



Opportunistic Philanthropy

by Adam P Cohen, CPA

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to the ongoing

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Providing resources to fund activities is a key fiduciary responsibility of every not-for-profit organization's Board of Trustees. Many 501 (c) NFPs have ongoing fund raising efforts, often including paid development staff, annual drives, capital campaigns and planned giving programs.

Most successful NFPs have a mission that is articulated and understood by its Board of Trustees, employees and constituents. Donors tend to support those organizations with whose missions they identify, and often make meaningful contributions.

A donor may have a tax motivation - a desire to minimize estate taxes, to provide additional income while avoiding capital gains taxes on an appreciated capital asset, or to obtain a current income tax deduction. The donor acts on her good feelings toward a charity, a "planned gift" ensues and everyone is happy.

My premise is that charities, potential donors and their advisors should be alert for those situations that are ideal, albeit somewhat unusual, opportunities for philanthropy. The best are those where the donor has an appreciated asset and a charitable intent; a triggering event causes the donor to act.

A few examples:

The "Unavoidable Taxable Takeover"

Viola Piccolo, age 72, has a large low cost basis holding of Powers Electric Company stock. Powers enters into an agreement to be purchased in a 100% cash deal by Superpowers Utilities. Viola intends to hold the Powers stock until death to avoid the capital gains tax,

Fortunately, Viola meets with her tax advisor and also mentions that she is considering a \$75,000 five-year capital campaign pledge for a new Symphony Hall. The advisor suggests to Viola that she can avoid the capital gains tax, receive a charitable income tax deduction, and reduce her estate by making and paying the pledge in full with the stock before the transaction "ripens"

Based on this advice Viola makes a \$100,000 pledge and pays it in full with her Powers stock. The Symphony names the Viola Piccolo Foyer in recognition of her gift.

The Real Estate UC

Ralph S. Tate, age 65, owns a debt-free office building that is fully depreciated and provides a healthy cash income. A major tenant lease is up soon and they are considering moving. Ralph's property manager has told him that it is a prime location and that a succeeding tenant would pay a substantially higher rent. Ralph likes to save taxes and he would like to transfer assets to his children and grandchildren. Ralph recently transferred the real estate into a limited liability company (LLC).

Ralph's professionals use the opportunity with some creative ideas to assist him in using his LLC interest to fund an endowment fund for his church and to transfer these assets to younger generations and maintain family control.

The Closely-Held Business Sale

John Bearing had been approached by an investment fund to sell his third-generation family- and employee-owned Seamless Ball Manufacturing Company for cash. The discussions had progressed over to the point that he was ready to make a cash deal for many millions of dollars more than he ever expected. At about the same time John read an article in his church's newsletter about the advantages of contributing appreciated stock. Within a week, and before the deal "ripened", First Church owned 400 shares in Seamless Ball that soon after created a \$ 1,000,000 endowment fund.

Position Your Organization for

Opportunistic Gifts

Opportunities come to those who plan and who are prepared to receive them. Some suggestions for charities:

- 1 Stay on your mission. Donors think of those charities they believe in when opportunities for giving present themselves.
- 2 Prepare your organization - be ready and eager to accept contributions. Train your staff and volunteers.
- 3 Form an active professional advisory committee, Include attorneys, accountants, your investment manager, financial planners, trust officers and others interested in your organization or who have clients involved with you.
- 4 Continuously inform your constituencies that you need their financial support and that you are prepared to receive their planned contributions and planned gifts. Always be patient - it only takes one major gift to make a success.
- 5 Review the portals through which you provide information and receive contributions. Make it easy for donors to give and your organization to receive.
- 6 Have a presence on the Internet, Stress your mission and include a button to your "How to Give Web Page."
- 7 Use email. Prime donors, who are mostly over a certain age, love to receive e mails. A foundation executive told me that her donors are mostly grandparents and have purchased computers to communicate with children and grandchildren, check on their investments and obtain travel information,
- 8 Expect pleasant surprises! 0