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Understanding Planned Giving Practices and Opportunities

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Planned giving can be an important giving vehicle, especially when creating or building an endowment that will provide income in perpetuity to meet the needs of your organization. Specific planned giving instruments, such as appreciated stock and IRA gifts, should be included as ways of giving during a capital campaign. Other planned gifts may not meet the more urgent needs of the capital campaign, such as gifts that will be transferred to a non-profit only after the donor has died.

8 Most Common Questions about Planned Giving

How do I introduce planned giving to my constituents?

There are general pre-printed materials available to use to introduce a planned giving program; you can find additional information on the Web sites of [Giving Institute: Leading Consultants to Non-Profits](#), [Planned Giving Today](#) and the [National Committee on Planned Giving](#). A member or friend of your organization who is a lawyer or financial planner specializing in estate planning may be willing to present the options that are available or recommend someone who can make a presentation to constituents. A solid planned giving program should continue beyond a campaign and can be started at any time.

What types of gifts are considered planned gifts?

Any donation that takes into consideration tax consequences is a planned gift. Different types include:

- *Revocable bequests: Bequest can be changed by the donor at any time.
- *Irrevocable bequests: Gift becomes a legal commitment and cannot be changed or taken back.
- *Charitable remainder trust: Donor receives income for his/her life, and balance is remitted to the non-profit upon the donor's death or the death of a surviving heir.
- *LEAD trust: Ability for the non-profit to use a portion of the return on investment for a specific number of years; the balance with any growth is then given back to the donor's heirs.
- *Gifts of appreciated securities: Publicly traded stock that has increased in price since the donor originally purchased the stock. Stock is transferred directly to the organization, and

the donor is able to write off the market value on taxes, thus not paying capital gains taxes.

*Life insurance: Either an existing or new policy in which the non-profit is named as a beneficiary.

*IRA gifts: Any constituent over the age of 59½ can withdraw funds from his/her IRA without penalty and then donate to the non-profit, thus creating a possible tax benefit. Through the end of 2007, a person older than 70½ years can make a contribution directly from his/her IRA to the organization, up to \$100,000, without triggering a tax event. There is no need to report this gift as income or deduct it as a charitable contribution.

*Gifts of property: Both real and other, including art, jewelry, antiques, real estate, etc.

What is the most common type of planned gift?

The most common type is a revocable bequest. A bequest can be made by indication of an actual dollar amount or as a percentage of an estate.

How do the donor's estate and the organization benefit when a non-profit is named as a benefactor in a will?

The amount of the contribution is deducted from the donor's estate, thus lowering estate taxes. The non-profit will receive the bequest once the estate is settled. A donor may decide to designate the gift to a specific program or to be used as general operating income.

What type of assets can be left to a non-profit?

One may bequest or give outright anything that has an existing or appraised value. This may include stock, a collection of stamps, coins, an automobile, jewelry, art, real estate, etc. If the value of the item is deemed to be greater than \$5,000, a third party should be brought in to provide an appraisal. In most cases, the property is then sold at market value.

Can a donor place restrictions on a gift that is left in a will?

Yes, the same restrictions can be put on gifts made through a will as on gifts made through life gifts/pledges. Donors should consider whether the organization will accept the bequest with the restrictions they have placed. If a constituent is concerned about this, it is recommended that he/she speak with appropriate leadership within the non-profit so that the gift provides the intended benefits.

What does a constituent need to do once a decision is made to leave a bequest?

The donor does not have to do anything. However, to assist the non-profit with planning, it is recommended that a constituent inform the organization of his/her intentions. The constituent's family should also know of these plans to prevent challenges in the future. The donor may provide a letter of intent or a copy of the codicil that outlines the bequest. Sharing this information may inspire others to consider including a bequest in their will.

If a constituent doesn't have a lot of money, why should he/she consider making a bequest to a non-profit?

We all see the headlines when a large bequest is made. However, if a constituent donates \$500 a year, a gift of \$10,000 in a will provides that same support in perpetuity (assuming a 5 percent return on investment and no use of the principal).

In all situations, it is advised that donors consult their own legal and tax advisors before making a planned gift to maximize tax benefits. For more information about planned giving and your non-profit, contact me via gruotolo@ruotoloassoc.com.

Ruotolo Associates Inc. is a working partner with non-profit organizations, providing them with the highest quality consulting for fund raising, stewardship, public relations and related management services through individualized creative strategies and solutions.

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