

# **WACOSA Legacy Society - What, Why and Who**

## **Board Educational Training Session**

### **February 28, 2022**

The objective of this training session is to educate board members to answer the following questions:

1. **WHAT** is the WACOSA Legacy Society (WLS)?
2. **WHY** is the WLS important to the future of WACOSA?
3. **WHO** are the WLS members and WLS prospects?

#### **Objective #1:**

The WLS is an elite group of donors who have created a legacy of support for current and future generations of clients benefiting from WACOSA programs.

There are two ways to become a member of the WLS:

- Name WACOSA as a beneficiary of assets in a will/trust, life insurance policy, retirement fund/IRA, charitable gift annuity, pooled income fund or charitable remainder trust
- Establish a Named Endowment Fund (NEF) with a minimum gift or pledge of \$25,000

#### **Objective #2:**

Most successful nonprofit organizations rely on three types of philanthropic support: 1) operating gifts, 2) capital gifts, and 3) endowment gifts (designed to keep principal gift amounts intact while only using the investment income for charitable efforts). Planned Giving (PG) efforts primarily focus on future estate gifts from WLS members and prospects in support of the WACOSA Endowment Funds.

As outlined in the WACOSA Case Statement, the WLS (ergo the endowment funds), is important to the future of WACOSA because the annual distribution will be used to: 1) ensure long-term viability and sustainability, 2) build on a history of success and innovation, 3) smooth out financial shortfalls, and 4) invest in employees.

#### **Objective #3:**

WLS Members: WACOSA currently has ten (10) WLS members, in which three (3) are deceased with their estate gift already documented, and seven (7) are alive with gift intentions documented through their estate and/or a Named Endowment Fund (NEF). Maintaining and strengthening our relationship with these members and their families is critical because most gift intentions are revocable.

Tracking the number of WLS members is the Key Performance Indicator (KPI) for determining the success of a PG program. Using an average estate gift of \$40K, multiplied by the number of WLS members, equals an estimate of future gifts to the WACOSA Endowment Funds.

WLS Prospects: Estate Planning has very little to do with a person's wealth and every-thing to do with matching a person's passion with their philanthropic interests, hence, all donors are considered prospects unless otherwise communicated by the donor. WACOSA is currently focusing on 250 individual donors identified as top PG prospects, based on the longevity/consistency of their giving and/or their connection to the mission.

## WACOSA Legacy Society Scenarios (including answers)

**Scenario 1:** The friend of a WACOSA Board member attended the 1-5K event and was so impressed with what WACOSA is doing that the person named WACOSA as a partial beneficiary of a life insurance policy provided as part of the employee's benefit package. Should we count the board member's friend as a new member of the WLS?

**ANSWER:** YES. Immediately begin a conversation to understand the person's connection and motivation AND obtain written verification from the donor. Steps in registering a new WLS member:

- Verification and Documentation (through "Declaration of Intent" form outlining gift intentions or copy of beneficiary form/estate document)
- Acknowledgement
- Seek permission to publicly list as a WLS member
- Stewardship – probably the most important step

**Scenario 2:** What if this person leaves their current place of employment (cancelling this particular life insurance policy) and did not indicate that they have done the same thing at their new place of employment or in retirement?

**ANSWER:** This could be a little tricky if the person leaves their current place of employment and no longer has this particular life insurance policy, which is why it is so important to stay in touch with WLS members and continue to steward the relationship, in hopes of encouraging the person to consider a different or additional asset.

**Scenario 3:** A donor decides to make a \$25K Qualified Charitable Distribution (QCD\*) from their IRA as an unrestricted gift to benefit WACOSA programs...should this person be considered a member of the WLS?

\*NOTE: We'll talk more about QCDs and the use of deferred retirement funds (IRA, 401K, 403b) for charitable giving in another training session. For purposes of our discussion today, a QCD is a smart tax strategy for individuals over the age 70 who want to make a charitable gift. If you know about "required minimum distributions" (RMD) for yourself or someone you know, you should also be aware of QCD benefits.

**ANSWER:** NO, because the gift is not part of an estate gift or Named Endowment Fund (NEF). What if the person directed the gift to WACOSA Endowment Fund?

**ANSWER:** Still, NO. While the gift to the Endowment Fund is appreciated, the gift is not part of an estate gift or NEF.

**Scenario 4:** A donor makes a \$50K QCD to support a capital campaign to build a new program building in Sauk Centre and the person will receive naming rights for a room or wing...should this person be considered a member of the WLS?

**ANSWER:** NO. While the gift would be greatly appreciated, the gift is not part of an estate gift or NEF.

NOTE: We would still honor the donor with naming rights.

**Scenario 5:** WACOSA is notified by an attorney that their client has passed away and the client named WACOSA as a charitable beneficiary of the estate. WACOSA was not aware of this donor's intentions to include WACOSA as a beneficiary...should this person be considered a member of the WLS?

**ANSWER:** YES. Why would we list someone who is deceased as a member of the WLS? Because we honor and remember all people who decided to support WACOSA in perpetuity through a legacy gift to the endowment. It's been said that we have two deaths: 1) when we physically pass away and 2) when our name is spoken for the last time. We are promising to carry on the memory of our donors who make an "ultimate" gift.

## WACOSA Legacy Society Scenarios (including answers)

**Scenario 6:** A donor informs us that upon death, remaining proceeds (if any) from the donor's IRA should be used to establish a NEF in honor of their son who was a longtime client at WACOSA...should this person be considered a member of the WLS?

**ANSWER:** YES.

*NOTE: To establish a NEF, we require that a "memorandum of agreement" be signed to make sure all the details of their request are documented AND so we can appropriately acknowledge their future gift intention.*

**Scenario 7:** A donor plans to establish a NEF and the person plans to give \$5K each year for the next five years until they reach the minimum of \$25K...should this person be considered a WLS member upon receipt of the first \$5K payment or when the fund reaches the \$25K amount?

**ANSWER:** NOW. *In fact, as soon as they sign the NEF "memorandum of agreement" they officially become WLS members.*

**Scenario 8:** A donor couple tell us that they recently established a Donor Advised Fund (DAF\*). They plan to make an annual gift of \$1,000 to WACOSA from the DAF... should this person be considered a member of the WLS?

*\*NOTE: We'll talk more about DAFs in a future training. DAFs became more popular after the new tax laws were approved in 2017, causing fewer people to itemize tax deductions because of the higher standard deductions. To take full advantage of charitable deductions, some donors "bunched their gifts" by establishing a DAF, which is like a separate checkbook for making donations.*

**ANSWER:** NO. *This is not an estate gift but an annual donation, which is no different for the charity than receiving a personal check from the donor.*

**Scenario 9:** A donor couple tells us that upon their death, almost all of their estate will go into a DAF and they have provided written instructions to the Community Foundation that manages the DAF on how the funds should be distributed, which would include an annual distribution to WACOSA and other charities they are currently supporting...should they be considered members of the WLS?

**ANSWER:** YES. *The support will be the result of an estate gift intention after their death that goes beyond an annual donation. Some donors have created trusts that support multiple charities in perpetuity that are managed by other financial institutions or community foundations.*

**Scenario 10:** A donor couple says they have listed WACOSA as a "contingent" beneficiary in their will (i.e., circumstances prevent the primary beneficiaries from receiving the benefits)...should they be considered members of the WLS?

**ANSWER:** YES. *We honor and acknowledge all estate gift intentions, even if there's a remote chance that a contingency gift will be received. This is why it is so important to stay in touch with WLS members and continue to steward the relationship, in hopes of encouraging the person to consider adding WACOSA as a primary beneficiary.*

**Scenario 11:** XYZ Company has provided work experiences for WACOSA clients for 20 years. The company and their employees want to establish a NEF to provide perpetual support for WACOSA programs. Can a company or business be a WLS member?

**ANSWER:** YES. *While most estate gifts and NEF gifts will come from individuals, our goal is to increase the size of the endowment fund, whether the money comes from an individual or a business.*