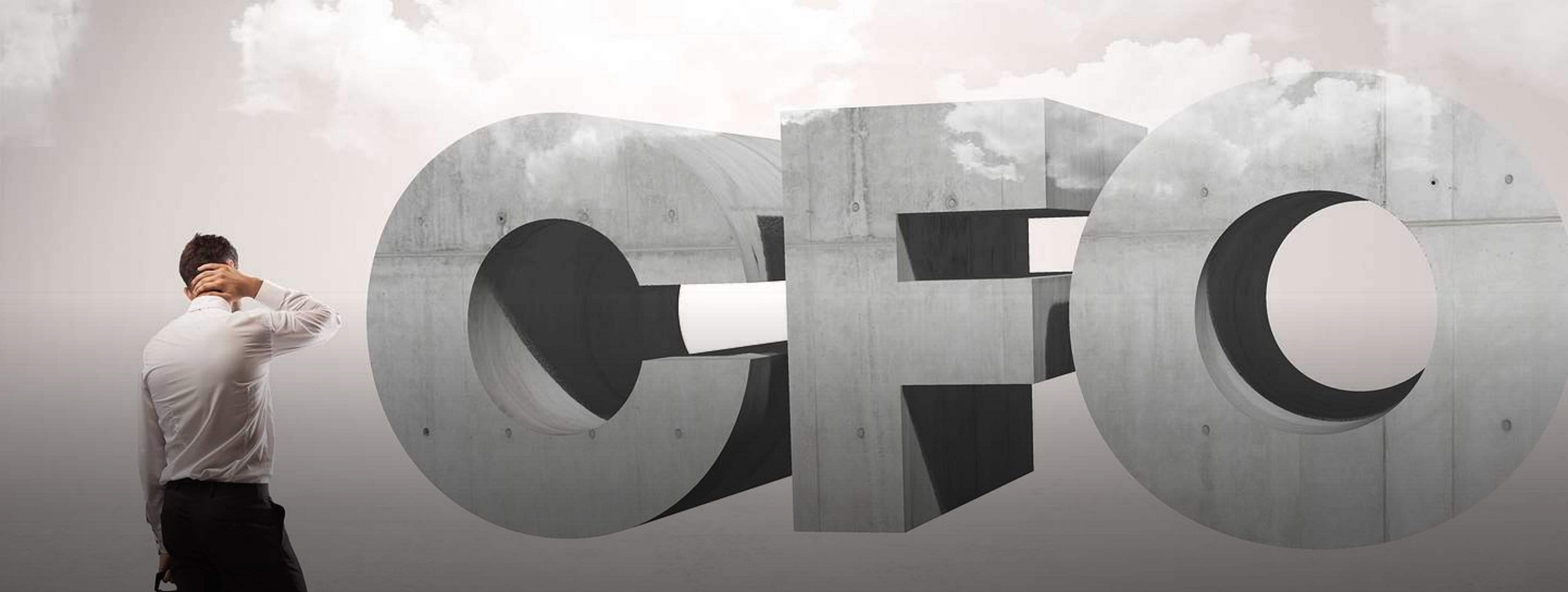


Selling to the CFO

Statistics and stories to get leadership support for planned gift fundraising

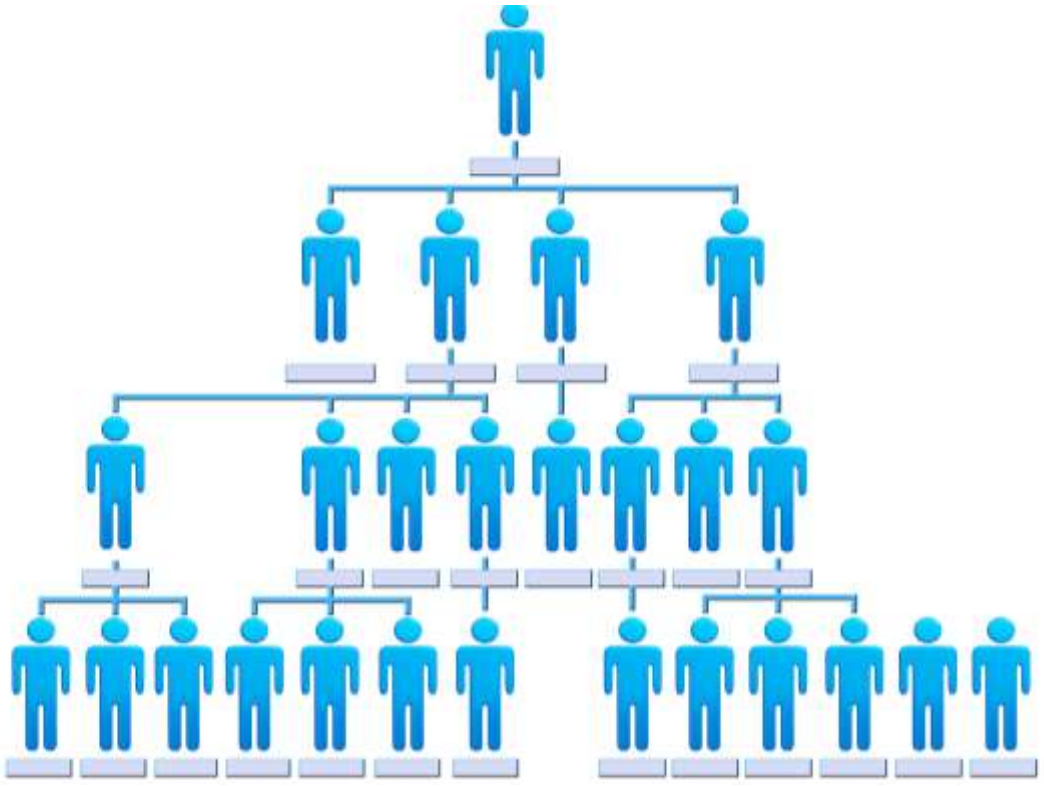
Planned giving conferences are great!

- 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

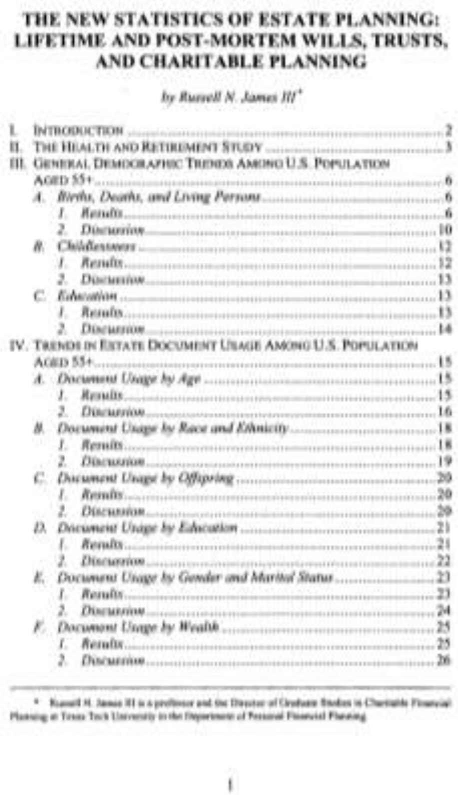
The risk-averse, herd animal known as the nonprofit CFO

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



THE NEW STATISTICS OF ESTATE PLANNING: LIFETIME AND POST-MORTEM WILLS, TRUSTS, AND CHARITABLE PLANNING

by Russell N. James III*

* Russell N. James III is a professor and the Director of Graduate Studies in Charitable Financial Planning at Texas Tech University in the Department of Personal Financial Planning.

1

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

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

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

The story: Gifts of assets not income

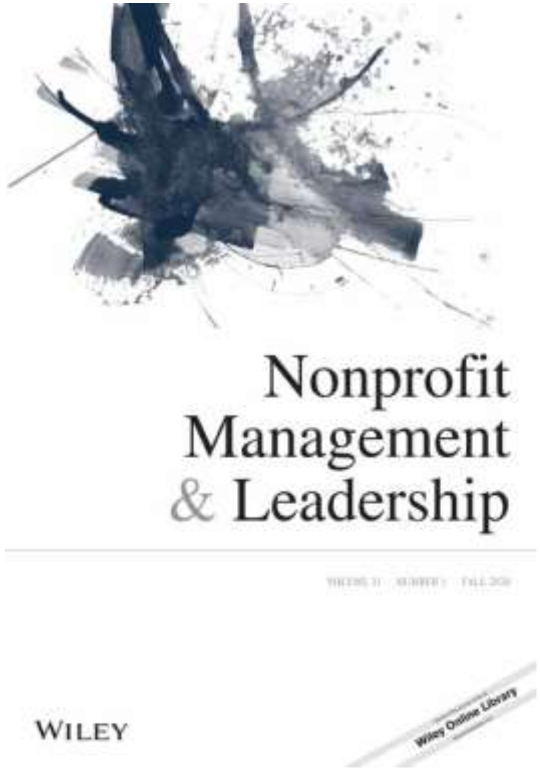
- Stop selling leadership on “planned giving”
- Start selling them on “major gifts of assets”
- It’s big. It’s now (and later). It’s not “death talk.”

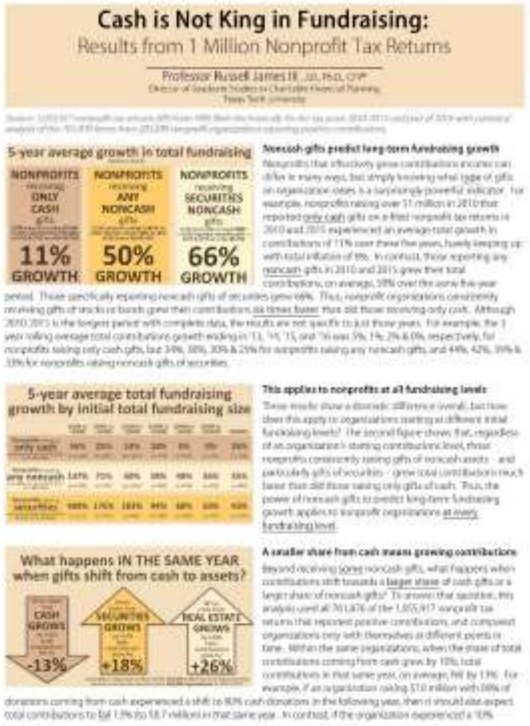
The statistics: Gifts of assets not income

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

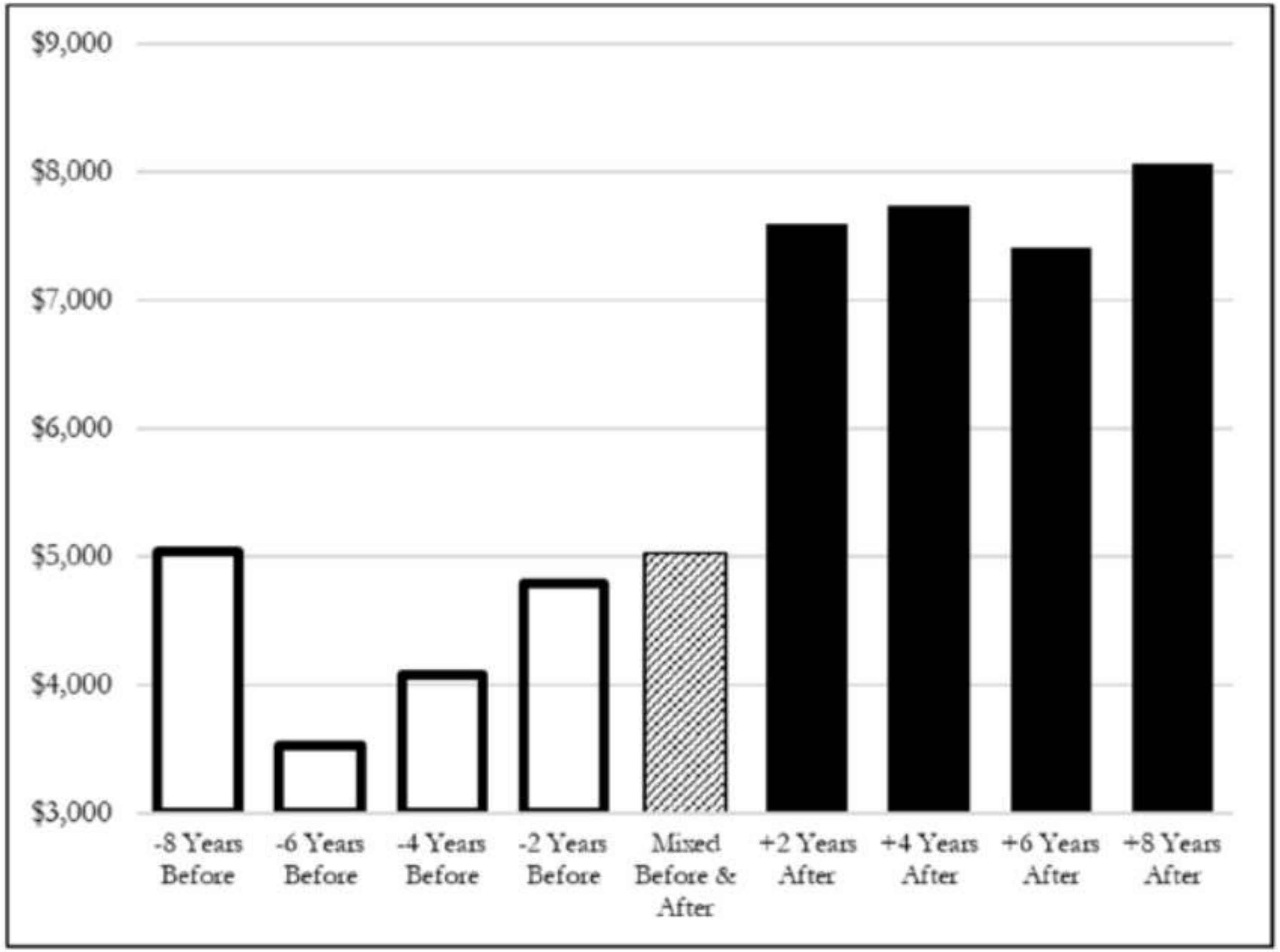
Russell N. James III





The statistics: Gifts of assets not income

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



UC DAVIS LAW REVIEW

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

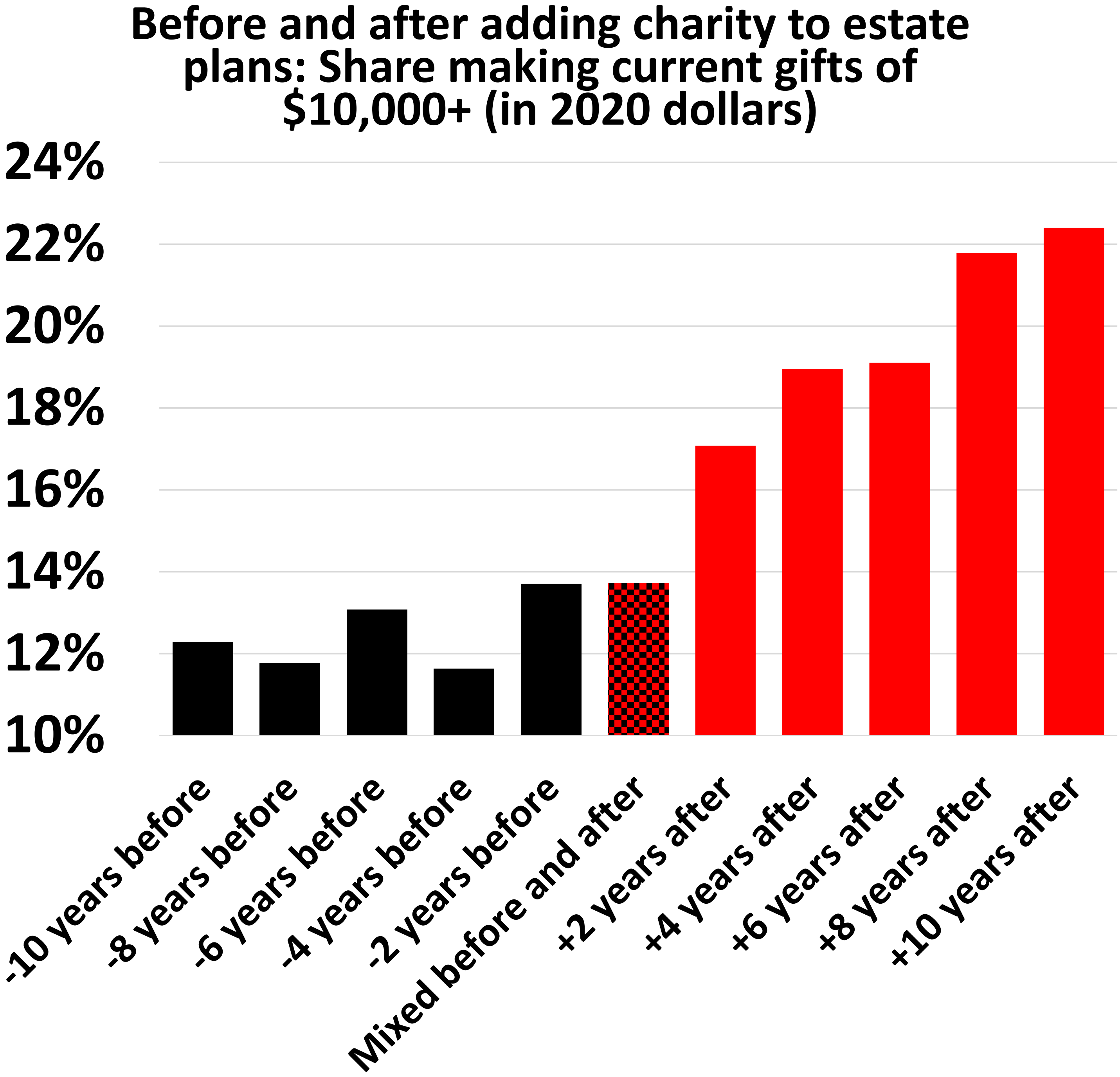
Russell N. James III*

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.

 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.

<u>Major giving</u> propensity increases after including charity in the estate plan



Data from 1992-2016 Health and Retirement Study

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
Noncash contributions	**$7,475,636**	**$109,538,183**
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	**1 gift**	**102 gifts**

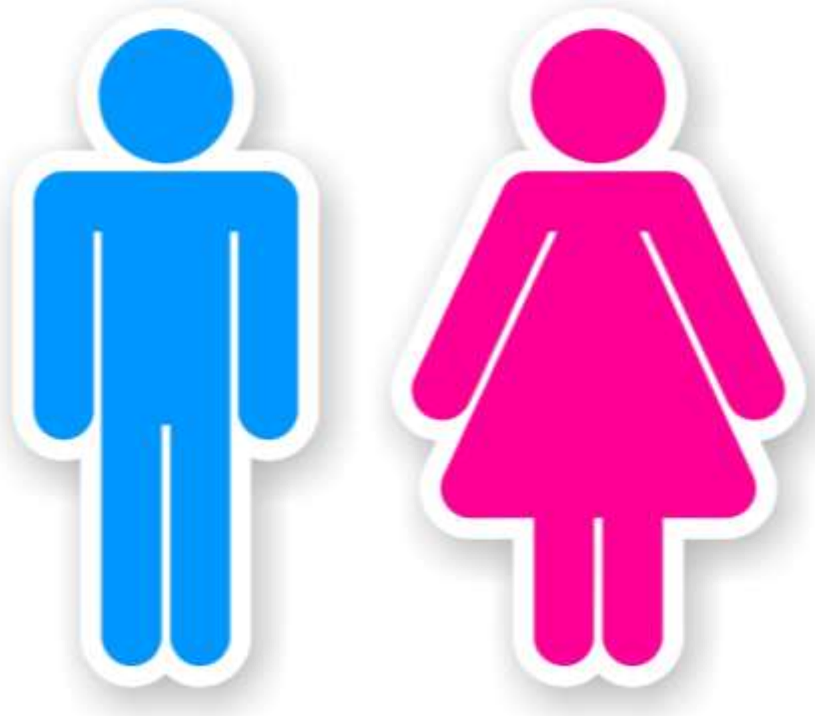
Charity Name	Rank	Fundraised income	A/c Year	*Legacies	*Donations	*Gifts in kind	*Undiv vol
Cancer Research UK	1	368.171	Mar-09	156.708	133.862	0	0.777
Oxfam	2	189.800	Apr-09	10.500	61.800	20.000	30.400
British Heart Foundation	3	175.462	Mar-09	50.322	30.583	0	0
Royal National Lifeboat Institution	4	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

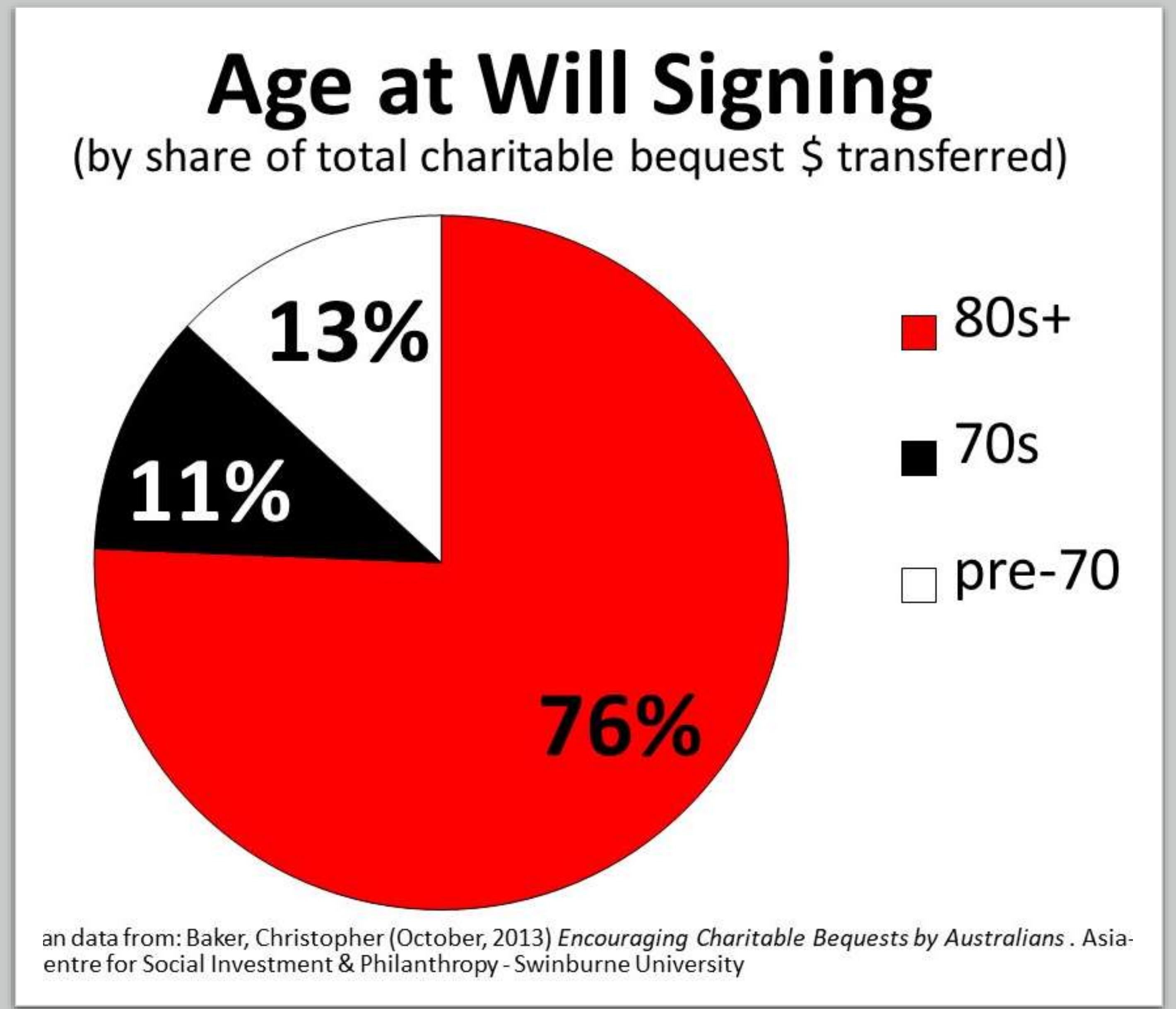
Legacy giving for the YOUNG and the OLD

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

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.

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

Gift restrictions make the gifts larger

The instructions make the gift compelling

Helms, S. E., Scott, B. L., & Thornton, J. P. (2012). Choosing to give more: Experimental evidence on restricted gifts and charitable behaviour. *Applied Economics Letters, 19*(8), 745-748

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

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)

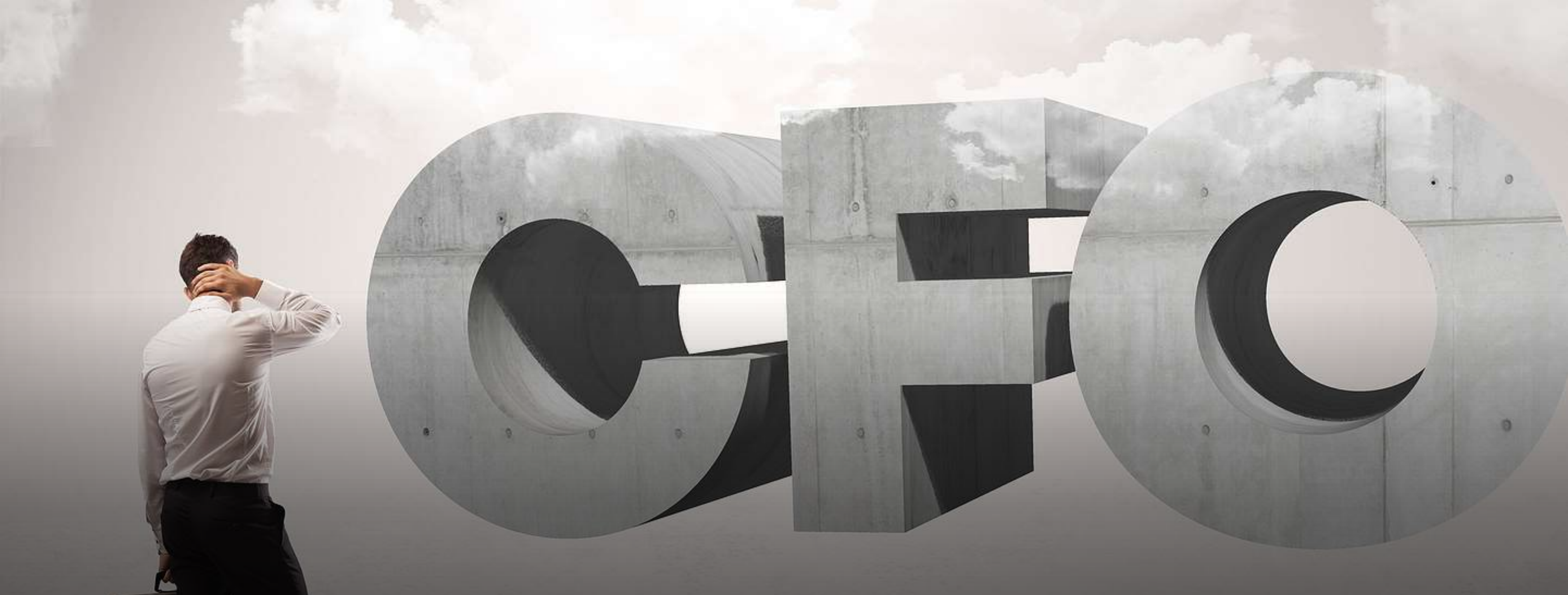
Story and Statistics

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



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Statistics and stories to get leadership support for planned gift fundraising