Thompson & Associates℠

Values-Based Estate Planning

Donor Motivations for Estate Planning: How Large Legacies are Formed

Thomas W. Cullinan, J.D., FCEP
Senior Vice President and Regional Manager
tcullinan@ceplan.com | www.ceplan.com

Presenter

Thomas W. Cullinan J.D., FCEP
Senior Vice President and Regional Manager
Thompson & Associates

- Editor of Planned Giving Today
- Served on the board of the National Association of Charitable Gift Planners
- Served on boards of its local affiliates in Houston, Nebraska, and Washington, D.C.
- Member of the Estate Planning Council of Corpus Christi, Charitable Gift Planners of Houston and Planned Giving Council of San Antonio
- Over a 27-year career in philanthropy, he and his staff have facilitated more than $1.2 billion in current and deferred planned gifts.

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This Webinar

- My recent experiences
- What not to do
- Get in the right neighborhood
- Profile based on motivations
- Conversation starters
- Signs that donors need help

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My Recent Experiences

- Family dysfunction
- Health and wealth beyond expectation
- Distrustful of advisor(s)
- Interlocking ownership of family assets

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My Recent Experiences

- **Blended families**
- **Manipulation**
- **Real people come to the planning table**

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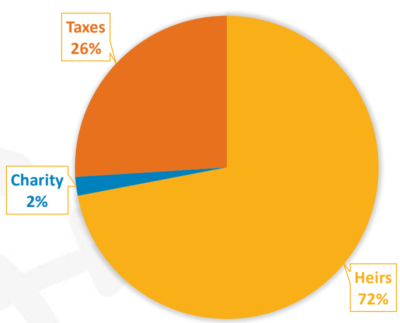
My Recent Experiences

"3 Buckets"
Before
Planning



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My Recent Experiences

"3 Buckets"
After
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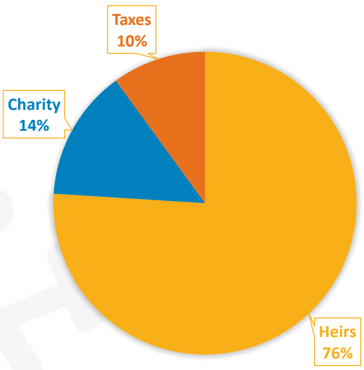

My Recent Experiences

- **"3 Buckets" Before**

  72% to heirs | 26% to taxes | 2% to charity
- **"3 Buckets" After**

  76% to heirs | 10% to taxes | 14% to charity
- **$53.6 million in gifts + $54.6 million pending**
- **Average estate to charity = 14.85%**
- **Taxes reduced $82.1 million**

What Not to Do

Philanthropy Initiative & US Trust study

- 88% of professional advisers
  - Say charitable giving is an important topic for clients
- Yet only 17% of their clients
  - Report that their advisers ever bring it up
- A giant disconnect

What Not to Do

Philanthropy Initiative & US Trust study

- 2 in 3 clients say their advisor misses the mark
  - Advisors' focus is on tax and technical matters
- Conversation was relevant for only 1 in 4 clients
  - Not about their values, ideals, and charitable goals, the key things that interest them

The Four Fears

Everyone who "does" estate planning faces these fears (or tries to avoid them)

- **Dying too soon**
- **Living too long**
- **Economic emergency**
- **Physical and mental disability**

Don't Overlook This

Your best donors want to be understood

- **Will talk about their values**
- **Will say what matters most to them**

"Emotion is the river upon which logic flows."

Get In the Right Neighborhood

8 life situations

- Singles without children
- Couples without children
- Singles with successful children
- Couples with successful children
- Those uncomfortable leaving large inheritance
- Those believing children don't need a large inheritance
- Wealth accumulated in unrealized income property
- Blended families

Get In the Right Neighborhood

9 relationships illustrate close connections

- Top donors (current/cumulative)
- Legacy donors
- Employees (current/retired)
- Staff (active/retired)
- Those served by the charity
- Volunteers
- Senior executives
- Board members (current/former)
- Professional advisors (perhaps indirectly)

Get In the Right Neighborhood

Affluent families

- More than 95% make charitable gifts every year
- Why not also through end-of-life gifts?
- "Don't ask … don't get"

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Understand the Dynamics

Profile of wealthy donors

- Chronicle of Philanthropy poll
- Based on "7 Faces of Philanthropy"
  - Russ Alan Prince & Karen Maru File
- Wealthy donors characterized by their dominant motivation for charitable giving decisions

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Get In the Right Neighborhood

Communitarians = 26.3%
- Give to improve the community

Devout = 20.9%
- Give for religious reasons

Investors = 15.3%
- Give with one eye on tax & financial benefits

Socialites = 10.8%
- Throw social functions for charity and have a good time doing it

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Get In the Right Neighborhood

Repayers = 10.2%
- Have benefitted from the charities they support

Altruists = 9.0%
- Contribute out of generosity & empathy

Dynasts = 8.3%
- Have a family tradition of giving

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Get In the Right Neighborhood

Top expressed motivations include …

- **Meet critical needs | 86%**
- **Give back to society | 83%**
- **Bring about a desired impact | 69%**
- **Charities serve where government cannot | 64%**
- **Being asked | 62%**
- **Set an example | 62%**

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Get In the Right Neighborhood

Other expressed motivations include …

- **Identification with the cause | 62%**
- **Religious beliefs | 57%**
- **Expected in my social network | 29%**
- **Makes good business sense | 27%**
- **Leaving a legacy | 26%**
- **Limit funds to heirs | 8%**

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Help for Gift Officers

Conversation starters to uncover motivations

- Are you involved with other nonprofits?
- Do you give to the same nonprofits each year?
- How do you decide which ones to support?
- Who else is involved in your decisions to give?
- Which donations have caused you the most satisfaction (or regret)?

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Help for Gift Officers

More conversation starters

- Do you give anonymously? Why?
- Have you ever given a non-cash gift?
- Do you give the same amount each year?
- Do you have a DAF, foundation, or charitable trust in place?
- Do you want your best gifts to be made during life, at death, or after you pass away?

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Help for Advisers

Tell-tale signs donors need help

- **Panic calls at year-end**
- **Giving inconsistently to different nonprofits each year**
- **Can't keep track of receipts**
- **Repeat gifts to same nonprofits during the year**
- **Giving inefficiently (wrong asset)**

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Put the Benefits First

Always tell donors "what's in it for them"

- **May get poor advice from family, friends**
- **Can be in control (decide before it is too late)**
- **Can set the pace — and be recognized for it**
- **Can find new ways to give more at a lower cost**
- **Assure donations are used exactly as they wish**
- **Become an example to family and community**

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Put the Benefits First

Finding the Strategic Client

1. Do we have enough to live on for the rest of our lives?
2. How much should each of my heirs inherit?
3. Would I rather leave part of my estate to charity or to the government?

- Strategic versus tactical givers
- Two types of accumulators
  - Terminal or Instrumental

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Put the Benefits First

Attorneys and the philanthropic discussion

- Mentioning charitable giving <u>is</u> appropriate
- Not an overreach or imposition of personal values
- Would any attorney <u>not</u> discuss the marital deduction?
- How is the charitable deduction different?

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Clients' Motivations for Estate Planning

Know what not to do

- Get the stupid out of the process

Get in the right neighborhood

- Life situations, key client types

Profile based on motivations

Help for the community's advisers

- Conversation starters, look for tell-tale signs

Always put the benefits first

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Q&A

Thomas W. Cullinan
J.D., FCEP
Senior Vice President and
Regional Manager
Thompson & Associates

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Values-Based Estate Planning

Additional Questions

tcullinan@ceplan.com

nathan@stelter.com

jen.lennon@stelter.com

www.stelter.com

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Thanks!