Blended Gifts…
*even in small development shops*

A Key Component to Successfully Closing Complex Planned and Major Gifts

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Blended Gifts: In a Nutshell…

- It’s About Helping Donors Maximize their Philanthropy
- When Donors Maximize Their Philanthropy, Charities Receive Bigger Benefits
Why are there more and more conversations about blended gifts?
Know Your Donor

- Philanthropic
- Financial Planning
- Personal and Family

Two Ears, Two Eyes, One Mouth
How can your institution be more successful at getting larger gifts from your donors?

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**Donors**
- Retirement worries
- Family concerns
- Skeptical
- Less loyal
- More data
- More choices

**Institution**
- Aggressive goals
- Decrease in government funding
- Short-term focus
- “We need cash”
- Transactional approach
A Successful Gift...

- Fulfills an important charitable initiative
- Aligns with the donor’s objectives
- Is funded with the best gift asset
- Uses appropriate gift types
- Meets donor expectations

Overview

- Definitions, Background and Some History
- Elements for Success in Blended Gift Productivity
- Case Studies
- Where to Begin
- Mechanics
- Takeaways
Ground Rules…Definitions…

- Annual Fund: $1 to $24,999
- Major Gift: $25,000
- Major Gift Commitment: $25,000
  - Over 5 Years ($5,000/year)
- Endowments:
  - $50,000 Current Minimum
  - 5% Annual Payout Rate; $2,500/year Program Support
  - Minimum Funding Likely to Rise Over Time

Blended Gifts:

- Something Now
- Something Then
- Something Later
A blended gift is one that has both current and deferred components.
Appropriate Gift Types

- Outright Gift
- Life Income Gift
- CGA
- Will
- Bequest

The Basics of Life Income Gifts

1. Donor (property)
2. Life Income Gift (income tax deduction, income for life/term of years)
3. Remainder (charity)
Which current major donors might be willing to consider a bequest in their estate plans?

Where We Are… Now

- A Function of Where We’ve Been

- Blended Gifts Have Arisen to Recent Prominence as a Confluence Primarily of Three Factors
  1. Maturing Growth and Acceptance of Planned Giving
  2. Asset Based Wealth
  3. The Great Recession
Maturing Growth & Acceptance of Planned Giving

• Collaboration is Now Widely Recognized as: **BEST PRACTICE**
• Successful Blended Gifts Initiatives begin with Successfully Blended Planned and Major Gifts Programs
• Collaboration is Almost Always Key

Asset Based Wealth

• Almost All Annual Fund Gifts Are Made From the Donor’s Current Income
• Most Major Gifts Are Made From the Donor’s Current and Near Term Income
• Most Planned Gifts Are Made From the Donor’s Assets
  • Sometimes Now (Outright Gift of Real Estate, Business, CLT)
  • Most Often Through a Revocable or Irrevocable Future Commitment
How Donors Hold Their Wealth

Wealth in the U.S.
Net Worth and Number of Individuals

Source: Credit Suisse, Global Wealth Databook 2013
When Is It “Good” To Introduce Planned Giving: A Gift of Assets?

• When It Meets the Donor’s Philanthropic Interests

• When It Meets the Charity’s Priorities and Interests

• When It Adds a “0” or Two (ie “00”), or More to the Gift Consideration

2009 and The Great Recession

• Can’t Overstate the Impact on Philanthropy and Planned Giving

• Particularly Tough on MGO’s

• Jumpstarted Planned Giving Collaboration

• Donors Still Wanted to Support Their Favorite Charities But Were Reluctant to Make New Major Gift Commitments
2009 and The Great Recession: Planned Giving

• Plummeting Consumer Confidence
• Plummeting Wealth
• MGO: There Are Many Ways to Make a Gift Commitment
• Now May Be a GREAT Time to Consider a Bequest or IRA Designation

2009 and The Great Recession: Planned Giving

• Plummeting Interest Rates Led To Sharp Drop in Most Technical Gift Plans
• Planned Giving Used to Be the Purview Primarily of Technicians
• Most PGO’s Spent the Bulk of Their Time ON Complex Gifts
• Now 80% or More of Planned Gift Commitments Are Simple Bequests, Handled Well By Most MGO’s
You don’t need to be an expert
You just need to be curious

Mary

- 75 Years old
- Widow
- No Children
- $2 Million Estate
- Leaving Entire Estate for an Endowment
- $1,000 Annual Donor
Mary

- 75 Years old
- Widow
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- $2 Million Estate
- Leaving Entire Estate for an Endowment
- $1,000 Annual Donor

Potential Blended Gift

- What Additional Facts Would You Want to Know?
  - When Did She Plan the Bequest
  - When Did She Inform You of the Bequest?
  - What Are Her Assets and Financial Plans?

- Propose Establishing a $50,000 Endowment Now with a Gift Commitment of $10,000/year Over 5 Years

Mary: Take 2

- 75 Years old
- Widow
- No Children
- $2 Million Estate
- Leaving Entire Estate for an Endowment
- $1,000 Annual Donor

Potential Blended Gift

- What Additional Facts Would You Want to Know?
  - When Did She Plan the Bequest
  - When Did She Inform You of the Bequest?
  - What Are Her Assets and Financial Plans?

- Propose Establishing a VIRTUAL Endowment Now with a Gift Commitment of $2,500/year
Mary

Potential Blended Gift

- Sooo, How Will You Approach This Consideration With Mary?
- The “We Would Like to See You Enjoy This Gift While You are Alive,” Approach

- Propose Establishing Endowment Now with a Gift Commitment of $10,000/year Over 5 Years, OR Virtual Endowment With $2,500/year

Mary

Potential Blended Gift

- Sooo, How Will You Approach This Consideration With Mary?
- The “Would YOU Like to Enjoy This Gift While You are Alive,” Approach
- Permission Based Marketing

- Propose Establishing Endowment Now with a Gift Commitment of $10,000/year Over 5 Years, OR Virtual Endowment With $2,500/year
Bob

- 68 Years Old
- Married, 3 Children
- Wealthy
- Longtime Annual Fund Donor
- Making First Major Gift
  - $50,000 Endowment
  - Paid $30,000 Over 3 Years
- Spouse Supports Other Charities

Potential Blended Gift

- What Additional Facts Would You Want to Know?
  - How Is He Finding Retirement?
  - What Are Her Assets and Financial Plans?

- Propose a CRT To Augment His Retirement Income and Further Fund His Endowment
Ruth and Jim

- 60 Years Old
- Married 38 Years
- Children and Grandchildren
- Longtime Annual Fund Donors
- Current Giving: $1,000/year, Annual Donors for 27 years

Potential Blended Gift

- What Additional Facts Would You Want to Know?
  - What Are Their Assets and Financial Plans?
  - What Are Their Long-term Plans for Supporting the Charity?

- Propose “A Bequest” most Likely By Will
Know When To Make the Blended Ask…

• So When Is It Right, or a “Good Time” to Make the Dual Ask for a Blended Gift?
• Two Rules of Thumb:
  1) It USUALLY Works Best Sequentially

  • Most of the Best Prospects for Blended Gifts Already Have One or the Other: A Major Outright Gift or a Planned Gift
  
  • The Former, Donors With Major Gift Histories May Even Have a Planned Gift and Either Simply Have Never Informed the Charity, Never Been Asked, or It Hasn’t Been Discussed Recently

Know When To Make the Blended Ask…

• So When Is It Right, or a “Good Time” to Make the Dual Ask for a Blended Gift

• Two Rules of Thumb:

  2) If It Is an Uncomfortable or Contrived Conversation for YOU, Then It is Likely Not Going to Be Comfortable For The Donor
  
  • Try To Put Yourself in Their Lives and Brains: How Would YOU Want To Be Approached?
Where to Begin?

Where Do We Begin Most New Fundraising Initiatives?

Review Your Portfolio for Prospects for Blended Gifts
  • Its Good to Be Highly Selective at First
  • Give Yourself the Best Chance for Success as You Learn
  • To Start, Look For At Most 5-7 Potential Prospects

Where to Begin? Planned Gift Portfolios

Review Your Portfolio for Prospects for Blended Gifts
  • Review for Capacity to Make a Major Gift Commitment
  • Review for History of Major Gift Commitments
  • Look for Those That Have a Planned Gift Commitment in Place for a Longer Time
  • Look for Those with a Passion for a Current Major Gift Priority
Where to Begin? **Major Gift Portfolios**

- Review Your Portfolio for Prospects for Blended Gifts
  - Review for Indicators of Planned Gift Propensity
    - Legacy Society Members (The Best, Most Obvious Place to Look First)
    - Loyalty
    - Long History of Gifts, Most Likely Starting with Annual Fund Gifts
    - High Asset Wealth (Not Just High Income)
    - In the Planned Gift Life-Cycle Stage (55-65+)
    - Past Responders to Planned Gift Marketing

Where to Begin? **Next Step: Internal**

- Assemble your team (gift planner, major gift officer, institutional leaders, development leaders, finance)
- Determine institutional needs
- Decide what you are willing to fund with a deferred gift component
- Prepare for gift negotiation
- Be sure the proposal reflects gift planning’s capabilities to help
SOLO VS. JOINT VISITS

• Blended Gifts Almost Always Require Collaboration Between Major and Planned Gifts Staff
• Should this Collaboration Always Mean Joint Visits?

• Different dynamics
  • One-one versus two-on-one
  • Listening versus informing/updating
  • Sharing confidential information
• Trust: Remember?

Follow Up Collaboration:

• PAPERWORK RESPONSIBILITIES

• Follow-up, Shared correspondence
• Elements of the Proposal
  • Major Gifts: The Program
  • Planned Gifts: The Gift Plans and Funding
• Elements of the Gift Agreement and Statement of Intent
  • Major Gifts: The Gift Designation and Use, Current and Deferred
  • The Funding Plans
Blended Gifts: Full Disclosure

• Most Blended Gifts Include a Planned Gift Element
• Most of These Planned Gift Elements are “Deferred Gift” Commitments; Most Typically a Simple Estate Commitment
• Designing the Gift Agreement for the Major Outright Gift Element
  • Use Current Endowment Minimums
  • Typically a Term of 5 Years
  • Purview of Major Gift Officer
  • Needs to Be Designed in Collaboration with Planned Gift Officer to Ensure Coordination with Planned Gift Element

Blended Gifts: Full Disclosure

• Designing the Statement of Intent for the Planned Gift Element
  • Endowment Minimums Are Likely to Rise
  • Cascading Provisions
  • Cy Pres language

• Collaborating on “The Paperwork”: Proposals and Gift Agreements
  • MGO Oversees Programmatic Use Language
  • PGO Oversees Funding Language
Takeaways

• Blended Gifts Represent a Big Opportunity for Incremental Fundraising Growth With a Highly Selective Prospect Base
• Prospects Should Be Assessed on a Case-by-Case Basis
• Collaboration is Key Between Planned and Major Gifts
• Elements of Shared Credit and Planned Gift Counting are Critical

➢ Blended Gift Donors Will be Among the Most Fulfilled and Happy Donors to Your Institution

Takeaways

• Make an Action Plan
• Start With Your Portfolio
• Collaborate on Strategy and Plan Formation with a Planned or Major Gift Colleague
• Identify Institutional Priorities that “Fit” for Blended Gifts
• Set Reasonable Goals
• Get to Work!!!
Where to Begin

- Joint pipeline meetings
- Structure planned giving with an eye towards integration
- Encourage collaboration on ALL proposals for donors over a certain age
- Train around the negotiation of blended gifts
- Blended gifts are a team effort

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Blended Gifts: In a Nutshell…

- It’s About Ensuring Our Donors Know About All the Many Ways They May Make a Gift or Gift Commitment and Then Helping Them Make Those They Choose

- It’s About Maximizing Our Donors’ Philanthropic Interests and the Impact They Can Have on Our Organizations