

A hand is shown holding a light-colored, tied cloth bag. The bag is gathered at the top and has a small opening. The background is a solid, bright yellow color. The text is overlaid on the bag.

**Major gifts  
of assets  
in the aftermath of  
Covid-19**

The way forward

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Russell James, J.D., Ph.D., CFP®  
Professor, Charitable Financial Planning  
Texas Tech University



## Major gifts of assets

**Why?** Why focus on major gifts of assets?

**How?** How can we raise these gifts now (simple version and complex version)



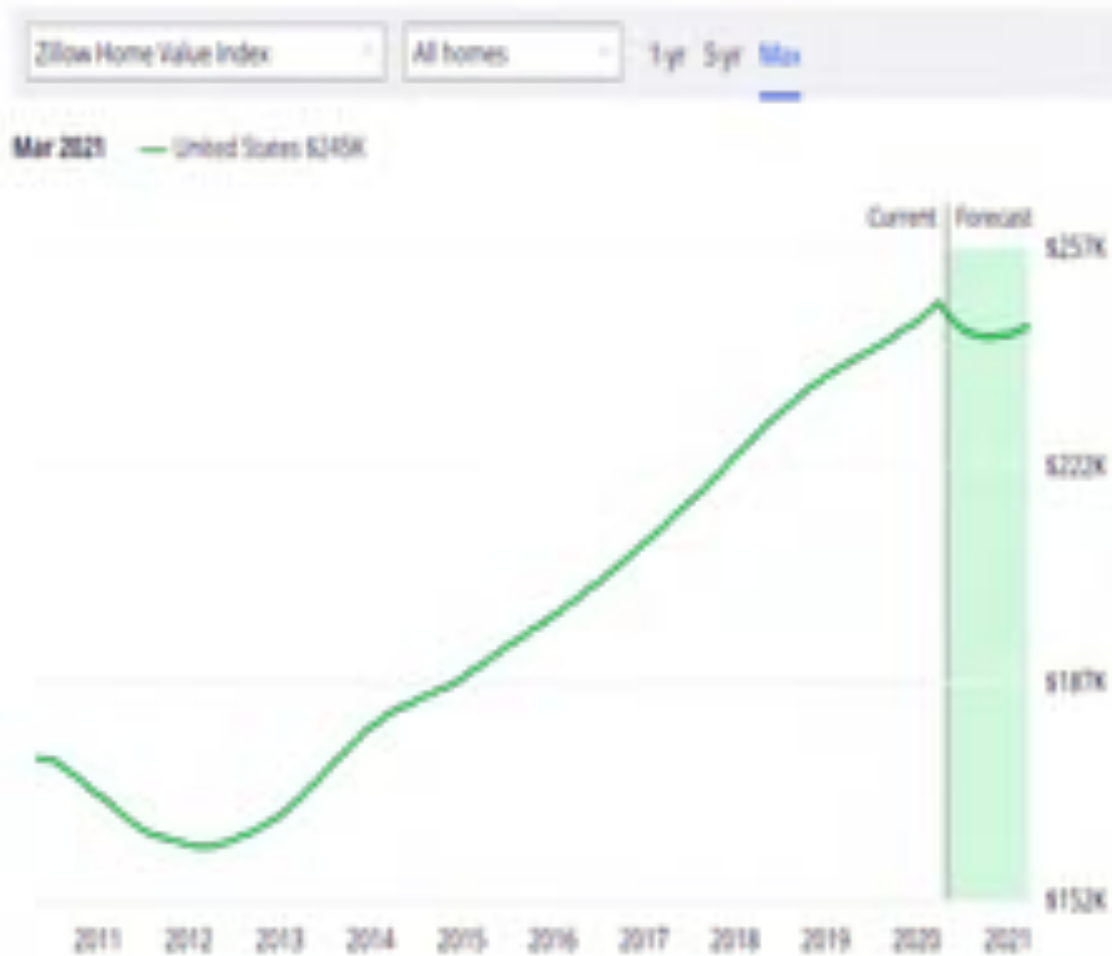
Why not just use the easy button?

Asking for cash is easier

- You don't need the hassle
- You don't need to help your donors; someone else will
- You don't need to put in the hard work to become a competent advisor, learn new things, and provide value to donors

But asking for assets makes sense because...

1. Because a drop doesn't mean it isn't still worth more than you paid for it



2. Because not everything is lower than Jan 1, 2020

- Gold YTD return: 12.68%
- NCREIF Farmland property index 2020 Annual Total +3.98%
- WalMart, Amazon, Pharmaceuticals, Clorox are also big winners so far





3. Because there are special one-time opportunities for 2020 in the U.S.

- May § 7520 interest rates are the lowest in history
- Can eliminate 100% of income with charitable deductions



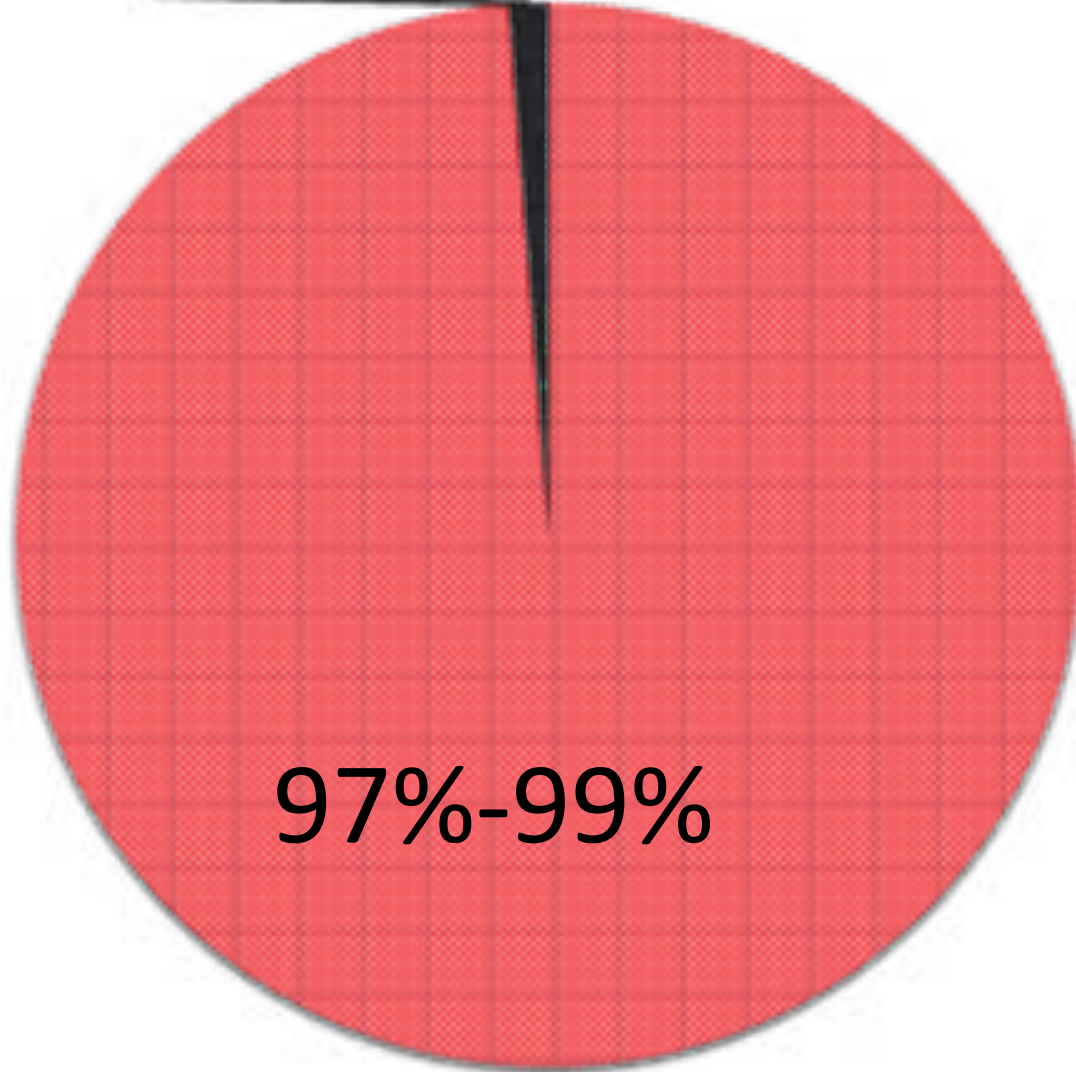


4. Because that's  
where the  
wealth is

# Financial assets held by families (U.S. Census 2017)

<https://www2.census.gov/programs-surveys/demo/tables/wealth/2013/wealth-asset-ownership/wealth-tables-2013.xlsx>

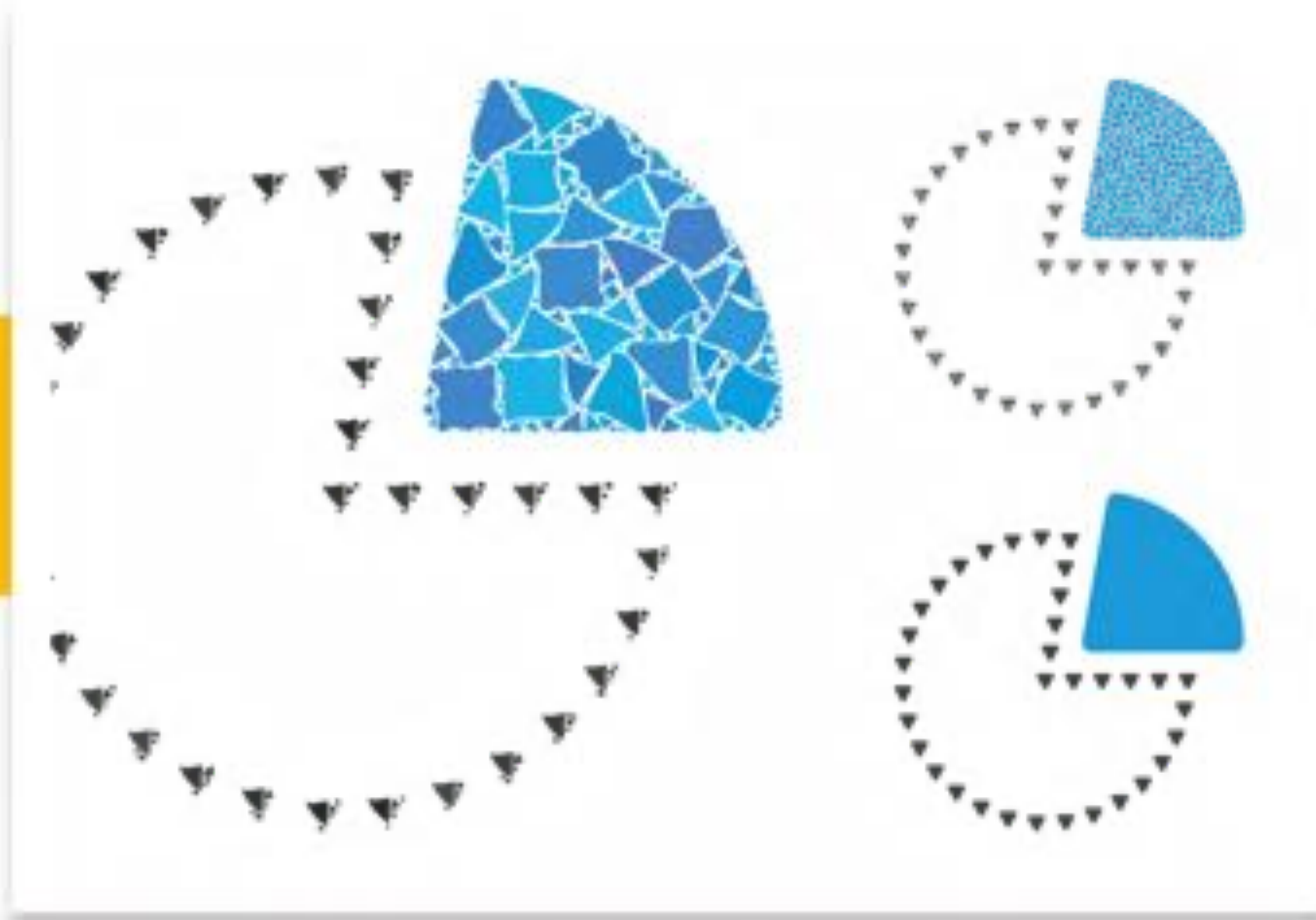
1%-3%



■ Other financial assets (stocks, bonds, retirement accounts, life insurance, mutual funds)

■ Cash: Checking, savings, money market deposit accounts, and similar





5. Because it changes the reference point for the gift

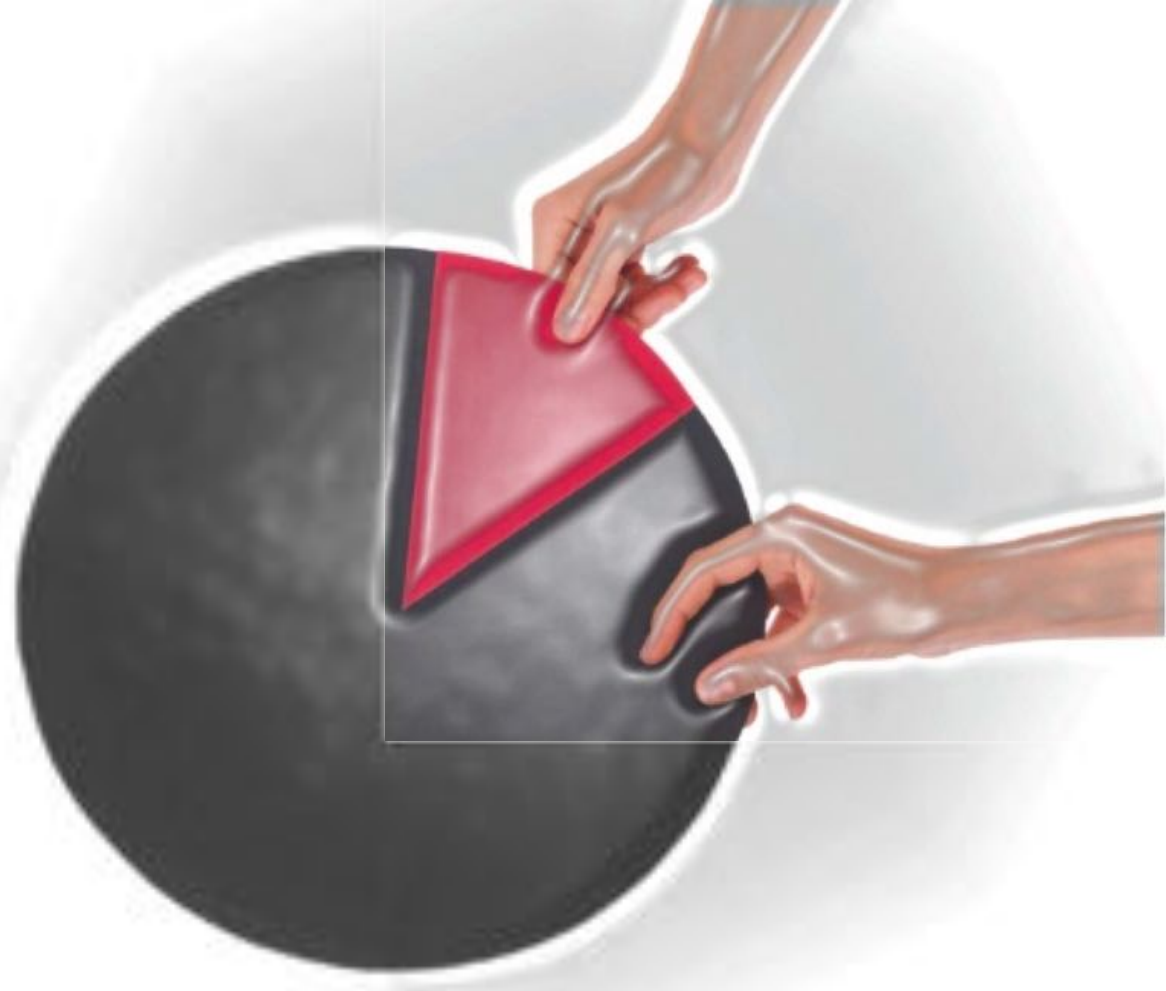
Wealth is not held in cash.  
It is held in noncash **assets**.



If you are asking from the cash bucket, you are asking from the **small** bucket.

# Asset gifts feel relatively smaller

“For a wealthy donor, asking for the same gift from assets (where it constitutes a tiny share) rather than from income (where it constitutes a much larger share) may reduce the relative perception of financial loss.”



# Asset gifts remind us of our wealth

Shoppers entering Broadway Market in Cambridge, MA: Would you like to participate in an experiment and receive this free chocolate bar?

Randomly assigned to answer questions



What's in your wallet/purse?  
Cash? Credit cards? ...



Do you own stocks? Bonds?  
Certificates of deposit?...







# People who feel wealthy act charitably

The strongest predictor of donation amount was subjective feelings about one's wealth, not its objective adequacy.

Wiepking, P., & Breeze, B. (2012). Feeling poor, acting stingy: The effect of money perceptions on charitable giving. *International Journal of Nonprofit and Voluntary Sector Marketing*, 17(1), 13-24.

Relative comparisons change this feeling. Making college students feel richer by having them report their savings on a scale ranging from \$0 to \$500 rather than \$0 to \$50,000 increased subsequent donations.

Herzenstein, M., & Small, D. (2012). Donating in recessionary times: Resource scarcity, social distance, and charitable giving. *ACR North American Advances*.





6. Because it makes wealth donation-relevant

# Mental accounting

People attach labels to  
financial assets and  
then treat them  
differently







# Labeling assets as donation relevant

When a donor makes a gift of a noncash asset, the donation experience can re-categorize that asset class as appropriate for future charitable consideration



# Labeling assets as donation relevant

Expanding the total number of budget categories for which a particular charitable donation was arguably relevant increased donations



7. Because  
people are  
more generous  
with  
appreciated  
assets







# Irregular unearned gains – like appreciated assets – generate more giving

People are more likely to spend irregular unearned gains (vs. regular earned income) on luxury goods in general (O'Curry, 1999) and charitable donations in **particular** (Reinstein & Reiner, 2012; Konow, 2010).

Framing a donation as an exceptional event removes it from comparison with regular disposable income budget items and **increases giving** (Sussman, Sharma, & Alter, 2015)

Konow, J. (2010). Mixed feelings: Theories of and evidence on giving. *Journal of Public Economics*, 94(3-4), 279-297.; O'Curry, S. (1999). Consumer budgeting and mental accounting. In P.E. Earl & S. Kemp (Eds.) *The Elger companion to consumer research and economic psychology*. Northampton, MA: Cheltenham.; Reinstein, D. & Riener, G. (2012) Decomposing desert and tangibility effects in a charitable giving experiment. *Experimental Economics*, 15(1): 229-240.; Sussman, A. B., Sharma, E., & Alter, A. L. (2015). Framing charitable donations as exceptional expenses increases giving. *Journal of Experimental Psychology: Applied*, 21(2), 130.



# Cash is anti-social

## Gifts of objects are pro-social

Reminders of cash promote independence and exchange motives, reducing willingness to help and to make donations



Vohs, K. D., Mead, N. L., & Goode, M. R. (2008). Merely activating the concept of money changes personal and interpersonal behavior. *Current Directions in Psychological Science*, 17(3), 208-212.

Savani, K., Mead, N. L., Stillman, T., & Vohs, K. D. (2016). No match for money: Even in intimate relationships and collectivistic cultures, reminders of money weaken sociomoral responses. *Self and Identity*, 15(3), 342-355.





# Cash is anti-social

## Gifts of objects are pro-social

In contrast, gifts of objects are common in social relationships and emphasize communal norms rather than self-interested exchange relationships and exchange norms

8. Because it changes the fundraiser relationship





# Fundraiser technical sophistication

- Organizations promoting and receiving non-cash gifts, especially complex gifts, are more likely to develop technically-skilled fundraisers
- This greater level of financial knowledge changes the relationship from "asking" to "advising" and this leads to long-term fundraising growth





# Reflect real “donor-centeredness”

- Nonprofits promoting non-cash gifts are willing to increase their hassle (*cash is easier for the charity*) to benefit the donor (*gifts of appreciated assets are cheaper for the donor*)
- Action, not just talk



# Appreciated asset gifts are objectively cheaper

Donors can give more at  
the same net cost



# Appreciated asset gifts are objectively cheaper



**Tax  
deduction  
only**

**Tax deduction  
+  
Avoid capital  
gains tax**



# Asset gifts are cheaper for itemizers

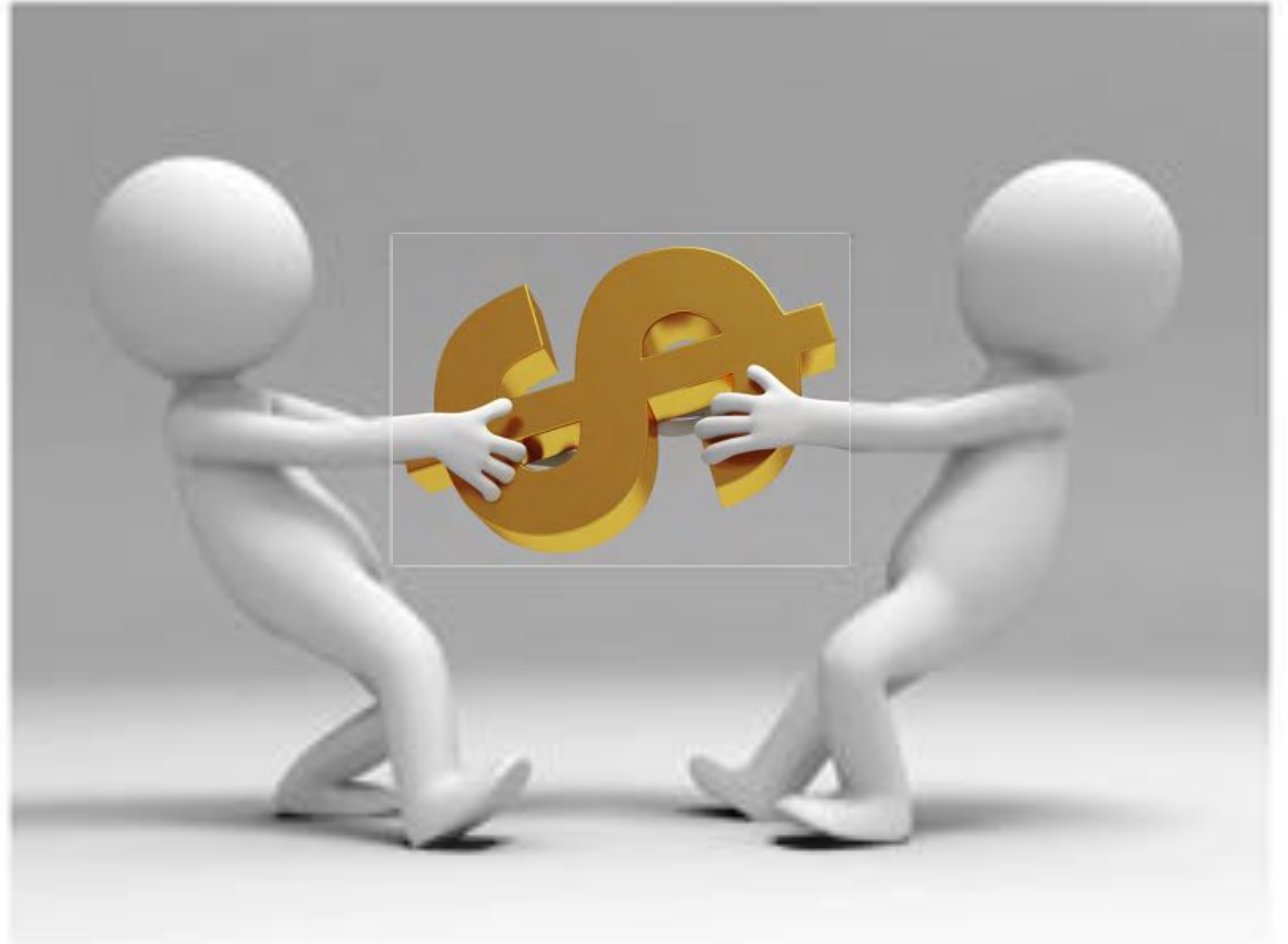




9. Because if you don't, someone else won't – at least not how you want it

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- Financial advisors are compensated based on assets under management (AUM).
- AUM increases with charitable instruments that do not deliver benefit to charities for a very long time.
- Donor advised funds, private foundations, and charitable remainder trusts that pay to them increase AUM.



**10. Because  
it drives  
long-term  
fundraising  
growth**



James III, R. N. (2018). Cash is not king for fund-raising: Gifts of noncash assets predict current and future contributions growth. *Nonprofit Management and Leadership*, 29(2), 159-179.

# 5-year average growth in total fundraising (2010 to 2015)

## **NONPROFITS**

receiving

**ONLY**

**CASH**

gifts

2,548 nonprofits raising \$1MM+ in 2010 reported only cash gifts in 2010 & 2015 on e-file IRS-990

## **GROWTH**

## **NONPROFITS**

receiving

**ANY**

**NONCASH**

gifts

4,236 nonprofits raising \$1MM+ in 2010 reported noncash gifts in 2010 & 2015 on e-file IRS-990

## **GROWTH**

## **NONPROFITS**

receiving

**SECURITIES**

**NONCASH**

gifts

2,143 nonprofits raising \$1MM+ in 2010 reported securities gifts in 2010 & 2015 on e-file IRS-990

## **GROWTH**



# 5-year average growth in total fundraising (2010 to 2015)

## NONPROFITS

receiving

**ONLY**

**CASH**

gifts

2,548 nonprofits raising \$1MM+ in 2010 reported only cash gifts in 2010 & 2015 on e-file IRS-990

**11%**

**GROWTH**

## NONPROFITS

receiving

**ANY**

**NONCASH**

gifts

4,236 nonprofits raising \$1MM+ in 2010 reported noncash gifts in 2010 & 2015 on e-file IRS-990

**50%**

**GROWTH**

## NONPROFITS

receiving

**SECURITIES**

**NONCASH**

gifts

2,143 nonprofits raising \$1MM+ in 2010 reported securities gifts in 2010 & 2015 on e-file IRS-990

**66%**

**GROWTH**

# 3-year average growth in total fundraising

(2010 to 2013; 2011 to 2014; 2012 to 2015; 2013 to 2016)

## NONPROFITS

receiving

**ONLY**

**CASH**

Average Total  
Fundraising

Years      Growth

'10-'13 = **5%**

'11-'14 = **1%**

'12-'15 = **2%**

'13-'16 = **0%**

## NONPROFITS

receiving

**ANY**

**NONCASH**

Average Total  
Fundraising

Years      Growth

'10-'13 = **34%**

'11-'14 = **30%**

'12-'15 = **30%**

'13-'16 = **25%**

## NONPROFITS

receiving

**SECURITIES**

**NONCASH**

Average Total  
Fundraising

Years      Growth

'10-'13 = **44%**

'11-'14 = **42%**

'12-'15 = **39%**

'13-'16 = **33%**

# 5-year total fundraising growth by initial level of total contributions

	\$100K to <\$500K	\$500K to <\$1MM	\$1MM to <\$2MM	\$2MM to <\$3MM	\$3MM to <\$5MM	\$5MM to <\$10MM	\$10MM+
<b>Nonprofits reporting only cash</b> <small>contributions in 2010 &amp; 2015 on e-IRS 990s</small>	<b>56%</b> [n=9168]	<b>25%</b> [n=2397]	<b>14%</b> [n=1343]	<b>18%</b> [n=478]	<b>0%</b> [n=358]	<b>0%</b> [n=223]	<b>26%</b> [n=146]
<b>Nonprofits reporting any noncash</b> <small>contributions in 2010 &amp; 2015 on e-IRS 990s</small>	<b>137%</b> [n=2278]	<b>71%</b> [n=1373]	<b>60%</b> [n=1215]	<b>58%</b> [n=652]	<b>48%</b> [n=728]	<b>36%</b> [n=679]	<b>35%</b> [n=962]
<b>Nonprofits reporting securities</b> <small>contributions in 2010 &amp; 2015 on e-IRS 990s</small>	<b>400%</b> [n=114]	<b>176%</b> [n=187]	<b>103%</b> [n=340]	<b>94%</b> [n=284]	<b>68%</b> [n=385]	<b>50%</b> [n=427]	<b>43%</b> [n=707]



# What happens IN THE SAME YEAR when gifts shift from cash to assets?

When share  
from

**CASH  
GROWS**

by +10%  
total  
contributions  
fall by

**-13%**

When  
share from

**SECURITIES  
GROWS**

by +10%  
total  
contributions  
grow by

**+18%**

When  
share from

**REAL ESTATE  
GROWS**

by +10%  
total  
contributions  
grow by

**+26%**

*Fixed effects regression analysis of the 761,876 e-filed IRS Form 990s reporting positive contribution amounts from 205,696 organizations in 2010-2016.*

# Gifts from larger asset types have more impact

*Same year effect of a 10% ratio shift (asset type/total giving) for nonprofits already reporting substantial noncash gifts*


Doesn't help	none/minimal	Books, Food, Collectibles, Uncategorized
Helps a little	+2% to +3%	Cars, Boats, Household goods, Art, Drugs
Definitely helps	+7%	Publicly-traded securities, Historical art & artifacts
Helps a lot	+14% to +18%	Real estate, Non-publicly-traded securities





How can we  
raise these  
gifts now?  
(simple version)



A photograph of two men standing in a field, looking out over a landscape. The man on the left is wearing a dark cap and a patterned jacket, with his right arm around the shoulder of the man on the right. The man on the right is wearing a dark, textured jacket. The background shows a vast, open landscape under a bright sky. A large white circle is overlaid on the right side of the image, containing text.

# Crisis is the time to show support

- A social/friendship/family relationship encourages sharing
- A transactional/market/exchange relationship does not
- When you might be in trouble, a good friend is one who reaches out to help
- Ideally, the first contact with donors in a time such as this should begin with concern



## “Permission Marketing” Conversations

“The family is doing well. We’ve just had a lot of enforced family togetherness.

I’ve still been busy for work, mostly talking to people about how to give smarter with all this market volatility and the new tax benefits. So, it hasn’t slowed down.”

...mostly working with the leadership trying to plan how to rebuild after taking the hit from the season being cancelled.

## Kraft cheered for bringing in masks on Patriots team plane to fight coronavirus

by Travis Anderson and Dan Adams | Globe Staff | updated April 2, 2020 8:52 p.m.



## Crisis Creates Opportunities for Donor Heroism

- During a fire, heroism is limited to rescuing people or putting the fire out
- But after the fire, heroism will be about the choice to rebuild
- Some nonprofits will never recover from this hit
- Some will rebuild stronger
- The difference will depend on donor heroism. When the time is right, give your donors the chance to be heroes!



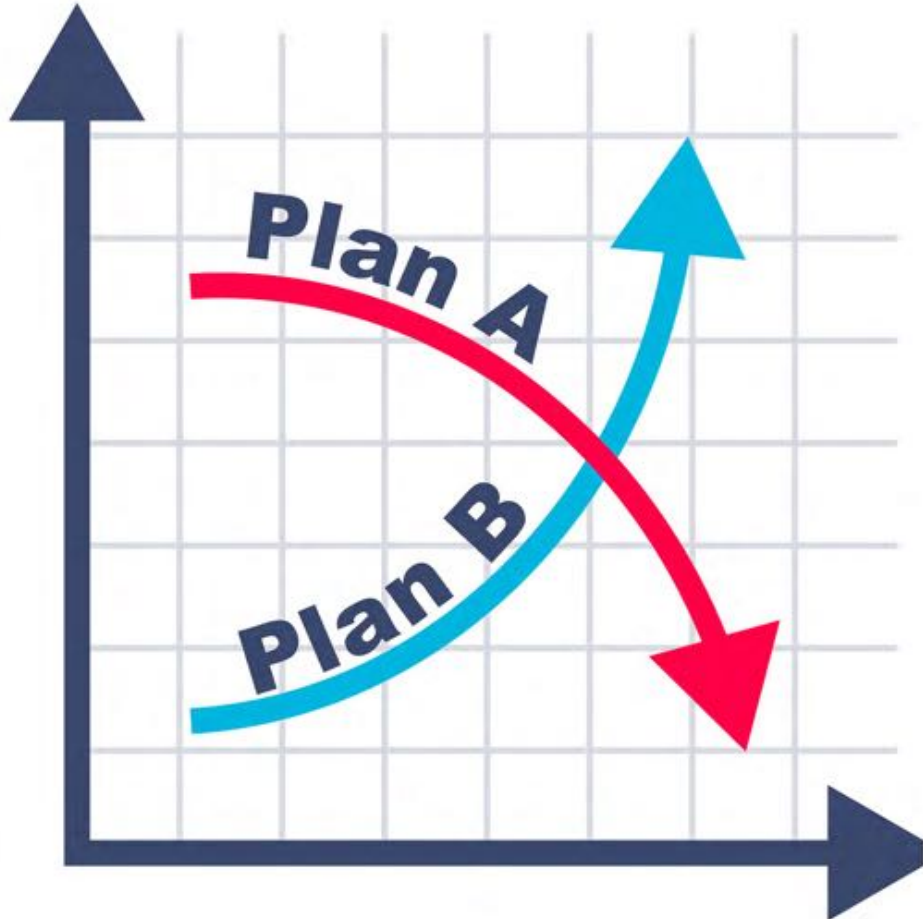


One-time special requests work well, but be careful with a crisis

- In fundraising experiments, people are more willing to donate in response to a special, one-time need than for ongoing needs
- However, it is important in such appeals to identify the crisis as a crisis for beneficiaries or for the cause, **not** an organizational crisis

# Use planned gifts and your plan B

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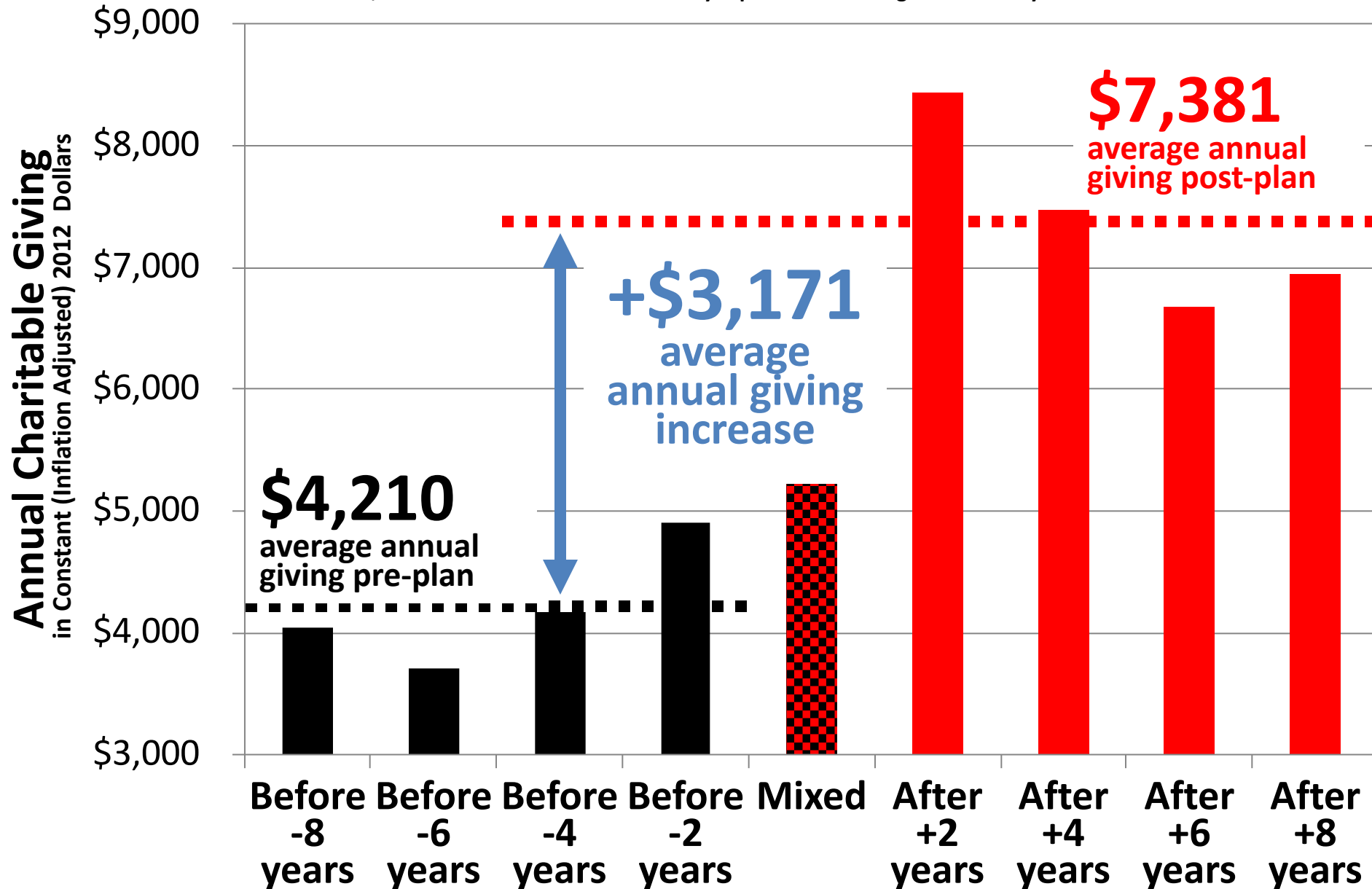
- If a donor needs to back away from a commitment or feels that a gift today is too daunting, consider a planned gift as a “plan B”
- Planned giving opportunities can help “lean into” this uncertainty
- Legacy gifts are revocable, can vary with ups and downs as a percentage of the estate, and take place after we no longer need the money
- In the U.S., irrevocable planned gifts can also help with financial uncertainty

“I certainly understand your concerns, I know others in your same situation who have decided to move their commitment into an estate gift for now. This provides flexibility with no upfront cost. There are even ways to do it that provide tax benefits. Would you be interested in learning more about these options?”



# Giving Before and After Adding Charitable Beneficiary to Estate Plan

9,439 observations from a nationally representative longitudinal study



# The Oblique Conversation

So, what's new at Texas Tech?

1. ... new coach ...
2. ... new building ...
3. Oh, and Mary Smith did a neat thing. Did you know Mary? She graduated two years before you... No? Well, Mary spent her career helping other people get their finances in order. She recently signed a new will that one day will endow a permanent scholarship for our financial planning students.



## 4 S

1. Story

2. Story

3. Story

4. Shut up

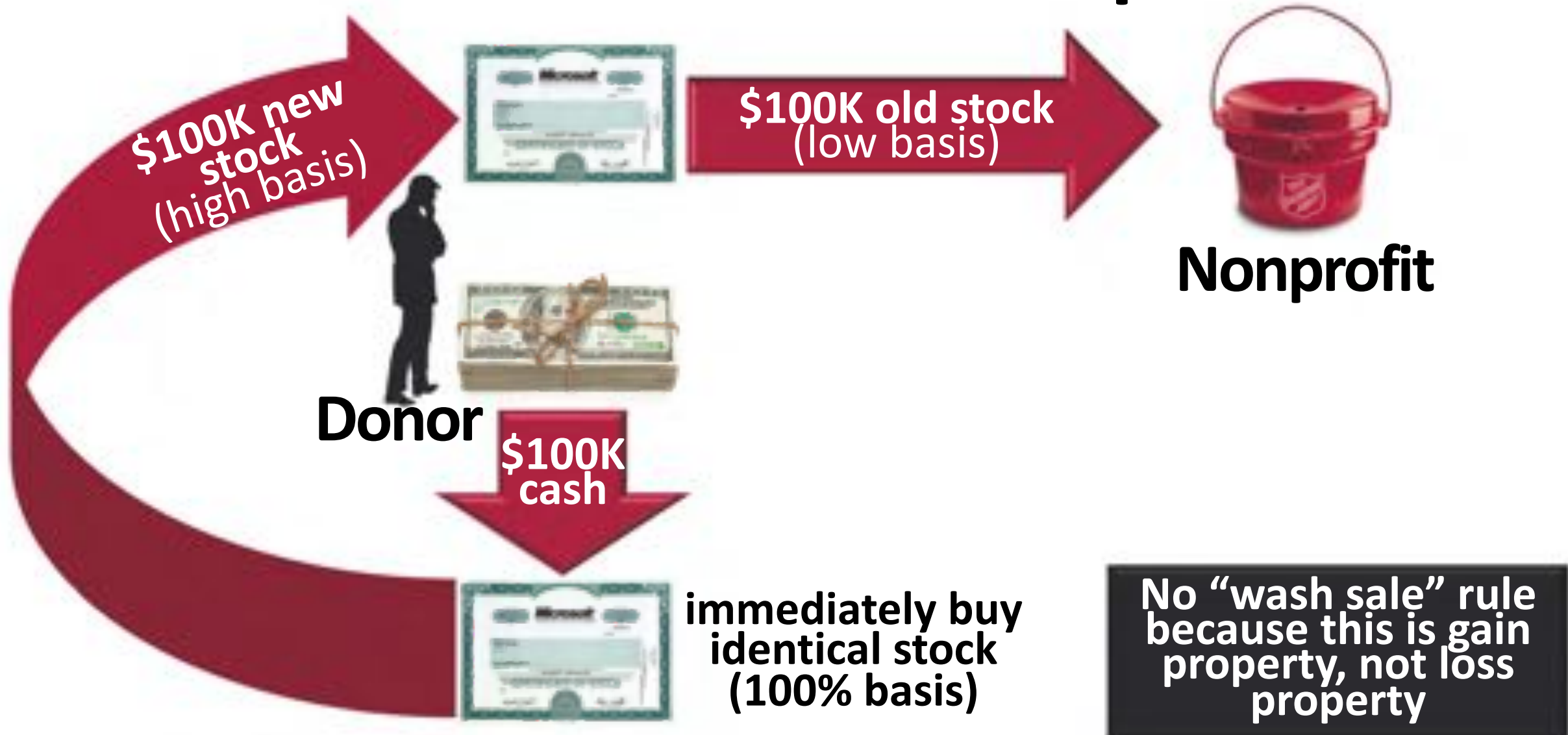
A simple way to ask from the big bucket...





# No need to change your portfolio!

## The Charitable Swap



\$100K new stock  
(high basis)

\$100K old stock  
(low basis)

Donor

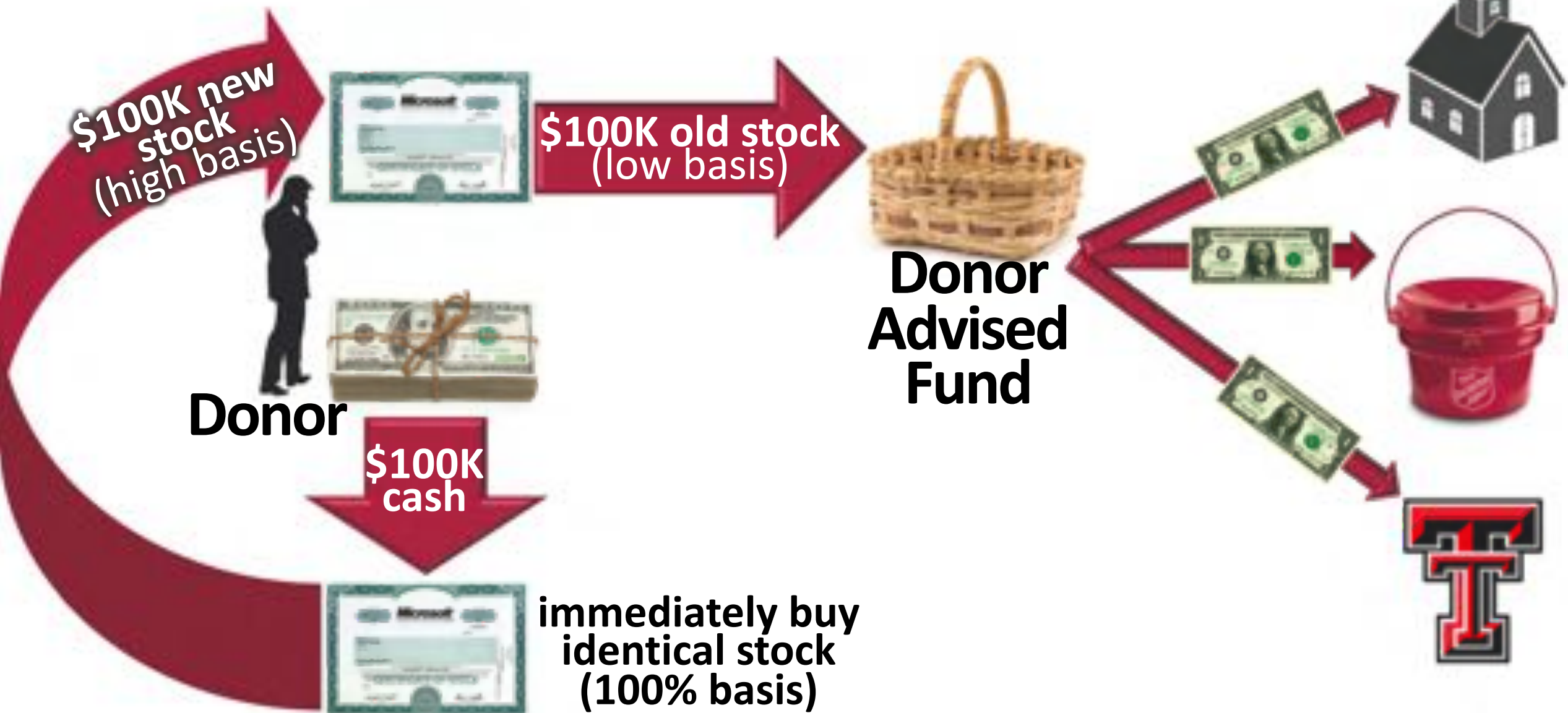
\$100K  
cash

immediately buy  
identical stock  
(100% basis)

Nonprofit

No "wash sale" rule  
because this is gain  
property, not loss  
property

# The Charitable Swap with a DAF

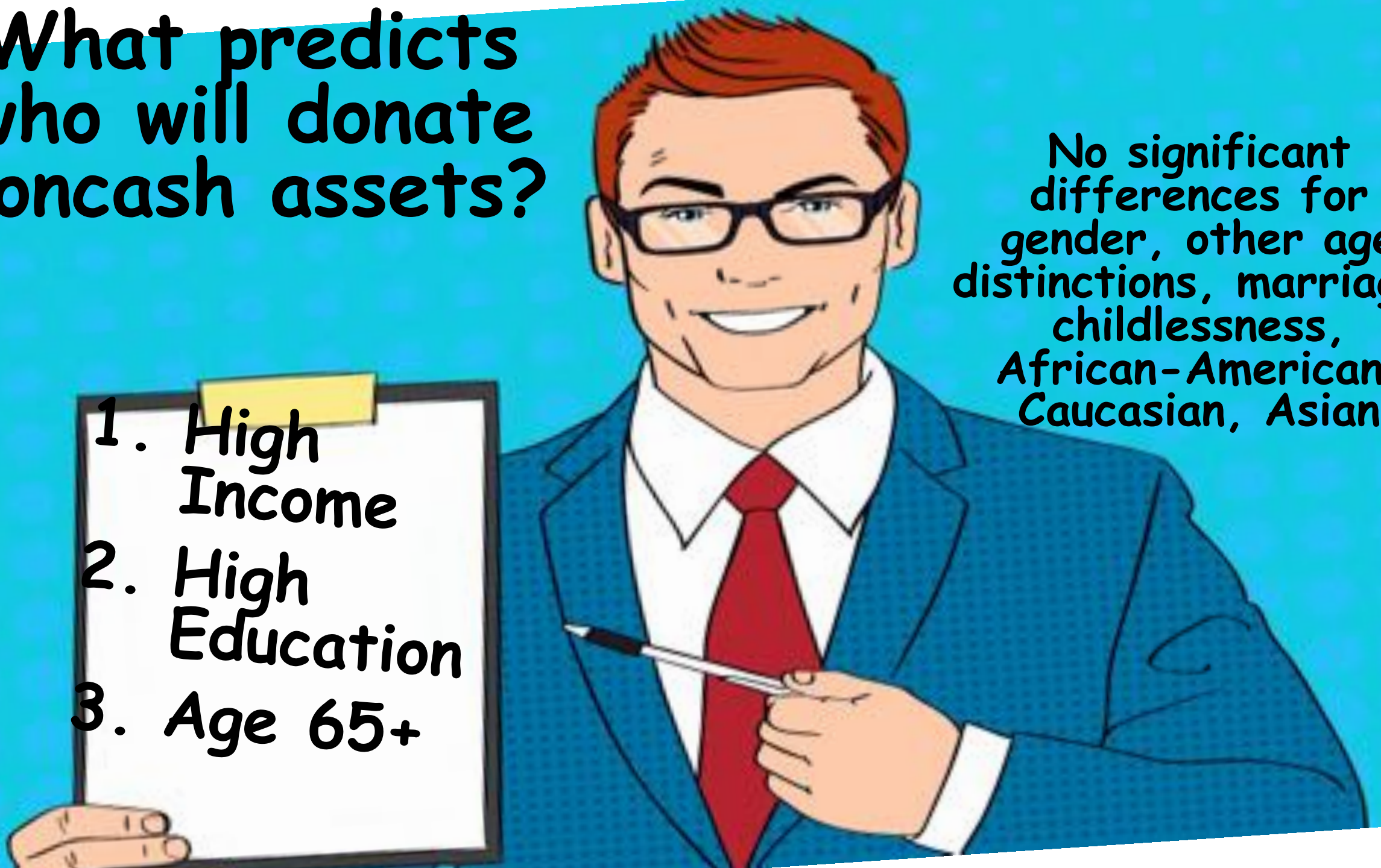




# What predicts who will donate noncash assets?

1. High Income
2. High Education
3. Age 65+

No significant differences for gender, other age distinctions, marriage, childlessness, African-American, Caucasian, Asian





# Tax incentives matter more



1. Giving cash to education was 2x more responsive to tax price than giving cash to religion
2. Giving stocks, bonds, or mutual funds to any charity was 10x more responsive to tax price than giving cash to education



# How to talk about gifts of assets





**Should  
you  
mention  
tax  
benefits?**





# Social Desirability Bias

People report socially-approved motivations



Other motivations must be tested, not self-reported




# Mentioning tax deductions increases charitable interest

**Avoid capital gains tax**  
**by** making a gift of  
stocks or bonds to a  
charity.

Interested Now <i>definitely/somewhat/slightly</i>	Will Never Be Interested
<b>20%</b>	<b>17%</b>

Random  
assignment



Make a gift of stocks  
or bonds to charity.

<b>14%</b>	<b>23%</b>
------------	------------

# Mentioning tax deductions increases charitable interest

Random rotating assignment

**Interested Now**  
*definitely/somewhat/slightly*

**Will Never Be Interested**

**50%**

**Receive a tax deduction and** make a gift that pays you income for life.

**8%**

**33%**

Make a gift that pays you income for life **and receive a tax deduction.**

**14%**

**31%**

Make a gift that pays you income for life.

**20%**



# Mentioning tax deductions increases charitable interest

Random rotating assignment

**Interested Now**  
*definitely/somewhat/slightly*

**26%**

**Immediately receive a tax deduction for 70% of the value of a house or land by** making a charitable gift of the property, but keeping the RIGHT TO USE it for the rest of your life.

**Will Never Be Interested**

**23%**

**12%**

Make a charitable gift of either a house or land, but keep the RIGHT TO USE for the rest of your life **and immediately receive a tax deduction for 70% of the value of the property.**

**33%**

**11%**

Make a charitable gift of either a house or land, but keep the RIGHT TO USE it for the rest of your life.

**42%**

# Mentioning tax deductions increases charitable interest

Random rotating assignment

**Interested Now**

*definitely/somewhat/slightly*

**28%**

**Get an immediate tax deduction**

by making a gift where you still control the investment of the assets, and receive income from the investments for the rest of your life with anything left over going to charity at your death.

**Will Never Be Interested**

**Interested**

**17%**

**27%**

Make a gift where you **get an immediate tax deduction**, still control the investment of the assets and receive income from the investments for the rest of your life with anything left over going to charity at your death.

**20%**

**21%**

Make a gift where you still control the investment of the assets, and receive income from the investments for the rest of your life with anything left over going to charity at your death.

**25%**

# Best phrasing to describe tax benefits





I might  
be/am  
definitely  
interested

\_\_\_%

\_\_\_%

\_\_\_%

\_\_\_%

\_\_\_%

\_\_\_%

**Please rate your level of interest  
in clicking on the button to read  
the corresponding information.**

**Avoid taxes by giving stocks**

**How to avoid taxes by giving  
stocks**

**Save taxes by giving stocks**

**Tax tips when giving stocks**

**Avoiding capital gains taxes by  
giving stocks**

**Giving stocks**

I might  
be/am  
definitely  
interested

**28%**

**Avoid taxes by giving stocks**

**27%**

**How to avoid taxes by giving  
stocks**

**25%**

**Save taxes by giving stocks**

**24%**

**Tax tips when giving stocks**

**24%**

**Avoiding capital gains taxes by  
giving stocks**

**16%**

**Giving stocks**


**Please rate your level of interest  
in clicking on the button to read  
the corresponding information.**

**Mentioning  
tax benefits  
works, but it  
isn't "the  
reason"**





**How can I convince the board  
this is important?**



*What's a  
compelling  
argument?*

# Room for growth at Texas Tech University?

	2017 Texas Tech Foundation	2017 Iowa State University Foundation
Total contributions	\$70,971,175	\$182,944,883
Noncash contributions	\$7,475,636	\$109,538,183
Noncash share	10.5%	59.9%
Publicly traded securities	X	X
Closely held securities		X
Partnerships, LLC, trust interests		X
Miscellaneous securities		X
Residential real estate		X
Commercial real estate		X
Art		X
Historical Art		X
Books		X
Collectibles		X
Historical Artifacts		X
Other-Grain, Gold, Life Insurance	1 gift	102 gifts





# Accepting noncash gifts is safer today

- Using DAFs that accept any asset type
- Using new instruments like the single-asset LLC





How can we raise  
these gifts now?  
(complex version)

# Charitable Gift Annuities



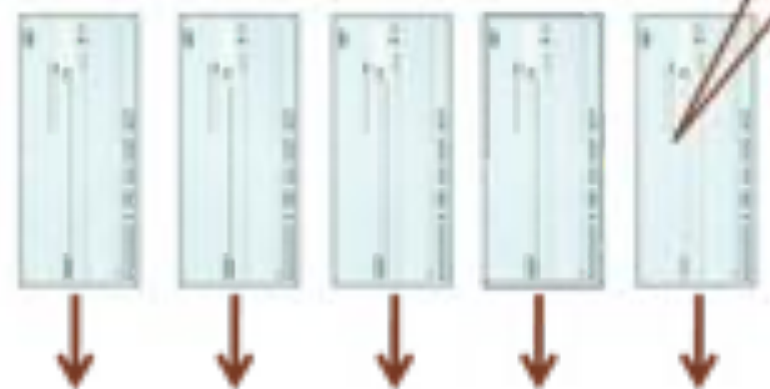
**The hot new item?**



**Payments are a fixed obligation of the charity, regardless of market events**



**2016**



**2017 2018 2019 2020 2021**

...



... **Death**



# Example donor ages & rates

April 2020, American Council on Gift Annuities

30	2.8%
40	3.3%
45	3.5%
50	3.7%
55	4.0%
60	4.3%
65	4.7%
70	5.1%
75	5.8%
80	6.9%
85	8.0%
90+	9.0%



**Rates will drop  
on July 1.  
Motivate donors  
to act now!**



I want income  
that won't change  
*(CRUT or PIF)*  
or run out  
*(CRAT)*

# Large charitable gift annuity use increased following market volatility

A charitable remainder annuity trust backed by donor's initial investment



A charitable gift annuity backed by all assets of a large charitable institution

Yale University



American Red Cross





“I certainly understand your concerns. I know others like you who have decided instead to make a gift that gives them lifetime income. With interest rates being so low and the market being so volatile, many people like the fixed payments coming from a charitable gift annuity. Would you like to learn more about this?”

---

“I certainly understand your concerns. Another donor was in your same situation and she decided to protect against this volatility by making the gift in two stages. First, she made a gift that gave her annual payments for life. If things go downhill, she has this income. But, if everything turns around and she ends up not needing the extra money, then she could donate those future payments as a second gift.”

---

A charitable gift annuity as a two-stage gift



## New attraction to CGAs

If funded with cash, the income tax deduction can eliminate 100% of income in 2020. (Connect with me on LinkedIn for the full paper on this.)

If the donor can't use charitable tax deductions, lower interest rates are better for CGAs because a larger share of the annual payments will be considered as tax-free return of the original investment.



**Where new CGA gifts grew  
+50% or more 2013-2017**

**26  
organizations  
in ACGA  
surveys**

**+50%**

**Where new CGA gifts fell  
-50% or more 2013-2017**

**-50%**

**40  
organizations  
in ACGA  
surveys**



**Where new CGA gifts grew  
+50% or more 2013-2017**

Share of  
CGA gifts  
from cash  
**fell by  
24%**

Avg contract  
size grew by  
\$122,000

**Where new CGA gifts fell  
-50% or more 2013-2017**

Share of  
CGA gifts  
from cash  
**rose by  
4%**

Avg contract  
size fell by  
\$47,000

# Testing Charitable Gift Annuity Ad Messages



People like me do  
things like this

James, R. N., III (2019).  
Using donor images in  
marketing complex  
charitable financial  
planning instruments: An  
experimental test with  
charitable gift annuities.  
Journal of Personal  
Finance. 18(1), 65-74.



# What “you” would do or what another donor has done?

You make a gift and receive a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of your life.

Gift Annuity

Interested Now  
Definitely/somewhat/slightly

All: \_\_\_\_\_ %  
55+: \_\_\_\_\_ %

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life.

Gift Annuity

All: \_\_\_\_\_ %  
55+: \_\_\_\_\_ %

Please rate your interest in pursuing the above described charitable giving arrangement

# What “you” would do or what another donor has done?

You make a gift and receive a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of your life.

Gift Annuity

Interested Now  
Definitely/somewhat/slightly

**All: 33.5%**  
**55+: 23.2%**

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life.

Gift Annuity

**All: 38.6%**  
**55+: 38.6%**

Please rate your interest in pursuing the above described charitable giving arrangement

# Text only or text and donor picture?

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life.

Gift Annuity

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.



Gift Annuity

Please rate your interest in pursuing the above described charitable giving arrangement: % Interested now (definitely/somewhat /slightly)

All: \_\_\_\_\_%

55+: \_\_\_\_\_%

All: \_\_\_\_\_%

55+: \_\_\_\_\_%



# Text only or text and donor picture?

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life.

Gift Annuity

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.



Gift Annuity

Please rate your interest in pursuing the above described charitable giving arrangement: % Interested now (definitely/somewhat /slightly)

**All: 38.6%**

**55+: 38.6%**

**All: 31.1%**

**55+: 29.8%**

**What's the problem with the donor picture? Is it just this photo? This donor age? Is it photos in general or what?**



Interested now (definitely/somewhat /slightly)

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.



Gift Annuity

55+  
\_\_\_\_\_%

35-54  
\_\_\_\_\_%

U-35  
\_\_\_\_\_%

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.



Gift Annuity

\_\_\_\_\_%

\_\_\_\_\_%

\_\_\_\_\_%

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.



Gift Annuity

\_\_\_\_\_%

\_\_\_\_\_%

\_\_\_\_\_%



Interested now (definitely/somewhat /slightly)

<u>55+</u> <b>24.4%</b>	<u>35-54</u> <b>38.4%</b>	<u>U-35</u> <b>44.5%</b>
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Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.



Gift Annuity

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.



Gift Annuity

<b>22.0%</b>	<b>47.4%</b>	<b>32.6%</b>
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Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.



Gift Annuity

<b>41.1%</b>	<b>30.6%</b>	<b>30.2%</b>
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People like me do things like this

**How do these compare with text only or a non-donor photo?**



**Similar [dissimilar] age donor photos  
did better [worse] than text only or  
non-donor photo**



**Why?**

**The association was  
completely explained  
(mediated) by the  
answer to one  
question...**



# How much do you identify with Sara?

- 
- She is not at all like me
  - She is not really like me
  - She is a little bit like me
  - She is somewhat like me
  - She is a lot like me

People like me do things like this

# Retained Life Estates & Remainder Interests in Homes and Farms



A remainder interest gives the right to own the property after a set time or after the death of a person



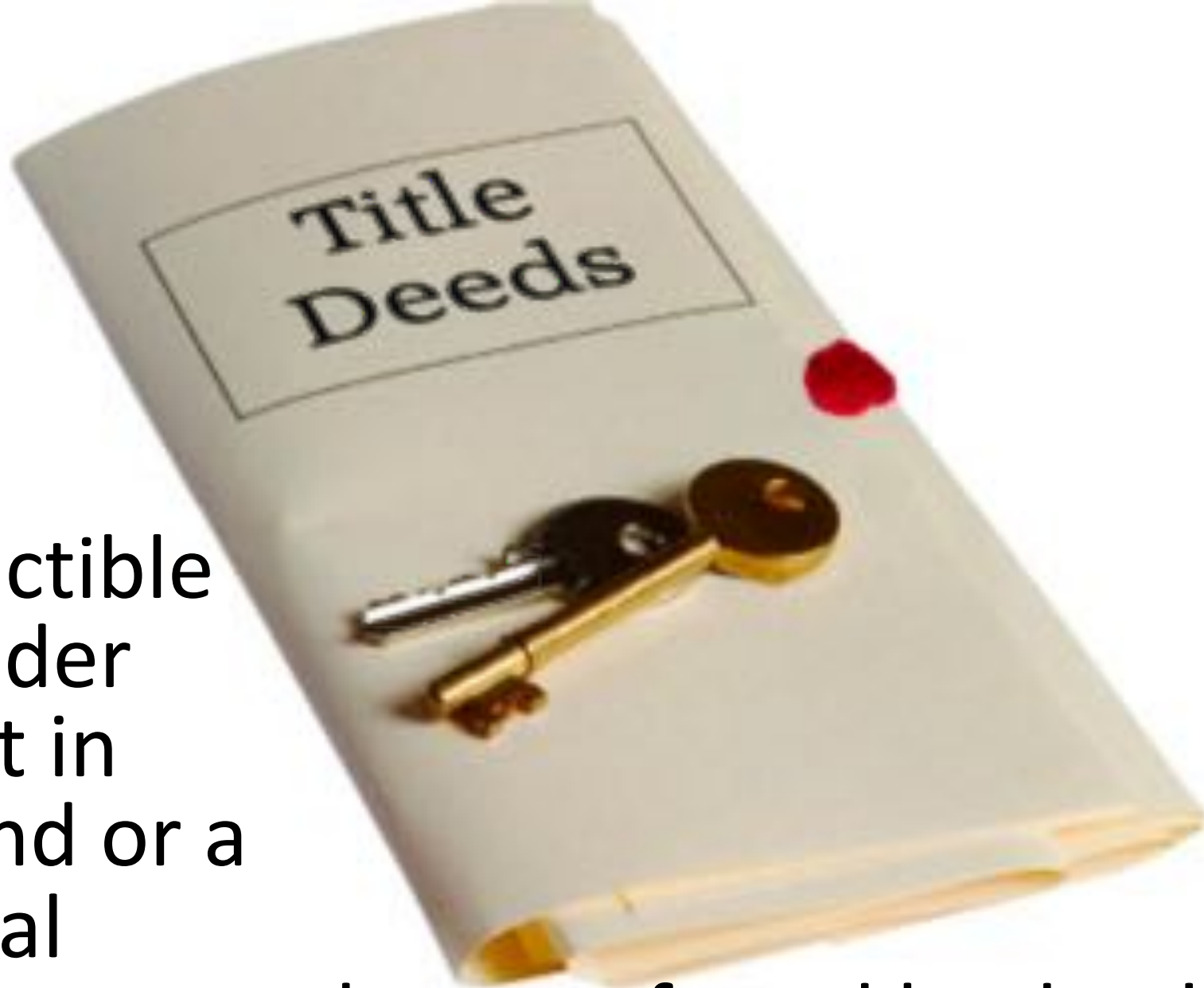




## Remainder Interest

Unlike a will,  
a remainder  
interest is not  
revocable,  
and can even  
be sold

A deductible remainder interest in farmland or a personal residence must be transferred by deed, not by trust or contract



Charitable deduction for remainder interest deed with retained life estate in \$1,000,000 of farmland by age 55 donor



11.6% (May 89)

**\$122,350**



0.8% (May 20)

**\$818,530**

You can use the tax savings to buy life insurance for heirs who weren't going to farm anyway



Leaving land to  
charity  
**by will**

- Revocable
- \$0 tax deduction
- Impacts charity after death




Leaving land to  
charity  
**by remainder deed**

- Irrevocable
- Immediate income tax deduction
- Impacts charity after death or immediately if charity sells remainder interest
- Immediately increases cash assets available for income producing investments



## Remainder Interest

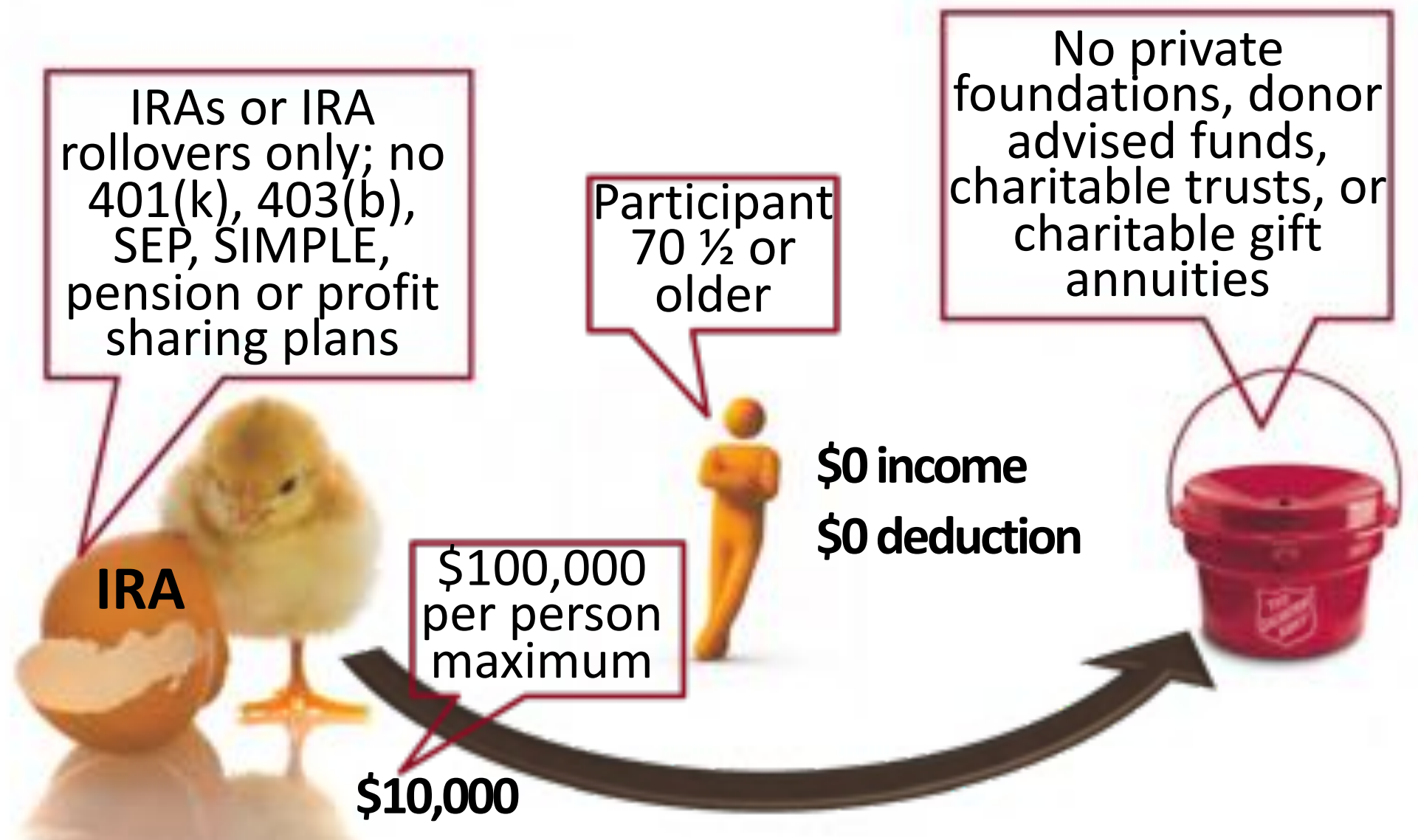
Gifts of a remainder interest with retained life estate in the donor's personal residences can also be deducted



**Includes second homes,  
vacation homes, even a boat  
with bathroom, cooking, and  
sleeping facilities, if used by  
the donor as a residence**



# No Required Minimum Distributions for 2020, but you can still give up to \$100,000 with QCDs!



# Non-Grantor Charitable Lead Trust

Donor gives money from which charity receives payments, with remaining amount going to family members



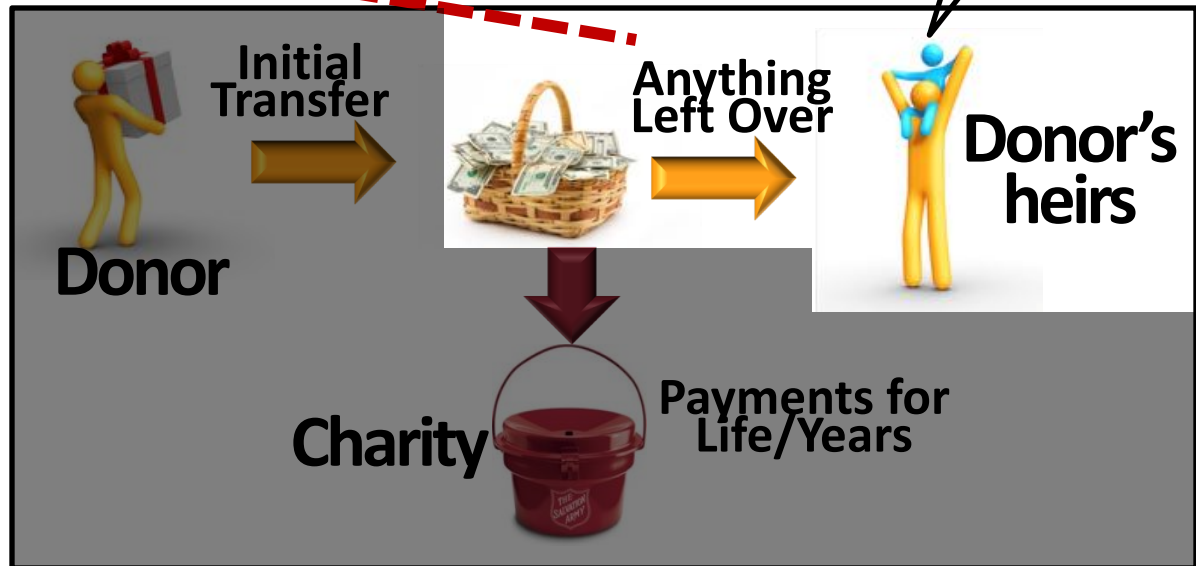


**Using non-grantor Charitable Lead Trusts to cut gift and estate taxes**

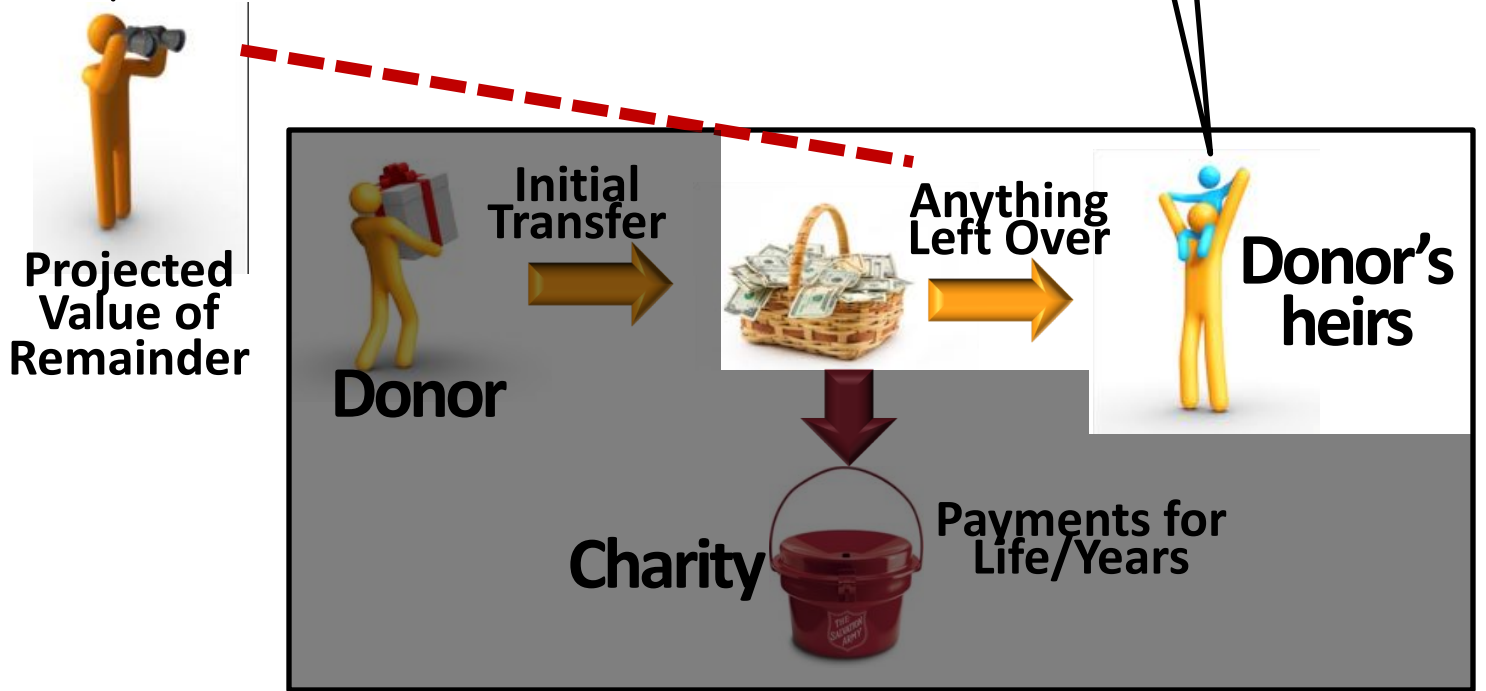


Gift taxes are paid on the present value of the **PROJECTED** remainder going to the heirs

Gift taxes are not paid on the **ACTUAL** remainder that eventually goes to the heirs



If the **ACTUAL** amount is higher than the **PROJECTED** amount, this part goes to heirs tax free



The **PROJECTED** remainder assumes investment growth at the **INITIAL** §7520 rate

If actual growth is greater than the §7520 rate, the **ACTUAL** remainder will be greater than projected

Projected Value of Remainder





The **PROJECTED** remainder of \$10MM at 0.8% \$7520 with \$543,060/year charitable payments for 20 years is \$0, resulting in \$0 gift taxation

If actual growth is 8%, the **ACTUAL** remainder will be \$21,758,079

Projected Value of Remainder

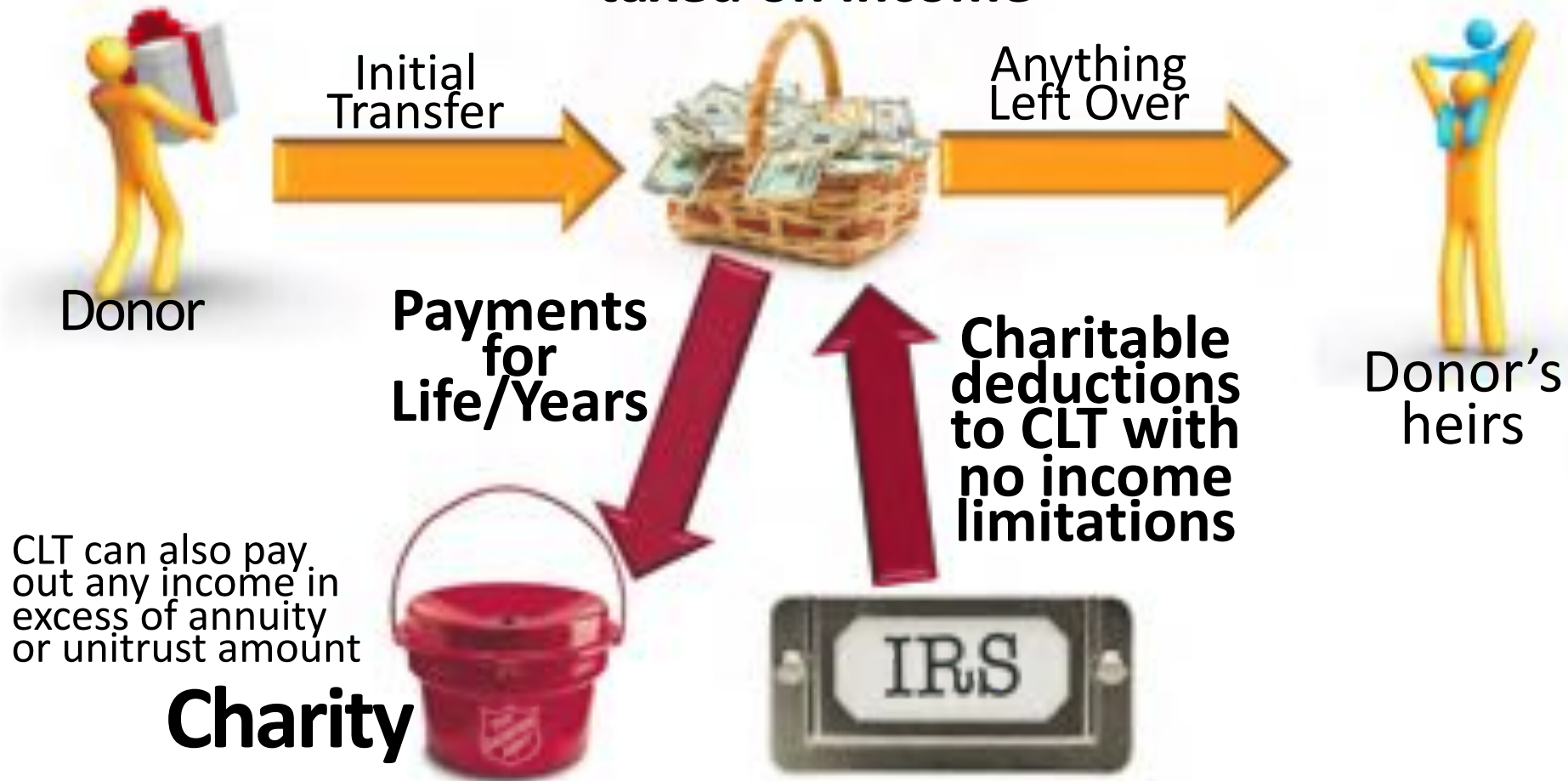


If the  
charitable gift  
*(or bequest)*  
was already  
planned, the  
zeroed-out  
CLAT  
*(or zeroed-out  
testamentary  
CLAT)*  
provides a no  
cost chance at  
tax-free  
transfers to  
family



# Non-Grantor CLT pays income taxes but deducts charitable distributions usually without income limitations

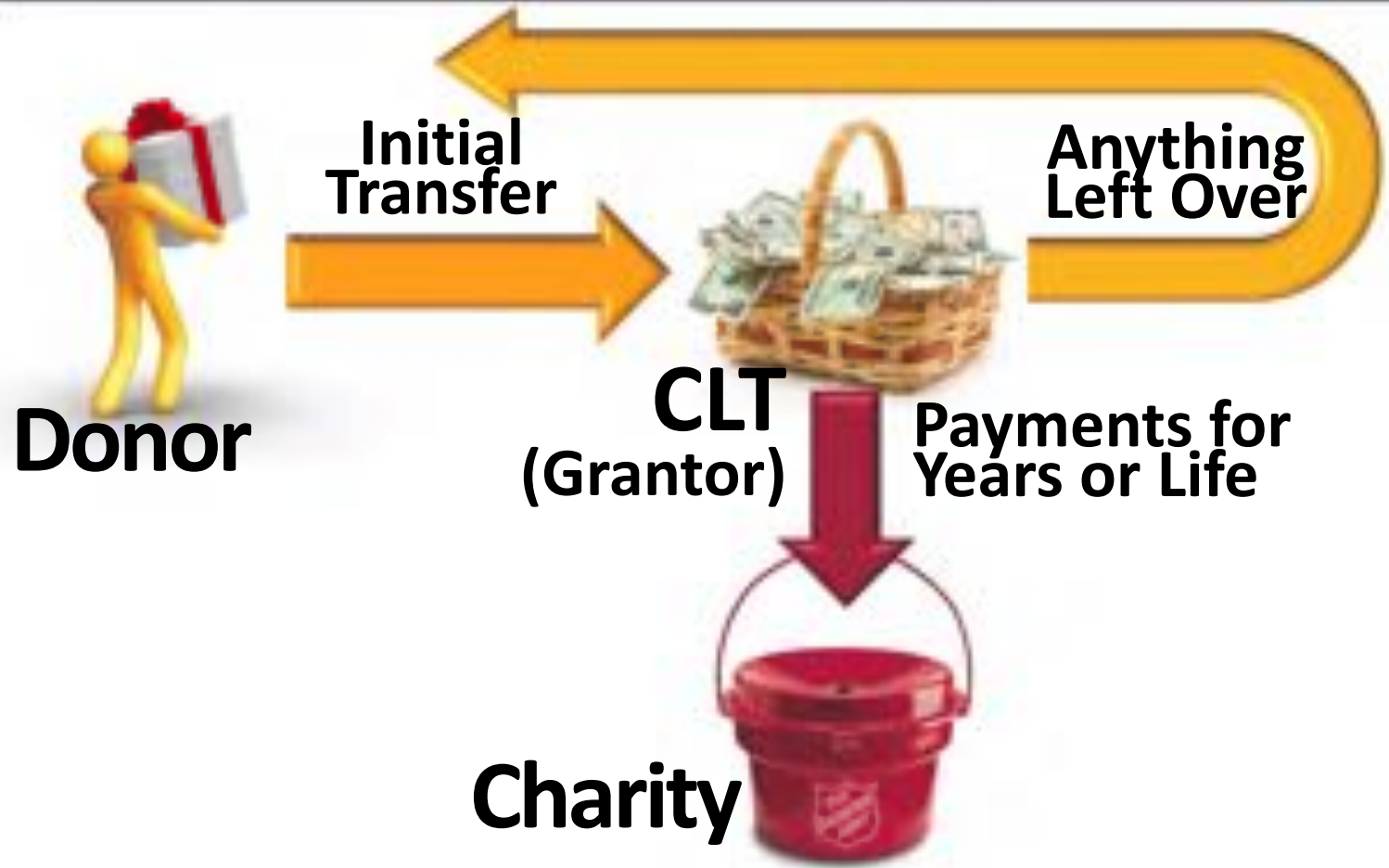
## (Non-Grantor) CLT taxed on income





# Grantor CLT

Donor immediately deducts present value of all future projected payments to charity



Funding \$10,000/year gifts through a 20-year grantor CLAT (returning remainder to donor) creates an immediate deduction of

- **\$184,142 at 0.8%** §7520 rate
- **\$98,181 at 8%** §7520 rate

See [iclat.net](http://iclat.net)



**Please connect with  
me on LinkedIn!**

A hand is shown holding a light-colored, tied cloth bag. The bag is gathered at the top and has a small opening. The background is a solid yellow color.

**Major gifts  
of assets  
in the aftermath of  
Covid-19**

The way forward

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Russell James, J.D., Ph.D., CFP®  
Professor, Charitable Financial Planning  
Texas Tech University