Prospect Research for Planned Gifts:

Using Predictive Donor Profiles, Wealth, and Asset Screenings to Identify High-End Planned Gift Prospects

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Executive Summary

This two-part paper provides both the prospect research professional and the planned giving professional specific guidance in identifying deferred gift prospects within the organization's ranks of donors and constituents. Part I provides prospect researchers specific knowledge on planned giving profiles and highlights data sources that assist in the identification of high-end prospects. Part II gives the planned giving officer concrete guidance on selecting appropriate giving vehicles and gift solicitation amounts on a prospect-by-prospect level.

Introduction

Over the past forty years, planned gifts to charitable organizations have grow on average 4.5% to 5% every year — even in years experiencing economic downturns. With such a proven track record, it's only logical that nonprofit and development office leaders should seek out ways to improve and increase their planned giving programs.

Traditionally, planned giving cultivation starts by mass mailing newsletters or targeted informational pieces to suspect groups of older, loyal donors. Many programs never advance beyond this technique or consider engaging middle-aged planned giving prospects, while other nonprofits' programs implement sophisticated identification and marketing plans to better target and cultivate highly qualified planned giving prospects. Simple prospect research provides an additional tool to both identify and solicit not only the organization's larger prospect pool, but also to elevate the charity's most capable constituents to major gift level status.

This two-part paper provides both the prospect research professional and the planned giving professional specific guidance in identifying deferred gift prospects within the organization's ranks of donors and constituents. Part I provides prospect researchers specific knowledge on planned giving profiles and highlights data sources that assist in the identification of high-end prospects. Part II gives the planned giving officer concrete guidance on selecting appropriate giving vehicles and gift solicitation amounts on a prospect-by-prospect level.

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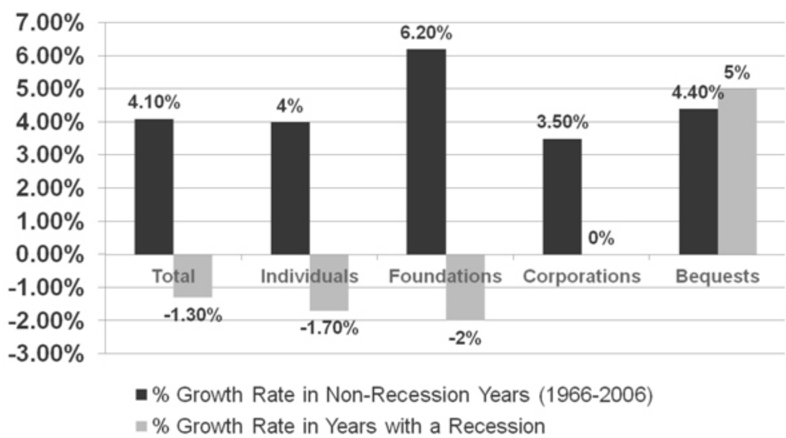
Part I: The Prospect Researcher's Guide to Identifying Planned Giving Prospects

Historically, prospect research has been associated only with major gift fundraising. As the profession, expertise, and available tools have progressed, it has become apparent that prospect researchers should be involved in all areas of fundraising. Over the past decade-and-a-half, I've watched the importance of both prospect research and prospect management increase significantly. The only other area I've seen increase with the same velocity is planned giving. At my last position, I watched our planned giving office grow from a staff of one to four and continue growing.

In the nonprofit budget world, money is not spent unless it has a significant return on investment. So why focus on prospect research for planned giving? Let's take a look at its importance:

- Once a planned giving program is established, nonprofits can expect a cost of 3¢ to 15¢ per $1 raised. This cost-to-donation ratio is important, not only to the organization, but also to the donors who want their gifts to make a difference in the world instead of being spent on additional fundraising efforts.
- Some organizations enjoy upwards of 25% of their annual revenue from planned gift receipts.
- Historically, planned gifts have increased nearly 5% every year even in recessions, while other sources of revenue decline in times of economic struggle, as the following chart illustrates.

40-Year Average Growth in Giving by Source [1]



The Role of Prospect Research for Planned Gifts

The three most popular planned gift types are bequests, charitable gift annuities and charitable remainder trusts. A short primer follows, but it's not necessary to be an expert in gift planning to understand the vital role research can play in the success of a planned gift (also called a legacy gift) program. As few as fifteen donors can collectively provide $1 million in mission funding to your organization if they each make an "average-sized" gift. With gift averages in the tens of thousands of dollars, efforts to identify planned gift prospect pools can make the difference between mission stagnation and mission accomplishment. Here are a few facts that provide evidence that planned gifts are the "other major gift."

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[1] "The Annual Report on Philanthropy for the Year 2008", GivingUSA 2009.

[2] For a glossary of planned gift terms, read: 23 Planned Giving Terms You Should Know, by my co-author Swank, J.D., Katherine found at: www.blackbaud.com/files/resources/downloads/WhitePaper_23PlannedGivingTermsYouShouldKnow.pdf.

Facts about Planned Gifts	United States	Canada
Average Charitable Bequest Gift	$35,000 - $70,000	$30,000
Average Charitable Gift Annuity	$60,000	$35,000
Minimum Charitable Remainder Trust value often required by Trustees and Financial Institutions	$1,000,000	

"In recent years, many 401(k) and other financial investments have experienced significant declines in value or have stagnated. A guaranteed return is very comforting for those who do not consider themselves wealthy, even if they are."

Planned Gift Profiles: A Basic Primer

Let's look at the basic definitions and unique details which define each of these planned giving donor types. With this information, the research team will be able to identify planned gift prospect pools.

Bequests

Nine out of ten planned gifts will be charitable bequests, which are provisions in a will for passing money to a charitable organization upon death. Typical clauses in a will might specify the donation of an outright amount, a percentage of the assets, or the residual of an estate.

The hallmark characteristic of people who make bequests is loyalty. Our research shows consistent years of giving are a higher determinant than gift amount. Look for consistent loyal donors in their mid-forties to late fifties, and mid-sixties to late seventies, who appear to be at the life stage at which estate planning is active. I am a good example because I made my first planned gift at age 50; my co-author made her will while still in her thirties!

Legacy givers tend to own homes with at least mid-level values. There is typically a positive correlation between income, home value, and legacy giving. Remember, a bequest donor does not have to have a high major gift capacity in order to make a high-end planned gift. Along with loyalty, age, home values, and income levels, our research indicates that the following characteristics also apply to good bequest prospects:

- Established home ownership
- Children in college or evidence of education-related debt
- Charitable gifts to other organizations at similar levels
- Volunteerism
- Other types of loyalty indicators, such as membership, ticket buying history, etc.

Charitable Gift Annuities

A donor gives money to a charity, which promises to pay back a fixed amount regularly for life. Although part of the annuity payments are taxable, the donor will also receive an upfront income tax deduction for the amount estimated to end up with the charity. Among high net worth households, charitable gift annuities (CGAs) fall behind charitable remainder trusts as the third most popular planned gift vehicle; however, they rank second among the general public. Generally popular because they guarantee payments through the term of the contract, CGAs are especially attractive to donors during slow economic times.

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Using my late father as an example, it seemed that the older he got, the "poorer" he was in his own opinion. In recent years, many 401(k) and other financial investments have experienced significant declines in value or have stagnated. A guaranteed return is very comforting for those who do not consider themselves wealthy, even if they are. Five to six percent of all planned gifts are CGAs, and more than eight percent of households with annual incomes of $200,000 or more already have a gift annuity in place. And more than twice that amount of high net worth households say they would consider a CGA in the future.[3] The size of an annuity can vary greatly, but they usually start around $5,000, though they may be made at the $1 million level or larger as well.

CGA prospects are usually over 70 years old, but marketing should begin to prospects in their sixties. Look for small, one- to two-person households. Women who are single or widowed tend to favor the simple format of gift annuities. Do not base your prospect identification on historical major donors; doing this will discount many key gift annuity prospects. Our two decades of research on CGA donors reveals that their annual gifts are generally less than $100! While typically well-off or comfortable, these donors share conservative fiscal values and want their assets to continue to work for them. Look for the following characteristics to group your prospect pool together:

- Age: late sixties to mid-seventies and older
- Evidence of retired status
- Faithful donors and loyal constituents; look for annual gifts less than $100 and/or membership, ticket buying history, etc.
- Charitably inclined, giving to multiple organizations

Charitable Remainder Trusts

Charitable remainder trusts (CRTs) are irrevocable trusts that pay a specified annual amount to one or more people for a fixed number of years, or for the life of the individual(s) who benefit from the trust's distributions. At the end of the term, the remaining trust property is distributed to the specified charity or charities. The size of these gifts is often significantly higher than bequests or gift annuities, usually requiring assets of a million dollars or more for establishment. These planned gifts are popular among the affluent. According to a Bank of America study, more than 17 percent of wealthy families have CRTs and an equal percentage have indicated their intention to create one in the future.[4]

Target Analytics' (TA) research reveals that CRT prospects are generally in their mid-fifties to mid-seventies. They have many of the same characteristics as major donors and can be identified by their high asset bases and expensive homes. They tend to be more aggressive with their investments and debt ratios than other planned gift prospects and might have made significant gifts to you in the past in the form of either cash or securities. To help identify the best CRT prospects, look for:

- Wealth indicators such as financial portfolios of at least $5 million or household income of $250,000 or more
- Age: Mid-fifties to mid-seventies
- Professional positions that denote an aggressive fiscal position, such as CEO or Chair
- Entrepreneurs and the self-made wealthy, such as real estate developers and investors, as well as professionals in finance, investing, law, and medicine

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About the Author

Michael Quevli joined Blackbaud in 2008 following the acquisition of Kintera, where he had worked since 2005. Michael began his career in prospect research in 1996 at AIDS Project Los Angeles. He was at the Keck School of Medicine for seven years and was responsible for overseeing the Development Research team prior to joining Kintera in 2005. Michael was the membership chair for two terms with the California Advancement Researchers Association (CARA), where during his tenure membership went from 165 to 300. He serves on the national board of Association of Prospect Researchers for Advancement (APRA) and will serve as president of the organization in 2011. Michael served three terms on the Stephens College Alumnae Board. He has been a frequent speaker for CARA and APRA, and he taught at the College of Extended Learning at Cal State Northridge in prospect research and prospect management. Michael is a recipient of the 2004 CARA Service Award and the 2007 Stephens College Alumnae Service Award. You can contact him at Michael.Quevli@blackbaud.com.

[3] The 2008 Study of High Net Worth Philanthropy, The Center on Philanthropy at Indiana University and Bank of America, March 2009.

[4] Ibid.

- Financial risk-takers
- Inconsistent giving patterns, but at high levels
- Charitably inclined, giving to multiple organizations

These individuals have likely retained financial counsel and often learn about this giving technique through them. Do not downgrade prospects who meet the qualifications but who do not ask for information or advice from you — they are most likely receiving it elsewhere. Also, evidence of debt is not a negative factor; fiscal conservatism is!

Summary

Two primary goals of the research office are to provide effective and accurate data on prospect requests made by your development team and to help identify prospects for future cultivation. This paper and the resources described herein can help you become proactive and push key prospect groups to your planned giving officers. These resources also help in determining which prospects should be individually approached for personal cultivation and solicitation, and this topic is discussed in more detail in Part II of this paper.

One of the best things you can see when you are walking through your development team area is empty gift officers' chairs. That means they are out making those asks and bringing in mission-critical funds. The tools mentioned above allow you to provide relevant and full-service prospect research and to provide a solid foundation from which your planned giving officers can be more successful than they already are.

I recommend that if you have not already done so, find time to have a one-on-one meeting with your planned giving staff to discuss the types of research you can provide to identify and qualify great legacy gift prospects.

Part II: The Planned Giving Professional's Guide to Identifying and Soliciting Planned Giving Prospects

If you could focus on 100 prospects over the next two years — one person a week — with the promise of raising more than $3 million, would you devote your time to building relationships with these individuals? What if this same group of donors could provide $7 million or more in contributions? Would your daily routine in the office change?

By concentrating your efforts on your top 100 planned giving prospects at a minimum, your hard work could alter the course of your organization's future. But, who are these individuals? How can you identify them, and what level of solicitation is appropriate for each?

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The Power of Planned Gifts

As you read in Part I of this paper, the average planned gift in the United States, overwhelmingly through simple bequests, is between $35,000 and $70,000. In Canada, it's nearly the same: $30,000 CAD. Their power in numbers is undeniable. Legacy gifts through charitable gift annuities and charitable remainder trusts, along with bequests, account for more than 97 out of every 100 planned gifts.

A single planned giving officer could raise more than $3 million by making a dedicated and strategic effort to meet with and solicit 100 "organizational friends" for an average-sized gift. Organizations with more than one gift-planning fundraiser could accomplish even more.

Consistent research over the past decade reveals that between 8% and 50% of the adult population in the U.S. has made a charitable bequest gift. The percentage of population with gifts in place increases dramatically as income level increases. Another 14%-17% of Americans say that they would consider doing so. In Canada, around 7% of the population has made a gift in their wills to a nonprofit, and another 27% say they will create one in the future. Our task, then, is to identify the right prospects to cultivate, and to approach them individually to ask them to consider a planned gift that benefits our mission.

But who are these prospects?

Planned Gift Donor Profiles

Target Analytics (TA) routinely researches and identifies specific characteristics that are shared by planned gift donors. They are not simply identified by their age, nor their giving loyalty, or by their gender or past gift amounts. Our analytic models incorporate over a decade's worth of planned giving behavior around the country, both in the U.S. and in Canada. These "ideal donor profiles" provide an efficient and cost-effective way to sort through thousands or even millions of individuals to determine your organization's real pool of planned giving prospects. Their affiliation with you may be surprising! They are certainly found as annual givers, but they are also members, patrons, major donors, leaders, committee members, volunteers, recipients of services, alumni, parents, friends, faculty, donors of stock and other non-cash gifts, middle-aged and elderly, men and women alike.

Summarizing from the more detailed profiles beginning on page 2, you are looking for distinct groups of individuals. Those actively making bequests tend to group at mid-life and then again at older ages. These fiscally-responsible people are concerned about their resources and exhibit both specific lifestyles and life stages; their current incomes might be fixed or very high. It's their attitude about finances and habitual giving patterns that help identify them.

Gift annuity donors are a bit different and a bit similar to bequest givers. Also fiscally conservative, they tend to be older but may have assets available for planned gifts that pay them back. Charitable remainder trust donors are a breed unto themselves. Usually risk-tolerant, these donors are comfortable with debt, higher-end lifestyles, and alternative financial schemes that benefit both their charities of choice and themselves in a substantial way.

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[5] Target Analytics' ProspectPoint® predictive model screenings are available to identify your best prospects for charitable Planned Giving suite.

Predictive behavior model screenings help you identify your full pool of prospects, ideally by planned gift type. Once you've done this, it's time to cull out your top prospects for personal attention. It's not unusual to find that 30%-40% of your donor database may be good planned giving prospects. This might be a great starting point for marketing planned giving concepts, but it's probably an unwieldy number to consider for individual contact.

"Charitable remainder trust donors are a breed unto themselves. Usually risk-tolerant, these donors are comfortable with debt, higher-end lifestyles, and alternative financial schemes that benefit both their charities of choice and themselves in a substantial way."

First Steps

First, determine the personal caseload of prospects that will be cultivated and solicited in the next two years. For every person devoted to planned giving efforts, you may want to consider 100 prospects at minimum. That's an average of one each week, allowing a bit of time off for the year-end holidays when it's unlikely that your invitations to meet will be accepted. A team of three people could handle 300 prospects or more over the same period of time.

The following chart provides a straightforward view of what is possible through one-on-one cultivation and solicitation of planned gifts by a dedicated outreach effort using specific gift amounts.

The Power of Planned Gifts

Organization's Goal to Personally Solicit Prospects Over a Two-Year Period			
Number of Positions at Organization with Planned Giving Fundraising Duties	1	2-3	4 or more
Number Prospects to Visit/ Solicit	100 or 1/week	300 or 3/week	500 or 5/week
High National Average Gift (U.S.) - $70,000	$7,000,000	$21,000,000	$35,000,000
Low (U.S.) National Avg Gift (Canada) - $35,000	$3,500,000	$10,500,000	$17,500,000
$10,000 Average Gift	$1,000,000	$3,000,000	$5,000,000
$5,000 Average Gift	$500,000	$1,500,000	$2,500,000

After finding your best planned gift prospects through predictive modeling, prioritize them to create a select group of individuals for personal contact. Start with the following criteria:

1. Group together prospects who have made more than a single gift to the organization. This helps to focus on loyalty and will filter out those whose one-time gift was at the request of a friend or was a memorial or tribute gift.

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2. Then, add the criteria that one of their gifts was made in the past three years. This will not only keep you focused on loyalty, but also provides a narrowing pool of "warm" prospects – those who are already in close contact with the organization and might be receptive to your call.

At this point, you may still have a pool too large to handle by personal contact. Here is where prospect research and wealth/asset screenings can be employed. They help focus your efforts on prospects at specific life stages and with visible wealth, and thus the ability to make planned gifts at the significant levels you feel warrant your immediate attention.

Prospect Research to Identify Top Planned Giving Prospects

Wealth indicator screenings are available through several sources. Your organization's prospect research team, if it has one, may already have access to this information. If not, check out Target Analytics' **WealthPoint™** solution. It uses a prospect's name and address to instantaneously search more than ten reliable public data sources for information that supports giving ability, such as business connections, assets held in the prospect's name, and charitable donations at other organizations.[6] Based on the wealth screening results, you'll be able to determine prospects suitable to approach for selected giving vehicles.

Bequest Prospects

Prospects with large estates, closely-held businesses, and vacation homes who appear to be philanthropic, but who have little or no evidence of higher-level charitable giving to you or other organizations, are classic bequest prospects. These people do not feel like philanthropists at this point in their lives. Your offer to discuss the impact they could have in the future by making a substantial gift when they no longer need the assets may be a welcome conversation.

Use prospect research or ask your professional research team to look for these factors that come from our extensive research, to help in selecting those capable of making bequest gifts at the $35,000 entry level and higher:

- Real estate holdings other than the primary residence
- Private business holdings of at least $1 million, or a Who's Who® or other business biography that provides business ownership information
- Collective known assets of $2 million or more
- Consistent charitable donations to multiple organizations at $100 or less
- Connections to a family foundation or a donor-advised fund

Charitable Gift Annuity Prospects

Gift annuitants are similar to bequest donors, but they are willing to make current investments in giving vehicles that provide life income. Overwhelmingly, these donors use cash or securities to fund their annuity agreements, which might infer that they have additional assets still existent in their financial

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[6] For a list of WealthPoint® data sources, go to: www.blackbaud.com/targetanalytics/prospectresearch/datasources/data_ov.aspx

portfolios. To determine prospects for charitable gift annuity (CGA) discussions, look for evidence of mid- to high-level careers, CGAs with other organizations, and indicators of stock and securities among their holdings. Specially, look at your wealth screening results for:

- Business titles such as president, vice president and director
- Inclusion on a “wealthy individuals” database
- Evidence of securities investments that are conservative in nature
- Evidence of charitable gift annuities or planned/estate gifts at other organizations

CGA solicitation amounts will be dependent upon each individual donor. Start by discussing agreements funded with at least $25,000, but allow the conversation to include ideas such as a series of annuity agreements over three or five years. These prospects are capable of gift amounts at these levels, and often higher, but their conservative fiscal values may drive their decision-making. Gift planning patterns that mimic retirement savings might make sense.

Charitable Remainder Trust Prospects

These high-asset holders are different than bequest and annuity donors. Not only are they comfortable with financial risk, they often seek opportunities that provide them multiple financial benefits. Charitable remainder trusts (CRT) provide a way to accomplish future goals, both personal and charitable. In-person cultivation and solicitation of CRT prospects will results in the highest returns. Your efforts should be focused on qualifying individuals who are the most likely and the most capable. In addition to conducting behavioral predictive modeling, look for added factors that suggest a large asset base. Find prospects who:

- Head large companies; specifically those whose titles are CEO, chair, and president, and where the company has annual sales of $20 million or more, whether privately or publically held
- Are public company insiders with direct or indirect stock holdings of at least $5 million
- Have made large charitable donations to you or other organizations or have made gifts for “endowment,” “capital campaigns,” and other planned gifts
- Are included on “wealthy individuals” lists indicating that they are a “multi-millionaire” or have estimated annual incomes of at least $500,000 or are identified as a speculative or risk-friendly investor
- Have property holdings of $10 million or more

Charitable trust funding usually starts at the $1 million level and higher. Don’t be surprised if your prospect would like to consider other charities to benefit. It should be expected that your organization will not be the only charity of choice. Use your knowledge of the prospect’s potential wealth to provide appropriate funding level examples. Offer to show your prospect illustrations for several amounts and let the prospect guide you in the right direction.

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About the Author

Katherine Swank joined the Target Analytics team in 2007 with more than 25 years of legal and nonprofit management experience. Prior, she 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. Katherine has raised more than $215 million during her career, with a focus on planned and major giving. At Target Analytics, she specializes in using donor analytics to complement planned, major, and capital gift campaigns. She has been an affiliate faculty member of Regis University’s Master of Global Nonprofit Leadership program in Denver for more than 10 years. In 2010, Katherine was inducted into Target Analytics’ Hall of Fame, which recognizes team members who epitomize excellence in service. She is a member of the Arizona State Bar and a past president of the Colorado Planned Giving Roundtable. She earned a bachelor’s degree in counseling and education from the University of Northern Colorado and a Doctor of Jurisprudence from Drake University Law School. You can contact her at Katherine.Swank@blackbaud.com.

Summary

Planned gift prospects are abundant within our loyal donor groups. They should all be provided with consistent messages that your organization wants and is seeking legacy gifts. For more thoughts on marketing your planned giving program, read *How the Right Marketing Strategies Can Enhance Your Planned Giving Program*, by Lawrence Henze, J.D., which is available at www.blackbaud.com/files/resources/downloads/WhitePaper_TargetAnalytics_PlannedGiving.pdf.

There exists, however, a subset of individuals who have the inclination and the ability to make substantial charitable gifts at the end of life. Identifying and soliciting these people on a one-to-one basis is paramount to securing substantial gifts for your mission funding. Use prospect research and predictive behavior modeling to find your premier prospect group. Next, reach out to them individually and offer them opportunities through an appropriate planned giving vehicle to fulfill their own charitable desires. If you'd like to review best practices for reaching out to planned giving prospects on the phone and in-person, read my white paper *How to Talk with Donors about Planned Gifts*, at www.blackbaud.com/files/resources/downloads/WhitePaper_TargetAnalytics_HowToTalkWithDonorsAboutPlannedGifts.pdf. In the long run, you will not only be building relationships, you'll be building legacies, and prospect research can be the tool through which you succeed.

Make an appointment with your organization's prospect research professional, if you have one. Use the profiles and characteristics listed in this paper to identify your best planned giving prospects for high-level planned gifts. Then, reach out to your top 100 prospects — one a week, each week, for the next two years. Ask them to consider making a major deferred gift. Millions of dollars of future mission funding are waiting to be designated for the organization or organizations that dedicate time and resources to legacy giving activities.

Will you be among those who succeed?

About Blackbaud