



## Legacy Program Handbook

August 2012

# Sonoma Valley Fund

## Legacy Giving Program--Partner Handbook

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## **INTRODUCTION**

### **SVF Nonprofit Partner Handbook**

The Sonoma Valley Fund's mission is to strengthen our community through philanthropy and legacy giving. To understand the benefits of a legacy program, we need to look no further than our Partner, Hanna Boys Center. With a \$150 million endowment built over many years, Hanna can count on \$6,000,000 in annual income based on a 4% draw.

With three of our Partners each having just under 30 legacy pledges, they have the confidence that over time their endowments will be in the millions of dollars. Legacy programs demonstrate strong financial stewardship to annual donors. Statistics bear out that those donors who have made a legacy pledge give 28% more to annual campaigns.

This handbook and the Sonoma Valley Fund website, [sonomavalleyfund.org](http://sonomavalleyfund.org), provide our Partner nonprofits (22 as of 8/12) and prospective Partners with essential information for a Board decision to launch and to manage a successful legacy program. A key to success is the support of the SVF Partner Support Committee, the SVF Board and the staff of our parent, Community Foundation Sonoma County.

## COMMUNITY FOUNDATION SONOMA COUNTY

### Philanthropic Services Provided To Nonprofit Partners

As a nonprofit in Sonoma County with an organization fund at the Community Foundation, you are offered the following philanthropic services:

#### **Investment Services:**

- Fiduciary oversight and compliance with California's Uniform Management of Institutional Funds Act (UMIFA) for donor-restricted endowment funds.
  - Investment and asset management with quarterly financial statements
  - Private access to your account on-line through "Donor Central"
- #### **Gift Planning Services**
- Gift planning support for your donors
  - Help with complex gifts of stock, property and other assets to your fund
  - Acknowledgement of contributions made to your fund
- #### **Marketing and Public Relations Services**
- Marketing and public relations support
  - Inclusion in Community Foundation Annual Report
  - Link on CFSC web-site to your organization
  - Invitations to Community Foundation events
  - Periodic seminars on a range of topics (i.e. Branding and Marketing; Investments)
  - Opportunity to host a group of Community Foundation donors at your site
  - Professional program staff to advise you on a range of issues (i.e. fundraising, governance, finance)

**SONOMA VALLEY FUND**, an affiliate of the Community Foundation Sonoma County

The following ***additional*** benefits are provided to **Sonoma Valley Fund Partner** organizations:

- Endowment and Legacy Giving Services
- Support in planning and implementation of your program by a Sonoma Valley Fund Board member or Advisor with experience in gift planning programs of other nonprofits
- Access to the Sonoma Valley Fund Board and Advisors comprised of local community leaders - members of the Sonoma Valley Board and Advisors serve on other Boards in the Valley
- When appropriate and requested, participation by a SVF Board or Advisor knowledgeable about legacy giving in support of contacts with prospects Marketing
- Participation with the other Sonoma Valley Fund Partner nonprofits in promoting legacy giving during the planned Endow Sonoma Valley Month in October, 2012
- Links to Endow Sonoma Valley website and its gift planning resources
- Invitation to Sonoma Valley Fund hosted events
  - Annual Celebration and events
  - Capacity building workshops and seminars for Sonoma Valley nonprofits
- Recognition in the Sonoma Valley Fund Annual Report, e-news letter and at the SVF's Annual Celebration's Volunteer of the Year Star/s Awards.
- Communication with 30+ professionals in a position to encourage clients to consider a legacy gift and provide them with information for their clients on valley nonprofits.
- Costs saving from participation in the nonprofit services initiative's cooperative purchasing opportunities

## CHAIR OR CO-CHAIR - LEGACY COMMITTEE

### Roles

The Chair or Co-Chairs of the Legacy Committee and committee members of a nonprofit Partner of the Sonoma Valley Fund are the **bridge** between the Partner's loyal annual and capital donors and the fulfillment of their charitable wishes through a planned gift of a legacy or endowment. There are many ways to make a gift and to help a donor find the most beneficial and meaningful way is very satisfying. The connection with a legacy donor prospect is not an ask for a donation, it is to be the **bridge** to the fulfillment of the donor's goals.

#### **The Chair or Co-Chairs and committee members:**

- Are the knowledgeable resource persons for the Board and prospective donors and when needed or requested facilitate support from the planned giving expertise of the Community Foundation and/or the Sonoma Valley planned giving professionals.
- Work closely with the liaison assigned by the Sonoma Valley Fund and if assigned, the nonprofit staff responsible for the program.
- Through the SVF liaison marshal the resources of the Sonoma Valley Fund Board and Advisors and the Community Foundation staff to enhance the success of the Partner's legacy program.
- Motivate the Board in the implementation of their Legacy program and monitor the implementation timeline.
- Troubleshoot the implementation and call in the expertise that can solve problems.
- Report to the Board progress and support needs.
- Keep SVF liaison informed about the implementation progress.

## **SONOMA VALLEY FUND**

### Liaison Support for Nonprofit Partners

The volunteer/s assigned to a Partner will, in most cases, be members of the SVF Partner Support Committee, Development Committee, Marketing Committee or those who have served as Board members of the Partner. Guidelines for support are as follows:

#### **Legacy Support**

- Encourage the Partner's Board and staff in the implementation of their Legacy program and monitor their implementation timeline. Quarterly meetings are suggested to maintain momentum.
- Be a knowledgeable resource person for the Board and staff of the nonprofit Partner and support their planning and implementation of their legacy program.
- Keep expectations of new legacy donors in balance, it takes time and as many as six contacts to "close the sale." The initial solicitation of Board members and key donors may yield a 25% response and be a positive result.
- Support Partner legacy marketing through storyteller forums, Endow Sonoma Valley and other legacy marketing opportunities.
- When needed or requested, facilitate support from the expertise of the Community Foundation in legacy marketing, gift planning, donor-advised funds, endowment investing, scholarships funding and other support. Encourage the Partner to work directly with CFSC staff when appropriate and remain knowledgeable about the status of these interactions.
- When needed, marshal the resources of the Sonoma Valley Fund Board and Advisors and the Community Foundation to enhance the success of the Partner's Legacy marketing program.

#### **Recognition**

- Provide SVF liaison for Partner participation in the Star volunteer recognition program.
- Participation and recognition at SVF events and in publications and where appropriate, at CFSC events and publications.

#### **Progress Reports**

- Report to the SVF Board progress and support needs of Partners.
- Keep SVF Board President and Affiliate Relations Officer informed.

## SONOMA VALLEY FUND

### Nonprofit Partner Expectations

The mission of the Sonoma Valley Fund is to strengthen our community through philanthropy and legacy giving.

The Sonoma Valley Fund partners with established nonprofits in Sonoma Valley to develop and support their implementation of their legacy giving strategy. The SVF and its parent, the Community Foundation Sonoma County, will dedicate the resources necessary to support its Partner's legacy programs. The primary resources are the expertise and experience of the members of the SVF Partner Support Committee, SVF Board members and the staff of the CFSC. The funds a Partner invests with the CFSC support the resources available to our Partners.

The SVF recognizes that its Partners have significant priorities that will dictate when legacy programs can be launched and promoted annually. Our Partner Support Committee works with each Partner to develop an annual legacy plan that will reflect this reality.

Together, our goal is to raise awareness in Sonoma Valley of the importance of legacy giving to the long-term financial strength of our nonprofits and the vital services they provide.

#### **Legacy Partners – The Expectations for Legacy Partners are:**

- A Board resolution establishing a legacy program. Example on website.
- Assignment of one or more Board members to guide the legacy program with support of selected volunteers. Responsibilities of a Chair or Co-Chairs on website.
- Launch the legacy program with a presentation by a professional to the Partner's Board.
- Meet with the SVF's assigned liaison to set the annual marketing strategy for the legacy program and periodically review progress and ideas to enhance the strategy. Generic Marketing Plan on website.
- Support the CFSC and SVF legacy resources provided to Partners by investing funds with the CFSC.
- Semi-annually report on the number of legacy pledges or gifts.
- Support participation in the annual Endow Sonoma Valley month and the SVF's annual celebration.



## **SONOMA VALLEY FUND**

### **Partner List as of August 2012**

	<u>Since</u>
Becoming Independent	2010
Boys & Girls Clubs of Sonoma Valley	2007
F.I.S.H.	2011
Friends of the Sonoma Valley Library	2010
Hanna Boys Center	2009
La Luz Center	2009
Gary and Marcia Nelson Emergency Care Fund	2008
Pets Lifeline	2009
Quarryhill Botanical Garden	2009
Seeds of Learning	2012
Sonoma Community Center	2011
Sonoma Ecology Center	2010
Sonoma League for Historic Preservation	2008
Sonoma Valley Community Health Center	2011
Sonoma Valley Education Foundation	2008
Sonoma Valley Hospital Foundation	2008
Sonoma Valley Mentoring Alliance	2009
Sonoma Valley Museum of Art	2007
Sonoma Valley Teen Services	2008
Sweetwater Spectrum	2012
Vintage House	2007
WillMar Center	2011

## SONOMA VALLEY FUND

### **Nonprofit Partner Endowment and Legacy Marketing Program Summary**

#### **Introduction:**

There is no quick fix to a nonprofits quest for a significant endowment. Patience and persistence over time are the key elements to a successful program. We have all heard about the \$500,000 endowment gift “out of the blue.” The “blue” was the result of a matching of the donor’s passion with the mission of a nonprofit through communication over time. Rarely was it really “out of the blue.”

#### **Stage One – Year One (see detailed breakdown on the following page)**

Are you ready? Readiness Survey

#### **Launch :**

- Two or more Board members make pledges
- Chair or Co-Chairs recruited for a small Endowment/Legacy Committee
- Prospects identified, limit to 10 – Board members, Advisors, annual donors and volunteers

#### **Marketing :**

- Legacy Circle/Heritage Club established
- Case Histories developed
- Contact strategies initiated to include Storyteller Forums
- Marketing materials prepared, example on website
- Recognition plan in place

#### **Stage Two – Year Two**

- Maintain contact with all prospects
- Incremental expansion of prospect contacts through Storyteller Forums
- Refinement of marketing materials
- Additional case histories

#### **Stage Three – Year Three**

- Maintain contact with prospects
- Incremental expansion of prospect contacts
- Enhance marketing materials and strategy

**Stage One** – Goal – Add 2 to 5 new Endowment or Legacy Donors

**A. Readiness Survey** - After a readiness survey, the non-profit Board decides if the time is right to launch an Endowment/Legacy Campaign.

**Priorities that may delay a campaign are:**

- A recent or planned capital campaign.
- Significant operational funding challenges.
- Executive Director or Board leadership changes.

**Factors that favor a campaign are:**

- Several Board members who have or will make an endowment or legacy gift.
- Several Board members or major donors who are interested in volunteering to support a legacy campaign.
- A positive image in the community.
- A partnership with a resource with planned giving expertise and with fiduciary credibility. Yes, the Sonoma Valley Fund and the Community Foundation Sonoma County provide this resource.

**B. Launch -**

1. Board Support – Two or more Board members must commit to making a pledge to the campaign. Why not the entire Board? Most Boards include members who serve because of their wisdom or work, not their wealth and many are in the early stages of their careers. Over time, they may consider a gift, but what are needed for a successful launch are current pledge commitments.
2. Prospect Selection – Identify ten or fewer prospects from current or past Board members or major donors to annual or capital campaigns. The number of prospects is limited because personal follow up and frequency of contact will be essential. To increase the number of prospects will overwhelm staff and volunteers.
3. Gift Strategies – A personal cover letter from the President of the Board and/or committee chair/s is mailed. After a week make a follow up phone call.
4. Follow Up –
  - a. Determine if the prospect would like:
    1. A free one-hour consultation with an SVF planned giving professional.
    2. A meeting with a staff member of the CFSC with relevant expertise.
    3. A meeting with a Committee member.
    4. Mailing of additional materials for their review.

**The goal of this stage is to gain two to five new donors.**

### **C. Marketing (The SVF website, [sonomavalleyfund.org](http://sonomavalleyfund.org), has examples of materials)**

1. Legacy Circle/Heritage Club – Establish this entity or equivalent. Founding membership will be the Board members who have made their gift or pledge, others who have done the same, plus the new donors from the Launch.

a. Stage a dinner or celebration hosted by Board members and any others who may have included the non-profit in their estate plan. Invite the prospects to attend through a personal invitation from Circle members. The timing should be after at least two new members have joined. Be sure to get appropriate publicity.

2. Case Histories – It will be the personal stories of why donors established funds that will “sell” prospects. Collect as many stories with pictures of the donors as possible.

3. Contact Strategies – Contact with prospects in various forms must be maintained at a frequency of 6 to 8 per year.

#### **Topical Mailings – Three or four of those contacts can be through topical mailings customized by the nonprofit. Each mailing can include:**

- Legacy Brochure – Samples available from the SVF
- A letter from the Committee Chair and/or Board President including a case history from a donor.
- A brochure on specific ways to make gifts. Examples are real estate, charitable remainder trusts, simple codicils to a will, etc. An option is a letter describing a specific giving strategy.
- An interest response form.

Newsletter Column – A description of a legacy strategy and a case history can be part of each newsletter. Drafts can be provided by the Sonoma Valley Fund.

4. Annual Recognition – At an annual gathering of the Board and major donors or at a special event of the nonprofit, stage a special recognition of the members of the Circle and tell one or more donor stories.

5. Special Invitations – Invite Circle members and prospects to special programs of the nonprofit. Examples would be program demonstrations, tours, etc.

## Your Goals and Benefits in Charitable Giving

<b>YOUR GOAL</b>	Make a quick and easy gift	Avoid taxes on capital gains	Avoid double tax on IRA's or other employee benefits	Donate your personal residence or farm now, but continue to live there	Make a gift with little cost to you	Secure a fixed and often higher income or create a hedge against inflation	Reduce gift and estate taxes on assets you pass to children or grandchildren
<b>YOUR GIFT</b>	Outright gift of cash	Outright gift of securities or real estate	Gift of Retirement Benefits	Retained Life Estate	Gift of Life Insurance	Charitable Remainder Trust	Charitable Lead Trust
<b>YOUR BENEFITS</b>	Immediate income tax deduction and possible income	Immediate charitable deduction and avoid capital gains	Make gifts from most highly taxed assets, leaving better assets for family	Valuable charitable income tax deduction and lifetime use of residence	Current charitable income tax deduction and possible future deductions for premium payments	Variable or fixed income for life and immediate charitable income tax deduction	Charitable income tax deductions and family receives remainder of assets
<b>HOW TO MAKE THE GIFT</b>	Current gift, charitable gift annuity, or include in trust or will	Current gift, charitable gift annuity, or include in trust or will	Current gift or name charity as beneficiary	Deed property to charity and retain life estate for yourself	Change ownership of policy or beneficiary to policy	Create trust now or as part of trust or will that pays income to you or family and remainder to charity	Create trust now or as part of trust or will that pays income to charity and remainder to your family

### Definitions used in Charitable Giving

**Will** - Your declaration of what you want done with your estate upon your death. It can include charitable planning but will need court approval to be effective.

**Trust** - A revocable trust is a contract between you and your trustee as to what you want done with your estate 1) upon your death and 2) if you're alive and unable to manage your financial affairs. It can include charitable planning and no court approval is needed for your wishes to be effective.

**Charitable Remainder Trust** - This is an irrevocable trust that pays a percentage of the trust to you or designated individuals during the life of the trust and then the remainder to charity. You can create a Charitable Remainder Trust to be effective during your lifetime or upon your death.

**Charitable Lead Trust** - This is an irrevocable trust that pays a percentage of the trust to charity during the life of the trust and then the remainder to you or designated individuals. You can create a Charitable Lead Trust to be effective during your lifetime or upon your death.

**Life Insurance** - You may designate a charity as the beneficiary of an insurance policy of which you are the owner and the insured.

**Retirement Benefits (IRA, etc.)** - You can designate a charity as a beneficiary of your IRA or your 401K to receive the assets upon your death. While you are alive, and under certain circumstances, you may be able to gift your IRA assets to charity without paying any income taxes.

**Charitable Gift Annuity** - An arrangement whereby you give cash or other property to a charity in exchange for a commitment by the charity to pay you an annuity. Part of the transfer is considered a charitable contribution.

## SONOMA VALLEY FUND PROFESSIONAL ADVISOR SUPPORT

### Key Staff Support – Community Foundation Sonoma County

1. Barbara Hughes, President & CEO
2. J Mullineaux, Vice President Development
3. Celia Bolam, Director Gift Planning

### **Professional Service Providers:**

The following attorneys, Financial Advisors/Planners, and CPA's have partnered with the Sonoma Valley Fund to provide members of the community with advice on setting up their charitable giving plans. Each of these professionals have agreed to provide a one-hour free consultation for anyone who mentions the Sonoma Valley Fund when setting up their initial appointment.

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Additional Professional Service Providers of the Community Foundation Sonoma County in Sonoma, Napa and Marin Counties can be obtained by calling the Foundation at 707 579-4073.



## Endowment Planning vs. Fundraising

July 2012

Like it or not, if charitable, academic, and religious organizations are to be successful in achieving their missions, they need to become skilled fundraisers.

Fundraising is the lifeblood of the nonprofit world. With competition for dollars always fierce—and more intense now than ever before, given the nation's continuing economic doldrums—nonprofits know that they must do everything in their power to give themselves an edge.

Whether it's employing aggressive public relations and social media efforts to raise awareness and interest or hiring savvy fundraising professionals to strategize methodologies for attracting large corporate and foundation gifts, most nonprofit executives know that these tactics can mean the difference between success and failure. Depending solely on the goodwill of others is, for most, no longer an option.

The emphasis on fundraising, however, may mean that many nonprofits are forgetting about the need to also successfully build an endowment. It's easy to understand why. Fundraising, after all, is all about the here and now. Fundraising is tied to balancing the organization's budget, growing the services they offer and the number of people they serve, and accomplishing certain goals set by the board of directors and trustees.

From a more practical standpoint, fundraising also means enabling the organization to keep good employees by offering them pay increases, bonuses, and other perks. Senior executives of these organizations often have their own bonuses tied to annual fundraising objectives. Boards of directors and trustees certainly are sincere in wanting to accomplish specific goals and objectives, but they also feel a personal obligation to donors and constituents to do so.

Add to this the fact that there are various nonprofit certifications and standards, all of which tend to focus on annual fundraising, capital campaigns, board participation, and donor designations. An organization's bylaws may even establish funding expectations.

All of these fundraising goals inevitably conflict with building endowments. Endowments represent a long-term commitment for an organization. Endowments take time to build with donations and earnings. And bottom line, executives, board members, supporters, donors, and other constituents all tend to be impatient. They typically are more interested in seeing tangible results here and now than in slowly building for the future.

This is particularly true in the current economy, as many nonprofits are trying to balance a slowdown in corporate and individual giving with increased demands for services. In such an environment, it's often tempting to use endowment income or principal to meet current operating needs. Doing so, however, clearly inhibits growth and delays the endowment from providing its ultimate goals.

Take, for example, the case of a private high school that wants to create an endowment providing 4 \$2,500 scholarships each year to needy children in each grade. To make that happen, Year One would require \$10,000 per annum, Year Two \$20,000 per annum (8 total scholarships), and so on, until there are \$40,000 per year of scholarships being awarded, 4 for each grade. Assuming that the endowment earns 5 percent a year, the endowment would require \$800,000 to be able to support these 16 scholarships.

That seems fairly clear cut, but every year the school has budget shortfalls. The teacher's 401(k) plan is chronically underfunded. To address this issue, the school's trustees vote to use 1.5 percent of the earnings from the endowment, or \$12,000, to fund the 401(k). That decision, however, leaves the school facing a number of difficult choices—it can make aggressive and risky investment decisions in its endowment portfolio, eliminate the scholarships, or use endowment principal. The last choice impacts future earnings, as there is less principal invested. Besides, these decisions may be contrary to the intent of the donors who funded the endowment.

This example clearly illustrates the dilemma many nonprofit organizations face in trying to build an endowment while keeping up with current economic demands. Quite simply, the long-term nature of endowments is contrary to our collective natures. Directors, trustees, constituents, and donors want to see results. Too often, that means opting to fund a summer camp next year rather than deferring that camp for 10 years so that it can be funded every year thereafter.

Capital campaigns also conflict with endowment building. Capital campaigns have very specific goals—construct a new building, renovate existing facilities, acquire more land. They have very defined beginnings and, if successful, endings. Unfortunately, that specificity sometimes means that when capital campaigns fall a little short of their financial goals, other sources—most prominently, endowments—are "raided" to make up the deficit.

To get past the inherent conflict that inevitably exists between fundraising and building an endowment, nonprofits should consider adopting the following guidelines:

1. Set specific endowment goals, with particular attention to the amount of principal required before funding programs, the use of



- income and principal, the investment policy, the protections from operating budget demands, and protections to a donor's intent.
2. Separate endowment fundraising campaigns from annual and capital fundraising efforts, which will help to ensure that endowment gifts do not compromise other gifts from the same donors. (Endowment campaigns, in fact, are often directed to a small sub-set of the overall donor pool.)
  3. Understand the basics of estate planning and taxes, and be willing to meet with a donor's financial, legal, and accounting advisors.
  4. Study potential donors and understand their charitable motives.

With respect to charitable motives, it's important to recognize that people make donations for a variety of reasons. Some sincerely care about the organization's mission. Sometimes, an individual has suffered from a disease or illness, and his or her family and friends make contributions to organizations that provide support, research, and care to others who have the disease. Some donors wish to thank a nonprofit that has enriched their lives. Still others are motivated by recognition. There are donors (or their families) who take great pride in seeing their family name on a building.

Rare is the donor who cares solely about taxes or recognition. Most endowment decisions are affected by all of these issues. What makes this difficult for the organization is that each endowment donor is unique. As a result, endowment gift planning has to be done in small groups or with individuals, and it has to be personalized. This time commitment is a huge challenge for most nonprofit organizations—but it can be made easier if these guidelines for building an endowment are carefully followed.

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James A. List

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