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Conference Proceedings

The 32nd ACGA Conference... A conference on planned giving

April 6-8, 2016. Hyatt Regency St. Louis at the Arch - St. Louis, MO

Presented by the American Council on Gift Annuities

The 32nd American Council on Gift Annuities Conference

… a conference on planned giving

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The American Council on Gift Annuities thanks…

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32nd Conference on Planned Giving

To Our Participants:

Please refer to the conference program for a complete agenda, including room assignments. The program also includes a diagram of the exhibit hall and a list of exhibitors.

The views expressed in the papers presented in this publication are those of the authors and do not necessarily reflect the opinions of ACGA, its staff, or its board members. ACGA does not guarantee the accuracy of the authors' comments, and none of the material in these proceedings should be construed as legal advice. Readers are urged to consult their own legal counsel regarding any information found herein. Permission to reprint an individual paper must be secured from the author of the paper.

Neither ACGA nor the Hyatt Regency St. Louis at the Arch Hotel is responsible for lost or stolen conference proceedings. Replacement cost for the conference proceedings is $60.00.

Welcome

Welcome from the ACGA Lead Co-Chair

Welcome to St. Louis and the 32nd ACGA Conference on Planned Giving - we're glad you're here! Since 1927, the conference has been a quality educational and networking event. Our conference allows representatives from charities and consulting organizations the opportunity to gather together, share expertise, and enjoy the camaraderie.

The 32nd Conference Committee, chaired by Cam Kelly of Duke University, has been hard at work for two years planning all the details of this conference. The Conference Committee has developed the educational program that will serve the needs of each of you, and has spent countless hours recruiting an outstanding faculty of the nation's most well recognized speakers. They have been a hands-on, working committee from start to finish.

Our conference staff has carried out the plans of the Conference Committee with exemplary professionalism. From faculty communications and registration procedures to publications design and menu planning, the conference staff has worked with the committee, the faculty, and the hotel staff to make this the best experience possible for you, our valued attendees.

While in St. Louis, you will find the ACGA Board at work monitoring the educational sessions, collecting food tickets, and greeting our guests. Please take a moment to introduce yourself to any member of the Board. We are eager to meet you and learn about your needs as ACGA moves forward.

Most importantly, each of you has contributed to the success of this conference. We know that you have sacrificed precious time and professional development dollars to be here. We appreciate your confidence in us, and thank you for attending. Please let any member of the conference team – committee members, staff, Board members, hotel staff - know how we may better serve you.

Lindsay L. Lapole, CFRE
ACGA Lead Co-Chair

Welcome from the ACGA Conference Chair

Welcome to St. Louis and the 32nd Conference on Gift Annuities – "Changing Lives, Transforming Communities." We are delighted you are here, and appreciate that you and your organization have made an investment of time and resources in your attendance at our conference. Our year plus of planning has all been with the intention of providing useful professional development and networking opportunities that you can take back to your shop for practical use.

We encourage you to make the most of your time while here: seek out ACGA board members to provide feedback, access information about all of the presentations in the conference proceedings, visit our exhibitors who have made time to be a resource for you, and enjoy meeting other gift planning professionals from all types of charitable organizations.

We value your presence and look forward to meeting you and to hearing from you. Thank you for joining us!

Sincerely,

Cam Kelly
Conference Chair

2016 Board of Directors

The ACGA would like to thank the volunteers and staff that dedicated their time and expertise to making this conference possible.

ACGA Conference Committee

Conference Chair

Cam Morin Kelly, CFA
Senior Assistant Vice President for
Principal Gifts Programs
Duke University

Committee Members

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Planned Parenthood Federation of America, Inc.

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Planned Giving Director
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Rebecca Locke (Ex-Officio)
Executive Director, Gift Planning
American Red Cross

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Tami Brodie, The Association Group, Inc.
Sue Samp, The Association Group, inc.

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Model Standards of Practice for the Charitable Gift Planner

Preamble
The purpose of this statement is to encourage responsible gift planning by urging the adoption of the following Standards of Practice by all individuals who work in the charitable gift planning process, gift planning officers, fund raising consultants, attorneys, accountants, financial planners, life insurance agents and other financial services professionals (collectively referred to hereafter as "Gift Planners"), and by the institutions that these persons represent.

This statement recognizes that the solicitation, planning and administration of a charitable gift is a complex process involving philanthropic, personal, financial, and tax considerations, and often involves professionals from various disciplines whose goals should include working together to structure a gift that achieves a fair and proper balance between the interests of the donor and the purposes of the charitable institution.

I. **Primacy of Philanthropic Motivation** The principal basis for making a charitable gift should be a desire on the part of the donor to support the work of charitable institutions.

II. **Explanation of Tax Implications** Congress has provided tax incentives for charitable giving, and the emphasis in this statement on philanthropic motivation in no way minimizes the necessity and appropriateness of a full and accurate explanation by the Gift Planner of those incentives and their implications.

III. **Full Disclosure** It is essential to the gift planning process that the role and relationships of all parties involved, including how and by whom each is compensated, be fully disclosed to the donor. A Gift Planner shall not act or purport to act as a representative of any charity without the express knowledge and approval of the charity, and shall not, while employed by the charity, act or purport to act as a representative of the donor, without the express consent of both the charity and the donor.

IV. **Compensation** Compensation paid to Gift Planners shall be reasonable and proportionate to the services provided. Payment of finder's fees, commissions or other fees by a donee organization to an independent Gift Planner as a condition for the delivery of a gift is never appropriate. Such payments lead to abusive practices and may violate certain state and federal regulations. Likewise, commission-based compensation for Gift Planners who are employed by a charitable institution is never appropriate.

V. **Competence and Professionalism** The Gift Planner should strive to achieve and maintain a high degree of competence in his or her chosen area, and shall advise donors only in areas in which he or she is professionally qualified. It is a hallmark of professionalism for Gift Planners that they realize when they have reached the limits of their knowledge and expertise, and as a result, should include other professionals in the process. Such relationships should be characterized by courtesy, tact and mutual respect.

VI. **Consultation with Independent Advisers** A Gift Planner acting on behalf of a charity shall in all cases strongly encourage the donor to discuss the proposed gift with competent independent legal and tax advisers of the donor's choice.

VII. **Consultation with Charities** Although Gift Planners frequently and properly counsel donors concerning specific charitable gifts without the prior knowledge or approval of the donee organization, the Gift Planner, in order to insure that the gift will accomplish the donor's objectives, should encourage the donor early in the gift planning process, to discuss the proposed gift with the charity to whom the gift is to be made. In cases where the donor desires anonymity, the Gift Planner shall endeavor, on behalf of the undisclosed donor, to obtain the charity's input in the gift planning process.

VIII. **Description and Representation of Gift** The Gift Planner shall make every effort to assure that the donor receives a full description and an accurate representation of all aspects of any proposed charitable gift plan. The consequences for the charity, the donor and, where applicable, the donor's family, should be apparent, and the assumptions underlying any financial illustrations should be realistic.

IX. **Full Compliance** A Gift Planner shall fully comply with and shall encourage other parties in the gift planning process to fully comply with both the letter and spirit of all applicable federal and state laws and regulations.

X. **Public Trust** Gift Planners shall, in all dealings with donors, institutions and other professionals, act with fairness, honesty, integrity and openness. Except for compensation received for services, the terms of which have been disclosed to the donor, they shall have no vested interest that could result in personal gain.

Adopted and subscribed to by the National Committee on Planned Giving and the American Council on Gift Annuities, May 7, 1991
Revised April 1999.

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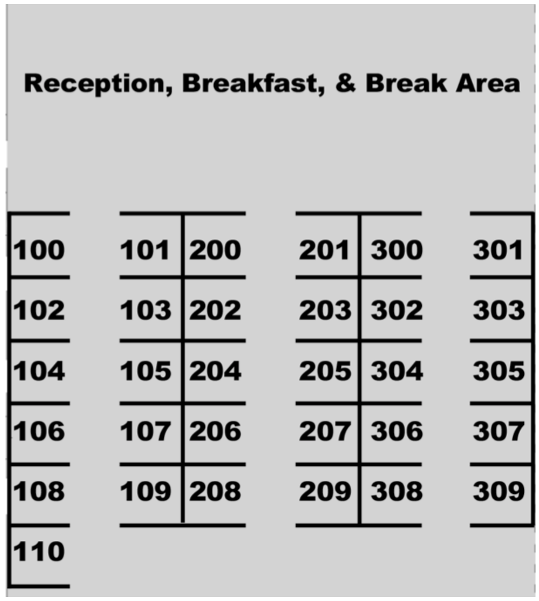
Conference Exhibitors



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About ACGA and the 32nd Conference

Since 1927 the American Council on Gift Annuities (ACGA) and its predecessor, the Committee on Gift Annuities, has promoted responsible philanthropy. Charities and allied professionals have looked to ACGA for actuarially sound gift annuity rate recommendations, advocacy of consumer protection and quality educational opportunities. The ACGA biennial conference is the premier meeting on planned giving, and is the longest-running educational opportunity in the history of the gift planning profession.

The 32nd conference committee has developed a program that addresses the most significant issues in the field today. The agenda of the 32nd conference of the American Council on Gift Annuities will be full of tips and guidelines on how to conduct the business of charitable giving in a legal and forthright manner. The conference is an outstanding opportunity to assist you, as you guide those with whom you work, in the best that charitable gift planning has to offer, both to your donors, their advisors and your organizational leadership.

Three tracks are available to suit your educational needs:

- **Fundamentals (Track I):** From gift annuity basics to marketing issues, this track is designed for those who are newer to the field.
- **Intermediate & Advanced Planned Giving (Track II):** This track is geared toward the more experienced professional with a focus not only on gift planning vehicles, but also gift policy development and improving your planned giving program.
- **Financial, Investment & Administrative Issues (Track III):** Designed to meet the needs of business and finance officers, as well as allied professionals.

Regardless of your level of expertise, the 32nd Conference on Planned Giving is a quality educational opportunity. Thank you for joining us at the beautiful Hyatt Regency St. Louis at the Arch on April 6-8, 2016! Let's get together and begin *"Changing Lives, Transforming Communities."*

Continuing Education

CE forms are included in your registration materials. ACGA does not submit session descriptions to the various state and national regulatory Boards for approval. Individuals filing for continuing education credit are responsible for self-submitting their CE forms, required materials, and attendance to the appropriate continuing education board for credit.

Registration, Proceedings & Conference App Information

Registration Hours

Registration is located on the 4th floor (coat room) near Grand Ballroom A. Signs will be visible from the escalator directing you to the registration desk. This is where you will collect your name badge, personal agenda, and conference materials.

Wednesday, April 6th
10:00am – 8:30pm
Thursday, April 7th
7:30am – 4:30pm
Friday, April 8th
7:30am – 12:00pm

Guest Meals

Guests are welcome to attend the functions listed below. If needed, guest meal tickets can be purchased on site for the prices shown. Please note that children under the age of 18 are not permitted at conference events.

April 6, 2016 Grand Opening Reception 5:30pm - 6:30pm	$45
April 6, 2016 Opening Dinner 6:30pm - 9:00pm	$100
April 7, 2016 Rates Luncheon 11:45am - 1:15pm	$65
April 7, 2016 Arch Reception 4:30pm - 5:45pm	$45
April 8, 2016 Closing Luncheon 11:45am - 1:15pm	$50

Conference App & Electronic Proceedings

The 2016 ACGA Conference app is available for multiple mobile device platforms and contains up-to-the-minute conference information including: session descriptions, speaker bios, speaker presentations and additional handouts, floor plans, exhibitors, sponsors, as well as an electronic copy of our proceedings book. You'll find a separate handout in your attendee bag that has information on how you can download and gain access to this app.

Location Information

Hyatt Regency St. Louis at the Arch
315 Chestnut Street, St. Louis, MO 63102
(314) 655-1234

About the Hyatt Regency St. Louis at the Arch

Experience Hyatt Regency St. Louis at The Arch, which received the Certificate of Excellence and the AAA Four Diamond award. You can expect Hyatt's stylish modern guestrooms to include amenities like 37" flat screen TVs, sumptuous Grand Beds™, iHome stereos with iPod® docking stations, and wireless Internet access. Traveling with family, you'll enjoy the family suites with a king size bed, seating area complete with a sofa bed, connecting double guestroom and two bathrooms. The goal is to ensure that your experience is pleasurable. Traveling with a four-legged companion? This pet-friendly hotel is more than happy to accommodate.

Enjoy the variety of dining outlets, including the world-famous Ruth's Chris Steak House. Prefer a more casual dining experience? Enjoy Red Kitchen & Bar or Brewhouse. If you're on the run, pick up a latte and freshly made pastry at the on-site Starbucks.

Hotel Promotions (For Conference Attendees Only)

- Complimentary Wireless Internet Access

Check-in and Check-out:

Check-in: 3:00 PM
Check-out: 12:00 PM

Location

With so many things to do in St. Louis, you'll never be bored! Hyatt Regency St. Louis at The Arch offers a haven of contemporary style coupled with a convenient location. This hotel is within walking distance of the city's most famous sightseeing attractions, riverboats, major sporting venues, Gateway Arch, and Citygarden.

Airport Transportation

(all rates are subject to change)

- The Hyatt Regency St. Louis at the Arch does not provide shuttle service.
- We have negotiated a special rate for conference attendees with Go Best Express. Visit https://gobestexpress.com/reservations?code=ACGA2016 to reserve an airport shuttle seat using the convention rate ($16 each way, per person). A credit card is required and charged when you book. To receive the discounted rate, reservations MUST be made online using the link above to receive the discounted rate. Standard rates ($22 one way, per person) will apply for walk up reservations.
- Additional transportation suggestions can be found on the Hyatt Regency site here: http://www.stlouisarch.hyatt.com/en/hotel/our-hotel/transportation.html

St. Louis Travel Planning Tips

St. Louis has many attractions for conference attendees and you can plan to arrive early or stay longer to visit cultural gems of the St. Louis area. Some of the local attractions are listed below. Additional information about local area attractions can be found on the St. Louis Convention and Visitors Commission at http://explorestlouis.com/visit-explore/. The Hyatt Regency concierge staff will be happy to assist you once you are checked-in with making arrangements to visit the local area attractions.

- **Gateway Arch** (http://www.gatewayarch.com) is something you can't miss since it is visible from our conference hotel, the Hyatt Regency St. Louis at the Arch. However, make some time to plan a visit to this historic landmark and see what they are working on in the CityArchRiver project (http://www.cityarchriver.org). There are admission fees, so be sure to check out their site for additional information as the CityArchRiver project progresses.
- **Old Courthouse** (http://www.gatewayarch.com/experience/old-courthouse.aspx)
- **City Museum** (http://www.citymuseum.org) "is an eclectic mixture of children's playground, funhouse, surrealistic pavilion, and architectural marvel made out of unique, found objects." There is an admission charge.
- **Ballpark Village** (http://www.stlballparkvillage.com) offers dining and entertainment options within walking distance of the hotel. It also contains the Cardinals Hall of Fame and Museum.
- **Anheuser-Busch Brewery Tours** (http://www.budweisertours.com/locations/st-louis-missouri.html) which offers a complimentary tour with other paid attractions available.
- **Missouri Botanical Garden** (http://www.missouribotanicalgarden.org) also offers paid guided walking and tram tours. There is a charge to visit the gardens.
- **Inside the Economy Museum at the Federal Reserve Bank of St. Louis** (https://www.stlouisfed.org/inside-the-economy-museum) offers a free hands-on experience to look at the economy and your role in it.
- **Forest Park** (http://www.forestparkforever.org) offers many attractions including:
  - **Saint Louis Art Museum** (www.slam.org)
  - **Missouri History Museum** (http://mohistory.org)
  - **The Muny** (outdoor musical theatre) (http://www.muny.org)
  - **Saint Louis Science Center and James S. McDonnell Planetarium** (http://www.slsc.org)
  - **Saint Louis Zoo** (http://www.stlzoo.org)

Emergency Information

ACGA provides you with a medical information form on the back of your badge. Please fill in this information so any medical personnel know how to treat you in the event of a medical emergency.

Emergency Telephone # for Medical is 911
Emergency Internal Telephone Extension for Hotel Security is 55

Nearest Hospital:
St. Louis University Hospital
3635 Vista @ Grand
(314) 577-8000

Urgent Care:
Downtown Urgent Care
916 Olive
(314) 436-9300
M-F: 9am – 6pm

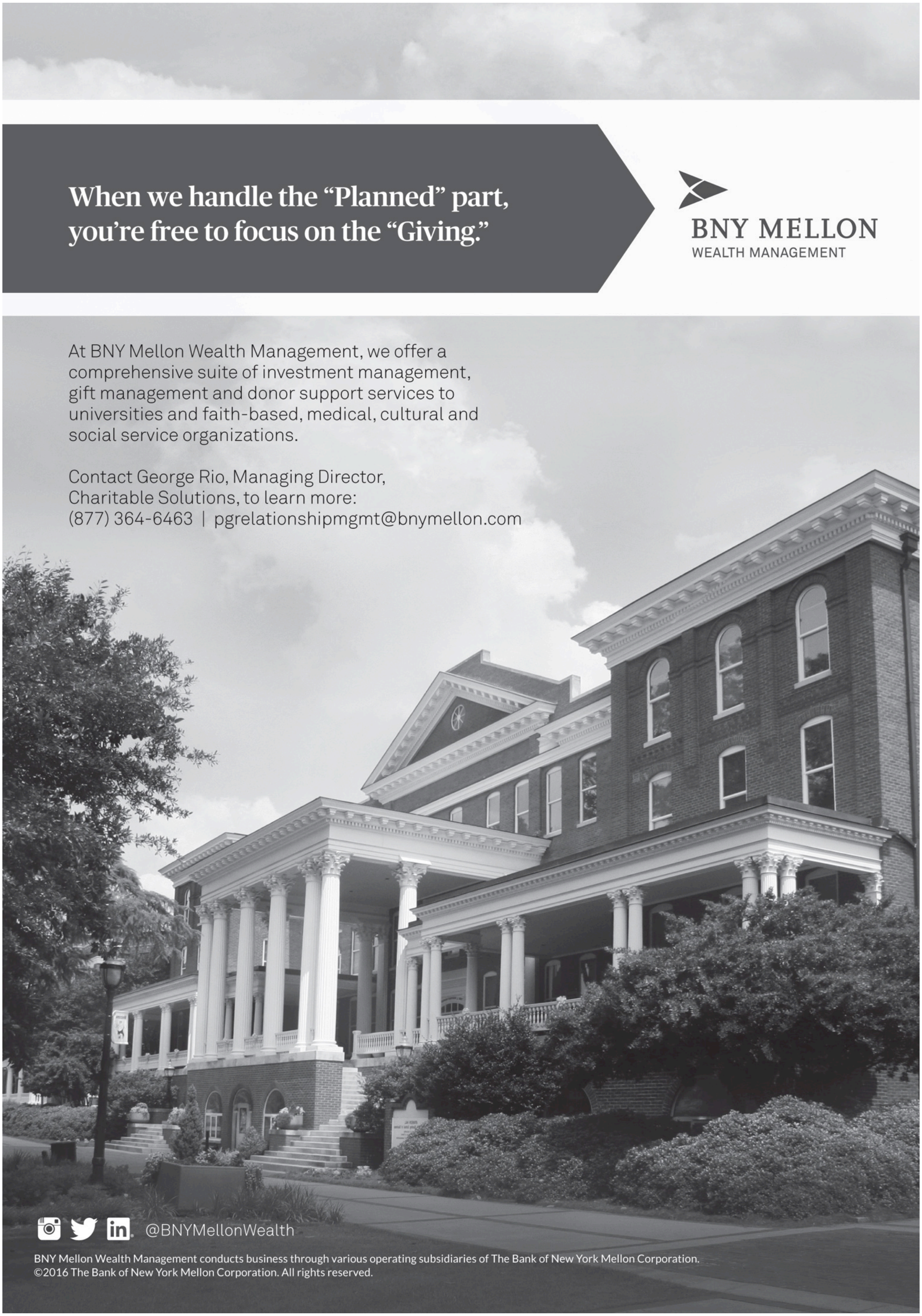
Nearest Drug Stores:
Culinaria
315 N 9th Street
(314) 436-7694
Mon-Fri 7am-7pm, Sat 9am-6pm,
Sun 10am-4pm

Walgreens
4218 Lindell
(314) 371-4286
24 hours

CVS
909 Chestnut Street Ste. #105
(314) 588-0356
M-F 7:30am-5:30pm

Schedule of Events

Wednesday, April 6	
10:00am - 8:30pm	Registration Open *4th Floor*
1:30pm - 3:00pm	Symposium 1: Effective Partnerships Between Planned Giving & Finance *Grand Ballroom E, F, G, H (4th Floor)*
3:30pm - 5:00pm	Symposium 2: Top 20 Questions Asked About Gift Annuities *Grand Ballroom E, F, G, H (4th Floor)*
5:30pm - 6:30pm	Grand Opening Reception *Exhibit Hall (4th Floor)*
6:30pm - 9:00pm	Opening Dinner & Keynote Address *Grand Ballroom E, F, G, H (4th Floor)*
Thursday, April 7	
7:30am - 4:30pm	Registration Open *4th Floor*
7:30am - 8:30am	Continental Breakfast *Exhibit Hall (4th Floor)*
8:30am - 9:45am	Morning Breakout Sessions *See sessions listing for rooms*
9:45am - 10:15am	Refreshment Break *Exhibit Hall (4th Floor)*
10:15am - 11:30am	Morning Breakout Sessions Repeated *See sessions listing for rooms*
11:45am - 1:15pm	Rates Luncheon & Lead Co-Chair's Address *Grand Ballroom E, F, G, H (4th Floor)*
1:30pm - 2:45pm	Afternoon Breakout Sessions *See sessions listing for rooms*
2:45pm - 3:15pm	Refreshment Break *Exhibit Hall (4th Floor)*
3:15pm - 4:30pm	Afternoon Breakout Sessions Repeated *See sessions listing for rooms*
4:30pm - 5:45pm	Arch Reception *Exhibit Hall (4th Floor)*
5:45pm	Enjoy St. Louis on your own!
Friday, April 8	
7:30am - 12:00pm	Registration Open *4th Floor*
7:30am - 8:30am	Continental Breakfast *Exhibit Hall (4th Floor)*
8:30am - 9:45am	Morning Breakout Sessions *See sessions listing for rooms*
9:45am - 10:15am	Refreshment Break *Exhibit Hall (4th Floor)*
10:15am - 11:30am	Morning Breakout Sessions Repeated *See sessions listing for rooms*
11:45am - 1:15pm	Closing Luncheon: What's Working Today and What's Coming Tomorrow: New Results from the Lab and the Latest Demographics in Planned Giving *Grand Ballroom E, F, G, H (4th Floor)*
Conference Adjourns	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Sessions Listing

Wednesday, April 6 Symposia & Keynote (1:30pm - 9:00pm)		
Session	Track	Room
Effective Partnerships Between Planned Giving & Finance Scott Lumpkin, Scott R. Lumpkin & Assoc. LLC & Margaret Henry, University of Denver	Symposium	Grand Ballroom E, F, G, H (4th Floor)
Top 20 Questions Asked About Gift Annuities Frank Minton, Frank Minton Consulting, LLC	Symposium	Grand Ballroom E, F, G, H (4th Floor)
Values-Based Estate Planning Eddie Thompson, FCEP, Ed.D., Thompson & Associates	Keynote	Grand Ballroom E, F, G, H (4th Floor)
Thursday, April 7 Morning Sessions (8:30am - 9:45am & 10:15am - 11:30am)		
Session	Track	Room
Women and Philanthropy: They Have the Wealth. Do You Have the Tools to Reach Them? Claudine A. Donikian, J.D., MBA	Track I, II	Parkview (4th Floor)
Asset Allocation for CGA Reserves David G. Ely, CFA	Track III	Gateway West (18th Floor)
The Role of the Gift Planning Officer in Educating the CFO Catherine K. Gletherow, CPA	Track I, II, III	Sterling 9 (2nd Floor)
Corn, Cellos and Crude: Charitable Gifts of Unusual Assets Robert E. Harding, J.D. & Sheryl G. Morrison, J.D.	Track II, III	Gateway East (18th Floor)
The 2013 Survey on Gift Annuities: Interpreting the Results Barlow T. Mann, J.D.	Track II, III	Regency E (2nd Floor)
The Basics: What a Gift Planning Officer Should Know About Estate Planning Brian Sagrestano, J.D., CFRE®	Track I	Regency F (2nd Floor)
The CRUT: Alpha to Omega: From Creation to Termination Robert Shafis, J.D.	Track I, II	Regency B (2nd Floor)
Gift Planning for Targeted Audiences: Non-traditional Families & Women Kristen Brown Smalley, J.D., LL.M.	Track I, II	Regency A (2nd Floor)
Thursday, April 7 Rates Luncheon (11:45am – 1:15pm)		
Session	Track	Room
Gift Annuity Rates Presentation & ACGA Lead Co-Chair's Address David Libengood, ACGA Rates Committee Chair Lindsay Lapole, ACGA Lead Co-Chair	Track I, II, III	Grand Ballroom E, F, G, H (4th Floor)
Thursday, April 7 Afternoon Sessions (1:30pm - 2:45pm & 3:15pm - 4:30pm)		
Session	Track	Room
Good Stewardship is Great Cultivation Dan T. Garrett, AEP®, CFPTM, HDPTM & Lindsay L. Lapole, CFRE	Track I, II	Regency B (2nd Floor)
Your Career… Karma? Or Choice? James E. Gillespie	Track I, II	Sterling 9 (2nd Floor)
Legislative Roundup Emanuel J. Kallina II, J.D., LL.M.	Track II	Regency F (2nd Floor)
Tricks & Traps Lawrence P. Katzenstein, Esq.	Track II, III	Regency A (2nd Floor)
Charitable Gift Annuities From A to Z Rebecca Locke & Laurie W. Valentine, J.D.	Track I, II	Gateway East (18th Floor)
Meeting State CGA Requirements (Panel) Edith Matulka (moderator) Panelists: Dianne Armstrong, CFRE & Michael J. Valoris, J.D.	Track I, III	Regency E (2nd Floor)
The Young and The Restless Prospect: Gift Planning for Donors Under 60 David P. Novak, J.D.	Track I, II	Parkview (4th Floor)
Growing an Endowment Management Program: Ideas, Successes and Lessons Learned Jack Rich, CFA, CPA	Track III	Gateway West (18th Floor)

Friday, April 8 Morning Sessions (8:30am - 9:45am & 10:15am - 11:30am)		
Session	Track	Room
Dynamic Public Speaking for Nonprofit People Conrad Teitell, Esq.	Track II, III	Gateway West (18th Floor)
Forgotten But Not Gone: Philanthropy Protection Act of 1995 Joseph O. Bull, J.D.	Track I, II, III	Regency B (2nd Floor)
What I Wish I Had Known Pamela Jones Davidson, J.D.	Track I	Regency A (2nd Floor)
Donor Demographics Driving Planned Giving Jackie Franey, CPGS, CAP®	Track I, II	Gateway East (18th Floor)
Ethics Panel Charles B. Gordy II, J.D. (moderator) Panelists: Thomas W. Cullinan, J.D., FCEP & Cynthia Halverson	Track I, II, III	Regency E (2nd Floor)
Charitable Planning with Retirement Accounts Christopher R. Hoyt, J.D.	Track I, II	Parkview (4th Floor)
Still Vital After All These Years: ACGA Rates Suggestions David Libengood (moderator) Panelists: Ron Brown & Jim McPhillips, FSA, EA	Track I, II, III	Sterling 9 (2nd Floor)
Charitable Lead Trusts: Opportunity or Out of Reach? Lisa Newfield, J.D.	Track I, II, III	Regency F (2nd Floor)

Friday, April 8 Closing Luncheon (11:45am – 1:15pm)		
Session	Track	Room
What's Working Today and What's Coming Tomorrow: New Results from the Lab and the Latest Demographics in Planned Giving Russell James, J.D., Ph.D., CFP®, Texas Tech University	Track I, II, III	Grand Ballroom E, F, G, H (4th Floor)

Wednesday, April 6 - Symposia & Keynote

Symposium 1 (1:30pm – 3:00pm)

Effective Partnerships Between Planned Giving & Finance

Scott Lumpkin, Scott R. Lumpkin & Assoc. LLC & Margaret Henry, University of Denver

An active, engaged relationship between the Planned Giving Office and the Finance Office is one of the most important elements of successful planned giving programs. It can impact fundraising results, donor satisfaction, and gift planner productivity. Join University of Denver colleagues Scott Lumpkin and Margaret Henry for an interactive symposium that will give you practical insights and strategies for improving your relationship with your planned giving/finance colleagues. Scott Lumpkin directed DU's gift planning programs for 25 years before serving as vice chancellor of advancement at DU from 2011 to 2015. Margaret Henry is the University of Denver's Controller, a role she has held for more than 25 years. Scott and Margaret's partnership has been key to the development and success of DU's planned giving program.

Scott Lumpkin

Principal

Scott R. Lumpkin & Assoc. LLC

In 2015, Scott Lumpkin concluded an unprecedented 32-year advancement career at the University of Denver. He served as Vice Chancellor of University Advancement from 2011 to 2015, leading the University's comprehensive engagement and fundraising efforts to alumni, parents, and other members of the DU community. Prior to serving as vice chancellor, Scott directed DU's gift planning program for more than twenty-five years. Following his retirement from the University in 2015, Scott has now moved into nonprofit consulting/philanthropic advising.

In his 30-year career at DU, Scott played a significant role in garnering many of the University's largest gifts, reflecting his recognized expertise in charitable gift planning and ability to build strong relationships with alumni and friends of the University. Under his leadership the University successfully completed its $490 million ASCEND Campaign in 2014, coinciding with DU's 150th anniversary. He was also instrumental in DU's previous $273 million campaign that transformed the campus in the 1990s.

Scott is a dual-degree DU alum. He holds a Bachelor of Science in Mathematics and a Masters of Business Administration from the University. All three of his children are also proud DU Pioneers.

Lumpkin is a past board member of the National Committee on Planned Giving (NCPG), now the Partnership for Philanthropic Planning, as well as a founding member and Past President of the Colorado Planned Giving Roundtable. He has directed national research projects focused on planned giving including NCPG's landmark nationwide demographic survey of donors: *Planned Giving in the United States*. He also helped develop NCPG's *Valuation Standards for Planned Gifts* and its *Guidelines for Counting and Reporting Charitable Gifts*.

Margaret Henry

Controller

University of Denver

Margaret Henry has over 30 years' experience in higher education financial management. She has served as the University of Denver's Controller/Assistant Treasurer since 1985. Margaret is responsible for the daily operations of the accounting, budget operations, cash management, and disbursement functions for the University. As Assistant Treasurer, she works with the University Treasurer on managing the University's working capital, endowment investments, and long-term debt.

Prior to joining the University of Denver, Margaret worked in the financial affairs division for Trinity University, San Antonio, TX. She earned a bachelor's degree in business and a master's of business administration from Colorado State University.

Effective Partnerships Between Planned Giving & Finance

2016 American Council on Gift Annuities Conference

Margaret Henry, Controller – University of Denver

Scott Lumpkin, Consultant / Former Vice Chancellor of Advancement - University of Denver

Overview

- Barriers to Planned Giving/Finance Partnerships
- The Root of the Problem
- Keys to Working Together
- The Power of Leverage
- Cultural Collaboration & Innovation
- Potential Partnership Opportunities
- Beyond the Finance Office

Where are we coming from?

- Margaret
  - Controller, University of Denver
  - Business & Financial Affairs at DU
  - Summary of Planned Gift Management, Investment & Administration
- Scott
  - Fundraising Consultant
  - Formerly Vice Chancellor, University of Denver
  - Planned Giving at DU
  - Creating a Culture of Gift Planning

Planned Giving vs Finance

- A vast, unconquerable chasm?
  ... OR a bridge to leverage mutual impact?
  - *Conflict OR Cooperation?*
  - *Acquaintances or Partners?*
  - *Limitation or Leverage?*
  - *Passive or Proactive?*

The Root of the Problem

- Different Languages
  - Finance – Financial statements, managing risk & investment management
  - Planned Giving – Donor intent & impact
- Different Objectives
  - Finance – Balance books and provide accountability to trustees, donors and auditors
  - Planned Giving – Raise $$$'s / Achieve donor objectives
- Different Timeframes
  - Finance – Twelve Months/Fiscal Year
  - Planned Giving – Lifetimes
- Different Professional Standards
- Different Personalities

Why It Matters

- The relationship between Planned Giving and Finance impacts the present and future of the entire organization.
- Planned Giving and Finance need each other to fulfill their responsibilities.
- Without proactive attention, the relationship can devolve into conflict and miscommunication.
- Without an effective partnership, each side will miss important perspectives and opportunities.

Barriers & Challenges

- Uncommitted Leadership
- Historic Lack of Cooperation
- Organizational Silos
- Cultural Divisions
- Uninformed Governing Board
- Auditor Requirements & Demands
- Inflexible Information & Reporting Systems
- Lack of Education about Respective Functions

Understanding Both Sides

- Their primary focus, purpose & motivation
- Their systems, rules and regulations
- Their concerns and issues…what keeps them up
- How and what they communicate
- How they measure success
- Who holds them accountable

Cultural Collaboration & Innovation

- Making collaboration part of the culture.
- Regular interaction to identify issues and discuss opportunities.
- Assigned liaison contacts.
- Joint approach to solving problems, developing procedures and processes, and exploring new initiatives.
- *And…when necessary, agree to disagree.*

Procedures/Systems/Policies

- Gift Planning Procedures and Workflow
  - Real Property & Noncash Gift Assets
- Gift Acceptance Policies
- Gift Agreements
- Endowment Policies & Procedures
- Reconciling Gift Counting & Accounting
- Endowment & Life Income Gift Reporting

Some Opportunities to Consider

- Enhanced Endowment Reporting
- Streamlined Real Estate Gift Acceptance Guidelines
- Life Income Gift Administration & Investing
- Increased Fundraising from Noncash Gifts
- Scholarship Matching Programs
- Integrated, Technology-based Stewardship System
  - Compliance with donor restrictions
  - Department-level accountability
  - Link accounting, development, financial aid, & departments

Special Topic: Endowment Gifts

- Endowment Agreement
  - Draft vs Final Agreement
- Funding
  - Gift Asset Issues & Timing
  - Gift Processing & Reporting
- Investment & Administration
  - UPMIFA (Uniform Prudent Management of Institutional Funds Act)
  - Investment Policy
  - Spending Policy

Special Topic: Endowment Reports

- Who is the Audience? What is the Purpose?
- Activity Summary
  - Beginning & Ending Market Value
  - Additions
  - Gains & Losses
  - Spending Distributions & Purpose
- Investment Summary
  - Performance
  - Portfolio
  - Management

Special Topic: Life Income Gifts

- Completing the Gift
  - Gift Agreement
  - Donor & Beneficiary Information
  - Asset Transfer & Gift Date Issues
  - Tax Receipts & Gift Summary
  - Gift Processing & Reporting
- Administration
  - Payments (with or without cover letter)
  - Annual Tax Forms (1099R / K-1)
- Investment
  - Management & Oversight
  - Investment Policy & Portfolio Allocation

Special Topic: Noncash Gifts

- Examples: Stocks (included restricted), Artwork, Gifts-in-Kind, Equipment, Software…Cars??
- Reviewing Potential Gifts
  - Relevance to Institutional Mission
  - Evaluating Potential Uses
  - Assessing Potential Risks
  - Assessing Marketability
- Managing Expectations (Donors & Institution)
- Determining Value…Is an Appraisal Needed?
- Gift Acceptance & Transfer
- Use and/or Disposition

Special Topic: Real Estate Gifts

- Objective: Increase gifts of real property.
- Solution: Streamlined acceptance procedures.
- Key Steps:
  1. Initial Questionnaire / Property Overview
  2. Decision #1: *Decline / Continue*
  3. Detailed Property Review
  4. Decision #2: *Decline / Conditional Acceptance*
  5. Finalize Gift Purpose & Documentation
  6. Complete Transfer Details & Documents
- Key Element: Committed, experienced team

Special Topic: Estate Distributions

- Stages
  1. Death of Donor
  2. Notification of Charity
  3. Estate Administration
  4. Distribution
- Communicating with Estate Representatives
- Documenting Donor Intent & Restrictions
- When & How to Record Estate Gifts
- Issues with Estate Distributions
  - Legal Fees, Timing, Donor Restrictions

Special Topic: Donor Stewardship

- Understanding & Documenting Donor Intent
- Recording & Communicating Gift Restrictions
- Complying with Donor Intent & Restrictions
- Stewardship Reporting to Donors & Family
- Importance of the Partnership
- Benefits
  - Achieving Donor Objectives
  - Maintaining & Building Strong Donor Relationships
  - Avoiding Misused and Mismanaged Gifts

Beyond the Finance Office

- Facilities/Real Estate
- Financial Aid
- Gift Processing
- Donor Relations & Stewardship
- President's Office
- External Partners
  - Attorneys, Accountants, Financial Planners
  - Sales Professionals (Real Property, Insurance, Art)
  - Valuation Professionals

Gift Accounting versus Counting

- Gift Accounting
  - Focus: Documenting financial transactions
  - Gift Types: Gifts and pledges
  - Method: Discounted for future in/outflows
  - Standards: Financial acctg principles (FASB)
  - Oversight: Board of Trustees, Auditors
- Gift Counting
  - Focus: Gift Reporting / Donor Recognition
  - Gift Types: Irrevocable AND Revocable
  - Method: Face Value / Present Value??
  - CASE Reporting Standards / PPP Guidelines

Reconciling Accounting & Counting

- Reporting Fundraising Numbers
  1. Commitments
  2. Collections
  3. Discounted Gifts & Pledges (FASB)
- *Important Notes*
  - *Commitments include gifts, pledges, and bequests, and are a modified version of CASE (Council for the Advancement and Support of Education) standards for reporting campaign progress.*
  - *Collections include gifts and payments.*
  - *FASB (Financial Accounting Standards Board) totals include gifts and pledges but require discounting of multi-year pledges and other future commitments*

Understanding Gift Types

- Current Use Unrestricted
- Current Use/Temporarily Restricted
  - Department / Program Funds
  - Buildings / Capital
- Permanently Restricted
  - Endowment
- What About Life Income Gifts?

Ideas for Enhancing Partnerships

- Joint participation on committees
  - Process or Policy Development
  - Searches
- Joint participation on system development
- Attend investment committee meetings
- Joint annual review of life income gifts & donors
- Cross-participation at conferences and staff meetings
- Exploring new solutions / enhancements

A Special Word for Gift Planners

- *The burden of translation falls to you...you have to speak in the language of business officers.*
- *Make special effort to understand their concerns and responsibilities, which are more focused on balancing budets and mitigating risks.*
- *Take the initiative to establish regular channels of communication and systems & procedures that help your finance colleagues do their jobs.*
- *Share the stories and impact behind gift transactions with your finance colleagues.*
- *Share credit with them for fundraising successes.*

A Special Word for Business Officers

- *Take the time to learn about how gift planners work and the demands they face as fundraisers.*
- *Acknowledge the distinction between accounting and gift counting, especially for donor reporting and stewardship purposes.*
- *Develop systems to reconcile accounting entries with fundraising totals, and accommodate the nuances of life income gifts.*
- *Become champions for planned giving with senior institutional leaders and board members.*

Appendices

- Gift Accounting/Counting Reconciliation
- Gift Annuity Workflow
- Charitable Remainder Trust Workflow
- Bequest Intention Workflow
- Sample Endowment Report
- Endowed Gift Policies
- Real Estate Acceptance Procedures Summary & Questionnaires

Final Challenge

Remember…you're in this together!

Symposium 2 (3:30pm – 5:00pm)

Top 20 Questions Asked About Gift Annuities
Frank Minton, Frank Minton Consulting, LLC

This session will address commonly asked questions regarding a gift annuity program. Presupposing a general understanding of gift annuities and their application to various donor situations, the session will focus on operational concerns such as assuring the profitability of a program; controlling risk; transferring risk to another institution; deciding between self-insuring, reinsuring, and unbundling gift annuities; developing investment strategies for reserves; handling various kinds of contributed assets; arranging cross-border annuities; adopting realistic policies, dealing with annuities that exhaust reserves, especially when most annuities are for restricted purposes; and terminating or modifying annuity interests.

Frank Minton

President
Frank Minton Consulting, LLC

Frank Minton founded Planned Giving Services, a national consulting firm that was acquired by PG Calc in 2005. Before entering consulting in 1991, he spent over ten years with the University of Washington, where he served as Director of Planned Giving and Executive Director of Development. He has served both as conference chair and board chair of the National Committee on Planned Giving (now the Partnership for Philanthropic Planning) and received its distinguished service award. He is a recognized expert on gift annuities and has served as chair of the American Council on Gift Annuities from which he also received a distinguished service award. He is the principal author of *Charitable Gift Annuities: the Complete Resource Manual,* the co-author of *Planned Giving for Canadians*, and has made many presentations and published numerous articles on gift planning. A number of his presentations have been to Canadian audiences, and his writing and consultation also deal with cross-border charitable gifts. He is on the advisory board of *Planned Giving Today,* and is a member of the Seattle Estate Planning Council, and the Washington Planned Giving Council.

Top 20 Questions Asked About Gift Annuities

American Council on Gift Annuities
32nd ACGA Conference
April 6-8, 2016
St. Louis, Missouri

Presented By:
Frank Minton
Frank Minton, LLC
Phone: 206-365-5154
Email: FDMinton@gmail.com

1. When real estate is contributed for a gift annuity, can the payments be based on the net sales proceeds rather than on the appraised value of the property?

FMV	$500,000
Net Proceeds	427,800
Donor Age	75
Normal annuity rate	5.8%

Is annuity payment
5.8% x 500,000 **OR** 5.8% x 427,800?

How Could Payments Be Based On $427,800

Before accepting the property, charity knows the approximate net proceeds it would receive.

How? Contingent purchase-and-sale agreement or "put" agreement.

Is deduction based on:
5.8% x 427,800 = $24,812, or
4.962% x 500,000 = $24,812?

2. Can there be a "flip" gift annuity, like a "flip" net-income charitable remainder unitrust where payments begin following the sale of donated property?

How a "Flip" Gift Annuity Would Work

- Donor executes a flexible deferred gift annuity agreement.
- Annuitant could start payments on the later of the end of the calendar period following the sale of the property or a specified date.
- Deduction would be the lowest deduction that would result from any start date.

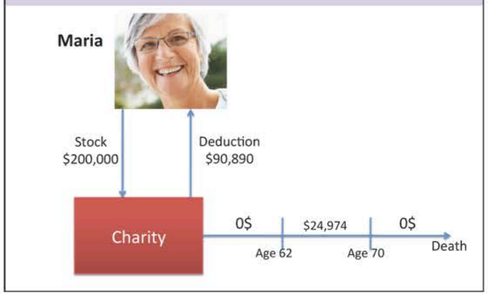
3. Can you establish a gift annuity that will make payments for a term of years rather than for the life of the annuitant(s)?

Gift annuity agreement must provide for life payments, but

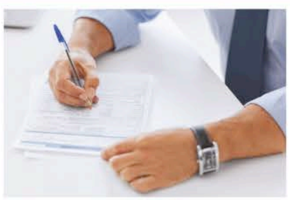
life payments can be exchanged for installments for a period of years. Example: The College Annuity.

Are there other applications?

Example of Maria

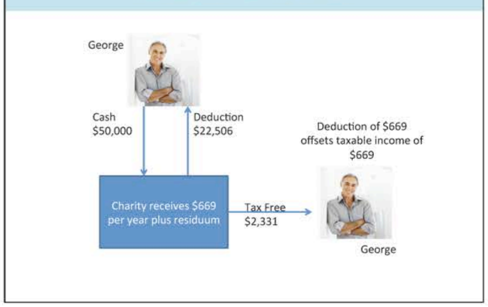


4. Can you structure a gift annuity so that the payments are entirely tax-free?



Taxable Income = 0

Example of George



Summary

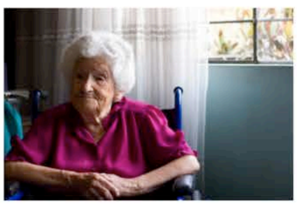
Each year for the duration of life expectancy:

George receives $2,331 tax-free (4.7% of the contribution).

Makes an outright gift of $669.

And in the year of the gift receives a deduction for $22,506.

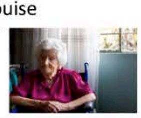
5. A person is thinking of contributing money for a gift annuity so that her remaining assets would be low enough to qualify for Medicaid. Will the annuity affect her eligibility?



Louise

Effect of a Gift Annuity Contribution on Medicaid Eligibility

- Louise contributes $100,000 for a gift annuity.
- Average cost of nursing care in her state is $7,000 per month.
- Contribution could delay eligibility by approximately 14 months ($100,000 ÷ $7,000)
- Would the result be different if Louise purchased a commercial annuity?

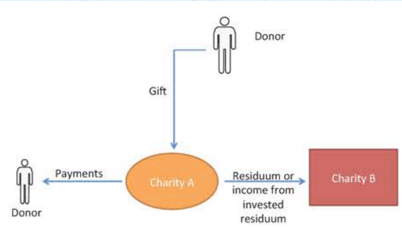


6. What conditions should a charity meet before launching a gift annuity program, and does it have any recourse if it does not meet these conditions?

Preconditions for Launching a Gift Annuity Program

- Well established charity, long-term future
- Financially strong
- 1000+ donors over age 65
- Staff time can be spent as gift annuities.
- Full support of board, who understands risks and rewards
- Would be able to meet state requirements.
- Prepared to make a long-term commitment.

7. Is it possible to establish a gift annuity with Charity A for the benefit of Charity B? If so, how would the arrangement be structured?

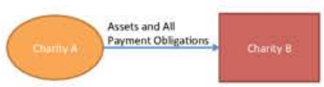


Further Questions About This Arrangement

- How can it be made attractive to charity B? And to charity A?
- What documentation would be necessary for Charity A to make distributions to Charity B?
- Would state regulators have a problem with the arrangement?

8. Can a charity that issues gift annuities assign its existing gift annuities to another charity and thereby offload responsibility for them?

Assignment of Gift Annuities



- In regulated states, permission of the insurance department may be necessary.
- Donors should be notified.
- Donors established their gift annuities for certain purposes at Charity A. How will their intent be honored?

9. Most gift annuity agreements contain language such as the following: "This annuity is non-assignable, except that it may be assigned to the charity." What exactly does this language mean and why is it important?

What if the Gift Annuity Agreement Did Not Limit the Assignment to the Charity?

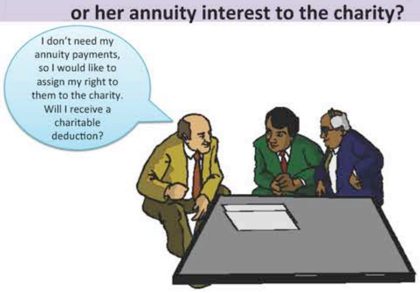
- The donor would have to recognize all of the taxable gain in the year of the gift.
- Language limiting assignment to the charity permits ratable reporting of gain when appreciated property is contributed.

Note: Transferring, or assigning the payment obligation is different from a person's assigning his or her right to payments.

Why a Donor Might Want to Accelerate Recognition of Taxable Gain

- Donor has large capital loss that could offset taxable gain.
- Donor would be unable to use all charitable deduction without increasing adjusted gross income.
- Personal residence is contributed and exemption would eliminate taxable gain.

10. How do you determine the amount of the charitable deduction when an annuitant assigns his or her annuity interest to the charity?



Determining the Deduction

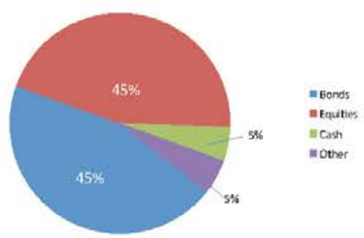
Original Contribution	**$100,000**
Current Actuarial Value of life payments	62,000
Unreturned Capital	51,000
Charitable Deduction	51,000
Value of Gift	62,000

11. What is the recommended policy regarding the expenditure of gift annuity contributions for charitable purposes?

Expenditure Options

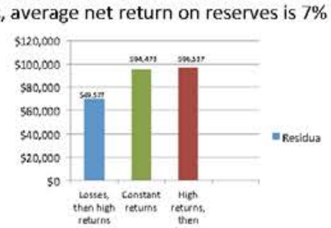
- Self-insured, unrestricted
  - Do Fund accounting, distribute residuum.
  - No fund accounting, distribute remaining liability.
  - No fund accounting, periodically distribute dividend.
- Self-insured, restricted
  - Do fund accounting, distribute residuum.
  - Recourse when reserves for an annuity are exhausted
- Reinsured
  - Distribute whatever remains after paying premium.

12. Is there a recommended asset allocation for investment of gift annuity reserves?



How timing of Returns Affects Residua

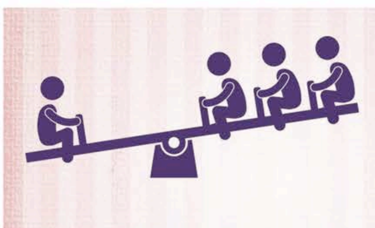
Female, Age 83, contributes $100,000, lives 10 years, average net return on reserves is 7%



General Investment Guidelines

- The asset allocation should be more conservative than for endowed funds.
- Investing too much in fixed-income investments and cash equivalents can lead to more rapid erosion and possibly exhaustion of reserves.

13. What is the maximum percentage of total gift annuity reserves that should be associated with any one annuity? For example, if a charity has in reserve $2 million for 50 gift annuities, should it accept $1 million for a single gift annuity?



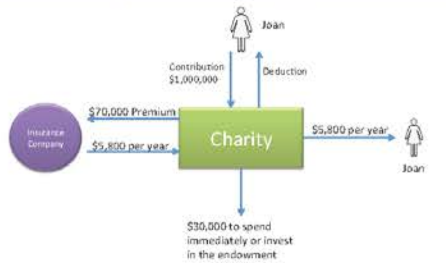
What To Do When a Very Large Contribution is Offered for a Gift Annuity

- Decline the gift. (Leaves money on the table.)

- Offer a lower rate. (Turns off the donor.)

- Reinsure part of risk. (No gift is too large.)

14. What are the advantages and disadvantages of reinsuring gift annuities?



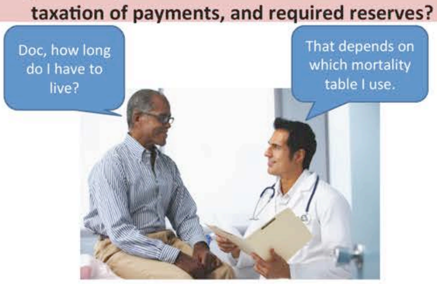
Advantages of Reinsurance

- Minimizes risk to the charity.
- Dollars available for current needs.
- Donors reassured if charity is not financially strong.
- Relieves charity of reserve requirements in most states.

Disadvantages of Reinsurance

- In most instances, financial benefit to charity smaller than with self-insurance.
- Makes marketing more difficult because of complexity.
- Donors may be disappointed to learn that the actual gift is only 30% or so of the contribution.

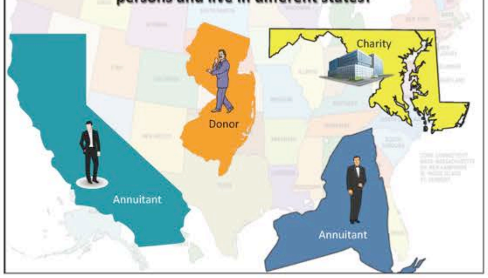
15. What mortality tables are used in determining gift annuity rates, the charitable deduction, the taxation of payments, and required reserves?



Mortality Tables That Did or Now Affect Gift Annuities

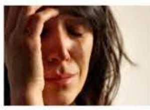
- Table 2000CM – used to determine charitable deduction.
- Return Multiple Table – used to determine taxation of annuity payments.
- Annuity 2000 Table – Formerly used for determining state reserve requirements and gift annuity rates.
- IAM Period Table – Static table like Annuity 2000 table, but updated.
- IAR Table – Dynamic table that will be used for state reserve requirements and gift annuity rates.

16. Is a charity required to comply with the regulations of all states where donors are situated? And what are the compliance requirements when the donor and annuitant are different persons and live in different states?



17. Can you use retirement funds, such as an IRA, 401(k), or 403(b), to fund a gift annuity now?

Charitable IRA Rollover for outright gifts now permanent!

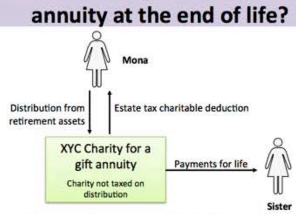


But Rollover for gift annuities not yet law.

What Can Be Done Now?

- Work for legislation expanding Rollover to include gift annuities and charitable remainder trusts.
- Make a withdrawal from an IRA or other retirement plan, withhold enough to cover taxes, contribute the balance.
- Divide IRA into two IRAs. Make charity beneficiary of one and withdraw from it each year the same amount as would have been received from a gift annuity.

18. Can you use an IRA or other retirement plan, such as a 401(k) or 403(b) to fund a gift annuity at the end of life?



- Payments equal distribution multiplied by applicable rate.
- Annuitant fully taxed on payments.
- Procedure

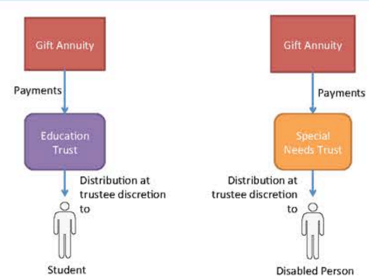
Appeals To Donors Who

- Want to provide the security of fixed payments to a survivor.
- Want to relieve the survivor of investment responsibilities.
- Want an alternative in case Congress eliminates stretch-out IRA for non-spousal beneficiaries.
- Want to make a charitable gift.

19. Can a gift annuity be funded with assets in a trust, and can annuity payments be made to a trust?

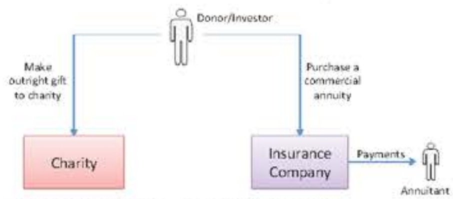
All of our money and securities are in our living trust. Can we make the gift from our trust and have payments made to it?

Payments to Other Types of Trusts



20. I have heard of an arrangement whereby a charity can offer gift annuities to donors without being at financial risk and without having to comply with state regulations. How does this work?

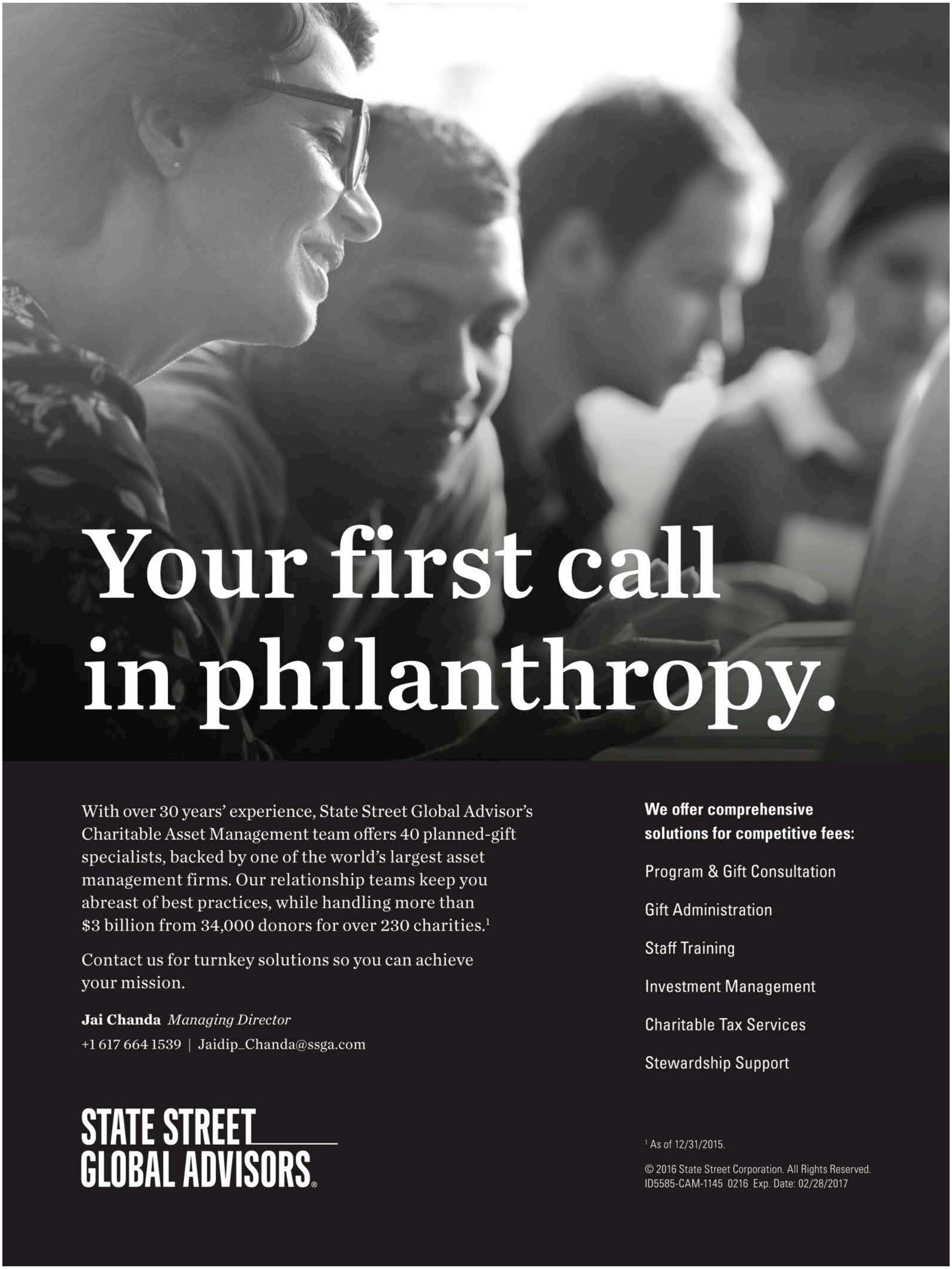
Unbundled Gift Annuity



Payments are the same as they would have been if the donor had contributed the entire amount for a self-insured gift annuity.

Advantages and Disadvantages of Unbundled Gift Annuity

- Advantages
  - No financial risk to charity.
  - No compliance with state regulation of gift annuities.
  - Current dollars for charitable use.
- Disadvantages
  - Not a gift annuity and should not be marketed as such.
  - Benefit to charity probably greater with a self-insured gift annuity.
  - Funding the transaction with appreciated property causes up-front taxation of substantial portion of capital gain.
  - Donor may decide to eliminate or reduce the gift.


Your first call in philanthropy.
With over 30 years' experience, State Street Global Advisor's Charitable Asset Management team offers 40 planned-gift specialists, backed by one of the world's largest asset management firms. Our relationship teams keep you abreast of best practices, while handling more than $3 billion from 34,000 donors for over 230 charities.[1]
Contact us for turnkey solutions so you can achieve your mission.
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Stewardship Support
[1] As of 12/31/2015.
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ID5585-CAM-1145 0216 Exp. Date: 02/28/2017

Keynote Dinner Address (8:00pm – 9:00pm)

Values-Based Estate Planning
Eddie Thompson, FCEP, Ed.D., Thompson & Associates

This presentation will suggest ways to integrate estate gifts to charity as part of the estate planning process. We will examine current trends in charitable estate planning as well as the types of donors who make these amazing gifts. We will review the three important questions donors ask and answer before they make an estate gift to charity and discover how these questions impact the planning process. A number of estate plans will be reviewed to reveal the results of an integrated planning process.

Eddie Thompson, FCEP, Ed.D.

Founder and CEO
Thompson & Associates

Dr. Eddie Thompson founded Thompson & Associates. As CEO he provides leadership and direction to over 30 seasoned charitable estate planners with Thompson & Associates. He has planned thousands of estates, which has generated well over three billion dollars to charity during his thirty plus years working with nonprofits.

In 1983 Eddie obtained his Doctor of Education in Higher Education Administration from Vanderbilt University. His doctoral dissertation was on successful fund raising methods. His academic achievements include two MA degrees and a BA and Associate of Fine Arts.

Eddie speaks to organizations from coast to coast on successful fundraising techniques, nonprofit management and charitable estate planning. He was recognized by the National Society of Fund Raising Executives as a Certified Fund Raising Executive from 1986 to 1996.

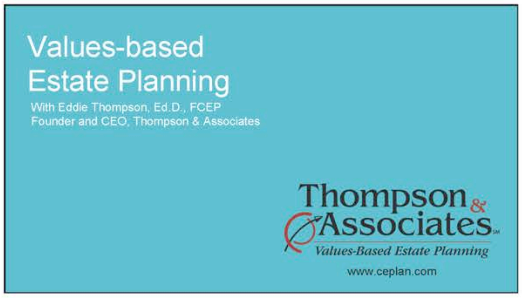
Eddie began his career at David Lipscomb University where he served as Vice President of Institutional Advancement, Assistant to the President, and Director of Planned Giving. His career advanced to The EAR Foundation, an international nonprofit, where he served as Chief Executive Officer. He has garnered many honors during his distinguished career.

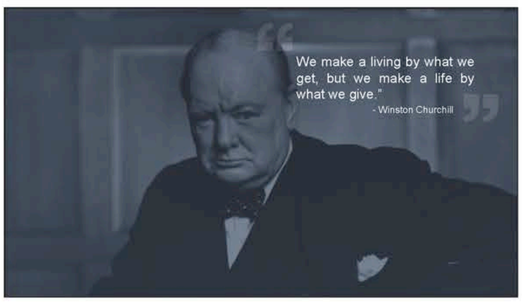
He was selected by Freed Hardeman University as its 2000 Outstanding Alumnus of the Year. In 1992 he was selected as a Kellogg Foundation Board Trainer assigned to Special Olympics International; *International Directory of Distinguished Leadership* 1988; *Who's Who in American Education* 1992; *Personalities of America*, 6th edition; and *2000 Notable American Men*, 2nd edition.

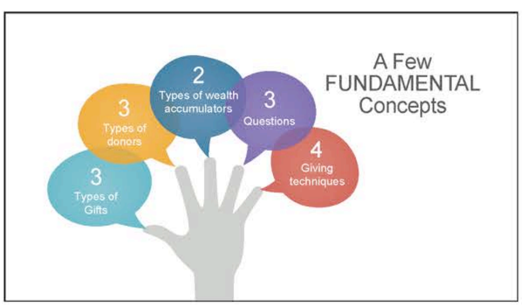
In March 2013, Eddie was appointed to Partnership for Philanthropic Planning's Leadership Institute.

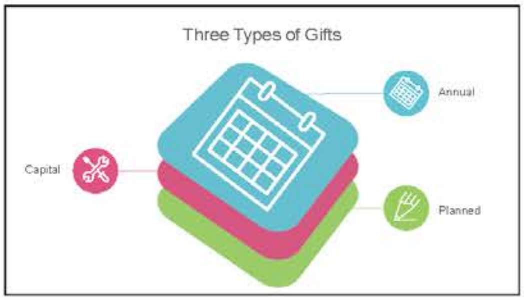
He has served as a member of the Board of Directors of four nonprofits: Institute of Board Certification, The Barnabas Foundation, African Christian School, and The Ronald McDonald House Charities of Nashville. He is also a member of the Middle Tennessee chapter of Partnership for Philanthropic Planning.

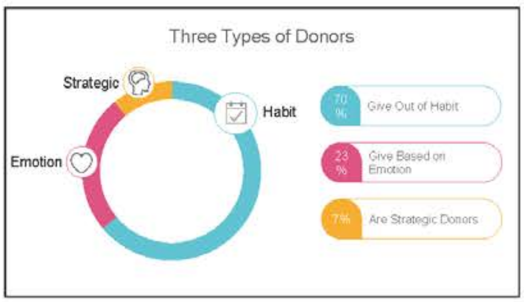
A native of Florida, Eddie and Sheryl have made Nashville their home. Eddie and his family are involved in many community organizations and their church. He is a very active pilot with both Land and Seaplane ratings.

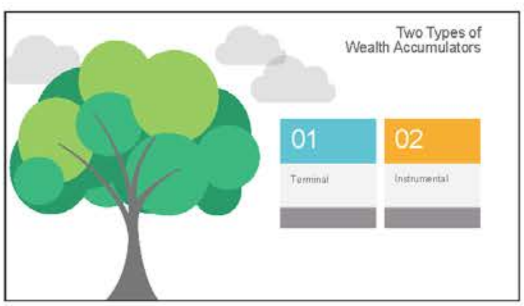

Values-based
Estate Planning
With Eddie Thompson, Ed.D., FCEP
Founder and CEO, Thompson & Associates
Thompson & Associates
Values-Based Estate Planning
www.ceplan.com


We make a living by what we get, but we make a life by what we give."
- Winston Churchill


A Few
FUNDAMENTAL
Concepts
3
Types of donors
2
Types of wealth accumulators
3
Questions
4
Giving techniques
3
Types of Gifts

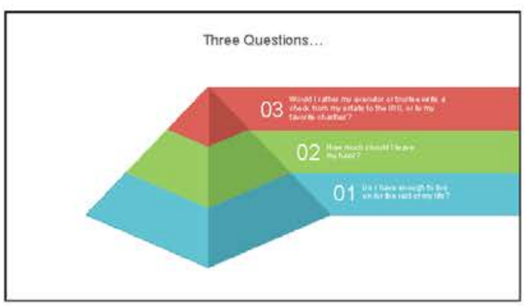

Three Types of Gifts
Annual
Capital
Planned


Three Types of Donors
Strategic
Habit
Emotion
70 % Give Out of Habit
23 % Give Based on Emotion
7% Are Strategic Donors


Two Types of Wealth Accumulators
01
Terminal
02
Instrumental


Where Are Charities Looking For Gifts?
Annual
Discretionary Income
Planned
Net Worth


Three Questions…
… that must be answered for, and by, clients who are strategic donors!!!


Three Questions…
03
02
01

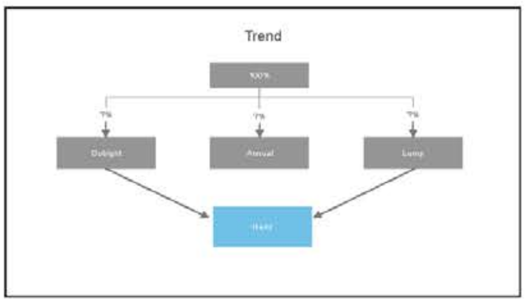

Crisis Giving (or, Tactical Giving)
Crisis Aversion
Resulting Gift

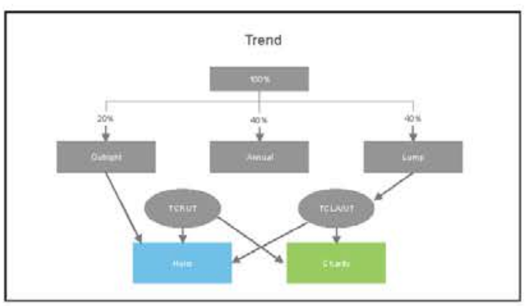

Future-oriented
Resulting Gift
Visionary Giving (or, Strategic Giving)

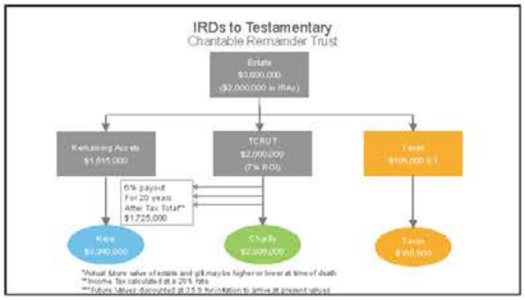

Tactical vs Strategic Gifts
Tactical Gifts
Strategic Gifts
Present/past-oriented
To avoid failure
Crisis-oriented
Reactive response
Immediate impact
Solve single problem
Direct impact
Smaller investment
Lower efficiency
Saves the day
Receives annual donor award
Future-oriented
To advance strategic objectives
Vision-oriented
Proactive planning
Long-term impact
Fix system/structure
Indirect, residual impact
Largest investment
High efficiency
Makes history
Creates personal legacy
This is not to suggest that one type of giving is better than the other, because both are essential.

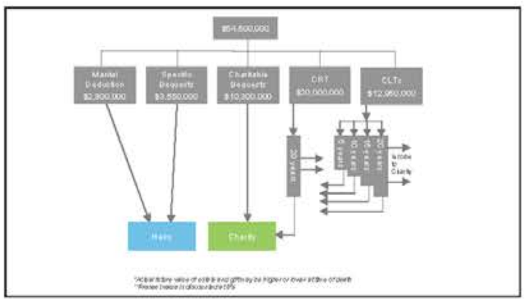
hyper-agency

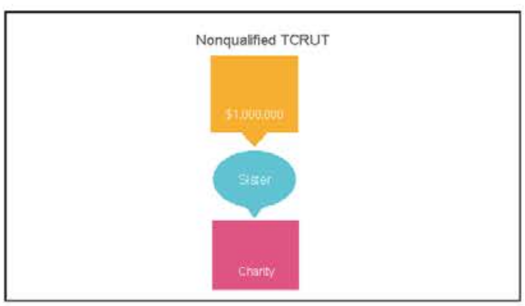
- High-capacity donors are more likely to be strategic thinkers
- Dr. Paul Schervish uses the term "hyper-agency" to describe the perspective of wealthy donors
- Crisis appeals will eventually undermine charitable estate planning






IRDs to Testamentary
Charitable Remainder Trust
Estate
TCRUT
$2,000,000
(7% ROI)
6% payout
For 20 years
After Tax Total**
$1,725,000
Charity


Marital Deduction
$2,900,000
Specific Bequests
$3,550,000
Charitable Bequests
$10,300,000
CRT
$20,000,000
CLTs
$12,950,000
20 years
Income to Charity
Heirs
Charity


Nonqualified TCRUT
$1,000,000
Sister
Charity

6


Why Do They Give?
01
To change someone's life
02
To give back
03
To join in a noble effort
04
To remember


Questions?

Thursday, April 7   Morning Sessions

(8:30am - 9:45am & 10:15am - 11:30am)

Women and Philanthropy: They Have the Wealth. Do You Have the Tools to Reach Them? .....(Track I, II)
Claudine A. Donikian, J.D., MBA

The unequivocal truth is that women are changing the face of philanthropy. More and more philanthropic decisions are being made by women, who now control more than half the wealth in the United States—with that percentage projected to rise dramatically over the next several decades. At the same time, exciting new research shows that women are more philanthropic than men and that women donors think and act differently than their male counterparts. Women tend to get much more involved in a cause and are much more likely to want to work with other women when making philanthropic decisions. In this session, we will explore this research and look at communication strategies through a marketing lens for connecting with women donors.

Claudine A. Donikian, J.D., MBA

President & CEO
Pentera, Inc.

Claudine A. Donikian, JD, MBA, is the president, chief executive officer, and chief marketing officer of Pentera, Inc., and is regarded as one of the foremost experts in planned giving marketing. She is a frequent speaker on the national planned giving and AFP circuits and writes and conducts training modules for Pentera training seminars. As Pentera's chief marketing officer, she is the editor-in-chief for Pentera's corporate marketing content as well as client marketing content and personally consults with a select group of Pentera's clients on their marketing strategy and execution. Claudine's professional area of interest is women in philanthropy, and she serves as a member of the Advisory Council for the prestigious Women's Philanthropy Institute at the Indiana University Lilly Family School of Philanthropy and as a member of the board of directors of the Partnership for Philanthropic Planning (PPP).

Claudine oversees all aspects of Pentera's business and marketing strategies, as well as new-product development, with an emphasis on digital marketing, and she recently served on the Direct Marketing Association's Digital Innovation Committee. Under her leadership, the interactive department and client base has increased by 500 percent.

Claudine graduated Phi Beta Kappa and with highest distinction from Indiana University, received an MA in French from New York University, and holds a JD and an MBA from Boston College. She serves on the board of directors of the Philanthropic Planning Group of Greater New York in Manhattan (PPGGNY), the Massachusetts Children's Trust Fund (a child abuse prevention agency), and the Brookview House (which provides housing for homeless women and children). She is an active member of PPP, PGGNE, and PPGGNY. Fluent in French, Claudine has also taught French for colleges, corporations, and adult education centers, where she was regarded as one of the top motivating teachers.

Women in Philanthropy: They Have the Wealth.

Do You Have the Tools You Need to Work with Them?

Good News for Women and Charities

The news for nonprofits about women donors is very, very good:

1. Wealth is moving into the hands of women at an unprecedented rate.
2. Women are more charitable than men.

The impact on philanthropy is clear: More and more philanthropic decisions are being made by women, and that trend will continue unabated. At the same time, new research proves that women make their philanthropic decisions differently than men. Thus it behooves charities to fully understand how best to work with women donors.

Featuring:

- 3 Key Ways That Women Donors Are Different from Men
- 7 Strategies for Working 1-on-1 with Women Donors

This paper:

- Explains the reasons for the historic wealth transfer to women.
- Documents the generosity of women.
- Analyzes how women philanthropists think differently.
- Presents seven strategies for working with women donors.

This analysis is the product of decades of Pentera helping clients work with women donors, plus a review of the latest research on women in philanthropy. Much of that new research has been conducted by the Women's Philanthropy Institute (WPI) of the Lilly Family School of Philanthropy at Indiana University, and Pentera President & CEO Claudine A. Donikian serves on the advisory council to the WPI.

I. Wealth Is Moving into the Hands of Women at an Ever-Increasing Rate

A confluence of factors—some of them achievements by women and some pure demographics—has created an historic wealth transfer to women that has recently begun and is predicted to accelerate for the next several decades. Women now control more than half of the wealth in the United States—and experts say the percentage could be two-thirds or more by 2030. There are two fundamental reasons:

- Women are earning more.
- Women are inheriting more.

A. Earnings by women are skyrocketing

Despite the ongoing wage disparity—equal pay for equal work is still not a reality, with women's pay hovering for the past several years at about 77 percent of men's pay—American women are making more money than ever before. The number of wealthy U.S. women has grown at a rate almost twice that of men.

One reason is the explosion of women-owned businesses, which represent the fastest-growing segment of the economy, increasing 59 percent since 1997 and now generating more than $1.3 trillion per year.

Another reason is an increasing number of women joining professions such as doctor, lawyer, and business executive. Women now make up about half of the students in medical schools, law schools, business schools, and all Ph.D. programs, and about 60 percent of college undergraduates are women. One indication of the astonishing social change is the 700 percent increase in medical school graduates:

Medical School Graduates	
Date	**Percent Women**
1966	6.9%
2012	47.8%
Source: Association of American Medical Colleges 2012	

B. Inheritances to women are on the rise

More single women

Pure demographics about women are a significant part of the reason for women inheriting more:

- There are more women than men in the United States.
- Women live longer than men (an estimated 3-7 years on the average, depending on the generation and the source of the data).
- Women are living longer than ever before.

According to 2010 U.S. Census data, women are more and more likely to be widowed as they age, from a likelihood of 6 percent for those aged 55-59 to 73 percent for those aged 85 and over.

American Widowhood	
Age of Woman	**Percent Widowed**
55-59	6.2%
60-64	10.4%
65-74	21.9%
75-84	46.1%
85 and over	73.1%
Source: U.S. Census Bureau 2010	

In addition to demographics, societal factors have led to more divorced women and more women who never marry. So overall there are many more single women than ever before—almost half of American female adults today. And many of them will be inheriting from their parents.

Many women are not only single, but in 2010 more than 17 million of them lived alone—not with unmarried partners, parents, children, siblings, friends, or in retirement communities. At the younger ages more men live alone, but as women age an ever-increasing percentage live alone. Among those over 75, more than 5 million women live alone, which is more than triple the 1.6 million men of that age who live alone. Here are statistics from the 2010 census:

Percent Living Alone by Age and Sex		
Age	**Male**	**Female**
15-24	3.6%	3.4%
25-34	11.4%	8.2%
35-44	9.7%	5.6%
45-64	18.5%	18.1%
65-74	19.3%	30.8%
75+	26.2%	47.7%
Source: U.S. Census Bureau 2010		

More money inherited

Another key factor is that more money is being inherited, and that is predicted to continue increasing. The average value of an inheritance (even when adjusted for inflation) increased by about $90,000 between 1989 and 2007, the most recent year for which numbers from the Bureau of Labor Statistics are available.

While the dollar totals of inheritances are already up, the number of inheritances soon will begin trending upward—with an explosion of bequests from Baby Boomers on the horizon. Most charitable bequests come from those in their eighties, and currently there are fewer people in that age range because of low birth rates during the Great Depression. While there were fewer than 2.5 million live births in the U.S. each year from 1932-1939, births from 1954-1964 were over 4 million per year. Beginning in 2020 and continuing through 2044 there will be an ever-increasing number of Americans entering their 80s—and passing on their inheritances in a veritable charitable boom.

II. Women Are More Charitable Than Men

The best way to accurately analyze the differences in charitable behavior between men and women is to eliminate married couples and just look at households that are led by single women and single men. The Women's Philanthropy Institute at IU did just that in two recent studies, both using data from the University of Michigan's massive Philanthropy Panel Study that has been following the same 8,000 households since 1968. The WPI studies titled *Women Give 2010* and *Women Give 2012* concluded unequivocally that women are more charitable:

- Female-headed households were more likely to give to charity than were male-headed households across all five income categories analyzed in *Women Give 2010*.
- In terms of dollar amounts given, women gave more than men in four of the five income categories.
- In *Women Give 2012*'s study of Baby Boomer and older women, they also were found to be more likely to give to charity, and to give more than their male counterparts.
- According to the *Chronicle of Philanthropy*, women self-made millionaires give an average of 7 percent of their annual income to charity—three times the national average.

"Gender matters in philanthropy," concluded the WPI in Women Give 2010. "Women at all income levels have the desire and capacity for giving, and do give to charity."

Women have been found to be more charitable than men even though there are factors that might be expected to influence them to be less so: Women have less money in retirement, live longer, tend to be more conservative with their investments, and are much more likely to be single in their old age. That means they are giving to charity a significantly higher percentage of what they have available.

III. 3 Key Ways That Women Donors Are Different from Men

New research in the last few years makes it clear that women donors think and act differently from their male counterparts. Not surprisingly, the key with women donors is to be "relational"—which includes establishing a meaningful working relationship with her but also means helping her deepen her connections to your cause, to the values behind your cause, and ultimately to your organization.

While there has been much anecdotal evidence from planned giving professionals about the desire of women philanthropists to establish deep connections, until recently there has been very little academic research on women donors. *The 2011 Study of High Net Worth Women's Philanthropy* conducted by the IU Lilly Family School of Philanthropy provides the most recent and most comprehensive look at the differences between women and men donors in philanthropic motivation and behavior. Key statistically significant findings from it and other recent studies lead to three key conclusions:

1. Women donors are less likely to be loyal to organizations and instead want to know more about impact when making philanthropic decisions.

- High net worth men are significantly more likely to annually support the same organizations and causes, while high net worth women are more likely to stop supporting a charity they had supported the year before.
- Women are more likely than men to spread their charitable giving among a greater number of charities.
- A significantly higher percentage of high net worth women than men said that the No. 1 reason to give is the belief that the "gift can make a difference." Women tend to be more concerned with "transformational philanthropy"— foundational change that helps solve a problem rather than focusing on correcting its effects.
- Women are more influenced by an organization's communication about its impact, and are more likely to expect communication about organization effectiveness.
- Women are more likely than men to stop supporting an organization because they have "decided to support other causes." Men who decide to stop their support are more likely than women to say that they were solicited too frequently or were asked for an inappropriate amount.

2. Women donors care more about personal experience with an organization when making philanthropic decisions.

- Personal experience is defined in the high net worth study as volunteering for an organization or actually receiving services from that organization. While both high net worth men and women rated this as the No. 1 factor influencing them when deciding which specific organizations to support, it was more important to women by a statistically significant margin of nine percentage points (82 percent to 73 percent).
- More American women than men volunteer at all socioeconomic levels; in the high net worth study, 86 percent of the women volunteered to 78 percent of men.
- Those who volunteer more tend to give more to charity, according to the high net worth study and other studies of Americans at all income levels.

3. Women are more likely to use formal networks when making philanthropic decisions, and give more when they do.

- More than half of all "giving circles"—which have exploded in popularity in the past decade—are women only.
- Women's giving networks are amazingly successful and without equivalent among males:
  - United Way Leadership Councils now number more than 55,000 women in 143 communities and have raised more than $1 billion.
  - The Women Donors Network is made up of women who create "donor circles" to address specific issues and each give at least $25,000 a year—totaling almost $200 million annually.
  - The Women's Funding Network, begun in 1985 as a pioneer of the movement, includes more than 160 organizations that give in total more than $65 million annually and have assets of more than half a billion dollars.
  - Women Moving Millions includes 196 donors who each have pledged at least $1 million—totaling more than $288 million.
  - The Women's Collective Giving Grantmakers Network is made up of 38 groups with 8,000 members who have awarded more than $57 million.
  - The Tiffany Circle of the American Red Cross, made up of women who give at least $10,000 each, raised more than $33 million in its first five years.
- Many nonprofits, particularly universities, have formed their own women's philanthropy councils to gather together women donors and prospective donors so they can work together.
- High net worth women who are in a philanthropic network are more likely to be motivated to "give back to the community" than women who are not in a network. A 2009 study of giving circles—with 83 percent female membership—found that those in networks gave significantly more to charity than did a control group that were not in networks.

IV. 7 Strategies for Working 1-on-1 with Women Donors

Traditional fundraising approaches have been geared to male giving patterns, such as campaigns with distinct deadlines and specific dollar goals. While that still can be effective, additional strategies have been shown to resonate with women—who want personal involvement and relationship and who want to hear real stories as well as meaningful statistics.

"Women tend to get much more involved in a cause than the typical male donor," Claudine Donikian explained. "A woman wants to know more, wants to do more, wants to feel more. She cares about the numbers showing the efficiency of the charity, but the numbers by themselves are not enough."

That difference necessitates marketing materials and strategies specific to women. As Pentera's chief marketing officer in addition to president and CEO, Ms. Donikian is the editor-in-chief for marketing content and oversees the development of content designed for the woman donor. She also personally consults with a select group of Pentera's clients on their marketing strategy as it applies to women.

Serving on the Advisory Council for the Women's Philanthropy Institute means that Ms. Donikian is closely connected to the latest research and to other experts in the field. The advisory council convenes periodically for in-depth discussion and analysis about gender-related philanthropy issues. Council members include many of the top women marketing experts from the business, education, and nonprofit communities.

"I'm honored to be advising the world's foremost institute designed to increase the understanding of women's philanthropy," Ms. Donikian said.

These seven strategies for working 1-on-1 with women donors are derived from Pentera's expertise and are all directly supported by the new research about women philanthropists.

1. Capitalize on personal experience

Since an overwhelming 82 percent of high net worth women say that personal experience with an organization is the No. 1 factor influencing which charitable organizations to support, look for donors among those women who have had personal experiences with your organization. And highly promote your volunteer opportunities to prospective donors.

You likely already know something about how a particular woman donor is connected: She's an alum of your university, a close relative of hers was a patient at your medical facility, she has donated to your nonprofit for several years in a row, or she's a volunteer for your organization.

In addition to direct connections to your organization, listen for connections to your mission.

What to have with you to help your response:

- Your mission statement and evidence of how you fulfill it.

2. Focus on what she cares about

Since "making a difference" is the overriding concern of most women philanthropists, find out how she would like to make the world a better place. What are her top values, such as helping others and giving back, and her top causes, such as education, health care, and helping children. Then connect them to the mission of your organization.

Emphasize your mission more than her loyalty. A history of donating to your organization resonates more with male donors; with women you need to be prepared to show why she should keep donating. That ties back to your mission and how you are accomplishing it.

What to have with you to help your response:

- Program descriptions that help make the connection to causes and values.
- Be ready to specifically explain what a gift of a certain amount could accomplish through your organization. How would it truly make a difference?

3. Demonstrate your impact and efficiency

Besides a personal connection or a connection to family or friends, the two factors that most influence women when selecting specific charities are:

- Knowledge about the organization.
- Information about efficiency and impact.

Be ready to present statistics on the positive impact to those served and on financial efficiency.

What to have with you to help your response:

- Written information about financial efficiency.
- Written information about the impact of your programs.

4. Share real stories from your organization

Have ready at least two program stories and at least two women donor stories. These should be in detail: Ways in which your organization has helped individuals and groups of people, preferably with pictures accompanying your story. And two women donors with names and faces.

Her enthusiasm about your program successes gives some indication of what she thinks of your organization. Her response about the type of gifts given by other donors may help you with specific gift plans.

What to have with you to help your response:

- Detailed stories about clients helped and about other women donors, including the specific types of gifts given.

5. Offer to connect her with other philanthropic women

The research shows that women who network give more. The networking could be 1-on-1 or in a group; it's best if you can offer both and then gauge her response to see if one might be preferable.

If you have already presented some donor stories to her, then be ready to connect her with those donors. If your organization has a women's philanthropy council, then make that connection. If you don't, then look for local women's giving circles, possibly through your community foundation. If you are supported by the United Way, they have women's leadership councils.

What to have with you to help your response:

- Contact information for women donors to your organization who will talk 1-on-1.
- Contact information for networks that support your organization.

6. Discuss volunteering when appropriate

Many women donors are in particular drawn to committees and boards that have a creative element in their mandate. Her comments about current or past volunteer work will let you know whether it is appropriate to present volunteer opportunities with your organization and/or ask her to take a position of leadership—which could be as simple as serving as a role model by allowing a donor story to be written about her. An interim step would be to ask her to come see a program in action.

What to have with you to help your response:

- A detailed list of volunteer activities for your organization, from actually working with those you serve to a position on your board—and everything in between.
- Information about women in positions of leadership in your organization, both volunteers and employees.
- Actual volunteer application forms.

7. Educate, persuade, and empower regarding gift options

You can spark interest and engage women with the social proof provided by stories of other donors, but women definitely will want to understand the various options for gifts. Once they become the protagonist of the story to be written about themselves and start imagining the gift they might make, they will want to understand the ins and outs of planned gifts. Not only that, but if an outright gift is not possible, they certainly might want to make a bequest or a CGA depending on their circumstances.

Pentera's marketing strategy is to educate potential protagonists about the options so they can figure out which one might work for them. We develop content and marketing strategies that help the prospective donor realize that there are other giving options (education), imagine themselves as the protagonist of the gift (persuasion), and then choose the right gift (empowerment).

What to have with you to help your response:

- Examples of different types of gifts to your organization and how they have been structured.
- Examples of your organization's marketing materials.

Advice and materials about marketing planned giving to women are available from Pentera. Contact us today!

Contact Us Today
8650 Commerce Park Place, Suite G
Indianapolis, Indiana 46268
phone: (317) 875-0910
e-mail: info@pentera.com
www.pentera.com

Asset Allocation for CGA Reserves.. (Track III)
David G. Ely, CFA

In this session, we will explore investing the gift annuity assets. We will study various topics including setting the strategic asset allocation for the pool as well as looking at the regulatory implications, which affect the strategic asset allocation. We will also discuss recent advances in Liability Driven Investments and the opportunity to introduce those advances into gift annuity assets.

David G. Ely, CFA

Senior Private Client Investment Advisor
Wilmington Trust

David Ely, CFA is a Senior Private Client Investment Advisor and is responsible for developing customized investment portfolios for his clients based on their unique parameters for risk, return, liquidity, and other factors. After taking the time to listen to his client's objectives and to understand any tax, legal, and personal considerations, David then structures a well-diversified portfolio in keeping with each client's asset allocation program. David continually monitors and periodically rebalances his clients' portfolios to meet their evolving needs and to take advantage of new investment opportunities.

Prior to joining Wilmington Trust, David was a Vice President of State Street Global Advisors and a Senior Portfolio Manager in the firm's Investment Solutions Group. He was responsible for developing and implementing tactical and strategic multi-asset class solutions for institutional clients. David was the Investment Team Leader for the portfolio management team dedicated to SSGA's Charitable Asset Management (CAM) where he was responsible for setting asset allocation strategy and managing charitable gift portfolios for all CAM clients. Prior to joining State Street in 1999, David worked for Salomon Smith Barney's Private Client Group.

David earned his bachelor's degree in Economics from the University of North Carolina at Chapel Hill, and his masters degree in Finance at Northeastern University. He holds the Chartered Financial Analyst designation and is a member of the Boston Security Analysts Society, as well as the CFA Institute. David is also a Board member of the American Council on Gift Annuities.

Managing Gift Annuity Reserves

David G. Ely, CFA
Senior Investment Advisor
Wilmington Trust, N.A.

When considering the management of charitable gift annuity (CGA) reserves, there are several considerations that must be made. While on its surface, the question of how to manage the CGA assets would seem to be remarkably easy and one of pure asset allocation. The New York State Insurance Department, for example, applies the Prudent Investor Standard to gift annuity reserves. There are however, many non-investment variables that must be taken into account when managing gift annuity assets. The complexity of non-investment issues vary from the relatively straightforward, such as social screening, to the more complex issues such as beneficiary concentration with a donor who has extended lift expectancy and whose residuum is designated to fund a special project at a specified dollar threshold.

Understanding the basics of a gift annuity

The setting of investment policy for a CGA pool should start with an understanding of the basics of a gift annuity. The American Council on Gift Annuities (ACGA) suggests a set of payout rates that are designed to return a 50% residuum to the issuing charity. The ACGA uses customized mortality assumptions that take into account the extended life expectancy that many charitable annuity beneficiaries experience relative to the general population. The ACGA assumes a 1% administration/investment management fee. It is assumed that all of the donor's initial gift goes into the CGA pool to support the payments to annuitants.

Perhaps the most challenging input to the suggested payout rate calculation is the return assumption. The ACGA uses a relatively straightforward asset allocation when determining a growth rate for CGA assets. The asset allocation model is set at 40% equity, 55% yield on 10-year US Treasury bonds, and 5% cash. The equity return assumption is 8% and the other two rates of return are based on observations from the fixed income markets. The ACGA's calculated return assumption as of December 31st, 2015 is 4.25%. The ACGA uses this allocation as it believes the 40% equity/55% fixed income/5% cash allocation used in the derivation of its rate schedule is a reasonable allocation that is achievable by virtually all charities. In the past, investment restrictions in states such as California made a 40% equity allocation difficult or impossible, depending upon the mix of contracts in a particular charity's program.

Charities often assume that the ACGA's payout rate model is the recommended asset allocation for a charity's CGA reserves. However, this is merely an allocation that the ACGA assumes that most charities can attain depending on the investment restrictions in their particular state. It is critically important that charities and their investment advisors select an asset allocation that is appropriate for the unique circumstances and preferences of the institution and its gift annuity program. For some institutions, it might be appropriate to invest the gift annuity assets more aggressively while other institutions it can be equally appropriate to invest in a more conservative allocation.

Determining asset allocation

Charities should consider the following factors in selecting an asset allocation for a charity's gift annuity assets:

- The desired expected investment return and associated targeted residuum
- The risk tolerance of the institution
- The desired variability in the asset to liability ratio
- The effective payout rate of the program
- The ability to deposit funds to bring reserve accounts up to state required minimums
- The availability of liquid unrestricted assets to make payments on any contracts that might run out of money
- The value of the existing pool of gift annuity assets and the dollar amounts of annuity payments that must be made pursuant to those contracts
- The expertise of its staff or advisors to create, access, and manage well-diversified investment portfolios at reasonable costs
- Whether most gift annuity contracts have unrestricted or restricted gift purposes
- The existence of an institutional assessment against each annuity to build a reserve for making payments on contracts that run out of money

While not intended to be an exhaustive list, this does account for many of the factors that should be considered when thinking about how to invest CGA assets.

For many institutions who issue gift annuities, the liability and assets of the gift annuity pools are relatively small compared to the overall unrestricted assets of the institution. In those types of cases, institutions will generally adopt investment philosophies and allocations similar to endowment assets. However, endowments with significant exposure to private markets, hedge funds, or other illiquid holdings generally favor more liquid holdings in their CGA pools.

For institutions with smaller endowments and relatively larger gift annuity reserves, it may make sense for an organization to be more conservative in the gift annuity pool. Institutions may decide that it makes sense to reinsure the larger or more at-risk contracts. Reinsurance decisions can be made on a case by case basis rather than having to make a decision on the CGA pool as a whole. Reinsurance is typically done by buying a commercial annuity that matches the payout for a specific beneficiary.

In conclusion, gift annuity reserves can be invested in a variety of different manners and while many institutions invest their CGA assets in a similar manner, there is no one single solution. Each organization must consider their own circumstances when thinking about how to invest the assets given to them. Ongoing monitoring and evaluation is also important as new gifts are brought into the pool and older gifts mature.

accounting, or other professional advice since such advice always requires consideration of individual circumstances. If professional advice is needed, the services of a professional advisor should be sought.

The information in this document has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

The Role of the Gift Planning Officer in Educating the CFO .... (Track I, II, III)
Catherine K. Gletherow, CPA

We as gift planners have a responsibility to educate our colleagues on the potential benefits and risks of various gift planning vehicles, as well as developments within the field including tax law changes, recommended rates for annuities, the Philanthropy Protection Act, etc. This is particularly true for the relationship between the gift planning office and the chief financial officer. A good relationship can be the key to the long-term health of gift planning programs and the institutions they serve. Catherine will cover issues to consider and speak about her own experience from her early days as a new development officer through the present time.

Catherine K. Gletherow, CPA

Senior Philanthropic Advisor, Director of Gift Planning
Oberlin College

Catherine Klima Gletherow is a CPA and holds a BS in accounting and an MBA from Cleveland State University. Her early career was spent as a tax accountant for regional public accounting firms where she worked with closely held business owners on personal and business accounting and tax issues. She switched to the nonprofit sector when she moved to Boulder, Colorado, and worked as the development director for a disability rights agency. Catherine has been with Oberlin College's development and alumni affairs office since 1998 and serves on its senior management team. She has been Director of Gift Planning since 2005 and Senior Philanthropic Advisor since 2013. Her specialty is deferred giving via estate planning, charitable trusts and charitable gift annuities, and she also advises donors in complex gift arrangements, both outright and deferred. Catherine has served as a board member for the ACGA since 2013.

The Role of the Gift Planning Officer in Educating the CFO

Catherine Klima Gletherow, CPA
April 2016

Many Possible Combinations of Gift Planners and CFOs

- New gift planners
- Seasoned gift planners
- New CFO
- Seasoned CFO

Objectives of this Conversation

- Talk about the importance of education
- Refining our approach with the CFO
- Consider information and topics of greatest importance to cover

Importance of Education

- Colleagues in development
- CFO and other finance staff

Importance of Education - Development Colleagues

- Divisional colleagues – create an educational partnership
- PG colleagues – all have an educational responsibility
- Ideas for training
  - Gift Acceptance Policy
  - Proposals for complex gifts
  - Discuss complex gift issues with all staff
  - Internal "dummy email"
  - Programmatic reports and annual impact on endowment

Importance of Education - CFO

- Program visibility can be low
- Program impact and justification
- Program complexity

Importance of Education – What is Our Role?

- Create a partnership with our Finance colleagues to support our shared mission
- Ensure that they have the information they need to make informed decisions:
  - Proposed gifts
  - Investment management
  - Risk management

Refine Our Approach

- Recognize the competition for the CFO's attention
- Reframe the conversation to focus on the CFO's needs
- Consider recruiting partners in the educational process

Competition for attention

- Many constituents are competing for time and resources
- Each feels his/her program, project etc. is the most important
- Typical approach is to focus on our needs

Reframe to focus on CFO's needs

- Focus on a CFO's daily concerns – what causes a loss of sleep?
  - Shortfalls
  - Negative news and calls to revoke 501c3 status
- What has Finance asked for in the past?
  - Projection of current unrestricted bequest dollars
  - Long term planning information
  - Risk reduction

Recruit partners to enhance credibility

- Development Chief
- Trustees
- Other Finance or Business office staff

Topics for CFO Conversations

- Budgeting and Planning
- Impact of Gift Planning on the bottom line
- Risk Management
- Responsibilities of the charitable organization
- Developments in the field of philanthropy in general, and gift planning in particular

Budgeting and Planning

- Short term cash projections (18 months)
  - Bequest distributions in process and expectations for timing
  - Life income gift terminations
  - Include information regarding restrictions
- Long term cash projections (2 -10 or more years)
  - Bequest intention aging report
  - Life income gift aging report

Impact of Gift Planning on Bottom Line

- Current work produces items which go into the pipeline for the future
  - New life income gifts
  - New estate intention revelations
- Past work is the work which impacts the institution today
  - Estate distributions
  - Life income gift terminations
- Sample reports
  - Current fiscal year reporting
  - Historical activity and impact report

Risk Management

- Overview of protections offered by gift acceptance policy
- Life Income Gifts:
  - Gift annuities
  - Charitable trusts
- Estate gifts
- Complex assets - Real estate gifts

Risk Management – GAP Protections

Overview of protections offered by gift acceptance policy

- Low risk – no formal approval – cash and marketable securities
- Moderate risk – must fit within GAP framework to avoid formal approval process – many but not all life income gifts
- Higher risk – require approval by gift acceptance committee – real estate gifts, high concentrations of longevity or investment risk

Risk Management – Life Income Gifts

- Gift annuities
  - Reasons for compliance with ACGA rates – risk reduction
  - Risk Categories – Regulatory, Investment, Longevity
- Charitable trusts
  - Many flavors - CRATs CRUTs CLATs CLUTs
  - Risk to the institution
  - Risk to the donor

Risk Management – Estate Gifts

- Risks usually low unless decedent directly titles assets to institution
- Issues which impact amounts distributed to organization
  - Fees – double dipping, excessive, etc.
  - Sales of real and tangible assets – quick sales without maximizing revenue
  - Custodial foot dragging on distributions to named beneficiaries

Risk Management – Complex Assets

Real estate is most commonly encountered

- Title - how the asset is titled determines holder of any liability associated with property ownership
- Carrying costs – Taxes, Insurance, Association dues, Repairs, Maintenance
- Liquidity
- Donor expectations regarding sale price

Responsibilities of the Charitable Organization

- Investment management of the Planned Giving endowment
- Regulatory compliance
- Reporting to the IRS and donors

Developments in the Field

- Tax and law changes – state and federal
- IRA rollovers
- Changes in suggested gift annuity rates
- Market performance impact on giving

Corn, Cellos and Crude: Charitable Gifts of Unusual Assets..(Track II, III)
Robert E. Harding, J.D. & Sheryl G. Morrison, J.D.

Donors and charitable institutions usually prefer gifts of cash and publicly traded securities. Both are easy to transfer and value, and publicly traded securities are easy to convert to cash. But institutions that focus only on these types of gifts may be missing out.

An unusual asset, such as a painting or stored crops, may be the donor's first choice for a gift to charity. Some donors may not have substantial publicly traded securities or cash to give. A donor's most highly appreciated asset may not be a publicly traded security. A particular asset, such as a painting, may be the most appropriate asset if the gift will go to a particular type of institution, such as an art museum.

We will discuss funding of outright gifts and CRTs with unusual assets that charities and their development officers encounter from time to time. Our list will include farm commodities and machinery, livestock, artwork, valuable musical instruments, coin collections and mineral interests. We will discuss what issues an institution should address in deciding whether to accept a gift of one of these assets. This session will also cover the sometimes unusual tax consequences of outright and CRT gifts of these kinds. Finally, we will discuss appropriate (and inappropriate) ways of converting gifts of these assets to cash.

Robert E. Harding, J.D.

Principal
Gray Plant Mooty

Bob Harding has 32 years of practice in the area of charitable development. He represents colleges, universities, churches, health care organizations, social service agencies, arts organizations, and other nonprofit entities in planning, implementing, and administering charitable gifts. Bob chairs the firm's Charitable Development Team. He is a regular speaker at regional conferences on planned giving.

Sheryl G. Morrison, J.D.

Principal
Gray Plant Mooty

For more than 25 years, Sheryl Morrison has focused her practice in the areas of estate and wealth planning, transfer tax strategies, business succession planning, estate and trust administration, creation and administration of charitable trusts and nonprofit organizations, and guardianships and conservatorships. She helps clients accomplish their objectives for management, protection, and preservation of their wealth through strategies which minimize taxes and promote effective ongoing family management of assets, including wills, revocable trusts, testamentary and inter vivos irrevocable trusts, generation-skipping trusts, charitable trusts, and other charitable gift entities, gifts and sales to grantor trusts, GRATs and QPRTs, family partnerships, and other business entities. Her experience enables her to advise clients about the many issues affecting the administration and operation of their trusts, estates, partnerships, and other business entities, including the unique business succession planning issues and strategies for business owners. Sheryl's practice also focuses on philanthropy planning through creating, qualification, and operation and administration of nonprofit and tax-exempt entities, as well as counseling higher education institutions, health care organizations, and other charities about their charitable gift acquisition programs and administration practices.

Presentation Handout

CORN, CELLOS AND CRUDE:
Charitable Gifts of Unusual Assets

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32nd ACGA Conference on Planned Giving
April 7, 2016

CORN, CELLOS AND CRUDE:

Charitable Gifts of Unusual Assets

I. Expand Your Universe

A. Charitable Gifts of Assets Other Than Cash and Publicly Traded Securities May be More Attractive for Some Donors

B. Today's Format

1. Outright gifts, CRTS, CGAs
2. Gift acceptance policy
3. Tax issues
4. Implementation and administration
5. Disposition of gift asset

II. Issues Raised by Gifts of Unusual Assets – Overview

A. Gift Acceptance Policy – Factors to Consider

1. Ease of valuation
2. Administration and protection of gift asset
3. Unrelated business taxable income ("UBTI")

B. Tax Issues

1. Donor's income tax deduction
2. Prearranged sale
3. UBTI
4. Self-dealing
5. Carrying costs

C. Implementation

1. Method of transfer
2. CRT structure

3. Valuation of CRUT assets

D. Disposition of Gift Property

III. Outright Gifts of Farm Assets (Crops, Animals and Machinery)

A. Gift Acceptance Policies

1. Ease of valuation
2. Administration and protection of gift asset
3. UBTI

B. Tax Issues

1. Income tax deduction
2. Prearranged sale
3. UBTI

C. Implementation

D. Disposition of Gift Asset

IV. Farm Assets at Retirement – the Tax Bite

A. The Sole Proprietor

1. Crops
2. Machinery
3. Self-employment tax

B. The Year of Retirement – Deferral of Income

V. Funding a CRUT with Farm Assets

A. CRUT Funded with Crops

1. Avoid prearranged sale
2. Income tax deduction
3. UBTI
4. CGA as alternative

B. CRUT Funded with Animals

1. Prearranged sale concern

2. CGA as alternative

C. Machinery

1. Avoid prearranged sale

2. UBTI

3. Income tax deduction

4. Encumbered machinery

5. Leasing the machinery until a sale occurs

6. CGA as alternative

D. Implementation Issues for CRUTs Funded with Crops and/or Machinery

1. Transfer of title

2. Covering trust expenses

    a. Insurance

    b. Forward contracts – cost of delivery

    c. Trust administration expenses

E. The Donor as the Initial Trustee

1. Handover of trusteeship

2. Valuation of assets

F. Sales to "Disqualified Persons" are Prohibited

VI. Valuable Musical Instruments

A. Gift Acceptance Policy

1. Related vs. unrelated use

2. Expertise regarding sale

B. Tax Issues

1. Income tax deduction
2. Prearranged sale
3. UBTI

C. Implementation

D. Disposition of Instrument

E. CGA as Alternative

VII. Artwork and Other Tangible Personal Property Collections

A. Gift Acceptance Policy

1. Related vs. unrelated use
2. Expertise

B. Administration and Protection of the Art

1. Storage, maintenance and insurance
2. The gift that eats

C. Tax Issues

1. Income tax deduction
2. Prearranged sale
3. UBTI
4. Special rules for fractional interests in tangible personal property
5. Partial interests

D. Implementation Issues for Artwork and Collectibles

1. Transfer of title – deed of gift
2. Valuation
3. Provenance

E. Funding a CRUT with Artwork

1. Deferral or elimination of gain
2. Covering expenses
3. Valuation and payments
4. The donor as the initial trustee

F. CGA as Alternative

VIII. The Question of Krugerrands

A. Gift Acceptance Policy

B. Tax Issues

1. Tangible or currency?
2. Prearranged sale
3. UBTI

C. Implementation Issues for Coins and Related Collectibles

1. Transfer of title – deed of gift
2. Ease of valuation

D. Funding a CRUT with Coins and Gold

1. Deferral or elimination of gain
2. Covering expenses
3. Valuation and payments
4. The Donor as the initial trustee

IX. Mineral Interests

A. General Property Law Considerations for Mineral Interests

1. Severability of mineral rights
2. Royalty rights

3. Producing vs. non-producing interests

4. Depleting resource

B. Gift Acceptance Policy Considerations

1. Valuation

2. Administration and protection

C. Tax Issues

1. Income tax deduction

2. UBTI

3. Prearranged sales

D. Funding a CRT with Mineral Interests

1. Payments

2. Valuation

3. Income taxes and UBTI

4. Income vs. principal

E. CGA as Alternative

F. Implementation Issues

This handout is based on the law in effect on the date it was completed: January 15, 2016. It is only a summary of the subject matter it addresses, and it is intended to provide information of a general nature only. It should not be construed as a comprehensive treatment or as legal advice or legal opinion on any specified facts or circumstances. Readers are urged to consult with an attorney concerning their own situations and any specific legal questions they may have.

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The 2013 Survey on Gift Annuities: Interpreting the Results ....(Track II, III)
Barlow T. Mann, J.D.

Periodically the American Council on Gift Annuities undertakes a gargantuan project, the National Survey of Charitable Gift Annuities. The resulting report provides the most in depth and current information available on the state of the oldest and most popular gift plan. This session will filter through the results and provide a summary of the highlights of the most recent ACGA Survey of Charitable Gift Annuities and provide an interpretation of the findings to assist gift planners in understanding who gift annuity donors are, the assets used to fund their gift annuities, their underlying motivations, and issues related to timing and form of gift annuity agreements that are most popular with donors today. Elements of this presentation could serve as an executive briefing for your staff and management team.

Barlow T. Mann, J.D.

Chief Operating Officer
Sharpe Group

Barlow T. Mann, J.D., is chief operating officer for The Sharpe Group. He was formerly director of development for the University of Tennessee Center for Health Sciences, where he was responsible for current, deferred, and capital giving for the colleges of medicine, pharmacy, dentistry, nursing and allied health. In this capacity he also coordinated resource development projects with the Crippled Children's Hospital Foundation and the University of Tennessee Bowld Hospital.

Previously, he served as director of planned giving at the University of Memphis. Barlow is a member of the American and Tennessee Bar Associations. He has authored many articles on planned giving for publications such as "*Fund Raising Management*" and "*Trust and Estates Magazine*" and is a frequent speaker on the subject.

Barlow's undergraduate degree is from Tulane University, and he earned his J.D. degree from the University of Memphis, School of Law.

SHARPE GROUP®

The ACGA Survey on Gift Annuities … Interpreting the Results

Presented at the 32nd American Council on Gift Annuities Conference
April 7, 2016

Barlow T. Mann, J.D.
Sharpe Group COO

Washington | Atlanta | Memphis | San Francisco
www.SHARPEnet.com

2013 SURVEY OF CHARITABLE GIFT ANNUITIES

Latest in a long line of periodic survey and reports by ACGA.

- 1994
- 1999
- 2004
- 2009
- 2013

Provide a fascinating treasure trove of data and documents over 20 years of charitable gift annuities activity

SHARPE

Special thanks to the ACGA research committee

Ronald A. Brown
Catherine Gletherow
Edith E. Matulka
John Pierce
Cam Morin Kelly
and
BNY Mellon Wealth Management – Sponsor
Edge Research

SHARPE

AMERICAN COUNCIL ON GIFT ANNUITIES
Promoting Responsible Philanthropy

The ACGA Surveys are the best source of information available on gift annuity policies, practices and trends.

The national surveys typically analyze the responses from around 400 to 600 charitable respondents to produce statistically valid results.

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A SELECTIVE LOOK AT THE SURVEY'S HIGHLIGHTS

1. Gift Residuums
2. Returns on Annuity Assets
3. Impact on Annual Giving
4. Impact on Estate/Bequest Giving
5. Ages, Rates, Gender, etc.

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GIFT RESIDUUMS

- ACGA Target @ 50%
- Historically in the 80-90% Range
- 64% in 2013
- Lowest Average in Modern Times!

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GIFT RESIDUUMS

- Good News or Bad?
- Target @ 50%
- Actual @ 64%

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Annualized Returns on Annuity Assets Improved Dramatically Since 2009's Survey.

Over the past 10 years, the median and mean have been in the 6-8% range.

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IMPACT ON OTHER GIVING

Contrary to the common belief of some, only a very small percentage reported that CGAs would cause a decrease in other giving.

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Effect on Annual Giving	2009	2013
No Impact	65.7%	63.8%
Increase	30.6%	30.59%
Decrease	3.7%	5.59%

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Impact on Estate/Bequest Giving	2013
No Impact	45%
Positive Impact/Include	54%
Negative Impact/Remove	1%

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AVERAGE AGES OVER THE YEARS

1994	1999	2004	2009	2013
77	77	78	79	79

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Reported mean and median age was

79

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CHARITIES CONTINUE TO FOLLOW SUGGESTED ACGA RATES

1994	1999	2004	2009	2013
97%	95%	97%	97%	96%

The ACGA rates are actuarily sound and prevent competition and have withstood the tests of time.

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GENDER OF ANNUITANTS

	1994	1999	2004	2009	2013
Female	60	60	55	56	57
Male	40	40	45	44	43

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TYPES OF GIFT ANNUITY CONTRACTS

- Vast majority are immediate payment
- 12% are deferred payment
- 31% reported issuing a flexible deferred payment

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RECENT PROGRAM CHANGES (Between 2009 and 2013)

Expanded Marketing	18%
Changed Asset Allocation	16%
Changed Gift Acceptance Procedure	10%
Limited Ability to Market	8%
Capped Payment Rates	4%

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OTHER FINDINGS OF INTEREST

1. Profile of Gift Annuity Donor
2. Age at Time of Gift
3. Repeat Annuities
4. One or Two Lives
5. Other Trends

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NUMBER OF YEARS OFFERING GIFT ANNUITIES

Less Than 10 Years	20%
10-19	28%
20-29	23%
30+	29%

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PROFILE OF A TYPICAL GIFT ANNUITY

Slightly more likely to be a single life annuity female in her late 70s or 80s than a male in roughly the same age ranges with a mean and median age of 79 and one of 16.4 contracts completed by the organization that year.

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ONE OR TWO LIVES?

	1994	1999	2004	2009	2013
One Life	68%	65%	68%	72%	70%
Two Lives	32%	35%	32%	28%	30%

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FUNDING ASSETS

Cash and stock/bonds were the most popular funding assets. Very few of the respondents received any other assets, like real estate for a charitable gift annuity.

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MINIMUM AMOUNTS

Fewer than 30% of charitable organizations will accept a gift annuity for under $10,000.

MAXIMUM AMOUNTS

As a risk management technique, a small number of organizations have policies that place limits on the maximum size of an annuity.

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MINIMUM AGE(S)

Minimum age for immediate and deferred annuities are all over the place, but the trend has been toward raising the minimum age as another risk management tool.

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ADMINISTRATION

Administration of Gift Annuities	2013
Financial institution or other administrator	47%
Business or finance office	29%
Shared by business and development office	17%
Development office	7%

ADMINISTRATION

In 2013 12% used a third-party entity, such as a community foundation, to accept a gift annuity.

STATE REGULATION ISSUES

- Some states have greater regulations of charitable gift annuities than others.
- According to the latest survey, almost all reporting organizations were registered or certified to issue gift annuities or in a state that does not have requirements.

STATE REGULATION ISSUES

- Almost 75% of charities issue annuities in more than one state, and there is a high degree of compliance.
- Just under 10% of charities purchase commercial insurance to "reinsure" charitable gift annuities. This is another risk management administration technique.

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Download the complete report at
http://www.acga-web.org/surveys-reports-conference-papers-and-brochures/61-acga-surveys/275-2013-survey-of-charitable-gift-annuities

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Conclusion and Questions & Answers

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The Basics: What a Gift Planning Officer Should Know About Estate Planning .... (Track I)
Brian Sagrestano, J.D., CFRE®

Charitable gift planning is all about long-term support for your organization's mission. When your prospect shares that he or she is ready to consider this type of investment, what do you really need to know about estate planning? Drawing on materials from his new book with co-author Robert Wahlers, "Getting Started in Charitable Gift Planning" (Charity Channel 2015), Brian will share the basics of estate planning and estate administration to help you to navigate the waters when dealing with prospects and their advisors.

Brian Sagrestano, J.D., CFRE®

President and CEO
Gift Planning Development, LLC

Brian M. Sagrestano, JD, CFRE, is an author, public speaker and thought leader in the gift-planning world. As the President and founder of Gift Planning Development, a full-service gift planning consulting firm, Brian provides gift planning services to a wide range of charitable clients from national organizations focused on high end gift plans to local charities seeking to start new gift planning programs. His Planned Giving Essentials and Planned Giving in a Box® programs have made gift planning accessible to the full-range of charities for the first time. Brian is also a principal of Constellation Advancement, LLC, a full-service development consulting firm. Some of his clients include the University of Notre Dame, Temple University, Create a Jewish Legacy, Harmony Foundation, Children's Hospital Philadelphia, Le Moyne College and Adirondack Foundation. Prior to starting GPD, he spent twelve years as a charitable gift planner, directing the gift planning programs for the University of Pennsylvania, Middlebury College and Meridian Health Affiliated Foundations.

Brian's first book with co-author Robert E. Wahlers, CFRE, *The Philanthropic Planning Companion: The Fundraisers' and Professional Advisors' Guide to Charitable Gift Planning* (Wiley 2012) won the 2013 AFP Skystone Partners Prize for Research on Fundraising and Philanthropy. Brian has been a contributor to *Planned Giving Today*, Planned Giving Mentor, *Advancing Philanthropy*, PlannedGiving.com and Planned Giving Tomorrow and cited in numerous publications including *CASE Currents* and the *Chronicle of Philanthropy*. Two new books, also co-authored with Robert, *Getting Started in Charitable Gift Planning* and *Getting Started in Charitable Gift Planning Resource Book* were recently released by Charity Channel Press.

Brian is a nationally sought after speaker on gift planning topics, having presented multiple times at the AFP International Conference on Fundraising, the National Conference on Philanthropic Planning, the American Council on Gift Annuities Conference and the Practical Planning Giving Conference, among others. He is a past board member of the Partnership for Philanthropic Planning (PPP), the Gift Planning Council of New Jersey and PPP of Greater Philadelphia, as well as a past member of the editorial board of the *Journal of Gift Planning*.

An honors graduate of Cornell University and Notre Dame Law School, Brian lives with his wife and four children in New Hartford, New York, the scenic gateway to the Adirondack Mountains.

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What a Gift Planning Officer Should Know About Estate Planning

American Council on Gift Annuities Conference 2016

INTRODUCTION

The technical materials related to charitable gift planning are vast. It can take a lifetime to become truly proficient in all aspects of charitable gift planning. Even for the most proficient, there is always a sub-specialty expert who is more knowledgeable than you in a particular sub-area. To "know everything" is impossible.

When coaching new gift planners, we suggest that you start with a donor-focused model. How can you help prospective donors to meet their own, personal planning goals, including support of the charitable causes in which they believe? Integrating charitable giving into tax, estate and financial planning helps ensure that a true family legacy is created and maintained for future generations.

In order to be donor-focused, a gift planner has to be an excellent listener and relationship-builder. While this sounds obvious, many new fundraisers become so focused telling the prospective donor what they know, they forget to listen. Another common error is in the relationship itself. When a fundraiser builds relationships, it is among the prospective donor, the donor's advisors, and the nonprofit. The fundraiser is the facilitator. When the fundraiser replaces the nonprofit in the equation, which happens more often than you think (after all, people give to people), the long-term relationship between the nonprofit and the prospective donor often suffers. In the transactional model, this approach was accepted. But in the new, philanthropic planning model co-author Robert Wahlers and I outline in our book, *The Philanthropic Planning Companion: The Fundraisers' and Professional Advisors' Guide to Charitable Gift Planning* (Wiley 2012), these relationships are the key to long-term, sustainable support.

So we now have a donor-focused gift planner armed with strong listening and relationship-building skills, what else does he or she need to be successful? We would suggest a life-long dedication to learning. Because gift planning can include an array of complex materials, learning as you go is a must. The key is to learn for yourself, then seek out experts to validate what you have discovered. We find that we have two types of clients for our consulting work. The first calls us whenever they have a gift planning question. We provide the answer, which is relayed to the prospective donor, and the gift conversation either moves forward or it doesn't. The second type comes across a gift planning question and the first thing he or she does is research the question. They might look at *Getting Started in Charitable Gift Planning* (Charity Channel Press, 2016) and the accompanying *Resource Book,* my latest books with co-author Robert Wahlers. They may go on-line and do research at the Planned Giving Design Center or at the Partnership for Philanthropic Planning on-line library. They may look at past presentations from the American Council on Gift Annuities conferences. But they only call us after they find what they believe to be the answer. We discuss their findings, consider other options they may not have discovered and together come to a solution that the organization then brings to the prospective donor and the donor's advisors. This second type of client will remember this question and the possible solutions for the rest of his or her career. This is a life-long learner and someone destined to be a great gift planner.

Of course, we also want the gift planner to build a strong knowledge base over time, including information about the mission of the charity, what motives prospective donors to that particular mission and the technical aspects of gift planning. But if you are new to the field, or are not sure if it is right for you, just ask yourself if you have these skills or can learn them. If you can, then press on and learn the basics of estate planning.

THE NEED TO UNDERSTAND ESTATE PLANNING

If an outsider were to attend a gift planning conference, the first thing he or she would notice is the strong emphasis on the various tools of gift planning. Session after session on charitable lead trusts, charitable gift annuities, charitable remainder trusts, pooled income funds, gifts of complex assets, family legacy planning and more--and with good reason. Gift planning practitioners need to be constantly updating their skills to work with these more complex tools to assist higher net worth individuals and families to integrate their philanthropy into their tax, estate and financial planning in a philanthropic planning approach. The more a gift planner knows about how to help prospective donors and their advisors, the greater the likelihood of an institution-changing gift. Consider that 90% of all charitable gifts are now coming from 10% of donors. Gift planners need to facilitate those big gifts and they often take sophisticated tools.

Despite this emphasis on large, complex gifts, most planned gift receipts, still approximately 80%, come in the form of simple beneficiary designations on a will, qualified retirement plan, life insurance policy, transfer on death asset, payable on death account or donor advised fund. These are easy gifts for donors to make, easy for new gift planners to understand, and still the focus of most charities around the country. In order to understand how these basic beneficiary designations fit into the larger picture, you need to understand the basics of estate planning.

BASICS OF ESTATE PLANNING

A typical estate plan consists of several core documents including a will, living trust, durable power of attorney and health care directive/proxy. Unfortunately, a majority of American's do not have a will or any effective estate plan. According to a 2014 study by Rocket Lawyer, 64 percent of adults do not have a will, including 55 percent of people with children. In 2013, six out of ten people who died did so without a will.

Will

A will is one of the most important planning documents your donors will ever execute and has a very low cost. It ensures that the donors' assets go to the people and organizations they believed in, their minor children have guardians selected, and appoints someone to oversee the probate process (an executor/executrix). For those who die without a Will, the state of domicile (where they live) has "intestacy" laws to determine who receives assets and provides care to minor children regardless of what donors may have indicated they wanted. The probate or surrogate court of the state will also appoint an administrator (in lieu of an executor) to oversee collection and distribution of the estate.

It is possible to name one or more charities as the beneficiary of a will. Typical language will vary depending upon when the donor wants to make a gift of a specific amount, a residuary amount (a percentage of what is left after other beneficiaries are paid), or a contingent gift (the gift is only paid to your charity if another beneficiary is not eligible to receive their designated gift).

Residual Gift Language: A residual bequest comes to your organization after estate expenses and specific bequests are paid:

> *I give and devise to [Name of Charity] located in [Legal Address of Charity], Tax Identification Number [insert Tax ID here], all (or state a percentage) of the rest, residue, and remainder of my estate, both real and personal, to be used for its general support (or for the support of a specific fund or program).*

Specific Gift Language: Naming your organization as a beneficiary of a specific amount from the estate:

> *I give and devise to [Name of Charity] located in [Legal Address of Charity], Tax Identification Number [insert Tax ID here], the sum of $___________ (or asset) to be used for its general support (or for the support of a specific fund or program).*

Contingent Gift Language: Your organization can be named as a contingent beneficiary in a will if one or more of your specific bequests cannot be fulfilled:

> *If (insert name) is not living at the time of my demise, I give and devise to [Name of Charity] located in [Legal Address of Charity], Tax Identification Number [insert Tax ID*

here], the sum of $ ________ (or all or a percentage of the residue of my estate) to be used for its general support (or for the support of a specific fund or program).

Will Amendment – Codicil: For those individuals who already have a will, it is possible to execute a simple amendment to the will called a codicil. The codicil changes the terms of just that section of the will that the donor wants to amend. Many charitable gifts from wills are set up by executing a codicil to the will designating charities to receive a specific bequest or a percentage of the residuary.

After your donor dies, assuming there is a will in place, the will be filed for "probate" in the probate or surrogate court by the executor/trix appointed in the will (or an attorney acting on the executor's behalf). When the will is filed, it becomes a public document open to inspection by anyone (sometimes for a modest fee to cover costs). The court then issues "letters testamentary" which provide the executor with the ability to open bank accounts and transact business on behalf of the estate as a separate legal entity. The executor collects all of the assets, pays the debts, files tax returns, pays any taxes due, makes distributions, files an accounting with the court and closes the estate.

Living Trust

A revocable living trust is a will substitute. It is a separate legal entity that your donors may use to hold all of their assets rather than hold them in their own names. A donor typically sets up a revocable living trust to avoid the probate process. Donors have many reasons to avoid probate, but the most common is privacy. During probate, the terms of will become public so anyone can learn the details of distributions and the specific assets of the estate. Another reason to avoid probate is time and cost. In some states (like New York) it takes a long time to go through the probate process and the fees can be very high. However the successor trustee of a living trust can usually move through asset distribution fairly quickly and privately at a lower cost. One misconception is that a living trust will save estate taxes. Estate taxes are paid regardless of whether there is a will, living trust, or both.

To name your organization as the beneficiary of a living trust, the donor simply includes a provision with your legal name, address, and tax identification number, indicating what assets, or what percentage of assets are to be distributed upon the donor's death.

Durable Power of Attorney

A durable power of attorney is a separate document that names the person who would take care of a donor's affairs during the donor's lifetime if the donor should become incapacitated. A durable power of attorney is different from a regular power of attorney because it can be utilized when the donor is unable to make decisions for him/herself. A regular power of attorney can only be utilized when the donor still has decision-making ability.

Health Care Directive/Proxy

A health care directive provides information to health care providers regarding your donor's care if the donor is unable to do so. It normally covers when the donor wants lifesaving care or when the donor wants to be allowed to pass with dignity. It is a very personal document that requires considerable thought in preparing, but is a vital piece of your donor's estate planning. Many individuals who sign a health care directive also appoint a health care proxy. This is a person who can make health care decisions for the donor when he/she is not able to make them. A health care proxy can override a health care directive.

Together, these documents make up the typical estate plan. It is possible to add additional trusts and other complex instruments to estate plans, but for typical estates, these are the documents you are most likely to see and need to understand.

BASICS OF ESTATE ADMINISTRATION

Estate administration is the process of collecting gifts to your charity which have been left under a donor's will, living trust, retirement plan, life insurance policy, payable-on-death account, transfer-on-death asset or donor-advised fund. The goal is to ensure that you **collect everything** to which your charity is entitled as quickly as possible and put it to use as the donor intended.

Estate Administration Process and Procedures

The estate administration process will vary by state, but most states follow a similar set of steps to administer an estate. Your procedures should be designed to work with multiple states. The key to effective estate administration is to develop a time frame for each step and regularly follow up with the parties involved to hasten completion of the process.

My Donor Has Died -- Now What?

It is always a sad day when we learn of the death of a loyal supporter of our organization. Notification of a donor's passing can come from a death notice in the newspaper, word of mouth, receipt of a notice of administration of estate and, more recently, by a change in status or notice on a social networking site or tweet.

BEFORE YOU DO ANYTHING ELSE, **independently verify that your donor has actually died** by calling the funeral home, checking the Social Security Death Index, or by checking with members of the community who would know. You never want to wrongly contact the loved ones of your donor to express condolences only to discover that the donor is alive and well!

The first step for your organization is to send a hand-written note or card to the family of the deceased to express your sympathies. Each note should be custom tailored to the donor and the relationship the donor had with your organization and, in some cases, with you personally.

If the person was known by the Board Chair or the CEO, be sure that each of them also writes a personal note to the family. Most families are deeply appreciative when they receive multiple notes from a charity telling of the importance of the individual to the charity. Ideally these notes will express your sorrow at their loss, how the donor will be missed and how he or she will live on through their generosity to the charity. Including an outcomes-based story about the donor's philanthropy or an anecdote about his or her work with the charity will bring great comfort to the family at this difficult time.

If the donor was particularly important, contact the family to determine how they want you to share the news with your other constituents. Many charities have an electronic newsletter which can be used to share the sad news of the donor's passing, highlights of the donor's life, and information about burial and memorial services, as appropriate. It may seem like a small gesture, but in smaller communities or for charities which engage multiple generations of a single family, these types of gestures show your true appreciation for the donor, provide comfort, and also help to ensure that you are not seen as only there when asking for a gift.

Notice of Administration/Probate

If you were named as the beneficiary of an estate or living trust, you will typically receive a Notice of Administration or Probate within 30-60 days of the donor's death. This notice normally comes from the estate attorney or the executor. In the case of a living trust, the notice may be less formal since the court is not involved, and will be sent by the trustee of the trust.

When you receive the Notice, it should include a copy of the will. If it does not, you should request one from the attorney or executor. If he/she is not responsive or willing to share a copy of the will, it can be requested from the courthouse where it has been filed for probate. In the case of a living trust, you are not entitled to a copy of the document, but most trustees will provide you with at least a copy of the section pertaining to your charity.

In order to move the administration process forward, upon receipt of the notice, send a letter thanking the personal representative/executor/trustee/estate attorney ("executor") and providing the best contact information for your charity. Include with the letter your charity's complete legal name and address, Form W-9 and your determination letter from the IRS showing your tax exempt status.

It is possible that a donor will pass on who was in your legacy society and you will not receive any correspondence whatsoever. If it has been 120 days and you do not receive a notice, you should contact the family and ask about the estate administration. A **phone call** is always more personal and appropriate to handle delicate matters like this.

Open the File

With the notification in hand, you should now open your estate file. Fill out your estate administration form and timeline and use it as a checklist for administering the estate. Fill out the dates on the form and add them to your reminder/calendaring system so that you are sure to move forward proactively in each step of the estate administration process. Or use tracking software made for this purpose by vendors such as Crescendo Interactive or PC Calc.

Be Patient, But Not Too Patient

Once an estate is open, the executor must inventory all of the assets, pay any outstanding debts, and liquidate assets before making distributions. In some cases, when it is clear that the estate is solvent (i.e., will have sufficient assets), the executor may elect to make interim distributions or make outright distributions to beneficiaries of specific amounts. As a general rule, if you charity is to receive a specific bequest (either a specific dollar amount or a particular asset), you should receive it within 12 months, sometimes sooner. However, if your charity is to receive a percentage of what is left after everyone else has been paid, the timeline will be longer. Most estates will file an inventory within 9 months, since that is the deadline for filing the federal estate tax return. Even if the estate is not subject to federal estate tax, the estate will want to have completed the inventory prior to that time to document the fact that an estate tax return is not due.

Most states also have a state inheritance or estate tax, and the due date is frequently 8-9 months after the death of the donor. For that reason, if you do not have a copy of the inventory of the estate and a good estimate of your residuary interest, it is wise to **write the executor and ask** for one after 10 months. The final distribution is usually within 6 months of the completed inventory, unless there are illiquid assets such as real estate or collectibles which take longer to have appraised and sell.

Receipt and Release

Prior to your receiving your distribution, the executor should provide you with a receipt and release (sometimes called a release and refunding bond) to execute. Other than the will, **this is the most important estate administration document** and one you should review carefully with your legal counsel if you are not familiar with it. The Receipt and Release generally states that you have received the funds (or a portion of the funds) you are entitled to from the estate and releases the executor from any liability for the distribution. It can also include a provision requiring you to return the distribution if the estate runs out of funds and other beneficiaries or creditors are entitled to some of the funds.

The Distribution is Finally Here

While the loss of any donor is a time for reflection, the arrival of the estate distribution allows you to put the donor's generosity to work. Before you do, make sure that you send a note thanking the executor and attorney for their work on the estate, explaining how the gift will be used. At that point, process the gift as an estate gift received, record it and put the gift to work as designated by the donor. If the gift is not designated, your charity should have a policy for how undesignated estate gifts are utilized. Many charities designate all unrestricted estate gifts to "Board Designated Endowment," keeping the principal intact and spending the income for an important purpose. This should be documented in your gift acceptance policy.

Closing the Estate File

Once the final distribution has been received, you should close the estate file. It is likely that your auditors will want to review the file during the audit of the fiscal year, so keep the closed file handy. Once the audit is complete, you should archive all closed estate files from the prior year so that you can reference them in the future.

Collecting Other Beneficiary Designation Assets

As noted earlier, not all gifts from deceased donors will come from estates or living trusts. A wide variety of financial instruments can have beneficiary designations or be payable on death to your charity. In most cases, you will be designated to receive a set percentage of the remainder or the entire account. Distributions from these types of accounts should be completed very quickly. If your charity was known to be the beneficiary and you have not received any notice (or a check!) within three months, you should follow up directly with the financial institution involved. Keep in mind that it is possible that your donor changed his or her mind and there will be not gift. It is more likely, however, that the account is sitting dormant and a gentle phone call or letter from you will get the person responsible to move forward on the distribution.

PUTTING IT TOGETHER

As a charitable gift planner, you are not to provide tax or legal advice. That is the role of the donor's advisors. However, by understanding the estate planning documents, the estate administration process and the beneficiary designation tools, you can help your donor to consider different options to share with advisors.

Qualified Retirement Plans

Qualified retirement plans such as 401ks, 403bs, and IRAs are often one of the largest assets held by your donors. When left to heirs other than a surviving spouse, they can be subject to both estate tax (for high net worth individuals) and income tax (for everyone). But when your charity is named as the beneficiary of the plan, both estate and income tax are avoided. For most donors, naming your organization as the beneficiary and leaving other assets to heirs, such as stocks or real estate, which are not subject to income tax, will result in more to charity and more to heirs, with less for government coffers. This is an easy suggestion that you can make and advisors will readily understand. Naming your organization as a beneficiary is as simple as having the donor fill out a new beneficiary designation form for the retirement plan. Most plans offer such forms for download on their websites. It is far simpler than drafting a new will or a codicil.

Life Insurance Policies

Donors often comment that they get a great "bang for the buck" when using life insurance to make charitable gifts. It can be used to make an outright gift, whereby your donor transfers ownership of the policy to your organization, or the donor can name your organization as the beneficiary of a policy the donor continues to own. There are three primary types of life insurance, term, universal life and whole life. Term insurance has no cash value. When the donor stops paying premiums, the policy will lapse. Universal and whole life insurance both have cash value, based upon the assets held inside the policy and invested by the insurance company. Typically the owner of a universal policy has more control over investments than a whole life policy, but the death benefit may not be guaranteed (the death benefit is the face value of the policy). A whole life policy has a higher guaranteed death benefit but the owner has less say in investments.

Many charities shy away from life insurance because it can be a complicated asset, particularly when the charity is named as the owner of the policy. However, when the donor names your organization as the beneficiary on a standard change of beneficiary form, it is simple for you to wait and collect the proceeds, provided the policy does not lapse. Any time a donor wants to name you as the beneficiary or give you a policy, it is wise to have the policy evaluated by an insurance professional who can tell you about the financial health of the policy and whether it is a beneficial gift for your organization.

Transfer on Death Assets

A transfer on death asset allows the donor to name your organization as a beneficiary without the asset going through the probate process. For donors seeking to avoid probate, it is a great way to make charitable gifts. The most common transfer on death asset is a brokerage account. A simple beneficiary form can name your organization. In recent years, many states have passed laws allowing donors to include transfer on death provisions in real estate deeds. The process takes more steps, as it requires a new deed to be drafted and recorded, but if the donor's state allows it, and the donor wants to avoid probate, it could open up many new gift opportunities for your organization.

Payable on Death Accounts

A payable on death account allows the donor to name your organization as a beneficiary without probate, using a standard beneficiary designation form. Most bank accounts offer a payable on death designation.

Donor-Advised Funds

With the proliferation of donor-advised funds, many individuals now have one. The donor makes charitable gifts during their lifetime to the DAF, which invests the gifts until the donor advises the fund to which charities he/she would like to make distributions. The donor can empty the fund during life, but often leaves a balance at death. At that time, the donor can designate your nonprofit to receive the remaining assets in the DAF. Since these funds have already been designated for charity, they are some of the easiest planned giving dollars available. Each DAF has its own procedure for naming the final charitable beneficiary of the fund, so your donor should see the plan provider for details.

As you pursue your career as a gift planner, start with the basic tenants outlined today. Be donor-focused, an expert listener, a relationship builder, and a life-long learner. Then start with the basics of estates and beneficiary designations. Use the resources available to you to learn and grow. Before you know it, you'll be making the introductory track presentation at the ACGA Conference. Good luck!

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The CRUT: Alpha to Omega: From Creation to Termination ....(Track I, II)
Robert Shafis, J.D.

A Charitable Remainder Unitrust can last for years - even decades. What happens during the time from creation to termination? What are the important initial decisions, which affect how the trust will operate? How does the trust operate year after year, and what happens when it finally ends? CRUTs from Alpha to Omega takes you on a journey from setting up to breaking down a CRUT.

Robert Shafis, J.D.

Dir. Major and Planned Gifts
The Field Museum of Natural History

Robert Shafis has been a successful fundraiser, speaker and attorney for over 25 years.

He began working in fundraising at the Lutheran Church-Missouri Synod Foundation, where as Senior Vice President he and his staff raised over $100 million a year for various ministries. He has also served as Director of Planned Gifts for both the National Alzheimer's Association, and Alexian Brothers Health System Foundation; as Director of Development for a medical research group; and as Director of Major Gift Planning at The Museum of Science and Industry. In that position he participated in a successful campaign, which raised over $200 million.

He is currently Director of Major and Planned Giving at The Field Museum of Natural History. Mr. Shafis also has spoken to many national and local groups about planned giving, estate planning, charitable tax issues, and the process of fundraising, and he teaches major and planned giving at North Park University.

CRUT from Alpha to Omega

Robert Shafis
Director of Major and Planned Giving
The Field Museum

Part One-Set Up-What is a CRUT?

- Definitions
  - "A charitable remainder trust is a trust which provides for a specified distribution, at least annually, to one or more beneficiaries, at least one of which is not a charity, for life or for a term of years, with an irrevocable remainder interest to be held for the benefit of, or paid over to, charity." IRS Reg. Sec. 1.664-1(a)(1)(i):
  - A charitable remainder <u>unitrust</u> pays a set percentage of at least 5% (and not more than 50%) of the net fair market value (FMV) of the assets of the trust, annually revalued, paid at least annually to a person or persons for their lifetimes or a term of years, not to exceed 20 years, the remainder of which is irrevocably transferred to charity, which remainder must be worth at least 10%, and meet the 5% exhaustion rule.

Tax Status

- Split interest trusts re: Income Tax Deductions
- CRUT's are tax exempt by virtue of IRC sec.664, added in The Tax Act of 1969
- Donors are entitled to an income tax deduction for contributions to, just like to a 501(c)(3)
  - 50/30% limitations
- Deductions and tax benefits
  - IT GT ET Deductions

Tax Status

- A CRUT is a tax exempt entity
  - Tax free build up of assets
    - Like a retirement account
  - Tax free ownership and sale of capital gain property
    - Securities, real estate
    - Donors apply usual rules re: LT and ST CG Assets
  - Tax free receipt of certain retirement funds
    - Thereby avoiding IRD

Assets to consider

- **Cash-yes but there are generally better assets to consider**
- **Securities-highly appreciated LTCG assets**
  - Other issues regarding securities-Non Public and Tax Free
- **Real Estate-LTCG**
  - FLIP unitrust opportunity
  - Mineral interests
- **Tangible Personal Property**
  - Basis Deduction
  - No Deduction until....
- **Other Business Interests which are not incorporated**
  - Appraisal Costs
- **Additions-yes or no**
  - You gotta choose

Trust Document

- IRS Forms; therefore qualified
  - Contained in Revenue Procedures and Revenue Rulings with required provisions
- IRS Qualification if you don't use the forms
  - IRS guidelines give mandatory and optional provisions
  - You don't need a PLR if substantially comply, but get one if trust addresses issues not in guideleine
- Personally Drafted
  - Who Drafts-Attorney, Charity, Donor, Other?

Required Provisions

- In addition to complying with the IRC definition, a CRUT must also contain:
  - How to address additions
  - Valuation and incorrect valuation provisions
  - Proration in short and last taxable years, and calendar year
  - What to do if the charity no longer exists
  - Death tax provision
  - Private foundation provisions

Which CRUT to Consider

- Straight
  - Payment made as percentage of assets as annually revalued
- Net Income
  - Payment made as percentage of assets as annually revalued, however limited to lesser of the amount actually earned, and the percentage set
- Net+Makeup
  - Payment made as percentage of assets as annually revalued, however limited to lesser of the amount actually earned, and the percentage set, however, amounts not made in previous years can be made up in later years if there are earnings in excess of the percentage amount

Which CRUT to Consider

- Flip Unitrust
  - Starts out as a net income unitrust, which means it makes no payment when it earns no income, and then becomes and straight unitrust which an illiquid asset is sold, the "triggering event"
- Other
  - There are other variations, such as a trust which is funded with and pays out tax free or capital gain income, but they are variations of the original three

Rates to consider

- 5-50%
  - There is a minimum and a maximum, and it must be stated as a percent of the initial value
  - Can't change the percentage, can't pay differing amounts to different income recipients, can have sprinkling provisions
  - No other payments from the percentage
- Monthly AFR Discount Rate per IRC Sec. 7520
  - 120% of the applicable federal mid-term rate (AFR)
  - You may use the one for the month of the gift or from the two receding months
- Connection to Deduction
  - The higher the rate, the lower the deduction
  - AFR discount rates -higher the rate, the higher the deduction,the more likely the 10% minimum will be met
- Beneficiaries and conflicts
  - The trustee must consider all the beneficiaries
- Investments
  - State law affects how the trust can be invested

Beneficiaries and Charities

- Individual income beneficiaries-must be at least one, May be part of a living class of persons, and a second trust can be beneficiary if it is for the benefit of the life beneficiary, such as for a disabled person
- May retain the right, only by will, to revoke a subsequent income beneficiary's income interest
- Irrevocable Naming of Charitable Remainderman?
  - Was the usual case when CRUTs first started out
  - Often required for recognition, naming of spaces, etc.
  - More common now-to retain the right to change the beneficiary during the term of the trust
- Must provide alternative if chosen charity no longer qualifies
- May the trustee choose? Income Beneficiary?

Trustee Choice

- State law: Capacity, Compensation, Bonding
- Donor
  - Possible, but limitations, such as the inability to make choices to sprinkle payments
  - No limitations on investments
- Commercial Trust Companies, Renaissance, Banks, Financial Services
  - Fees can add up
- Expertise
  - Knowing how to invest in a world of prudent investor rules and annual revaluations argues for sophistication.

Term of Trust

- Term of Years
  - Cannot exceed 20
- Lifetime or lifetimes
  - No age limit except how it affects deduction
  - No limit on number of beneficiaries except how it affects deduction
- Lifetime(s)+term of years
  - Cannot set up for lifetime followed by strict term of years
  - Can set up for lifetime plus TOY (not to exceed 20) as long as it ends at the earlier of death of recipient or end of term.

Calculating the deduction

- Factors
  - Ages (DOBs actually)
  - Term of Years
  - Payout percentage
  - Frequency of Payments
  - 7520 AFR Monthly rate
  - Amount of Gift
  - IRS Factors from publication 1458
- 10% requirement
- 5% Exhaustion Test

Tax Deduction Related Choices

- IT, GT, ET all may need calculations
- The higher the monthly rate, the higher the deduction
- The shorter the term (older ages, TOY of less than 20) the higher the deduction
- The more frequent the payments, the lower the deduction
- IRS Forms 8283 and 8282
  - 8283- Donor, signed by charity
  - 8282-Charity, tattletale form

Gift Tax Implications

- IRS Form 709
- If donor retains the right to revoke beneficiary's interest after death, it is not a completed gift; donor generally doesn't need to file; if not, it is a completed gift
- If donor sets up a CRUT for another person, and the donor does not retain any income interest, it is a completed gift, and donor need to report to IRS

Part Two-Execution
Trust Execution and Funding

- State Rules and laws
  - This trust must meet state laws regarding trusts and charitable trusts
  - Must have an asset, a trustee, a purpose, and a beneficiary and terms of the trust
  - AG Registration
- Asset transfer-how and to whom
  - Upon creation, the assets gifted must fund the trust
  - QC v Warranty
  - Other transfer methods
  - To X as Trustee of CRUT
- Must meet IRS requirements of a CRUT

Initial Set up and Operation

- Once created
  - Must file with IRS for a Tax ID Number
  - Must open trust accounts and clarify ownership as trustee
- The Trust=Person
  - Like a corporation, an estate or a guardianship, it can own assets in, and be sued in, its own name

Asset Management and Liquidation

- Appraisal of assets
- When accepting real estate, the trust should assure it has clear title and that there are no environmental issues
- The trustee needs to proceed with sale, keeping careful accounts, transferring clear title
- FLIP Implications
  - Once sold, you can convert the trust to a straight unitrust
- TPP Implications
  - Special Rules
- IRS Form 8282

Investment and investment choices

- IRS Rules and limitations
  - Private Foundation Rules apply
  - No limitations on trustees investments
  - No self dealing
  - No excess business holdings
  - No acquisition indebtedness
  - No mortgaged real estate
  - No UBTI
- Private Foundation Excise Taxes
- Other Penalties for violation

Investment and Investment Choices

- State Law regarding institutional investments such as UPMIFA, monitored by the AG.
- Changes in strategies-new beneficiaries, payout rates, income taxation to beneficiary
- Balancing the beneficiaries-conflicts of interest
- Danger when assets devalue
  - In a CRUT, the payments decline

Income, Even Though Tax Exempt

- The trust still has, and must track, its income and account for it by type.
  - Ordinary Income
  - Capital Gain- where from?
    - The sale of appreciated assets, contributed or invested
- Tax free
  - Can be useful in trying to distribute to donor
- Principal
- Important for payout taxation, tracking deficiencies for makeup

Expenses, fees

- As stated earlier, payments in excess of stated % are not allowed
- Fees and charges are allowed, if reasonable and not out of the payout
- Investment, commissions, sales costs
- Trustee fees, even if the donor

Taxation of Payments by Income Recipients

- 4 Tier System
- The Donor will receive income in the following order
  - Ordinary
  - Capital Gain
  - Tax Free
  - Principal
- Make ups for net+makeup
- Playing it
  - So you wanna tax free unitrust payment, huh?

Annual Recalculation of FMV

- Annual Date-can be set by trust, and at least once a year
  - If not set, the trustee must choose
- Fair Market Value is revalued that date
- Payouts for the coming year are recalculated payouts
- Differences in actual value of trust may be made up in the last payment

Tax Returns by Trust

- Trust reporting to IRS
  - Form 5227 Split interest trust return
  - IRS Form 1041-return for estates and trusts but usually not CRUTs
- Income reporting to donor
  - 990 PF to donor
  - This form reports to the income recipient how the payments are yaxed-Ordinary, Capital Gain, or other income

Annual Statements to beneficiaries

- State Law
  - Some states require
  - Not Illinois
  - Companies may treat revocable and irrevocable beneficiaries differently
  - Risks and rewards

Trust Termination

- Early termination?
- TOY-on anniversary date
- Death
  - Is this the last beneficiary?
  - Prudent to get death certificate
- Last Payment
  - When is it?
  - Prorated, or did it end with the last payment
  - What happens if you paid already?

Trust Termination

- Wrap up of trust
  - Accounting
  - Fees and payments
- Report to estate of assets, final income
- Estate tax deductions for estate
- Final tax returns of trust, to beneficiaries
- End of trust, distribution to charity

Final Thoughts

- Final Thoughts…
  - This is a complex legal set up…weigh the factors
  - All sides should have effective counsel
  - Choosing a trustee must consider the complexity of set up, investment, managing and running the trust, making tax returns annually, and termination.
  - This is a long term relationship

Gift Planning for Targeted Audiences: Non-traditional Families & Women ....(Track I, II)
Kristen Brown Smalley, J.D., LL.M.

As gift planning reaches a wider and broader audience than ever before, we are ironically getting the opportunity to address more unique audiences as well. The Gift Planning team at Duke University is adapting our outreach to these donors, using new partnerships, creative presentations, and innovative web tools to address and attract specific communities in which we have seen increased philanthropic activity, namely the LGBT community, nontraditional families, and women. This practical presentation will describe our approach, demonstrate the tools we are using, and share our experiences with these evolving methods.

Kristen Brown Smalley, J.D., LL.M.

Senior Gift Planning Counsel
Duke University Office of Gift Planning

Prior to joining Duke, Kristen was in private practice as an attorney, specializing in tax and nonprofit organizations, and then worked at Triangle Community Foundation, serving the legal, financial, and tax advisor communities. At Duke, she helps donors and their professional advisors meet philanthropic and financial goals. Kristen's areas of expertise include tax and structuring issues related to charitable gifts of complex assets. Kristen holds degrees from the University of Washington (B.A.), Gonzaga University School of Law (J.D., magna cum laude), and the Georgetown University Law Center (LL.M. in Tax, with honors). Kristen is currently an active member of and has held leadership positions in the Continuing Legal Education Committee for the North Carolina Bar Association's Estate Planning Section, the North Carolina Planned Giving Council, and the Durham Orange Estate Planning Council.

Gift Planning for Targeted Audiences: Non-Traditional Families & Women

Kristen Brown Smalley, J.D., LL.M.
Senior Gift Planning Counsel
Duke University

Duke Gift Planning Approach So Far

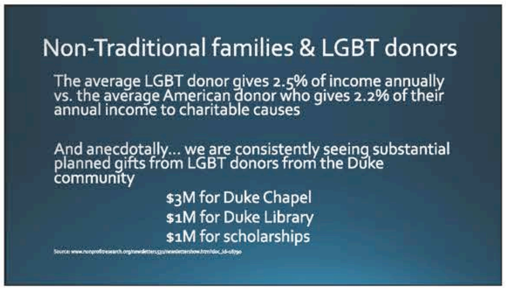
Non-Traditional families & LGBT donors

6.7 million unmarried opposite sex couples (committed long-term)

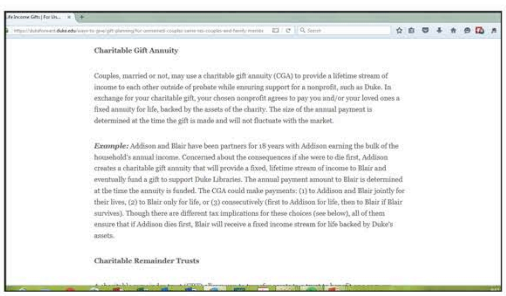
783,000 same sex couples but these #s are probably low
-Gallup reported 1.2M domestic partnerships in 2013

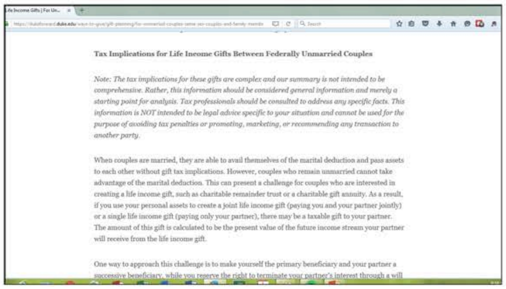
Even though statistically LGBT individuals report lower income, same sex couples report higher income than opposite sex couples

Source: 2014 U.S. Census


Non-Traditional families & LGBT donors
The average LGBT donor gives 2.5% of income annually vs. the average American donor who gives 2.2% of their annual income to charitable causes
And anecdotally… we are consistently seeing substantial planned gifts from LGBT donors from the Duke community
$3M for Duke Chapel
$1M for Duke Library
$1M for scholarships


SCHOOLS & UNITS
INITIATIVES
PUBLICATIONS
CONTACT
SEARCH
MAKE A GIFT
DUKE forward
OVERVIEW
VOICES
WAYS TO GIVE
GET INVOLVED
NEWS & EVENTS
Life Income Gifts
SHARE THIS:
A life income gift, such as a charitable gift annuity or a charitable remainder trust, serves a dual purpose: it provides philanthropic support for your chosen charity as well as an income stream for you and/or your loved one, either for life or for a specific number of years. You or your estate can


Charitable Gift Annuity
Couples, married or not, may use a charitable gift annuity (CGA) to provide a lifetime stream of income to each other outside of probate while ensuring support for a nonprofit, such as Duke. In exchange for your charitable gift, your chosen nonprofit agrees to pay you and/or your loved ones a fixed annuity for life, backed by the assets of the charity. The size of the annual payment is determined at the time the gift is made and will not fluctuate with the market.
Example: Addison and Blair have been partners for 18 years with Addison earning the bulk of the household's annual income. Concerned about the consequences if she were to die first, Addison creates a charitable gift annuity that will provide a fixed, lifetime stream of income to Blair and eventually fund a gift to support Duke Libraries. The annual payment amount to Blair is determined at the time the annuity is funded. The CGA could make payments: (1) to Addison and Blair jointly for their lives, (2) to Blair only for life, or (3) consecutively (first to Addison for life, then to Blair if Blair survives). Though there are different tax implications for these choices (see below), all of them ensure that if Addison dies first, Blair will receive a fixed income stream for life backed by Duke's assets.
Charitable Remainder Trusts



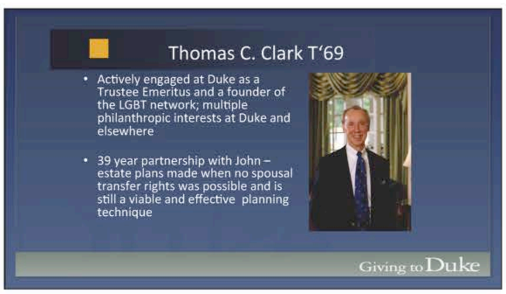
Life Income Gifts | For Un...

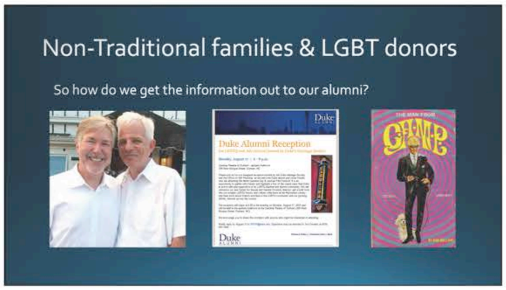
Tax Implications for Life Income Gifts Between Federally Unmarried Couples

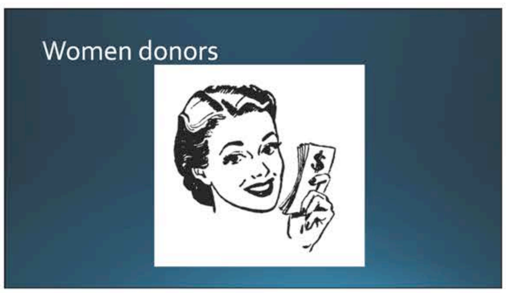
Note: The tax implications for these gifts are complex and our summary is not intended to be comprehensive. Rather, this information should be considered general information and merely a starting point for analysis. Tax professionals should be consulted to address any specific facts. This information is NOT intended to be legal advice specific to your situation and cannot be used for the purpose of avoiding tax penalties or promoting, marketing, or recommending any transaction to another party.

When couples are married, they are able to avail themselves of the marital deduction and pass assets to each other without gift tax implications. However, couples who remain unmarried cannot take advantage of the marital deduction. This can present a challenge for couples who are interested in creating a life income gift, such as charitable remainder trust or a charitable gift annuity. As a result, if you use your personal assets to create a joint life income gift (paying you and your partner jointly) or a single life income gift (paying only your partner), there may be a taxable gift to your partner. The amount of this gift is calculated to be the present value of the future income stream your partner will receive from the life income gift.

One way to approach this challenge is to make yourself the primary beneficiary and your partner a successive beneficiary, while you reserve the right to terminate your partner's interest through a will




Non-Traditional families & LGBT donors
So how do we get the information out to our alumni?
Duke Alumni Reception
Duke

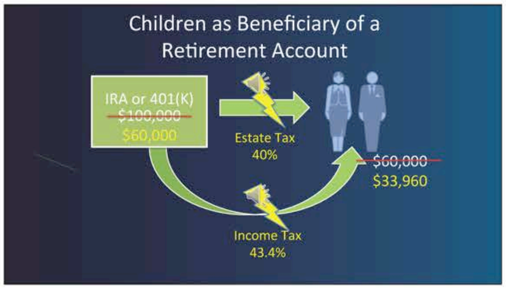

Women donors

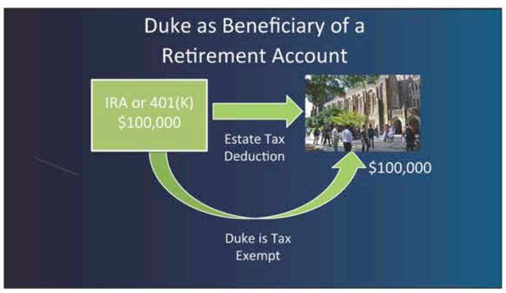

Women donors
WHAT WOMEN EARN AND OWN
Probably more than you think. And rising.
$550k+ annual income
26%
8%
19 Trillion Dollars
More than 3 million women earn over $550K annually.
Percentage who earn more than their husbands grew in the past 20 years.
Nearly half the country's top wealth holders are women.
Women over 50 control 75% of US financial wealth.


Women donors
HOW MUCH WOMEN CAN GIVE
Charitable gifts and estate plans? They're in control.
Women could oversee more than $41 trillion in inheritance over the next 50 years.[5]
In almost 90% of $200,000+ households, women make or participate equally in charitable decisions.[5]
50%
33%
Percentage of women and men with $5+ million estates who leave charitable bequests.


Smart Women Giving Smarter:
Providing for Yourself, Your Family, and Your Legacy
Duke University School of Nursing ~ April 11, 2015
Giving to Duke


Judy Thorpe B.S.N. '77
Looks back fondly on her time at Duke as important foundation for her life now
Has consistently given modest annual funds gifts since graduation
Is creating a Nursing scholarship through her estate to honor that education and her parents


Children as Beneficiary of a Retirement Account
IRA or 401(K)
~~$100,000~~
$60,000
Estate Tax
40%
~~$60,000~~
$33,960
Income Tax
43.4%


Duke as Beneficiary of a Retirement Account
IRA or 401(K)
$100,000
Estate Tax
Deduction
$100,000
Duke is Tax
Exempt


Women donors
Anne Sherman '94
https://dukeforward.duke.edu/blog/what-women-need-to-know-about-gift-planning

Duke Women's Impact Network

Lead.Give.Inspire.

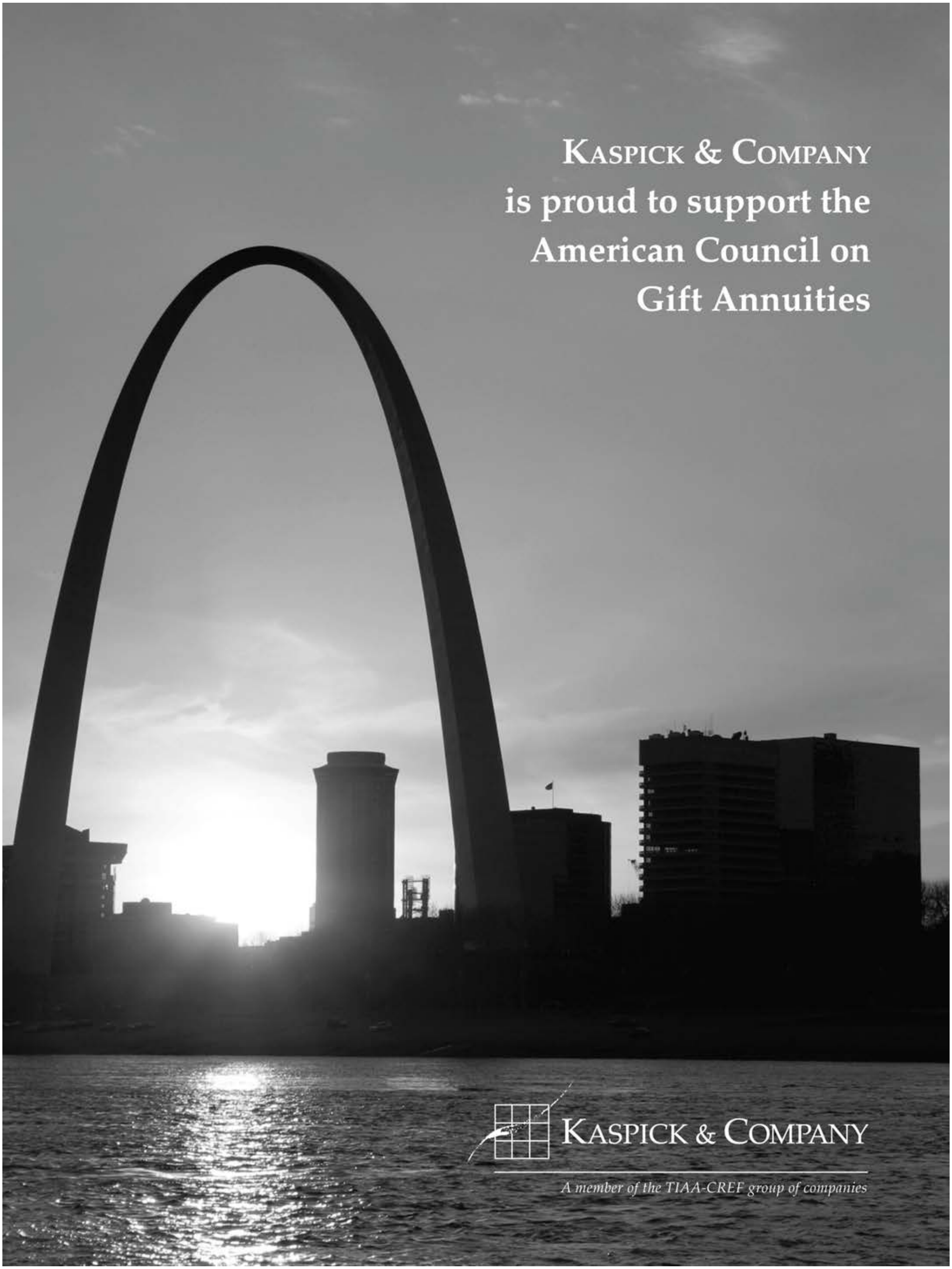
- 2 year pilot project with a director now in place for 1 year
- Membership has a $100K minimum giving requirement = 800+ alumnae

Questions?

Kristen Brown Smalley, J.D., LL.M., Senior Gift Planning Counsel, Duke University
kristen.smalley@duke.edu 919.681.0461(o) 919.602.8329(c)

Thursday, April 7 - Rates Luncheon

(11:45am – 1:15pm)


KASPICK & COMPANY
is proud to support the
American Council on
Gift Annuities
KASPICK & COMPANY
A member of the TIAA-CREF group of companies

Gift Annuity Rates Presentation & ACGA Lead Co-Chair's Address
David Libengood, ACGA Rates Committee Chair & Lindsay Lapole, ACGA Lead Co-Chair

Join us as the ACGA Rates Committee Chair discusses developments regarding ACGA's suggested maximum gift annuity rates.

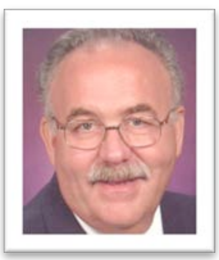
David Libengood

Senior Director, Relationship Management
Kaspick & Company, LLC

Dave Libengood leads the team of relationship managers/consultants at Kaspick & Company. He has over 25 years of experience in the planning, administration, and investment of planned gifts. He is also the Chair of the Rates Committee of the Board of Directors of the American Council on Gift Annuities (ACGA) and is a Past President of the Planned Giving Group of New England. Prior to joining Kaspick & Company in 2001, he was responsible for gift planning, trust and bequest administration, and the investment of life income gifts at The First Church of Christ, Scientist in Boston, Massachusetts. Mr. Libengood graduated with high honors from the American Bankers Association's National Graduate Trust School and is a Certified Trust and Financial Advisor (CTFA). He holds a Bachelor of Music Performance degree and an MBA with distinction from The University of Michigan.

Lindsay L. Lapole, CFRE

National Director for Gift Planning, Youth For Christ USA
President, Lindsay Lapole & Associates, Inc.



Lindsay Lapole began his role with Youth For Christ as the National Director for Gift Planning in December of 2015. Prior to this role, Mr. Lapole had a faithful 34-year career in The Salvation Army, where he served in increasing roles of responsibility culminating as the Territorial Planned Giving Director of the USA Southern Territory. He was responsible for recruiting, training, and technical consultation for the professional staff of 34 in the 15 Southeastern states. He was also responsible for the administration, marketing, and quality control for the program across the territory.

Mr. Lapole has served on the Board of Directors of the Georgia Chapter of the Association of Fund Raising Professionals and received his Certified Fund Raising Executive credential in 1985. He is a past board member and President of the Georgia Planned Giving Council. He also served for fifteen years as Chairman of the National Planned Giving Consultants Committee of The Salvation Army.

Mr. Lapole was elected to the Board of Directors of the American Council on Gift Annuities in 1999 and served as the Conference Chair for the 2004 Conference on Gift Annuities and as Chair of the State Regulation Committee and Secretary to the Board. Since 2008, Lindsay has served as President and Chair of the Board of Directors of the American Council on Gift Annuities. Mr. Lapole has been a frequent speaker on topics related to planned giving, and fund raising management throughout the country. In 2012, he was invited by the Republic of Korea to speak at the 2nd International Conference on Sharing in Seoul, South Korea.

Mr. Lapole is a native of West Virginia and a graduate of Marshall University in Huntington, West Virginia.

EXPLANATION of the ACGA GIFT ANNUITY RATES Effective January 1, 2012

David Libengood, Chair of the Rates Committee
Ron Brown
Robert Coffman
David Ely
Susan Gutchess
Kristen Jaarda
Edie Matulka
Jim Soft
Lindsay Lapole, Chair, ACGA Board of Directors, ex-officio
Rebecca Locke, ex-officio
Michael Mudry, ex-officio

Updated June 2015

INTRODUCTION

One of the primary activities of the American Council on Gift Annuities ("ACGA") is publishing a table of suggested maximum charitable gift annuity rates for use by charities and their donors. The Council has published suggested annuity rates as a public service since 1927. Its suggested rates have long been recognized by charities, donors, state insurance departments and the Internal Revenue Service as being actuarially sound and responsive to the best interests of all parties involved.

While the suggested rates are voluntary, 96% of the charities responding to the 2013 Gift Annuity Survey reported that they always or usually follow the suggested payment rates.[1] By following the suggested ACGA gift annuity rates, charities are relieved of the expense of hiring an actuary and developing their own rate schedules. Most importantly, when charities follow a common standard and don't compete with one another on rates, donors are encouraged to make decisions based on the mission of the charities they want to support.

The Rate Review Process

The ACGA Gift Annuity Rates Committee ("Rates Committee") collects and analyzes information related to the suggested rate tables and the assumptions underlying the rates. ACGA retains an actuarial firm to advise and consult on mortality data and other matters related to rate recommendations.

At least annually, the Rates Committee submits a recommendation to the ACGA Board of Directors on whether or not to change the suggested rates. The Board traditionally reviews and acts on the recommendation at its spring meeting. Any changes in the rates have generally become effective on July 1. However, changes in suggested rates may be made at any time if economic conditions warrant.

Rate reviews normally include the following steps:

1. A general re-assessment of the assumptions underlying the rates in light of the best available data regarding the experience of charities issuing gift annuities, current interest rates and investment experience, mortality of annuitants, and expenses incurred in administering a gift annuity program.

2. Occasional consultation with selected financial professionals regarding expected investment returns and expenses for investment management and administration.

3. A review of the current relationship between suggested gift annuity rates and rates for pure-life annuities offered by insurance companies, and how the current relationship between these rates compares to historical relationships between suggested gift annuity and commercial annuity rates.

[1] The 2013 Gift Annuity Survey was conducted in October and November of 2013 and published in April 2014.

After the Great Recession of 2007-2008, the Rates Committee conducted a thorough re-examination of its process of calculating suggested gift annuity rates. In the three years leading up to the report for suggested rates beginning in January 2012, ACGA took the following steps:

- Hired a consulting firm to perform a rigorous analysis of the process of suggesting rates.

- Commissioned an actuarial firm to conduct the largest-ever mortality study of charitable gift annuitants, involving more than 47,000 gift annuity contracts. The findings of this study led to changes in mortality assumptions in 2012. New changes for 2015 are described below.

- Explored a new methodology for setting a target for the charitable residuum (the net amount remaining for use by a charity at termination of a gift annuity contract) based on the discounted present value of the residuum. The new suggested rate table incorporates a minimum present value (PV) target for gift annuities issued at all ages, which in current practice affects the rates for annuitants age 58 and younger.

- Carefully considered the impact on charitable gift annuity programs of continuing volatility in world investment markets and historically low interest rates. For example, the rates suggested for the period beginning January 1, 2012 were calculated using the IRS CFMR rate of 1.4% from November 2011.

  Investment and interest rate considerations led to a more conservative investment return assumption for the rates suggested in July 2011, and a further reduction in investment returns for suggested rates beginning on January 1, 2012.

The ACGA Board of Directors held its semi-annual meeting on April 13, 2015. The Board voted to make no changes in the suggested rates that became effective on January 1, 2012. This paper provides highlights of the thinking behind ACGA's rate assumptions and publishes suggested rate tables that follow from those assumptions.

ACKNOWLEDGMENTS

The Rates Committee is grateful to the following institutions and individuals that have provided counsel and support in various ways as the Committee developed an actuarially sound schedule of suggested gift annuity rates:

Bank of New York Mellon
Crescendo Interactive
Kaspick & Company, LLC
Frank Minton
State Street Global Advisors
Charitable Solutions, LLC
Hay Group
Milliman, Inc.
PG Calc, Inc.

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HISTORICAL GIFT ANNUITY RATES

The ACGA first issued suggested gift annuity rates in 1927. As might be expected, the suggested rates declined during the Great Depression. They remained at low levels through the 1960s due to continuing low interest rates. In the 1980s they rose sharply in response to the high interest rates that prevailed during that period. In the late 1990s, suggested rates began to decline, as can be seen in the following table:

Historical Percentage Gift Annuity Rates (Single Life)

Age	1927	1931	1934	1939	1955	1965	1971	1974	1977	1980	1983	1992
65	6.8	6.2	5.7	5.1	5.0	5.2	5.6	6.0	6.2	6.6	7.3	7.3
70	7.6	6.7	6.2	5.5	5.5	5.7	6.2	6.6	6.8	7.1	7.8	7.8
75	8.7	7.3	7.0	6.2	6.3	6.5	7.0	7.4	7.7	7.9	8.5	8.5
80	9.0	8.0	8.0	7.0	7.4	7.6	8.2	8.5	9.0	9.2	9.6	9.6
85	9.0	8.0	8.0	7.0	7.4	8.0	9.7	10.0	10.5	11.2	11.4	10.9
90	9.0	8.0	8.0	7.0	7.4	8.0	10.0	10.0	12.0	14.0	14.0	12.0

Age	1994	1997	1998	2001	2003*	2003*	2008	2009	2010	2011	2012
65	6.5	7.2	7.0	6.7	6.3	6.0	5.7	5.3	5.5	5.3	4.7
70	6.9	7.7	7.5	7.2	6.7	6.5	6.1	5.7	5.8	5.8	5.1
75	7.7	8.4	8.2	7.9	7.3	7.1	6.7	6.3	6.4	6.5	5.8
80	8.8	9.4	9.2	8.9	8.3	8.0	7.6	7.1	7.2	7.5	6.8
85	10.0	10.5	10.5	10.4	9.7	9.5	8.9	8.1	8.1	8.4	7.8
90	11.0	12.0	12.0	12.0	11.5	11.3	10.5	9.5	9.5	9.8	9.0

*Rates were changed in both January and July of 2003

ASSUMPTIONS UNDERLYING SUGGESTED GIFT ANNUITY RATES

Following is a summary of the major assumptions on which the suggested rates from January 1, 2012 to the present are based.

1. **Target Residuum.** Since 1955 the ACGA has targeted a residuum (the amount realized by the charity upon termination of an annuity) of 50% of the original contribution for the gift annuity.[2] The new rate schedules retain the 50% target residuum, and continue the requirement first applied for the July 2011 rate schedules that the present value (PV) of the residuum be at least 20% of the original contribution for the annuity.

[2] The first table of suggested rates in 1927 was based on a residuum target of 70%.

The 20% minimum PV requirement has the effect of reducing rates for annuitants age 58 and under. It is designed to help charities realize a minimum value from gifts whose residua will not be realized for many years. Rates for younger annuitants (ages 5 to 49) were reduced as necessary to comply with the 10% minimum charitable deduction required under IRC Sec. 514 (c)(5)(A) using the 1.4% CFMR for November 2011. Particularly in low interest rate environments, charities should perform their own deduction calculations and lower their annuity rates if necessary to meet the 10% minimum deduction requirement.

2. **Mortality Assumptions.** The National Association of Insurance Commissioners (NAIC) has recommended the use of a new mortality table for annuities issued after January 1, 2015. Known as the 2012 Individual Annuity Reserving Table (2012 IAR), the new table is designed to reflect annuitant mortality more accurately over time. ACGA commissioned a study by The Hay Group in December 2014 to determine what set of assumptions provided the best "fit" for the 2012 IAR with the ACGA Gift Annuitant Mortality Study completed in 2010. The Hay Group determined the new "best fit" assumption was a 50-50 blend of the 2012 IAR male and female mortality with no age setback. (See further discussion below.)

3. **Expense Assumption.** Annual expenses for investment and administration are assumed to be 1.0% of the fair market value of gift annuity reserves.

4. **Investment Return Assumption**. The gross annual expected return on immediate payment and deferred payment gift annuity reserves is 4.25%. Both immediate and deferred payment annuity calculations use a net compounding rate of 3.25% (4.25% minus 1% assumed annual expenses).

5. **Payment Assumption.** Annual payments are made in quarterly installments at the end of each period.

The rates for the oldest ages are somewhat lower than the rates that would follow from the above assumptions. Single life rates are capped at 9.0% for annuitants age 90 and above. Single life rates for annuitants between ages 81 and 89 are graduated downward from the rate cap. Two life rates are graduated downward in a similar way.

ADDITIONAL ASSUMPTIONS FOR DEFERRED PAYMENT GIFT ANNUITIES

The annual compound interest rate credited during the deferral period for deferred payment gift annuities is 3.25% (the same investment return assumption as for immediate payment gift annuities after subtracting the 1.0% expense assumption). In other words, each dollar contributed for a deferred gift annuity is presumed to grow at an annual compound interest rate of 3.25% between the date of contribution and the annuity starting date.

If payments will be made at the end of the period, which is usually the case, the annuity starting date would be at the beginning of the first period for which a payment is made. For example, if payments will be made quarterly, and the first payment will be made on September 30, 2017, the annuity starting date would be July 1, 2017. If payments will be made semi-annually, the annuity starting date in this case would be April 1, 2017.

Assuming that the annuitant would be nearest age 65 on the annuity starting date, and that the period between the contribution date and the annuity starting date is 10.25 years, the compound interest factor would be $1.0325^{10.25}$ or 1.387948. To determine the deferred gift annuity rate, this factor is multiplied by the immediate gift annuity rate, now in effect, for the nearest age of the annuitant at the time payments begin. In this example, the deferred gift annuity rate would be 1.387948 times 4.7%, or 6.5% (rounded to the nearest tenth of a percent).

The compounding rate during the deferral period is simply the assumed net return (total assumed return of 4.25% less 1.0% for expenses). The compounding rate applies to the entire compounding period, whatever its length. (At times in the past, the compounding rate for periods in excess of 20 years was less than the compounding rate for the first 20 years of the deferral period.)

In New York and New Jersey, it is sometimes necessary to apply a slightly lower compounding rate when the deferral period is relatively long in order not to exceed those states' maximum allowable deferred gift annuity rates. The ACGA website contains information about New York and New Jersey requirements.

RATIONALE FOR ASSUMPTIONS

RESIDUUM

From its start in 1927, the ACGA has set a residuum target representing a percentage of the face value of the amount funding an annuity contract (originally 70% of the face value, now 50% of the face value of the original amount).

The first assumption is that the target for the residuum (the amount remaining for the charity at the termination of the annuity) will be 50% of the original contribution, assuming that prior to termination expenditures have been limited to annuity payments and to investment and administrative expenses. Obviously, if an organization spends a portion of the contribution for charitable purposes while the annuity is still in force, the residuum will be diminished.

The actual residuum at the termination of any particular annuity could be more or less than 50%, depending on the longevity of the annuitant(s), the investment returns on gift annuity reserves during the term of the contract, and other factors. Per the 1999 ACGA survey, which was conducted at the crest of a prolonged bull market, the mean residuum for annuities terminating in the previous five years (the share of the original gift amount actually remaining for charities when annuities terminated) was over 95%. According to the 2004 survey, the mean residuum was 85.5%; in the 2009 survey the mean residuum was 81.7%; and in 2013 the mean residuum was 64%.

The residuum is defined in terms of nominal value, not present value. To say that the residuum for the charity will be 50% means that 50% of the original contribution will remain for the charity. It does not mean that the present value of what the charity will eventually receive is 50% of the contribution.

For a number of years, the Rates Committee considered moving to a residuum expressed in present value terms because such an approach would mean that—given the investment return, expense, and mortality assumptions—charities would receive similar economic value from gift annuity contracts funded with like dollar amounts, regardless of the age of annuitants. However, the Committee believes that the 50% nominal residuum is an easily understood target that has appeal in charitable gift annuity fundraising. In order to balance these two objectives, the Committee decided to retain the 50% of nominal value assumption as a starting point, but also require that each contract produce a 20% minimum present value. The 20% minimum present value has the effect of lowering rates for annuities issued at ages 58 and below.

ANNUITANT MORTALITY

The ACGA endeavors to base suggested maximum annuity rates on mortality data for individuals as similar as possible to annuitants who will begin receiving payments under contracts to be established in the near future. Because new gifts might involve making payments for three decades or more into the future, effective mortality assumptions for annuitants require continual research and adjustments.

In the fall of 2010, the ACGA commissioned The Hay Group to conduct what we believe to be the largest-ever mortality study of actual gift annuitants: 28 charities furnished mortality data on 47,075 gift annuity contracts in force during the five-year period of 2005 through 2009. (The most recent prior study, conducted in 2001-2002, examined 24,445 charitable gift annuity contracts.) The results of the study were somewhat surprising: annuitant mortality exceeded what would have been predicted by the mortality assumptions used in suggested maximum gift annuity rates over the past decade. In other words, significantly more individuals from the sample population died during the five-year period of the study than was predicted by the mortality assumptions used over the past decade.

Our actuaries offered two principal reasons for this discrepancy: (1) the proportion of males establishing gift annuities (relative to females) was higher in the 2010 mortality study than in the 2001-2002 study (45% males in 2010 vs. 38% in 2001), and (2) the mortality improvement schedule used to estimate how much life expectancy is likely to improve between mortality study periods was viewed by the Society of Actuaries (SOA) as too optimistic.

The proportion of annuities being established by men and by women can be seen in the following table of results of ACGA Gift Annuity Surveys conducted over the past 20 years, and the two mortality studies conducted by the ACGA:

Gender	**1994 Survey**	**1999 Survey**	**2000-01 Mortality Study**	**2004 Survey**	**2009 Survey**	**2010-11 Mortality Study**	**2013 Survey**
Male	40%	40%	38%	45%	44%	45%	43%
Female	60%	60%	62%	55%	56%	55%	57%

It is not surprising that the number of female annuitants continues to be larger than the number of male annuitants: there are many more women than men in the age range likely to create gift annuities. For example, the 2010 Census counted 11,122,000 males age 70 or older and 15,471,000 females. There are 4.35 million more women than men of the age most likely to create gift annuities. Women represented 58.2% and men just 41.8% of the American population age 70+ in the year 2010.

It is important to note that mortality rates vary by gender, but gift annuity payment rates do not. The ACGA continues to feel that a unisex rate table offers important benefits in terms of simplicity.

The Hay Group assists the Rates Committee by recommending what mortality table assumptions will reasonably and conservatively reflect the actual mortality experience of the annuitants in the 2010-11 gift annuity mortality study. Originally, the mortality table assumption recommended by Hay Group was that all annuitants were assumed to be female and one year younger than their actual ages, and that their mortality would be determined by reference to the Annuity 2000 mortality tables.

When the National Association of Insurance Commissioners recommended that a new mortality table, namely the 2012 Individual Annuity Reserving Table (2012 IAR), be used by the states for determining reserves for annuity contracts issued on or after January 1, 2015, the ACGA commissioned Hay Group to reinterpret the results of the 2010-11 gift annuity mortality study with reference to the new 2012 IAR, instead of the Annuity 2000 tables. The Hay Group completed this reinterpretation work in December of 2014 and determined that the "best fit" assumption in terms of the 2012 IAR was to assume a 50-50 blend of the 2012 IAR male and female mortality with no age setback.

When the new 2012 IAR-based mortality assumption was used by Hay Group to calculate a pro forma rate schedule in December 2014, the resulting schedule varied only very slightly from the current rate schedule, which is predicated on an Annuity 2000-based mortality assumption. This should not be surprising because the current and the new mortality assumptions are derived from the same source, namely, the 2010-2011 gift annuity mortality study.

It is important to note that Annuity 2000 mortality table is what is known as a static table. It was designed to estimate mortality experience in the year 2000, but not beyond that point. Therefore, it has been necessary for users of the Annuity 2000 table to update the mortality assumption by using mortality improvement projection factors. For example, from 2011 through 2014, the ACGA used Projection Scale AA published by the Society of Actuaries to project mortality improvement to current dates.

In contrast to this, the 2012 IAR is known as a dynamic or generational table that includes within itself calculations that take into account mortality improvement projection. Thus, under the 2012 IAR, an individual who turns age 70 in the year 2020 will have a longer life expectancy (determined at that time) than will an individual who turns age 70 in the year 2015.

The ACGA plans to conduct another gift annuity mortality study sometime within the next five to seven years. We plan to again interpret the observed mortality in that study in terms of the most recently available mortality table. We expect that will be the 2012 IAR which, because of its dynamic nature, should be in use for a longer period than was the Annuity 2000 table.

Expenses

The annual expenses for administering gift annuities are assumed to be 1% per year. These expenses include investment and custodial fees, the costs of making payments and filing federal tax forms, and the costs of submitting reports in regulated states. They do not include the costs of marketing or stewardship, which are presumed to be covered in a charity's general budget for the development office.

For large charities with economies of scale, and for charities that do not operate in heavily regulated states, 1% might be slightly high. However, charities with smaller and mid-sized programs, and those that operate in regulated states that require annual filings, actuarial reports, and sometimes a fee for each annuity written, 1% appears reasonable.

Average Investment Return

Perhaps the most challenging assumption to make is the average total investment return on gift annuity reserves. First is the challenge of determining the appropriate asset allocation to use in the return calculation. Next is the task of what return assumptions to use for each asset class in the assumed allocation.

ACGA surveys have provided basic information about the asset allocations charities are actually using. In the 2013 Survey, charities reported the investment allocation for their gift annuity assets. They were asked to report on the investment of their required annuity reserve funds, and other gift annuity funds used to invest the charitable or "surplus" amounts related to annuity gifts.

Asset Allocation for Gift Annuity Investments in 2013

(349 valid responses)

	Cash	Stocks/ Mutual Funds	US Gov't Bonds	Corporate Bonds	Real Estate	Other
0%	33%	18%	39%	**48%**	**75%**	**75%**
1-5%	**41%**	1%	6%	3%	12%	6%
6-10%	13%	0%	9%	3%	6%	3%
11-15%	3%	1%	6%	7%	5%	2%
16-20%	2%	3%	8%	9%	1%	3%
21-25%	1%	3%	7%	11%	-	2%
26-50%	3%	**31%**	19%	17%	0%	4%
51-75%	1%	**34%**	5%	2%	-	1%
76-100%	4%	9%	1%	1%	-	3%
Mean	9%	44%	16%	13%	2%	7%
Median	2%	50%	10%	5%	-	-

***Bolding** indicates top category*

This chart requires some explanation. Charities were asked to report the percentage of their gift annuity assets allocated within six categories. For example, 41% of charities reported that 1% to 5% of their annuity assets were invested in cash. The mean (average) invested in cash was 9%.

31% of charities reported that 26% to 50% of their annuity assets were invested in stocks, and 34% reported that 51%-75% of their annuity assets were in stocks. The mean (average) invested in stocks was 44% while the median was 50%.

19% of charities reported that 26% to 50% of their annuity assets were invested in U.S. Government bonds, while 39% reported they had none of their annuity assets in government bonds.

From time to time, the Rates Committee receives guidance from highly-regarded financial advisors, as well as from sponsors' own business offices, regarding the use of current and past performance of various asset classes to estimate future returns. Finally, the Committee notes current state restrictions on the investment of gift annuity reserves.

Taking into consideration all of these factors, the Rates Committee used the following asset allocation and benchmarks for calculating the weighted average return assumption on which gift annuity rates, effective since January 1, 2012, are based.

ASSET ALLOCATION AND BENCHMARKS

The rates effective since January 1, 2012 assume a portfolio consisting of:

- 40% equities
- 55% 10-year Treasury bonds, and
- 5% cash and equivalents.

The following benchmarks are used to determine the average annual total return for each component of the portfolio:

- For *equities*, the approximate average annual *total return* for the period 1926 – 2014 *less 2.0%.*

  The Standard and Poor's 500 Index return for the period 1926 – 2014 is approximately 10% per year. This number is then reduced by 2.0%, resulting in 8.0% as the assumed total return on the equity portion of the portfolio. After careful consideration and consultation with a number of investment professionals at sponsor institutions and investment management firms, the historical return used to calculate the suggested rate schedules for July 2011 and for January 2012 was reduced by 2.0%, instead of the previous reduction of 1.0%. This reflects the generally more conservative assumptions for economic growth and equity returns in the coming decade.

- For *bonds*, the average *current yield* for the last three months on the 10-year U.S. Treasury bond.

- For *cash*, the average *current yield* for the last three months on the 3-month U.S. Treasury Bill.

The weighted average total return on a portfolio of 40% equities, 55% bonds, and 5% cash is rounded down to the nearest 0.25% using ACGA's current guidelines. The Committee reserves the right to exercise its judgment in rounding the expected return, taking into account current economic conditions, forward-looking projections, recent rate change history, and other practical issues.

IMPORTANCE OF THE ASSET ALLOCATION ASSUMPTION

History has shown that, in well-diversified portfolios, asset allocation (not investment manager selection or individual security selection) is the primary driver of investment return. Because returns from equity asset classes historically have outpaced returns from fixed income and cash allocations, most investment professionals believe that allocations emphasizing higher percentages of equity asset classes are likely to have a higher expected return than those emphasizing fixed income allocations.

However, risk is also a very important element of the portfolio management decision. Equity asset classes have significantly greater variability in returns and much greater downside risk than fixed income asset classes. A large investment market decline (such as we experienced in 2008) can quickly turn a gift annuity contract paying the annuitant 7% of its initial gift value into one that is paying 10% (or more) of its current value. Sustained poor investment markets raise the possibility of a gift annuity contract running out of money, requiring the charity to make payments on the contract from other sources.

As shown above, charities differ significantly on the asset allocations chosen for the investment of gift annuity assets. Some institutions invest charitable gift annuities in their endowments. In many cases these endowments have aggressive asset allocations that approach an allocation of 85% to 90% in equity asset classes (or alternative asset classes designed to produce equity-like returns). Other charities invest their gift annuity assets predominantly or wholly in bonds, or choose to reinsure some or all of their gift annuity contracts.

The ACGA believes the 40% equity/55% fixed income/5% cash allocation used in the derivation of its rate schedule is a reasonable allocation that is achievable by virtually all charities, although not all charities will choose this particular asset allocation. (In the past, investment restrictions in states such as California made a 40% equity allocation difficult or impossible, depending upon the mix of contracts in a particular charity's program.) ***However, it is very important that charities and their investment advisors select an asset allocation that is appropriate for the unique circumstances and preferences of the institution and its gift annuity program.*** For some institutions, it might be appropriate to invest the gift annuity assets more aggressively than the 40%/55%/5% allocation; for other institutions it can be equally appropriate to invest in a more conservative allocation. What's important to note is that the ACGA rate schedule is based on the 40%/55%/5% model portfolio.

The following chart provides some historical perspective as to how the asset allocation of a gift annuity pool affects the residuum.

How Asset Allocation Affects the Residuum

Assumptions:

- $10,000 contribution
- ACGA rates
- One-life annuity, female age 70
- Annual expenses equal to 1.0% of reserves

Date of Contribution	Annuity Rate	Duration of Annuity	Amount of Residuum: Investment A (50% Stocks/ 50% Bonds)	Amount of Residuum: Investment B (10% Stocks/ 90% Bonds)
12/31/1971	6.2%	18 years	$16,432	$12,822
12/31/1979	7.1	18 years	44,246	24,652
12/31/1988	7.3	18 years	20,204	11,418
12/31/1999	7.5	10 years	4,000	7,100

Notes: (1) Investment A: 50% S&P 500 / 50% bonds.
(2) Investment B: 10% S&P 500 / 90% bonds.
(3) Results are calculated on quarterly returns and assume that payments and expenses are taken out at the end of each quarter.

The S&P 500 is the composite series calculated by Wilshire Associates. The bond series is 75% Intermediate Government Bonds and 25% Long-Term Government Bonds as reported by Ibbotson Associates, Inc.

The Rates Committee believes that most investment professionals will consider the following factors in selecting an asset allocation for a charity's gift annuity assets:

- The desired expected investment return
- The risk tolerance of the institution
- The availability of unrestricted assets to make payments on any contracts that might run out of money
- The value of the existing pool of gift annuity assets and the dollar amounts of annuity payments that must be made pursuant to those contracts
- The expertise of its staff or advisors to create, access, and manage well-diversified investment portfolios at reasonable costs
- Whether most gift annuity contracts have unrestricted or restricted gift purposes
- The existence of an institutional assessment against each annuity to build a reserve for making payments on contracts that run out of money.

For more information on implementing the asset allocation decision please refer to ACGA's Gift Annuity Best Practices, which may be found on the ACGA's web site at **http://www.acga-web.org/best_practices.html**

HISTORICAL ASSUMED RETURNS

Prior to 1997, charities issuing gift annuities were assumed to set aside 5% of the initial amount transferred for expenses, and to invest the remaining 95% at the assumed total rate of return. It is not certain when the 5% expense assumption began to be factored into the rates. In the chart below, the total net return shown below assumes that a 5% expense load applied from 1927-1996. Therefore the total net return shown is 95% of the assumed total return.

Beginning in 1997, an annual expense assumption replaced the front-end load in the calculations. From 1997 through 2001, annual expenses were assumed to be 0.75%. In 2002, they were increased to 1.0% where they have remained. Thus, for years 1997 and later, total net return is total return minus the annual expense assumption.

Historical Assumed Returns

	Total Return	Total Net Return
1927-31	4.5%	4.275%
1934	4.0	3.80
1939	3.0	2.85
1955-65	3.5	3.325
1971	4.0	3.80
1974	4.5	4.275
1977	5.0	4.75
1980	5.5	5.225
1983-92	6.5	6.175
1994	5.5	5.225
1997	7.0	6.25
1998-2000	6.75	6.0
2001	6.5	5.75
2002	6.75	5.75
1/1/2003	6.25	5.25
7/1/2003	6.0%	5.0%
7/1/2006	6.25	5.25
7/1/2008	5.75	4.75
2/1/2009	5.25	4.25
7/1/2010	5.5	4.5
7/1/2011	5.0	4.0
1/1/2012	4.25	3.25

COMPARISON OF GIFT ANNUITY AND COMMERCIAL ANNUITY RATES

The process of reviewing gift annuity rates includes a comparison of them with the pure-life annuity rates offered by highly rated representative insurance companies. Since gift annuities provide for a charitable gift element, the rates are not intended to be competitive with insurance company rates. A narrowing differential between gift annuity and commercial rates would be one factor to suggest that gift annuity rates should perhaps be reduced, while a widening differential would be one indicator that gift annuity rates should possibly be increased. Below is a comparison of ACGA rates and commercial rates in March 2015. It is important to note that commercial gift annuity rates can change almost daily, an approach which is impractical for charitable gift annuity rates. Therefore, comparisons between the ACGA's schedule of suggested maximum charitable gift annuity rates and commercial rates necessary represents only a "snapshot" at a particular point in time.

Comparison of ACGA Rates Effective 1/1/12 with Commercial Rates*

One-Life Annuity – Female Annuitant

Age	ACGA Rate	Average Commercial Rate	ACGA as % of Commercial
65	4.7%	5.99%	78.46%
70	5.1	6.82	74.78
75	5.8	8.06	71.96
80	6.8	9.80	69.39
85	7.8	12.45	62.65
90	9.0	16.16	55.69

Comparison of ACGA Rates Effective 1/1/12 with Commercial Rates*

One-Life Annuity – Male Annuitant

Age	ACGA Rate	Average Commercial Rate	ACGA as % of Commercial
65	4.7%	6.35%	74.02%
70	5.1	7.32	69.67
75	5.8	8.72	66.51
80	6.8	10.65	63.85
85	7.8	13.52	57.69
90	9.0	17.37	51.81

* Commercial rate quotations were obtained on March 28, 2015. The commercial rates are an average of the pure-life rates (life only, with no guaranteed term) obtained from eighteen insurance companies, except that fewer such rates are available from companies for annuitants age 80+.

The following tables give an historical sense of how ACGA rates have compared with commercial rates.

ACGA Rates as a % of Commercial Annuity Rates
2008-2015

Date	Male Age 65	Female Age 65	Male Age 70	Female Age 70
Mar-15	74.02%	78.46%	69.67%	74.78%
Jan-14	69.02%	73.44%	65.55%	70.54%
Mar-13	73.55%	78.33%	69.39%	74.78%
Jul-12	73.30%	78.60%	69.00%	74.80%
Nov-11	69.10%	74.60%	65.90%	71.30%
Mar-11	73.90%	78.90%	71.30%	76.90%
Mar-10	74.30%	79.60%	69.00%	74.80%
Mar-08	70.50%	75.40%	66.70%	72.40%

Date	Male Age 75	Female Age 75	Male Age 80	Female Age 80
Mar-15	66.51%	71.96%	63.85%	69.39%
Jan-14	63.46%	68.565	61.87%	67.06%
Mar-13	66.82%	72.41%	64.88%	70.32%
Jul-12	66.20%	72.00%	64.50%	69.90%
Nov-11	63.70%	69.10%	62.10%	67.00%
Mar-11	68.60%	74.20%	66.50%	71.60%
Mar-10	65.30%	71.00%	61.60%	66.70%
Mar-08	63.00%	68.80%	59.60%	64.90%

Date	Male Age 85	Female Age 85	Male Age 90	Female Age 90
Mar-15	57.69%	62.65%	51.81%	55.69%
Jan-14	57.56%	61.85%	52.57%	56.25%
Mar-13	59.72%	63.99%	52.82%	56.39%
Jul-12	59.10%	63.10%	52.60%	55.40%
Nov-11	57.20%	60.80%	51.30%	53.80%
Mar-11	60.30%	63.80%	55.70%	58.00%
Mar-10	56.60%	60.00%	52.80%	54.50%
Mar-08	56.50%	60.40%	52.30%	54.80%

THE FINANCIAL RISKS OF ISSUING GIFT ANNUITIES

When a charity issues a gift annuity, it incurs a financial risk because the annuity payments are a general liability of that charity. If the contribution for a gift annuity is entirely consumed because of the longevity of the annuitant(s) and/or poor investment performance, the charity must make payments from its general assets. Thus, there is the possibility that the charity could lose money on any one gift annuity, or even on its entire gift annuity program.

The annuitant also assumes a risk because if the charity that issues the annuity becomes insolvent, payments cease. If a charity, pursuant to state requirements, maintains a segregated reserve fund with sufficient assets to back outstanding annuities, the annuitant has a greater degree of protection. Still, there is the possibility that the segregated fund could be exhausted or, in the case of insolvency, that the assets within the segregated fund might not be insulated from the charity's other creditors. Unlike a bank deposit or a commercial annuity, a gift annuity is not backed by a guaranty association. Fortunately, default on gift annuities is rare, but it could happen if the issuing charity has limited financial resources or is not managed well.

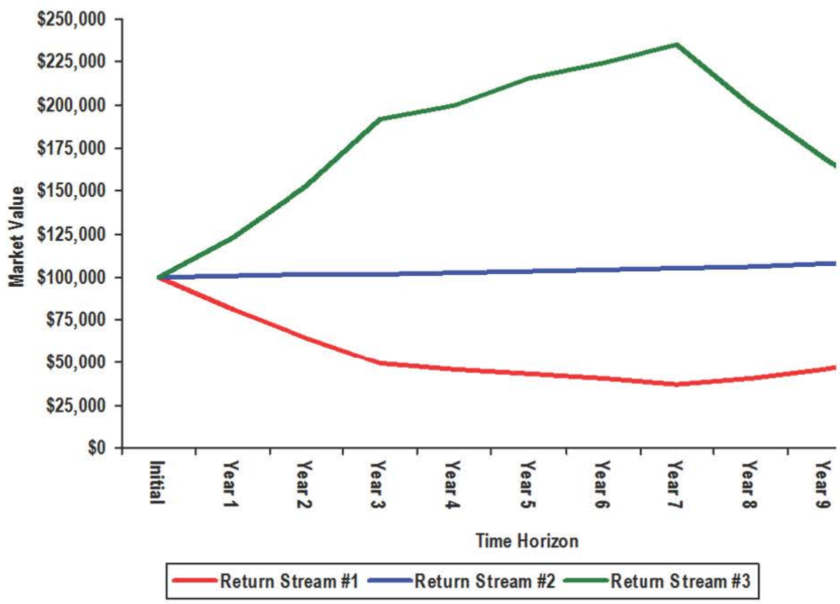
The ACGA rates are designed to manage the risks both to charities and donors. They are intended to be high enough to be attractive to donors, but low enough to result in a significant residuum for the charity under normal conditions. If a charity develops and executes a well-diversified investment portfolio with an asset allocation appropriate for its unique situation, it should derive meaningful financial value from its gift annuity program over time. However, this does not mean an individual gift annuity contract can never run out of money. If a charity issues gift annuities in sufficient quantity over time, one or more contracts are likely to run out of money because the annuitant significantly outlives life expectancy at the time of the gift and/or the gift annuity assets suffer a bear market in the early years of the contract.

Finally, it is important to consider that the timing of investment returns has a very significant impact on the value of a gift annuity contract at termination. This fact is sometimes overlooked when, for simplicity's sake, one uses average annual returns to estimate the value of a contract to the charity. For purposes of illustration, consider the three series of returns in the chart below. All three series have the same average annual return of 7.6%, yet the average return is achieved in three completely different ways. The first series has significant negative returns of -12% in the first three years, and significant positive returns in the final three years. The second series has constant returns of 7.6%. The third series is a mirror image of the first series. It has significant up returns in the first three years followed by significant down returns in the final years.

Year	Return Stream 1	Return Stream 2	Return Stream 3
1	-12.00%	7.60%	30.00%
2	-12.00%	7.60%	30.00%
3	-12.00%	7.60%	30.00%
4	7.60%	7.60%	7.60%
5	7.60%	7.60%	11.54%
6	11.54%	7.60%	7.60%
7	7.60%	7.60%	7.60%
8	30.00%	7.60%	-12.00%
9	30.00%	7.60%	-12.00%
10	30.00%	7.60%	-12.00%
Average Annual Compound Return	7.60%	7.60%	7.60%

The line graph below depicts the value of a $100,000, 7% gift annuity contract established on January 1 of Year 1 and making an annual payment on December 31 of each year. (The calculations are gross of fees.) Also note that these returns are hypothetical and used for illustrative purposes only. They do not represent performance of any specific investment.

The Sequence of Investment Returns Matters



Note that by the end of Year 10, Return Stream #3, which experienced the positive returns in the early years, is worth almost three times as much as Return Stream #1, which experienced negative returns immediately after the gift was established. Return Stream #3 is also worth 30% more than Return Stream #2 in which the gift achieved a constant investment return of 7.6%. The outcome of Return Stream #2 is more than double the poor outcome generated under Return Stream #1.

While the results may seem counterintuitive, the math is relatively simple. If a gift started at $100,000 and declined by 30% to $70,000, it would take more than a 30% move upward to bring the contract market value back to $100,000. In fact, the gift would have to improve by $30,000 divided by $70,000—or nearly 43%—to get back to break even. Factor in a constant payment to the income beneficiary and it is easy to understand why bear markets in the early years of a gift annuity contract are so damaging to its value.

APPENDICES

APPENDIX A: PRESENT VALUE CALCULATIONS AND CHARITABLE GIFT ANNUITIES

Definition of Present Value

Present value is simply the value in today's dollars for an amount that will be received in the future. The key concept is that $1 today is worth more than $1 received in the future. A simple example is a one-year calculation based on an expected return. If you currently have $100 and can earn 5% in one year, at the end of year one you will have a projected $105 in future value. Suppose someone said "I will give you $105 in one year, how much will you give me today?" You would simply discount the future by the assumed rate of return of 5% and you would end up with a present value of $100. As you can see by this example, a person can calculate a future value based on assumptions ($105) and a current present value ($100), and then can calculate a present value based on assumptions ($100) and a future value ($105). This illustrates the time value of money and can be easily calculated using spreadsheet applications or financial calculators.

Historically, the ACGA has recommended charitable gift annuity rates based on an assumption that the nominal or future value of the contract at its termination would be 50% of its original funding amount. For an example, for a $10,000 gift made by a 60-year old would be worth $5,000 at the contract termination if all of the assumptions were precisely realized. By using an assumed net rate of return as the discount rate—for example, 4.75%—and a financial calculator, we can derive a present value of $1,378.26 for the eventual $5,000 to be received. So the present value to the charity is 13.78% of the original gift annuity contribution. What follows is a table that provides the calculations at various ages for hypothetical gift annuity contracts funded with $10,000.

Age	Present Value at Issue Date of a $5,000 Residuum	Present Value as a Percentage of the $10,000 Original Gift
60	$1,378.26	13.78%
65	1,689.01	16.89%
70	2,246.63	22.47%
75	2,457.74	24.57%
80	2,893.91	28.94%
85	3,327.19	33.27%
90	3,719.24	37.19%

The above table is simply for illustration purposes only. It does not address differing life expectancies for male and female annuitants; differences between ACGA rate committee assumptions and actual realized results for the variables of expenses, investment returns or payment frequency; or the appropriateness of a particular discount rate.

APPENDIX B:
SUGGESTED CHARITABLE GIFT ANNUITY RATES
Approved by the American Council on Gift Annuities—Effective January 1, 2012

SINGLE LIFE

Age	Rate
5-10	2.0
11-15	2.1
16-19	2.2
20-23	2.3
24-26	2.4
27-29	2.5
30-32	2.6
33-34	2.7
35-36	2.8
37-38	2.9
39-40	3.0
41-42	3.1
43	3.2
44-45	3.3
46	3.4
47	3.5
48-49	3.6
50	3.7
51-52	3.8
53-54	3.9
55	4.0
56-57	4.1
58	4.2
59	4.3
60-61	4.4
62-63	4.5
64	4.6
65	4.7
66-67	4.8

Age	Rate
68	4.9
69	5.0
70	5.1
71	5.3
72	5.4
73	5.5
74	5.7
75	5.8
76	6.0
77	6.2
78	6.4
79	6.6
80	6.8
81	7.0
82	7.2
83	7.4
84	7.6
85	7.8
86	8.0
87	8.2
88	8.4
89	8.7
90+	9.0

NOTES:

1. The rates are for ages at the nearest birthday.
2. For immediate gift annuities, these rates will result in a charitable deduction of more than 10% if the CFMR is 1.4% or higher, whatever the payment frequency. If the CFMR is less than 1.4%, the deduction will be less than 10% when annuitants are below certain ages.
3. For deferred gift annuities with longer deferral periods, the rates may not pass the 10% test when the CFMR is low.
4. To avoid adverse tax consequences, the charity should reduce the gift annuity rate to whatever level is necessary to generate a charitable deduction in excess of 10%.

APPENDIX C:
SUGGESTED CHARITABLE GIFT ANNUITY RATES

Approved by the American Council on Gift Annuities—Effective January 1, 2012

TWO LIVES – JOINT & SURVIVOR

Younger Age	Older Age	Rate
5	5-95+	1.8
6	6-95+	1.8
7	7-95+	1.8
8	8-95+	1.8
9	9-95+	1.8
10	10-95+	1.8
11	11-95+	1.9
12	12-95+	1.9
13	13-95+	1.9
14	14-95+	1.9
15	15-95+	1.9
16	16-95+	2.0
17	17-95+	2.0
18	18-95+	2.0
19	19-95+	2.0
20	20-95+	2.1
21	21-95+	2.1
22	22-95+	2.1
23	23-95+	2.1
24	24-95+	2.1
25	25-95+	2.2
26	26-95+	2.2
27	27-95+	2.2
28	28-95+	2.2
29	29-95+	2.3
30	30-95+	2.3
31	31-95+	2.3
32	32-95+	2.3
33	33-95+	2.4
34	34-95+	2.4
35	35-95+	2.4
36	36-95+	2.5
37	37-95+	2.5
38	38-95+	2.5
39	39-95+	2.6
40	40-95+	2.6
41	41-95+	2.7
42	42-95+	2.7
43	43-95+	2.8
44	44-95+	2.8
45	45-95+	2.9
46	46-95+	2.9
47	47-50	3.0
47	51-95+	3.1
48	48	3.0
48	49-95+	3.1
49	49-51	3.1
49	52-95+	3.2
50	50	3.1
50	51-53	3.2
50	54-95+	3.3
51	51-52	3.2
51	53-55	3.3
51	56-95+	3.4
52	52-54	3.3
52	55-95+	3.4
53	53-55	3.4
53	56-58	3.5
53	59-95+	3.6
54	54	3.4
54	55-57	3.5
54	58-95+	3.6
55	55	3.5
55	56-58	3.6
55	59-61	3.7
55	62-95+	3.8
56	56-57	3.6
56	58-59	3.7
56	60-62	3.8
56	63-95+	3.9
57	57-58	3.7
57	59-63	3.8
57	64-95+	3.9
58	58-61	3.8
58	62-65	3.9
58	66-95+	4.0
59	59-60	3.8
59	61-63	3.9
59	64-68	4.0
59	69-95+	4.1
60	60-62	3.9
60	63-66	4.0
60	67-70	4.1
60	71-95+	4.2
61	61	3.9
61	62-64	4.0
61	65-68	4.1
61	69-95+	4.2
62	62-63	4.0
62	64-66	4.1
62	67-69	4.2
62	70-95+	4.3
63	63-64	4.1
63	65-67	4.2
63	68-95+	4.3
64	64-66	4.2
64	67-70	4.3
64	71-95+	4.4
65	65	4.2
65	66-68	4.3
65	69-72	4.4
65	73-95+	4.5
66	66-67	4.3
66	68-71	4.4
66	72-75	4.5
66	76-95+	4.6
67	67-69	4.4
67	70-73	4.5
67	74-95+	4.6
68	68	4.4
68	69-71	4.5
68	72-75	4.6
68	76-95+	4.7
69	69-70	4.5
69	71-73	4.6
69	74-76	4.7
69	77-95+	4.8
70	70-71	4.6
70	72-74	4.7
70	75-78	4.8
70	79-95+	4.9
71	71-73	4.7
71	74-75	4.8
71	76-79	4.9
71	80-82	5.0
71	83-95+	5.1
72	72	4.7
72	73-74	4.8
72	75-76	4.9
72	77-79	5.0
72	80-83	5.1
72	84-95+	5.2
73	73	4.8
73	74-75	4.9
73	76-77	5.0
73	78-80	5.1

SUGGESTED CHARITABLE GIFT ANNUITY RATES
Approved by the American Council on Gift Annuities--Effective January 1, 2012

TWO LIVES – JOINT & SURVIVOR (cont.)

Younger Age	Older Age	Rate
73	81-83	5.2
73	84-95+	5.3
74	74	4.9
74	75-76	5.0
74	77-78	5.1
74	79-80	5.2
74	81-83	5.3
74	84-87	5.4
74	88-95+	5.5
75	75	5.0
75	76-77	5.1
75	78	5.2
75	79-81	5.3
75	82-83	5.4
75	84-86	5.5
75	87-95+	5.6
76	76-77	5.2
76	78-79	5.3
76	80-81	5.4
76	82-83	5.5
76	84-85	5.6
76	86-88	5.7
76	89-95+	5.8
77	77-78	5.3
77	79	5.4
77	80-81	5.5
77	82-83	5.6
77	84-85	5.7
77	86-87	5.8
77	88-91	5.9
77	92-95+	6.0
78	78	5.4
78	79	5.5
78	80-81	5.6
78	82-83	5.7
78	84	5.8
78	85-86	5.9
78	87-89	6.0
78	90-92	6.1
78	93-95+	6.2
79	79-80	5.6

Younger Age	Older Age	Rate
79	81	5.7
79	82	5.8
79	83-84	5.9
79	85-86	6.0
79	87-88	6.1
79	89-90	6.2
79	91-93	6.3
79	94-95+	6.4
80	80	5.7
80	81	5.8
80	82	5.9
80	83-84	6.0
80	85	6.1
80	86-87	6.2
80	88-89	6.3
80	90-91	6.4
80	92-93	6.5
80	94-95+	6.6
81	81	5.9
81	82	6.0
81	83	6.1
81	84-85	6.2
81	86	6.3
81	87-88	6.4
81	89	6.5
81	90-91	6.6
81	92-94	6.7
81	95+	6.8
82	82	6.1
82	83	6.2
82	84	6.3
82	85-86	6.4
82	87	6.5
82	88	6.6
82	89-90	6.7
82	91	6.8
82	92-93	6.9
82	94-95+	7.0
83	83	6.3
83	84	6.4
83	85	6.5

Younger Age	Older Age	Rate
83	86	6.6
83	87	6.7
83	88-89	6.8
83	90	6.9
83	91	7.0
83	92-93	7.1
83	94-95+	7.2
84	84	6.5
84	85	6.6
84	86	6.7
84	87	6.8
84	88	6.9
84	89	7.0
84	90	7.1
84	91	7.2
84	92-93	7.3
84	94-95+	7.4
85	85	6.7
85	86	6.9
85	87	7.0
85	88	7.1
85	89	7.2
85	90	7.3
85	91	7.4
85	92	7.5
85	93-95+	7.6
86	86	7.0
86	87	7.1
86	88	7.3
86	89	7.4
86	90	7.5
86	91	7.6
86	92	7.7
86	93-95+	7.8
87	87	7.3
87	88	7.4
87	89	7.5
87	90	7.7
87	91	7.8
87	92	7.9
87	93-95+	8.0

SUGGESTED CHARITABLE GIFT ANNUITY RATES
Approved by the American Council on Gift Annuities—Effective January 1, 2012

TWO LIVES – JOINT & SURVIVOR (cont.)

Younger Age	Older Age	Rate
88	88	7.6
88	89	7.7
88	90	7.9
88	91	8.0
88	92	8.1
88	93-95+	8.2
89	89	7.9
89	90	8.0
89	91	8.2
89	92	8.3
89	93-95+	8.5
90	90	8.2
90	91	8.4
90	92	8.5
90	93	8.7
90	94-95+	8.8
91	91	8.6
91	92	8.7
91	93-95+	8.8
92	92-95+	8.8
93	93-95+	8.8
94	94-95+	8.8
95	95+	8.8

APPENDIX D:
PROCEDURE FOR CALCULATING SUGGESTED DEFERRED GIFT ANNUITY RATES

Approved by the American Council on Gift Annuities--Effective January 1, 2012

1. Determine the annuity starting date, which is:
   One year before the first payment, if payments are made annually.
   Six months before the first payment, if payments are made semi-annually.
   Three months before the first payment, if payments are made quarterly.
   One month before the first payment, if payments are made monthly.

2. Determine the number of whole and fractional years from the date of the contribution to the annuity starting date (the deferral period). Express the fractional year as a decimal of four numbers.

3. For a deferral period of any length, use the following formula to determine the compound interest factor:

   $F = 1.0325^{d}$, where
   F is the compound interest factor and
   d is the deferral period

   Example: If the period between the contribution date and the annuity starting date is 14.5760 years, the compound interest factor would be $1.0325^{14.576} = 1.593902$

4. Multiply the compound interest factor (F) by the immediate gift annuity rate for the nearest age or ages of a person or persons at the annuity starting date.

   Example: If the sole annuitant will be nearest age 65 on the annuity starting date and the compound interest factor is 1.593902, the deferred gift annuity rate would be 1.593902 times 4.7%, or 7.5% (rounded to the nearest tenth of a percent).

Comments:

- The annuity starting date for purposes of calculating the deferred gift annuity rate will be the same as the annuity starting date for calculating the charitable deduction, if payments are at the end of the period (which is usually the case). This was not true with the pre-July 1, 2001 methodology.

- An annuitant is credited with compound interest for the entire period from the date of contribution to the annuity starting date. Under the pre-July, 2001 methodology, compound interest was credited only for the number of whole years between the two dates.

- Charities issuing deferred gift annuities in New York and New Jersey may need to use a slightly lower compounding rate depending on the deferral period (see page 27). Information regarding this subject will be posted on the ACGA website (**www.acga-web.org**) and on the new gift annuity rate sheets.

APPENDIX E:
NOTE TO CHARITIES ISSUING DEFERRED GIFT ANNUITIES IN NEW YORK AND NEW JERSEY*

Approved by the American Council on Gift Annuities—Effective January 1, 2012

Through December of 2014, the following compound interest factors during the deferral period noted will satisfy the requirements of New York and New Jersey:

For all deferral periods:

Single-life and two-life annuities, whatever the gender of the annuitants, a compound interest factor of 3.25%.

Information about the maximum compound interest factors for these two states are posted on the ACGA website. See www.acga-web.org.

*New York and New Jersey are the two states known at this time that may require different interest factors for deferred gift annuities with longer deferral periods.

Thursday, April 7   Afternoon Sessions

(1:30pm - 2:45pm & 3:15pm - 4:30pm)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Good Stewardship is Great Cultivation ....(Track I, II)
Dan T. Garrett , AEP®, CFP™, HDP™ & Lindsay L. Lapole, CFRE

Merriam-Webster defines stewardship as "the activity or job of protecting and being responsible for something". In philanthropic terms, that means protecting donors and handling their gifts responsibly. A donor may not necessarily need protection, however when the organization communicates with them as needed and honors their wishes, then they are being protected. And that requires integrity and compassion from the development officer as well as the charity. If a donor requests anonymity, then honoring this request protects their trust.

To a mature and successful charitable organization, good stewardship is understood. It is nothing special; it is expected. Unfortunately some organizations have tunnel vision on the present fundraising goal, little else matters; it is all about the gift. There is no sincere donor relationship; once the gift is received and the celebration ends, it is on to the next donor. The focus is on the gift, the goal, and this year's totals. But an organization with good stewardship keeps the focus on the donor, their goals, objectives, and passions while maintaining a strong relationship. In doing so, stewardship is simply part of the cultivation process and lifetime giving.

Dan T. Garrett, AEP®, CFP™, HDP™

President
ACU Foundation

For the past forty-two years Mr. Garrett has worked in the arena of fund development for not-for-profit organizations. He spent eleven years on the Development staff of Abilene Christian University, where he personally directed major campaign efforts in both Annual Giving and Estate Planning. In 1984, Mr. Garrett joined the Baylor University Medical Center Foundation where he served as Vice President until October 1, 1994 when he formed the Garrett Group, a Development and Planned Giving Consulting firm.

In addition to serving as President of the Garrett Group, Mr. Garrett was appointed Vice-Chancellor of Abilene Christian University on June 1, of 1995. In June on 1998 he was named the first ever President of The ACU Foundation.

His professional experience has included regular face-to-face work with donors, as well as extensive contact and consultation with financial planning and allied professionals. He has consulted with professionals and individuals on estate plans of all sizes, securing avenues for more efficient transfer of assets and personal possessions. From 1990 through the summer of 1994 he served as a regular featured lecturer for planned giving training seminars with a national association.

Mr. Garrett holds the Bachelors of Science Degree in Business from Abilene Christian University. In 1985 he received the Certified Fund Raising Executive (CFRE) and became licensed as a Certified Financial Planner (CFP™) designee. He has also received professional certification from the Association for Healthcare Philanthropy (CAHP) is an Accredited Estate Planner (AEP) and a Heritage Design Professional (HDP).

Mr. Garrett’s work in the not-for-profit arena extends beyond the professional realm. He regularly serves in volunteer and official Board capacity for a number of charitable organizations. He has served as a member of the Board of Directors of the Dallas/Ft. Worth Chapter of the International Association of Financial Planners (IAFP), and on the Board of the North Texas Chapter of the Partnership in Philanthropic Planning (PPP) formerly (NCPG).

Lindsay L. Lapole, CFRE

National Director for Gift Planning, Youth For Christ USA
President, Lindsay Lapole & Associates, Inc.

Lindsay Lapole began his role with Youth For Christ as the National Director for Gift Planning in December of 2015. Prior to this role, Mr. Lapole had a faithful 34-year career in The Salvation Army, where he served in increasing roles of responsibility culminating as the Territorial Planned Giving Director of the USA Southern Territory. He was responsible for recruiting, training, and technical consultation for the professional staff of 34 in the 15 Southeastern states. He was also responsible for the administration, marketing, and quality control for the program across the territory.

Mr. Lapole has served on the Board of Directors of the Georgia Chapter of the Association of Fund Raising Professionals and received his Certified Fund Raising Executive credential in 1985. He is a past board member and President of the Georgia Planned Giving Council. He also served for fifteen years as Chairman of the National Planned Giving Consultants Committee of The Salvation Army.

Mr. Lapole was elected to the Board of Directors of the American Council on Gift Annuities in 1999 and served as the Conference Chair for the 2004 Conference on Gift Annuities and as Chair of the State Regulation Committee and Secretary to the Board. Since 2008, Lindsay has served as President and Chair of the Board of Directors of the American Council on Gift Annuities. Mr. Lapole has been a frequent speaker on topics related to planned giving, and fund raising management throughout the country. In 2012, he was invited by the Republic of Korea to speak at the 2nd International Conference on Sharing in Seoul, South Korea.

Mr. Lapole is a native of West Virginia and a graduate of Marshall University in Huntington, West Virginia.

Good Stewardship is Great Cultivation

Legacy Building: Determining Donors Passions

American Council on Gift Annuities
St. Louis, Missouri
April 6-8, 2016

Lindsay Lapole
National Director for Gift Planning, Youth for Christ USA
President, Lindsay Lapole & Associates, Inc

Dan T. Garrett, AEP®, CFP™, HDP™
President, The ACU Foundation
Abilene Christian University, Abilene, Texas
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President, The Garrett Group, Inc
dan@ggInc.us

Introduction

How Do You View Your Work?

- If you don't like it…move on.
- If you are not having fun…move on.

Each Day Begins with Something Special

- Who you are
- Whose you are

Passion is a Requirement

- Must understand and develop a passion:
  - for your mission.
  - for your organization/institution.

Organizational Knowledge

- You need to know history of your organization/institution.
- Where it started?…Why it started?
- What is its purpose?
- Where is it today?
- Where will it be tomorrow?
- Is it true to its original mission, or has it been changed or updated?

You are a Professional… Dress the Part

Stay Put

- The average tenure of a Dev. Officer is less than 3 years.
- Some people make a living always selling 1st impressions.
- If you are not genuine…you will be found out.

Develop Professionally

- Things and Times…they are changing.
- Must stay up with technology.
- Read
- Attend/Join Professional Networks.

Treat People with Respect

- Never do or say anything at the expense of a donor/ friend.
- "HORACE"

Do What is Right Even When No One is Looking

- Woodward
  "I have been looking at you and your BOT for over 30 years."
- Buie

Do Not Compromise Your Integrity

- Even if it costs you your job.
- The personal pain is not worth it.

See People…Not $$$

- Requires a genuine interest in people.
- Not good for the donor…not good for the charity.
- Includes personal interest in family…their kids.

Give to the Cause From Your Own Resources

- Don't expect to gain respect of a donor if you are unwilling to give yourself.
- Results of 3x5 cards

What DO Donors Want You to Know?

About MOTIVATION

- "It's not about the money."
  - Experience
  - Family
  - Control
  - Trust/Credibility
  - Passion
  - **Values**

About CULTIVATION

"I have a choice."

About APPRECIATION/ RECOGNITION

"Somebody cares."

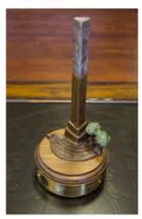
About STEWARDSHIP

"Somebody remembers."

- What have you done for me lately?

About STEWARDSHIP

- Appreciation reminders – plaques, books, cards, sculptures



About STEWARDSHIP

- They want to know:
  - "Somebody remembers."
  - Their gift/involvement is making a difference.
  - Desire to be appreciated.
- Appreciation reminders – plaques, books, cards, sculptures
- Gifts that keep on giving.
- Always, Always, Always say Thank You.

"Smart people learn from their OWN experiences.

Wise people learn from the experiences of OTHERS!"

When soliciting a gift or cultivating a prospective donor:

"What they say is FACT.

What we say is OPINION."

What is the most valuable information you should know about your donors?

What would you like to know?

How will you find out?

Legacy will last.

Fame is fleeting.

Validate your relationship with the donor:

Compliment them on ________.

Ask permission:

- May I ask you a few questions?
- What's important to you?
- What's valuable to you?

(Listen for their Passion)

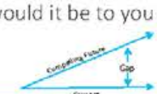
- Where did you learn that?
- What comes to mind when you think about that?

What else are you passionate about?

- Family
- Education
- Faith
- Describe: ______________________

Imagine a compelling future for __________.

- List 3-4 points.
- Articulate where you are currently.
- What value would it be to you to fill the gaps?



- How long do you want your wealth to stay in the family?
- What do you want your wealth to accomplish?
- What influence do you want your wealth to have?

First:

Ask the Appropriate Questions to Help Your Donors Identify and Articulate Their Passions (core values).

Second:

Provide opportunities for them to fulfill their passions.

If you do not have an opportunity inside your organization, provide one outside of your organization.

Third:

Help them articulate the value of the gift to THEMSELVES:

"What did your gift mean to YOU?"

Transformational Philanthropy?

A Transformational Gift

is one that has as big of an impact on the Donor as it does on the Organization; which has nothing to do with the size of the gift and everything to do with the passion behind the gift.

Donors become Philanthropists from

Transformational Gifts

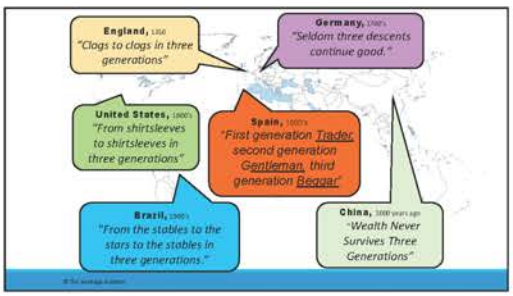
Creating

Multi-Generational Transformational Gifts

The Challenge:

Traditional planning has failed to keep families and their fortunes together for three or more generations...

...and that has been true for centuries all over the world.



Lessons from history:

Geography
Cultures - Economies
Governments - Tax Structures

Don't Matter.

Families *rarely* keep their money and families together for more than three generations.

The obvious question...

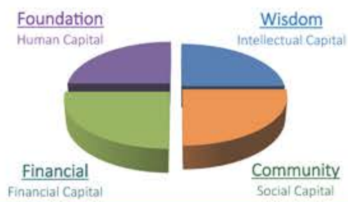
What do the successful 10% do differently?

Successful Families Share Several Common Traits – Including:

- A Culture of Communication & Trust
- Shared Vision
- Balanced View of Wealth (which includes philanthropy)
- Training and Mentoring Each Generation

Sustaining Family Wealth & Unity Across Generations
Rodney C. Zeeb & Ryan D. Zeeb, 2012

Balanced View of Wealth



There is a direct correlation between knowing your donor's core values, and how much business and how many introductions they provide to you.

To Be Successful:

1. Enjoy – be passionate at what you do.
2. Begin each day on a positive note.
3. Genuinely enjoy talking to and getting to know people.
4. Dress appropriately.
5. Seek to know something other than the donor's name and how much they give.

"People will forget what you said.

People will forget what you did.

But people will never forget how you made them feel."

Maya Angelou

A Parting Story...

Your Career… Karma? Or Choice? ....(Track I, II)

James E. Gillespie

Do you have any control over your current/next advancement position? Or are you leaving it up to fate or karma as to where you'll be in 3-5 years? Unless you take complete control of the elements you can control (and what the heck are they?) you'll find yourself being pushed here and there and, maybe, out. This presentation will deal with what you can control, and how to make yourself successfully indispensable, opening terrific opportunities for you and your future. Come see for yourself.

James E. Gillespie

President & CEO
CommonWealth, Consultants in Philanthropy

Jim Gillespie is president and CEO of CommonWealth, a training and fundraising-consulting firm. Jim was a professional development officer for over 20 years. He was Chief Development Officer of the Indianapolis Symphony Orchestra, and later, in a similar capacity with Riley Children's (Hospital) Foundation. Jim is a lead faculty member of The Fund Raising School, a unit of Indiana University's Lilly Family School of Philanthropy.

Jim's research, articles, and speeches have been published in leading newsletters and magazines. He is a contributing author of *Principles & Techniques of Fundraising* and, *Planned Giving: Getting The Proper Start*, published by Indiana University. He has spoken to over 1,000 groups of charitable volunteers and professional fundraising executives. He conducts frequent seminars with charitable organizations for governing boards, professional advisors and prospective donors. He is a speaker/presenter for the Association of Fundraising Professionals, the American Council on Gift Annuities, and the Partnership for Philanthropic Planning. Jim was National Conference Chair for the National Conference on Philanthropic Planning (PPP, formerly NCPG), held in Indianapolis.

Your Career…
Karma? Or Choice?

A PRESENTATION FOR THE 32nd
AMERICAN COUNCIL ON GIFT ANNUITIES CONFERENCE

A presentation by James E. Gillespie
President & CEO of

COMMONWEALTH
Consultants in Philanthropy

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Website: www.CommonWealthUSA.com | E-mail: JEG@CommonWealthUSA.com

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"Who are you kidding?"

Laughingly said by two colleagues of mine when I told them about my presentation.

COMMONWEALTH

"I find the great thing in this world is not so much where we stand, as in what direction we are moving: To reach the port of heaven, we must sail sometimes with the wind and sometimes against it—but we must sail, and not drift, nor lie at anchor."

Oliver Wendell Holmes

COMMONWEALTH

Dissecting Oliver

That is, dissecting Ollie's quote.

- There are things in our life we can control and manage, and other things beyond our control.
- Some things we can control/manage:
  - Our attitude about anything.
  - Our personal motivations.
  - Our determination/drive to succeed.
- Can't control/manage:
  - Other people's attitudes.
  - Weather, the economy, acts of God.

Here's what to expect today…

- A little advice from other professionals.
- Some introspection – how do you view yourself and what are your expectations from your life?
- Some of my personal experiences…and some of yours.
- Great tips on controlling and advancing your career.
- More specific personal management issues.
- Handling a new job interview re: compensation.
- If there's time, Tom Peters on self branding.

Advice from someone else…

- Lilya Wagner writes in her book, Careers In Fundraising that according to writer Kevin McCarthy, there are four questions that a person planning career changes should ask:
- Why am I here?
- Where am I going?
- How will I get there?
- What will I choose to do and not do en route?

How do you view "working"? 1

- Is it a way to make the most money possible?
- Is it a way to contribute to the world (if yes, what impact would you like to make)?
- Is it a way for you to grow as a person (if yes, in what way)?
  - If the answer is a combination of the above, then spend some time thinking about the relative value of each and what is most important to you.

How do you view "working"? 2

- Consider what you are missing in your current career that has contributed to the decision to pursue a change.
- After you have answered those questions then start talking with those people who can help you make the changes you want to make.

Randy Blackmon
Quoted in Careers in Fundraising

Here is a visualization exercise

- Next time you have a quiet moment to yourself, imagine being interviewed, in twenty to thirty years time, about your life and achievements. What would you like to be able to say? What would you like others to say?
- This is a deceptively powerful exercise that can help you to further identify your real motivations.

My story

I'm doing what I love

- Junior Achievement of Central Indiana
  - Director of Development & Public Relations – 11 Yrs.
- Tri-County Mental Health Foundation
  - Vice President for Development - 1½ Yrs.
- Indianapolis Symphony Orchestra
  - Chief Development Officer – 7 Yrs.
- Renaissance
  - Vice President of the Consulting Division – 6 Yrs.
- CommonWealth
  - President & CEO – 21 Yrs.
- Wheeler Mission Ministries (and CommonWealth)

Now, what about you?

- Why do you want to move from your current position?
- Where do you want to go?
- What's keeping you back?
- What's your strategy for change?
- How do you evaluate your progress?

Bob Mueller says,

It's about teamwork

- "No person in the fundraising field becomes a success without the support of others, without the support of the team. When we forget this and begin to attribute success solely to our own efforts, we are on the road to failure. All of us have our moments of success, but behind every accomplishment —every winning basket—there is someone who "passed us the ball."

Phil Hardwick said,

(He identifies the team members)

- "In fundraising, it takes a team to raise one gift. You need a bus to carry all the people who deserve recognition and credit for a successful solicitation. From the receptionist who answers the phone, to the development officer who stewards the donor and asks for the gift, to the writer who pens a compelling proposal, to the volunteer who supports the institution's cause, to the gift administrator who processes the gift, they all play a critical role in closing the gift."

Brand yourself

- "Today brands are everything, and all kinds of products and services – from accounting firms to sneaker makers to restaurants – are figuring out how to transcend the narrow boundaries of their categories and become a brand surrounded by a Tommy Hilfiger-like buzz."

Tom Peters

Brand you (yourself) 1

from Tom Peters' book

- **Why should** you be motivated to build your personal brand? Why is it important?
  - **Why should** you promote your personal brand?
- **Who are you?** Who do other people perceive you to be right now?
  - **Who is in** your current contacts network? Who should you add?

Brand you (yourself) 2

from Tom Peters' book

- **What** knowledge, skills, and experiences do you want to add over the next 12 months to enhance your personal brand?
  - **What are you** really committed to do?
- **How would** you sum up your Brand Promise – your distinctiveness – now and in the future?
  - **How can you** market your personal brand more effectively to your network?

Control & advance your career 1

Issues to consider

- You have asked yourself why you want to change and determined some of the required changes to get you where you want to go. Now, are you willing to commit yourself to them?
- Write down the specific changes that you know will have to be made… your plan.
  - This means identifying a goal, such as a fundraising position of certain responsibility and rank—and learning all you can about it.

Control & advance your career 2

Issues to consider

- As you develop a plan, ask for reactions and advice, both from people who work in fundraising and others who can provide objective viewpoints and advice (your team).
- At the same time, seek ideas on how to make a smooth transition; what it will mean to you, your family, and your future. (Still committed?)
- Keep developing your plan remembering that it will change as it is implemented.

Control & advance your career 3

Issues to consider

- Network with people who do what you want to do, and make appointments with the right people to pick their brains, share ideas, and ask questions. Most people are willing to share information when asked.
- Remember, most good jobs, aren't necessarily advertised but often referred by other professionals.

More specific management issues

This has to do with self-management 1

- Inventory your skills and achievements, and add to them each year. Keep track of what you need to learn and have mastered, and how this achievement helped you reach your goals.
- Acquire a reputation for being an expert at something that fits into your eventual career goal. This may mean increased proficiency in some aspect of fundraising, or a related skill such as writing or computer expertise.

More specific management issues

This has to do with self-management 2

- Volunteer for projects, internal and/or external, that will give you contact with trustees and other persons who can influence your promotion or next career step. This allows you to learn and develop an appropriate network while you contribute to some organization's efforts.
- Take courses in nonprofit management or fundraising, or some specialty area. Keep up with cutting-edge information and best practices, and implement your knowledge.

More specific management issues

This has to do with self-management 3

- Become acquainted with more people who can influence your promotion.
  - How are you going to do this?
- Don't exaggerate your claims of competence when networking, interviewing, or putting together your resume. Be realistic about your achievements, but also line them up right so they fit your ultimate career goal.

More specific management issues

This has to do with self-management 4

- Be prepared to take risks in order to achieve the promotion. However, risks should be calculated and be likely to succeed.
- Determine that you not only can duplicate your best efforts but can also exceed them.
- Hang on to your energy, and "mind the store." Keep your performance level in your current responsibilities high, and don't shirk any duties while looking ahead for the promotion.

Beginning outline of your plan 1

- Keep my family involved…plan is for them, too.
- What I can control in life:
- What I can't control:
- Generally, where I want to go – a goal:
- Who I want on my team:
- Intelligent strategies for change over time:
- Benchmarks to evaluate my progress:

Beginning outline of your plan 2

- The people who do what I want to do:
- Volunteer for different or higher profile projects:
- Determine skills to learn and improve:
- Get acquainted with truly influential people:
- Be prepared to take strategic risks, being sure my family agrees
- Keep doing my job superlatively:
- Steps to "branding" myself in community:

The Job Interview/compensation

- Let the organization bring up the subject of salary
- Be sure to do your homework and understand what equivalent types of positions offer for a person of your experience and expertise.
- Have a good idea of what you're worth and what you're willing to accept.
- Don't hide your salary history.

The Job Interview, part 2

- If necessary, negotiate.
- Remember to get the full picture of what your salary involves.
- If you are asked what salary range you expect, give a range based on your research. (Do not say, "In the range of $90,000 to $100,000." Say, "In the range of $100,000, if that's where you are going.)
- Don't give the impression that you are going to quibble over money.

James Greenfield

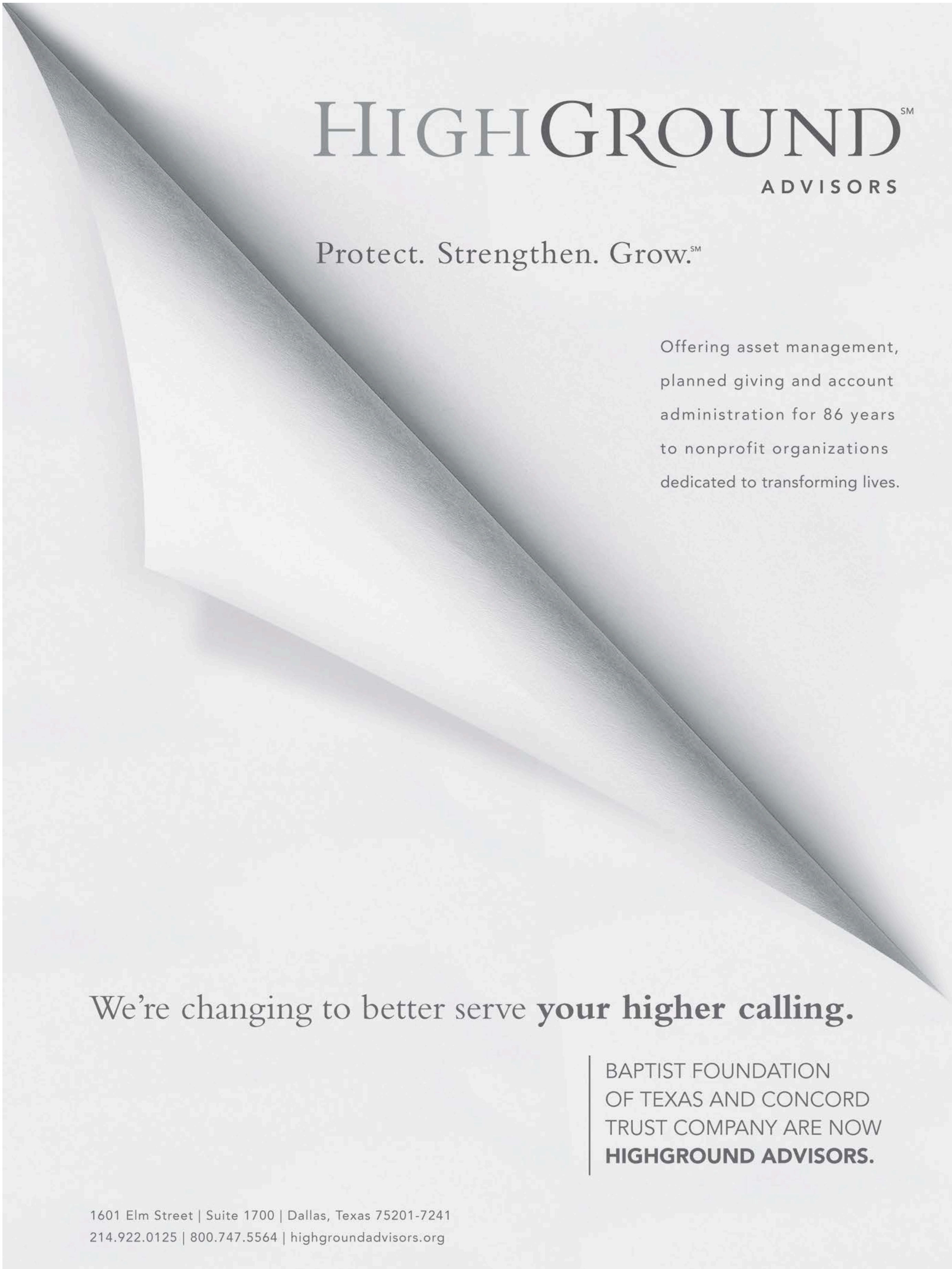
Maintain excellence & equilibrium

Arriving at one goal is the starting point to another.

The average person will work over 25 years! Don't leave it to luck. Not only will your perception of what is important to you change during that time, the requirements and opportunities will change as well. Sometimes dramatically. Career Management is your responsibility and it gives you more control over how much you enjoy your worklife.

Two books I recommend to you

- *Careers in Fundraising* Lilya Wagner
- *The Brand You 50: Or: Fifty Ways to Transform Yourself from an "Employee" into a Brand That Shouts Distinction, Commitment, and Passion!* Tom Peters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Legislative Round-Up... (Track II)
Emanuel J. Kallina II, J.D., LL.M.

Legislative Round-Up: A review of legislation enacted in the last two years affecting charitable giving, along with an analysis of pending and potential legislation. The session will include a practical discussion, and hopefully interaction, on how Congress has changed and will change the way we raise money for our charities.

Emanuel J. Kallina II, J.D., LL.M.

Managing Member
Kallina & Associates, LLC

Emanuel ("Emil") J. Kallina, II is the managing member of Kallina & Associates, LLC, and focuses his practice on estate and charitable planning for high net worth individuals and representing charitable organizations in complex gifts. Emil works extensively with charitable lead and remainder trusts, supporting organizations, private foundations, and over the years has practiced in the related fields of business law, corporate tax law, partnerships, and real estate.

Emil is the founder of CharitablePlanning.com, a website dedicated to professionals who need the tools to complete planned and major gifts. He is also a co-founder of the Planned Giving Design Center (www.pgdc.com), a former member of the Board of Directors of PPP, former Chairman (5 years) of the Government Relations Committee of the PPP, a co-founder of the Chesapeake Planned Giving Council, Chairman of the Board and President of The James Foundation, a member of the Board of Directors of Search Ministries, Inc., and a present and former member of numerous other boards. Emil has testified frequently before the IRS, is a nationally recognized speaker on estate planning and charitable giving, and is a frequent author on these topics. Emil is on the board of directors of the American Council on Gift Annuities.

32nd ACGA CONFERENCE
Hyatt Regency St. Louis at the Arc
St. Louis, Missouri

LEGISLATIVE ROUNDUP
April 7, 2016

Emanuel J. Kallina, II, J.D., LL.M.
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[Note: references in parentheses, led by a number (e.g., #1), refer to the number of the current event on the supplemental outline.]

1. WHAT HAPPENED from 2014 to 2016? PATH & Charitable Tax Law Changes
   a. Charitable IRA Rollover - Section 112. Extension of tax-free distributions from individual retirement plans for charitable purposes. The provision permanently extends the ability of individuals at least 70½ years of age to exclude from gross income qualified charitable distributions from Individual Retirement Accounts (IRAs). The exclusion may not exceed $100,000 per taxpayer in any tax year.
      i. December Legislation (#1)
      ii. History and Rules (#4)
      iii. Extenders Package and IRA Rollover approved 2014 (#31)
   b. Conservation Easements - Section 111. Extension and modification of special rule for contributions of capital gain real property made for conservation purposes. The provision permanently extends the charitable deduction for contributions of real property for conservation purposes. The provision also permanently extends the enhanced deduction for certain individual and corporate farmers and ranchers. The provision modifies the deduction beginning in 2016 to permit Alaska Native Corporations to deduct donations of conservation easements up to 100 percent of taxable income.
   c. Food Inventory - Section 113. Extension and modification of charitable deduction for contributions of food inventory. The provision permanently extends the enhanced deduction for charitable contributions of inventory of apparently wholesome food for non-corporate business taxpayers. The provision modifies the deduction beginning in 2016 by increasing the limitation on deductible contributions of food inventory from 10 percent to 15 percent of the taxpayer's AGI (15 percent of taxable income (as modified by the provision) in the case of a C corporation) per year. The provision also modifies the deduction to provide special rules for valuing food inventory.
   d. S Stock Basis Adjustment - Section 115. Extension of basis adjustment to stock of S corporations making charitable contributions of property. The provision permanently extends the rule providing that a shareholder's basis in the stock of an S corporation is reduced by the shareholder's pro rata share of the adjusted basis of property contributed by the S corporation for charitable purposes.
   e. Section 512(b)(13) - Section 114. Extension of modification of tax treatment of certain payments to controlling exempt organizations. The provision permanently extends the modification of the tax treatment of certain payments by a controlled entity to an exempt organization.
   f. CRT Valuations on Termination - Section 344. Clarification of valuation rule for early termination of certain charitable remainder unitrusts. The provision clarifies the valuation method for the early termination of certain charitable remainder

unitrusts. The provision is effective for the termination of trusts after the date of enactment

g. 501(c)(4) changes under PATH
    i. See similar House Proposals in April, 2015 (#22)
    ii. Taxpayer Bill of Right - Section 401. Duty to ensure that IRS employees are familiar with and act in accord with certain taxpayer rights. The provision amends the tax code to require the IRS Commissioner to ensure that IRS employees are familiar with and act in accordance with the taxpayer bill of rights, which includes the right to: 1. be informed; 2. quality service; 3. pay no more than the correct amount of tax; 4. challenge the position of the IRS and be heard; 5. appeal a decision of the IRS in an independent forum; 6. finality; 7. privacy; 8. confidentiality; 9. retain representation; 10. a fair and just tax system. The provision is effective on the date of enactment.
    iii. Personal Emails - Section 402. IRS employees prohibited from using personal email accounts for official business. The provision prohibits employees of the IRS from using a personal email account to conduct any official business, codifying an already established agency policy barring use of personal email accounts by IRS employees for official governmental business. The provision is effective on the date of enactment.
    iv. Right of Taxpayers to Disclosure of Improper Leaks - Section 403. Release of information regarding the status of certain investigations. The provision allows taxpayers who have been victimized by the IRS, for example, through the unauthorized disclosure of private tax information, to find out basic facts, such as whether the case is being investigated or whether the case has been referred to the Justice Department for prosecution. The provision applies to disclosures made on or after the date of enactment.
    v. Right to Appeal Determination to Appeals – Section 404. Administrative appeal relating to adverse determinations of tax-exempt status of certain organizations. The provision requires the IRS to create procedures under which a 501(c) organization facing an adverse determination may request administrative appeal to the IRS Office of Appeals. This includes determinations relating to the initial or continuing classification of (1) an organization as tax-exempt under section 501(a); (2) an organization under section 170(c)(2); (3) a private foundation under section 509(a); or (4) a private operating foundation under section 4942(j)(3). The provision applies to determinations made after May 19, 2014.
    vi. Notification Requirement - Section 405. Organizations required to notify Secretary of intent to operate under 501(c)(4). The provision provides for a streamlined recognition process for organizations seeking tax exemption

under section 501(c)(4). The process requires 501(c)(4) organizations to file is a simple one-page notice of registration with the IRS within 60 days of the organization's formation. The current, voluntary 501(c)(4) application process will be eliminated. Within 60 days after an application is submitted, the IRS is required to provide a letter of acknowledgement of the registration, which the organization can use to demonstrate its exempt status, typically with state and local tax authorities.

vii. Declaratory Judgments - Section 406. Declaratory judgments for 501(c)(4) and other exempt organizations. The provision permits 501(c)(4) organizations and other exempt organizations to seek review in Federal court of any revocation of exempt status by the IRS. The provision applies to pleadings filed after the date of enactment.

viii. Termination of IRS Employees' Employment - Section 407. Termination of employment of Internal Revenue Service employees for taking official actions for political purposes. The provision makes clear that taking official action for political purposes is an offense for which the employee should be terminated. The bill amends the Internal Revenue Service Restructuring and Reform Act of 1998 to expand the grounds for termination of employment of an IRS employee to include performing, delaying, or failing to perform any official action (including an audit) by an IRS employee for the purpose of extracting personal gain or benefit for a political purpose. The provision takes effect on the date of enactment.

ix. Gift tax doesn't apply to (c)(4)s, (c)(5)s and (c)(6)s - Section 408. Gift tax not to apply to contributions to certain exempt organizations. The provision treats transfers to organizations exempt from tax under section 501(c)(4), (c)(5), and (c)(6) of the tax code as exempt from the gift tax. The provision applies to transfers made after the date of enactment

h. Miscellaneous Provisions of Interest

i. Expensing Capital Improvements - Section 124. Extension and modification of increased expensing limitations and treatment of certain real property as section 179 property. The provision permanently extends the small business expensing limitation and phase-out amounts in effect from 2010 to 2014 ($500,000 and $2 million, respectively). These amounts currently are $25,000 and $200,000, respectively. The special rules that allow expensing for computer software and qualified real property (qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property) also are permanently extended. The provision modifies the expensing limitation by indexing both the $500,000 and $2 million limits for inflation beginning in 2016 and by treating air conditioning and heating units placed in service in tax years beginning after 2015 as eligible for expensing. The provision further modifies the expensing limitation with respect to qualified real property by eliminating the $250,000 cap beginning in 2016.

   ii. Gain on Small Business Stock - Section 126. Extension of exclusion of 100 percent of gain on certain small business stock. The provision extends the temporary exclusion of 100 percent of the gain on certain small business stock for non-corporate taxpayers to stock acquired and held for more than five years. This provision also permanently extends the rule that eliminates such gain as an AMT preference item.
   iii. Recognition of built-in gains for S Stock - Section 127. Extension of reduction in S-corporation recognition period for built-in gains tax. The provision permanently extends the rule reducing to five years (rather than ten years) the period for which an S corporation must hold its assets following conversion from a C corporation to avoid the tax on built-in gains.

2. WHAT HAPPENED from 2014 to 2016? IRS and Targeting Conservative Organizations
   a. No Criminal Prosecution of Lerner (#6 and #25)
   b. Pulpit Initiative Letter and Cono Namorato v. Grassley (#7)
   c. Cutback on IRS budget (#10, #11, and #39) –
      i. The 2016 budget largely freezes funding for the IRS at fiscal 2015 levels. The IRS will receive about $10.9 billion in 2016 — $1.7 billion less than what President Barack Obama requested in his original budget proposal.
      ii. Congress will provide an additional $290 million to IRS if the IRS Commissioner breaks down how it plans to use an additional $290 million to make "measurable improvements in the customer service representatives level of service rate, to improve the identification and prevention of refund fraud and identity theft and to enhance cybersecurity to safeguard taxpayer data."
      iii. Koskinen has long argued that budget cuts have prevented IRS from properly serving its customers.
      iv. Congress doesn't think bonuses to employees who violate the law or the policy of IRS are appropriate, or for those owing back taxes; they should not be able to be re-hired if they do not pay up.
      v. Congress doesn't want IRS using funding to make a video, unless the Service-Wide Video Editorial Board approves it and says the purpose, content and tone of the video is appropriate.
      vi. Congress doesn't want IRS employees to use a personal email account for government business, thereby avoiding oversight.
      vii. The budget also requires the IRS to report on all activities that are done under "official time."
   d. "Do Less With Less" = Koskinen, Commissioner as of 12/23/2013 (#53) – "Meanwhile, several news sources reported on *IRS* Commissioner John Koskinen's response to further cuts to the agency's budget in the

spending *bill* passed last week (see our earlier commentary). The Commissioner sent employees an e-mail announcing a hiring freeze, with "only a few mission-critical exceptions." "We have found substantial efficiencies in recent years," the e-mail said, "but there is little left to cut without hitting our core service and enforcement operations. This year we will have little choice but to do less with less."

IRS' granting of bonuses over the past two years has caused significant push-back by Congress. We are fairly certain that someone in Congress is probably thinking (or has said) *IRS* would have more money to "staff-up" if it had not granted bonuses to people who were breaking IRS ethical codes."

e. Congress Addresses Priorities of IRS (recent vintage)
f. Treasury and IRS Frustrate Congress Again (#11)
g. SFC Final Report (#10)
h. Issa Release Report on Targeting (#33)
i. Lost Lerner Emails (#42)
j. Form 1023EZ and push back

3. WHAT WILL HAPPEN? Tax Reform in 2016 and Beyond
    a. Make-up of Congress (#32 and #50)
    b. Expansion of IRA Rollover
        i. Schumer (#16)
        ii. Rollover Rangers (#4, #17, and #23)
        iii. ACR (#14)
        iv. COF
        v. PPP
    c. Corporate "Integration"
    d. Income Tax Reform (#15 and #26)
        i. Camp Proposal (#36, #45, #46, and #49)
            1. Individual Income Tax Provisions
                a. Among many other provisions, the Bill would:
                b. place a floor under the deductibility of contributions of 2% of adjusted gross income;
                c. reduce the income-based percentage limits for charitable deductions from 50% of AGI for present interest cash gifts to public to 40%, and from 30% of AGI for gifts to nonoperating private foundations to 25%;
                d. eliminate lower deduction limits for gifts of appreciated property; however,
                e. be limited to the taxpayer's tax basis in the gifted asset (with only a handful of exceptions).
                f. Those exceptions would include "related use" tangible personal property, certain categories of inventory, and conservation easements. The increased percentage limits

and extended carryforward for conservation easements would be made permanent.

g. More generally, the Bill would simplify the structure of the individual income tax by reducing the number of marginal rate brackets and greatly increasing the standard deduction, while repealing the personal. There would be only two marginal rate brackets, at 10% and 25%, but the benefit of the lower rate would be phased out in higher income ranges, and a 10% surtax would be imposed on "modified adjusted gross income" (MAGI) above $400,000.
h. Charitable contributions would be among the items taken into account in calculating modified adjusted gross income for purposes of the surtax. This would have the effect of preserving a higher marginal rate value for the charitable deduction.
i. Capital gains would be taxed as ordinary income, subject to a 40%exclusion. "Carried interests" of private equity fund managers would be taxed as compensation.
j. The existing $1 million cap on the deduction for interest payments on "new" home mortgages would be reduced to $500,000. The exclusion of gain on the sale of a principal residence would be phased out in higher income ranges. The deduction for state and local income taxes would be eliminated.
k. The alternative minimum tax would be repealed.

2. Unrelated Business Income and Excise Taxes
    a. The Bill would also make a number of changes with respect to unrelated business income taxes and excise taxes paid by exempt organizations. Among other things:
    b. royalties from the licensing of an exempt organization's name and logo would be treated as UBTI;
    c. UBTI would be calculated separately with respect to each separate trade or business, rather than aggregated, with losses from one offsetting net income from another;
    d. the exclusion for research income would be limited to "fundamental research the results of which are freely available to the general public";
    e. the exclusion for "qualified sponsorship payments" would no longer apply to the "use or acknowledgment of the sponsor's product lines."
    f. A new 5% penalty would be imposed on "managers" with respect to the understatement of UBTI.

g. The Bill would impose an entity-level excise tax of 10% on excess benefit transactions unless the organization was able to show that it had exercised due diligence. In this regard, the rebuttable presumption of reasonableness contained in the intermediate sanctions regulations would be eliminated.
h. An organization manager would no longer be treated as not having "knowingly" participated in an excess benefit transaction simply because he or she relied on professional advice. Athletic coaches and investment advisors would be expressly included within the definition of "disqualified persons."
i. In addition, the Bill would double the daily penalties for late filing of an information return, failure to make returns or exemption applications or status notices available for public inspection, and failure to disclose reportable transactions.

3. Other Exempt Organization Changes
    a. The Bill would require a contribution to a donor advised fund to be distributed within five years, and would impose a penalty of 20% on the sponsoring organization for failure to meet this requirement.
    b. Type II and Type III supporting organizations would no longer be recognized.
    c. The two-tier tax on the net investment income of private foundations would be reduced to a single flat rate of one percent. Private colleges would also be required to pay the net investment income tax.
    d. Private operating foundations would no longer be excepted from the excise tax on undistributed income.

ii. Ryan is a friend (#37)
iii. Wyden is a friend
iv. Working with HW&M, SFC, and JCT – Both sides of the table are friendly
v. ACR (#20) regarding:
    1. Preserving the charitable income tax deduction – no 28% Obama Cap
    2. Pease Limitations
    3. 2% Private Foundation excise tax (down to 1%)
    4. No mandatory payout from DAFs

e. SFC 5 Bi-Partisan Working Groups (#13, #14, #27, and #29)
f. President's Budgets (#28, #47, and #48) – 28% cap
g. Senators Support Charitable Giving (#51)

h. Impact of Corporate and Income Tax Reform for Charities

4. WHAT WILL HAPPEN? Other Legislative Reform
    a. Obergefell Legislation and tax-exempt status of Religious Organizations (#5)
    b. RFRA Memo and Legislative Response (#8)
5. WHAT WILL HAPPEN? Congressional Investigations of Charities
    a. Hatch on Museums (#2)
    b. Grassley on Endowments
    c. Grassley in General

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Tricks & Traps..(Track II, III)
Lawrence P. Katzenstein, Esq.

This talk will cover a variety of charitable planning issues and ideas, including the benefits of lifetime charitable gifts and related strategies; use of qualified contingencies in drafting charitable remainder trusts; marital deduction issues in split interest charitable gifts; and issues in connection with division of charitable remainder trusts.

Lawrence P. Katzenstein, Esq.

Partner
Thompson Coburn, LLP

Lawrence is a nationally known authority on estate planning and planned giving, and a frequent speaker around the country to professional groups. He divides his practice between representation of wealthy individuals in estate planning matters and serving as outside counsel to planned giving programs at charitable organizations nationwide. He appears annually on several American Law Institute estate-planning programs, and has spoken at many other national tax institutes, including the Notre Dame Tax Institute, the University of Miami Heckerling Estate Planning Institute and the Southern Federal Tax Institute. Larry has served as an adjunct professor at the Washington University School of Law where he has taught both estate and gift taxation and fiduciary income taxation. A former chair of the American Bar Association Tax Section Fiduciary Income Tax Committee, he is active in several Tax Section and American College of Trust and Estate Counsel (ACTEC) charitable planning committees. He is listed in Best Lawyers in America® 2015 (Copyright 2014 by Woodward/White, Inc., of Aiken, S.C.) in the field of Trusts and Estates. Mr. Katzenstein was named the St. Louis Non-Profit/Charities Lawyer of the Year in 2011 and 2015, and the St. Louis Trusts and Estates Lawyer of the Year in 2010 and 2013 by Best Lawyers in America®. He was nationally ranked in the 2009-2015 editions of Chambers USA for Wealth Management. He has served as a member of the advisory board of the National Center on Philanthropy and the Law at New York University. Larry is also the creator of Tiger Tables actuarial software, which is widely used around the country by tax lawyers and accountants as well as the Internal Revenue Service. He received his undergraduate degree from Washington University in St. Louis and his law degree from Harvard.

A VARIETY OF CHARITABLE PLANNING IDEAS AND ISSUES

PRESENTED TO THE 32ND AMERICAN COUNCIL ON GIFT ANNUITIES CONFERENCE

Lawrence P. Katzenstein
St. Louis, MO

TOPICS TO BE COVERED--DETAILED MATERIALS MAY BE FOUND ONLINE AT THE CONFERENCE WEB SITE

IDEAS AND ISSUES

Charitable Gift Annuities From A to Z ....(Track I, II)

Rebecca Locke & Laurie W. Valentine, J.D.

To lay the foundation for the future of your organization's gift annuity program, you must have knowledge of both gift annuity basics and best practices. This session will review the basics of current and deferred charitable gift annuities to assure you have the knowledge you need to be your organization's in-house resource for this popular giving option. And, we'll also explore the ACGA's recommended best practices for gift annuity programs, which can provide risk management to your organization and protection to your donors. This session is perfect for the organization considering a gift annuity program or the organization who wants to make sure they have the right policies and practices in place for their already established program.

Rebecca Locke

Executive Director, Gift Planning
American Red Cross

Rebecca L. Locke is the Executive Director, Gift Planning for the American Red Cross, a role she assumed in late 1999. With more than 45 Gift Planning team members, the Gift Planning unit leads all planned gift work for the American Red Cross working with donors interested in bequests, charitable gift annuities, charitable trusts, gifts of property, and other complex assets. Previously Rebecca had served as the Regional Development Manager, Southeast Region as one of the first two R.D.M.s in the new Chapter Advancement Unit formed at Red Cross National Headquarters in 1996. In that role, she established the first American Red Cross field-based Gift Planning program in Florida, and directed the organization's first three Gift Planning Officers in that state.

Prior to joining the NHQ Development team, Rebecca had served in chapters for more than fifteen years with roles in annual giving, major gifts, disaster fund raising, direct mail, and planned giving. She served in the Metropolitan Atlanta Chapter for four years as the Director of Annual Giving. She began her career with the Red Cross as a youth volunteer, and served in multiple positions including Assistant Chapter Manager with the Mid-South Chapter in Memphis, TN. Outside the Red Cross, Rebecca served as the Executive Director of a health-related nonprofit, and in the profit world with a data management firm. She serves as Vice President – Programs on the board of the American Council on Gift Annuities and chaired ACGA's 2014 Conference on Planned Giving. Rebecca is a graduate of the National Planned Giving Institute at the College of William & Mary as well as Tennessee Technological University.

Laurie W. Valentine, J.D.

Trust Counsel and Chief Operating Officer
Kentucky Baptist Foundation

Laurie W. Valentine is Trust Counsel and Chief Operating Officer of the Kentucky Baptist Foundation. She is admitted to the practice of law in Florida (1982) and Kentucky (1995). Prior to beginning her work with the Foundation in 1994, she was in private practice in Florida for 12 years, specializing in estate planning, probate and guardianship law.

Laurie has spoken on a variety of estate planning, charitable gift planning and incapacity planning topics at seminars sponsored by The Florida Bar, Louisville Bar Association, ACGA, Crescendo Interactive and National Catholic Development Conference. She has also written articles and chapters on estate planning, estate administration, estate and gift taxes and legal ethics for a variety of legal publications. She has been involved in various professional and community activities over the past 30 years including service on the board of ACGA since 2000 (Chair of the 2006 Conference; Executive Committee 2006 to present; VP-Business 2012 to present).

CHARITABLE GIFT ANNUITIES: A TO Z

Presenters:

Rebecca Locke
American Red Cross

Laurie Valentine
Kentucky Baptist Foundation

- First Charitable Gift Annuity issued in U.S. in 1831
- Total value of CGA's reported in 2013 Survey[1] - $2.4 Billion
- CGA's have both risks and rewards for charities and their donors

[1]ACGA 2013 Survey of Charitable Gift Annuities

American Council on Gift Annuities

IS YOUR ORGANIZATION READY TO START A GIFT ANNUITY PROGRAM?

- Financial stability
- Financial reserves
- Long-term commitment to administering

CHARITABLE GIFT ANNUITIES – THE BASICS

- A contract
- Irrevocable gift transfer
- Annuity payment amount = value of gift x payout rate
- General obligation of charity
- Not a trust
- A gift – not an investment

GIFT ANNUITY CONTRACTS

- Term of Contract:
  - Single life
  - Two-Life joint and survivor
  - Two lives in succession
- Payment Start Date:
  - Immediate
  - Deferred
  - Flexible

CHARITABLE GIFT ANNUITY RATES

- American Council on Gift Annuities Payout Rates
- *Suggested Rates*, not mandated

CHARITABLE GIFT ANNUITY RATES

- Reasons to follow ACGA rates:
  - Risk minimized
  - More funds left for charity's work
  - Don't have to hire own actuary
  - Recognized by state insurance departments and IRS as actuarially sound
  - Gift, not an investment
- Beware "Clay Brown" Rules when AFR low

TAX ISSUES: INCOME TAX

- Charitable Deduction = Value of Gift – Present Value of Annuity Interest
- Portion of each annuity payment is excludable from income as tax-free return of principal
- "Exclusion Ratio" = $\frac{\text{Investment in Contract}}{\text{Expected Return}}$
- Total amount excluded cannot exceed total investment in contract
- Donor's estate can take unrecovered investment in contract as deduction on donor's final income tax return

TAX ISSUES: CAPITAL GAINS TAX

- Gift Annuity Transaction = Bargain Sale
- Donor's basis allocated between "Gift" and "Sale" portions of transaction
- Portion of Gain Recognized =

Donor's Basis x $\frac{\text{Present Value of Annuity Interest}}{\text{Market Value of Gift}}$

TAX ISSUES: CAPITAL GAINS TAX

- Reportable gain may be reported over donor's life expectancy if:
  - Donor is sole or first annuitant
  - Annuity interest is non-assignable
- If annuity assignable **OR** donor **NOT** an annuitant-reportable portion of gain all reported in year gift made

TAX ISSUES: ESTATE TAX

Single Life Annuity

Nothing Included in Donor's Estate

TAX ISSUES: ESTATE TAX

Two-Life Annuity

Value of surviving annuitant's interest included in donor's estate

If second annuitant is donor's spouse marital deduction available

TAX ISSUES: ESTATE TAX

Bequest to Establish Gift Annuity

Donor's estate entitled to estate tax charitable deduction **if** Will provides method for determining annuity payment amount

Marital deduction **if** spouse is the sole annuitant

TAX ISSUES: GIFT TAXES

Immediate Gift Annuity f/b/o Another =
Completed Present Interest Gift

Qualifies for Annual Gift Tax Exclusion ($14,000)

TAX ISSUES: GIFT TAXES

CGA's That Do **NOT** Qualify for Annual Gift Tax Exclusions:

- Two Lives in Succession-- Donor 1st Annuitant
- Deferred Gift Annuity f/b/o Another

Avoid completed gift by donor reserving right to revoke second annuitant's interest

BEST PRACTICES: ESTABLISH PROGRAM PROPERLY

- Comply with Federal and State Regulations
  - Philanthropy Protection Act of 1995
  - State Regulatory Requirements

BEST PRACTICES: GIFT ACCEPTANCE POLICIES

- Gift Minimum
- Frequency of Payments
- Minimum Age
- Maximum Age

BEST PRACTICES: PERMITTED FUNDING ASSETS

- Most Common
  - Cash and Appreciated Securities
- Accepting Real Estate, Tangible Personal Property and/or other Property Interest requires planning / special policies
- Hard-to-sell assets create liquidity issues in annuity reserve
- Gift Acceptance Policies should include procedure for varying from policy

American Council on Gift Annuities

BEST PRACTICES: MEET WITH THE DONOR

- Planned Giving development best done through face-to-face interaction
- Allows you to assess donor's understanding of the transaction
- Review Specimen CGA Contract/Agreement with donor
- Encourage review of illustration and documents by donor's advisors

American Council on Gift Annuities

BEST PRACTICES: DRAFTING AGREEMENTS

- Set agreement up for donor and charity to sign – **It's a Contract**
- Don't describe restrictions on use/ designations in Gift Annuity Contract
- Use separate special agreement for restrictions/designations

BEST PRACTICES: MANAGING THE ANNUITY FUND

- How much of the gift to invest?

  Best Practice -- Invest All of It

BEST PRACTICES: MANAGING THE ANNUITY FUND

- Investing the Gift Annuity Fund

  ACGA Asset Allocation Assumption:
  - 40% Equities
  - 55% 10-Year Treasury Bonds
  - 5% Cash Equivalents

BEST PRACTICES: ADMINISTRATIVE ISSUES

- Make timely payments
- Tax and other calculations
- Tax reporting
- Record keeping
- Software

BEST PRACTICES: ENSURE GIFT DESIGNATIONS HONORED

- Establish procedures for calculating residuum of CGA at annuitant's death
- Beware of overly-specific donor restrictions

BEST PRACTICES: CONTRACT TERMINATION PROCEDURES

- Termination at Annuitant's Death
  - Condolence letter
  - Obtain death certificate
  - Notify business office to stop annuity payments

BEST PRACTICES: CONTRACT TERMINATION PROCEDURES

- Termination During Annuitant's Life
  - Annuitant disclaims annuity interest
  - Calculate charitable contribution value

BEST PRACTICES: MARKETING GIFT ANNUITIES

- It's a gift, not an investment
- Avoid financial instrument terminology
- Make it clear---gift is irrevocable
- Don't use "guaranteed income"
- Donor Testimonials are powerful

BEST PRACTICES:
RELATIONSHIP BETWEEN DEVELOPMENT OFFICE AND BUSINESS OFFICE

Development Office
maintains primary relationship with donor/annuitant

Business Office
handles investment, administration, coordination with banking/ administrative partner and tax reporting

Keep lines of communication between the two offices open

BEST PRACTICES:
ON-GOING COMMUNICATION WITH DONORS AND ANNUITANTS

- Potentially long-term relationship
- Regular, clear communication important
- Timely, accurate tax and other reporting

Meeting State CGA Requirements ....(Track I, III)
Edith Matulka (moderator)
Panelists: Dianne Armstrong, CFRE & Michael J. Valoris, J.D.

Offering charitable gift annuities at your organization is great for fundraising—but sometimes overwhelming when faced with state requirements. Depending on your location and your donor base, launching a new CGA program may require advanced registration in one or more states, and maintaining the program may require annual reporting. How can you handle the administrative requirements and focus on fundraising at the same time? This session will present case studies of how this has worked successfully at several organizations and by using a variety of approaches.

This session will include: an overview of the current state requirements with an emphasis on registration and reporting; recommended resources to be in compliance in other areas including marketing and investments; and time for Q & A on all aspects of state regulations. This topic is ideal for both planned giving officers and business officers—whether you have an existing program or are looking to launch or expand your charitable gift annuity program.

Edith Matulka, J.D.

Senior Consultant
PG Calc

As Senior Consultant at PG Calc, Edith (Edie) Matulka has primary responsibility for assisting charities in complying with state regulations for issuance of gift annuities. She is also an author of certain chapters of *Charitable Gift Annuities: The Complete Resource Manual* and worked on the development of the gift annuity agreement forms integrated in PG Calc's software. In addition to the practice of law, Edie's background includes work in government, public, and nonprofit settings.

A member of the Washington State Bar Association, Edie graduated from Northwestern School of Law at Lewis and Clark College in Portland, Oregon and earned a B.A. in Political Science from the University of Washington.

Edie is a prominent speaker on gift annuities and state regulation, and has spoken at American Council on Gift Annuities (ACGA) conferences as well as to local planned giving councils. She currently serves on the Board of ACGA and is Chair of its State Regulations Committee.

Edie joined Planned Giving Services, a Seattle-based consulting firm started and led by Frank Minton, in 1997. PG Calc acquired Planned Giving Services in August, 2005.

Dianne Armstrong, CFRE

National Director of Gift Planning
Planned Parenthood Federation of America, Inc.

Dianne Armstrong, CFRE, joined the national office of Planned Parenthood in 1999 and serves as National Director of Gift Planning. Dianne earned an M.S. in Nonprofit Management from the New School for Social Research in 1996. She is a member of the Partnership for Philanthropic Planning, PPGGNY, and the Association of Fundraising Professionals, serving on the audit committee for the NYC chapter. Dianne is also on the board of directors of the American Council on Gift Annuities.

She began her professional fundraising career in 1981, working at the Rutgers University Foundation, followed by Long Island University, Cornell University Medical College, and Women In Need in NY.

Dianne has presented at Women in Development-NY, local planned giving councils in NY, NJ, and MO, at the Milano School of Nonprofit Management, and at various Planned Parenthood conferences.

Michael J. Valoris, J.D.

Senior Consultant
PG Calc

Mike Valoris is a Senior Consultant for PG Calc. Prior to joining PG Calc in 2015, Mike led the gift planning programs at American Friends Service Committee, Swarthmore College, and Temple University. He is a former board member of the Partnership for Philanthropic Planning of Greater Philadelphia, and also has memberships in the Philanthropic Planning Group of Greater New York and the Philadelphia Estate Planning Council.

Mike has an undergraduate degree from Penn State and a law degree from the Widener University Delaware Law School. He began his legal career in 1979 and held his first gift planning position in 1998. He has taught courses and presented workshops for Penn State, Temple, and the University of Pennsylvania.

Meeting State CGA Requirements

ACGA Conference
April 7, 2016
Dianne Armstrong, Edie Matulka
& Mike Valoris

Agenda

- Overview of state regulations
- Organizational buy-in
- Registration Process
- Annual Reports
- Special Circumstances

Overview

- An organization should register in the state(s) in which it is doing business
- What is "doing business"?
- Minimum level of issuance okay without registration?


Good News
= Silent
= Exempt – No Notification


More Good News
= Silent
= Exempt – No Notification
= Exempt – Notification


Bad News
= Reserves, Annual Reporting, or Detailed Application

Deciding in What States to Issue

- *Can* your organization meet all requirements?
- Does your organization *want to* meet initial and ongoing requirements?
  - cost-benefit analysis
- Timing
  - notification = concurrent with first annuity in the state
  - application = submit and obtain approval before issuing
  - cannot issue while application is pending

Organizational Buy-In

- Assessing readiness for CGA registration
  - Compliance with solicitation filings
  - Existing gift annuities
  - Whether already registered in some states
  - Wanting/needing to issue in all states, or just selective states
  - Internal "climate" for registration

Organizational Buy-In

- Involving the appropriate people in the registration discussion
  - Development
  - Finance
  - Business Office
  - Investment Committee
  - Legal

Organizational Buy-In

- Prepare a memo – spell it all out!

1. General Information
   Brief description of CGAs; history of CGAs at organization (if issuing); peer organizations; differing views; legal opinion; why register
2. What will change if the organization registers
   Establishing/investment of reserve funds; documentation; administration; annual reporting/costs
3. Other items for leadership to know
   Process and timeline for registration; inability to issue while pending; possible fines; staffing needs; division of responsibility; organization issues

Registration Process

- Have a plan!
- Assemble the team and have a playbook
- Determine which staff member will assume responsibility
- Timing of the registrations – unable to issue while application pending
- Tales of different registration processes

Annual Reports

- Have a good Gift Planning Administrator
- Give sufficient notice to those parties who need to provide information
- In-house v. outsourcing

Special Circumstances

- Beware of organization policies that might impact the registration process
- Timing considerations- is the organization in a campaign? What about year-end giving?
- Economic downturn and reserve requirements
- Choosing to stay out of certain states
- On-site audits from insurance department

Outcome

- Full compliance, perfect audits

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The Young and The Restless Prospect: Gift Planning for Donors Under 60 ....(Track I, II)
David P. Novak, J.D.

Traditional fundraising thought is that planned giving prospects are 65, 70, or older. Clearly, certain charitable gifts are designed for this age group. However, planned gift opportunities are not only available for younger donors, but are often prudent for fundraisers like you to uplift. Our session will take a close look at deferred gift opportunities for prospects of donors up to the age of 60. We will explore which deferred gifts will make the greatest impact for both the planned giving prospect, as well as your organization. We will discuss and consider what gifts your cause might be willing to commit to and how to best allocate planned giving resources when serving younger prospects.

David P. Novak, J.D.

Vice President, Advancement & Executive Director, The Cornerstone Foundation
Lutheran Social Services of Illinois

David P. Novak, JD serves Lutheran Social Services of Illinois as Vice President, Advancement and Executive Director, The Cornerstone Foundation. Previously, he worked for Valparaiso University as Director of Gift Planning assisting University alumnae in all matters relating to major gifts and charitable estate planning. David has also held executive positions with the ELCA Foundation and Lutheran Social Services of Illinois. He has over 25 years of fund raising experience. Prior to his not-for-profit work, David worked as an attorney in private practice in Chicago, specializing in the areas of estate planning and probate. David received his JD degree from DePaul University School of Law.

"The Young and the Restless Prospect": Gift Planning for Donors under 60

David P. Novak, JD
Vice President, Advancement
Lutheran Social Services of Illinois
ACGA Conference 2016

Overview of Presentation

- Planned Giving for all ages…Really?
- Connecting with planned giving prospects
- What does the research tell us?
- Appropriate planned gifts for younger donors

Ask everyone who has been actively engaged with your organization in some way for a planned gift…

Planned Giving is Rated "G"

Is PG rated G? All ages admitted…

- Traditional planned giving prospect
- Youngest planned giving donors
- Similar principles for prospects of all ages
- Serious charitable impact from those not in a position to make a major outright gift
- Managing long-term relationships
- Personal visits

1. Develop a non-threatening question that gets PG on the table
2. "Do you have a will or trust?"

What about all that research?

- Cultivating "younger donors" or the "oldest old donors"?
- Horizon for estate planning decisions
- Review recent estates ("Date of operating will")
- Window of opportunity
- The difference a proposal makes

Some interesting results…

- Many Planned Giving donors are not loyal donors
- Planned Giving donors are not always large current donors
- Bequests are most popular, but should they be?
- Charitable beneficiaries are being dropped

Marketing Considerations

- Usually, a budgetary call
- For print materials, consider the "traditional" gift planning prospects
- Electronic means connect with much younger ages – less expensive to market
- Potential to tailor approach – target specific areas

Engaging Younger Donors (Under Age 60)

- Accumulating and preserving wealth
- Managing debt
- Prudent asset management
- Discretionary savings programs
- Long-range planning for retirement and emergencies
- Diversifying investments and establishing a growth strategy
- Creating a simple will and estate plan providing for heirs and bequests to charity
- Increasing income; increasing debt

Gifts to Consider…

- Beneficiary designation – *flexible; revocable; retain assets*
- Charitable bequest – *flexible; revocable; retain assets*
- *Life insurance consideration*
- *Consider Pooled Income Fund*
- Deferred charitable gift annuity ("DCGA") – *supplement pension; consider laddered approach or flexible*
- Charitable remainder trust ("CRT) – *use of "flip" trust*

Gifts at Death That Are Not Bequests

- *IRA and Qualified Plan Designations* – a donor can designate a charity to receive all or a portion of what remains in an IRA (regardless of the type of IRA) or in most qualified retirement plans, such as 401(k) and 403(b) plans.

1. Split IRA into two accounts
2. Dependable Spouse Charitable Plan
3. Contingent and Qualified Disclaimer
4. Make charity entire or partial beneficiary (difficulty of pecuniary)

- *Insurance Product Beneficiary Designations* – these type of products include life insurance policies of various kinds and commercial annuity contracts. The donor completes and returns to the insurance company a form designating that a charity receive all or part of the death benefit associated with a life insurance policy, or the remaining contract value associated with a commercial annuity.

- *Should we consider ownership of a new life insurance policy?*

Gifts at Death That Are Not Bequests

- *Pay on Death and Transfer on Death Accounts* – with a "pay on death" account, the donor instructs a bank to pay to a charity all or a portion of what remains in an account when a donor dies. With a "transfer on death" account, the donor gives the same instruction to a brokerage firm with regard to investments held in the account at the time of the donor's death. The particulars of each arrangement will depend on the bank or brokerage firm in question.

- *Charitable Fund designations* – **donor-advised funds** (sponsored by financial firms or community foundations) have become popular vehicles through which donors make billions of dollars in annual gifts. Often, a community foundation will create a fund with the proceeds, and provide an annual grant to the specified charity. A donor to one of these accounts can recommend in advance on a form provided that lump-sum grants to specified charities be made from any balance remaining in the account upon death. DAFs at financial institutions often distribute outright.

- *Consider reoccurring grants from DAFs; monthly programs*

Charitable Bequests

- Outright – *For designations and bequests, consider endowing your annual support as a minimum; typically 25 times your annual support*

- Contingent – Might be of particular interest to young donors with minor children

- Conversation about assets

Wealth Replacement possibility

- Wealth replacement most commonly used in combination with a CRT – trust payments provide source of income for life insurance premiums
- Depending on resources, consider life insurance for children/heirs to "replace" charitable bequest or beneficiary designation.

Pooled Income Fund

- A pooled income fund is a trust that is established and maintained by a public charity. The pooled income fund receives contributions from individual donors that are commingled for investment purposes within the fund. Each donor is assigned "units of participation" in the fund that are based on the relationship of their contribution to the overall value of the fund at the time of contribution.
- Each year, the fund's entire net investment income is distributed to fund participants according to their units of participation. Income distributions are made to each participant for their lifetime; after which, the portion of the fund assets attributable to the participant is severed from the fund and used by the charity for its charitable purposes.
- Contributions to pooled income funds qualify for charitable income, gift, and estate tax deduction purposes. The donor's deduction is based on the discounted present value of the remainder interest. **Donors can also avoid recognition of capital gain on the transfer of appreciated property to the fund.**

Pooled Income Fund

- Charity Permissible Income Beneficiary; in addition to paying income to named individuals, the public charity to or for the use of which the remainder interest is contributed may also be designated as one of the beneficiaries of an income interest. No charitable contribution deduction is allowed to the donor for the value of such income paid to the charity at the time of transfer or when payments are actually made.
- Minimum Contributions; an advantage of pooled income funds is their ability to economically accept smaller contributions than charitable remainder trusts.
- Higher Income at Lower Ages; Pooled income funds must distribute all of their accounting income each year regardless of the age of the income beneficiary. This is distinguishable from charitable gift annuities where the annuity rate payable is age sensitive. It is also distinguishable from charitable remainder trusts in that pooled income funds are not subject to the ten-percent minimum remainder interest qualification floor.
- 3% "yield" now – much higher principal value 20 years from now. Income rate of return expressed as a percentage of original funding amount should be significantly higher
- Bond interest rates going up?

Laddered DCGA

Luke and Laura
- Ages 57 and 56
- $10,000 a year for 8 years to create 8 DCGAs
- charitable deductions while working
- income at retirement
- first annuity rate = 5.4% ($540 per year)
- Make all 8 payable at 65 or "ladder" for a period of years

Flexible DCGA

Erica Kane (Susan Lucci)

- Age 56
- $100,000 stock with $60,000 cost
- Choice of start dates

1. Say 65; 6.2% or $6,200
2. Say 75; 10.6% or $10,600

- Higher payment the longer she waits
- Flexibility to choose start date
- Lower deduction

"Gift" Gift Annuity

Aidan Devane (Aiden Turner "All My Children")

- Consider gift annuity for parents
- You receive the charitable deduction
- Annuity rate based on parent's age
- Right of revocation; gift exemptions

Retirement Flip Unitrust

J.R. and Sue Ellen

- Both age 55
- 5% CRUT with Flip; flips at 65
- One time contribution or contribute every year for 10 years
- Invest for growth and upon 'flip"; more income producing

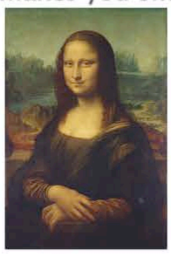
Proposals

- Gift planning is all about assets and how they are utilized
- Remember annual, major gift and deferred gift support
- Three-way ask works both ways equally as well
- The difference an encouraging statement can make…

In retrospect…

- Now that I think about it, perhaps the planned giving community has always reached out to younger donors and donors of all ages. It's just that I got a lot older…
- The best thing about planned giving?

The Best Thing about Planned Giving? It makes you smile…



Questions?

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Growing an Endowment Management Program: Ideas, Successes and Lessons Learned............ (Track III)
Jack Rich, CFA, CPA

How does a small endowment transform itself into a progressive endowment? This presentation will discuss lessons learned and provide ideas on how small and mid-sized endowments can transition from small and simple into a larger, growing and more complex investment program. Budget funding, governance, due diligence and dealing with increasingly complex investment philosophies will be discussed. Jack Rich, CIO at ACIMCO-Abilene Christian University Investment Management Office, will share his experience in transitioning from $50 million invested in fixed income to a $375 million broadly diversified endowment.

Jack Rich, CFA, CPA

President & Chief Investment Officer
ACIMCO (Abilene Christian University Investment Management Company)

Jack Rich has been President and Chief Investment Officer of ACIMCO (Abilene Christian University Investment Management Company) since 2006. From 1991 to 2005, he served in a variety of positions at ACU (Abilene Christian University) including executive vice-president and vice president for business.

He worked as the president and chief operating officer of Morton Companies (a real estate development company) in San Antonio since 1983 until 1991. Rich received a Bachelor of Business Administration from ACU and an MBA from the University of Texas San Antonio. He is a CPA (1978) and earned the right to use the CFA designation in 2006.

Jack received the Rodney H. Adams award for 2011 from NACUBO. In 2009, Foundation and Endowment Money Management awarded the Abilene Christian University Endowment the 2009 Small Non-Profit of the Year award.

Jack is the chairman of the Community Foundation of Abilene ($100 million in assets) and also chairs the foundation's investment committee. He serves on the Development Corporation of Abilene Board.

Articles published:
''Growth Spurt", NACUBO Business Officer, November 2007
"All Oars in the Water", NACUBO Business Officer, March 2011

Growing an Endowment Management Program

Ideas, Successes and Lessons Learned

Abilene Christian University
Jack Rich, CFA, CPA

- Our Story
- How we Developed our Endowment
- Consultant vs OCIO vs CIO
- Lessons Learned
- ACIMCO
  - Abilene Christian Investment Management Company
- Things I Find Useful

Endowment Comparison

	1991	2015
Assets in Millions	$50	$360, plus $40
Asset Allocation	85% Fixed Income	Endowment Model - 70-75% alternatives
Spending	Spent all Income - 8%	4.5% Target- average
Energy Exposure	<5%	20%
Private Equity	0%	19%
Hedged Variations	0%	26%
Real Estate	<10%	5%

Why we Decided to Change

- Initially – 60/40 portfolio
- 6 Years in – About $75 million
  - Decided to add a CIO at $250 million
- Why?
  - Improve Performance
  - Think like a Successful Endowment
  - Build Donor Confidence

Keys to our Transition

- Recognize Issues
- Think Long Term
- Secure Funding
- Spending
- Board of Trustees

Recognize Issues

- NACUBO Endowment Study ('74) / Conference ('77)
- William Massy's
  - ***Endowment: Perspectives, Policies and Management***
- David Swenson's –
  - ***Pioneering Portfolio Management***

Think Long Term

- Who did we want to look like?
  - When did we think we could invest like the most successful endowments?
  - What resources would we need?
- Targets for Implementation
  - What was a reasonable budget? Others?
  - When could we afford to add a CIO?
  - Goals based on size, not time
- What Could we do Now?
- Return Goal – 1% > Our Peer Group

Secure Funding

- Avoid the Budget Battle
- Outsourcing Options
  - Charitable Trusts
  - Oil and gas royalties
  - "OCIO" Cost / Consultant
- Budget Needs?
- Set Fee – 35 bp
  - Determined based on income and expense-CIO
  - $250 million (we were $75 million)
- Maybe the Key Decision

Spending

Spend all Income

↓

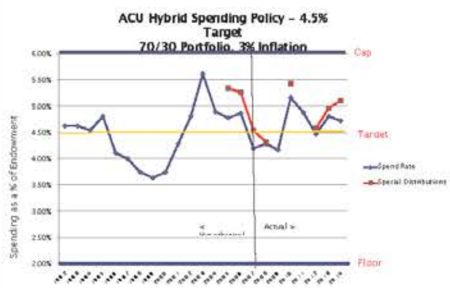
% of 3 Year Moving Average

↓

Hybrid Method (Yale/Stanford Model)

- Spending Rate Changed Annually for 10+ Yrs

Volatility of distributions of greater importance than the volatility of the spending rate.



Board of Trustees

- Change Driven by Board, not Internally
- Initially Recognized our Issues
- "Forced" CIO Decision
  - 7 yrs we discussed a CIO at $250
  - But at $165, our goal driven portfolio became too complex for part-time management
- Key Attributes
  - Engaged
  - Expertise
  - Continuity

Checklist – CIO Transition

- BOT Engaged/Expertise/Continuity
- Secure Funding – No Budget Battles
- Internal Champion / Change Agent
- Sufficient Size
- Consultant that supports change

Consultant vs OCIO vs CIO

Investment Driver	Size	Board of Trustees Engaged	Board of Trustees Expertise	Board of Trustees Continuity	Change Agent	Secure Funding
Consultant	\$10+	X				
OCIO	\$100 – \$1 b	X			X	
CIO	>\$250	X	X	X	X	X

Lessons Learned

- Recognize Limitations
- Culture of Learning/Equipping
- BOT
  - Focus on the right issues
  - Continuity is important
- Due Diligence
- Asset Size Matters
  - But not as much as I thought
- Evolve

Still to Learn

- Get Better Identifying and Adding Undervalued Opportunities
- Flexibility

ACIMCO-Governance Issue

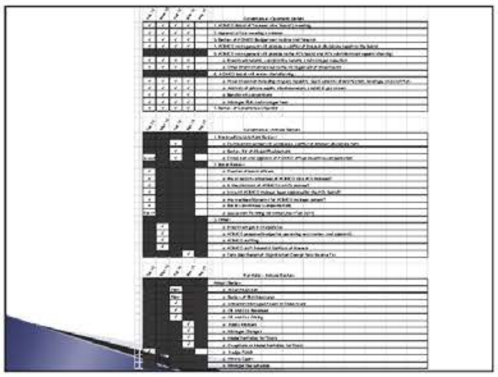
- Discussed with CIO Decision...... No
- Due to Change in ACU Board:
  - Lack of Expertise
  - Lack of Continuity
  - Lack of Experience/Engagement
- Needed Outside Expertise
- Complex Portfolio

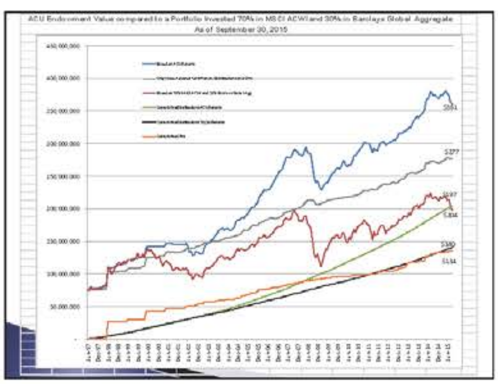
ACIMCO Solution

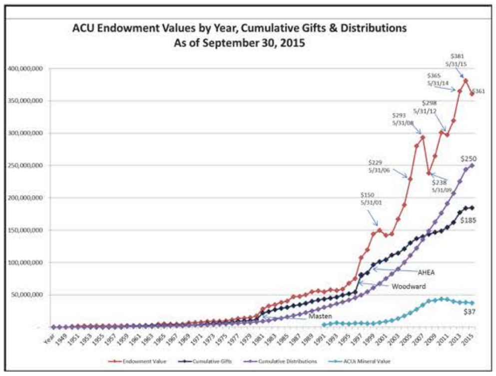
- Chair is ACU Trustee
- Two Members - ACU Trustees
- ACU President added as Trustee
- ACU BOT Approval of ACIMCO Members
- "Supporting Organization"
- Quarterly Report to ACU BOT
- 5 Years, No Issues

Focusing the Board

- Governance
- Performance
- Risk Adjusted Performance
- Asset Allocation
- Liquidity



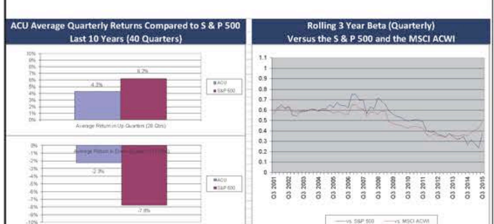


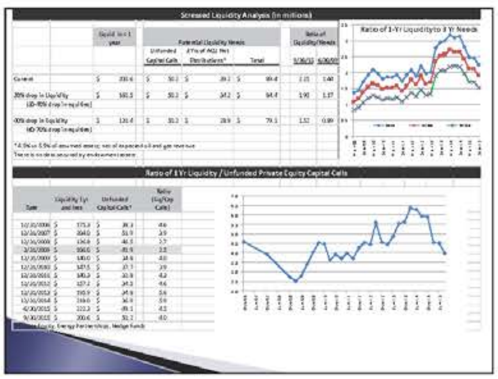


Risk Adjusted Returns and Related Statistics

September 30, 2015

3 Year			5 Year			
Actual ACU Return	Fund Benchmark (Investable)		Actual ACU Return	Fund Benchmark (Investable)	Passive Policy Benchmark	Actual Asset Weighted Benchmark
8.2%	4.4%	Total Return	8.5%	5.1%	6.7%	3.6%
7.2%	3.5%	Real Return (net of CPI)	6.6%	3.4%	4.9%	1.9%
4.8%	6.8%	Standard Deviation	5.7%	9.5%	6.3%	11.4%
2.1%	4.0%	Semi-deviation (Down Deviation)	2.8%	6.5%	3.8%	7.9%
1.7	0.7	Sharpe Ratio	1.5	0.5	1.1	0.3
8.0	1.0	Sortino Ratio	8.3	1.2	3	0.6
-2.7%	-4.8%	Largest Monthly Loss	-3.3%	-7.3%	-3.9%	-6.8%
3.8%	4.2%	Largest Monthly Gain	4.3%	7.9%	4.7%	6.9%
-4.0%	-8.7%	Maximum Drawdown	-5.1%	-14.4%	-8.8%	-16.6%
4 months	5 months	Length of Maximum Drawdown	3 months	5 months	5 months	15 months
2.0	0.5	Calmar Ratio (>1 is good)	1.7	0.4	0.8	0.2
5.2%	0.0%	Alpha	5.4%	0.0%	3.2%	-1.8%
0.66	1.00	Beta	0.56	1.00	0.64	1.09
89%	100%	R-Squared	89%	100%	95%	83%





Questions?

Jack Rich
richj@acu.edu

Friday, April 8   Morning Sessions
(8:30am - 9:45am & 10:15am - 11:30am)

Dynamic Public Speaking for Nonprofit People..(Track I, II)
Conrad Teitell, Esq.

Conquering fear; knowing your audience; body of your talk; how to close; selecting topics; gathering information; developing a personal speaking style; when and how to use humor; handling questions; delivery techniques; eye contact; and speaking without notes. Plus how to get a good introduction and how to introduce others.

Conrad Teitell, Esq.

Partner
Cummings & Lockwood

Conrad Teitell is a partner in the Connecticut and Florida law firm of Cummings & Lockwood, based in the Stamford, Conn. office and is chairman of the firm's National Charitable Planning Group. He is an adjunct professor at the University of Miami Law School and is also director of the Philanthropy Tax Institute, where he lectures on taxes, philanthropy, estate planning and public speaking. Teitell writes the monthly newsletter, *Taxwise Giving* and is the author of the five-volume treatise, *Philanthropy and Taxation*. His column, Estate Planning and Philanthropy, appears in the New York Law Journal. He is a contributing editor of *Trusts & Estates* magazine and is listed in *The Best Lawyers in America*. He is the recipient of the American Council on Gift Annuities' Lifetime Achievement Award and the American Law Institute/American Bar Association's Harrison Tweed Award for Special Merit in Continuing Legal Education. As a volunteer, on behalf of charities nationwide, he has testified at hearings held by the Treasury, the Internal Revenue Service, the Senate Finance Committee, the House Ways and Means Committee, and the House Judiciary Committee.

DYNAMIC PUBLIC SPEAKING FOR NONPROFIT PEOPLE
by

Conrad Teitell, LL.B., LL.M.*
Cummings & Lockwood LLC

I. Introduction

Will Rogers observed that more Americans die of elocution than any other cause. Following time-tested techniques, you can reduce the toll by giving persuasive, informative and entertaining speeches.

By being a confident and effective speaker you can advance a cause in which you believe, further your career and enhance your social life. Apart from those practical considerations, it's fun to be a good speaker. [Sherlock Holmes told his brother, Mycroft that he played the game (being a detective) for the game's sake alone.]

II. Overcoming Fear

Why fear public speaking? Basically, we don't want to make fools of ourselves—by not knowing what we are talking about, forgetting what we want to say, appearing nervous, being dull.

You are not alone; it's natural to experience stage fright. As Emerson once said (actually he said it twice), "All the great speakers were bad speakers at first."

Seven sure-fire ways to overcome fear are: prepare, prepare, prepare, prepare, prepare, prepare and prepare. Well-prepared speakers are not nervous, but they retain a good dose of adrenaline to keep them energetic and dynamic.

Preparation means:

- Learning about your audience;
- Knowing your topic cold;
- Knowing how long your speech will take and how to make modifications during your speech;
- Organizing your talk so that the audience knows where you are going;
- Spicing your talk with *relevant* anecdotes, humor, quotations and examples to win over your audience and drive home your points;
- Being your own best friend by checking out the public address system, the seating, ventilation, lighting, water;
- Practicing your delivery;
- Handling disturbances; and
- Of course, answering questions.

III. Learning About Your Audience

Key to your preparation is learning about your audience. Most books on public speaking advise using the reporter's six questions: Who? What? When? Where? Why? How?

Who are they? How large is the group—will you be speaking to 30 people or 300? How old are the audience members? What is their economic status? Are they friendly, hostile, neutral? What is their educational level? Do the audience members know each other? Do they know you?

What does the audience want to know? What do they already know? Former Treasury Secretary James A. Baker, III began a speech to a group of knowledgeable bankers by saying that it would be intellectually arrogant for him to tell them what they already knew. He recalled a Princeton professor of his who was overheard praying: "O Lord, deliver me from the sin of being intellectually arrogant, which for your information means . . . ."

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Why is the audience there? Did they come to hear just you? Or are you one of seven speakers on the program? Is attendance required to get continuing education credit or to stay in the boss's good graces?

Where will you speak? Outdoors? At a hotel ballroom? Private club? Amphitheater? Church?

When will you talk? At a breakfast meeting (people eager to get on with the day)? After a heavy luncheon meal? Or the last of 10 after-dinner speakers?

How do you get answers to those questions? Many will be obvious. For those that aren't, ask the chairperson, study the program or talk to a member of the group. Finally, follow Yogi Berra's advice: "You can observe a lot just by watching."

IV. Preparing Your Speech

A. Some Basics

Preparing means having something worthwhile and interesting to say—and saying it naturally. Appearing natural before an audience comes with practice.

B. Title of Your Speech

Start out with a working title that gets to the essence of your talk.

The obvious purpose of the title is to tell what your speech is all about. A good title can get you an invitation to speak. You want to get booked. George Burns said that he'd live to age 100 because he was booked to perform at London's Palladium on his 100th birthday.

And once you are booked, an interesting title stimulates attendance.

Suppose you are giving a talk on what you know to be an interesting topic, but one that may be perceived by others to be dull. Use the title-subtitle technique: the title captures attention and the subtitle tells your topic. For example, the title of your talk is: "Seven Common Mistakes Brain Surgeons Make." The subtitle: "The Malpractice Crisis Today." Or, put the zinger in the subtitle. Title: "Avoiding Capital Gain Taxes." Subtitle: "The Meek Shall Inherit the Earth, and With a Stepped-Up Basis."

C. Determine Your Purpose

Do you wish to persuade, inform, inspire or entertain? Not surprisingly, a good talk often accomplishes all four objectives.

D. Methods of Delivery

- Extemporaneous—spoken with preparation but not read or memorized. Highly recommended.
- Memorized—too much work and likely to sound wooden. And if you draw a blank, you're in big trouble.
- Impromptu—spoken off-hand without previous preparation (not a formula for a successful speech). Winston Churchill was accused of spending most of his life preparing for ad lib speeches.
- Read from a manuscript—read your talk only if you are delivering a State of the Union Address, testifying before a congressional committee or explaining to the press why you were in a nightclub with someone else's spouse.

E. Your Opening

Before I speak, I have something very important to say. —Groucho Marx

Don't begin by saying, "It's a pleasure to be here in Broward County, thank you for that flattering introduction, and I'll begin by telling you a very funny joke that I heard yesterday."

Jump right into your talk. Your aim is to establish rapport with the--audience, get their attention, tell them what's ahead and interest them in your topic.

Self-deprecating humor is a good way to establish rapport with an audience. General Douglas MacArthur began his final farewell to the cadets at West Point, (his "Duty, Honor, Country" speech), by recounting that as he left his hotel the doorman asked where he was going. When he replied, "West Point," the doorman said, "Beautiful place General—have you ever been there before?"

Use only well-tested material if you open your speech with humor. It's never fun if an audience doesn't laugh, but it can be devastating at the outset. Test your material on your friends and co-workers. Work on your timing and delivery.

F. The Body of Your Talk

1. Have Something to Say

Having something interesting and worthwhile to say is key. Start preparing your talk early so that you can work and rework and rework it and rework it.

2. Organization

Organize your talk so that the audience knows where you're going. Unlike the printed word, where the reader can go back or skip ahead to figure out your message, the spoken word gives you only one chance to be understood. So (as you may have heard) —

- tell them what you are going to tell them,
- then tell them, and
- then summarize (tell them what you told them).

3. Statistics

I don't believe in statistics; they're not accurate. I know that's a strong statement, but I have figures to prove it.

Statistics can help make your points. Here are some tips:

- Don't apologize for giving them;
- Do round them off;
- Don't use too many and
- Do translate statistics into a mental picture—e.g., "To fathom a national debt of $3 trillion, visualize a stack of $10 bills five times the height of the Empire State Building." (Test this out to see whether this is right.)

4. Definitions

In Lewis Carroll's *Alice in Wonderland*, Humpty Dumpty said, "When I use a word it means just what I choose it to mean."

Define terms not known to your audience—e.g., "A *charitable remainder unitrust* is an arrangement where a donor transfers property to a trust and directs the trustee to pay her a fixed percentage multiplied by the net fair market value of the trust assets, as revalued each year."

H-E-L-P. It is often wise to follow the definition with an example: "You transfer $100,000 to a unitrust and set the percentage at 7 percent. You will receive $7,000 the first year—7 percent times $100,000. Next year—if the trust assets are worth $120,000—you will receive 7 percent times $120,000 or $8,400. And so on, each year."

5. Be Up-to-the Minute

Read the newspaper the day of your talk and listen to the latest news broadcast. Try for a hook with the latest events. If you're out of town, find out the audience's special concerns.

6. Transitions and Bridges

Use transitions and bridges to get you from one point to the next. "So far we have seen that . . . ." "Turning now to . . . ." "Any questions so far?" A pause is an effective way to signal the audience that you're going on to a new point.

7. Conclusion of Your Talk

Your objectives are to:

- let the audience know that you're about to conclude your talk and
- to summarize your main points.

Sometimes you may want to urge the audience to take action or inspire them. And it's good to leave them laughing or with lumps in their throats—depending upon the situation, of course.

V. Your Delivery

Take part of your cue from the Louis Armstrong song, "It Ain't Whatcha Know, It's Howcha Say It." So practice howcha say it. But also know whatcha talking about.

A. How to Practice

Practice out loud (or in your head) while in the shower, driving to work, running. Audio tape your talk and listen to yourself. The best speech-honing device is to videotape your talk and review the tape. Some people look in the mirror while practicing. If I did that, I'd probably never give another speech.

B. Ten Pointers for the Day of Your Talk

1) Before the audience arrives, stand at the lectern and visualize giving your talk.
2) Sit at various places in the room to get the audience's view.
3) Check the microphone, lighting, temperature, seating, water. Don't leave this to others. Trust no one. You're the person on the firing line.
4) Visit the rest room fifteen minutes before your talk (whether you need to or not).
5) Don't call your office less than one hour before your speech begins. Your only concern should be your talk. One exception might be to check on a stay of execution for your client.
6) Before you talk—eat little, don't drink, but be merry.
7) Keep in mind that you are "delivering" your talk from the moment that you walk into the building—you are sending messages about yourself.
8) If possible, talk to some members of the audience before you speak. It's good to have some friends out there.
9) While being introduced, sit tall and lean slightly forward. Look at the introducer.
10) Walk to the lectern with vigor—and good posture.

C. You're Behind the Lectern: Now What?

1) Before starting your talk, pause. Look at the audience and let them look at you. Smile, but don't grin (about 2/3 of a smile will do the trick).
2) Don't apologize for anything (you're fully prepared so you shouldn't have to apologize). If you have a sore throat, the audience will be aware of it. In any event, don't mention it.
3) Everybody will tell you that to be a good public speaker you must make eye contact. What does that mean? Look in the eyes of various audience members throughout your talk. It should be comfortable. Don't stare anybody down. Concentrate on friendly faces; don't work on any grouches. And keep in mind that an individual who appears uninterested may be worried about his parent in the nursing home.
4) Your voice — vary the volume, pace and pitch to make points and keep audience attention.
5) Pause before going on to a new point - - - - - - - - or to emphasize a point. Don't be afraid of silence.
6) Gestures—don't overdo them.
7) What should I do with my hands? Generally, do whatever is comfortable. There's nothing wrong with moving your hands about, as long as it's not distracting. Keep them at your sides, put them behind your back, tuck them inside your belt. I once asked a speech coach what to do with my hands. "I've heard you speak," he said, "and if I were you, I'd cover my mouth."

8) What about posture? Somewhere between a West Point Cadet and walking into your college reunion. But the Hunchback of Notre Dame would get a standing ovation if he had something interesting to say and an entertaining delivery.

D. Some Dos and Don'ts

It's okay to scratch your forehead or mop your brow. There's nothing wrong with taking off your glasses and gesturing with them to make a point, but don't overdo it—or try it with contact lenses. Don't distract the audience by playing with jewelry or your Phi Beta Kappa key. It's okay to touch or lean on the lectern from time to time, but don't grab onto it for dear life.

E. Notes

If you can handle it, use no notes at all. That forces you to be natural, and generally impresses the audience that you really know your stuff. Assuming you use notes (and that's not a sin), boil down your talk to key points and key words. Write them on index cards or heavy-weight paper. If you have more than one card or sheet of paper, number them.

F. At Last You're Finished

Don't sigh and show relief. Pause, look at the audience. Smile, then turn and walk (do not run) to your seat. But you're still not finished. Smile as you receive applause. And look at the chairperson while you are being thanked. Finally, stick around to answer questions (not asked during the Q & A session) and meet your admirers.

VI. Time

A. What Is the Delivery Time of Your Talk?

You don't want to run over. It's all right to finish earlier than expected—but not too much earlier.

Many people speak about 150 words a minute. Time yourself to determine your pace. Your actual speech will generally take longer than you estimate. Determine your pace by timing your speech. Or time yourself reading a newspaper article.

B. Optimum Time for Your Talk

Hubert Humphrey balked when asked to limit his remarks to 20 minutes: "I need at least 20 minutes just to say hello to my mother."

For most speeches, 15 to 20 minutes will do the job. For a lecture, try 50 minutes. When you introduce a speaker, aim for one or two minutes.

C. What to Do if You Run Out of Time

You may run out of time if you have prepared too much material, the prior speaker went over the allotted time, the program started late or—judging the mood of the audience—you decide to shorten your talk.

Maintain your normal delivery speed. Don't drop humor, anecdotes, and other spices. Instead, have dropable segments. Before your talk, decide upon the items that you "must" cover. Then rank the marginal items and be prepared to drop some of them. Remember to have a strong finish.

D. Keeping Track of Time

Don't wait for the chairperson to signal you wildly to wind up your talk. Independently know—at all times—just how much time remains. Keep track with your own analog watch (with large hands) or a travel clock.

VII. Microphones

If you can't be heard, everything else is for naught. So ask about the public address system well before your speech. If it doesn't work, the audience will be annoyed—and with *you* (not with the host group or the people who run the meeting facility). Test the public address system well before your talk (get there before the audience arrives). Speak into the microphone and ask anyone in sight whether you can be heard in all parts of the room (and that you won't blast the audience out). Tapping or blowing into the microphone only lets you know whether it's turned on—not whether it is working properly.

VIII. Language

1) Match your language to your audience.
2) Make your sentences short; avoid sesquipedalian words like floccinaucinihilipilification. Prepare your talk for the ear, not the eye.
3) Avoid cliches like the plague and outplace jargon.
4) Pronouns: Remember that she and he will be pleased if you include both sexes.
5) Avoid euphemisms. Say he's ugly instead of "aesthetically challenged."
6) Avoid redundancy, unnecessary repetition, superfluity, pleonasm, tautology.
7) Foreign words: For most audiences, skip the milieu my darling.
8) Vocabulary: Look up all new words that you read or hear. Explore shades of meaning. Work on your vocabulary. Otherwise you'll be like the preacher who saved enough money to buy a used car and then discovered he didn't have the vocabulary to drive it.

IX. Non-Words and Gap Fillers

Well now, you know, it's uh easy to ah fall into the habit of cluttering your speech with uh gap fillers. So I'm going to tell you how to break the habit. Listen to yourself on tape. Once you realize that you use non-words and gap fillers, you can avoid them most of the time, right? Try to substitute a pause for non-words and gap fillers, okay?

X. Humor

A not-so-funny thing happened to me on the way to writing this outline. I met a man who told me that using humor in your speeches is serious business. He made these points:

1) Generally, don't tell jokes.
2) Never say that you are going to tell a story—worse yet, a funny story; don't read when using humor (generally, don't read any part of your speech).
3) Don't do a dialect unless it isn't offensive and you're good at it.
4) Never (I mean never) tell stories about minorities, religious groups, sex or old age.
5) Rarely use puns—no matter how clever—unless you enjoy groans. Oscar Levant repeated that "a pun is the lowest form of humor" and then added (nicely) "when you don't think of it first."
6) If you have the slightest doubt about a story, anecdote, etc., don't use it.
7) Self-deprecating humor is always a crowd pleaser. *Example:* Richard Nixon had just resigned the presidency. President Gerald Ford began his address to a joint session of Congress: "I am a Ford, not a Lincoln."
8) Test your humor (on friends, co-workers) *before* your speech.
9) Be sure to test humor on individuals who have the same frame of reference as your audience.

XI. Introductions

A. Introducing Others

Your purpose is to inform the audience —
Who: name and credentials of speaker.
What: subject and title of talk.
Why: relevance to interests of audience.
Questions: The speaker will take them at the end, as speaker goes along, etc. (Speaker may want to say this himself/herself.)

Sometimes it's appropriate in the introduction to tell the speaker about the audience ("introduce" the audience to the speaker).

Your introduction of the speaker is a short speech—so *prepare.* Telephone the speaker well in advance and try to spend some time with the speaker on the day of the speech.

Ask the speaker for biographical material and do your own research.

Don't talk about yourself (how you met the speaker, your long interest in the topic) or read the speaker's bio.

Avoid these cliches:
"Our speaker needs no introduction."
"You've all read his bio so I won't take any more of your time."
"It would take all day for me to tell you all of her accomplishments."
"You didn't come here to hear me . . . ."
"It is my honor and privilege to introduce . . . ."
"Without further ado . . . ."

If you must introduce someone as being an expert, say: "He is the (or one of the, or a) leading notary public." Avoid: "He is perhaps the leading notary."

Your aim is to make the audience eager to hear the speaker and like the speaker. When you introduce the speaker, you are making a speech (a short one) with an opening, a body and a conclusion. Be enthusiastic and brief (one to two minutes).

If the audience doesn't know you, first introduce yourself—*briefly*. Face the audience while introducing the speaker and make eye contact. Conclude with, "Won't you join me in welcoming . . . ." (That should generate applause, especially if you start to applaud.) Then face the speaker, smile and sit down. Don't shake the speaker's hand. Just get out of there!

B. Being Introduced

Look at and listen to the introducer (sit tall and lean slightly forward). Then walk briskly to the lectern, smile at the introducer, *pause* at the lectern, survey the audience and smile.

What to do next? Here are two schools of thought:

School 1. Hit the ground running. Don't acknowledge the introduction. Get right into your talk.

School 2. Acknowledge the introduction with self-deprecating humor—e.g., "I appreciate that splendid introduction, especially since last week I was introduced as a man who's a legend in his own mind."

What do I think? School 1 has more honor graduates.

C. Assuring a Good Introduction

If you give the introducer your full bio, chances are you'll hear every last detail read to the audience—e.g., "Our speaker today was bar mitzvahed in 1992 . . . ."

It's not a sin to write your own introduction and send it to the introducer. "Here's how I was introduced recently. I hope it will be helpful in preparing your introduction of me." The introducer is free to use it or not. Take an extra copy with you in case the introducer leaves his or her copy at home.

D. How to Recover from a Poor Introduction

If you aren't known to the audience and it's important to establish your credentials, here's an example of how to introduce yourself to the audience early in your talk (after any humorous opening and after having established rapport with the audience). "In my 22 years as a litigator working as a public defender, then as an assistant U.S. attorney–and now with a law firm—I have crossed examined over 500 witnesses. . . . Today, I'd like to tell you about . . . ."

XII. Invocations

Giving an invocation is no joking matter. This is not the place for humor. Make it nondenominational unless all the audience members are the same religion. Give thanks for blessings, pray for peace and good will, ask for wisdom and strength.

Here's how President John F. Kennedy used a prayer to end his inaugural address: "With a good conscience our only sure reward, with history the final judge of our deeds, let us go forth to lead the land we love. Asking His blessings and His help, but knowing that here on earth God's work must truly be our own."

If you're at a loss, just make it a silent prayer.

An invocation is the one speech that is always all right to read, because all audience members—except for the atheists—have their eyes closed. The agnostics will have one eye closed.

XIII. Television and Radio

A. Television Eyewitness News

When you are leaving the courthouse, a PTA meeting or before or after a speech, you may encounter an eyewitness TV news reporter.

Typically, the viewer will see a 90 second news segment. The reporter sets the scene for 30 seconds, you're on for 20 or 30 seconds and then the reporter wraps up for 30 seconds. This generally is the time allotted even though you may have been interviewed for five or 10 minutes. So be prepared to tell your entire story in headline form. Speak in 20 second "bites." Use colorful language and vivid, short examples.

Look into the camera lens, not at the reporter or the microphone. Use your voice and face for animation, not your hands. If you must use your hands to gesture on television, do it forward, not outward. Otherwise, your hands will fly off the screen—unless it is a very wide one.

B. Television Talk Shows

The host should have information about you and your topic (on one or two pages) one day *before* the program, unless the host requests it earlier. Generally, the host won't request anything. So make it your job to send the information and to get it noticed. Have it delivered by hand or by private (or U.S.) overnight mail. Telephone to find out whether it arrived. That calls attention to it. Faxes and emails may not get as much attention as the old-fashioned way.

Strive to have a conversation with the host so it isn't just a question and answer interview. Keep up your end; don't just wait to answer questions.

Before the program, decide the points you want to make and work them in. Have your own agenda.

Keep your answers short—about 20 to 30 seconds at most, but don't just answer yes or no. Again, before the program, decide the points that you want to make and work them in when responding to questions.

Here are some additional pointers:

- Be prepared for an unreal situation—a make-believe living room with plastic plants.
- Look at the host and other guests; ignore the cameras (unlike the eyewitness news spot, where you should look into the camera lens).
- Use your voice and face for animation, not your hands.
- Act like a pro when make-up is being applied and the microphone cord is being led down the back of your shirt or blouse. The technicians have already heard all the bad jokes.
- Dress for television success by wearing conservative clothes (no wild colors or patterns); avoid large jewelry.
- Don't swivel in your chair; sit tall and lean slightly forward. Avoid hand gestures.

A course on how to succeed on television is, in effect, given every night and on Sunday mornings. Watch the eyewitness news and interview programs.

Finally, follow this advice given by President Reagan (the Great Communicator) to members of the U.S. Senate when their sessions were first televised: "Do what actors are told to do. You learn your lines, don't bump into the furniture and in kissing scenes keep your mouth closed."

C. Radio Interview Shows

Even though it's radio, dress as you would for television. The people at the station, the host and other guests will be making quick judgments about you. All the energy and enthusiasm must come from your voice—so punch a little harder. If you're on a radio phone-in program, try to have a conversation with the caller. Today many radio interviews are done by telephone with the host in the studio and the guest at another location. A good host and guest make it sound as if they are sitting across from each other.

XIV. Conversations

In a nutshell, have interesting things to say. Know what's new in the world, in your listener's world and in your world.

Everybody knows that to be a good conversationalist you should be a good listener. What does that mean? Ask questions that elicit more than a yes-or-no response—e.g., "Tell me all about your trip to visit your uncle in Hoboken." Not, "Did you have a good time on your vacation?" Don't get the conversation off track by interjecting a point that can wait, or by prematurely bringing up a new topic. If it's an important conversation for you, learn all you can about the other person and his or her interests before you meet. Be genuinely interested in the other person. (Someone once said, "Be sincere, even if you have to fake it.")

XV. Handling Question and Answer Sessions

A. From the Audience Member's Viewpoint

The audience member wants:

- clarification or amplification of your points;
- information about topics not covered;
- to show how smart he or she is; or
- to make a speech of her or his own.

B. From the Speaker's Viewpoint

First and foremost you want to answer the questions asked. Next, you want to involve the audience. A question and answer session (or taking questions as you go along) accomplishes that. Also, use your answers to bridge to a topic that you didn't have time to cover, or to amplify points that you did make. Finally, asking for questions during your talk can give you a breather.

C. How to Answer Questions

1) Look at the questioner while you listen to the question.
2) Don't cut off the questioner unless he or she is making a speech (and then be diplomatic).
3) Never ridicule a questioner, or say that you already covered that point.
4) Don't say, "That's a good question."
5) If everyone in the audience has not heard the question, repeat a simplified version.
6) Start your answer by looking at the questioner, then look at other people in the audience.
7) Keep things moving; be brisk but not brusque.

D. How to Assure that Questions Will Be Asked

An audience that asks questions truly participates in the event—and that helps make your speech a success. But some groups are shy. Here's how to get questions:

- Suggest privately to a few members of the host group: "I won't have time to discuss the theory of relativity, so I'd appreciate your asking me a question about it during the question period."
- Instead of saying "Are there any questions?" ask: "Who would like to ask the first question?"
- A trick of the trade to get things rolling if no questions are asked: "I'm often asked . . . ." Then ask yourself a question, and answer it.

Strive for an upbeat ending to the Q & A session. So end after answering a good — rather than a weak —question.

Have a second short "closing" to your talk that follows your answer to the final question — e.g., "So to sum up from a different perspective . . . ."

XVI. Summary

Remember, you don't have to be a great speaker. Grateful audiences give standing ovations to speakers who are just good. But keep in mind Winston Churchill's observation that you may get a standing ovation because the members of the audience seek an opportunity to adjust their underwear.

To be a good speaker, think of the word S*P*E*A*K*E*R when you prepare your talk.

*S*how business. Audiences like to be entertained.
*P*repare. Have an informative, well-organized and interesting talk and practice your delivery. Be conversational; don't orate.
*E*nergy. Be dynamic; exude enthusiasm.
*A*necdotes. Pepper your talk with a generous dose.
*K*nowledge. Know what you're talking about.
*E*xamples. Use them to explain and simplify your points.
*R*apport. Know your audience. Establish a link with them early in your talk.

Knowing that you have covered all the points in "SPEAKER" should make you a confident performer who relishes public speaking.

A Groucho Marx remark may help you become a sought-after speaker. At a Hollywood party, a woman complimented Groucho after he sang an aria: "I didn't know you could sing so well." Groucho replied, "I can't. I was just imitating Caruso."

Forgotten But Not Gone: Philanthropy Protection Act of 1995 .... (Track I, II, III)
Joseph O. Bull, J.D.

It has been over 20 years since the gift-planning world was turned on its ear by the class-action lawsuit, Ozee v. American Council on Gift Annuities, which alleged violation of federal securities laws by any charity that issued charitable gift annuities. In response to this litigation and through the efforts of many in the gift planning community, the enactment of the Philanthropy Protection Act of 1995 exempted charitable gift annuities from federal securities laws... IF ...charities provided prospective gift annuity donors with appropriate written disclosures. In the 21 years since the enactment of the PPA of 1995, has there been any slippage in observance of this law by charities? Are an entire generation of gift planners even aware of the law? This session will review what caused the initial lawsuit, the details of the PPA, and what charities should be doing to comply with the law. It will also examine what to do should a charity discover that it is not in compliance and how the gift planning community can remain vigilant to prevent another such lawsuit.

Joseph O. Bull, J.D.

Executive Director of Gift Planning
Carnegie Mellon University

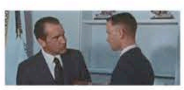
Joseph O. Bull, J.D. is the Executive Director of Gift Planning at Carnegie Mellon University. Prior to this appointment, he served as Senior Vice President for Community Engagement at the Columbus Zoo and Aquarium, leading the Zoo's philanthropy, strategic partnerships, marketing, communications, government relations, membership, and group sales functions. Previously, he was affiliated with the Worldwide Office of The Nature Conservancy as Interim Director of Philanthropy for Strategic Gifts and as Senior Philanthropy Officer for Global Priorities. Joe also provided 16 years of service to his alma mater, The Ohio State University. For 13 of those years, he served as the university's Director of Planned Giving. With 30 years of experience in the philanthropic arena, he began his career as Assistant Director of Planned Giving at Duke University and as Director of Gift Planning and Assistant University Counsel at North Carolina State University. He was the 2005 Chair of the Board of the Partnership for Philanthropic Planning. Additionally, he was a member of the Editorial Advisory Board for the national newsletter *Planned Giving Today* for 15 years as well as a member of the Editorial Board of the web-based *Planned Giving Design Center.* He has served as a faculty member for both the College of William and Mary's National Planned Giving Institute and the Academy of Gift Planning. Joe is a former member of the Board of Director of Charitable Accord, as well as a past President of the Central Ohio and North Carolina Planned Giving Councils. He was co-chair of COPGC's *Leave a Legacy* initiative, which became the model for the Partnership's national initiative of the same name. He is admitted to the Ohio and North Carolina bars.

Forgotten But Not Gone:
The Philanthropy Protection Act of 1995

Joseph O. Bull
Executive Director of Gift Planning
Carnegie Mellon University
April 8, 2016

Richard Nixon?

Tax Reform Act of 1969



"Those who do not know history are doomed to repeat it."
- Edmund Burke

Did this really begin in the Wild West?

CONCORDIA UNIVERSITY TEXAS

Louise T. Peter

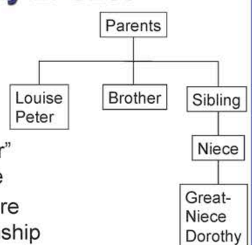
- Pastor Killian's granddaughter
- Born September 24,1899
- Never married secretary
- Inherited $2M late in life
- Philanthropist to several Texas Lutheran charities

CONCORDIA UNIVERSITY TEXAS

Historic Killian Hall

Louise Peter Center 1988

Dorothy L. Ozee



- Louise Peter's Great-Niece
- Dorothy "cared for" Great Aunt Louise
- Dorothy didn't care for Louise's relationship with the Lutheran charities

What made Dorothy mad?

- $1.7M of $2.0M estate was given to the various Lutheran charities
- Louise had dementia/Alzheimer's
- Allegations of undue influence and pressure to make the gifts

Richie v. ACGA

- *aka:* Ozee v. ACGA
- Filed December,1994
- Federal District Court
- 9 defendants:
  5 corporate, 4 individuals
- 26 attorneys

Allegations

- Unauthorized to sell insurance in Texas
- Unauthorized trust business in Texas
- Violation of Sherman Antitrust Act
- Violation of Federal Securities laws

Judge Joe Kendall

May 3, 1995 Ruling

- Summary Judgment for Plaintiff's on Texas law counts
- Judge Kendall quoted portions of one of the charities' letters to Louise Peter

Mr. Simmons Goes to Washington…and Austin

Legislative Action

- June 1995: Texas laws enacted to address the issues of this lawsuit
- By fall 1995, bills were introduced in both houses of Congress to address the Federal law allegations

Class Action Granted

- 10/1995 class action certified
- Against all charities who have issued GA and/or served as trustee of CRT/ other trust from 12/30/90 to 10/95
- ACGA Board members personally named as well as their employers

Congressional Action

- Charitable Gift Annuity Antitrust Relief Act of 1995
- Philanthropy Protection Act of 1995
- Passed unanimously in both houses of Congress
- President Clinton signed 12/8/1995

Back to the Courts

- 9 month battle
- Legal equivalent of Gettysburg/WW I
  1. 35 orders issued by the District Court
  2. 765 documents filed
  3. Docket sheet "rocks on for 116 pages"
- Judge Kendall's 9/30/1996 ruling

September 30, 1996 Ruling

- Securities laws allegations dropped
- Non-charitable defendants added
- Antitrust allegations continued… were the charities really tax-exempt? ... treble damages
- Texas allegations continued

Denouement

- 4/9/1997: Court of Appeals denies charities' appeals...sends case back to Judge Kendall
- Charitable Donation Antitrust Immunity Act of 1997 enacted 7/3/1997
- 12/8/1997: US Supreme Court sends case back to Court of Appeals due to the new law
- 6/12/1998: Court of Appeals rules case is terminated…31 defendants…39 lawyers

Philanthropy Protection Act of 1995

- Enacted 12/8/1995…to deal with securities law issues
- Effectively ended the securities law claims in the class action suit
- In exchange for that relief, lots of requirements on charities

Philanthropy Protection Act of 1995

- Exemptions from securities laws for:
  1. Endowment fund assets
  2. Pooled Income Fund assets
  3. Charitable Gift Annuity assets
  4. CRT/irrevocable trust assets
  5. Charitable Lead Trust assets
  6. Some limited revocable trusts
  7. Future SEC rulings
- Commingling is the key

Philanthropy Protection Act of 1995

- Exemptions from licensing as brokers:
  1. Charitable organizations
  2. Trustees, Directors, Officers
  3. Employees and Volunteers
- Exempt only if:
  1. Volunteer or engaged in fund raising
  2. No commission or special compensation

Philanthropy Protection Act of 1995

- State law exemption too
- 8 states opted out of the PPA and kept their blue sky law requirements
- Fraudulent practices are not exempt
  - Failure to provide required disclosures, untrue statements, etc.
  - Individual fines up to $10,000 <u>*AND*</u> 5 years in prison

Philanthropy Protection Act of 1995

- Disclosure to donors is *required*
- Disclosure at time of donation
- "Written information describing the material terms of the operation of such fund."

Philanthropy Protection Act of 1995

- Disclosure should contain:
  1. Description of charity
  2. Typical investments of the fund
  3. Where donor's gift may be commingled
  4. Tax ramifications of the gift
  5. How payments will be made
  6. State that these funds are exempt from federal and state regulation

The Rest of the Story…

Doomed to Repeat It?

- Relationships with elderly benefactors
  - Know the advisors
  - document…document…document
- Not issuing disclosure statements?
- Paying commissions?
- Not following ACGA rates?

Who has the Initial Question?

In wine there is wisdom,
in beer there is freedom,
in water there is bacteria.

- Benjamin Franklin

What I Wish I Had Known.. (Track I)

Pamela Jones Davidson, J.D.

This session covers a number of life lessons from this professional in 30 years of gift planning, a pivotal time when gift planning went national. From an early emphasis on vehicles and technical knowledge, to a burgeoning interest in the profession, to the entry of many related professionals into gift planning, and now to application and life stage gifts and donor benefits, where it should have always been. Common missteps like not seeking advice from colleagues, not listening to donors, and not partaking of your local planned giving council, PPP, and ACGA will also be covered, as will how to continue to hone your skill set and learning ethically on the job with real donors and real scenarios.

Pamela Jones Davidson, J.D.

President
Davidson Gift Design

Pamela Jones Davidson, J.D., has been a nationally recognized speaker in charitable gift planning for over 30 years. She is President of *Davidson Gift Design*, in Bloomington, Indiana, a consulting firm specializing in gift planning, planned giving program design and implementation, and training. She is also a Senior Vice President for *Thompson & Associates*, offering estate-planning services to nonprofits. From 1985 through 1996, she was with Indiana University Foundation, as its Executive Director of Planned Giving and Associate Counsel.

Pamela received her undergraduate degree from Indiana University in 1975, and graduated *magna cum laude* from the Indiana University School of Law at Indianapolis in 1979. She has been an examiner in the Estate and Gift Tax Division of the Internal Revenue Service, and practiced law with an Indianapolis law firm before joining the nonprofit sector in 1985.

She was the 1999 president (now, Chair) of the National Committee on Planned Giving (now, Partnership for Philanthropic Planning) after serving on its board in various capacities for six years, including past member and chair of its Ethics Committee.

Pamela is a past board member and treasurer of the Indiana Chapter of the National Society of Fund Raising Executives (now, Association of Fundraising Professionals), and a past board member and president of the Planned Giving Group of Indiana. She serves on the Community Advisory Boards of both of her local public radio and television stations, and on other local boards.

WHAT I WISH I HAD KNOWN . . .

PROFESSIONAL SUCCESS WITH MUCH LESS STRESS

Tales and Tips from Three Plus Decades in Gift Planning -

Illustrated of Course by Stories

PAMELA JONES DAVIDSON, J.D.

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AMERICAN COUNCIL ON GIFT ANNUITIES

32nd CONFERENCE

St. Louis, Missouri

April 8, 2016

PAMELA JONES DAVIDSON, J.D.

Pamela Jones Davidson, J.D., is President of ***DAVIDSON GIFT DESIGN***, Bloomington, Indiana, a consulting firm specializing in gift planning, planned giving program design and implementation, and training. She is also a Senior Vice President with ***THOMPSON & ASSOCIATES***, offering estate planning services to nonprofits; she has achieved its FCEP designation. Previously, for three years she was a charitable gift planner and consultant with Laura Hansen Dean and Associates, Indianapolis, Indiana, before forming her own company in 1999. From 1985 through 1996, she was with Indiana University Foundation, leaving that organization as its Executive Director of Planned Giving and Associate Counsel.

Ms. Davidson received her undergraduate degree from Indiana University in 1975, and graduated *magna cum laude* from the Indiana University School of Law at Indianapolis in 1979. She has previously been an examiner in the Estate and Gift Tax Division of the Internal Revenue Service, and later practiced business, corporate and probate law with the Indianapolis law firm of Bingham, Summers, Welsh & Spilman before joining the nonprofit sector in 1985.

Ms. Davidson was the 1999 President of the National Committee on Planned Giving (now, PPP, Partnership for Philanthropic Planning), and served NCPG in various capacities during her six years on the Board, in 1995 as Education Chair, in 1996 as Secretary, and as President Elect in 1998. She served as NCPG's 2000 Nominating Committee Chair, and as a past president, is a member of its Ethics Committee. She is a member of PPP's Leadership Institute.

Ms. Davidson has been on the Editorial Board of the Planned Giving Design Center, and is past faculty for The College of William and Mary National Planned Giving Institute. She is a past board member and treasurer of the Indiana Chapter of the National Society of Fund Raising Executives (now, AFP, Association of Fundraising Professionals), and past president and board member of the Planned Giving Group of Indiana. Ms. Davidson is a former treasurer of the Monroe County Bar Association, a past president of the Network of Career Women, and a Leadership Bloomington alumna. She is on the donor development committee of Middle Way House, her community's nationally recognized women's shelter, and on the Boards of her local WFHB Community Radio and LEAF (Lotus Education and Arts Foundation). She is a long-time member of the Community Advisory Boards of her local public radio and television stations.

Ms. Davidson has made countless presentations throughout the state of Indiana and nationally to development professionals, planned giving councils, estate and tax attorneys, accountants and financial planners, and to individuals about gift planning and charitable giving techniques.

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WHAT I WISH I HAD KNOWN –

PROFESSIONAL SUCCESS WITH MUCH LESS STRESS

Tales and Tips From Three Plus Decades in Gift Planning -

Illustrated of Course by Stories

Pamela J. Davidson, J.D.

1. That donors will teach you everything you need to know, if you only let them, if you listen.
2. That philanthropy is a learned behavior, not really related to wealth as much as the donor's past and family, experiences.
3. That simple and nontechnical plans are the most popular, most often. "I've never met anyone whose life goal is to create a charitable remainder trust, and you won't either."
4. That plans that work for real people and their planning concerns also can work ethically and practically for a charity, especially life stage gifts that can repeat and repeat! Far superior to a single testamentary gift included in a valid will or trust that only a minority of Americans will do.
5. That leadership – administration and Board – are most likely uninformed about gift planning, its possibilities, and how to integrate it into overall development, what activities will bear fruit. And that the plans work for them and their peers.
6. That development is a team sport – and you are the motivation coach, every day, with a "can do for many" philosophy.
7. That gift planning is like raising teenagers, you have to repeat and repeat and repeat before donors, colleagues, advisors and colleagues are ready to hear your message.
8. That YOU must take responsibility for your own education, training and learning. Join your local planned giving counsel for information and colleagues, attend a planned giving conference when you can.
9. That you can only rarely be a prophet in your own shop . . . or family. So sometimes an outsider is needed to deliver the message you've uttered and which has not been heard.
10. That intangibles and ethical service, explaining how and why, the CYA letter, matter – donors don't end up after gift planning with a washer-dryer combo.

11. That most people will consider a gift plan, people generally love ideas, IF we suggest it and IF we can show them how it works for their personal planning goals . . . and philanthropy, in that order. Harvey DeVries. Fundraiser's Mantra: "If you don't ask, the answer is always no."

12. That we should talk to donors about economics and benefits, that gift plans can be part of a diversified portfolio, can give some inheritance to children before the passing of both parents, that a gift plan can transform appreciated assets that no longer work for a donor, can produce income, can receive assets pre-tax, oh and other tax benefits too.

13. That navigating professional advisors can be an art . . . especially since they gravitate towards revocable trusts and testamentary plans. NOT WISE TO use professional advisors as the first source . . . though they must be involved in some plans and to protect the donor.

14. That you cannot achieve a goal if you do not have one . . . so your charity, its Board MUST make gift planning a forever, practical, ongoing goal. Which means a budget, staff time and activities, and that leadership understands that activities and marketing lead to these gifts.

15. That we are the most privileged people in the world, to work with visionary individuals, to help them with an ethical plan that works for them while making them a philanthropist they did not think possible, a privilege and honor to be An Agent of Change.

Donor Demographics Driving Planned Giving ....(Track I, II)
Jackie Franey, CPGS, CAP®

There has been a significant amount of discussion surrounding demographic trends and the potential impact on the growth of planned giving programs. How important are these trends in establishing revocable and irrevocable planned gifts? Many testamentary provisions and life income gifts are being established by increasingly older donors. Are your donors' concerns of outliving resources, higher health care costs, and retirement planning impacting their ability to establish life income gifts? Do you find economic and financial circumstances have made it more challenging to engage in conversations with donors about planned gifts? Don't despair. There are effective ways to establish meaningful dialogue with your donors and secure planned gifts for your organization. Join this session as we explore the impact of these trends and how to increase planned gifts to your organization.

Jackie Franey, CPGS, CAP®

Director of Gift Planning Fundraising
The Nature Conservancy

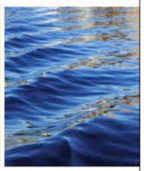
Jackie W. Franey is the Director of Gift Planning Fundraising at The Nature Conservancy and directly responsible for the management and leadership of an experienced fundraising team of approximately 25 staff that secures 1,500 bequest commitments annually and $85 million a year in deferred gifts from individuals to support TNC's mission of protecting nature and preserving life.

Prior to joining TNC, she served as the Director of Development at the Dallas Museum of Art, Planned Giving Sales Director, for BNY Mellon Wealth Management, and Donor Relations Director at Communities Foundation of Texas. During her tenure at CFT, she was directly responsible for all facets of working with high net worth donors, their families, and professional advisors, and raised more than $45 million in major and planned gifts. Previously, she managed the planned giving program at Children's Medical Center in Dallas during its successful $150 million wePromise campaign. Jackie also served as the National Director of Planned Giving for the American Heart Association - National Center for ten years and was responsible for implementing a centralized marketing program that generated more than $100 million in annual income.

Jackie is a graduate of LeTourneau University and has over 20 years' experience in planned giving. She is a Certified Planned Giving Specialist, on the editorial advisory board of Planned Giving Today, and past president of the North Texas Chapter of PPP. She previously served on faculty at the National Planned Giving Institute at the College of William and Mary and speaks frequently at national conferences and planned giving councils. She has been on the national board for the Partnership for Philanthropic Planning, along with serving on the Steering Committee for the Leadership Institute of PPP. She is a Chartered Advisor in Philanthropy (CAP) and completed the Certificate Program in Financial Planning at Southern Methodist University.

Donor Demographics Driving Planned Giving

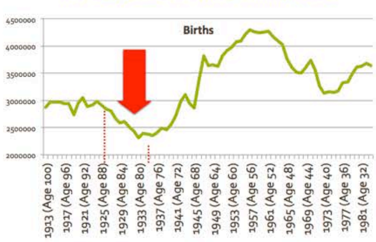
32nd American Council on Gift Annuities Conference
April 6-8, 2016

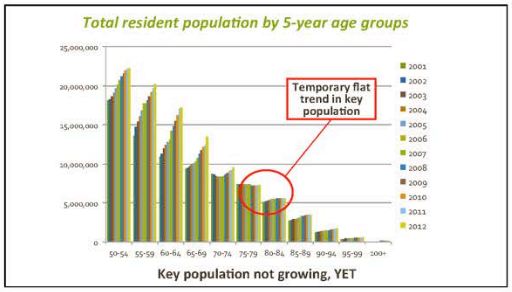


Unless someone like you cares a whole awful lot, nothing is going to get better. It's not.

Dr. Seuss

The "baby bust" is driving demographics





Motivations - Charitable Giving and Volunteering Among Retirees

Giving in Retirement: America's Longevity Bonus	Percentage
Making a difference in the lives of others	81%
Meaning and purpose in life	61%
Being mentally and physically active	36%
Expressing or acting upon my religious or spiritual beliefs	34%
Friendships and relationships	36%
Charitable tax deduction	16%

Merrill Lynch Retirement Study Conducted in Partnership with Age Wave

Retirement – Trends and the New Normal

Three Major Converging Trends

- Continued uncertainty in the economy and financial challenges
  - 61% of people age 50+ provide financial support to family members
- Rising longevity; greater emotional and physical support
  - 69% fear running out of money to live comfortably
  - 47% fear ending up in a nursing home
  - 55% fear being a burden on family
- Insufficient retirement savings – oldest boomers[1]
  - 27% of people age 70+ have achieved their retirement goals
  - Nearly half are still behind, haven't started or don't have retirement savings goals

Oldest Boomers – What Are Their Concerns?

- 31% of people age 70+ express high concern for own/spouse long-term care needs
- 27% are highly concerned about affording health care in retirement
- 26% expressed concern for having enough money to live comfortably
- 25% expressed concern for staying productive
- 25% expressed concern for outliving their retirement income

Coming Demographic Wave Will Impact Creation of Life Income Gifts

CRT Creation Peak Age: **70-74**

CGA Creation Peak Age: **75-79**

Realized Bequest Peak Age: **88**

Anatomy of a Visit

The Planning Horizon

Represents a Metaphoric Horizontal Line

- Above the line discussions are profound, philanthropic dreams and goals
- Below the line discussions are the tools and strategies to achieve the goals

Where Do You Gravitate When Speaking with Your Donors?

- What is motivating your donor to support your mission?
- Why does your donor want to establish a particular gift?
- What will give your donor an experience of joyful giving?

Above and Below the Line Discussions

Above the Line = Philanthropic Goals and Dreams

- Open ended questions that allow donors to share their stories

Below the Line = Technical Giving Vehicles

- Can the donor gift outright or is a testamentary provision more appropriate?
- What about a blended gift?

Why, What and Where Questions

What Do You Do When a Donor Shares a Secret or Intimate Details?

- How do you handle the quiet moments?
- How do you align your style with the donor's personality?

Good Fundraisers Ask Questions – Great Fundraisers Ask Follow-Up Questions

- Deep dive into the donor stories
- Keep it donor centered by asking great follow-up questions
  - How did it make you feel?
  - How has this influenced your life?
  - How would you feel if we were able to . . .

It's Still All About the Mission. . .

- **Make a compelling case for support**
- **Retirement trends and the new normal**
- **Be strategically curious**
- **Keep things above the line**
- **Blended gifts – accomplishing donors' philanthropic and financial goals**
- **Always joyful giving**

Thank You . . .

Jackie W. Franey, CPGS, CAP®
Director of Gift Planning Fundraising
The Nature Conservancy
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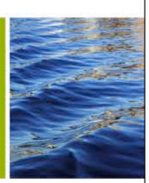
Phone – 214-669-2541



Ethics Panel .... (Track I, II, III)
Charles B. Gordy II, J.D. (moderator)
Panelists: Thomas W. Cullinan, J.D., FCEP & Cynthia Halverson

In our role of building relationships with donors and asking people to support our work, we sometimes face hard ethical decisions. What ethical codes can we apply to our day-to-day and planned giving activity? Hear some real life examples and be prepared to discuss how you might handle them.

Charles B. Gordy II, J.D.

Director of Gift Planning
Harvard Law School

Charles B. Gordy, J.D. is the Director of Planned Giving at Harvard Law School, which he joined in 2008. Prior to that, he managed planned giving services for The Bank of New York, and was the Director of Planned Giving at Yale University and at Tufts University. He has served on the boards of the American Council on Gift Annuities, of the National Committee on Planned Giving, of the Planned Giving Group of Greater New York, and of the Planned Giving Group of New England, of which he served as president from 2013-2014. He received his undergraduate degree from Colby College, Waterville, Maine, and his law degree from George Washington University Law School. He resides in Concord, Massachusetts.

Thomas W. Cullinan, J.D., FCEP

Sr. Vice President
Thompson & Associates - Planned Giving Today (Editor)

Thomas W. Cullinan, J.D., FCEP, is senior vice president at Thompson & Associates, a values-based estate-planning firm, and he is also editor of *Planned Giving Today*. He served on the board of the Partnership for Philanthropic Planning and is a member of its Leadership Institute. Tom earned degrees in business and law at the University of Nebraska.

Cynthia Halverson

President
LSS Foundation, Inc.

Cynthia Halverson is President of the LSS Foundation, Inc., a separately incorporated 501(c)3 organization located in Milwaukee. The mission of the Foundation is to provide ongoing support for the programs of Lutheran Social Services of Wisconsin and Upper Michigan. For the past 32 years, Cindy has worked in fund development for nonprofit organizations in a variety of field and leadership positions where she has gained extensive experience in comprehensive program management and major and planned gift development.

Prior to her work with the Foundation, Halverson served as Executive Director for Mission Advancement for the Evangelical Covenant Church (2011 – 2014). Her previous professional experiences include serving as director for development services for the Evangelical Lutheran Church in America (ELCA), and as president of the ELCA Foundation (2007-2011); director of the ELCA Fund for Leaders in Mission (1999–2007); vice president for resource development for Lutheran Social Service of Illinois (1989–1997); and director of development for Lutheran Child and Family Services of Illinois (1982-1989).

Cindy served as vice president of The Alford Group (1997–1999), a national consulting firm, working with a variety of clients in campaign management, major gift cultivation and solicitation, and fundraising planning and management.

A graduate of Valparaiso University, Cindy is a member of the Board of Directors of the American Council on Gift Annuities and the Advisory Counsel for Philanthropy Works. She is a member of the Association of Lutheran Development Professionals.

Handouts for this session will be provided post conference.

Charitable Planning with Retirement Accounts..(Track I, II)
Christopher R. Hoyt, J.D.

The latest developments on lifetime gifts from IRAs using the "Charitable IRA Rollover," plus the strategies and the legal requirements to make charitable bequests from IRAs, 401(k) plans, 403(b) plans, and other retirement plans. Couples in second marriages find that naming a two-generation charitable remainder trust as the beneficiary of a retirement account can solve the estate planning challenge of using retirement assets to support the second spouse, the children from a prior marriage, and their favorite charity. Why does it work better than other arrangements? And what is the latest on the legislative proposal to kill the "stretch IRA" and require all inherited retirement accounts to be liquidated in just five years? Will that increase interest in charitable bequests of retirement assets?

Christopher R. Hoyt, J.D.

Professor of Law
University of Missouri Kansas City School of Law

Christopher Hoyt is a Professor of Law at the University of Missouri Kansas City School of Law where he teaches courses in the area of federal income taxation and business organizations. Previously, he was with the law firm of Spencer, Fane, Britt & Browne in Kansas City, Missouri. He received an undergraduate degree in economics from Northwestern University and he received dual law and accounting degrees from the University of Wisconsin.

Professor Hoyt has served as the Chair of the American Bar Association's Committee on Charitable Organizations (Section of Trusts and Estates) and he serves on the editorial board of *Trusts and Estates* magazine. He is an ACTEC fellow and has been designated by his peers as a "Best Lawyer." He was elected to the Estate Planning Hall of Fame by the National Association of Estate Planners & Councils. He is a frequent speaker at legal and educational programs and has been quoted in numerous publications, including *The Wall Street Journal, Forbes, MONEY Magazine, The New York Times* and *The Washington Post.*

CHARITABLE PLANNING WITH RETIREMENT ACCOUNTS

The 32nd ACGA Conference

St. Louis, Missouri - April 8, 2016

CHRISTOPHER R. HOYT
Professor of Law
University of Missouri - Kansas City School of Law

CHARITABLE IRA ROLLOVER

I. Introduction

The law commonly referred to as "Charitable IRA Rollover" permits a person over age 70 ½ to annually make up to $100,000 of charitable gifts directly from an Individual Retirement Account ("IRA"). The donor will benefit by not having to report the IRA distribution as taxable income, although the donor will not be able to claim a charitable income tax deduction for the gift. As will be demonstrated below, most taxpayers are better off reducing their gross taxable income compared to claiming an offsetting itemized deduction.

Many retirees have been particularly motivated to apply their charitable IRA gifts to satisfy their mandatory minimum distributions. For example, a 76 year old who would normally be required to receive a taxable distribution of just over 4% from an IRA could satisfy the requirement by contributing 3% to a charity and receive a taxable distribution of just 1%.

Charitable IRA Rollover" is a permanent part of the tax code. Between 2006 and 2015, the law had been a temporary "extender" tax law that was repeatedly re-extended by tax legislation. The "Protecting Americans From Tax Hikes Act of 2015" (the PATH Act of 2015) made this and several other tax extenders a permanent tax law.

II. Who Wins With Charitable IRA Rollover?

A. Donors who don't itemize their deductions

Probably the biggest winners under this law are IRA owners over age 70 ½ who do not itemize income tax deductions (i.e., they take the standard deduction). Since the charitable deduction is an itemized deduction, they normally have the worst tax consequences from the gifts they make from their IRA distributions: they had to report the entire distribution as taxable income but received no offsetting income tax deduction. Nearly two thirds of American taxpayers claim the standard deduction. The percentage is higher for taxpayers over age 70 ½.

B. Donors Who Pay More Tax As AGI (adjusted gross income) Increases.

1. The health care surtax. Taxpayers are subject to the health care surtax once adjusted gross income ("AGI") exceeds $200,000 ($250,000 married filing jointly). There is a 3.8% surtax on investment income (interest, dividends, rents, annuities and capital gains) and a 0.9% surtax on wages and earned income. For donors near the threshold, using charitable IRA rollover to keep AGI low may protect their investment income from the 3.8% surtax.

2. The 3% phaseout of itemized deductions. In 2016, for every $100 of adjusted gross income that a taxpayer has over $259,400 ($311,300 for married filing jointly), taxpayers lose an additional $3 of itemized deductions. By keeping AGI low, donors can deduct more of their itemized deductions.

3. Phaseout of $4,000 Dependent & Personal Exemption Deductions. Wealthy taxpayers cannot claim personal exemptions for themselves or their dependents. In 2016, the personal exemption phase-out ("PEP") occurs for AGI between $259,400-$381,900 ($311,300-433,800 joint returns). The PEP reduces a taxpayer's personal exemptions by two percent for each $2,500 above the AGI threshold. By avoiding the recognition of IRA distributions, taxpayers in the affected thresholds may be able to deduct personal exemptions and dependent deductions.

4. Reduced Income Tax on Social Security Payments. If a social security recipient's modified AGI is over either $44,000 (married-joint) or $34,000 (single or head-of-household), 85% of the social security payments are taxable and 15% are tax-exempt. However, if modified AGI is under either $32,000 or $25,000, then all of the social security payments are tax-exempt. By avoiding the recognition of taxable IRA distributions an eligible social security recipient may be able to pay less tax on social security distributions. The thresholds might not apply to married individuals who live together and file separately.

5. Other Deductions That Are Phased out as AGI Increases. Other deductions that are subject to income phase-outs, and the rates of phase-out, are:

- Medicare "B" premium rates jump when income is over $85,000 ($170,000 joint)
- 2% for "miscellaneous itemized deductions" (employee expense and investment expense deductions)
- 7 ½% for medical expense deductions
- 10% for nonbusiness casualty losses (e.g., damage to a vacation home)

C. Donors who live in states with a state income tax that provides no tax breaks for charitable gifts: Connecticut, Indiana, Michigan, New Jersey, Ohio, Massachusetts and West Virginia state income tax computations do not permit itemized deductions.

D. Donors who are subject to the 50% annual charitable deduction limitation. Charitable deductions cannot exceeds 50% of a taxpayer's adjusted gross income ("AGI") in any year. A donor who is subject to the annual deduction limitation and who uses a taxable distribution from a retirement plan account to make an additional charitable gift would generally be able to deduct only 50% of the amount in the year of the gift. The other 50% of the distribution would be subject to income tax that year. If, instead, the charitable gift is made directly from an IRA to the charity, a donor over age 70 ½ would not pay any extra income tax.

III. Who Doesn't Win With Charitable IRA Rollover?

A. Donors Who Are About To Sell Appreciated Stock and Appreciated Real Estate. The sale of such property will trigger a 15%/20% federal long-term capital gains tax. This tax could be avoided by instead donating the property to a charity before the sales negotiations are finalized. The issue, then, is whether the tax savings from the charitable IRA exclusion can exceed the pending 15%/20% tax.

B. Donors Who Reside In States Where the State Income Tax Laws Pose Problems

For example, the **Colorado**, **Kentucky** and **New York** state income tax laws exempt the first $41,000 of retirement income and also allow a charitable income tax deduction to reduce state income taxes. Consequently, a retiree who withdraws $1,000 from an IRA and then donates $1,000 to a charity usually has a tax advantage that the withdrawal was tax-free but the gift produced tax savings. Suppose that the $1,000 charitable gift was made directly from the IRA. On the state income tax return the donor would not report any taxable income but would lose the state income tax deduction and, consequently, would pay more state income tax.

III. LEGAL REQUIREMENTS - IRC Sec. 408(d)(8)(A)

A. Overview

A person over age 70 ½ who makes an outright charitable gift from her or his IRA:

(1) will not report the distribution as taxable income, and
(2) will not be entitled to claim a charitable income tax deduction for the gift.

B. Seven Basic Requirements

In order to make a lifetime charitable gift from an IRA without having to report the payment as a taxable distribution, the distribution must meet the definition of a **"qualified charitable distribution" (hereafter "QCD").** Unless a distribution qualifies as a QCD, any lifetime charitable gift from any sort of retirement plan account (IRA, 403(b), 401(k), profit sharing, etc.) must be reported as a taxable distribution. The donor can then claim an offsetting charitable income tax deduction. IRS Notice 2007-7; 2007-5 IRB 1, Q&A 43.

1. Donor must be at least age 70 ½. The distribution must be made on or after the date that the IRA owner attained age 70 ½. Donors under age 70 ½ will have to report charitable gifts from their IRAs as taxable distributions and can claim offsetting charitable income tax deductions if they itemize their deductions.

2. IRAs only. The distribution must be made from an individual retirement plan. That means only an IRA -- not a qualified retirement plan or a Section 403(b) annuity

3. *Directly* from the IRA to the charity. The check from the IRA must be issued payable to the charity. If a check is issued from the IRA payable to the IRA owner who then endorses the check to the charity, it must be reported as a taxable distribution to the IRA owner.

Does the IRA Administrator have to mail the check to the charity? Can the check be issued payable to a charity and then mailed to the IRA account owner who then forwards the check to the charity? Yes. The IRS concluded that this arrangement would be a "direct payment" to the charity. IRS Notice 2007-7; 2007-5 IRB 1, Q&A 41

4. The recipient organization must be a public charity or a private operating foundation, or possibly a conduit private foundation. The recipient organization must be described in Sec. 170(b)(1)(A). This statute includes most public charities as well as private *operating* foundations. **Two exceptions: donor advised funds and supporting organizations:** Although contributions to donor advised funds and Sec. 509(a)(3) supporting organizations qualify for public charity tax deductions, they are not eligible beneficiaries for the charitable IRA exclusion. In that case, the donor must report the IRA distribution as taxable income and then claim an offsetting charitable income tax deduction.

5. The payment would otherwise fully qualify for a full charitable income tax deduction. A distribution will qualify as a QCD only if a person would normally be able to claim a charitable income tax deduction for the entire payment. This eliminates favorable tax treatment for IRA distributions that are used for auctions, raffle tickets, fund-raising dinners or any other type of *quid-pro-quo* transaction. If there is any financial benefit, then the entire distribution is taxable income and the donor must hope to get a partially offsetting charitable income tax deduction. This eliminates the possibility that an IRA distribution will qualify as a QCD if it is used to obtain a *charitable gift annuity.*

6. Distribution would otherwise be a taxable distribution, with a maximum amount of $100,000 per year. By way of background, most IRA distributions are fully taxable. However, if an IRA owner made any nondeductible contributions to the IRA, then those distributions to the IRA owner are normally tax-free. A QCD only applies to the taxable portion.

7. Donor must have documentation from the charity that would qualify the gift for a full charitable income tax deduction under normal circumstances. The charity must issue a "contemporary written acknowledgment" that describes the amount of cash contributed and that certifies that the donor did not receive any financial benefits in exchange for the gift. Failure to obtain such an acknowledgment will cause the IRA distribution to be a taxable distribution to the IRA account owner and, in the absence of the documentation necessary to justify a charitable income tax deduction, presumably might cause the person to lose an offsetting charitable income tax deduction. Many charities are "tweaking" their letters to refer to the IRA distribution, so there is less chance of confusion with other tax-deductible charitable gifts that the donor might make. For example, a letter might state "thank you for your charitable gift from your IRA of ...."

C. Technical Issues

1. How does the IRA administrator report charitable distributions to the IRS and to the IRA owner on the Form 1099-R?

There is no special reporting responsibility for IRA administrators. Both the charitable distributions and the distributions received by the IRA owner are reported as presumably taxable distributions to the IRA owner.

2. How does the IRA owner report the charitable IRA exclusion on his or her income tax return (Form 1040)?

Since the IRA administrator does not make any distinction between charitable and non-charitable IRA distributions, the burden falls on the IRA owner to make the adjustments on his or her personal return. The IRA owner should report all of the IRA distributions on the front page on the income tax return (Form 1040 - *total distributions* on Line 15A) but should then report only the *taxable distributions* on line 15B. Source: Form 1040 instructions.

3. A person over age 70 ½ who is the beneficiary of an *inherited* IRA can take advantage of the charitable IRA exclusion. IRS Notice 2007-7; 2007-5 IRB 1, Q&A 37.

4. Can a charitable IRA distribution be used to satisfy a pledge? Yes. This is a very important development. The payment of a pledge from an IRA was a recurring reason donors cited for made a charitable gift from an IRA.

a. No violation of IRA self dealing rules. Charitable IRA distributions can satisfy pledges without violating the IRA self-dealing prohibited transaction rules.

b. No income to the donor, even though normally there can be income when a third party pays off a person's personal liability. For a legally binding pledge (as opposed to a non-binding pledge), some people raise the argument that a donor might have taxable income if a legal liability is discharged by a third party, thereby making the donor richer. However, Section 108(e)(2) provides that a taxpayer does not have taxable income if there is a discharge of indebtedness and the payment would have been deductible. Since the payment of a pledge provides a charitable deduction, a donor should not have taxable income if a third party pays it.

5. Each spouse over age 70 ½ is eligible to contribute up to $100,000 from that spouse's IRA to eligible charities, with the maximum charitable IRA exclusion on a joint return of $200,000. The distribution must come from each spouse's respective IRA. IRS Notice 2007-7; 2007-5 IRB 1, Q&A 34.

6. A charitable IRA distribution is not subject to withholding taxes. The IRA administrator may rely upon reasonable representations made by the IRA owner. A qualified charitable distribution is not subject to withholding under section 3405 because an IRA owner that requests such a distribution is deemed to have elected out of withholding under section 3405(a)(2). IRS Notice 2007-7; 2007-5 IRB 1, Q&A 40.

PLANNING BEQUESTS FROM RETIREMENT ACCOUNTS - MINIMUM DISTRIBUTIONS AND THE 50% PENALTY TAX

A. OBJECTIVES

The tax planning strategy that most advisors follow is to structure IRA and QRP accounts in such a way that only the smallest amounts will be required to be distributed. Smaller distributions permit greater amounts to remain in the QRP or IRA account, thereby producing greater income.

EXAMPLE: By leaving amounts in the plan, a person can have over 50% more investment income each year (e.g., $10,000 per year rather than $6,000 assuming a 10% yield, or $5,000 rather than $3,000 assuming a 5% yield, etc. etc.).

	Principal		**10% Yield**		**5% Yield**
Amount in IRA	$100,000	10%	$ 10,000	5%	$ 5,000
Income Tax on Distribution (40%)	40,000				
Amount Left to Invest	$ 60,000	10%	$ 6,000	5%	$ 3,000

In order to force QRP and IRA accounts to be used to provide retirement income, Congress enacted two significant penalties on account beneficiaries for non-retirement uses of these assets. First, there is a 10% penalty tax for most distributions before age 59 ½.[1] Second, there is a 50% penalty tax imposed on the account owner for not receiving sufficiently large distributions after attaining the age of 70 ½ or retiring, whichever occurs later.[2] The 50% penalty tax also applies after the account owner's death to beneficiaries who fail to receive the post-death minimum amounts. Distributions from any of the qualified retirement plans, IRAs and 403(b) plans described above are potentially subject to the 50% penalty tax.

B. BASIC PLANNING STRATEGY IF A CHARITY IS A BENEFICIARY

1. Lifetime distributions – Over the account owner's lifetime the minimum distributions are generally the same whether a charity is named as a beneficiary or not. During a person's lifetime, there is no problem naming a charity as a beneficiary of part or all of the account.

2. After the account owner's death. The administrator will generally want to "cash out" the charity's share of the account before the "determination date" (September 30 of the year that follows the year that the account owner died). If the remaining beneficiaries are all "designated beneficiaries" (e.g., human beings), then the decedent's IRA can be a "stretch IRA."

[1] Sec. 72(t).

[2] Sec. 4974; Reg. Sec. 54.4974-2. If there is reasonable cause for the failure, the penalty can be waived. Reg. Sec. 54.4974-2, Q&A 7. In addition, a qualified retirement plan could be disqualified for failing to make the required distributions. Sec. 401(a)(9).

C. REQUIRED LIFETIME DISTRIBUTIONS AFTER AGE 70 ½

GENERAL RULES – Unless you are married to someone who is more than ten years younger than you, there is one -- and only one -- table of numbers that tells you the portion of your IRA, 403(b) plan or qualified retirement plan that must be distributed to you each year after you attain the age of 70 ½. The only exception to this table is if (1) you are married to a person who is more than ten years younger than you and (2) she or he is the only beneficiary on the account. In that case the required amounts are even less than the amounts shown in the table. To be exact, the required amounts are based on the actual joint life expectancy of you and your younger spouse.

TWO SIMPLE STEPS: **Step 1:** Find out the value of your investments in your retirement plan account on the last day of the preceding year. For example, on New Years Day -- look at the closing stock prices for December 31. **Step 2**: Multiply the value of your investments by the percentage in the table that is next to the age that you will be at the end of this year. This is the minimum amount that you must receive this year to avoid a 50% penalty.

> Example: Ann T. Emm had $100,000 in her only IRA at the beginning of the year. She will be age 80 at the end of this year. She must receive at least $5,350 during the year to avoid a 50% penalty (5.35% times $100,000).

--UNIFORM LIFETIME DISTRIBUTION TABLE –

Age	*Payout*						
70	3.65%	80	5.35%	90	8.78%	100	15.88%
71	3.78%	81	5.59%	91	9.26%	101	16.95%
72	3.91%	82	5.85%	92	9.81%	102	18.19%
73	4.05%	83	6.14%	93	10.42%	103	19.24%
74	4.21%	84	6.46%	94	10.99%	104	20.41%
75	4.37%	85	6.76%	95	11.63%	105	22.23%
76	4.55%	86	7.10%	96	12.35%	106	23.81%
77	4.72%	87	7.47%	97	13.16%	107	25.65%
78	4.93%	88	7.88%	98	14.09%	108	27.03%
79	5.13%	89	8.33%	99	14.93%	109	29.42%

Lifetime distributions are generally unaffected by who you name to be the beneficiary of your account after your death (unlike prior law). The only exception is if the sole beneficiary of your account is a spouse who is more than ten years younger than you. Other than that, the minimum lifetime distributions over the rest of your life will be the same whether you name a charity, your father, your mother, your sister, your brother, your child, your grandchild, your dog or your cat. However, distributions after your death can vary depending on who the beneficiary is. [Table computed from Table A-2 of Reg. Sec. 1.401(a)(9)-9 (2002) -- (rounded up)]

D. MAXIMUM YEARS FOR PAYOUTS AFTER ACCOUNT OWNER'S DEATH

This table contains the maximum number of years that distributions may be made from an IRA or some other type of qualified retirement plan after the account owner's death. The maximum term of years is the remaining life expectancy of either (#1) the account owner, measured by his or her birthday in the year of death (or just 5 years if the account owner dies before the required beginning date (RMD), or (#2) the life expectancy of a designated beneficiary, based on that beneficiary's age at the end of the year that follows the account owner's death.

Whether the term will be #1 or #2 is determined by the identity of the beneficiaries who have not been paid in full by the "determination date" (September 30 following the year of death). The term will be based on the account owner's age (i.e., #1) if on the determination date there is any beneficiary who fails to qualify as a "designated beneficiary" (e.g., a charity or the account owner's estate). If, instead, all of the beneficiaries are designated beneficiaries, then the payout is determined by the age of the oldest designated beneficiary (i.e., #2).

Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy
0	82.4	20	63.0	40	43.6	60	25.2	80	10.2
1	81.6	21	62.1	41	42.7	61	24.4	81	9.7
2	80.6	22	61.1	42	41.7	62	23.5	82	9.1
3	79.7	23	60.1	43	40.7	63	22.7	83	8.6
4	78.7	24	59.1	44	39.8	64	21.8	84	8.1
5	77.7	25	58.2	45	38.8	65	21.0	85	7.6
6	76.7	26	57.2	46	37.9	66	20.2	86	7.1
7	75.8	27	56.2	47	37.0	67	19.4	87	6.7
8	74.8	28	55.3	48	36.0	68	18.6	88	6.3
9	73.8	29	54.3	49	35.1	69	17.8	89	5.9
10	72.8	30	53.3	50	34.2	70	17.0	90	5.5
11	71.8	31	52.4	51	33.3	71	16.3	91	5.2
12	70.8	32	51.4	52	32.3	72	15.5	92	4.9
13	69.9	33	50.4	53	31.4	73	14.8	93	4.6
14	68.9	34	49.4	54	30.5	74	14.1	94	4.3
15	67.9	35	48.5	55	29.6	75	13.4	95	4.1
16	66.9	36	47.5	56	28.7	76	12.7	96	3.8
17	66.0	37	46.5	57	27.9	77	12.1	97	3.6
18	65.0	38	45.6	58	27.0	78	11.4	98	3.4
19	64.0	39	44.6	59	26.1	79	10.8	99	3.1

Table A-1 of Reg. Sec. 1.401(a)(9)-9 ("single life "), required by Reg. Sec. 1.401(a)(9)-5, Q&A 5(a) & 5(c) and Q&A 6.

SURVIVING SPOUSE DISTRIBUTION OPTIONS – AT AGE 80

Example: At age 80, Ms. Widow began receiving distributions from several IRAs, including the IRAs of her older husband and her older sister (both of whom had died in the preceding year). Although the life expectancy of a 80 year old is 10 years (i.e., to age 90), Ms. Widow in fact lived to age 92. Whereas the law requires two IRAs (IRAs C and D) to be empty by age 90, amounts could still be in the other IRAs at that age. The minimum amounts required to be distributed from each of six IRAs are listed in the table.

A - ***Her own IRA,*** established with contributions she made during her working career.
B -** ***A rollover IRA, funded after her husband's death with a distribution from his 401(k) plan.
C - ***A stretch IRA -- Her sister's IRA***
D - ***Bypass Trust #1 - Her deceased husband's IRA is payable to a standard bypass trust***, treated as a stretch IRA payable to a ***look-through accumulation trust*** (where the required distributions are based on the age of the oldest beneficiary of the trust. The same distribution rules apply to a QTIP trust.)
E -** ***Bypass Trust #2 - Her deceased husband's IRA is payable to a similar trust, but the trust requires all retirement plan distributions to be made to Ms. Widow. This provision permits a look-though trust to be treated as a ***conduit trust***
CRT - ***Charitable Remainder Unitrust*** - After his death, one of her husband's IRAs was distributed in a lump sum to a tax-exempt CRUT. The CRUT annually distributed 5% of its assets to Ms. Widow for her entire life, then made 5% payments to her husband's 50-year old child from his first marriage for the rest of the child's life, and then upon the child's death the CRUT will terminated and the assets were distributed to a charity.

AGE	IRAs A & B	IRAs C & D	IRA E	IRA CRT
80	5.35%	9.80%	9.80%	5.00%
81	5.59%	10.87%	10.31%	5.00%
82	5.85%	12.20%	10.99%	5.00%
83	6.14%	13.89%	11.63%	5.00%
84	6.46%	16.13%	12.35%	5.00%
85	6.76%	19.23%	13.16%	5.00%
86	7.10%	23.81%	14.08%	5.00%
87	7.47%	31.25%	14.93%	5.00%
88	7.88%	45.45%	15.87%	5.00%
89	8.33%	83.33%	16.95%	5.00%
90	8.78%	100.00%	18.18%	5.00%
91	9.26%	empty	19.23%	5.00%
92	9.81%		20.41%	5.00%

****Payouts "B" and "E" are only available to a surviving spouse.*** Other payouts are available to anyone.

COMBINATION OF *FEDERAL* ESTATE AND INCOME TAXES ON INCOME IN RESPECT OF A DECEDENT – (Year 2016). ***State estate & income taxes are extra!***

EXAMPLE: Assume Mother's total taxable estate is $6,000,000 and that all of it will be transferred to her sole heir: Daughter. Assume that the estate will pay the entire estate tax regardless of how Daughter acquired the assets (e.g., joint tenancy, etc.). If $100,000 in an IRA is immediately distributed to Daughter and if Daughter is in a *39.6% marginal income tax bracket*, then the combined estate and income taxes on the $100,000 of IRA assets would be **$63,760 (63.76%).**

Beginning Balance in Retirement Plan			$ 100,000
Minus: Total Estate Tax Paid by the Probate Estate			(40,000)
Minus: Income Tax On Distribution			
Gross Taxable Income		$ 100,000	
Reduced By §691(c) Deduction for *Federal* Estate Tax			
Total Estate Tax	$ 40,000		
State Tax Credit*	Zero		
Deduction for Federal Estate Tax **		(40,000)	
Net Taxable Income ***		$ 60,000	
Times Income Tax Rate****		x 39.6%	
Net Income Tax on Income In Respect Of Decedent			(23,760)
NET AFTER-TAX AMOUNT TO DAUGHTER			$ 36,240

* Treas. Reg. Section 1.691(c)-1(a) limits the deduction to *federal* estate tax.

** The deduction is an itemized deduction on Schedule A that is claimed on the last line of the form ("other miscellaneous deductions"). It is not subject to the 2%-of-adjusted-gross-income ("AGI") limitation that most miscellaneous deductions are subject to. Sec. 67(b)(7).

*** The net taxable income from the IRD will actually be greater than this amount The IRD will increase the recipient's AGI by $100,000 which will decrease the recipient's itemized deductions by 3%, which would be $3,000 in this example. Sec. 68. The 3% reduction was omitted from this calculation in order to simplify the computation.

**** Whereas retirement income is exempt from the 3.8% health care surtax, if the source of IRD is income that is subject to the surtax (interest, annuity, rents, etc) then the effective marginal income tax rate would be even higher than 39.6%. The 3.8% health care surtax applies when an individual's adjusted gross income exceeds $250,000 ($300,000 on a joint return). For a trust or estate, the 39.6% marginal tax rate (plus the 3.8% health care surtax) applies with taxable income over just $12,000.

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EQUAL HOUSING LENDER

Still Vital After All These Years: ACGA Rates Suggestions .... (Track I, II, III)
David Libengood (moderator)
Panelists: Ron Brown & Jim McPhillips, FSA, EA

The ACGA was founded in 1927 "to study and recommend a proper range of rates" for issuers of charitable gift annuities. The economic, demographic, and regulatory environments have changed dramatically and repeatedly over the intervening decades, but the objectives of the rate schedules remain the same. Join two Rates Committee members and our consulting actuary for an in-depth discussion of the assumptions and methodologies, which underlie the suggested schedule of ACGA rates.

David Libengood

Senior Director, Relationship Management
Kaspick & Company, LLC

Dave Libengood leads the team of relationship managers/consultants at Kaspick & Company. He has over 25 years of experience in the planning, administration, and investment of planned gifts. He is also the Chair of the Rates Committee of the Board of Directors of the American Council on Gift Annuities (ACGA) and is a Past President of the Planned Giving Group of New England. Prior to joining Kaspick & Company in 2001, he was responsible for gift planning, trust and bequest administration, and the investment of life income gifts at The First Church of Christ, Scientist in Boston, Massachusetts. Mr. Libengood graduated with high honors from the American Bankers Association's National Graduate Trust School and is a Certified Trust and Financial Advisor (CTFA). He holds a Bachelor of Music Performance degree and an MBA with distinction from The University of Michigan.

Ron Brown

Senior Philanthropic Advisor for Gift Planning
Columbia University

Ron Brown has served as Director of Gift Planning at Princeton University, the National Wildlife Federation, United Way of America, and Fordham University. He is currently a Board and Rates Committee member and chair of the Research Committee for the American Council on Gift Annuities, a Board member of the Philanthropic Planning Group of Greater New York, and a member of the Advisory Council for planned giving research with the Lilly Family School of Philanthropy. Previously Ron served as a board member of the National Committee on Planned Giving; President of the Gift Planning Council of New Jersey; founding chair of LEAVE A LEGACY® New Jersey; and board member of the ALS Association of SE Pennsylvania. Ron is the founder and writer of WWW.GiftPlanningHistory.org. While serving as a Commander in the U.S. Navy Reserve, he was awarded two Navy Commendation Medals for historical research and writing. He received his undergraduate degree from Princeton and completed three years of course work towards a Ph.D. in English and the history of ideas at the University of Chicago. He wrote a chapter on family philanthropy for a 2013 publication by CASE and has published numerous articles on gift planning.

Jim McPhillips, FSA, EA

Senior Principal
HayGroup

Jim is a Senior Principal in Hay Group's Philadelphia Office and leads the retirement consulting portion of the Benefits Practice in the US. He is a Fellow of the Society of

Actuaries and an Enrolled Actuary. His responsibilities include the management and delivery of benefits consulting services to clients in all industry sectors.

Jim assists his clients with a broad range of retirement plan funding, design and compliance issues. Many clients rely on him to help them understand the cost and accounting impact of implementation alternatives. They are also advised on the advantages and disadvantages of each option. With a full understanding of the issues, plan sponsors make choices that are best for their organization, employees and retirees.

In addition to providing service to many public and private sector clients, Jim is the lead actuary on consulting services offered by Hay Group to church pension plan sponsors.

Combining actuarial expertise with experience allows Jim to present clients with consulting advice that assists them in designing and operating benefit plans that serve their objectives most appropriately.

Jim also works for the Centers for Medicare & Medicaid Services reviewing bids submitted by Medicare Advantage (MA) and Prescription Drug Plan (PDP) sponsors. He has provided expert actuarial litigation support with regard to pension and retiree medical benefit valuations related to bankruptcy proceedings and presented at arbitration hearings regarding present value of Social Security and pension benefits.

Jim holds a Bachelor of Science of Economics degree in actuarial science and insurance from the Wharton School of the University of Pennsylvania. He is a Fellow of the Society of Actuaries, an Enrolled Actuary, and a Member of the American Academy of Actuaries.

Still Vital After All These Years: ACGA Rates Suggestions

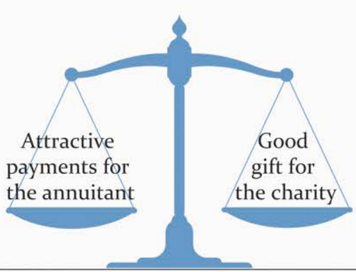
The 32nd ACGA Conference

Panelist Slide

- Ron Brown
- Jim McPhillips, FSA, EA
- Dave Libengood (Moderator)

1

Objective of ACGA's Suggested Rates



2

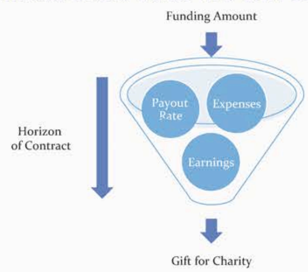
Why Is a Rate Schedule Necessary?

- Historical scene in 1920s
  - Competing on basis of rate
  - No reserve funds
  - More than two annuitants
- The service to charity
  - Actuarial basis for rates
  - Large numbers equals better accuracy
  - Cost savings

AMERICAN COUNCIL ON GIFT ANNUITIES

3

Elements of the Value of a CGA Contract



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Value of a Gift Annuity Contract

	2015	2016	2017	2018	????
Starting Value	$100,000	$97,000	$93,880	$90,635	$??,???
Earnings	5,000	4,850	4,694	4,532	???
Expenses	(1,000)	(970)	(939)	(906)	(???)
Payments	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
Ending Value	$97,000	$93,880	$90,635	$87,261	$??,???

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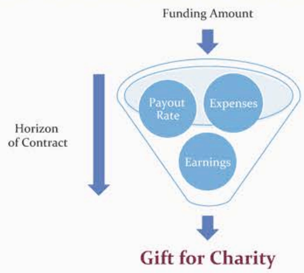
Elements of the Value of a CGA Contract



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Assumed Gift to Charity

- What has been the history of the target residuum?
  - No standard until 1927
  - Original target: 70% of funding amount left for the charity
  - Changed to 50% in 1955
- How does this compare to what commercial insurance companies do?
- What about the time value of money?

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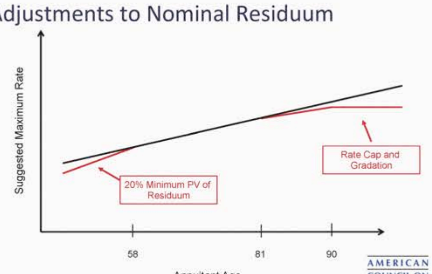
Adjustments to Nominal Residuum



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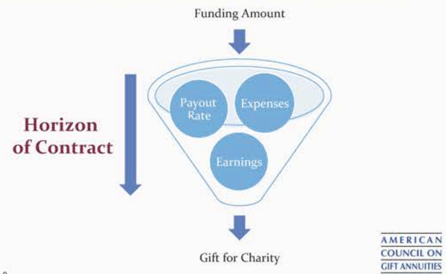
Elements of the Value of a CGA Contract



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What Is a Mortality Table?

Unisex Rates, 2000 IAM

Age	Population	Mortality Rate
0	100,000	0.000231
1	99,977	0.000231
...		
60	93,860	0.005146
65	91,001	0.008095
70	86,533	0.013507
75	79,475	0.022934
80	68,706	0.038985
85	53,550	0.065594
90	35,106	0.106983
95	17,740	0.159513
100	6,483	0.220410

Unisex Rates, 2012 IAM

Age	Population	Mortality Rate
0	100,000	0.000147
1	99,985	0.000147
...		
60	95,201	0.004278
65	92,692	0.007126
70	88,972	0.010216
75	83,587	0.016549
80	75,226	0.029028
85	61,986	0.054426
90	42,961	0.099185
95	22,228	0.165855
100	7,361	0.249665

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What Is Life Expectancy?

Unisex Rates, 2000 IAM

Age	Population	Mean Life Expectancy*
70	86,533	88
71	85,364	88
72	84,083	89
73	82,681	89
74	81,148	89
75	79,475	89
76	77,652	90
77	75,671	90
78	73,524	90
79	71,203	90
80	68,706	91

Unisex Rates, 2012 IAM

Age	Population	Mean Life Expectancy*
70	88,972	90
71	88,063	90
72	87,080	90
73	86,014	90
74	84,853	91
75	83,587	91
76	82,204	91
77	80,690	91
78	79,032	91
79	77,216	92
80	75,226	92

*Mean life expectancy: when half of the population will still be alive (measured from the starting age)

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2010 Gift Annuitant Mortality Study

- Administration firms supplied information on charities' gift annuity programs to the ACGA
- The ACGA hired Hay Group to conduct a study of observed gift annuitant mortality

47,000 contracts

Issued by 28 charities

157,000 years of exposure

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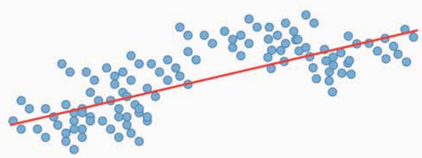
Mortality Assumptions—ACGA Rates



2011 Annuitants will experience mortality consistent with Annuity 2000 mortality tables with all annuitants assumed to be female and one year younger than they actually are. Also includes mortality improvement projection.

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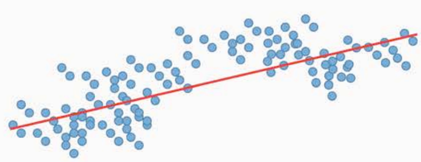
Mortality Assumptions—ACGA Rates



2015 Annuitants will experience mortality consistent with a 50-50 blend of male and female mortality from the 2012 Individual Annuity Reserving table (2012 IAR). Also includes mortality improvement projection.

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What Is a Mortality Improvement Schedule?

Unisex Rates, 2012 IAM… …10 Yrs. Later with 1% Annual Improvement

Age	Population	Mortality Rate
0	100,000	0.000147
1	99,985	0.000147
...		
60	95,201	0.004278
65	92,692	0.007126
70	88,972	0.010216
75	83,587	0.016549
80	75,226	0.029028
85	61,986	0.054426
90	42,961	0.099185
95	22,228	0.165855
100	7,361	0.249665

Age	Population	Mortality Rate
0	100,000	0.000147
1	99,987	0.000133
...		
60	95,650	0.003869
65	93,368	0.006445
70	89,974	0.009239
75	85,037	0.014967
80	77,314	0.026252
85	64,919	0.049222
90	46,656	0.089701
95	25,812	0.149996
100	9,610	0.225793

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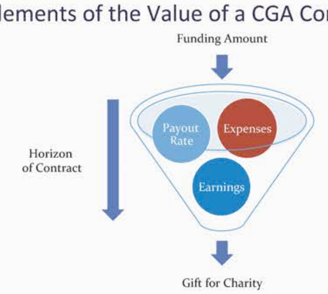
Elements of the Value of a CGA Contract



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Expense Assumption

- What does the expense assumption include?
  - Investment fees
  - Gift administration fees
- How has the expense assumption changed over time?
  - 1927 to 1925: no expense assumption
  - 1955 to 1995: one-time 5% front end expense load
  - 1995 to 2002: 0.75% annually
  - 2002 to present: 1.00% annually

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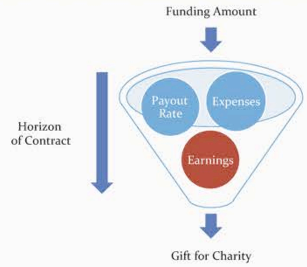
Elements of the Value of a CGA Contract



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Earnings, or Investment Return

- 40% Stocks
  - Long-term average of 10% minus 2%
- 55% Ten-year Treasury Bond
  - Moving average yield
- 5% Three-month Treasury Bill
  - Moving average yield

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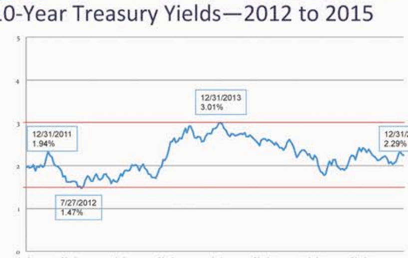
10-Year Treasury Yields—2012 to 2015



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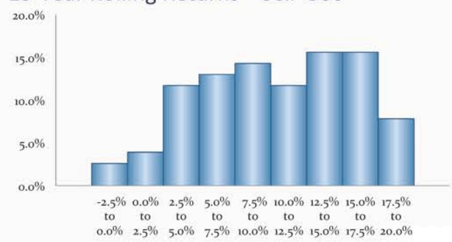
13-Year Rolling Returns—S&P 500*



*The height of the bars represents the percentage of the 77 different 13-year rolling return periods from 1926 through 2014 when the average annual compound return fell within the indicated range.

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Key Asset Allocation Considerations

- Desired expected investment return
- Risk tolerance of the institution
- Expertise of the charity's staff or its advisors
- Dollar size of the pool and the annuity payments
- The unrestricted or restricted purposes of the gifts
- Availability of unrestricted assets to make payments on dry contracts

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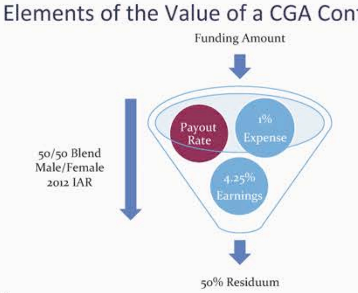
Elements of the Value of a CGA Contract



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Historical Gift Annuity Rates: Age 75

Year	ACGA Rate
1965	6.5%
1974	7.4
1980	7.9
1992	8.5
1999	8.2
2002	7.9
2003	7.1
2008	6.7
Today	5.8

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Rates Committee Members

- David Libengood, Kaspick & Company (*Chair*)
- Ron Brown, Columbia University
- Bob Coffman, Anderson University
- David Ely, Wilmington Trust Company
- Susan Gutchess, Treasurer, American Council on Gift Annuities
- Kristen Schultz Jaarda, Crescendo Interactive
- Edie Matulka, PG Calc
- Jim Soft, Yellowstone Boys & Girls Ranch Foundation
- Lindsay Lapole, Consultant (*Ex-officio*)
- Rebecca Locke, American Red Cross (*Ex-officio*)
- Mike Mudry *(Ex-officio actuary)*

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Questions?

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In the last 13 years, we have worked with over 250 charities ranging from $2 million to $20 billion.

- **Indirect and Direct Non-Cash Asset Receipt/Disposition Consulting**

To minimize risks of being on the chain of title, tax issues or a very short decision period, charities can refer non-cash assets to the Dechomai Foundation – a national donor advised fund dedicated to non-cash assets. The Dechomai Foundation handles the due diligence, receives the gift, manages it during the holding period and then grants all of the net sales proceeds based on the donor's recommendation. Dechomai has received more than $360 million in gifts since 2003 and the average fee on the net sales proceeds has been 1.7%.

- **Charitable Gift Annuity Risk Management Audits**

Our team has completed over 175 audits and actuarial stress-tests on over $2.5 billion in gift annuity assets.

- **Charitable Gift Annuity Reinsurance Brokerage Services**

Gift annuity reinsurance may prove effective when charities may 1) be concerned about large, concentrated risks, 2) want the immediate use of the money or 3) wish to distribute an immediate grant to another charity. In these situations, we design annuity products and then shop the coverage to 23 different carriers to get the best rates possible. We work with over 150 charities and have placed over 2,000 contracts.

- **Life Insurance Appraisal, Audit and Management Service**

We are qualified appraisers of life insurance and we conduct insurance pool audits. To substantiate a donation, a qualified appraisal must be completed and the appraiser must complete Form 8283.

- **Continuing Education Speeches**

We have given more than 2,000 presentations for advisor CE, nonprofits, donors and staff and board training.

- **National Gift Annuity Foundation and National Pooled Income Fund**

This Foundation is 12 years old and is able to offer gift annuities to donors in 46 states and a pooled income fund in all 50 states. We follow ACGA suggested rates and allow 100% of the residuum to be granted to the charity(ies) the donor recommends. The total all-in fees are 2%/year or less.

- **Charitable Estate Settlement Services**

We perform the full continuum of outsourced estate settlement tasks to maximize charitable revenue while minimizing costs. We specialize in unique or illiquid asset disposition.

For further information please visit our websites at www.charitablesolutionsllc.com or www.dechomai.org or call (404) 375-5496.

Bryan Clontz, CFP® - President/Gary Snerson, JD – Partner /Laura Peebles, CPA – Partner

Charitable Lead Trusts: Opportunity or Out of Reach? .... (Track I, II, III)
Lisa Newfield, J.D.

We all hear regularly about charitable lead trusts and how they can help our donors to be charitable and pass assets to the next generation at reduced transfer taxes. Yet it doesn't seem like the completion of these trusts is very regular for the benefit of our institutions. What kinds of donors do these trusts really make sense for, and what are the ways they can benefit our donors? Lisa Newfield will discuss the basic structure and provisions of lead trusts, the types available and why they might work for specific donor situations, as well gift, estate and generation skipping tax issues. She'll also touch on general issues regarding administration of lead trusts from a fiduciary perspective.

Lisa Newfield, J.D.

Partner
Murtha Cullina, LLP

Lisa Newfield is a member of the firm's Trusts and Estates Department. Ms. Newfield devotes much of her practice to personal estate planning for individuals, major gift planning for non-profit institution development offices and planned giving for non-profit institutions and philanthropists. Ms. Newfield is a noted lecturer on charitable giving, exempt organization and various trusts and estates and tax topics. She has spoken before many bar associations, educational institutions and charitable organizations, including, but not limited to, the National Conference on Philanthropic Planning, Trusts and Estates Law Section of the New York State Bar Association, Pace University School of Law, and The Westchester Women's Bar Association. She has contributed to *Tax Planning Tips for Professional Advisors*, the newsletter of the United Jewish Appeal-Federation of Jewish Philanthropies of New York. Ms. Newfield has also appeared on Westchester County's local cable show "Financial Planning with Legal Ease."

Charitable Lead Trusts:
Opportunity or Out of Reach?

32nd ACGA Conference

April 6-8, 2016

St. Louis, MO

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White Plains, NY 10606

Charitable Lead Trusts:
Opportunity or Out of Reach?

I. Overview:

A charitable lead trust ("CLT") is a trust that pays an income interest to one or more charitable beneficiaries and the remainder interest to one or more non-charitable beneficiaries, including sometimes reverting to the grantor.

The income interest, sometimes referred to a "lead interest," can be paid in the form of a guaranteed annuity payment, fixed at the inception of the trust, or as a fixed percentage of the fair market value of the trust assets as revalued every year, this is known as a unitrust payment.

A. Charitable Lead Unitrust ("CLUT").

Unlike a charitable remainder unitrust, a qualified charitable lead unitrust can only be established using a straight fixed percentage of the fair market value of the assets. It cannot pay a unitrust amount based on one of the hybrid methods allowed for charitable remainder trusts, such as the net income unitrust, net income with make-up or the flip unitrust.[1] In addition, a charitable lead trust unlike a charitable remainder trust is not subject to the 5% minimum distribution rule or the 10% remainder requirement. This allows for more flexibility in planning.

B. Charitable Lead Annuity Trust ("CLAT").

A lead annuity trust will pay an annuity for charity. An annuity payment is typically a fixed dollar amount each year, expressed as a dollar amount or as a fraction or percentage of the trust's initial value.

1. A properly drafted CLAT can also provide for annuity payments that increase over the term of the CLAT, as long as the value of the lead interest is ascertainable at the inception of the CLAT.[2]
2. PLR 201216045, approved a testamentary CLAT providing for annuity payments that would increase by 20% over the term of the trust. Annuity amounts such as those described here are permitted for grantor retained annuity trusts.
3. "Shark-fin" CLAT. De-minimis payments to charity during the CLAT term with a balloon payment at the end of the term.

Unlike the regulations for charitable remainder annuity trusts[3], additional contributions are not prohibited. However, additional contributions will not result in a higher annuity payment to charity and will not generate additional income, estate or gift tax charitable deductions.

C. Term.

The term of the trust can be based on a number of years or on the life expectancy of one or more persons, each of whom must be living at the creation of the trust. Unlike the charitable remainder unitrust, there is no minimum or maximum number of years that must be used to define the term of the lead trust.

The term of the trust is one of the factors used to determine the value of the charitable interest. If a measuring life is used as the term of the trust, the charitable interest is determined using the actuarial tables for the life expectancy of an individual or individuals of the same age as the individual who is the measuring life. However, the regulations do not allow the use of the actuarial tables if the measuring life involves an individual who is terminally ill.[4] An individual is considered to be "terminally ill" if the probability that the individual will die within 1 year is at least 50%.

The IRS had discovered that some charitable lead trust, in order to inflate the gift and estate tax deductions, where using a term based on the life of an unrelated individual who was "seriously ill" but not "terminally ill" under the §7520 regulations, thus determining the deduction based on the actuarial tables. When the seriously ill individual dies prematurely, the charitable term ends. Thus, the charity receives significantly less than the amount on which the charitable deduction was based. Proposed Regulations were issued to limit the individuals whose measuring lives can be used to determine the term of the trust to the donor, donor's spouse, and a lineal ancestor of all the remainder beneficiaries.[5] The proposed rules apply to all lead trusts created on or after April 4, 2000, and to all transfers made under a will or revocable trust where the decedent dies on or after April 4, 2000.[6]

D. Inter-Vivos vs. Testamentary.

A charitable lead trust can be created during life or at death of the grantor, if created during the life of the grantor, it can be drafted as a grantor or non-grantor trust. When the grantor is seeking an income tax deduction, the charitable lead trust must be set up during life. When the motive is transfer tax savings, the grantor may choose to establish the charitable lead trust at death. The additional advantage of a testamentary charitable lead trust is passing a stepped-up tax basis in the appreciated assets to the ultimate beneficiaries of the trust.

E. Grantor vs. Non-Grantor CLT.

An inter-vivos lead trust can be created as either a grantor or non-grantor trust depending on the powers given to the Donor. A grantor charitable lead trust will not qualify for the estate or gift tax charitable deduction, however the grantor will get an income tax deduction on the present value of the gift to charity (subject to the percentage limitations), and will be taxed on the income earned each year of the trust. Typically, this trust is created by naming the grantor and or spouse as the remainder beneficiary. However, a grantor charitable lead trust can also be created as a grantor trust for income tax purposes, but not for estate tax purposes. This kind of trust is sometimes referred to as the "Super Trust."

The advantage of the "super trust" is that it preserves the income tax charitable deduction and also removes the trust corpus from the grantor's taxable estate. The charitable lead super trust involves retention by the grantor of a power over the corpus sufficient to cause the grantor to be taxed on the income of the trust under the grantor trust rules[7] but not of such a nature as to cause the corpus to be included in the grantor's estate. Some of the retained powers that may achieve this result are (permitting the income of the trust to be used to pay life insurance premiums on the life of the grantor[8]; (2) giving non-adverse trustee the power to distribute principal among non-charitable beneficiaries[9]; and (3) power to reacquire and substitute corpus[10];

The Grantor of a non-grantor charitable lead trust will qualify for the estate and gift tax charitable deduction, but will not qualify for the income tax charitable deduction. A non-grantor charitable lead trust means that the grantor does not have any of the following powers: (1) a reversionary interest exceeding 5%; (2) a power to revoke the trust; (3) a power to control its beneficial enjoyment; (4) a right to receive trust income or to have trust income applied in certain ways for the grantor's benefit; and (5) certain administrative powers over the trust (e.g. a power to borrow from the trust on "sweetheart" terms). Although the grantor will not get an income tax charitable deduction upon her gift to the trust, the trust itself can deduct annual pay outs to charity during the trust term.

In addition, a non-grantor charitable lead trust can be drafted as a qualified or non-qualified trust. A non-qualified charitable lead trust is created when the charitable income interest is not structured as a guaranteed annuity or unitrust interest. Although the grantor of a non-qualifying lead trust will not receive a charitable deduction upon funding the trust, the trust will receive an income tax charitable deduction for the full amount of income earned and paid to charity, will not have to invade corpus to make payments to charity and will not be subject to the private foundation rules.

To be a "qualified" charitable lead trust, the trust must meet several requirements: (1) the trust must be irrevocable; (2) the term must be measured by a fixed term of years or, by the life or lives of one or more persons living when it is created; (3) payments to charity must be either in the form of a guaranteed annuity interest or a unitrust interest; (4) generally, payments to non-charitable beneficiaries are not allowed during the term of the trust; and (5) the trust must contain language that forbids certain kinds or prohibited dealings and activities.

F. <u>Private Foundation Rules</u>.

A qualified charitable lead trust is subject to the private foundation rules.[11] Therefore, trust must contain specific prohibitions against the following: (1) excess business holdings; (2) self-dealing; (3) jeopardy investments; and (4) taxable expenditures. The prohibition against excess business holdings is applicable on to lead trusts where the value of the charitable interest exceeds 60% of the value of the trust assets.

G. Trustees.

1. Grantor as Trustee.

2. Family member as Trustee.

3. Independent Trustee.

II. Taxation of Non-Grantor Charitable Lead Trusts:

Income Tax: In a non-grantor charitable lead trust, the present value of the charitable interest does not qualify for the income tax charitable deduction because the grantor is not the owner of the trust for income tax purposes. However, during the trust term, the trust can claim income tax charitable deductions for the annual amounts paid out to charity.

Estate and Gift Tax: The present value of the charitable interest in a non-grantor charitable lead trust will qualify for the estate tax or gift tax charitable deduction. The deduction depends on the following factors: (1) the annuity interest or unitrust interest payable to charity; (2) the term of the trust; (3) the applicable federal midterm interest rate at the time of the transfer to the trust; and (4) the frequency of payments to charity (annual, semiannual, quarterly or monthly). The grantor can choose from the federal midterm rates for the month in which the trust is established or from either of the two preceding months. The lowest available rate will maximize the charitable deduction.

An advantage of an inter-vivos non-grantor charitable lead trust is to shift future appreciation out of the donor's taxable estate.

Capital Gains: A non-grantor inter-vivos charitable lead trust will receive a carry-over basis in any appreciated property transferred to the trust by the grantor. If the appreciated property is sold during the trust term, the trust will realize a capital gain if the property is sold for more than the cost basis. If the property is not sold and then passes to the remaindermen upon the termination of the trust, the remaindermen will receive the grantor's carry-over basis in the property.

Tier System: a qualifying non-grantor charitable lead trust is not exempt from taxation and is taxed as a complex trust because all of its net annual income is not required to be distributed. However, the trust does receive a charitable income tax deduction for the amount of income paid to qualified charities.[12] Unlike the charitable remainder trust, there is no statutory tier system to characterize the payments to charity. Thus, unless the charitable lead trust specifically sets forth the allocation of payment in the trust document, the trust's payment to the charity will be considered to consist of a pro-rata portion of all of the items of the trust's income.[13]

Generation Skipping Transfer Tax: Whether or not GST tax applies depends on the status of the remainder beneficiaries of a charitable lead trust. GST tax is a tax in addition to any estate, income or gift tax. The GST tax applies when a "skip person" (certain relatives two or more generations below the grantor's generation) is a beneficiary of a charitable lead trust. Currently, the maximum GST exemption is $5,450,000.00. If a grantor creates a charitable lead trust where skip persons are the remaindermen or contingent remaindermen, she should allocate her GST exemption to the trust. Typically, once the allocation has been made, future appreciation of the trust assets are protected from additional GST tax exposure. However, while a grantor of a charitable lead unitrust can allocate her available GST exemption based on the value of the non-charitable portion of the trust upon the date of funding of the trust[14], the rules are different for charitable lead annuity trusts. Section 2642(e) requires that a charitable lead annuity trust use the value of the trust property immediately *after* the termination of the trust as part of its calculation in determining the appropriate GST allocation. Thus, depending on the growth of the trust property during the term, the grantor may have allocated too much or too little of her GST exemption to the trust.

III. Taxation of Grantor Charitable Lead Trusts:

Income Tax: The grantor of a grantor charitable lead trust can take an income tax charitable deduction for the present value of the charitable interest. However, the deduction in the year of the transfer cannot exceed 30% of the donor's adjusted gross income regardless of whether the grantor makes a gift of cash or appreciated property. The reason for the limitation is because the charitable interest in the lead trust is considered a gift for the use of charity, not a gift to charity, and thus the 30% limitation is triggered.[15] Any amount of the deduction not used in the first year can be carried over and deducted for up to five years.

Estate and Gift Tax: There is no taxable gift when property is transferred to a grantor lead trust because of the grantor's retained interest. The only completed gift is the present value of the charitable interest and this will qualify for the gift tax charitable deduction. If the grantor dies prior to the termination of the trust, the value of the trust property less the present value of the remaining charitable interest will be part of the grantor's taxable estate.

Capital Gains: Any realized capital gain by a grantor charitable lead trust will cause the grantor to be taxed on that gain.

Tier System: Since the grantor of a grantor charitable lead trust is taxed on all of the income, the classification of income and the §642(c) deduction are not applicable.

IV. IRS statistics:

The number of Forms 5227 filed with the IRS has declined in recent years. CRTs continue to account for the majority of returns filed in 2012 (93%). CLTs account for 5.7% of returns filed in 2012, with total net assets estimated at $23.7 billion. Of the 6,496 returns filed in 2012 for CLTs, over 4,000 reported end-of-year book value of total assets at less than $1mm, over 2,000 were between $1-10mm, and 324 were $10mm or more.[16]

V. Planning Opportunities:

A transfer to a grantor CLT after the sale of appreciated assets.

Benefit younger generations in the future.

Testamentary CLT.

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[1] IRC §664(d)(3)
[2] PLR 9112009
[3] Regs. §1.664-2(b)
[4] See Regs. §20.7520-3(b)(3)
[5] REG 100291-00; Prop Reg §§ 1.170A-6(c)(2), 1.170A-6(e), 20.2055-2(e), 25.2522(c)-3(c), 25.2522(c)-3(e).
[6] Regs. §§1.170A-6(e), 20.2055-2(e)(3)(iii), 24.2522(c)-3(e)
[7] IRC §§671-678
[8] IRC §677(a)
[9] IRC §674(a)
[10] IRC §675(4)
[11] IRC §§4941 through 4945.
[12] IRC §642(c)
[13] Regs. §§1.643(a)-5(b) and 1.662(b)-2; Rev. Rul. 71-285.

[14] IRC §2642(a)
[15] Reg. §1.170A-8(a)(2).
[16] IRS.gov/taxstats

Friday, April 8- Closing Luncheon

(11:45am – 1:15pm)

What's Working Today and What's Coming Tomorrow: New Results from the Lab and the Latest Demographics in Planned Giving

Russell James, J.D., Ph.D., CFP®, Texas Tech University

How can you reach the right people at the right time with the right gift-planning message? In this session, Professor James reviews the latest findings, statistics, and experimental research that address each part of this critical question. This session will review the latest findings showing what messages and phrases tested best when introducing gift planning concepts and what worked during actual estate planning decisions. These results will be connected with Dr. James' latest findings from neuroimaging research on how charitable gift planning decisions are made. Next, this session will cover new insights from 2016 research on the statistics and demographics of who makes planned gifts, when those decisions are made, and what changes you can expect in the upcoming years. More than just a review of academic research, this session will give you the practical pointers you need to immediately become more effective in your work.

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Russell James, J.D., Ph.D., CFP® is a professor in the Department of Personal Financial Planning at Texas Tech University. He holds the CH Foundation Chair in Personal Financial Planning and directs the on-campus and online graduate program in Charitable Financial Planning. He graduated, cum laude, from the University of Missouri School of Law where he was a member of the Missouri Law Review. While in law school he received the United Missouri Bank Award for Most Outstanding Work in Gift and Estate Taxation and Planning. He also holds a Ph.D. in consumer economics from the University of Missouri, where his dissertation was on charitable giving. His research focuses on uncovering practical and neuro-cognitive methods to encourage generosity in financial decision-making. Prior to his career as an academic researcher, Dr. James worked as the Director of Planned Giving for Central Christian College in Moberly, Missouri for 6 years and later served as president of the college for more than 5 years, where he had direct and supervisory responsibility for all fundraising. During his presidency the college successfully completed two major capital campaigns, built several new debt-free buildings, and more than tripled enrollment. Dr. James has over 150 publications in academic journals, conference proceedings, and books. He has been quoted on charitable and financial issues in a variety of news sources including *The New York Times*, *The Wall Street Journal*, CNN, MSNBC, CNBC, ABC News, *U.S. News & World Report*, *USA Today*, the Associated Press, Bloomberg News and the Chronicle of Philanthropy and his financial neuroimaging research was profiled in The Wall Street Journal's *Smart Money* magazine.

Survey #1: 2,550 respondents assigned to 5 different surveys

I am definitely interested	
5%	Charitable gift annuities
9%	Life income gifts
26%	Get a tax deduction and make a gift that pays you income for life
28%	Gifts that pay you income for life
29%	Gifts that pay you income

Group Differences

All	55+	Donor $1k+	I am definitely interested
5%	4%	5%	Charitable gift annuities
9%	11%	10%	Life income gifts
26%	22%	26%	Get a tax deduction and make a gift that pays you income for life
28%	25%	27%	Gifts that pay you income for life
29%	23%	26%	Gifts that pay you income

Survey #1: 2,750 respondents assigned to 5 different surveys

I am definitely interested	
30%	Gifts that pay you income
30%	Gifts that pay you guaranteed income
29%	Gifts that pay you
26%	Gifts that pay you income and avoid taxes
24%	Gifts that pay

Which of the following types of information would you expect when clicking on the button labeled "__[CGA Term]__"

"How to make a gift and, in return, receive lifetime income from the charity"

(1)I definitely did NOT expect this
(2)I didn't really expect this
(3)I don't know if I expected this or not
(4)I guess I expected this
(5)I definitely expected this

"How to make a gift and, in return, receive lifetime income from the charity"

I definitely expected this	Which of the following types of information would you expect when clicking on the button labeled "______"
15%	**Charitable gift annuities**
24%	**Life income gifts**
30%	**Gifts that pay you income**
31%	**Get a tax deduction and make a gift that pays you income for life**
34%	**Gifts that pay you income for life**

Combined Results

"How to make a gift and, in return, receive lifetime income from the charity"

I am definitely **interested**		I definitely **expected** this
5%	**Charitable gift annuities**	15%
9%	**Life income gifts**	24%
26%	**Get a tax deduction and make a gift that pays you income for life**	31%
28%	**Gifts that pay you income for life**	34%
30%	**Gifts that pay you income**	30%

Previous finding (2014 survey)

2014 Survey, 1,418 Respondents, Group F/G

Interested Now		Will Never Be Interested
50%	Receive a tax deduction and make a gift that pays you income for life	8%
23%	Receive a tax deduction and make a gift that pays you income for life called a "Charitable Gift Annuity"	19%

Survey #1: 2,550 respondents

I am definitely interested	
3%	Gift planning
4%	Planned giving
7%	Giving now & later
16%	Other ways to give
20%	Other ways to give smarter
23%	Other ways to give cheaper, easier, and smarter

Survey #2: 2,750 respondents

I am definitely interested	
8%	Other gifts
14%	More ways to give
15%	Give other ways
21%	How to give cheaper, easier, and smarter
22%	Other ways to give cheaper, easier and smarter

12 types of planned giving information	Which of the following types of information would you expect when clicking on the button labeled "________"? How to...

1. make a gift of stocks
2. make a gift of bonds
3. make a gift of real estate
4. make a gift in your will
5. make a gift in your living trust
6. make a gift by naming a charity as death beneficiary of your life insurance policy
7. make a gift by naming a charity as death beneficiary of your IRA or retirement account
8. make a gift by naming a charity as death beneficiary of your bank account
9. make a gift and, in return, receive lifetime income from the charity
10. avoid capital gains taxes by making charitable gifts
11. avoid estate taxes by making charitable gifts
12. avoid income taxes by making charitable gifts

Overall average for all 12 types of planned giving information

I definitely expected this	
20%	**Gift planning**
12%	**Planned giving**
7%	**Giving now & later**
15%	**Other ways to give**
19%	**Other ways to give smarter**
12%	**Other ways to give cheaper, easier, and smarter**

Combined Results

I am definitely interested		12 types of PG info average I definitely expected this
3%	**Gift planning**	20%
4%	**Planned giving**	12%
7%	**Giving now & later**	7%
16%	**Other ways to give**	15%
20%	**Other ways to give smarter**	19%
23%	**Other ways to give cheaper, easier, and smarter**	12%

Previous finding (2014 survey)

2014 Survey, 1,904 Respondents, Groups D/E/F

Interested Now		Will Never Be Interested
50%	**Receive a tax deduction and** make a gift that pays you income for life.	8%
33%	Make a gift that pays you income for life **and receive a tax deduction.**	14%
31%	Make a gift that pays you income for life.	20%

Previous finding (2014 survey)

2014 Nov. Survey, 1,006 Respondents, Groups X/Y

Interested Now		Will Never Be Interested
50%	**Avoid capital gains tax by** making a gift of stocks or bonds to a charity.	8%
31%	Make a gift of stocks or bonds to charity.	20%

Please rate your level of interest in clicking on the button to read the corresponding information.

I might be/am definitely interested	
28%	Avoid taxes by giving stocks
27%	How to avoid taxes by giving stocks
25%	Save taxes by giving stocks
24%	Tax tips when giving stocks
24%	Avoiding capital gains taxes by giving stocks
16%	Giving stocks

I might be/ am definitely interested	
26%	**Gifts in wills**
26%	**Gifts in a will**
27%	**Tax tips for gifts in a will**
27%	**How to make gifts in a will**
28%	**Gifts in your will**
28%	**Will planning**
18%	**Bequest gifts**

Previous finding (2014 survey)

2014 Survey, 1,246 Respondents, Groups D/E

Interested Now		Will Never Be Interested
23%	Make a gift to charity in my will	**12%**
12%	Make a **bequest** gift to charity	**14%**

Don't use "Bequest"

2014 Survey, 1,203 Respondents, Groups D/C

Interested Now		Will Never Be Interested
12%	Make a gift by naming a charity as a **transfer-on-death beneficiary** on a bank account or retirement account.	**26%**
9%	Make a **bequest** gift by naming a charity as a **beneficiary** on a bank account or retirement account.	**31%**

I might be/
am definitely
interested

28%	**Will planning**
18%	**Legacy planning**
18%	**Legacy giving**
17%	**Planning with trusts & estates**
16%	**Estate planning**
14%	**Estate giving**

I might be/
am definitely
interested

26%	**Gifts in wills**
25%	**Gifts in wills, trusts, or retirement accounts**
24%	**Gifts in wills, trusts, retirement accounts, or life insurance**
23%	**Gifts in wills & trusts**

26%	16%	24%	*I might be/am definitely interested*
Gifts in wills	**Estate Planning**	**Gifts in wills, trusts, retirement accounts or life insurance**	
82%	**64%**	**80%**	1. Make a gift in your will
49%	**53%**	**76%**	2. Make a gift in your living trust
51%	**48%**	**63%**	3. Make a gift by naming a charity as death beneficiary of your life insurance policy
48%	**46%**	**59%**	4. Make a gift by naming a charity as death beneficiary of your IRA or retirement account
52%	**46%**	**50%**	5. Make a gift by naming a charity as death beneficiary of your bank account

What "you" would do or what another donor has done?

	Interested Now Definitely/somewhat/slightly
You make a gift and receive a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of your life. Gift Annuity	All: **33.5%** 55+: **23.2%**
Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life. Gift Annuity	All: **38.6%** 55+: **38.6%**

Please rate your interest in pursuing the above described charitable giving arrangement

Text only or text and donor picture?

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life.

Gift Annuity

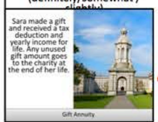
Gift Annuity

Please rate your interest in pursuing the above described charitable giving arrangement: % Interested now (definitely/somewhat /slightly)

Text only	Text and donor picture
All: **38.6%**	All: **31.1%**
55+: **38.6%**	55+: **29.8%**

Interested now (definitely/somewhat /slightly)

	55+	35-54	U-35
Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.  Gift Annuity	**24.4%**	**38.4%**	**44.5%**
Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.  Gift Annuity	**22.0%**	**47.4%**	**32.6%**
Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.  Gift Annuity	**41.1%**	**30.6%**	**30.2%**

Interested now (definitely/somewhat /	55+	35-54	U-35	All
	1st 44.4%	3rd 40.1%	3rd 34.7%	1st 40.1%
	3rd 28.3%	2nd 44.6%	2nd 36.4%	2nd 36.5%
Young	24.4%	38.4%	44.5%	35.8%
Middle	22.0%	47.4%	32.6%	34.0%
Older	41.1%	30.6%	30.2%	34.0%

Avoid death reminders

Previous findings

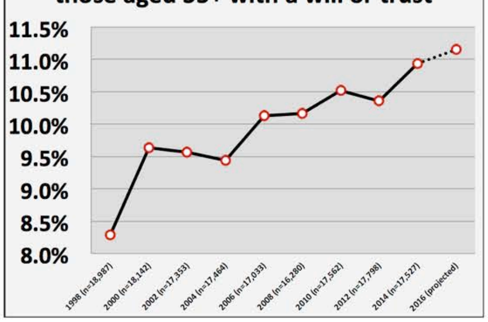
- People are less interested in "make a gift to charity in my last will & testament **that will take effect at my death**" than when the final phrase is removed.
- Stories of living bequest donors are more influential than otherwise identical stories of **deceased bequest donors**

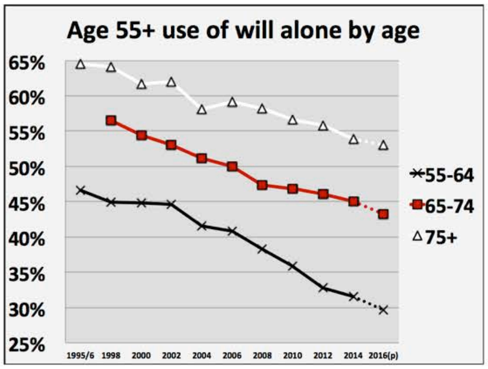
New finding

Replacing "if the annuity holder lives up to different ages" with "**depending on the age when the annuity holder dies**" and "each year you live" with "**until you die**" reduces those interested in purchasing an annuity from 36% to **26%**.

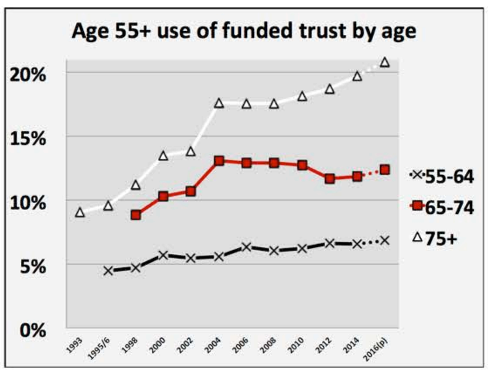
Solving the annuity puzzle: The role of mortality salience in retirement savings decumulation decisions, Journal of Consumer Psychology, 2016 (forthcoming), L. C. Salisbury & G. Y. Nenkov

Charitable beneficiary among those aged 55+ with a will or trust

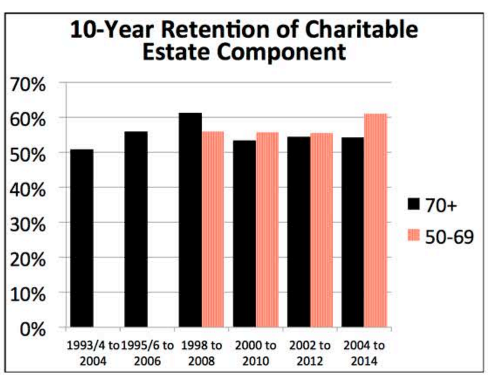




Age 55+ use of will alone by age
65%
60%
55%
50%
45%
40%
35%
30%
25%
1995/6 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016(p)
55-64
65-74
75+



Age 55+ use of funded trust by age
20%
15%
10%
5%
0%
1993 1995/6 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016(p)
55-64
65-74
75+



10-Year Retention of Charitable Estate Component
70%
60%
50%
40%
30%
20%
10%
0%
1993/4 to 2004
1995/6 to 2006
1998 to 2008
2000 to 2010
2002 to 2012
2004 to 2014
70+
50-69

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