Fundraising - Class 3

Long-Term Fundraising Strategy – Planned Giving for Community Foundations

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Estimated time to complete: 1.5 hours

Class Objectives:

- Understand the basics of planned giving vehicles and how they function.
- Develop key messaging and materials for planned giving.
- Learn how to identify and engage potential donors.
- Explore how legacy conversations can build lasting support for your organization.

Self-Reflection:
Before beginning, consider: What does long-term success look like for your community foundation? How might planned giving contribute to that vision?

Module 1: Understanding Planned Giving

Planned giving is a way for donors to support causes they care about through their estate planning. This can include bequests, charitable remainder trusts, or gifts of stock and insurance. Your community foundation should engage a professional advisor such as a CPA, to speak to donors who are interested in using these vehicles.

Quick Questionnaire:

1. Have you ever talked to a donor about including your organization in their estate plan?
2. Have you created or reviewed your own will or estate plan?

Reflect: If you answered “no” to either question, what might be holding you back from starting these conversations?

Over the next several pages you will be introduced to a variety of planned giving vehicles.

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Bequests

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A donor includes a charitable organization in their will, specifying a certain amount or percentage of their estate to be given after their passing.

Characteristics

Cash, liquid asset
Unrestricted or restricted

Tax Advantages

Estate Tax Deduction: The value of the bequest is deducted from the estate, potentially reducing estate taxes owed.

No Immediate Tax Benefits: While there are no immediate tax deductions, the estate can benefit by lowering overall taxable value.

PROS

- Simplicity: Easy to set up within a will.
- Flexibility: Donors can specify a fixed amount, percentage, or a residual amount after other bequests.
- No Immediate Impact: Donors retain control of their assets during their lifetime.

CONS

- Delayed Impact: The nonprofit won’t receive the gift until the donor passes away.
- Uncertainty: The actual amount may vary based on the estate’s value and other claims.

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Charitable Gift Annuities

Charitable Gift Annuities (CGAs):
Donors make a gift to the nonprofit in exchange for fixed annual payments for the rest of their lives.

Characteristics

Requires annual administration

Tax Advantages

Partial Tax Deduction: Donors receive a charitable deduction for the portion of the gift that is considered a charitable contribution.

Tax-Deferred Income: A portion of the income received may be tax-free (return of principal) and capital gains tax may be avoided on appreciated assets contributed to the annuity.

PROS

- Fixed Income: Provides guaranteed income for life, appealing to retirees.
- Tax Benefits: Donors receive a charitable deduction and can spread income tax over several years

CONS

- Complexity: More complicated than straightforward cash donations.
- Fees: Administrative costs may reduce the net benefit to the nonprofit.

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Charitable Remainder Trusts (CRTs)

Charitable Remainder Trusts (CRTs):
Donors establish a trust that pays income to them or others for a specified term, with the remainder going to the nonprofit.

Characteristics

Requires annual administration
Required trustee

Tax Advantages

Immediate Charitable Deduction: Donors receive a charitable deduction for the present value of the remainder interest that will go to charity.

Avoidance of Capital Gains Tax: Donors can transfer appreciated assets without incurring capital gains tax at the time of the gift.

Income Tax Benefits: The income received from the trust may be taxed at lower rates or spread over multiple years.

PROS

- Income for Life: Donors receive income for a specified term or their lifetime.
- Tax Advantages: Donors get an immediate charitable deduction and avoid capital gains tax on appreciated assets.

CONS

- Complex Setup: Requires legal and financial advice to establish
- Ongoing Administration: Trusts require management and may incur fees

Charitable Remainder Trusts (CRTs)

Charitable Remainder Annuity Trusts (CRATs) and Charitable Remainder Unitrusts (CRUTs) are both types of charitable remainder trusts, but they differ primarily in how the income is calculated and distributed to the beneficiaries. Here's a breakdown of the differences:

Summary of Key Differences

Feature	CRAT	CRUT
Payment Type	Fixed annuity payments	Variable payments based on trust value
Payment Calculation	Based on initial trust value	Based on annual fair market value
Income Predictability	Predictable and stable	Fluctuating, based on performance
Minimum Funding	Minimum of $100,000	No specific minimum for payments but must comply with IRS rules

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Charitable Lead Trusts (CLTs)

Charitable Lead Trusts (CLTs):

The nonprofit receives income from the trust for a specified time, after which the principal goes to the donor's heirs.

Characteristics

Requires annual administration
Required trustee

Tax Advantages

Gift and Estate Tax Benefits: The present value of the charitable payments reduces the donor's taxable estate, potentially lowering estate taxes.

Tax Deduction for Charitable Payments: Donors receive a charitable deduction for the present value of the payments made to the charity.

PROS

- Tax Benefits: Donors can reduce estate and gift taxes
- Support for Charity: Provides a steady income stream to the nonprofits for a set period.

CONS

- Complex: Similar to CRTs, they require legal and financial guidance.
- Temporary Benefit: The charity receives benefits only for a limited time.

Life Insurance Policies

Life Insurance Policies:

Donors can name a nonprofit as a beneficiary of a life insurance policy or transfer ownership of a policy to the organization.

Characteristics

Relatively easy for the donor to name the nonprofit as beneficiary

Tax Advantages

Tax Deduction for Premiums: If the nonprofit is the owner of the policy, donors can deduct the premium payments as charitable contributions.

Avoidance of Estate Taxes: If the nonprofit is named as a beneficiary, the policy's death benefit is not included in the donor's taxable estate.

PROS

- Cost Effective: Donors can make a large gift for a relatively low premium.
- Flexibility: Donors can designate the nonprofit as a beneficiary without changing their will.

CONS

- Ongoing Costs: Premium payments can be burdensome for donors.
- Uncertainty: The nonprofit may not receive the benefit if the policy lapses.

Retirement Accounts

Retirement Accounts:

Donors can designate a nonprofit as a beneficiary of their retirement accounts, potentially avoiding estate taxes on the funds.

Characteristics

Cash, liquid

Tax Advantages

Avoidance of Income Tax: When a nonprofit is named as a beneficiary, the assets are passed without incurring income tax, which would be applicable if withdrawn by the donor.

Estate Tax Reduction: The value of the retirement account is excluded from the donor's estate if the nonprofit is the beneficiary.

PROS

- Tax Advantages: Gifts made from retirement accounts can avoid both income and estate taxes.
- Easy to Set Up: Donors can easily name a beneficiary without legal paperwork.

CONS

- Impact on Heirs: Reducing retirement account value can affect heirs' financial situations.
- Potential Taxes: If the donor withdraws funds before passing, income taxes may apply.

Module 2: Legacy and Motivation

Legacy means different things to different people. It might be defined by the resources someone leaves behind, the stories they tell, or the values they pass on.

Action Activity:
Take a moment to write your own response to the following:

- What kind of legacy would you like to leave?
- What influences your thinking about legacy?

Module 3: Demographics and Generational Trends

Planned giving is especially relevant today due to the large-scale wealth transfer expected from Baby Boomers. Understanding generational differences can help tailor your communication approach.

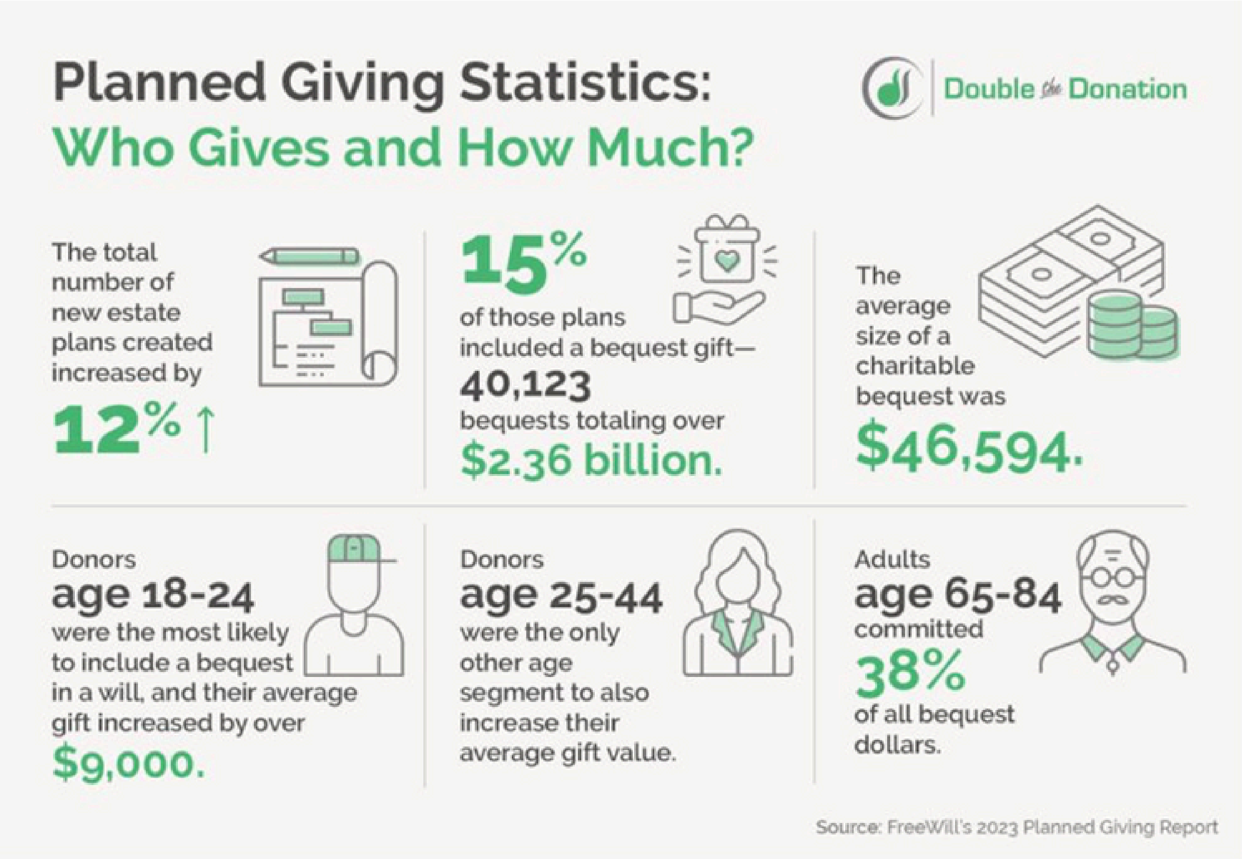
Self-Reflection: Consider one donor from each generation (Boomer, Gen X, Millennial). How might you frame a legacy conversation differently with each?

Optional Activity:
Watch a short generational overview video and jot down three key takeaways about each group's preferences and values.

https://tinyurl.com/39fy45mb

Module 4: Aligning Donor Interests with Your Organization

Effective planned giving conversations require clarity—on both sides. Your foundation should clearly express its mission and long-term goals. Likewise, you should help donors articulate their intentions and values.



Self-Reflection: What are your foundation's long-term goals? How can you connect a donor's legacy to these goals?

Module 5: Sharing Your Story and Building Connections

Storytelling is one of the most effective tools in fundraising. Whether it's a donor's story, a family tradition, or your organization's mission in action—real-life examples help donors imagine their impact.

Action Activity:
Write a short story (3-5 sentences) about a donor who made a legacy gift and the outcome it created. If you don't have a real example, create a fictional one based on your community's needs.

Module 6: Reaching Donors Where They Are

Donors may not approach you with questions about planned giving—you'll need to initiate the conversation and provide useful tools:

- Create a planned giving page on your website.
- Offer brochures or downloadable resources.
- Host informational sessions with trusted advisors.
- Use social media to raise awareness among older adults.

Checklist Activity:
Which of these tools does your organization currently use?
What could you implement in the next 3 months?

Module 7: Identifying, Cultivating, and Stewarding Donors

Research shows that many planned giving donors are not the top financial contributors but are loyal supporters. Trust and consistency matter most.

Annual Giving
A common fundraising strategy that involves acquiring and retaining a large donor base who contribute smaller amounts regularly. Annual donations are usually the first step to a major gift.

Major Gifts
Involves cultivating relationships with individual donors who can make large financial contributions. Major gifts are typically larger than annual gifts and are often used to fund specific projects or support general operations.

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The decision to contribute via a planned gift centers on donors' trust in your organization—whether they believe your organization has longevity and will put their funds to good use.

Self-Reflection: Identify three long-time donors, regardless of giving size. How might you begin a legacy conversation with them?

Also, consider incorporating "social proof" into your conversations. For example: "Many of our donors choose to leave a gift in their will. Is that something you've thought about?"

Action Activity:
Practice writing two versions of a planned giving ask—one general and one that includes social proof.

Optional Exploration: Field of Interest Funds
If time allows, explore how Field of Interest Funds can be used as vehicles for planned giving. These funds allow donors to support a specific area (like education, the environment, or arts) without designating a single organization.

Self Reflection: Could a Field of Interest Fund attract new legacy donors to your foundation? If so, what community need might it address?

Wrap-Up: Your Next Steps

Congratulations on completing this self-guided session on planned giving. Here are a few questions to guide your action plan:

Final Reflection:
1. What one idea from this session are you most excited to act on?
2. What's your biggest question about planned giving going forward?
3. Who will you talk to this week about what you've learned?