

How to formulate a Bequest and Endowment strategy

A professional resource from the Acorn Foundation



For most small charitable groups, 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) that is invested so that the capital sum is not spent, but it generates an annual income stream. This may be used to offset operating costs, or to provide education scholarships, or otherwise as specified by the donor.

The Acorn 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 program is a long-term strategy, not necessarily one that will produce immediate income for your organisation. Bequests are unpredictable, particularly during the early years of developing a program, and as such it is unwise to budget for them in your annual income budget. 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 bequestor 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,

and boosting your reserves will support you through years when income is lean.

Three misconceptions

Why do small organizations 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, estate planning, etc. 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 is 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 for several years, this is a strategy you simply cannot afford to overlook.



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Benefits to the donors

Bequests to a non-profit 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 her money used, the donor has the satisfaction of knowing that their wishes for the use of their accumulated wealth will be honoured.
- The donor can enjoy recognition while still living. If the donor advises the group of their 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 non-profit 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 (un-renewed), 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 organisation:

Letter / Information sheet

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

Dear Mrs. Smith,
Many thanks for your recent inquiry about making a bequest to XYZ organisation. We are pleased and heartened by your interest in our organisation and your desire to help ensure our ongoing financial health. To make a bequest, you should consult with your lawyer and ask for 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.

General Bequest:

"I give and bequeath the amount of \$____ to XYZ organisation, located at (specify address)"

Percentage Bequest:

"I give and bequeath ____% of the total value of my estate to XYZ organisation located at (specify address)."

Bequest of a Residue:

"The residue and remainder of my estate, both real and personal, wherever situated, I give and bequeath to XYZ organisation, located at (specify address), to be used as the Board of Trustees directs."

Designated Bequest:

"I give and bequeath to XYZ organisation, located at (specify address) the sum of \$____ to be used for the _____ (specific program, project, etc.)."

If you decide to use the last clause, it would be prudent to also add a contingency clause saying, "Should this program no longer be needed, the bequest may be used as the Board of Trustees determines."

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.

Enclosed is a quarterly report on our latest activities as well as a recent article about our ABC programme, in which I know you are interested. Again, thank you so much for all you have done and continue to do for our organisation. If you do 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 ad 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.

We are grateful to those donors who remembered XYZ organisation in their estate planning during the past year. Bequests to XYZ contribute significantly to our long-term financial well-being, and help us ensure the success of our programmes.

Naming XYZ organisation in your will is not difficult, and you can designate any amount or % 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 web site. 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 XYZ 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 XYZ as a beneficiary.

Last year, XYZ 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 of equipment)

If you appreciate the work XYZ does, and realise it needs to continue beyond your lifetime, consider putting XYZ 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 when you reap the rewards at some time in the future.

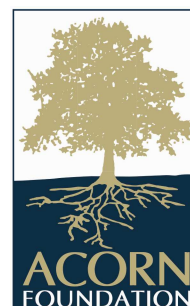
Workshops/seminars

Another good strategy for encouraging bequests is to have an estate planner or endowment specialist such as the Acorn 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 web site. 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. One important caveat here is that you cannot be involved in the creation of someone's will, or give legal advice. Doing this opens you up to charges of exerting "undue influence." Always advise a donor to use his or 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 "organizational 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



Acorn 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 you will begin to receive annual distributions of 5% of the capital value of the fund.

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

