The Facts Behind the ($41 Trillion!)

Philanthropy Frenzy

Plus 7 ways to start paving your planned giving path today!

by Lisa Sargent
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The Facts Behind the ($41 Trillion!) Philanthropy Frenzy:

Plus 7 Ways to Start Paving Your Planned Giving Path Today

The Golden Age of Philanthropy is Here. (Or is It?)

In 1999, two Boston College academics, Professor Paul Schervish and Mr. John J. Havens, released research that predicted a 55-year wealth transfer, when at least $41 trillion would pass from one generation to the next, as World War II and baby boomer generations died — including an estimated **$6 trillion in charitable bequests**. The research showed that charities were to receive those bequests between 1998 and 2052, in what's been referred to as the "largest wealth transfer in history," and the "Golden Age of Philanthropy."

Today, a decade of the Golden Age has slipped away...

...But bequest dollars aren't materializing as predicted. In fact, experts say it would take about $159 billion per year in average bequests – f*or each of the next 10 years* – to meet the original projection.

That's big. But how far off the mark are we? Well, bequests averaged $23 billion per year in 2006 and 2007, nearly <u>seven times lower</u> than the "catch-up" figure.

And that has many nonprofit executives wondering, "Where's the money?"

Take heart. Most sources still say that the wealth transfer will happen… but there are two things you should know about it.

Why the Trillions Aren't Tumbling In (and When They Might)

Take heart. Most sources still say that the wealth transfer will happen... but there are two things you should know about it.

First, Schervish and Havens now estimate that the bulk of the bequests won't take place until after 2016. (Others say declining death rates will stall it longer — up to 20 years.)

Second, in addition to baby boomers living longer than expected, a handful of other factors could affect both the timing and amount of the estimate. Now, and in the future. They are:

- Changes in estate tax laws
- Increased giving while living (instead of as a bequest)
- Health care expenses barreling down on aging baby boomers
- And "The Big One": the anemic U.S. economy and its impact on household wealth

But will the economy really make that much difference?

In terms of donations, it hasn't in the past. According to a recent article, "Past Sheds Light on Recession Giving" in *Philanthropy Journal*:

> "Over the four decades analyzed in the [special report from Giving USA], the only drop in charitable giving, as measured in current dollars, occurred in 1987 and likely was due to a tax change that temporarily altered the timing of donations.
>
> Otherwise, even during short and prolonged recessions, as well as other times of economic contraction, actual giving from year to year increased in current dollars.
>
> However, when adjusting for inflation, total giving fell in three of four years that included at least eight months of recession, for an average drop of 2.7 percent, the study says."

"In about two years, BIG BEQUEST gifts will be hurt by today's economy, but the smaller ones will not be impacted in a big way."

How does that translate to bequests?

Let's start with a recent Live Discussion on *The Chronicle of Philanthropy* website, where John W. Jensen, senior vice president and giftplanning consultant with the Sharpe Group (www.sharpenet.com), had this to say:

> "In about two years, BIG BEQUEST gifts will be hurt by today's weak economy, but the smaller ones will not be impacted in a big way."

That's an important distinction to make, especially since the bulk of bequests come from small donors.

But why the two-year lag on big bequest impact? In a follow-up call, Mr. Jensen generously offered a deeper explanation.

Smaller estates — between about $250,000 to $500,000 — tend to be less volatile, because they aren't as heavily invested in the stock market as bigger estates. Plus, smaller estates are less complex — think bonds and bank CDs vs. hedge funds and limited partnerships — so they settle faster: typically in 12-18 months, according to Jensen, instead of the two to three years it can take to settle a big estate. (And remember, the bequest doesn't happen until the estate is settled.)

Of course, declining real estate values will likely come into play with smaller estates. But the bottom line is, nonprofits may not see much change in small bequests — and they'll wait two to three years for the fallout from big bequests.

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So, if the Golden Age of Philanthropy isn't set to dawn tomorrow — or even five years from now — that brings us to...

The $6 Trillion Bequest Question: What – If Anything – Are You Supposed to Do Now?

First: Don't plan your budget based around an uncertain bequest windfall.

But don't abandon your planned giving dreams, either. And keep treating your donors right.

The statistics provided below should give you a bit of inspiration. They're from 2006, so recent enough to merit attention:

Average value of American household estate: $550,000
Average charitable bequest: about $35,000
For each dollar invested, a direct mail campaign yields about $3
For each dollar invested, an "effective, mass-marketed legacy campaign" yields about $20

* Source: The Agitator (www.theagitator.net), a highly recommended blog for nonprofit professionals

1 in 4 direct mail donors have never been asked to make a bequest commitment

Now keep those numbers in mind while you read this:

- 99% of direct mail donors know about planned giving (My note: your donors don't call it planned giving. But rather, a bequest, a legacy, or even, "leaving it to charity in my will." Adjust your language accordingly.)
- 92% of donors who give by direct mail have a will
- 18% of direct mail donors have named one or more nonprofits in their will
- 17% are likely to name a nonprofit in their will within the next five years
- More than 1 in 4 direct mail donors have never been asked for a planned gift

Source: theagitator.net, 11/28/2006 post, "Secret Riches and Why You're Missin' Em"

Take a moment and dream.

You're director of a charity with 10,000 members who give by direct mail. If you apply the statistics that means 1,700 of your members are likely to name a nonprofit in their wills by the end of 2011. So if the average bequest is $35,000 — are you ready for this? — among 1,700 members within your ranks right now, that's **$59.5 million in potential charitable bequests**...

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But unless you make "the ask" — using language your donors can understand — and get the commitment, someone else will get the money.

If Schervish and Havens Miscalculated by 83%

And finally, consider this: even if the Schervish-Havens projection is off by nearly 83%, nonprofits still stand to gain more than $1 trillion in bequests by 2052.

$1,000,000,000,000

For perspective: $1 trillion is enough to buy 1,000 boxes of Girl Scout cookies for every person in the United States. Talk about feeding a nation!

Now wouldn't you like some of that channeled toward your organization? Good.

Beginning Your Bequest Quest: What Do Legacy Prospects "Look" Like?

Probably not what you think.

According to a fabulous article by Mal Warwick (who else?) on the equally fabulous website SOFII (go there, and soon: www.sofii.org), the profile of the perfect legacy prospect is changing. I quote:

> "...the average bequest, now about $35,000 in the US, typically comes from the estate of a retired woman who either has no living children, or feels they've got enough money of their own."

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And although I hope in my heart of hearts that you will read Mr. Warwick's fine article word for word (link included in Sources at the end of this report), I offer three of his juiciest tidbits for you about the US legacy prospect:

1. They are mostly female: more than 6 out of 10.
2. They have given multiple gifts.
3. They do not have to be wealthy.

Read that one again. <u>They do not have to be wealthy</u>. In fact, Mr. Warwick goes on to say that "there is no correlation between either income or wealth with the likelihood of giving by bequest."

So maybe pulling $1,000 donors from your database isn't the best place to begin.

But based on recent research, these tips should give you a good start — and when you read "The True Story of Miss Langtry" later on in this report, you'll see why...

7 Ways to Start Paving Your Planned Giving Path Today

1. Let them know they're special.

According to "Why People Leave Bequests," new research funded by the Association of Fundraising Professionals, only one in four donors say they're treated differently, post-pledge. (And Warwick's article suggests that they do, indeed, *expect* to be treated differently.)

I don't know about you, but that sounds like a sparkling opportunity to me. Why not be the first to create a monthly "Legacy Letter" for your bequest pledges? Or host a regular conference call?

2. Begin bequest "broadcasting."

Remember The Agitator's statistics: 25% of donors have <u>never</u> been asked for a planned gift.

So start now: call more attention to planned giving among *all* of your donors, big and small.

The best places to do that? In your regular member communications and on your website. (Again, donors understand phrases like "legacy gift" or "bequest" better. Stay away from "planned giving.")

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So why not start with something simple? "Remember us in your will..." gets the point across nicely.

In fact, some charities, like the Ontario SPCA, go one step further and offer sample bequest wording right on their website, making it easy for donors to go ahead and add the SPCA to their wills. (http://www.ontariospca.ca/3-leave-bequest.shtml)

3. Make sure you've got a newsletter.

Keep the newsletter focused on your organization's good work. Or as author and fundraiser Tom Ahern counsels, translate your activities into accomplishments. And that means...

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...Tell stories: it's not about the three extra homeless shelters your organization funded this year (activity), it's about the traumatized war veteran and his trusty Golden Retriever who won't spend another bitter-cold night under the city bridge (accomplishment).

Even if it's just twice a year, send out a newsletter, and tell stories.

E-mail newsletters, by the way, are also great tools for keeping in touch with donors. Based on my experience, if they're done right, you'll see unique open rates that are consistently over 20% and click-through rates that hover around 8%.

4. Ask for feedback and opinions.

Take the time to find out what your members think — and what they'd like to see your organization do more of — with regular surveys. And for your top donors, a phone call or a personal visit to solicit an opinion works wonders.

Fundraising expert Harvey McKinnon says that inviting donors to events — whether they attend or not — "pays off handsomely in the long term."

5. Invite legacy pledges and prospects to media events. Invite them to visit you.

In his book, *Hidden Gold*, fundraising expert Harvey McKinnon says that inviting donors to events — whether they attend or not — "pays off handsomely in the long term." Members feel good just to be included, building a stronger connection between you and your donors.

Events can be more than just the annual charity dinner. McKinnon offers up some nifty ideas: a "meet-the-organization" special event or even a bowl-a-thon. And if your organization's president has a speaking engagement, invite donors to those events. Be creative.

6. Pace your communications.

Many fundraisers who read this will sputter. And no doubt, these will be the same folks who insist that you include a gift-reply envelope — and a second "ask" or upgrade — in that very first thank you letter your new donor receives.

Along with lots of other communicators, I disagree.

Instead, I'd suggest a schedule like the one offered in *Keep Your Donors* by Tom Ahern and Simone Joyaux. For a first-time donor, they recommend this:

- Thank promptly and sincerely. (See Tip #7 for more)
- Send a welcome packet shortly afterward. Ahern/Joyaux recommend that you send this packet 7-10 days after the thank you.

- Ask again. They suggest within 3 months.
- Then move these folks into your regular communications schedule.

Now here's something else they say in *Keep Your Donors*, and it's important: "do include these new donors in your regular-relationship building program." And that means, if you send a newsletter, don't wait three months to get them in the loop. Send it. (Just take care if you include a cover letter with a solicitation: you may have to adapt for this group.)

Why bother to pace?

A recent *Chronicle of Philanthropy* article included a story about a woman who gave two gifts to Greenpeace, six months apart, only to face a subsequent donation-request deluge by the organization. "They started bombarding me with direct mail…I threw all the mail pieces in the trash without looking at them," said the donor.

Don't smother your new donors with appeals and upgrades, and be sure to clearly show how the first gift was used before you ask for another.

7. Say thank you.

This is where most organizations fail, and fail spectacularly. They either don't thank at all, wait too long, turn the thank you into a "look at us" missive, or worse yet — use it as thinly veiled money grab.

In a recent *FundRaising Success* magazine article, veteran fundraising strategist Kimberly Seville sums it up nicely:

> "If you're worried about your renewal rate and donor retention, don't look to your renewal strategy alone. My experience monitoring the practices of dozens and dozens of organizations is that…the most brilliant renewal series imaginable can't compensate for a repeated failure to acknowledge donors' gifts."

You have the opportunity to be different. So based on my experience, this is what works:

- Thank promptly. (The best organizations I know mail no more than two to three days after a gift is received.)
- Do <u>not</u> ask for more money.
- Do <u>not</u> include a gift reply envelope.
- Do <u>not</u> include a "program upgrade" pitch.
- Personalize the thank you.

- Focus on your donors, and what their gifts make possible. An easy way to do that is to simply say, "Here's what your gift made possible..." then tell them just that.
- Put your thank you letters on an update schedule, and review content every three or four months. That way repeat donors don't receive the same stale message.

And if you'd like a really dazzling donor acknowledgment program — one that has donors writing their own thanks back to you — do two more things:

1. Read "Saying Thank You," Chapter 5 of Penelope Burk's excellent book, *Donor Centered Fundraising*; and
2. Have a look at my free report, "How to Write Better Donation Thank You Letters," at www.lisasargent.com.

In 2006, a retired elementary school teacher died at age 89, leaving $4.3 million to the Nature Conservancy of Canada.

The three-word recap? Say thank you.

Millionaires Hiding in *Your* Member Ranks? The True Story of Miss Langtry

On September 9th, 2006 the *Toronto Globe & Mail* carried a story about a retired elementary school teacher who died at age 89, leaving $4.3 million to the Nature Conservancy of Canada. Miss Langtry drove a 15-year old Volvo, never married and had no children. Only her investment advisor knew the scope of her estate.

So make sure you — and your development writers — keep a "million-dollar mindset." Treat every communication with your members as if a million dollars was on the line — every thank you note, direct mail letter, postcard and more.

Skeptical? This One's for *You*...

In his book, *The Zen of Fundraising*, Ken Burnett tells of a wealthy donor who has made a bequest of $100,000,000 to just one nonprofit. But there's a catch.

The donor doesn't plan to let the nonprofit know, just in case he changes his mind. Incredibly, experts say five out of every six bequest donors are the same... they will not tell you they've committed to your cause, in case they change their minds. Says Burnett —

> "To any fundraiser from a North American nonprofit who is reading this,
> I have...four simple, important words of counsel:
> It could be *you*!"

And since *Zen* was published in April 2006, there's a good chance this hundredmillion dollar bequest hasn't materialized yet.

Simply put: if it reaches your donors via mailbox or Inbox, it matters. Because that $100,000,000 really could be coming to you.

About Lisa Sargent and Sargent Communications:

As president of Sargent Communications, Lisa Sargent is dedicated to helping her nonprofit clients keep their donors. Specializing in post-acquisition fundraising and development communications, known as **donor retention communications**, Lisa Sargent can help you keep donors connected (and giving) to your cause.

Just call 1-860-851-9755 to get started, or email Lisa at lisa@lisasargent.com.

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