

ACGA 33RD CONFERENCE

APRIL 25 - 27, 2018

SHERATON SEATTLE HOTEL

SEATTLE

REACHING NEW HEIGHTS IN GIFT PLANNING
...A CONFERENCE ON PLANNED GIVING



**AMERICAN
COUNCIL
ON GIFT ANNUITIES**

Promoting Responsible Philanthropy

To Our Participants:

Please refer to the conference program for a complete agenda, including room assignments. The program also includes a diagram of the exhibit hall and a list of exhibitors.

The views expressed in the papers presented in this publication are those of the authors and do not necessarily reflect the opinions of ACGA, its staff, or its board members. ACGA does not guarantee the accuracy of the authors' comments, and none of the material in these proceedings should be construed as legal advice. Readers are urged to consult their own legal counsel regarding any information found herein. Permission to reprint an individual paper must be secured from the author of the paper.

Neither ACGA nor the Sheraton Seattle Hotel is responsible for lost or stolen conference proceedings.

Welcome

Welcome from the ACGA Lead-Co Chair



Welcome to Seattle and the 33rd ACGA Conference on Planned Giving - we're glad you're here! Since 1927, our conference has been a quality educational and networking event. Our conference allows representatives from charities and consulting organizations the opportunity to gather together, share expertise, and enjoy the camaraderie.

The 33rd Conference Committee, chaired by Joe Bull of Carnegie Mellon University, has been hard at work for two years planning all the details of the conference. The Conference Committee has developed the educational program that will serve the needs of each of you, and has spent countless hours recruiting an outstanding faculty of the nation's most well-recognized speakers. They have been a hands-on, working committee from start to finish.

Our conference staff has carried out the plans of the Conference Committee with exemplary professionalism. From faculty communications and registration procedures to publications design and menu planning, the conference staff has worked with the committee, the faculty, and the hotel staff to make this the best experience possible for you, our valued attendees.

While in Seattle, you will find the ACGA Board at work monitoring the educational sessions, collecting food tickets, and greeting our guests. Please take a moment to introduce yourself to any member of the Board. We are eager to meet you and learn about your needs as ACGA moves forward.

Most importantly, each of you has contributed to the success of this conference. We know that you have sacrificed precious time and professional development dollars to be here. We appreciate your confidence in us, and thank you for attending. Please let any member of the conference team - committee members, staff, Board members, hotel staff - know how we may better serve you.

With Best Regards,

A handwritten signature in blue ink that reads "Laurie W. Valentine".

Laurie W. Valentine, J.D.
Fisher & Sauls, P.A.

Welcome from the ACGA Conference Chair

Welcome! We are delighted and honored by your attendance. Our conference theme, "Reaching New Heights in Gift Planning," pays homage to our host city and sets forth an aspiration for each attendee. We have assembled a stellar program of speakers and topics so that you can indeed reach new heights in the important work you do for our nation's non-profit organizations.



It is significant that your organization has made an investment of time and resources in your attendance at our conference. We encourage you to take advantage of all that is available: seek out ACGA board members to provide feedback, access information about all of the presentations in the conference app and proceedings, visit our exhibitors who can be valuable resources for you, and enjoy meeting other gift planning professionals from all types of charitable organizations.

We look forward to meeting you and hearing from you. Let's reach new heights together!

Sincerely,

A handwritten signature in black ink that reads "Joseph O. Bull".

Joseph O. Bull, J.D.
Executive Director of Gift Planning
Carnegie Mellon University

ACGA 2018 Board of Directors

Executive Committee

Lead Co-Chair
Laurie W. Valentine, J.D.
Fisher & Sauls, P.A.

Vice Chair, Business
David A. Libengood
Senior Director, Relationship Management
TIAA Kaspick

Vice Chair, Programs
Dianne Armstrong, CFRE
National Director of Gift Planning
Planned Parenthood Federation of America, Inc.

Secretary
Robert L. Coffman, J.D.
Senior Development Consultant
Anderson University

Supporting Co-Chair
Rebecca Locke
Executive Director, Gift Planning
American Red Cross

Treasurer
Susan Gutchess

At-large Executive (Conference)
Joseph O. Bull, J.D.
Executive Director of Gift Planning
Carnegie Mellon University

At-large Executive (Endowment)
Dan T. Garrett, AEP®, CFP®, HDP®
President
ACU Foundation

At-Large Directors

Donna M. Bandelloni
Director of Gift Planning
California Pacific Medical Center
Foundation

Pamela Bennett, J.D.
Director of Gift Planning
American Jewish Joint Distribution
Committee

Patrick M. Cox
Executive Director - Investments
ALSAC/St. Jude Children's Research
Hospital

David G. Ely, CFA
Vice President
Wilmington Trust, N.A.

Catherine K. Gletherow, CPA
*Senior Philanthropic Advisor/Director
of Gift Planning*
Oberlin College

Kristen Schultz Jaarda, J.D., LL.M.
Executive Vice President
Crescendo Interactive, Inc.

Emanuel J. Kallina II, J.D., LL.M.
Managing Member
Kallina & Associates, LLC

Cam Morin Kelly, CFA
*Senior Assistant Vice President for
Principal Gifts Programs*
Duke University

Lindsay L. Lapole, CFRE
President
Lindsay Lapole & Associates, Inc.

Cris Lutz
Planned Giving Director
The Huntington Library, Art
Collections, and Botanical Gardens

Edith E. Matulka, J.D.
Senior Consultant
PG Calc

Kevin P. McGowan
Chief Financial Officer
Catholic Extension Society

John S. Pierce
Senior Planned Giving Officer
Concordia College

James C. Soft, CFP®
President Emeritus
Yellowstone Boys & Girls Ranch
Foundation

Crystal Thompkins, CAP®
Director of Relationship Management
BNY Mellon Planned Giving

Michael S. Welling
*Director, Planned Giving and
Endowment Development*
March of Dimes

Peter A. Witherell
Territorial Planned Giving Director
The Salvation Army,
USA Southern Territory

ACGA Conference Committee

Conference Chair

Joseph O. Bull, J.D.
Executive Director of Gift Planning
Carnegie Mellon University

Committee Members

Donna M. Bandelloni
Director of Gift Planning
California Pacific Medical Center Foundation

Robert L. Coffman, J.D.
Senior Development Consultant
Anderson University

Dan T. Garrett, AEP®, CFP®, HDP®
President
ACU Foundation

Cam Morin Kelly, CFA
Senior Assistant Vice President for Principal Gifts Programs
Duke University

Edith E. Matulka, J.D.
Senior Consultant
PG Calc

Crystal Thompkins, CAP®
Director of Relationship Management
BNY Mellon Planned Giving

Dianne Armstrong, CFRE
National Director of Gift Planning
Planned Parenthood Federation of America, Inc.

Rebecca Locke
Executive Director, Gift Planning
American Red Cross

ACGA Conference Staff

The Association Group, Inc.
Regina Anson
Tami Brodie
Alicia Gilbert
Kathy Rhodes

Table of Contents

Welcome	3
Welcome from the ACGA Lead-Co Chair.....	3
Welcome from the ACGA Conference Chair	3
ACGA 2018 Board of Directors	4
Executive Committee.....	4
At-Large Directors	4
ACGA Conference Committee	5
Conference Chair	5
Committee Members	5
ACGA Conference Staff.....	5
Model Standards of Practice for the Charitable Gift Planner	8
Conference Sponsors	9
Conference Exhibitors	10
About ACGA and the 33rd Conference	11
Continuing Education.....	11
Registration Information	12
Registration Hours	12
Guests.....	12
ACGA Conference App, Presentations, and Wi-Fi	14
Conference App & Electronic Proceedings.....	14
Electronic Proceedings	14
Meeting Space Wi-Fi	14
Hotel & Location Information	16
About the Sheraton Seattle Hotel.....	16
Transportation & Parking.....	17
What to Do in Seattle.....	17
Schedule of Events	18
Session Listing	19
Wednesday, April 25 - Symposia & Keynote	21
Symposium I: So What is Really Happening in Washington? (1:30PM – 3:00PM).....	23
Symposium II: Minimizing Risk, Maximizing Benefit (3:30PM – 5:00PM).....	26
Keynote: Big Ideas Inspire Big Philanthropy – And Lead to Big Results (6:30PM – 9:00PM)	55
Thursday, April 26 Morning Sessions	56
Sleepless in Seattle? Confessions from a Gift Planner's Ethical X-Files (Track I)	58
Overcoming Planned Giving Myths with Your Colleagues (Track I)	123
From Base Camp to Summit: CGA Basics & Best Practices (Track I)	139
Structuring Charitable Gifts of IRAs (Track II).....	157
Panel Discussion: Insights from the 2017 Survey of Charitable Gift Annuities (Track II)	200
The Pooled Income Fund – Albatross or Eagle? (Track II).....	203
The Silence of the Lambs: Retirement Plan Distributions to Charities (Track III).....	228
How to Manage Your Administrator (Track III)	233
CGAs Funded With Illiquid Assets (Track III).....	244
Thursday, April 26 - Rates Luncheon	258
Gift Annuity Rates Presentation & ACGA Chair’s Address (Luncheon)	260
Thursday, April 26 - Afternoon Sessions	261
One Size Does Not Fit All: How to Brew the Best Marketing Blend for Your Nonprofit (Track I)	262
The Case of the Peanut Butter and Jelly Sandwich (Track I).....	270
CRT 101: Income for Donors, Tax Savings, a Lasting Philanthropic Legacy (Track I)	285
IRAs: The Best Asset Ever Made for Planned Giving - Discover Everything You Need .. (Track II)	295
Big Data: Giving Propensity (Track II).....	325
Understanding the Older Donor (Track II).....	343

Does Strict State Regulation Actually Protect Gift Annuitants? (Track III)	357
Assessing the Health of your Gift Annuity Program? (Track III).....	370
Compatible or Combatable? The Working Relationship between Business and ... (Track III).....	387
Friday, April 27 - Closing Breakfast	401
The Brave New World of Gift Planning – Where Do We Go From Here?	403
Friday, April 27 - Morning Sessions	404
Teamwork Makes a Dream Work (Track I).....	405
Gift Planning in a Campaign – Lessons Learned at Penn (Track I)	423
Learning from the Planned Giving Mistakes of Others (Track I).....	433
Five Things You Should Know When Working with Professional Advisors (Track II)	449
Pursuing Blended Gifts (Track II)	462
What Gift Officers Need to Know About Finance (Track II).....	479
Investing Gift Annuity Reserves (Track III)	492
Determining the Profitability of a Gift Annuity Program (Track III).....	507
CGA Annual Filings Made Easy(ier) (Track III)	522

Model Standards of Practice for the Charitable Gift Planner

Preamble

The purpose of this statement is to encourage responsible gift planning by urging the adoption of the following Standards of Practice by all individuals who work in the charitable gift planning process, gift planning officers, fund raising consultants, attorneys, accountants, financial planners, life insurance agents and other financial services professionals (collectively referred to hereafter as “Gift Planners”), and by the institutions that these persons represent. This statement recognizes that the solicitation, planning and administration of a charitable gift is a complex process involving philanthropic, personal, financial, and tax considerations, and often involves professionals from various disciplines whose goals should include working together to structure a gift that achieves a fair and proper balance between the interests of the donor and the purposes of the charitable institution.

- I. **Primacy of Philanthropic Motivation** The principal basis for making a charitable gift should be a desire on the part of the donor to support the work of charitable institutions.
- II. **Explanation of Tax Implications** Congress has provided tax incentives for charitable giving, and the emphasis in this statement on philanthropic motivation in no way minimizes the necessity and appropriateness of a full and accurate explanation by the Gift Planner of those incentives and their implications.
- III. **Full Disclosure** It is essential to the gift planning process that the role and relationships of all parties involved, including how and by whom each is compensated, be fully disclosed to the donor. A Gift Planner shall not act or purport to act as a representative of any charity without the express knowledge and approval of the charity, and shall not, while employed by the charity, act or purport to act as a representative of the donor, without the express consent of both the charity and the donor.
- IV. **Compensation** Compensation paid to Gift Planners shall be reasonable and proportionate to the services provided. Payment of finder’s fees, commissions or other fees by a donee organization to an independent Gift Planner as a condition for the delivery of a gift is never appropriate. Such payments lead to abusive practices and may violate certain state and federal regulations. Likewise, commission-based compensation for Gift Planners who are employed by a charitable institution is never appropriate.
- V. **Competence and Professionalism** The Gift Planner should strive to achieve and maintain a high degree of competence in his or her chosen area, and shall advise donors only in areas in which he or she is professionally qualified. It is a hallmark of professionalism for Gift Planners that they realize when they have reached the limits of their knowledge and expertise, and as a result, should include other professionals in the process. Such relationships should be characterized by courtesy, tact and mutual respect.
- VI. **Consultation with Independent Advisers** A Gift Planner acting on behalf of a charity shall in all cases strongly encourage the donor to discuss the proposed gift with competent independent legal and tax advisers of the donor’s choice.
- VII. **Consultation with Charities** Although Gift Planners frequently and properly counsel donors concerning specific charitable gifts without the prior knowledge or approval of the donee organization, the Gift Planner, in order to insure that the gift will accomplish the donor’s objectives, should encourage the donor early in the gift planning process, to discuss the proposed gift with the charity to whom the gift is to be made. In cases where the donor desires anonymity, the Gift Planner shall endeavor, on behalf of the undisclosed donor, to obtain the charity’s input in the gift planning process.
- VIII. **Description and Representation of Gift** The Gift Planner shall make every effort to assure that the donor receives a full description and an accurate representation of all aspects of any proposed charitable gift plan. The consequences for the charity, the donor and, where applicable, the donor’s family, should be apparent, and the assumptions underlying any financial illustrations should be realistic.
- IX. **Full Compliance** A Gift Planner shall fully comply with and shall encourage other parties in the gift planning process to fully comply with both the letter and spirit of all applicable federal and state laws and regulations.
- X. **Public Trust** Gift Planners shall, in all dealings with donors, institutions and other professionals, act with fairness, honesty, integrity and openness. Except for compensation received for services, the terms of which have been disclosed to the donor, they shall have no vested interest that could result in personal gain.

Adopted and subscribed to by the National Committee on Planned Giving and the American Council on Gift Annuities, May 7, 1991 Revised April 1999.

Conference Sponsors

App Sponsor



INTEGRATED MARKETING FOR PLANNED GIFTS

Rates Luncheon Sponsor



Closing Breakfast Sponsor



Opening Reception Sponsor



Modern Planned Giving Marketing

Symposium 1 Sponsor



Symposium 2 Sponsor



Name Badge Sponsor



The Personal Philanthropy Company

Wi-Fi Sponsor



Charitable Services Group

Thursday AM Refreshment Break Sponsor



Attendee Item Sponsors



YOUR
PARTNER
IN PLANNED
GIVING
SUCCESS

Thursday Breakfast Sponsor



Conference Exhibitors

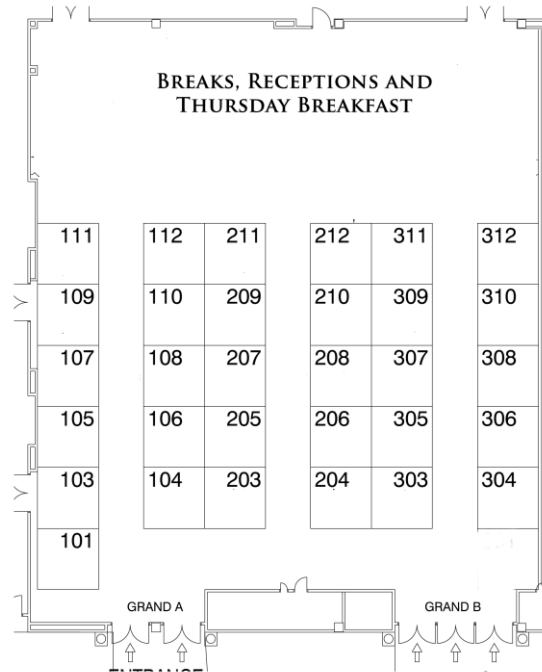


Exhibit Hall - Grand Ballroom A&B (2nd Floor)

<u>Exhibitor</u>	<u>Booth #</u>
BNY Mellon Wealth Management.....	203
Charitable Giving Resource Center.....	310
Charitable Solutions LLC.....	307
Charitable Trust Administration Co. (CTAC).....	110
Chisholm Chisholm & Kilpatrick LTD.....	101
Cornerstone Management, Inc.....	207
Crescendo Interactive, Inc.....	204, 206, 208
Endowment Development Services (EDS).....	306
Green Oak Consulting Group.....	112
HighGround Advisors.....	103
MetLife.....	303
National Association of Charitable Gift Planners (CGP).....	108
Northern Trust.....	305
Pentera, Inc.....	209, 211
PG Calc Incorporated.....	105, 107
PNC Institutional Advisory Solutions.....	212
Sharpe Group & R&R Newkirk Company.....	309, 311
State Street Global Advisors.....	312
The Orchard Foundation.....	210
The Stelter Company.....	104, 106
Thompson & Associates.....	304
TIAA Kaspick.....	109, 111
US Bank Charitable Services Group.....	205
Wells Fargo.....	308

About ACGA and the 33rd Conference

Since 1927 the American Council on Gift Annuities (ACGA) and its predecessor, the Committee on Gift Annuities, has promoted responsible philanthropy. Charities and allied professionals have looked to ACGA for actuarially sound gift annuity rate recommendations, advocacy of consumer protection and quality educational opportunities. The ACGA biennial conference is the premier meeting on planned giving, and is the longest-running educational opportunity in the history of the gift planning profession.

The 33rd conference committee has developed a program that addresses the most significant issues in the field today. The agenda will be full of tips and guidelines on how to conduct the business of charitable giving in a legal and forthright manner. The conference is an outstanding opportunity to inform yourself, and to aid you in guiding those with whom you work, in the best that charitable gift planning has to offer, both to your donors, their advisors and your organizational leadership.

Three tracks are available to suit your educational needs:

- **Fundamentals (Track I):** From gift annuity basics to marketing issues, this track is designed for those who are newer to the field.
- **Intermediate & Advanced Planned Giving (Track II):** This track is geared toward the more experienced professional with a focus not only on gift planning vehicles, but also gift policy development and improving your planned giving program.
- **Financial, Investment & Administrative Issues (Track III):** Designed to meet the needs of business and finance officers, as well as allied professionals.

Regardless of your level of expertise, the 33rd Conference on Planned Giving is a quality educational opportunity.

Continuing Education

CE forms for CFRE and CFP can be obtained from the registration desk or through the ACGA Conference app. Only courses that have been approved are listed on each form. Registrants that attend the conference will have their name submitted as an attendee, but each attendee is responsible for submitting their information for CE credit.

Attendees will also have access to a certificate of attendance for the conference.

Registration Information

Registration Hours

Wednesday, April 25, 2018	10:00AM – 8:30PM
Thursday, April 26, 2018	7:00AM – 4:30PM
Friday, April 27, 2018	7:00AM – 12:15PM

Guests

Guest meal tickets can be purchased during the online registration process. You may add up to 2 guests to your registration. Guests are welcome to attend the functions listed below. Please note that children under the age of 18 are not permitted at conference events.

April 25, 2018 Grand Opening Reception 5:30pm - 6:30pm	\$45
April 25, 2018 Opening Dinner 6:30pm - 9:00pm	\$105
April 26, 2018 Rates Luncheon 11:45am - 1:15pm	\$70
April 26, 2018 Mt. Rainier Reception 4:30pm - 5:45pm	\$45
April 27, 2018 Closing Breakfast 7:30am - 9:00am	\$55

Impactful

SOLUTIONS

for Increasing

Major & Planned Gifts



Websites



Software



Print



Email



Analytics

Create leads, build donor relationships and close more gifts with Crescendo's impactful solutions for major, blended and planned gifts. For a **free demo**, call 800-858-9154 or visit crescendointeractive.com.

Crescendo

Integrated Marketing for Planned Gifts

“ With Crescendo's marketing, we are able to reach more alumni and friends than ever before. Since starting to use Crescendo's tools and services in the fall of 2014, we have booked over \$92 million in planned gifts. ”



Tammy Wernke
Assistant Director, Gift Planning
University of Cincinnati Foundation

ACGA Conference App, Presentations, and Wi-Fi

Conference App & Electronic Proceedings

The 2018 ACGA Conference app, sponsored by Crescendo, is available for multiple mobile device platforms and contains up-to-the-minute conference information including: session descriptions, speaker bios, speaker presentations and additional handouts, floor plans, exhibitors, sponsors, as well as an electronic copy of our proceedings book. You'll find a separate handout in your attendee packet that has information on how you can download and gain access to this app.

Sponsored By:



Integrated Marketing for Planned Gifts

Electronic Proceedings

The 2018 Conference Proceedings book is entirely electronic in an effort to go green. You can access the proceedings book through the app or on the thumb drive, sponsored by Sharpe Group & R&R Newkirk, that is distributed in your attendee materials at the registration desk.

Sponsored By:



Meeting Space Wi-Fi

A special thank you to US Bank Charitable Services Group for sponsoring attendee access to Wi-Fi in the meeting space. Attendees will need to connect to the "**AmericanCouncilonGiftAnnuities**" wireless network and enter the password **USB_CSG_Rocks** in the splash page to gain access to the network. Bandwidth is shared, so please be considerate of your fellow attendees when using the Wi-Fi to access the app, email and other internet content.

Sponsored By:



A partner who listens



Strong partnerships are based on communication, trust and taking the time to listen to your unique needs. At U.S. Bank Charitable Services Group, our team of experienced professionals are dedicated to customized strategies and expert advice every step of the way.

Mike Penfield, National Director Charitable Services
mike.penfield@usbank.com | 503.464.4912

usbank.com



Member FDIC. ©2018 U.S. Bank.

Hotel & Location Information

Sheraton Seattle Hotel

1400 6th Avenue Seattle, Washington 98101



Sheraton[®]
SEATTLE HOTEL



About the Sheraton Seattle Hotel

However you choose to fill your days and your nights, Sheraton Seattle Hotel puts you in the center of it all. From the moment you step foot into our inviting lobby, you'll feel a welcome unlike any other.

Keep in touch with home and the office with our computer workstations in the lobby, or bring your laptop for complimentary wireless High Speed Internet Access. You can also stay on top of work with the range of services offered at the 24-hour FedEx Office Business Center.

Our hotel makes it easy to stay active while traveling. Maintain your workout regimen with our Sheraton Fitness center's state-of-the-art equipment, or swim laps in our heated indoor pool.

Plan the perfect day. Seattle offers all the delights of an international city, from museums and theaters to outstanding recreational opportunities. Rent a kayak to explore Lake Union's famous houseboats, visit majestic Mount Rainier, or sample authentic Seattle coffee. Contact our concierge to learn more about what's going on right now in and around the city.

Location

Our hotel enjoys a convenient downtown location. The historic Pike Place Market, the Seattle Art Museum, the Space Needle, Experience Music Project, and a host of other exciting attractions are right nearby. See a show at the Fifth Avenue Theater or the Paramount Theater. Experience the opera or ballet at McCaw Hall. Enjoy the Seattle Symphony at Benaroya Hall. Some are just a short walk from the hotel. A short trip will take you to bustling Pioneer Square or the colorful International District.

Hotel Promotions (For Conference Attendees Only)

Complimentary Basic Wireless Internet Access in guest rooms
Complimentary Pool and Fitness Center Access

Check-in and Check-out

Check-in: 3:00 PM
Check-out: 12:00 PM

Transportation & Parking

- **Airport Transportation (*All rates are subject to change.*)** The Sheraton Seattle Hotel does not provide shuttle service. However, several transportation suggestions can be found on their site here: <http://www.sheratonseattle.com/transportation>
- [Driving Directions](#) / [Transportation Options](#)
- **Parking ([Click here for additional parking information](#)):**
 - Self-Parking*: Off-site self-parking passes are available to purchase at the Sheraton Valet Booth. The self-parking rate is \$30 per night. Please keep the pass in a safe and accessible place, away from electronic or magnetic devices. The pass can be used up to three (3) times to exit the facility before it expires on the day of your checkout. If additional exits are required, please see the Sheraton Valet Podium.
 - Valet parking* at the hotel is based on limited availability. Valet parking is available for \$57 per nighty plus tax.
**Rates subject to change without notice.*

What to Do in Seattle

There are some great reasons to visit Seattle!

- Check out [Seattle's Top 25 Things To Do](#)
- Want to know what is happening in Seattle? Subscribe to the [Seattle Localist newsletter](#)
- [Seattle TV!](#): The “First Takes’ videos will tell the story of real people’s first experiences to Seattle while the “Sounds by the Sound” highlights the music scene in the city.



Schedule of Events

Wednesday, April 25	
10:00am - 8:30pm	Registration Open <i>2nd Floor</i>
1:30pm - 3:00pm	Symposium 1: So What is Really Happening in Washington? <i>Grand Ballroom C & D (2nd Floor)</i>
3:30pm - 5:00pm	Symposium 2: Minimizing Risk, Maximizing Benefit <i>Grand Ballroom C & D (2nd Floor)</i>
5:30pm - 6:30pm	Grand Opening Reception <i>Exhibit Hall (Grand Ballroom A & B, 2nd Floor)</i>
6:30pm - 9:00pm	Opening Dinner & Keynote Address <i>Grand Ballroom C & D (2nd Floor)</i>
Thursday, April 26	
7:30am - 4:30pm	Registration Open <i>2nd Floor</i>
7:30am - 8:30am	Full Breakfast <i>Exhibit Hall (Grand Ballroom A & B, 2nd Floor)</i>
8:30am - 9:45am	Morning Breakout Sessions <i>See sessions for room (subject to change)</i>
9:45am - 10:15am	Refreshment Break <i>Exhibit Hall (Grand Ballroom A & B, 2nd Floor)</i>
10:15am - 11:30am	Morning Breakout Sessions Repeated <i>See sessions for room (subject to change)</i>
11:45am - 1:15pm	Rates Luncheon <i>Grand Ballroom C & D (2nd Floor)</i>
1:30pm - 2:45pm	Afternoon Breakout Sessions <i>See sessions for room (subject to change)</i>
2:45pm - 3:15pm	Refreshment Break <i>Exhibit Hall (Grand Ballroom A & B, 2nd Floor)</i>
3:15pm - 4:30pm	Afternoon Breakout Sessions Repeated <i>See sessions for room (subject to change)</i>
4:30pm - 5:45pm	Mt. Rainier Reception <i>Exhibit Hall (Grand Ballroom A & B, 2nd Floor)</i>
5:45pm	Enjoy Seattle on your own!
Friday, April 27	
7:00am - 12:15pm	Registration Open <i>2nd Floor</i>
7:15am - 9:00am	Full Breakfast <i>Grand Ballroom Pre-Function Area</i>
7:30am - 9:00am	Closing Breakfast Speaker: The Brave New World of Gift Planning – Where Do We Go From Here? <i>Grand Ballroom C & D (2nd Floor)</i>
9:00am - 9:30am	Exhibits <i>Exhibit Hall (Grand Ballroom A & B, 2nd Floor)</i>
9:30am - 10:45am	Morning Breakout Sessions <i>See sessions for room (subject to change)</i>
10:45am - 11:15am	Refreshment Break <i>Exhibit Hall (Grand Ballroom A & B, 2nd Floor)</i>
11:15am - 12:30pm	Morning Breakout Sessions Repeated <i>See sessions for room (subject to change)</i>
Conference Adjourns	

Session Listing

Thursday, April 26 - Morning Sessions

Track I

Sleepless in Seattle? Confessions from a Gift Planner's Ethical X-Files

Philip Purcell Redwood A

Overcoming Planned Giving Myths with Your Colleagues

Rebecca Locke & Renee Kurdzos Aspen

From Base Camp to Summit: CGA Basics & Best Practices

Laurie W. Valentine Cedar

Track II

Structuring Charitable Gifts of IRAs

Jere Doyle Metropolitan A

Panel Discussion: Insights from the 2017 Survey of Charitable Gift Annuities

Facilitated by Kristen Schultz Jaarda Metropolitan B

The Pooled Income Fund – Albatross or Eagle?

Emil J. Kallina Issaquah

Track III

The Silence of the Lambs: Retirement Plan Distributions to Charities

Jeff Comfort Willow

How to Manage Your Administrator

Gary Pforzheimer Redwood B

CGAs Funded With Illiquid Assets

David Wheeler Newman Ravenna

Thursday, April 26 - Afternoon Sessions

Track I

One Size Does Not Fit All: How to Brew the Best Marketing Blend for Your Nonprofit

Jeremy Arkin & Stuart Shapiro Aspen

The Case of the Peanut Butter and Jelly Sandwich

Lindsay Lapole Redwood B

CRT 101: Income for Donors, Tax Savings, a Lasting Philanthropic Legacy

Cris Lutz Ravenna

Track II

IRAs: The Best Asset Ever Made for Planned Giving - Discover Everything You Need to Know

Johni Hays Metropolitan A

Big Data: Giving Propensity

Mark Koenig Willow

Understanding the Older Donor

Lisa Mayfield Metropolitan B

Track III

Does Strict State Regulation Protect Gift Annuitants?

Bryan Clontz Cedar

Assessing the Health of your Gift Annuity Program?

Bryan Taylor Issaquah

Compatible or Combatale? The Working Relationship between Business and Planned Giving Offices

Teresa R. Goddard & Melanie J. Norton Redwood A

Friday April 27 - Morning Sessions

Track I

Teamwork Makes a Dream Work

Jeremy Belsky Redwood B

Gift Planning in a Campaign – Lessons Learned at Penn

Lynn Malzone Ierardi Cedar

Learning from the Planned Giving Mistakes of Others

Doug White Ravenna

Track II

Five Things You Should Know When Working with Professional Advisors

Donna M. Bandelloni & Stephanie Buckley Metropolitan B

Pursuing Blended Gifts

Kristen L. Dugdale Metropolitan A

What Gift Officers Need to Know About Finance

Pat Cox, David Ely & Kevin McGowan Willow

Track III

Investing Gift Annuity Reserves

Del Bouafi Issaquah

Determining the Profitability of a Gift Annuity Program

Chris Kelly & Cathy R. Sheffield Aspen

CGA Annual Filings Made Easy(ier)

Edith E. Matulka & Crystal Thompkins Redwood A

Track Key:

Track 1 – Fundamentals

Track II - Intermediate & Advanced Planned Giving

Track III - Financial, Investment & Administrative Issues

Wednesday, April 25 - Symposia & Keynote

(1:30pm – 9:00pm)

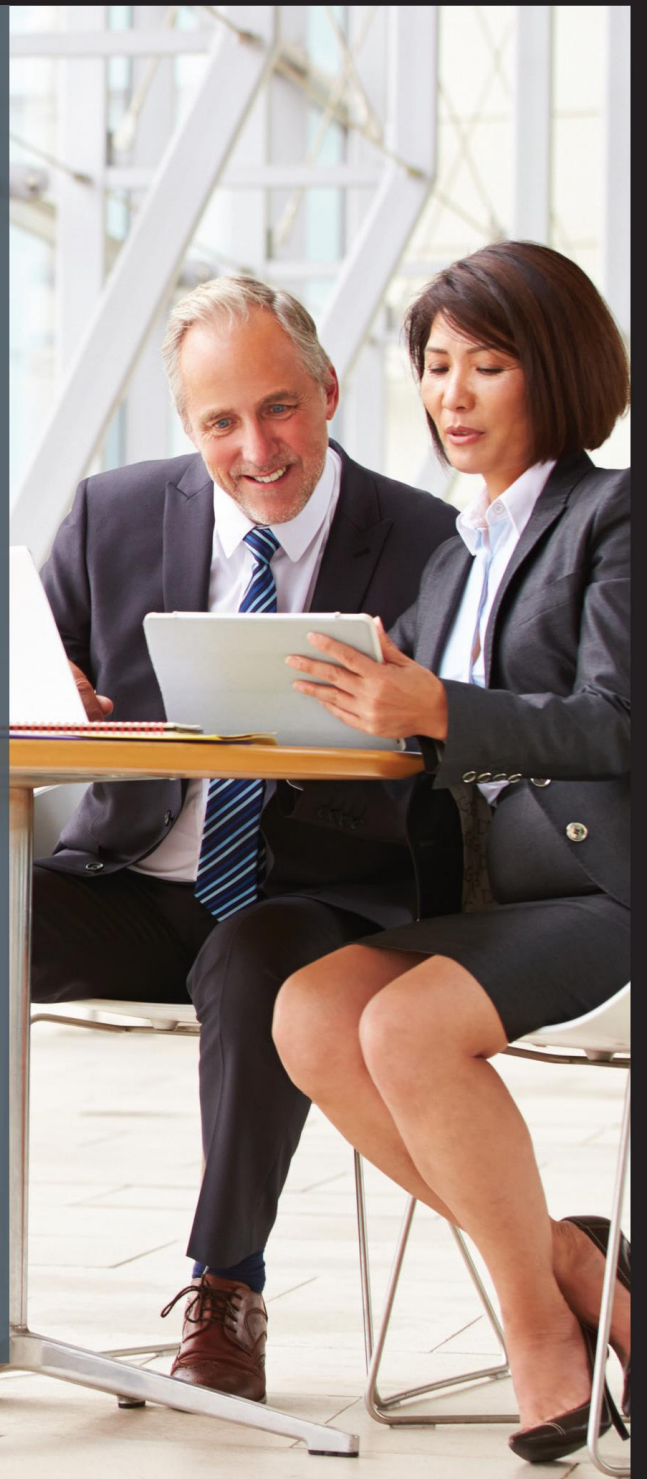
[Symposium I: So What is Really Happening in Washington? \(1:30PM – 3:00PM\)](#)..... 23
[Symposium II: Minimizing Risk, Maximizing Benefit \(3:30PM – 5:00PM\)](#)..... 26
[Keynote: Big Ideas Inspire Big Philanthropy – And Lead to Big Results \(6:30PM – 9:00PM\)](#)..... 55

INTEGRATED PLANNED GIVING SOLUTIONS FOR NONPROFIT ORGANIZATIONS

Our dedicated staff of professionals provides insight in the areas of life-income gift administration and investments for charitable gift annuities, charitable remainder trusts, and pooled income funds. We will help to create a program that fits your organization's needs. We have a dedicated group of Planned Giving Specialists who are committed to relieving nonprofit organizations of the time-consuming and technical aspects of administering and investing a planned giving program.

▶ TO LEARN MORE...

about how PNC Institutional Advisory Solutions can help your nonprofit program reach new levels of donor success, contact Chris McGurn at 410-237-5938 or Christopher.mcgurn@pnc.com.



The PNC Financial Services Group, Inc. ("PNC") uses the marketing name PNC Institutional Advisory Solutions® for discretionary investment management, trustee, and other related services conducted by its subsidiary, PNC Bank, National Association ("PNC Bank"), which is a **Member FDIC**. Standalone custody, escrow, and directed trustee services; FDIC-insured banking products and services; and lending of funds are also provided through PNC Bank. PNC does not provide legal, tax, or accounting advice unless, with respect to tax advice, PNC Bank has entered into a written tax services agreement. PNC does not provide services in any jurisdiction in which it is not authorized to conduct business. PNC Bank is not registered as a municipal advisor under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Act"). Investment management and related products and services provided to a "municipal entity" or "obligated person" regarding "proceeds of municipal securities" (as such terms are defined in the Act) will be provided by PNC Capital Advisors, LLC, a wholly-owned subsidiary of PNC Bank and SEC registered investment adviser.

"PNC Institutional Advisory Solutions" is a registered service mark of The PNC Financial Services Group, Inc.

Investments: Not FDIC Insured. No Bank Guarantee. May Lose Value.

©2018 The PNC Financial Services Group, Inc. All rights reserved.

INV WM PDF 0218-0138-730001

Symposium I: So What is Really Happening in Washington? (1:30PM – 3:00PM)

Facilitated by Emanuel J. Kallina, II, J.D., LL.M.

Panelists: Harold Hancock, Steve Newberry

There is a lot of activity on the Hill and at IRS. Presently, we do not know the future of the charitable deduction and charitable incentives. At the conference, Emil Kallina will moderate a symposium on the state of tax reform, projected changes, and the effect of current and projected tax reform on charitable giving. The panel will consist of individuals from the congressional sector, charitable lobbying arena, and experts on tax policy.

Sponsored By:



Emanuel Kallina, II, J.D., LL.M.

Managing Member
Kallina & Associates, LLC



Emanuel (“Emil”) J. Kallina, II is the managing member of Kallina & Associates, LLC, and focuses his practice on estate and charitable planning for high net worth individuals and representing charitable organizations in complex gifts. Emil works extensively with charitable lead and remainder trusts, supporting organizations, private foundations, and over the years has practiced in the related fields of business law, corporate tax law, partnerships, and real estate.

Emil is the founder of CharitablePlanning.com, a website dedicated to professionals who need the tools to complete planned and major gifts. He is also a co-founder of the Planned Giving

Design Center (www.pgdc.com), a former member of the Board of Directors of PPP (formerly NPCG), former Chairman (5 years) of the Government Relations Committee of the NCPG, a co-founder of the Chesapeake Planned Giving Council, Chairman of the Board and President of The James Foundation, a member of the Board of Directors of Search Ministries, Inc., and a present and former member of numerous other boards. Mr. Kallina has testified frequently before the IRS, is a nationally recognized speaker on estate planning and charitable giving, and is a frequent author on these topics.

Harold Hancock

Partner
McGuire Woods



After more than six years as tax counsel to the Ways and Means Committee, Harold now serves as a strategic federal tax advisor to clients in a wide range of industries. He brings a unique, bipartisan perspective to several areas of tax law, including business deductions and credits, tax accounting, tax-exempt organizations, and estate and gift taxes.

During his tenure, Harold served under three Ways and Means Committee chairs, including the current chairman, Rep. Kevin Brady (R-Texas), and Brady’s predecessor, Speaker of the House Paul Ryan. He was responsible for devising key provisions in major legislation, including the Bipartisan Budget Act of 2015 and the Protecting Americans from Tax Hikes (PATH) Act of 2015. In addition to providing

strategic legal counsel, Harold advises clients on strategy and business planning as a senior advisor to McGuireWoods Consulting, the firm's public affairs subsidiary.

Steven W. Newberry

Principal & Founder
Newberry Advisors, LLC



Steve Newberry is the founder of Newberry Advisors, a government affairs, leadership and strategic planning firm. In addition to his work on behalf of broadcasters in Washington, DC, Steve frequently presents to and consults organizations on issues of leadership development, governance, organizational and board development focused on the broadcasting, banking, health care, non-profit and economic development sectors.

A national leader in the broadcast industry, Newberry is the founder of Commonwealth Broadcasting Corporation, a radio broadcast group with facilities throughout Kentucky. He began his broadcast career at the age of 14 and owned his first radio station at 21.

Twice elected to lead America's broadcasters as the Joint Board Chairman of the National Association of Broadcasters (NAB), Newberry was also the 2011 recipient of the National Radio Award, the industry's highest leadership honor. Radio Ink Magazine has repeatedly named him one of the "40 Most Powerful People In Radio"

A leader in industry affairs, Steve serves on the board of directors of Broadcast Music, Inc. (BMI), the global leader in music rights management, and has held many other national leadership positions in the broadcast industry. A member of the Radio Advertising Bureau (RAB) executive committee, Steve is former chair of NAB's radio board of directors and the NAB Political Action Committee. He is also a member of the International Broadcasters Idea Bank.

For five years, he served as Chairman of the Authority for Kentucky Educational Television (KET), and he served two terms as a member of the national board of trustees of America's Public Television Stations (APTS). Steve is a past-president of the Kentucky Broadcasters Association (1993) and is a member of the KBA Hall of Fame. He received their prestigious Distinguished Kentuckian Award in 2009. He received the 2013 Outstanding Alumnus Award from the University of Kentucky College of Communications and Information.

He received his BA in telecommunications from the University of Kentucky.

High standards. Grounded expertise.

HighGround Advisors offers nearly a century of financial expertise designed to protect, strengthen and grow the assets of nonprofit organizations and their donors.

With a specialized, comprehensive array of services and strength in asset management, planned giving and account administration, we are uniquely positioned to handle all of your nonprofit needs.



214.978.3300 | 800.747.5564 | highgroundadvisors.org

Symposium II: Minimizing Risk, Maximizing Benefit (3:30PM – 5:00PM)

Facilitated by Frank Minton

Panelists: David Libengood, Nev Major, and Angela Winingham

Multiple options exist for operating your gift annuity program. These options involve the investment policy for your gift annuity pool, managing various aspects of risk, determining whether to self-insure or reinsure gift annuities, and the spending policy for the residuum of individual gift annuities. This session will describe and evaluate these various options which will help a charity develop a sound policy for its specific situation.

Frank Minton will moderate a panel discussion amongst three nationally-known experts: David Libengood (TIAA Kaspick), Nev Major (The Nature Conservancy), and Angela Winingham (MetLife), on the various aspects of gift annuity administration.

Sponsored By:

HIGHGROUND[®]
ADVISORS

Frank D. Minton

President

Frank Minton Consulting, LLC



Frank Minton founded Planned Giving Services, a national consulting firm that was acquired by PG Calc in 2005. Before entering consulting in 1991, he spent over ten years with the University of Washington, where he served as Director of Planned Giving and Executive Director of Development. He has served both as conference chair and board chair of the National Committee on Planned Giving (now the Partnership for Philanthropic Planning) and received its distinguished service award. He is a recognized expert on gift annuities and has served as chair of the American Council on Gift Annuities from which he also received a distinguished service award. He is the principal author of *Charitable Gift Annuities: the Complete Resource Manual*, the co-author of

Planned Giving for Canadians, and has made many presentations and published numerous articles on gift planning. A number of his presentations have been to Canadian audiences, and his writing and consultation also deal with cross-border charitable gifts. He is on the advisory board of *Planned Giving Today*, and is a member of the Seattle Estate Planning Council, and the Washington Planned Giving Council.

David Libengood

Senior Director, Relationship Management

TIAA Kaspick



Dave, who leads the relationship management/client consulting team at TIAA Kaspick, has over 30 years of experience in the planning, administration, and investment of planned gifts. He is also Vice Chair, Business for the American Council on Gift Annuities (ACGA) and formerly served as chair of its Rates Committee. Prior to joining TIAA Kaspick in 2001, he was responsible for gift planning, trust and bequest administration, and the investment of life income gifts at The First Church of Christ, Scientist in Boston, Massachusetts. Dave graduated with high honors from the American Bankers Association's National Graduate Trust School and is a Certified Trust and Financial Advisor (CTFA). He holds a Bachelors of Music Performance degree and an MBA with distinction from The

University of Michigan.

Julian Major

Director of Gift Planning Administration

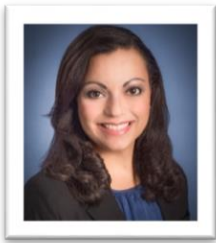
The Nature Conservancy



Nev Major has worked at The Nature Conservancy for over 20 years in a variety of roles, including Membership, Development, Campaign and Planned Giving. As Director of Gift Planning Administration he oversees The Nature Conservancy's planned gift asset management, donor advised fund program, estate distributions, gift of securities and other complex assets. A native Virginian, he enjoys camping and hiking around the Shenandoah Valley and currently lives in Warrenton, Virginia with his wife and two children.

Angela Winingham

Sales Director, Western Region
MetLife



Angela Winingham is Western region sales director, Institutional Income Annuities (IIA), Life & Income Funding Solutions for MetLife. IIA enables defined contribution plan sponsors to provide guaranteed retirement income to their plan participants to help them achieve successful retirement outcomes. The business also offers specialty annuity products including charitable gift annuity reinsurance and lottery annuities. The division is part of Retirement & Income Solutions, the company's institutional retirement business, which historically has been responsible for over 20 percent of MetLife's operating earnings.

Winingham, who joined MetLife in 2007, works with intermediaries and plan sponsors to add guaranteed retirement income options to defined contribution plans, as well as to provide pension risk transfer solutions for defined benefit plans. She also works with charities to reinsure charitable gift programs and state lotteries to provide annuity solutions. Prior to assuming her current role in 2014, she was an account executive in MetLife's Group, Voluntary & Worksite Benefits area.

Winingham has over 16 years of industry experience. Prior to joining MetLife, she was a senior consultant with Mercer, an assistant vice president with Marsh and McLennan, and a human resources professional, specializing in benefits and compensation. She has been an adjunct professor at Washington University in St. Louis since 2002.

Winingham earned a Bachelor of Arts in Psychology and Sociology from Notre Dame de Namur and a Master of Arts in Human Resources from Washington University. She is a FINRA Series 6 and 63 registered representative, and is a member of the National Employee Benefits Advisory Forum (NEBAF), The Employee Benefits Association (EBA), The International Foundation of Employee Benefit Plans (IFEBP), the Society for Human Resources Management (SHRM) and the National Association of Professional Women (NAPW). She was named 2015 NAPW VIP Woman of the Year.

MINIMIZING RISK, MAXIMIZING BENEFIT

**American Council on Gift Annuities
Biennial Conference
Seattle, WA
April 25-27, 2018**

Panelists:

David Libengood
Senior Director Relationship Management
TIAA Kaspick
One Beacon Street, 8th Floor
Boston, MA 02108
Ph: 617-788-5875 email: dlibengood@kaspick.com

Angela Winingham
Institutional Income Annuities Sales Director, Western Region
MetLife
7800 Forsythe Blvd., Suite 450
St. Louis, MO 63105
Ph: 314-930-8543 email: awiningham@metlife.com

Julian Major
Director, Gift Planning Administration
The Nature Conservancy
4245 North Fairfax Drive, Suite 100
Arlington, VA 22203
Ph: email: jmajor@tnc.org

Moderator:

Frank Minton
Principal
Frank Minton Consulting, LLC
26538 Beach Drive N.E.
Lake Forest Park, WA 98155
Ph: 206-365-5154 email: FDMinton@gmail.com

INTRODUCTION

Charities have become increasingly concerned about the risk of issuing gift annuities since the year 2000 as a result of two developments. One was the plunge in stock values, first in 2002 and 2003 connected with the tech bubble and again in 2008 and 2009 as a result of the mortgage crisis. The other has been persistently-low interest rates. Charities that invested gift annuity funds heavily in equities sometimes saw them lose 30 to 40 percent of their value, and those that conservatively chose mostly fixed-income investments have seen a steady erosion of reserves.

As a consequence, some gift annuities established in the late 1900s and during the 2006-2007 period have either gone under water or are at risk of doing so. This happens when the contribution for a gift annuity is exhausted before the annuity obligation terminates, and the charity must cover payments from other funds.

Generally, annuities that have been established during the last decade are projected to be more profitable to charities because annuity rates during much of that period have been the lowest in their history, and because of a prolonged bull market, resulting in very good returns on reserves invested partially in equities. Charities that suspended their gift annuity programs following the plunge in stock and real estate values in 2006 and 2007 made a major error, for they missed the growth in returns that would have replenished their gift annuity reserves for existing annuities and enlarged residua for new annuities.

Even though charities that issue gift annuities are breathing much easier than they did early in the century, they remain concerned about minimizing risk and maximizing return. That is what this session concerns. We have three panelists, who will approach the subject from different perspectives, and the papers they have each prepared follow in the order that they will speak.

David Libengood is with TIAA Kaspick, a company that invests gift annuity reserves and handles administration for charities that self-insure gift annuities. He will explain why most charities choose to self-insure their gift annuities and how they control risk.

Angela Winingham is with MetLife, an insurance company that offers charities a way to reinsure gift annuities. She will show that reinsurance can essentially eliminate risk and generate dollars for current use.

Julian Major is with the Nature Conservancy, which has one of the largest gift annuity programs in the United States. He will discuss the policies and procedures that his organization follows to achieve efficiency and profitability and deal with problematic gift annuities.

Following their initial presentations, you will have an opportunity to direct questions to the panel in general or to a particular member of the panel.

Frank Minton, Moderator

SELF-INSURED GIFT ANNUITIES

By David Libengood, TIAA Kaspick

What Is a Charitable Gift Annuity?

A charitable gift annuity (CGA) is a contract between a charity and a donor whereby the charity agrees to make fixed payments to no more than two annuitants for their lifetimes. In exchange for agreeing to make these annuity payments, the donor transfers irrevocably to the charity cash, securities, or other property. These assets become the property of the charity, and the charity has a legal obligation to make the payments to the annuitant(s) regardless of whether it chooses to invest the assets, purchase an annuity from a commercial insurance company to fund the payments, or spend the funds contributed in furtherance of its charitable mission.

Both the amount transferred by the donor and the amount of the annuity payment are specified in a CGA contract. The annuity payment is determined by multiplying the amount transferred by the donor by the annuity rate. Most charities follow the gift annuity rates suggested by the American Council on Gift Annuities (ACGA). These annuity rates vary depending on the annuitant's age; annuitants who are older when the contract is signed are generally offered higher rates than are younger annuitants. The ACGA rates are determined based on prevailing mortality tables and assumed investment returns and expenses. Material changes to any of these factors can lead the ACGA to revise its gift annuity rate schedule.

Charities are not obligated to offer the rates suggested by the ACGA; however, as noted above, the vast majority of charities that issue CGAs do. However, if a charity does not follow the suggested ACGA rates, it must be certain that the rates it offers meet certain requirements specified by the Internal Revenue Code, and, in many cases, by state laws and regulations. Because a portion of the amount contributed to fund a CGA constitutes a gift, the CGA rates offered by charities are lower than those available through commercial annuities offered by insurance companies.

Once the annuity rate is established, the annual payment is determined and it remains the same for the life of the contract. For example, if a 81-year-old donor establishes a CGA funded with \$25,000 cash, and specifies that the annuity payments will be made to him and to his 81-year-old wife, a charity that follows the ACGA rates will offer an annuity rate of 5.9% (according to the rate schedule originally effective on January 1, 2012 and still in effect as of the date of this paper). The annual fixed payments would equal \$1,475, and would be made each year for the lifetimes of the annuitants, typically in quarterly installments of \$368.75 each.

What Does It Mean to Self-Insure a Gift Annuity?

A charity that decides to self-insure its CGA payment obligations is making a decision to invest the assets transferred by its CGA donors (or more commonly, the proceeds from the sale of these donated assets) in a portfolio from which the payments to annuitants will be made. The charity fully controls this investment portfolio, although it might hire a professional investment management firm to invest the portfolio subject to policy parameters that the charity specifies. When the contract terminates upon the annuitant's death, the remaining value of that CGA contract is usually removed from the investment portfolio and results in the residual gift that the charity then spends on its mission.

In contrast to the self-insurance approach, a charity could decide to make a one-time payment to a commercial insurance company in exchange for the insurance company's promise to make payments equal in amount to the payments required to be paid to the life annuitant under the terms of the CGA contract. Under this approach, the amount of the gift the charity can use for its mission is equal to the value of the gift property transferred by the donor minus the cost of the one-time premium paid to the insurance company.

Under the self-insurance approach, the amount of the residual gift to the charity at the termination of any individual contract can and does vary widely. The residual gift depends on the investment returns earned by the portfolio, the duration of the contract (the lifespan of the annuitant), and the expenses incurred.

Sometimes an individual CGA residuum can be more than the value of the funds originally transferred by the donor, even though payments have been made for the entire lifetime of the annuitant. At other times, an individual CGA residuum can be much less than the original gift amount. It is even possible for the contract value to be fully depleted. In the case of depletion, the charity must continue to make the payments to the annuitant(s) for life, either from the investment portfolio itself, or from some other source. Such a contract is said to have "run dry," and what was originally intended as a gift by the donor in effect turns out to be a liability of the charity. In other words, the charity actually loses money on a CGA contract that fully depletes.

The American Council on Gift Annuities (ACGA) establishes its suggested maximum CGA rates by targeting the amount of money to be left for the self-insuring charity at the end of the contract to be 50% of the amount originally contributed. Continuing the example quoted above, if an 81-year old donor contributes \$25,000 in cash to fund a CGA, the assumed gift remaining for the charity at the end of the contract is 50% of the funding amount, or approximately \$12,500. The 5.9% payment rate on the CGA is set so that, if the annuitant lives his or her life expectancy and the assumed annualized investment return and administration expenses are realized in actual experience, there would be \$12,500 left at the end of the contract. For more detailed information on how the ACGA establishes its suggested maximum rates, please consult the ACGA's Rates Paper at www.acga-web.org.

A number of states regulate the issuance and management of CGAs. In most of these states, the regulatory agency is the Department of Insurance. Some of these states require charities that self-insure their CGAs to report annually to the Department of Insurance information about the investment portfolio that is earmarked to make payments to the annuitants of its CGAs. A subset of those states place investment restrictions on the investment portfolio, such as a maximum percentage of the portfolio that can be invested in equity investments. The purpose of this regulation is to protect the assets that back the annuity payment streams to the annuitants under the CGA contracts. For more detailed information on state regulation of CGAs, please consult the ACGA website at www.acga-web.org.

What Are the Risks to the Charity that Self-Insures?

Risks that are Outside the Charity's Control. As noted above, any individual CGA contract can run out of money, requiring the charity to continue to make the payments from sources other than the original gift. Or, the residuum gift could be below expectations and fail to fund the donor's philanthropic objective, for example, a named scholarship at a college. These poor outcomes might be attributed to a number of factors. Some of these factors are *outside* the control of the charity, including:

- **Mortality risk:** The annuitant might live longer than what was expected at the time of the gift. The 2012 Individual Annuity Reserving Table (the "2012 IAR") is the most recently published mortality table in the individual annuity profession. Under this table, the life expectancy of a 75-year old female is approximately 17 years, or to age 92. About half of 75-year old females are expected to live beyond age 92 and about half are expected to die before attaining age 92. However, it is important to note that the probability of living well beyond life expectancy is not insignificant. For example, a 75-year old female has about a 13% probability of surviving to age 100.
- **Bear market risk:** Any individual CGA might be established just before a major investment market decline similar to what was experienced in during the Oil Crisis in 1973 and 1974, the Tech Bubble Burst in 2000 to 2002, or the Financial Crisis of 2008 and early 2009. If this happens, and if the self-insuring charity has invested its portfolio significantly in equity investments, the individual contract's value is quickly eroded while the payment obligation remains fixed. The payments on the contract might originally have been 5.9% of the gift value. But a short time after the contract's establishment and immediately after the bear market, the payments to the annuitant might constitute 8% or 10% or even more of the contract's depleted value. If this "effective payout rate" gets high enough, the contract value could be driven to zero and the contract depleted.
- **Other investment risk:** It is possible that, during the life of a particular CGA, the investment markets might not experience a downturn of the magnitude described above. But the annualized return during the contract horizon might still be lower than long-term average returns. This might result in residual gifts that are below expectations, and depending on how long the annuitant lives, can even result in a

depleted contract. However, this risk is generally less of a problem for self-insured CGAs than the immediate bear market risk described in the prior paragraph. Note that, even during a period of relatively benign investment markets, poor performance by the charity's investment managers can result in damage to the value of CGA contracts.

Risks within the Charity's Control. Other factors that can affect the risk of a self-insuring charity's gift annuity program are, at least to a considerable extent, *within* the control of the charity. For example:

- **Paying a high rate:** A charity could decide to issue gift annuities at rates higher than those suggested by the ACGA. This increases the risk, all else being equal, that these contracts will result in disappointing residual gifts to the charity, or even fully deplete.
- **Current use of donated funds:** A charity could decide it will immediately apply all or some of the funds contributed under the contract to current charitable uses. Although this might be appealing to the charity and the donor, this increases the risk that the contract will run dry by reducing the assets available to support the annuity payments.
- **Funding asset risk:** A charity could accept an asset that is not sold immediately or is sold for a loss. For example, the value of an individual security might fall significantly in one or two trading days. If the charity does not sell it immediately upon receipt, it might realize a loss. The payment liability under the contract is fixed by the gift value of the asset contributed even if it subsequently declines in value before it is sold. This can result in a contract that has a disappointing residual value or fully depletes.

A similar decline in value could occur if a CGA is funded with an illiquid asset such as real estate. In addition to the risk of loss on sale, many illiquid assets come with carrying costs that the charity must pay until the asset is sold. These carrying costs also reduce the net value of the CGA to the charity.

- **Accepting large CGAs, or many CGAs for the benefit of a single annuitant:** The contracts issued by a charity could result in payments that must be made to an individual annuitant that are very large. If the particular annuitant greatly outlives life expectancy and/or the value of his or her contracts declines significantly because of poor investment performance, the contracts might deplete. Finding a source of funds to make payments on a dry contract with a small annual payment of \$590 is likely not a problem for almost all charities. On the other hand, finding a funding source for one or more contracts that collectively pay the same individual \$500,000 per year is a significant problem for any charity. Although the mortality risk of an individual donor is *outside* the control of the charity, the decision to accept large CGAs for one annuitant is *within* the control of the charity.
- **High Expenses:** If a charity is not careful in the management and administration of its self-insured program, its expenses for managing the program can be high. This can

reduce the value of the residual gift left for charity. For example, as of the end of 2017, the average domestic balanced mutual fund in the Morningstar universe of mutual funds has an annual expense ratio of 1.16%. However, it is possible to construct a broadly diversified portfolio of both domestic and international asset classes (including both active and passive approaches employed by high quality managers) for about 0.50%. This more careful and economic approach means about 0.66% of the annual investment return, year in and year out, is left inside the CGA investment portfolio to compound for the benefit of the charity. Over the average 13-15 year horizon of a CGA contract, this can make a significant difference in the realized residuum.

How Might a Charity that Self-Insures Mitigate these Risks?

Managing Investment Risk. Although the occurrence of a bear market is outside the control of the charity, this does not mean that charity is completely powerless to protect its CGA investment portfolio from poor investment returns. A full discussion of the approaches to protecting investment portfolios is beyond the scope of this paper, but below are some general principles that self-insuring charities can employ to mitigate investment risk:

- **Selecting an appropriate overall stock/bond allocation:** Because stocks have much greater downside risk than bonds, during a bear market a CGA investment portfolio with a higher allocation to stocks will decline more significantly than a portfolio with a smaller allocation to stocks. The overall stock/bond mix is the most powerful tool the self-insuring charity has at its disposal for managing investment risk. *It is very important that charities select an asset allocation that is appropriate for the unique circumstances and risk tolerances of the institution.* In the author's experience, most charities that self-insure invest their CGA portfolios in equity allocations that range from 40% to 70% of portfolio's total value.
- **Diversifying across asset classes whose investment returns behave differently:** Equity asset classes (such as large and small domestic stocks, large and small international developed market stocks, emerging markets stocks, domestic and international real estate, etc.) behave differently from each other in turns of the investment returns realized. For example, in a particular year the investment returns from emerging markets stocks might be negative while the returns from domestic real estate might be positive. By constructing a portfolio that blends multiple asset classes whose returns tend to have low correlations, the overall risk of the CGA investment portfolio is reduced and the residual values of CGA contracts enhanced.
- **Keeping fees low:** As noted above, carefully investing in a diversified portfolio of professional asset managers with lower management fees can help to enhance residual CGA values.

Controlling Risk through Sound Policies. Other risk management approaches that self-insuring charities should seriously consider include the following:

- **Do not exceed the ACGA rates:** The ACGA rates are designed to balance an attractive payment stream for the donor with a good gift for the charity. Establishing CGAs with payout rates that exceed the suggested ACGA rates necessarily involves greater risk of contract depletion. Some institutions cap the rates that they will pay to annuitants of higher ages as a way to further reduce risk.
- **Do not spend any of the assets prior to termination:** As noted earlier, this practice can seem satisfying for both the charity and the donor, but it can lead to trouble down the road. If a charity spends part of the gift for a restricted purpose, it can later find itself trying to identify unrestricted institutional funds that can be used to make payments on the restricted purpose CGA that has run dry.
- **Determine a maximum dollar amount that the institution will allow to be paid to any one annuitant (whether from one CGA contract or multiple CGA contracts):** Consider multiple authority levels required for the issuance of contracts whose payments exceed particular thresholds. For example, an acceptance policy might allow total annual payments of up to \$25,000 to be made to any one annuitant with the approval of the Director of Gift Planning and the AVP for Finance. Total annual payments of between \$25,001 to \$100,000 might be agreed to only with the approval of the VP for Development and the VP for Finance, while total annual payments to any one annuitant that exceed \$100,000 might require approval by the appropriate committee of the Board of Directors. Naturally, these thresholds might be different for charities of different sizes.
- **Establish sound processes for promptly liquidating marketable securities:** Any charity should take steps to ensure that these funding assets are liquidated immediately after they are received from the donor and confirmed to be the correct funding assets. This will prevent the situation described above where the value of the funding assets declines significantly from the gift date to the date of liquidation. Many charities ask the donor to fill out a CGA application which specifies the ticker symbol(s) of the donated security(ies), the number of shares to be contributed, and the transmitting broker. This allows the charity's custodian to determine immediately on receipt that the transferred securities are indeed the ones expected from the donor.
- **Establish a payment reserve to fund contracts that might run dry:** Most charities that issue many CGA contracts will eventually have a contract that runs dry. It is best to prepare for this eventuality by establishing a payment reserve separate from the gift annuity investment portfolio from which payments on dry contracts may be made. This separate reserve might be funded by the residual gifts of terminated CGA contracts with unrestricted gift designations, from unrestricted general funds of the charity, or by an assessment against all CGA contracts. For more information on this topic, please see the Best Practices section of the ACGA website at www.acga-web.org.

- **Determine acceptable funding assets and establish a process for evaluating CGA gifts with illiquid funding assets such as real estate:** CGAs funded with illiquid assets involve more risk because of carrying costs and uncertainty about the amount of liquid assets that will be available, after the liquidation of the gift asset, to support the payment liability. If a charity decides that it is willing to accept illiquid assets to fund a CGA, it should establish rigorous due diligence processes in regard to the funding asset and the potential buyers of the asset. It should also consider negotiating other risk reduction measures with the donor such as reducing the payout rate below the suggested ACGA maximum rate, deferring the start of payments under the contract, or both.

Given the Risks, Why Would a Charity Decide to Self-Insure?

Most charities that self-insure do so because they expect to realize greater residual gifts from self-insured contracts than they would by purchasing commercial annuity contracts from insurance companies. They can reasonably expect to receive these greater residuals because self-insuring charities can typically achieve higher effective equity allocations on the invested assets than can be achieved if they reinsure.

The self-insuring approach is not without risks, however, sophisticated approaches and policies are necessary to mitigate these risks and consistently realize higher residuals in its program. If a charity does not feel it can successfully implement these approaches and policies, it might determine it is better off reinsuring the CGAs it issues.

REINSURED GIFT ANNUITIES

By Angela Winingham, MetLife

John Trumbell, an American artist during the American Revolutionary War, is credited with the creation of the first modern charitable gift annuity (CGA) when, in 1831 he sold a series of 28 paintings and 60 miniature portraits to Yale University in exchange for a \$1,000 annuity. In creating CGAs, Trumbell and his attorney Peter Augustus Jay adapted “complex ideas and methods from life insurance, pension, and banking companies for [a] new, charitable purpose.”ⁱ Today, philanthropic organizations have turned to insurance companies – from whom the idea for CGAs was first derived – to help manage their obligations with CGA reinsurance.

For some nonprofit organizations that want to decrease the risks involved with all or a portion of their gift annuities, reinsurance may make sense. When you reinsure, you purchase protection from a life insurance company to cover your organization's annuity payment obligation using a portion of the initial gift. In exchange, the insurance company agrees to make payments either to the charity or directly to the annuitants.ⁱⁱ It also transfers most of the administrative duties of a CGA program to the insurance company so the organization can refocus its resources on the charity's mission.

CGA Basics

CGAs enable donors to support causes they care about, while gaining the security of lifetime income for themselves and, oftentimes, for their spouses or other loved ones. With a CGA, which involves a contract between a donor and a charity, the donor transfers cash or property to the charity in exchange for a partial tax deduction and an annuity that provides a guaranteed stream of income from the charity. The amount of the income stream is determined by many factors, including the donor's age and the policies of the charity. Most charities in the United States use payout rates defined by the American Council on Gift Annuities (ACGA). A CGA donor can typically begin to receive income right away, or at a predetermined date in the future, the latter of which can be attractive for younger donors. CGAs are particularly well-suited for philanthropic, often high net-worth retirees, to meet their need for lifetime income and a desire to donate money to charity in a tax-advantaged way. When the contract ends and the donor (or their survivor in the case of a joint and survivor annuity) dies, the charity keeps the remaining portion of the gift – known as a residuum.

Offering a CGA Is Not Without Risk

Many philanthropic organizations have been willing to act like insurance companies by self-insuring their CGA programs. However, a CGA program does not come without risks – significant risks that can unfavorably impact the value of the gifts and the viability of the program. An April 2015 ACGA whitepaper noted that a disadvantage of self-insuring gift annuities is that it puts the charity at financial risk, which can include investment, longevity and concentration risks.ⁱⁱⁱ

It is important for a nonprofit organization to understand the impact of investment risk and the best procedures to minimize negative impacts to a portfolio. The 2008-2009 U.S. financial crisis caused several charities to go bankrupt and left them unable not only to re-pay their donors, but also to promote their missions. For CGAs, investment risk is best managed through diversified investment pools, asset allocation and asset-liability matching (ALM). But, as Brian K. Clontz and Donald F. Behan noted in a *Journal of Gift Planning* article, most CGA pools do not address ALM because charities "tend to invest every annuity in the same investment pool without regard to the expected timing of the liability."^{iv} Because charities do not use ALM, when the rate of return for a CGA pool is not high enough to meet the payments for the annuitants, a charity needs to make up the shortfall. This can have a negative and sometimes devastating effect on the financial viability of an organization. In contrast, Clontz and Behan note, "insurance company actuaries build pools asset/liability models to project future cash flow needs." Reinsuring through an established insurance company gives a charity protection against lower returns and financial losses due to market volatility.

Longevity risk is the risk of an annuitant living longer than their expected actuarial mortality. In the event the annuitant outlives his or her life expectancy, a charity is obligated to continue making CGA payments since they have been guaranteed for as long as the annuitant lives. If someone dies earlier than expected, then in theory, the residuum can be released. But, if there is another donor still alive well past their expected mortality, the residuum from the person who died sooner might actually not be released, because the charity needs that to continue paying the person still living. Longevity risk can expose an organization to higher-than-expected payout rates and a need to supplement the payments with the charity's revenues or general operating funds.

With **concentration risk** (i.e., when a CGA pool's assets and liabilities are concentrated around a small number of annuitants), short periods of market underperformance and/or the impact of longevity risk may require additional contributions from the charity to shore up the outstanding obligations.

In addition, charities need to be aware of the regulations that govern CGAs, which differ by state. Most states require that a separate annuity reserve fund be created by the charity, but the specific requirements, including reserve and annual reporting

requirements, vary. These administrative complexities can distract from a nonprofit's mission.

Minimizing Risk and Maximizing Value Through CGA Reinsurance

CGA reinsurance is actually a bit of a misnomer because the term "reinsurance" usually describes an arrangement where one insurance company cedes excess risk to another insurance company for a premium. In the context of CGAs, reinsurance is simply a financial management technique that helps to eliminate a charity's exposure to various risks. It is not an all-or-nothing solution since organizations can choose which gifts, or portion of a gift, to reinsure.

Like the name implies, CGA reinsurance is insurance, not an investment. When an organization utilizes reinsurance, it is purchasing a guarantee from an insurance company to cover the organization's annuity payment obligations.

There are a number of benefits to CGA reinsurance, including security and certainty; immediate access to donor funds; flexible administration; and, increased donor confidence.

Security and Certainty

CGA reinsurance reduces uncertainty with the transfer of investment, longevity and concentration risks, eliminating the need to draw on other revenues or unrestricted dollars in order to meet donor obligations. A charity that reinsures its CGA program does not have to worry about the impact on its ability to cover obligations due to market volatility or donors living longer than expected. A charity can accept gifts of all sizes and not be concerned about how the exposure to large gift annuity amounts might impact the financial health of the organization.

Immediate Access to Donor Funds

CGA reinsurance allows an organization to immediately use CGA donations, instead of waiting until a donor's death. When a nonprofit organization reinsures a gift annuity, funds are released to the charity after the purchase of the reinsurance, with the charity immediately being able to use the difference between the remaining value of the gift and the cost of the annuity. What's more, the transfer of risks undertaken by CGA reinsurance may free up capital and enable the organization to issue additional CGAs.

Flexible Administration

Flexible administration options are provided in CGA reinsurance, with payments being made by the insurer either to the organization or directly to a donor or annuitant. According to the ACGA, gift annuity administration requires the "structure and resources to invest reserve funds, manage accounts, make annuitant payments and meet state and federal reporting requirements." The transfer to an insurance company requires fewer of an organization's

resources to maintain the program, which allows an organization to focus more time on its primary mission.

Increased Donor Confidence

Importantly, CGA reinsurance gives donors confidence about the guarantee of lifetime payments. Employing an insurance company funding mechanism can make donors more comfortable with the amount of their donation—or may even increase the possibility of additional donations if potential donors know their CGAs will be backed by an insurance company.

When CGA Reinsurance Makes the Most Sense

The best candidates for CGA reinsurance are those charities that desire to use some money immediately, want the least amount of administration possible, and are risk-averse. Typically, these are organizations that have no excess reserves to tap into if a CGA exhausts. The size of an organization and its CGA program shouldn't matter since charities of all sizes can all benefit from CGA reinsurance. However, according to MetLife's proprietary research, larger charities are more likely than smaller charities to reinsure their CGAs. Similarly, the more gift annuity donations received, the more likely a charity is to purchase reinsurance. While an attractive alternative, CGA reinsurance is not necessarily a solution for every organization.

Here are two examples of organizations that have recently benefited from CGA reinsurance:

A New York-based religious organization with a longstanding CGA program –This organization had a large block of CGAs (over 800 in total, including many relatively small gifts made long ago) and was concerned about the impact of the increasing lifespans of annuitants and stock market volatility on the organization's financial health. The insurer reviewed the organization's entire block of existing CGAs and determined reinsurance could immediately improve the program's bottom line and reduce both its longevity and investment risk. The analysis identified nearly 150 CGAs in which the state-mandated reserves being held were actually higher than the cost to reinsure these gifts. A net gain of over \$70,000 was achieved for the organization through the purchase of CGA reinsurance. The client was also able to eliminate ongoing investment management fees and reduce their administration expenses for these CGAs, and especially liked that the insurance company guarantee would continue annuity payments as promised when these gifts were made.

An Arizona-based nonprofit concerned about a few large gift annuities – This organization's chief financial officer was concerned about the potential impact of a few large gift annuities on the finances of the overall organization, even though it had a relatively small CGA program. Additionally, the organization was interested in the ability to outsource the program's administration (e.g., writing checks, providing tax reporting information, etc.). The organization purchased a CGA reinsurance contract, saying that

it valued the insurance company's expertise in fixed income investing and return guarantees that compare favorably with other investment alternatives. It also liked the ability to put a percentage of a CGA's value to work immediately, while completely eliminating longevity and investment risk, and plans to reinsure future donor gifts.

How Does CGA Reinsurance Work?

Exhibit 1: Comparing the CGA vs. CGA Reinsurance Processes

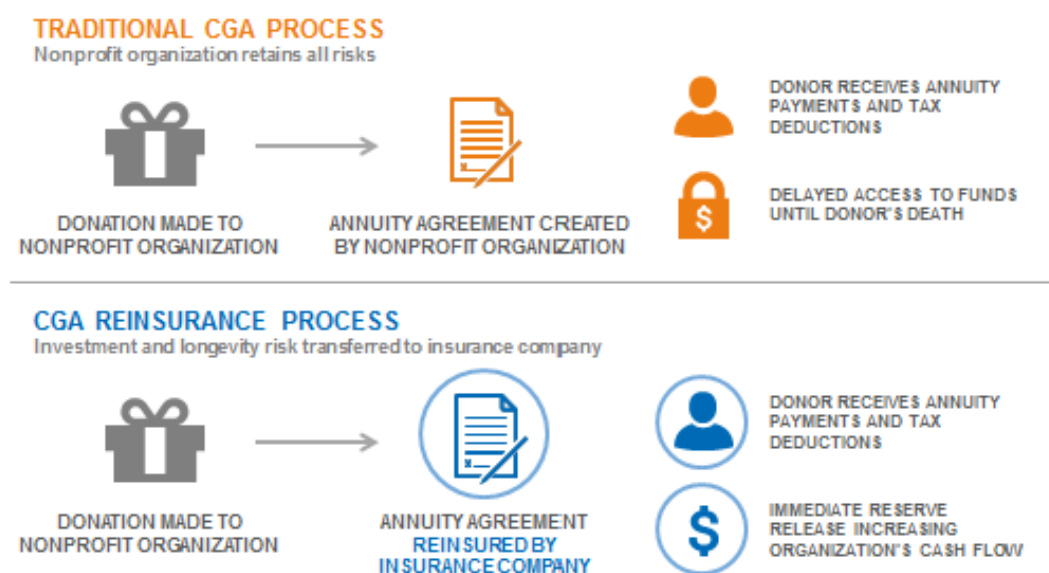





Exhibit 1 illustrates the traditional CGA process compared to the CGA reinsurance process. In the traditional CGA process, the donation is made to the nonprofit organization, and an annuity agreement is created to provide lifelong income payments to that donor. The nonprofit organization creates the necessary reserves and makes annuity payments to the donor. Access to funds generated by the gift is delayed until the donor's death, and the organization realizes the residual gift at that time. The nonprofit organization retains all the risks and administrative functions. If assets underperform and/or the donor lives past estimated life expectancy, there can be a negative impact on the residual gift realized or, in some cases, a need to access general funds to meet payment obligations.

With CGA reinsurance, the same annuity agreement between a donor and an organization takes place. However, a secondary contract is created with an insurance company. In exchange for a portion of the initial gift, the annuity payments are made by the insurance company, ensuring that the organization keeps its promises to its constituencies and stakeholders. There is a release of reserves – the difference in the

cost of reinsurance and the gift – that the organization can access immediately, thereby increasing the organization's cash flow. As noted earlier in this article, the investment and longevity risks are transferred to the insurance company. The administrative functions are also transferred, eliminating investment management fees and requiring fewer of an organization's resources to maintain the program. Payments can be made directly to the donor or to the organization.

With both processes, donors will still avail themselves all the tax advantages associated with making a donation to the organization. The initial contract remains unchanged with no impact to the donor.

Exhibit 2: Cost Structure of CGA Reinsurance


		CGA BENEFIT	INSURER ANNUITY COST	Funds Released by Reinsurance	
				\$ AMOUNT	% OF ORIGINAL GIFT
 Male 70	\$10,000	\$510	\$7,700	\$2,300	23%
	\$25,000	\$1,275	\$18,400	\$6,600	26%
	\$100,000	\$5,100	\$72,200	\$27,800	28%
 Female 70	\$10,000	\$510	\$8,100	\$1,900	19%
	\$25,000	\$1,275	\$19,600	\$5,400	22%
	\$100,000	\$5,100	\$76,700	\$23,300	23%

Footnotes:

- (a) Annual single life benefit amount based upon maximum CGA rate schedule effective November 7, 2016 (as approved by the American Council on Gift Annuities).
- (b) Illustrative cost based on MetLife purchase rates in effect on November 30, 2017.

Exhibit 2 illustrates reinsurance pricing for gift annuities as the size of the gift and CGA payment increase. Reinsurance prices for this exhibit were developed based off of each annuitant's age and benefit amount with MetLife purchase rates in effect on November 30, 2017. The reinsurance prices are included in the column titled "Insurer Annuity Cost". The Gift Amount less the Insurer Annuity Cost is the \$ Amount of Funds Released by Reinsurance. The % of Original gift is the \$ Amount of Funds Released by Reinsurance divided by the Gift Amount. In general, the % of Original Gift amount released by reinsurance increases as the size of the benefit amount increases. The driver behind this is that the fixed expenses associated with the contract become a smaller percentage of the total premium as the benefit amount increases. Looking at the \$100K example for a male at age 70, the reinsurance the cost is \$72K, thus releasing 28% of the initial gift or \$27,800 immediately for use by the organization vs. waiting until the donor's death.

Exhibit 3: Funds Released By CGA Self-Insurance vs. CGA Reinsurance



	Male			Female		
Age at Purchase	65	70	75	65	70	75
Life Expectancy (under IAR 2012)	89	90	90	91	91	92
Funds Released at Life Expectancy	\$46,000	\$48,000	\$48,000	\$41,000	\$43,000	\$42,000
Value of Funds Today (Self-Insurance)	\$21,000	\$26,000	\$30,000	\$18,000	\$22,000	\$24,000
Value of Funds Today (Reinsurance)	\$23,000	\$28,000	\$32,000	\$20,000	\$23,000	\$26,000

Reinsuring today allows you to immediately release the same amount of funds without the inherent risk exposure to your CGA program

Key Assumptions:
(a) Mortality: IAR 2012 Mortality Table with Projection Scale G2
(b) Annual Fund Return: 3.25%, net of expenses
(c) Reinsurance cost based on MetLife purchase rates in effect on November 30, 2017.
(d) Value of Funds Today (Self-Insurance) based on Present Value (PV) of CGA donation discounted back from annuity contract maturity date to current date

Looking at this another way, why would an organization want to pay 72% of the initial gift when we could potentially realize 50% of the gift at the time of the donor’s death? The key is the ACGA assumption of a 50% remainder to the charity is in the future at the time of the donor’s death. Exhibit 3 illustrates the present value of the funds comparing Self Insurance vs. Reinsurance. Reinsurance allows charities to immediately release approximately the same amount of funds without the inherent exposure to investment risks, longevity risk and fees for the duration they are managing the reserves and making the payments.

The Society of Actuaries’ 2012 Individual Annuity Reserving Table, the IAR 2012 Mortality Table, required by a number of states for determining the minimum reserves required for gift annuities issued on or after January 1, 2015, was used to determine the life expectancy for each age and gender. Using the CGA rates and a gift amount of \$100,000, the Annual Benefits are \$4,700 for a 65 year old, \$5,100 for a 70 year old, and \$5,800 for a 75 year old, regardless of gender. At each individual’s life expectancy, the residual amount of the gift amount is determined, starting with the Initial Gift Amount (\$100K), reducing that for the annual benefit, and assuming a return of 3.25% for each year until the life expectancy age. This amount is called the “Funds Released at Life Expectancy” in the Exhibit above, and it assumes that each individual dies at their life expectancy. The Value of Funds Today (Self Insurance) is the residual amount discounted back to the age at purchase using the 3.25% rate-of-return assumption. The Value of Funds Today (Reinsurance) is the Gift Amount (100K) less the Cost of Reinsurance for each individual determined as of November 30, 2017.

There is not a significant difference between ages and genders when the Value of Funds Today is compared for self-insurance against reinsurance. It also shows that at the IAR 2012 life expectancy age, the present value of reinsurance is greater than that of self-insurance. However, this is only one assumption for when the annuitant may die. Exhibit 4 illustrates residual amounts at different ages for the participant circled in Exhibit 3.

Exhibit 4: Longevity Protection

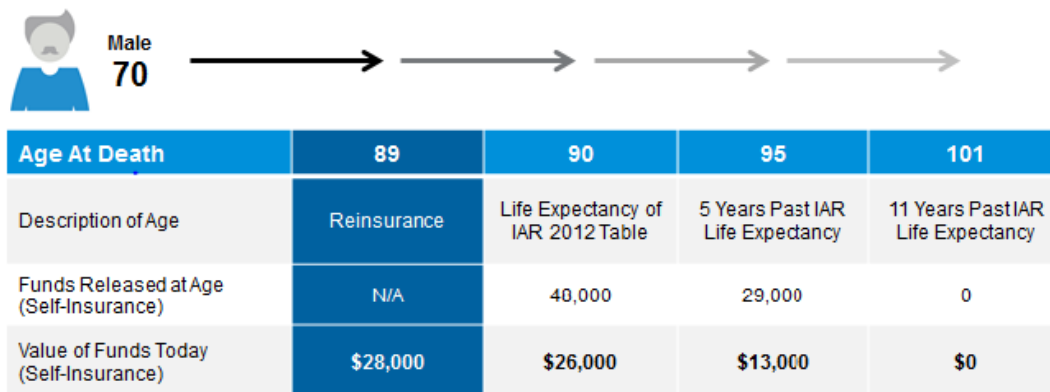


Exhibit 4 illustrates how reinsurance can help provide longevity protection for nonprofit organizations. The Exhibit shows the Funds Released at Age (Self-Insurance) and the Value of Funds Today (Self-Insurance) at different possible ages of death. IAR 2012 mortality was used to determine life expectancy. Using the CGA rates, and a gift amount of 100K the Annual Benefit is \$5,100 for a 70 year old. At each possible “age at death”, the residual amount of the gift amount is determined by Starting with the Initial Gift Amount (\$100K) reducing that for the annual benefit and adding in a fund return of 3.25% for each year until the “age at death”. This amount is called the “Funds Released at Age” in the chart above. The Value of Funds Today (Self-Insurance) is the residual amount discounted back to the age at purchase (70) using 3.25%. The green column shows The Value of Funds Today (Reinsurance) and is the Gift Amount (\$100K) less the Cost of Reinsurance for the sample individual determined as of November 30, 2017.

Using the IAR 2012 Mortality Table, the probability of living longer than age 89 is 56%, age 90 is 52%, age 95 is 28% and age 101 is 7%. The Exhibit shows that age 89 is the equivalent age for where the Value of Funds Today with Self-Insurance is equal to the Value of Funds Released from Reinsurance. The residual value quickly diminishes vs. what they could have realized with reinsurance after age 89. For individuals that live to age 101 or longer, the charity may lose money (or break even) from the gift annuity.

Determining if CGA Reinsurance is a Good Fit

There is not a one-size-fits-all solution for mitigating risks for a CGA program and, while an attractive alternative, CGA reinsurance is not necessarily a solution for every organization. Organizations should develop CGA risk management policies that address the following questions:

- 1) What is our risk tolerance threshold for the management of the CGA program?
- 2) Up to what level do we want to self-insure, and when should we consider reinsuring all or a part of the gift based on our risk-tolerance threshold?
- 3) Is there a minimum gift size that we do not want to administer?
- 4) What are the fees and administrative demands of the program; and what should we retain or outsource?
- 5) Could our organization benefit from increased up-front cash flow?

Ultimately, with CGA reinsurance through a well-established and experienced insurance company, charities can alleviate their exposure to a host of risks and make certain that their finances remain predictable, to ensure that their organizations keep their promises to donors. When selecting an insurer to reinsure CGAs, there are several criteria that a charity should consider. First, it is important for a charity to select an insurer with CGA reinsurance as a core competency to ensure that the charity is working with a provider who truly understands the need to balance the charity's ability to promote its mission by freeing up its capital, while protecting the income stream that has been promised to valued donors in exchange for their generosity. It is also extremely important to select an insurance carrier with strong financial strength ratings to be certain the insurer is able to meet all of its payment obligations. Additional protections can be provided to the charity through state guarantee associations, up to certain limits, which vary by state. For more information on state statutory limits, please visit NOLGHA.com.

Conclusion

With 10,000 baby boomers retiring every day, there is an enormous opportunity for older Americans with philanthropic intent to secure lifetime income payments for themselves and their loved ones, while getting a tax deduction. As the number of CGAs grows, so will the number of organizations that may turn to CGA reinsurance. The ACGA's 2013 Gift Annuity Survey Report, the most recent survey for which data are available, showed a slight increase in the number of charities interested in CGA reinsurance. The 303 charities responding that reported issuing one or more gift annuities in 2013 were asked whether they purchased commercial annuities to "reinsure" the gift annuities they issue. Nine in ten charities (91%) reported they do not purchase commercial annuities at all, while 7% purchase some commercial annuities, and 2% reported that all gift annuities they issue involve the purchase of commercial annuities, a slight increase over the 6% and 1%, respectively, in the 2009 survey. This means that the percentage of charities reinsuring their annuities is up slightly since the wake of the 2008-2009 U.S. financial crisis.

The uptick in the percentage of charities reinsuring their CGAs indicates that awareness of the extensive benefits that CGA reinsurance can offer to charitable organizations is expanding. The percentage is likely to grow even further as more charitable organizations realize that working with an insurance company whose expertise lies in mortality and longevity risk management and asset-liability matching can mitigate the risks associated with managing CGAs, relieving some of the burdens that come with administering a CGA program and allowing the organization to focus on its core philanthropic purpose.

"Benjamin Silliman: The Gift Planner Behind the First Modern Charitable Annuity," By Ronald A. Brown, giftplanninghistory.org, Part 3 of 3, April 21, 2014.

¹ Not every state permits reinsurance. If reinsurance is permitted, the charity must investigate how reinsuring contracts impacts the charity's state reserve requirements.

¹ "Managing the Financial Liability of a Charitable Gift Annuity Program," American Council on Gift Annuities, April 2015.

¹ Optimizing Charitable Gift Annuity Risk Management: Collaring the Bear and the Grim Reaper, *Journal of Gift Planning*, By Brian K. Clontz and Donald F. Behan, January 2004.

L0118502003[exp0119][All States][DC]

CONSIDERATIONS IN MANAGING A GIFT ANNUITY PROGRAM

By Julian Major, The Nature Conservancy

Charitable Gift Annuities (CGAs) are a vital part of any planned giving program. They are generally the easiest type of life income gift for a donor to understand and, therefore, the easiest gift to make. They appeal to all ranges of supporters on the donor pyramid: from annual supporters to high net worth individuals.

The Nature Conservancy's (TNC) Gift Annuity program has been in existence since the 1980s and is a mature and diversified part of TNC's planned giving program. Currently, CGAs make up approximately 43% of The Nature Conservancy's planned giving assets. The Nature Conservancy strives to ensure that our gift annuity program is self-sufficient, meaning that it does not draw costs or expenses from the rest of the organization. It is important to manage the program with this goal in mind. This way you can demonstrate to those in leadership positions that the program is solely a benefit to the organization and not a risk.

Why CGAs are Appealing

The Nature Conservancy has received thousands of gift annuities ranging in size from \$5,000 to gifts in the seven-figure range. They are popular because they provide a stable income while allowing donors to support the organization through a larger gift than they otherwise may have been able to make. Some donors give up an entire interest in an appreciated asset or can make a larger gift of cash than they imagined possible. Here are some quotes from our donors on why they like supporting The Nature Conservancy through a CGA.

"It is comforting to know that I will continue to receive payments from my gift while I'm alive and that it will benefit the good work of the Conservancy beyond my lifespan."

Some donors see the gift annuity as an opportunity to receive a guaranteed flow of income and diversify their retirement portfolio, while ultimately helping to protect some of the outstanding natural places they had come to know through the Conservancy. *"It was as much a strategic decision for us as it was a desire to help the Conservancy."*

"My charitable gift annuity gives me the advantages of a commercial annuity, but with added tax benefits," she says. "Now I receive steady income that is partially tax-advantaged, and the Conservancy will ultimately benefit with a donation in the future. How much better can it get?"

CGAs can also be part of a blended gift strategy when thinking about the best ways that a donor can support an organizations' mission. Donors who are interested in charitable gift annuities can also be good prospects for future solicitations, including bequest gifts. There are several important factors that go into successfully operating a gift annuity program.

Gift Acceptance Policies and Procedures

Organizations should establish clearly defined gifts acceptance policies and procedures. Much like any type of gift, the organization should set specific guidelines for acceptance of charitable gift annuities. Criteria should include factors such as:

- gift minimums
- funding assets accepted
- age requirements and
- payout rates
 - At TNC, we believe that it is very important to follow payout rates established the American Council on Gift Annuities (ACGA).

The Nature Conservancy accepts cash, securities and real estate (upon review and where allowed) as funding assets for CGAs. We recently raised the gift minimum for CGAs to \$10,000 for cash and securities. Repeat donors can make additional CGAs for a minimum contribution of \$5,000. The minimum for real estate gifts is \$100,000. Real Estate funded annuities have their own unique set of considerations. A thorough due diligence process of the property should take place before entering into any gift agreement. An organization may consider offering a lower payment rate to the donor in exchange for the additional risk involved and/or a deferral period to account for selling the property so the CGA can be funded with the sale proceeds. The organization should also take the marketability of the property into account prior to any gift agreement.

The Nature Conservancy requires beneficiaries to be at least 50 years old to receive payments from a CGA. A donor may make establish a Deferred CGA as young as 35, but the payments cannot commence before their 50th birthday.

Investment Policies

Organizations should ensure they have an investment policy related to charitable gift annuities. These investment decisions and strategy should be developed in partnership with development and finance staff to make sure all parties in the organization understand the goals of the program. Having a strong partnership with finance staff also allows everyone to understand the risks and liabilities for a CGA program. Note that some state regulations can impact and dictate the investments of Charitable Gift Annuities.

Designation and Use

An organization should consider a gift designation and restriction policy for CGAs. For example:

- Can the remainder be used to support any program within the organization?
- Should a portion be used to pay for the Gift Planning efforts and administration of the CGA program?

It is important to have these discussions with prospective donors so they have a clear understanding of how their gift will support the organization's goals and mission.

Audit Requirements

An organization should make sure they are able to properly report the assets and liabilities related to CGAs on their financial statements. The charity should make sure assets and liabilities are properly stated and the factors are understood by both development and finance staff. Factors to consider include discount rate and mortality tables used to report the information according to FASB requirements. This should be done in conjunction with the organization's finance team, again, speaking to the importance of a strong partnership between development and finance staff. Many auditors are confused by life income gifts, so it makes sense to invest some time in "training" your auditors on what a CGA is to avoid questions later.

State Regulations and Requirements

As a large CGA program, The Nature Conservancy strives to comply with all state regulations and filing requirements. These can sometimes be difficult and time consuming, so an organization should consider the staff time, skills and resources needed to become registered and continuing with the annual filing requirements.

The time involved with regulation and filing includes both initial registration and ongoing compliance. For example, some states require specific language and disclosures for gift annuity agreements made with their residents. In addition, some states require pre-approval of the gift agreements prior to any solicitation of charitable gift annuities. This approval can be time consuming and a charity should consider all gift options when requesting approval of their forms. That means you want to submit one and two-life agreements, deferred gift annuity forms and flexible deferred gift annuity forms at the same time.

Finally, it is important to develop a strong network of outside resources that can help you navigate complex questions or issues that could arise. It could be your own in-house counsel, outside expertise, a vendor you use for administration or companies who provide specific expertise in this area, such as PG Calc (www.pgcalc.com) and the ACGA.

One of the great things about our jobs is that we get to learn new things all the time. I guarantee you will come across a unique situation you have not experienced. A network of resources can help you navigate these complex situations.

Tools for Fundraisers and Donors

Organizations should develop user-friendly gift agreement templates that are easily customized with donor information and easy for fundraisers to use. There are vendors in the sector who can be instrumental in supplying gift agreement templates and can make this process easy. Another valuable tool for fundraisers are easily customizable gift proposals. Often, it makes sense to send a gift proposal prior to the actual CGA contract to a prospective donor to make sure they understand the gift.

Note that organizations will need agreement templates for one and two-life annuities, deferred gift annuities and flexibility deferred gift annuities just to name a few.

Organizations should also develop disclosure statements regarding CGAs that clearly lay out several factors. They should include:

- basic information about how the annuity works
- details about payment beginning and end dates
- information on tax forms sent to the beneficiaries (1099)
- an explanation of how inflation can impact CGA payments over time
- an exhibition on investments of the pool and assets backing up the annuity-not just the invested CGA pool, but the entire assets of the organization.

Finally, the disclosure should clearly state that a donor needs to consult their own advisors for tax implication. A well written disclosure statement can help set donor expectations at the outset of the gift and avoid any future misunderstandings leading to a better experience for the donor.

Standardization and having a “bank” of all these proposals, forms and disclosures that can be easily customized per donor will make everyone’s life easier and help the program run more efficiently. It also helps fundraisers respond to donor inquiries in a timely manner.

You should also continually invest in education and outreach to annual/major gift and principal gift fundraisers. Soliciting CGAs does not have to be the sole domain of the gift planning fundraiser. Training major gift staff on recognizing these opportunities can lead to larger gifts for the organization and a better experience for the donor. This will also help grow the pipeline for new CGAs and ultimately help to grow the program.

Marketing

After fundraisers are trained and your materials are ready, an organization should create marketing materials specific for CGAs. Investing in marketing materials and programs can help to establish and grow a CGA program. Materials can include fact sheets, ads in publications, direct mail, email and information on your website. These materials should focus on the benefits and provide easy talking points. Featuring donor profiles and testimonials can also help spread the word about this gift option. Marketing materials should position CGAs as a charitable gift, and not as an investment product.

Minimizing Risk

As stated above, the first step in minimizing the risk of accepting any type of gifts is to develop and follow clear gift acceptance policies and procedures.

- Invest 100% of the funding amount of the gift in the pool. Removing any amount at the outset of the gift can lead to greater risk that the annuity will go underwater in the future. The gift would be harder to recover from initial market downturns should they occur at the beginning of the contract.
- Perform regular “check-ups” by reviewing the health of your gift annuity pool annually. Initially you should compare the assets to liability ratio of the pool. A healthy pool should have an asset to liabilities ratio of @140%.

You should also regularly examine the effective payout rate of the annuity contracts. This means looking at the actual impact of the contractual payments on the current market value of the gift-not the original payout rate. Remember to include updated information on the life expectancy of the beneficiary in this analysis. Use the 2012 Individual Annuity Reserving Table to provide the most up to date information available on how long your organization could potentially have to pay the obligation.

Example: A \$10,000 CGA that pays 7% translates to \$700 in payment obligations for the charity each year. However, if the current market value of the original funding amount is only \$6,000, the \$700 annual payment now represents an effective payout rate of 11% of the total value of the remaining amount.

In the example above, the current market value of the gift would run out in approximately 8.5. If the donor’s current life expectancy is greater than 8.5 years, the contract is at risk to go “underwater”. Positive investment performance will mitigate this situation but this analysis should be performed on at least an annual basis to identify gifts that can be problematic.

These factors can help determine the projected exhaustion rate of the market value of the annuity and help the charity manage this risk. The Nature Conservancy regularly reviews CGAs with high effective payout rates to determine the risk potential to overall pool.

Keeping Gifts Positive

In the example above, contracts with the potential for going “underwater” are a risk to the CGA pool. As a current prolific tweeter often says #SAD! This is generally an outcome that is not welcomed by the donor or the charity. The organization is required to make payments to the beneficiary for his or her lifetime. In most cases these payments should be made from the general annuity pool or other sources identified by the charity. One way to mitigate this risk is to ask the beneficiary to relinquish the remaining income payments. Most donors are charitably inclined and would like to know that the organization they support will receive something from their gift. However, the conversation should also stress that in no way are the

donor's future payments impacted should they chose not to relinquish. Having a large annuity program with many donors helps with these situations and ensures the pools are self-sufficient.

As your program grows, having a larger pool does help to provide additional stability to and manage the risk of underwater contracts. At the close of our last fiscal year, The Nature Conservancy had approximately 8.7% of our CGA contracts "underwater". A large and mature program is likely to have underwater contracts all the time, the key is to know about them so the organization can understand the risk they may pose to the health of the pool. You can also get insights into why the contract went underwater-longer than projected life expectancy, poor investment returns, high payout rate, etc.

Review Risk Concentration

An organization should also monitor risk concentration in their annuity pools. This can be from a single, large gift relative to the size of the pool, or multiple annuities from the same donors. The Nature Conservancy generally reviews gifts when they make up 10% of the pool from any one donor. These gifts could be candidates for re-insurance but the charity should carefully weigh the cost benefit of this option. An additional benefit of reinsurance would be to remove the liability from the charity's financial statement and state filings. The charity should make sure they follow any notification rules required by state regulators (<http://www.acga-web.org/state-regulations>). Charities should carefully consider the costs associated with re-insurance and determine if the risk outweighs the potential remainder gift that would come to the organization.

Keep Unpaid Payments in the Pool

Another method TNC has employed that helps bolster the reserves of our CGA pools is to keep unpaid life income payments that are unrestricted in the pool once a contract matures. For example, if a person passes away prior to their life expectancy, the funds that would have been paid out had they lived to life expectancy can remain invested in the pool.

Example: A donor establishes a \$500,000 gift annuity in 1995 with a 5.7% payout rate. The annuity pays out \$28,500 per year. The gift matured in 2017 with a remainder value of \$340,597.99.

- The original life expectancy for the donor was 12/31/2021. Had the contract remained in effect until that time, an additional \$121,125 would have been paid out to the beneficiary.
- The gift is unrestricted. Our decision would be to separate out \$219,472.99 to the organization and leave \$121,125 invested in the pool.

This only applies to unrestricted gifts. These separated gifts should continue to be tracked individually and the expectation is that the amounts will grow over time with investment performance. Over time, they will contribute to the overall health of the annuity pool as there

is no longer a liability associated with these payments. By tracking them, a charity can always choose to take the funds out later to use towards their mission.

Residuum

Another method to evaluate the effectiveness of your organizations program is the remainder amount received when a CGA matures. A fair measure is 50% of the initial gift value should be left over at the end of the contract. We look at the residuum amount each year-most recently The Nature Conservancy received an average of nearly 53% of the initial contribution. We have seen fluctuations throughout the years-a high of 65% in Fiscal Year 15 and a low of 43% in Fiscal year 13.

Conclusion

In summary, there are many factors to consider when administering a gift annuity program. An organization should focus on mitigating the risk using tools like Gift Acceptance Policies, regularly reviewing risk, keeping an eye on fundraising and administrative costs and properly investing the assets. A successful gift annuity program is a valuable part of an organization's fundraising efforts. As one of our donors stated:

A charitable gift annuity offers us a charitable tax deduction, fixed income and the satisfaction of knowing that the principal of the gift will ultimately support The Nature Conservancy. And, as we get older and establish new charitable gift annuities, the interest rate they pay goes up—a nice feature. All in all, we think it's a win-win situation, for us and the Conservancy."

PENTERA

Modern Planned Giving Marketing

YOU KNOW YOUR
MISSION IS SPECIAL,
AND SO DO WE



Let Pentera's Marketing Consulting Team Help Your Nonprofit

Pentera is the nation's leading planned giving marketing firm, specializing in full-service integrated marketing communications for more than four decades.

(317) 875-0910, ext. 251 | www.pentera.com | info@pentera.com

Keynote: Big Ideas Inspire Big Philanthropy – And Lead to Big Results (6:30PM – 9:00PM)

W. Peter Sommerfeld & Tomasz Beer, MD, FACP

(Wednesday, 8:00pm - 9:00pm)

In September of 2013, Nike co-founder Phil Knight issued a challenge to the OHSU Foundation: Raise \$500 Million for cancer research in the next two years, and Penny and I will give you another \$500 Million. With that began the largest fund raising challenge in the history of North American philanthropy. The story of how the Foundation successfully met that match is an exciting story in itself. But, even more exciting is what that Billion Dollars has begun to accomplish in the fight to end cancer as we know it.

W. Peter Sommerfeld

Senior Philanthropic Advisor
Oregon Health & Science University Foundation



Pete Sommerfeld joined the gift planning team at Oregon Health & Science University Foundation in October 1996. In December, 2010, he was named the Foundation's first Senior Philanthropic Advisor, having previously served as its Senior Director of Gift Planning. In total, he has over twenty-five years of experience in the field. During his tenure with OHSU Foundation, he has collaborated with donors and their advisors to design and close a variety of gifts in support of all aspects of OHSU's mission.

Pete came to OHSU Foundation from United Cerebral Palsy of Oregon and Southwest Washington, where he served as Director of Planned Giving. He began his development career at the same organization as Special Projects Director. His professional background also includes experience in the corporate office of PayLess Drug Stores, Portland television station KATU, and campus ministry in several locations around the US.

Pete is a former Board member of the Northwest Planned Giving Roundtable, and holds membership in the National Association of Charitable Gift Planners, and its Leadership Institute. In 2015 Pete received the Distinguished Service Award from the Roundtable in recognition of his contributions to the organization. In 2001 he earned designation as a Certified Specialist in Planned Giving (CSPG) from the American Institute of Philanthropic Studies at California State University, Long Beach.

Tomasz Beer, MD, FACP

Deputy Director
OHSU Knight Cancer Institute



Tomasz M. Beer, M.D., Grover C. Bagby Endowed Chair for Prostate Cancer Research, Professor of Medicine, Division of Hematology & Medical Oncology, and Deputy Director at the Oregon Health & Science University Knight Cancer Institute in Portland, Oregon. Dr. Beer leads the Prostate Cancer Research Program within the OHSU Knight Cancer Institute, an NCI-designated Cancer Center. He received his medical degree from Johns Hopkins School of Medicine, Baltimore, Maryland, in 1991. He then moved to Oregon Health & Science University. At OHSU he completed his internship and residency in internal medicine and then completed his fellowship in Hematology and Medical Oncology.

Currently, he is a fellow of the American College of Physicians, as well as a member of several other professional societies, including American Society of Clinical Oncology, American Urologic Association, American Association for Cancer Research, and Southwest Oncology Group, where he has led a number of clinical trials.

Dr. Beer has authored and co-authored more than 350 articles and abstracts on prostate cancer largely with a focus on the development of novel therapies through clinical and translational investigation. He recently co-authored the book *Cancer Clinical Trials: A Commonsense Guide to Experimental Cancer Therapies and Clinical Trials*. Dr. Beer's major research interests include clinical trials, preclinical investigation, and risk factors in prostate cancer.

Thursday, April 26 Morning Sessions

(8:30am - 9:45am & 10:15am - 11:30am)

Sleepless in Seattle? Confessions from a Gift Planner's Ethical X-Files (Track I)	58
Overcoming Planned Giving Myths with Your Colleagues (Track I)	123
From Base Camp to Summit: CGA Basics & Best Practices (Track I)	139
Structuring Charitable Gifts of IRAs (Track II)	157
Panel Discussion: Insights from the 2017 Survey of Charitable Gift Annuities (Track II)	200
The Pooled Income Fund – Albatross or Eagle? (Track II)	203
The Silence of the Lambs: Retirement Plan Distributions to Charities (Track III)	228
How to Manage Your Administrator (Track III)	233
CGAs Funded With Illiquid Assets (Track III)	244

Strengthen your CGA program through reinsurance

- ✓ Mitigate risks associated with your CGA program
- ✓ Gain immediate access to donor funds

Visit **MetLife at booth #303** to learn how charitable gift annuity reinsurance will allow you to focus more on what matters most.

Chuck Burke
Sales Director
Life & Income Funding Solutions
617-239-4717
cburke@metlife.com

L0218503062[exp:0219][All States][DC, GU, MP, PR, VI] © 2018 MetLife Services and Solutions, LLC | New York, NY 10166



Navigating life together

Sleepless in Seattle? Confessions from a Gift Planner's Ethical X-Files (Track I)

Philip Purcell, J.D.

(Thursday, 8:30am - 9:45am & 10:15am - 11:30am)

Ethical violations can significantly challenge the public's trust in the charitable sector. Gift planners and the organizations that they serve should understand the importance of ethics in our daily work. And we must know how to implement ethical best practices. This presentation will offer a definition of ethics as well as a template for ethical decision-making. The prominent standards of ethics serving the charitable sector will be reviewed, identifying important attributes common to all standards.

The Model Standards of Practice for the Charitable Gift Planner was adopted and subscribed to by the National Association of Charitable Gift Planners (then National Committee on Planned Giving) and the American Council on Gift Annuities is the leading standard of ethics for gift planners. These Model Standards will be explored in detail, sharing examples of ethical violations of each of the ten model standards. Attendees will learn the results of civil and criminal court cases, Congressional and state legislature actions, state attorney general reviews and case studies that examine ethical violations of the Model Standards. The discussion will lead to a deeper understanding of the importance of ethics and the standards that should guide our profession.

Philip Purcell, J.D.

Senior Counsel for Philanthropy
Fellowship of Catholic University Students



Phil Purcell currently serves as Senior Counsel for Philanthropy on behalf of the Fellowship of Catholic University Students. Formerly, he was Vice-President for Planned Giving and Endowment Stewardship at the Ball State University Foundation where he assisted with completion of a \$200 million campaign of which \$65 million in planned gifts were raised. Phil held prior position as director of gift planning for the Central Indiana Community Foundation, director of development and planned gifts for the St. Vincent Hospital Foundation, and director of planned giving and development counsel for Rose-Hulman Institute of Technology. He is senior consultant for Heaton Smith Group providing charitable and estate planning services. Phil is a certified fundraising executive (CFRE). He is an attorney and member of the American and Indiana State Bar Associations.

Phil currently serves as a volunteer on the Tax Exempt Organization Advisory Council for the Internal Revenue Service (Great Lakes States region) and Vice Chair of the Legislation Committee of the American Bar Association's Charitable Group. He teaches courses on Law and Philanthropy, Nonprofit Organization Law and Planned Giving as adjunct faculty for the Indiana University Maurer School of Law and Indiana University Lilly School of Philanthropy and Fundraising School. Phil has served on the board of directors for the Partnership for Philanthropic Planning (Secretary), Planned Giving Group of Indiana (President) and Association of Fundraising Professionals Indiana Chapter (President). Phil serves on the Editorial Advisory Board for *Planned Giving Today*.

Phil received his B.A. degree from Wabash College in 1981 (*magna cum laude*) and his J.D. and M.P.A. degrees (*with honors*) from Indiana University in 1985.



Sleepless in Seattle?

SLEEPLESS NIGHTS?

Philip M. Purcell, JD
pmpurcell@outlook.com

Copyright 2018@All rights reserved.

2

Opening the Ethical X-Files...



3

Off the Record...

- **Overview of Ethics**
 - **Application of Model Standards of Practice**
- Two Qualifications:**
- **Gift Planning requires teamwork of nonprofit and for profit planners.**
 - **Ethical issues are sometimes easier to identify than to resolve.**

4

Definition of Ethics

“The rules or standards governing the conduct of the members of a profession.”

- American Heritage Dictionary

5

Role of Ethics in Gift and Estate Planning

- Public Service
- Stewardship
- Value of a Good Reputation with Clients and Constituencies
- Recent Issues: Valuation of Non-Cash Gifts, Easements, Donor Advised Funds, Supporting Organizations



6

Ethical Frameworks

- Take into account and reflect a concern for the interests and well-being of all stakeholders. **(Golden Rule)**
- Always reflect the precedence of ethical values and principles over non-ethical values. **(Emmanuel Kant)**
- Violate an ethical principle only when truly necessary to advance another ethical principle that will produce the greatest balance of good in the long run. **(Utilitarianism)**

7

Josephson Institute: Decision-Making Model

Application of any of these approaches requires:

- A stakeholder analysis: Who are the stakeholders? Donors, Charities, IRS, Taxpayers?
- Clarity about your principles: What are the principles that govern ethical decision-making?

8

Three Stages of Concern

1. Clearly Illegal
2. Clearly Unethical
3. Ethical Dilemmas

9

Five Steps to Principled Reasoning

- Clarify
- Evaluate
- Decide
- Implement
- Monitor or
- Modify



10

Sources of Information



- American Council on Gift Annuities
- Association of Fundraising Professionals
- National Association of Charitable Gift Planners
- Independent Sector
- Ethics Resource Center
- Josephson Institute of Ethics
- IU Center on Philanthropy
- Greenleaf Center
- National Charity Information Bureau
- Council of Better Business Bureaus
- The John Templeton Foundation

11

Conduct Codes: For-Profit

- American Bar Association
- American Institute of CPA's
- American Society Of Appraisers
- Appraisal Standards Board
- American Society Of CLU/ChFC
- Million Dollar Roundtable
- National Association of Insurance and Financial Advisors



12

Conduct Codes: Non-Profit

- ACGA/NACGP
- Donor Bill of Rights
- Association of Fundraising Professionals
- Independent Sector
- Association of Healthcare Philanthropy
- Association of Professional Researchers for Advancement
- Council on Foundations



13

Central Themes of Codes



- Confidentiality
- Conflicts of Interest
- Competence
- Compliance
- Compensation

14

Confessions from the Ethical X-Files



15

Model Standards of Practice for the Charitable Gift Planner

*National Association of Charitable Gift Planners
American Council on Gift Annuities
May 7, 1991, Revised April 1999
Available at <https://charitablegiftplanners.org/>*

A. Primacy of Philanthropic Motivation



Do the Right Thing...

17

What is a Charitable Gift?

- To qualify for tax benefits: income tax charitable deduction, capital gains tax savings.
- Definition of “gift”: Intent plus objective test (i.e., actual transfer to qualified charitable organization).
- No return benefit or quid pro quo.
- *U.S. v. American Bar Endowment*, 477 U.S. 105 (1986).

18

What is a Gift?

- No deduction for gift of time/services.
- No deduction for loan of property.
- No deduction for gifts of partial interest in property - with specific exceptions for qualified “split interest” gifts (e.g., charitable remainder trust, etc.).
- Reduction rules for gifts of certain property (e.g., ordinary income property and tangible personal property with an unrelated use).
- See IRS Publication 526, *Charitable Contributions*

19

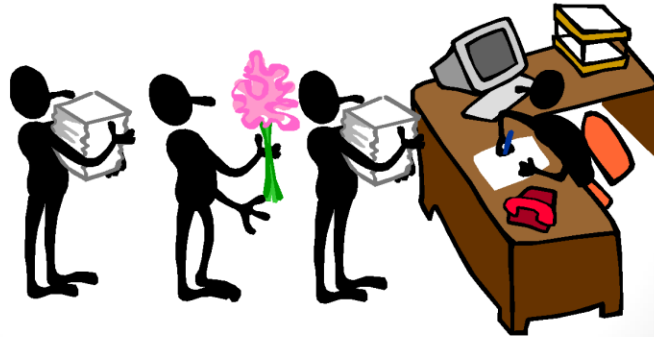
Charity Gaming

- Not a deductible gift!
- Gaming regulated by state.
- See IRS Publication 3079.
- Note: Bingo exception to Unrelated Business Income Tax.



20

I Love You, But I Don't Trust You: Dealing with Donor Restrictions



21

Donor Restrictions

- **Trust Law:** Restricted gift imposes legal duty of obedience on trustee to carry out terms
- **Nonprofit Corporation Law:** Restricted gift imposes duty to carry out terms but pursuant to various legal rationales such as contract law and substantial compliance
- **American Law Institute Principles**

22

Merging of Trust and Nonprofit Corporation Law

- Law of charities began in trust law
- Now a merger of trust and nonprofit corporation law
- Corporate fiduciary principles applied to trustees of charitable trusts
- Application of trust law modification principles (cy pres/equitable deviation) to restricted gifts to nonprofit corporations

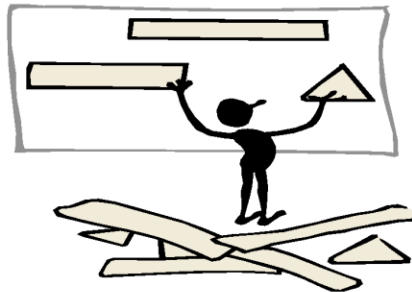
23

Honor Restrictions Regardless of Legal Theory

- In some states, charity holds gift “in trust”. Restatement (Third) of Trusts.
- In other states, the gift is not characterized as a trust but the charity is bound by any restrictions. American Law Institute Principles, Section 400.
- Restatement of the Law of Charitable Nonprofit Organizations (forthcoming)

24

Modification of Restrictions



Trust Doctrines

- ***Cy pres*** – when original general charitable intent becomes impossible, impractical, illegal, court may amend as close to original terms as possible.
- ***Equitable deviation*** – Original purpose is possible but some “mechanical” aspect must be amended by court to avoid frustration of fulfillment of purpose.

26

Uniform Prudent Management of Institutional Funds Act (UPMIFA)

(C) "**Institutional fund**" means a fund that is held by an institution exclusively for charitable purposes.

(D) "**Endowment fund**" means an institutional fund or any part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis. "Endowment fund" does not include assets that an institution designates as an endowment fund for its own use.

27

Gift Instrument



"**Gift instrument**" means a record, including any institutional solicitations, under which property is granted or transferred to or held by an institution as an institutional fund.

"**Record**" means information that is: (1) inscribed on a tangible medium; or (2) stored in an electronic or other medium; and is retrievable in a perceivable form.

28

UPMIFA Modification: Living Donor

Sec. 13. (a) With the consent of the donor in a record, an institution may modify or release, in whole or in part, a restriction in a gift instrument on the management, investment, and purpose of an institutional fund. *A donor may give prior consent to an institution for release or modification of a restriction or a charitable purpose in a gift instrument that also includes a restriction or stated charitable purpose subject to this section.*

(29)

Deceased or Disagreeing Donor: Equitable Deviation

(c) An institution may petition a court to modify, in a manner consistent with the donor's intentions to the extent practicable, a restriction in a gift instrument concerning the management or investment of an institutional fund if:

- (1) the restriction is impracticable or wasteful;
- (2) the restriction impairs the management or investment of the fund; or
- (3) due to unanticipated circumstances, the modification will further the purposes of the institutional fund.

An institution shall notify the attorney general of a petition under this subsection. A court shall provide the attorney general an opportunity to be heard on the petition.

(30)

Deceased/Disagreeing Donor: Cy Pres

(d) An institution may petition a court to modify, in a manner consistent with the gift instrument, the charitable purpose of a fund or a restriction on the use of a fund if the charitable purpose or use becomes unlawful, impracticable, impossible, or wasteful. An institution shall notify the attorney general of a petition under this subsection. A court shall provide the attorney general an opportunity to be heard on the petition.

Note additional time and procedural requirements in the statute.


[31]

Smaller/Older Funds

(4) Not less than sixty (60) days after sending the written notice required by subdivision (1), the institution may release or modify all or part of the restriction if:

- (A) the value of the institutional fund subject to the restriction is less than two hundred fifty thousand dollars (\$250,000);
- (B) the institutional fund was established more than twenty (20) years earlier; and
- (C) the institution uses the institutional fund in a manner consistent with the charitable purposes expressed in the gift instrument.

[32]



Case Studies 1: *The Art of the Steal*

- Bequest to Charitable Trust by Dr. Albert C. Barnes.
- Billion \$ art collection.
- Financial and other problems: Move?
- Court rules: Move it!
- Doctrine of equitable deviation (change in means) used – not *cy pres* (change in purpose).
- Montgomery County, Pennsylvania Orphan's Court (2004).

33

Keeping O'Keefe

- Georgia O'Keefe donated to Fisk University 101 works by Renoir, Picasso, O'Keefe and more.
- Proposed sale of a 50% stake in collection to the Crystal Bridges Museum of heiress Alice Walton. Reside part-time in Nashville and part-time in Bentonville, Ark. challenged by O'Keefe estate and Tennessee Attorney General.
- The university would receive \$30 million as part of the agreement plus funds to renovate its art museum. The collection would rotate every 2 years.
- Tennessee Court of Appeals approved lower court decision using *cy pres* to approve agreement. *In Re Fisk University* (2011) 392 S.W.3d 582

34

Case Studies # 2: *Be Careful What You Ask For*

- Trust for care of needy of Marin County, CA with SF Foundation as trustee
- Grew to \$400 million – trustee petitioned court to expand to 5 counties
- Court determined impossibility standard of *cy pres* not met
- Court made equitable deviations designating specific charities
- *Superior Court of Marin County, No. 23259. Later appeal denied for standing.*



35

Going to the Dogs!



- Leona Helmsley estate: \$12 million for “Trouble” plus \$5-8 billion for a charitable trust.
- Prior to her death, Mrs. Helmsley wrote a “mission statement” for the trust suggesting use for the care and welfare of dogs.
- New York court applied a broader charitable intent as stated in the trust document.

36

Case Studies 3: *What's in a Name?*

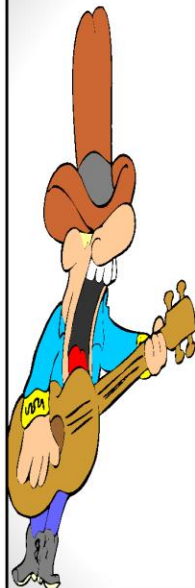
- Vanderbilt aims to erase “Confederate” from name.
- Court uses contract analysis to rule that Vanderbilt must pay UDC the present value of their 1932 donation of \$50,000, which by one calculation would be about \$700,000.
- *Tennessee Division of the United Daughters of the Confederacy v. Vanderbilt University*, 174 S.W.3d 98 (Tenn. Ct. App., 2005)



37

Music Lesson for Out of Tune Charities?

- Garth Brooks sues Integris Canadian Valley Regional Hospital for failure to name building as promised for \$500,000 gift.
- Jury award of \$1 million – return of gift plus \$500,000 punitive damages.
- Importance of contemporaneous gift agreement.



38

Avery Fisher Hall

- 1973: Avery Fisher gave \$10.5 million to Lincoln Center
- for construction of the hall (equal to \$56 million today)
- Formal agreement signed with perpetual naming rights
- 2015: David Geffen pledged \$100-million with one condition: Avery Fisher Hall would be renamed “David Geffen Hall” in perpetuity.
- \$15 million settlement with Fisher heirs.



(39)

David Koch Theater

- Lincoln Center Theater – home to New York City Opera and the New York City Ballet
- “David Koch Theater”
- The naming rights for his \$100 million will expire in 50 years.



(40)

Naming Policies



- Signed gift agreement
- Copy of planned gift documentation
- Completion of financial commitment
- Recusal if may result in loss of public trust
- Recusal if building or fund ceases to exist

(41)

Case Study 4: *"Tainted Gifts"*

- Gift accepted from "gangsta" rapper Percy "Master P" Miller to New Orleans Diocese for school.
- Gifts by Charles Keating (junk bond king) and Haitian dictator Duvalier to Missionaries of Charity.
- Gift by Ken Lay (Enron CEO) to establish chair at University of Missouri. Refund refused to Ken Lay to pay bills.



(42)

Case Study 5: *When to Say No*

- *U.S. v. Mosley*, Northern District of California (2003).
- Charitable income tax deductions claimed for “gifts” to donor advised fund (DAF) held by National Heritage Foundation.
- Grants to pay tuition for education at private school of donor’s child.
- 5 months in prison followed by 5 months home detention and 2 years supervised release after pleading guilty to 5 counts of tax evasion and 1 count of filing a false corporate return.

43

Requirements of a DAF IRC Sec. 4966

“(A) IN GENERAL.—Except as provided in subparagraph (B) or (C), the term ‘donor advised fund’ means a fund or account—

- (i) which is separately identified by reference to contributions of a donor or donors,
- (ii) which is owned and controlled by a sponsoring organization, and
- (iii) with respect to which a donor (or any person appointed or designated by such donor) has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in such fund or account by reason of the donor’s status as a donor.

44

Two Exceptions to DAFs

- **Advised grants to single organization.**
- **Scholarship funds that are:**
 1. **Recommended by a committee appointed by the sponsoring organization.**
 2. **Donor or designees have no control.**
 3. **Grants awarded on objective and non-discriminatory basis.**

45

No “Strings” Attached

- **Deduction denied if conduit for a person. PLR 9405003.**
- **Deduction denied if donor asserts inappropriate control. Purpose restrictions are acceptable**
- **No deduction if gift is to be returned if restriction unfulfilled (right of reverter, right of first refusal). *Ferguson*, 21 B.T.A. 1032 (1930).**



46

Avoid Donor Control

- Class of potential recipients sufficiently broad to avoid pre-identification.
- Pledge payments from DAFs allowed per IRS Notice 2017-73
- Bifurcated grant of charitable portion of grant from DAF (quid pro quo to donor) under review per IRS Notice 2017-73
- IRS Publication 3833: Disaster Relief (“Good Samaritan” funds) due diligence requirements.

47

B. Explanation of Tax Implications

*Crouching Tiger....
Hidden Dragon*



48

Personal Confession...

Review and “proof”:

1. Software illustrations.

$$1+1=3$$

2. Correspondence and explanation of tax benefits.

49

Pre-Arranged Sale: Capital Gains Tax

- Capital gains tax owed by donor of outright gift or gift to CRT - per imputation of income doctrine.
- “Bright line”: No legally binding contract to sell imposed on charity.
- Buyer waiting in the wings is acceptable!
- See Palmer v. Commissioner, 62 T.C. 684 (1974); Rauenhorst v. Commissioner, 119 T.C. 9 (2002).

50

Complex Gifts: FLIP CRT

- Triggered on a specific date or by an occurrence which is not discretionary or within the control of any person. The regulations provide specific examples. Treas. Reg. §1.664-3(a)(1)(i)(c).
- Donor alleged that he was not told that income would not be paid until real estate was sold and sued charity and advisors! *Martin v. Ohio State University*



51

Self-Dealing Considerations

- Charitable remainder trusts (CRTs) are subject to private foundation rules and excise taxes for self-dealing.
- CRT property cannot be used, sold, rented or exchanged to a disqualified person: donor or donor's family (spouse, ancestor or lineal descendant or spouse of lineal descendant). IRC §4941(d)(1).

52

C. Full Disclosure

***Look who's
talking...***



53

IRS Publication 1771: Acknowledgement

Requirements for gift receipts:

1. Name of charity recipient.
2. Date of gift.
3. Dollar value if cash gift.
4. Description if non-cash gift.
5. Value of goods or services received by donor if above *de minimis* token, OR
6. Statement: *No goods or services received in exchange for gift.*

54

Charity and Gift Receipts

- Tax Court denied a \$23,000 charitable income tax deduction, even though IRS conceded charitable gifts were made.
- Charity did not add phrase "you received no goods or services" on receipt.
- Law does not allow for corrections after the due date for income tax return.
- Durden v. Commissioner, T.C. Memo. 2012-140 (May 17, 2012).

55

Non-cash gifts



Fair Market Value

- Fair Market Value depends on date of gift
- Date of gift depends on method of delivery. Delivery method can be:
 1. Deed of gift for real estate
 2. U.S. mail (postmark rule)
 3. Hand delivery date (with or without deed) by donor or agent of donor (UPS/Fed Ex)
 4. Depository Trust Company or other wiring system – date enters charity's account account

(57)

Valuation

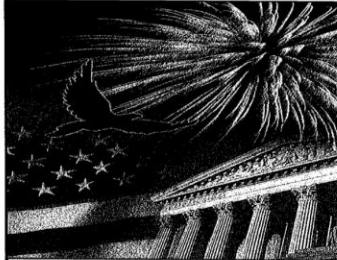
- If the claimed charitable deduction exceeds \$5,000, then a qualified independent appraisal is required of donor.
- Must be dated within 60 days of gift date.
- Exception for publicly traded stock.
- Donor should pay for appraisal.
- See IRS Publication 561.

(58)



Publication 561
(Rev. April 2007)
Cat. No. 15109G

Determining the Value of Donated Property



Get forms and other information faster and easier by:
Internet • www.irs.gov

Contents

Introduction	1
What Is Fair Market Value (FMV)?	2
Determining Fair Market Value	2
Problems in Determining Fair Market Value	3
Valuation of Various Kinds of Property	4
Household Goods	4
Used Clothing	4
Jewelry and Gems	4
Paintings, Antiques, and Other Objects of Art	4
Collections	5
Cars, Boats, and Aircraft	5
Inventory	5
Patents	5
Stocks and Bonds	5
Real Estate	6
Interest in a Business	7
Annuities, Interests for Life or Terms of Years, Remainders, and Reversions	7
Certain Life Insurance and Annuity Contracts	7
Partial Interest in Property Held in Trust	7
Appraisals	8
Deductions of More Than \$5,000	8
Deductions of More Than \$500,000	9
Qualified Appraisal	9
Form 8283	11
Internal Revenue Service Review of Appraisals	11
Penalty	11
How To Get Tax Help	12
Index	14

Introduction

This publication is designed to help donors and appraisers determine the value of property (other than cash) that is given to qualified organizations. It also explains what kind of information you must have to support the charitable contribution deduction you claim on your return.

This publication does not discuss how to figure the amount of your deduction for charitable contributions or written records and substantiation required. See Publication 526, Charitable Contributions, for this information.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

Internal Revenue Service
Individual Forms and Publications Branch
SE:WCA:MP:T:1
1111 Constitution Ave. NW, IR-6406
Washington, DC 20224

Non-Cash Gifts: Federal Requirements

- IRS Form 8283 (donor)
- IRS Form 8282 (charity)
- Disclosure of value and subsequent sale of non-cash gifts.

Valuation of Non-Cash Gifts

- U.S. Tax Court acknowledged property worth over \$18 million (and not necessarily over-valued) was donated to a charitable remainder trust.
- ENTIRE charitable deduction disallowed - appraisal requirements not satisfied.
- No independent appraisal and not all information provided on 8283.
- Mohamed v. Commissioner, T.C. Memo. 2012-152 (May 29, 2012).

61

Form **8283** **Noncash Charitable Contributions** OMB No. 1545-0058
 (Rev. December 2006) Attach to your tax return if you claimed a total deduction of over \$500 for all contributed property. See separate instructions. Identifying number

Department of the Treasury
Internal Revenue Service

Amount shown on your income tax return

Note. Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A. Donated Property of \$5,000 or Less and Certain Publicly Traded Securities—List in this section only items (or groups of similar items) for which you claimed a deduction of \$5,000 or less. Also, list certain publicly traded securities even if the deduction is more than \$5,000 (see instructions).

Part I Information on Donated Property—If you need more space, attach a statement.

1	(a) Name and address of the donee organization	(b) Description of donated property (For a donated vehicle, enter the year, make, model, condition, and mileage, and attach Form 1098-C if required.)
A		
B		
C		
D		
E		

Note. If the amount you claimed as a deduction for an item is \$500 or less, you do not have to complete columns (b), (e), and (f).

2	(a) Date of the contribution	(b) Date acquired by donor (m, y, z)	(c) How acquired by donor	(d) Donor's cost or adjusted basis	(e) Fair market value (See instructions)	(f) Method used to determine the fair market value
A						
B						
C						
D						
E						

Part II Partial Interests and Restricted Use Property—Complete lines 2a through 2e if you gave less than an entire interest in a property listed in Part I. Complete lines 2a through 2e if conditions were placed on a contribution listed in Part I; also attach the required statement (see instructions).

2a Enter the letter from Part I that identifies the property for which you gave less than an entire interest. If Part II applies to more than one property, attach a separate statement.

2b Total amount claimed as a deduction for the property listed in Part I: (1) For this tax year (2) For any prior tax years

2c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above):
 Name of charitable organization (donor)
 Address (number, street, and room or suite no.)
 City or town, state, and ZIP code

2d For tangible property, enter the place where the property is located or kept

2e Name of any person, other than the donee organization, having actual possession of the property

3a Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property? **Yes No**

3b Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire? **Yes No**

3c Is there a restriction limiting the donated property for a particular use? **Yes No**

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 62209J Form **8283** (Rev. 12-2006)

Form 8283 (Rev. 12-2006) Page 2

Name(s) shown on your income tax return Identifying number

Section B. Donated Property Over \$5,000 (Except Certain Publicly Traded Securities)—List in this section only items (or groups of similar items) for which you claimed a deduction of more than \$5,000 per item or group (except contributions of certain publicly traded securities reported in Section A). An appraisal is generally required for property listed in Section B (see instructions).

Part I Information on Donated Property—To be completed by the taxpayer and/or the appraiser.

4 Check the box that describes the type of property donated:

<input type="checkbox"/> Art* (contribution of \$20,000 or more)	<input type="checkbox"/> Qualified Conservation Contribution	<input type="checkbox"/> Equipment
<input type="checkbox"/> Art* (contribution of less than \$20,000)	<input type="checkbox"/> Other Real Estate	<input type="checkbox"/> Securities
<input type="checkbox"/> Collectibles**	<input type="checkbox"/> Intellectual Property	<input type="checkbox"/> Other

*Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects.
**Collectibles include coins, stamps, books, games, jewelry, sports memorabilia, dolls, etc., but not art as defined above.

Note. In certain cases, you must attach a qualified appraisal of the property. See instructions.

A	B	C
Description of donated property (if you need more space, attach a separate statement)	If tangible property was donated, give a brief summary of the overall physical condition of the property at the time of the gift	Appraised fair market value

A	B	C	D	E	F	G	H
Date acquired by donor (mo., yr.)	How acquired by donor	Donor's cost or adjusted basis	For bargain sales, enter amount received	See instructions	Amount claimed as a deduction	Average trading price of securities	

Part II Taxpayer (Donor) Statement—List each item included in Part I above that the appraisal identifies as having a value of \$500 or less. See instructions.

I declare that the following item(s) included in Part I above has to the best of my knowledge and belief an appraised value of not more than \$500 (per item). Enter identifying letter from Part I and describe the specific item. See instructions.

Signature of taxpayer (donor) Date

Part III Declaration of Appraiser

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or named to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during my tax year for other persons.

Also, I declare that I hold myself out to the public as an appraiser or perform appraisals on a regular basis, and that because of my qualifications as described in the above, I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property, the penalty under section 6911(b) being the maximum overstatement of the property value as described in the qualified appraisal on this Form 8283 may subject me to the penalty under section 6911(b) being the maximum overstatement of tax liability. In addition, I understand that a substantial or gross valuation misstatement resulting from the appraisal of the value of the property that I know, or reasonably should know, would be used in connection with a return or claim for refund, may subject me to the penalty under section 6695A. I affirm that I have not been listed from possessing evidence or testimony by the Office of Professional Responsibility.

Sign Here Date

Signature Title

Business address (including room or suite no.) Identifying number

City or town, state, and ZIP code

Part IV Donee Acknowledgment—To be completed by the charitable organization.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on the following date:

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 3 years after the date of receipt, it will file Form 8283, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

Does the organization intend to use the property for an unrelated use? Yes No

Name of charitable organization (printed) Employer identification number

Address (number, street, and room or suite no.) City or town, state, and ZIP code

Authorized signature Title Date

Printed on Recycled Paper

Form 8283 (Rev. 12-2006)

Sale of Donated Property

- IRS Form 8282: Reporting proceeds of sale of donated property by charitable organization.
- Filed if property is sold within three years of date of gift.
- IRS audit “red flag” if value of claimed for charitable deduction significantly exceeds the charitable organization’s sale value.

64

Form **8282**
 (Rev. April 2008)
 Department of the Treasury
 Internal Revenue Service

Donee Information Return
 (Sale, Exchange, or Other Disposition of Donated Property)
 ▶ See Instructions.

OMB No. 1545-0008
 Give a Copy to Donor

Parts To Complete

- If the organization is an **original donee**, complete *Identifying Information*, Part I (lines 1a-1d and, if applicable, lines 2a-2d), and Part III.
- If the organization is a **successor donee**, complete *Identifying Information*, Part I, Part II, and Part III.

Identifying Information

Name of charitable organization (donee) _____ Employer identification number _____
 Address (number, street, and room or suite no.) (or P.O. box no. if mail is not delivered to the street address) _____
 City or town, state, and ZIP code _____

Part I Information on ORIGINAL DONOR and SUCCESSOR DONEE Receiving the Property

1a Name of original donor of the property _____ 1b Identifying number(s) _____
 1c Address (number, street, and room or suite no.) (P.O. box no. if mail is not delivered to the street address) _____
 1d City or town, state, and ZIP code _____

Note. Complete lines 2a-2d only if the organization gave this property to another charitable organization (successor donee).

2a Name of charitable organization _____ 2b Employer identification number _____
 2c Address (number, street, and room or suite no.) (or P.O. box no. if mail is not delivered to the street address) _____
 2d City or town, state, and ZIP code _____

Part II Information on PREVIOUS DONEES. Complete this part only if the organization was not the first donee to receive the property. See the instructions before completing lines 3a through 4d.

3a Name of original donee _____ 3b Employer identification number _____
 3c Address (number, street, and room or suite no.) (or P.O. box no. if mail is not delivered to the street address) _____
 3d City or town, state, and ZIP code _____

4a Name of preceding donee _____ 4b Employer identification number _____
 4c Address (number, street, and room or suite no.) (or P.O. box no. if mail is not delivered to the street address) _____
 4d City or town, state, and ZIP code _____

For Paperwork Reduction Act Notice, see page 4. Cat. No. 62307Y Form **8282** (Rev. 4-2008)

Form **8282** (Rev. 4-2008) Page **2**

Part III Information on DONATED PROPERTY

	2. Did the disposition involve the organization's entire interest in the property?		3. Was the use related to the organization's exempt purpose or function?		4. Information on use of property. <small>• If you answered "yes" to question 3 and the property was tangible personal property, describe how the organization's use of the property furthered its exempt purpose or function. Also complete Part IV below. • If you answered "no" to question 3 and the property was tangible personal property, describe the organization's intended use if any at the time of the contribution. Also complete Part IV below, if the intended use at the time of the contribution was related to the organization's exempt purpose or function and it became impossible or infeasible to implement.</small>
	Yes	No	Yes	No	
A					
B					
C					
D					

1. Description of the donated property sold, exchanged, or otherwise disposed of and how the organization used the property. (If you need more space, attach a separate statement.)

	Donated Property			
	A	B	C	D
5 Date the organization received the donated property (MM/DD/YY)	/ /	/ /	/ /	/ /
6 Date the original donee received the property (MM/DD/YY)	/ /	/ /	/ /	/ /
7 Date the property was sold, exchanged, or otherwise disposed of (MM/DD/YY)	/ /	/ /	/ /	/ /
8 Amount received upon disposition	\$ / /	\$ / /	\$ / /	\$ / /

Section 170(e) Certification
 You must sign the certification below if any property described in Part III above is tangible personal property and:
 • You answered "Yes" to question 3 above, or
 • You answered "No" to question 3 above and the intended use of the property became impossible or infeasible to implement.

Under penalties of perjury and the penalty under section 6720B, I certify that either (1) the use of the property that meets the above requirements, and is described above in Part III, was substantial and related to the donee organization's exempt purpose or function, or (2) the donee organization intended to use the property for its exempt purpose or function, but the intended use has become impossible or infeasible to implement.

Signature of officer _____ Title _____ Date _____

Sign Here
 Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of officer _____ Title _____ Date _____
 Type or print name _____

Form **8282** (Rev. 4-2008)

Reduction Rules for Non-Cash Gifts

- **Basic Rule:** Charitable deduction is reduced by the amount of gain which would not have been long term capital gain if the donated property had been sold by the donor instead. IRC Sec. 170(e)(1)(a)
- **Second Rule:** Even if the gain would be long term the deduction is reduced due specific type of property (e.g., tangible personal property for unrelated use) or recipient organization (e.g., gifts to private foundations)

[67]

Related Use – Practice Pointers

- Charity should explain related use in gift receipt letter.
- Not per se unrelated use if sold within three years – and charity reports sale on IRS 8282 form. But be prepared to defend if audited.
- Property donated for charity auction is a per se unrelated use.

[68]

Special Considerations

- If charity disposes of property in the year of the gift, the deduction is limited to the lesser of cost basis and FMV.
- If charity disposes of property after first year, the donor must recapture as income all deduction value in excess of basis.
- Recapture rule applies to gifts of appreciated property where donor claims a deduction over \$5,000.
- Exceptions available.

[69]

Exceptions

No adjustment of the tax benefit if the donee certifies to donor that:

1. the use of the property by the donee was related to the purpose constituting the basis for the donee's exemption, describing how the property was used and how such use furthered such purpose or function; or
2. the intended use of the property by the donee at the time of the contribution became impossible or infeasible to implement.

[70]

Telemarketing



{ 71 }

Telemarketing: U.S. Supreme Court Rules

- No required percentage for charity.
- No disclosure requirement.
- But if asked, no fraud or deceit allowed.
- Illinois/Madigan v. Telemarketing Associates, 538 U.S. 600 (2003).

{ 72 }

Fundraising Costs: How Much is Too Much?

**TED Talk by
Dan Pallatta**



(73)

The Overhead Myth

Letter to America from:

- 1. BBB Wise Giving Alliance**
- 2. Guidestar**
- 3. Charity Navigator**

(74)

To the Donors of America:

We write to correct a misconception about what matters when deciding which charity to support.

The percent of charity expenses that go to administrative and fundraising costs—commonly referred to as “overhead”—is a poor measure of a charity’s performance.

We ask you to pay attention to other factors of nonprofit performance: transparency, governance, leadership, and results...

That is not to say that overhead has no role in ensuring charity accountability...In most cases, however, focusing on overhead without considering other critical dimensions of a charity’s financial and organizational performance can do more damage than good ...

In fact, many charities should spend more on overhead ...

(75)

Telemarketing

- “Do Not Call” List regulated in many states by Attorney General
- In some states, the charitable organizations are exempt if they use volunteers or employees to make the calls and immediately disclose A) the caller’s true first and last name, and B) the name, address and phone number of the organization.

(76)

Charitable Solicitations by Organizations

- In many states, no registration required for charities of a state to solicit gifts within the state
- Some states may require out of state charities to register in order to solicit gifts. See summary of state regulator contacts :
<http://www.nasconet.org/>
- National Association of State Charity Officials.

77

Charitable Solicitors and Consultants

Annual registration and reporting by independent contractors who are:

- Professional solicitors, and/or
- Fundraising counsel

Registration requirements and forms are available from state Attorney General or other office

78

Charitable Gift Annuity: Disclosures Required



79

Philanthropy Protection Acts of 1995 and 1997

- Class action lawsuit over gift annuities as violation of Sherman Anti-Trust Law.
- Charity as trustee of revocable trusts and charitable trusts.
- New disclosure requirements for gift annuities and trust investments.
- Provide disclosure financial disclosure before gift and document disclosure has been made in the gift annuity contract.

80

Gift Annuity State Regulations

- Bankruptcy of Baptist Foundation of Arizona.
- North American Securities Administrators Association (NASAA) list gift annuities as a Top Ten Scam.
- Summary of state laws:
www.acga-web.org

AMERICAN
COUNCIL ON
GIFT ANNUITIES

81

D. Compensation

“Show ME the MONEY!”



82

Commissions for Gift Annuities

- National Community Foundation of New Life International paid millions for gift annuity referrals.
- Tennessee Department of Commerce and Insurance obtained control of New Life Foundation of America for doing insurance business without certificate of authority. Also, NFOA had not received 501(c)(3) status.

83

Commissions for Gift Annuities

Potential Problems:

1. SEC regulation.
2. State insurance licensing.
3. State securities regulation.
4. Potential reduction of deduction.
5. Reduces charitable residual.
6. State solicitation laws.
7. Violates ethical standards.

See White Paper at www.acga-web.org



84

Volunteer Service of Professional Advisors

- **Attorney who chairs church legacy committee and prepares wills on a pro bono basis for church members who bequeath gifts to church.**
- **Violates state professional rules of conduct re: conflict of interest.**
- **Maryland Bar Assoc., Committee on Ethics, Docket 2003-09 re: Rule 1.7.**

85

Indiana Ruling: Opinion 4 of 2008

- **Donation of legal services for charity auction not a violation of Rules of Professional Conduct.**
- **Conditioned on later consultation to assure appropriateness.**
- **Tax consequences disclosed.**
- **No implied quid pro quo for attorney.**
- **Attorney review of related advertising**

86

Excess Compensation

- **Criminal:** United Way of America CEO.
- **Compensation controversy:** American University President; Harvard Management Company
- **Expenditures:** Smithsonian Institution
- **IRS audit and Attorney General investigation of The Getty Trust**
- See IRC Sec. 4958 for intermediate sanctions rules



87

E. Competence and Professionalism

***One for All...
And All for
One!***



88

Conflict of Interest

- Attorney was the CEO, director and president of non-profit healthcare facility (Brethern's Home).
- Hospital sold and proceeds given to Brethern church for which respondent was also the attorney.
- Court found excessive fees, conflict of interest, misrepresentation, deceit.
- Attorney disbarred.
- *In Re: Becker*, 778 N.E. 2d 806 (2002).

89

Duty Owed by Attorney-In-Fact

- Attorneys in Fact may abide by donor's wishes relative to philanthropy and making gifts vis-à-vis maximizing total return on investments.
- Not a breach of fiduciary duty by AIF.
- Legacy letter quoted by court
- *Miller v. Miller*, Indiana Supreme Court, 2010

90

F. Consultation with Independent Advisors

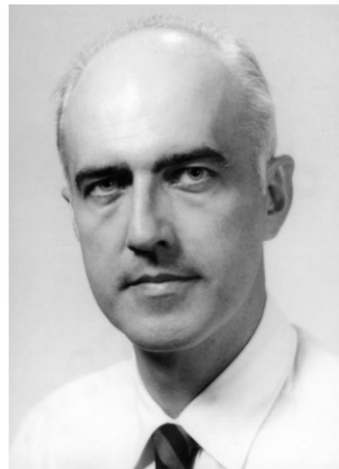


*The Man Who
(Thought He)
Knew Too
Much...*

[91]

Case Study

The case of
Richard Leroy
Walter at
www.npr.org



[92]

Appropriate Role of Charity

Potential Roles:

- Charity or Gift Planner as personal representative of an estate?
- Charity or Gift Planner as trustee of a charitable or non-charitable trust.

Considerations:

- Recommendation by legal counsel.
- Consider risks and potential liabilities.
- Conflict of interest?
- Approval by Board of Directors.

93

Who Pays?

- Payment of donor's legal and/or accounting fees for gift/estate planning.
- Payment of qualified appraisal of non-cash gift property.
- Payment of title transfer or insurance for non-cash property gifts.
- Payment of environmental review on real estate.



94

G. Consultation with Charities



***Frankly,
Scarlett***

...

95

Importance of Due Diligence



- Document discussions.
- Always recommend independent counsel.
- Drafting trusts and other legal documents:
 1. Unauthorized practice of law and potential liability if defective.
 2. Provide IRS safe harbor charitable remainder trust and charitable lead forms available at www.irs.gov.

96

Document, Document, Document

- Gift by Robertson's to support the Woodrow Wilson School
- Dispute by Robertson's heirs over Princeton's role in use and investment of funds for graduate program
- Lawsuit and settlement
- \$40 million in legal fees!



Gift Acceptance Policies and Procedures

- Protocols for all types of gifts: cash, non-cash, planned gifts.
- Incorporate Model Standards of Practice, Donor Bill of Rights, Other Ethics Standards (AFP, AHP, APRA, etc.).
- Consider use of an Ethics Committee.
- Approval of policies by board of directors.
- Exceptions and special circumstances subject to approval of board.

98

Charitable Pledges: Enforceability?



- Receivable per Financial Accounting Standards Board (FASB).
- Auditors review pledge documentation.
- Rationale: Legal enforceability.
- Are pledges enforceable?

99

Theories of Enforcement

- Bilateral contract. Mutual promises with consideration between donor and charity. Example: Charity constructs building based on pledge.
- Pledge made in consideration of a pledge by another donor. No consideration by charity.
- Unilateral promise enforceable where donor's request for charity to take action (e.g., change mission) is a substitute for consideration.
- Promissory estoppel and detrimental reliance may be used when offer, acceptance or consideration is missing.
- Public policy without requiring consideration or reliance.

100

Example: Pledge Not Enforced

- Millsaps College v. Williams, Tenn. Ct. App. 1994
- Signed pledge of \$1 million for “construction of building”.
- Final payment of \$250K due at death of donor.
- Estate refused payment.
- Olin Foundation paid for all of building.
- Millsaps placed donor’s gift in a building maintenance fund.
- Court held that pledge could not be enforced where “construction” costs are paid by another – consideration not provided by Millsaps.

101

H. Description and Representation of Gift

The Usual Suspects:

(Who is Keyser Soze?)



102

Charitable Endowments

- True endowment is designated by donor per FASB and law such as UPMIFA
- Board-designated: “quasi-endowment”.
- Agreement between donor and charity to document that charity disclosed key board-approved policies.

103

Endowment Policies

“Today, basically, on Wall Street, the big money is made by taking risks.”

- Bernard Madoff

- Investment Policy
- Spending Policy
- Fee Policy

104

Endowment Agreement

- Name of Fund,
- Biographical information of donor,
- Outright and/or deferred gifts,
- Legal purposes or uses of the fund,
- Application of Indiana law,
- Variance or amendment power retained by charity, and
- Not designated as a gift “in trust”.

105

I. Full Compliance

***“We’re in a
TIGHT SPOT!!”***

***(‘O Donor,
Where Art
Thou?)***



106

IRS “Dirty Dozen”: Abuse of Charitable Organizations

- *Internal Revenue Service warns taxpayers against scam groups masquerading as charitable organizations, luring people to make donations to groups or causes that don't actually qualify for a tax deduction.*
- *These ‘fake’ charities attempt to attract donations from unsuspecting contributors, using a charitable reason and a tax deduction as bait for taxpayers. Fake charities are one of the “Dirty Dozen” tax scams for the 2018 filing season.*

{ 107 }

Role of Attorney General

{ 108 }

Standing - No

- The Estate of Sybill B. Harrington and the Amarillo Area Foundation filed suit (2003), seeking recovery of \$5 million from Metropolitan Opera New York alleging Opera used the funds outside the scope of the donor's intent. Court ruled plaintiffs had no standing to enforce the gift restrictions.
- Carl H. Herzog Foundation filed suit against University of Bridgeport, alleging that University used the funds for an impermissible purpose. Supreme Court of Connecticut ruled the Foundation had no standing to enforce the gift restrictions. *J. Herzog Foundation, Inc. v. University of Bridgeport*, 699 A.2nd 995 (1997).

(109)

Standing - Yes

- The widow of R. Brinkley Smithers filed suit after his death alleging St. Luke's-Roosevelt Hospital Center failed to create an alcoholism research and treatment facility with the funds donated by her husband for that purpose.
- New York Supreme Court, Appellate Division, rejected New York's traditional approach that only the state Attorney General had the power to litigate on these matters: "[t]he donor of a charitable gift is in a better position than the Attorney General to be vigilant and, if he or she is so inclined, to enforce his or her own intent."
- Hospital settled: \$6 million to another nonprofit organization to establish a free standing treatment center and restore \$15 million to the endowment.
- *Smithers v. St. Luke's-Roosevelt Hospital et al.*, 281 A.D.2d 127 (2001).

(110)

Role of Attorney General: Example

**Indiana Code Sec. 30-4-5.5 added in 2005:
Remedies against benevolent trust or
trustee for:**

- 1. Commits a breach of trust;**
- 2. Violates mandates of trust; or**
- 3. Violates a duty list in IC 30-4.**

**Note: Benevolent trust includes
charitable trusts, corporations,
associations and split-interest trusts.**

{ 111 }

Role of Attorney General

Potential Remedies per IC 30-4-5.5:

- 1. Injunctive Relief;**
- 2. Appointment of temporary or
permanent receivers;**
- 3. Permanent removal of trustees; and/or**
- 4. Appointment of permanent
replacements of trustees with court
approval.**

{ 112 }

Attorney General

- Attorney General has broad authority to protect the public interest in charitable and benevolent instrumentalities, whether in the form of trusts for benevolent public purposes or nonprofit corporations.
- *Zoeller v. East Chicago Second Century, Inc.*, 904 N.E.2d 213 (2009).

(113)

Protection of Charitable Assets Act

- Role of state Attorney General, etc. in protecting charitable assets.
- Inventory of basic information.
- Specifies transactions and legal proceedings requiring notice.
- Registration and annual reports.
- Uniform Law Commissioners:
www.uniformlaws.org

(114)

Life Insurance: Good

- Charitable entity in most states has an insurable interest in the lives of donors.
- Charity as beneficiary.
- Charity may pay premiums.
- Beware plans that involve premium financing, multi-lives that are insured and life settlements.
- See Life Insurance Valuation Guidelines at www.charitablegiftplanners.org

{ 115 }

Bad and Ugly: Charitable Reverse Split Dollar Life Insurance

- Format: Donor makes gifts to charity for part of premiums owed. ILIT or family own relatively high % of death benefit and cash value.
- IRS Notice 99-36 prohibited: potential penalties for all involved: “donor” (loss of deduction, penalties), charity (loss of tax exemption), promoters (various penalties)
- *Weiner v. Comm’r.*, T.C. Memo 2002-153 and *Addis v. Comm’r.*, 118 T.C. 32 (2002): National Heritage Foundation failed to provide good faith estimate of the value of goods/services received in consideration for gifts. Charitable deduction denied.



{ 116 }

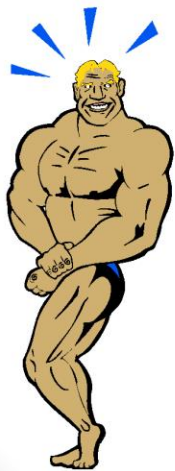
Son of Accelerated CRT

- Donate appreciated stock
- 25-50% payout for 2-4 years
- Stock not sold right away
- Borrow \$ or forward sales contract to provide cash for first 1-2 years of payout
- Tax -free return of principal
- Escape gain, receive income tax deduction



117

Full Monty/Chutzpah CRT



- Original Accelerated CRT concept was prohibited by amendments to IRC Sec. 664 in 1997 and 1998 (e.g., 10% minimum deduction, 50% maximum payout, etc.).
- Treasury Decision 8926 prohibits Son of Accelerated CRT.

118

“ER” or Ghoul CLAT

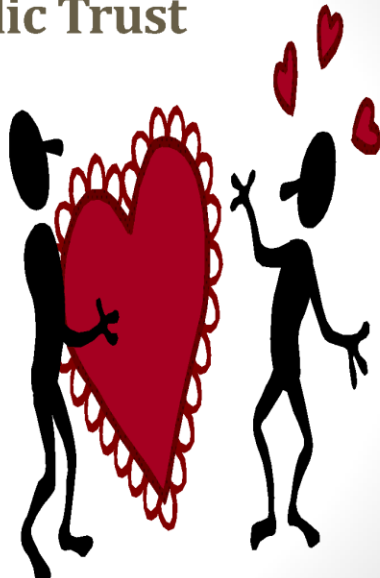
- Format: Link payout from CLAT to a “recruited” (for a fee?) young person with a nominally long life expectancy who, in reality, is not well.
- Gift tax paid at much reduced rate than if an older person (e.g., parent) had been the measuring life.
- Prohibited by Treasury Decision 8923.



119

J. Public Trust

*It's a
Wonderful
Life!*



120

Helpful IRS Publications

- **1828 – Guide for Churches and Religious Organizations**
- **4221-PC – Compliance Guide for 501(c)(3) Organizations**
- **4221-NC – Compliance Guide for Tax Exempt Organizations Other than 501(c)(3)**
- **3386 – Veteran’s Organizations**

121

Terrorism Protection

- **Executive Order 13224: Prohibited lists.**
- **USA Patriot Act: Criminal/civil liability for material support or grant-making.**
- **Treasury Department Voluntary Guidelines: Due diligence best practices.**
- **See:**
<http://www.treas.gov/offices/enforcement/key-issues/protecting/index.shtml>

122

Ethical Wills and Preparing Heirs

- “Legacy Statements”: Statements of personal values, aspirations, wishes to surviving family, loved ones and favorite charities.
- Executed in addition to legal documents.
- Resources:
 1. National Center for Family Philanthropy – www.ncfp.org
 2. Institute for Preparing Heirs – <https://www.preparingheirs.com/index.cfm?&secure>

123

Good Governance

Independent Sector:

- Model Code of Ethics
- 33 Principles of Good Governance
- Workbook
- See www.independentsector.org



124

***Are you
Sleepless
in
Seattle?***



125

***After all...
Tomorrow is Another Day!***



126

NEED MORE THAN AN INVESTMENT CONSULTANT TO ACHIEVE YOUR MISSION?

Achieving your mission takes more than managing your resources. It's why so many organizations turn to Northern Trust for:

- Dedicated investment advisor services
- Award-winning global custody capabilities, planned giving, philanthropic advisory and banking services
- Forward-looking guidance on cutting-edge investment opportunities such as Impact Investing, Engineered Equity and more

Contact our Northern Trust expert within the Foundation & Institutional Advisors practice today:

Katrina M. Pipasts, CSPG

Planned Giving Manager

312-557-1460

kmm9@ntrs.com

Derek F. Minno, CFA

Regional Director

415-765-4421

dfm4@ntrs.com



WEALTH MANAGEMENT \ ASSET MANAGEMENT \ ASSET SERVICING

northerntrust.com/FIA

© Northern Trust Corporation. There are risks involved in investing, including possible loss of principal. There is no guarantee that the investment objectives of any fund or strategy will be met. Risk controls and asset allocation models do not promise any level of performance or guarantee against loss of principal.

Overcoming Planned Giving Myths with Your Colleagues (Track I)

Rebecca Locke & Renee Kurdzos

(Thursday, 8:30am - 9:45am & 10:15am - 11:30am)

What holds your Development colleagues back from working with you? Ever had a Major Gift Officer be reluctant to introduce you to her donor? Ever been left out of a donor strategy discussion where you know you could add value for the donor as well as your organization? Join Renee and Rebecca for an informative and fun session to learn how you can overcome some of those myths that may be preventing your colleagues from working with you to help your organization's donors make the very best gifts for them and your institution.

Rebecca Locke

Executive Director, Gift Planning
American Red Cross



Rebecca L. Locke is the Executive Director, Gift Planning for the American Red Cross, a role she assumed in late 1999. With more than 40 Gift Planning team members, the Gift Planning unit leads all planned gift work for the American Red Cross working with donors interested in bequests, charitable gift annuities, charitable trusts, gifts of property, and other complex assets. Previously Rebecca had served as the Regional Development Manager, Southeast Region as one of the first two R.D.M.'s in the new Chapter Advancement Unit formed at Red Cross National Headquarters in 1996. In that role, she established the first American Red Cross field-

based Gift Planning program in Florida, and directed the organization's first three Gift Planning Officers in that state.

Prior to joining the NHQ Development team, Rebecca had served in chapters for more than fifteen years with roles in annual giving, major gifts, disaster fund raising, direct mail, and planned giving. She served in the Metropolitan Atlanta Chapter for four years as the Director of Annual Giving. She began her career with the Red Cross as a youth volunteer, and served in multiple positions including Assistant Chapter Manager with the Mid-South Chapter in Memphis, TN. Outside the Red Cross, Rebecca served as the Executive Director of a health-related nonprofit, and in the profit world with a data management firm. She serves as Supporting Co-Chair of the Board of the American Council on Gift Annuities and chaired ACGA's 2014 Conference on Planned Giving. Rebecca is a graduate of the National Planned Giving Institute at the College of William & Mary as well as Tennessee Technological University.

Renee Kurdzos

Associate Director, Planned Giving
Fred Hutchinson Cancer Research Center



Renee Kurdzos is the Associate Director, Planned Giving at Fred Hutchinson Cancer Research Center. Renee has worked in development for 18 years and in planned giving for 13. Prior to working at Fred Hutch, Renee served as the Gift Planning Officer for Washington and Hawaii at American Red Cross, Development & Planned Giving Officer at University of Puget Sound and as the Director of Major Gifts & Planned Giving at the Seattle Repertory Theatre. Renee has a Masters of Science in Taxation and a Certificate in Estate Planning from Golden Gate University and has achieved the designation of Certified Gift Planning Specialist through the Institute for Philanthropic Studies at California State University Long Beach. Renee is a Past President of the Washington

Planned Giving Council and is a Board Member of Leave 10. Renee received her undergraduate degree from the University of Washington and lives in West Seattle with her husband Kevan, their daughter Zoe, and dog Abbey.

Overcoming Planned Giving Myths with your Coworkers

Rebecca Locke
Executive Director, Gift Planning
American Red Cross

Renee Kurdzos
Director, Planned Giving
Fred Hutchinson Cancer Research Center



Overview

- Personal Background
- Subject Matter Expert vs Silos
- Cultivation Begins at Home
- Helping your Coworkers Overcome Planned Giving Myths

A little bit about Rebecca...



A little bit about Renee...



Subject Matter Experts vs Silo

- Embrace your role as planned giving champion
- The best planned giving trainings are in a conversation, not a PowerPoint
- Planned giving will not succeed if your office only focuses on it a few hours a week or month

Cultivation Begins at Home

- Treat your coworkers like donors
- Remember that not only fundraisers should be trained in planned giving – front desk, phone rooms, finance, key volunteers
- Engaging people in the process makes them more likely to be invested in the program's success

What are some common Planned Giving Myths?

Busting the Planned Giving Myth



Myth

Planned gifts would come anyway



Reality

- Planned gifts come from asking – both face to face and marketing.
- Only 5.3% of older donors have made a bequest commitment while 33% are willing to consider such a bequest.
- Only 37% of those over the age of 30 know the term “planned giving.”
- 70% of donors who made a planned gift did so because they were asked.
- Metrics and celebrations need to focus on our asks, not the matured gifts that come through the door.

Dr. Russell James; Stelter

Myth

If a donor makes a planned gift, they won't make an annual gift, or their gift will decrease

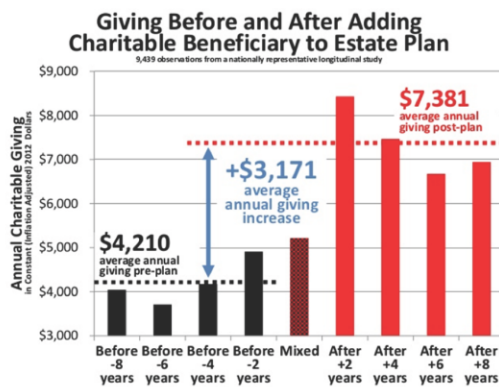


or



Reality

Once a donor makes a planned gift, they increase their annual support



Myth

Planned gifts are a one-time thing



Reality

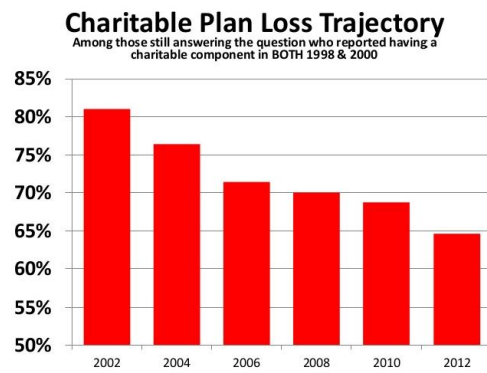
Planned gifts require years of stewardship

- More than 80-90% of all Planned Gifts are bequests, which are revocable.
- Recent study that showed over a 14 year period, 35% of donors removed all or some of the charitable components from their estate plans.
- Planned giving donors can make more than just one planned gift.

R&R Newkirk; Dr. Russell James 2014 Study

Reality

Planned gifts require years of stewardship



Myth

Planned gifts are only for old people



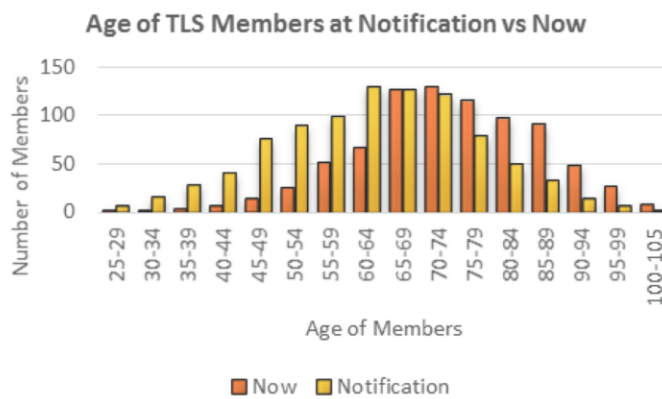
Reality

Planned giving prospects are everywhere

- 43% of individuals setting up gifts to charity in their wills were found to be under 55.
- Motivated by “helping others” and leaving a “positive impact on society.”
- Consistent volunteers and donors. Volunteers to any organization are 50% more likely to make a planned gift to charity.
- Share donor stories that relate to ALL your donors and reach out to leaders in the younger levels of leadership

Campbell and Company; PPP;
U.S. Trust Insights on Wealth and Worth

Reality



Myth

I already know my donors won't respond to a conversation about planned gifts



Reality

You don't know what your donors think unless you ask

- Plans are made/updated around major life events.
- Even wealthy donors need to hear from us about charitable giving options. (These gifts are typically made from assets, not income.)
- Donors with children do include charity in their estate plans.
- Planned gifts often increase income for our donors and the share of the estate going to their heirs.

Dr. Russell James 2014 Study

Myth

Isn't talking about planned giving like talking about DEATH??



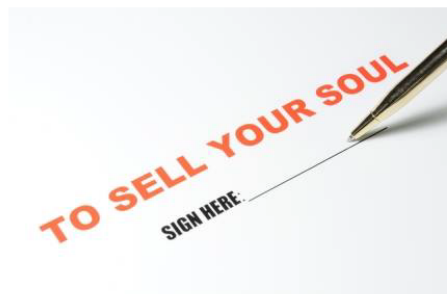
Reality

Planned giving is about legacy, and the future of your organization

- Planned giving conversations happen when donors want to do more than they can through their current, income-based gifts.
- Donors:
 - Making planned gifts are focusing on creating a secure future – for us and for them.
 - Give because they believe your organization will still be a strong, viable organization many years from now.
 - Are inspired by stories of living planned giving donors.

Myth

My donors can't leave that much to the organization



Reality

Donors can leave whatever portion of their estate to charity

- No minimums to join an organization's legacy society
- Not competing with family members
- Planned giving fundraisers also collaborate with each other

Myth

So now on top of everything else I need to become an expert in planned giving?



Ready to knock down the planned giving myths?

We are all in this together

- Don't go it alone – joint visits are the best way to learn and share information.
- Listen for verbal cues that donors have other assets they might want to give – and then ask for help.

Questions?

Rebecca Locke

Rebecca.Locke@redcross.org

404-575-3140

Renee Kurdzos

rkurdzos@fredhutch.org

206-667-6627



Thank you!



Is your prospect pool empty?

Then it's been too long since you've swam with Stelter.

With our data-driven strategies, sector-specific messaging and superior lead qualification, your pool will never run dry again!



Stop by booths 104 & 106 and we'll dive right in.



Industry Insight / Customer Focus / Creative Services

800.331.6881 / stella@stelter.com / www.stelter.com

From Base Camp to Summit: CGA Basics & Best Practices (Track I)

Laurie W. Valentine, J.D.

(Thursday, 8:30am - 9:45am & 10:15am - 11:30am)

Reaching the “summit” of a well-managed gift annuity program requires both a “base camp” of knowledge about charitable gift annuities and the use of best practices. This session will review the basics of current and deferred charitable gift annuities to assure you have the knowledge you need to be your organization’s in-house resource for this popular giving option. And, we’ll also explore the ACGA’s recommended best practices for gift annuity programs which can provide risk management to your organization and protection to your donors. This session is perfect for the organization considering a gift annuity program or the organization that wants to make sure it has the right policies and practices in place for its already established program.

Laurie W. Valentine, J.D.

Fisher & Sauls, P.A.



Laurie Valentine recently rejoined the Wills, Trusts and Estates Department of Fisher & Sauls, P.A., in St. Petersburg, Florida, where she practiced from 1982 to 1993. Her law practice is concentrated in the areas of planning for federally taxable estates, will and trust preparation, probate and trust administration, charitable gift planning, and business succession planning. Prior to her return to private practice in October 2017, Ms. Valentine served for 23 years as Trust Counsel and Chief Operating Officer of the Kentucky Baptist Foundation (KBF) in Louisville, Kentucky. Ms. Valentine’s work at the KBF included administration of the trust compliance for the KBF’s \$175 million of endowment, investment management, donor advised fund, charitable gift annuity, and charitable remainder trust accounts; working with donors and their advisers to develop charitable gift plans to accomplish the donor’s charitable giving objectives; and providing charitable giving expertise to KBF staff and the development staff of the Kentucky Baptist Convention and its related institutions and agencies.

Laurie has spoken on a variety of estate planning, charitable gift planning, and incapacity planning topics at seminars sponsored by The Florida Bar, Louisville Bar Association, ACGA, Crescendo Interactive, and National Catholic Development Conference.

Ms. Valentine has been involved in various professional and community activities over the past 35 years, including service, beginning in 2000, on the board of ACGA where she currently serves as Lead Co-Chair.

FROM BASE CAMP TO SUMMIT: CGA BASICS & BEST PRACTICES



Presenter:

**Laurie W. Valentine, J.D.
Fisher & Sauls, P.A.**

- First Charitable Gift Annuity issued in U.S. in 1831
- Total value of CGA's reported in 2017 Survey¹ - \$3.2 Billion
- CGA's have both risks and rewards for charities and their donors

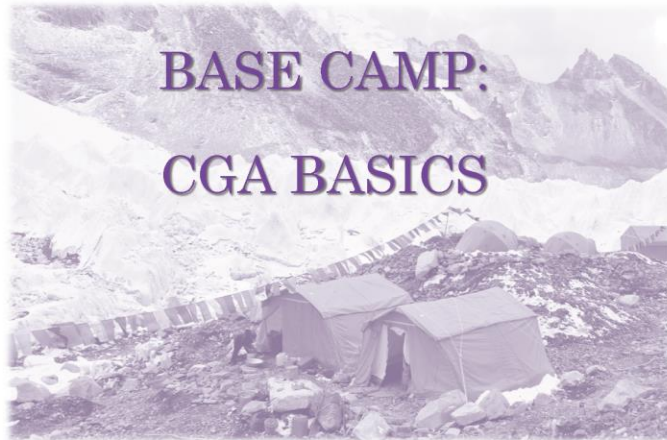
¹ACGA 2017 Survey of Charitable Gift Annuities

IS YOUR ORGANIZATION READY TO START A GIFT ANNUITY PROGRAM?

- Financial stability
- Financial reserves
- Long-term commitment to administering



BASE CAMP: CGA BASICS



**BASE CAMP:
GENERAL CGA DESCRIPTION**

- A contract
- Irrevocable charitable gift transfer
- Annuity payment amount =
value of gift x payout rate
- General obligation of charity
- Not a trust
- A gift – not an investment

**BASE CAMP:
CGA CONTRACTS**

- Term of Contract:
 - Single life
 - Two-Life joint and survivor
 - Two lives in succession
- Payment Start Date:
 - Immediate
 - Deferred
 - Flexible

**BASE CAMP:
CHARITABLE GIFT ANNUITY RATES**

- American Council on Gift Annuities
Payout Rates
- *Suggested Maximum Rates*, not mandated

**BASE CAMP:
CHARITABLE GIFT ANNUITY RATES**

- Reasons to follow ACGA rates:
 - Risk minimized
 - More funds left for charity's work
 - Don't have to hire own actuary
 - Recognized by state insurance departments
and IRS as actuarially sound
 - Gift, not an investment
- Beware "Clay Brown" Rules when AFR low

BASE CAMP: INCOME TAX ISSUES



- Charitable Deduction =
Value of Gift – Present Value of Annuity Interest
- Portion of each annuity payment is excludable from income as tax-free return of principal
- “Exclusion Ratio” = $\frac{\text{Present Value of Annuity Interest}^*}{\text{Expected Return}}$
- Total amount excluded cannot exceed total
*investment in contract
- Donor’s estate can take unrecovered investment in contract as deduction on donor’s final income tax return

BASE CAMP: CAPITAL GAINS TAX ISSUES



- Gift Annuity Transaction = Bargain Sale
- Donor’s basis allocated between “Gift” and “Sale” portions of transaction
- Portion of Gain Recognized =
 $\text{Donor's Basis} \times \frac{\text{Present Value of Annuity Interest}}{\text{Market Value of Gift}}$

BASE CAMP: CAPITAL GAINS TAX ISSUES

SCHEDULE D
Form 1045
Capital Gains and Losses
OMB No. 1545-0047
17
12

- Reportable gain may be reported over donor's life expectancy if:
 - Donor is sole or first annuitant
 - Annuity interest is non-assignable
- If annuity assignable **OR** donor **NOT** an annuitant-reportable portion of gain all reported in year gift made

BASE CAMP: ESTATE TAX ISSUES

706
United States Estate (and Generation-Skipping Transfer) Tax Return
OMB No. 1545-0047
17
12

**Single Life Annuity
Donor is Annuitant**

Nothing Included in Donor's Estate

BASE CAMP: ESTATE TAX ISSUES

Form 706 United States Estate (and Generation-Skipping Transfer) Tax Return
Estate of a citizen or resident of the United States (see separate instructions, to file for decedents dying after October 3, 1998. For Paperwork Reduction Act info, see instructions.)
OMB No. 1545-0047
Estate of a citizen or resident of the United States (see separate instructions, to file for decedents dying after October 3, 1998. For Paperwork Reduction Act info, see instructions.)
OMB No. 1545-0047

Two-Life Annuity

Value of surviving annuitant's interest
included in donor's estate

If second annuitant is donor's spouse
marital deduction available

BASE CAMP: ESTATE TAX ISSUES

Form 706 United States Estate (and Generation-Skipping Transfer) Tax Return
Estate of a citizen or resident of the United States (see separate instructions, to file for decedents dying after October 3, 1998. For Paperwork Reduction Act info, see instructions.)
OMB No. 1545-0047
Estate of a citizen or resident of the United States (see separate instructions, to file for decedents dying after October 3, 1998. For Paperwork Reduction Act info, see instructions.)
OMB No. 1545-0047

Bequest to Establish Gift Annuity

Donor's estate entitled to
estate tax charitable deduction **if** Will
provides method for determining
annuity payment amount

Marital deduction **if** spouse is
the sole annuitant

BASE CAMP: GIFT TAX ISSUES

SCHEDULE D
Form 1042
Capital Gains and Losses
* Attach to Form 1042 or Form 1042NR
* Do not check or check/initial the appropriate box for the correct information.
* Use Form 1042 to file your transactions for lines 12, 13, 14, 15, 16, and 17.
OMB No. 1545-0047
2017
Department of the Treasury
Internal Revenue Service

**Immediate Gift Annuity f/b/o Another =
Completed Present Interest Gift**

Qualifies for Annual Gift Tax Exclusion
(\$15,000 in 2018)

BASE CAMP: GIFT TAX ISSUES

SCHEDULE D
Form 1042
Capital Gains and Losses
* Attach to Form 1042 or Form 1042NR
* Do not check or check/initial the appropriate box for the correct information.
* Use Form 1042 to file your transactions for lines 12, 13, 14, 15, 16, and 17.
OMB No. 1545-0047
2017
Department of the Treasury
Internal Revenue Service

CGA's That Do **NOT** Qualify
for Annual Gift Tax Exclusion:

- Two Lives in Succession--
Donor 1st Annuitant
- Deferred Gift Annuity f/b/o Another

Donor can avoid "completed gift" by reserving
right to revoke second annuitant's interest

RIDGE WALK* TO SUMMIT:



ACGA RECOMMENDED BEST PRACTICES

*A trail above the timberline, often celebrated for the view

RIDGE WALK: ESTABLISH PROGRAM PROPERLY

- Comply with Federal and State Regulations
 - Philanthropy Protection Act of 1995
 - State Regulatory Requirements

RIDGE WALK: GIFT ACCEPTANCE POLICIES

- Gift Minimum
- Frequency of Payments
- Minimum Age
- Maximum Age

Gift Acceptance Policy

Purpose: To provide a framework for the types and forms of gifts that will provide maximum benefit to both the donor and to the _____.

This overview addresses both current and planned gifts. The goal is to encourage support for _____ without encumbering us with gifts that may generate costs or liabilities in _____.

RIDGE WALK: PERMITTED FUNDING ASSETS

- Most Common
 - Cash and Appreciated Securities
- Accepting Real Estate, Tangible Personal Property and/or other Property Interest requires planning / special policies
- Hard-to-sell assets create liquidity issues in annuity reserve
- Gift Acceptance Policies should include procedure for varying from policy

RIDGE WALK: MEET WITH THE DONOR

- Planned Giving development best done through face-to-face interaction
- Allows you to assess donor's understanding of the transaction
- Review Specimen CGA Contract/Agreement with donor
- Encourage review of illustration and documents by donor's advisors

RIDGE WALK: DRAFTING AGREEMENTS

- Set agreement up for donor and charity to sign – **It's a Contract**
- Don't describe restrictions on use/designations in Gift Annuity Contract
- Use separate special agreement for restrictions/designations



RIDGE WALK: MANAGING THE ANNUITY FUND

- How much of the gift to invest?

Best Practice -- Invest All of It



RIDGE WALK: MANAGING THE ANNUITY FUND

- Investing the Gift Annuity Fund

ACGA Asset Allocation Assumption:

- 40% Equities
- 55% 10-Year Treasury Bonds
- 5% Cash Equivalents



RIDGE WALK: ADMINISTRATIVE ISSUES

- Make timely payments
- Tax and other calculations
- Tax reporting
- Record keeping
- Software



RIDGE WALK: ENSURE GIFT DESIGNATIONS HONORED

- Establish procedures for calculating residuum of CGA at annuitant's death
- Beware of overly-specific donor restrictions



RIDGE WALK: CONTRACT TERMINATION PROCEDURES

- Termination at Annuitant's Death
 - Condolence letter
 - Obtain death certificate
 - Notify business office to stop annuity payments



RIDGE WALK: CONTRACT TERMINATION PROCEDURES

- Termination During Annuitant's Life
 - Annuitant disclaims annuity interest
 - Calculate charitable contribution value



SUMMIT: MARKETING GIFT ANNUITIES

- It's a gift, not an investment
- Avoid financial instrument terminology
- Make it clear---**gift is irrevocable**
- Don't use "guaranteed income"
- Donor Testimonials are powerful



SUMMIT: RELATIONSHIP BETWEEN DEVELOPMENT OFFICE AND BUSINESS OFFICE



SUMMIT: ON-GOING COMMUNICATION WITH DONORS AND ANNUITANTS



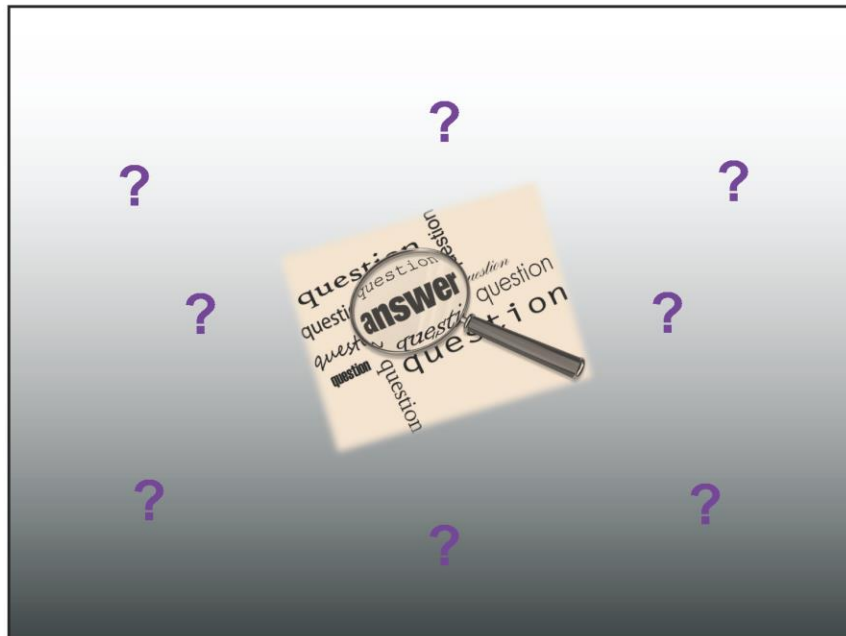
Potentially long-term
relationship



Regular, clear
communication
important



Timely, accurate tax
and other reporting





Serving Those Who Serve Society

Consulting • Gift Planning Newsletters • Donor Publications
Staff Training • Seminars • Technical Support
E-marketing • Tax Guides

Find the combination to unlock your gift planning needs.

www.SHARPEnet.com
www.rrnewkirk.com

Structuring Charitable Gifts of IRAs (Track II)

Jeremiah W. Doyle

(Thursday, 8:30am - 9:45am & 10:15am - 11:30am)

Structuring Charitable Gifts of IRAs – This session will discuss the income and estate tax implications of leaving an IRA to charity, both at death and during life, with a discussion of the interaction of the minimum required distribution rules, the \$100,000 exclusion for direct gift under Pension Protection Act of 2006 and how to structure the gift to minimize adverse tax consequences. Also discussed will be the using a trust or an estate and the “Middle man” between an individual’s IRA and a charitable organization.

Jeremiah W. Doyle

Senior Vice President
BNY Mellon



Jere Doyle is an estate planning strategist for BNY Mellon Wealth Management and a senior vice president of BNY Mellon. He has been with the firm since 1981. Jere provides wealthy individuals and families throughout the country with integrated wealth management advice on how to hold, manage and transfer their wealth in a tax efficient manner.

Jere is admitted to practice law in the Commonwealth of Massachusetts and before the United States District Court, United States Court of Appeals (First Circuit) and the United States Tax Court. He formerly served as a member of the Massachusetts Joint Bar Committee on Judicial Appointments. He is the editor and co-author of *Preparing Fiduciary Income Tax Returns*, a contributing author of *Preparing Estate Tax Returns*, a contributing author of *Understanding and Using Trusts* and a contributing author of *Drafting Irrevocable Trusts in Massachusetts*, all published by Massachusetts Continuing Legal Education. Jere is also a reviewing editor of the *1041 Deskbook* published by Practitioner's Publishing Company. Jere is a lecturer in law in the Graduate Tax Program at Boston University School of Law.

Jere received a LL.M. in banking law from Boston University Law School, a LL.M in taxation from Boston University Law School, a juris doctor from Hamline University Law School and a bachelor's degree from Providence College. He is a member of the American Bar Association, Massachusetts Bar Association, Boston Estate Planning Council and the Essex County Bar Association. He served as president of the Boston Estate Planning Council and currently serves as a member of its Executive Committee and was a 20-year member of the Executive Committee of the Essex County Bar Association. He was named as the 2009 Estate Planner of the Year by the Boston Estate Planning Council. Jere has spoken at numerous professional education programs throughout the country on various topics, been quoted in numerous business publications and has appeared on CNBC, MSNBC and CNN.

STRUCTURING CHARITABLE GIFTS OF IRAs

Jeremiah W. Doyle IV
Senior Vice President
BNY Mellon Wealth Management
Boston, MA
April, 2018
jere.doyle@bnymellon.com
(617) 722-7420

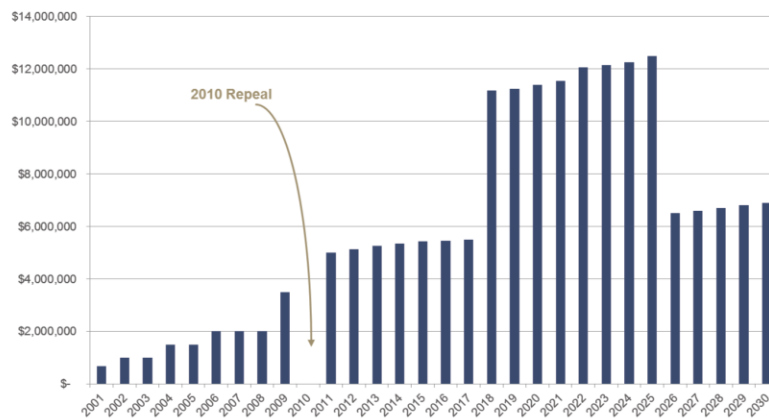
Agenda

- Set the stage
 - Why Leave IRA to Charity – Federal Income Tax/Federal Estate Tax
 - When to Leave the IRA to Charity – Life v. Death
 - How to Leave the IRA to Charity
 - Directly
 - To Individual, Followed by Disclaimer
 - To Estate/Trust, Then to Charity
 - QTIP/CRT
 - Types of Potential Charitable Recipients
 - Speed Bumps
 - Retirement Equity Act of 1984
 - Avoid Using an IRA to Satisfy a Pecuniary Bequest
 - Minimum Required Distribution Rules
-

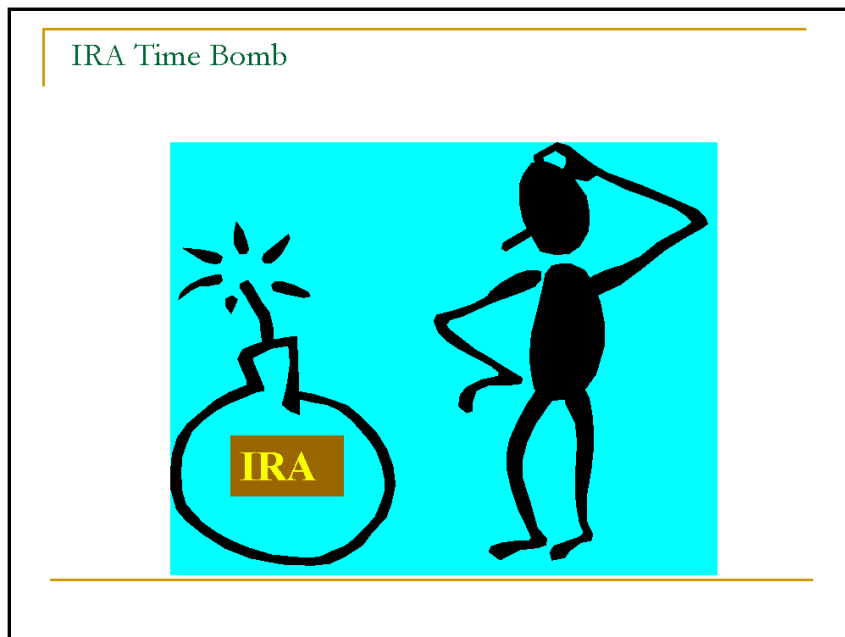
IRA May Be Subject To:

- Estate Tax
 - \$11.18 million exemption in 2018 – 2025
 - \$5.6+ million after 2025
- Income Tax
- Generation-Skipping Tax
 - \$1.18 million exemption in 2018 – 2025
 - \$5.6+ million after 2025

U.S. Estate Tax Exemption — Past & Projected Over Time



The chained CPI tends to increase more slowly than the regular CPI, so the exclusion amount will most likely be \$11,180,000 in 2018 instead of \$11,200,000 (which would be twice the previously announced exclusion amount of \$5,600,000 for 2018). The Treasury will probably publish revised inflation adjustments sometime in January or February.



IRA Time Bomb



Oh, Darn!!!





Why???

Tax Consequences of Leaving IRA to Charity - 9
PLRs

- No Estate Tax
 - Qualifies for FET Charitable Deduction
- No Income Tax
 - To Donor or Donor's Estate
 - Charity not Taxed on Proceeds
- Tax Efficient gift –100% of IRA can be devoted to a charitable purpose
 - Worth more to charity than to an individual due to the built in tax liability

When???

When to Leave an IRA to Charity

- At Death
- During Life
 - Take Distribution, Pay Income Tax
 - Pension Protection Act of 2006 \$100,000 exclusion
 - Permanent as a result of 2015 legislation
 - 10 yr Averaging if Born Before 1936
 - Employer Stock in Qualified Plans
 - Qualified replacement property to a charitable remainder trust

Take Distribution, Pay Income Tax

- Charitable deduction may not offset IRA distribution included in income
 - 60% of adjusted gross income (AGI) limit on cash gifts to charity
 - Actuarial value of remainder interest for gift to charitable remainder trust (CRT)
- No deduction for nonitemizers
- 10% penalty if IRA owner under 59 ½
- May be subject to state income tax if state does not allow charitable deduction
- Increases AGI resulting in loss of income tax benefits e.g. medical deduction, taxation of social security benefits, etc.

Take Distribution, Pay Income Tax

Not a "wash"

IRA distribution	<u>100,000</u>
AGI	100,000
Charitable Deduction	<u>(60,000)</u>
Taxable Income	40,000

Pension Protection Act of 2006 – IRA Charitable “Rollover” (Permanent)

- Exclusion from gross income
 - Of up to \$100,000 per taxpayer, per year
 - From a traditional IRA or Roth IRA
 - For “qualified charitable distributions” (QCD)
 - Made after 2006
 - For an IRA owner who has attained age 70 ½ on the date of distribution
-

Pension Protection Act of 2006 – IRA Charitable “Rollover”

- Plans not eligible to make “Qualified Charitable Distribution” (QCD):
 - 401(k)
 - 403(b)
 - Defined Benefit Plan
 - Defined Contribution Plan/Profit Sharing Plan
 - Keogh Plans
 - “Ongoing” SEPs
 - “Ongoing” SIMPLES

Note: QCD can be made from inactive SEP or SIMPLE (Notice 2007-7)

Pension Protection Act of 2006 – “Qualified Charitable Distribution”

- Distribution made on or after the IRA owner reached age 70 ½
- Distribution from traditional IRA or Roth IRA
- Made directly by IRA administrator
- To an organization described in §170(b)(1)(A)
 - Excludes donor advised funds and supporting organizations
- The payment would otherwise fully qualify for a charitable income tax deduction
 - Charitable gift annuity, pooled income funds and charitable remainder trusts are also ineligible to receive “qualified charitable distributions”
- Distribution would have been taxable if distributed to the plan participant

Pension Protection Act of 2006 – “Qualified Charitable Distribution”

- Administration Issues:
 - Charity must furnish “contemporaneous written acknowledgement” to donor
 - IRA administrator should note donor’s name on the transmittal of the check or wire transfer to the charity
 - Charity cannot furnish quid pro quo
 - Distribution counts as part of minimum required distribution
 - Special rule for IRAs that include nondeductible contributions
 - How late in December will IRA administrator allow a “Qualified Charitable Distribution”?
-

Pension Protection Act of 2006 – “Qualified Charitable Distribution”

- Notice 2007-7 Clarifications:
 - IRA beneficiaries who are 70 ½ or older can make QCD as well as IRA owners
 - Distribution from checkbook IRA to qualified charity qualifies as QCD
 - Distribution in satisfaction of charitable pledge qualifies as QCD
 - Not a prohibited transaction
 - QCD not subject to income tax withholding
 - Check payable to charity sent to IRA owner for delivery to charity is a direct payment
-

Pension Protection Act of 2006 – “Qualified Charitable Distribution”

- How to Report QCD:
 - IRA custodian reports IRA distribution on Form 1099-R as a taxable distribution
 - IRA owner reports IRA distribution on Form 1040, Line 15a but reports taxable distribution on Line 15b
 - QCD omitted from line 15b
 - Enter “QCD” next to line 15(b) in the margin of the tax return
 - QCD not disclosed as itemized charitable deduction on Schedule A, Itemized Deductions
 - Relieves IRA custodian from determining if distribution qualifies as QCD
 - Burden on IRA owner to determine if distribution qualifies as QCD
-

10 Yr Averaging if Born Before 1936

- LSD from qualified plan for plan participants born before 1936 (and their beneficiaries) qualify for special treatment
 - Distribution is excluded from gross income and taxed under a separate rate schedule
 - May result in lower income tax on distribution
 - In simple terms, to determine tax, 1/10 of distribution is taxed at 1986 rates and the result is multiplied by 10
-

Employer Stock in Qualified Plan – Lifetime Gift

HOW IT WORKS

- Donor takes lump sum distribution (LSD) of qualified plan
- Retains the “employer stock”
- Pays income tax on “cost basis” of employer stock
- Contributes “employer stock” to CRUT
- Gets charitable deduction for FMV of employer stock less the value of the retained interest
- CRUT sells stock and pays no capital gains tax
- Proceeds equal to NUA are LTCG under CRUT tier system

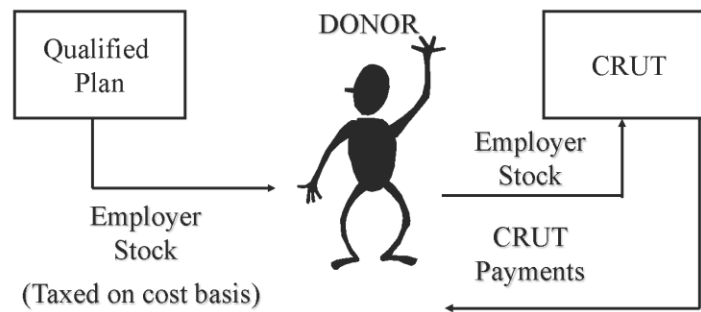
Employer Stock in Qualified Plan – Lifetime Gift

RESULT:

- Donor takes distribution from qualified plan during life
- Contributes stock to CRUT for his benefit
- At a cost to him of ordinary income tax on the “cost basis” of the employer securities
- Gets assets out of his qualified plan at a low tax cost and gives them to charity

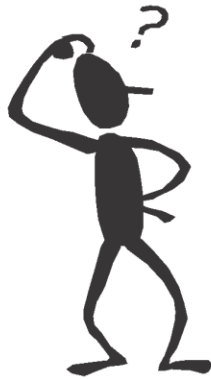
This is merely a version of contributing appreciated stock to a CRUT

Employer Stock in Qualified Plan – Lifetime Gift



Contribution to CRUT based on FMV of Stock

Employer Stock in Qualified Plan – Lifetime Gift



Will This Work???

Yes!!!

**See PLRs 199919039, 200038050,
200202078, 200215032, 200302048 and
200335017**

Qualified Replacement Property (QRP) to CRT

- Section 1042 sale to ESOP transaction
- Give QRP to CRT
 - Disposition of QRP by "gift" doesn't trigger recapture provision
 - Avoid tax on gain of QRP
- Authority: PLR 9732023

How???

Ways to Give IRA to Charity

- Directly to Charity
 - Name Charity in Beneficiary Form
- To Individual, Followed by Disclaimer to Charity
- To Estate/Trust, Then to Charity
- Income to Individual Beneficiary, Remainder to Charity
 - Qualified Terminable Interest (QTIP) Trust
 - Sec. 2056(b)(7)
 - Sec. 2056(b)(8)
 - Charitable Remainder Trust Sec. 664

Directly to Charity

- Charity named as Primary Beneficiary
 - IRA owner dies, charity gets the IRA
 - Charity named as Contingent Beneficiary
 - IRA owner dies, primary beneficiary gets the IRA
 - Charity gets nothing
 - Charity gets IRA only if primary beneficiary predeceases the IRA owner or disclaims
-

Who???

Who Takes Your IRA?

- The Will Doesn't Control
 - *The Designated Beneficiary Form Controls*
-

Beneficiary of IRA

- Named in Beneficiary Form

- Default: See IRA Agreement
 - Estate?
 - Spouse?

Beneficiary of IRA

SPOUSE

- Rollover potential
- Estate Tax Marital Deduction
- Favorable minimum required distribution (MRD) rules
 - No distribution until IRA owner reaches age 70 ½
 - R/O and spouse uses Uniform Table for MRD
 - Can name new beneficiary and get new stretch out

CHILD

- No Rollover
- Estate Tax Liability

TRUST – COMPLICATIONS

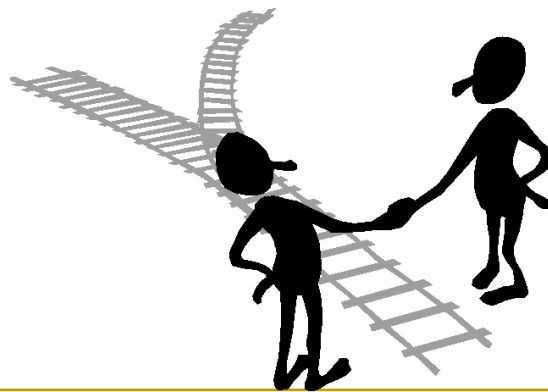
CHARITY - NO ESTATE OR INCOME TAX

DIVORCE - CHANGE THE BENEFICIARY

Who is the Best Beneficiary?

Good	Bad
Young beneficiary – can stretch out payments	Old person - 70 yr old – 17 Yr LE - 80 yr old – 8 yr LE
Surviving spouse (SS) – outright	Trust fbo spouse e.g. QTIP, Credit Shelter Trust
Rollover	No rollover – best opportunity is single LE of SS
Income tax benefits: - LE payout when SS reaches 70 ½	Can't delay distribution to SS until SS attains age 70 ½
- At 70 ½ SS payout based on Uniform Table – will never run out of money	Can't use Uniform Table
- Death of SS – can name new beneficiary and get new stretch out	No new beneficiary LE when SS dies
-Marital deduction	
Charity	Estate – not designated beneficiary

Structuring a Tax Efficient Gift



IRA to Son, Stock to Charity

	<u>Charity</u>	<u>Son</u>
Stock	500,000	
IRA		500,000
Total Bequest	<u>500,000</u>	<u>500,000</u>
Less: Income Tax	<u>0</u>	<u><200,000></u>
Net Bequest	<u>500,000</u>	<u>300,000</u>

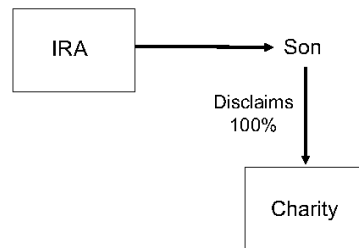
IRA to Charity, Stock to Son

	<u>Charity</u>	<u>Son</u>
Stock		500,000
IRA	500,000	
Total Bequest	<u>500,000</u>	<u>500,000</u>
Less: Income Tax	<u>0</u>	<u>0</u>
Net Bequest	<u>500,000</u>	<u>500,000</u>

IRA To Individual, Followed by Disclaimer to Charity

- IRA owner designates son as primary beneficiary of IRA with charity as the contingent beneficiary
- Son disclaims
- Charity takes the IRA as the contingent beneficiary

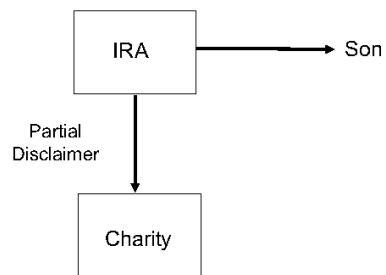
IRA To Individual, Followed by Disclaimer to Charity



IRA To Individual, Followed by Disclaimer to Charity

- IRA owner designates son as primary beneficiary of IRA with charity as the contingent beneficiary
- Son does a **partial** disclaimer, so he is beneficiary of part of the IRA and charity is the beneficiary of the other part of the IRA
 - Multiple beneficiary rule applies for distributions
- Son can't take distribution of IRA over his life expectancy (LE)
 - Must withdraw the IRA within 5 years or over deceased IRA owner's LE, depending on IRA owner's age at death

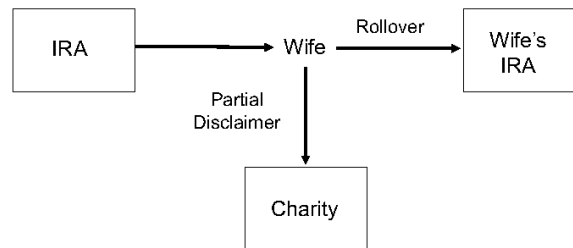
IRA To Individual, Followed by Disclaimer to Charity



IRA To Individual, Followed by Disclaimer to Charity

- IRA owner designates wife as primary beneficiary of IRA with charity as the contingent beneficiary
- Wife does a **partial** disclaimer, so she is beneficiary of part of the IRA and charity is the beneficiary of the other part of the IRA
- Wife can rollover the IRA to her own IRA and take distributions over her LE

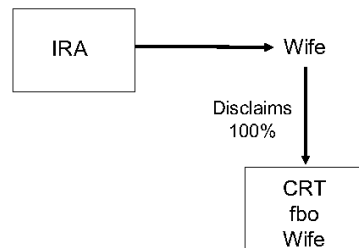
IRA To Individual, Followed by Disclaimer to Charity



IRA To Individual, Followed by Disclaimer to CRT

- IRA owner designates wife as primary beneficiary of IRA with charitable remainder trust fbo wife as the contingent beneficiary
- Wife disclaims so IRA goes to charitable remainder trust fbo wife
- General Rule: disclaimant can't benefit from property disclaimed
 - Exception: Wife can disclaim and still benefit from charitable remainder trust

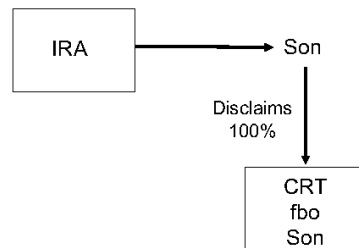
IRA To Individual, Followed by Disclaimer to Charity



IRA To Individual, Followed by Disclaimer to CRT

- IRA owner designates son as primary beneficiary of IRA with charitable remainder trust fbo son as the contingent beneficiary
- Son disclaims so IRA goes to charitable remainder trust fbo son
- General Rule: disclaimant can't benefit from property disclaimed
 - Disclaimer invalid as son (unlike wife) cannot benefit from property disclaimed

IRA To Individual, Followed by Disclaimer to Charity



IRA to Estate/Trust, Then to Charity

Don't Make This Mistake !!!



IRA to Estate/Trust, Then to Charity

Problem:

Fiduciary Income Tax Charitable Deduction???



IRA to Estate/Trust, Then to Charity

Solutions:

- (1) Qualify for §642(c) Deduction
- (2) “Assign” IRA to Charity
- (3) Pay the Charity Last
- (4) Bypass the Estate



Qualify for §642(c) Deduction

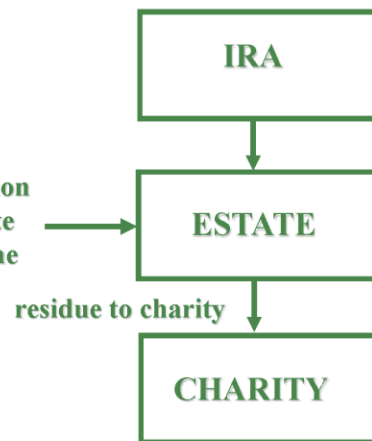
- 2 Requirements for Fiduciary Income Tax Deduction:
 - Paid out of gross income
 - Paid pursuant to the governing document
 - Important: Estate or trust should have language that charitable gift can be satisfied by distribution of income in respect of a decedent (IRD)

Solution

- Drafting Solution for benefits payable to estate/trust
 - Prohibit use of retirement benefits to fund charitable bequest (if objective to pay over LE of individual trust beneficiary), or
 - Match the retirement benefits to the charitable gift if objective is to have benefits pass to charity free of income tax

IRA to Estate/Trust, Then to Charity

PLR 200336020 – IRA distribution included in gross income of estate but qualified for fiduciary income tax charitable deduction.

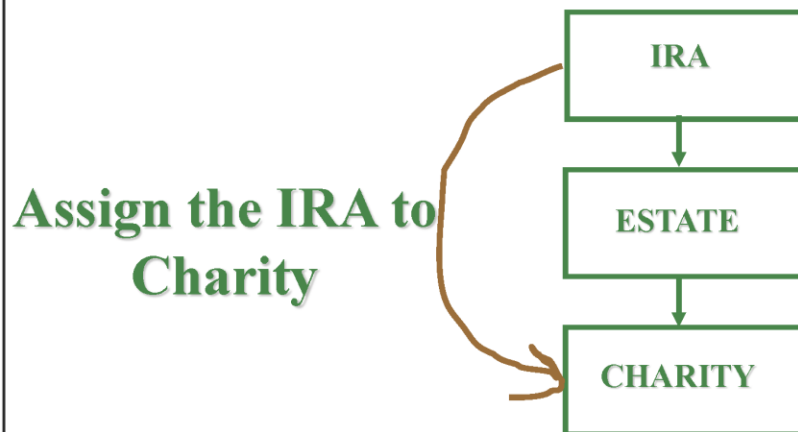


“Assign” IRA to Charity

- D named **estate** as beneficiary of IRA
- D's will left percent of estate to various charities
- Will authorized non-pro rata distributions
 - Rev. Rul. 69-486 - no tax on non-pro rata distribution if allowed by inst or state law
- IRS says executor could “assign” IRA to charity
- Result: (1) No taxable income to estate or individual beneficiaries, (2) IRA not included in estate's distributable net income (DNI) and (3) No taxable income to charity
- Reason: Regs. say if income in respect of a decedent (IRD) is transferred to specific or residuary legatee, only the recipient must report such income

Authority: PLRs 200234019, 200452004, 200511174, 200520004, 200526010, 200617020, 200618023, 200620025, 200633009, 200644020, 200652028, 200803002, 200826028, 200845029, 200850004, 201013033, 201027031, 201128036, 2001210045, 201210047, 201208039, 201330011, 201330011

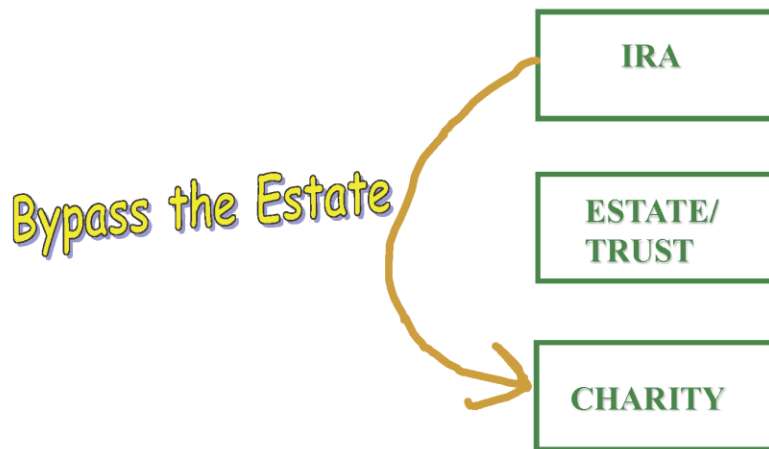
IRA to Estate/Trust, Then to Charity



Pay Charity Last - PLR 200221011, 200336020,
200526010, 200537019

- D's will leaves specific bequests to individuals, residue to charity
- Estate named as beneficiary of IRA
- Year 1 - Executor pays administration expenses and all specific bequests to individuals
 - Charity only remaining bene at end of Year 1
- Year 2 - estate receives IRA proceeds
- Result: IRS says estate is entitled to charitable "set aside" deduction that would offset the inclusion of the IRA proceeds in gross income
 - Should have same result for a trust that makes a Section 645 election

IRA to Estate/Trust, Then to Charity



Types of Potential Charitable Recipients

- The Good
 - Public Charity
 - Private Foundation
 - IRA distribution not subject to 2% excise tax on net investment income
 - Donor-Advised Fund – donate now, distribute later
 - Charitable Remainder Trust
 - IRA distribution to CRT not subject to income tax
 - IRA net of §691(c) deduction added to Tier 1 income
 - May be only way to get "stretch out" if 5 year payout proposal is enacted
 - Charitable Gift Annuity – PLR 200230018
 - Leave IRA to charity at death with charity agreeing to pay annuity to beneficiary for life
 - Benefits paid to charity free of income tax. PLR 200230018.
-

Types of Potential Charitable Recipients

- The Bad and the Ugly – subject to income tax
 - Charitable Lead Trust
 - Distribution subject to income tax
 - May not beat Section 7520 rate since principal of CLT reduced by income tax on distribution – starting off in a hole
 - Pooled Income Fund
 - Distribution subject to income tax
-

Speed Bumps

- Retirement Equity Act of 1984
 - Avoid Using an IRA to Satisfy a Pecuniary Bequest
 - Minimum Required Distribution Rules
 - Borrow from an IRA
 - Pledge IRA as collateral for a loan
-

Retirement Equity Act of 1984

- Applies to Most Qualified Plans
 - Spouse has Rights in Qualified Plan
 - If Beneficiary of Plan is Other Than Spouse:
 - Waiver Needed
 - Spouse Must Consent to Waiver
 - Doesn't Apply to IRAs
 - Be Careful of IRA Rollovers from Qualified Plans
-

Avoid Using an IRA to Satisfy a Pecuniary Bequest

CCA 200644020

- IRA owner names revocable trust as IRA beneficiary
 - IRA owner dies and trust provides for \$100,000 gift to each of 3 charities
 - Residue passes to children
 - Trustee instructs IRA custodian to divide IRA into 3 IRAs and assign one IRA to each of the 3 charities
-

Avoid Using an IRA to Satisfy a Pecuniary Bequest

- IRS says trust required to recognize income under §691(a)(2)
 - Trust not entitled to fiduciary income tax charitable deduction under §642(c) because trust didn't direct/require trustee to pay IRA to charity
 - Solution: More artful drafting
 - Draft as (1) fractional/percentage (instead of fixed dollar) bequest or (2) specific bequest (name charity as IRA beneficiary)
-

Minimum Required Distributions

What Are MRD?

- MRD Rules Dictate:
 - When Distributions Commence
 - Once Begun, How Fast Must Distributions Be Made
 - Who is a "Designated Beneficiary"

Minimum Required Distributions -Executive Summary

- Naming charity as beneficiary of IRA will not affect IRA owner's lifetime MRD
 - MRD computed using "Uniform Table" (exception: naming a spouse who is more than 10 yrs younger)
 - Named beneficiary **disregarded**

Minimum Required Distributions -Executive Summary

- IRA owner must take MRD during life, reducing the amount available for charity
 - MRD rules may result in IRA shrinking as MRDs are paid each year leaving less for charity at IRA owner's death
 - Planning idea: gift the MRD to charity each year
 - Alternative planning idea: "IRA Charitable Rollover" distributions "count" for MRD purposes.
-

Minimum Required Distributions -Executive Summary

- When IRA owner dies
 - If IRA beneficiary is a individual, group of individuals or qualifying trust, MRD is over LE of oldest beneficiary
 - Multiple beneficiary rule – MRD generally accelerated if benefits paid to multiple beneficiaries, one of whom is a charity
 - Within 5 yr of IRA owner's death if death before required beginning date (RBD)
 - Over IRA owner's remaining LE if death on or after RBD
 - E.g. 79 year old has 10.8 year life expectancy
-

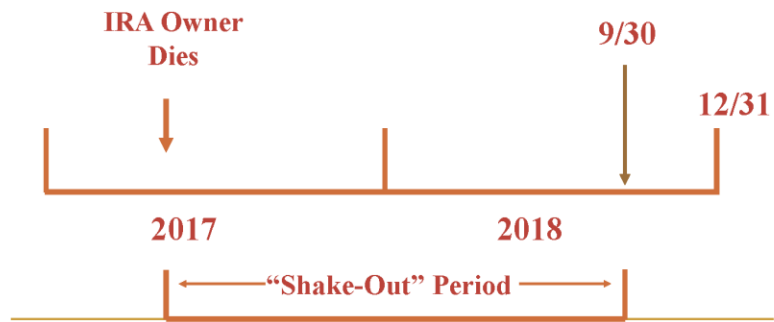
Minimum Required Distributions -Executive Summary

- Post-death MRD
 - No drawback to leaving all of the IRA to charity/CRT or all or part to spouse
 - Charity/CRT is tax-exempt so IRA can be distributed in full with no tax consequences
 - Spouse can rollover or elect to treat IRA as his/her own
-

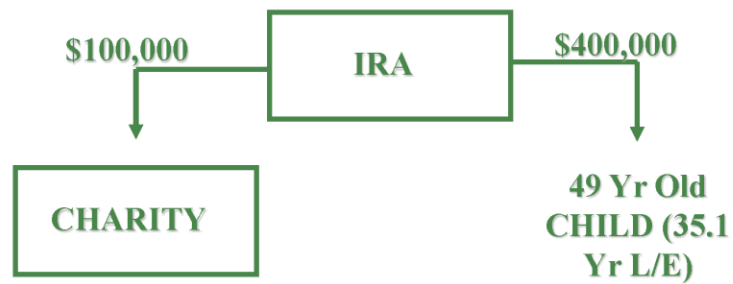
Minimum Required Distributions -Executive Summary

- Problem occurs where there are multiple beneficiaries and one is a charity
 - IRA distribution generally accelerated
 - Post-Mortem "Wiggle Room" Solution – certain things can be done by 9/30 of the year after the IRA owner's death:
 - Separate accounts
 - Disclaimer
 - Pay off charity
-

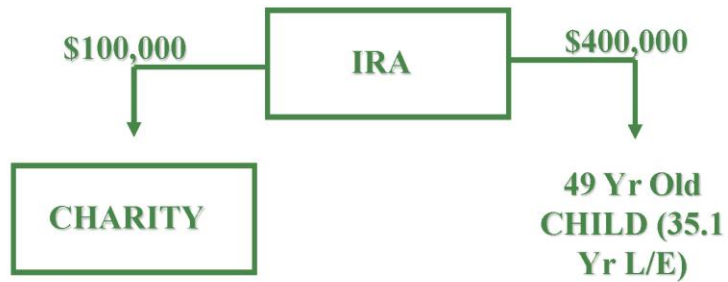
Minimum Required Distributions
Post-Death Distributions



\$500,000 IRA - \$100,000 to Charity, Balance to Child



\$500,000 IRA - \$100,000 to Charity, Balance to Child

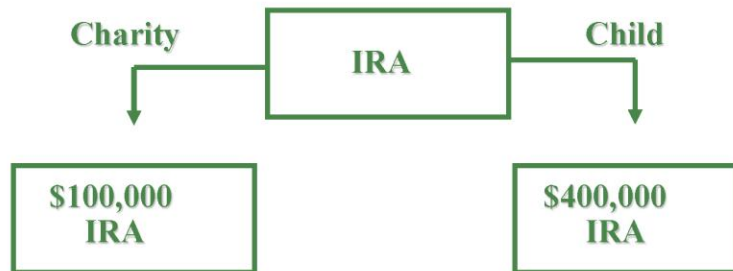


Charity not a 'Designated Beneficiary'

Death Before RBD: Distribution within 5 years

Death After RBD: Distribution Over 79 Yr Old Donor's LE (10.8 Yr)

\$500,000 IRA - \$100,000 to Charity, Balance to Child

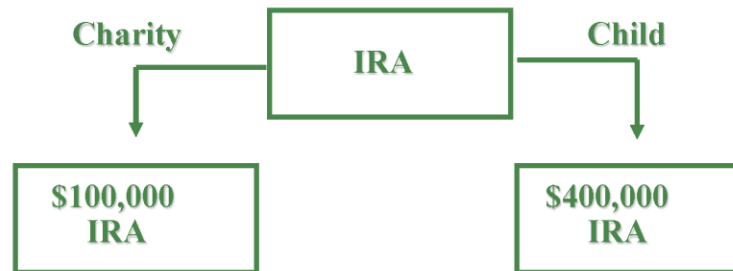


Solution: Use Separate Accounts

“Separate Account” - Reg. 1.401(a)(9)-8, A-3

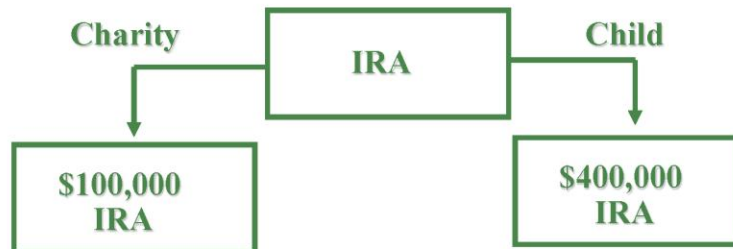
“...separate portions of an employee's benefit reflecting the separate interests of the employee's beneficiaries under the plan as of the date of the employee's death for which separate accounting is maintained. The separate accounting must allocate all post-death investment gains and losses, contributions and forfeitures, for the period prior to the establishment of the separate accounts on a pro rata basis in a reasonable and consistent manner among the separate accounts.”

\$500,000 IRA - \$100,000 to Charity, Balance to Child



Solution #1: Can Set up Separate Accounts Anytime Before 12/31 of the Year After the IRA Owner Dies

\$500,000 IRA - \$100,000 to Charity, Balance to Child



IRA Owner Alive: Use "Uniform Table"

Post Death: *Charity's* Share Within 5 years if Death Before RBD

Post Death: *Charity's* Share Over IRA 79 Yr Old Owner's LE if Death After RBD – 10.8 Yr

Post Death: *Child's* Share Over LE of 49 Yr Old Child – 35.1 Yr

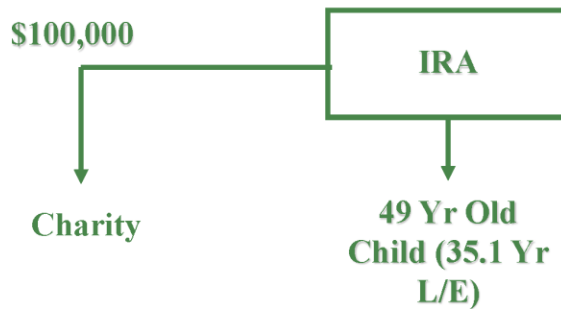
Solution #2

- Charity disclaims interest in IRA
 - Like that is going to happen

Solution #3

- Can Eliminate Beneficiaries for MRD Purposes by Distributing Entire Share to “Tainted” Beneficiary
- If Amount is Entirely Distributed to Beneficiary by 9/30 of the Year After the IRA Owner Dies, Only the Remaining Beneficiaries are “Counted” to Determine if IRA has a DB
- Example: IRA Has Individual and Charity as Beneficiary. If Charity’s Share is Distributed to It Before 9/30 of the Year After the IRA Owner’s Death, the IRA then has a DB i.e. the Individual

\$500,000 IRA - \$100,000 to Charity, Balance to Child



Solution #3: Can Cure Defect After Death by Distributing “Tainted” Share to Non-DB

\$500,000 IRA - \$100,000 to Charity, Balance to Child

\$100,000

IRA

Charity

49 Yr Old
Child (35.1
Yr L/E)

No Distribution to Charity:

Death Before RBD: 5 Year Rule

Death After RBD: MRD Over IRA Owner's Remaining LE

Distribute Charity's Share:

MRD Over 49 Yr Old Child's 35.1 Yr LE

Important Dates

- Age 55 – Withdrawal can be made from qualified plan without penalty. §72(t).
- Age 59 ½ - Withdrawal can be made from IRA without penalty. §72(t).
 - Inherited IRA may begin earlier without penalty
- September 30 of year after death
 - Date by which beneficiaries are identified for MRD rules
 - Date by which distributions must be made to "bad" beneficiaries
- October 31 of the year after death
 - Date by which trust documentation must be furnished to IRA administrator where trust is beneficiary of IRA
- December 31 of the year after death
 - Date by which the first distribution of MRD must be taken by IRA beneficiary
 - Date by which separate shares must be created

Key Takeaways

- Naming a charity as the beneficiary at death makes the most tax sense
 - Make things simple – name the charity as the beneficiary of the IRA on the beneficiary designation form
 - Avoid forcing the distribution of an IRA to a estate or trust and then from the estate or trust to charity
 - Avoid the multiple beneficiary rule for minimum required distributions – the individual beneficiary will thank you
 - As you probably figured out, this can get complicated!!!
-

Conclusion

- Set the stage
 - Why Leave IRA to Charity – Federal Income Tax/Federal Estate Tax
 - When to Leave the IRA to Charity – Life v. Death
 - How to Leave the IRA to Charity
 - Directly
 - To Individual, Followed by Disclaimer
 - To Estate/Trust, Then to Charity
 - QTIP/CRT
 - Types of Potential Charitable Recipients
 - Speed Bumps
 - Retirement Equity Act of 1984
 - Avoid Using an IRA to Satisfy a Pecuniary Bequest
 - Minimum Required Distribution Rules
-

Don't Try This At Home



*Creating a
legacy is hard.*

*Leaving one,
even harder.*

We know, because we know you well.

Knowing our clients well gives us the insight to help with their wealth—and their lives. Through strategic philanthropy, we transform family wealth into an enduring legacy. Find out how strong relationships lead to 95% client satisfaction.

George Rio, Managing Director | 855-269-0332
bnymellonwealth.com | @BNYMellonWealth



BNY MELLON
WEALTH MANAGEMENT

Source: 2016 Client Satisfaction Survey. BNY Mellon Wealth Management conducts business through various operating subsidiaries of The Bank of New York Mellon Corporation.
©2017 The Bank of New York Mellon Corporation. All rights reserved.

Panel Discussion: Insights from the 2017 Survey of Charitable Gift Annuities (Track II)

Facilitated by Kristen Schultz Jaarda, J.D., LL.M.

Panelists: Bryan Clontz, CFP®, CLU®, ChFC®, CAP®, AEP®, RICP®, Russell James, J.D., Ph.D., CFP®, Crystal Thompkins, CAP®

(Thursday, 8:30am - 9:45am & 10:15am - 11:30am)

Learn the success secrets of charities with expanding charitable gift annuity programs. Discover how marketing gift annuities can impact your results. Hear insights from three expert panelists on gift annuity trends and best practices. This overview of the results from the 2017 Survey of Charitable Gift Annuities will provide you with the knowledge to take your charitable gift annuity program to the next level.

Sponsored by:



Kristen Schultz Jaarda, J.D., LL.M.

Executive Vice President
Crescendo Interactive, Inc.



Kristen Schultz Jaarda is Executive Vice President of Crescendo Interactive, Inc. She specializes in charitable tax planning and online marketing for major, planned and blended gifts. She is responsible for product development and customer service for Crescendo's cloud suite. She is a nationally recognized speaker, conducts seminars nationwide and is a principal faculty member of GiftCollege.

Kristen serves as a board member for the American Council on Gift Annuities (ACGA). She is Chair of the ACGA Research Committee and a member of the ACGA Rates and State Regulations Committees. She also serves as an Editorial Advisory Board member for Planned Giving Today, Committee Member for the ABA Charitable Planning and Organization's Group, past Legislative Chair and a board member for the Partnership for Philanthropic Planning of Greater Los Angeles (PPP-LA), a member of the Ventura County Planned Giving Council and a committee member and volunteer for several California charities. Her blog is available at blog.crescendointeractive.com.

Previously, Kristen served as Counsel to the Assistant Secretary of Education in Washington, D.C. and was Oversight Counsel to the U.S. House Committee on the Judiciary. Prior to that, she worked in a public affairs law practice. Kristen graduated from UCLA School of Law where she was Law Review Editor. She completed her Tax LL.M. with honors at Loyola School of Law. Kristen is a member of the California State Bar, D.C. Bar and the Maryland State Bar.

Bryan Clontz, CFP®, CLU®, ChFC®, CAP®, AEP®, RICP®

President
Charitable Solutions, LLC



Bryan is the founder and President of Charitable Solutions, LLC, specializing in non-cash asset receipt and liquidation, gift annuity reinsurance brokerage, gift annuity risk management consulting, emergency assistance funds as well as virtual currency and life insurance appraisals/audits. He also serves as Partner of Ekstrom Alley Clontz & Associates – a community foundation consulting firm in New Haven, CT.

Bryan is the founder of the Dechomai Foundation, Inc. and the Dechomai Asset Trust - two national donor advised funds focusing on non-cash assets generally and S-corp transactions

respectively. He is also the founder and President of The Emergency Assistance Foundation, Inc. – a national fund allowing employers to create emergency assistance and disaster relief funds for their employees.

In the decade prior to founding Charitable Solutions, LLC in 2003, he served as the director of planned giving for the United Way of Metropolitan Atlanta, national director of planned giving for Boys & Girls Clubs of America and then as vice president of advancement at The Community Foundation for Greater Atlanta. He received a bachelor's of science in business administration from the College of Charleston in Charleston, SC; a master's degree in risk management and insurance from Georgia State University in Atlanta, GA; and a master's degree in financial services from the American College in Bryn Mawr, PA.

From 2000-2005, he served as a graduate adjunct professor for both personal financial planning and life insurance in the Department of Risk Management and Insurance at Georgia State University. He serves on the Editorial Board of the Planned Giving Design Center (2000-current), the Advisory Board for the American College's Chartered Advisor in Philanthropy designation (2001-current), the American Council on Gift Annuities' Rate Recommendation and Research Committee (2003-2010) and the National Committee on Planned Giving Board (2007-2009).

He has given more than 2,000 presentations on charitable gift planning and community foundation topics (including the National Committee on Planned Giving Conference, American Council on Gift Annuities and more than 30 speeches at national community foundation conferences – COF, ADNET, FAOG); been published in an international insurance textbook and a book *Charitable Gifts of Noncash Assets* and written more than two dozen articles in financial services and planned giving journals, including a planned giving manual entitled Just Add Water, which has sold more than 2,000 copies. Bryan chaired the inaugural statewide *Leave a Legacy Georgia!* campaign. He has served as an expert witness on charitable gift annuity default and reinsurance involving an Arizona charitable bankruptcy and as a donor advised fund expert witness for a Virginia bankruptcy. He is the co-inventor of a proprietary CGA risk management process (LIRMAS- Life Income Risk Management Analytic Suite) based on an actuarial study he co-authored for the Society of Actuaries on CGA Mortality.

Russell James, J.D., Ph.D., CFP®

Department of Personal Financial Planning
Texas Tech University



Russell James, J.D., Ph.D., CFP® is a professor in the Department of Personal Financial Planning at Texas Tech University. He directs the on-campus and online graduate program in Charitable Financial Planning. Dr. James has over 150 publications in academic journals, conference proceedings, and books. He has been quoted on charitable and financial issues in a variety of news sources including *The New York Times*, *The Wall Street Journal*, *CNN*, *MSNBC*, *CNBC*, *ABC News*, *U.S. News & World Report*, *USA Today*, the *Associated Press*, *Bloomberg News* and the *Chronicle of Philanthropy* and his financial neuroimaging research was profiled in *The Wall Street Journal's Smart Money Magazine*.

Crystal Thompkins, CAP®

Senior Relationship Manager
BNY Mellon



Crystal is a director of relationship management for the BNY Mellon Wealth Management Planned Giving group. In this role, she is responsible for managing the Greensboro, North Carolina client relationship team. She also works directly with large, complex clients on all aspects of their planned giving programs and coordinates resources throughout BNY Mellon to provide support and expertise.

Crystal joined the firm in 2006, when Mellon acquired U.S. Trust's planned giving business. She has more than 16 years of experience in the planned giving business, including charitable trust tax preparation and tax process management.

Crystal received a bachelor's degree in accounting from Winston-Salem State University and is a Chartered Advisor in Philanthropy® . She is a member of the Partnership for Philanthropic Planning and serves on the boards of the American Council on Gift Annuities (ACGA), the North Carolina Planned Giving Council and the Winston-Salem State University Foundation.

The Pooled Income Fund – Albatross or Eagle? (Track II)

Emanuel J. Kallina, II, J.D., LL.M.

(Thursday, 8:30am - 9:45am & 10:15am - 11:30am)

For years pooled income funds have been the bane of the existence of the charitable planner and the finance department of charities. With rates of return bordering on 2%, donors are unhappy, income beneficiaries are distraught, and charities feel helpless. We will investigate some of the options for dealing with old pooled income funds, in particular looking at "new" PIFs having a totally different rate of return and high income tax deductions. In some circles, planners are contending the Total Return PIF is the most valuable financial and charitable planning vehicle in their toolkit!

Emanuel Kallina, II, J.D., LL.M.

Managing Member
Kallina & Associates, LLC



Emanuel ("Emil") J. Kallina, II is the managing member of Kallina & Associates, LLC, and focuses his practice on estate and charitable planning for high net worth individuals and representing charitable organizations in complex gifts. Emil works extensively with charitable lead and remainder trusts, supporting organizations, private foundations, and over the years has practiced in the related fields of business law, corporate tax law, partnerships, and real estate.

Emil is the founder of CharitablePlanning.com, a website dedicated to professionals who need the tools to complete planned and major gifts. He is also a co-founder of the Planned Giving Design Center (www.pgdc.com), a former member of the Board of Directors of PPP (formerly NPCG), former Chairman (5 years) of the Government Relations Committee of the NCPG, a co-founder of the Chesapeake Planned Giving Council, Chairman of the Board and President of The James Foundation, a member of the Board of Directors of Search Ministries, Inc., and a present and former member of numerous other boards. Mr. Kallina has testified frequently before the IRS, is a nationally recognized speaker on estate planning and charitable giving, and is a frequent author on these topics.

33rd ACGA Conference
Sheraton Seattle Hotel
Seattle, Washington

The Pooled Income Fund - Albatross or
Eagle?

EMANUEL J. KALLINA, II, J.D., LL.M.
KALLINA & ASSOCIATES, LLC
306 W. CHESAPEAKE AVENUE
TOWSON, MD 21204
410-377-2170
EJK@KALLINALAW.COM
WWW.CHARITABLEPLANNING.COM

(C) 2018 - EMANUEL J. KALLINA, II

1

The PIF – Albatross or Eagle?



(C) 2018 - EMANUEL J. KALLINA, II

2

The PIF – Albatross or Eagle?



(C) 2018 - EMANUEL J. KALLINA, II

3

The PIF – Albatross or Eagle?



(C) 2018 - EMANUEL J. KALLINA, II

4

The PIF – Albatross or Eagle?



S. T. Coleridge

Samuel Taylor Coleridge	
Coleridge in 1795	
Born	21 October 1772 in England
Died	25 July 1834 (aged 61)
Occupation	Poet, critic, philosopher
Alma mater	Jesus College, Cambridge
Literary movement	Romanticism
Notable works	<i>The Rime of the Ancient Mariner</i> , <i>Kubla Khan</i>

(C) ZDIS - EMANUELI J. KALLIRA, II

5

The PIF – Albatross or Eagle?



The mariner up on the mast in a storm. One of the wood-engraved illustrations by Gustave Doré of the poem.

(C) ZDIS - EMANUELI J. KALLIRA, II

6

The PIF – Albatross or Eagle?



A statue of the ancient mariner with the albatross around his neck, at Watchet, Somerset.

(C) 2018 - EMANUEL J. KALLINA, II

7

The PIF – Albatross or Eagle?



(C) 2018 - EMANUEL J. KALLINA, II

8

The PIF – Albatross or Eagle?



(C) 2018 - EMANUEL J. KALLINA, II

9

Donor Intent – the Holy Grail

- The 3 most important aspects of a piece of real estate = location, location, location
- The 3 most important aspects of a charitable gift = donor intent, donor intent, donor intent

(C) 2018 - EMANUEL J. KALLINA, II

10

Donor Intent – the Holy Grail

- If there is no donative intent, the gift will not occur.
- If there is no donative intent, we don't want the gift to occur.

(C) 2018 - EMANUEL J. KALLINA, II

11

Donor Intent – the Holy Grail

- There is a powerful financial planning vehicle, originating in the world of charitable giving, which is resurfacing:

The Pooled Income Fund



(C) 2018 - EMANUEL J. KALLINA, II

12

Donor Intent – the Holy Grail

The Pooled Income Fund is the
ONE OF THE BEST
financial planning tools available

(C) 2018 - EMANUEL J. KALLINA, II

13



History Repeating Itself

PART 1

(C) 2018 - EMANUEL J. KALLINA, II

14

History Repeating Itself

Point #1: Income tax rates are high & will rise

Point #2: Asset values are up

Point #3: In a similar environment in the 1990's, CRTs were highly popular



(C) 2018 - EMANUEL J. KALLINA, II

15

Point #1: Income Tax Rates are High

Federal Only	2012	2013	% Change
Ordinary Income Tax	35.0%	44.6%	27%
Capital Gains Tax	15.0%	25.0%	67%

Federal & California	2012	2013	% Change
Ordinary Income Tax	43.6%	52.0%	19%
Capital Gains Tax	26.3%	32.4%	23%

(C) 2018 - EMANUEL J. KALLINA, II

16

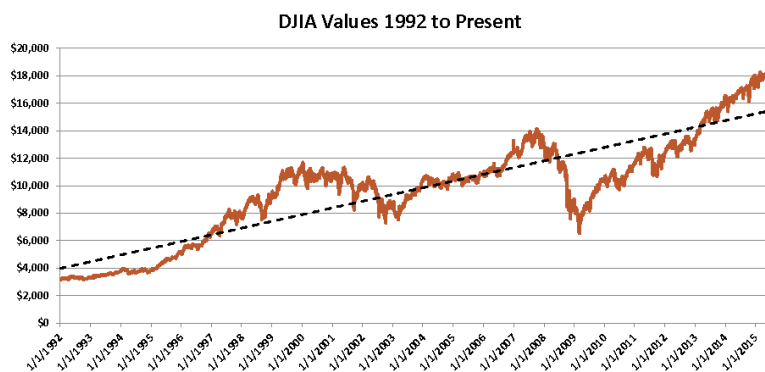
Point #1: Income Tax Rates Will Rise

- Proposed higher income taxes on wealthy
- Most “wealthy” individuals are only “wealthy” for a one year period

(C) 2018 - EMANUEL J. KALLINA, II

17

Point #2: Asset Values are Up



(C) 2018 - EMANUEL J. KALLINA, II

18

Point #3: In a Similar Environment...

Year	Total # of Returns	Under \$500k	\$500k to \$1 mil	\$1 mil to \$3 mil	\$3 mil to \$10 mil	\$10+ mil	% Change in Total #
1999	64,923	41,425	15,930	4,381	2,555	632	-----
2000	78,239	47,003	21,467	5,682	3,270	816	20.5%
2001	84,201	56,888	13,906	9,922	2,808	676	7.6%
2002	89,874	61,732	14,463	10,011	2,895	773	6.7%
2003	91,371	63,880	14,782	9,311	2,737	661	1.7%
2004	93,329	65,869	14,763	9,361	2,647	689	2.1%
2005	94,779	66,517	15,070	9,781	2,698	713	1.6%
2006	94,767	66,187	15,116	9,974	2,743	746	0.0%
2007	95,567	65,371	15,806	10,631	2,956	802	0.8%
2008	96,248	64,776	16,100	11,317	3,191	864	0.7%
2009	95,928	66,548	15,294	10,378	2,916	792	-0.3%
2010	93,831	66,555	14,431	9,458	2,672	715	-2.2%
2011	93,828	67,211	13,897	9,366	2,642	713	0.0%
2012	91,250	65,444	13,587	9,012	2,532	675	-2.7%

(C) 2018 - EMANUEL J. KALLINA, II

19

Overview

Part 1 – The History of the Total Return PIF

Part 2 – The Math

Part 3 – The Benefits

Part 4 – The Planning Opportunities

(C) 2018 - EMANUEL J. KALLINA, II

20

Part 1 – The History of the TRPIF

- PIFs were created in the “old” days, when investments produced 3% - 6% in dividends and interest.
- Investment return changed, sometime in the 1960s, where income dropped and appreciation in value of principal increased.

(C) 2018 - EMANUEL J. KALLINA, II

21

Part 1 – The History of the TRPIF

- Laws began to change, sometime in the 1970s, allowing for a “total return” method of investing.
- As early as 1979, IRS allowed for a total return concept of investing with CRTs.

(C) 2018 - EMANUEL J. KALLINA, II

22

Part 1 – The History of the TRPIF

- IRS regulations changed in early 2000s, allowing for a total return concept, consistent with earlier PLRs – i.e., the trustee of a CRT could treat post-gift appreciation as allocable to income.
- Pooled income fund regulations did not change.

(C) 2018 - EMANUEL J. KALLINA, II

23

Part 1 – The History of the TRPIF

- 2 Submissions to IRS to redefine income as including post-gift appreciation were rejected by IRS in 2000.
- December 30, 2003 – new regulations allowed for a re-definition of income by the Trustee of a PIF (effective 2004).

(C) 2018 - EMANUEL J. KALLINA, II

24

Part 1 – The History of the TRPIF

- Two Major Requirements:
 1. State law must allow this; and
 2. The adjustment in the income payout must be based upon:
 - Unitrust Amount, or
 - A Power to Adjust.

(C) 2018 - EMANUEL J. KALLINA, II

25

Part 1 – The History of the TRPIF

No one in the charitable community reacted – WHY?

1. Taxes were down, and values were down (sound familiar?!).
2. To redefine income, you had to have favorable state law.

(C) 2018 - EMANUEL J. KALLINA, II

26

Part 1 – The History of the TRPIF

3. There was a concern that even favorable statutory law might not be supported by state judicial system (the courts) or decisions of the executive branch (local government authorities).

(C) 2018 - EMANUEL J. KALLINA, II

27

Part 1 – The History of the TRPIF

4. PIFs had become such an albatross, and had such a horrible reputation, that few individuals in the industry wanted to fight the branding hurdle.

(C) 2018 - EMANUEL J. KALLINA, II

28

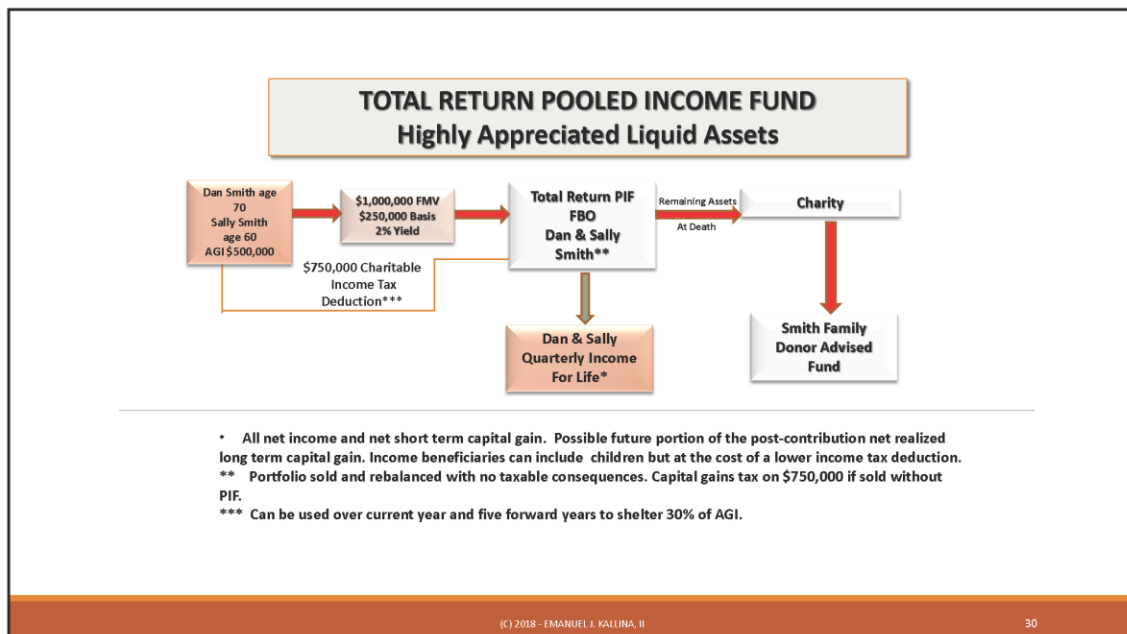
Part 1 – The History of the TRPIF

So, what is different today?

1. Asset Value are up
2. Taxes are up
3. The assumed rate of return on new pooled income funds is 1.2%

(C) 2018 - EMANUELE J. KALLINA, II

29



Part 2 – The Math

2015 PIF Calculations at Deemed Rate of 1.2%

One Life - Age	Charitable Deduction	Two Lives - Age	Charitable Deduction
50	71%	50	65%
55	74%	55	69%
60	78%	60	73%
65	81%	65	76%
70	85%	70	80%
75	88%	75	84%
80	91%	80	87%

(C) 2018 - EMANUELE J. KALLINA, II

31

Part 2 – The Math

Assumptions

Gift Date Aug 16, 2015
 Amount \$100,000
 Historic Rate of Return 1.20%
 Donor Name Emil Kallina
 Number of Lives 2 lives
 Beneficiary #1 Emil Kallina — Born Dec 18, 1948 (Nearest Age: 67)
 Beneficiary #2 Anne Kallina — Born Dec 2, 1952 (Nearest Age: 63)
 Mortality Table 2000CM

Results

1. Rate of return	1.2%	(1)
2. Deduction factor [Table R(2)]	0.763299	(2)
3. Charitable deduction	\$76,329.86	(3)
4. Present value of income interest	\$23,670.14	(4)

(C) 2018 - EMANUELE J. KALLINA, II

32

Part 3 – The Benefits

1. Beneficiaries receive net income with the potential for income to increase with inflation.
2. Net income may include net realized short-term gains.
3. Net income may include net realized post-gift long-term capital gain.

(C) 2018 - EMANUEL J. KALLINA, II

33

Part 3 – The Benefits

4. Donors may contribute debt-encumbered assets to the PIF.
5. PIF income beneficiaries may include multiple generations of the family.
6. There is no minimum or maximum payout rate.

(C) 2018 - EMANUEL J. KALLINA, II

34

Part 3 – The Benefits

7. There is no 10% minimum charitable remainder requirement as mandated by CRT rules.
8. Net income may be taxed at favorable long-term capital gains tax rates, instead of all ordinary income.
9. Donors receive charitable income tax deductions significantly higher than those available from unitrusts and annuity trusts.

(C) 2018 - EMANUEL J. KALLINA, II

35

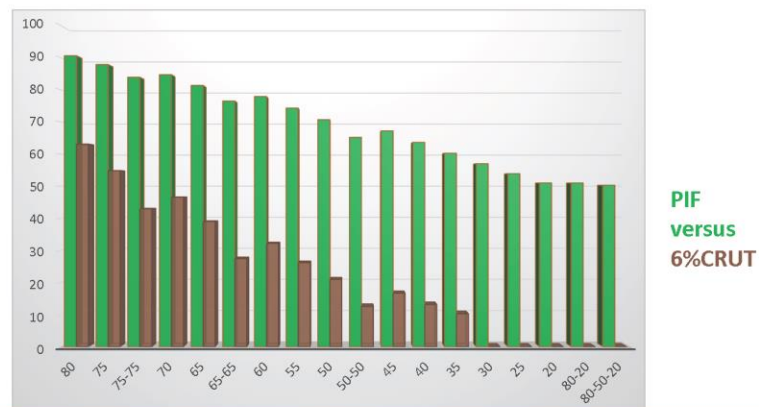
Part 3 – The Benefits

10. Contributions can be made over multiple years.
11. Unlike a CRT, a PIF pays out ALL income, not a set %.
12. Donors can receive charitable income tax deductions significantly higher than those available from unitrusts and annuity trusts.

(C) 2018 - EMANUEL J. KALLINA, II

36

Part 3 – The Benefits



(C) 2018 - EMANUEL J. KALLINA, II

37

Part 3 – The Benefits

13. Donors can avoid long-term capital gains and net investment income taxes when transferring an appreciated asset.
14. All compliance, administration and tax reporting are the responsibility of the Charity. The PIF Charity is the Trustee with final decision-making authority and fiduciary responsibility.
15. Donors can contribute cash and noncash assets.

(C) 2018 - EMANUEL J. KALLINA, II

38

The Planning Opportunities



Pair a large PIF charitable income tax deduction with a 6 Year Installment Sale, offsetting taxes on the sale.

(C) 2018 - EMANUEL J. KALLINA, II

39

The Planning Opportunities



Contribute highly appreciated stock to a PIF and hold shares, but use deduction to offset tax on sale of block of NQ Options.

(C) 2018 - EMANUEL J. KALLINA, II

40

The Planning Opportunities



Contribute debt-free rental real estate to a PIF using deductions to reduce taxes for 6 years.

(C) 2018 - EMANUEL J. KALLINA, II

41

The Planning Opportunities



Offset tax on Roth Conversion by creating a multi-generation PIF with other income producing portfolio.

(C) 2018 - EMANUEL J. KALLINA, II

42

The Planning Opportunities



Transfer highly appreciated QRP stock acquired through an ESOP and contribute a portion to a PIF, using the charitable deduction to offset tax on the portion withdrawn directly.

(C) 2018 - EMANUEL J. KALLINA, II

43

The Planning Opportunities



Note that the charitable income tax deduction is not significantly reduced when using multiple generations, keying off the youngest income beneficiary.

(C) 2018 - EMANUEL J. KALLINA, II

44

Summary

The Total Return PIF is the
ONE OF THE BEST
financial planning tools available



Outbound.

Hunting for planned giving leads takes strategy and experience.



Marketing Services from PG Calc

A marketing offering that includes a fully-customizable planned giving website, strategy, email, direct mail and analytics with analysis. Let us tailor a marketing program just for you!

Visit PG Calc at our booth and learn more about PG Calc's *Marketing Services*.

The Silence of the Lambs: Retirement Plan Distributions to Charities (Track III)

Jeff Comfort

(Thursday, 8:30am - 9:45am & 10:15am - 11:30am)

Great News! You have just received notification from a financial institution that your organization is a beneficiary of a retirement account owned by a donor who recently passed away. You are charged to work with the financial institution to collect this gift. Sometimes this process is relatively simple. More often it involves a myriad of forms and provision of highly personal information. Enough is enough! This presentation will explore the legalities involved and simple solutions.

Jeff Comfort

VP of Principal Gifts and Gift Planning
Oregon State University Foundation



Jeff Comfort has 33 years of gift planning experience. He currently is vice president of principal gifts and gift planning at the Oregon State University Foundation, where he provides strategic leadership to the gift planning program and oversees the staff that assists donors in making deferred, assets-based or complex gifts to the university. He spent 18 years at Georgetown University, where he oversaw university-wide gift planning efforts resulting in approximately \$500 million of gift commitments and receipts in his tenure. Before arriving at Georgetown in 1995, he spent 11 years in Denver directing the gift planning program for the National Jewish Medical and Research Center. As a volunteer leader of NACGP (formerly the National Committee on Planned Giving), Jeff served as president, chaired the 10th National Conference on Planned Giving and was a member of the NCPG board of directors for five years. Additionally, he was a member of the ethics committee and chaired the task force on gift valuation.

The Silence of the Lambs: Retirement Plan Distributions to Charities

Jeff Comfort

Vice President, Principal Gifts & Gift Planning

Oregon State University Foundation

Great News! You have just received notification from a financial institution that your charitable organization has been named the beneficiary of a donor who has passed away. Let's pause to recognize that this is, of course, sad news for the donor but their legacy of philanthropy lives on. Back to the matter at hand; your planned giving program is charged to work with the financial institution to process this gift and put your donor's gift to work. Sometimes this process is relatively simple. You provide some corporate identification and request either a check or transfer to one of your charity's financial accounts and the gift arrives soon after. Other times, the process is not so simple.

The Custodian wants your organization to open an Inherited IRA Account and requires you to provide your very personal information in order to do so.

Stop. Right. There.

This presentation will start at a high altitude assessment of the landscape of IRA Charitable designations including results from a national survey on how the Custodians herd the sheep.

Then we will make our escape getting tangled in Congressional Acts before finding shelter in the Internal Revenue Code.

We will then find everlasting peace in a logical, simple, tenable process and closing with honoring our donors and their philanthropy.

National Survey

Question 1: Your organization has been named the primary beneficiary for 100% of your donor's IRA account. The IRA administrator asks you to open a Beneficiary IRA Account (including completing an Inherited IRA Adoption Agreement). How do you handle this?

- I. Complaints
 - i. Forms are Painful
 - ii. Difficult
 - iii. Extremely Frustrating
 - iv. Unnecessary Paperwork
 - v. Real Hassle

- II. Compliance
 - i. Complete the forms anyway
 - ii. The Patriot Act

- iii. "...if it takes too much effort to convince them to do it a different way, it might be easier to just fill out the forms they want and do it their way – as long as the charity gets a check either way."

III. Creative Workarounds

- i. Keep one Inherited IRA account
- ii. Provide the University President's Private Information

Question 2: Opening an Inherited IRA account includes being asked to provide the personal social security number and driver's license of staff person. How do you handle this?

I. Defiance

- i. There's no way on God's green earth that I'd ever divulge my social..."

II. Acquiescence

- i. "You have zero privacy anyway. Get over it."

Inherited IRA

I. Purpose

II. Definition

III. Terms

The Patriot Act

The **USA PATRIOT Act** is an Act of Congress that was signed into law by President George W. Bush on October 26, 2001. 342 pages. Changed more than 15 existing laws.

"Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001"

I. Sec. 326. Verification of Identification

- i. Section 326 of the Act adds a new subsection (l) to 31 U.S.C. 5318 that requires the Secretary to prescribe regulations setting forth minimum standards for financial institutions that relate to the identification and verification of any person who applies to open an account.
- ii. "For U.S. persons a bank must obtain a U.S. taxpayer identification number (e.g., social security number, individual taxpayer identification number, **or** (emphasis mine) employer identification number)."

Again. Stop. Right. There.

- I. Interesting but Unproductive Path
 - i. No Legal Basis
 - ii. Conspiracy of Compliance
 - iii. One Tenth of 1% of their IRA Distributions

Another Path: The Law

- I. IRA is Actually a Trust, the Banker Custodians are Trustees
- II. Internal Revenue Code Section 408
 - i. Top of the Pyramid Law written by Congress and signed by the President.
 - ii. IRC Section 408 specifically refers to “individual” beneficiaries
 - iii. When the IRC Refers to Individuals,
 - 1. It specifically Means Human Beings
 - a. A Measurable Life Expectancy
 - 2. As Opposed to “Persons”
 - a. Individuals, Partnership, Corporation, Non-profit Corporation, Association, Joint Venture, Private Organization or other Legal Entity.
 - iv. Specifically, an Inherited IRA is an IRA Acquired from an Individual Who is not a Spouse.
 - v. Only an Individual can Acquire an Inherited IRA
 - vi. Only a Human Being can Establish an Inherited IRA.
 - vii. Strategy Distills to this Simple question for the Custodian:
 - 1. What is your Legal Basis for Requiring my Charity to Open this Account?
 - viii. Reach the Right Person in the Custodial Firm
 - ix. “The Compliance Department,” “Office of Risk Management” or “Legal.”

The assets in the XXX IRA that YYY Financial is holding lawfully belong to the Foundation and we ask for them to be delivered promptly, please. We have provided you with our Foundation name, address and EIN. If YYY will not do this, please provide us with your legal basis for holding these funds and not delivering them to us.

Imagine...

Today's
Seeds Yields
Tomorrow's
Harvest



INSPIRE
GIVING



The Orchard Foundation offers a wide range of gift planning tools to make the most of your God-given resources.

- Charitable Gift Annuities
- Donor Advised Funds
- Endowment Agreements
- Charitable Remainder Trusts
- Institutional Reserve Funds
- Processing Gifts of Stock/Securities

E-mail steward@theorchard.org • Toll Free (888) 689-6300 • Web www.inspire-giving.com

How to Manage Your Administrator (Track III)

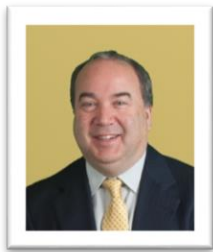
Gary Pforzheimer

(Thursday, 8:30am - 9:45am & 10:15am - 11:30am)

Fundraisers are good at managing relationships, with a focus on keeping their donors happy. But there's another key team member in reaching that goal – the gift administrator. Whether in-house or outsourced, the multitude of tasks the administrator performs play an important role. In this session, I'll demystify what goes on in the administration of life income gifts and what it takes to best manage this important relationship.

Gary Pforzheimer

President
PG Calc Incorporated



Gary is the President of PG Calc and has directed all aspects of the company since its inception. A leader in the fundraising community, Gary has spoken on planned gift development, administration, and technology-related topics to numerous groups, including planned giving associations across the country, the American Council on Gift Annuities (ACGA) and the National Association of Charitable Gift Planners (CGP). Gary served as the Chair of PPP in 2009 and has received the David Donaldson Distinguished Service award from the Planned Giving Group of New England (PGGNE). Gary currently serves on two non-profit boards and two for-profit boards. He received an A.B. in History from Harvard College in 1984 and an M.B.A. from Harvard

Business School in 1991.

How to Manage Your Administrator

ACGA Conference 2018

Gary Pforzheimer
President
PG Calc
888-497-4970
gary@pgcalc.com



How to manage your administrator

1. Who are all the players anyway?
2. What are the main tasks of an administrator?
3. What are the characteristics of an excellent administrator?
4. It takes two to tango
5. Pitfalls and horror stories

2

1. Who are all the players anyway?

- Custodian
- Trustee

3

1. Who are all the players anyway?

- Investment manager
- Administrator

4

1. Who are all the players anyway?

- Tax preparer
- State registration annual filer

5

2. What are the main tasks of an administrator?

- Maintain an accurate database
- Process new gifts, terminations, and data changes

6

2. What are the main tasks of an administrator?

- Send payments out
- Send tax forms out
- Complete compliance reports

7

3. What are the characteristics of an excellent administrator?

- Be an extension of your brand
- Perform all tasks accurately and on time
- Communicate excellently

8

3. What are the characteristics of an excellent administrator?

- Know the compliance responsibilities
- Use proven and constantly improving processes and checklists
- Verify and clarify

9

3. What are the characteristics of an excellent administrator?

- Have appropriate security concerns and considerations for your data
- Lead the process

10

4. It takes two to tango

- Provide accurate information on time
- Be responsive to requests

11

4. It takes two to tango

- Provide backup personnel for absences
- Be an educated consumer of these services
- Pay your bills on time

12

5. Pitfalls and horror stories

- Return from the dead

13

5. Pitfalls and horror stories

- That's just wrong!

14

5. Pitfalls and horror stories

- Afraid to call a donor

15

5. Pitfalls and horror stories

- Oops, I forgot about this gift until now

16

5. Pitfalls and horror stories

- I didn't think I needed to tell you that

17

Questions and answers

18



NATIONAL ASSOCIATION of
Charitable Gift Planners

Stop by Booth 108 and See Us!

Maximize Your Potential.

The National Association of Charitable Gift Planners (CGP) is your professional home—a place to learn, advocate and build your career through a national network of charitable gift planning peers.

Find Your Network.

With more than 8,000 members and over 100 local councils, you'll interact with planners who work for all types of nonprofits and every advisor profession. Connect with colleagues who share your interests, challenges and goals.

Advance Your Career.

Our national organization and local councils provide the knowledge and resources you need to thrive in your local community, as well as the broader field of charitable giving.

Get the tools to do your job better.

www.charitablegiftplanners.org

CGP CONFERENCE

Education for every professional at every experience level.

Join us in Las Vegas from October 17-19 to engage with hundreds of professionals in exploring progressive, cutting edge content to build and re-energize your charitable gift planning skills.

CGAs Funded With Illiquid Assets (Track III)

David Wheeler Newman

(Thursday, 8:30am - 9:45am & 10:15am - 11:30am)

Many charities accept only cash and publicly-traded securities for a gift annuity. Others will consider real estate and perhaps closely-held stock. Although the flip unitrust is ideal for an asset like real estate, some donors want the security of fixed payments. This session will show how to handle a gift of real estate and other illiquid assets, so that the charity is protected and the donor is treated fairly.

David Wheeler Newman

Chair, Charitable Sector Practice Group
Mitchell Silberberg & Knupp LLP



David Newman chairs the Charitable Sector Practice Group at the Los Angeles law firm of Mitchell Silberberg & Knupp LLP. For what seems to him like forever he has advised families and individuals concerning their foundations and other philanthropy, as well as charitable organizations and their donors on the legal and tax aspects of planned giving. He also advises these organizations on transactional and governance matters. David is a former member of the Board of the National Committee on Planned Giving, where he served as an officer and member of its executive committee, and a former member of the Board of Directors of the American Council on Gift Annuities. In 2012 he received the Dana Latham Award from the Los Angeles Tax Bar for outstanding contributions in the field of taxation. He is a founder and President Emeritus of New Roads School in Santa Monica and a member of the Board of Directors of California Community Foundation. David was named Los Angeles Non-Profit / Charities Lawyer of the Year for 2015 by The Best Lawyers in America.

ACGAs Funded with Illiquid Assets: Overcoming Obstacles



David Wheeler Newman

Illiquid Asset Categories

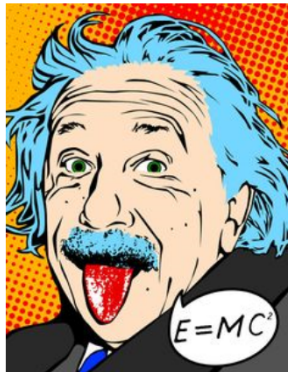
- Real Estate
- Tangible personal property
 - Artwork and collectibles
 - Automobiles
 - Cryptocurrency
- Stock that is not publicly traded
- Partnership or LLC interests
- Intellectual property

An Opportunity with Challenges

- Appreciated asset category
- Often substantial value
- But unique qualities of real estate
 - May be *very* illiquid
 - May be encumbered by debt
 - May come with liabilities
 - May require management



This calls for creativity + perseverance!



Challenge:

- Issuing Charity doesn't know how much the property will sell for
- What value to use to set the annuity rate?



One Approach

- Mitigate the risk by discounting the annuity payment
- E.g. if annuity for 75 year old would be 5.8%, the charity could offer 4.5%
- State regulator may require a signed donor acknowledgement that accepting less than the Charity's standard rate

Or Wait to Set the Rate

- Gift agreement provides that annuity will be 5.8% of net sales proceeds
- Payments begin in the quarter following the sale
- But how is deduction calculated?
 - Not an issue if the property sells before the due date of the donor's tax return
 - Agreement provides if it not sold by March 31 of following year, annuity will be 4.5% of appraised value

Example

- May of Year 1 donor age 75 transfers property appraised at \$1M
- Charity agrees to pay annuity of 5.8% of net proceeds if sold by March 31 of Year 2
- Property sells in September with net proceeds of \$900K
- Charity issues contract to pay annuity of \$52,200 beginning December 31, Year 1

Example

- Deduction based on DCGA funded with property valued at \$1M with deferral from gift in May to first payment in December

Example

- If property hasn't sold by March 31 of Year 2
- Charity issues contract to pay annuity of \$45,000 starting June 30 of Year 2
- Year 1 deduction based on DCGA funded with property valued at \$1M with deferral of first payment 13 month from date of gift to June of Year 2

Hey, what about IRC 514(c)(5) CGA Requirements?



- Sole consideration for the property
- Value of CGA <90% of value of property
- Payable over one or two lives
- Does not guarantee minimum or maximum amount of payments
- Does not provide for adjustment of payments *based on income received from the transferred property*

What if Newman's Wrong?

- Value of the annuity would be treated as acquisition indebtedness
- Resulting in unrelated debt-financed income variety of UBTI
- When the charity sells the property, its gain could be taxed at maximum 21%

Challenge:

Property Management

- Many charities don't have in-house capability for property management or to handle sale of property
- One solution is to retain a consultant to assist

Challenge:

Mitigating Risk

- Gift acceptance policies and procedures should specifically address real estate and other illiquid assets
- Environmental review
 - Important
 - But don't overreact!

challenge

The SMLLC Approach for Real Estate

- A limited liability company protects its owners from liability arising from LLC assets
- A single member LLC is disregarded for income tax purposes
- No tax return required

IRS Notice 2012-52

- IRS confirms that donor may treat a transfer to a SMLLC owned by charity as a contribution to the charity
- The required contemporaneous written acknowledgement is issued by the charity, not the SMLLC

The SMLLC Approach

- So effective, inexpensive, and easily implemented that organizations developing gifts of real estate should consider creating a SMLLC in advance to receive and dispose of these gifts

Appraisal Requirements

- Qualified appraisal required for items worth more than \$5,000
- Summary (Form 8283) must be filed with 1040
- For artwork more than \$20,000 (and any property more than \$500,000) must attach the actual appraisal

Artwork

- IRS offers statement of value opinion
 - \$2,500 user fee
- Only if art already transferred
- Art Advisory Panel
 - Reduces one-third of valuations

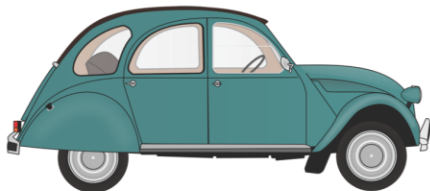


Cryptocurrency and Collectible Coins

- Are they currency or tangible personal property?
- General rule is TPP unless held as a medium of exchange
- IRS treats Bitcoin and other cryptocurrency as property
 - Is it tangible?

Automobiles

- Deduction limited to proceeds of sale by the charity
- (unless charity certifies exempt use or material improvement of vehicle)
- Enhanced substantiation requirements



Related Use

- Appreciated tangible personal property
- Full value deduction allowed if charity will use the gift in a manner related to its exempt purpose
- E.g. rare books to a library

Unrelated Use

- Deduction limited by §170(e) to basis if use by charity is unrelated to its exempt purpose
- E.g. rare books to aquarium
- E.g. immediate sale by charity

CGAs Funded with Illiquid Assets

**Opportunities
With
Challenges**



Thursday, April 26 - Rates Luncheon

(11:45am - 1:15pm)

[Gift Annuity Rates Presentation & ACGA Chair's Address \(Luncheon\)](#) 260



is proud to support the
American Council on
Gift Annuities



Gift Annuity Rates Presentation & ACGA Chair's Address (Luncheon)

David Ely, CFA, ACGA Rates Committee Chair & Laurie W. Valentine, J.D., ACGA Lead Co-Chair

Join us as the ACGA Rates Committee Chair discusses developments regarding ACGA's suggested maximum gift annuity rates.

David Ely, CFA

Vice President
Wilmington Trust, N.A.



David is a Senior Private Client Investment Advisor and is responsible for developing customized investment portfolios for his clients based on their unique parameters for risk, return, liquidity, and other factors. After taking the time to listen to his client's objectives and to understand any tax, legal, and personal considerations, David then structures a well-diversified portfolio in keeping with each client's asset allocation program. David continually monitors and periodically rebalances his clients' portfolios to meet their evolving needs and to take advantage of new investment opportunities.

Prior to joining Wilmington Trust, David was a Vice President of State Street Global Advisors and a Senior Portfolio Manager in the firm's Investment Solutions Group. He was responsible for developing and implementing tactical and strategic multi asset class solutions for institutional clients. David was the Investment Team Leader for the portfolio management team dedicated to SSGA's Charitable Asset Management (CAM) where he was responsible for setting asset allocation strategy and managing charitable gift portfolios for all CAM clients. Prior to joining State Street in 1999, David worked for Salomon Smith Barney's Private Client Group.

David earned his Bachelors degree in Economics from the University of North Carolina at Chapel Hill, and his Masters degree in Finance at Northeastern University. He holds the Chartered Financial Analyst designation and is a member of the Boston Security Analysts Society, as well as the CFA Institute. David is also a Board member of the American Council on Gift Annuities.

Laurie W. Valentine, J.D.

Fisher & Sauls, P.A.



Laurie Valentine recently rejoined the Wills, Trusts and Estates Department of Fisher & Sauls, P.A., in St. Petersburg, Florida, where she practiced from 1982 to 1993. Her law practice is concentrated in the areas of planning for federally taxable estates, will and trust preparation, probate and trust administration, charitable gift planning, and business succession planning. Prior to her return to private practice in October 2017, Ms. Valentine served for 23 years as Trust Counsel and Chief Operating Officer of the Kentucky Baptist Foundation (KBF) in Louisville, Kentucky. Ms. Valentine's work at the KBF included administration of the trust compliance for the KBF's \$175 million of endowment, investment management, donor advised fund, charitable gift annuity, and charitable remainder trust accounts; working with donors and their advisers to develop charitable gift plans to accomplish the donor's charitable giving objectives; and providing charitable giving expertise to KBF staff and the development staff of the Kentucky Baptist Convention and its related institutions and agencies.

Laurie has spoken on a variety of estate planning, charitable gift planning, and incapacity planning topics at seminars sponsored by The Florida Bar, Louisville Bar Association, ACGA, Crescendo Interactive, and National Catholic Development Conference.

Ms. Valentine has been involved in various professional and community activities over the past 35 years, including service, beginning in 2000, on the board of ACGA where she currently serves as Lead Co-Chair.

Thursday, April 26 - Afternoon Sessions

(1:30pm - 2:45pm & 3:15pm - 4:30pm)

One Size Does Not Fit All: How to Brew the Best Marketing Blend for Your Nonprofit (Track I)	262
The Case of the Peanut Butter and Jelly Sandwich (Track I)	270
CRT 101: Income for Donors, Tax Savings, a Lasting Philanthropic Legacy (Track I)	285
IRAs: The Best Asset Ever Made for Planned Giving - Discover Everything You ... (Track II)	295
Big Data: Giving Propensity (Track II)	325
Understanding the Older Donor (Track II)	343
Does Strict State Regulation Actually Protect Gift Annuitants? (Track III)	357
Assessing the Health of your Gift Annuity Program? (Track III)	370
Compatible or Combatale? The Working Relationship between Business and ... (Track III)	387

One Size Does Not Fit All: How to Brew the Best Marketing Blend for Your Nonprofit (Track I)

Jeremy Arkin & Stuart Shapiro

(Thursday, 1:30pm - 2:45pm & 3:15pm - 4:30pm)

Finding the right marketing combination for your organization isn't always easy. How do you prioritize? How do you know what's working? Duke's Gift Planning and Marketing teams asked the same questions when they revamped their marketing program three years ago. They'll share successes and challenges so you can apply lessons learned and best practices to any type of program.

Jeremy Arkin

Assistant Vice President, Office of Gift Planning
Duke University Office of Planned Giving



Jeremy works with donors and their advisors to explore gift strategies with complex tax and legal implications. He first came to Duke as Director of Endowment Administration. Prior to that, he was Vice President of Philanthropic Services at the Community Foundation for Greater Atlanta and a corporate lawyer at Troutman Sanders, LLP, in Atlanta. Jeremy received his law degree from UNC and his undergraduate degree from Haverford College.

Stuart Shapiro

Director of Marketing and Communications
Duke Office of University Development



Stuart Shapiro is the Director of Marketing and Communications in the Office of University Development. In this role, he collaborates with leadership to articulate compelling gift opportunities, direct the editorial and messaging strategy for all development communications collateral, oversee the creation and execution of annual marketing plans, conduct audience and brand research, and direct media relations and social media activity.

Prior to Duke, Stuart served as Strategy Director for Blue State Digital in Washington, DC where he was responsible for uncovering the audience insights that shape brand identities and creating digital programs for raising money and driving action. During his tenure at BSD, he worked with a variety of clients including the World Wildlife Fund, The Ohio State University, the Smithsonian, and Howard University. Before Blue State Digital, he worked as an integrated producer for McCann Erickson, where he managed award-winning campaigns for heavy-hitting brands including Verizon Wireless, Nikon, General Mills, and MasterCard.

Stuart received a Bachelor of Fine Arts from New York University's Tisch School of the Arts in Film & Television Production and Psychology. He also received an MBA from The Pennsylvania State University's Smeal College of Business.



Process

Engaged a branding & marketing firm

Inputs:

- Fundraisers from across campus
- Third-party research studies
- Communications Audit
 - Gift Planning communications to staff
 - Gift Planning communications to donors
 - Gift Planning general marketing materials
 - School and unit publications to donors

What we're up against

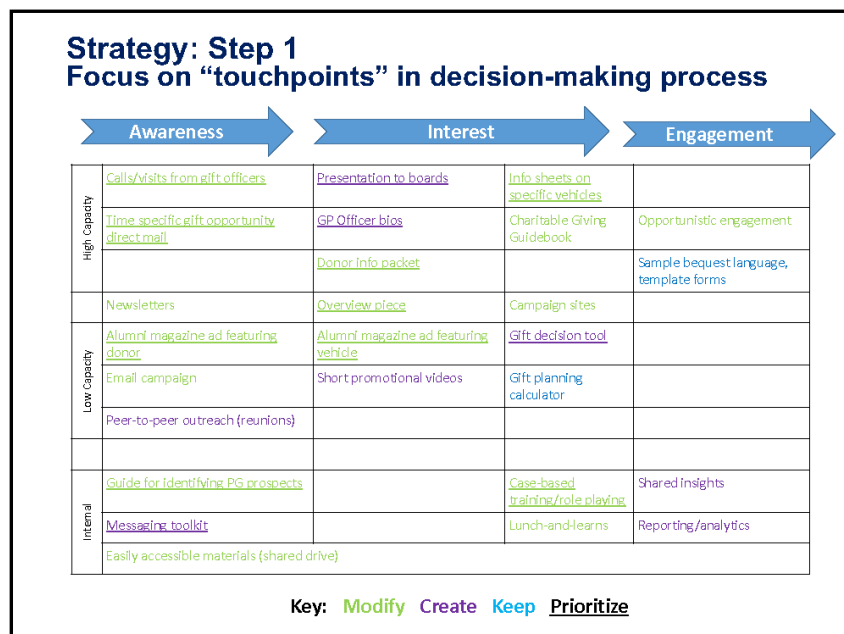
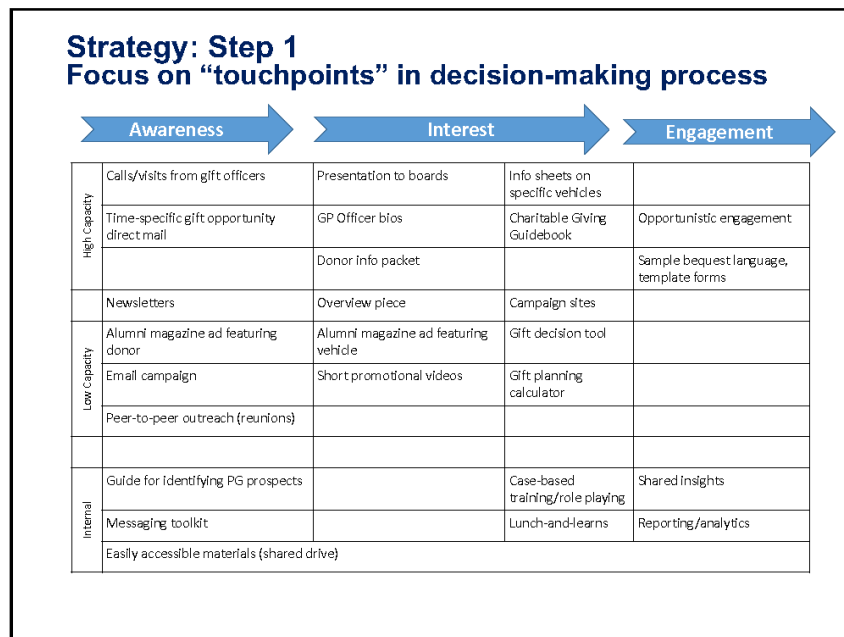
Internal perceptions: Gift planning is...

- under-publicized
- under-appreciated
- misunderstood

What we're up against

External Barriers: those old “myths vs. realities”

Myth	Reality	Implications
It's dull, boring and about death	It's about impact and creativity	Tone should be less technical, more energetic, urgent
It's for old, rich people	It's for people in their prime and those loyal to Duke	Feature broader array of donors
It's about financial products people don't want	It's helps donors have more impact on something they're passionate about	Characterize PG donors as imaginative and committed
It's an add-on	It's an integral part of giving	Align with other development communications
It's smart financial planning	It's an emotional decision; it's taking giving to another level through planning	Focus communications on impact, then financial benefits
It's something that can be dealt with later	You should think about this now	Balance discussion of benefits with calls to action



Strategy: Step 2 **Outline a plan for each touchpoint**

Touchpoint: time-specific gift opportunity direct mail

OBJECTIVES:

- Generate awareness of how specific planned gift opportunities can help donors give more to Duke
- Convince donors to give now, not to wait

RECOMMENDATIONS

- Ensure headlines unapologetically convey the urgency and benefits of making a specific planned gift:

Example:

Current: "As the year draws to a close, consider a gift with a lasting impact"

More direct and urgent: "As the year ends, your influence begins. Create lasting impact with a charitable gift annuity before rates fall."

- Personalize the ask by adding contact information for specific gift planning officers in your calls to action

FORMAT:

- Print collateral (postcards, tchotchkes)

EFFECTIVENESS MEASURES:

- Annual email donor satisfaction surveys measuring:
 - awareness of planned giving
 - how they heard about it (do they remember getting the direct mail piece?)
- Uptick in calls and site traffic within 1 month after sending over prior month, and vs. the same time the prior year

Strategy: Step 3 **Determine appropriate level of investment**

Low/Tall

- Survey – contract or Survey Monkey
- One-pagers – print as needed from office printer
- Email appeals

Medium/Grande

- Infographics
- Direct marketing/postcards
- Donor impact stories

High/Venti

- Blog
- Videos (though you can just use an iPhone!)

Top 10 Lessons Learned

1. Know your audience
2. Look at the full communications picture
3. Keep it simple
4. Be willing to make hard decisions
5. Show some personality
6. Research, test, repeat
7. Focus on impact, not the gift vehicle
8. Show a range of donors
9. Have a multi-channel approach
10. Stewardship matters —especially if revocable!

If You Do Nothing Else...

1. Get to know your audience
2. Start talking about planned giving, in any way possible
 - Simplify message
 - Talk about benefits to donors
 - Add Gift Planning reference into your existing communications
3. Have patience – this is a long-term game

Questions?

Thank You!

Jeremy D. Arkin, J.D.
Assistant Vice President of Gift Planning
Office of University Development
jeremy.arkin@dev.duke.edu

Tracey Temne, MBA
Director of Marketing & Communications
Office of University Development
stuart.shapiro@duke.edu

HONOR THEIR WISHES, ADVANCE YOUR WORK.



Chisholm Chisholm & Kilpatrick LTD Bequest Management



At Chisholm Chisholm & Kilpatrick LTD, our Bequest Management team is dedicated to ensuring that your organization honors your donors' wishes, accelerates the distribution of their gifts, and maximizes the impact of their generosity. Working on your behalf, our team of experienced professionals will:

- Relieve you of your paperwork and administrative burden that comes with the receipt of bequest
- Scrutinize all bequest correspondence to safeguard your organization's legal and financial interests
- Maximize distributions by facilitating the administration process
- Give you secure online access to real-time status and case documents on your bequests
- Nurture the relationships that families have with your organization and promote a pattern of giving in future generations

**www.cck-law.com
401.331.6300**

The Case of the Peanut Butter and Jelly Sandwich (Track I)

Lindsay Lapole, CFRE

(Thursday, 1:30pm - 2:45pm & 3:15pm - 4:30pm)

...blending the donor's needs, goals and objectives with those of your organization

Your prospect has said they want a peanut butter and jelly sandwich. Off to the office you go to create the perfect PB &J sandwich, close the deal and move closer to your goal. But wait, what type of bread should you use? Of the 38 types of peanut butter and over 100 types of jelly on my grocers shelf this morning, which does your prospect prefer. Something so simple, leaves us with decisions that should be made by our prospect not by us! Asking questions and relating to our prospects seems to be the new "catch phrase" in gift planning! However, are you asking the correct questions in order to identify how to fulfill the needs, goals and objectives of your prospect?

Three characteristics of your prospects needs, goals and objectives will form the basis of our discussion. Also included will be a discussion of five unique question types and their relative order of significance. All questions are not equal and most first responses are incomplete. We will also consider the proper wording and sequencing of our questions and discussion with our prospects as a valid and crucial aspect of blending the needs, goals and objectives of the donor into an effective gifting proposal. By spending the time working through these simple, yet essential concepts, your opportunity for success will be greatly enhanced.

Lindsay Lapole, CFRE

President & CEO
Youth for Christ Foundation



Mr. Lapole is a native of West Virginia and a graduate of Marshall University in Huntington, West Virginia. Lindsay began his career in fund raising and with the Boy Scouts of America in 1969 in Louisville, KY.

In 1979, Mr. Lapole became the Divisional Development Director of The Salvation Army, Kentucky/Tennessee Division in Louisville, Ky. In October 1980, he became the Planned Giving Director in the same Division. Beginning in January 1983 he became the Divisional Planned Giving Director in the Florida Division of The Salvation Army.

In August 1986, Mr. Lapole became the Territorial Planned Giving Director of The Salvation Army, Southern Territory, a position from which he retired in July 2013. He was responsible for recruiting, training, and technical consultation for the professional staff of 34 in the 15 Southeastern states. He is also responsible for the administration, marketing, and quality control for the program across the territory

Mr. Lapole has served on the Board of Directors of the Georgia Chapter of the Association of Fund Raising Professionals and received his Certified Fund Raising Executive credential in 1985. He is a past board member and President of the Georgia Planned Giving Council. He also served for fifteen years as Chairman of the National Planned Giving Consultants Committee of The Salvation Army.

Mr. Lapole was elected to the Board of Directors for the American Council on Gift Annuities in 1999 and has served as the Conference Chair of the 2004 ACGA Conference, Chair of the State Regulation Committee and Secretary to the Board. From April 2008 to April 2017 Lindsay has served as President, CEO and Chair of the Board of Directors of the American Council on Gift Annuities.

In addition to his speaking and training responsibilities for The Salvation Army on a regional and national basis, Mr. Lapole has been a frequent speaker on topics related to planned giving, and fund raising management throughout the country. In 2012, he was invited by the Republic of Korea to speak at the 2nd International Conference on Sharing in Seoul, South Korea.

In formal retirement Lindsay continues to serve the charitable community, both nationally and internationally, serving currently as President and CEO of the Youth For Christ Foundation in Englewood, CO.

The Case of the PEANUT BUTTER AND JELLY SANDWICH!

Lindsay Lapole
Lindsay Lapole & Associates

OUR GOAL TODAY

**FOR YOU TO CLOSE MORE AND
LARGER GIFTS!**

Meaningful Prospect to Donor Transition

- ▶ Want to **Fix** Something
- ▶ Want to **Avoid** Something
- ▶ Something they need/want to **Accomplish**

INDIVIDUAL ACTIVITY #1

What is our favorite brand and style of Peanut Butter?

What is your rationale for liking this PB best?
(1 minute)

INDIVIDUAL ACTIVITY #2

What is your favorite brand and style of Jelly, Jam, accompaniment for your PBJ sandwich?

What makes this your favorite?
(1 minute)

Group Discussion
(4 minutes)

INDIVIDUAL ACTIVITY #3

What type of Bread do you like best for your PBJ sandwich?

What makes that your favorite?
(1 minute)

Group Discussion
(4 minutes)

NOW---

YOU ARE CLOSE TO BEING
READY TO MAKE A PROPER
PBJ SANDWICH-

for your prospect

PROSPECTS “Stated Desire”

- ▶ Absolutely Personal
 - ▶ In place before you ever arrive.
 - ▶ Based on THEIR attitudes, experiences, beliefs, (group offerings)
 - ▶ Your task is to understand and help them define the concept-NOT TO CHANGE IT!

UNDERSTANDING YOUR PROSPECTS “STATED DESIRE”

- ▶ Empathetic interaction
- ▶ Sincere interest in them
- ▶ Sincere interest in their needs and desires
 - ▶ Listen, listen, listen
- ▶ Leave your mission statement in the car (You have been invited into their home because they support your mission.)

“STATED DESIRE” – 1

- ▶ “I want to leave everything I have to my children!”
 - ?? What is your response???

“STATED DESIRE” – 2

▶ I want to help children!

- What is your response?

“STATED DESIRE” – 3

▶ I want to help the hospital, theatre,
museum, university, symphony,
church, civic movement---pick one!

- What is your response?

STRUCTURED INTERACTION

What will need to take place in order for the DONOR to feel their **“Stated Desire”** has been understood and fulfilled?

A structured interaction using properly worded and sequenced questions!

The “5 P’s”

People—all the people/organizations who may be objects of their gifting desires

Property—All property over which they hold incidence of ownership on their DOD.

Plans—current wills, trusts, contracts that effect distribution.

The “5 P’s” (continued)

Planners—attorney, accountant, trustee, POA, or
DECISION INFLUENCERS.

Priorities—their **goals, needs** and **objectives**—what
they want to **fix, avoid** or **accomplish**.

FIVE TYPES OF QUESTIONS

- ▶ NEW INFORMATION
- ▶ CONFIRMATION
 - ▶ ATTITUDE
- ▶ COMMITMENT
- ▶ BASIC ISSUES

NEWSPAPER QUESTIONS

- ▶ Who, What, when, where, and how
- ▶ Gathering information that you do not have!
- ▶ The prospect is the best source of what you need to know!

CONFIRMATION QUESTIONS

- ▶ I THINK I KNOW, BUT I NEED TO CHECK!
- ▶ Better safe than sorry!
- ▶ This is too important to not have all my information correct.
- ▶ The prospect is the best source of what you need to know!

ATTITUDE QUESTIONS

- ▶ Feelings and attitudes
- ▶ Heart/emotional response to your discussions
- ▶ MOST IMPORTANT QUESTIONS
- ▶ GIFTS ARE CLOSED IN THE HEART---NOT IN THE HEAD

COMMITMENT QUESTIONS

- ▶ Gauge to level and stage of commitment.
- ▶ Determine acceptance of intermediate action steps.
- ▶ Measure readiness to move forward

BASIC ISSUES

- ▶ When the questions have been answered!
- ▶ When the objections have been resolved!
- ▶ When phone calls are not returned!
- ▶ When progress stops!
- ▶ When appointments are REFUSED or cancelled!
- ▶ When documents are not executed!
- ▶ **YOU MAY HAVE A BASIC ISSUE!**

RESOLVING BASIC ISSUES

- ▶ The level and quality of trust and credibility you have earned along the way will be essential.
- ▶ Your willingness to ask the highly personal questions about attitudes and priorities will either move the process forward or end the gifting discussion.



Lindsay L Lapole, President

Lindsay Lapole & Associates
Donor Centered Gift Development
1865 Lamp Post Lane
Lawrenceville, GA. 30043
678-727-6648



In the last 15 years, we have worked with over 250 charities ranging from \$2 million to \$20 billion.

1. Indirect Non-Cash Asset Receipt/Disposition Consulting

To minimize risks of being on the chain of title, tax issues or a very short decision period, charities may refer non-cash assets like real estate, closely-held business interests and any other illiquid asset to the Dechomai Foundation – a national donor advised fund dedicated to non-cash assets. The Dechomai Foundation handles the due diligence, receives the gift, manages it during the holding period and then grants all the net sales proceeds based on the donor’s recommendation. Dechomai has received more than \$750 million in gifts since 2003 and the average fee on the net sales proceeds has been 1.7%.

2. Direct Non-Cash Asset Receipt/Disposition Consulting

Charitable Solutions, LLC can serve as a project management agent to help foundations receive non-cash assets directly and/or we can help optimize the sales value of “stale” illiquid assets.

3. Charitable Gift Annuity Risk Management Audits Many charities operate gift annuity pools either for their own donors, for other non-profits or both. We have completed over 200 audits on over \$2.5 billion in gift annuity assets.

4. Charitable Gift Annuity Reinsurance Brokerage Services

Gift annuity reinsurance may prove effective when charities may 1) be concerned about large, concentrated risks, 2) want the immediate use of the money or 3) wish to distribute an immediate grant to another charity. In these situations, we help design annuity products and then shop the coverage to 23 different carriers to get the best rates possible. We work with over 150 charities and have placed over 2,000 contracts.

5. Life Insurance Appraisal, Audit and Management Service

Charitable Solutions serves as a qualified appraiser of donated life insurance and annuity policies. We also provide comprehensive insurance pool audits for charities.

6. Continuing Education Speeches (more than 2,000 speeches)

7. Emergency Assistance Fund Administration

8. National Gift Annuity Foundation (www.nationalgiftannuity.org)

This Foundation the largest independent gift annuity platform in the country with 600+ contracts, \$20+ million in CGAs and over \$100 million in unrestricted assets. We are able to offer gift annuities to donors in 49 states. We follow ACGA suggested rates and allow 100% of the residuum to be granted to the charity(ies) the donor recommends.

9. Charitable Estate Settlement Services

10. Bitcoin/Virtual Currency Appraisals

We are the only qualified appraisers nationally and have completed over 200 appraisals since 2014. For further information please visit our websites at www.charitablesolutionsllc.com or www.dechomai.org or call **Bryan Clontz, Ph.D., CFP®, CAP®** at (404) 375-5496.

CRT 101: Income for Donors, Tax Savings, a Lasting Philanthropic Legacy (Track I)

Cris Lutz

(Thursday, 1:30pm - 2:45pm & 3:15pm - 4:30pm)

A charitable remainder trust (CRT) is an irrevocable tax-exempt trust that generates an income stream for donors or other beneficiaries, with the remainder of the contributed assets going to their favorite charity or charities.

The presentation will provide an overview of this effective gift planning vehicle, including case studies of successes - and near misses! Participation, discussion, and questions are welcome.

Cris Lutz

Planned Giving Director
The Huntington Library Art Collections, and Botanical Gardens



Cris Lutz is the Planned Giving Director at The Huntington Library, Art Collections, and Botanical Gardens, where she helps donors leave enduring legacies at the collections-based cultural institution. Prior to joining The Huntington in 2005 as Associate Director of Major Gifts, she held several positions at Big Brothers Big Sisters of Greater Los Angeles, ultimately serving as Director of Individual Giving.

She was an adjunct faculty member at Pasadena City College, where she taught a Psychology course from 1998 to 2003. Cris has a master's degree in Psychology from Cal State Fullerton and has bachelor's degrees in Art History and Social Science from UC Irvine.

Cris serves on the board of the Los Angeles Council of Charitable Gift Planners as well as the American Council on Gift Annuities, and is a member of the San Gabriel Valley Estate Planning Council. Cris is a certified specialist in planned giving through the American Institute for Philanthropic Studies.

She lives in Los Angeles with her husband and their daughter.

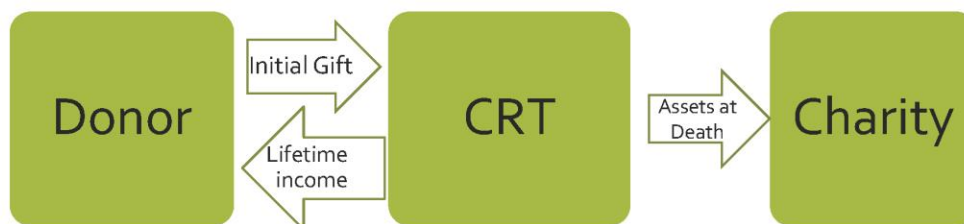
CRT 101

INCOME FOR DONORS, TAX SAVINGS, AND A LASTING PHILANTHROPIC LEGACY

Cris Lutz, Planned Giving Director
The Huntington Library, Art Collections, and Botanical Gardens
Contact: clutz@huntington.org

What is a charitable remainder trust?

A **charitable remainder trust (CRT)** is an irrevocable trust that generates a potential income stream for donors or other beneficiaries, for their lifetime or a term of years, with the remainder of the donated assets (after the trust term) going to their favorite charity or charities.



CRT 101: Income for Donors, Tax Savings, and a Lasting Philanthropic Legacy

Donor Profile: Ideal Candidates for a CRT

A CRT is most appropriate for a donor who:

- has philanthropic intent
- wants to secure an income tax deduction
- wants to secure an income stream for themselves or other individuals
- seeks to defer capital gains tax and preserve the value of highly appreciated assets, such as stock or real estate
- wants to reduce their taxable estate

CRT 101: Income for Donors, Tax Savings, and a Lasting Philanthropic Legacy

Important considerations

- A CRT is an **irrevocable** planned gift
- Donor will need legal counsel to prepare the CRT document
- Complexity: CRTs have unique taxation, accounting rules, and investment requirements, and require ongoing administration, investment and management
- CRTs may not be used to fulfill a legally binding pledge
- What is the donor's risk tolerance, i.e., how does she or he invest their own assets? Important to ensure that donors understand how the trust will be invested.
- Always encourage donors to consult with their own tax and/or legal advisors to determine whether a CRT is the best vehicle and strategy for their situation

CRT 101: Income for Donors, Tax Savings, and a Lasting Philanthropic Legacy

What assets may be donated to a CRT?

Refer to your gift acceptance policy!

- Cash
- Publicly traded securities
- Some types of closely held stock (CRT's cannot hold S-Corp stock)
- Real estate or other appreciated assets

CRT 101: Income for Donors, Tax Savings, and a Lasting Philanthropic Legacy

Types of CRTs

Charitable remainder trusts can be structured to meet donors' philanthropic and wealth planning needs.

- **Charitable Remainder Unitrust (CRUT):** Distributes a *fixed percentage* of the annual fair market value of the trust's assets, usually valued on January 1 each year.
- **Net Income Charitable Remainder Unitrust (NICRUT):** The trust pays the lesser of the unitrust amount (as per the trust agreement) OR the trust's net income.
- **Net Income with Make-up Charitable Remainder Unitrust (NIMCRUT):** The trust pays the lesser of the unitrust amount OR the trust's net income, like the NICRUT. This type of CRT includes a makeup provision, where the trust will monitor years where there is a shortfall, and make true-up payments to the income beneficiary in years where there is excess income to the trust.

CRT 101: Income for Donors, Tax Savings, and a Lasting Philanthropic Legacy

Types of CRTs (continued)

- **Flip Charitable Remainder Unitrust (FLIP CRUT):** Initially pays only the net income earned by the trust, and then “flips” to a standard unitrust after the occurrence of a “triggering event.” This type of trust is ideal when the funding asset is illiquid (e.g., real estate).
- Permissible triggering events: sale of illiquid assets; birth, death, marriage, or divorce of any individuals; or a specific future date.
- Due diligence and adherence to organization’s gift acceptance policy is critical.
- Real estate (flips to a standard unitrust on January 1 of the year after the sale)
 - “You can’t live in your CRT.” The donor cannot continue to live in the property as it would be considered an act of self-dealing, and disqualify the tax-exempt status of the trust.
 - Cannot have a pre-arranged sale (no “buyer in the wings”), nor engage in a sale, lease, or other transaction with the donor.
 - Donor must secure a qualified appraisal for the property to substantiate a charitable deduction (timing issues related to appraisal).

CRT 101: Income for Donors, Tax Savings, and a Lasting Philanthropic Legacy

Types of CRTs (cont.)

- **Charitable Remainder Annuity Trust (CRAT):** An annuity trust pays the income beneficiary or beneficiaries a *fixed amount* each year, equal to a specified percentage of the trust’s initial value.
 - Annuity trusts are generally more appropriate for older beneficiaries who want fixed payments and whose life expectancies are short enough that there is unlikely to be significant erosion of the payments’ purchasing power over time due to inflation.
 - To qualify as a CRT, the charitable deduction for the remainder gift to charity must equal at least 10% of the funding amount. A CRAT must pass this 10% rule and also the 5% probability test. If the probability that the fixed annuity payments would totally exhaust the trust exceeds 5%, the trust will not qualify for tax benefits.
 - A donor cannot make additional contributions to a CRAT.

CRT 101: Income for Donors, Tax Savings, and a Lasting Philanthropic Legacy

Lifetime of a CRT

- **Preliminary discussions— understanding the donor’s objectives**
 - Financial: retirement income, charitable deduction, deferring capital gains, reduction of estate taxes?
 - Philanthropic: unrestricted funds, endowment, capital projects?
 - Always encourage donors to consult with their own tax and/or legal advisors
- **Due diligence and effective donor disclosure**
 - Who has legal title to the assets being contributed to the trust?
 - Managing donor and beneficiary expectations
 - Does your institution’s gift acceptance guidelines require a minimum remainder value before it will serve as trustee?
 - Decisions regarding trust type, trust term, and payout rate are irreversible and affect the trust’s performance

CRT 101: Income for Donors, Tax Savings, and a Lasting Philanthropic Legacy

Lifetime of a CRT (cont.)

- **Drafting the trust agreement**
 - Donor enlists legal counsel to draft the governing CRT agreement
 - Many charities provide donors with a sample CRT template to share with their legal advisors. The IRS also provides a sample document for your/your donor’s reference
 - Ensure the CRT document adheres to gift acceptance policies
- **Donor *irrevocably* transfers assets to the trust**
 - Donor contributes cash or other property—such as stock or real estate—and is eligible for a partial tax deduction
 - The assets are invested per the agreed-upon investment allocation strategy
- **Donor and/or their chosen beneficiaries receive an income stream**
 - Payment type (annuity or unitrust), payment frequency, and trust term are specified in the governing trust agreement
- **Remaining assets are distributed to the charitable beneficiary or beneficiaries**

CRT 101: Income for Donors, Tax Savings, and a Lasting Philanthropic Legacy

Selecting the Payout Rate (CRUT example)

- Each year, a standard unitrust pays the income beneficiaries an amount equal to the payout rate percentage (typically 5% to 7%) multiplied by the fair market value of the trust's assets, usually valued January 1.
- Higher payout rates may reduce the value of the remainder gift, exacerbate payment volatility, and can reduce the beneficiary payments over time.

Example: Donor establishes a \$100,000 CRUT with a 5% payout rate. Depending on the fair market value on the trust's assets, the payments will be as follows:

	Fair market value on January 1 st	Unitrust payment
Year 1	\$100,000	\$5,000
Year 2	\$106,000	\$5,300
Year 3	\$98,000	\$4,900

CRT 101: Income for Donors, Tax Savings, and a Lasting Philanthropic Legacy

Taxability of CRT payments

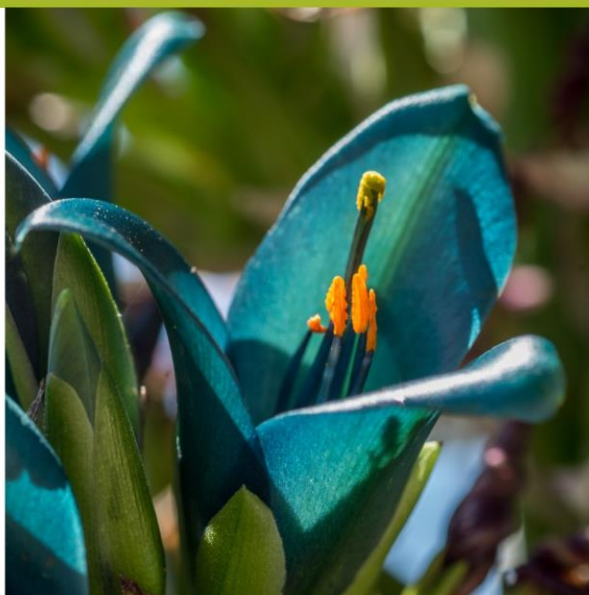
The trustee must keep track of the following four categories (and subcategories) of income

Tier 1	<ul style="list-style-type: none"> • Ordinary income (investment income that is not qualified dividends). • Qualified dividends
Tier 2	Capital Gains <ul style="list-style-type: none"> • Short-term capital gain • Tangible personal property gain • Depreciation gain • Long-term gain
Tier 3	Other income
Tier 4	Tax-free return of principal

CRT 101: Income for Donors, Tax Savings, and a Lasting Philanthropic Legacy

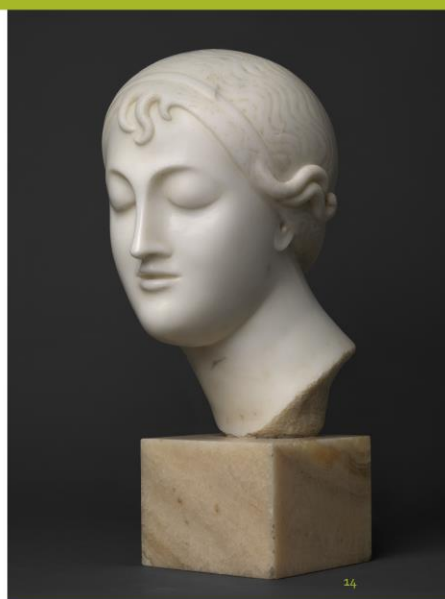
A Tax-Wise Gift

- Donor established a one-life CRUT funded with appreciated stock
- The donor was pleased with the trust's performance *and* with excellent stewardship, and after 20 years the donor decided to establish a second CRUT, to benefit himself and his wife for their lifetimes
- Donor makes annual additions with appreciated securities to his CRUT, as it permits him to bypass capital gains



A Lasting Legacy

- Donor is a longtime member of the board and Planned Giving Committee
- He and his wife owned personal residence for over 40+ years
- Would have significant capital gains tax issues and interested in making a substantial gift
- Far-sighted generosity related to American art at The Huntington



A Champion for Philanthropy

- Phil V. Swan served on the Planned Giving Committee for 20 years, and firmly believed in the importance of nurturing planned gifts from start to finish.
- Established a generous CRT for himself and his wife, with a 5% payout rate. Gift will support research and library acquisitions in the field of British and American history at The Huntington.
- Deputize your board members to cultivate planned giving among fellow donors!



Questions?

Cris Lutz
Planned Giving Director
clutz@huntington.org



THE HUNTINGTON
Library, Art Collections, and Botanical Gardens



16



Established in Cleveland, Ohio in 1995, CTAC offers constructive, expert administration services of gift annuities and other charitable vehicles to assist you and your donors in managing your philanthropic endeavors.

Our back-office charitable administration services include:

- Private-labeled services (customized checks, reports, and other correspondence)
- Tax reporting (Forms 5227, 990, 1099, 1096, etc.)
- State registrations, notifications, and filing for Charitable Gift Annuity programs
- Online access to donor contracts, reports, tax returns, and other documents
- Access to knowledgeable staff for even the most complex gift situations
- Proprietary software utilized for Unitized Accounting
- Distributions processed via check or electronic transfer
- Flexibility in working with any and all Custodian and Investment Manager's

The vehicles we serve include:

- Charitable Gift Annuities
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Donor Advised Funds
- Endowments
- Pooled Income Funds
- Private Foundations
- Supporting Organizations

We treasure the relationships we have established with non-profits, philanthropic individuals, and professional advisors nationwide as we serve as a valuable extension of their team. If you have any questions, please feel free to contact Andrew Russo via email Arusso@ctacadmin.com or via telephone at (800) 562-2045.

WWW.CTACADMIN.COM

IRAs: The Best Asset Ever Made for Planned Giving - Discover Everything You Need to Know (Track II)

Johni Hays, J.D.

(Thursday, 1:30pm - 2:45pm & 3:15pm - 4:30pm)

Donors often own large IRA accounts comprising a significant part of their estates. Yet often they are unaware of their taxable nature. So how can you comfortably talk to donors about all the IRA giving options in their estates? Discover how IRAs can fund a charitable gift to your organization and at the same time also benefit their loved ones. Several techniques seize the taxable nature of the IRA and use it to make it the most tax-efficient asset to fund an estate gift. In this session you'll be able to offer your donors options they've likely never had before. The IRA solution can make you and your organization the hero of the estate plan. You'll be creating the best donor experience while doing the best job possible for your organization. This session covers the IRA; its required minimum distributions during life as well as at death; IRAs funding testamentary CRTs and how an IRA planned estate gift can provide even more inheritance to their heirs.

Johni Hays, J.D.

Senior Vice President
Thompson & Associates




With almost 25 years of experience as a practicing attorney in charitable and estate planning, Johni Hays is a recognized expert on the subject of charitable gift planning. Johni served as the president of the Charitable Estate Planning Institute and she is the author of the book, *Essentials of Annuities* and co-author of the book, *The Tools and Techniques of Charitable Planning*. Johni served on the Editorial Advisory Board for the books *Tax Facts on Investments* and *Tax Facts on Insurance and Employee Benefits*. She serves as a founding charitable planning author of Steve Leimberg's electronic newsletter service, LISI, found at www.leimbergservices.com. Johni has been quoted in the *Wall Street Journal* and has published charitable planning articles in *Estate Planning Magazine*, *Planned Giving Today*, *Fundraising Success*, *Life Insurance Selling* and the *National Underwriter* magazines.

Johni is in demand as a national lecturer on estate and charitable planning, probate, living wills, annuities, life insurance, retirement planning and IRAs, as well as income, estate and gift taxation. Johni has been engaged in the practice of law with an emphasis in charitable and estate planning since 1993.

Prior to joining Thompson & Associates, Johni served as the Senior Gift Planning Consultant for The Stelter Company. Prior to that as the Executive Director of the Greater Des Moines Community Foundation Planned Giving Institute. In addition, Johni practiced estate planning with Myers Krause and Stevens, Chartered law firm in Naples Florida, where she specialized in estate planning.

Johni graduated cum laude with a Juris Doctor degree from Drake University in Des Moines, Iowa, in 1993. She also holds a Bachelor of Science degree in Business Administration from Drake University and graduated magna cum laude in 1988.

Johni serves on the Technical Advisory Board for the Stelter Company and is a charter member of PPP's Leadership Institute and served on the national board of the Partnership for Philanthropic Planning. She has been member of the Mid-Iowa Planned Giving Council and served on its board. Johni has been a member of both the Iowa Bar and the Florida Bar since 1993. She resides in Johnston, Iowa, with her husband, Dave Schlindwein.



**Thompson &
Associates**SM
on course for tomorrow

**IRAs: the Best Asset Ever Made for
Planning Giving --
Discover Everything You Need to Know**

Johni Hays, JD
Senior Vice President
johni@ceplan.com
www.ceplan.com



Traditional IRAs
During Owner's Life

Introduction

- Tax deferred growth
- Ownership issues
- SEP IRAs/SIMPLE IRAs/qualified retirement plans are different from traditional IRAs.
- Roth IRAs are very different.

IRA Pre-mature Distributions/ Partial Withdrawals

Taxed as ordinary income

For simplicity purposes – we'll assume no after tax contributions

IRA premature distributions - withdrawals before age 59½

IRS 10 percent penalty tax under IRC 72(t)

Exceptions to the 10% tax in IRC 72(t):

- Death
- Disability
- Qualified higher education
- First-time homebuyer
- Substantially equal periodic payments
- Etc.

IRA Lifetime Required Minimum Distributions

Must begin by the Required Beginning Date:

1. When is the Required Beginning Date (RBD)?
April 1 following the year the participant turns age 70½.
The second distribution is due by 12/31 of that same calendar year.
2. Distribution amount = 12/31 account balance for year before participant turns age 70½ divided by participant's life expectancy factor from IRS Uniform Lifetime Table
3. 50% penalty tax on the amount that should have been taken but wasn't

IRA Lifetime Required Minimum Distributions

4. Example:

- Beth is age 70½ on January 31, 2017
- Required Beginning Date is April 1, 2018
- First distribution from the IRA is due April 1, 2018 and is based on 12/31/2016 account balance (\$100,000) divided by factor from Uniform Lifetime Table (26.5)
- RMD for 2017 = \$3,773.58
- RMD for 2018 is 12/31/2017 account balance / 25.6

IRA Lifetime Required Minimum Distributions

4. Example continued:

- If Beth only takes out \$2,000 instead of the full \$3,773.58, the penalty tax is applied against the amount that should have been taken but wasn't:

$$\begin{array}{r} \$3,773.58 \\ - \underline{\$2,000.00} \\ \$1,773.58 \times .50 = \$886.79 \text{ penalty owed} \end{array}$$

IRA Lifetime Required Minimum Distributions

5. If you have more than one IRA, how do you determine the total distribution?
6. Can you take the amount out of each account or all from just one account?
7. What if you have an IRA and 401(k)? – can you aggregate?
8. Does the IRA administrator report the amount of the RMD to the IRS?

Lifetime Gifts Using IRA Funds

Gifts to spouse during life

- Cannot be given to a spouse during the IRA owner's lifetime. Instead, the IRA must be surrendered for cash. Surrendered amount is ordinary income to IRA owner.
- If incident to a divorce, a judge may grant the transfer into name of other spouse per court order. (Note: For Section 403(b) accounts, a QDRO is needed and the receiving spouse has 60 days to Rollover to avoid a taxable event).

Lifetime Gifts Using IRA Funds

Gifts to family/heirs/noncharities

- IRAs cannot be given to another person. Need to surrender for cash....then taxed to the owner as ordinary income.
- Penalty taxes could apply if the transferor is under age 59½ without an exception applying

Lifetime IRA Gifts To Charity


- IRAs themselves cannot be given to charity.
- Must be surrendered for cash like gifts to non-charities.
- Typically, the full amount surrendered is taxed to the IRA owner as ordinary income.
- An itemized income tax deduction would be available, however, for the amount of the cash proceeds donated to charity if he/she itemizes.
- However, this may not be a pure wash.
- ****Exception: Charitable IRA Rollover**



Donor Profile:


Laura P.

- Laura has \$300,000 in her IRA.
- She wants to give \$50,000 toward a capital campaign.
- She would have to withdraw \$50,000 from the IRA.
- She would have to pay income tax on the \$50,000.



Donor Profile:
Laura P.
NAME:

- Laura can make a gift of \$50,000 (or a smaller gift since she'll have to pay income tax).
- She can deduct her gift up to 50% of her AGI.
- What if her AGI is only \$80,000, including the withdrawal?
- What's her deduction?



Results:

- The best-case scenario is a tax wash.
- This is not a good result for her since she's expecting to come out ahead tax wise.
- Laura's better off giving stock or cash from a tax standpoint.

Charitable IRA Rollover

- Started in 2006.....now permanent legislation (QCD)
- 70½ or older at time of gift
- IRAs & Roths only (not qualified retirement plans)
- Direct transfer from IRA to qualified charities
- Maximum \$100,000 per taxpayer per year
- Outright gift; no CGA/CRT; no private benefits
- No federal deduction, however not taxable income (Line 15a IRS Form 1040)
- Can't go to private foundations, supporting orgs or donor advised funds
- Can satisfy RMDs

IRAs *At the Owner's Death*

Leave to Family at Death



leave to
family at death

- Pension, profit-sharing, IRAs, etc., are all 100% includible in the deceased's estate for federal estate tax purposes. But less than 1% of the population will be subject to estate tax.
- The heir/beneficiary must pay income taxes on the plan assets, too.
- Plans will all be taxed at least once and can even be taxed twice by the IRS—once for income tax and a second time for estate tax.

Naming a Spouse as Sole Beneficiary of IRAs

- A spouse as beneficiary -- if the spouse cashes in the proceeds, typically the entire amount is subject to ordinary income tax.
- Can the spouse defer that tax? Yes, a spouse as sole beneficiary can roll over the death proceeds into his or her own IRA—a Spousal Rollover IRA—and defer taking any required minimum distributions until the surviving spouses reaches his or her own required beginning date (RBD).

Naming a Spouse as Sole Beneficiary of IRAs

- If the surviving spouse was **older** than the deceased spouse and the deceased spouse had not reached his or her RBD, the surviving spouse may choose to leave the IRA as is—meaning in the name of the deceased spouse – allowing the surviving spouse to wait to begin receiving distributions until the deceased spouse would have reached his or her RBD.
- Deceased is age 65; surviving spouse is age 73

Naming a Non-Spouse as Beneficiary of IRAs

- The downside of leaving an IRA to family/heirs/noncharities –
- The nonspouse beneficiary will be subject to income tax on the full amount of the death proceeds because there is typically no cost basis to offset the taxable amount.
 - Can the nonspouse beneficiary defer that tax in any way? Yes, the beneficiary can stretch out the receipt of his or her death benefit and defer tax.
 - The income taxes are not eliminated, however—they are postponed. Called a “stretch” or an “inherited IRA.” Does not have the exact same benefits as a spousal IRA.

Required Minimum Distribution Rules AFTER the IRA Owner's Death

- Must first know if death occurred before or after the Required Beginning Date.
- Must secondly know if the owner named a Designated Beneficiary (DB) or not.
- A DB is a person, only certain trusts (e.g., see through trust). A DB is **not** a charity or an estate or certain other trusts.

Required Minimum Distribution Rules AFTER the IRA Owner's Death

- If the owner died BEFORE the RBD and named a DB, the *minimum* distribution options are:
 - Over the life expectancy of the beneficiary starting in the year following the year of death using a single life expectancy table, or
 - The five year rule (can wait and take it all in the 5th year)
- Without a DB, the minimum distribution period is the five year rule.
- Can always take out more than the minimum.

Required Minimum Distribution Rules AFTER the IRA Owner's Death

- If the owner died on or AFTER the RBD and named a DB, the minimum distribution options are the longer of:
 - life expectancy of the beneficiary or
 - the deceased owner's resurrected remaining life expectancy
- Without a DB, the minimum is the deceased owner's resurrected remaining life expectancy
- The beneficiary can always take out more than the minimum

Required Minimum Distribution Rules AFTER the IRA Owner's Death

- September 30th of the year following the year of the IRA owner's death is when we determine if there is a DB or not
- Eliminate those who don't want to "stretch" their IRA distributions by paying them before September 30

After IRA Owner's Death: Beneficiary's Required <u>Minimum</u> Distributions		
	IRA Owner's Death <u>Before</u> RBD	IRA Owner's Death <u>After</u> RBD
Owner Had a Designated Beneficiary	Over the beneficiary's life expectancy	Longer of: bene's LE or Deceased owner's resurrected LE
No Designated Beneficiary	Distribute entire account within 5 years of death	Deceased owner's resurrected LE

Charitable Gift of IRA Assets at Death:

The "Smarter Gift"

People Look for Significance

"We make a living by what we get, but we make a life by what we give."

-Sir Winston Churchill



Prospective Donor Profile

- Someone with an IRA or other qualified retirement plan account.
- Does not like the fact that estate and income taxes may consume 60% or more of the asset.
- Is not looking for a current tax deduction



Donor Profile (contd.)

- Is interested in making a gift after death more than in life
- Has other assets to provide for a spouse and loved ones.



Making the Match

“If you plan to leave something to charity in your estate plan, could I share with you a way to make sure the best assets are used for the gift to minimize the loss in taxes?”

Benefits:

1. Retirement assets remain available for life.
2. Deduction for estate for amount to charity.
3. Donor retains ability to change beneficiary.
4. Leaves more to heirs than simple bequest of same amount from other assets.

Retirement Plan Example

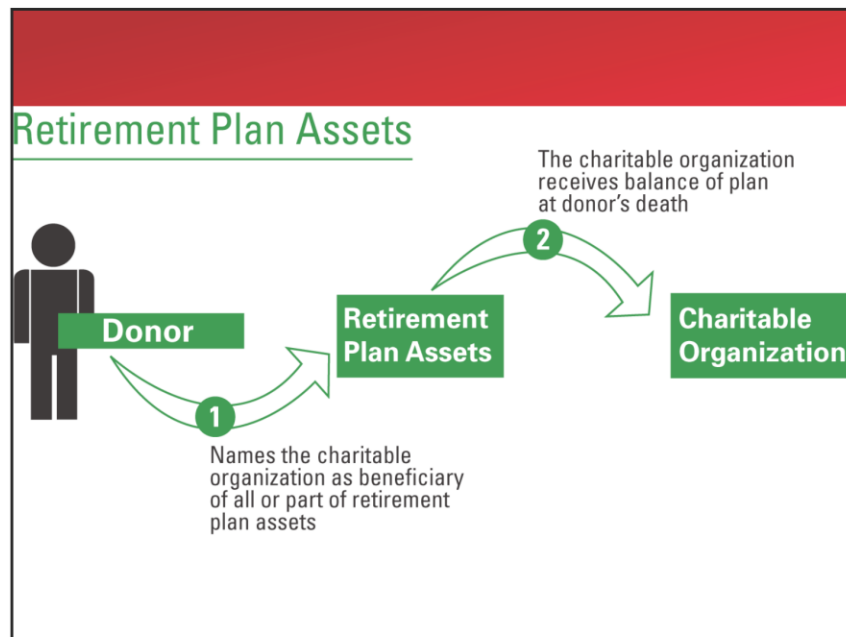
- Fred is 65 years old.
- He has \$700,000 in an IRA.
- Fred names Charity XYZ as the beneficiary of the IRA.
- He has full ownership and access his entire life.



Contrast Bequest & IRA Gift ("Starter Gift" vs. "Smarter Gift")

Additional Assumptions for Fred:

- IRA: \$ 700,000
- Other Assets: \$1,800,000
- Total Estate Value: \$2,500,000
- Federal income Tax Rate: 24%
- Fred wants \$700,000 to charity, rest to heirs
- Fred is a widower with children



Retirement Plan Results

- **Charity XYZ receives \$700,000 at Fred's death.**
- **The IRA escapes income taxes and any applicable estate tax**
- **His taxable estate value is reduced by the amount of the gift**
- **He leaves to heirs assets that are not taxable rather than an asset that would have been subject to income and perhaps estate taxes**

Contrast Bequest & IRA Gift ("Starter Gift" vs. "Smarter Gift")

Death in 2018 (\$11.2 Million Federal Estate Tax Exemption)

BEQUEST IN WILL TO CHARITY		IRA BENEFICIARY TO CHARITY	
Estate Value	\$2,500,000	Estate Value	\$2,500,000
Income Tax (24%)	(\$ 168,000)	Income Tax (24%)	(\$ 0)
Estate Tax	(\$ 0)	Estate Tax	(\$ 0)
TOTAL to Taxes	\$ 168,000	TOTAL to Taxes	\$ 0
TOTAL to Charity	\$ 700,000	TOTAL to Charity	\$ 700,000
TOTAL to Heirs	\$1,632,000	TOTAL to Heirs	\$1,800,000

NET GAIN TO HEIRS: \$168,000

Shift in Paradigm

- Many charitable bequests in wills could be more efficiently made directly as a beneficiary from a qualified plan/IRA

Naming a Charity as Beneficiary of Qualified Plans and IRAs

- Simple to implement in that the client only needs to change the account's beneficiary designation to charity
- Eliminates income and estate tax on amount given to charity at death.
- Best to avoid running this account through the will or trust if at all possible – complex drafting required and special language instructing all charitable gifts to be made from IRD assets

Naming a Charity as Beneficiary of Qualified Plans and IRAs

- Donor retains total access and control over the qualified plan values during his/her lifetime – can change investment allocations, etc.
- Donor can still change the plan beneficiary at any time in the future if desired
- However, the amount of the gift can vary up or down
- Gift can unwind if not careful when changing custodians

Technical Points

- The spouse, if any, needs to consent to changing the qualified plan beneficiary to someone other than the spouse or to a charity.
- Spousal consent not required for IRA accounts unless community property.

Thompson
& Associates
ATTORNEYS AT LAW

Take it to the Next Level

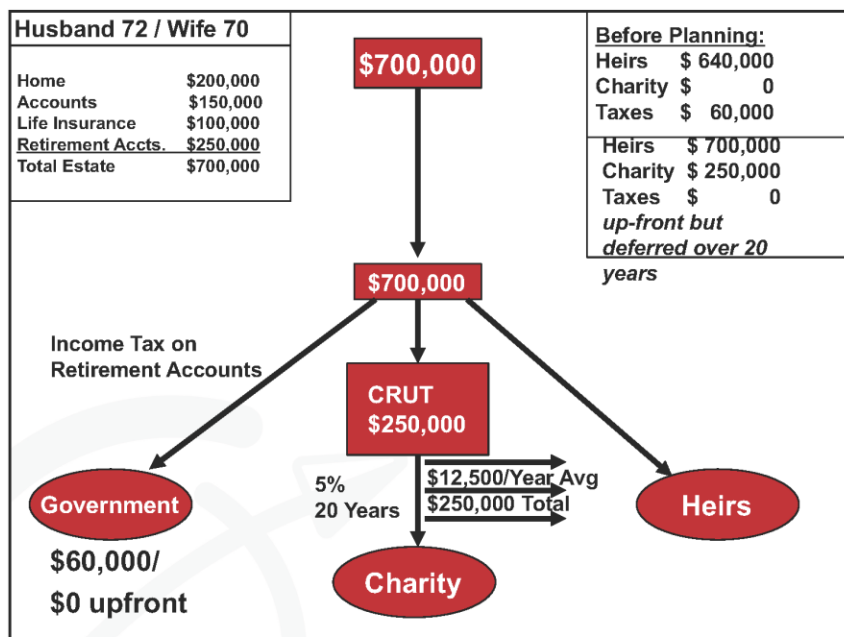
IRA flowing to a Spousal T-CRUT

- IRA's primary beneficiary: a Testamentary CRUT (TCRUT). Spouse as sole income beneficiary of the CRT
- Tax exempt status of the CRT – allows IRA to avoid **immediate** taxation when in CRT
- Works when surviving spouse doesn't need access to the IRA outright. SS has less control
- Prevents surviving spouse from leaving these assets to a future spouse

Thompson
Associates
of counsel, P.C.

IRA Flowing to a T-CRUT

- Husband has IRA; wife is primary beneficiary
- The CRT can be a contingent beneficiary on husband's IRA.
- If wife is the SS, she does a spousal rollover first then names the CRT as her primary beneficiary.
- Then at her death IRA flows to the CRT. Or, if he dies second.
- CRT pays income to the children for perhaps 20 years (possibly life), thereafter to hand-picked charities



IRA Flowing to a T-CRUT

- All income paid out from this CRT funded by the IRA is taxable income (Tier 1)

IRA Flowing to a T-CRUT

Donor simply completes a change of beneficiary form with the insurance company.

Example

- **Mary Ellen dies in 2018**
- **\$700,000 IRA**
- **Sarah age 46 beneficiary**
- **If lump sum, after tax Sarah receives \$532,000**
- **Or, Sarah can do a Stretch-IRA**

Example

- Or, Mary Ellen could have had her IRA flow to a CRT at her death
- Sarah would be the CRT income beneficiary (ex. 5%) for 20 years
- Remainder of CRT to Mary Ellen's charities – possibly all \$700,000
- Defers income taxes owed by Sarah over 20 years
- Pays charities after 20 years
- Plus partial estate tax charitable deduction

Alternative: Give to a CGA at Death

- If the IRA is to fund a CGA at death, the CGA payments are all taxable income – there is no cost basis.
- Plus, the present value of the remainder interest of the CGA qualifies for an estate tax charitable deduction.
- The IRA owner's final income tax return will deduct the estate taxes paid as an income tax deduction.
- Donor simply completes a change of beneficiary form with the insurance company.

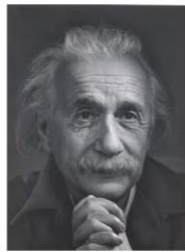
Alternative: Give to a Pooled Income Fund or Charitable Lead Trust

- **Because both of these are taxable entities, naming these entities as the beneficiary of the IRA will cause taxable issues.**
- **Therefore, not a good tax planning result.**

IRA Death Claims

- Lag time with some IRA administrators when paying death claims to charities
- Why they do it
- How to get your claim paid

People care about their legacy

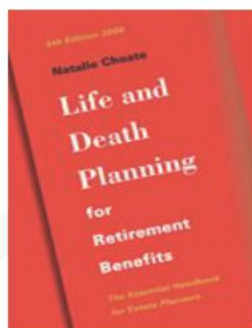


“It is the responsibility of every human being to aspire to do something worthwhile, to make this world a better place than the one they found.”

-Albert Einstein



Books for Advisors



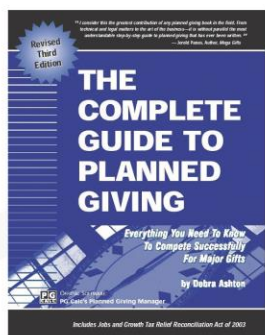
Life and Death Planning for Retirement Benefits, 7th Edition,
by Natalie Choate, published by
Ataxplan Publications

For more information, contact:

800-247-6553

www.ataxplan.com

Book for Charity Staff

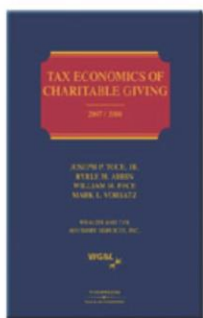


The Complete Guide to Planned Giving, 3rd Edition, by Debra Ashton, published by Ashton & Associates

For more information, call:

617-472-9316

Books for Advisors



Tax Economics of Charitable Giving,
2017/2018 Edition, published by
Warren Gorham and Lamont of RIA

For more information call:
800-950-1216

Books for Advisors



*The Tools & Techniques of
Charitable Planning*, 3rd Edition,
published by National Underwriter
Company

For more information, contact:
800-543-0874
www.nuco.com

Related Papers & Web Sites

- 2016 Paper by Christopher Hoyt, "FAMILY AND CHARITABLE PLANNING WITH RETIREMENT ACCOUNTS"
- www.IRAhelp.com - Ed Slott's website
- www.charitableplanning.com - Emanuel Kallina, resource for professional advisors and gift planners: subscription required, daily e-mail available – **20% discount to NCGP members!**
- www.leimbergservices.com - Steve Leimberg, resource for professional advisors: more than just gift planning, subscription required, daily e-mail available

Questions?

Big Data: Giving Propensity (Track II)

Mark Koenig

(Thursday, 1:30pm - 2:45pm & 3:15pm - 4:30pm)

Big Data: Giving Propensity...Charities are facing ever-increasing fundraising goals, larger prospect populations due in great part to the Baby Boom, and tighter budgets. At the same time, our society is awash in data. A charity's ability to effectively gather, store, and analyze data will be of increasing importance, allowing it to gain efficiencies and enhance its fundraising success. In this new world, it is imperative for gift planning offices to work closely with their colleagues who manage prospect and constituent data to determine how donor profile data can be used to identify prospects who are most likely to make a planned gift. Mark Koenig will discuss the opportunities your organization can employ to assist in these efforts including strategies for collection, maintenance and ultimately producing analytics to drive your organization's performance.

Mark Koenig

Assistant Vice President for Advancement Services
Oregon State University Foundation



Mark Koenig is the Assistant Vice President for Advancement Services for the Oregon State University Foundation. In this role, he oversees the research, relationship management, information technology services, and database management units and has developed expertise in building, restructuring, and managing these programs. He also has extensive experience in the creation and utilization of fundraising best practices including incorporating analytics, conducting surgical prospect screenings, launching discovery programs, and bridging the communication divide between information technology and higher education advancement.

Mr. Koenig chaired the 2013 CASE (Council for Advancement and Support of Education) District VIII conference and is currently the district's chair. He also serves as chair of the Advancement Executive Advisory Committee for Ellucian, a leading higher education software company.

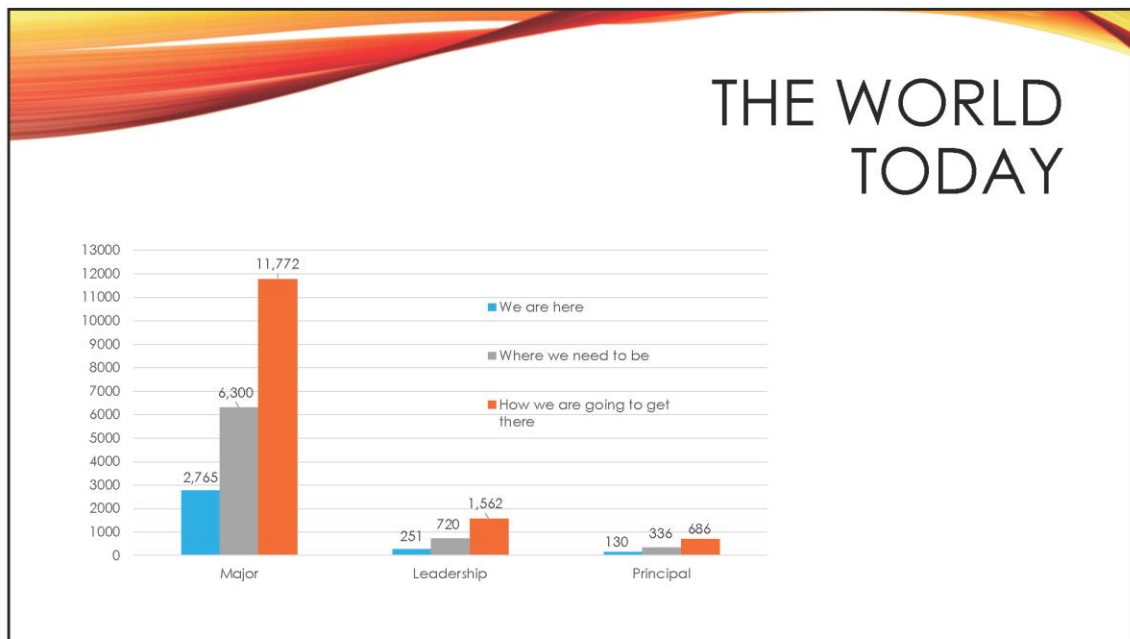
Prior to joining Oregon State, Mr. Koenig was the Director of Prospect Research and Management for The George Washington University. He has also held research positions at Georgetown University, Georgetown Medical Center, and Rice University. A native of Tulsa, Okla., he earned his B.A. in history and economics from the University of Houston and is now completing an Ed.M. in Adult Education and Organizational Capacity from Oregon State University.

BIG DATA: GIVING PROPENSITY

Mark Koenig, Assistant Vice President for Advancement Services, Analytics
and Digital Strategy

THE FUTURE

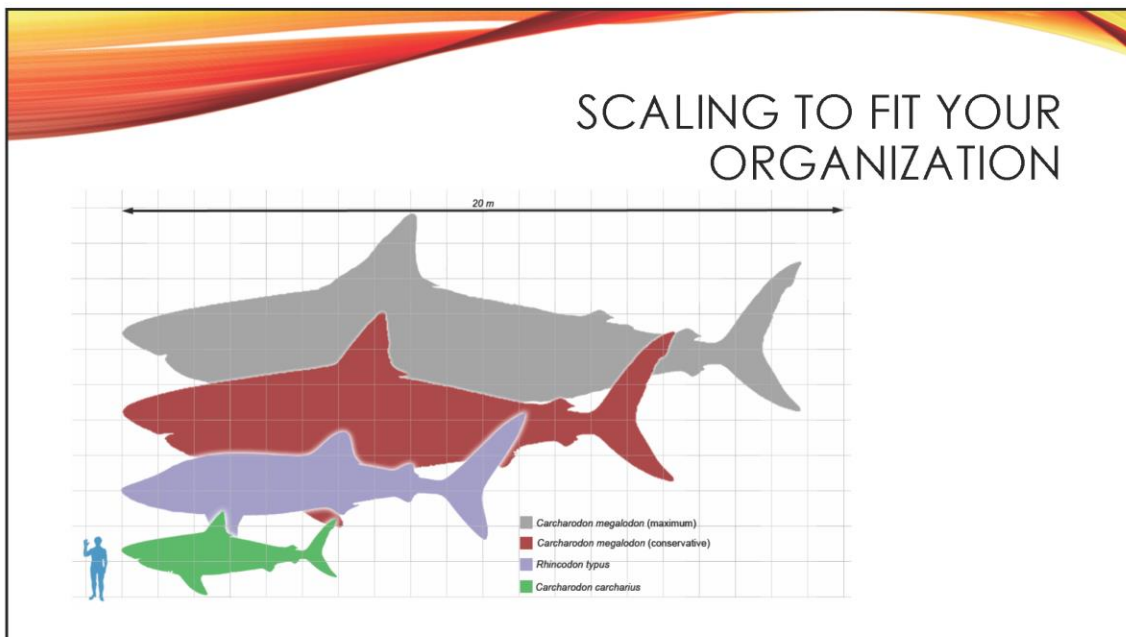





“ YOU HAVE TO THINK ABOUT THE
GENERATION OF DATA AS A
 STRATEGIC IMPERATIVE

”

A Leader's Guide to Data Analytics
 Florian Zettlemeyer, Kellogg School of Management



GOT BUDGET?



None of this is possible without funding...

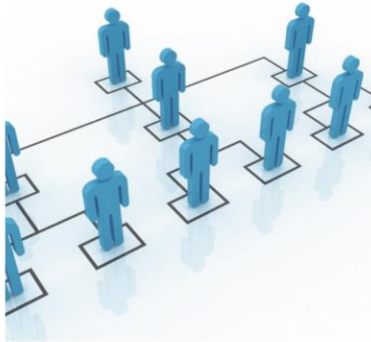
- Staffing
- Appends
- Vendors
- Reporting

PEOPLE

The biggest problem organizations face around data management today actually **comes from within**. Businesses get in their own way by refusing to create a **culture around data** and not prioritizing the proper funding and staffing for data management.

2016 Data Management Trends Report
Experian Data Quality

PEOPLE




A Key Shortfall for most organizations

- Centralized vs. Decentralized
- Silos of Excellence
- Identify the stakeholders?
- Records staff
- Gift processing staff
- Administrative staff
- Student workers

PROCESS

More than half of advancement offices (58%) say that their institutions do not have a **central authority for data** such as a data governance committee or a chief data officer. Only 29% say they have a central authority and **14% do not even know if one exists!**

DATA DISCIPLINE




- There are no shortcuts
- There is no better time to start than now

DATA HURDLES

Top three factors (outside of Technology) why data is so hard to collect...

- 1) Lack of mutual understanding of meaning of data
- 2) Lack of an efficient and precise data sharing process
- 3) Insecure methods of sharing sensitive data

Do you know where your data is going?
James Wiley, Eduventures



BUSINESS PROCESS CONSIDERATIONS

- Maintenance
- Systems interconnectivity (or generally lack thereof)
- Infrastructure
- Diminishing law of returns

UNIVERSE OF SYSTEMS



- Complexity
- Shadow
Databases
- Politics
- Perfectionists
beware!

ESTABLISH BASELINES



- Alumni?
- Friends
- Parents
- Faculty/Staff
- Corporations?


BUCKETING YOUR DATA

Consider what data matters to you the most?

- Giving
- Demographic
- Engagement

BENCHMARKING YOUR DATA

Oregon State University Foundation
Benchmark Statistics (DM 037b)
Data as of 10/04/2016



Alumni	Cur Month Count	Prev Month Count	Cur Month Percent	Prev Month Percent	Change
Number of living alumni	184,404	184,501			
Number of living alumni with valid birth dates	180,308	180,389	97.78%	97.77%	0.01%
Number of living alumni with a current mailing address	181,791	181,710	98.58%	98.49%	0.09%
Number of living alumni with valid phone numbers	159,768	160,037	86.64%	86.74%	-0.10%
Number of living alumni with e-mail addresses	84,520	84,615	45.83%	45.86%	-0.03%
Number of living alumni with a current Business Email address	13,648	13,545	7.40%	7.34%	0.06%
Number of living alumni with Job type - PE and Job status Current or Retired	79,072	78,477	42.88%	42.53%	0.35%
Number of living alumni with any Employment	91,282	90,464	49.50%	49.03%	0.47%
Living Person	Cur Month Count	Prev Month Count	Cur Month Percent	Prev Month Percent	Change
Number of all living person entities	393,196	392,992			
Number of living person entities with valid birth					



DATA APPENDS

- Wealth Screenings
- Employment
- Demographic
- Social
- Random data (Big Data)
- Self-reported data (Surveys and Feedback loops)



APPEND VENDORS

- Wealth Engine
- AlumniSync & Alumni Finder
- BCI Alumni Locator
- Harris Connect
- Total Data Technologies
- -----
- Monitor returns to determine ROI



SURVEYS

- Making Opportunities Available
- Truthiness
- Building Community Initiative Survey



DIGITAL ENGAGEMENT




- Web traffic
- Click thru's
- Surveys
- Log in's
- Social ambassadors



THE TOOLS

- CRM
- Data warehouse
- Database
- Excel Spreadsheet
- Rolodex?



25

YOUR STATE OF ANALYTICS?

	In-House	Out-sourced	Vendors
1. Descriptive Analytics			
Surgical Screenings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Wealth Engine, GGA
Reporting and Visualization	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Ellucian, Tableau, iModules
Surveys 'psychographic' data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	BCI, BeaverDen, Expressit
Annual & Major Gift & Planned Giving Communications Segmentation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Target Analytics & GGA
2. Predictive Analytics			
Discover new prospects	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	GG&A, EverTrue
Forecast new business opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	GG&A
Realize new processes	<input type="checkbox"/>	<input type="checkbox"/>	
Maximize marketing opportunities Social/personas	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Evertrue, TBD Vendors
3. Prescriptive Analytics			
Suggest decision options to take advantage of predictions	<input type="checkbox"/>	<input type="checkbox"/>	GG&A



DESCRIPTIVE: SCORING MODELS

Gift Planning Rating Schema

- This includes all active living individuals with record type not ('AE','ES','FG','PE','SS','ZZ')
- Individual with name like "Anonymous" is not included in the report.
- Number Lifetime Gifts (15 points)
 - numberGifts >= 200 then 15
 - numberGifts >= 150 then 15 * .9
 - numberGifts >= 125 then 15 * .8
 - numberGifts >= 100 then 15 * .7
 - numberGifts >= 75 then 15 * .6
 - numberGifts >= 50 then 15 * .5
 - numberGifts >= 25 then 15 * .25
- Age (7.5 points)
 - Age >= 70 then 7.5
 - Age >= 60 then 7.5 * .75
 - Age >= 50 then 7.5 * .5
 - Age >= 40 then 7.5 * .25
- BHLS (5 points)
 - Current member of Benton Hall Legacy Society then 5 points
- Years of Giving (11 points)
 - Years of Giving >= 30 then 11
 - Years of Giving >= 25 then 11 * .75
 - Years of Giving >= 20 then 11 * .5
 - Years of Giving >= 10 then 11 * .25

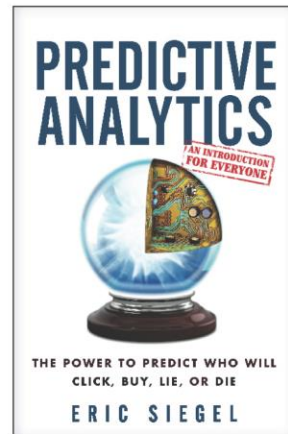
- Combines data sets into a single score
- Includes a variety of weighted measures
- Tailor to fit your organization
- Tie to all of your reports

PRESCRIPTIVE: 'IF THIS THAN THAT'

- Would you include "insert your organization" in your will and estate plans?
- What are the triggers for your organization and how to capture?

PREDICTIVE: DOPPELGANGERS

- Vendor or In-house?
- Be wary of black boxes and crystal balls
- Fail and fail fast



KEY TAKE AWAYS



CREATING A DATA CULTURE



- Identify the Dedicated Owner
- Partnering
- User Groups
- Data dictionary
- Procedure manual
- Proselytizing

QUESTIONS



Be focused

You're focused on developing relationships and spending time with donors and supporters. That's why we focus on making it as easy as possible for you to promote your mission and gift planning options.



Be noticed

EDS can help you step up your planned gift marketing through innovative print, website and e-marketing products designed to meet your specific needs. Get motivating messages to your donors with instant recognition of your organization and your mission.

Visit endowdevelop.com
or call **317.542.9829**.

It will be our pleasure to help you implement cost-effective marketing ideas that get you noticed and make the best use of your time.

Understanding the Older Donor (Track II)

Lisa Mayfield, MA, LMHC, GMHS, CMC

(Thursday, 1:30pm - 2:45pm & 3:15pm - 4:30pm)

Understanding the Older Donor session will provide professionals in the financial, philanthropic and development fields with a solid foundation for connecting with their older donors in a more thoughtful and informed way. According to Pew Research Center, every day for the next 17 years, 10 thousand people will be turning 65 years old. Understanding the older donor will be essential for our work. In this session, we will cover statistics related to aging and discuss physical, cognitive, and social changes to anticipate with aging. We will also touch on generational differences that effect giving and highlight red flags that will impact your work with donors. You will leave feeling more comfortable and confident about your relationship with older donors.

Lisa Mayfield, MA, LMHC, GMHS, CMC

Principal, Fellow Certified Care Manager
Aging Wisdom



Lisa Mayfield, is the founder and co-owner of Aging Wisdom®, an Aging Life Care™ company in Seattle, WA. Lisa is a member of the Aging Life Care Association (ALCA) where she is an award-winning care manager and holds the distinction of being one of two Fellow Certified Care Managers in Washington State. Trained and licensed as a Mental Health Counselor, Geriatric Mental Health Specialist and a Certified Aging Life Care Professional, Lisa brings over two decades of experience in mental health and vast expertise working with clients and families affected by Alzheimer's disease and related dementias. She is a trained mediator and has worked for many years supporting families in conflict. Lisa is a Past-President of the Western Chapter of ALCA, serves on the ALCA board as Treasurer/Secretary, and is a very proud Rotarian.




UNDERSTANDING THE OLDER DONOR


aging wisdom
LISA MAYIELD
MA, LMHC, GMHS, CMC

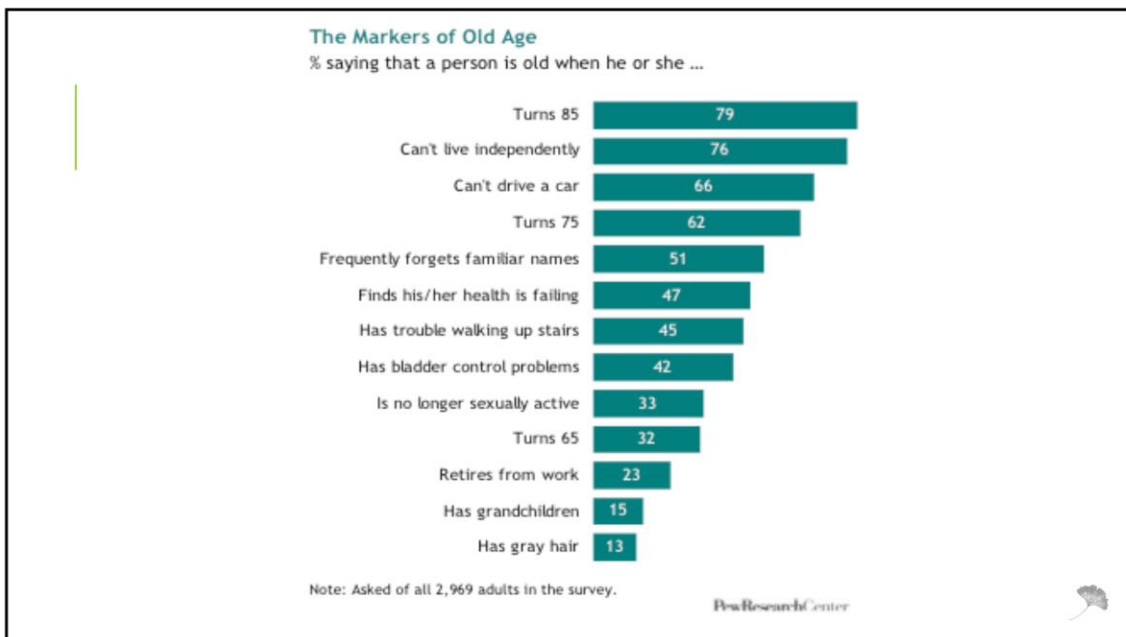
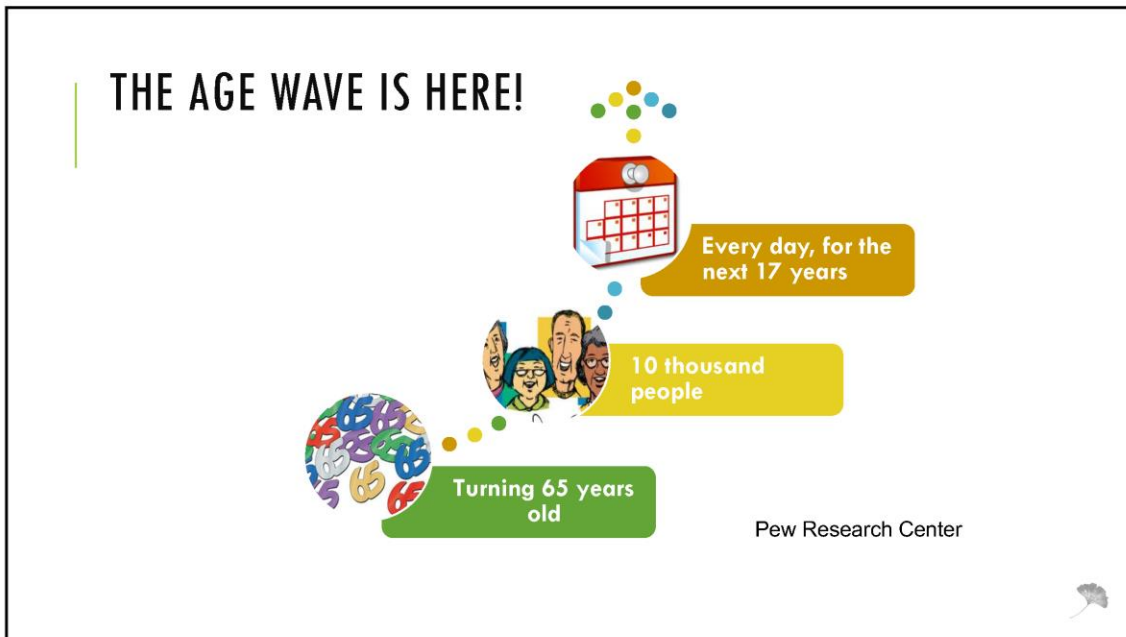
OUR TIME TOGETHER

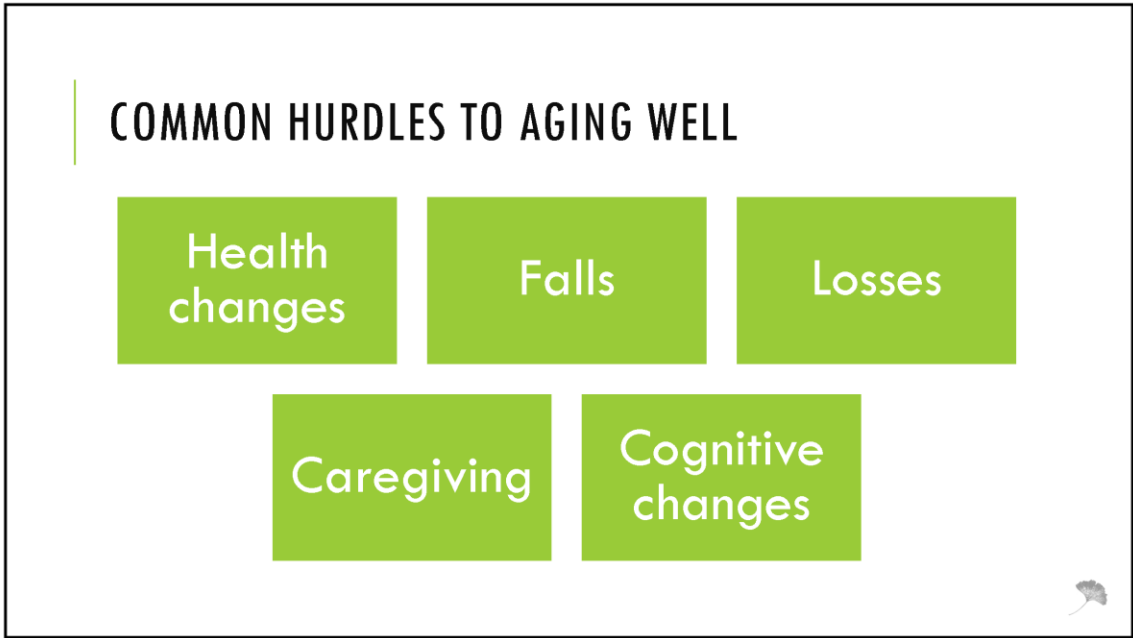
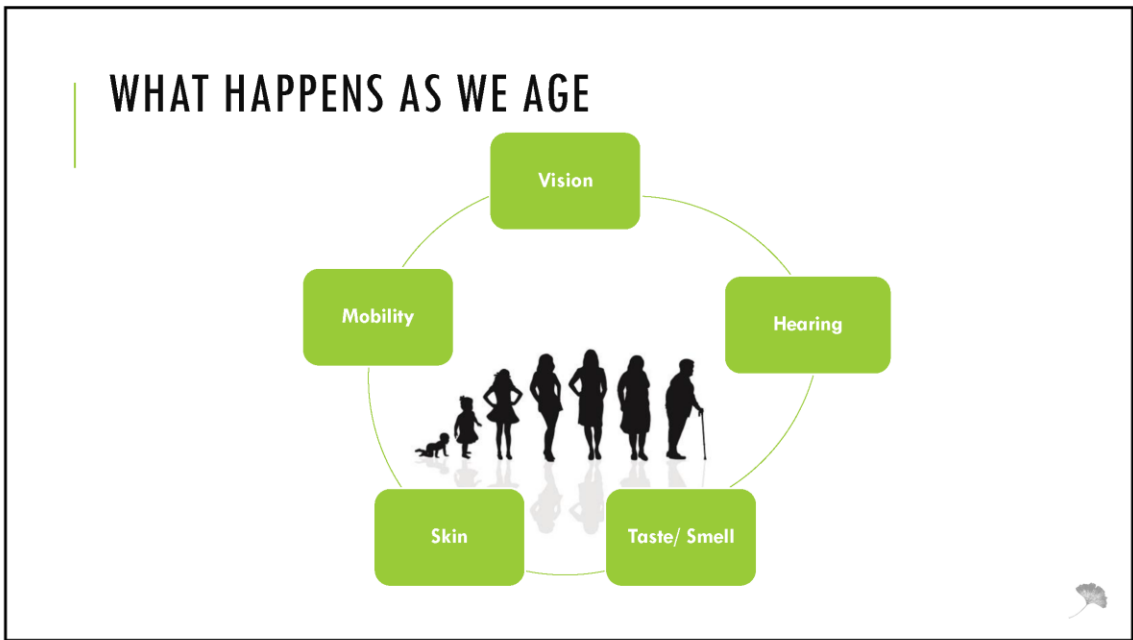
- What happens when we age
- Common aging hurdles
- Signs of diminished capacity
- How you can help
- You are not alone
- Tips for working with aging donors
- Q&A



“What fits your busy schedule better, exercising one hour a day or being dead 24 hours a day?”



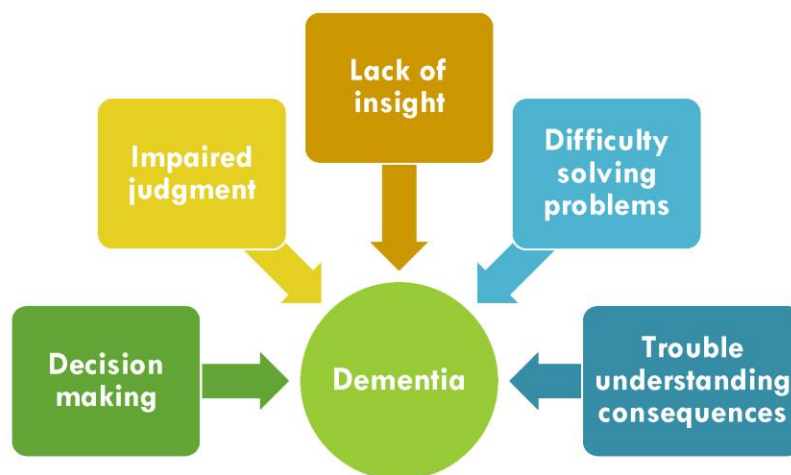


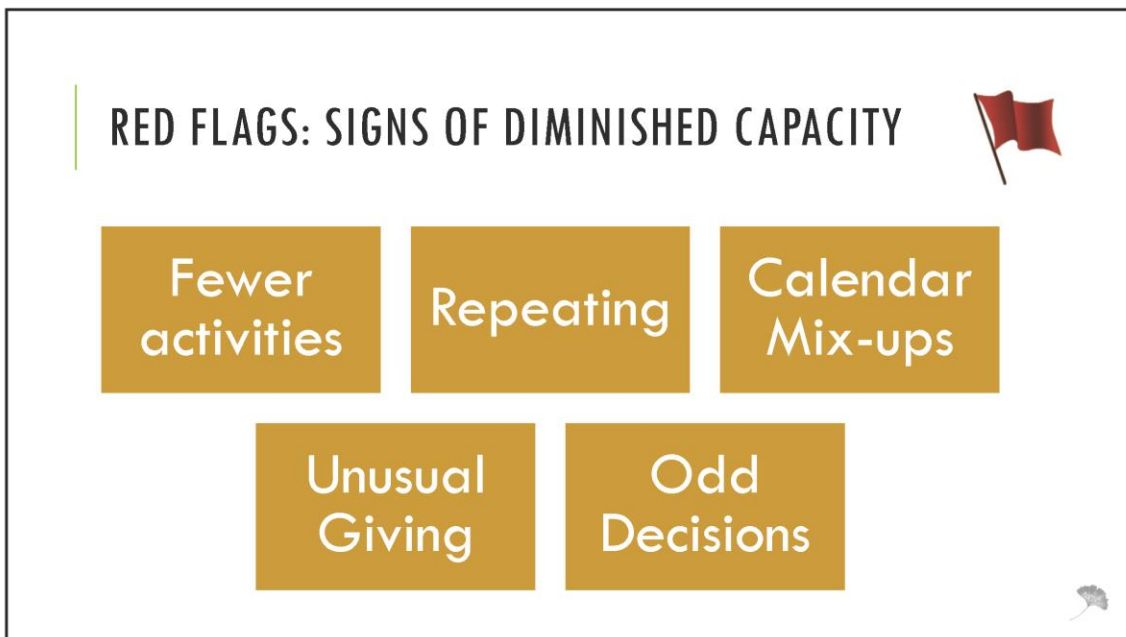
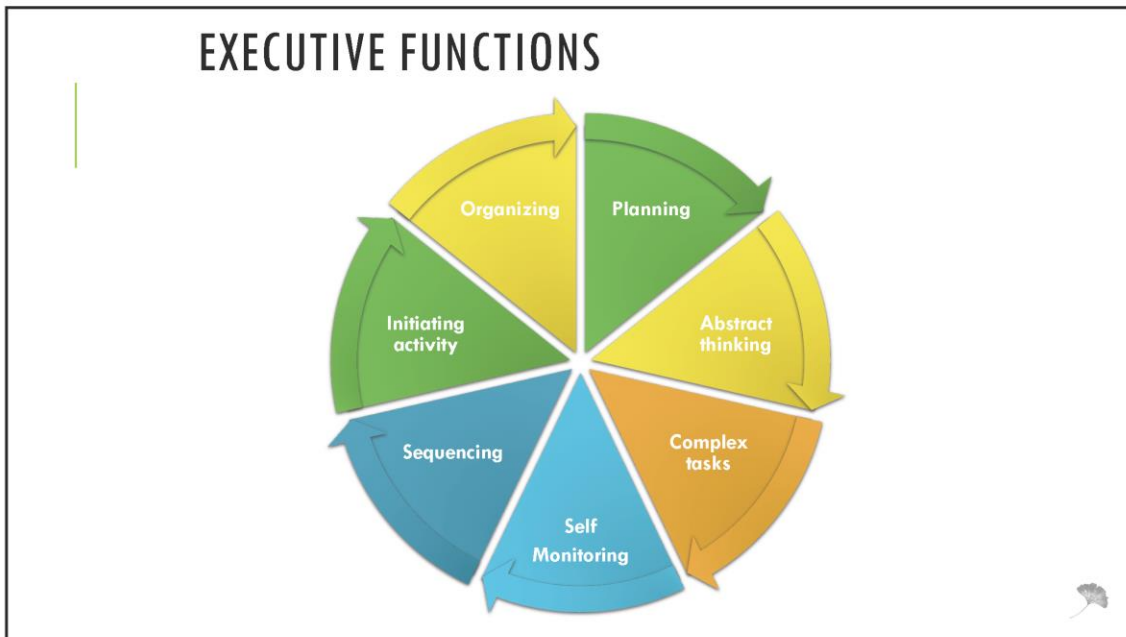


COGNITIVE CHANGES



COGNITIVE CHANGES: MORE THAN MEMORY





MORE RED FLAGS


New friends

Change in dress/
presentation

Dents on car

Reports of falls


Confusion



COST OF CARE 2017

Service in Seattle Metro Area	Monthly Average Cost 2017	Annual Average Cost 2017
Home Care (44 hours/week)	\$5,815	\$69,784
Home Care* (24/7)	\$18,250	\$219,000
Adult Day Program (5 days/week)	\$1,159	\$13,910
Assisted Living (one bedroom - base rate – does not include any care, just room & board)	\$5,250	\$63,000
Nursing Home (semi private)	\$9,733	\$116,800
Nursing Home (private)	\$10,950	\$131,400
Adult Family Home*	\$7,500	\$90,000

Genworth Financial - Cost of Care Survey 2017
* Independent evaluation, not part of the Genworth Study



HOW YOU CAN HELP



YOU ARE NOT ALONE

- Aging Life Care Professionals (www.aginglifecare.org)
- Elder law attorneys (www.naela.org)
- Alzheimer's Association (www.alz.org)
- Medical providers
- Local Senior Centers
- Senior Information and Assistance

ALCA (i)TM
AGING LIFE CARE ASSOCIATION
MEMBER

TIPS FOR WORKING WITH YOUR AGING DONOR

- Like life: it's all about relationships
- Think long-term
- Get to know the family/support system
- Be involved with estate planning
- Be their community
- Provide avenues to give back & contribute
- Value their wisdom, experience & history



Q&A

Lisa Mayfield
Aging Wisdom
lisa@agingwisdom.com



consulting | care management | home care
agingwisdom.com



Book Recommendations from the Aging Wisdom team

General – Aging, Preparing, Health Care, Medicine

A Bitter Pill by John Sloan

Aging with Grace: What the Nun Study Teaches Us About Leading Longer, Healthier, and More Meaningful Lives by David Snowdon, PhD

Counting on Kindness by Wendy Lustbader

Dementia Beyond Drugs: Changing the Culture of Care by Al Power, MD

Dementia Beyond Disease: Enhancing Well-Being by Al Power, MD

Difficult Conversations: How to Discuss What Matters Most by Douglas Stone, Bruce Patton & Sheila Heen

Healthy Aging: A Lifelong Guide to Your Physical and Spiritual Well-Being by Andrew Weil, MD

My Mother Your Mother: Embracing "Slow Medicine," the compassionate approach to caring for your aging loved ones by Dennis McCullough

Second Wind: Navigating the Passage to a Slower, Deeper, and More Connected Life by Dr. Bill Thomas

The Art of Aging by Sherwin B. Nuland

Caregiving

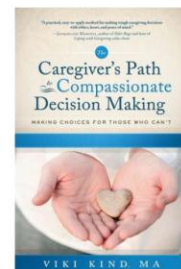
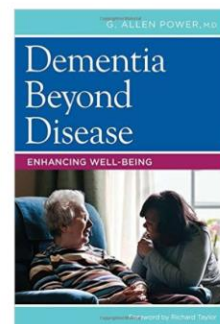
A Bittersweet Season: Caring for Our Aging Parents--and Ourselves by Jane Gross (founding editor of the NY Times New Old Age Blog)

Alzheimer's: A Caregiver's Guide and Sourcebook by Howard Gruetzner

An Unintended Journey: a Caregiver's Guide to Dementia by Janet Yagoda Shagam

Caregiver's Path to Compassionate Decision Making: Making Choices for Those Who Can't by Viki Kind

Coping with Your Difficult Older Parent by Grace Lebow & Barbara Kane



Book recommendations from Aging Wisdom staff
agingwisdom.com | 206.456.5155
updated 04/24/2017

1



How to Care for Your Aging Parents by Virginia Morris

I'm Still Here: A New Philosophy of Alzheimer's Care by John Zeisel

Loving Someone Who Has Dementia: How to Find Hope while Coping with Stress and Grief
by Pauline Boss (dementia, positive book, focus on resilience)

Speaking Dementia: Making Sense of It All by Frena Gray-Davidson

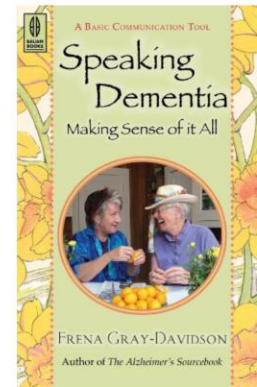
Surviving Alzheimer's: Practical tips and soul-saving wisdom for caregivers by Paula Spencer Scott

Taking Care of Aging Family Members: A Practical Guide by Wendy Lustbader and Nancy Hooyma

Ten Thousand Joys & Ten Thousand Sorrows: A Couple's Journey Through Alzheimer's by Olivia Ames Hoblitzelle

The best friends™ Approach to Dementia Care by Virginia Bell, David Troxel

When the Time Comes: Taking Care of Aging Parents by Paula Span



Families

Mom Always Liked You Best: A Guide for Resolving Family Feuds, Inheritance Battles & Eldercare Crises by Arline Kardasis, Rikk Larsen, Crystal Thorpe, Blair Trippe

They're Your Parents Too by Frances Russo (family dynamics)

Caregiving – Activities

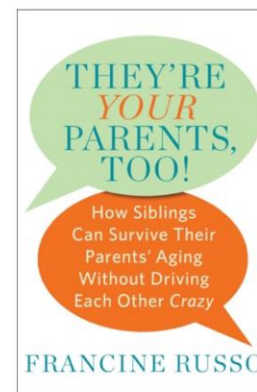
Contented Dementia by Oliver James

Creating Moments of Joy for the Person with Alzheimer's or Dementia: A Journal for Caregivers by Jolene Brackey

Forget Memory by Anne Basting

I Remember Better When I Paint: Art and Alzheimer's: Opening Doors, Making Connections by Berna G Huebner

The best friends™ Approach to Alzheimer's Activities by Virginia Bell, David Troxel



Book recommendations from Aging Wisdom staff
agingwisdom.com | 206.456.5155
updated 04/24/2017

2



Living with Dementia

Alzheimer's from the Inside Out by Richard Taylor

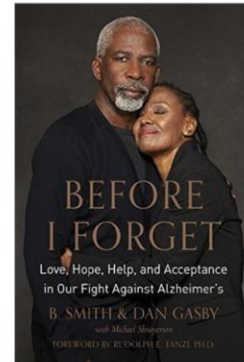
Before I Forget: Love, Hope, Help, and Acceptance in Our Fight Against Alzheimer's
by B. Smith & Dan Gasby

Living Your Best with Early-Stage Alzheimer's: An Essential Guide by Lisa Snyder

Losing My Mind: An Intimate Look at Life with Alzheimer's by Tom DeBaggio

Speaking Our Minds: What It's Like to Have Alzheimer's by Lisa Snyder

While I Still Can... by Rick Phelps & Gary Joseph LeBlanc



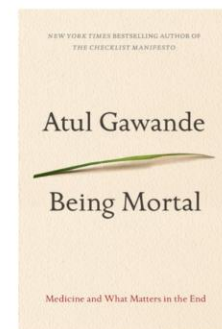
End of Life

Being Mortal by Atul Gawande

Dying Well by Ira Byock, MD

Final Gifts by Maggie Callahan & Patricia Kelley

The Best Care Possible by Ira Byock, MD



Grief and Loss

Ambiguous Loss: Learning to Live with Unresolved Grief by Pauline Boss

The Year of Magical Thinking by Joan Didion – grief journey

Spirituality

Caresharing: A Reciprocal Approach to Caregiving and Care Receiving in the Complexities of Aging, Illness or Disability by Marty Richards, MSW, LCSW

No Act of Love is Ever Wasted: The Spirituality of Caring for Persons with Dementia by Richard L. Morgan and Jane Marie Thibault

Book recommendations from Aging Wisdom staff
agingwisdom.com | 206.456.5155
updated 04/24/2017

3

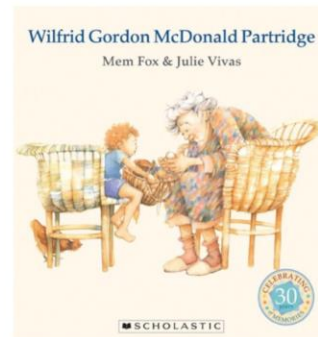
For Children

Sonja's Chickens by Phoebe Wahl

What's Happening to Grandpa? By Maria Shriver

Why Did Grandma Put Her Underwear in the Refrigerator?: An Explanation of Alzheimer's Disease for Children by Max Wallack

Wilfrid Gordon McDonald Partridge by Mem Fox



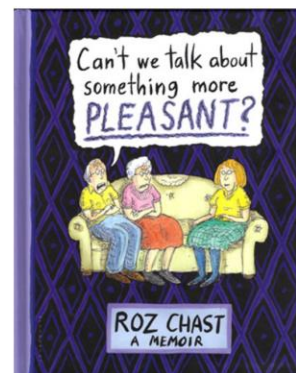
Memoir

Can't We Talk About Something More Pleasant? Roz Chast

Her Beautiful Brain by Ann Hedreen

The Long Hello: Memory, My Mother and Me by Cathie Borrie

The Shelf Life of Ashes by Hollis Giammatteo



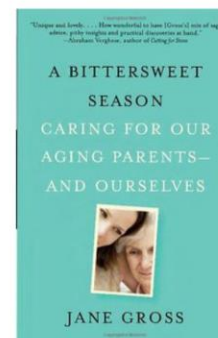
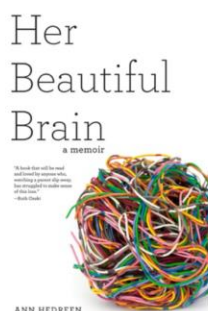
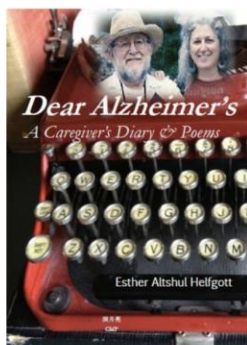
Poetry

Beyond Forgetting: Poetry and Prose About Alzheimer's edited by Holly Hughes

Dear Alzheimer's: A Caregivers Diary of Poetry & Poems by Esther Altshul Helfgott

Poems from the Pond 107 Years of Words and Wisdom. The Writings of Peggy Freyberg

You are Not Alone: Poems of Hope and Faith by Lon Cole



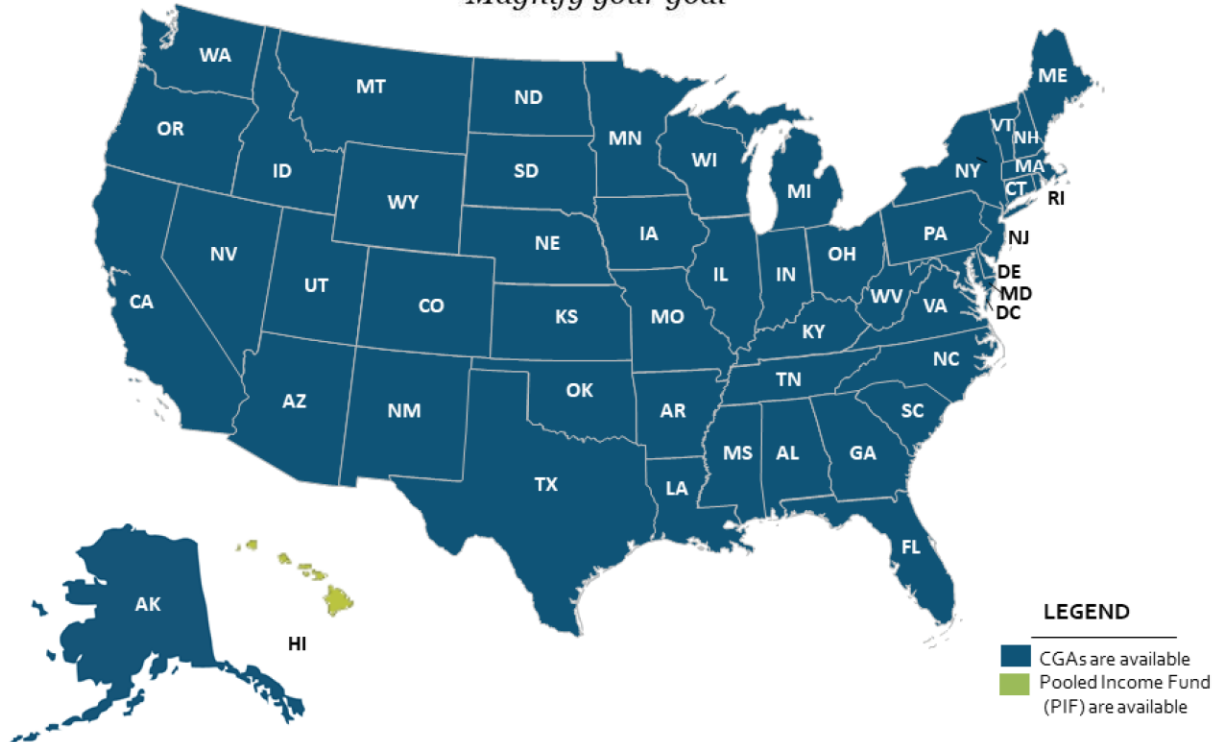
Book recommendations from Aging Wisdom staff
agingwisdom.com | 206.456.5155
updated 04/24/2017

Be Registered in 49 States Today!

CGA

Charitable Gift Annuity Solutions Program

Magnify your goal



The Charitable Gift Annuity Solutions™ Program is a program dedicated to serving nonprofits of all sizes and in all phases of planned giving. Through a strategic partnership of some of the nation's top planned giving expert groups, Charitable Giving Resource Center can now offer your nonprofit a turnkey charitable gift annuity program in accordance with the American Council on Gift Annuities standards.

Whether you already have an established CGA program or you are a nonprofit thinking about dipping your toe into the planned giving arena, this program is for you!



(888) 925-6555
cga@MagnifyYourImpact.com
www.MagnifyYourImpact.com

Come visit us in Booth 310!

©2018 The Charitable Gift Annuity Solutions™ Program is offered through Charitable Giving Resource Center. All rights reserved.

Does Strict State Regulation Actually Protect Gift Annuitants? (Track III)

Bryan Clontz, CFP®, CLU®, ChFC®, CAP®, AEP®, RICP®

(Thursday, 1:30pm - 2:45pm & 3:15pm - 4:30pm)

This session will present recent research on both the size and scope of the gift annuity market and to what extent increased regulation improves charitable gift annuity solvency. Attendees will learn: How many charities are estimated to have issued charitable gift annuities? How many active gift annuities exist? What is the estimated total asset size of the national gift annuity market? Are ACGA member pools different than non-member pools? Does more stringent state insurance regulation of gift annuities improve charitable pool solvency? Most importantly, these research findings will be combined with historical CGA default information to suggest a more efficient and cost-effective regulatory path.

Bryan Clontz, CFP®, CLU®, ChFC®, CAP®, AEP®, RICP®

President
Charitable Solutions, LLC



Bryan is the founder and President of Charitable Solutions, LLC, specializing in non-cash asset receipt and liquidation, gift annuity reinsurance brokerage, gift annuity risk management consulting, emergency assistance funds as well as virtual currency and life insurance appraisals/audits. He also serves as Partner of Ekstrom Alley Clontz & Associates – a community foundation consulting firm in New Haven, CT.

Bryan is the founder of the Dechomai Foundation, Inc. and the Dechomai Asset Trust - two national donor advised funds focusing on non-cash assets generally and S-corp transactions respectively. He is also the founder and President of The Emergency Assistance Foundation, Inc. – a national fund allowing employers to create emergency assistance and disaster relief funds for their employees.

In the decade prior to founding Charitable Solutions, LLC in 2003, he served as the director of planned giving for the United Way of Metropolitan Atlanta, national director of planned giving for Boys & Girls Clubs of America and then as vice president of advancement at The Community Foundation for Greater Atlanta. He received a bachelor's of science in business administration from the College of Charleston in Charleston, SC; a master's degree in risk management and insurance from Georgia State University in Atlanta, GA; and a master's degree in financial services from the American College in Bryn Mawr, PA.

From 2000-2005, he served as a graduate adjunct professor for both personal financial planning and life insurance in the Department of Risk Management and Insurance at Georgia State University. He serves on the Editorial Board of the Planned Giving Design Center (2000-current), the Advisory Board for the American College's Chartered Advisor in Philanthropy designation (2001-current), the American Council on Gift Annuities' Rate Recommendation and Research Committee (2003-2010) and the National Committee on Planned Giving Board (2007-2009).

He has given more than 2,000 presentations on charitable gift planning and community foundation topics (including the National Committee on Planned Giving Conference, American Council on Gift Annuities and more than 30 speeches at national community foundation conferences – COF, ADNET, FAOG); been published in an international insurance textbook and a book *Charitable Gifts of Noncash Assets* and written more than two dozen articles in financial services and planned giving journals, including a planned giving manual entitled Just Add Water, which has sold more than 2,000 copies. Bryan chaired the inaugural statewide *Leave a Legacy Georgia!* campaign. He has served as an expert witness on charitable gift annuity default and reinsurance involving an Arizona charitable bankruptcy and as a donor advised fund expert witness for a Virginia bankruptcy. He is the co-inventor of a proprietary CGA risk management process (LIRMAS- Life Income Risk Management Analytic Suite) based on an actuarial study he co-authored for the Society of Actuaries on CGA Mortality.

THE RELATIONSHIP BETWEEN GIFT ANNUITY SOLVENCY AND DISPARATE STATUTORY INSURANCE REGULATION

Translated:

Does Strict State Regulation Actually Protect Gift Annuitants?

Bryan Clontz, CFP®, CAP
Charitable Solutions, LLC
www.charitablesolutionsllc.com

Introduction

- Charitable Gift Annuities (CGAs) are the oldest (8th Century in Europe and 1831 in US) and estimated to be the most popular form of split-interest, life income donation.
- CGAs are contracts between donors and a charity which guarantees life income for one or two lives – this general creditor liability is backed by all of the charity's unrestricted assets.
- CGAs are not trusts, are not commercial insurance contracts and are generally exempt from securities regulations.
- The IRS is able to collect data from 5227 Trust Tax returns for other split interest gifts (Charitable Remainder Unitrusts, Charitable Remainder Annuity Trusts, Charitable Lead Trusts and Pooled Income Funds), however charities do not report CGAs in a segregated way.
- Federally, CGAs may be subject to SEC, IRS or FBI regulations for fraud or if the charity fails to meet the securities exemptions. Federal compliance is quite simple and inexpensive.

Research Questions and Hypothesis

Q1: How are charities currently reporting gift annuities to the IRS?

Q2: Of charities who report "Other Liabilities" on the IRS Form 990, what percent constitute gift annuity issuers?

Q3: How many charities have issued charitable gift annuities?

Q4: How many gift annuities exist?

Q5: What is the total asset size of the national gift annuity market?

Q6: Does more stringent state insurance regulation of gift annuities improve charitable pool solvency?

H₀: Charities operating in highly regulated states will have higher solvency ratios than charities operating in less regulated states.

Literature Review: Background and Approach

- Life insurance regulatory history
- Review of studies reviewing solvency approaches and critique of the National Association of Insurance Commissioners (NAIC) and ratings agencies
- Studies comparing the impact of state disparities in life insurance regulation
- Forensic analysis of all known charitable bankruptcies causing gift annuity defaults

Inferential Approach to Derive CGA Market Scale and Scope

Q1: How are charities currently reporting gift annuities to the IRS?

A convenience sample of 50 known CGA-issuers was collected from current ACGA members to reverse engineer the accounting and reporting approach for charities issuing gift annuities. Each Form 990 tax return was reviewed to determine if there was uniformity to how gift annuity liabilities were reported to the IRS.

Q2: Of charities who report “Other Liabilities” on the IRS Form 990, what percent constitute gift annuity issuers?

Every charity from the convenience sample included their gift annuity liabilities in Part X: Balance Sheet of the Form 990: “Other Liabilities – Line 25.” If Box 25 has a value, charities are required to provide greater detail on Schedule D. Nine descriptors captured every known issuer.

Part X Balance Sheet		Check if Schedule O contains a response or note to any line in this Part X	
		(A)	(B)
		Beginning of year	End of year
1	Cash—non-interest-bearing		1
2	Savings and temporary cash investments		2
25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	\$525,295	\$937,284
			25

Part X Other Liabilities		Complete if the organization answered “Yes” on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.	
(1)	(2) Description of liability	(3)	(4) Book value
	Federal income taxes		
(2)	Charitable Gift Annuities		
(3)	Income Beneficiaries		
(4)	Split Interest Agreement		
(5)	Amount Due Under Annuity or Trust Agreement		
(6)	Liability Under a Trust or Annuity Agreement		
(7)	Future Liabilities Payable Under a Trust or Annuity Agreement		
(8)	Amount Due to Beneficiaries		
(9)	Liability Due to Life-Income Beneficiaries		
Total. (Column 3) must equal Form 990, Part X, col. (B) line 25.		Trust or Annuity Assets Held to Benefit Another	

- Q3: How many charities have issued charitable gift annuities?**
Q4: How many gift annuities exist?
Q5: What is the total asset size of the national gift annuity market?

Dataset: In 2012, the IRS released Form 990 Exempt Organization Annual Masterfile Extract. This study used the 2013 NCCS Enhanced Extract of IRS Financial Data (Masterfile Extract with additional data fields).

Type of Form 990 Filings	Return Count	Return Totals	Filing Receipt Threshold	Filing Asset Threshold	Notes
Total Form 990s from 501(c)(3)s	215,306		>=\$200K	>=\$500K	Must file if one condition is met.
Total Form 990s from non-501(c)(3)s	74,297		>=\$200K	>=\$500K	Must file if one condition is met.
Total Form 990		289,603			
Total Form 990Ez from 501(c)(3)s	158,210		<\$200K	<\$500K	May file if both conditions are met.
Total Form 990Ez from non-501(c)(3)s	80,771		<\$200K	<\$500K	May file if both conditions are met.
Total Form 990 EZ		238,981			
Total Form 990PFs		100,484	N/A	N/A	All must file.
Total Form 990Ns or Exempt from Filing		327,016	<\$50K	N/A	
Total Form 990s Filed		1,533,084			

Q3, Q4 and Q5: Methods Continued

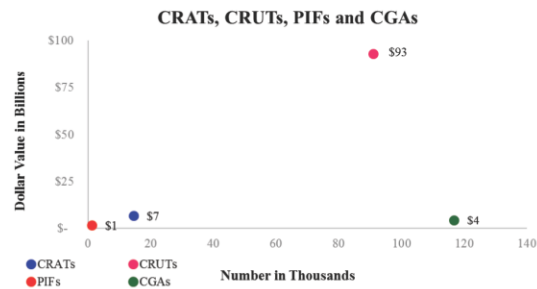
- From this 215,306 record dataset, 44,416 records had \$25,000 or more in "Other Liabilities – Line 25"
- The dataset, unfortunately, did not include Schedule D.
- Assuming an estimated positive gift annuity probability of 9%, at a 95 percent confidence level and a confidence interval of .01, the calculated sample size is 2,938 which will be randomly sampled from the 44,416 records.

Confirmed Positive	Confirmed Negative	Chose Not to Participate	No Response	Total Responses
108 (63.1%)	52 (30.4%)	1 (.6%)	10 (5.8%)	171

These 11 non-responses were dropped leaving 2,927 observations or 3.69 percent confirmed positive CGA issuers.

Inferential Data Analysis Summary vs. Other Life Income Gifts

	Number of CGAs per Issuing Charity	Estimated National Market of CGAs by Number	Market Value of CGAs per Issuing Charity	Estimated National Market of CGAs by Assets
Lower Bound Confidence Interval	39.95	65,478	\$1,572,831	\$2,577,870,009
Mean	71.65	117,434	\$2,647,356	\$4,339,016,484
Upper Bound Confidence Interval	103.35	169,391	\$3,721,882	\$6,100,164,598



11

Key Findings and Implications

- Charities are generally consistent in how they report gift annuity liabilities in Box 25 of IRS Form 990 for *Other Liabilities*.
- Only 23 percent of the confirmed sample issuers were members of the ACGA (the larger pools)
- At the mean estimate of 117,434 total gift annuities, this represents more than the rest of the split interest vehicles combined (CRUTs, CRATs, CLTs and PIFs aggregate to 113,682) and an estimated nine percent more than all other life income vehicles combined at 107,184.
- We also now have an estimate of the total number of charities issuing gift annuities (1,639) and the total national value (\$4.3 billion).

12

Q6: Does more stringent state insurance regulation of gift annuities improve charitable pool solvency?

Step 1: Three Group Clusters from ACGA
Membership (421 estimated issuing members)

Group 1: 12 charities from the 11 states
with high insurance regulation

Group 2: 12 charities from the 15 states
with medium insurance regulation

Group 3: 12 charities from the 24 states
with low or no insurance regulation

Q6: Does more stringent state insurance regulation of gift annuities improve charitable pool solvency?

Step 2: Filter selections using the following criteria:

Group 1 – high regulation charities may provide CGAs in any states

Group 2 – medium regulation charities may also provide CGAs in medium and non-regulated states

Group 3 – low or non-regulated charities may only provide CGAs in low or non-regulated states

•Selected charities will only be from Education (NTEE Code – B), Health/Hospital (NTEE Codes – E and G), Social Service (NTEE Codes – O, P, D and L) and Religious (NTEE Code – X).

•Charity must have existed for more than 10 years.

•Charity must be headquartered/domiciled in targeted Group of states.

•Charities must have no more than \$250 million in net unrestricted liquid assets (larger charities may skew results).

ANOVA to Compare CGA Solvency

H_0 : Charities operating in highly regulated states will have higher solvency ratios than charities operating in less regulated states.

A one-way ANOVA analysis will employ a 12 treatment factorial experiment to measure the differences in solvency factors – the dependent or response variable.

Total Adjusted Unrestricted Liquid Surplus = Total Liquid Assets – (Temporarily Restricted Assets + Permanently Restricted Assets)

Total Liabilities = All liabilities including charitable gift annuities.

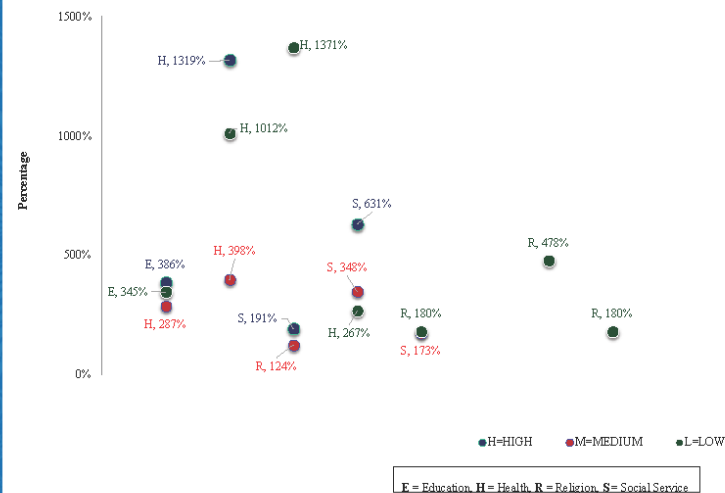
$$\text{Solvency Factor (Expressed as \$)} = \frac{\text{Total Adjusted Unrestricted Liquid Surplus}}{\text{Total Liabilities}}$$

A solvency factor derivation, the surplus ratio, is expressed as:

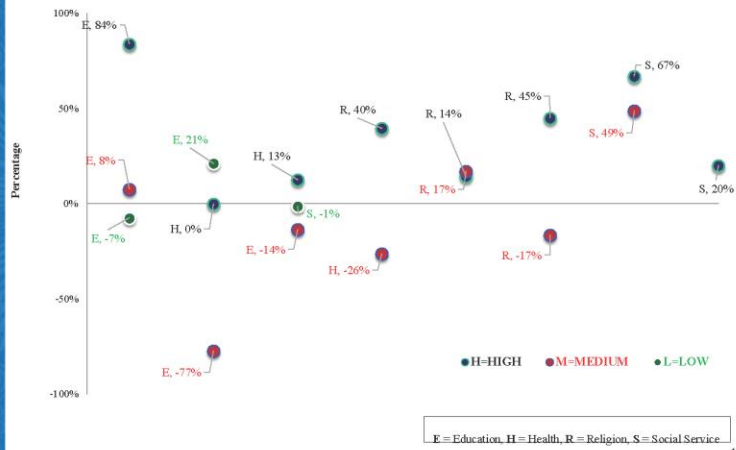
$$\text{Surplus Ratio (Expressed as \%)} = \text{Solvency Factor} - 1$$

An additional ANOVA compared Solvency versus Charity Type, CGAs Issued, CGA Pool Size and Regulatory Group. For all tests, the F-Statistic was used to estimate the population variances with a p-value of .05.

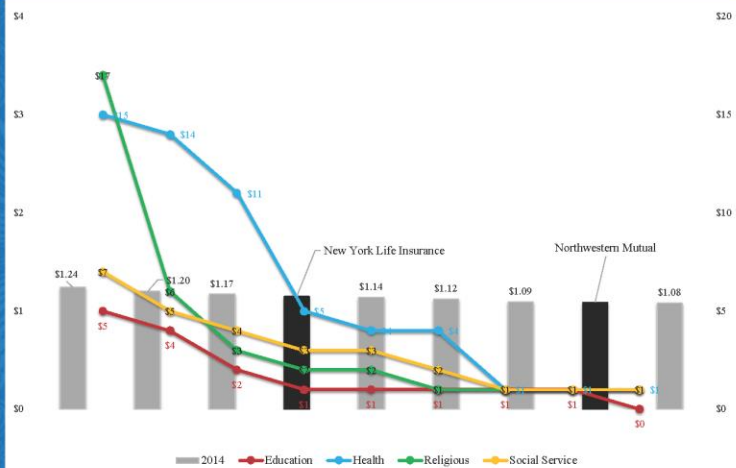
58 Percent Had Surplus Ratios Greater Than 100 Percent



42 Percent Had Surplus Ratios Less Than 100 Percent (16 Percent are Negative)



Charitable Solvency per \$1 of Liabilities vs. Largest Life Insurance Carriers



ANOVA Solvency Analysis and Implications

Analysis of Variance for Variable solvency Classified by Variable level					
level	N	Mean			
H	12	3.341667			
M	12	2.058333			
L	12	5.822500			

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Among	2	87.881715	43.940858	2.7049	0.0817
Within	33	536.088733	16.245113		

Wilcoxon Scores (Rank Sums) for Variable solvency Classified by Variable level					
level	N	Sum of Scores	Expected Under H0	Std Dev Under H0	Mean Score
H	12	220.0	222.0	29.799329	18.333333
M	12	168.0	222.0	29.799329	14.000000
L	12	278.0	222.0	29.799329	23.166667

Kruskal-Wallis Test	
Chi-Square	4.5465
DF	2
Pr > Chi-Square	0.1030

The p-value of the F-statistic is greater than 0.05 at 95 percent confidence suggesting that there is no difference in solvency ratios by regulatory level. This was confirmed by the Kruskal-Wallis test.

Additional ANOVA Tests

- Number of CGAs by Regulatory Level: The p-value of the F-statistic was smaller than 0.05 at 95 percent confidence suggesting that there is a statistically significant difference in CGA number by regulatory level in at least one pair. However, an additional post hoc analysis conducted using Tukey's test does not show statistically significant difference in any of the pairs. This was confirmed by the Kruskal-Wallis test.
- Pool size by Regulatory Level (ANOVA): The p-value of the F-statistic is smaller than 0.05 at 95 percent confidence suggesting that there is a statistically significant difference in Pool Size by regulatory level in at least one pair. This was confirmed by the Kruskal-Wallis test.

20

ANOVA Regression with Outlier Removed

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.626	.392	.234	3.1203

Independent Variables (Regulatory Level, # of CGAs, Pool Size, Charity Type) explained 23.4 percent of variance and was statistically significant (.042).

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	2.142	1.438		1.490	.148
	# of CGAs	-.010	.006	-.665	-1.474	.152
	Pool Size	4.297E-7	.000	.697	1.571	.128
	Health	4.937	1.570	.614	3.145	.004
	Religious	1.471	1.660	.176	.886	.383
	Social Service	1.877	1.565	.233	1.199	.241
	Regulatory Level - Medium	-2.629	1.306	-.355	-2.013	.054
	Regulatory Level - Low	-1.511	1.427	-.204	-1.059	.299

From the output above, Health type is significant in predicting solvency and that medium regulation is very close to significant at 5.4 percent.

21

Suggested Regulatory Improvements: Four Question Approach for National Solvency Standards

1. Is the charity's solvency factor: above \$2 = five points, between \$1.2-2 = three points, \$0-1.2 = zero points, or below \$0 = minus three points?

Rationale: This factor provides the greatest indicator of solvency protection based on liquid unrestricted net assets.

2. Does the charity pay commissions to referring agents? No = three points, Yes = minus three points.

Rationale: Many of the charitable bankruptcies involved the unethical practice of paying commissions to referring parties (i.e., finder's fees).

3. Is the charity at high risk of litigation (perhaps charities dealing with vulnerable populations)? No = three points, Yes = zero points, Active current litigation = minus three points.

Rationale: Many of the charitable bankruptcies were triggered, or exacerbated, by legal judgments.

4. Is the charity a member of the ACGA? Yes = three points, No = zero points.

Rationale: None of the known bankrupted charities were ACGA members and the ethical guidelines, recommended rates and best practices are all promulgated to protect charities and annuitants.

22

YOU ARE THE HERO.

We just amplify your success.

At Thompson & Associates, we know donors.

We've seen the power and freedom that comes when a donor gains financial clarity over his or her future. Through our process, over \$6 billion has been directed to charities since 1998. And, it took heroes with vision just like you to make that happen.

**Empower your donors today.
Give them the gift of
values-based estate
planning.**

**Thompson &
Associates**SM
Values-Based Estate Planning

www.ceplan.com

Assessing the Health of your Gift Annuity Program? (Track III)

Bryan Taylor, CFA

(Thursday, 1:30pm - 2:45pm & 3:15pm - 4:30pm)

Many annuity programs are functioning in crisis mode; even worse, many non-profit fiduciaries are unaware of potential risks affecting their programs. Liability management is challenging both from a portfolio and risk management perspective. We will review five keys to assessing the health of your current Charitable Gift Annuity program. This session will also explore the beneficial nature of utilizing certain conservative assumptions and provide industry “best practice” alternatives for improving your program.

Bryan Taylor, CFA

Chief Investment & Executive Officer
Cornerstone Management, Inc.



Mr. Taylor is a popular speaker on all aspects of investment management, having conducted numerous training seminars for the staff and boards of various Christian organizations. He is a frequent conference speaker for Christian Leadership Alliance (CLA), Association of Business Administrators of Christian Colleges (ABACC), Council for Christian Colleges and Universities (CCCU).

Mr. Taylor currently serves as the Chief Investment and Executive Officer for Cornerstone Management, Inc. Cornerstone is a national RIA firm providing comprehensive turn-key solutions for institutions seeking assistance in the asset management and administration of Endowments, Donor Advised Funds, Charitable Remainder Trusts and Charitable Gift Annuity programs as well as various other split-interest gifts. Mr. Taylor joined Cornerstone in 1997 as a Financial Analyst and assumed the role of Portfolio Manager and Principal in 1999. Mr. Taylor has over 20 years of investment consulting experience and holds the prestigious Chartered Financial Analyst (CFA) designation (2003). A Presidential Scholar, Mr. Taylor graduated Summa Cum Laude from Bryan College (1995), having earned a B.S. in Business Administration with a concentration in Finance.

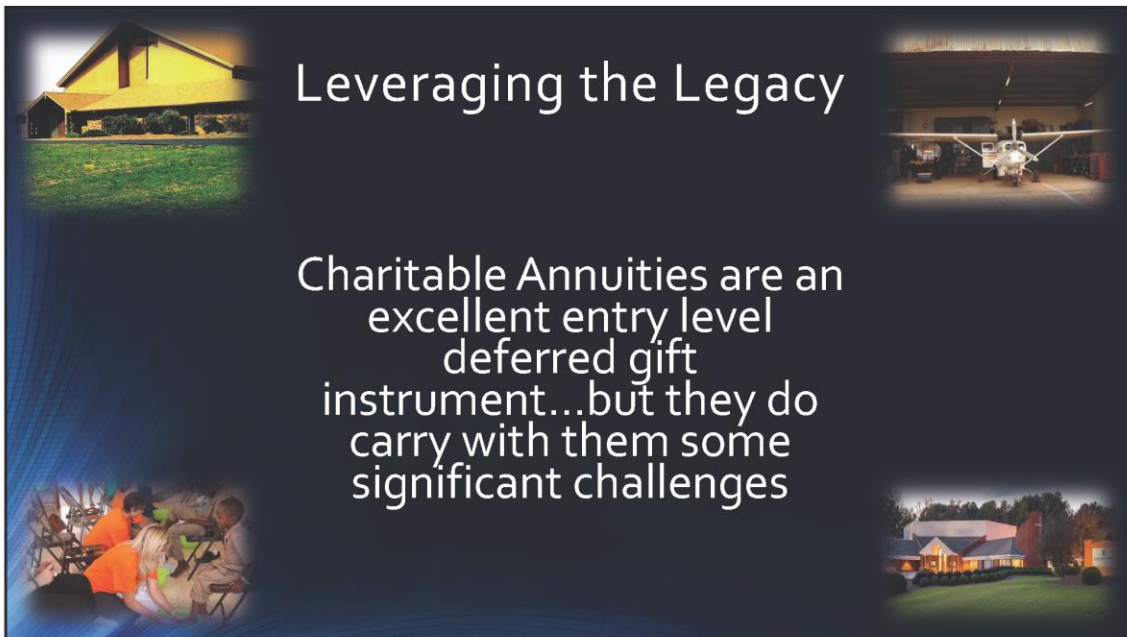
Assessing the Health of Your Gift Annuity Program

FIVE KEYS TO FINDING OUT

PRESENTED BY: BRYAN TAYOR, CFA

What is a Commercial Annuity vs. a Gift Annuity?

- A simple definition – Exchanging a lump sum for a stream of income
- A simple definition – Exchanging a lump sum for a stream of income calculated in such a way that an amount will be left to charity at the end of the annuity contract



Leveraging the Legacy

Charitable Annuities are an excellent entry level deferred gift instrument...but they do carry with them some significant challenges

Executive Summary

- Federal Requirements – Audit & Tax assumptions
- State Reserve Requirements – Adjusting your Investment Structure and other challenges
- Extension Risk/Longevity, Concentration Risk, Small Sample Size...etc
- Funded Status
- Annuity Vehicle Risk

Investment Philosophy/Theology

**“Love of wisdom (Philosophy)
the guide of life.”**

John Heath

5

Federal Requirements

- The Gift Annuity Contract is a general obligation of the organization that issues it.
- The holder of the contract is protected by all of the assets of the issuing entity
- “Best Practice” suggests that a reserve portfolio be held to “back” the annuity liability...much like a pension program...the amount of the reserve may be manipulated
- Audit practice also allows some flexibility in the assumptions utilized to calculate the reserve

3

Annuity Regulation – Don't learn the hard way...

"There are three kinds of men. The one that learns by reading. The few who learn by observation. The rest of them have to pee on the electric fence for themselves."

— Will Rogers

7

Required State Registration

- Historically there was some debate regarding State Regulation issues:
 - Charity location
 - Donor location
- Current "Best Practice" – register in required states where you plan to issue gift annuity contracts
- Some states have stringent requirements affecting both reserve liability calculations and investment parameters
 - e.g. - California
 - e.g. - New York

4

Annuity Risk Management

- Extension/Longevity Risk – The risk that a donor outlives his/her life expectancy
- This is a common challenge – ACGA Rates address this by factoring in longer life expectancies....however, risk remains in most pools
- Smaller pools of annuitants have higher extension risk than larger pools

Annuity Risk Management

- Addressing Extension Risk:
 - Grow the number of contracts in the pool
 - Vary the size of the contracts in the pool
 - Issue contracts consistently
 - Issue contracts to younger annuitants
 - Run Monte Carlo simulation prior to issuance

Annuity Risk Management

- Addressing Extension Risk:
 - Regularly seek severance opportunities
 - Look for opportune times to issue more contracts
 - Invest for the long term
 - Keep fees low
 - Utilize a formal Distribution Policy when taking money out of the annuity pool

Annuity Risk Management

- Concentration Risk – a small number of contracts represent a significant/excessive percentage of the total annuity pool payout and liability
- Again - smaller pools are more prone to this issue....however, some charities may issue a small number of very large contracts resulting in significant concentration risk

Annuity Risk Management

- Addressing Concentration Risk:
 - Set Issuance Parameters/Policy (Gift Acceptance Policy guidelines for your annuity program)
 - Consider selective reinsurance
 - Issue more contracts
 - Issue smaller contracts

Annuity Risk Management

- Addressing Concentration Risk:
 - Utilize a conservative distribution policy
 - Carry a significant reserve liability cushion
 - Run Monte Carlo simulation prior to contract issuance

Annuity Risk Management

- Investment Portfolio Risk – the risk that portfolio results differ from expectations resulting in underfunding or bankruptcy of the reserve
- If an Immunization Strategy is utilized there may also be the risk of continuously funding the reserve portfolio during periods of low or falling interest rates

Annuity Risk Management

- Addressing Portfolio Risk:
 - Utilize an investment policy statement
 - Utilize a conservative distribution policy
 - Utilize conservative return assumptions
 - Focus on "liability" driven investment strategy
 - Cash flow liability
 - Actuarial assumptions
 - Reserve pool protection

Annuity Risk Management

- Addressing Portfolio Risk:
 - Understand your liability assumptions
 - Keep costs low
 - Do not “skim” the contract – invest 100% of initial contract value
 - Utilize a diversified, long-term, UPMIFA based investment approach
 - Limit total volatility

UPMIFA



-8

UPMIFA - Investment

- Allows nonprofit funds to be managed with Modern Portfolio Theory
 - Total return is driving force; focus on portfolio as a whole
- Applies to Endowments, Other Reserves, etc. but not to all split-interest gifts

19

UPMIFA - Cost

- Requires cost to be managed prudently
 - Assets, purpose, and skills of institution influence cost
 - Allows for some flexibility
 - Note: ACGA assumes a 1% annual program cost

20

GO YE INTO ALL THE WORLD...

Allocation Techniques



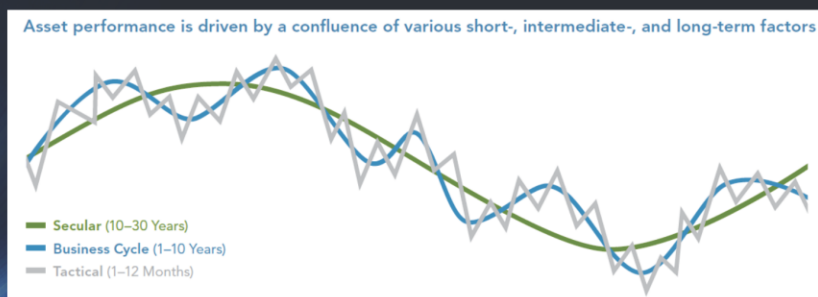
THE MOST IMPORTANT LESSON IN INVESTING IS HUMILITY. – SIR JOHN TEMPLETON (FOUNDER TEMPLETON FUNDS, PHILANTHROPIST, 1912-2008)

Asset Allocation

- Strategic Allocation Impact
- The Challenge of Alternatives – Liquidity
- Tactical Allocation
- Immunization – Asset Liability Matching

Strategic Asset Allocation and Tactical Portfolio Shifts may best be viewed through the following lenses:

1. **Secular View** (10 to 30 Years) – Longest time horizon
 - Market is influenced by economic trends such as demographic changes and productivity growth
2. **Business Cycle View** (1-10 Years) – Intermediate time horizon
 - Factors tied to the positioning of the economy – corporate earnings, credit growth, inventories
3. **Tactical View** (1-12 Months) – Short time horizon
 - Over the short run markets will deviate from their longer-term trends. These deviations offer attractive entry and exit points for portfolio tilts. Politics, Investor Sentiment, and asset flows can drive short term deviations.



Source: Fidelity Asset Management

Economic Outlook – 5 Factors

5 Factors	Comments	Positive/Neutral/Negative
Monetary Policy	<ul style="list-style-type: none"> • U.S. Fed has raised rates five times since December 2015; three rate hikes expected in 2018 • Other central banks (ECB, BOJ) slowing accommodative policy • U.S. Fed announced reduction of \$4.5T balance sheet began in 2017 	NEGATIVE
Fiscal Policy	<ul style="list-style-type: none"> • Tax bill passed for 2018 (corporate and individual tax cuts) • Infrastructure spending a likely additional stimulus 	POSITIVE
Global Macro Environment (U.S. Emphasis)	<ul style="list-style-type: none"> • Global synchronized growth and consumer health strong • U.S. unemployment at 4.1% – lowest since 2001 • Low Inflation with expectation of modest increases • N. Korea and Middle East remain the biggest geo-political risks 	POSITIVE
Valuations	<ul style="list-style-type: none"> • Valuations very high, particularly in U.S. • Earnings picked up in 2017; strong earnings expected in 2018 • Multiple expansion continued in 2017 • High Yield spreads have contracted significantly despite increased leverage 	NEGATIVE
Investor Sentiment	<ul style="list-style-type: none"> • Positive market momentum • Melt-up general market consensus • S&P 500 positive last nine quarters and 22 of last 24 months 	POSITIVE

Annuity Risk Management

- Small Sample Size– the risk that actuarial assumptions fail to apply given the small size of a pool of annuitants
- Note: Actuarial assumptions can be adjusted for reasonable sample sizes. However, a pool of two contracts will never be actuarially significant! **DON'T BEGIN ISSUANCE IF YOU ARE NOT SERIOUS ABOUT GROWING YOUR GIFT ANNUITY POOL.**

Annuity Risk Management

- Addressing Small Sample Size:
 - Grow your Pool
 - Write all types of annuities
 - Immediate Deferred Flexible Deferred
 - Invest conservatively at the outset
 - Constrain your distributions until your pool is viable
 - Consider hedging your risk with a buffer portfolio

Funded Status

YOU MAY BE PAYING FOR A
VERY LONG TIME....!

UTILIZE CONSERVATIVE ACTUARIAL ASSUMPTIONS WHEN CALCULATING YOUR RESERVE

1. CONSERVATIVE MORTALITY TABLES
2. REASONABLE RATES OF RETURN
3. EMPLOY A BUFFER
4. UTILIZE A DISTRIBUTION POLICY
5. REGULARLY REVIEW SEVERANCE OPPORTUNITIES



Annuity Vehicle Risk

- ❖ TRADITIONAL ONE & TWO LIFE CONTRACTS
- ❖ DEFERRED CONTRACTS
 - ❖ They may look good now....?
- ❖ FLEXIBLE DEFERRED CONTRACTS
 - ❖ Remind the donor
 - ❖ When will they "turn on"...Investment Risk and Timing

FUNDING MISSION & VISION

ANNUITIES ARE
FANTASTIC GIFTING
VEHICLES! THEY PROVIDE
GREAT OPTIONS TO
DONORS FOR BOTH
SIMPLE AND COMPLEX
SITUATIONS...HOWEVER,
CARE MUST BE TAKEN TO
INSURE THE VIABILITY OF
ANNUITY POOLS
BECAUSE ANNUITIES
HAVE VERY LONG TAILS!



Disclosures

Financial Advisory Consultants DBA/Cornerstone Management Inc. is a Registered Investment Advisory Firm. Although the information in this report has been obtained from sources that the Firm believes to be reliable, we do not guarantee its accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the Firm's judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. This presentation may only be dispensed with the disclosure page attached.

Annuity Risk/ACGA:

Bryan Taylor, CFA
Karen Sillay

Phone: 770-449-7799

Email: bryan@cornerstonemgt.net
winters@cornerstonemgt.net
karen@cornerstonemgt.net

Web Address: www.cornerstonemgt.net

Wells Fargo Philanthropic Services



WELLS FARGO
PRIVATE BANK

- Wealth Planning
- Investments
- Private Banking
- Trust Services
- Insurance



Maximizing the efficiency of charitable gifts

Wells Fargo manages nearly \$26 billion* in philanthropic assets—let our philanthropic specialists help you and your clients support the causes they care about:

Individual philanthropists

- Align giving with financial concerns, such as reducing transfer taxes or creating an income stream
- Establishing and administering a private foundation
- Implementing a donor advised fund

Nonprofit institutions

- Convert non-financial donations into cash
- Planned giving program development
- Investment management for endowments and planned gifts

To start a new kind of conversation, contact:

Stephanie C. Buckley
Senior Regional Fiduciary Manager
 424-333-1970
stephanie.c.buckley@wellsfargo.com

wellsfargoprivatebank.com

*\$26 billion as of 12/31/2017

Investment and Insurance Products: • NOT FDIC Insured • NO Bank Guarantee • MAY Lose Value

Wells Fargo Private Bank provides products and services through Wells Fargo Bank, N.A., the banking affiliate of Wells Fargo & Company, and its various affiliates and subsidiaries. Brokerage services are offered through Wells Fargo Advisors, LLC, member SIPC, a registered broker-dealer and separate nonbank affiliate of Wells Fargo & Company. Trust services available through banking and trust affiliates in addition to non-affiliated companies of Wells Fargo & Company. Insurance products are available through insurance subsidiaries of Wells Fargo & Company and underwritten by non-affiliated Insurance Companies. Not available in all states.

© 2018 Wells Fargo Bank, N.A. Member FDIC. NMLS ID 399801 IHA-5512501



Compatible or Combatale? The Working Relationship between Business and Planned Giving Offices (Track III)

Teresa R. Goddard & Melanie J. Norton

(Thursday, 1:30pm - 2:45pm & 3:15pm - 4:30pm)

Good gift planning and fund raising requires collaboration and cooperation between all of the various professionals involved. The development office and the business office often seem to operate at odds with one another, but building a good working relationship is worth the effort. Some reasons for conflict are that the two sides track income differently, think differently, and have different goals. Understanding one another's approach, assisting one another, and building personal ties can all help advancement and finance officers smooth the waters and bridge the communication gap. In addition, putting systems and policies in place will help withstand personnel transitions and institutional changes.

Teresa R. Goddard

Senior Director of Development Services
DePauw University



Teresa Goddard serves as the senior director of development services for DePauw University in Greencastle, Indiana. With over 20 years of experience in higher education systems management, Teresa leads the development services team in the areas of system management, gift processing, records management, reporting, training, user support and overall strategic system planning. She has been the project lead on system implementations at Rose-Hulman Institute of Technology and Ivy Tech Community College Foundation.

Teresa is a charter member of the Association for Advancement Services Professionals and serves on the Best Practices Committee. In December 2013, she also received one of the first certifications in fundraising operations from Rice University. She earned her Bachelor of Science in management information systems from Indiana State University.

Melanie J. Norton, CFRE, MBA

Founder and Philanthropic Consultant
Norton Philanthropic Counsel



Melanie J. Norton is the founder and lead consultant for Norton Philanthropic Counsel (NPC), a full-service philanthropic consulting firm in Indianapolis, Indiana dedicated to highly-customized and relationship-focused strategies that blend the art and science of philanthropy to promote client success.

Prior to the launch of NPC, Melanie was most recently the vice president for development and alumni engagement at DePauw University where she led a team of 40 full-time professionals to a successful \$320 million comprehensive campaign nearly two years in advance of the targeted campaign end. Melanie was previously a consultant with Johnson, Grossnickle and Associates, consulting on all phases of philanthropic work, and also spent eleven years in leadership roles in gift planning and major gifts for DePauw and Franklin College. Melanie's first career was at Fifth Third Bank where she served as an AVP in the Retail and Trust & Investment Advisors divisions for seven years.

Melanie is a Certified Fundraising Executive (CFRE) and holds an M.B.A. from the Kelley School of Business at Indiana University and a B.A. in business from Franklin College. She was the 2016 national chairman of the board for the National Association of Charitable Gift Planners and is also a past president and former board member for the Planned Giving Group of Indiana as well as the Rotary Club of Indianapolis-Sunrise. Melanie also served on the board of the Independent College Advancement Associates as well as several other volunteer and social service organizations.



Compatible or Combatable?
The Working Relationship Between
Business and Planned Giving Offices

33rd Annual ACGA Conference
April 26, 2018
*Melanie J. Norton, CFRE, MBA, Norton Philanthropic Counsel
& Teresa R. Goddard, DePauw University*

 DEPAUW
UNIVERSITY
NORTON || Philanthropic Counsel

Agenda

We will cover...

- Understanding the differences – *how do business and planned giving partners think, track and measure success differently?*
- Understanding the approach – *how do the gift conversations begin and when do we enact the partnership?*
- Nurturing the relationship and teamwork – *how do the internal partners best support each other for donor, departmental and institutional success?*
- Developing effective policies and systems – *how can internal policies and procedures help support the gift process, even amidst personnel and institutional changes?*



A New Gift From a Different Lens...

Understanding the Issues

- Planned giving and business officers *think* differently

The Planned Giving Officer

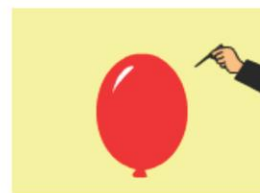


A New Gift From a Different Lens...

Understanding the Issues

- Planned giving and business officers *think* differently

The Business Officer



A New Gift From a Different Lens...

Understanding the Issues

- Planned giving and business officers **think** differently

A New Gift Annuity!


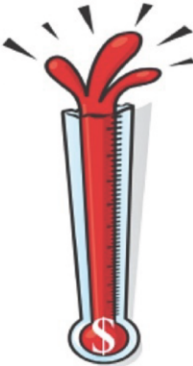
Donor	<ul style="list-style-type: none"> This is a wonderful gift...I'm so proud I can do this! I sure hope the institution appreciates the sacrifice I have made to establish this great charitable gift annuity gift!
Planned Giving Officer	<ul style="list-style-type: none"> Awesome! This gift is a win-win for the donor and us! So glad we could finally get the donor to make a major gift to ABC Institution!
Business Officer	<ul style="list-style-type: none"> Oh boy – another gift to administer that won't benefit us for years... Why can't the gift officers just raise cash? We'll never build our new center with these gifts!

A New Gift From a Different Lens...

Understanding the Issues

- Planned giving and business officers **track** differently

The Planned Giving Officer

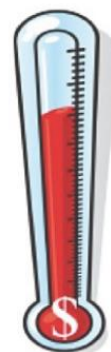



A New Gift From a Different Lens...

Understanding the Issues

- Planned giving and business officers **track** differently

The Business Officer



A New Gift From a Different Lens...

Understanding the Issues

- Planned giving and business officers **track** differently

A New Gift Annuity!

Donor

- I just made a \$25,000 gift to ABC Institution!
- I sure hope my payments arrive on time!

Planned Giving Officer

- I just closed a \$25,000 gift for the institution!
- I sure hope this gift is processed correctly so the donor can get their payments on time.

Business Officer

- There go the development people again...announcing a \$25,000 gift when the real value is only \$9,033.39!
- How am I supposed to explain this difference to the finance committee of the Board?

A New Gift From a Different Lens...

Understanding the Issues

- Planned giving and business officers *measure success* differently

The Planned Giving Officer



A New Gift From a Different Lens...

Understanding the Issues

- Planned giving and business officers *measure success* differently

The Business Officer



A New Gift From a Different Lens...

Understanding the Issues

- Planned giving and business officers **measure success** differently

A New Gift Annuity!

Donor

- This gift is part of my legacy for ABC Institution!
- I hope announcing this gift will encourage my friends to do the same.

Planned Giving Officer

- This gift will do great things for ABC Institution one day.
- Now I can report to my supervisor and the board that I've made my goal!

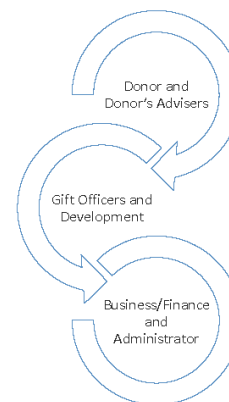
Business Officer

- Cash is king!
- I hope the board will understand why we are reporting the campaign as a success but we don't have enough funds to finish the center.

Understanding the Approach

How do we negotiate the gift **before** the gift is closed?

- Make certain the right people are at the table
- Who to involve, and when
- How do different types of gifts make a difference?
 - "Standard" gifts
 - "Special" gifts
 - "REALLY special" gifts!



Understanding the Approach

What does each partner want and value?

Donor	Planned Giving Officer	Business Officer
<ul style="list-style-type: none"> • Make a difference • Honesty • Transparency • Recognition • Benefits (tax, perks, etc.) 	<ul style="list-style-type: none"> • Good gift • Achieve goals • Transparency & consistency • Effective communication • Smooth process 	<ul style="list-style-type: none"> • Good gift • Achieve goals • Transparency & consistency • Effective communication • Green flag process

Team and Relationships

Cultivating, Building and Protecting the Relationships

- Regular communication and education on both sides is critical
 - Understand the challenges that both development and business/finance must undertake
 - Education is key, and it's important to include all partners that touch a gift
 - Avoid the temptation to "over promise" to get a gift
- Understanding the differences between "counting" and "reporting"
 - What is required for business and finance?
 - What is desired by the donor and the development/planned giving office?
 - Transparency is the goal and key to future success and accurate measurement
 - Consider a move to "total impact"

Team and Relationships

Cultivating, Building and Protecting the Relationships

- GAAP Definitions
 - An unconditional transfer of cash or other assets
 - The value, if any, returned to the resource provider is incidental to potential public benefits
 - An unconditional promise to give shall be recognized when it is received but must contain sufficient evidence in the form of verifiable documentation that a promise was made and received
 - Legal enforceability
 - Intentions versus promises

Team and Relationships



Deal?


- "The Zoo is in my will."
- "As soon as I sell this company I intend to make a gift of \$1 million."
- "I'll donate a table at the upcoming Gala."
- "I'll designate a future scholarship gift from my IRA."
- "My company will give you a discount on construction services."



Or No Deal?


- Is it irrevocable?
- Is it a promise to give, or just an intent?
- Is it unconditional?
- Is it nonreciprocal?
- Is it cash, or when can it be converted to cash?

Motivations and Concerns



Development

- Long-term relationships
- Annual and campaign goals
- Desire to say yes
- Hesitation to push or ask for too much information
- Long gift cycle
- Compensation and performance standards



Accounting

- Accurate Financial Reports
- No Audit Adjustments
- Cash Flow
- Budget Dependent on Contributions
- Can't pay bills with pledges and bequests
- Can't pay operating expenses with restricted gifts
- Costs associated with fundraising

Motivation and Concerns

Why Are the Counting and Accounting Differences a Problem?

- Confusion between/among management and staff
- Confusion with Boards and other outside constituents
- Determining when goals have been met
- Inconsistencies between internal reports and audited financial statements
 - Audit adjustments
 - May lead to questions regarding internal reports
- Determining when to give naming rights in a capital campaign
- Determining when to award scholarships or fund program activities

Motivation and Concerns

Why Are the Counting and Accounting Differences a Problem?

- Determining when to start construction
- Accounting not involved enough in key decisions
 - Campaign goals and planning
 - Gift counting decisions
 - Complex donor agreements – rates, payment terms, etc.
- Publicly acknowledging gifts before cash is received
- Growing budgets to match development activity may not “balance”
- Donor relationship issues

Policies and Procedures

Effective Policies and Procedures Are Mission Critical

- Involve both accounting and development partners in determining policies and procedures
 - Gift acceptance policies
 - Gift agreements
 - Campaign counting standards and guidelines
- Use available resources as guides: ACGA, NACGP, CASE, AHP, etc.
- Acknowledge the differences between reporting and accounting
- Count gifts *only once*...but still tell the full and transparent story!

Policies and Procedures

Effective Policies and Procedures Are Mission Critical

- Keep an eye on the future
 - Weave the future and pipeline into the story
 - Don't tax future campaigns
- Work to a partnership where goals start with strategy and involve capacity and inclination
- Education is an ongoing concern
 - Particularly in the midst of personnel changes and institutional transition
 - There is always room for improvement

Policies and Procedures

Other Factors to Consider

- Understand the fundraising goals and accomplishments...and how they translate into spendable funds
- Understand how your organization is funded (what is the mix)?
- Keep administration and Boards informed of all of the details
 - Cash, pledges, deferred gifts, restricted gifts, unrestricted gifts, expectancies, estimated timeline to maturity, etc.
- Develop a consistent and through reconciliation and communication schedule
- Benchmark with peer organizations

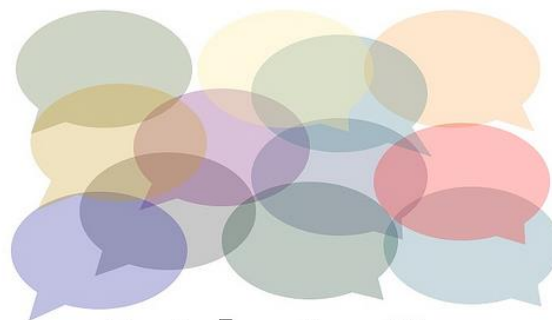
Policies and Procedures

- Always remember...you are *on the same team!*



Tales from the Trenches

- Your Stories
- Questions?



let's talk

Thank you!

Melanie J. Norton, CFRE, MBA

Founder and Consultant

Norton Philanthropic Counsel

melanie@nortoncounsel.com

317.730.6540

Teresa R. Goddard

Executive Director of Advancement Services

DePauw University

tgoddard@depauw.edu

765.658.4277

Friday, April 27 - Closing Breakfast

(7:30am - 9:00am)

[The Brave New World of Gift Planning – Where Do We Go From Here?](#) 403



Your first call in philanthropy.

With over 30 years of experience, State Street Global Advisors' Charitable Asset Management team offers 35 planned-gift specialists, backed by one of the world's largest asset management firms. Our relationship managers keep you abreast of best practices, while handling more than \$3 billion from 34,000 donors for over 230 charities.¹

Contact us for turnkey solutions to help you achieve your mission at CAM@ssga.com.

STATE STREET
GLOBAL ADVISORS.

We offer comprehensive solutions for competitive fees:

Program & Gift Consultation

Gift Administration

Staff Training

Investment Management

Charitable Tax Services

Stewardship Support

¹ As of 12/31/2017.

State Street Global Advisors, One Lincoln Street,
Boston, MA 02111-2900

© 2018 State Street Corporation. All Rights Reserved.
ID11970-CAM-2015033.1.1NA RTL 0218 Exp. Date: 02/28/2019

The Brave New World of Gift Planning – Where Do We Go From Here?

Robert Sharpe, Jr.

(Friday, 7:15am – 9:00am)

This presentation will explore the powerful forces underlying trends that are now and will continue to impact charitable estate planning.

These factors include the economic impact of the Great Recession and its aftermath, the elimination of federal estate and gift taxes for 99.9% of Americans, the aging of the Baby Boomer generation, the possibility of taxation of charitable gifts, the role of planned gifts in capital campaigns and the re-emergence of charitable trusts as key planning tools for high net worth individuals.

According to the Giving USA 2017 report, gifts from living individuals and gifts from corporations and foundations were all up in 2016, while inflation-adjusted bequest income declined just over 10%. There has been little real growth in bequest income over the past 15 years.

How much longer will we experience flat income from estates when the Great American Wealth Transfer has reportedly been underway since 1998? Are we entering a period of continued decline in planned gifts or are we witnessing the dawn of the Golden Age of Gift Philanthropy led by the "Gerontophilanthroplutocracy"?

Robert Sharpe, Jr.

Chairman
Sharpe Group



Robert Sharpe is chairman of Sharpe Group, which consults nationwide with leading educational, health, social service and religious organizations and institutions in implementing their major and planned gift development efforts. With offices in Memphis, Washington DC, Atlanta and San Francisco, Sharpe Group has worked with over 10,000 nonprofits nationwide during its 54-year history.

He is chairman of the philanthropy editorial board of *Trusts & Estates* magazine. He has served on the board of Giving USA and on strategic task forces for the National Association of Charitable Gift Planners (CGP) and co-authored the CGP Model Standards of Gift Valuation. He has chaired the annual Council for Advancement and Support of Education (CASE) conference on Structuring Major Gifts since 2004 and is a recipient of the CASE Crystal Apple Teaching Award and the Donaldson Distinguished Service Award from the Partnership for Philanthropic Planning of New England. He currently serves on the Congressional charitable tax legislative advisory council for the Alliance for Charitable Reform.

Mr. Sharpe has authored many articles and other publications covering numerous estate and gift planning topics. His remarks on this subject have been featured in *The Wall Street Journal*, *The New York Times*, *Newsweek*, *Forbes*, *Smart Money*, *CBS Market Watch*, *The Chronicle of Higher Education*, *Trusts & Estates*, *Kiplinger's* and other national publications.

He is a frequent speaker for professional gatherings nationwide, including the National Conference on Philanthropic Planning, the American Bankers Association Wealth Management and Trust Conference, the Association of Fundraising Professionals (AFP) National Conference, the American Institute of CPAs Nonprofit Conference, the International Fundraising Congress, the Association for Healthcare Philanthropy Advanced Planned Giving Institute, Council for Advancement and Support of Education (CASE) National Conference, CASE Advanced Planned Giving Conference and others.

In past years, he served as a development officer for a liberal arts college and practiced law with a national law firm where he specialized in taxation and estate planning. Mr. Sharpe is an honors graduate of Vanderbilt University and Cornell Law School.

Friday, April 27 - Morning Sessions

(9:30am - 10:45am & 11:15am - 12:30pm)

Teamwork Makes a Dream Work (Track I)	405
Gift Planning in a Campaign – Lessons Learned at Penn (Track I)	423
Learning from the Planned Giving Mistakes of Others (Track I)	433
Five Things You Should Know When Working with Professional Advisors (Track II)	449
Pursuing Blended Gifts (Track II)	462
What Gift Officers Need to Know About Finance (Track II)	479
Investing Gift Annuity Reserves (Track III)	492
Determining the Profitability of a Gift Annuity Program (Track III)	507
CGA Annual Filings Made Easy(ier) (Track III)	522

Teamwork Makes a Dream Work (Track I)

Jeremy Belsky

(Friday, 9:30am - 10:45am & 11:15am - 12:30pm)

As charitable planners, we are tasked with helping our donors make the most efficient gift possible. The donor typically wants to help their family, community, or favorite charities. What if you could help them do it all? Utilizing the CAP® philosophy, a cross blended approach to working in partnership with an advisor for the benefit of the donor yields best results.

Attendees will learn the value of working with “the most trusted advisor” to strategize and assure the smartest gift possible for the donor. When you focus on the donor from a holistic approach, it will build trust and confidence among you, your donors and their advisor. This ultimately leads to your number one goal – honoring the donor’s charitable intent.

Jeremy Belsky

Planned Giving Officer · Gift and Estate Planning
Boys Town



Mr. Jeremy Belsky serves as Planned Giving Officer for Boys Town, a national nonprofit care organization whose mission is to "save children and heal families." With an M.A. in Philanthropy & Development from St. Mary's University in Minnesota, and the CAP designation from The American College, Belsky has spent the past 18 years in the charitable gift planning field, helping to further the missions of education and faith based organizations, all in Omaha. He's also the author of two fundraising books, *Keeping Catholic Schools Open* and *10 Simple Steps for Cultivating Donors*, published by the National Catholic Education Association. He was a featured speaker at the Association's national conference from 2007 to 2011.

Over the past six years, Belsky's audio vignettes, *Spirit of Stewardship*, have been broadcast daily on Omaha radio station KVSS radio and internationally on EWTN radio. Belsky currently is a member of the Charitable Gift Planners of Nebraska (where he served on the board from 2007 to 2010), the Omaha Estate Planning Council, the Board of Directors for Mount Michael Benedictine School, the Archbishop's Committee for Development, and the Archdiocese of Omaha Estate Planning Committee. He currently resides in Omaha with his wife, Bridgett, their daughter, Brooke, and son, Josiah.



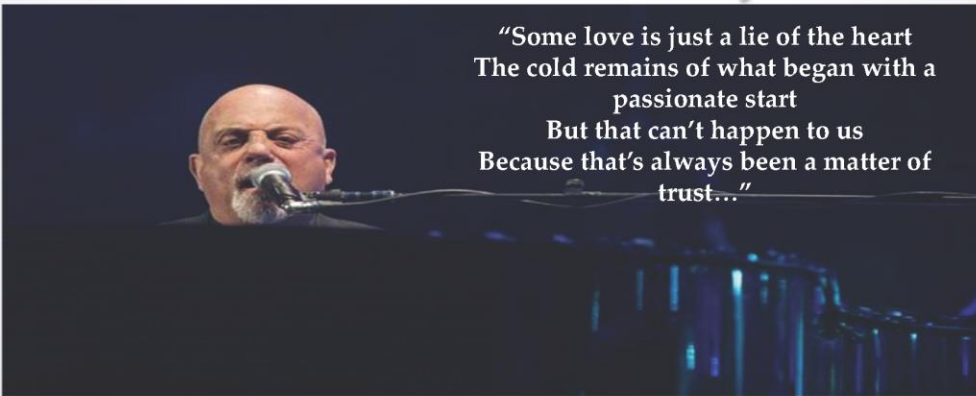


Here's an idea!

Form a Team

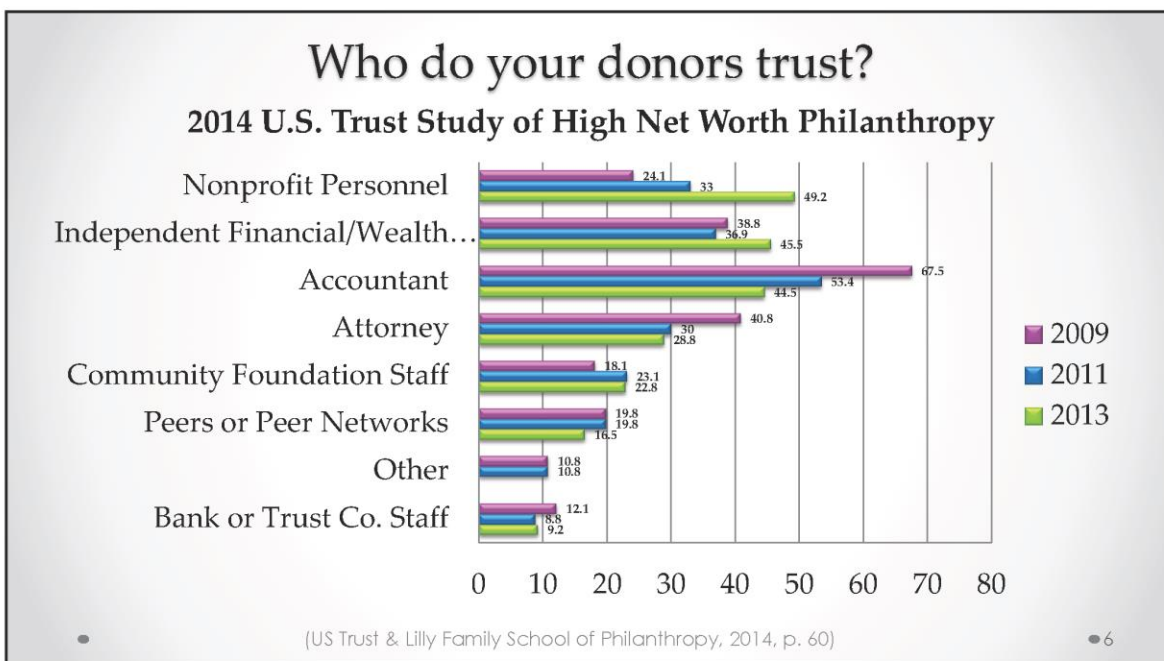
• 4

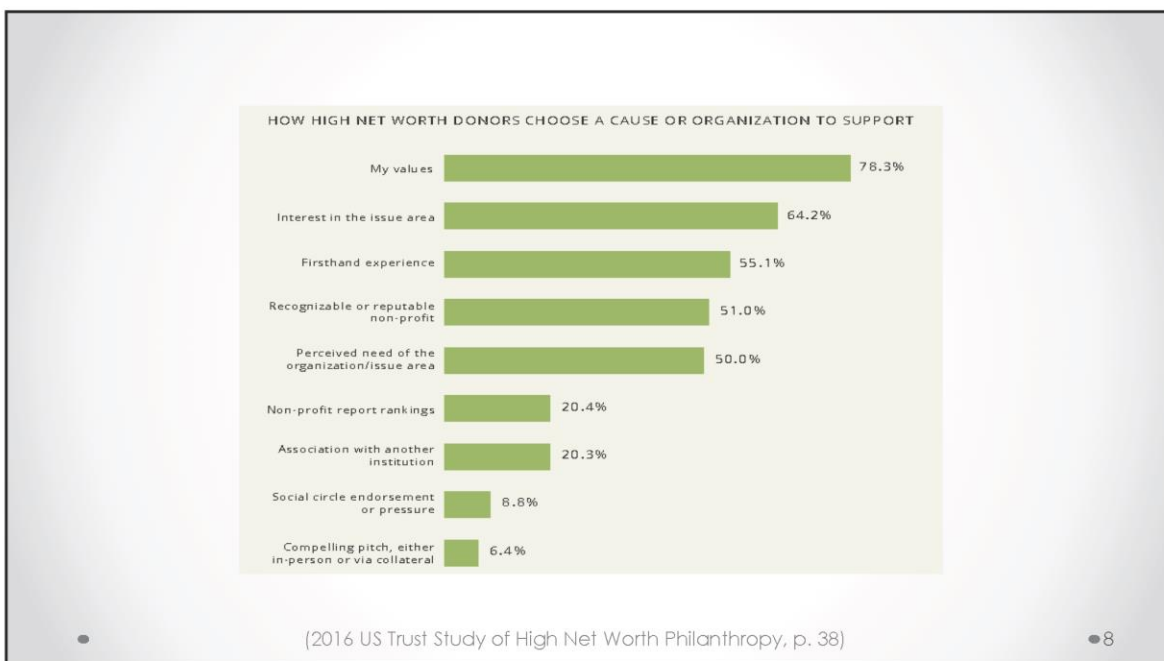
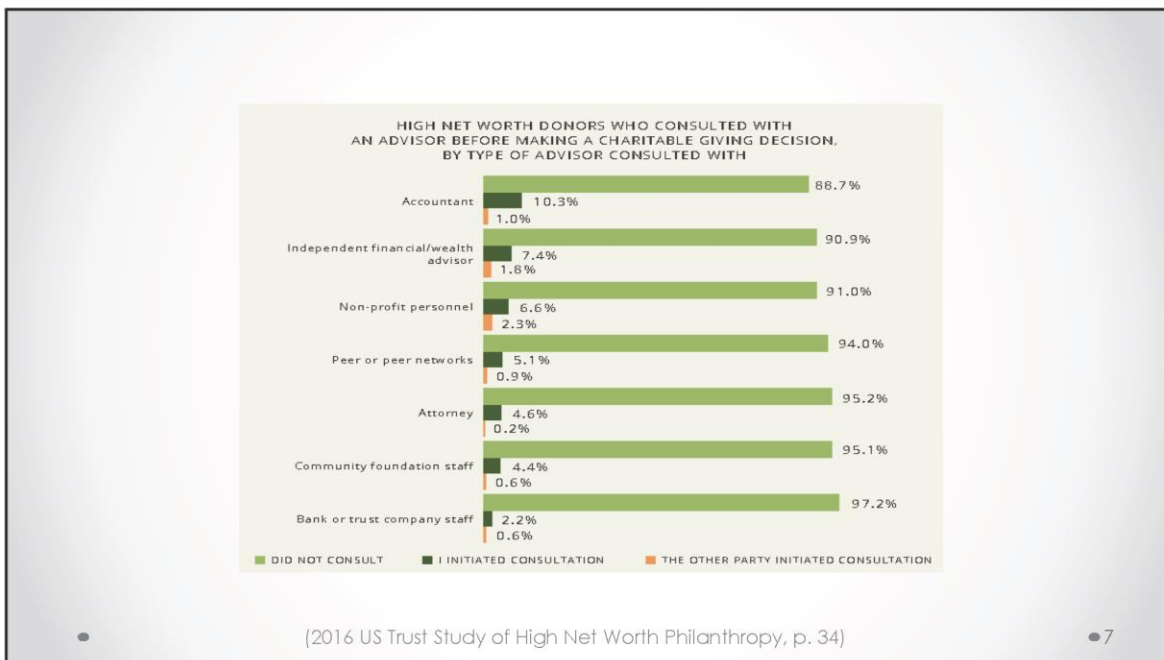
A Matter of Trust ~ Billy Joel



“Some love is just a lie of the heart
The cold remains of what began with a
passionate start
But that can’t happen to us
Because that’s always been a matter of
trust...”

5





Trust = Listen

• 9

Planning Process

Why? _____

How?

Their Most Trusted Advisor

• (Fithian, 2007, p. 19) • 10

Collaboration or Threat?

How to Build Trust with Advisors

- ✓ Consistency
- ✓ Transparency
- ✓ Education
- ✓ Partnership
- ✓ Good Ideas



•

•11

Advisors long history of service

- 1) Opportunity for the charitable market
- 2) Develop “trustship” and share your role and expertise
- 3) CAP® approach – Direct and connect to increase philanthropic capital and awareness in your community



•

•12

NOVINOPHOBIA

(noun)

the fear of running
out of wine

• 13

Let's Partner!



- ✓ CPA
- ✓ Trust Officer
- ✓ Attorney
- ✓ Financial Advisor
- ✓ Insurance Professional

• 14

Overcoming Division between Gift Planner and Advisor

- Stereotype
- Advisor leaves out charity as a gift planning option
- Gift Planner leaves out advisor with charitable plan/agreement

•

● 15

What's in it for the Advisor



You maintain control of your client relationships.

Charitable gift planners work with you and are here to help you better serve your clients.

We help you develop relationships that create impact and legacy.

Your clients will appreciate the charitable impact and tax advantages you help them achieve.

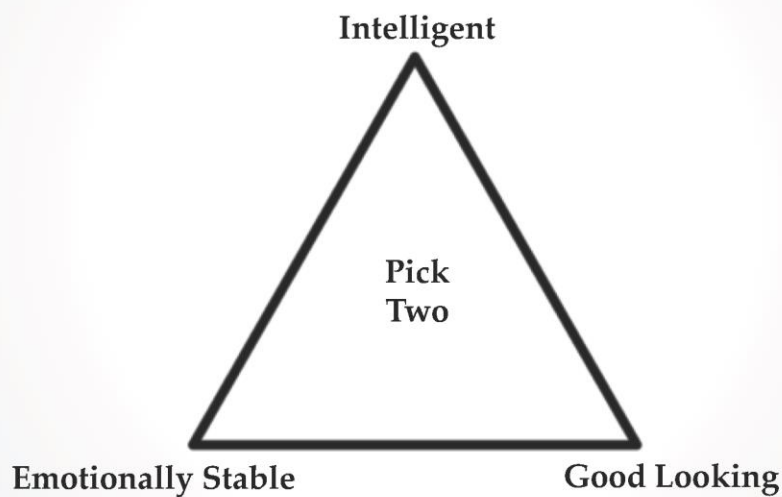
We help you connect across generations.

When you help families establish a charitable remainder trust, donor advised funds, or life insurance policies, you stay involved for generations.

•

● 16

Can we have it all?



We have it all!

CPA firms add charitable expertise to help with CRTs, Insurance, Foundations, and Donor Advised Funds

Competition with nonprofit for trust, control, and 💰💰💰

Relationships Matter

- Everyone communicates. Few connect.
- Gift Planners are in the service industry offering opportunities, solutions, and expertise
- We don't sell products...i.e., CRT, LI, Bequests


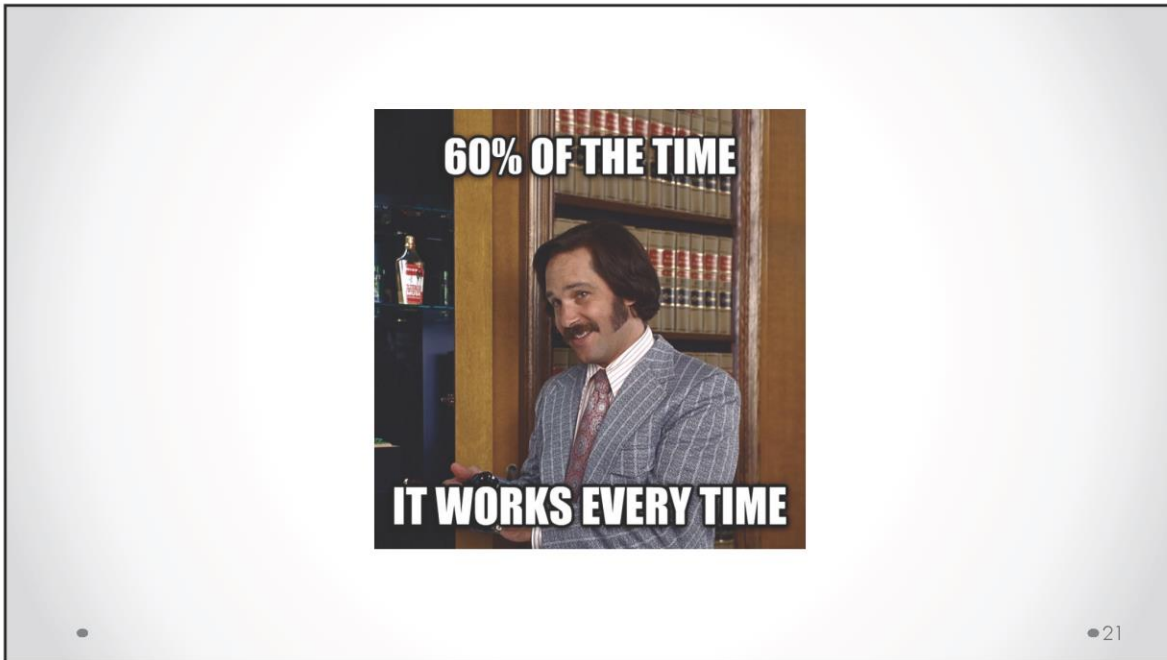
•

•19



•

•20



Stewardship

Stewardship is evolving into accountability
Lots of end-of-life instability...the need to
steward the relationship is paramount

“Customers are loyal to you, right up to the moment
somebody offers them better service.”
Jeff Bezos
Founder & CEO of Amazon

What to ask...

Charitable Gift Planning can be as simple as asking...

- 1) Would you be willing to...
- 2) There could be some other life income gifts. Have you ever thought about...
- 3) I help people make the smartest gift possible. What if I could show you how to...
- 4) CAP[®] asks the more holistic questions...Are you a player on the team, or the coach?

•

•23

Fifty people over the age of 95 were asked one simple question...

“If you could live your life over again,
what would you do differently?”
- Anthony Campolo

3 Themes consistently emerged

- 1) They would risk more
- 2) They would reflect more
- 3) They would do more things that would live on after they were dead

•

•24

“If I have money, I really don’t care to whom it goes, nor do I care who handles my financial affairs. If a choice has to be made, I think the United States government is the best recipient of my estate.”

- Said No One Ever

•

•25

The Love Triangle

Advisor

- May drive significant fee income
- Referrals
- New assets under management

Gift Planner

- Law of reciprocity
- Increased gift size
- Advisor help with non cash assets

Donor

- Builds a team of support
- Clarifies vision for philanthropy

•

•26

Quick Tip!

Spend the greatest amount of time with those who have the greatest capacity to give

•

•27

See how their lives are changing by asking them...

- 1) May I ask you what you ultimately plan to do with your LI plan, IRA, 401K, etc.?
- 2) Who have been influential role models or mentors to you?
- 3) How do you want to be remembered in life?
- 4) What keeps you awake at night?
- 5) What do you want to do with your money?

•

•28



With Planned Giving, it takes courage to be simple!

•

•29

Charitable Gift Planning Solutions

Only three places money can go

Assets

\$ _____

Family

\$ _____

Taxes

\$ _____

Charity

\$ _____

•

•30



**Alone we can
do so little;
together we
can do so
much!
-Helen Keller**

•31



Jeremy Belsky, CAP®
Planned Giving Officer
Gift & Estate Planning

14100 Crawford Street
Boys Town, NE 68010
P: 402.498.1058 C: 402.215.5775
F: 402.498.1351
www.boystowngift.org
Jeremy.belsky@boystown.org

•32



Serving Those Who Serve Society

Gift Planning Consulting • Training • Marketing

We know that every organization is **unique**.
Every project begins with a discussion about **your** needs. Contact us today.

www.SHARPE.net.com
www.rrnewkirk.com

Gift Planning in a Campaign – Lessons Learned at Penn (Track I)

Lynn Malzone Ierardi, J.D.

(Friday, 9:30am - 10:45am & 11:15am - 12:30pm)

The University of Pennsylvania completed its Making History campaign in 2012 with gifts of more than 4.3 billion dollars, surpassing the original 3.5-billion-dollar goal more than a year early. This is remarkable when you consider that the campaign launched in 2007 and continued unabated through the recession. As Penn plans its next big campaign (details to be revealed by the time we gather in Seattle) we will build on the many lessons learned and explore new opportunities. In this session, we will focus on the role of gift planning in a campaign – highlighting the issues and strategies for effectively incorporating gift planning into your campaign and more broadly into your development program. As we consider the ever-growing size and frequency of campaigns, the case for gift planning has never been stronger. Campaigns increasingly require greater strategic planning, fiscal integrity, and performance metrics. We'll talk about what worked for Penn - and what might work for you.

Lynn Malzone Ierardi, J.D.

Director of Gift Planning
University of Pennsylvania



Lynn Malzone Ierardi, J.D. has been in the estate and gift planning field for more than 25 years. She has served as Director of Gift Planning for the University of Pennsylvania (PENN) since 2005 and on a limited basis as an independent gift planning consultant (www.GiftPlanningAdvisor.com, founded in 2002). Prior to joining Penn, she held gift planning positions in health and higher education, served as Vice President with the Merrill Lynch Center for Philanthropy and practiced estate planning and real estate law.

Lynn has been a member of the National Association of Charitable Gift Planners (CGP) since 1993. She is currently a member of the national board and Chair Elect of CGP. She is also a member of the CGP Leadership Institute.

As a dynamic and highly rated speaker, Lynn has presented at conferences and meetings throughout the country on a variety of gift planning topics.

Gift Planning in a Campaign: Lessons Learned at Penn

Lynn Malzone Ierardi, J.D.
Director of Gift Planning
The University of Pennsylvania
215-898-6171

lierardi@upenn.edu

and

www.giftplanningadvisor.com

Campaign experience –

Penn completed the “Making History” campaign at the end of 2012

Overall Goal: \$3.5 billion

Overall Raised: \$4,302,890,707

- ❖ Launched in 2007
- ❖ Continued unabated through the great recession
- ❖ Hit the goal of \$3.5 billion 16 months ahead of the conclusion
- ❖ It was an unusually broad-based campaign, attracting gifts from 326,952 donors
- ❖ Largest single gift: \$225 million to name the Perelman School of Medicine
- ❖ The Campaign saw a surge in alumni involvement at all levels
- ❖ Made Penn the largest University in the nation to offer “grants based” financial aid
- ❖ 10,000 alumni, students, faculty, staff, parents, and donors gathered in Penn Park to celebrate the success of the campaign

Penn’s New Campaign -

- ❖ Launched on April 12, 2018
- ❖ Name:
- ❖ Overall Goal:
- ❖ Objectives:
- ❖ What’s new and different in this campaign?

Additional details will be revealed in this session!

Just as important as the dollars raised, the non-financial and engagement goals were critical to the success of the Making History campaign. Penn was one of the first to include these goals in a major comprehensive campaign.

PENN'S NON-FINANCIAL AND ENGAGEMENT GOALS FOR MAKING HISTORY:

There are many opportunities for Penn alumni, students, parents, and friends to participate in Making History. Beyond the financial targets are specific goals for engagement that represent Penn's commitment to broadening and cultivating its most important relationships. These goals include:

- ❖ Strengthen campus and regional activities that engage alumni, students, parents, and friends and provide increased access to Penn's vast academic resources.
- ❖ Build on the success of alumni class and affinity group programming, creating new ways for alumni to connect with each other.
- ❖ Expand career networking opportunities for alumni and students.
- ❖ Grow the number of alumni who support Penn's commitment to educational excellence through their annual gifts.
- ❖ **Increase the number of individuals who create lasting legacies at Penn through their planned gifts and Harrison Society participation.**
- ❖ Deepen student awareness and involvement in the full range of development and alumni relations activities.

Penn's Engagement Goals in the new Campaign –

Additional details will be revealed in this session!

1. Why Gift Planning is an essential campaign component

External forces:

- Campaigns have changed

Traditional or “old thinking”:

“A Capital Campaign raises money that will be spent to acquire or improve a physical asset. The purpose of a capital campaign differs from that of an endowment campaign in that the money raised will not be used to cover ongoing, operational expenses, or to fund special projects.” - 1999

Capital Campaigns are separate from annual giving

Capital Campaigns do not incorporate Gift Planning

Capital Campaigns happen once in a lifetime – or rarely

Comprehensive (new thinking):

Campaigns have grown in size and sophistication

Comprehensive analysis of the organization’s needs -
Including program, special projects, capital and endowment

Gift Planning is essential to success –
wealth is not held in cash - it is held in assets

Campaign mode seems to be never ending

- Tough times (recession) and competition for dollars (more non-profits)
- Boomers concerned about all sorts of costs
(e.g. retirement, education, health care, and needs of parents, children)
- Technology and communication have changed – and as a result we can provide more information than ever
- Deeper relationships with donors are more critical than ever – with a sensitivity to their needs and expectations, we need to be creative and flexible with our donors

Internal forces:

- 10%, 20%, 30% of campaign dollars from GP – depends in large part on counting policies
- Represents extraordinary ROI – low cost fundraising
- Creates awareness – opportunities to educate donors, prospects, fundraisers and volunteers
- Can “jump start” a Gift Planning program
- Provides a sense of urgency – closes gifts
- Uncovers existing planned gifts and establishes values where previously unknown (e.g. existing bequests, outside trusts)
- Data analytics and predictive modeling are now essential
- Uncovers donors and prospects “flying below the radar” – In many cases, those who respond to gift planning targeted mailings are unrated and unassigned

2. Gift Planning in Campaign: Strategic Planning

- Include Gift Planning at the feasibility stage
Gift Planning program audit
Gift Planning questions included in feasibility study
- Include Gift Planning goals front and center in Campaign Goals
- Get “buy in” from the start, from campaign leadership, development staff and volunteers, and key donors
- Establish that Gift Planning is not a “fallback”
- Regular reporting – public goals vs. internal goals

3. Establish/update gift acceptance policies

(*especially* for things like real estate, complex assets, life insurance)

- What are the issues to be addressed in these policies?
- What assets will/won't we accept
- Who are the decision makers

4. Establish and/or update counting and recognition policies and guidelines

WHAT to count - and HOW to count it (this is always a hot topic!)

Factors to consider:

- Outright gifts and multi-year commitments
- Multi-year pledge (e.g. 5 years) – policy for exceptions
- Written documentation, e.g. gift agreements –
 - What triggers a gift agreement?
 - Who is responsible for drafting?
 - Who authorizes exceptions?
- Planned gifts – revocable vs. irrevocable
- Planned gifts - face value vs. net present value
- Planned gifts - age minimums
- Opportunities for younger donors to participate

What does Penn count?

A. Bequests and Beneficiary Designations

Bequests –

Irrevocable (with a gift agreement at age 75) at present value

specific vs. percentage or residue (minimum established in writing)

Beneficiary designation – especially on IRD/Retirement assets

Upside: SIMPLE beneficiary form

SMART – Federal/State income, estate and GST

Risk: diminishing value

B. Life Income or term-of-years gifts (CRT's and CGA's)

Irrevocably designated

Face value vs. **present value (discounted using life expectancy)**

“Outside” trusts – when established or documented

C. Charitable Lead Trust

Irrevocably designated

Written documentation (gift agreement)

5 years income at face value (like a pledge) –

Then remaining payments discounted (vs. face value)

D. Complex assets or tangible property

Appraisal requirements

Reserve right to adjust gift credit

5. Fostering collaboration with development and other colleagues

- Empower partnerships: Make it a **TEAM EFFORT!**

A. Pre-Campaign: Organized Donor Centric Prospect Management Program

Donor Centric Strategies strengthen long-term relationships with donor

“Maximizing lifelong giving to Penn by developing long term, meaningful relationships with prospects and donors will always be the foremost consideration.”

Organizational commitment to the following principles:

- Collaboration
 - Transparency
 - Trust
 - Access to Information
- Prospect Management Rules – documented and shared
 - Open and collaborative information sharing and communication
 - Essential tools to encourage accountability and responsibility
 - Shared Credit – for activity and gifts

B. Partner through **ENGAGEMENT** – (non-financial) campaign goals

1. Goals and metrics for engagement

- NOT dollar goals
- Number of PG asks, visits, calls/contacts (especially first time, joint and stewardship visits)
- New Member Fiscal Year Goal/Campaign Goal **(for school/center chapters as well as University)**

2. Measure and report success – including performance metrics

Report success – everywhere!

- Internally – in campaign updates, reports and meetings
- Externally – in all campaign results
- Annual Giving increased from new legacy members

C. Sample performance metrics and successful collaboration at Penn

1. Examples for the Penn Office of Gift Planning:

- ✓ Build relationships INTERNALLY - attend regular staff meetings, school and center events, committee meetings
- ✓ Train and involve your staff and volunteers
 - Thinking about assets (not just income)
 - Identifying prospects
 - Listening tips and questions to ask
 - When to call in a gift planning colleague
 - How to make legacy asks
 - **Here's how we can be a resource to you**
- ✓ Provide customized marketing tools for schools and centers (e.g. postcards, print ready ads, articles and donor profiles)
- ✓ Predictive modeling - to provide PG prospect lists
- ✓ Provide assistance with gifts of complex assets (real estate, business and partnership interests, partnership interests, restricted stock, tangibles, etc.)
- ✓ Presentations to Boards and Committees

2. Examples of collaboration with Alumni Relations and Annual Fund –

- ✓ Institutionalize Harrison Society membership as part of reunion participation for every undergraduate class
- ✓ Work with reunion committees, volunteers, Alumni Relations and Annual Giving staff to promote GP vehicles for reunion and annual gifts
 - (e.g. e-blast to recent annual fund donors in reunion year to encourage becoming HS member for reunion goal; recruit HS members to serve on reunion committees)
- ✓ Include GP options & profiles in class newsletters & websites
- ✓ Include estate ask and/or PG information in annual fund letters and/or receipts (or thank you letters)
- ✓ Participate in reunion planning conference
- ✓ Attend and utilize Alumni Weekend, Scholarship receptions, and Homecoming (& other events) to prioritize cultivation

3. Examples of Penn Medicine metrics for DOD/MG Officers:

- ✓ Achieve certain number of PG Asks
- ✓ Identify certain number of legacy society members
- ✓ Joint visits with PG Professional
- ✓ PG training requirement
- ✓ Annual portfolio review to include:
 - Identify existing PG donors
 - a. Areas donor supports
 - b. Gift designation
 - c. PG vehicle/asset
 - Identify potential PG donors
- ✓ At Pipeline and Staff Meetings:
 - Gift Officer gives status reports on PGs
 - Gift Officers who identify a new legacy society member are announced and receive a gift card
 - PG Professional highlights a recent PG, ideally a Blended Major Gift/Planned Gift

Conclusion:

One size does not fit ALL campaigns –
but consistency, transparency and fiscal integrity are ***critical***.

Learning from the Planned Giving Mistakes of Others (Track I)

Doug White

(Friday, 9:30am - 10:45am & 11:15am - 12:30pm)

Being a planned giving superstar requires more than a working knowledge of gift planning vehicles and a mastery of fundraising skills. To be truly successful, you need to avoid the many development pitfalls, including some that might surprise you. During this interactive session, you will learn from the real mistakes of others, stumbles that have captured unfortunate headlines involving issues including the honoring of donor intent, returning donations, safeguarding prospect privacy, avoiding undue influence, suing your donor, and more. As a result, you will be able to save yourself from costly public embarrassment and earn the trust of your donors.

Doug White

Nonprofit and Philanthropic Advisor

Former Director - Columbia University Masters in Nonprofit Management Program



Doug White, a long-time leader in the nation's philanthropic community, is an author, teacher, and an advisor to nonprofit organizations and philanthropists. He is the former director of the Master of Science in Fundraising Management program at Columbia University, where he also taught board governance, ethics and fundraising.

He is the author of four books on philanthropy. His most recent, "Abusing Donor Intent," chronicles the historic lawsuit brought against Princeton University by the children of Charles and Marie Robertson, the couple who donated \$35 million in 1961 to endow the graduate program at the Woodrow Wilson School. The family contended that Princeton abused its mandate to spend the money as the donors wished - and as the university agreed to. He is completing his fifth book, which is about the crisis that developed at Wounded Warrior Project, the nation's largest Veterans Service Organization, in early 2016.

Since 1979 Doug has advised hundreds of charities of all types and sizes. Today, he works closely with select organizations on ethical decision-making, board governance, and fundraising, as well as with individual philanthropists who want to see their gifts used most effectively.

In 1995 Doug testified before a Congressional committee in support of the Philanthropy Protection Act, and served as an expert witness for the charitable defendants in a national lawsuit - the "Texas Lawsuit" - that threatened the ability of charities to raise money, primarily through gift annuities.



**Ripped from the Headlines:
Learning from the Mistakes of Others**

**Doug White
April 27, 2018**

BEFORE WE BEGIN:

Remember that many bad decisions on the part of fundraisers don't make the headlines. But that doesn't mean they're not bad decisions.

The Chicago Maroon

**Pearsons,
Who Pledged \$100 Million to UChicago,
Want Their Money Back**

March 5, 2018

The Chicago Maroon



Sensitive documents obtained by The Maroon last summer and a new lawsuit reveal a strained relationship between the University and the Pearson family, calling the future of the Pearson Institute, which was supposed to change the world, into question.

The Chicago Maroon



“The Pearsons are profoundly disappointed, and regrettably have been left with no other choice or course of action. The lawsuit speaks for itself. The Pearsons believe their story is a cautionary tale that should give pause to any family, philanthropist, benefactor or donor who is considering granting a university any amount of money – large or small.”

Family Statement

The New York Times

**Princeton University Is
Sued Over Control of
Foundation**

July 18, 2002

The New York Times

“My family believes that the trust my parents placed in Princeton University when they gave this generous and well-meaning gift has been betrayed.”



Bill Robertson

THE FAMILY'S ALLEGATIONS

- Evidence that job results were disappointing
- Evidence of the university's scorn toward the foundation's mission
- Revelations that important decisions were hidden from the family trustees
- The accounting firm's devastating financial revelations
- An employee's corroborative findings



Bill Robertson

PRINCETON'S DEFENSE

- The Woodrow Wilson School is a world-class institution.
- Its graduates are among society's leaders.
- A good number of graduates enter public service.
- Academic freedom is paramount.
- The spending outside the direct mission of the Robertson Foundation's mandate was justified.



Nassau Hall
Princeton University

A COSTLY OUTCOME

- Princeton paid \$45 million to reimburse the Robertsons' legal fees.
- Princeton paid \$50 million to establish a new foundation controlled by the Robertson family.
- The remainder of the original foundation became part of Princeton's endowment.
- The family will never have anything to say about how that remainder is spent.



Robertson Hall
Princeton University



**Wounded Warrior Project
Accused of Wasting
Donation Money**

January 26, 2016



"You're using our injuries, our darkest days, our hardships, to make money. So you can have these big parties."

Erick Millette

THE ALLEGATIONS

- WWP's spending
- Overstating Joint Cost Allocation
- Not formally listing the people helped
- The CEO's excessive salary
- WWP's donation to another charity
- Sitting on too much money

AN OVERVIEW OF EVENTS

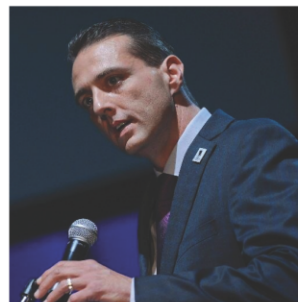
- 01.27.2016: CBS News reports allegations.
- 01.28.2016: The New York Times reports allegations.
- 03.10.2016: WWP announces the results of its investigation.
- 03.10.2016: The WWP Board fires the CEO and the COO.
- 03.14.2016: Bill O'Reilly interviews WWP's board chair.
- 03.18.2016: Senator Charles Grassley requests financial data.
- 09.30.2016: WWP's FY 2016 ends.
- 02.09.2017: The BBB Wise Giving Alliance exonerates WWP.
- 04.14.2017: The 2016 990 shows a \$70 million drop in fundraising.

OBSERVATIONS

- The board did not permit either Steve Nardizzi or Al Giordano to respond.
- The board also did not respond.
- The board simultaneously announced that “certain allegations raised in media reports were inaccurate” *and* that Nardizzi and Giordano were fired.

OBSERVATION

Steve Nardizzi acted brashly in drawing attention to himself at some of WWP’s meetings. Both he and the organization would have been wise to take into account the public perception of that behavior. His confidence in his leadership abilities may have diverted him from the optics of the way he ran the organization.



THE WALL STREET JOURNAL.

**College Finally Got Alumnus
To Pledge; Next Job: Collecting**

July 24, 2003

THE WALL STREET JOURNAL.



“J. Howard Marshall II is likely to be remembered at Haverford for his role in one of the most prolonged misadventures in the annals of college fund raising.”

THE WALL STREET JOURNAL

“Known to the public as the Texas oil tycoon who married former Playboy Playmate Anna Nicole Smith in 1994 – he was 89 years old, she 26 – Mr. Marshall was also one of Haverford's wealthiest alumni and a longtime board member of the college.”



THE WALL STREET JOURNAL



"Remember, if we don't get the money, the federal government's going to get the money, and it's going to go to welfare."

*John Coleman
President, Haverford College*

THE WALL STREET JOURNAL.

“I was desperate. I figured it would be a good button to push, but I ain't proud of it. It was the most shameful thing I ever said in my life.”



John Coleman
President, Haverford College

THE WALL STREET JOURNAL.

Haverford sued Marshall's estate in a Houston probate court, contending it was owed \$5 million in unpaid pledges.



A jury found that Haverford hadn't been injured because it hadn't relied on Mr. Marshall's pledges but instead had named already-funded projects after him.


The Washington Post

**SUIT THREATENS
GIFT ANNUITIES**

November 10, 1995

The Washington Post

A gift from a 96-year-old Texas woman to several Lutheran charities has spawned a lawsuit that may affect as many as 2,000 nonprofits across the country, including churches and universities, according to some of the organizations.



The Texas Lawsuit

“With the stroke of a pen . . .
American philanthropy was
thrust into what assuredly is its
darkest hour.”



Terry Simmons
October 25, 1995

THE BOGUS CLAIM

“The American Council on Gift Annuities, its members, and various other charities in the United States have been involved in a mass price-fixing conspiracy setting the maximum rates of return with regard to charitable gift annuities. These entities collusively fix prices to restrain competition between the various sellers of charitable gift annuities.”

IT TURNED OUT WELL

- Charitable Accord
- The Charitable Giving Protection Act of 1995 (which amended the Sherman Antitrust Act)
- The Philanthropy Protection Act of 1995
- The Charitable Donations Antitrust Act of 1997

Terry Simmons
October 21, 1954 – April 3, 2017



LESSONS LEARNED

- For a significant gift, inform the board of all relevant issues.
- Be appropriately specific.
- Be sure you can deliver on your promise.
- Be prepared for a public relations crisis.
- Remember: you are not the attorney.
- Think carefully about what to include in donor records.
- Stewardship is just as important as cultivation.
- There is nothing as important as trust.



THANK YOU

Doug White

Five Things You Should Know When Working with Professional Advisors (Track II)

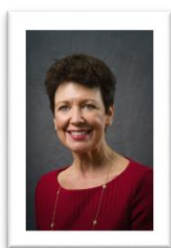
Donna M. Bandelloni & Stephanie Buckley, J.D.

(Friday, 9:30am - 10:45am & 11:15am - 12:30pm)

Working with professional advisors can sometimes seem difficult. Both Ms. Bandelloni and Ms. Buckley have experience working on both sides of the fence. Each has spent time working at non-profit organizations as well as a financial institution. Walking in the shoes of both a professional advisor and a fundraiser presents a clearer perspective and understanding of each role. In this session, you will hear five things that should help you as a fundraiser have smoother working relationships with professional advisors and hopefully create more win-win opportunities for the fundraiser, the professional advisor and most importantly, the donor.

Donna M. Bandelloni

Director of Gift Planning
California Pacific Medical Center Foundation



Donna M. Bandelloni is the Director of Gift and Legacy Planning at the California Pacific Medical Center Foundation. Prior to her current position, she led the planned giving and endowment building programs at the Lucile Packard Foundation for Children's Health at Stanford University in Palo Alto. Donna has been in fund development and philanthropic planning for over 20 years. She was recruited to act as a director of advisory programs at the San Francisco Foundation, one of the largest Community Foundations nationally in San Francisco, before focusing her efforts on legacy planning and leadership gifts for Stanford Children's Health and the CPMC Foundation. Donna also served as a senior philanthropic consultant for several financial institutions: Wells Fargo, Merrill Lynch Trust, and Mellon where she offered financial and charitable services to nonprofit planned giving and endowment programs.

Donna is a national board member of the American Council on Gift Annuities, and serves on the Northern California Planned Giving Board and Conference Committee in San Francisco. Recently Donna was invited to be a member of the Leadership Institute for the National Association of Charitable Gift Planners as a seasoned professional. For over 20 years she has been a member of NACGP, formerly the National Committee on Planned Giving.

Stephanie Buckley, J.D.

Senior Fiduciary Regional Manager, Philanthropic Service
Wells Fargo Private Bank - California



Stephanie is a trust and fiduciary specialist for the Beverly Hills Coastal region of Wells Fargo Private Bank. As part of trust services, Ms. Buckley works with clients to implement and administer trusts and estate plans to help fulfill their philanthropic and legacy goals.

Prior to joining Wells Fargo, Ms. Buckley worked at Pepperdine University for more than 10 years. First, as an associate vice chancellor of the Center for Estate and Gift Planning where she worked with current and prospective donors structuring their gifts in the most tax efficient manner, including identifying and creating estate and financial planning tools specific to each donor's needs and second, as an associate vice chancellor at the law school where she raised major gifts and managed the school's board of visitors. Stephanie has worked in philanthropy for more than 17 years.

Ms. Buckley earned a Bachelor of Arts in Economics with high honors from the University of California, Santa Barbara. Ms. Buckley earned her Juris Doctorate (JD) with a specialization in business law from the University of California, Los Angeles School of Law and her Master of Laws (LLM) in taxation with honors from Loyola Law School in Los Angeles.

Ms. Buckley is a member of the State Bar of California, on the editorial board for Planned Giving Today, a former trustee for Heifer International Foundation and a past president for both the Partnership for Philanthropic Planning

of Los Angeles and the Planned Giving Council of Ventura County. Ms. Buckley is a former gymnast, married to her high school sweetheart and enjoys snow skiing and motorsports.

THE PRIVATE BANK

WELLS
FARGO

Five Things Fundraisers Need to Know About Working with Professional Advisors

Presented by:

Donna Bandelloni, Director of Gift Planning, California Pacific Medical Center Foundation
Stephanie Buckley, Sr. Reg. Fiduciary Manager, Philanthropic Services, Wells Fargo

Wells Fargo & Company and its affiliates do not provide tax or legal advice. Please consult your legal advisors to determine how this information may apply to your own situation. Whether any planned tax result is realized by you depends on the specific facts of your own situation at the time your taxes are prepared.

Together we'll go far



Agenda

- 1 Fundraisers and their roles
- 2 Professional advisors and their roles
- 3 Finding the donor's best interest
- 4 Working together to achieve the donor's best interest
- 5 Creating a win-win

2

Fundraiser Roles

- Leadership gift officer
- Major gift officer
- Annual fund officer
- Planned giving
- Current and deferred/range of gift sizes

Professional Advisor Roles

- Attorney
- CPA/Enrolled Agent
- Financial Advisor/Broker/Investment strategist
- Insurance professional
- Family Office Advisor

5 Things to Know

1. The role professional advisor serves for the donor

1. Professional Advisor

- What information does the professional advisor have?
- What services does the professional advisor provide?
- How long has the advisor worked with the donor?
- How familiar is the advisor with the various philanthropic techniques and is it routinely part of their conversation?
- How can you enhance that relationship?
- What value do you as the fundraiser add?

5 Things to Know

1. The role professional advisor serves for the donor
2. Professional advisor's compensation

2. Professional Advisor Compensation

- How does the professional advisor get paid
- No one works for free
- How will the proposed gift affect the advisor's compensation
- What are the potential points of conflict between charity and advisor and how are those resolved or mitigated

5 Things to Know

1. The role professional advisor serves for the donor
2. Professional advisor's compensation
3. Fundraiser's fit into donor/advisor relationship

3. Fundraiser Role

- Meet fundraising goals
- Cultivation – larger gifts generally more time to cultivate
- Fundraisers often develop very close relationships with donors
- People give to people not institutions
- Birthdays, funerals, many meals and events, shopping, hospital visits
- Fundraisers often are part of donor's family

3. Fundraiser Role

- Personalized gift design matched to donor's age, needs and goals
- Knowledge of charitable organization's needs
- Establishing personalized gift agreements clearly defining donor's wishes
- Knowledge of the various giving vehicles
- Provides ongoing stewardship deepening relationship

3. Fundraiser Role

- Types of gifts
 - Outright
 - Major (Endowed, named, etc.)
 - Annual
 - Planned gift
 - Charitable remainder trust
 - Charitable gift annuity
 - Charitable lead trust
 - Bequest
 - Bargain sale

5 Things to Know

1. The role professional advisor serves for the donor
2. Professional advisor's compensation
3. Fundraiser's fit into donor/advisor relationship
4. A good advisor will know donor's needs and gaps

4. Knowing Donor's Needs

- Professional advisor should know donor's entire picture
- Should understand how proposed gift fits into overall plan
- Understands how to translate wealth into social impact

5 Things to Know

1. The role professional advisor serves for the donor
2. Professional advisor's compensation
3. Fundraiser's fit into donor/advisor relationship
4. A good advisor will know donor's needs and gaps
5. Satisfying gifts involve a good fundraiser and good advisor working together to achieve donor's best interest

5. Satisfying Gifts

- Breaks down silos
- Transformation vs. transaction
- Utilizes advisor's and fundraiser's knowledge
- Shows respect and understanding of everyone's role
- Created continued dialogue through continued stewardship

Examples

- The financial advisor who introduces a CRUT to her client
- The attorney who advised his client to select another charity
- The repeat attorney
- The insurance advisor who presents you with an insurance policy gift
- The trust officer who encourages Charitable IRA Rollover gifts

The Win-Win

- Fundraisers working in conjunction with professional advisors
- Trust needed
- Competency
- Willingness to admit what you do not know
- Willingness to do what is in the client's best interest

Questions?

Disclosures

Wells Fargo Wealth Management (part of Wells Fargo Private Bank) provide products and services through Wells Fargo Bank, N.A. and its various affiliates and subsidiaries and has agreed to provide the foregoing materials for educational purposes only. The information in this report is not intended to advise or recommend that any particular action be taken. The information contained herein represents estimated hypothetical results, calculated based upon the information and assumptions that you provided or are disclosed including inflation rates and target rates of return. Any use of the terms "Recommend" or "Propose" are based on, and only intended to represent a possible solution based on the disclosed assumptions. Any reference to a proposed action and/or recommendation contained in this report is not intended to be investment advice. Please review the data and assumptions provided in this report for accuracy. The results and proposals depend directly on the accuracy and completeness of the information you provided. Financial statements are un-audited and have not been certified or independently verified. The information does not attempt to address all financial issues that may impact you, and is limited to educational information with respect to the specific financial planning topics prepared for you.

Wells Fargo & Company and its affiliates do not provide legal advice. Please consult your tax and legal advisors to determine how this information may apply to your own situation. Whether any planned tax result is realized by you depends on the specific facts of your own situation at the time your taxes are prepared.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific investment product.

Investment & Insurance Products: *Not FDIC Insured *No Bank Guarantee *May Lose Value



© 2017 Wells Fargo Bank, N.A. All rights reserved. Member FDIC. NMLSR ID 399801



GREEN OAK

CONSULTING GROUP

Over 30 Years Experience in Planned Giving

Planned Giving Consulting

Trust Services

Gift Administration

Charitable Gift Annuity

Charitable Remainder Trust

Asset Management

Bill McMorran

323.462.2823 · 866.221.7643 · Fax 323.957.9483
wmcmorran@greenoakconsulting.com

Securities are offered through Mid-Atlantic Capital Corporation ("MACC"),
a registered broker dealer, Member FINRA/SIPC.

Financial advice is offered through Mid Atlantic Financial Management, Inc. ("MAFM"),
a SEC Registered Investment Advisor.

Trust services offered through Mid Atlantic Trust Company, a non-depository trust company.
Green Oak Consulting Group is not a subsidiary or control affiliate of MACC or MAFM.

Pursuing Blended Gifts (Track II)

Kristen L. Dugdale, J.D.

(Friday, 9:30am - 10:45am & 11:15am - 12:30pm)

With the decline in public funding for education and charitable causes, institutions are launching larger and more frequent campaigns to raise private support. At the same time, donors remain cautious about the economic environment and their ability to make large outright gifts. Many institutions are successfully inspiring donors to fund large passion projects through the use of "blended gifts." Blended gifts typically consist of a large outright gift combined with a bequest or a life income gift, and utilize the combined skill sets of both major and planned gift officers. In this session, we will explore some basic types of blended gifts and discuss the role they play today in charities' fundraising efforts, particularly capital campaigns. Through the use of specific case studies, we will discuss some of the valuation and recognition issues that come up in the negotiation of blended gifts and discuss the variety of ways institutions have resolved them.

Kristen Dugdale, J.D.

Relationship Manager
TIAA Kaspick



Ms. Dugdale joined Kaspick & Company in 2013 from the University of Colorado Foundation. Ms. Dugdale's career at the CU Foundation spans over thirteen years in a variety of positions. She served as General Counsel, Senior Director of Gift Planning, Associate Vice President for Gift Planning, and finally Vice President for Gift Planning. As Vice President for Gift Planning, Ms. Dugdale was responsible for leading the development and integration of a comprehensive gift planning program in to the overall development efforts of the University of Colorado's four distinct campuses in Boulder, Denver, Aurora, and Colorado Springs. Prior to joining the University of Colorado Foundation, Ms. Dugdale worked as General Counsel for sovereign Financial Services, a private equity firm, and as an associate at the Denver law firm of Holme, Roberts and Owen. Ms. Dugdale received her BA in Political Science and her JD from the University of Wyoming.



Pursuing Blended Gifts

The ACGA National Conference—Seattle

Kristen Dugdale

April 2018



What Do We Mean by Blended Gifts?



A blended gift is one that has both current and deferred components.

1

Campaign Goals



Scholarships



Faculty



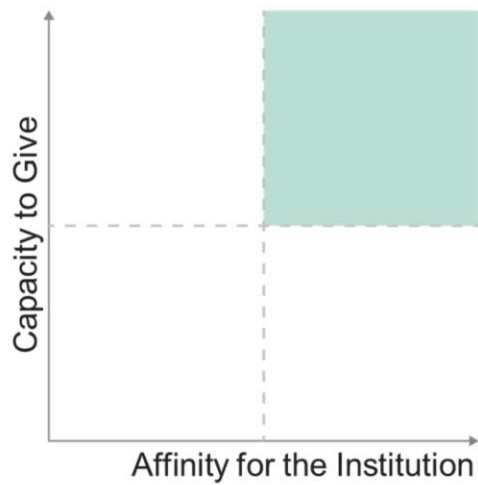
Buildings



Athletics

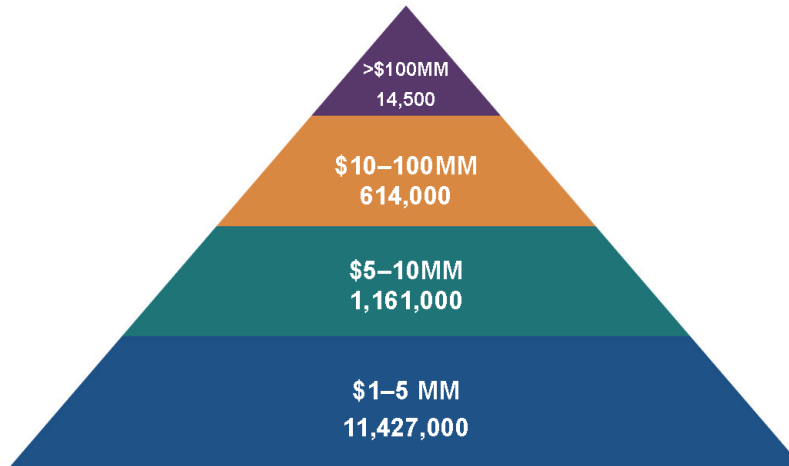
2

Where Will Your Gifts Come From?



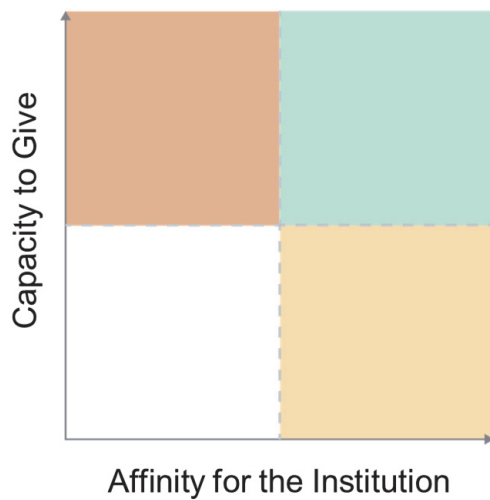
3

Wealth in the U.S. Net Worth and Number of Individuals



4 Source: Credit Suisse, Global Wealth Databook 2017

Where Will Your Gifts Come From?



5



How can your institution be more successful at getting larger gifts from your donors

?

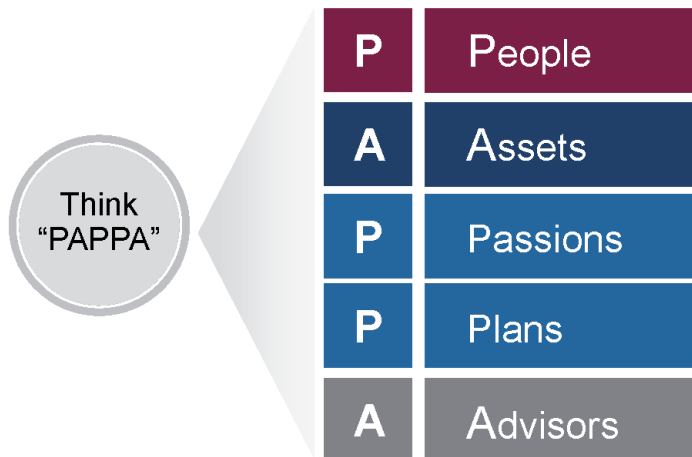
7

Knowing Your Donor



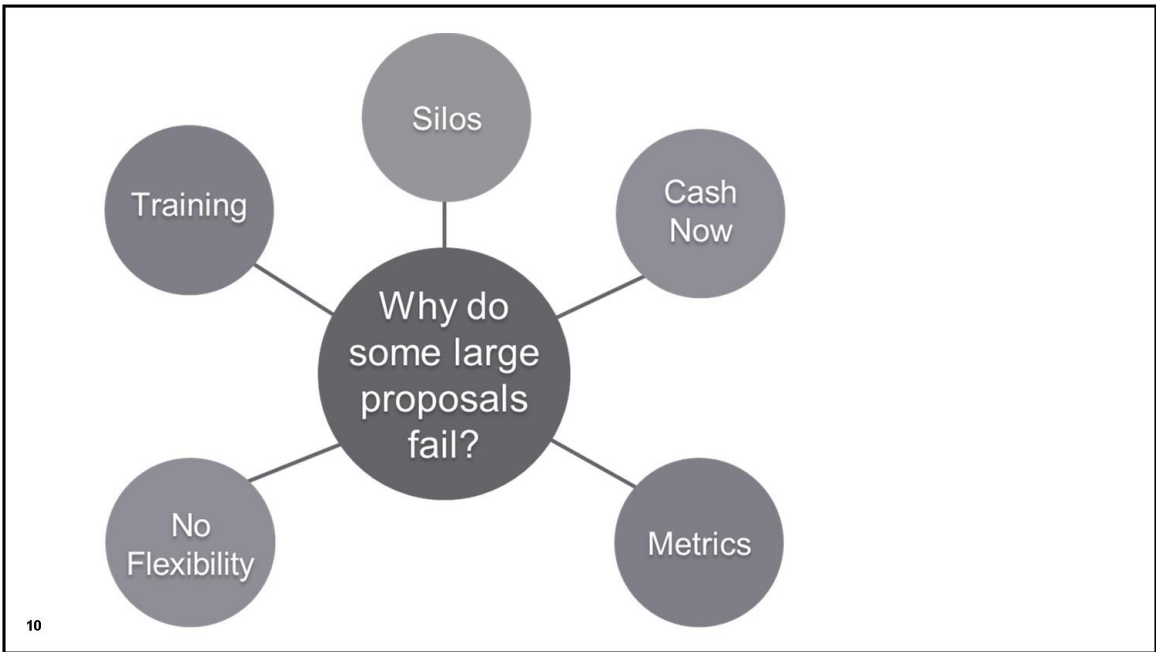
8

It Starts With Careful Listening



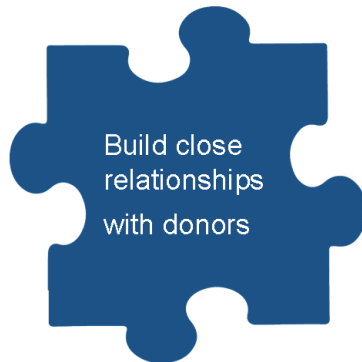
9

*PAPPA acronym credited to the Gift Planning Department at Washington State University Foundation



The Power of Combined Skill Sets

Major Gift Officers



Gift Planners



12

The Power of Combined Skill Sets

Major Gift Officers



Gift Planners



13

The Power of Combined Skill Sets

Major Gift Officers

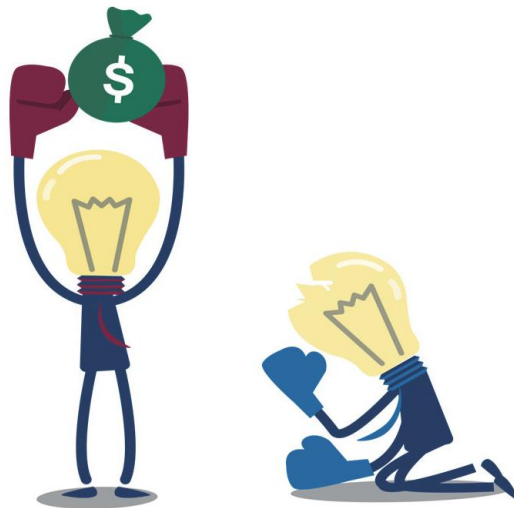


Gift Planners



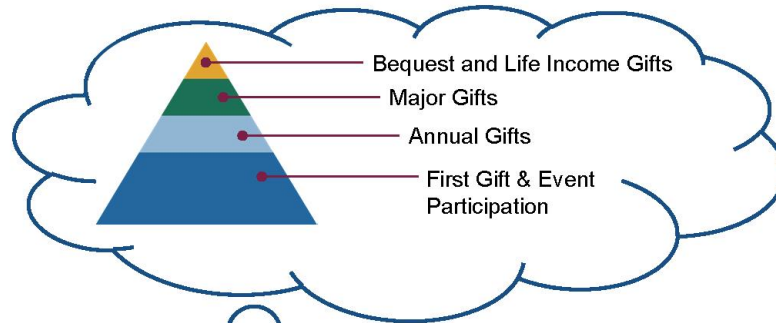
14

Who Gets “Credit”?

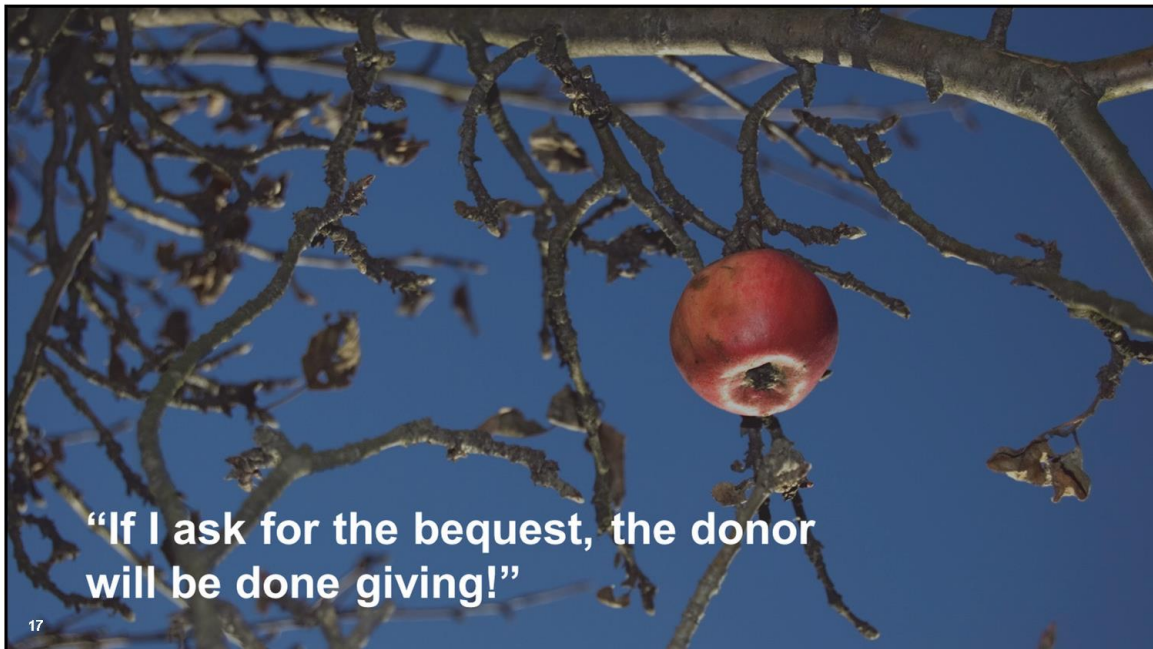


15

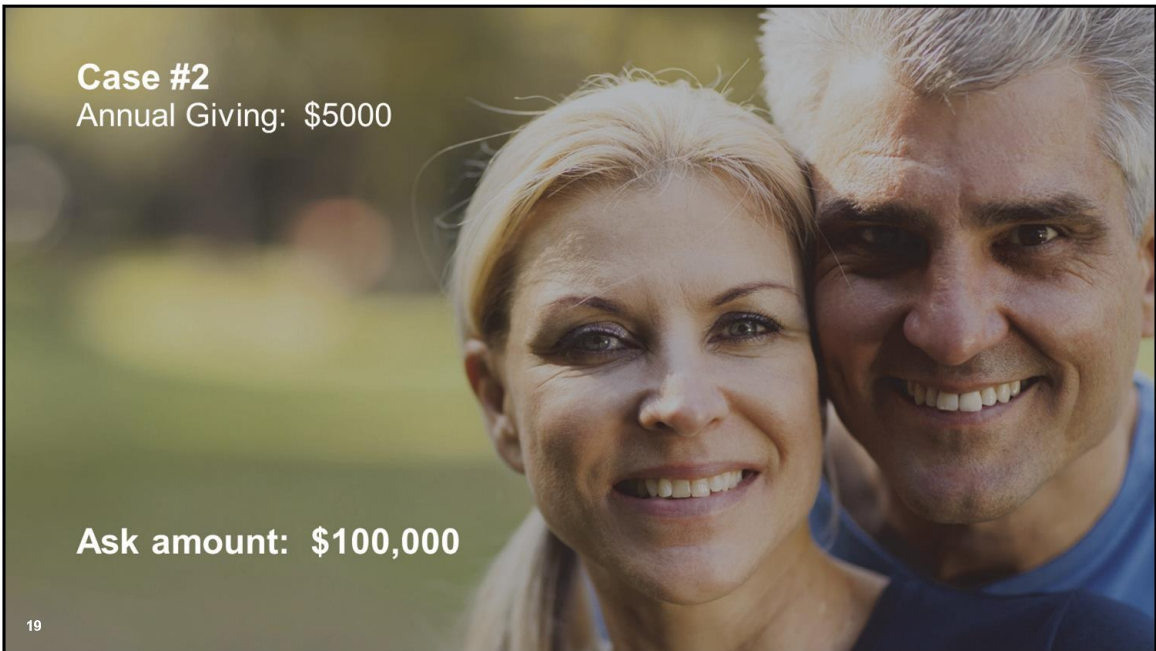
Case #1



16



17



So, why aren't they giving more?



Turns out, they don't need the income

20

Where Are These Donors on the Fundraiser's Matrix?



21

How do we solve this mystery?



P People

P

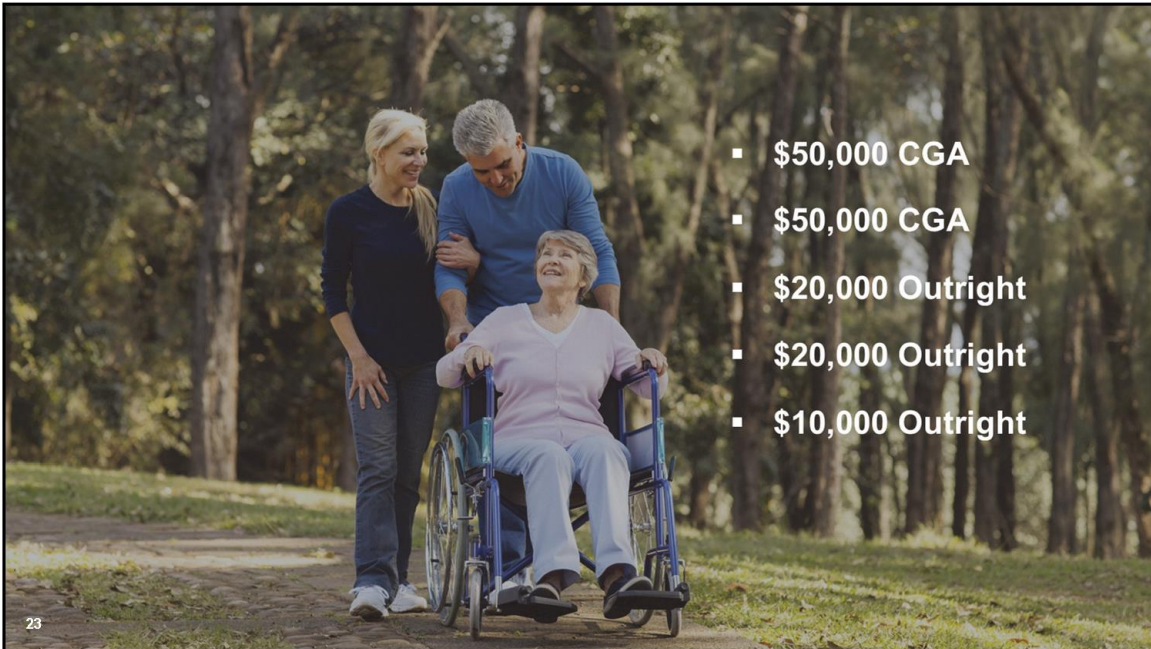
A

P

P

A

22



- \$50,000 CGA
- \$50,000 CGA
- \$20,000 Outright
- \$20,000 Outright
- \$10,000 Outright

23

Case #3



24

Case #3

\$2.5MM Outright

\$2.5MM Pledge
Paid Over Time

\$5MM CRT for Donor

\$5MM CRT for Donor &
Younger Spouse



25

Blended Gifts Add Complexity



Case #4 – Early Activation

COLLEGE OF THE LIBERAL ARTS

What Is Early Activation?

A Word on Endowments

Endowed gifts are held by the University in perpetuity. The initial gift, or “principal,” is invested, and a portion (typically about 5 percent) of the fund’s market value is awarded annually for the purpose designated by the benefactor. Thus, the benefactor who makes an endowment gift today knows it will support its intended purpose far into the future.

The benefit of endowments to Penn State and Liberal Arts is that such funds are permanent. Unlike state support, tuition dollars, grants, and the like, endowments do not appear and disappear from year to year, nor are the funds they produce affected by political caprices, application deadlines, or shifts in scholarship trends. An endowment to support graduate students, for instance, will always support graduate students—making it a dependable tool for the College for decades to come.

27

Case #4 – Early Activation

spending rate is comparable to our peer institutions, and maintain a stable revenue stream through fluctuations preserves the purchasing power of the endowment over

Early activation Language for estate gifts proposals

Estate planning can enable Penn State's alumni and friends to make gifts to the University, but donors often wish to make gifts for their lifetimes as well. The University "activates" or begins to use the endowment once the book value of the endowment reaches a level required by the Board of Trustees for the specific purpose (e.g., scholarship, graduate fellowship, professorship, etc.) Early activation allows our supporters to witness the

28

How to Begin



Joint strategy meetings



Structure planned giving with an eye towards integration



Rethink metrics for PGOs and MGOs



Encourage collaboration on ALL proposals for donors over a certain age



Train around the negotiation of blended gifts

29



203 Redwood Shores Parkway, Suite 300, Redwood Shores, CA 94065-6121
Phone: (650) 585-4100

One Metropolitan Square, 211 North Broadway, Suite 1000, St. Louis, MO 63102-2733
Phone: (314) 244-5000

70 Franklin Street, 7th Floor, Boston, MA 02110-1313
Phone: (617) 788-5875

www.kaspick.com

© 2018 and prior years by Kaspick & Company, LLC, a registered advisor and provider of advisory services. This presentation may not be reproduced, distributed, or transmitted in any form, in whole or in portion, by any means, without written permission from Kaspick & Company, LLC.

What Gift Officers Need to Know About Finance (Track II)

Pat Cox, David Ely, CFA, Kevin McGowan

(Friday, 9:30am - 10:45am & 11:15am - 12:30pm)

A CGA's "beauty" can often be in the eye of the beholder, and that may differ between the Development and Finance departments. While a CGA is the successful culmination of many conversations with a donor, it also represents a much longer timeline of responsibilities and tasks for the Finance department that may not be fully understood or appreciated by many Gift Officers. The session speakers will provide insight into how CGAs and other Life Income Gifts influence the financial processes and risk management practices and why Finance may see a CGA not only as a gift, but also as a liability. With this awareness and appreciation of the financial liabilities of planned gifts, Gift Officers can enhance their relationships with CFOs and their staff.

Pat Cox

Executive Director-Investments
ALSAC/St. Jude Children's Research Hospital



Pat joined ALSAC in January 2010 where he serves as the Executive Director – Investments. Pat has over twenty years of investment experience with a diverse background in portfolio design, implementation and management across multiple portfolio frame works. At ALSAC, Pat works directly with the CIO, Investment Committee and Investment Consultant regarding portfolio asset allocation and rebalancing. Within the Investment Office Pat conducts manager research and due diligence for both traditional and alternative asset classes by creating internal analytics and conducting onsite manager visits. He also works the ALSAC CGA portfolios and donor trusts. Pat collaborates with the legal and gift planning departments in portfolio transitions and liquidations from donor bequests. Prior to joining ALSAC, Pat spent sixteen years with a national investment consulting firm where he was a Managing Analyst and Sr. Consultant. Pat worked with a diverse group of clients from large foundations and high net worth individuals to large corporate pension plans. For each of these clients Pat provided full, customized services around asset allocation, manager research and recommendations to board presentations and speaking at public plan conferences.

David Ely, CFA

Vice President
Wilmington Trust, N.A.



David is a Senior Private Client Investment Advisor and is responsible for developing customized investment portfolios for his clients based on their unique parameters for risk, return, liquidity, and other factors. After taking the time to listen to his client's objectives and to understand any tax, legal, and personal considerations, David then structures a well-diversified portfolio in keeping with each client's asset allocation program. David continually monitors and periodically rebalances his clients' portfolios to meet their evolving needs and to take advantage of new investment opportunities.

Prior to joining Wilmington Trust, David was a Vice President of State Street Global Advisors and a Senior Portfolio Manager in the firm's Investment Solutions Group. He was responsible for developing and implementing tactical and strategic multi asset class solutions for institutional clients. David was the Investment Team Leader for the portfolio management team dedicated to SSGA's Charitable Asset Management (CAM) where he was responsible for setting asset allocation strategy and managing charitable gift portfolios for all CAM clients. Prior to joining State Street in 1999, David worked for Salomon Smith Barney's Private Client Group.

David earned his Bachelors degree in Economics from the University of North Carolina at Chapel Hill, and his Masters degree in Finance at Northeastern University. He holds the Chartered Financial Analyst designation and is a member

of the Boston Security Analysts Society, as well as the CFA Institute. David is also a Board member of the American Council on Gift Annuities.

Kevin McGowan

Vice President and Chief Financial Officer
Catholic Church Extension Society Of the USA



Kevin McGowan has been the Chief Financial Officer at Catholic Extension since 2008. In addition to his financial responsibilities, Kevin manages the 3,500+ contracts in the CGA program, overseeing the marketing, donor outreach and followup, internal and external reporting, investing and administration. This unique responsibility for a CFO requires him to closely coordinate with the Annual Giving and Major Gift Officers. Prior to joining Catholic Extension, Kevin was a management consultant for over 20 years, working with Fortune 500 companies on their strategic, operational and organizational challenges.

Kevin earned a BA with Honors from Wesleyan University and an MBA from The University of Chicago Booth School of Business. He has served on the ACGA board since 2016.

What Gift Officers Need To Know About Finance

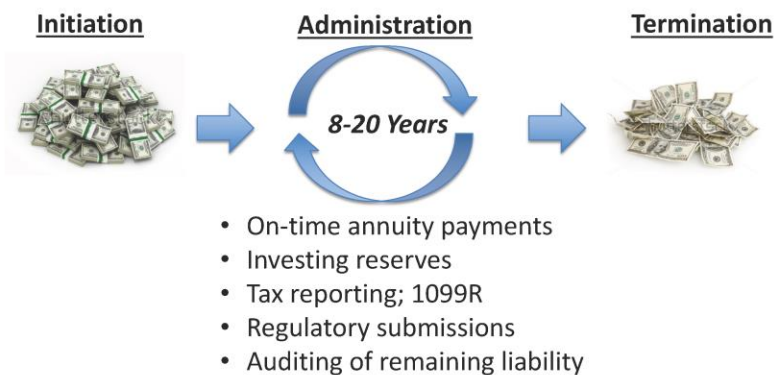
ACGA Conference Presentation:
Kevin McGowan
David Ely
Pat Cox

CGAs: Eye of the Beholder

Gift Officer	Finance Office
Successful donor engagement	New liability
	<i>RISK</i>
Future stewardship opportunity	More administrative work
	<i>RISK</i>
Mission is funded	Uncertain future impact on net assets
	<i>RISK</i>

2

Why the Risk? It's About Execution

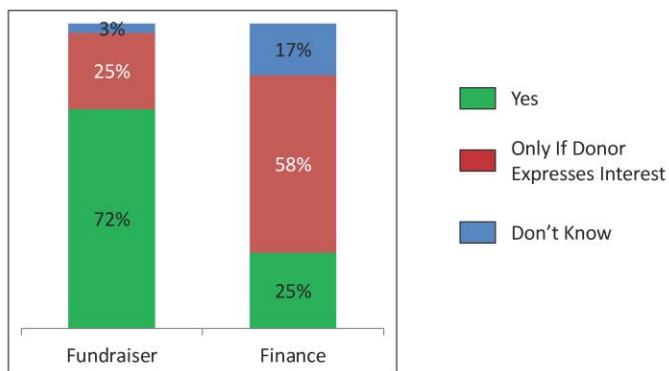


In 3 Out Of 4 Cases, Gift Officers Are Not Involved After Initiation – Yet No Upside For Finance

3

Survey Results – CGA Promotion

Does Your Planned Giving Program Actively Promote CGAs...



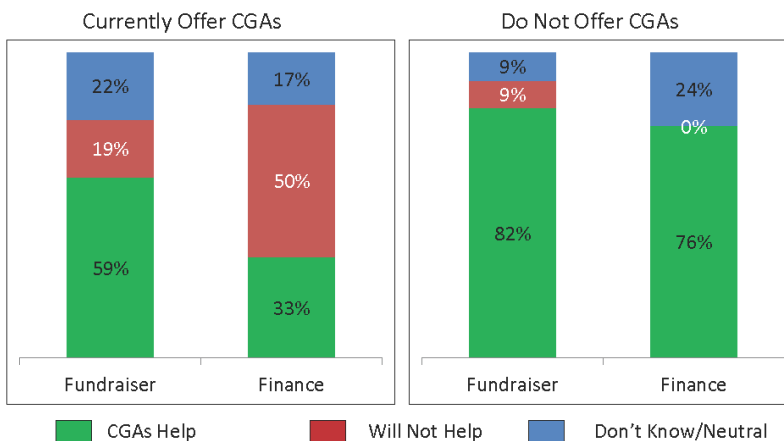
Implication: Finance Has Different Impression of "Why CGAs?"

Source: Catholic Extension 2013 survey of Fundraisers and CFOs from over 75 dioceses in the U.S.

4

Survey Results – Expected Benefits

Can CGAs Help to Actively Promote More Gifts....



Source: Catholic Extension 2013 survey of Fundraisers and CFOs from over 75 dioceses in the U.S.

5

Why does Finance see CGAs differently?

Managing a CGA Portfolio Not the Same

	<u>Portfolio Strategy</u>	<u>Expected Trajectory</u>
Endowments	<ul style="list-style-type: none"> • Capital preservation • Long-term growth • Risk/reward tradeoff • Spend rule ~5% 	
Operating Funds	<ul style="list-style-type: none"> • Liquidity • No risk 	
CGAs	<ul style="list-style-type: none"> • Conservative growth • Low volatility • Liquidity: Payouts > return 	

6

Why does Finance see CGAs differently?

CGAs, Over Time, Turn a Donor Into A Contract To Manage

**Why are these
CGAs still around?**

- The CGA world is one of the few places where the longevity of a donor's life is not cause for celebration
- Time = less \$\$\$

**Final Resting
Ground Of Past
"Mistakes"**

- In many organizations, tenure of Finance staff is longer than gift officers – become Customer Service rep for problem annuitants brought in years ago

**More problems
than they are
worth**

- Without new CGAs, maturing portfolios represent a collection of the "losing CGAs" – forget about the CGAs that terminated early
- Finance in the "blame zone", not Development
 - Board looks to Finance if problems
 - Sometime have to answer to regulators 7

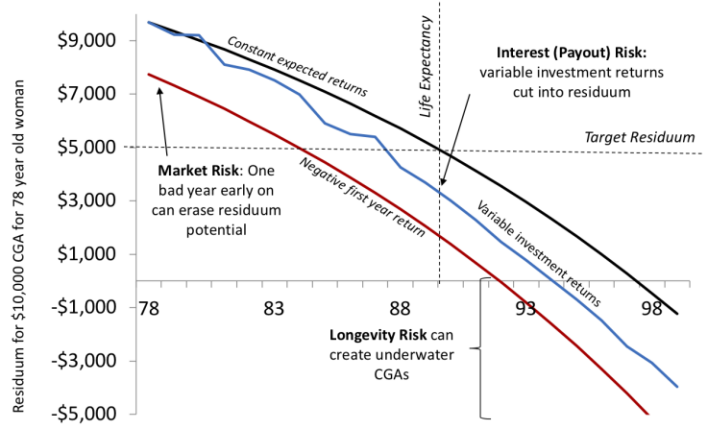
Main Challenges (Risks) of CGAs

- CGAs have three key risks to manage in order to maintain a healthy reserve that does not require use of other unrestricted assets:

Risk	Issue for Finance Office to Address
1. Interest	What return should we expect from a conservative portfolio to meet our payout needs?
2. Market	Can market volatility and timing hurt an annuity cohort that results in reduced expectations over time?
3. Longevity	Would increased life expectancy reduce expected returns and residuum?

8

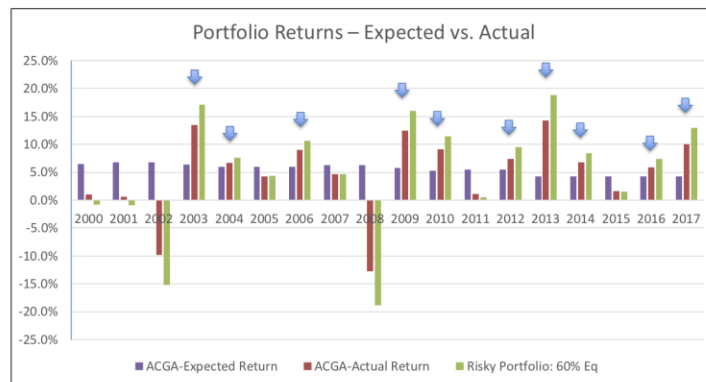
Main Challenges (Risks) of CGAs



Managing These Challenges Can Be A Pain In The Neck

9

Expected Returns Can Be Elusive



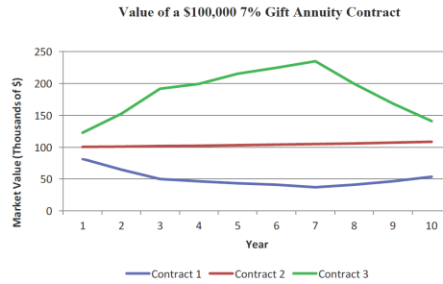
Exceeded Expected Returns 10 Out Of Last 18 Years

10

Be Aware of Market Cycle – Timing Is Everything

Example: Three Possible Market Return Scenarios

Year	Contract 1 Bust-Boom	Contract 2 Steady Eddy	Contract 3 Boom-Bust
1	-12.0%	7.6%	+30.0%
2	-12.0%	7.6%	+30.0%
3	-12.0%	7.6%	+30.0%
4	+7.6%	7.6%	7.6%
5	+7.6%	7.6%	11.5%
6	11.5%	7.6%	7.6%
7	7.6%	7.6%	7.6%
8	+30.0%	7.6%	-12.0%
9	+30.0%	7.6%	-12.0%
10	+30.0%	7.6%	-12.0%

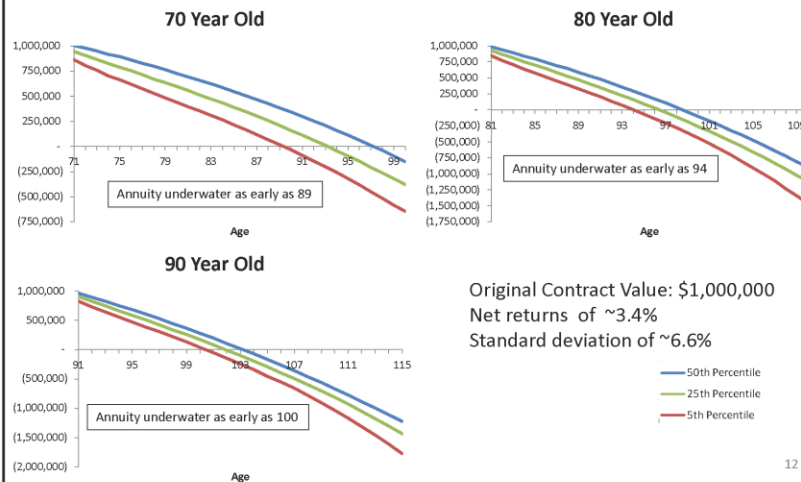


All 3 scenarios have average annual compound growth rate of 7.6%

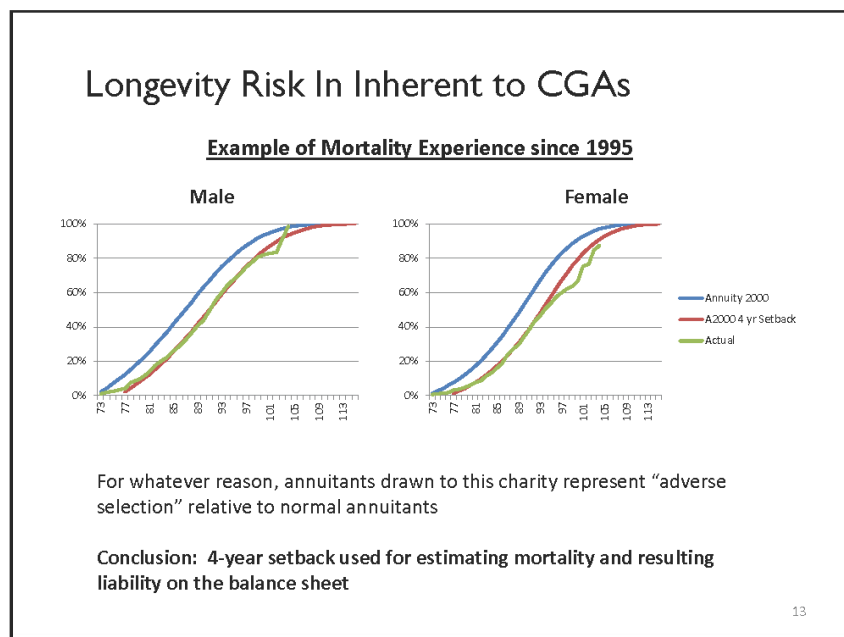
Hard to Dig a CGA Out of a Hole

11

Downside Risk of Returns



12



Downside Risk of Longevity

- Longevity of annuitants typically represents the greatest risk to the residuum value

Age of Annuitant At Start of CGA	Years Past Actuarial Life Where Residuum Drops to 25%*
70	5 - 7
80	4 - 6
90	3 - 4

Left To Their Own Devices, What Silly Options Would Finance Prefer?

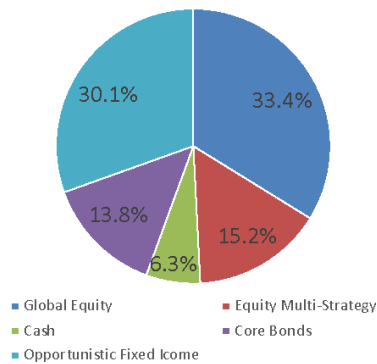
- *Clause to cancel CGA upon reaching actuarial life*
- *More CGAs from annuitants in poor health*
- *Increased volume of CGAs at lower payout rates*

* Based on ACGA expected returns and suggested rates

14

Finance Has Responsibility of Investing CGA reserve

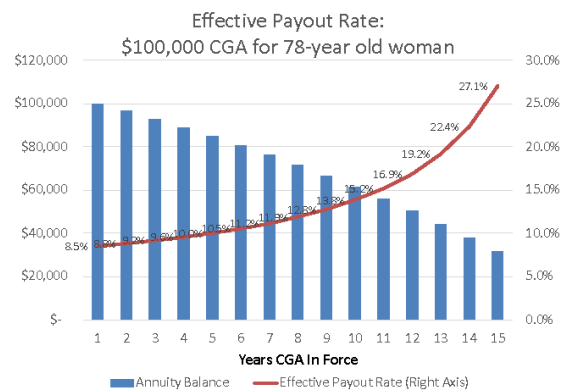
CGA Portfolio Diversification



- Important to have a defined investment strategy
- Very important for the Board to know the strategy
- Annually review the strategy and policies and record in Board minutes
- Diversification should come from multiple funds and strategies
- One multi-strategy fund or life style fund is **not** considered an investment strategy by regulators

15

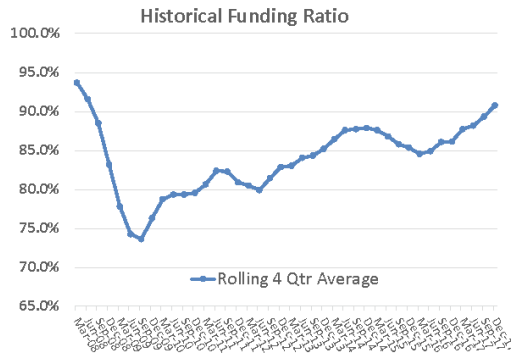
Effective Payout Rate Influences Diversification



The Older A Program's CGAs In Force, The Higher The Effective Payout Rate, Limiting Investment Options Due to Needed Liquidity
Solution: More New CGAs, NOT More Aggressive Investing

16

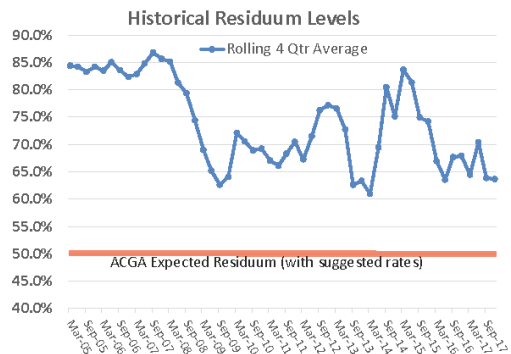
Finance Monitors Health of CGA Program



- One measure of program health is the funding ratio
- Funding Ratio = Current Value/Total Contract Value
- Funding Ratios are adversely impacted by:
 - Negative investments
 - Timing of gift relative to market cycles
 - Portfolio performance below payout
 - Contracts in force past actuarial assumption

17

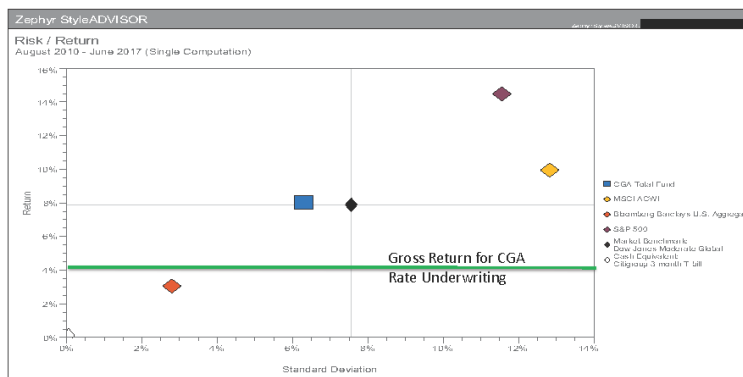
Finance Monitors Health of CGA Program



- Another measure of program health is the level of observed residuum
- Residuum = Terminated Current Value/Initial Contract Value
- Residuum is adversely impacted by:
 - Negative investment returns
 - Timing of gift relative to market cycles
 - Portfolio performance below payout
 - Contracts in force past actuarial assumption

18

Finance Must Monitor Risk Tradeoff



Want to Be in Upper Left Quadrant

19

Key Takeaways for Gift Officers

- Need to recognize that CGAs provide most value when properly managed from financial and operational perspective
 - Proper investment diversification
 - Effective administration at lowest possible cost
- Finance people generally see downside risks and extra work
 - Many leading organizations have reserves to minimize risk
 - Show appreciation for commitment for the next 8-20 years
- The best gift(s) you can give to Finance:
 - Increasing number of CGAs to provide diversification of ages, contract sizes and payout rates
 - CGA agreements that are less than ACGA suggested rates
 - Annuitant stewardship/support whenever possible

20



CORNERSTONE

MANAGEMENT

*We have set the course
for the future...
and it looks bright!*

Cornerstone Management
has been serving the Christian community
for 25 years providing asset management
consulting, planned gift administration
and planned gift consulting.

Karen Sillay
karen@cornerstonemgt.net
Office 770.449.7799 | Cell 770.330.8881
655 Engineering Drive | Suite 110
Peachtree Corners, GA 30092
www.cornerstonemgt.net

Investing Gift Annuity Reserves (Track III)

Del Bouafi

(Friday, 9:30am - 10:45am & 11:15am - 12:30pm)

In this session, we will review the topic of investing gift annuity reserves. We will examine important factors that help determine the best allocation pool. There are multiple factors that need to be considered at the organization and CGA pool level that we will discuss. We will explore the best approach to use as a starting point and then factors to consider on an ongoing basis.

Del Bouafi

Vice President
State Street Global Advisors



Del Bouafi is a Vice President of State Street Global Advisors and a Senior Portfolio Manager in the firm's Investment Solutions Group. She is responsible for developing and implementing tactical and strategic multi-asset class solutions for institutional clients. Del is a member of the portfolio management team dedicated to SSGA's Charitable Asset Management (CAM) where she is responsible for setting asset allocation strategy and managing charitable gift portfolios for all CAM clients.

Del has been working in the investment industry since 2001 and has held various roles in her 16 year tenure at State Street Global Advisors. Her most recent role was as member of the Global Active Quantitative Equities team covering both developed market and emerging market equities. In that role, she was responsible for portfolio management, research, product development and positioning across multiple strategies within this group.

Del earned her bachelor's degree in Finance from Bentley University.

Investing Gift Annuity Reserves

Delizia M. Bouafi

April 27, 2018

This material is solely for the private use of State Street Global Advisors and is not intended for public dissemination.

**STATE STREET
GLOBAL ADVISORS**

STATE STREET & COMPANY

Table of Contents

1. Investing Gift Annuities
2. Measuring Results
3. Trends
4. Key Points

Appendices

- Appendix A: Important Risk Disclosures
- Appendix B: Biography

The information contained in this document is current as of the date presented unless otherwise noted.

STATE STREET & COMPANY

2

Investing Gift Annuities

2016/17 11.9.16/17

3

Charitable Gift Annuities

CGAs: Still the reigning champ? Absolutely, YES!

SSGA Charitable Asset Management clients raised more than \$86.9 million through 1,747 new charitable gift annuities

- As in past years, charitable gift annuities remained the most popular vehicle for planned giving donors, accounting for 75% of all gift dollars raised
- Gift annuities peaked in 2011 with 2,760, among the same client base
- The average size of a new CGA in 2016 was \$49,791, in line with past years

Source: SSGA CAM, as of December 31, 2016.

2016/17 11.9.16/17

4

ACGA Assumptions

- 50% Residuum
- Using new mortality table --2012 IAR
- 1% Expenses
- Currently the assumed net ROR is 3.25%
 - Based on a model portfolio of 40% Equity, 55% Bonds and 5% cash

© 2018 ACGA

5

Risks

- Inflation Risk
 - The risk that investment will not keep pace with inflation, reducing purchasing power
- Credit Risk
 - The possibility a loan will not be fully repaid
- Interest Rate Risk
 - The risk that interest rates will increase--prices on existing bonds move in the opposite direction to interest rates
- Price/Market Risk
 - The risk that an investment will decline in absolute value

© 2018 ACGA

6

Investment Philosophy

We believe that...

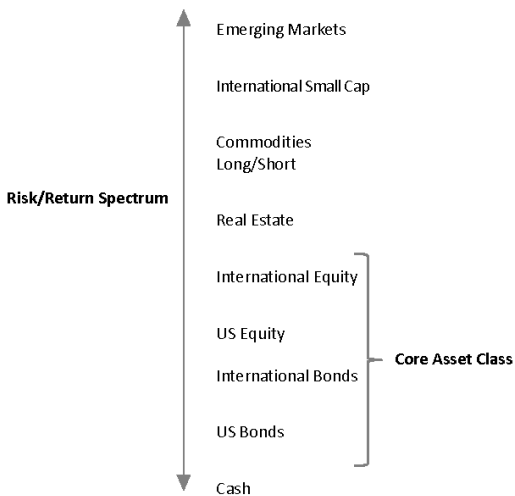
- Asset allocation is the most important decision
 - Explains over 90% of the variance in returns and is the greatest contributor to long-term performance results*
 - Balanced portfolios provide for professional monitoring and management of asset class exposures
 - Select and manage against the appropriate benchmark (Cash versus Liabilities)
- Diversification is key
 - Exposure to risky assets can help to satisfy liabilities
 - Diversification can increase risk-adjusted returns
- Cost savings translate directly into performance
 - Especially in low return environments
- Passive management may provide broad exposure at low cost
 - Active management can play an incremental role to add value in less efficient markets

* Source: Brinson, Hood, and Beebower, "Determinants of Portfolio Performance", July 1986
Diversification does not ensure a profit or guarantee against loss.

© 2018 J.P. Morgan Chase & Co.

7

Broad Investment Universe

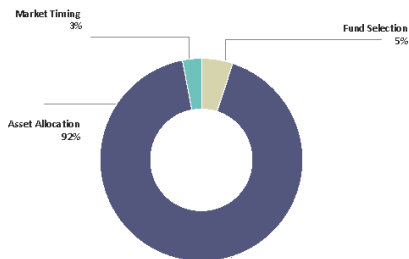


© 2018 J.P. Morgan Chase & Co.

8

Importance of the Right Mix

- The asset allocation decision is the most significant contributor to overall performance



Source: Brinson, Hood, and Beebower, "Determinants of Portfolio Performance", July 1966.
 Asset Allocation is a method of diversification which positions assets among major investment categories. Asset Allocation may be used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.

© 2017 Callan

Diversification: Which Asset Class is Next?

The Callan Periodic Table of Investment Returns

Annual Returns for Key Indices Ranked in Order of Performance (1997–2016)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
SP500 Growth	SP500 Growth	MSCI Emerging Mkts	Russell 2000 Value	Russell 2000 Value	Bloomberg Barclays High Yield	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	Bloomberg Barclays High Yield	MSCI Emerging Mkts	Russell 2000 Growth	Bloomberg Barclays High Yield	MSCI Emerging Mkts	Russell 2000 Value	Russell 2000 Value	SP500 Growth	SP500 Value
35.52%	42.16%	64.84%	20.85%	14.02%	11.22%	22.24%	12.54%	26.34%	11.17%	18.81%	31.17%	26.06%	18.51%	26.06%	18.05%	43.33%	14.88%	5.52%	31.76%
SP500	SP500	Russell 2000 Growth	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	Russell 2000 Value	Russell 2000 Value	Russell 2000 Value	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	Russell 2000 Value	Bloomberg Barclays High Yield	Russell 2000 Value	Russell 2000 Value	SP500 Growth	SP500 Value	Russell 2000
33.39%	24.59%	45.09%	18.09%	11.22%	11.22%	11.22%	11.22%	26.34%	11.17%	18.81%	31.17%	26.06%	18.51%	26.06%	18.05%	43.33%	14.88%	5.52%	31.76%
Russell 2000 Value	MSCI Emerging Mkts	SP500 Growth	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	SP500 Value	Russell 2000 Value	SP500 Growth	Russell 2000 Value	Russell 2000 Value	Russell 2000 Value	SP500 Growth	SP500 Value	Russell 2000 Value	SP500 Value	SP500 Value	Bloomberg Barclays High Yield
31.31%	25.07%	28.24%	6.08%	6.08%	47.25%	20.24%	24.7%	22.46%	9.15%	26.06%	31.47%	28.06%	18.05%	17.08%	31.25%	22.36%	10.0%	27.40%	27.40%
SP500	SP500	MSCI Emerging Mkts	Russell 2000 Value	Russell 2000 Value	Russell 2000 Value	Russell 2000 Value	SP500 Value	Russell 2000 Value	SP500 Value	Russell 2000 Value	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	Bloomberg Barclays High Yield
30.98%	14.68%	35.49%	-3.02%	2.46%	11.67%	16.03%	48.2%	4.91%	20.81%	-33.39%	31.38%	21.1%	17.32%	32.79%	0.81%	0.81%	0.81%	0.81%	17.13%
Russell 2000 Growth	Russell 2000 Growth	Bloomberg Barclays High Yield	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	SP500 Value	Russell 2000 Value	Russell 2000 Value	Bloomberg Barclays High Yield	SP500 Growth	SP500 Growth	Bloomberg Barclays High Yield	SP500 Growth	Bloomberg Barclays High Yield	Russell 2000 Value	SP500 Value	Russell 2000 Value	Russell 2000 Value	SP500 Value
22.36%	18.7%	21.29%	-3.98%	-2.51%	-15.94%	38.35%	45.74%	4.71%	18.75%	67.7%	-34.62%	31.57%	-0.48%	16.39%	32.39%	5.59%	2.38%	11.49%	11.49%
Russell 2000 Growth	Bloomberg Barclays High Yield	SP500 Growth	SP500 Value	Russell 2000 Value	Russell 2000 Value	SP500 Value	Russell 2000 Value	SP500 Value	SP500 Value	SP500 Value	Russell 2000 Value	SP500 Value	Russell 2000 Value	SP500 Value	Russell 2000 Value	SP500 Value	SP500 Value	Russell 2000 Value	SP500 Value
12.02%	18.7%	21.04%	-1.11%	-1.11%	-10.48%	21.9%	14.51%	4.59%	15.3%	5.61%	-27.09%	27.1%	15.16%	25.0%	31.89%	4.89%	0.12%	11.22%	11.22%
Bloomberg Barclays High Yield	Russell 2000 Growth	SP500 Value	MSCI Emerging Mkts	SP500 Value	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	Russell 2000 Value	SP500 Value	Russell 2000 Value	SP500 Value	SP500 Value	Russell 2000 Value	SP500 Value	Russell 2000 Value	Bloomberg Barclays High Yield	MSCI Emerging Mkts	Russell 2000 Value	MSCI Emerging Mkts
12.02%	12.77%	14.17%	-11.7%	-11.7%	-10.85%	26.0%	11.13%	4.1%	13.25%	1.89%	-38.54%	29.47%	15.09%	-4.18%	22.78%	4.22%	4.41%	3.19%	3.19%
Bloomberg Barclays High Yield	SP500 Growth	MSCI Emerging Mkts	SP500 Value	SP500 Value	SP500 Value	SP500 Value	SP500 Value	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	SP500 Value	SP500 Value	SP500 Value	Russell 2000 Value	SP500 Value	Russell 2000 Value	MSCI Emerging Mkts	Russell 2000 Value	Russell 2000 Value	MSCI Emerging Mkts
9.48%	-3.53%	-22.98%	-11.89%	-22.16%	26.48%	9.98%	4.0%	11.8%	11.8%	-30.22%	21.17%	15.0%	-5.59%	16.41%	22.78%	2.9%	14.7%	6.8%	6.8%
MSCI Emerging Mkts	Russell 2000 Value	Russell 2000 Value	SP500 Growth	SP500 Growth	SP500 Growth	SP500 Growth	SP500 Growth	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	Russell 2000 Value	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	Bloomberg Barclays High Yield	MSCI Emerging Mkts	Russell 2000 Value	Bloomberg Barclays High Yield
1.3%	-14.1%	-0.8%	-22.14%	-22.59%	25.66%	6.13%	2.16%	11.0%	-15.7%	-12.1%	20.38%	7.57%	-12.1%	18.42%	22.78%	-2.19%	2.9%	2.9%	2.9%
MSCI Emerging Mkts	Russell 2000 Value	MSCI Emerging Mkts	MSCI Emerging Mkts	Russell 2000 Value	Russell 2000 Value	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	Russell 2000 Value	MSCI Emerging Mkts	Bloomberg Barclays High Yield	Bloomberg Barclays High Yield	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts	MSCI Emerging Mkts
-11.0%	-1.6%	-0.71%	-21.44%	-20.29%	4.1%	4.3%	2.43%	6.78%	6.78%	6.78%	6.78%	6.78%	6.78%	6.78%	6.78%	6.78%	6.78%	6.78%	6.78%

The Callan Periodic Table of Investment Returns conveys the strong case for diversification across asset classes (stocks versus bonds), investment styles (growth versus value), capitalizations (large versus small), and equity markets (US versus non-US). The Table highlights the uncertainty inherent in all capital markets. Rankings change every year. Also noteworthy is the difference between absolute and relative performance, as returns for the top-performing asset class span a wide range over the past 20 years.

A printable copy of The Callan Periodic Table of Investment Returns is available on our website at www.callan.com.

Callan | Knowledge. Experience. Integrity.

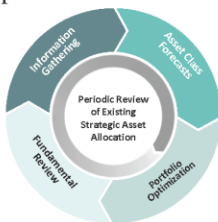
© 2017 Callan LLC

Source: Ibbotson. Investors cannot invest in an index, and the return of an index does not reflect the deduction of any fees or other expenses. Past performance does not guarantee future results. Index returns reflect capital gains and losses, income, and the reinvestment of dividends.

© 2017 Callan

Client Focused Approach in Developing Strategic Asset Allocations

4 Step Strategic Asset allocation process



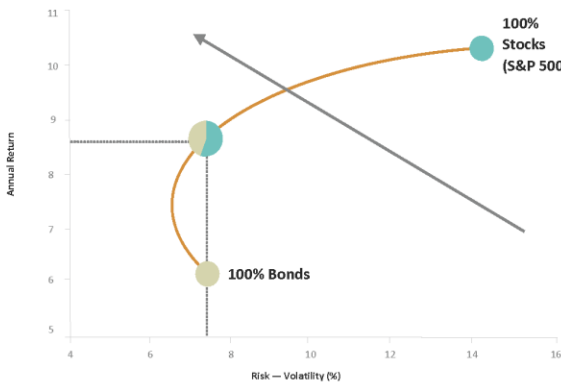
1. Information gathering	2. Asset Class Forecasts	3. Portfolio Optimization	4. Fundamental Review
<ul style="list-style-type: none"> Collaborate with clients <ul style="list-style-type: none"> Level of risk aversion IPSP Type of Planned Gift Vehicles <ul style="list-style-type: none"> Charitable Gift Annuity: <ul style="list-style-type: none"> A/R Ratio, Effective Payout, Gift Activity etc. Actual State Specific Restrictions Donor/Beneficiary <ul style="list-style-type: none"> Income needs and expectations 	<ul style="list-style-type: none"> Quarterly ISG asset class risk/return expectations <ul style="list-style-type: none"> Includes over 60 asset classes Foundation for developing forward looking, diversified strategic asset allocations Analysis of long windows of historic data overlaid with forward looking analytics Expected return forecasts include: <ul style="list-style-type: none"> Top down macro variables Bottom up valuation 	<ul style="list-style-type: none"> Inputs begin with previously identified asset class universe and ISG forecasts Incorporate client specific constraints into optimization process (e.g., limit exposure to specified asset class) Optimized output generates efficient, asset allocation portfolios <ul style="list-style-type: none"> Seeks to Maximize return for level of risk 	<ul style="list-style-type: none"> Validate that strategic allocation expectations meet identified client needs and incorporate client specific constraints Portfolio management review of asset allocation mix for reasonability Continuous review of strategic allocation and benefits of potential implementation of new asset classes

2016/07/13 3:36:10:07

11

Asset Allocation An Example

The goal of asset allocation is to provide the best combination of risk and return



The example contained above is for illustrative purposes only.

2016/07/13 3:36:10:07

12

Implementation Decisions

- How do you implement the asset allocation?
 - Passive/Indexing
 - Enhanced management
 - Active management
 - Styles
 - Sector specialties
 - Funds versus individual securities

© 2014 J.P. Morgan Chase & Co.13

Advantages/Disadvantages of Passive Management

- Advantages
 - Diversified, risk-managed exposure
 - Lower expenses and improved tax efficiency
 - Competitive performance
- Disadvantages
 - Market returns only
 - No ability to defend in down markets

© 2014 J.P. Morgan Chase & Co.14

Advantages/Disadvantages of Active Management

- Advantages
 - Potential to beat the market
 - Ability to protect in down markets
- Disadvantages
 - Relatively higher costs and fees
 - Risk and unpredictability

JPMORGAN CHASE & CO.

15

The Key Question — How can you Effectively Utilize Both? Efficiency versus Value Add

- Passive
 - Efficient asset classes
 - Broad market categories
 - Fee and tax sensitive
- Active
 - Less efficient asset classes
 - High value added generating categories
 - Risk-aware and absolute return

JPMORGAN CHASE & CO.

16

Fund Selection

- Good performance — on absolute and relative basis
- Tax-sensitive management approach — portfolio turnover typically 50% lower than category average
- Core, risk-controlled portfolios
- Direct, fast access to information and portfolio managers
- Accountability — we can work with managers to make fund changes
- Reasonable expense ratios

©2017 J.P. Morgan

17

Measuring Results

©2017 J.P. Morgan

18

Returns — Ways to Think About Performance

- Meeting a percentage of the original gift
 - Is 50% a good gift in real terms?
- Performance relative to benchmarks

JPMORGAN

19

Performance and Benchmarks

- Performance should be measured against relevant benchmarks — at portfolio and underlying strategy levels

Asset Class

- Domestic Large Cap Equity
- Domestic Small Cap Equity
- Developed Markets International Equity
- Emerging Markets Equity
- REIT Equity
- High Yield Fixed Income
- Investment Grade Fixed Income

Benchmark

- S&P 500 Index
- Russell 2000 Index
- MSCI EAFE Index
- MSCI Emerging Markets Index
- DJ Wilshire REIT Index
- Bloomberg Barclays High Yield Index
- Bloomberg Barclays Aggregate Index/Barclays
- Intermediate Gov't/Corporate

Need to see the forest and the trees

- We are measured on relative performance
- Your ultimate goal is absolute performance.... Asset Allocation

JPMORGAN

20

Trends

©2018 J.P. & M. INVEST

21

Trends

- Growth in ETF/ETN use
 - Allows low cost, tax efficient access to hard to reach asset classes
- More involvement from Investment Committee's
 - Planned gifts are becoming a bigger percentage of capital campaigns

©2018 J.P. & M. INVEST

22

Key Points

© 2014 CFAI & NFAI/NET23

Remember

- Asset Allocation....
 - Is the single most important decision an investment manager makes
 - Drives long term performance
 - Should be based on underlying pool metrics & your organization's risk tolerance
- Diversification...
 - May produce better long term risk adjusted returns
 - Introduces opportunities
- Maintain...
 - A long term view when making investment decision

© 2014 CFAI & NFAI/NET24

Appendix A: Important Risk Disclosures

2061433.1.1.NA.INST

25

Important Risk Disclosures

Investing involves risk including the risk of loss of principal.

Asset Allocation is a method of diversification which positions assets among major investment categories. Asset Allocation may be used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.

Diversification does not ensure a profit or guarantee against loss.

The information provided does not constitute investment advice and it should not be relied on as such.

We advise you seek your own legal and tax advice in connection with gift and planning matters. This communication is not intended or written to provide legal or tax advice. This communication also is not intended or written to be used, and cannot be used, for the purpose of avoiding tax-related penalties. (IRS Circular 230 Notice).

This communication is distributed by: State Street Global Advisors, One Lincoln Street, Boston, MA 02111-2900.

Web: www.ssga.com

© 2018 State Street Corporation — All Rights Reserved.

Tracking Number: 2061433.1.1.NA.INST

Expiration Date: May 31, 2018

2061433.1.1.NA.INST

26

Appendix B: Biography

STATE STREET GLOBAL ADVISORS

27

Biography



Delizia M. Bouafi

Del Bouafi is a Vice President of State Street Global Advisors and a Senior Portfolio Manager in the firm's Investment Solutions Group dedicated to Charitable Asset Management. She is responsible for assisting clients in the development of asset allocation and investment strategies for their planned giving portfolios.

Previous to joining the ISG team she was a Portfolio Specialist covering Global Active Quantitative Equities. She was responsible for portfolio management, research, product development and positioning across multiple strategies within this group. Del began her career at SSCIA as an associate in the Advanced Research Center (ARC). Del has been working in the investment industry since 2001.

Del received a Bachelor of Science degree in finance from Bentley University.

STATE STREET GLOBAL ADVISORS

28

Determining the Profitability of a Gift Annuity Program (Track III)

Christopher Kelly & Cathy R. Sheffield, MBA, CAP®, CFRE, CSPG

(Friday, 9:30am - 10:45am & 11:15am - 12:30pm)

Some business officers have told me that they have no idea how to determine whether the program makes financial sense, whether it is making or losing money. Sometimes, those that do try to measure the profitability look at only the annuities in existence (which include a disproportionate number where annuitants are living beyond life expectancy) and do not include terminated annuities where annuitants died before the end of life expectancy.

Christopher Kelly

Director of Development
Planned Parenthood of Michigan



Christopher Kelly, brings more than 28 years of experience in trust, estate and philanthropic planning to his role of Director of Development with Planned Parenthood of Michigan. Previously, he was the Vice President and Planned Giving Product Specialist with PNC Institutional Asset Management working with nonprofit organizations across the PNC footprint. Mr. Kelly also served with the Comerica Charitable Services Group as Vice President and Senior Philanthropic Advisor, Chair of the Grant Committee and President of the Comerica Charitable Trust and Comerica Legacy Foundation, with a combined value of \$120 million+. He served in a similar role with Merrill Lynch Trust Company Center for Philanthropy as Senior Philanthropic Consultant and Manager of the Merrill Lynch Community Foundation Alliance, a program he grew to over 225 community foundations across the United States and approximately \$1.3 billion+ of assets.

He is a frequent guest speaker at conferences, educational programs and donor seminars across the country. He is a member of the Planned Giving Roundtable of Southeast Michigan, the Past President of the Council Board, Leave-A-Legacy Chair and is now Chair the Mentoring Program. He served on the National Board Member of the National Association of Charitable Gift Planners and was the Chair of the 2013 National Conference in Minneapolis.

Mr. Kelly was a professional Opera Singer, debuting with the Michigan Opera Theatre in Detroit, Michigan and has performed with various opera companies and orchestras throughout the United States and in Europe.

Cathy R. Sheffield, MBA, CAP®, CFRE, CSPG

Vice President
Thompson & Associates



Cathy R. Sheffield is a fundraising executive with over 20 years experience, specializing in major gifts and gift planning. She is President of ThinkGiving, a consulting firm based in Fort Worth, Texas, which specializes in strategic philanthropy for nonprofits and individuals and in providing leadership and comprehensive major and planned gift consulting services to nonprofit organizations of all sizes. Cathy is also a Vice President with Thompson & Associates, offering estate planning services to nonprofits. Cathy has experience in healthcare and education for organizations such as All Saints Health Foundation, Texas Health Resources Foundation, Cook Children's Health Foundation, Texas Christian University, The University of Texas at Arlington and the American Diabetes Association. Prior to living in North Texas, Cathy lived in Washington, DC and worked on Capitol Hill for United States Senator Byron L. Dorgan of North Dakota.

Cathy is the current Chair of the National Association of Charitable Gift Planners (formerly the Partnership for Philanthropic Planning), served as the 2015 Chair of the National Conference on Philanthropic Planning. Cathy is also a member of the CGP Leadership Institute, a program that provides education, networking and service opportunities for the nation's most experienced charitable planners. Locally, Cathy is a member and past president of the Lone Star Council of PPP (Fort Worth) and a member and past officer of the North Texas Chapter of PPP (Dallas). In 2015, Cathy was honored by the Fort Worth Metro Chapter of the Association of Fundraising

Professionals with The Ben Franklin Award for the Outstanding Professional Fundraising Executive, the highest professional honor she has received. In May, 2017, Cathy was given the Star Award from the Lone Star Council of Charitable Gift Planners for outstanding service to the council and profession.

Cathy received her MBA from Texas Christian University's Neeley School of Business and a Bachelor of Science from North Dakota State University. Cathy is a Chartered Advisor in Philanthropy (CAP®), Certified Specialist in Planned Giving (CSPG), and a Certified Fundraising Executive (CFRE).

In her personal life, Cathy is a member of the Fort Worth Women's Club and the Fort Worth Club. Cathy is a past-president of the board of directors for Camp Sanguinity, a camp for children with cancer and blood disorders. In addition to serving on the board for Camp Sanguinity, Cathy and her husband, Scott, volunteer as camp counselors for the week-long summer camp. Cathy and her husband reside in Fort Worth, Texas where they enjoy spending time with their 10-year old grandson.

DETERMINING THE PROFITABILITY OF A GIFT ANNUITY PROGRAM

CATHY REAGAN SHEFFIELD
VICE PRESIDENT
THOMPSON & ASSOCIATES
&
PRESIDENT
THINKGIVING

CHRISTOPHER L. KELLY
DIRECTOR OF DEVELOPMENT
PLANNED PARENTHOOD OF
MICHIGAN

WHY WOULD WE NEED TO DISCUSS THIS?

Successful Development Offices offer *OPTIONS* to their donors; for current gift strategy, major gifts capital campaigns, as well as legacy contributions.

- Planned Giving always plays a prominent role in generating options – and the Charitable Gift Annuity could (should) be included.
- In a time where **Blended Giving** strategy is more the norm, and donors are concerned over tax code changes, we must have options that can be quick, effective *and* stable.
- The CGA can be a powerful planning tool, but only when it is used correctly!

WHY WOULD WE NEED TO DISCUSS THIS?

Historically, the CGA might not always have been positioned correctly...

- “Sign here and get income for life...!” *Potentially* a true statement, but is it the wisest way to present a powerful planning tool?
- Some programs were not governed by reliable policy and procedure, or were not segregated from the Endowment or other restricted portfolio assets.
- Some programs may not have considered the guidance from the ACGA.

FIRST THINGS FIRST... LET'S DETERMINE:

Why did your Organization create a CGA Program?

- Did you organize it, inherit it -or- were you *pushed* into it?

What made your Organization feel a CGA Program was needed?

- Did a significant number of donors ask -or- just one *Significant* donor?

How did you prepare to take on a CGA Program?

- Did you do your homework: look at obstacles, options, opportunities?

Are you prepared now??

FIRST THINGS FIRST... ANALYZING THE ISSUES:

When your Organization established the CGA Program;

➤ **Did you also establish expectations?**

- ✓ Are they reasonable and achievable?
- ✓ Are you managing those expectations?

➤ **What is the commitment of the Board, Committees, Staff, Volunteers?**

- ✓ Do they understand the CGA and how to use it effectively?
- ✓ Are you involving other Gift Officers and Advocates?

FIRST THINGS FIRST... ANALYZING THE ISSUES: IS YOUR CGA PROGRAM IN ACTUAL TROUBLE OR JUST SLUGGISH?

How old is your CGA Program? If its been in existence for a number of years...

➤ **Have you considered,**

- ✓ CGA Annuitants are DONORS... are you keeping contact, shepherding, building a relationship?
- ✓ CGA Contracts can easily transition into “Blended Gift Strategies”
- ✓ CGA Contracts can easily assist the growth of your “Society”
- ✓ CGA Contracts can assist donors meet or exceed their goals for your Campaign.
- ✓ Anyone of these scenarios can revitalize a relationship AND your CGA Program!

FIRST THINGS FIRST... ANALYZING THE ISSUES: IS YOUR CGA PROGRAM IN ACTUAL TROUBLE OR JUST SLUGGISH?

Do your Donors know about this opportunity?

➤ Knowledge is **POWER**,

- ✓ First, Donors need to know that your CGA Program exists!
- ✓ True Donors want to understand a how a strategy works and how to use it.
- ✓ Using the actual discussion on the CGA Contract gives you true opportunity to get to know your donor and their goals.
- ✓ Donor/Annuitants that truly understand the CGA Contract feel *EMPOWERED* and open to planning and strategizing with their Contract.

FIRST THINGS FIRST... ANALYZING THE ISSUES: IS YOUR CGA PROGRAM IN ACTUAL TROUBLE OR JUST SLUGGISH?

Are you educating, *internally and externally*...

➤ Everyone needs to know what is available and how to use it effectively,

- ✓ Board Members, Committee Members, Staff & Key Volunteers are *Ambassadors!*
- ✓ Professional Advisors (Legal, Tax, Financial) can be effective *Promoters!*
- ✓ When these groups are supportive (particularly as “donor/annuitants”) they are very effective in engaging the Donor community. “We can’t ALL be wrong!?”
- ✓ Good Philanthropic Planning is a “Team Sport!”

FIRST THINGS FIRST... ANALYZING THE ISSUES: IS YOUR CGA PROGRAM IN ACTUAL TROUBLE OR JUST SLUGGISH?

Do you have CGA Contracts “Underwater?”

➤ **BEFORE** we panic...

- ✓ How many contracts are *actually* underwater or in jeopardy?
- ✓ This can actually be a logical reason to reconnect with your Donor/Annuitant (if communication has been sparse).
- ✓ Discuss the situation WITH logical options. Donors appreciate being informed and part of the process.
- ✓ This is also motivation to review your total program AND your Policies & Procedures.

FIRST THINGS FIRST... ANALYZING THE ISSUES: IS YOUR CGA PROGRAM IN ACTUAL TROUBLE OR JUST SLUGGISH?

When was the last CGA Contract generated and funded?

➤ **BEFORE** we panic...

- ✓ Were Donors interested and now they are not?
- ✓ Has the “Age” demographic of your donor base changed, or interest in your mission?
- ✓ What gifting method are your donors using... are they gifting?
- ✓ If donors have lost interest in your Organization, the problem is not the CGA...

OTHER FACTORS COULD BE CAUSING PROBLEMS.

Issues that can also effect your **CGA Program**:

- Is your CGA Program complaint? (Programs need to be managed correctly)
- Is the Investment Strategy correct? (Life Income Vehicles require a different approach)
- Is your CGA Program actually on “autopilot”? (What you don’t know...)
- When is the last time you communicated with a Donor/Annuitant? (Have they been neglected/forgotten)

OTHER FACTORS COULD BE CAUSING PROBLEMS.

Is your **CGA Program Compliant with...**

- ✓ The ACGA Suggested structure, rates, investment and ongoing polices?
- ✓ Are you compliant with the Regulations of your State and the other States you offer CGA?
- ✓ While these issues may not land you as the cover story on TMZ, they do cause your Program to be questionable and less attractive to Donors and/or their professional advisors. Donors want stability and reliability.

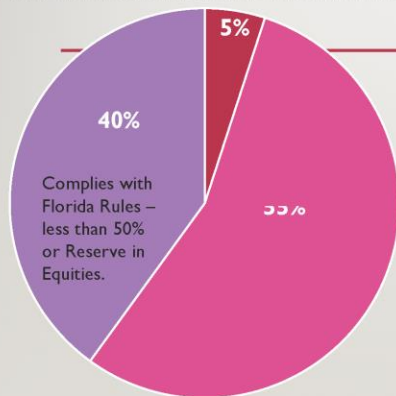
OTHER FACTORS COULD BE CAUSING PROBLEMS.

Is your Investment Strategy correct? It is *critical!*

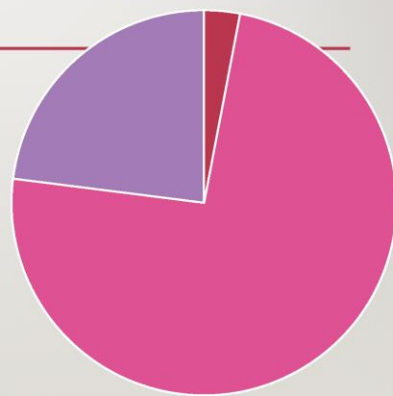
- ✓ The Investment Policy Statement (IPS) must consider “distribution pull” as well as “residuum protection”.
- ✓ The Endowment IPS can/should be considered, but cannot govern this portfolio completely.
- ✓ Utilizing an outside Investment Service Provider, in conjunction with your CFO/Finance Committee is also useful. Poor investment performance will jeopardize contracts and that information will get out to the “community”.

SAMPLE GIFT ANNUITY ACCOUNT ALLOCATIONS

OVERALL PROGRAM & MULTI STATE RESERVE



CALIFORNIA RESERVE



■ Cash ■ Fixed Income ■ Equity

■ Cash ■ Fixed Income ■ Equity

OTHER FACTORS COULD BE CAUSING PROBLEMS.

Determining the appropriate asset allocation.

- ✓ Don't forget to consider/use the ACGA assumptions.
- ✓ Consider the Annuitant/Beneficiary Actuarial Life Expectancy/Expectancies.
- ✓ Some States still impose investment regulations (be certain of your state, or any other where you offer CGA).
- ✓ Consider the gift size in comparison to the FMV of your existing Pool.
- ✓ Your organization's Investment Policies should also be considered.

OTHER FACTORS COULD BE CAUSING PROBLEMS.

Proper Administration, Tax and Compliance.

- ✓ If Administration is being done "in-house" do you have sufficient staff/support?
- ✓ Are the "duplicates" being done within a reasonable timeframe?
- ✓ Are "back-office issues" keeping you from interaction with your Donor/Annuitants and prospects?
- ✓ Just as poor investment performance can jeopardize the reputation of the program, dissatisfied Donor/Annuitants can also effect your reputation.

WHAT CAN BE DONE?

ISSUES AND SUGGESTIONS...

The Fair Market Value of the CGA Program is dropping/low...

- If the CGA Program looks too small or the value too low for an Organization of your size, years of service or reputation, Donors (or their professional advisors) will seek an alternative charity...
- ✓ Consider “seeding” the Program/Reserve Account. This adds to the portfolio value, (protective) and reflects a productive CGA Program (easier to Market). Even an older program may need an infusion to continue contractual distributions.

ISSUES AND SUGGESTIONS...

Our Program has underwater contracts, or some heading that way...

- Every program has, or will have a “sore thumb”. Normally these are contracts that were created YEARS ago under different conditions, but hope is not lost!
- ✓ Consider a discussion with your Donor/Annuitant. Revisit their charitable goals/intent for creating the CGA. Discuss the options to avoid the loss of their goals; and bring along illustrations for a new contract potentially created with new assets.
- ✓ Review and revise your CGA Gift Acceptance Policies and your Donor Discussion Points. CGA is still a powerful option but must be created under today’s terms.

ISSUES AND SUGGESTIONS...

What good is this discussion when the contract has/or will deplete...

- Our Donor/Annuitant has the right to know and to be a part of the solution! Don’t discount the determination of an empowered donor!
- ✓ Effective discussions were not always held, particularly when older contracts were being created. Most of these Donor/Annuitants have the impression that it works flawlessly... They have no idea that they have the power to terminate their income interest, or what benefits they lose when the contract passes over their actuarial life expectancy. Many have no idea that their gift depleted and they are draining the charity’s assets...

ISSUES AND SUGGESTIONS...

Going Forward – Building Strength...

- Terminating an “Ailing Program” seems logical and humane, but what if you need the CGA later?
- ✓ Reestablishing a CGA Program is challenging at best and a TRUE challenge of credibility!
- ✓ Review your current donor/annuitant base to see if saving the program is the answer.
- ✓ Consider re-insurance if you no longer wish to offer CGA to your Donors.
- ✓ Review how you are marketing CGA and your educational program, the problem could be in how you position this planning tool.

ISSUES AND SUGGESTIONS...

We have done everything... now what?

- Like all power tools, a CGA is only powerful when it is used correctly. Maybe your donor base does not want to use CGA to make their impact.
- ✓ If you truly cannot use your program, see the final contracts to their end and terminate the program. Be SURE to remove CGA from your Gift Planning Infrastructure!
- ✓ Should you meet with a donor that wants to gift through CGA, considering partnering with another organization that has a viable program. If not profile your donor to determine if another option would meet their expectations.

SUMMARY...

- Today's Donor wants options in achieving their goals; 71% of wealthy donors make their contributions strategically, particularly with "major gift" goals.
- The result is Donors utilizing structured gifting vehicles and the CGA is an expedient, effective choice.
- Having a viable CGA Program, or knowing a dependable alternative, reinforces the donor relationship and their opinion that YOU can meet their expectations.
- If our donor does not feel they can achieve their goals with us... they find an alternative.

ACTION STEPS...

- A healthy CGA Program requires monitoring and solid communication between Development and the "Back Office Support".
- Keeping current with ACGA rates for contracts, as well as suggestions for Policies can be an effective means of keeping your program solid and productive.
- Don't be afraid to educate on the various components and uses of a CGA Contract. Knowledge is Power – EMPOWER your Donor/Annuitants.
- Healthy Communication in every aspect of your CGA Program assures a profitable, productive power tool!



Cathy R. Sheffield
(817) 371 - 0597
Cathy@thinkgiving.com



Chris Kelly
(734) 926 - 4827
chris.kelly@ppmmi.org

CGA Annual Filings Made Easy(ier) (Track III)

Edith E. Matulka, J.D. & Crystal Thompkins, CAP®

(Friday, 9:30am - 10:45am & 11:15am - 12:30pm)

Of the states that require registration to issue gift annuities, 15 also require some sort of annual filing. Whether you are already registered or anticipate doing so, it's important to understand what is involved in the ongoing reporting. However, equally important is keeping track of deadlines and creating a system for preparing the filings each year. This session will provide both specific information on requirements and helpful hints on managing the process.

Edith Matulka, J.D.

Senior Consultant
PG Calc Incorporated



As Senior Consultant at PG Calc, Edith (Edie) Matulka works with charitable organizations across the country, providing assistance on both gift-specific questions and issues relating to operation of their planned giving programs. Edie also helps charities comply with state regulations for issuance of gift annuities and is a contributing author for *Charitable Gift Annuities: The Complete Resource Manual*. Edie has spoken at American Council on Gift Annuities (ACGA) conferences, local planned giving councils, and to varying groups within charitable organizations (including Boards, staff, and donors). She currently serves on the Board of ACGA.

A member of the Washington State Bar Association, Edie graduated from Northwestern School of Law at Lewis and Clark College in Portland, Oregon and earned a B.A. in Political Science from the University of Washington. Edie joined Planned Giving Services, a Seattle-based consulting firm started and led by Frank Minton, in 1997. PG Calc acquired Planned Giving Services in August, 2005. In addition to the practice of law, Edie's background includes work in government, public, and nonprofit settings.

Crystal Thompkins, CAP®

Senior Relationship Manager
BNY Mellon



Crystal is a director of relationship management for the BNY Mellon Wealth Management Planned Giving group. In this role, she is responsible for managing the Greensboro, North Carolina client relationship team. She also works directly with large, complex clients on all aspects of their planned giving programs and coordinates resources throughout BNY Mellon to provide support and expertise.

Crystal joined the firm in 2006, when Mellon acquired U.S. Trust's planned giving business. She has more than 16 years of experience in the planned giving business, including charitable trust tax preparation and tax process management.

Crystal received a bachelor's degree in accounting from Winston-Salem State University and is a Chartered Advisor in Philanthropy®. She is a member of the Partnership for Philanthropic Planning and serves on the boards of the American Council on Gift Annuities (ACGA), the North Carolina Planned Giving Council and the Winston-Salem State University Foundation.

CGA ANNUAL FILINGS MADE EASY(IER)

American Council on Gift Annuities
33rd Conference
April 27, 2018

Edie Matulka, JD
CAP®, CSPG
Senior Consultant
PG Calc Incorporated

Crystal Thompkins,
Director of Relationship
Management
BNY Mellon Wealth Management

Agenda

- Ongoing Issues to Monitor
 - > Reserve fund
 - > Minimum assets
 - > Gift annuity rates
 - > Annuity agreement forms
- Annual filings
 - > Re-notification, financials, detailed reporting
 - > FYE v. CYE
 - > Prior to end of reporting period
 - > Information gathering
 - > Form preparation
 - > Continuity of knowledge
- Calendar year at a glance, for a June 30 fiscal year end

Issues to Monitor

- Gift annuity reserve fund(s)
 - *Appropriately in place (segregated, state-specific)*
 - *Adequately funded, throughout the year*
 - *Appropriately invested (state requirements; diversification)*
- Practical tips
 - *Review after substantial new gift funding and maturities*
 - *Develop procedure for state review prior to gift acceptance*



CGA Annual Filings Made Easy(ier)

3

Issues to Monitor

- Minimum assets (24 states)
 - *At time of issuance*
 - *Annual reporting (HI, WA)*
 - *Self-suspension*
- *CHECKPOINT: Does your organization have a procedure in place to fund shortfalls?*

CGA Annual Filings Made Easy(ier)

4

Issues to Monitor

■ Rates

- *Filed: AL, AR, CA, MD, NJ, NY, WA*
- *Notify when change*
- *Presumption with ACGA rates; modification?*
- *Lower rate offering - CA addendum*

■ Practical tips

- *Develop internal notification procedure when using non-ACGA rates*
- *Track non-ACGA rates and determine need to update gift acceptance policy*

CGA Annual Filings Made Easy(ier)

5

Issues to Monitor

■ Agreement forms

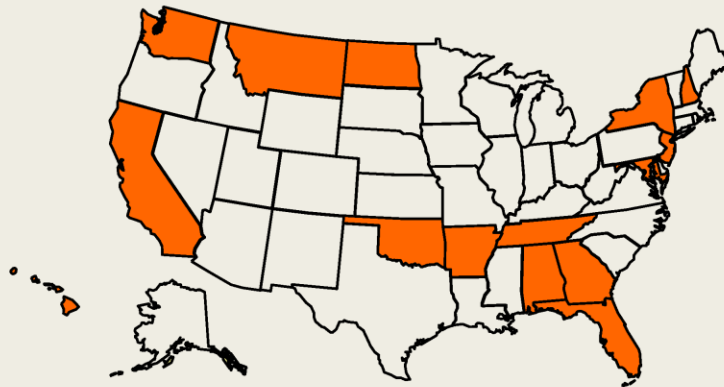
- *Filed: AL, AR, CA, MD, NJ, NY, ND, TN, WA*
- *New forms need approval*
- *Disclosure language (in 23 states where forms not submitted)*

- *CHECKPOINT: When does your organization review all forms for consistency and completion, and who is responsible for making updates?*

CGA Annual Filings Made Easy(ier)

6

Annual Submissions



CGA Annual Filings Made Easy(ier)

7

Annual Submissions

- What:
 - *Re-notification*
 - *Audited financials*
 - *Detailed reporting*
- When:
 - *FYE vs. CYE; tickler system*
- Who:
 - *PGO, business/finance, outsourced*



CGA Annual Filings Made Easy(ier)

8

Prior to End of Reporting Period

- Catch up on data entry
- Run reserve calculation
- Check investment allocation (CA, FL)
- Make adjustments to reserve fund
- Review tickler sheet/checklist



CGA Annual Filings Made Easy(ier)

9

Information Gathering

- Reserve account
 - *Account statements*
 - *Reserve calculations (actuary?)*
 - *Overall asset figures*
 - *FASB liability*
 - *Financial reports (e.g., holdings and transactions)*
 - *Gift reports*
 - *Reinsurance*

CGA Annual Filings Made Easy(ier)

10

Information Gathering

Certificate Holder's Summary of Net Assets as of 12/31/2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Net Assets	\$0	\$0	\$0	\$0

Did your organization have and maintain minimum unrestricted net assets of \$500,000 as required by RCW 48.38.010(6) **at all times** during the period covered by this Annual Report?

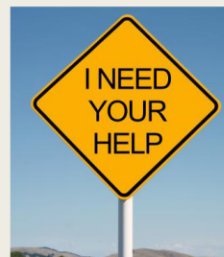
Yes
 No

Certificate Holder's Statement of Income and Expenses for the year ending 12/31/2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Income	\$0	\$0	\$0	\$0
Expenses	\$0	\$0	\$0	\$0
Net Income (Loss)	\$0	\$0	\$0	\$0

Information Gathering

- General interrogatories
 - *Legal structure/name change*
 - *Amended articles*
 - *Annuity rates*
 - *Agreement forms*
 - *Miscellaneous questions*



Information Gathering

- Practical tips
 - *Excel is your friend*
 - *Ask for what you need, in the format you need, before it's needed*
 - *Data Accumulation vs. One-time Collection*
 - *Gatekeeper(s) and back-ups*

CGA Annual Filings Made Easy(ier)

13

Form Completion

- Concurrent preparation between financial and organizational questions
- Signatories
- Check request timeframe
- Varying ways of submission (email, mail, on-line)

CGA Annual Filings Made Easy(ier)

14

Form Completion - Frustrations

- Timing
- Construction of document
 - *Incomplete/inaccurate formulas, cell links*
 - *Insufficient pages*
 - *Not always Excel friendly*
- “Busy work”

Schedule G							
Showing all BONDS, STOCKS and Other Assets ACQUIRED during the current year							
1	2	3	4	5	6	7	8
Line #	CUSIP #	Description	Number of Shares of stocks	Actual Cost	Par Value	Accrued Interest and Dividends Paid	Date of Acquired
Bonds							
9.10.1							
9.10.2							
9.10.3							

CGA Annual Filings Made Easy(ier)

15

Form Completion - Investments

- Least complicated – mutual funds
- More complicated – assets with a lot of activity (i.e., paydowns, accrued interest)
- Pose challenges – investment pools, partnerships (frequent cost adjustments not easily captured on form)

CGA Annual Filings Made Easy(ier)

16

Form Completion - Tips

- Have your reports at hand
 - *Prior year report*
 - *Reserve report*
 - *New and closed gift reports (including annuity amounts)*
 - *Detailed holdings and transactions*
- Macro to sort data from internal reports to match form layout
 - *Accounting 101: Balance sheet, income statement*

CGA Annual Filings Made Easy(ier)

17

Continuity of Knowledge

- Document procedures
- Staff transition
 - *Maintain files*
 - *Tickler system*
 - *Other resources*
 - ✓ *ACGA*
 - ✓ *State web pages*
 - ✓ *CGA manual*



CGA Annual Filings Made Easy(ier)

18

Annual Submissions – Timeline (6/30 FYE)

- January 30
 - CA
 - ✓ *4th quarter reporting of new CGAs*
 - ✓ *Agreement attestation*
 - ✓ *Quarter end + 30 days*

CGA Annual Filings Made Easy(ier)

19

Annual Submissions – Timeline (6/30 FYE)

- March 1
 - *CA: renewal fee*
 - *MT: re-notification*
 - *NY: annual report*
 - *TN: renewal letter and fee*
 - *WA: renewal fee*

CGA Annual Filings Made Easy(ier)

20

Annual Submissions – Timeline (6/30 FYE)

- March 15
 - HI: annual report

- March 31
 - WA: audited financials (FY + 9 months)
(typically file earlier, with other AFS filings)

- April 30
 - CA: 1st quarter reporting of new CGAs (qtr. end + 30)
 - NJ: annual report; audited financials (CY/FY + 120)

CGA Annual Filings Made Easy(ier)

21

Annual Submissions – Timeline (6/30 FYE)

- July 30
 - CA: 2nd quarter reporting of new CGAs (quarter end + 30)

- August 29
 - AL: audited financials (FY + 60)
 - FL: on-line attestation (FY + 60)
 - WA: annual report (FY + 60)

CGA Annual Filings Made Easy(ier)

22

Annual Submissions – Timeline (6/30 FYE)

- October 30
 - CA: *annual report (CY/FY + 120)*
 - CA: *3rd quarter reporting of new CGAs (quarter end + 30)*
 - *Audited financials (FY)*
 - GA - *when available*
 - ND - *available + 15*
 - OK - *available + 90*

CGA Annual Filings Made Easy(ier)

23

Annual Submissions – Timeline (6/30 FYE)

- November 15
 - NH: *re-notification (part of charitable organization renewal) (FY + 4 months, 15 days)*
 - WA: *Form 990 (filing with IRS + 15; extension)*
- November 27
 - TN: *annual report/audited financials (FY + 150; FY + 90 if verified financials)*

CGA Annual Filings Made Easy(ier)

24

Annual Submissions – Timeline (6/30 FYE)

- December 15
 - AL: *renew “restricted agents” (fee of \$60 per agent)*

- December 27
 - AR: *annual report (FY + 180)*
 - MD: *audited financials/reserve info (FY + 180)*
(typically file earlier, with other AFS filings)

American Council on Gift Annuities
1260 Winchester Parkway SE, Suite 205
Smyrna, Georgia 30080
Phone: (770) 874-3355
Fax (770) 433-2907
e-mail: acga@acga-web.org
Web: www.acga-web.org