

# HOW TO USE PLANNED GIFTS TO SOLVE DONOR PROBLEMS

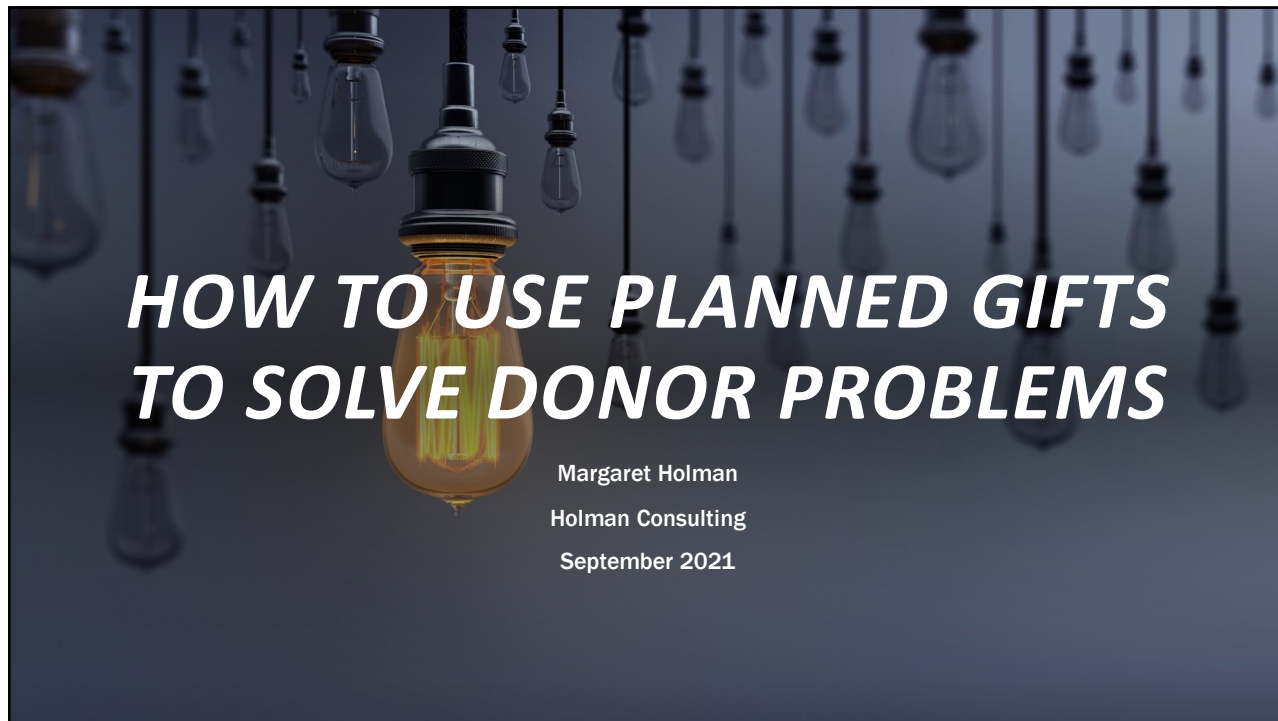
Margaret Holman  
Holman Consulting  
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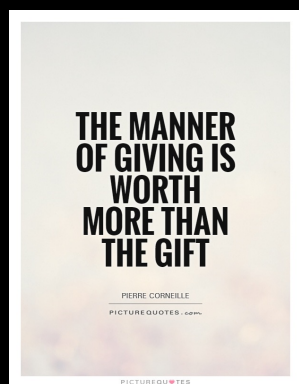
**Margaret M. Holman**  
President, Holman Consulting

## PRESENTER

- President of Holman Consulting, a full-service fund-raising consulting firm
- Served as Senior Vice President for Development and Communications at America's first and largest humane society, The ASPCA
- Held senior fundraising management positions at a variety of arts, health and educational institutions throughout the country
- Emerita president of the Philanthropic Planning Group of Greater New York, past president of Women in Development in New York and serves on the Greater New York Chapter of AFP Board
- Trustee of the University of Nebraska Foundation
- Co-author of *The Complete Guide to Careers in Fund Raising*, co-author of *Major Gifts Fundraising* and is a contributing author of *The Nonprofit Consulting Playbook*



# GIFT GIVING



*The excellence of a gift lies in its appropriateness rather than in its value.*

*- Charles Dudley Warner*

# WHY DO PEOPLE MAKE PLANNED GIFTS?

NCPG STUDY RESULTS

	Bequest	CRT
<b>Desire to support charity</b>	<b>97%</b>	<b>91%</b>
Ultimate use of gift by charity	82%	79%
Desire to reduce taxes	35%	77%
Long-range estate/financial planning goals	35%	76%
Create lasting memorial for self or loved one	33%	44%

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## OPENING THE DOOR TO A PERSONALIZED PLANNED GIFT: COMPLEXITY OF EMOTIONS

### PAST

- Live too long
- Die too soon
- Outlive my money
- Become too sick to know where I am

### PRESENT

- The fragility of life
- How to protect loved ones
- Financial stability
- Ways to help others

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## THE KEY TO SUCCESS: LISTENING



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## OPENING THE DOOR TO A PERSONALIZED PLANNED GIFT: LISTENING

### Organization

- How do you feel about our organization and our work?
- When did you see the organization at its best? At peak performance?
- Which aspects of our programs do you believe are our greatest strengths?
- Have you had an opportunity to meet with any of the people we serve? Under what circumstances? What were your impressions?
- What one piece of advice would you give us as we plan for the future?

### Involvement

- Why did you become involved with our organization? What attracted you to us?
- What would it take to get you more involved with our organization?
- As you think about the most satisfying volunteer experience you have had, what was the key?
- We would love for you to (insert involvement request here). Is that something you would find interesting?

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Source: Diana Newman, Benefactor Group

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# OPENING THE DOOR TO A PERSONALIZED PLANNED GIFT: LISTENING

## Philanthropy and Giving Interests

- What other organizations are you involved with? Volunteer for? On the board?
- What are your top three charitable interests? Why?
- What charitable gifts have given you the most satisfaction? Why?
- What made it pleasurable? How did it come about? Are you still involved with them?
- What factors go into your philanthropic decisions? How are decisions made at your house? Do you and your spouse make charitable decisions together?

## Family and Personal Values


- What family values would you like to see reflected in your family's future giving?
- Are there areas of conflict within the family that must be acknowledged when developing a giving program?
- What are some of the guiding principles that have helped you achieve success in your business life? Personal life? Philanthropic life?
- How do you like organizations to demonstrate their appreciation for gifts you have made?
- To what extent does our mission (vision, work) dovetail with your values and beliefs? Why?

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Source: Diana Newman, Benefactor Group

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## WHAT IS THE PERFECT PLANNED GIFT?



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# AGE & WEALTH BASED MATRIX

	<50 Younger	50-70 Middle Aged	70+ Older
Wealthy	A1 Gifts of Cash Appreciated Property Charitable Lead Trusts Term of Years Trusts Life Income Gifts for Others	B1 Gifts of Cash Appreciated Property Charitable Lead Trusts Term of Years Trusts Life Income Gifts for Others Deferred Gift Annuity	C1 Gifts of Cash & Property Charitable Lead Trusts Life Income Gifts for Others Charitable Trusts for Life Bequests Gift Annuities Life Insurance Beneficiary Retirement Plan Beneficiary
Moderate Means	A2 Gifts of Cash	B2 Gifts of Cash Appreciated Property Charitable Trusts for Life Term of Years Trusts Deferred Gift Annuity	C2 Gifts of Cash & Property Charitable Trusts for Life Term of Years Trusts Bequests Gift Annuities Life Insurance Beneficiary Retirement Plan Beneficiary
Limited Means	A3 Gifts of Cash	B3 Gifts of Cash	C3 Gifts of Cash Bequests Gift Annuities Life Insurance Beneficiary Retirement Plan Beneficiary

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Source: The Sharpe Group

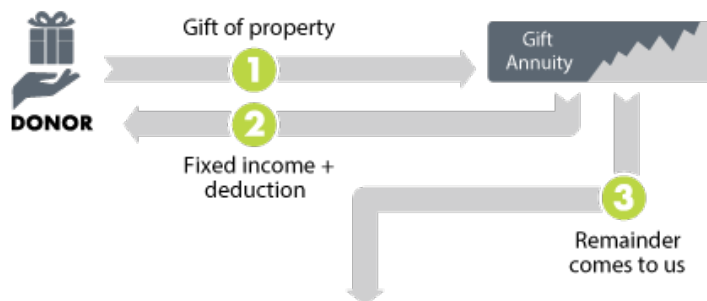
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# A QUICK REIIEW OF PLANNED GIFTS: BEQUEST

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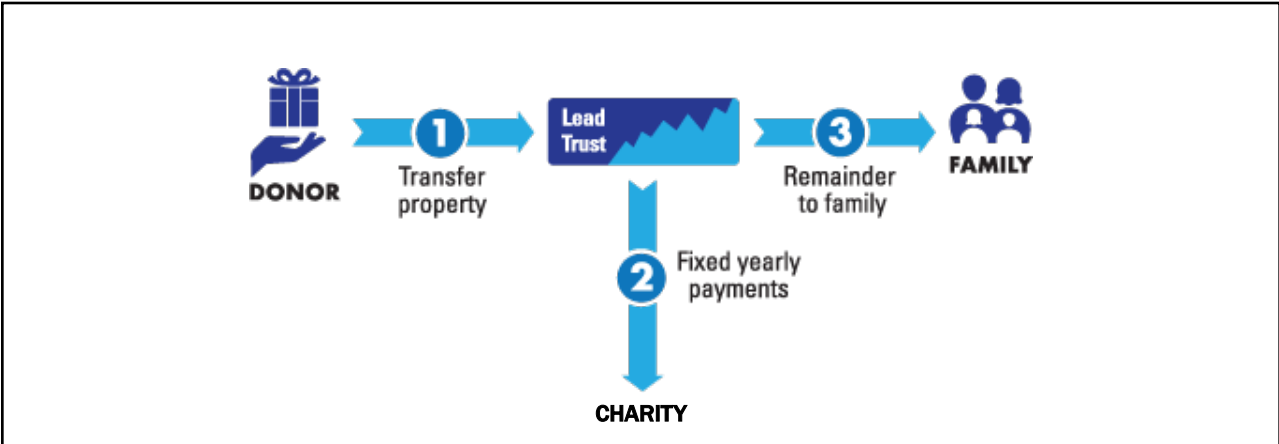
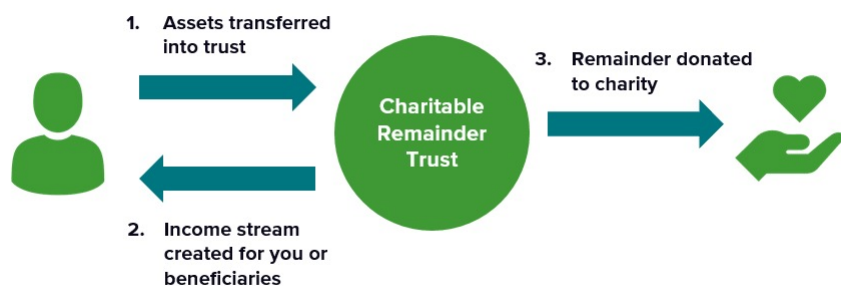


# CHARITABLE GIFT ANNUITY

# DEFERRED GIFT ANNUITY



# CHARITABLE REMAINDER TRUST



# CHARITABLE LEAD TRUST



# PROBLEM SOLVING

Donor needs more income or are concerned about outliving their assets.



*"I do have a diversified retirement plan: 30% hopes, 30% wishes, 40% prayers."*

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## POSSIBILITIES INCLUDE:

Gift Annuities

Charitable Trusts

Term of Years Trusts

Deferred Gift Annuity

Bequest

# PROBLEM SOLVING

There has been the death of a spouse, especially of there are no children.

## POSSIBILITIES INCLUDE:

- Life Insurance Beneficiary
- Bequest
- Charitable Trusts
- Gift Annuity

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# PROBLEM SOLVING

Donors have no children.

## POSSIBILITIES INCLUDE:

- Revocable Living Trust
- Charitable Lead Trust with provision to care for nieces and nephews or other family
- Retirement Plan Beneficiary
- Life Insurance Beneficiary
- Bequest

# PROBLEM SOLVING

## POSSIBILITIES INCLUDE:

- Charitable Trusts
- Charitable Lead Trust
- Gift Annuity
- *Use appreciated property to fund any of the above*
  - *Property must be owned for a year and a day*

Donor has income or tax concerns or has highly appreciated property

# PROBLEM SOLVING

Donor wants to participate in the capital campaign

## POSSIBILITIES INCLUDE:

- Blended gift
- Charitable Lead Trust

# EXAMPLES

## CASE STUDY: AGING PARENT

- **Donor:** Aged 55
- **Family:** 85-yearold mother
- **Scenario:** Donor is giving mother \$2,000 per month to help with living expenses. Donor's assets are invested to return 4.6% in after-tax dollars.
- Donor needs to invest slightly more than \$520,000 to yield \$2,000 a month after tax.
- **Solution:** **Charitable Gift Annuity**

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## CGA OUTCOME

Based on the donor's mother's age of 85, the CGA would return 7.6% of the amount transferred: \$325,000 would yield the \$2,000 per month the donor gives the mother.

### Benefits to the donor:

- Donor uses two-thirds the capital previously required.
- All of your charity's assets stand behind the payments to the donor's mother.
- Donor receives tax deduction of nearly \$180,000 for the gift. The deduction is spread out over time, depending upon adjusted gross income
- Your charity receives close to \$180,000 at the end of the donor's mother's life.

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# CASE STUDY: RETIREMENT PLANNING



- Donor, aged 60, owns her own business, is single and has no children.
- She has been putting a minimal amount of money into her Simplified Employee Pension (SEP) and is worried about retirement planning, since she does not have corporate benefits.
- She has just inherited \$100,000 worth of stock from her beloved elderly aunt.
- You've asked her for a three-year annual gift pledge, but she's hesitating.
- Solution: Deferred Gift Annuity**

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# DCGA OUTCOME

- The stock has a new cost basis of \$100k.
- By giving it to your charity, she avoids capital gains, receives a \$45,000 deduction.
- Your charity credits her for the gift and begins her "retirement" payments of \$7,100 per year at age 70.
- More than half the payments are tax free!

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## CASE STUDY: RETIREMENT PLANNING

- Donor is 65 and has a net worth of \$10 million, much of which is in the form of a closely held business.
- He wants to retire at 70, sell the business for a significant sum and begin taking large disbursements from his retirement plans.
- He also stands to inherit a substantial sum from his 87-year-old mother.
- He has been asked for a \$1-million gift to your charity. He doesn't think he can make the gift because of his children's educational expenses, weddings and other financial commitments.

• **Solution:** *Charitable Remainder Annuity Trust*



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## CRAT OUTCOME

• Donor owns \$2M worth of stock that pays no dividends. His cost basis is \$400k. If he sold, he would owe approximately \$240k in capital gains tax.

• Donor gives your charity the stock for a CRAT paying him 10%/year (\$200k) for 10 years.

• Charitable income tax deduction of \$370k.

• If the trust earns a net return of 7%/year, at the termination of the CRAT, the your charity would receive about \$1.7 million.

• The net present value of the donor's gift is \$800k.

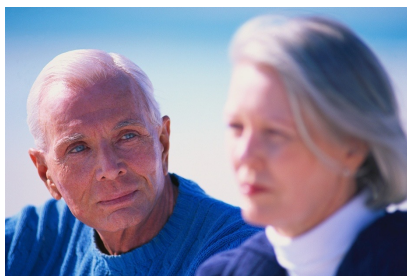
• The cash flow from the trust can be used to pay for his expenses and other financial commitments.

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## CASE STUDY: SIZABLE PLEDGE/MONEY FOR KIDS

- Couple, both 70, and have a two grandchildren, aged 15 and 16.
- Their children are successful, so aren't worried about bequests to them.
- Want to provide their grandchildren with sizable inheritances but want to be sure they are old enough to handle the money.
- They support your charity and want to make a sizable pledge in 2021.
- **Solution: Charitable Lead Trust**



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## CLT OUTCOME

- Couple sells stocks worth \$500k to fund the CLT.
- Fixed payout is 5% over 15 years.
- Grandchildren will receive what's left at age 30 and 31.
- However, they must report at \$500k gift to their grandchildren at the time the trust is established.
- Charitable tax deduction is about \$285k, with the gift portion to the children of \$95k, well under the \$2 million gift tax exemption.
- The grandchildren will receive about \$810k because the trust grows over time.
- Up to \$375,000 would be distributed to your charity over the 15 years.

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## CASE STUDY: CAN'T PART WITH MONEY



•Donor, aged 65, isn't sure about his professional future or the stock market, has aging parents, has been divorced twice (and is supporting wife #1), and has two teen-aged grandchildren.

•Solution: **Bequest**

## BEQUESTS



- Easiest planned gift.
  - Simple to arrange.
- How will bequests come to the your charity?
  - Outright or contingent.
  - Specific amount.
  - Percentage/fractional share.
  - Residue.





# THE PERFECT PLANNED GIFT?

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# ANATOMY OF A PLANNED GIFT

<p><b>Donor-focused</b></p> <ul style="list-style-type: none"> <li>• Fulfills the donor's needs, solves a problem, completes a charitable passion</li> </ul>	<p><b>Be sure to include the right people</b></p> <ul style="list-style-type: none"> <li>• Advisors and family</li> </ul>	<p><b>Make the appropriate recommendation of gift vehicle</b></p> <ul style="list-style-type: none"> <li>• Make sure the assets match the planned gift</li> </ul>	<p><b>Make sure this is right for the your charity</b></p> <ul style="list-style-type: none"> <li>• Keep in mind your charity's perspective</li> </ul>	<p><b>Stewardship</b></p> <ul style="list-style-type: none"> <li>• The neglected stepchild</li> </ul>
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## Q&A

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## ADDITIONAL QUESTIONS

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**THANK YOU & GOOD LUCK!**

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