2009 Stelter Donor Insight Report™:

Donors on the Move

A comprehensive look at scientific findings on your best prospects for planned giving

America Speaks

Scientific Research Reveals New Targets For Planned Giving

This presentation builds upon our groundbreaking 2008 survey, *The Stelter Donor Insight Report: Discovering the Secret Giver,* in which we first scientifically documented the universe of bequest givers and prospects (aged 40 and older) living in America. The results of the 2008 study, which we will briefly review here, provided a compelling case for reaching out to younger donors (ages 40–54) than were typically targeted. In our 2009 study, we expanded our demographic to include Americans aged 30 and older in the hope of further broadening our understanding of the prospect pool.

The findings from this survey did not disappoint, providing concrete data on how U.S. households are reacting to the changing economic landscape, their views on inheritance and their understanding of specific gift vehicles. Of greatest value, however, is the detailed insight into previously undocumented prospect groups and the ways in which to better communicate with potential givers. This report summarizes the key findings.

The 2009 Study

Between July 19 and July 22, 2009, we interviewed 800 adults aged 30 and older about charitable giving to nonprofits. First, we wanted to better understand how the economy may have altered giving and whether the recent downturn offered an opportunity for deferred gifts. Second, we wanted to determine awareness of the term "planned giving" and the various mechanisms for making a planned gift. Third, we wanted to test heirs' acceptance if the estates from which they believe they will benefit also included gifts to charities. The ultimate goal of this study was to help determine effective ways of approaching prospective donors about making planned gifts.

Overview

The economy is definitely driving down charitable donations. A full 29 percent of those who have given to one of the categories of nonprofits tested say they gave fewer dollars to charity last year. More of those characterize that cutback as giving a little less (18 percent) than giving a lot less (11 percent). Organizations taking the biggest hit are religious organizations (-8 points), disease-related charities (-8) and educational institutions (-7), based on those aged 40 and over, which permits comparison to our 2008 study.

Those who report giving less say the economy is a major factor (77 percent). That includes those who single it out as *the* most important factor (32 percent) and those who say it is among several major factors (45 percent).

A minority of U.S. residents aged 30 and over (37 percent) are familiar with the term "planned giving." They know about specific ways to include a nonprofit in their estate plans; however, that jargon does not speak to most. The least understood mechanism for a planned gift is designating a charity as beneficiary of a retirement account. A slim majority (53 percent) say they were aware this could be done—the lowest of any approach tested—and a minority (43 percent) realize that if retirement account money were to go to individuals, there would be taxes owed, whether immediately or in the future. Providing a learning opportunity on this particular planned giving option is likely a sound strategy.

One of the most fascinating findings is that individuals can be moved to consider planned giving in the course of a fairly short interview. Tested initially, just 4 percent of all respondents say they have already put a planned gift in place and 10 percent say they will "definitely" (3 percent) or "probably" (7 percent) make a planned gift. The number of prospects swells a bit after respondents receive some information about a variety of ways planned gifts can be structured. A full 50 percent of all respondents say they would consider at least one type of gift tested. We call this group the "movers" because they initially indicate resistance to the idea of making a planned gift, then later in the questionnaire show strong interest in doing just that. This group amounts to 6 percent of all respondents, which, compared to the 10 percent who were initially inclined, is a substantial number. It means our initial pool of prospects grew by 60 percent. In addition to being more affluent and better educated than average, they are also younger, with a majority under age 50. In short, this study confirms the opportunity to recruit planned gifts among younger age groups than are typically targeted now.

This study also tested heirs' acceptance of getting a bit less inheritance if a charity were to be included in the estate plan in which they are named. The simple answer is yes, they accept this. Seventy-two percent of those who have received or expect to receive an inheritance would deem it reasonable if 5–10 percent of the estate went to charity. This opens the door to conversations with would-be donors who believe they need to leave everything to their family.

Key Findings

In this section, we review the highlights from this study in greater depth. Our analysis addresses the impact of the economy on annual and planned giving, familiarity with the concept of planned giving and interest in making such a gift, expectations for inheritance, and exposure to common gift planning vehicles.

Recent Giving and the Economy

The overall financial mood is somewhat grim. Asked how they are doing financially compared to a year ago, more than one in three Americans aged 30 and older (39 percent) say they are worse off, including about one in five (18 percent) who say they are a lot worse off. A majority say they are in about the same situation (52 percent), with just one in 10 (9 percent) saying they are better off. Those hardest hit are:

- Those reporting less than $50,000 in annual household income (49 percent say they are worse off, compared to 39 percent overall);
- Those in the 50–59 age group (48 percent); and
- Republicans (47 percent).

The economy is the main culprit. A full 78 percent of those who say they are financially worse off report it is because of the economy rather than because of changes in their personal situations. The economy is more commonly named by those in the upper income brackets (88 percent of those reporting household income of $50,000 or more per year).

In reaction, many are spending less. Three in four Americans aged 30 and older (78 percent) say they have cut back on spending due to the downturn in the economy. Among singles, that number rises to 84 percent. A majority (54 percent) say they have made a bigger effort to pay off debt, such as credit card balances and mortgages. That approach to dealing with the economy is more popular among those in their 50s (63 percent).

A little more than one in three (38 percent) say they have put more money aside for savings. Household income determines whether these respondents report saving: 44 percent of those reporting $50,000 or more in annual income say they are saving more, compared to just 27 percent of those with lower annual income.

Charitable giving is taking a hit. We can compare these numbers to our 2008 study—which focused on bequest givers and included some questions for the general population aged 40 and older—if we separate out the similar demographic from these studies. This year, 15 percent of Americans aged 40 and older say they did not give to any charitable nonprofit in the past year, up from 10 percent last year.

Asked directly, 29 percent of all respondents in our current study (Americans aged 30 and over) who have donated to nonprofits report giving fewer dollars to charities this past year, compared to amounts they've given in previous years. This includes about one in 10 (11 percent) who say they gave a lot less. Those in the lowest income bracket more commonly say they gave less (40 percent). The majority (53 percent) say their giving did not change, with 17 percent saying they actually gave more in terms of total dollars this past year. Singles were more likely than average to say they gave more (25 percent). Those who increased their giving most commonly give four reasons:

- They had more money available to give (52 percent);
- They decided to make a bigger gift to one or more charities they support (49 percent);
- They felt it was their responsibility to help those in need because of the difficult economy (47 percent); or
- They got more involved with one or more charities (42 percent).

The vast majority of those giving less say they cut back on both the number of charities and the amount they give (71 percent).

One other piece of data confirms giving is down. Last year, 23 percent said they had given more to charities in the past year, compared to 16 percent of those aged 40 and over this year. Almost one in five (18 percent) said they had given less, compared to 30 percent this year. In short, more are saying they have cut back on charitable giving.

The three sectors hardest hit, based on our data, are religious organizations, such as churches or synagogues (an eight-point drop compared to our 2008 study); disease-related organizations (also down eight points); and educational institutions (down seven points). Least affected are organizations devoted to animals or pets (up one percent), nature or science organizations (also up one point), and arts and cultural organizations (down one point).

The economy plays a role in decreased donations. Asked directly how big a factor the economy was in their decision to give less, one in three (32 percent) say it was the single most important factor, with another 45 percent saying it was one of a few major factors. When asked about specific reasons to give less, those who reported doing so most commonly mention they have been more cautious about spending out of worry for future expenses (81 percent). Three other factors are named by a majority of those reporting lower charitable giving:

- Lower household income (66 percent, including 76 percent of those reporting less than $50,000 per year in household income and 79 percent of those in the 55–69 age group);
- Higher household expenses (62 percent); and
- Less money available because of paying off debt (55 percent, including 68 percent of those in the middle income bracket—$50,000–$99,999).

While just one in four of those giving less (24 percent) say a major reason was that they did not feel charities they've supported in the past were worthy of continued support at the level they had given before, it is higher among those aged 60 and older (37 percent) and those living in the South (34 percent).

Indirectly, we can tie decreased giving to worsening financial conditions. Of the 39 percent who say they are worse off financially than they were a year ago, 39 percent say they gave less to charity, 10 points higher than average.

Interpretation

These data confirm our suspicions that the downturn in the economy is likely affecting charitable giving in terms of the support donors regularly provide. A majority of those who report giving less say the economy is a major factor. In communicating with current and prospective donors, nonprofits will want to be sensitive to the current economic mood of their communities. Those who give regularly to charities do not see an immediate benefit in making a deferred gift as they have to cut back on the dollars they have donated recently. It is certainly wise to frame requests for donations in a way that positions the charity as good stewards with a mission to serve. If we know donors are making choices, then a charity wants to be one that continues to earn support and communicates that worthiness to its audience.

Awareness of Planned Giving

Knowledge and awareness of planned giving poses a challenge for development professionals. Just about one in three Americans aged 30 and older (37 percent) say they are familiar with the term "planned giving." Most familiar are:

- Those with postgraduate work or degrees (51 percent) or a college degree (42 percent, compared to 37 percent overall);
- Those in the highest income bracket (46 percent of those in households with $100,000 or more in annual income); and
- Those aged 60–69 (45 percent).

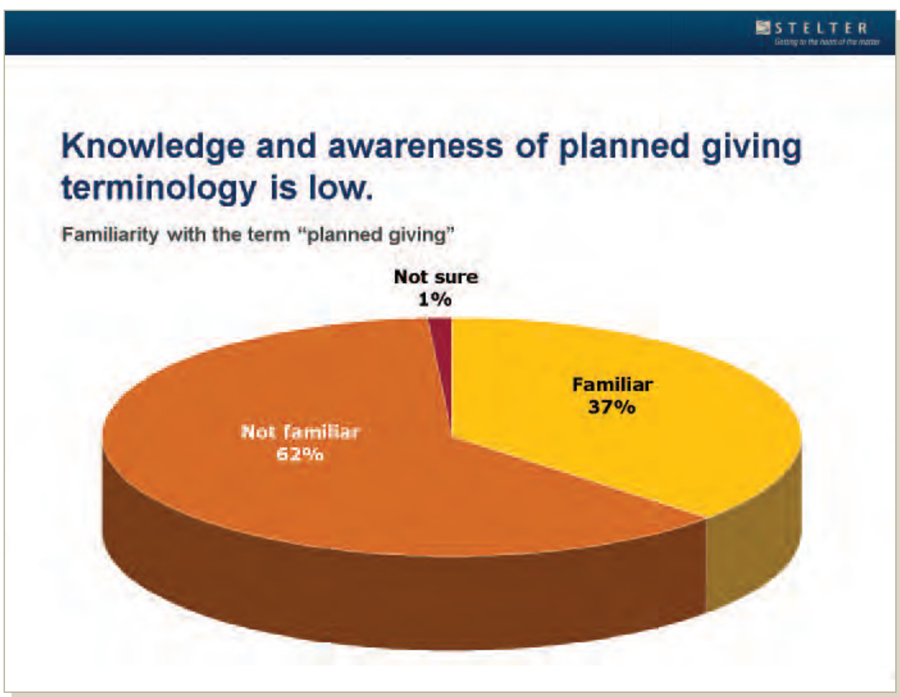
Those in our study who say they have received an inheritance or expect to receive one are more likely than those who plan to leave an inheritance to say they know about planned giving (50 percent and 39 percent, respectively).

Those least aware are in the lowest education group (75 percent of those with no more than a high school education say they are not familiar with the term "planned giving," compared to 62 percent overall) and those in the lowest income category (71 percent of those reporting less than $50,000 per year).

About one in four (22 percent) report they have been approached about making a planned gift. That includes higher than average proportions of the same groups that report greater knowledge, as expected. Most commonly, respondents who have been approached say it was either about making a bequest through a will or it was just a general request. Respondents were allowed to choose multiple ways in which they had been contacted: 9 percent say it was about a bequest and 12 percent say it was a general request. Few have been approached with a request to name a nonprofit as a beneficiary of a life insurance policy or a retirement account (3 percent and 2 percent, respectively).

About four out of 10 of those who say they are familiar with planned giving (42 percent) say they have been approached to make such gifts.

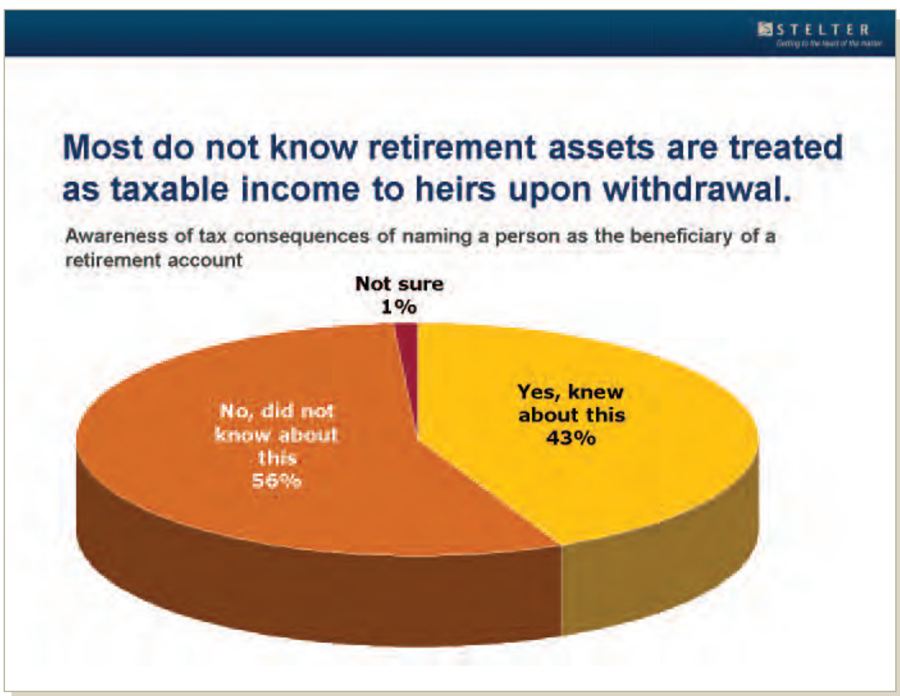
Awareness of specific planned giving vehicles is high. Even though just one in three is familiar with the term "planned giving," a majority know about each of the six mechanisms we tested for how a planned gift might be structured.



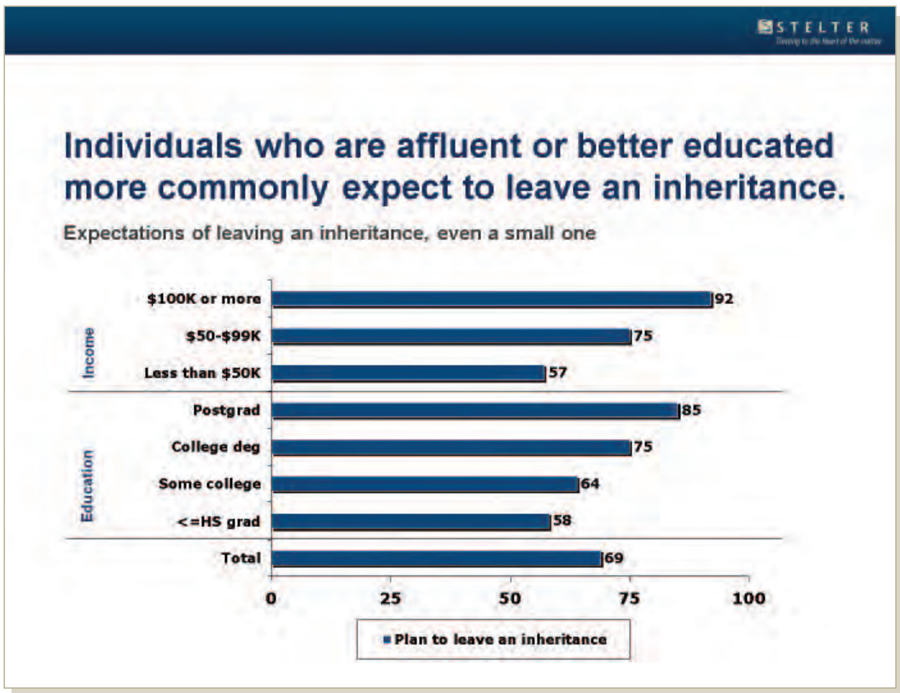
» 78 percent know they can set a specific amount of money to go to one or more charities;
» 74 percent know they can give an asset, like their home or car;
» 72 percent know they can set a specific percentage of their estate—something like 5–10 percent—to go to one or more charities;
» 67 percent know they can direct that after debts have been paid and specific amounts have been given to individuals, any money left over would go to one or more charities;
» 59 percent know they can name a charity as a beneficiary of all or part of a life insurance policy; and
» 53 percent know they can name a charity as a beneficiary of some or all of the money left in a retirement account.

In all, 86 percent know about at least one of these ways to structure a planned gift.

Less than a majority (just 43 percent) know the tax consequences of naming a person as the beneficiary of a retirement account. That includes a small majority (57 percent) of those who say they are aware of this option.



The wealthy and best educated are most likely to expect to leave an inheritance. About two in three adults age 30 and older (69 percent) expect to leave an inheritance of some amount. Almost all in the top income bracket and a very high percentage of those in the top education group say they intend to leave assets upon their death (92 percent of those reporting a household income of $100,000 or more and 85 percent of those with at least some postgraduate education). Still, a majority in the lowest income group (57 percent) and the lowest education group (58 percent) intend to leave assets to others. The reality is people who plan to leave assets to others are plentiful, and many are ordinary.



Intent to make a planned gift shows little change since last year. The 2008 study was the first study that scientifically assessed the incidence of bequest giving and identified good prospects. In that study, which was limited to just U.S. adults aged 40 and older, 17 percent said they had either already made a bequest or would definitely or probably do so eventually. In this study, comparing just the 40-plus population, our finding is 15 percent.

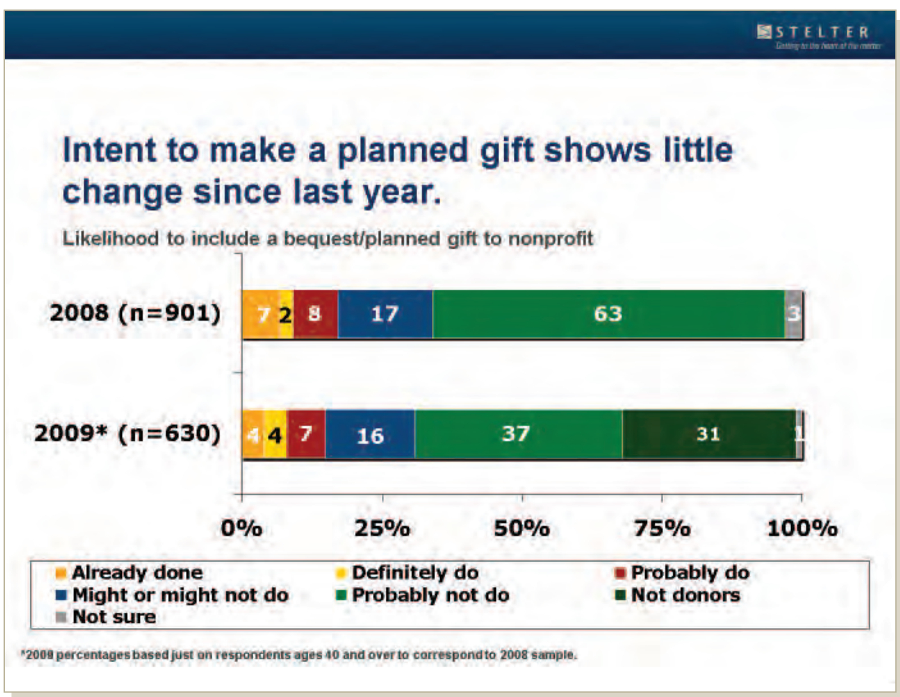
Confirming what we discovered in the 2008 study, the 40–49 age group is most receptive to the idea of making a planned gift. In all, 15 percent are good prospects, saying they do not already have a planned gift in place but definitely or probably will do so in the future, compared to 10 percent overall.

When we look just at individuals who expect to leave an inheritance, those numbers obviously increase. Recall about one in three (31 percent) say they do not plan to leave any assets upon death or are not sure. If we remove those from our analysis and recalculate, we illuminate the following groups as good prospects:

- » Singles (39 percent, compared to 15 percent overall);
- » Those with no children (32 percent);
- » Those in the 40–49 age group (23 percent); and
- » Those with some postgraduate education or a degree (20 percent).

Again confirming what we learned last year, the oldest age bracket is the most resistant. A full 70 percent of those aged 70 and older who are planning to leave an estate say they probably will not put a planned gift in place—the strongest answer they could give in rejecting the idea. This is well above the overall average of 52 percent. There is likely a great deal of overlap with other demographic groups that signal resistance:

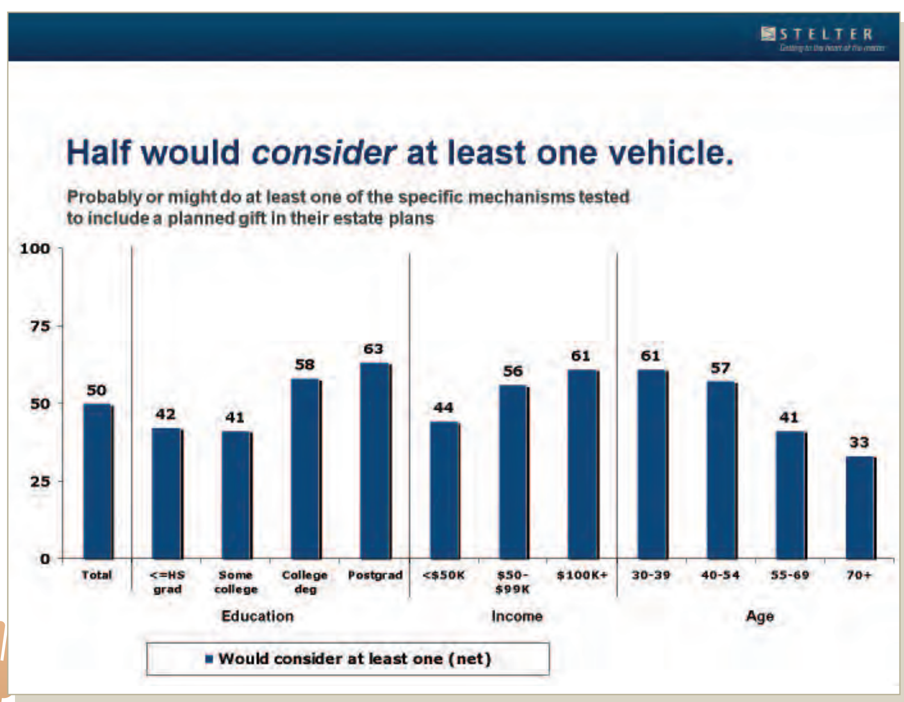
- » Those who are widowed (63 percent of those who plan to leave an estate say they will probably not make a planned gift, compared to 52 percent overall);
- » Those with just some college education (61 percent);
- » Those with grandchildren (60 percent); and
- » Those in the 50–59 age bracket (59 percent).



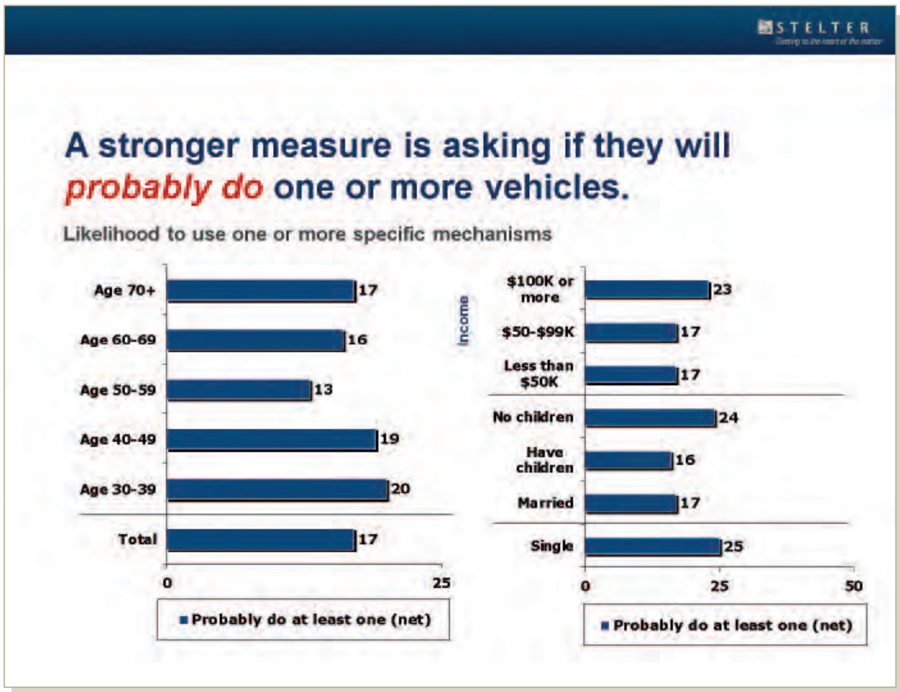
Reasons to oppose leaving a planned gift also show the same rank order as our 2008 study revealed but in stronger numbers. In 2008, 46 percent of those who are not good prospects (meaning they did not have a planned gift in place, nor did they think they probably would at some point) said a main reason was that they thought those assets might be needed to cover future expenses. That percentage has risen dramatically to 64 percent in the current study, an 18-point increase.

More also express concern that nonprofit organizations might not spend the money the way they would wish, an 11-point increase, from 31 percent last year to 42 percent this year. The top reason also shows an increase. This year, 88 percent of those ages 40 and older who are not inclined to make a planned gift say it is because they prefer to leave their assets to family and friends, up from 81 percent last year.

Knowing a little boosts interest in planned gifts. After hearing about how planned gifts can be structured, respondents were asked how likely it is they would choose to do each of the six mechanisms tested. Half (50 percent) say they would consider one or more of these (or have already put something in place), with half saying they would not consider any. Those least likely to consider a planned gift after hearing about how it could be done include higher than average proportions of those ages 60 and older (66 percent), those who are widowed (63 percent), and those with grandchildren (64 percent). In fact, having grandchildren is a stronger predictor of reluctance to make a planned gift than having children. Those with children respond to making a planned gift (after receiving some information about how it could be done) in about average proportions, with 49 percent saying they would consider at least one option and 51 percent saying they would not. Among those most receptive are respondents in the 30–39 age group. A majority (59 percent) say they probably would or might use at least one of the six mechanisms we tested to make a planned gift, compared to 46 percent overall.



Overall, about one in five (22 percent) say they have already done or would probably do at least one of the six options tested. This includes some respondents who were initially resistant to the idea of making a planned gift, saying this was something they probably would not do. That was the strongest answer they could give, indicating they had no interest in a planned gift.



This means some respondents had changed their minds. Across the entire population under study, 23 percent of all respondents did two things: First, they said they might or might not, or probably would not, put a planned gift in place. Second, they later said they would *at least consider* doing so. Given that the percentage who are initially inclined or have a plan in place is 15 percent, this 23 percent is not such a small number.

This 23 percent includes the 6 percent who emerge as “strong movers”—they are the best candidates. They first say they might or might not, or probably would not, make a planned gift. Later, they say they *probably would* do at least one of the six ways tested of making a planned gift.

The demographics of these mover groups match the desirable profile that gift planners seek.

» **They report higher incomes.** One in three (30 percent) movers and 31 percent of strong movers are in the $100,000 and over income bracket, compared to 17 percent of all adults aged 30 and older.

- **They are well-educated.** A majority of movers (57 percent) and almost half of strong movers (49 percent) have a college degree or more education, compared to 43 percent of the population.
- **They have children, but not grandchildren.** They are in the child-rearing years, so it is not surprising that about half have children under age 18 at home (50 percent for movers and 48 percent for strong movers). However, just 25 percent of movers and 21 percent of strong movers have grandchildren, compared to 39 percent overall.
- **They are more heavily concentrated in the West.** About one in three (31 percent of movers and 38 percent of strong movers) live in western states, compared to 24 percent overall.
- **They are young.** Nearly one-third (31 percent) of movers and 40 percent of strong movers are in their 30s, compared to 21 percent of the population in this study.
- **They differ little in political party identification**, except that strong movers are more likely than average to say they are Republicans (36 percent, compared to 25 percent overall).
- **Strong movers are more likely to be male.** Two out of three (65 percent) of this small but mighty group are male, compared to 47 percent of the population.

Interpretation

A critical finding from this study is how seemingly easy it is to expand the pool of prospects for planned giving. This was an 11-minute phone interview. In the course of providing a bit of information about how a planned gift could be put in place, a small but still substantial group initially resisted the idea of making a planned gift and then opened their minds to the idea. The reality is that the term "planned giving" may only be known to an exclusive subset of the population. Many who could be recruited are simply outside the conversation. The upshot is that planned giving can become a much more common occurrence, but it starts with educating the public. With just 37 percent aware of the phrase, there is much room to grow.

Education on the terminology may help, but it isn't everything. Just 42 percent of those who know the term—a minority—say they've been approached to make a gift. This clearly suggests nonprofits would benefit from greater outreach to a wider range of prospects.

Keep in mind, 69 percent expect to leave an inheritance. And, we know from past research that plenty of individuals who would entertain the idea of a planned gift fall outside the demographics most nonprofits target. This study confirms that the population of those aged 30–49 knows little about planned giving, but is receptive. They are the "secret givers" who aren't on the radar of many planned giving professionals; yet, they spark to the concept, when educated, respond—even a bit—to what this is and how it might be done. They simply need to be asked to do it and shown the way. Many smaller gifts can easily equal one big gift. It starts with an ask.

The movers' profile reveals demographics any planned giving officer could love. They report higher income and higher education. Yet, they are younger.

Here's one more thing to consider. Because they are younger, they do not have grandchildren. It is impossible to know whether a generational difference or the presence of grandchildren make older Americans less inclined to include charities in their plans. However, if it is the presence of grandchildren, it would be best for nonprofits to act swiftly to find and cultivate younger planned givers. The goal would be to teach and reinforce the benefits of planned gifts, even as donors also provide for grandchildren eventually.

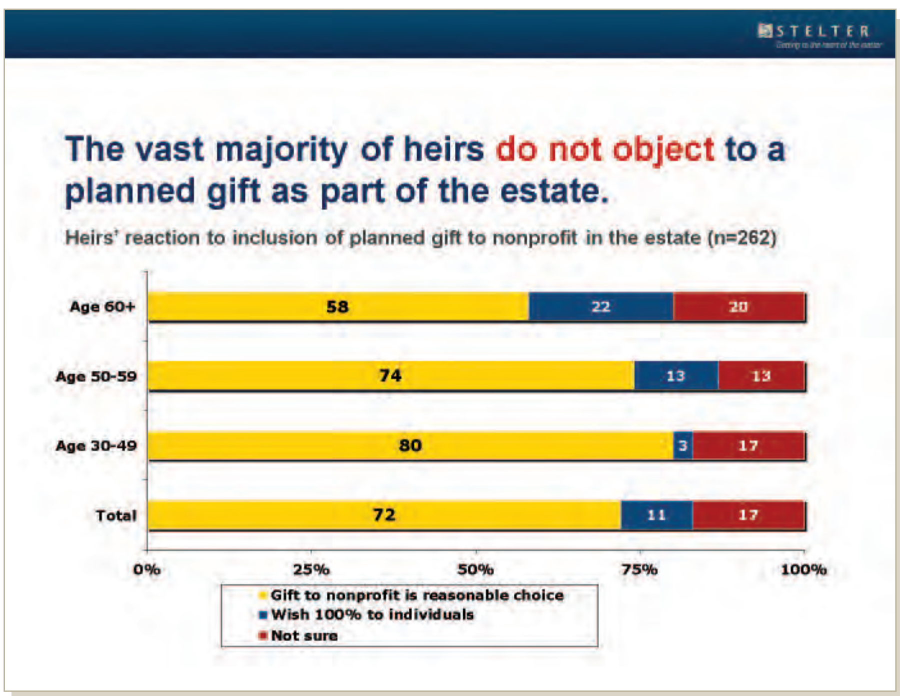
Opportunities to Recruit More Planned Gifts

Playing the economy card may not yield many new gifts—at least not directly. From our previous work, we know that the main reasons people make planned gifts is to do good. So, we wondered if people who had cut back on charitable giving might get the benefit of feeling good by making a deferred gift. About one in three gave less to charities this year than in years past, and three-fourths of those said that happened because of the economic downturn. We asked that group whether the idea of making a planned gift this year is more appealing than it might have been in the past because they had to cut back on regular gifts. Just 6 percent of this group say yes. It is hard to paint this as a big number. It accounts for just eight respondents. As a side note, however, it is worth reporting that seven of those eight say they would consider at least one of the planned giving mechanisms tested. Overall, 50 percent of all respondents would consider at least one of the planned giving mechanisms tested.

A minority expect to be heirs. We asked respondents whether they had already received an inheritance or expected to receive one in the future. Just 31 percent say they believe at some point they will inherit assets (14 percent) or have already done so (17 percent). Demographically, this group is better educated (with 57 percent having a college degree, compared to 43 percent overall).

Of these, almost half (46 percent) do not know if a charitable organization is included in the plans of someone who has included (or will include) them in their estate plan. Only about one in 10 (9 percent) know for sure a nonprofit has been named.

The vast majority of heirs do not object to a planned gift as part of the estate. We know from this study and last year's work that the No. 1 reason individuals give for not including a nonprofit organization in their estate plans is that they prefer to leave their assets to family and friends. For this reason, we wanted to ask people who stood to benefit from an inheritance whether they thought it would be reasonable for that plan to designate 5–10 percent to go to charitable organizations. A full 72 percent say they think that is reasonable. Just 11 percent say they prefer to see money go only to individuals and not to organizations. Those most likely to find the inclusion of a charity reasonable are those in the 40–54 age group (82 percent) and those in the middle income bracket (86 percent of those reporting $50,000–$99,999 in household income).



Interpretation

This finding gives nonprofit organizations a powerful tool in recruiting planned gifts. We know anecdotally, and this survey confirms, that people planning the distribution of their assets upon death want to take care of loved ones first and foremost. So, as directly as any survey could, we asked those loved ones—people who had received or expected to receive an inheritance—if they minded giving up a portion of what they might otherwise get. Very few, as it turns out, mind at all.

Wills and estate plans are often difficult subjects to discuss, inside the family or out. Parents may suspect their children would be offended if they chose to leave something to a charity they cared about. Because talking about such a decision is awkward, that suspicion is never confirmed nor denied, we presume. And so, heirs tend to get a little bit more.

Charitable institutions, armed with these data, have the opportunity to address those suspicions and ultimately reap benefits from inclusion in more estate plans.

About The Stelter Company

The Stelter Company, based in Des Moines, Iowa, is a leading source for gift planning marketing for the nonprofit community, serving 2,000 print and 1,100 Web clients nationally with a staff of 75 individuals. Stelter helps charities achieve superior and quantifiable results through multi-channel direct marketing, consulting services and training. Stelter's integrated solutions are based upon industry research, data-driven tactics and insights gathered from 47 years in the field.

Stelter services include:

- » A complete line of direct-mail gift planning programs (custom-designed newsletters, targeted newsletters, brochures and postcards)
- » An interactive gift planning Web product
- » E-marketing solutions to build loyalty online
- » The Relationship Building Workshop®, major gift training for development professionals
- » The Essentials for Gift Planning Success Seminar, training on how to launch a gift planning program and basic technical instruction for anyone in gift planning
- » A eight-person field staff that conducts on-site marketing consultations with clients and prospects
- » Gift planning assessment and strategic planning
- » Donor research
- » Testimonial writing
- » An on-site printing and mail processing facility
- » Free phone and e-mail access for clients to an on-staff gift planning attorney to answer technical questions

About Selzer & Company

Selzer & Company specializes in communication and public opinion research, helping clients connect with their audiences, be they readers, viewers, customers, voters or lawmakers. J. Ann Selzer, Ph.D., has run her research firm since 1989, after several years in Washington, D.C., working for a major public opinion research firm. She has gained national exposure for her work for *The Des Moines Register's* Iowa Poll, the only poll to correctly predict the outcome of the Iowa caucuses in 2008, earning the Gallup Award for Outstanding Poll Reporting for *The Des Moines Register*. She also conducts the Bloomberg Global Poll and the Bloomberg U.S. Poll for *Bloomberg News,* the Michigan Poll for *The Detroit Free Press*, and the Indiana Issues Poll for *The Indianapolis Star*. Her accuracy for these polls resulted in her firm being named the best of 32 polling firms ranked by the influential polling Web site FiveThirtyEight.com. In 2004, she received the Research Award of Merit from the Newspaper Association of America and is the youngest to win this lifetime achievement award.

Ms. Selzer has appeared on most of the major news networks, including CBS Evening News, MSNBC, Fox News, The NewsHour on PBS, National Public Radio and has had essays published in *The Des Moines Register*, *The Guardian* (of London), *The Polling Report* and *The Indianapolis Star*.

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