Stages to Planning Optimal Estate Gifts

A 7-STAGE APPROACH TO OPTIMAL PLANNED GIFT DESIGN AND IMPLEMENTATION

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This paper is based upon his article in the October 2013 issue of *Planned Giving Today* titled “Seven Stages to Gauge Your Progress”. Borrowing from the financial services industry, these seven stages help gift planners (and supervisors) to effectively gauge where a prospective donor is in the gift planning journey. By identifying the correct stage with a prospective donor, the gift planner is less apt to get stuck or even worse, hurry the gift planning process. Disciplining (as best as one can) a conversation to its proper “stage” can prevent buyer’s remorse, a smaller planned gift, or perhaps no gift at all.

Introduction

Early in my career as a specialist-planned giving officer, I had the good fortune to learn from some of the giants in the field of planned giving, particularly while living and working in North Texas. One person I came to greatly admire was Roger Elison. Wearing his trademark Stetson almost everywhere he went, many people both in the Lone Star State and nationwide came to know Roger as a surrogate mentor from all the conference presentations he made and articles he was prevailed upon to author. One of my favorites was an article in a trade journal he wrote titled "Eight Habits of Highly Successful Gift Planners". Ever since Roger published that article, I have displayed these 8 Habits on my desk, right next to my computer screen, as a constant reminder of Roger's sage advice:

It is in the spirit of being a resource to others… that this paper is written, primarily about being systematic about your work. Think for a moment, how can one be systematic unless they are operating from or under a system? Some planned giving officers will insist that any system can only be subject to the personality and work processes of an individual gift planning officer and therefore can't be codified into something akin to "Moves Management™ for Gift Planners". Fair enough, but could the same assertion be made about someone working in a similar vein in the for-profit arena, like financial services?

Picture if you will, a financial services team manager inquiring from one of his employees about a client's planning progress. The dialogue might flow as follows:

Supervisor: "Tell me, how are things progressing with the Witherspoon's succession planning?"

Staffer: "I'd say we're moving along as well as can be expected."

Supervisor: "(I'm not sure what that means.) Could you be more specific?"

Staffer: "In baseball terms, I'd say they're somewhere between 2^{nd} and 3^{rd} base."

Supervisor: "(Hmm. Perhaps my question itself is too ambiguous.) Let me ask it this way. Do you think they'll employ our firm to handle the ESOP issue soon, and if so, how soon?"

Staffer: "Well, I can't be certain. There are so many factors and things we need to discuss some more. There are family issues to iron-out, and their attorney may pose a bigger obstacle than I previously thought. I'm not even sure they understand my role exactly, so I'm trying to explain what I can do for them a little better."

Supervisor: "How can I help?"

Now apply the same dialogue to a conversation between a charity's development manager and a planned giving officer (PGO). Certainly, you've been in the PGO's shoes before and perhaps the manager's, each side feeling frustrated communicating as in the above example. Indeed, asking a direct-report how something as seemingly ethereal as planned giving is progressing is as unfair to the asker as to the one being posed the question. Without any objective markers or a common vocabulary about what constitutes 1^{st}, 2^{nd}, or 3^{rd} base for example, there is no way to effectively ask, nor accurately answer such a question.

It is with this question in mind, combined with Roger's challenge to be "systematic" in your work, that this paper has been written. The 7 stages suggested herein derive from the same steps (modified for the nonprofit industry) that many financial firms practice when engaging with clients about their financial, business, and/or estate planning. They go from initial Identification, all the way through setting-up first, second, and third discussions (or more), to eventual proposals, follow-up, and implementation.

Most importantly, this system works. Thank you for letting me show you how and why.

-Marc Littlecott, 2019

I. BACKGROUND and OVERVIEW

A. Three all-too-common scenarios

1. Since assuming the role as a gift planning officer last year with the East Overshoe Community Foundation, Bob seems to be getting nowhere fast. Having been a development officer the eight years prior, Bob and his supervisor thought he'd be a natural at closing planned gifts. Bob doesn't have much of a problem setting-up appointments with potential donors, but when he meets with them he rarely gets a follow-up visit, much more a planned gift commitment. His boss is wondering if it was a mistake to transfer him into gift planning. Rarely do prospective donors know what value-added service Bob might contribute to their plans, which is probably why most people he talks with are at best vague about discussing their plans with him.

2. For the past decade, Jane has been a successful VP of Gift Planning at a major university foundation. Despite her reputation for producing planned gifts, she recently confessed to a confidant her frustration at "being more often a reaper than a farmer". Donors tell her the university is in their estate plans and she is excellent at securing the required documentation for her production numbers, but she privately feels frustrated that she rarely is admitted into a donor's confidence when it comes to actual planning or revising of estate plans, etc. She has so much knowledge about the various gift planning tools, but feels she does not get enough of a chance to apply it. She feels more like a spectator than a facilitator of planned gifts and isn't sure how to break out of that mold.

3. Alisa is well-liked at the social service charity that employs her as their development officer. Amiable and professional, she has little problem landing visits with prospective donors. She's taken enough gift planning courses through her local planned giving council that she can pretty much hold her own when it comes to topics like charitable trusts, wills, and gift annuities. Indeed, she has no problem engaging donors about these important vehicles, but there never seems to be a serious follow-up. People appreciate her knowledge and her visits, but Alisa can't seem to get the train moving down the track to complete planned gifts. Donors find her knowledge interesting, but really don't see how they would engage her in their actual planning. Because she has an immediate-gifts goal, her employer is happy with her work, as many of her visits do result in cash donations. Still, she really wishes donors would include her in their other planning conversations, leading to deferred gift discussions too!

B. Making the Case for a System

1. The Problem/Challenge

   a. Most gift planning seminars, certification courses, etc. do a good job teaching about planned giving vehicles, methods, applications, etc., but they tend to lack instruction for the planned giving officer (PGO) on how to position oneself as a legitimate planning resource for donors, particularly in the estate planning process.

   b. Most gift planning marketing vendors do not orient their brochures, websites, surveys, etc. to promote the charity's gift planner as a key planning resource <u>early</u> in the estate planning journey. Usually, if mentioned at all, the donor is encouraged to contact the charity pretty much after they've done their planning, as a last step.

   c. Most colleagues in a development shop do not really understand what their planned giving officer (PGO) does or is capable of doing, nor how they might convey that person as a key resource to the donors under with whom the development officer works.

   d. Since it's impossible to expect to do be involved in a detailed planning journey with every prospective planned giving donor, especially if donors are spread across the country, some PGO's write-off the whole idea that they can, or should be involved in donor planning at more than a shallow level, i.e. providing estate language and legacy society registration.

2. Based upon the system used by many financial planners with their clients.

   a. Similar method that wealth holders already are familiar with when working with their traditional planners and advisors.

   b. Establishes the gift planner as a helpful resource to the donor whom they might add to their planning team early in the process.

   c. An established, uniform "language" for development staff (and supervisors) to know where the planning is occurring, if it is at all.

3. A methodical, though flexible system that keeps one from rushing a prospective donor or saturating them with multiple possibilities and options.

   a. Also protects the PGO from being drawn into a premature and lengthy discussion (rabbit trails) about certain planned giving vehicles that may not be right for the donor.

II. Getting Started (Stages 1-3)

A. Stage 1 – Identification (Think Red Traffic Light)

1. People identified by colleagues who may be candidates for a planned gift, but whom PGO is not cleared (green-lighted) to approach for an initial visit.

2. People identified by marketing, analytics, surveys, etc. who are strong candidates for a gift planning discussion. In the old days, these folks were called "Suspects" because someone suspected they might have planned giving potential.

3. The stage to move (back) some prospects who washed-out during the advanced stages, at least and until circumstances change

B. Stage 2 – Approach for a Rapport Visit (think Green Traffic Light)

1. Use your own experience and judgement to get the appointment with the identified prospect, once you have a green-light to do so.

2. Consider using a personal *Capabilities Statement* (see example in Appendix B), but do so judiciously, almost as a last resort.

3. All you are aiming for is to arrange "an exploratory conversation".
   a. This may take years to accomplish (cultivation).

   b. Make sure the Stage 3 visit is a private appointment – it can't be properly done at an alumni event or social gathering

   c. Example: "Jim, I really enjoyed talking with you about your interest in leaving our charity in your will. I'd like to meet with you next time I'm in your area, which looks to be in 6 weeks. After we've visited for a bit, we should be able to determine together if I might have some ideas for you to consider sharing with your family and other advisors. I'm not sure at this stage whether I'll come-up with any helpful solutions or ideas, so that's why I'd like to sit down and just have an exploratory chat when I'm in town."

C. The Stage 3 Visit – "Keep it Macro!"
1. Purpose: Establish Rapport/Agree on How to Continue

2. Might call this an "early concept visit" as PGO asks "Impact" and big-picture questions
   a. "Tell me about your family."
   b. "What charities do you support (and why)?"
   c. "What gift(s) have given you the most satisfaction in the past (and why)?"

d. "Do you have ________ (an estate plan, business succession plan, asset sale plan, etc.)?"

1) "What do you like most about it?"
2) "What would make the plan optimal in your mind?"
   i. "Well, if you could sell that property and pay zero taxes…"
   ii. "If you could continue to support our charity without compromising a penny of what you want to leave to your kids…"
   iii. "If that existing bequest to the university could instead endow a professorship in English Literature, perhaps as a named-tribute to your late mother…"

3. Differentiate Yourself

a. The idea that someone would add a PGO to their estate planning team, especially early-on the process, is at best foreign to most people, if not downright unorthodox. You're going to have to differentiate yourself in order to convey to the donor that you are experienced and capable resource creating impactful, exciting philanthropic planning solutions.

1) Most advisors are oriented to talk about giving to the amorphous term "charity", and will ask clients questions orbiting the simple planning concept of leaving percentages or pecuniary amounts to "charity", often before even knowing which charities the clients may have in mind. This is cart-before-horse thinking, since you know that a gift should be first planned for purpose/impact, then the amount/percentage determined to achieve that purpose.

2) A good way to broach this subject is as follows:
- "Tell me how philanthropy was incorporated in the planning discussion when you last planned your will/trust?
- Was it a driving factor, pretty much equal to the family goals, or was it instead a kind-of 'Day-Two", or secondary topic?"
- "Where these percentages properly determined after you had first figured how much it would take to achieve the specific charitable purposes you had in mind, or was it done the other way (backwards)?"

b. Proactively emphasize <u>impacts</u> and <u>purpose</u>, showing how this is rarely a consideration in most estate planning discussions by advisors not trained in the philanthropic conversation beyond tax and asset planning.

1) "If you had $10M available to you right now that you could designate to one charitable purpose, and it all had to go to the one purpose (not $1M each to ten different causes or charities), what one thing in

this world (or on this campus, or in this community, etc.) would you want to…"

- Fix?
- Preserve?
- Cure?
- Minister to?
- Enhance?
- Transform?
- Influence, etc.?

4. Keep things general and strategic – "Keep it Macro"
   a. For example, don't get trapped into how a Charitable Remainder Trust works:

Ted: "A guy in my golf foursome has one of these charitable remainder trusts and recommends I do one as well. What do you think?"

PGO: "Well Ted, many people do indeed find a CRT to be a good way to achieve their estate inheritance goals. Others may have been better advised to do something different. I'd like to concentrate today on what you'd like to accomplish strategically for your heirs and for our organization if we can. We may indeed find a CRT is a viable option and if so, we can discuss many of the advantages and also the concerns that it causes, but it's probably a little premature to get into today."

5. Find out who their most trusted advisor (MTA) is and to what degree and how often they consult that person.

   a. **WARNING**: Ignore this key information at your peril, as it has been the downfall of all too many planned giving proposals.

6. Build momentum and a case for future panning together.
   a. Have a sample *Discovery Agreement Memo* (DAM), or whatever specialized proposal method you like to utilize handy.
      1) Walk through the sections of the DAM with the donor, showing them an entirely different approach to estate planning.

   b. Share a couple examples of how you've helped take a mundane gift plan and reshaped it into something that the donor is so excited about, that they tell others about what they're going to do, or did.

7. Ask for the Stage 4 Visit [with a Minimum Acceptable Action[1] (MAA) as a fall back]
    a. "I learned enough about your goals and ideas today that convinces me I can be a helpful resource to you as you (revise your will/plan to sell your business, etc.). Before too much time has elapsed and we both forget what we discussed today, may we get together in ___ weeks to dig deeper? After that discussion, I'll have the information I will need to complete a document like this (DAM) for you to consider and possibly take to your advisors."
        1. MAA: "Well, might we instead agree that before you revise your will, you'll have your attorney contact me…"

III. Going Deep (Stages 4-6)

A. Stage 4 – The Concept Visit

1. Purpose: Clarify their "Concept"[2]: What is it they want to fix, accomplish, or avoid?
    a. Establish/clarify goals.

    b. Also Identify obstacles and resources

2. Review their answers to the big picture questions from the last visit
    a. If things have changed dramatically, or there is little recollection, accept the fact that you need to have a repeat Stage 3 Visit all over again, right now. Save the Stage 4 visit for another time.

3. Announce what you understand our meeting is supposed to accomplish today, securing their concurrence.
    - "I understand we're here today to go over the key components and information I will need to create a *Discovery Memo* for you to consider and ultimately take to your attorney when you're ready to move forward with your estate plan; namely, it will help me to know a little more about your family, what you have in an informal estate inventory, what your present plans look like today, and a little more about your philanthropic interests. Sound okay?"

    a. If they're not on board with this agenda-setting question, you may need to back-up to Stage 3 or shift direction (to a more shallow planning course).

4. Time to discuss (in depth) the "Five P's" of planned giving:

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[1] *The New Conceptual Selling*, p. 122

2 *The New Conceptual Selling*

- People (in their lives)
- Philanthropy
- Properties they own
- Professionals (advisors they consult)
- Plans (as they are now, as they conceptualize how they might be)
  a. **Tip:** It doesn't necessarily matter what order you go in, as long as "Plans" is the last "P" discussed; otherwise, you're likely to get prematurely trapped into a strategies discussion without enough information to do so effectively.

5. This is time to use a *Fact-Finder* to cover all the properties, if so desired.
   a. May want to show it to the donor and secure their permission first.

   b. Don't leave without knowing specifically what they want to fix, accomplish, and/or avoid.

6. Close by telling them you plan to take a few days and go over your notes before coming back (or mailing to them) some ideas for them to consider before we take a plan to take to their other advisors.

B. Stage 5 – Evaluation (Think Yellow Traffic Light, which by the way, doesn't mean speed-up!)

- **TIP:** If you don't mind having your proposal sit on their coffee table for two years before they get around to implementing it, just skip this stage.

1. Purpose: Determine if or when prospect will be ready for actual gift planning in order to create a proposal, then map-out what that will look like, with a general target date for completion of a gift plan.

2. What are the strengths and weaknesses of their existing plan(s)?

3. Is there a need for revision, or just a simple tweak here and there?

4. Is there anything you offer that the donor likely won't hear from her other advisors?

5. What is or will be the receptivity of the other advisors to your input and work so far?

6. Rate donor's "Readiness Level" between 1-5 (with "1" being high)
   a. If low readiness level, determine how you might stimulate urgency. Ask for advice from colleagues.
      1) Perhaps a field trip to see your charity in action might help?

2) Perhaps an invitation to a special event?

3) Perhaps a visit with your CEO or a key board member?

4) Perhaps there's something out of your influence, like pending surgery or extended vacation?

b. Whatever the reasons, if low readiness level, then postpone moving to Stage 6 until circumstances improve.

C. Stage 6 – Develop and Make a Proposal

1. Focus on creating a proposal

a. May wish to use gift planning proposal software illustrations like Crescendo™ or PG Calc™

b. May use a *Discovery Agreement Memo* (DAM) - see Appendix A

1) Create a draft DAM during Stage 5 to challenge yourself to see if you've asked all the right questions so far.

2. Go over the proposal with the donor (assuming a high readiness level)

a. Needs to be simple and clear for them to comprehend, and if need be, defend if challenged by their MTA or family members.
1) Try to anticipate MTA or family objections and arm your donor with the ability to defend the plan:

Advisor: "Mildred, I don't really see why you should go with this charitable trust. You don't have an estate tax issue and frankly, I've never seen one executed for non-tax purposes in an estate plan."

Mildred: "I don't know all about that, but what I do know is that it does the three things you see in this section here of this *Discovery Memo* the lady at Favorite Charity prepared for me:

1) ...it prevents my heirs from cashing-in my IRA, and creating a *de facto* gift to the IRS in immediate taxes,

2) ...it paces their inheritance from my IRA, which is a good thing considering how they may use-up the life insurance and,

3) ...it gives 100% of its value both to my heirs and to my favorite causes.

Tell me, is there a better way to achieve all three of those goals and considerations?

b. Secure endorsement to accompany them to see their advisor(s) if you can and/or if feasible.

IV. IMPLEMENTATION (Stage 7)

A. Having articulated donor goals and prepared your donor for the advisor visit, implementation should be relatively simple.

B. After implementation has occurred, relationship enters Stewardship status.

V. PRACTICAL TIPS and SUGGESTIONS

A. Practice the **Rule of M-A-R-F** "Maintain Absolute Rigid Flexibility"
   1. "Stages" are there as a self-governing tool and not something you would necessarily outline with a donor on the first visit.

   2. Donors may be ready to "buy" on the first visit. Be flexible.

   3. Always have a *Best Action Commitment*[3] (BAC) and a *Minimum Acceptable Action* (MAA) before each stage-conversation.
      1. **BAC**: What would be ideal to move the process forward at least one step or stage?
      2. **MAA**: What is the minimum thing I need from this person if I'm to justify spending more time on the case?

B. If stuck, ask for advice from colleagues and/or mentors.

C. It's a fine line between differentiating yourself from other advisors and coming-off as a know-it-all.
   1. Defend the other advisors while establishing your credibility as a vital, and very knowledgeable resource about the charitable components, i.e.

      Example 1: "Joe, most advisors are looking to their client to provide the philanthropic goals to them, if there are any. Because so few do, they're happy to treat your situation as they normally do the 90% of the population who have no charitable plans already being considered."

      Example 2: "Your advisor has a hundred different things to worry about with regards to your estate planning, whereas I have the luxury of focusing on a minute part– the charitable components. I just prefer to have an idea what your other goals are so I'm not making suggestions in a vacuum. Any ideas I may have will of course need to be run by your advisor to see if they complement, if not enhance your other estate goals. If they don't, no worries! At least you looked and considered all your options."

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[3] *The New Conceptual Selling*, p. 117

2. Construct any proposals to recognize the non-charitable goals of the estate so that the advisor is not put in a defensive mode. Show how your ideas are not necessarily "better" than what they've already designed, but just a different twist.

D. Tell stories to your development colleagues regularly at staff meetings, retreats, etc. giving actual examples of donor journeys you (or your gift planning team) have instigated, planned, and executed.
   1. This will show you are a value-added resource to donors and possibly, the development officer who facilitated things.

E. Make sure many (if not most) of the stories in your marketing literature and website feature the PGO's role in the planning of the noteworthy gift.
   1. Describe why the donor chose to add the PGO to their planning team.

   2. Describe how a plan was developed by the PGO.

   3. Describe how the PGO worked (well) with the other advisors.

Bibliography

1. *The New Conceptual Selling* by Robert B. Miller and Stephen E. Heiman, © 1987, 1999, 2005 by Miller Heiman, Inc.

2. *The Right Side of the Table* by Scott Fithian & Todd Fithian, © 2007 by the Financial Planning Association Press

3. *The Trusted Advisor,* by Charles H. Green, Robert M. Galford, & David H. Maister, © 2001 Simon & Schuster

Appendix A: Sample *Discovery Agreement Memo*

(See Separate PDF)

Appendix B: Sample *Capabilities Statement*

GIFT PLANNING OFFICE

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Marc Littlecott is the Director of Gift Planning at the SDSU Foundation. As a Chartered Advisor in Philanthropy (CAP®), he is a qualified and trusted advisor to many SDSU supporters and their financial planners, coordinating with them all aspects of gift design in the areas of estate planning, business succession, real property, stock options, etc. Without cost or obligation, Marc adds an exceptional perspective to one's planning team.

As a CAP®, Marc assists alumni and friends who are interested in integrating life-transforming charitable giving strategies into their financial, business, or estate plans while amplifying what they preserve for themselves in retirement and for their heirs. Typically, Marc helps people identify their personal goals for impacting loved ones and their favorite causes (not just SDSU) before developing a tax-savvy/family-friendly plan for donors and their advisors to consider. This approach is different to the one taken by most planners who rarely focus on philanthropy as a key component of the estate or business succession plan.

After completing service as a military officer, Marc has spent the majority of the last two decades in non-profit gift planning and administration. Marc periodically is an invited speaker at bar associations and other related professional societies on subjects related to integrating philanthropy into client planning.

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