

## Revocable and Irrevocable Gifts

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**U**nderstanding the difference between revocable and irrevocable gifts is crucial to fund-raising success. The distinction affects how you set your goals, plan and evaluate your program, and recognize your planned giving donors.

### Revocable Plans

Revocable arrangements are designed to pass to charity in the future, usually when the donor dies. These are flexible arrangements that the donor may change or revoke at any time during life. The donor is comfortable knowing he or she may draw upon these assets for an emergency.

As long as the gift to charity is incomplete, the donor is not eligible for a charitable income tax deduction. However, if the gift passes to a charity when the donor dies, his or her estate receives a charitable estate tax deduction equal to the gift value.

Examples of revocable gifts: Bequests by will; Living trust provisions; Retirement fund provisions.

### Irrevocable Plans

Irrevocable gift arrangements are completed transfers of assets to charity that cannot be changed or undone by the donor. Because the donor irrevocably parts with all or part of an asset, Uncle Sam provides the donor with an immediate charitable income tax deduction, plus the gift value is removed from the donor's taxable estate.

Examples of irrevocable gifts: Outright gifts of securities or real estate; Charitable remainder trusts; Gift annuities; Pooled income fund gifts; Gift of a remainder interest in a home or farm; Certain insurance gifts, when charity is named both owner and beneficiary of the policy; Charitable lead trust.

### Value of Bequests

It is a frequent mistake to use irrevocable gifts as the sole or primary benchmark against which to measure your planned giving program's success. Current research studies show that bequests — the simplest revocable arrangement of all — generates 80 percent of all planned giving income! So even if you do nothing but promote wills and bequests, you can still have a very effective planned giving program.

For this reason, donor recognition becomes especially important. Keeping these revocable donors engaged, involved and committed to your organization helps ensure that your charity stays in their plans.

### Recognition Society

Consider enrolling these donors in a special recognition society with appealing member benefits and an elegant annual recognition event underwritten by a local bank or trust company. The attention you devote to donor recognition is time well-invested. Each annual thank-you event gives you an opportunity to share your mission and build a better relationship with these contributors.

With such a recognition program, my experience is that over time at least 20 to 30 percent of your contributors will go on to make an additional planned gift to your organization. And very few will cut you out of their estate plans!

