Working Title:

The Power of Legacy and Planned Gifts: How Nonprofits and Donors Work Together to Change the World

A guide for Legacy Gifts for Small and Mid-sized Nonprofits

Preface And Table of Contents

We are a story telling culture. Humans evolved relying upon stories to survive, to learn how to feed our families, to create and build enduring cultures. The stories we tell about ourselves, family, work, favorite dogs, or adventures define us as individuals and as a culture. Sometimes stories help us tell the world what is important to us; at other times, the telling of the story enables us to discover something more about our own life and the world at large.

This book seeks to showcase how growing numbers of Americans are creating and telling their own stories that demonstrate what matters most to them. An integral part of this story is how they express their lifetime values and make them real – by planning charitable gifts in the form of bequests directed to small and mid-size nonprofits. Every gift is an inspirational story about the value of the work of nonprofits and visions of a better tomorrow.

Often times a bequest – a legal term to describe the act of giving something through a will or larger estate plan - is viewed by nonprofit leaders as a fundraising tool. A bequest is a tool for donors too. The impact of a bequest – how the gift is used – is the real reason anyone would make such plans. Acknowledging that the outcomes are most important, I often call such bequest gifts "legacy gifts" to better describe their true value. Such gifts can also provide nonprofits with a powerful moral compass or guide for the future.

Many readers of this book will be volunteers or staff leaders of nonprofit groups seeking to bolster resources for the work of their organization. Other readers may simply seek to better understand and support their favorite nonprofits. Unlike other guides that address the topics of bequests and planned giving, this is written with the perspective of a nonprofit leader or board member of a small or medium-size nonprofit. Approaches used in large institutions, such as universities, hospitals or large public broadcasting stations, often fail when scaled down to the level of small and mid-sized nonprofits.

A re-structured economy also means that legacy gift practices used successfully in the 1980s and 1990s may falter now. Such tactics may no longer take into account the dramatic shifts that occurred in attitudes and needs of donors, the evolving roles of professional advisors such as attorneys and financial planners, and the impacts from proliferation of commercial philanthropic services and products.

While this book is written with a focus on the unique perspective and needs of a small and intermediate size nonprofit, you will find useful real life examples, exercises, homework questions, and a "just enough reference" and strategy guide to enable a nonprofit leader, of any scale group, to get to work immediately.

Over the years, I've worked with several hundred nonprofit organizations ranging from animal protection groups, land trusts, social service organizations, private colleges, and regional hospitals to advocacy groups of many stripes. In conversations with their donors and board members, I often heard about issues that were most important to them. A few years ago, I began to notice a disturbing phenomenon.

Often these passionate donors spoke eloquently, telling stories describing the positive impact of the small and mid-sized nonprofits that they supported, or helped as volunteers. Yet, when it came time to make plans for the future, instead of including bequests to these special small and mid-size groups, they instead made plans to substitute national or large institutional charities. I began to wonder why such discontinuity between their expressed passions and actual behavior. I became more and more interested in how small and mid-size groups connect with donors and demonstrate to their donors that they are appropriate legacy gift destinations.

Seeking to understand this larger question, when speaking to a group of nonprofit donors, I posed this discussion question: "How much more endowment does Yale University really need? They have more than $22 billion now. Why not give instead to local small and mid-sized groups?"[1] Since bequests are often directed toward endowments of larger groups, the question was intended to spur thought and raise the question of the impact of bequest giving. It sparked much conversation.

Afterwards a man and a women in their early 50s walked across the room to me and announced, "Both my wife and I went to Yale. Yale is in both our wills." I paused, involuntarily bracing for what I feared would come next. "But," he continued, "Our gift won't be millions of dollars. We're still going to give something to Yale, but we've decided to give most of our estate to local nonprofit groups where our gifts will be big enough to make a real difference." His wife nodded emphatically in agreement. And gifts such as these will make a truly make a difference.

As a consultant, I see the tremendous impact that legacy gifts -- from retired teachers, small business owners, government employees, and lawyers -- make in the work and financial stability of small and mid-sized groups. The value that the thousands of small and intermediate sized nonprofit groups contribute to our communities is inestimable. People do want them to succeed and thrive.

Don't Compare Notes with Large Institutions: Small and Mid-Size Nonprofits ARE Different

Planned giving, bequest or legacy gift fundraising techniques that work well with big institutions possessing many development staff and large databases don't translate well into the world of small and mid-size nonprofits. Yet small and mid-size nonprofits constitute the majority of nonprofits in our urban and rural communities.

I was slow at arriving at this conclusion when it came to planned giving and bequest fundraising techniques. My introduction to planned giving and bequest fundraising came as a planned giving officer of a large, national organization. Later as a consultant I used the tactics that seemed to produce results when I was a planned giving officer. Often they didn't seem "to take" or produce big results. I began to adapt my thinking and observe what worked and why. The result is this book.

Conventional wisdom asserts that, in order to have a credible planned giving program the organization should have a full-time planned giving person, along with an assistant and marketing budget. While this is certainly a relevant recommendation for any large organization that wishes to make a credible planned gift effort, for the small and mid-size organization it is a luxury few could ever afford.

The reality for many groups in the small and intermediate range is that they do not have the resources to start and operate a <u>separate</u> planned giving program. Not surprisingly, attempting to emulate what works on the scale of a large institution but without comparable resources and scale, often fails to live up to expectations. This book will focus on how leaders of small and mid-size nonprofits can use their strengths, including their relative size for effective legacy gift fundraising.

What You Will Find

The purpose of this book is to enable nonprofit leaders and donors of small and mid-size nonprofit organizations to create their own, unique path to building a stream of future income from bequests. The time in history is ideal to encourage, promote and seek bequests. The collective age of our population, distribution of wealth, and increasing interest in leaving a legacy of good work are all reasons small and mid-size groups could fare well and receive substantial numbers of bequest gifts in coming years.

The average age of donors to many nonprofits continues to increase. Viewed one way, many key donors will soon no longer be with us to continue making their significant gifts. Who will replace them? Encouraging and actively seeking bequests today may ultimately provide critical funds for groups to continue to evolve and sustain their mission work. Even a handful of bequests could transform any single small or mid-size group by, for example, making a reserve fund possible, increasing working capital and overall financial resiliency, providing thoughtful expansion of services, a fund for special projects or opportunities, or even creating an endowment to support core operations in years to come.

You will find in the first part an overview of some assumptions and ways of thinking which can stop or get in the way of nonprofit leaders seeking to encourage legacy gifts. There is also some basic information about what exactly is a bequest and how they can be used in personal financial planning. I hope by the time you finish part one you will have a new level of comfort and quiet confidence about the topic.

Part two focuses on a series of steps you can take to discover the potential for legacy gifts and begin to realize that opportunity. These steps are intended to help you, other staff and volunteer leaders, identify some of the important characteristics that uniquely make the case for why someone would make plans for and direct a legacy gift to your organization. It's been my experience that there are often very interesting discoveries carrying out these steps that have positive impact in current fundraising and marketing work.

The third part includes discussions about professional advisors such as lawyers and financial planners and their roles, and ethics and transparency questions.

In tough economic times, fundraisers reported in an Association of Fundraising Professionals survey[2] that one of the bright spots is gifts in the form of bequests. It is my hope you will be able to put what you learn to work immediately and continue to use it in your day-to-day work.

About the format of this book

For most of the book the writing is addressed to a staff or volunteer leader of a nonprofit group. In some instances I intentionally shift reader focus and assume the viewpoint of a prospective donor or someone planning a bequest for the purpose of helping nonprofit leaders better understand the factors that go into making a decision to complete a bequest to a nonprofit group.

In the many workshops, trainings, and conference presentations I have conducted on these topics, I notice the highest audience evaluations are linked to interactive exercises. This reflects that as adults, we learn more through asking questions and discussion than by lecture or presentation. As a result, this book includes a series of questions, exercises, and suggestions about how you can bring this interactive process to life in your own organization. You can do many of these own your own or use them in groups of varying sizes.

True Stories

Throughout this book are a number of quotations and stories about people and many nonprofit groups. I do not identify people or organizations by name because I did not want to violate confidentiality or unintentionally embarrass anyone. In some cases I have changed a detail or two so that a group or individual could not be identified. They are all true stories. The gifts, successes, and failures all happened with real people and real small and mid-size nonprofit groups.

I am grateful to all the nonprofit leaders quoted and the many groups with whom I have had the privilege to work. As a former news reporter, I took many contemporaneous notes over the years throughout many client engagements and speaking events, but of course, being human, I undoubtedly made some mistakes or errors of omission.

Words and Definitions

The world of charitable gift planning is filled with jargon and a collection of legal terms combined with words that may seem to have a different common sense definition. Throughout this book I have tried to use words and terms of art in ways that reflect common sense meanings and that also reflect the ways I have heard donors often use them in conversation about gift planning. At times I may have sacrificed an exact, technical, and legal definition. I apologize in advance for the imprecision.

For example, a will is a specific legal document. Leaving a bequest in a will is technically different from using an IRA plan beneficiary designation form to direct that the IRA be transferred to a nonprofit or other heir. Yet, both could be described in casual conversation as a bequest. Using precise language while focusing on what are the most important factors in making a decision is a challenge we will all face. In this book I use the word bequest in a more general way to describe a gift included in a will, or any other part of estate planning that is completed after a person passes away. That's broader than the legal definition – but it captures the spirit of how many people think about the word. An estate plan would address the questions of who should receive a bequest and how or what form the bequest would take. I also encourage you to use the Glossary as you read – it's not just something to read after you finish everything else. Donors and professional advisors (and writers like me) often use specialized vocabulary sometimes without making sure everyone involved understands terms.

It's been my experience that donors place most value on the impact of their gift; far less on the mechanical details. The key drivers to most gift planning decisions are often emotional and based on lifetime values – not the highly technical details of how to actually complete a gift as part of overall estate planning. These details are, of course, critical in executing any legitimate estate or gift plan. However, ultimately charitable intent will be the driver throughout the entire planning process. Without that driving intent, no gifts or planning will be completed. This book will focus on how to work with donors to help them discover the overlap between their personal values and the work of your nonprofit. It is at this intersection that the potential for legacy gifts will be realized.

Disclaimer

While this book provides general educational information, it cannot give you legal or tax advice on a specific matter or about the laws in the state in which you reside. In planning your personal and organizational affairs, please consult an attorney or tax expert about your own specific situation.

Table of Contents by Chapter

End Notes:
[1] Yale To Increase Endowment Payout to Expand Access and Advance Science. Yale University Office of Public Affairs, Published: January 7, 2008. Accessed at http://opa.yale.edu/news/article.aspx?id=2327 on October 1, 2009. As of September 2009 the endowment value was estimated at $16.3 billion.
[2] Source: year-end 2008 AFP national survey.