



BNY MELLON
WEALTH MANAGEMENT

2021 Annual

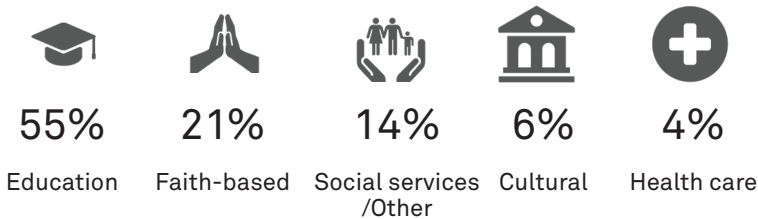
Charitable Gift Report

About This Report

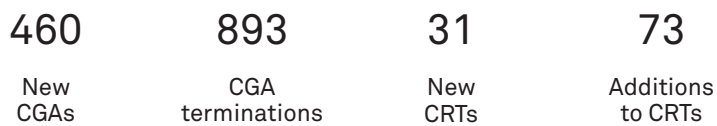
BNY Mellon Wealth Management’s 2021 Charitable Gift Report assesses the philanthropic landscape, levels of giving over the past five years and donor behavior to provide insights, context, and benchmarks.

This report provides analytics and observations on the charitable gift annuity (CGA) and charitable remainder trust (CRT) activity during the calendar year 2020 for 102 nonprofit organizations.¹

Organizations represented in this report



Gift activity captured during 2020



Donor advised fund activity captured during 2020



Table of Contents

Executive Summary	3
Charitable Gift Annuities	4
Charitable Gift Annuity Donor Profile	4
Trends in Gift Activity	4
Gifts by Size	5
Gifts by Month	6
Gifts by Organization	7
Gifts by Contract Type	7
Gifts of Cash	7
Location of Donors	9
Donor Demographics	10
Annuity Terminations	12
Charitable Trusts	17
Charitable Trust Donor Profile	17
Trusts by Organization	19
Trusts by Type	19
Donor Demographics	19
Trust Activity	21
Donor Advised Funds	23
Donor Profile	23
Trends in Donor Advised Fund Gift Activity ..	23
Trends in Grant Activity	25
Additional Resources	27
Contributors	28
About BNY Mellon Planned Giving	31

¹Data for the report is based on completed gift records in our database as of March 1st for the calendar year 2020. Gift information collected after March 1st is not reflected in the data.

Executive Summary

The word “unprecedented” feels inadequate to describe the year 2020. From the impact of a global pandemic to social and racial equity and justice movements and the election of a new president, the year was filled with world-changing events which left an indelible mark on history.

Philanthropy was greatly impacted, as individuals sought opportunities to help address societal and community needs and support movements to right injustices. Nonprofits grappled with either meeting greater demand for services, or the absence of demand and decreased revenues due to COVID-related lockdowns.

Highlights from 2020 Gift Activity

- 37% decrease in new CGA gift amounts
- 44% increase in charitable remainder trust additions
- 39% increase in average grant from BNY Mellon Charitable Gift Fund

Despite these challenges, the philanthropic community demonstrated tremendous resourcefulness and generosity. Many nonprofits found ways to pivot and discover new ways to build support for their missions and connect with supporters remotely. Conversations focused on legacy and impact were prioritized and led many to move forward with their philanthropic plans. According to the 2021 Giving USA report, total estimated charitable giving increased by 5.1% (3.8% adjusted for inflation) – from \$449 billion in 2019 to \$471 billion in 2020. Individual giving rose 2.2% (1.0% adjusted for inflation) to \$324 billion. Early estimates indicate that grant disbursements from the largest donor advised funds (DAFs) were up nearly 30% in the first half of 2020, versus the same time period in 2019.²

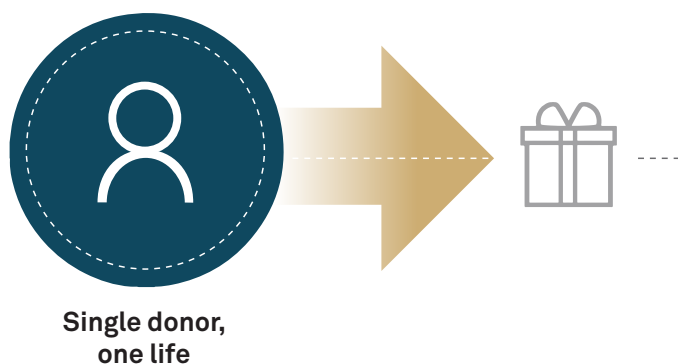
For the nonprofits represented in this study, the total number of new gifts was lower in 2020 than 2019 and giving during the first half of the year was higher than the second half. Charitable gift annuities (CGAs) in particular were significantly higher, with gifts in June outnumbering gifts in December for the first time in the seven-year history of this report. This was partly due to the announcement by the American Council on Gift Annuities of a decrease in the suggested maximum CGA payout rates, starting July 1, 2020. Though funded in fewer numbers than prior years, charitable trusts saw a 20% increase in total dollar volume in 2020 compared to 2019. Consistent with DAFs trends, the BNY Mellon Charitable Gift Fund saw the average contribution more than double and grants distribution increase by 85% compared with 2019.

As we start to consider a world in which the pandemic is managed, it's clear that philanthropy will be forever changed by the events of 2020. Going forward, it will be important for individuals and nonprofits alike to maintain the resilient, adaptive spirit that helped them overcome the challenges of last year if we are to improve our world and foster change through giving. This report is a resource intended to help facilitate that process.

²Source: <https://nonprofitquarterly.org/covid-19-and-donor-advised-funds-in-2020-what-do-the-numbers-tell-us/>

Charitable Gift Annuities

Charitable Gift Annuity Donor Profile



79 years old, up from 77 in prior year

Repeat donor(s)

Residents of CA, NY or FL

Giving in April – June, Sept. – Dec. in prior year

Giving to organizations outside state

Giving to educational institutions

\$25,000 cash gift, down from \$30,000 in prior year

Payout rate³ 6.2% up from 5.8% in prior year

Trends in Gift Activity

The trend of decreased gifts following a year of increased gifts continued, most likely resulting from the impact of the global pandemic. While the number of new gifts declined to the lowest level in five years, the total gift amount and median gift size remained consistent with pre-2019 levels. The median and average donor age increased for the first time in two years, underscoring research indicating that by 2050, life expectancy is expected to rise above 93 years in the U.S.⁴

	2016	2017	2018	2019	2020
Number of Gifts	569	608	511	617	460
Total Gift Amount	\$41.3M	\$61.3M	\$43.4M	\$67.9M	\$43.3M
Annual Payments	\$2.7M	\$3.9M	\$3.0M	\$4.4M	\$2.8M
Median Gift Size	\$25,000	\$25,000	\$25,000	\$30,000	\$25,000
Avg. Gift Size	\$73,000	\$101,000	\$85,000	\$110,000	\$94,000
Median Donor Age	80	80	78	77	79
Avg. Donor Age	80	79	78	77	79

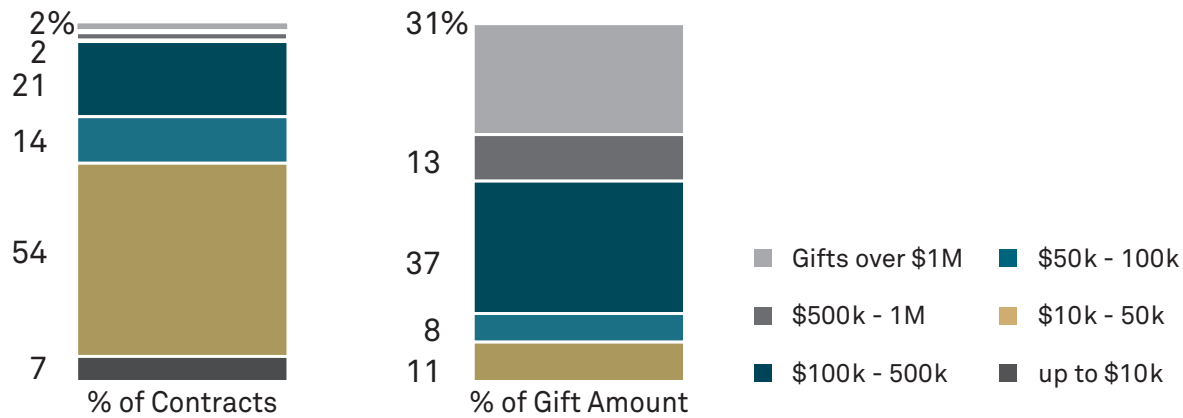
³Payout rate based on recommended ACGA rates as of July 1, 2020 for a 79-year old donor.

⁴Source: <https://www.rand.org/blog/2021/02/humans-are-living-longer-so-what-do-we-do-with-all.html>

Gifts by Size

Gifts of more than \$100,000 represented only 25% of the total contracts in 2020 but accounted for more than 80% of the total gift dollars. Gifts between \$10,000 and \$50,000 represented the majority of contracts in 2020 at 54%, an increase of 5% from the prior year.

2020 New Gifts by Size



Case Study – How Good Stories Can Encourage Generous Gifts

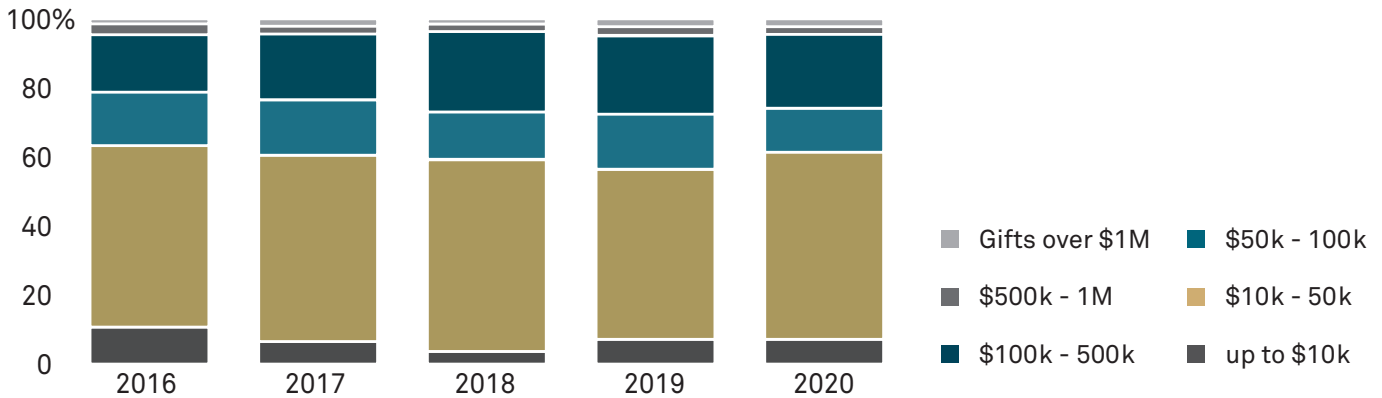
Storytelling is a powerful tool for fundraisers to educate and connect with donors. Prospective donors can picture themselves in the narrative and better appreciate how they can make an impact with a planned gift. The following case study illustrates how one university secured a \$90,000 gift by telling an engaging and educational donor story in an alumni newsletter.

Background	Action	Result
<ul style="list-style-type: none"> A university's Planned Giving team produces a biannual newsletter as part of their multi-channel marketing strategy. The goal of the newsletter is to educate, inspire and connect donors with the university. The university identified a potential opportunity to deepen existing donor relationships by sharing more diverse donor stories and the impact of their gifts. 	<ul style="list-style-type: none"> The Spring 2020 issue focused on "Creating a Legacy", featuring stories about how and why donors chose to create their legacy with the university. The newsletter was sent to alumni aged 40+ who had previously given at least \$1,000 to the university. Several of the stories highlighted donors who established charitable gift annuities; the tax benefits of their gifts, and their ability to use cash and securities for funding. 	<ul style="list-style-type: none"> The stories resonated with one of the university's existing donors – a loyal annual fund contributor who had been unresponsive to previous outreach attempts. After consulting with his advisors, the donor funded a \$90,000 charitable gift annuity with appreciated securities. The gift was completed within seven days of sending the newsletter.

Key Takeaways

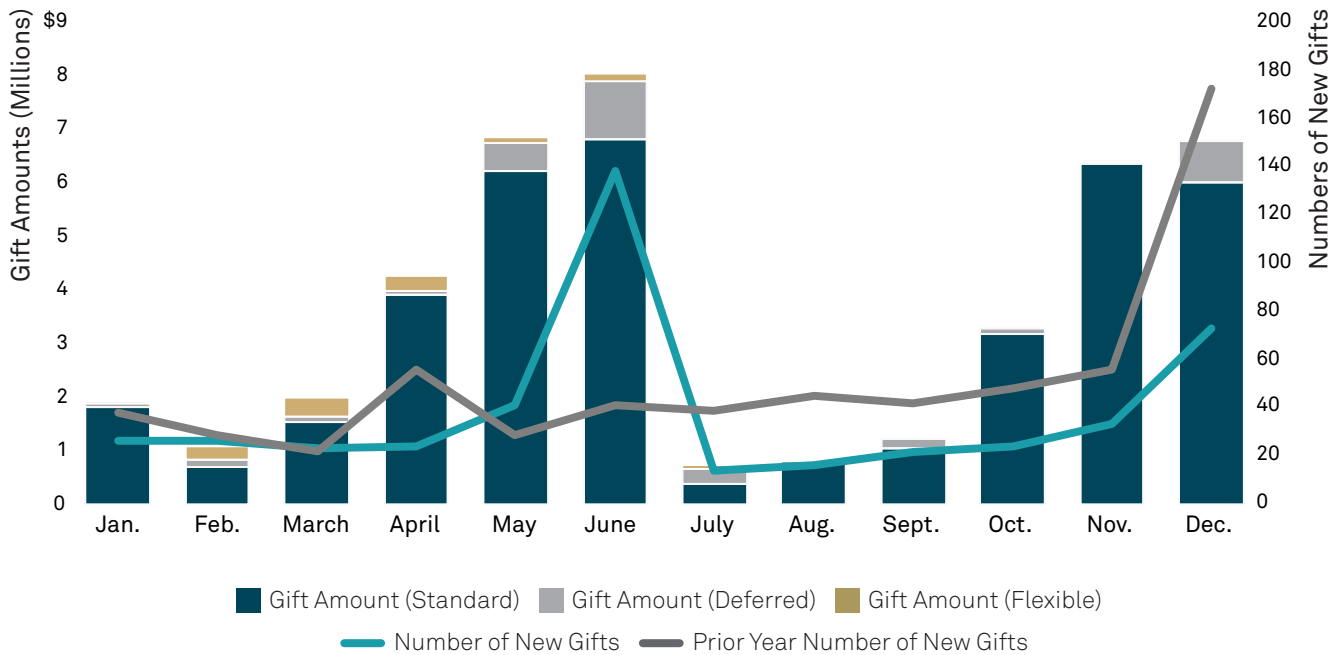
- Storytelling can be a successful strategy to reach donors.
- There is value in using direct marketing pieces.
- Funding gifts with appreciated securities can be as easy as funding them with cash.
- Don't underestimate the nonresponsive donor, as they may surprise you.

Trends in Gifts by Size⁵



Gifts by Month

Number of New Gifts and Gift Amounts by Month



Make CGAs Part of Regular Marketing Communications






The American Council on Gift Annuities (ACGA) announced in May last year that the suggested maximum payout rates for CGAs would decrease, effective July 1, 2020. Many nonprofits broadly communicated this change, resulting in donors deciding to commit to or accelerate their plans for funding a CGA to benefit from the higher payout rate.

⁵Based on number of contracts.

Gifts by Organization

While the percentage of organizations in this study that received new gifts in 2020 declined or remained flat for all segments, faith-based and religious organizations saw a noteworthy increase in both the number of CGAs and gift amounts versus 2019. In fact, the average gift amount for faith-based and religious organizations almost doubled to \$56,200 in 2020, from \$28,300 in 2019.

Percentage of Organizations That Received New Gifts

	Educational	Social services/Other	Faith-based/Religious	Cultural	Health care
					
2020	67%	14%	10%	50%	40%
2019	73%	12%	12%	67%	40%

Distribution of New Gifts by Organization Type

	New CGAs by Organization		Number of Contracts		Gift Amount		Avg. Number of Contracts		Average Gift Amount		Median Gift Amount	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Educational	66%	65%	50%	52%	67%	79%	7	9	\$123,800	\$168,800	\$30,300	\$50,000
Social Services/Other	14%	12%	30%	29%	18%	13%	20	25	\$57,500	\$48,300	\$19,100	\$50,000
Faith-Based/Religious	10%	12%	14%	12%	8%	3%	13	11	\$56,200	\$28,300	\$20,000	\$21,500
Cultural	6%	7%	5%	5%	5%	2%	7	8	\$103,600	\$44,800	\$29,800	\$25,000
Health Care	4%	4%	1%	2%	2%	3%	3	8	\$155,100	\$128,600	\$50,000	\$10,000

Gifts by Contract Type

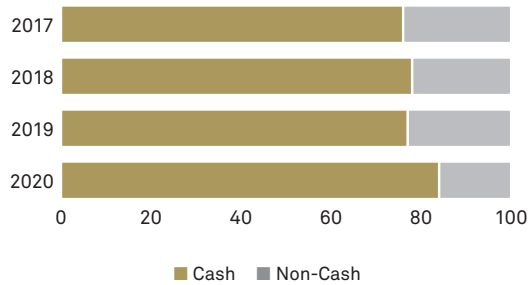
Standard CGAs continue to dominate, representing 85% of the contracts and 90% of contract values. While the percentage of deferred and flexible deferred CGAs declined, they should be considered for donors seeking financial security in retirement.

2020 Gifts by Contract Type

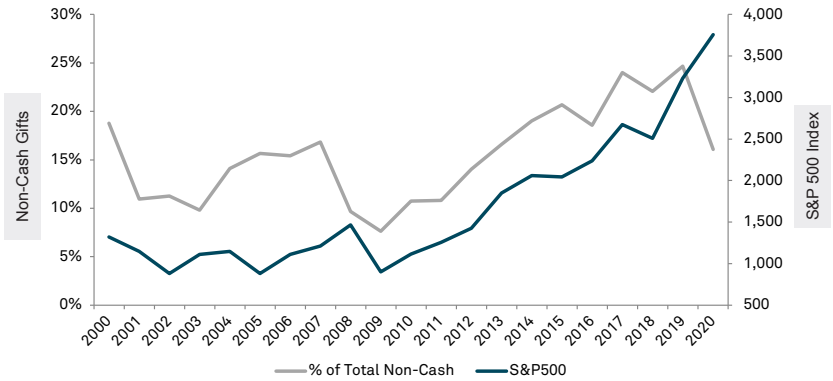
	Number of Contracts		Value of Contracts	
	2020	2019	2020	2019
Standard	85%	78%	89%	84%
Flexible	12%	15%	8%	11%
Deferred	3%	7%	3%	5%

Gifts of Cash

Cash vs. Non-Cash Gifts



Non-Cash Gifts vs. S&P 500 Index



Funding CGAs with Appreciated Securities – a Better Deal for Donors

Just 16% of the charitable gift annuities established in 2020 in this study were funded with non-cash assets. Given the benefits of funding gift annuities with securities that have appreciated in value, this is a significant opportunity that organizations should consider. Donors may be foregoing significant tax benefits by funding five or six figure gift annuities with cash.

Tax Benefit to Donor	Gift of Cash	Gift of Appreciated Securities
Immediate Tax Deduction	■	■
Federal Capital Gains Savings		■
Capital Gains Tax Deferral		■
Reduces Taxable Estate		■

From a tax perspective, the assets transferred to fund a gift annuity can be separated into two parts: (1) an outright gift to the charity, and (2) the purchase of the annuity contract from the charity.

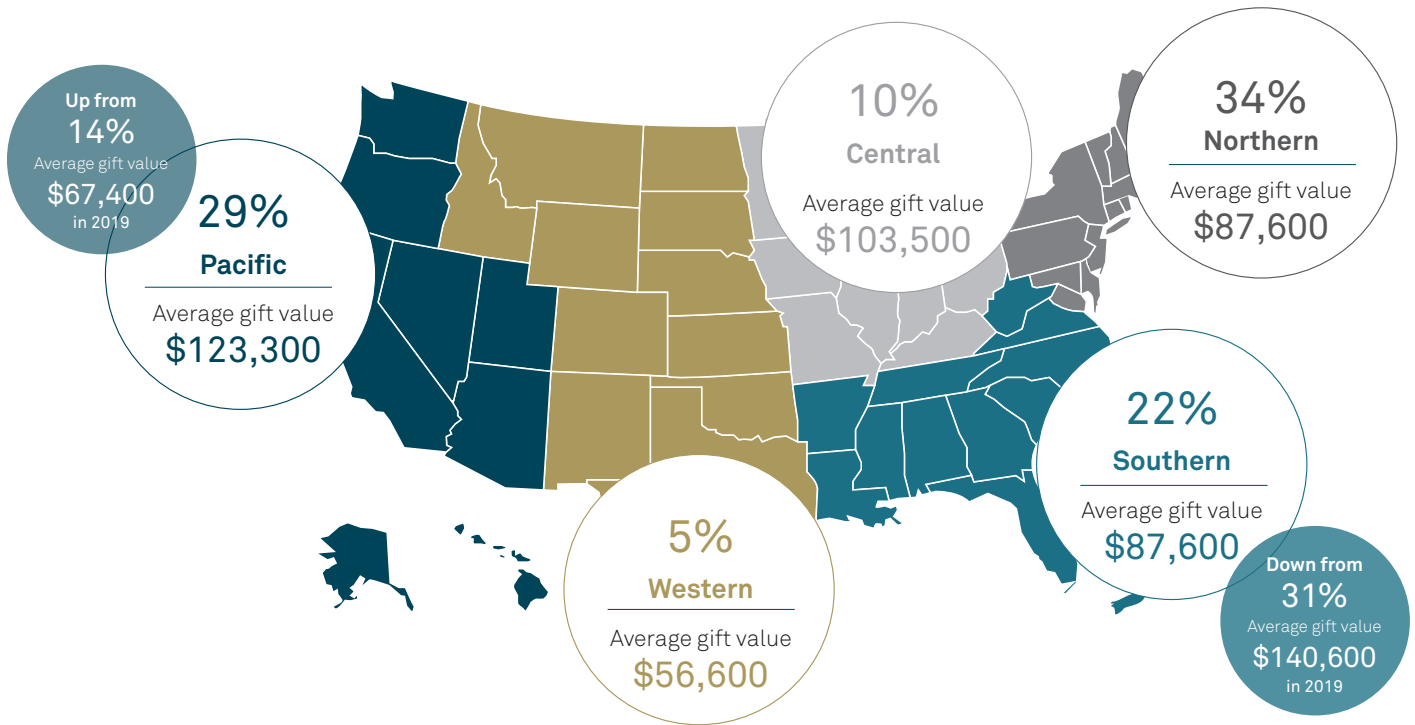
Regardless of the funding asset, the amount that represents the gift to the charity is fully tax deductible. There is a triple tax benefit, however, for a donor who chooses to use appreciated securities rather than cash:

- 1. Savings on Federal Capital Gains Taxes:** The portion of the appreciated securities funding the gift includes the embedded capital gains.
- 2. Deferral of Capital Gains:** The tax on the capital gains embedded in the securities funding the annuity purchase are deferred, and incrementally paid over the remaining life of the income beneficiary(ies).
- 3. Minimize or Reduce Estate Taxes:** Using appreciated securities to fund a charitable gift annuity legally transfers assets out of the donor's taxable estate.

The additional tax benefits of gifting appreciated securities have the potential to increase under the Biden Administration's proposed tax changes, which include an increase in the capital gains tax rate for high income earners.

While there may be instances where gifting cash is best, planned giving officers should encourage donors to consider gifting appreciated securities to take advantage of the "triple tax benefit". It could result in significant savings for donors and lead to larger gifts for nonprofit organizations.

Location of Donors



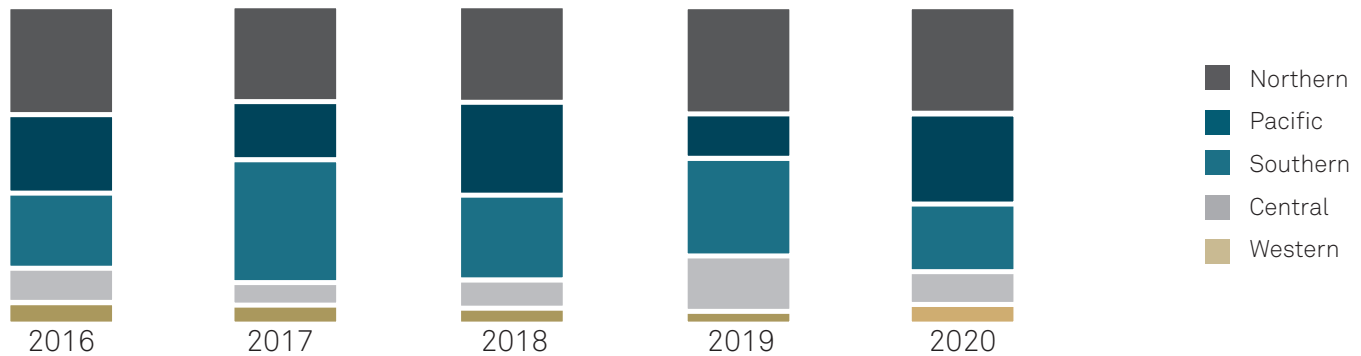
Top Five States (No. Gifts)

California	13.8%
New York	12.7%
Florida	8.5%
Pennsylvania	6.6%
Virginia	5.3%

Top Five States (Gift Amount)

California	19.7%
New York	19.2%
Florida	12.2%
Michigan	4.9%
Pennsylvania	4.3%

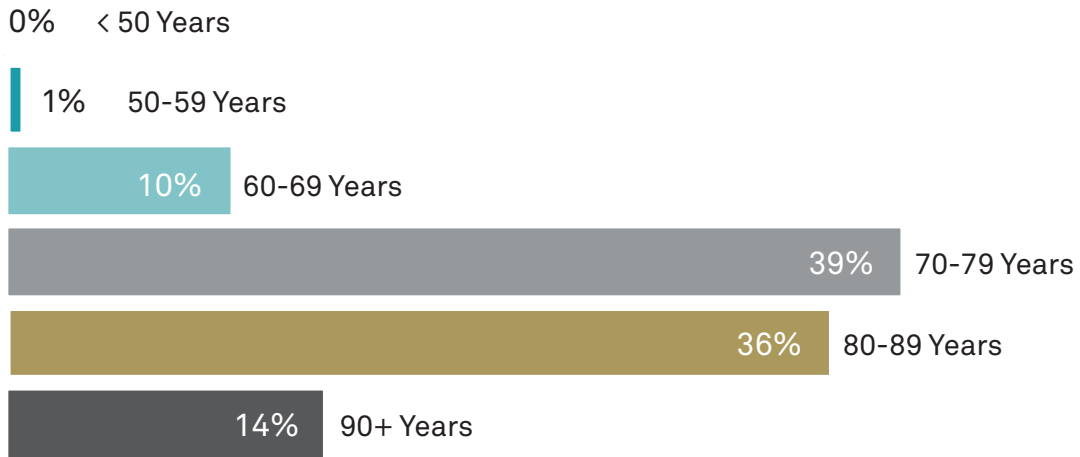
Trends in Giving by Region⁶



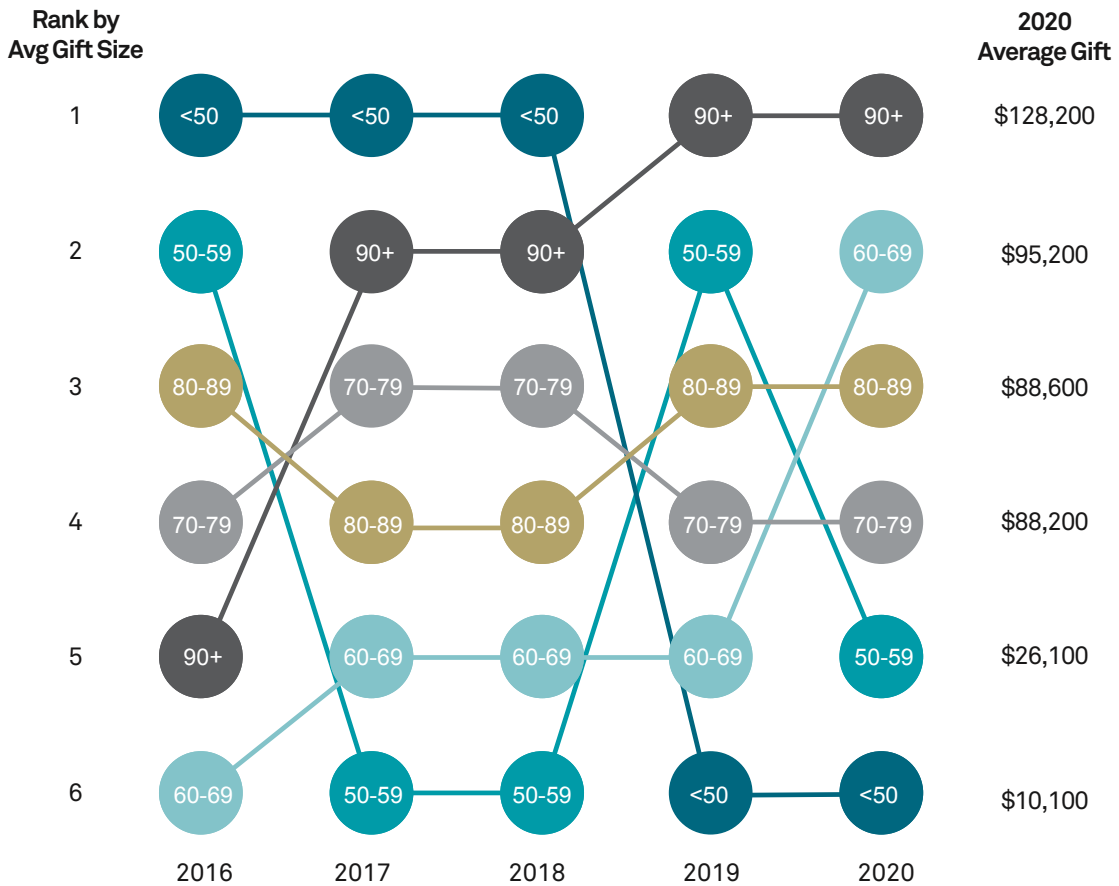
⁶Percentages based on gift amount

Donor Demographics

Age of Donor at Gift⁷



Average Gift Amount by Donor Age



⁷Based on number of gifts.

New Versus Repeat Donors

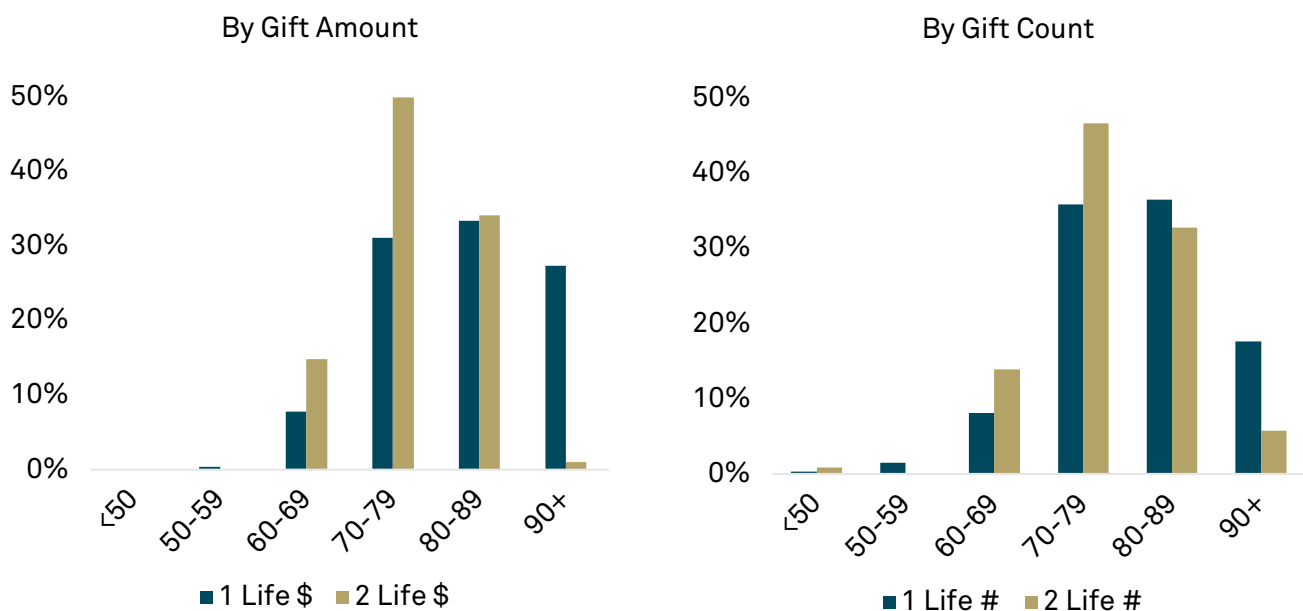
Repeat CGA donors outnumbered new donors by almost two-to-one. While every nonprofit organization wants donors who make multiple gifts, engaging new CGA donors can reduce the risk of having a large number of repeat donors in a pool who, if they outlive their life expectancy, could lead to an unexpected liability for the organization. It is important to analyze repeat CGA donors' overall support, consider the potential risk to the CGA pool of having a high concentration of repeat donors, and engage donors in conversations about different ways they can support causes they care about most.

	% of Total Gifts (\$)	Average Gift	Median Gift
New Donors	34%	\$88,500	\$25,800
Repeat Donors	66%	\$97,400	\$25,000

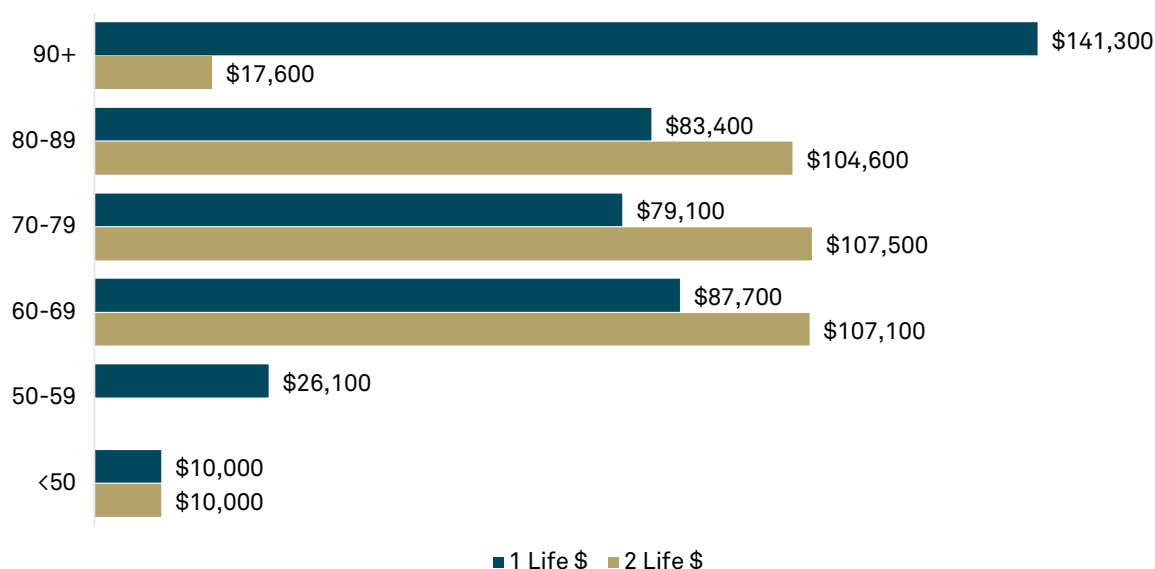
New vs. Repeat Donors by Organization Type

	Repeat Donor Activity		New Donor Activity	
	Total Gifts (\$)	No. of Gifts	Total Gifts (\$)	No. of Gifts
Educational	73%	50%	54%	51%
Faith-Based/Religious	5%	14%	15%	13%
Cultural	3%	6%	8%	3%
Social Services/Other	16%	29%	23%	31%
Health Care	3%	1%	0%	2%

Gifts by Age and Number of Lives



Average Gift Amount by Age and Number of Lives



Annuity Terminations

Terminated CGA residuums, while still above the 50% target residuum based on ACGA suggested maximum rate guidelines, decreased by over 20% from the prior year. This decline was driven mostly by terminated gifts from 2005 through 2009, which was the only cohort with residuums below 50%. Given the market environment in 2008 and 2009, it is not surprising that gifts in these years would see lower residuums than in prior years.

Trends in Annuity Terminations⁸

	2016	2017	2018	2019	2020
Number Terminated	1,362	872	737	951	893
Residuum %	90.4%	92.4%	82.2%	94.0%	72.9%
Value of Terminated Gifts	\$30.0M	\$36.2M	\$37.6M	\$48.6M	\$39.7M
Average Actual Gift Duration	18 years	13 years	13 years	14 years	15 years
Median Actual Gift Duration	14 years	13 years	13 years	14 years	14 years
Effective Payout of Terminated Gifts	12.8%	11.5%	10.5%	8.2%	11.0%
Initial Payout Rate Average	7.9%	8.3%	8.0%	8.0%	7.9%

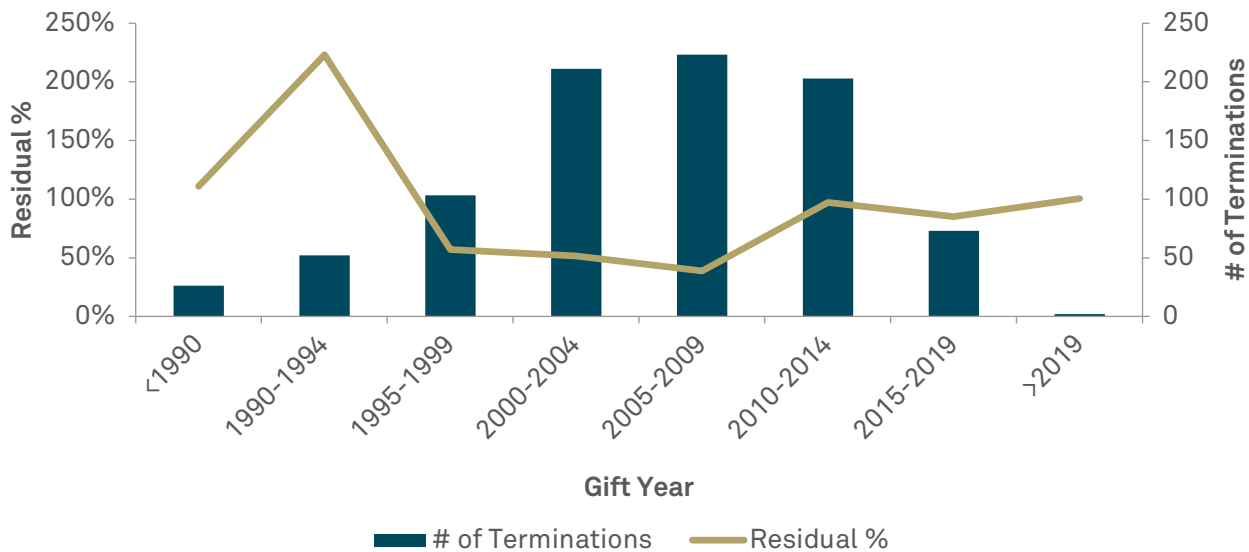
⁸Starting with 2017, methodology changed to exclude termination valuations without market values.

Gift Flows

The CGA Gift flow ratio represents the difference between CGA gift dollar inflows and terminated gift outflows. A ratio equal to or greater than one indicates new gift activity that outpaces gift terminations.

Client Type	Ratio ⁹	
	2020	2019
Educational	0.93	1.43
Social Services/Other	1.53	1.52
Health Care	0.68	1.75
Cultural	1.02	0.93
Faith-Based/Religious	2.94	0.56
Average	1.07	1.37

Gift Terminations and Residuum Value by Gift Year



⁹The CGA gift flow ratio is the difference between CGA gift dollar inflows and terminated gift outflows. Terminated gifts that have exhausted and have a market value of less than zero are excluded from the calculation.

2020 Deferred CGA Terminations

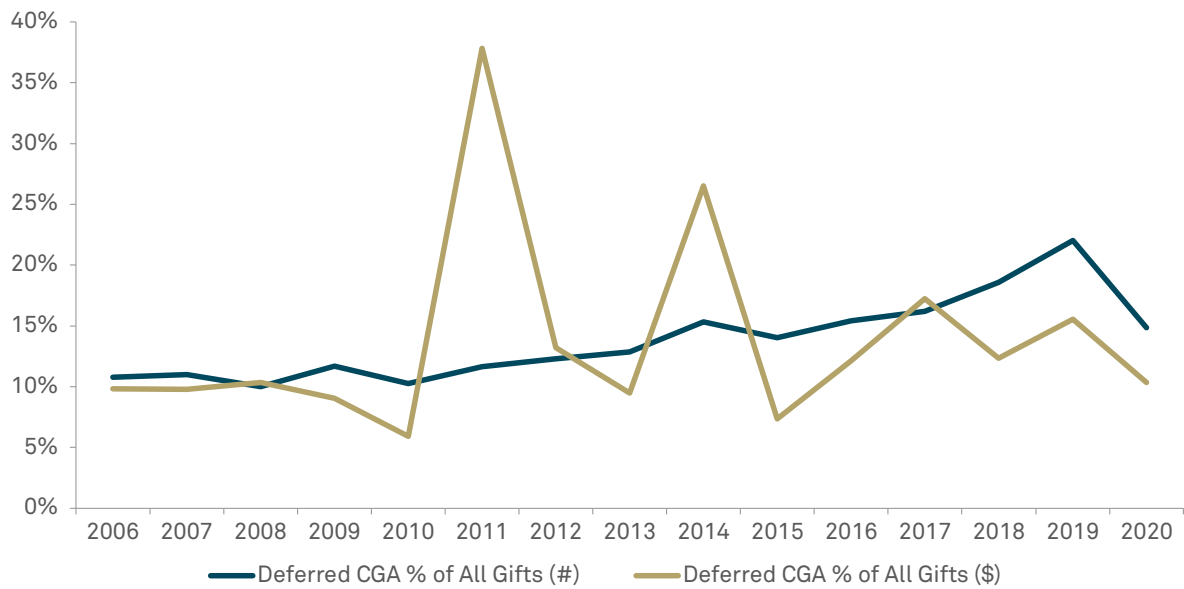
Deferred gifts can often achieve significant growth during the deferral period, resulting in a significant gift to charity at termination.

	Residuum	Average Deferral Length
Deferred CGA	179.04%	5 years
Standard CGA	68.79%	n/a

Deferral Length and Residuums

Termination Year	Residuum	Number of Terminations	Average Deferral Length (Yrs)
2020	179.00%	72	5.29
2019	118.00%	81	5.97
2018	134.00%	63	5.44
2017	175.00%	62	4.76
2016	151.00%	26	5.17

Deferred CGA Trends



Organizations with Underwater Gifts

Unfortunately, not all gift annuities are able to fulfill the donor’s charitable intent. In fact, even the most well-intentioned gift to a prudently managed gift annuity program can ultimately end up costing, rather than helping, the causes for which they were intended. These “underwater” annuities can pose serious financial, regulatory, and reputational risks to charitable organizations if not managed proactively and effectively.

	No. of Underwater Gifts	Average Payout	Average Gift Duration (Yrs)	Average Beneficiary Age at Gift
Educational	46%	8.25%	20.6	74
Social Services/Other	27%	8.20%	19.9	73
Faith-Based/Religious	20%	7.78%	21.4	73
Cultural	5%	8.69%	18.7	78
Health Care	2%	8.02%	21.0	74
TOTAL	681	8.19%	20.5	74

FAQs on Underwater Gift Annuities

What is an underwater gift annuity?

An underwater gift annuity occurs when the gift assets are exhausted before the death of the final income beneficiary. This situation exerts financial pressure on the charity, as the distributions made each payment cycle decrease the value of the gift assets. This may eventually require the charity to fund the beneficiary distributions with other funds from outside the gift annuity pool, effectively reducing the charity’s ability to support its mission-related activities. Declining asset values can also pose regulatory risk for charities that issue annuities in states requiring minimum reserve levels. The inability to fulfill the donor’s charitable intent can also damage a charity’s reputation with donors. The reputational risk associated with a single underwater gift may be even higher than the financial risks, due to the potential loss of future gifts and the erosion of donor confidence.

How common is an underwater gift annuity?

Underwater gift annuities are common for charities of all types and sizes. Of the charitable organizations covered in this study that are issuing gift annuities, 56% had at least one underwater gift. In our experience, it is almost certain that a charity issuing gift annuities will have an underwater gift at some time. Effective identification and management of current underwater gifts, as well as gifts that are projected to go underwater, is vital for charities to manage the financial risks inherent in issuing gift annuities, to protect their reputations as responsible stewards, and to cultivate future gifts from their donors.

How can a charity fund underwater gift annuities?

BNY Mellon has helped many charitable organizations assess and manage underwater gift annuities. Underwater gifts, if identified and managed, are not necessarily disastrous for a charitable gift annuity program. Ultimately, the decisions for a charity are when, by what means, and for how long will annuity payments for underwater gifts be funded. After all, the money to fund the annuity payments for underwater gifts must come from somewhere.

- 1. Annuity Pool Assets:** When a charity has a large surplus in its annuity pool, the payments can be funded with the assets of the pool itself. As the payments are made, the surplus of the annuity pool declines and the market value of the other gifts in the pool subsidize the underwater gift(s). Over time, this reduces the residual value of the other gifts in the pool and the benefit to the charity. The cost of the underwater gifts spread across the other annuities and is realized as those gifts mature.
- 2. Retain Terminations:** Gift annuity assets are the property of the charity. Therefore, the residual assets of unrestricted or undesignated annuities that mature can be retained in the annuity pool. By foregoing the residuum on terminated gifts, the charity can offset the payments on underwater gifts without using other operating funds.
- 3. Unrestricted or Operating Funds:** The charity can make payments for an underwater gift annuity from other unrestricted or operating funds. This prevents the gift annuity from going further underwater and isolates the impact to the other gifts in the pool. However, it does divert resources from current mission-related activities.
- 4. Ask Donor to Relinquish Income Interest:** Some donors may be willing to relinquish their income interest in the annuity if they learn that the annuity obligation is harming the charity. Informing a donor that their charitable intent will not be fulfilled is always a difficult one. However, it can also be an opportunity to re-affirm credibility with the donor and to protect the charity's reputation. In some cases, it can even lead to additional gifts or other commitments from the donor.

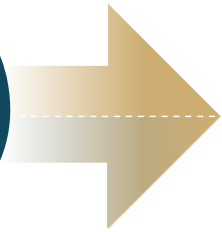
To learn more about how to identify and manage underwater gift annuities, read our article [Protecting Your Gift Annuity Program From “Underwater” Gifts](#).

Charitable Trusts

Charitable Trust Donor Profile



Joint donor,
multi-life



73 years old

Funding a standard CRUT

Giving to educational institutions
and social services

\$550,000 average gift

\$300,000 median gift

Charitable Remainder Trusts and Business Owners

Most entrepreneurs have one single meaningful liquidity event in their lifetime. That means they have one chance to get it right. These business owners have often spent years – maybe even decades – building or stewarding a successful enterprise and now are preparing to finally reap the benefits of that hard work.

From the time when the entrepreneur first feels the desire to sell their business and right up to the closing date, the entrepreneur and the team of advisors that have been assembled will be considering all possible outcomes.

There is no one approach or technique that works for everyone. Advisors need to ensure that a chosen approach strikes the right balance between the various competing interests to meet the business owner's planning needs. Among the sea of acronyms used by tax advisors and trust lawyers, the Charitable Remainder Trust (CRT) may strike the best balance. It is typically used by a taxpayer who has some charitable intent, a desire for ascertainable cash flow as well as an interest in deferring capital gains on the sale of an asset.

Advantages for a Business Owner

- **Deferral of capital gain plus charitable deduction:** Because a CRT is a tax-exempt entity, there is usually no capital gain incurred by the donor-entrepreneur on the transfer of business interests to the CRT, nor on the subsequent sale of the business. Rather, the donor-entrepreneur will receive an income tax deduction that will be calculated based upon the terms of the CRT and the pay-out rate.

Once the CRT is funded, the donor or the other non-charitable named beneficiary will begin to receive an ascertainable annual distribution stream. Unlike the sale of the business, the payments received by the beneficiary of the CRT will be treated as taxable income. A CRT could be structured to defer the capital gain from the sale of a business over a period of many years in exchange for a taxable income.

- **Predictability:** A charitable remainder annuity trust (CRAT) is created to pay its named beneficiary or beneficiaries a fixed income stream each year. The amount will be determined at the onset of the trust and will be either a dollar amount or a fixed percentage of initial fair market value of the assets contributed to the trust. A charitable remainder unitrust (CRUT) is created to pay its named beneficiary/beneficiaries a fixed percentage of the annual net fair market value of the trust's assets. The annual payment amount will increase or decrease depending on the value of trust assets at the revaluation date. Regardless of whether a CRAT or CRUT is chosen, the income stream is determinable, if not exactly predictable. It is relatively easy to model the projected cash flow using basic assumptions.
- **Charity:** When a CRT ends, either upon the death of the lifetime beneficiary or at a designated term date, the remaining assets are distributed to the named charitable beneficiaries. Many donors choose to leave more to charity and by varying the amount distributable to them (or their beneficiaries), they can optimize the amount the charity will eventually receive.

Potential Risks

- **Choice of entity:** CRTs are not appropriate owners of all business structures. Before a donor transfers business interests to a CRT, the business structure must be analyzed carefully. For example, S-Corp stock cannot be transferred to a CRT without terminating the S-Corp status, causing the business to automatically convert to a C-Corp.
- **UBTI and Excise Tax Risk.** If a CRT has any unrelated business taxable income (UBTI), it will pay an excise tax on such income despite being itself a tax-exempt entity. There are also self-dealing rules to consider. Any transaction between the CRT and a "disqualified person" (which would typically include owners, directors and other parties involved with the business) risks running afoul of self-dealing rules that could subject the CRT to excise taxes. Most business owners considering a CRT in the sale of their business do so when the sale is impending, thus the risks of these additional taxes are often ignored because the CRT is unlikely to own the business as an ongoing concern.
- **Sale Recharacterization:** The timing of a transfer to a CRT is also critical to avoid tax issues, should the IRS consider the transfer to a CRT and subsequent sale as a prearranged sale. If a buyer has already been identified, even if informally, and the donor-owner then transfers business interests to a CRT before the sale to the buyer to avoid capital gains, the IRS may nevertheless impute the capital gains to the donor. The donor would then be stuck having to pay the capital gains taxes on a sale of a business asset, the proceeds of which are held in the CRT that they did not benefit from.

Trusts by Organization¹⁰

The number of new charitable trusts and trust additions declined since 2019, but the trust amounts increased, particularly for trust additions, which rose from \$7.5 million in 2019 to \$13.5 million in 2020.

	New Trusts			Trust Additions		
	Organizations	Number	Amount	Organizations	Number	Amount
Educational	72%	71%	86%	90%	95%	99%
Social Services/Other	17%	19%	11%	5%	4%	0%
Faith-Based/Religious	11%	10%	3%	5%	1%	1%
Cultural	---	---	---	---	---	---
Health Care	---	---	---	---	---	---
TOTAL	18	31	\$19.9M	20	73	\$13.5M

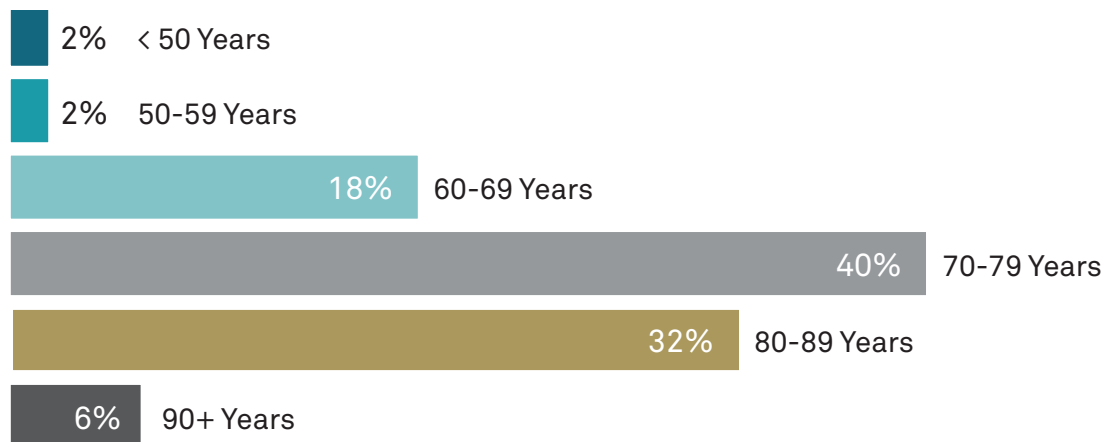
Trusts by Type

Activity by Type of Trust

	New Trusts		Trust Additions	
	Number	Amount	Number	Amount
Unitrust	21	\$10.8M	61	\$6.0M
Net Income	9	\$8.9M	12	\$7.5M
Annuity	1	\$0.2M	---	---
Lead	---	---	---	---
	31	\$ 19.9M	73	\$13.5M

Donor Demographics

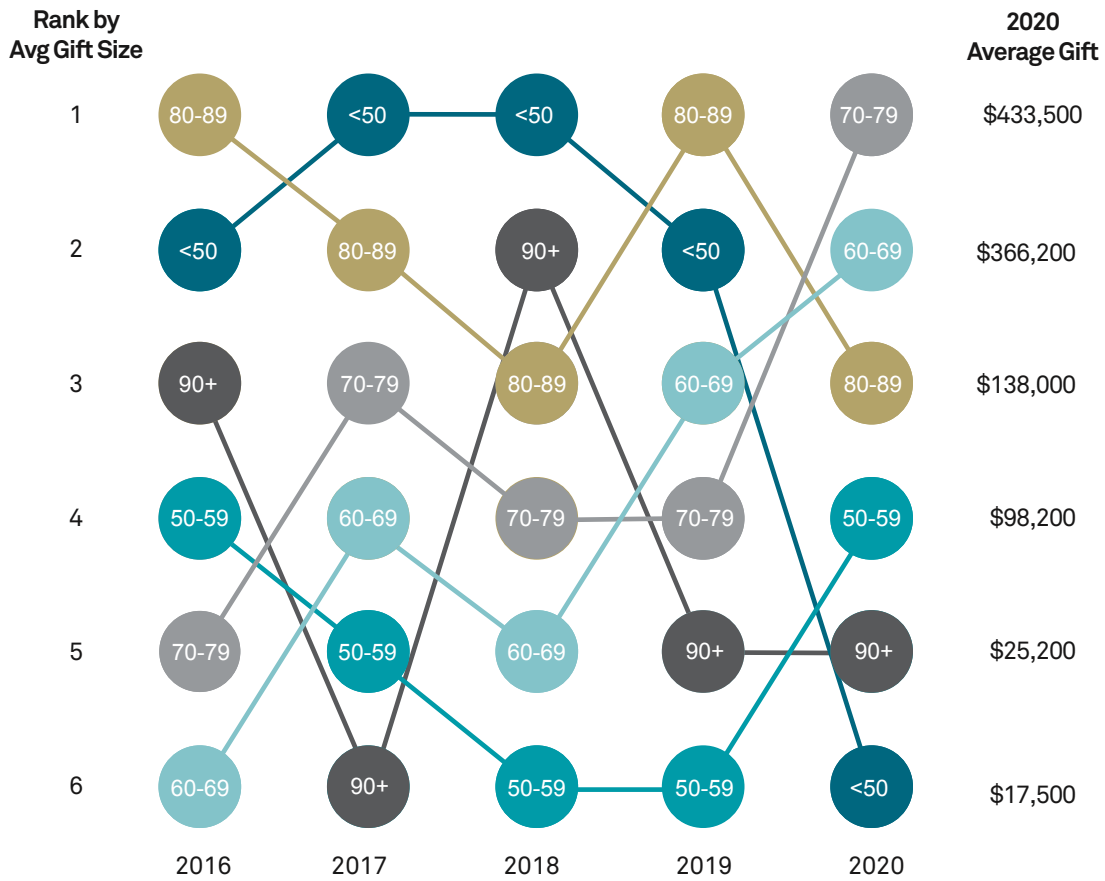
Age of Donor at Gift¹¹



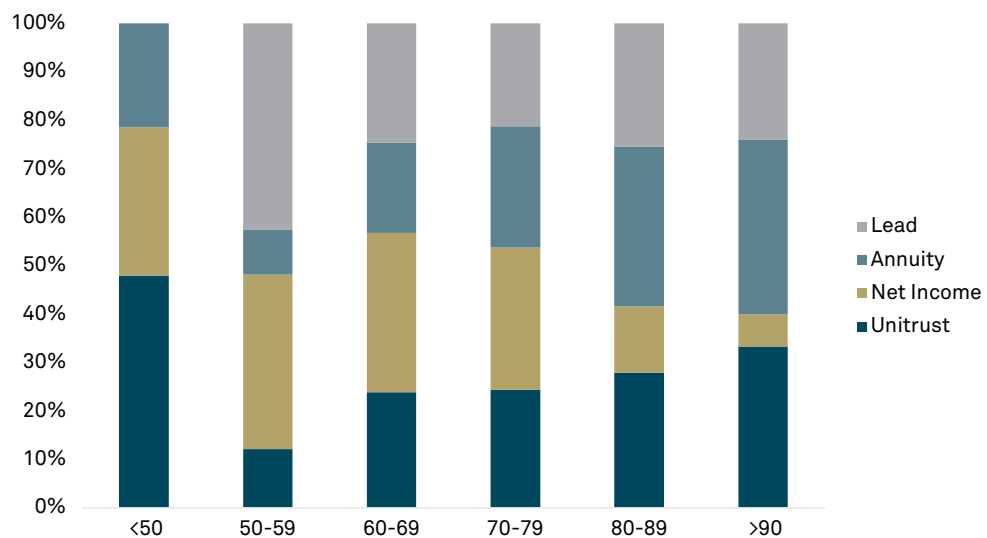
¹⁰Trust activity includes 2020 new trusts and additions to 2020 new trusts.

¹¹Based on gift count.

Average Gift Amount by Donor Age



Type of Trust by Age of Donors at Gift



Average Age by Type of Trust

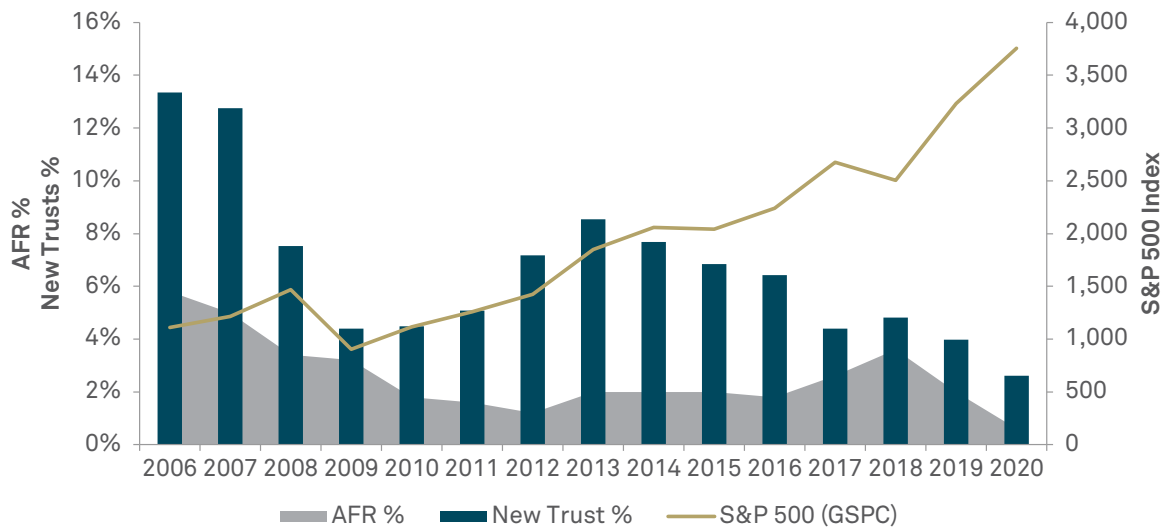
	Unitrust	Annuity	Net Income	Lead
Average Age	76 yrs	78 yrs	71 yrs	74 yrs

Trust Activity

Payout Rates and Trust Formation Remains Below Pre-Recession Levels



Impact of AFR and Market Performance on Trust Formation¹²



¹²Based on current clients over a rolling 15-year period.

Case Study – A Charitable Remainder Trust (CRT) for a Lasting Legacy

While our data shows that new CRT activity has decreased over the years, these vehicles remain a powerful tool to help donors fulfill broader philanthropic goals. The case study below illustrates how one planned giving officer recommended a Charitable Remainder Unitrust (CRUT) as the best solution based on a donor’s evolving goals and needs.

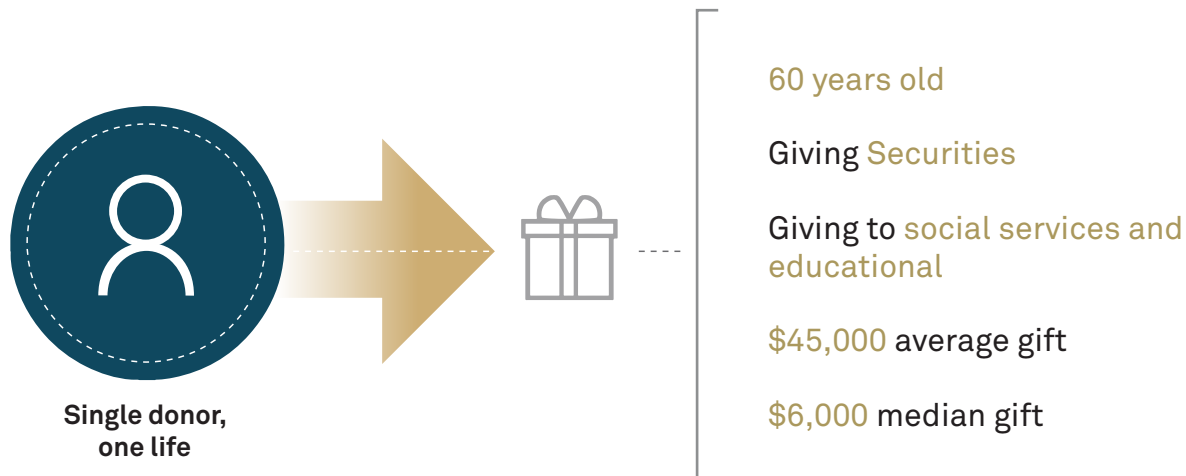
Background	Action	Result
<ul style="list-style-type: none"> For 20 years, a donor has been a consistent annual fund supporter, eventually receiving recognition as a Major Gift Donor for \$10,000 of lifetime giving, then honored with an endowed fund in his family’s name as a reward for making \$100,000 in lifetime gifts. In 2016, the donor confirmed a \$1M bequest intention, but was interested in the organization’s Major Gift society, which was reserved for donors who gave \$250,000 during their lifetime. Over the next two years, a Planned Giving officer uncovered the donor’s key motivations and concerns: <ul style="list-style-type: none"> - Deep connection and commitment to the organization - Concerned about the long-term financial security of his wife - Currently managing health issues - Interested in yearly income tax planning 	<ul style="list-style-type: none"> While a life-income vehicle seemed an ideal solution, it did not meet all his objectives, because his wife was still concerned with the gift’s impact on their overall finances. The donor decided to test a life-income gift solution, making a \$150,000 cash gift in exchange for a one-life 6.2% charitable gift annuity, which was easy to complete, offered a great rate and admission into the first tier of the Major Gift society. A year later, as the ACGA was about to lower their rates, the donor planned to make the full gift while the higher CGA rates were still in effect. To ensure the best outcome, the Planned Giving officer presented two illustrations for the donor to consider: <ul style="list-style-type: none"> - CRUT: 5% Payout - \$258,210.00 charitable deduction - CGA: 3.7% Payout (4.1% pre-July drop) – \$166,185 charitable deduction 	<ul style="list-style-type: none"> Even with the added complexities of preparing a legal trust agreement, additional investment risk and potential payment fluctuations, the CRUT offered benefits that were more in-line with the donor’s original goals. After consulting with his accountant, it was confirmed that the higher rate and deduction outweighed any investment/ payment fluctuation risk. In September 2020, the donor and his wife funded their \$750,000 charitable remainder trust, which admitted them into a higher tier of the Major Gift society and fulfilled the donor’s goal of leaving a legacy for his beloved organization.

Key Takeaways

- Slow and steady wins the race, as this planned gift was 20 years in the making.
- Pay attention to current and changing goals of individuals.
- Be proactive to ensure that all options are taken into consideration and the gift is in best interest of all parties.

Donor Advised Funds

Donor Profile



Donor advised funds (DAFs) have long been popular by those who prefer a “check book” method of giving. The immediate charitable deduction, ease of funding, recommendation of grants to charity, and the flexibility to choose what causes to support and when, make DAFs a preferred option for charitable giving. According to the most recent data available from the National Philanthropic Trust, grants from DAFs totaled \$27.3 billion in 2019, a 15% increase over the previous corresponding period.¹³

DAFs are also being used in creative estate and tax planning strategies to promote legacy, family and next generation giving, which historically have been factors in forming private foundations. One approach is to name a DAF as the charitable remainder of a CRUT and create an opportunity for long-lasting engagement by naming children or grandchildren as successor advisors.

Learn more about how nonprofits can reach donors with DAFs in our article [Best Practices for Leveraging Donor Advised Funds](#).

Trends in Donor Advised Fund Gift Activity

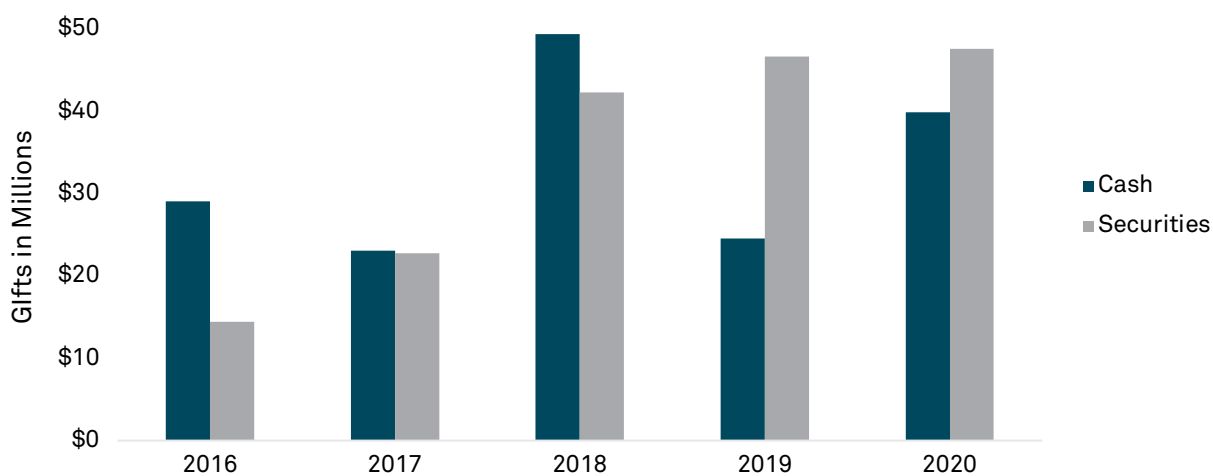
Gift activity into the BNY Mellon Charitable Gift Fund over the past five years demonstrates the growing popularity of DAFs. After a significant increase in gifts during 2018 – likely in response to the Tax Cuts and Jobs Act and the introduction of “bunching” as a giving strategy – total gift activity has continued to remain strong. The global pandemic and uncertainty around the election contributed to an increase in giving in 2020, up 23% over the prior year, with the average gift size doubling to \$45,000.

¹³Source: <https://www.nptrust.org/reports/daf-report/>

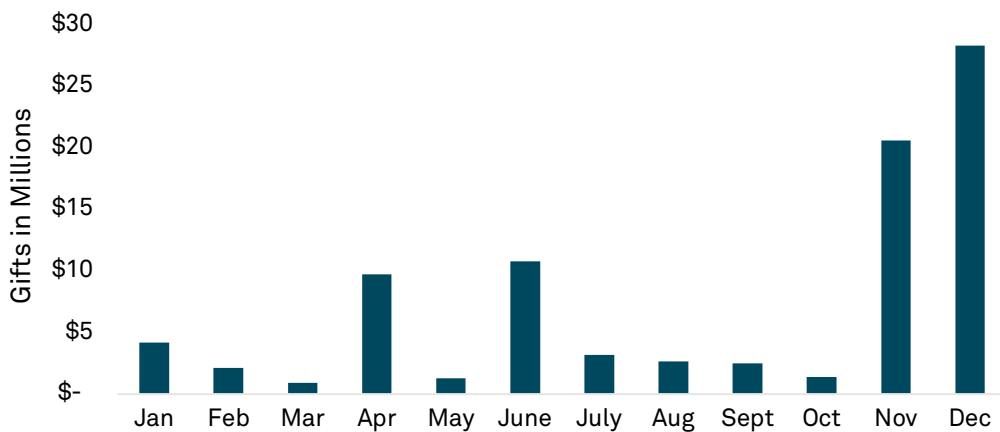
Gifts by Year

Year of Gift	Total Gifts	Average Gift
2016	\$43.6M	\$46,900
2017	\$45.9M	\$25,500
2018	\$91.8M	\$26,700
2019	\$71.3M	\$22,900
2020	\$87.6M	\$45,000

Gifts of Cash vs. Securities

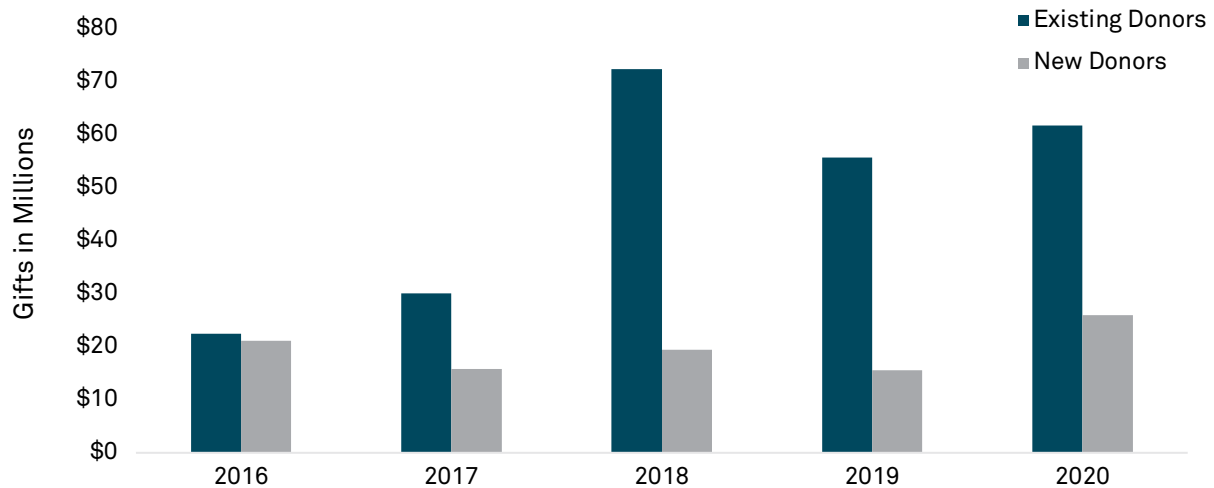


Gifts by Month for 2020



New Versus Existing Donors

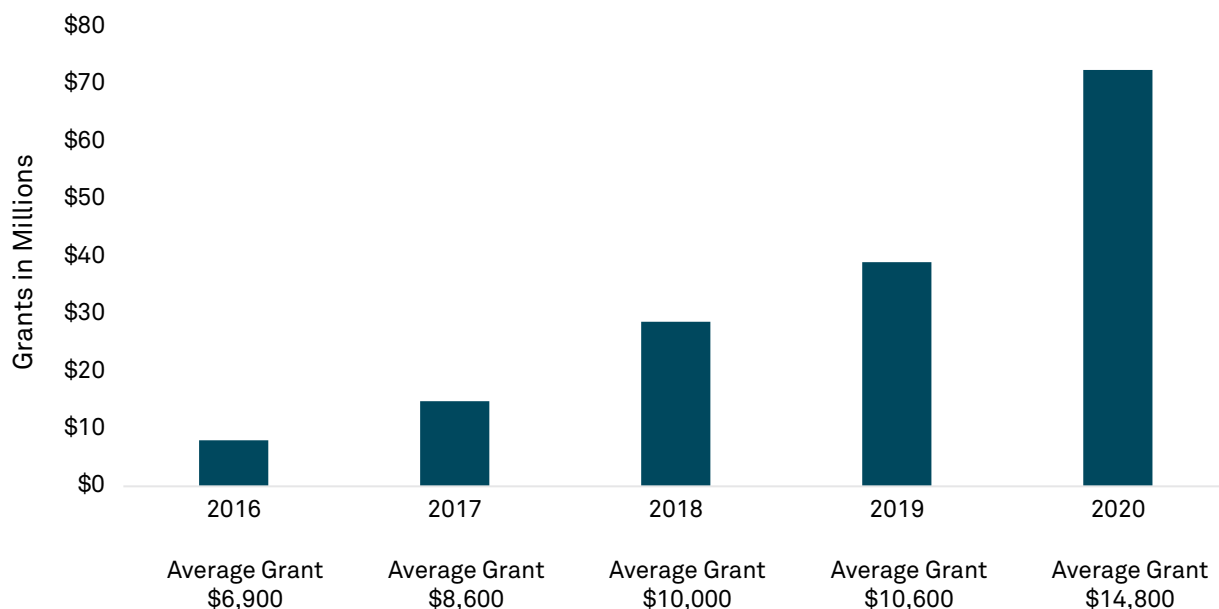
The long-term structure of a DAF lends itself to repeat gifts from existing donors. In addition to flexibility and ease of use, DAFs are a valuable tool for ongoing philanthropic and tax planning.



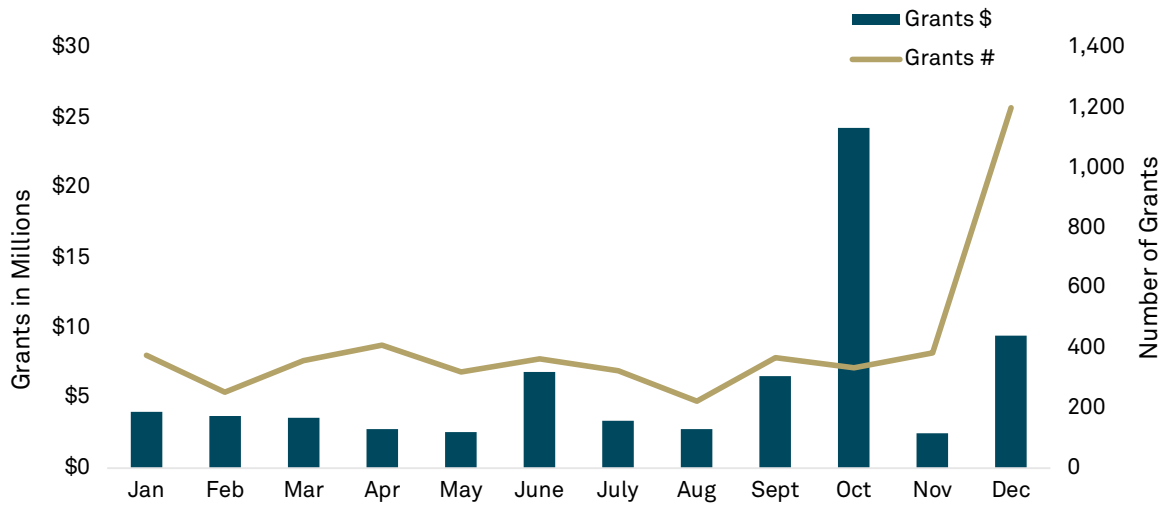
Trends in Grant Activity

Grant activity in 2020 for the BNY Mellon Charitable Gift Fund grew 86% over the prior year, illustrating why DAFs are an important part of the philanthropic landscape. During times of economic uncertainty when capacity for charitable giving may be limited, donors with DAFs are well positioned to provide critical funding to nonprofits when it's needed the most.

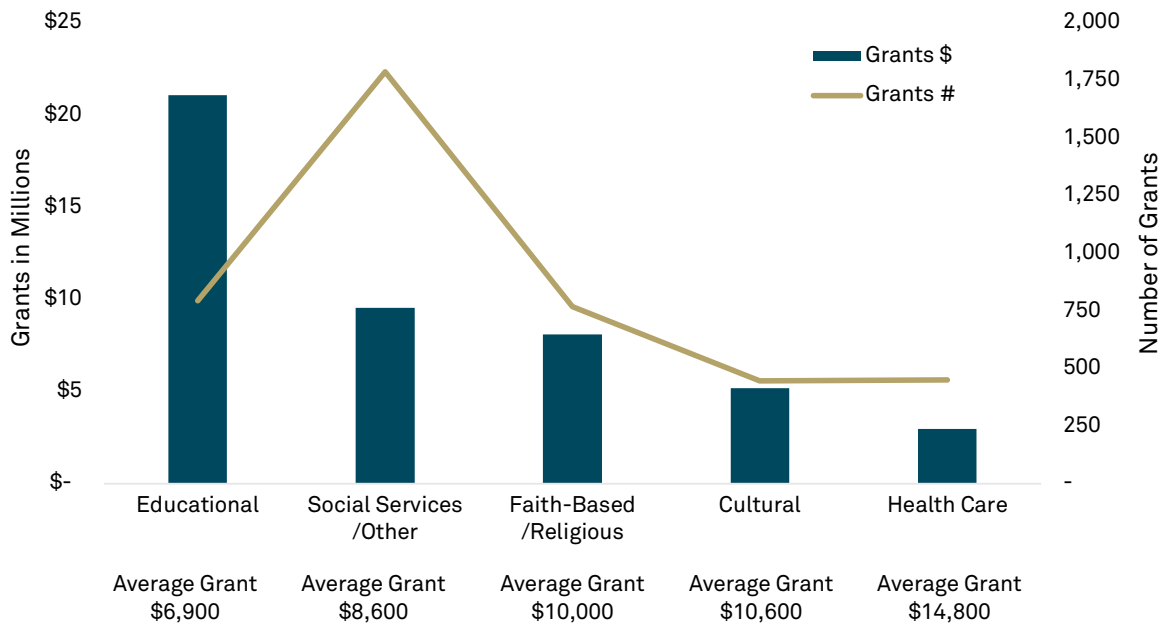
Grants by Year



Grants by Month in 2020



Grants by Recipient Organization in 2020



Additional Resources

Lifetime Giving Strategies

To help facilitate conversations with donors, leverage educational guides on charitable gift annuities, charitable remainder trusts and charitable lead trusts in our summary on [Leaving a Legacy with Lifetime Giving Strategies](#). These guides describe how each of these major gift types work and their distinct advantages and considerations. A summary table is also provided to compare all three strategies.

Underwater Gifts

Underwater gift annuities are common for charities of all types and sizes, and it's important to understand how to identify and manage these gifts to mitigate their financial, regulatory, and reputational impact. Learning what causes a gift to go underwater can help a nonprofit make informed decisions and implement measures to reduce the risks within their control. To learn more, read our article on [Protecting Your Gift Annuity Program From "Underwater" Gifts](#).

Unlocking the Potential of Donor Advised Funds

As donor advised funds (DAFs) continue to grow in popularity, the key for nonprofits to tap into these assets is not to rely on potential legislative changes, but to become familiar with their mechanics, what makes them attractive to donors, and the creative ways donors are using them. Explore strategies to leverage DAFs in our article [Best Practices for Leveraging Donor Advised Funds](#).

2021 Capital Market Assumptions: Key Insights on Planned Giving

BNY Mellon's 2021 Capital Market Assumptions are used to construct expected return and risk estimates used to model a variety of portfolios, including life income vehicles. It's important to recalibrate assumptions after a year like 2020, as the pandemic will continue to have significant economic, social, and financial impacts over the next decade. Review the key finding of our [2021 Capital Market Assumptions: Key Insights for Planned Giving](#).

Seminars

Visit [BNY Mellon Wealth Management Webcast Series](#) to explore live and on-demand webcasts offering insights and advice across a broad array of topics including philanthropy, investments, markets and tax policy.

2020 Planned Giving Conference

Every year, BNY Mellon brings together charitable gift planning professionals, individuals on boards of non-profit organizations and advisors working with non-profit organizations for our annual Planned Giving conference. The event features keynote presentations, panel discussions, peer roundtables and insights from industry experts. In 2020, we hosted our 18th annual conference for 250 attendees representing 100 non-profit organizations and \$26 billion in philanthropic assets. Visit the [event website](#) to watch replays and learn more.

Contributors



Crystal Thompkins, CAP®, CSPG^{CM}

Head of Philanthropic Solutions

Crystal is Head of Philanthropic Solutions for BNY Mellon Wealth Management. In this role, Crystal leads and coordinates strategy for all of Wealth Management's philanthropic services, including individual and family philanthropy, institutional endowments and foundations, planned giving and donor-advised fund services.

Crystal joined the firm more than 15 years ago in 2006 as a manager for the Planned Giving group in Greensboro, NC. She has more than 20 years of experience working with nonprofits, having started in tax preparation and later moving to client relationship management. She has a depth of knowledge in all aspects of gift planning and donor stewardship from her work with large, complex programs across all sectors, and provides insights on trends and best practices in support of nonprofit clients across the firm.

Crystal has been a frequent speaker at regional and national conferences and events and has published several articles and whitepapers. She is active in the nonprofit community and serves on several boards, including the Foundation Board of her alma mater, Winston-Salem State University.

Crystal received a bachelor's degree in accounting from Winston-Salem State University and is a Chartered Advisor in Philanthropy®. She is a member of the Partnership for Philanthropic Planning and Serves on the boards of the American Council on Gift Annuities (ACGA) and the Winston-Salem State University Foundation.



David Hohler, CFA

Director of Investments, Planned Giving

David Hohler is the Director of Investments for the BNY Mellon Wealth Management's Planned Giving group, with over 15 years of investment management experience. David leads the team in working with clients to design, implement and actively manage their investment portfolios. He also provides counsel and advice on best practices regarding asset allocation, spending rates, investment policy, manager selection and performance evaluation.

David joined the firm in 2006. Prior to that, David worked at Frank Russell & Co. in Tacoma, WA. While at Russell, David served as manager of portfolio trading operations. In this role, he supervised the team responsible for the data management, cash flow monitoring, reconciliation, portfolio accounting and performance measurement of derivatives-based overlay and hedge strategies.

David received a bachelor's degree with a major in economics from the University of Delaware and a master's degree of business administration from Seattle University. David is a CFA Charterholder and a member of the CFA Society Boston.



Nicole Medeiros
Vice President, Senior Relationship Manager

Nicole is a Senior Relationship Manager for BNY Mellon Wealth Management's Planned Giving group and has more than 15 years of experience in finance and banking, including over a decade of planned giving experience. In this role, Nicole works directly with nonprofit institutions to manage the complex needs of their planned giving programs. She monitors and oversees all aspects of the gift management process, provides strategic solutions to help her clients grow their planned giving program, and delivers insight into industry trends.

Prior to joining the firm, Nicole was at Bank Rhode Island where she was a senior retail sales associate. In this role, she was responsible for maintaining client relationships by supervising client banking activity and other bank employees.

Nicole earned a bachelor's degree from Saint Anselm College. She is a member of the National Association of Charitable Gift Planners in addition to a member and former board officer of the local Rhode Island chapter.



John J. Monahan, CFA
Vice President, Senior Investment Officer

John is a Senior Investment Officer in BNY Mellon Wealth Management's Planned Giving group. In this role, he works directly with nonprofit clients to design, implement, and actively manage their planned giving portfolios to meet their needs as well as those of their donors and beneficiaries. John has been with BNY Mellon since 2017.

Prior to joining BNY Mellon, John spent nearly 15 years in the Securities Lending division at Brown Brothers Harriman & Co., serving as the lead EMEA and APAC trader on BBH's trading desk in the U.S. John worked closely with institutional clients to create and execute trading strategies to maximize revenue, and managed relationships with the prime brokerage community.

John received a bachelor's degree from Stonehill College with a major in Finance. John is also a CFA Charterholder, and a member of CFA Society Boston.

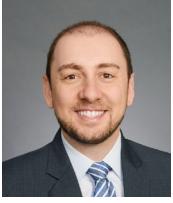


Susan Looney, CFTA
Vice President, Senior Relationship Manager

Susan is a Senior Relationship Manager for BNY Mellon Wealth Management's Planned Giving group. In this role, she works directly with nonprofit institutions to manage the complex needs of their planned giving programs. She oversees all aspects of the gift management process and provides solutions to help her clients grow their planned giving programs.

Susan joined the firm in 1987 and has more than 30 years of experience in trust administration and client service including over 15 years of planned giving experience. Prior to joining the Planned Giving group in 2001, she was a client relationship manager in the Wholesale Trust group where she was responsible for the delivery of client service to the client's trustee bank, trust donors and beneficiaries. She was also responsible for all facets of trust account administration.

Susan received a bachelor's degree from Wheaton College and is a Certified Trust and Financial Advisor. She is a graduate of the New England School of Banking Trust School, the National Trust School, and the National Graduate Trust School. Susan is member of the Planned Giving Group of New England and has served on their Executive Board.



Alexander Sherman
Lead Analyst, Client Reporting & Performance

Alex is a Lead Analyst, focused on client reporting and data analytics for BNY Mellon Wealth Management's Planned Giving group. In this role, he serves as the organization's expert on all reporting and data platforms used by the Philanthropic Solutions teams. He provides operational support to the client relationship and investment officers and is responsible for producing standardized and ad hoc reports. He specializes in developing automated reporting and analytics solutions. He works with corporate technology in developing client portal enhancements.

Prior to joining BNY Mellon in 2015, Alex served in an operational management role at State Street Bank and Trust, where he was responsible for process automation, risk control enhancement and efficiency initiatives. Alex received his bachelor's degree from Bryant University with a concentration in finance.



Carlos S. Byrne, CAP®
National Director, Donor Advised Fund Services

Carlos Byrne is the National Director of Donor Advised Fund Services for BNY Mellon Wealth Management. In this role, he manages the team responsible for the oversight, investment management and administration of the BNY Mellon Charitable Gift Fund, a donor advised fund established in 2013. Carlos also provides expertise in support of institutional clients' donor advised funds and the Gift Fund's private label donor advised fund program. Carlos joined BNY Mellon in 1997 and previously served as a director of relationship management in the planned giving services group.

Carlos received a bachelor's degree from Cornell University, a master's degree from Baruch College (CUNY), and is a Chartered Advisor in Philanthropy®. He is a member of the National Association of Charitable Gift Planners (CGP) and was chair of the investment committee while serving on the CGP Board. Carlos is also a member of the Planned Giving Group of New England and served on their Executive Board.



Jakub D. Kucharzyk
Senior Wealth Strategist

Jakub Kucharzyk is a Senior Wealth Strategist for BNY Mellon Wealth Management. In this role, he works directly with clients to address their investment and wealth management needs, with a particular emphasis on advising clients with respect to wealth preservation techniques designed to preserve, protect and grow wealth for multiple generations in a tax-efficient manner. He also regularly advises clients with respect to charitable giving strategies and family governance.

Prior to joining BNY Mellon in 2015, Jakub worked as an attorney with Nixon Peabody in Boston where he advised high net-worth clients on a broad array of local, domestic, and international tax issues. He also developed customized estate planning strategies for his clients. Before joining Nixon Peabody, Jakub was an attorney with Milbank, Tweed, Hadley & McCloy, LLP and Kaye Scholer, LLP in New York City.

Jakub received his bachelor's degree from Brandeis University and his MBA and juris doctor from the University of Connecticut. He is an active member of the New York State Bar Association, the Boston Bar Association, the Estate Planning Council of Rhode Island, and the American Bar Association.

About BNY Mellon Planned Giving

For more than 25 years, the Planned Giving group at BNY Mellon Wealth Management has advised nonprofits on strategies to manage and grow their planned giving programs. As a leading wealth management firm, we understand the motivations of donors and the complex philanthropic and estate planning approaches used to preserve wealth while giving back to the community. Leveraging these insights and the broad resources of BNY Mellon, our Planned Giving team offers comprehensive gift management, investment management, and donor and organizational support.

Our Clients

We work planned giving programs ranging from \$10 million to over \$300 million. Our clients include educational institutions and community foundations as well as faith-based, health care, cultural and social service organizations across the U.S.

Our Services

Gift Management

- Gift Processing
- Accounting
- Tax Reporting
- Fiduciary Services

Investment Management

- Strategic Asset Allocation
- Investment Excellence Across Asset Classes
- Customized Planned Giving Account Portfolio Construction
- Compliance and Risk Monitoring

Donor & Organizational Support

- Education and Training
- Gift Metrics and Client Benchmarking
- Complex Gift Support
- Industry Insights and Best Practices

Contact Us

To learn more about how BNY Mellon Wealth Management's Planned Giving Group can help, please contact:

Crystal Thompkins, CAP[®], CSPG^{CM}

Head of Philanthropic Solutions

crystal.thompkins@bnymellon.com

David Hohler, CFA

Director of Investments

david.hohler@bnymellon.com

 @BNYMellonWealth | bnymellonwealth.com

This material is provided for illustrative/educational purposes only. This material is not intended to constitute legal, tax, investment or financial advice. Effort has been made to ensure that the material presented herein is accurate at the time of publication. However, this material is not intended to be a full and exhaustive explanation of the law in any area or of all of the tax, investment or financial options available. The information discussed herein may not be applicable to or appropriate for every investor and should be used only after consultation with professionals who have reviewed your specific situation.

©2021 The Bank of New York Mellon Corporation. All rights reserved. | M153972