

Prospect Research for Planned Gifts

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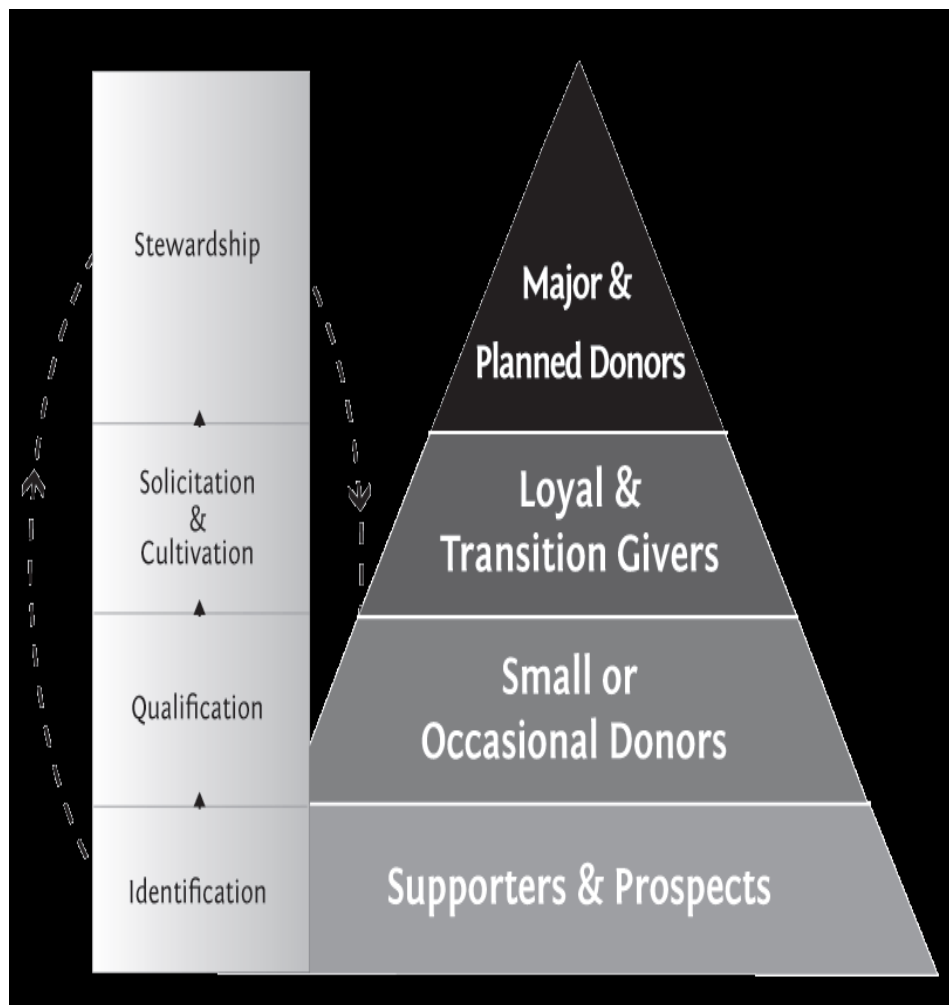
Our Agenda

- Making the Case for Planned Gifts
 - The Role of Prospect Research for Planned Gifts
 - Planned Gift Profiles: A Basic Primer
 - Data Sources that Help Identify Planned Giving Prospects
 - The Power of Planned Gifts
 - First Steps
 - Prospect Research to Identify Your Top Planned Giving Prospects
 - Prioritizing a Large Prospect Pool
 - Conducting Prospect Research
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- Thank you to my colleagues, Katherine Swank and Michael Quevli, for materials and intellectual property provided for this presentation

What is Planned Giving?

- A planning process that considers the effects of a gift to charity and the donor's estate (technical)
- A giving process that honors the donor's desire to do something special and to give back (emotional)
- A giving process that correlates with donor and prospect loyalty (true)
 - Think broadly in terms of loyalty

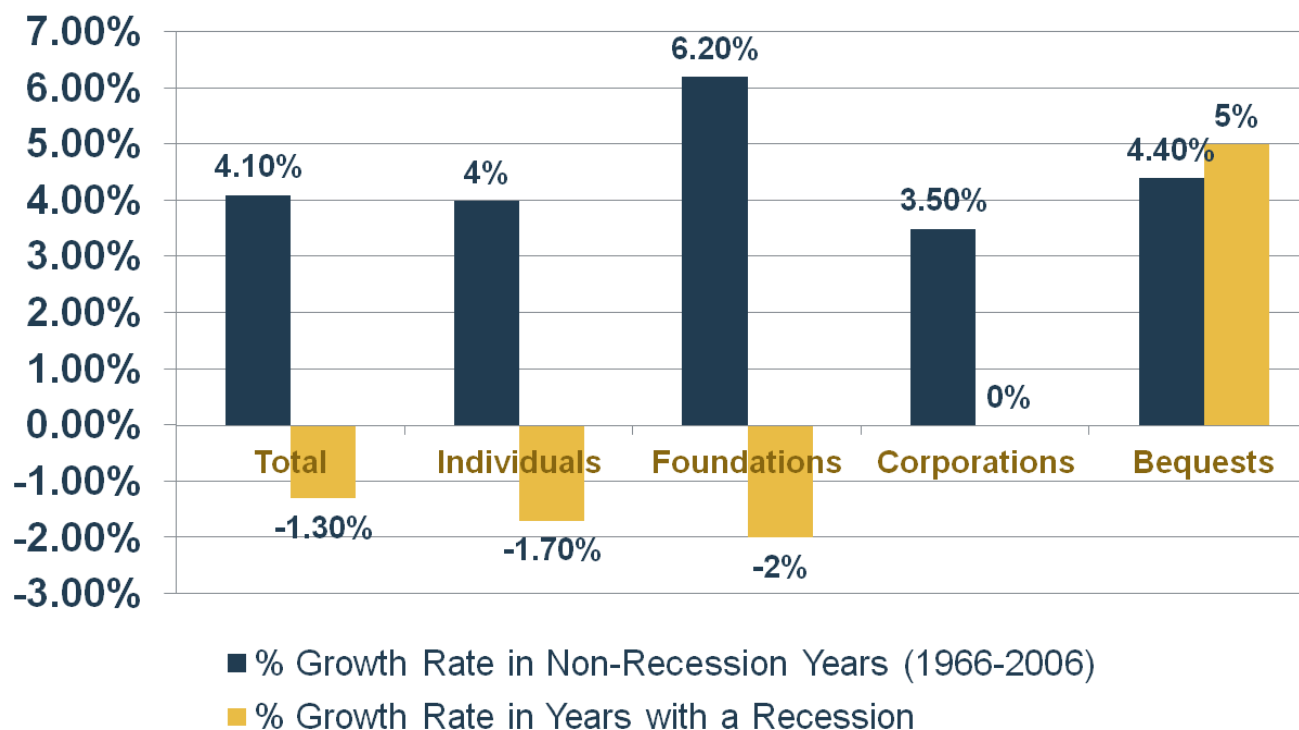
Making the Case for Planned Gifts



- Planned Gifts are not mysterious
- Donor Cultivation is similar to major gift cycle
 - Increased attention; higher \$ results
- You may have more ultimate dollar potential in planned giving than major giving
- Once established, many programs can boast a cost of 3¢ to 15¢ per \$1 raised
- Some organizations have planned gift programs that provide between 25% to 50% of their annual revenues

Making the Case for Planned Gifts

- Planned giving is popular in good or bad times – recession proof?
- People continue to make planned gifts during fiscally slow times



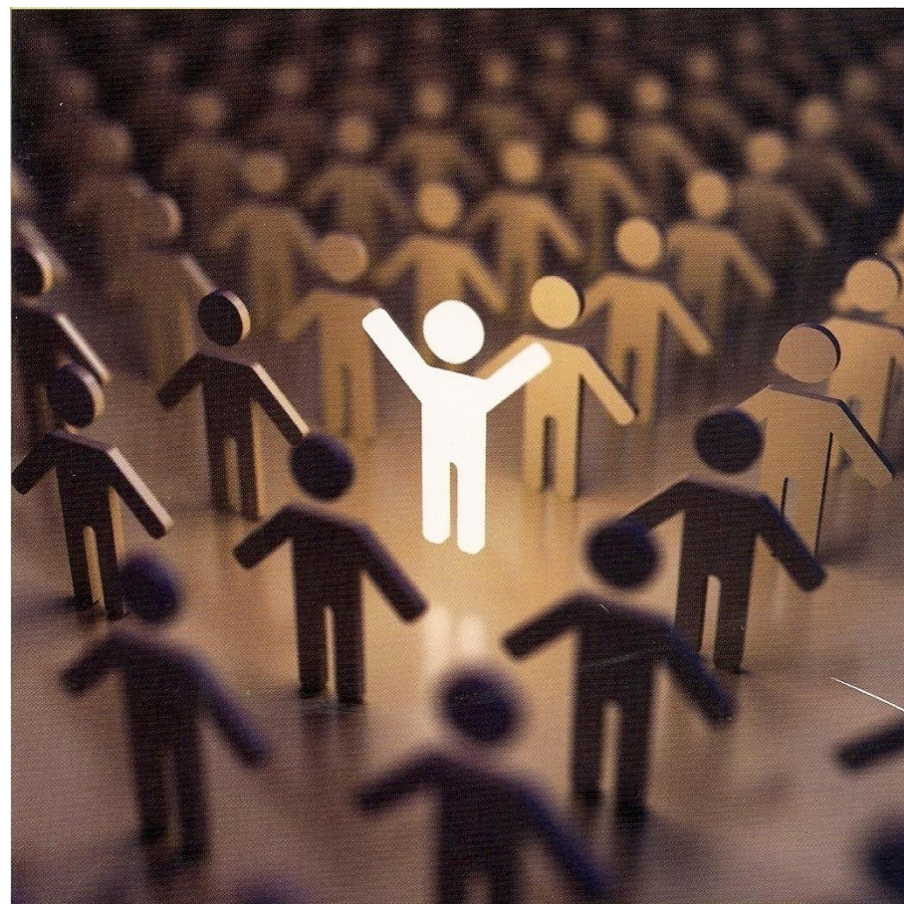
Facts about Planned Gifts

- Three most popular planned gifts in the U.S. and Canada (profiles follow)
 - Charitable Bequests (Bequests)
 - Charitable Gift Annuities (CGA)
 - Charitable Remainder Trusts (CRT)
- 90 to 95 of every 100 Planned Gifts will be Bequests
- Another 5 or 6 of the remaining will be CGAs
- 1 or 2 will be CRTs

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

The Role of Prospect Research for Planned Gifts

- As few as 15 people making average sized gifts can provide over \$1 Million in mission funding
- The prospect pool of likely planned gift donors at any organization can be very large
- Prospect research can:
 - Identify the organization's pool of qualified prospects
 - Categorize the prospects by gift type
 - Prioritize prospects capable of making the largest gifts
 - Segment top prospects who should be approached on a personal level
 - Provide concrete guidance on appropriate solicitation amounts at a prospect-by-prospect level



Basic Primer on Planned Gift Vehicles - Bequests

- A bequest is a provision in your will or trust to pass money to a charitable organization upon your death.
 - Typical clauses include an outright amount, a percentage of the assets, or the residual of the estate
- Wills are often the first estate planning tool
- Charitable bequests are easy to talk about and understand
- Two primary age groups: late 40s to late 50s, and mid 60s to late 70s
- 75% of wills are never changed
 - Only 1%-3% of charitable bequests are ever revoked
- More than two-thirds of planned gift donors also make current annual gifts
 - Research confirms that planned gift donors are significantly more philanthropic than non-planned gift donors

Basic Primer on Planned Gift Vehicles - Bequests

- Donor Characteristics
 - Hallmark is loyalty
 - Consistent giving outweighs gift amount
 - What do you consider to be loyal?
 - Mid 40s to mid 50s and again mid 60s to late 70s
 - Income and home value correlate to planned gift size

Basic Primer on Planned Gift Vehicles - Bequests

- Prospect Research Components
 - Established home ownership
 - Children in college or evidence of college-related debt
 - Charitable gifts to other organizations at similar levels
 - Volunteerism
 - Other types of loyalty factors
 - Membership
 - Ticket buying
 - Monthly contributor
 - Board, committee participation
 - Long-term event participation

Basic Primer on Planned Gift Vehicles - CGAs

- A charitable gift annuity (CGA) is a contract between one or two donors and your organization. In exchange for making a gift to your organization, you promise to pay the donor(s) a fixed amount regularly for life
 - Although part of the annuity payments are taxable, the donor(s) also receives an upfront charitable income tax deduction for the amount of the original gift that is estimated to remain at the donor's/donors' death
- 5%-6% of all planned gifts are CGAs
 - Next most common planned gift vehicle in both the U.S. and Canada
- Primary age group is mid 70s and older
- Annuities can range from a little as \$5,000 to over \$1,000,000
- Over 4 in 5 annuitants learned about gift annuities through the organization's own marketing and promotion
- Many gift annuitants contract for more gift annuities over time

Basic Primer on Planned Gift Vehicles - CGAs

- Donor Characteristics
 - Conservative fiscal values
 - Consistent donations at smaller amounts
 - Mid 70s and older
 - Women tend to favor
 - Small, one to two person households

Basic Primer on Planned Gift Vehicles - CGAs

- Prospect Research Components
 - Evidence of retired status
 - Marital Status: Single, widowed or divorced
 - Annual giving at the \$100 level or less
 - Ticket buying
 - Membership
 - Connection to your organization
 - Charitably inclined
 - Giving to multiple organizations
 - Evidence of stock holdings, retirement plans or commercial annuities
 - Former business ownership
 - No evidence of children or grandchildren
 - The fewer children and grandchildren, the more likely

Basic Primer on Planned Gift Vehicles - CRTs

- A charitable remainder trust is an irrevocable financial holding set up to move liquid or illiquid assets out of an individual's possession into a giving vehicle with charitable intent. The trust pays a specified annual amount to one or more people for a fixed number of years, or for the life of the individual(s) who benefit from the trust's distributions
 - At the end of the term, the remaining trust property is distributed to your organization and any other specified charities
- 1%-2% of all planned gifts are CRTs
 - Third most common planned gift vehicle in both the U.S. and Canada
- Primary age group is mid 50s and early 70s
- CRTs usually start at \$1,000,000 or higher – when you use independent trustee
 - Are useful for changing real estate, business assets and other relatively illiquid assets into cash
- Many CRT holders make charitable bequests as well

Basic Primer on Planned Gift Vehicles - CRTs

- Donor Characteristics
 - Mid 50s to mid 70s
 - Share characteristics with major donors
 - May have made larger gifts and/or gifts of stock to your organization in the past
 - High asset bases and expensive homes
 - Aggressive fiscal values

Basic Primer on Planned Gift Vehicles - CRTs

- Prospect Research Components
 - Wealth indicators such as financial portfolios of at least \$5 million or household income of \$250,000 or more
 - Professional positions that denote an aggressive fiscal position such as CEO or Chair
 - Entrepreneurs and the self-made wealthy, such as real estate developers and investors, as well as, professionals in finance, investing, law and medicine
 - Financial risk-takers
 - Usually have retained their own financial advisors
 - Inconsistent giving patterns, but at high levels
 - Charitably inclined, giving to multiple organizations.

Prospect Research Resources

- Demographic Overlays
 - Provide data specific codes, levels or yes/no factors usually based on neighborhood data
 - Examples:
 - Age, estimated household income, presence of children, etc.
- Financial Models
 - Provide estimates based on banking and investment information
 - Examples:
 - Estimated liquid financial assets
 - Estimated household income
- Wealth and Data Screening Services
 - Access to multiple hard asset and biographic data sources at one time
- Analytic Giving Behavior Models
 - Predicts each individuals likelihood to make a certain type of planned gift, i.e. Bequest, CGA, CRT

Popular Prospect Research Services

Income, Hard Assets & Indicators of Wealth		Fee-Based
Dunn & Bradstreet	Business ownership; Business connections	Yes
County Assessors Offices	Real estate and multiple property ownership; property held in trust	No
Income 360	Household income indicator	Yes
Larkspur List of Wealthy	Presence of luxury items like planes, yachts, and other indicators of wealth	Yes
SEC Filings	Public Company Insider Lists and Stock Holdings	No
Age and Life Stage Indicators		
Echelon Power Segments	Liquid asset indicator; Life stage	Yes
Who's Who Biographies	Self-reported biographical information; interests; career	Maybe
Philanthropic Interests		
GuideStar	Affiliations to non-profits, private and family foundations	No/Yes
DonorBank and NOZA	Charitable giving data such as Gift Type, Size, Date, and Recipient; over 40M philanthropic gifts cataloged	Yes
Annual Reports/Google	Community Annual Reports/Public Announcements	No

Sample Research Results for an Individual



Carl H. Lindner - Wealth and Ratings



8555 Shawnee Run Rd.
Cincinnati, OH 45243

Lookup ID:
8-10000945

Status:
 Active

Primary business:
[American Financial Group](#)

Research details:
Not confirmed - No manager

Spouse:
[Edyth B. Lindner](#)

Household:
[Carl and Edyth Lindner](#)

Business ownership:	\$78,601.25	\$78,601.25
Securities:	\$0.00	\$0.00
Affluence indicators:	\$0.00	\$0.00
Income/compensation:	\$1,075,000.00	\$1,075,000.00
Other assets:	\$26,400,000.00	\$26,400,000.00
Total assets:	\$41,398,623.25	\$40,526,021.25

Number of businesses:	15	15
Biographical:	1	1
Political donations:	387	5
Philanthropic gifts:	182	0
Nonprofit affiliations:	5	1
Private foundation affiliations:	6	4

Sample Research Results for a Group

Group Results	# Prospects Identified
Company Officers	181
Individuals with Business Ownership >= \$1M	48
Public Company Insiders	79
Company Insiders with Public Securities >= \$1M	88
Individuals with Real Estate >= \$1M	297
Individuals with Properties in Trust	152
Individuals that Matched to “Wealthy List”	270
Millionaires with at least \$5M in Identified Assets	107

How to Get Started

- Step One:
 - Using the Donor Profiles
 - Append specific information and segment prospect pool by vehicle type based on the information shared with you during this seminar
 - For example, create a file of donors with loyal giving behavior over the past 10-20 years who are at least 45 years old
 - Have Target Analytics or another vendor provide analysis for you
 1. Data appends – age, income, etc.
 2. Wealth screening
 3. Predictive Giving Likelihood analytic modeling and scoring
 - Depending on the type of your organization, 10-40% of your file may have planned giving inclinations

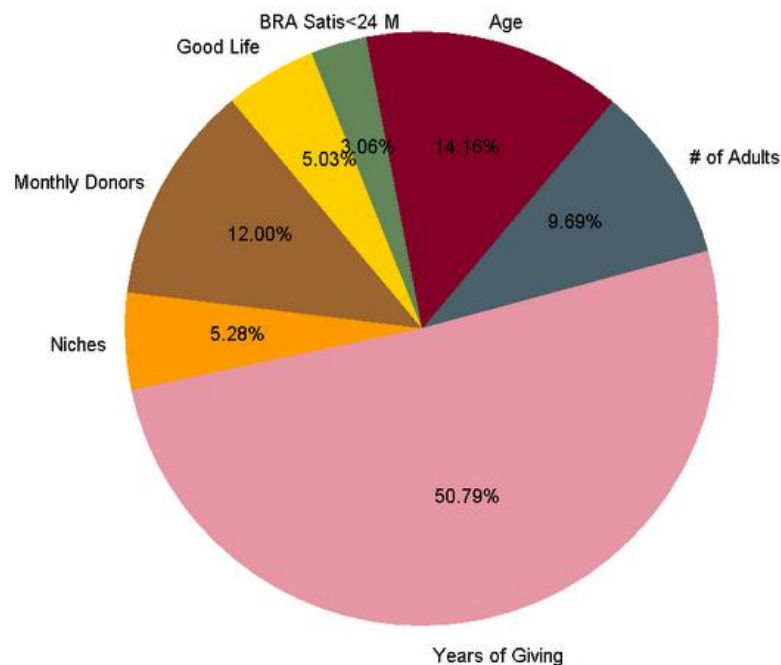
Sample Segment-Based Scoring Product

Power Segment Comparison by U.S. Demographic Characteristics

Echelon Power Segment	Average Household Financial Assets	Average Household Income ^a	Average Age ^a	Percentage of Households w/ Children Under Age 18 ^a	Percentage of Households w/ Retired Head of Household ^a
Age Group: Older					
1	\$1,673,457	\$327,436	56	3.8%	55%
3	\$601,774	\$184,514	63	4.2%	82%
5	\$374,014	\$119,806	62	1.0%	88%
9	\$121,673	\$77,992	61	1.7%	81%
11	\$36,595	\$56,807	67	1.3%	84%
16	\$3,635	\$40,117	60	2.6%	85%
Age Group: Mid-Career					
2	\$1,062,474	\$206,284	53	7.7%	17%
4	\$1,140,507	\$264,097	47	52.2%	6%
6	\$346,088	\$147,089	52	15.1%	22%
8	\$201,488	\$124,704	48	25.4%	11%
10	\$114,498	\$116,380	39	37.1%	1%
12	\$18,743	\$63,852	48	8.1%	26%
14	\$18,472	\$68,266	35	55.8%	0%
15	\$9,017	\$61,066	42	23.0%	7%
Age Group: Younger					
7	\$809,524	\$139,741	33	89.1%	0%
13	\$91,838	\$63,533	29	54.4%	0%
17	\$4,258	\$43,816	28	71.0%	0%
18	\$22,523	\$31,974	19	67.8%	0%
Average: All U.S. Households					
	\$369,477	\$119,860	47	29.0%	31%

^aSource: SRI-CFD/MacroMonitor Survey, a biannual survey of household financial behavior

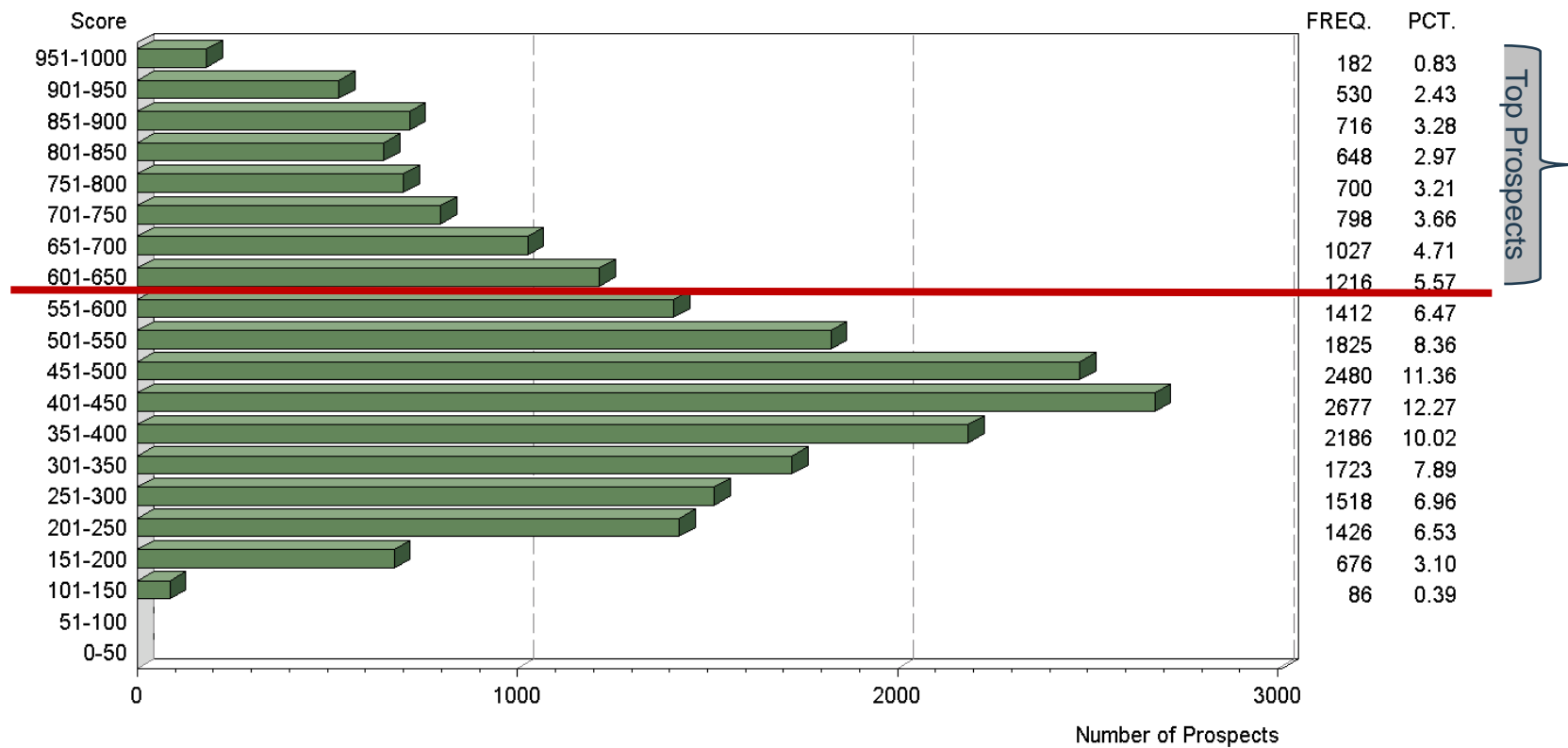
Sample Planned Gift Likelihood Predictive Behavior Model



- Profile of a Bequest Donor at “ABC Charity”
 - Usually older
 - Live in small households, most of which do not have children still living in the home
 - Have lived in their current homes for long periods of time
 - Tend to be monthly donors
 - Are at specific life stages and tend to be fiscally conservative though the level of their household income can vary widely
 - Show a consistent annual giving pattern to ABC Charity
 - Tend to be highly mail responsive
- The full data file would be screened against this profile and scored based on likelihood to behave the same way

Sample Planned Gift Likelihood Scoring Results

- ABC Charity's prospect pool scoring results identified 5,816 Top Prospects



How to Get Started

- Step Two:
 - Determine the personal visit caseload of prospects that your office's staff can handle in a two-year period
 - Start with reasonable goals
 - Add to the caseload every 6 months
 - Consider a goal of 100 prospects at a minimum
 - One personal visit a week
 - **Remember –**
 - ***Average bequest gift in the U.S. is \$35,000 to \$70,000***
 - ***Average bequest gift in Canada is around \$35,000***
 - ***You can raise \$1 Million with only 15 people***
 - ***If you put all of your effort into meeting qualified prospects you could solicit and confirm commitments of more than \$7 Million in two years!***

Setting Your Goal for Planned Gift Activity

Goal to Personally Solicit Prospects Over a Two-Year Period

# of Positions with Planned Giving Fundraising Duties	1	2-3	4 or more
# Prospects to Visit/Solicit	100 or 1/week	300 or 3/week	500 or 5/week
High National Average Gift (U.S.) \$70,000	\$7,000,000	\$21,000,000	\$35,000,000
Low (U.S.) National Average Gift (Canada) \$35,000	\$3,500,000	\$10,500,000	\$17,500,000
\$10,000 Average Gift	\$1,000,000	\$3,000,000	\$5,000,000
\$5,000 Average Gift	\$500,000	\$1,500,000	\$2,500,000

How to Get Started

- Step Three:
 - Narrow your pool of prospects by the following criteria:
 1. Individuals who have given more than one gift
 - This provides an added level of assurance that your prospect has an affiliation with you
 2. Then, if necessary, segment by those who have recent giving as well - at least one gift in the past 3 years
 - This provides you with a list of 'warm' prospects whose affiliation appears to be current and active

How to Get Started

- Step Four:
 - Employ prospect research on this Priority Group to find prospects at specific life stages and with visible wealth
 - Thus with the ability to make planned gifts at the significant levels you feel warrant your immediate attention
 - Bequest gifts of \$35,000 or more
 - CGA contracts at levels of \$25,000 or higher
 - CRT prospects starting at \$1 Million or more
 - If not staffed for this, bypass this step and see prospects



Qualify Bequest Prospects - \$35,000 +

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

Qualify CGA Prospects - \$25,000 +


- Business titles such as President, Vice President and Director;
- Who's Who Biography with professional positions that denote fiscal conservatism
 - Think of former teachers with pensions and retired telecommunications employees just as strongly as you would a financial advisor
- Inclusion on the Larkspur database as a “diversified investor” or “upscale investor”
- Evidence of charitable gift annuities or planned/estate gifts at other organizations
- Discuss with prospects:
 - Series of annuity agreements over 3 or 5 years
 - These prospects are capable of gift amounts at these levels, and often higher, but their conservative fiscal values may drive their decision-making
 - Gift planning patterns that mimic retirement savings might make sense.


Qualify CRT Prospects - \$1 Million +

- Heads of large companies
 - Specifically those whose titles are CEO, Chair and President
 - Company has annual sales of \$20 million or more, whether privately or publicly held
- Public company insiders with direct or indirect stock holdings of at least \$5 million
- Large charitable donations to you or other organizations
 - Or have made gifts for “endowment”, “capital campaigns” and other planned gifts
- Are included on a “Wealthy Individuals” list
 - Or evidence of estimated annual incomes of at least \$500,000
- Identified as a speculative or risk-comfortable investor
- Have property holdings of \$10 million or more

Use Prospect Research “Wealth” Formulas

- Use prospect research “rule of thumb” formulas to determine an appropriate initial ask amount for each Top Prospect
 - This example used 5% of Confirmed Assets to set a 5-year ask amount of \$2 million
 - Can use this to consider an appropriate planned gift ask amount

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Total assets:	\$41,398,623.25	\$40,526,021.25	Private foundation affiliations:	6	4

Wealth capacity (System calculated) ✔ Confirm and lock  Edit

Wealth capacity formula:	5 percent of confirmed weal...	Major giving capacity:	\$1,000,001.00 and up
Estimated wealth value:	\$40,526,021.00	Major giving capacity value:	\$2,026,301.00
Estimated wealth:	\$10,000,001.00 and up	Overall rating:	

A Few References

- Starting and Enhancing a Planned Giving Program
 - Example Blackbaud White Papers:
 - *How to Talk with Donors about Planned Gifts*
 - *23 Planned Giving Terms you Should Know*
 - <http://www.blackbaud.com/resources/white-papers.aspx>
- Written resources: Partnership for Philanthropic Planning
 - <http://www.pppnet.org/>
- Courses: The Fundraising School at The Center on Philanthropy at Indiana University
 - <http://www.philanthropy.iupui.edu/TheFundRaisingSchool/CourseDescriptions/plannedgiving.aspx>

Questions

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White Papers:

<http://www.blackbaud.com/company/resources/whitepapers/whitepapers.aspx>