Give & Take

VOL. 29 NO. 6 • JUNE 1997 NEWS AND IDEAS FOR DEVELOPMENT EXECUTIVES OF NONPROFIT ORGANIZATIONS

Resist "Throwing Away" Your Best Relationships

What happens when long-term donors stop giving?

by Timothy Sharpe

Consider the obvious differences between regular annual/membership giving on the one hand and major/planned giving on the other.

Ideally, a person's giving to an organization or institution evolves gradually over a lifetime. As the donor learns more about the mission and cares more about it, hopefully his or her financial capability to make larger gifts also increases.

Ideally, the character of the relationship between donor and charity changes over time from one based on a series of gift *transactions* to a rare, strong connection that can be termed a genuine *relationship.* This relationship may be capped with the ultimate gift of a lifetime, most often made through the donor's estate.

	Annual/Membership	Major/Planned
Form	Usually cash	Often non-cash
Timing	Annually or more frequently	Occasionally or once in a lifetime
Relationship	Begins as a series of transactions	Grows out of a strong personal relationship

Size matters

The larger a donor base, the more likely an organization is to manage its file of donors or members using a computerized system. Each detailed gift record is evidence of a transaction. Many transactions viewed as a whole form a mosaic picture of a long-term relationship.

Just a few years ago, less advanced technology and the cost of disk storage space meant that detailed donor records could often only be maintained for a relatively short time, if at all.

Older detailed data was routinely dumped to tape or paper reports for archival purposes. In many cases, this was equivalent to destroying the data for all practical future uses. To use our analogy, part of the mosaic was ripped up and thrown away (or, at least, hidden from view).

These days, most are able to keep detailed records dating back many years. Some organizations are now dusting off archive tapes to load the old data back onto new systems with more disk space—an excellent idea. In addition, many institutions now know the ages and general wealth levels of donors as a result of file enhancement services that are readily available and quite inexpensive.

Moving forward, more and more nonprofits will have better "pictures" of their donors based on giving history, stage of life, wealth factors, and other information. That's the good news.

A tragedy

The bad news is that many organizations overlook using their enhanced database records to help them identify ideal prospects for planned gifts—particularly for bequests and gift annuities. Unfortunately, there are too many cases in which a female donor, age 77, who has faithfully given for more than 25 years is "lapsed" from the active donor file in the same fashion as a 31-year-old person who has given only one time.

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Inside

In the News . . .

News and notes of interest to gift planners.

Extraordinary gift

He lived only to age 58, but Orrin W. Macleod, who was a baggage handler and ground crew member at National Airport in Washington, DC, most of his adult life, left $1 million to the Fairfax County (VA) Public Library. The gift from his estate grew from investments, savings, and some inheritance.

Because leukemia impaired his sight before it took his life, Mr. Macleod, an avid reader, listened to books on tape. His gift is earmarked to enhance the library's collection of books on tape for the benefit of others whose sight may be impaired, but still enjoy "reading."

An avid outdoorsman, Mr. Macleod collected antique guns and enjoyed traveling and learning anything he didn't know previously, according to a friend with whom he worked. He has been described as a "salt-of-the-earth kind of guy" by a library official who worked with him on his gift.

Source: *Washington Post*, May 1, 1997

Modest inheritance invested well

They lived two blocks from one another in Omaha during the early 1960s and became friends through their wives, but Rabbi Myer Kripke could never have predicted that the modest $65,000 he inherited and asked his neighbor, Warren Buffet, to invest for him would grow to an incredible sum of $25 million.

The story is true. Myer and Dorothy Kripke never changed their lifestyles, but allowed the funds to compound under the guidance of their famous friend. After more than 30 years of growth, the total reached $25 million and they wanted to "put their affairs in order."

Feeling a debt to the Jewish Theological Seminary where Rabbi Kripke was ordained, their lives were shaped, and they met one another, the Kripkes originally considered a $100,000 gift. Rabbi Carol Davidson, director of planned giving at the seminary, met the Kripkes and suggested they might want to contribute to renovation of the seminary's tower, a project they could enjoy seeing completed during their lifetimes.

After learning that repairs would amount to $7 million, the Kripkes agreed to donate the entire amount needed to restore the 13-story tower, which they remembered fondly. In addition, the Kripkes have set up trusts that will benefit the seminary. The remainder of their "fortune" will go to other charities, including the Synagogue in Omaha where he served as Rabbi. G&T

Source: *The Commercial Appeal,* Memphis, TN, May 10, 1997

Advanced Training Offered

Major Gift Planning II:

July 10-11 **Minneapolis**

Oct. 20-21 **Pasadena**

To fulfill the increasing need for advanced major gift planning training for more experienced financial development officers, the Sharpe company offers "Major Gift Planning II." Designed to explore specific gift planning objectives in greater depth, a working knowledge of gift planning vehicles is assumed.

Robert F. Sharpe, Jr., and Jonathan G. Tidd, Esq., offer participants the benefit of first-person experience working with a wide range of nonprofit institutions and organizations, their donors, and donors' advisors. The dynamic created by the combination of knowledge, experience, practical application, and style of presentation creates a learning experience that is long retained and applied.

Check your schedule and contact the Sharpe company.

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Give & Take

A client service publication published monthly since 1968 by Robert F. Sharpe and Company, 5050 Poplar Avenue, Suite 700, Memphis, TN 38157, (901) 680-5300. Fax (901) 761-4268. E-mail info@rfsco.com or through our web site at http://www.rfsco.com

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Why Send Multiple Year-End Gift Promotions?

Reasons vary, but intentions to educate and serve donors remain consistent.

In 1995, an "eagle eye" at the Sharpe company noticed a new trend. Several organizations had placed orders for multiple year-end giving brochures titles at the same time. Curious about this apparent trend that grew in 1996, we contacted a number of the persons who placed those orders as an opportunity to learn more about the rationale behind this shift in traditional methods of reaching donors at the end of the year. A sampling of responses follows.

American Humane Association, Englewood, Colorado

Because this association consists of two divisions—protection of animals from abuse and protection of children from abuse—Lynn Thomas, director of planned and major gifts, selected two publications geared to the different constituencies of the divisions. Those who support the children's division tend to be younger and still in their working years, so received "Giving Before December 31," because "the language fit more closely their profile," according to Ms. Thomas.

Older people in their retirement years align themselves with the animal protection division, so Ms. Thomas sent them "Giving at Year-End 1996," essentially because they would not relate as well to sections such as "time worked for you" or "time worked to pay taxes," which were highlighted in the former brochure.

This communication was a first year-end appeal to the group that supports the children's protection division and garnered several gifts. Ms. Thomas views the brochure she sent as a first step in the educational process that initiates the "charitable learning curve." Plans for year-end 1997 have not been finalized, but she anticipates sending the animal protection group a message similar to last year's and changing slightly the message the child protection group receives.

Lawrence Technological University, Southfield, Michigan

In an effort to motivate new donors from a list of approximately 12,000 alumni who had never made a gift to the university, Laura Bourdeau, director of the annual fund, sent them "Investing in the Minds of Tomorrow." The design included the "emotional element" of a graduate with upraised arms that she thought would tie into their feelings about the university.

For alumni who had previously made gifts, she opted to send the more universally appealing "Giving Before December 31" because "those people know why they're giving—they've supported the university in the past." When totaled, the university had received 290 gifts for the year-end and 16 new donors were found from alumni who had not previously given. As Ms. Bourdeau said, "If I spend $1, we get $3 more." Last year's results have shown enough promise that a similar plan is in the works for 1997.

WFYI-TV, Indianapolis, Indiana

Doug Dilling, director of development, selected "Giving Thanks at Year-End" to use as part of the place setting at the annual Thanksgiving dinner hosted by the public television station to thank its donors. Then in December, he followed up by mailing "Giving Before December 31" to a wider list that included the dinner attendees.

He said, "This is quality information that is also professional looking. We had a strong year-end. How we got our message across may have played an essential role in cultivating donors of planned gifts." He plans to repeat the process for the station's year-end messages for 1997.

Coral Ridge Ministries, Fort Lauderdale, Florida

For the past two years, Barbara Esterline, in the ministries advancement office, has mailed three year-end titles—in October, November, and December. "We

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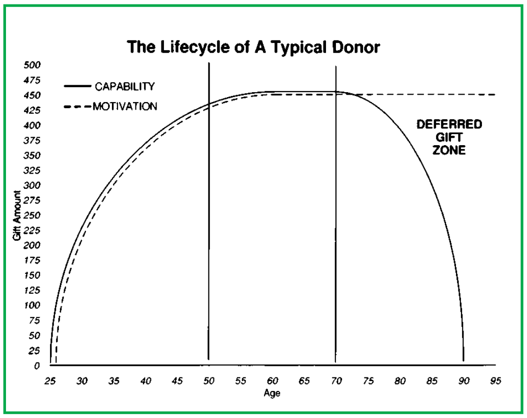
Resist "Throwing Away" . . . *Continued from page 1*

Recently "lapsed" donors rank among your best prospects for a major planned gift.

Ten years ago, not much could have been done to correct this situation. Age information was difficult, if not impossible to obtain, longterm giving histories were almost nonexistent. Looking forward, however, there is no reason to let this continue to happen.



The solution

Whether you work with a small PC or a mainframe computer, the solution is to store as much gift history as possible and to learn your donors' ages whenever possible. With this information, you can construct a selection criteria, such as described below, which may be incorporated in the middle to latter stages of existing efforts to renew a membership, annual, or other regular gift.

• If the donor has not responded to the second renewal reminder, check total number of gifts on file and donor's age.

• If the donor has been giving for five years or longer, or has a large number of gifts on file, and/or is age 70 or more, then STOP! They may be entering the "deferred giving zone." See the chart above.

Instead of sending a third renewal reminder, consider diverting the donors fitting this criteria to receive an alternate letter.

Without mentioning age, the alternative letter would make it clear that your organization understands that there are times when one may not be able to continue their regular giving. It would then offer ideas and more helpful information on how one can remain in the family of supporters through various planned gift opportunities.

What is accomplished?

Instead of derailing a relationship with your longtime donor late in its development, this approach allows you the opportunity to suggest options to a committed supporter who has simply passed the point in life when she can continue to make regular current gifts.

Our research shows that the typical bequest comes from a female who dies at about age 82. She put the organization in her will at about age 78 or 79, *which also happens to be the age at which she stopped her regular giving.* She had been on file about seven years prior to making her last will and had given less than the overall average annual gift each year.

While there are many exceptions to this composite, it appears to be fairly accurate overall. It illustrates the need to offer long-term donors a way to "stay in the family" via membership in a "legacy" society and to highlight a will as well as other plans as ways to make ultimate gifts, even as they downgrade or entirely cease their long tradition of regular contributions. G&T

Timothy Sharpe, based in the Washington, DC, area office, is executive vice president of the Sharpe Company.

Gift Promotions . . .

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wanted to see if it (three separate mailings) would have an effect on our donors. I think people appreciate the information," she said.

Norm Harvey, director of ministry advancement, said the messages sent monthly over the last three months of the year act as a reminder of the deadline for claiming charitable income tax deductions and is "another service to our major donors." Their giving figures increased from year-end 1995 to year-end 1996. G&T

Studies Reveal Profile of Typical Bequest Donor

by Robert F. Sharpe, Jr.

Recent studies of bequest donors to a number of our client organizations reveal interesting information regarding the typical profiles of these donors.

This information is based on an in-depth analysis of a total of nearly 1,000 bequests to a number of different organizations and institutions. The information was gleaned from the wills of the deceased, donor files, and gift records where available.

We believe the information is of broad interest, since we have found little difference in bequest donor profiles from one organization to another. What sets bequest donors apart appear to be driven primarily by factors such as age at death, gender of the donor, and marital status, among others.

Gift history

There appears to be no pattern to the gifts made prior to death other than the fact that most bequests appear to come from relatively long-term donors. Exceptions include health-related organizations that may first become involved with a donor later in life.

It seems to be rare for a donor who has made only one or two gifts to include an organization in his or her will. Studies reveal that most bequest donors will have been donors for three or more years at the time they make the decision to include an organization in their will.

While it is true that bequests often seem to come from “non-donors,” our experience indicates that many of these individuals were donors at some time in the past, even though they may no longer be on the data base. In support of this conclusion, we have found that organizations with gift history going back the most number of years find the lowest percentage of bequests coming from “non-donors.” (We have had the pleasure of working with at least one organization with detailed gift records on their database dating back to the 1940s!)

Another clear pattern is that the size of gifts during life is not related to the size of a bequest. In fact, some studies have shown an inverse relationship between the total amount of gifts during life and the size of the eventual bequest.

How old are the wills?

After studying scores of organizations’ files, we can say with confidence that for almost all organizations, the majority of bequests will come from wills that were executed within four years of death. Upwards of 75% of bequests come from wills that had been executed within seven years of death, and it is rare for a will to be more than ten years old at the time of death. This is why some commentators assert that it takes only three to five years for a planned giving program to show results.

Lapsed donors?

We are frequently asked whether to market the concept of charitable bequests to lapsed donors. Perhaps it makes sense to include recently lapsed donors—those whose last gift has been within the last 18 months. (See related story on page 1.) Our studies indicate that most donors who leave charitable bequests cease their current giving at about the same time as they make their last will.

Age of bequest donors

An examination of bequest donors’ ages at the time they make their wills, and at death, sheds light on the reasons behind the factors discussed above. For most organizations studied, the average age at the time the will was made falls in the 75 to 85 age range, and the average age at death falls in the 80 to 90 age range.

For the last two files we studied, the average age at death in both cases was 85

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Bequest donors tend to follow similar patterns across nonprofit boundaries.

Robert F. Sharpe, Jr., is president of the Sharpe company. He advises a number of the nation’s leading nonprofits in the design and implementation of their gift planning initiatives.

Seminar Presents Overview of Gift Planning

Dates & Locations:

Major Gift Planning:

June 26-27 **San Fran.**

Aug. 4-5 **Chicago***

Sept. 8-9 **Phoenix**

*Additional presentation scheduled to accommodate high demand.

"Major Gift Planning: Options and Opportunities" offers a comprehensive overview of major gift planning based on years of experience, research, and actual case studies. By exploring the most relevant issues facing gift development officers, presenters Robert F. Sharpe, Jr., and Jonathan G. Tidd, Esq., create an atmosphere for learning that addresses the basic requirements of those new to the field or those seeking enhanced skills.

To allow maximum interaction between presenters and participants, registrations are limited. When possible, dates are added to meet requests by applicants for whom no openings remain. See just added dates in Chicago at left.

To register or request more information, call 1-800-238-3253, extension 360, or fax (901) 761-4268. Complete seminar information is on our web site at http://www.rfsco.com. G&T

Typical Bequest Donor . . . *Continued from page 5*

and the median age was 86, meaning that in those cases more than half of the bequest donors were over the age of 86 at the time of death.

Gender of bequest donors

We found only one instance where bequest donors were other than 60-75% female. It occurred at an organization that deals with issues almost exclusively male related. Historically all-male colleges typically find most of their bequests come from women. Women are statistically more likely to outlive their spouses, and they are thus more likely to make the final disposition of the family's assets. This trend has become even more pronounced since the introduction of the unlimited marital deduction in the early 1980s, under the provisions of which wealthy persons are encouraged to leave all assets to the surviving spouse.

Another interesting observation regarding gender and bequests is that organizations with an unusually high proportion of older male donors report that they are not included in the wills of donors who had told them that the organization had been named in their will. What is going on here? Were the donors telling the truth? Yes. In fact, in all likelihood, the charities were in the man's will as contingent beneficiaries.

In most cases, however, a married man's wife will survive him and inherit most, if not all, of the estate. The charitable designation is never triggered in the will of the first to die. Be wary, therefore, of relying to a great extent on "bequest" notifications from married men!

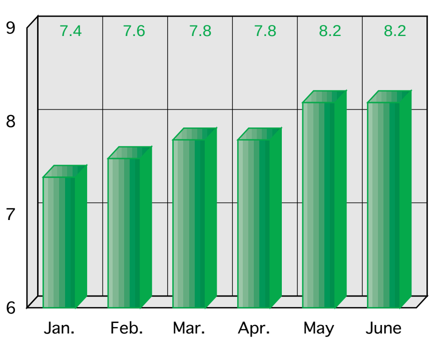
How long to close estates?

Interestingly, smaller bequests (under $25,000) tend to be distributed within one year of death. Larger estates distribute on an average of two years, and the time period can sometimes be much longer. For this reason, the first results of aggressive bequest awareness programs will be larger numbers of small, specific bequests. The real payoff from efforts in this area (in the form of larger, residuary estates) will often not be realized for one or two additional years after initial results are noticed.

Conclusion

The statistics cited herein are a brief summary of a great deal of data. If you are surprised by the statistics, study your last 50 to 100 estates and build your own analysis. After doing so, take a look at your marketing efforts and you may be surprised to learn how you can fine tune your program, thus increasing the efficiency of your planned gift development efforts. G&T

Discount rates



The trend in adjusted federal midterm rates (AFMRs), which are used in calculating the benefits of split-interest gifts.

Footnotes for Gift Planners

Flexible billing arrangements

When funds are close to being depleted for one fiscal year as the next approaches, the Sharpe company can help you bridge that gap by—

• Dividing the billing over two budget years, e.g., one-half in one fiscal year and the remainder in the next fiscal year

• Invoicing for publications or services early to use remaining budgeted funds

• or, later in the first month of the new fiscal year when budget dollars may be available.

Ask your Sharpe representative about our flexible billing options. Your gift planning efforts are too important to put them on hold.

Sharpe year-end communications ready now

It's June and the year-end giving season begins now for many nonprofit institutions and organizations. In this issue of *Give & Take* you will find samples of Sharpe's 1997 year-end brochures ready to be personalized with your institution or organization's logo and contact information.

This year's collection includes—

• "Giving at Year-End 1997" in three formats to match your individual constituencies; two address general audiences—one is printed in two colors and the other is full color—and the third addresses alumni and friends of educational institutions.

• "Giving Thanks at Year-End," which made its debut last year, became an immediate favorite for many institutions and organizations. Donors are encouraged to share their bounty while reaping the benefits of timely giving. The importance of "leaving a legacy" is also stressed.

• "Giving Before December 31" can be sent any time before the end of the year, but can act as a follow-up to remind itemizers of the importance of timing their gifts to qualify for charitable income tax deductions.

Sample text for all year-end brochures is available on request and may be found on our web site for review prior to purchase. The address is http://www/rfsco.com.

Year-End newsletter coming soon

For those organizations and institutions that traditionally inform their donors of the benefits of year-end giving in a newsletter format, this year's newsletter edition will be available soon. G&T

News and ideas about Robert F. Sharpe and Company services and publications. For more information, join us on the web at **www.rfsco.com**.

All Kinds and Conditions

IRS figures indicate that only about 12% of taxable estates were reported as cash. The vast majority of wealth in this country is held in other forms. Many donors do not realize the variety of properties that may be given. The following excerpt from *Yankee* magazine highlights some unusual examples:

This month, just over 1,000 students at Dartmouth College will (if the weather's nice) walk across a stage in front of Baker Library, receive their diplomas, and become the newest members of the most generous alumni body in the country. If they follow tradition, however, not all of their gifts will take the usual forms of cash, library collections, or prime real estate. Below is a sampling of unusual gifts Dartmouth has accepted over the years.

• 270 acres of land in the Florida Keys visible only at low tide

• 22 tons of No. 3 white corn

• a stuffed zebra

• one-eighth interest in a piece of North Carolina land the state wanted for a highway exit ramp

• 91,000-acre ranch in New Mexico

• $1,000 bequest to create a "firewood endowment" for the college president's fireplace in Parkhurst Hall

• $6,000 gift to be used by Dartmouth and the town of Hanover, New Hampshire, for clearing snow from Occom Pond for ice skating

• dirty T-shirt (The donor enclosed a note, saying he'd given everything else to Dartmouth; it might as well have the shirt off his back, too.)

Reprinted with the permission of Jim Collins, author, and *Yankee* magazine, June 1996, Dublin, New Hampshire.