

NFP

**Providing Retirement Benefits
with 403(b) Plans**

**Volunteering on the Rise
among Americans**

Crafting a Brand Identity

Effective branding is central to the success of every organization, whether for-profit or not-for-profit. But, unlike businesses, many smaller nonprofit organizations either lack the funds necessary to pay for a major branding initiative or find it difficult to justify spending scarce resources on what may appear to be an empty exercise in public relations. Yet, with more than a million nonprofits in the U.S. alone competing for a finite number of charitable dollars, your organization may be unable to achieve its objectives without finding ways to stand out from the crowd. Developing and reinforcing a strong brand identity can help your organization further its mission within the community and attract the attention of increasingly selective donors.

Where Vision Meets Capacity

Building a brand involves much more than just designing an eye-catching logo or coming up with a



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Providing Retirement Benefits with 403(b) Plans

For all employers, offering retirement benefits can play a fundamental role in recruiting and retaining qualified employees. One of the simplest options for nonprofits wishing to provide employees with access to a tax-advantaged retirement plan is the 403(b) arrangement, which has become more attractive due to recent changes in the tax laws.

Available to organizations that qualify as nonprofits under section 501(c)(3) of the Internal Revenue Code, the 403(b) plan is often regarded as the equivalent of the 401(k) for the not-for-profit sector. In fact, 403(b) plans were first established by the federal government in 1958—two decades before the 401(k) was created—and initially allowed participants to invest exclusively in tax-sheltered annuities. Over the years, tax laws have been amended to bring 403(b) plan features more into line with those of 401(k) plans, but important differences remain.

Contributions and Distributions

Because contributions to a 403(b) plan are typically made on a pre-tax basis, money going into the plan is deducted from the employee's salary before federal income taxes. Consequently, by lowering taxable salary, participants are able to lower their federal income tax each year they participate in the plan. Money contributed to a 403(b) account grows tax-deferred until retirement, when qualified distributions are taxed as ordinary income.

Withdrawals from a 403(b) account prior to age 59½ are only available under certain circumstances, such as a participant becoming disabled or experiencing hardship. Early withdrawals may be subject to a 10% federal income tax penalty, unless a qualified exception applies. Some 403(b) plans allow employees to borrow money from their accounts under certain circumstances, but these loans must be paid back with interest. Since January 2006, 403(b) providers may also give

participants the option of making elective contributions using after-tax dollars to Roth 403(b) accounts.

The Pension Protection Act of 2006 (PPA) makes permanent the previously enhanced annual contribution limit for both 401(k)s and 403(b)s, with adjustments for inflation. The 2007 elective deferral limit is set at \$15,500 for workers under age 50, with a \$5,000 annual catch-up contribution allowed for workers over age 50. In certain cases, employees who have been with eligible employers for at least 15 years and did not contribute the maximum amount in past years are also permitted to make an additional contribution of \$3,000 a year to their 403(b) accounts.

The PPA also makes permanent the saver's tax credit, which allows low-income 403(b) plan participants to claim a credit worth up to 50% of contributions up to \$2,000. The new law further permits 403(b) plan providers to expand the circumstances under which participants may make hardship withdrawals without incurring penalties to include crises or hardships affecting not just participants and their dependents, but also domestic partners and certain non-dependents.

401(k) vs. 403(b)

There are, however, some significant differences between 401(k) and 403(b) plans. For employers, establishing a 403(b) plan can be considerably easier than sponsoring a 401(k) plan. Unlike 401(k) plans, 403(b) arrangements are not necessarily governed by the complex requirements of the Employment Retirement Income Security Act (ERISA). To set up a 403(b) plan that receives only elective-deferral contributions, the nonprofit organization chooses the financial institutions that will be responsible for establishing and administering the accounts, arranges for the payroll administrator to deduct contributions from employees' paychecks, notifies employees of their provider options, and explains to employees how salary deferrals can be arranged. The employer is generally required to offer all employees the opportunity to make salary-deferral contributions. Employers may choose to contribute to employee 403(b) accounts, usually by matching a percentage of employee contributions. But if the employer makes contributions, the 403(b) plan becomes subject to ERISA, which imposes

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CRAFTING A BRAND IDENTITY

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clever name or slogan. A brand should be visionary, yet grounded in reality. It is difficult for a nonprofit to be taken seriously—or to distinguish itself from groups with similar missions—if the organization's branding is based on vague, seemingly unattainable goals. Instead, a brand should evoke the organization's highest aspirations, while still pointing to a practical strategy for reaching its objectives.

Your organization's brand should resonate with potential donors and other constituencies on an emotional level, while also creating the impression of competence and professionalism. Frequent supporters of philanthropic causes are accustomed to hearing pleas from charities that their "help is needed." But what most potential supporters really want to know is whether the organization is capable of delivering on its declared goals. A brand should reflect not only the importance of the work a nonprofit is doing, but also its capacity for carrying out that work.

Before your organization can develop a new brand identity, staff and board members should clearly define the organization's mission, core values, and objectives, as well as outline its strategy for achieving those objectives. Who are your key stakeholders and target constituencies? What is the value of your organization's services? How does your organization differ from competitors? What are the unique contributions of your organization? How would you characterize your organization's philosophy?

Launching a Branding Initiative

If your organization has no marketing or communications function, consider hiring a marketing or public relations firm to help with the branding process. To better gauge the views and attitudes of target constituencies, a branding agency may conduct surveys and focus groups. A marketing firm may also be able to offer insight into the wider competitive environment and help position your organization accordingly. In the end, an effective brand should capture the diverse perspectives of your organization's stakeholders, including board members, staff, donors, beneficiaries, policymakers, the media, and the wider community.

Once a brand has been created, your new image and message should be used throughout the organization. In addition to appearing in marketing and fundraising materials, the brand should permeate all communications, including web pages, press releases, annual reports, visual presentations, written correspondence, and even e-mails.

Raising and enhancing the profile of your organization can be useful not only in attracting donations, but also in facilitating potentially lucrative partnerships with businesses and other nonprofits. Ultimately, your organization's record of success in accomplishing its goals will create associations that will strengthen, or weaken, the value of its brand over time. ✧

PROVIDING RETIREMENT BENEFITS WITH 403(b) PLANS

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discrimination testing, as well as other restrictions and reporting requirements.

Unlike many 401(k) plans, most 403(b) plans have no vesting schedule. The participant is, therefore, automatically entitled to all the funds in the account, including employer contributions, regardless of his or her length of service. Tax-free rollovers to IRAs and most employment-based retirement plans are allowed when the participant moves to another organization.

While 403(b) plan participants were originally permitted to invest their savings exclusively in variable or fixed annuity contracts with insur-

ance companies, participants may now invest directly with mutual fund companies. In 2005, 80% of 403(b) money was invested in fixed or variable annuities, while just 20% was invested in mutual funds, according to educational website 403bwise.com.

Although nonprofits that offer employees access to 403(b) plans with no employer contributions do not have the same fiduciary responsibilities as 401(k) plan sponsors, organizations should nonetheless make an effort to educate 403(b) participants about the fees, surrender charges, and risks associated with each investment option. ✧

Volunteering on the Rise among Americans

The volunteer rate is at a 30-year high in the U.S., driven largely by increases in volunteering among older teenagers, baby boomers, and seniors, according to a newly released research report by the Corporation for National & Community Service.

The analysis of trends in volunteer growth between 1974 and 2005 found that, while the adult volunteer rate fell from 23.6% in 1974 to 20.4% in 1989, volunteering rebounded to reach a new high of 27% in 2005. Increased volunteering through educational or youth service organizations accounted for a large part of the surge in volunteering: Whereas 15.1% of all volunteers served through educational organizations in 1989, 24.6% served through these organizations in 2005.

Volunteer rates among teenagers grew dramatically between 1989 and 2005, from 13.4% to 28.4%, the analysis showed. Researchers noted, however, that teenagers are more likely

than other age groups to be primarily interested in episodic volunteering, contributing 99 or fewer hours a year.

Baby boomers were found to be largely responsible for the recent increase in volunteering among Americans ages 45 to 64, from 22% in 1989 to 30% in 2005. While the proportion of this age group serving with educational organizations roughly doubled between 1989 and 2005, participation rates in religious organizations declined among mid-life volunteers over the same period.

The volunteer rate for adults age 65 and older grew consistently over the period studied, from 14.3% in 1974 to 23.5% in 2005. Results also indicated that the proportion of seniors volunteering 100 or more hours a year rose sharply during this period. But, in contrast to the general trend, the percentage of older adult volunteers serving with religious organizations was found to have increased only slightly between 1989 and 2005. ♦

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