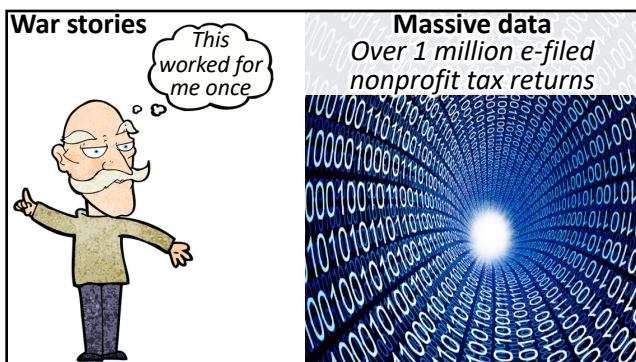


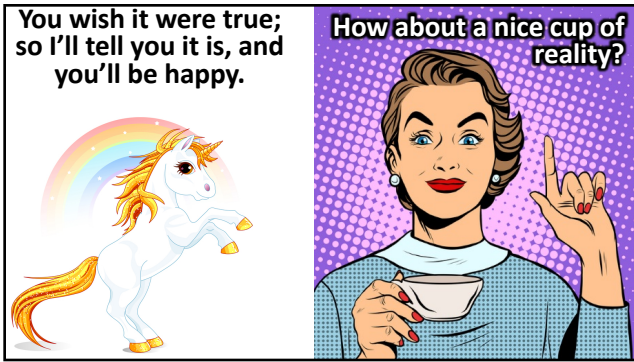
1



2



3



4



5



6

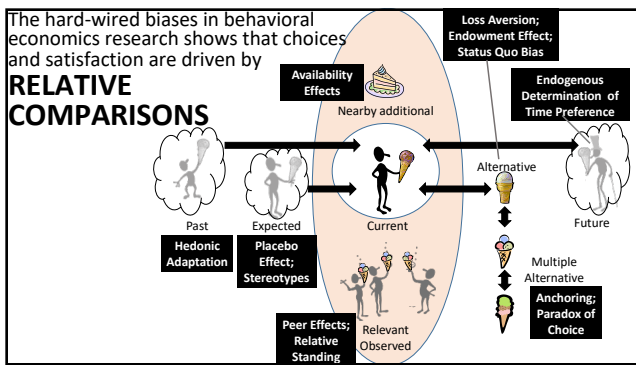
WHY?

Asset gifts

- feel relatively smaller
- remind us of our wealth
- mentally reclassify assets as donation relevant
- reflect donor-centeredness
- require fundraiser expertise
- are more social
- are cheaper

Current and future fundraising growth

7



8

If you are asking for cash, you are asking small

9

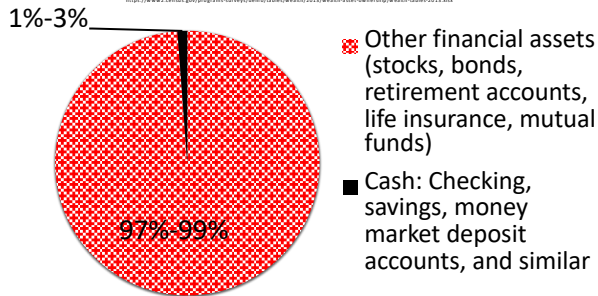
Wealth is not held in cash.
It is held in noncash **assets**.



If you are asking from the cash bucket, you are asking from the **small** bucket.

10

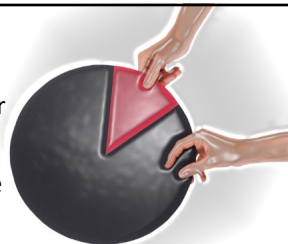
Financial assets held by families (U.S. Census 2017)



11

Asset gifts feel relatively smaller

“For a wealthy donor, asking for the same gift from assets (where it constitutes a tiny share) rather than from income (where it constitutes a much larger share) may reduce the relative perception of financial loss.”



James III, R. (2017). Natural philanthropy: a new evolutionary framework explaining diverse experimental results and informing fundraising practice. *Palgrave Communications*, 3, 17050, p. 4.

12

Asset gifts remind us of our wealth

Shoppers entering Broadway Market in Cambridge, MA: Would you like to participate in an experiment and receive this free chocolate bar?

Randomly assigned to answer questions

What's in your wallet/purse? Cash? Credit cards? ...

Do you own stocks? Bonds? Certificates of deposit?...

Spent **36% more**

McKenzie, C. K., Holtzman, L., & Edry, N. (2007). Unlabeled resources: Perceived costs, confusion, and the separable property effect. *Journal of Consumer Research*, 34(1), 409-417.

13

People who feel wealthy act charitably

The strongest predictor of donation amount was subjective feelings about one's wealth, not it's objective adequacy.

Wierke, J., & Breeze, B. (2012). Feeling poor, acting stingy: The effect of money perceptions on charitable giving. *International Journal of Nonprofit and Voluntary Sector Marketing*, 17(1), 1-24.

Relative comparisons change this feeling. Making college students feel richer by having them report their savings on a scale ranging from \$0 to \$500 rather than \$0 to \$50,000 increased subsequent donations.

Herzenstein, M., & Small, D. (2012). Donating in recessionary times: Resource scarcity, social distance, and charitable giving. *Academy of Management Advances*.


14

Mental accounting

People attach labels to financial assets and then treat them differently

Thaler, R. H. (1999). Mental accounting matters. *Journal of Behavioral Decision Making*, 12(3), 163.


15



Labeling assets as donation relevant

When a donor makes a gift of a noncash asset, the donation experience can re-categorize that asset class as appropriate for future charitable consideration

16




Labeling assets as donation relevant

Expanding the total number of budget categories for which a particular charitable donation was arguably relevant increased donations

Laberge, M. C., & Simson, J. L. (2014). The role of mental budgeting in philanthropic decision making. *Nonprofit and Voluntary Sector Quarterly*, 43(3), 992-1013.

17



Irregular unearned gains – like appreciated assets – generate more giving

People are more likely to spend irregular unearned gains (vs. regular earned income) on luxury goods in general (O’Curry, 1999) and charitable donations in particular (Reinstein & Reiner, 2012; Konow, 2010).


Framing a donation as an exceptional event removes it from comparison with regular disposable income budget items and increases giving (Sussman, Sharma, & Alter, 2015)

Reinstein, D., & Reiner, D. (2012). Decomposing desert and tangibility effects in a charitable giving experiment. *Experimental Economics*, 15(3), 229-246. Sussman, A. B., Sharma, S., & Alter, A. L. (2015). Framing your gift: Donations as

18

Cash is anti-social
Gifts of objects are pro-social

Reminders of cash promote independence and exchange motives, reducing willingness to help and to make donations




Mohr, R. D., Mead, N. L., & Goode, M. R. (2008). Merely activating the concept of money changes personal and interpersonal behavior. *Curford directions in Psychological Science*, 17(1), 208-212.
 P. Mead, R. L., Stillman, T., & Vohs, K. D. (2016). No match for money: How in-person reminders of cash and internet gifts culture (reminders of money) weaken socioeconomic responses. *Self and Identity*, 21(3), 342-355.

19

Cash is anti-social
Gifts of objects are pro-social

In contrast, gifts of objects are common in social relationships and emphasize communal norms rather than self-interested exchange relationships and exchange norms




Mauss, M. (1923). Essai sur le don forme et raison de l'échange dans les sociétés archaïques. *L'Année sociologique*, 1, 30-186. [The Gift: Forms and Functions of Exchange in Archaic Societies]. *Chelal, G.* (1997). Showing them you love them: gift giving and the dialectic of intimacy. *Sociological Review*, 37(1), 150-65.

20

Fundraiser technical sophistication

- Organizations promoting and receiving non-cash gifts, especially complex gifts, are more likely to develop technically-skilled fundraisers
- This greater level of financial knowledge changes the relationship from "asking" to "advising" and this leads to long-term fundraising growth



21

Fundraiser technical sophistication

- Free 65 video YouTube series
- Direct link: bit.ly/TexasTechProfessor

The Secret to Understanding Planned Giving Part 1: The tools	A Super Simple Introduction to Taxes Part 1: Tax Basics	Elements of Charitable Gift Part 1: The basics
Documenting Charitable Contributions Part 1: Introduction	Valuing Gifts of Property Part 1: The rules	Income Limits on Charitable Deductions Part 1: Introduction
Bargain Sale Gifts Part 1: Introduction	Charitable Gift Annuities Part 1: Introduction	Taxation of Charitable Gift Annuities Part 1: Calculating the deduction
Gifts of Partial Interests in Property Part 1: The rule against partial interests	Retained Life Estates Part 1: The rule against partial interests	Private Foundations Part 1: What are PPA & CFE?
Charitable Remainder Trusts 1. Introduction	Charitable Lead Trusts 1. Introduction	Retirement Assets 1. Giving During Life
		Life Insurance in Charitable Planning 1. Worth repositioning

22

Appreciated asset gifts are objectively cheaper

Donors can give more at the same net cost

23







Appreciated asset gifts are objectively cheaper

Tax deduction + Avoid capital gains tax

Tax deduction only







24

Asset gifts are cheaper for itemizers

			Income tax deduction (\$100,000 x 37%) \$37,000	Costs \$63,000
Donor		Nonprofit		
			\$37,000 + Avoid capital gains (\$90,000 x 23.8%) \$21,240	Costs \$41,760
Donor		Nonprofit		




25


Asset gifts are cheaper for non-itemizers

			Income tax deduction (\$100,000 x 37%) \$37,000	Costs \$100,000
Donor		Nonprofit		
			\$37,000 + Avoid capital gains (\$90,000 x 23.8%) \$21,240	Costs \$78,760
Donor		Nonprofit		

26

Use the 2018 tax law to shift non-itemizers to asset gifts

			Income tax deduction (\$100,000 x 37%) \$37,000	Costs \$100,000
Donor		Nonprofit		
			\$37,000 + Avoid capital gains (\$90,000 x 23.8%) \$21,240	Costs \$78,760
Donor		Nonprofit		



27

Asset gifts got EVEN cheaper for many

		2017	2018
 Donor <small>Net cost \$52,370 in '18 vs. \$49,700 in '17</small>	 \$100k Cash	Income tax deduct. <small>(\$100,000 x 39.6%)</small> \$39,600 fed <small>(\$100,000 x 11%)</small> -\$6,644 state +	Income tax deduct. <small>(\$100,000 x 37%)</small> \$37,000 fed <small>(\$100,000 x 11%)</small> -\$11,000 state +
	 Nonprofit	Avoid capital gains <small>(\$90,000 x 23.8%)</small> \$21,240 fed <small>(\$90,000 x 11%)</small> -\$5,980 state	Avoid capital gains <small>(\$90,000 x 23.8%)</small> \$21,240 fed <small>(\$90,000 x 11%)</small> -\$9,900 state


28

No need to change your portfolio! The Charitable Swap

29

The Charitable Swap with a DAF

30




More good news for charitable deductions

1. Higher state tax benefits with SALT cap
2. Federal rates went up (33% to 35%) for singles earning \$200,000 to \$416,700
3. 2017 charitable tax deduction reduction by 3% of income over \$261,500 [Pease limitation] eliminated
4. Income limits raised to 60% (2021 @ 100%) for cash gifts

31

Reflect real "donor-centeredness"

- Nonprofits promoting non-cash gifts are willing to increase their hassle (*cash is easier for the charity*) to benefit the donor (*gifts of appreciated assets are cheaper for the donor*)
- Action, not just talk



32

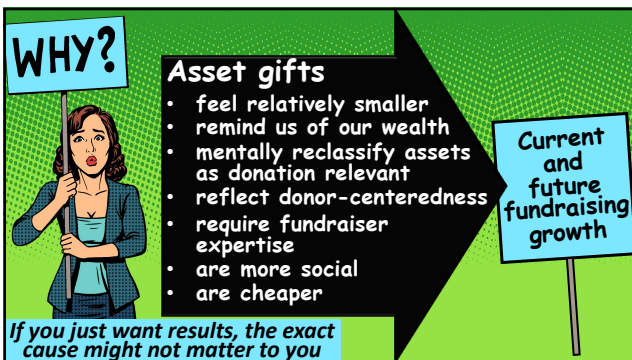
WHY?

Asset gifts

- feel relatively smaller
- remind us of our wealth
- mentally reclassify assets as donation relevant
- reflect donor-centeredness
- require fundraiser expertise
- are more social
- are cheaper

Current and future fundraising growth

If you just want results, the exact cause might not matter to you



33

Why this new data is such a big deal



First time IRS released in computer readable format **all** e-filed Form 990s from 2010 forward including 1,055,917 tax returns from 205,696 nonprofits

34

Let's start with a simple comparison

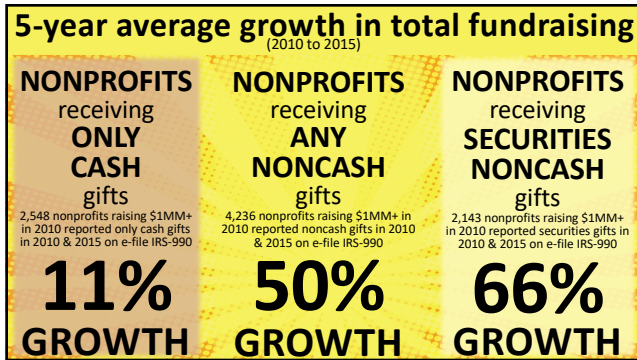
<p>NONPROFITS receiving ONLY CASH gifts</p> 	<p>NONPROFITS receiving ANY NONCASH gifts</p> 	<p>NONPROFITS receiving SECURITIES NONCASH gifts</p> 
---	---	--

35

5-year average growth in total fundraising (2010 to 2015)

<p>NONPROFITS receiving ONLY CASH gifts</p> <p>2,548 nonprofits raising \$1MM+ in 2010 reported only cash gifts in 2010 & 2015 on e-file IRS-990</p>	<p>NONPROFITS receiving ANY NONCASH gifts</p> <p>4,236 nonprofits raising \$1MM+ in 2010 reported noncash gifts in 2010 & 2015 on e-file IRS-990</p>	<p>NONPROFITS receiving SECURITIES NONCASH gifts</p> <p>2,143 nonprofits raising \$1MM+ in 2010 reported securities gifts in 2010 & 2015 on e-file IRS-990</p>
GROWTH	GROWTH	GROWTH

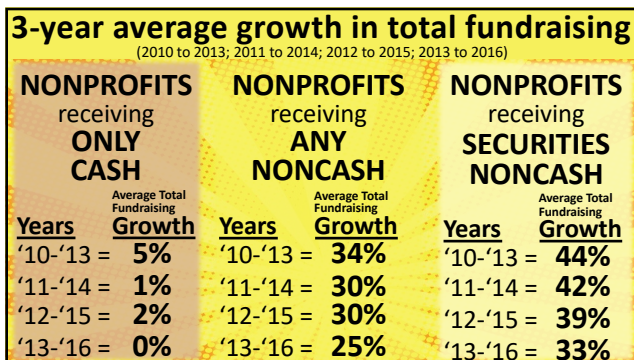
36



37



38



39

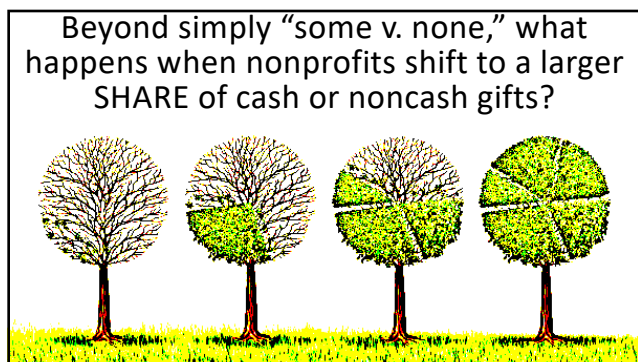


40

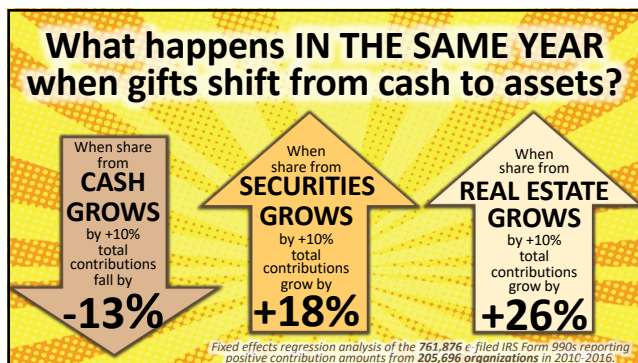
5-year total fundraising growth by initial level of total contributions

	\$100K to <\$500K	\$500K to <\$1MM	\$1MM to <\$2MM	\$2MM to <\$3MM	\$3MM to <\$5MM	\$5MM to <\$10MM	\$10MM+
Nonprofits reporting only cash <small>contributions in 2010 & 2015 on e-IRS 990s</small>	56% <small>[n=9168]</small>	25% <small>[n=2397]</small>	14% <small>[n=1343]</small>	18% <small>[n=478]</small>	0% <small>[n=358]</small>	0% <small>[n=223]</small>	26% <small>[n=146]</small>
Nonprofits reporting any noncash <small>contributions in 2010 & 2015 on e-IRS 990s</small>	137% <small>[n=2278]</small>	71% <small>[n=1373]</small>	60% <small>[n=1215]</small>	58% <small>[n=652]</small>	48% <small>[n=728]</small>	36% <small>[n=679]</small>	35% <small>[n=962]</small>
Nonprofits reporting securities <small>contributions in 2010 & 2015 on e-IRS 990s</small>	400% <small>[n=114]</small>	176% <small>[n=187]</small>	103% <small>[n=340]</small>	94% <small>[n=284]</small>	68% <small>[n=385]</small>	50% <small>[n=427]</small>	43% <small>[n=707]</small>

41



42



43



44

Gifts from larger asset types have more impact

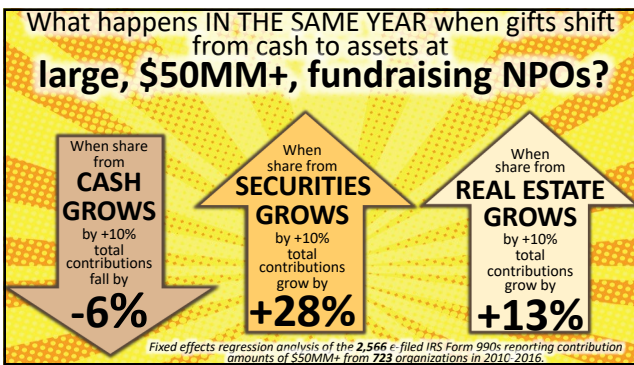
Same year effect of a 10% ratio shift (asset type/total giving) for nonprofits already reporting substantial noncash gifts

Doesn't help	none/minimal	Books, Food, Collectibles, Uncategorized
Helps a little	+2% to +3%	Cars, Boats, Household goods, Art, Drugs
Definitely helps	+7%	Publicly-traded securities, Historical art & artifacts
Helps a lot	+14% to +18%	Real estate, Non-publicly-traded securities

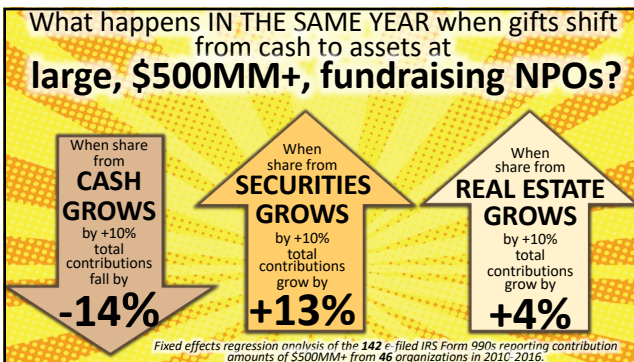
45



46



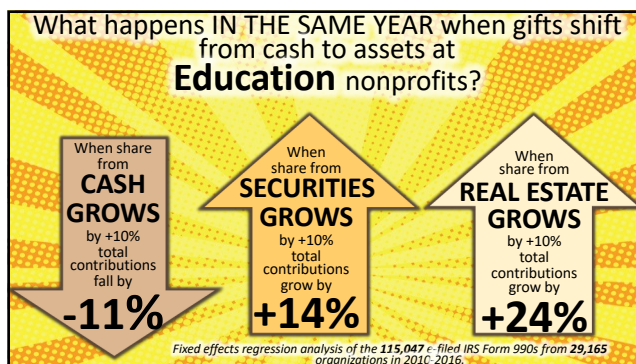
47



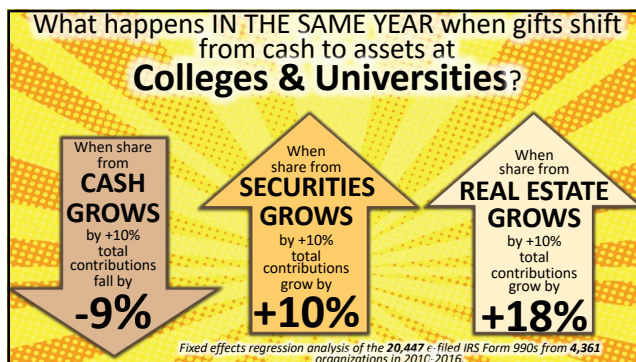
48



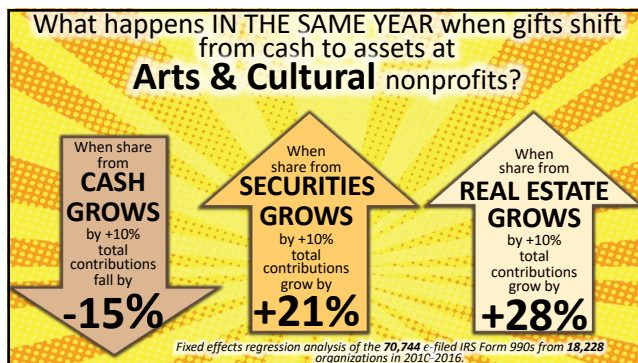
49



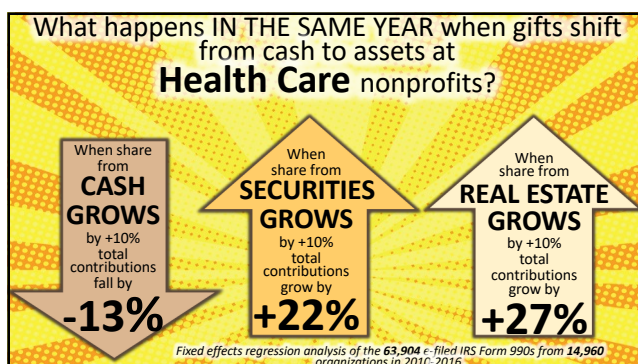
50



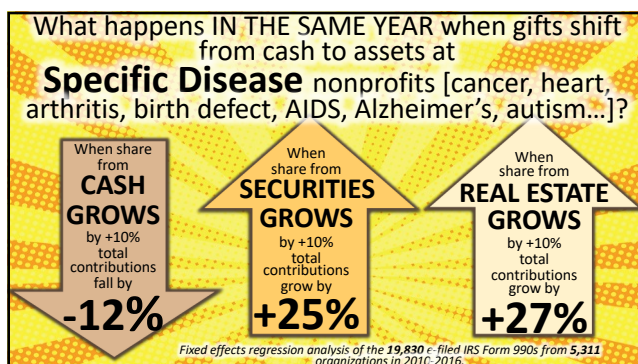
51



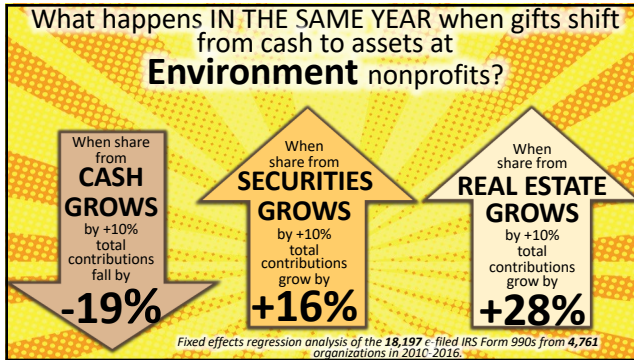
52



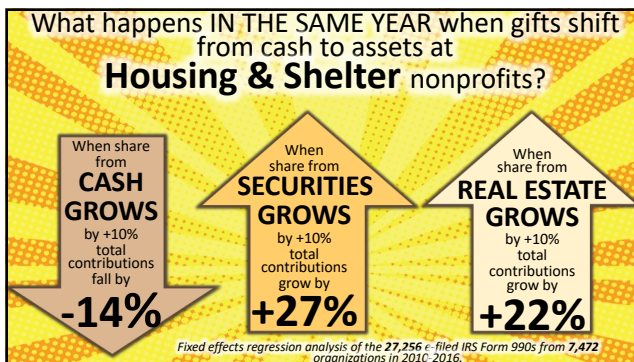
53



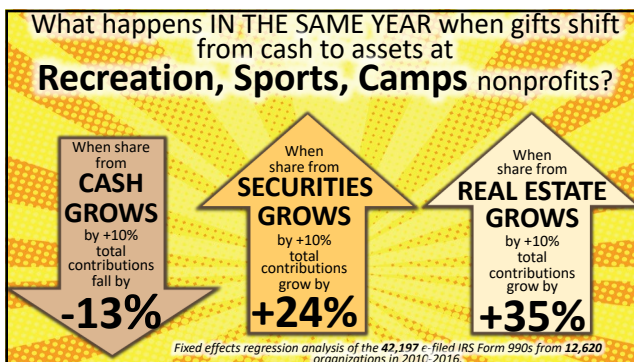
54



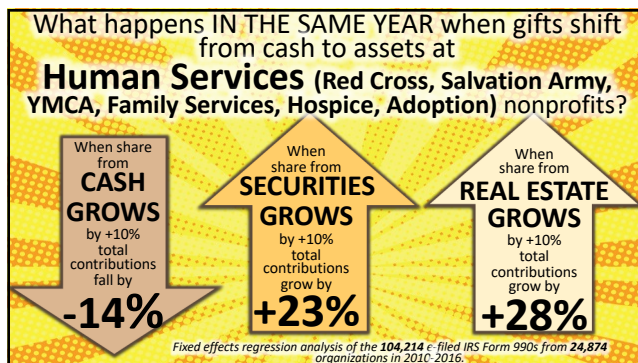
55



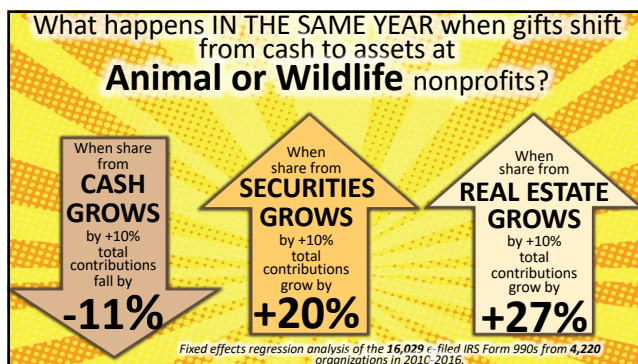
56



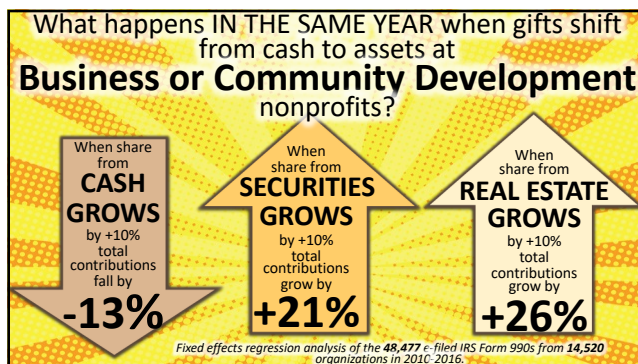
57



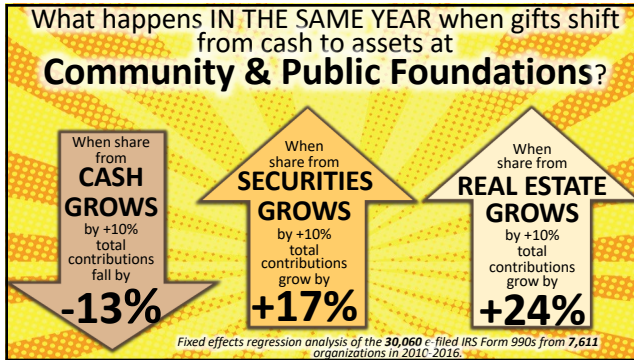
58



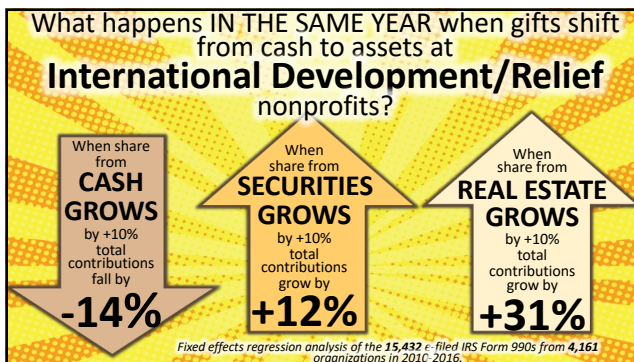
59



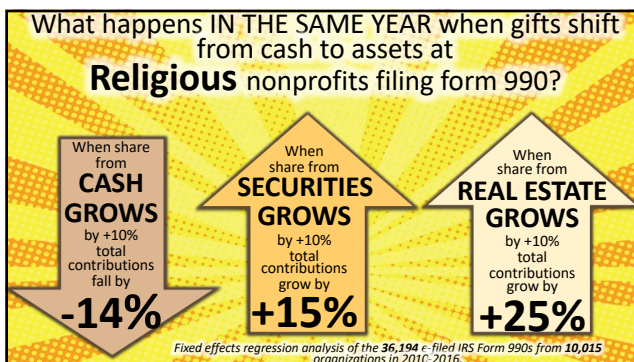
60



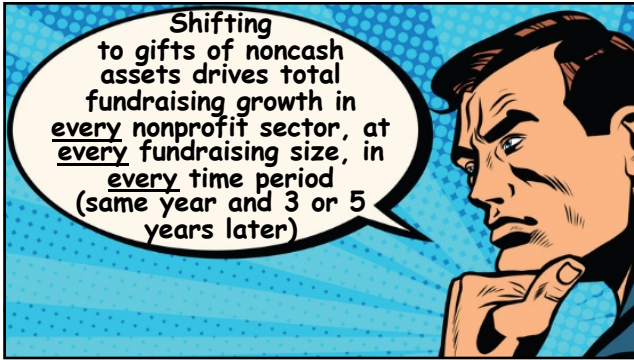
61



62



63



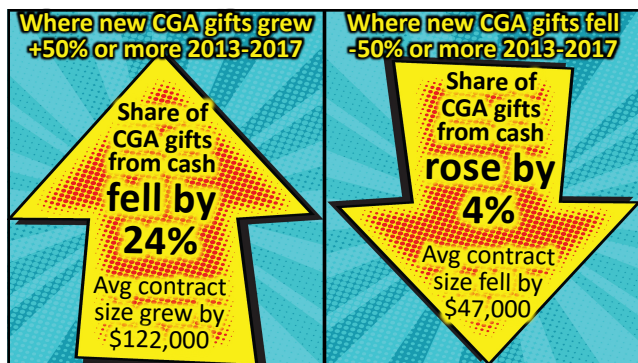
64



65




66



67

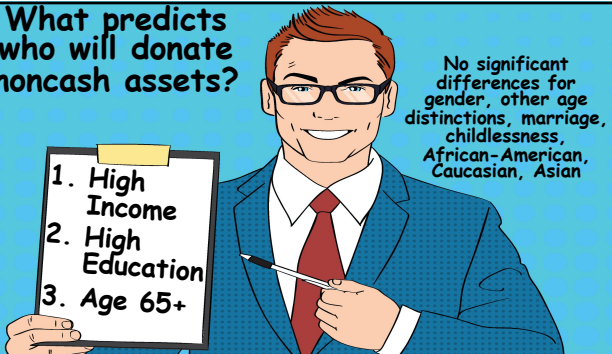
What demographic factors predict who will donate noncash assets?



Consumer Expenditure Survey from the Bureau of Labor Statistics (73,109 households)
Measures gifts of stocks, bonds, or mutual funds
Also measures gifts of cash to religion, education, politics, and other charities
Method: Tobit multiple regression

68

What predicts who will donate noncash assets?



1. High Income
2. High Education
3. Age 65+

No significant differences for gender, other age distinctions, marriage, childlessness, African-American, Caucasian, Asian

69

Tax incentives matter more



1. Giving cash to education was **2x more responsive to tax price** than giving cash to religion
2. Giving stocks, bonds, or mutual funds to any charity was **10x more responsive to tax price** than giving cash to education

70

How to talk about gifts of assets



71

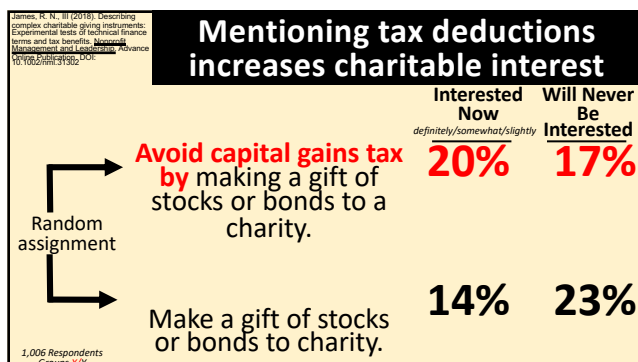
Should you mention tax benefits?



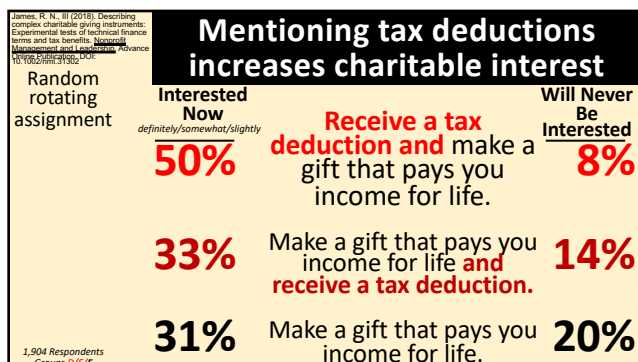
72



73



74



75

James, R. N., III (2018). Describing complex charitable giving instruments: Experimental tests of technical finance terms and tax benefits. *Journal of Management and Education*, 42(1), 10-28.

Mentioning tax deductions increases charitable interest

Random rotating assignment

Interested Now	Interested	Will Never Be Interested
26%	Immediately receive a tax deduction for 70% of the value of a house or land by making a charitable gift of the property, but keeping the RIGHT TO USE it for the rest of your life.	23%
12%	Make a charitable gift of either a house or land, but keep the RIGHT TO USE for the rest of your life and immediately receive a tax deduction for 70% of the value of the property.	33%
11%	Make a charitable gift of either a house or land, but keep the RIGHT TO USE it for the rest of your life.	42%

1,826 Respondents, Groups F & D

76

James, R. N., III (2018). Describing complex charitable giving instruments: Experimental tests of technical finance terms and tax benefits. *Journal of Management and Education*, 42(1), 10-28.

Mentioning tax deductions increases charitable interest


Random rotating assignment

Interested Now	Interested	Will Never Be Interested
28%	Get an immediate tax deduction by making a gift where you still control the investment of the assets, and receive income from the investments for the rest of your life with anything left over going to charity at your death.	17%
27%	Make a gift where you get an immediate tax deduction, still control the investment of the assets, and receive income from the investments for the rest of your life with anything left over going to charity at your death.	20%
21%	Make a gift where you still control the investment of the assets, and receive income from the investments for the rest of your life with anything left over going to charity at your death.	25%

1,782 Respondents, Groups E & C

77

Best phrasing to describe tax benefits



78

I might be/am definitely interested	Please rate your level of interest in clicking on the button to read the corresponding information.	___ %	Avoid taxes by giving stocks
		___ %	How to avoid taxes by giving stocks
		___ %	Save taxes by giving stocks
		___ %	Tax tips when giving stocks
		___ %	Avoiding capital gains taxes by giving stocks
		___ %	Giving stocks

79

I might be/am definitely interested	Please rate your level of interest in clicking on the button to read the corresponding information.	28%	Avoid taxes by giving stocks
		27%	How to avoid taxes by giving stocks
		25%	Save taxes by giving stocks
		24%	Tax tips when giving stocks
		24%	Avoiding capital gains taxes by giving stocks
		16%	Giving stocks

80



81



82

Room for growth at Texas Tech University?	2017 Texas Tech Foundation	2017 Iowa State University Foundation
Total contributions	\$70,971,175	\$182,944,883
Noncash contributions	\$7,475,636	\$109,538,183
Noncash share	10.5%	59.9%
Publicly traded securities	X	X
Closely held securities		X
Partnerships, LLC, trust interests		X
Miscellaneous securities		X
Residential real estate		X
Commercial real estate		X
Art		X
Historical Art		X
Books		X
Collectibles		X
Historical Artifacts		X
Other-Grain, Gold, Life Insurance	1 gift	102 gifts

83



84



Accepting noncash gifts is safer today

- Using DAFs that accept any asset type
- Using new instruments like the single-asset LLC

85



Non-cash gifts are more important and more work

86



Are fundraisers given the extra tools and rewards to do the hard work of raising gifts of assets?

Or to do we hit the "easy button" of cash only?
(keeping the nonprofit in the no growth/slow growth category)

87

Why cash is not king in fundraising

Data on the power of asset gifts from 1 million nonprofit tax returns

Connect with me on LinkedIn for free access to all my slides, books, papers

Russell James III, J.D., Ph.D., CPA
Professor and Director of Graduate Studies in Charitable Financial Planning
Texas Tech University
