

Planned Giving

Trends, opportunities and challenges in bequests, endowments and major gifts

By Larry Stelter

Bequests, endowments and major gifts—part of your donors' big plans—are critical to your organization and what it will accomplish in the future. If you have a suggestion, challenge or information you would like to share regarding planned giving and major gifts, please email jboice@afpnet.org.

Charitable People: Connections Between Those Who Give Now and Those Who Give at Death

Sometimes it can be easy to envy the folks in annual giving departments who can use hard dollars to tally their success at the close of each campaign. In the planned-giving field, where fundraisers often wait decades to see the fruits of their labor, it is harder to evaluate what works and what does not. However, development professionals probably have much to learn from their comrades in annual giving, since it is their donors who typically will make planned gifts as well. Yet, how likely is it that an annual giver will make a charitable bequest? What are the best indicators of annual giving, and how do they compare to the best indicators for bequest giving?

A scientific survey done in the spring of 2008 looked into the connections between annual donors and bequest givers. The research looked at Americans age 40 and older who have named charities in their wills and dissected when and why they chose to give. The survey also explored the annual giving habits of Americans and linked those results to those obtained on bequest giving behavior.

Key Findings

Among the key findings, if there were a room of 100 annual givers, one would find that:

- Eight have included a charitable bequest in their wills
- Five have a will and plan to add a

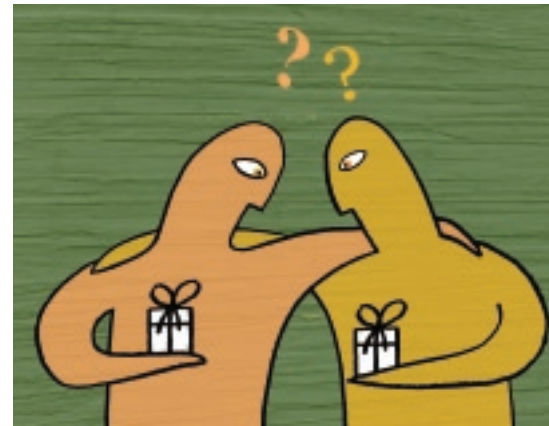
bequest in the future

- Five do not have a will, but will “definitely” or “probably” name a nonprofit at some point in the future
- Eighty-two are unlikely to make a charitable bequest

Charitable giving is part of American life. Bequests and the decisions to make them play out against a backdrop of smaller gifts that Americans make routinely. Ninety percent of U.S. residents age 40 and older reported making a contribution to at least one nonprofit in the past year or so. This included a majority (58 percent) who reported contributions to three or more charities, with about one in five (19 percent) giving to five or more organizations.

For virtually every type of charity, donors' postgraduate work is the best indicator of annual giving. As one may expect, higher educational attainment generally correlates with higher household income, so frequently more educated groups stand out when looking at the likelihood to donate annually.

Education is the strongest indicator of bequest giving. The majority of bequest givers (65 percent) reported having earned at least a college degree, compared to 42 percent of the general population. Following closely are those who reported having completed at least some postgraduate work or degree (31 percent), compared to 16 percent of the general population.



Annual-Giving Behavior

Churches and other religious organizations are the most common recipients of annual giving, with 69 percent of respondents saying they had made a gift to such nonprofits within the past year. Many Americans also made donations to human service groups (53 percent) and disease-related organizations (51 percent).

The research showed that different demographic groups favor different types of charities:

- Older Americans give to religious organizations and disease-related organizations in proportions greater than average.
- Younger Americans are more likely than average to give to educational institutions.
- Americans with children under age 18 in their homes are more likely than average to report annual gifts to disease-related nonprofits, educational institutions, and nature and science organizations.
- Affluent Americans are more likely than average to give to human services organizations, arts and cultural organizations, and nature and science nonprofits.
- Giving also varies by region. The Southwest is above average for giving to religious organizations; the Midwest is stronger for human service groups, educational institutions, arts and cultural organizations, and

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science and nature groups; and the East is home to greater-than-average giving to disease-related organizations, educational institutions, and hospitals or providers of health services.

Bequest-Giving Behavior

Americans aged 40 and older who currently have bequests in their wills are more likely than average to have made an annual donation to every category of charity, exceeding the norm by at least five percentage points. For three types of charities, however, over-40 bequest givers exceeded the average by 10 percentage points or more:

- Nature and science organizations: 24 percent, compared to 11 percent overall (13 points)
- Educational institutions: 51 percent, compared to 38 percent overall (13 points)
- Arts and cultural organizations: 28 percent, compared to 16 percent overall (12 points)

The prospect pool for bequest giving can be split into two groups: people with wills in place and those without. Americans who have a will and say they will “definitely” or “probably” include a charitable bequest in the future (5 percent) tend to be notably more likely to donate an annual gift (exceeding the average by 10 percentage points or more) in a majority of categories. The most popular nonprofit recipients of annual gifts among this group are as follows, in order from the greatest difference from average:

- Arts and cultural organizations: 37 percent, compared to 16 percent overall (21 points)
- Educational institutions: 57 percent, compared to 38 percent overall (19 points)
- Disease-related organizations: 64 percent, compared to 51 percent overall (13 points)
- Hospitals or organizations that provide health services: 35 percent, compared to 25 percent overall (10 points)
- Religious institutions: 79 percent, com-

pared to 69 percent overall (10 points) And differing less from average (5 to 9 points):

- Organizations devoted to animals or pets: 29 percent, compared to 21 percent overall (8 points)

- Nature and science organizations: 18 percent, compared to 11 percent overall (7 points)
- Human services organizations: 59 percent, compared to 53 percent overall (6 points)

Made Cash Donations to This Type of Nonprofit Within the Past Year			
	All %	%	Groups more likely than average to donate:
A church or religious organization	69	77	Southwest region Age 70+ Postgraduate work
A human services organization that helps people in need, such as a food pantry or domestic violence shelter	53	65 60 60 59	Income \$100K + College degree + Women Midwest region
A disease-related organization that supports research to find cures	51	67 62 61 57 57 56 56	Postgraduate work Child under age 18 Suburban Age 60–69 East region Women Income \$50K+
A school, college, or other educational institution	38	61 58 50 46 45 44	Postgraduate work Child under age 18 Income: \$50K+ Suburban East Midwest regions Age 40–49
A hospital or organization that provides health services	25	32 31 30	Small city Postgraduate work East region
An organization devoted to animals or pets	21	No significant findings	
An arts or cultural organization that performs or promotes music, art, history or theater	16	37 39 26 24	Postgraduate work Income: \$100K+ Midwest region Urban
A nature or science organization such as a science center or a conservation group	11	24 17 16 18	Postgraduate work Midwest region Child under age 18 Income: \$100K+
Other	4		
None of these	10	18	High school grad or less

Annual Contributions to Categories of Nonprofits By Number of Types of Nonprofits Benefitting

	1 or more %	2 or more %	3 or more %	4 or more %	5 or more %
Overall	90	74	58	38	19
Gender					
Male	90	70	53	34	15
Female	91	78	62	42	22
Age					
40–54	91	75	55	38	19
55–69	90	72	69	37	18
70+	91	77	60	40	20
Income					
\$150,000 or more	96	80	69	53	24
\$100,000–\$149,999	98	88	88	61	35
\$50,000–\$99,999	92	79	64	43	22
Under \$50,000	88	69	49	27	10
Education					
High school grad or less	83	64	44	24	8
Some college	94	72	58	32	12
College degree	95	82	65	48	26
Postgraduate work or degree	97	89	77	60	37
Community					
Urban	94	71	57	40	17
Suburban	97	80	63	45	23
Small city	95	81	62	34	17
Small town	86	87	51	37	19
Mostly rural	88	77	60	35	16
Marital status					
Single	86	66	46	23	12
Married	92	77	62	41	21
Divorced	88	68	48	32	11
Widowed	91	75	57	39	18
Child under age 18					
Yes	95	83	66	48	26
No	89	72	56	35	17
Prospects					
Already included a bequest	97	81	69	69	34
Prospect with will	97	85	75	57	37
Prospect without will	96	68	50	29	14

A second group of good prospects, those without wills, do not deviate much from average when it comes to annual giving. The only category they give to at a notably higher-than-average rate is hospitals or organizations that provide health services (34 percent, 9 points higher than the average of 25 percent), to which they all but match-both bequest givers and prospects with wills.

Where Do We Go From Here?

These results confirm a solid link between annual giving and bequest giving. Therefore, those who market planned gifts would be well-served to break down any barriers that might exist between the various fundraising arms of their organization. Particularly in this depressing economic climate, annual-, major- and planned-giving departments should recognize the opportunity to share learning and combine appeals to their best prospects.

Using history as a guide, fundraisers can expect to see a modest decline (3 to 4 percent) in overall charitable giving during this economic recession. (Also see “Giving in Today’s Economy,” by John J. Havens and Paul G. Schervish, *Trusts & Estates*, January 2009.) According to a press release from The Center on Philanthropy at Indiana University (“Nonprofits Say Overall Climate for Charitable Fundraising Worst Since 1998,” Dec. 18, 2008), fundraisers are experiencing more success with planned giving and less success with major giving.

This finding makes sense. When your supporters have experienced significant losses in their stock and real estate holdings, along with the threat or reality of layoffs, major charitable gifts can be unaffordable and risky. Many planned gifts offer traits that make them more appealing, including:

- **Affordability.** Many options, such as leaving retirement plan assets to char-

ity at death, do not demand donors to part with any assets today.

- **Flexibility.** With deferred giving options, such as charitable bequests, donors can change their minds at any time if their financial circumstances change.
- **Security.** With life income plans, such as charitable gift annuities, donors can arrange a gift that will result in fixed, regular payments for life—a welcome alternative to volatile stock returns.

Given these enhanced donor benefits from gift planning, it is no surprise that planned giving rises in prominence during times of extended economic downturn.

On the bright side, the mood of the nation is historically quite supportive of philanthropy, even in times of economic downturn. The efforts put forth to persuade individuals to consider annual gifts are working, and fundraisers should employ the same consistent approach for planned giving. Almost all Americans give to at least one charity, so this is already part of their routine behavior. About two-in-three already have wills in place, so the stage is also set for bequest giving. Individuals simply need to be asked. So get to work! 📞



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For a complete copy of the report, visit www.stelter.com/connections. Portions of this article originally appeared in the January 2009 issue of *Contributions* magazine (www.contributionsmagazine.com).