

Why the Next Generation Belongs to Gift Planners

By Ken Ramsay

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It is timely to pause and take an informed look at the future of Gift Planning in North America. We have all heard about the unique transfer of wealth that is occurring and what effect it could ultimately have on gifts of assets to charitable organizations. However, careful discernment also shows a convergence of significant factors that point to a rapid, prolonged growth in Planned Gifts.

We should take a quick look at the state of fund raising in general to see how Gift Planning might be in a different phase of growth. What do we know about fund raising today? We should then look at the recognized potential of Gift Planning and what factors are pressuring it today. What factors are spurring growth, "pulling" from the demand side and "pushing" from the supply side? We can then conclude with insight, what the next decade holds for Gift Planning.

State of Fund Raising Today

Overall, the last decade in fund raising has shown little net gain in revenues raised. Close inspection to both gross United States' and Canadian numbers shows that after inflation is taken into account, totals have remained relatively flat. However, within the sector there have been differences. Annual fund raising is actually decreasing against inflation. There are an ever increasing number of organizations pursuing a limited amount of available funding at a growing cost of doing business. This trend will continue.

Special event fund raising is becoming more and more difficult to produce, increasing net funding. Only unique and larger events are expanding annually and the special event arena has become very crowded. There is little prospect for any significant growth. Corporate fund raising is

actually declining in both countries. The heightened competition for shrinking dollar base has made corporate giving an unlikely growth area within the sector.

Major gift fund raising has shown dramatic growth in the last decades and in many ways it could be said that major and capital gift fund raising has dominated the arena over the last decade, but what lies ahead? There are massive campaigns underway in almost all sectors of the charitable marketplace that far outstrip the potential philanthropic capability. We have the pronounced phenomenon of ever-increasing demand seeking gifts from a comparatively static number of givers. There is some growth left in this area of fund raising but this growth will peak in a short time if it has not already.

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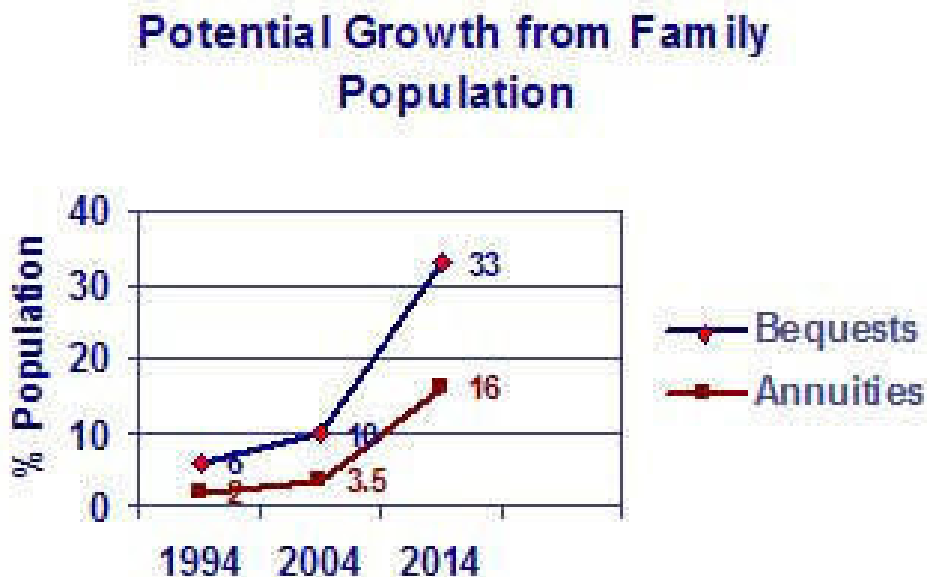
Planned Giving, on the other hand, has shown increasing growth over the last ten years, recently at 10% annually (Giving USA) and a close examination of its potential demonstrates that there is vast untapped growth for the future.

Planned Giving Potential

Broad-based research in the general North American population has always shown tremendous potential of gifts from assets. It is important to remember that simple bequests are the overwhelming choice for Planned Gifts. Eighty-nine per cent (NCPG, 2000) of U.S. and an estimated 95% of Canadian Planned Gifts are bequests – uncomplicated transfer of assets upon death. In 2000 the NCPG research reported that 8% of Americans had included a charity in the will and another 14% were

considering it *without being asked*. The comparative number in 1992 was 5.91% in the will already. Also in 2000, Myers, Mallebone research in Canada reported that 12% of Canadians had a charity in the will and another 28% *would if asked*. In 2003 *Not for Profit Times* reported and then withdrew research that said 8% of American families had made a bequest to charity and another 19.3% were *thinking about it*; also, that 3.6% had a charitable gift annuity and another 12.9% of families were *thinking about it*.

If we average the numbers for bequest and gift annuities from both countries and plot a graph showing where we have come from a decade ago and where we could go in the next decade the graph would look like this.



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There is well demonstrated growth potential in Gift Planning in North America. When one considers that the average Planned Gift is in the \$10,000 to \$100,000 range, depending on the charitable sector, these percentages of the family population equal massively huge revenues. In this way, Gift Planning is potentially the last frontier in fund raising. A number of key factors are converging to make this potential a reality.

Factors Spurring Growth from the Demand Side

There are a number of trends happening on the demand side within the charitable sector that “pull” organizations towards expanded Planned Giving programs. There is increasing need for more revenue from more charities in an arena of flat fund raising revenues. Program needs are defined as ever increasing and there is strategically no where else to turn. This phenomenon is internally “pulling” the Planned Giving business into necessary growth.

The composition of Boards is changing. Younger, more entrepreneurial, more aggressive individuals are demanding accountable growth. They want to make a mark “on their watch” and are coming to see rapid growth in expectancies as a dramatic way to do it.

The business case for deferred Planned Gifts is being made. Planned Giving is, in the long run, the most efficient type of fund raising. ROI’s of 10 to 30 times are impressive and Gift Planners continue to make this case. Investment of \$0.03 to \$0.10 on the dollar is an admirable fund raising accomplishment and Planned Giving programs can consistently deliver

these results. The business case is being understood. At a recent conference, a Planned Giving officer from a well-known Ivy League university stated that his Board of Trustees wanted him to dramatically increase his bequest expectancies! Once Boards thoroughly understand the Planned Giving business case they will demand more results and bring more resources to bear.

Gift Planners are changing. There is a new professionalism, often from other occupations, resulting in more aggressiveness as fundraisers look to make an impact. Such Gift Planners will demand to work for organizations that allow them to make their mark, similar to major gift fund raisers. They will demand to part of expanding, successful programs.

According to our previously cited research, general donor awareness is growing. This message is getting through. Potential donors are demanding more responsive programs, more accountability and more professionalism. As awareness grows, a critical mass develops and spurs growth on the supply side as well.

Factors Spurring Growth from the Supply Side

These factors are “pushing” growth externally, from the supply side. As in other forms of fund raising, Gift Planning is and will continue to become more competitive. Even though the potential is great, increased industry expertise and the deployment of more resources will increase the competitiveness resulting in a significant “push” to charitable organization to secure the best practitioners and to develop the best programs. In the 2000 NCPG study, it

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was determined that 54% of bequest donors had *more than one charity in the will*. The competitiveness is clear. The majority of individuals have affiliation to more than one charity and each organization must assure that it actively seeks the Planned Gift.

There are a growing number of third party suppliers who not only supply behind-the-scenes support, but who also act on the front lines, working directly with donors. Parallel to major gift fund raising, highly professional companies are available to organize planned giving campaigns right down to making the "ask". There are distinct advantages to this approach - a source of innovation and expertise, predictable and measurable results according to ROI standards, and rapid and professional results.

Also, third party providers have formalized the concept of the Planned giving "campaign". This comparatively new concept is similar to "campaigns" in other types of fund raising in that it has a definite start and finish and a goal with precise measurements, all of which is meaningful to Boards. These new services are "pushing" for more growth.

Demographic profiling has entered the Planned Giving scene and is "pushing" for increased programming. Using sophisticated techniques of regressive analysis, this service can rank Planned Gift propensity. According to industry leaders, the Planned Gift, because it is

so closely linked to age, is this most predictable gift. This technique holds great promise but there is still much to be learned and successes have been limited. As this scientific method progresses in efficacy, there will be an added impetus to the "push" of the Planned Giving business.

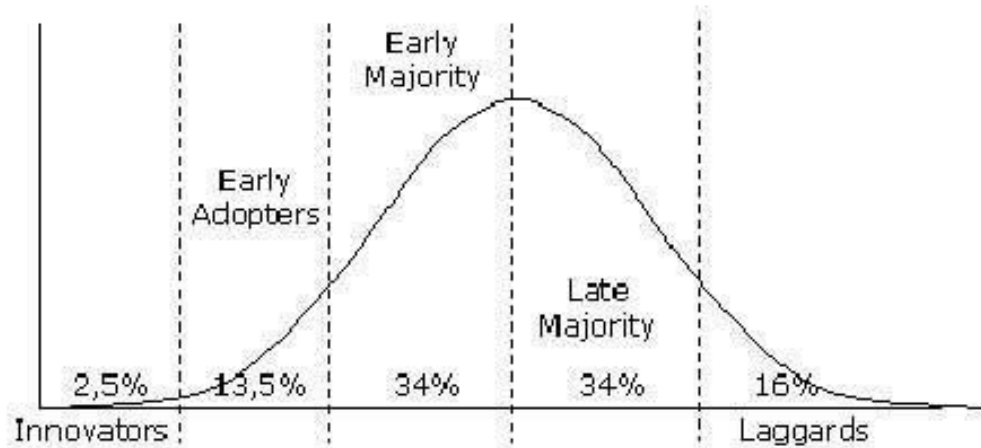
Possibly the greatest "push" to Planned Giving is the commoditization of Planned Giving vehicles. Commoditization occurs in any market when there is general level of acceptance by the market, a common understanding of the "language" or jargon of the product or service and a knowledge of its benefits. Another signal of commoditization is the development of multi-distribution channels. A clear example of commoditization occurred over the last 5 years with the rapid growth of charitable remainder trusts in the financial services market in the United States. There is evidence that such commoditization is about to happen to bequests and charitable gift annuities in the U.S. and Canada.

There is a phenomenon in product or service growth that has been well documented. It happens when the demand side and supply side are in harmony and when *certain distribution levels are attained*. This phenomenon can be shown graphically and is known as the *Rogers Innovation Adoption Curve*

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Rogers Adoption / Innovation Curve



If one applies existing penetration percentages to this curve, one finds that both bequests gifts and charitable gift annuities are in the "Early Adopters" to "Early Majority" stages – the stages of greatest growth. This inherent acceptance by the market will "push" Planned Giving growth more than anything else for the next decade.

There are other factors present in the marketplace that can "push" growth from the supply side. Great advances in Customer Relationship Management programs and software will move into the charitable sector to become superb donor management tools. The highly personalized and customized use of digital printing will enhance donor communication to reach new levels of efficiency as well as electronic, web based messaging and dialogue. These new innovations will pressure Planned Giving growth externally.

The Next Decade in Gift Planning

Planned Giving in North America is poised on the edge of its most glorious era – the next decade. The potential is well established and there is greater realization now, that Planned Giving – gifts of assets – is the true, last frontier in fund raising, the last area of potential dramatic growth.

There is also a unique alignment of factors on the demand side "pulling" and on the supply side "pushing" to make such growth almost inevitable. But not quite; there is one condition. That condition is, of course, the fundraiser. Fund raisers, especially Gift Planners must take the lead in making this growth happen. They must be persuasive and smart in making their case; they must be innovative and courageous in risking new initiatives; they must be disciplined and committed to seeing the work through. If they are all of this, then the next decade will belong to Gift Planning.

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Ken Ramsay, President and CEO

Ken Ramsay, one of the most experienced planned giving professionals in North America, joined Legacy Leaders in 1996 as President and CEO. Prior to Legacy, Ken spent seven years as the Special Gifts Officer of the United Church of Canada, responsible for the Planned Giving and Direct Mail programs. That program doubled in size to average \$20 million in planned gifts annually.

Ken was long-time Chair of the Canadian Association on Charitable Gifts (formerly the Canadian Association on Charitable Gift Annuities). He was the founding Chair of the Canadian Association of Gift Planners and has lectured and taught extensively on Gift Planning in Canada and the United States. An original faculty member, Ken co-founded with Frank Minton, the course on Planned Giving at the Banff School for Management and has taught many of the planned giving professionals in Canada today. He has chaired the North American Conference on Christian Philanthropy, created the first Planned Giving Track for the Association of Fundraising Professionals Congress and acted as Dean of the Pre-Congress/Executive Development Track. Ken has spoken frequently at AFP, NCPG, AHP, and CAGP events throughout North America.