CREATING
a planned giving program

A LEGACY BUILDING PLAN

FOR SMALL TO MEDIUM COMMUNITY BASED ORGANIZATIONS

acknowledgements

The Planning for Sustainability project is a collaborative effort between Big Brothers Big Sisters of South Niagara, Niagara Community Foundation and Canadian Association of Gift Planners Golden Horseshoe Roundtable. The goals of the project:

- bring together groups of similar not-for-profit agencies in the Niagara region
- encourage them to form collaborative groups
- teach them how to use their collective efforts to achieve sustainability through endowments and planned giving

The objective is to use the success of the Big Brothers Big Sisters Niagara agencies' collaborative as a template for other not-for-profit agencies in the Niagara region. This project is fully funded by the Ontario Trillium Foundation and is 18 months in duration, ending February 2007.

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THE ONTARIO TRILLIUM FOUNDATION
LA FONDATION TRILLIUM DE L'ONTARIO

This booklet is also available to download from the Niagara Community Foundation website at:

www.niagaracommunityfoundation.org/features

INTRODUCTION

No other fundraising technique offers the dollar potential of planned giving.

ENDOWMENTS. PLANNED GIVING. BEQUESTS. LEGACIES. It's difficult to know where to begin, especially for the smaller, resource-limited charitable organizations that multi-task everything!

Whether or not your charity should have a legacy/bequest program goes back to the core of your mission. Do you believe your charity should be here in 25 or 50 years? Does your Board believe this? Do they have a long-range strategic plan to get there?

Things to consider when planning a legacy program:

- How much money do you need today?
- What are your operating expenses?
- What are your future needs (capital, programs and services)?
- What areas are particularly vulnerable in terms of funding?
- Which of your programs/services/projects have the greatest appeal?
- Are you prepared to deal with a sudden loss of funding?

Population groups most likely to make planned gifts are expanding. One in eight people are over the age of 65 and they are part of the one trillion dollar transfer of wealth that is expected to occur in next 15 years. Government funding is declining, foundations are imposing stricter guidelines and capital funding are increasingly difficult to secure as more charities compete for the disappearing dollar. The world truly is a global village, and more and more local donation dollars are being directed to international organizations. Future sustainability (and viability) can be greatly impacted through planned giving and endowments, but organizations need to lay the groundwork today to identify and accept planned gifts and ensure a constant flow of potentially unrestricted income.

Successful legacy programs thrive in charities with vital missions that have touched people's lives deeply over the years. Smaller charities are often younger and have a more superficial connection with their donors and although they are perceived to be excellent causes worthy of annual support, they are not considered 'durable' charities. This perceived lack of sustainability and stability can be challenged by forming strategic partnerships with other like-minded organizations to encourage larger gifts. Actively planning for future funding demonstrates concern about the growth and development of the organization, making the charity more attractive to potential legacy donors.



the challenges of gift planning are SIGNIFICANT!

Of great riches there is no use, except it be in the distribution; the rest is but conceit.

— Francis Bacon

Since many planned (legacy) gifts are future gifts, there is the luxury of devoting today's budget dollars to revenue that won't be realized for years to come. Additionally, there is not only the general discomfort with the idea of asking for money, but also overcoming the ethical misconceptions about planned giving to consider. If you think about it that way, gift planning represents an enormous leap of faith for an organization to take. It is, however, necessary to incorporate legacy building into the overall fundraising strategy. An established planned giving program offers advantages such as enhanced awareness, more sophisticated fundraising, a greater potential to recoup lost funding, and increased development of untapped sources of long term support. Organizations that embrace planned giving are more likely to place their organizations on firm financial footing now and into the next decade.

Gift planning is not opportunistic, is always philanthropic and is based on fulfilling the needs of the donor rather than the needs of the organization. A gift cannot be cultivated until a solid relationship is established between the donor and the charity. It is important for the charity to behave in an ethical matter and not unduly influence donors, as prospective donors are often aged, overly trusting and/or easily manipulated.

You must, however, assume that the donor has the capacity to make a decision regarding his/her estate. Ensure they are informed and have all the facts, and encourage the involvement of key family members and estate planning professionals.

START WITH THE BASICS

1. Evaluate and Engage Your Agency and Board.
2. Develop a Case For Support
3. Advertise Your Mission
4. Establish Policies and Procedures
5. Identify Prospects
6. Make 'The Ask'
7. Donor Recognition and Stewardship
8. Keep the Momentum
9. Know the Ways to Give
10. Glossary of Terms
11. Sample Bequests
12. Additional Resources

1. EVALUATE AND ENGAGE your agency and board

EVALUATE

A. Look at your organization's planned gift history.

- ❏ Have you received any bequests?
- ❏ How many and how much?
- ❏ Were they solicited or unsolicited?

B. Determine your organization's image.

- ❏ Is it perceived as stable and trustworthy?
- ❏ Is your organization seen as filling an important need in the community?
- ❏ Does your Board give the appearance of permanence?

C. Assess Board support.

- ❏ Have they demonstrated their commitment by making 'sacrificial' pacesetting gifts?
- ❏ Is the Board supportive of and actively involved in fundraising?
- ❏ How many Board members have made a bequest to your organization?
- ❏ Will your Board act as planned giving ambassadors for your charity?

D. Assess level of Board leadership and their vision.

- ❏ Are they visionary in their thinking with a clear picture of the future of the organization?
- ❏ Are they active and involved or do they lead by reputation and influence only?

E. Establish the presence of appropriate planning.

- ❏ Does the Board have and endorse a long term, written strategic plan?
- ❏ Has the Board approved a Case Statement for your organization?
- ❏ Is your organization working toward the practice of raising next year's funds this year?
- ❏ Does the Board understand basic planned giving concepts and tools?

F. Evaluate the organization's resources and financial stability.

- ❏ Are written administrative and management systems in place?
- ❏ Does the Board agree to commit sufficient resources to support the program?
- ❏ Do they understand that planned giving is an investment in the financial future of the organization?

G. Appraise donor demographic and determine giving patterns.

- ❏ How large is your donor base?
- ❏ Does your donor base include prospects 50 years of age and older?
- ❏ Do a significant amount of your donors make gifts on an annual basis?
- ❏ Does your organization encourage endowments?
- ❏ What are the gifting patterns?
- ❏ Do you have donors with considerable wealth?

H. Consider the organization's management ability.

- ❑ Are your donor lists accurate and well maintained?
- ❑ Are gift giving patterns tracked with consistency?
- ❑ Is a computer system in place that can track a planned giving program?
- ❑ Do you have the capability of ad-hoc reporting or listing?

I. Assess donor relations.

- ❑ Is a newsletter produced, and if so, how often?
- ❑ Is an established donor stewardship/recognition program in place?
- ❑ Does your organization participate in direct mail or other regular communications that would provide opportunities to promote planned giving?

ENGAGE

For any legacy program to be successful, the Board of Directors must endorse the new direction in fundraising and income generation for the organization. Why is Board commitment and engagement so vital to the success of the legacy program?

- Board members will set the pace and lead by example by making a personal financial contribution to the agency. Other funders (foundations and major donors) will consider making contributions only if everyone on the Board has made a capacity gift. A hand not extended in giving is in no position to receive!
- The Board will actively raise funds for the organization by direct contact with current and prospective donors, including personal friends and colleagues (with assistance from staff).
- The Board will assist in marketing the program by participating in fundraising events, and by becoming ambassadors of the organization.
- Board members will help develop the Case for Support, and sign off on it when complete.

To help encourage support, prepare a formal presentation for the Board including tentative goals and realistic projections, future benefits of the program, and success stories of similar organizations. Depending on the size of your charity and your level of commitment to a legacy program, a detailed budget and marketing plan with a list of proposed activities may be included.

2. DEVELOP a case for support

People give to strength, not crisis.

The Case for Support is one of the single most powerful development tools your organization can produce. It is the 'what', 'where', 'when', 'why', 'how' and 'how much' of the legacy program, and illustrates the reason you need to raise funds. The Case, quite simply, provides the rationale and inspiration for donors to support your cause.

- It reflects the history, values, personality, strengths and long-term strategic priorities of the organization
- It sets out the key themes to be used in marketing the appeal
- It serves as the primary creative resource document for all other communications materials (brochures, audio-visuals, funding proposals, etc)
- It builds consensus, assists in recruiting and training volunteers, and helps educate and motivate volunteers and prospective donors

A successful Case evolves from the priorities and directions of the institution and offers a philosophical meaning not of what you do, but why you do it. A well-written, compelling Case for Support will also:

- Raise and answer all important questions
- Provide a brief history of the organization, its philosophy and mission
- Show how gifts can be made to support the organization's mission
- Introduce the people who give the plan its leadership and direction
- Explain the challenges and detail the plans to meet the challenges
- Review the argument for support
- Explain the plan for raising money, the goal and how to get there
- Define the present situation, past accomplishments and future direction
- State that planned gifts are sought and considered a valuable gift to meet the future needs of the organization
- Create a sense of urgency, have broad appeal and be supported by financial facts
- Show a major impact resulting from each arranged gift

In larger charities, the entire organization is involved in the process of developing the Case. In smaller organizations, where resources are limited, the Case is usually developed by a smaller group, with input and direction from the Board of Directors (as they will ultimately sign-off on the completed work). Remember, it is impossible to solicit gifts if you cannot articulate the organization's future vision of itself.

3. ADVERTISE your mission

The list of promotional activities is only limited by the imagination of the gift planner.

- Tell the story of your organization. Use every opportunity to talk about your mission and how the legacy program will further that mission and your organization. Tell people how your organization changes lives and the impact it has on the community.
- Include promotional and print materials with receipts sent to donors, and encourage them to consider your agency in their will.
- Place notices on all print materials asking people if they have included you in their will, and, if not, to consider leaving a gift to your organization.
- Thank donors who have identified their intentions to provide a legacy gift by writing them a short letter. Include material that talks about not only what you do, but also why you do it.
- Encourage family and friends to remember your organization when estate planning.
- Direct people to your website whenever possible, and include your web address on all print and promotional materials.
- Update your website to include information on endowments and planned giving.
- Develop a network of estate planning professionals including financial planners, estate lawyers and insurance agents. Talk to them about your organization, keep them informed and ensure all promotional material they have is current.

4. ESTABLISH policies and procedures

Policies and procedures relating to the legacy program are necessary for several reasons:

- to clarify roles
- protect the charity and its staff
- define limits
- state ethical standards

Generally speaking, guidelines should exist in the following areas:

- financial and reporting
- gift acceptance and follow-up

Although there may not be defined rules for every situation, your organization should be prepared to accept (or decline) any gift.

FINANCIAL AND REPORTING GUIDELINES

A. Confidentiality and privacy implications

B. Record keeping

- ❏ Who tracks donor information and gifting patterns?
- ❏ Who issues and signs thank-you letters?
- ❏ Who has access to donor information?

C. Legalities

- ❏ Who pays for legal opinions, appraisals, and investment advice?

GIFT ACCEPTANCE POLICIES

A. Acceptance and refusal of gifts

- ❏ From what organizations or individuals will gifts be refused? Consider your organization and ensure that gifting sources align with your mission and ethical values.
- ❏ Determine under what conditions (if any) gifts will be returned and the process associated with that determination.

B. Real estate gifts

- ❏ Under what conditions will the organization accept gifts of real estate?
- ❏ Will the property be immediately sold?
- ❏ Can the property be held and used, and under what conditions?
- ❏ How will gifts in kind or personal use property be handled?

C. Securities

- ❏ How will gifts of securities be handled? Unlisted securities?
- ❏ Do they remain in street name or transferred to the name of the organization?
- ❏ Are they to be sold or retained?
- ❏ What is the effective date of transfer?
- ❏ How are the fees handled?
- ❏ How will gifts of shares in a family business be handled?
- ❏ Who will negotiate?

D. Unrestricted gifts

- ❏ What is the policy on unrestricted gifts?
- ❏ Are they invested in an endowment, and if so, which one?

FOLLOW-UP PROCEDURES (Gifts and Inquiries)

A. Solicitation

- ❏ Who solicits and cultivates, and ultimately signs the release when a gift is realized?
- ❏ Include soliciting in Director's job description and role.

B. Donor recognition policy

- ❏ Set protocol that details how donors are to be recognized at various levels.
- ❏ Determine and document the thresholds for giving and recognition at each level.

5. IDENTIFY prospects

Prospect research is an investment well worth the costs in time and money.

Prospecting is the art and science of identifying potential donors. There are many places to begin looking for prospects, but the easiest way to begin is by looking close to home. Start with those who are already friends of your organization; those who already know and love you.

Your best prospects include:

- Board of Directors (past and present)
- Volunteers
- Staff
- Former clients
- People who have already made a gift
- Anyone who has made a will
- Anyone who has donated to another charity
- Anyone who has ever asked about bequests or a gift of insurance
- The older citizen (55+)
- Religious or devout people
- People involved in a business sale or takeover
- People who have married into or have inherited wealth
- People approaching retirement

When considering prospects, research separates a success from a failure, so the more you know about their interests and causes, the better chance you have to position a successful ask.

- Has the prospect ever given to the institution in the past?
- What is the prospect's giving capacity?
- Has the prospect ever supported similar institutions?
- How interested is the prospect in the cause?
- What aspect of the program would be of most interest?
- Who can influence them, and is there someone internally?
- If it is a corporation/foundation, to whom should the solicitation be made?
- Are there people internally in the organization that can influence the prospect?
- How much should be requested?
- Will recognition make a difference… if not, what would?
- What form of request should be made?
- What strategies will enhance the chance of success?

6. make 'THE ASK'

This is likely the most difficult part of the entire process of securing gifts, and as such additional training and support is recommended. Many resources are available to ease this process including books, seminars and consultants.

Understand first that in asking for a contribution, you're not asking for a personal loan. Rather, you are so enthusiastic about the work of your organization that you want to give others the opportunity to participate in the life of the organization by making a contribution.

- People give to people, not to organizations or needs. Never, ever solicit a gift over the phone.
- Every life tells a story. Know the stories… of your prospective donor and your organization. Anticipate questions, and prepare your answers ahead of time.

SOLICITORS

The solicitor is the person asking (the prospect) for a gift. They should be of equal or superior status to the prospect, and have a strong personal commitment to the organization. Every solicitor must have already given a generous personal gift to the organization and be prepared to discuss it with the prospect.

Possible solicitors include prominent board members, chief administration officer, key member of development staff, executive director, highly placed member of administrative staff, and key volunteers.

MAKING CONTACT

Start with your best prospects first. Phone them, identify yourself and your organization, and, where applicable, thank them for their ongoing support of the organization. Let them know you would like to meet with them to discuss all the positive things that are happening in your organization and what it is doing to change/save lives. Keep in mind your prospect is likely a senior, so there could be a loss of mobility, hearing or sight, or other health concerns which may determine where you meet and the way in which you present the information to them.

When you visit, take note of your surroundings and use the information to find common ground and topics of conversation. Look for clues as to their personality and style. Remember the conversation, their family members and hobbies so when you return to your office you can log the information and details of the meeting.

Do your homework, and don't assume that the money will flow in automatically because you have a good cause. The largest contributions don't necessarily go to the causes with the most compelling needs, but rather to those that can do the best job of asking. When you're ready, make the ask….then wait. Quietly. Resist the need to fill the silence.

You will encounter objections, but 'no' doesn't always mean 'no'. Sometimes it means 'I need you to convince me'. Offer alternatives such as deferred payments, installments or any of the other many ways to give that would align with their needs. Encourage involvement of other key family members and independent legal counsel. Don't overstay your welcome, and never, ever leave the pledge card behind.

Avoid these common mistakes:

- placing the emphasis on your 'needs'
- asking someone after taking them out to lunch or dinner
- conveying the wrong message
- believing that raising money is about fulfilling the organization's needs
- prejudging your prospects
- criticizing the competition
- mailing your Case for Support in advance
- relying too much on your promotional materials
- assuming that wealthy people are good givers
- talking about the organization's needs rather that the donor's benefits
- minimizing the importance of peer-to-peer solicitation

Keep in mind that securing a gift is about the right person, making the right ask, at the right time, for the right amount to the right donor.

7. donor RECOGNITION and STEWARDSHIP

Recognition is the process whereby an organization acknowledges and thanks its donors. There are many ways to express your appreciation depending on the size of the gift, your organizational resources/budget and the wishes of the donor. Some donors are motivated by recognition, yet others request anonymity and prefer their gift not be recognized. While you must conform to their wishes, it is in the best interest of the organization for the gift to be publicly recognized as it will lend credibility to your program, and could potentially inspire others (of similar wealth and stature) to make a similar gift.

Stewardship is the process whereby an organization appropriately acknowledges the donors that support it. A stewardship program is a means to maintain the link between the donor and the organization, and a continuation of the recognition the donor received when they first made the gift. It may be formal or informal, but it must be viewed as the beginning of a lifetime relationship between the organization and the donor.

- Helps ensure donors don't change their minds
- May lead to larger gifts or outright gifts of cash
- Promotes dialogue between the organization and the donor
- Helps ensure the gift is meaningful to the donor and meets the needs of the organization
- Encourages donor to become more involved in the organization
- Effectively promotes the benefits of investing in your charity
- Shows your dedication remaining accountable

Be aware of the needs of your donor, and what motivates them to give. That will help determine the best way to recognize their gift. Recognition may include:

A THANK YOU LETTER.

This is the easiest and least expensive way to thank a donor. Ensure the letter is sent out promptly, and that a significant member of the organization signs it. If it is computer generated, add a short, handwritten note to personalize it.

DONOR WALLS, BOOKS AND PLAQUES.

Another inexpensive way to recognize a significant gift, this offers the donor permanent recognition and appeals to those whose donations are motivated by notoriety.

SPECIFIC NAMING OPPORTUNITIES.

This is a very important technique in moving donors to a higher gift level. It is very compelling for donors as it gives them the ability to have a name associated in perpetuity with the organization. This opportunity could exist in the form of a named or living fund, a bequest or legacy program, endowment or memorial/tribute programs.

LUNCHEONS AND TOURS.

This is a very personalized form of recognition that enables the CEO and other members of the organization to meet face to face with the donor to express gratitude. It is very cost effective and brings your donor into the organization, providing you an opportunity to showcase your programs, staff and client successes.

TESTIMONIAL ADS AND DONOR PROFILES.

This allows the organization to express appreciation in bold print via newsletters, annual reports, other in-house publications, and promotional materials. The benefit of this form of recognition is that it may encourage gifts from other prospects that read it.

DONOR RECOGNITION SOCIETY.

This is a specific club created for deferred gift donors. It is a means to keep in touch with the donor and allows them to provide feedback to the organization.

8. keep the MOMENTUM

When we build, let us think that we build forever.

— John Ruskin

Congratulations! You have achieved Board support, put your procedures in place, and developed your prospects. Your legacy program is up and running! Now what? As the multi-tasking manager, you need to continue to nurture your legacy program for it to grow and prosper.

CONTINUALLY EDUCATE YOUR PROSPECTS. Tell the story of your organization. Tell it again. And again. One never knows what will trigger a donor's response.

CONTINUALLY CULTIVATE YOUR PROSPECTS. Establish a follow up schedule with each prospect to keep your charity's name in front of them. Fight procrastination!

CONTINUALLY EDUCATE YOUR ESTATE PLANNING PROFESSIONALS. Ensure they understand your programs and have access to current and relevant material.

CONTINUALLY CULTIVATE YOUR PAST DONORS. Stay in touch by offering information about your organization and your programs, and they will be morelikely to increase the size of an arranged gift.

RETAIN LEGAL COUNSEL. Enlist the services of a lawyer who specializes in (or has knowledge of) estate planning. Their expertise will be invaluable when you have questions surrounding a will or probate, bequest wording, or general questions regarding other related issues.

MONITOR ESTATES IN PROBATE. Follow up is needed with executors and lawyers in the ongoing administration of estates. Did your organization receive its share? Are the costs to settle reasonable? In the event of a challenge or question, who is protecting the interests of your organization? Be prepared.

9. KNOW THE WAYS to give

How do I love thee?
Let me count the ways.

— Elizabeth Barrett Browning

BEQUESTS

A bequest is a specified dollar amount or percentage of an estate that is left to a charity in a last will and testament and distributed at the death of the donor. Many people think that a bequest is the only way to leave money to an organization, and as such it is the most popular form of deferred gift comprising 90% of all planned gifts. It is also the simplest way to make a planned gift and demonstrates a close relationship between the donor and the charity.

From an organizational perspective, this is the least attractive form of gift. If a donor has already left a bequest in their will, the charity should build upon that relationship to introduce other, more beneficial ways to donate. Disadvantages include:

- No immediate funds are provided to the charity
- No recognition or realization of the gift during the donor's lifetime
- Heirs could contest and partially or completely negate the legacy
- Donor's estate may not be large enough to support the legacy upon death
- Probate fees and settlement costs will shrink the gift
- Donor's creditors could use up the estate or seize the balance

TAX IMPLICATIONS:

- A receipt is issued by the charity to the estate for the gifts received.
- Receipt can be used to offset taxes arising at the death of the donor.
- CRA permits a 100% limit on all charitable contributions, with a one-year carry-back provision to help offset taxes paid in the previous year.

BEQUEST GIFT EXAMPLE

When a donor leaves a bequest, they are (at death) entitled to a receipt for the full amount of the bequest, which could significantly reduce the tax payable on the final tax return. The donation limit in the year of death is 100% of net income, and also applies to any excess carried back to the prior year.

- Donor leaves $100,000.00 to charity in will.
- Charity receives the gift and issues a tax receipt to the donor in that amount.
- Combined federal and provincial income tax rate is presumed to be 46.4 % and the credit rate is 44.2%.
- Estate is not bound by the donation ceiling of 75% and assuming the client has sufficient tax obligations, saves $44,200.00 in taxes.
- The cost to the estate of the $100,000.00 bequest is only $55,800.00.

LIFE INSURANCE POLICIES

The gift of insurance is the second most common form of deferred gift, and is a very attractive form of gift for small charities without established planned giving programs. It offers the potential to create larger donations than would otherwise be possible for donors who are interested in offering a larger gift than circumstances would normally allow.
Other advantages include:

- A large gift can be created at minimal cost to the donor
- Allows donor's entire estate to pass directly to the family and heirs
- It is difficult to change the designated charity once established
- Easy and inexpensive to transfer ownership of the policy

There are several ways gifts of life insurance can be donated to an organization.

- Transfer of ownership on a paid policy
- Transfer of ownership of an existing policy on which premiums are still owing
- Purchase a new policy naming the charity as the owner
- Name the charity as beneficiary of a policy

LIFE INSURANCE GIFT EXAMPLE 'A'

When ownership of an existing policy is transferred to a charity (as well as naming it beneficiary), the donor is entitled to a receipt for the cash value and for any premiums they subsequently pay.

- Donor makes gift of existing policy, transferring ownership and beneficiary rights to the charity.
- Policy has a face value of $150,000.00, and as net cash surrender of $100,000.00.
- Charity issues receipt for $100,000.00.
- Cash surrender value exceeds the Adjusted Cost Base of the policy by $10,000.00, so the client will realize a taxable non-capital gain of $10,000.00 and $464.00 in taxes is due.
- Assume tax rate of 46.4% and credit rate of 44.2%.
- Donor applies the receipt and saves $44,200 in taxes.
- The net cost of this $100,000.00 life insurance gift is $56,264.00 ($100,000.00 minus ($44,200.00 + $464.00).

LIFE INSURANCE GIFT EXAMPLE 'B'

When a donor takes out a new policy and assigns ownership to the Charity and names it as beneficiary, the donor pays the premiums and in turn receives an annual receipt for the premiums paid. At the death of the donor, the proceeds received by the charity will far exceed the total of the premium payments.

- Donor establishes a $100,000.00 policy and names the charity as the beneficiary.
- Donor is a non-smoking 58 year old male and policy is a term to 100 with a 20 year pay option.
- Premiums are $201.25 per month ($2415.00 per year).
- Assume tax rate of 46.4% and credit rate of 44.2%.
- Tax receipt is issued for $2,415.00 each year.
- Donor applies the receipt and saves $1067.43 in taxes that year.
- The net cost of this gift is $1,347.57 annually.

GIFTS OF SECURITIES

Listed securities are considered immediate (as opposed to deferred) gifts, and include stocks, bonds, bills, warrants and futures traded on approved stock exchanges in Canada and certain other countries. They also include mutual funds.

Listed securities can be sold and converted to cash, and the charity, being tax exempt, is not taxed on the capital gain.

Many prospective donors have highly-appreciated stocks and mutual funds in their portfolios. Call attention to the tax advantages in your literature and have policy and procedures in place to receive these gifts.

LISTED SECURITIES EXAMPLE

When a donor makes an outright gift of listed securities, they receive a special tax benefit in that they will be taxed on only 37.5% of the capital gain.

If you donate listed securities which cost you $6,000.00 and which are now worth $14,000.00 you will recognize $8,000.00 in capital gain. Only $3,000.00 of the gain (37.5% of $8,000.00) will be taxable whereas if you were instead to sell the securities then donate the proceeds, $6,000.00 of the gain would be taxable.

CHARITABLE GIFT ANNUITY

Issued by a charity in exchange for a contribution, fixed and guaranteed payments are made to the donor (and/or another person) for life. The charity invests the contribution and guarantees payments using its own resources as security. Ordinarily, the charity retains the contribution in a reserve fund until the death of the annuitant (donor). Any capital in the account at death reverts to the issuer. If the contribution should be entirely exhausted before the death of the annuitant, the charity is obligated to tap general funds to continue the payments.

CHARITABLE REMAINDER TRUSTS

A charitable remainder trust or "CRT" is an effective tax and estate-planning tool that provides income, gift, and estate tax benefits while also providing benefits to a charity. It is an irrevocable trust that provides payments to one or more non-charitable beneficiaries for a specified period (or for a lifetime) with a gift of the remaining assets to a specified charity.

CRTs offer a number of benefits, including:

- Donor receives interest income for life
- Donor receives discounted tax receipt immediately
- Donations cannot be contested by beneficiaries of the estate
- Probate and settlement fees do not apply to the gift
- Donor cannot change the designated charity once established

The donor creates an irrevocable trust and transfers assets to the trust. The donor retains an income interest for a term of years or for the donor's lifetime. At the end of the specified term or at the donor's death, the assets remaining in the trust pass to the charity designated by the donor.

GIFTS OF PROPERTY

Real estate gifts are frequently large and potentially very beneficial to the charity. They must, however, be carefully screened and accepted only after diligently investigating possible problems and liabilities such as the presence of toxic waste, mortgages, deferred maintenance, zoning restrictions, and lack of marketability.

Unless property is usable by the charity, it should be sold and the proceeds used for purposes designated by the donor. Ordinarily, a charity should not retain real estate for investment purposes as it likely lacks the resources to manage the property.

10. GLOSSARY of terms

ANNUITY
A series of equal payments to a person annually or at fixed intervals; an investment that provides this as income for a specified period, such as the duration of the recipient's life.

APPRECIATED SECURITY
A security with a market value greater than the donor's original tax basis.

BENEFICIARY
The person or entity that receives funds, property or other benefits from a will, insurance policy or trust instrument.

BEQUEST SUBJECT TO A TRUST
A bequest subject to a trust is a bequest which establishes a trust through a will whereby a named beneficiary(ies) receives income for life. Upon the death of the beneficiary(ies), all or a portion of the remaining capital goes to charity.

CHARITABLE LEAD TRUST
A trust from which a charity receives income for the duration of the trust, after which time the principle is either returned to the donor or distributed to other people.

CHARITABLE REMAINDER TRUSTS (CRT)
A CRT is an irrevocable trust that provides for payments to one or more non-charitable beneficiaries for a specified period or for a lifetime, with a gift to the remaining assets to a specified charity.

CONDITIONAL BEQUEST
A bequest that takes effect or continues only if a certain future event occurs or fails to occur.

CONTINGENT BEQUEST
A contingent bequest takes effect only in the event of the prior death of other named beneficiaries, or if the original intent of the donor cannot be fulfilled.

ENDOWMENT
It is a permanently restricted net asset, the principal of which is protected and the income from which may be spent and is controlled by either the donor's restrictions or the organization's governing board. The capital of the endowment remains untouched, and only the income from the fund is used.

EXPECTANCY
A gift from a donor, promised by legal or informal means, to be made at a later date, such as at the donor's retirement, sale of business, death, or other stipulation.

GIFT ANNUITY
A planned gift in which both the donor and the charity both receive benefit. Established by a contract between the charity and the donor, the donor irrevocably gives a sum of money, and in exchange, the charity agrees to pay an annuity payment for the life of the donor and/or surviving beneficiary. The charity receives a portion of the annuity capital, and the donor receives a lifetime tax beneficial income.

GIFT-IN-KIND
Donation of property, goods or services instead of money and includes gifts such as real estate, tangible in-use property, and securities. Charities can issue tax receipts for the fair market value of most gifts of goods, but not for services.

LIVING TRUST
A trust that allows the trustor to keep control of the trust during their lifetime by changing its terms and any other conditions. At the trustor's death, a successor trustor can distribute the property to beneficiaries without any court involvement.

PLANNED GIVING
A planned gift is any gift, either current of deferred, made with forethought about the benefits to the charitable organization and the financial implications for the donor.

PRESCRIBED ANNUITIES
Arrangements that guarantee to pay out fixed amounts of capital and interest over the remaining lifetime of the donor and average the tax over that time period.

PROBATE
This is the common term for the process whereby the court confirms the validity of the will and appoints the executor.

RESIDUAL BEQUEST
A residual bequest is a portion of or all of the estate after the other bequests and debts have been paid.

RESIDUAL INTEREST
Refers to an arrangement (ordinarily in the form of a trust) where property is irrevocably committed to the Charity, but the donor retains use of the property for life or a term of years. In the case of a charitable remainder trust, the charity would receive the remainder interest.

REVOCABLE TRUST
A trust that can be changed or terminated by the person who created it.

SECURITIES
Securities are a special form of capital property, and include cash stocks and bonds, mutual funds and royalties. They are portable, transferable, marketable and easy to value.

SELF-INSURED ANNUITY
This annuity is issued directly by the charity with the annuity payments guaranteed by the charity's own investments. In this instance, the charity usually tries to balance its risks by buying long term bonds or other investments to match the actual life expectancy of the donor.

STRIPPED BONDS
An investment vehicle derived from an underlying government or other 'blue chip' bond where the investor can purchase future cash payment at a significant discount.

TERM LIFE INSURANCE
This is strictly life insurance protection, and the least expensive. Generally not used for charitable gifts die to the short protection period.

TRUST
A legal arrangement in which one person (the settler) transfers legal title to a trustee (a judiciary) to manage the property for the benefit of a person or institution (the beneficiary).

TRUSTEE
A person or trust company that manages property according to the instructions in the trust agreement and the laws governing trustees.

TRUSTOR
A person who creates a trust either by a will or other trust instrument. In the case of a charitable remainder trust, the trustor is a donor.

UNIVERSAL LIFE INSURANCE
Combines term insurance with a separate investment account.

WHOLE LIFE INSURANCE
This is permanent insurance with the premiums fixed for life. Dividends will accrue if the policy is a participating policy.

11. SAMPLE bequests

The largest contributions don't necessarily go to the causes with the most compelling needs, but rather to those that can do the best job of asking.

CAPITAL BEQUEST – Unrestricted Use

To pay to the (legal name of charity) the sum of $..., (or percentage share of my estate) to be used for such purposes of the Charity as its Board of Directors may from time to time determine; and I declare that the receipt of the Treasurer of the (Charity name) or other person properly authorized to give receipts shall be sufficient discharge for the same.

CAPITAL BEQUEST – Restricted Use

To pay to the (legal name of charity) the sum of $..., (or percentage share of my estate) to be used for …; and I declare that the receipt of the Treasurer of the (legal name of charity) or other person properly authorized to give receipts shall be sufficient discharge for the same.

INCOME (ENDOWED) – Restricted Use

To pay to the (legal name of charity) the sum of $..., (or percentage share of my estate) to be held in trust and kept invested, and the income from such sum shall be used for …..; and I declare that the receipt of the Treasurer of the (legal name of charity) or other person properly authorized to give receipts shall be sufficient discharge for the same.

INCOME (ENDOWED) – Unrestricted Use

To pay to the (legal name of charity) the sum of $..., (or percentage share of my estate) to be held in trust and kept invested, and the income from such sum shall be used for such purposes of the Charity as its Board of Directors may from time to time determine; and I declare that the receipt of the Treasurer of the (legal name of charity) or other person properly authorized to give receipts shall be sufficient discharge for the same.

RESIDUAL BEQUEST – Unrestricted Use

To pay to the (legal name of charity) the whole of (or percentage share of) the residue of my estate to be used for such purposes of the Charity as its Board of Directors may from time to time determine; and I declare that the receipt of the Treasurer of the (legal name of charity) or other person properly authorized to give receipts shall be sufficient discharge for the same.

12. additional RESOURCES

WEB

CANADIAN ASSOCIATION
OF GIFT PLANNERS
www.cagp-acpdp.or
www.cagptoronto.org

CHARITY VILLAGE
www.charityvillage.ca

LEAVE A LEGACY
www.leave-a-legacy.on.ca
www.leavealegacyofgta.org

IMAGINE CANADA
www.imaginecanada.ca

ASSOCIATION OF FUNDRAISING
PROFESSIONALS
www.nsfre.org
www.afptoronto.org

COMMUNITY FOUNDATIONS OF CANADA
www.community-fdn.c
www.niagaracommunityfoundation.org

SYSTEM FOR ELECTRONIC DOCUMENT
ANALYSIS AND RETRIEVAL (SEDAR)
www.sedar.com

CANADA REVENUE AGENCY
www.cra-arc.gc.ca

CCH CANADIAN LIMITED
www.cch.ca

PLANNED GIVING TODAY
www.pgtoday.com

ZIMMERMAN LEHMAN
www.zimmerman-lehman.com

BIG ONLINE CANADA
www.bigdatabase.ca

WRITTEN

Boards That Love Fundraising: A How-to Guide for Your Board
Robert M. Zimmerman

Planned Giving for Canadians: A Guide to Instituting & Managing a Successful Planned Giving Program
Frank Minton, Lorna Somers

Boom, Bust & Echo: Profiting from the Demographic Shift in the New Millennium
Daniel Stoffman

Planned Giving Essentials: A Step by Step Guide to Success
Richard D. Barrett, Molly E. Ware

Planned Giving for Small Nonprofits
Robert R. Jordan

Planned Giving: Management, Marketing and Law
Robert R. Jordan

Planned Giving: Making it Happen
Edward Pearce, Sheree Rodney Kushner

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Pearce, Dr. Edward and Sherry Rodney Kushner. *Planned Giving: Making it Happen,* Volume One. Canada: Strategic Ink Communications Ltd.

Zimmerman, Robert M. and Ann w. Lehman. *Boards That Love Fundraising: A How-To Guide For Your Board.* San Francisco: John Wiley and Sons, 2004.

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