



# Selling to the CFO

Statistics and stories to get leadership support for planned gift fundraising

## Planned giving conferences are great!

---

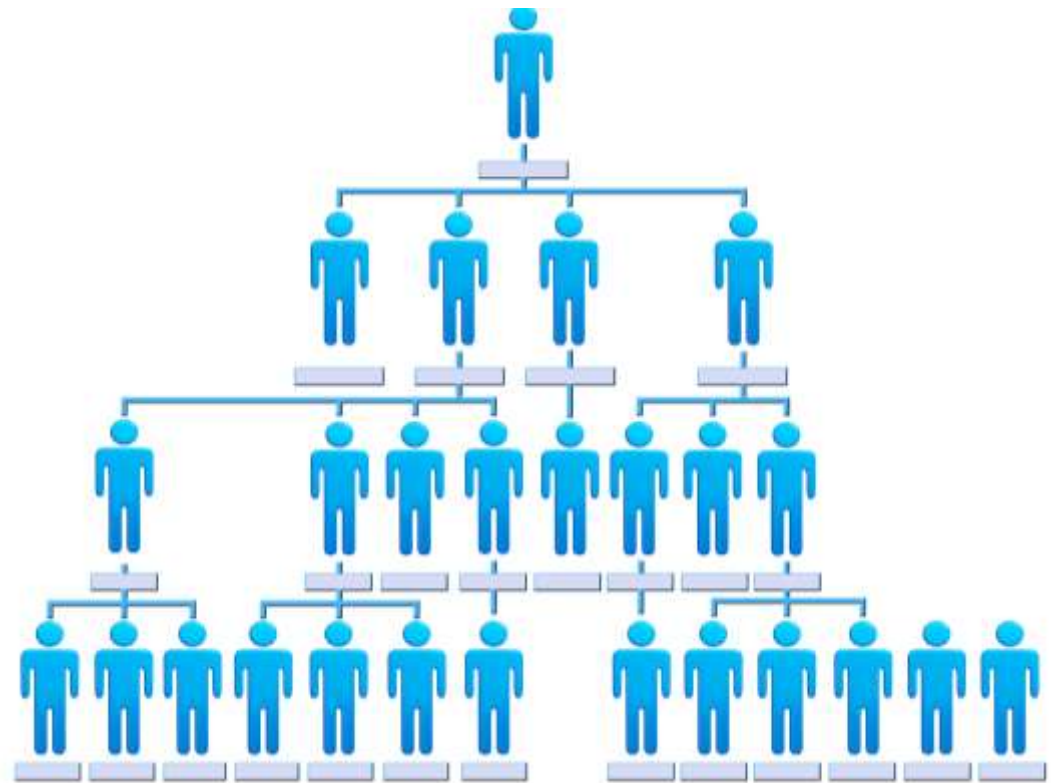
- Then we go back to the office
- And budgets get cut
- And other responsibilities get added



# Before we sell planned giving to donors, we've got to sell it to our organization

Decision-makers might be development director, executive director, board members or others

But let's focus on the toughest customer, the CFO



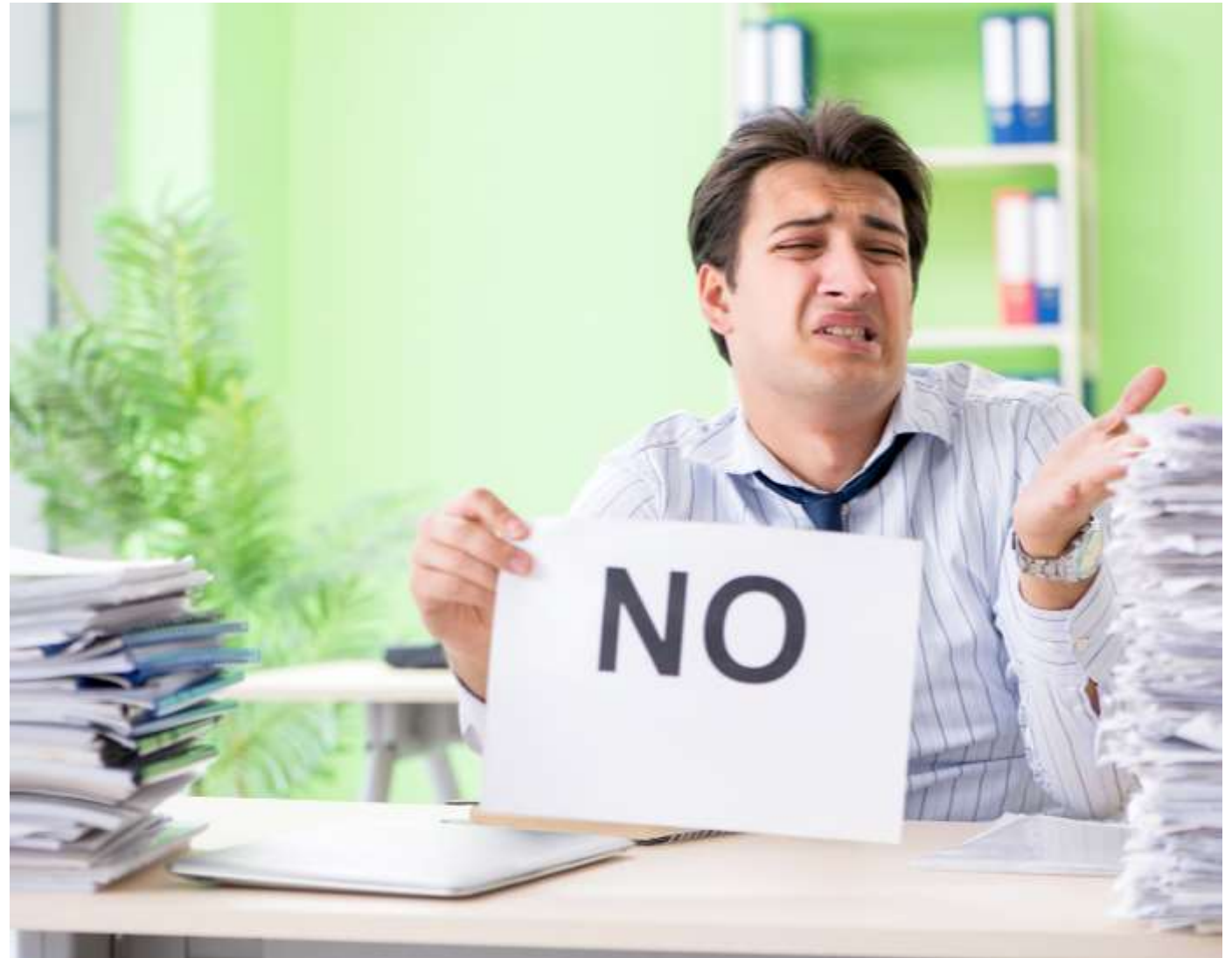


# The target

The risk-averse, herd animal known as the nonprofit CFO

This guy is not a fan of planned gift fundraising

- We'll get to that someday but right now, we've got pressing, urgent needs
- Legacy giving "metrics" are just fundraiser fantasy-land happy-talk
- Donor restrictions are the devil. Blended gifts and complex instruments are just a deeper level of hell. Donor's should just write the check and go away.





# Selling near term results

We need statistics AND we need story



by Russell N. James III\*

I. INTRODUCTION	2
II. THE HEALTH AND RETIREMENT STUDY	3
III. GENERAL DEMOGRAPHIC TRENDS AMONG U.S. POPULATION	
AGED 55+	6
A. Births, Deaths, and Living Persons	6
1. Results	6
2. Discussion	10
B. Childrenless	12
1. Results	12
2. Discussion	13
C. Education	13
1. Results	13
2. Discussion	14
IV. TRENDS IN ESTATE DOCUMENT USAGE AMONG U.S. POPULATION	
AGED 55+	15
A. Document Usage by Age	15
1. Results	15
2. Discussion	16
B. Document Usage by Race and Ethnicity	18
1. Results	18
2. Discussion	19
C. Document Usage by Offspring	20
1. Results	20
2. Discussion	29
D. Document Usage by Education	21
1. Results	21
2. Discussion	22
E. Document Usage by Gender and Marital Status	23
1. Results	23
2. Discussion	24
F. Document Usage by Wealth	25
1. Results	25
2. Discussion	25

1



AMERICAN CHARITABLE BEQUEST TRANSFERS  
ACROSS THE CENTURIES: EMPIRICAL  
FINDINGS AND IMPLICATIONS FOR POLICY  
AND PRACTICE

Received 12 January 2007

II	Interests and Values	194
A	Personal Issues (I, II, & Personal Beliefs)	194
1	History and Continuity	194
2	Prologue: Early 1900s	194
3	"The Old and New Century: 1900-1910"	194
4	"The New Century: 1910-1920"	194
5	"The Old and New Century: 1920-1930"	194
6	"The New Century: 1930-1940"	194
7	"The Old and New Century: 1940-1950"	194
8	"The New Century: 1950-1960"	194
9	"The Old and New Century: 1960-1970"	194
10	"The New Century: 1970-1980"	194
11	"The Old and New Century: 1980-1990"	194
12	"The New Century: 1990-2000"	194
13	"The Old and New Century: 2000-2010"	194
14	"The New Century: 2010-2020"	194
15	"The Old and New Century: 2020-2030"	194
16	"The New Century: 2030-2040"	194
17	"The Old and New Century: 2040-2050"	194
18	"The New Century: 2050-2060"	194
19	"The Old and New Century: 2060-2070"	194
20	"The New Century: 2070-2080"	194
21	"The Old and New Century: 2080-2090"	194
22	"The New Century: 2090-2100"	194
23	"The Old and New Century: 2100-2110"	194
24	"The New Century: 2110-2120"	194
25	"The Old and New Century: 2120-2130"	194
26	"The New Century: 2130-2140"	194
27	"The Old and New Century: 2140-2150"	194
28	"The New Century: 2150-2160"	194
29	"The Old and New Century: 2160-2170"	194
30	"The New Century: 2170-2180"	194
31	"The Old and New Century: 2180-2190"	194
32	"The New Century: 2190-2200"	194
33	"The Old and New Century: 2200-2210"	194
34	"The New Century: 2210-2220"	194
35	"The Old and New Century: 2220-2230"	194
36	"The New Century: 2230-2240"	194
37	"The Old and New Century: 2240-2250"	194
38	"The New Century: 2250-2260"	194
39	"The Old and New Century: 2260-2270"	194
40	"The New Century: 2270-2280"	194
41	"The Old and New Century: 2280-2290"	194
42	"The New Century: 2290-2300"	194
43	"The Old and New Century: 2300-2310"	194
44	"The New Century: 2310-2320"	194
45	"The Old and New Century: 2320-2330"	194
46	"The New Century: 2330-2340"	194
47	"The Old and New Century: 2340-2350"	194
48	"The New Century: 2350-2360"	194
49	"The Old and New Century: 2360-2370"	194
50	"The New Century: 2370-2380"	194
51	"The Old and New Century: 2380-2390"	194
52	"The New Century: 2390-2400"	194
53	"The Old and New Century: 2400-2410"	194
54	"The New Century: 2410-2420"	194
55	"The Old and New Century: 2420-2430"	194
56	"The New Century: 2430-2440"	194
57	"The Old and New Century: 2440-2450"	194
58	"The New Century: 2450-2460"	194
59	"The Old and New Century: 2460-2470"	194
60	"The New Century: 2470-2480"	194
61	"The Old and New Century: 2480-2490"	194
62	"The New Century: 2490-2500"	194
63	"The Old and New Century: 2500-2510"	194
64	"The New Century: 2510-2520"	194
65	"The Old and New Century: 2520-2530"	194
66	"The New Century: 2530-2540"	194
67	"The Old and New Century: 2540-2550"	194
68	"The New Century: 2550-2560"	194
69	"The Old and New Century: 2560-2570"	194
70	"The New Century: 2570-2580"	194
71	"The Old and New Century: 2580-2590"	194
72	"The New Century: 2590-2600"	194
73	"The Old and New Century: 2600-2610"	194
74	"The New Century: 2610-2620"	194
75	"The Old and New Century: 2620-2630"	194
76	"The New Century: 2630-2640"	194
77	"The Old and New Century: 2640-2650"	194
78	"The New Century: 2650-2660"	194
79	"The Old and New Century: 2660-2670"	194
80	"The New Century: 2670-2680"	194
81	"The Old and New Century: 2680-2690"	194
82	"The New Century: 2690-2700"	194
83	"The Old and New Century: 2700-2710"	194
84	"The New Century: 2710-2720"	194
85	"The Old and New Century: 2720-2730"	194
86	"The New Century: 2730-2740"	194
87	"The Old and New Century: 2740-2750"	194
88	"The New Century: 2750-2760"	194
89	"The Old and New Century: 2760-2770"	194
90	"The New Century: 2770-2780"	19

1. *Investment and Financing: A practical approach* (University of Cambridge Institute for Advanced Studies, Cambridge, 1998) (Cambridge, 1998). 2. *Investment and Financing: A practical approach* (University of Cambridge Institute for Advanced Studies, Cambridge, 1998) (Cambridge, 1998).

274

## David H. James, III

Traditionally, empirical analysis of estate planning has been limited to data from probate or estate tax records along with occasional miscellaneous surveying of estate plans or opinions. Additionally, the internal law annotations used to inform convenience samples of estate taxes. However, each of these sources has profound biases. Estate tax returns include only the wealthiest estates, and individual-level data is confidential. Probate data is time-consuming to access and includes information only for one specific location. Popular internet panels, although potentially useful for convenience, are not nationally representative.

[illegible]

UC DAVIS LAW REVIEW

Copyright © 2012 John Wiley & Sons, Inc. Working and/or Publishing Office in  
 Financial Times and Banking, Texas Tech University, P.O. Box 59099, Lubbock,  
 Texas 79409-0999, U.S.A. Telephone: (806) 742-1234. Fax: (806) 742-1235.  
 E-mail: [info@ttu.edu](mailto:info@ttu.edu). Website: [www.ttu.edu](http://www.ttu.edu).  
 Printed in the United States of America. All rights reserved. No part of this  
 publication may be reproduced, stored in a retrieval system, or transmitted, in  
 any form or by any means, electronic, mechanical, photocopying, recording,  
 or by any information storage or retrieval system, without permission in writing  
 from the publisher.

1942

# Highlights of statistics from three law review articles

Please connect  
with me on  
LinkedIn or send  
an email for a copy  
of these (and  
other) articles



## The story: Gifts of assets not income

- The single most powerful donor transformation is to shift donations from disposable income to wealth
- Changes size of reference points
- Makes wealth donation-relevant (mental accounting)
- The first gift from wealth (not income) changes the future mindset





# Words have power

The story: Gifts  
of assets not  
income

- Stop selling leadership on “planned giving”
- Start selling them on “major gifts of assets”
- It’s big. It’s now (and later). It’s not “death talk.”

# The statistics: Gifts of assets not income

A study of one million nonprofit tax returns over six years shows that shifting to gifts of noncash assets drives total fundraising growth in every nonprofit sector, at every fundraising size, in every time period (same year, 3 years later, and 5 years later)

## Cash is not king for fund-raising: Gifts of noncash assets predict current and future contributions growth

Russell N. James III

Department of Behavioral Finance Planning, Texas Tech University, Lubbock, Texas  
Correspondence:  
Russell N. James, Texas Tech University, Director of Executive Studies in Charitable Planning, Box 40210, Lubbock, TX 79406-0210  
Email: russell.james@ttu.edu

Both fund-raising practitioners' advice and theoretical concepts from behavioral economics suggest that encouraging gifts of noncash assets may increase charitable giving. This paper analyzes data from 1,055,917 nonprofit tax returns (IRS Form 990) filed electronically for the tax years 2010–2016 to explore the association between various types of noncash gifts and organizational contributions growth. Compared with organizations starting at the same general contributions level in 2010 that reported only cash contributions in 2010, (a) those reporting any noncash contributions in 2010 received 41% more general contributions 5 years later, and (b) those reporting any intangible personal property contributions (mostly securities) in 2010 received 306% more general contributions 5 years later. A fixed effects regression incorporating all years of data demonstrates that decreasing the share of contributions coming from cash (i.e., increasing the share from noncash assets) was strongly associated with contemporaneous contributions growth. The largest growth accompanied increases in the share of contributions from nonpublicly-traded securities and real estate. Relatively smaller or insignificant changes were observed when increasing the share of contributions from household goods, clothing, food, books, and collectibles. Shifting contributions from cash to noncash assets, particularly asset types representing substantial wealth, was strongly associated with contributions growth.

**KEYWORDS**  
charitable giving, fund-raising, IRS Form 990, philanthropy, planned giving



## Nonprofit Management & Leadership

VOLUME 31 NUMBER 4 FALL 2018

WILEY

Wiley Online Library

## Cash is Not King in Fundraising: Results from 1 Million Nonprofit Tax Returns

Professor Russell James III, J.D., Ph.D., CFP®  
Director of Executive Studies in Charitable Financial Planning  
Texas Tech University

Source: 1,055,917 nonprofit tax returns (IRS Form 990) filed electronically for the tax years 2010–2016 (analysis of 50% with potential analysis of the 50% from 2010–2016) nonprofit organizations reporting contributions growth

5-year average growth in total fundraising		
NONPROFITS reporting ONLY CASH gifts	NONPROFITS reporting ANY NONCASH gifts	NONPROFITS reporting SECURITIES NONCASH gifts
11% GROWTH	50% GROWTH	66% GROWTH

Nonprofits that effectively grow contributions income can differ in many ways, but simply knowing what type of gifts an organization uses is a surprisingly powerful indicator. For example, nonprofits raising over \$1 million in 2010 that reported only cash gifts as their nonprofit tax returns in 2010 and 2015 experienced an average total growth in contributions of 11% over those five years, barely keeping up with total inflation of 6%. In contrast, those reporting any noncash gifts in 2010 and 2015 grew their total contributions, on average, 50% over the same five-year period. Those specifically reporting noncash gifts of securities grew 66%. Thus, nonprofit organizations consistently receiving gifts of stocks or bonds grew their contributions six times faster than those receiving only cash. Although 2010–2015 is the longest period with complete data, the results are not specific to just those years. For example, the 3-year rolling average total contributions growth ending in '13, '14, '15, and '16 was 5%, 14%, 26% & 0%, respectively, for nonprofits taking only cash gifts, but 34%, 30%, 35% & 25% for nonprofits taking any noncash gifts, and 44%, 42%, 38% & 33% for nonprofits taking noncash gifts of securities.

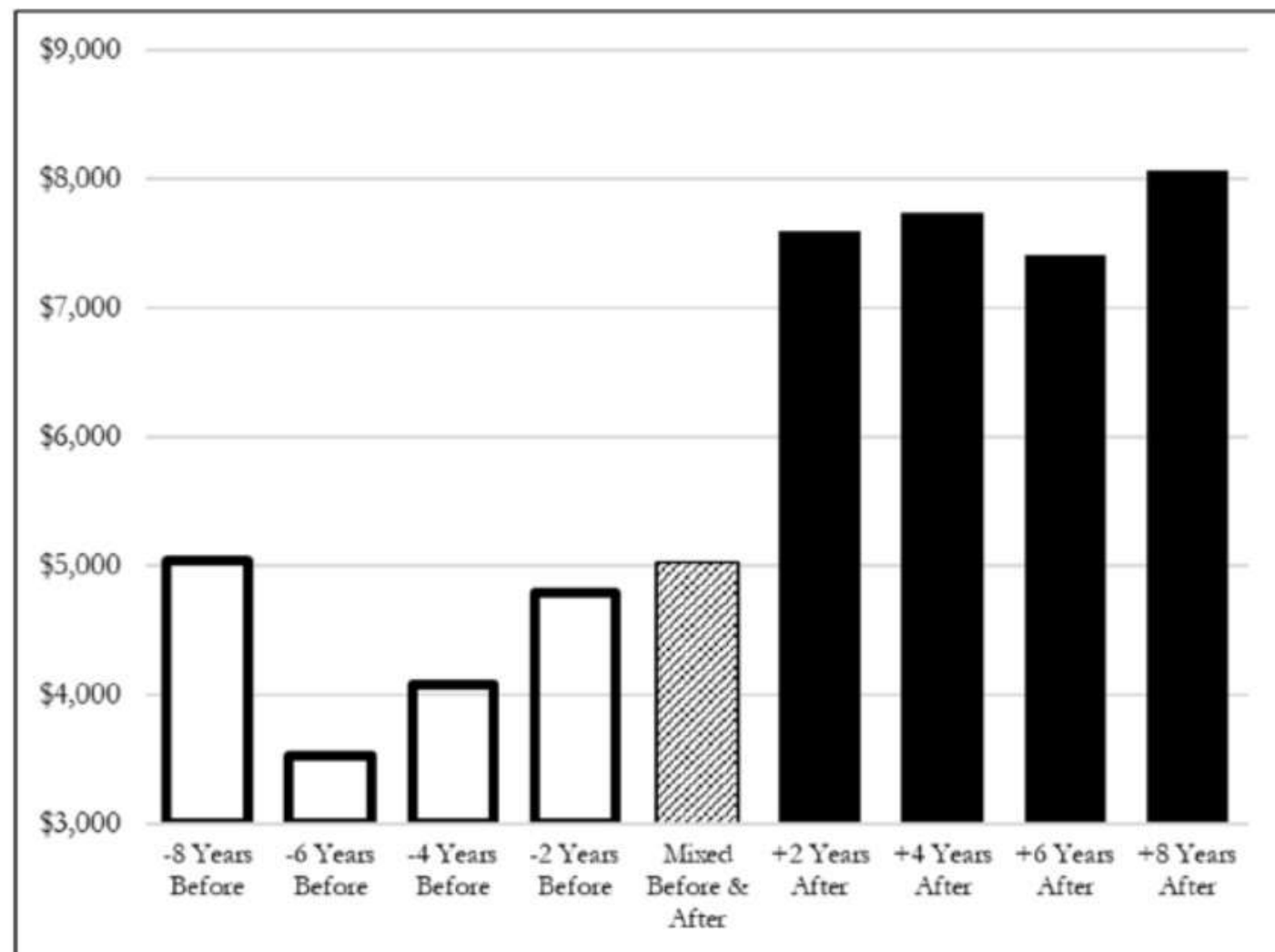
5-year average total fundraising growth by initial total fundraising size		
ONLY CASH gifts	ANY NONCASH gifts	SECURITIES NONCASH gifts
14%	47%	65%
14%	47%	65%
14%	47%	65%
14%	47%	65%
14%	47%	65%

**This applies to nonprofits at all fundraising levels:**  
These results show a dramatic difference overall, but how does this apply to organizations starting at different initial fundraising levels? The second figure shows that, regardless of an organization's starting contributions level, those nonprofits consistently taking gifts of noncash assets – and particularly gifts of securities – grow total contributions much faster than those relying solely on cash. Thus, the power of noncash gifts to predict long-term fundraising growth applies to nonprofit organizations at every fundraising level.

What happens IN THE SAME YEAR when gifts shift from cash to assets?		
CASH GROWTH	ANY NONCASH GROWTH	SECURITIES NONCASH GROWTH
-13%	+18%	+26%

Beyond receiving some noncash gifts, what happens when contributions shift towards a larger share of cash gifts or a larger share of noncash gifts? To answer that question, this analysis used all 26,143 of the 1,055,917 nonprofit tax returns that reported positive contributions, and compared organizations only with themselves at different points in time. Still in the same organizations, when the share of total contributions coming from cash grew by 10%, total contributions in that same year, on average, fell by 13%. For example, if an organization taking \$10 million with 68% of donations coming from cash experienced a shift to 80% cash donations in the following year, then it should also expect total contributions to fall 13% to \$8.7 million in that same year. In contrast, if the organization experienced a 10% shift in contributions from cash to noncash assets, total contributions should rise 18% to \$11.8 million in that same year.

Figure 1. Average Annual Charitable Donations Before and After Adding Charity to an Estate Plan



The statistics:  
Gifts of assets not  
income



UC DAVIS LAW REVIEW

### The Emerging Potential of Longitudinal Empirical Research in Estate Planning: Examples from Charitable Bequests

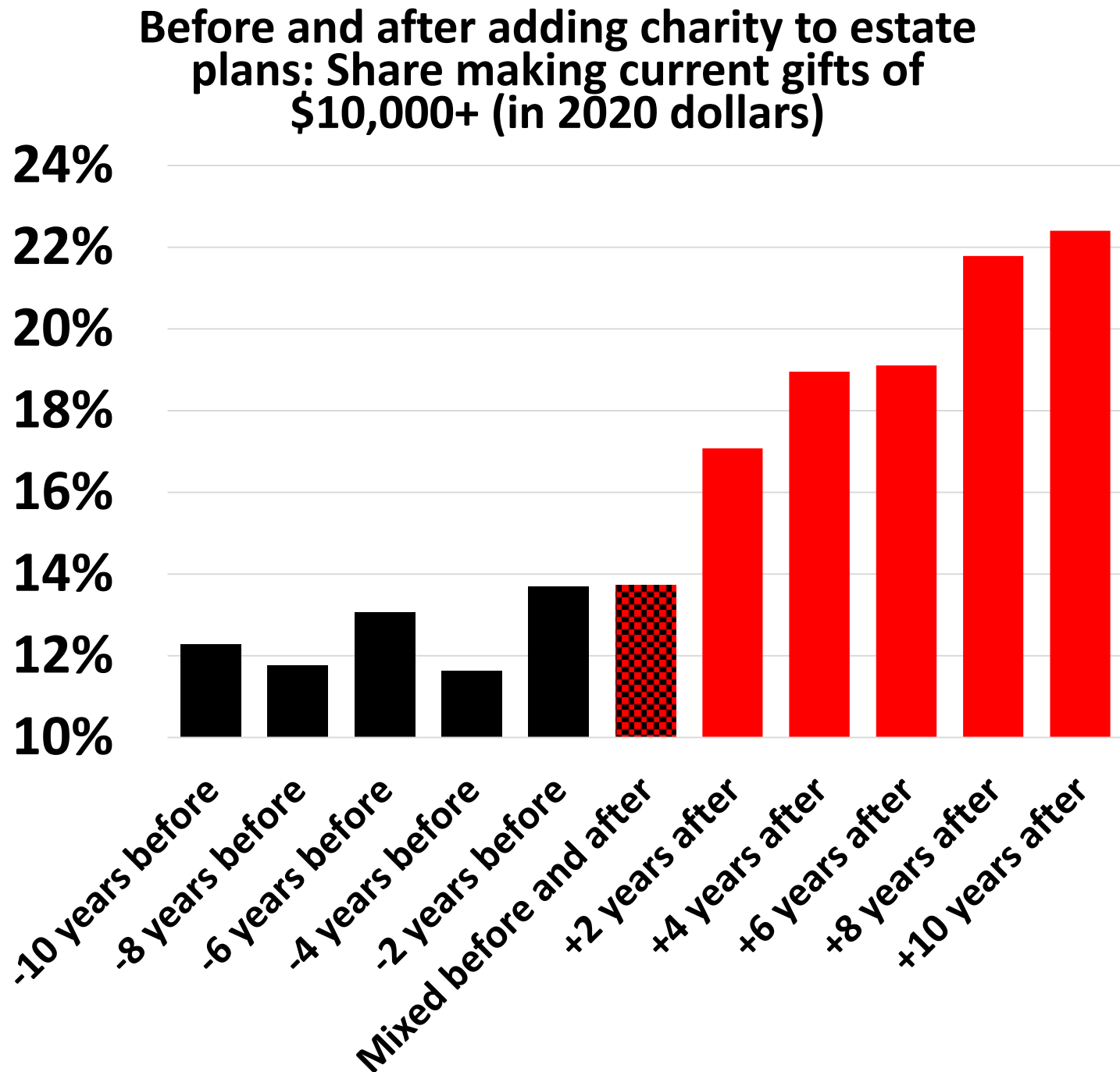
Russell N. James III\*

Traditionally, empirical analysis of estate planning has been limited to data from probate or estate tax records along with occasional one-time surveys of current plans or opinions. Additionally, the internet now allows easy access to online convenience samples of survey-takers. However, each of these sources has problematic features. Estate tax returns include only the wealthiest estates, and individual-level data is confidential. Probate data is time-consuming to access and includes information only for one specific location. Popular internet panels, although potentially useful for experiments, are not nationally representative.

Today, an important additional source of data, The Health and Retirement Study ("HRS") is available. It provides high-quality, nationally representative, longitudinal information on participants' estate planning. It not only tracks changes throughout the participants' lives but also includes details of subsequent post-mortem transfers. Critically, this study, originating in 1992, has now accumulated a sufficient number of deceased participants (over 14,000) to permit sophisticated analyses of post-mortem wealth transfers. This Article reviews the advantages of HRS data for empirical research in estate planning and demonstrates the new types of analyses that are now possible. It does so by comprehensively outlining current knowledge regarding charitable bequests gleaned from both new and previous analyses of this data. By illustrating how much this data can illuminate one particular estate planning decision (charitable bequests), this Article is intended to spur those interested in the empirical analysis of estate planning to make further use of it.

\* Copyright © 2020 Russell N. James III, Professor and CH Foundation Chair in Personal Financial Planning, Texas Tech University; B.A., Economics, Ph.D., Consumer Economics, University of Missouri-Columbia; J.D., University of Missouri School of Law.

Major giving  
propensity  
increases  
after  
including  
charity in  
the estate  
plan





—  
The magical  
strategy:  
You're losing!

- Remember these are risk-averse herd animals
- Show them someone who is doing it better
- The day they let a tenured professor talk to the foundation board at Texas Tech...



	2017 Texas Tech Foundation	2017 Iowa State Foundation
Cash contributions	\$63,495,539	\$73,406,700
<b>Noncash contributions</b>	<b>\$7,475,636</b>	<b>\$109,538,183</b>
Total contributions	\$70,971,175	\$182,944,883
Noncash share	10%	60%
Publicly traded securities	X	X
Closely held securities	-	X
Partnerships, LLC, trust interests	-	X
Miscellaneous securities	-	X
Residential real estate	-	X
Commercial real estate	-	X
Art	-	X
Historical Art	-	X
Books	-	X
Collectibles	-	X
Historical Artifacts	-	X
Other-Grain, Gold, Life Insurance	<b>1 gift</b>	<b>102 gifts</b>

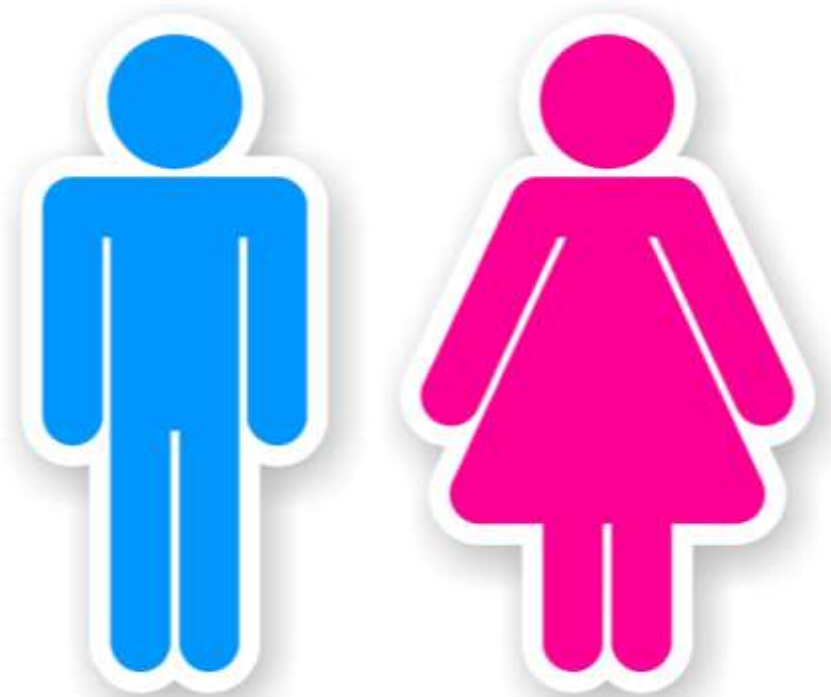
Charity Name	Rank	Fundraised income	A/c Year	*Legacies	*Donations	*Gifts in kind	*Undiv vol
Cancer Research UK	1	368.171	Mar-09	156.708	133.862	0	0.777
Oxfam	2	189.800	Apr-09	10.500	61.800	20.000	30.400
British Heart Foundation	3	175.462	Mar-09	50.322	30.583	0	0
Royal National Lifeboat Institution	4	146.900	Dec-08	94.500	0	0	52.400
NSPCC	5	126.788	Mar-09	20.654	98.468	0	0
Macmillan Cancer Support	6	119.727	Dec-08	45.434	26.045	0.612	30.975

Why is legacy fundraising investment so much stronger in the UK?

- They know who is winning
- They know who is losing
- They know who to copy
- “Best practices” aren’t just “practices”

We can't see it precisely,  
but you have competition

Among charitable decedents in  
1998, females, on average,  
supported 4.0 charitable  
organizations, while males  
supported 3.0 organizations.







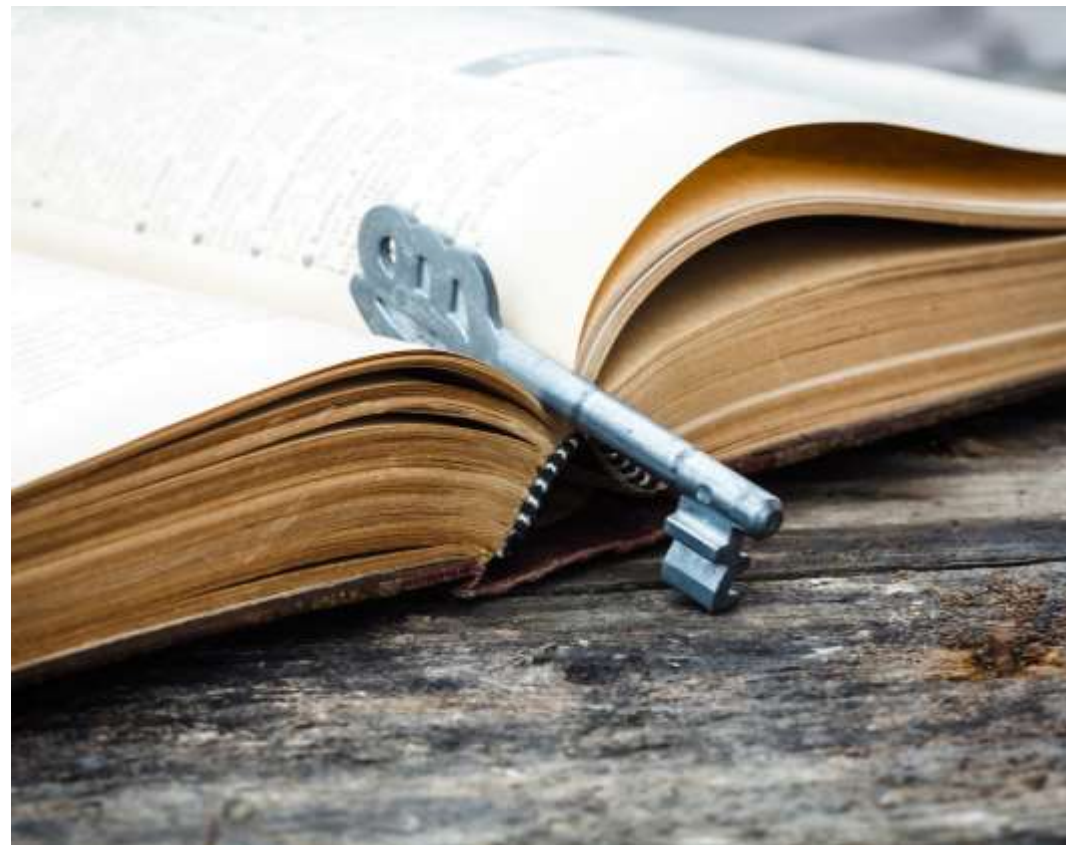
You have competition

Among charitable estate tax returns filed in 2003, 38% gave to only one charitable organization, 30% gave to two, 32% gave to three or more, and only 5% gave to 10 or more, for an overall average of 3.5 organizations.

# Selling long term results

---

## Statistics and story



Legacy gifts are massive because it's how rich people give





Legacy giving for the YOUNG  
and the OLD

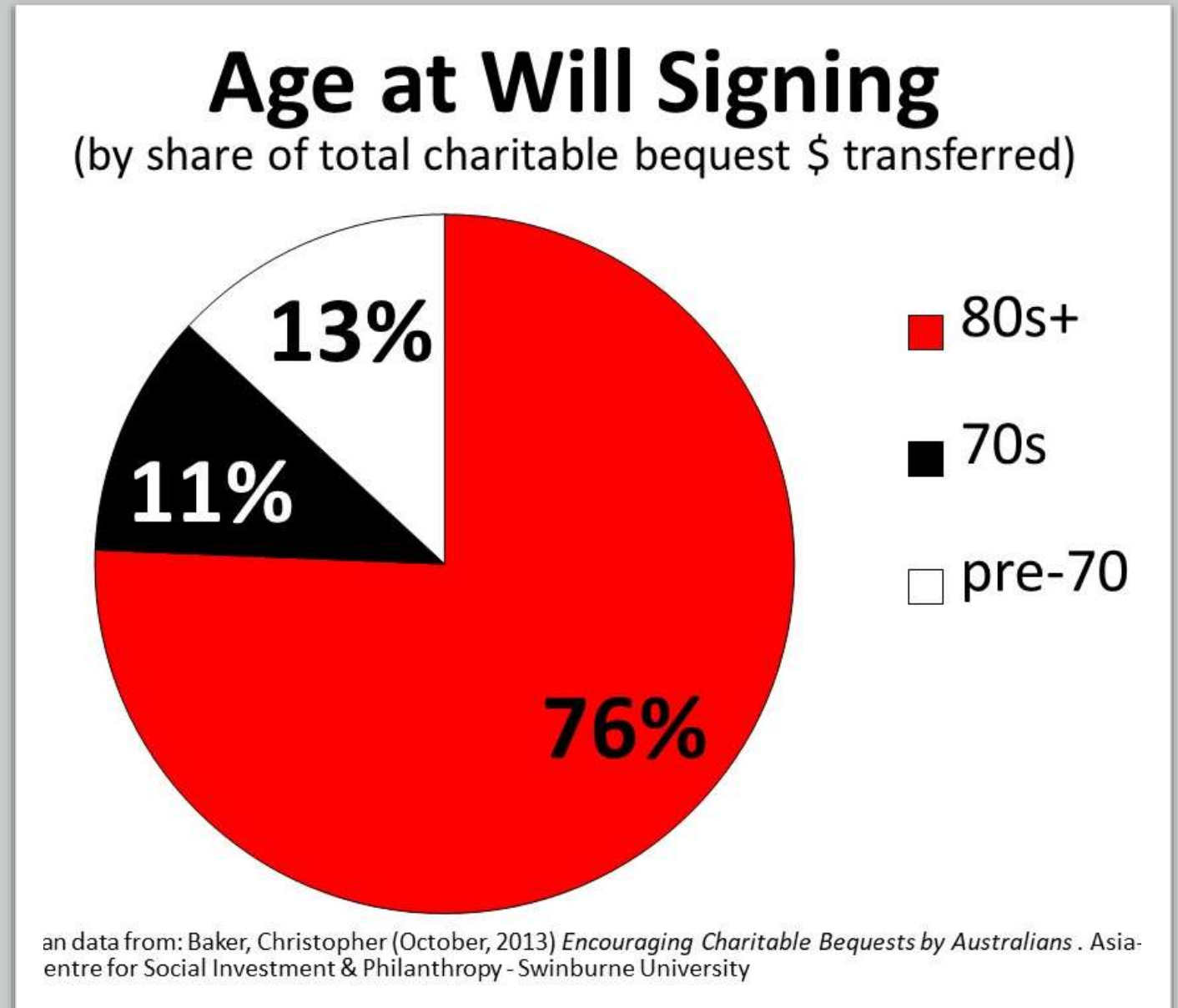
We want to have  
the conversations  
EARLY because it  
helps current  
giving.

We want to  
continue the  
conversations LATE  
because it helps  
estate giving.



It's about decisions made near the end of life

A national sample of Australian wills found that 76% of charitable bequest dollars were controlled by will documents signed at age 80 or older





It's about decisions made  
near the end of life

In the U.S., 61% of  
charitable  
decedents  
indicated having no  
charitable estate  
component at  
some point within  
the last five years  
of their lives

	Years prior to death								
	0-2	3-4	5-6	7-8	9-10	11-12	13-14	15-16	17-18
<u>Charitable Bequest Decedents</u>									
Donate \$1,000+/Year	39.3%	39.7%	43.6%	49.1%	52.7%	53.4%	53.3%	53.9%	56.9%
Volunteer 2+ Hours/Week	10.6%	15.4%	16.1%	21.0%	26.4%	26.1%	26.4%	31.7%	37.0%
20-Word Recall Score	7.26	7.98	8.52	8.85	9.05	9.71	10.17	10.61	10.49
<u>Non-Charitable Bequest Decedents</u>									
Donate \$1,000+/Year	16.5%	19.1%	20.5%	22.5%	23.4%	24.8%	25.2%	27.0%	27.8%
Volunteer 2+ Hours/Week	5.0%	7.0%	9.3%	10.5%	12.7%	13.4%	14.3%	15.5%	15.9%
20-Word Recall Score	7.13	7.38	7.84	8.25	8.71	9.02	9.40	9.68	10.04

# The current system is designed to fail



- Communicating based on recency of donation is precisely the wrong approach
- Answer: Commit SEPARATE resources to age-stratified communication
- ROI arrives much faster





# Use metrics that “work”

---

- If fantasy works, sell fantasy
- If reality works, sell reality
- For example, double discounting

# Double discounting\*

1. Multiply estimated gift amount by the IRS remainder value factor for irrevocable gift to adjust for age
2. Multiply by the same factor again to incorporate risk of revocation (credit for reconfirmation)

\$100k revocable gift (2% AFR) age 70 = \$58,156

*[IRS Remainder .76260 x .76260 = .58156]*

Reconfirmed by personal visit at 77 = \$68,345

Reconfirmed by personal visit at 85 = \$78,778



\* This concept was invented by Mick Koster at Carnegie Mellon University

# Selling donor “instructions”

---



# Large gifts come with lots of instructions



- Instructions make the gift compelling
- They reflect the donor's values, life story, and identity



## Large gifts HAVE ALWAYS come with lots of instructions

In two studies of wills  
from the 1800s,  
charitable bequests were  
restricted in

- 14% of small cash gifts
- 58% of real estate or  
large cash gifts
- 70% of gifts of a share  
of the entire estate

James III, R. N. (2020).  
American Charitable Bequest  
Transfers across the Centuries:  
Empirical Findings and  
Implications for Policy and  
Practice. *Estate Planning &  
Community Property Law  
Journal*, 12, 235-285.





Gift restrictions  
make the gifts  
larger

The instructions make the gift compelling



Include instructions reflecting the donor's identity

- The most extreme version of gift instructions: Foundations, funds, and trusts.
- Pages of detailed instructions controlling the gift for decades or even generations



We have competition for  
instructions: The private family  
foundation

Among decedents  
in 2004 and 2007  
with estates of  
more than \$5  
million, the share  
of charitable  
dollars going to  
private  
foundations was  
70% and 78%,  
respectively

78%



# The magic follow-up question for escalating estate gifts

---

- “Have you ever thought about how you would like your gift to be used?”
- Share stories about a planned gift from another donor of a specific size (e.g., endowing a particular item)



# Story and Statistics

## Story:

- Gifts from wealth, not disposable income
- Major gifts of assets not planned giving
- The competition is winning

## Statistics:

- Gifts of assets drive near term fundraising growth
- Gifts in wills drives near term fundraising growth
- Wealthy people give by planned gifts with detailed instructions





# Selling to the CFO

Statistics and stories to get leadership support for planned gift fundraising