

CHARITABLE ADMINISTRATION PROPOSAL

**For
Charitable Organizations
Qualified under IRC Section 501(c)(3)
As Public Charities
To accept Tax-Deductible Donations**

**A Comprehensive Service
For Charitable Planned Giving**

**Program Design:
Michael P. Goodrich, CLU, ChFC
Director of Philanthropic Development
Summit Trust Company
410 494-1041
Fax: 410 494-1051
Email: mpgoodrich@comcast.net**

**Administration, Trust and Custodial Services by:
SUMMIT TRUST COMPANY
5854 S. Pecos Road, Suite J200
Las Vegas, NV 89120
Toll Free 877 268-9115 Fax: 702 315-0561
Email: admin@summittrust.com**

Executive Summary

This is a program for Non-Profit organizations that are interested in providing to their constituents a total and comprehensive vehicle for building an endowment for funding operating programs.

The critical factor is that the program is completely “turnkey” and “private label”. Virtually all of the necessary resources are available under one umbrella, and can be assembled to suit the particular goals and objectives of the sponsoring organization.

If you wish to serve the “holistic” needs of both high net worth donors as well as those of moderate wealth, you will need to develop a comprehensive charitable planning program. You will want one that can be tailored to meet specific objectives.

The platform for this package is “scalable expert administration”. Without this, you would be playing in the same arena as everyone else, finding individual administrators to suit each case, which is frustrating and cumbersome, and very expensive.

On the other hand, we offer full administration of Charitable Remainder Trusts, Charitable Lead Trusts, Charitable Gift Annuities, Charitable Installment Purchases, Pooled Income Funds, Donor Advised Funds, Endowment Funds and Supporting Organizations, with on-line donor access to account balances, where appropriate. You get a team of legal and planning experts in the package, which can be used for program development, implementation, and training of your personnel, seminar presentations and closing interviews.

You will also receive complete illustration services for proposals to donors, with software installed in your location or available by intranet and/or email, backed by a team of consultants available by telephone, intranet or email for case development and support.

If your charity has its own Donor Advised Funds/Foundation, they will be able to offer virtually all of the planned giving programs to each of their donors.

The full ranges of services we offer are described on the following pages. We will tailor a program for you to suit your particular goals.

The Fee Schedules for the various services are attached to the proposal. You may choose to utilize our Team as your complete Planned Giving Department, or you may choose the basic administration package with limited consulting services, and pay a “case consultation” fee only when you need our consultative support. Or we can negotiate anything in between our basic fee and our full service fee, depending upon your needs. In any case, The Full Service fee is very competitively priced and you may wish to charge others at this rate.

The following material is based upon an original concept of Michael P. Goodrich CLU, ChFC. The team of professionals includes many experts in the fields of law, accounting, investments, insurance and trust administration. All of these advisors may be available to consult on each project proposal. A variety of firms are available for support purposes, including law and accounting firms, Trust Companies, investment advisors, brokerage firms, insurance firms, etc .

**THE RATIONALE FOR DEVELOPMENT OF
A COMPREHENSIVE CHARITABLE ADMINISTRATION PROGRAM**

I. THE NEED FOR THE CREATION OF FULLY FUNDED ENDOWMENTS

"By the year 2000, a charity that does not have a fully funded endowment, the income from which will be sufficient to support 25-35% of its operating budget, will probably not be able to grow or, most probably, survive into the 21st century."

The Economic Journal

Few organizations have recognized the need for, or have committed to, the building of funded endowments.

THE NEED HAS NEVER BEEN GREATER FOR NON-PROFITS SEEKING TO DEVELOP CREATIVE PARTNERSHIP RELATIONSHIPS WITH DONOR/CLIENTS TO BASE THEIR EFFORTS ON THE CONCEPT OF **DONOR CENTERED PHILANTHROPY** AND THE CONVERGENCE OF FOUR INTERRELATED ECONOMIC AND DEMOGRAPHIC FACTORS.

A. The economic legacy of wealth-creation and philanthropy began in the 1980's and continues today.

B. A huge intergeneration transfer of as much as \$10 to \$15 Trillion will occur over the next several decades. An undetermined amount will fall to non-profits and foundations. A large amount is now anticipated to go to Uncle Sam, as Taxes that can otherwise be redirected to charities. This will require substantial financial planning, which can be initiated by both financial service providers and non-profits for the benefit of the individual who can and will become a donor.

C. The baby-boom generation is reaching its "peak-giving" years. Boomers will be giving more and have more to give due to their own success as well as their **inheritance from intergenerational transfers**. There is a great need to move from a planning philosophy of "damage control", or minimizing estate tax shrinkage, to one of "wealth maximization and control" - the shifting of what would have been normally anticipated to go to Uncle Sam as Taxes, to family foundations and charitable causes of choice. This is further supported by a growing sense that private initiatives are preferable to state initiatives **in providing services best provided by charities**.

D. The realization of the fact that non-profits are a major economic force in our economy and society.

?? Non-profits are the largest employers in many areas. In Maryland, for example, - 1 in 12 are so employed. They employ more than the State and Baltimore City, combined.

?? They represent a powerful spending force in the economy and, therefore, there is a critical need to attract charities to the area and to assure their survival long term.

?? They provide services that government hasn't the personnel or money to provide. This is particularly true in light of the fact that, by the year 2020, it is objectively predicted that the total cost of Federal Entitlement Programs will outstrip the total sources of income. The Charities will have to supply those services.

?? There is a need for state and federal recognition of the importance of indirectly supporting the non-profit sector through tax incentives, credits, etc.

?? There has been an explosion in numbers of private and family foundations in order to have greater control over how family wealth is charitably distributed, and because people want to involve family members in what can be an ongoing intergenerational philanthropic endeavor.

?? There is a potential for hundreds of thousands of small philanthropists to "Make a Difference".
NEED FOR VISIONARY LEADERSHIP AMONG NON-PROFITS FOCUSING ON THE NEED TO BE MORE BUSINESS-LIKE.

?? Through consortia, institutions can gain economies of scale in many areas, and a most important one is in Development and Planned Giving.

?? Outsourcing for qualified expertise in Planned Giving, strategic planning, and management assistance is becoming an absolute necessity. There is great turnover in development people, perhaps it is the most transient profession. This strips institutions of continuity. Institutions mistakenly, in search of "fast" dollars, pay far too much in salaries and expenses and usually do not raise substantial ongoing dollars. Most institutions do not have enough permanence in the development office to set a sound plan in place and allow it to grow with ongoing nurture. They have a need to establish a five to ten-year development plan if they expect to grow an endowment.

?? There is a need for an independent third party to help forge partnerships between financial service companies, non-profits and donors and to bring an understanding of the true needs of all parties, i.e., relating the financial needs of the donor to the focused thoughtful institutional Case Statement ("fleshing out" of the Mission of the organization), which creates the environment for a truly WIN- WIN relationship. **Planned giving requires strong relationship building.**

?? The need exists to maintain and grow a viable donor/prospect list because most non-profit institutions have served a valuable segment of the "gift potential" market. Most of these institutions, however, do a poor job in tracking their constituencies **or assemble enough personal information to make a reasoned "ASK"**.

?? There is a need to realize the necessity of building a strong **Image** in the community and emphasize related Public Relations. Self Promotion is critical to both the non-profit institution's growth and penetration in the community they serve.

?? There is the need among non-profits to reverse the trend of possessing, perpetuating, and selecting ineffective Board Members. There is a need to introduce Leadership Training at Board, Administration, and Staff levels.

?? There is a need among Not-for-Profit's to distinguish themselves from others by meeting the true philanthropic needs of their clients, even to the extent of providing "donor-advised" funds and "donor-involved" project accounts.

- ?? Non-profits need to recognize that Donors are becoming very savvy and selective in the causes they wish to support. This requires a "powerful" message of purpose to be put forward to "hook" the donor to its cause.
- ?? There is a need to attract, develop, grow and retain highly trained people. This cannot be handled from within at the expense of taking "Field" responsible people from doing their day-to-day work. "People Skills" are needed over technical skills in most instances, and specialized training is necessary.
- ?? The need exists to recognize the Aging of the population and understand the elder psychology for living and giving. Elders often are "lonely", seeking a "family" respecting them and "loving" them for who they are. The Gift, if handled properly, is the bridge to creating this "Family" relationship that builds lasting union and large commitments. There is a need for training and education in the Psychology of Philanthropy unique to each demographic group.

IV. MOST 501(c)(3) ORGANIZATIONS HAVE NO PLANNED GIVING PROGRAM

- ?? Most charities have no trained or specifically dedicated planned giving department personnel. Their staff is usually devoted to "Project Oriented" Campaigns and "Special Events". The Charities have not committed to Gift Planning and the need to build Endowments.
- ?? They are totally involved with raising operating funds and Annual Giving.
- ?? They subscribe to the myth that planned giving will interfere with these efforts. This is called the "scarcity theory".
- ?? They have concluded, due to limited funds, that the development of a full scale deferred giving program is cost prohibitive. Therefore, the potential is wide open for the wise charitable organization to provide a total service to non-profits with the support of the consulting and administrative services offered by American Preferred Services, Inc.

Services Provided

COMPREHENSIVE “TURN-KEY” PLANNED GIVING SERVICES

FOR NON-PROFIT ORGANIZATIONS

PROVIDING FULL SERVICES FOR DONOR-CENTERED PLANNED GIVING AND ENDOWMENT ENHANCEMENT

1. DEVELOPMENT AUDIT AND REVIEW SERVICES

- A. Audit and review of current personnel, programs, development plans, donor follow up and cultivation programs.
- B. Audit and Review of current technology support, systems, and DATA BASE management and donor tracking systems.
- C. Review of Grant Making and Writing programs and strategies.

II. GIFT AND FUND ADMINISTRATION AND CUSTODIAL SERVICES

- A. Gift vehicles – CRUT’s, CRAT’s, PIF’s, CGA’s, CHIP’s, CLAT’s, CLUT’s, DAF’s, SO’s, ChLLC’s, CHAR-FLP’s Etc.(see Glossary)
- B. Endowment Funds
- C. Personalized communication materials for clients/donors; both informational and institution promotional

III. INVESTMENT MANAGEMENT

- A. Active management of individual trusts to meet donor and institutional client objectives
- B. Management of Endowment monies, "New and/or Old"

VI. POLICY DEVELOPMENT AND IMPLEMENTATION

- A. Review and/or establish general Gift Acceptance Policies
- B. Review and/or establish, specifically, Real Estate Gift Policies and provide the service for disposition and/or management of such gifts
- C. Review of Board selection policies and cultivation procedures for future Board members

IV. PROSPECTING AND DONOR PROFILING SERVICES

- A. Profile matches with current donor base
- B. Target marketing assistance to the Affluent and broadened prospect base

- C. Referral "marketing" services
- D. Donor identification Education and program development.

V. GIFT DELIVERY SERVICES

- A. Gift Presentation and Proposal Services
- B. "In Person" donor interview, presentation, and "CLOSE" services
- C. Donor Estate Planning services
- D. Donor Financial Planning and Cash Flow Analysis services
- E. Donor Retirement Plan analysis services.

VI. PLANNED GIFT MARKETING - STRATEGIC PLANNING FOR MAXIMUM EFFECT AND EFFICIENCY

- A. Network and referral Strategies for internal and external markets and constituencies
- B. Selection Assistance and the establishment of special DONOR ADVISORY BOARDS
- C. Special Educational and Financial Literacy seminars and workshops for staff, boards, current donors, donor prospects, and financial professionals

VII. "IN HOUSE" TRAINING AND EDUCATION SERVICES

- A. Training and educational programs for seasoned and new staff, related non-profit Boards, financial professionals and volunteers.
- B. Training and educational program development for ongoing and updated knowledge enhancement.
- C. Counseling for selection, development, and retention of qualified and quality staff
- D. LEADERSHIP training for Administration, Staff, and Boards.
- E. Education in the Psychology of Philanthropy and the "needs" of its various constituencies and demographic markets. "Why People Give".
- F. Education and training in necessary "People Skills" necessary for relationship building and fact-finding techniques to advance its commitment to DONOR CENTERED PHILANTHROPY.

VIII. CAMPAIGN ORIGINATION, DEVELOPMENT AND IMPLEMENTATION

- A. Planning and Feasibility Studies
- B. Marketing Strategies

- C. Campaign Implementation and Management

IX. COMMUNICATIONS

- A. Personalized communication pieces on all matters relating to gifts, payouts, etc.
- B. Direct Mail services
- C. Special Newsletters highlighting different Gift Solutions to Donor financial concerns and problems
- D. Specialty Brochures and publications
- E. Public Relations planning and assistance in IMAGE BUILDING and CASE STATEMENT writing, development, and implementation.

X. CAPITAL FINANCING ASSISTANCE

- A. Real Estate Pooled Income Fund as an alternative to bond financing and as a refinancing mechanism
- B. Creative Bond financing at below typical market rates
- C. Access to Creative Capital Markets.

XI. "TURNKEY" MARKET SPECIFIC PRODUCTS

- A. Tax Favored Tuition Plans
- B. Charitable Supplemental Retirement Plans

XII. EMPLOYEE BENEFIT REVIEW AND ANALYSIS

- A. Coverage and Retirement adequacy analysis
- B. Cost Studies for total efficiency cost effectiveness
- C. Special Charitable Benefit Plans for Key Personnel and Boards

XIII. REAL ESTATE TRANSACTIONS

- A. Structuring the Transaction for all types of Planned Gifts
- B. Handling the Settlement and possible Financing

XIV. CHARITABLE IRA ACCOUNTS

- C. Structuring Note and Bond Offerings for IRA Investors
- D.** Providing Custody of Charitable IRA's

Glossary

Planned, or Deferred, Gifts are also known as “split-interest” charitable gifts, because a part of the gift is for the charity, and a part acquires a stream of income or payments for life, thereby benefiting the donors during their lifetimes. The portion that represents the gift to the charity is tax-deductible in the year of the gift, with unused deductions able to be carried forward for up to five years. Calculations are required to determine the precise amounts of deductions and payments.

The explanations below are over-simplified. We will provide a thorough description of each tool upon request. There is a great opportunity to build endowments and funds under management if you have a thorough understanding of the applications of these planned giving vehicles.

CRUT: Charitable Remainder Unitrust.

There are many varieties of CRUTs, including a standard CRUT; net income unitrust (NICRUT); and the popular net income with makeup provision unitrust (NIMCRUT). The payout rate is a percentage of the value of the trust, and the value usually changes each year. Additional contributions may be made to this type of charitable trust. There are ways to control the actual payments from these trusts.

CRAT: Charitable Remainder Annuity Trust

There are varieties of this type of trust also, including the Term of Years CRAT, which is popular. Once the payout percentage is chosen, the payment amounts are fixed regardless of changes in the trust value. Payments may not be deferred, and no additional contributions may be made.

PIF: Pooled Income Fund

This is similar to a mutual fund. Only the income generated is paid out. A tax deduction, based upon the donor’s age, is available at the time of contribution. There are special types of PIF’s that can be used extremely effectively in major capital campaigns.

CGA: Charitable Gift Annuity

This is the simplest and easiest to implement planned giving tool available. Because of that, much smaller gifts can be received than with most charitable trusts. The CGA can be designed for immediate or deferred payments, and payments can be designed to occur over a short period of time, for college education or other purposes. It is the most popular planned giving tool, because it is simple, provides a substantial tax deduction and payments are usually larger than most other income producing investments.

CHIP: Charitable Installment Purchase

This is one of the newest charitable planning vehicles, and most charities do not know how to use them. The CHIP greatly facilitates the sale of real estate and other highly appreciated assets such as a closely held business or stock. It is used when a Seller of an asset would like to receive payments over a period of time rather than a lump sum, in order to defer the recognition of capital gains tax. Often the Buyer would prefer to simply pay cash. The Charity can act as the “middle man”, and help both the Seller and the Buyer achieve their objectives. The CHIP is often the “catalyst” that permits the sale of the asset to take place. The many tax advantages to the Seller very often makes this a perfect vehicle.

CLAT: Charitable Lead Annuity Trust

There are different versions of this trust, which provides fixed payments to a charity, which could be a family foundation, for a specified period of time. At the end of the period, the principal (corpus) of the trust is distributed either to the grantor or to others, usually the grantor's children.

CLUT : Charitable Lead Unitrust

This is essentially like the CLAT, except that the annual payout amounts to the charity may vary, based upon the value of the principal in the trust.

DAF: Donor Advised Fund

Donor Advised Funds permit a donor to contribute to a charity that maintains a separate account for the donor. The simplest form of this is a community foundation, but any charity may establish these accounts for their donors. Usually, the donor will simply designate another charity to receive funds from their account. The purpose is to simplify (consolidate) giving and to systematize donations, so that funds may be accumulated and then disbursed at the time that is most appropriate.

DIP: Donor Involved Projects

This is a very unique relationship that a donor creates with a charity, whereby the charity provides, in effect, an umbrella under which a donor, with the approval of the charity, operates his or her own charitable project. The charity provides all of the administration, leaving the donor to do the work of his or her own "foundation". The charity owns the assets in the Project Account, and so it is not "self-serving" if, with the approval of the charity, the donor receives reasonable compensation for performing the work of the "foundation", since it is, by definition, within the mission and scope of the umbrella charity.

SO: Supporting Organization

This is a full public charity that is dedicated to supporting one or more other public charities, and must be operated under the control of those charities that are being supported. Nevertheless, the founding donor has substantial influence over the activities of the supporting organization.

ChLLC's and CHAR-FLP's: Charitable Limited Liability Company and Charitable Family Limited Partnership

These are simply Limited Liability Companies and Family Limited Partnerships that involve the use of a Charitable Entity in the process of implementing the entity. There are extraordinary tax and business planning advantages derived by involving a charity. It also results in some very unique relationships that can be established between a donor and his favorite charity.

Summary

Our objective is to provide a “One Stop”, “Full Service”, “Turnkey” resource to non-profits who desperately need assistance in one or more of the critical Planned Giving areas.

Donor Advised Funds

For any charitable organization, they may wish to include the establishment and “turnkey” administration of Donor Advised Funds to employees and to their donors. This option can be extended to offer “Donor-Involved” Projects, whereby the donor can be actively involved in the community by providing personal services to the community.

Fees

The Fee Schedules for the various services vary depending upon the specific services that are selected from the proposal. You may choose to utilize our Team as your complete Planned Giving Department, or you may choose the basic administration packages with limited consulting services, and pay a “case consultation” fee only when you need our consultative support. Or we can negotiate anything in between our basic fee and our full service fee, depending upon your needs.

Please contact:

Michael P. Goodrich, CLU, ChFC
1010 Cloverlea Road, Baltimore, MD 21204-6811
410 494-1041
Fax: 410 494-1051
Email: mpgoodrich@comcast.net

George P. Brown CLU, ChFC, CPhD
P. O. Box 605
190 Bethlehem Pike, Suite One
Colmar, PA 18915
800 822-6711
Fax: 215 997-9545
Email: gbrown@summittrust.com