Executive Summary

Is starting a planned giving program a priority item on your organization's strategic plan? Has it been on your plan for more than two years? What are you waiting for?

Taking the time to choose which kinds of planned gifts your organization should promote is a wise undertaking because it ultimately gives your staff members more confidence when they ask constituents for those gifts. A simple bequest marketing program is the most common way to get started. Whether you believe it or not, you already know about 90 percent of what you need to begin immediately. Assessing your readiness will confirm your ability to compete for legacy gifts in today's charitable market and alert you to those areas in which you need to prepare before accepting your first gift. You might also be ready to promote other gift vehicles such as gifts of securities, real estate, or charitable gift annuities. Strong planned giving programs build over time, but if your organization is ready, there's no time like the present to begin.

Are You Ready to Start a Planned Gift Program?

How to Choose the Right Gift Vehicles to Promote and Accept

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Simple Gifts

Bequests account for nearly 90 percent of all planned gifts in the United States, yet many charitable organizations don't let their constituents know that they'd like to receive these gifts. Some nonprofits are busy promoting other giving vehicles that are considered "sexier" but generate less annual revenue. Even worse, many organizations don't promote any planned gifts at all.

Bequests are a natural starting place for both donors and nonprofits. Donors like them because including a charitable gift in a will or a trust is as simple as signing a check. The concept is straightforward; the gift is easy to complete and can be revoked in the future if circumstances change, and it's a cost-effective method compared to some other planned gifts. Usually donors choose this method because they consider their estates to be modest in size and do not believe that they have the resources to make a significant gift such as a legacy gift at the end of their lives. If you're considering starting a planned gift marketing program, you'd be wise to begin with charitable bequests.

Is a Bequest Program Right for You?

Are you ready to let prospects know that you'd like to be included in their legacy giving? Take the Bequest Readiness Assessment to find out:

- ☐ Has your organization been operating for more than 10 years?
- ☐ Have the board of directors and/or trustees passed a resolution supporting a planned giving program and dedicated financial resources adequate to support the marketing effort?
- ☐ Do your gift acceptance policies establish the use or disposal of gifts of stock and securities, real property, and tangible personal property?
- ☐ Do you have a stock brokerage account in place?
- ☐ Does your annual fund/membership program have a consistent record of growth, both in the number of donors and number of gifts?

- ☐ Does your pool of prospects have a diverse age range and are your oldest prospects retired or approaching retirement?
- ☐ Do you communicate on a regular basis with your prospect constituency through written, phone, web, and face-to-face efforts?
- ☐ Have you been notified of at least one bequest gift to your organization within the past three years?
- ☐ Does your organization have a dedicated staff position who can calendar and follow-up with estate attorneys and personal representatives at least twice a year on the status of bequest gifts?
- ☐ Is your organization willing to undertake legal action to resolve a legacy gift, if necessary?

If you answered "yes" to at least seven of these questions, you are ready to start a bequest marketing program. You should put into place the remaining steps within the next six months. If you answered "yes" to four – six statements, you may be moving toward marketing bequest gifts to your prospects; you may need a stronger commitment from the board or you might want to work on sustaining your annual fund (and thus your pool of bequest prospects). If you answered "yes" to fewer than four statements, you may want to create or enhance your strategic plan so that your organization takes deliberate steps toward starting a bequest marketing program within three years.

Basic Elements of a Bequest Marketing Program:

- Staff with a minimum of 40% of their responsibilities dedicated to the program
- Outreach marketing pieces for targeted segments
- Donor management software system with field and reporting capabilities to track individual prospects
- Adequate resources for recognition and stewardship activities

A Basic Bequest Marketing Program Will Produce Results

The most important element of a bequest marketing program is not really the marketing — it's marketing to the right supporters. Although everyone associated with your organization has the capability of making a bequest, fewer than half of the population actually makes a will of any kind, and only eight out of 100 make a charitable bequest.[1] Many people don't believe their estate is large enough to make legacy gifts because they plan on giving all of their assets to their family. Others simply are not inclined to do so. Knowing which prospects within your constituency are most likely to include your organization in their wills or trusts is the key to running a successful and efficient program.

Bequest marketing programs continue to provide the biggest "bang" for the marketing dollar among all types of fundraising programs. While the actual amount varies widely, the average charitable bequest in the United States is $35,000[2], and many programs can boast a cost of three to 15 cents per dollar raised.[3] Some organizations have grown planned gift programs that provide up to 50 percent of their annual revenues. Targeting the right message to the right prospects is the most effective way to approach these goals. Understanding the unique characteristics of your organization's target segments is key, as is knowing the most appropriate marketing mediums.

When asked, bequest donors say that an organization's published materials were the most frequent source of information about such gifts, followed by legal/financial advisors, family and friends, and through a visit from an organization's representative.[4] They further cited mailed communications, advertisements in the organization's literature, and presentations as the most appropriate routes for the promotion of legacy giving.[5] For more information on cultivating your prospects, read *How the Right Marketing Strategies Can Enhance Your Planned Giving Program*, a white paper by Lawrence Henze.

[1] *Planned Giving in the United States: A Survey of Donors*, National Committee on Planned Giving, 2001.

[2] *Fundraising's Holy Grail: What Do We Really Know About Legacy Giving?* Mal Warwick, Mal Warwick Associates E-Newsletter, 2003 (www.malwarwick.com/learning-resources/e-newsletters/nov03.html).

[3] *Report on Giving FY 2002,* Association for Healthcare Philanthropy, 2002.

[4] National Committee on Planned Giving research report, *Planned Giving in the United States 2000: A Survey of Donors*, 2000 (www.ncpg.org/resources/donor_survey.asp?section=5).

[5] *Determinants of U.S. Donor Behavior: The Case for Bequests,* Research Sponsored by the Association of Fundraising Professionals and Mal Warwick & Associates, Inc., Adrian Sargeant and Elaine Jay, 2004.

Basic Elements of a Securities Marketing Program:

- Brokerage account to accept stock gifts
- The resources to set up mutual fund accounts as such gifts are offered
- Outreach marketing pieces for targeted segments
- Individualized acknowledgement and solicitation letters
- Donor management software system with field and reporting capabilities to securities gift information

The second element to your program, and perhaps a more important component, is providing your target audience a variety of response mechanisms to alert you to their interest and action. In today's competitive resource environment, a legacy program can make its mark by recording and reporting both requests for information as well as future gift expectancies. The best way to do this is to include a call-to-action in every marketing piece. Check-off boxes, phone numbers, and website addresses are all appropriate methods — but only if you are able to identify the responder and capture enough contact information so that you can follow up. It does no good to count the number of web page hits if you can't communicate with individual constituents and eventually record their interests in making gifts and their future actions. The ability to obtain and report on these key contacts and expected gift amounts help to make the case for planned gift program expenditures.

Finally, a successful charitable bequest program must be appropriately staffed, and nonprofit leadership must be prepared to wait a minimum of three, but more likely five, years to begin to see financial revenues from the effort. But the wait is worth it. A recent study indicates that donors who have made a bequest commitment also make annual gifts at twice the average amount as donors without a bequest commitment.[6] A well-administered program, one that has put procedures in place to follow and administer the legal process once a bequest gift has matured, will assure donors that their gifts will be handled appropriately. It is the organization's right and responsibility as the beneficiary of a donor's legacy gift to receive timely distribution of the funds and to use them as intended.

Most of the questions in the Bequest Readiness Assessment on page one point to dedicating an adequate amount of staff time to accomplish the objectives and goals of a legacy program. A smaller number of tasks, but no less important, relate to timely administration and use of the gift. While having a full-time planned gift officer should be the ultimate goal for most organizations, many do not have the personnel or financial resources to begin with a dedicated position. Realistically, the most basic of bequest programs requires two full days (or forty percent of job responsibilities) each week dedicated to donor visits, phone calls and other follow-up, continuous marketing efforts, and gift administration. Anything less and the program will not have enough critical activity to contribute any substantial or consistent revenue to mission funding.

Gifts of Stock and Securities Can Increase Your Annual Fund

With an eye on fiscal accounting, outright gifts of stocks, securities, and mutual fund shares may be credited to the annual fund or the major gift income lines — but is the donor being treated like an "average" donor? Look back at the last gift of stock your organization received. Was the gift larger than your average outright gift? Was the donor treated specially? Was he or she acknowledged in a way that reflected his or her thoughtful gift of an investment asset? Have you re-solicited him or her for an additional gift of the same kind, or did you send your regular "Dear donor" appeal?

People who make gifts of assets rather than of disposable income are a different breed. They are comfortable with their financial situation and enjoy sharing from their resource base. Typically, they give their gift of securities to make a larger impact on the organization's mission. Ultimately these donors have alerted you to their willingness to make a gift from their assets and may be some of your most likely future planned gift donors. By incorporating a stock gift marketing effort into

[6] *Bequest Donors: Demographics and Motivations of Potential and Actual Donors*, The Center on Philanthropy at Indiana University, 2007.

your planned giving program, you will benefit not only your annual fund with a consistent level of higher-end gifts, but you will also be adding to your base of qualified planned gift prospects.

Is Real Property Really a Good Gift?

Like gifts of securities, outright gifts of real property may be destined for the annual fund or might be credited to a major gift program. Without regard to its fund accounting characterization, real estate, homes, and other real property gifts can be excellent gifts. Often, their current gift value is significant and they can usher the way for future gifts from a generous donor. However, real property gifts are not appropriate for every organization to consider. More often than most other planned and non-cash gifts, these are likely to expose an organization to financial risk and liability. Only the most sophisticated and financially secure organizations should promote real property gifts unless the donation of the property is a one-off gift and the donated building or land will be used for mission purposes. Most organizations that accept these gifts have a strict gift acceptance policy in place that details what is and is not acceptable. The transfer of ownership is completed only after a stringent process of due-diligence has occurred to make certain that exposure to liability for hazards, toxic waste, and other potential risks are limited.

Even gifts of time-shares have their pitfalls, and each organization must determine if accepting them is a fiscally responsible choice. Annual fees and special assessments go hand-in-hand with time-shares, and it's possible that the donor, while attempting to be generous, has been unable to sell it him or herself.

You are ready to accept gifts of real property, including time-shares, if you answer "yes" to all of the following items:

- ☐ Do your gift acceptance policies require written acceptance of all gifts of real property by the president (chief executive officer), the chief financial officer, or the board of directors/trustees, or its designated board committee — or a combination thereof?
- ☐ Do you have a dedicated staff position who is familiar with the risks and liabilities of real property and is capable of leading a due-diligent review of the gift prior to accepting — and can he or she do so in a timely manner?
- ☐ Do you have a relationship with a real estate broker who will zealously market the property?
- ☐ Are your financial reserves adequate to pay for insurance, taxes, maintenance fees, and other expenses of real property while it is in your possession?
- ☐ Is your organization willing to undertake legal action to resolve real estate issues or litigation if they arise?

Gift Annuity Programs: Small Gifts Have Significant Rewards

Charitable gift annuities, like gifts of securities, should be marketed to prospects who feel they have adequate financial resources and are willing to irrevocably give some of them for charitable causes. Different from an outright gift, however, a charitable gift annuity is a contract between a donor and a nonprofit organization that requires a minimum annual payout to the donor and/or donor's designee for his or her lifetime. State laws may also govern the marketing and acceptance of these gifts. So before starting a gift annuity program, due diligence must be conducted and a long-term administrative process must be in place.

With more than 20 years of legal and nonprofit management experience, ***Katherine Swank*** *has raised approximately $215 million for national healthcare and public broadcasting organizations, as well as an independent law school. Prior to joining Blackbaud in May 2007, Ms. Swank was the national director of gift planning at the National Multiple Sclerosis Society, where she provided fundraising consulting services to the Society's chapter leadership and development staff for six years. She is an affiliate faculty member of Regis University's master of nonprofit management degree program in Denver, teaching classroom and online courses on wealth and philanthropy. She holds an independent studies degree from the University of Northern Colorado and a law degree from the Drake University School of Law in Des Moines, Iowa.*

Like bequest donors, annuitants' primary desires when making a gift annuity are to support the organization.[7] Like securities donors, gift annuitants often repeat their gifts. This makes them a most appealing and sensible secondary target of a growing planned giving program. Usually beginning at a gift level of as little as $5,000 and for people at least 65 years of age, annuities allow the nonprofit staff to build a close and long-term relationship with these donors. Simply because of the contractual nature of the agreement, the donor is almost always involved with the organization and now wishes to become closer.

Marketing gift annuities to targeted audiences that meet your eligibility requirements uses your resources effectively. More than 85 percent of respondents to a national survey said that they found out about charitable gift annuities through one of several informational channels initiated by the organization, including written materials, a visit with a representative, and financial seminars.[8]

Along with bequest marketing, your annuity program usually returns a higher cost-per-dollar-raised than other planned giving vehicles. Annuities can contribute substantial future mission funding but can also create long-term donor loyalty and even increased current funding. A wise planned giving officer will establish a very personalized stewardship and re-solicitation program for annuitants. This could be as simple as including a handwritten note with a payment check or scheduling timely calls to annuitants to make certain that the payment has been received. A very effective development professional will actually create relationship-building opportunities, such as making an appointment to drop the check off and update the donor(s) on the organization's mission work. Every opportunity to interact with charitable gift annuitants moves the organization closer to additional giving opportunities with this critical group of constituents.

Charitable gift annuity programs coupled with bequest programs have the capability to grow donor relationships and organizational loyalty and enlarge giving opportunities like no two other planned giving vehicles do. Fully, one-quarter of gift annuitants have more than one annuity with the same organization, and 18 percent of annuity donors have also included a legacy gift to an organization in their wills or living trusts. Of these bequests, more than half benefit the same charitable organizations as their gift annuity.[9]

You're ready to begin a charitable gift annuity program if you answer the following conditions affirmatively:

- ☐ The board of directors is aware of state laws regarding the marketing and issuance of charitable gift annuities, the board meets any prerequisite conditions to establish and offer charitable gift annuities, and the organization has the ability and expertise to prepare and file annual gift annuity reports to the state governing authority.
- ☐ The organization's gift acceptance policies state a minimum age and minimum/maximum gift level for the issuance of all gift annuities.
- ☐ The gift acceptance policies also declare whether the organization will follow the suggested gift annuity rates as established from time to time by the American Council on Gift Annuities or whether it will issue different rates including the legal implications of doing so.
- ☐ The board of directors has affirmed that the organization has liquid financial reserves that

[7, 8, & 9] NCPG Survey of Donors.

are more than adequate to back up and guarantee required payments to annuitants for their lifetimes.

- ☐ The financial office and/or development office has the requisite expertise to accept and administer gift annuity contracts, or the organization plans to hire an external administration and management firm.
- ☐ The development staff is capable of marketing charitable gift annuities, responding to inquires, and facilitating the completion of annuity contracts.
- ☐ The organization has established a recognition and stewardship program that will thank and communicate with annuitants throughout their lifetimes.

Do Life Income Gifts Have a Place in Your Planned Giving Program?

Only two in every 100 people will establish a charitable trust in their lifetime, and many that do are under the age of 55.[10] The numbers alone may dissuade many organizations from entering the life-income gift marketing arena — and well they should.

Remainder and lead trusts are most often used when donors have mortgaged or hard-to-convert assets or when donors want to exercise control over their investments by naming themselves as trustee. When looking at charitable trusts purely on potential, they are big and exciting. Most trusts begin with assets valued at well over $250,000 and the eventual payout to charitable beneficiaries can be two or three times that amount. But in reality, few organizations are equipped to manage or trustee these gifts and even fewer are able to sit at the table when they are being created.

If you are fortunate enough to be notified that you are a charitable beneficiary of a charitable remainder unitrust or annuity trust or payment recipient of a charitable lead trust, you will want to accept the donation with gratitude and use the opportunity to build a relationship with the donor or the surviving family members. If you are asked to become involved in the creation or management of one of these life-income vehicles, you should know that most wise nonprofits decline the invitation but seek other ways to help the donor in its creation and management with experienced financial and legal professionals. The colleagues at your local or statewide planned giving roundtable may be able to point you in the right direction.

Resources for Starting a Planned Giving Program

Resources that describe and lead an organization through the steps of starting a planned giving program abound. You can find information and links to written sources through many of the professional fundraising organizations websites such as the National Committee on Planned Giving at www.ncpg.org. Professional fundraising firms and consultants can also be engaged. In reality, starting a planned giving program should be easy for organizations that assess their readiness and choose only those activities that are appropriate for their maturity, staffing configuration, and leadership commitment. Likewise, it can feel foreign and time-consuming for an organization that tries to take on too much too soon. Ultimately, planned gifts can become "life-blood" gifts for some organizations, and building a steady, consistent and well-managed program is the key to success.

[10] NCPG Survey of Donors.