

*Charitable Solutions, LLC specializes in all areas of planned gift risk management. Our services include: non-cash asset receipt/liquidation, CRT/CGA investment management, life insurance appraisal/management and charitable gift annuity risk management/reinsurance services. We work with charities both locally and nationally and speak and publish frequently on planned giving topics. In 2003, we helped create Dechomai Foundation, Inc. as a national donor advised fund dedicated to non-cash assets. In 2005, we created LIRMAS (Life-Income Risk Management Analytic Suite), a patent-pending CRT and CGA asset/liability matching process specifically designed to improve life-income investment management.*

### ***PLANNED GIVING SERVICES***

We are pleased to have worked with more than 45 [clients](#) in the last five years. These organizations have ranged in size from \$2 million to \$3.5 billion in assets.

#### **1. Indirect Non-Cash Asset Receipt/Disposition Consulting**

In situations where a charity wants to minimize risks associated with being on the chain of title, or where there are complex tax issues involved with a donation or where there is a very short decision period, they can refer non-cash assets to Dechomai Foundation. Dechomai Foundation handles the due diligence, receives the gift, manages it during the holding period and then grants all of the net sales proceeds based on the donor's recommendation. Dechomai has received more than \$40 million in gifts since 2003 and the average fee on the net sales proceeds has been 1.7%.

#### **2007 Sample Cases:**

- A Northeastern foundation referred a gift with environmental problems to Dechomai. The Phase I environmental had recommended moving forward with a Phase II, but the donor was growing impatient. Dechomai received the gift and it is under contract for \$1.2 million. Upon sale, 98% of the gift will be granted to the organization's unrestricted fund.
- We also received a \$4 million closely-held C stock gift in less than 24 hours as there was a pending sale. The grant was for 99% of the proceeds.
- We helped facilitate an S-Corporation gift of \$400K using a trust-form partner charity to minimize UBTI. (Dechomai is in the final stages of establishing its own trust-form supporting organization.)
- We also completed a \$500K San Francisco condominium donation for a fee of 2.5%.

#### **2. Direct Non-Cash Asset Receipt/Disposition Consulting**

Charitable Solutions, LLC can serve as a project management agent to help foundations receive non-cash assets directly and/or we can help optimize the sales value of "stale" illiquid assets.

#### **2007 Sample Cases:**

- A charity hired us at year-end to provide project management services on a real estate gift that needed to be completed quickly. The services included coordinating all due diligence, tax issues, marketing plan and commercial real estate contracts until the \$3 million house sold.
-

- Another foundation asked us to develop a sales plan for three assets they had been unable to sell – a 17% interest in a limited partnership holding real estate, a mineral interest and a remainder interest in a personal residence.
- We also provided counsel to a foundation to complete a \$9.3 million LLC contribution in less than three days,
- We also provided assistance on a separate gift of \$50 million LLC interest.

### **3. Charitable Gift Annuity Risk Management Audits**

While gift annuities are extremely attractive and simple to understand for donors, they also are very complex to manage from a liability and policy standpoint.

#### **2007 Sample Cases:**

- We worked with a Northwest charity to perform a comprehensive audit of their 125-annuitant pool. The 25-page audit provided a number of specific recommendations to improve the existing pool's health as well as managing future gifts in a more thoughtful way.
- Another Midwest charity hired us to develop a comprehensive set of CGA policies before they launched the program.
- A mid-Atlantic university hired us to review their 225 person annuitant pool.

### **4. Charitable Gift Annuity Reinsurance Brokerage Services**

Some charities are concerned about taking on the risk of large gift annuities, want the immediate use of the money or for distribution to a non-profit agency. In these situations, gift annuity reinsurance may prove effective. We design annuity products and then shop the coverage to 14 different carriers to get the best rates possible prior to placement and implementation.

#### **2007 Sample Cases:**

- A Midwest foundation had a relatively small pool but two donors had nearly \$4 million in gift annuities. We worked with them to reinsure the entire liability on one gift and then to partially reinsure another while recommending a different asset allocation for the remaining pool.
- Another Foundation's board member said, "We can never lose one dollar on our gift annuity pool under any circumstances." So we designed a reinsurance program whereby they immediately distribute the present value of the future gift to a fund or agency, reinsure the rest and then take the present value of their future administrative fees.

### **5. Charitable Gift Annuity Service Provider**

Through Dechomai Foundation, we can offer gift annuities in 40 states. We manage the compliance and registration, administration, risk and investments of the pool, and then distribute 100% of the remainder as a donor advised fund grant. The annual combined fee is generally 2% including administration, investments, etc.

#### **2007 Sample Cases:**

- A charity did not want to register in Pennsylvania for just one \$120,000 gift annuity. Instead, they referred it to Dechomai to receive, administer and then have the proceeds granted back to an unrestricted fund.
- Another foundation only wanted to offer gift annuities to their donors, so they referred all the non-profits to Dechomai as an outsourced alternative.

## **6. Charitable Gift Annuity Investment Management Services**

Once charities have annuity pools of \$3-5 million or more, they are able to access institutional investment managers with planned giving expertise. From the start-up phase to that point, however, many managers do not have a customized approach to gift annuities and/or they may have higher fees.

### **2007 Sample Cases:**

- A Southwest foundation was interested in hiring an investment manager with gift annuity knowledge. Their pool was just over \$1.5 million and they were paying 1.6% for administration and investment management. We provided a turn-key solution for 1.1% with a customized asset allocation using exchange-traded and index funds.

## **7. Charitable Remainder Trust Trustee and/or Investment Management Services**

Most financial institutions and charities are not comfortable with the risk of serving as initial trustee for illiquid assets. Further, many have account minimums of \$500,000-\$1 million and do not invest the assets with much thought to the specific liabilities.

### **2007 Sample Cases:**

- Dechomai Foundation will serve as initial trustee on illiquid assets and then can immediately resign to the co-trustee. Further, it can provide complete trust management for less than 2% for trusts between \$100-\$500,000. This includes a trustee's fee, administration, tax return, investment management fee including underlying management expenses, custody and transaction fees, and a customized approach to asset allocation to better match the trust's liabilities. The remainder interest can pour into an advised fund and then can be completely granted out per the donor's recommendation.

## **8. Life Insurance Appraisal and Policy Management Service**

We are qualified appraisers of donated life insurance and annuity policies. To substantiate a donor deduction, a qualified appraisal must be completed and the appraiser must complete Form 8283. We also provide due diligence reports and advice on managing donated policies.

### **2007 Sample Cases:**

- We expect to complete 75 insurance appraisals this year and also have provided specific advice on three different insurance policy portfolios. We assessed the health of the policies, made recommendations on how to better manage the pool as well as which policies should be surrendered and/or exchanged.

## **9. Staff Training and Professional Advisor Continuing Education Speeches**

In 2007, we have presented over 25 speeches on gift annuities, gift annuity risk management, gift annuity reinsurance, non-cash donations, public vs. private foundations, complex charitable planning case studies, donor advised funds, family philanthropy and life insurance donations..

For further information please visit our website at [www.charitablesolutionsllc.com](http://www.charitablesolutionsllc.com) or [www.dechomai.org](http://www.dechomai.org) or call (770) 993-8501.

**Bryan Clontz, CFP** - [bryan@charitablesolutionsllc.com](mailto:bryan@charitablesolutionsllc.com)

**Mack Johnston, CFA** - [mack@charitablesolutionsllc.com](mailto:mack@charitablesolutionsllc.com)

### **2007 Year-to-Date Highlights**

- ▶ **Directly or Indirectly Assisted with \$75 million in Non-Cash Assets**
- ▶ **Completed Seven CGA Risk Management Audits with over \$35 million in Assets**
- ▶ **Completed Reinsurance Placement for 32 CGAs**
- ▶ **Launched Life Insurance Appraisal and Management Service**
- ▶ **Spoke 27 Times on Various Planned Giving Topics**
- ▶ **Completed Renaissance CRT Mortality Study funded by SunTrust Bank**