

CATHOLIC DEVELOPMENT + QUARTERLY +

An informational DIGEST to guide development personnel in the emerging field of development.

Volume IX, Edition 4

THE STEWARDSHIP OF PLANNED GIVING

Two of the most ambiguous terms in the ministry of development are the words "stewardship" and "planned giving." As we have mentioned over the years, stewardship is a Christian lifestyle - not a program. It is a spiritual journey for both individuals and institutions with a sound theology that holds that we are lifelong caretakers of God's spiritual and material blessings.

Planned Giving is donor strategy that allows individuals to make gifts of largely their assets which will advance the mission and ministries of Catholic institutions they esteem. At the same time, a Planned Gift will allow the donor to limit his/her estate and income tax liability.

Stewardship should be reflected in the values that people have and how those values are reflected in the way people live their lives. Often times, we will hear the phrase "Stewardship -- A Way of Life." Stewardship is also a call to Christian service benefiting family, church and community by sharing our Time, Talent & Treasure.

As this is a development newsletter, the focus of this edition will be on the Treasure portion of stewardship with specific emphasis on Planned Giving.

INCOME AND ASSETS

Traditionally, Catholic institutions have relied on charitable giving from their constituents' income almost always in the form of "cash gifts." Some examples of charitable giving representing cash gifts from people's income:

GIFTS FROM INCOME:

10% of all wealth is held in the form of cash:

- Annual appeals.
- Sacrificial giving/offertory income.
- Most campaign pledges.
- Special events.
- Special collections.

- Auctions.
- Raffles.
- Fundraising.

GIFTS OF ASSETS:

Planned Gifts are usually gifts of assets. Most people "hold wealth" in the form of assets. Examples of donors make gifts of their assets include:

- Bequests.
- Endowments.
- Foundations.
- Gift annuities.
- Trusts.
- Stock or other securities.
- Mutual funds.
- IRAs/pension plan gifts.
- Real estate.
- Life insurance.

90% of all wealth is held in the form of assets. Depending on the state of the economy, at any given time, people could hold their wealth in the following manner:

- 30% in stock and other securities.
- 24% in real estate.
- 26% in personal property.
- 10% in bonds.

Stewardship should allow people to share their Treasure in a variety of ways. Stewardship programs fail where the only way people are allowed to share their Treasure is through the Sunday Offertory program.

PLANNED GIVING IS SOUND MARKETING

The largest single gift your Catholic institution will ever receive will be a Planned Gift -- most likely in the form of a bequest. Good sound marketing principles will uncover the fact that as people age and approach retirement, their income from traditional sources shifts from salaries and earnings to income produced by investments such as mutual funds, IRAs, Keogh Plans and trusts.

Catholic institutions must realize that their greatest prospects -- who truly wish to be good stewards -- are concerned about issues like health, retirement, long term care and lifetime planning.

This audience and constituency, which is typically over the age of 55, has a "market need" to preserve capital and limit tax liability. Planned Giving provides this type of market based strategy which benefits the institution as well as the donor.

Traditionally, Catholic institutions have "legislated" how people give. These institutions have requested and required that people give from their immediate income for immediate needs, whereas established development programs at universities or hospitals have educated people to give from their assets knowing the market need of donors to preserve capital, income stream and tax liability.

Armed with this information, it is important to realize that the audience or "market" will find giving from assets more appealing because of the ability to "defer" gifts by bequest or other types of gifts that allow for a "life income" to be paid directly to the donor. Many donors have the faith, motivation and financial capability are good stewards, yet, feel consternation because they are expected to give cash only.

The history of giving to Catholic institutions has only allowed people to give to Annual Appeals, Building Campaigns, Offertory/Sacrificial Giving and Fundraisers (bingo, raffles, car washes, etc.).

Educating people to give from their assets requires strategies like bequests, charitable remainder trusts, charitable gift annuities, life insurance, charitable lead trusts, life estates, retirement plan gifts as well as gifts of securities, real estate and collectibles.

MARKETING PLANNED GIFTS

Remember, planned gifts are just that -- planned gifts! Donors make planned gifts when they are ready, not when we as institutions are ready to receive them. It is important to realize that 80% of all wealth is held by people 55 years of age or older and that demographers predict that the G.I. Generation will pass to the Baby Boom Generation anywhere from 10 to 13 trillion dollars between now and 2010.

ENDOWMENT -- the larger the gift, the more likely that the donor will direct or restrict the gift. Think about it. If someone is going to make a gift of \$50,000 or more it is unlikely they will make it for the "checking account" of the institution. Therefore, an "endowment" which will hold these gifts in perpetuity with only the earned interest used is most appealing for donors.

An endowment or foundation with regular reports and activities is one of the very best ways of marketing and attracting planned gifts.

WILLS SEMINARS -- host ongoing series of informational programs at the school, parish or arch/diocesan centers. A typical seminar educational program could begin a seminar on wills with another on "Year End Tax Planning" in November or December. Think of other seminars that might be financially educational in nature emphasizing life long financial stewardship: Social Security and Medicare, Power of Attorney, Insurance, College Admissions and Financing,

Investments, Charitable Giving as Tax Shelters, etc. Try not to saturate your market with more than two per year.

DIRECT MAIL -- direct mail is an extraordinarily effective means of marketing planned gifts. Despite all of the criticism of "junk mail" and printing and postal costs, direct mail works. It educates people and makes them aware of the opportunity to make planned gifts. More importantly, direct mail "conditions" donors with regard to your institution's long term expectations for planned gifts.

Your donors are not just names on a cold list but individuals that have relationships with the mission of your Catholic institution.

LEGACY CLUBS are also useful marketing strategies. Donors who will document they have made some type of planned gift to your institution are recognized by membership in a specific constituent organization with a series of programmed activities to celebrate the planned gift commitment (donor assembly, liturgy, special gifts, special tours, etc.).

+QUARTERLY+ CHECKLIST

This edition's **+QUARTERLY+ CHECKLIST** will focus on the definitions of the different types of planned gifts.

WILL -- legal document stating the disposition of a person's property upon his/her death.

BEQUEST -- specific gift of property or assets.

DEATH BENEFIT -- proceeds from a life insurance policy's face value payable to the policy's beneficiary.

GIFT ANNUITY -- a contract by which a donor transfers cash or other property in exchange for payments for life. Backed by the total assets of the charity.

POOLED INCOME FUND -- a trust arrangement, similar to a mutual fund, whereby all participating donors' funds are co-mingled and the annual earnings are shared on a pro-rata basis.

CHARITABLE REMAINDER UNI-TRUST -- a trust which returns income to the donor or other for life from a charitable gift of appreciated assets. The payment to the donor is based upon a percentage of the trust assets, but valued on an annual basis.

CHARITABLE REMAINDER ANNUITY TRUST -- the same as a uni-trust except the amount of the annual payment to the donor is permanently fixed at the time the gift is made (trust is created).

LIFE ESTATE -- a donor gives his/her home or farm and retains the rights to occupy or benefit from the property for life.

CHARITABLE LEAD TRUST -- a trust whereby the donor transfers assets/funds to trust which, in turn, pays the charity for a period of time.

A bequest or planned gift is really the "Ultimate Stewardship Gift" which allows people to express their faith and lifelong commitment to the Church. They really can be true stewards.

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