

# Designing effective planned giving programs

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The United States is in the midst of the largest wealth transfer in history. An estimated \$41 trillion will transfer through settled estates for the 55-year period from 1998 – 2052, according to a study completed by Boston College.

Nonprofit organizations that are proactive and work with an experienced wealth management and trust firm to develop a comprehensive planned giving program can benefit significantly from this trend.

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## **An effective planned giving program should:**

- Clarify the organization's mission for potential and existing donors
- Master a variety of estate planning techniques (e.g., gift annuities, split interest trusts) to help donors connect their philanthropic needs and goals to the charity's mission

## **Defining and protecting the mission**

A strong Planned Giving Program includes a mission statement that is clearly stated and easy to understand. This will ensure that the donor is making an emotional connection between their gift and its impact to the cause.

In today's more virtual environment, the mission can be spread using a variety of media and formats. Social networking technology, such as Twitter, Facebook and the nonprofit organization's website, can provide vital, up-to-date information about how the organization is achieving its mission. These venues can expand the nonprofit's reach to donors beyond the local level to a more global base. Nonprofit organizations should also be regularly browsing Internet forums to learn if there is any negative feedback about the organization. If a problematic message is found, it needs to be addressed swiftly since information can be posted and forwarded around the world in seconds. Inaccurate information should be dispelled with facts, perhaps even quoting reliable third-party sources, such as Charity Navigator, GuideStar or the IRS.

## **Riding the wave of impact investing**

Nonprofits should understand and exploit the trend toward "impact investing." Impact investing is when a donor gifts to and invests in organizations with the intent

to make a positive cultural, social or economic impact in the community. Since impact investing is estimated to grow from \$50 billion in assets to more than \$500 billion in assets within the next decade, this is a trend that nonprofit firms that want to grow should embrace.

Another area that has been important for nonprofits for some time now is the notion of Socially Responsible Investing (SRI). This means that a donation is invested in "green" or socially responsible areas of need. Conversely, investments in certain companies or industries that are contrary to or inconsistent with the charity's mission may be excluded from a nonprofit's portfolio.

Impact investing and socially responsible investing are important values that need to be linked to the mission statement if these areas are going to be a part of the nonprofit organization's investment program.

## **Achieving competency in advanced planned giving and tax techniques**

Advanced planned giving programs need competent personnel or advisors to review, educate, and communicate complex planning techniques and legal issues to the nonprofit organization's staff and donors. These personnel are typically attorneys, CPAs, Certified Financial Planners (CFP®s) and other credentialed advisors.

Smaller nonprofit organizations often cannot staff these types of advisors so they typically look for this expertise outside of the organization. Even larger groups may want access to professionals or advisors who have a deeper understanding of these issues and may look to an experienced wealth management and trust firm for this type of expertise.

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An outside firm or advisor can often help nonprofit organizations that are in the early stages of their development avoid common pitfalls. Many nonprofits at this stage focus their entire efforts on fundraising. An important step that they may overlook is putting a gift acceptance policy in place prior to receiving gifts. This policy provides guidance to staff and donors around the types of assets that can be accepted as gifts. For instance, the nonprofit organization may need to consider whether it is ready to accept donations such as a piece of real estate or a closely held business interest in the early stages of its formation.

Outside firms or advisors can also bring expertise and advice in areas that offer the nonprofit new opportunities for growth. For example, there is currently an increased demand for charitable gift annuities among donors who are fixed-income investors due to record low interest rates. Nonprofits that can offer gift annuities can benefit from this increased demand. An experienced wealth management and trust firm can help the nonprofit organization invest the assets, hedge longevity risks, prepare tax reporting forms, assist in developing marketing materials, advise and consult on developing gifting procedures, and maintain a comprehensive reporting system.

### Support from KeyBank Institutional Advisors to realize the mission

KeyBank Institutional Advisors' NonProfit Services team works closely with nonprofit organizations to help them realize their potential. We are home to some of the country's premiere planned giving advisors. Our team works with nonprofit leaders to develop planned giving programs tailored to meet their needs.

KeyBank serves as co-trustee or agent for many private and public charitable foundations. We specialize in ensuring that a nonprofit's investment policy, process, and implementation complies with fiduciary obligations imposed by state and federal law. We also offer comprehensive recordkeeping services, tax filing, and advice from experts who know and understand the complexities of compliance, regulation, and state and federal tax planning.

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For more information about planned giving services, [please contact a member of the KeyBank Institutional Advisors team or visit \[key.com/ia\]\(https://key.com/ia\)](#).



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