

GIVING THROUGH YOUR ASSETS CHARITABLE ESTATE PLANNING

Philanthropic Solutions · National Consulting and Advisory Practice · Nonprofit Consulting Services

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U.S. Trust

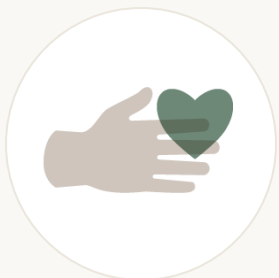
October 5, 2017

1. What Is Charitable Estate Planning (Planned Giving)?
2. Tools and Techniques
 - ABCs: Annuities, Bequests, and Charitable Trusts
 - Accepting Gifts of Specialty Assets
3. The Role of Planned Giving in A Development Strategy
4. Myths and Challenges
5. What Do You Need to Be Successful?



WHAT IS PLANNED GIVING?

WHAT IS PLANNED GIVING?



Planned giving is a set of charitable vehicles that allow donors to leave money or assets to a nonprofit when they pass away.

Planned giving can allow a donor to benefit from their invested assets during their lifetime while ensuring a seamless transfer to their nonprofits of choice.

Planned gifts:

- Are typically larger than gifts made from discretionary income.
- Provide donors with options based on their philanthropic and financial priorities.
- Create tax-efficient gift solutions.
- Are increasing in importance as wealth is held in non-cash assets.

WHAT IS PLANNED GIVING?

WHY IS PLANNED GIVING IMPORTANT?

- ✓ It offers a holistic approach to donor development.
- ✓ It provides a pipeline for future funding.
- ✓ It strengthens relationships with donors.
- ✓ It opens the door for larger gifts than otherwise might be obtained.
- ✓ It serves as a means of low-cost fundraising.
- ✓ It enables donors to build a lasting legacy.
- ✓ It allows a nonprofit to provide more charitable giving options.

If you don't ask about planned giving, someone else will.



WHAT IS PLANNED GIVING?

WHAT IS AMERICA UP TO WITH BEQUESTS?¹

- Total giving in the United States in 2015 was \$373.25 billion—an increase of 6% over 2014, and a third consecutive year of increase in total giving.
- Giving by individuals, bequests, and family foundations amounted to 96% of total giving in 2015.
- Individual giving has risen by \$25.65 billion (15.6%) since 2012.
- Giving by bequest has risen by \$8.29 (35.4%) since 2012.
- Only 9% of dollars given in 2015 came from bequests to nonprofits under a will or living trust.

When polled on reasons why individuals did not leave a gift to charity, they responded:²

- **Didn't think of it.**
- **No one suggested that they do so.**
- **No one asked them to.**



These responses have not changed over the past 15 years.

According to two major industry surveys conducted in 2000 and 2016 by the National Committee on Planned Giving and the Nonprofit Research Collaborative, respectively.

WHAT IS PLANNED GIVING?

KEY TRENDS¹

- The percentage of organizations reporting increased charitable receipts has continued to rise over the past seven years (from 43% in 2009 to 65% in 2015).
- Organizations report that gifts most often asked for in person (major gifts, board giving, and planned gifts) continue to see increased charitable receipts, reinforcing the importance of personal fundraising.
- Organizations that invest in fundraising (staff, budget for fundraising activity, training for leadership and volunteers, etc.) are more likely to report positive results.

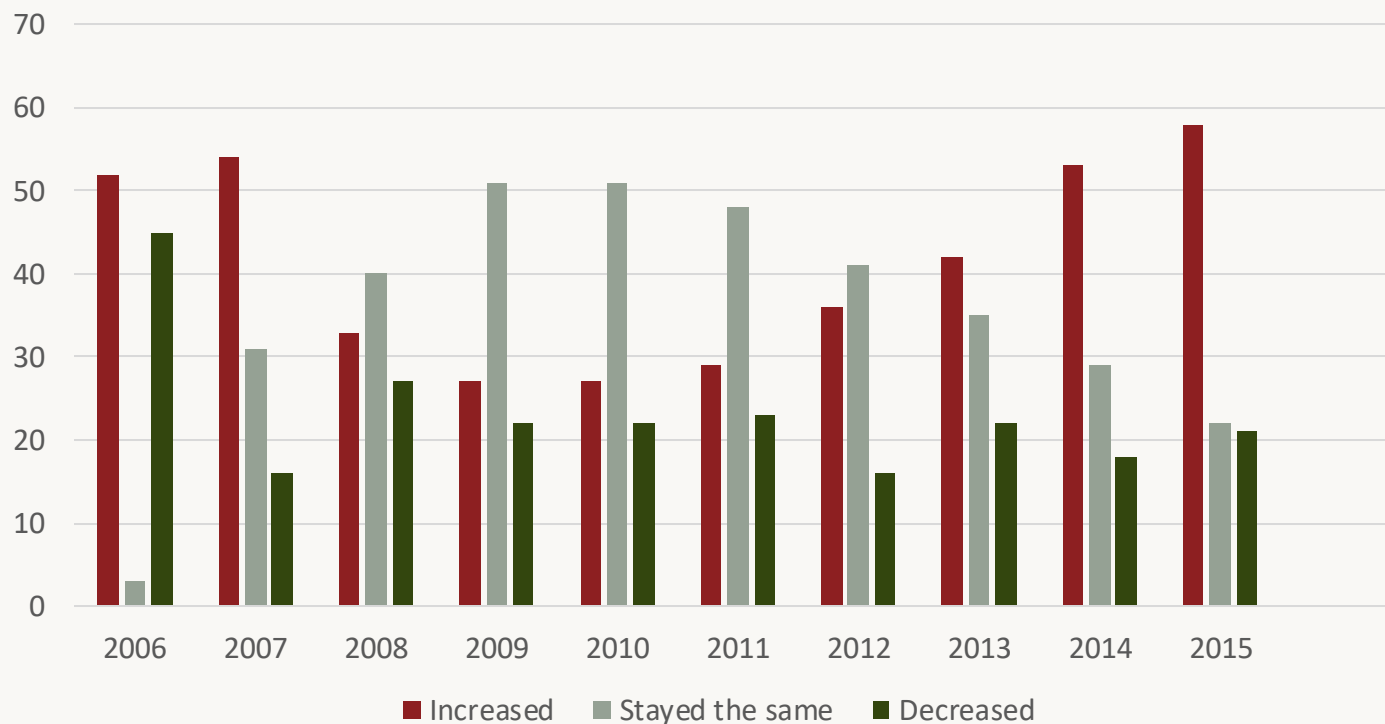


¹ Source: *Nonprofit Research Collaborative Winter 2016 Nonprofit Fundraising Study*.

WHAT IS PLANNED GIVING?

KEY TRENDS¹

Percentage of responding organizations reporting change in contributions received through planned gifts:



¹ Source: *Nonprofit Research Collaborative Winter 2016 Nonprofit Fundraising Study.*



TOOLS AND TECHNIQUES

ABCs: ANNUITIES, BEQUESTS, AND CHARITABLE TRUSTS

A

ANNUITY

Provides guaranteed lifetime income.

Types:

- Charitable Gift Annuity
- Charitable Annuity Trust

B

BEQUEST

Provides an outright gift at the time of death.

C

CHARITABLE TRUST

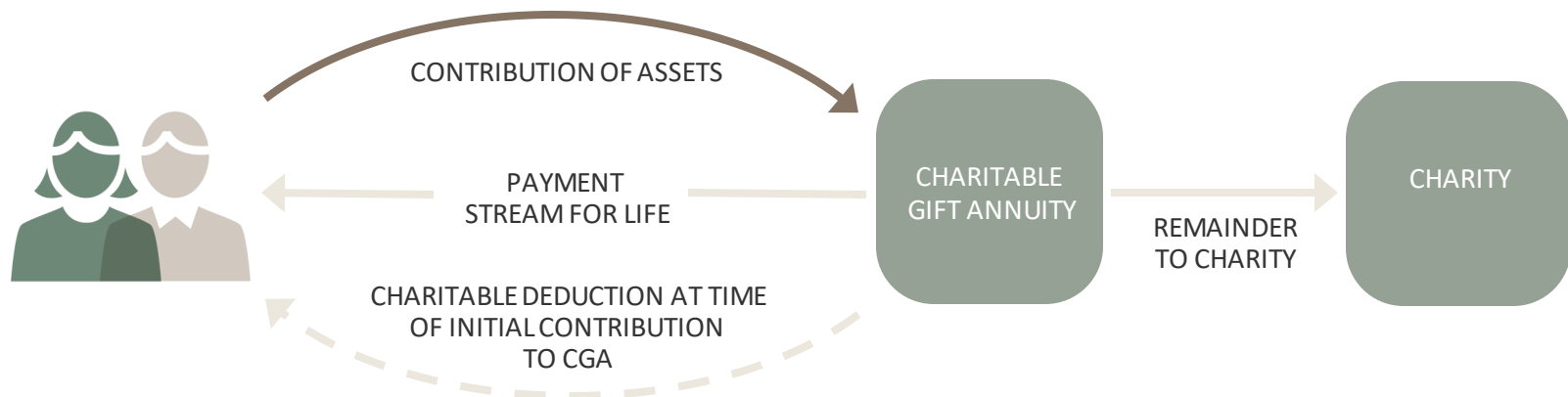
Provides big tax benefits and protect heirs and family members.

Types:

- Charitable Remainder Trust
- Charitable Lead Trust

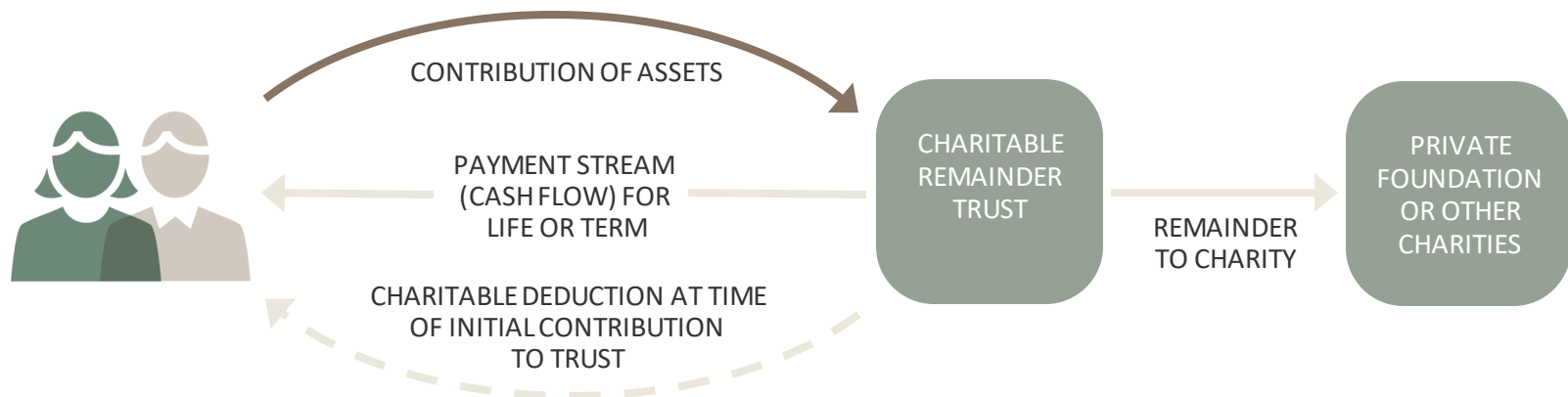
CHARITABLE GIFT ANNUITY (CGA)

- Provides a fixed regular payment stream to the annuitant(s).
- Charity receives the remaining principal corpus at the end of the annuitant's lifetime.
- You reduce your taxable estate while receiving income from the annuity over your lifetime.
- Portion of each annuity payment is treated as return of principal and is therefore not taxed.



CHARITABLE REMAINDER TRUST (CRT)

- Provides a regular payment stream to you or your named beneficiaries.
- When the trust terminates, the charitable beneficiary receives the remaining trust assets.
- You potentially reduce your taxable estate while receiving income from the trust over a fixed period of time.
- Provides a means of managing capital gains tax on appreciated securities or assets by contributing these assets into the trust and then selling them.



CHARITABLE REMAINDER TRUST (CRT) CASE STUDY

► SITUATION

Bill and Katherine (aged 73 and 70); want to secure their retirement income, reduce portfolio risk, and support several charities

Two concentrated stock positions represent 40% of their total portfolio

► SOLUTION

- Couple establishes a CRT
- Stock positions were transferred to the CRT and liquidated
- Proceeds are reinvested in a diversified portfolio and monthly income is paid to the couple
- Upon the death of both spouses, assets will be evenly distributed between three cancer charities designated by the couple as the trust beneficiary

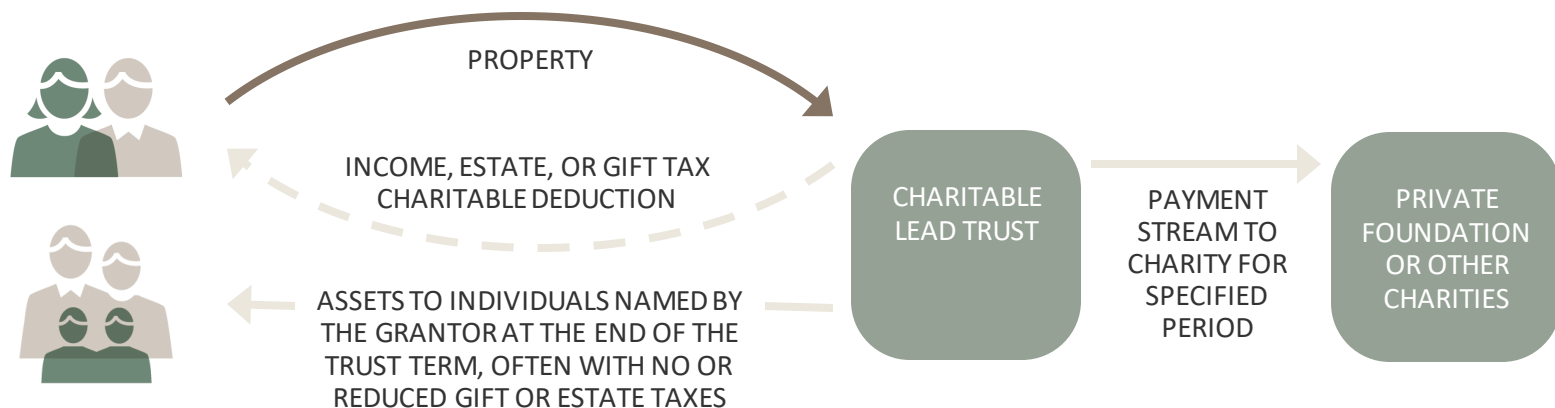


The case studies presented are hypothetical and do not reflect specific strategies we may have developed for actual clients. They are for illustrative purposes only and intended to demonstrate the capabilities of U.S. Trust, Bank of America Corporation and/or Bank of America. They are not intended to serve as investment advice since the availability and effectiveness of any strategy is dependent upon your individual facts and circumstances. Results will vary, and no suggestion is made about how any specific solution or strategy performed in reality.

Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.

CHARITABLE LEAD TRUST (CLT)

- Provides a fixed or variable income to charity for a specified time period without relinquishing ownership of the assets.
- You transfer assets to an irrevocable trust that pays an amount each year to one or more charities for a fixed term of years.
- When trust term expires, remaining property is returned to you or your heirs with potentially reduced transfer tax consequences.



CHARITABLE LEAD TRUST (CLT) CASE STUDY

► SITUATION

Wealthy couple with significant business, investment and real estate assets

Looking to transfer assets to children and grandchildren above current gift ceiling

Interested in selling property, and want to allocate proceeds to children, as well as give to alma mater

► SOLUTION

- The couple establishes a CLT
- Cash proceeds of real estate placed in CLT structured to distribute 5% per year to charity for 24 years
- The remaining principal will be distributed to heirs with generation skipping transfer taxes negated
- University receives half of annual distribution, and other half distributed among three donor advised funds



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TOOLS AND TECHNIQUES

ACCEPTING GIFTS OF SPECIALTY ASSETS

TOOLS AND TECHNIQUES: ACCEPTING GIFTS OF SPECIALTY ASSETS

THE NONPROFIT PERSPECTIVE: THE OPPORTUNITY WITH ILLIQUID ASSETS¹

With more than 60% of the net worth in the U.S. in illiquid assets, there is a potential opportunity to increase gifts to your organization.

Studies show that donors will leave the liquid investments to their heirs, with the illiquid assets often going to charity.

COMMON TYPES OF ILLIQUID ASSETS:

- Vacant land
- Residential property
- Farm, ranch and timberland
- Investment property such as apartments, office buildings and shopping centers
- Commercial property used in a business such as industrial property, motels and hotels, recreational parks, mobile homes, and RV parks
- Natural resources such as coal, oil and gas, and minerals
- Interests in closely held businesses

TIMBERLAND



PRIVATE BUSINESS



FARM AND RANCH LAND



OIL AND GAS INTERESTS



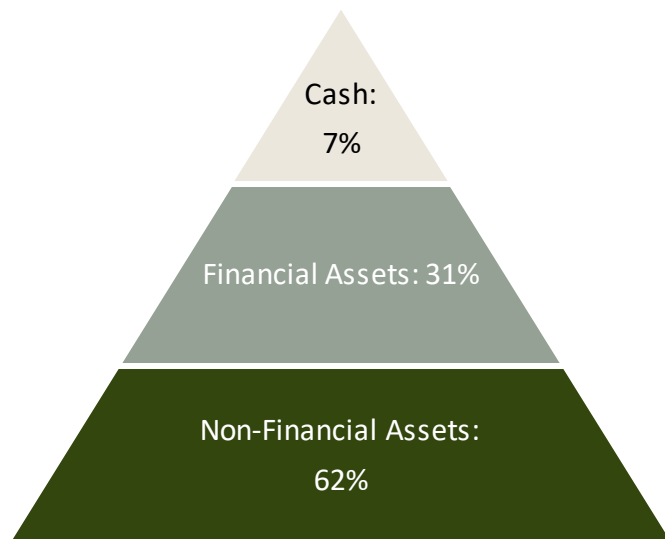
REAL ESTATE



TOOLS AND TECHNIQUES: ACCEPTING GIFTS OF SPECIALTY ASSETS

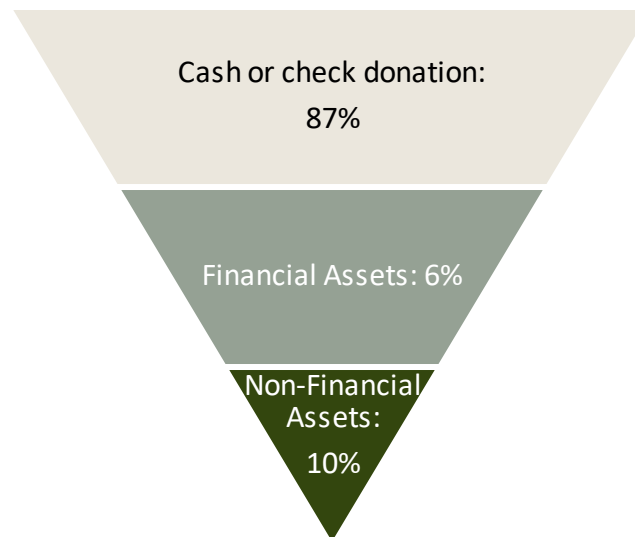
NONFINANCIAL ASSET GIVING: ALIGNING POTENTIAL WITH ACTUAL

DISTRIBUTION OF
AMERICAN HOUSEHOLD WEALTH



Source: Federal Reserve. *Changes in U.S. Family Finances from 2007 to 2010 (2012)* (latest data available); *Financial Accounts of the United States (2014)* (latest data available).

DISTRIBUTION OF AMERICAN
CHARITABLE GIVING METHODS AMONG
HIGH NET WORTH DONORS



Source: Bank of America. *Study of High Net Worth Philanthropy* (2016).

TOOLS AND TECHNIQUES: ACCEPTING GIFTS OF SPECIALTY ASSETS

DUAL PERSPECTIVE: BENEFITS OF GIFTING AND ACCEPTING ILLIQUID ASSETS

DONOR-RELATED BENEFITS	BENEFITS FOR ORGANIZATIONS
<ul style="list-style-type: none">• Pursue philanthropic goals• Potentially avoid probate and estate taxes• Defer and limit capital gain taxes• Current year income tax deduction• Shift management responsibility• Diversify investments• Generate more reliable income stream	<ul style="list-style-type: none">• Help donors pursue their goals• Increase fundraising by expanding the types of gifts accepted to include specialty assets• Investment attributes of some real estate holdings:<ul style="list-style-type: none">• Inflation hedge• Reduced volatility to non-correlated assets• Combined income and principal growth potential



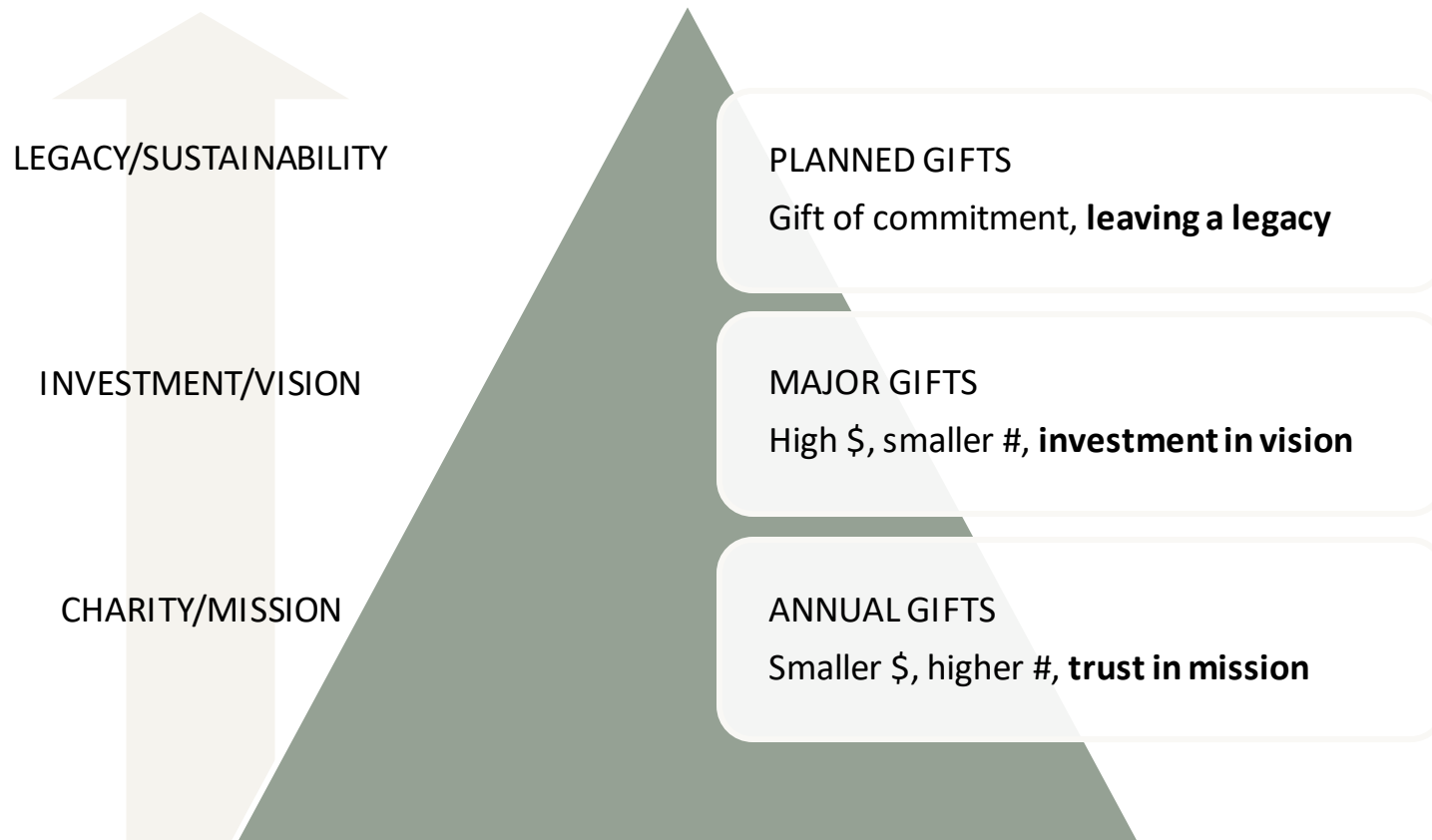
THE ROLE OF PLANNED GIVING IN A DEVELOPMENT STRATEGY

DUAL PERSPECTIVE: BENEFITS OF GIFTING AND ACCEPTING ILLIQUID ASSETS

ANNUAL GIFTS	RESTRICTED/CAMPAIGN GIFTS	MAJOR/PLANNED GIFTS
<ul style="list-style-type: none"> • Timing is recurring • Size varies but usually smaller • Amounts usually come from donor's ordinary income • Method of giving is usually speculative 	<ul style="list-style-type: none"> • Timing based on institution's needs • Size larger than "regular" gifts • Amounts are from income or assets of the donor • Method of giving is usually targeted 	<ul style="list-style-type: none"> • Timing based on needs of the donor • Significantly larger gifts • Gifts funded from donor's assets • Gifts that provide options that allow the donor to give while providing for their (or their family's) financial goals • Method of giving from nurturing relationship/information

THE ROLE OF PLANNED GIVING IN A DEVELOPMENT STRATEGY



PHILANTHROPY PYRAMID





MYTHS AND CHALLENGES

MYTHS AND CHALLENGES

- The wealthy are the best prospects.
- Planned giving works without marketing.
- Marketing alone completes gift commitments.
- Current donors are your only prospects. 
- Donors have general knowledge about planned giving on their own. 
- It is impossible to measure marketing success.
- Estate settlement should drive future budget projections.



31% of planned giving donors have **never** made a cash contribution to the charity that will benefit from their gift.¹

55% of the time donors first learn about the opportunity to make a bequest through a charity's published materials (34%) and/or their legal or financial advisor (21%).²

77% of the time donors first learn about creating a charitable trust through a charity's published materials (26%) and/or their legal or financial advisor (51%).²



WHAT DO YOU NEED TO BE SUCCESSFUL?

WHAT DO YOU NEED TO BE SUCCESSFUL?

- ✔ Create a development committee.
 - Create a formal planned giving vision statement, action plan, and objectives
 - Create or update the gift acceptance policy
 - Create a legacy or recognition program
 - Board perspective and involvement

- ✔ Partner with charitable and estate planning professionals who can provide technical guidance for gift design.

- ✔ Conduct staff and volunteer trainings about the importance of planned giving.

- ✔ Develop a strategic marketing plan.
 - Place consistent planned giving messages throughout your printed and web-based materials
 - Develop a list of targeted planned giving prospects
 - Create a strategic written measurable plan for approaching the targeted prospects
 - Cultivate and steward your current planned giving donors and prospects with high-level personal touch



QUESTIONS AND DISCUSSION

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