

Building donor relationships



**FORMS**

Events That Prompt Planned Giving

PGB3-0601

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WEEK 6

Events That Prompt Planned Giving

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| **BACKGROUND** | Births |
|  | Marriage |
|  | Divorce |
|  | Graduation |
|  | Accident and/or Illness |
|  | Death of Spouse (or Life Partner) |
|  | Inheritance/Death of a Loved One |
|  | Moving to Another State |
|  | Vacations |
|  | Job/Career Change |
|  | Sale or Transfer of Family-Owned Business |
|  | Addition or Subtraction of Major Assets from Holdings |
|  | Sale/Merger of a Company in Which the Prospect has Major Holdings |
|  | Retirement |
|  | Natural Disasters |
| **PROJECTS** | Create a Tracking Report for Significant Stock Holdings |
| **DOCUMENTS** | PGB3-0601 – Events That Prompt Planned Giving |
|  | PGB3-0602 – Stock Tracking Report Template |

**Time required:** 1 hour

**What it covers:** Identifying life events that may prompt your prospects to make a planned gift

**Why:** Prospects are not sitting at home waiting for your call or advertisement to prompt them to make a planned gift. They usually get serious about it when some life event prompts them to take action.

**How to get it:** [www.PlannedGivinginaBox.Com/PGB3-0601](http://www.plannedgivinginabox.com/PGB3-0601)

[www.PlannedGivinginaBox.Com/PGB3-0602](http://www.plannedgivinginabox.com/PGB3-0602)

BACKGROUND

Traditional fundraising campaigns are designed to highlight opportunities to support your charity’s mission and create deadlines for prospects, thereby causing them to consider and complete a gift even if there is no other external cause for them to consider their long-term plans.

However, often the best time for an individual to consider a planned gift is as a result or in contemplation of a **significant event or life transition**. Planned giving opportunities arise when individuals in these transitions also need to change their overall tax, estate and financial planning to meet the needs of this transition and want to include your charity as part of that plan.

* This is why involving *professional advisors* in the process is so important.

It is also why you need to build meaningful relationships with your prospects so that **you are aware of key life events** when they occur. While generational cohorts give us a general idea of when prospects might be open to different planned giving approaches, major life events will serve as **the triggers** for actual gift discussions.

Some of the major events you will want to track include:

* Births
* Marriage
* Divorce
* Graduation
* Accident and/or illness
* Death of spouse (or life partner)
* Inheritance/Death of a loved one
* Moving to another state
* Vacations
* Job/Career change
* Sale or transfer of family owned business
* Addition or subtraction of major asset from holdings
* Sale/Merger of a company in which the prospect has major holdings
* Retirement
* Natural disasters

Please download document at [www.PlannedGivinginaBox.Com/PGB3-0601](http://www.plannedgivinginabox.com/PGB3-0601) for a more in-depth discussion of these life events and their relationship to planned giving.

*Who Knows When?*

It is impossible for a charity to predict **when** most of these events may occur or **if** they will be the trigger for planned giving.

It is essential for you to have a relationship with the prospect so that when such an event occurs, the charity will be *well positioned to suggest planned giving alternatives* to meet both personal planning and charitable giving goals.

* The stronger your relationships, the more effective your program will be.

For those prospects with whom you don’t have a strong, one-on-one relationship, *your marketing program is your proxy*. By making **regular “touches” through marketing**, you make it more likely that when a life event occurs, the prospect will be thinking of you, having recently heard from you about your mission and how planned giving can support it.

PROJECTS

**Project 4: Create a Tracking Report for Significant Stock Holdings**

As stated above, the **sale of a corporation** in which your prospects own stock can cause your prospects to recognize *significant capital gains tax even* though they have not bought or sold stock. If you bring this to their attention before the sale is complete, you can help them to save taxes and make a charitable gift. Unlike so many other planned giving triggering events, *this one you can track*. To do so, start by downloading the stock tracking report template at [www.PlannedGivinginaBox.Com/PGB3-0602](http://www.plannedgivinginabox.com/PGB3-0602). The template includes the key fields you need to track the major stock holdings of high net worth prospects.

1. Fill in the information you have about public stock holdings of known prospects. If you do not currently track such information, **start to track it** in your prospect research and **populate this chart as you go**. Sort the chart by stock symbol, then alphabetically.
2. **Set up Google Alerts or other tracking mechanisms** to allow you to know when each of the companies held by your prospects is subject to a merger or buyout.
3. When you discover a buyout, **call the prospects** holding the stock and inform them of the opportunity to avoid taxes by making a gift to your charity. Ask to *work with them and their advisors* to assist in saving taxes and supporting your mission.

DOCUMENT PGB3-0601

Events That Prompt Planned Giving

**Events That Prompt Planned Giving: A Closer Look**

Some of the major events you will want to track include:

**Births**

When your prospect has a new baby, it usually triggers the prospect to write a new will or draw up a codicil to amend the existing will. There is no better time to ask a prospect to consider adding your charity as a will beneficiary than when the prospect is already going to the lawyer to have a new will drawn up.

Most individuals also change the beneficiaries on retirement plans and life insurance policies when a new child is born. If your charity is at the front of the donors mind, it is more likely that you will be named in these documents just after the blessed day.

You likely already track when your prospects have babies so you can send a note of congratulations. This would also be an ideal time to also suggest that they download the Will Planning Kit from your website. The Will Planning Kit is a great marketing tool that’s available from PlannedGiving.Com. Find out more about it here: http://www.plannedgiving.com/Will\_Planning\_Kit.

**Marriage**

Whenever someone gets married, it is bringing two separate households together into one. This means a comprehensive review of bank accounts, investments, wills, retirement plans, life insurance policies and more.

If your charity has already been included, you are at risk of being removed with new priorities of the marriage. But if you have not yet been included, it is an ideal time to be considered.

As is the case of a birth, don’t just send a card saying thank you. Also direct the prospect to your Will Planning Kit to assist in this difficult process of combining households.

If you are already included in the original donor’s long-term plans, schedule a visit to see the happy couple together. The best way to keep your donation in place is to engage the new spouse in the mission of your charity.

**Divorce**

The end of a marriage brings with it a difficult division of property. Divorce generally slows down the charitable giving process, as both parties determine the resources that they will have available going forward.

In a typical divorce, each spouse has named the other as the beneficiary in wills, retirement plans and life insurance policies. As these documents are redrawn or beneficiaries changed to account for the divorce, your charity may be the next logical beneficiary, especially if the couple did not have children.

Be supportive of both parties to the divorce, allow them to suspend pledge payments if need be, and often your charity will be named as a beneficiary as the documents are changed.

**Graduation**

When a child graduates from school, this often frees up substantial resources. Not only did the family save for education, they also do not have the annual bills to pay associated with education. Graduation also marks the start of an adult life, so life insurance policies that were put in place in case the prospect passed away before the child completed college are no longer needed.

In many cases, this represents an opportunity for increased annual giving, a larger, capital or major gift from excess education savings, and/or a potential gift of life insurance.

If you are in regular contact with your prospects, you’ll know when their last child is going to graduate, and you can start to position your charity to make an ask at the right moment.

**Accident and/or Illness**

Unfortunately, many people do not face their mortality or make their end-of-life plans until faced with a serious accident (impacting themselves or a loved one) or illness.

You never want to be at your sick donor’s bedside helping execute a new will or beneficiary designation. It is not only morbid, but gives all fundraisers a bad name. The word “vulture” comes to mind.

However, you may be faced with a prospect who calls and asks for you to visit to discuss estate plans at one of these challenging times. Handle these calls delicately. The best response is “Are you sure that you want to pursue this right now? Why don’t you focus on your recovery and when you are feeling better, we can address your long term plans for our charity.”

If the prospect is insistent, it is possible that the end is near and you need to make the visit. If you do, consider having a family member present, so that no undue influence is claimed and then draw up a memo to the file documenting the details of how you came to be visiting with a sick prospect.

Assuming you can put the prospect off until he or she is feeling better, that is an excellent time to visit and determine if the prospect wants to include your charity in his or her plans.

**Death of Spouse (or Life Partner)**

When a spouse or life partner dies, this typically results in a complete revision of the existing estate plan and reconfiguration of the investment portfolio.

These are complicated transactions which are often the purview of one spouse or the other. If the spouse who passed on is the person who typically handled the finances, the surviving spouse may be particularly challenged to make these changes. When coupled with the mourning process, many of your prospects may simply feel overwhelmed.

Be considerate of the feelings of the surviving spouse. If he or she asks you to visit, confirm that it is the right time and that he/she is ready for such a conversation before you have a planning discussion.

If the prospect really wants to get through the planning process, you need to be prepared to have the conversation (a good percentage of people just want to get it over with and reconfigure very quickly after a spouse dies).

**Inheritance/Death of a Loved One**

When a loved one (frequently a parent) passes, there is often an inheritance. Most individuals see an inheritance as a windfall and spend the money quickly on a car or some other material possession.

If your charity is consistently present, you can make a case that those dollars would be better spent on your mission. For your loyal donors, this can be an opportunity to memorialize their loved one using the inheritance, or even a chance to create an income stream for life while memorializing the deceased loved one in the future. While your startup planned giving program might not offer gift annuities or charitable remainder trusts, it is possible for the donor’s advisors to assist in the process so that your donor receives income for life and your charity gets a nice benefit later.

**Moving to Another State**

*There is no better time to be added to a prospect’s estate plan than when the prospect is already going to the attorney to draw up a new will.*

The laws governing probate are different in each state. Accordingly, when your prospect moves to another state, he or she will need a new will drawn that meets the requirements of state law.

**Vacations**

Consistently, the two busiest times of the year for estate planning attorneys are: 1) After January 1 when people make New Year’s resolutions to put their affairs in order and 2) May and June, when they to put things in order before going on a vacation or trip out of town.

You want to be especially in the front of your prospect’s mind at these times.

In fact, once your marketing plan gets going, you’ll start to zero in on the right times of year to put certain messages in front of prospects. Your postcards about including your charity in their will, for example, should be sent out at one of these two times of year.

**Job/Career Change**

When someone leaves a job, they typically have a 401k or other retirement plan which needs to be rolled over into an individual retirement account (IRA). They also need to name the beneficiary on the new life insurance policy and retirement plan provided by the subsequent employer.

Your charity can be the beneficiary of any of these accounts, but you need to be at the front of your prospect’s mind when the change is occurring. Even if you miss the new employer life insurance or retirement account, you may find that the prospect has been delinquent in moving the 401k into an IRA. This is an ideal time to ask to be included as a beneficiary.

**Sale or Transfer of Family-Owned Business**

Most of the really large planned gifts today are made when a prospect is selling a family owned business or transferring control to children.

Depending upon the business form and the goals of the prospect, there are a wide range of gift structures available to help lower the tax cost of making such a transfer. In some cases, the charitable gift results in more for the prospect and the heirs than if there was no charitable gift.

Because of the complexity of this type of transaction, your start-up planned giving program may not be able to handle such gifts initially. Enlist the help of outside legal counsel with a strong background in charitable giving and transactional law. Both you and your donors will be happy you did!

**Addition or Subtraction of Major Asset from Holdings**

One of the most basic planned gifts is for your prospect to donate appreciated stock rather than cash to your charity. Such gifts help the donor avoid any capital gains tax which would be recognized on the sale. As long as the donor is not making a gift that totals more than 30% of the donor’s adjusted gross income, the income tax deduction for either cash or appreciated stock is the same.

*“One of my clients is a major research university. They hired a new vice president of development who went to see all of his trustees. At one of the meetings, a high net worth trustee informed him that he was going to make a new $10,000 gift and asked the vice president to wait a moment while he got his checkbook. The vice president stopped him and asked, ‘Wouldn’t you rather give appreciated stock and avoid the capital gains tax?’ The trustee was surprised by the question, asking, ‘Can I do that?’ What may seem simple to us is not necessarily simple to our donors. Even the most sophisticated donors need your thoughtful suggestions from time to time. By the way, because he could avoid the tax, the trustee made an even larger gift. Never underestimate the power of planned giving.”*

**Sale/Merger of a Company in Which the Prospect has Major Holdings**

When a publically traded company is purchased by another company for cash (as opposed to a stock-for-stock buyout), all shareholders bought out with cash will recognize capital gain on their investment. If your prospect is a high end shareholder, this can amount to millions in capital gains taxes.

In a typical cash buy out, there is a window of opportunity after the buyout is announced but before the purchase is approved by shareholders, when a prospect can make a gift of those shares to charity and avoid that capital gains tax.

Once the shareholders approve the sale, it is typically too late, and any gift is treated as though the donor sold the shares and gave your charity the proceeds.  By tracking the publicly known stock positions of your major donors, as well as mergers and acquisitions, you can know when to contact your major donors and suggest this type of planning.

**Retirement**

Most prospects fundamentally change their giving and financial behavior upon retirement.

If they have significant retirement income, they tend to be more charitable and become more involved in your mission. If they lose income in retirement, they tend to become more conservative in their giving. For those in the more conservative group, bequests and

retirement plan designations can be an ideal giving solution that does not cost anything today.

As your program matures, you can also offer this group charitable gift annuities to supplement their retirement income. Retirement also may end their need for existing life insurance policies which were in place to protect against disability. These policies are usually excellent assets to give to your charity, provided they are paid-up.

**Natural Disasters**

If your charity serves those in need after a natural disaster, or has a mission related to the area where the disaster occurs, it is an excellent time to ask people not only for disaster relief, but also to invest in long-term solutions through a planned gift.

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