

Savvy Gifting Strategies for the Successful Nonprofit

NON-PROFIT UPDATE SEMINAR

MAHER DUESSEL

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Greater Pittsburgh
**community
food bank**

Nice to Meet You!

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Topics for Today



Trends in nonprofit fundraising



Establishing a gift acceptance policy



Building a strong relationship between fundraising & finance



Overview of savvy gifting strategies



We are the Food Bank



Trends in Nonprofit Fundraising



2021 Giving, Americans gave \$484.85 billion

Where did the generosity come from?

Contributions by source
By percentage of the total

67% \$326.87 billion

Giving by Individuals

↑ increased 4.9% over 2020

19% \$90.88 billion

Giving by Foundations

↑ increased 3.4% over 2020

9% \$46.01 billion

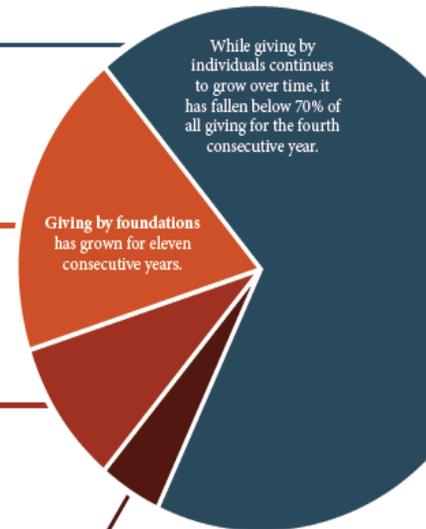
Giving by Bequest

↓ decreased 7.3% over 2020

4% \$21.08 billion

Giving by Corporations

↑ increased 23.8% over 2020



*All figures on this infographic are reported in current dollars unless otherwise noted.

2021 Giving, Where it Went by Sector or Beneficiary

percentage of the total contributions



change in comparison to total raised in 2020

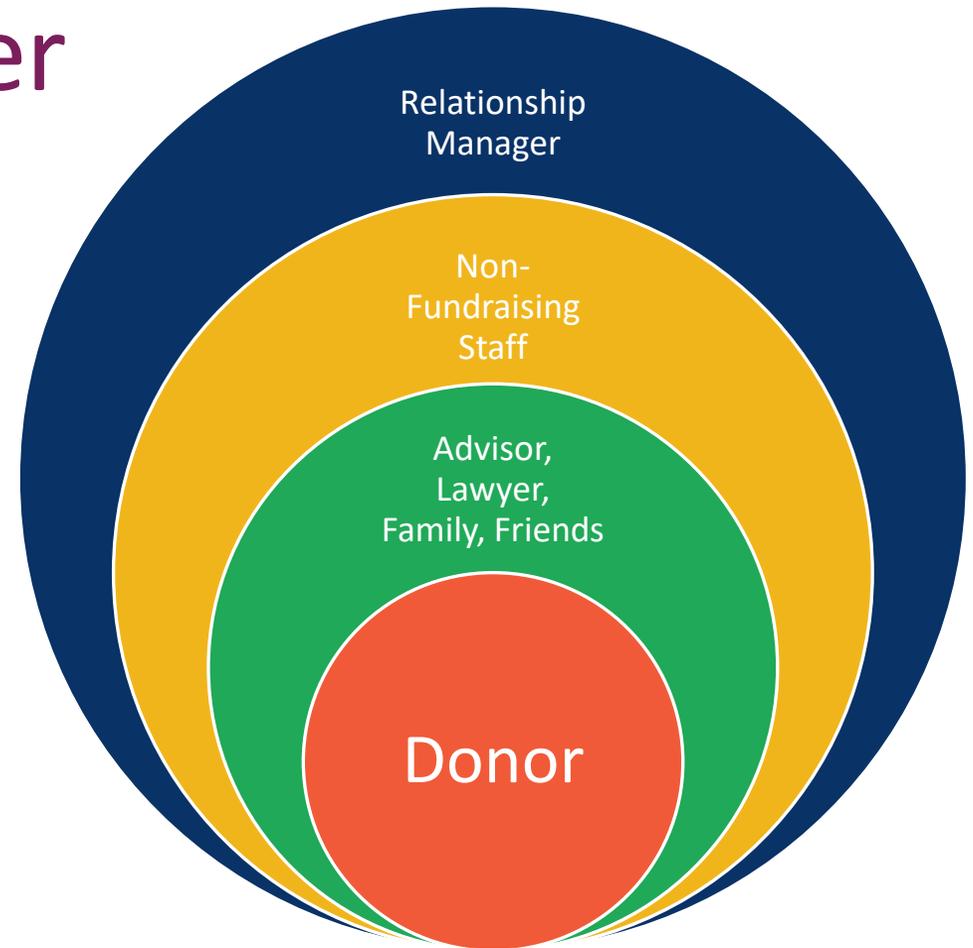


Investing in Relationship-Based Fundraising

- **Low cost, high return**
- **Transformational impact (90-10 rule)**
- **Sustainable, long-term support**
- **Rewarding to facilitate**

Role of Relationship Manager

- ✓ Facilitator of overall philanthropic relationship to the organization & primary point of contact
- ✓ Liaison between donor and non-fundraising staff (e.g., finance, accounting)
- ✓ Owns and organizes donor activity; briefs staff and follows-up as necessary; data entry



Creating a Gift Acceptance Policy



Purpose of a Gift Acceptance Policy

Establish guiding principles for fundraising program

Define when to seek legal counsel, if none in-house

Outline what giving vehicles and structures the org accepts and how to process

Provide overview of legal & recognition procedures

Document critical guidelines for ethical fundraising and fiscal management



Forging Key Internal Relationships



The Fundraising-Finance Relationship Is Key



- Partner on annual budget and reforecasting
- Develop financial narrative for internal and external stakeholders
- Perform critical daily tasks like gift reconciliation
- Collaborate to administer and report on grants
- Determine gift acceptance
- Provide legal checks and balances
- Fulfill donor intent



Savvy Gifting Strategies

Moving Beyond Checkbook Giving

Savvy giving can help donors *maximize* their philanthropic impact while *protecting* their and/or their family's financial future. Savvy giving is achieved through giving:

- Vehicles
- Structures
- Designations





Savvy Giving Vehicles

- Donor-Advised Funds
- Retirement Funds
- Appreciated Stock
- Private Foundations
- Personal Property
- Cryptocurrency

Outright Giving



- Gifts in a Will (bequests)
- Beneficiary Designations
- Charitable Gift Annuities
- Trusts and Unique Assets

Deferred Giving



Outright Giving – Donor-Advised Funds

➤ Fastest growing giving vehicle

- Tax deduction occurs when transferring assets to DAF
- Donor does not legally own DAF assets
- Currently no required annual distribution
- Cannot be used to fulfill pledges
- Donor cannot receive goods or services in exchange for DAF grant (e.g. gala tickets)

➤ Two Types: Pass-Through & Endowed

- Pass-through are most common



Jack sold his business and wanted to gift \$100,000 of the proceeds to create an endowment at the Food Bank that would spin out \$5,000/year. Without a formal Endowment, we referred him to The Pittsburgh Foundation to create a donor-advised fund. Now, Jack recommends a \$5,000 grant to the Food Bank annually from his DAF.

Annually, Suzan and her family recommend grants from their DAF to support the Food Bank. As successor advisors, their children can continue recommending grants to the Food Bank after they pass.



Outright Giving – Retirement Funds

➤ Cash Distribution

- Min age: 59 ½ years old
- Taxable; May deduct if itemize
- Can be used to fulfill pledges

➤ Qualified Charitable Distribution (QCD)

- Min age: 70 ½ years old
- Must come directly to the charity
- Not taxable; Cannot deduct
- May satisfy required minimum distribution
- Can be used to fulfill pledges



Upon turning 72, Micki now has an annual required minimum distribution (RMD) from her IRA. When reviewing her finances, she realized she doesn't need all the income from her IRA. She decides to start making most of her larger annual gifts through qualified charitable distributions (QCDs) instead of cash. Not only did this increase her philanthropy to the Food Bank, but also ensured her retirement funds could go further since QCDs remove the funds from her taxable income while still satisfying her RMD.



Outright Giving – Appreciated Stock



Large Stock Portfolio



Interested in Tax Savings



Food Bank Donor

➤ Many Tax Advantages for Donor

- Avoid capital gains tax
- May deduct if itemize, based on FMV
- Can lower cost basis if use cash to re-purchase

➤ Challenges to Accepting

- Need to partner with brokerage firm
- Unintentional anonymous gifts are common
- Rules and policies vary among financial advisors/planners
- Misinformation about tax deductibility



Outright Giving – Private Foundations



- **Come in all shapes, sizes and administrative structures**
 - Family foundations v professionally managed
 - Typically have funding priorities
 - Governed by incorporation and IRS rules
- **Required by law to distribute 5% annually**
 - May be used to fulfill pledges
 - Cannot receive goods or services in exchange for grant
 - May exist in perpetuity or be sunset

Outright Giving – Personal Property & Crypto

➤ Can be Very Complicated

- Have a clear gift acceptance policy
- Tax rules and requirements vary by property type and depend on type of org
- Property needs to be liquidated, not all orgs can do this appropriately
- Costs associated with accepting

➤ Cryptocurrency Giving is Rising

- Volatile asset; specific type of donor
- Treated like personal, tangible property in eyes of IRS



Michael wanted to make a major gift to the Food Bank during the height of the pandemic using art from his vast collection. As a non-art collecting organization, the process was onerous and would have required the use of a third party to sell the artwork. Ultimately, it was in the best interests of the donor and the Food Bank to use a different donation vehicle for this gift.



Deferred Giving

Thoughtfully planned and oftentimes in consultation with professionals

Most typically realized after a donor has passed away

An organization's gift acceptance policy is key

Most Common Deferred Gifts

90%+ of
planned gifts

- Gifts in a Will (bequests)

Non-probate

- Beneficiary Designations



Linda is unmarried and child-free. Her only surviving sister is provided for. As a long-timer Food Bank donor, she believes passionately in food security and gives back as part of her faith. When completing her will and beneficiary designation for her federal retirement account, Linda chose to allocate a percentage to benefit the Food Bank after she passes.



Less Common Deferred Gifts

Charitable Gift Annuities

- Donor makes gift then receives guaranteed income for life
- Charity receives any remainder after donor passes
- Requires appropriate financial setup

Charitable Trusts

- Tax-savvy especially for larger estates that have non-charitable beneficiaries
- Charity can receive funds upfront or after donor passes
- Requires professional

Real Estate

- Can be deeded during or after donor's lifetime
- Extensive acceptance process
- Requires professional



As part of his estate planning, Tom created a trust for the benefit of several of his favorite charities including the Food Bank. All his assets are being liquidated and added to his trust. Gifts to the trust's beneficiaries are advanced while the estate continues to be settled. Finale execution of estates with more complicated asset types, especially those like Tom's can take years to close.

Advanced Giving Structures

Bunching

Multi-Year/Recurring

Pledges or Gift Intentions

Dual Ask/Blended Gifts

Gift Designations

Unrestricted

- No strings, org can use as it sees fit
- Org can decide to restrict all or part, but will not be considered donor-restricted
- Preferred designation in most cases

Restricted

- In line with mission, they must be put into a temp restricted fund
- Donor intent will be adhered to as closely as feasible

Corp Matching

- Matching gifts from a donor's company follow any donor restrictions
- There may be exceptions based on company policy

Match Pool

- Match challenges are designed to inspire additional giving
- Match pool gift must follow the designation of the matching gift campaign
- Unconditional matches are preferred

Named Funds

- Can be used to support position, program or space OR serve as simply a stewardship opportunity through budget relief
- Typically have gift minimums and timeframe restrictions



Protecting Donor Intent





Questions?

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