

Surprising Truths About Legacy Giving

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During my 20-plus years of leading a fundraising organization and speaking with countless individuals and couples about estate planning, I observed a number of interesting truths that run counter to what most people think about Legacy Giving, specifically, and/or philanthropy, generally. Sometimes, even the experts believe, communicate, and promote myths about Legacy Giving. Today I'd like to share nine somewhat surprising truths with you.

- 1) ***Most Americans do not have a will.*** A recent survey by Forbes indicated that 65% of Americans adults do not have a will and 71% do not have a living will that deals with end-of-life medical procedures. Even 60% of Presbyterians don't have a will. Without a will, substantial complications and burdensome effort can fall to one's children. Please urge your family and friends to take the time to prepare an estate plan; including where you wish to have your remains, your thoughts on medical procedures toward the end of life, what kind of memorial service you desire, what your thinking is about your personal legacy and other related and important topics.

- 2) ***Avoiding taxes is not the main reason people give.*** Surveys about what motivates donors show that, by far, the primary reason people give is to change the world for the better in some way—to save the world. Ranking second and third are confidence in the leadership of the designated charity and confidence that the donors' money will be handled professionally and spent the way they intended. Lowering taxes ranks ninth, or tenth in importance, as a motive for most annual giving and somewhat higher when it comes to estate gifts. Other motives include repaying a sense of indebtedness to the charity, being asked by a peer, and seeking recognition, or even a form of immortality through charitable giving. Of course, several of the motives can be involved as factors in any single gift decision, but tax avoidance tends to impact the amount of the gift rather than the more fundamental decision to make a gift at all.

- 3) ***Estate planning is often the introduction to philanthropy.*** Many people only start thinking about philanthropy when they sit down to organize their estate. Several years ago, I moderated a panel at a national convention on higher education in Seattle. William Gates Sr., a prominent attorney and parent in Seattle, was on the panel. I asked him why

he was such a strong advocate of keeping the estate tax. He said he had noticed in the work of his law firm this phenomenon of clients who had never made any significant charitable gifts being introduced to the concept and impact of philanthropy in designing their estate plan. It often happens when an attorney starts the conversation by saying that the key decisions are how much of the client's estate will be directed to each of three buckets: children, the government, or charity. Usually clients have thought through how much they wish to leave their children, but begin to realize the power of charitable giving to manage, or lower, the amount that will go to Uncle Sam. This observation that I first heard from William Gates Sr. has been reaffirmed by many trust and estate attorneys in the Twin Cities and elsewhere.

- 4) ***Women give more than men.*** Women have traditionally owned a majority of the net worth in the US, but men tended to dominate charitable gift decision. Women would often rely on their male advisors—e.g., eldest sons, bank trust officers, financial advisors, and attorneys. This has changed substantially in the last 15 to 20 years, which I've witnessed personally. Women have emerged as much more empowered, reflecting successful professional careers, management of financial resources, and other aspects of life. This self-actualization extends to their lives as philanthropists, as well. Research being done by the Center for Philanthropy at Indiana University shows that single women make larger gifts than single men and married couples make larger gifts than single men and tend toward the gifts that would have been made by the female spouse on her own. Also, the Mars/Venus phenomenon is vividly at work, in my experience. A few years ago, I was speaking with a female donor about how to recognize her multi-million dollar gift. Her response was a request that I call her once a year and assure her that at least one student would have benefited in some way from her generosity. She did not need, nor want, to see her name in the top donor listings, or her name on any program, or building. Her gift was about touching lives in a meaningful way, not about accolades and gaining status in the community.
- 5) ***You can improve your ROI while making Legacy Gifts!*** Many charitable deferred giving instruments offer higher returns than the market. For example, as of today, the American Council on Gift Annuities recommends gift annuity rates between 5.5% and 9.5%, for donors between 65 and 90 years of age. These rates are good for the rest of a donor's life. The rates will change, depending on age and whether the life income is on one life or two lives. Also, the donor would qualify for an upfront, substantial tax deduction as well as a portion of the annual income being tax-free. So, at age 65, that recommended 5.5% annual yield is equivalent to a fully-taxable yield of 7%, or more. Compare that return with, say, a ten-year treasury note now paying about 2.5%. These instruments provide not only handsome better-than-market returns, but also life time (or joint lifetime) income security and safety—i.e., the entire assets of the charitable entity being supported are usually available to back up a gift annuity. Such a deal! With so many employee retirement benefits changing from defined benefit plans with fixed pension payments for life to defined contribution plans with a lump sum payment at retirement, these charitable instruments offer an attractive alternative for many people who desire lifetime income security and also the opportunity to support charitable causes close to their hearts.

- 6) ***It's not about the money...really!*** The intangible aspects of legacy planning usually involve higher value than the tangible aspects—i.e., articulating your life lessons, your stories, your values, your dreams, and heartfelt desires for your children and grandchildren. People who articulate these things tend to grow old gracefully, rather than crotchety. They tend to feel more gratitude and fulfillment about their unique life, rather than complaining about each day as a struggle to get through. Time and time again, people tell me these quality of life factors are "priceless" and cannot be measured by any dollar value. About fifteen years ago, Cathie and I had the privilege of being invited to a dinner in Hollywood with Art Linkletter. He explained to us that he had shifted from working hard for anti-drug causes to doing television programs and speeches designed to motivate people to tell their life stories, either by writing them, or taping them onto audio or video media. His theory was that there are two ways people age: happily with a high sense of gratitude, or unhappily with a focus on how life gets tougher and complaining about it. He believed strongly that for those who tell their stories—not with any intent toward publishing and wide distribution, but mostly for their children and grandchildren—realize how unique, and special, their set of experiences and lessons learned is, which leads to a grateful and happier spirit.
- 7) ***Giving can extend your life expectancy!*** People who make legacy gift commitments live longer than those who don't! There has been considerable research on longevity and many other enhancements to the donor's physical, emotional, and spiritual life. People who give and serve others often experience a "helper's high" as endorphins are released, not unlike what long distance runners experience. Both contributors and volunteers experience reduced stress, enhanced functioning of the immune system, improved blood circulation, healthier sleep, and better health. Emotional benefits to the volunteer and donor include increased self-acceptance, less self-absorption and sense of isolation, increased ability to cope with crises and stronger feelings of personal satisfaction. Spiritual benefits include greater connectedness to God, heightened sense of appreciation and acceptance of others, sustained peace of mind, and greater clarity about the meaning and purpose of life. The book "Give to Live" by Douglas Lawson documents research that had been done as of the early-1990s, but these themes have been reaffirmed in subsequent research, as well. Another important point about the benefits that are available to the donor from serving others through gifts or volunteering: the same benefits are available regardless of the size of the gift or volunteer hours spent in serving others. Finally, it's always been an inside joke among development professionals that, once someone makes a charitable bequest commitment, they live forever. Apparently, there's more truth than good humor in that sentiment after all.
- 8) ***The word "irrevocable" is not as scary as it seems.*** Some words often heard in estate planning discussions are scary. Words like "actuarial," or "internal compounded rate of return," and especially "irrevocable" trigger all of my mother's insecurities about anything high finance. However, my experience would suggest that, when it comes to "irrevocable," there's more flexibility in deferred giving than one normally assumes. Think of how the process works. When planning our estates, we tend to be especially conservative to be sure we protect ourselves for the worst case scenarios we can imagine.

So, any decision to make an irrevocable commitment to donate assets, even to instruments that provide lifetime income give reason to pause and think twice about it. But, as discussed earlier, such an irrevocable commitment can provide very attractive benefits to the donor: an upfront tax deduction, income security for life often at higher returns than the marketplace. Usually what I have observed is that, as one grows older, circumstances change—one finds international travel more burdensome, a spouse passes away, or maintaining a second home, or even a primary large home, is no longer needed, or desirable. If circumstances unfold in that way, the donor can convert their annual income annuity into income to the charity. The often surprising payoff here is how fulfilling and meaningful it can be for donors to see their gifts being put to work while they are alive—to see the renovation of a space at the church, or a high-priority program be able to continue, expand, or improve in other ways, because of one's gift being made perhaps several years before it was originally anticipated. This ability to provide profound meaning and fulfillment to one's life can be a source of immense joy, at just the point when life's medical or emotional challenges are increasing. Andrew Carnegie, in his 1889 essay "The Gospel of Wealth" strongly urged people of wealth to give their money away while they were living so the same expertise, circumstances, energy, values and wisdom that went into acquiring wealth, would be available in distributing it back to make a difference in the world from which the wealth was accumulated.

- 9) ***The opportunity to impact the world through legacy giving is underestimated!*** Gifts through a bequest, or deferred charitable instrument, can be one's ultimate gift and have far more impact than the rest of one's charitable giving. Our normal approach to giving is to decide what our annual giving should be. With the church's instructions and encouragement regarding tithing, we tend to think of what proportion of our annual income we should dedicate to charity. There are other rules of thumb about annual giving that provide a guideline connected to one's net worth, or assets—e.g., the 1% Club, that has a large following in the Twin Cities, recommends that at least 1% of net worth be contributed to charity each year. If that standard were representative of one's annual giving pattern, then an estate commitment involving a gift of assets could be as much as 20, 40, or even 100 times the annual commitment. So, the power to change the church and/or the world, in whatever way the donor directs, can be transformative and give a program, or designated purpose, a power boost far beyond one's annual commitment. What a legacy opportunity indeed!

In closing, I'd share two Chinese proverbs, which may be a surprising to those who believe the Chinese are not philanthropic: "Never sip of water without reflecting on its source" and "A bit of fragrance always clings to the hand that gives you roses." Perhaps these proverbs reflect values that could underscore a more generous climate in the future by our Chinese friends and business associates. Let's hope so!

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