

# Helping Clients Leave a Legacy

Charitable Planned Giving from a  
Nonprofit's Perspective

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# Charitable Giving

What kind of numbers are we  
talking about?

# GIVING BY THE NUMBERS

- ▶ 2016 - \$390.05 billion total contributions
- ▶ 72% given by **individuals** (3.9% ↑)
- ▶ 8% from bequests (9.0% ↓)
- ▶ 67% of all households give in US

Giving USA 2017, [www.givingusa.org](http://www.givingusa.org)

# GIVING BY HIGH NET WORTH INDIVIDUALS

- ▶ 91% HNW give
- ▶ Average giving \$25,509 in 2015 (10x gen. pop.)
- ▶ 83% plan to give as much or more (through 2018) 😊

2016 US Trust Study of High Net Worth Philanthropy

# NONPROFIT SECTOR IMPACT

- ▶ NFPs employ 10% American workforce
- ▶ 18,979 NFPs in Oklahoma
- ▶ Okla. NFPs contribute ~\$15.3 billion in revenue & hold \$48.8+ billion in assets (\$23+ billion of those in Tulsa County)

[www.oklahomacenterfornonprofits.org](http://www.oklahomacenterfornonprofits.org)

# Charitable Giving

Case Study: OMRF

- ▶ Independent, 501 c(3) non-profit organization
- ▶ Founded in 1946 with initial support from a 77-county fund drive
- ▶ Located in Oklahoma City with collaborations worldwide
- ▶ One of 90 independent research institutes in the United States
- ▶ **Annually budget nearly \$2 mil in planned gifts**
- ▶ **Currently has:**
  - ▶ Nearly 450 employees
  - ▶ ~50 principal investigators
  - ▶ Annual budget ~\$68,000,000

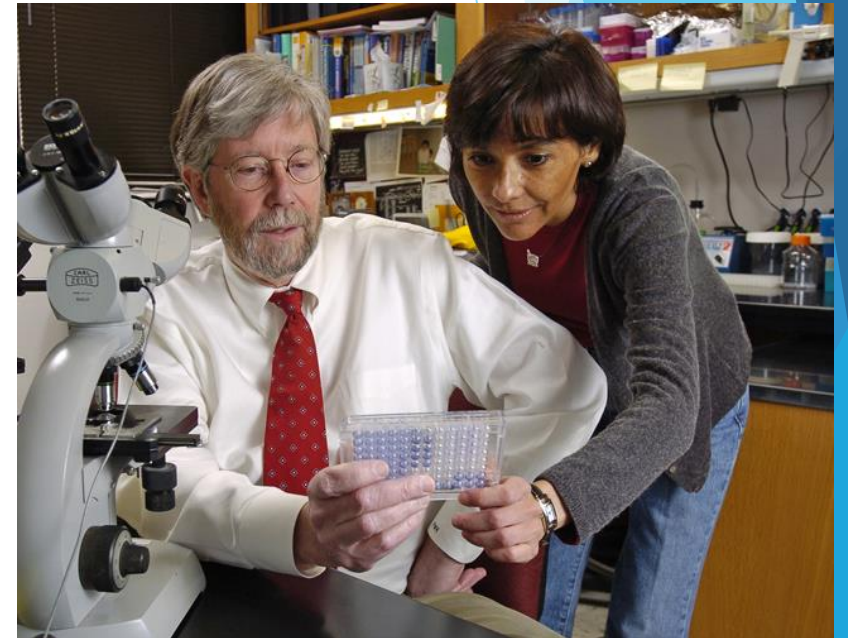




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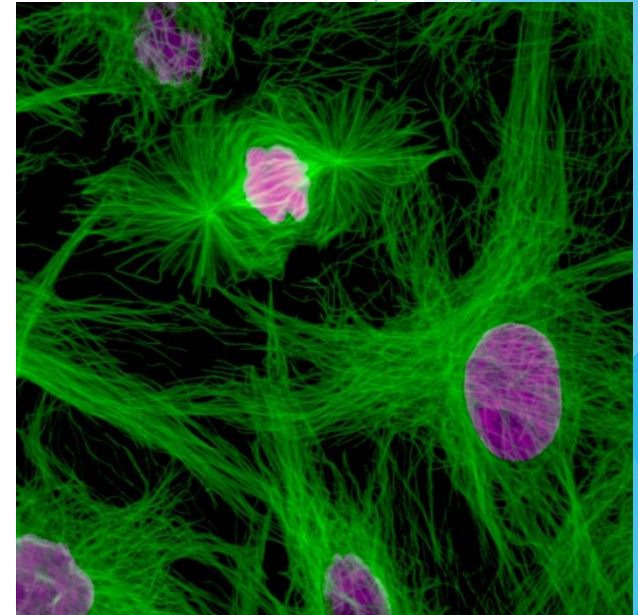
**CONDUCT BASIC BIOMEDICAL RESEARCH TO HELP  
PEOPLE LIVE LONGER, HEALTHIER LIVES**

- Transform research discoveries into diagnostics and treatments for disease
- Foster education and training in the medical sciences
- Move discoveries from bench to bedside through commercialization



# OMRF's RESEARCH FOCUS

- ▶ Autoimmune Diseases
- ▶ Cancer
- ▶ Cardiovascular
- ▶ Children's Diseases
- ▶ Diabetes
- ▶ Diseases of Aging



# INTO THE FUTURE

- ▶ Genomics- Genetics of Disease
- ▶ Epigenetics
- ▶ DNA Sequencing
- ▶ Gut Microbiome
- ▶ Regenerative Medicine

# Oklahoma Biomedical Research Tax Credit

- Donations to OMRF qualify you not only for a deduction but also for a tax credit
- Credit equal to half your donation, up to \$1,000 annually for individual filers and \$2,000 for married couples
- Here's how it works:

Fighting Disease  
+ OMRF Tax Credit  
= SMART MONEY



Donation to another charity

\$4,000	
- \$1,320	(federal deduction)
- \$210	(Oklahoma deduction)
Cost	\$2,470

Donation to OMRF

\$4,000	
- \$1,320	(federal deduction)
- \$210	(Oklahoma deduction)
- \$2,000	(Oklahoma tax credit)
Cost	\$470

That's a savings of \$2,000!

# Motivation

Why people give and having that conversation



# KNOWLEDGE AFFECTS REASONS & ACTIONS

## COMPARISON OF KNOWLEDGE, GIVING BEHAVIORS, PERSONAL FULFILLMENT AND GIVING LEVELS

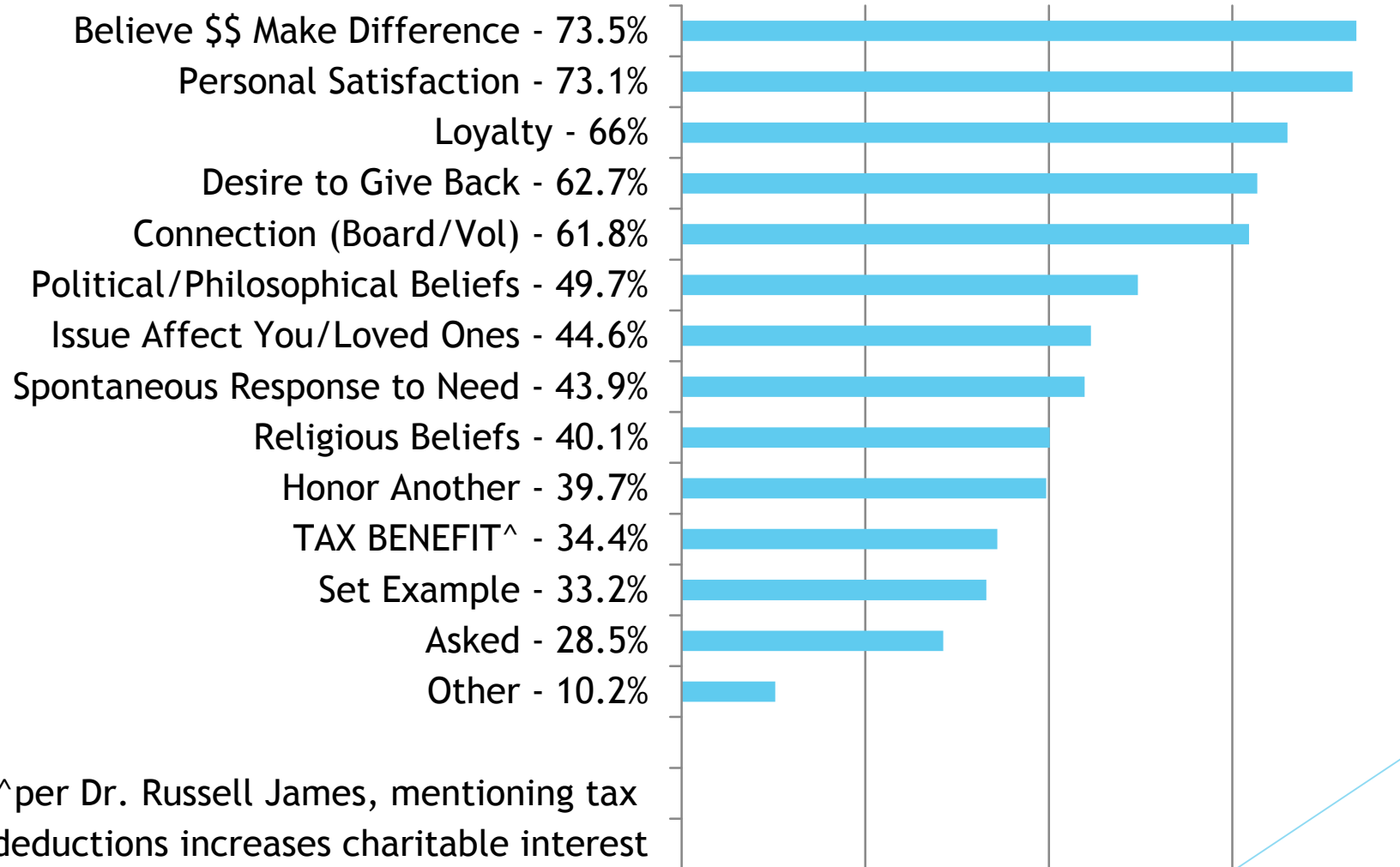
	Novice (14%)	Knowledgeable (72%)	Expert (14%)	Total (100%)
Monitor giving	10%	30%	62%	22%
Believe giving is having intended impact	31%	53%	80%	44%
Consult with an advisor	17%	30%	37%	24%
Have or plan to use a giving vehicle	13%	35%	66%	24%
Achieving personal fulfillment through their charitable giving	82%	96%	100%	89%
Average annual giving amount <sup>a</sup>	\$3,303	\$8,285	\$14,322	

2016 US Trust Study of High Net Worth Philanthropy

# WHAT WE TEND TO PROMOTE

- ▶ Income tax deduction
- ▶ Bypass capital gains
- ▶ Estate and gift tax deductions
- ▶ State tax credit – OMRF
- ▶ Matching programs offered by employers and other entities
- ▶ Naming opportunities

# REAL REASONS FOR GIVING



^per Dr. Russell James, mentioning tax deductions increases charitable interest



# REAL REASONS FOR A PLANNED GIFT

## Why Do They Give?




Thompson, E. (n.d.). The Fundraising Executive. Retrieved June 20, 2017, from <https://eddiethompson.org/>

# IS THERE A “TYPICAL” PLANNED DONOR?

- ▶ **No children/grandchildren** (widowed or unmarried)
- ▶ **Loyal donor** (not about the size of the gifts)
- ▶ **Frugal**
- ▶ **Retired teacher**

- ▶ Educated
- ▶ Church goer (and usually have a bequest to church or church supported cause)
- ▶ Unknown (!) - between 70-90% of all bequests are unknown to the charity until after the donor's death

(Source: "Making Planned Giving Work for You" white paper, [www.blackbaud.com](http://www.blackbaud.com))

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The text is positioned on the left side of the frame, set against a plain white background.

But really, anyone is a  
planned giving client  
All you have to do is ask!

# ARE YOU ASKING?

- ▶ Is your professional advice sought regarding planned / estate giving (bequests, remainder interests)?
- ▶ Do you ever approach clients about planned giving?
- ▶ If no, why not? (Avoidance – client & advisor)

# START THE CONVERSATION

- ▶ While tax benefits accompany planned or legacy gifts, these can be maximized with proper planning and advice – from you
- ▶ Win-Win: many PG vehicles benefit donor, donor's family and charity of choice
- ▶ Marketing – base on donor/client's age, estate value and/or income

# CLIENT CONVERSATION

Source: Thompson & Associates

- ▶ **Taxes** are not primary motivation, but they do play a role, especially in plan details.
- ▶ What are the client/donor's values?  
Ask: ideal allocation between % to family, % to government, % to charity

# CLIENT CONVERSATION

Source: Thompson & Associates

- ▶ Ask: ideal allocation between % to family, % to government, % to charity
- ▶ Preferences on:
  - ▶ Caps for amounts to heirs
  - ▶ Timing of amounts to heirs
  - ▶ Concerns with heirs handling assets



# CLIENT/DONOR PERSPECTIVE

Source: “Inside the mind of the bequest donor”  
Dr. Russell James

- ▶ Help your client move **from Yes to Now** for estate planning
- ▶ Create negative consequence for waiting or enticement for acting

# CLIENT/DONOR PERSPECTIVE

Source: "Inside the mind of the bequest donor"

Dr. Russell James

- ▶ **Later** – costs more, left out, no match, lower deduction, social stigma, bad example, violate pledge, risk bad feelings, live with uncertainty, lost money

# CLIENT/DONOR PERSPECTIVE

Source: "Inside the mind of the bequest donor"

Dr. Russell James

- ▶ Moving from Yes to Now for Charitable Estate Planning:
  - ▶ Emphasize autobiographical **connections**
  - ▶ **Tribute** – honor a (family member or friend) loved one with a gift to charity in your will/trust

# CLIENT/DONOR PERSPECTIVE

Source: “Inside the mind of the bequest donor”  
Dr. Russell James

- ▶ Moving from Yes to Now for Charitable Estate Planning:
  - ▶ **Stories** of others – “Many people like to leave a gift to charity in their will. Are there any causes you would support in this way?” vs. “Would you like to leave any money to charity in your will?” vs. No reference to charity

# CLIENT/DONOR PERSPECTIVE

Source: “Inside the mind of the bequest donor”

Dr. Russell James

- ▶ Avoidance of estate planning is the norm – “I don’t want to think about it” (response to mortality, which is what people associate “estate planning”)
- ▶ What Prof. Advisor sees “Seminar Tonight: Estate Planning” vs. what Subconscious sees “Seminar Tonight: Your upcoming death”

# CLIENT/DONOR PERSPECTIVE

Source: "Inside the mind of the bequest donor"

Dr. Russell James

- ▶ Estate Planning – aversive topic.  
Repackage.
  - ▶ Seminar: Charitable Estate Planning → Seminar: New Ways to Save More Taxes When You Give

# What to Give

All Assets Are Not Created Equal

# FROM THE CHARITY'S PERSPECTIVE

- ▶ Cash is king, but in Oklahoma, mineral interests rank a close second
- ▶ While most everything under the sun has been given, not everything should be accepted



# CHARITABLE GIFTS- TYPES

- ▶ Specific types of gifts should spark a conversation with a client – and are highly valued by many charities. All have tax benefits.
- ▶ **Stock gifts and other appreciated assets** – avoidance of capital gains
- ▶ **Retirement Assets** – complete form, avoid twofold taxation

# CHARITABLE GIFTS- TYPES

- ▶ **Mineral interests** – larger charities, producing & non-producing; deed filed
- ▶ **Collections** – appraisal may be required (over \$5,000); difficult to liquidate
- ▶ **Life Insurance** – paid up premiums, pay the premiums, charitable beneficiary

# CHARITABLE GIFTS - TYPES

- ▶ **Real Estate**
- ▶ **Vehicles** – usually should be in decent, running condition – tax forms must be filed
- ▶ **Life Estates**
- ▶ **Bargain Sales**

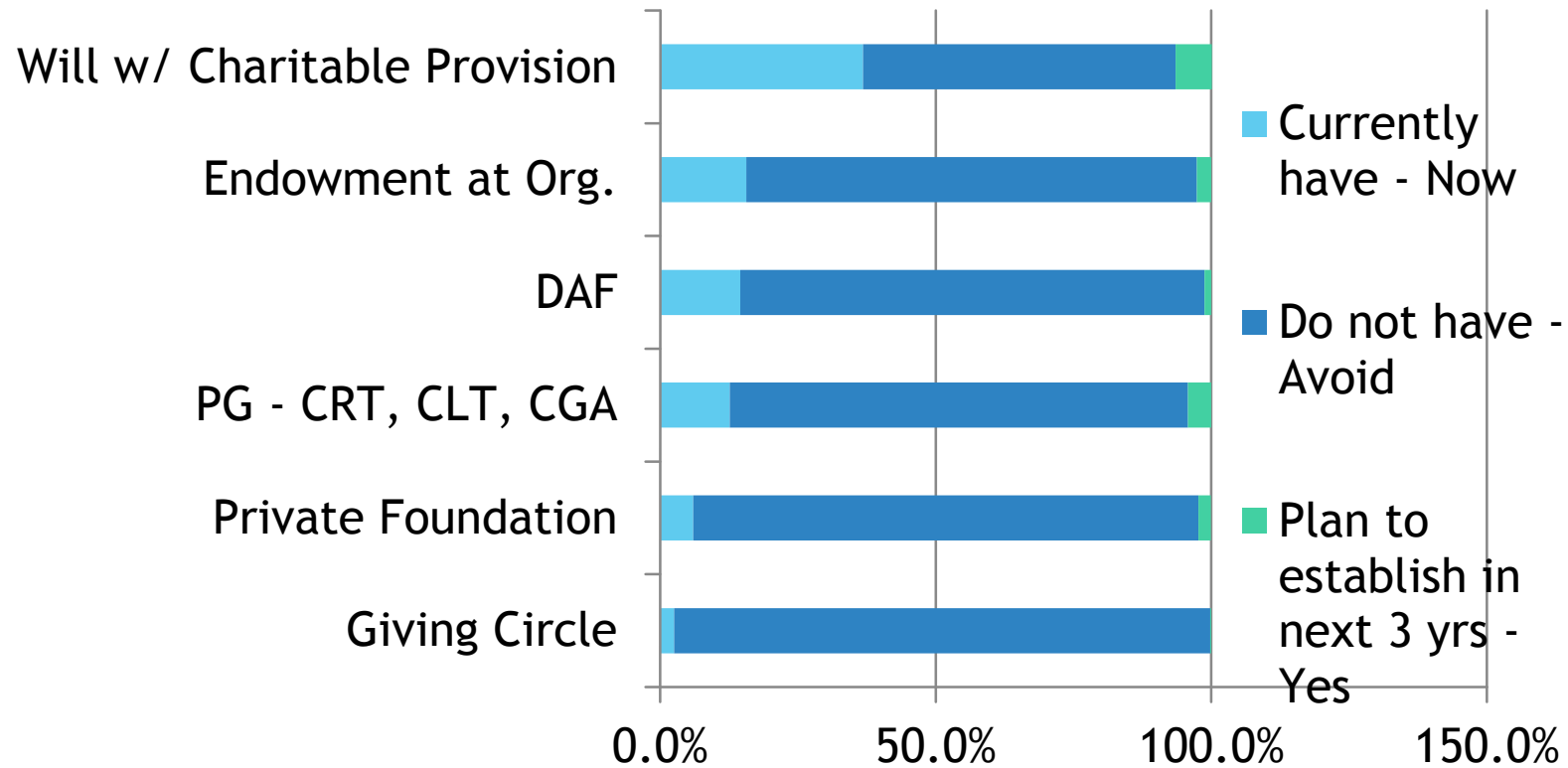
# REAL ESTATE

- Legal description
- Legal title holder(s)
- Liens (BUT – don't take property that is encumbered with liens)
- Appraisal and Inspections
- Environmental Study requirement (not necessary for severed mineral interests)
- Review and approval requirements
- Transfer document (QCD, WD, Mineral Deed)
- Proposed use by charity (sale, charitable purpose)

# How to Give

Planned Giving Vehicles

Specific **gift vehicles** can greatly benefit clients, especially re: tax issues (charitable deduction, avoidance of capital gains, reduction of estate/gift taxes)



# HIGH NET WORTH INDIVIDUALS – USE/PLAN TO ESTABLISH A GIVING VEHICLE

Source: 2014 U.S. Trust Study of High Net Worth Philanthropy

# WILLS

- ▶ Specific bequests of property, including cash, securities and royalty interests
- ▶ Amount, specified property or percentage
- ▶ Residual gifts
- ▶ Excellent choice for all types and ages of donors
- ▶ Easiest to set up (and most popular) and ties into the necessity for everyone to have a will
- ▶ Eliminates fear of not having sufficient assets at life's end



# CHARITABLE GIFT ANNUITY

## ▶ Considerations

- ▶ Age of donor (75+)
- ▶ Tax free income
- ▶ Minimum gift values (\$10-25K)
- ▶ One or two life
- ▶ Deferred – current tax savings with retirement income for 40-60 age with higher incomes
- ▶ College annuities, if offered

# CHARITABLE GIFT ANNUITY

- ▶ Contract - offers fixed payments (partially tax free) for life or term
- ▶ Current rates by age, up to 9.5%
- ▶ Assumption - charity ends up with 50% original gift amount
- ▶ Value upon death remains as gift to charity
- ▶ Increased life span - 18 months average
- ▶ Income tax deduction (consider deduction limits)
- ▶ Bypass capital gains if fund with appreciated property

# CHARITABLE REMAINDER TRUST

- ▶ Charity is remainder beneficiary
- ▶ Provide income to donor for life or term of years
- ▶ Can have multiple income beneficiaries
- ▶ Income tax deduction (consider deduction limits)
- ▶ Bypass capital gains if funded with appreciated property

# CHARITABLE REMAINDER TRUST – OPTIONS

- ▶ One or two life – 60+, larger estates
- ▶ Two life plus term of years – 60+, more moderate estate
- ▶ Education unitrust – 60+, larger estates, want to pay for college education for children or grandchildren
- ▶ Retirement unitrust – 40-60, moderate and larger estates, high incomes, yields more substantial retirement income

# CHARITABLE LEAD TRUST

- ▶ Charity is income beneficiary
- ▶ Property can remain with donor and/or family or other beneficiary
- ▶ Great tool to “try out” charity – use 5 year term; think “loan”
- ▶ Principal reverts to donor or heirs
- ▶ Payments for term to charity

# RETIREMENT ASSETS

- ▶ Charity is designated beneficiary and receives proceeds
- ▶ No need to hire attorney to update will or trust – just use Change of Beneficiary form
- ▶ **Avoid income taxes** for IRA inheritors (excl. spousal rollover)

# RETIREMENT ASSETS - PLANNING

- ▶ Fabulous tool for testamentary planned giving
- ▶ Leave heirs assets that have tax-free income (Roth IRA) or whose basis can be stepped up at decedent's death (real property, securities)

# LIFE INSURANCE

- ▶ Normally policy must be paid up; nonprofit will not pay premiums
- ▶ Charity is contractual beneficiary and owner
- ▶ Right to surrender policy at any time to charity



# RESERVED LIFE ESTATE

- ▶ Real property to charity while donor retains life interest for himself or other life tenant
- ▶ Income tax deduction
- ▶ 70 and older and moderate liquid assets

# IRA CHARITABLE ROLLOVER

- ▶ 70 ½ and older
- ▶ Made “permanent” by Congress
- ▶ Non-taxable event
- ▶ Qualifies as Required Minimum Distribution
- ▶ \$100,000 annual max
- ▶ Fabulous gifting vehicle

# Other Considerations

Picking a Charity, Gift Agreements

# HOW TO CHOOSE A CHARITY

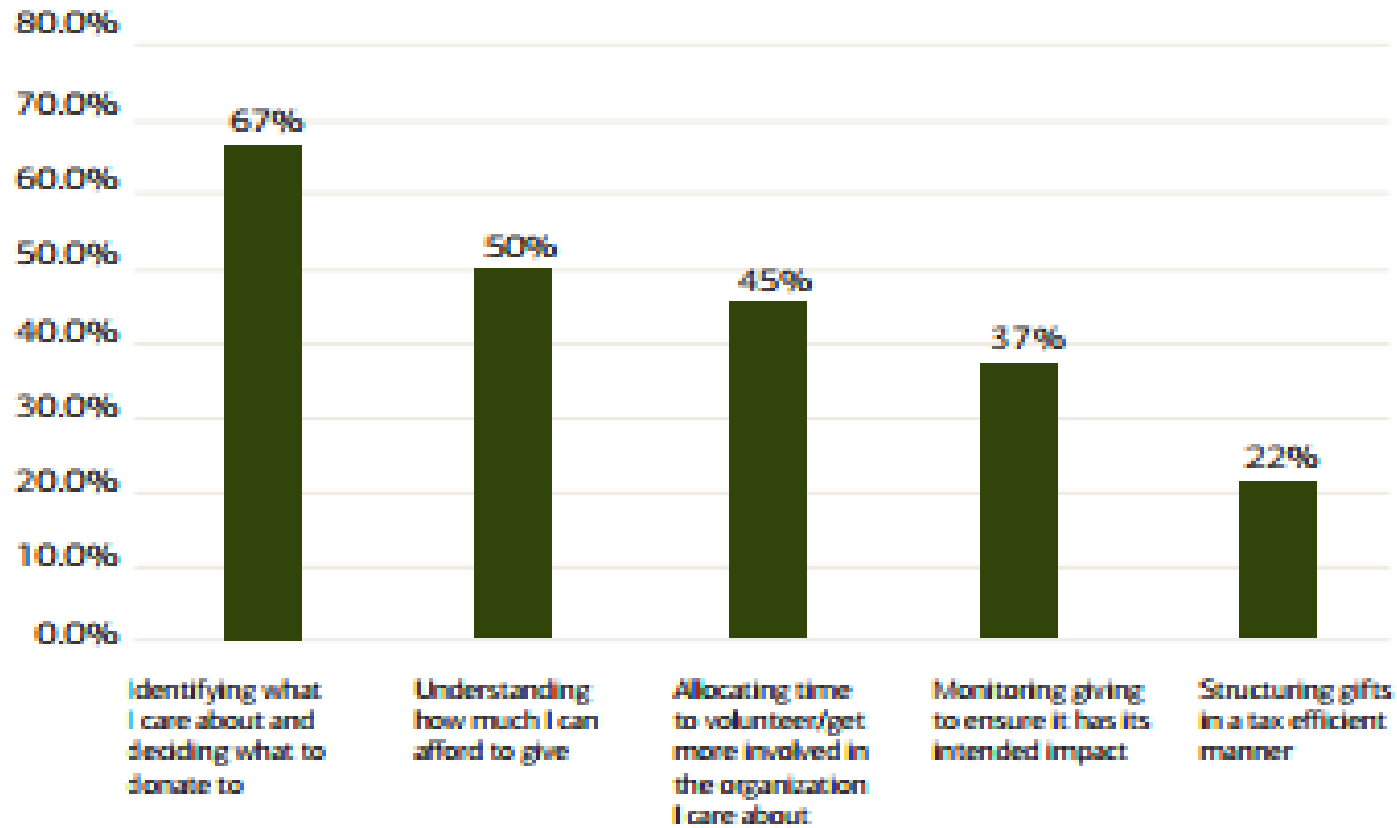
- ▶ Personal experience – volunteer, board service, client / user of services, member
- ▶ Passion – match personal interest with mission
- ▶ Research
  - ▶ Guidestar, Charity Navigator and other websites – rankings and facts for informed decision
  - ▶ Annual Report and 990; ensure 501c(3) status

# HOW TO CHOOSE A CHARITY

- ▶ Do local charities matter?
  - ▶ Impact of gift on local economy (vs. national org.)
- ▶ Referrals – friends, family, advisors
- ▶ Red flags
  - ▶ 990 and/or Annual Report not readily available
  - ▶ Less than 70% program expenses
  - ▶ Lack of transparency and accountability
- ▶ Does Gift Acceptance Policy affect potential gift?

# TOP CHALLENGES OF HIGH NET WORTH

## TOP CHALLENGES OF HIGH NET WORTH DONORS IN THEIR CHARITABLE GIVING<sup>3</sup>



2016 US Trust Study of High Net Worth Philanthropy

# BRING OUT THE GIFT AGREEMENT FOR...

- ▶ Personal Property > \$5,000
- ▶ Pledges (multi-payment or future)
- ▶ Endowments
- ▶ Real Estate
- ▶ Restricted Gifts
- ▶ Blended Gifts
- ▶ Planned / Legacy Gifts
- ▶ Life Insurance

# ELEMENTS OF THE GIFT AGREEMENT

- ▶ Effective Date
- ▶ Donor name and address
- ▶ NFP name, address, FEIN, 501 c3 qualification
- ▶ Gift description – amount, terms
- ▶ Use / Purpose / Restriction



# ELEMENTS OF THE GIFT AGREEMENT

- ▶ Recognition/Naming/Other Benefit
- ▶ Jurisdiction
- ▶ Unforeseeable Circumstances/Change of Gift Terms\*
- ▶ Disclaimer – seek professional counsel
- ▶ Signatures – Donor and NFP

# HOW TO CHANGE OUR COMMUNITY, ONE PLANNED GIFT AT A TIME...

- ▶ ASK!
- ▶ What if everyone gave just 5% of their residual estate, or 5% of their retirement plan to the causes about which he or she were passionate?
- ▶ That's less than sales tax.

# Questions ~ Comments

Thank You!