Steps to a Successful Planned Giving Program

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Introduction

Many nonprofit organizations agree that planned giving is a critical source of revenue to support their current and future growth and sustainability. This is reflected in the establishment of new planned giving programs and refocused attention on existing planned giving programs around the country. Traditional planned giving vehicles such as bequests, charitable remainder/lead trusts, and gift annuities are popping up more often on the nonprofit menu.

The uncertainty of the current economy combined with the fact that Baby Boomers are entering their retirement years will likely result in planned gifts at unprecedented levels. Philanthropic planning should remain paramount to the decision to enter a planned gift arrangement but its marriage to financial planning should become more pronounced. In addition to an organization’s charitable mission, donors should also evaluate a nonprofit organization’s stewardship, financial strength, planned giving acumen, and organizational sophistication as they explore their philanthropic/financial options. The first three on the list have always been a part of the donor’s analysis; however, the last measure (organizational sophistication) is quickly becoming a critical component for discussion as donors entrust their retirement assets and legacy to nonprofit organizations.

So how can nonprofit organizations help prepare for this new era of planned giving? How can nonprofit organizations breathe new life into their once prized programs? The suggested answers are simple, but will require practice and focus to implement. Planned giving is not an event that has a beginning and an ending, but an ongoing initiative. There are steps that can help organizations move a planned giving program from being an individual initiative to an institutionalized fundraising pillar similar to annual and campaign giving.

Step one: Understand

Planned giving’s role for any charitable organization is that the service the charity provides today will continue for future generations. Since deferred giving is long-term in nature, when all interested parties within the organization do not understand the vital nature and contribution of planned giving, the program is at risk of pausing every time there are staff changes or economic fluctuations.

Without understanding on multiple organizational levels, a planned giving program will likely not reach the desired stage of maturity. A mature planned giving program is more than a program that has been in existence for several years. The program is a stable, permanent, productive component of the organization's fundraising efforts and results. Understanding what planned giving is, why your organization has a planned giving program and how the program works within the organization are essential for a planned giving program to evolve.

For a planned giving program to reach its fullest potential, knowing its role and significance to the strategic plans of the organization’s future must become indoctrinated among the board, executive leadership, finance/accounting, development staff and volunteers.

Board. Since the board provides the governance of the organization, for programs to be successful, the board should be engaged and educated on the risks, rewards and role of planned giving for the longevity of the charitable institution. The participation and buy-in of board members is necessary to endorse and advocate the program. Some of the core policies required to operate a planned giving program call for the support and involvement of board members. For example, the foundation of any planned giving program is a clear gift acceptance policy to define the parameters of the program. Additionally, an investment policy to confirm how planned gifts will be invested is an integral component that the investment committee is charged to oversee for the preservation and growth of assets. Moreover, for charities issuing gift annuities, some states require corporate resolutions and officer affidavits in order to obtain a permit to solicit donors in a particular state. When the board understands the basic rules and the underlying significance of planned giving, they support strategies to enlist resources dedicated to the development of the program and maintenance of the program during times of internal or external crisis, helping the program remain a vital resource to the charitable entity. Once the board gets it, the other interested parties involved have the foundational support needed to initiate and develop a successful planned giving program.
Staff. Executive leadership, finance/accounting and development staff should all understand planned giving as it pertains to their role within the organization, but they also should have a general understanding of the roles of their colleagues in other departments. Although the development staff’s primary role is the solicitation of funds and stewardship of supporters, development officers should also have knowledge of how planned gifts are invested in the event a donor or prospect asks for some general information. Similarly, the finance office may handle the counting and accounting components of contributions, but directors of finance also benefit from being informed about the donative intent driving the gift and any restrictions that the organization has agreed to fulfill.

At a very foundational level, executive leadership establishes the overarching strategy for the planned giving program which needs to be understood by the other interested parties within the organization. Finance and accounting officers are then able to provide resource management, record liabilities with assets, authorize or facilitate necessary transactions, monitor investment performance and prepare required financial reports. The development personnel are empowered to solicit gifts and enhance relationships with supporters through connecting the organization’s mission with the donor’s passion. The more unity and collaboration between leadership, finance and development, the more efficient the program can function.

Successful planned giving programs have staff dedicated to planned giving fundraising and donor stewardship. When the board understands the importance of not only fundraising for today but also deepening donor relationships for dollars tomorrow, executive leadership tends to have greater ability to establish proper infrastructure to develop the program. Although not all charities are in a financial position to hire one let alone multiple dedicated planned giving officers, effective staffing can still be obtained within any budget constraints by equipping volunteers, board members and existing staff until the program becomes self-sufficient.

Volunteers. What better resource for planned giving prospects and ambassadors than those already invested in your organization as loyal volunteers? Too often, development officers overlook the resources right under their noses due to a false impression that volunteers are not wealthy enough perhaps to establish a planned gift. In actuality, planned giving is a potential option for anyone with a commitment to the charity regardless of income demographic. Effective gift planning can determine the best gift strategy, asset(s) for funding and the proper timing of the gift. Volunteers should be aware that the organization has a planned giving program and the various ways available to continue a legacy. From a simple bequest to a more complex gift, many volunteers can do something if they are properly informed.

When the organization views planned giving as a partnership for the overall benefit of the organization’s future, and the message is communicated throughout the organization, volunteer coordinators should not see development officers as a threat or imposition to loyal volunteers, but instead as another optional way for volunteers to give back. For smaller organizations without adequate staff resources, volunteers can serve as advocates for the charity and help to connect organizational leadership with donors and personal advisors for planned giving opportunities. Since volunteers have an established vested interest in the charity’s success they want to help ensure the organization will be capable of providing services and programs in perpetuity. Each stakeholder in an organization should be able to clearly and concisely articulate the charity’s mission and how the planned giving program works within the organization. In our view, organizations that are able to effectively ingrain this mindset into their communities are more likely to succeed.

If planned giving is merely an event that a few members of the charity know about and market occasionally, a temporal and sporadic outcome is the probable result. Once planned giving is understood within the organization, it becomes part of the culture. When people understand, the organization can establish a plan to help the program flourish.

Step two: Plan

Creating a plan for a planned giving program is comparable to building a house. Understanding why a planned giving program is required helps to provide the foundation. The next step is to determine how to implement it. An overarching strategy should be created. Just as organizations map out a capital campaign or any strategic initiative in advance, the structure of the planned giving program should be spelled out clearly. The first component of a planned giving program is the development of policies and procedures to set the desired parameters.
After the framework is in place, developing the system for who will be involved throughout the gift’s life cycle and the role each party plays can help to create consistency and efficiency. Although each organizational dynamic is different at some level, each nonprofit should have: 1) donors, 2) someone responsible for development, 3) someone overseeing financial matters, and 4) someone fulfilling administrative requirements involved. A simple flowchart of what each party does in the process of gift development, establishment, administration and termination will help eliminate confusion and clarify roles to avoid duplication of efforts.

Once the plan is in place, the structure of the planned giving house is built by establishing policies and confirming processes, allowing a marketing strategy to be designed to start filling the rooms. Successful planned-giving marketing can be achieved on any budget, but the important thing is that a marketing program is in place. Constituents have to know planned giving is an option and be reminded on how to give, what to give, whom to contact with questions and, most importantly, why to give. The message can be shared through a variety of mediums but it has to be communicated.

Existing marketing tools can incorporate planned giving information in order to maximize appeal and minimize costs. Specifically, information about the program should be readily available on the organization’s website. Details about the planned giving program can be included in regularly scheduled mailings such as newsletters. Additionally, if the organization is hosting a seminar or event, the planned giving program can be highlighted in some way as well.

Targeted planned giving donors are those who give consistently already regardless of the dollar amount, those with a personal connection to the organization, and those that express interest in your mission. More specific planned giving communications can go to

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### Key planned giving policies and procedures

**Board resolution(s).** The board of an organization typically communicates through resolutions. These written documents signed by the board secretary express the governing body’s desires and instructions with respect to delegating authority and approval of certain organization-wide initiatives. It is appropriate for the governing board to communicate its approval of a planned giving program through a resolution.

**Gift acceptance policy.** Gift acceptance policies are important for controlling organizational risk. In many cases, it is difficult for a development officer to assess the risks associated with a gift in an objective manner or in a situation where a donor pressures the officer for a quick decision. The gift acceptance policy should help development officers identify gifts that are widely considered “risky” and take appropriate actions as it relates to a proposed gift.

**Investment policy.** The investment of assets is important so that the assets will be available at some later date for use by the organization. The investment process involves understanding the ultimate use of the funds and developing prudent objectives to achieve the stated goal. In order to maintain discipline regarding investments, an investment policy should be developed that states the purpose of the funds, plans for allocating assets between debt and ownership, and measurements for performance. This policy should be evaluated periodically or upon the happening of an event that would qualify as a significantly changed circumstance.

**Severance policy.** In many instances, a planned gift will state a purpose for which the funds will be used upon the death of the last surviving beneficiary or the expiration of a term of years. For example, a gift can be specifically designated for endowment or generically designated for the “general purposes” of an organization. Regardless of designation or lack thereof, a charity should be able to track the value of the donor’s gift and ultimately fulfill the donor’s intent in establishing the gift. This entails a method for removing the assets from the planned gift vehicle or leveraging the gift within a planned gift pool for future maintenance of the program. This method should be identified through a severance policy.

**Gift counting policy.** Due to the deferral aspect of planned gifts, it is difficult to determine today what will remain for the ultimate use by charity at some point in the future. Donor longevity and market activity are often unknown; however, these factors can be estimated using mortality tables and assumed market rates. Organizations should determine the inputs it will use to estimate what portion of a gift will be available for charitable use.
donors over 55 for charitable gift annuities or those in their 40s for bequests along with those considered affluent or of high net worth. We recommend that planned giving officers discuss retirement plan designations or life insurance beneficiary designations with donors younger than 40. An organization’s gift acceptance policy will determine if a particular donor is eligible for a given charitable vehicle.

**Step three: Execute**

Once a plan that offers guidance on what to do, who will do it and how to communicate it to the donor base has been put in place, it has to be executed. Understanding and planning are the foundational elements to get started, but the execution is when the rubber meets the road and the cultivation of actual gifts occurs. The manner and velocity with which an organization with prospective planned giving donors can increase the success rate of the gift. Execution is critical from the cultivation phase all the way through the administration of the gift and a plan should be in place for each phase.

During the execution phase, a great emphasis is placed on the “development” functions and the “finance” functions. A common trait that can be found among successful planned giving programs is that the finance office and the development office have a very good working relationship that is collaborative and mutually supportive. Likewise, planned giving programs that are dysfunctional tend to show traits of a strained relationship between finance and development—if a relationship even exists at all. An effective way to execute on a well-defined planned giving program is to have frequent communication between finance and development as well as a collaborative environment where each party’s input is valued at a premium.

**Step four: Grow**

The implementation of a plan in a consistent, thoughtful manner outlined can help the program grow. During this stage there may be some closed gifts which provide success stories to share with the board, volunteers and donors to increase participation. Donor stewardship is integral for longevity and growth. Nonprofits with successful planned giving programs know their donors and develop a relationship that promotes communication, not just solicitation. This relationship requires strategizing to really understand the needs of the donor and how those needs best fit with the goals of the organization to achieve a win-win scenario.

A happy donor will serve as an advocate and resource whereas a disgruntled donor could potentially become an adversary. By keeping updated donor records with key information such as birth dates, family information, interests, method of contact preferences, and privacy inclinations, the donors know they are more than a name with a checkbook to the organization. Additionally, an important ingredient of donor stewardship is the stewardship of younger donors. While it may seem counterintuitive to open a planned giving dialogue with younger donors, this demographic should not be ignored. As these individuals are in the wealth building phases of their life cycle, they inevitably consider wealth planning and are philanthropically inclined. Studies indicate that they are committed to the need to effect change. Appreciate the younger donor now and he or she will inevitably appreciate the organization later because today’s younger donor is tomorrow’s donor. This pipeline of planned giving donors is critical to the future growth of a planned giving program.

A final component for growth is an organizational emphasis on integrity. Make every effort to be honest and maintain trust. If funding is not needed for a specific project or program that the donor’s heart is set on, be forthcoming and see if there is another way to collaborate to meet a need that is in keeping with the organization’s strategy. The more confidence the donor has, the increased likelihood of gifts without restrictions.

**Step five: Nurture**

As the organization works through this process of growing the program, it can potentially become a natural operating system. The frequency of planned gifts progressing through their natural life cycle (from the development phase through termination phase) may accelerate to a point where new gifts are being established and older gifts are maturing with increasing frequency. At this point, the planned giving program matures and in order to facilitate continued growth, the program should be nurtured. Leverage partnerships and expertise so that staff can stay mission-driven and donor-focused. If the organization was unable to delegate day-to-day processing before, now is a great time think about such delegation. Benchmark what works and what does not regarding policies, structure, and marketing efforts in order to tweak when necessary. Continue the education of new staff, board, donors and volunteers so that the cycle of a successful planned giving program lasts for as long as the organization has long-term goals and needs.
Closing thoughts

Remember, planned giving is an ongoing initiative, not an event. After completing the five steps listed above, it is critical to start back at the beginning to evaluate where your planned giving program is in its life cycle. Planned giving programs grow and occasionally experience headwinds. Regardless of the forecast, it hardly ever is a good idea to alienate current or prospective donors as it will hurt the long-term mission of a planned giving program. As such, the process of understanding, planning, executing, growing, and nurturing a planned giving program must operate in a perpetual cycle. Markets, staff, leadership, and laws change, but an organization’s commitment to planned giving should remain steady and consistent in order to help achieve success.
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