

GIVE & TAKE[®]

News and Ideas for Development Executives of Nonprofit Organizations

August 2008

Vol. 41 No. 8

The Sky is Falling... Again by Robert F. Sharpe, Jr.

In late June, Giving USA Foundation reported record levels of giving for 2007. While nonprofit management and volunteers welcomed this announcement, the sobering realities of 2008 now draw our attention. Whenever the word “recession” hangs in the air, commentators inevitably begin predicting lean times for fund raising. History shows that these predictions often come from those experiencing their first recession, whether as journalist, nonprofit manager, or volunteer.

In the fall of 1981, I first began working with nonprofits in the area of charitable gift planning. The country had just entered its second recessionary period in as many years. The prime rate was 20%, inflation had hit 10%, mortgage rates were 15%, and the unemployment rate was over 9%. To many, the economy had not looked as bad since the Great Depression, and there were dire predictions that fund raising would suffer dramatic setbacks. Surprisingly, in that year giving in America grew 13% over 1980, some 3% when adjusted for inflation.

Since that time, fund raising has weathered two more recessions—in 1990 and 2001. However, as noted in July’s *Give & Take*, giving in America is extremely resilient, dropping just 1% on average, adjusted for inflation, during recessionary periods over the past 50 years.

Nonetheless, The Sharpe Group has observed that the fund development efforts of different organizations seem to be affected in different ways during recessionary

periods. Some experience declines, while others show continued, even remarkable, growth. Contemporary reports in the 1930s at the end of the Great Depression announced that a number of educational institutions actually raised more funds during the Depression than they did during the boom years of the 1920s. How can this be possible?

Many factors in play

The way a particular organization fares in tough times depends on a number of factors, not the least of which is their reaction to the first signs of a recession. Inexperienced managers may understandably err on the side of caution and begin cutting costs across the board. They ask themselves, “Is that donor visit trip really necessary?” “Should we mail that appeal?” “Should we postpone that campaign?” “Can we let that position remain vacant a few more months?”

More seasoned fundraisers carefully fine-tune their plans based on the knowledge that opportunities for funding ebb and flow and affect different donors, organizations, and areas of the country in different ways. For example, in recent months some regions have been hit harder by declines in real estate values and other challenges while those parts of the country involved in energy production have seen little, if any, economic downturn.

Urban areas in colder parts of the country where workers have longer commutes on average and



“An Introduction to Planned Giving” comes to Orlando this fall. See page 3.

consumers pay more to heat their homes this winter will obviously be affected to a greater extent by higher energy prices than smaller communities in more temperate parts of the U.S.

Other points to consider

Despite regional differences, why do we not see large declines in giving during recessionary periods? There are many reasons this is the case.

First, charitable giving is high on the priority list for many donors and is by no means the first thing they cut in times of economic slowdown. Other discretionary spending will normally be cut first. Historically, as long as people remain employed, most will continue to give. If a couple

Continued on page 6

INSIDE: Can a stitch in time save your program? Building relationships key for gift planner

A Stitch in Time Saves Nine— and the Reverse Can Be True, Too

by Barlow T. Mann

In 2007, many fundraisers developed strategies, plans, and goals for 2008. Those plans were made against the backdrop of a record year for giving in America (\$306 billion), a year when household wealth hit an all-time high (\$58 trillion), along with the Dow Jones Industrial Average (at 14,165). Since then, 2008 has seen the subprime mortgage crisis trigger a broader credit crunch and other difficulties in the financial sector. The economy has slowed, causing higher unemployment. Foreclosures and bankruptcies are up, as are energy and food prices. What a difference six months can make!

Those best laid plans from last year may seem to be unraveling for some as 2008 unfolds. Just like a loose thread in a sweater, plans that now may be unraveling should be mended sooner rather than later. Remember the old saying, “A stitch in time saves nine.” Now may be an ideal time to revisit goals set earlier and make adjustments as necessary.

Past to present

Forty years ago, in 1968, The Sharpe Group suggested using a planned giving approach. The basic idea was this: segment your donor file into distinct categories, and then make

sure there is a plan in place to promote various gifts to the right segments of donors. Sharpe Group founder Robert Sharpe, Sr., suggested that such efforts include not only deferred gifts but larger special gifts (see graphic below).

Over the past 40-plus years, we have experienced the effects of numerous periods of economic turmoil, including the recession and stagflation of the 1970s, the stock

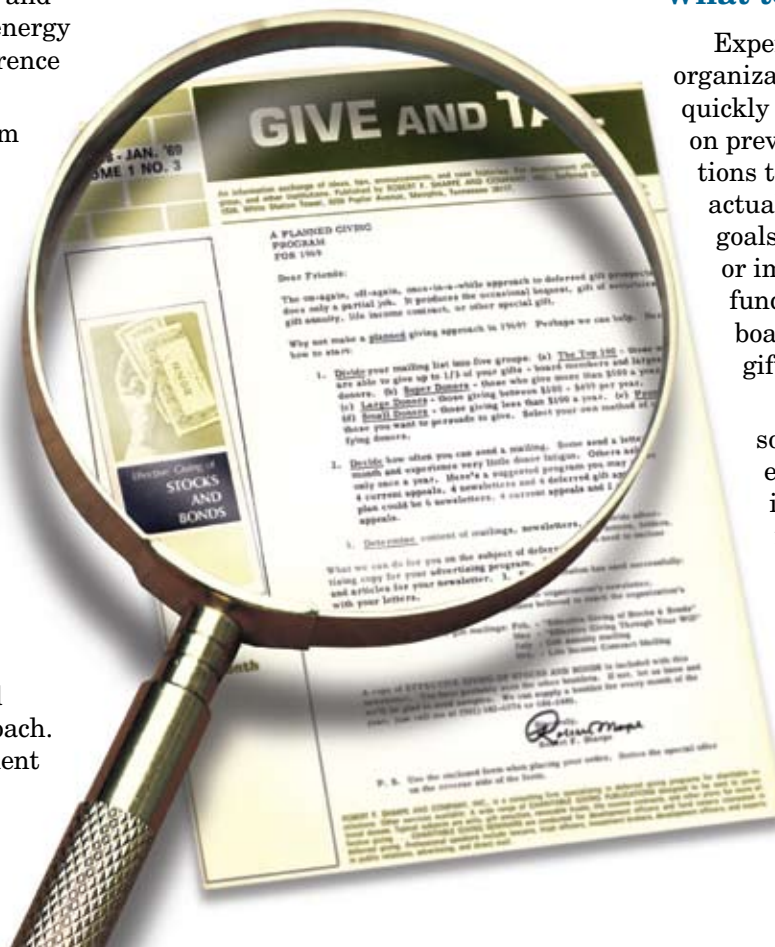
market crash in 1987, the recession of 1991, the bursting tech bubble of the late 1990s, and the aftermath of 9/11. As was pointed out in last month’s *Give & Take* cover story, according to *Giving USA*, “in a recession year, giving on average falls just 1% adjusted for inflation.” Keep in mind, though, that these were aggregate results and some programs always do better than others.

What to do today

Experience tells us that those organizations and institutions that quickly make adjustments based on prevailing economic conditions tend to do better and may actually meet or exceed their goals. Those who do nothing or impulsively reduce their fund-raising efforts across the board will likely see a drop in gifts.

Our advice is to take some time now—before you enter the critical fall giving season—to carefully review your plans. How are you doing year-to-date? Do you anticipate being subject to “across the board” budget cuts or “impoundments” in the current fiscal year? Is your fund-raising staff trained to help

Continued on page 5



GIVE & TAKE.

A client service publication published monthly since 1968 by The Sharpe Group, 8700 Trail Lake Drive West, Suite 222, Memphis, TN 38125, (901) 680-5300. Fax (901) 761-4268. E-mail info@sharpenet.com or through our Web site at <http://www.sharpenet.com>. The publisher of *Give & Take* is not engaged in rendering legal or tax advisory service. For advice and assistance in specific cases, the services of your own counsel should be obtained. Articles in *Give & Take* may generally be reprinted for distribution to board members and staff of nonprofit institutions and other non-donor groups. Proper credit must be given. Call for details.

© MMVIII RFSCO, Inc.

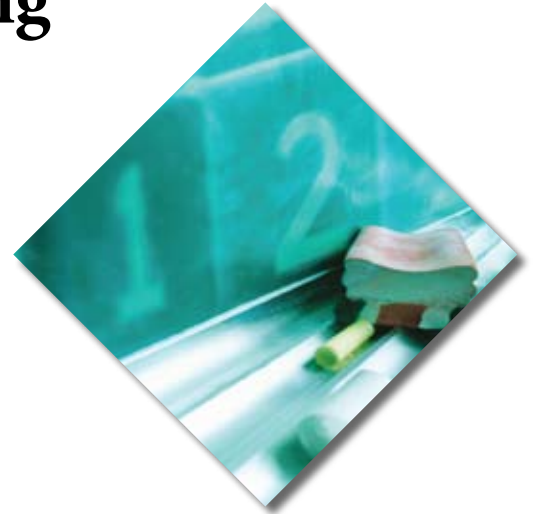
Editor: Elizabeth H. Smithers
Design: Eric Page/Jill Harvey

East Coast, West Coast Training

Want to explore the basics of gift planning in three information-packed days of comprehensive training? You can this fall with the Sharpe Gift Planning Institute.

East or West, we've got you covered. Make plans now to attend "An Introduction to Planned Giving" in Orlando or Seattle.

Premier training, coast to coast. Call 1-800-238-3253 to register. Ask about multiple registration discounts.



On the Agenda for 'An Introduction to Planned Giving'

Day One

- Charitable Gift Planning in Perspective
- Understanding Timing and Types of Gifts
- Basics of Property and the Ways It is Transferred
- Overview of Taxes and Giving
- Gift Planning Tools: Part 1
- Gift Planning Tools: Part 2
- Macro Marketing Broad-Based Planning Opportunities
- Micro Marketing Planned Major Gifts
- Preparing for Donor Contact
- Creating Proposals and Other Written Communications

Day Three

- Effective Use of the Telephone
- The Personal Visit
- Evaluating Donor Contacts
- Stewardship and Recognition—The Margin of Excellence
- Issues in Estate Settlement

Day Two

- Practical Case Studies
- Gift Acceptance Policies and Infrastructure

See www.sharpenet.com/seminars for a complete agenda and dates for this and other Sharpe seminars.

What Attendees Are Saying . . .

"This was a well-presented conference and will be very helpful to me back at the 'ranch!'"

—Stephanie Neff, Genesis Health Care Foundation, Zanesville, OH

"Thanks for having an ethics-based approach to donor contact/relations."

—Katherine Foreman, Blue Ridge PBS, Roanoke, VA

"Excellent seminar! Presenters were engaging and entertaining. Kept the group motivated throughout."

—Barbara Taylor, Lutheran Social Services, York, PA

UPCOMING SEMINAR TRAINING DATES

An Introduction to Planned Giving

Seattle
September 3-5

Orlando
October 8-10

Washington, D.C.
November 5-7

Integrating Major and Planned Gifts

New York
August 18-19

Chicago
November 17-18

Multiple registration discounts are available. For more information or to register, please contact The Sharpe Group. Phone 1-800-238-3253, ext. 5313 • Fax 901-761-4268 • Web site: www.sharpenet.com • E-mail: seminars@sharpenet.com

Relationship-Building Works With All Donors

This month *Give & Take* talks with Charles Thomas, director of planned giving for Villanova University in Pennsylvania. An avid golfer and lifelong Red Sox fan, Mr. Thomas explains his philosophy of fund development and why building strong relationships with donors is key at any organization.

G&T: How did you come to work in the nonprofit world?

Thomas: My first professional experience was with Little Brothers-Friends of the Elderly. I was hired to work on major gifts and planned gifts, and specifically to strengthen the endowment. During that time I received gift planning training from Robert Sharpe, Sr. This training gave me a strong sense of how gift planning should be done, and it continues to meet the test of time today.

Prior to my work at Little Brothers, I was in education—teaching special education classes as well as living abroad for five years teaching English as a second language. I have always thought that teaching provides a very seamless transition to the relationship-building necessary in philanthropy. Philanthropy is all about relationship-building, and I think that is also true in education.

G&T: Do you spend a good deal of your time visiting with donors?

Thomas: Yes, I think this is absolutely vital. I am traveling a fair amount and hope to travel even more. I also traveled quite a bit visiting with donors in my previous positions at American Printing House for the Blind and Phillips Exeter Academy. In fact, even though I have been at

Villanova for four years now, I still continue to hear from some Exeter donors with whom I've had such strong, personal friendships. I think this is indicative of the types of deep relationships one can develop through philanthropic work.



Charles Thomas

Building relationships is what it is all about. I am still meeting and getting to know Villanova alumni. For Villanova donors, I am the bridge back to the University, an institution that these donors are very, very fond of, a place that holds seminal memories for them. In many instances, they have been away from Villanova for more than half their lifetime. So I attempt to bring the current Villanova to life for them and indicate to them that the school is still striving for excellence as it did when they were students.

G&T: You have been successful at a variety of organizations. What is the most common mistake gift planners make?

Thomas: I think too many gift planners are driven by dollar signs.

I have a very naïve philosophy: When you take care of the relationship, generally the resources will follow. When folks are driven by the number of zeroes, or they approach the donor on a tax-driven basis, they are going down a dark alley.

Philanthropy truly is about giving. The gift planning officer can provide the expertise necessary to develop that gift, but the gift is, for the most part, about people wanting to give back. The discussion should not be driven by dollars; it should be driven by what the donors want to accomplish for the institution.

G&T: What inspires you most about your work?

Thomas: Two things. First, I value private higher education very much. I think it has been one of the lynchpins to what this country has been able to accomplish. Second, I am so honored to work with donors who want to give from resources they have accumulated over a lifetime to continue to make an institution, in this case Villanova, a very strong one. In the long-run, this provides for the betterment of society. I am very fortunate to be able to build relationships with such wonderful people.

G&T: Are there any particularly interesting gifts you have been involved with planning?

Thomas: One of the best examples of this donor-centered approach to fund raising would be two large gift annuities that eventually created the naming opportunity for American Printing House for the Blind's museum.

Continued on page 5

Relationship-Building ... continued from page 4

A gentleman was at a VFW function with the husband of a colleague of mine who happened to mention that he worked at APH. He responded that he had heard of APH and he would love to do a tour. When I heard about this, we set up a private tour with him on a Saturday morning. He expressed a particular interest in the museum, which was under construction at the time.

After we did the tour, I then visited with the donor and his wife in Florida at their retirement home. Within six months of that visit, his wife passed away from cancer. The donor decided soon after that to make the gift that named the museum in memory of his wife of

more than 50 years. It was the largest gift from a living donor in the history of APH.

G&T: What have you learned over the years that might help fellow development professionals in their work, especially regarding gift planning in the current economic environment?

Thomas: In what is a very challenging economy, I think that gift planning shines even more. When the opportunity is right, certain gifts can provide the donor with income and other financial benefits. These benefits allow the donor to make gifts that might not other-

wise be possible. I would say that, in my 20-plus years in this business, this is one of the most challenging times. But the light shines most brightly when gift planning is done correctly, regardless of the economy, because you open up doors of opportunity that do not exist in other areas of philanthropic giving.

People continue to give regardless of the economy. I don't see the giving spirit changing dramatically. I am the optimist.

Stitch in Time ... continued from page 2

donors meet the challenges that seem to stand in the way of their making larger gifts? Do you have the resources to inform, educate, and motivate donors about the best ways to give in today's environment? Do you have access to people who can help you succeed?

If you are behind on your goals, are there things you can do between now and the end of the year to close the gap? Anticipate potential budget cuts in advance and take steps to deal with them now. For example, consider leaving vacant positions open, shifting those funds to other non-personnel purposes, or outsourcing duties when it is cost effective. Make sure that your staff is trained to "salvage gifts" by suggesting alternatives. Continue your marketing and keep other lines of communication open to donors.

Make effective use of travel through multi-purpose trips. Take maximum advantage of what can be done by phone, direct mail, and the Internet. Take a colleague to lunch who has been in the field for 25 years or more and successfully weathered previous economic downturns.

As the title of this article indicates, if you make unwise cuts in your development efforts now due to an anticipated recession or other economic woes, it can often cost you more in the long run. Make your case internally with senior management and the board about the return on investment on fund-raising costs. Regardless of the overall cost, your program should be positioned as a revenue center that should continue to be adequately funded instead of an expense center.



Barlow T. Mann is an attorney and chief operating officer of The Sharpe Group. He designs planned giving programs for a number of America's nonprofits, presents seminars, and authors many articles on gift planning.

Sky is Falling . . . continued from page 1

decides to postpone a vacation or a home addition, they may have more discretionary funds to save, spend on other needs, or give.

Ironically, some donors may actually increase their giving during downturns as they cut back on other spending. Many will think long and hard before they cut a pledge to their religious affiliation or tell a peer they can't afford their regular gift to their alma mater's annual giving program.

The beneficiaries of increased giving may be those entities donors are already supporting. Experience reveals that it can be harder to start new donor relationships during difficult economic times, because donors tend to focus on pre-existing relationships.

Several factors should be considered where major donors are concerned. When companies lay off workers during slower periods, it is not normally self-proprietors and senior management who feel the brunt of the job reductions. Major donors may enjoy more job security and some may feel a responsibility to increase their giving if they are untouched by factors hurting the ability of others to give.

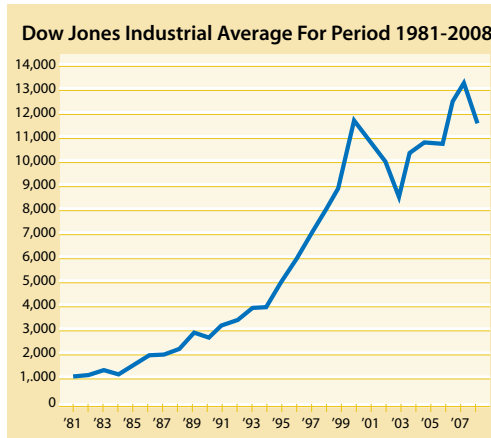
Major donors may, however, pay more attention to the form and timing of their gifts. Now could be a good time to inform them about the importance of carefully deciding what property to give. For example, some have seen the value of securities fall in recent months but still enjoy significant gains. They may be wise to give those securities and use the cash they might have otherwise donated to instead diversify their holdings through the purchase of a broader group of stocks at lower current market prices.

Many older donors who are comfortably retired and no longer in the workforce may be among those least affected by the current economic conditions. They obviously can't lose

their jobs. Many seniors have long ago retired their mortgages and were not caught up in the subprime lending excesses of recent years.

Retired persons may also be less affected by increased fuel costs because they are no longer commuting and may drive little, if at all.

Also concerning stock values, keep in mind that people in their 60s and older have likely been investing over a longer term and still enjoy significant gains. See the following chart for long-term trends in the Dow:



Persons over 65 account for over 50% of total giving of appreciated securities, and it is important to keep information about giving non-cash property in front of them. Some may find this to be an excellent time to use securities that have increased in value but yield little income to fund gift annuities and other gifts that provide additional income to help pay for higher medical expenses and other costs.

Remember also that the factors that lead people to consider their final estate plans in their 70s and beyond continue regardless of the prevailing economic climate. A certain percentage of donors are making or revising wills and other plans every week and it is therefore important to keep providing information on ways to make gifts as part of their estate planning.

Keep in mind, though, that 65-year-olds have a life expectancy of 20 years or more and there is plenty of time to influence their behavior later. Cutting back on planned gift marketing to persons under 65 may thus be a relatively safe place to reduce costs in ways that will not have an appreciable impact.

Importance of Stewardship

During economic downturns, businesses of all types take steps to make sure they maintain close relationships with those who use their services. Now more than ever it is important to cultivate donor relationships and not take them for granted. Time spent thanking donors, reporting back on how their gifts have been used, and involving them in other appropriate ways will be rewarded.

Giving in America overall has proven to be resilient during recessions, but individual organizations can't afford to take this for granted. Take time now to pause, reflect, and regroup before approaching donors this fall with a renewed sense of purpose and confidence in your organization and its case for support.



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

Boost Current and Future Gifts This Year-End

When the calendar lands on August, fall is just around the corner. Now is a good time to focus on plans for communicating with your donors this fall and in the upcoming year-end season.

This year The Sharpe Group has created five brochures designed to help you make the most of the year-end giving season. These attractive brochures offer a convenient, economical way to communicate with a broad group of donors this fall about ways they can maximize their giving before the end of 2008.

If you are considering a year-end mailing, these brochures are an excellent resource for encouraging current gifts of cash and stock before the close of the year. In addition, each brochure features references to the importance of reviewing long-range plans at year-end, which may encourage estate gifts as well.

To round out your year-end appeal, we recommend including a cover letter, a reply card, and return envelope (see the images below) with a Sharpe year-end brochure. Not only can your donors use the return envelope to mail back current gifts, but they can also let you know of their interest in planned gifts by returning the reply card. With one all-purpose year-end communications effort, you could discover potential gift planning candidates among the broader donor base who may not normally be included in planned gift marketing initiatives.

With each order of 1,000 or more year-end brochures, you will receive complimentary copy for a year-end cover letter, a PDF of a year-end ad, and Web/article copy about giving at the end of the year. A Sharpe representative would be happy to provide a quote for year-end reply cards and return envelopes as well.

Visit www.sharpenet.com/yearend to see each brochure cover and/or to place an order. To learn more about customization options or to place your order by phone, call 1-800-238-5253.



The end of the year can be a good time to review important financial matters, including charitable gifts you would like to make before the close of 2008. This is especially true in times of rapid change.

Time spent determining the best ways to give while maximizing tax and other financial incentives can help you increase the amount and effectiveness of your gifts. Read on for ideas that may be beneficial as you and your advisors consider your plans for the rest of this year.

Maximize Tax Savings

Those who enjoy charitable giving may wish to examine the amount and timing of tax savings this year.

Your charitable gifts are one of the few tax savings opportunities that remain completely within your control. Remember that help reduce the amount of taxes you owe next April.

The higher your tax rate, the more your gifts will save you. If you are subject to the alternative minimum tax (AMT), you may be surprised to learn that charitable deductions serve to reduce the amount of regular income tax and the AMT.

What Can Be Given?

- Cash. Most charitable gifts are in the form of cash and check.

If you own investments that have decreased in value, consider selling them and making a charitable gift of the cash proceeds. This creates a loss you may be able to deduct from other taxable income along with the amount of the cash contribution. The combined amount of the deductible loss and the charitable deduction may total more than the current value of the investment.

Whether you make a gift in the form of cash or other property, any unused deductions may be carried forward to reduce your taxes in as many as five future years. Your advisor can furnish you with additional information.



TRANSFORMING MINDS & HEARTS: A CAMPAIGN FOR VILLANOVA

Consider making a gift before the end of the year? How can I donate for a year-end gift? Is there any property other than cash to fund my year-end gift?

Questions appears in the enclosed brochure. An equally important question allows Villanova to continue to build on a history of excellence and the dedication of graduates like you. As an example, your gift to the Memorial Foundation, Inc. will help fund the following areas:

MEMORIAL FOUNDATION, INC.
4500 Memorial Drive
Bellefonte, Illinois 62226

Please send me additional information about how year-end gifts can benefit.

Name _____

Address _____

City _____

Phone/E-mail (optional) _____ State _____

Sharpe Gift Planning Institute

Development executives have relied on The Sharpe Group for premier training for over 40 years. If you would like to increase your awareness of gift planning techniques and help your program reach its full potential, consider attending the following Sharpe Gift Planning Institute Seminars:

August

Integrating Major and Planned Gifts	New York	August 18-19
-------------------------------------	----------	--------------

September

An Introduction to Planned Giving	Seattle	September 3-5
-----------------------------------	---------	---------------

October

An Introduction to Planned Giving	Orlando	October 8-10
-----------------------------------	---------	--------------

November

An Introduction to Planned Giving	Washington, DC	November 5-7
-----------------------------------	----------------	--------------

Integrating Major and Planned Gifts	Chicago	November 17-18
-------------------------------------	---------	----------------

Registration is always limited to allow for more interaction between participants and instructors. Register early to ensure your spot. CEU credits are now available through the College of William & Mary.

For more details or to register, see page 3, call 1-800-238-3253 ext. 5313, or visit www.sharpenet.com/seminars.



The Sharpe Group
8700 Trail Lake Drive West
Suite 222
Memphis, TN 38125