

The Issue of Direct Mail Response Devices

BY ROB BLIZARD

At both of the nationwide charities where I have worked, there is one issue that exposes the different approaches between the sometimes competing motivations of direct marketing and planned giving departments. That is the issue of whether or not a planned giving check-off box can be included on direct mail response pieces for house-file appeals.

Such a check-off box might say something like, "Yes, I would like to receive information on including Charity X in my will," or "Yes, I have already included Charity X and would like to be a member of the I Love Charity X Legacy Society."

Typically, those of us in planned giving are all for including such options on reply pieces. Imagine how they can improve our numbers for statistics we may track, such as number of bequest notifications or number of legacy society members. Even if some or

many of these direct mail responses turn out to be meaningless leads or the machinations of insincere people who simply like to spend time with direct marketing response cards, we're out there cheering on the inclusion of any planned giving material with direct mail solicitations. It is, in fact, one no-cost to low-cost method of generating leads.

No matter that we might be engaging in a form of marketing cannibalism, thus potentially harming our fundraising team and even our organization in the long run. That would be the opinion of the direct mail folks, who, understandably want to maximize the effectiveness of every mailer they send out. Don't do anything, they might say, to distract the donor from fulfilling that transaction by mailing back a check.

Throwing in information about planned giving or complicating the reply instrument

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accelerate it to a lifetime gift to take a charitable income tax deduction for the contribution. This makes the most sense when the asset destined for charity generates no income, or a gift could generate income.

- ◆ For example: Donors who have named a charity as beneficiary of a life insurance policy may want to consider contributing the policy during life.
- ◆ Donors in retirement who have included a bequest may want to accelerate that gift to create a charitable gift annuity that creates an income tax deduction as well as retirement income.

2. *Make estate gifts from IRD (income in respect of a decedent) assets.* While the assets may not be subject to estate tax, the recipient cannot escape the income tax due. The most common ways to use IRD assets for charitable giving include the following:

- ◆ During life, donors over 70½ can use IRD assets in an IRA to transfer up to \$100,000 to most public charities.
- ◆ Name charity as the beneficiary of an IRA or retirement plan. Charity can be named as a fractional or pecuniary amount of the IRA, or the donor may want to create a separate IRA exclusively for one or more charities.

- ◆ Designate charity as the specific devisee of savings bonds with accrued income such as EE or HH bonds.
- ◆ Direct the executor to fund charitable gifts using IRD property.

3. *Make a retained life-estate gift of a home or farm destined for charity.* Where the donor plans to transfer a primary home, a vacation home, or a farm to charity, consider a gift of the real property to charity reserving the right to live in the property for the donor's life (or a combination of lives).

What Should Gift Planners Do?

The estate tax has been with us for many years and is likely to remain, just as donors have been with us for many years and are likely to remain committed to the charities they support. Think of change as a challenge that leads to deeper conversations with donors. Gift planning is about maximizing the donor's goals, addressing changes in the donor's lifestyle, anticipating changes in the economy, and maximizing the tax benefits.

We should continue our conversations with donors, talking to them about their commitment to the community and challenging them to achieve their charitable goals and visions. ◆

Direct mail folks want to maximize the potential of every mailer.

¹ All figures from 1934 through 1985 from Internal Revenue Service, Fall 2002 Statistics of Income Bulletin, Table 17, Estate Tax Returns as a Percentage of Adult Deaths, Selected Years of Death, 1934-1999; number of deaths data 1996-1999 from National Vital Statistics Report, Vol. 49, No. 8, September 21, 2001, p. 16; 2000 death figures from National Vital Statistics Reports, Vol. 51, No. 5, March 14, 2003, p. 3; data on estate tax returns filed 1990 through 2004 from Summer 2009 Statistics of Income Bulletin, Table 17, "Taxable Estate Tax Returns as a Percentage of Adult Deaths."

² See a great article on this topic, "On Estate Tax Repeal and Charitable Bequests," by David Jouffaian, Office of Tax Analysis, Department of the Treasury on Planned Giving Design Center, at www.pgdc.com.

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Less than 30 percent reveal their commitments to named organizations.

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in any way could endanger the flow of funds for basic support. There is plenty of time later, they would assert, to market the concept of planned gifts to donors once they are moves-managed to greater sustainability.

“My most effective packages have been those in which I have been able to keep the donor focused on the donation at hand. I do this by working the copy to the point where there are as few choices as possible. I use design to push to the preferred choice by highlighting the best or preferred option in some way. Therefore, I prefer not to have check-off boxes or the like allowing requests for information.” So states Denise Bealin, direct mail and membership manager at George Washington’s Mount Vernon. Denise is a colleague with whom I have debated this issue more than once, usually without emerging victorious.

Emphasizing the value of a clean direct-response solicitation, she prefers to introduce planned giving messages into the direct mail stream by including a marketing piece or message in acknowledgments for direct mail gifts received.

Denise says, however, that she is “always open to testing. Once I have controls established, I would always support testing alternatives.” And, in fact we are going to test the planned giving check-off box later in 2009. Progress! From my point of view, that is.

Yet, who can blame a direct mail fundraiser for this totally logical reasoning? I mean, if I were the direct mail person, I’d want my numbers to look as good as possible, too.

But there is a much greater issue at hand. “If the donor fails to make the donation because he or she is distracted or confused, then everyone loses,” Denise says. Ensuring that the maximum number of direct mail gifts that come in benefits the organization at large, she explains, noting that “there is ample opportunity to market planned gifts once the donors and/or base gifts are obtained.”

Still, I am buoyed by the occasional consultant at a fundraising conference who says, at the very least, direct mail folks should allow their planned giving colleagues to test by adding something about bequests onto the reply mechanism.

I always ask this question of speakers, inveterate hand-raiser/question-asker that I am. It’s interesting to hear the range of answers that I’ve gotten over the years. What I have learned is that there is no consensus.

So, let’s pretend we’re at a conference and attending a panel of experts discussing this topic. For this article, I thought there was no need to interpret the words of fundraisers who’ve wrestled with this issue and whom I have interviewed here. Below you can read their thoughts on the issue. Their assessments and reasoning speak strongly enough for themselves.

Karen Gallardo

Karen is senior director of gift planning and major gifts for the AARP Foundation. She says, “I am a firm believer that the key to bequest marketing is consistency and repetition, like all good marketing.

“By putting the check-off box option to request information about bequests or other planned gifts on all of our materials, we do two things. First, we get the word out that our organization is interested in these types of gifts; and, second, we send messages that just may be received at the time donors are thinking about their estate plans or philanthropy.

“By adding ‘I have already included . . .’ as a second check-off box, we are encouraging donors to reveal their bequests. Since we don’t control the moment the donors receive the message, they may have just completed or revisited their plans and this option would spur them to reveal their commitments. We know that, industry-wide, less than 30 percent of donors reveal their commitments to their named organizations. I think all nonprofits should be working to encourage donors to take the next step and reveal their gifts.

“By revealing their commitments, donors can be thanked while they are living, and we can clarify any special requests they have associated with their bequests. Further, by welcoming them into your legacy society, you will likely build that relationship. Good stewardship and appreciation of their personal commitment encourages more giving.”

Steve Haddad

Steve is principal of Sangha Solutions. He believes that “the myth that including gift-planning messages in annual giving appeals decreases response rates is simply that: a myth. Consider that our ideal planned giving donor prospects are over the age of 55, which is the demographic considered most likely to read direct mail pieces in the first place. Add to that the fact that many planned giving donors are small, periodic contributors to our organization — individuals who may give as little as \$25

or \$50 every other year — and you can easily draw the conclusion that forgoing planned giving messages in our annual fund campaigns is tantamount to ignoring a significant revenue stream for a nonprofit.

“By including a simple check-off box on an annual fund appeal, asking if donors would like to learn more about planned giving options, we merely provide our allies with an opportunity to support the organization in a different way.”

Kate Mathews

Kate is membership director for African Wildlife Federation. She is very positive about planned giving and response devices. “AWF includes planned giving check-off boxes on *all* our mail. We have not seen any decrease in response in terms of our appeal response rates. Did we do a head-to-head test? No. But just looking at the response rates to appeals, it is far more likely that the package offer, theme, and general economic situation will affect our members’ response to member appeals than the very gentle reminder about legacy giving.

“Over time, we have seen a decrease in the number of people who are currently responding to the check-off boxes, suggesting that those members who were interested in making a planned gift have already contacted us.

“We’ve also put a planned giving check-off box in our new-member acquisition mail without reducing response.

“We believe our donor file’s average age skews to high 60s and early 70s based on length of time on the file and some wealth analysis, so that may explain our results. I am having an age overlay done, so I can test this theory out, too.”

Nathan Stelter

Nathan is vice resident of The Stelter Company. He says, “Anecdotal, it’s always been my experience that it does not decrease response rate; however, you tend to hear some direct mail people bring up this concern.

“Personally, I’m a firm believer in ‘piggy-backing’ a planned giving message on everything both electronically and through the mail, as you never know when someone will have something happen in their life that causes them to think about their planning and you want to be as close to ‘top of mind’ as possible when they do.

“Also, the ‘type’ of planned giving message included in an appeal or email is important. For example, in our research we found that there are certain words to avoid

if possible, such as ‘bequest.’ We also know that a lot of people aren’t familiar with the term ‘planned giving,’ so using taglines such as the following would be more beneficial: ‘I’d like to learn more about how leaving a legacy can help (the charity)’ or ‘We understand things can change, however if you’ve left (the charity) in your estate plans, we’d like to take this opportunity to thank you.’”

Shelly Stuart

Shelly is vice president of development and education for the San Diego Humane Society and SPCA. She states that “we have been including a check-off box where donors can ask to receive information about ‘including the San Diego Humane Society and SPCA in my will’ on the back of our direct mail response forms for years. Our direct mail income continues to grow, our average gift from direct mail has increased over the years, and we have received many, many requests for information about including SDHS in estate plans using this vehicle.

“We also include check-off boxes where donors can ask to receive information by email and provide us their email address. As these options are offered on the back of the reply form, I do not believe that they in any way distract donors from deciding to make a gift.


“In fact, they have most likely already made their gift decision before getting to the back of the response form. I have not found that offering these options has had any negative effect on our direct mail results.”

Mal Warwick

As founder and chairman of Mal Warwick Associates, Mal says, “I don’t recall ever testing this proposition, but I’m convinced that the added revenue in bequest expectancies that comes from the occasional inquiry will far outweigh any possible dampening of response. And I doubt very much that response is actually reduced by offering this option.

“A word of caution, however: It’s equally important what sort of information you provide in response to the inquiries you receive. I would *not* recommend offering information if: (1) all you’ve got to send is a simple off-the-shelf booklet along the lines of ‘Do you have a will?’ such as those provided by any one of several established companies; (2) if you respond with a flood of complex information about all the tax-avoidance and income-generating possibilities of planned giving; and/or (3) if the examples you provide to donors highlight the multi-million-

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plans!

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matched and expressed the underlying sentiment behind my old daydream: "I look on universities as one of the most noble creations of our age. They are to our modern era what the great gothic cathedrals like Chartres and Reims were to their age, the symbols of the highest ideals and aspirations of our age. I could get up every morning and know that I was like those architects and stonemasons of the late Middle Ages trying to build a structure, in my case a university, that would last and be admired for centuries . . ."

Dreams, Feathers, and Tools

Not too long after reading Dr. Danforth, I was in bed late one night reading yet another book on cathedral construction when I turned a page and saw a sidebar that contained drawings of tools used by stone masons. One of the hand tools was described as a "feather." It looked very much like a wedge. The stone masons used "feathers" for quarrying stones for the cathedrals.

In one of those rare "eureka" moments, it hit me in a proverbial flash: my surname, Featherstone, might very well have descended from one of those cathedral stone masons! It was a practice in those days to tack on the word for one's trade as a second or surname, e.g., Baker, Smith, Miller, and so forth.

Is it possible that my inclination towards "all things cathedral" was grounded in some sort of subconscious tugging from my ancestral past? Very strange notion, but, hey, who can say? It's my theory now, and I'm sticking to it!

Wait a minute, you might ask, what does any of this have to do with gift planning? Well, mind you, the "feather" tool was specifically used for splitting stone. While my medieval ancestors might have been splitting stones for buildings, today as a "gift-planning mason," I'm splitting not stone, but interests in gift plans! OK, that is a stretch, but life is short, so have a sense of humor and indulge me.

More significantly and seriously, our vocations as gift planners are somewhat akin to those folks who dedicated themselves to building poetries in stone. I, and you, too, work closely with others to help build "structures" of lasting and significant worth in the present and for the future. Yes, if not cathedrals, then universities, hospitals, endowment funds, and agencies of many descriptions — and we do it by cutting and fitting and shaping gift plans.

I hasten to recognize that all our different development "guilds" contribute to this monumental process. But there is something about our gift-planning guild that really is about splitting and fitting pieces, helping and sharing with each other as we

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dollar legacy gifts of major donors. Bequests are the main event in 'planned giving,' and far too many specialists forget that most bequests come from people who are not rich.

"I've also seen some prospect packages that include this option on the reply device, but I don't recommend that practice — not because I have proof that it depresses response, but because I feel simplicity is one key to success in donor acquisition."

Ruth White

Ruth is director of member services, for the National Museum of Women in the Arts. She indicates that "many of the bequests received by the museum are given by members who have given relatively small but consistent gifts over the years. As such, these members are rarely on the radar of our major gifts officers. Often, when we receive notification of such gifts, we wish we would have known

the members better in order to really show our gratitude to them and their families for the generous gifts. Because of this, it is clear how important it is for the institution to include language regarding planned giving whenever possible on materials."

Conclusion

So, as moderator of this session, isn't it nice that all of our panel members, regardless of development role, supported the inclusion of planned giving messages in direct mail house-file mailings? Or at least testing it.

Honestly, I tried to find other sources for this article who would argue for the other side, but I could not. Perhaps a Letter to the Editor could present another perspective.

Until then, we have before us a clear collection of endorsements for getting those planned giving check-off boxes on your organization's direct marketing reply cards. ♦

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