



The Brave New World of Philanthropy – Where Do We Go From Here?

**Presented by
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at**

**NAD Planned Giving & Trusts
Services Conference**

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Introduction & Overview

MAJOR FACTORS IMPACTING FUNDRAISING

- Economics
- Demographics
- Tax Policy and Other Political Factors
- Societal Change







COMPLEX INTERACTIONS

- All of the Major Factors Are Linked and Intertwined
- Recent Focus Has Been on Changes in Tax Law
- Important to Understand Implications

COMPLEX INTERACTIONS

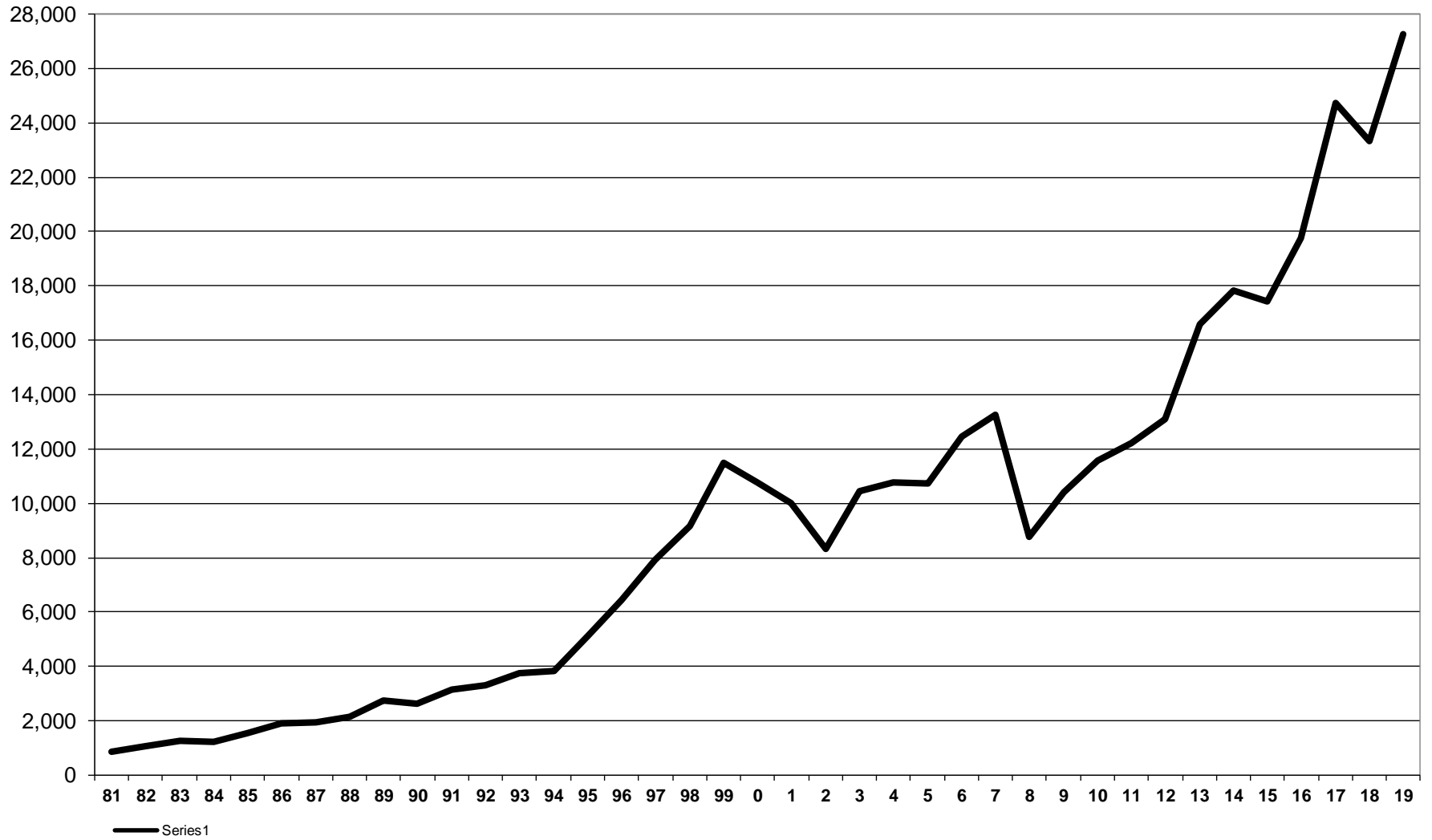
- But Other Issues May Have Equal or Greater Impact on Future of Philanthropy
- Organizations That Understand Implications and Adapt Accordingly Should Continue to Thrive



ECONOMIC FACTORS

- Stock Market Recovery
- Reaching New Highs
- Underlying Economy Healthy
- Significant Regional Differences

Dow Jones Industrials Average For Period 1981-Present



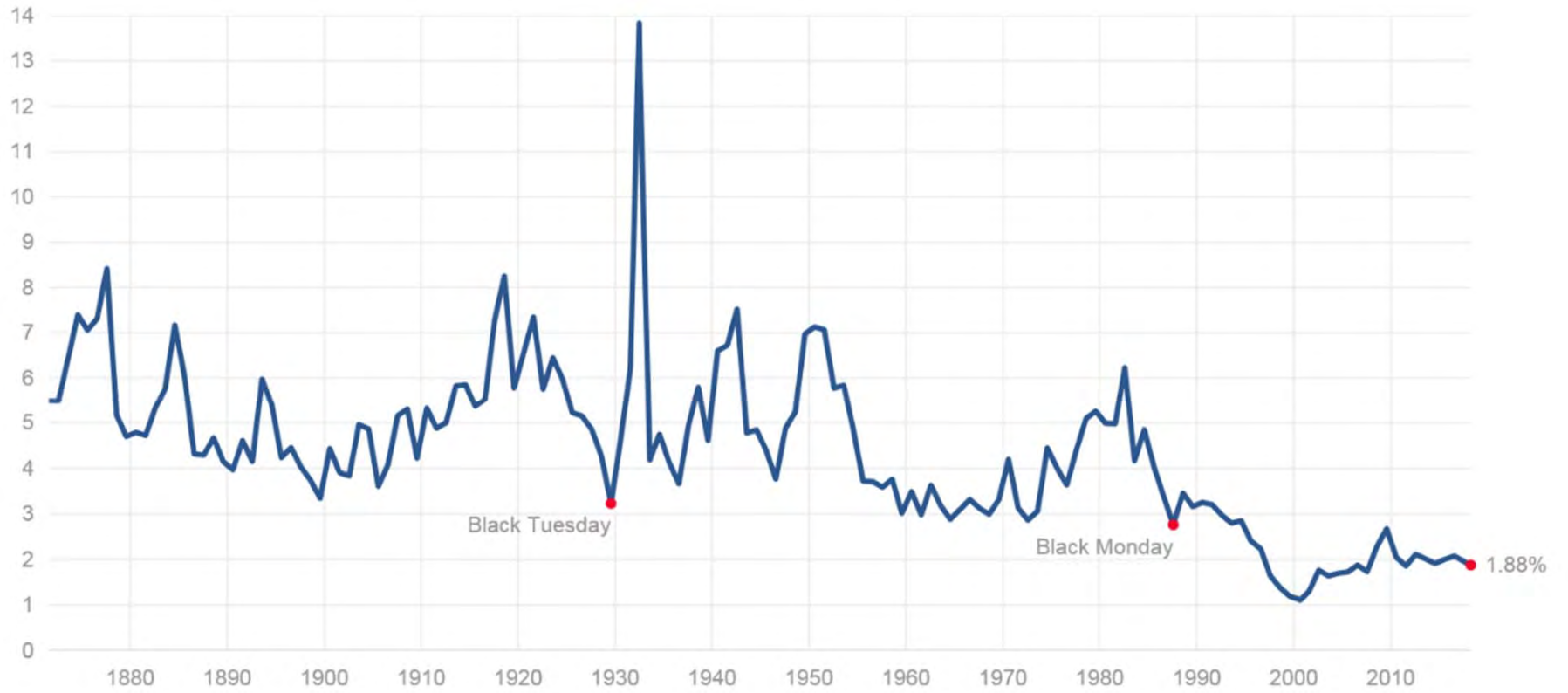
ECONOMIC FACTORS

- Concentration of Wealth
Has Increased in Recent Years
- Most Income Gains Experienced
By Top 1%
- Recent Tax Law Changes May
Serve to Enhance This Trend

ECONOMIC FACTORS

- Income From Investments Has Declined in Recent Years

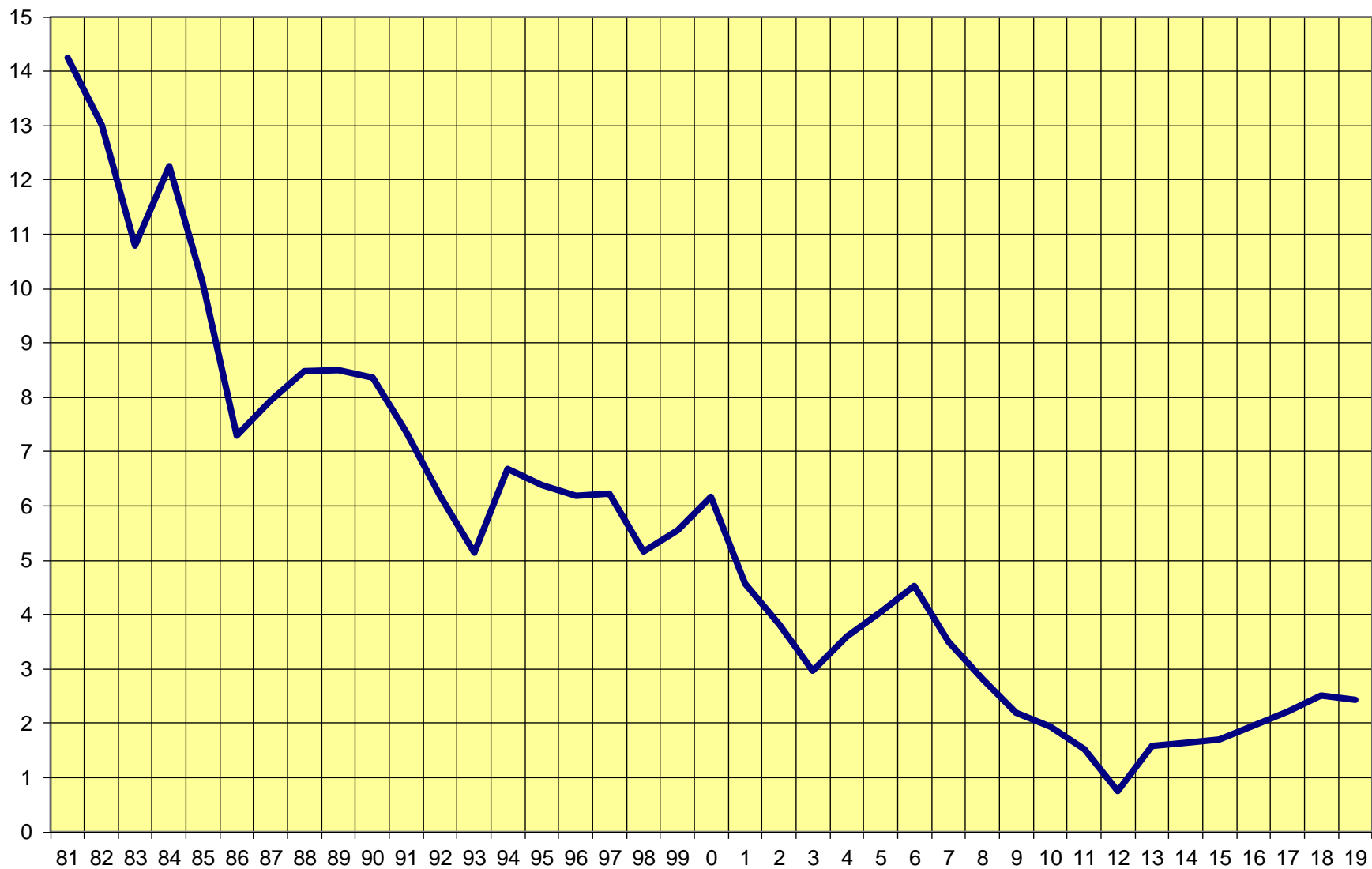
S&P 500 Dividend Yield



ECONOMIC FACTORS

- Particularly True of Investments Tied to Interest Rates

Trend in 5-Year Treasury Rates 1981-Present



ECONOMIC FACTORS

- This Has Heavily Impacted Many Older Americans
- Increasing Numbers Are Purchasing Annuity Products or Self-Annuitizing
- Reverse Mortgages One Example

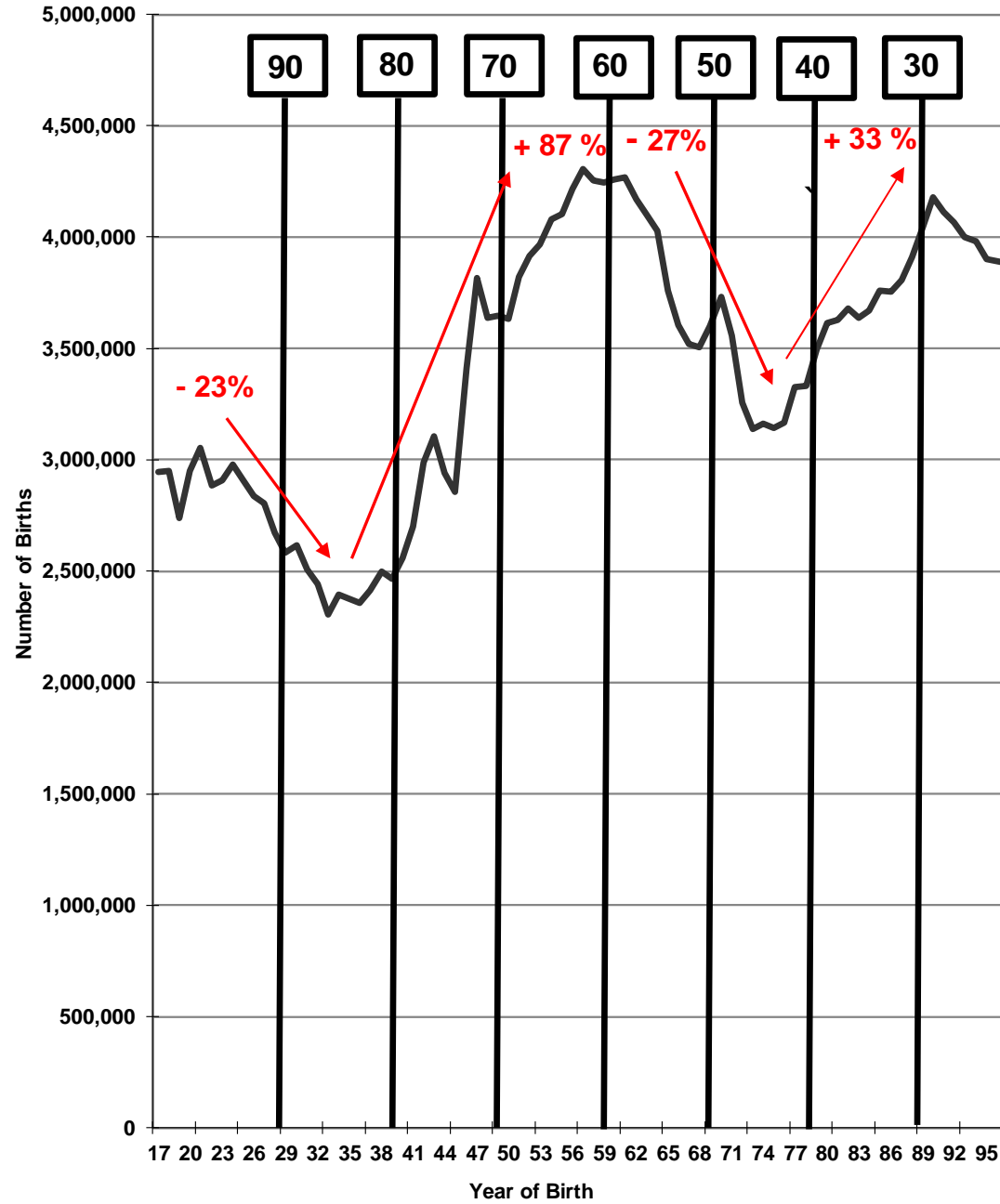


DEMOGRAPHIC SHIFTS

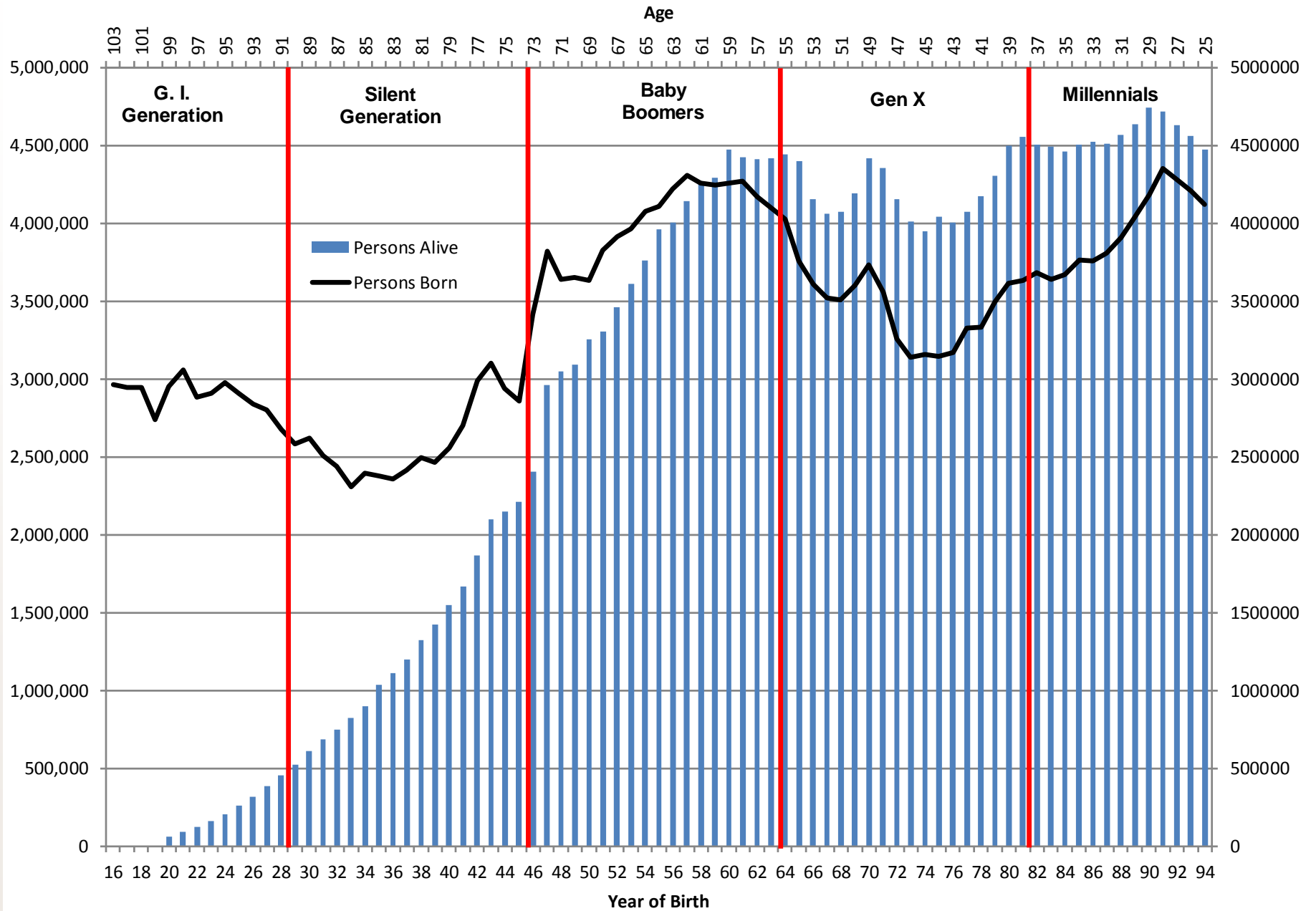
- America's Age Distribution Has Shifted Dramatically
- Impacting Economy In Many Ways
- Nonprofit Fund Development No Exception



Births in America for Period 1917-1997



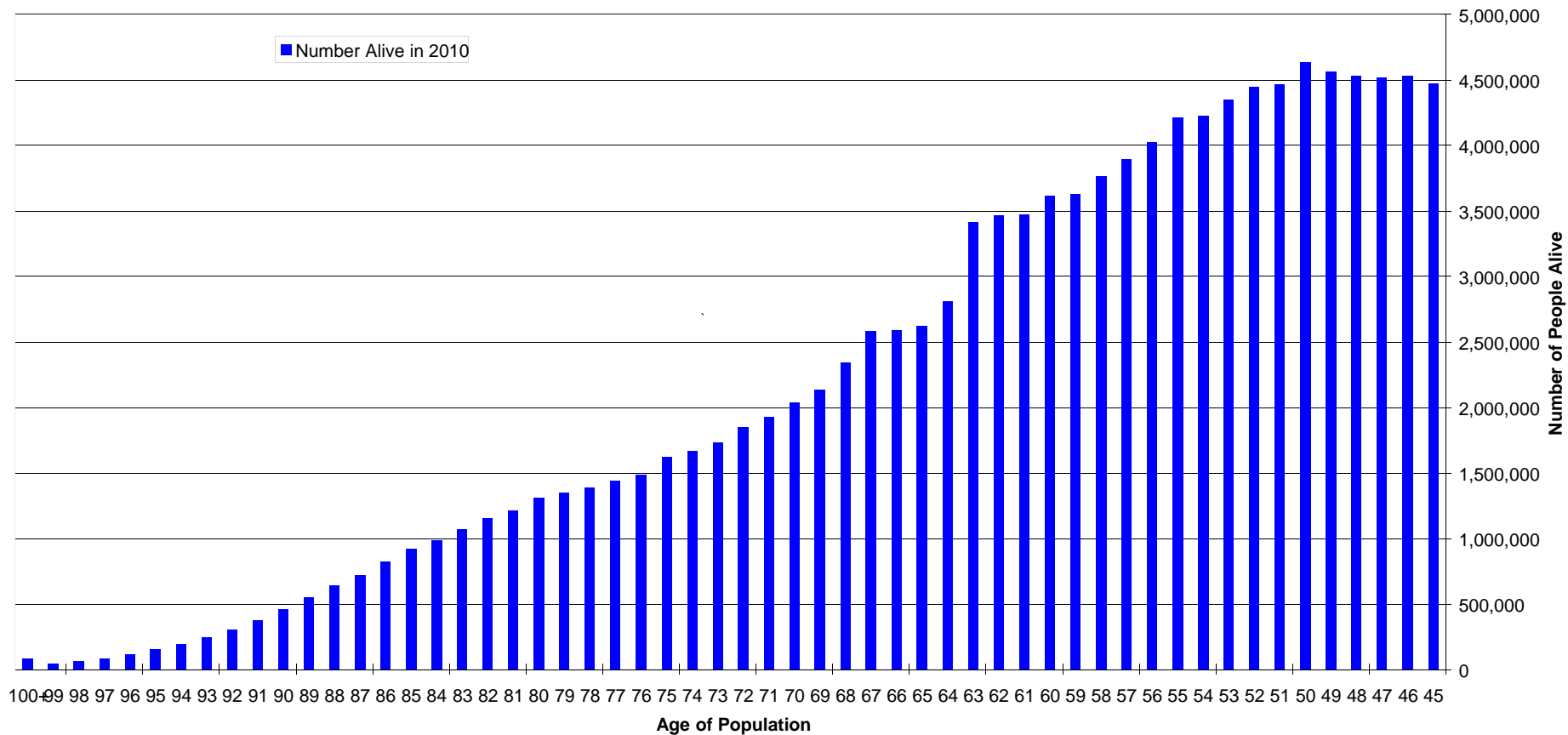
Numbers of Persons Alive



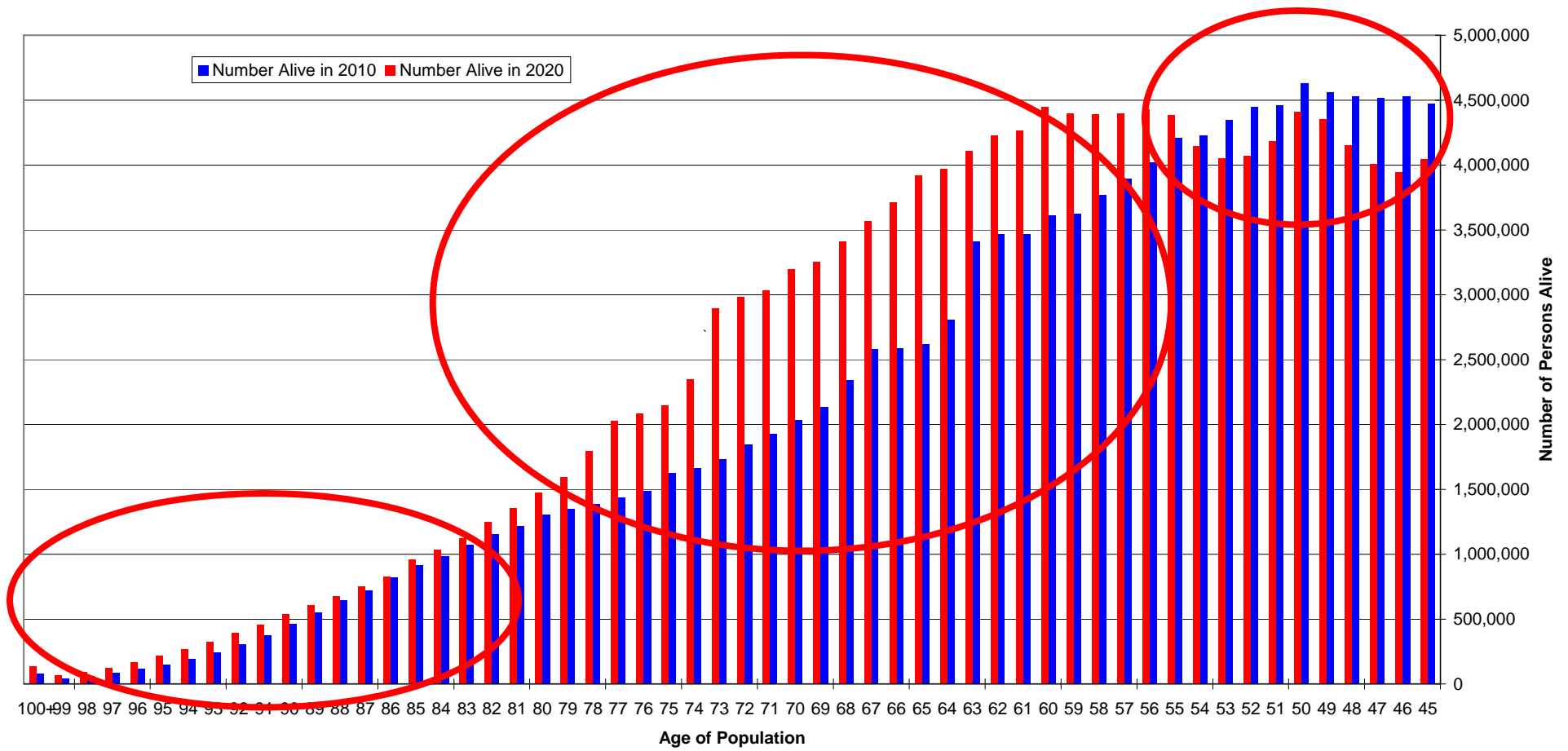
DEMOGRAPHICS AND FUNDRAISING

- Silent Generation Not Large Enough to Replace G.I. Smaller G.I. Generation
- Has Impacted Donor Acquisition
- Gen X Not Large Enough To Replace Baby Boomers In Future

Number of People Alive By Age in 2010



Number of Persons Alive By Age in 2010 and 2020



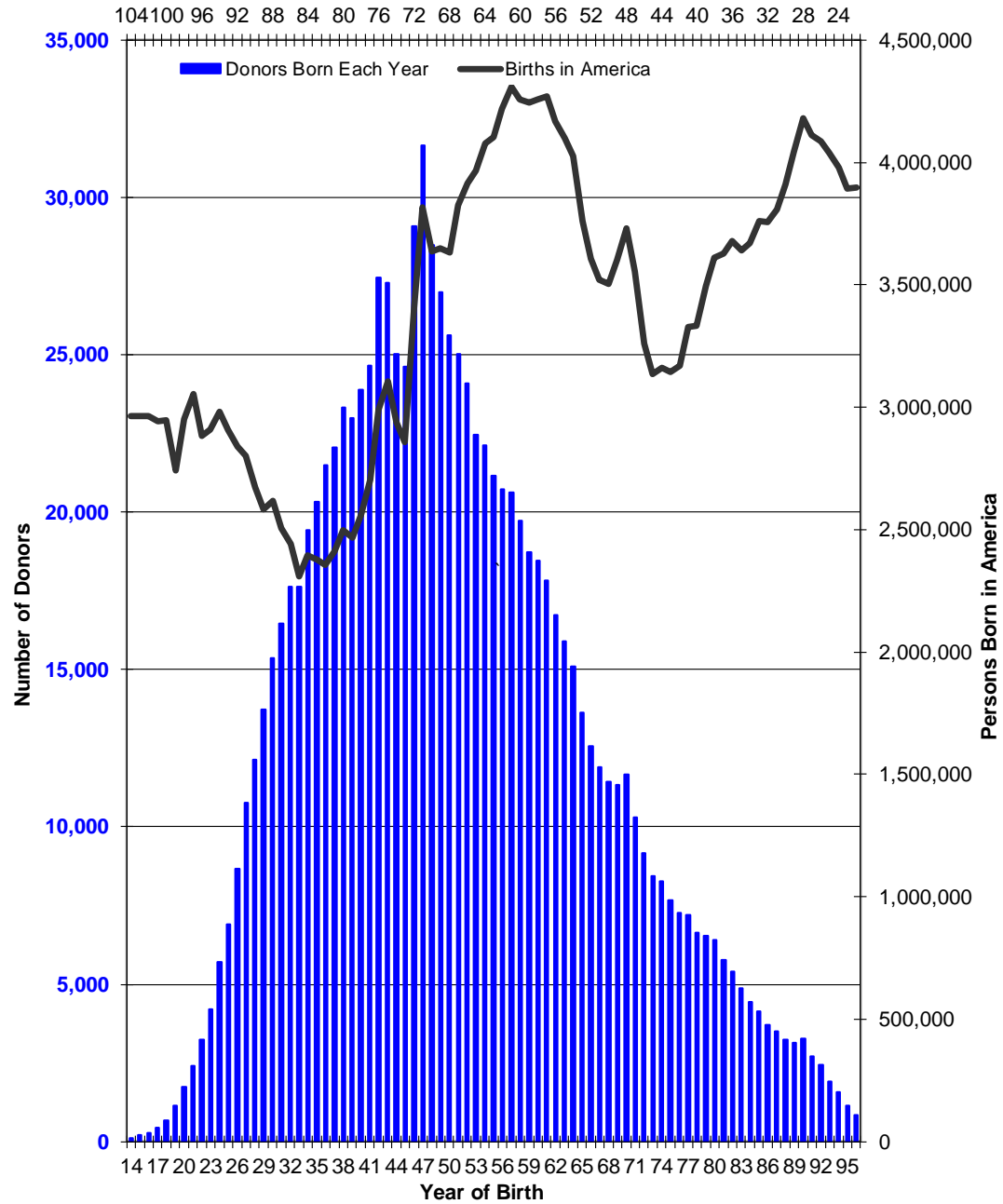
DEMOGRAPHIC SHIFTS

- Impact On Donor Age Distribution Varies
- Every Organization Has Unique Demographic Footprint
- Extremely Important When Looking at Future Funding Potential

National Health
Organization

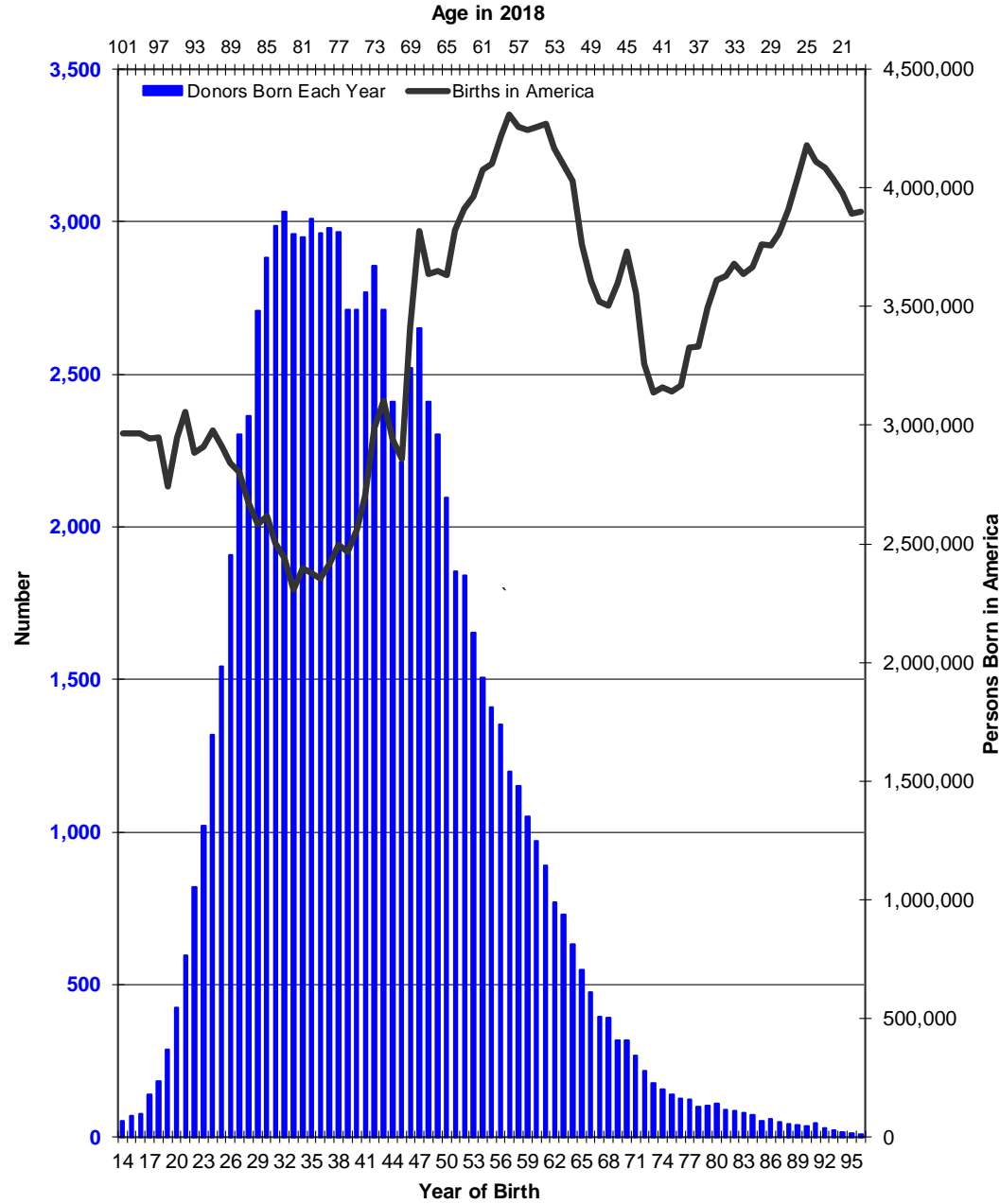
36 Month Recency Donors Compared To Number of Persons Born

Age in 2018



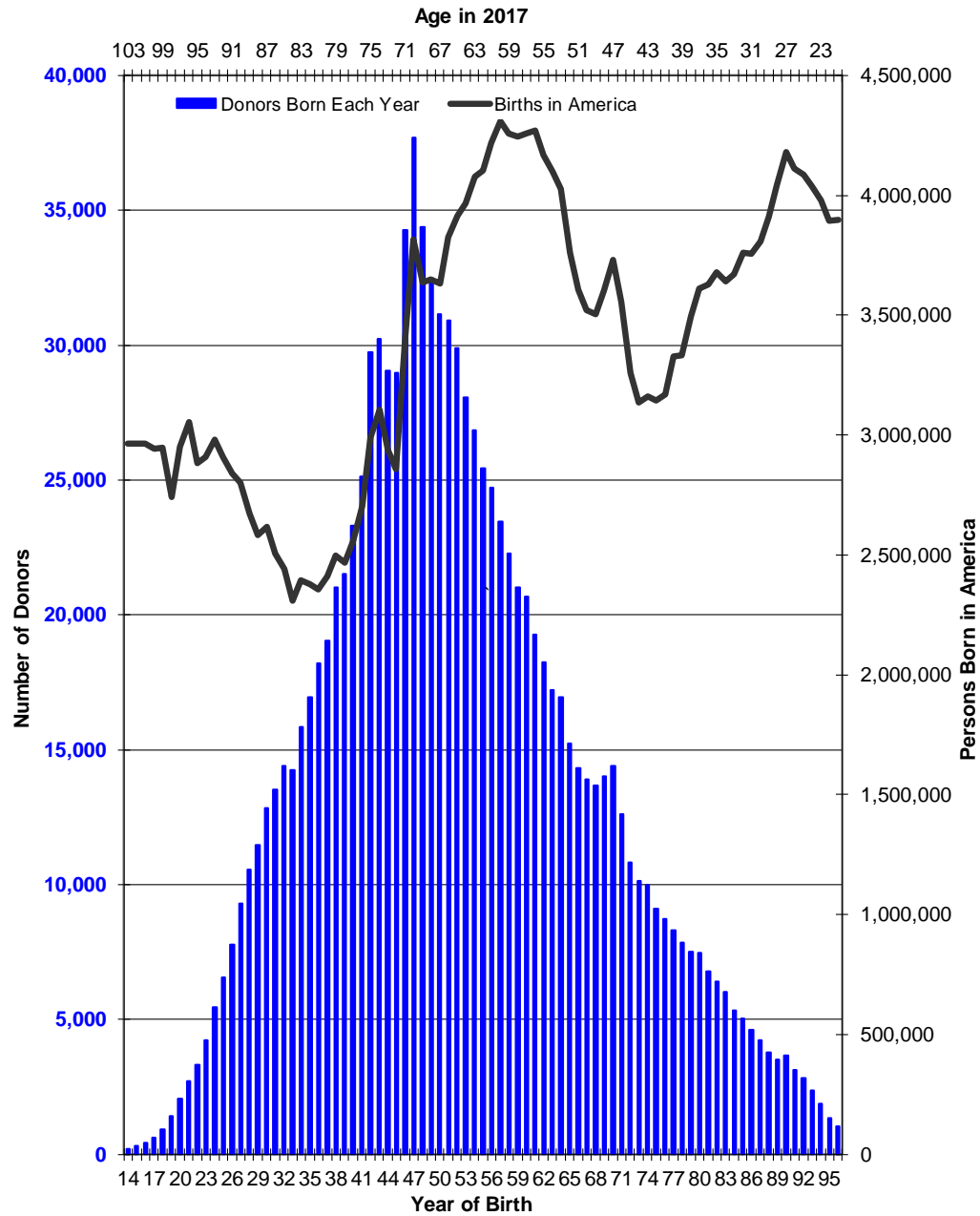
Regional Child Care Agency

Age Distribution of Donors Who Have Given Three Times or More with 36 Month Recency



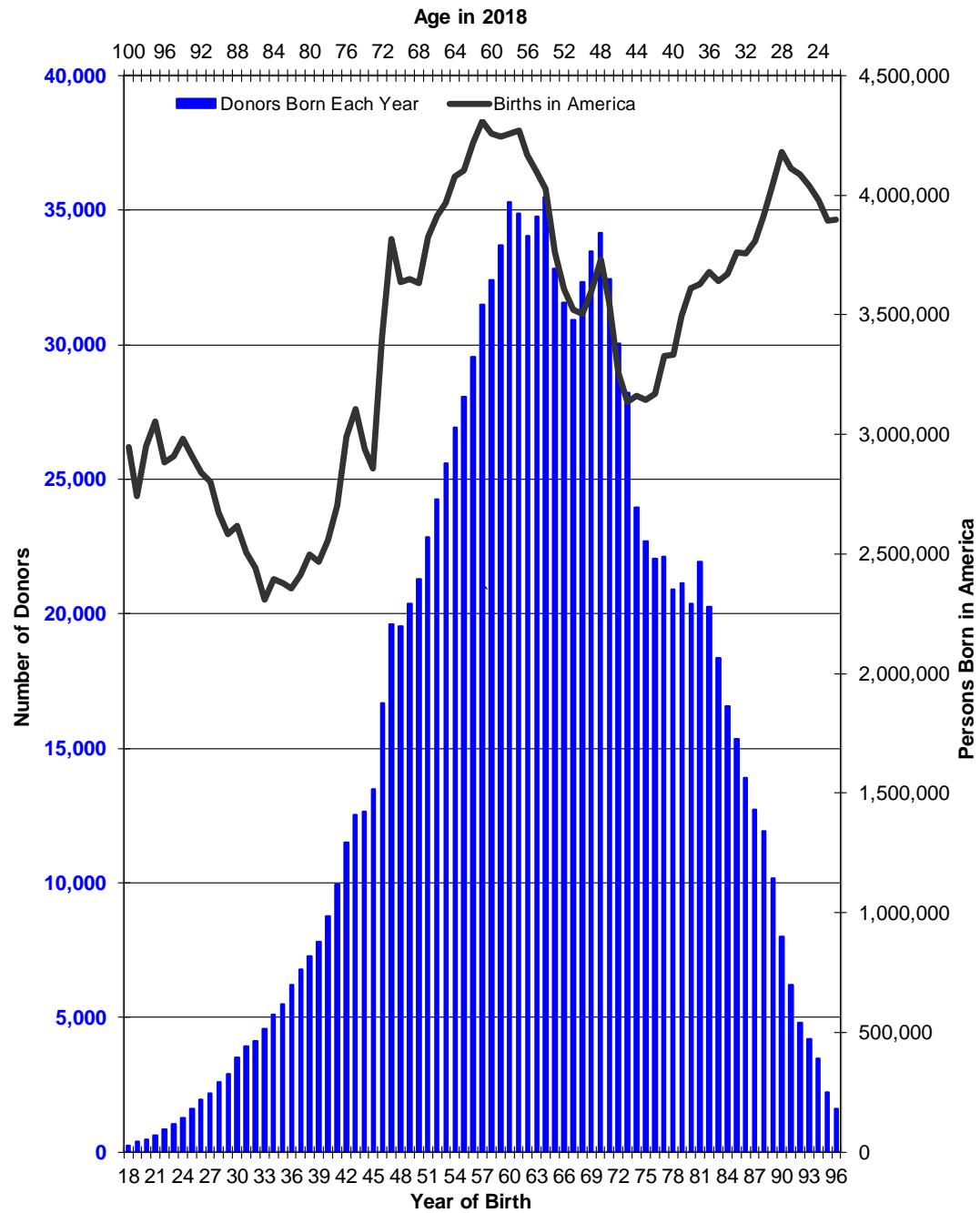
Environmental
Organization

36 Month Recency Donors Compared To Number of Persons Born



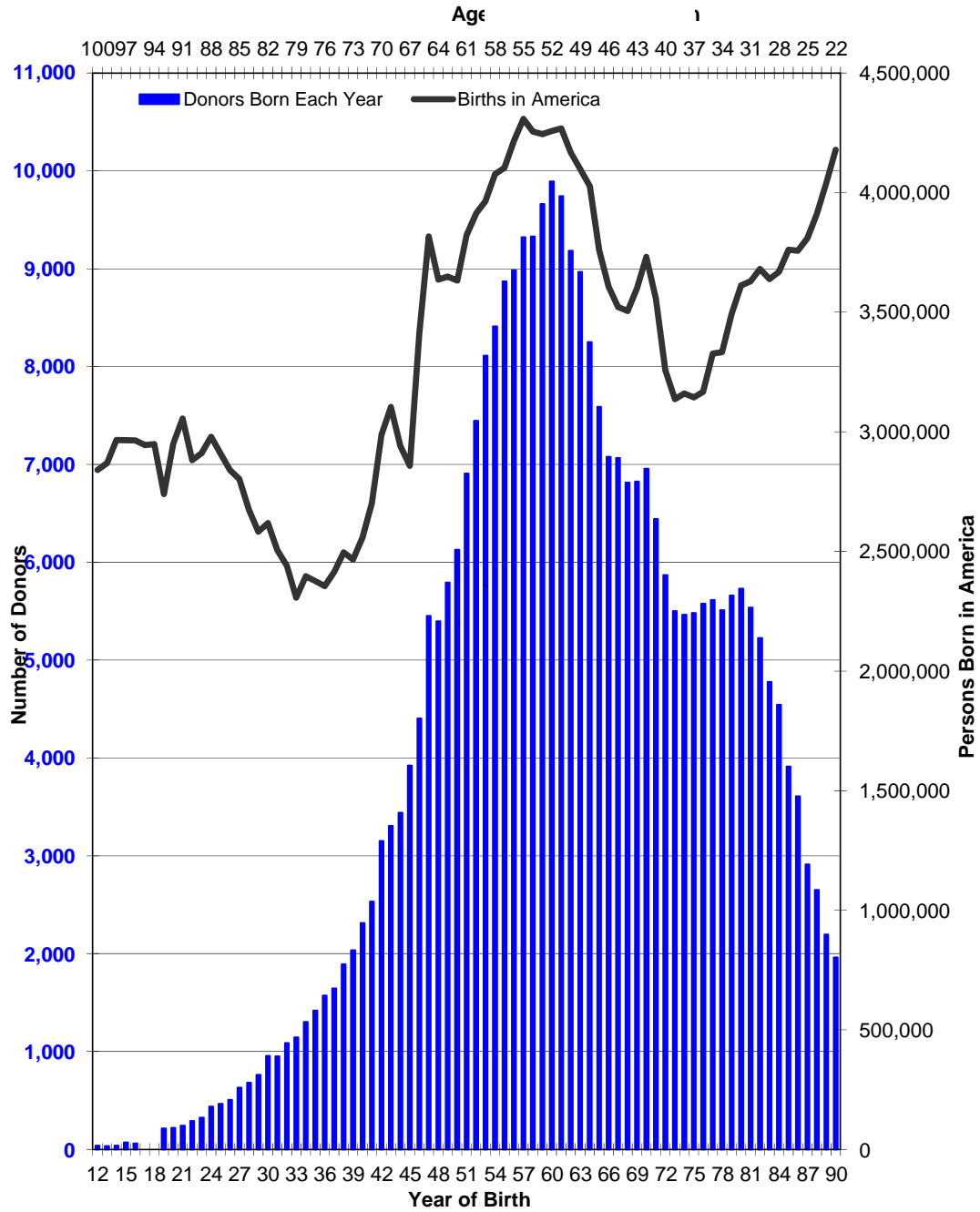
International Religious Relief Organization

36 Month Donors Compared To Number of Persons Born

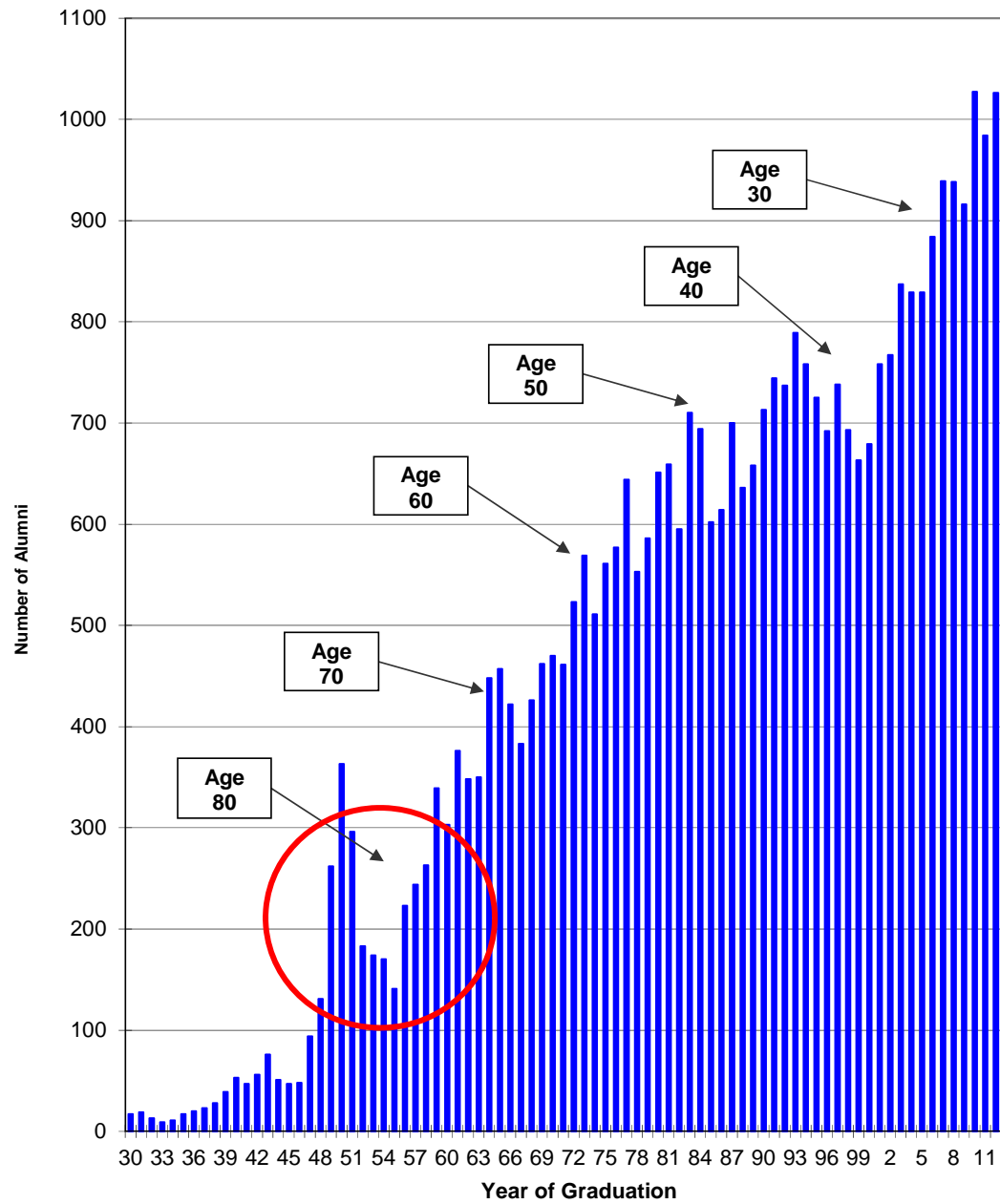


**Child Sponsorship
Organization**

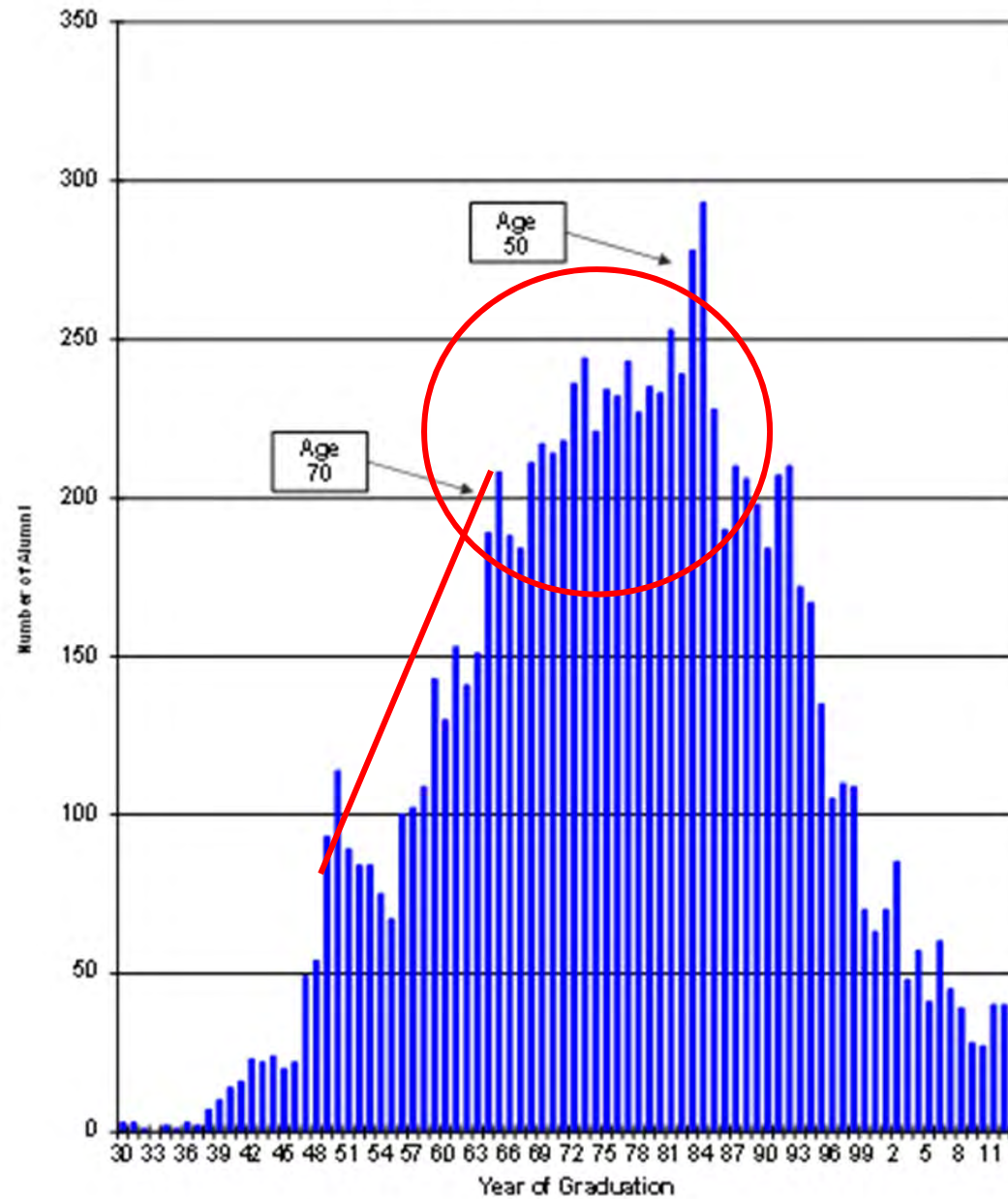
**Age of Donors Compared
To Number of Persons Born**



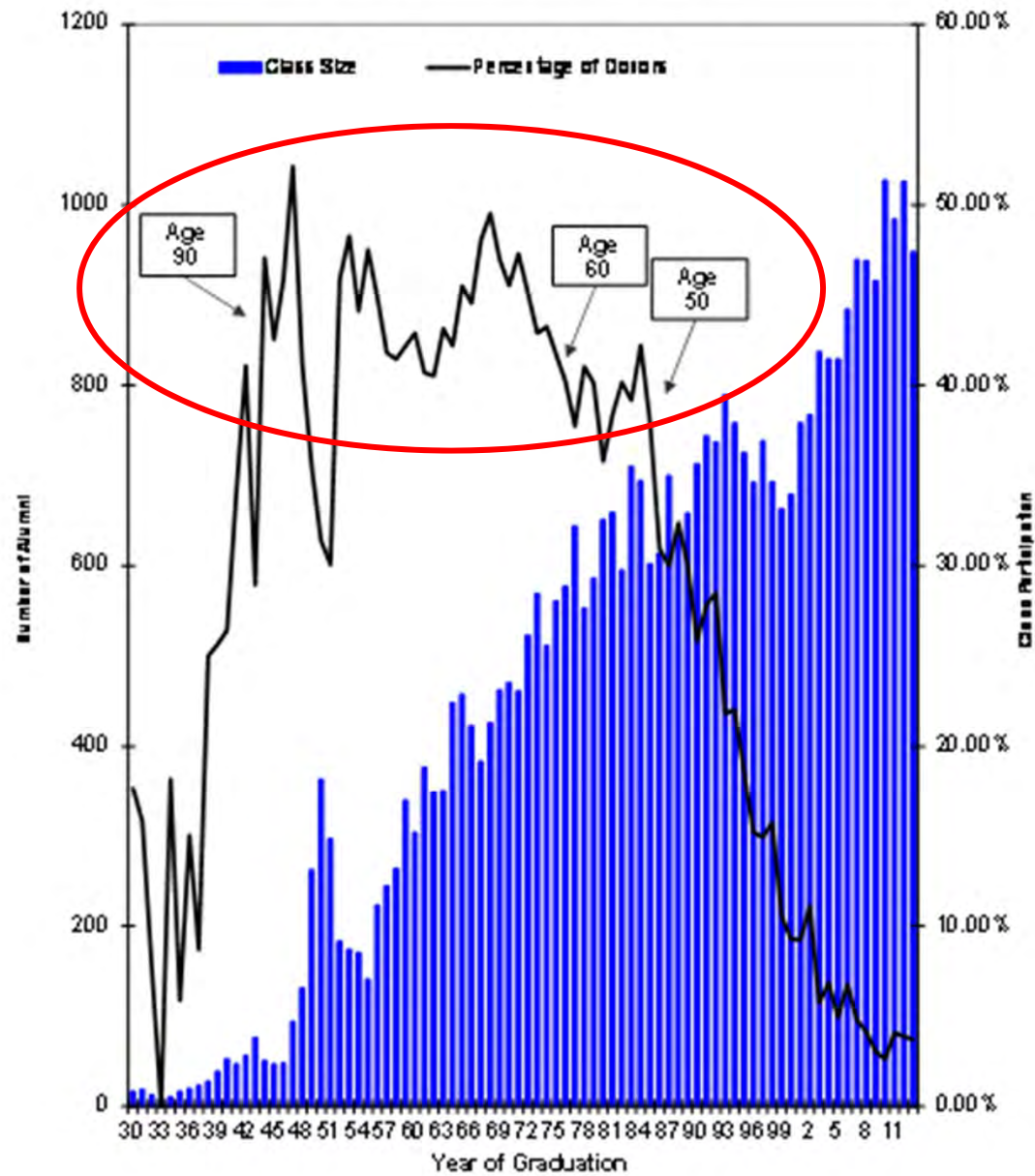
Number of Living Alumni By Year of Graduation



Number of Donors Per Class



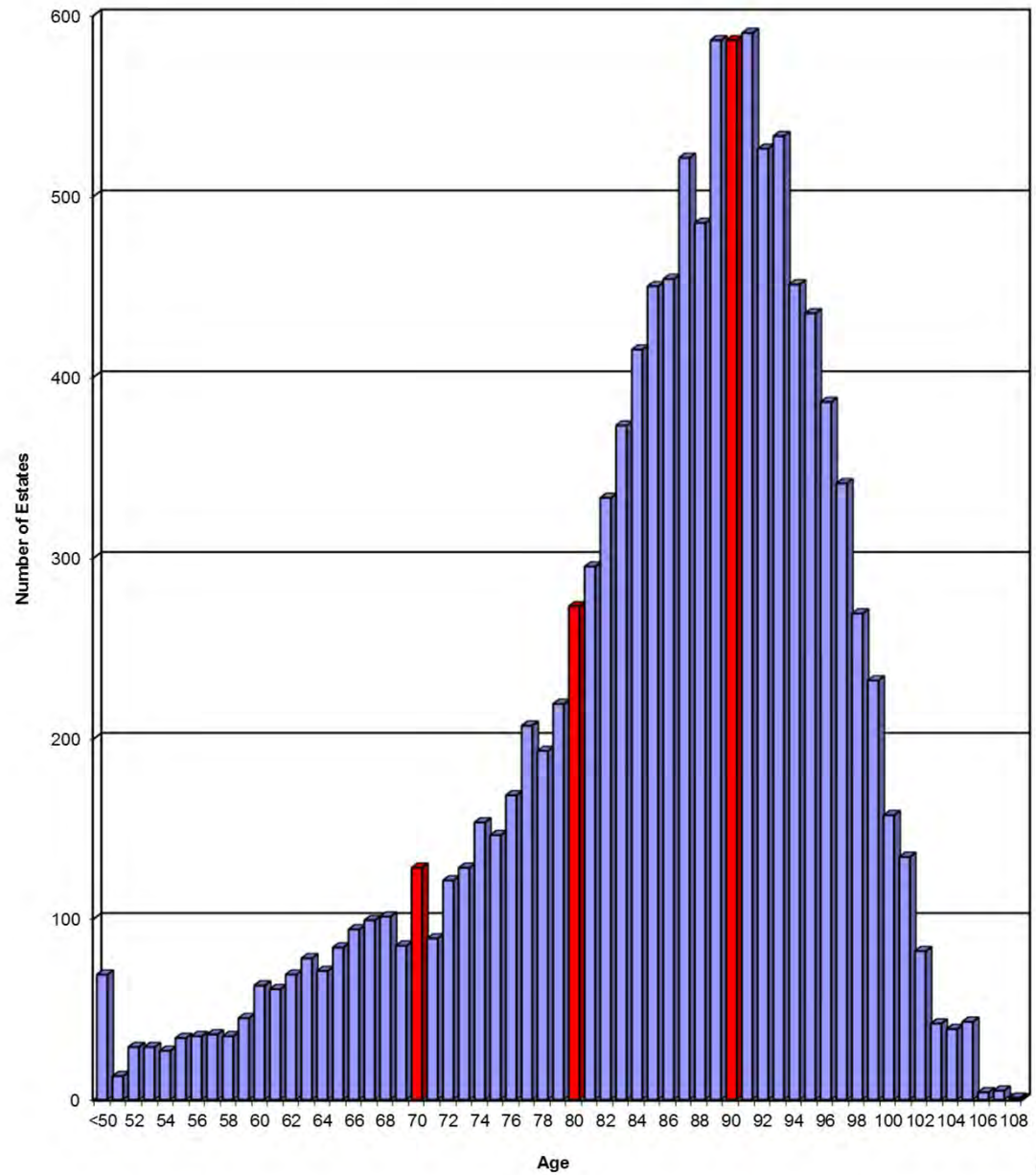
Class Size Compared To Percentage of Recent Donors



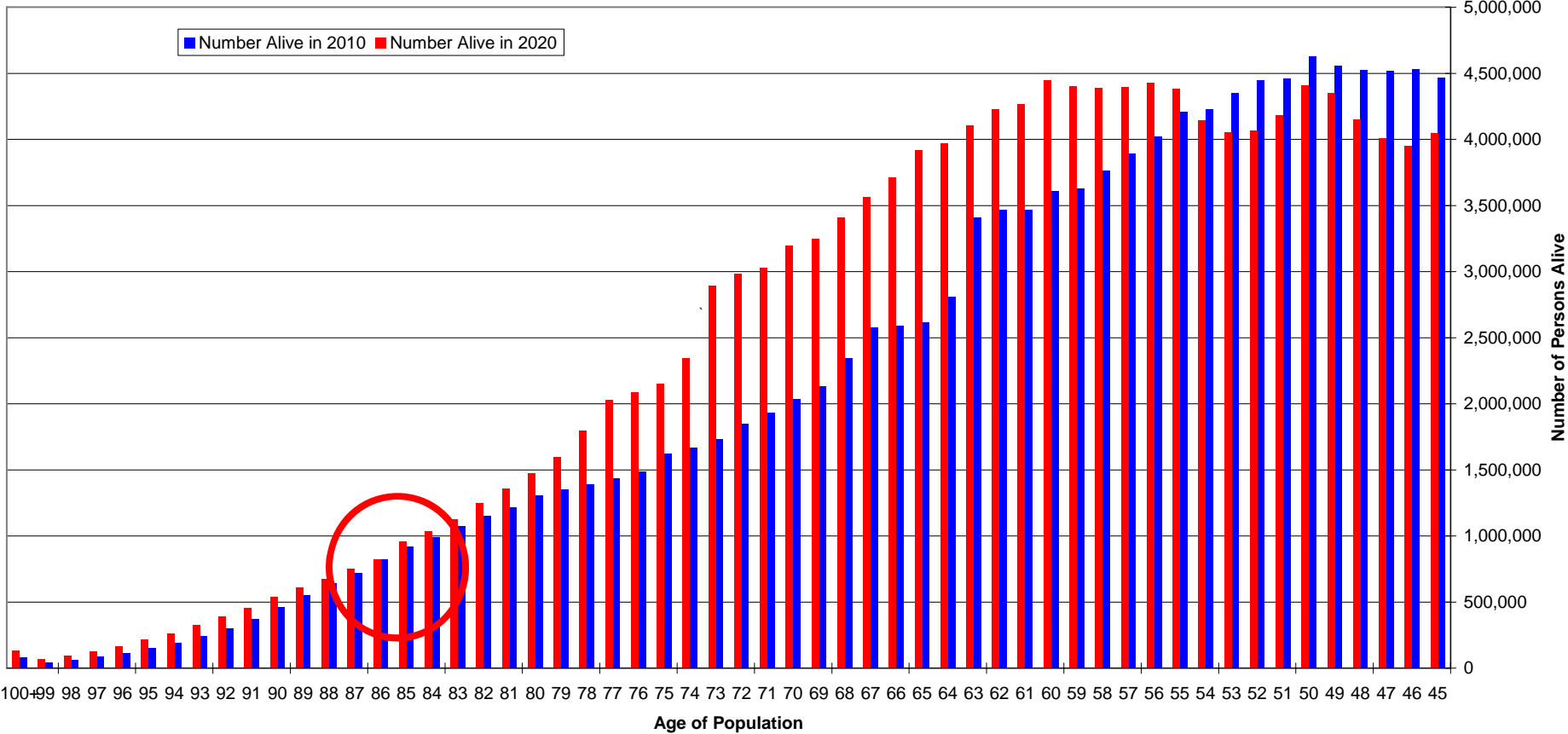
DEMOGRAPHICS AND ESTATE GIFT INCOME

- What Is Relevance to Philanthropy?
- Greater Reliance on Older Major Donors
- Impact Being Felt on Estate Gifts
- Median Age at Death for Bequest Donors Is Approximately 87

Age At Death For 11,754 Estates



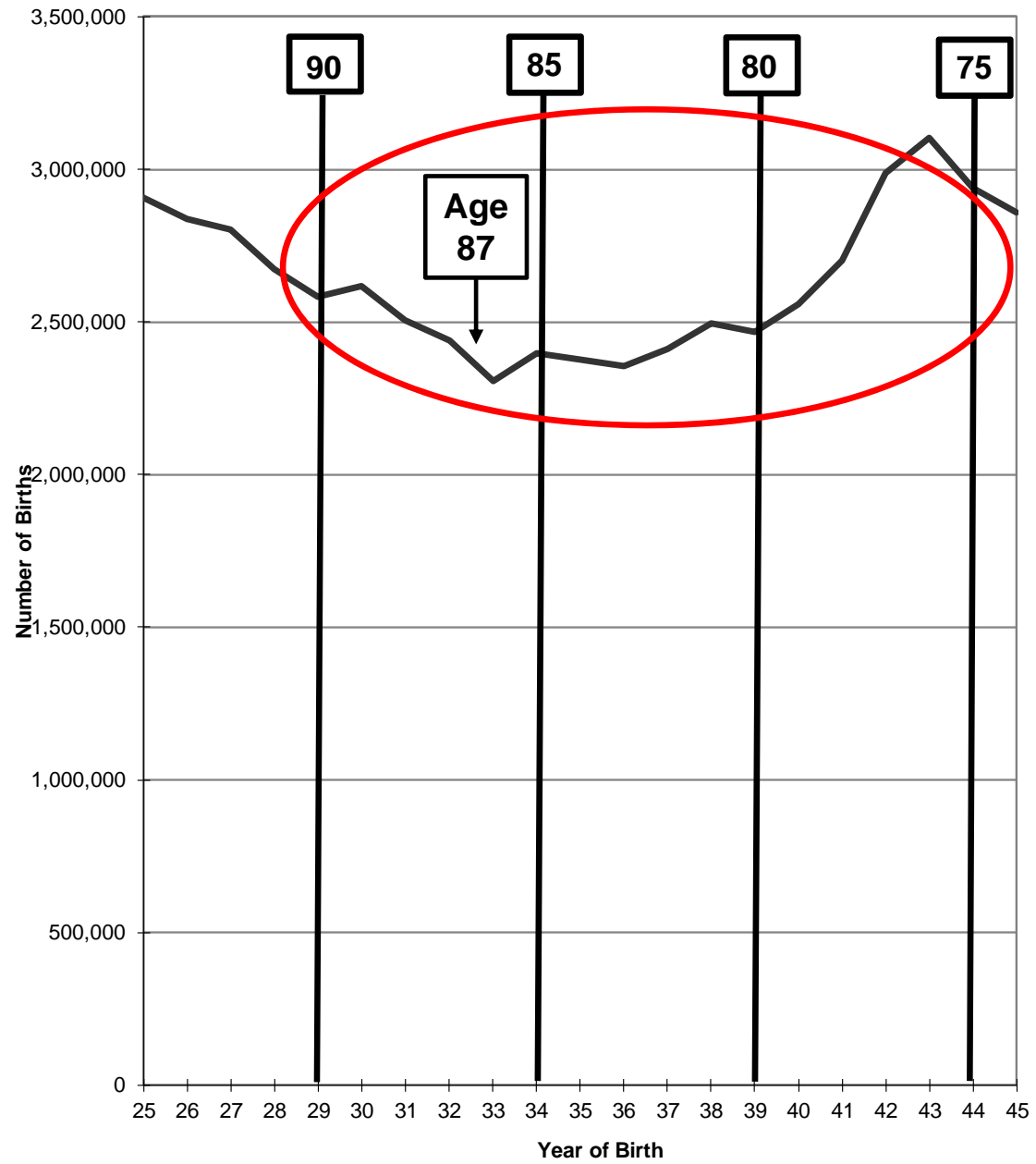
Number of Persons Alive By Age in 2010 and 2020



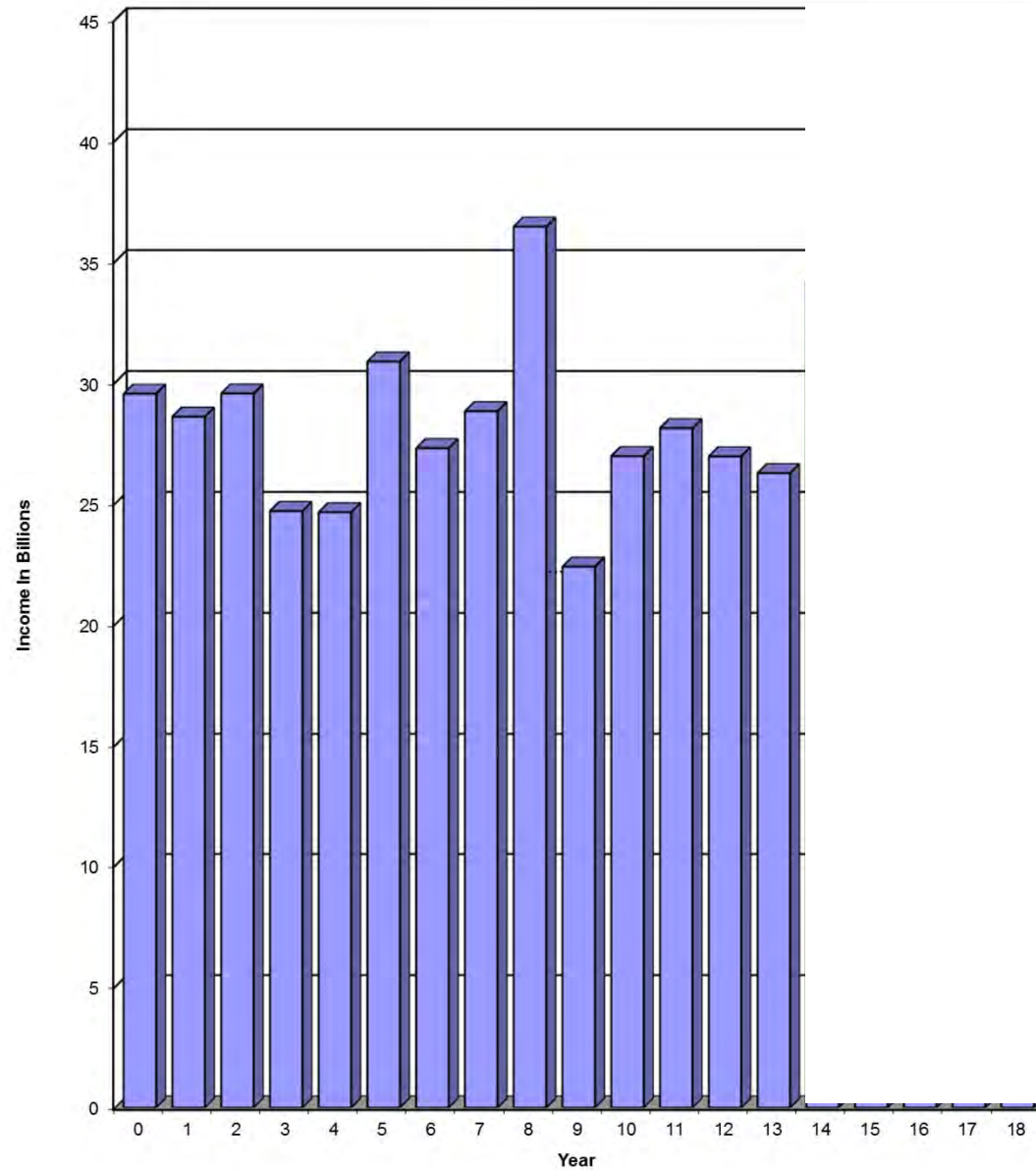
DEMOGRAPHICS AND ESTATE GIFT INCOME

- People Not Born in the Mid-1930s
Did Not Pass Away 87 Years Later
on Average

Births in America for Period 1925-1945



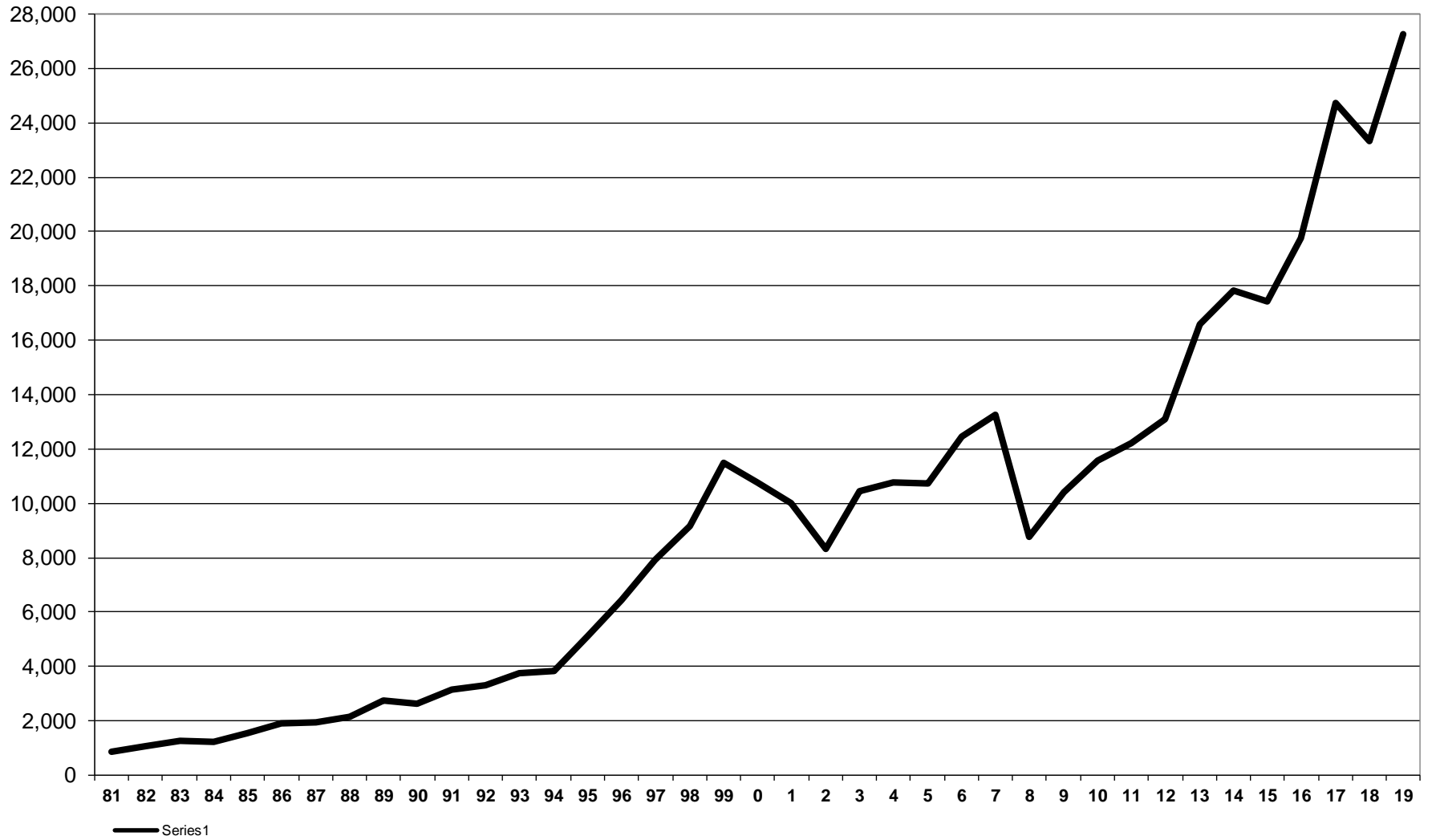
Inflation Adjusted Giving USA Bequest Income 2000-2018



ECONOMICS AND ESTATE GIFT INCOME

- Large Increases In Investment and Real Estate Values Has Masked Impact of Demographics to Some Extent

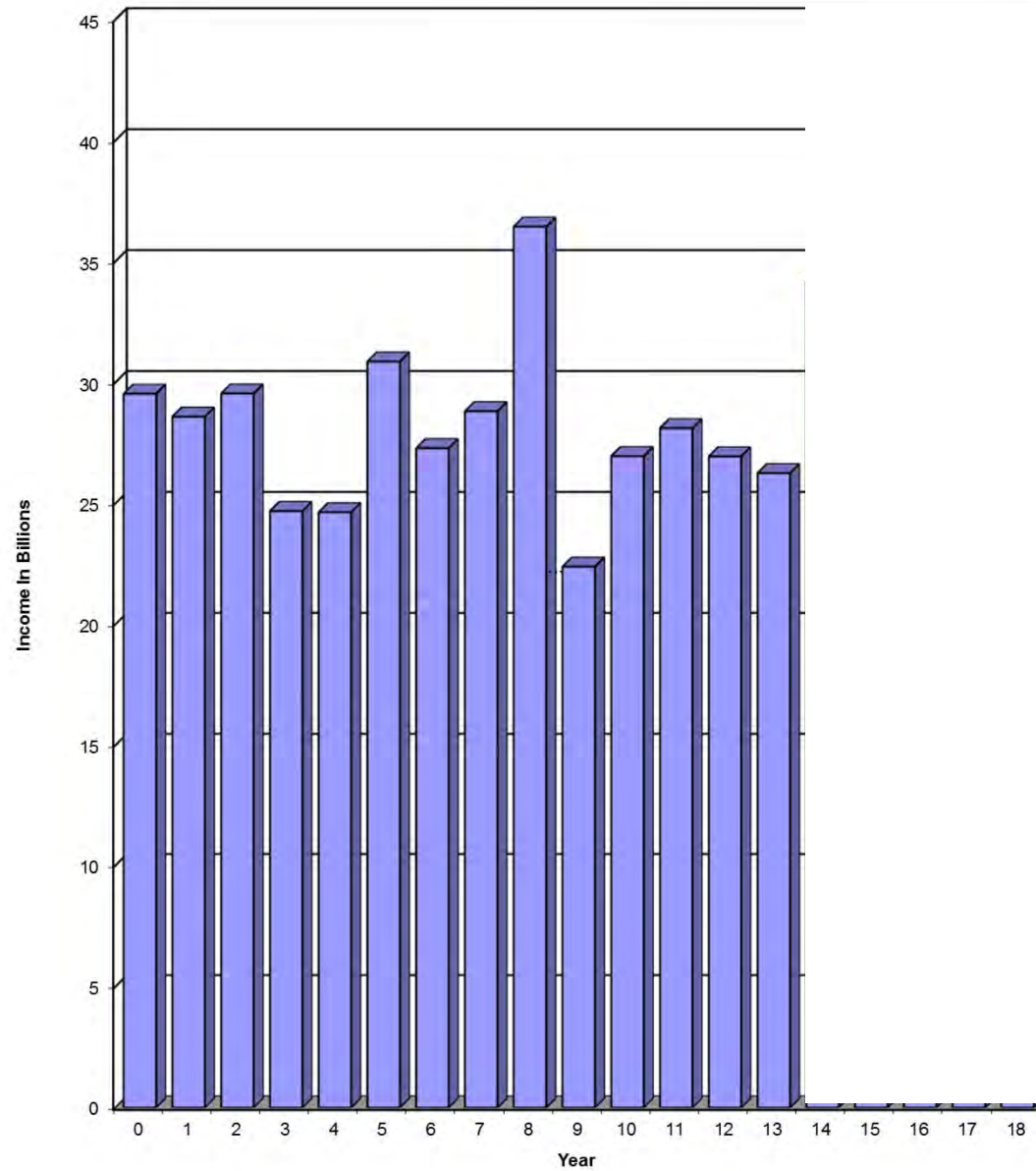
Dow Jones Industrials Average For Period 1981-Present



ECONOMICS AND ESTATE GIFT INCOME

- **Bequest Income Has Increased
Partly as a Result**

Inflation Adjusted Giving USA Bequest Income 2000-2018



ECONOMICS AND ESTATE GIFT INCOME

- Volume Still Relatively Flat
- Average Size Has Increased

DEMOGRAPHICS AND ESTATE GIFT INCOME

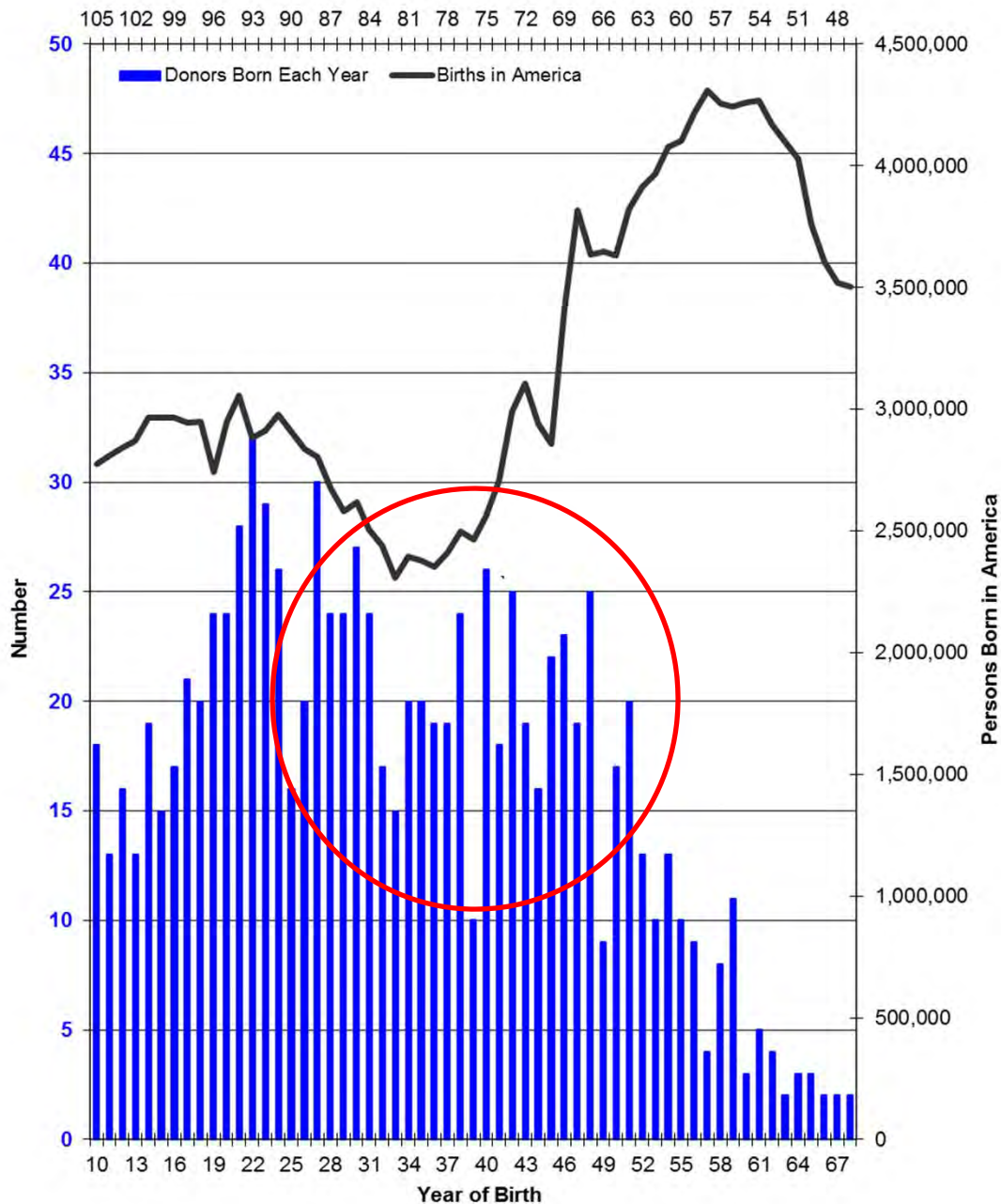
- The Last of the Greatest Generation Is Now Passing Away
- Now Rely More Heavily on Smaller “Silent Generation” for Bulk of Bequests and Other Estate Gifts
- Baby Boomers in Early Stages of Entering Estate Income Picture

DEMOGRAPHICS AND ESTATE GIFT INCOME

- See Age Distribution of Those Who Have Notified a Number of Organizations They Have Provided For a Bequest

Academic
Medical Center

Age Distribution of [REDACTED] Bequest Expectancies

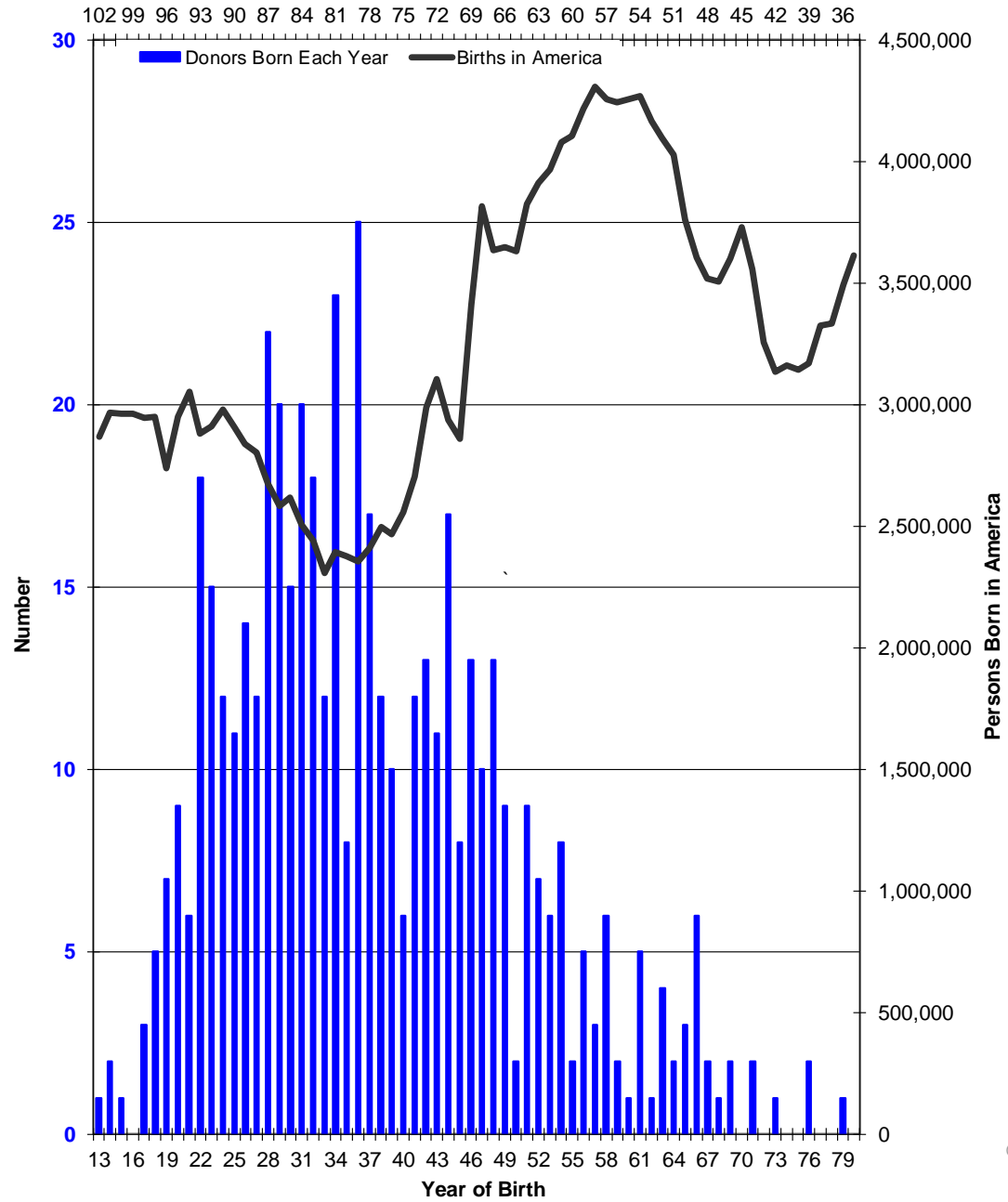


DEMOGRAPHICS AND ESTATE GIFT INCOME

- This Phenomenon Appears to Be Universal and Affects Organizations of All Types

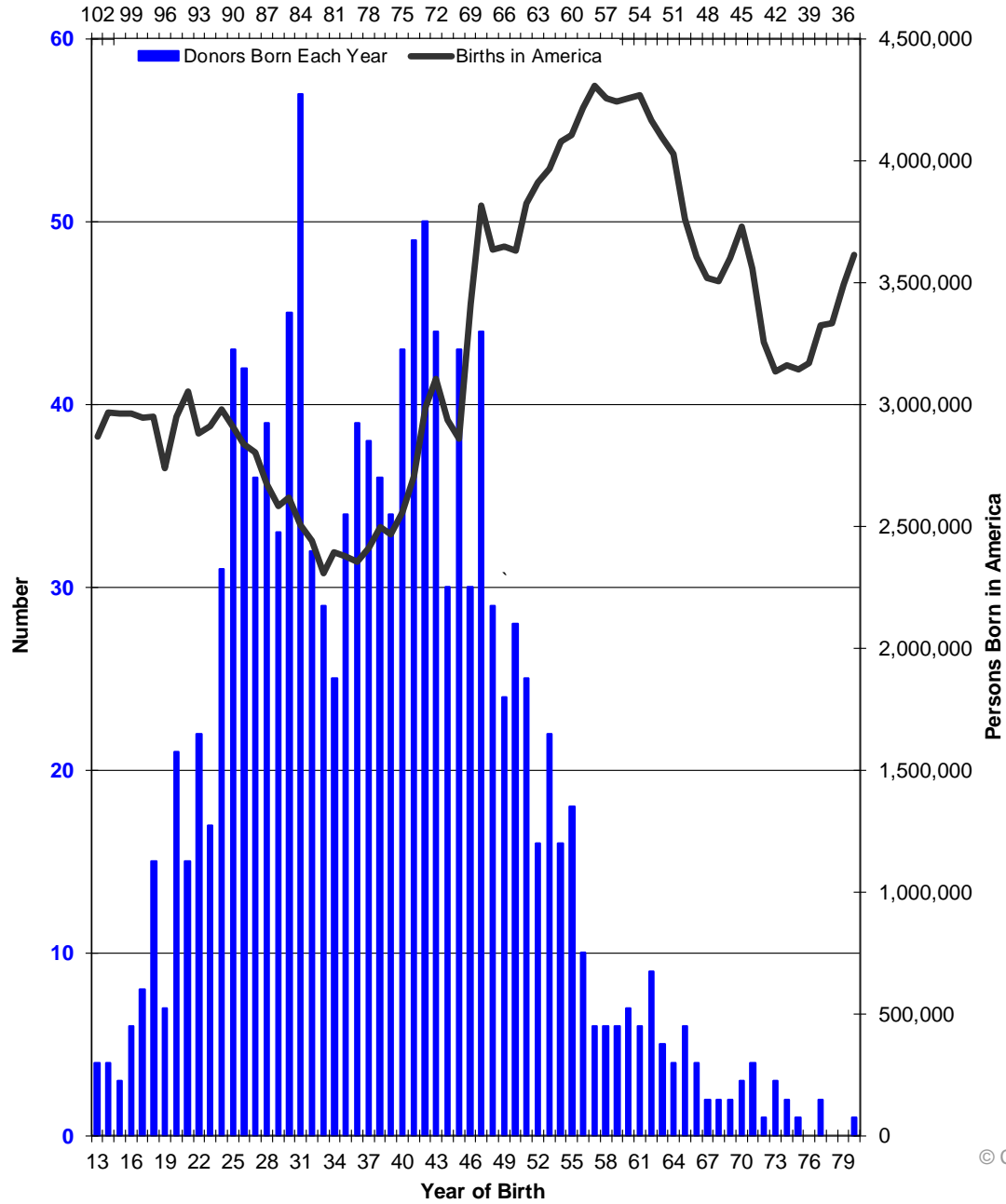
National Religious Organization

Age Distribution of Expectancies



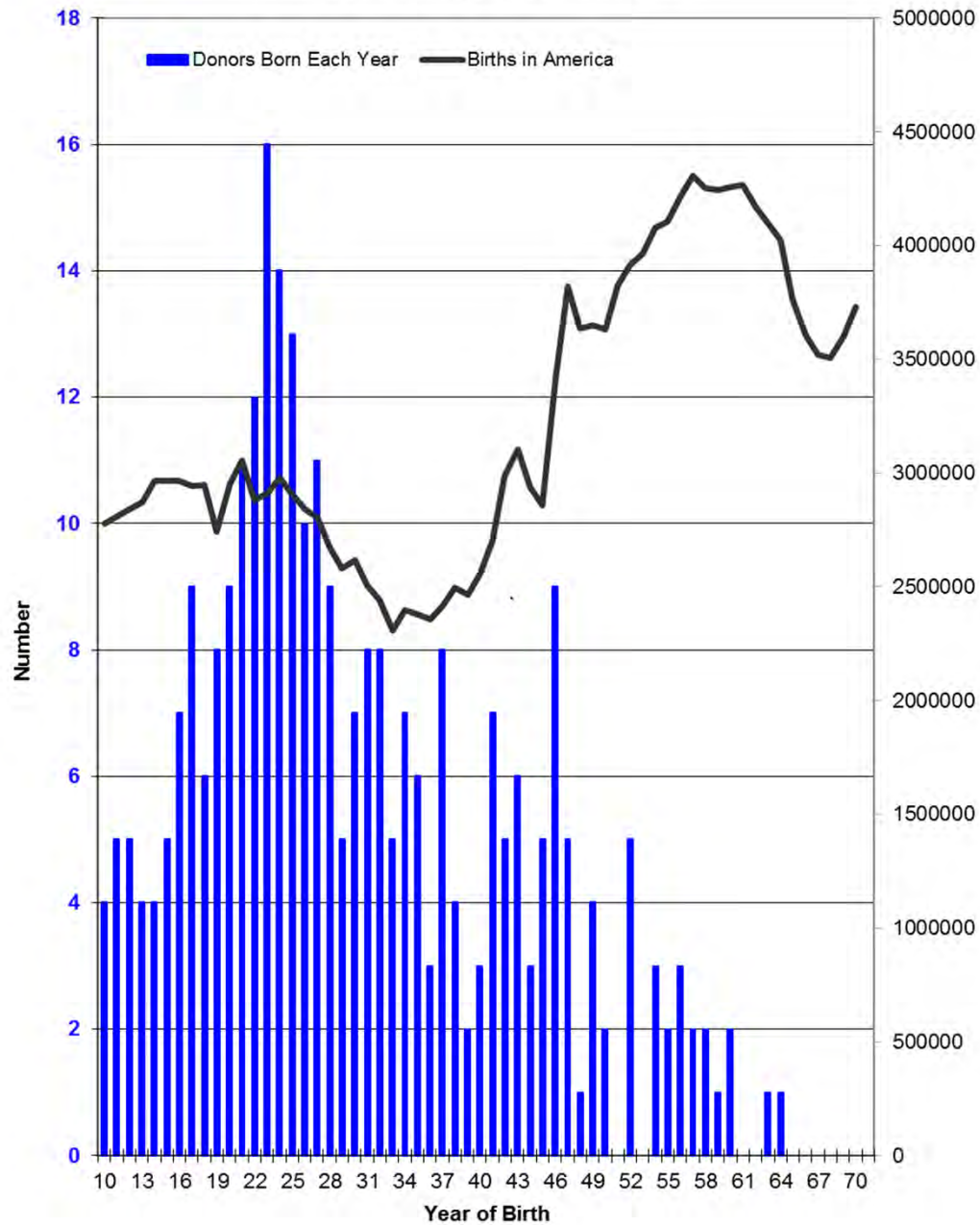
Conservative Cause-Related Organization

Age Distribution of [REDACTED] Expectancies



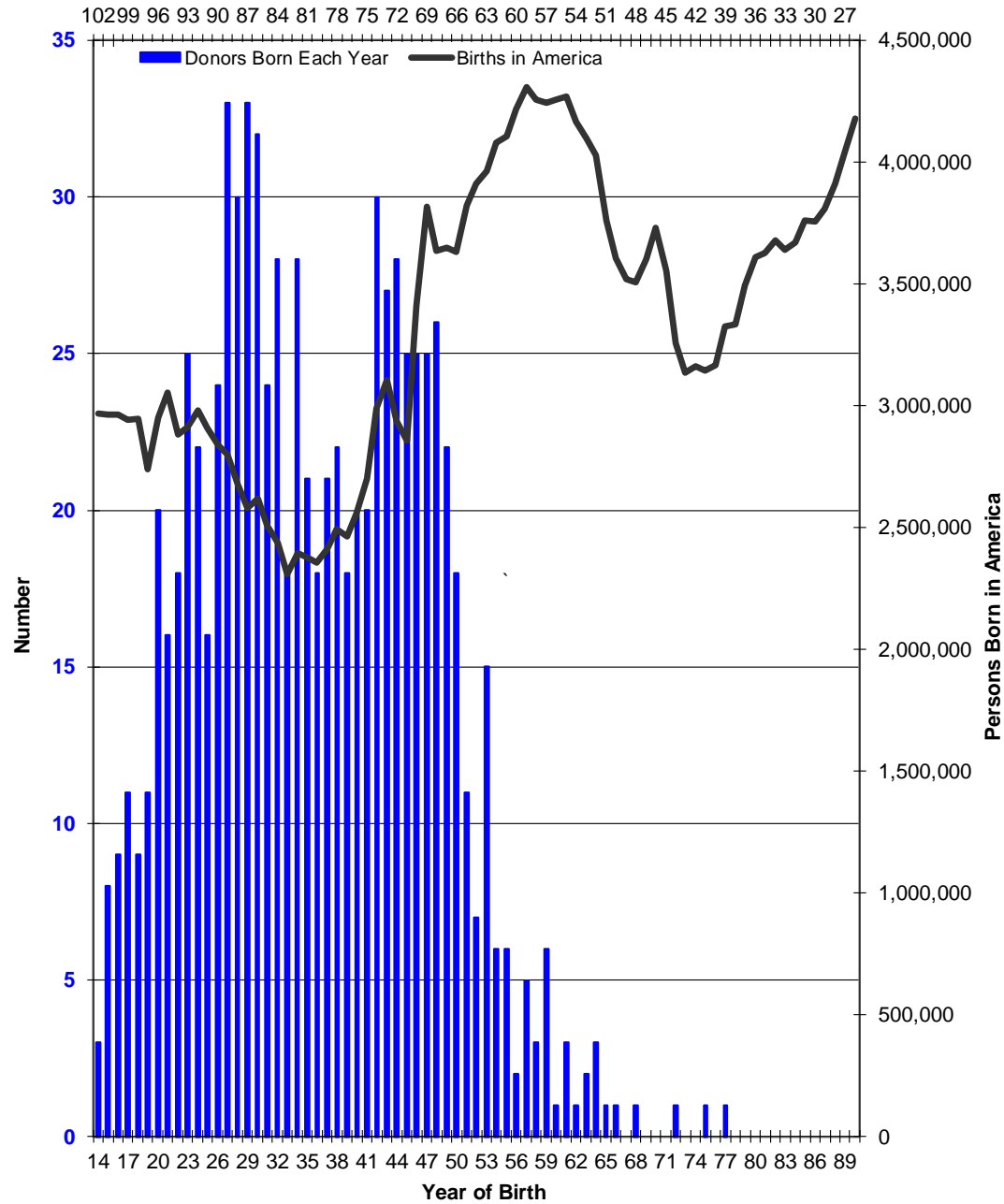
**National Animal
Rights Organization**

**Year of Birth Of Recent
Bequest Donors**



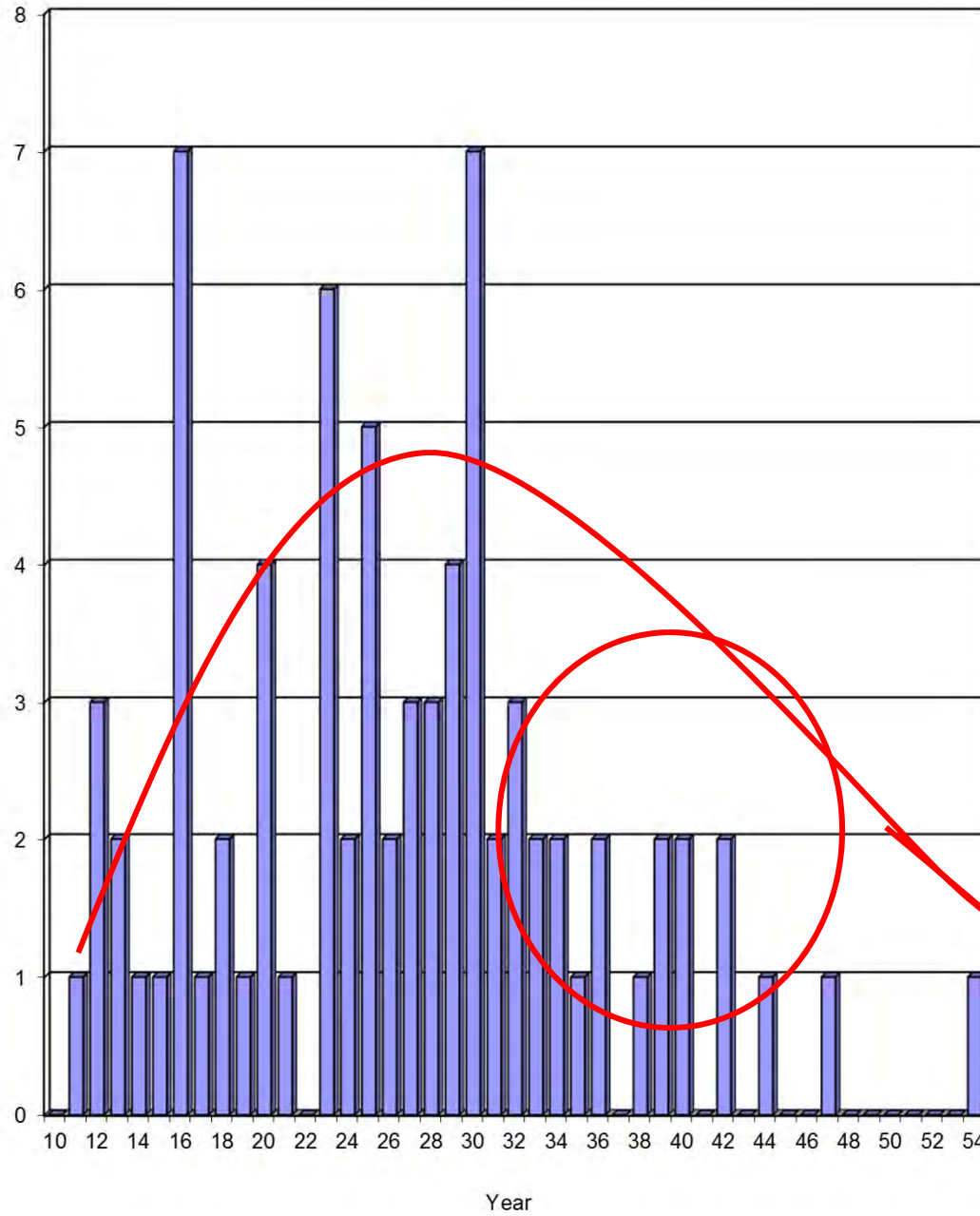
Liberal Social Action Agency

Age Distribution of [REDACTED] Expectancies



Recent [REDACTED] Bequests By Year Of Birth

Ivy League University



DEMOGRAPHICS AND ESTATE GIFT INCOME

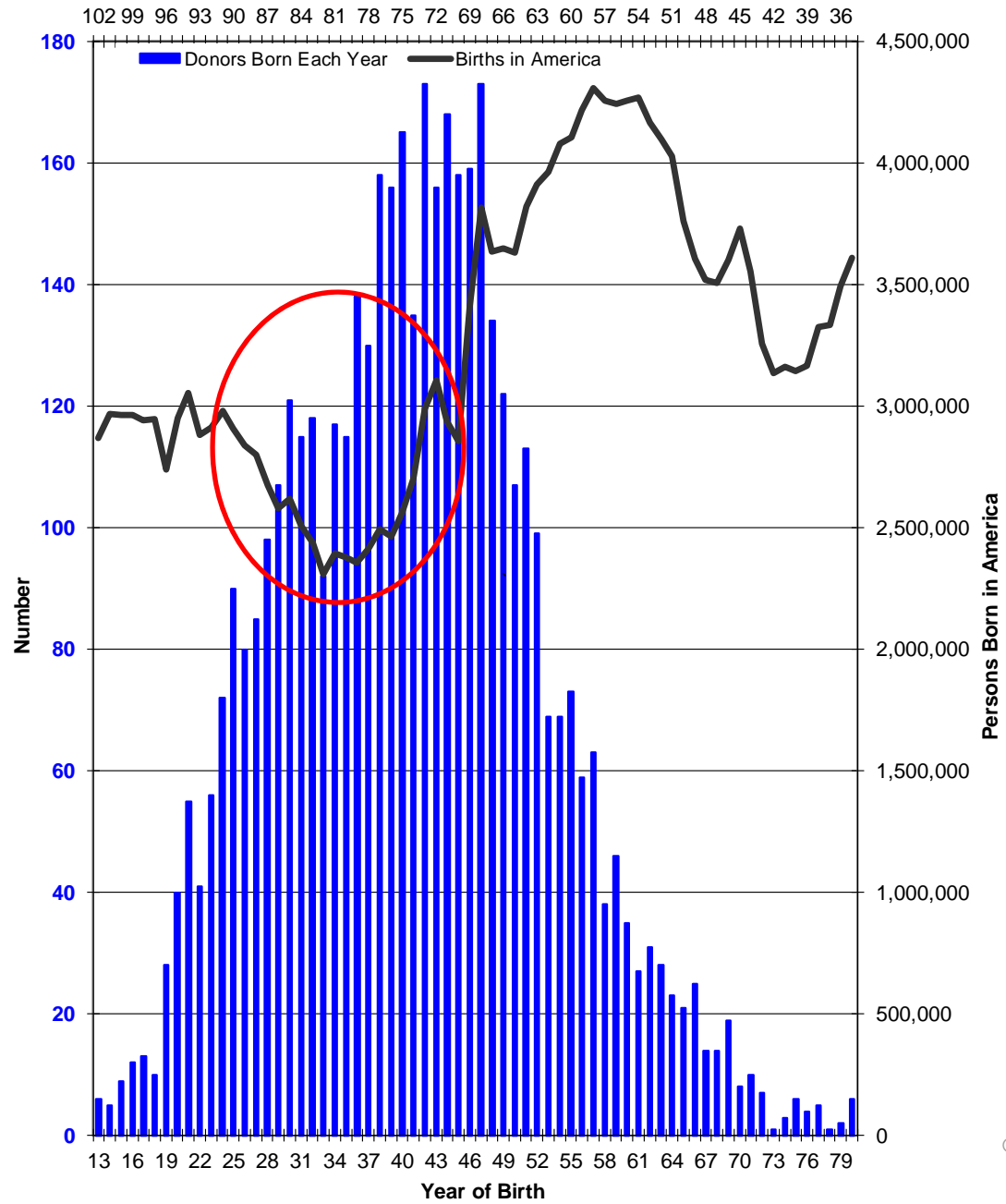
- Demographic Forces Will Begin to Drive Increase in Volume of Bequests for 7 to 10 Years
- First Baby Boomers Reach Age of 80 in 2026
- In Meantime It Will Be Necessary to Do Best Job Possible With Remaining G.I. and Silents

DON'T NEGLECT THE FUTURE

- Ramp Up Efforts to Build Greater Participation Among Boomers
- Some Organizations Have Already Responded to the Need to Build Pipeline For Future

National Environmental
Organization

Age Distribution of ██████ Expectancies



IN THE MEANTIME...

- Do a Better Job of Helping Younger Donors Decide What and How to Give
- Encourage Gifts That Yield Benefits Not Dependent on the Life Expectancy of Relatively Young Donors

MINIMIZING IMPACT

- Help Donors of All Ages Make Temporary Gifts That Fund Inheritances
- Help Donors Make “Blended Gifts” That Result In Both Current and Future Revenue



IMPACT OF TAX REFORM

- *Tax Cuts and Jobs Act of 2017* Is Changing the Face of Philanthropy
- Donors and Advisors Adapting to Major Changes
- Charities Are Adapting as Well



IMPACT OF TAX REFORM

- Many Predicted Dire Consequences
- Nothing New Under the Sun

The New York Times

NEW TAX LAW IS SAID TO ENDANGER BILLIONS IN GIFTS TO PRIVATE GROUPS

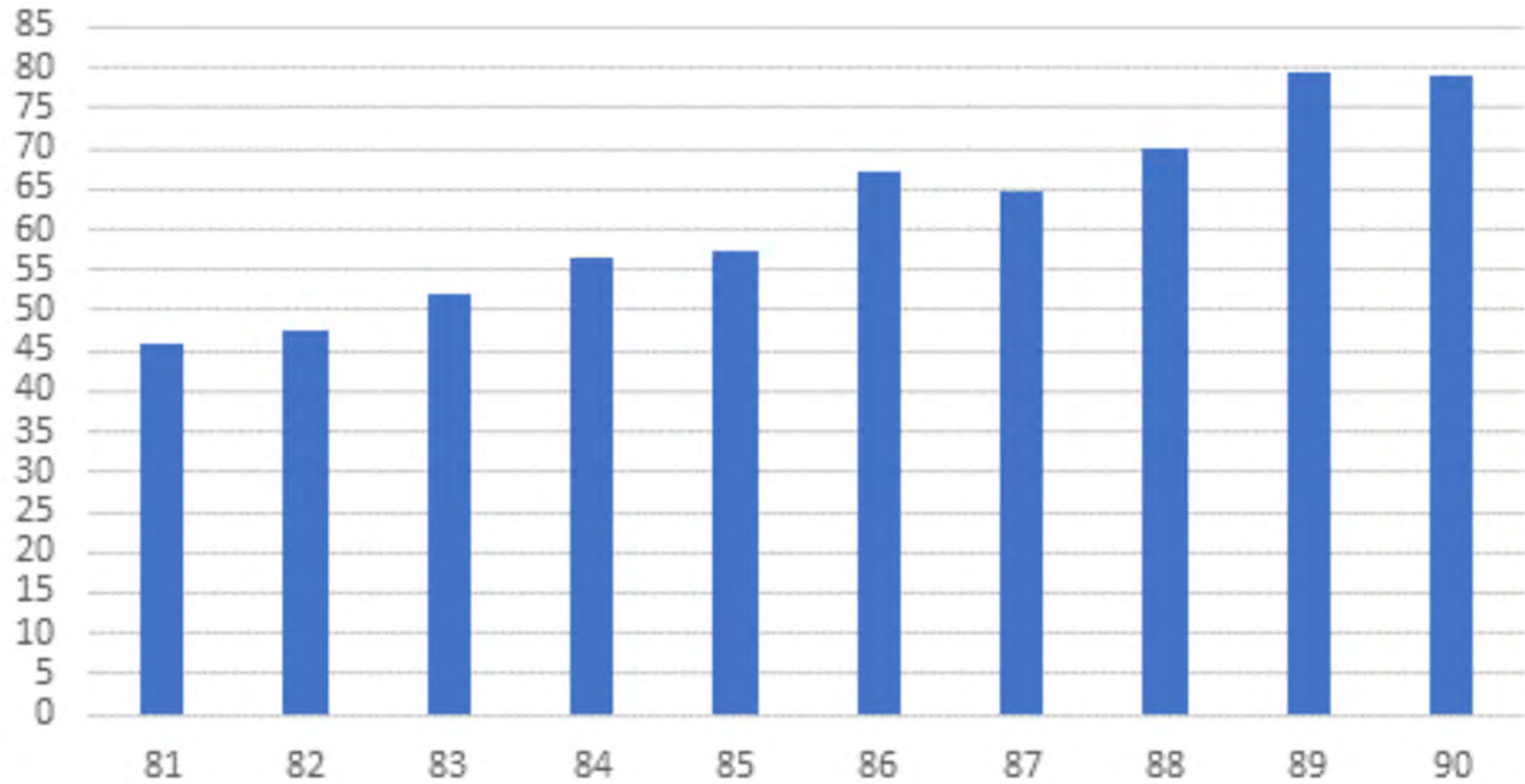
By KATHLEEN TELTSCH

Published: August 28, 1981

The institute projected a drop of at least \$18 billion in donations for 1981 to 1984 to the nation's more than 300,000 nonprofit groups. The figure represented the difference between a projected total of \$228.1 billion in donations under the former tax laws and a projected total of \$209.8 billion under the Tax Act that President Reagan signed into law Aug. 13.

August 28, 1981

Individual Gifts



IMPACT OF TAX CHANGES

- Recent Legislation Prompted Similar Predictions

Los Angeles Times

Op-Ed The GOP tax reform will devastate charitable giving



“ For the first time, we're able to learn more about our supporters. ”

- Brett Gerstein

Outreach Specialist for Aid for Africa

See How Aid for Africa and 3,000+ Other Nonprofit

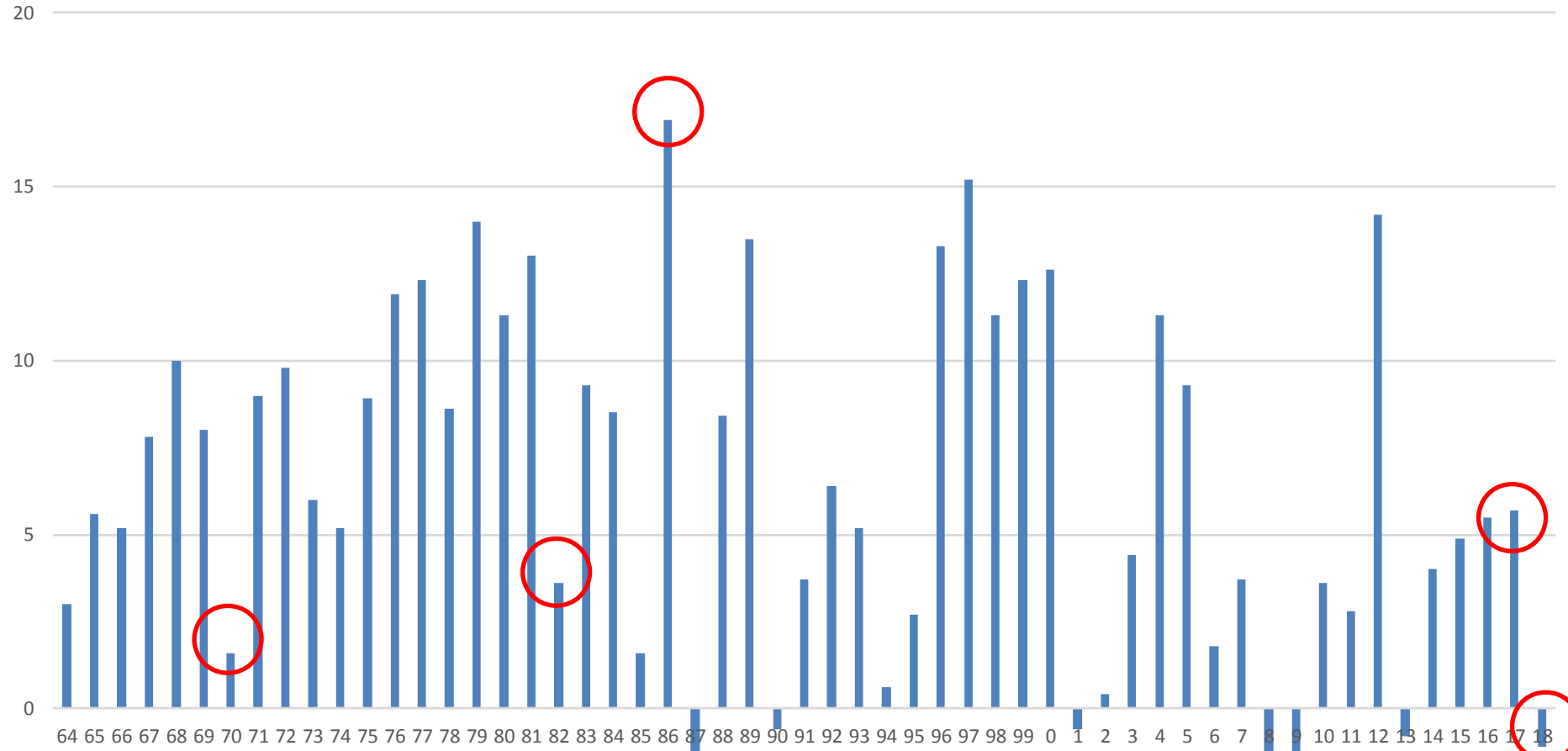
EARLY INDICATORS

- **GIVING USA Reported Overall Giving Rose Just .7% in 2018**
- **Giving By Individuals Declined 1.1%**
- **Acceleration of Gifts in 2017
In Anticipation of Tax Change
May Have Distorted Individual Giving**

DECLINE WAS PREDICTABLE

- Donors May Have Followed Advice
 - Put off income until 2018
 - Accelerate Gifts and Other Deductions Into 2017
- Historical Precedents For These Trends

Percentage Change Individual Giving 1964 Through 2018



Source: Giving USA

Source: Giving U.S.A. Nominal dollars

-10

UNDERSTANDING TAX POLICY DEBATE

- Is the Charitable Deduction a “Tax Expenditure”?
- Or Does It Simply Recognize That Donated Funds Should Not Be Treated as Income?
- Current System Is a Hybrid

HOW TAX CHANGES IMPACT CHARITABLE GIVING

- Lower Tax Rates Increase the After-Tax Cost of Charitable Gifts

COST OF A CASH GIFT UNDER PRIOR LAW

$$**G - (G \times T) = \text{Cost}**$$

$$**\$1.00 - (\$1.00 \times 39.6\%) = \$.604**$$

COST OF A CASH GIFT UNDER NEW LAW

$$**G - (G \times T) = \text{Cost}**$$

$$**\$1.00 - (\$1.00 \times 37\%) = \$.63**$$

COST OF PROPERTY GIFT UNDER PRIOR LAW

$$\text{FMV} - (\text{FMV} \times T) - C (\text{FM} - B) = \text{Cost}$$

$$\begin{aligned} & \$1.00 - (\$1.00 \times 39.6\%) \\ & - 23.8\% (\$1.00 - 0) = \$0.366 \end{aligned}$$

Note: 23.8% is combined total of
20% capital gains tax and 3.8%
Medicare contribution tax

COST OF PROPERTY GIFT UNDER NEW LAW

$$\text{FMV} - (\text{FMV} \times T) - C (\text{FM} - B) = \text{Cost}$$

$$\begin{aligned} & \$1.00 - (\$1.00 \times 37\%) \\ & - 23.8\% (\$1.00 - 0) = \$0.392 \end{aligned}$$

Note: 23.8% is combined total of
20% capital gains tax and 3.8%
Medicare contribution tax

Minimum Cost of Gift

	Prior Law	New Law	Difference
Cash	\$ 0.604	\$ 0.63	\$ 0.026
Appreciated Property	\$ 0.366	\$ 0.392	\$ 0.026

CHANGES AFFECTING CHARITABLE DEDUCTION

- AGI Limit for Gifts of Cash Increased to 60%
- Limit Remains at 30% for Gifts of Appreciated Assets

WINNERS AND LOSERS

- Those Who Don't Use Deductions Benefit When Deductions Are Curtailed and Rates Drop
- But Those Who Have Large Amounts of Itemized Deductions Can See Increase in Cost of Giving

GOOD NEWS FOR SOME OF WEALTHIEST DONORS

- Under Prior Law Some High Income Taxpayers Had to Reduce Their Total Itemized Deductions
- Amount Was 3% of Income Over a Threshold Amount
- Could Reduce Total Deductions By up to 80%

GOOD NEWS FOR SOME OF WEALTHIEST DONORS

- Pease Amendment Suspended
By New Tax Act
- Can Make Charitable and Other
Deductions More Valuable for
Highest Income Donors

Tax Reform & Non-Itemizers

MORE NON-ITEMIZERS UNDER NEW LAW

- It Is Estimated That Number of Taxpayers Taking Charitable Deduction Will Drop From 37 Million to 16 Million
- The 30% of Taxpayers Who Itemized in Past Gave Average of 80% of Individual Gifts

MORE NON-ITEMIZERS UNDER NEW LAW

- Married Taxpayers in Low Tax and Property Value States Most Affected
- Singles in High Tax and Property Value States Much Less Affected
- Homeowners Much More Likely to Itemize Than Renters

TWO GROUPS OF NON-ITEMIZERS

- **Those Who Did Not Itemize Before
Will Continue to Not Itemize**
 - 70% Did Not Itemize Before Law
 - Accounted for 20% of Individual Gifts
- **New Group Will Not Itemize
Starting in 2018**
 - Large Percentage of Past Itemizers
 - Accounted for Approximately 24% of Gifts

WHO ARE THE NEW NON-ITEMIZERS

- Mostly Total Income of \$50,000 to \$150,000. Couples Each Making \$25,000 to \$75,000
- The New Non-Itemizers Average Gifts of Approximately \$2,500 Per Household
- Much of These Funds Are Faith Based Contributions

WHO ARE THE NEW NON-ITEMIZERS

- Seniors More Impacted
 - Homes paid for
 - Higher Standard Deduction
 - \$13,800 for Singles, \$26,800 if Married

JEFF & LOUISE

- Both Over Age 65
- Deductions Total \$25,000
- Included Charitable Gifts of \$15,000
Deductible in 2017
- Now Gifts No Longer Deductible
- They Are New Non-Itemizers

Jeff and Louise

	2017		2019		Difference
Income	\$	200,000	\$	200,000	0
Charitable Gifts	\$	15,000	\$	15,000	0
Tax Rate		28%		24%	-14.0%
Tax Savings	\$	4,200	\$	0	\$ (4,200)
Pre-tax Income Required	\$	15,000	\$	19,736	+32%

IMPACT ON INDIVIDUAL GIVING

- No One Knows What Impact of Increasing Number of Non-Itemizers Will Be
- Estimates Are 5% to 10% Reduction in Individual Giving Over Time
- Amounts to 3% to 7% Decline in Total Giving

ACTION STEPS

- **The Goal of Charities Should Be to Help the New Non-Itemizers Salvage Tax Benefits**
- **A Number of Strategies Are Beginning to Surface**

GIFTS OF QUALIFIED APPRECIATED PROPERTY

- No Capital Gains Due Because There Is No Sale
- Advantage Remains Even if Donor Does Not Itemize

BUNCH DEDUCTIONS

- Some Are Beginning to Bunch Their Deductions
- Instead of Giving \$5,000 Per Year Give \$10,000 Every Other Year
 - Give to Same Charity Periodically
 - “Reload” Donor Advised Funds (DAFs)
- Prepay Pledges or Alternate Years

CHARITABLE GIFT ANNUITIES

- May Be Used to Create a “Floor” That Is Greater Than Standard Deduction
- Then Possible to Benefit From Outright Charitable Gifts and Other Deductible Expenses

CHARITABLE REMAINDER TRUSTS

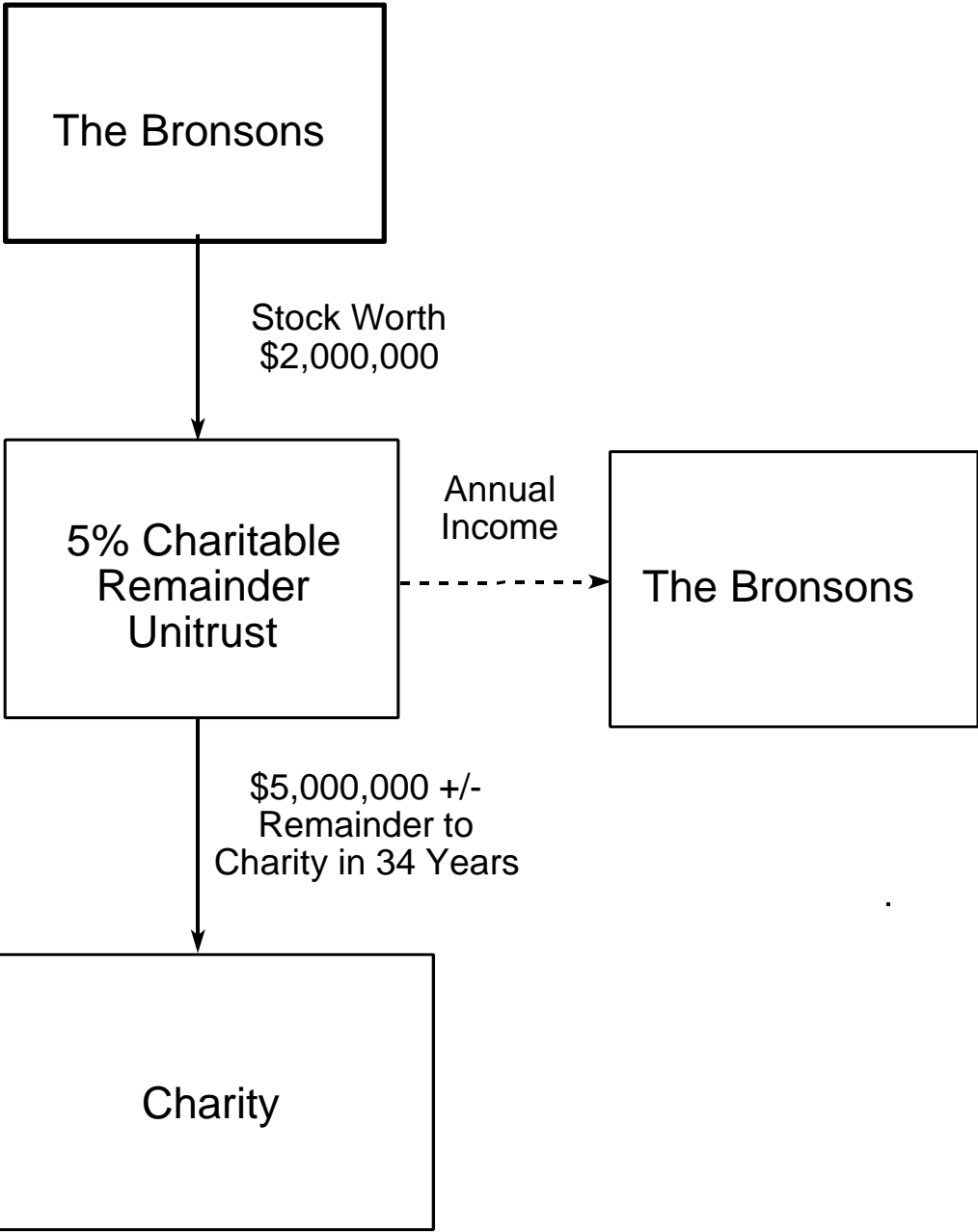
- Income Tax Deduction May Be Used to Boost Donor Past Standard Deduction Amount
- Annual Additions to Unitrusts May Be Popular With Baby Boomers
- Diversify Assets Free of Capital Gains Tax Inside Trust

CHARITABLE REMAINDER TRUSTS

- Value Builds Inside Trust
- Income Can Be Favorably Taxed
- Partial Assignment of Income
Passes Income Outside Taxable
Income Stream

MR. & MRS. BRONSON

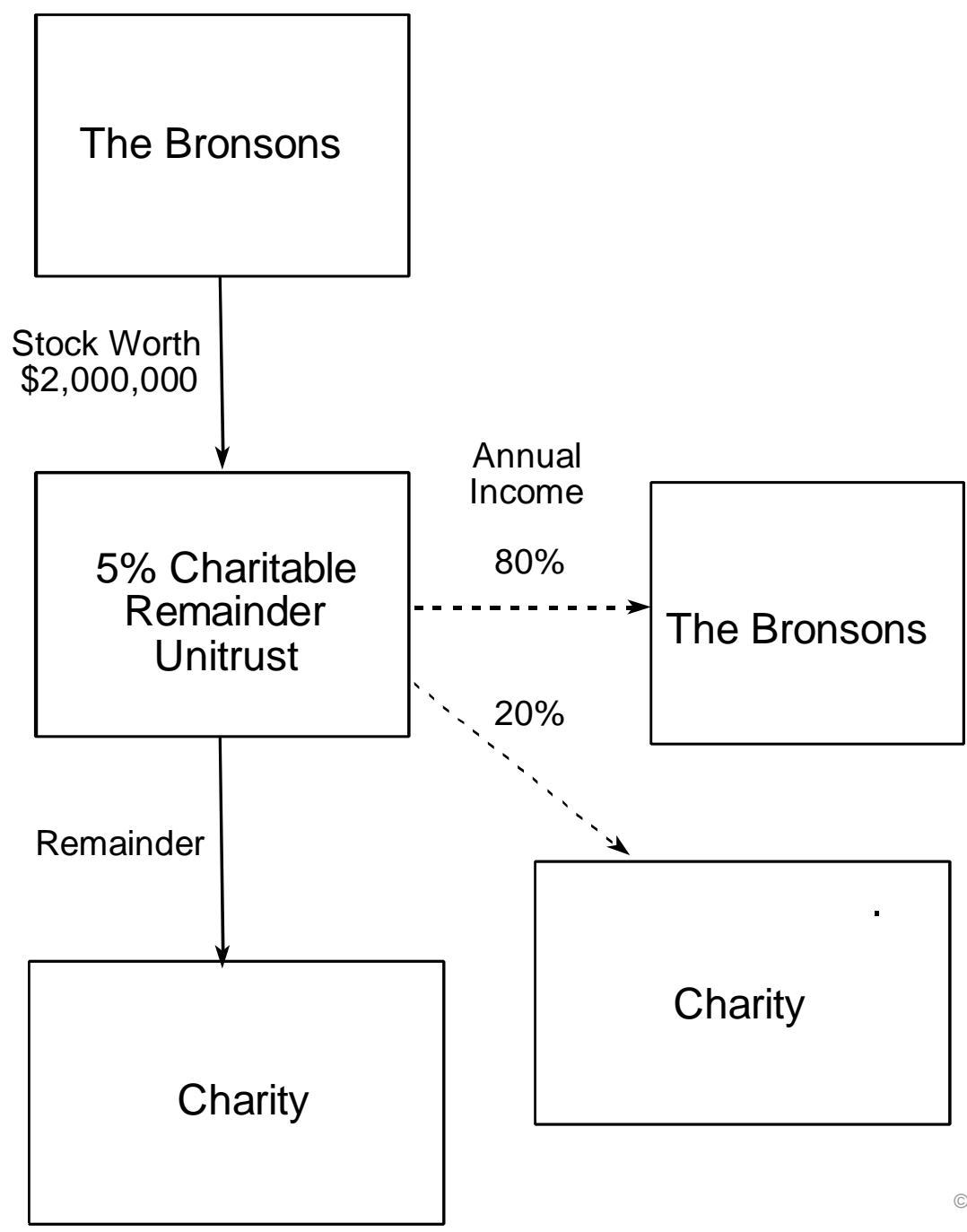
- Donors Selling Business
- Taking Stock in Acquiring Company
- Little Income Expected in Dividends
- Large Capital Gain Liability if They Sell and Diversify



Year	Corpus To Charity	Amount of 8% Total Return	Total Payment of 5%
1	\$2,000,000	\$160,000	\$100,000
2	\$2,060,000	\$164,800	\$103,000
3	\$2,121,800	\$169,744	\$106,090
4	\$2,185,454	\$174,836	\$109,273
5	\$2,251,018	\$180,081	\$112,551
6	\$2,318,548	\$185,484	\$115,927
7	\$2,388,105	\$191,048	\$119,405
8	\$2,459,748	\$196,780	\$122,987
9	\$2,533,540	\$202,683	\$126,677
10	\$2,609,546	\$208,764	\$130,477
11	\$2,687,833	\$215,027	\$134,392
12	\$2,768,468	\$221,477	\$138,423
13	\$2,851,522	\$228,122	\$142,576
14	\$2,937,067	\$234,965	\$146,853
15	\$3,025,179	\$242,014	\$151,259
16	\$3,115,935	\$249,275	\$155,797
17	\$3,209,413	\$256,753	\$160,471
18	\$3,305,695	\$264,456	\$165,285
19	\$3,404,866	\$272,389	\$170,243
20	\$3,507,012	\$280,561	\$175,351
21	\$3,612,222	\$288,978	\$180,611
22	\$3,720,589	\$297,647	\$186,029
23	\$3,832,207	\$306,577	\$191,610
24	\$3,947,173	\$315,774	\$197,359
25	\$4,065,588	\$325,247	\$203,279
26	\$4,187,556	\$335,004	\$209,378
27	\$4,313,183	\$345,055	\$215,659
28	\$4,442,578	\$355,406	\$222,129
29	\$4,575,855	\$366,068	\$228,793
30	\$4,713,131	\$377,050	\$235,657
31	\$4,854,525	\$388,362	\$242,726
32	\$5,000,161	\$400,013	\$250,008
33	\$5,150,166	\$412,013	\$257,508
34	\$5,304,670	\$424,374	\$265,234
Total	\$5,304,670		

MODIFIED TRUST CAN BE GOOD SOLUTION

- Alter Terms of Income Distribution
- Split Income Between Charitable and Non-Charitable Beneficiaries
- Gift Is Part Current, Part Deferred
- Basis of “Blended Gift” Concept



Year	Corpus To Charity	Amount of 8% Total Return	Total Payment of 5%	Payment To Donors	Payment To Charity
1	\$2,000,000	\$160,000	\$100,000	\$80,000	\$20,000
2	\$2,060,000	\$164,800	\$103,000	\$82,400	\$20,600
3	\$2,121,800	\$169,744	\$106,090	\$84,872	\$21,218
4	\$2,185,454	\$174,836	\$109,273	\$87,418	\$21,855
5	\$2,251,018	\$180,081	\$112,551	\$90,041	\$22,510
6	\$2,318,548	\$185,484	\$115,927	\$92,742	\$23,185
7	\$2,388,105	\$191,048	\$119,405	\$95,524	\$23,881
8	\$2,459,748	\$196,780	\$122,987	\$98,390	\$24,597
9	\$2,533,540	\$202,683	\$126,677	\$101,342	\$25,335
10	\$2,609,546	\$208,764	\$130,477	\$104,382	\$26,095
11	\$2,687,833	\$215,027	\$134,392	\$107,513	\$26,878
12	\$2,768,468	\$221,477	\$138,423	\$110,739	\$27,685
13	\$2,851,522	\$228,122	\$142,576	\$114,061	\$28,515
14	\$2,937,067	\$234,965	\$146,853	\$117,483	\$29,371
15	\$3,025,179	\$242,014	\$151,259	\$121,007	\$30,252
16	\$3,115,935	\$249,275	\$155,797	\$124,637	\$31,159
17	\$3,209,413	\$256,753	\$160,471	\$128,377	\$32,094
18	\$3,305,695	\$264,456	\$165,285	\$132,228	\$33,057
19	\$3,404,866	\$272,389	\$170,243	\$136,195	\$34,049
20	\$3,507,012	\$280,561	\$175,351	\$140,280	\$35,070
21	\$3,612,222	\$288,978	\$180,611	\$144,489	\$36,122
22	\$3,720,589	\$297,647	\$186,029	\$148,824	\$37,206
23	\$3,832,207	\$306,577	\$191,610	\$153,288	\$38,322
24	\$3,947,173	\$315,774	\$197,359	\$157,887	\$39,472
25	\$4,065,588	\$325,247	\$203,279	\$162,624	\$40,656
26	\$4,187,556	\$335,004	\$209,378	\$167,502	\$41,876
27	\$4,313,183	\$345,055	\$215,659	\$172,527	\$43,132
28	\$4,442,578	\$355,406	\$222,129	\$177,703	\$44,426
29	\$4,575,855	\$366,068	\$228,793	\$183,034	\$45,759
30	\$4,713,131	\$377,050	\$235,657	\$188,525	\$47,131
31	\$4,854,525	\$388,362	\$242,726	\$194,181	\$48,545
32	\$5,000,161	\$400,013	\$250,008	\$200,006	\$50,002
33	\$5,150,166	\$412,013	\$257,508	\$206,007	\$51,502
34	\$5,304,670	\$424,374	\$265,234	\$212,187	\$53,047
Total	\$5,304,670			\$4,618,414	\$1,154,604

MULTIPLE TAX BENEFITS

- Income Tax Deduction Is \$420,000
- Avoid or Delay Capital Gains and Medicare Tax
- Can Be a Way to Enjoy Same Tax Benefit as Itemizing
- Not Receiving Income Same as Receiving and Deducting
- Also Solves AGI Limit Issues

MAKE GIFTS DIRECTLY FROM IRA

- Applicable to Those Age 70 ½ and Older
- Up to \$100,000 Transferred Directly to Charity
- Not Reporting Income Same As Reporting and Fully Deducting

CHARITABLE LEAD TRUSTS

- Will Become Increasingly Effective Tool for Income Tax Planning
- Income Passes to Charity Outside Donor's Income So Tax Deduction Not Necessary
- Also Helps Cope With AGI Limits

INTEREST FREE LOANS

- Donor Loans up to \$250,000
Per Charity
- Charity Can Invest and Enjoy
Income
- Will Be More Attractive if Interest
Rates Rise



IMPACT ON THOSE WHO CONTINUE TO ITEMIZE

- Those Who Will Continue to Itemize Gave Approximately 54% of Individual Gifts in Past
- Most Major Donors Are Found in This Group

IMPACT OF LAW ON PRIOR ITEMIZERS

- The Law Has Little Negative Impact on the Value of Charitable Gifts Made By This Group
- In Some Cases Benefits May Be Even Greater Than Before

WHERE IS NEGATIVE IMPACT FOR ITEMIZERS?

- Recall Value of Charitable Deduction Depends on Tax Rate That Would Be Paid if Gift Not Made

Minimum Cost of Gift

	Prior Law	New Law	Difference
Cash	\$ 0.604	\$ 0.63	\$ 0.026
Appreciated Property	\$ 0.366	\$ 0.392	\$ 0.026

WHAT IS THE IMPACT?

- Most Who Continue to Itemize Will See Little Increase in Their Cost of Giving

Julia and Henry

	2017		2018		Difference
Income	\$	164,000	\$	164,000	0
Charitable Gifts	\$	7,500	\$	7,500	0
Tax Rate		28%		24%	-14.0%
Tax Savings	\$	2,100	\$	1,800	\$ (300)
Cost Per Dollar	\$	0.72	\$	0.76	\$ 0.04

WHERE IS INCREASED BENEFIT?

- Recall Repeal of Pease Amendment
- Required Reduction of Itemized Deductions for Higher Income
- Reduction of 3% of Amount Income of Married Couple Exceeded \$313,800

WHERE IS INCREASED BENEFIT?

- Impact of Tax Rate Reductions on Cost of Gift Can Be Offset By Repeal of Pease Limitation

PETER AND ELIZABETH

- Adjusted Gross Income of \$1 Million
- Decide to Give Stock Worth \$300,000 to Satisfy Commitment to Campaign
- Repeal of Pease Limitation Results in Greater Value for Their Itemized Deductions
- Note This Change Offsets Impact of Lower Tax Rates

Peter and Elizabeth

	2017	2018	Difference
Income	\$ 1,000,000	\$ 1,000,000	0
Pease Threshold	\$ 313,800	N/A	\$ (313,800)
Reduction Base	\$ 686,200	N/A	
Reduction Rate	3.00%	0%	0.0%
Reduction	\$ 20,586	0	\$ (20,586)

Peter and Elizabeth

	2017		2018		Difference
Gross Deduction	\$	300,000	\$	300,000	0
Pease Reduction	\$	20,586		0	\$ (20,586)
Net Deduction	\$	279,414	\$	300,000	\$ 20,586
Tax Rate		39.60%		37%	-2.6%
Tax Savings	\$	110,648	\$	111,000	\$ 352

WHERE IS INCREASED BENEFIT?

- The Higher the Income the
Greater the Benefit of the
Pease Repeal

ALEX AND JILL

- Adjusted Gross Income of \$2 Million
- Also Decide to Give Stock Worth \$300,000
- Repeal of Pease Limitation Results in Greater Value for Their Itemized Deductions
- Significantly Reduced Cost of Giving

Alex and Jill

2017

Gross Deduction \$ 300,000

Pease Reduction \$ 50,586

Net Deduction \$ 249,414

Tax Rate 39.60%

Tax Savings \$ 98,768

Alex and Jill

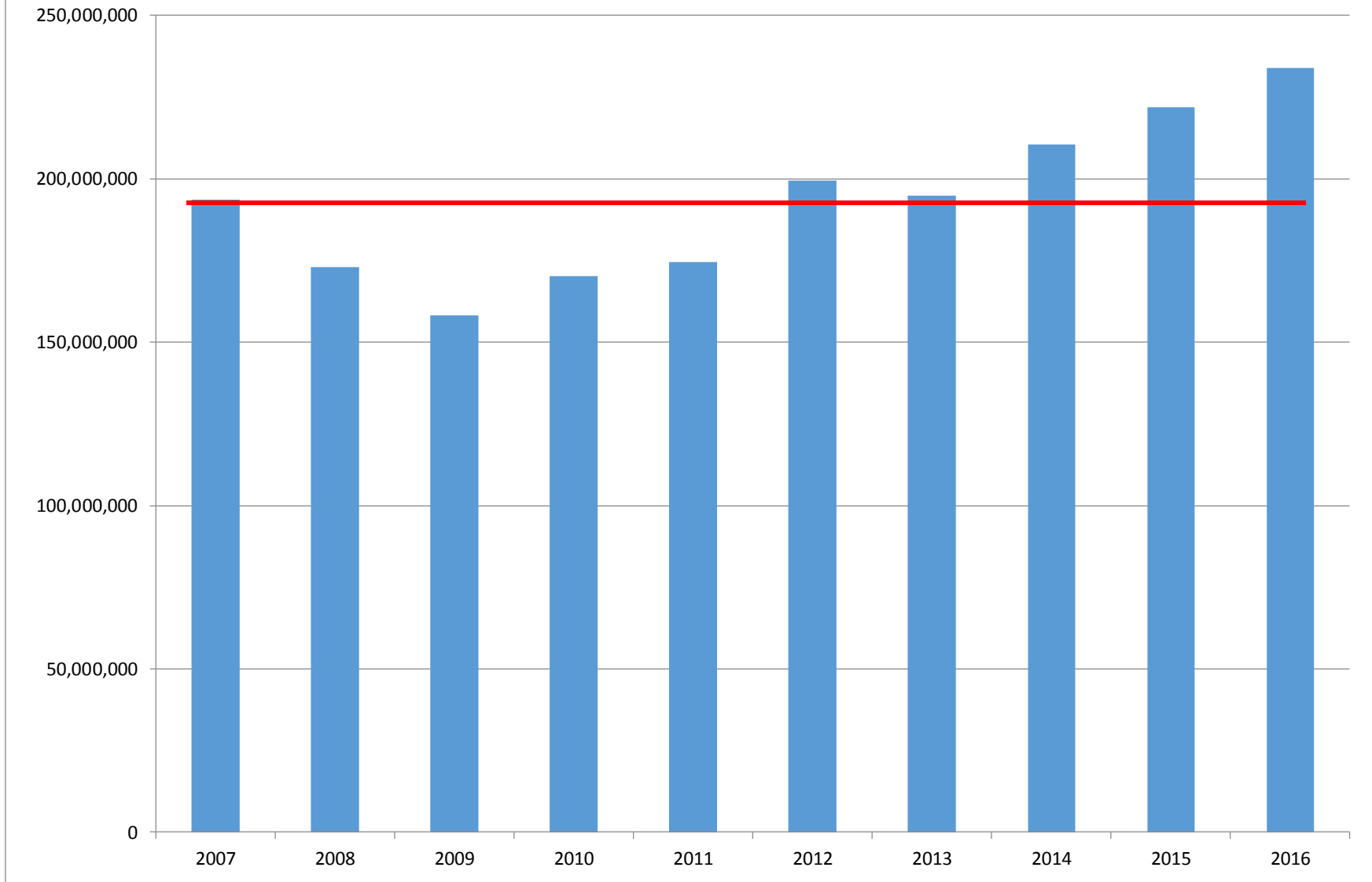
	2017		2018		Difference
Gross Deduction	\$	300,000	\$	300,000	0
Pease Reduction	\$	50,586		0	\$ (50,586)
Net Deduction	\$	249,414	\$	300,000	\$ 50,586
Tax Rate		39.60%		37%	-2.6%
Tax Savings	\$	98,768	\$	111,000	\$ 12,232



IRS DATA REVEALS AGE AND GIVING RELATIONSHIP

- Note Total Amount Deducted From Tax Returns

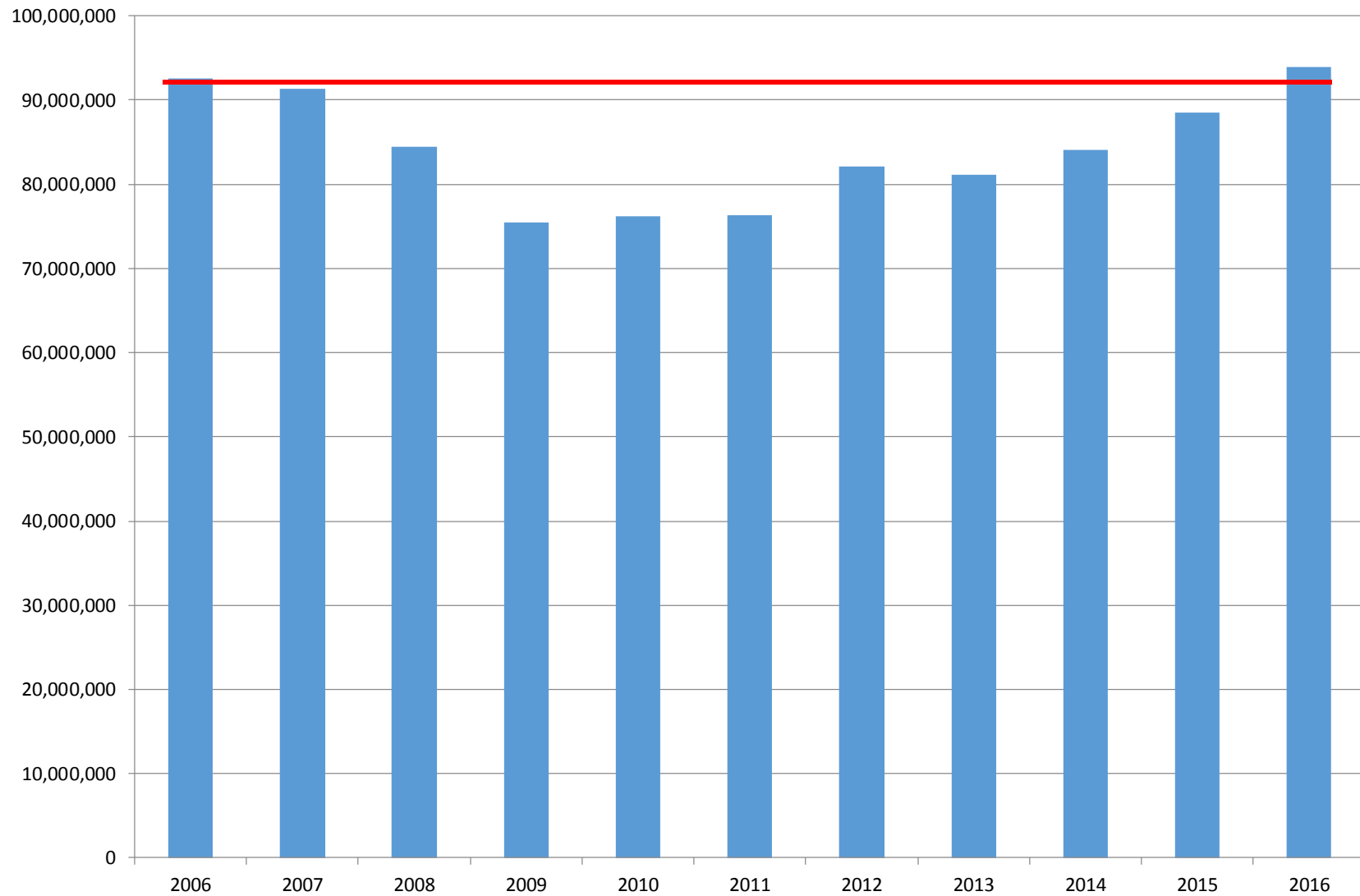
Total Contributions Deducted 2007-2016



IRS DATA REVEALS AGE AND GIVING RELATIONSHIP

- Giving By Donors Under Age 55 Showed Large Decline During Recession
- It Took 9 Years For That Age Range To Recover to Pre-Recession Giving Levels

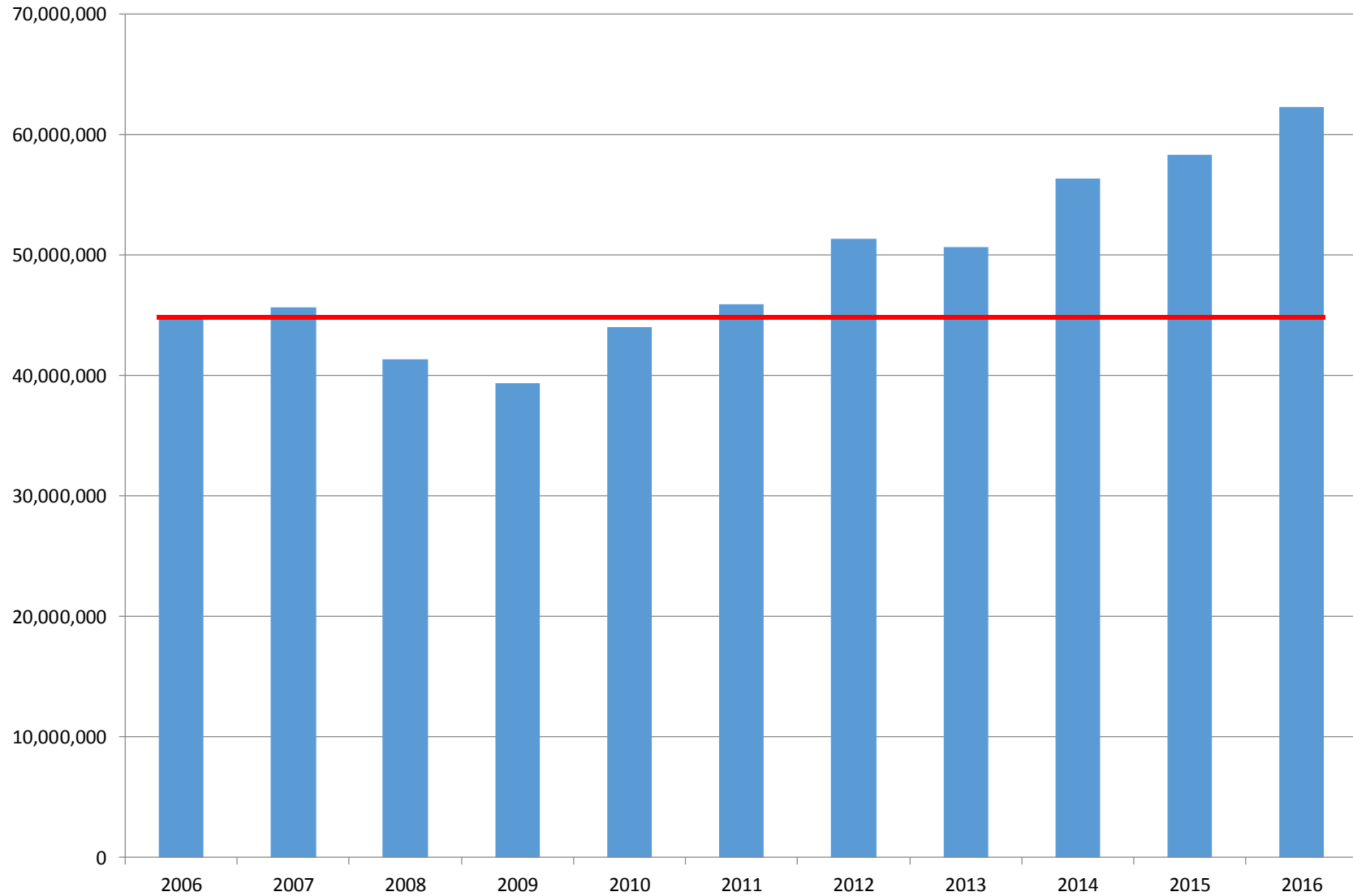
Amount Deducted From Tax Returns According to IRS 2006-2016 For Taxpayers Under Age 55



IRS DATA ALSO SHEDS LIGHT ON AGE FACTOR

- **A Very Different Pattern Emerges
For Those Over Age 55**

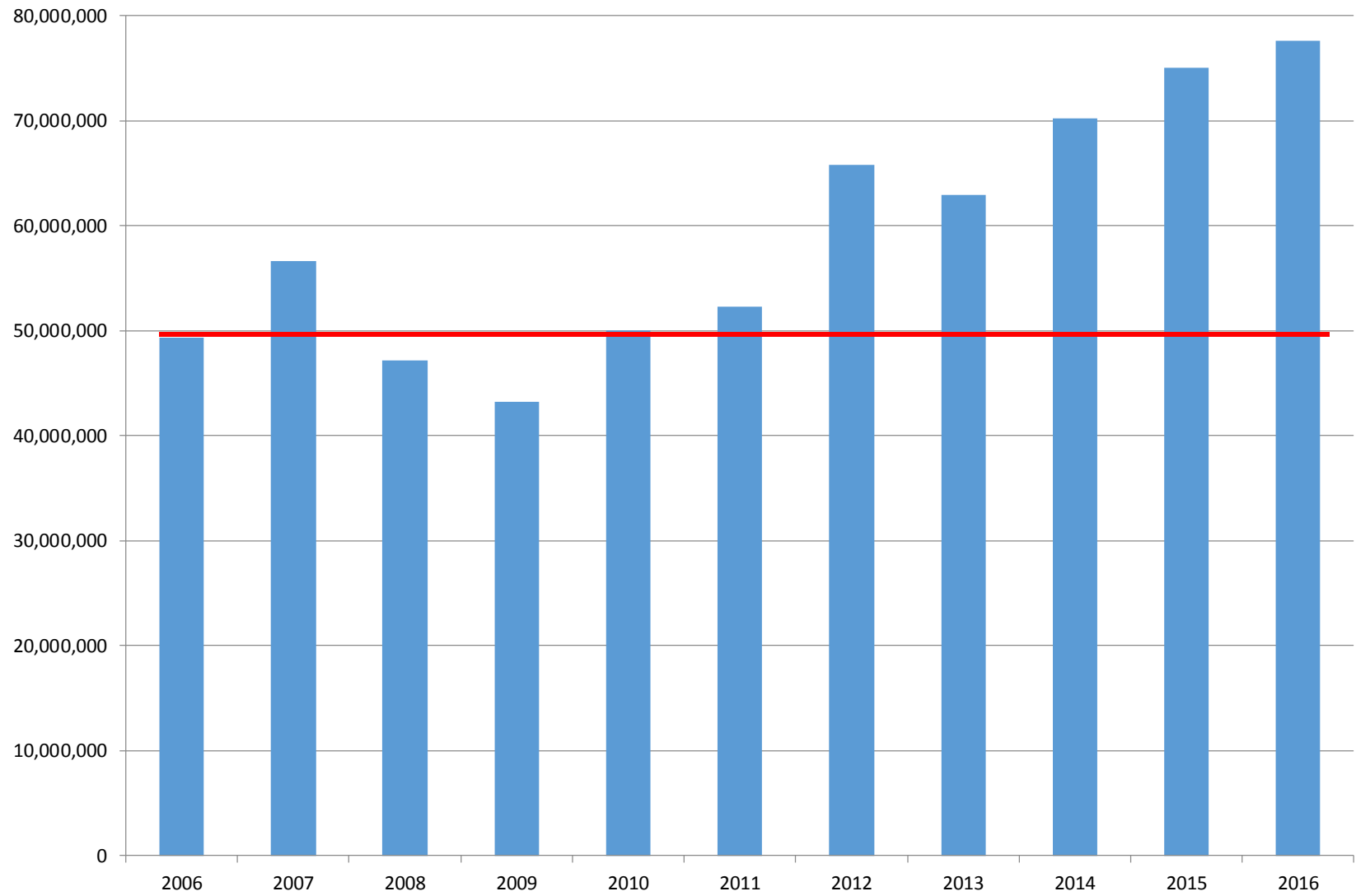
Amount Deducted From Tax Returns According to IRS 2006-2016 For Taxpayers Age 55-64



IRS DATA ALSO SHEDS LIGHT ON AGE FACTOR

- Giving By Those Age 65 and Older Increased 50% Between 2009 and 2016
- Only Took 3 Years To Recover To Pre-Recession Levels

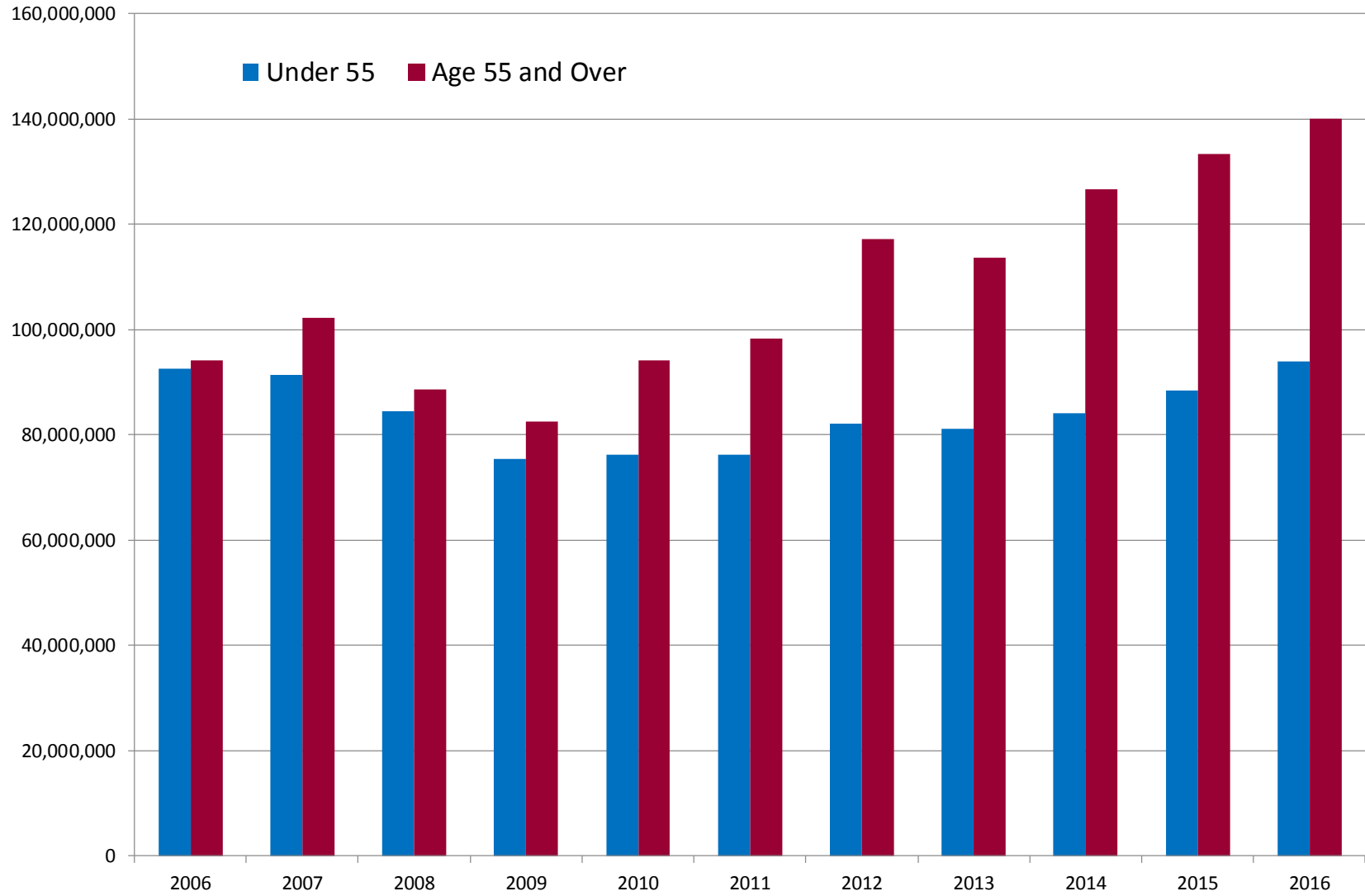
Amount Deducted From Tax Returns According to IRS 2006-2016 For Taxpayers Age 65+



IRS DATA ALSO SHEDS LIGHT ON AGE FACTOR

- **There Has Been Major Shift
In Giving By Age Since 2006**

Comparison of Amounts Deducted From Tax Returns For Those Under 55 To Those 55 and Over for 2006-2016



A CLOSER LOOK AT DONORS AGE 65+

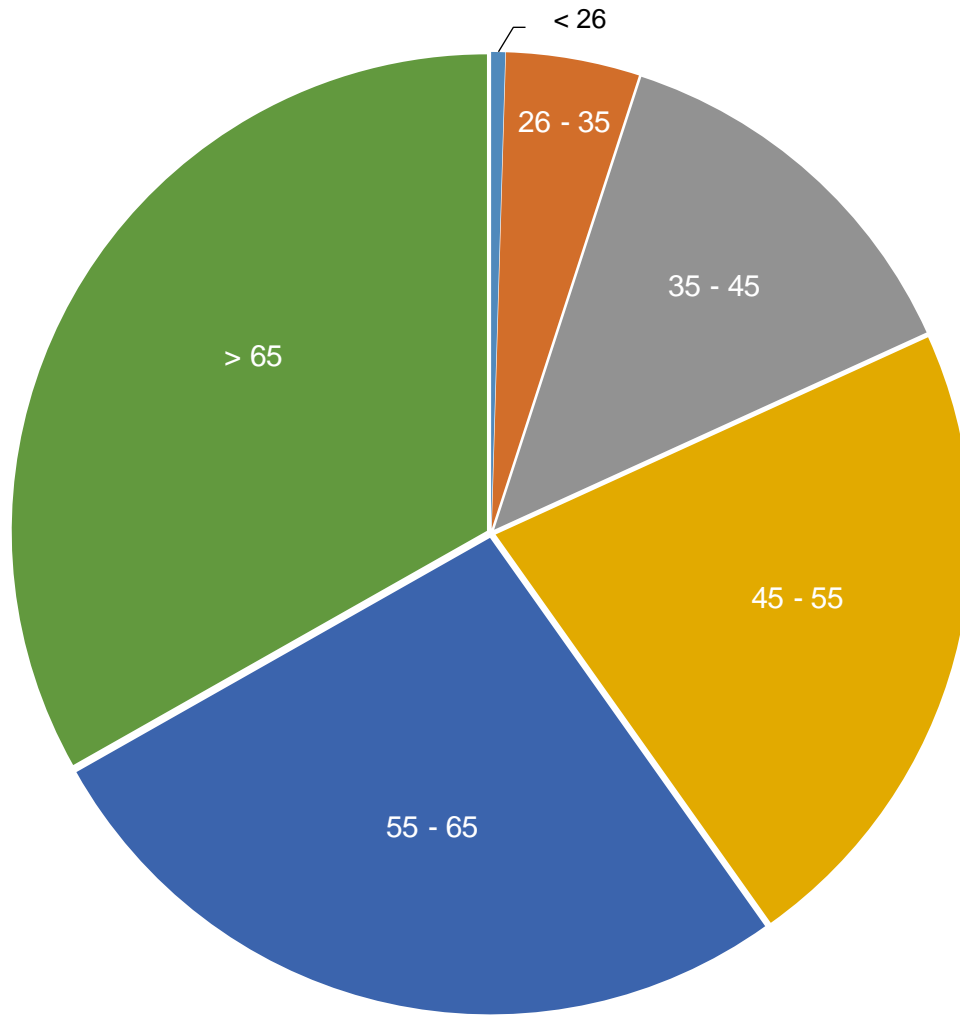
- Donors Over Age 65 Giving Disproportionately Large Percentage of Total
- Average Amount Donated Is 33% Higher Than Next Closest Age Range of 55-65

Amount Donated By Age of Taxpayer

Age of Taxpayer	Number of Donors	Percent	Cume %	Dollars Deducted	Percent	Cume %	Average
			Number of Donors			of Dollars	
< 26	414,835	1%	100%	\$1,116,161	0.5%	100%	\$2,691
26 - 35	3,407,646	9%	99%	\$10,610,123	5%	99.5%	\$3,114
35 - 45	6,818,269	18%	90%	\$30,848,344	13%	95%	\$4,524
45 - 55	8,897,422	24%	71%	\$51,357,740	22%	82%	\$5,772
55 - 65	8,993,072	24%	47%	\$62,332,162	27%	60%	\$6,931
> 65	8,405,507	23%	23%	\$77,602,794	33%	33%	\$9,232
Total	36,936,751			\$233,867,324	100%		\$6,332

Source: IRS 2016

Itemized Deductions By Age of Taxpayer



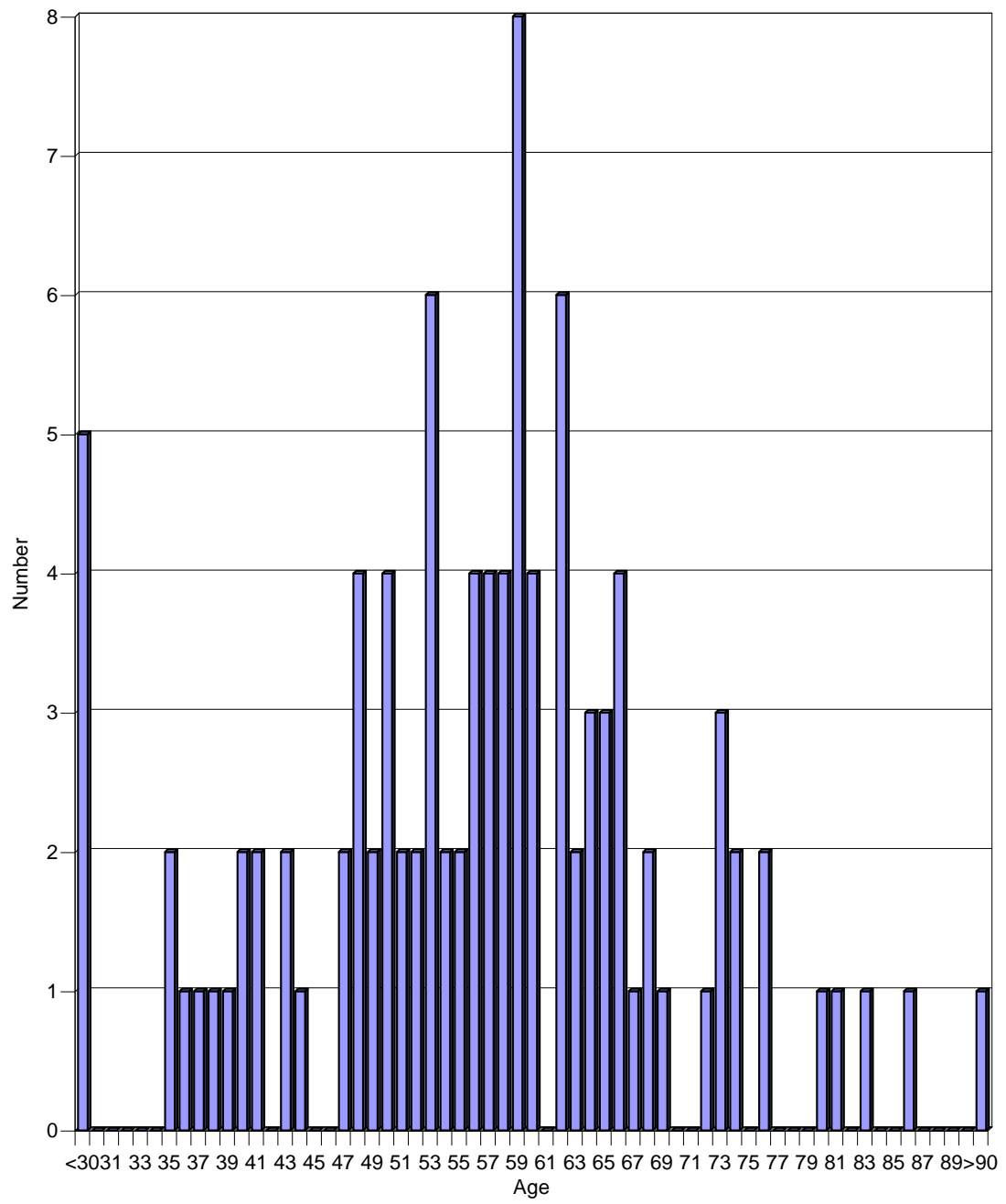
LOOKING TO THE FUTURE

- Over 10,000 Baby Boomers Reach The Age of 65 Every Day
- This Age Group May Be Giving More Than Half of All Individual Gifts A Decade From Now
- Millennial Giving Will Not Dominate For Twenty Years or Longer

LOOKING TO THE FUTURE

- Many Boomers Have Not Yet Made Their First Gift To Organizations They Will Ultimately Include In Their Estate Plans

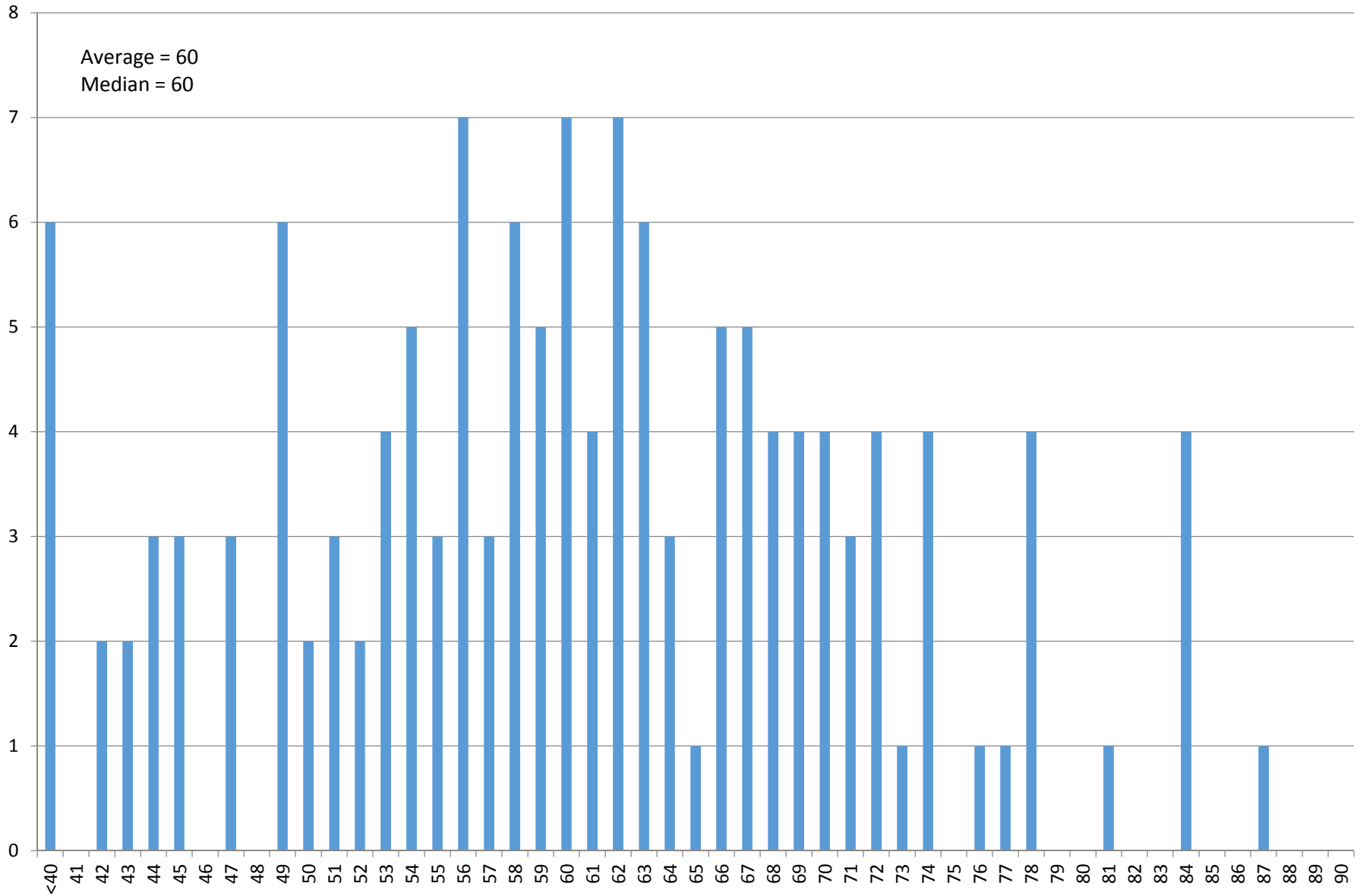
Age At First Gift for [Redacted] Alumni Bequest Donors



Age At First Gift

Alumni Bequest Donors

Average = 60
Median = 60





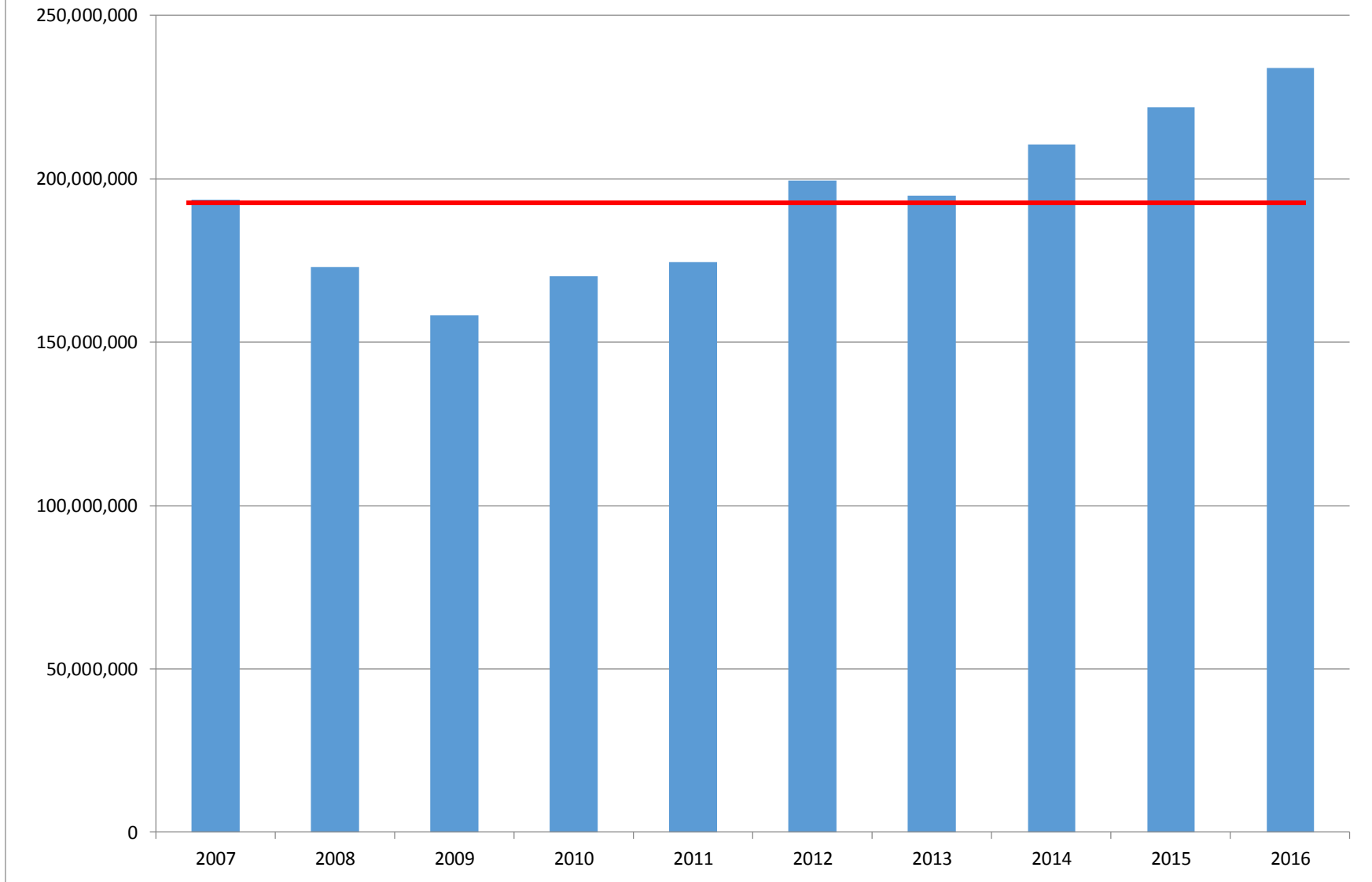
ANATOMY OF A GIFT

- WHO Makes It?
- WHY Do They Make It?
- **WHAT Will Be Given?**
- WHEN Is It Given?
- HOW Is the Gift Structured?

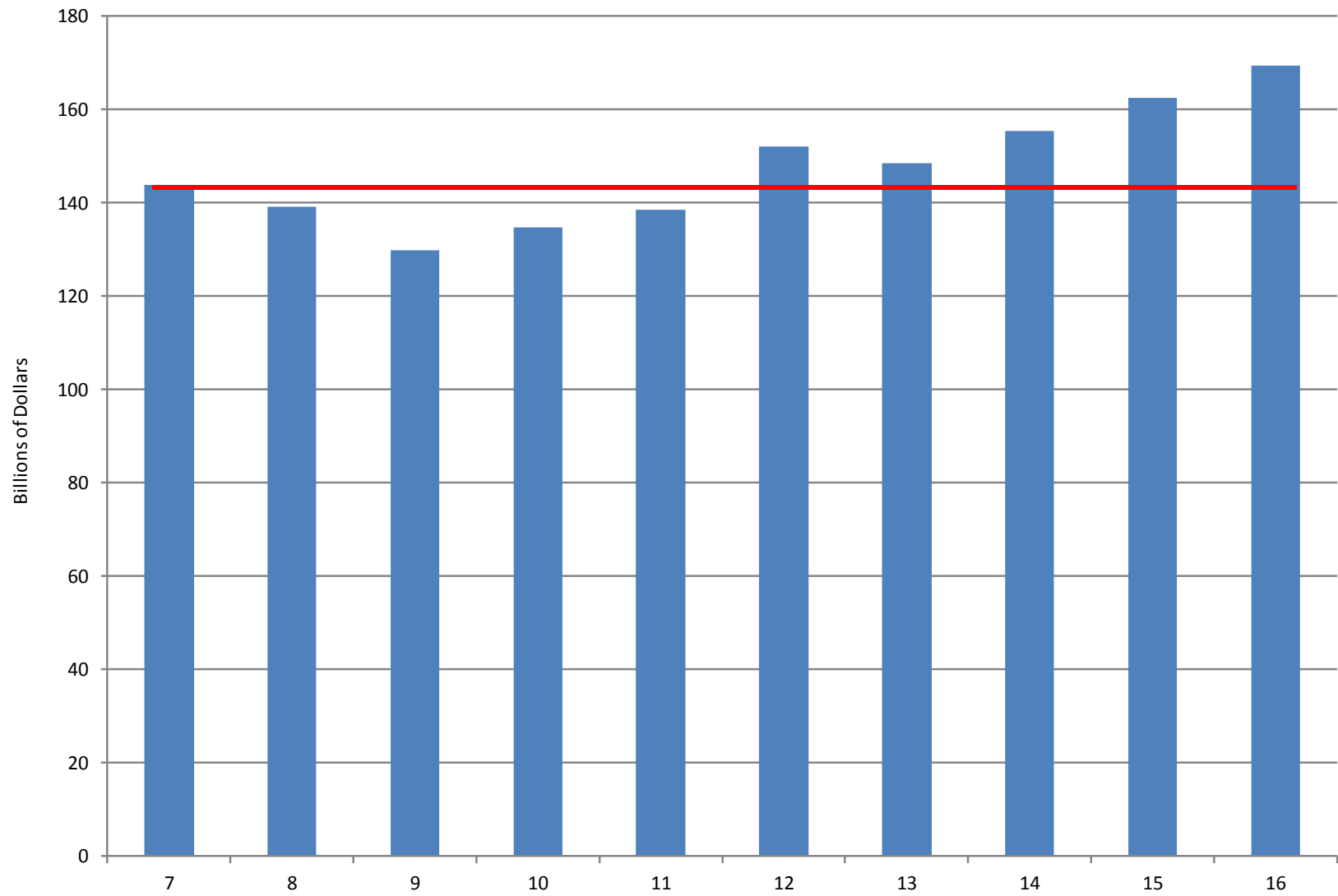
IRS DATA SHEDS LIGHT ON GIFTS OF NON-CASH ASSETS

- Increasing Importance of Gifts of Noncash Assets
- People Give What They Have
- Gifts of Securities, Real Estate Business Interests, Art
- Important To Be Knowledgeable

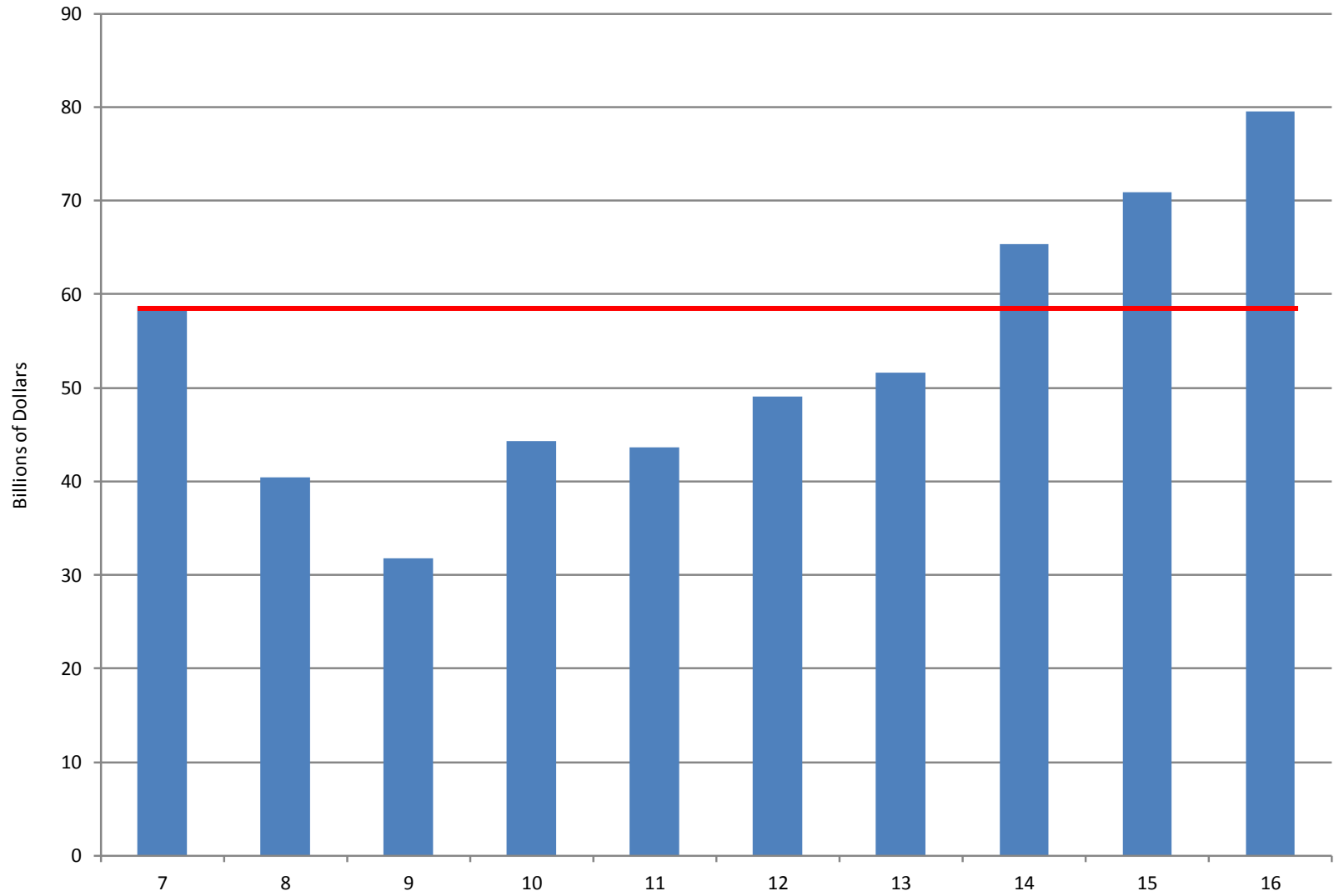
Total Contributions Deducted 2007-2016



Cash Deducted From Tax Returns According to IRS 2007-2016



Non-Cash Gifts Deducted 2007-2016



AGE AND NON-CASH GIFTS

- IRS Data Indicates That Securities Donors Tend To Be Older

Age of Securities Donors

	Number of Gifts	Amount Donated	Percent \$ By Age	Cume Percent
Under 35	5,142	\$910,131	3%	100%
35 under 45	27,287	\$3,053,505	9%	97%
45 under 55	67,444	\$4,394,525	13%	88%
55 under 65	109,084	\$6,780,634	20%	76%
65 and older	210,793	\$19,048,733	56%	56%
All ages	419,749	\$34,187,528	100%	

Source: IRS 2015

AGE AND NON-CASH GIFTS

- Seniors Have Held Investments Longer And May Be More Likely To Own Appreciated Assets
- They May Be Less Likely To Itemize and Looking To Bypass Capital Gains Taxes

SECURITIES GIFTS IN PERSPECTIVE

- Total Bequest Income Reported By Giving USA for 2016 Was \$34.6 Billion
- Gifts of Securities Totaled \$35.2 Billion

WELCOME TO THE FUTURE

- The Emergence Of A New Group Of Donors We May Refer To As The

“Gerontrophilanthroplutocracy”

ROLE OF BOOMERS

- Now Moving Into Peak Years For Philanthropy
- Expanding the Ranks of the Gerontrophilanthroplutocracy

HOW ARE BOOMERS DIFFERENT?

- The Woodstock Generation
- Attendees of Legendary Event
Are Now Approximately 67 to 85
Years of Age
- Youngest Boomers Are 55



Welcome To Planned Giving 2020

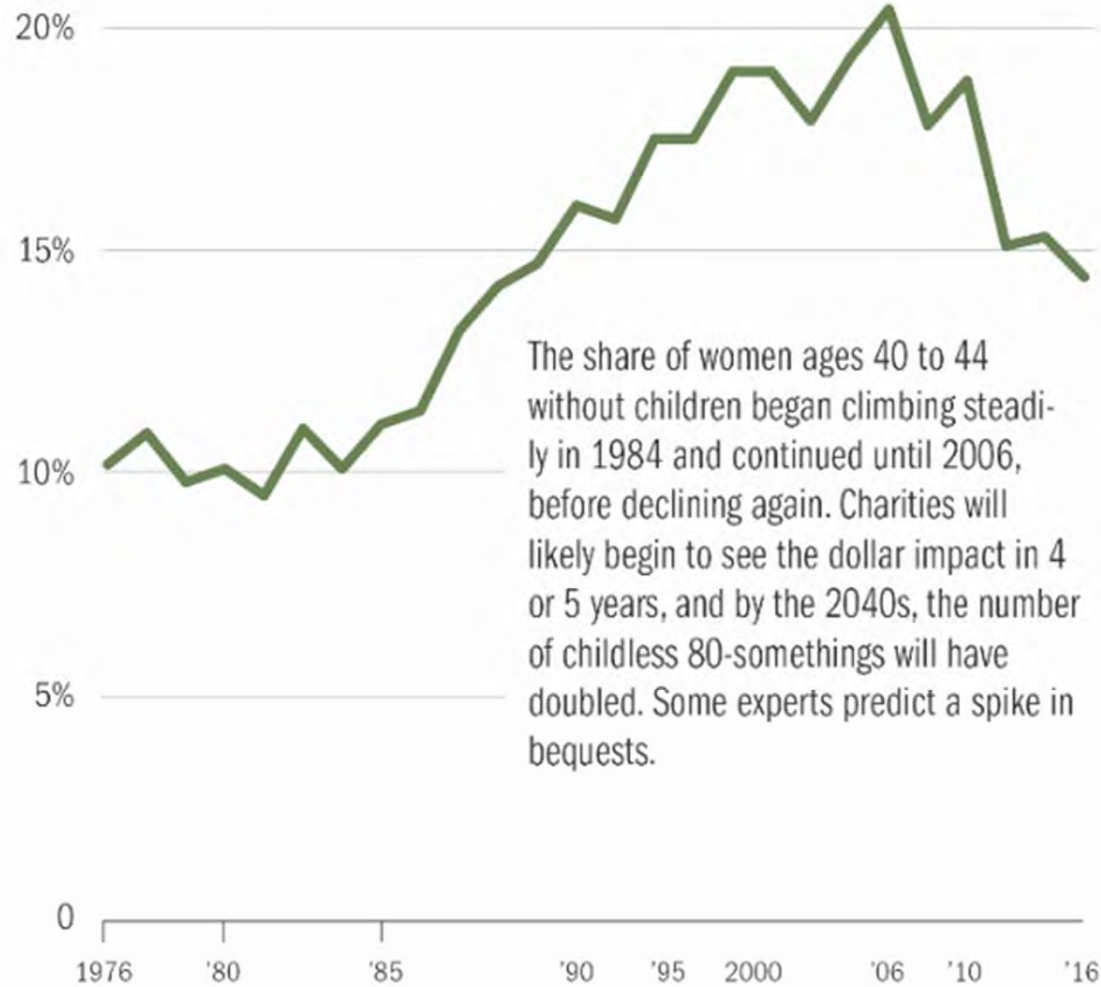
HOW ARE BOOMERS DIFFERENT?

- Now Want To Put Their Money Behind Their Ideas
- Many Less Interested in Recognition
- Looking For Impact As A Result of Their Gifts

HOW ARE BOOMERS DIFFERENT?

- Philanthropy Offers A Means To Personal Fulfillment
- Especially True of Childless Boomers

Behind the Expected Boom in Bequests: Childless Donors



SOURCE: U.S. Census Bureau

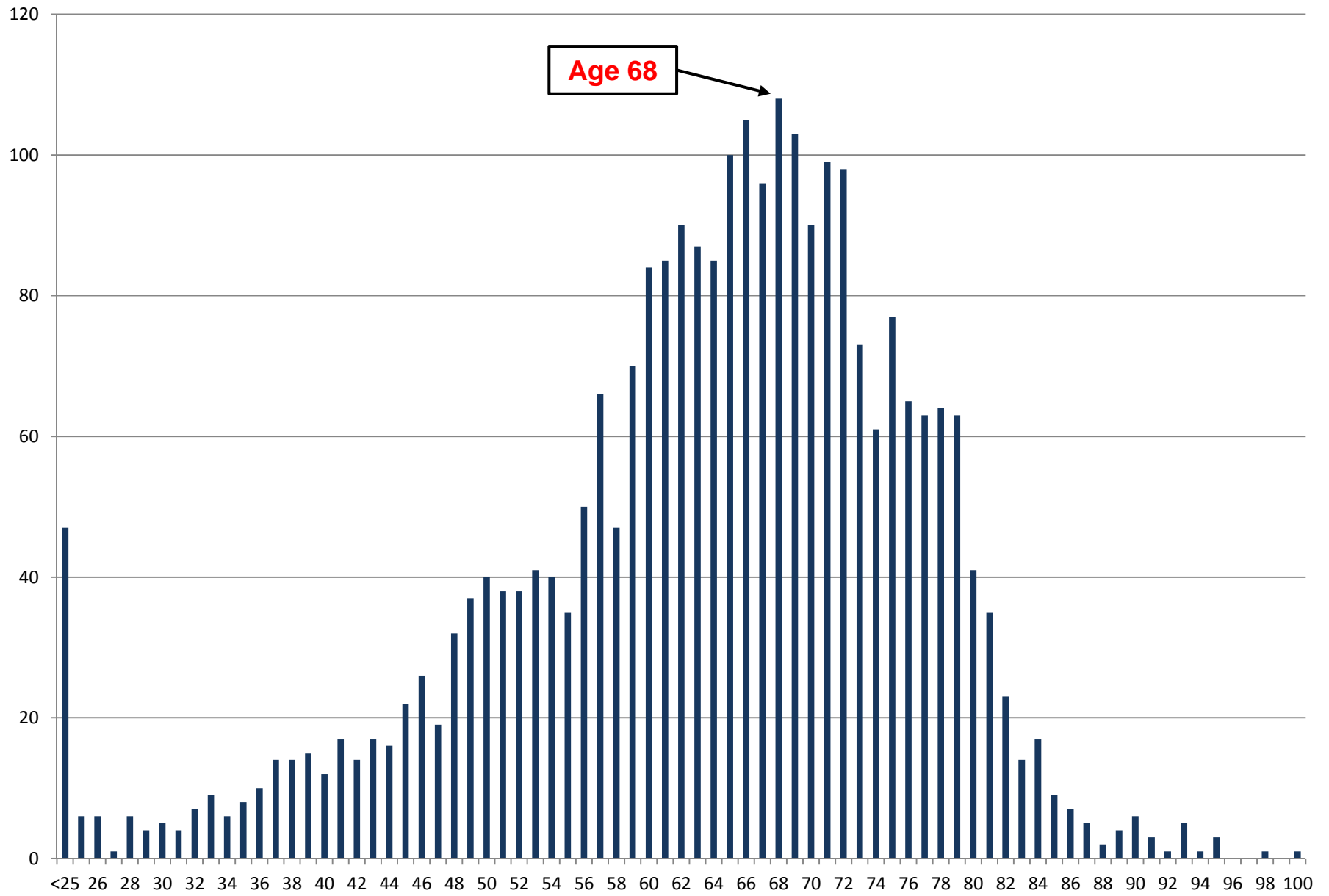
HOW ARE BOOMERS DIFFERENT?

- They May Usher in a Renaissance In Charitable Trusts, Pooled Income Funds, and CGAs
- See Quote From 50-Year Planned Giving Veteran Cliff Lura

Give & Take: Since you first started in the 1960s, America has seen major changes in family dynamics and demographics. How have you seen fundraising evolve in response to national trends?

Lura: Going back to when I started in 1966, for the next 15 to 20 years the Greatest Generation was very generous. The Silent Generation came next, but haven't had nearly as much of an impact. I happen to be part of this generation, and there just aren't many of us. We were followed by the Baby Boomers. They are very different from the Silent Generation and the Greatest Generation. They are interested in more sophisticated gifts such as trusts, charitable gift annuities, and so on

Age at Trust Start For 2,681 Trust Beneficiaries



Age 68

WHAT TO DO?

- Time To Polish Up Knowledge of Charitable Trusts?
- Emphasis on Creative Uses
 - Term of Years Trusts
 - Income For Others
 - Combinations of Current & Deferred
 - Gifts That Facilitate Inheritances

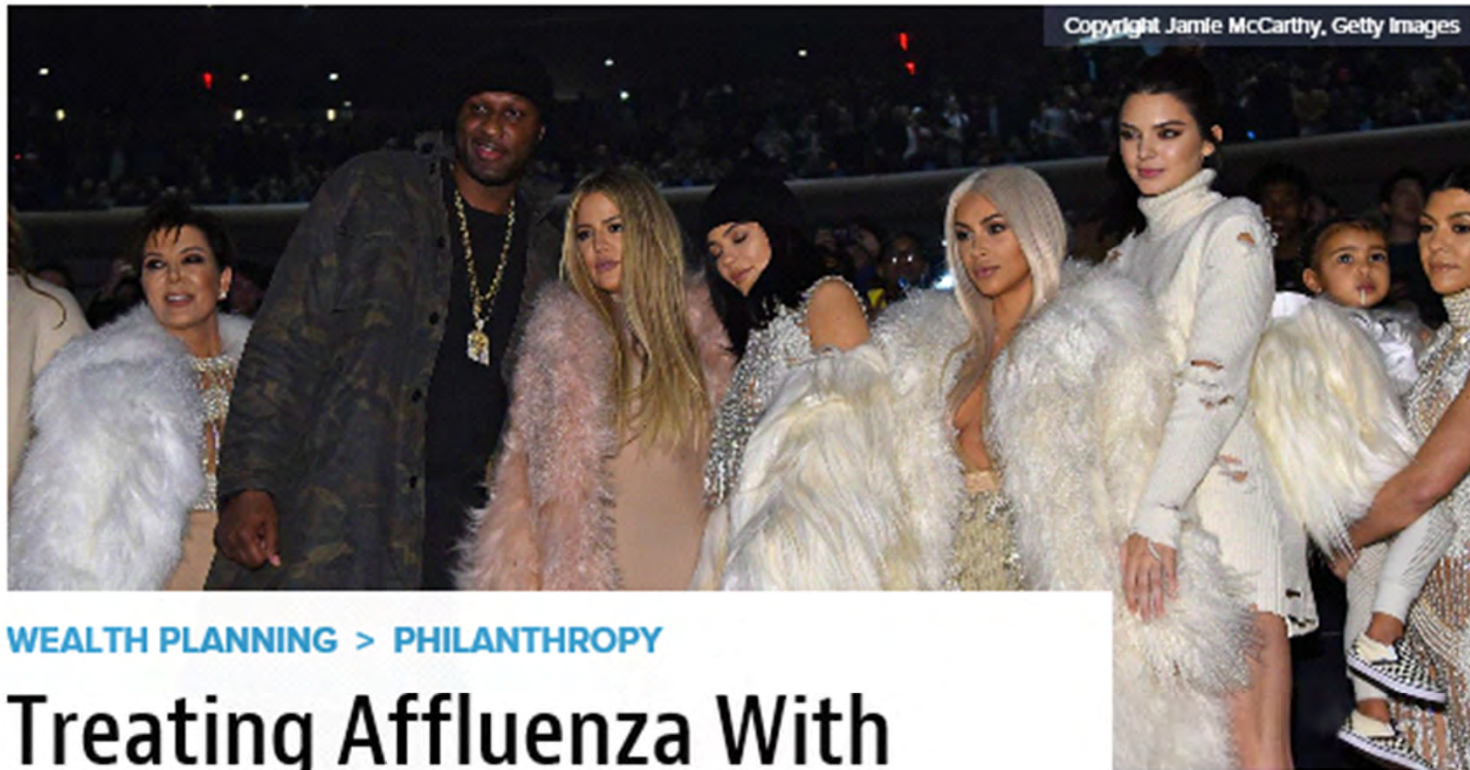
FORBES 12/10/2014 @ 8:56AM | 2,849 views

Precision Wealth Transfer With A CLAT

This story appears in the December 29, 2014 issue of Forbes.



The Nicols are using a CLAT to transfer money to Duke and their daughters.



WEALTH PLANNING > PHILANTHROPY

Treating Affluenza With 100ccs of Philanthropy

This all too common condition is far from incurable.

Robert F. Sharpe Jr | Feb 26, 2019

[RESOURCES](#) > [WEBINARS](#)

The Prevention and Cure of Afluenza

Monday, May 13, 2019 | 02:00 PM Eastern Daylight Time

BLENDED GIFTS

- **Combinations of Current and Deferred Gifts**
- **Focus on Total Value of a Gift Transaction**

“BLENDED GIFTS”

CELEBRATE 24th BIRTHDAY

PPP (now CGP) Conference Anaheim, 1995
Term First Introduced in Presentation by
Robert F. Sharpe, Jr. entitled
“How Will The Baby Boomers Boom”

3. *Baby boomers may never make large outright transfers to campaigns in the same ways their parents did.*
 - a. *The emergence of the "blended gift."*
 - b. *Combinations of current and deferred gifts.*
 - c. *Focus on total value of gift transaction.*

ESTATE AND GIFT TAXES AND GIVING

- Charitable Gifts Are Fully Deductible Under U.S. Gift and Estate Tax Systems
- Cost of Gifts Similar to Outright Gifts Under Current Law



COST OF ESTATE GIFT

$$**G - (G \times T) = Cost**$$

$$**\$1.00 - (\$1.00 \times 40\%) = \$.60**$$

IMPACT OF 2017 LEGISLATION

- Estate and Gift Tax Laws Essentially Unchanged
- Exemption Amount Was Doubled to \$11.4 Million for Singles and \$22.8 Million for Married
- Estate and Gift Tax Equivalent of Increase in Standard Deduction

IMPACT OF CHANGE

- Approximately 2.7 Million Americans Die Each Year
- Some 99.6% Did Not Owe Estate Tax Under Prior Law
- It Is Estimated That 2,000 Estates Per Year Will Now Pay Tax
- That Means No Tax on 99.9% Percent of Estates

IMPACT OF CHANGE

- Most Americans Live in States Like California, Texas and Florida Where No State Death Taxes
- Estate Tax Planning Is Now Mostly the Realm of Principal Gift Donors
- The Top 1/10 of 1% of Population
- But Large Percentage of Bequest DOLLARS Come From Them

ESTATE AND GIFT TAXES AND GIVING

- Are the Wealthy More or Less Likely to Leave Bequests if There Is No Estate Tax?
- Long Tradition of Giving Through Estates Prior to Estate Taxes
- See Annual Report From 1916 Prior to Enactment of Estate Tax

Boston Children's Aid Society 1916

SPECIAL BENEFACTORS AND DONORS OF THE SOCIETY SINCE ITS FOUNDATION

Since the foundation of the Society many legacies, bequests, and special gifts have come from friends—their names appear be'ow—who have taken this means of helping needy children.

It is best that a Society such as this should have to depend upon the general contributing public for a large part of its yearly receipts, for in this way it is most likely to meet changing needs and conditions, and be eliminated if its services are of no value. If, however, the income from the endowment could be increased to one-third or one-half of the total expenditures and the endowment itself be unrestricted as to use, the budget planning would then be put on a stable basis, and the administrative work could be executed with greater certainty.

ESTATE AND GIFT TAXES AND GIVING

- Surveys Show That the Wealthy Would Apportion Estate Tax Savings Among Family and Charity
- Over 95% Say They Would Maintain or Increase Their Charitable Bequests

THE 2016 U.S. TRUST® STUDY OF
High Net Worth Philanthropy

CHARITABLE PRACTICES AND PREFERENCES OF WEALTHY HOUSEHOLDS

OCTOBER 2016

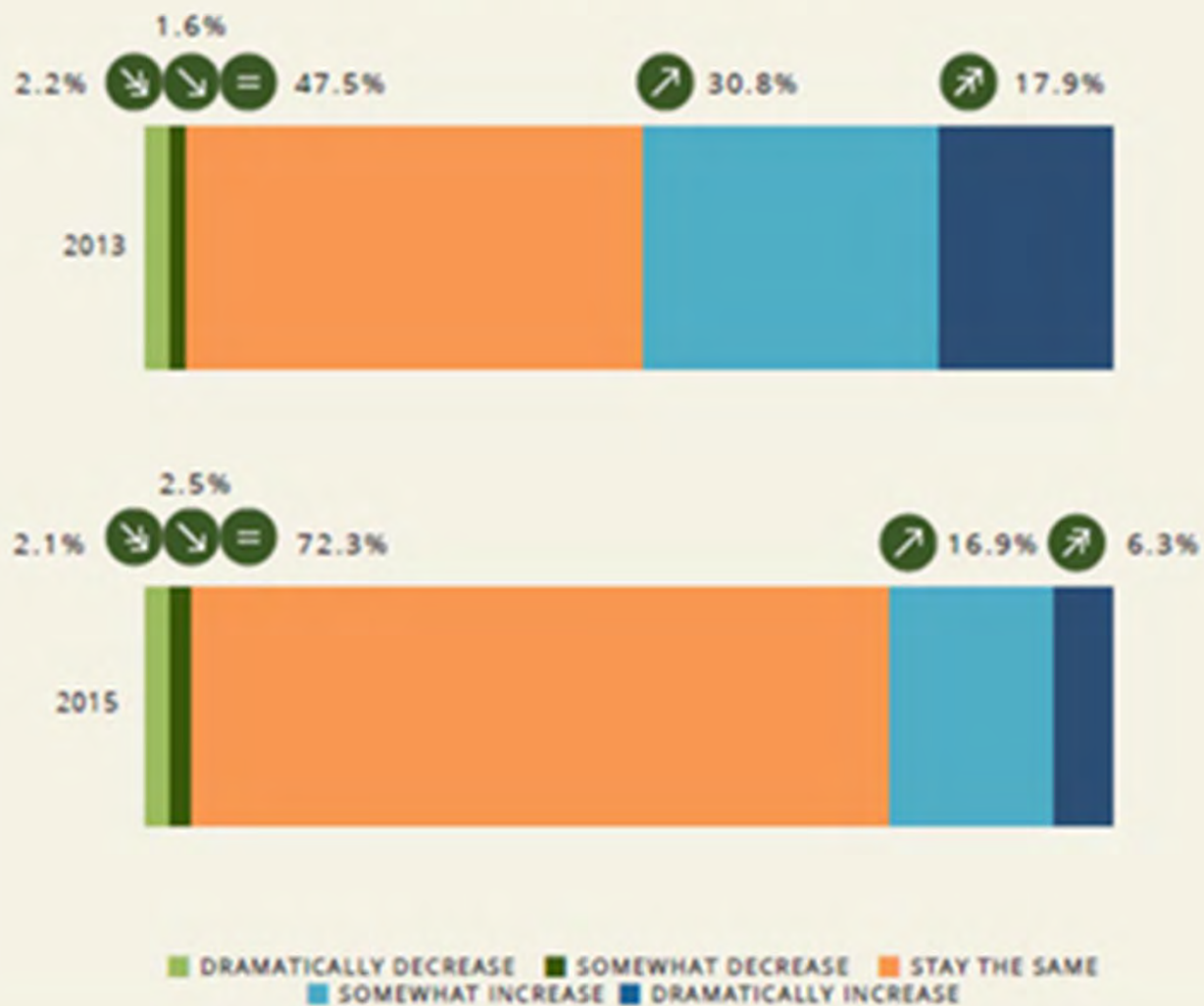


U.S. TRUST
Bank of America Corporation

Ψ IUPUI
LILLY FAMILY SCHOOL OF PHILANTHROPY

FIGURE 62

CHANGE IN HIGH NET WORTH HOUSEHOLD GIVING IF ESTATE TAX WAS ELIMINATED IN 2013 AND 2015



MARY'S BEQUEST IN 2017

Estate **\$10,000,000**

Bequest **\$1,000,000**

Tax Rate **40%**

Tax Savings **(\$400,000)**

After-Tax Cost **\$600,000**

To Family **+/- \$7,500,000**

MARY'S BEQUEST IN 2018

Estate	\$10,000,000
Bequest	\$1,000,000
Tax Rate	40%
Tax Savings	-0-
After-Tax Cost	\$1,000,000
To Family	\$9,000,000

PRIORITIES OF MOST WEALTHY BENEFACTORS

- **Decide How Much They Want to Leave to Heirs**
- **Taxes Paid on Family Inheritance**
- **Remainder to Charity**
- **More Funds for Charity if No Tax on Gifts to Heirs**
- **Mary's Family Receives More**

PLANNING AFTER ESTATE TAX CHANGES

- **Bequest Substitutes More Likely To Be Used Where No Benefits From Estate Gifts**
- **Many Will Be Interested in Gifts Completed at Death With Current Income Tax Benefits**

PLANNING AFTER ESTATE TAX CHANGES

- Can Be Referred to as
“Accelerated Bequests”
- May Help Some Itemize Other
Deductions As Well

EXAMPLES

- Current and Deferred Gift Annuities

LUCY

- She Is 80 Year Old Planning to Make Major Charitable Bequests
- Will No Longer Owe Estate Tax

LUCY

- She Decides to Fund Gift Annuity With \$50,000 That Pays 7.3%
- Charitable Deduction of \$24,000
- Restores Her to Itemizer Status
- Over 76% of Payment Received Free of Tax For 10 years

MARTIN

- He Is Age 75
- Required to Withdraw \$100,000 From Individual Retirement Account (IRA)
- Tax Bracket Is 24%
- Funds Gift Annuity With \$97,000 and Defers Payments to Age 90

MARTIN

- Tax Deduction Equal to 90% of Funding Amount, or \$87,300
- The Net Tax Due on the Withdrawal Is \$3,048 Which Is Nearly 100% Covered By Funds Not Contributed
- At Age 90 His Payment Rate Is 14.5%

MARTIN

- If He Dies Before Age 90 He Enjoys Immediate Tax Benefits for a “Bequest” He Intended to Make
- The Charity Has the Funds Under Management Today
- The Retirement Assets Continue to Build Tax Free for His Future Benefit

MARTIN

- Charity Credits Deferred Gifts for Amount of Tax Deduction
- Martin Is Credited With an \$87,300 Gift to a Campaign
- He Adds Pledges of \$12,700 to Round Out a \$100,000 Gift

EXAMPLES

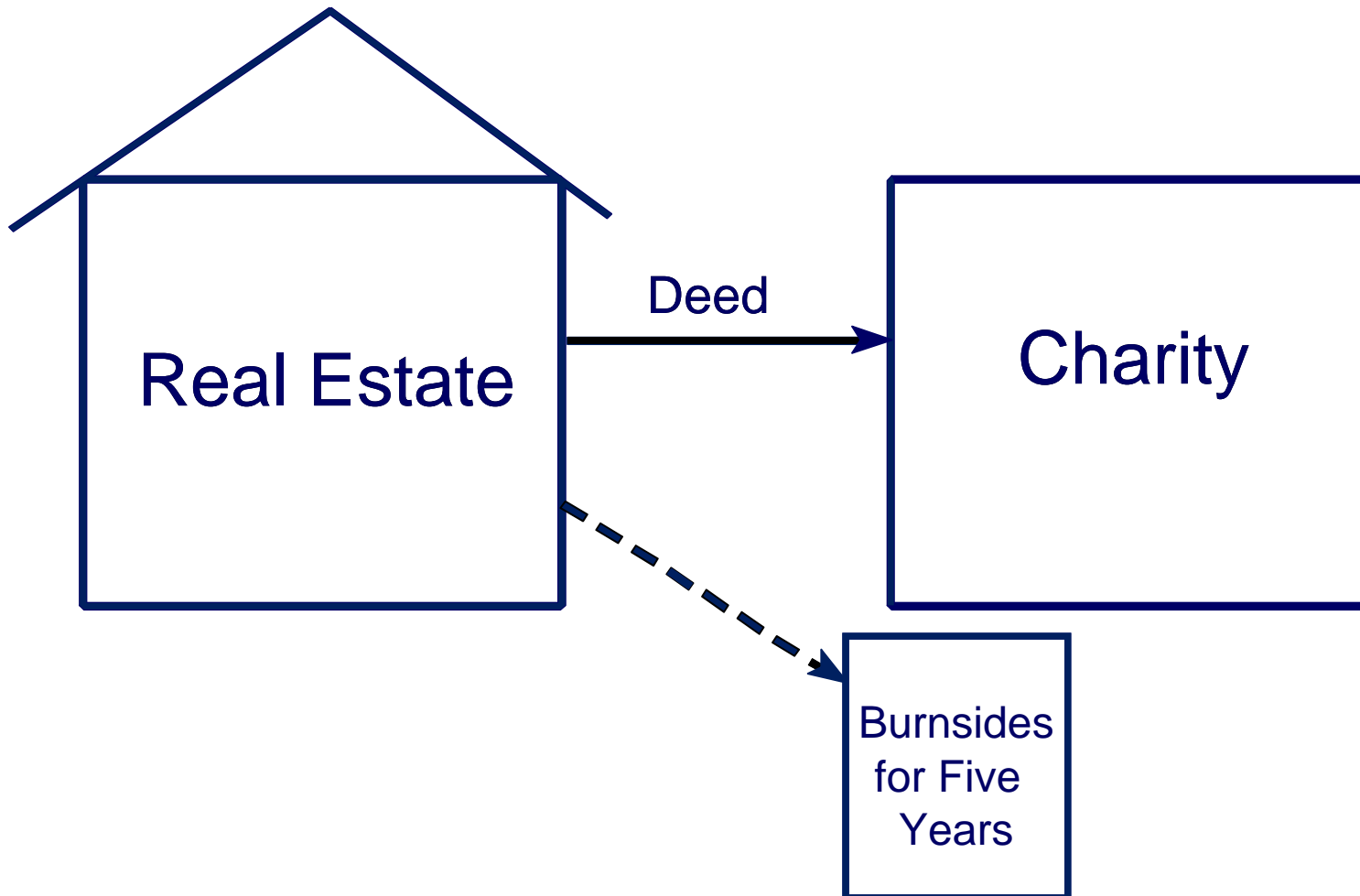
- Charitable Remainder Trusts
- Gifts of Real Estate With Use Retained for Lifetime

THE BURNSIDES

- Couple Age 60
- Planning to Retire in Five Years
- Will Move to Florida
- They Have Main Residence and Lake Home and Plan to Sell Both



Listing Price: \$595,000



THE BURNSIDES

- Immediate Tax Deduction of \$494,000
- No Change in Access to Home
- Charity Owns Home in Five Years
- Example of “Balloon Pledge”
- They Guarantee \$500,000 Minimum
- Compare to Bequest Commitment

PLANNING AFTER ESTATE TAX CHANGES

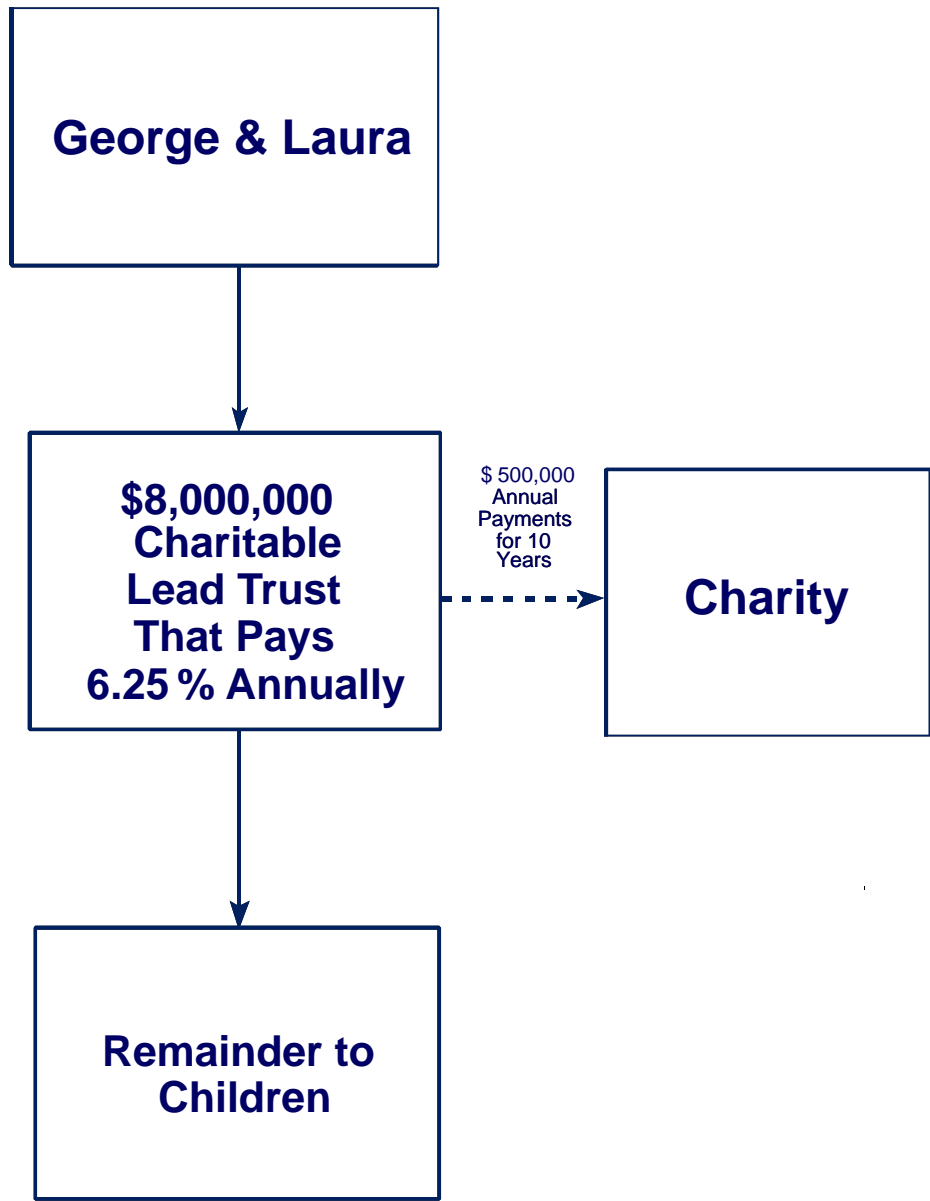
- Charitable Lead Trusts Will Continue to Appeal to Wealthier Individuals
- Terms May Be Shorter Because Can Be a Way to “Invest” Exemption Amounts

PLANNING AFTER ESTATE TAX CHANGES

- Charitable Lead Trusts Also Represent Way for Wealthy Non-Itemizers to Divert Gifts From Their Income Stream
- Achieves the Same Result as if Fully Deductible

GEORGE & LAURA

- Age 62 & 60
- Children in Their Mid 20s
- Would Like to Make Lead Gift of \$5 Million to Campaign
- Also Want to Provide for Children



EXTENDED “PLEDGE”?

- Donors Make \$5 Million Gift Over 10-Year Term
- Not Significantly Longer Than Term of Typical Comprehensive “Capital” Campaign

TAX CONSIDERATIONS

- Donors Report Gift of \$8 Million to Children When Trust Funded
- Gift Tax Deduction of \$4.5 Million
- Use \$3.5 Million Worth of Lifetime Exemption of \$22.8 Million Used
- But That Exemption May Exempt \$8 Million +/- From Tax

ADVANTAGE OF LEAD TRUST

- Donors Fund \$5 Million Gift Over Ten-Year Period
- Children Receive \$8 Million at the End of the “Pledge Period”
- Charity Receives “Blended Gift”
- Irrevocable With Both Current and Deferred Benefits

SUMMARY

PUTTING IT ALL TOGETHER

- Most Donors Will Continue to Give Some Amount Whether or Not They Itemize
- How Much They Give and How May Change
- Who Receives Their Gifts May Also Change

PUTTING IT ALL TOGETHER

- Will Depend on Underlying Levels of Donative Intent
- If Donors Reduce Giving By Some Percentage, It Will Not Be “Across the Board”
- Some Nonprofits May See Little Change

PUTTING IT ALL TOGETHER

- Some May Experience Greater Impact
- Important to Educate Donors About Realities of Tax Reform
- News Media Unlikely to Revise Early Predictions of Doom

Los Angeles Times

Op-Ed The GOP tax reform will devastate charitable giving



“ For the first time, we're able to learn more about our supporters. ”

- Brett Gerstein

Outreach Specialist for Aid for Africa

See How Aid for Africa and 3,000+ Other Nonprofit

PUTTING IT ALL TOGETHER

- Take Advantage of Opportunities to Inform Donors
- Use Mass Channels to Inform Broad Base of Donors
- Use Print and Other Media to Convey Messages That Are Relevant to Key Donors

PUTTING IT ALL TOGETHER

- There Will Be Tremendous Competition For Remainder of Silent Generation Estates
- Baby Boomers Will First Become Core of Major Donor Group
- Vital To Integrate Major & Planned Gifts To Make Transition
- “Complete” Don’t “Compete”



AGE AND WEALTH-BASED MATRIX

<p>A1</p> <p>Gifts of Cash Appreciated Property Term of Years Trusts Charitable Lead Trusts Life Income Gifts for Others</p>	<p>B1</p> <p>Gifts of Cash Appreciated Property Term of Years Trusts Charitable Lead Trusts Life Income Gifts for Others Current Retirement Plan Gifts Deferred Gift Annuities</p>	<p>C1</p> <p>Gifts of Cash and Property Bequests & Gift Annuities Term of Years Trusts Charitable Lead Trusts Charitable Trusts for Life Life Income Gifts for Others Current Retirement Plan Gifts Life Insurance Proceeds Retirement Plan Remainders</p>
<p>A2</p> <p>Gifts of Cash</p>	<p>B2</p> <p>Gifts of Cash Pooled Income Funds Deferred Gift Annuities</p>	<p>C2</p> <p>Gifts of Cash Appreciated Property Pooled Income Funds Bequests Gift Annuities Life Insurance Proceeds Retirement Plan Remainders</p>
<p>A3</p> <p>Gifts of Cash</p>	<p>B3</p> <p>Gifts of Cash</p>	<p>C3</p> <p>Gifts of Cash Bequests Gift Annuities Life Insurance Proceeds Retirement Plan Remainders</p>

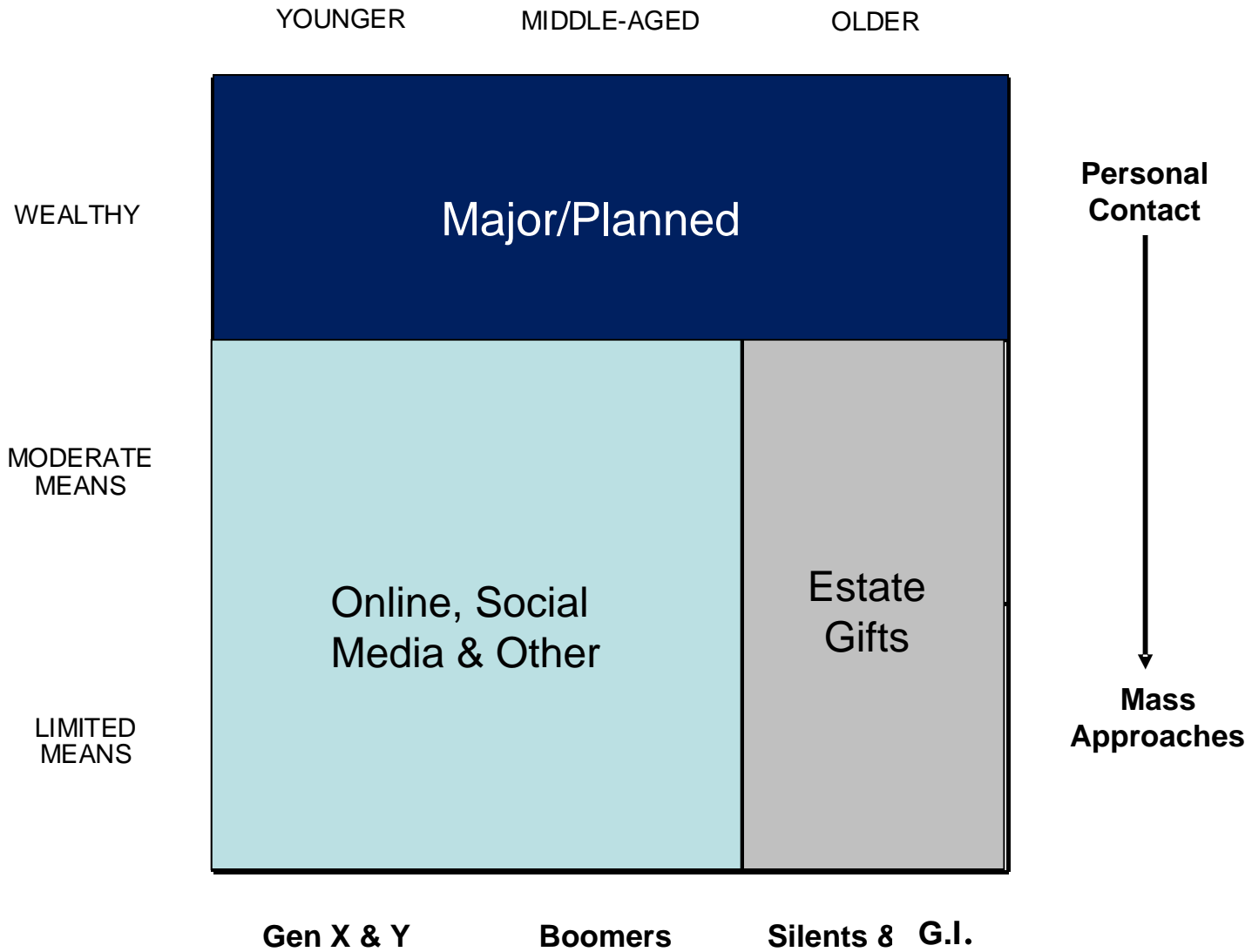
MAJOR GIFTS?

AGE AND WEALTH-BASED MATRIX

<p>A1</p> <p style="text-align: center;"> Gifts of Cash Appreciated Property Term of Years Trusts Charitable Lead Trusts Life Income Gifts for Others </p>	<p>B1</p> <p style="text-align: center;"> Gifts of Cash Appreciated Property Term of Years Trusts Charitable Lead Trusts Life Income Gifts for Others Current Retirement Plan Gifts Deferred Gift Annuities </p>	<p>C1</p> <p style="text-align: center;"> Gifts of Cash and Property Bequests & Gift Annuities Term of Years Trusts Charitable Lead Trusts Charitable Trusts for Life Life Income Gifts for Others Current Retirement Plan Gifts Life Insurance Proceeds Retirement Plan Remainders </p>
<p>A2</p> <p style="text-align: center;"> Gifts of Cash </p>	<p>B2</p> <p style="text-align: center;"> Gifts of Cash Pooled Income Funds Deferred Gift Annuities </p>	<p>C2</p> <p style="text-align: center;"> Gifts of Cash Appreciated Property Pooled Income Funds Bequests Gift Annuities Life Insurance Proceeds Retirement Plan Remainders </p> <p style="text-align: center; color: red; font-size: 2em; font-weight: bold;"> PLANNED GIFTS? </p>
<p>A3</p> <p style="text-align: center;"> Gifts of Cash </p>	<p>B3</p> <p style="text-align: center;"> Gifts of Cash </p>	<p>C3</p> <p style="text-align: center;"> Gifts of Cash Bequests Gift Annuities Life Insurance Proceeds Retirement Plan Remainders </p>

AGE AND WEALTH-BASED MATRIX

<p>A1</p> <p style="text-align: center;"> Gifts of Cash Appreciated Property Term of Years Trusts Charitable Lead Trusts Life Income Gifts for Others </p>	<p>B1</p> <p style="text-align: center;"> Gifts of Cash Appreciated Property Term of Years Trusts Charitable Lead Trusts Life Income Gifts for Others Current Retirement Plan Gifts Deferred Gift Annuities </p>	<p>C1</p> <p style="text-align: center;"> Gifts of Cash and Property Bequests & Gift Annuities Term of Years Trusts Charitable Lead Trusts Charitable Trusts for Life Life Income Gifts for Others Current Retirement Plan Gifts Life Insurance Proceeds Retirement Plan Remainders </p> <p style="text-align: center; color: red; font-weight: bold; font-size: 2em;"> IRA ROLLOVER? </p>
<p>A2</p> <p style="text-align: center;"> Gifts of Cash </p>	<p>B2</p> <p style="text-align: center;"> Gifts of Cash Pooled Income Funds Deferred Gift Annuities </p>	<p>C2</p> <p style="text-align: center;"> Gifts of Cash Appreciated Property Pooled Income Funds Bequests Gift Annuities Life Insurance Proceeds Retirement Plan Remainders </p>
<p>A3</p> <p style="text-align: center;"> Gifts of Cash </p>	<p>B3</p> <p style="text-align: center;"> Gifts of Cash </p>	<p>C3</p> <p style="text-align: center;"> Gifts of Cash Bequests Gift Annuities Life Insurance Proceeds Retirement Plan Remainders </p>



Conclusion