



# The Wealth Counselor

A monthly newsletter for wealth planning professionals

## Working with Charities for Fun and Profit

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Developing alliances between non-charitable advisors (attorneys, CPAs and financial advisors) and advisors to charities (e.g., development officers for non-profit organizations) can provide better service to the team's clients, make fundraising more effective for the charitable advisors, and thus be beneficial for all concerned.

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Estate Planning, Business Planning and  
Wealth Preservation

In this issue of *The Wealth Counselor*, instead of focusing on the technical side of charitable planning (tax and estate planning), we will take a look at the marketing side. We will explore the various forms of fundraising, what fundraisers do for charities, how they are compensated, how they can become part of the estate planning team, and how working together will benefit all involved, professionals and clients alike.

### Fundraising Overview

Fundraising, or the process of soliciting and gathering contributions, such as money or other assets and resources by requesting donations from individuals, businesses, charitable foundations or governmental agencies, is multi-faceted. Its major divisions are annual giving, capital campaigns, major gifts, and deferred (or "planned") giving.

### *Annual Giving*

Annual giving focuses on donor acquisition, repeating the gift and upgrading the gift. Most first gifts are small, but annual giving creates the habit of regular giving and, typically, increasing gift size over time. Direct mail solicitations, telemarketing, e-solicitations and special events are most often the methods used to increase annual giving. The ultimate goal of annual giving is lead generation for the other categories of fundraising.

### *Capital Campaigns*

Capital campaigns are the most common way charities raise the funds needed for special large projects, such as a new building or a permanent endowment. A capital campaign is an intensive, time-limited effort seeking a larger than usual sum of money from the charity's perspective. Most charities consider hiring an outside consulting firm for a

capital campaign rather than hiring or using internal staff. Frequently the outside consultant will guide the existing staff.

### ***Major Gifts***

Unlike annual gifts, which are typically made with cash, major gifts are often made in the form of publicly traded stock, bonds or other negotiable financial assets and, in some cases, real estate and valuable personal property, like art. Each charity establishes its own threshold for what is considered a "major" gift. For a religious denomination, it might be \$25,000 or more, whereas a small local charity might set threshold at \$1,000. Typically, making a "major" gift entitles the donor to special benefits, such as membership in a giving society (i.e., "Circle of Friends"), recognition in the charity's publications, or ticket priority for charity events.

### ***Deferred ("Planned Giving") Gifts***

Deferred gifts are gifts that a donor establishes now for the charity to receive at a future date. Most attorneys, CPAs and financial advisors are familiar with these. In some cases, the donor will receive income and tax benefits during his or her lifetime. Most are complicated and require planning; hence, the term "planned giving." Typical deferred gifts include Will bequests, post-death revocable living trust distributions, charitable remainder trusts, gift annuities, charity-owned life insurance, and pooled income funds. Although not completely "deferred" (the charity receives a benefit starting in the first year), most planners include charitable lead trusts in the category of deferred gifts.

### ***Grants***

Charities today also sometimes raise money by obtaining grants from individual or corporate private foundations or government agencies. Applying for such grants may be the assigned responsibility of a staff member or outside consultant.

### **What Charities Do with the Money They Raise**

Charities are just like everybody else. They do two things with the money they get - spend it or save it for future use. Some contributions will be unrestricted and thus available to be used immediately for day-to-day expenses and charitable functions. Many charities also have an endowment fund in which gifts are set aside and held in a special fund to earn income that is used by the charity for general or special charitable purposes. Major gifts and deferred gifts other than for an identified purpose, e.g., a new building, typically go into the charity's endowment fund. The size of a charity's endowment fund is often used as a measure of its fundraising and overall success. Endowment funds are often divided into sub-funds to accommodate major contributors who wish to have their gift earmarked for a special purpose, such as scholarships.

### **How Charities Organize Their Fundraising Efforts**

Many charities have at least one employee whose primary responsibility is fundraising. In smaller charities, a development officer may handle all of the facets of fundraising. Larger charities may have multiple fundraising staff members who are assigned to different fund raising functions within the charity's office. For example, one may be

assigned specifically to developing deferred gifts.

### **How Development Officers Are Compensated**

Development officers are paid a salary; it is unethical for them to receive a commission. Most are evaluated by their success in closing charitable gifts on an annual basis. Deferred giving officers are evaluated not on actual gifts received, but on expectancies, as they have no control over when a donor will die and thus when the gift will "mature."

### **How You Can Work Together**

Development officers and other wealth planning professionals can work together primarily in the area of deferred giving and sometimes with major gifts, especially when gifts of property (real estate, stocks, etc.) are involved. For example, an attorney may be needed to draft the documents, a CPA for compliance and tax issues, and a financial advisor for a life insurance policy or securities transfers. All should be involved in the process as needed to make sure the gift makes sense for and provides the greatest benefit to their client, the donor.

### ***What the Development Officer Can Bring to the Team***

When a client wants to support a charity with a deferred gift, it makes sense to bring the charity's development officer onto the estate planning team. Some of the benefits he/she can bring to the process include:

- Knowledge of the charity's needs and goals;
- Making sure the gift is used the right way;
- Hearing and responding to the donor's desires;
- A general knowledge of planned giving.

Generally speaking, other advisors should not feel threatened by bringing a development officer onboard, as they won't go against investment advice, provide tax advice, or draft the needed documents. A development officer, however, will be a dedicated member of the team and can be valuable in helping to define the donor's desires and goals and align them with the charity's needs and goals. For example, a donor may be thinking he wants his gift to be used for scholarships, but the development officer, who knows that the scholarship fund has plenty of money, may be able to direct the gift toward a building that needs immediate repairs.

### ***A Source of New Business for You***

The client conversation that leads to a major or deferred charitable gift can start with either the planner or with the charity, and both are in the position to bring in other professionals to help with the process.

Occasionally a development officer will need to refer donors to attorneys, CPAs and financial advisors in order to complete gifts, and will generally give the donor two to three names from which to choose. A development officer will want to refer his or her

donor to professionals who are reliable, have experience in planned giving, will be responsive and are in relatively close proximity to the client. It helps if the professional also personally has charitable intent, which gives him or her valuable insight into what a client/donor wants to accomplish.

### ***A Source of New Business for the Charity***

Your estate planning clients are also prospects for charitable giving, and they can be a source of additional business for you and for charities. Your clients and prospects generally of age 50 and older are the same audience the charity wants to reach. Make it a habit to ask if the client or prospect has any desire to support a charitable cause, either now or with a gift after death, and if so which one. Doing so can only enhance your status as the trusted, knowledgeable advisor. Include a question or two on your intake form or ask in your initial interview. When you get a positive response, take the opportunity to bring the development officer into the planning process.

### **Cultivating Development Officers as Referral Sources**

The best way to meet development officers and have them become referral sources for you is old-fashioned networking. Here are some suggestions to help you get started.

**Networking Tip #1:** Get to know the nonprofits in your area and learn about the resources and services they offer to the community. If your client has charitable desires, it would be very helpful if you already know which organizations would fit well with your client's intentions and would benefit from your client's gift.

**Networking Tip #2:** Local and regional planned giving councils have regular meetings with guest speakers. You can join, attend, and even offer to speak at these. Regular attendance will yield the best results.

**Networking Tip #3:** Some national organizations (including The Advisors Forum and WealthCounsel) provide monthly webinars. You could host them at your office and invite local development officers, as well as other professionals with whom you would like to work.

**Networking Tip #4:** Ask other professionals with whom you already work if they know any development officers in your area. Ask for an introduction and/or a lunch meeting.

**Networking Tip #5:** Cold calling. Look up nonprofits in your area, then call the planned giving or fundraising office and explain that you would like to meet the development officer. It's not as good as a personal introduction, but it will get you noticed.

**Networking Tip #6:** Some nonprofits host their own "Get to Know Us" educational seminars as a way to attract potential volunteers and donors. Attending one is a great way to show your interest, learn about the nonprofit first-hand and meet the development officers.

**Networking Tip #7:** Offer to provide free seminars for the nonprofit's donors (and potential donors) on estate planning, planned giving or other current financial planning topic. It's a great way to find new leads for the nonprofit and for you. Repeating seminars at the same time and location will make it easy for attendees to bring or refer others.

### **Conclusion**

Developing alliances between attorneys, CPAs, financial advisors and development officers for non-profit organizations is an excellent way to expand your networking opportunities, become more aware of the services and resources available in your community, and generate new business. But most importantly, it will feel good to help your clients and charities in a way that is beneficial to both.

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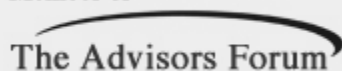
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