Top Ten PLANNED GIVING *myths*

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Myths courtesy of Richard D. Barrett; answers courtesy of Reine Shiffman

Unfortunately there exists a proliferation of myths that have prevented many organizations from embracing one of the most potent processes at our disposal. Let's put them to rest.

1. Planned giving is not appropriate for a new organization.

Planned giving is a process that determines which giving technique will provide the greatest charitable potential to both the donor and the charity. It encompasses gifts that are made annually, gifts that are made for special projects and gifts that are made for future use. Unfortunately, many individuals mistakenly assume that planned giving and *deferred giving* are one and the same; and, for this reason new organizations are apt to claim that they can't afford to focus on deferred gifts at a time when immediate needs are critical. *New organizations can and should provide donors with all options for giving.* As a result, donors are often able to achieve their philanthropic and financial objectives — which may make it possible for them to make larger gifts than thought possible!

2. Planned giving applies only to older people.

Many giving opportunities are best suited for older individuals. In fact, seasoned planned giving officers are occasionally quoted as saying "one of the benefits of aging is higher gift annuity rates." However, there are significant opportunities for younger individuals, too. In fact, a Donor Survey conducted by the National Committee on Planned Giving reported the following in 2000:

▪ Average age at time of first Will	44
▪ Average age at time of first bequest	49
▪ Percentage of remainder trust donors under age 55	34%

This should provide motivation for charities to include younger individuals as prospects, too. Moreover, 34% of donors who have included charity in their will cite the charity's publication as the first source of their idea.

Here's another statistic to consider: although one-third of donors have informed charities that they are included in a bequest; only 25% report being treated differently. This is significant in that although only 8% of those responding have ever removed a charitable organization in their Will, 56% indicated that they would continue to scrutinize their documents. This makes it critical to cultivate these donors from the onset!

3. We need money now; we can't possibly think about planned giving!

There are four types of donors: (a) those who can make gifts now; (b) those who can make gifts if they receive income in return; (c) those who can make gifts, but only in the future, and (d) those who want to preserve assets for their heirs, too.

A. I Want to Make a Gift Now! 	B. I Don't Have the Assets Now! 
C. I Still Need the Income! 	D. My Children! My Children! 

Although your organization may very need the money now, if you limit yourself to wooing Type-A donors, you're missing out on developing relationships with a vast constituency of prospects who, in all likelihood will turn their attention to another charity. You should never turn down a potential gift, even if it is deferred. Instead, respond in such a way that you acknowledge the person's circumstances, suggest other ways to give to you, and offer your hope that perhaps if the opportunity arises in the future, the prospect will consider accelerating his or her gift.

4. I need more technical training before I can even begin to raise the topic of a major planned gift.

You're not alone in thinking this. Planned giving can be complex, which is why many charities are afraid to embrace it. Yes, some gifts are ripe with technicalities, but there are experts who can aid you (see Myth #8) in these instances. You simply need to be aware of the opportunities for each type of donor and have on your rolodex the names of a few trusted advisors who you can recommend work out the details on your behalf.

I WANT MY GIFT TO WORK TODAY	I DON'T HAVE THE ASSETS NOW
Cash Appreciated Securities Real Estate	Will Insurance Policy Retirement Plan Assets
I STILL NEED THE INCOME	**I WANT MY CHILDREN TO BENEFIT**
Charitable Gift Annuity Charitable Remainder Trust	Charitable Lead Trusts Wealth Replacement Trusts

5. People who make outright gifts are not planned giving donors.

This goes back to Myth #1. Remember, planned giving is a process that helps people choose which is the best gift to make. Or, to put it more bluntly: a planned gift is simply a gift that involves *planning*. When you take into account the benefits of contributing appreciated assets, which often compose the bulk of a person's portfolio, it's important to reflect not just on which is the best gift to make but which is the best asset to give. So, a person who decides to contribute to your annual campaign with a gift of stock or real estate is a *planned giving donor.*

6. Planned giving hurts annual giving.

Faced with ever-rising costs, the loss of government funding and an increasing demand for services, charities need resources today. However, the focus on meeting annual needs has precluded an emphasis on caring for your future. Even under the best of circumstances and with the most worthy mission in mind, it's difficult for individuals to connect their philanthropic desires with their financial concerns. Robert F. Sharpe, Jr. attributes this to four fundamental fears:

- We'll live too long.
- We'll die too soon.
- We'll encounter a catastrophic illness.
- We'll face a mental or physical disability.

These fears lead to a hesitation to give, especially during troubling times. People want to make sure they have first provided for their spouse, children, parents, and grandchildren. By utilizing a planning approach to giving, people can *at least* make a gift.

Better still, planned giving can actually enhance your annual giving program. Veterans in the profession can share a multitude of stories of donors who although pleased to have made a deferred gift miss the opportunity to see the fruits of their gift. As a result, they are offered a process that "reverses" their endowment.

You can suggest that a person who has left something in their Will to consider contributing today the amount the bequest will eventually generate. For example, if a person tells you that they have left $5,000 for you in their Will, you can ask them to consider a gift of $250 annually, which is the amount that you will eventually receive from the bequest (based on a distribution of 5%).

Reverse Endowment	
if your estate gift is	an annual gift of
$5,000	$250
$10,000	$500
$20,000	$1,000
will allow us to begin producing services now	

7. Only wealthy people are planned giving prospects.

Here we have to dispel two myths: who are the wealthy and are *really* they the only planned giving prospects. Dr. Thomas Stanley's "The Millionaire Next Door" is an enlightening and entertaining treatise of the characteristics of millionaires. Although we tend to associate the wealthy by the type of house they own, the cars they drive, or the vacations they take, the fact is that most wealthy individuals live behind a cloak of simplicity. We must be very careful of defining the wealthy too narrowly.

As to the second myth, the fact is that most planned gift donors give small gifts year after year, dispelling the notion that leadership donors are always your best prospects. In fact it's not unusual for someone's first gift to an organization to be an estate gift. Most deferred gifts are made by individuals who do not benefit from estate tax deductions.

8. We can't launch a successful program without an experienced planned giving officer on our staff.

We can't argue that integration of a planned giving program requires experienced personnel devoted to its success. However, it's not necessary that these individuals be a part of the organization's staff. For those organizations that do not have staff comfortable or capable of building a planned giving program, there are alternatives:

- *Volunteers*: Organizations can turn to a committee of allied professionals (local attorneys, financial planners, insurance agents, accountants) who are trained to make such calls and are supportive of your efforts.
- *Community Foundation*: If a relationship exists with a local community foundation, staff of the community foundation may be willing to assist in such presentations.
- *Local financial institution*: Personnel of local financial institutions may also be willing to make calls if conducted as part of company business.
- *Consultant:* There are several consultants who focus specifically on planned giving. Your local planned giving council or the National Committee on Planned Giving (www.NCPG.org) may be able to give you referrals.

9. Our organization could never manage to pay a lifetime of checks.

You are to be applauded to take this under consideration; however, once again this is a myth. An obvious option is work with a financial institution, many of whom are promoting such services. Or, if that is not feasible, consider hiring a smaller company to assist with administrative services only. All you need to do is tell the company where your funds are invested and to where payments should be sent. The company, on your behalf, will then write the checks, calculate the tax payments and provide you with reports.

Be careful, though. Whether using a large or small institution, be sure to ask appropriate questions and check references carefully! Sadly, there are those who are offering such services but don't have appropriate knowledge or experience in this sometimes complex areas.

10. I will suffer eternal mortification if a prospect or donor asks me a tax question I can't answer.

And you probably would have endured eternal mortification had you actually showed up for the final test in nothing but a towel; however, that dream probably didn't come to fruition, either. The reality is that no one expects you to have every answer to every question; and, honestly the person with whom you're speaking may actually find it positively refreshing when you say, "can I get back to you on that one?" Having a basic knowledge will take you a long way; knowing individuals who can assist you respond appropriately will get you to where you want to be!