



Gift Annuity Programs: To Start, Re-Start, or Not to Start... These Are the Questions

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The decision to start a gift annuity program should not be taken lightly. With gift annuities, you are entering into a life-long relationship with your donor, and there are significant legal and financial obligations that accompany it. It is not unusual for charities that have recently launched a gift annuity program to find that the results have not met expectations due to insufficient planning or resources.

Whether you're re-evaluating an existing program or considering launching a new program, it is instructive to assess the steps that need to be taken before entering the life income gift arena. These are the questions to be asked – and answered.

Does organization leadership understand and support the long-term commitment required for a successful gift annuity program?

Since gift annuity payments create a financial liability that must be shown on financial statements, leadership must determine that the organization has the financial strength to commit to payments to be made over many years. Leadership must also make a long-term (i.e. 5 years and preferably more) budgetary commitment to support the administration, legal compliance, marketing, and staffing of the program. Without an adequate budget to support the program, the chances for success will be diminished.

Will the organization establish the legal and financial infrastructure necessary to comply with regulatory requirements for a gift annuity program?

The offering of gift annuities makes the organization subject to legal and financial regulation at the state level. Registration of the charity's gift annuity program will be required in some states, along with annual reporting about gift annuity reserves. The reserves must meet investment return assumptions if the program is to ultimately provide financial support for the charity. Whether you decide to outsource these activities or complete them in-house, your organization will need to allocate sufficient staff resources and budget.

Does the organization have the internal staffing to provide superior service to donors who participate in the program?

From the time the contribution is made to fund a gift annuity, the charity must undertake an ongoing administrative obligation that continues until the death of the annuitant. The annuity agreement must be prepared, calculations generated, a payment account established, tax reporting done annually, and payments made accurately and promptly. How does the organization plan to provide these functions? Again, many of these can be outsourced, but the organization must have a plan and a budget in place prior to offering gift annuities.

Is the development program of the organization sufficiently mature to warrant a gift annuity program?

Those organizations with the most successful gift annuity programs have been cultivating and stewarding donors for many years. Most will have a vibrant annual giving program to which loyal donors have been continuously contributing. It is these donors with a history of giving and commitment who are the prime candidates for a life income gift program. Some organizations may be well-positioned to offer gift annuities from the initiation of a planned giving program, while for others it will make sense to build a culture of such giving through bequests and beneficiary designations first, and add a gift annuity program later.

How will the organization market the gift annuity program?

A newly or recently launched gift annuity program cannot succeed if kept a secret. Does your organization have a plan to inform and educate donors about the benefits of charitable gift annuities that leverages today's multi-channel communications environment? The marketing can be relatively simple by piggy-backing on other communication pieces, or more advanced including newsletters, a web presence, and periodic print and electronic communications targeting the most loyal donors to the organization. There needs to be a staff member to implement the marketing plan, and then to evaluate on a periodic basis if the plan is succeeding in generating inquiries, and (hopefully) gifts.

Will there be support and training for those staff members – gift officers or others - who will be having conversations with donors about the benefits of giving through gift annuities?

Both front line gift officers and internal staff members who will be discussing gift annuities with donors must be trained about the working of a charitable gift annuity. Metrics should be updated to encourage gift officers to raise the topic of gift annuities as part of their visit requirements. A gift annuity program cannot be kept in a silo – it must be promoted across the organization's development program.

The moment of decision – To Start, Re-start, or Not Start a Gift Annuity Program

After a thorough and collaborative assessment of your organization's readiness to start a gift annuity program using the criteria discussed above, you will arrive at a conclusion. If the decision is "yes," then move ahead to build the infrastructure for the program to ensure a successful launch. If you recently launched a program that is not producing, reassess the criteria above and determine where the weakness exists. Then move forward to correct the weakness and get the program back on track. And if the decision is "no, because you are not yet ready," then develop a plan to position your organization and the development program to be ready to launch a gift annuity program.