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Bequest Telemarketing: How It's Done and the Results Are Tracked

BY FRANK MINTON

At many charities, the planned giving program is now fundamentally a bequest program.

During the past decade, the number of pooled income funds in existence has shrunk by 10 percent, and many that remain are largely dormant. Far fewer charitable remainder trusts have been created since 2001 than during the 1990s. Typical is the experience of a prominent attorney in the field who remarked, "In 1999, I helped establish remainder trusts with \$100 million of assets, but now it is rare that I create one."

Gift annuities have fared better than pooled income funds and charitable remainder trusts, yet many charities report a decline in them as well. Ordinarily, gift

annuities would thrive in this low-interest environment, but people have hesitated to make irrevocable commitments when they feel less financially secure.

In response to this reluctance, charities have been putting more emphasis on bequests and other revocable gifts. This has led them to seek new ways to encourage such gifts. One of these ways, which is attracting more attention, is telemarketing to generate leads. Telemarketing has long been used to solicit annual gifts, and only recently has it been employed for planned gifts as well. This article describes some current telemarketing programs, lists some questions gift planners should ask before implementing such a

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Distinct Giving Trends Appear, Reinforce Each Other

BY JIM GROTE

For the past 12 years, it has been my privilege to chronicle trends in the financial planning and charitable giving communities, two worlds that are increasingly intertwined. The impact of the for-profit sector upon charitable giving can be confirmed by the 2010 sponsored by Bank of America and Merrill Lynch and written by the Center on Philanthropy at Indiana University. The study found that the top three professionals donors consulted for advice about charitable giving were (in order) accountants, attorneys, and financial or wealth advisors. Non-profit personnel came in at a distant fourth.

This blending of entities (e.g., for-

profit and not-for-profit) once considered distinct is typical of contemporary philanthropy. Five chronological trends leading toward this blending over the last 40 years include the gradual movement from institution-centered to planning-centered to family-centered to altruistic/fairness-centered philanthropy to social capital markets theory. Far from competing with one another, these different trends may well reinforce each other.

Institution-centered Philanthropy

In 1969, Congress passed the Tax Reform Act, changing the way Americans

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could make charitable contributions through the codification of technical charitable vehicles like charitable trusts and gift annuities. This tax reform expanded the field of planned giving, an expansion particularly promoted by Lilly Endowment Inc., which helped grow planned giving programs in Indiana colleges, as well as in schools of theology across the country. Through the success of these early efforts, after three years of planning, the National Committee on Planned Giving (NCPG) opened its office in 1988 in Indianapolis (see www.pppnet.org).

While open to attorneys, accountants, financial planners, and trust officers, NCPG remained the go-to organization for non-profit development officers seeking to learn the latest trends in planned giving, as well as the nuts and bolts of the acronym-filled world of CRATs, CRUTs, NIM-CRUTs, DAFs, CLATs, and CLUTs. Under an umbrella of 117 local councils, 75 to 80 percent of the thousands of national members making up this pioneer group are not-for-profit professionals seeking to build the capacity of their institutions.

In 2006, a strategic directions task force of the NCPG created a new mission, strategic plan, and brand for the organization, including a name change to the Partnership for Philanthropic Planning (PPP). The new mission is, "Charitable giving made most meaningful." Tanya Howe Johnson, CEO of the PPP, observed, "Our focus has moved from gifts to giving — from helping people make the best possible planned gift (using technical giving tools) to helping people make the best possible charitable gift, period." For example, PPP promotes the Charitable IRA Rollover, which offers another way to make outright cash gifts.

Planning-centered Philanthropy

On July 4, 2005, a group of financial planners and other professional advisors

spun off from the then-named NCPG by issuing a Declaration of Interdependence between inspired advisors and empowered clients, both semi-independent of institutions asking for funds. Small in comparison to the PPP, this new group, the International Association of Advisors in Philanthropy (AIF) has 300 members (70 percent are financial planners and attorneys) who teach and empower clients to direct their philanthropic resources in ways most consistent with client values (www.advisorsinphilanthropy.org).

Other organizations that may fall within this planning or client-centered model include any number of philanthropy consultants, one of the largest being Rockefeller Philanthropy Advisors (www.rockpa.org). However, in addition to AIF's healthy dose of values-based seminars teaching clients how to move from family stories through family values to philanthropic asset allocation, both AIF and PPP annual meetings contain vehicle-oriented sessions teaching advisors the latest in charitable giving techniques, a clear overlap between the two organizations.

National Philanthropic Trust (www.nptrust.org) is an independent public charity dedicated to providing expertise to donors, foundations, and financial institutions through the use of donor-advised funds (DAF). It has been tracking the popularity of various charitable giving techniques for the last several years. DAFs remain the fastest-growing charitable giving vehicle for all the years studied (see box). From 2006 through 2009 new DAFs grew 40 percent, while the number of new private foundations grew only 5 percent. Other giving vehicles were virtually flat or actually decreased in their growth rate.

It should be noted that while the assets in private foundations dwarf the assets in donor-advised funds, the average DAF in the U.S. pays out 17 percent of its assets annually while a private foundation is legally obligated to only payout 5 percent.

Donor-Advised Fund Growth vs. Other Charitable Giving Options
(Number of Funds/Donors/Foundations)

	2006	2007	2008	2009
Donor-Advised Funds	109,238	134,324	147,990	152,365
Charitable Remainder Unitrusts	94,767	95,567	96,248	95,928
Private Foundations	71,760	74,470	75,187	75,595
Charitable Remainder Annuity Trust	21,296	20,187	19,241	18,572
Charitable Lead Trusts	6,298	6,377	6,521	6,626
Pooled Income Funds	1,676	1,676	1,488	1,415

Source: Andrew Hastings, "2010 Donor-Advised Fund Report" (also for 2008 and 2009), Jenkintown, Pa., National Philanthropic Trust.

The average DAF pays out 17 percent of its assets annually.

Family-centered Philanthropy

Family-centered philanthropy grew in large measure out of the financial-planning industry in its dual motivation to help family businesses and financial-planning firms alike. Barbara Culver, CFP®, president of Resonate Inc. in Cincinnati, gets the attention of her business-owner clients by quoting statistics on the astounding family business failure rates found in Appendix B of Roy Williams' and Vic Preisser's book, "Philanthropy, Heirs and Values."

According to Williams and Preisser, "Families need to comprehend the stunningly high failure rate that follows the transition of wealth to heirs. This is a worldwide phenomenon that hovers around the 70 percent level." Their research also shows that family philanthropy is one of three main factors (the other two being communication and leadership training) for success among the 30 percent of family businesses that do not melt down between the first and second generations.

"Philanthropy is one of the major ties that bind families of wealth together both emotionally and financially over generations by the preservation of their family values," Culver emphasizes. "Philanthropy helps prepare the next generation to be successful heirs by instilling family values, and at the same time teaching financial stewardship."¹

Not only does philanthropy add internal value to families and family businesses, it also adds to the bottom line of financial-planning firms that are increasingly entering the marketplace of philanthropic advice. According to Charlie Haines of Kinsight in Birmingham, Ala., when he helps existing clients establish a family foundation or even a DAF, his firm makes every attempt to include the clients' children in the philanthropic process.

"Philanthropy creates long-term client relationships, and the soft side of those relationships (and the longevity of those relationships) directly impacts the hard data of business valuation," Haines notes. "The value of a financial-planning firm is the discounted value of its future cash flows. If those cash flows are more certain because of a meaningful relationship with the next generation, the resulting lower discount rate produces a higher valuation. Long-term relationships create a more valuable business."²

Clearly family-centered philanthropy ends up a win-win situation for charitably-minded business owners, for their heirs,

and for their advisors alike. Other organizations that promote family-centered philanthropy include the National Center for Family Philanthropy (www.ncfp.org), Heritage Institute (www.theheritageinstitute.com), and Family Office Exchange (www.foxexchange.com).

Altruistic-centered and Faith-centered Philanthropy

Purely altruistic-centered philanthropy? Yes, things have evolved to the point where certain organizations are institution agnostic, vehicle agnostic, cause agnostic, and geographically agnostic. They exist purely for the purpose of getting more people to give away more money. The major pioneer in this field — an agency founded by Anne and Christopher Ellinger, Bolder Giving (www.boldergiving.org) — states that it does not make grants or refer donors to people or causes seeking money.

From his office in New York City, Bolder Giving's former board chair and now executive director, Jason Franklin, states, "Our core work is to inspire people to give more and to take more risks in their giving. We use storytelling as a major element in how we inspire people to increase their giving."

The agency's website collects and shares the stories of all types of people who have moved their giving beyond the American average of 2 percent of household income a year to higher levels of 20 (or 50, or 90) percent of income, assets, or business profits. These stories were some of the inspirations for the so-called "billionaire giving pledge," and the Gates Foundation has supported the organization with a generous grant. In 2011, Bolder Giving launched the "Give Half Pledge," an effort inviting people of any economic background (not just billionaires) to commit to giving 50 percent of income or business profits for three years, or 50 percent of their assets.

The stories Bolder Giving has collected include celebrity names like Abigail Disney, Doris Buffett, and Robert Kennedy, Jr., as well as more obscure donors. Some are wealthy, some are not. For example, in 1998 John Hunting inherited a \$130 million interest derived from the world's largest manufacturer of office equipment, Steelcase, and donated \$100 million to his newly created Beldon Fund. It then purposefully spent down the entire amount in 10 years to support a range of environmental causes.

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**Family-centered
philanthropy ends up
a win-win situation for
business owners, heirs,
and their advisors.**

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Nearer the other end of the wealth spectrum, Richard Semmler is a mathematics professor at Northern Virginia Community College. He has been giving away more than half of his income for years with a personal goal to give away \$1 million before retirement. Semmler has already given away \$1.2 million and has yet to retire.

Another organization doing philanthropy for the sake of philanthropy is Tracy Gary's Inspired Legacies (www.inspiredlegacies.org). Gary, a nonprofit entrepreneur and legacy mentor, works to help others experience the joy of giving charitable dollars to causes about which they care. She consults with a diverse range of organizations to improve and expand philanthropy and volunteerism.

A unique organization that fits within this broad category from a faith-based perspective is the organization I work for, JustFaith Ministries (www.justfaith.org). JFM summarizes its work with this short phrase: "JustFaith changes people; those people change the world."

Used in over 1,200 church groups of many denominations during the last 10 years, JFM programs emphasize personal formation and transformation by highlighting the responsibility to care for the weak and vulnerable, with a focus on domestic and global poverty.

In those 10 years, over 30,000 individuals have graduated from the original JFM program and newer programs. Over 90 percent of graduates responding to surveys indicate they have increased their involvement in social action with hundreds of agencies, prompted by these small group experiences. Many have dramatically reprioritized their lives, making substantial commitments to organizations that address the symptoms and causes of poverty. Others have spent substantial time in developing countries working on educational, poverty, and health care issues.

One partner organization that invested \$50,000 in our program reports that over 2,500 of those JFM graduates gave nearly \$4 million to their poverty-fighting agency in a 12-month period. Thus, the cost to raise this amount of money was under 1.5 cents per dollar.

Social Capital

The latest trend in philanthropy, variously called social impact or blended

value investing, completely blurs the line between for-profit and not-for-profit. Unlike venture philanthropy which uses for-profit management techniques to run not-for-profit agencies, some social impact investors dispense with charities altogether. According to Jed Emerson (www.blendedvalue.org) in his path-breaking white paper on blended value:

"In the past, there has been a real separation in the notions of value. Corporations have sought to maximize economic value, while public interest groups have sought to maximize social or environmental value. However, a growing group of practitioners, investors, and philanthropists are advancing strategies that intentionally blend social, environmental, and economic value. These activities have resulted in an exciting wave of new practices across the for-profit and nonprofit sectors."

One example of this blended value approach is the work of Carol Newell, also a member of Bolder Giving. Upon inheriting approximately \$50 million while still in her 30s, Newell put \$17 million in a foundation funding environmental issues in British Columbia, committing the remainder in a venture capital firm (www.renewalpartners.com) that has provided seed money to more than 75 companies in the province that promote a sustainable environment.³

This concept of blended value has caught fire with many socially-minded entrepreneurs, arguing that raising money in capital markets is a more efficient means to social change than traditional fund raising. These entrepreneurs meet annually at the Social Capital Markets (SOCAP) conference. SOCAP, a multi-platform organization dedicated to the flow of capital toward social good, utilizes the power and efficiency of market systems to move society toward a more balanced set of "returns," both economic and social (www.socialcapitalmarkets.net).

Whatever the "center" of one's philanthropic calling, the important issue is the work of philanthropy. Perhaps Auguste Comte, who coined the term altruism, put it best: He described it as living for the sake of others. Whether that altruism is reciprocal (with return) or not, the important thing is that the job gets done. ♦

This blended value concept has caught fire with socially-minded entrepreneurs.

Endnotes

- 1 For the material from Barbara Osher and the Williams and Presser book, see my *Journal of Financial Planning* June 2007 article, "Advisors and Clients in the Brave New World of Philanthropy." For the material from Christie Haines, see my *Financial Planning* November 2005 article, "A Game Plan for Giving." Some material has been updated.
- 2 For some of the material on Carol Newell, see my *Financial Planning* October 2007 article, "Extreme Philanthropy." Some material has been updated.

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