Planned Giving Special Report

The 7 Most Influential Giving Trends

A Special Report for Nonprofit Presidents, Development Professionals and Board Members

Although the recent charitable giving news has been good, rapidly shifting donor attitudes and continued national and global economic concerns continue to put pressure on nonprofits to strengthen their financial permanence, stability and strength.

In this report, we will uncover the top seven most influential planned giving trends. Additionally, we will also discover the one global, seismic shift in approach that can keep your planned giving on the track for long-term success.

In over two decades of showing nonprofits how to multiply their planned giving results with limited resources, two important foundational truths remain unchanged:

- Endowments are critical for the health of every long-term nonprofit;
- A predictable system is essential to sustainable planned giving success.

A Personal Message

Uncertainty remains. Significant challenges abound. But so do opportunities. Nonprofits have an extraordinary occasion to provide leadership and solutions to donors. Planned giving is the ideal solution for the challenges facing nonprofits and their donors.

If you are reading this report, you are experiencing the weight of the challenges facing every nonprofit organization positioned for the long term, and you are looking for insights and answers. This Special Report is designed to provide both.

Vibrant giving programs are essential to the multigenerational viability of nonprofits, and healthy endowments are the foundation for the sustained health of every nonprofit that anticipates future

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The donor landscape has changed irrevocably. There is no turning back the clock. Therefore, nonprofits face some of their stiffest challenges yet. The nonprofits and their fundraising teams that discover, respond and integrate these principles will see their planned giving efforts flourish.

Problematically, many nonprofits are struggling to maintain a strong, sustainable planned giving model. Urgent financial needs and short-term organizational goals often compete with the long-term nature of planned giving. Leadership must face these issues with courage, conviction and commitment.

The 7 Most Influential Trends

Let's begin with a review of The 7 Most Influential Planned Giving Trends... then we'll take a deeper look at each one in detail:

1. Charitable Giving Is Up… With Concerns
2. Media and Outside "Scrutiny" Eroding Donor Confidence
3. More Nonprofits Are Battling For Limited Dollars
4. For-Profits Have Greater Resources To Compete
5. Planned Giving Efforts Under-Resourced Or Neglected

Continued economic and global uncertainty have forced donors to reshuffle their priorities and reevaluate the role of charity in their futures.

6. Short Term Focus Confuses Donors
7. Information Overload Drowns Out Your Message

A Brief History

Let me give you a brief history of this Special Report.

After the 2000-2001 economic and stock market challenges, we brought together a group of about twenty nonprofit leaders for a special gathering.

Our first reason for this gathering was to create a collaborative environment—to give development professionals an environment to share what was working, what was not working and to identify key challenges.

Our second reason was to ask them how we could help.

Unanimously, they responded that they needed to know what was happening nationally in the planned giving world. "We know what some of the challenges are day by day and week to week," one prominent Director of Planned Giving shared, "but we need your help to get a handle on the bigger issues and trends facing our industry."

Therefore, we began to do some initial digging, which, ultimately resulted in over a hundred hours of research and analysis.

We then assembled a Special Report – The Core Planned Giving Challenges. We invited over one hundred planned giving professionals and ended up hosting about eighty-five for our Power Point-based Special Report.

Since then, we have shared it across the United States and Canada—and updated it every year. As you can imagine, the economic implosion of 2008 brought to light even more issues.

The Nonprofit Sector

Most people are unaware of the sheer size of the nonprofit sector.

It represents a significant portion of the economy, overseeing almost 13 million employees, or 1 out of every 10 in the United States workforce. U.S. nonprofits produce $1.4 trillion in annual revenues—5% of our Gross Domestic Product (GDP).

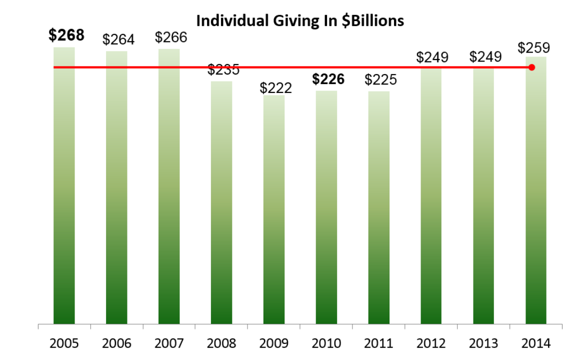
If U.S. nonprofits were a country, it would rank as the sixth largest economy in the world—larger than Canada or Russia! Therefore, the health of the nonprofit sector is critical to the health of our economy.

U.S. nonprofits, like many sectors of the U.S. economy, continue to face formidable challenges—not just economic.

In case you are tempted to dismiss these challenges as temporary glitches in an otherwise smooth course of progress, let's take a closer look at the sobering facts underlying each of these trends.

1. Charitable Giving Is Up… And Yet Down

Giving Still Below 2005 Levels



Annual Individual Giving Adjusted for Inflation: *Giving USA 2015*

Charitable giving is up this year—a bright spot in the giving landscape. In *Giving USA 2015*, overall annual giving, adjusted for inflation, is reported to have increased 5.4 percent.

Giving from individuals rose 4.0 percent on an inflation-adjusted basis, after a flat year the year before. Individuals accounted for over half of the charitable giving increase.

Despite the good news and

Slowest Growth In Last 40 Years

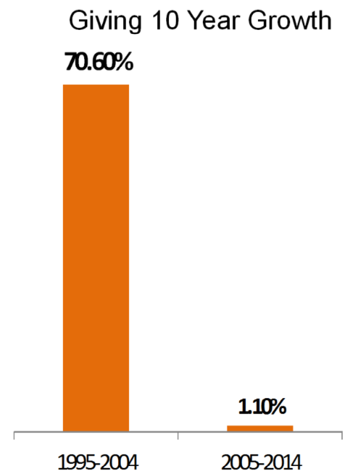
"Since 1975…

The **slowest**

10-year period of

growth was

2005-2014."



Giving USA 2015

uptick, giving from individuals is still below levels in 2005-2007.

Giving USA 2015 notes, "However, it was the gain in the S&P in 2013 that was likely more responsible for the growth in giving in 2014, as giving is more greatly affected by the prior year's S&P 500 results."

In fact, they point out that the growth in

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needs.

It is no longer possible (if it ever has been) to maintain vibrant giving or a healthy endowment without a sustainable, proactive planned giving program.

Yet many nonprofits are struggling to develop and maintain such a planned giving model. Certainly, these are uncertain economic times. However, that is not the only cause for concern. The uncertain economic future has created a seismic shift in donor attitudes that imposes challenges that will remain even as the economic climate and uncertainty improves.

This Special Report is designed to help you face these demanding circumstances—honestly and effectively—and better equip you to face these challenges head on with your donors by providing solutions that are win-win. Sustaining a successful nonprofit has never been easy; today, the challenges may be greater than they have ever been.

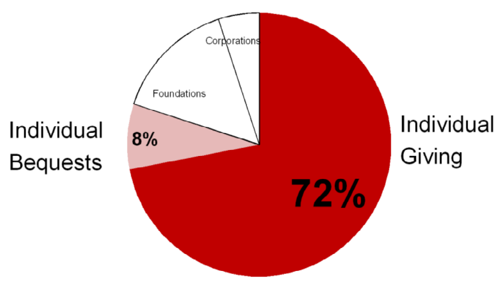
However, together, we can take the first steps toward turning these challenging times into opportunities by taking a hard look at the obstacles, and keeping an open mind about a fresh approach to planned giving that benefits both your organization *and* your donors.

Scott Keffer, Creator and CEO
The Donor Motivation Program®

giving over the last 10-year period of 2005-2014 was the lowest in 40 years.

In fact, they note, since 1974, the last 10 years has been "the slowest 10-year period of growth." This causing not only concern, but

Individuals Contribute **80 Percent**



Giving USA 2015

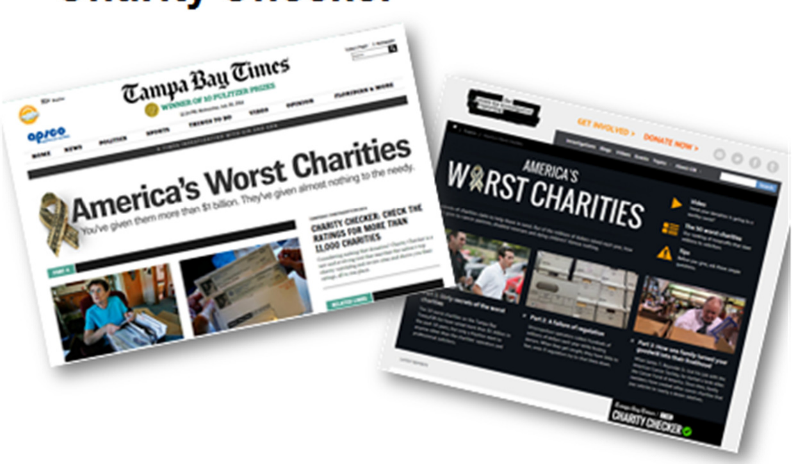
prompts a deeper look into what are the underlying causes for this phenomenon.

First, let's unpack the sources of giving.

Giving from individuals is crucial—including bequests left at their passing, individuals account for 80% of all charitable contributions. Affluent households are even more crucial—accounting for two thirds of the individual giving.

The good news is that the number of households with assets of $1 million dollars or more has risen every year since 2008. The latest data from *Affluent Market Insights—2015*, shows the number topping 10.1 million, a huge opportunity for nonprofits if they apply these principles.

Charity Checker



2. Media And Outside "Scrutiny" Continue to Erode Donor Confidence

The good will that nonprofits once enjoyed has crumbled under the weight of compensation scandals and growing donor skepticism. Today, donors want more accountability, measuring nonprofits like they measure other investments; and they want more information and transparency.

To meet this need, a number of independent entities have arisen, touting themselves to donors as the ones "looking out for their best interests."

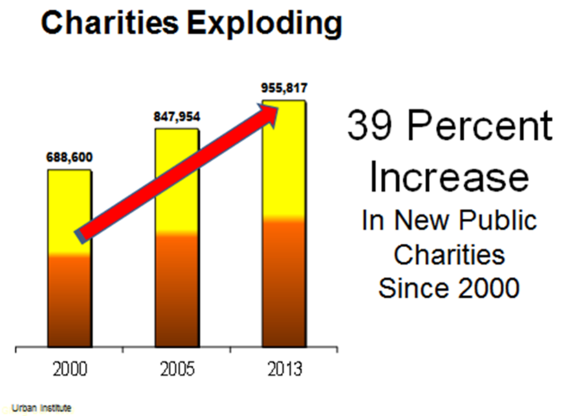
The Huffington Post ran an article entitled, *American Institute of Philanthropy Gives Charities Failing Grade*, where they report, "A new charity rating guide by the watchdog American Institute of Philanthropy (AIP), has handed out 'F' grades to dozens of poorly run or shady organizations whom it says donors should steer clear of if they want more bang for their charitable buck."

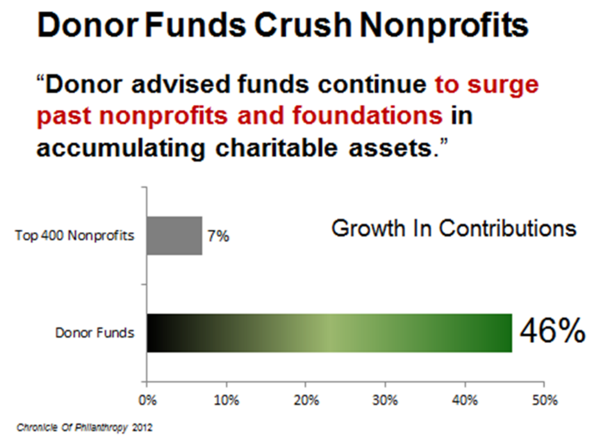
"America's Worst Charities" was the headline announcing the results of a joint investigation by The Center for Investigative Reporting, the Tampa Bay Times and CNN, where they identified America's 50 worst charities.

The College Sustainability Report Card promotes itself as THE only independent evaluation of campus and endowment sustainability. CharityWatch bills itself as America's premier evaluator of charitable health.

These types of organizations will continue to rise to fill the perceived need for more accountability and outside scrutiny.

Your response may be, "Our donors don't have those concerns about us." As always, everyone gets painted with the same brush and the assault on the trustworthiness of charities hurts every charity.





3. More Nonprofits Are Battling For Limited Dollars

The current cutback in giving has been exacerbated by the fact that there are an increasing number of nonprofit organizations chasing too few dollars. Over half a million new charities have been created since 2000—half of those since 2005.

In fact, the number of charitable organizations registered with the IRS grew at double the rate of the business sector.

This means that donors are bombarded by more and more charities chasing a limited number of donors. There is one charity for every 304 people in the United States.

4. For-Profits Have Greater Resources To Compete

While the nonprofit sector has been relatively static in its progress, the financial sector has stepped into the picture and seized a growing share of donors and their dollars.

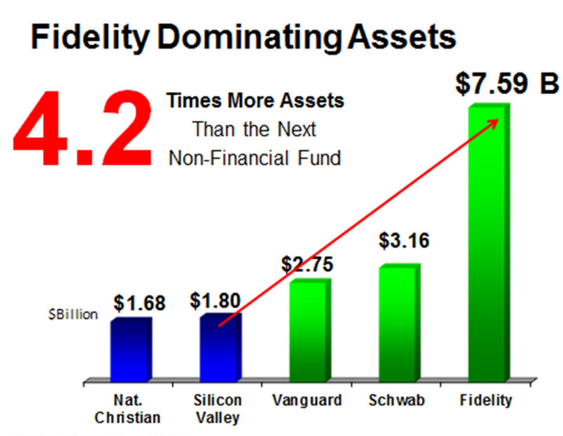
As early as 1998, Fidelity Investments' Charitable Gift Fund was the largest grant-making charity in the U.S., raising more money than nonprofit bellwethers like Harvard University, the American Red Cross and the American Cancer Society.

In 2013, Fidelity Charitable Gift Fund raised over a BILLION dollars more than the American Cancer Society, the American Red Cross and Harvard… COMBINED!

Today, Fidelity's Charitable Gift Fund continues to dominate the donor-advised fund landscape—housing almost four times more money than the next non-financial fund. In addition, the top three donor-advised fund leaders are now financial firms.

Not only have these financial alternatives siphoned money away from traditional planned giving and endowment campaigns, to the tune of $7 trillion, they have also changed donor expectations—of what donor advised funds and their sponsors should do *for them*.

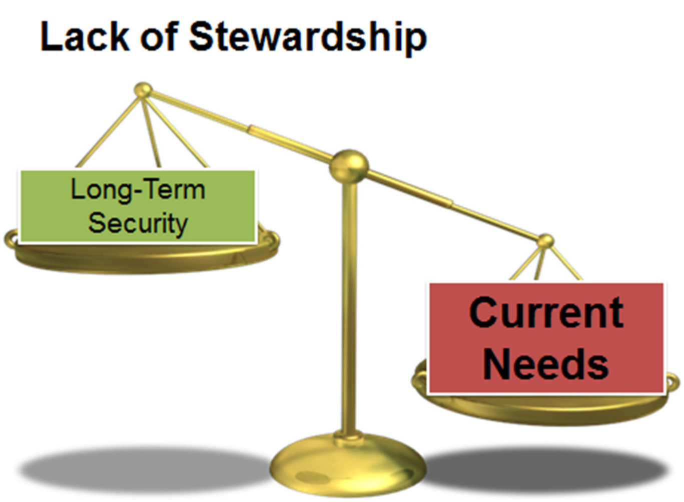
5. Planned Giving Efforts Are Under-Resourced And Even Neglected



Planned giving has many benefits for nonprofits; none more valuable than providing a much-needed "safety net" during troubled times.

Despite this understanding, many nonprofits are unwilling to invest the needed time and money necessary to create a sustained planned giving program. Oftentimes, this results in an overloaded fundraising staff with multiple priorities.

In the latest *Gift Planner Survey 6*, most fundraisers reported that they shoulder current and planned giving responsibilities, forcing them to spend less than one quarter of their time on planned giving. Only 1 in 10 fundraising professionals spends more than 75



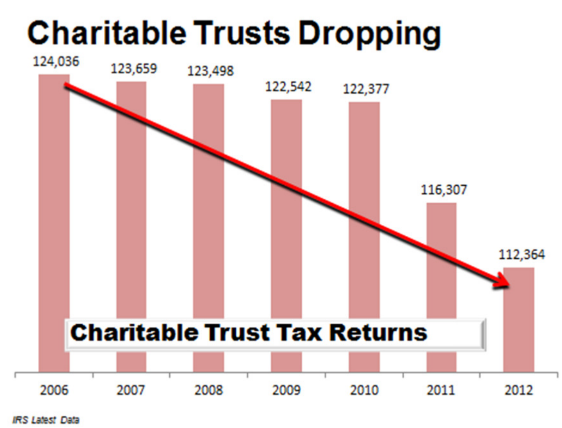
percent of their time on planned giving.

6. Short Term Focus Confuses Donors

As we said, some nonprofits have actually created a proactive, sustainable planned giving program; yet, for the vast majority, it's still an unfulfilled desire.

Oftentimes, the biggest obstacle lies within the organization—a lack of long-term commitment to planned giving, which manifests itself in the following:

- **Inadequate budget:** Too few boards understand the value of planned giving and aren't willing to make it a priority, which shows up in the lack of funding.
- **Lack of support:** Both fundraising staff and board members are reluctant to pursue planned giving programs, favoring short-term fixes instead.



- **Short-term focus**: Anyone who came through the Great Depression knows the saying, "You never eat your seed corn." No one, with any sense of tomorrow, would eat the seed corn that was the basis for next year's crop. Yet, many nonprofits have and continue to eat their "seed corn" when they consume every dollar that comes in. The result is a lack of organizational stewardship—sacrificing long-term security for the urgent needs of today.

The result of these internal obstacles is a "start-stop-start-stop" approach to planned giving. What does this on-again, off-again approach say to your donors?

Moreover, in the latest information available from the IRS, the number of charitable income trusts has dropped below the 2005 levels as well.

7. Information Overload Drowns Out Your Message

Your message faces an overwhelming avalanche of information that bombards donors every minute of the day. In America, there are approximately:

- 260,000 Billboards
- 11,520 Newspapers
- 11,556 Magazines
- 2,218 TV Stations
- 17,271 Radio Stations
- 328, 259 New Books Each Year
- 60 Billion Pieces of Junk Mail Daily

To add insult to injury: Contemporary Americans get as much mail **in a week** as their parents received in a year.

It has been estimated that in 1971, we were exposed to an average of 560 marketing messages per day; by 1999, that number exploded to **3,000 per day**.

Many nonprofits we analyze believe that a website solves the problem. Our question to them: "Have you analyzed how many donors are actually going to your website… and how long are they staying?"

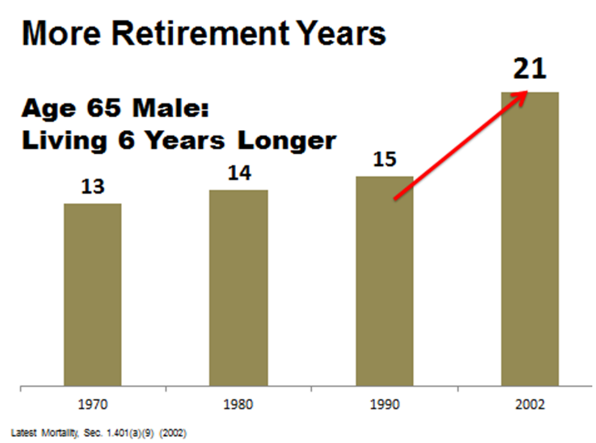
In 1998, Google indexed 26 million web pages; just four years later, it was 1 billion. In 2008, Google reported having indexed a staggering 1 trillion web pages.

How many marketing messages bombard **your** donors each and every day?

In response, donors protect themselves by erecting filters and barriers to the daily barrage of messages—even *your* messages!

Just as today's nonprofits are facing daunting challenges, so are your donors!

In order to sustain long-term relationships with your most valuable donors, it is absolutely essential to begin by understanding where your donors are coming from—what are their greatest



"General confidence in charitable organizations appeared to hit its modern low point in 2003 and has not moved up or down significantly since. The charitable sector has mostly denied the crisis in confidence…"

How Americans View Charities: A Report on Charitable Confidence

fears and needs?

Economic challenges have not only forever changed the rules for nonprofits, they have also changed the rules for donors and their futures. Here is what we know about today's donor:

1. Fear of Losing Their Wealth Is The Donor's #1 Concern

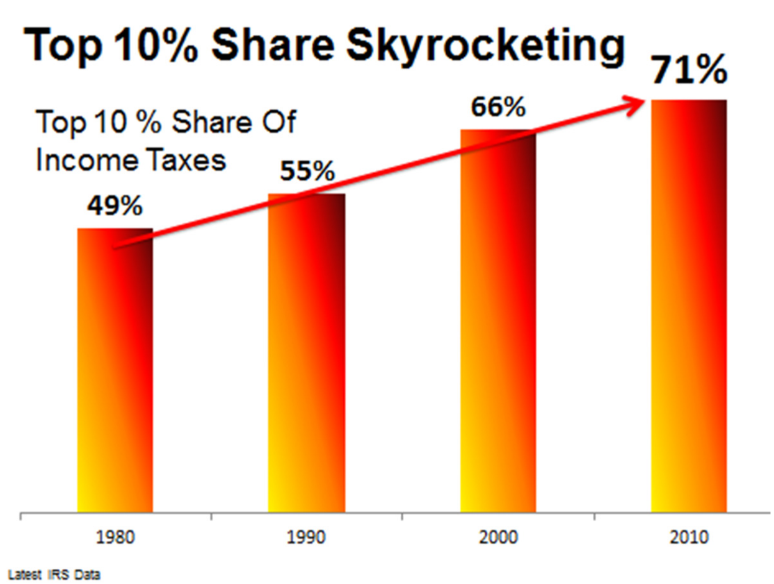
In 2005, long before the economic meltdown, a survey of families with $1 million to $10 million in net worth revealed an alarming statistic: 88.3% said they were "very concerned about losing their wealth."

In a recent AARP article, *Running Out Of Money Worse Than Death*, two out of three older Americans reported being more afraid of running out of money than dying.

2. Having To Provide Income For A Longer Lifestyle

In the seventies and eighties, the results of medical advances on life expectancy for a 65-year old were minimal.

Not so surprisingly, in the twelve years between 1990 and 2002 (the latest published life expectancy statistics), the average life expectancy for a 65-year old exploded by 40%. Overall, that is good news.



However, there is a downside.

It has imposed a new financial challenge: the average 65-year old male must now fund an additional **six years of lifestyle**!

For a woman, the challenge is even greater. The average age of a widow is 60… and she will live 23 years after her husband's death!

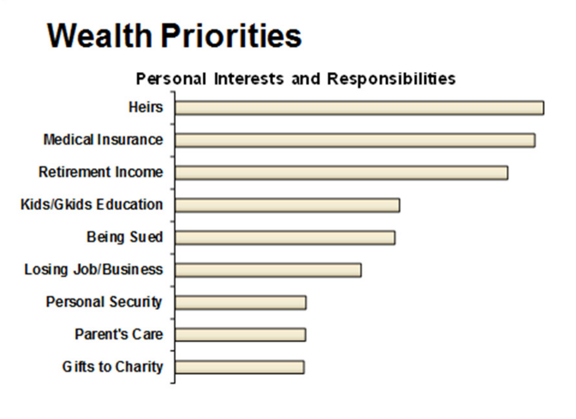
3. Escalating Medical Costs

According to *The Journal Of Internal Medicine* in "Health-care Costs Hit The Elderly Hard, Diminish Financial Wellbeing," "out-of-pocket spending on health care in old age puts significant strain on finances." As if we needed a study from the Journal to confirm what we already know to be a fact.

To further compound the problem, the *Wall Street Journal* reports, "retirees suffer the impact of a different inflation rate than that quoted on the news for the general population, one that has increased at a significantly faster rate due to ever-increasing medical costs."

4. Providing For Children and Grandchildren

Affluent donors are still concerned about leaving a positive legacy for their children and grandchildren. The *2013 Affluent Market*



Insights affirms that 7 out of 10 affluent families are concerned about providing for their children and grandchildren.

5. The Deficit and The Increasing Tax Burden

Donors are deeply concerned about the bite that taxes take out of their income and their wealth. The top 10 percent of income earners are shouldering an increasing share of the tax burden. Their share has increased from 49 percent in 1980 to over 70 percent in 2010.

That's a 45 percent increase. And that's a deep concern for many donors.

The Result: A Change in Wealth Priorities Places Charities at the *Bottom*

Donor fears have a very real and immediate impact on them—and on their sense of responsibility toward charity.

When asked to prioritize their personal interests and responsibilities, charities now come in dead last at the bottom of the wealth priority ladder.

As Nonprofits, What Next?

As needs mount, nonprofits often focus strictly on major giving, annual funds and capital campaigns. Why? Present needs.

Reflect on this for a moment: how often do donors think, "The only time I hear from you is when you want… money!" A major gift is an "ask" for cash or securities. If your donors are worried about their future, which assets are they least likely to be comfortable parting with? Is major giving the best single focus?

The Quandary

How do we bring these two seemingly conflicting issues together: charity challenges and donor worries?

A Different Approach

The previous pages paint a challenging picture, no doubt. While the facts are a spur to action, they need not be a cause for alarm. With the right perspective, nonprofits *can* help donors meet their needs and, at the same time, better secure their long-term financial viability.

Joe and St. Foresight

The following story is true, but the facts have been altered to respect the privacy of the donor and the nonprofit that both benefited from a proactive, sustainable planned giving program.

St. Foresight is a regional hospital that, like many health care institutions, was hit hard by a declining economy. However, unlike many nonprofits in similar situations, St. Foresight had consistently taken some of their "seed corn" and invested in a proactive, sustainable planned giving system that included consistent donor motivation events.

> The boards of many charities do not understand the value of planned giving in building relationships with key donors, and do not prioritize gift planning in the charity's budget. Recent research confirms that **78 percent of donors have never been asked to make a planned gift**.

Special Report

Joe was a consistent donor who routinely made annual gifts to St. Foresight. At age 77, he had concerns (and fears) of his own: he was afraid of running out of money. Although his dad was a hard working dairy farmer, they often struggled to make ends meet. Joe labored beside his dad and learned the value of hard work. He wanted to pass that value on to his kids. He also remembered the angst in the pit of his stomach during the terse conversations his parents had about not having enough money. He vowed those conversations would not be repeated in his home.

Therefore, when the invitation came to St. Foresight's donor motivation, planned giving presentation, it caught Joe's attention. St. Foresight hosted the event every quarter to maintain "charity of choice" status in the minds of its donors.

Joe enjoyed getting a chance to see his friends at the hospital. Even more surprising, he enjoyed the presentation… and he understood it. It seemed to speak directly to him—and his concerns.

Moved by what he heard, Joe took the next step – a conversation. As a result, Joe made a number of changes, which included gifting a stock that he had owned forever into a charitable income trust, and adding his favorite charities as beneficiaries of his IRA and estate through his Will.

Benefits to Joe

By utilizing these planned giving strategies, Joe received a number of benefits, including the following:

- He received a substantial income tax deduction
- He repositioned the stock without incurring an upfront capital gains tax
- He created a lifetime income that he couldn't outlive

Major Giving	Planned Giving
The Needs Of The **Charity** Are Primary	The Needs Of The **Donor** Are Primary
The **Charity** Receives More Of The Benefits	The **Donor** Receives More Of The Benefits
Charity-Centric	**Donor-Centric**

- He increased his annual spendable income by **24%**.

Benefits to St. Foresight

As host of the event, St. Foresight received impressive benefits as well:

- Joe immediately increased his annual gift to $10,000 a year
- Joe named St. Foresight as a beneficiary of the trust, his IRA and his estate
- When Joe died unexpectedly of a stroke just two years later, the hospital received $963,000
- St. Foresight was not the only recipient of Joe's generosity. Joe's church received a $250,000 gift and a $200,000 gift went to Joe's alma mater.

The Real Benefit to St. Foresight

Through a long-term commitment to a sustainable donor-centric, planned giving model, St. Foresight's endowment experienced significant growth, which allowed the funding of special projects.

However, the real value of the endowment became clear the year following the recession, when the endowment cut a $9.3 million check for the hospital to cover a budget gap at the peak of its financial crisis.

Disaster had been averted because the hospital had the willingness, year after year, to invest in a proactive, sustainable planned giving program. Even during uncertain economic times, the donor motivation presentations continued.

Lessons Learned

A donor motivation, planned giving program succeeds because it speaks to your donors' deepest needs and fears. It shows them how to take care of their own needs, and the needs of the nonprofits they hold dear.

Many nonprofits establish donor relationships based on a value exchange model that has not changed in decades. In it, value flows in one direction—from the donor who gives money to the nonprofit that, in turn, provides a service to the overall community, one that donors respect and sometimes cherish.

As we have seen in the 7 trends, that model is collapsing. Further, St. Foresight's experience with Joe suggests a new model more appropriate to changing times and demographics: a value exchange that moves *in both directions*, providing benefits to the nonprofit *and* donors.

For the hospital, the change in models has meant significant rewards that have sustained its mission in good times and bad.

However, with the change in models comes a change in focus: instead of relentless messaging about the nonprofit's mission, there needs to be consistent communications on concerns *that affect the donors, themselves.*

A balanced approach includes major giving and planned giving.

Mutual Benefits of a Balanced Approach

Remember the mutual benefits of planned giving for your organization and your donors:

Nonprofits Receive:

- Deeper **bonds** with donors who now have ownership in the organization
- Typically, a donor with a planned gift gives a **larger percentage** of their income in annual gifts
- The legacy benefit of the **planned gift**.

Planned giving provides the perfect win-win solution to the challenges that nonprofits face, as well as solving the biggest needs of your donors.

Special Report

The Keys To a Sustainable Planned Giving Program

This presentation answers the following:

- ❑ What are the 10 Results that every planned giving program must achieve?
- ❑ Who are the ideal planned giving donors to target?
- ❑ How will planned giving integrate with your major giving program?
- ❑ What three investments are critical to success?
- ❑ What does your donor funnel reveal about the most important activity for encouraging more gifts?
- ❑ How can you best leverage your investment in your planned giving efforts?
- ❑ Why are donor seminars the most effective tool for your planned giving staff?
- ❑ What are the two tracks your planned giving program must ride on to be successful?
- ❑ How can you implement this approach with limited time and money?
- ❑ How can you duplicate the efforts of a planned giving officer without having to hire another professional?

What's Next

How will nonprofits fare in the changing future? Hopefully, it's clear by now that there is no status quo—things will not return to the way they were. The institutions that stay the same will, sooner or later, be left behind.

Nonprofits will need to maintain their historical mission and commitment to serve, and yet embrace new avenues to engage donors in win-win scenarios. Those organizations who are at the forefront will flourish in the new environment. Those organizations that stand idly by will ultimately slip backward.

For More Answers

For answers to these and other urgent development questions, view our FREE program, *The 10 Key Results From A Sustainable Planned Giving Program: How to Double the Results From Your Planned Giving Efforts.*

This presentation answers the questions outlined above, as well as shows you how to take your planned giving program to the next level. To schedule this powerful presentation at your nonprofit, please call (404) 467-9882 or email us at prenn@rennwealth.com.

Who We Are

Since 1995, we have shown leading nonprofits across the United States and Canada how to remove their biggest planned giving obstacles and double the results of their planned giving efforts with limited time and money… and we GUARANTEE satisfaction. We can guarantee satisfaction because we regularly listen to nonprofits—and their donors—and take what we hear to continually perfect the planned giving bridge between nonprofits and their donors. The result is the most cost effective, time efficient planned giving presentation system on the market. Charities call it "donor motivation in a box."

Through The Donor Motivation Program® and The Donor Motivation Professionals of North America, a network of trained professionals, we have shown North American charities how to "motivate planned giving" and double their results. Tens of thousands of donors have engaged in our Donor Presentation Experience and rated it either "one of the finest" or "absolutely the best" of its type. Why? It's donor-centric!

THE DONOR MOTIVATION PROGRAM®
We Motivate Planned Giving!

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