It's not about having all the answers.
It's about having all the questions.

And here they are.

A GUIDE TO OFFERING NON-CASH GIFT OPTIONS TO YOUR DONORS

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MAJOR & PLANNED GIVING DEVELOPMENT
Advancing Your Mission Together

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So many fundraisers ignore the opportunities available in non-cash gifts because they think they need to know all the answers. It's more about knowing what questions to ask.

This guide has been written to give you the confidence and assurance that you can discuss these options with all of your donors.

Remember: 80-90% of your donor's wealth is not in their wallets or checkbooks. It's in their assets.

Start offering them more options today!

The 4 Non-Cash Gift Buckets

A simple way to think about the different types of planned (non-cash) gifts is to group them into 4 buckets.

Bucket #1 Beneficiary Gifts

Anywhere from 85-90 percent of planned gifts are beneficiary gifts. These gifts cost your donor nothing during their lifetime. Examples are listed below.

Wills and Living Trusts

This is a very common and easy way for your donor to make a planned gift. They can leave your charity a specific dollar amount, a percentage, or a residue (whatever is left in their estate after paying off debts and making specific gifts to heirs). The only downside I see to this is that your donor must contact their attorney to create or change the will, which can bring things to a screeching halt. Admittedly, I have taken over six months to have my own will changed. I saw it as a lot of work and had no sense of urgency to get it done. Be aware of this up front and stay on top of your donor to make sure their attorney is contacted. Also, there are several differences between a will and a living trust. The main difference is that a living trust eliminates the need for property to go through probate (the process of transferring property from someone who has passed to their beneficiaries or heirs) to transfer it to the people who inherit it.

Gifts from Qualified Retirement Plan

A donor can make you a beneficiary of their retirement plan for a percentage. Qualified retirement plans include 401(k)s, individual retirement accounts (IRA), and 403(b) plans (typically for nonprofit employees). This is my favorite planned gift because it's easy for the donor. They don't need an attorney and it's easy to change. My wife and I have several charities as beneficiaries in our retirement plans. For many of us, our qualified retirement plans are our most heavily taxed asset. You don't pay taxes on the money that goes into the account until the money is taken out. When the money is withdrawn, it can be taxed up to 70 percent. Ouch! Alternatively, a portion of that tax can go to your favorite charity. So really, it's as though you can choose whether the money goes to the government or to charity—sounds like a no-brainer to me. Donors will sometimes ask if they should give an estate gift from their qualified plan or cash savings. It's usually better to give your family the cash and your favorite charity the retirement plan funds, but again, you should have them check with their advisor. Usually the family does better with cash because the taxes are less than if they received the qualified plan money, and for the charity, there's no difference.

IRA charitable rollover. Effective 2023, once your donor turns 73, they must start withdrawing money from their IRA. This is known as RMD (required minimum distribution). The law that allows individuals to make direct charitable transfers from their IRA to qualified charitable organizations has been permanently reinstated to allow individuals who are age seventy and six months or older to donate gifts from their IRA accounts in any amount up to $100,000 each tax year. The amount your donor gives to your charity is excluded from their adjusted gross income, making it tax-free. This amount can be counted toward their annual required minimum distribution. This applies to IRAs only, not 401(k) or 403(b) plans.

Life Insurance

Perhaps your donor has more life insurance than they need. Your donor can make your organization a partial or full beneficiary of their existing policy. They can also buy a new policy and make you the beneficiary. I suggest you let the donor own the policy and make the payments. Some charities do own policies and collect payments from the donor, but that creates more work for your staff and the possibility that the donor defaults on the payments. A donor can also hand over a paid-up insurance policy. This is a great gift opportunity with minimal risk and work for your organization that can afford many of your donors the opportunity to make a larger gift than they ever thought possible.

These are great options for younger donors who want to do more but are not in their peak earning years to do so. There are also other ways to use life insurance with something called wealth replacement. It's too complex for the scope of this book, but in short, a wealthy donor can buy life insurance to replace the assets they transfer to charity. Again, we don't need to have all the answers; we just need to be aware that these options are out there.

Note that these gifts of life insurance are from Whole Life policies, not term insurance.

Donor-Advised Funds

Donor-advised funds are growing in popularity. You can find them in community foundations and investment firms like Fidelity Charitable. These funds allow donors to make a charitable contribution, take a deduction (when they put the money into the fund), and then recommend grants (donations) to charities from the funds over time. They can also make your charity a beneficiary of the fund. The benefits include:

- less work for charitable people
- easier and "cheaper" to set up than a private foundation
- can make giving fun
- the charity can be either a recipient of a grant or beneficiary of the fund when the donor passes.

Bucket #2 Life Income Gifts

Life income gifts offer several potential benefits for the donor, including (but not limited to):

- avoidance of capital gains taxes
- increased income
- income tax deduction
- the satisfaction derived from making a significant gift to charity.

Charitable Gift Annuities—CGAs

A CGA is a contract between your charity and the donor. Your donor makes a gift and receives income for the rest of his or her life. Your charity pays the donor a fixed payment, and they receive an immediate tax deduction. Your charity receives the balance of the gift amount when the donor passes. The balance (residual) that comes to your organization is typically 50-60 percent of the original gift amount.

There are four types of charitable gift annuities: immediate (donor starts taking payments immediately), deferred (donor starts taking payments at a determined date in the future), flexible (donor decides when to start taking their payments later), and commuted payment (donor decides when to start taking payments for a determined date in the future and takes those payments for a period of years rather than for a lifetime).

Tip: Your best prospect for a CGA donor is someone who already has one. According to the American Council on Gift Annuities, 44 percent of CGAs written each year are done with donors who already have at least one (2013 Survey of Charitable Gift Annuities, www.acga-web.org). If you're just starting out, you can work with a community foundation to administer the CGA. Other entities, such as Everence and the Dechomai Foundation, will take care of all the risk, administration, investment, and disbursements of these checks for a nominal annual fee. With these resources available to you, there is no reason to tell a donor you are not offering CGAs.

There are plenty of resources available to assist you in running CGA illustrations. If you anticipate generating a lot of interest, you can partner with firms like PG Calc and Crescendo Interactive to buy the software to run the gift calculations yourself.

Be careful when messaging and marketing CGAs and all types of life income gifts, because donors can always get a much better deal with commercial annuities. There must be "charitable intent" on the donor's behalf. Once you establish charitable intent, then you can talk about the benefits. Charitable intent means the donor and the charity see the gift annuity first as a gift, and secondarily as income. CGAs are a great solution for donors who want to do more but need income.

Charitable Remainder Trusts (CRTs)

A CRT is like a CGA except that the formal relationship is between the donor and an established or a newly created trust, as opposed to directly with the charity.

Your donor contributes property to a trust in exchange for a lifetime income interest and an immediate income tax deduction. The two most common types of CRTs are the charitable remainder unitrust (CRUT), which pays the donor variable income based on how much the trust grows or shrinks, and the charitable remainder annuity trust (CRAT), which pays the donor fixed income (like a CGA). These are not as common as CRUTs.

A CRAT is generally simpler and less costly to administer. Because it provides fixed payments, it is good for older donors who don't care as much about inflation and don't want to deal with market swings. However, a donor cannot add to a CRAT once it's established. They can with a CRUT. So, a CRUT is more flexible but less predictable. There are other versions of CRTs such as NIMCRUTS, NICRUTS and Flip CRTs, which are a bit more complex and outside the scope of this book, though there are several resources online to learn more about these types of CRTs.

Differences between a CGA and CRT

CGA	CRT
Only one charity can be a beneficiary.	Multiple charities can be a beneficiary.
The donor can only have one- or two-income beneficiaries.	The donor can have more than two income beneficiaries.
Usually a $10,000 minimum. Some charities offer a minimum lower than $10,000, but it is not recommended, and more charities are raising their minimums to $20,000 and higher. When you calculate the amount of time required to manage an annuity, a $5,000 CGA will not produce much revenue for your charity when all is said and done.	Usually a $100,000 minimum. Most banks and trust companies will not serve as a trustee of a CRT if it has assets of less than $1 million.
The donor has no control over how the assets are managed.	The donor may be able to retain some influence over investment strategies.

Please Note: Minimums for gifts annuities issued by your organization are set by your organization and should be articulated in your gift acceptance policies.

Pooled Income Fund

Pooled income funds are not as popular these days because their income is very low, but it's good to know what they are:

- They function similarly to a CRT.
- Property is contributed to a pool and is comingled with other donors, much like a charitable mutual fund.
- The fund is created and operated by your charity.
- The fund distributes net income to the donor based on the number of shares they hold for their life.

Bucket #3 Appreciated Stuff

Gifts of Appreciated Stock

Is this a planned gift? Some argue that it's not because the donor does not need to die to trigger the gift. Regardless, it is a noncash gift and is a great option for many of your donors who may be sitting on stock for a long time. It costs the donor less to give appreciated stock than it does for them to give cash. Caution: if the donor wants to give you stock that is worth less than what was paid for it, they are better off selling the stock and writing you a check.

Gifts of Appreciated Real Property

Donors can make a gift of appreciated land or real estate. They can donate to you outright or they can donate to you and continue to live in the house.

Bargain Sale

A bargain sale occurs when a donor sells property (securities, real estate, etc.) to a charity for less than its fair market value. The difference between the fair market value and the price the charity pays is the charitable gift portion. The donor can recoup some cash (perhaps equal to their initial investment in the property) and then uses the balance as a charitable gift. This charitable gift can be outright, giving the donor their cash up front, or a gift in trust, which may be designed to pay an income for life or a term of years to the donor.

These types of gifts can get complex quickly, so it's best to seek outside counsel before going too far in a conversation with a donor.

Bucket #4 Everything Else

Charitable Lead Trusts (CLTs)

Some call CLTs the unicorns of planned giving. People talk about them all the time, but few have seen them. These are complex gift structures set up by wealthy donors and their advisors designed to reduce or eliminate gift and estate taxes. A simple way to think of them is that they are the opposite of a life income gift. With a life income gift, a donor makes a gift to charity, receives income, and the charity gets whatever is left when the donor passes on. With a CLT, however, the charity receives the gift in the form of distributions either over the life of the donor or for a term of years.

Like CRTs, there are two types of CLTs: charitable lead unitrusts (CLUTs) and charitable lead annuity trusts (CLATs). CLUTs provide variable payment amounts to the charity, while CLATs provide fixed payments to the charity.

Tangible/Personal Property

A donor can donate equipment, furniture, antiques, motor vehicles, and so on. The donor is entitled to an income tax deduction for a contribution of the personal property, but the gift is subject to certain rules regarding the use of the item:

- **Related use items**—if the item can be put to a use that is related to the tax-exempt purpose of your charity, then the donor may take a deduction for the full fair market value of the item. An example of this is a donor donating artwork to hang in your lobby.

- **Unrelated use items**—if the use of the item is unrelated to the tax-exempt purpose of your charity, then the deduction is limited to the lesser of the donor's cost basis (what they paid for it) or its current fair market value. An example of this is a donor donating artwork that you sell and then use the proceeds to fund a project or to contribute to your general fund.

- Some fundraisers want nothing to do with these types of gifts because they are too risky. My response to that is: don't walk away from those opportunities until you fully understand the specifics and all your options. You can learn more about gifts of property on the IRS website at https://www.irs.gov/pub/irs-pdf/p526.pdf, page 7. There are also people like Bryan Clontz from Charitable Solutions who can handle these types of gifts on your behalf and either help you with the gift or sell it and send you a check for the proceeds. You can reach Bryan at http://charitablesolutionsllc.com/.

The Questions

"Part of being successful is about asking questions and listening to the answers."

-Anne Burrell–American Chef

Gifts from Will or Living Trust

1. What do you hope to accomplish at ORGANIZATION with your planned gift?
2. Are your heirs aware of your philanthropic interests and how ORGANIZATION fits into your personal legacy?
3. Is your bequest gift for ORGANIZATION a specific asset, a certain dollar amount, a percentage of your entire estate or a percentage of assets remaining in your estate after your other beneficiaries receive their share?
4. Are you willing to share an estimated value for your bequest gift?
5. Is ORGANIZATION a contingent beneficiary that will receive assets from your estate only if primary beneficiary(is) has predeceased you or are otherwise unable to do so?
6. Some of our donors choose to honor and memorialize their loved ones with gifts from their own estates. Is this something you are considering?
7. Would you be willing to share a copy of the relevant pages from your will or living trust so that we may record documentation of your intention in our files?
8. Would you be willing to sign a non-binding Letter of Intent to document your specific intentions for your gift and ensure that it is used exactly as you wish?

Beneficiary Gifts from Qualified Retirement Plans

1. How do you hope that your planned gift will impact ORGANIZATION?
2. Have you also named family members or other loved ones (other than your spouse) as beneficiaries of these assets upon your death? If so:
   a. Are you aware that the taxes due on these assets could significantly reduce the amount that your heirs receive?
   b. Did you know that you can designate ORGANIZATION as the beneficiary of retirement accounts and ORGANIZATION will not have to pay income tax on any of the proceeds? (If you're married, your spouse must consent to making ORGANIZATION a beneficiary if you plan to leave more than 50% of the remainder to ORGANIZATION. Otherwise, it could disqualify the charity from receiving your retirement account proceeds once the time comes.)
3. Is ORGANIZATION a contingent beneficiary that will receive assets from your retirement account only if the primary beneficiary(ies) has predeceased you or are otherwise unable to do so?
4. Would you be willing to share the name of your plan administrator so that we can follow up with them upon your passing? (Retirement plan administrators are not obligated to notify charities named as beneficiaries of these accounts when the assets become available.)

5. Would you be willing to share a copy of the completed beneficiary form so that we can confirm that you have ORGANIZATION'S correct legal name and EIN on it? Additionally, having a copy of this in our files will help to ensure that your gift is used exactly as you intend.

IRA Rollover Gifts/Qualified Charitable Distributions (QCDs)

1. How would you like your gift to be used at ORGANIZATION
2. Is your IRA a traditional IRA? (ROTH IRA's do not qualify for this)
3. Are you aware that QCDs may be made beginning at age 70 ½ (even though the age for required minimum distributions (RMDs) from IRAs was recently raised to 73)?
4. Although QCDs do not qualify for charitable deductions, did you know that the amount donated directly to ORGANIZATION from your traditional IRA will not be included in your taxable income?
5. What is the name of the plan administrator that your IRA QCD will come from?
6. When you ask your plan administrator to make the QCD to ORGANIZATION, please ask them to identify you as the donor on the check. (This may not be provided to us if you don't ask.)

THE QUESTIONS

Gifts of Appreciated Stock

1. What would you like your gift to support at ORGANIZATION?
2. Did you know that donating appreciated stock offers you significant tax advantages?
   a. You'll avoid paying the capital gains taxes you'd owe if you sold the stock and then made a gift.
   b. You'll be able to take a charitable deduction for the current value of the shares, no matter how much you paid for them when you bought them.
3. What type of securities will you be donating?
4. Have you owned the securities for more than one year?
5. Will you be donating publicly traded stock? These shares can be transferred to ORGANIZATION by your broker.
6. Will you be donating privately held stocks? Since these stocks do not have a publicly known price, you'll need to obtain an appraisal by a broker before they can be donated.
7. Do you have concerns about losing your stock holdings? A suggestion: after donating the shares, you can buy the same stock again within a day. Your portfolio won't change, you'll reset your cost-basis for the shares, and you will still make an impactful gift to ORGANIZATION.
8. Has the volatility of the stock market in recent years been of concern to you? A suggestion: an option you may want to consider is donating stock to fund a charitable gift annuity (CGA), which will pay you a guaranteed, steady stream of income in an amount that will never change – regardless of the ups and downs of the stock market).

Charitable Gift Annuities (CGAs)

1. What do you hope to accomplish at ORGANIZATION with the remainder of your CGA?
2. What type of assets would you like to use to fund your CGA? (Cash or securities?)
3. Would you like your CGA income payments to begin right away, or would you prefer to defer the start of the payments for a) a specific number of years or b) until a specific life event occurs?
4. Will you be the only annuitant to receive income payments, or do you want a two-life CGA that will continue to provide guaranteed, fixed payments for life to the survivor after the other person passes away?
5. To help me provide you with an accurate estimate of how much your annual income payments will be, could you please share the amount of your gift and the birthdates for all annuitants?
6. A CGA requires a simple contact between ORGANIZATION and you, and we will ask you to complete a Charitable Gift Annuity Application Form to gather required information.

Charitable Remainder Unitrusts (CRUTs)

1. What do you hope to accomplish at ORGANIZATION with the remainder from your CRUT?
2. At which financial institution will you establish your CRUT?
3. Will you fund your CRUT with cash or use appreciated assets, like securities?
4. Do you have an estimated value for the initial transfer of assets to establish the CRUT?
5. Do you anticipate adding more assets to the CRUT in the future?
6. Who will serve as trustee for your CRUT?
7. Who will be the income beneficiary(ies) of your CRUT?
8. Will the CRUT provide income to the beneficiary(ies) for their lifetime(s), or for a set term of years before it terminates, and the remainder comes to ORGANIZATION?
9. Will ORGANIZATION be the only charitable remainder beneficiary of your CRUT?

Donor Advised Funds (DAFs)

1. How would you like the grant(s) from your DAF to be used at ORGANIZATION?

2. Is your DAF already established?

IF YES:

a. How long have you had your DAF?
b. What firm manages your DAF?
c. What is the estimated current value of your DAF account?
d. Who serves as an advisor for your DAF, aside from you? Do you meet on a regular schedule to discuss potential grant recipients?
e. Have you started recommending grants from your DAF yet? If so – what charities have you supported thus far?
f. Do you prefer to recommend regular, annual support to the charities with smaller grants each year, or do you typically recommend larger, lump sum grants?
g. Have you named a beneficiary for your DAF upon your passing?

IF NO:

a. Have you made any decisions regarding what firm will manage your DAF?
b. Have you made decisions about the assets (type and value) that you will use to initially fund your DAF?
c. Do you plan to involve your family or other loved ones in serving as advisors to your DAF?

THE QUESTIONS

d. Is it important to you to provide steady, annual support to ORGANIZATION with smaller grants each year, or are you considering recommending a lump sum grant?

Gifts of Cryptocurrency

1. What would you like your gift to support at ORGANIZATION?

2. What type of cryptocurrency do you plan to donate? (Bitcoin, Dogecoin, Tether, etc.)

3. Do you plan to make this donation of cryptocurrency directly to ORGANIZATION, or will you donate it to a donor advised fund and recommend one or more grants to support ORGANIZATION?

4. What is the estimated value of your intended donation, as of today?

5. Are you willing to provide your name and address for our records and acknowledgment purposes, or will you make this gift as an anonymous donor?

6. Are you aware that charitable donations of cryptocurrency are not treated like cash donations by the IRS but are treated as property (like securities)? The charitable deduction you'll receive will be equal to the fair market value of the asset on date of donation (not the amount you originally paid for the cryptocurrency).

7. Are you aware that the IRS now requires donors of cryptocurrency with a fair market value of $5,000 or more

to obtain a current, qualified appraisal of these digital assets to qualify the gift for a tax deduction?

8. Do you understand that the donation must be reviewed and approved by the Gift Acceptance Committee before ORGANIZATION is able to officially accept the cryptocurrency?

Life Insurance

1. What impact do you hope to make at ORGANIZATION with the proceeds from your life insurance policy?
2. What was the original purpose for the proceeds from the life insurance policy you want to donate to ORGANIZATION?
3. How would you like to benefit ORGANIZATION with life insurance?
   a. Name ORGANIZATION as the beneficiary of a life insurance policy you have in place and continue to pay the premiums yourself
   b. Buy a new life insurance policy to donate to ORGANIZATION and pay the premiums yourself
   c. Donate a paid-up life insurance policy you already own, and change the owner and beneficiary to ORGANIZATION
   d. Transfer ownership of an existing life insurance policy, name ORGANIZATION as its beneficiary and make annual gifts to ORGANIZATION to cover the policy premiums.

4. Would you share a copy of the life insurance policy and the beneficiary designation form(s) with us to ensure that ORGANIZATION has the documentation necessary to follow up with the life insurance company after your passing?

Real Estate

1. What do you hope to accomplish at ORGANIZATION with this gift?
2. Why do you want to donate this property, rather than selling it?
3. How do you envision your gift(s) being used by ORGANIZATION? Do you see the purpose as being related to ORGANIZATION'S mission?
4. What was the primary use for the property?
5. How long have you owned the property?
6. Are you the sole owner of the property? If not, who are the other owner(s)?
7. Are there family members/other interested parties that may object to the donation of the property?
8. Are there any potential issues that you are aware of currently (zoning, titles, liens on the structure of the gift itself)?
9. Do you understand that ORGANIZATION must complete a comprehensive due diligence process and the donation must be approved by the Gift Acceptance Committee before being able to officially accept the gift?

Tangible Personal Property

(artwork, equipment, vehicles, collectibles, furniture, jewelry, etc.)

1. How do you envision your gift(s) being used by ORGANIZATION? Do you see the purpose as being related to ORGANIZATION'S mission?
2. How has the gift been used up until this point?
3. Did you create the item(s)?
    a. If so, can you document the costs incurred in creating the item(s)?
4. Did you purchase the item(s)?
    a. If so, do you have a receipt for the item(s) or are you able to estimate the value of the item(s)?
5. If valued at more than $5,000, do you have/are you willing to get a qualified appraisal for the item(s)? (This is required to qualify the donation for a tax deduction.)
6. What is the condition of the item(s)?
7. What is the approximate age of the item(s)?
8. Are the item(s) in working order (if applicable)?
9. Do you understand gifts of tangible personal property must be reviewed and approved by the Gift Acceptance Committee before ORGANIZATION is able to officially accept them?

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