



**Crescendo**

Integrated Marketing for Planned Gifts



# Put Away the Checkbook

Three Smart Gifts Your Donors Need to Know About

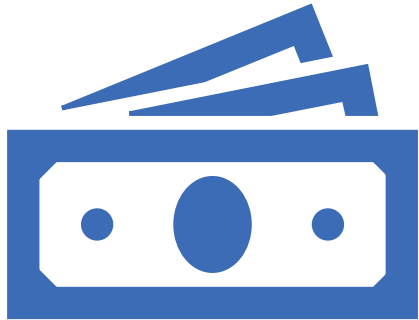
**Ann E. Kolakowski, CAP<sup>®</sup>, CFRE**

Director of Gift Planning Services, University System of Maryland



**Has this  
ever  
happened  
to you?**





## How do you respond?

A. Thank the donor and cash the check.

B. Give the check back to the donor, saying,  
*"I'm sorry, I can't accept this."*

**C. There is another option!** Thank the donor and ask,

*"What allows you to make such a generous gift?"*



## What do you say?

**You:** "Many donors like you find it beneficial and are surprised to learn that they can give more and enjoy greater tax benefits by giving from their assets rather than their checkbook."

**Donor:** "Oh, really? How does that work?"

**You:** "Do you have a Donor Advised Fund?"

"Have you held any stocks for longer than a year that are worth more than you paid for them?"

"Is your RMD larger than you need?"



## Three Smart Gifts your donors need to know about

1. Donor Advised Fund = “Charitable Giving Savings Account”
2. Gift of Long-Term Appreciated Securities = “Charitable Stock Swap”
3. IRA Qualified Charitable Distribution = “IRA Rollover”



## What are non-cash assets?

Anything of value that IRS does not consider to be cash,  
such as:

- Appreciated securities (stocks and mutual funds)
- IRAs and other qualified retirement plans
- Real estate
- “Stuff”
- Cryptocurrency



## **“Stuff” can be worth \$\$!**



## **Why encourage non-cash gifts?**

- Only 3% of Americans' wealth is held in bank accounts
- Small bucket vs. big bucket (Russell James)
- Bigger gifts with lower cost to donor
- Lead to legacies
- Tax benefits (charitable deduction; avoid capital gains)
- Shift in how donor views you – from rep to partner
- Way to build trust (57% of Americans trust nonprofits)



## Other considerations

- Gift Acceptance Policies
- Infrastructure needs
- Marketing
- Involve advisors
- Potential external partners
  - Community Foundations
  - Charitable Solutions (Bryan Clontz et al.)
  - Other Sponsoring Organizations (Charitable arms of Fidelity, Vanguard, Schwab, etc.)
  - Auction houses



## So, where is all the \$ coming from?

Between 2023 and 2045, **\$84 trillion** in assets will be handed down to Millennials and members of Generation X.



# The “Silver Tsunami” is here!



## Smart Gift #1: Grants from Donor Advised Funds (DAFs)

Grants from DAFs to qualified charities **increased more than 60 percent in the past two years**, accelerating an upward ten-year trajectory.

DAF grants have **grown over 400 percent** in the last decade.





## DAFs are exploding!

- Grants from DAFs totaled **~\$52.16 billion in 2022** (up 9% year over year)
- **More than one in five** (22%) of affluent households have a giving vehicle.
- 54% of households with a net worth between \$5 million and \$20 million **have or plan to establish** a giving vehicle within the next three years. (Bank of America)
- National Philanthropic Trust 2023 DAF Report:
  - An estimated **\$229 billion** is housed in DAFs.
  - Total number of individual DAFs = **1,948,545**.
  - The average DAF decreased 2.9% to **\$117,466** (markets were down).
  - Contributions to DAFs reached an all-time high at \$85.53 billion.



## DAFs are exploding!

- 2024 DAF Fundraising Report (Chariot and K2D Strategies):
  - **DAFs are incredibly valuable for nonprofits:** Once someone starts giving from their DAF, their annual giving increases by **96%**.
  - **DAFs are the fastest-growing vehicle in philanthropy:** DAF Revenue is growing **214x** faster than non-DAF Revenue in the study's sample group.
  - **DAF donors are bucking the trend of declining donor participation:** DAF Donors have grown **79%**, while non-DAF donors have declined by 6%.
  - **DAF donors are "hiding" in donor files:** At least **26%** of current DAF donors were already supporting that cause when they made their first DAF gift.
  - **DAF donors are incredibly loyal:** DAF donor retention rates average **15 points higher** than non-DAF donors among participants.



## The ABCs of DAFs

- Donor makes **irrevocable gift** to establish fund with sponsoring organization. Gives up control!
  - Financial Nonprofit (e.g., Fidelity Charitable, Vanguard Charitable)
  - Community Foundation
  - Single-Issue Nonprofit (e.g., university, hospital, cause-related, etc.)
- Donor receives **immediate charitable deduction** and possibly **avoids capital gains tax**.
- Anytime in the future, donor **recommends grants** to IRS-qualified, 501(c)(3) organizations.



## The ABCs of DAFs

- No **personal benefit** from DAF grantmaking - even partial!
- No **Qualified Charitable Distribution (QCD)** from their Individual Retirement Account (IRA) to a DAF.
- Cannot be used to fulfill a **legally binding pledge**.  
(There is a workaround for this!)
- **No distribution requirements**.





# Move over, Giving Tuesday!

- Inaugural DAF Day: **October 10, 2024**
- Raise awareness of DAFs
- Encourage current DAF holders to make at least one gift
- Collective marketing
- Prep for Giving Tuesday and year-end campaigns
- [www.dafday.com](http://www.dafday.com)



# Donors love DAFs

- **Convenience** – one-stop shop for charitable gifting, 5-minute set up
- **Low entry point** (some sponsoring orgs have no minimums)
- Lower cost than private foundation and **free of 5% annual distribution requirement**
- Can accept a **wide range of assets**
- Allows for “**bunching**” tax benefits
- Vehicle for teaching **family philanthropy**
- Can establish **legacy provisions**
- Future contributions **grow tax-free**
- **Flexibility** to make grants on their schedule
- Grants can be **anonymous**



## Best practices for DAF gifts

- **Acknowledge donations properly.** Recognize both the organization that sponsored the DAF and the donor themselves. Soft credit donor and include a DAF code in the donor's record.
- **Use DAFs to identify potential major donors.** Donors who use DAFs for gifts of any size are often good major donor prospects.
- **Use technology** such as widgets or products such as Chariot to reduce "friction." Two-thirds of affluent households use online DAF tools (Bank of America).



## DAF widgets

Marketing providers are offering clients plug-ins for their websites.



# Chariot



## Smart Gift #2: Long-Term Appreciated Securities

- Securities: **Publicly traded** stocks, bonds, mutual funds
- Long-term appreciated: Have been held for **at least one year + one day** and that have increased in value.
- Optional “Charitable Stock Swap”: Donor uses cash that would have been donated to **replace donated stocks** in portfolio and gets new “stepped up” cost basis and maintain portfolio balance.



## Smart Gift #2: Long-Term Appreciated Securities

- Donor **instructs broker** to transfer securities to charity's brokerage account.
- Charitable deduction is the **full fair market value** (average of the high and low values on date of gift).
- Donor **bypasses capital gains** tax (up to 20%).
- More than half of U.S. households own **\$30 trillion** in stocks, mutual funds, and related investments. (DonateStock)
- Nearly 75% of high-income taxpayers donate cash to charity; **fewer than 10% donate securities.** (BlackRock)



## Tax Benefits of Charitable Stock Swap



# Thanks, Boomer!

- **10,000 Americans** turn 65 every day until 2030.
- **IRAs are a primary asset** among older Americans.
- Older Americans hold more wealth:
  - Overall median - \$166,900
  - Median < 35 - \$30,500
  - **Median 70-74 - \$373,900**



## Smart Gift #3: IRA Qualified Charitable Distribution (aka “IRA Charitable Rollover”)

- **Donor age 70.5+ requests transfer** of up to \$105,000 directly from IRA custodian to qualified nonprofit(s).
- **No charitable deduction** is received, but **no income tax** paid.
- **Can be directed** to special purpose or fund.
- For couples, **each IRA owner can make QCD** of up to \$105,000
- **May fulfill all or part** of the Required Minimum Distribution (RMD)
- **Cannot** go to DAFs, private foundations, or supporting organizations or be used to pay for gala tickets, etc. with (even a partial) benefit to donor.



# Tax Benefits of IRA Qualified Charitable Distribution

Schwab Charitable



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## QCDs need special acknowledgements!

- **Do not send a standard letter.** Instead, include:
  - Name of the IRA custodian
  - Date, amount, and purpose of the gift
  - Gift is a Qualified Charitable Distribution under Sec. 408(d)(8)(A) of the Internal Revenue Code
  - “no goods or services were provided in exchange for the gift”
  - Statement that your org. qualifies as a Sec. 170(b)(1)(A) public charity
  - Statement that the gift is not going to a supporting organization or DAF
- “QCD Checkbook” gifts (signed by donor) must CLEAR *before* December 31 in order to satisfy RMD.



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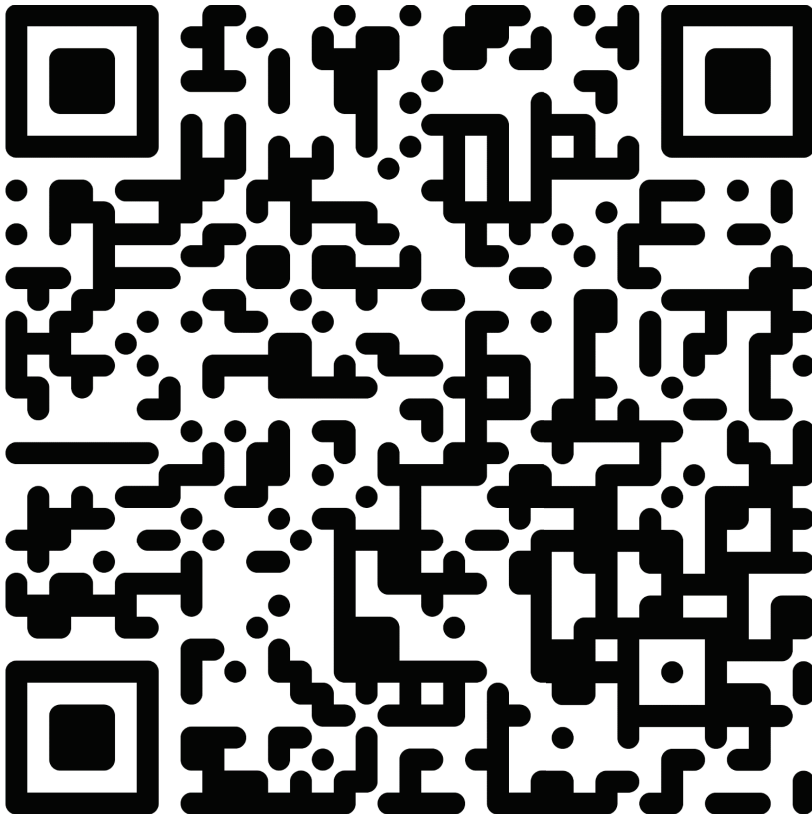


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**PPGC 2024**  
SAN DIEGO

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