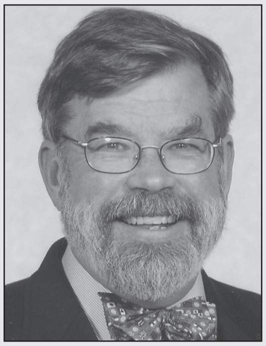
Still Living and Giving Until...

John Marshall Lee, CLU, RHU



John Marshall Lee, CLU, RHU, is a 37-year MDRT member with one Court of the Table honor. A past member of numerous Round Table committees, Lee is an Excalibur Knight of the MDRT Foundation and served as its President in 2004. He is involved in numerous activities as a participant in three playground builds the MDRT Foundation has funded, a frequent Phonathon volunteer, a three-time Quality of Life grant winner and a participant in the MDRT Foundation's Global Gift Fund program. He also is active and has served in leadership positions in numerous groups and activities in his community. Lee has spoken at several MDRT Annual Meetings and other industry events.

People Insurance and Investments
765 Post Road, Fairfield, CT 06824
Phone: 203.259.9642
E-mail: peopleins@aol.com

I/R Code: 1600.00
Cassette: A0558
CD: C0558

It's June 2005, New Orleans, LA, "the Big Easy", and it's warm, isn't it? If that much is true then it means that a request to incorporate the subject of using donor advised funds in personal estate planning has gone from a concept early last summer, to an invitation for me to prepare an abstract for the Program Development Committee, to a submitted outline in late August, to a manuscript in October and a lot of thought and work throughout. That process is pretty normal for an MDRT subject, but my preparation for this talk truly spans my 40-year career at least, and I suspect my whole life, as I think you will see.

To assist you in following our subject matter today, I recommend that you keep the following outline in mind. First, I want to share my concept of MONEY with you, its real value, its development in our lives, and its potential through the Laws of Money. Second, you may see how those concepts play out in the DEVELOPMENT OF A DONOR as I tell my own story. Finally, I want to present the subject of DONOR ADVISED FUNDS in such manner that you can fully appreciate the Global Gift Fund of the MDRT Foundation as a uniquely suitable tool for your personal use and that of your clients. It is the MDRT Foundation's gift to you as an MDRT member.

I stand before you today to have a personal conversation with you. I am a salesman of People Insurance, licensed for life, health, annuity and investment products that solve the problems of Dying Too Soon, Living Too Long, Suffering a Living Death and Catastrophic Health Expenses. Today, my compliant business card says that I am a FINANCIAL LISTENER. That may give you a clue to the fact that I usually raise a lot of questions and then listen to the responses. We will do some of that today. I look for you to be engaged. Our conversation intends to inform your mind and involve your heart. (You may want to look up "the Broad Concept" in the MDRT treasure box!) If you come out of this session with more questions than answers that you are determined to pursue, then I will have been successful. That is the source of real lifetime learning.

Let me explain a little further: I believe that we receive a "gift of living" when we are born. We have the rest of

Still Living and Giving Until... *(continued)*

our life to show in substance what we can do in response to that unique gift. A couple of the special conditions of this gift, that we in our calling come to know so well, are that the gift comes "only one to a customer" and the gift has neither a timer nor a roadmap for the journey. When the "gift of living that one life" is complete for each of us, we know that we cannot take the things of that life with us. The work of creating, naming and packaging our legacy will then be complete. So, today, let us take this opportunity to reflect on where our heart is attached, where love and caring flow, and discern what they may call for in our ongoing journey. Let's consider the preparation and the wrapping of gifts of all kinds for those who will follow us. You see, our considerations are many, and the choices are important, too.

Getting practical, let's talk about money! Each of us has a personal way of viewing this subject and sharing it with others. Over the years, I frequently start with a question that I first heard presented and answered at an MDRT meeting, "What is the value of money? Do you know the value of money?" How do you answer that question based on your experience? More important, how will your clients answer that question? I submit to you that the genuine answer, printed on this "play money", is the value of money is its availability in a time of need. Best answer? It sounds correct in my head and checks out in my gut, too. Is it an answer that resonates with you or with your clients? For instance, do you need any money, now while sitting in this room in New Orleans, right now at this second? *Want* is different from *need*, isn't it? And *immediate need* is different from *it would be nice to have*.

Now that we have developed this sense of "money's value", let's look at the path we walk with money over a lifetime, just as I have told the story for years: "Lee's Laws of Money". There are three laws for our review today. First, let me ask you what two things in your life regularly and dependably produce income: A *person at work* and *money at work*.

Moving into the first law, we see that a person times time creates $. Now think of what Paul Samuelson, economic textbook editor and Nobel Prize winner, said about money. He said you could only do two things with money. Each activity begins with the letter "S". What are they? Yes, *Spend and save*, or *save and spend*. Does the order of spending and saving make a difference? About 90% of audiences tell me "spend and save". If that is so, what do you save after spending? What's left? "The extra" or "nothing" are types of answers given. But if we save first that percent necessary to reach our goals and objectives, and then spend the rest, does anyone in this room need help with spending the balance? (I have asked that question hundreds of times and never found anyone who asked for help! Funny, isn't it?) It confirms that we need helping saving first, not spending first.

The second law states $ times t for time multiplied by I for yield/income/return equals a hill of money. Now whether it's a mountain of money or a molehill depends on how much money, over how much time, with how much you have earned, doesn't it?"

Finally, in the third law I take that hill of money and see how much income it can produce. And draw a picture of you, a happy person, with a smile on your face. Assuming that person is you, you are smiling because you are financially ______?_____ That's right, a different answer from each one of you, some saying *secure*, some saying *independent*, and some saying *sound*, or a variation, right? It is important to listen to your audience because the worldview of someone talking about Financial Security and the words they use to understand and direct themselves may be very different from the language used by people who are moved by Financial Independence. The financial numbers may be the same from an accounting viewpoint in each situation but the images seen and the words people use to frame their inner feelings and state of mind are different in each case. We communicate better when we attempt to understand their view, their symbols and language.

The first equation or law describes CAPITAL CREATION because the most important thing happening here is a personal decision to save first and spend second, a profound decision for us as financial advisors, isn't it?

Still Living and Giving Until... *(continued)*

Second is CAPITAL ACCUMULATION where diligence emphasizes the roles of risk assumption, time horizons, regular investing, diversification, asset allocation and program review.

And the third equation features CAPITAL CONSERVATION, presumably where the person is no longer trading a day for a dollar, or a hundred dollars or thousands of dollars (tip of the hat to Ben Feldman), but rather is depending on the streams of income flowing, hopefully, from the created mountains of money."

So there it is, all outlined for us, a way of visualizing our life journey and the money images that accompany us. Most of us travel from nothing to something and finally leave the path, again with nothing. Do you consider this to be sad, tragic, gloomy, or forlorn? I think not. It truly depends on your life plan, your goals and the way you sketch it and then fill it in with action as you live out your time.

A last question for you as you view the Laws of Money: "Where are you today? Which of the three equations best describes where your greatest financial value exists today? Where do you want to be in tomorrow?" Knowing the right answer to that for yourself as well as for your client is critical. Let me demonstrate how I assist a client to physically weigh that decision, using his or her own two hands. I tell them, "In your left hand place your earnings for this year and for each year into the future that you intend to work and earn. OK, lots of value? Hand heavy? Now, in your right hand, place the value of each of the income producing assets on your balance sheet today, net of debt. OK? Which hand is heavier?" Your answer determines where we start from as a base in our capital creation, accumulation and conservation visual and what alternatives, solutions or ideas we consider to deal with the problems, issues or concerns that may be present. This is as true in the consideration of philanthropy, as for any other topic.

Life is about growing up, acquiring skills, learning, and building relationships as well as accumulating, as George Carlin terms it, "stuff". Life is also about taking responsibility for you and ultimately for others, perhaps initially because there is a self-interested payback of safety and civility. Think of our protocol for driving on the right hand side of the road in North America, at least, as a pattern of self-interest in safety. It saves a lot of lives versus an unregulated roadway where you have full choice of where you will drive on the highway. From a civility viewpoint, it probably leads to less road rage, as well.

Along the way we develop commitment to family members, strong relations in our home communities, firm belief in the missions of a wide variety of non-governmental organizations and probably it supports visions of churches or other altruistic entities as we grow. We may seek and sometimes find a personal state of "enoughness" for ourselves. Have you found "enoughness" yet? When you do, whatever "extra" you create becomes available to you to direct for the benefit of others, perhaps in this lifetime or after your death.

That brings us to where we are today, to look at ourselves as advisors, guides and community leaders. You and your clients have money today, both for self and for others, for now and for time in the future, in many cases, not just for immediate family. How do we talk to people about the wonderful opportunities for "living and giving" that can make many lives richer and more fulfilled? Do you investigate their "charitable quotient"? Do you look for how great a heart they have? Do you inquire about how, why, and where, they spend their "time, talent and treasure"? Do you ever create an opportunity for an otherwise anonymous donor to share with you their story, dreams or hopes in confidence? Do you look at the 1040 (Schedule A&B, Line18) to see what the claimed numbers behind the story reveal? Does the idea of providing "gifts that keep on giving" sound appealing? If not, why not? Does it violate your comfort zone? Why? Have you considered how to make a course correction in your life or practice that may open the minds and hearts of others?

I would like to offer my own story for what it may be worth in revealing how various streams of information and behavior learned at other MDRT meetings have influenced me in this direction. MDRT members have instructed me in multiple ways: about death and how we cannot get out of this life without confronting it (Fred Donaldson finger clicking example); the wonderful value of life insurance as

Still Living and Giving Until... *(continued)*

a way of defending a key person's dreams against dying too soon (John Savage, Howard Wight, Tom Wolff and Roger Zener); and very recently about how the evolving vehicle of donor advised funds can impact my lifetime and many lives in generations to come through multigenerational family philanthropy.

June 1971 saw me at my first MDRT meeting in Washington, DC, speechless with awe and wonder over the wisdom and the sharing I witnessed. At the same time, I found myself becoming a Past President of my Fairfield CT Rotary Club at age 29, in my final meeting as President making "a modest proposal in the present and a commitment to do something more important in the future". My Rotary experience had exposed me to the motto "Service Above Self" and another saying "He Profits Most Who Serves Best". As a non-wealthy "philanthropist in the making," I did not see how I could responsibly revise my will and make a bequest for which funding would be questionable in the face of family commitments. But I wanted to do something. So, I decided to rent a term policy and pay premiums on it for the benefit of the Fairfield Rotary Club Foundation. (In retrospect today, I can see how very modest my gift was at the time but I can also remember what a big step I thought I was taking.) The income from the $50,000 death benefit would replace some value of my community volunteerism, were I to die prematurely, and the policy was evidence of my sharing vision. For the first time, I became a benefactor on the installment plan. I grew to see myself with different eyes!

Time passed, my form of business operation changed, my family grew and ten years later I was invited by that year's Rotary board to re-visit the earlier "modest proposal" concept for the benefit of our own growing Fairfield Rotary Club Foundation. I discovered that about 12 club members had died in that decade but no new assets had been directed to our Foundation in terms of bequests or estate contributions. I was somewhat discouraged, frankly, that my fellow Rotary members had not heard my words or had not responded in any case. After this second talk with no perceived activity, I rethought my personal plan and I turned for the first time to a local community foundation, the Bridgeport Area Foundation (BAF) and made inquiry into opportunities to help me create a gift that would keep giving beyond my lifetime. I stumbled for the first time onto the concept of donor advised funds. Soon, I created my first Turtle Fund, a slow but steady way to create a fund for future charitable use. I converted the term policy to a permanent contract, increased my premium level and in following years used several gifts of appreciated securities to the BAF to pay premiums and/or increase the size of the fund. I was invited to join the Foundation Board and served on it for 13 years. Subsequently, I have assisted individuals and organizations to raise and contribute endowment funds using donor advised funds totaling millions of dollars. Those funds support not for profit organizations within our regional community that provide a wide range of services.

In the mid eighties I was divorced from my first wife and also separated from my Co-General Agent and business partner. These events had consequences for my income and wealth accumulation picture but did not affect my charitable commitments. On August 29, 1990, just days before my first term as MDRT Membership Committee Chairman, I suffered a profound medical accident as a result of an extreme anaphylactic reaction to contrast dye in the emergency room of a local hospital. The doctors had been trying to determine whether I had a kidney stone, but that soon became totally unimportant. Truthfully, I did not quite "see the light in the tunnel" nor did I "feel the heat". But for the next seven days, I had no ability to use my short-term memory. If this short-term memory ability had not returned, I would have been termed totally disabled. I can advise you that without the ability to access memory we are wonderfully relaxed but unable to hold ourselves responsible for completing the most simple of tasks without prompting. The experience proved a major milestone. Life took on new meaning and caused me to reflect very seriously on my life. I also wrote an essay published in *Round the Table* magazine, titled "A Dress Rehearsal for My Death".

I had lived while another man half my age, similarly affected three weeks before, had died. The circumstance

Still Living and Giving Until... *(continued)*

of a profound reaction proving lethal had not occurred in that emergency room for twenty years, I was told. To have two such events in the month of August 1990 is proof to me that the "law of large numbers" works randomly in our lives. I was reminded once again that I had to pay attention to "the law of one number." There was a reason for my survival, I came to realize, and my future life was meant for me to help others, increasingly! I expect that invitation each day since then and find it waiting for me patiently in daily events, personal reflection and discernment.

In 1992 I purchased another life insurance policy, this time owned by the MDRT Foundation in the amount of $100,000 with the proviso that 50% would go to them at my death for their unrestricted endowment with the other 50% going to 501c3 beneficiaries I could designate initially (and also change if I so wished during my lifetime.) This was more like it! I was enjoying Phonathon volunteer work for the MDRTF and was invited to join the Board of Trustees in 1997. In December 2001 my planned and executed management succession as a General Agent earlier that year triggered a "deferred compensation" payout that created my largest payday. This meant a lot of taxable ordinary income. I saw it as the opportunity to give a sizable chunk of real money, in contrast to the "future money" from life insurance proceeds and the relatively smaller checks to charity from earned income that had been my custom.

I had learned much about the new donor advised fund of the MDRTF called the Global Gift Fund. I saw it as another step in my philanthropic evolution. As a previous user of the DAF concept there were some very attractive features, new to me and unique to the Global Gift Fund. In fact I have begun to call the Global Gift Fund a "super donor advised fund" because of them.

Perhaps you remember my telling you about preparing or wrapping a charitable gift like a donor advised fund. It may sound strange, but one day I recognized that most gifting, whether personal or charitable, employs legal concepts or documents in one way or another. Clients respond positively to my concept of wrapping up generational or charitable gifts. For instance with "credit shelter trusts", I draw a picture of a gift box filled up with the client's money, but the present is fulfilled because the attorney provides the wrapping paper, ribbon, bow and. most important, the gift card that identifies who gets what and when. The image cuts through some resistance and the actual cost of the wrapping seems small relative to the gift, rather than becoming an expensive hurdle.

But I am getting ahead of myself. Let's talk about what distinguishes "donor advised funds" in general and how the GGF opportunity can function as a great vehicle for your clients and for you. For donors in the United States, gifts to a DAF may be provided in the form of cash, appreciated securities, annuities, life insurance policies or in the case of the GGF, business interests and real estate (that have a plan of disposal) and other unusual property of determinable value. The maximum credit for income tax purposes is gained without certain limitations imposed when a donor contemplates using a Private Foundation as a charitable vehicle.

You probably know but have never given much thought to what happens when you make a charitable gift. For example, when you write a check to your church, synagogue, place of worship or United Way, two things happen at the same time. Your gift deduction and the receipt of the money by the ultimate charitable beneficiary occur simultaneously! It's not surprising, is it? Does this ever create a problem? It may for a multi-tasking client. Is there a better way?

Think about it: there he/she is, contemplating making a large gift, perhaps his/her largest ever, one that has the potential to express personal or family values in a very specific way. But at the same time he/she is very busy, involved in a multitude of business, family and/or community responsibilities. Impending is a large bonus or other windfall that is known to be in excess of needs and there is an expressed desire to take advantage of the deduction opportunity by making a charitable gift and reducing taxable income before year-end. The clock is ticking rapidly forward towards year-end; and the client realizes that there is not enough time to complete research, and settle on a prudent and comprehensive

Still Living and Giving Until... *(continued)*

course of action. DAF to the rescue! Help the client open an account. It is simple. Complete the financial gift into the custom account before year-end. It is then complete for IRS purposes and ready for later investment and/or grant decision-making activity. Now your client can sit back and take time before advising the DAF through its Gift Advisor process when, to whom and/or for what the real dollars are to be granted. How much thoughtful time would you like: weeks, months, years? Is the pressure off? Were taxes avoided and deduction secured? Are the funds for future charitable distributions growing?

As a matter of fact, this initial contribution to GGF is in a fund that can grow without further taxation, with the assistance of a Donor Advisor, an MDRT member/investment representative just like all of you in this room, who has become specially yet simply educated and certified. Then you can enter this role as Donor Advisor and continue to earn compensation on those investments placed in the fund. Actual investment asset allocation of these funds will involve a Donor Advisor and depend on the plans of the Gift Advisor for making grants and distributions among other considerations.

The actual grant requests by donors to benefit 501c3 organizations are processed by the MDRTF and their designated administrator, currently Renaissance. There are no institutional, geographic, timing or area of interest restrictions or limitations by GGF in contrast to those that exist in many alternative local, educational or health based community foundations. Grants can be requested for multiple grantees or just one. Instructions may be established for successor Gift Advisors, though that is not required.

Initially, the original Donor will most often become the Gift Advisor. However, the Global Gift Fund provides a potential in future years for unlimited generations of successor Gift Advisors from your family including those yet unborn. This is a most special feature when contrasted to local foundations where the current generation and perhaps the succeeding one are the limited parties for granting advice before the funds revert as unrestricted to the community foundation. Imagine the power of gifts from, as well as grants coming from, successive generations of a family to special projects anywhere in the world or for the changing needs of a specific community over hundreds of years. The GGF also provides a focus for generational family charitable education and planning annually where different members research, advise, learn and share in ideas for regular distributions as a family. Can you think of any clients or prospects that would warm to the idea of many family members gathering to share and listen to the combined wisdom of their learning and beliefs about charitable grants once a year? What a wonderful example of Family Time!

Your fund, once opened, can receive additional contributions from the same or different grantors over many years as well as from testamentary settlements. Gifts whether coming from large capital gain transactions or the funneling of a stream of regular contributions from income to the fund will serve to build the fund's size, as will investment gains and income. An additional asset to consider for funding your DAF may be a life insurance policy where the DAF is the owner and beneficiary of all policy benefits on the life of the original donor, who certainly is a key person. Premiums are paid with tax-deductible funds and that is attractive. In a sense you can guarantee the ultimate minimum size of the DAF by insuring the key person. It is a potential antidote to life's financial reversals or volatility in the timing of investments that may prevent the completion of funding as originally contemplated. A life insurance policy with an operating waiver of premium in the event of disability can keep the original plan alive in the face of suffering a living death by a younger donor.

If you have clients who are writing many checks to many organizations, a DAF can be administratively attractive. If you write one check per year to your DAF and then provide a list of grant recipients to the administrator; that is all you need to do. What if you wish to make an anonymous one-time gift and want no contact with a charity? A DAF can deliver the grant in that private manner. Finally, you may meet people with current Private Foundations who are chafing under the various distribution requirements, funding limitations or expenses, especially where

Still Living and Giving Until... *(continued)*

the actual amount of funds is not significant today. Is this an opportunity to move into a DAF environment by converting to a Supporting Organization and limit costs, increase deductions and/or receive better service? Or would your client be equally happy with a simple donor advised fund?

One last feature, both special and unique to the Global Gift Fund to my way of thinking, is that the current MDRT Foundation Board policy will currently allow a Gift Advisor to advise the Foundation as to their wish to move the entire fund value at any time to another operating Donor Advise Fund entity, such as a local community foundation. Going forward, I believe that policy will serve to keep the Global Gift Fund a competitive, cutting edge tool for our members and those whom they guide and serve.

Returning to my personal story, I continue to write lots of checks for charitable causes from both my personal and business checkbooks, out of earned income just as you do. However, on occasion a charitable opportunity and my cash flow resource are not in sync. For example, in January 2004 the MDRT Program Development Committee leadership called me as MDRT Foundation President to determine if there was a possibility of funding a presentation from the MDRT Foundation for a specially adapted monoski to a potential 15-year-old main platform speaker who suffered from spina bifida but who was an experienced adaptive skier. The Foundation Grants Committee had previously met and made their full budget allocation for presentation to groups at the Anaheim meeting. However, I was so personally taken by Chris' story shared with me by Disabled Sports/USA that I was able to respond immediately without thinking about it further. It was one of those daily "invitations that call to me". I advised GGF of my authorization to provide $2,000 and the grant process started. The gift presentation could go forward in June just as we planned. Unfortunately, the young man's revised schedule of surgery prevented his appearance as a speaker on the main platform of the Anaheim meeting and I was not able to provide a personal demonstration of this valuable feature to the assembled audience. I was disappointed on both counts.

My desire in this presentation has been to respond to a request by the Program Development Committee to show how donor advised funds might serve practical estate and financial planning situations of our prospects and clients. I have used my personal experience to share what I have been able to accomplish over the years. I hope that my own story of philanthropy evolution and discovery is helpful to you. I believe that my progress came because I was open to slowly but regularly act on "next opportunities" as they occurred to me in the unfolding of my life. It is part of my struggle to live more fully as the MDRT "whole person" concept suggests. I know now that regardless of the vicissitudes of my health, economics, or career, the two DAFs and three permanent charitable life insurance policies will provide over $500,000 of funds that can "keep on giving" long after I am gone. A part of this depends to some extent on decisions my heirs will make in conjunction with future advisors. Those are things beyond my control today, but at least the journey has been initiated and some gifts are wrapped for the trip. I am pleased with that.

Is this something for you to use? You know you can do this for yourself. You can do it for others, too, and be a real "hero with a heart" in your own community. What do you think of becoming "a hero with a heart"? Does that sound corny? Or does it sound like a good, necessary, and actionable concept for the world you live in today? Will you help the people you know, who are heroes in the making, to create additional potential for performing great deeds?

We often wear many hats in this life. Today my hat is off to you, and I thank you for your annual gift of sharing ideas, concepts, and experiences at this meeting, which feeds the rest of us in this MDRT community. I thank you also for providing your time, talent, and treasure to the variety of good works in your communities around the world and then bringing them to the MDRT Foundation for recognition, funding, and respect as continuing Knights. Encouraging participation and volunteerism by our members in their communities is another unique feature of our MDRT Foundation.

Still Living and Giving Until...

Thank you, finally, to those of you who seize this idea and act for yourself in this regard. You become a prophet or at least a messenger of that which is good from our MDRT and Foundation learning and experience. At this time you are not appreciated enough, I will judge. So it is important to acknowledge that while we are together. Believe that you do make a difference. You do make a difference! You change the world in our time and that which our heirs will receive from us. Peace be with you and your family.