



# FOLUSA

# fact sheet

## #25 PLANNED GIVING: WHAT YOU NEED TO KNOW

*by Liz Boyd, Planned Giving Officer with The Friends of the Saint Paul Public Library*

### **What is Planned Giving and Gift Planning?**

The terms “planned giving,” “deferred giving,” and “gift planning” are, generally, interchangeable. Charitable gift planning is the process of cultivating, facilitating and stewarding long-term gifts to charitable organizations. Libraries and Foundations should offer information on making planned gifts and make certain the donors are aware that their organization is, in fact, able and willing to accept planned gifts. Donors should be encouraged to seek charitable gift planning advice from professionals in order to assure both the technical merits of the transfer and the philanthropic quality of the gift. A development officer for a Foundation should be familiar with the various planned giving instruments, however, the majority of planned gifts will be bequests pursuant to a will or trust. Gift planning does not always provide immediate gratification. It generally takes from seven to ten years to begin receiving significant current dollars for the organization. Two of the most important attributes required in developing a gift planning program are patience and persistence.

### **Why is Planned Giving Important to an Organization?**

Gift planning gives donors an opportunity to help perpetuate the Foundation’s mission into the future. It allows donors to make much larger gifts to an organization than they may be able to do during their lifetime. An effective gift planning program may actually strengthen the annual and capital giving programs. Your donors will not consider entrusting your organization with their accumulated assets if they are not willing to support the ongoing operating needs.

### **Steps to Begin**

- o If applicable, get the backing of your organizations’ governing board and executive staff, including an approved budget. Establish a board-level gift planning committee to oversee the activities in this area.
- o Attend a basic seminar offered by recognized planned giving professionals.
- o Review your existing fund-raising program and adopt gift planning program policies that compliment it. Review the National Committee on Planned Giving Model Standards of Practice for the Charitable Gift Planner to understand the expectations and context for ethical gift planning activities. Visit [www.ncpg.org](http://www.ncpg.org).
- o Seek out a mentor who is experienced in the field and with whom you will feel comfortable being in contact frequently.
- o Obtain legal counsel and form alliances with local professional gift and estate planners.
- o When your organization has established a strong foundation for development activities, take a gradual approach to adding gift planning to your other fundraising strategies. It makes more sense in the long run to start with the basic methods of planned giving and to later venture into the more complex means of making/receiving planned gifts.

These steps will vary depending upon the size of your Library or Foundation. If you have a small organization much of this may not be necessary or possible. You may never go beyond requesting and receiving bequests.

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## What are the Planned Giving Methods?

**BEQUESTS** A bequest is typically made through a will and the Foundation does not receive the gift until the death of the donor. The will may include a:

- o Specific item.
- o Specific dollar amount.
- o A percentage or portion of an entire estate.

### BENEFICIARY DESIGNATIONS

- o Qualified retirement plans (i.e. IRA, 401(k), 403(b), Keogh and Employee Stock Ownership Plans).
- o Insurance policies.
- o Payable on death accounts.

**GIFTS OF LIFE INSURANCE** A donor may name the Foundation as a beneficiary of a life insurance policy or the donor may transfer the entire ownership of his/her life insurance policy to your organization.

**LIFE OR FIXED TERM INCOME GIFTS** A donor may make an irrevocable gift while retaining an interest for one or more lifetimes or for a fixed term of years (on some gifts). This type of gift allows the donor to increase income, save taxes and make a charitable gift.

**CHARITABLE GIFT ANNUITY:** a contract with a donor where the Foundation promises to pay a fixed amount to one or two beneficiaries in exchange for an irrevocable gift today.

**CHARITABLE REMAINDER TRUST:** the donor irrevocably transfers an asset to a trustee and retains the right to receive the income from the trust. There may be one or more income beneficiaries. Following the required terms, the trustee will transfer the asset to the Foundation.

**RETAINED LIFE ESTATE** A donor may donate his/her home, vacation home, farm, etc., to an organization while retaining the right to live in it and use it for the remainder of one or more lifetimes, a fixed term of years, or a combination of the two.

**TRUST DESIGNATION** Like a bequest pursuant to a will, a trust designation may designate a specific item, specific dollar amount or a percentage or portion of a trust.

## SELECTING THE APPROPRIATE CHARITABLE GIFT

DONOR'S POSITION	GIFT TYPES	GOOD ASSETS TO GIVE	DONOR BENEFITS	CHARITY'S BENEFITS
The donor has enough assets now, and wants to see the gift at work.	Outright gift.	Cash, stock, or Real Estate	Income tax deduction; Estate tax deduction.	Charity receives immediate use of funds.
The donor wants to make a gift but needs all of the assets now.	Charitable bequest, life insurance, and "Payable on death" accounts.	Cash, stock, retirement plan assets, savings or brokerage account remainders.	Estate tax deduction.	Charity receives eventual use of funds.
The donor wants to make a gift and has assets, but needs the income from those assets for now.	Remainder trusts, gift annuities, pooled income funds, your home with a retained value.	Cash, stock, or Real Estate.	Partial income tax deduction, life income for yourself or heirs.	Eventual use of funds.
The donor wants to make a gift now but wants the donor's beneficiaries to receive something, too.	Lead trust, life insurance.	Cash, business.	Income or gift tax deduction, reduced taxes on appreciation, preservation of assets for children.	Immediate use of funds.