

How to formulate a Bequest and Endowment Strategy

A professional resource from the Geyser Community Foundation



For most small charities and community organisations, seeking bequests is not a fundraising strategy that is given a great deal of time and effort, and yet donations made through bequests each year consistently represent as large a piece of the charitable pie as corporate donations!

For clarification, a **bequest** is a gift made through a will. The donor may or may not specify how the funds are to be used.

An **endowment** is a sum (usually in the form of a bequest) which is invested so that the capital sum is not spent but generates an annual income stream. The annual income is used for charitable purposes as specified by the donor.

The Geyser Community Foundation is an endowment specialist providing a vehicle for people to leave a lasting gift to the local community and enabling selected community groups to have their endowment fund professionally managed.

When and how to use bequests

A bequest programme is a long-term strategy and not necessarily one which will produce immediate income for your organisation. Bequests are unpredictable, particularly during the early years of developing a programme, and as such it is unwise to budget for them in your annual income. At the same time, they represent a potentially large source of revenue and, for this reason, should not be overlooked by any organisation which plans to be around for the long haul.

While bequests can be used for almost anything, ranging from special projects to ongoing operating support, it is prudent, unless the donor stipulates otherwise, to allocate at least a portion of bequest income to create or increase your organisation's reserves. Allocating some of the bequest income to an endowment fund will

generate a steady stream of income for future years. Boosting your reserves will support you through years when income is lean. It can also be of benefit to have such a resource "off the balance sheet" so that it does not impact on grant applications to funding organisations.

Three misconceptions

Why do small organisations usually fail to seek bequests?

(i) There is a misconception that seeking bequests is complicated and that you have to be familiar with tax laws and estate planning in order to get involved. Generally, this is not true. Encouraging your members to make bequests, and receiving these gifts when a donor dies, are simple transactions and can be undertaken by almost any grassroots group. Should technical questions arise, there are plenty of experts out there who can advise you on what to do.

(ii) The second reason that small organisations shy away from bequests is that it seems an awkward topic to broach with donors. Actually, the opposite is usually true. Giving your members information on how to make a bequest provides a way they can make their donations go further and last longer. It also provides donors who may not have much current income (because they are retired and living off savings) with a way to make a future gift and enjoy the recognition for that gift in the present. Often, donors just don't think about bequests unless prompted, or they don't realise your organisation is committed to being around for the long-term and seeking this kind of gift.

(iii) Seeking bequests is usually regarded as a long-term strategy and it is true that a strategy to encourage bequests will probably not generate revenues in the immediate future. But years have a way of passing by very quickly, so if your organisation has a long-term vision and mission, and you have members who have been with you

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for several years, this is a strategy you simply cannot afford to overlook.

Benefits to the donors

Bequests to a charity or community organisation provide a number of benefits for the donor and his / her loved ones:

- The donor is able to control how his / her wealth is used. By making a will and spelling out how s/he wants their money used, the donor has the satisfaction of knowing that his / her wishes for the use of his / her accumulated wealth will be honoured.
- The donor can enjoy recognition while still living. If the donor advises the group of his / her intent to leave a bequest to the organisation, the charity can honour the donor and express its gratitude while the donor is still around to enjoy it!

Locating bequest prospects

Who are your best prospects for bequests? First, look for **involvement**. Basically, people who make a bequest to your organisation are treating your charity or community organisation like a member of their family. Think of people who are connected to the organisation, have been involved with it intimately and know its needs. Board members, volunteers and staff, both current and former, all fall into this category.

Apart from involvement, the best indicators of bequest potential are **age** (65 and over), **frequency of gifts, length of time as a member** (three years or more minimum) and **gender** (the majority of bequests to charities are from women who never married or who outlived their husbands). This is sometimes referred to as the FLAG system (frequency, longevity, age, gender) of identifying potential donors.

It is usually worthwhile to look at your lapsed (unrenewed) as well as current members for bequest prospects, to increase the number of prospects you have to work with. Lapsed older donors are often excellent prospects for bequests. They may be on a fixed income and unable to send money but still interested in your organisation and willing to consider leaving you something in their will. But they need to be asked!

Encouraging your members to make bequests

Here are some of the simplest and most cost-effective ways you can encourage bequests to your charity or community organisation:

Letter / Information Sheet

Prepare a very simple letter or information sheet which you can send out to your members which gives the language they should put in their will so that they can make a bequest. An example is given below:

Dear _____

Thank you for your past and continued support of <<insert the name of your charity or community organisation>>. We thought you might like to know that we have set up a Named Endowment Fund with the Geyser Community Foundation and would appreciate it if you would consider leaving a bequest to <<insert the name of the Fund your charity or community organisation has set up with the Geyser Community Foundation>> Fund via that organisation.

We have chosen the Geyser Community Foundation to administer this important area of our fundraising strategy for the following reasons:

- Your gift will remain and give back to our charity / community organisation – forever!
- Your contribution will be pooled with others, increasing its effectiveness
- Your donation may attract a tax credit from IRD

The Geyser Community Foundation will provide us with an annual report telling us who left bequests and the amount. Donors can remain anonymous if they wish.

To make a bequest, you should consult with your lawyer and ask for the appropriate clauses to be inserted into your will and / or memorandum of wishes. We have set out below some sample clauses used previously which may be useful to your lawyer.

Sample wording for a Will containing a legacy for the Geyser Community Foundation:

“To transfer the amount of \$_____ <<insert amount – this may be a fixed amount or a percentage of the residue>> to the Geyser Community Foundation, Charities Registration No. CC21560, to be paid into the <<insert the name of the Fund your charity or community organisation has set up with the Geyser Community Foundation>> Fund so that it may be dealt with by the Trustees of the Foundation in accordance with the terms of that Fund. I direct that the receipt of any responsible officer of the Geyser Community Foundation to be a full discharge to my Trustees”.

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Sample wording for a Memorandum of Wishes:

"After I have died it is my wish that you pay or transfer _____% <<insert amount>> of the Trust's net assets to the Geysers Community Foundation, Charities Registration No. CC21560, to be paid into the <<insert the name of the Fund your charity or community organisation has set up with the Geysers Community Foundation>> Fund so that it may be dealt with by the Trustees of the Foundation in accordance with the terms of that Fund. I direct that the receipt of any responsible officer of the Geysers Community Foundation to be a full discharge to my Trustees".

Please note that the above clauses are samples only and you should obtain your own legal advice on these matters. Everyone's circumstances are different and your estate planning needs to be tailored accordingly.

Again, thank you so much for all you have done and continue to do for our organisation. If you decide to include us in your will, please let us know so that we can formally recognise your generosity.

Yours sincerely

Advertisements

Put a simple advertisement in every issue of your newsletter and annual report encouraging your members to make a bequest. Include a coupon or other information which enables them to ask for more details on how to do this.

Sample wording for newsletters and annual reports:

We are grateful to those donors who remembered <<insert the name of your charity or community organisation>> in their estate planning during the past year. Bequests to <<insert the name of your charity or community organisation>> contribute significantly to our long-term financial well-being and help us ensure the success of our programmes.

Naming <<insert the name of your charity or community organisation>> in your will is not difficult and you can designate any amount or percentage of your estate that you wish. As you

make plans for your estate, we hope that you will consider a bequest to us. For more information about bequests and other planned gifts, please phone us on _____

Articles

One of the best ways to motivate your members to put you in their wills is by example. Include articles about specific bequests in your newsletter or on your website. Don't just focus on large bequests – use examples people will relate to about small bequests. Tell a story about what another member did in this area and how it helped the organisation.

For years Kathy Elliott gave to <<name of charity or community organisation>>, as many do, when she could. A little more when she was flush, a little less when things were tight. She was a quiet supporter, never on our board of trustees and known by only a few. But, some time ago, Kathy made a generous gesture to show just how much she believed in our work: she made a will and designated <<name of charity or community organisation>> as a beneficiary.

Last year, <<name of charity or community organisation>>, lost this dedicated member when Kathy passed away but she is no longer a quiet supporter as her generosity helped us to buy a much needed (*item*).

If you appreciate the work <<name of charity or community organisation>>, does and realise it needs to continue beyond your lifetime, consider putting <<name of your charity or community organisation>> in your will. It's simple, quick and could be one of the most satisfying actions you ever take.

To find out more about bequests, endowments or other options, return the form below or contact _____

Targeted contacts

Every potential donor is a campaign in their own right. When you are considering how to approach your best prospects, consider who would be the best person to make the initial approach and whether a phone call, meeting or letter would be the best way to initiate discussions. And don't forget that "No" actually means "Not at this time". If you sow the seeds in the right way, you may be pleasantly surprised

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when you reap the rewards at some time in the future.

Workshops / Seminars

Another good strategy for encouraging bequests is to have an estate planner or endowment specialist such as the Geyser Community Foundation do a seminar for your prospects. Be sure to include your own board and staff in the audience. Educating board and staff about this form of giving and turning them into believers and advocates for bequests is an effective strategy in itself.

Website

Be sure to put information about how and why to make a bequest on your website. This information should include motivational material on why people should make a bequest as well as a copy of the sample letter mentioned above, information about the benefits of making a bequest and who to contact for more information.

With all these strategies, your role is to motivate and educate your members, board and staff about the benefits of bequests. Always advise a donor to use his / her own lawyer or adviser to create or modify a will.

Record keeping

It is important to keep a file on any member who indicates that he or she is considering naming your organisation as a beneficiary in their will. Use the file to record any visits or conversations you have with the member and to file any and all correspondence you exchange. This file will become the organisational "memory" for this very important group of members so that, should staff leave or computers crash, the record of the relationship you have established with these individuals will remain.

Budgeting

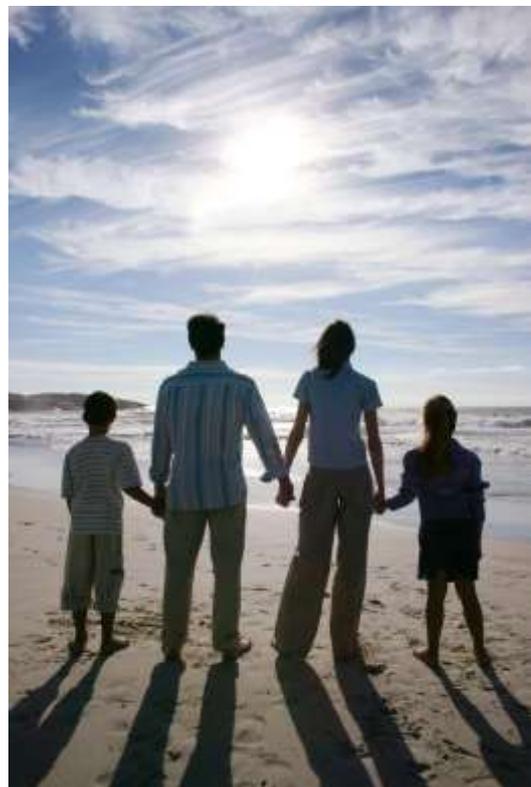
With small organisations, it is never wise to budget for income from bequests because they are so unpredictable. Most experts urge groups who receive bequests to put the funds into a reserve or an endowment, or both, where they will generate interest income and constitute a "safety net" for emergencies.

How to start

With bequests, the important thing is to begin and to be persistent. If you leave it on the back burner, it may never come to the boil. When you

are putting your annual fundraising plan together this year, look over the strategies above and pick a few that seem feasible for your organisation. If you, as executive director or board chair, don't feel that you can handle this additional work, ask someone on the board or one of your volunteers to take charge of this particular fundraising strategy. It is important that your organisation has someone who will "champion" this important source of funds which future generations of trustees and staff will certainly thank you for.

Future-proof your organisation



Geyser Community Foundation can help your organisation to future-proof its finances by establishing an Endowment Fund in your organisation's name.

Your supporters can choose to donate now or leave a gift in their will to be added to your Fund.

The capital is invested and once your Fund reaches \$50,000 your organisation will begin to receive annual distributions from the Fund.

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To find out more, or if you wish to discuss any issue raised in this brochure, please contact the Geyser Community Foundation.

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