Ensuring the Future of Your Nonprofit Through Planned Giving

One of the most difficult challenges that any nonprofit must face is successfully managing the unpredictability and cyclical nature of charitable giving – balancing the need for sufficient short-term operating liquidity against the financial demands of long-term planning. The establishment of a planned giving program is a way to balance your organization’s fundraising peaks and valleys while delivering future income to support your operations, programs and overall mission.

A well-organized and thoughtfully developed planned giving program can serve as a steady pipeline of charitable gifts that eases the pressure on annual campaigns, major gift campaigns, capital campaigns and other fundraising efforts. However, many nonprofits approach the idea of starting-up a planned giving program with some hesitation.

Some organizations express concern that the administration associated with planned giving may be more complex than they are equipped to handle. Smaller nonprofits that employ a single development officer focused on both outright gifts and capital campaigns may hesitate to add planned giving due to the extraordinary need to educate potential donors, build an infrastructure to receive planned gifts, and manage liability. Unlike an annual campaign where money is raised for immediate needs, the long-term nature of a planned giving program’s benefits can make it difficult to sell to a nonprofit Board that is focused on shorter-term needs.

While many nonprofits have established and highly effective planned giving programs, others avoid planned giving until they are faced with an important donor who expresses an interest in establishing a charitable gift annuity or making another type of planned gift. Reacting to these types of immediate opportunities often leads to hastily designed programs that fail to gain significant traction.

Purpose and Structure: The Keys to an Effective Program

Being thoughtful and strategic in building a planned giving program alleviates concern and establishes an appropriate structure that aligns with your organization’s purpose, needs and objectives. To start, become proficient in planned giving basics and the functions of various giving vehicles. Take time to carefully analyze your current donor base to determine the potential opportunity for split interest arrangements. Finally, garner organizational buy-in and begin to create the necessary marketing and administration infrastructure.

Some or all of the administrative and investment management responsibility associated with planned giving can be effectively delegated to a collaborative strategic partner. At SunTrust, our dedicated team of planned giving experts provides structural guidance, insights into industry best practices, and full-service administration and investment management to a wide range of nonprofits – enabling clients to direct internal resources towards donor cultivation and revenue growth.

Still on the Fence?

The charts below depict just two examples of how planned giving split interest arrangements can be a tremendous win-win for potential donors and the organization’s that they support. The first graph shows a simple charitable gift annuity funded with $100,000 in 2006 by a 75 year old donor who agreed to take a 71% annual income payout on the originally funded amount, and is based on an initial 70/30 equity to fixed income investment allocation.
The donor would have received an immediate charitable deduction of $48,000.20 upon funding the annuity, along with annual income payments totaling $68,600.74 through the end of 2015. Assuming that the annuity matured at that point in time, the organization would then receive the remaining $69,130.33 (69% of the original gift). The donor benefits from both a tax deduction and predictable income, while the charity receives a sizable gift at a specific point in time.

The second graph illustrates a charitable remainder trust funded with $214,727.20 in 2006 by a 65 year old donor receiving a 5% annual income payout beginning immediately. This example assumes an initial 60/40 equity to fixed income investment allocation.

The donor would have received an immediate charitable deduction of $106,033.09 upon funding the trust, along with annual income payments totaling $91,529.18 through the end of 2015. Assuming that the trust matured at that point in time, the organization would then receive the remaining $214,389.37 (95% of the original gift and additional contribution). The donor benefits from both a tax deduction and income while the charity receives a sizable gift at a specific point in time.

**Don’t Wait Until it’s too Late**

Planned giving is a long-term giving strategy that, if established thoughtfully and structured smartly, can yield tremendous benefits. If your organization already offers split interest arrangements, marketing diligence regardless of market conditions is vital to growth and long term sustainability. There are ways to tailor your message and emphasize different planned giving benefits based on the prevailing economic environment. If your organization has yet to implement a program, don’t wait! Be prepared for the conversation with potential donors who are interested in establishing split interest arrangements. Take steps today to secure your organization’s future through planned giving.
About SunTrust Foundations and Endowments Specialty Practice

SunTrust has nearly a century of experience working with not-for-profit organizations. Fiduciary stewardship is the heart of our culture. We are not merely a provider for our clients; we are an invested partner sharing responsibility for prudent management of not-for-profit assets. Our client commitment, not-for-profit experience and fiduciary culture are significant advantages for our clients and set us apart from our competition. The Foundations and Endowments Specialty Practice works exclusively with not-for-profit organizations. Our institutional teams include professionals with extensive not-for-profit expertise. These professionals are actively engaged in the not-for-profit community and are able to share best practices that are meaningful to their clients. Team members offer guidance and advice tailored to the various subsets of the not-for-profit community, including trade associations and membership organizations. Our Practice delivers comprehensive investment advisory, administration, planned giving, custody, trust and fiduciary services to over 700 not-for-profit organizations. We administer $30.9 billion in assets for trade associations, educational institutions, foundations, endowments and other not-for-profit clients.1

1 As of September 30, 2016

For more information or to discuss your current and future allocation, contact your SunTrust relationship manager or investment advisor, or call us at 866.223.1499.

To learn more about the SunTrust Foundations and Endowments Specialty Practice please visit us at www.suntrust.com/foundationsandendowments, or to explore our thought leadership go to www.suntrust.com/nonprofitinsights.

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