BUILDING Fundraising Momentum in a Recession

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Building Fundraising
Momentum in a Recession

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Throughout the hardest economic times in recent history, like the OPEC oil embargo of the early 1970s and the terrorist attacks of 2001, philanthropy remained robust. The average annual increase in overall giving over the past 40 years is 2.8 percent. To be sure, giving tends to dip during recessions. But even in recessions, giving remains above the periods that preceded them by three or four years. The trend has been steadily upward, and there’s every reason to believe that trend will continue.

The following strategies will help to see you through the recession:

1. **Keep communicating with your best prospects.** It’s true that some major donors are somewhat less prosperous today than they were two years ago. However, if you stop asking them to give, they may come to believe that you don’t need their support. Be tactful, be restrained, but keep asking. And let them know you’re using their dollars wisely. They’re pinching their pennies. They’ll appreciate it if you do the same.

2. **Focus on your mission.** Your mission is more relevant now than ever before. Remind donors of the consequences of not meeting your mission. Who will suffer, go without, or be worse off now than they were before?

3. **Know your constituency.** Efficient fundraising means asking those who are most likely to give and not asking those who are unlikely to give. Analyze your database to learn the characteristics of your best donors, and focus your fundraising activities on people who have the same statistical profile. If you don’t have the in-house expertise to do that, Target Analytics is one of the companies ready to help.
4. **Prospect wisely.** For the most part, your major gift prospects in the future are your best prospects from the past. However, in the present, you should seek major gifts from those in recession-proof businesses. Look for industries that are prospering even in recession, such as healthcare, alternative energy, grocery, and Software as a Service (SaaS).

5. **Market planned gifts, especially annuities.** During recessions, interest rates tend to drop. However, the payout on annuities is based on actuary tables rather than market rates, so older prospects may see these as good investments.

6. **Stewardship is more than just a “stage.”** Recruiting a new donor is much more expensive than retaining an existing one. When the economy improves, donors are more likely to resume giving to organizations that have stewarded their gifts — of any size — well.

The best time to raise money is not when the economy is cooking at full boil — it’s when you need it. The reasons people make charitable contributions don’t change during a recession: They believe in the mission, they trust the leadership, and they are personally involved.
CHAPTER ONE

Raising Money During Challenging Times

by Lawrence Henze

In the nonprofit world, it’s “survival of the fittest” during times of economic recession. But that doesn’t necessarily mean you have to be the largest, best-funded organization to survive — more importantly, it’s how you react to the economic environment that makes all the difference. You need strong management with a solid plan, along with a lot of good old-fashioned hard work. You can prepare by examining areas of operation that are less efficient than they should be and by applying time-tested and proven strategies for keeping afloat.

Whether we call it a recession, economic downturn, or time of uncertainty, there is no longer any doubt that the American economy faces trouble in the months ahead. The government’s bailout of the financial industry, a volatile stock market, rising unemployment, the soaring cost of living, and shaky consumer confidence are combining to add pressure to our daily lives, as well as to our work in the nonprofit community.
Regardless, our efforts to raise funds for our nonprofit organizations must continue, and we know from previous experience that charitable giving continues even during difficult economic periods. However, it is incumbent upon us to investigate methods and strategies that promote fiscal responsibility within our organizations as we continue to raise funds for our missions.

While I cannot offer a “quick fix” to the economy, I can discuss the effects the recession may have on the nonprofit community, and, most importantly, suggest strategies for continuing fundraising success in these times.

**Knowing Your Constituencies**

Although certain effects of a recession are national in scope, such as the impact of energy costs on transportation and heating or cooling our homes, there often are differential experiences based on location and the key elements of the regional economy in which one lives. For example, California is in a serious real estate slump, while other states with ties to automobile manufacturing are suffering layoffs and plant closures. As a result, it is more important than ever that you understand your constituents and how they are affected by this recession.

If your organizational constituencies are diverse and national or international in nature, it is more difficult to have a comprehensive view of all the regional factors impacting your donors and prospects. But as difficult as it is, you must try to understand as much as possible. As you continue to plan development trips, special events, or phone-a-thons, know as much as possible about the communities you are visiting before you schedule the trip, event, or activity.
The following ideas may work for you:

1. If you’re planning development calls, it is a great time for development officers or research staff to update prospect profiles before appointment calls are made. Knowing more about individual situations will better prepare you to make the call and respond to concerns that your donor or prospect expresses.

2. If you’re thinking of holding a special event in a particular region, understand the economic dynamics and consult with your best donors and volunteers regarding the viability of an event at this time. Make these individuals part of the team. It may be possible to still schedule the event, and suggestions from your constituents may help you set the appropriate tone.

3. If you are an educational institution employing students as full-time callers, now is a good time to ensure that your students are well versed on current events and the economy. Intelligent callers paint a great picture of your campus, and socially aware and compassionate students are more likely to build rapport with your alumni and friends, even if now is not the time to maximize gift support.

It is very important to remember that your donors, members, and prospects do not stop caring about your mission during a recession. Yes, they may become more individually focused and it may become necessary for them to decrease giving or postpone a pledge payment, but you remain in their thoughts and hearts. How you compassionately manage your relationship with your constituents in the next few months will create opportunities for future growth when the economy improves.
Your Organization and the Recession

Certain fortunate nonprofits, colleges, and universities may find that the effect of the recession upon fundraising and membership activities is negligible. I hope that is your reality! If it is, I encourage you to continue reading, as many of the proffered strategies will work for you as well.

Some organizations realize that economic downturns tend to be temporary and act internally as if very little has changed. Hopefully they remain aware that their constituents may have different fears and realities and subsequently build an understanding of these concerns into their communication plans.

Most organizations, however, find that a tough economy impacts their daily internal operations, as well as their outreach efforts.

Notable effects include:

1. Institutional budget freezes or cuts
2. Programmatic reductions or eliminations
3. Hiring freezes for vacant or new positions
4. Staff layoffs

Any or all of these changes may be in store for your organization now or in the near future. How you react to the situation will impact your organization as well as your career, but rest assured that there are significant opportunities for you to succeed in spite of these significant hurdles.

The Recession and You

I'm not a psychologist or therapist in real life, nor do I play one on television. It is obvious, however, that what affects us in our personal
lives also weighs upon our professional careers. It is highly likely that we’ll be hit by the recession as well. For example, high energy costs introduced a new term into the summer season — “staycation.” Many of us chose to spend our time off pursuing fun activities close to our primary residences.

Without a doubt, the ways in which your organization reacts to the economy will affect your work as well. Indeed the problem may be circular — we really don’t know which problem hits us first — but you may take positive steps to prevent being trapped in a negative cycle if you follow some of the advice in this chapter.

Now is a good time to assess potential organizational responses to the recession as well as the role you may play to help your institution to weather the economic storm. Identify areas in which your organization may become more efficient and effective rather than waiting for direction to do so. Take a chance to be a leader and make yourself indispensable. Here are a few methods and strategies that can help you enhance your organizational response to the recession and identify you as a proactive problem solver.

Market Research

Yes, I am in the market research business, so (not surprisingly) I suggest employing analytical services to better know your constituencies as a strong, proactive move to take in recessionary times. Why?
Building Fundraising Momentum in a Recession

Simply put, knowing our market segments enables us to develop targeted communication strategies that increase response likelihood. This knowledge promotes efficiency (a potential reduction in contacts) and effectiveness (a potential increase in response rates). It addresses two consistent, widespread problems in the nonprofit industry: over-solicitation using one-size-fits-all messaging.

Perhaps you’ve heard me speak at a conference before, and right now you’re thinking that I don’t change my tune about the subject matter in good or poor economic times — and you would be correct! Being smart, effective, and efficient should be daily goals of any successful nonprofit organization. It is just that in these difficult times, it’s even more critical to take the opportunity to become smarter about your contact and communication strategies.

Customized statistical analysis will give you the insights necessary to implement more communication and solicitation strategies. Ongoing internal data mining and predictive modeling can save your organization precious resources and increase donor loyalty, provided that you implement the necessary strategies to take advantage of your increased understanding of your constituencies.

Now let us discuss some additional concrete strategies for maintaining or growing your fundraising success during a recession.

**Ideas That Work: Donor Relations**

Regardless of the state of the economy, I find that the majority of colleges, universities, and nonprofit organizations I interact with do not have an accurate reading on the number of communications initiated by them with each of their constituency groups in any given year. Are you able to answer that question, not just for areas of your own responsibility, but for the institution as a whole? Is it not reasonable to assume that the relationship any individual has
with the organization is impacted by the entirety of the messaging he or she receives?

There are many historical reasons that explain why we don’t look at the length and breadth of our donor communications. These include but are not limited to:

1. A narrow view of donor relations focusing on communications directly related to fundraising efforts
2. A siloed approach to the structure of our development operations, which encourages compartmentalized communication plans
3. The willingness to not account for, or even seek, the donor’s opinions of all of our communication streams

I am frequently bombarded by three, four, or five direct mail contacts per month from organizations I support with my gifts, particularly during peak fundraising months, such as October or November. I wonder if anyone in that organization is aware of that number or is interested in knowing what I think of the frequency of these contacts?

There are many historical reasons that explain why we don’t look at the length and breadth of our donor communications.

My thoughts rest on simple solutions the organization could employ:

1. Determine and chart the average number of contacts — direct mail, telephone, and email — the different constituents receive from your organization each month for the entire year. Move outside your own area of operations to view the entirety of its communications stream from your organization as a whole.
2. Analyze the content and purposes of each communication and chart accordingly (for example, cultivation, solicitation, information, or recognition).

3. Identify areas in which these communications overlap, looking for opportunities to consolidate or eliminate individual pieces.

4. Ask your donors, through surveys via email, direct mail, or the telephone, which communications they value, as well as those that are not personally important to them.

5. Implement a communications plan reflecting the donor’s wishes.

During a recession, you may want to think twice about introducing new special events, particularly those of the “gala” genre.

Remember that knowledge is both powerful and enabling, and the insights your donors and prospects share with you create opportunities for stronger relationships. Do not assume that an individual’s request to receive fewer communications is a sign of declining interest in your organization. It is equally, if not more, likely to be a thoughtful response indicating the elements of your mission that are of particular interest, thus defining that person as a better prospect. In the end, fewer touchpoints may create a more meaningful relationship, particularly if you communicate your interest in being more cost effective.

Finally, special events often serve a dual purpose of building donor relationships and ongoing fundraising. During a recession, you may want to think twice about introducing new special events, particularly those of the “gala” genre. And take a look at ongoing events as well to ensure that these activities are successfully addressing stated goals.
For example, if the primary purposes of your annual “Harvest Ball” are to cultivate and solicit major donor prospects, and if you observe little post-event staff interaction with attendees, it may be time for a makeover.

In all honesty, my personal and professional bias is that most events lose focus over time. Recession or not, it is a worthwhile undertaking to annually review each event to ensure that its original goals and objectives are being met. Are you seeing growth in annual and major giving from event attendees, or doesn’t their giving match the event fee? Perhaps this is a topic worthy of its own book for another time.

Idea\s That Work: Annual Giving

If you follow the advice in the previous section, you will know how many times you solicit donors and prospects annually. Even if you do not question how many solicitations are too many during prosperous times, perhaps a recession will provide the reality check you need to do it now. Question everything, including:

1. How are we perceived by our giving constituents? Do we want them to see us as an efficient organization that applies the majority of gift revenue to programmatic and mission-supportive activities?

2. Are we able to solicit loyal donors more efficiently? If historical evidence indicates that most of our donors give once annually, and many give on or about the same time each year, why don’t we ask them to give at the appropriate time and eliminate the untimely asks?

3. Are we willing to be forthright with these donors and engage them as partners in our efforts to reduce the administrative overhead? Isn’t it a positive message to ask our donors to participate in a cooperative effort to make the giving process fit their individual preferences? I think so.
4. Should we operate the annual fund as a one-year-at-a-time, “thank goodness we made the goal this year,” enterprise? If we approach each year as an independent effort to reach certain targets for number of dollars raised and number of donors realized, should we be surprised that our donor attrition rate is high?

5. If donor loyalty lies at the foundation of most ultimate giving, which it unequivocally does at almost every organization, should we not establish donor retention as the chief goal of the annual fund? And is it not worth at least a tested limitation of the solicitation program that asks less often, that encourages and acknowledges donor loyalty at any gift level?

6. Does your organization over-solicit? If your most frequent method of contact is in the form of a solicitation, it is highly likely that you are doing just that. If most donors give once annually under these circumstances, it becomes highly probable. In tough economic times, reduced solicitation attempts can yield budget savings, which may be applied to budget relief or reallocated to the cultivation of major and planned giving prospects. And you will earn the respect of your donors.

You will, of course, have donors who give more than once annually. I’m not suggesting that you try to convert their giving patterns to one gift per year. Encourage their continued loyalty through multiple gifts accordingly. However, if you solicit these donors 12 times annually, and many give only in June or December, doesn’t that make you think that some of the intervening requests are unnecessary?
Ideas That Work: Major Giving

We are nearing the end of this chapter, and if I’ve done well communicating my ideas the pervasive themes should be evident:

1. Fundraising does not stop during a recession.
2. Some people may reduce or eliminate charitable giving during a recession, but most will not.
3. It is a great time to practice smart, effective, and efficient fundraising strategies.
4. Most of these smart strategies will work as well in an economic boom.

And these thoughts lead us to major giving in challenging economic circumstances.

It is critical that the cultivation of major giving prospects continues through economic downturns. Do not assume that people who have been prospects and/or donors will not be able to give. Many wealthy prospects will not be adversely affected by a recession, and some individuals actually profit during downward economic trends.

And, you may ask, what is the point? Major giving is all about cultivation, or, more specifically, the building of a relationship with your prospects and donors. Even if a donor’s ability to give is limited or thwarted by the economy, the relationship should continue. At the very least, as the economy recovers, you will still be in the thoughts of your donors. If you withdraw from the relationship, you jeopardize its continuity and the lifetime giving potential.

As you talk with your donors, your effectiveness in communicating the mission of your organization and its ability to cope in this economy will speak well of your nonprofit and its forward thinking.
Once again, take the initiative and lead your organization through the process of positioning your mission to succeed in spite of the anticipated pressures caused by a down economy.

In fact, I would take it one step further. We draft case statements for capital campaigns, and we include mission statements in our funding proposals. So why don't you draft a similar document that details your planning and preparedness for the recession, including:

1. A brief explanation of how you will continue to meet mission goals, including an honest assessment of what may need to be reduced or cut back

2. A discussion of your efforts to trim expenses, specifically mentioning your efforts to partner with donors to cut fundraising expenses

3. A statement of your ongoing gratitude for their loyalty and support of your mission.

Remain in communication with your top prospects and your efforts will be rewarded, if not now, perhaps later as the economy improves.

**Ideas That Work: Planned Giving**

In recent months, my colleague at Target Analytics, Katherine Swank, and I have published several papers on planned giving. You may find them on the Blackbaud website, www.blackbaud.com. These articles address the fundamentals of establishing successful planned giving efforts, and the principles espoused hold true in tough economic times as well as economic upturns. Many of the ideas address such issues as your readiness for a planned giving program, how to talk with planned giving prospects, and simple marketing strategies that can work for your organization.
There is a strong temptation to scale back planned giving cultivation and solicitation in these uncertain economic times, as the need for current operational funds becomes first and foremost for many organizations. I understand that temptation, as it is true that “new” planned gift commitments will not bring cash for years to come.

Nevertheless, there are many reasons to continue planned giving cultivation during a recession. Let’s start with one reason that may already be obvious to you as you look at gift receipts over the past year or two. It is likely that your organization has already been the beneficiary of one or several estate gifts in recent months. These gifts were “planned” or “committed” several years ago, and fortunately for your organization, the proceeds of these gifts are becoming available to you at a very important time when other funds may be limited. One way in which our organizations are better prepared to survive economic downturns is through these planned gifts. Don’t you want to ensure that future leaders of your organization have these types of gifts available to them?

Some planned giving experts are suggesting that marketing efforts aimed at promoting charitable bequests among younger prospects, ages 40 through 60, may be curtailed or postponed at this time because the proceeds of any gift commitments are likely to be realized 30 to 50 years from now. I don’t agree, although in keeping with the theme of this chapter, I do continue to suggest smart and effective techniques for these cultivation efforts based on insightful market research. This may be the right time for increasing the significance of your relationship with many of these prospects, and I don’t think you want to lose potential ultimate gift opportunities for possible short-term savings.

A recent study reports that almost 50 percent of all charitable bequests are first created by donors between the ages of 40 and 60. If
you step back from this potential, even if only for one or two years, you risk in my estimation hundreds of thousands of dollars in future gift opportunities.

Also remember that tough economic circumstances breed conservative financial behavior, and conservative financial behavior goes hand-in-hand with certain types of planned gifts, including bequests and charitable gift annuities. These gifts offer many of our committed donors or members an opportunity to provide a significant long-term commitment to the organizations they love that match their fiscal needs. As I’ve said many times before, bequests require no current cash outlays and annuities provide income stream to donors worried about their long-term financial viability. Those are ideas that work in a recession.

Additionally, there are other planned giving opportunities that may be more attractive in a recession. For individuals with multiple properties, a gift of real estate may make sense when homes are difficult to sell. Similarly, a life estate in a primary residence also addresses the need for housing while providing some excellent tax benefits.

Finally, Congress has extended the IRA rollover contributions tax provisions through 2009. I do not know how these gifts will be affected if the economic conditions continue to decline, but these have been very popular gifts since Congress acted. I would continue to market these opportunities in the months to come.

Conclusion

In a recession, there are many positive actions you may take to better position your organization to raise money and trim costs — actions that will continue to work through economic recovery. Don’t sit back and let a recession act upon your efforts; rather, be a leader and proactively seek strategies that make your organization smarter, more effective, and more efficient.
The names of America’s wealthy are known to most of us: Bill and Melinda Gates, Warren Buffet, and the (Sam) Walton family members, to name just a few. Their philanthropy is legendary, and many nonprofit organizations’ staff and leadership look for ways to connect with them. A few — very few — will succeed. What options does your organization have to acquire major and planned gifts if you aren’t on the short list? Turn your attention to cultivating prospects who are affluent versus wealthy. The affluent market has been one of the fastest growing in America for more than two decades. It has been estimated that by the year 2010, more than 19 million households in the U.S. will be affluent. Through consistent and meaningful communications with affluent prospects within your constituency, you can strengthen and grow your annual fund and your major donor base.
The Definition of Insanity

Albert Einstein said, “The definition of insanity is doing the same thing over and over again and expecting a different result.” Think about this quote for a minute. Does it apply to the way you prospect for major and planned gift donors?

It’s a common practice among development professionals to collect lists of the “movers and shakers” and high-profile family foundations with the goal of finding contact points and building relationships with these very generous people. I’ll be honest and admit that I’ve done this! On a few occasions, my efforts paid off and I was able to establish new relationships and ongoing gift opportunities, but, more often than not, my efforts proved futile. Most, if not all, of these community philanthropists had already committed their time and resources to causes they selected many years ago, and my organization was not among them.

It’s easy to fall into this routine of making lists and looking for connections with the wealthy.

There were plenty of days when my frustration level was high because I wasn’t achieving my objective. While I never reached the level of “insanity,” I realized that I was, in fact, hoping for a different result. It’s easy to fall into this routine of making lists and looking for connections with the wealthy. Their names are known to us and their generosity has a major impact for some organizations. We want to be part of the group. But hoping that a miraculous event will occur and that suddenly their philanthropic interests will include us may be bordering on the precipice of insanity.
Instead of traveling down that same path over and over again, let’s take a look at a different prospect group. Hiding within your donor lists are people equally as generous — equally capable of making a significant difference at your organization. You may not have had the tools or the knowledge to find them in the past — but things have changed. Philanthropic profiles can help you find and cultivate prospects that were previously unidentified. They are the affluent, and together with those considered “rich,” provide more than 65 percent of all charitable gifts given in the U.S. annually.¹

You have the ability to find these prospects and focus your efforts on building relationships with these people whose philanthropic giving you may not yet have explored. Let’s take a closer look at the affluent: who they are, their charitable giving patterns, and how you can identify them within your existing constituency.

**Who Are the “Affluent” in America Today?**

The richest of Americans are defined as the wealthy. They are the top 1 percent with household incomes in this country that commonly exceed $500,000 annually. As a group, they account for between 25 and 35 percent of all charitable gifts in the U.S.² Within your own community, these are the “movers and shakers” you already know.

The affluent, however, are households with an annual income slightly less than $100,000 or net worth of around $1 million. In 2001, more than 20 percent of households in America were near or exceeding this mark. There has been huge growth in the past few years, and nearly 9.3 million — or 7 percent of all households — are considered “millionaires.”³

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In 1996, “The Millionaire Next Door” was defined. He was a 57-year-old married man with three children. Often, he was a self-employed business owner, farmer, or contractor with a median household income of $131,000 and was the first in his family to achieve the status of affluent.

Over the succeeding years, the portrait of the affluent has been changing. Increasingly, he is younger and more likely to be an entrepreneur in technology, real estate, athletics, entertainment, or a corporate leader. He might be a minority and he might be a she.

Many millionaires consider themselves conservative investors and have created their fortunes through the long-term accumulation of assets. Nearly half are retired, although the average age still hovers around 58 years old. Over two-thirds of these households own stocks, bonds, and mutual funds, and nearly half own investment property including second homes or rental property. Their average net worth is just over $2 million, but only around $1.4 million of those assets are liquid or investable.

**Giving Patterns of the Affluent**

Now that you have a better picture of some socio-demographic indicators of the affluent, let’s take a closer look at their giving patterns. There is a clear division of philanthropic priorities when it comes to the affluent. Their giving patterns differ from the general public and they tend to more generously support some sectors over others. Arts and culture, health, education, and environmental and international affairs organizations receive well over half and possibly as much as 95 percent of their annual revenue from affluent households. Conversely, just half or less than half of giving to human services and religious organizations is from affluent households.

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The following chart shows the breakdown of giving by the affluent to six charitable sectors.

**Percent of Household Giving to Sectors by Income Group**

<table>
<thead>
<tr>
<th>Annual Household Income</th>
<th>Arts</th>
<th>Education</th>
<th>Environment; Animals; Int’l Affairs; Other</th>
<th>Health</th>
<th>Human Services</th>
<th>Religion</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$100,000</td>
<td>4.4%</td>
<td>5.9%</td>
<td>31.4%</td>
<td>13.8%</td>
<td>49.1%</td>
<td>59.4%</td>
</tr>
<tr>
<td>≥ $100,000</td>
<td>95.6%</td>
<td>94.1%</td>
<td>68.6%</td>
<td>86.1%</td>
<td>50.9%</td>
<td>40.6%</td>
</tr>
</tbody>
</table>

When it comes to helping society, both historical and recent giving studies show that giving by the affluent, along with the wealthy, is less affected by economic downturns than the general population. Funding commitments to organizations often stay steady, and, in some instances, grows. The desire to keep community resources intact and to help others in need is of particular concern to these people.

If you do nothing more than obtain income information about your donors, you will have started to define those who are affluent and those who may not be. However, the more you know about your organization’s particular donors, the more effectively you will be able to define and cultivate your unique affluent prospects. Armed with the simple profile developed herein, you can start to compile the data you need to identify and cultivate them for upgraded or major gifts. Take a moment now to determine what data your organization already knows and houses in your internal database.

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Also ask yourself if there are data points that you do not yet know but should acquire:

- Age of prospect or head of household
- Marital status of prospect
- Gender of prospect
- Ethnicity of prospect
- Annual income of prospect or household
- Corporate connection of prospect or identified as retired
- Approximate wealth or identified assets other than primary residence of household

One efficient way to obtain this information is to purchase it. Various vendors offer such data appends.

**Affluent Donors Have More Than One Giving “Pocket”**

Affluent donors tend to use alternative giving vehicles in addition to personal giving. The establishment of family foundations and donor-advised funds saw a significant rise through the late 1990s. While it is still a popular giving vehicle, new foundations are being created today at less than half their highest rate. In 2004, the Foundation Center counted more than 33,000 foundations with measurable donor or family involvement.

As a group, family foundations provide around 68 percent of all foundation giving, but more than half of these foundations make grants of less than $50,000 annually. Even so, giving from family foundations continues to increase and giving patterns closely follow the interests of their creators. As we saw previously, most giving goes to health, education, arts and culture, and also human services.
Percent of Giving to Sectors by Family Foundations

<table>
<thead>
<tr>
<th>Sector</th>
<th>% of Giving for Grants of $10,000 or More</th>
<th>% of Grants Awarded at the $10,000 Level or Higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>30%</td>
<td>12%</td>
</tr>
<tr>
<td>Education</td>
<td>25%</td>
<td>22%</td>
</tr>
<tr>
<td>Arts</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>Human Services</td>
<td>9%</td>
<td>26%</td>
</tr>
<tr>
<td>Religion</td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Foundation grants tend to favor gifts to support programs (50 percent) while other areas receive much less: operating (20 percent), capital projects (18 percent), research (8 percent), and student aid (4 percent).

Donor-advised funds are most accepted by younger affluent individuals who see them as a way to accumulate giving dollars over time. These easy-to-establish charitable gift funds are maintained and managed by third-parties such as investment firms or other charitable organizations. While they are growing in popularity, donor-advised funds remain largely untapped by development professionals. Fidelity Charitable Gift Fund, one of the largest managers of donor-advised funds, reports that it established 2,300 new accounts in 2007 alone. The minimum annual contribution to a fund is $5,000, and gift distributions lower than $100 are not permitted. In the same year, Fidelity distributed more than $850 million to nonprofit organizations from donor-advised funds.

Because these funds operate very differently from family foundations, many organizations do not tend to seek gifts from donors who have them. Donation directives were made when the fund was established, and your organization may not have been on the list. But this doesn’t necessarily dictate future distributions. Letting your affluent donors know that you accept grants from donor-advised funds should be part of your solicitation message.

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Simple conversations with your prospects and donors can reveal a lot of useful information. In addition to asking questions about your prospects’ programmatic interests, you should also inquire about the various giving vehicles that they use to make charitable gifts along with their donation objectives. Most donors are honored that you are taking the time to understand them and will openly discuss their preferred giving methods with you.

To take advantage of this person-by-person information, you’ll need to make certain that your internal database is capable of recording this donor-specific data. Additionally, you should determine if you can record the answers to the following questions or if you will need to first establish new fields before you capture the responses.

- Does the prospect have a connection with a family foundation or foundations? If so, can you link those records?
- Has the prospect established a donor-advised fund?
- Has the prospect indicated an interest in:
  - Programs
  - Operating support
  - Capital projects
  - Research
  - Student aid/direct aid
- Does the prospect support organizations whose missions are primarily related to:
  - Arts and culture
  - Education
  - Environment, animals, or international affairs
  - Health
  - Human services
  - Religion
You can get help gathering philanthropic data including gifts to other organizations, giving interests, and foundation connections through prospect research services that are widely available.

**Finding the Affluent in Your Donor Base**

Regardless of the charitable sector under which your organization is classified, you will find many affluent prospects and donors among your ranks. Once you have identified them using income and other variables, you should start to identify prospect groups. By clarifying the various ways your affluent donors interact with your organization, you will have a unique profile specific to your organization.

Let’s look at three techniques you can employ:

1. **Use in-house data mining to create suspect groups.** Begin to collect the demographic and socio-demographic data identified in this chapter and review your organization’s donor base for specific characteristics; a general profile of your unique affluent donor should emerge. Each organization’s profile will differ from this basic one due to differences in factors including the age of your organization, the sophistication of your fundraising efforts, historical giving, and your specific community.

2. **Conduct constituent modeling to easily identify specific prospects.** Alternatively, you may want to circumvent the time and expense you would invest doing this in-house and choose to hire an outside vendor to review your database and append the necessary information for you. Donor profiles can be created for you, and a ranking of your prospects can be completed within weeks or months rather than years. Further, using behavioral likelihood models identifies — with statistical validity — the exact portrait of your major gift prospects and groups them according to likelihood or ability. You will be able to focus your time
reaching out to your best prospects and asking them to join your mission work rather than collecting and analyzing data on your own.

3. **Track and report specific data to monitor donor patterns and year-over-year trends.** Once you have identified affluent donors within your donor base, review and report the specific giving patterns they exhibit such as average gift size, average length of time on file, average number of gifts per year, specific programs or mission-areas they tend to support, what appeals or solicitations they respond to, and what giving methods they tend to use most (i.e., online, direct mail, gifts of stock, etc.). Using this information, you can create better messages specific to giving levels and mission-funding that tend to appeal to your own affluent prospects.

   When it comes to securing major gifts, building personal relationships with your prospects is critical in securing larger donation amounts. Annual fund letters tailored to the specifics of your affluent audience may increase their smaller gifts to mid-sized ones, but you are not likely to see major gifts come in through the mail.

**Conclusion**

Apart from the wealthy philanthropists in your community, there is a secondary group of people who are equally as generous, but who are waiting to be approached and cultivated by you. The affluent donors and prospects already associated with your organization should be considered one of the most important cultivation priorities in your mission-funding plan. Now is the time to stop conducting activities that give you the same result over and over again: frustration and cultivation insanity. Instead, it’s time to identify and reach out to more likely high-end annual and major-gift funders. The affluent in America are growing, and their generosity has already been demonstrated — are you poised to take advantage of their desire to make a difference in our world?
CHAPTER THREE
To Screen or Not to Screen — *When* is the Question
*by Lawrence Henze*

It’s a simple question: When is the best time for your organization to conduct a prospect screening project? For some organizations, providing the answer may seem easy:

“We will screen when we have the budget to do so.”

But even that answer may not be appropriate for your organization. Certainly, in a perfect world with the necessary budget available, it would be beneficial to engage in ongoing data mining and screening projects. Your donors, your prospects, and your database are all dynamic; therefore, your efforts to identify those individuals who are most likely and capable of making specific types of gifts should be dynamic as well. (This “perfect world,” unfortunately, has yet to be discovered by astronomers or nonprofit professionals alike, so I will focus on a realistic assessment of the timing of a screening project.)

Thus, in the absence of a perfect world, the answer to the question is most likely to be situational in nature. Just like the results of a data mining or predictive modeling project highlight the unique attributes
of your constituents and your organization, so should the timing reflect the specific needs of your screening project. In truth, your organizational circumstances provide the best indications for the appropriate time to screen your database, and since there are multiple scenarios to be considered, there is more than one answer to be discussed.

**Setting the Parameters**

For the purposes of this chapter, “prospect screening” describes a process that is much more expansive than “wealth screening,” which is frequently and incorrectly used interchangeably with “prospect screening.” My view of prospect screening is more comprehensive and includes an analysis of both propensity and capacity to make an individual gift, as well as a study of the relationships that will facilitate the giving process. When you read “prospect screening” here, I include in its definition: data mining and predictive modeling, wealth screening, and peer screening.8

One final point of clarification will help set the parameters. Inherent in the title above is a critical point: I assume that periodic prospect screening is a necessity for promoting greater fundraising success. Once considered a luxury, prospect screening is now properly viewed as a key component of an effective and efficient fundraising operation.

**Prospect Screening and Annual Giving**

Did you think I was going to start with prospect screening for capital campaigns? In a campaign-centered profession, it might be appropriate and fitting.

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8 To be clear, I do not mean that every prospect screening activity must include all of these elements each and every time. However, I am strongly suggesting that prospect screening be viewed as a comprehensive and long-term plan that includes consistent use of all of the aforementioned tools in order to maximize the positive benefits of data that supports your dynamic fundraising needs and strategies.
Well, the annual fund flows deep within my veins, and rarely does a day go by that I am not saying to some development professional, “Data mining begins with the annual fund.” (I also say “because I am your father” nearly as often, with seemingly less effect, and certainly zero relevance to this book). For most organizations — I will note the exceptions later — annual giving or membership comprises the vast majority of gift transactions with the organization. It is almost always the beginning of the donor relationship, and from this beginning, there are many possible paths to be taken. Prospect screening will provide you with a road map to these paths; it can be a virtual fundraising navigation system.

Annual giving screening may begin with the simple desire to understand the characteristics of the donors who are making small to medium contributions. Additional questions, however, may be more focused:

1. You may ask yourself, “What is the profile of acquired donors?” “From what sectors of our society do our donors originate?” Or, for professionals who work for organizations with natural constituencies such as alumni, “Which groups of our alumni are most likely to give?”

2. But question number one is only the first part of the puzzle; you probably want to know more. Maybe you really want a profile of the donors who are most likely to give consistently so you have more than an acquisition profile; you have an “acquire to retain” profile. And if your organization is only able to retain 30 percent of its new donors annually, for example, do you really want lost donors to contribute to your profile of best annual giving prospects? That might lead you in the wrong direction.

3. Once you know the donors who are most likely to give consistently, the next item on the agenda is to identify donors likely and capable of upgrading their support. You might wonder whom among those
donors you should upgrade through an elevated ask amount, and who would need a more personalized approach.

4. Does your organization successfully track its donors’ responsiveness to specific solicitation vehicles, such as direct mail, email, and telemarketing? If so, you might want to know if those who respond to email profile differently than direct mail responders, or if telemarketing donors are most likely to mature into major donors.

“Once we know who is most likely to give, as well as those unlikely to give, may we adjust our frequency of solicitation to be most effective and efficient?”

5. You might want to know, “If annual fund growth at my organization is in decline or is at a plateau, is it possible that we may have saturated the pool for unrestricted giving?” “Do restricted gift donors profile differently, and who among our non-donors fits that profile?” “If we want to increase our response rate among non-donors, perhaps we need to ask for a different type of gift?” “Are we able to create a distinct profile of donors that give only or primarily to restricted funds?”

6. And, of course, there is my personal favorite of commonly asked questions: “Once we know who is most likely to give, as well as those unlikely to give, may we adjust our frequency of solicitation to be most effective and efficient?” “Will we react to our markets, reallocate fundraising resources accordingly, and explore our real potential?”
Isn’t it clear that, for any of these questions pertaining to annual giving or membership programs, the best time to do prospect screening is really now? But “now” may actually need to wait until the following is in place:

1. Budgetary funds have been secured. (I think I channeled a rocket scientist when I thought of this prerequisite.)

2. Staff is ready. (Implementation is usually thwarted if key positions are unfilled.)

3. You have the commitment among implementation staff to use the results as guidelines for revisions in current solicitation strategies. These revisions may include reduced solicitations and successful upgrade strategies — both of which help to cover the budget for subsequent prospect screening projects.

4. If you are using an outside direct mail/marketing vendor, you have commitment from this agency to follow your lead and directions on implementing new contact strategies indicated by the screening results.

As I mentioned earlier, some nonprofit organizations are less reliant on annual fund and membership activities to create their donor bases. Hospitals frequently rely on grateful patient programs for the bulk of their support, and they often struggle to establish a successful annual fund. Community foundations often forgo a true annual fund program altogether; perhaps it does not fit their mission statements, and also it may conflict with other community-based organizations to which they frequently provide fundraising support. For these and other organizations, data mining and predictive modeling on the annual fund may not be necessary at all.
Prospect Screening and Capital Campaigns

If you’re not currently involved in a capital campaign, it’s highly likely you are in the planning phase for the next campaign. Years ago, nonprofit professionals frequently called these efforts “special gift campaigns,” and as these have become an almost permanent part of the fundraising landscape, it has become much more difficult to truly call them “special.” (“Literal Lawrence” strikes again!)

I have had the great pleasure of working with many of the best and brightest capital campaign consultants in North America. The vast majority of these consultants recommend that prospect screening be completed several months in advance of the campaign's quiet phase and in time for the feasibility interviews they will conduct. Prospect screening results may influence the selection of individuals for feasibility interviews and ultimately could impact the timing or goal of the campaign.

Pre-Campaign Screening

Let’s say you’re in the pre-quiet phase for your next capital campaign. It is so secret, hush-hush, that only your best donors — and most of your constituents — know that it’s on the horizon. Come on, you don’t think that your best constituents are blind to your patterns and profiles, do you?

Without doubt, the time frame immediately preceding a campaign is an ideal starting point for a major prospect screening effort. Why? The demands of the forthcoming campaign make it essential for you to analyze the potential existing in your database, and it is likely to be the easiest time for you to secure the necessary budgetary funds to underwrite the project. However, if a primary motivator for the screening is to fill significant holes in the pinnacle of the
campaign pyramid, that alone should give you pause as to your actual institutional readiness to successfully complete this campaign.

Certainly, using pre-campaign screening to confirm assets is quite common, but it may not be necessary based on the quality of relationships you have developed with the “top of the pyramid” prospects in your database. It is appropriate to question whether you really need to obtain more wealth details on prospects selected for interviews during the feasibility study, but it may be necessary to engage in wealth screening to assuage certain fears inherent in the campaign planning process.

In my estimation, the best use of pre-campaign screening is to identify emerging mid- to upper-level major and planned giving prospects who will take significant roles in this and future [capital] campaigns.

In my estimation, the best use of pre-campaign screening is to identify emerging mid- to upper-level major and planned giving prospects who will take significant roles in this and future campaigns. Predictive modeling — specifically major giving and target gift range models — will successfully identify current low-level donors, and perhaps even new prospects who closely resemble the characteristics of your best donors. The modeling results will provide you with a significant number of prospects for current and future cultivation. Among those prospects identified for significant upgrades, you may choose to include those with current giving history for inclusion in the feasibility study interviews.
In spite of the pressure to raise current cash during a capital campaign effort, do not forgo this opportunity to identify annuity, bequest, and charitable remainder trust prospects prior to the beginning of the campaign. Identifying planned giving prospects now affords you the opportunity to adequately cultivate these prospects and increases the likelihood that you will secure their gift commitments during the course of the campaign.

**Mid-Campaign Screening**

In my 15 years working as a consultant to prospect screening projects, I have learned that most mid-campaign modeling and wealth screenings occur for one or two reasons.

First, great successes achieved in the first two years of the campaign have emboldened leadership to consider an updated screening project based on the new major giving profiles produced in the early phases of the campaign. This is a great use of prospect screening dollars, as the optimism generated by the campaign success creates a strong willingness to act quickly and directly on the prospects the mid-campaign screening generates.

The second reason is less positive: You have reached the mid-point of the campaign but fear that you have not identified a sufficient number of mid-range prospects to complete the campaign pyramid. However, a successful prospect screening project may help turn campaign pessimism into optimism, as it is likely to identify the needed prospects for your success. The painful reality may be that you may need to extend the time frame of the campaign in order to properly cultivate and solicit these new prospects.

The aforementioned capital campaign consultants often suggest their clients engage in a second screening at this time, for the same reasons mentioned above. Remember, fundraising is a dynamic enterprise,
and ongoing or periodic screening captures that movement within your database.

**Post-Campaign Screening**

Let’s say that you just completed a successful five-year campaign and it exceeded the goals set for your nonprofit or educational institution. Your success puts you in the enviable position of now possessing the best, most current data on your donors in the history of your organization. From the perspective of predictive modeling, this great data is likely to lead to the vast, most insightful profiles available to organization. Not surprisingly, this is a great time to do prospect screening.

Internally, it is also a great time for you to conduct your own analysis on the segments of your campaign that outperformed its goals, or perhaps underperformed its goals, to gain further insight into the constituency segments in your database. Although it is always important to succeed in your campaign efforts, it is also critical to understand the origin of that success and the areas in which you need to continue to improve. Do not let fundraising success lead to intellectual complacency; instead, use the great data you’ve accumulated to better understand the donors and prospects for your institution.

Finally, if you work for an institution that exists in a constant capital campaign mode, a post-campaign screening is tantamount to a pre-campaign screening. Please revisit the earlier section of this chapter to affirm the numerous valid reasons for conducting a comprehensive screening at this time.

**“New Directions” Screening**

Perhaps the following situation has happened in your fundraising career: Fresh from a board of trustees meeting or visit to the chief
executive’s office, your manager comes to you to share the new fundraising priority that has been established for your advancement office. The directive you receive is to find additional prospects to support the featured fundraising initiative.

If the new fundraising initiative is based on an existing program and there have been previous donors to this effort, you may have the necessary data to conduct data mining or predictive modeling screening to identify the additional prospects sought. With no prior giving history, predictive modeling is a moot point, and you may have to rely on traditional hard asset or wealth screening on prospects you believe have an affinity to this new initiative. Proactive donor and prospect surveys may also help you identify interest in new initiatives.

The scenario I have presented is an example of “situational” or “reactionary” advancement, and it is a reality that likely faces each and every one of us in the fundraising profession at least once in our career. Occasionally, the need for fast reaction eliminates the opportunity for planning in the manner to which we may be accustomed. If you choose to retain a vendor to provide the prospect screening services in this scenario, I encourage you to engage them in a discussion of how their expertise and experience may enable you to craft an implementation plan that will promote your success.
Conclusion

Prospect screening should be part of a comprehensive long-term plan that addresses the anticipated fundraising activities of your organization. When faced with a prospect screening situation that requires faster than normal review and planning, please consult with your vendor to get assistance in overcoming time constraints.
CHAPTER FOUR
Using What Women Want to Get What You Want
by Katherine Swank

Only a decade ago, nonprofit organizations were focused on finding the “millionaire next door.” At that time, he was a 50-something-year-old married man who owned his own business and drove a Ford Explorer. But things have changed in just the past 10 years. Today’s affluent philanthropist is just as likely to be a woman, and she wants something different from her philanthropic giving.

Nearly half of the top wealth-holders in the United States are women, including the more than 3 million Americans with annual incomes of more than $550,000. In less than a decade, they have increased their combined wealth by more than 50 percent and now have a net worth of over $6 trillion. Two of every five businesses in this country — over 10 million enterprises — are women-owned.

Demographically, affluent women can be identified by several common characteristics. The “average” affluent woman is around 49 years old. She may have started her own business when she was forced to overcome

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a family or work obstacle and frequently identifies her business affiliation as “self-employed.” She is most often a homeowner and, if married, she might easily earn as much as seventy percent of the household income. Marital status is less of a factor in defining the affluent women, because many are divorced or have never married. However, marital status plays a significant role in philanthropic giving. According to the Center on Philanthropy at Indiana University, single women are significantly more likely than single men to make charitable gifts, and married couples give more than single men.

Women, on average, donate twice as much to charity and make three times the number of donations as men.

Affluent women may also be identified by their willingness to both donate and volunteer at higher levels than their male counterparts. Women, on average, donate twice as much to charity and make three times the number of donations as men.

If you can easily identify affluent women among your constituents, you are already well on your way to reaping the benefits they may want to provide you. If you cannot, you may want to consider gathering or purchasing demographic data such as age, household income, and marital status. Traditional prospect research screening services that identify business affiliations, nonprofit board involvement, and gifts to other organizations will also assist in identifying key women philanthropists.

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What Women Want

While I can’t claim to know what all women want in every situation, more than 25 years in philanthropy has taught me that what women want is simple: to be asked their opinion and for their answers to be listened to and acted upon. They seek equality in the workplace, an ever-equal sharing of the “load” from their male partners and counterparts, and to make the world a better place, both close to home and half-way around the world. Elementally, women want their lives to make a difference in the lives of others. To accomplish this through philanthropy makes women feel empowered.

The topic of women in philanthropy is finally gaining its due study. Several books and a growing number of philanthropic institutes have helped us to see a clearer picture. One resource focuses on the “Six Cs” of women’s motivation for giving.\(^{12}\)

They are:

1. To **create** new solutions to old problems
2. To use their financial power to effect **change** rather than to preserve the status quo
3. To make a commitment (or **commit**) to the organization’s vision
4. To enjoy a personal **connection** with the institution or organization
5. To **collaborate** and work with others as part of a larger effort
6. To **celebrate**

In concert with these motivations, women are seeking greater control of the resources they have produced and therefore expect greater

accountability from the nonprofit organizations they support. Be transparent in your communications. Report your results proudly and frequently. Personalize your communications so that your donors get a greater understanding of the impact of their individual gifts.

**What Women Support**

Three out of every four people living in poverty in the U.S. have been identified as women and children. This statistic has not been lost on benevolent women. Women make charitable gifts to a variety of causes, but research shows the majority is designated for the needs of children, opportunities for women, education, and health issues. They also support causes that provide economic opportunities for all, promote diversity, and support the arts and the environment. These gifts mostly go to support grassroots nonprofits or are restricted to grassroots programs if the gift is given to a larger or national-level organization. It’s not just affluent women who make gifts, however.

Women with annual incomes of less than $10,000, who are often homemakers with children at home, gave 5.4 percent of their adjusted gross income to charity — the largest income-to-gift percentage of which I am aware!

Challenge grants and matching gifts are embraced by female donors. They see these as a way to leverage their own donations and ensure that their interests, as well as their financial resources, are matched by others. When it comes to increasing gift size and promoting
unrestricted giving, consider starting donor education programs. Studies show that women who participate in these programs and learn about the charity’s goals, objectives, programmatic offerings, and future plans are more likely to give larger gifts, unrestricted gifts, develop long-term gift planning, and hold leadership roles within the organization.

“Giving circles,” or collective giving, is emerging as a new force in philanthropy. Because they are a flexible form of philanthropy, giving circles take a variety of structures and sizes, ranging from informal potluck dinners to highly organized circles requiring minimum contributions to pooled resources of thousands of dollars and multi-year commitments. New Ventures in Philanthropy took a recent “scan” of 61 giving circles. These groups represent more than 5,300 donors who have raised and made grants of more than $23 million.13

For some, [giving circles seem] to offer a more enriching and rewarding philanthropic experience than more passive “checkbook” forms of philanthropy.

Apart from their structure, they are a high-engagement form of philanthropy that seem to have a special appeal to women. Members take part in collective decision-making and educational activities, and the circle’s grant-making functions may include formal Request for Proposals, proposal reviews, and site visits. For some, this social activity seems to offer a more enriching and rewarding philanthropic experience than more passive “checkbook” forms of philanthropy.

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Regardless of the charitable sector under which your organization falls, you probably have programmatic interests that are attractive to women. Find out what those are and provide information on them in a manner that motivates these donors. Allow them the opportunity to create new solutions and use their financial power to effect change. Ask for their commitment and provide a personal connection with your organization. Show them how you are collaborating with other nonprofit partners and celebrate their gifts and the impact they have.

How to Talk to Women

If you want to know how to talk to women, there is one sure-fire way to find out: Ask them! Women often like to communicate in a round-robin, give-and-take fashion. Interactive events, such as women’s dinner clubs, investments groups, and giving circles facilitate the socialization women seek with each other.

Larry Stelter, president and CEO of The Stelter Company, a national planned giving communications firm and a long-time friend and planned giving colleague of mine, has convinced me that gender-slanted publications sent to women-only lists are more effective for this group than gender-neutral ones. His company has conducted focus groups that have concluded both donors and potential donors respond to publications and donor examples that most closely mirror how these individuals view themselves in age, physical appearance, financial status, interests, and values.¹⁴

He points out that single women likely make up a growing portion of the 65-and-older audience. Three out of every four women ages 85 or older is widowed. Couple this fact with two more: women tend to marry men a few years older than themselves and they enjoy a longer life expectancy — and it is clear that major gifts made in later life years

¹⁴ Stelter, Larry, How to Raise Planned Gifts by Mail, Emerson & Church, 2008.
and final legacy gifts will largely be made by women. When it comes to giving it away and passing it along, women are the more generous gender: Nearly half of all women who have estates worth $5 million or more leave a charitable bequest, while only one-third of wealthy men do.\textsuperscript{15} Communications and marketing pieces should reflect an understanding that the final decision-maker is more often female. Choose donor testimonials and pictorial representations accordingly.

Reflect on Larry’s well-informed advice in this area and seek to identify with your female donor base. Consider using informal or formal focus groups of the women who represent the audience you are trying to reach.

Ask:

- What interests them in your organization?
- What do they think your most important programs are?
- What would they most like to see their gifts support?
- What do they think you could be doing better?
- What kinds of information and communications would they like to receive from you?
- How often would they like to receive those communications?
- What other ways would they like to be involved in the organization?

According to a study by Partners in Philanthropic Planning,\textsuperscript{16} a majority of charitable bequests and charitable gift annuity donors are women, and slightly less than half of all charitable trust donors are women. With the average planned gift ranging somewhere between

\textsuperscript{15} Nichols.

\textsuperscript{16} Formerly the National Committee on Planned Giving, www.pppnet.org.
$30,000 and $80,000 in the U.S., you can’t afford to overlook the power of legacy giving. If you have gathered a group of representative constituents as previously suggested, this is an excellent opportunity to also assess their willingness to consider making a planned gift to the organization. If their response is positive, also find out what planning vehicle they would use. Ask them if they would consider making a bequest or trust gift. Describe charitable gift annuities and other life income gifts to see if these methods appeal to them. Inquire about gifts of stock and real estate, as well as gifts from a retirement account or life insurance policy. Evidence of fiscal conservatism or fiscal aggressiveness among your female donors may suggest certain gift solutions over others.

Finally, find out from these women in what manner they would like to celebrate their own gifts and find out about the gifts of others. Women often seek to be less public about their donations than men, and traditional donor stories, media announcements, and public recognition are not always desired.

The answers to these questions will guide you in your communications, gift solicitations, and recognition efforts with your women prospects.
Conclusion

Many charitable organizations either have misperceptions about female donors or they have decided just to do things the way they always have — which many will admit is no longer working. Women increasingly choose charitable interests separate and distinct from their spouses or families, and it would be wise to approach them not as part of a couple or a unit, but as individual donors. It’s time to identify and understand your female constituency, speak to them differently, ask for their involvement both of money and time, and consider them one of the most important components of your donor base.
The goal of prospect research is to maximize a prospect’s giving potential, according to Prospect Researcher David Lamb. Traditionally, nonprofits focus primarily on finding people with obvious wealth, with the assumption that “if they are rich, I can get them to make a gift.” Using this method alone has certainly worked for many nonprofits in the past. However, many organizations have long since discovered the obvious wealth in their files and now struggle to expand their bases of support.

Fortunately, prospect research practices have evolved over the last decade thanks to new data sources, updated technologies, and improved methods that help accurately evaluate known constituents and identify valuable new prospects. This chapter shares the results of a study by Target Analytics that identifies the most effective research solution for maximizing the giving potential of donors.
Identifying & Exploring Various Methods

Through the years, we have all heard stories of gifts from donors who you never would have guessed had the capacity to give or who never showed up in wealth screenings. Given the increasing pressure to maintain performance yet reduce costs, many nonprofit researchers have recently asked us questions like:

“What is the more reliable predictor of major giving — wealth screening, affinity-based modeling, or a combination of both?”

As providers of many various research tools and techniques, we wanted to help customers with shrinking resources make the best decisions to ensure the highest level of support for their programs. Wealth screening alone reveals potential donor capacity, but says nothing about the probability that a prospect will actually make a gift. Statistical modeling alone is the best way to identify the probability of giving, but does not fully address the gift amount.

We wanted to determine whether or not a screening methodology using both statistical propensity (the likelihood of a gift) and identifiable assets would provide a more reliable and cost-effective predictor of total giving potential within a donor file.

A diversified prospect research program maximizes results by allowing you to find three categories of prospects (see figure 1):

1. **Prospects with a high likelihood to donate to your organization but who do not necessarily have a high capacity:**
   This group is prime for upgrading to mid-level or sustaining donors, as they have a strong affinity to your organization and have the capacity to increase their giving. In addition, this group may have hidden wealth and is therefore worth further investigation.
2. **Prospects with both a high likelihood to donate and a high capacity:** This group loves your organization and has the desire and capacity to make a larger investment.

3. **Prospects who have a low likelihood to donate to your organization but large financial capacity:** This group will take longer to cultivate, as they have little to no attachment to your organization, and therefore you will need to build a relationship.

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**Figure 1**

For a primer on the best way to identify the likelihood/affinity of a prospect, read the *Using Statistical Modeling to Increase Donations* white paper by Lawrence Henze. This white paper can be found on the Blackbaud website in the Nonprofit Resources area at [www.blackbaud.com](http://www.blackbaud.com).
Target Analytics’ Methodology

We worked with multiple nonprofits that had used tools from Target Analytics in the past for prospect research. Each of those customers used a diversified prospect research solution made up of both affinity-based modeling and wealth screening. We reviewed their databases and identified new major donors — people who made their first major gift in the years after the organization completed its prospect research project. This study focuses solely on major donors who were discovered and solicited as a result of the Target Analytics project. We will refer to this group throughout the rest of the chapter as our test group.

![Figure 2: Total Amount of Gifts with Wealth and Modeling](image)

The Results

As seen in figure 2 above, for one major university, 31 percent of revenue from the test group came from new major donors who had identifiable wealth. Had they focused on wealth alone, they would
have missed out on 69 percent of their gifts, or more than $100,000 in contributions. Furthermore, 93 percent of revenue from the test group came from new major givers who were identified through affinity-based modeling to identify those likely to make large gifts. Only by creating a diversified prospect research program and investigating both prospects with likelihood and prospects with capacity did the university receive 100 percent of the revenue from the test group. It is also important to note that following the initial major gift, 77 percent of these donors continued to invest in the university at a significant level.

In one healthcare organization, only 13 percent of the revenue from the test group had publicly identifiable wealth. In an advocacy organization, of their donations from the test group of new major donors, 18 percent had publicly identifiable wealth. If each of these organizations had solely completed a wealth screening, they would have missed 87 percent and 82 percent, respectively, of funds from the test group. The power of leveraging both wealth screenings and affinity models is clear.

There is significant overlap between wealth and modeling information because many prospects in the test group with identifiable wealth also scored well in the statistical models. Many who eventually made major gifts, however, were identified solely by the affinity models and not found in the public sources of wealth information. Modeling alone can understate potential because some donors with the large capacity do not display giving patterns that reveal affinity to an organization. With modeling alone, test organizations would have also missed contributions and failed to reach the full potential available through using both methods, while a wealth screening enhances modeling results by refining the ask amount to appropriate levels to maximize the donation. Again, only by combining the power of wealth and
custom statistical modeling did these organizations maximize their potential among new givers.

**Conclusion**

The overwhelming conclusion is that prospect analysis that reveals affinity and the wealth screening data that reveals capacity strongly complement one another. The affinity models filter the database to find people who appear willing to make a major gift, while wealth screening is an effective indicator of ability to make large gifts. In many cases, the models can suggest an ask amount much greater than an individual’s historical giving, helping to identify a major-gift donor who has been masquerading as a small-gift donor. The wealth research will then refine the understanding of specific aspects of the prospect’s wealth, such as their real estate, stock holdings, or private company ownership. Often, wealth data will reveal even greater capacity than that indicated by the models. Thus, the fundraiser who identifies a major gift prospect through the models can sometimes rate the prospect even higher using wealth research.

There is no perfect prospect research solution. Depending on how broadly and smartly you cast your net, you will either miss donors or spend time vetting information that doesn’t pan out. We have heard from experienced development officers that if a donor agrees to your initial ask, you didn’t ask for enough. It is imperative that you cast a broad, yet well-calibrated net to truly maximize your giving potential. By using a combined solution of wealth and affinity modeling together, you can do just that.

The most effective research solution for any nonprofit seeking to maximize giving potential is a combined solution of wealth screening and statistical analysis of affinity. Just because someone is rich doesn’t mean he or she is generous. And even the wealthy who are generous
won't necessarily be generous to your organization. Cultivate both groups; if you are diligent and use proven cultivation strategies, your efforts will pay off. As with any investment portfolio, a diversified strategy is the best approach.
Lawrence Henze, J.D.

Managing Director, Target Analytics

Lawrence Henze has extensive experience in fundraising, market research, and applying predictive modeling services to the nonprofit marketplace. The founder of Core Data Services, which Blackbaud acquired in 2001, he has also served as vice president of predictive modeling services at USA Group Noel-Levitz and president of The Philanthropic Division of Econometrics, Inc. Lawrence has 15 years of experience in development, raising more than $125 million primarily for higher education institutions. He holds a bachelor’s degree in political science from Carroll College in Wisconsin, a master's degree in public policy and administration, and a law degree from the University of Wisconsin at Madison.

Katherine Swank, J.D.

Consultant, Target Analytics

With more than 20 years of legal and nonprofit management experience, Katherine Swank has raised approximately $215 million for national healthcare and public broadcasting organizations, as well as an independent law school. Prior to joining Target Analytics in May 2007, Katherine was the national director of gift planning at the National Multiple Sclerosis Society, where she provided fundraising consulting services to the Society’s chapter leadership and development staff for six years. She is an affiliate faculty member of Regis University’s master of nonprofit management degree program in Denver, teaching classroom and online courses on wealth and philanthropy. She holds an independent studies degree from the University of Northern Colorado and a law degree from the Drake University School of Law in Des Moines, Iowa.
ABOUT THE CONTRIBUTORS

David Lamb, Senior Consultant, Target Analytics

David Lamb has been a prospect researcher for 20 years and is currently a consultant for Target Analytics. His Prospect Research Page (www.lambresearch.com) is a popular and trusted list of Internet resources for professionals doing research on potential donors. He has served as director of prospect research at the University of Washington and Santa Clara University. He holds a bachelor’s degree in sociology from Sterling College (KS), a master’s in sociology from Wichita State University, and a master’s in divinity from San Francisco Theological Seminary. David is a frequent speaker at professional conferences, including those sponsored by the Council for Advancement and Support of Education (CASE) and the Association of Professional Researchers for Advancement (APRA). In 1997, he received APRA’s Service Award for outstanding service to the profession, and in 2001, he was awarded CASE’s Steuben Apple Award for excellence in teaching.

Dorie Wallace, Operations Manager, Target Analytics

Target Analytics Operations Manager since 2007, Dorie Wallace has 11 years of experience with Target Analytics and Blackbaud. She currently leads the professional services division of Target Analytics. Among her previous roles, she has worked as a product support lead for The Raiser’s Edge®, custom report designer, software instructor for Blackbaud CRM products, international product manager, and product manager for The Raiser’s Edge and Target Analytics™. Dorie holds a Bachelor of Science in Business Administration from The College of Charleston and a Master of Business Administration from The Citadel.

Carrie Cobb, Statistician, Target Analytics

Carrie Cobb conducted a study of major donors in nonprofit databases to provide the results for the bonus chapter of this book. Ms. Cobb has seven years of experience with Target Analytics. She has been exclusively building custom data models since 2004. Carrie is from Pittsfield, Massachusetts and holds a Bachelor of Science in Applied Mathematics from Coastal Carolina University.
Blackbaud is the leading global provider of software and services designed specifically for nonprofit organizations, enabling them to improve operational efficiency, build strong relationships, and raise more money to support their missions. Approximately 22,000 organizations — including University of Arizona Foundation, American Red Cross, Cancer Research UK, The Taft School, Lincoln Center, In Touch Ministries, Tulsa Community Foundation, Ursinus College, Earthjustice, International Fund for Animal Welfare, and the WGBH Educational Foundation — use one or more Blackbaud products and services for fundraising, constituent relationship management, financial management, website management, direct marketing, education administration, ticketing, business intelligence, prospect research, consulting, and analytics. Since 1981, Blackbaud’s sole focus and expertise has been partnering with nonprofits and providing them the solutions they need to make a difference in their local communities and worldwide. Headquartered in the United States, Blackbaud also has operations in Australia, Canada, the Netherlands, and the United Kingdom. Target Analytics, a division of Blackbaud, is the leading provider of comprehensive analytics solutions for donor acquisition, prospect research, fundraising performance, and collaborative peer benchmarking to help nonprofits maximize fundraising results at every stage of the donor lifecycle.

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It’s “survival of the fittest” today, but that doesn’t mean you have to be one of the proverbial big sharks to make it. What matters more than your size (and current funding) is how you adapt and react to the stormy economic seas. After all, the best time to seek sustenance isn’t necessarily when the skies are blue and the fish are plentiful — perhaps it’s when you’re the hungriest.

There is hope. Throughout the hardest economic times in recent history, philanthropic giving has remained strong. The reasons people give don’t change during a recession, but you may need to tweak how you identify and cultivate donors to keep your momentum up. There’s no better time to step up as a leader and practice smart, effective, and efficient fundraising. In these pages, you’ll find time-tested strategies and thought-provoking commentary to help you not only stay afloat, but moving forward full-throttle!

AUTHORS

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