

# LEGACY GIVING AND ENDOWMENT BASICS

- Demystifying the language and concepts of legacy giving and endowments
- Recognizing situations that make donors ripe giving conversations beyond annual gifts
- Developing comfort and confidence to speak with donors about their legacies

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\*Some materials adapted and plagiarized with permission from Michael Friedman  
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# The Basics

- What is an Endowment?
  - A fund that holds its principal in perpetuity and pays out a small portion annually – typically about 4 to 5 percent – to support organizational operations, annual campaigns, and programs.
  - Assets are invested to grow the principal and generate income.
  - Assets need to grow over time, so annual distribution can grow and remain relevant.
  
- What could be included in Legacy Giving?
  - Charitable giving that enables donors to make larger gifts than they could make from ordinary income alone, and which could form the basis for a lasting endowment.
  - Any major gift, made in lifetime or at death as part of a donor's overall financial planning or estate planning.
  - Planned gifts that may provide an income stream to the donor.
  - Gifts made using estate and tax planning techniques to provide for charity and other heirs in ways that maximize the gift and/or minimize its impact on the donor's estate.
  - By contrast, most gifts to an annual campaign are made from a discretionary income.

# Who Cares About This Stuff?

## □ YOU DO.

- ▣ Legacy gifts and endowments will make your life easier.
  - ▣ Bigger \$\$\$ for your current campaign.
  - ▣ Endowments give you a head start at the beginning of every annual campaign.
- Your board cares (or should).
  - Your boss cares, all the way up to the CEO.
  - Your donors and their professional advisors care.

# Common Myths

## Cultivating legacy gifts is too hard.

- No, it isn't.
- You don't need to be an expert.
- You just need to know enough to start a conversation.
- It really helps if you know some experts.

## I don't know which donors are good legacy giving prospects.

- Yes, you do.
- You probably already know more about them than your other donors.

## I can't talk to donors about their death.

- Then don't talk to them about that.
- Talk about their lives, their values, their families, their communities, their long-term goals and aspirations.
- Remember that your donors love you – in a good way. #NotMeToo

## Legacy giving conversations will drag down our annual campaign, hurt our organization, and damage my career.

- **Shut up.**
- Everyone's going to love you more.
  - ▣ Donors.
  - ▣ Your chief executive and the board.
  - ▣ Your Jewish Community Foundation or planned giving officers.

# Legacy Giving Vehicles:

## Some Vehicles Cover a Donor's Giving Today and Tomorrow

- Donor Advised Fund (Philanthropic Fund)
  - Minimum balance of \$10,000 (but that's just me)
  - Family Giving
  - Grantmaking Assistance
  - Investment Performance
  - Reduced Paperwork
  
- Supporting Organization
  - Minimum Balance \$1 Million+ (may vary, but most of you won't need this)
  - All Benefits Above, plus:
    - Permanent Intergenerational Succession
    - Board of Directors Includes Family and Community Members
    - Perception of prestige

# Legacy Giving Vehicles:

## When Should Someone Consider a Donor-Advised Fund or Foundation?

- ❑ Total giving exceeds \$10,000 annually
- ❑ Appreciated assets (stock, real estate, unneeded insurance)
- ❑ Windfall
- ❑ Sale of business
- ❑ Nearing retirement
- ❑ Desire to start children's or grandchildren's fund
- ❑ Winding down a private foundation
- ❑ Bundlers preserve their charitable deduction – ***new for 2018!***

# Legacy Giving Vehicles:

## Some Endowment Commitments Can Be Changed

- Will or Trust
  - Dollar amount, percentage or residue
- Retirement Plan Beneficiary Designation
  - Percentage
- Life Insurance Beneficiary Designation
  - Percentage
- DAF Remainder

# Legacy Giving Vehicles:

## Other Endowment Commitments Are Irrevocable

These are completed gifts when they are made:

- Gift Today – cash, stock, IRA rollover, other assets
- Insurance – ownership of policy
- Charitable Gift Annuity (CGA) or other charitable income plan
- Gift of residence, retaining a right to live in it

# Different Gifts For Different Stages Of Life

## 40-year-olds

- Will or Trust
- Life Insurance
- Retirement Plan
- DAF Remainder

## 60-Year-Olds

- Will or Trust
- IRA Beneficiary
- Gift Today
- Residence
- DAF Remainder

## 80-Year-Olds

- Will or Trust
- IRA Rollover (70 ½)
- Gift Today
- CGA
- Residence
- DAF Remainder

# Conversation Starters and Other Thoughts

- There is no magic language that will work with every donor. *It's like you're on a date – but don't get weird.*
- Get to know your donors by being interested in them. Ask about:
  - ▣ Family
  - ▣ Childhood
  - ▣ Career
  - ▣ How long they've been in your community and what brought them there
  - ▣ Hobbies
  - ▣ Travel
  - ▣ History of community involvement

# Conversation Starters and Other Thoughts

- Shut Up And Listen! Does your donor:
  - Own appreciated assets, particularly those that don't generate much income?
  - Plan to sell a business?
  - Anticipate a windfall?
  - Own a home free and clear?
  - Own life insurance she no longer needs?
  - Have or expect to have a well-funded retirement?
  - Need a very large tax deduction or one that is at least bigger than usual?
  - Have an IRA RMD, especially if they expect to use the new, higher standard deduction?
  - Have no children, children who are independently successful, or children they just can't stand? (*Are you talking to Philip Block?!*)

# Philip Block



I relocated to Arizona from Texas eight years ago.

The wisdom of our Rabbis teaches us that a negative situation can become a positive situation, and for me it did just that!

I have two biological children from a previous marriage who, by now, are adult, but after much self-denial on my part, their lack of respect, caring and love for me, which are the essentials that any parent wants, led me to become a benefactor.

Many young adult children today think that just because they are flesh and blood, are entitled to and want your money, without conditions or strings attached.

My thoughts on this subject: Why should I leave them anything in death while in life I did not receive love and respect? Therefore, I am bequeathing to a candidate(s) who can benefit and be appreciative of the opportunity offered.

The reason for my writing this is that there is an alternative to giving to undeserving young adult children, which, unfortunately, many of us do. This negativity can be turned into a positive.

I hope that after reading my comments, other parents in this situation will do likewise.

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## Endowment Book of Life Benefactors

# Conversation Starters and Other Thoughts

- Take your time! Legacy giving often requires a deeper level of personal trust than an annual gift.
- When they're ready to talk about it, thank them and make sure the donors know how *genuinely* pleased you are to be working with them.
- It's still about them. It's not about you, and it's not about your organization. Seriously.

# Continuing the Conversation

- What if we could implement your vision today?
- If we could find a way to implement your vision for the future, would you help us?
- What if we could make your vision come true today and tomorrow?

# Objections and some solutions

- ***“I don’t have that kind of cash.”***
  - You can use other assets for a gift – stock, your home, an insurance policy, your IRA . . .
  
- ***“I can’t afford that.”***
  - It doesn’t have to cost you anything today.
  
- ***“I need to take care of my family.”***
  - You can and you should, and:
    - What if you left 90% to your family?
    - Think about sharing a charitable legacy with your family, too.
    - Consider the impact your gift can have on your family and our community.
    - We can help you find a way to do this in a tax-efficient way that minimizes the financial impact on your family.

# What's next?

- **Get in touch with your planned giving officers, your Jewish Community Foundation, or JFNA.**
- **Share as much information about the donor as you can.**
  - Discuss the donor's interests and objectives.
  - Review options – and keep it simple when you can.
  - *They can only do their best work if they have the best information.*
- **Make a *useful* introduction.**
- **When the donor is ready, secure written confirmation of the gift, including:**
  - Gift restrictions: unrestricted endowment, specific programs, capital gifts.
  - Can the uses ever be changed? By whom? How?
  - Payment terms: amount, timing, specific assets.
  - Recognition: to satisfy needs of the donor *and* the organization.
  - Reporting requirements, if any.

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