The Power of Legacy and Planned Gifts provides practical knowledge and tools nonprofits need to connect with loyal donors, resulting in a stream of future income that will sustain and advance their mission. Filled with illustrative real-world examples and cases, as well as worksheets to guide the reader, the book details a simple, multi-stage process for nonprofits to build a pipeline of future bequest income and offers donors perspective on making their gifts in a way that will best accomplish their goals.

Praise for The Power of Legacy and Planned Gifts

"Kevin Johnson has done a great job making clear the process and the implications of a bequest to a charity. A nonprofit's workers and its donors will be well served in reading this book." —Bill Gates, Sr., author, Showing Up for Life

"Regardless of the size, vintage, or mission of your organization, you can use this book. If this is the part of fundraising you have been avoiding, Kevin's sensible advice can get your team started and get results sooner than you think." —Joan Flanagan, fundraiser, Center for New Community, and author, Successful Fundraising

"Bequests are the key for small and medium-sized charities to survive and thrive. Kevin clearly shows how board and staff can easily develop the comfort and confidence to build effective relations with donors, and help them tell their stories and express their deepest values through bequests. Oh, that we all had this book years ago!" —Roger Ellison, vice president for planned giving, West Texas Rehabilitation Center Foundation

"Kevin's insights into donor motivation and the richness of our story have resulted in a substantial increase in planned gifts to our organization." —Karlene McCabe, executive director, Greenbelt Land Trust

The Author

KEVIN JOHNSON, founder of Retriever Development Counsel, LLC, helps nonprofit leaders get the resources they need to succeed by providing campaign and project support, coaching, and training. With more than thirty years’ experience, he has helped hundreds of nonprofits raise millions of dollars on behalf of a wide range of education, social, and conservation causes.

This book includes premium content that can be accessed from our Web site when you register at www.josseybass.com/go/kevinjohnson using the password professional.
THE CHARDON PRESS SERIES

Fundamental social change happens when people come together to organize, advocate, and create solutions to injustice. Chardon Press recognizes that communities working for social justice need tools to create and sustain healthy organizations. In an effort to support these organizations, Chardon Press produces materials on fundraising, community organizing, and organizational development. These resources are specifically designed to meet the needs of grassroots nonprofits—organizations that face the unique challenge of promoting change with limited staff, funding, and other resources. We at Chardon Press have adopted traditional techniques to the circumstances of grassroots nonprofits. Chardon Press and Jossey-Bass hope these works help people committed to social justice to build mission-driven organizations that are strong, financially secure, and effective.

Kim Klein, Series Editor
ADDITIONAL TITLES FROM CHARDON PRESS

Reliable Fundraising in Unreliable Times: What Good Causes Need to Know to Survive and Thrive, Kim Klein
Change Philanthropy: Candid Stories of Foundations Maximizing Results through Social Justice, Alicia Epstein Korten
Working Across Generations: Defining the Future of Nonprofit Leadership, Frances Kunreuther, Helen Kim, Robby Rodriguez
Tools for Radical Democracy: How to Organize for Power in Your Community, Joan Minieri, Paul Gatsos
Level Best: How Small and Grassroots Nonprofits Can Tackle Evaluation and Tell Results, Marcia Festen, Marianne Philbin
The Accidental Fundraiser: A Step-by-Step Guide to Raising Money for Your Cause, Stephanie Roth, Mimi Ho
Fundraising in Times of Crisis, Kim Klein
The Nonprofit Membership Toolkit, Ellis M.M. Robinson
Stir It Up: Lessons in Community Organizing and Advocacy, Rinku Sen
Selling Social Change (Without Selling Out): Earned Income Strategies for Nonprofits, Andy Robinson
Raise More Money: The Best of the Grassroots Fundraising Journal, Kim Klein, Stephanie Roth, Editors
Fundraising for the Long Haul, Kim Klein
PRAISE FOR
THE POWER OF LEGACY
AND PLANNED GIFTS

Regardless of the size, vintage, or mission of your organization, you can use this book. You get tested techniques to get your leaders and volunteers excited about asking for planned gifts. If this is the part of fundraising you have been avoiding, Kevin’s sensible advice can get your team started and get results sooner than you think.

—Joan Flanagan, fundraiser, Center for New Community and author, Successful Fundraising

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—Roger Ellison, vice president for planned giving, West Texas Rehabilitation Center Foundation

The Power of Legacy and Planned Gifts offers a sensible, practical approach to planned giving that is accessible to everyone charged with gift planning responsibilities. Kevin’s step-by-step program, borne of years of experience, is an excellent outline for success. It is a wonderful starting point for those new to gift planning and a worthwhile review of good practices for those more experienced in the field. Kevin’s book will save you time, frustration, disappointment and regulatory headaches.

—Ann Barden, gift planning director, Oregon Health and Science University Foundation, Doernbecher Children’s Hospital Foundation

Kevin has worked with us for the last 8 years, helping us tell our story and work with our donors to leave a legacy for the communities they love. His insights into donor motivation and the richness of our story have resulted in a substantial increase in planned gifts to our organization. He has helped us step back, celebrate our success, and tell our story to donors in an enthusiastic and concise way. Their faith in our work and support through planned gifts has allowed us to weather these difficult economic times, grow our programs, and increase our impact in the communities we serve.

—Karlene McCabe, executive director, Greenbelt Land Trust
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The Power of Legacy and Planned Gifts

HOW NONPROFITS AND DONORS WORK TOGETHER TO CHANGE THE WORLD

Kevin Johnson
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We are a story-telling culture. Humans evolved relying upon stories to survive, to learn how to feed our families, to create and build enduring cultures. The stories we tell about ourselves, family, work, favorite dogs, or adventures define us as individuals and as a culture. Sometimes stories help us tell the world what is important to us; at other times, the telling of the story enables us to discover something more about our own life and the world at large.

This book seeks to showcase how growing numbers of Americans are creating and telling their own stories that demonstrate what matters most to them. An integral part of this trend is how they express their lifetime values and make them real—by planning charitable gifts in the form of bequests directed to small and mid-size nonprofits. These gifts support their positive visions and hopes for society and community. Every gift is an inspirational story about the value of the work of nonprofits and visions of a better tomorrow.

Often a bequest—a legal term to describe the act of giving something through a will or larger estate plan—is viewed by nonprofit leaders as a fundraising tool. A bequest is a tool for donors too. The impact of a bequest—how the gift is used—is the real reason anyone would make such plans. Acknowledging that outcomes are most important, I often call such bequests “legacy gifts” to better describe their value. Such gifts can also provide nonprofits with a powerful moral compass or guide for the future.
Many readers of this book will be volunteers or staff leaders of nonprofit groups seeking to bolster their resources. Other readers may simply seek to better understand and support their favorite nonprofits. Unlike other guides that address the topic of bequests and planned giving, this is written specifically for the perspective of a nonprofit leader or board member of a small or mid-size nonprofit. Approaches used in large nonprofit institutions, such as universities, hospitals, or large public broadcasting stations, often fail when scaled down to the level of small and mid-sized nonprofits.

A restructured economy also means that legacy gift practices used successfully in the 1980s and 1990s may falter now. Many such tactics may no longer account for the dramatic shifts that occurred in attitudes and needs of donors, the evolving roles of professional advisors such as attorneys and financial planners, and the impact of the proliferation of commercial philanthropic services and products.

Although this book is written with a focus on the unique perspective and needs of a small or mid-size nonprofit, you will find useful real-life examples, exercises, homework questions, and strategy guides to enable a nonprofit leader, of any scale group, to get to work immediately.

Over the years, I’ve worked with several hundred nonprofit organizations, ranging from animal protection groups, land trusts, social service organizations, private colleges, and regional hospitals to advocacy groups of many stripes. In conversations with their donors and board members, I often heard about issues that were most important to them. A few years ago, I began to notice a disturbing phenomenon.

Often these passionate donors spoke eloquently, telling stories describing the positive impact of the small and mid-sized nonprofits that they supported or helped as volunteers. Yet, when it came time to make plans for the future, instead of including bequests to these special small and mid-sized groups, they instead made plans to include national or large institutional charities. I began to wonder why such discontinuity existed between their expressed passions and actual behavior.

I became more interested in how small and mid-sized groups could demonstrate to their donors that they are appropriate legacy gift destinations. As a consultant, I see the tremendous impact that legacy gifts—from retired teachers, small-business owners, government employees, and lawyers—make in the work and financial stability of small and mid-sized groups. The value the thousands
of small and mid-size nonprofit groups contribute to our communities is inestimable. People do want them to succeed and thrive.

Seeking to understand this larger question, when speaking to a group of nonprofit donors, I posed this discussion question: “How much more endowment does Yale University really need? They have more than $22 billion now. Why not give instead to local small and mid-sized groups?” Since bequests are often directed toward endowments of larger groups, the question was intended to spur thought and raise questions about the impact of bequest giving. It sparked much conversation.

Afterward, a man and a woman in their early 50s walked across the room to me and announced, “Both my wife and I went to Yale. Yale is in both our wills.” I paused, involuntarily bracing for what I feared would come next. “But,” he continued, “our gift won’t be millions of dollars. We’re still going to give something to Yale, but we’ve decided to give most of our estate to local nonprofit groups where our gifts will be big enough to make a real difference.” His wife nodded emphatically in agreement. Gifts such as these will truly make a difference.

DON’T COMPARE NOTES WITH LARGE INSTITUTIONS: SMALL AND MID-SIZE NONPROFITS ARE DIFFERENT

Planned giving, bequest, or legacy gift fundraising techniques that work well with big institutions possessing many development staff and large databases don’t translate well into the world of small and mid-size nonprofits. Yet small and mid-size nonprofits constitute the majority of nonprofits in our urban and rural communities.

I was slow at arriving at this conclusion when it came to planned giving and bequest fundraising techniques. My introduction to planned giving and bequest fundraising came as a planned giving officer of a large, national organization. Later, as a consultant, I used the tactics that seemed to produce results when I was a planned giving officer. Often they didn’t seem to “take” or to produce big results. I began to adapt my thinking and observe what worked and why. The result is this book.

Conventional wisdom asserts that to have a credible planned giving program the nonprofit organization should have a full-time planned giving person, along
with an assistant and a healthy marketing budget. Although this is certainly a relevant recommendation for any large organization that wishes to make a credible planned gift effort, for the small and mid-size organization it is a luxury few could ever afford.

The reality for many groups in the small and intermediate range is that they do not have the resources to start and operate a separate planned giving program. Not surprisingly, attempts to emulate what works on the scale of a large institution but without comparable resources and scale, often fails to live up to expectations. This book will focus on how leaders of small and mid-size nonprofits can use their strengths, including their relative size, for effective legacy gift fundraising.

WHAT YOU WILL FIND
The purpose of this book is to enable nonprofit leaders and donors of small and mid-size nonprofit organizations to create their own unique path to building a stream of future income from bequests. The time is ideal to encourage, promote, and seek bequests. The collective age of our population, distribution of wealth, and increasing interest in leaving a legacy of good work are all reasons small and mid-size groups could fare well and receive substantial numbers of bequest gifts in coming years.

The average age of donors to many nonprofits continues to increase. Viewed one way, many key donors will soon no longer be with us to continue making their significant gifts. Who will replace them? Encouraging and actively seeking bequests today may ultimately provide critical funds for groups to continue to evolve and sustain their mission. Even a handful of bequests could transform any single small or mid-size group by, for example, making a reserve fund possible, or by increasing working capital and overall financial resiliency, providing thoughtful expansion of services, providing a fund for special projects or opportunities, or even creating an endowment to support core operations in years to come.

In Part One, Chapters 1 through 5, you will find an overview of some of the assumptions and ways of thinking that can stop or get in the way of nonprofit leaders seeking to encourage legacy gifts. There is also some basic information about what exactly is a bequest and how it can be used in personal financial planning. I hope by the time you finish Part One you will have a new level of comfort and quiet confidence about the topic.
Part Two, Chapters 6 through 10, focuses on a series of steps you can take to discover the potential for legacy gifts and begin to realize that opportunity for your nonprofit group. These steps are intended to help you, other nonprofit staff, and volunteer leaders identify the important characteristics that uniquely make the case for why someone would make plans to direct a legacy gift to your organization. It’s been my experience that there are often very interesting discoveries carrying out these steps that have additional, positive impact in your current fundraising.

Part Three, Chapters 11 through 14, include discussions about professional advisors such as lawyers and financial planners and their roles, as well as ethics and transparency questions.

In an Association of Fundraising Professionals survey that one of the bright spots is gifts in the form of bequests. It is my hope you will be able to put what you learn to work immediately and continue to use it in your day-to-day work.

ABOUT THE FORMAT OF THIS BOOK

For most of the book, the writing is addressed to a staff or volunteer leader of a nonprofit group. In some instances, I intentionally shift the reader’s focus and assume the viewpoint of a prospective donor or someone planning a bequest for the purposes of helping nonprofit leaders better understand the personal factors that go into making a decision to complete a bequest to a nonprofit group.

In the many workshops, training sessions, and conference presentations I have conducted on these topics, the highest audience evaluations are linked to interactive exercises. This reflects that adults learn more through asking questions and interactive discussion rather than by lecture or presentation. As a result, this book includes a series of questions, exercises, and suggestions about how you can bring this interactive process to life in your own organization to help your staff and volunteers to learn. You can do many of these on your own or use them in groups of varying sizes.

TRUE STORIES

Throughout this book are a number of quotations and stories about people and many nonprofit groups. They are all true stories. The gifts, successes, and failures
all happened with real people and real small and mid-size nonprofit groups. I do not identify people or organizations by name because I did not want to violate confidentiality or unintentionally embarrass anyone. I often intentionally changed a minor detail or two so that a group or individual could not be identified.

I am grateful to all the nonprofit leaders quoted and the many groups with whom I have had the privilege to work. As a former news reporter, I took many contemporaneous notes over the years throughout many client engagements and speaking events, but of course, being human, I undoubtedly made some mistakes or errors of omission.

WORDS AND DEFINITIONS

The world of charitable gift planning is filled with jargon and a collection of legal terms combined with words that may have a different common-sense definition. Throughout this book I have tried to use words and terms of art in ways that reflect common-sense meanings and that also reflect the ways I have heard donors often use them in conversations about gift planning. As a result, at times I may have sacrificed an exact, technical, or legal definition. I apologize in advance for the imprecision.

For example, a will is a specific legal document. Leaving a bequest in a will is technically different from using an IRA plan beneficiary designation form to direct that the IRA be transferred to a nonprofit or other heir. Yet both could be described in casual conversation as a bequest. Using precise language while focusing on what are the most important factors in making a decision is a challenge we will all face. In this book, I use the word bequest in a more general way to describe a gift included in a will or any other part of estate planning that is completed after a person passes away. That’s broader than the legal definition—but it captures the spirit of how many people think about the word. An estate plan would address the questions of who should receive a bequest and how or what form the bequest would take.

I also encourage you to use the Glossary as you read; it’s not just something to read after you finish everything else. Donors and professional advisors (and writers like me) often use specialized vocabulary without making sure terms are understood by everyone involved the glossary will help you.
REMINDER: WHY DONORS MAKE BEQUESTS

It’s been my experience that donors place most value on the impact of their gift, and far less on the mechanical details required to execute it. The key drivers to most gift planning decisions are often emotional and based on personal lifetime values, not the highly technical details of how to actually complete a gift as part of overall estate planning. Planning details are, of course, critical in executing any functional estate or gift plan. However, ultimately charitable intent will be the driver throughout the entire planning process. Without that driving intent, no gifts or planning will be completed. This book will focus on how to work with donors to help them discover the overlap between their personal values and the work of your nonprofit. It is at this intersection that the potential for legacy gifts will be realized.

DISCLAIMER

Although this book provides general educational information, it cannot give you legal or tax advice on a specific matter or about the laws in the state in which you reside. In planning your personal and organizational affairs, please consult an attorney or tax expert about your own specific situation.
INTRODUCTION

UNDERSTANDING WHERE WE STARTED
Personally, I often skip book introductions and get right to the heart of the book. You could do that here, too. But, may I politely suggest you actually read this introduction? Revealed here might be reasons why some planned giving and legacy gift techniques, or “best practices” may be more a product of history or habit than anything else. Understanding how the current state of planned giving evolved may help you pick out the most useful and right-sized thinking for your organization and its unique collection of donors.

A BRIEF HISTORY OF CHARITABLE BEQUESTS AND PLANNED GIFTS
Many assume that bequests to charity are primarily the province of the wealthy. We recall the publicized legacies of Carnegie, Ford, and Rockefeller. We also note local newspaper headlines heralding multi-million-dollar gifts to a nearby museum or a college.

There is a long history of bequests to charity in United States. One of the earliest prominent bequest gifts in the United States occurred in 1831, when Philadelphia banker Stephen Girard died, leaving $7.5 million to charity. At the time of his death, he was the wealthiest man in America. He gave almost all of his fortune away in the form of gifts through his will to a number of charitable and municipal institutions, including a boarding school for poor male orphans.
Throughout the 19th century there was popular support for such giving. Philanthropy historian Robert Bersi writes: “In view of the popular prejudice against ostentatious enjoyment of riches, the luxury of doing good was almost the only extravagance the American rich of the first half of the nineteenth century could indulge in with good consciences. Even the bequeathing of large estates to one’s children was frowned on. Horace Mann declared ‘a fortune left to children is a misfortune, since it takes away the stimulus to effort, the restraints from indulgence.’”

Although there is a long, documented history of such large bequests, no longer are charitable bequests only for the wealthy. Today, 9.4 percent of the population of charitable donors have included a nonprofit in a will or another part of their estate plan and the numbers are growing. Another 30 percent to 40 percent of the population reports they are willing to make or to consider making a charitable bequest. According to researchers, “The average bequest (circa $30–40,000) comes from the estate of a retired woman, who either has no living children or feels they have enough money of their own.”

Returning to consult the history books for perspective, it was in the late 1800s and early 1900s that fundraisers for colleges and many other charitable causes began to focus their primary attentions on wealthy individuals rather than mass solicitation. Although fundraising techniques evolved and expanded to include many mass solicitation methodologies, this focus on the wealthy and “major gifts” continues today.

Given the institutional concentration on major donors, this targeting of wealthy prospective donors was emulated in gift planning work as well. Through the mid- and late-20th century, a body of specialized knowledge developed about estate planning combined with charitable giving. For the most part, this rather arcane body of knowledge of the mechanics of charitable trusts and estate complexities remained solely in the hands of a small number of large established nonprofits.

In 1969, in response to perceived abuses, Congress provided a codified structure for deferred charitable giving. With this new legal structure more visible and now clearly described in law, the number of trusts and other deferred gifts grew. Over the decades of the 1970s, 1980s, and early 1990s, the number of (mostly) large nonprofits entering the deferred gift field grew rapidly. The new entrants often copied activities and methods of long-established programs, in particular the practice of hiring highly specialized experts.
Planned gift fundraising concepts trickled down as increased numbers of donors learned about the concepts through seminars, mailings, newsletters, and personalized visits from development officers. Some smaller and mid-size nonprofits saw an opportunity and entered the market in response to changing population demographics (increased numbers of older prospective donors) and increased numbers of wealthy individuals.

These smaller nonprofits tended to copy approaches used by large institutions, reflecting a bias toward wealthy donors in combination with a focus on specialized techniques and legal arrangements. They hired staff with job descriptions emphasizing the technical aspects and promotion of charitable trusts, gift annuities, and pooled income funds. By the end of the 1990s, thousands of groups had self-described “planned giving programs” and dedicated full- or part-time planned giving staff.

Reflecting the growth and interest in planned giving in 1988, a national organization was created to support the planned giving profession. The National Committee on Planned Giving (NCPG) “grew by more than 1,000 new planned giving council members every year throughout the 1990s, without any organized recruitment effort. It seemed that there really might be a dedicated planned giving specialist in every charitable organization, from small to large. [In this same period] Working Woman Magazine and U.S. News & World Report both identified ‘planned giving officer’ as a hot career prospect. Fifteen years later, philanthropy and fundraising practices have changed.”

Along with this explosion in interest during the past 10 to 15 years, large institutional nonprofits invested millions of dollars and countless hours to educate the broad marketplace of prospective donors about the concept of giving through estate planning and planned gift tools. As the marketplace expanded, the label of “deferred gift” fit less well to describe this category of gift; the newer phrase “planned gifts” soon became part of nonprofit and donor vocabularies.

Professional advisors—lawyers, CPAs, financial planners—in large numbers followed interests of their clients, many beginning to advertise and promote charitable planning as part of their day-to-day offerings. An array of commercial products with philanthropic components also arrived on the market. The most visible of these philanthropic product providers is the Fidelity Charitable Gift Fund.

The overall result is real and substantial growth in the knowledge base of prospective donors and their advisors combined with a wide array of philanthropic
products available to donors at all gift size and income levels. With the excep-
tion of some existing large institutional programs, far fewer donors now expect or need detailed legal and tax-oriented advice from nonprofit staff. Instead, donors appear to be more focused on the impact and legacy of their gift. This shift in donor needs has profound implications for how gifts are marketed, what gifts should be promoted, and how gifts of all types will be managed in the future.

Nonprofits of all sizes copied the techniques (planned giving committees, gift vehicles and arrangements, and promotional methods) seeking to emulate the fundraising success of the older, more established institutional players. Few stopped to examine the actual market and ask the equivalent of the question Where’s the money? Even for most of the well-established planned giving programs at prominent institutions, a predominant proportion of the dollars raised in any given year come in the form of simple bequests through wills or living trusts. Exhibit 1.1 and Table 1.1 describe some of the research revealing who makes bequest gifts.

One director of development of a mid-size nonprofit described the shift this way: “Many nonprofit organizations with staff focus a lot on the tools of planned

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**Exhibit 1.1 Who Makes Bequests?**

Average household income is $75,000, but 36 percent of bequest donors earn less than $50,000.

79 percent of the bequest donors have some affiliation or past connection with the charitable beneficiary.

43 percent of bequests are made by people younger than 55 years of age; 44 is the average age at which a will or living trust is made, and 49 the average age when the first charitable bequest is made.

Bequest donors tend to be married, living in one- or two-member households without children under 18.

*Source: National Committee on Planned Giving. 2001.*
giving. In other words, the complex gifts, the charitable trusts, income funds, gift annuities, and so on. To some extent it's because they can. But from our perspective we're never going to have a full time staff person who's going to be an expert. Many of our donors are not going to wake up and say, 'I should call ______ (my nonprofit) to talk about the details of my charitable trust.' That's not going to happen. But they might wake up and say, 'Their work is really important to me. I'd like to make a difference, how can I do that?' So that's where the story becomes a conversation we can have with the donor about a legacy—I AM an expert at that kind of conversation.”

**IMPORTANT POINTS TO CONSIDER**

- A dramatic shift in how donors receive information about planned gifts has occurred—the model of a planned gift expert is no longer an expectation on the part of many donors.

- There is increasing awareness and growing interest among the community of financial and legal professions about the inner workings of planned gifts, along with expanded offerings to their clients related to charitable gift planning. Professional advisors look less and less to charities for help with planned gifts, with the result that small and mid-size nonprofits don’t need planned giving experts on staff.

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**TABLE I.1**

Percentage of Charitable Bequest Donors by Ages

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18–34</td>
<td>3</td>
</tr>
<tr>
<td>35–44</td>
<td>14</td>
</tr>
<tr>
<td>45–54</td>
<td>26</td>
</tr>
<tr>
<td>55–64</td>
<td>22</td>
</tr>
<tr>
<td>65–74</td>
<td>20</td>
</tr>
<tr>
<td>75+</td>
<td>15</td>
</tr>
</tbody>
</table>

*Source: National Committee on Planned Giving. 2001.*
• Donor expectations are shifting toward focus on the impact and outcomes of their gifts—of all kinds. Every nonprofit is an expert about its own mission.

• More than 90 percent of gifts in the category of deferred or planned gifts are simple bequests (within which I also include retirement plan designations or gifts through living trusts). Ten percent or less of the money to nonprofits comes through the more complex trust or life income vehicles most often emphasized in large institutional marketing. Follow the money if you wish to be successful.
Part One