

MAJOR & PLANNED GIFTS

AMIDST COVID-19

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AN ORGANIZATION'S MOSAIC

The best way to describe a successful organization is to see it as a mosaic.

Multiple pieces make up the picture of success in fundraising.



THE FOUNDATION



A mosaic needs 4 sides of a frame to hold it together.

The frame for a fundraising mosaic has four essential parts to a great foundation:

- Excellent leadership
- Appealing mission
- Dedicated staff
- High visibility among community

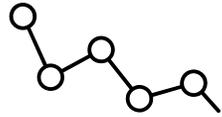
BE POSITIVE, HUMBLE AND PROACTIVE WITH YOUR DONORS

- Strengthen your case for current and future support
- We are in a storm:
 - It will pass over us, because it is moving like all storms
 - It will leave a mess which we will need to clean up
 - We must be better prepared for the next storm
 - We cannot fully prepare without folks helping us financially
 - We will be here for the next generation

IMPACT ON MAJOR & PLANNED GIFTS

- There will be an impact in the short term, but we are not sure how to define “short term”
- Donors give when they believe they have enough to live on for the rest of their lives
- Today, many are not sure they can answer this important question
- Here are some major challenges:
 - Some donors have been impacted financially by the crisis, while others have not, but almost everyone has had an emotional impact
 - But, we don’t know who can and are open to give right now
 - ***Be very careful not to put the organization ahead of the donor***
 - I would not ask for a gift in my first few communications

IMPACT ON VERY LARGE GIFTS



Reduction

The number and size of mega gifts may be reduced.



Rebound

Historically, it may take a few years to get back to normal.



Net worth

Not everyone has seen a dip in their net worth.



Solicitation

Solicit with humility and caution.

IMPACT ON PLANNED GIFTS

1. Estate planning is more important than ever
2. Historically, the desire to create a planned giving program increases after a financial downturn because donors still want to help
3. Donors who are instrumental accumulators of wealth may still be open to making a commitment
4. Donors are seeing the true value of healthcare and they know that healthcare providers are the key to defeating the virus
5. They want to help as much as they can

TWO TYPES OF WEALTH ACCUMULATORS



01

Terminal

02

Instrumental

3 TYPES OF DONORS & THE IMPACT ON THEIR GIVING



Habitual

Most likely to give, but to fewer organizations and might be smaller gifts

The question is how do they feel when they open their investment reports

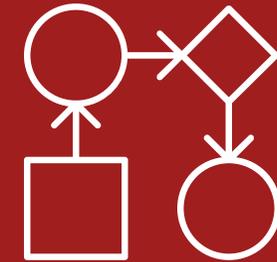
Year-end giving is still a possibility if the market returns to more positive levels



Emotional

These donors may be in the valley of indecision right now

They must hear from you in emotional language on your current need(s)



Strategic

These donors make investments rather than gifts

They are driven by facts and numbers

They are looking for a positive impact with a high ROI

BE POSITIVE, HUMBLE AND PROACTIVE WITH YOUR MAJOR DONORS

- Focus on the donor right now
- After you've discussed how the donor is doing, be optimistic with realistic messaging about your organization
- Generalized messages are not as useful. Be specific about what your organization is doing to help in the crisis
- Outline workable plans with measurable outcomes
- Show after-action analysis that strengthens reasons for support
- Facetime as many donors as possible
- It is more important, even during our crisis, to keep relationships than it is to get a gift. There will be time to ask for a gift, if you keep a relationship
- **IF** you ask for a gift, begin with “I don't know your current financial situation. But, I know you are focused on our mission. If you are able to help us during this important time, we will be very thankful. If you are not able to give right now, I would still love to keep you informed on our efforts.”

The one thing you **cannot** control is
how much each donor can give

The one thing you **can** control are
your activities

OTHER THOUGHTS

- Be sure to keep your top performing staff
- Prior to this crisis our economy was strong, and it will rebound
- Your donors will ask themselves before they give:
 - Which charities am I close to?
 - Which charity is really making a difference?
 - Can I give now out of discretionary income?
 - Can I give out of my net worth?
 - Can I give a future gift out of my net worth?

The best return on investment
is philanthropy!

WE WILL GET THROUGH THIS!

In the meantime,
let's learn important lessons...

- The need for deeper relationships and a broader donor base
- When this passes, and it will, commit to making more one-on-one visits to create deeper relationships with more donors
- Sharpen your skills and focus like never before so we are better prepared for the next big surprise
- Build your endowment in preparation for the next big event
- Let's take this challenge head on! This is no time for the weak!

10 STRATEGIES FOR POST-COVID-19 FUNDRAISING in Complex & Major Gifts

Russell James, J.D., Ph.D., CFP®

1.

Crisis is the time to show support

- A social/friendship/family relationship encourages sharing
- A transactional/market/exchange relationship does not
- When you might be in trouble, a good friend is one who reaches out to help
- Ideally, the first contact with donors in a time such as this should begin with concern

Crisis Creates Opportunities for Donor Heroism

- During a fire, heroism is limited to rescuing people or putting the fire out
- But after the fire, heroism will be about the choice to rebuild
- Some nonprofits will never recover from this hit
- Some will rebuild stronger
- The difference will depend on donor heroism. When the time is right, give your donors the chance to be heroes!

Kraft cheered for bringing in masks on Patriots team plane to fight coronavirus

By [Travis Andersen](#) and [Dan Adams](#) Globe Staff, Updated April 2, 2020, 8:02 p.m.



“Permission marketing” conversations

“The family is doing well.
We’ve just had a lot of enforced
family togetherness.

I’ve still been busy for work,
mostly talking to people about
how to give smarter with all this
market volatility
and the new tax benefits.
So, it hasn’t slowed down.”

“The family is doing well.
We’ve just had a lot of enforced
family togetherness.

I’ve still been busy for work,
mostly working with the leadership
trying to plan how to rebuild after
taking the hit from the season being
cancelled. So, it hasn’t slowed down.”

2.

The first giving conversations should be with DAF-holders

- Requests made to donors with donor-advised funds (DAFs) will be successful earlier than requests made to others
- During times of downturn and uncertainty, people are more likely to hold tightly to their wealth which drives down charitable giving
- But, distributing funds already in a DAF doesn't affect a person's financial security
- During the last major economic downturn, many private foundations temporarily increased their distributions to help soften the blow for their grantees

3.

One-time special requests work well, but be careful with a crisis

- In fundraising experiments, people are more willing to donate in response to a special, one-time need than for ongoing needs
- However, it is important in such appeals to identify the crisis as a crisis for beneficiaries or for the cause, but not an organizational crisis

4.

Use planned gifts as your “Plan B”

- People may hold on to their wealth during this crisis
- Planned giving opportunities can help “lean into” this uncertainty
- Most planned gifts take place after we no longer need the money
- It is revocable
- It can be a percentage of the estate, thus can vary with ups and downs
- Percentage gifts are better for charities
- Irrevocable planned gifts can also help with financial uncertainty
- If a donor needs to back away from a commitment or feels that a gift today is too daunting, consider a planned gift as a “plan B”

“ I certainly understand your concerns. I know others like you who have decided instead to make a gift that gives them lifetime income. With interest rates being so low and the market being so volatile, many people like the fixed payments coming from a charitable gift annuity. Would you like to learn more about this? ”

I certainly understand your concerns, I know others in your same situation who have decided to move their commitment into an estate gift instead. This provides flexibility with no upfront cost. There are even ways to do it that provides tax benefits. Would you be interested in learning more about these options?

GIFT IN WILL

BENEFICIARY DESIGNATION ON AN IRA/401K

RETAINED LIFE ESTATE

5.

A charitable gift annuity as a two-stage gift

- Stable institutions offering CGAs may be an attractive gift option
- During the last dramatic drop in the market, some large, stable organizations reported receiving exceptionally large CGAs
- Two-stage alternative to current giving

“I certainly understand your concerns. Another donor was in your same situation and she decided to protect against this volatility by making the gift in two stages. First, she made a gift that gave her annual payments for life. If things go downhill, she has income. But, if everything turns around and she ends up not needing the extra money, then she could donate those future payments as a second gift.”

6.

Retained life estate gift in homes and farmland

- A donor can get an immediate tax deduction (depending on the 7520 rate) for donating the inheritance rights to a personal residence or farmland to charity
 - This is done by signing a deed that transfers the remainder interest to the charity and retains the “life estate” for the donor
- This might be an attractive idea for some

Charitable deduction for remainder interest deed in \$1,000,000 of farmland by age 59 donor



11.6% (May 89)

\$156,840



1.0% (Jan 13)

\$804,790

7.

An “estate-tax planning” charitable lead trust

- Although few and far between, some estates are large enough to be subject to estate taxation
- These donors can take advantage of a non-grantor charitable lead annuity trust
- This is a tax-efficient way to gift assets to heirs
- The donor transfers assets to the CLAT and the CLAT pays an annual fixed amount to charity for a set number of years
- Any amount remaining at the end goes to select heirs

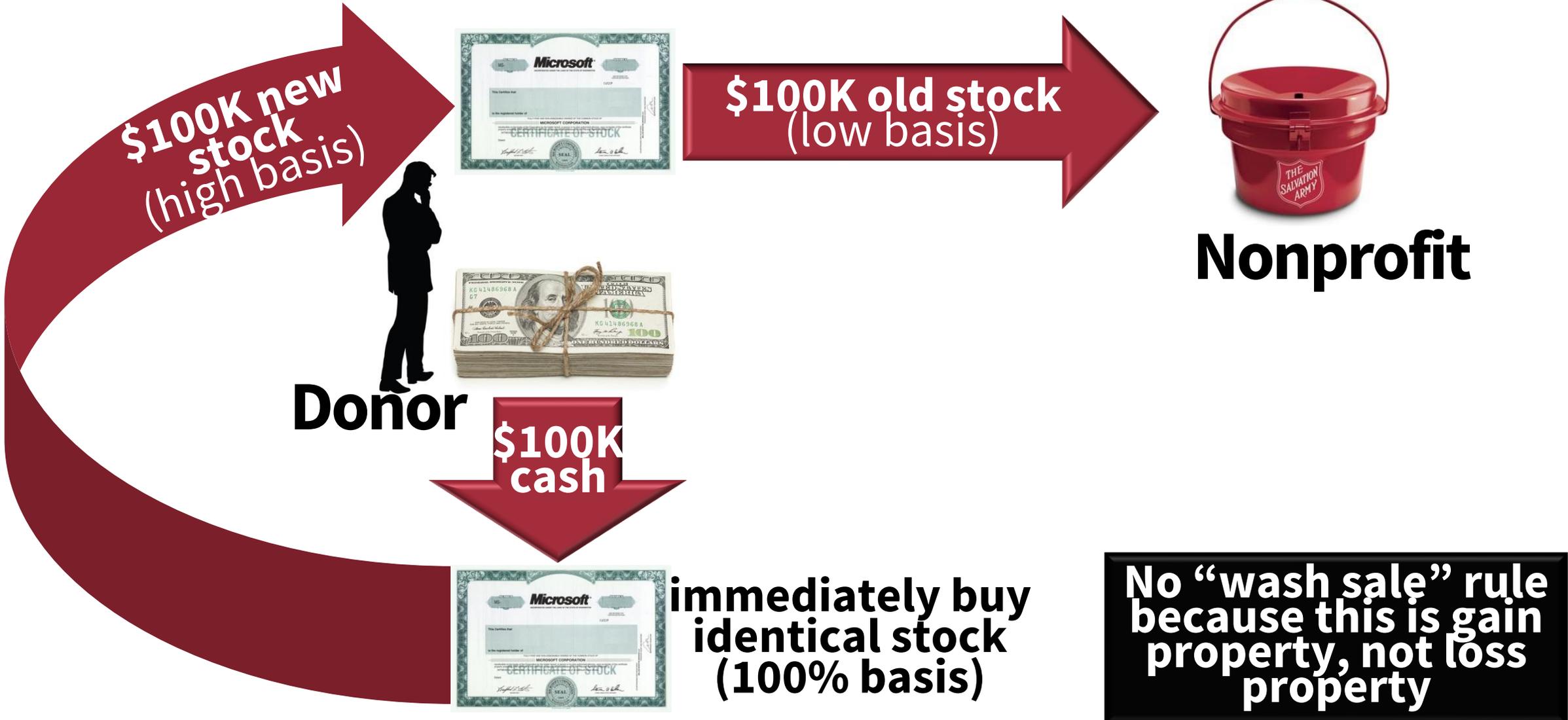
8.

An “income-tax planning” charitable lead trust

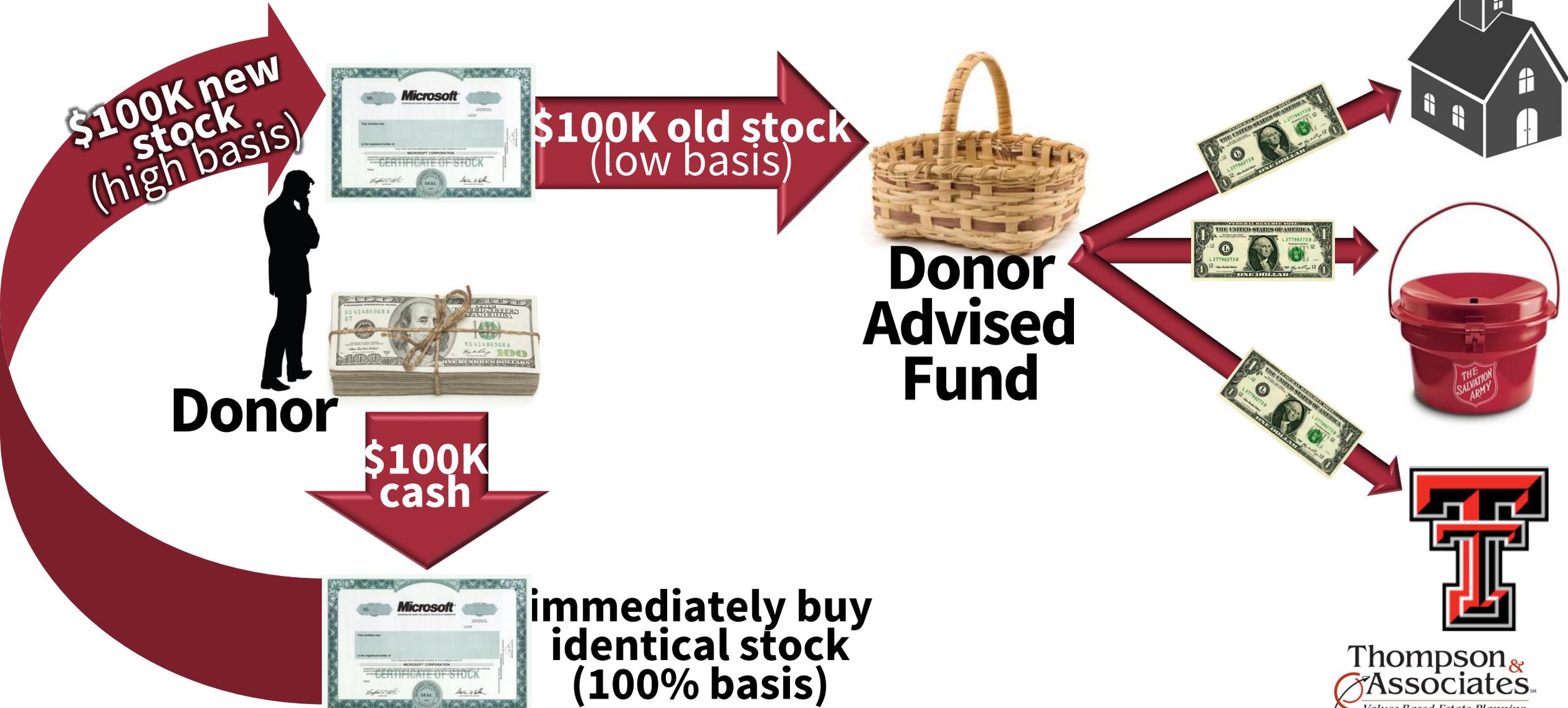
- The grantor CLAT allows a donor to take an immediate tax deduction for many future years’ worth of donations
- The donor transfers an asset to the CLAT large enough to pay for the future donations, and then gets back whatever is left over at the end

No need to change your portfolio!

The Charitable Swap



The Charitable Swap with a DAF



9.

A “charitable swap” still works - even in a down market

- A donor gives appreciated stock instead of cash
- The cash that would have been donated is instead used to immediately purchase identical replacement stock
- The stock portfolio doesn't change at all
- But the capital gain is wiped out of the portfolio because the old (gain) stock is replaced with identical new stock purchased at the current market value
- This can be done even in a down market if the donor still has stock worth more now than when purchased

Appreciated asset gifts are objectively cheaper



**Tax
deduction
only**

**Tax
deduction +
Avoid capital
gains tax**

Asset gifts are cheaper for itemizers

Donor   **\$100k Cash**  **Nonprofit**

Income tax deduction
(\$100,000 x 37%)
\$37,000

Costs \$63,000

Donor   **\$100k Stock**  **Nonprofit**

\$37,000
+
Avoid capital gains
(\$90,000 x 23.8%)
\$21,420

Costs \$41,580

Asset gifts are cheaper for non-itemizers

Donor **\$100k Cash** **Nonprofit**

~~Income tax deduction
(\$100,000 x 37%)
\$37,000~~

Costs \$100,000

Donor **\$100k Stock** **Nonprofit**

~~\$37,000~~ + **Avoid capital gains**
($\$90,000 \times 23.8\%$)
\$21,420

Costs \$78,598

Asset gifts got EVEN cheaper for those in other states




\$100k Cash



Donor

Nonprofit

Net cost \$52,000 in '18 vs. \$53,756 in '17




\$100k Stock



Donor

Nonprofit

Net cost \$20,680 in '18 vs. \$26,356 in '17

2017

Income tax deduct.
 (\$100,000 x 39.6%)
\$39,600 fed
 (\$100,000 x 11%)
 - (\$100,000 x 4.36%)
\$6,644 state
 +

Avoid capital gains
 (\$90,000 x 23.8%)
\$21,420 fed
 (\$90,000 x 11%)
 - (\$90,000 x 4.36%)
\$5,980 state

2018

Income tax deduct.
 (\$100,000 x 37%)
\$37,000 fed
 (\$100,000 x 11%) =
~~(\$100,000 x 4.36%)~~
\$11,000 state
 +

Avoid capital gains
 (\$90,000 x 23.8%)
\$21,420 fed
 (\$90,000 x 11%)
~~(\$90,000 x 4.36%)~~
\$9,900 state

10.

Section 2205. Modification of limitations on charitable contributions during 2020

- This provision increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations
- For individuals, the 50-percent of adjusted gross income limitation is suspended for 2020
- For corporations, the 10-percent limitation is increased to 25-percent of taxable income
- This provision also increases the limitation on deductions for contributions of food inventory from 15 to 25 percent
- This is another good talking point for donors
- CASH GIFTS FOR CGAs should qualify for 100-percent treatment

LIFE STAGES OF A RETIREMENT ACCOUNT



Early distribution (before 59½)



Regular distribution (59½ to 72)



Required minimum distribution (72+)

Qualified Charitable Distribution (QCD)

IRAs or IRA rollovers only; no 401(k), 403(b), SEP, SIMPLE, pension or profit sharing plans

After giving more than all post 70 ½ deductible IRA contributions

No private foundations, donor advised funds, charitable trusts, or charitable gift annuities

Participant 70½ or older

\$0 income
\$0 deduction

\$100,000 per person maximum



IRA



\$10,000



You Can Give More Than Your Required Minimum Distribution

IRAs or IRA rollovers only; no 401(k), 403(b), SEP, SIMPLE, pension or profit sharing plans

After giving more than all post 70 ½ deductible IRA contributions

No private foundations, donor advised funds, charitable trusts, or charitable gift annuities

Participant 70½ or older

\$0 income
\$0 deduction



\$100,000 per person maximum



\$10,000

CARES ACT

Coronavirus Aid, Relief, and Economic Security Act:

What you need to know!

CARES ACT

Important Provisions for Donors

New Deduction Available

- Deduct up to \$300 (\$600 for joint filers) of charitable contributions for taxpayers who do not itemize;
- This deduction will be “above the line”

CARES ACT

Important Provisions for Donors

New Charitable Deduction Limits

- Individual taxpayers can deduct up to 100% of their AGI for cash contributions to public, up from 60%
- Corporations can deduct up to 25% of taxable income, up from 10%
- These new limits do not apply to gifts to private foundations or DAF

CARES ACT

Important Provisions for Donors

Required Minimum
Distributions (RMD)
Waived in 2020 for
Most Taxpayers

Suspends the required minimum distribution rules for:

- Distributions required by April 1, 2020 for calendar year 2019; and,
- Defined contribution plans and IRA's for 2020.

LOAN PROGRAMS

for small business and nonprofits

What you need to know (and why)!

- Could apply to you and/or your donors
- Have conversations with your donors who are small business owners
- While they likely know about these loans, you could help guide them showing your empathy and knowledge!

PAYCHECK PROTECTION PROGRAM LOANS (PPP)

- Small businesses and nonprofits can apply for up to 2.5x average monthly payroll expenses
 - Sole proprietors and independent contractors can also apply
- Loan amount can potentially be forgiven if used in the 8 weeks after distribution if FTEs are maintained and funds used for the following:
 - Payroll;
 - Business rent or mortgage interest; and/or,
 - Business utilities
- Anything not forgiven would be:
 - Subject to 1% interest rate
 - Payable over 2 years
 - First payment due in 6 months
- The PPP is administered through your bank and available now

ECONOMIC INJURY DISASTER LOAN (EIDL)

\$10,000 Emergency Advance

- Applied for through SBA
- Loan advance up to \$10,000
- All small businesses in the US with less than 500 employees are eligible, including:
 - Sole proprietorships, independent contractors, self-employed persons, private non-profit organizations, or 501(c)(19) veterans organizations affected by COVID-19
 - Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries
- For those currently experiencing temporary loss of income due to COVID-19
- Funds are made available following a successful application
- Will not have to be repaid

ECONOMIC INJURY DISASTER LOAN (EIDL)

Additional Loan Amount

- Loans up to \$2,000,000
- Fixed simple interest rate of 3.75%
 - 2.75% for nonprofit organizations
- Payable up to 30 years
- First payment not due for 12 months
- Administered through the SBA (apply online)



RESOURCES

COVID-19:

ceplan.com/covid-19

Client Listserv

SECURE Act:

ceplan.com/secure

QUESTIONS?