What? Give Away All Our Money?! Calming the Charitably Reluctant Spouse

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The solicitation was planned perfectly. We had met three times with a wealthy long-term member of an organization for which we were working to talk about creative ways of giving non-cash gifts. He had recently been awarded the highest honor the organization could bestow, a recognition of a long and distinguished career. And he had talked (really bragged) in great detail about the value of his portfolio. We could tell he clearly relished our attention.

Given our lengthy conversations with him, we believed the time had come for the Executive Director and the Chair of the Board (both of whom had known and respected our prospect for decades) to visit to close the gift. Yes, the Executive Director lived on the East Coast and the prospect lived on the West Coast, but we thought the trip was worth it. We briefed the ED and Chair, giving them talking points and offering a quick role play and off they went for a long California lunch. We all thought the large, transformational gift was secured.

Two weeks went by. And then we received an email from the prospect saying, “You will probably drum me out of the organization, but I am afraid we cannot make a gift.” What had happened?? And *we*?? And then came a second, more confidential note: “My wife is not as connected as I am, and she is afraid we are giving away all our money. I am sorry.”

As we soon found out, our prospect had never mentioned his meeting or its purpose to his wife, and he certainly had not told her about his increasingly specific conversations with the representatives of the organization.

We have found stories like this are far more common that one might think. Almost all of our clients have faced some version of this tale, and often they are stymied, asking us what they should have done or what they could now do to rescue the relationship with the donor. . . or better yet, to encourage the reluctant spouse to become a donor. We have never found a way to make a person who is not philanthropic become philanthropic, but we do have some suggestions that may help:

1. <u>The Basics</u>: Of course, we all know that non-profits are always better off engaging spouses from the beginning, especially if the spouse has not been as connected to the organization as has the primary prospect. But, as in our case, we did not even know a spouse existed.

First, do your research: many non-profits have a person designated to ensure such omissions never happen, but for those organizations that have no one with research duties, a simple Google or LinkedIn check can almost always help you avoid overlooking a spouse.

Second, ask direct questions early on. As part of any "getting to know you" conversations with a major donor, you can always ask innocent questions such as "would you and your spouse be funding this together"? or "are you interested in a family gift"?

Third, invite any married couple together for an "ask": a major gift, especially a blended gift or estate gift by definition needs to include both spouses. And, of course, the organization needs to be careful to include both the eager spouse as well as the reluctant spouse in the conversation.

And finally, *listen* to both spouses. We once, when we were frontline fundraisers, were part of a lunch to ask a local business man, a very outgoing and vocal person, for a seven-figure gift. During the lunch, he spoke early and often, so that one of us (guess which one?) could barely hear his wife say "they never pay any attention to me . . . I am wallpaper." We (well one of us) then listened to her story about how she and her husband had agreed never to give another penny to an organization where they had attended a dinner in the recent past. At this dinner, created to encourage large donations, the president went around the room asking everyone where they had gone to graduate or professional school. The wife, who had not attended college, was mortified. The wife the next day signed up to take the MENSA test, passing easily. Oh, yes, the couple gave the gift to us.

2. <u>Involvement</u>: All of us in fundraising know that the best path to a gift is involving the prospect in the life of the organization. Nothing beats involvement. According to Fidelity Charitable's 2014 white paper, "Time and Money," 79% of Fidelity Charitable Fund's donors volunteered in 2013 and of those, over half reported that they gave more to charity because they volunteer. For a Reluctant Spouse (RS), an invitation on her own to an event is often a key to getting a gift from the couple. We write "her" on purpose, as for us, as for most of our clients, the RS is most often the wife. Several of our clients have done an excellent job of involvement (often independent schools have great success with such a plan), asking a reluctant spouse to join an advisory board, or to work on a specific project for the organization, all before approaching the couple with a philanthropic plan.

3. <u>Recognition</u>: Almost everyone wants to be recognized—if not publicly, then at least by the organization . . . with timely thank you notes and with the correct spelling of their names. One of our clients has been particularly effective in public recognition, as it holds a donor reception for all major donors at its annual conference. At that event, one entire wall is a "Wall of Honor" that recognizes through photographs and stories the range of philanthropy that major donors have demonstrated. The constantly rolling set of donor stories—with

nice, big pictures of the smiling donors-- explains what each donor or couple did and why they did it. The “wall” quickly became the highlight of the reception, with over a dozen people asking us how they, too, could be on the wall. And, as the donors themselves were circulating in the room, everyone could ask about the different ways of giving non-cash assets to the donors themselves. In most cases, these stories and photographs involved and named both members of a couple, even if the primary impetus came from the husband. But as spouses saw their photographs on the screen and on the website, many of them also became proud philanthropists.

4. <u>The “Deal”:</u> More often than we acknowledge in fundraising circles, finding out about certain tax benefits of philanthropic gifts can turn a RS into a Philanthropic Spouse. Yes, we all know that saying out loud, “I am giving this gift at least in part because of the tax deduction,” is not well received (even if others silently agree). We in the fundraising business are supposed to be all about the gift, all about the charity, all the time. Yet . . . (and yes, one of us is writing from personal experience here), sometimes the “deal” of a particular gift can work to a non-profit’s benefit and can create a philanthropic feeling.

   In this case, this personal case, one of us (yes, statistically speaking you can guess: it’s the female one of us) kept saying she did not have a philanthropic bone in her body. Money was to be saved (and saved and saved—a process starting when she was eight years old and separating her allowance into ten separate envelopes for specific purposes . . . and never to be touched until the money had built up in the correct envelope). It was never, ever to be given away.

   But she was married to a spouse who *was* philanthropic and who supported his alma mater with considerable gifts, but they were gifts from him (of course they had separate money), not from both of them. One day, the husband saw some DCGA handouts that Bruce and Carol had created for a donor, which looked good to the husband. And, suddenly a large gift became a possibility. A DCGA, after all, gave the donors supplemental retirement income (more money saved!), *and* a tax deduction, *and* a deferral until a time when they would both be retired . . .*and* no capital gains to pay outright on that $70/share bank stock with a cost basis of $2.00. The curtains opened and, voila, the wife suddenly became “philanthropic” (saying “do a two-life”).

   What happened in this most person example is that the DCGA grew and grew in value—both to the organization and to the couple, so that by giving up the right to receiving the income (when the income would have been 9%!) the couple generated another large tax deduction as well as a major philanthropic gift: a student/faculty summer research program for the husband’s alma mater. And, as the director of planned giving at this alma mater was such a good steward, the alma mater is now a beneficiary of an IRA from the RS (that would be one of the authors of this essay, who is no longer a RS but a proud donor).

5. Transferring Control to the Spouse through Estate Commitments or through CGAs: One sure way of addressing the "we will run out of money" concern is, of course, to shift the conversation from an immediate gift to an estate gift. An estate commitment takes no assets (or cash) now . . . and, statistically speaking, a female RS knows she will probably outlive her husband and will have the ability to alter any charitable intention. Although most RS's do not alter their spouse's estate plans, just knowing she may have control over such decisions helps make the initial commitment possible. And, note that it also ensures that the charity needs to steward both spouses.

   Another way of offering control to a RS is to suggest that the philanthropic spouse take out a Deferred Charitable Gift Annuity (DCGA) on his RS's life, giving the RS total control as to when to begin taking the income from the gift.

   One of our clients had a potential donor, in his early 70s, who was married to a RS ten years younger than he was. He wanted to make a $1 million gift, a transfer his financial advisor (who was part of our strategic discussion) assured him "he would never miss and would have no effect on his, or his wife's, long-term financial stability." But his younger wife feared running out of money, despite their financial advisor's advice.

   Our solution, with the blessing of the financial advisor, was to create a DCGA for the spouse. By transferring the $1 million worth of stock into the DCGA, the donor—and his spouse--received a substantial tax deduction, avoided any up front capital gains tax, and, most important, gave control over the income from the $1 million to the spouse.

   Thus the donor—and the charity—affirmed the legitimacy of the spouse's anxiety; the spouse could control when they (or she, if her husband predeceased her) could access the income. And, of course, the longer she deferred, the higher the payout would be. True, the charity would have to wait a few years to get the gift, but the DCGA removed the obstacle that would have prevented the gift from ever happening in the first place.

And a Concluding Surprise: One of the great benefits of working in fundraising is that sometimes, even when the gift seems lost, surprises emerge. The donor who occupies the first four paragraphs of this essay wrote to us recently: "We have another year before the campaign is over. There is still time!" Maybe the gift will happen after all.