24 Planned Giving Terms You Should Know

A Glossary of Common Terms

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Executive Summary

You've established a planned giving program and you're ready to make personal appointments with your top prospects, but you fear you're not yet fully confident in your knowledge. Don't panic!

Most conversations about planned gifts don't start with technical questions; rather, they center on donors' wishes to have an impact on the organization's needs. When the time comes, you'll be ready — this glossary of terms, which uses practical examples, will give you a basic working knowledge of key words common in ongoing planned gift conversations.

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Terms Commonly Used In The Administration of a Planned Giving Program

1) Planned Gift or Planned Giving: Once called deferred giving, "planned giving" or "planned gift" refers to any charitable gift that requires more thought and planning to execute than the average donation. Planned giving has traditionally been defined as the gift that an individual creates during his or her lifetime that will take affect at or after their passing. There are many kinds of planned gifts, including, but not limited to: simple bequests in a will or trust or within an estate plan, charitable gift annuities, charitable remainder trusts, charitable lead trusts, non-cash assets and assets transferred using pay-on-death or transfer-on-death documents.

2) Bequest Intention or Planned Gift Intention: This is a donor's indication of his or her intent to leave a future gift. An intention is neither a legal nor binding commitment upon the donor's estate. Rather, it's a courtesy notification of the donor's desire to make a future gift. It is generally accepted that the average bequest amount in the U.S. and Canada is around $35,000. Some sectors like healthcare, arts & culture and higher education, report average planned gifts 3 to 4 times that amount. Many organizations treat these deferred major gift donors similar to or as the same as they would a current major donor and include them in a recognition club with some level of regular benefits. Because of the non-binding nature of the intention, however, it's most wise to provide benefits that are either of no cost or low cost, such as listing donors in acknowledgement publications, sending them special invitations or advance notices for organizational activities, or perhaps giving them a token thank-you gift.

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3) Bequest Notification or Planned Gift Notification: This is an estate representative's official notification that a bequest or other estate gift has come to realization. If the gift is a percentage of an estate, a remainder gift, or a gift of personal property, it may not be possible to determine the value of the gift immediately. In this case, a gift expectancy value may be used where appropriate until it can be substituted with a more accurate amount.

4) Bequest Expectancy or Planned Gift Expectancy: This is a term commonly used within planned giving programs to unofficially report the value or approximate value of gifts to be received in the future. Some organizations use an expectancy value of $1 until such time as a more appropriate value can be determined. Other organizations choose to use an average gift expectancy value. This is often arrived at by using a 5 or 10 year rolling average of actual planned or bequest gifts received by the organization. Be careful not to inflate that value by including unusually large gifts. Because some planned gifts may not be received for months or years from a complex estate or where an asset must first be sold, having an expectancy amount helps to provide a picture to organizational leadership and other staff members of the importance that planned gifts have on future revenue.

5) Cost Per Dollar Raised or "CPDR": Usually presented in dollars and cents, the "cost per dollar raised" attempts to calculate the effectiveness of a fundraising effort or campaign. The CPDR concept can be applied to a specific solicitation piece such as the May 2015 Gift Annuity Solicitation Appeal, or it can be applied to an entire campaign or program such as the Bequest Marketing and Solicitation Effort. There is no standard method between organizations, so CPDR can vary widely depending on what expense items are being included. Typically for a new or smaller planned giving solicitation effort, costs are limited to the printing, mailing, and postage expenses that may or may not include mail house and data processing expenses. To assess the CPRD for a mature or more comprehensive planned giving program, staff salary and benefits, office expenses, outside vendor and legal/financial management, as well as other larger budgetary expenses, might be considered in the cost.

6) Return on Investment or "ROI": This term is used by some organizations in place of the term "cost per dollar raised" and illustrates a similar concept. In a more global setting however, ROI has non-monetary objectives such as public awareness of a product or new sales leads. In the financial world it means the ratio of money gained or lost on an investment relative to the amount of money invested.

Legal And Technical Terms Commonly Used in Estate Planning

7) Charitable Bequest: This is a provision in a will, trust, or estate plan that allocates a gift to a designated charity. The most common gifts to nonprofit beneficiaries are cash, securities, and real property including homes and personal property (things). Many wills and trusts are still written with quite formal language and might be similar to this example:

"I give, bequeath, and devise the sum of fifty-thousand dollars ($50,000) to Middletown Library, located at 123 Main Sreet, Middletown, Wyoming."

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About the Author

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With more than 20 years of legal and nonprofit management experience, Katherine Swank has raised approximately $215 million for national healthcare and public broadcasting organizations, as well as an independent law school. Prior to joining Blackbaud in May 2007, Ms. Swank was the national director of gift planning at the National Multiple Sclerosis Society, where she provided fundraising consulting services to the Society's chapter leadership and development staff.

She is a former affiliate faculty member of Regis University's master of nonprofit management degree program in Denver where she taught courses on wealth and philanthropy. She is a past president of the Colorado Planned Giving Roundtable and holds an independent studies degree from the University of Northern Colorado as well as a law degree from the Drake University School of Law in Des Moines, Iowa.

The most common gift amounts are usually stated in one of the following ways:

a) A **specific amount**, such as the example above.

b) A **percentage amount**, such as "*. . . Ten percent (10%) of my estate to Middletown Library . . .*"

c) A **remainder amount** also called "residue," such as "*After all specific bequests have been paid, I give, bequeath, and devise the remainder of my estate, including real and personal property, to Middletown Library . . .*"

8) Contingent Bequest: This is a provision in a will, trust, or estate plan that allocates a gift to a designated charity as an alternative to a higher priority bequest or condition to be met. Contingent bequests can also incorporate specific amounts, percentage amounts, or remainder amounts, such as the examples above, within them. For instance:

"In the event that (named individual) predeceases me, I give Miller Healthcare Foundation, 2345 East Street, Centerville, Vermont, 25% of the residue of my estate to be used wherever the needs and opportunities are greatest."

9) Non-probate Transfer Vehicles: Half of all states in the U.S. now allow the use of "Transfer on Death Deeds" that provide for the transfer of real estate directly to another person or charity - by-passing the probate process. [1] Savings and checking accounts, money market and other investment funds including retirement funds and life insurance policies with built-up savings also allow non-probate transfers. This large variety of transfer vehicles, also known of "beneficiary designation form gifts", are fast becoming a preferred way to leave charitable gifts, especially among Baby-Boomers and younger generations.

10) Securities: Used for planned gift purposes, "securities" is a general term that includes the following: shares of corporate stock or mutual funds, bonds issued by corporations or governmental agencies, stock options or other options, limited partnership units, and various other formal investment instruments that can be exchanged for money.

11) Non-Cash Asset: When related to an outright gift or a planned gift, this term usually refers to an asset such as securities, life insurance policies, CDs, retirement accounts, real property, and the like. Conversely, gifts of currency and checks, as well as gifts using credit cards, are considered **cash** or **cash-equivalent assets**.

12) Real Property: "Real property" is a general term that encompasses land, land improvements such as buildings and machinery sited on the land, as well as the various property rights associated with owning the land, buildings, and machinery. Real property that is mortgaged or otherwise is subject to another person's preceding claim is known as **encumbered**. Charitable gifts of encumbered property have their own sets of challenges and tax consequences.

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13) Personal Property or Tangible Personal Property: Think of this as things that can be touched or things that are tangible. Examples of gifts of tangible personal property to charities include book collections, art, and jewelry. It does not include however, cash or cash equivalents such as checking accounts.

14) Charitable Gift Annuity: This is an irrevocable transfer of property (e.g., cash, securities) in exchange for a contract to pay the donor or the donor's designee an annuity for life. Depending on state law, payments could begin immediately or may be allowed to be deferred until a future date. Because the value of the property exceeds the value of the annuity, it is partially a gift to the charitable institution. While most charitable gift annuity contracts are established between the donor and the organization to receive the remainder gift amount, community foundations have been given permission from the IRS to issue such gift annuity contracts on behalf of other qualifying charitable organizations. Additionally, there are different types of charitable gift annuities, and not all states permit the use of each type.

a) There are several types of **charitable gift annuities**, usually chosen according to the type of property used to fund the annuity, or chosen because of the donor's desire to control payment timing or payment amounts. Explore a fuller list of charitable gift annuity types and versions of agreements, as well as state regulations, on the Web at the American Council on Gift Annuities website at http://www.acga-web.org. [2]

b) When all of the annuitants have passed away, the **residuum**, or remains of the initial gift plus any interest income, is distributed to the charity to be used according to the contract's directions. Usually, this is for general use by the charity but may be restricted by the donor for a particular use, such as student cholarships or biomedical research.

c) A **college tuition annuity** allows a donor to create a single-life annuity that defers payments until a child or grandchild is expected to enter college. The child has the option of accepting the annuity payments for his or her lifetime or to receive much larger payments over a shorter period of time, usually four to five years.

15) Charitable Remainder Trust: This is an irrevocable trust that pays a specified annual amount to one or more people for a fixed period of years (often the life of the individual). At the end of the term of the trust, the remaining trust assets are distributed to the charity.

a) A **charitable remainder annuity trust** provides a fixed payment as determined and stated in the trust document.

b) A **charitable remainder unitrust** pays out a fixed percentage of the trust value each year as determined and stated in the trust document. The value of the unitrust is recalculated annually to determine the current payout.

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16) Charitable Lead Trust: This is similar to a charitable remainder trust, except that the annual payments are given to a charitable organization and the principal reverts to the donor or to his or her designated beneficiaries at the end of the trust term. If the principal reverts to the donor, he or she gets a charitable income tax deduction; if to another, that person gets a charitable gift tax deduction.

17) Income or Current Beneficiary: This is the person(s) or entity(ies) that receive(s) the current income or distributions from a trust according to its terms.

18) Remainder Beneficiary: This is the person(s) or entity(ies) that receive(s) the remaining assets from a trust when its controlling terms have been met or its term of years for existence has come to an end.

19) Life-Income Gifts: A generic term used to describe a variety of charitable gift vehicles that provide an income, usually for life, to a donor and/or his or her designated beneficiaries. Life income gifts include, among other things, charitable gift annuities, charitable remainder trusts, both unitrust and annuity trusts, and charitable lead trusts.

20) Split Interest Gifts: These gifts, usually involving property or business interests, start with the idea of making a partial gift of an asset to charity while still retaining a partial interest in it. Because the donor retains some portion of the assets or the income from the assets, the term "split interest gift" is derived. The "split" refers to the fact that ownership is now divided between the original owner and - in our case - a charity. Splitting the interest creates a problem in determining the value of the portion given to charity (**gift portion**) and the value of the portion which was kept (**retained interest**).

21) Present Value: The value that a gift expected in the future would be worth today. A future gift of $100,000 is not as valuable as a gift of $100,000 today due to factors such as inflation, currency fluctuations, and investment risk. Financial advisors may use the phrase **time value of money**, referring to the way the value of money changes over time. The present value of a gift of $100,000 to be received fifteen years from now, given a 3% discount, would have a present value of only $64,186.19.

22) Fair Market Value: This is an estimate of what a willing buyer would pay to a willing seller, in a free market, for an asset or a piece of property.

23) Cost Basis: This term generally means the purchase price of an asset or property. An asset's value will change over time and can therefore appreciate or depreciate from its original cost basis. Its value at the time of gifting would be classified as **appreciated** if it was worth more than was paid for it. Conversely, it would have **depreciated** value if it was worth less than was originally paid.

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24) Capital Gains: When investment (or capital) assets are held for longer than a year and then sold to another person or given to a charity, the gain or appreciation in the value of the asset may be subject to government taxation on the gain (or profit). When property subject to capital gains tax is donated to a nonprofit institution, that is tax-exempt, capital gains normally imposed might be avoided by the donation. If the price of the asset has declined instead of appreciated, this is called a **capital loss**. Property with a capital loss is subject to different taxation rules by the I.R.S. and proposed gifts with property where a capital loss exists should be dealt with differently than those with a capital gain. Capital gains and captial loses occur in both real assets, such as property, as well as financial assets, such as stocks or bonds.

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About Blackbaud

Serving the nonprofit and education sectors for 30 years, Blackbaud (NASDAQ: BLKB) combines technology and expertise to help organizations achieve their missions. Blackbaud works with more than 25,000 customers in over 60 countries that support higher education, healthcare, human services, arts and culture, faith, the environment, independent K-12 education, animal welfare, and other charitable causes. The company offers a full spectrum of cloud-based and on-premise software solutions and related services for organizations of all sizes including: fundraising, eMarketing, social media, advocacy, constituent relationship management (CRM), analytics, financial management, and vertical-specific solutions. Using Blackbaud technology, these organizations raise more than $100 billion each year. Recognized as a top company by Forbes, InformationWeek, and Software Magazine and honored by Best Places to Work, Blackbaud is headquartered in Charleston, South Carolina and has employees throughout the US, and in Australia, Canada, Hong Kong, Mexico, the Netherlands, and the United Kingdom. For more information, visit www.blackbaud.com/analytics.