

# ENGAGING THE BOARD IN PLANNED GIVING: GOVERNANCE AND MARKETING



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## ABOUT THE PRESENTER

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Kathryn W. Miree is President of Kathryn W. Miree & Associates, Inc., a consulting firm that works with boards and staff of nonprofits and foundations to develop administrative policies, structure, and planned giving programs. She received her undergraduate degree from Emory University and her law degree from The University of Alabama School of Law. She spent 15 years in various positions in the Trust Division of AmSouth Bank where she was the manager of the Personal Trust Department before joining Sterne, Agee & Leach, Inc. to start its trust company. She established Kathryn W. Miree & Associates, Inc. in 1997.

Ms. Miree is a past president of the National Committee on Planned Giving, a past president of the Alabama Planned Giving council, a past president of the Estate Planning Council of Birmingham, Inc. and a past member of the Board of the National Association of Estate Planners & Councils. She currently serves on the boards of the United Way of Central Alabama, Inc. (board vice-chair), The Altamont School (board chair), and The Capstone Foundation. She also serves as a member of the Merrill Lynch National Attorney Advisory Board and the American College Wallace Chair/Chartered Advisor in Philanthropy Advisory Board.

Ms. Miree is a frequent lecturer, co-author of *The Family Foundation Handbook* with Jerry J. McCoy (Aspen Publishers 2001) and author of *The Professional Advisor's Guide to Planned Giving* (Aspen Publishers, 2001) and co-author of a bi-monthly newsletter, *Family Foundation Advisor* (Civic Research Institute). She serves on the Editorial Advisory Boards of *Planned Giving Today* and *Planned Giving Design Center*. Her clients include a variety of nonprofits and foundations across the country.

## **Engaging The Board In Planned Giving: Governance, Administration, and Marketing**

Put yourself in this picture. You are the planned gifts/major gifts officer at a mid-size nonprofit museum. You initiated a planned giving program at your nonprofit in 1998. The impetus for the program came from a highly-publicized \$25,000,000 planned gift to a local college that inspired your board to embrace the deferred gift concept. You did everything by the book. In the first year you established a recognition program, developed gift acceptance and investment management policies, and drafted and purchased key brochures. This year, you've planned several mailings and seminars. And you have worked diligently to get appointments to see long-term donors. But you have other responsibilities in development that limit your time, and the board has been reluctant to help you open doors.

At the end of two years, results in your planned giving program have been less than expected. You have three members of your recognition society, only one of which is a member of your board. You've made 25 calls, but have been unable to follow up effectively. Now the board is planning to cut your planned giving budget in half until results improve. What's wrong?

This session is designed to help you answer that question and to involve your board in the process of development. It's important to understand, however, that the most effective board for development purposes is also engaged in its other duties – governance, fiduciary management of assets, advocacy and marketing.

### **I. The Board as a Central Player in Planned Giving**

The Board of Directors plays a critical role in the success of a nonprofit's development effort. While the staff can supply the structure and marketing materials, the board provides the important community contact and presence. In some instances, board members drift through their terms, unaware of what is expected. In others, the board is over-involved, issuing instructions, managing staff, and demanding positive results.

#### **A. Do You Know This Board?**

Sometimes it's comforting to know that you are not the only organization struggling with your board. Do these scenarios sound familiar?

##### **1. The Eternal Board**

There was a long silence after Susan, the planned giving officer at the city college, explained the planned giving program implementation plan. Finally, one of the older members (and they all looked mature- the average term of board service on the board was 18 years) said: "Susan, that's not the way we do things here. We put all our energies into current fundraising. We have a great dinner each year that raises just what we need. You just told us that it will be 7 – 10 years before this program is effective – why would we want to do that? Why don't you get with Don, the Executive Director, after this meeting and he'll explain how it's done."

## **2. The “I-Heard-It-Through-The-Grapevine” Board**

David, director of planned and major gifts for the Utopia Museum, had heard the words before, and they sent a shiver through his spine. At a report of the development committee to the full board, a non-development committee board member waited until the marketing plan for planned giving at the museum had been presented and then said: “I’ve got a better idea. I recently heard about a seminar at the Blueblood Private School that was wonderful. Two hundred people attended. Let’s do that.” And another non-development committee board member piped up and said: “I’ve got another idea. I heard about a great direct mail program conducted by my university. Let’s start a direct mail program for planned giving here. It seems like that would free up a lot of your time and we wouldn’t have to hire additional staff.” With quick resolution, the board endorsed the ideas of conducting a seminar and spending the staff salary on a planned giving direct mail program.

## **3. The Out-Of-Body-Experience Board**

Anne, the chief development officer at the city’s nonprofit hospital, was excited to get a new development committee. Finally she would have help in making contact with potential donors identified through a profile of the hospital’s database. She had asked the chair to give her committee members that were well connected in the community in order to best leverage her time and their contacts. At the first meeting of the committee, she excitedly shared the results of her search of the hospital’s database and the identification of the top 100 potential donors for planned giving. All she needed, she explained, was for the committee members to identify two or three names they knew well to set appointments to allow Anne and the committee member to visit. Her request was met by looks of horror from the members of the committee. “Now wait a minute,” one explained. “I was told I wouldn’t have to ask for money. I was told you just wanted advice on your plan and your marketing materials. I thought it was your job to call on donors. We really don’t have anything to do with that.”

### **B. The Dynamics of a Non-Functional Board**

These board likely share common dynamics. Here are the most common problems that interfere with the board’s ability to move the nonprofit forward and support you and your staff in planned giving.

#### **1. The individual board members are unaware of their duties or role.**

Each individual brings personal experiences and attitudes to board service. Few, however, understand their governing role and responsibilities unless they have been trained by your organization or another organization on how to discharge those duties.

#### **2. The board is not constructed properly.**

The board may be heavily weighted with individuals perceived to be of value but may not possess the talents required for efficient, effective operation. For example, the board may

consist primarily of individuals with social contacts, or with high public visibility. When a board has a single set of talents, its often has a single focus. The board may be even less functional when those who are selected for the board have no connection with, knowledge of, or interest in the nonprofit.

### **3. The board does not have term limits.**

When board members serve perpetual terms, the interaction and work of the board may grow stale and its members may grow tired. New ideas, talents, and energies must be introduced to keep the governance and management fluid. By-laws should specify term limits, limit consecutive terms, and enforce those rules. There will always be a way to keep a valuable volunteer involved in a significant role between terms, if desired.

### **4. The board is not asked to work. (Or to attend meetings!)**

Sometimes, in deference to the busy lives of its board members, nonprofits simply invite the board to lunch, barrage them with reports, and send them on their way. In other instances, highly visible individuals are recruited with the promise: “I know you’re busy; it’s OK if you’re not able to make the meetings.” (This should be an insult, but is generally perceived as an advantage.) This means that the individual does not have the satisfaction of getting involved with the organization’s mission or staff. In truth, few of them need a free lunch and these individuals will not form closer relationships with your organization unless they get involved with its work. Either way, boards do what they are asked to do, and what they are expected to do. If you do not ask them to work, and do not make expectations clear, you will get little from your board.

### **5. The board is not asked to give. (And so they don’t!)**

Occasionally I find an organization that has adopted the philosophy that the board member’s most critical contribution is time; money isn’t necessary. Both are important. The act of making a contribution is similar to an investment in your organization. And if your board, who is most familiar with your mission, doesn’t give, why should the community at-large give?

### **6. The board wants to take an active role in managing the nonprofit staff.**

The board may believe that their role is to “manage” the nonprofit just as they manage their business. This means they may feel free to hire and fire, arrange office management, and supercede the chief executive in making decisions. This interference may result in the loss of key staff members, and will always result in confusion about who is responsible for day-to-day management of the organization.

## **7. The board does not believe in strategic planning.**

Asking for an organization's strategic plan (and receiving it) always gives me a great perspective on the board and how it perceives its role. Sometimes, there is no plan (we really don't need one...). At others, the plan is ten years old. Regular planning keeps the board involved and informed. Without planning, and the familiarity with mission and purpose that comes with the planning, there is no way for the board to prioritize ideas and activities, and therefore little direction for staff.

## **8. The board fails to set goals.**

This problem is closely tied to a lack of strategic planning. (When there is nowhere to go, there is no need to worry about when you get there.) Measurable goals – both financial and non-financial – are important and progress to goal should be regularly reported.

## **9. The board does not understand planned giving or the need for endowment.**

If you have not made the case for planned giving to the board, and reported regularly, the board may not understand the opportunity or the objectives. They will likely measure results in planned giving in the same way they gauge success in annual or major giving – by measuring the receipt of current dollars. When there are few current dollars generated, the board may shut down or scale back on the budget and staff allocated to the process.

The board is even more reluctant to engage in planned giving if it is in conflict on the need for endowment (why build an endowment when there are so many current needs?) you will have even more difficulty selling the planned giving concept and enlisting their help. If, instead, they focus on the potential and the role they can have in the success of the program, they will be motivated to work with you.

## **C. The Magic of a Functioning Board**

The upside to this dour beginning is that all of these things can be fixed. Get the board involved in development at the outset by ensuring that each member understands his or her responsibilities. As stated earlier, board members are often selected because they are visible in the community, are perceived as wealthy, or are connected to the delivery of services related to your mission. Yet once selected, they are not educated on their role, or even asked to work. The result, as summarized by Taylor, Chait and Holland in their article, "*The New Work of the Nonprofit Board*",<sup>1</sup> is that the board is "little more than a collection of high-powered people engaged in low-level activity."

The time spent selecting and developing your board is worth it. A well-functioning board understands the importance of development of funds as well as management of funds. They prioritize stewardship. They are willing to participate in development of donors. And they

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<sup>1</sup> Taylor, Chait and Holland, "The New Work of the Nonprofit Board," *Harvard Business Review*, September-October, 1996.

add vision to the strategic planning process, bringing other ideas to the table and crafting them to fit your organization.

## II. The Classic Role of the Board

The board's role in fundraising is grounded in its governing role.

### A. The Big Picture – The List of Duties

What should you expect from your Board? The National Center for Nonprofit Boards<sup>2</sup> has published a booklet that outlines the Ten Basic Responsibilities of Nonprofit Boards.

#### National Center For Nonprofit Boards Ten Basic Responsibilities of Nonprofit Boards

1. Determine the organization's mission and purposes.
2. Select the chief executive .
3. Support the chief executive and assess his or her performance.
4. Ensure effective organizational planning.
5. **Ensure adequate resources.** ←
6. Manage resources effectively.
7. Determine, monitor and strengthen the organization's programs and services.
8. Enhance the organization's public image.
9. Ensure legal and ethical integrity and maintain accountability.
10. Recruit and orient new board members and assess its own performance.

Schedule a board orientation and include time to explain these duties and how the board performs those duties. (More on training is provided in a subsequent section.) For example, strategic planning may take place every three years, and the organization's mission may be reviewed annually. Financial reports reporting financial condition may be distributed at each board meeting or mailed quarterly. Fundraising reports on the annual campaign, direct mail, newsletter program, and special events are provided at each board meeting. The chief executive officer is reviewed annually by a compensation and review committee of the board. Not only will you improve the quality of your board, but other nonprofits (on which these board members serve) may benefit as well.

Board members will likely have specific interests in certain tasks. Do your best to ascertain those interests and assign people to committees with corresponding roles. Prepare job descriptions and meeting schedules (or at least meeting requirements such as frequency) for each committees. Discuss the roles of the committees in orientation before asking new members to express an interest. Share this information with returning board members as well and ask them to make first, second, and third choices for service. You'll get a more committed group by making the roles clear and allowing them to participate in committee selection than if you randomly assign bodies to committees.

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<sup>2</sup> National Center for Nonprofit Boards, Suite 510-G, 2000 L. Street, NW, Washington, DC 20035-4907

## **B. The Board's Perspective On Its Role**

Sometimes communication is hindered by the fact that the board and staff have very different perspectives of their roles. The Board's perspective is drawn on two sources: other board experience and the expectations that you set for them. Expectations may range from serving as a "rubber stamp" for actions proposed by staff, to providing guidance for programmatic issues, to serving as a full fiduciary. The nonprofit should provide board members with guidelines for their role, and a list of expectations for the job.

Each board member has a personal motivation for agreeing to board service. Some may enjoy the attention and association with your organization, others may see it as a way to network with important people in the community, and still others want to get actively involved in mission and delivery of services. While motivation to serve is discussed in more detail in the section on recruiting board members, you must identify and address that motivation early because it influences the individual's perspective on his or her service.

## **C. The Staff's Perspective On The Board Role**

The staff should be realistic about the role the board will play. Too often, staff assumes that powerful board members will exercise their influence in favor of the nonprofit. Or they assume that board members understand the role of setting budgets, monitoring spending, managing investments, setting long-range objectives, and other required tasks. Or they expect that board members are clamoring to become involved in fundraising. Be realistic and clear about your expectations.

## **D. Balancing Expectations – The Pot of Gold at the End of the Rainbow**

Expectations of staff and board should be balanced to avoid frustration in both camps. This is best accomplished by good communication. Do not assume that good communication is intuitive. You must work to develop your board, talk with them in advance of service about expectations and roles, and then report and discuss results regularly. Provide board members with a job description, or at a minimum, a list of duties. Don't hesitate to remind them of these responsibilities during the year. Staff, as well, should be encouraged to set specific goals in working with the board, to communicate those, and to report internally. Most of the problems identified above can be quickly pegged and addressed. Then you will see results.

## **III. Constructing The Most Supportive Board**

Great boards don't just "happen". Great boards are strategically structured and carefully nurtured to greatness.

### **A. Strategies in Board Construction**

Many nonprofits select new board members by starting with individual names. Turn that around and try this approach:

- Begin the process by listing the critical skills needed on the board. For example, you may need service providers associated with your mission, contacts with the community served by your nonprofit, marketing help, professional advisor input, donor leadership, and organizational leadership. Each of these roles is important, and you should focus on creating a balance in the board mix.
- Next, identify several potential candidates for each role.
- Finally, rate each candidate's name to determine the individuals that have the highest degree of contact with the organization. This method of selection focuses first on function. (The more typical model involves a focus on the names of the rich and famous in the community. Roles to be filled by those new members are not considered until later.)

### **1. Critical Board Functions/Skills**

Develop your list of roles by considering the critical functions (or value) that an individual may bring to your board. Critical board functions include:

- Leadership
- Financial Skills
- Fund-raising experience/individuals
- Fund-raising experience/corporations
- Grant writing skills
- Organizational skills
- Staff/program evaluation skills
- Political/social connections
- Special events experience
- Contacts with people or organizations representing the nonprofit's constituency
- Program administration experience
- Prior success with nonprofit boards
- Planned gift donors
- Major gift donors

While the exercise of determining the functions on the board is sometimes left to the nominating committee, input from staff will allow them to be more effective. Explain your needs to help them realize that the key to success is in creating and maintaining a varied board with a wide range of interests and backgrounds.

## **2. Analyzing the Current Nonprofit Board**

The next step in the exercise involves an honest review of the strengths and weaknesses of the current board, and a comparison of skills that you have to the list of the skills required for the "perfect" board. This review will likely turn up some weaknesses.

Focus on these weaknesses as you fill new board spots. Solicit nominations broadly. Use descriptors in detailing the type of board members you are seeking. The more clearly you describe the individuals you need, the more likely you are to turn up good members. This strategic board building exercise will add strength to your ability to manage change within the organization and will ensure your ability to continue to move forward.

## **3. Selecting New Members**

Now that you've determined the roles that must be filled, and the weaknesses in your current board, you're ready to identify individuals with the needed skills to fill the missing slots. This is critical part of the process. Begin early. It is difficult to conduct a strong recruitment process if you begin a week before the nominating report is due.

### **a. The Selection Goals**

Board members come in all forms. There is no one board member who can do it all for every organization. Seek members that fill the roles you need (as determined above) who also have contact with or are motivated to work for your chapter. Common qualifiers include:

- Wealth (donor potential)
- Generous contributor (history of support)
- Family history of support
- Good media/press contacts
- Contacts with segments of the community that you want to reach
- Experience with the services you offer
- Experience in your nonprofit field
- Experience in the nonprofit sector
- Experience with fundraising in the nonprofit sector
- Delivery of the services you need
- Family use of your services
- Grant seeking experience
- Time to contribute
- Easy to work with
- Successful board experience
- Political connections (community influence)
- Other factors that you have found important

Remember that the same factors that make the board member a good resource for your nonprofit may also make the board member an overworked resource. And, the same factors that make a board member successful may also keep him or her from participating in the governance of your organization. In other words, once you have identified the objective factors that rate an individual as a good potential board member, look at the subjective factors that may impact performance positively or negatively.

### **b. The Motivations of the Board Member**

Motivation to serve has a lot to do with the commitment and level of participation of the board member. Individuals have their own reasons for wanting to become involved on your board and in your institution's planned giving effort. You need to understand these motivations in order to understand the board member's expectations and potential contribution to the success of your chapter. Motivating factors include:

- **Support of your organization because of the role that it plays in the community.** The volunteer professional will likely have a genuine interest in the service that your institution provides and the impact that it has on the community.
- **The personal satisfaction of helping your organization.** The volunteer may feel good about helping your organization, because of the benefit it provides. Feeling good about doing good is a universal feeling.
- **A personal interest in your organization because of the service it provides.** The volunteer may have benefited from your institution in the past. It is also possible that the volunteer or the volunteer's family may need the services that you offer, and may perceive a benefit to themselves or their family members as a result of being involved.
- **Personal prestige from association with your organization.** A role as a board member is generally perceived as prestigious and an endorsement of the individual's influence or abilities. The board position may impact the individual's social standing in the community.
- **Personal benefit from meeting and working with others that are a part of your organization.** This ability to network and expand community contacts in service on the board may result in other business or social relationships for the board member.
- **Heightened exposure to others in the community.** The ability to participate on the board and in seminars may lead to a higher visibility in the community. This may be especially important to the individual who is new to your community.

It is best to understand the needs of those who you recruit to volunteer their time so that you can use them effectively and meet those expectations.

#### **4. Conflicts of Interest**

Sometimes motivation extends to self-interest when the board member attempts to advance his or her own interests over those of the nonprofit. These efforts are generally a result of lack of education and thought than from anything more sinister. The solution to the problem is to anticipate the areas of conflict, and to address those potential conflicts before they occur.

The most common conflict areas are:

- Board expectations that nonprofit business (investment management, legal services, accounting services, marketing, insurance, etc.) will be steered exclusively to them.
- Board expectations that products (business supplies, insurance, etc.) will be purchased from them.
- Board expectations that donor lists will be available to them for marketing purposes.
- Board expectations that property can be sold to or purchased from the nonprofit.

The easiest method of addressing the conflict is by addressing the fiduciary responsibilities of a board during training and reinforcing those concepts by asking the board members to sign a conflict of interest policy during the orientation process. Conflict of interest policies are now common among nonprofits. A sample policy is set out as Appendix A.

#### **B. A Dose Of Realism**

##### **1. Rome Wasn't Built in a Day**

Board reconfiguration must begin slowly and be pursued steadily. First, ensure that you have the ability to move individuals on and off of the board through term limits and a regular nominating committee process. If you have never had term limits, this concept should be initiated in a strategic planning session, a by-laws review, or some other structural (non-personal) process.

Next, identify the key areas of your board that need building, and focus on those. Rome wasn't built in a day. It may be many years before you achieve your "perfect" board, but if you steadily add key players, you will constantly improve the functioning of the group.

##### **2. Out With the Old, In With the New?**

Rotation of the board shouldn't mean that former board members are summarily dismissed and never heard from again. Many of these individuals have an important perspective on the development of your organization and provide a valuable anchor to the past. They understand its operation, its strengths, and its weaknesses. Find ways to keep them involved in non-governance matters. Some may be willing to help you make calls, or simply to focus on the one aspect of working with your organization that's interesting to them (without the

bother of those regular board meetings....) Rotate a key player back onto the board if he or she is someone willing to work and play a role in the nonprofit's growth and development.

#### **IV. Getting The Board Involved**

Now that you have your dream team, how do you get them involved? This is where the real work begins.

##### **A. The Training Session**

Training will increase the board member's level of interest in board duties and planned giving and will invest the volunteer in the outcome of the program. Board members must understand your organization, its history, its structure, its successes, its failures, its goals, its strengths and its weaknesses in order to make good decisions as board members and to make effective calls on donors.

##### **1. The Trainer**

The trainer is the most important person in the session and should be selected carefully. A bad training experience can be disastrous because you may lose the interest and enthusiasm of your group. Once a board member has endured a painful training session, he or she is not likely to return for follow-up torment.

Realistically, your choice of a trainer will depend on the selection of someone who has the best chance of communicating with and motivating the board and will fit within the budget allocated for the purpose. Consider these options:

- a. **A professional trainer or consultant with specific experience in training and motivating boards.** This option is probably the most expensive but may provide you with an experienced, authoritative voice that can reach your board.
- b. **A trainer from your local Nonprofit Resource Center.** Many NRCs provide in-house trainers at a reasonable cost. Others provide connections with established consulting firms. This is somewhat less expensive; quality will vary depending on the resources available.
- c. **A volunteer who is a training professional in the corporate world.** Again, this is an inexpensive choice. If you use this option, make sure that you and the trainer are in agreement about what you want to accomplish and that the individual knows your organization well. The training should be specific to your organization, and not a generic rendition of how nonprofits should operate.

- d. **Your chief professional officer.** This is the least expensive option, and ensures a trainer with the greatest familiarity with your nonprofit. The drawbacks are that the CPO may or may not have the training skills necessary to communicate well.
- e. **A chief professional officer or trainer from another charity.** This is also an inexpensive option and is especially effective when the trainer comes from an organization perceived as well organized and successful.

## 2. The Setting

Select a time and setting that ensures the board will prioritize the time. If possible, select a campus out of town so that participants are not distracted by ordinary business matters. It is best to conduct the training in a workshop setting and ask that volunteers commit a morning or a day for the process. If you use a board meeting or pre-board meeting to deliver the message, some board members will not attend, others will leave early, and still others will leave the meeting to take calls, return calls, and take care of other business.

## 3. The Message

Once you have asked the volunteers to commit the time, make sure that you deliver training that is focused and effective. The training should cover the basic board duties as well as special training on planned giving.

### a. The Basic Board Responsibilities

Boards must understand their basic duties to put fundraising responsibilities into context. Include segments on the following basic topics on the training agenda.

- **Legal requirements.** Board members should be familiar with the Articles of Incorporation, by-laws, internal policies, procedures and contracts with third parties. In addition, they should be informed about state nonprofit laws, charitable solicitation rules, state tax exemptions, licenses, health and safety codes, and charitable immunity. And finally, they should be informed about federal laws, including the Internal Revenue Code, Fair Labor Standards Act, employee retirement basics, and anti-discrimination laws.
- **Fiduciary standards.** The new board member should be instructed in basic fiduciary duties. These include the duty of care, the duty of loyalty, and the duty of obedience.
- **Liability.** Board members should also understand that fiduciary roles carry liability. (The word “liability” usually gets their attention.) The board has liability to parties outside the organization and liability to the corporation. The nonprofit should provide indemnification and insurance coverage for acts within the scope of the member’s board role.

- **Nonprofit history.** Board members must understand the mission, history, and growth of the organization in order to effectively govern and represent the nonprofit in the community. The board should know how the organization was started, the sources of leadership, the major turning points in its history, and the dates and reasons that services were expanded, changed, or reduced.
- **The strategic plan.** Share the current strategic plan for the organization and give new board members the history of its development. If the plan replaces earlier ones, share the sequence of events leading to the current plan. This will help the new board member assign importance to this guiding document.
- **The budget.** Staff should share the current operating and revenue budget with the board, and describe when the board member will receive periodic reports on the budget progress. Make the budget easy to read. Be ready to highlight key achievements or problems. Make sure the board is kept informed on current budget figures at least quarterly.
- **The staff and service providers.** This is a great time to focus on staff, staff roles, and the importance of each member. In smaller organizations this is easier than with larger nonprofits. This exercise is also important to staff since these individuals have few occasions to meet the governing board.
- **The meeting schedule.** Distribute a schedule of meetings, and make it clear that attendance is expected. List other duties and responsibilities of membership (committee service, contributions, participation in special events, and participation in fundraising). Be clear about what you expect from a board member and allow time for a discussion of those responsibilities.

#### b. The Need For Endowment

Lobby for time to address planned giving as a specific agenda item, especially if you are beginning or renewing your program. The primary goal of most planned giving programs is to fund the nonprofit's endowment; therefore, it is important to begin the planned giving segment with a discussion of the need for endowment. The nonprofit board must articulate why it needs a planned giving program in order to understand whether it needs a planned giving program. The best place to begin this discussion is "Does your nonprofit organization need an endowment?"

There is no purely objective test that leads an organization to establish an endowment. However, the following questions may be helpful in long-range planning. Positive answers to any of these questions may lead the organization to consider the creation of an endowment.

- Do cyclical economic variances impact the receipt of annual or special event gifts?
- Does the organization face increasing operating costs?

- Does the organization currently have new programs related to its purpose that cannot be operated for lack of funding?
- Does the organization serve a purpose or need that is likely to exist on a long-term basis?
- Does the organization anticipate needs for future programs related to its purpose that lack funding?
- Does the organization face increasing competition for annual gifts?
- Is the organization dependent upon government or private grants for its operational expenses?
- Has the organization lost major annual gifts through normal mortality results?

In addition, many donors who make major gifts to organizations insist that the organization have a plan to meet future needs. An endowment is the best method of dealing with change and insuring the organization's future.

### c. The Case for Planned Giving

Planned giving training for the nonprofit board is essential for success. Training does not have to be painful and should not consist of a dry rendition of planned gift forms. Spend time on activities that are designed to:

- Generate personal interest among the board members.
- Foster an understanding of planned giving concepts and forms.
- Highlight benefits available to the organization and its donors.
- Profile characteristics of potential donors.

Planned giving training is the only way to educate board members so that they can best support the program as fiduciaries and donors and help make contact with new donors to develop planned gifts.

The wonderful thing about making the case for planned giving is that it keeps you focused on expressing the mission. It also anchors the organization's mission, purpose, and goals in the mind's of the board members.. It's easy to get so caught up in soliciting the money that you forget that you need to make the case for contribution. Incorporate these points in making the case:

1. **Review the purpose and goals of the nonprofit.**
2. **Provide statistics that are relevant to the geographic area served by the nonprofit as possible.** Put the need into a perspective easily understood and identified by the board.
3. **Share the most recent American Association of Fundraising Counsel *Giving USA* statistics with them.** These statistics make the case that charitable giving is increasing at a steady pace.

4. **Share the fundraising history of your organization, breaking out contributions for special events, annual giving, major gifts, and planned gifts.** Share a fundraising report with the board at each meeting, prioritizing this activity by reporting.
5. **Describe the profile of the donor with greatest potential.** Hope they recognize themselves and others supporters of the organization.

Create and distribute a planned giving notebook to each member. Provide sections for the program's strategic plan goals and goal measurement, committee minutes, planned gift policies and procedures, planned gift forms and information, and collateral (marketing brochures). The notebook should be geared specifically to the planned giving program and its goals, as distinguished from the corporate board book that focuses on the nonprofit's overall operation. Make the notebook usable. (If a separate notebook is not feasible, include planned giving as a specific section in the regular board notebook.)

#### **d. Planned Giving Responsibilities**

Help the board understand its role in supporting the planned giving program. Duties include:

##### **i. Design and Review of the Planned Giving Program**

The board should establish the case for planned giving and prioritize the planned giving program on the nonprofit's list of activities. This prioritization is essential in expressing the importance of the program. The board should ensure that the planned giving program is established in an orderly and logical manner. The board should conduct an ongoing review of the program activities to identify strengths and weaknesses.

##### **ii. Adoption of Gift Acceptance Policies**

The board has a fiduciary duty to ensure that the nonprofit is protected from receipt of harmful gifts and that it has a plan to manage gifts it receives. What types of gifts will be a part of the program? Are there certain gifts that require review before acceptance? Will the organization serve as trustee? If so, under what circumstances? Are there minimums for any types of gifts? Will the nonprofit pay appraisal or legal fees? These questions must be asked, answered and reduced to writing.

##### **iii. Adoption of Investment Management Policies**

The board also has a duty to manage the funds entrusted to its care. This requires setting standards for investment management and standards for how those investments will be measured and reviewed. The board must decide whether to manage the money in-house or to hire a money manager. If outside managers are used, a process of review and replacement must be established. The board must set spending policy, parameters for types of assets purchased for investment, and goals for long term performance. A decision must be made on how to handle disposition of gifts made to the fund. The determinations on these issues must be reduced to writing and reviewed at least annually.

#### **iv. Establishment of Ethical Guidelines For Planned Giving**

The nonprofit must operate its planned giving program in an ethical manner. The board should be familiar with, and adopt, the Model Standards of Conduct for the Charitable Gift Planner promulgated by the National Committee on Planned Giving, and the ethical standards of conduct established by the National Society of Fund Raising Executives. Staff and board should be trained to understand the dangers of paying planners for a gift, and of compensating staff based on dollars raised. Methods of ensuring compliance must be put in place. The credibility and reputation of the nonprofit will depend upon the ethical standards reflected in its conduct.

#### **v. Establishment of Goals for the Planned Giving Program**

The board must set financial and non-financial goals for the planned giving program. Non-financial goals may include the number of calls made by staff or the number of new members in the planned giving recognition society. Financial goals relate to new dollars received in planned gifts. Make sure that the goals are realistic and encourage ethical behavior. Also, the goals and the staff available to achieve them must correlate.

#### **vi. Provide Leadership, Direction and Consistency for the Program**

The future of the nonprofit organization must be secure. Ongoing leadership, orderly transition in leadership, stability on the board, and a solid strategic plan are signs that the organization is well managed. Clear reporting of the nonprofit's fiscal health is another positive indicator. The public must believe that the organization will survive and be responsive.

#### **viii. Commitment of a Personal Planned Gift to the Nonprofit**

Commitment in planned giving begins with the board. Each board member should be asked and should consider making a personal commitment through a bequest or other planned gift. This request for support should be made on an individual basis. Make an appointment to visit each board member to explain planned gift options and reinforce the value of a planned gift. Set goals for board participation. Generally these goals are set in terms of the percentage of the board that has made a planned gift. Report the board participation level as a part of the ongoing planned giving report.

## ix. Identification of Potential Donors to the Nonprofit

The nonprofit's long-term survival depends upon its success in developing planned gifts as a part of the long-term revenue base. Board members have a fund-raising responsibility. One of the most valuable services they can render is to work with the development staff to identify prospects and to introduce those prospects to the nonprofit staff.

These duties should be spelled out on recruitment, and taught during training. By clearly communicating expectations the nonprofit has a greater likelihood of selecting and keeping members willing to fulfill those expectations.

### 4. Supporting the Training Effort

Once you have trained the board, you need to reinforce the information throughout the year. Do this by reporting, getting feedback, and encouraging input.

#### a. Reporting

Reporting on all aspects of the nonprofit's management is important, but it is especially important to report on the results of the planned giving program. Reporting on planned giving serves two purposes. First, it keeps the board involved in the progress of the program and keeps it focused on the ultimate vision of success. Second, it assigns a priority to the activities that are the subject of the report. We tend to prioritize those items that are the subject of regular reports.

Try these ideas for successful reporting.

- **Create a planned giving format that outlines all activities in the planned giving program.** For example, if calling goals are set, report the goals of the percentage of completion to date. If a goal for new recognition society members is set, report the number of new members and percentage of completion. Do not focus solely on dollars, especially in the early years of the program.
- **Report on gift commitments.** Help the group understand the importance of the deferred gift commitment pipeline. Anticipate and address the participant's likely concerns. Do not allow disappointment about the "unrealized" nature of the gifts. Recording, tracking and following through in the planned giving office will look much like a "sales" process in discipline. Present the commitments as expressions of support for your organization, and realization of charitable intent, as opposed to sales.
- **Make the report easy to understand.** The development officer may make distinctions between FLIPs, CRATs, CRUTs, NIMCRUTs, or STANCRUTs but the volunteer board will be confused if gift forms are not clearly identified. If expectancies and trusts are discounted on the report, explain the process. Pick a

method of reporting that makes sense for the organization and adopt a consistent process for all gifts.

- **Include a story about the development of the latest gift, or the goals of the donor.** Sharing stories about people they know and respect is always the best way to inspire individuals to consider a gift and to make the process come alive. Make the story short, and always ensure you have the donor's permission to share the details with the board.

## **b. Annual Evaluation**

One method to focus the board on its role and enhance its effectiveness is through an annual evaluation to encourage ongoing input and communication. Have board members review their roles in conjunction with a strategic plan. Use a format that will allow an objective review and analysis of the results. The survey should contain the following questions:

- Does the board understand the mission and purpose of the organization?
- Does the board understand its fiduciary responsibilities?
- Does the board understand and monitor the nonprofit's financial condition?
- Does the board have a long-term development plan?
- Does the board conduct training for its new members?
- Does the board review the organization's compliance with regulatory requirements?
- Does the board identify issues, and resolve those issues through counsel or other professional assistance when necessary?
- Is the board involved in a review of the executive director, and the executive director's effectiveness in hiring, training, and maintaining staff?
- Does the board have a strong nominating and leadership succession process?
- Does the board engage in strategic planning?
- Do the board members participate through attendance at meetings and committees?

These surveys can provide you with invaluable information about concerns, attitudes, and needs. Use them on a regular basis.

## **V. Program Management**

### **A. Setting Measurable Goals to Ensure Effectiveness**

The best way to focus the board on expected marketing and calling results and their role in achieving those results is to involve them in setting measurable goals for the planned giving program. A draft of these goals should be prepared by the development staff and taken to the development committee and then the full board for approval. Set goals that include board participation, and explain their role in achieving those objectives at the time the goals are discussed and adopted. The most common goals involving volunteers include identifying donors, calling on donors, and conducting marketing activities.

Nonprofit boards make two common mistakes when setting goals for a planned giving program. First, they expect planned giving to address short-term fund-raising goals. It will not. Second, boards expect a planned giving program to generate instant returns. Planned giving programs do not operate like annual fundraising or capital campaigns. Donors are asked to consider the nonprofit in their estate planning. These potential benefactors look at options and consider gifts that will fulfill their personal financial and charitable goals, as well as meet the nonprofit's needs. Decisions are made slowly, or deferred until a later date.

Guide the board through this process. It will do much to educate them and set the appropriate expectations for results.

### **1. Step One: Setting the Conceptual Goals**

What does the nonprofit want to accomplish with planned giving? Setting the conceptual goals of the program is a task for the board of directors, the executive officer, the chief development officer, and the chairman or president of the board. These key individuals should have a basic agreement on goals before taking the matter to the full board for consideration. Goals might include:

- Securing the organization's future operation and its services in the community by creating an endowment.
- Identifying and cultivating new donors.
- Creating a marketing program to boost the nonprofit's visibility in the community.
- Educating staff and volunteers about planned giving.
- Improving the nonprofit's organizational structure and its development effort.
- Creating a structure to involve a greater number of board members and volunteers in development activities.

Each of these goals is valid. Some will be more appropriate for one organization than for others. The nonprofit must select the goals best suited for its overall development needs.

### **2. Step Two: Set Realistic Result Goals**

Next, use the conceptual goals to set realistic planned giving targets. Set specific activities and activity goals for each conceptual goal. Focus on the number of program developments, the number of calls, or the number of events. Make sure that the goals you set are attainable and realistic. Discuss the goals, reach consensus on them, and then put the goals in a written plan. The written plan should detail the methodology or plan of action for achieving the goals and should specify the roles for staff and board.

#### SAMPLE GOALS FOR YEAR ONE

- \* Develop a prospecting and donor identification process.
- \* Create a marketing plan that includes advertisements for newsletters, prospecting letters, brochures, and a newsletter for planned giving donors and prospects.
- \* Update annual fund and annual report formats to include solicitations for planned gifts.
- \* Develop methods of tracking responses to planned giving activities.
- \* Create a bequest/planned giving society (Legacy Society).
- \* Make 150 calls on potential donors
- \* Make 25 calls on professional advisors
- \* Obtain Legacy Society gifts from 75% of the current board.
- \* Obtain Legacy Society gifts from 50% of the former board.
- \* Make planned gift presentations/Legacy Society proposals to 48 donors.
- \* Train board and staff on planned giving.
- \* Make informational presentations to four civic organizations.

#### SAMPLE GOALS FOR YEAR TWO

- \* Obtain Legacy Society commitments from 75% of new board members
- \* Obtain additional 10 Legacy Society commitments from former board members.
- \* Make planned gift presentations/Legacy Society proposals to 60 donors.
- \* Make 200 calls on potential donors
- \* Sponsor event for professional advisors
- \* Host a Legacy Society luncheon to honor members.
- \* Create a direct mail campaign to generate new opportunities to plan gifts.
- \* Introduce a gift annuity program - obtain \$250,000 in gift annuity dollars.
- \* Create a professional advisory board.
- \* Add a planned giving staff member.

### **3. Using Results to Evaluate Effectiveness**

A planned giving program is not static. It must be reviewed annually to honestly assess its successes and limitations during that year. This requires that the organization design some method to measure success.

One of the great benefits in careful, consistent reporting is that the nonprofit can learn a lot about its efficiency ratios. Reporting will show which activities produce results and which do not. The organization can learn how long it takes to accomplish certain activities. Look for patterns and lessons in the reports.

An end-of-year soul searching exercise can provide a great deal of insight. Once the nonprofit recovers from what is hopefully massive asset gifts at year-end, the board must evaluate the year's planned giving program effort. The review must be both objective and subjective. The numbers represent a starting point. The planned giving officer should record contacts and activities in a way that is not overwhelming in its complexity, but which is valuable to you in terms of understanding the results.

**a. Evaluate calling efforts.**

Provide the board with a report of the number of calls, including the calls involving board members. Provide statistics showing the percentage of success with non-volunteer calls, and the percentage of success with volunteer calls. Praise volunteers that were helpful and ask them to share their favorite call story. This will take the fear out of making a call, and also make those who participated feel good about their role. Then ask for volunteers in making calls for the upcoming year.

**b. Examine the success of your seminars and public events.**

Seminars require a great deal of time and effort. Many development offices feel compelled to offer seminars (everyone else does, and certainly donors need to be educated!) but they are disappointed in the results. Ask for input on how to improve the events, whether to continue the events, and how the board can have a more meaningful role and participation rate.

**c. Review the marketing materials.**

How effective were the printed materials? Did the organization measure response to the newsletter or to the end-of-year mailing? Pamphlets, brochures, and stamps are expensive. Measure the response to these pieces to the degree possible. Get the board to give you their honest assessment of the content and timing of the messages you send your donors.

**d. Analyze the success of the recognition society.**

Measure the growth of the society, and the percentage of board participation. Ask for input on how to increase these figures. Identify barriers to membership. Determine if the society should be marketed.

**e. Consider the effect of board training.**

Ask the board for honest input on training. Report successes that you have identified as a result of the training (higher level of participation, increased giving from the group, etc.) Get practical feedback on timing, structure, and content. Let the board help mold the next year's session and take ownership.

**B. Final Thoughts**

Begin today to build a strong board. Educate them on the opportunities in planned giving and their responsibilities in supporting the program from their first day of service. Make them partners in your goal setting, and program building. You will see remarkable results.

**APPENDIX A  
CONFLICT OF INTEREST STATEMENT**

*Note: Conflict of interest policies should be drafted to address the particular needs of the non-profit institution. The officers, staff and board members of the organization should adopt those policies.*

*The following sample may be used for Boards of Directors or Professional Advisory Boards. It is perhaps most appropriate for Board members who have a fiduciary duty to the organization. Professional Advisory Boards may not be in a position of fiduciary responsibility.*

As a member of the Board of Directors of *XYZ Charity*, I, \_\_\_\_\_, am committed to *XYZ Charity's* goal to establish and maintain the highest level of public confidence in its accountability. I have personally committed to follow the standards set out below, which are a part of *XYZ Charity's* conflict of interest policies:

- I will conduct my activities with the Board of Directors of *XYZ Charity* so that I do not advance or protect my own interests, or the private interests of others with whom I have a relationship, in a way that is detrimental to the interests of or to the fundamental mission of *XYZ Charity*.
- In every instance in which I represent the *XYZ Charity*, I will conduct my activities in a manner to best promote the interests of *XYZ Charity*.
- In all matters that come before the Board of Directors for a vote that may favorably impact my own financial interests, or the private interests of others with whom I have a financial relationship, I will reveal that relationship and abstain from a vote in the matter.
- When a conflict of interest arises, or when a potential conflict of interest emerges, I will disclose that conflict or potential conflict to the Director of *XYZ Charity* or to the Chairman of its Board of Directors and seek a resolution of that issue.

Entered into on this the \_\_\_\_\_ day of \_\_\_\_\_, 2000.

\_\_\_\_\_  
Member, Board of Directors

