

BUSINESSDIMENSIONS

FINANCIAL STRATEGIES FOR THE ENTREPRENEUR



Tap into planned giving to help secure your nonprofit's future

Building a long-term pipeline may deliver the confidence your organization needs

For a nonprofit that relies on donors to keep it operating, wondering when the next wave of funds will come can be stressful. This has become even more relevant recently because according to the Giving USA 2023 report, total giving to US charities in 2022 declined compared to the previous year.

While economic uncertainty and high inflation are partially to blame for the decrease, there are always ebbs and flows in charitable giving. However, focusing on a long-term planned giving strategy could help smooth the waves, fill your nonprofit's pipeline – and work toward securing its future.

BENEFITS OF PLANNED GIVING

In 2022, individual donations accounted for only 64% of overall contributions received by nonprofit organizations. Although nonprofits invest a significant amount of resources appealing to individuals for specific campaigns throughout the year, there is a more strategic (and potentially higher value) approach that can have a greater impact on your fundraising efforts.

Planned giving, where donors designate charitable gifts to a nonprofit for a future date, has benefits for both parties. For nonprofits, it amounts to a projectable, dependable source of general funding. You can count on what funds will be coming your way and may even know when they're coming, depending on the type of vehicle used.

For a charity, planned giving acts as a buffer against economic uncertainty and can counteract a drop in donations. Planned giving can also deepen relationships between the donors and nonprofit, leading to larger or more regular gifts outside of the commitment. One study found donors that added a charity to their wills increased their annual gifts by more than \$3,000 in the following years.

For donors, there are multiple ways to execute these planned gifts, making giving more flexible. Planned giving widens the potential donor pool and attracts people who may not be able to make a cash donation now but have charitable giving in their heart.

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Tap into planned giving to help secure your nonprofit's future (cont.)

Donors who leave significant planned gifts to their favorite charities can be recognized for their support during their lifetime while leaving a meaningful legacy behind. The preplanned nature of the donation allows the donor to add requirements to their gift, giving them more control over how the funds are used. Another advantage? These gifts usually offer tax breaks for the donor's heirs.

DIFFERENT TYPES OF PLANNED GIVING

The best way to approach a planned giving strategy is proactively. Unfortunately, charities tend to set up planned giving programs in response to donors asking for them, which leads to a haphazard approach. Be thoughtful in the creation of your planning giving strategy, considering what would most benefit your organization and best appeal to a broader donor audience.

Some of the most common planned giving strategies include:

- **Beneficiary designation:** The simplest form of planned giving is donors naming your nonprofit as their beneficiary, so your organization will receive the funds after the donor's passing. The donor doesn't have to part with the money during their lifetime and doesn't owe any estate taxes on the amount of the bequest.
- **Charitable gift annuities:** A donor makes a sizeable donation to your organization, which is set aside and invested. The donor gets immediate tax savings and receives a fixed monthly or quarterly payment from you (supported by the investment) for the rest of their life. At the end of their life, your charity receives the remainder of the gift.
- **Charitable remainder annuity trust (CRAT):** A CRAT allows the donor to benefit from immediate tax savings and provides an income stream to the donor or its beneficiaries for an extended period. It distributes a fixed annuity amount each year for the term of the CRAT, and gifts the named charity the remainder.
- **Charitable remainder unitrust (CRUT):** A CRUT also allows the donor to take advantage of immediate tax savings and provides income for them or their beneficiaries. It differs from a CRAT only in that the annual distribution is a percentage of the trust, between 5% and 50%. The named charity gets the remainder.

- **Pooled income funds:** A type of charitable trust, a pooled income fund allows contributors to pool their resources for investing purposes. The investment provides dividends for contributors during their lifetime; the remaining funds go to the nonprofit.
- **Donor advised fund (DAF):** This type of fund, which is eligible for an immediate tax deduction, allows donors to recommend grants to their preferred charities. Donors can add to the fund as often as they like and distribute contributions at a later time.

HOW TO IMPLEMENT A PROGRAM

While putting together a planned giving program may feel like an overwhelming endeavor to take on, it can be delegated to a trusted partner, like Raymond James. While it requires time and effort to set up a giving program, the payback on this long-term strategy could be the steady, reliable income stream your nonprofit needs.

Once your plan is in place, market the benefits of planned giving to your donors. Show them how they can enjoy potential tax savings on their estate now while having full control over the legacy they want to leave once they're gone. Emphasize the long-term impact their commitment will have on your organization's mission.

Be thoughtful in your approach to creating and sharing planned giving opportunities – and your organization will reap the reward.

NEXT STEPS

As you consider implementing a planned giving strategy in your organization:

- Familiarize yourself with the different types of planned giving opportunities you can offer.
- Think about how you can share these planned giving options with potential donors.
- Talk to your advisor and legal consultant about the strategies that would most benefit your nonprofit.

Sources: philanthropyroundtable.org; resources.freewill.com; fidelitycharitable.org; nbcnews.com; trustandwill.com; keela.co; donorbox.org

The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation.

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Dividends are not guaranteed and must be authorized by the company's board of directors.

Please be aware that there may be substantial fees, charges and costs associated with establishing a charitable remainder trust or some of the other strategies mentioned.

Strategies mentioned may not be suitable for all investors. Prior to making an investment decision, please consult with your financial advisor about your individual situation.



Manage inflation through innovation

Find success by pushing yourself to evolve

While the rate of inflation has gradually decreased in recent months, it's no secret that it soared to a 40-year high (9.1%) in June 2022. For business owners, inflation makes forecasting expenses and allocating resources challenging, which in turn makes profitability more difficult to sustain.

It's easy to be in denial about the effect inflation will have on your business. Owners have a tendency to make hasty shifts, like raising prices or cutting costs, that may deliver a short-term remedy – but it's important to think beyond the bottom line and consider the whole picture.

VALUE PROPOSITION

You may feel justified in raising prices to make up for the increases you've incurred due to inflation. You're paying more for products so you need to pass those extra costs on to the consumer. But not so fast. Take a step back and take a holistic look at your business before you start making moves.

In the midst of inflation, customers won't be excited to pay more for the same experience or product. Consider the perceived value of your products or services. What could you do to reconfigure or reposition your offering? You may be able to add enough value that your customers accept the price increase.

Take inflation as an opportunity to innovate. Think long-term, rather than reacting with quick fixes that will just keep you afloat for the time being. We shouldn't expect our businesses to succeed only in times of low inflation. Inflation can act as a nudge to evolve your offering (which should be an exercise you revisit regularly).

It's important to keep your value proposition at the core of your innovation. Avoid making adjustments that will cause customers to lose interest or value in your brand and offering. Consider complementary products or services as a starting point, but let yourself think outside of the box as you brainstorm different avenues for profitably compensating for inflation.

By diversifying your revenue stream now, you'll be better prepared for future periods of market instability.

OPERATIONAL EFFICIENCIES

When you consider operational changes you can make during times of inflation, think bigger picture and have a bias for broader improvement. Now's the time to evaluate technological advances that can automate business functions. Or maybe you can lock in wholesale prices with suppliers by negotiating longer-term contracts.

Regardless of the time- and cost-saving efficiencies you put in place, you should always have an operating reserve that can help you weather an unpredictable market or unforeseen event. If you haven't socked away some funds for this purpose, start now and make a plan for fully funding it. Financial professionals say three to six months of expenses is ideal.

Remember, no one knows your business better than you. Don't fall victim to implementing quick fixes in the midst of panic. Strengthening your relationships with customers should be at the heart of any adjustments you make. Monitor how your new processes or offerings are performing and stay informed about what's happening in your industry.

You may be surprised about the success you'll see by thinking holistically about the changes you make to your business.

NEXT STEPS

To start the innovation process:

- Consider complementary services or products you could offer customers.
- Don't be afraid to think beyond your typical scope and come up with intriguing opportunities.
- Keep your value proposition at the heart of your evolution.



Don't let a natural disaster derail your business

Protect what you built with the right policy and a contingency plan

From tornados and floods to hurricanes and earthquakes, natural disasters happen. You can't stop them, but you can be prepared to protect your business.

There's a chance your business could face costly damages or even struggle to reopen without the right policy and contingency plan in place. So, what's an owner to do?

THERE'S A POLICY FOR THAT

Start with property hazard or general liability insurance for your business. General liability combines coverage for damaged property and for people, should someone on the premises suffer bodily injury. These policies may need supplemental policies or riders to help you recover after a disruption though. They don't cover the following:

- Ongoing payroll payments to salaried employees
- Lease or mortgage and utility payments at your business location
- Relocation expenses, rent and utilities for a temporary building
- Cost of products and materials to replace your current inventory (vendors may charge higher prices and delivery surcharges to get them to you quickly)
- Expense of recreating or reassembling business, financial and legal records that were lost

Then there's business interruption, catastrophe or business income insurance, which protects you from profit losses and is available for two scenarios: loss of income because business operations are interrupted, and the reimbursement of expenses you incur to keep your business operating (including employee salaries).

A business owner policy (BOP) can be customized to combine several different insurance policies under one umbrella. You

can generally receive a lower single premium and easier administration with a BOP, which may include property insurance, business interruption insurance, vehicle coverage and professional liability.

MAKE IT A PRIORITY TO PLAN

In the event of a natural disaster, you'll want your insurance agent's phone number and email address at the ready. You'll also need access to all your business files, insurance policies, banking information, and employee and vendor contact information. Keep this critical information offsite or on the cloud so you can access it far away from your business.

Having a contingency plan is vital for your business to survive and recover from any type of natural disaster. To get started, consider using free resources available at disastersafety.org. Then share the plan with employees, assign responsibilities and offer training so everyone knows what to do. It's important to review and adjust your plan regularly.

With some forward thinking and a little preparation, you can protect what you've worked so hard to build.

NEXT STEPS

- Talk to your insurance agent to make sure you have sufficient coverage.
- Create a continuity plan and review it with your employees.
- Choose a remote site at which to store critical information/data, files and product/inventory.
- Talk with your advisor about setting up a contingency fund for immediate access to funds after an unforeseen event.