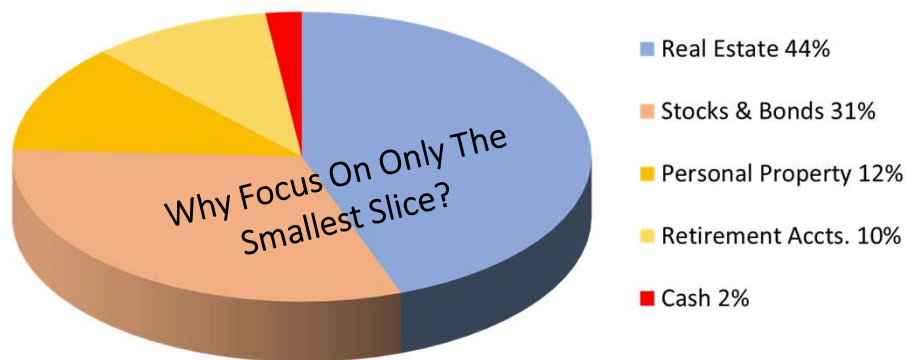
Donor's Point of View

Something Now	Something in Between		Something Later
Max Current Impact/Tax Benefits (Current Gift)	"Lend" Income to Charity	Desire Return of Income	Retain Control <u>and</u> Income
Cash Securities Real Estate Art & Collectibles Personal Property	Cash Securities Real Estate Business Interest		Will/Trust IRA/Retirement Plan Life Insurance Other Beneficiary Designations

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Donor Wealth Profile



Source: US Census per Craig C. Wruck, PPP Conf.
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Why are Blended Gifts So Popular?

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Why Donors Like Blended Gifts

Only some can make the entire gift outright with no strings attached

- “Capacity Donors”

Others desire lifetime access to resources

- Bequests
- POD Gifts

Others donate if they can receive income

- Charitable Gift Annuities
- Charitable Remainder Trusts

Others will donate the income or principal if their heirs ultimately benefit

- Charitable Lead Trusts
- Asset Replacement Gift - Life Insurance

Source: Robert Sharpe & Co.

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Why Nonprofits Like Blended Gifts

- A Renewed Focus in Blended Gifts
- With Increasing Campaign Goals, Institutions Cannot Afford to Leave Money on the Table
- Deferred Gifts are Counted in Campaigns
 - Separate Bequest Goals
- Blended Gifts = Best and Largest Gift Possible

Source: Underwood & Williamson

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BIGGEST Challenge: Blended Cultures

Focus of Major Giving Program

Outright gifts
Capacity donors
Longevity not critical
Age not critical
Avoid technicalities

Focus of Planned Giving Program

Deferred gifts
Loyalty donors
Longevity is key
Senior donors
OK with technicalities

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Impact of Uncertainty

In Uncertain Times, Donors Trend Toward a Greater Proportion of Deferred Gifts

- 20% or More of a Mature Program/Campaign

Perennially, the Bulk of Deferred Gifts are Revocable Gifts

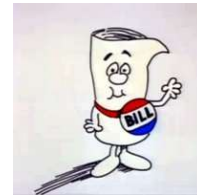
- 80% National Average

Source: Robert Sharpe & Co.

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Uncertainty Triggers



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Case Studies

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Case 1:

- Dr. Al Hope, 72, is a retired, accomplished University Dean
- Family wishes to honor his contributions through a named endowment, hopefully an endowed chair
- Son, in his 40s, is still building his wealth
- Dr. Hope needs his assets to provide a secure retirement for he and his wife
- Most of his assets are in a large IRA

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Options?

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Charitable IRA Rollover \$500K

- Dr. Hope donates \$100K in IRA assets each year for 5 years for a total of \$500K

Life Insurance \$1M

- Son purchases 2nd-to-die life insurance with charity as death beneficiary
- Because of their youth, premiums are affordable

IRA Beneficiary Designation, Approx. \$1M

- University becomes sole beneficiary of surviving spouse's IRA

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Gift Benefits

Charitable IRA Rollover \$500K over 5 years

- Meets required minimum distribution requirements
- Not included in taxable income
- Reduces size of IRA and tax liability during life and at death

IRA Beneficiary Designation, Approx. \$1M

- Spouse can enjoy IRA income during her life.
- At her death, IRD assets avoid – federal income tax – state income tax – federal estate tax – state estate taxes

Life Insurance \$1M

- Son donates policy to charity, and he enjoys income tax deductions for each donation for premium payments
- Uses leveraging power of insurance, enabling him to give more for less and honor his father with endowment contribution.

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Case 2:

- Jack, 82 & Jill, 80 are long-time hospital volunteers
- They want to participate in the campaign for the new Emergency Department
- They really love the idea of a naming a *Patient Family Grieving Room* for \$75,000
- Jack and Jill are very worried about making a large outright gift to the campaign
- They are on a fixed income and nervous about what they see on the news – current global political environment
- While on a fixed income, they feel comfortable with an outright gift of \$25,000 (with CD coming due)

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Options?

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Charitable Gift Annuity - Income Taxation			
<u>Jack and Jill</u>		Annuity:	\$8,000.00
		Charitable Gift:	\$54,221.60
		Capital Gain:	\$28,311.36
		Basis:	\$42,467.04
TOTAL AMOUNT:		<u>\$125,000.00</u>	

Charitable Gift Annuity			
FIRST PERSON	<u>Jack</u>	AGE	<u>82</u>
SECOND PERSON	<u>Jill</u>	AGE	<u>80</u>

GIFT AMOUNT	<u>\$125,000.00</u>
CHARITABLE DEDUCTION	<u>\$54,221.60</u>
ANNUITY OF 6.40%	<u>\$8,000.00</u>
Exclusion Ratio	<u>73.10%</u>

INCOME TAX INFORMATION		
	<u>QUARTERLY PAYMENT</u>	<u>ANNUAL TOTALS</u>
Ordinary Income	\$538.00	\$2,152.00
Capital Gain Pmt.	\$584.95	\$2,339.78
Tax Free*	<u>\$877.06</u>	<u>\$3,508.22</u>
ANNUITY AMOUNT	\$2,000.00	\$8,000.00
*Full Tax Free Payment Until End of Year 2029		

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Gift Benefits

Outright gift of \$25,000 cash

- Immediate income tax deduction

Charitable Gift Annuity with \$125,000 with long-term appreciated assets

- Income tax deduction
- Avoidance of capital gains tax
- Income payouts are tax-free until 2029
- Remainder interest of the will CGA support family fund at community foundation.
- NPV is approx. \$50,000

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Case 3:

- Colleen and Jim (both 62 years old) are loyal annual donors of a local children's charity
- They wish to participate in the charity's campaign and but don't have a lot of discretionary income
- They depend on their assets and social security for income
- Among their assets is a rental condo that they bought 20 years for \$100K and is now worth \$500K. They are tired of managing the rental, however, selling it will result in significant capital gains taxes
- Jim and Colleen want to provide an inheritance for their son

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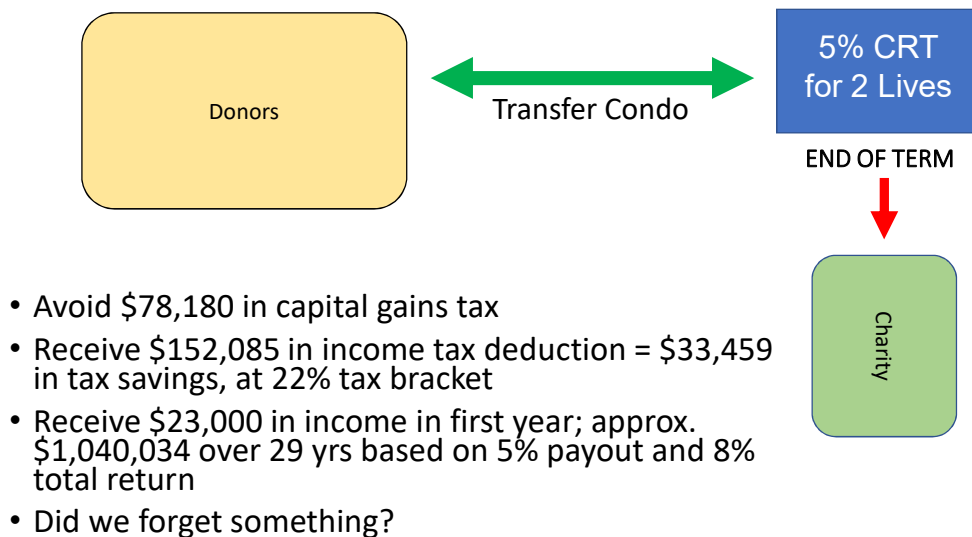
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Options?

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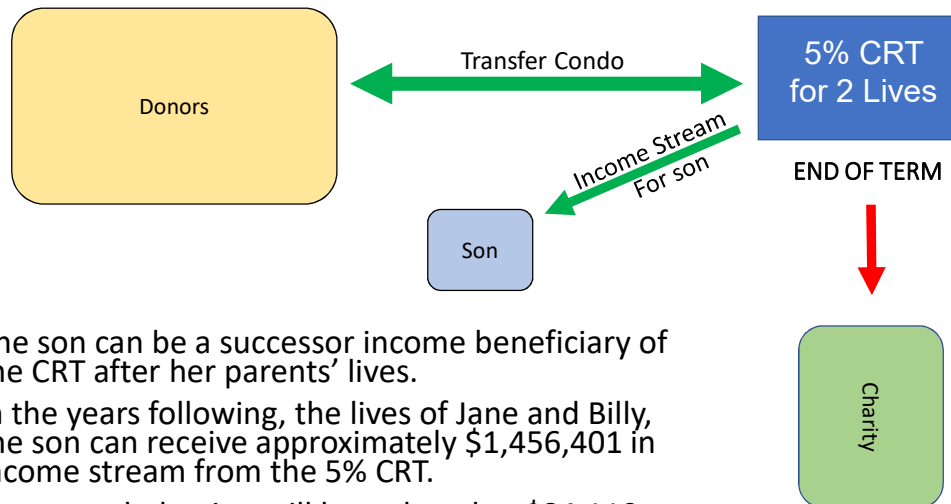
Charitable Remainder Trust (CRT)



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Charitable Remainder Trust (CRT)



- The son can be a successor income beneficiary of the CRT after her parents' lives.
- In the years following, the lives of Jane and Billy, the son can receive approximately \$1,456,401 in income stream from the 5% CRT.
- Note: tax deduction will be reduced to \$84,110 because of longer trust term.

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Blended Gift Outcomes

Annual Gifts

- \$5K a year for 5 years for a total of \$25K
- Income tax deductions
- Ability to support the campaign

Charitable Remainder Trust

- Funded with rental property worth \$500K
- Income tax deduction
- Capital gains tax avoidance
- Increased income stream during retirement
- Income inheritance for son
- Meaningful charitable legacy of more than \$1M from CRT remainder at the end of son's life

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What Donors Ask Themselves...

When making Strategic Gifts

1. What is my financial position? Am I financially secure now and will I be in the future? Do I have enough to live on for the rest of my life?
2. What about my heirs or future heirs? If I make a gift will I have enough to leave to my heirs? How much should each heir inherit?
3. If there is an excess beyond what is for my heirs, do I want to make a gift to charity? Would I rather leave part of my estate to charity or the government?

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How to approach discovery

- Talk 25%
- Listen 75%
- Find a topic of interest to the donor
 - Builds rapport
 - Allows you to be inquisitive

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It is all about the questions!

- People love to talk about themselves
- People crave to be understood and known
 - Basic human need
- Follow-up Q's demonstrate you are listening
 - Listening demonstrates caring
- Asking about motivations reveals values
- Help your donors come to their own conclusion
- Q's are *almost* always better than prospect research
- Understanding "why" and "what" = happy donors and better gifts...EVERY TIME

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Clues & Talking Points for the Blended Gift Conversations		
Donor Concern	Possible Gift Options	Introductory Talking Points
"I am concerned that I will outlive my money. Health care costs continue to rise and my latest hospital bill was outrageous. I fear they will only get worse."	1. A Testamentary Pledge 2. A Bequest Intention	"Would you consider a pledge commitment that isn't paid until you pass or when you no longer need it?"
"I want to provide for my children and grandchildren, particularly for college. The cost to attend college continues to rise and I fear that my children and grandchildren would be burdened with these costs."	1. A Gift Annuity 2. A Testamentary Pledge or Bequest Intension	"Would you be open to exploring ideas to get income sufficient to help your grandchildren with tuition that ultimately benefits our organization?" "We would like to show you some ways that you can keep funds available to help your grandchildren with tuition that eventually help our organization. Would you be open to hearing some of these ideas?"

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Clues & Talking Points for the Blended Gift Conversations		
Donor Concern	Possible Gift Options	Introductory Talking Points
"I am concerned that I will not have enough funds to support my retirement."	1. A Gift Annuity 2. A Charitable Remainder Trust	"If we could show you a way to maintain or increase your income while also supporting your favorite charity, would that be of interest?"
"I do not have much cash available to give now, but I do have an extensive art collection that includes a few pieces I no longer want."	1. A gift of art to enhance the walls of your organization	"We love to add art to the walls of our organization and would be delighted to include a gift of art as part of the blended gift you are considering."

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Clues & Talking Points for the Blended Gift Conversations		
Donor Concern	Possible Gift Options	Introductory Talking Points
"My late husband left me a commercial real estate property to provide income for my lifetime. The property has become a burden but I need the income. You are among my favorite charities."	1. A FLIP unitrust with the commercial real estate property now 2. A bequest	"Would you be interested to hear more about how you could receive a steady stream of income, while no longer managing the property and ultimately supporting our organization?"
"We want to support the capital campaign at a significant level but we are worried about our retirement. In addition, we want to continue our current support of the gala. How do we do all of this?"	1. A Multiyear current pledge to the gala 2. A Testamentary pledge	"Your continued commitment is so appreciated. Would you consider a multi-year pledge to the ensure support for the gala and a significant campaign pledge that is fulfilled at death?"

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B Bequest	Gift Planners Periodic Table of Blended Gift Options*						R_{LE} Retained Life Estate
C_{RT} Charitable Remainder Trust	A Art	C Cash	G Gold	K Retirement Plans	B_U Business	C_d Certificate of Deposit	F_{LC} Family Limited Partnership
D_A Donor Advised Fund	C_{LT} Lead Trust	B_S Bargain Sale	C_{GA} Gift Annuity	LI Life Insurance	K Cars	R_o Royalty	I_P Intellectual Property
P_F Private Foundation	B_o Bonds	L_S Livestock	S Stocks	P Airplanes	F_{IN} Shark Fin CLT	I_{LIT} Life Insurance Trust	B Bequest

* Blended Gift Options are not Limited to these Options

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Your Checklist For Blended Gifts

- ☐ Identify Top Blended Gift Prospects
- ☐ Listen for Donor's Interest To Give & Obstacles For Support
- ☐ Have More Prospect Strategy Sessions
- ☐ Document Estate Intention w/ Bequest Intention Form
- ☐ Revocable Bequests – To Count or Not to Count?
- ☐ Track Blended Gifts
- ☐ Promote Success Stories

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SUMMARY

1. Donors want options
2. Donors are utilizing structured gifting vehicles
3. If a donor does not feel comfortable, or does not feel they will achieve their objectives, they will seek alternatives
4. Utilize the “team” Approach
5. Remind Donor(s) to **ENJOY** their philanthropy

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SAMPLE

NOTIFICATION OF
REVOCABLE BEQUEST

We are pleased to advise **Your Organization** that we have provided for a bequest of \$_____ through a provision in our will, trust or another estate gift arrangement.

We direct that our bequest be used for the following purpose:

We give our permission for **Your Organization** to count the value of this bequest as a revocable estate gift in the fundraising totals for the *Your Organization's Campaign* for **Your Organization**.

Your Organization acknowledges that this bequest remains **fully revocable** and the specifics of our gift will be treated as **confidential**. However, **Your Organization** may include our names with other donors in a campaign publication or donor listing.

Donor Name

Donor Name

Donor Signature Date

Donor Signature Date

Birth Date

Birth Date

As with any decision involving your estate plans, we urge you to seek the advice of professional counsel when considering a gift to Your Organization.

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