

ESTATE *planning* GUIDE

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Long-term vision, communication are twin keys to charities' success

With trepidation, the community benefactor checks the caller ID.

With a budget already stretched to the limit, the donor is reluctant to hear their favorite charity's development director calling again. It leads them to wonder if there truly is a financial problem.

Often the problem is more one of vision and communication. With a charitable organization's usual focus on immediate needs, the first reaction is to bang on doors for bucks. That means long-term financial goals never get adequately addressed.

To avoid the tyranny of the urgent, questions must be asked: Has the organization developed a future vision? Does it have a plan to get there? Has it communicated this vision to difference-making donors?

A long-term vision gives charities a plan that moves them beyond the present day. Developing long-term relationships with donors and cultivating intergenerational relationships to build an endowment is critical to charities' success.

Keeping donors informed is part of the process. Start by sharing success stories, who was served and how the community benefits, and words of appreciation.

Creating a partnership is the next step. Donors in partnerships are much more likely to champion a charity's cause with family and social and business contacts.

The partnership's other side is getting to know donors as individuals. Their philanthropic intent may be obvious enough, but it's vital to understand what drives donors.

To secure long-term financial stability, organizations must think beyond the typical endowment.

Suppose a development director invests time getting to know a major donor. The donor provides significant annual gifts, so his philanthropic intent is well known. The development director learns he wants to



CHARITABLE GIVING

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provide for his family, while still supporting the community. He hopes to begin a legacy of giving his family will continue.

The director seeks a win-win situation. In this case, he recognizes the value of a charitable lead annuity trust. The donor will be selling his business as part of his retirement plan, so he'll have more cash available than needed for retirement.

A charitable lead annuity trust provides an annual distribution to the charity for a set number of years, while offering immediate tax relief for the business owner.

In the event of the business owner's death or the end of the trust's term, the remaining balance passes to named beneficiaries. The trust reduces the estate size, so lightens the future tax liability.

By establishing the relationship, the donor's children see what community involvement means, making it more likely they'll continue a heritage of giving.

The director also asks the donor to consider an irrevocable life insurance trust, with the charity named as beneficiary. The life insurance proceeds would replace the original charitable lead annuity trust principal at the business owner's death.

With that, the development director solidifies a long-term relationship with the donor and his family, and the business owner appreciates that he can establish a legacy of giving.

Long-term donor and intergenerational relationships are crucial to a strong future.

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