



Beneficiary Designations: charitable bequests without the fuss

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JUNE 21, 2023

Agenda

Charitable bequests – legacy gifts

- One element of a three-part fundraising strategy
- Largest gift of a donor's lifetime, increased giving

Myths and realities for bequest donors

- Complexities and costs ... and the fear of dying
- Estate planning is hard but necessary work

Charitable beneficiary designations

- What are they and how do they work
- Special advantages for retirement accounts

Secret Agenda

We're making this too complicated
for our donors ... and they know it!

Three fundraising strategies

Annual Giving (memberships, special events)

- Modest sized contributions, usually from ordinary income

Major Giving (capital campaigns)

- Larger contributions, often from assets or pledged over years

Planned Giving (legacy giving)

- Gifts from estate wealth, usually at the end of a lifetime

Three fundraising strategies

	Annual Gifts	Major Gifts	Planned Gifts
Uses of gift	Operating needs	Capital projects and special needs	Endowment and designated funds
Gift size	Modest	Significant	Largest
Timing	Annual	Opportunistic	Life-long
Prospects	Current constituents	Active and interested donors	Everyone
Fundraising Approach	Annual solicitation	Opportunistic or focused campaign	Education and solicitation

November 7, 2019 ...
on the eve of the pandemic



6/21/2023

GIVING USA SPECIAL REPORT

FALL 2019

Leaving a Legacy

A New Look at Today's Planned Giving Donors



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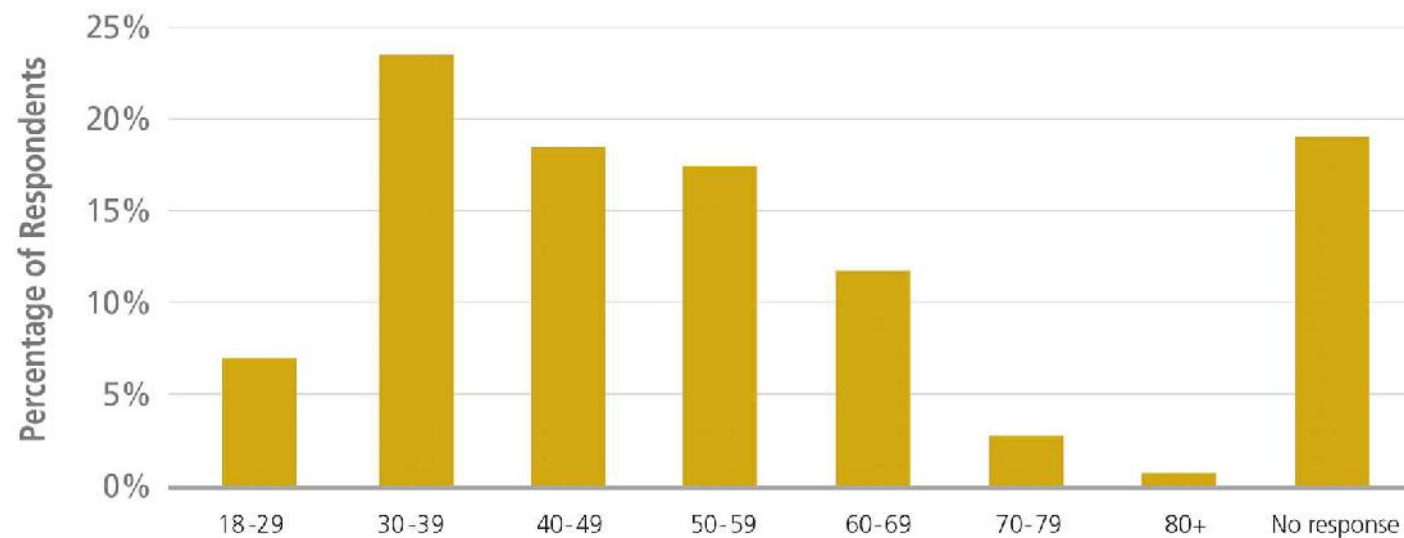
Shared intelligence.
For the greater good.

A public service initiative of The Giving Institute

Myth: legacy gift prospects are older

Figure 1

Age of writing a first will



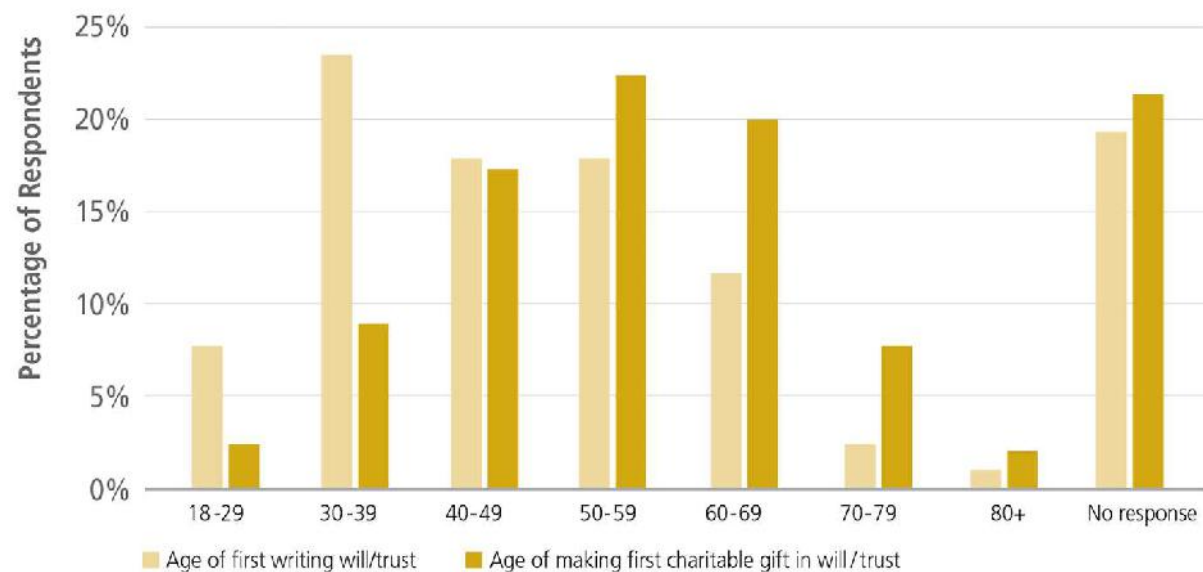
Most donors write their first will prior to age 60

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Myth: donors make legacy gifts later in life

Figure 7

Age of adding a charitable gift in will/trust vs. first writing will/trust



“Among donors with charitable gifts included in their will/trust, 53.1% of respondents said their first will/trust included a charitable gift...”

Myth: legacy donors change their minds

Table 4

Charitable legacy giving as a factor of age

Changes in gift planning	Percentage
The number of gifts has not changed	50.4%
I have increased the number of gifts	44.2%
I have decreased the number of gifts	5.4%

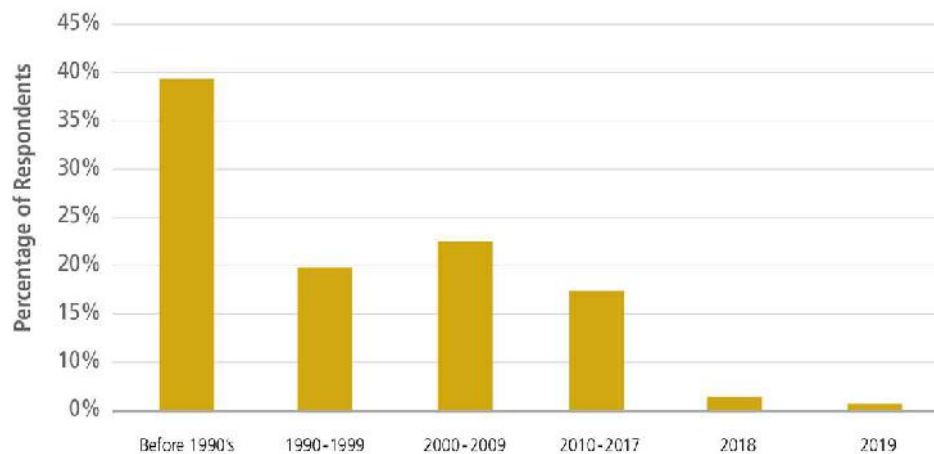
Legacy gifts are most likely to be maintained or increased; rarely decreased or eliminated

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Myth: legacy gifts crowd out “real giving”

Figure 13

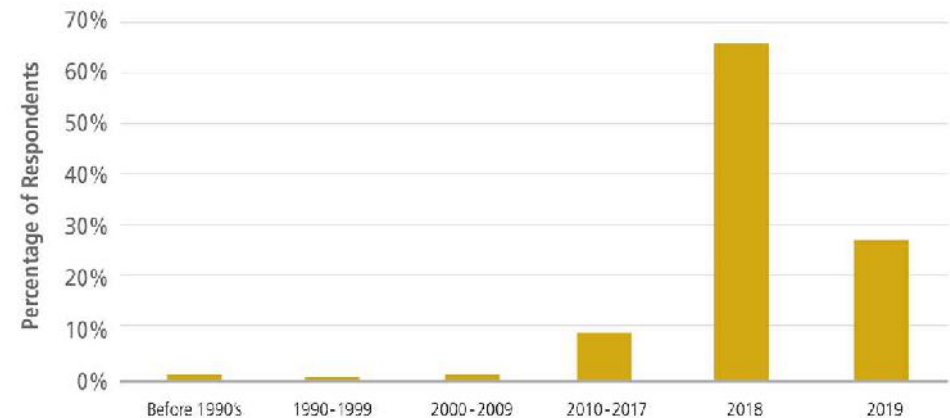
Approximate timing of first gift to organization that will receive largest legacy gift



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Figure 14

Approximate timing of most recent gift to organization that will receive largest legacy gift

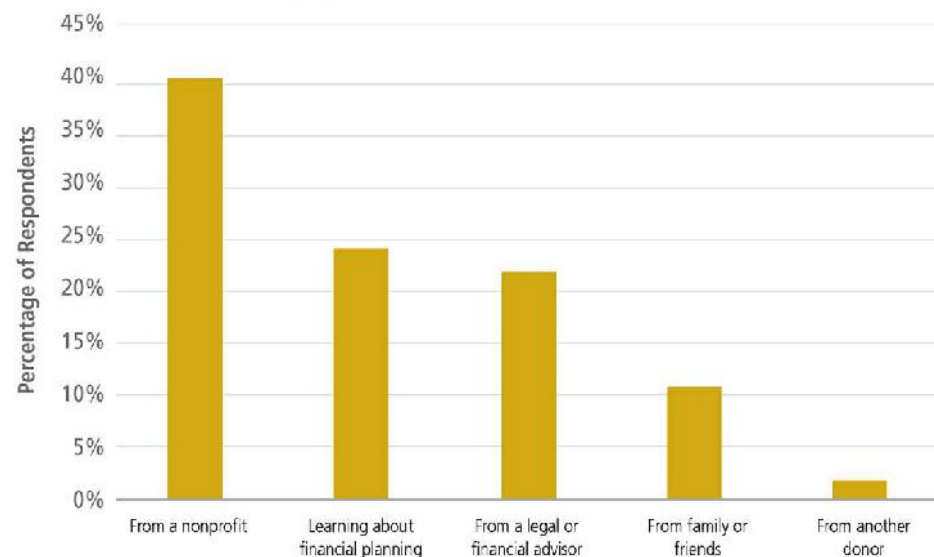


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Myth: role of professional advisors

Figure 20

First learned about legacy living



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Table 10

How donors first learned about legacy gifts from the nonprofit

Source	Percentage
Personal conversation with a representative from the nonprofit	48.7%
In a mailing	40.1%
In another type of printed communication	14.6%
On the nonprofit's website	12.7%
At an event hosted by the nonprofit	11.2%
In an email	8.6%
On board or staff	5.6%
Other	7.1%

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Myth: this stuff is really complicated

Table 1

Ease of writing a will by method used

Q: Who assisted you in writing your will/trust?	Q: How would you describe the process of writing and/or revising your will/trust? <i>(weighted average of 1-5 scale where 1 = very easy and 5 = very difficult)</i>
I wrote it myself	2.30
Legal advisor	2.53
Financial advisor	2.57
Family member or friend	2.72
Representative from nonprofit	2.79
Online will-writing service	3.06

- Most donors said the process was not difficult
- Are PGOs adding complexity?

What is a beneficiary designation?

Simply: a legal direction to distribute assets or money upon death

Similar, in most respects, to a charitable gift in a will

- Donor: preserves flexibility to change if need be
- Charity: stewards a gift it expects to receive in the future

Beneficiary designations usually can be made with:

- Bank accounts and investment accounts
- Insurance policies, annuity contracts, other financial instruments
- Retirement accounts

How does a donor do it?

Work with the financial institution, often as easy as filling out an online form:

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Beneficiaries | Bank Checking, Savings and CDs

You can choose up to 10 beneficiaries for each of your non-IRA accounts. If you have more than 10, you must adjust your allocations.

Household Checking *****1725

BENEFICIARIES
[+ Add Beneficiary](#)

Reimbursement Checking *****1733

BENEFICIARIES
[+ Add Beneficiary](#)

Savings Account *****1714

BENEFICIARIES
[+ Add Beneficiary](#)

Beneficiary Classification Non-profit or charity

Beneficiary Name

Tax ID (Optional) [Why do you need this?](#)

Street Address

City

State

ZIP Code

Allocation Amount: 100%

Account Ownership Type

☐ In trust for

☐ Payable on death

Fiddly details: retirement accounts

Retirement Accounts – especially tax advantageous:

- Withdrawals are fully taxable as ordinary income
- Sometimes possible to defer the taxes, sometimes not – but taxes will be paid
- There is no income tax on a transfer to charity
- Tax wise strategy: leave retirement account to charity and other non-taxable assets to heirs

Fiddly details: POD and TOD

POD – “Pay on Death” the account will be liquidated and the proceeds transferred to the beneficiary

TOD – “Transfer on Death” ownership of the account and the assets in it are transferred to the beneficiary

Fiddly details: collecting the money

Although they may not need to, financial institution often have requirements before distribution is made

- Opening a new account (particularly for TODs)
- Individual personal information (like your CFO's SSN!)

“RIFT Project” (Release IRA Funds Timely); CGP, Johni Hayes

- Advocating for standardization
- Resources including templates

Myth: legacy donors crave recognition

Table 14

Donors' desired vs. actual recognition for legacy gifts

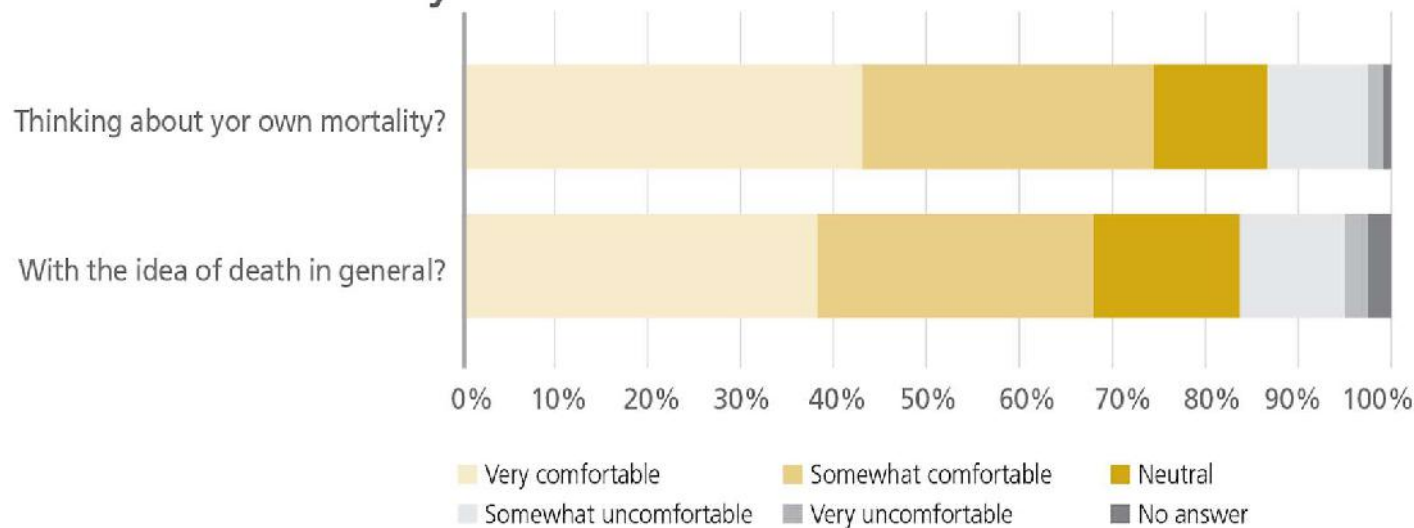
Type of Recognition	Percentage desired	Percentage received
Included in a list of legacy gift donors	41.1%	70.0%
I do not want any recognition	38.7%	2.9%
Membership in a legacy society	36.5%	10.1%
Personalized contact	31.6%	68.3%
A dinner or other public event	22.8%	52.8%
Receive exclusive communications	15.3%	31.3%
Interviewed for a newsletter/magazine	6.5%	23.6%

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Myth: avoid thinking about the inevitable

Figure 5

How comfortable are you...



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What does all this mean?

1. Start marketing charitable bequests to younger current donors
 - They won't decrease other giving and their planned gift will likely be the largest of their life
2. Keep it simple – or simpler than we do
 - It doesn't get much simpler than a beneficiary designation
3. Steward appropriately but lightly
 - They'll stay with us and probably increase their giving over their lifetime

From the Giving USA study

“Between 5-8% of donors make planned gifts, but 1 in 3 would consider it.”

“We believe all fundraisers need to be equipped with a basic knowledge and understanding of planned gift vehicles to ask and encourage donors to make planned gifts.”

Special thanks to Dr. Elizabeth Dale, Associate Professor of
Philanthropic Studies at Seattle University

Giving USA web site: givingusa.org