

## Donor Longevity and Its Impact on Major and Planned Giving

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*Increasing numbers of donors will conclude that giving away assets during life rather than at death is foolish. As Americans understand their own increasing longevity and the financial implications, "ultimate gifts" – sacrificial gifts of assets during one's lifetime – will be made reluctantly, at best.*

At the start of the 20<sup>th</sup> century there were just three million older Americans. Currently, there are nearly 36 million people age 65 and over living in the United States and accounting for just over 12 percent of the total population. In 2011, the Baby Boomers (those 81 million Americans born between 1946 and 1964) will start turning 65. Like a pig in the python, the U.S. population will "bulge" with their aging. As a result, by 2030 the older population is projected to be twice as large as its counterparts today, growing from 35 million to 71.5 million and representing nearly 20 percent of the total U.S. population<sup>1</sup>.

It isn't simply that more people are living past 65. It's equally important to understand just how much longer those born in the 20<sup>th</sup> century are likely to live. The average age of death dramatically doubled from 19 to 40 years between 1800 and 1900. Between 1900 and the start of the 21<sup>st</sup> century, it reached dazzling new heights in all the developed nations. In Canada, a person born at the first half of the 20<sup>th</sup> century now often lives to 85.26 years; in the United Kingdom

to 83.79 years; in the United States to 92.91 years.

Americans are just beginning to understand that the majority of us are living well into our 80's and 90's, rather than the "three score and ten" we were told we would need to plan for. People age 85 and over have increased 232 percent since 1960. The latest census figures show that 57,000 Americans have reached 100 – a growth of 77 percent from the 1980's. And, projections through 2050 suggest nearly 4.2 million Americans will live past the century mark within fifty years!

These two key longevity trends result in a stunning conclusion: of all the people lived to age 65 in the history of the world, more than half are alive now.

Over the last century, the general U.S. elderly population grew 89 percent compared with the total population growth of 39 percent.

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## How does our increased longevity affect major giving?

The typical major gift has been a one-time “sacrificial” contribution from an older donor near the end of his or her life. It was usually directed to a charity’s capital needs. However, concerns about outliving one’s assets suggest that there will be an increasing reluctance to part with assets until one’s death. Economic and demographics changes are forcing pre-retirees and young retirees to reevaluate how they’re going to fund “the golden years.”

A Merrill Lynch survey<sup>ii</sup> of adults ages 45 to 64 has shown that 45 percent of the respondents say they are afraid they will outlive their money and 69 percent see a risk of being overwhelmed by health care costs. Affluent adults of all ages and both

sexes worry about the longevity of their assets.

Forty-seven percent of women and 33 percent of men in households with annual incomes greater than \$50,000 are “very” or “somewhat” concerned that they will outlive their retirement savings, according to the International Association for Financial Planning in Atlanta, Georgia. As Americans understand their own increasing longevity and the financial implications, “ultimate” gifts – sacrificial gifts of assets during one’s lifetime – will be made reluctantly, at best.

Would you be willing to make a major gift in your sixties or seventies, knowing you have another twenty, thirty, or more years of living?

## LONGEVITY CHANGES FR METHODOLOGIES

GOODBY TO THE DONOR  
PYRAMID AND LINEAR  
FUNDRAISING



HELLO TO THE DONOR GEARS  
AND CYCLICAL  
FUNDRAISING

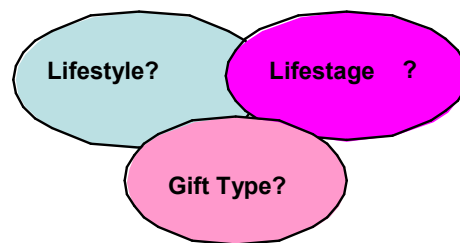


Figure originally published in Planned Giving Pulse, March 2004

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## **An Enhanced Climate for Planned Gifts**

The opportunities for gift planners are particularly strong in the current – and future – environment. It typically takes 15 years or more for our perceptions to catch up with reality. As more and more Americans fully understand that most of us are looking at life expectations of more than 80 years – and some predictions see Baby Boomer achieving 110 years or more – many will be less willing (or able) to make current, sacrificial gifts, but more willing to commit to donations accruing after their death. While there are still a number of older individuals who wait until close to the end of their life to make a grand gesture, many mid-life and younger persons are able and willing to join the party if we redefine what gets them in!

Unfortunately, planned giving as a fundraising strategy is rarely given top priority by nonprofits. Perhaps that is because most fundraisers and their “gatekeepers” (the board, the executive director, etc) believe making a planned gift only appeals to a limited audience. There is some truth to that concern. But, that is because we have tended to focus our planned giving marketing on the vehicles rather than the audiences. According to the U.S. Internal Revenue Service’ records, just eight percent of Americans make a bequest or planned gift each year. Of that 94 percent of all planned gifts are straight bequests.<sup>iii</sup> Life income gifts have appealed to a very small segment of the population, who are typically very wealthy.

The good news is there is a broad, untapped audience that is likely to be responsive to astute marketing of planned giving. By broadening and

refocusing your major gifts, many organizations will actually bring in more money from a more varied base of supporters that they can through narrow focus on current gifts!

## **The New Look in Major Giving**

The “new look” in major giving includes:

- Larger annuals gifts made from the donor’s income as opposed to his/her assets
- Committed giving over a period of months, years, decades.
- Special gifts throughout life when life stage changes provide opportunities.

Think more boldly about annual gifts. Higher productivity, two income households, lower taxes, more college-educated adults and lower inflation, among other dramatic developments, have combined to produce new levels of affluence. In the past decade, affluence in the United States has increased at a phenomenal rate, enlarging an already under-tapped market of potential donors.

With an average age of 47 and equal numbers of men and women, today 24 percent of all American households are affluent: defined as having an annual income of \$75,000 or more, with a median household income of \$121,000 and a median net worth of \$50,000. According to the U.S. Census Bureau, each of these households has a minimum of \$10,000 of discretionary income – the pocket from which charitable giving along with recreational activities and the small luxuries of life are taken<sup>iv</sup>.

Encourage lifelong donor loyalty. With life expectancies lengthening out, a loyal donor can give for 50, 60, 70 or

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more years. Current fundraising should focus to a greater degree on donor's lifestyles, life stage and gift preferences and try to respond to their interests and concerns. Working from that basic premise, fundraising methods must change in response to a changing environment, and focusing on existing donors – i.e., stewarding well – makes economic sense.

This requires a shift from being methodology driven to being donor driven. It takes five times as much work – and major investment – to acquire a new donor as it does to renew an existing one. It's also important to realize that the probability of selling to a prospect is about one in 16, while the probability of selling to an existing "customer" is more like one in two. An organization with 10,000 donors loses 4,000 if its renewal rate is 60 percent, but only loses 2,500 with a renewal rate of 75 percent, and 100 with a renewal rate of 90 percent. All lost donors must be replaced before growth can take place. With a focus on stewarding existing donors, the charity doesn't lose the vast sums wasted on trying to sell to "prospects" who may not be at all interested in its cause, and begins to benefit increasingly from donors it retains and upgrades.

And remember, donors who haven't renewed can't be upgraded! Fundraising is a three-step process in which prospects are acquired and become test donors. Then (we hope), these test donors are converted into repeat and annual donors, and (ideally) are finally upgraded into higher levels of commitment and generosity as a major and planned givers. An organization's fundraising

goals should direct that time and effort be prioritized as follows:

1. keeping current donors happy so they give more;
2. reconnecting lapsed donors so they give again;
3. persuading new donors to consider giving.

The strategic goal should be to focus on achieving 80 percent renewals. Use no more than 20 percent of staff and volunteer time for acquisitions, and 10 percent to respond to "over the transom" gifts and unanticipated opportunities.

Recognize that life is cyclical, not linear. The age-old donor pyramid with its implied "linear" fundraising – move'em up from annual to major planned – is obsolete. Rather, life is cyclical: although we are still born and die in the same order, we do not all go through the key life stage at the same time. Knowing when major changes – parenting, empty nesting, grandparenting, new jobs, sabbaticals, retirement – are taking place for individual donors provide charities with an opportunity to suggest special gifts to commemorate these special times. We should worry less about conducting annual appeals, special events and capital campaigns, and listen more to how and when our donors want to give.

While major gift and planned gifts continue to be made at the end of one's life, there are many other opportunities if you are aware of times that signal life changes. Instead of assuming donors move up the giving pyramid linearly, look for major giving opportunities when life style and life stages intersect, providing a donor with the ability to do more. Key life

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stages include: empty nesting, remarriage, starting second families, care-giving to either children or parents, sabbaticals, retirement, beginning a second career and grand parenting. Various life stages are better (or worse) for major and planned giving. Fundraisers will need

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to be more in touch with their donors through surveys and other research, visits and phone calls to recognize such opportunities.



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