

Yes, You Can Have an Endowment!

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Today we will cover . . .

- ◆ What is endowment, anyway?
- ◆ Excuses for not having endowment
- ◆ Why your organization should be considering endowment
- ◆ Getting to endowment
- ◆ Resources

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What is endowment, anyway?

- ◆ It is certainly a big step up!



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Endowment definitions

◆ True/Permanent Endowment

- ❖ A fund ESTABLISHED BY A DONOR with the intention it will exist in perpetuity to support an organization or program within an organization

◆ Quasi/Board Designated Endowment

- ❖ A fund ESTABLISHED BY A BOARD with the intention of supporting the organization or program in perpetuity

◆ Term Endowment

- ❖ A fund created for a specific period of time but usually managed and

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What are some things you've heard about endowment?

◆ A Rainy Day Fund

◆ Organization Saving Account

◆ Reserve Fund

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Endowment excuses



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Excuse #1: We're not big enough

- ◆ Only about 10% of Arizona's 22,907 (in 2016) nonprofits had paid staff.
- ◆ Nationally, that's about the same.
- ◆ Yet the failure rate is high: 21% in an IRS survey 20 years ago.
- ◆ IRS has since required all nonprofits to file a postcard annually. After three years of no postcard they are now removed from the list of nonprofits.

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We're Not Big Enough

- ◆ In this instance, **size does NOT matter!**

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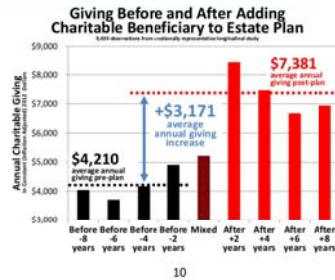
Excuse #2: It will hurt the annual fund

- ◆ This is the fear of ED's and CFO's everywhere.
- ◆ You do have to ask for the endowment gift as an additional gift, not in lieu of the annual gift.

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Excuse #2: It will hurt the annual fund

- ◆ Research from Dr. Russell James, Texas Tech



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Excuse #3: We don't have the technical expertise

- ◆ Too many staff/board are fearful of acronyms they've heard and don't understand: CRUT, CRAT, ILIT, CLT
- ◆ Your donors don't know those terms either.
- ◆ Estimates from studies range from 70% to 90% of endowment gifts coming from bequests. Asking someone to leave you a gift in their will does not require technical expertise.

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Excuse #3: We don't have the technical expertise

- ◆ Technical language is likely to alienate your donor.
- ◆ See Words That Work
- ◆ Use **family** words, not formal words



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Excuse #4: It costs too much money

- ◆ You CAN spend a lot of money – but you don't have to.
- ◆ You need professional contacts and resources for at least one point person.
- ◆ Somebody needs to be knowledgeable and serve as a resource for donors and staff.
- ◆ You need to honor the donors who make a legacy commitment.
- ◆ You will need some minimal literature and info on your website.

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Excuse #4: It costs too much money

- ◆ Typically, one gift will more than offset the annual cost of your program.
- ◆ The concern for many nonprofits, is that the expense is now and the gift may be in the future.

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Excuse #5: We don't have wealthy donors

- ◆ Wealthy donors ARE more likely to have made a charitable estate provision.
- ◆ Wealthy donors DO make larger gifts than the rest of us.
- ◆ But your BEST prospective donor is a faithful, longtime supporter in ANY dollar amount.

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Excuse #5: We don't have wealthy donors

- ◆ The #1 best prospects per Dr. R. James are **childless individuals**
- ❖ Childless individuals are 5 times more likely to include a charitable bequest in their estate plan than those with children or grandchildren.



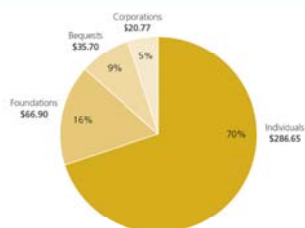
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Why consider endowment?



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2018 Giving USA Source of gift dollars given



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PEOPLE are your market

- ◆ About 88% of all charitable gift dollars come from people:
 - ❖ Living
 - ❖ Deceased
 - ❖ Family Foundations

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Organizations promoting endowment

- ◆ Must be perceived as worthy of receiving the donors' assets
- ◆ Some markers include:
 - ❖ Well established & well regarded
 - ❖ Stable leadership
 - ❖ Making a difference with their mission
 - ❖ Already successful – NOT needy

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Worksheet: *Your Planned Giving Potential*

- ◆ MarketSmart and Michael Rosen



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- ◆ Key members of the board (and staff, if applicable) **MUST** support.
- ◆ This is not a one-time effort. It must be ongoing.
- ◆ Consider board and top staff as legacy donor prospects.

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- ◆ Must know enough to direct donors to the right person or people.
- ◆ Finance staff and board will be critical in your journey.
- ◆ Offer constant educational opportunities:
 - ❖ Free webinars (Bloomerang, Donor Search, AFP for members)

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Think about policies

- ◆ Do you have gift acceptance policies?
- ◆ Does your board do its own investing or do you hire an outside money manager?
- ◆ These are forever funds. How will you document them for posterity to honor and preserve donor wishes?

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Develop a SIMPLE program Start small and cut from the bottom

- ◆ Promote gifts in wills (bequests)
 - ◆ Promote IRA Qualified Charitable Distributions
 - ◆ Promote gifts of stock
- ◆ *Note:* Allow for cash contributions IN ADDITION to annual fund gifts

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Honor your donors

- ◆ Do not lump your legacy donors into your major gift club.
- ◆ Create a legacy recognition group.
- ◆ Don't give them stuff - give them experiences.
- ◆ List them.
- ◆ Tell their stories.
- ◆ Keep track of them.

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Develop your "bench"

- ◆ Consider an advisory group of professionals.
 - ❖ Estate planning attorney, financial planner, nonprofit CPA, real estate professional, life insurance professional, bank trust officer
- ◆ Consider joining Planned Giving Roundtable

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Legacy gift "ask" is a different conversation

- ◆ It's not about renewing or increasing their annual gift.
- ◆ It's not about sponsoring a hole at the golf tournament or buying a table for your gala.
- ◆ It IS
 - ❖ Personal
 - ❖ About honoring loved ones
 - ❖ Being remembered
 - ❖ Assuring the organization/program/mission continues

Keep it up and grow it logically

- ◆ Opportunities presenting themselves can help shape your growth.
- ◆ Use your "bench" to go forward logically.
- ◆ Mind the potential conflicts of interest.
- ◆ Do not accept: time shares, cemetery plots.
- ◆ Be very careful in accepting: anything that eats, anything with a steering wheel/handle bar.
- ◆ Never stop telling your legacy donor stories.

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- ◆ Crescendo and Stelter and PG Calc
- ◆ MarketSmart
- ◆ Michael Rosen blog
- ◆ Blackbaud, Donor Search and Bloomerang studies
- ◆ Lilly School of Philanthropy
- ◆ National Association of Charitable Gift Planners, Planned Giving Roundtable of Arizona, Association of Fundraising Professionals
- ◆ Planned Giving Design Center

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- ◆ Visual Planned Giving Basics
- ◆ Encourage Generosity



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- ◆ What will you take back to your organization from today's session?



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For more information

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