Planned Giving tomorrow™

Planned Giving Marketing Ideas for All Fundraisers

Winter 2009

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All Annuitants Are Women and They Lie About Their Age

Dr. Scott R. P. Janney, CFRE, RFC

With the recent plunge in the value of investment portfolios, some chief financial officers and development professionals are wondering whether they should remain "in the business" of offering gift annuities to their donors. Gift annuities are, after all, contracts that obligate the charity to make fixed payments based on a formula that assumes both specific investment returns and mortality rates. But people are living longer and investments have recently under-performed expectations.

In my opinion, discontinuing or curtailing your charity's CGA program would be the wrong

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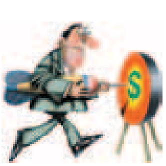

Get the Bequest Toolkit! See back cover.

Tainted Money? *Bill J. Harrison, CFRE*

Tainted money they call it! Unclean and not acceptable under any circumstance! Whose money is it? Tobacco companies'. Would your association or organization accept philanthropic contributions from corporations who produce tobacco products? Is there really an ethical dilemma associated with accepting this so-called tainted money?

Unfortunately, the philanthropic mission, goals and achievements of these successful American corporations have been largely ignored. The highly vocal critics would have you believe that no ethical charitable organization would accept such gifts.

Don't you believe it! Each year thousands of ethical charitable organiza-

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Fundraisers Boost Divorce Rates *Dan Rice*

A few years ago, a colleague of mine called a donor to thank him for a generous gift he had just made.

The wife answered the phone and accepted my colleague's thanks, but thought it was strange to receive such effusive gratitude for what she considered an ordinary gift.

When my colleague informed her he was calling not about their $300 gift, but their $10,000 gift, the wife screamed. Her husband hadn't told her about that gift.

Oops.

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Smoking Cigarettes Will Not Kill You Today *John Foster*

Small cash gifts help you paint the walls… but they won't strengthen your foundation.

Sometimes, our current economic situation feels like a meltdown, but it's really just a warning:

Are you prepared?

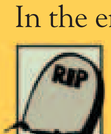
Every day, you receive 10 dollars less in gifts. "No big deal," you say since you're feeling no pain. Not right now, anyway. *It's called incrementalism.* Then one day it's too late. You don't have a strong endowment and your complacence has threatened your foundation.

Beware of the perils of remaining complacent.

There's an old legend that if you throw a frog in boiling water he will quickly jump out. But if you put him in a pan of cold water and raise the temperature slowly, the frog will doze happily... and eventually boil away. And while we're on the topic of old legends and sayings, here's another one: Smoking cigarettes will not kill you today... but it may very well kill you *tomorrow*.

Gradual negative change is hard to perceive. That's why being proactive is the most important thing we can do.

In the end, you're either endowed...



or extinct.

Tainted Money... *from page 1*

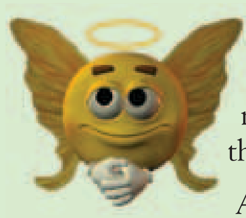
tions apply for, and gladly accept, gifts from corporations who produce tobacco products — and do it with open arms and smiles on their institutional faces. Millions of philanthropic dollars from these corporations are invested into countless worthy community causes.

All of these recipient organizations can't be unethical and totally unconcerned about their public image. *What's the deal?*

"The organization which states they won't accept a gift from tobacco companies is taking that position to get noticed," states Mike Poston, Vice President and Associate Dean for Development and Alumni Affairs at Wake Forest University Baptist Medical Center in Winston-Salem, North Carolina. "And they are being noticed because they are rejecting these gifts as if they were eligible to get the gift in the first place, which they're not. If they were able to get that money, and if their constituency was able to benefit from that money, and the leadership in the organization has rejected that money, then maybe that organization is not living up to its mission."

The issue of whether a charitable organization would accept or reject a philanthropic contribution from any source is predicated on the gift actually being offered. The R.J. Reynolds Charitable Giving Guidelines specifically state: "… To be eligible for funding consideration, an applicant must generally be: ... serving residents in communities where significant numbers of RJRT employees live and/or work." This single requirement will render more than 95 percent of all American charities ineligible for a grant from this company. Although Philip Morris has no specific geographic limitations in their Grant Guidelines, they indicate that they do give higher priority to grants that "... foster a positive environment in the communities where we operate."

When asked why some organizations would decline a gift from Philip Morris, Karen Brosius, Director of Corporate Affairs for Philip Morris, comments, "If a charitable organization chooses not to apply to us for a grant that is certainly their right. However, the only way they can accept or reject our money is to apply for it in the first place. Each year we receive thousands upon thousands of philanthropic requests, far more than we could fund."



Are tobacco companies making contributions just to enhance their public image? "Absolutely!" cries Tim Delaney, attorney and Founder of The Center for Leadership, Ethics & Public Service in Phoenix. "The proof is in the pudding. Think back five years ago. How many television ads did you see them running about how they were doing wonderful things in the community? It wasn't until after they got tagged for the multi-million dollars from the states that they started doing public policy ads."

Bill Pfeifer, President and CEO of the American Lung Association, argues that the gifting practices of the tobacco companies are highly suspect. "We would consider gifts from R.J. Reynolds or Philip Morris to be tainted gifts and would not receive a direct contribution from any tobacco company. It is my belief that the philanthropic efforts of the tobacco industry are totally suspicious."

Yet even a staunch critic like the American Lung Association admits that they often receive tobacco company stock from individuals. Bill Pfeifer explains, "I'm sure there are a variety of reasons we receive these kinds of gifts; some may be to ease the guilt of the donor for having owned that stock in the first place. In those cases we are receiving a gift from an individual and that gift just happens to be tobacco stock. We do have a policy that prevents us from holding tobacco stock, so after receiving the stock, we would liquidate it and then we would reinvest the proceeds."

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Divorce Rates... *from page 1*

When you're in fundraising, it's only a matter of time before you become the messenger of a "money secret." It may start like any other call, business as usual, just wanted to say thanks for the gift, but then… the gasp, the phone crashing to the floor, the raised voices in the background—and you, alone on the line wondering how it all went so wrong.

Thing is, you're not alone. We're not alone. Money secrets bother legal and financial advisors too. Just like major gift proposals, too many good planning strategies never see the light of day because one spouse is keeping money secrets.

Most "stop-and-think" gifts from married donors require transparency, collaboration, and sometimes even the involvement of other family members and professional advisors. In these cases, you know that donors have the "permission" of these stakeholders, because they're actively involved in the process. It is those other cases that you need to be careful about.

The Pin Drop

As in the story above, someone keeping money secrets from their spouse isn't your problem… until it is. *So what can you do to head it off?*

Learn to ask "pin-drop" questions. Pin-drop questions (as in, "so quiet, you could hear a pin drop") are well-crafted questions that help your donors explore the meaning and purpose of both their family and their financial wealth. By delivering your most important suggestions through such questions, you can help your money-secretive donors experience reflective and transformational moments.

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All Annuitants are Women…
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reaction to the recent negative investment environment. The American Council on Gift Annuities sets the suggested rates to ensure that a charity that offers annuities for a broad range of ages over a long period of time and invests conservatively will retain 50% of the initial principal donated after the contracts have terminated. To paraphrase, when the average $100,000 annuitant passes away, your charity will retain $50,000 or more to use toward its charitable mission.

The ACGA incorporates a number of creative safeguards into its calculations. Here are my versions of the five most important assumptions that protect your charity:

1) *All annuitants are women.* Most of us write more annuities for women than for men. We also write many annuities for married couples. However, whenever you write an annuity for a single man or a married couple, the ACGA rates are based on the assumption that all annuitants are women.

Why assume that all annuitants are women? Because as we all know, women live longer. If a man can be expected to pass away before he arrives at "her" expected mortality date, the charity is protected from part of the mortality-related risk.

2) *All annuitants lie about age.* Some might think lying about age has something to do with the stereotype that women lie about age more often than men. *I deny, disclaim and repudiate any suggestion that the author of this article agrees with that stereotype!* However, the ACGA rate calculation assumptions include "a two-year setback in ages." The rates are calculated as all annuitants claim to be two years younger than their actual age. That is, the 80-year-old annuitant chooses to accept a 6.7% annuity rate, rather than the 7.1% rate to which she is entitled, just to claim that she is only 78.

The ACGA rate calculations assume that each annuitant is two years younger than stated, because this gives the charity an additional layer of protection, not because the actuaries actually believe annuitants are lying about their ages.

3) *Charities will invest in safe portfolios that substantially under-perform historic stock market averages.* In other words, we don't need investment wizards in order to retain more than 50% of the initial principal when the annuity contract terminates; we need to invest at an average net rate of 5.75%. The average historical return of the stock market is between 6% and 9%, depending on whom you believe. Your charity's investment committee does not need to hit any home runs to meet the ACGA targets; safe, consistent investments will do the job.

4) *Gift annuities return less to the donor than comparable commercial products.* People who fund gift annuities will only receive a return based on about half of the initial principal donated. Generally speaking, the only portion they receive a return on is the part called the "investment in the contract" or the "value of the annuity" in the calculations and contract. Although the rate is stated in terms of a percentage of the initial principal donation, that rate is actually calculated based on the assumed investment performance of the "investment in the contract" plus the return of that portion of the original gift annuity. This is why annuitants can take immediate income tax deductions equal to the difference between the total principal donated and the total principal donated and the "investment in the contract."

5) *The oldest and youngest annuitants receive even lower rates than women who lie about their ages, depend on below-market investments, and give half of the principal away.* Some charities are considering increasing the minimum age (to 65 or 70)

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Age-Based Marketing: Rest in Peace.

After a long and fruitful life, Age-Based Marketing is dead. Cause of death? *The New Economy, youthful Baby Boomers and just plain old age.*

Once upon a time, Americans marched a predictable path: high school to college to career to marriage to family to retirement and the golf course in Florida. That's all changed. Today, many 50 and 60 year olds are launching businesses, reinventing their careers and some are even starting new families. It used to be we could market products and services based on the age of our target audience, but that strategy, like your Filofax, is old school.

It's time to retire Age-Based Marketing in planned giving

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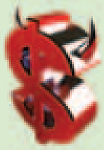
Tainted Money... *from page 2*



Anti-smoking groups have tried for years to convince organizations not to take philanthropic gifts from companies who produce tobacco products. "In the public health community there is virtually a united front against the idea of taking money from Philip Morris," comments Joel Spivak of the Campaign for Tobacco-Free Kids in Washington, DC. "We say, 'You shouldn't take money from an organization that does so much harm.' But I'd be lying if I said it was an easy sell. It's very difficult to tell an organization that has no money in their budget to do something that is ultimately going to help a lot of people, that they shouldn't take tobacco money. They're interested in getting their job done any way they can."

There are those who would argue that philanthropic money is philanthropic money and it should be invested in worthwhile activities regardless of its origin. "I think people have got to remember that charitable organizations need money and it often doesn't matter the source of that money," comments Poston. "What matters is the structure of the gift, the intention of the gift and who and how it will benefit mankind. And if it does all those things in an ethical and appropriate manner, then it shouldn't really matter where the money is coming from."

To those who accept tobacco money, the idea that their philanthropic dollars are tainted is ludicrous. Virginia Blood Services in Richmond, VA has been a longtime recipient of generous financial gifts from Philip Morris. "We accept their blood donations so, of course,

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Divorce Rates... *from page 3*

Examples of Pin-Drop Questions

- How do you think your spouse feels about being excluded/included from the decision-making?
- Has a family member ever asked to be included in this process?
- How do you think you could help your family members grow by allowing them/not allowing them to participate?
- What are you afraid might happen if you worked together with them on this?

Through pin-drop questions, you help cast a vision for your donors and nudge them into seeing the advantages of including and working with their spouses or other family members on significant financial and giving matters. At the very least, your suggestions might enhance the couple's financial decision-making and charitable giving. Who knows? You might even improve their relationship.

Happily Together After

There is a happy ending to my colleague's story. A year after his traumatic call, the donor and his wife, by holding hands and making plans, gave our charity $1 million to fund their donor-advised fund.

Needless to say, my colleague had no problem making the thank-you call for that one.

Age-Based Marketing... *from page 4*

and promote a savvier, more energetic strategy…

Segmentation.

Segmentation and message-to-segment marketing is crucial in planned giving, the most personal type of giving. Smart segmentation involves sending a specific message to younger donors, specific messages

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All Annuitants Are Women... *from page 4*

and decreasing the top annuity rate (to the rate of an 80 or 85 year old, which will decrease the number of new annuitants who are older than your rate cap age.) This action would rob the charity of the protection this final assumption provides.

A couple of years ago, a centenarian funded an annuity for my charity. Although she was 100, with an estimated life expectancy of 2.6 years, she received the rate for a 90-year-old with a 4.9-year life expectancy. (Even the 90-year-old annuity rate is decreased because of this assumption.) When I mentioned this CGA in a staff meeting, someone asked why I didn't ask her to put this gift in her will. Actually, I had asked if we were in her will, and supposedly we were. However, no gifts came to our charity from her estate, *proving that a bird in the hand is better than one in the bush, even if you have to pay 10.5% for an estimated 2.6 years to hold that bird in your hand.*

This assumption also protects you in the case of "younger" annuitants. *(In CGA-speak that often means "younger than 70.")* If your charity invests annuity funds conservatively and receives a 5.75% return over the long haul, the 5.5% CGA you write for the 60-year-old annuitant will be worth more than the entire donated principal, no matter how long that annuitant lives.

Consider This:

The ACGA rates were established to help the donor and charity accomplish their mutual goals. After all, good donors want their annuities to support the charity's mission. To be protected by the law of large numbers, charities need to write annuities regularly over a long period of time. While the donor's income stream is protected by the contractually fixed payment over the life of the instrument, the charity's final distribution is protected by these assumptions that were used to determine the rates.

Stopping a CGA program when investment performances are poor, or cutting back on marketing your program during those times, will cause your program to deviate from the norms and lessen the protection you receive from the assumptions behind the ACGA rates.

Increasing your marketing of annuities right before a rate cut could also diminish the safety the rates provide. The ACGA does not change rates because it thinks the market will probably turn negative in a year or so; it cuts the rates after the market has already dropped…

The riskiest annuities will be the ones you write between the announcement of new rates and your adoption of those rates.

Charities can lose money on individual annuities. Even a well-managed annuity program with a large number of contracts may lose money on annuities funded right before a market downturn and those written to older donors who dramatically outlive the mortality predictions. However, the likelihood that your entire program will return less than 50% of the total principal donated by all annuitants will decrease dramatically if you follow ACGA rates *and market your annuity program consistently through good times and bad.*

Email Scott Janney at: JanneyS@mlhs.org

Where's Your Elevator Pitch?

Viken Mikaelian

You get in the elevator to head up to the 12th floor. A prospect you've always wanted to talk to enters at 3. He recognizes you and says, "I've seen you before. What do you do for the institution?" Can you reply in 8 seconds or less? Can you say what he "wants to hear"? That's about how much time you have to grab someone's attention or leave a first impression.

Make sure you have all your elevator pitches down pat and ready to use when the opportunity comes... whether at a reunion, legacy society luncheon or celebration.

An "elevator pitch" is a conversation starter, not a monologue. It is a concise, carefully planned, and well-practiced description about your product or service that anyone should be able to understand in the time it would take to ride up in an elevator. Here's an example: *Did you know you don't have to be wealthy to make a significant gift?*

It is not a "sales pitch." Don't get caught up in using the entire pitch to tell the prospect how great your gift plan is. Your prospect is "buying" you and your mission, not the gift plan. Instead, tell the prospect how great your institution is.

The language for each elevator speech should be informal, *whether it's describing what you do or summarizing a gift plan.*

How to develop your Elevator Pitch? We've already done it for you in our Pocket Guide: plannedgiving.com/guide

8 Top Features of a Planned Giving Website: Learn how to make your website great, or how to launch a brand new one affordably: **plannedgiving.com/4656**

Tainted Money... *from page 5*

we would also accept their financial contributions. There is no reason for us not to accept the donation," stated Lynn Miller, Director of Development.

Vast majority of charitable recipients would defend their gifts from tobacco companies as being purely altruistic in nature with no hidden strings, recognition, or public relations requirements. Paul Hansen, National Executive

Next column ↗

Director of the Izaak Walton League in Gaithersburg, Maryland says bluntly, "The Philip Morris people have never asked us for squat. They have never asked us to take a position on any of the issues they face nor have they asked us for an endorsement or anything else."

Organizations who feel it necessary to refuse a gift, or publicly state they would refuse a gift, would be wise to consider the following: ① Who will you be offending internally or externally if you choose not to accept a gift? ② Are you helping or hindering your organizational mission by refusing a gift? Will your constituents suffer? ③ Is the reason for refusal of a gift an institutional one supported by your entire organization, or is it merely a personal belief or one that is advocated by a minority of your constituents? ④ Is there any real likelihood that you will indeed be in a position to refuse the gift or is your public refusal more theatrical in nature with hopes of bolstering your own community stature?

Critics will always be suspicious of the philanthropic activities of companies who produce tobacco products and no amount of good intentions or positive publicity will offset that suspicion. *However, philanthropy is still philanthropy*. Each year thousands of charitable organizations are accomplishing their mission because of the generosity of tobacco companies *and their employees*. Whether you like their products or not, you must admit, even if grudgingly, that the philanthropic dollars that these companies are investing in American charities, are indeed good for America.

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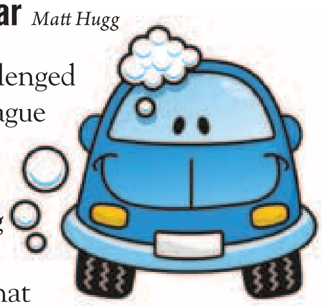
Nobody Ever Washes a Rental Car

Matt Hugg

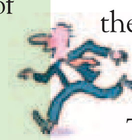


I was challenged by a colleague recently to write something using the concept that "nobody ever washes a rental car."

But I disagree. Someone *does* wash rental cars — the companies that rent them! After all, at the prices rental companies charge, who among us would pay for a dirty car? Is there a lesson here for our planned giving program?

I think there is. When you meet with a prospect, is your organization in good enough shape to sell? Would your prospect be proud to endorse your mission? Does your planned giving program shine, just like a nice, new rental car?

What's this mean in practical terms? When Avis and Hertz rent a car, they don't just run it through the car wash and get it back on the lot. They detail the car — vacuum the interior and make sure the windows are clean. They record the car's condition and check mileage to see if it's due for oil. There's a lot of "behind the scenes" before that car gets cycled back into the pool.



What's the behind-the-scenes for your next planned giving calls? Do you have your bequest language up to date? Are your systems in place to pay out a gift annuity? Have you a legal contact ready to create your next trust? Do you have a solid grasp of the basics of your planned giving tools so you can recognize the opportunities when your

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Treat Your Prospects Like Donors, and Your Donors Like Friends

There is one marketing truth you must understand: People give when they are ready to give, not when you are ready to sell (i.e., "ask"). So, just because your lead is not ready to buy (donate) today, doesn't mean they aren't important. After all, today's leads are tomorrow's donors, or next month's or next year's.

Treating your leads like donors ensures they will come directly to you once they are ready to "buy".

I'm going to admit something that may sound a little arrogant. I have thousands of customers. They just might not be buying from me right now. But, when I'm talking to any fundraiser, I am thinking, "This is one of my loyal customers." I don't even have a chance to tell them what PlannedGiving.Com does before I have categorized them as "Customer" in my head. When I truly value this person, they want to learn more about us… and that often earns me another customer!

Similarly, treating your donors like friends is going to dramatically increase their loyalty to you. Planned giving is all about loyalty. And we all want to feel like "one big family" and not just sales targets.

Article inspired by Infusion Software

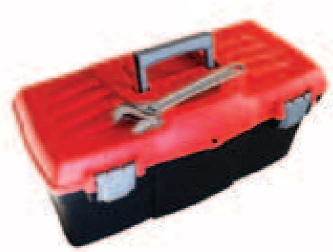
"Quotable Quotes"

When it is a question of money, everybody is of the same religion.
— *Voltaire*

Rental Car… *from page 7*

prospect lays a folder full of stock certificates on the coffee table in front of you? Do you shine?

I'm sure that there are days you feel abused — just like that rental car. Your prospect needs something faster, your colleague wants to take a short cut, your boss ran over a procedure to get something done. But your job is to shine to that prospect — wash up and detail yourself and your office so when the next renter, er… prospect comes along, they'll be thrilled with the ride!



Age Based Marketing… *from page 7*

to single donors, both young and older, a specific message to widows … You get the idea.

If you're still just mailing only to your most loyal donors (premium PG prospects, by the way) over 70…take a look at these numbers:

- By the time a prospect is 60, the chance of them leaving you in their will is less than 15%.
- 43% of bequests are created by those 55 and younger.
- 34% of all CRTs are created by those 54 and younger.
- 15% of all planned gifts are created by those 45 and younger.

The moral of this story? Reach out to *everyone*, creatively!

Planned Giving tomorrow™

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Planned Giving Tomorrow™ is devoted to the art and science of marketing planned gifts. That's our specialty.

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