

The Case for Gift Planning in Times of Economic Uncertainty

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As a result of the global health pandemic and high inflation, there has been a lot of uncertainty around our country's economic landscape. In addition, the recent return to market volatility has led to fundraising challenges among many nonprofit organizations, and many now face strained budgets and staff cutbacks.

Many nonprofit leaders feel pressure from their boards to seek cash now as donors deal with the threat of recession, persistent high inflation, and employment changes because of an ever-changing workforce. While nonprofit leaders consider creative fundraising strategies to sustain their organizations, donors look for ways to continue to support the causes most important to them that may provide even a modicum of current financial benefits for them.

Gift planning is a viable option for a robust and functional fundraising program, especially in times of economic uncertainty. The following are a few reasons why your organization should consider incorporating gift planning into your fundraising strategies.

1. Planned Gifts Will Likely Be Your Organization's Largest Gift

More than 80 percent of planned gifts are bequests or beneficiary designations and are therefore the largest single gift that most donors will ever make to a nonprofit organization. Gifts that are facilitated from a donor's net worth are almost always going to be larger relative to one's annual gifts – particularly if a donor names your organization as a percentage beneficiary of his/her estate. Although an organization's best planned giving prospects are donors without children, gift officers should also consider married couples with educated children as top prospects – especially those donors who have given annually for at least five years.

2. Planned Gifts Enhance Current Giving

Dr. Russell James, a professor and researcher at Texas Tech University, has done extensive research on planned giving. In a research paper published in the *UC-Davis Law Review*, Dr. James notes that donors who added a charitable beneficiary to their estate plan increased their average annual giving by more than 70 percent.ⁱ The study also found that many of these generous donors are former board members and volunteers.

3. Planned Gifts That Help Donors and Your Organization – Now and Later

Especially during challenging economic times, gift officers should emphasize split interest and tax advantaged gift instruments that donors can use to support your organization. These gift vehicles include Qualified Charitable Distributions (QCDs), Charitable Gift Annuities, and Charitable Remainder Trusts. In addition, the Secure Act 2.0 expanded the definition of a QCD to include a one-time, up to \$50,000 QCD to fund a CGA or CRT. (There are several nuances to the expanded definition of a QCD in the Secure Act 2.0. Please refer to Heaton Smith's blog entry to better understand important restrictions. (Purcell, 2023))

Not only can donors support your organization now through a QCD and a grant from a donor advised fund, but they can also name your organization the beneficiary of those accounts to create a blended

gift. One could argue that blended gifts have never been as important as they are today given the effects of high inflation on the average donor.

For example, a donor can create an endowment for a scholarship to fund a program at your organization today through an annual QCD and include a provision in their Will or Trust to support that program upon their death. Simply put, they can “give the spend” now and fully fund an endowed scholarship through their estate plan. Donors find making a gift “now and later” very appealing!

4. Gift Planning is Cost Effective

According to a study conducted by Kristen Dugdale in “The Case for Gift Planning: Analyzing the Cost to Raise a Planned Gift Dollar,” in the Journal of Gift Planningⁱ, the cost to raise philanthropic dollars in Planned Giving cost only 9 cents compared to 26 cents in Major Gift fundraising. She looked at the cost of marketing, salaries, and trust management divided by the amount of money raised in planned giving compared to Major Gifts. In addition, nonprofits can reduce costs by incorporating taglines about planned giving in an annual appeal.

In conclusion, certain planned gifts help donors today, provide a current tax deduction or reduction of ordinary income tax, gives them access to most or all of their assets during life, and/or provides a stream of income for life. Once a gift officer understands a donor’s goals and needs. By meeting the needs of your donors, you will solidify and deepen a donor’s relationship with your organization. Put simply, leverage the tools and resources available in gift planning to address your donors’ needs and the compelling needs of your institution. Gift planning can be the solution to increase your organization’s likelihood of success and sustainability.

For nonprofit leaders who want a more robust gift planning program, retaining a third-party expert is a viable and proven option. Organizations can outsource planned giving with a consulting firm or hire a consulting firm to train fundraisers in your organization on the cues to look out for in planned gift prospects. For example, Heaton Smith s Group offers a Comprehensive Gift Planning Services which helps organizations facilitate more blended and planned gifts. Services include program infrastructure development, prospect identification, gift officer training, marketing best practices, donor recognition and stewardship best practices, etc. If you are interested in learning more about the services that Heaton Smith helps clients build robust gift planning programs, then please contact Tamisha Keith, J.D., CAP at 336-937-0317 or via email at tamisha@heatonsmithgroup.com.

ⁱ James III, Russell N., *American Charitable Bequest Transfers Across the Centuries: Empirical Findings And Implications For Policy And Practice*, Retrieved July 20, 2020 from <https://bit.ly/2DT0ghZ> (page 271)

ⁱⁱ *The Case for Gift Planning: Analyzing the Cost to Raise a Planned Gift Dollar - Reviews - View Item - CGP Link*. (n.d.). CGP Link. <https://cgplink.charitablegiftplanners.org/resources/item/12/329>