

What Your Boss Really Needs to Know about Gift Planning

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This paper identifies common characteristics of nonprofit leaders who are actively committed to the development and success of charitable gift planning programs, and reviews strategies for transforming existing leaders who lack such commitment. Although the term “gift planning” is used throughout instead of the more traditional term “planned giving”, either term may be used synonymously in this context.

Gift planning programs suffer when nonprofit leaders don't understand charitable gift planning and what it takes to unlock its incredible philanthropic potential. This common problem limits the effectiveness of many gift planning programs and occasionally even results in gift planning programs being reduced or even eliminated. At best, many gift planning programs are treated as isolated, stand-alone facets of many organizations' fundraising efforts. At worst, they are marginalized or exist in name only, put in place merely to satisfy institutional or board expectations that the organization has a gift planning program, but without the long-term commitment required for success.

The problem was magnified in the aftermath of the global financial crisis of 2008-9. Gift planning operations were reduced and gift planning positions were eliminated or left unfilled when vacancies occurred, leaving non-profits unprepared and poorly positioned to take advantage of the subsequent economic recovery and stock market gains that have occurred over the past five years, much as the experience of panicky investors who cashed out at the bottom of the crash and were slow to reinvest. As a result, many organizations have struggled in the last five years, failing to provide a full range of creative gift planning opportunities to help devoted constituents overcome fears about the economy and move beyond marginal gifts from net disposable income to significant new gifts of assets.

While a number of gift planning programs have faltered or stalled over the past five years, others have thrived and even expanded, providing a remarkable contrast that merits

examination. What is the secret to such success? One common element seems to be that programs that have thrived are associated with senior institutional leadership that understands the power of gift planning, preserves and even expands resources devoted to gift planning, and makes a concerted effort to integrate gift planning within the organization's comprehensive fundraising efforts.

The Issue & Why It Matters

It doesn't take long for many full-time gift planners to realize that, for the most part, their work takes place in relative isolation. Their supervisors don't understand gift planning and their colleagues don't want to or are intimidated by it. As a result, at many organizations gift planning is treated as an isolated, stand-alone facet of the development shop, staffed by a Director of Gift planning who is stereotyped as being much more enamored with tax laws and complex giving strategies than building relationships with donors.

That stands in direct contrast to most major gift officers, who go on to fill the bulk of development leadership positions, and who tend to be extroverted and focused on relationships. The last thing they want to do is spend even fifteen minutes learning about the intricacies of four tier accounting or the nuances of non-grantor testamentary charitable lead unitrusts. They're pretty sure on the other hand, that this is exactly what their gift planning counterpart loves to do in his or her spare time. They think of gift planning as a helpful, perhaps even valuable, element of their organization's development efforts that is there when they need it, but not much more. From the typical major gift officer's perspective, gift planning is certainly not something they need to know about on a conversational level.

If the truth be told, sometimes gift planners are at fault when it comes to feeling isolated. There is a certain amount of natural pride in learning enough about complex charitable planning concepts that one can effectively communicate those to a prospective donor's professional advisor or to donors themselves (hopefully in simple terms versus technical jargon). Feeling a sense of pride at accomplishing an objective like developing a certain level of mastery of gift planning strategies can be a good thing. But when it leads to a sense

of unspoken superiority over other development colleagues, the result is never good and almost always increases gift planning's isolation.

The result is that most nonprofit leaders are ill equipped and little motivated to be effective advocates for gift planning. They know that a comprehensive development shop needs to have gift planning but they don't understand it and don't really don't know how it fits within their organization's development efforts. So they make decisions about the staffing, positioning, and resourcing of the gift planning that reflects their limited understanding and experience with gift planning. This, in turn, reinforces the isolation of gift planning, creating a self-perpetuating cycle that unlikely to be changed without intentional intervention.

The implication of this isolation is that in many nonprofits, gift planning never reaches its full potential. Yes, most organizations can successfully promote, cultivate, solicit and receive planned gifts, but they rarely tap into the full potential that gift planning holds. Effective, informed, committed and enthusiastic institutional leadership represents a critical, missing element for many, many gift planning programs. Its absence keeps gift planning programs from reaching their potential, increases staff turnover, limits the effectiveness of overall major gift efforts, and perpetuates a short-term vision of philanthropy.

The Problem: How Most Nonprofit Leaders View Gift Planning

Understanding how most nonprofit leaders view gift planning can help identify strategies for reversing gift planning's isolation and positioning it for increased impact.

Stereotypes about gift planning are a good starting place. Many non-profit leaders lack personal experience with gift planning and typically view gift planning as complicated and difficult to learn, focused on tax laws, and being applicable to only a tiny fraction of prospective donors. Stereotypes lead to misperceptions about the role and function of gift

planning, the elements of a successful planned gift program, and the skills and background of effective gift planning officers.

When a leader's view of gift planning is colored by stereotypes and misperceptions, he or she may inadvertently put gift planning in a corner, necessary but isolated, not integrated with the rest of the organization's development efforts. In turn, the leader's perspective influences other development staff members, further reinforcing gift planning's isolation.

Lacking experience to the contrary, in practice many nonprofit leaders today still think of gift planning's impact as *deferred*, something that may occur in the future but certainly not in the present. They may even refer to it as "deferred giving", reflecting their underlying characterization of the real truth about gift planning.

At smaller organizations, with smaller pools of potential donors and lower gift volume, planned gifts are often less common and less frequent. It's natural for nonprofit leaders at such organizations to think of gift planning as uncommon, unpredictable and unreliable. If a bequest distribution happens to come in, it's merely a coincidental windfall, with future bequests about as likely to occur as the proverbial probability of lightning striking twice. It takes vision to believe that an unexpected bequest distribution may, instead, reflect untapped potential and latent gift planning receptivity among the organization's constituents that could be encouraged and captured over time.

The Result: Limited Success

Gift planning programs that lack the commitment and support of institutional leadership inevitably have limited effectiveness. Because they function in isolation, they can only accomplish so much on their own. They lack the leverage of colleagues actively engaged in promoting gift planning opportunities, who are encouraged and incited to do so by senior leadership. They may enjoy some level of success, consistently closing gifts of securities, attracting bequest commitments, receiving estate gifts, and engaging in a limited number of

productive conversations about smaller charitable gift annuities. Such gift planning programs are good, but they may not be great.

There's an unrecognized cost in the opportunities that such programs miss. It translates into gifts that are smaller and less impactful than they could be, gifts that are one dimensional instead of multi-dimensional (e.g. a blended combination of outright gift and bequest), prospective donors who are overlooked, and donor relationships that are merely transactional, not transformational.

Organizations whose leaders aren't engaged with gift planning may also exhibit organizational dysfunctions including fundraisers competing with each other, departmental silos, higher than average turnover, a focus on closing gifts at any cost, underfunded priorities and underperforming fundraising staff. These difficulties are much less common when a nonprofit's leadership models an active commitment to gift planning. Such leaders tend to see the whole picture and focus on integrating fundraising efforts, cultivating and soliciting donors through a long-term, donor-centered, relationship-based focus that actively matches institutional priorities with donor interests, capacity, assets, and planning objectives.

Perhaps the most disconcerting result of inadequate leadership engagement with gift planning is that the level of donor satisfaction is not what it could be, since such leaders foster a development culture in which conversations with donors tend to be more transactional and short-term, instead of discovering each donor's unique, underlying donative intent and taking the time to identify appropriate strategies for achieving their philanthropic objectives. As a result, donor satisfaction and engagement is not what it could be. Yes, significant dollars can and will still be raised, but without the sort of deep donor satisfaction that consistently marks the most successful comprehensive development programs.

What Nonprofit Leaders Don't Understand

One of the most common complaints of gift planning officers across the US, in organizations large and small, is that their supervisors simply don't understand gift planning. What is it that they don't understand? Is it that they aren't experts in gift planning? No. For most nonprofit leaders, what they are missing is much simpler than the technicalities. It generally comes down to the following:

- The Basics About Gift Planning
- Conversational Gift Planning
- Managing Gift Planning Programs

Many nonprofit leaders lack a working knowledge of gift planning basics: How People Give, What People Give, The Basics About Taxes and Giving, and Characteristics of Gift Planning Donors. They lack a clear, conversational knowledge of the basic ways that people can give outright, at their death, or through income-generating plans such as charitable gift annuities or charitable remainder trusts. They rarely display much knowledge of the types of gift assets that can be donated and the benefits of doing so from a tax perspective. And they frequently have stereotypical views of potential gift planning prospects as being elderly, long-winded, with little interest in doing anything that will have any impact on the charity sooner than twenty or thirty years from the present, at a minimum.

In turn, they lack conversational gift planning skills. They're not comfortable discussing gift planning techniques with prospects nor are they generally skilled at detecting conversational clues about life events and circumstances that might indicate that the time is right to explore gift planning opportunities. Moving gift planning conversations forward to the ultimate "yes" is a perplexing mystery for most nonprofit leaders. And from their perspective, gift planning conversations always take too much time and are never closed quickly enough.

Lastly, providing effective senior level management in support of gift planning staff and programs is something that many nonprofit leaders simply don't have the time, energy or

interest to learn. They allow stereotypes or outdated industry 'norms' to guide them when faced with the challenge of hiring a new gift planning officer or decisions about how to count and recognize planned gifts. They lack any strategic or historic basis for determining appropriate resource levels for a gift planning program, or evaluating the performance of a gift planning program or a gift planning officer.

When senior leadership doesn't understand the basics about gift planning, it's no wonder that gift planning doesn't really fit in. It seems out of place, misunderstood and almost certainly underutilized within the overall context of an organization's development efforts.

Why They Don't Know More

Shouldn't nonprofit leaders be expected to have a greater knowledge of gift planning? If someone is accomplished enough to hold a position of leadership, why don't they understand more about gift planning's powerful potential to increase philanthropic support?

In many cases, the answer lies in how they got there, to positions of nonprofit leadership. As discussed earlier, many nonprofit leaders, especially those with a development background, come from a major gift focused career path. Along the way they learned that closing a high volume of major cash gifts over a short period of time resulted in promotions and career advancement. And they learned that time spent cultivating longer-term gifts such as bequests isn't generally recognized or rewarded.

What they didn't learn was how to uncover and discuss potential gifts of noncash assets. Or how to talk about and explore anything other than simple, outright gifts. Or how to take conversations with potential donors to deeper, more personal levels and explore ways to help donors make truly meaningful, transformational gifts. Yes, many nonprofit leaders are frequently great at closing major gifts. And at most nonprofits that is what matters most. But their experience and career path hasn't prepared them for anything more.

The reality is that most nonprofit leaders don't have the time to learn much about gift planning. They face steady pressure from governing boards to generate enough ongoing cash gifts to keep their organizations in the black. The challenges of keeping nonprofits operating and the distractions that nonprofit leaders face on a daily basis are enough to keep most of them from understanding more about gift planning.

What They Don't Need to Know

It is important to clarify that nonprofit leaders really don't need to know everything there is to know about gift planning. They don't need to have a detailed, completely current knowledge of tax regulations or gift planning techniques. They don't need to understand the nuances of how to evaluate and complete complex gifts of assets. They don't need to know about the underlying assumptions behind gift annuity rates or the permissible triggering events for charitable flip remainder unitrusts.

What nonprofit leaders really need to understand about gift planning is actually much simpler and much more important!

What Your Boss Really Needs to Know About Gift Planning

What nonprofit leaders really need to know about gift planning is actually pretty simple and boils down to five things:

1. How to Talk about Gift Planning
2. The Truth about Gift Planning Donors
3. How to Recruit and Manage Gift Planners
4. How to Position Gift Planning for Success
5. What Gift Planning Can Do for Them

1. How to Talk About Gift Planning

When it comes to gift planning, the first step to becoming a more effective nonprofit leader is being conversant about gift planning, starting with learning how to talk about

what people give. And although cash dominates giving at every nonprofit, it's not all there is. Learning how to talk about gifts of appreciated securities, real property and tangible personal property (artwork, etc.) will expand every nonprofit leader's ability to connect with potential donors.

Next, they need understand the three basic types of gifts: current/outright gifts, life income gifts, and bequests/estate gifts. For most nonprofit leaders, it really is enough to understand that donors have three basic options:

- Make an outright gift today for maximum impact
- Make a gift that generates income for the donor today and helps charity in the future
- Leave a bequest/estate gift to charity at death and retain maximum flexibility during one's lifetime

Lastly, it also helps to have a basic knowledge of the potential income tax and transfer (estate) tax savings that are associated with charitable giving. For example, understanding and being conversant with the benefits of contributing appreciated securities or property can lead to more effective conversations with potential donors and a greater awareness of the power of gift planning.

Once a nonprofit leader learns the basics about what and how people give, the next step is putting it all together into conversations with prospective donors. More than anything, this step is about learning to listen. Or more specifically, learning to listen *differently*, for clues to what is really important to someone or about their values or dreams, for recent life events or circumstances that might open the door to timely conversations about more relevant planning concepts that could help achieve immediate philanthropic and personal planning goals. Learning new discovery questions to ask can be invaluable...questions that draw out someone's dreams for the organization as well as questions about their fears, concerns or limitations.

Where to go for the basics about gift planning frequently lies right in one's own community. Local gift planning *or planned giving* councils in every major city in the US provide excellent low-cost educational opportunities with minimal investment of time.

These provide everything that most nonprofit leaders need to know about gift planning basics, along with valuable networking opportunities.

2. The Truth About Gift Planning Donors

In many ways, the truth about donors who make planned gifts and what is important to them is counter-intuitive. They represent donors of all ages, are more loyal to a charity's mission than most donors, are more thoughtful about their philanthropy and more focused on impact. Relationships matter to them. Their philanthropic decisions are more heavily influenced by the people in their lives: family and friends, advisors, and even staff members of their favorite nonprofits. They care most deeply about the charities with which they have the closest relationships, and make philanthropic decisions accordingly. Tax savings are of secondary importance, although tax savings can have a direct impact on the size of gift, reflecting each donor's unique financial situation. Their philanthropy is often reflected through their loyalty, both in terms of their giving and their involvement. They are more likely to look like *"The Millionaire Next Door"* than high profile, high net worth philanthropists. They care much more about impact than recognition.

3. How to Recruit & Manage Gift Planners

Recruiting, retaining and managing gift planners present some of the greatest challenges nonprofit leaders will ever face. As with understanding gift planning donors, this requires some counter-intuitive thinking. It starts with resisting the common stereotype that gift planners need to have a JD, MBA, CPA, CFP or similar professional designation or experience. Although knowledge of estate and financial planning concepts can be helpful, many of the most effective and productive gift planners today are principally known for their interpersonal communication skills, their ability to cultivate and develop long-term relationship based on trust and transparency, and a focus on creative problem solving.

4. How to Position Gift Planning for Success

Positioning gift planning for maximum success is one of the most important opportunities and responsibilities of nonprofit leaders. Nothing else can have as great an

impact on the long-term sustainability of any nonprofit organization. Increasing institutional visibility by highlighting the past and present impact of planned gifts is a good place to start. It doesn't cost anything to publicize the impact of a recent bequest or planned gift in a charity's routine constituent communications, and it sends a powerful message that people are making planned gifts to the organization.

Actively integrating gift planning efforts with other development efforts is a natural next step. Encourage annual giving donors to consider naming the charity in their estate plans. Train major gift officers to explore a full range of gift options with potential donors, and incentivize them to do so. Talk with board members and urge them to make a planned gift.

But successfully integrating gift planning efforts ultimately depends on making the critical, foundational decision to report and count all gifts, including charitable bequest commitments. That doesn't mean treating outright gifts as being identical to bequest provisions. It's about recognizing that both types of gifts are important and are worthy of a charity's attention and the resources to cultivate and secure. Nothing else has quite the impact on a charity's fundraising efforts as this vital policy choice.

In many ways, positioning gift planning for maximum success comes down to communicating what gift planning is really all about. It depends on sending a clear message that gift planning is about building long-term relationships with donors who resonate with the charity's long-term vision. It's about engaging donors deeply enough to help them maximize their impact on an organization that matters to them.

5. What Gift Planning Can Do for Them

Finally, understanding what gift planning can do for nonprofit leaders and their organizations is often the key to developing and maintaining a long-term commitment to gift planning. Gift planning matters because it will result in bigger, better gifts, gifts that have a transformational impact, and donors who are more engaged and more deeply committed. Gift planning increases long-term sustainability, and it enhances an organization's ability both to pursue new opportunities and respond to the unexpected.

What Makes Gift Planning Different

- It's Not About Techniques or Tax Laws
- It's All About Relationships
- It's All About Impact

Where to Start

Turning nonprofit leaders into gift planning champions starts with identifying opportunities for action today. A few natural starting places including the following:

- Include them on a planned gift...give them a personal taste
- Take specific steps to encourage collaboration on planned gifts
- Review counting and recognition policies for planned gifts
- Implement performance measures that encourage the cultivation of planned gifts
- Incorporate gift planning expectations into major gift portfolios
- Leverage existing resources to promote gift planning at no additional cost

Redefining Planned Giving

Ultimately, turning nonprofit leaders into gift planning champions is about redefining their perspective about what it is. Shifting references from *planned giving* to *gift planning* may be a good place to start; doing so can send a message that something has changed. The only way that many traditional planned giving programs will become more important and more productive is if they become something different, especially in the eyes of a charity's leadership. Redefining planned giving doesn't happen quickly; it occurs over time as it is successfully repositioned from a marginal, little understood facet of an organization's fundraising efforts, to the very core of a nonprofit's most donor-centered efforts to encourage transformational philanthropy.

Along the way, gift planners will naturally assume increasingly significant roles within their organizations as gift planning takes on an increased place of importance and gift planning strategies become integrated throughout organizations' fundraising efforts.

Changing the Culture...It's All About Culture

In the end, transforming how nonprofit leaders view, think about, resource and incorporate gift planning is about changing the culture. For charitable gift planners, turning their leaders into gift planning advocates, and their colleagues into partners, will have a profound impact on their organizations and their careers. But no one else can make it happen. Gift planners must have the vision, be willing to take the first step, take the risks of being misunderstood and refusing to give up when they are, and pursue a dream of what gift planning truly can be.

Resources

Guidelines for Reporting and Counting Planned Gifts [http://www.pppnet.org/pdf/NCPG-counting-guidelines-\(rev-2008\).pdf](http://www.pppnet.org/pdf/NCPG-counting-guidelines-(rev-2008).pdf)

Syllabus for Gift Planning <http://www.pppnet.org/education/syllabus.html>

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