

Maintaining Your Planned Giving Program in Challenging Times

St. Louis Planned Giving Council

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An Array of Challenges

- 2009 – most difficult fundraising year in memory
- 2010 – economy still not robust
- Budget and staffing cuts
- Investments still recovering from losses
- Worried Finance staff and Board members
- Hesitant donors
- Decreased estate values

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An Array of Challenges

- Increased regulation
- Changing laws
- Low interest rates
- For some--increased NY CGA reserve requirements

This is the time to look closely at our programs and develop informed strategies to overcome these challenges.

Four questions

- Do you know how your revenue patterns are changing?
- Do you know how planned giving affects your organization's balance sheet?
- Do you evaluate all gifts carefully?
- Is your budget arranged to value donor relationships above all else?



I. Do You Know How Your Revenue Patterns Are Changing?

- How has the recession been affecting your planned giving revenue?
- Bequests
- Charitable gift annuities
- Gifts from IRAs
- Other gifts

To set reliable revenue goals, it is important to see the patterns.

Bequests

- Bequests can “save the day” when annual giving and major gifts are struggling.
- The recession effect depends on your proportion of residual estates.
- The recession effect on estates will be staggered.
- Track your numbers through time.

Please, no more “over the transom.”

Charitable Gift Annuities

- Recession caused many donors to be more cautious.
- Many charities reported fewer gifts in 2008-2009, with some upswing in 2009-2010.
- New survey data will be released later this month by the American Council on Gift Annuities.
- Benchmark with comparable organizations

Gifts from IRAs

- Wonderful boost in 2006 and 2007
- Reinstated for 2008 and 2009
- Did the drop of the *Required Minimum Distribution* in 2009 cause your gifts to drop?
- Look for more data in the next Giving USA.
- How to budget for 2010 and 2011?

II. Do you know how Planned Giving affects your organization's balance sheet?

- Each gift is an asset; many have corresponding liabilities.
- Investment losses will show on the balance sheet.
- The low interest rate environment impacts each gift arrangement differently.
- Differences between gift types

Planned Giving on your organization's balance sheet

- Charitable gift annuities
 - Underwater gifts
 - Depleted gifts
 - New mortality tables
 - Low IRS Discount Rates
 - Reserve requirements

Planned Giving on your organization's balance sheet

- Charitable Trusts , Pooled Income Fund, and Endowment Gifts
 - Unitrusts and PIF - losses on balance sheet, direct impact on beneficiaries
 - Annuity trusts - depletion risk, balance sheet problem when the liability is greater than the assets
 - Endowment funds - losses of expendable income in the budget, donor relations issue

Planned Giving on your organization's balance sheet

- Policies and practices
 - Educate—Development staff, Finance, senior management
 - Educate—Board members and volunteers
 - Review gift acceptance policies
 - Risk assessment studies—with caution

Make sure planned giving does not lose its voice.

III. Do you evaluate all gifts carefully?

- Understand your gift acceptance policies
- Legitimate for organizations to have differences
- Take the time you need to research and review
- Learn to explain the rationale for not accepting gifts to disappointed prospects.

- Examples of “undesirable gifts”

Evaluate all gifts carefully

- Undesirable gift:
Share in a shopping center

Gift: percentage of LLC that owns shopping center

Terms: hold for a period of time, additional stipulations

Concerns: potential liability; economic outlook for shopping centers; would capital infusions be needed?

Evaluate all gifts carefully

- Undesirable gift:
Charitable gift annuity for a young person

Gift: Fourth \$100,000 CGA for annuitant now 58

Terms: Outright cash immediate payment CGA

Concerns: Concentration in the program; too young—
liability calculation of \$99,341 . Gift would almost always
be underwater.

Evaluate all gifts carefully

- Undesirable gift:
Donation of a home
- Gift: personal residence
- Terms: outright—but mortgaged
- Concerns: research indicated home was underwater;
misinformed donors getting poor advice

Evaluate all gifts carefully

- Undesirable gift:
Trusteeship of trusts for young people

Gift: seven testamentary annuity trusts

Terms: \$1.8 million total; one beneficiary age 81; other six trusts with beneficiaries in their 50s

Concerns: low interest rate environment; possibility of depletion; liability calculations

IV. Is your budget arranged to value donor relationships above all else?

- With budget cuts a reality, how do we maintain our programs without sacrificing donor relationships?
- Some of this is out of our control.
- Weigh the impact of key budget areas
 - Travel
 - Recognition
 - Marketing
 - Staffing and training
- *Caution: temporary cuts can become permanent!*

Value donor relationships above all else

- What about the “urge to merge”?
 - Planned giving and major gifts have similarities.
 - Legitimate for organizations to decide what works best: separate areas or combined department
 - What is the motivation for merging? (to save costs, to fix weaknesses in one of the areas, etc.)
 - Is there donor overlap?
 - What will be lost?

Closing Questions & Answers

Thank you and good luck!

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