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PLANNED GIVING: A DONOR'S JOURNEY

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3 **The Donor's Odyssey ...**

4 **Is a Gift Planner's Muse ...**

5 **Integrate the Story**

- Listen
- Archive
- Integrate

6 **Listen**

- Practice the art of listening
- Ask strategic questions to draw discussion
- Listen for cues and clues
- Don't let note-taking distract the donor
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7 **Archive**

- ❖ Record robust notes following the meeting
- ❖ Consider recording or videoing the donor story with permission
- ❖ Photographs – current or historic – with permission
- ❖ Use confidential intention form for donor to accept recognition, and permit use of story with or without name
- ❖ Create index for later referral and use

8 **Integrate**

- Draft stories with editing by others
- Incorporate into the proposal for the donor
- With permission include in marketing materials (newsletters, target mailings, stewardship reports, websites, emails, etc.) with or without names and photos as permitted
- With permission include in proposals for others with or without names
-

9 **The Proposal**

If I can show you a way to _____ ...
Would you be interested?

I would like to show you a way to _____...

10 **Themes of a Donor's Story
(Cues and Clues)**

11 **Theme:
Building Trust**

12

13

14 **Blending the
Power of the Pyramid**

15 **Fundraising Pyramid**

Planned Gifts _____

Major Gifts _____

*Repeat/Increased
Annual Gifts* _____

First Time Gifts _____

16 **Secrets of the Pyramid**

- High correlation of loyal annual giving and planned giving.
- Major givers are invested – and may consider a planned gift to enhance endowment, assist established program, maintain building, etc.
- Note: For many planned gift donors, it will be their largest gift.

17 **Building Trust**

- Prioritize continued annual giving and volunteering
- Consider fulfillment of annual pledging from:
 - ✓ donor advised funds,
 - ✓ charitable lead trusts, and
 - ✓ payments from charitable gift annuities or
 - ✓ charitable remainder trusts

18 **Stewardship**

- Planned gift recognition
 - Charter membership
 - No dollar amount required
- Regular communications:
 - Birthday, Anniversary, Holiday cards
 - Updates, visits
- Invitations to events
- Annual stewardship report

- Director of Planned Gift Stewardship
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19 **Theme:****Maximize Philanthropy**20 **Maximize Philanthropy**

- Blended Gift Proposals
- Endowment Fundraising

21 **Blending Proposals**1 The "single ask":

1. Annual Gift

The "double ask":

1. Annual Gift or Multi-Year Pledge
2. Major Gift

2 The "triple ask":

1. Annual Gift or Multi-Year Pledge
2. Major Gift/Pledge in addition to Annual
3. Planned Gift (Documentation required)

22 **Blending Proposals**The "quadruple ask":

1. Annual Gift/Pledge
2. Major Gift/Pledge
3. Revocable Deferred Gift
4. Irrevocable Planned Gift (Life Income Plan)

23 **Example #1**

- ✓ Major gift pledge for building, equipment purchase, establish endowment, etc.
- ✓ Any pledge due and owing at death to be satisfied from deferred planned gift (e.g., bequest in will or trust, beneficiary designation of retirement plan, etc.).
- ✓ Assures naming opportunity.

24 **Example #2**

- ✓ IRA Charitable Rollover to fulfill Pledge
- ✓ Beneficiary Designation of Retirement Plan Residual
- ✓ Use IRA Rollover to Pay Premium on donated Life Insurance Contract

25 **Example #3**

- ✓ Gift Annuity or Charitable Remainder Trust
- ✓ Donation of all or portion of annual income to fulfill pledge for period of years – retaining later income for personal use

26 **Example #4**

- % of Charitable Lead Trust (CLT) payments or Donor Advised Fund (DAF) grants for annual support. Note: Pledges can be paid from DAF.
- % of CLT or DAF payments to grow endowment until minimum is reached.
- Ultimately endowment supports program
- Bequest from deferred gift (e.g., will, beneficiary of retirement plan or life insurance) adds to endowment as inflation hedge.

27 **Example #5**

- ❖ VIRTUAL ENDOWMENT: Donor pledges annual gifts to cover annual spending of an endowment. A planned gift is made to fully fund the endowment.
- ❖ PHILANTHROPIC MORTGAGE: Donor's annual gift commitment covers the endowed program expense but includes additional money to gradually build an endowment until it's fully established.
- ❖ STEP-UP GIFT: Donor establishes an endowment with current gift at a starting level, then adds with a planned gift.

28 **Theme:****Save Taxes**29 **Income Tax Deduction Limits****With 5 Years to Carry-Over Excess Deduction**Gifts to Public Charities:

- Cash Gifts: 60% of Adjusted Gross Income (AGI). Expires 12/31/2025. Note: 100% in 2020 and 2021 only.
- Long-Term Noncash Gifts: 30% of AGI for fair market value (FMV) or 50% for cost basis.
- Short-Term Noncash Gifts: 50% for lesser of FMV or cost basis.
- Ordinary Income/Tangible Property for Unrelated Use: 50% for lesser of FMV or cost basis.

30 **Income Tax Deduction Planning**

- High income years (sale of business, Roth IRA conversion)
- Qualified Charitable Distribution saves income tax on transfer
- Deduction now – grants later:
 - ✓ Donor Advised Fund
 - ✓ Qualified Grantor Lead Trust

31 **2024 Standard Deduction**

- Single taxpayers and married individuals filing separately: \$14,600
- Married couples filing jointly: \$29,200
- Married filing separately: \$14,600
- Heads of households: \$21,900
-

32 **Standard Deduction Reduces Gifts**

- Standard deduction of the Tax Cuts and Jobs Act of 2017 decreased charitable giving by about \$20 billion annually.

➤ Indiana University Lilly School of Philanthropy at:

<https://www.lillyschoolofphilanthropy.org/charitable-remainder-trusts/crta-courses/crta>

➤

➤

33 **Universal Deduction
for Non-Itemizers**

- \$300 for single or joint files in 2020
- \$300/single or \$600 joint filers in 2021
- Expired in 2022
- New Charitable Act proposal in 2023 to allow taxpayers who do not itemize on their tax returns to additionally deduct up to one-third of the standard deduction, so approximately \$4,500 as individuals or about \$9,000 if filing jointly for charitable deductions.

34 **Capital Gains Tax**

- Save capital gains tax on donation of appreciated property outright, to CRT, or CGA (portion of capital gain spread over life expectancy and taxed)
- Avoid pre-arranged sale – legally binding commitment on charity to sale donated property to third party
- Avoid gifts of depreciated property – leverage the “double deduction” instead!

35 **Estate Tax**

- Unlimited Estate Tax Charitable Deduction
- Deferred Gifts
- Qualified Nongrantor Charitable Lead Trust
- Zero-Out the Tax
- Qualified Conservation Easement
-

36 **Estate Tax**

Annual Gift Tax Exclusion of \$18,000 (2024) annually per person*

37 **Gift Tax**

- Life income of CRT for non-spouse
- ✓ Consider annual exclusion
- ✓ Consider unified credit
- Life income of CGA for non-spouse
- ✓ Retain right to revoke to avoid current gift tax
- ✓ Consider annual exclusion or unified credit

38 **Theme:**

Retirement Concerns

39 **Maslow’s Pyramid**

40 **Retirement Concerns: Life Income**

- Charitable Remainder Unitrust: Inflation Adjustment
- Standard Unitrust with 5% payout

➤ Personalized portfolio: invest for growth then income

▪ Immediate or Deferred Payment Gift Annuities

➤ Fixed payments avoid market fluctuation

➤ Laddered annuities to increase income over time

41 **Retirement Concerns: Life Income**

▪ New Qualified Charitable Distribution for CGA/CRT:

➤ \$50,000 maximum – and all must be used in one year

➤ Only for spouses - \$50,000 each

➤ All ordinary income – no tax free or capital gain income

➤ No mixing of other assets into CGA or CRT

➤ Tax free transfer – no deduction – but must otherwise qualify for deduction (pass 10% test)

➤

42 **Theme:**

Care for Family

43 **Care for Family**

Assets for children: Step-up in basis to save capital gains tax

Retirement plan (or other income in respect of decedent assets) for charity: Save income tax

Stretch income for children beyond 10 years by testamentary designation of CRT or CGA to pay income to family

44 **Theme:**

Maintain Options

45 **Maintain Options**

Percentage Designations:

Revocable Will or Trust

Retirement Plan Beneficiary Designation

Life Insurance Beneficiary Designation

Payment on Death of Bank or Stock Account

Transfer on Death of Real Estate

Residual Designation of Donor Advised Fund

46 **Maintain Options**

Key Recommendations:

✓ Provide sample language (unrestricted, restricted, endowment)

✓ Incorporate separate agreements (purpose and/or endowment) by reference

✓ Correct legal name and tax ID number

✓ Copies for file and future stewardship

✓ Beware delay of IRA distributions! See: <https://charitablegiftplanners.org/block/rift-project>

✓

47 **Theme:**

Sacrifice

48 **Sacrifice**

1. > Naming Opportunities

- ✓ Naming Policies
- ✓ Recognition
- ✓ Endowments
- > Disaster Relief
- ✓ Employer DAFs
- ✓ Private Foundations

- >

- >

2. > International Granting

- ✓ Expenditure Responsibility
- ✓ Equivalency Determination
- ✓ Use of Intermediaries (Friends Of, Community Foundations)
- ✓ International 501(c)(3)

49. **Theme:**
Participation50. **Participation**

- Hallmark of the Boomer Generation – The Time is Now!
- Donor Advised Funds
- Scholarships with Advising
- Private Foundations
- Giving Circles, Venture Philanthropy, Social Entrepreneurship
- Charitable Lead Trusts

51. **Participation**

- Beware restrictions over time
- UPMIFA procedures for changes:
- ✓ Consent of donor
- ✓ Approval by judge with Attorney General notice for changes to purpose or “mechanics”
- ✓ Small/old funds with Attorney General notice

52. **Participation**Donor Advised Funds:

- Pledges can be fulfilled
- No quid pro quo (no sponsorships)
- Consider residual designations

Program Related Investments:

- Grant like investments for community development
- Return on investment is not required

53. **Theme:**
Entrepreneur

- 54 **Entrepreneur**
- Benefit Corporations with new standard of care for board of directors
 - B Corp Certification leverages angel investments
 - "Newman's Own" Private Foundation Rule allows (no excess business violation) if 100% investment of private foundation in business so long as all net income made to foundation.
 - Patagonia Use of 501(c)(4) and Trust to continue political and lobbying activity and reduce estate tax
- 55 **Entrepreneur: Leveraging**
- Pledge Challenge Matches:
 - ✓ Match outright and/or planned gifts
 - ✓ Strategic plan driven
 - Impact Investing:
 - Program Related Investments
 - Loan Programs
- 56 **Theme:**
Cash Poor, Asset Rich
- 57 **Giving Correlates to Economy**
- 58 **Giving Correlates to Economy**
- 59 **Total charitable giving graphed with the Standard & Poor's 500 Index, 1978-2018 (in billions of inflation-adjusted dollars, 2018 = \$100)**
- 60 **Portfolios of the Wealthy (Top 20%)**
Median Net Worth of \$746,950
- 61 **Portfolios of the Wealthy (Top 1%)**
Median Net Worth of \$10,700,000.
- 62
- 63 **Asset Rich**
- ✓ Publicly traded stock
 - ✓ Privately held stock
 - ✓ Real estate – especially farmland!
 - ✓ Gifts of grain (ordinary income property as inventory)
 - ✓ Life insurance
- 64 **Asset Rich**
- ✓ Qualified Charitable Distribution
 - \$100,000 indexed annually for inflation
 - Tax-free (no deduction)
 - No quid pro quo (no sponsorship payments)

- 65 **Asset Rich**
 - ❖ IRS Form 8283 (Noncash Gifts)
 - ❖ IRS Form 8282 (Donee Information Return)
 - ❖ IRS Publication 1771 (Gift Receipts)
 - ❖ IRS Publication 561 (Valuation of Donated Property)

66 ***The Donor's Odyssey is a Gift Planner's Muse ...***

67 ***"Sing in me, Muse, and through me tell the story..."***

Homer, the Odyssey

68



Phil Purcell

