The Estate Planning Council of Rochester

Collaborating to Tackle Broad Community Issues

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Irondequoit Country Club
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Estate Planning Council of Rochester
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- How Can Advisors Better Help Clients Achieve Charitable Goals?
- The Importance of Data for Informed Charitable Giving
- Achieving Effective Philanthropy with Measured Impacts

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Tackling Broad Community Issues

- How can advisors help clients address broad community issues?
  - The need to know the client's financial resources and realistic giving goals.
  - A changing environment:
    - Donors' expectations and perspectives- "show me results and impacts"! This is not just millennials!
    - Many nonprofits shooting at numerous targets.

Planning Documents to Allow for Flexibility in the Future

- Are we helping the donor create a legacy or a future problem?
  - Does the gift document (Will, Trust or beneficiary designation) provide flexibility or unintended consequences?
- Cy Pres Doctrine: Court substituted judgment for the intended charitable purpose when the initial purpose cannot be accomplished and there is no alternative gift provision.
  - A court proceeding to determine the future use of funds.
- Is the role of the professional advisor to act like a scrivener or to offer advice to the client?

Flexible Planning

- How to provide flexibility?
  - Funds paid directly to the intended charity?
    - Will charity carry out the intended purpose and stay in existence?
    - What oversight will there be?
    - Is the charity a good steward of it's funds?
    - Does the donor want to maintain some "control"?
  - Funds paid to a Trust
    - Is the Trust efficient and who will be Trustee?
    - Assets held in a Trust may provide outside oversight of the use of the funds by the ultimate charitable beneficiary.

Planning Issues for Significant Charitable Gifts

- Do beneficiary designations to charities for IRAs and Life Insurance Policies provide a solution or create a problem?
  - Difficult for the beneficiary designation form to provide provisions for the use of the gift.
  - Life Insurance: Does not have income tax implications usually if paid to a vehicle other than directly to the charity. The death benefit normally is not income taxable.
  - Retirement Accounts: May produce adverse income tax results if paid other than directly to the charity.
    - For example, if payable to a Trust for a life interest of an individual with the remainder to charity, there will be income tax recognition as funds are withdrawn. Also, the Trust will not qualify as a conduit, or see through Trust, if it goes to a charity and therefore the retirement account does not receive lifetime payout opportunities.

Planning Issues for Significant Charitable Gifts

- Beneficiary Designations(cont.)
  - Other Retirement Accounts Payment Options
    - Living or Testamentary Trusts: provide the ability to create terms of the gift. The Trust can be the receiver of the Account at death.
    - Trusteed IRA: probably not the best vehicle for a charitable gift due to conflicting goals of stretched out payments versus charitable tax free gift.
    - Private Foundation
    - Community Foundation Donor Advised Fund

Planning Issues for Significant Charitable Gifts

- Private Foundation versus Community Foundation Donor Advised Fund
  - The size of the potential Private Foundation should be seriously reviewed to determine the benefits of a Private Foundation.
  - Ego about name and recognition is often a driving factor to set up a Private Foundation. Could these be accomplished through other planning?
  - Is a Donor Advised Fund able to provide the same benefits? See comparison chart following.

Private Foundation or Donor Advised Fund?

These are the most important differences between a private foundation and a donor advised fund with the Community Foundation:

Private Foundation	Donor Advised Fund at Community Foundation (CF)
Separate legal structure must receive federal & state approval	Set up in less than an hour at no cost
Annual audit required	Handled by CF
Annual state & federal returns	Handled by CF
Tax deductions for lifetime gifts of property limited to cost basis (except for public stock)	Tax deductions for lifetime gifts of property at full market value
Cash gifts deductible up to 30% of adjusted gross income	Cash gifts deductible up to 50% of adjusted gross income
Required 5% payout every year	No required payout level
Anonymity impossible	Anonymity possible
Requires separate grantmaking process, requests for and receipt of proposals	Grantmaking can be part of CF process and/or receive recommendations from donor
1-2% excise tax on investment income	Pays no tax
Requires annual activities be publicized	CF handles annual report
Writes grant checks and handles related accounting, monitoring, reporting	CF handles check writing, monitoring, reporting
Typically requires a paid staff person responsible for reporting, grantmaking	CF provides quarterly reports to donor, 24/7 account lookup and remote grantmaking
Donor appoints board responsible for final grant decisions	Donor's grant recommendations are reviewed by CF to confirm charitable use
Must monitor changes in private foundation law	Handled by CF

Broad Community Issues Examples

- So how do donors tackle broad community Issues?
  - Examples of such issues:
    - Early childhood education
    - Poverty
    - The Environment
    - Historic Preservation
    - Sustaining the Arts and Culture
    - Racism
    - The Elderly: Some issues that might be involved?
      - Staying in one's home
      - Nutrition (i.e. Meals on Wheels)
      - Mobility/ Transportation
      - Financial fraud and abuse protection
      - Health Care and care givers

- Why should advisors and donors employ data in making decisions in order to tackle these broad community issues?
- Why should we look to more collaboration among nonprofits when addressing these issues?
- Following are examples of the use of data and successful collaboration.

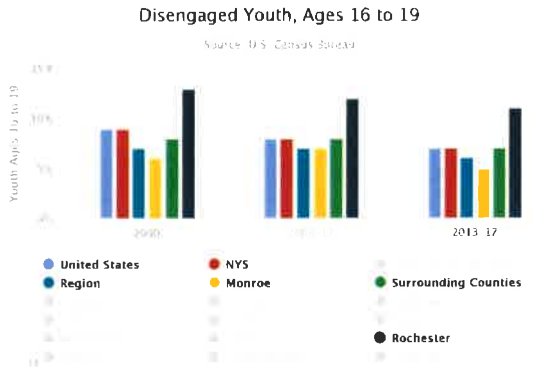
ACT Rochester Homepage

COMMUNITY REPORT CARD

Nine-County Region

COMMUNITY INDICATORS	NY STATE COMPARISON	LONG TERM TREND
Children & Youth	+	↑
Community Vitality	+	↓
Economic Security	●	↓
Economy	⬣	↓
Education	⬣	↑
Health	⬣	↑
Housing	+	↓
Public Safety	⬣	↑

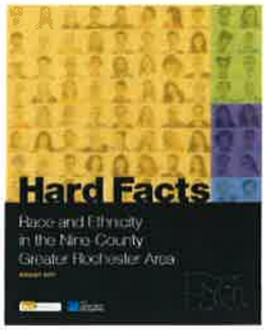
Easy-to-Use Charts



Rochester Benchmark Cities

Poverty Rates Among Rochester's Benchmark Cities				
Rank	City	Poverty Rate: Overall	Poverty Rate: Under 18	Extreme Poverty Rate
1	Rochester, NY	33.1%	51.9%	16.8%
2	Buffalo, NY	30.9%	47.2%	14.3%
3	Hartford, CT	30.5%	40.9%	15.5%

Hard Facts: Race and Ethnicity in the Nine-County Area

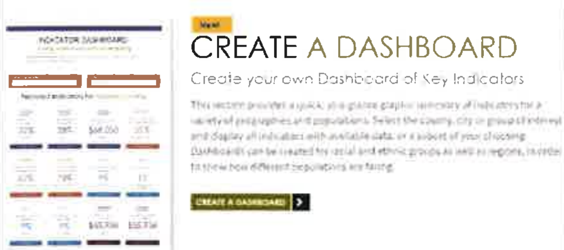


Lessons from the Data

Racial and ethnic disparities impact a lifetime and beyond

Stage of Life	Disparity Indicator
Infancy	Infant Mortality Rate
Childhood	Childhood Poverty Rate
School Age	Academic Achievement
Adulthood	Median Income
Adulthood and Next Generation	Home Ownership

Tools to Customize Data




THE COMMUNITY FOUNDATION
A Case Study:
Data and Impact in Philanthropy
Simeon Banister
VP, Community Programs
Rochester Area Community Foundation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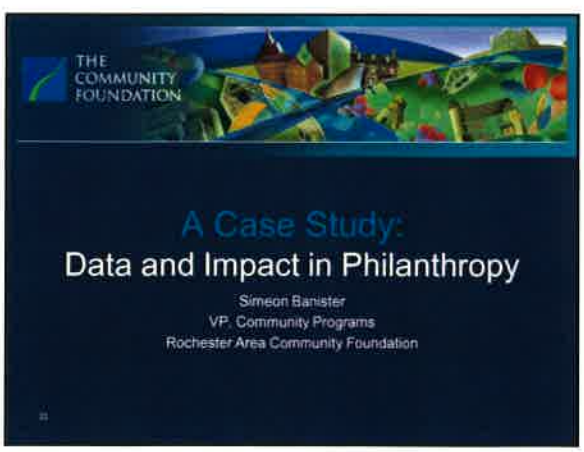
Rochester Area Community Foundation
• Mission: To empower donors and community partners to strengthen our region through philanthropy.
• Vision: We lead, inspire and support, positive, enduring community change.
• We are an organization that recognizes the importance of data-informed decision making.
• Data helps us to define our IMPACT and provide our partners and donors with confidence that we are making smart investments in our community's future.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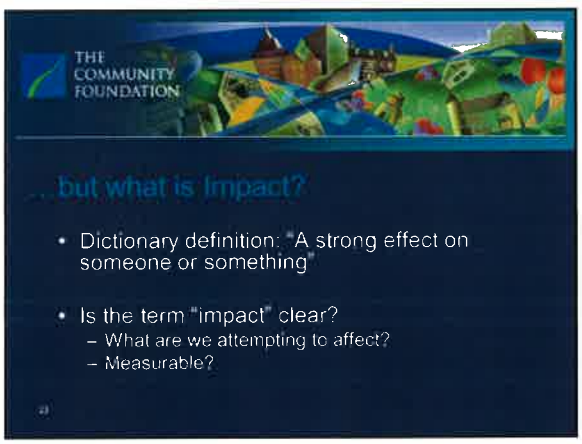
Our tools for impact
• Grants
• Staff Time
• Convening
• Collaborations (Donors, Community Partners)
• Collective Impact
• Information (Research, ACT Rochester, Reports)
• Advocacy (Including "Bully Pulpit")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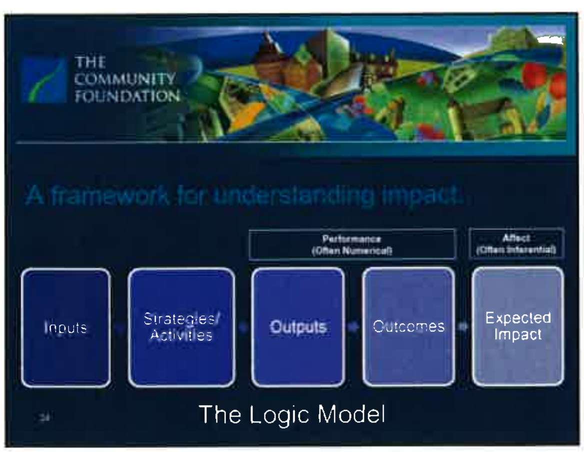
…but what is Impact?
• Dictionary definition: "A strong effect on someone or something"
• Is the term "impact" clear?
– What are we attempting to affect?
– Measurable?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A framework for understanding impact
Performance (Often Numerical)
Affect (Often Inferential)
Inputs
Strategies/ Activities
Outputs
Outcomes
Expected Impact
The Logic Model

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What happens when the logic model is unclear

- Example: The IBM Smarter Cities Report
  - Conclusions:
    - Services are misaligned
    - There is an inconsistent approach to data
    - There is unrealized potential in the community
    - Systems are not person-centered
    - Funding is wasted (resource rich, results poor)

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When the logic is clear

Case Study: Early Childhood Development Initiative

- Early investment by the Community Foundation
- Opportunity given the shift in childcare trends in 1980s
  - Move from babysitting to early education centers
  - Head Start reforms driven by randomized control study in 1990. Showed weak or no positive effects for programs at the time.

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Inputs

- Children's Institute
- Center for Governmental Research
- Childcare providers
- Funders
- Private sector insights (Xerox's TQM)


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Strategies/Activities
• Research at a community level (trunk and branches)
○ Availability of childcare
○ Financial and geographic accessibility of childcare
○ Quality of individual programs and class rooms
○ Student Outcomes (kindergarten readiness)
○ Long-term research (Rochester Early Childhood Assessment Partnership, or RECAP)
• Coordinated and systemic approach
○ Head Start, RCSD, and private providers
• Low-stakes continuous improvement


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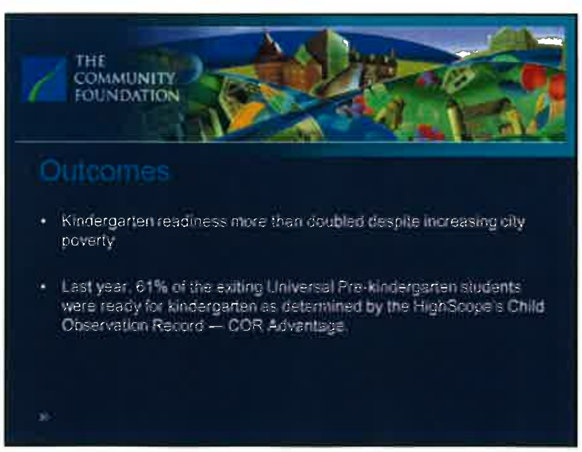
Outputs
• Rochester's nationally accredited centers rose from 3 to more than 40 in 1990s (half by school district/ half by community)
• 94% of 3 and 4 year olds in the city of Rochester receive high quality early education.
• Rochester attracted the most pre-K funding outside of NYC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Outcomes
• Kindergarten readiness more than doubled despite increasing city poverty
• Last year, 61% of the exiting Universal Pre-kindergarten students were ready for kindergarten as determined by the HighScope's Child Observation Record — COR Advantage.

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Impact

- Our city's pre-K programs referenced as the sole positive for city education in NY Distinguished Educator report this year
- Today, our pre-kindergarten programs outshine the nation in quality and student outcomes
  - Pre-kindergarten programming here is rated in the top 5% nationally on the Early Childhood Environmental Rating Scale (ECERS-R), one of the national benchmarks regarding quality early education standards
  - Programs frequently achieved an average of 6.0 on a 7-point scale, compared to a US average of approximately 4.3. No other Pre-K system has demonstrated such consistent excellence.

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Further Investment

- GROW Rochester (Screening for 3 and 4 year olds)
- Summer Leap (Tackling summer learning loss)
- Summer Meals
- GRASA (Greater Rochester After School Alliance)

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Principles that are central to our approach:

- Clear logic/theory of change
- Guided by research and data
- Sustained funding
- Continuous Improvement
- Leveraging all partners (nonprofit, business, government)


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We apply these principles to the community's changing needs.
EQUITY
Partnering against poverty
Fostering Racial and Ethnic Understanding
Closing Achievement and Opportunity Gaps
VITALITY
Supporting Arts and Culture
Preserving Historic Assets
Promoting Successful Aging


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Our donors can rest assured that we invest in the community's future with the same diligence that we invest endowed funds in the market.