

**PLANNED GIVING PROGRAM MANAGEMENT
IN PUBLIC GARDENS**

by

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GLOSSARY

Active Planned Giving Program-A planned giving program that has a staff member working at least part-time on planned giving, has working relationships with at least two types of financial advisors, and uses planned gifts for at least two different functions within the organization.

Bequest-A charitable gift from a donor's will.

Estate Planning Attorney-An attorney whose specialty is to draft estate plans including wills and charitable trusts.

General Operating Funds-Portion of budget allocated for day-to-day expenses such as salaries, programs, and utilities.

Irrevocable Trust-A trust in which the beneficiary cannot be changed once the trust agreements are signed by donor.

Other Financial Advisors-Trust bankers, stock brokers, financial planners or other advisors besides estate planning attorneys or accountants.

Planned Gift-A charitable gift that integrates personal, financial and estate-planning goals with the donor's lifetime or testamentary (will) giving.¹

Planned Giving Program-A plan within a garden to recruit planned gifts. Elements of planned giving programs include donor stewardship and working relationships with legal and financial advisors.

Revocable Trust-A trust which once drafted, the donor retains right to change the beneficiary

¹ *Giving USA 2003: The Annual Report on Philanthropy*. Indianapolis: AAFRC Trust For Philanthropy, 2003, 225.

Trustee-Person legally responsible for managing property or funds for the benefit of a beneficiary.

ABSTRACT

All public gardens in the United States must secure operating revenue. Sources of revenue include government funding, corporate grants and private funding. Private funding includes in-kind donations, cash, and deferred giving (planned giving). The goal of this research was to examine how gardens manage planned giving programs and how they use planned gifts to their advantage before and after the gifts mature. To date, few other research studies have examined planned giving program management.

The researcher mailed post card surveys to member organizations of the American Association of Botanical Gardens and Arboreta to discover general trends in planned giving program management in public gardens. Telephone interviews with ten of the post card respondents provided more in-depth information and real world examples.

The research showed that public gardens with a staff member working at least part-time, but not necessarily full-time, to recruit planned gifts were more likely to receive income from planned gifts than gardens without a staff member working at least part-time on recruiting planned gifts. In 2002, 56% of responding gardens receive income from planned gifts. The budget size of a garden influences planned giving program management activities. Gardens with larger operating budgets have more active programs. Small gardens can successfully recruit planned gifts. Gardens are not using immature planned gifts to their advantage before the gifts mature.

Chapter 1

INTRODUCTION

Public gardens are institutions that collect and display plants for enjoyment and/or learning opportunities for the public.² Most public gardens are not-for-profit organizations that must seek operating revenue from sources in addition earned income. Gardens accomplish this by allocating money and staff time toward recruiting charitable contributions, or fundraising. United States charitable contributions to nonprofits totaled \$240.92 billion in 2002. Bequests made up 7.5% of contributions and gifts from individuals made up 76.3% of contributions. Corporations gave 5.1% of contributions and foundations, 11.2%.³ These percentages have been fairly steady throughout the past 40 years, with only occasional shifts.⁴ Environmental or animal-related charities, the category into which gardens are classified, steadily receive between 2 and 3% of charitable gifts.⁵ This research studied one source of funding, planned gifts. Planned gifts will be an increasingly lucrative source of funding with the projected \$41 trillion intergenerational transfer of wealth expected from 1998 to 2051.⁶ Money from planned gifts is ideal for

² American Association of Botanical Gardens and Arboreta 2003 Membership Directory, 1.

³ *Giving USA 2003: The Annual Report of Philanthropy*. Indianapolis: AAFRC Trust For Philanthropy, 2003, 8.

⁴ Giving USA 2003, 22. Giving USA 2003 contains 30 pages of multi-year comparisons of charitable giving.

⁵ Giving USA 2003, 27. Giving to the environment and animals has been tracked separately since 1987. The National Taxonomy of Exempt Entities classifies Public Gardens in the Environment/animals category.

⁶ In 1999, John J. Havens and Paul G. Schevish from the Social Welfare Research Institute at Boston College projected the amount of dollars changing hands between generations from 1998 to 2052 conservatively as \$41 trillion. In the January 2003 *Journal of Gift Planning*, the original authors of the

endowment funding, which can help stabilize organizations in the future by providing steady streams of income.⁷

The specific research question the researcher sought to answer was: How do public gardens manage planned giving programs in order to use gifts before and after the gifts mature? Planned giving donors often take many years to cultivate to the point of making a gift, yet the monetary benefits of the gift are not immediately available to the charity. The purpose of studying uses of planned gifts before and after maturity was to discover ways to maximize benefits of a gift that may only exist in pledge form for many years. Three sub research questions were 1) What is the working relationship between the not-for-profit organizations and legal advisors, their board of directors and planned giving staff? 2) How do organizations cultivate donors or their family before and after the planned gifts mature? 3) How do organizations record planned gifts as part of their overall assets both before and after the gifts mature? Planned gifts are typically made from a donor's total estate, or total wealth. Cash from planned gifts passes to the charity after the donor has passed away. Planned gifts are considered "immature" after they have been legally drafted, but the donor or designated beneficiaries are still alive, or the term of the trust has not expired. The gifts are "planned" as part of the estate planning process. Planned gifts come in many forms. The two types of gifts studied during the course of this research include charitable bequests and charitable remainder trusts. Bequests are the least complicated form of planned gift and are gifts from a person's will. Charitable remainder trusts are

study published an article detailing why this estimate is still correct. They report "Although the value of personally owned wealth has declined by 7% from its high in 1999, its value in the second quarter of 2002 is nearly equal to its value in 1998."

⁷ Jordan, Ronald R. and Katelyn L. Quynn. *Planned Giving: Management, Marketing, and Law*. New York: John Wiley & Sons, Inc., 1995.

more complicated, but have use for certain donors. When a donor creates a charitable remainder trust, the donor gifts the money to a trust. The trust pays the donor or a designated beneficiary of the donor an income from the trust of no less than 5% a year for either a term of years or for the life of the donor and/or another designated beneficiary. At the end of the term of the trust, the principal of the trust goes to one or more designated charities. Planned gifts “mature” after the donor and/or designated beneficiaries pass away, or the term of the trust has been completed.⁸

The researcher hopes that information gathered during the course of this research will encourage more gardens to pursue planned gifts and to gain as much benefit as possible from the gifts, both before and after they mature. Findings from the study indicate that any garden that allocates at least part of one staff person’s time toward recruiting planned gifts can successfully recruit planned gifts. The study indicates that gardens are not using planned gifts to their advantage before the gifts mature, thus revealing unrealized opportunities for gardens, including support for the time and money allocations that planned giving programs require.

In the thesis, a “planned giving program” is the collection of strategies involved in recruiting planned gifts. “Management” of the planned giving program refers to the methods of organizing and implementing those strategies. This research studied how organizations recruit bequests and charitable remainder trusts. These terms and other relevant terms are defined in the Glossary on pages vii-viii.

The next chapter discusses other studies and literature regarding planned giving as well as potential sources for gardens interested in pursuing planned gifts.

⁸ These definitions apply to the types of planned giving vehicles discussed in this thesis, bequests and charitable remainder trusts. Other types of planned gifts “mature” differently, though complete control of the assets on the part of the charity is most often still deferred.

Further chapters contain the research methods, results and discussion, and conclusions and recommendations.

Chapter 2

REVIEW OF LITERATURE

The literature review provides information on general trends in philanthropy and specific trends in planned giving. It provides sources of information not included in the research, including references for understanding intricacies of specific planned giving vehicles, and discusses studies relevant to the field of planned giving.

Philanthropy in the United States

“Philanthropy is a phenomenon. Charitable organizations provide services for which the public is generally unwilling to pay a market rate. Yet the services are judged by Congress and the IRS to be beneficial to society.”⁹ The government is also generally unable to manage the day-to-day provision of these services; therefore, the tax structure in the United States facilitates charitable giving to support these services by offering favorable tax implications for giving. Planned giving laws were solidified in the Tax Reform Act of 1969, which included more specific rules and regulations regarding charitable trusts. The rules made clearer the tax benefits of giving and provided strict guidelines for creating charitable trusts.¹⁰ As of 2005, tax laws related to planned giving are in flux and will possibly affect, some people suggest, planned giving or overall charitable giving. Whether that

⁹ White, Douglas E. *The Art of Planned Giving*. New York: John Wiley & Sons, Inc., 1995.

¹⁰ Tax Reform Act of 1969.

happens remains to be seen, as motivation behind charitable giving can have many dimensions. “People give when they believe an organization can make a positive difference in the lives of others.”¹¹ “Donors who reported no motivation from tax considerations often contributed more than did tax-motivated givers.”¹² Planned giving, as a subset of overall charitable giving is growing, from \$4.17 billion (adjusted for inflation) in 1962 to \$18.10 billion (adjusted for inflation) in 2002.¹³ “In recent years, there has been evidence, especially among the wealthy, of a growth in the systematization of charitable giving during the donor’s lifetime and of increased utilization of planned giving vehicles that allow donors to make substantial charitable contributions.”¹⁴ Income-producing planned gifts can be favorable to the donor and the charity, more so than outright gifts of cash, especially with elderly donors.

Planned Giving Resources

This research did not examine the mechanics of individual planned giving vehicles because many publications explain intricacies of different giving vehicles. *The Art of Planned Giving* discusses giving vehicles in relation to hypothetical people, or case studies, which can help development officers understand how different factors in the donor’s life affect planned gifts.¹⁵ *Planned Giving: Management, Marketing, and Law* gives more technical explanations of planned giving vehicles.¹⁶ Many planned giving officers and consultants informally interviewed at the early stages of topic exploration mentioned this text as the most useful single text on planned giving.

¹¹ *Giving USA 2001: The Annual Report of Philanthropy*. Indianapolis: AAFRC Trust For Philanthropy, 2001, 14.

¹² *Giving USA 2003*, 72.

¹³ *Giving USA 2003*, 19.

¹⁴ Havens and Schervish, 2003, 11-15, 47-50.

¹⁵ White, 1995.

¹⁶ Jordan and Quynn, 1995.

Research Studies Relevant to the Field of Planned Giving

There have been few studies that directly examine planned giving programs and give scientific evidence for successful program management. There have been no studies that specifically concentrate on planned giving program management in public gardens. Success in a planned giving program is not easily defined. No national benchmarks were found for numbers of dollars a successful organization should raise through planned gifts annually, or how much time should be devoted to planned giving. Little scientific research was found that supports the time and effort required to manage a planned giving program.

The study “Planned Giving in the United States, 2000: A Survey of Donors”(NCPG Survey), was conducted by the National Committee on Planned Giving.¹⁷ The Committee initially screened 170,000 households and fully surveyed 1,209 bequest and charitable remainder trust donors about their reasons for making the planned gift, their affiliations with the charities to which they made the gifts, involvement of financial advisors, and other aspects of planned giving. This study is the only study found that deals directly with the donor’s perspective on planned giving, which affects the ways gardens structure planned giving programs to successfully interact with donors and recruit more planned gifts. Results from the NCPG survey are discussed as support for this research in the results chapter.

The research study “The Mystery of Planned Giving: How to effectively inform, educate and involve your professional advisors in your planned giving program” by William J. Brown, investigated planned giving advisors and advisory

¹⁷ National Committee on Planned Giving. *Planned Giving In the United States 2000: A Survey of Donors*. Indianapolis, 2000.

committees.¹⁸ The Brown study included interviews with sixteen well-known planned giving consultants and a survey of 4,600 planned giving or development officers in the not-for-profit sector. The study offered insight into the percentages of nonprofits using advisory committees and a few details about how the committees work. The study raised questions for the researcher to ask telephone interviewees during the course of research.

Several working papers on accounting discuss the importance of accounting in the nonprofit world, which, the studies contend, will have an increasing effect on nonprofit organizations' ability to raise funds.¹⁹ The studies contend that accounting practices in nonprofits are not always strong, even though they are important.

To the extent that a business firm or a not-for-profit organization appears to be performing well, investors and donors will be attracted to it. Should things take a turn for the worse in either case, investment funds and philanthropic funds usually seek out other options quickly. A common theme that emerges from these texts is that the absence of a traditional bottom line in the not-for-profit sector—far from freeing not-for-profits to blindly pursue their missions—means that these organizations must manage especially well and develop a special kind of operational discipline.²⁰

The review of literature indicated that there is much research about the overall condition of philanthropy within the United States, but little specific to planned

¹⁸ Brown, William J. "The Mystery of Planned Giving: How to Effectively Educate, Inform, and Involve Professional Advisors in Your Planned Giving Program." Paper presented at the annual AHP International Educational Conference, Chicago 2001.

¹⁹ Keating, Elizabeth, M. Fischer, T. Gorden and Janet Greenlee. "Adverse Audit Findings for Nonprofit Organizations Under the Single Audit Act: Risk, Industry Sector, and Auditor Effects." Paper presented at 2001 ARNOVA conference; Keating, Elizabeth and Peter Frumkin. Working Paper, Kellogg Graduate School of Management and Kennedy School of Government; Keating, Elizabeth and Peter Frumkin. Working Paper, Aspen Institute's Nonprofit Research Fund; "Reengineering Nonprofit Financial Accountability: Toward a More Reliable Foundation for Regulation."

²⁰ Keating and Frumkin, 2000, 6.

giving in the United States. The researcher sought to build on existing research specific to planned giving and thus used the two research studies and the accounting papers as a basis for the telephone interview questions.

The next chapter discusses research methods. Following chapters contain results and discussion, and conclusions and recommendations.

Chapter 3

RESEARCH METHODS

Two separate data sets, post card survey and telephone interviews, provided data for this thesis. The post card survey data provided a broad look at the state of planned giving programs in public gardens and the telephone interview data provide more in-depth information about specific aspects of planned giving program management.

Post Card Survey

The researcher mailed 435 post card surveys to the institutional members of the American Association of Botanical Gardens and Arboreta (AABGA). The gardens on the mailing list represented a cross section of demographics including gardens of varying land size, budget size, age, and location, thus helping to neutralize the effects of those individual factors not studied during this research. The post card survey is in Appendix A, page 37. The researcher received a 42% response rate, or 183 postcards. Some respondents identified themselves by providing their return addresses, indicating willingness to participate in further telephone interviews.

Data from the post card survey were analyzed with SPSS, a statistical research package. Chi Square contingency tables and frequencies were the two types of statistical tests conducted. This analysis indicates whether or not a relationship between two factors *likely* exists. Chi Square contingency tables do not prove that

relationships exist or explain how the relationships work. The researcher chose to use Chi Square tables because many pieces of planned giving program management literature indicate that the factors researched throughout this study should be part of planned giving program management; however, the literature does not indicate how the factors work together and relate to each other. For a further explanation of Chi Square tables, refer to *Introduction to the Practice of Statistics*, Third Edition.²¹

Data were analyzed with frequency tests together and separately according to size of garden as determined by operating budget, because it is asserted here for purposes of the analysis that size of operating budget will determine management resources allocated to a planned giving program. The researcher wanted to determine if the operating budget size had an effect on the amount of activity in a planned giving program. The operating budget categories were \$2 million+, \$500,000-\$1,999,999 and up to \$500,000. The categories of operating budget size for this thesis are the budget categories of AABGA member gardens.

The researcher studied all responses to the post card survey and discovered which gardens had active planned giving programs and could provide more information during a telephone interview. There is no industry benchmark to define activity in planned giving programs. After reviewing the post card responses, the researcher defined gardens as being active in recruiting planned gifts if they had a staff member working at least part-time on planned giving, had working relationships with at least two types of financial advisors, and used planned gifts for at least two different functions within their organization.

²¹ Moore, David S. and George P. McCabe. *Introduction to the Practice of Statistics*, Third Edition. New York: WH Freeman and Company, 1999.

Telephone Interviews

Planned giving program activity and operating budget size determined participants for the telephone interviews. Analysis of the post card survey and information from the literature reviewed provided a basis for telephone interview questions. The telephone interviews clarified and provided in-depth examples for the post card survey results. The telephone interview questions are in Appendix B, page 38. Participants received the questions prior to the interview. The interviews took between 20 minutes and one hour, depending on the depth of responses from the participants. Interviews with ten gardens provided data for this section: eight with large-sized gardens and two with medium-sized gardens. Small gardens do receive income from planned gifts, though none of the small gardens responding to the post card survey were actively pursuing planned gifts. By the time ten telephone interviews were completed, the researcher noticed that each respondent gave similar answers, indicating data saturation (more interviews would probably elicit similar responses). The researcher considered telephone survey data and literature reviewed and other surveys to discover trends in the data. Data from the post card survey, considered with data from the telephone interview survey were analyzed and further distilled into a series of recommendations for gardens looking to pursue the recruitment of planned gifts. The next chapter discusses the results from the two surveys.

Chapter 4

RESULTS AND DISCUSSION

The results section discusses results from both the post card surveys and telephone interviews. The section discusses why the results are significant to the practice of fundraising in gardens, and what literature supports those results.

Data analysis indicates that gardens are not using planned gifts to their advantage before the gifts mature. Figure 1 illustrates percentage use of immature planned gifts by public gardens.

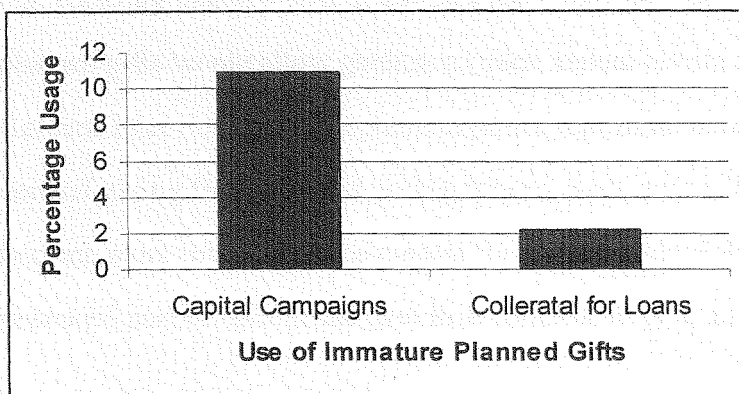


Figure 1 Percentage use of immature planned gifts in public gardens

Eleven percent of gardens surveyed use immature planned gifts to begin capital campaigns. Eighty nine percent of gardens surveyed do not use planned gifts

to begin capital campaigns. Two percent of public gardens use immature planned gifts to secure loans. Ninety eight percent of gardens do not use immature planned gifts to secure loans. These results indicate that public gardens have the opportunity to gain more benefits from their immature planned gifts. One possible reason for lack of use of immature planned gifts appeared during telephone interviews: gardens are not tracking planned gifts in an organized fashion through internal accounting.²² This finding is important for a number of reasons. Two gardens interviewed by telephone stated that a donor that has already made a planned gift is the best prospect for another planned gift. In the NCPG survey, 32% of remainder trust donors have more than one charitable remainder trust, 28% have made other life income gifts, 50% have made one or more charitable bequests, and 42% reported that the other planned gifts have benefited the same charity.²³ In order to approach donors to make repeat gifts, gardens need organized accounting systems for tracking donors. Some organizations fear pursuing planned gifts at the expense of current cash gifts.²⁴ Better accounting for planned gifts would allow gardens to track annual giving of planned giving donors. Gardens interviewed by telephone reported anecdotal observations of increases in general giving from planned giving donors, most saying that planned giving donors become more invested in the present financial health of the garden to which they have promised part of their estate, and thus continue to give annually.²⁵ Because cash from

²² Four out of ten gardens interviewed by telephone track the future value of present irrevocable gifts. Four out of ten track revocable gifts on a spreadsheet or in their donor tracking databases. None of the gardens reported using this information to their benefit.

²³ National Committee on Planned Giving, 2000, 11.

²⁴ Jordan and Quynn, 1995, 297.

²⁵ Two gardens interviewed by telephone reported planned giving donors giving second income producing planned gifts in order to increase their income. Five gardens reported an increase in annual giving, which is in opposition to a commonly heard fear that planned giving decreases annual giving. Another garden reported that once the donors have made planned gifts they feel more invested in the organization and share their enthusiasm with other donors and acquaintances.

planned gifts is not immediately available, a tracking system would allow planned giving officers to show progress to other staff and board members before money is available and thus garner more organization-wide support for their efforts. Research indicates that gardens could gain more benefits from their immature planned gifts.

Statistical tests indicate that a relationship likely exists between the presence at a public garden of a staff person working at least part-time to recruit planned gifts and the garden receiving income from planned gifts.²⁶

Table 1, p. 16, shows results from Chi Square tests between the presence of staff members recruiting planned gifts and receipt of income from planned gifts. In the table, both p-values are less than 0.05, which indicates that the two factors compared are likely related to each other. The Chi Square test shows that if the two factors were completely unrelated to each other, you would only have a 5% chance of getting the same result as the test indicates, thus indicating that the factors are likely related to each other. Chi Square tables appear throughout this section and should all be interpreted as described above.

²⁶ Eighty three gardens responding to the postcard survey, (45%), have a staff member working at least part-time. Seventeen gardens, (9%), have a staff member working on recruiting planned gifts full-time.

Table 1 Values for Chi Square tests between presence of staff members recruiting planned gifts and receipt of income from planned gifts

	Garden Receives Income from Planned Gifts
Staff Member	p-value=0.000
Full-Time Staff Member	p-value=0.002

This finding is potentially one of the most important findings in the study because it shows that even smaller gardens with smaller budgets and fewer staff available to work on planned giving can successfully recruit gifts by allocating some time to recruiting planned gifts. In the NCPG survey, 21% of bequest donors and 41% of charitable remainder trust donors cited a “relationship with a representative of the charity” as an important factor in their decision to make a gift.²⁷ Eight out of ten telephone interviewees stated that the relationship with the donor was the most important part of managing a planned giving program, indicating that a person successful at other fundraising activities can be successful at recruiting planned gifts, if they learn some basic information about planned giving. Some planned gifts come from out of the blue; however, the NCPG survey results demonstrate that communication between the charity and donors can help educate donors and increase the likelihood of receiving planned gifts.²⁸ Thirty four percent of bequest donors and

²⁷ National Committee on Planned Giving, 2000, 10.

²⁸ One telephone interviewee reported: “Our experience has shown that you can never predict where a major bequest or other type of planned gift will come from; and our clear track record has shown that our largest bequests have come from people who are not on our radar at all as members/ donors. . . but who remember the garden fondly for some specific personal reason. So, other than being as informed as possible on planned giving vehicles, marketing the program and possibilities in general, and taking care of known planned givers, the next best thing we can do is continue to make the garden a truly

26% of charitable remainder trust donors first learned about bequests through the charity's printed material.²⁹ From the perspectives of the donors and the gardens, personal relationships are an important part of a planned giving program. The research indicates that if a staff person has a solid relationship with a donor, spending a portion of their time working with the donor about planned giving is likely to produce planned gifts.

Statistical tests indicate that there is likely a relationship between the presence of a staff member within a garden recruiting planned gifts and allocation of funds from mature planned gifts within the garden.

The p-values for all of the tests in Table 2 are less than 0.05, indicating that the presence of a staff member working at least part-time on planned gifts is related to the way the gifts are allocated within the organization.

Table 2 Values for Chi Square tests between presence of full or part-time staff member recruiting planned gifts and uses of mature gifts within gardens

	Endowment	General Operating	Special Projects
Staff Member	p-value=0.000	p-value=0.000	p-value=0.000
Full-Time Staff Member	p-value=0.007	p-value=0.029	p-value=0.012

special place for whomever comes through our doors. . . that experience over time and the remembrance of it is often what has produced a planned gift here.”

²⁹ National Committee on Planned Giving, 2000, 8. According to the NCPG survey, the charity's printed materials were the number one way that bequest donors reported learning about bequests and the number two way for charitable remainder trust donors.

This finding is important because in the NCPG survey, 82% of charitable bequest donors, and 79% of charitable remainder trust donors cited the ultimate use of the gift by the charity as an important factor in their decision to make a gift.³⁰ “As more substantial charitable gifts are made during the donor’s lifetime. . . there could be an increase in the amount donated to charity, as more donors experience the satisfaction of a more engaged philanthropy.”³¹ If donors feel that they are able to accomplish some of their goals through charitable giving, they might increase their giving. Planned giving staff members have the opportunity to match interests and goals of donors with institutional needs, and to make sure that funds donated for a specific purpose are allocated properly to that purpose within the organization. “Under the rules of the Internal Revenue Service, a gift is a complete transfer of an asset, with the donor retaining few rights for making decisions about that asset’s use;” however, donors, and their heirs are taking a more active role in monitoring how assets from gifts are “invested, spent and reported.”³² The literature suggests that allocation and management of funds within nonprofits is important to future success in fundraising. The research indicates that having a staff member allocate at least part of their time toward managing a planned giving program is likely related to the ways planned gifts are allocated within the organization.

Statistical analysis, telephone interviews and supporting literature indicate that relationships with legal and financial advisors are important components of planned giving programs.

³⁰ National Committee on Planned Giving, 2000, 9.

³¹ Havens and Schervish, 2003.

³² Giving USA 2003, 63.

Table 3 shows Chi Square values for tests between working relationships with legal and financial advisors and the likelihood of a public garden receiving income from planned gifts. The p-values for all tests are all less than 0.05, indicating that working relationships with legal and financial advisors are related to gardens receiving income from planned gifts.

Table 3 Values for Chi Square tests between receiving income from planned gifts and working relationships with legal and financial advisors

	Working Relationships with Estate Planning Attorneys	Working Relationships with Accountants	Working Relationships with Other Financial Advisors
Garden Receives Income from Planned Gifts	p-value=0.000	p-value=0.002	p-value=0.002

This finding is important because the NCPG survey states that 28% of bequest donors, up from 4% in 1992, report that financial or legal advisors were the source of their idea to make a charitable bequest. Sixty eight percent of charitable remainder trust donors, up from 14% of donors in 1992 reported financial or legal advisors as the source of the idea for their charitable gift.³³ The NCPG survey gives the donor perspective. This research gives the charity's perspective, and the two perspectives complement each other. Several telephone interviewees stressed the importance of legal and financial advisors knowing and understanding the mission of their organizations so that if a donor were interested in making a charitable gift, the financial advisor would understand, have a favorable opinion of the garden, and

³³ National Committee on Planned Giving, 2000, 8.

encourage the gift.³⁴ Establishing working relationships with legal and financial advisors does take time; these research results give tangible evidence that time is well spent.

The quality of information and benefits gardens gain from relationships with legal and financial advisors is determined by the amount of effort and planning put into the relationship by the development officer. “The professional advisor does add to the potential success of a planned giving program, but the ultimate success lies with the development officer, and having an organized program with detailed goals for advisors to follow.”³⁵ During telephone interviews, gardens reported three common challenges regarding working with legal and financial advisors. The first challenge experienced by three of the gardens interviewed by telephone, is that advisors do not always know enough about the benefits and intricacies of planned giving vehicles. This can be problematic if it results in the financial advisor advising against the gift, which was another common challenge reported by three gardens. Gardens interviewed by telephone cited two possible reasons for advisors advising against a gift. The first is that it is in the financial advisor’s best interest to keep the money in the control of the family, as the family will have to pay someone to manage it, usually the financial advisor. The second is that giving to charity does remove money from the family, and legal advisors do not always want to advise removing money from the family. The third commonly cited challenge in working with legal advisors is that the advisors counsel clients against making irrevocable gifts and often will not reveal the details of gifts to the garden. When a charity is the trustee of a trust, 43% of donors retain the right to make the trust revocable, as opposed to 85% or 68% of trusts with

³⁴ Compiled telephone interview text.

³⁵ Brown, 2001.

an advisor or a bank as the trustee.³⁶ Two gardens interviewed by telephone mentioned that it is important to have a good working relationship with the donor's attorney after the planned gift has matured. They send letters to the attorney with the garden's tax ID number. Gardens reported that it is important to watch conflicts of interest between planned giving advisors and gardens because some legal advisors will want to be involved with the organization in order to get more business from the board members or donors. Research indicates that planned giving programs in gardens benefit from working relationships with legal and financial advisors, but that it is up to the planned giving officer to be well organized and manage challenges associated with such advisors.

Statistical tests indicate that estate planning attorneys are legal advisors most involved with planned giving programs.

Table 4, p.22, gives p-values for Chi Square tests between legal and financial advisors and uses of planned gifts within gardens.

³⁶ National Committee on Planned Giving, 2000, 19.

Table 4 Values for Chi Square tests between legal and financial advisors and uses of planned gifts within gardens (pv=p-value)

	Capital Campaigns	Collateral for Loans	Endowment	General Operating Funds	Special Projects
Estate Planning Attorneys	pv=0.040	pv=0.084	pv=0.000	pv=0.000	pv=0.000
Accountants	pv=0.169	pv=0.101	pv=0.002	pv=0.000	pv=0.029
Other Financial Advisors	pv=0.091	pv=0.120	pv=0.003	pv=0.001	pv=0.386

Four out of five p-values for tests concerning estate planning attorneys were less than 0.05. Three out of five p-values for tests concerning accountants were less than 0.05 and two out of five p-values for tests concerning other financial advisors were less than 0.05, indicating that estate planning attorneys are most likely related to more planned giving program management activities than the other two types of advisors. The telephone interviews supported findings from the Chi Square tests. Nine out of ten telephone interviewees had working relationships with estate planning attorneys. All of the interviewees commented positively about working with estate planning attorneys as opposed to accountants and other financial advisors. One interviewee summarized the general sentiments of the others. Estate planning attorneys "...are easier to talk to. They have excellent interpersonal skills. They are very important in the long term because they are actually counseling clients who are making planned gifts. They influence people to think of planned gifts. It is very important that the attorney have a good view of the organization." Other interviewees said that attorneys are most helpful because they are closest to the family, and best understand available assets and family circumstance, which is important because

planned gifts deal with more than just money. One interviewee stated that it is important to get to know the “four P’s” associated with a donor: People, Property, Plans and Professional Advisors. Each of those is a contributing factor in the donor’s decision to make a planned gift.³⁷ Because of the particular quality of their relationships with clients, estate planning attorneys are the advisors most likely to have an understanding of each of those factors surrounding a donor. Maintaining relationships with legal and financial advisors can be time consuming. The research indicates that if a garden has limited time to spend building relationships, estate planning attorneys are likely to be the most helpful type of advisor. Other legal advisors take different roles and can be helpful for specific questions as well.³⁸

Statistical analysis indicates that operating budget size does impact planned giving program activity.

Figure 2, p.24, shows the percentage of gardens from each operating budget size category that receives income from planned gifts.

³⁷ White, 1995, 6; Telephone interview.

³⁸ Four telephone interviewees reported that other financial advisors such as trust bankers, financial planners, life insurance and real estate brokers are creative when viewing options and solutions regarding planned giving. They are more sales driven and see planned gifts as yet another financial planning tool.

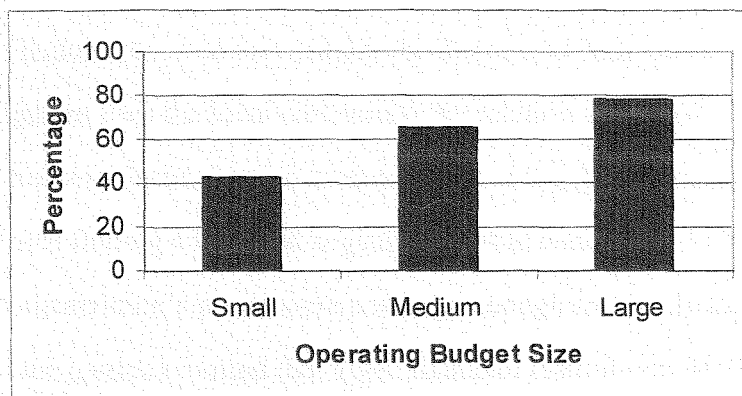


Figure 2 Percentage of gardens within each operating budget category receiving income from planned gifts

Overall, a higher percentage of large gardens receive income from planned gifts than small gardens.³⁹ A higher percentage of large gardens have working relationships with legal advisors than small gardens. At the beginning of the research process, the researcher hypothesized that the operating budget size would impact planned giving program management activities. This research finding supports that hypothesis; however, through the course of the research, the researcher has gathered information that would help small gardens allocate their resources in the most productive way. That information is summarized in the conclusions and recommendations section.

Potentially the most useful finding regarding effects of the operating budget on planned giving program management activities involves trusteeship of charitable trusts. One out of the ten gardens interviewed reported serving as trustees for charitable trusts. In that instance, the organization only served as trustee if the trust was irrevocable and the garden was named at least a 5% beneficiary of the trust.

³⁹ Post card survey results indicate that 57% of gardens receive income from planned gifts. Seventy eight percent of large gardens, 65% of medium gardens, 42% of small gardens receive income from planned gifts.

Gardens reported that usually the donor or a bank served as trustee for trusts. One garden uses the local community foundation as trustee. Two organizations use outside financial institutions to manage trusts and gift annuities; however, they had a difficult time finding a financial organization that was willing to serve as trustee because the organization's assets were not large enough for the financial institutions to consider. One garden reported that some financial institutions considered managing the planned gift funds in order to gain a chance at managing the organization's endowment funds.

The research indicates that a larger operating budget is likely related to planned giving program activity. The researcher infers from this finding that a larger operating budget means more resources can be allocated toward planned giving program management activities. Other information gathered through the course of this research indicates that public gardens with smaller operating budgets can be successful at recruiting planned gifts if they are able to allocate some time and resources toward recruiting gifts.

The researcher was able to collect data from a large enough sample size to be able to extrapolate results to the larger garden population. The tests brought to light several findings about current activity regarding planned giving program management in public gardens. In summary, most gardens do not use planned gifts before they are mature to benefit the organization. Allocation of staff time and resources toward managing a planned giving program does affect the outcomes of the program. Working relationships with legal and financial advisors affect the success of a planned giving program.

These results provide a basis for conclusions and recommendations in the next chapter.

Chapter 5

CONCLUSIONS AND RECOMMENDATIONS

This research examined one cross-section of the not-for-profit field, public gardens. Analysis of the research led to conclusions about current practices of planned giving management in public gardens within the United States. Conclusions from the research form a basis for recommendations of ways that gardens can improve their planned giving programs. Recommendations from the research may be useful to other not-for-profits.

Conclusions

- Most public gardens are not using immature planned gifts to the full potential to benefit the organization.
- Most public gardens do not have organized internal accounting procedures to track potential planned gifts and information about planned giving donors.
- Allocating at least part of one staff person's time toward managing a planned giving program affects the activity level and outcome of the planned giving program.
- Relationships with legal and financial advisors influence management of planned giving programs.

- Estate Planning Attorneys are potentially the most helpful type of legal or financial advisor for managing a planned giving program.
- Measuring success of a planned giving program is different from measuring success of other fundraising activities because cash from planned gifts is not immediately available to the organization.
- The amount of resources allocated toward raising planned gifts does have an impact on how many gifts are raised.

Recommendations

Gardens should use immature planned gifts in more ways to benefit the organization. Gardens should use happy donors, already invested in the organization, to help recruit more gifts. Testimonials from donors having made planned gifts, placed in magazines or newsletters for other donor prospects to read, are an effective method of recruiting more planned gifts.⁴⁰ Planned gifts already in place demonstrate a commitment to the organization that could inspire and give other donors more confidence, which makes planned gifts ideal for beginning capital campaigns. While most planned gifts do not provide current cash to begin building projects, they can provide endowment funding to provide future support for the increased operating costs associated with capital projects and show potential campaign donors the existing level of commitment of other donors.⁴¹

⁴⁰ Three gardens said that testimonials have proven to be the most successful way to influence donors through printed material. They reported that testimonials generated the most responses. The gardens print a picture, an interview with or story about a donor, or donors who have made a planned gift to the organization. The testimonials usually include a section on why the donor made the gift and how pleased the donor is that she did so. People receiving the publications--prospective donors--know the donors featured in the articles.

⁴¹ White, 1995, 249.

The researcher does not recommend using immature planned gifts specifically to secure loans; however public gardens can include irrevocable planned gifts such as charitable remainder trusts in the audited financial statements to provide a more complete picture of the organization's financial state. The researcher recommends that public gardens only list irrevocable planned gifts as part of their audited financial statements, because gardens are only assured receipt of funds from irrevocable gifts because such funds are legally required to go to the charity.⁴² The Financial Accounting Standards Board (FASB) has regulations for the methods of accounting for immature irrevocable planned gifts. The website <http://www.fasb.org> has helpful information for nonprofits.

Gardens should improve internal accounting for planned gifts.

Gardens should improve their internal accounting of planned gifts in order to encourage increased support from within the organization for a planned giving program, to track donors who might be willing to help recruit more planned gifts, and avoid misallocation of funds and problems during future fundraising. Internal accounting is twofold and includes a planned gift policy as well as files containing information about planned giving donors and expected planned gifts. Planned giving policies within organization delineate what types of assets organizations will accept for planned gifts, and what types of projects or uses planned gift money will fund. Planned giving policies prevent organizations from accepting gifts for projects they cannot complete and will ensure use of the gifts in the way most beneficial for the organization while achieving the intent of the donor. Many donors are motivated to

⁴² The net present value of the future gift estimates the present value of the gift that will be received by the charity after the gift has matured.

give in order to achieve a desired result.⁴³ “In August 1997, the Supreme Court of Connecticut considered the question of whether donors have standing to enforce the terms of their donation when it can be shown that [the benefiting charity] did not comply with restrictions placed on the gift.”⁴⁴ “Competing visions as to how donated funds should be used often generate conflict between the [benefiting charity] and the donor.”⁴⁵ Ideally, by building relationships with the donors, gardens can find ways to match donor’s interests with needs at the garden. Internal accounting can help avoid donor-charity disputes. The second part of internal accounting are files containing information about donors—their interests, cultivation history, and expected planned gifts.

Gardens should allocate at least part of one staff person’s time to managing the planned giving program. Many staff people throughout an organization work with donors on a daily basis. In order for a planned giving program to be successful, at least one staff person should have the responsibility of monitoring which current donors would make good planned giving prospects, and then working with those donors specifically about planned giving. That staff person would learn about the donors’ circumstances regarding planned giving, and then approach those donors about the subject of planned giving at the appropriate time with appropriate types of giving vehicles. If the planned giving officer is not the person within the organization who has the strongest relationship with a potential planned gift donor, the planned giving officer can assist the person who is the donor’s primary contact. The person within the organization with the best relationship with a donor should be the one to

⁴³ Loftin, Lisa. “Protecting the Charitable Investor: A rationale for donor enforcement of restricted gifts.” *The Boston Public Interest Law Journal*. (Winter 1999).

⁴⁴ Loftin, 1999.

⁴⁵ Loftin, 1999.

approach a donor about a planned gift. Although not part of the research, this researcher recommends that staff members approaching donors about planned gifts should gain a basic knowledge of planned giving by attending a class, reading books or joining the local planned giving council.⁴⁶ The planned giving officer does not write legal documents regarding planned gifts, so a basic working knowledge of planned gifts is enough to start a conversation. The planned giving staff person would also form working relationships with legal and financial advisors on the garden's behalf, would coordinate organization-wide policy regarding planned gifts, and would manage the "planned giving message" throughout communication with donors and other people associated with the garden. By appointing at least one person in the garden to work on planned giving, the garden will be sure that planned giving is always a priority within the garden's fund raising activities, thus ensuring positive results.⁴⁷

Gardens should establish working relationships with estate planning attorneys. Both sets of data indicate that Estate Planning Attorneys are the most effective legal advisors for planned giving programs. For that reason, if a garden only has time to contact one type of legal or financial advisor, an Estate Planning Attorney well versed in charitable giving techniques is potentially the most helpful advisor, as they typically have the most knowledge of a donor's financial and family

⁴⁶ The researcher attended the class "Planned Giving: Getting the proper start" at the Center on Philanthropy at Indiana University-Purdue University Indianapolis which gave a good overview of how to structure a planned giving program, and information on how to discuss specific planned giving vehicles with donors. One telephone interviewee reported attending the local planned giving council composed of estate planning attorneys, accountants, and other financial advisors. Planned giving was a new responsibility of this interviewee, who reported that the support she gained from council members was beneficial.

⁴⁷ Chi Square tests showed that receiving income from planned gifts and a staff person working on recruiting planned gifts at least part-time are likely related.

circumstances.⁴⁸ It is the responsibility of the development officer at a garden to recruit qualified, ethical advisors and provide clear goals for the advisors. Before recruiting a legal or financial advisor to help with the program, the development officer should learn about the skill level of the advisor regarding planned giving. The website of the American College of Trust and Estate Counsel (ACTEC) <http://www.actec.org> has helpful information for nonprofits regarding services provided by estate planning attorneys.

The goals and purposes of the planned giving program should be reviewed and given support throughout the organization. Though not specifically studied during the course of the research, this recommendation comes from synthesis and analysis of all data and information reviewed during the research and is offered as a form of guidance for nonprofits. Managing a planned giving program requires effort and energy long before substantial monetary benefits are derived from gifts. Information gathered throughout the course of this research indicates that the success of a planned giving program is related to the amount and quality of resources allocated toward the program. In order to fairly evaluate a planned giving officer, staff and board members must understand the fundamentals of development and fundraising as well as a basic understanding of planned giving. Misunderstanding about the role and responsibility of the development or planned giving officer and of the costs and benefits of the program will make the program less successful. It is the responsibility of the planned giving officer to communicate with staff and board members about the planned giving program. When implementing a new planned giving program, gardens should review and implement change management techniques, including educating

⁴⁸ Chi Square test results from the post card surveys show that estate planning attorneys are likely related to almost every aspect of planned giving programs.

staff and board members about planned giving, to maximize support for the program, and therefore the success of the program.⁴⁹

This research provides a few insights on planned giving programs in public gardens. The research demonstrates that with planning, goals and the allocation of resources to a planned giving program, the garden can see results in the form of cash from planned gifts and the opportunity to draw donors and community financial advisors closer to the organization. This can, in turn, generate more positive “buzz” regarding the garden within the community. If managed carefully, a planned giving program can be an important part of a garden’s financial health and position within its community.

Topics for Future Inquiry

During the course of this study, the researcher realized there were some questions beyond the scope of the work and thus are not included. However, they would make appropriate topics for future research.

One question raised during the research process is: what types of involvement do planned giving donors have with an organization before making planned gifts? Are there any similarities of involvement with the organization between donors? Much literature suggests that each planned giving donor is special and different. It would be interesting to discover if that is really true.

Another question raised through the course of the study is what is the previous and continued giving history of planned giving donors? Many organizations are afraid to pursue recruiting planned gifts because they are afraid that pursuing those

⁴⁹ Greenfield, James M. *Fund Raising*. New York: John Wiley and Sons, 1999, 302.

types of gifts will take away from current cash giving. Anecdotally, many of the telephone interviewees said that donations from planned giving donors went up, but none had really studied the issue within their organizations.

The last question raised is: How does annual giving change after a person has made a planned gift? Many organizations fear pushing planned gifts at the expense of their annual giving programs. Studying the actual relationship between annual giving and planned giving would shed more light on this commonly held fear.

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Appendix A: Post Card Survey Questions

Circle all that apply:

1. Does your organization receive income from planned gifts? Yes
No
2. Does your organization have a staff member who coordinates
planned giving efforts? Yes No

If so, are these responsibilities part of a larger job, or is this
person working full-time on planned giving?
Full-time Part-time
3. How does your organization use promised but not yet realized
planned gifts? To begin capital campaigns
Collateral for Loans Other Uses _____
4. Is the income from realized planned gifts used for:
Endowment Funds General operating funds
Special Projects Other Uses _____
5. Does your organization have working relationships with:
Estate Planning Attorneys Accountants
Other Financial Advisors
6. Does your organization continue to steward the donor or the donor's
family after the planned gift has matured? Yes No
7. What is your organization's operating budget?
\$2 million + \$500,000-\$2 million Up to \$500,000

Appendix B: Telephone Interview Survey Questions

Working relationships with legal advisors

How do working relationships with:

- a. estate planning attorneys contribute to your planned giving program?
 - b. How do working relationships with accountants contribute to your planned giving program?
 - c. How do working relationships with other financial advisors contribute to your planned giving program?
2. How do you communicate with your planned giving advisors?
3. Do you have a specific planned giving advisory group?
 - a. If so, do you meet together?
 - b. How often do you meet?
4. What are some of the problems you encounter when working with legal and financial advisors?
 - a. How do you deal with the problems?
5. How do planned giving advisors interact with:
 - a. Donors?
 - b. Board of Directors?
 - c. Other staff?
6. Do interactions or suggestions from your advisors influence how money from planned gifts is allocated or used within your organization?

bcfy

- a. If so, how?

Accounting and accountability

- 7. How does your organization account for unrealized planned gifts?
 - a. In-house reporting?
 - b. Out of house reporting?
- 8. Do legal advisors influence the ways in which your organization accounts for planned gifts?
- 9. Does your organization serve as trustee for trusts?
 - a. Under what conditions?
 - b. If not, who generally serves as trustee for the trusts?
- 10. How do you choose investment consultants or trustees of charitable trusts?
- 11. How does your organization ensure proper investment practices for charitable trusts?

Donor relations and stewardship

- 12. How do you educate donors about planned giving?
 - a. What types of communication seem to generate the most responses?
- 13. How do you steward donors and their family:
 - a. Before a planned gift matures?
 - b. After a planned gift matures?
- 14. What types of changes in annual or major gift giving do you notice after a donor has committed to a planned gift?

Open ended question

- 15. What do you find is the most important aspect of managing a planned giving program?