ESSENTIAL ELEMENTS OF A SUCCESSFUL PLANNED GIVING PROGRAM

Whether your organization is launching a planned giving program or revitalizing an established one, its success requires best practices to guide the staff and board in cultivating the donor base. Successful programs incorporate these key elements, regardless of their organization's size.

An organization with a successful planned giving program finds ways to incorporate most, if not all, of these elements into a cohesive and cooperative process:

- Board leadership
- Planned giving staff
- Strong relationships with senior management and staff
- Policies and procedures
- Risk management
- Articulating the mission and vision
- Donor relations and prospecting
- Marketing plans and materials
- Networking with peers and advisors
- Recordkeeping and metrics for success.

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STEP ONE: BOARD LEADERSHIP

For a planned giving program to succeed, your organization's board of directors must be committed to its success. Board members can demonstrate commitment by leading by example – financially supporting the organization's mission. Every board member should be expected to complete a planned gift at a level comfortable for him or her. To entice planned giving commitments from board members and donors, it's important to have a culture that values planned gifts. This culture can be fostered through generously inclusive and sensible planned giving policies that acknowledge deferred or planned gifts.

The board must recognize that once a planned gift is agreed to, the gift could take months or years to be completed and come to fruition. Thus, the progress of a planned giving program should be based more on the contacts made and the relationships built than the dollars received.[1]

1 Dean Regenovich, "Establishing a Planned Giving Program," Lilly School of Philanthropy at Indiana University.

STEP TWO: PLANNED GIVING STAFF

Ideally, your development staff is led by a senior development officer responsible for all fundraising – annual giving, major gifts and planned giving – with staff dedicated to each strategy. However, many nonprofit organizations don't have the funding to support a full-time development professional focused solely on planned giving. Therefore, many nonprofit organizations have a major gifts officer serving as a planned giving specialist. As the program grows, the budget can be adjusted to hire a full-time planned giving officer.

The ideal planned giving officer has a proactive mindset and the ability to develop meaningful personal relationships with donors. This individual must be skilled in explaining, simply and clearly, planned giving's technical aspects to prospects and donors. The planned giving officer must be able to discuss the donor's financial objectives, but also clearly articulate the charitable organization's mission and programs, and identify how the gift is aligned with the donor's values and philanthropic objectives.[2]

Likewise, this same skill is also important when training other development staff, the board and volunteers. The entire development staff should be trained in all aspects of gift planning. Each team member must be able to articulate planned giving strategies to not only major gift donors, but also annual fund donors. Though this might require extra funds in the organization's budget, staff training is vital.

Your board can provide leadership to the planned giving program by:

- Endorsing it publicly
- Making their own planned gift
- Identifying prospective donors
- Introducing development staff to prospective donors
- Soliciting planned gift prospects

STEP THREE: STRONG RELATIONSHIPS WITH SENIOR MANAGEMENT AND STAFF

Cultivate a strong team culture within the development staff. Developing a good working relationship between the development staff and the finance staff ensures administrative best practices are maintained and the gift process flows smoothly. Creating a standing committee composed of board and staff empowered to focus on development and advancement is an effective way to achieve communication between the board and staff.[3] It would be unfortunate if a miscommunication about a potential gift turned away a donor. Your development staff has a responsibility to educate colleagues on the potential benefits and risks of various gift planning vehicles, as well as developments within the field which could include:

- Tax law changes
- Recommended rates for annuities
- The Philanthropy Protection Act

2 Ibid.

3 Jeff Lydenberg, "Creating Strong Board Leadership for Planned Giving," PGCalc, April 2012.

In addition to education, your senior development officer must keep the lines of communication open with the charity's chief financial officer (CFO). While the planned giving program's overall visibility may be low, the senior development officer must help the CFO understand the program's complexities and justification and emphasize its meaningful impact on your organization.[4]

Topics for conversation with the CFO include:

- Budgeting for staff
- Software and marketing
- The impact of gift planning on the bottom line
- Risk management
- Responsibilities of the charity to its donors

STEP FOUR: POLICIES AND PROCEDURES

Before embarking on a planned giving program, your development and finance staff should develop written policies and guidelines governing the program (and have them reviewed by counsel). It is highly recommended the board approves the program prior to implementing such policies and guidelines. Once the board has approved, development personnel, volunteers and donors must adhere to its parameters so the planned giving program can move forward with unity and clarity. Below are some of the policies to consider.

Gift Acceptance Policy

A strong gift acceptance policy needs to be as specific as possible. A statement explaining what is an acceptable outright gift and what kind of gift requires evaluation is a useful component. Likewise, it might be reasonable to clearly state what gifts will not be accepted. Creating your gift acceptance policy should be a collaborative process involving the development staff, finance staff, senior leadership, the board and in-house legal counsel.

Your organization should consider establishing a policy requiring the development staff to seek approval for more complicated gifts that may carry more risk or may have longer term, unmanageable or costly administrative obligations.

Accepting any gift is at the discretion of your charitable organization. The charity should not accept a gift unless it can be used or expended consistently with your organization's purpose and mission.

While your organization should accept gifts of cash or cash equivalents and publicly traded marketable securities, your organization's gift acceptance committee must review the following types of gifts before the organization can accept them:

- Closely held stock
- Real estate
- Limited partnerships
- In-kind, tangible and intangible personal property
- Life insurance policies
- Deferred variable commercial annuities
- Oil, gas and mineral interests

4 Catherine Gletherow, "The Role of the Gift Planning Officer in Educating the CFO," Proceedings of the 32nd American Council on Gift Annuities Conference, Saint Louis, April 2016.

Investment Policy

Creating an investment policy statement is the responsibility of the board's investment committee. The statement defines the objective of the planned giving account and its guidelines control investments to limit risk by promoting diversification across asset classes. A properly drafted investment policy demonstrates the nonprofit's commitment to following fiduciary responsibility in managing charitable gifts and supporting donors' wishes in perpetuity.[5] Your nonprofit staff and planned giving officers can be instrumental in sharing with donors details of how the organization's funds are being managed and invested. At times, sophisticated investment-savvy donors will ask about your investment strategy or question actual returns versus expected returns, so further conversation may be warranted.

Gift Technique Policy

The gift technique policy relates to the mechanism used to make a gift. For example, a charity should be specific in the type of deferred gift it is willing to accept. A gift technique policy statement that vaguely encourages planned gifts has little impact. However, a policy statement that specifies certain types of planned gifts is more meaningful. For example, most organizations' development teams will focus on outright cash, wills and bequests. However, the most common types of planned gifts are charitable gift annuities and charitable remainder trusts.

Charitable Gift Annuities (CGAs). A charitable gift annuity is a contract between a donor and a qualified charity in which the donor makes a gift to the charity, and in exchange the charity provides the donor (or other annuitant(s) with a lifetime fixed income stream. CGAs appeal to older donors looking for secure fixed income or seeking higher income than they might receive from CDs or other low-yielding income investments.

- A best practice is to establish guidelines for gift minimums, such as $10,000 or higher for a CGA, with subsequent gift annuities from the donor at a lower minimum such as $5,000.[6] Alternatively, it may be prudent to establish a ceiling on CGAs or implement a procedure to reinsure larger gifts to reduce risk to the charity and guarantee its gift annuity obligations.[7]
- Another best practice is to establish a minimum age for immediate charitable gift annuitants. The most common age is between 60 and 65, with the average hovering at 70. If the annuity is deferred, it is recommended the minimum age of the annuitant at the time payments begin would be the same as the minimum age you would establish for an annuitant of an immediate gift

Best practices for charitable gift annuities:

- Set minimum gift amount
- Set minimum age of annuitant
- Comply with state regulations
- Comply with investment restrictions
- Provide disclosure statement to donor
- Use suggested American Council on Gift Annuities (ACGA) rates

5 Ronald R. Jordan and Katelyn L. Quynn, *Planned Giving: A guide to fundraising and philanthropy* (Hoboken: John Wiley & Sons, 2009), 655-682.

6 "Recommended Charitable Gift Annuity Best Practices," American Council on Gift Annuities, May 2016.

7 "Managing the Financial Liability of a Charitable Gift Annuity Program," American Council on Gift Annuities, April 2015.

annuity.[8] In most cases, an immediate gift annuitant is older; when an annuitant is relatively young, there is a longer period of uncertainty about changes in mortality and financial markets that would make the obligation riskier.

- A handful of states require that a segregated reserve fund is held to meet the obligation of future annuity payments. The amount required to be held in the reserve fund varies by state, is calculated based on a defined actuarial methodology and may include a required surplus. Additionally, California and Florida have restrictions on how these reserves can be invested. Currently, the State of Florida states no more than 50% of the assets can be invested in equities. In the State of California, at least 50% of the reserve must be invested in U.S. Treasuries and Agencies.[9] Additional information is available at each state's Department of Insurance regarding the issuance and investment of gift annuities.
- From a financially prudent standpoint, the organization should invest the entire amount of the CGA. Not only does the American Council on Gift Annuities (ACGA) maximum rate schedule assume this practice in order to meet your obligations, it reduces risk for the charity as the obligation to make annuity payments are backed by the charity's assets. Assets should be invested per the investment guidelines and policies established by a finance or investment committee, subsequently approved by the board and reviewed, at least annually, with the investment manager.

Charitable Remainder Trusts (CRTs). A charitable remainder trust is an irrevocable trust that generates a potential income stream for the donor or other beneficiaries, with the remainder of the donated assets going to a charity or charities.

- A charitable remainder trust provides the donor greater flexibility to provide a more significant gift during one's lifetime than might be possible through an outright donation. A CRT funded with less than $200,000 is generally not advisable, making this planned giving vehicle appropriate not only for highly appreciated marketable securities, but also non-income-producing or unmarketable assets. For a charitable trust, determine if your charity should serve as trustee or if it should be co-trustee with a trust company specializing in administering trusts.
- A CRT requires document drafting, appraisals and ongoing administrative costs. Furthermore, there is a minimum threshold for the trust to stand on its own: the anticipated minimum remainder interest going to the charitable organization must be 10% or more of the amount transferred. This test will likely make CRTs unavailable to very young people or to older individuals with very high payouts. The payout rate cannot be below 5% and the ceiling on the payout rate cannot exceed

8 "Recommended Charitable Gift Annuity Best Practices," American Council on Gift Annuities, May 2016.

9 "State gift annuity registration: A primer on what it means to your organization," PGCalc, 2010.

10 Recommended Charitable Gift Annuity Best Practices, American Council on Gift Annuities, May 2016.

THE PHILANTHROPY PROTECTION ACT OF 1995

- Prohibits paying commissions or remuneration to anyone based on the value of a charitable gift annuity given to a public charity, and
- Requires that a disclosure statement – written acknowledgement that the donor understands what they are doing and that it was explained to them – must be received by the donor in advance of signing the contract to establish a charitable gift annuity. Some states require specific language in the disclosure statement or in the agreement. (The ACGA recommends the donor acknowledge in writing they have received the applicable disclosure statement.[10])

The full text of the law can be found at the American Council on Gift Annuities website. The site also details the background, rationale and assumptions behind ACGA's suggested charitable gift annuity rates.

Best practices for charitable remainder trusts:

- Minimum payout is 5%
- Minimum remainder interest must be 10%
- Sample trust agreements provided by IRS
- Funding opportunities beyond cash and low basis stock

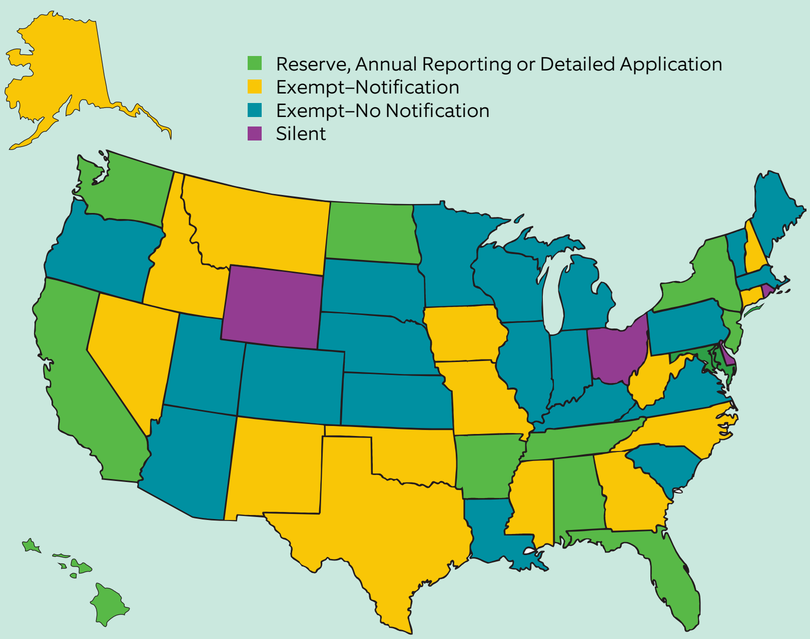
STATE REQUIREMENTS FOR CHARITABLE GIFT ANNUITY CONTRACTS

Important components for a successful charitable gift annuity program are meeting individual state requirements and having organizational buy-in to support the registration administration process. Your charitable organization will have to assess its readiness for state registration and involve the appropriate staff including development and finance staff, the investment committee and in-house legal counsel.

Your charity should assign a staff member as a point person to complete applications, coordinate the payment of fees and track the registration process status. Likewise, hiring a consultant or a third-party provider familiar with the applications could be very beneficial. Before a charity can issue gift annuities, an initial application to register must be completed. Gift annuity contracts should not be issued in any state when the charity's application is pending since fines can be levied for non-compliance. Afterwards various compliance requirements must be met such as annual filings, segregated gift annuity reserve accounts, investment restrictions and minimum balances in reserve accounts.[11] Budgeting and support from the finance staff are essential to make and keep the program compliant. If budgeting allows, this process can be outsourced to a third-party provider familiar with state filings.[12]

A charitable gift annuity must comply with federal and state regulations. State regulatory requirements vary and can be classified into four categories: highly regulated states, initial notification or registration required states, no registration or notification required states, and silent states.

States by Regulatory Category
as of April 18, 2014



The highly regulated states are Alabama, Arkansas, California, Florida, Hawaii, Maryland, New Jersey, New York, North Dakota, Tennessee and Washington. Requirements vary by state and may include an initial application prior to issuing gift annuities, annual filings, segregated reserves accounts with minimum required balances and/or investment restrictions:

Specific information on each state's requirement can be found at the website for the American Council on Gift Annuities.

11 "Map of State by Regulatory Category," PGCalc, April 18, 2014.

12 Dianne Armstrong, Edie Matulka and Mike Valoris, "Meeting State CGA Requirements," Proceedings of the 32nd American Council on Gift Annuities Conference, Saint Louis, April 2016.

50%. Furthermore, a trust will not qualify as a charitable remainder annuity trust, if the payout is so large that the probability that any remaining property in the trust to pass to charity is less than 5%. Another important factor in choosing the payout rate is the effect of the rate on gift and estate tax charitable contribution deductions. The higher the payout rate, the lower the contribution deduction.[13]

- Donors frequently want the charitable beneficiary to serve as the trustee of the CRT. In doing so, the charity is required to act with impartiality and balance the goals of generating current income for the donor or other beneficiaries while protecting the interest of the organization entitled to inherit the property. Often the charity is willing to serve in this capacity, provided the amount it is likely to receive upon termination of the trust justifies the cost of administration.[14]
- If a charitable organization is planning to serve as trustee or co-trustee, most policies for charitable remainder trusts will outline what types of trusts are acceptable and state limitations on the level of income the donor may receive.[15]
- Because the rules governing the creation and administration of CRTs are complex, the Internal Revenue Service has provided sample trust agreements. Charitable remainder annuity trust (CRAT) specimens are available in Rev. Procs. 2003-53 through 2003-60. Charitable remainder unitrust (CRUT) specimens are available in Rev. Procs. 2005-52 through 2005-59.[16]

Other Gift Techniques. Donors might be interested in charitable lead trusts and pooled income funds. If the organization is willing to pursue these gift techniques, this should be added to the gift technique policy.

Procedures for IRS Regulation Compliance. Obviously, it is important to comply with all IRS regulations. This can become complicated. Therefore, it is recommended your organization designate a member of the development team to be responsible for keeping up to date on Internal Revenue Service publications.

Procedures for Counting and Reporting Gifts. In the past, many organizations have reported campaign progress using complex formulas for deriving net present value of gifts and gift commitments. As recommended by the National Association of Charitable Gift Planners, best practices focus on the character of the gift, placing commitments in four easily recognized categories to more accurately reflect an organization's development activities.[17]

Staff should be familiar with the "Tax Information for Charitable Organizations" page on the IRS website, and review the following:

- IRS Pub. 526 Charitable Contributions
- Form 8283 Noncash Charitable Contributions
- IRS Pub. 1771 Charitable Contributions – Substantiation and Disclosure Requirements
- IRS Pub. 1828 Tax Guide for Churches & Religious Organizations
- IRS Pub. 557 Tax Exempt Status for Your Organization
- IRS Pub. 3079 Tax-Exempt Organizations and Gaming

13 Claudia B. Sangster and Steven J. Chidester, "Charitable Giving, Part II, Other Deferred Giving Techniques," American Institute for Philanthropic Studies, March 2016.

14 Ibid.

15 Forrest C. Brostrom, Planned Giving Administration: The Business Officer's Guide (Washington: NACUBO, 2005) 8.

16 Ibid.

17 Guidelines for Reporting and Counting Charitable Gifts. Second Edition. National Association of Charitable Gift Planners, 2009.

The National Association of Charitable Gift Planners' guidelines for reporting and counting gifts are useful in creating clear and impartial recognition policies. The full text of the guidelines is available on the National Association of Charitable Gift Planners website.

Procedures for Distributing Matured Charitable Gift Annuities and Charitable Trusts. Establishing procedures to distribute matured gift annuities and trusts ensures the donor's wishes for the residuum or remainderman is honored. The process has several phases.

- For charitable gift annuities, the organization is encouraged to establish procedures for calculating the residuum of the CGA. It is a best practice to use the market value of the month-end preceding the annuitant's death for a one-life gift annuity or successor annuitant for a two-life gift annuity. If any annuity payments were made after the donor dies, it is customary to recall the payment.
- When a CGA donor dies, it is advisable to obtain a death certificate and notify the business office to stop future annuity payments.
- For charitable remainder trusts, it is prudent to review the trust agreement to determine if any prorata unitrust amount is due to the estate of the unitrust beneficiary prior to the disbursement of funds to the remainderman beneficiary.
- If a termination happens during the donor's lifetime, it is imperative to have a written statement from the beneficiary or annuitant that they are disclaiming further interest. It is also advised to calculate the charitable contribution value for the remainder of the gift, if applicable.[18]

STEP FIVE: RISK MANAGEMENT

The board and senior management need to fully understand that in undertaking a charitable gift annuity program, the charity is taking on some risk. The ultimate risk is that the amount donors contributed could be exhausted before the donor dies. In that event, the charity would need to draw upon its operating cash to meet the payment obligations.

There are additional risks, which may include:

- **Mortality risk** when an annuitant outlives their life expectancy
- **Investment risk** when investment returns are lower than the payout rate
- **Expense risk** when program costs have substantially increased

These and other challenges can be mitigated by adopting and adhering to sound policies and procedures, providing resources to staff to obtain new gifts, investing prudently through diversification, controlling expenses and continuously monitoring both the gift annuity program as a whole and by individual contract.[19]

GIFT COMMITMENT CATEGORIES

- **Outright gifts** are defined as gifts that are usable or will become usable for institutional purposes during the reporting period.
- **Pledges** are counted upon receipt of the written pledge and within the guidelines of an outright gift.
- **Irrevocable deferred gifts** are committed during the reporting period, but usable by the organization at some point after the end of the period.
- **Revocable deferred gifts** are solicited and committed during the reporting period, but for which the donor retains the right to change the commitment and/or beneficiary.

18 Laurie W. Valentine, "Introduction to Gift Annuities: Using Best Practices," Proceedings of the 31st American Council on Gift Annuities Conference, Baltimore, April 2014.

STEP SIX: ARTICULATING THE MISSION AND VISION

It will be impossible to solicit planned gifts if your development staff cannot articulate the charity's mission and vision. Past accomplishments must be highlighted, but a current statement supported by financial facts will provide a clear picture of the charity's future. A well-developed presentation for the donor should answer the questions "why us," "why now" and "what for."[20] A donor must believe in the charity, and in his or her ability to help the charity.

STEP SEVEN: DONOR RELATIONS AND PROSPECTING

Your planned giving team must learn to cultivate the ideal planned giving prospect and educate them on what planned giving entails. Once donors have committed, focus then must be placed on staying continuously in touch with them.

Why us?
Why now?
What for?

Cultivating the Planned Giving Donor

The cultivation process begins with developing a relationship between the donor and planned giving officer. The officer needs to understand what would encourage a donor or prospect to give, such as a donor's philanthropic priorities or their estate and retirement planning objectives. Active listening will keep the conversation going and help uncover the donor's intent for giving and leaving a legacy.[21] The planned giving officer must be able to identify the donor's financial and philanthropic objectives, and show the impact of each planned gift. The development staff can emphasize the importance of endowment funds and present specific giving opportunities. The focus should be that planned gifts are critical to meeting the future needs of the charity.[22]

Ultimately, the best planned giving prospects are the organization's most loyal constituents. Most often these donors are modest annual fund donors. Demonstrating that they can perpetuate their annual support by making a bequest is the starting point for the cultivation of a planned gift.[23]

Educating the Planned Giving Donor

Make sure the donor understands the meaning and process of a planned gift. It is critical to provide a written description that clearly identifies key assumptions about the gift and its use, and illustrates the mechanics of the gift vehicle. Likewise, in reviewing alternative gift structures, charities should disclose options that would be more beneficial to the donor, even if the arrangement is not as favorable to the

19 Bill Zook, "Gift Annuity Challenges and How to Address Them," PGCalc, October 2013.

20 Regenovich.

21 Michelle L. Glennon and Scott Lumpkin, "Propel Campaign Success with Planned Giving," Proceedings of the National Conference on Planned Giving, April 2014.

22 Sherry Clodman, "10 Steps to Developing a Planned Giving Program," PLANNED GIVING: Making it Happen, Volume 1, 2006.

organization. Ultimately, the planned giving officer must acknowledge that planned gifts are not for everyone. Additionally, your organization must encourage donors to have their own counsel review contracts and agreements. If the donor insists on proceeding without counsel, it might be appropriate to decline the gift.[24]

Neglected donors normally do not complain; they just disappear. By not staying in touch, other charities are able to cultivate them.

Designating the Planned Gift

Increasingly, donors want to direct how their gifts will be used, but restrictions also must be adaptable to the changing needs of the institution. At the onset, the donor and the charity should discuss these restrictions to ensure the gift meets the charity's current needs and provides for future flexibility. As the charity's needs change over time, donors generally are receptive to proposed changes to restrictions.[25] Ideally, the residuum of a charitable gift annuity or its intended recipient is unrestricted and the charity can put the funds to use where they are most needed.

Communicating: The Happy Donor versus the Neglected Donor

Communicating regularly with donors, annuitants and beneficiaries is vital. Neglected donors normally do not complain; they just disappear. By not staying in touch, other charities are able to cultivate them. Donors need to feel special, so remember donors on special occasions such as birthdays, or holidays such as Thanksgiving. One easy way to recognize donors is to create a society that acknowledges a donor's annual or cumulative level of giving. For example, a bequest society can acknowledge donors who have named your charity in their wills; many individuals find comfort in knowing precisely how their estate will be distributed after death. Within the recognition society, levels of giving can be differentiated and named after something unique associated with the charity or a name that connects the charity's heritage to its future.[26] A recognition society serves as a means to create a sense of community and allows the development staff to maintain close contact with donors and recognize them for the level of their gift.[27]

23 Regenovich.

24 Reynolds T. Cafferata, "Avoiding and Responding to Litigation: Advice for the Charity and the Practitioner," Proceedings of the National Conference on Planned Giving, April 2004.

25 Reynolds T. Cafferata, "Should Pledges Be Enforceable? And Other Questions to Ask About Gift Agreements," Journal of Planned Giving, First Quarter 2007.

26 Ibid.

STEP EIGHT: MARKETING PLANS AND MATERIALS

Marketing plans should identify the donor market and map out the content that will promote your charity's mission and engage future donors.

The Market and the Donors

The purpose of the marketing plan is to identify the scope of your charitable organization's donor market and plan how to successfully market to that audience. Typically, donors will be identified as those who have made bequests and/or are consistent annual givers. Next, donors will be segmented by age, affluence and affiliation with the charitable organization. The bottom line: Focus on the donors and the programs they want to support, not the planned giving vehicles.

Planned Giving in Newsletters

The single largest planned giving marketing activity are newsletters solely focused on planned giving. Most charities use newsletters to develop awareness and provide a consistent reminder to prospects about planned giving.

The least expensive and most effective way to reach your entire constituency is through articles and advertising in your organization's other publications. It is critical each publication contains a planned giving message. A more focused annual touchpoint might contain topical content, such as end-of-year tax-planning strategies. And you don't have to pay for print or postage – sending electronic newsletters via email is a popular technique. Additionally, all annual fund mailings should include return forms allowing requests for planned giving information.

Seminars

Educational seminars for donors and prospects can be successful if the seminar focuses on broader topics such as financial planning, estate planning or a "wills clinic" about creating or updating wills and estate plans.[28]

Online Marketing

Online marketing can be an effective way to reach prospective donors. Sending topical articles via email with links to the organization's website can be done on an as-needed basis to share news about the charitable organization. A "Give Now" link and the ability to receive gifts by credit card have increased the potential of soliciting gifts online. A dedicated giving website can contain case studies or stories about donors' planned giving experiences. For a comprehensive website dedicated to promoting planned gifts, an external third-party provider can help manage the site and update as necessary.

Legacy, Founders or Bequest Society: Individuals who have designated the charity in their will.

President's Society: Individuals who have donated more than $X.

The Giving Circle: Donors with recurring monthly donations..

27 Julie Captain, "10 Ways to Promote Planned Giving in a Small Shop," Northwestern Medicine Lake Forest Hospital, July 2016.

28 Brostrom, 100-102.

STEP NINE: NETWORKING WITH PEERS AND ADVISORS

Allied professionals, such as financial planners, CPAs, trust officers and attorneys are valuable resources not only for their expertise but also their connectivity to individuals who have the potential to make meaningful gifts. Leveraging these connections can be a win-win for all involved.

Professional affiliations with local planned giving councils as well as national councils such as the ACGA and the National Association of Charitable Gift Planners are meaningful resources for professionals who have a role in designing and implementing donors' philanthropic plans. Likewise, the investment professionals, administrators and financial custodian providing services to your organization can advise on how to build a solid planned giving program.

There may be times when professional allies can help the charity in different ways. For example, a charitable organization might need to address litigation when it encounters heirs who are not as charitable as the decedent and willing to go to court to challenge a gift. In such situations, the charity should obtain its own outside counsel.

STEP TEN: RECORDKEEPING AND METRICS FOR SUCCESS

The Importance of Confidentiality

All of your organization's records regarding relevant donor information must remain confidential and should not be made public for any purpose unless the donor gives prior consent. It is recommended a statement of confidentiality be signed by the board, development and finance staff, and volunteers who have access to donor records and prospect solicitations. The accessibility to these records should be limited and guidelines established on how to implement the policy on confidentiality.[29]

Keeping Track of Donors and Prospects

Excellent records should include a detailed profile of a donor or prospect, the giving history of the donor, call reports (including in-person meetings and correspondence), an evaluation of interest to determine the level of cultivation and written proposals to the donor or prospect tailored by gift.

29 Lynda L. Sands, "Operation and Administration of the Planned Giving Program," American Institute of Philanthropic Studies at California State University Long Beach, July 2016.

Keeping Track of Funds Raised

Sound recordkeeping practices will inevitably help the development team develop revenue projections. Analyzing past history of planned and deferred gifts helps determine baseline expectations of incoming planned gifts. The data should be arranged into four categories:

- Current planned gifts
- Bequest intentions
- Matured planned gift revenue received, and
- Bequest revenue received [30]

For bequests received, determine how many were received without prior staff knowledge. This statistic might indicate whether your solicitation for bequests should be increased, so you can encourage donors to notify you when your organization is included in their will and the donor can be recognized in a legacy or bequest society.

Most financial data uses information about the average residuum. The ACGA's rates for CGAs have been computed to produce an average residuum of approximately 50% of the amount originally donated under the gift agreement. Most organizations are focused on statistics such as the number of contracts and the original value of the gift. However, keeping track of the residuum is another vital statistical measurement of the success of the program.[31]

Peace of Mind through Auditing

A charitable organization should periodically conduct an audit of its programs that includes:

- Examining policies, procedures and documentation
- Reviewing investment strategy
- Identifying annuities at risk of exhaustion
- Identifying multiple gifts for a single annuitant
- Analyzing annuitant age concentrations
- Evaluating the number of deferred annuities
- Assessing future liabilities versus current market values[32]

Although this audit may be performed internally, it may be worthwhile to engage an outside consultant or, if applicable, the financial institution that manages and administers the program.

30 Scott-Putney.

31 "What is a Gift Annuity?," American Council on Gift Annuities, July 2011.

32 Bill Zook, "Making the Grade: Optimizing Planned Giving performance by understanding and evaluating program elements," PGCalc, 2011.

PUTTING IT ALL TOGETHER

To be successful, the development team must have a solid commitment from the board and senior management. The planned giving officer must listen, find out what prospective donors want and need and show donors how they can achieve their charitable objectives. For some donors, an outright gift will remain the preferred vehicle to support the charitable organization of their choice. Thus, the development team must accept planned gifts are not for everyone.

A well-informed donor and a development team successful in donor cultivation will be able to work together to fulfill the donor's charitable intent, support the charitable organization financially and lead to measurable success of a planned giving program. When staff, senior management and the board understand the planned giving program, everyone can be involved in contributing to its success. And the ultimate measure of a successful planned giving program is when it benefits both the organization and its loyal donors.

Learn More

Northern Trust's Foundation & Institutional Advisors are committed to helping you sustain positive relationships with your donors. We recognize the importance of timely, accurate and highly attentive service.

Foundation & Institutional Advisors combines the expertise and perspective gained through generations of service to affluent families with the investment management and custody infrastructure required by large institutional clients.

To learn more, visit northerntrust.com/FIA.

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