CATHOLIC
DEVELOPMENT
+ QUARTERLY +

An informational DIGEST to guide development personnel in the emerging field of development.

Volume XIII, Edition 3

PLANNED GIVING: WHO, WHY, WHEN AND HOW

"The largest single gift your Catholic institution will ever receive will be a Planned Gift -- in all likelihood a bequest."

If this premise is true, it would make proper sense to spend significant time and money in the area of Planned Giving. Why don't we spend more time on Planned Giving? Part of the answer has to do with the non-immediacy of Planned Gifts. Needless to say, the institutions that are willing to make the investment of both time and money into Planned Giving will benefit significantly over the next several years.

Demographers and economists project that within the next 15-20 years anywhere from 11-17 trillion dollars will pass from the "G.I. Generation" to the "Baby Boom Generation." Much of it will be exposed to Estate Taxes without proper tax planning and charitable giving.

For many years, our firm and this publication have advocated educating people how to give in a number of different ways. As many of you, who knew Msgr. John Flynn, during his lifetime, may recall that he recommended "maximizing and multiplying" the ways in which people could express their faith through giving.

"Limiting and legislating" how people give was distasteful to him. Some elements of the current stewardship movement in the Church favor limiting and legislating how people give under the umbrella of Stewardship at Sunday Masses ONLY -- a total misinterpretation of stewardship and naive as well. It is a misinterpretation that endangers the future of many of our Catholic institutions and it will send many major donors to other charities with their major gifts.

Ideally, our donors should be educated how to give in five ways:

- Regularly (Sacrificial Giving in Parishes).
- Annually (Annual Fund, Appeal, Phonathon, Diocesan Appeal).
- Special Gifts (Campaign Pledge, Endowment, Memorials, etc.).
- Christmas and Year End Gifts.
- Planned Gifts.

Remember, people are all created different. They have different interests and passions and they have different interests in giving as well as how they give. Planned Giving allows donors to encompass more creative ways and tax smart ways of giving.

Planned Giving defined -- "Planned Giving is any transfer of cash or assets to a charitable institution in a thoughtful, pre-designed, pre-determined form or timetable agreed upon by the donor and the charitable institution. The donor's goals being to advance the mission of the charitable institution as well as limiting income tax and estate tax liability." -- National Catholic Planned Giving Seminar

ASSETS VS. INCOME

90% of all wealth is held in assets. Approximately 10% of wealth is held in cash. Examples of assets include:

- securities (stocks, bonds, shares in mutual funds).
- property (farmland, vacation homes, commercial real estate, residence, etc.).
- commodities (grain, oil, etc.).
- collectibles.

One of the goals of any development program is to "condition" and "educate" people to give from their assets, not just their income. Colleges, hospitals and universities have done a good job of associating these types of gifts with their institutions. Many Catholic parishes, schools and dioceses have associations with annual appeals, phonathons, fundraising events and campaign pledges -- almost all of which are gifts from income.

It also explains why some donors, but mostly non-donors, complain about "...always being asked for money." Donors, without being educated or encouraged to give through their assets **ONLY** consider gifts from income or what is in their checking accounts. With the phenomenal growth of the stock market since 1981, more than 50% of all households hold part of their wealth in securities (stocks, bonds, shares in mutual funds).

If people get in the "habit" of giving these types of non-cash gifts, they will be much more likely to consider a charitable bequest in a will or trust -- the ultimate Planned Gift.

TYPES OF PLANNED GIFTS -- A GLOSSARY OF TERMS

- **WILL** -- legal document stating the disposition of a person's property upon his/her death.
- **BEQUEST** -- specific gift of property or assets.
- **DEATH BENEFIT** -- proceeds from a life insurance policy's face value payable to the policy's beneficiary; also used as "Wealth Replacement."
- **GIFT ANNUITY** -- CONTRACT by which a donor transfers cash or other property in exchange for income payments for life. Backed by the total assets of the charity.
- **POOLED INCOME FUND** -- TRUST arrangement, similar to a mutual fund, whereby all donors' funds are co-mingled and the annual earnings are shared on a pro-rata basis.
- **CHARITABLE REMAINDER TRUST** -- TWO TYPES: Uni-Trust and Annuity Trust.

- **CHARITABLE REMAINDER UNI-TRUST** -- a trust, which returns income to the donor or others for life or period not to exceed twenty years usually from a charitable gift of, appreciated assets. The payment to the donor is based on a percentage of the trust assets, but valued on an annual basis.
- **CHARITABLE REMAINDER ANNUITY TRUST** -- same as a uni-trust except the amount of the annual payment to the donor is permanently fixed at the time the gift is made (trust is created).
- **LIFE ESTATE** -- donor gives home or farm and retains rights to occupy or benefit from the property for life.
- **CHARITABLE LEAD TRUST** -- trust whereby the donor transfers assets/funds to trust which, in turn, pays the CHARITY for a certain period of time.

CHALLENGES IN UNDERSTANDING AND IMPLEMENTING PLANNED GIVING

Permission is granted to photocopy this section and distribute to your board, finance council, administration and development staff. Your board, finance council, administration and leadership players **must** understand these concepts for the development program, in general, and Planned Giving, in particular, to be successful:

THREE KINDS OF DOLLARS -- Catholic institutions and all charities must be raising "Three Kinds of Dollars" all of the time.

- Operational.
- Capital.
- Endowment.

Operational Dollars come from Annual Appeals, tuition, fundraising, rentals, fees, etc.

Capital Dollars (schools, churches, parish centers, renovation, etc.) are generated through "Capital Campaigns," capital depreciation funds, etc.

Endowment Dollars come from some campaigns but ideally bequests and other types of Planned Gifts, major gifts of stock, other securities and cash.

Planned Giving easily misunderstood and under analyzed. If the largest **single** gift a Catholic institution will ever receive is a Planned Gift, it is incumbent upon the institution to study, learn and understand Planned Giving.

Many make the mistake of assuming that a bequest (gift through a will) is an accident, aberration or a gift that come "out of nowhere." Nothing could be further from the truth. Somehow, someway, the donor was encouraged to make this type of gift. Perhaps, another charity educated and encouraged the donor to make this type of gift. Your institution may have been an afterthought. As we mentioned previously, if Planned Gifts are the largest gifts your institution receives, don't they merit research, evaluation and additional emphasis?

Better understanding and emphasis on Planned Giving has much to do with immediate "development gratification." Many development professionals are not evaluated on Planned Gift success but only immediate dollars. Your Catholic institution should emphasize both kinds of gifts. Boards and finance councils should be educated to have a greater appreciation and understanding for Planned Giving as well. Administrators that supervise development programs should also "understand, preserve, protect and defend" the Planned Giving program.

+*QUARTERLY*+ CHECKLIST

This edition's **+*QUARTERLY*+ CHECKLIST** is a planning and marketing strategy to begin or enhance your Planned Giving program.

- **CASE FOR PLANNED GIVING** -- draft a brief case statement for Planned Giving to your institution -- include benefits to both donor and institution.
- **RECRUIT A PLANNED GIVING COMMITTEE** -- invite friends, donors, parents, parishioners, alumni/alumnae to serve on a Planned Giving Advisory Committee (could be a working subcommittee of your Development Council). Professions include attorneys, accountants, trust officers, financial planners, insurance agents, securities brokers. Make sure anyone asked to serve have a gift history.
- **DIRECT MAIL** -- once a year send a direct mail piece on planned giving (check out our website for brochures to send to your donors) to all constituents on your mailing list over the age of 50.
- **IDENTIFY 50 PLANNED GIVING PROSPECTS** -- write down their names, marital and family profile and a one-sentence description. Devise a marketing strategy for each.
- **NEWSLETTER AND BULLETIN** -- have a message box that states "Please remember St. Theresa's in your Last Will and Testament." Invite your parish attorneys, parent or alumni attorneys sponsor the ad or message box.
- **PLANNED GIVING CALLS** -- make calls on donors and others who are Planned Gift prospects. Sometimes it is easier to ask for and get a Planned (deferred) Gift. Leave the prospect proposal including Planned Giving/Wills brochures.
- **NON-CASH GIFTS** -- shares in mutual funds, stocks, bonds, grain, land, farmland should all be encouraged during a donor's lifetime. Remember, only 10% of wealth is held in cash. More importantly, if people get in the "habit" of giving gifts of assets it can be assumed that donors will be well positioned to make other types of Planned Gifts.
- **CONCENTRATE ON BEQUESTS** -- 95% or more of all Planned Gifts are bequests (direct gifts through wills). Other planned gifts are more complicated. Don't dismiss them totally and be prepared to take them, but concentrate on bequests.

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