The Money Left on the Table

How the Silo Mentality Separating Major Gifts and Planned Gifts Short-Changes Everyone

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What a loss. You just spoke with a highly-rated possible donor who wasn't interested in your request for a major gift; he was focused on preparing to meet with his attorney to update his estate plan. You think you learned something important but you didn't have a clue what to say. Besides, you aren't the planned giving director.

During a stewardship visit with a major donor you learned he is preparing to sell his business and retire. His pledge payments are arriving on schedule so you thought nothing more of his news. Besides, the very thought of discussing such things makes you nervous.

Your new prospective donor wasn't interested in discussing a charitable gift annuity, or even a will bequest – the things you were hired to pursue. She did talk about her longstanding volunteer work for your organization, though. Oh well, what in your job description tells you to do anything about that?

Frontline fundraising professionals tend to work in silos, and we leave a whole lot of gift money on the table. Yet the separation of responsibilities persists, year after year, in charity after charity. Fundraising professionals are hired as major gift officers or planned gift officers and embrace their assigned roles within their respective silos. Their managers either passively enable this silo mentality, or insist that their staffs work separately. Gift reporting and valuation policies only encourage and exacerbate the problem.

My definition of a planned gift is "one that requires forethought, and often the participation of one or more professional advisors." Note that the words "deferred" and "outright" do not appear. A bargain sale of real estate meets the definition; so does a retained life estate. A pre-sale gift of shares in a closely held corporation requires as much planning as does a testamentary charitable lead trust. Depending on what Congress does each year, Individual Retirement Account assets might be donated either now or later.

So, which are major gifts and which are planned gifts? All of them are both. Some are outright gift plans and others deferred gift plans, which leads to my soap box declaration -- let's stop saying "planned giving" and start talking about (and I didn't invent this) "gift planning."

To the point, which fundraiser is responsible for which types of gift plans? Each of us should be – that is if we want to secure the gifts that are right in front of us. After all, especially when we're in front of a prospective donor, charitable gift planning is the work we do. We work with donors to identify the most promising giving strategies to benefit both our organizations and those donors, whether those gifts are received now or later. We plan their charitable contributions – we are gift planners.

Then why, oh why, does the silo mentality persist? Having worked as a major gift officer and as a planned gift officer, I have wondered about this for years and have identified at least some of the reasons.

- **Thoughtless Fundraiser credit**
  During my time in the office of planned giving at a major university I had casual conversations with two colleagues, each of whom was assigned as a major gift officer for a campus unit. Each told me he had recently met a prospective donor who had mentioned that the university was in his/her will. Neither fundraiser bothered to discuss gift documentation; neither even remembered the prospect's name when he mentioned it to me. There was no motivation to do so since policies at the time didn't offer any credit (not even soft credit) for major gift officers to help document deferred gifts.

  "The issue of credit is of paramount importance," says Craig Smith, Associate Vice President for Development at Rochester Institute of Technology . "Credit is the one thing we give away generously when it comes to staff efforts. At RIT, we give "above the line" (direct) and "below the line" (soft) credit. That means that for solicitations that you make directly, you get "above the line" credit against your personal fund raising goal for the year. For solicitations that you participate in – for instance, referring someone to the Director of Planned Giving who then closes a gift with the prospective donor – you get 100% credit "below the line" for that effort. This change was remarkable in its effect. We went from counter-productive competition to useful collaboration almost overnight. I'd never have it any other way now."

- **Management: insecurity, bias, lack of time, or disinterest**
  Any responsible fundraising manager sincerely wants to hire talented fundraisers and coach them to succeed. It's in that manager's best interest. So why do some fall short of providing the basic and ongoing support that leads to success?

  The manager who isn't well grounded in gift planning strategies and pertinent tax law may be reluctant to admit it and risk losing his credibility with his team and with colleagues (especially his own boss).

  The "lack of time" argument becomes a self-fulfilling prophecy, and a costly one. First, the manager can't find the time for training & coaching among all the other demands on her. Then, ironically, she finds herself spending that same time in counseling, dismissing, and re-hiring fundraising staff. It's a terrible cycle that has plagued our industry for decades, and that has left billions on the table. The time spent is the same. Whether we choose to spend it after the fact or invest in it up front it is the key.

- **Poor training of frontline fundraisers**
  Craig Smith of RIT notes, "Most major gift officers don't want to learn to speak "planned giving." They worry that they will be asked questions that they can't answer, and thus, would rather not be asked at all. It's what I call the embarrassment quotient. If they can simply learn to listen for clues and cues that indicate someone has a situation in their life that augurs for a planned giving solution, then they can become effective facilitators – and avoid feeling like they must become experts – so that subsequent conversations can ensue involving the planned giving staff in the next step."

  "Training and professional development are key to resolving any productivity issue," observes Laura Waller, Gift Planning Program Manager for The Ohio State University Foundation. "Good training can shift attitudes and behaviors over time to a more collaborative and open approach.   We have a training program at Ohio State that brings major gift and planned gift fundraisers together to encourage such collaboration, and it makes a definite difference in results."

- **Short-sighted policies**

  Narrow policies for gift valuation act as a disincentive, both to fundraisers and to donors. I had a painful experience with a 67 year old alumnus of a school where I worked. He had given more than $125,000 during his lifetime, including $85,000 in securities to establish a charitable gift annuity. When the annual donor listing was published, he was puzzled why he wasn't listed in the lifetime giving society that recognized those who had given more than $100,000. I had to explain that our gift valuation policy was to reduce the countable value of life income gifts to their present value based on the donor's age, and he wasn't old enough to have all of his CGA gift recognized, not even for the lifetime giving recognition society. This was the end of his giving to his alma mater. Acknowledging the face value of his lifetime giving for donor recognition purposes would have had no effect on the amount we stated in our accounting and reporting system.

  A mandate from senior management to focus on securing outright gifts overlooks the obvious – lots of planned gifts are outright gifts of real property, tangible property, business interests, etc. Insisting on this blinders-driven focus discourages frontline fundraisers from pursuing readily available gifts other than cash and appreciated securities. At a large university I'm aware of, tens of millions of dollars are left on the table every year due to this narrow dictate. The planned giving staff aren't sure what to do with themselves most days.

- **Turf issues**

  A professional friend who works at a large university with a dedicated planned giving office shared this story anonymously. "The director of planned giving is capable of helping colleagues outside that office, but is not inclined to. She seems to be largely motivated by self-preservation. She protects her assigned prospects to the point of not asking for input from colleagues, even when those unit-based colleagues are the experts in programmatic funding priorities. She is inclined to poach prospects interested in deferred gift plans brought to her by those same colleagues. The major gift officers shield their prospects from her, and have stopped looking for deferred gift opportunities because they don't want her touching their prospects."

  Another professional friend who asked to remain anonymous shared this story. "A competitive system was implemented that eliminated shared credit between PGOs and MGOs, which had the effect of squelching any incentive for the two offices to work together. A "soft-credit" system was hatched, which had no bearing whatsoever when it came to performance reviews. The classic "stepping over dollars to pick up nickels" paradigm was the tragic result. For instance, if a potential donor told the MGO she was planning a six-figure bequest in her will, that donor, who was also giving $1,000 a year to the charity, was snatched from the MGO's case-load and given to the PGO to manage, since the planned gift was the bigger gift. This resulted in many a conversation where the MGO would quietly confide in me, 'I know a lady who would like to leave a large bequest, but it's not a good time to talk to her right now about it. There's no good in it.' "

I'm fortunate in my perspective. When I joined the Florida State University Foundation as a planned giving officer I found myself in a culture that placed a premium on outright gifts but didn't object to the planned giving staff pursuing them. The result was that I secured nearly as much from outright commitments as I did from deferred. That experience has informed all I have done since, both in practice and teaching major gift planners.

As Director of Development for the Pamplin College of Business at Virginia Tech I was primarily a major gift officer, but I took advantage of my prior experience and was never afraid to invite a conversation that might lead to a deferred gift plan. When I identified a prospect for a charitable gift annuity I took a member of the planned giving staff with me to draft the annuity contract. When I found a bequest donor I took the required paperwork to document the bequest to the planned giving office for completion. Both my dean and the planned giving office were very happy with the results.

At The Citadel Foundation, where I was Director of Gift Planning, I coached colleagues to practice major gift planning. The Director of Development for the School of Business brought a charitable gift annuity donor to me. The Director of Development for the School of Engineering introduced me to an alumnus preparing to sell his closely held business, and I helped her secure a $500,000 Flip CRUT. I also worked with them on outright gift plans, and we shared credit. I worked with management to revise our policies on fundraiser gift credit so everyone was motivated to seek the gifts that were available.

I worked closely with the office of planned giving while Director of Development of the Chase College of Law at Northern Kentucky University -- same philosophy, same results.

The results are the proof. Regardless of my job title or primary assignments over my 15 years as either a major gift officer or a planned gift officer, on average the gifts I secured were 55% outright and 45% deferred. I attribute this to my approach with possible donors and to working with colleagues who got it. We looked for the gifts that were available, regardless of what was printed on our respective business cards.

For Those Still Skeptical
Here's a simple activity to assess just who should be responsible for various major gift planning activities. Select which office you believe <u>should be</u> capable of performing each listed activity. Then note how those activities are <u>actually</u> assigned in your organization.

ACTIVITY	MAJOR GIFTS	PLANNED GIFTS
Discovery, Assessment, Cultivation of a new possible donor	✓	✓
Identify and discuss possible gift designations with prospect	✓	✓
Identify and discuss life events and asset allocation strategies	✓	✓
Identify and discuss possible tax-related concerns	✓	✓
Prepare and present gift illustrations to prospects		✓
Discuss gifts of real estate	✓	✓
Perform due diligence review of offered real estate	With PG partner	✓
Prepare deeds of transfer for real estate		✓
Discuss closely-held business assets	✓	✓
Discuss gifts of life insurance	✓	✓
Review life insurance documents that include gifts		✓
Communicate with prospect's professional advisors (attorney, CPA, trust officer, etc)	With PG partner	✓

ACTIVITY	MAJOR GIFTS	PLANNED GIFTS
Discuss wills and trusts	✓	✓
Prepare bequest language that includes a charitable bequest		✓
Discuss charitable remainder/lead trusts with prospect	✓	✓
Prepare charitable remainder/lead trust document		✓
Discuss charitable gift annuities with prospect	✓	✓
Prepare charitable gift annuity contracts		✓

There's no question that there needs to be a quality control protocol, especially in a shop large enough to employ both "major gift" and "planned gift" professionals. Those with certain expertise and/or professional credentials should be called on for certain activities to ensure things are done accurately and legally. But should that preclude everyone else from intentionally engaging with possible donors to start meaningful gift conversations? Should it absolve that "planned gift" expert from engaging in frontline fundraising activities that will generate new gift plans?

Although every deferred gift requires planning, not all planned gifts are deferred.

Tear Down the Silos! Or at least build a bridge between them.
Here is a short list of things you can start on today to instill a culture of collegiality in your organization, and stop leaving money on the table.

- Most important, when speaking with a new possible donor, ask for conversations, not contributions. Don't ask for conversations about major gifts. Don't ask for conversations about legacy gifts or bequests. Ask for conversations about charitable gift planning and how it can benefit both your organization and the donor. Find the gift that is available to you and seek help from your experts when you need it.
- Review your pertinent policies to ensure they are supportive of your philosophy (existing or new) that every gift plan, whether outright or deferred, is appropriately valued, that every frontline fundraiser is motivated to pursue gift plans because credit will be given, that every donor will be recognized for every gift commitment.
- Invest in training, especially to include cross-training if your organization has a distinct planned giving staff. That means an investment of both money and time. Create your team of Major Gift Planners, donor-centered and skilled. Train and motivate them. Give them incentive to succeed. Share your success.