



# Establishing and Growing a Basic Planned Giving Program

Presented by:

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**Host: Texas Education Foundation Network**



- 3<sup>rd</sup> generation family owned bank based in Waco and Temple
- \$2 billion in assets
- Trust powers since 1951
- \$1 billion in trust assets under management
- Offices in Waco, Temple, Georgetown and Bryan/College Station

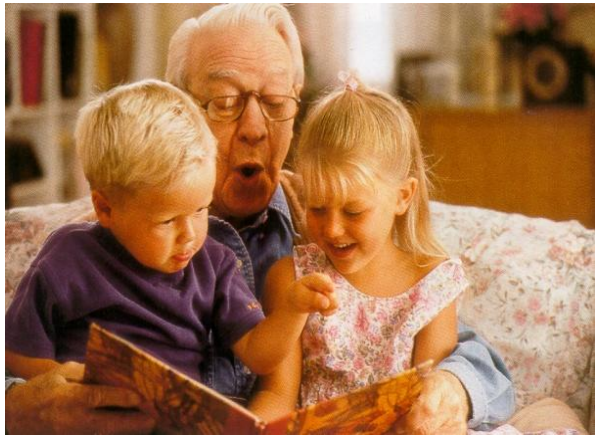
# Partner with a trust department for carrying out planned giving program

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- Executor for a donor's estate;
- Trustee for charitable trusts benefitting your non-profit organization;
- Serve as an investment management agent for your endowment.;
- Planned gifts are great ways to fund an endowment. If you do not have an endowment supporting your organization and are interested in starting one, contact me as I have been involved with and served on non-profit boards that have started one.

# Estate Distribution

## Only Three Places to Go



■ Family



■ Charity



■ Taxes



Smithsonian  
Institution

# Planned gifts are not new

- Last will of James Smithson, who died in 1829, left property in trust for a nephew, Henry Hungerford. After Henry's lifetime, the assets were to pass to his descendants;
- Henry Hungerford died in 1835, leaving no heirs;
- Provision that if Henry died without surviving descendants, the property would pass to “the United States of America to found an establishment for the increase and diffusion of knowledge among men”
- Received by U.S. in 1836: 11 boxes of British gold sovereign coins and other property valued at then \$562,000 or 1.5% of the entire U.S. budget (\$18,008,897.20 in 2022 dollars);
- Ten years later, Congress and President James Polk enacted legislation that created the Smithsonian Institution
- ...and now you know the rest of the story!

# Advantages- Why have a program?

- Planned gifts are multiples (10x, 100x, +) of a donor's lifetime giving;
- Existing donors can give additional support to a non-profit;
- Flexibility to donor (except some irrevocable gift types);
- Identify and engage donors who may also make current gifts;
- Estate assets are larger than current income;
- Program can be as passive or hands on as the non-profit wants;
- Large enough pipeline means regular future support

# Disadvantages

- Not a substitute for current financial support (except QCD);
- Takes time and commitment to implement, maintain and steward planned giving donors;
- Some risk with unusual assets. Consider limitations on what types of assets you will accept (e.g. business interests, oil/gas working interests, real estate)



# Keep in Mind...

- Most Americans think of charitable giving as:
  - Cash or writing checks
  - Gifts of used items
  
- Few Americans are aware of:
  - Gifts of Securities or Real Estate or other assets
  - Bequests and Beneficiary Designation Gifts
  - Life – Income Opportunities



# Dual-Benefit Gifts (Irrevocable)



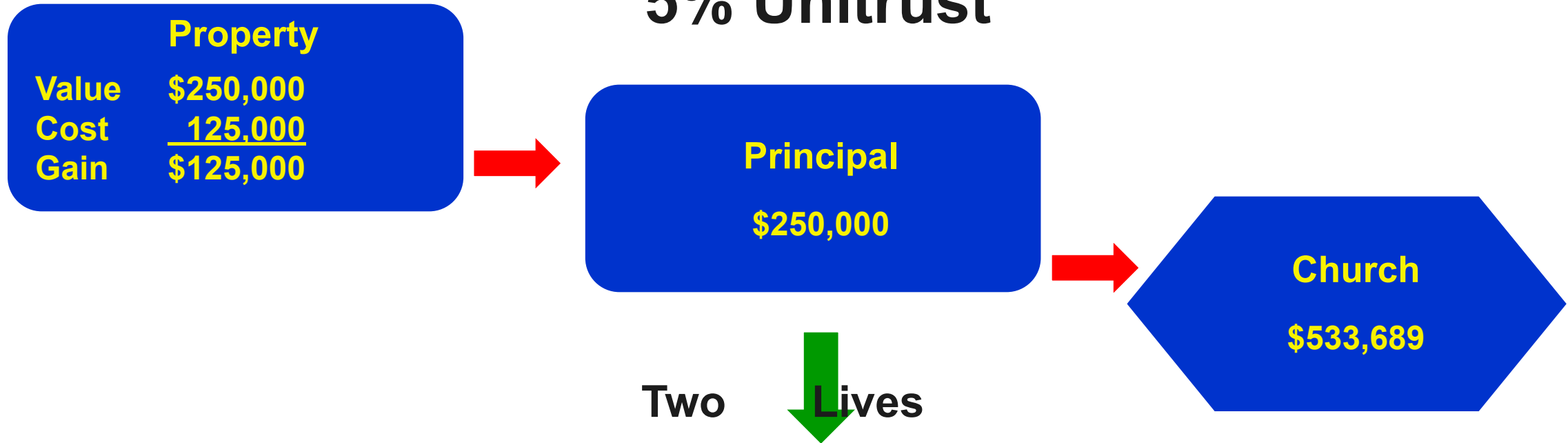
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Retained Life Estates

# Charitable Unitrust

Revered Smith – Age 55

Jane Smith – Age 53

## 5% Unitrust



1. Give asset, sell Tax-Free. Bypass up to \$125,000 gain may save \$18,750. Income tax deduction of \$52,858 may save \$12,686.

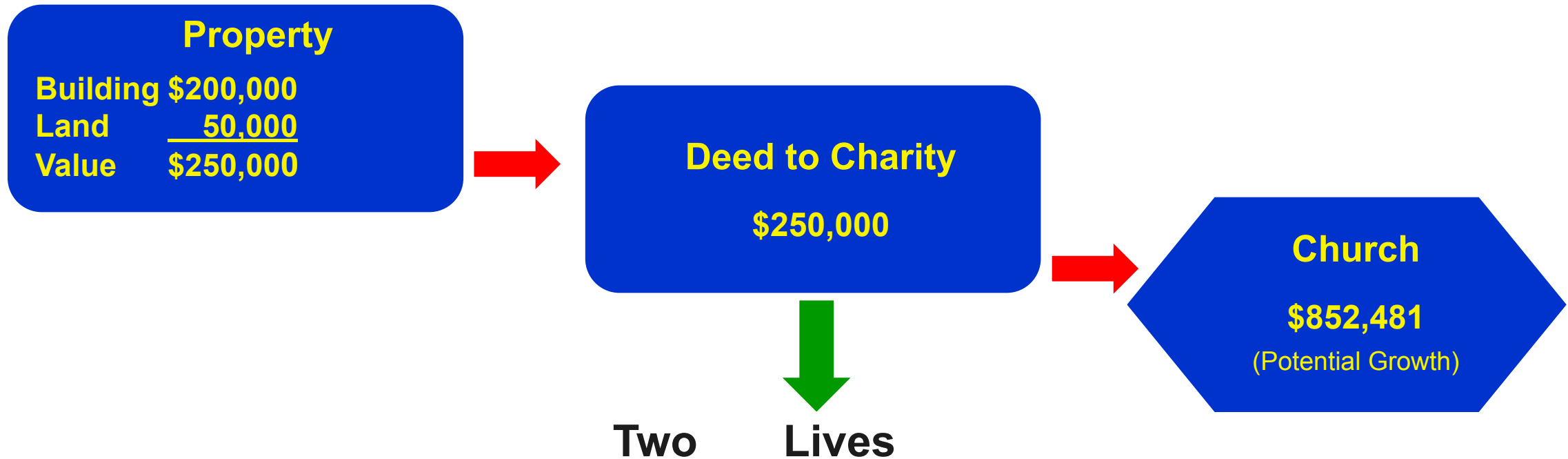
2. UT annual income \$12,500. Increased income \$10,000 over prior \$2,500 income. Estimated income in 41.6 years \$771,069. Effective pretax rate 5.27%

3. If trust earns 6.84%. Pays 5%, then grows by 1.84%. After two lives, trust passes without probate to charity.

# Life Estate

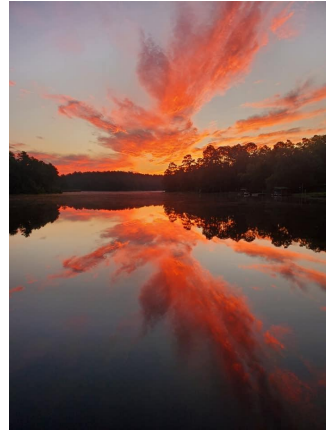
Revered Smith – Age 55

Jane Smith – Age 53



1. Transfer deed to charity and reserve right to use property for two lives. Owners pay for maintenance, taxes, and insurance.
2. Live in home for two lives. Receive a charitable income tax deduction of \$52,644. Current deduction may save up to \$12,635 in income taxes.
3. After two lives, property transferred to charity. Full charitable estate tax deduction.

# Revocable After-Lifetime Gifts



- Bequest in Will or Living Trust
- Gift of Retirement Assets
- Gift of Life Insurance
- Beneficiary Designation Gifts

# Bequests

- A gift in a Will or Living Trust
- Benefits include:
  - Retain use/control of assets during life
  - Preserve Lifetime Flexibility - Change Mind
  - Desire Charitable Deduction for your estate
  - Want to Achieve Charitable Purpose
  - Simplicity



# Ways to leave a Bequest

(have suggested bequest language available)

- **A specific amount**

- Ex. I bequeath \$100,000 to (name)

- **A percentage of the estate**

- Ex. I give 25% of my estate to (name)

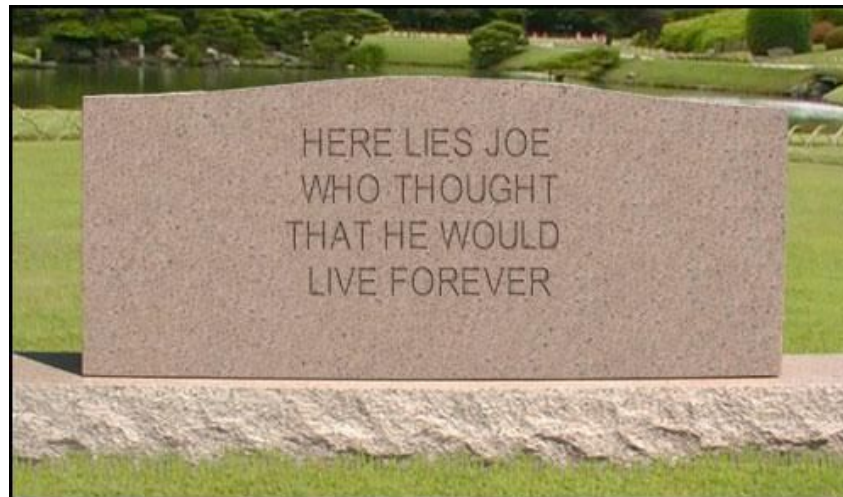
- Leave the **remainder of the estate**

- Ex. I give the rest and residue of my estate to (name)

# Die without a Will?

What happens when someone dies without a will - who gets the property?

- State intestacy laws decide
- Typically family; varies from state to state
- Charity gets nothing





# Gifts of Retirement

## Assets

- Retirement Assets include:  
(have beneficiary designation language and TIN)
  - Traditional IRAs
  - 401(k), 403(b), Thrift Savings Plan and other employer sponsored plans

- Benefits include:

- Retain usage and control during life
- Flexibility of a revocable gift
- Tax Benefits – *give highest taxed asset to charity, leaving other assets for family*
- Simplicity – change beneficiary form

# A Special Case for IRA's...

- On December 18, 2015, the President signed legislation indefinitely extending the charitable IRA rollover, making it retroactive to Jan. 1, 2015. A gift that qualifies, technically termed a “qualified charitable distribution (“QCD”).
- The IRA owner must be 70 1/2 or older (however, RMD is now at age 73);
- The transfer can be for no more than \$100,000 , the amount may be smaller (orphan IRA's?);
- The QCD is not reported in your taxable income, but you receive no tax deduction;
- Only applies to gifts from Individual Retirement Accounts and NOT from 401(k) plans or other tax-favored retirement planning vehicles;
- Qualifies for the required minimum distribution. The transfer is made directly from a custodian or trustee to the charitable organization;
- Discuss with your tax and financial advisor before initiating such a gift.
- Opens discussion of a contingent beneficiary planned gift AFTER lifetime.

# Gifts of Life Insurance

(have beneficiary designation language and TIN)

- Two Ways to Give
  - Name charity as beneficiary of a life insurance policy. (Revocable)
  - Change ownership and beneficiary of a life insurance policy to charity. (Irrevocable)



# Who Gives Life Insurance?

- Beneficiary Designation Gift:
  - Donor of any age who wants to use existing assets to make a gift at death
  - Donor who wants to leverage their current dollars into a larger gift in the future
- Change Ownership Gift:
  - Typically an older Donor who has no need for the death benefit for family
  - Wants policy out of Estate for tax purposes
  - Knows gift is irrevocable
  - Wants current income tax deduction

# Gift Agreements

- Allow flexibility to the giver
- Agreements outline:
  - Method of gift
  - Purpose of gift
  - Administration of gift



# A few words about documenting gifts

*Why tell charity you've made plans for a future estate gift?*

- Allows them to say “**thank you**” ;
- Option of anonymity;
- Provides the opportunity to correct errors; e.g., legal name, illegal or prohibited terms and uses;
- Catch errors now vs. cost to repair later via court action. *Donors would rather funds be spent on charitable activities than legal costs;*
- With revocable gifts - you can still change your mind.

# Marketing Planned Gifts

- Website, under donor portal (Example- Vannie E. Cook Cancer Foundation)
- Social media (Facebook- Out of the Box Philanthropy)- regular posts about planned giving
- Direct mail/email- highlight different gift methods
- “Planned Giving Council”- legal, tax and financial advisor volunteers, sympathetic to your cause, that can be your voice, eyes and ears in the community. Also a source of information on changes in law;
- Articles
- Donor stories with pictures- MOST EFFECTIVE
- Annual fundraising events
- Response cards- include a box to check on donor response cards to see (1) if your non-profit is already named in a donor’s estate plans or (2) to request planned giving information;
- Legacy Society
- Board’s role- what percent have a planned gift?
- Endow Current Supporters- example



# Demographics of a top planned giving prospect

- Consistent annual donors
- Age 50+
- Marital status- single
- No children
- Long term giving history to your organization
- Religiously affiliated (Sources: Giving USA, Almanac of American Philanthropy) 62% vs. 46%
- 76% of volunteers are also donors to the same organization (Source: 2020 Global Trends in Giving report by Funraise)

# Conclusion

**With any planned gift, be sure to consult first with your legal and financial advisors**

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