


The webinar will begin at 12 p.m. Central Daylight Time

**STELTER**

# Planned Giving Made Simple

April 29, 2015



**PRESENTED BY**  
**Lynn M. Gaumer, J.D.**  
 Senior Technical Consultant  
 The Stelter Company

**Philip Purcell, J.D.**  
 Vice President for Planned Giving and Endowment Stewardship  
 Ball State University

1

---

---

---

---

---

---

---

---

---

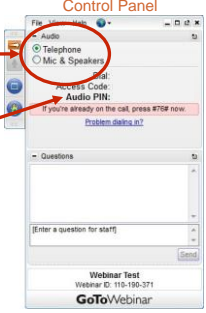
---

## To Hear the Audio

Choose Your Audio Mode

**Telephone**  
 Dial: +1 (213) 929-4231  
 Access Code: 223-058-479  
 PIN: Individual to you

**Mic & Speakers**  
 If your computer has speakers, you can choose this option.



2

---

---

---

---

---

---

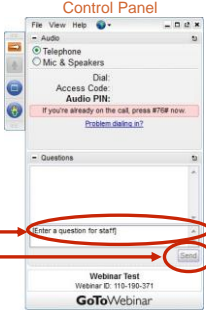
---

---

---

---

## To Ask Questions



Type in your question and click "Send" button

3

---

---

---

---

---

---

---

---

---

---

**STELTER**

## Planned Giving Made Simple

April 29, 2015



**PRESENTED BY**  
**Lynn M. Gaumer, J.D.**  
 Senior Technical Consultant  
 The Stelter Company

**Philip Purcell, J.D.**  
 Vice President for Planned Giving and Endowment Stewardship  
 Ball State University

4

---

---

---

---

---

---


---

---

---

---

## Presenter



**Lynn M. Gaumer, J.D.**  
 Senior Technical Consultant  
 The Stelter Company

- + Joined The Stelter Company in December 2011
- + Prior to coming to Stelter, Lynn worked as an associate attorney for 10 years with Duncan, Green, Brown & Langeness, P.C., a law firm in Des Moines, Iowa, specializing in estate planning, charitable planning, probate, guardianships, conservatorships, real estate and business planning
- + Bachelor of Arts degree in economics and communication studies from the University of Iowa, and a law degree from the University of South Dakota School of Law
- + Board Member of the Mid-Iowa Planned Giving Council. Member of the Partnership for Philanthropic Planning and Partnership for Philanthropic Planning Leadership Institute

5

---

---

---

---

---

---

---

---

---

---

## Presenter



**Philip Purcell, J.D.**  
 Vice President for Planned Giving and Endowment Stewardship  
 Ball State University

- + Vice President for Planned Giving and Endowment Stewardship at Ball State University
- + Serves as a volunteer on the Tax Exempt Organization Advisory Council for the Internal Revenue Service
- + Teaches Law and Philanthropy, Nonprofit Organization Law and Planned Giving as adjunct faculty for the Indiana University School of Law and the Indiana University School of Philanthropy and Fund Raising School
- + Member of the board of directors for the Partnership for Philanthropic Planning (PPP) and member of Stelter's Technical Advisory Board
- + Frequent speaker at the American Council on Gift Annuities and PPP conferences

6

---

---

---

---

---

---

---

---

---

---

## Today's Agenda

- + Identify Planned Giving Prospects – Think About Your Database
- + Most Popular Planned Giving Vehicles
  - Bequests
  - Beneficiary Designations
  - Charitable Gift Annuities
- + Blended Gifts

7

---

---

---

---

---

---

---

---

## How to Identify Planned Giving Prospects

- + General Traits\*
  - + Age 40 and older
  - + Giving history or other connection
  - + Any gift size
  - + Education
  - + Income

\* The Staller Company, America Speaks: Scientific Research Reveals New Targets for Planned Giving. Des Moines, IA, 2008.

8

---

---

---

---

---

---

---

---

## Research Shows Solicitations Must Differentiate by Age

- + Age is the the strongest identifying trait among good prospects.
- + Many nonprofits ignore those under age 55 when targeting bequest givers.

9

---

---

---

---

---

---

---

---

Planned giving is about building relationships with current donors.

10

---

---

---

---

---

---

---

---

What to Give

11

---

---

---

---

---

---

---

---

### Assets Suitable for Giving

- + Cash
- + Appreciated stock
- + Life insurance policy
- + Retirement plan assets
- + Farmland or undeveloped land
- + Real estate, second home or vacation home

12

---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---



---

---

---

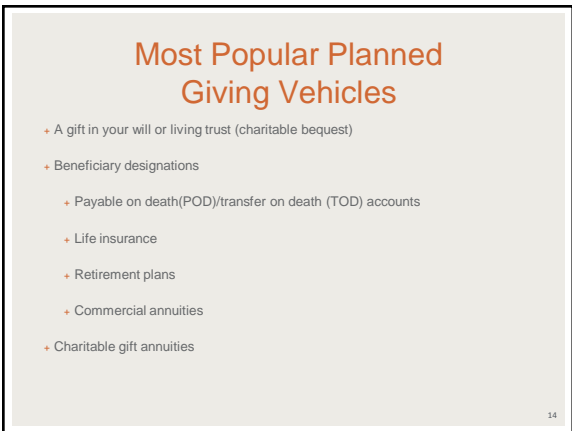
---

---

---

---

---



---

---

---

---

---

---

---

---

## Charitable Bequests

15

---

---

---

---

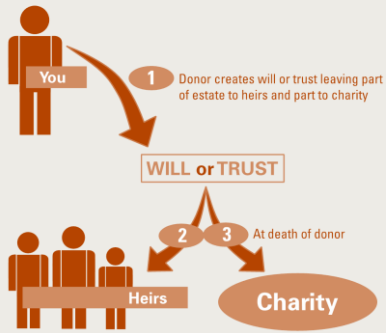
---

---

---

---

### Revocable Bequest Intention



16

---

---

---

---

---

---

---

---

## Bequests

Why are they popular?

- + Little cost to donor
- + Easy to implement
- + Doesn't hurt financially
- + Uncertainty of future—When will donors know that they won't need any more of their money?

17

---

---

---

---

---

---

---

---

## Bequests

Can be made via:

- + Will
  - + New will
  - + Codicil to existing will
- + Revocable living trust
  - + New trust
  - + Amendment to existing trust

18

---

---

---

---

---

---

---

---

## Types of Bequests

- + A bequest allows donors to pass any amount they wish to charity:
  - + A specific dollar amount (e.g. \$250,000)
  - + A specific asset (e.g. shares of stock, real estate)
  - + A percentage of the residue of the estate (e.g. 10 percent)
  - + A contingent bequest provides a gift to your organization only if the primary beneficiary (example, the spouse) doesn't survive.

19

---

---

---

---

---

---

---

---

## If Your Donor Doesn't Have a Will

- + The state the donor lives in dictates who receives his/her assets.
- + There is no provision for charitable bequests.
- + There are no tax-saving strategies.

20

---

---

---

---

---

---

---

---

## Bequests

- No current income tax deduction
- Estate tax charitable deduction at death
- No limit to how much a donor can give to a charitable organization such as yours via his/her will

21

---

---

---

---

---

---

---

---

## Case Study

- Sid is 67 and he owns cash, stock, life insurance and real estate.
- He wants to hold on to these assets in case he ever needs it.
- He is interested in making a gift in his will or living trust to your organization.



22

---

---

---

---

---

---

---

---

## Solution: A Bequest

- Sid can bequeath a specific dollar amount or a percentage of his estate to your organization.
- A bequest allows him to keep the assets during his life in case he ever needs it.



23

---

---

---

---

---

---

---

---



## General Donor Profile for a Bequest

- Would rather make a gift after his/her lifetime
- Doesn't want/need an income tax deduction now
- Doesn't have an asset available to give now
- Not looking for higher income from his/her assets
- May or may not need an estate tax deduction
- Wants the flexibility to change his/her mind later on



24

---

---

---

---

---

---

---

---

## Bequests

- How are you promoting bequests?
  - + An example: "Please remember us in your will."
- Reply cards
- Website
- If you actively promote bequests, you'll receive twice the dollar amount than if you don't.
- Prospects are donors of gifts of any size.
- Add donor to legacy society (without the amount given) with the donor's permission.

25

---

---

---

---

---

---

---

---

## Example: Reply Card

**30-Second Survey:** Please complete and return in the enclosed envelope today.

	Yes	Not at this time	
I would like to receive a copy of the FREE guide <b>The 3 Easiest Ways to Leave Your Legacy.</b>	<input type="checkbox"/>	<input type="checkbox"/>	Name (Please print) _____
I would like more information on how to support the Y without giving up assets today.	<input type="checkbox"/>	<input type="checkbox"/>	Telephone _____
I have included a gift to the Y in my will or other estate plans and have not yet notified you.	<input type="checkbox"/>	<input type="checkbox"/>	Email _____
I would like to be contacted to learn more about what my gift can do for the Y.	<input type="checkbox"/>	<input type="checkbox"/>	Address _____
			City, State _____ ZIP _____

Information collected here will be kept strictly confidential.

26

---

---

---

---

---

---

---

---

## Example: Website




---

---

---

---

---

---

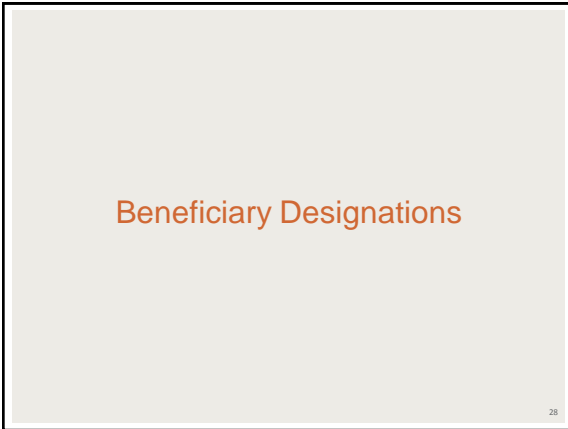
---

---

---

---

## Beneficiary Designations




---

---

---

---

---

---

---

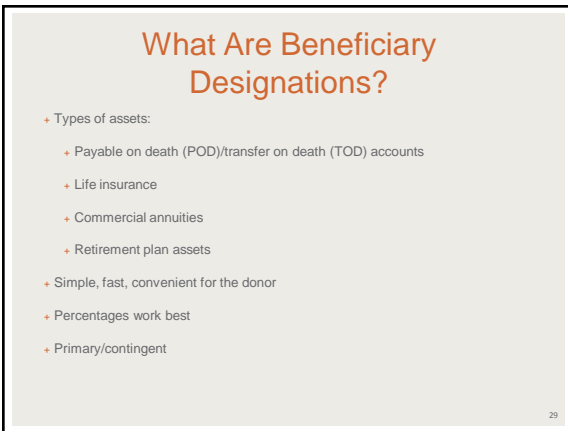
---

---

---

## What Are Beneficiary Designations?

- + Types of assets:
  - + Payable on death (POD)/transfer on death (TOD) accounts
  - + Life insurance
  - + Commercial annuities
  - + Retirement plan assets
- + Simple, fast, convenient for the donor
- + Percentages work best
- + Primary/contingent




---

---

---

---

---

---

---

---

---

---

## Account Designations

30

---

---

---

---

---

---

---

---

## Account Designations

- Payable on death (POD) – Bank accounts or certificates of deposit
- Transfer on death (TOD) – Investment accounts
- **Note:** State laws govern these accounts. Ask a local advisor about your state law.

31

---

---

---

---

---

---

---

---

## General Donor Profile

- Would rather make a gift after her lifetime without the need for an attorney
- Doesn't want/need an income tax deduction now
- Doesn't have an asset available to give now
- Wants the flexibility to change her mind later on



32

---

---

---

---

---

---

---

---

**Life Insurance**

33

---

---

---

---

---

---

---

---

**Donor Profile**

- Would rather make a gift after his lifetime
- Doesn't want/need an income tax deduction now
- Doesn't have an asset available to give now
- May not need the life insurance policy anymore
- Wants the flexibility to change his mind later on
- May be a gift of a new or existing policy



34

---

---

---

---

---

---

---

---

**Commercial Annuities**

35

---

---

---

---

---

---

---

---

## Donor Profile

- + Would rather make a gift after his lifetime
- + Doesn't want/need an income tax deduction now
- + Doesn't have an asset available to give now
- + Not looking for higher income from his assets
- + Understands the tax benefits of naming a charitable organization as beneficiary
- + Wants the flexibility to change his mind later on



36

---

---

---

---

---

---

---

---

## Making a Gift With IRAs and Other Retirement Plan Assets

37

---

---

---

---

---

---

---

---

## Types of Qualified Plans

- + IRAs
- + 401(k)s
- + 403(b)s
- + Keoghs
- + SEPs
- + Pension Plans
- + Profit Sharing Plans

38

---

---

---

---

---

---

---

---

## Four Options for These Assets

1. Lifetime gifts
2. Leave to family
3. Leave to charitable organization
4. Leave a portion to family and a portion to charity

39

---

---

---

---

---

---

---

---

## 1. Lifetime Gifts of Retirement Plan Assets

- + Two-step process (for those over 59½)
  - + Take a distribution
  - + Write a check to your organization
- + Donor pays income tax on the distribution.
- + If donor itemizes, he/she would take an income tax charitable deduction for the amount of the gift.

*NOTE: IRA charitable rollover legislation is currently expired.*

40

---

---

---

---

---

---

---

---

## Lifetime Gifts of IRA Assets During Legislative Limbo

- + Donors age 70½ and over can take the required minimum distribution (RMD) from their IRA up to \$100,000 and make a gift directly to a qualified organization.
  - + If the IRA provision IS reinstated, distribution will not be subject to federal taxes.
  - + If the provision is NOT reinstated, the distribution will be treated as income for federal income tax purposes and the donor can take an income tax charitable deduction for the amount of the gift.

*NOTE: Until legislation is passed, the donor should not make a contribution directly to a qualified charitable organization from an IRA in excess of the donor's RMD amount.*

41

---

---

---

---

---

---

---

---

## 2. Leave to Family

- Retirement plan assets are taxable in the decedent's estate for **estate taxes** upon death.
- Plus, the heir/beneficiary must pay **income tax** on the plan assets, too.
- Hence, these plans can be **taxed twice** by the IRS: Once for estate tax and a second time for income tax.

42

---

---

---

---

---

---

---

---

## Example: Leave to Family

- Jerry has \$5 million in his 401(k) plan.
- He named his three children as equal beneficiaries.
- When Jerry died, his estate paid the **estate tax** and the children paid **income tax**.



43

---

---

---

---

---

---

---

---

## Example: Leave to Family

401(k) value at death	\$5,000,000
40% estate taxes	-\$2,000,000
	\$3,000,000
35% federal income taxes	-\$1,050,000
<b>Net to heirs after taxes</b>	<b>\$1,950,000</b>
or	
39% of inheritance value	

44

---

---

---

---

---

---

---

---

### 3. Leave to Charity

• Jerry names his favorite charitable organization as the beneficiary of his \$5 million 401(k) plan.

• This eliminates all estate and income taxes due on the retirement plan because of the charitable status of your organization.



45

---

---

---

---

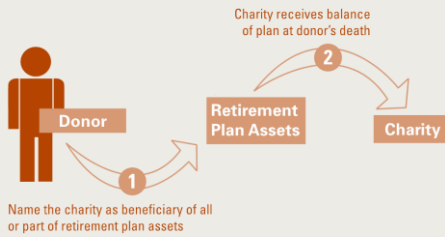
---

---

---

---

### Retirement Plan Assets



46

---

---

---

---

---

---

---

---

### 4. Leave a Portion to Family and a Portion to Charity

• Simple to implement in that the donor only needs to change the account's beneficiary designation to a charitable organization.

• Optional: Set up the wealth replacement trust with life insurance.

• Donor retains total access and control over the qualified plan values during his/her lifetime.

• Donor can still change the plan beneficiary at any time in the future.

47

---

---

---

---

---

---

---

---



## Example: Leave a Portion to Family and a Portion to Charity

- Jan has a \$1.5 million estate and wants to leave \$750,000 to a charitable organization.
- She also wants to leave something to her only daughter, Sandra, who is in the 28 percent federal income tax bracket.

Option 1: Jan divides assets equally.

	Sandra	Charitable Organization
IRA	\$375,000	\$375,000
Other assets (house, securities, cash, etc.)	\$375,000	\$375,000
Federal income tax owed	(\$105,000)	(\$0)
Net amount to beneficiary	\$645,000	\$750,000

Option 2: Jan divides assets separately.

	Sandra	Charitable Organization
IRA	\$0	\$750,000
Other assets (house, securities, cash, etc.)	\$750,000	\$0
Federal income tax owed	(\$0)	(\$0)
Net amount to beneficiary	\$750,000	\$750,000

48

---

---

---

---

---

---

---

---

---

---

## Charitable Gift Annuities

49

---

---

---

---

---

---

---

---

---

---

## What Is a Charitable Gift Annuity?

- Donor gives property directly to a charitable organization in exchange for lifetime payments from the organization.
- No trust is necessary.
- The agreement is formed with a simple contract between a charity and the donor. At death, the balance is used by the charity to support its mission.
- Actuarially valued at 50% upon reaching life expectancy.
- The donor's lifetime payments are backed by the charity's assets.
- This is an irrevocable gift.
- It is not a product sold by an insurance company.

50

---

---

---

---

---

---

---

---

---

---

## Lifetime Payments

- + The amount of the payments is generally determined using rates recommended by the American Council on Gift Annuities.
- + A fixed amount is determined by the donor's age at the time of the gift.
- + Payments can be made to one or two people, jointly or consecutively.

51

---

---

---

---

---

---

---

---

## Charitable Gift Annuity Solutions

- + If your organization does not have the necessary resources for a CGA program, you can work with:
  - + A local community foundation
  - + Charitable Giving Resource Center  
[www.charitablegivingresourcecenter.com](http://www.charitablegivingresourcecenter.com)
  - + Charitable Trust Administration Company (CTAC)
  - + Other CGA third party administrators

52

---

---

---

---

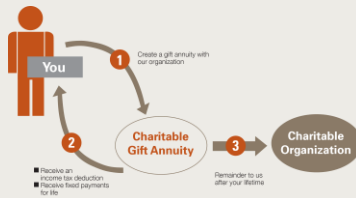
---

---

---

---

## How Charitable Gift Annuities Work



The donor transfers property to a charitable organization. The donor receives an income tax deduction for a portion of the gift amount. Charity makes lifetime annuity payments to the annuitants, usually the donor and/or other named beneficiaries.

53

---

---

---

---

---

---

---

---

## Sample Gift Annuity Rates

AGE*	RATE**
60	4.4%
65	4.7%
70	5.1%
75	5.8%
80	6.8%
85	7.8%
90+	9.0%

\*Age nearest birthday | \*\*As of April 1, 2015

Visit [www.ACGA-web.org](http://www.ACGA-web.org) for a full set of CGA rates.

54

---

---

---

---

---

---

---

---

---

---

## Benefits of a Charitable Gift Annuity

- Donor can never outlive the steady payment stream.
- Asset is removed from the donor's taxable estate.
- Charity receives the asset immediately.
- Can delay payments with a deferred gift annuity.
- It is simple to implement: No trust is needed, just a simple contract.
- Donor receives a partial income tax deduction.

55

---

---

---

---

---

---

---

---

---

---

## Recap: How It Works

### The Donor:

- Transfers assets to a charity
- Receives income tax deduction
- Receives lifetime payments
- Lifetime payments are tax-favored
- Typically pays no capital gains tax when asset is given to a charitable organization

### The Charity:

- May sell the donated asset
- Pays no capital gains tax when selling the asset
- Pays donor a fixed amount for life
- May eventually use the residual value of asset

56

---

---

---

---

---

---

---

---

---

---

## Average CGA Donor Profile\*

- + Average age: 79
- + 70% are single life
- + 30% are joint life
  - + Concurrently or consecutively
  - + Maximum of two lives
  - + No period certain (must be for life only)
- + 88% start immediately
- + 12% are deferred starting dates

\*American Council on Gift Annuities - 2013 Survey of Charitable Gift Annuities

57

---

---

---

---

---

---

---

---

---

---

## 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 (e.g., mother-in-law, sister, valued employee).

58

---

---

---

---

---

---

---

---

---

---

## Case Study

- + Mary is 70 years old.
- + Mary has a strong connection to a charitable organization.
- + Mary donates \$100,000 worth of appreciated stock to that organization. She originally paid \$50,000 for the stock. Mary transfers the stock immediately.
- + Her charitable deduction is \$41,518.\*
- + She can deduct this up to 30 percent of her adjusted gross income for the year.
- + Plus, she has five additional years to use her tax deduction if she can't use it up this year.



\*Based on annual payments and a 2.4% charitable mid-term federal rate.

59

---

---

---

---

---

---

---

---

---

---

## Case Study

- + In return, Mary receives \$5,100 in annual payments from the charity.
- + The fixed amount Mary receives is recommended by rates established by the American Council on Gift Annuities.
- + Each \$5,100 payment is tax-favored throughout her projected life expectancy.



---

---

---

---

---

---

---

---

## Blended Gifts

Here are some examples:

- | Gifts Donors Make Today      | Combined With | Future Gifts                     |
|------------------------------|---------------|----------------------------------|
| + Cash                       |               | + Bequest in will/trust          |
| + Stocks and securities      |               | + IRA/retirement plan assets     |
| + Real estate                |               | + Life insurance                 |
| + Tangible personal property |               | + Other beneficiary designations |
| + Life income gifts          |               |                                  |
| - Charitable gift annuity    |               |                                  |
| - Charitable remainder trust |               |                                  |

61

---

---

---

---

---

---

---

---

## Questions

62

---

---

---

---

---

---

---

---

lynn.gaumer@stelster.com

For more information on Stelster products and services, contact us at:  
[stella@stelster.com](mailto:stella@stelster.com)  
[www.stelster.com](http://www.stelster.com)

63

---

---

---

---

---

---

---

---

### Following the Webinar

In a few days you will receive an email alerting you that the webinar materials are available to download on our website at [www.stelster.com/webinars](http://www.stelster.com/webinars).

64

---

---

---

---

---

---

---

---

# Thanks!

65

---

---

---

---

---

---

---

---