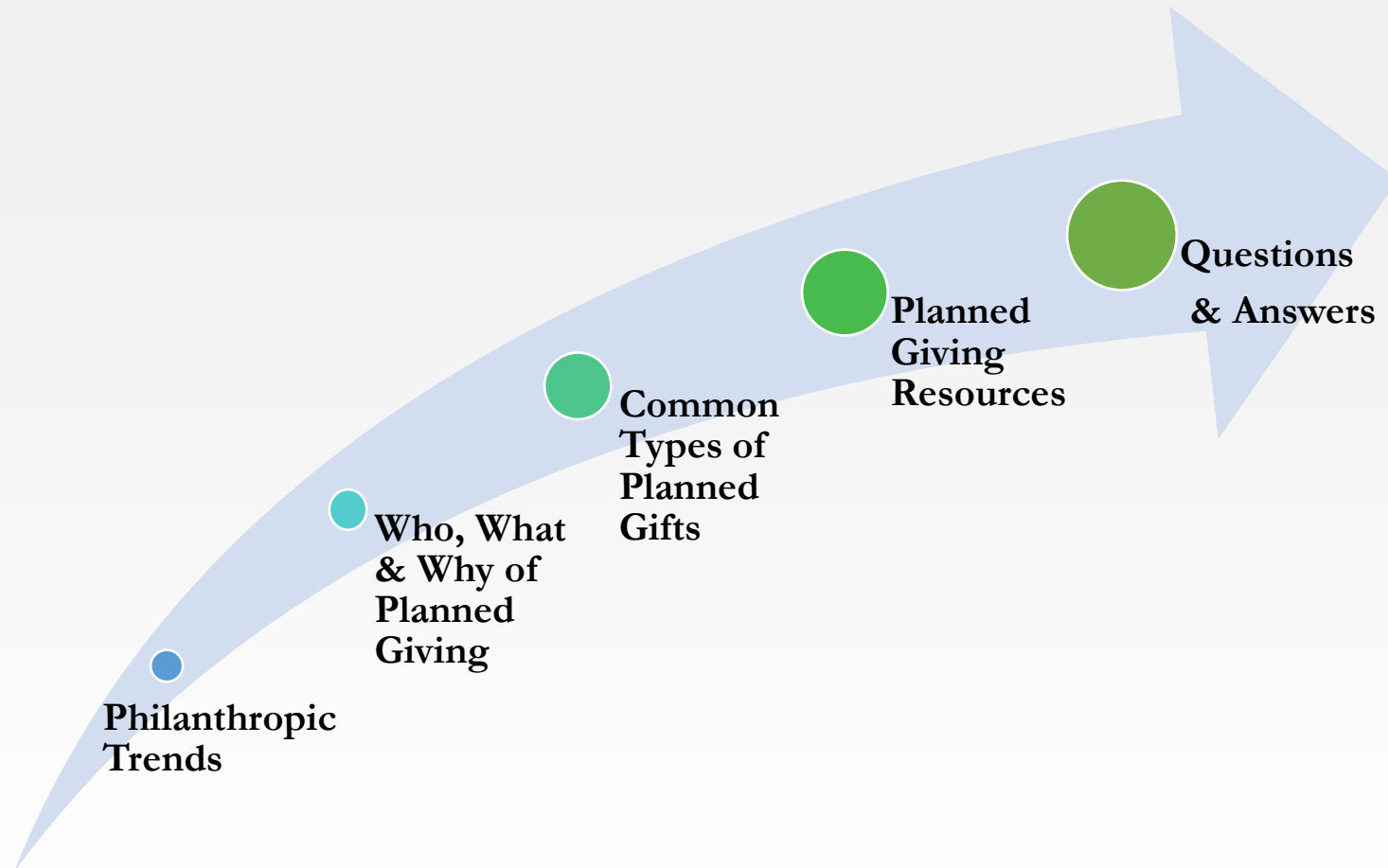


Simple Steps to Secure Your Future:
Creating a Planned Giving Strategy
for Your Organization

September 28, 2021



Agenda



Charitable Giving Landscape... in a Pandemic

In 2020 charitable giving increased 3.8% (adjusted for inflation)



Individual Giving
\$324.10 billion
(up 2.2%)



Foundation Giving
\$88.55 billion
(up 17%)

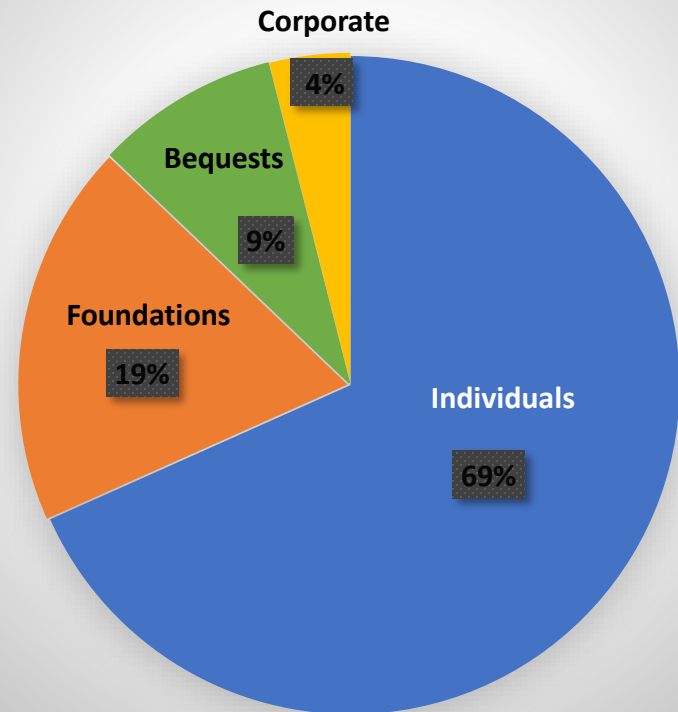


Bequest Giving
\$41.91 billion
(up 10.3%)



Corporate Giving
\$16.88 billion
(down 6.1%)

Charitable Giving – 2020
\$471.44 billion (a record)



What is Planned Giving?

Giving that allows a Donor to experience philanthropy in meaningful ways beyond an outright gift in order to fulfill their charitable goals.

- Gifts the Donor leaves outright to a nonprofit sometime in the future (usually upon passing)
 - E.g. bequests, IRA beneficiary designations and life insurance
- Gifts from which the Donor receives lifetime benefits, with residual funds distributed to nonprofit organizations
 - E.g. Split-interest gifts such as charitable gift annuities and charitable trusts

Why Planned Giving?



- Often the largest gift a donor will make
 - The total planned gifts received by Carnegie Mellon between 1993-2020 were **214% higher (3x)** than the cumulative lifetime gifts made by the same donors.
- Annual gifts increase by 77% after a planned gift is added to a donor's estate plan *
- Major gift propensity increases by 22% over 10 years after a planned gift is added by a donor**

*Source: Russell James, "The Emerging Potential of Longitudinal Empirical Research in Estate Planning: Examples from Charitable Bequests," June 2020, UC-Davis Law Review.

**Source: Russell James, citing data from 1992-2016 Health and Retirement Study in "Putting Research to Work in Your Planned Giving Program," November 23, 2020.

Getting Started

1. Identifying Prospects

- Consistent donors
- Major donors
- Other close connections



Four Phases of Philanthropy

1. Emergence

- Desire to give back
- Express passion for a cause
- Investigate and identify options
- Become a donor

2. Growth

- Maintain donor status
- Increase personal involvement
- Seek to make a larger impact

Four Phases of Philanthropy

3. Preservation

- Donate consistently at higher levels
- Reinforce personal involvement
- Specify philanthropic intents

4. Transfer

- Establish a legacy
- Energize friends and family
- Sustain philanthropic intent
- Guarantee perpetuity of personal mission

Who Makes Planned Gifts?

- Those who are deeply committed to your mission: board members, volunteers, mentors, alumni
- Longtime, regular givers to annual fund (regardless of amount given)
- Often single/never married, no children
- Age:
 - People first add charity to their Will in their early 40's; people continue updating their Wills into their 80's
 - Planned gifts are typically realized (i.e., received by charity) when a donor is older
- A planned gift is very personal gift: charity is elevated to the level of a family member

Getting Started

1. Identifying Prospects- Cues

- Consistent donors
- Major donors
- Other close connections

2. Marketing Your Program

- Existing media
- Letters, newsletters, website
- Group presentations



Planned Giving as Part of Your Fundraising Plan

- Incorporate planned giving messaging into your regular communications:
 - Social media
 - Newsletter
 - Email tagline
 - Website
 - Brochure
 - Year-end tax receipt
- Share testimonials of existing planned gift donors: powerful, personal stories that inspire others to create a legacy
- Cultivate planned giving prospects
- Include bequest language and your EIN on your website to make giving easy.



Common Planned Giving Vehicles

- Bequests (Will or Trust)
- Beneficiary Designation
- Qualified Charitable Distributions
- Life Income Gifts
 - Gift Annuities
 - Charitable Trusts (CRTs and CLTs)
- Life Insurance



Beneficiary Designations

- Common with retirement accounts and life insurance
 - also w/ other bank/investment accounts and some assets (commonly “TOD”)
- Benefits:
 - Generally simple and flexible
 - Usually significant tax benefits
 - Create a legacy

IRA Qualified Charitable Distribution

How It Works

- Donor may contribute up to \$100k per year from IRA directly to charity; spouse may also contribute \$100k from their own account
- Donor must be age 70 1/2 or older

Benefits

- Tax free withdrawal
- Counts toward Required Minimum Distribution, if applicable
- Not included in Adjusted Gross Income

Other Notes

- Cannot go to DAF, CRT, or CGA
- Must go directly to charity

Charitable Gift Annuities (CGA)

- Very popular – many charities offer them
- Simple contract between the donor and the charity
 - Donor makes irrevocable gift, charity pays income to donor, charity keeps balance at donor's death
- Benefits:
 - Easy to establish
 - Immediate tax deduction
 - Fund with various assets
 - Guaranteed, fixed income for life
 - Backed by all assets of the charity (general obligation)
 - Lots of variations to meet individual needs

Charitable Remainder Trusts (CRT) and Lead Trusts (CLT)

- CRT (Charitable Remainder Trust)
 - Similar in operation to CGA, with added flexibility
 - Payments can be fixed OR vary with value of trust
 - Payout rate and term of trust can vary
- CLT (Charitable Lead Trust)
 - Essentially the opposite of a remainder trust
 - Charity gets stream of income; remainder goes back to donor or another beneficiary
 - Effective wealth transfer vehicle under the right conditions

Summary of Planned Giving Vehicles

Easy (you can do these with little to no outside assistance)

- Bequests (gifts in wills or trusts)
- Beneficiary designations
- Life insurance
- Gifts of cash and stock

Medium (you will need some expertise/outside help)

- Charitable Gift Annuities (CGAs)
- Qualified Charitable Distributions (QCDs)
- Gifts of personal property

Complex (you should seek assistance from qualified experts)

- Charitable Remainder Trusts (CRTs) and Charitable Lead Trusts (CLTs)
- Gifts of real estate or closely held business interests

Getting Started

1. Identifying Prospects- Cues

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3. Recognizing and Stewarding Donors

- Society + Events
- Benefits
- Story



Stewarding Planned Giving Donors

Create a Legacy Giving Society

- Identify a core group of initial members
- Benefits of joining: annual legacy society event, gift, listed in annual report, invitations to special events, etc.
- Inviting people to join: “You can inspire others.” (powerful testimonial)
- Document planned gifts



Other touchpoints: invite testimonials (“share your story”), thank you note, personal visits, newsletters, donor events, etc.

Summary of Planned Giving Benefits

Benefits to the Organization

- Helps sustain financial stability in perpetuity
- Broadens giving possibilities for members

Benefits to the Donor

- Opportunity to contribute to the long-term health of the organization
- May be tied to their personal financial and estate planning needs



Planned Giving Metrics

- Planned giving is a **long-term** fundraising strategy that typically does not yield immediate results
 - Ultimately, the resulting gifts can be *transformative* for an organization
- Most planned gifts are revocable by the donor
 - That's why it's so important to steward these gifts

Planned Giving Metrics

- Planned gifts are difficult for charities to project accurately
 - Many donors won't disclose a planned gift or the anticipated amount of the gift
 - The size of a realized planned gift can be impacted by the donor's financial situation at death, market conditions, taxes and other factors outside of the charity's or donor's control
- Many charities focus their metrics on planned giving **activity** (marketing, cultivation, stewardship, etc.)
 - It may take 5 years from starting a planned giving program to see a notable increase in disclosed/known planned gifts
 - Annual growth of 4.5% to 5% in planned gifts is common

Source: Larry Kerstein, PG Calc, "Measuring Planned Giving Progress," July 10, 2019.

Cleveland Foundation's Resources and Expertise

We offer a robust team of Planned Giving Professionals with legal, charitable planning and tax expertise providing the following services:

- Illustrations and calculations on a variety of Planned Giving vehicles:

Testamentary

- Gifts by Will or Trust
- Beneficiary Designations for Retirement Plans
- Beneficiary Designations and/or Ownership of Life Insurance

Split-interest

- Charitable Remainder Trust
- Charitable Lead Trust
- Charitable Gift Annuity

Assets Accepted by the Cleveland Foundation

Personal Assets

- Cash
- Marketable securities
- Closely held securities
 - S corp vs. C Corp
 - Partnership/LLC interests

Personal Property

- Artwork
- Intellectual Property
- Collectibles

Real Estate

- Personal Residence
- Farmland

Alternative Assets

- Life Insurance
- Retirement Assets

Questions

Observations

cogitations

Interrogative expressions

concerns

remarks

thoughts

ideas

points

comments

considerations

musings

notes

Q&A

inspirations

reactions

inquiries

reflections

deliberations

Answers



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Overview of the Cleveland Foundation

Statistical Highlights

- One of the country's largest community foundations
- \$3B endowment
- \$90M average annual grants
- Grants totaling \$130M + in 2020
- Over \$2B in grants since 1914



Mission Statement

To enhance the lives of all residents of Greater Cleveland, now and for generations to come, by

- Working together with our donors to build community endowment
- Address needs through grantmaking, and
- Provide leadership on key community issues.