Get Ready to Start a Planned Giving Program!

Beginning Steps and Considerations for Any Organization

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Executive Summary

Starting a planned gift fundraising initiative has been a priority item on your organization's strategic plan for some time. But perhaps you think it will take too long or require too many resources to get started? Countless fundraising studies indicate you're losing easy-to-attract money! What are you waiting for?

Planned gifts can account for 10 – 30% of an organization's annual revenue, and the percentage usually increases over time. Today's chief development officers understand that a strong planned giving program is integral to a healthy well-rounded fundraising strategy. Knowing this, why would you wait any longer to establish basic marketing principles? Whether you believe it or not, you probably already know about 90 percent of what you need to begin immediately. You may already have the ability to promote for legacy giving within today's charitable market and if you're not ready to promote all planned gift types, you don't have to! Accepting the most often made and simplest gift types is the best way to get started.

Your organization should consider which planned gifts to promote and accept – because your decisions ultimately give your staff members and volunteer leaders confidence when they ask constituents to give a planned gift. But the longer you wait to start promoting simple planned gifts like bequests and non probate transfer gifts, the more revenue you're losing…..year after year.

This white paper discusses the most common planned gift vehicles and will start you on your way to establishing a basic planned giving program. Over time, you'll consider if you're ready, willing, and able to promote other vehicles such as gifts of securities, real estate, or charitable gift annuities. Strong planned giving programs build over time, but there's no time like the present to begin.

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Assess Your Readiness for a Simple Planned Giving Program

Are you ready to let prospects know that you'd like to be included in their legacy giving?

Take this Readiness Assessment to find out:

- [ ] Has your organization been operating for more than 10 years?
- [ ] Have the board of directors and/or trustees passed a resolution supporting a planned giving program and dedicated financial resources adequate to support the fundraising effort?
- [ ] Does your annual fund/membership program have a consistent record of growth over the past 4 or 5 years in the number of donors, number of gifts and average gift amount?
- [ ] Does your pool of prospects have a diverse age range and are your oldest prospects retired or approaching retirement?
- [ ] Do you communicate on a regular basis with your prospect constituency through written, phone, web, and/or face-to-face efforts?
- [ ] Have you been notified of at least one planned gift to your organization within the past four years?
- [ ] Does your organization have a dedicated staff position that can schedule and follow-up with estate attorneys, financial advisors, and personal representatives at least twice a year on the status of planned gifts waiting to be received?
- [ ] Is your organization willing to undertake legal counsel to resolve a legacy gift question, if necessary?

If you answered "yes" to at least five of these questions, **you're ready** to start a simple planned gift program. You should put into place the missing assessment items within the next six months.

If you answered "yes" to three or four questions, **you may be moving toward** marketing planned gifts to your prospects soon; though you may need a stronger commitment from the board, or you might want to work on solidifying your annual fund program over the next year or two (and thus increasing your pool of planned gift prospects).

If you answered "yes" to fewer than three questions, **you may want to create** or enhance your strategic plan so that your organization can take deliberate steps toward starting a planned gift program within the next three years.

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A Basic Planned Gift Program Sustains the Organization's Future

The most important element of a planned gift program is not crafting your marketing message — **it's communicating your message to the right supporter base**. Although most associated with your organization have the capability of making a planned gift – even a simple one – many people don't believe their estate is large enough to make legacy gifts. That's because, as an industry, we've too often focused our recognition on the largest gifts – thus telling the average supporter that only mega-gifts are welcomed. While the actual amount donated to charities varies widely, it's generally accepted that the average planned gift amount in the U.S. and Canada is around $35,000. Some sectors like healthcare, arts & culture and higher education, do report average planned gifts 3 to 4 times that amount. Knowing which prospects within your constituency are **most likely to make a planned gift** is the key to running a successful and efficient program. Mega-planned gifts may come, but the bread-and-butter of planned giving revenue is most definitely the "average gift."

Planned gift programs continue to provide the biggest "bang" for the investment dollar among all types of fundraising programs. While there is a cost to start and additional costs to sustain a program, an initial investment may begin to pay off in just a few years and it's important to take periodic and long-term views when assessing the effectiveness of your program staff activity and results. It's my experience that programs often boast a cost of around 5 to 25 cents per dollar raised.[1] Some organizations have grown planned gift programs that provide up to 50 percent of their annual fund received. Targeting the **right message to the right prospects** is the most effective way to approach these goals. Understanding the unique characteristics of planned givers and how to access them in your constituent files is crucial, as is knowing the most appropriate marketing mediums.

Simple Gifts

Bequests in wills and trusts account for nearly 90 percent of all planned gifts in the United States and Canada, yet many charitable organizations don't let their constituents know that they'd like to receive them. Gifts through **non-probate transfer vehicles**[2] are gaining popularity and most often cost nothing to establish. Some nonprofits are busy promoting more complicated giving methods that are considered "sexier" but generate less annual revenue. Even worse, many organizations don't promote any planned gifts at all.

Charitable bequests and transfer-on-death gifts are a natural starting place for both donors and nonprofits. Donors like these methods because they can include a charitable gift within an estate planning document as simply as it would be to sign a check. The concept is straightforward; the gift is easy to complete and can be revoked in the future if circumstances change, and they're cost-effective methods compared to some other planned gifts. Usually donors choose them because they consider their estates to be modest in size and don't believe that they have the resources that require complex estate planning.

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About the Author

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With more than 20 years of legal and nonprofit management experience, Katherine Swank has raised approximately $215 million for national healthcare and public broadcasting organizations, as well as an independent law school. Prior to joining Blackbaud in May 2007, Ms. Swank was the national director of gift planning at the National Multiple Sclerosis Society, where she provided fundraising consulting services to the Society's chapter leadership and development staff.

She is a former affiliate faculty member of Regis University's master of nonprofit management degree program in Denver where she taught courses on wealth and philanthropy. She is a past president of the Colorado Planned Giving Roundtable and holds an independent studies degree from the University of Northern Colorado as well as a law degree from the Drake University School of Law in Des Moines, Iowa.

Even if your organization has a small staff and few active board members, you can still ask for and receive these simple estate gifts. If you've considering starting a planned gift program, you'd be wise to begin by communicating to your active and prospective donors how charitable bequests and non-probate transfer gifts can greatly further your mission.

Who Makes Planned Gifts?

Among Americans age 40+, people who currently have a planned gift in place are represented fully across the generations. The best prospects for future gifts, as shown from research again and again, are **decidedly younger**. A full 60 percent of best identified prospects are ages 40 to 54, while only 10 percent of people aged 70 and older are expected to establish a new planned gift at that age.[3] While creating initial steps for programs can be accomplished soon, planned gift revenue is not a quickly realize influx to today's charitable funding. Eighty-three percent of all charitable dollars are ultimately received from donors at ages 80+ – and one-third of this revenue comes from estates of decedents 95 or older. With 40 percent of the total estate gift dollars received coming from those making charitable plans by age 55,[4] it's clear that planned gifts must be discussed with younger donors today – while also understanding that we are building a legacy for the organization in the future.

Several studies have been published in the past few years that give us insight to the characteristics of the planned gift donor.[5] While descriptive and worth the read, they cannot help you identify specific prospects for planned gifts because the data collected cannot also be collected easily by you. For example, each study points out that the act of charitable giving and having few or no children are highly-correlated factors in planned gift donors. It's an impossible task for your staff to collect number of children/childlessness and giving data related to other organizations on every one of your constituents. This means, unfortunately, that the findings in these studies are not useful in segmenting out planned gift prospects within your database from non-planned gift prospects because the data available to you is highly limited and relates only to your organizational knowledge.

Target Analytics has studied and profiled planned gift donors for more than two decades using both organizational and external donor giving, demographic, and consumer data that provides an identification of the best prospects from within any organization's constituent database. Our Planned Giving Likelihood analysis uses data that can be applied to every constituent. The result is a ranked and ordered prospect pool from which you can begin to immediately market your planned giving messages. You can find out more about our ProspectPoint® donor modeling products at www.blackbaud.com/analytics in our Prospect Research Solutions product area.[6]

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Communication Is Key

When asked, people say that a charity's **published materials** were the most frequent source of information about such gifts, followed by legal/financial advisors, family and friends, and then finally through a visit from an organization's representative.[7] They further say mailed communications, advertisements in the organization's literature, and presentations are the most appropriate routes for the promotion of legacy giving.[8] Written communication is of particular interest to younger respondents, with those aged 40 to 49 saying they would welcome both written and in-person communication about making planned gifts from the organization.[9] For more information on cultivating your planned giving prospects, read *How the Right Marketing Strategies Can Enhance Your Planned Giving Program*, a white paper by Lawrence Henze, available at www.blackbaud.com.

The second element to your marketing program, and perhaps a more important component, is providing your target audience a variety of **response mechanisms** to alert you to their interest and action. In today's competitive resource environment, a legacy program can make its mark by recording and reporting both requests for information as well as notices of future gift expectancies.[10] The best way to do this is to include a call-to-action in every marketing piece. Check-off boxes, phone numbers, and website addresses are all appropriate methods — **but only if you are able to identify the responder** and capture enough contact information so that you can follow up. It does no good to count the number of web page hits if you can't communicate with individual constituents and eventually record their interests in making gifts and their future actions. The ability to obtain and report on these key contacts and expected gift amounts help to make the case for planned gift program expenditures. Even with some of the best intentions and tracking mechanisms in place. it's consistently reported that only around only 30% of bequestors notified the charity in advance of their intentions.[11]

Finally, a successful planned gift program must be appropriately staffed, and nonprofit leadership must be prepared to wait a minimum of three, but more likely five-to-seven, years to begin to see financial revenue from the efforts. But, the **wait is worth it**. We know that donors that have made a bequest commitment also make annual gifts at twice the average amount as donors without a bequest commitment.[12] A well-administered program, one that has put procedures in place to follow and administer the legal process once a bequest gift has matured, will **assure donors that their gifts will be handled appropriately**. It is the organization's right and responsibility as the beneficiary of a donor's legacy gift to receive timely distribution of the funds and to use them as intended.

Most of the questions in the Readiness Assessment on page two point to dedicating **an adequate amount of staff time** to accomplish the objectives and goals of a legacy program. A smaller number of tasks, but no less important, relate to timely administration and use of the gift. While having a full-time planned gift officer should be the ultimate goal for most organizations, many do not have the personnel

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or financial resources to begin with a dedicated position. Realistically, **the most basic of bequest programs requires two full days** (or forty percent of job responsibilities) each week dedicated to donor visits, phone calls and other follow-up, continuous marketing efforts, and gift administration. Anything less and the program will not have enough critical activity to contribute any substantial or consistent revenue to mission funding.

Concierge Stewardship

Concierge stewardship, a recently promoted term, gives donors exactly what they've stated they want to see from an organization - a very creative and customized two-way communication that provides them with the appropriate touches and reminds them how valuable they are to your organization.[13] Such thoughtful planning must also include planned gift expectancy donors.

Because most planned gifts are major gifts, it's our responsibility to treat these generous and unique donors properly. For a full discussion on stewardship for planned gift donors read my white paper, *Peak Performance: Strategic Stewardship for Planned Giving Programs*, also available at www.blackbaud.com.

Resources for Starting a Planned Giving Program

Further resources that describe and lead an organization through the steps of starting a planned giving program abound. You can find information and links to written sources through many of the professional fundraising organizations' websites such as the Partnership for Philanthropic Planning at www.pppnet.org. Professional fundraising firms and consultants can also be engaged. Starting a planned giving program should be easy for organizations that assess their readiness and **choose only those activities that are appropriate** for their maturity, staffing configuration, and leadership commitment. Likewise, it can feel foreign and time-consuming for an organization that tries to take on too much too soon. Ultimately, planned gifts can become "life-blood" gifts for some organizations, and building a steady, consistent and well-managed program is the avenue to success.

Basic Elements of a Planned Giving Program:

- Staff person with a minimum of 40% of their responsibilities dedicated to the planned gift program
- Basic gift acceptance policies related to planned gifts
- Marketing outreach pieces for targeted segments
- Donor management software system with field and reporting capabilities to track individual prospects
- Adequate resources for recognition and stewardship of activities

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[1] Measuring Fundraising Return on Investment and the Impact of Wealth Intelligence. *ALDE*. October 20, 2013. Web. April 25, 2015. www.alde.org

The cost of fundraising can vary depending on variables such as: the age of the organization, the size of the budget, the popularity of the cause, the fundraising methods used, the skills of the development staff, the strength of the organization's leadership – and many more.

[2] Randolf, J.D., Mary. "States that Allow Transfer-On-Death Deeds for Real Estate." www.nolo.com. Web. April 22, 2015.

Half of all states in the U.S. now allow the use of "Transfer on Death Deeds" that provide for the transfer of real estate directly to another person or charity - by-passing the probate process. Savings and checking accounts, money market and other investment funds including retirement funds and life insurance policies with built-up savings also allow non-probate transfers. This large variety of transfer vehicles, also known of "beneficiary designation form gifts", are fast becoming a preferred way to leave charitable gifts, especially among Baby-Boomers and younger generations.

[3] "What Makes Them Give?" *2012 Stelter Donor Insight Report* (2012). Print.

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About Blackbaud

Serving the nonprofit and education sectors for 30 years, Blackbaud (NASDAQ: BLKB) combines technology and expertise to help organizations achieve their missions. Blackbaud works with more than 25,000 customers in over 60 countries that support higher education, healthcare, human services, arts and culture, faith, the environment, independent K-12 education, animal welfare, and other charitable causes. The company offers a full spectrum of cloud-based and on-premise software solutions and related services for organizations of all sizes including: fundraising, eMarketing, social media, advocacy, constituent relationship management (CRM), analytics, financial management, and vertical-specific solutions. Using Blackbaud technology, these organizations raise more than $100 billion each year. Recognized as a top company by Forbes, InformationWeek, and Software Magazine and honored by Best Places to Work, Blackbaud is headquartered in Charleston, South Carolina and has employees throughout the US, and in Australia, Canada, Hong Kong, Mexico, the Netherlands, and the United Kingdom. For more information, visit www.blackbaud.com/analytics.