Gifts That Went Wrong (or Mistakes I Almost Made)
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National Standards for Gift Planning Success Standards Related to This Topic:

- STANDARD 4: The nonprofit has clear policies to manage risk and ensure accountability to donors and the nonprofit and the public.
- STANDARD 11: The nonprofit has qualified staff in place to drive and support the gift planning process.
- STANDARD 13: All donors and prospects are offered timely, accurate gift planning information to ethically maximize the donor's charitable impact and personal benefit.

Training in charitable gift planning focuses on how to do things correctly. Often presented as a series of actions or plans a gift planner, whether a fundraiser or professional advisor, takes to set up a gift within an idealized, systematic environment. The reality is donors and clients rarely have everything ready to go in perfect order for complex gifts. Instead, they require the guidance and support of gift planners to help them understand what needs to happen to craft a planned gift in a way that maximizes their tax benefits, income potential over the life of the gift, and/or impact on the charitable organizations or beneficiaries. Additionally, many gift planners find themselves in the position of managing gifts they inherit from predecessors which was set-up incorrectly or proposed to donors with inaccurate expectations. How do you manage a gift that is failing years after it was established when you were not there at inception?

Below are examples of real gifts that either resulted in issues in their realization (i.e., gifts that went wrong) or presented unique challenges in their planning (i.e., mistakes that were almost made). By presenting the fact patterns of these gifts, and pairing these with the questions and considerations that the gift planners identified would be helpful in considering these gifts, we hope to provide a framework for professionals to embrace the imperfect, not as a roadblock but as an opportunity to build trust with our donors and clients while also taking care in how we prepare our organizations to accept and manage complex gifts.

Case #1: The Gift of Diamond Ring

A university medical center had a loyal and generous donor who had successfully donated a piece of tangible personal property (a highly appreciated piece of artwork) to the organization at great tax benefit to the donor and great impact for the organization. This donor's business partner learned about the organization through this giving experience. As the gift officer began to get to know this new couple, he shared that the medical center was pursuing ambitious plans to invest in cancer research. The couple was intrigued because the wife's family had experienced deep sorrow over the past three decades as she lost first her mother, then her aunt, then her cousin to breast cancer. Thankfully, she and their daughter were so far cancer-free, but they felt a resonance with the idea of being part of this research initiative. Given they knew the organization had previously worked on a gift of art which had significant tax benefits for the donor of the gift (a feature they had interest in but which was not their driving goal), they wondered if the diamond ring she had inherited from her mother might be used to support the initiative to make the gift even more meaningful, as if her mother was also supporting the initiative.

They had recently had the ring appraised for insurance purposes at $325,000. It was a 5-carat pear-shaped center stone bracketed by two 1.1 carat triangle-shaped diamonds, all set in platinum. Her mother had been a very stylish woman in New York City when she received the ring as a gift from her husband at their son's bar mitzvah in the 1950s. That said, subsequent generations had felt the ring, while gorgeous, did not fit with the current era in California and that the flashiness of the ring presented a safety concern when worn, so they stored it in a safety deposit box.

After gathering this information, the gift officer engaged his gift planning colleague to help explore how they could help make this gift a reality to achieve several goals: (1) enable the donors to have a positive impact on a cause with deep meaning for them; (2) deepen the connection between the couple and the organization; and (3) achieve organizational goals in education, research, and healing. The gift planner and gift officer set up a call with the couple to begin asking questions that would help with due diligence as the organization considered how to set-up the gift and share with the couple what the process looks like. Below are the considerations of the organization and the donors, with subsequent resolutions outlined.

Questions and Considerations

- **Related Use:** For a gift of tangible personal property to have its maximum tax benefit for the donor, the item(s) must be used for the tax-exempt mission of the organization. It must also be retained by the charity for a minimum of three years, or the tax deduction of the donor could change. This means the organization cannot accept and then immediately liquidate the ring. But there was not an obvious way to make a gift of a diamond ring applicable to cancer research. The organization explored a variety of options for the donors, including potentially gifting it to a gem museum foundation, which would then make a pledge of support to the organization for breast cancer (an intriguing proposition, but one which was outside the scope of the gift acceptance policies). Then the planned giving team realized that the organization had a basic sciences department which taught geology and included multiple units on mineralogy. They approached the department to see if they would be able to utilize the ring in any way and, as luck would have it, the department's collection had one glaring omission: a diamond. And the department had recently acquired a new piece of equipment (a laser spectrometer), which made the acquisition of a diamond attractive to them. The gift planner shared with the couple and their CPA that the organization had identified a related use for the ring, but this meant that unless or until another diamond could be acquired, the ring would not be able to be used to support cancer research. A memorandum of understanding was drafted that clarified which existing classes would be utilizing the ring, how frequently they would use the ring in educational activities, the fact that this ring represented the opportunity to complete the gem collection for the university's collection, and an alternative use (liquidation for breast cancer research, for example) that was acceptable for both the couple and the organization should this use no longer be needed because another diamond had been acquired.
- **Appraisal Guidelines:** If the value of the tangible personal property is

greater than $5,000, the IRA requires a qualified appraisal for tax purposes. This type of appraisal has specific language that must be included to meet the standards of the IRS, as well as clear valuation criteria and appraiser qualification standards. The appraised values of these appraisals are also usually less than an appraised value for other purposes. We were able to prepare the couple to anticipate this lower valuation (the new appraisal valued the ring at $275,000). The current appraisal, obtained for insurance purposes, would not meet the IRS guidelines for a charitable tax deduction. The gift planner shared that the donors would need to obtain the appraisal at their own expense, but also that they should wait to obtain the appraisal until all the due diligence on the organizations part was done, as the appraisal also needed to be dated within 60 days of the date of gift to meet the IRS guidelines. The couple checked with their original appraiser, and he was not a qualified appraiser, so the gift planner provided the couple with the names of three qualified appraisers for them to consider and encouraged them to call each to see if they wanted to move forward with one.

  - Note, gift planners should never provide a single referral to a professional advisor. This can open the organization up to liability should that single advisor act in error. Instead, gift planners should provide at least three options if providing referrals (to appraisers or other professional advisors such as estate attorneys or CPA) and these options should be individuals or businesses which the organization has vetted. If your donors or clients have a poor experience with an advisor you recommended, it could jeopardize the gift, their tax deduction, and your organization's relationship with the donor. It is better to offer no referrals than to offer an unvetted referral.

- **Jewelry Expertise:** The gift planner recognized her own ignorance when it came to high-end jewelry. How would she know the ring accepted is the one described in the appraisal? This was an opportunity to engage an expert and, luckily, the organization had a local jeweler who often made gifts to the organization for auctions and events to help with fundraising. They asked the jeweler if he would be willing to inspect and evaluate the piece. The jeweler agreed provided a gratis summary of the ring via email (not a formal report) that was used to document the evaluation done. The ring matched the description in the appraisal.
- **Security Concerns:** If a donor asked the gift planner to come by to pick up $325,000 in cash, we would say no… or at the very least wonder about how to transport this safely and securely. Picking this piece up alone presents a risk both in terms of secure transportation but also in terms of verification of authenticity. What if the jeweler had said the ring was a fake and a lone gift officer had been in custody of the ring between the donor and the jeweler? This was a new relationship with the couple, and we trusted their good intensions, but what if there had been a switch to the ring between the appraisal and the transport to the safety deposit box or that location and their home where we received it? Additionally, the couple had concerns about wearing in public, so what precautions should we take when transporting it? Our gift acceptance policy did not specifically address this, but we determined that two philanthropy officers would retrieve the ring together, using a university vehicle (thus covered by university insurance),

and transport it directly to the jeweler from the couple's home then directly to the bank where the organization maintained a safety deposit box. While they had the ring, they were not to leave each other's sight, they were not to stop other than at the predetermined locations, and they would communicate with the treasury staff at each stop. Was this overkill? Maybe, but no one had any doubts about the chain of custody throughout the retrieval.

- **How do we utilize the ring once we have it?:** The geology department wanted to be able to use the ring in its instruction but did not want to store the ring within their collection given the value. The treasury/trust department had a safety deposit box at the bank adjacent to campus that required two of four designated representatives be present to open the box. The organization decided to store the ring there and, when the department needs it, have public safety accompany the ring to the department. Because it was known which course units the ring would be utilized during, it was easy to plan for the ring's collection from the bank and document the pattern of use should the IRS ever question the related use of the ring.
- **Advisors Are Not Just for Donors and Clients:** Throughout the exploration of the above considerations, the gift planner leveraged advisors within the organization (treasury/trust department, legal, public safety, academic leaderships) and advisors outside the organization (an attorney who was an expert on complex gifts, colleagues at other organizations who had more experience with TPP gifts). Since gifts of TPP were infrequent, the gift policies empowered the gift officer to leverage professional advisors and an allocation was included in the annual budget should an advisor need to be hired (when working with out-of-state donors, the organization would consult with an another of that state, since many life-income gifts are governed by the laws where the donor resides, not where the organization is based). If the gift had been for significantly less (under $50,000, for example), the gift planner would likely have declined to pursue this specific gift because the due diligence would not have been less, but the benefit to the organization after leveraging advisors would have been significantly less. An evaluation of the potential benefit of a successful gift should be made in considering which advisors to bring in and what to budget for the consultations. But asking internally, "Do we have the expertise to navigate this on our own?" is pivotal to your EARLY decision making about whether to progress the gift conversation with the donor. Throughout the gift conversation, the gift planner encouraged the donor to engage their own advisors and invite them to the conversation – she was clear in each conversation that she could not provide them with tax or legal advice. Because of the willingness to invite advisors into the conversation, the philanthropy team was able to set a conversation with the couple's CPA, the donor couple, and the organizations outside attorney, gift planner, and internal legal counsel. This ensured everyone's questions from all sides were answered and provided the donors with the confidence to move forward. The expense for external council did not exceed $2,500 but provided confidence in how the organization could prepare to manage the gift in a way that will ultimately create additional giving opportunities with the couple in the long term.

Case #2: The Sinking Sailboat

In early 2012, two parishioners from a California religious congregation had a conversation around their mutual affinity for sailing. One parishioner was the gift officer for the larger organization that their congregation was a member organization. The second parishioner (donor) had a sailboat he was considering selling and the two engaged in a conversation around donating the sailboat to the church as a gift. After several conversations between the donor and the organization, the congregation agreed to accept the boat. The gift officer was a parishioner and friend of the donor and through their mutual understanding of sailing, accepted the deed to the boat without a physical inspection prior to acceptance.

The organization had only recently started accepting gifts beyond bequests; this was one of the first experiences in tangible personal property gifts for the gift officer and for the organization. As this was a new area of development the organization did not have a gift acceptance policy that included tangible personal property or the procedures for cross-checking the gift through general counsel, finance, and executive-level approvals.

Midyear through 2023, the gift officer retired, and the organization hired a new gift officer. In a review of current and in-process gifts, the new gift officer learned the organization is the owner of the sailboat and it has not yet been sold. The organization has been paying to have the boat stored at a local dock. Upon physical inspection of the boat, the gift officer learns that the boat is not seaworthy and in need of significant repairs to be sold.

Highlighting this issue to leadership, the organization reviewed the gift with general council and the finance department. The direction to sell the boat was established and repairs were undertaken. After repairs were completed, the boat was listed for sale and sold with a negative value. The congregational gift was non-existent after repairs and the boat sale proceeds did not generate enough to cover the cost of storing the boat for the prior year. Ultimately, this led to a situation where donor intent to make a charitable gift was questioned and the organization was at a financial loss on a new gift mechanism, creating doubt in exploring additional gift types.

Questions and Considerations

- **Due diligence prior to gift acceptance**: The gift officer in this fact pattern relied heavily on a pre-existing relationship with the donor in accepting the donated sailboat. Before the transfer of a deed to any type of property gift, a full examination of the physical property should be completed to observe the current state of the property and any repairs it may need. Additionally, due diligence extends to examining the title chain and encumbrances on title prior to accepting. In this fact pattern, due diligence would have shown the gift officer that the boat was in a state of disrepair and led the organization to further examine the financial viability and donor intent behind this gift.
- **Expertise in non-cash gifts**: As the organization was new to accepting gifts of tangible personal property, it would have been wise for the gift officer to

reach out to advisors and mentors at other organizations for guidance on accepting non-cash gifts. There is a wealth of information available on this topic allowing for better research prior to acceptance. However, we acknowledge that many times in a gift, gift officers are expected to be experts without proper experience or guidance. In situations like these, advocate for resources to hire outside council or advisors to evaluate the gift and set up acceptance policies for gift that ensure internal checks and balances for additional oversight. At a later point, this organization hired outside legal counsel to provide a suite of policies, drafted contracts, and gift acceptance letters. This led the organization to review items such as a **gift acceptance policy** which included parameters for all gift vehicles, established a structure for **review of gifts by finance and general council** before acceptance, and ensured **donor intent** is evident in the items quality and condition before acceptance.

- **Does a sailboat have related use to a religious organization?** Upon review by general counsel, it was highlighted that the sailboat does not initially have a related use to a religious organization. Unrelated business income tax (UBIT) is tax paid on revenue generated by commercial activities that are outside the scope of the non-profit's purpose, as stated in the original tax-exemption application. At the outset of this inquiry, the organization was unaware of the financial loss it would incur, and general counsel expressed concerns the sale of the boat would generate UBIT. The organization was able to find a related use through its ministry to rural communities in California, some of which are rural communities near Inverness, California that are primarily accessible by water in certain times of the year. However, this was an after-acceptance consideration that should have been considered and reviewed prior to accepting the gift.
- **How is the boat handled once accepted?** Due to the personal relationship and familiarity with the donor, after acceptance the organization continued to store the boat at the facility it had been previously kept. As there was not a gift agreement in place, once the deed was transferred the religious organization took full ownership of the boat without provisions in place for the storage and costs associated with maintaining the boat prior to sale. Furthermore, as the boat remained in its original location, the donor continued to have access and use of the boat at any time. With a gift agreement in place, provisions could have been established for the costs associated with maintenance and storage or ownership could have been maintained by the donor until sale. In this circumstance, donor intent is highly questionable given the asset was not in a condition to be sold and the storage and handling of the boat after ownership was transferred resulted in a considerable financial expenditure by the organization.

Case #3: CRATs: A Cautionary Tale

In late 2006, the president of a university had a Palm Springs vacation home. In a conversation with his neighbor, he shared about a recent gift of real estate to the university which had resulted in an income stream and significant tax savings for the donor. His neighbor expressed an interest in potentially doing something similar. The president made an introduction to between the neighbor and a gift officer at the

university to start the conversation.

When the gift officer tried to engage the neighbor to see what area of the university they might want their gift to support, the potential donor had little specific interest in learning more about the university and its programs. They landed on the business department as an acceptable designation, but the neighbor declined all efforts to introduce them to department professors or students. The neighbor's main concerns were generating as much income as possible and avoiding capital gains. After talking over various life-income options with the gift planner, the neighbor further clarified that they wanted a guaranteed amount of income from the gift. As the university had a gift policy that prohibited the funding of CGAs with real property, this meant that a CRAT was the most likely option. To achieve the neighbor's goals, a payout rate of 10% would need to be set. After running the illustration, it was determined that this could pass the IRA's 10% rule (just barely). While this payout rate significantly impacted the neighbor's potential charitable deduction, it did allow them to bypass the immediate payment of the capital gains so they were happy with the terms, even though this meant the charitable impact on the business department was significantly below what could have been possible.

From the start, the gift began to go bad. The negotiation on gift details took time, so by the time the transfer into the CRAT took place, it was 2007 and, while the appraised value was near the height of Southern California housing prices, by the time the university was able to put the property up for sale, the price had significantly decreased. Once housing prices collapsed in the US, the stock market also began to see losses that had not been seen since the tech crash, meaning the period when the CRAT needed to be seeing gains – significant gains to come close to covering the 10% income payout – these gains were impossible. In less than 10 years, the CRAT was at nearly 20% of the value it was established at… yet still had to make 10% income payouts.

The gift planner approached the neighbor and explained how the change in value to the property and subsequent market collapse had created a scenario where there was a real likelihood the CRAT would be fully expended without ever benefitting the business department. He asked the neighbor to consider disclaiming future income from the CRAT, allowing the neighbor to gain an additional charitable deduction in the process for the value of the rights to future payments, but the neighbor declined. They viewed this as a purely financial transaction and a risk the organization had taken when the gift was created. As predicted, the CRAT was fully expended shortly thereafter and not only did the university not receive any benefit from the gift, but it had paid for the drafting of the trust, so it was out that cost.

Questions and Considerations

- **Donor Intent Matters:** The lack of interest in the university and its programs was an indication that the donor's intent was not primarily charitable. This does not mean that the conversation could not have moved forward, but the university could have presented the idea and encouraged the donor to retain their own legal counsel to draft the trust, with the university managing it once established. This would have enabled them to limit their outlay of resource to make the gift happen. Additionally, ensuring the donor was

connected to the mission of the organization would have made the later conversation about disclaiming the rights to income more likely to succeed. In fact, this university had a donor with multiple CGAs and, due to their deep knowledge of and connection with the donor, they knew that the donor did not rely on the CGA income to live, but rather viewed it as "fun money" for vacations. When his original CGA reached the point where its value was 50% of its establishing amount – the value that had been communicated to the donor as the potential impact on the university – they approached the donor and asked if he would like to disclaim future income and he gladly agreed. They were able to convert this CGA into a current gift and he saw the impact of his generosity – something most CGA donors never get to see! Through an understanding of a donor's intent, gift planners can navigate gift challenges more gracefully for both the donor and the beneficiary organizations.

- **Gift Policies Should Address Acceptable Payout Rates:** The reality is, a 10% payout rate was unacceptably high even in ideal market conditions. If the gift acceptance policies had outlined a maximum acceptable payout rate, the gift officer would have been able to either redirect the donor to a different rate or gracefully point them to resources where they could create the CRAT on their own with the support of the university. Gift acceptance policies should provide enough leeway to accept potentially impactful gifts yet enough guidance to gracefully decline gifts that are not in the best interest of the organization.
- **What numbers are you running your illustrations at?:** Yes, in some years, stock market returns are at record highs (hello, 2021!) and we and our donors can fall into the recency bias trap of thinking that the S&P will always increase by more than 25% annually. But it does not, so provide a conservative estimate for trust returns when you run illustrations for donors. Despite an average return of 10% over the past 50 years, if you run your illustrations with a 6% return and 5% payout (the IRS minimum for trusts), and explain to donors this is a conservative estimate of return, they will often do the math on their own that more returns will mean even more income for CRTs (for CRATs, like in this case, these added investment returns would mean a larger ultimate gift for the organization). When donors push for higher payout rates, it is worth running the illustration over their expected lifetime(s) for both the 5% minimum and their desired amount because these higher amounts often result in less overall income over the life of the gift. This is a persuasive argument for a more modest payout percentage.
- **Giving is a Relationship:** The potential for a gift can sometimes blind us to the reality that a life-income gift means the organization has a potentially life-long relationship with the income recipient. We should be mindful of who we build these relationships with because those with a tangential or tenuous connection to the organization may be less forthcoming about details with the property funding the gift and the gift planner may have less awareness of the broader context of this gift within the donor's overall plans and goals. Gift planners who are fundraisers have a duty to our organizations to act in organizational best interests. This means both stewarding the donor experience so that the relationship between the donor the organization will remain strong, but also doing your best to ensure the terms of gifts will

ultimately provide a benefit to the organization.

Case #4: Real Estate to CGA Flip (or Flop)

In 2018, a longtime donor contacted the organization to inquire about giving a gift of real estate. She owned a condominium in a newly developed area that had gone up in value considerably over the five years she had owned it and was interested in transitioning some of the capital to create an income stream during retirement. The initial gift illustrations were for the entire condominium to flip into a charitable remainder unitrust upon sale; creating an income stream that could be added to as she sold other assets in retirement. This was the first gift of this type for the organization and for the gift officer structuring the gift.

Outside advisors were brought in to help the donor and gift officer. Upon further discussion with counsel, the property revealed to still have a mortgage attached to title. The gift officer and donor ran different illustrations to show how a partial interest could fund a life-income gift while allowing the mortgage to be shifted to the donors remaining ownership. The donor was made aware that a partial interest in real estate would have a discounted value that would likely affect the qualified appraisal and the charitable deduction. In this instance, the donor had a strong relationship with the organization and the gift officer and decided to proceed. Ultimately, a real estate gift for a charitable gift annuity was the chosen gift type as it provided the highest income stream for the donor. The gift was established with a CGA contract for a pre-determined monetary value and rate which converted on the sale of the property. The contract provided a 0.5% discount on the rate, a ten-thousand-dollar reduction in gift value, and two-year deferral period on payment to account for costs associated with the sale. The gift agreement established that the donor would continue to maintain the property while listed for sale, but provisions were not included for an extenuated period as the market was hot in the area and neither the organization nor the donor expected it to take long to sell. Additionally, despite best intentions, the gift conversations and agreements left out key provisions around establishing the sale, realtor, responsibilities of the qualified appraisal, and make-up clauses for an undervalued sale.

The deed for 50% the property was gift was transferred in September of 2018 and the property was listed for sale at $2.2 million. In October of 2018 there was a real estate market crisis that slowed the sale, and the property remained on the market until it was removed in December. In February of 2019, the property was listed again for $1.9 million and ultimately sold for $1.8 million. The discounted rate and provisions established to guard the organization against the costs of sale were insufficient to cover the nearly two-hundred-thousand-dollar gap created by the reduced sale price. This resulted in an under-funded CGA.

The donor was frustrated with the process and sale, disappointed that the gift to the organization would be reduced and not at full value of the original intended gift. The organization was in a difficult position with the underfunded CGA, and the expenses associated with the long sale. Due to the good nature of the relationship between the donor, organization, and gift officer post-sale conversations were held with the donor and an ask was made to help make the organization whole and regain the value of the donor's gift. The donor decided to make an outright gift of fifty-thousand dollars during the two-year annuity deferral period and agreed that at a time in the future, the

donor would terminate the annuity early when the organization alerted her of the value dropping below her intended gift. Ultimately, the gift worked out because of a good relationship with the donor and advisor help in creating a solution for the under-funded CGA. However, more provisions should have been established during the gift conversations to ensure the donor and organization undertook proper protections and established a more detailed gift agreement.

Questions and Considerations

- **Stale Market**: The gift agreement established assumed a quick sale of the property and did fail to account for the potential of a stale market. There was not a separate trust established for fees and costs associated with maintaining the property during the sale. This resulted in difficult accounting between the donor and organization during the four-month sale period. As market circumstances are always unpredictable, these provisions should always be established prior to the gift in a separate gift agreement.
- **Underfunded CGA**: At the time of this gift, it was not industry standard to consider a CGA flip upon the sale of the property for a then determined amount. The two methods for determining the value were either a pre-arranged value and rate or a post-sale CGA from the proceeds. For tax purposes, the donor opted to establish a value and rate in order to transfer the deed prior to sale. A separate gift agreement including provisions for an underfunded CGA would have better protected the organization and the relationship between the donor and the organization. The donor was counting on the organization to guide the process and provide expertise in an area unfamiliar to the donor. Despite bringing in outside counsel the gift officer still maintained the primary role in gift conversations where they lacked experience. A greater utilization of advisors and outside counsel would have resulted in a more complete gift agreement and donor education on the risks associated with this gift type.
- **Donor intended gift to organization was severely reduced:** One of the biggest issues with this gift lie less in the particulars of the gift structure and more in the education and transparency process with the donor. Gift conversations with a donor are one of the most important and crucial steps in establishing a good gift experience for the donor. In this case the donor was a long-time supporter of the organization with a high affinity for the mission. The insufficient preparation by the gift officer left the donor in a position of an underfunded gift and disappointment in a complex process meant to benefit the organization. There was an emotional and mental toll on the donor in feeling the gift did not meet the standards the intended and fell short of the value the donor had hoped to give. While this donor was understanding and continued to work with the gift officer, this transaction risked damaging the relationship with a donor who had considerable assets to make additional gifts. The lesson in this fact pattern demonstrates the need to bring in advisors and outside counsel when gift officers are inexperienced in gifts in order to maintain the trustworthiness and reputation of the organization and serve as an educational opportunity for all parties involved.

Final Thoughts

These cases highlight some of the challenges and opportunities inherit to gifts of complex assets. There are a few universally guiding tactics which can help all gift planners avoid gifts going wrong, but also help the success of one giving interaction help build confidence and trust with the donor to potentially lead to additional gifts.

Strategies for All Gift Planning Conversations

- **Slow down!**: Our role as gift planners is often to slow things down to ensure we understand the goals of the donor – financial goals, family goals, legacy goals – to improve the likelihood that the gift under consideration will lead to desired outcomes. Often, gift officers, organization leadership, and the donor can be so excited by an idea, that they rush forward. By doing due diligence and communicating clearly, we build trust within the team that we are looking out for the best interests of all involved. The faster we move, the more likely we are to skip vital and important steps in our processes for the sake of efficiency, but it takes a lot longer to fix a poorly set up gift (assuming a fix is even possible at that point).
- **Use the policies and processes to help you do your due diligence:** Well-drafted gift acceptance and management policies are for the benefit of our donors and our organizations.
    - Leveraged appropriately, they can also enable a gift officer to gracefully decline unwanted gifts: “I appreciate your desire to make an impact here, but our gift acceptance policies won’t allow me to accept the gift of a time share. Can we discuss other assets that might provide the impact you’re hoping for with the added benefit of tax savings?”
    - Your policies should be clear enough to provide guidance but open enough to allow you the flexibility to explore unusual gifts. Consider what bumpers you want to put on rate limits, who pays for what, who institutionally signs off/approves the acceptance of a gift, and what types of gifts you are willing to accept organizationally.
    - Consider what types of funds or projects different complex gifts can fund. For example, would you allow someone to designate a capital building project – with associated naming rights – as the beneficiary of a CGA when there is no guarantee on the value of the final gift and there is an expectation that the funds will arrive well after the building is complete?
    - Consider how documentation around the gifts will be stored and updates will be provided to donors or family.
    - Your gift acceptance committee should be composed of internal experts in finance, legal, programs, and leadership which approve gifts – this provides a layer of confidence that your organization can manage the gift once it is there. The group should meet on a defined schedule and review pending gifts and existing gifts to evaluate whether the current policy is meeting the risk thresholds that have been set institutionally.
    - Your policies and procedures should have clarity about when you can or should bring in advisors, internal or external, to provide insight and guidance on less frequent gifts.
- **Build the relationship first:** When you have a strong relationship with a

donor or client, they will provide you more details about their goals. This engagement allows you to identify better options that meet their asset make-up, family challenges, and philanthropic interests. Shallow relationships are transactional, and, by design, many planned gifts are lifelong commitments and connections. Some organizations, whose gift acceptance policies allow them to serve as trustee of multi-generational life-income gifts, have relationships that last beyond the donor's life even. Do not jump too eagerly into a gift without having clarity on the donor's needs – if they are committed to supporting an organization or exploring tax-smart giving, then your efforts to understand their goals will only reassure them and their advisors that you a good partner for their gift.

It is ok to admit you do not have all the answers. The world of gift planning is complex and deep with gifts that require little preparation to gifts that take years to complete. Ultimately, every gift officer regardless of experience is still learning. There will always be a gift where you need the help of advisors and outside experts to help fully understand the intricacies of various gift vehicles. Your practice in this field is a continuous educational journey, the network of CGP, your local councils, and mentors are a resource to utilize as you continue assisting donors in their charitable endeavors. Do not forget to have fun, learn along the way, and recognize that everyone has a story of a gift that (almost) went wrong!

Resources

IRS Publication 526: About Publication 526, Charitable Contributions | Internal Revenue Service (irs.gov)

IRS Publication 56: About Publication 561, Determining the Value of Donated Property | Internal Revenue Service (irs.gov)

IRS Publication 1771: About Publication 1771, Charitable Contributions- Substantiation and Disclosure Requirements (irs.gov)

IRS Form 8283: About Form 8283, Noncash Charitable Contributions | Internal Revenue Service (irs.gov)

- Completed by the donor

IRS Form 8282: About Form 8282, Donee Information Return (Sale, Exchange or Other Disposition of Donated Property) | Internal Revenue Service (irs.gov)

- Completed by the charitable organization

IRA Guidelines for Charitable Remainder Trusts: Charitable remainder trusts | Internal Revenue Service (irs.gov)

Lani Starkey, JD, LLM of Fifty Rock Consulting has successfully navigated many CRAT gifts successfully and presents and consults on how to structure CRATs that lead to positive donor interactions. FIFTY ROCK CONSULTING

When running illustrations, it is helpful to have a context for historical market trends. There are many resources to learn more, but this article provides some historical context and examples of the impact of this growth on investments. What Is the Average Stock Market Return? | The Motley Fool