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# Attracting High Net Worth Donors for Endowment Gifts

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# ML Center for Philanthropy & Nonprofit Management

- Established in 1984 as part of Merrill Lynch Trust Company, FSB (MLTC)
- Supports 4,000 family foundations\*
- Manages assets for over 30,000 public charities\*
- Oversees nearly \$24 billion in charitable assets\*
- MLTC is one of the largest charitable fiduciaries with over 5,500 charitable trusts
  - Also manages charitable gift annuities, pooled income funds, supporting organizations, and private foundations
- Endowment development consulting
  - Tailored consulting for qualified clients

\* As of 12/31/2005



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# Comprehensive, Integrated Capabilities

## Cash and Investment Management

- Endowment Management Account
- Private portfolio management
- Managed mutual funds
- Customized portfolio options

## Planned Giving Support

- Charitable remainder trusts
- Charitable lead trusts
- Pooled income funds
- Charitable gift annuities

## Administration and Fiduciary Services

- Trusts and endowments
- Pooled income funds
- Charitable annuity funds
- Community and private foundations

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**PHILANTHROPY  
& NONPROFIT**  
MANAGEMENT

## Donor Consulting Services

- Planned giving consulting services
- Strategic planning and education
- Marketing and technical assistance

## Retirement Plan Services

- 401(k) plan administration
- 403(b) plan administration



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# Opportunities of Titanic Proportions

- Largest Flood of Wealth Ever
- Avoiding Collisions With Other Nonprofits In A Sea of Competition?
- More charities than lawyers!



# Largest Transfer of Wealth Ever Havens and Schervish Study

- *Low estimate:*
  - In 20 years:
    - \$12 trillion
    - \$1.7 trillion to charities
- *High estimate:*
  - In 20 Years:
    - \$18 trillion
    - \$2.7 trillion to charities

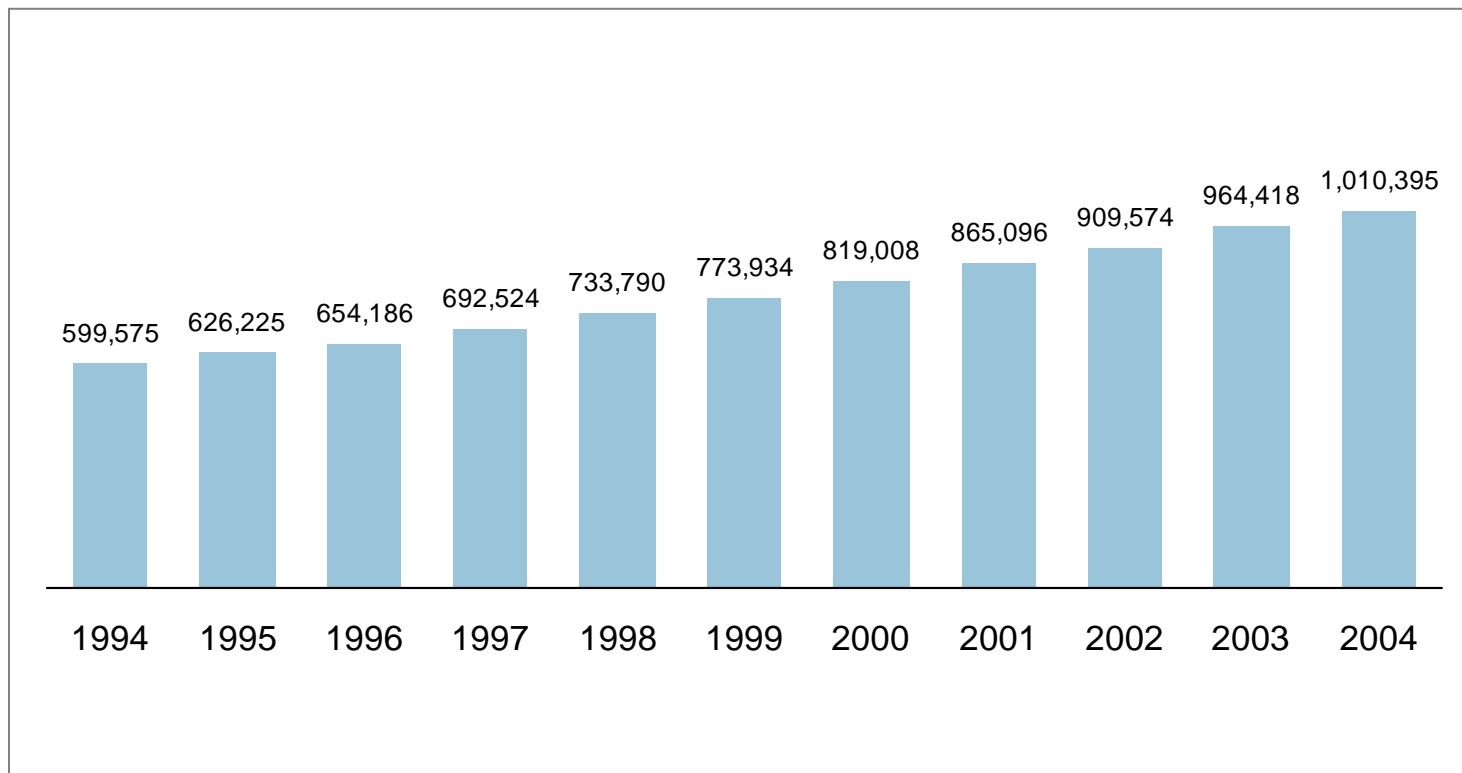




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# Competition for charitable dollars is increasing

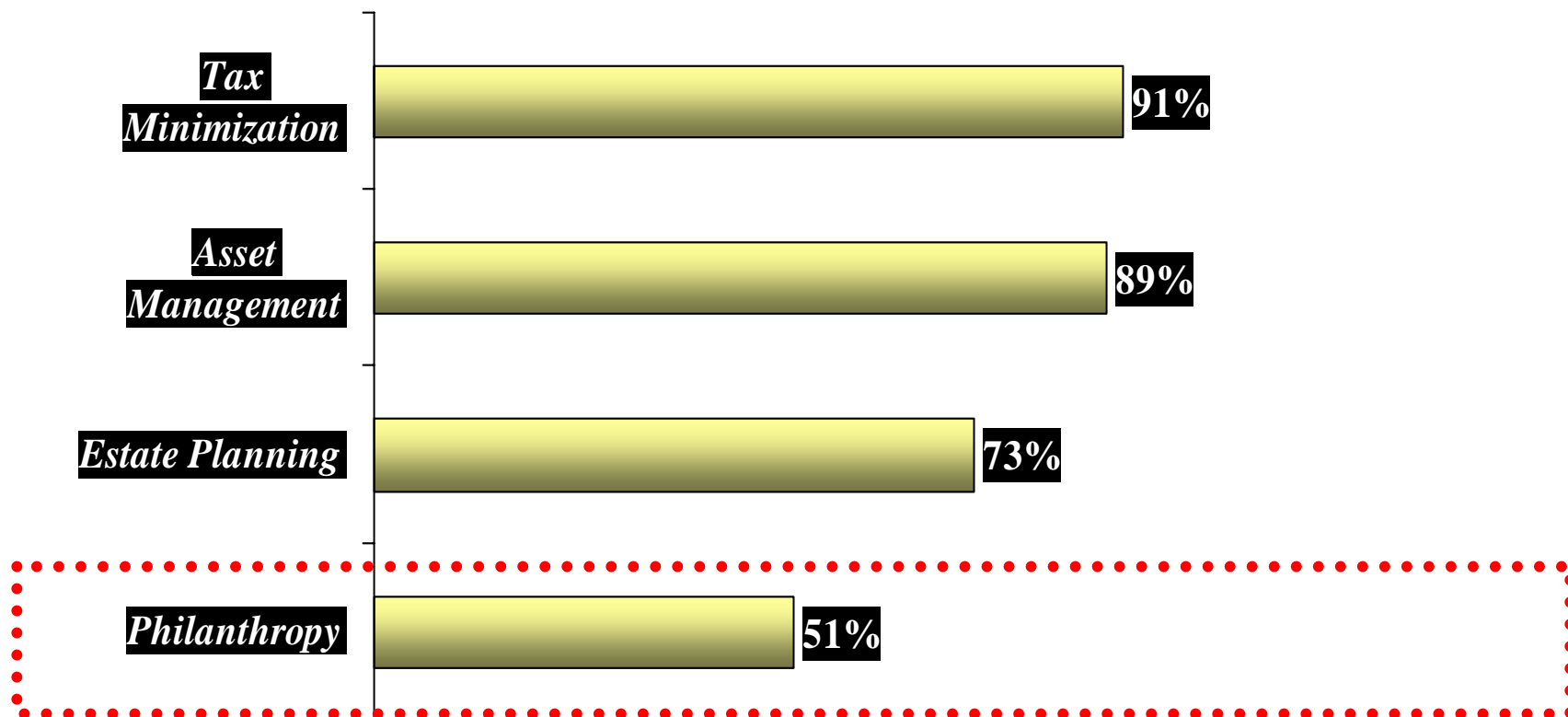
The Number of 501(c)(3) Organizations, 1993-2004





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# Philanthropy is one of the top 4 financial issues for UHNW investors



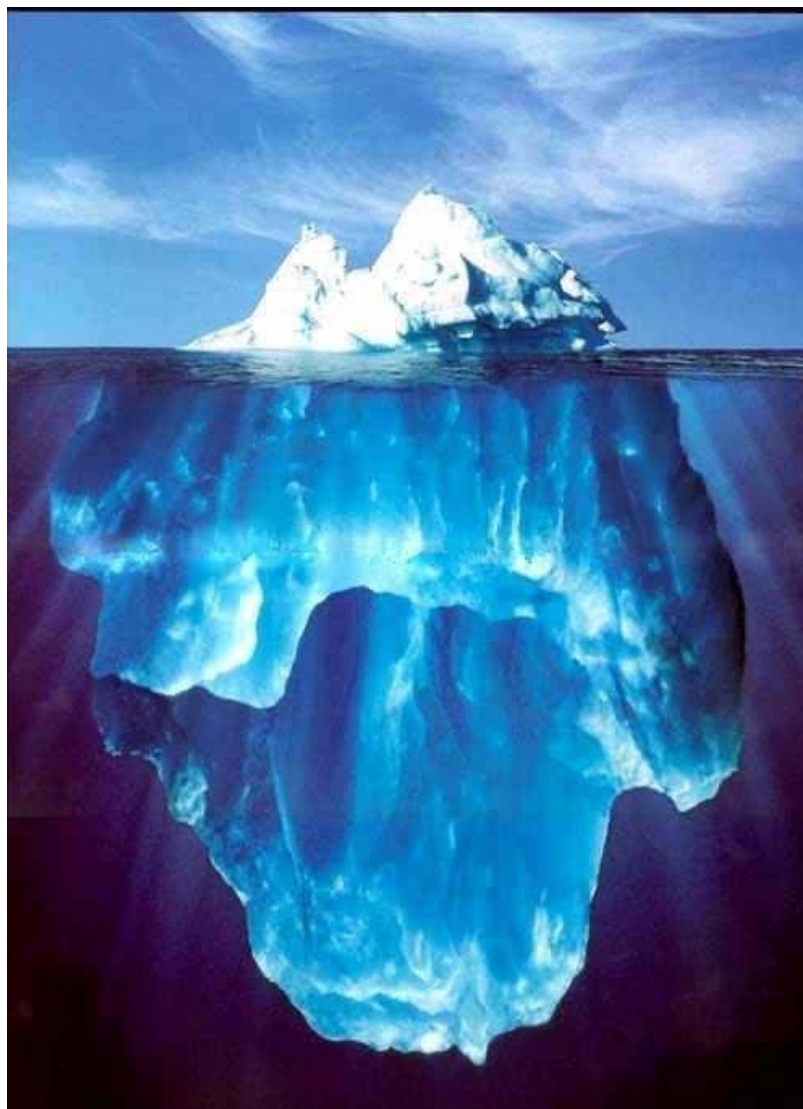
# Client Values That Affect Philanthropic Motivations

- Concern about effects of wealth on heirs
- Desire to control access to wealth by succeeding generations
  - Preservation of capital
  - Protection of assets from spouses, creditors, etc.
- Desire to create a “legacy”
- Sense of moral obligation
- Wanting to make a difference in society



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## *Is this Your Endowment Donor Base?*





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## Where People Give

|                               | 18-24 | 30-39 | 40-49 | 50-64 | 65+ | Total |
|-------------------------------|-------|-------|-------|-------|-----|-------|
| <b>Churches/religious</b>     | 43%   | 38%   | 46%   | 54%   | 58% | 50%   |
| <b>Disaster Relief</b>        | 43    | 45    | 48    | 45    | 51  | 47    |
| <b>Community Groups</b>       | 23    | 35    | 34    | 37    | 37  | 35    |
| <b>Human Services</b>         | 37    | 30    | 36    | 36    | 36  | 34    |
| <b>Education</b>              | 15    | 30    | 27    | 23    | 23  | 24    |
| <b>Aging/elderly services</b> | 1     | 7     | 10    | 12    | 22  | 12    |
| <b>Hospitals</b>              | 7     | 6     | 6     | 6     | 11  | 7     |
| <b>Other health care</b>      | 4     | 15    | 15    | 13    | 17  | 14    |
| <b>Environment</b>            | 9     | 13    | 13    | 12    | 14  | 13    |
| <b>Arts &amp; Culture</b>     | 8     | 18    | 13    | 9     | 15  | 13    |

Harris Interactive DonorPulse Survey, 2006





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## Endowment Benefits to Donors

- Creates a sense of immortality
- Perpetuates the donor's values and priorities
- Makes significant future investments in charity
- Can endow annual gifts
- Allows for incremental funding
- Provides lifetime income (if structured as planned gift)
- Alleviates asset management burden
- Permits additions at a later time



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## How planned gifts can be used for endowment

- Possible “naming” opportunities
- “Legacy” gift can be created
- Estate planning discussions create legacies
- You can position a larger gift when discussing estate planning along with legacies
- Charity can position its long-term goals along side that of its donors’ goals for “immortality”



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# Philanthropic Financial Planning

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Involuntary Philanthropy = Taxes

Voluntary Philanthropy = Charitable Giving &  
Volunteerism

Philanthropic Financial Planning – a way to reduce  
“involuntary philanthropy” using vehicles that  
employ “voluntary philanthropy”



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## Philanthropic Financial Planning Objectives

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- Produce income
- Protect income from taxation
- Reposition assets for growth / income
- Preserve assets (and maintain income)



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## Philanthropic Financial Planning Objectives

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- Distribute assets to chosen heirs
- Reduce / eliminate taxes upon distribution
- Use philanthropic capital effectively
- Retain “control” of assets



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## Philanthropic Planning Tools

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- Charitable Remainder Trusts
- Charitable Lead Trusts
- Pooled Income Funds
- Charitable Gift Annuities
- Private Family Foundations
- Supporting Organizations
- Donor Advised Philanthropic Funds



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## Other Giving Vehicles

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- Bequests
- Insurance
- IRAs
- Real Estate
- Stock Options
- Incentive Stock Options



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## Important to communicate to potential endowment donors

- You are interested in endowment gifts
- You know how to invest the funds
- You know how to administer endowment gifts
- You will comply with donors' wishes for use of endowment in perpetuity

# What Affluent Donors Expect From Your Charity

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- Investment Management
  - Effective investment policy
  - Performance evaluation of money managers
  - Well-managed and astute Investment Committee

In many instances, philanthropic gift suggested by professional advisor (CPA, atty, broker) and donor is financially savvy



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## What Affluent Donors Expect From Your Charity

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- Service
  - Attention
  - Proper reporting
  - Effective governance and cost structure
    - Your donors are watching via websites and reading newspapers. Sen. Grassley hearings on nonprofit sector has garnered attention

## Building a Strategic Plan

*Adopt a strategic, planning based approach to current and planned giving*

- Business Plan: For Endowment Development
  - Leadership structure
  - Staff communications
  - Marketing
  - Goals
    - Assets
    - Individuals cultivated
    - Changes made in developing infrastructure
    - Assessment

## Building Internal Momentum

### *Communications, Marketing and Technology*

- What communication exists between CEO and (endowment) development staff?
  - How engaged is CEO in cultivation process?
- Does annual campaign staff provide leads to endowment staff?
  - What can be done to incent them?
- Does organization have proper technology or structure to share information re: donor history and demographics?



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## Building Volunteer Support

### *Executive Committee, Development Committee and Board of Trustees*

- Have you met with every Board/Development Committee member to discuss their “opportunity” to support your organization?
- Have they personally made a legacy commitment to your organization?
- Have you asked them to help identify endowment leads?

## Building External Support

*Do you have a professional advisory committee?*

- Seminars-CPE credit
- Newsletters
- Awareness of your organization
- Can you collaborate with other organizations?
- Other Charities, RAGS, Private Foundations?

## Building a Marketing Effort

*Given that there are over 1,000,000 other 501c3s,  
why should your donors give to you?*

Before you discuss the HOW, discuss the WHY.

- What are your compelling arguments why your donors should create a large endowment with you?
- Can you meet multiple donor motivations?



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## Putting It Together

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- Determine client planning objectives
  - Takes a lot of listening over time
  
- Determine donative intent of client
  
- Match potential tools to obtain client objectives
  
- Always attempt to “capture” philanthropic assets “in perpetuity”



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# Not every presentation is successful





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## Disclosure

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