Planned Giving on a Shoe-String Budget!

Johnne Syverson, CFP® , AEP ®, CAP®
Charitable Giving Resource Center (515) 277-4050

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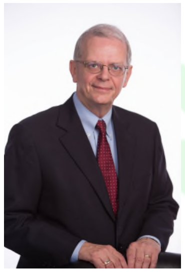

- Has more than 45 years of experience in financial services and planning, specializing in values-based planning for high-net-worth families.
- Is a Certified Financial Planner™ (CFP®) Practitioner and one of only 2,100 practitioners in the United States who is credentialed as an Accredited Estate Planner (AEP).
- Johnne serves as a resource to other professionals in the area of charitable tax planning, a strategy that enables individuals to increase their income, reduce taxes, and preserve their estate for their heirs and the charities of their choice.
- He was one of the first practitioners in the nation to be awarded the Chartered Advisor in Philanthropy® (CAP®) designation.
- Is a past president of the Polk County Estate Planning Council, past president of the central Iowa chapter of Financial Planning Association (FPA), past president of the Mid-Iowa Planned Giving Council, and past president of the International Association of Advisors in Philanthropy (IAiP).
- Holds a Master of Science degree in Financial Services (MSFS) from the American College in Bryn Mawr, PA.

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Agenda

- Wealth Transfer Overview
- Planned Giving Defined and Simplified
- Three-Pronged Approach Planned Giving Prospecting
- Basic Planned Gift Tools + CGAs and CRTs
- Overcoming Hurdles to Offering Gift Annuities
- Outsourcing CRTs
- Accepting Non-Cash Gifts

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Wealth Transfer Realities

- 1998-2052 (55 Years) Havens and Schervish Report
- Transfer Between $41-136 Trillion (Low End is 2% Growth - High End is 4% Growth)
- Charitable Bequests $6-25 Trillion
- Drivers: Asset Appreciation, Depression Era Savers, Self-Perception of Wealth, Social Capital and Legacy Goals

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Definition:

Planned Giving is a process using tax and financial planning methods allowing the donor to efficiently achieve his/her personal and charitable objectives.

- **Answers:** How should I give or what is the best way to give?
- **Solution:** Lowers the donor's real cost of giving.

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What is a Planned Gift?

- **Gift to charity in a will** (bequests) and through **beneficiary designations**
- **Life income gifts** such as charitable gift annuities, charitable remainder trusts, charitable lead trust, pooled income funds
- **Outright gifts** – particularly of noncash assets: tangible personal property, collections, securities, closely held business interests, land

- Katelyn Quynn and Ronald Jordan, *Planned Giving* (Jossey-Bass, 2009)

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Why Gift Planning?

THE MOST IMPORTANT "WHY"

Gift Planning is donor-centric.

It can be used to:

- **Assist your donors in fulfilling their philanthropic objectives**
- Assist your org in fulfilling its mission
- Diversify your funding sources
- Help build your Endowment

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Annual Giving vs. Planned Giving

Annual/Major Giving	Planned Giving
The Needs Of The **Charity** Are Primary	The Needs Of The **Donor** Are Primary
The **Charity** Receives More Of The Benefits	The **Donor** Receives More Of The Benefits
Charity-Centered	**Donor-Centered**

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A Comparison

- **Annual Gifts**
  - Yearly contribution
  - Gifts of cash made from disposable income
- **Major Gifts**
  - Funded by one-time or pledged gifts
  - Gifts of cash and/or other assets such as appreciated stock or real estate
- **Planned Gifts**
  - Often Received at time of death
  - Made from lifetime accumulated assets of all types

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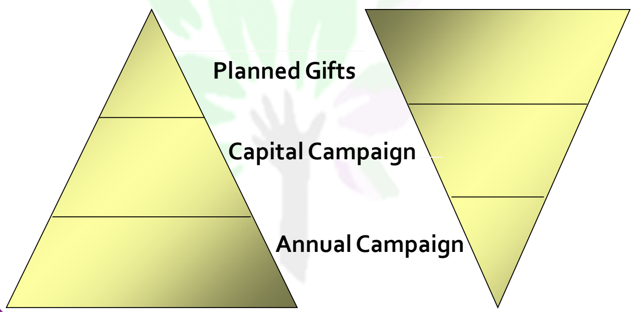
Time Spent & Gift Amounts

Number of Gifts/ Time spent pursuing gifts	Amount Generated from Gifts



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Reasonable Cost Guideline For Solicitation Activities

SOLICITATION ACTIVITY	COST GUIDELINES PER $1.00 RAISED
Direct Mail (acquisition)	**$1.25 - $1.50**
Direct Mail (renewal)	.20 - .25
Special Events	.50
Volunteer-Led Personal Solicitation	.10 - .20
Capital Campaigns	.10 - .20
Planned Giving	**.20 - .30**

Note: Planned gifts are often deferred and can take 5-7 years to break even.

Chart is adapted from *Fundraising Fundamentals* by James Greenfield, cited in BoardSource, "Fundraising Responsibilities of Nonprofit Boards."

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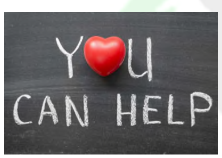
Annual Giving

Sustaining **annual contributions are important** to nonprofit organizations



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However…

The need for current gifts will be no less the day after a donor dies!

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So…

Who will take the donor's place?

"The greatest thing this generation can do is lay a few stepping stones for the next generation."
–Charles F. Kettering

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Endowing Your Annual Gifts

Annual Gift	Endowment Distribution	Amount to Endow Annual Gift = Legacy
$10,000	5%	$200,000
$ 5,000	5%	$100,000
$ 2,500	5%	$ 50,000
$ 1,000	5%	$ 20,000

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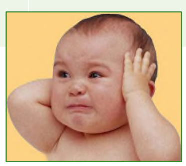
Endowment Goal Example

Nonprofit's Operating Budget	$ 1,000,000
20% of Operating Budget	**$ 200,000**

Nonprofit's Endowment	$4,000,000
5% Endowment Distribution – Required Annual	**$ 200,000**



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By 2030…

"If your nonprofit does not have 20% of its operating budget covered by a 5% endowment distribution, it is probable that it will cease to exist."

SOURCE: Bryan Clontz, Mid Iowa Planned Giving Council Fall Conference 11/2016

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How Do You Build Your Endowment?

By expanding your **Planned Giving Opportunity**

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Three-Pronged Approach to Legacy Gifts Prospecting

Level One – Current/Past Board/Close Friends/Staff
1. Encourage/Strive 100% Participation
2. Provide Easy Solutions

Level Two – Long-Term Donors
1. Develop Lists of Consistent/ "Loyals" Donors (Narrow to 10-50)
2. People You "Know" Have Made a Legacy Gift
3. Couple "ask" with other fundraising efforts, thank you letters, etc.

Level Three – General Donor Community
1. Include Two Boxes on Pledge Cards
2. Include Testimonial Article in Every Newsletter/Magazine
3. Use Special Events as Appreciation/Prospecting Opportunities

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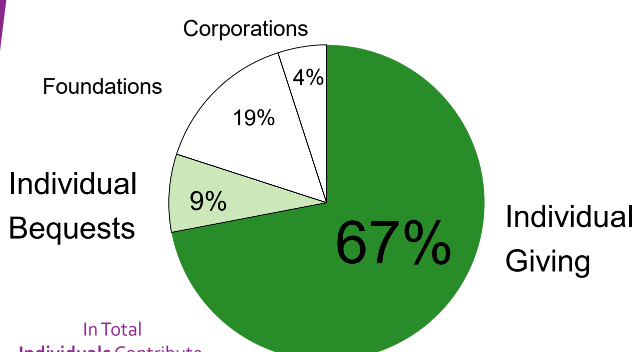

In Total
Individuals Contribute
76 Percent

SOURCE: Giving USA Foundation | GIVING USA 2022

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Age Of Donor Leaving a Gift to Charity in a Will (Bequests)

AGE	%
90-99	2%
80-89	17%
70-79	**23%**
60-69	**26%**
50-59	9%
40-49	9%

From Chronicle of Philanthropy, 02/07/2010

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Relevancy of Planned Gifts

400 = 1

400 annual gifts
are roughly equivalent to
one typical planned gift

According to several studies most notably the
Philanthropy 100 Performance Benchmarking Initiative

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Tool Time!

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What are the two most commonly used charitable gift planning tools?

- Will Bequest
- Beneficiary Designation

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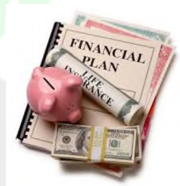
Will Bequest Options

Bequests consist of money or property left to causes that come from the general assets of the estate.

1. dollar amounts
2. fixed percentage
3. certain assets



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Beneficiary Designation

A beneficiary designation is always attached to a life insurance policy, an IRA account, or a 401(k) account. It directs the proceeds from the account at the death of the account or policy owner.

This is a simple and meaningful way to make an impactful gift to a donor's favorite nonprofit/s.

Just ask your life insurance agent or IRA custodian for a beneficiary designation form if you wish to make this kind of gift.

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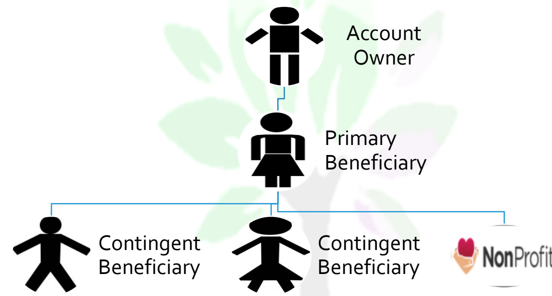
Beneficiary Designation



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Now let's talk about…

more sophisticated

planned giving tools.

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Planned Giving Vehicles

- **Charitable Gift Annuity**
- **Charitable Remainder Trust**

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Lifetime Income Stream

How many of your donors receive regular checks from the nonprofits you support?

Would they like to?

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Charitable Gift Annuity

Cash or Appreciated Assets

Lifetime Income to Donor

Charitable Gift Annuity

100% Remainder Transfers to Charity at Death

Benefits:

- Donor receives <u>**fixed**</u> **lifetime income**

Tax Benefits:

- The donor receives a **charitable income tax deduction** based on the value of the gift, donor age, the Sec. 7520 Rate.
- At the donor's death, the 100 % remaining balance is paid to the charity **outside of the donor's taxable estate**.
  - Generally there should be **50% of the original gift left for charity**.

Why a Gift Annuity?

- Donors have heard of a charitable remainder trust but **don't like the complexity of having a trust**.
- They have **a smaller asset** to give than a trust requires.
- Donors would like **a higher income than** they are **receiving from other fixed investments**.
- Donor can **provide fixed payments for another person** (i.e. mother-in-law, sister, valued employee).

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Assets Used to Fund a CGA

- Cash
- Securities
- Real Estate
- Other Assets
  - Commodities
  - Closely-Held Stock

Who determines the annual rate of payment to your donor?

- The "rate" of payment on each CGA is dependent upon the age of the donor(s) at the time of the gift.
- These rates are determined by the American Council on Gift Annuities.
- The older you are when you start receiving payments, the larger the payments.
- These payments can be quarterly, semi-annually, or annually depending the wishes of the donor.

AMERICAN COUNCIL ON GIFT ANNUITIES
Promoting Responsible Philanthropy

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Advantages vs. Disadvantages of a Charitable Gift Annuity

Advantages

- Initial income tax deduction
- Guaranteed fixed annual payments for life
- Partially tax-free income for a specific period of years
- Leaving a lasting impact in your community

Disadvantages

- Lack of flexibility. You can not change the income once you start the annuity. The only change would be to discontinue annual payments and give remainder of annuity to the nonprofit early.

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Charitable Gift Annuity

Mary Jones – Age 75 – CASH

22% Tax Bracket

Cash
$50,000

Gifted to a non-profit as a CGA.

NonProfit

Principal
$50,000

Charity
$25,000
(Approximately)

Generates income tax deduction of **$21,812**

Generates **annual life income of $3,500,** of which $2,271 is tax free. **7.00%** Annuity.

At the end of life, the remaining funds pass to the sponsoring non-profit free of probate, income tax and estate tax.

As of 01/01/2024
Using 01/24 ACGA Rates

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Sample Gift Annuity Rates

Single Life

AGE*	RATE**
60	5.2%
65	5.7%
70	6.3%
75	7.0%
80	8.1%
85	9.1%
90+	10.1%

**Age nearest birthday* | ** Effective on Jan. 1, 2024

Visit www.ACGA-web.org for a full set of CGA Rates.

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75 Year Old - $50,000 Cash

Investment	Annual Payout	Tax-free Portion	Taxable Portion	Spendable $ After 22% Tax	Charitable Tax Deduction
1% Savings Account	$500	0	$500	$390	0
2% Certificate of Deposit	$1,000	0	$1,000	$780	0
Charitable Gift Annuity	$3,500	$2,171	1,329	$3,207	$21,812

This comparison is an example based on utilizing cash, receiving annual payments, at 6.60% CGA rate, in a 22% tax bracket.

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Deferred Charitable Gift Annuity

Susan Jones – Age 55

Annuity Payment Deferred to Age 75 - 22% Tax Bracket

NonProfit

Cash $20,000

Gifted to a non-profit as a Deferred CGA.

Deferred Payment Gift Annuity

Charity $60,000 (Approximately)

Generates income tax deduction of **$12,705**.

First Payment made Dec. 31, 2044

Generates annual lifetime income of **$3,040**, of which $590 is tax free.

At the end of life, the remaining funds pass to the sponsoring non-profit free of probate, income tax and estate tax.

As of 01/01/2024

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Let's talk about…

The implementation of a Charitable Gift Annuity.

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How can your nonprofit offer Charitable Gift Annuities?

National Charitable Gift Annuity Solutions Program

- FREE to any U.S. nonprofit.
- Offers a turnkey program to nonprofits so that you are ready to go in a matter of minutes if you wish.
- Dedicated to serving nonprofits of
  - all sizes and
  - in all phases of planned giving.
- CGRC & strategic partners can offer your nonprofit a
  - turnkey charitable gift annuity program
  - in accordance with the American Council on Gift Annuities standards.

CGA
A Charitable Gift Annuity Solutions Program
Magnify your goal

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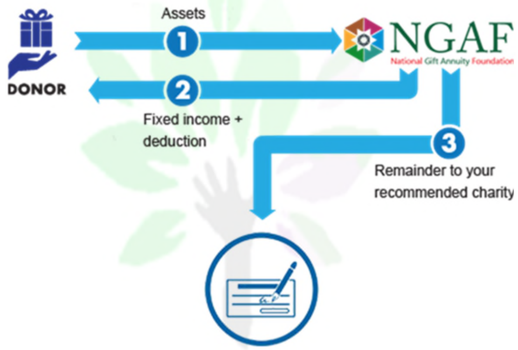
National Gift Annuity Foundation



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National Gift Annuity Foundation

- The Dechomai Foundation, Inc. dba/National Gift Annuity Foundation specializes in turning risky assets/vehicles into charitable grants
- **National Gift Annuity Foundation** offers charitable gift annuities (CGAs) based on donated liquid or **illiquid** assets
- Total **unrestricted assets as of 12/31/23 were over $1.8 Billion** in consolidated entities

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American Council on Gift Annuities

www.acga-web.org

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Planned Giving Vehicle

CHARITABLE REMAINDER TRUST
(CRT)

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What is a Charitable Remainder Trust?

A Charitable Remainder Trust (CRT) is an

- Irrevocable tax-exempt, split-interest trust into which an individual makes contributions of assets in return for an income interest payable for life or a term of years.
- Upon termination of the trust, the trust remainder interest is transferred to the charitable organization(s) of the donor's choice.

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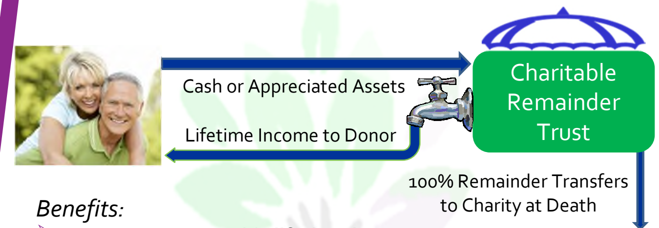
Charitable Remainder Trust



Benefits:

- Donor receives <u>variable</u> **lifetime income**

Tax Benefits:

- The donor receives a **partial charitable income tax deduction** based on the value of the gift, donor age, and the Sec. 7520 Rate.
- At the donor's death, the **100%** remaining balance is paid to the charity **outside of the donor's taxable estate**.

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Variety of CRT's

- **CRAT-Charitable Remainder Annuity Trusts**
  - Similar to a CGA - **fixed payment** amount from inception
  - **One-time** contribution
- **CRUT-Charitable Remainder Unitrust**
  - Payment % is fixed, but **dollar amount varies each year** based on value of CRUT each December 31st.
  - Can **make additional** contributions
  - Several types of CRUTs:
    - Standard CRUT (SCRUT)
    - Net-Income CRUT (NICRUT) – Dividends, Interest, Rent & Royalties
    - Net-Income with make up CRUT (NIMCRUT)
      - By law, minimum 5% and maximum 50%
    - Flip CRUT (changes from NICRUT to SCRUT at triggering event)
    - Either can be for multiple lives or term of years.

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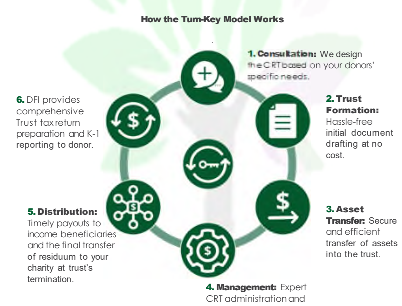
DECHOMAI
GIFT ACCEPTANCE MADE EASY

Simplifying Charitable Remainder Trusts (CRTs) with the Turn-Key Charitable Trust Model



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Benefits for Charities

- Increased Funding options: Attract more donors.
- Reduced Administrative Load: We handle the details, you manage the donor relationship.
- Keeps charity out of chain of title to reduce risk.
- Our team has decades of experience and truly an extension of your team.

Fee Schedule for Turn-Key Model Trustee Fees for Cash/Marketable Securities:

- 2% for the first $2 million
- 1.5% for the next $3 million
- 1.0% for the next $7 million,
- 0.75% for the next $15 million,
- 0.50 % for the next $25 million,
- 0.25 % for the next $25 million, and;
- 0.10 % for all excess over $77 million.

Note: Trust fees are charged to the Trust pro-rata quarterly.

ASSETS ACCEPTED	
Liquid Assets	**Illiquid Assets**
• Cash • Publicly Traded Securities • Mutual Funds	• Real Estate • Business Ownership • C and S Corp Stock • Tangible Personal Property (with Board Approval)

Let's Talk

Call or email the professionals at Dechomai today about turning your unusual donations into usable cash.

(404) 375-5496 | admin@dechomai.org

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Non-Cash Asset Donation Flow

Duties Performed by
Charitable Solutions, LLC / Dechomai Foundation, Inc.

- Advisor Relationship Management
  Frequent Communication
- Donor Relationship Management
  Initial and Ongoing Communication
- Gift Negotiation
  Donation, Responsibilities, Timing, Policies, DAF Agreement, Memo of Understanding
- Asset Due Diligence
  Site Visit and Inspections, Environmental Appraisal, Tax Implications, Insurance Implications, Mortgage Implications, Liability Management, Legal Implications, Management Implications, Regulatory Implications
- Dechomai Asset Receipt
  Manage Property During Holding Period
- Liquidation
  Developing Sales Plan, Hiring and Managing Appropriate Professionals
- Grant Recommendation Due Diligence
- Administrative and Financial Operations

Types of Non-Cash Asset Donations:

Commercial and Residential Real Estate
Farmland
Limited Partnerships and LLCs
International Assets
S-Corp Stock
C-Corp Stock
Restricted Stock
Timber deeds, crops and other agricultural assets
Mineral rights including oil & gas partnerships
Royalties and Patents
Tangible personal property including works of art and other collectibles
Other miscellaneous capital assets

DECHOMAI DONATION IS 1-3%
WITH MINIMUM FEE OF $10,000

CONTACT US FOR ADDITIONAL INFORMATION

WWW.CHARITABLESOLUTIONSLLC.COM / 404-375-5496 / BRYAN@CHARITABLESOLUTIONSLLC.COM

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What was the best thing you heard today?

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Thank You

Johnne Syverson, CFP ®, AEP®,CAP®
Executive Director
(515) 277-4050
jsyverson@magnifyyourimpact.com
www.magnifyyourimpact.com

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