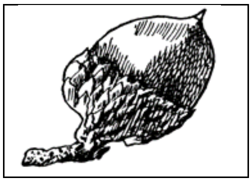

Planned Giving in a Nutshell

Preface

POSTMODERN PLANNED GIVING

As I put the finishing touches on this edition of *Planned Giving in a Nutshell*, I've been thinking about the grove of redwood trees outside my window. As redwoods go, these are infants. They were mere seedlings when President Richard M. Nixon signed the 1969 Tax Reform Act which launched the modern world of planned giving. Even though these trees stand well over 100 feet tall today, they are not much more than knee high to their elders who can live for a thousand years and grow as tall as a 35 story building.

These past few years have been tumultuous for planned giving. There have been tectonic shifts. Today's prospective donors are likely to have an in-depth understanding of their options before you or I get our first chance to talk to them. We used to call ourselves planned giving officers but now we prefer "gift planners" or "philanthropic advisors." More and more charitable organizations are merging their stand-alone planned giving programs—as well as their planned giving officers—into their major gift efforts. And the drip-drip-drip of tax legislation continues to undermine the advantages and even some of the fundamental reasons for charitable gift planning.

It seems to me that planned giving has entered a new age, the postmodern age of planned giving. Like other historical epochs, it is difficult to pinpoint a precise starting point for this new era in planned giving and many aspects of the previous ages overlap and continue today even as the change progresses. Nevertheless, planned giving today is practiced in new and distinctly different ways than it was just a few years ago.

CLASSIC PLANNED GIVING

The first epoch of planned giving was classic era. Classic planned giving started a long time ago and, in some organizations, continues even today. The key activity in classic planned giving was the cultivation of individual prospects. Prospects were usually elderly individuals. And there was not much emphasis on qualification or ranking prospects. Classic planned giving was highly inclusive and had a "come one, come all" appeal.

In classic planned giving the primary objective was to encourage individuals to include our organization in their estate plans, usually via a simple charitable bequest provision. Once donors informed us of their decisions, we recognized and stewarded their commitment and interest. We continued to cultivate them for the rest of their lives until, one day, they died and we found out how successful we had been.

Complex gifts such as split interest trusts occasionally arose in classic planned giving, but usually only if the prospect expressed interest first. The primary emphasis was on understanding and fulfilling the charitable interests of the donor, on what the donor wanted to achieve with his or her charitable gifts. Classic planned giving was a highly personal approach, one which was carried out politely and in a low-key way.

MODERN PLANNED GIVING

The second era of planned giving was the modern age of planned giving. Although the modern age nominally began with the Tax Reform Act of 1969 which authorized the creation of charitable remainder trusts, it did not start in earnest until later in the 1970s. It took a few years to complete the Treasury Regulations governing the new planned gift vehicles. And then it took a few years more for charitable organizations to recognize the potential of modern planned giving.

Modern planned giving brought a major shift in emphasis toward the technical aspects of charitable giving. Unlike classic planned giving, the focus was broadened to include donors' financial and economic interests as well as their charitable impulses.

Modern planned giving also brought an influx of "professional advisors"—sometimes much to the chagrin of classic planned giving officers who worried about the onslaught of the barbarians invading the quiet and formal party that had been classic planned giving. However, professional advisors were quick to recognize the potential of planned giving and the value of adding this service for their clients.

Planned giving officers began to embrace collaboration with their donors' advisors … though many still complained about the emissaries from "dark side" and their impure influence on charitable giving. Modern planned giving led to the creation of the National Committee on Planned Giving in 1988, which was formed, in large part, to provide a common ground where non-profit and for-profit gift planners could meet and share interests.

Fueled by the broad acceptance of donor advised funds and other vehicles that allow a separation between the tax effect of a charitable gift and the final selection of the ultimate charitable recipient, modern planned giving also led to a loss of emphasis on the charitable purpose. In some cases the charitable beneficiary of the planned gift became fungible and the gift vehicle, the "deal," became paramount.

POSTMODERN PLANNED GIVING

Many planned giving programs today are still trying to work within the modern planned giving paradigm, but fewer and fewer charitable organizations find value in employing a planned giving specialist. Meanwhile, for-profit planners have realized that, while gift planning is an honorable and a valuable client service, just encouraging their clients to give away assets is not a lucrative practice.

Finally, there has been an enormous growth of popular interest in planned giving and a parallel explosion in the availability of detailed information about planned giving. A Google search for the unique term "planned giving" will yield well over a million hits. Your potential donors can select from among a couple of hundred thousand on-line planned gift calculators to explore the mysteries of life income gifts before they ever get in touch with you.

More than anything else, it is this quick and easy access to information—some of it good information and some of it not—that has led us to the third age of planned giving, the postmodern age of planned giving. And, like other postmodernist movements, the postmodern world of planned giving seems to be odd combination of the classical and modern planned giving eras.

In addition, the financial services sector has incorporated extensive charitable gift planning into their client services, especially for clients who qualify for the "wealth services" segments (generally a family net worth of $10 million or more). In the postmodern planned giving world, charitable gift planning is often seamlessly integrated into the entire financial planning process.

One unfortunate consequence is a tendency for the charitable organization to be excluded from the gift planning discussion. Clients believe that their financial service provider is more likely to take a team approach and to cover all aspects of the client's plan. Clients see their financial service provider as more technically proficient than most non-profit planned giving officers. As a result the charitable organization is "at the table" less and less often.

In this postmodern planned giving world, as clients see less need for input from charities and come to rely on their financial service provider to carry out their charitable wishes, the professional advisor carries an increasing obligation to urge clients to contact the charitable organizations in which they are interested—or, if necessary, to work with directly with the organizations on behalf of their clients—in order to ensure that the client's charitable wishes are fulfilled.

Finally, the postmodern world of planned giving is changing the nature of the conversations we have with our donors and clients. The ready availability of detailed information about planned giving makes it much more difficult for the development officer to control the order in which facts are revealed to prospective donors. This is important because a persuasive presentation rests, in large measure, upon managing how and when details are provided to the prospective donor. For example, it would be discouraging to open a discussion of charitable gift annuities with a full explanation of the complexities of capital gains taxation that can arise when funding a joint annuity with solely owned appreciated property. Of course this key information must be fully explained to the prospective donor before the gift is made, but it is much more persuasive to first discuss the advantages of a charitable gift annuity.

Paradoxically, in this postmodern world of planned giving charities benefit less from emphasizing the techniques of planned giving—those topics are being covered quite well by the financial services sector—and instead by redoubling an emphasis on persuasively explaining to prospective donors how their charitable objectives can meld with their financial circumstances. *Planned Giving in a Nutshell* is dedicated to providing you with a pathway to confidently engage your donors in those exciting conversations.

Over time the redwood trees outside my window will endure forest fires and wind storms, droughts and floods, insect infestations and all manner of challenges. But the California redwood is extraordinarily adaptable and versatile and through it all the best will continue to grow and one day become the giants of the forest. Metaphors are fragile things, but at the risk of stretching this one to the breaking point, I think my donors' planned gifts are like that.

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July, 2016