

**CUES AND CLUES:
WHAT PROSPECTS, ARE TELLING YOU,
AND WHAT YOU NEED TO SAY,
THEN AND THERE**

**Prospects Tell You Everything If You Only Listen,
And Then Reply**

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Davidson Gift Design
Thompson & Associates

The Stelter Company
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PRESENTER



Pamela Jones Davidson, J.D.

- President of Davidson Gift Design, in Bloomington, Indiana, a consulting firm specializing in all aspects of gift planning and training
- Also serves as a Senior Vice President for Thompson & Associates, offering estate planning services to nonprofits
- Formerly served as Executive Director of Planned Giving and Associate Counsel for the Indiana University Foundation
- Earned BA from Indiana University and graduated *magna cum laude* from the Indiana University School of Law
- Formerly was an Examiner in the Estate and Gift Tax Division of the Internal Revenue Service
- Past President (now, Chair) of the National Association of Charitable Gift Planners, and served on its board for six years

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- Donors and prospects often tell you their personal concerns, what they perceive as their impediments to giving to your charity. Development's role is to listen to those, and attempt to move the process along with **a gift conversation** that addresses those perceived impediments.

A planned gift can meet even exceed expectations most times - but details and timing are essential, as is motivation, also education and awareness.

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- What are some of those impediments to giving?

Let's look at a few of the most common...

Our mission: To ask many, would they consider a planned gift, if we could show them how.

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- Shared sentiment: The prospect expresses concern over his or her income, how to grow it, to provide income for a spouse, and with CD rates so low!

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- Your response: "There are charitable gift plans that pay income to people, both a simple plan and a more complex one. I don't know much more about it than that, but may I have a person (name best) contact you to talk through those options?"

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- Shared sentiment: The prospect says s/he no longer wants to manage a rental property, or a farm, wants to work less, but needs income and is concerned about having to pay capital gains taxes, meaning less to invest.

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- Your response: “There are charitable gift plans that pay income to donors, both a simple and a more complex option. Those should be funded with the appreciated asset itself, for maximum tax advantage. I don’t know much more about it than that, but may I have a person (name best) contact you to talk through those options?”

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- Shared sentiment: The prospect says that the couple can foresee a time they will no longer be able to drive to an in-state or out-of-state vacation home, which the children do not want (or, they have no children).

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- Your response: “There are charitable plans funded with such appreciated assets that pay income to you or others, or a gift can be made of certain property now, after you live there for your lives or a term of years, often with great income tax breaks. I don’t know much more about it than that, but may I have a person (name best) contact you to talk through those options?”

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- Shared sentiment: The prospect says s/he is supporting an older generation, why they cannot make a gift now, they must wait until that obligation has ended at some future undetermined time.

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- Your response: “There is a charitable plan called charitable gift annuities, around since 1831, paying often higher than market rates for life to older people. You could fund one for that older generation, providing income to them and very attractive income tax advantages for you. I don’t know much more about it than that, but may I have a person (name best) contact you to talk through those options, and run numbers for you?”

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- Shared sentiment: The prospect expresses concern about a child with issues, could be financial, substance, even in-laws issues, and is concerned about how to protect their inheritance.

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- Your response: “There are charitable plans that pay income to younger heirs while protecting a portfolio from creditors and also enjoying market activity so it can grow in the future and provide more income. I don’t know much more about it than that, but may I have a person (name best) contact you to talk through those options, even run numbers for you?”

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- Shared sentiment: The prospect tells you that they have seen a stock price they wish they could cash in on, or that the tenant farmer has told them s/he wants to buy the farm, but fear of having to pay capital gains tax has stalled them.

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- Your response: “There are charitable plans that can be funded with appreciated assets that pay income to you or others, or a charitable gift can be made of part or all of certain property outright. Those can simplify and diversify your estate. I don’t know much more about it than that, but may I have a person (name best) contact you to talk through those options?”

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- Shared sentiment: The prospect states that they do not need to have a gift conversation, that their estate is all planned and complete, and does not need any further review.

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- Your response: “With the huge federal estate tax exemption, more people are using certain assets at the right life stage, to convert those from appreciation to income, with very attractive income tax breaks. I don’t know much more about it than that, but may I have a person (name best) contact you to talk through those options, even run numbers for you?”

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- Shared sentiment: The older prospect says at some future time, your charity will receive her home, or farm, or vacation home.

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- Your response: “There is a gift plan that lets you deed that property during your life to our charity, you can live there for life, for your spouse or sibling’s too (if relevant), which simplifies your estate and entitles you to a current income tax deduction. I don’t know much more about it than that, but may I have a person (name best) contact you to talk through those options, even run numbers for you?”

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- Shared sentiment: The prospect responds to your question about having U.S. savings bonds that yes, s/he does, had forgotten all about them, they matured long ago .

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- Your response: “You could cash those savings bonds in, recognize some income for tax, and make a gift of the proceeds to our charity, or use those proceeds to fund a charitable gift annuity that pays income for life to you and another, even bequeath them to our charity. May I have (name person) contact you about that, even run numbers for you?”

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- Shared sentiment: The prospect talks about retirement plan assets especially an IRA, and talks about concern over the annual required minimum distribution (RMD) payments and their taxation every year. And, has heard that the Secure Act eliminates stretch-out of IRAs beyond ten years.

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- Your response: “If you have an IRA and are 70½ and older, you can direct your plan custodian to pay contributions directly from your IRA to our public charity, those distributions count as RMD and won’t be included in your taxable IRA income that year. I don’t know much more about it than that, but may I have a person (name best) contact you to talk through those plan and others?”

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- Shared sentiment: The prospect tells you they are illiquid, the majority of their portfolio assets is in retirement plans, that would create income with withdrawals during life.

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- Your response: “One of the best ways to support various charities now is by designating a revocable % of what is left of that retirement plan after your and your spouse’s use to one or more charities, easy to do on-line on the beneficiary designation form, all ages can do it, using an asset that is taxed to children to inherit. You can also provide income to heirs beyond the ten years mandated by the Secure Act. May we send you the right language to use, can we talk more about possibilities?”

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You are hearing many of these comments from donors and prospects. Your role, to listen, and respond, in a manner to move the process along.

YOUR GOAL IS A GIFT CONVERSATION WITH MANY, ESPECIALLY ABOUT LIFE STAGE GIFT IDEAS, WHICH CREATE REPEAT GIFTS THAT BETTER SERVE A DONOR'S NEEDS AND GOALS.

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The Secure Act

Effective January 1, 2020

- Pertains to IRA's and certain other limited types of retirement plans.
- Raises required Minimum Distribution Age from 70 ½ to age 72.
- Requires designated beneficiaries who are not *eligible designated beneficiaries* to withdraw all assets of an inherited account by December 31 of the tenth year after the death of the plan owner.
“Stretch-out” is now limited to ten years.

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- Could designate as beneficiary, on the death of the second spouse, a charitable remainder unitrust, its terms in a will or trust. 5% annual payout, to children over lifetimes or for a period not to exceed twenty years, to qualify as a qualified charitable remainder trust.
- Some donors are using nonqualified charitable trusts that provide income to children then distributed to one or more qualified charities. May be risky if trust is to be funded tax-free with retirement plan.

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Pamela Jones Davidson, J.D.

Q&A

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ADDITIONAL QUESTIONS

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