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What is the Profile of a Likely Real Estate Donor?

By Dennis Bidwell

Based on survey results and years of collective experience of those of us who are practitioners in the real estate gift field, it is possible to describe the profile of the individual or couple who make substantial gifts of real estate. I venture to say that at least 80% of real estate donors fit this pattern:

- Age 65 and older
- They own multiple pieces of real estate, typically in multiple states
    - The more geographically dispersed the properties, and the more jurisdictions with which they are dealing (property taxes, income taxes…), the more likely they are to be a real estate donor
    - The gift property is only occasionally one's primary residence. It's much more likely to be a vacation home or an investment property.
- The property being considered for gifting is usually appreciated in value
- Ownership and management of one or more of their properties is becoming more burdensome than it is enjoyable.
    - Opening and closing the property every year, paying increasing property taxes, worrying about future roof replacements – the cumulative effect of this causes many second home owners to decide to dispose of their property, one way or the other
- They either have no heirs, or their children are otherwise provided for in their estate planning
    - Typically, if there are children, they have moved away and are no longer using, for example, the family summer home on the coast
- They have the capacity to use a considerable income tax deduction.
- Often this is not just because of their normal adjusted gross income but also because of a pending sale of a family business, or of another appreciated property, thus triggering large gains in search of deductions.

- They have charitable motivation

And here are **other situations that often lead the property owner to consider making a gift of real estate:**

- They are wary of marketing the property themselves, and having to face the emotionally-troubling reality that their property is now worth, say, “only” $850,000, as opposed to its value of $1.2 million a few years ago.

- They may want to supplement their retirement income by converting a “non-performing” real estate asset (i.e., an asset generating no income) into income, either through a Charitable Remainder Trust or a Charitable Gift Annuity

- They may want to resolve, once and for all, a long-simmering debate within the family about the fate of the shoreline property

- They may want to continue using their property for the rest of their lives and then gift it to a non-profit of meaning to them, but they want to generate a tax deduction now for their gift (i.e., they want to make a current gift subject to a retained life estate)

There are also ways in which **real estate donors often differ from the profile of a typical planned giving donor:**

- They may not have a strong giving record to your institution.

- They may not show up in your organization’s wealth screening.

Let me say something more about the motivation of folks who make real estate gifts. Two surveys – one of the membership of the Partnership for Philanthropic Planning and one of the membership of Planned Giving Group of New England– yielded this clear conclusion about the three principal motivations that drive property owners to gift their properties:

- Support for the mission and good work of the organization.

- A belief that the real estate gift would fit well with their tax-planning, i.e. they could use the deductions (and benefit from the avoidance or minimizing of capital gains exposure)

- ***They are ready to get out from under the ongoing responsibilities and hassles of continued ownership and management of the property.***