THE NAIS PLANNED GIVING PRIMER

A guide for independent schools on setting up a program and understanding the most common gift vehicles

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Your board chair is on the telephone. “I just heard about an independent school that met its capital campaign goal with a $2 million gift,” he says. “It was a planned gift, a combination of outright and deferred support. Why don’t we have a planned giving program? And what would it take to start one?”

As the person leading fundraising at your school, you may think planned giving seems too complicated. But planned gifts are not just essential to a development program that lives up to its potential. They’re also imminently possible even for an understaffed office.

They’re essential because planned gifts are typically the largest and most significant ones that most donors will ever make and that your school will ever receive. If you have only annual and capital giving programs, your school is not raising as much money as it could.

They’re possible because creating and maintaining a program doesn’t have to be that hard to integrate into the other things you do. The keys are proper support from school leadership combined with deliberate use of resources on your part.

Let’s start to consider your new planned giving program by answering the most important questions. Then you can explore 10 steps to getting the program off to a strong start.
WHAT YOU NEED TO UNDERSTAND ABOUT PLANNED GIVING

1. What is planned giving?

Here’s one way to look at it. Planned giving (or gift planning, as it’s often called) encourages donors to take a big-picture view of their gifts to your school over time. It provides them with an opportunity to consider both current gifts and other longer-term giving that may play out over a number of years, up to and including final bequests in their wills.

Here’s another way to look at it. Traditional fundraising matches donors with a cause that’s meaningful to them, and the cause benefits from the donors’ generosity. Planned giving matches donors with a cause as well, but it also creates financial benefits for them by, for example, lowering their taxable income.

The benefit may relate to either of the following:

• An asset, such as appreciated securities, real estate, or qualified retirement plan benefits
• A gift vehicle, such as a charitable lead or remainder trust

Planned gifts fall into two general categories:

• Outright gifts that benefit your school immediately
• Deferred gifts that your school will receive at a later date when a donor dies or a trust terminates

Of course, all gifts are planned. Donors think carefully about what to give, how much to give, and which organization will benefit the most from their generosity. But not all donors who wish to be generous can afford to make large outright capital gifts. Planned giving permits them to make a powerful gift even if that support is committed now and arrives at a future date.

2. Why is planned giving so important?

Simply put, because it will help your school raise significantly more money. Planned gifts provide sources of revenue far beyond what even your most generous donors can contribute in the form of cash for an annual gift or a pledge for a five-year capital campaign. Here are some examples of what such gifts can enable your school to achieve.

• Outright planned gifts can help to meet ambitious capital fund goals.
• Deferred planned gifts can increase your school’s endowment, support endowed
programs in perpetuity, and help your school weather future fluctuations in voluntary support.

- Combined outright and deferred planned gifts can produce the largest gift the donor has ever made and the largest gift your school has ever achieved. Such gifts set a new high standard for subsequent support by other donors.

### 3. Who makes planned gifts?

Like all donors, planned giving supporters are philanthropic and committed to your school. What sets them apart are the signals they send. For example, they may express a desire to make larger gifts to your school than they can currently afford. Or they may say they wish to show their commitment to your school without affecting their current income or lifestyle. In fact, in many cases, by giving away the future rights to an asset, they can improve their current cash situation. When that happens, they find their enhanced support for your school and the financial and tax benefits for themselves both empowering and appealing.

Through a planned gift, donors may be able to help your school while also doing the following:

- Reduce or avoid income, capital gains, or estate taxes
- Increase their income now or in the future, when they retire
- Pass assets from one generation to the next in a tax-efficient manner, and in an amount and on a timetable they select
- Provide a larger inheritance for a spouse or children
- Contribute their home but continue to live in it for life
- Sell a business without paying high taxes on the gain or the sale
- Have their annual support continue after death
- Secure a naming opportunity (for building space or an endowment fund) in an amount far beyond what they can currently afford
- Find a meaningful use for an asset they no longer need
- Pass all of their assets on to a cherished school because they have no heirs
- Associate their name with your school in perpetuity
- Set an example for their peers and future generations
4. When and why do donors make planned gifts?

Donors usually make annual and capital gifts after they receive a solicitation from your school. In contrast, donors make planned gifts when they are ready. For example, they may be reviewing their tax and estate plans with an attorney, planning their retirement, or selling a business. Perhaps they have received a bonus. Or maybe they’ve welcomed grandchildren or inherited significant assets.

Although you can’t prompt any of these events, your school still plays an important part in getting prospects primed over time. You identify, educate, and cultivate them so they know their gifts are meaningful investments. You make it clear that your school manages funds carefully; you share your recent strategic plan and demonstrate competent fiscal planning and oversight. You maintain a current case statement — whether or not you have a campaign in process. You make the case that because your school has many fewer potential supporters than universities or large charities do, every gift matters.

And you organize and publicize your planned giving program so your prospects understand that it’s possible for them to give more money than they had thought possible. Perhaps you have already met with them to solicit a capital gift, and perhaps they have said they wish they could give more. Many donors, even your most sophisticated philanthropic donors, have no idea that they can make larger gifts and receive personal benefits as well through a planned gift.

It’s up to you to inform them. You should always be ready and able to tell them how they can make that once-in-a-lifetime gift.

5. Why doesn’t your school have a planned giving program?

Most probably because of some or all of the following:

- You are intimidated by talk of taxes and trusts. But, in fact, there are simple explanations for all planned gifts. They are not as difficult as they sound.

- You fear that a planned gift program will cannibalize your annual and capital giving efforts. But the opposite is true. Planned giving will help to increase these programs by making it possible and appealing for donors to make larger gifts.

- Your board wants you to focus on fundraising that produces immediate cash. But many planned gifts provide current support. That aside, shouldn’t your trustees ensure that your school will thrive in future years as well?

- You will spend comparatively more time soliciting a planned gift. An annual gift may require one letter and one call. A capital gift may take two or three visits. Planned gift
decision making can take a long time before donors and their attorneys or financial advisers are ready to commit. But the wait is worth it because planned gifts are typically the largest gifts your school will receive.

Often the biggest issue is this: You, as your school’s chief fundraiser, believe that you cannot take on additional responsibilities. But isn’t your most important responsibility to achieve ambitious fundraising goals?

The fact is, planned giving can enable you to achieve your most important goals. It’s quite possible to do so while maintaining your other fundraising initiatives.

**HOW TO START YOUR PLANNED GIVING PROGRAM**

*Here’s the essential groundwork.*

**Assemble your allies.** Begin by educating your board chair — or whoever in your school is likely to be the most interested, supportive, and influential. It’s also important to make a convincing case to members of the board’s Development Committee and to the Finance Committee chair.

Your school’s leaders, staff and volunteers alike, have probably heard about peers’ planned giving successes. Reinforce that message while introducing the concept and involving your high-level staff and business manager in early discussions.

**Look for ways to spread the word.** Talk to your allies about a planned gift your school or a peer school has already received, such as an unexpected bequest that increased financial aid endowment. Also ask the capital campaign chair or other fundraising leaders to share planned giving brochures they have received from their colleges or other nonprofits.

**Seek out testimonials.** Ideally, you can identify some constituents who have made significant planned gifts to their colleges and ask them to discuss why the gifts were so beneficial to them. You might ask a development officer at another school or a local college to attend a Development Committee meeting to provide testimony about the positive impact planned gifts have made.

**Be confident.** During this process, someone surely will ask, “How much money can we
raise from planned gifts?” You can’t accurately estimate an amount at the start, and there will always be surprises. But over time a pattern will emerge. Meanwhile, you can attract attention with this commonly used figure: In higher education, 80 percent of the endowment principal has come from bequests.

Once you have laid this groundwork, you are ready to plan your program. Here are the actions you need to take.

### 10 STEPS TO A PLANNED GIVING PROGRAM

**1. Schedule time and develop your budget.**

You or another senior staff member must agree to set aside time to get your planned giving program under way. If your staff is small, devoting even as little as one half day per week will work. But a regular and reliable time commitment is essential; otherwise your program will not succeed.

As far as budget is concerned, your school head should be willing to provide a modest amount of money for materials and professional education. Sometimes a trustee or a loyal donor who understands that relatively small investments can lead to a significant new source of funds will make a gift to underwrite the early costs of your new program.

If your budget is highly limited, keep in mind that there should be no cost for adding planned giving information to your existing school website.

Until your program starts to show results, use the bulk of your funds on personal visits and targeted mailings. Within a few years, you should be able to show sufficient progress to warrant additional budget and staff (even a part-time planned giving officer).

**2. Plan for professional education.**

Seek out resources that explain planned giving on the conceptual level: how it can benefit your donors and your school. Stay away from articles or books that focus on complex technical and tax details. Let your professional advisers and your donors’ advisers focus on those. (See below for more on your school’s advisers.)

Above all, don’t fixate on what you don’t know. Your job is to engage potential donors, to
entice them with basic information about gift opportunities — not to act as a lawyer or financial planner.

For further training, seek out fellow independent school development professionals who are willing to meet with you to share experiences and advice. In addition, many areas have planned giving study groups or regional association seminars on planned giving. Attend as many of those as you can.

Listen to others’ stories and advice. But remember: Each school has its own culture, history, clientele, resources, and fundraising results. Make sure any advice you follow is appropriate for your unique school.

3. Establish the all-important policies and guidelines.

Every independent school that seeks major and planned gifts should have written, board-approved gift-crediting and acceptance policies. Such policies are essential for planned giving programs because they enable you to

- fully inform prospective donors;
- be certain you treat all donors equitably; and
- make sure that a proposed gift is useful to your school.

Typically, a small Gift Acceptance Committee oversees the writing of these policies. The committee is usually composed of the development director, the business manager, and one or two members of the board’s Development Committee.

The Gift Acceptance Committee also plays a key role in policy implementation. Its members review proposed gifts to make certain they align with the school’s mission and priorities. At times you may be presented with a questionable proposed gift, such as one to start a new program your school may not wish to have. You and your volunteer solicitors will find it useful to be able to say, “Thank you for your willingness to support our school. The next step is to refer your suggestion to our Gift Acceptance Committee, which will determine the gift’s appropriateness for our school at this time.” The committee may suggest modifications that make the gift acceptable to both the donor and the school. Or it may provide you with a convenient reason when you must say “no, thank you.”

Gift acceptance policies and guidelines include

- the types of planned gifts your school will accept;
- the circumstances under which your school will accept gifts that are outright or deferred or unrestricted or restricted;
• gift naming requirements for building spaces and endowments;
• the management and tracking of endowment funds and endowment gifts;
• required documentation for planned gifts;
• the manner in which the school will count and recognize deferred gifts; and
• the rationale for and responsibilities of the Gift Acceptance Committee.

Here’s an example of why policies are so important. They will inform donors of deferred gifts about the manner in which their gift intentions will be counted, particularly during a capital campaign, and the manner in which they will be recognized by your school. These are two different concepts: One refers to the crediting of the gift in a campaign total, and the other refers to the public acknowledgment of the gift.

Some schools give campaign credit to a donor of a deferred gift that will come to the school upon the death of the donor only if the donor is of a certain age — for example, 70 years old or older at the time of the gift. Or in the case of a gift whose benefits extend beyond the years of the campaign — for example, a lead trust with a 10-year term — the school will credit only the cash received during the campaign years.

On the other hand, all schools are wise to recognize the donors of a deferred gift as soon as the commitment is made.

For initial guidance, ask peer independent school development officers or university planned gift officers if they are willing to share their policies. Pay closest attention to the policies that are short and clear. And, of course, you should modify them as appropriate for your school.

4. Think through recognition and stewardship.

A gift that your school will not receive until a future year is nonetheless a current gift in the donor’s mind. Therefore, you should recognize and appreciate donors of deferred gifts as if they were current donors.

The best recognition vehicle for a planned giving program is a legacy society. Such an organization honors, in perpetuity, all individuals who have included the school in their estate plans, whether the gift benefits will be outright or deferred.

Often such societies are named in recognition of the school’s founding (such as The 1900 Society) or in honor of a prominent school founder or donor (such as The Reynold Smith Society). You should publicize the legacy society whenever and wherever you can and acknowledge its members in perpetuity in your annual report. This can encourage other potential donors to make planned gifts, too. Many schools also provide members with a
certificate of membership and invite them to special dinners or planned giving seminars.

Keep in mind these points about legacy society membership:

• Think strategically about membership qualifications. Many schools ask potential members for evidence of their gift intentions, particularly when gifts are deferred. Donors can provide this evidence by filling out a form or writing a letter quoting the relevant language in a will, trust, life insurance policy, or other gift vehicle.

• But other schools, particularly those trying to build up a new legacy society, intentionally make it simple for planned gift donors to join. These schools defer the required documentation until a later date, after the donor has been thanked and the gift has been publicly acknowledged for a period of time.

• Don’t have a minimum gift requirement for membership in your legacy society. A small commitment may increase over time if you steward the donor effectively.

• And, of course, include in your legacy society those donors who have made or promised planned gifts in the past, before the start of your more formal program.

In the case of deferred gifts, in particular, your ongoing appreciation and recognition can lead donors to increase their initial commitments or to upgrade their deferred gifts to outright support.

5. Recruit advisers.

Within every independent school community are experts who can further educate you about planned giving and help solicit planned gifts on a pro bono basis. They include attorneys, accountants, brokers, investment advisers, financial planners, and trust officers. It’s important to recruit some of these advisers at the start. They can be invaluable both to prospects and to you.

Some schools organize their advisers into a Planned Giving Committee that meets several times a year. Other schools deal with their advisers one by one and when necessary. If you do have a Planned Giving Committee, be sure that its meetings have a clear purpose and produce meaningful results. You do not want to waste these volunteers’ time.

Others who can help you include

• community members who have made planned gifts to other organizations and can advise you about the best ways to approach and work with prospects;

• planned giving officers at other nonprofit institutions who can make suggestions about marketing and prospect management; and
• planned giving consultants — if and when you have the resources to hire them. Their expertise may be most valuable as you establish a new program or when a particularly large gift is in the offing.

Finally, here’s an important ethical consideration: You and your advisers are advocates for your school. Before giving, all planned gift donors should have and consult with their own advocates — whether financial advisers or attorneys who understand the donors’ situation and intent.

6. Make bequests your top priority.

Every planned giving program should begin with a focus on bequests, which are gifts given by will. They are the simplest planned gifts to explain and to obtain. They also require no special skill or knowledge on your part.

Bequests can
• provide large gifts to a school with a new planned giving program;
• provide the largest gift that even a school with a well-established program has ever received;
• introduce donors to the field of planned giving and lead to a larger potential gift than they had considered — perhaps a combined outright gift and a bequest; and
• be upgraded to lifetime support, particularly if over a period of time the school praises and recognizes the donors’ initial deferred support.

Never underestimate the importance of marketing bequests and of recognizing the donors annually, even though you will not receive the funds for decades.

7. Get ready to market.

Schools that do not promote planned gift opportunities rarely receive planned gifts. You must market actively. Fortunately, you do not need a large budget to do so. Here are some easy and relatively inexpensive techniques.

• Start by taking advantage of materials your school already produces. For example, you might put an eye-catching announcement of your new planned giving program on your website or in your annual report, alumni magazine, parent newsletter, reunion letters, or programs for events. Include just enough material — perhaps a description of one type of gift — to rouse interest and curiosity.
• Develop a short brochure describing the gifts you will accept and their benefits to the
donors. Like your overall program, your brochure should focus first on bequests.

• Publish information on your website, put it in mailings, or hand it to parents and alumni
who visit your school. You can also mail it to the targeted groups who will be your first
solicitation targets. (See Step 9.)

• Include a check-off box on annual giving return envelopes or other response cards. This
will give potential donors the opportunity to indicate that they have made a planned gift
or would like more information about planned giving.

• Ask members of your community to share introductory brochures they have received
from other nonprofit institutions. Ask them what appeals to them about these brochures.
Ensure that your mission, culture, and values are reflected in all communications your
school sends.

NAIS offers a booklet you can use as a handout or mailing to introduce prospective
donors to planned giving. Learn more from the NAIS Bookstore about the booklet, “A
Lasting Legacy: How to Make an Enduring Contribution to an Independent School
Through Planned Giving.”

8. Plan your first mailings.

Another first-year project is to mail the brochure described above, complete with tailored
cover letters and confidential reply envelopes, to targeted groups. For example, one letter
might inform older, retired constituents about the potential benefits of a planned gift that can
increase current income. Or you might write to grandparents to suggest ways to underwrite a
grandchild’s college education with a planned gift.

So that you can provide prompt follow-up as soon as you receive a reply, mail the brochures
and cover letters to no more than 50 to 75 prospects at a time. Anyone who returns a reply
envelope or calls with an inquiry is inviting a relationship; that person should hear from you
at once.

9. Create a strategy for your first visits.

No matter how excellent your school, how worthy its plans or pressing its needs, the school
will not receive generous gifts unless its major prospects are informed and involved and
until they feel needed and committed. This is equally true when you’re seeking planned gifts.
Never forget that you must carefully assess a donor’s cultivation levels before paying a call.
But assuming that you have a pool of cultivated prospects, here is a visitation plan to consider during the first year of your planned giving program.

**Identify perhaps five to 10 potential donors to visit, one at a time.** These prospects should have the following attributes:

- The ability to give
- A commitment to your school or to a particular project
- A track record of past gifts

**Use the first visits to identify your best initial prospects.** They may be those who have been asked for a major gift and have said, “I would like to make a larger gift, *but* my investment income is too small.” Or, “I would like to make a larger gift, *but* the only way my grandchildren will go to college is if I pay the bills.”

It is the *but* that you and your other solicitors should listen for. That one little word signals that donors would like to support your school if only you could help them find a way. For example, your donors might say, “We want to give, *but* the only way our children are going to college is if we pay for it.” The *but* points to the need for an alternative way to give. So you reply, “Let’s find the right planned gift for you — one that can meet your personal needs and help you make a larger gift as well.”

**Plan a series of follow-up meetings and involve the appropriate individuals.** After you present some planned giving opportunities in simple language, perhaps you might say, “I am not the right person to discuss the details about this trust. Let me have one of our expert advisers call you for a more complete explanation.”

After a second meeting, the donor should consult his or her own financial adviser or attorney. If the gift is to be deferred until death, the donor may wish to consult other family members as well.

Then perhaps you will have a third meeting to discuss more about how the gift will be used.

**Be patient and thoughtful.** Yes, all this takes time. But remember: In the end, you will probably receive a much larger gift than the donor would have made otherwise.

**10. Involve your board at every appropriate step.**

All successful fundraising programs rely upon board leadership. It is rare for a program to succeed if the school’s leaders are not enthusiastic.

That’s why you should bring the board and especially its Development Committee along at
every step of the way. Keep them informed as you plan the program and produce policies and marketing materials. Ask them to review and approve your plans.

Find out which of your board members have made planned gifts, either to your school or another institution. Ask them to share with other trustees and with appropriate potential donors in your community the planned gifts they have made and why they were motivated to do so.

Just as you ask board members to make annual gifts and to support your capital campaign, ask them to lead the way in supporting your planned giving program. A simple codicil in their wills is the easiest gift to make. The board’s support will build confidence and provide momentum. This is especially true if you can say that all your trustees have supported your new program by making their own gifts.

Remember that phone call from your board chair about what it would take for your school to start a successful program? The board cultivation process is the time to make your own return call. You can say, “Thank you for that great question about planned giving. Now that we have a planned giving program, would you be the first to make a gift?”
10 PLANNED GIFTS AND HOW THEY WORK

Here is a first look at 10 gift vehicles to accept and market. Learn how these types of gifts can benefit both donors and your school.

1. Mrs. A Leaves a Bequest

Bequests, which are gifts made by will, are the easiest and perhaps most profitable deferred gift for you to seek. Often donors can provide a bequest by adding a short codicil to an existing will.

**THE GIFT:** Although Mrs. A wants to support your school, she has no discretionary funds; she needs all of her money now. So she asks her attorney to include a bequest to your school in her will. Her bequest can be

- a specific amount;
- a percentage of her entire estate; or
- her residuary estate, the amount left after her other obligations have been paid.

**BENEFITS TO YOUR SCHOOL:** You receive the proceeds of the bequest after Mrs. A’s death. The funds, which may be restricted or unrestricted in use, permit you to meet future endowment or capital needs.

**BENEFITS TO THE DONOR:** Mrs. A is able to make a generous gift without affecting her income or her capital during her lifetime. She also avoids an estate tax on the amount that passes to your school. Because she has a large estate, those taxes might have approached half the value of the estate but for the bequest.
2. Mr. B Gives Appreciated Securities

**THE GIFT:** Mr. B wants to make an outright gift that’s more generous than his currently available cash will permit. He gives $20,000 in appreciated stock — that is, stock that is now worth more than he paid for it. He’s held onto this stock for more than a year, but it pays only a small dividend. He asks your school to sell the stock and to use $10,000 of the sale’s proceeds in support of the annual fund and $10,000 of the sale’s proceeds to pay part of his capital fund pledge.

**BENEFITS TO YOUR SCHOOL:** You sell the stock immediately and use the proceeds as Mr. B wishes.

**BENEFITS TO THE DONOR:** A gift of appreciated securities has significant tax benefits for Mr. B:

- He receives a current income tax deduction for the full fair market value of the gift in the year he makes it.
- He avoids an estate tax upon his death because the stock he gives will be excluded from his estate.
- He avoids a capital gains tax that would have been due if he had sold the stock in his lifetime rather than donating it.
3. Mr. C Gives Tangible Personal Property

**THE GIFT:** Mr. C has valuable personal property that he has owned for more than one year and no longer wants. He makes an outright gift of this property, which includes fine art, book collections, and a grand piano. Your school will retain and use the property in its educational program.

**BENEFITS TO YOUR SCHOOL:** You agree to keep the gift and to use it, perhaps in your art or music classes or your library. You retain the gift because if you were to sell it shortly after your school received it, Mr. C could receive significantly less in tax benefits.

**BENEFITS TO THE DONOR:**

- Mr. C receives a current income tax deduction for the appraised value of the personal property.
- The personal property he donates will not be subject to estate tax upon his death.
- If the personal property has appreciated in value, he avoids a capital gains tax that would have been due had he sold it during his lifetime.
4. Mrs. D Gives Retirement Assets

**THE GIFT:** Mrs. D is eager to support your school but cannot afford to make a current gift. So she makes a deferred gift of the balance remaining at her death in her IRA, 401(k), or profit-sharing or pension plan. This type of gift often appeals to individuals who made contributions to retirement plans early in their careers but, as their wealth has increased, their heirs no longer depend upon these assets.

**BENEFITS TO YOUR SCHOOL:** You receive the balance remaining in the plan after Mrs. D’s death.

**BENEFITS TO THE DONOR:**

- On Mrs. D’s death, no estate tax is paid on the fund balance, and her heirs avoid the income tax that would have been due had they inherited the retirement funds.
- If Mrs. D had decided to leave the balance of her retirement assets to her heirs, the combined estate and income taxes might be as high as 70 percent of those assets. That’s why it is preferable for Mrs. D to donate the retirement assets to your school and to instead leave her heirs a bequest of cash or securities, which will be subject to estate tax but not income tax.
5. Mr. E Gives a Retained Life Estate

**THE GIFT:** Although Mr. E wants to donate his home to your school, he wants to live in it until his death. He agrees to be responsible for maintenance, insurance, and real estate taxes on the property during his lifetime. The home is unmortgaged, and Mr. E has had it appraised.

**BENEFITS TO YOUR SCHOOL:** This is a deferred gift. Your school obtains full ownership of the home after Mr. E’s death. You will have the option of using the residence for school purposes or selling it and using the proceeds for your educational activities.

**BENEFITS TO THE DONOR:** If he wishes, Mr. E can rent out his home rather than occupy it, or he can arrange for Mrs. E to continue to live in it during her lifetime if she survives him. In addition:

- Mr. E receives a current income tax deduction.
- His home will not be subject to an estate tax upon his death.
- If his home has appreciated in value, he will avoid the capital gains tax that would have been due had he sold it during his lifetime.
6. Mrs. F Purchases a Charitable Gift Annuity

THE GIFT: Mrs. F wants to make a gift to your school and supplement her current income as well. A charitable gift annuity makes this possible. It is a contract between your school and a donor who is 55 or older. (The 55-year-old age requirement and $100,000 are the minimum levels most schools set.) So Mrs. F transfers at least $100,000 to your school. You pay her a secure fixed income for life. You use the payout rate recommended by the American Council on Gift Annuities; the older the donor, the higher the payout rate.

BENEFITS TO YOUR SCHOOL: You receive a deferred gift, which consists of the remaining balance of the original transfer when the contract ends or the donor dies. You must seek a significant number of gift annuities so that you benefit from an averaging effect similar to the one life insurance companies seek. You don’t want to risk having only a few annuitants who all live into their late 90s. The result could be that your school is committed to continuing payments significantly beyond the amounts your annuitants originally paid. Your school can benefit from the advice of a lawyer or accountant when establishing a charitable gift annuity program.

BENEFITS TO THE DONOR:

• Mrs. F can count on a fixed amount of income each year at a favorable rate. The payments will not be subject to fluctuations in the stock market.
• In many cases, the payments will be larger than the income she is currently receiving from her investments.
• She will receive an income tax deduction for a portion of the amount she transfers to your school.
• A portion of each payment to Mrs. F will be income tax-free.
• If she wishes, Mrs. F can delay starting her payments. Deferring the start date will increase the payout rate.
• If she wishes, Mrs. F can designate her spouse to continue to receive payments after her death and for his lifetime, before your school receives the funds.
7. Mrs. G Creates a Charitable Lead Trust

**THE GIFT:** Mrs. G wants to support your school and save for her grandchildren’s future education as well. So she creates an irrevocable charitable lead trust that will pay annual income to your school for a specified number of years. When the trust terminates, the principal (with any appreciation) will go to her grandchildren.

**BENEFITS TO YOUR SCHOOL:** The school receives *current* benefits. You can anticipate an income stream during each year of the trust. Those payments to you can be in the form of

- a fixed percentage of the initial value of the trust (an annuity trust); or
- a fixed percentage of the principal as it is revalued annually (a unitrust).

You ask Mrs. G to select an individual or perhaps a bank as trustee; your school need not take on those responsibilities.

**BENEFITS TO THE DONOR:** Mrs. G controls the timing of the trust. For example, she can specify that she wants the trust to terminate when a grandchild enters college so the grandchild will have funds to pay the tuition. In addition:

- Mrs. G owes no income tax on the annual income paid to your school.
- At the end of the trust term, any appreciation in the principal will pass tax-free to her beneficiaries.
- The gift tax that Mrs. G would otherwise be required to pay will be significantly reduced or eliminated.
8. Mr. H Creates a Charitable Remainder Trust

**THE GIFT:** Mr. H wants to make a generous gift, but his investments produce too little income to make this possible. So he makes a deferred gift, an irrevocable transfer of appreciated stock, real estate, or other assets into a trust that makes annual payments to him or someone he designates for life or for a specified period of years. Those annual payments are in the form of

- a fixed percentage of the initial value of the trust (an annuity trust); or
- a fixed percentage of the principal as it is revalued annually (a unitrust).

You ask Mr. H to select an individual or perhaps a bank as trustee; your school does not need to take on those responsibilities.

**BENEFITS TO YOUR SCHOOL:** When the trust terminates, your school will receive the remaining trust assets.

**BENEFITS TO THE DONOR:** The trustee, whom Mr. H selects, sells the appreciated stock, real estate, or other assets and reinvests the proceeds in investments that produce income for Mr. H greater than he is receiving from the assets before the transfer to the trust. In addition:

- Mr. H avoids the capital gains tax on the sale of these assets that he would have paid if he had sold and reinvested them himself rather than creating the trust. Therefore, the entire proceeds of the sale are available for reinvestment.
9. Mrs. I Gives Life Insurance

**THE GIFT:** Mrs. I wants to make a much larger gift to your school than she can currently afford. She transfers the ownership of an existing life insurance policy on her life to your school, or she authorizes your school to purchase a new policy on her life. Your school is designated as the beneficiary of the policy, thereby creating a deferred gift. She agrees to pay future annual premiums.

**BENEFITS TO YOUR SCHOOL:** Your school will receive the death benefits under the policy.

**BENEFITS TO THE DONOR:**
- Mrs. I receives an income tax deduction for all or a portion of the value of an existing policy at the time of her gift.
- She also receives an income tax deduction for future premium payments on an existing or new policy.
10. Mr. J Makes an IRA Charitable Rollover

**THE GIFT:** In 2015, Congress passed permanent legislation allowing donors age 70½ or older to contribute up to $100,000 each year and at any time during the year directly from their IRAs (Individual Retirement Accounts) to your school. Mr. J asks his IRA to make a transfer of $100,000 to your school. (This is an outright gift, as distinguished from the deferred gift of retirement assets described above.)

**BENEFITS TO THE SCHOOL:** You receive an immediate gift of $100,000. If you steward this gift well, you may receive additional annual IRA transfers from Mr. J in future years.

**BENEFITS TO THE DONOR:** Mr. J pays no income taxes on this gift because it goes directly from the IRA to your school. The contribution counts toward the minimum distribution that Mr. J is required to take each year from his IRA.
ABOUT NAIS PLANNED GIVING RESOURCES

Guidance for your school: The NAIS Planned Giving Primer is designed to help you start and sustain a program that’s essential to the future of a financially healthy independent school.

Guidance for potential donors: Get help telling prospects how planned gifts can benefit both your school and them. A Lasting Legacy: How to Make an Enduring Contribution to an Independent School Through Planned Giving is a concise booklet written from a donor’s perspective. It’s easy to use as a handout or a mailing to prospects. Visit the NAIS Bookstore to learn about bulk rates and more.

The information in these resources is intended for general education uses only and should not be relied upon as or in the place of legal counsel.

ABOUT THE AUTHOR

Helen A. Colson is the president of Helen Colson Development Associates, a firm that has provided consulting services to more than 100 independent schools since 1990. Between 1978 and 1990, she worked as associate headmaster for development and planning at Sidwell Friends School (Washington, DC). She has also served as a trustee at Sidwell Friends and five other independent schools. Colson is the editor of NAIS’s Handbook of Philanthropy at Independent Schools.