

Take Advantage of *Good News* on Giving



Recent study has new perspectives and reinforces practices

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Bank of America recently commissioned the Center on Philanthropy at Indiana University to assess the charitable giving and philanthropic activities of high net-worth households. The findings were made public this month.

Those surveyed were households with an annual income of \$200,000 and/or having \$1,000,000 or more in invested assets (excluding primary residence). This group represents only 3.1 percent of households in the US, but they account for more than 66 percent of all charitable giving.

Here is the very good news. High net-worth households are basically generous; and more importantly, they like you. That is, they care about our sector and include us in their giving.

Key motivators identified in the study for high net-worth giving were: meeting critical needs, giving back to society, and social reciprocity (the feeling that those who have more should help those with less). Furthermore, most of their giving is to organizations that serve a combination of purposes, such as United Ways, or foundations, funds, or trusts rather than to religious organizations.

Yes, we are competing with education, the arts, the environment, and other worthy causes, but we are at least on the radar screen and included in their planning.

Here is a summary of some other important findings. Special thanks to Bank of America for taking this on, and to the project's principal investigator Dr. Patrick Rooney and an impressive team of project managers, survey directors, and analysts. The full study is available for download at the Bank of America Web site: <http://newsroom.bankofamerica.com>, and click on "Press Kits."

- Nearly 98 percent of high net-worth households donated to a charitable organization in 2005. That is an amazing statistic.
- As stated above, key motivators for giving were meeting critical needs, giving back to society, and social reciprocity

(the feeling that those who have more should help those with less). Limiting funds to heirs, leaving a legacy, charity as making good business sense, and a social network expectation were all ranked as less important motivations for giving to charity. In simple words, these donors want to make a difference—can you make the case that you do?

- High net-worth households report that they will give more if charities spent more on helping the constituencies they serve, and spent less on administrative and fundraising expenses. This fact further reinforces our obligation to further educate our boards, staff, donors, and communities about the importance and relationship of organizational capacity and infrastructure in providing high quality, sustainable services.

The issue has been addressed in previous columns and will be taken up again in the future. For further reading on dealing with this common perception/and false barometer of performance within our sector, refer to C. Letts, Wm. Ryan, and Allan Grossman's book "High Performance Non-Profit Organizations

Managing Upstream for Greater Impact,” as well as Paul Light’s “Pathways to Nonprofit Excellence” (2002).

A very positive note is that the study reports that high net-worth households would give more to charity if they were able to determine the impact of their gifts, if they felt more financially secure, and if they received a better return on their financial investments. Outcomes and impact matters. Quality systems that demonstrate value are investments in your future—not G&A costs. Start bragging about the difference we are making for communities, for children, for seniors and their families.

Some very interesting facts were uncovered in regard to giving vehicles and planned gifts. Consider the following:

- Only 40 percent have a provision in their wills for charity. That statistic is incredible and powerfully suggests it is not too late for your endowment and bequest campaigns. Particularly from your donors who have a five-year-plus relationship with the agency. These donors have a connection with you that is real and quite possibly transferable to a life time gift.

- Less than 20 percent have established a foundation. Only about 16 percent have established a donor-advised fund. And it therefore makes sense that 33 percent donate stocks or mutual funds to charity.

- Almost 66 percent participated in a major charitable campaign, such as a capital campaign, in 2005. This clearly signals that they are donors who can give out of assets when the cause moves them and they can see how their involvement matters and can make a difference.

The most exciting finding of this study is that direct involvement matters to these donors and enhances the relationship and the pattern of giving. Consider that a very high proportion of households donate their time to charitable work. The numbers are most impressive: 61.1 percent serve on a board of directors for a nonprofit organization, and another 61.8 percent have volunteered to help charities raise funds. In general, higher levels of any type of volunteering translate into higher levels of giving.

We all understand the importance of stewardship of current donor relations. This study makes it most graphic and clear. Strengthen and deepen relationships, involve donors in the life of the agency,

make it real, and help them see their most pivotal role in making a difference for their community.

Some interesting pieces of information gleaned from this study are that unlike the general population, educational attainment is not associated with giving levels. On average, of those high net-worth households contributing to charity, individuals with a high school diploma or less contribute more to charity. However, the median amount donated by those with a postgraduate degree, \$16,365, was larger than those

High net-worth households responded that their charitable giving would mostly stay the same if the estate tax were repealed and would stay the same or somewhat decrease if they received zero income tax deductions for their charitable contributions.

The best results are last. When asked about the type of advisors consulted when making charitable decisions, a higher proportion of high net-worth households reported consulting fundraisers or other personnel from nonprofit organizations more than any other group of advisors.

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with less education. Furthermore, age was not a strong predictor of the philanthropy of high net-worth households. However, after age 70, average and median giving levels decrease.

Here’s one I don’t understand. Families with four children gave on average the highest dollar amount to charity with most of those dollars donated to secular causes. But, those with less than four kids or more than four kids, the giving decreases. At least we know if folks have four children there is a higher probability of giving to our sector. Note: If anyone can figure the why of this fact, please enlighten me.

Entrepreneurs are our friends. The study found that sources of net-worth had a dramatic impact on the average total amount given to charity by high net-worth households. High net-worth households with 50 percent or more of their net-worth coming from entrepreneurship contributed to charity. In all categories of giving (total giving, secular giving, and religious giving), households with net-worth coming from entrepreneurship gave much more than all other sources of wealth.

Will changes in the tax policies impact high net-worth households? The study also asked questions about how changes in tax law would impact their charitable giving.

I’ll repeat that finding: *when asked about the type of advisors consulted when making charitable decisions, a higher proportion of high net-worth households reported consulting fundraisers or other personnel from nonprofit organizations more than any other group of advisors.* Wow! My question is: Are you available to your donors and potential donors?

In summarizing the study, what we see is that people who can make a difference for others will do so, if they can see a vision of a real difference their gift will make for those in need, and if the charity can demonstrate that they actually made that difference, and increasingly involve the donor in the work and life of the charity. This study makes clear the importance of outcome research, the key role of communications, the strength of volunteerism, and the philanthropic possibilities that are created by investing time and energy in the stewardship of positive relationships with your donors and volunteers. ■



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