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HOW TO TALK TO DONORS ABOUT INVESTING IN THE COMMUNITY'S FUTURE

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Kathryn W. Miree is President of Kathryn W. Miree & Associates, Inc., a consulting firm that works with boards and staff of nonprofits and foundations to develop administrative policies, structure, and planned giving programs. She received her undergraduate degree from Emory University and her law degree from The University of Alabama School of Law. She spent 15 years in various positions in the Trust Division of AmSouth Bank where she was the manager of the Personal Trust Department before joining Sterne, Agee & Leach, Inc. to start its trust company. She established Kathryn W. Miree & Associates, Inc. in 1997.

Ms. Miree is a past president of the National Committee on Planned Giving, a past president of the Alabama Planned Giving council, a past president of the Estate Planning Council of Birmingham, Inc. and a past member of the Board of the National Association of Estate Planners & Councils. She currently serves on the board of the Community Foundation of Greater Birmingham and has been a member of many local and national boards over her career.

Ms. Miree is a frequent lecturer, co-author of *The Family Foundation Handbook* with Jerry J. McCoy (CCH Publishers) and author of *The Professional Advisor's Guide to Planned Giving* (CCH Publishers). She has served on the Editorial Advisory Board of *Planned Giving Today* and on the Board of Community Foundation of Greater Birmingham where she is Chair-Elect. Her clients include a variety of nonprofits and foundations across the country.

How to Talk to Donors About Investing In the Community's Future

I. The Opportunity

A. Why Are Community Conversations So Important?

There are many benefits to engaging the community in conversation and making philanthropic opportunities for investment more visible. Consider these opportunities:

- Increasing philanthropic funds for the community - a growing community endowment;
- Higher level of interest in and discussion of charitable solutions to issues or problems in the community;
- Engagement of the individuals in the community, and through them, the engagement of their assets;
- Increasing gifts to other charities directly and through the foundation;
- Increasing the stability of the nonprofits in the community; and
- Increasing the level of charitable services and quality of life for the community as a whole.

B. The Donor as Partner

In many conversations I have with community foundations I hear about their plans to build the permanent assets of the foundations, the fees and account structures they prefer, and the importance of securing operating funds to cover expenses. I may hear about initiatives and goals, or about building Legacy Society counts. The conversations center on the community foundation, its goals, and its interests. I do not hear enough about the donor who is the essential partner in their success.

The most important premise in any conversation you have about building the assets of the foundation is that the conversation must be centered on the donor. The conversation must begin by understanding the donor's interests and then move to a discussion of how the foundation can effectively address and leverage those interests. This donor-centered philosophy should be reflected in the foundation's marketing and messaging as well.

There is opportunity at every turn for community foundations. The culture of philanthropy in the United States is unique. A survey by Independent Sector revealed that 89% of all households give to charity.[1] IRS research reveals that in 2012 (the most recent year for which the IRS has details), 31.58% of all taxpayers itemized.[2]

This session focuses on building a proactive strategy to engage donors in conversations about permanent gifts. It addresses how to set internal goals that help focus external conversations. It's about changing the culture of the organization to believe that every individual you meet has the ability to change the future. It's about encouraging philanthropic investment and challenging donors to envision the community they hope for and investing in that vision. And it is about identifying the opportunities for conversations and knowing how to get the conversation started.

II. Understanding the Donor's Environment

Gift planning has never been more important to nonprofits or to donors. And community foundations have never been more important to the communities they serve. In an unpredictable economic environment, gift planning provides tools to help donors give more effectively, and give in a way that addresses both personal and charitable goals. If conversations are all about the donor, then the place to start is the donor's planning environment.

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[1] Giving and Volunteering in the United States, Independent Sector (2001), http://www.cpanda.org/pdfs/gv/GV01Report.pdf.

[2] IRS Statistics of Income, http://www.irs.gov/uac/SOI-Tax-Stats-Historic-Table-2.

A. The Challenges in the Economy

Donors are reeling from the unprecedented movement of the financial markets. These economic pressures also impact charities, whether in endowment returns, enrollment, recruiting, and basic budgeting. Before having conversations with donors, it's important to step back and look at the challenges in the investment markets.

1. Index Returns

The expanding economy and strong corporate earnings of the 1990s led to unprecedented growth in the securities markets. Unfortunately, the bull market of the 1990s led to a series of bear markets in the 2000's. In a survey of 50 to 70 year-old investors conducted by AARP in 2002, 77 percent had lost money in the stock market.[3] Twenty-five percent of that group reported losses of between 50 and 75 of their stock investments.[4] As a result, 21 percent who had not yet retired decided to postpone retirement as a result of their losses, and 10 percent who had retired decided to return to work as a result of their losses. Markets have moved up with periodic corrections over the decade. Annual returns from 1999 through 2008 are shown in Tables 1 and 2. The tables do not tell the full story. Mid-market fluctuations, the reduction or elimination of dividends, and tight credit markets have created chaos.

TABLE 1
MAJOR INDEX RETURNS 1999 – 2004

INDEX	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*
DJIA	25.22%	-6.18%	-7.1%	-16.76%	25.32%	3.15%	-0.61%
S&P 500	19.53%	-10.14%	-13.09%	-23.37%	26.38%	8.99%	3%
NASDAQ	85.5%	-39.29%	-21.05%	-31.53%	50.01%	8.59%	1.37%
DJ World	31.54%	-17.36%	-21.02%	-15.63%	38.58%	19.23%	14.4%
Barclays LT Treas.	-15.13%	20.11%	3.5%	14.62%	1.38%	5.06%	2.7%
ML Muni Master Bond Index	-6.34%	18.1%	4.5%	10.73%	2.54%	5.45%	3.9%
Barclays Corp. Bond Index	-1.89%	9.1%	10.7%	10.17%	8.31%	5.41%	2%

TABLE 2
MAJOR INDEX RETURNS 2005 - 2011

INDEX	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
DJIA	16.29%	6.4%	-33.8%	18.8%	11%	5.5%	7.3%	26/5%
S&P 500	13.62%	3.5%	-38.5%	23.5%	12.8%	0%	13.4%	29.6%

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3 Brown, S. Kathi, "Impact of Stock Market Decline on 50-70 Year Old Investors", (AARP, December 2002), <http://research.aarp.org>, p. 3.

4 *Id.* P. 4.

INDEX	2006	2007	2008	2009	2010	2011	2012	2013
NASDAQ	9.52%	9.8%	-40.5%	43.9%	16.9%	-1.8%	15.9%	38.3%
DJ World	23.01%	11.8%	-46%	37%	10.1%	-16.3%	13.6%	13.3%
Barclays LT Treas.	1.85%	10.2%	20.64%	-13.17%	9.37%	34.01%	0.87%	-13.33%
ML Muni Master Bond Index	4.4%	4.18%	0.54%	9.4%	2.52%	10.64%	5.56%	-2.19%
Barclays Corp. Bond Index	4.3%	4.56%	-6.54%	18.68%	9%	8.15%	9.82%	-1.57%

2. Interest Rates

As interest rates have declined, the interest paid on bonds, certificates of deposit, checking accounts and other fixed income instruments that seniors and retired donors rely on for living expenses has also declined. For a look at how those rates have fluctuated over the last decade, see Table 3.

TABLE 3
PRIME RATES, QUARTERLY, 1998 – 2012

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Jan 1	9.5%	4.75%	4.25%	4%	5.25%	7.25%	8.25%	7.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Apr 1	8%	4.75%	4.25%	4%	5.75%	7.75%	8.25%	5.25%	3.25%	3.25%	3.25%	3.25%	3.25%
July 1	6.75%	4.75%	4%	4.25%	6.25%	8.25%	8.25%	5%	3.25%	3.25%	3.25%	3.25%	3.25%
Oct 1	6%	4.75%	4%	4.75%	6.75%	8.25%	7.75%	5%	3.25%	3.25%	3.25%	3.25%	3.25%
Dec 1	5%	4.25%	4%	5%	7%	8.25%	7.5%	4%	3.25%	3.25%	3.25%	3.25%	3.25%

B. Personal Circumstances

1. The Madoff Chill

In addition to the extreme downturns in the securities and real estate markets the press reported numerous incidences of investment manager fraud, the most significant of which was the Madoff Ponzi scheme with losses of more than $50 billion. In later 2008, an investment manager in New York, Bernard J. Madoff, revealed the $50 billion he had managed for individuals, foundations, corporations, and other investment managers was all a fraud. For decades, he had run a Ponzi scheme in which dollars from new investors were used to pay longer-term investors. The assets and returns shown on statements were all manufactured. When the dust began to settle (the final asset count is not yet complete), Madoff held only several hundred million rather than the $50 billion reported to customers.

One of the remarkable revelations about the Madoff fraud was the number of sophisticated investors and nonprofit organizations on the list of victims. Several foundations and nonprofit organizations were forced to close their doors because of the losses. The story added an extra layer of concern to the investment management process above and beyond the wildly fluctuating market.

2. Retirement Needs

The investment uncertainties come as more and more Americans are looking at retirement, but are finding themselves short.

- An increasing number of Americans are retiring, making them dependent on personal investments, retirement plans, and pensions for survival. There are 21.1 million men age 50 and older in the workforce (2005-2010); of those 4.5 million (21.3%) are projected to exit the workforce over that period. There are 18.1 million women in the workforce (2005-2010); 4.2 million (23.2% are projected to exit during that period.[5]

- "10 million people, including 1.3 million persons aged 55 and older, were unemployed in October. Unemployment rates rose for all age groups. For various reasons, including the fact that unemployed older workers often drop out of the labor force and are thus not counted as unemployed, the unemployment rate for older persons tends to be lower than that for younger people. This remained the case in October (Figure 1). The October unemployment rate for the aged 55 and older labor force stood at 4.5 percent. It was 5.5 percent for those aged 25–54 and 6.5 percent for the labor force as a whole."[6]

- According to a 2008 analysis of CPS data, "among both men and women aged 70 and older, rates of employment rose slightly between 1990 and 2008. In March 2008, 14% of men aged 70 and older were employed, compared with 10% in 1990. Among women aged 70 and older, 8% were employed in March 2008, compared with 5% in March 1990." (p. 5)[7]

3. What This Means for Donors

Economic pressures are causing donors to rethink retirement, rethink annual budgets, and rethink charitable giving as a part of those budgets.

- The recent economic crisis has evoked memories of the Depression and has caused donors to hold onto cash.

- The country went through a recession, with increasing unemployment, and major retailers closing or going into bankruptcy on a daily basis. Even with the latest good news on jobs and a sky rocketing securities market, there is still concern.

- Gas prices rose to over $4/gallon in 2008, and while average prices have dropped since then, prices are now edging back up to the $4 mark and are driving inflationary fears.

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[5] Bureau of labor Statistics, 2008 analysis, Table 4, p. 46; Gendell, M. (2008). Older workers: Increasing their labor force participation and hours of work. Monthly Labor Review, 131(1), 41-54. Retrieved from http://www.bls.gov/opub/mlr/2008/01/art3full.pdf.

[6] Rix, Sara E, "The Employment Picture, October 2008—Mostly Grim News for Older and Younger Workers Research Report," AARP Public Policy Institute (November 2008), http://www.aarp.org/research/economy/trends/fs148_employment.html.

[7] Purcell, P. (2008). Older workers: Employment and retirement trends - September 15, 2008. Washington, DC: Congressional Research Service. Retrieved from http://opencrs.cdt.org/document/RL30629.

- The federal debt load is at a historically high point and will undoubtedly increase significantly before the financial crisis is over.[8] States are also struggling to meet state budget goals (as are counties and municipalities).

These factors have not eliminated charitable giving, but simply changed charitable planning's focus and strategy. This training is designed to address donor motivation, how to determine that motivation, and charitable planning opportunities representing the best options for charitably inclined donors.

C. Other Factors Impacting Their Ability to Give

Donors are also affected by other personal circumstances that include other demands for funds. These may include:

- The need to take care of parents;
- Children in private college-prep school, college, or graduate school;
- Loss of job - or family member experiences loss of job;
- Active involvement with another charity - or capital campaign for another charity;
- Digging out from financial crisis as result of economy;
- Medical crisis; or
- Similar personal factors.

D. A Perspective on the Planning Process

Most individuals – and their advisors – come to the planning process with assumptions that get in way of creating significant estate gifts for charity.

1. Common Barriers to Charitable Planning

The most common assumptions are:

- **Assumption One: The individual wants to leave his or her entire estate to family**. The planner should not assume that the client wants to leave the entire estate to a spouse, children, or other relatives. The client should be asked to quantify his goals for family members. More and more individuals – those with excessive wealth and those with more moderate estates – have specific dollar goals in mind.

- **Assumption Two: The individual is driven by tax avoidance.** So much of what the client reads in *Forbes*, *The Wall Street Journal*, or even the local newspaper on estate planning focuses on tax avoidance or reduction. The planning professional also focuses on estate planning techniques and tax avoidance. The donor is focused on neither. Instead, he is concerned about personal needs, family needs and in many cases, charitable goals; he is not willing to sacrifice those goals merely to save taxes.

- **Assumption Three: The individual has fully thought through the issues that impact estate planning.** Most have not. It is important to understand the perspective of the client involved in charitable planning. While the professionals involved consider the tax consequences and alternatives, the donor is dealing with more personal issues. The donor must first ensure that he or she will be able to maintain or improve a lifestyle. Next, the donor must ensure that he or she can provide for family, both during life and at death. Finally, the donor may want to impact or

[8] Congress recently negotiated a 700 trillion bailout of the economic crisis, which will create an even greater debt load, and will likely raise taxes and allocate even more to bailing out the economy and the country.

benefit those charitable organizations that were priorities during life. If the donor has not taken the time to articulate or quantify these concerns and goals, it is difficult to make decisions in the planning process.

2. A Checklist for Goal Setting

Many clients have difficulty establishing goals for planning. These individuals may not have taken the time to set personal goals for lifetime needs or for the disposition of wealth. They often need help in working through the process. The worksheet at Appendix H is an example of a simple form used to elicit this information. Common planning goals may include:

- *Providing for sufficient assets for spouse and family and addressing special needs.*
- *Providing for children*. This requires a discussion of the amount or nature of the property to be left to the child, and the form of the gift. The client should review whether the child is capable of financial asset management or if an advisor or trustee should be appointed.
- *Providing for grandchildren***.** This also requires a discussion of how much and in what fashion. Can they handle financial asset management? Would a professional trustee be of benefit?
- *Providing for special educational, rehabilitation, medical or remedial provisions that should be made for one or more dependents*.
- *Providing for the care of extended family members*. Do you have any special concerns or needs that should be addressed in providing for your parents? Are there any other extended family members (or siblings?) that require special help?
- *Creating a way to maintain control or allow for flexibility*. How important is the ability to provide direction and meet needs?
- *Establishing family values and philanthropic goals that are important*.
- *Support specific charities that the client has supported during his or her lifetime*.

3. The Age Perspective

Income needs drive many of the decisions on charitable gift planning. While there are always exceptions, the chart below reflects patterns of interest. Table 3 provides a perspective of the changes that occur as donors move through age and economic cycles in their lives.

TABLE 5
LIFECYCLE CHANGES IN DONORS' LIVES

Age	*Goals*
25-40	Generate enough income to survive!
40-55	Build assets - gather and invest - long-term investment horizon
55-60	Position for retirement - short-term investment horizon

Age	*Goals*
65-on	Live on income - preserve principal - short-term, conservative investment horizon

III. The Internal Essentials

A. The Role of the Foundation in Maximizing the Donor's Philanthropy

Before you can begin a conversation with a donor about philanthropy, you must understand how the foundation adds value to the donor's philanthropic investments. Why should a donor use a community foundation? How can the foundation be distinguished from other philanthropic entities? Why not make gifts directly to the charities the donor supports?

Every member of the foundation family - leadership, staff, board, and former board - should know the elements that make a community foundation unique and how the foundation enhances a donor's gift. Consider these unique community foundation features:

1. *Community knowledge to enhance the donor's giving:* The community foundation program staff works in every charitable sector of the community, and through decades of grant making cycles knows the strengths, weaknesses, needs, and opportunities within each sector as well as the capabilities and program strengths of the nonprofits that drive each sector. This knowledge adds value to the donor's grant making and can provide guidance to a donor in identifying specific charities to fulfill goals.

2. *Flexibility in gift structure to reflect the donor's goals:* The community foundation platform is the most flexible of any giving platform. A fund can benefit multiple charities within a specific field, or specific charities within multiple sectors, or can establish objectives that are achieved by the foundation's selection of charities. One gift can have multiple facets or sequential goals. The foundation can facilitate family grant making and education or can manage a fund that encourages families to establish institutional forms of family philanthropy. There is no more flexible structure for giving, or one that can be uniquely molded to fit a donor's goals.

3. *Oversight and accountability to ensure the donor's intent is honored:* The numerous donor lawsuits alleging violation of donor intent stand as a message to donors about the importance of oversight in ensuring donor intent. Community foundations are neutral, comprised of a broad body of community leaders, and can provide the oversight to ensure donor intent without court intervention.

4. *Ability to adapt in a changing environment to ensure ongoing gift impact:* One of the certainties of life is that things change. Charities that were once vibrant go out of business or merge. Social changes occur which obviate the need for certain services. Needs change when grants dry up or the economy reduces the community's giving power. The foundation's cy pres power is unique and allows the foundation to redirect a fund that is no longer viable or relevant to ensure the gift will continue to have an impact in an area of priority to the donor.

B. It's About Educating and Engaging the Donor

Donors do not give because you give them an "opportunity" to make a contribution. There are more than 1.5 million other charities across the country that can give them the same opportunity. They do not give because you can offer them "special" giving tools such as charitable gift annuities, charitable remainder trusts, or bequests. There are plenty of charities that can do the same.

Donors give because they want to achieve an impact. They give because they want to improve the quality of the community. They give because they have a passion around issues.

Donors tend to give where they are connected. If their child attends a private school and are involved at the school, they give to the school. If they attend a church or synagogue, they give to that entity. If they are on the board of a charitable organization because the organization's mission is important, they give to that organization. If a family member received exceptional care from a nonprofit hospital, they give to the hospital. They may not have thought about larger goals in the sectors they support, and may not know of innovative programs and charities working in areas of interest. The community foundation has an opportunity to educate them on opportunities to invest, share information on successes in the community around their areas of interest, and include them in initiatives to tackle key issues on a larger scale.

Think of the foundation's role as educator. Look for opportunities to share what you know in their areas of interest. Look for ways to engage them. Some community foundations, such as the Community Foundation of Greater Birmingham and others, do this by programs such as "Giving Together" in which donor advised fund holders are invited to participate in unrestricted grant funding cycles. In 2013, the Community Foundation of Greater Birmingham received over $1 million in grants from donor advised funds. While these were not permanent funds, it had several important impacts:

1. It leveraged the foundation's grant making;

2. It built a stronger relationship with the donor;

3. It opened the door to future conversations with the donor about the impact of the funded project, new opportunities, and ways to apply the foundation's community knowledge to other areas of the donor's giving; and

4. It laid the foundation for the donor's partnership with the foundation for an estate gift.

C. Have a Vision for the Community

There's another important element is the foundation is going to assume a viable role in the donor's short-term and long-term giving: there must be a vision for the future of the community that defines the foundation's role in that vision. More community foundation are assuming the role of convener and making grants in a collaborative fashion.

What are the key community issues? How are those positioned with donors and the larger community? What are the solutions to these issues? Who do they involve? How can the donor get involved? These key issues may revolve community needs (early childhood education, eldercare, crime reduction, economic recovery) and almost always involve immediate needs (short-term funds) as well as sustainability (permanent, endowed funds). These visions and initiatives drive investment.

D. The Role of Endowment

The buzz word for almost every community foundation is "endowment" or "permanent funds." The two terms are synonymous. Many charities make the case for endowed funds to achieve specific institutional goals. One of the clearest, most compelling cases for endowment was made by Ray Lyman Wilbur, President of Stanford University at the outset of the University's 1922 Campaign: [9]

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[9] *Annual Report of the President of Stanford University For the Academic Year Ending August 31 1922***.** (Stanford University, CA; Stanford University Press, 1922) Lane Medical Library. Lane Medical Archives., pp. 19-22.

Stanford University is making a new decision which will determine its future for all time. The University has reached the limit made possible by the Stanford Fortune. If it is to go forward and upward it can only do so through the support of every member of the Stanford Family and of the public in general. Stanford now takes its place among the great national universities of this country. . .

Independent, self-contained, apparently rich, the University has gone its way to the best of its ability, making limitations in various ways, including the number of students accepted, so that the work done could be on a satisfactory plane. Not to grow is in part to die. The University must have increased facilities, more buildings, and more advantages; must keep step with educational progress, just as a growing boy must have new clothes and new facilities as his capacity to do more increases with age. . .

There is every reason to anticipate that we can obtain the same help that has come to similar institutions elsewhere. Stanford is the one great privately endowed university west of St. Louis. Certainly from this vast territory there will come the interest and help that is needed. . .

If we can work together for Stanford and Stanford's progress we can rest assured that within another generation no institution in the country will have better facilities, a better reputation, or achieve better results in education.

This statement has vision. It draws on the university's strategic plan (think of your community's "Next 100 Years" plan.) It challenges and engages those invested in Stanford. It is short and easy to read. It overcomes perceptions the University is rich. It clearly describes the outcome of the donor's investment.

This case statement is more difficult for community foundations because their funding is not related to a specific program, institution, or goal but rather to the full spectrum of charitable needs in the community. Consider these elements of case for donor investment in the community foundation:

- *The community foundation offers a permanent philanthropic platform with professional management and ongoing oversight* to ensure the funds entrusted to it are maximized to achieve the donor's goals.

- *The community foundation expands the capacity of your philanthropic investment.* Depending on your goals, the foundation can provide oversight and direction on an endowment for a specific charity, can investigate options and invest your funds on the most impactful project in a specific area of interest, or can invest your funds - combining it with other funds - to address the most critical needs in the community.

- *The community foundation can continue to provide guidance to your children, grandchildren, and generations beyond.* Many individuals use the community foundation as the platform for family philanthropy utilizing a donor advised fund or a supporting organization. The foundations ability to educate, train, and advise as young philanthropists are developed and encouraged to engage in the community is an incredible resources for families who

- *The community foundation serves as the community's endowment* - a resource to address needs, build infrastructure, and facilitate needed change for future generations. Ensuring there are funds to meet the needs of your children's generation, your grandchildren's generation, and beyond is critically important in view of diminishing government grant funds, increasing needs, and shifting economic cycles.

IV. Conversations with Donors: To Whom Do You Talk?

A. The Importance of the Knowledge Base (and Data Base)

Without good data and good data management your foundation will never be able to prospect, cultivate, segment, solicit, and steward donors effectively and strategically. Without an effective system, a commitment to collecting data, a commitment to accurate data, and a strong data manager, you may also have difficulty generating critical reports, assessing marketing effectiveness, and identifying development trends. The donor database is the single greatest resource in prospecting for endowment donors – if the database is up to date and accurate and the charity has retained the appropriate information. Most organizations do an excellent job of maintaining information on gift history, but gift records are only part of the story. It is also important to maintain a history of the results of the organization's various fundraising activities. How did that donor find you? Why did they call? Why did they make the gift?

You need to know how the prospect is connected to your foundation, and how long they have been connected.

- Do they have a fund at the foundation? If so, what types of funds, how have they been funded, and what is the interaction with the donor when grants are made?
- Does their family have a fund at the foundation?
- Have they been involved in any of the foundation's community initiatives? If so, how were they involved?
- Does the donor attend events (such as an annual meeting, or community celebration events)?
- What type of stewardship do they receive? How many times have they been contacted by staff, been invited to participate in the grant making process, been asked to participate in surveys?
- Are they actively involved in charities funded by the foundation (so that they have first hand knowledge of how the foundation works)?
- Have they served on your board? Has their family served on your board?
- Have they made a gift to the foundation as a memorial or in recognition for someone who is or was involved in the foundation?

You should maintain all contact information as well as personal information, such as:

- Donor name, address, phone, fax, e-mail, alternate addresses.
- If corporate, the names of the key contacts and decision makers.
- If personal, key family members and decision makers (also potential multi-generational contacts).
- Dates, amounts, and types of gifts.
- Method of solicitation, and name of person making the solicitation if personal contact involved.
- Donor's areas of interest (For donors with donor advised funds, for example, what are their primary funding focuses? If they are involved in extensive giving in the community, what are the areas of primary interest?)
- Donor's points of contact with the organization such as membership, volunteer service, use of services, family use of services, etc.
- Record of any special donor recognition.
- Information on other charities they support

While this may seem like information overload, good data provides the most effective way to identify opportunities for donor engagement, or for collaborative projects, or to understand how to structure the conversation for estate giving.

The information should be maintained in a data base format that is easy to access and manipulate in report form. Many community foundations use FIMS for all its data (donor, accounting, and grant making) while others use FIMS and more sophisticated donor management systems such as Raiser's Edge or Donor Perfect.

B. The Role of Engagement

Most donors tend to give where they are engaged or involved. Why? If they are engaged it implies your organization has some measure of importance to them. So look for ways to engage them in the work of the foundation if you want to bring them into closer relationship or partnership with the foundation. Opportunities for engagement of donors in the community include:

- Serving on the board;
- Serving as a volunteer on the grants committee;
- Serving as a volunteer on another foundation committee or task force;
- Serving as a volunteer on the advisory board or governing group for a specific initiative;
- Serving as a spokes person for giving by allowing their gift and goals to be highlighted in a newsletter, on the web, or in an annual report;
- Participating in a survey to assess philanthropic goals, patterns, or needs in the community;
- Serving as a liaison for a speaker on a specific topic for an event in the community (especially where they are connected in the field and may have specific expertise);
- Serving as a member of the professional advisory committee to raise visibility and role of the foundation among other advisors.

C. The Role of Stewardship

Programs that embrace donors do more than send a form letter when the donor sends a check. They elevate, celebrate, respect, and honor their donors, their volunteers, and all who partner with them to achieve mission. These donors include donor advised funds donors, those who make memorial gifts, those who create permanent endowments, and those who put estate commitments in place for the foundation.

Use volunteers to write thank you notes for gift commitments. Use volunteers and non-development staff to make five calls each Monday morning to say "thank you" to donors who have made recent gifts. Use staff to write personal notes expressing appreciation.

Recognize donors and volunteers online, in newsletters, in the annual report and in the annual meeting. Celebrate donors in board meetings, committee meetings, and personal meetings. Make a point of learning more about the board, long-term donors, major donors, deferred donors, and those who make your nonprofit a success. If you know the donor it is much easier to celebrate their contributions, treat them as partners, and engage them in visioning about the organization's future.

Set standards for stewardship that will keep you in touch with them. The most successful organizations have stewardship standards. A sample is set out below in Table 12.

TABLE 12

SAMPLE STEWARDSHIP PLAN

Giving Level	*Print and Electronic*	*Personal*
$100,000+	• Tax thank you • *CF* newsletter • Monthly Electronic email • Listing in Annual Report	• Visit from Executive Director or Board Chair or Chief Development Officer annually • Call or note from board member • Annual Report mailed w/note • Reserved place at annual meeting • Impact report on area of interest or investment
$25,000 - 99,999	• Tax thank you • *CF* newsletter • Electronic email • Listing in Annual Report	• Call and/or visit from Executive Director, Board Chair or Major Gift Officer annually • Call or note from board member • Annual Report mailed w/note • Impact report on area of interest or investment
Donor Advised Fund Donor	• *CF Newsletter* • Electronic monthly email • Listing in Annual Report	• Contact from Donor Services to participate in special projects related to areas of interest. • Invitation to at least one annual event related to family philanthropy, community investment, or similar area of philanthropic education or support • Annual Report mailed w/note
New donor	• Tax thank you • Welcome package (general information on how the foundation can leverage giving, fact sheet, contact information) • Periodic electronic newsletter	• Welcome note from Director of Development • Welcome note from Donor Services Officer or Development Committee Member
Legacy Donors	• *XYZ* newsletter • Planned giving newsletter • Monthly Electronic email • Listing in Annual Report • No direct mail appeals	• Call and/or visit from member of Development staff and/or Development Committee at least once every other three years • Call or note from board member after commitment is made • Annual Report mailed w/note • Invitation to join Legacy Society

V. The Donor Conversation

A. General Opportunities to Have a Conversation

There are opportunities in every contact with a donor or prospect to open the door to a closer relationship to the foundation. Opportunities include:

- Stewardship calls to follow up with donors, deliver reports on impact, or ensure the foundation is meeting their needs;
- Invitations to participate in the foundation's initiatives and meetings related to those initiatives;

- Lunch and learn educational and thought-sharing events on specific topics of interest to current and prospective donors;
- Conversations before or after board meetings;
- Conversations before or after committee meetings; or
- Breakfast or lunch meeting to get input on a specific issue the foundation has in its sights as a potential initiative.

In fact, any contact is a chance to focus on the donor and learn more about their philanthropic interests and their engagement in the community. Even if you simply open the door to learn more about the donor and their interests, you are headed down the road to have a conversation about their investment in the future of the community.

It is important to note that sometimes these conversations fall into our laps because the prospect is referred by a professional advisor, one of the strongest pipelines to permanent gifts that exists. While most of this session is focused on proactive engagement of donors who are already within the foundation family, many of the questions suggested later and the focus on the donor, the donor's interests, and the donor's goals are equally important for these referred donors.

B. Pick the Right People and Time to Call

1. Avoiding the Pitfalls

The three biggest mistakes fundraisers can make in identifying major and planned gift prospects are these:

1) *Chasing the individuals with publicized high net-worth.* These individuals may be earmarked because "everyone knows" they are wealthy perhaps because they're on the front page of the paper as the largest stockholder in a local company, or come from a wealthy family. Having wealth does not predispose someone to giving that wealth to your charity. And if they are highly publicized, there is likely a long line around the block of individuals trying to get that money.

2) *Focusing all your attention on individuals who have made the "big gifts" to your charity.* First, your charity relies on this small, inner circle to make the big contributions. More and more often I'm finding donors who make a substantial contribution during life, may make a lesser contribution through their estate.

3) *Assuming donors who make small gifts are not capable of making larger or estate gifts.* Look at the history of bequest gifts received to date, and you will find many generous gifts from unexpected, smaller donors. These may be donors who would have made larger contributions during life if they had had a closer relationship with your charity (or if they were asked!)

2. Identify Those Who Are Most Engaged

The individuals you will most likely engage in building deferred and permanent gifts are those who are most closely connected to the foundation. These may include individuals who are:

- Long-term donor advised fund donors, especially those who participate in foundation initiatives;
- Volunteers, current or former;
- Individuals who have generational involvement with the foundation;
- Participants in specific initiatives;
- Those who are actively involved outside the foundation in specific areas of interest who also have a relationship with the foundation; or

- Other individuals who have ongoing contact and engagement with the foundation.

TABLE 12
WORKSHEET TO IDENTIFY ENDOWMENT PROSPECTS

Prospect Names	Point of Contact 1	Point of Contact 2	Point of Contact 3	Point of Contact 4	Point of Contact 5	Point of Contact 6	Point of Contact 7	Point of Contact 8	Total
Prospect A	X		X		X	X		X	5
Prospect B		X	X	X	X		X	X	6
Prospect C	X	X	X	X	X	X	X	X	8

3. Know Your Goals in the Conversation

While your goal may be to raise as many permanent, endowed dollars as possible for the foundation, you will need to be strategic from an organizational point of view (staff allocation of time) in those you target as permanent investors and where you spend your time. If your goal is to have at least 1 conversation each week with a potential estate donor, identify those prospects for conversations that are most engaged. As explained earlier, these are likely to be donors who are actively engaged with the foundation, who understand and have witnessed the leveraging power, expertise of staff, or collaborative ability of the foundation and might benefit from those services on a generational basis.

Make a list of the top 50 prospects. Rank them in order of connection to the foundation. Use a volunteer where appropriate to open the door and accompany you on the call. Focus on those individuals that are most likely to respond positively.

On the donor level, you will also need a strategy.

1. What are you calling? If you are putting the individual on your prospect list for a call, start with the reasons you placed them on the list. Are they long-term donor advised fund donors with generational engagement? Were they partners in a specific initiative? Or have they consistently funded projects as a part of the foundation's unrestricted grant making?

2. What do you know about the donor? How much do you know about them personally? Do you have husband and children's names, family connections, dates of birth, and giving priorities? Since the call is about the donor, research the donor before you go using your charity's records, paper files, Google, and research available through your research area (charities supported by the donor, assets, etc.). Your knowledge base should include:

   - Giving history
   - Planned gift commitment (type, amount, purpose)
   - Volunteer relationship
   - Family history with your organization or your type of organization
   - Specific interests or personal goals
   - Information from public sources about the prospect's history, family and business
   - Information about the prospect's philanthropic history
   - Where are they in the economic life cycle? Are they reaching retirement? Have there been major life events that might prompt action?

3. What is the specific goal of the conversation? Do you want to know more about them personally? (Fill in the blanks on what you do not know.) Do you want to know what motivates their giving? Do you want to know their priorities in the community? Know the strategy for the call. It may be any one of a variety of options:

   - You may simply want to open the door to a future conversation. So, your goals on the call may be to gather information, find out more about the donor's charitable priorities, and learn what you need to know to come back and make a specific ask.

   - You may want to begin stewardship, especially if you have neglected stewardship at your organization. This may be a long-term donor that no one knows well and your purpose in calling is to reestablish contact and express thanks.

   - You may know this is a committed donor but you may not know what motivates the donor.

   - Or you may be going to a donor with a strong relationship with your foundation to make the ask. In this case, you need a strategy about how the call will progress and who will ultimately make the ask. You may have recognized a specific interest and feel they may be ready to create a fund or add to a fund to achieve that vision. Or, you may recognize they are retiring and making major changes in estate plans so that now is the time to

If you are making the call alone, make a list of questions you want to raise - it's easy to forget or get side tracked as you begin to talk. If you are making the call with a volunteer or another member of staff make sure you talk before the meeting to agree on goals and roles. This is especially important if you are making the call with a volunteer. You do not want to be exchanging meaningful looks in the middle of the conversation hoping the other person will "pop the question."

C. The Conversation Itself

1. Always Begin with a "Thank You"

You are calling on your most committed donors, so always begin with a "thank you" for their current and ongoing support. Remind them they are partners in your success and their gifts have been critically important in achieving mission. This is not only a great stewardship tool, but it reminds the donor they are a partner and insider.

2. The Magic Questions

Then find out more about why they are so committed. This is a discovery process. The goal is not only to find out what brought them to their commitment, but to learn more about their hopes, dreams, and concerns for the future.

The following questions are comfortable, easy, and open-ended and designed to get the donor engaged in the conversation, make them comfortable, and to learn more about them personally.

1) *What was the first charitable organization you funded in this community and when did that happen?* This is a open ended question that helps you open the door to understanding the donor's charitable perspective and engagement in the community.

2) *What are your greatest charitable priorities now in the community? What makes those organizations you support your priorities?* Here you are trying to discover both their broad priorities (i.e., education, healthcare, arts, human services, etc.) but the specific charities they invest in, and why they invest in those specific charities. Do those charities

have the most effective programs, the broadest outreach, the most visible boards, or other strengths?

3) *What are our community's greatest challenges over the next five to ten years?* Ask the donor to partner with you in looking at the future. What are the greatest concerns they have about the community's future? What do they believe are the greatest hurdles your community faces?

4) *Would you consider partnering with us, and with others with similar concerns, to address those challenges?* This is the closer and the way you take their greatest interests, and their concerns, and ask them to engage with you to address those goals.

3. Identifying Interests and Objectives

Once the donor has expressed an interest in a specific area, or concerns about possible hurdles or barriers to success, you then have the opportunity to share specific projects and funding opportunities that fit those goals. Knowing the donor has a specific interest in the area gives you a much stronger platform. And having projects that fit those specific donor interests allow you to match your objectives with the donors. Both of you are ready for the conversation at that point.

4. The Most Important Things to Remember

The most important thing to remember when making these calls and having these conversations is this: If you have selected your prospective donors carefully, you are not trying to get unwilling individuals to do something they do not want to do; you are talking with community investors about how to maximize the value of their giving and achieve their charitable visions. You are not talking to strangers, even if you have never met the individual before; you are talking to friends who have common interests and goals with yours.

If you remember these operating guidelines, it will make your conversations much easier, and you will more likely achieve your goals.

VII. Overcoming the Biggest Objections

While all boards would prefer current cash to long-term commitments, it is difficult to get donors to part with cash in this environment because of conflicting personal needs. As we all know, planned gifts take longer to materialize than outright cash gifts. There is often less perception of urgency, and the idea may percolate for a while before taking root. Let the donor guide the timing of the gift. If you have prompts such as the bookmark-size pieces mentioned earlier, you will be able to keep the conversation going for a longer period. And, you may find opportunities for current gifts.

Here are some common comments and push backs you may hear during a conversation.

A. The Donor is Tight on Cash

1. What You Might Hear

- My CD income has been cut dramatically. I'd like to make a gift, but I don't have the resources.
- I've got 3 children in college. My cash flow just doesn't allow me to make a gift at this time.
- I'm holding cash, waiting to get back into the investment market. I can't really make a significant gift until I've taken care of my personal investments.

2. How to Respond

Sometimes writing a check is not the most cost-effective way to make a gift. When making a gift, always consider all your options. Look for assets that may have long-term capital gain (allowing you to receive a charitable deduction and avoid capital gain on the gift asset), are no longer used (a collection, a vacation home), or generate expenses (real estate, art requiring storage and insurance). Common non-cash options include the following:

- Publicly traded stock
- Non-publicly traded stock (family business, local bank, and similar interests)
- Real estate
- Tangible personal property (cars, boats, antique furniture, equipment)
- Valuable art, jewelry, coin, or other collections
- Life insurance policy
- Patents, royalties, and other intellectual property interests

B. The Benefits of Gifts of Appreciated Assets

1. What You Might Hear

- I don't itemize my deductions, so I don't get a charitable income tax deduction.

- I have stock I've owned for over 30 years. It's doubled many times over the years.

- I have appreciated stock, but I hate to sell it and pay the capital gains tax, even with the lower 15 percent rates.

2. How to Respond

Gifts of appreciated assets generate two tax benefits: the donor receives a charitable income tax deduction for the market value of the gift, and avoids the capital gain on the asset's appreciation. One of the most common appreciated asset gifts is publicly traded stock. Here are five ways to use that stock to make an impact.

i. Make an outright gift of shares of stock to our charity.
ii. Make a gift of stock to our charity in exchange for a charitable gift annuity paying you a fixed annuity for life.
iii. Make a gift of stock to a charitable remainder annuity trust (paying you a fixed amount of income) or charitable remainder unitrust (paying you a variable amount of income) with the remainder to our charity.
iv. Make an outright gift of specific shares of stock to our charity under your will.

C. They'd Like to Make a Gift, But They Need Income

1. What You'll Hear

- I'd like to make a gift, but I'm worried about taking care of my parents.

- I'd like to make a gift, but I've got to put children through college. Financially, that's very challenging.

- I'd like to make a gift, but our assets were eroded in the stock market. I'm concerned we won't have enough income in retirement.

- I'm selling my business in the next year. Let me talk to you after I've finished that process and know what I can do.

- I just received a farm from my parent's estate. I probably need to sell or dispose of that in some way. Let me get back to you when I have some time (or when I sell the property).

2. How to Respond

- *Charitable gift annuities* – make a gift and receive an income for life. These gifts can provide income to one or two persons. Rates are determined by the annuitants' ages at the date of the gift.

- *Charitable remainder trusts* – make a gift and receive a fixed annuity, or a fixed percentage of the trust assets, for life. These gifts can benefit one or more individuals. Rates are determined by the donor within broad guidelines established by the IRS. (Again, perhaps a term trust making payments to a child is an option for parents.)

D. Making a Future Gift

1. What You Might Hear

- I would love to create an endowment to honor my sister, but I might need the assets in retirement.

- My retirement plan has grown faster than I've been able to withdraw annual distributions! It will make a great gift for my children.

- I'm worried about taking care of my parents in the event something happened to me during their lives.

- My parents are the current beneficiaries of my life insurance policies.

2. How to Respond

- *Bequest* – A bequest allows you to make a gift through your estate, but retain the assets (and the income from those assets) during your life. Through a bequest, any donor can make a significant impact on our charity and its programs.

- *Beneficiary Designation of Life Insurance* – Name our charity as your primary or secondary insurance beneficiary. This is an easy way to make a gift, allowing you use of the policy's cash value during life, if needed, and leaving a significant gift to the University.

- *Beneficiary Designation of Retirement Plan* – Name our charity as the primary or secondary beneficiary of your retirement plan. Retirement plans are subject to two taxes at death – estate taxes and income taxes. This is the most cost effective way to make a deferred gift to the University, allowing you to pass less taxed assets to family members and heirs.

E. The Donor Needs to Engage in Planning

1. What You Might Hear

- I've got a will. My wife and I both executed wills when the children were born.

- Our company attorney drafted a will for me several years ago. He said it was best to keep things simple.

- I asked my real estate attorney about a will, but he told me planning was complicated. He couldn't help me, but I really didn't have anyone else to turn to.

- I don't need an estate plan. My wife and I own everything jointly with right of survivorship.

- I understand it costs a lot to get a will. I'll go online and see if I can find a simple form when I have a chance.

2. How to Respond

Planning is a continuous process. The donor should review his plans on at least an annual basis, or when important changes occur. Consider a few of the most common change scenarios. These signal the need for the donor to engage in planning, and may also signal gift opportunities.

✓ Change in Assets

- Purchase of a major asset
- Sale of a major asset
- Loss of significant amounts in asset value in the financial markets
- Gained significant amounts in asset value in the financial markets
- Inherited assets
- Sale of family business

✓ Change in Income Level

- Got a new job
- Lost a job (or two jobs in double income families)
- Interest rates (and your income) decline significantly
- Interest rates (and your income) increase significantly
- Illness, disability causes increase in expenses

✓ Change in Work Status

- Key wage earner retires
- Key wage earner is disabled
- Job change

✓ Change in Family Status

- Marriage
- Divorce
- Children born
- Child marries
- Child disabled
- Grandchildren born
- Death of immediate family member

F. A Gift of Retirement Assets

1. What You Might Hear

- I'm saving my retirement plan for my children. It's grown so fast it's hard to believe.

- To be honest, my largest asset is my retirement plan. Of course, that passes to my wife at my death so she'll have the income.

- It doesn't look like I'll pay any estate taxes at death. I'll leave something for your charity under my will, but I'll need to take care of my family first.

2. How to Respond

Retirement plan assets make great gifts for charity because they are subject to two taxes: estate tax and income tax. If you plan to make a gift to our charity through your estate plan, you may want to consider using retirement assets (highly taxed) and leaving other estate assets to family. Consider these easy ways to use your retirement plan to make a gift.

- Name our charity as the beneficiary of all or a portion of your IRA or qualified retirement plan.

- Name our charity as the beneficiary of all or a portion of your IRA to create charitable gift annuity for spouse or family member.

- Create a charitable remainder trust benefiting spouse or family members and name that trust as the beneficiary of all or a portion of retirement proceeds.

G. Other Opportunities – Major Financial Events

Identify and nurture the donor's vision, but understand that "today" may not be the right time to execute the plan. However, remind the donor there will be opportunities and to come talk with you (or their advisor) to maximize those opportunities. These include:

- Selling a business
- Reducing concentrations in a stock portfolio
- Selling a home
- Retiring and converting assets
- Receiving an inheritance

H. Push Backs Due to the Economy

"The economy is so uncertain right now – I'm not making any decisions or distributions until things stabilize."

Your responses:

- This is an extremely difficult time for many families at all income levels – we've seen a significant increase in the demand for financial support, research dollars, recruitment funds, etc. (get some statistics).

- Your gift could not have any greater impact than this year when the need is so great.

"All my stocks have losses. I'm worried about having enough income in retirement."

Your responses:

- You may want to talk to your financial advisor about selling some stocks with losses to offset any gains you've taken earlier this year.

- Have you considered making your gift by creating a charitable gift annuity that pays you a fixed annuity stream based on your age for life (or for you and your spouse for life), generates a charitable income tax deduction for the portion representing the charitable benefit, and creates a significant gift for our charity. I'll be happy to run an illustration of the annuity stream and benefits for you.

"I don't have any stocks with gains anymore. I'm worried about where the market is going – I don't feel I can really afford to make a gift."

Your responses:

- Even though your stocks have lost much of the gain they may have once have, there is still a great advantage to you to use long-term appreciated stock to do your giving because you not only receive a charitable deduction for the market value of the gift, but you also avoid capital gains on the long-term appreciation.

- You can then repurchase the stock at that market value and limit tax on future gains (over the original purchase price).

"I'm worried about taking care of my parents – I can't really make any major financial distributions until I'm sure they're alright.

Your responses:

- You're not imagining that life expectancy is increasing – which is a good thing when it involves our parents. But that does mean that people – including our parents – may be outliving their resources.

- Rather than reverse estate planning – transferring assets to parents – consider creating a charitable gift annuity for their benefit to supplement income.

- The arrangement has several benefits:

    - It provides you with a charitable income tax deduction for the charitable portion of the gift.
    - It generates a stream of revenue for your parents – much of which is tax-free.
    - The assets themselves are protected from creditors because they're given to our charity, which issues the gift annuity.

I. Overcoming Deferred Gift Objections

"My children are my primary beneficiaries – we've left everything to them."

Your responses:

- Most individuals prioritize family in their wills or estate planning and have specific goals for what they'd like their family members to receive.

- Only after they've met specific goals for individual family members do they consider including charities they've supported during their lives or other individuals.

- Some individuals who have made regular gifts to charities during their lives allocate a percentage of their estates to charity – such as 5% or 10% - so that the amount moves up or down with the size of the estate. For example, a 5% distribution to charity from an estate where there are three children would reduce each child's share by only 1.66%.

You ask the donor whether they've included your charity in their will or estate plan, and they respond by saying they don't think that's possible. What comes next?

Your responses:

- Then I'm glad we have the opportunity to talk. The reason I raised the issue is because you have been such a committed donor and have made such an impact on lives in the community. Because of this commitment, I'd like to ask you to consider including our charity as a bequest beneficiary, or perhaps beneficiary of your IRA – which is even easier.

- Your gift will have a significant, ongoing impact on the families and children served by your charity, and enable us to continue to build the resources available to the greater Waco/(their town) community.

- Many of those who are members of our Legacy Society have commitments similar to yours.

- We have an individual on staff who specializes in gift planning – I would be glad to arrange a time for you to sit down with ____ to discuss your personal goals – one of her/his specialties is maximizing the value of the gift to our charity and to your family through planning.

"I've included my synagogue and (favorite charity) under my will, but I didn't know you needed a bequest gift."

Your responses:

- Then I'm glad I raised the question. You have been such an important donor to your charity – and have already impact many, many lives.

- A gift through your estate will have an ongoing impact, not only to meet needs in economies such as the current one, but also to fund new programs and projects that will improve lives.

VII. Follow Up on the Call

A. How Many Calls Should it Take?

While annual gift calls generally take one call to make the ask and get the commitment, a deferred gift call may take on average 3 to 4 calls. There is no right number. It is only important that once you begin the conversation, you follow through. This means that on every call you should be looking ahead to what the next step might be. Do they need more information about a particular project, or outcomes related to that project? Are they interested in getting more involved as a volunteer? Do they need an estate planning attorney recommendation? Do they want to convene the family to talk about a family goal and have you arrange that meeting at your charity? There is almost always a need that arises in the conversation.

B. Immediate Follow Up

Your first step after a call should be to make notes of the call, what you learned, and what you've promised as a next step. If you did not get the gift commitment, and were not able to introduce an idea to the donor about the next step, it's time to think of how you will follow up. You will have learned something on the call that allows you to move forward. It may be related to a need for more information about the endowment, more information about the program, opportunities to get engaged with your work, or detail of their giving history. Make a plan for the next step, and put it on your calendar to ensure follow through.

C. Long-Term Follow Up

Sometimes the follow through has a longer horizon. They are taking a trip and do not want to talk until their return. Ask their permission to call them a week or so after they return to follow up. They have two children in college and cannot really think about these planning issues until both of them graduate. Ask them when that will occur, and put it on your calendar not only to send graduation congratulations but to follow up when both have graduated. If they indicated they would be willing to talk when they retire, be sure to calendar that conversation and keep in touch with them about their charitable interests until that time.

XIII. Final Thoughts

Effective fundraising - whether for current giving, long-term endowment, or both - is all about meeting the donor's needs and helping the individual understand the impact they have had and can have on the community. Vision, purpose, and charitable impact drive giving. The community foundation platform is the most flexible of any gift planning platform and provides enormous leverage, guidance, and accountability in giving. Just remember stay focused on the donor in every conversation, in your marketing and in your outreach. Treat them as the foundation's partner in strengthening the community. Everything else is easy.