

How to Talk Real Estate to a Donor Prospect

By Dennis Bidwell

One of the more frequently-asked questions I get goes something like this: “How do I start talking to a donor about a possible real estate gift? Won’t they think I’m pushy or too personal if I bring it up?”

First, you’re right to be thinking about these types of gifts. Real estate remains the single largest asset class for U.S. households, and it constitutes a larger slice of the inter-generational wealth transfer pie than any other piece. Furthermore, the best real estate gifts happening these days are the gifts resulting from discussions initiated by a gift officer – as opposed to waiting for the phone to ring or the email to arrive.

Second, you should be sure that some organizational preliminaries are in order before hitting the road to talk real estate gifts. Your organization needs gift acceptance policies that incorporate best practices regarding what types of real estate gifts would be considered (primary residences and second homes, farms and other land, commercial and industrial properties, etc.) in what gift structures (gift annuities, remainder trusts, bargain sales, fractional interest gifts, outright gifts, etc.) under what circumstances (Would you trustee a CRT funded with real estate? What’s your gift minimum for real estate gifts, and how do you calculate it?). Also, you need to be sure there is clarity as to what combination of people (CFO, outside consultant, VP Advancement, General Counsel, etc.) will be involved in what aspects of the process (gift structuring, due diligence, gift approval, property disposition...) along the way, and at whose expense these experts will be hired.

Then, be armed with good research. Have you [identified prospects who fit the profile of a real estate donor](#)? (Generally over 65, own multiple pieces of real estate in different jurisdictions, children are otherwise provided for in estate planning Do they own a highly-appreciated piece of property that could expose them to large capital gains tax if they sold it? Have they said anything about not using the property the way they once did, or about it becoming a burden to care for and pay for?

Take comfort knowing that you’ll have back-up. You should approach a conversation with a potential real estate donor knowing that there’s a point at which your comfort level will likely end, at which point someone back in the office, or in your consultant’s office, can step in.

And don't be afraid to introduce the topic of real estate. In my experience, people who fit the profile above are about 90% likely to have been thinking recently about what they will eventually do with their real estate. It's your job to get there before they list it for sale. As a matter of fact, several times in recent years, when accompanying a development officer on a call, introduction of the topic of real estate has prompted a response something like: "I wondered when you were going to talk to me about my properties in XXX and YYY. You've talked with me about everything else I own at one point or another. And this is where most of my wealth is, after all." More often than not, a property owner in this situation will be quite interested in alternative ways (particularly tax-efficient ways) to think about disposing of their real estate, especially when they realize the philanthropic goals they could attain in this way (and often in no other way). There also may be ways to structure the gift of real estate that unlocks equity and results in an income stream back to the donor.

Finally, I'll share with you some of the "opening lines" I've accumulated over the years in my training sessions with gift officers.

- "Tell me about your plans for your home in Maine."
- "Are you expecting to sell any of your properties in the next 18 months?"
- "I was recently at a conference where interesting real estate gift arrangements were discussed. I guess there's quite an increase in real estate gifts, as more families become aware of the different ways they can dispose of their real estate."
- "Gift planning work is really interesting. Lately I've been learning about different ways that property owners can use some of their real estate holdings to make gifts while addressing their tax planning and retirement planning issues."
- "I've been working with someone lately on what to do with their vacation home on the Cape. They're considering giving it to XXXXXX, but retaining the right to use it for the rest of their lives..."
- "We're working with a consultant who specializes in working with families to develop solutions for their real estate that involve a gift component while addressing their estate planning/retirement objectives."
- "Something that's been coming up with me lately is alums who are feeling a bit burdened by real estate they've owned for some time, but aren't quite sure what to do with it."

You get the idea.

So there it is. Prod your organization to do the prep work for real estate gifts, arm yourself with research and back-up, and go out and start talking about real estate with your prospects. They'll quite likely appreciate you for doing so. And so will your boss.