A Closer Look

Making a Difference: A Donor's Guide to Major Gifts

BESSEMER TRUST

Paul Connolly
Director of Philanthropy Advisory Services

Caroline Hodkinson
Philanthropy Advisor

In Brief

- **From philanthropy's golden age to the present, major gifts have allowed donors to partner with nonprofit recipients to achieve their mutual goals.**
- **Answering key questions — about setting intentions, assessing and selecting a suitable nonprofit recipient, determining the size and purpose of the gift, and evaluating the gift's impact, among others — before making a major gift commitment and throughout the gift-making process will help ensure philanthropic objectives are met.**
- **To help secure a mutually beneficial outcome for a major gift donor and nonprofit, it is essential to have a sound written agreement that clearly articulates the wishes of both parties.**
- **In this *A Closer Look*, we outline approaches to making a major gift a valuable and impactful form of philanthropy.**

Philanthropy's First Golden Age: A Lasting Legacy

During the first golden age of American philanthropy more than a century ago, prominent philanthropists made substantial gifts to establish cornerstone institutions to benefit the public. Steel industrialist Andrew Carnegie exemplified the movement in 1911, when he founded his philanthropic organization, Carnegie Corporation of New York, which provided more than $56 million to build more than 2,500 libraries throughout the English-speaking world to make self-education accessible to all.[1]

Carnegie's business partner and the founder of Bessemer Trust, Henry Phipps, also contributed funds intended for long-lasting good — improving civic life in Pittsburgh, exploring new ways to fight poverty, advancing medical research, and providing housing and health care for the poor.[2]

While made over a century ago, these major gifts remain influential. Today, the Carnegie Library is Washington D.C.'s oldest library, dating back to 1903. Carnegie Hall is one of the world's premiere music performance venues. Phipps Houses is the largest nonprofit owner and developer of housing

Golden Era Major Gifts That Retain Lasting Impact

Then	Now
1891: Andrew Carnegie contributes $1.1 million to build Carnegie Hall in New York.	Carnegie Hall has hosted more than 46,000 events in its three auditoriums since its opening night.
1905: Henry Phipps donates $1 million to found Phipps Houses, affordable housing for New York City's poor.	Phipps Houses is the largest nonprofit owner and developer of housing for disadvantaged New Yorkers.

Source: Carnegiehall.org

1 Library.columbia.edu; Columbia University Libraries/Information Services; Rare Book & Manuscripts; "Philanthropy of Andrew Carnegie"
2 Philanthropyroundtable.org; "Henry Phipps Jr." by Martin Morse Wooster

for disadvantaged New Yorkers. The philanthropists responsible were successful in achieving their goals of enduring societal impact.

If you are considering or planning to make a major gift, we have developed *Making a Difference: A Donor's Guide to Major Gifts* with an eye toward the opportunity that your gift may have to successfully shape charitable works today and in the future.

Current Wave of Major Gifts

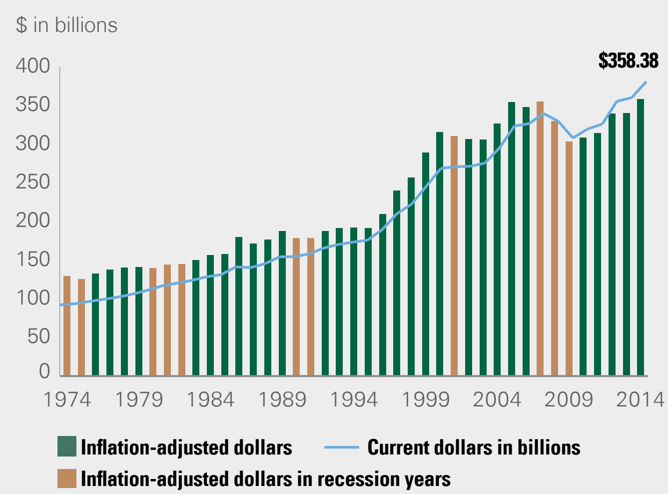
The United States is in the midst of a second golden age of philanthropy. As the U.S. economy has strengthened, major gifts from high-net-worth donors have increased. Some donations, which we classify as mega-gifts, have captured headlines lately, including John Paulsen's $400 million donation to Harvard University, Mark Zuckerberg and Priscilla Chan's $120 million investment to improve education in underserved Bay Area communities, and David Geffen's $100 million contribution to Lincoln Center, among others.

A number of large donations have received less attention but have still had great impact. Recent major gifts include a couple's $5 million donation to the Boys and Girls Club of Greater Milwaukee, two anonymous donors' $6 million gifts to the Richmond Center Stage, and an alumna's $7 million bequest to Pennsylvania-based Westminster College for science scholarships. In fact, 2014 saw more than 1,000 donations greater than $1 million to U.S. nonprofits, adding up to a total of $14 billion.[3]

Philanthropy is increasingly important to America's 1.5 million nonprofit organizations, helping to meet growing demand for their services and to make promising investments. Total charitable giving in the United States has escalated steadily during the slow recovery that followed the economic downturn in 2008, reaching a total of $358 billion in 2014 (Exhibit 1).

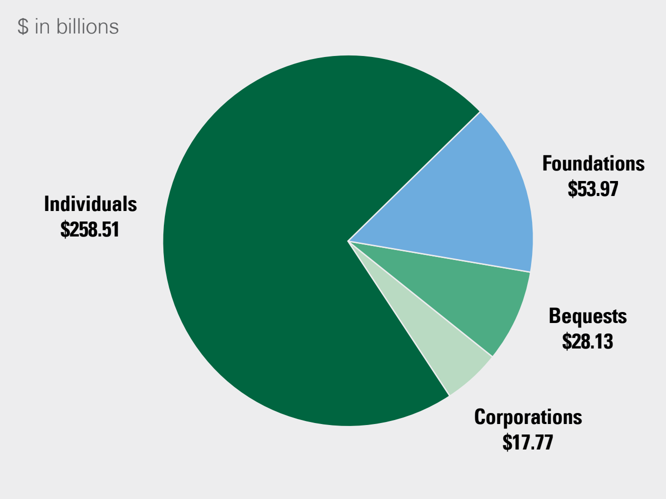
Individuals were responsible for 80% of these gifts, of which 72% gave in life, and 8% through bequests (Exhibit 2). Moreover, nonprofit giving is becoming

Exhibit 1: Total Charitable Giving on the Rise in the U.S.



Source: *Giving* USA Foundation | Giving USA 2015

Exhibit 2: Individuals Drive Philanthropic Contributions



Source: *Giving* USA Foundation | Giving USA 2015

[3] 2015 Million Dollar Gift Reports, Indiana University Lilly Family School of Philanthropy

Exhibit 3: Key Questions and Considerations When Making a Major Gift

Why Make a Major Gift?	
• A cause you are passionate about.	• Address a pressing societal need.
• An institution where you have existing ties.	• Access tax benefits.
• Honor a loved one.	• A combination of reasons.
If Not Already Identified, How is the Nonprofit Chosen to Support?	
• Evaluate strength and reliability of staff and board leadership.	• Assess your desired degree of involvement.
• Determine financial stability of the organization.	• Evaluate nonprofit's measurable achievements.
What is the Gift's Purpose?	
• Support an existing project, program, facility, or endowment for unrestricted use.	• Support a particular cause or project for restricted use.
What is the Gift's Size?	
• Fits into your annual and long-term philanthropic budget.	• Amount is appropriate for the nonprofit and its effective use.
What is the Gift's Timing?	
• Give during your lifetime.	• A series of payments over a specific period.
• Give as part of a bequest.	• Set matching requirements.
• Donate in one lump sum.	• Determine timing of any matching requirements.
What Recognition Do You Seek?	
• Anonymous gift.	• Small reception or dinner, without broad public announcement.
• In honor of a loved one.	• Named gift with public announcement/media.
How Will You Draft a Gift Agreement?	
• Clearly articulate agreed-upon terms and conditions.	• Specify if agreement is binding or nonbinding.
What Outcomes Do You Expect?	
• Establish agreed-upon goals.	• Monitor and report on progress.

more concentrated. As a recent survey demonstrates, 88% of total dollars raised by nonprofits come from 12% of donors.[4] This concentration suggests philanthropists are increasingly using major gifts to achieve their charitable giving goals.

What Constitutes a Major Gift?

Major gifts come in a range of sizes and have a variety of intentions and uses. As such, no one definition of a major gift exists. The impact a gift achieves is relative to the scope of a recipient's work. The largest donations tend to be made to preeminent universities, hospitals, and cultural organizations that have wide-ranging programs and strong fundraising departments. For an established institution, a major gift ranges in size from several hundred thousand dollars to many millions of dollars. For a smaller nonprofit, such as a community-based health clinic, youth development program, or animal shelter, a $25,000 donation may constitute a major gift.

Major gifts also have different intentions. A donor may make a major gift to a teaching institution that allows an academic department to pursue scientific research.

[4] Bloomerang. *State of Major Gift Fundraising* 2015

> "I can testify that it is nearly always easier to make $1,000,000 honestly than to dispose of it wisely."
>
> – Julius Rosenwald, former president and chairman of Sears, Roebuck and Company

Or a donor may choose to fund a local theater's capital campaign to support building renovations.

Whatever the size of the gift or nonprofit, a donor makes a major gift to achieve impact. The steps that a donor takes to craft that gift are essential to achieving the desired outcome.

Before the Major Gift Pledge: Ask Questions

Distributing money for philanthropic purposes is more difficult than it seems. As Julius Rosenwald, a former president and chairman of Sears, Roebuck and Company, declared, "I can testify that it is nearly always easier to make $1,000,000 honestly than to dispose of it wisely."

Rosenwald, who founded the Chicago Museum of Science and History and engaged in extensive philanthropy to support African-American education, understood the complexities associated with making big differences through substantial gifts. Likewise, Bessemer Trust, with more than a century of experience providing investment and philanthropic advisory services to individuals and families of substantial wealth, acknowledges the thoughtful planning necessary to make a successful major gift.

At Bessemer, we help donors answer critical questions — about setting their intentions, assessing and selecting a suitable nonprofit recipient, determining the size and purpose of the gift, and evaluating the gift's impact, among others — before making a major gift commitment and throughout the gift-making process (Exhibit 3, page 3).

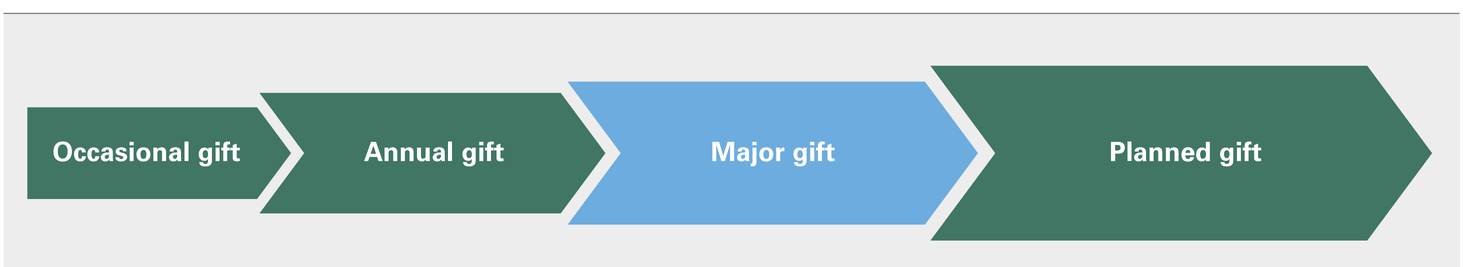
Clarify Your Reasons for Making a Major Gift

Passion for a cause and to address pressing needs. Donors usually make large gifts to support causes they care deeply about, whether it is education, medical research, the arts, religious causes, or some other issue. Many find ambitious philanthropy to be personally fulfilling. As Ralph Waldo Emerson wrote, "It is one of the most beautiful compensations of life that no man can sincerely try to help another without helping himself." The help that donors provide through major gifts enables nonprofits to educate students, shelter the homeless, feed the hungry, enrich culture, and conduct cutting-edge research, among other worthy accomplishments.

The culmination of a long relationship with a trusted nonprofit. A major gift is often the result of a supporter's long-time involvement with an organization (Exhibit 4). Maybe, when donors are first getting

Exhibit 4: Evolution of a Donor's Gifts

Key Takeaway: Donors may, over time, increase the frequency and scope of their involvement with a nonprofit. This involvement may culminate in a major gift during their lifetime.



to know a nonprofit, they provide occasional small contributions through a direct-mail solicitation or special event. Over time, they might become more engaged with the organization as a volunteer or board member and make larger regular gifts through an annual campaign. At some point, they may decide to deepen their investment by making a bold gift that creates a substantial and lasting impact. If the nonprofit uses these funds effectively and continues to perform well, donors may choose to make a bequest to the nonprofit through an estate plan.

To give back, to honor a loved one, to obtain tax benefits, and other motives. Philanthropists may have additional reasons for making a substantial donation. Many tie their motivations for giving to their experience interacting with organizations. One donor, for instance, may wish to recognize the value of her education by making a gift to her alma mater. Another may support a medical facility that provides a spouse or child with outstanding care.

To forge a mutual partnership. Major donors and nonprofit fundraisers have interdependent relationships. Nonprofit executives, board members, and development officers strive to secure substantial donations from generous contributors. Likewise, donors rely on these experienced stewards of philanthropy to help them give in the most effective ways to the causes that are close to their hearts.

If you are contemplating a major gift, you'll be much more likely to achieve your goals if you understand how nonprofit fundraisers can collaborate with you to achieve mutually beneficial outcomes.

Establish a Timeline

The timing and steps for making a major gift will be unique to each donor. The pace and complexity of your particular timeline will depend on how well you and the nonprofit know and trust each other at the outset. If you have worked together closely, the courtship may be expedited. Maybe you've already chosen a cause to support but need to identify the right institution that can effectively use the gift and achieve the desired goal. In this situation, you may want to consult trustworthy experts or practitioners in the field who can locate capable groups that are doing noteworthy work in the area and have expansion ambitions. Essentially, you should arrange meetings with several possible grantees to determine the likelihood of a successful partnership (see "When to End a Courtship" Case in Point, below).

Institutions such as universities and hospitals usually have the capacity to mine public and proprietary databases to research and screen the type and scale of previous philanthropic giving. These efforts may identify altruistic individuals or families who might be supportive and have the means to make a large gift.

The nonprofit may begin to cultivate a relationship with you by sending email and social media updates, mailing letters and written materials, and making invitations to special events.

Tours of the facilities and programs offer some of the best ways to learn about a nonprofit. Seeing the work in action and meeting participants and beneficiaries firsthand is invaluable.

Case in Point: When to End a Courtship

A donor may select a cause and nonprofit that seems to be a good fit. However, the due diligence process may reveal that the nonprofit is unable to use the gift in a way that honors the donor's intentions or will be unable to continue the work after the term of the gift expires.

We worked with a client who was considering making a two-year-duration major gift to a museum to establish an arts-education program for elementary school students. While this initiative may have seemed to be a natural fit for a major gift, more exploration revealed potential difficulties.

First, we discovered that the museum's directors were concerned that the gift did not align with its core program areas and expertise. Second, the directors believed that two years was not enough time for a program of this nature to come to fruition. They expressed doubt about being able to find another funder for this program after the two-year period.

This nonprofit — as well as the donor — benefited from the clarity and transparency at the outset. In the end, we helped our client partner with a nonprofit that was better able to utilize the gift.

You do not need to provide a definitive answer immediately after a fundraiser asks for a gift of a specific dollar value.

As the relationship deepens, the nonprofit's leaders will typically strive to learn more about your motivations and interests.

A nonprofit may also ask for your input and advice and provide opportunities to meet other major donors and peers.

Prepare for the Ask

Sometimes the nonprofit takes the lead in courting the donor. It may identify prospective large donors by reviewing current and previous donations that are at an above-average level. Or, a staff or board member could determine that someone has donated to a similar program in the past. Large institutions usually have access to various databases to learn about previous philanthropic gifts. They can usually pinpoint potential donors.

Fundraisers plan carefully when and how to ask for a major gift. When a fundraiser believes the groundwork has been laid, he or she will seek to make an in-person appointment and inform you, the prospective donor,

Exhibit 5: Sample Timeline of a Major Gift Process

	Donor	Nonprofit
Year 1	Joins nonprofit board, after years of making regular donations.	Develops fundraising campaign to support a facility expansion plan.
Year 2	Agrees to gift pledge of $750,000 to be paid in three annual installments of $250,000. Sets condition that nonprofit must match gift, dollar for dollar, and recognize gift in particular ways. Works with advisors, family office, and nonprofit to finalize agreement.	Requests $1 million gift for facility project to be positioned as a lead matching gift that provides an incentive for others to give. Acknowledges pledge in annual report and at gala dinner.
Year 3	Agrees to join board executive committee for two-year term. Makes first $250,000 payment to nonprofit and takes the allowable deduction on annual tax return.	Launches next phase of fundraising campaign and announces challenge grant. Raises $250,000 in matching funds from other donors.
Year 4	Makes second $250,000 payment to nonprofit and takes allowable deduction on annual tax return.	Begins facility project. Raises $250,000 in matching funds from other donors.
Year 5	Makes final $250,000 payment to nonprofit and takes the allowable deduction on annual tax return. Agrees to stay on board for two more years and lead fundraising committee.	Raises $250,000 in matching funds from other donors. Completes expanded facility and acknowledges major gift by naming lobby entrance after donor. Asks donor to consider making bequest for nonprofit's endowment.
Year 6	Commits to make bequest to nonprofit and instructs advisors to update estate planning documents accordingly.	Hires new program staff and begins new program activities.
Year 20	Passes away; bequest process begins.	
Year 21		Receives $2.5 million bequest from donor after estate is settled.

of the purpose of the meeting. As part of the preparation, the fundraiser will try to determine, in advance, if someone in addition to you should be invited to the meeting, such as a spouse or other family member.

The nonprofit may arrange to have two people at the solicitation meeting — perhaps a staff leader and a peer donor. At the meeting's outset, the nonprofit representative will make the case for support and explain how it fits into the nonprofit's overall fundraising strategy and meets your goals. A fundraiser will probably request a specific dollar amount in a close-ended question such as "Would you consider a gift of $X?" At that point, the fundraiser will likely pause and listen.

We advise donors to specify how they wish the nonprofit to use the gift, even if it is unrestricted.

Reply to the Ask

You do not need to provide a definitive answer immediately after a fundraiser asks. Simply saying "not now" or expressing a desire to consider the request and discuss it with family and advisors are perfectly acceptable responses. You may also indicate that you would consider a smaller gift than asked for, or an extended payment schedule. You can also request a type of recognition. As you progress through the major gift discussions, keep in mind that it is acceptable to work with the nonprofit to customize the pledge or gift.

Negotiate Provisions of the Gift

Before finalizing any gifts, you and the nonprofit need to negotiate the intention, amount, timing, and other provisions of the donation. Generally, we advise donors to specify how they wish the nonprofit to use the gift, even if it is unrestricted. Exhibit 6 notes common uses of a major gift, including a specific program, capital project, or endowment.

Exhibit 6: Examples of Major Gift Uses

Program or Project	Restricted Capital or Facility-Related	Endowment	Unrestricted, or General Operations Based on Nonprofit Priorities
• Scholarships • Scientific research • Homeless services • Job training	• Patient care wing • Research laboratory • Art gallery • Animal shelter	• Department chair • Academic center • Art acquisition • Facility maintenance	• Develop programs • Hire staff • Engage a consultant • Purchase computer systems

Specify How Funds will be Used

Nonprofits have particular projects or programs that need continuing and expanded financial support. These programs could include educational activities, social services, public policy advocacy efforts, and international development work, among others. Additionally, facilities-intensive and property-based nonprofit groups such as schools, hospitals, museums, and others have enhanced capital needs that require funding for longer-term investments such as purchasing property, constructing new buildings, and renovating existing facilities.

Typically, a nonprofit that anticipates long-term funding needs will establish an endowment, an asset fund that retains its principal balance. The nonprofit will usually invest the endowment principal with the expectation that investment returns will help finance future needs. As such, a major gift that supports an endowment helps ensure that a mature institution can sustain its work for the duration of its need.

If you choose to support an endowment intended to fund the future or a short-duration project, you may place restrictions on a nonprofit's use of a major gift. The type and degree of restriction will depend on many factors. A nonprofit with use for the funds that aligns with your wishes will usually agree to the restrictions (see "Collaborating with a Nonprofit to Specify the Terms of a Bequest" Case in Point, to the right). However, if the constraints are too narrow or do not adequately fit with the organization's mission or goals, the nonprofit may choose to decline the gift.

Of course, most nonprofits prefer funding that is unrestricted and can be used to cover the costs of any aspect of their nonprofit's operations. Operations may encompass less glamorous needs, for which it may be difficult to raise money. These include plumbing upgrades, liability insurance, computer purchases, staff training, and rent increases, among others. Donors are more likely to provide this sort of flexible general support if they know and trust the nonprofit very well and the group has a solid track record and future plan.

Determine the Donation Amount

To determine the size of your gift, you should consider consulting with advisors to establish your annual and long-term philanthropic budget and set a target gift amount. You should also evaluate the scope of work that the nonprofit will be able to accomplish with the proposed donation.

It is crucial that the target amount aligns with the nonprofit's ability to make use of it effectively. We recommend that a prospective donor ask for detailed plans and budgets that outline how the gift would be employed (see "Choose a Prepared Nonprofit" Case in Point on page 10). You should also work with advisors to gauge the nonprofit organization's capacity to manage and account for the gift. We advise our donor clients to consider the mantra "First, do no harm" when giving. This can help you to avoid hampering the nonprofit's work with a gift the organization is not ready to put to effective use.

Case in Point: Collaborating with a Nonprofit to Specify the Terms of a Bequest

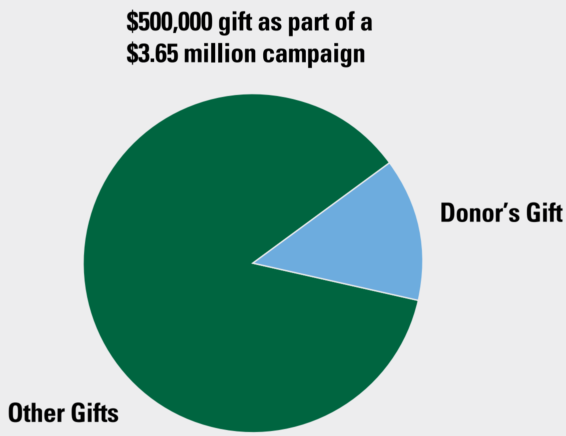
A client who had been a long-time board member of his local YMCA chapter wished to include a multimillion-dollar bequest in his estate plan to benefit the YMCA. But he was uncertain about how to structure the major gift. Some of the questions he asked:

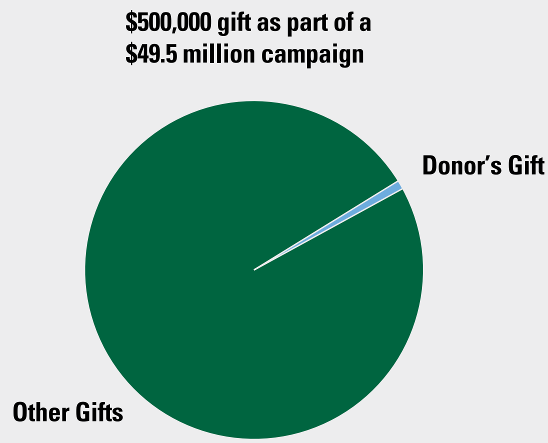
- Should he create an endowment restricted to supporting the YMCA's after-school programs?
- Should he create a board-designated fund that would allow the board flexibility to use the funds as needed?

Ultimately, we received valuable input from the nonprofit and advised this client and the YMCA to draft a major gift agreement that created a board-restricted fund with 75% of the donor's bequest. The gift agreement further specified that the bequest's remaining 25% would constitute an endowment to fund after-school programs.

Exhibit 7: A Major Gift as Part of a Fundraising Campaign

Key Takeaway: A donor should consider the impact a major gift may have within the context of the overall fundraising goal.





# Donors	$ Level of Donation
2	$500,000
4	$200,000
8	$100,000
15	$ 50,000
30	$ 10,000
Total	**$3.65 million**

# Donors	$ Level of Donation
2	$8 million
4	$3 million
8	$ 1 million
15	$ 500,000
30	$ 200,000
Total	**$49.5 million**

Consider Giving During a Capital Campaign

A nonprofit organization may request a large gift as part of a capital campaign, an intensive fundraising effort designed to raise a predetermined sum of money within a defined time period, to meet various needs of the organization. Universities and hospitals, for example, commonly make use of capital campaigns to solicit major donations from their supporters. For a donor, a capital campaign can be a convenient, effective way to give during a time that meets an organization’s fundraising goals. In this situation, you will want to assess how the gift will fit into the rest of the campaign. Will your gift represent a small portion of a giant campaign or the leadership gift of a relatively smaller effort (see Exhibit 7)?

Structure of the capital campaign. Capital campaigns are typically phased with some supporters making early financial commitments to jumpstart the effort and others doing so during a public phase. If an institution solicits a major gift for a capital campaign to construct a new building, for instance, a potential donor should determine how much of the project budget the institution plans to raise in advance. Depending on the budget, most nonprofits will set a goal of raising 50% of the project costs before breaking ground or announcing the campaign more widely or publicly. Having sufficient funding in place at the outset helps ensure the nonprofit can complete the project and gives peace of mind to donors.

If you have decided to make a major gift as part of an estate plan, we recommend communicating this intention in advance to the nonprofit's development team.

Establish the Gift's Timing

The most basic choice about a gift's timing is whether it will be made during life or through a planned gift as part of an estate. Central to this decision is the source of the gift and how liquid it may be. If you wish to give an asset during life, you may be able to help facilitate the asset transfer or sale on behalf of the nonprofit. You will need to decide whether to give the full amount up front or make a pledge to pay in installments. For example, you could structure a gift of, say, $10 million dollars to be paid in $2 million increments during a five-year period. You may require, as part of the terms of the arrangement, that the nonprofit deliver a progress report and forward-looking plan each year as a way of ensuring accountability and that work is progressing as intended.

If you are considering making a bequest, we advise spending time to understand and evaluate a nonprofit's work by engaging with it gradually and then making larger financial contributions. Based on this experience and the nonprofit's performance and responsiveness, you will be in a better position to decide whether or not to name the nonprofit as a recipient of a charitable bequest.

That said, if a donor's expected lifespan is long or uncertain, a bequest is not typically the best way to fulfill a nonprofit's timely need.

If you have decided to make a major gift as part of an estate plan, we recommend communicating this intention in advance to the nonprofit's development team. Additionally, if you intend to restrict the bequest's funding, it is best for you and the organization to draft an agreement that governs the bequest's management.

You may also choose to frontload a gift, which allows for a large initial payment to provide adequate funding that launches a particular effort. For example, if you want to make a $10 million gift to be paid over several years, you could give $4 million at the outset and then an additional $1.5 million each year for the next four years.

Establishing a schedule can enable a funded project to get up and running quickly and effectively while also allowing you to retain some degree of oversight and control during the funding period. You will need to take into account the fact that nonprofits can only pursue work for which their expenses will be covered. If and when the funding is depleted, the work will likely cease.

Case in Point: Choose a Prepared Nonprofit

Not every nonprofit is able to utilize a major gift effectively. A worthy organization may lack the staff and/or experience to maximize a donation opportunity.

Consider the example of a regional theater company that successfully raised funds to renovate and expand its landmarked performance space. However, the organization had neglected to obtain the appropriate zoning clearances prior to soliciting those gifts. In this case, the town council eventually denied the expansion plans, and some donors, upset by the lack of proper preparation, chose to rescind commitments.

The lesson for donors: partner with a charitable organization that has laid the groundwork for effective use.

Allow for Matching Funds

If you'd like to attract other funding to an activity or project, designing a gift that allows for a matching component may be the best strategy. This giving strategy, also known as a challenge grant, can serve as an incentive for other donors to provide support for a period of time. A nonprofit organization will usually agree to this arrangement if the cause is of high institutional priority and the nonprofit has a high degree of confidence that there would be sufficient donor interest.

If you want to set a matching condition for a gift, you should work with the nonprofit to determine the timeframe and specific terms. You may choose to match on a dollar-for-dollar basis. Or maybe you would prefer to match on a percentage basis with a dollar-capped limit. Whatever the agreed-upon match goal, setting these expectations will help ensure the fundraising goal is a reasonable one that will bolster the business model and contribute to the institution's revenue stream (see "It's a Match" Case in Point, to right).

Case in Point: It's a Match

As an illustration of how to structure a matching gift, consider the case of a donor who was a long-time supporter of a local after-school program with an annual budget of less than $1 million. She wanted to make a significant gift to the organization without overwhelming it.

We advised her to structure a $1 million gift to be paid during the subsequent two years. Half of the gift would be directed to help the organization hire a full-time fundraiser; the second half of the gift would be structured as a matching challenge. Our donor would match 100% of new donations made by individuals and foundations during the two-year period of her gift agreement.

The organization raised the matching funds in half the time initially projected and went on to diversify and strengthen its annual fundraising base. The gift accomplished the donor's intent to help the nonprofit become more self-sustaining and less reliant on her donations.

Agree on Donor Recognition

You will need to decide whether to be acknowledged or remain anonymous. While most nonprofits want to publicize significant donations to express gratitude, lend credibility, and inspire others to provide funding, not every donor wants the same level of visibility or any public acknowledgment at all.

If you would like to be identified, the options are varied. For subtle acknowledgement, a nonprofit may name you in an annual report or install a wall plaque that honors someone of your choosing. For a higher level of visibility, a nonprofit may offer to name a room, wing, or building, which can be an appealing way to create a lasting legacy.

The size of the gift may determine the degree of recognition. For example, a university will usually have guidelines of funding required to create certain named giving opportunities. The thresholds will vary, but you could expect to see a scale similar to the following:

- Named professorship: $1 to $5 million;
- Named chair: $1 to $10 million; and
- Named center: $10 to $20 million.[5]

While naming can be a meaningful way to create a sense of philanthropic continuity, in some cases, it may make it difficult for the nonprofit to raise additional funds. Future potential donors may assume that an organization's expenses have already been met by the named donor. In fact, some philanthropists deliberately decline a naming offer to preserve the opportunity for the nonprofit to offer it to another donor, maximizing the revenue potential for the organization.

You may not wish for a gift to be public knowledge because of your personal beliefs about philanthropy, concerns about public scrutiny, or a desire for privacy (see "Preserve Anonymity" Case in Point, page 12). Alternatively, you may wish to direct the focus to the cause, rather than the source of the funding. Or you may not want to become subject to unwanted solicitations from other nonprofits. It's also worth mentioning that you can choose to remain anonymous to the public but agree to be honored with a small reception or other event that is closed to the public.

If you prefer to remain anonymous, for whatever reason, the nonprofit is expected to honor your decision.

[5] These examples are illustrative only; each gift and its agreement will vary based upon how the donor and recipient decide to form the partnership.

Case in Point: Preserve Anonymity

A donor who was a conservationist and lived modestly in a small Midwestern town wanted to keep her wealth profile low in the close-knit community. When she made an $800,000 gift to a statewide wildlife preservation group that did important work in her region, she did so anonymously through the Bessemer National Gift Fund, a donor-advised fund (DAF). By giving through a DAF, she maintained her privacy while making a transformative gift to a high-performing nonprofit.

Choose the Charitable Vehicle

You can use a range of charitable vehicles to make a major gift. A direct gift, a gift through a donor-advised fund (DAF), a donation to a private foundation, or a bequest can offer distinct benefits for donor and recipient. You should evaluate options with your tax advisors and choose in the context of your broader wealth plans.

Direct gift. When you choose to make a gift in the form of cash or commonly traded securities, the process can be straightforward and fast. However, direct giving may become more complex if you decide to use a complex asset such as a closely held stock to fund a major gift.

In such a case, we will work with you to appraise a nonprofit's ability to accept and utilize the asset. Typically, if we determine that the nonprofit is unable to deploy the value of the gift effectively, we will help you to identify a fiscal sponsor such as a community foundation, which for a fee, can liquidate the asset and transfer the funds to the charitable beneficiary. You receive the tax benefit, and the nonprofit receives the proceeds.

Donor-advised fund. A donor-advised fund is a public charity that accepts and manages donations by individuals, families, foundations, and organizations. Your charitable donation is recognizable for tax purposes immediately; you then recommend grants to be distributed from the fund in the future.

Private foundation. You may wish to establish a longer-term philanthropic commitment to create a private foundation, which is required to make a minimum level of charitable distributions annually, inclusive of major gifts. A private foundation provides a mechanism for you to involve trusted advisors and loved ones in a philanthropic enterprise and major gift decision-making.

Bequest. You may decide to include a major gift in your estate plan through a charitable bequest. If you have a clear sense of the estate size, you may want to specify a particular dollar amount to be given to the nonprofit. Alternatively, the estate plan may identify one or more nonprofits and indicate the percentages of the remaining estate to be distributed to each.

Typically, we advise clients to structure charitable bequests with relatively few restrictions as they may inadvertently include provisions to support a particular program that becomes inactive or a facility that is no longer in use because the organization relocated. If you are considering a major bequest, you should consult with advisors, in advance, to obtain an analysis about the size of grant that an organization could reasonably absorb and deploy.

Prepare the Major Gift Agreement

After you and the recipient have agreed to a major gift's terms, it is essential to craft a binding gift agreement that clearly articulates the wishes of both parties (Exhibit 8).

Exhibit 8: Major Gift Agreement Checklist

- ✓ Source of the donation. Examples include direct personal contribution, donor-advised fund, private foundation, or alternate charitable vehicle.
- ✓ The form of the gift. Can be cash, securities, or complex assets such as art, real estate, or intellectual property.
- ✓ Purpose and use of gift, including any restrictions, related performance milestones, and guidelines for how funds may be used flexibly if circumstances change in the future.
- ✓ Payment terms and dates, including any matching challenge requirements.
- ✓ Commitments related to recognition and privacy.
- ✓ Investment instructions for endowed funds.
- ✓ Agreements on reporting on program and investment performance.
- ✓ Acknowledgement whether or not the gift is legally binding on the donor, the donor's heirs, and executors.
- ✓ Dates and signatures.

Unfortunately, we have seen examples in which a donor's intent was not ultimately honored by recipients. Intent can become obscured or interpreted differently by future parties.

To help facilitate the most mutually beneficial outcome, we recommend that you seek assistance from advisors early in the drafting process. It is usually advantageous for your own lawyers to produce the first draft of the agreement. If the nonprofit supplies the initial version, we advise you to have an independent legal review of the agreement.

A thoughtful and well-constructed major gift agreement clearly states the donation's source. As we have noted, the type of vehicle will determine the tax consequences to you as well as the degree of anonymity you will retain. In particular, specificity about the source of funds is crucial as foundations and DAFs are not legally allowed to fulfill personal pledges, as doing so on behalf of the donor would be considered a form of self-dealing.

Likewise, if you make a gift directly, it is customary for the statement to have language that indicates that the commitment is an obligation that is legally binding on you, your heirs, and executors. This statement may help ensure that your estate is bound by the agreement and can also enforce its terms.

With a DAF, the donor is only allowed to make grant recommendations. Therefore, if you want to have the funds for a major gift to come from your DAF, the agreement from you may only be a nonbinding reflection of your intent, or the agreement needs to be made directly with the DAF sponsor. Private foundations may enter into grant agreements directly with nonprofit institutions but may not fulfill personal pledges made by a disqualified person such as a trustee, director, or family member.

It's also important to include in the agreement how donations will be funded — via cash, securities, or some other type of asset. As mentioned earlier, select nonprofits may not have the ability to accept gifts of securities or complex assets such as art, real estate, or intellectual property. Your tax and legal advisors can help structure the donation so that you are able to receive a tax benefit for the contribution.

When a gift agreement does not clearly state the donor's intentions and conditions, there is a risk that problems will arise at a later point. Unfortunately, we have seen examples in which a donor's intent was not ultimately honored by recipients. Intent can become obscured or interpreted differently by future parties (see "State Clear Gift Intentions" Case in Point, on page 14).

We have seen disagreement in a situation in which a donor's major gift establishes a nonprofit's endowment. While the original parties may have understood the endowment gift's purposes, over time, the institution may begin to use the funds for purposes that fall outside the scope of that original intent. The institution may determine that changes in the academic or social environment may no longer make it feasible or advisable to deploy the funds to purposes that satisfy the donor's intentions. Alternatively, the organization may simply decide to allocate the funds to another cause it deems more relevant. With only limited formal language as guidance for the endowment's spending, it is difficult for a donor or surviving family members to recall the gift or influence the institution to allocate the funds as originally intended. As a result, we stress the value of a binding gift agreement to create a stronger partnership and avoid later disappointment about the gift's use.

Monitor and Assess the Gift's Impact

We encourage donors to evaluate the results of a significant donation, either informally or more formally. If your gift is expected to be applied to general operations or tangible outcomes — such as refurbished facilities — rigorous evaluation may not be necessary. You may want to work with a nonprofit to define and measure programmatic goals linked to a grant such as patients served, student graduation rates, or visitors to an art exhibit.

If there is potential for you or your family to provide additional financial support, the nonprofit will be motivated to do an excellent job carrying out the funded work. It will want to provide information about how the money was used and the positive results it helped produce. The nonprofit recipient will strive to provide a high level of stewardship, cultivating you as a loyal champion of the organization and as a source for a possible next gift or bequest commitment.

Nevertheless, you may want to build some performance expectations into the terms of the gift agreement. This might include requirements that the recipient provide periodic updates and take regular meetings with you and/or your family or family foundation.

Sometimes, the major gift's results are expected to emerge in the future such as when funding an endowment at a teaching hospital. In this case, you may not expect to see results during your life and, therefore, require the recipient to provide regular updates to estate representatives or surviving family members. This can be an effective way to maintain family involvement in activities that bear out your values. In our experience, families who actively engage the second and third generations in the process of assessing the major gift's impact are more cohesive and successful when it comes to preserving the family legacy. Moreover, having family members commit to future involvement in measuring a gift's impact helps ensure that the recipient remains true to your original intent. And, in those cases in which a nonprofit recipient is no longer able to honor your intent, a gift agreement that allows the next generations to modify or amend the terms of the gift's use may be mutually beneficial for all parties.

Case in Point: State Clear Gift Intentions

In 1961, A&P heirs Charles and Marie Robertson were inspired by John. F. Kennedy's call to public service. The couple gave Princeton University a $35 million gift and directed the school to use the funds to help prepare graduate students in the Woodrow Wilson School for public service careers.

The Robertson family structured the gift as a foundation with trusteeship shared between Princeton and the family. The foundation had grown to an estimated $850 million and represented a substantial percentage of the university's endowment.

In 2002, the Robertson family filed a lawsuit against Princeton. The suit claimed that the university misdirected substantial funds to uses outside of the donor's original intent, and that very few Wilson School graduates actually entered public service careers.

In 2008, Princeton settled the suit for more than $101 million. Forty million dollars of that amount covered the family's legal fees, while $11 million satisfied owed interest. In addition, the university paid $50 million to fund a new Robertson foundation that will help prepare students for careers in public service.[6]

This high-profile dispute between a donor's heirs and a nonprofit demonstrates the value a carefully drafted major gift agreement can provide to help ensure a donor's intentions are honored.

Case in Point: Requiring Reporting, for the Long Term

We advised a family in structuring a large gift to a medical research consortium. The family wished to fund research to develop potentially lifesaving treatments for a rare disease.

If the consortium is successful in developing and gaining market approval for a treatment, the family foundation will retain certain royalty rights. The family foundation's potential ability to participate in the royalty stream may help ensure that the foundation will have access to additional assets to fund future charitable causes.

The family's three adult children were involved with structuring the gift and will remain active in overseeing its deployment. The gift agreement requires that the medical consortium report to the three children annually for 15 years after the funding. This annual progress report will help ensure that the nonprofit is able to continue to act with the donor's intent in mind.

[6] Source: *The New York Times*, "Princeton Settles Money Battle Over Gift," December 10, 2008.

How Bessemer Can Help

Aristotle once observed, "To give away money is an easy matter and in any man's power, but to decide to whom to give it and how large and when, and for what purpose and how, is neither in every man's power nor an easy matter." With this guide, we have tried to make the process easier to understand. While we intend for *Making a Difference: A Donor's Guide to Major Gifts* to help you navigate the major gift decision-making process, it is not meant to be a comprehensive compendium. As with any decision to engage in philanthropy, we advise you to seek the expertise of your Bessemer client advisory team and lawyers, among others, before making or funding any major pledge.

Exhibit 9 provides information on how Bessemer Trust can help you achieve your philanthropic objectives and take proper steps to plan for and execute a major gift.

A major gift can be an exciting and deeply impactful means to support compelling nonprofit activities aligned with your values. Done well, a major gift can make a better world and create a legacy that lasts for generations.

Exhibit 9: How Bessemer Can Help You Plan and Make a Major Gift to a Nonprofit

✓ Clarify your reasons for making a major gift.
- Support your reasons for making a major gift to a nonprofit — to address a pressing need, provide a culminating gift to an organization you have long supported, give back to an organization that you or a loved one has benefited from, etc.
- Help you identify and approach a nonprofit you might want to make a major gift to, or respond to one that has sought a large contribution from you.
- Assist you in identifying a deserving nonprofit that fits your interests.
- Advise you on how to respond to and negotiate with a nonprofit that has approached you about making a major gift.
- Conduct due diligence on the nonprofit you are considering — assessing its staff and board leadership, program quality, financial health, and fundraising capacity.

✓ Work with you to weigh the pros and cons of the possible charitable vehicles and asset forms you could use to make the gift and select the best option.
- Ascertain whether making a gift directly or through a foundation, a donor-advised fund, or a bequest is the best course.
- Help you determine if the gift will be in the form of cash, stock, real estate, or some other type of complex asset and, if necessary, assess the potential recipient organization's capacity to receive non-cash assets.

✓ Assist you and the nonprofit to determine the appropriate size of your gift.
- Collaborate with you to develop your overall budget for philanthropy and determine how a potential major gift fits into it.
- If your gift is part of a fundraising campaign for the nonprofit, join forces with you and the nonprofit to figure out how your gift best fits into this broader context.
- If you wish to include a matching gift opportunity, counsel you and the nonprofit on the best terms.
- Help you assess the nonprofit's readiness to receive the size of the gift you are considering and advise you on the amount.

✓ Provide support in negotiating the specific terms and conditions of your gift with the nonprofit and finalize a sound written gift agreement.
- Provide advice on ways to dedicate your gift to a particular purpose, and how results will be reported.
- Offer advice on the timing of your gift, whether during your lifetime, through a series of payments, or through a bequest.

✓ Assess how your money was used and what outcomes resulted from your gift.
- Support you in reflecting what you learned through this major gift experience that can inform your future philanthropy.

Our Recent Insights

Family Meetings — An Important Strategy for Preserving Wealth — A Closer Look (March 2016)

Engaging the Next Generation Through Philanthropy — A Closer Look (March 2016)

A Fine Time for Charitable Remainder Trusts (March 2015)

Ways to Give — A Closer Look (November 2015)

To view these and other recent insights, please visit www.bessemer.com.

About Bessemer Trust

Privately owned and independent, Bessemer Trust is a multifamily office that has served individuals and families of substantial wealth for more than 100 years. Through comprehensive investment management, wealth planning, and family office services, we help clients achieve peace of mind for generations.

ATLANTA • BOSTON • CHICAGO • DALLAS • DENVER • GRAND CAYMAN • GREENWICH
HOUSTON • LONDON • LOS ANGELES • MIAMI • NAPLES • NEW YORK • PALM BEACH • SAN FRANCISCO
SEATTLE • WASHINGTON, D.C. • WILMINGTON • WOODBRIDGE

Visit us at bessemer.com