



Texas Association of Community College Foundations 2017 Annual Conference



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Thomas W. Cullinan, J.D., FCEP is a senior vice president and regional manager at Thompson & Associates where he facilitates the creation of charitable estate plans for friends of nonprofit institutions. He is editor of *Planned Giving Today*, which serves the charitable community and is a practical resource for education, inspiration, and professional linkage. Cullinan is also dean of the Charitable Estate Planning Institute, an advanced course in charitable planning techniques. He was previously a charitable giving advisor who served nonprofit organizations and donors through his company Schola Donum™ Inc. According to a survey of 30,000 nonprofit executives, Schola Donum ranked among the top charity consulting firms in client satisfaction, and was one of only nine firms nationally recommended based on the likelihood of being referred by its clients. In the past 24 years, he has been responsible for facilitating charitable gifts with a combined value exceeding \$1.2 billion. He served on the board of the National Association of Charitable Gift Planning (CGP) and on the boards of its local councils in Houston, Nebraska, and Washington D.C. In 2011, he was selected for the CGP's Leadership Institute through a peer review process, one of only 31 charitable gift planners in that founding group. He is also a member of the Estate Planning Council of Corpus Christi and Planned Giving Council of Houston. Cullinan has delivered continuing legal education programs in 14 states and presented on the topic of professional ethics at three international conferences. He instructed professionals and charity executives as director of the National Planned Giving Institute at the College of William & Mary, and was an adjunct professor teaching MBA candidates in the Heider College of Business at Creighton University. He is a frequent speaker at conferences and meetings including the CGP and its local councils, Association of Fundraising Professionals, American Council on Gift Annuities, and estate planning councils.



Motivations of High-net-worth Donors: Your Path to Securing Big Gifts

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PLANNED GIVING
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**CHARITABLE
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It is a plain fact that most big gifts to higher education from individuals are also the largest contributions that these high-net-worth donors ever make. In order to secure their major current and deferred gifts, your key executives and gift officers need to skillfully initiate and manage philanthropic discussions. This session puts you on the right path as it reveals why affluent individuals give to your community college based on groundbreaking research about their motivations.

1 My Recent Experiences with Clients During Estate Planning

- 1.1 Family dysfunction
 - 1.1.a Obstacles to planning — more than distractions
 - 1.1.b Planning may provide at least a partial solution to some of the troubling issues
- 1.2 Health and wealth beyond expectation
 - 1.2.a A recent retirement may provide every opportunity to enjoy life
 - 1.2.b Some couples feel paralyzed by the responsibility
- 1.3 Distrustful of one or more advisors
 - 1.3.a Not certain where or how to look for another one, or where to look
 - 1.3.b Leery of out-of-town professionals, yet may want more expertise or privacy than is perceived to be locally available
- 1.4 Interlocking ownership of family assets
 - 1.4.a Often not in line with how they will distribute their estate to heirs
 - 1.4.b Uneven success of children and grandchildren, variance in each family's income
- 1.5 Blended families
 - 1.5.a Sometimes divorces are feared, underway, or not yet adjusted to
 - 1.5.b Tendency to wait until the “smoke clears” but procrastination often follows
- 1.6 Manipulation of relationships
 - 1.6.a Taking advantage of one's generosity to the point of victimization
 - 1.6.b Distinguishing between friendship, genuine affection, and a business relationship
- 1.7 A real person comes to the planning table
 - 1.7.a Each one will be motivated by “conventional” factors
 - 1.7.b Perhaps even more by their own problems
 - 1.7.c What appears to be obstacles can provide planning opportunities

2 What Not to Do

- 2.1 We assume relatively affluent clients are getting the best possible advice
- 2.2 October 2013 study by US Trust and Philanthropy Initiative highlights a giant disconnect
 - 2.2.a 88 percent of professional advisors say charitable giving is an important topic for their clients
 - Yet only 17 percent of their clients report that the advisor ever mentioned it
 - 2.2.b Two-thirds of the clients say their advisor misses the mark
 - Advisor's focus is on tax and financial matters — important yet abstract (to them) mechanisms
 - 2.2.c Conversation was relevant for only one-fourth of the clients
 - Not about their values, ideals, or charitable goals — the key things that interest the clients
- 2.3 Don't overlook that your best donors and prospects want to be understood
 - 2.3.a They want to talk about their values and what is important to them
 - 2.3.b "Emotion is the river upon which logic flows."
 - 2.3.c When you connect with donors and prospects at this more important level, your assistance will be superior as they consider how, when, and what to give

3 Let's Get In the Right Neighborhood

- 3.1 Eight life situations where planning can be especially fruitful
 - 3.1.a Singles without children
 - 3.1.b Couples without children
 - 3.1.c Singles with successful children
 - 3.1.d Couples with successful children
 - 3.1.e Those who are uncomfortable leaving a large inheritance to heirs
 - 3.1.f Those believing children don't need a large inheritance
 - 3.1.g Wealth that has been accumulated in the form of unrealized income property
 - 3.1.h Blended families
- 3.2 Nine types of relationships that illustrate close connections to the college/foundation
 - 3.2.a Top donors (either currently or cumulative)
 - 3.2.b Legacy donors
 - 3.2.c Current and former employees with long service to the college
 - 3.2.d Active and retired faculty

- 3.2.e Alumni
- 3.2.f Volunteers
- 3.2.g Senior executives
- 3.2.h Current and former board members and their spouses
- 3.2.i Professional advisors in the community (perhaps indirectly)

4 Understanding the Dynamics of Affluent Families

- 4.1 Profile of wealthy donors to hospitals
 - 4.1.a Chronicle of Philanthropy poll
 - 4.1.b Based on the book “7 Faces of Philanthropy” by Russ Alan Prince and Karen Maru File
 - 4.1.c Wealthy donors were characterized by their dominant motivation for charitable giving decisions
 - 4.1.d Seven distinct personalities — and palpably distinguished motivations
 - 4.1.e These can guide your personal interactions, perhaps even marketing decisions
- 4.2 **39.2 percent are Repayers** (have benefitted from the colleges they support)
 - 4.2.a **96%** | The college represents a set of values extremely important to me
 - 4.2.b **96%** | Opportunity to recognize someone important to me (parent or mentor)
 - 4.2.c **86%** | I want to give something back to the institution that educated me
- 4.3 **22.2 percent are Communitarians** (give to improve the community)
 - 4.3.a **94%** | The institution’s efforts to strengthen the community where it is located, both economically and culturally
 - 4.3.b **82%** | I want to help further economic and community development through research by the institution
 - 4.3.c **76%** | There is so much excitement and activity on campus, I just feel good being part of it
- 4.4 **17.0 percent are Dynasts** (have a family tradition of giving)
 - 4.4.a **81%** | I want to assist in the education of a new generation
 - 4.4.b **73%** | I want to be part of the process of advancing knowledge
 - 4.4.c **37%** | The college represents a set of values extremely important to me
- 4.5 **6.6 percent are Altruists** (contribute out of generosity and empathy)
 - 4.5.a **92%** | The college represents a set of values extremely important to me
 - 4.5.b **74%** | I want to help educate students from diverse backgrounds

- 4.5.c 73% | I want to assist in the education of a new generation
- 4.6 **6.3 percent are Devout** (give for religious reasons)
 - 4.6.a 91% | The college represents a set of values extremely important to me
 - 4.6.b 77% | I want to help educate students from diverse backgrounds
 - 4.6.c 32% | I want to be part of the process of advancing knowledge
- 4.7 **4.6 percent are Socialites** (throw social function and have a good time doing it)
 - 4.7.a 100% | Association with a renowned and prestigious institution
 - 4.7.b 100% | I want recognition
 - 4.7.c 94% | I value the continuing business and social relationships I can maintain through the college's events and programs
 - 4.7.d 94% | Personal attention from senior and high-profile college and faculty
- 4.8 **4.0 percent are Investors** (give with one eye on the tax and financial benefits)
 - 4.8.a 93% | I want to be part of the process of advancing knowledge
 - 4.8.b 93% | I want to help further economic and community development through research by the institution
 - 4.8.c 93% | The institution's demonstrated integrity in raising and disbursing funds

5 **Gifts That Transform a Community**

- 5.1 Historically, the largest gifts a nonprofit receives will also be the largest gifts of the donor's life
 - 5.1.a The commitment is often a "capstone" yet that donor may have not been a significant contributor before
 - 5.1.b Something about the nonprofit's mission at that point in time was inspiring
 - 5.1.c A competent professional advisor was needed to facilitate the gift, and perhaps wholly structure it because without that expertise it was not conceivable
- 5.2 Charitable bequests are the most common form of these gifts by far
 - 5.2.a Other giving arrangements are used to a lesser extent, not that they should be
 - 5.2.b Deferred gifts like charitable remainder trusts, beneficiary designations (on retirement plans, POD/TOD for bank/investment accounts, and life insurance contracts), charitable gift annuities, gifts of real property with a retained life estate, non-grantor charitable lead trusts, and pooled income fund gifts
 - 5.2.c Outright/intervivos gifts like gifts of appreciated property like securities and real estate, grantor charitable lead trusts, bargain sales, and "financing" for multi-year charitable pledges

6 Three Types of Charitable Gifts, and Three Types of Donors

6.1 Annual gifts

- 6.1.a Contributions sent in response to a general, cyclical appeal for financial support (often October to December)
- 6.1.b Charities looking to create repeat donations, at increasing higher amounts
- 6.1.c Made from the donor's discretionary income

6.2 Capital gifts

- 6.2.a Solicitations and/or restricted gifts designed to address specific nonprofit needs, often transformational (new/improved facilities, new/expanded services, endowment, etc.)
- 6.2.b Often in the context of a seasonal "drive" or multi-year campaign with a stretch goal beyond the annual operational needs of the nonprofit
- 6.2.c Normally made from the donor's discretionary income over several years

6.3 Planned gifts (both current and deferred)

- 6.3.a Often inspired by the individual and/or her advisor, and grounded within the needs of the donor and her family for personal freedom and financial security
- 6.3.b May or may not be solicited, restricted, or announced in advance (most end-of-life gifts will be closely guarded secrets)
- 6.3.c A commitment based on thoughtful deliberation, therefor structured in a manner that yields personal benefits (whether tangible, intangible, or both)
- 6.3.d Made from the donor's net worth

6.4 Habitual donors

- 6.4.a Responders to those cyclical appeals
- 6.4.b Often give the same amounts, whether \$20 or \$1,000

6.5 Emotional donors

- 6.5.a Respond to a circumstance that is personally touching
- 6.5.b Memorials at the death of friend or loved one, disaster relief, milestones at a nonprofit, feelings of being well-served by the hospital, and so forth

6.6 Strategic donors (not tactical like the annual and emotional donor)

- 6.6.a Thoughtfully considers all alternatives and options before giving
- 6.6.b Invariably yields a larger gift than from the habitual or emotional donor

1 Net worth is an amount that is generally larger than discretionary income

- 2 Typically more cost-effective to give from net worth than discretionary income (tax savings from the charitable deduction plus capital gains tax avoidance)
- 3 Assets can be divided into an income interest and a remainder interest, allowing the donor to retain one or the other in coordination with the gift
- 4 These donors are almost always loyal to the nonprofit, which goes beyond the monetary value of their giving; they are emotionally and financially invested in the nonprofit's success

7 From “Couldn’t” to “Could” ... and Distinguishing “Can’t” versus “Won’t”

7.1 Planned giving looks at the assets and their divisible interests

7.1.a Timing

7.1.b Ability to make a gift when it had been presumed impossible

7.1.c Probe for low charitable intent (resistance that opposes a more significant gift)

7.2 The simplest option offering the most flexibility and least personal sacrifice is the bequest

7.2.a A common option is the “Biblical tithe” of 10 percent or another customary portion

7.2.b Another option is “endowing” one’s annual gift, accomplished by a pecuniary bequest of 25 times the current annual gift amount (bequest of \$2,500 creates a perpetual annual gift of \$100)

7.2.c May carve out a “child’s portion” (imagine that we had four kids instead of three)

7.2.d Specific sums for heirs, all the residual amount (much/most of the estate) to one or more favorite nonprofits

7.3 Gifts of net worth normally (but not always) come from older donors

7.3.a Less uncertainty to life circumstances, due to a “telescoping” timeline

7.3.b Of all the humans who have attained age 65, AARP claims two-thirds are alive today

7.3.c 20,000 estates valued at \$20-plus million are “activated” every year

7.3.d Gave someone a power of attorney, yet has concerns/regrets about that

8 More about the strategic donor

8.1 Will consider three key questions

8.1.a Do I have enough to live on for the rest of my life?

- 1 Difficult to answer with confidence (live too long, or die too young)

- 2 Uncertainty means inaction
- 3 Expert advice from professionals helps clients understand their circumstances
- 8.1.b How much should I do for my heirs?
 - 1 Treating children equally when they are so different
 - 2 Will a larger inheritance change them in a negative way?
 - 3 Expert advice from professionals helps clients consider the impact of decisions
- 8.1.c Would I rather leave part of my estate to charity or to government?
 - 1 Nearly everyone has part of the estate that cannot be transferred to heirs
 - 2 It will go to society, either in the form of tax or as self-directed charitable gifts
 - 3 Estate owners can make this choice (we need to point this out to them)
- 9.2 Social capital (as defined by the World Bank): “the institutions, relationships, and norms that shape the quality and quantity of a society’s social interactions.”
 - 9.2.a Taxes collected and applied as governmental entities decide is appropriate/necessary
 - 9.2.b Charitable gifts where the individual donor decides on the use of those funds
 - 9.2.c “The money made here should stay here.”
 - 9.2.d “I earned it. I will determine how it is spent.”
- 9.3 Strategic versus tactical givers
 - 9.3.a Have a vision for the future
 - 9.3.b Has a residual impact measured by a measurable return on investment over time
 - 9.3.c Both perspectives are important, as are the contributions they produce

9.3.d Contrasting characteristics

Strategic Gifts	Tactical Gifts
Oriented to the future	Oriented to the present or past
Advances strategic objectives	Avoids failure
Vision oriented	Crisis oriented
Proactive	Reactive response
Long-term impact	Immediate impact
Fix the system or structure	Solve a single problem
Indirect and residual impact	Direct impact
Larger investment	Smaller investment
High efficiency	Lower efficiency
Makes history	Saves the day
Creates a personal legacy	Given an annual donor award

9.4 Two types of accumulators

9.4.a Terminal: Seeking to build up and control to the maximum extent possible

9.4.b Instrumental: Seeking to be a factor in changing circumstances for the better

10 **A Final Word**

Consider the short essay "Two Seas in Palestine" written by Bruce Barton in 1928 for McCall's Magazine

- ☉ Barton was an advertising executive (created the company names for General Motors and General Electric, and created the Betty Crocker character), a two-term New York congressman (lost to Franklin D. Roosevelt when he ran for the United States Senate), and an author (outsold Ernest Hemmingway and F. Scott Fitzgerald).

There are two seas in Palestine.

One is fresh, and fish are in it. Splashes of green adorn its banks. Trees spread their branches over it and stretch out their thirsty roots to sip of its healing waters.

The River Jordan makes this sea with sparkling water from the hills. So it laughs in the sun shine. And men build their houses near to it, and birds their nests; and every kind of life is happier because it is there.

The River Jordan flows out to another sea. Here there is no splash of fish, no fluttering leaf, no song of birds, no children's laughter. Travelers choose another route, unless on urgent business. The air hangs heavy above its water, and neither man nor beast nor fowl will drink.

What makes this mighty difference in these neighbor seas? Not the River Jordan. It empties good water into both. Not the soil in which they lie; not in the country 'round about.

This is the difference.

The Sea of Galilee receives but does not keep the Jordan. For every drop that flows into it another flows out. The giving and receiving go on in equal measure. The other sea is shrewder, hoarding its income jealously. It will not be tempted into any generous impulse. Every drop it gets, it keeps.

The Sea of Galilee gives and lives. The other sea gives nothing. It is named Dead.

There are two kinds of people in this world. There are two seas in Palestine.

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