What's Trending in Gift Planning?

Presented at
North Texas Chapter
By
Robert F. Sharpe, Jr
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Washington | Atlanta | Memphis | San Francisco
www.SHARPEnet.com

OVERVIEW OF SESSION

• Giving Has Largely Recovered
• Is the Future Bright With Limitless Opportunity?
• Depends on How We Interpret and React to a Number of Trends
• Will Not Be "Business As Usual"

INTERRELATED ISSUES

• Understanding Nature of Recovery in Giving
• What Will Fall Election Bring?
• Tax Reform on the Table
• Baby Boomers Retiring
TREND
Charitable Giving Continues to Recover

TRENDS IN FUNDRAISING
• Overall Fundraising Exceeded Pre-Recession Levels in 2014
• Most Recent Giving USA Reported Record Year for Giving
TRENDS IN FUNDRAISING

- Overall Giving Barely Exceeded Pre-Recession Levels When Adjusted for Inflation

- Different Picture Emerges When Examining Giving By Individuals
- Inflation-Adjusted Giving By Individuals Had Not Reached Pre-Recession Levels as of 2014
TRENDS IN FUNDRAISING

• Experts Predicted It Could Be 2016 Before Full Recovery Was Experienced

"Giving USA" Forecasts Tough Years Ahead for Fundraisers

By Molly Hall

This year’s "Giving USA," the annual yearbook of American philanthropy, reverses the story it told last year about how giving fared in the recession.

It now says donations fell by higher percentages in 2008 and 2009 than at any other time in the past five decades—even though last year the report said that donations in those two years had declined only slightly or held steady. What's more, it now says the recession's effect was nothing to sneeze at, even now: It could be as long as 2015 before donations return to levels reached before the economicosing. Donors的气息 was a decline in donations by individuals, which fell by nearly 15 percent, adjusting for inflation, over 2008 and 2009. That information, based on data released by the Internal Revenue Service, was not available when researchers produced their findings last year.
TRENDS IN FUNDRAISING

• Similar Trends Were Observed During The Great Depression

TREND

Primary Sources of Giving May Be Shifting
TRENDS IN FUNDRAISING
• IRS Reports on Itemized Deductions Shed Light on Giving By Individuals
• About 1/3 of Taxpayers Itemize
• They Account for Over 80% of Giving By Individuals As Reported By Giving USA

| Itemizers As Percentage of Individual Giving | Amount IRs Reported Itemized in 2013 | $194,664,318 | 81% |
|                                           | Remainder Reported By Giving USA for 2013 | $ 45,943,682 | 19% |
|                                           | Total Individual Giving Reported By Giving USA 2013 | $240,608,000 | 100% |

Source: IRS 2013 and Giving USA 2014

Percentage of Dollars Donated By Itemizers
- Itemizers: 81%
- Non-Itemizers: 19%
TRENDS IN FUNDRAISING

• Amounts Itemized on Tax Returns Are Thus a Vital Indicator of Giving Trends
• Itemized Gifts Barely Returned To 2007 Levels By 2013
• Data For 2014 Expected Soon

![Graph showing trends in fundraising amounts](image)

![Graph showing total giving reported by Giving USA](image)
TRENDS IN FUNDRAISING

• Preliminary Data For 2014 Recently Released
• Appears To Confirm Continued Recovery In Individual Giving
TRENDS IN FUNDRAISING

• This Highlights Importance Of Tax Policy Regarding Charitable Gifts
• Those Who Minimize Importance of Charitable Income Tax Deduction Are Misguided
• Will Be A Subject of Debate In Presidential Election

TRENDS IN FUNDRAISING

• Was Decline in Giving During Recession “Across the Board?”
• Were There Differences Based On Wealth Levels
• Where Did The Declines Occur?
TRENDS IN FUNDRAISING

- Donors With Income Over $500K Accounted for 80% of Decline in Giving
**TRENDS IN FUNDRAISING**

- The Same Group Accounted for More Than 2/3rds of Recovery Through 2013

**TRENDS IN FUNDRAISING**

- Was This a “Major Gift” Recession?
TRENDS IN FUNDRAISING

• Nearly Half of All Itemized Gifts Coming From Donors With Incomes Over $200K

TRENDS IN FUNDRAISING

• This Is the Group That Would Bear the Brunt of Proposed Limits on Charitable Contributions
• Important to Watch Proposals for Future Change
  − Some Increase Benefits for the Wealthy
  − Some Do the Opposite

TREND

Investment Market Performance Driving Charitable Giving
TRENDS IN FUNDRAISING

• Much of Rise and Fall in Giving Tied to Investment Values
TRENDS IN FUNDRAISING

- Declines in Noncash Giving Accounted for 75% of Decline in Giving During Recession
TRENDS IN FUNDRAISING

• Note Similarity in Patterns of Giving Among High Income Donors and Noncash Gifts
• Amount of Decline Traceable Directly to Noncash Gifts

Comparison of Change in Noncash Itemized Gifts and Total Gifts From Over $500K Income Range

<table>
<thead>
<tr>
<th>Category</th>
<th>2007</th>
<th>2009</th>
<th>+/-</th>
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</thead>
<tbody>
<tr>
<td>Income Over $500K</td>
<td>$66,430,510</td>
<td>$37,514,702</td>
<td>($28,915,808)</td>
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<tr>
<td>Noncash Gifts</td>
<td>$58,747,438</td>
<td>$31,816,050</td>
<td>($26,931,388)</td>
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</table>
TRENDS IN FUNDRAISING

• Same Is True With Recovery

Comparison of Change in Noncash Itemized Gifts and Total Gifts From Over $500K Income Range

<table>
<thead>
<tr>
<th>Income Over $500K</th>
<th>2009</th>
<th>2013</th>
<th>+/-</th>
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</thead>
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<tr>
<td>Income Over $500K</td>
<td>$37,514,702</td>
<td>$62,211,000</td>
<td>66%</td>
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<tr>
<td>Noncash Gifts</td>
<td>$31,816,050</td>
<td>$51,591,000</td>
<td>62%</td>
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</table>

MAJOR LESSON LEARNED

• Gifts of Appreciated Securities Appear to Be Far More Important Than Many May Have Thought
• Amount to More Than Total Bequest Income in Some Years
• Important to Get Message to the Right People
TREND

Older Donors Key to Success

DONORS ARE OLDER THAN MANY ASSUME

- IRS Data Also Sheds Light on Ages of Donors
- Donors Over Age 65 Giving Disproportionately Large Percentage of Total

<table>
<thead>
<tr>
<th>Age of Taxpayer</th>
<th>Number of Donors</th>
<th>%</th>
<th>Dollars Deducted</th>
<th>% Cume % Deducted</th>
<th>Average Donated</th>
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<tbody>
<tr>
<td>&lt; 26</td>
<td>382,311</td>
<td>1%</td>
<td>$958,180</td>
<td>0.5%</td>
<td>$2,506</td>
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<tr>
<td>26 - 35</td>
<td>3,491,840</td>
<td>10%</td>
<td>$10,733,774</td>
<td>6%</td>
<td>$3,074</td>
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<td>35 - 45</td>
<td>6,998,084</td>
<td>19%</td>
<td>$26,207,223</td>
<td>13%</td>
<td>$3,745</td>
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<tr>
<td>45 - 55</td>
<td>9,247,662</td>
<td>25%</td>
<td>$43,169,071</td>
<td>22%</td>
<td>$4,668</td>
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<tr>
<td>55 - 65</td>
<td>8,638,624</td>
<td>24%</td>
<td>$50,670,087</td>
<td>26%</td>
<td>$5,866</td>
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<tr>
<td>&gt;65</td>
<td>7,672,372</td>
<td>21%</td>
<td>$62,355,383</td>
<td>32%</td>
<td>$8,202</td>
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</table>

**Total** 36,430,877 $194,664,317 100% $5,343

Source: IRS 2013
AGE AND NON-CASH GIFTS

- IRS Data Indicates That Securities Donors Tend To Be Older
- They Have Held Investments Longer And May Be More Likely To Own Appreciated Assets
THE HIDDEN WEALTH TRANSFER OF 2000s

- It Was Widely Predicted That Older Individuals Would Transfer Untold Wealth to the Young
- What Really Happened?
Change In Median Net Worth 2000 - 2011

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Under 35</th>
<th>35 - 44</th>
<th>45 - 54</th>
<th>55 - 64</th>
<th>Over 65</th>
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<tbody>
<tr>
<td>Net Worth</td>
<td>$9,765</td>
<td>$59,689</td>
<td>$111,867</td>
<td>$150,866</td>
<td>$146,205</td>
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<tr>
<td>Difference</td>
<td>$6,676</td>
<td>$35,000</td>
<td>$84,342</td>
<td>$143,964</td>
<td>$170,516</td>
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<tr>
<td>Percentage</td>
<td>-32%</td>
<td>-41%</td>
<td>-24%</td>
<td>-5%</td>
<td>17%</td>
</tr>
<tr>
<td>Net Worth</td>
<td>$59,689</td>
<td>$111,867</td>
<td>$150,866</td>
<td>$146,205</td>
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<td>$170,516</td>
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<tr>
<td>Percentage</td>
<td>-41%</td>
<td>-24%</td>
<td>-5%</td>
<td>17%</td>
<td>17%</td>
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</table>

<table>
<thead>
<tr>
<th>Age Group</th>
<th>65 - 69</th>
<th>70 - 74</th>
<th>&gt; 75</th>
<th>Total</th>
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<tbody>
<tr>
<td>Net Worth</td>
<td>$154,226</td>
<td>$161,027</td>
<td>$134,535</td>
<td>$73,874</td>
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<tr>
<td>Difference</td>
<td>$194,226</td>
<td>$181,078</td>
<td>$155,714</td>
<td>$68,828</td>
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<tr>
<td>Percentage</td>
<td>26%</td>
<td>12%</td>
<td>16%</td>
<td>-7%</td>
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</table>

Source: U.S. Census Bureau

**IMPLICATIONS**

- The Emergence Of A New Group Of Donors We May Refer To As The “Gerontrophilanthroplutocracy”

**THE HIDDEN WEALTH TRANSFER OF 2000s**

- Implications of This Reality Touch All Areas of Fundraising
  - Outright Giving
  - Giving Over Time
  - Giving Through Estates
ACTION STEPS
How Do We Respond?

THE PLACE TO BEGIN

• Age of Donors Important
• Wealth of Donors Important

<table>
<thead>
<tr>
<th>WEALTHY</th>
<th>YOUNGER</th>
<th>MIDDLE-AGED</th>
<th>OLDER</th>
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<tbody>
<tr>
<td></td>
<td>A1</td>
<td>B1</td>
<td>C1</td>
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<tr>
<td>MODERATE</td>
<td>A2</td>
<td>B2</td>
<td>C2</td>
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<tr>
<td>MEANS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LIMITED</td>
<td>A3</td>
<td>B3</td>
<td>C3</td>
</tr>
</tbody>
</table>

X Generation and Millennials
Baby Boomers
Silent and G.I. Generation
THE PLACE TO BEGIN

- Our Tools Are Very Flexible
- A Screwdriver Can Be Used To Drive A Screw
- It Can Be Used To Pry Open A Paint Can

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SHARPE GIFT PLANNING MATRIX

<table>
<thead>
<tr>
<th>WEALTHY</th>
<th>MIDDLE-AGED</th>
<th>OLDER</th>
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<tr>
<td>Gifts of Cash &amp; Appreciated Property</td>
<td>Gifts of Cash &amp; Appreciated Property</td>
<td>Gifts of Cash &amp; Appreciated Property</td>
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<tr>
<td>Charitable Lead Trusts</td>
<td>Charitable Lead Trusts</td>
<td>Charitable Lead Trusts</td>
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<tr>
<td>Life Income Gifts for Others</td>
<td>Life Income Gifts for Others</td>
<td>Life Income Gifts for Others</td>
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<tr>
<td>Retirement Plans &amp; Insurance</td>
<td>Retirement Plans &amp; Insurance</td>
<td>Retirement Plans &amp; Insurance</td>
</tr>
<tr>
<td>Bequests</td>
<td>Bequests</td>
<td>Bequests</td>
</tr>
<tr>
<td>Gift Annuities</td>
<td>Gift Annuities</td>
<td>Gift Annuities</td>
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<tr>
<td>CRT for Donor’s Life</td>
<td>CRT for Donor’s Life</td>
<td>CRT for Donor’s Life</td>
</tr>
<tr>
<td>Life Insurance Beneficiary</td>
<td>Life Insurance Beneficiary</td>
<td>Life Insurance Beneficiary</td>
</tr>
<tr>
<td>Retirement Plan Beneficiary</td>
<td>Retirement Plan Beneficiary</td>
<td>Retirement Plan Beneficiary</td>
</tr>
</tbody>
</table>

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OUTRIGHT GIFTS
NONCASH GIFTS WILL BE VITAL

- Securities
- Real Estate
- Other Valuable Assets

NONCASH GIFTS WILL BE VITAL

- This Is Where Recovery In Giving So Far Has Been Based
- Will Be A Key to Continued Growth of Individual Giving

FOCUS ON BABY BOOMERS

- This Age Group Will Explode in Numbers Over Next 20 Years
- Over 10,000 Baby Boomers Will Turn 70 Each Day Beginning This Year
- Just Entering Prime Years for Major Outright Gifts
FOCUS ON MATURE DONORS

- It Appears That Philanthropy Peaks at 65 and Older for Many
- Note Ages of Donors of Largest Amounts in 2015
- Confirms IRS Data Noted Earlier

### Age of Top 50 Donors of 2015

<table>
<thead>
<tr>
<th>Age</th>
<th>Number</th>
<th>%</th>
<th>Cume %</th>
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</thead>
<tbody>
<tr>
<td>100+</td>
<td>1</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>90-99</td>
<td>2</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>80-89</td>
<td>13</td>
<td>28%</td>
<td>34%</td>
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<tr>
<td>70-79</td>
<td>12</td>
<td>26%</td>
<td>60%</td>
</tr>
<tr>
<td>60-69</td>
<td>10</td>
<td>21%</td>
<td>81%</td>
</tr>
<tr>
<td>50-59</td>
<td>5</td>
<td>11%</td>
<td>91%</td>
</tr>
<tr>
<td>40-49</td>
<td>3</td>
<td>6%</td>
<td>98%</td>
</tr>
<tr>
<td>30-39</td>
<td>1</td>
<td>2%</td>
<td>100%</td>
</tr>
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</table>

Source: Chronicle of Philanthropy
FOCUS ON BABY BOOMERS

• Be Attuned to Nature of Modern Families
• Baby Boomers More Than Twice as Likely to Be Childless

BE ATTUNED TO PROPERTY

• People Give What They Have
• Looking Beneath The Surface of a $70 Million Gift

Audrey Irmas
Los Angeles, Calif.
Audrey Irmas Foundation

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL</th>
<th>RANK</th>
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<tbody>
<tr>
<td>2016</td>
<td>ETX1426</td>
<td>31</td>
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Audrey Irmas Foundation for Social Justice (Los Angeles)
The gift represents the proceeds from the sale of a Cy Twombly painting by Mrs. Imanas, a prolific art collector. Although the 86-year-old philanthropist earmarked $10 million for a grant to the Wildlife Conservation Trust for an “arts center,” her foundation mostly supports arts projects in Africa and programs for Los Angeles youth and families in need.

Mrs. Imanas was eating dinner one night last year and looking at Mr. Twombly’s 1966 “Blackboard” painting, which hung in her dining room.

"I thought, I have enjoyed this picture for so many years, and now it’s time for that picture to leave me and do some good," Mrs. Imanas told The Chronicle. "It’s like one of my children; it was having home to do some good, and I’m very proud of it."
BE PREPARED TO ACCELERATE BEQUESTS

- “Younger Old” May Make Bequest Commitments In Their 60s and 70s
- “Older Old” May Decide Their Reasons For Not Making A Large Outright Gift Are No Longer A Factor
IRA ROLLOVER

- Retroactively Extended and Made Permanent in December of 2015
- Should This Opportunity Be Emphasized Earlier In The Year or Later?
IRA ROLLOVER

• First Baby Boomers Turn 70 This Year
• IRA Rollover Will Be Fast-Growing Giving Opportunity
  – Baby Boomer Generation First to Spend Bulk of Career With Tax-Deferred Savings
  – Bulk of Wealth Held in This Manner

TAX LAWS MAY NEVER BE MORE FAVORABLE

• 2016 May Be Last Year Under Current Tax Law
• Future May or May Not Hold Same Levels of Incentives
• “Bird in the Hand” for 2016

TAX LAWS MAY NEVER BE MORE FAVORABLE

• Increases in Estate Tax Exemptions Having Impact
• Another Reason Some Are Accelerating Bequests
GIVING OVER TIME

TIMING OF GIFTS WILL VARY

• Depends on Donors' Personal Circumstances
• Gifts May Be Made Over a Relatively Short Pledge Period
• Some Gifts May Be Realized Over Longer Periods
• Goal Is to Minimize Delay

BLENDED GIFT?

PPP Conference Anaheim, 1995

1. Baby boomers may never make large outright transfers to campaigns in the same ways their parents did.
   a. The emergence of the "blended gift."
   b. Combinations of current and deferred gifts.
   c. Focus on total value of gift transaction.
MANY TOOLS EXIST

• Charitable Lead Trusts Have Grown in Popularity
  - Popular Press Has Featured
  - Advisors Becoming More Aware

A CLAT pays a set amount to charity for a set number of years, with what’s left at the end going to your kids or other individuals. Here’s the key: At the time you set up the CLAT, the Internal Revenue Service values your ultimate gift to the kids by projecting the CLAT will earn a fixed rate of return based on interest rates at that time. The rate, known as the charitable midterm rate, is now a low 2%, compared with 8% back in 2000. Bottom line: If you set up a CLAT now and the trust earns more than 2%, you’re transferring wealth to heirs at a discount, or even tax-free.

Yes, this is blessed by the IRS. In fact, another Duke alum, current IRS Commissioner John Koskinen (class of ’64), set up a CLAT in 1998 to fund scholarships and a 4,500-seat soccer and lacrosse stadium.
WHY THE ATTRACTION?

• Donor Is Making Taxable Gift to Heirs When Trust Created
• Charitable Gift or Estate Tax Deduction Based on Value of Payments
• They Are Valued Using Very Low Assumed Interest Rates
• IRS Uses Applicable Federal Midterm Rate Under Section 7520

CHARITABLE LEAD TRUSTS

• Can Be Alternative to Private Foundation or Donor Advised Funds
• Can Be Combined With Them
• Eliminate Tax Burdens Without Permanently Disinheriting Heirs
GEORGE & LAURA

Donor

Charitable Lead Trust

Remainder to Donor or Others Donor Determines

Charity

George & Laura

$5,000,000
Charitable Lead Trust
That Pays 6.25% Annually

Remainder to Children

Charity
BLENDED GIFT

- Each Year $150,000 Is Devoted To Purposes Donors Direct
- Remainder Used To Fund Permanent Endowment

TAX CONSIDERATIONS

- Donors Report Gift of $8 Million To Children When Trust Funded
- Gift Tax Deduction of $4.5 Million
- Use $3.5 Million Worth of Lifetime Exemption of $10.9 Million
- Amount Children Receives Depends On Trust Performance
If Trust Earns | Amount Remaining
---|---
10% | $12,791,000
9% | $11,342,000
8% | $10,028,000
7% | $  8,828,000
6.25% | **$8,000,000**
6% | $7,736,000
5% | $6,742,000
4% | $5,838,000
3% | $5,019,000
2% | $4,277,000
1% | $3,605,000
0% | $3,000,000

LEVERAGING EXEMPTION?

- Suppose $3.5 Million Placed In Non-Charitable Trust For Children For 10 Years
- Suppose $3.5 Million Exemption Used to Eliminate Gift Tax
- Trust Must Earn 8.75% Per Year To Distribute $8 Million in Ten Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Earn</th>
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<td>3,500,000</td>
<td>8.75%</td>
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<td>1 $</td>
<td>3,806,250</td>
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<tr>
<td>2 $</td>
<td>4,139,297</td>
<td>8.75%</td>
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<tr>
<td>3 $</td>
<td>4,501,485</td>
<td>8.75%</td>
</tr>
<tr>
<td>4 $</td>
<td>4,895,365</td>
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</tr>
<tr>
<td>5 $</td>
<td>5,323,710</td>
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</tr>
<tr>
<td>6 $</td>
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<td>6,847,029</td>
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</tr>
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<td>9 $</td>
<td>7,446,144</td>
<td>8.75%</td>
</tr>
<tr>
<td>10 $</td>
<td>8,097,682</td>
<td>8.75%</td>
</tr>
</tbody>
</table>
ADVANTAGE OF LEAD TRUST

• Donors Fund $5 Million Gift Over Ten-Year Period
• Children Receive $8 Million at The End of The “Pledge Period”

CHARITABLE REMAINDER TRUSTS

• Charitable Remainder Trusts
  − Can Be Created for Term of Years to Supply Temporary Income
  − Can Be Used to Care for Older Loved Ones With Shorter Life Expectancies
• Can Use Younger Donor’s Money And Older Beneficiary’s Life Expectancy

IMPACT OF DEMOGRAPHICS

• Baby Boomers May Now Be Ready To Explore Gifts That Provide Income
• One Way To “Accelerate” Bequests
• See Results of Study of State Street CRTs
• Most Common Age of Beneficiaries At Creation Was 68
IMPACT OF DEMOGRAPHICS

- Most Common Time Period of Trusts Was 16 Years
- Mirrors IRS Findings of Average of 15 Years From First Tax Return For CRTs To the Last

GIFTS FOR LIFE OF YOUNGER DONORS
Life Expectancy

<table>
<thead>
<tr>
<th>Age</th>
<th>Single</th>
<th>Couple</th>
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<tr>
<td>100</td>
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Baby Boomers

MR. & MRS. ALLEN

Land Worth $2,000,000
5% Charitable Remainder Unitrust
$5,000,000 +/- Remainder to Charity in 34 Years
Charity
<table>
<thead>
<tr>
<th>Year</th>
<th>Corpus To Charity</th>
<th>Amount of 8% Total Return</th>
<th>Total Payment of 5%</th>
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<td>1</td>
<td>$2,000,000</td>
<td>$160,000</td>
<td>$100,000</td>
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<tr>
<td>2</td>
<td>$2,060,000</td>
<td>$164,800</td>
<td>$103,000</td>
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<td>3</td>
<td>$2,121,800</td>
<td>$169,744</td>
<td>$106,090</td>
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<td>4</td>
<td>$2,185,454</td>
<td>$174,836</td>
<td>$109,273</td>
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<td>5</td>
<td>$2,251,018</td>
<td>$180,081</td>
<td>$112,551</td>
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<td>6</td>
<td>$2,318,548</td>
<td>$185,484</td>
<td>$115,927</td>
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<td>7</td>
<td>$2,388,105</td>
<td>$191,048</td>
<td>$119,405</td>
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<td>8</td>
<td>$2,459,748</td>
<td>$196,780</td>
<td>$122,987</td>
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<td>$2,533,540</td>
<td>$202,683</td>
<td>$126,677</td>
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<td>10</td>
<td>$2,609,546</td>
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<td>18</td>
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<td>$197,359</td>
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<td>25</td>
<td>$4,065,588</td>
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<td>$203,279</td>
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<td>26</td>
<td>$4,187,556</td>
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<td>$209,378</td>
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<td>27</td>
<td>$4,313,183</td>
<td>$345,055</td>
<td>$215,659</td>
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<td>28</td>
<td>$4,442,578</td>
<td>$355,406</td>
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<td>29</td>
<td>$4,575,855</td>
<td>$366,068</td>
<td>$228,793</td>
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<td>$424,374</td>
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<td><strong>Total</strong></td>
<td><strong>$4,618,414</strong></td>
<td><strong>$1,154,604</strong></td>
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</tbody>
</table>

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**Mr. & Mrs. Allen**

**Charity**

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**Mr. & Mrs. Allen**

**Charity**

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**Mr. & Mrs. Allen**

**Charity**

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ESTATE GIFTS

BEQUEST INCOME

• Little Growth In Recent Years
BEQUEST INCOME

• Growth Stagnant in Real Terms Over Past Decade

Note: 2008 included estimated $8B from 4 estates

BEQUEST INCOME

• Major Demographic Factors Underlie Trends
• Flat Death Rate Over Past Decade
FUTURE OF BEQUESTS

• Oldest Baby Boomers Are 69 Years Old
• Many Will Make Final Will Over Coming Two Decades
• Will Pass Away in Large Numbers Beginning in 10 to 15 Years
FUTURE OF BEQUESTS

• Numbers of Deaths Will Begin to Peak in 30 Years
• Will Drive 50% Increase in Numbers of Bequests All Things Being Equal

FUTURE OF BEQUESTS

• Still Time to Influence Remaining Bequests From Silent Generation Now Age 70 and Older
• Remains Primary Source of Bequest Income Over Next Decade
• Researchers Have Determined Most Wills That Contain Gifts to Charity Completed After the Age of 75
THE FIRST TIME’S THE CHARM

• Dr. Russell James Has Found That There Was No Charitable Bequest In Next To Last Will In 50% of Cases
FUTURE OF BEQUESTS

• Other Changes Are Taking Place That Affect Future Trends

IMPACT OF RECENT ESTATE TAX CHANGES

• Threshold for Federal Estate and Gift Taxes Raised to $5 Million Per Person in 2012
• Adjusted for Inflation to $5.45 Million for 2016
• $10.90 Million for Married Couple

IMPACT OF RECENT ESTATE TAX CHANGES

• No Federal Estate Tax Savings for Bequests for Over 99%
• Most Live in States With No Inheritance Tax (CA, FL, TX, etc)
IMPACT OF RECENT ESTATE TAX CHANGES

• Many Will Be Interested in Gifts Completed at Death With Income Tax Benefits
• Another Reason To Accelerate Bequests

EXAMPLES

• Current and Deferred Gift Annuities
• Charitable Remainder Trusts
• Gifts of Real Estate With Use Retained for Lifetime
• Pooled Income Funds

REAL ESTATE WITH RETAINED USE

• Gifts of Real Estate With Use Retained Life or Other Term
• Gifts For Term of Years Greatly Underutilized
Mr. & Mrs. Cramton

Listing Price: $595,000

Real Estate

Charity

Cramtons for Five Years
Impact of Lower Interest Rate on Retained Interest Real Estate Gifts

<table>
<thead>
<tr>
<th>Discount Rate</th>
<th>Deduction Percentage</th>
<th>Deduction Amount</th>
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<tbody>
<tr>
<td>2%</td>
<td>86%</td>
<td>$508,000</td>
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<tr>
<td>3%</td>
<td>82%</td>
<td>$484,000</td>
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<tr>
<td>4%</td>
<td>78%</td>
<td>$461,000</td>
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<tr>
<td>5%</td>
<td>74%</td>
<td>$440,000</td>
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<tr>
<td>6%</td>
<td>71%</td>
<td>$419,000</td>
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</table>

CAN BE EXCELLENT CAMPAIGN GIFT

- Donor May Tie Use To The Term of Campaign Pledge Period
- Is It A “Balloon Pledge?”
- Donor May Guarantee A “Stop Loss”
- Make Up Difference Between Amount of Pledge And Amount Received

GIFT ANNUITIES

- Can Be Very Attractive in Today’s Environment
- Lower Interest Rates Also Stimulate Interest
- Source of Additional Income
GIFT ANNUITIES

• Can Generate Current Tax Savings for a “Bequest”

SUMMARY

PUTTING IT ALL TOGETHER

• Giving Continues in Good Times And Bad
• More Likely Than Not 2016 Will See a Continuation of Trends of Recent Years
• Economic and Political Uncertainty Will Continue
PUTTING IT ALL TOGETHER

• Full Recovery From Effects of Recession May Be at Hand
• Appears 2015 May Have Been Watershed Year
• This Year May Usher in a New Era in Giving

PUTTING IT ALL TOGETHER

• Understand Changing Realities in Terms of Economics, Politics and Demographics
• Be Aware of Opportunities and Challenges They Present

Conclusion