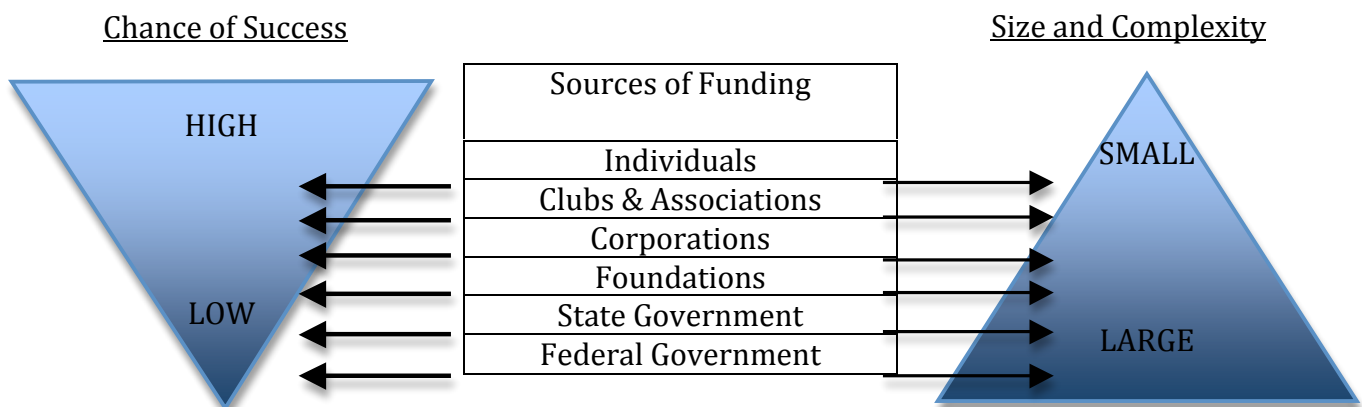


Section Three: Individual Giving

Let face it, not all fund sources are created equal. More importantly, not all sources of funding are a good fit for every organization. While it is important for a nonprofit to diversify its revenue streams just like you would do with a stock portfolio; you still must consciously understand the risk attached to any type of sought after funding. In this section we will explore *individual giving* as a funding source specifically and its benefit to the nonprofit sector.

Sizing Up Sources of Funding: Chance of Success vs. Size and Complexity



Source: Center for Nonprofit Excellence

As shown in the diagram above, funding sources vary inversely in terms of size and complexity and rate of success. Individual giving is known throughout the sector to be not only the least complex strategy but also the most successful. In addition, individual gifts whether they are small donations or large bequests often allow for the most autonomy on the organization's behalf and reliability for securing funds in the future (Pratt, 2004).

Surprisingly planned giving, "any charitable gift that requires more thought and planning to execute than the average

donation", happens to be one of the least sought after markets for nonprofit funding (Henze, 2005). A lot of nonprofits may feel intimidated about pursuing planned gifts, but their uneasiness is severely limiting the potential financial resources they could use to support their missions.

The truth is Americans are willing to put charities in their wills; they just haven't been asked! Layers of misunderstanding and over exaggerated complexity have plagued the market for planned giving. Nonprofits need to do a better job seeking out planned giving donations that have been largely untapped.

Types of Planned Giving:

There are many avenues for donors to offer long-term support to their favorite charity after they're gone; and you don't have to be a Certified Financial Planner to understand them. Nonprofit Development Directors should take the time to familiarize themselves with the variety of options available for donors of all different financial circumstances and assets.

- **Bequest:** A specific provision to a nonprofit listed in a will or estate plan
- **Charitable Remainder Trust (CRT):** A trust that pays a specific amount to one or more individuals for a fixed period of time and when the trust term ends the remainder goes to a charity
- **Charitable Lead Trust (CLT):** Similar to CRT but yields a charitable tax deduction to the individual donor or heir at end of term
- **Charitable Gift Annuity:** Donor transfers property or assets to nonprofit with agreement that nonprofit will pay the donor an annuity on that value for rest of his or her life
- **Life Insurance:** Donor signs over life insurance policy to charity of choice
- **Life Estate:** Donor donates property to a nonprofit but reserves the right to live there until death
- **Pooled Income Funds:** Like a mutual fund but when donor dies the shares go to the charity of donor's choice

Source: Henze, 2005.

FOR WHAT IT'S WORTH

Although return on investment (ROI) differs from nonprofit to nonprofit, on average *major gifts* raise the most money per dollar spent. Despite their popularity, *special events* often yield the worst ROI.

Use your 990 IRS form to calculate your nonprofit's Fundraising Efficiency Ratio:

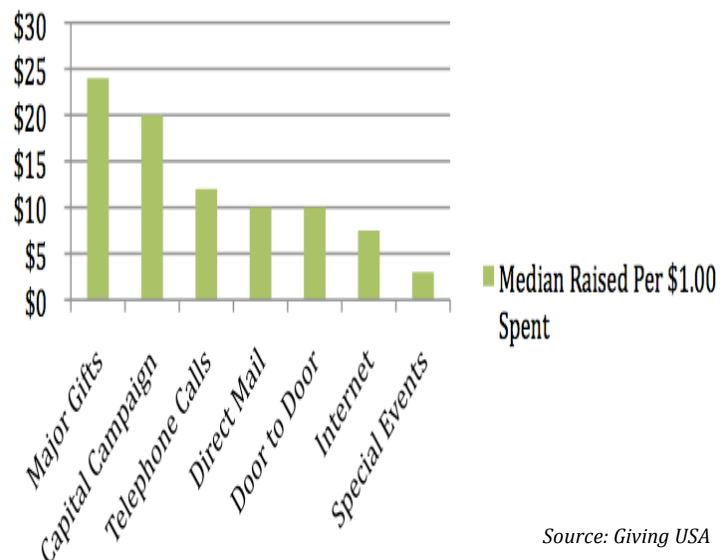
$$\% = \frac{\text{Fundraising Expenses}}{\text{Related Contributions}}$$

Example:

$\$200,000 / \$950,000 = .21$ or 21%
(It costs \$.21 to raise \$1.00.)

NOTE: According to Charity Rating Guide and the Better Business Bureau, your Fundraising Efficiency Ratio should be no more than 35%.

Fundraising Return on Investment



Source: Giving USA

Ask the Expert



Jim Grote is the Director of Development at Boys and Girls Haven, a foster care alternative facility for abandoned and neglected children throughout the Commonwealth of Kentucky. As an active freelance journalist, Mr. Grote has written for a myriad of financial planning publications and has an expertise in nonprofit development, specifically planned giving.

In 2004, he published an article that introduced his theory called “Narrative Philanthropy”. In “Narrative Philanthropy” the fundraiser uses storytelling to empower individuals to make charitable gifts. “Narrative Philanthropy” delves deeply into the perspective of the donor and their motivations for giving to nonprofits. Storytelling can be an excellent tool for acquiring small individual gifts as well. In the case of smaller gifts, it is the stories of the clients that motivate donors to give, rather than stories of other donors.

Mr. Grote argues that our stories are the only thing that separates us from the pack. In a world with millions of different nonprofits, some serving very similar missions, your story provides potential donors with something tangible to identify with. The application of “Narrative Philanthropy” can be an effective avenue of any nonprofit development plan.

BI: Can you briefly describe what your role is here at Boys and Girls Haven?

JG: I am the Director of Development, the first full-time Director of Development hired at Boys and Girls Haven. Boys and Girls Haven is celebrating its 60th anniversary and for 50 years had no development office. Father Maloney literally did everything, including the plumbing! I’ve been here 10 years and have worked to expand the annual fund, special events, and planned giving. The need for private money is unending. Where we’ve grown the most in development is in our grant writing.

Recent economic pressures from the recession and pressures on state budgets have shown that a non-profit’s budget is like a stock portfolio. You can’t diversify your

funding enough because at any given moment, donors may give less because of economic factors or grants might get cut because of government budget issues. Even though it is complex to maintain all these funding sources, in a way the more diverse the funding sources, the safer you’re going to be. Many people gripe about the strings that come with government funding. But like most social service nonprofits, we operate by 80% government contracts and 20% everything else (including highly competitive government grants). I doubt this 80-20 rule (known in mathematics as the Pareto Principle) is ever going to go away.

BI: Don’t people on average only give 1-2% of their income to charity? If we left it up to the people to give out of the kindness of their hearts, then we wouldn’t have any money,

right?

JG: People can complain about the government all day long (and they usually have legitimate complaints!), but that is where the money is and that's why grant writing is so important. While the Mormons do give 10% of their income to church and charity, average giving in this country is around 2% of income and this number has remained relatively constant over the last few decades. Getting people to give more than this percentage is a major challenge, especially in a recession. In some ways increasing donations to a given organization translates into stealing donors from other institutions.

The biggest issue related to fundraising that major donors complain about is the excessive number of nonprofits in this country. They are quite distressed at the inefficiency of ten different nonprofits in their local community all pretty much doing the same thing (whatever that niche may be). So these donors are on the lookout for economies of scale and cooperation among nonprofits.

BI: What is your background? Were you always in nonprofits? Have you had experience in estate planning?

JG: In terms of planned giving, I did obtain the Certified Financial Planner designation several years ago. Sometimes I will use this background to help donors with more complex gifts. I have always worked for nonprofits in fundraising or finance. I was a finance director before I became a fundraiser. Because of the CFP® designation, I've ended up freelancing as a financial journalist for several different print

and Internet magazines.

“That would change the face of philanthropy and it is simple!”

BI: I know a lot of nonprofits are intimidated by the process of seeking out large endowments and going for planned gifts. Would you recommend the CFP®

certification in order to navigate the system better or is it just years of experience?

JG: It is helpful having the certification, but I must confess the course of study was much more difficult than I expected. It looks nice on your resume, but I don't think you need it. It is usually more important to have the planned giving experience. Development officers usually refer donors back to their own lawyers and accountants.

One interesting fact I might add is that 70% of Americans give to charity during their lifetime and only 6% give in their wills. So if people gave more money in bequests, this would probably be the surest method that could make a large difference in aggregate charitable giving in this country. Getting people to donate more during their lifetime will always be a struggle, but getting them to double or just start giving in their wills could change the face of philanthropy and it is a very simple process.

BI: What is “Narrative Philanthropy” exactly and how did you come up with this theory?

JG: I wrote an article for *Planned Giving Today* on Narrative Philanthropy back in 2004. I can't remember how I came up with the idea other than listening to donors' stories and telling other people stories about donors at Boys and Girls Haven that surprised even me. One job I have is going out to the funeral home when one of our

donors pass away and expressing sympathy as well as thanking the family for their family member's giving to Boys and Girls Haven. It is something of a strange task, every once in a while someone is a bit suspicious you're trying to get more money out of the family.

But 95% of the time, people express heartfelt gratitude for the visit. They often start telling me stories about their family or

express surprise that their family gave to Boys and Girls Haven, or they start telling stories about Father Maloney.

We end up talking about philanthropy right there in the funeral home. Once after a visit, one of the ladies I talked to at the funeral home sent me a check for \$10,000 and thanked me for coming to the funeral home.

The other story that prompted the notion of Narrative Philanthropy was a 90-year-old donor who gave stock to Boys and Girls Haven each year. His charming wife called me in early December one year distraught that she wasn't getting their stock gift to us on time. But it was still a couple weeks until December 31st. I wondered what the urgency was and asked her if everything was OK? She said her husband was busy in the next room. It turns out that he was with Hospice and died two days later. His biggest concern during those last few days of his life was making sure all their favorite charities received their annual Christmas gifts. The fact that his wife was so concerned and apologetic really hit me, and it still does. I keep a little picture of her husband on my desk at work. This story in particular got me to thinking about the whole idea of stories and then I started gathering other stories.

"Your story to the extent that you craft it is about the only thing that can differentiate you."

BI: Specifically donor stories, right?

JG: Donor stories, yes. The whole idea of Narrative Philanthropy reminded me of the field of narrative therapy. The Executive Director of Boys Haven at that time was a therapist, so I asked him about narrative therapy. He told me about an Australian therapist who invented the concept so I looked it up the Internet. In narrative

therapy clients rewrite their personal stories. Instead of looking at themselves as patients ('I'm a manic depressive' etc.), clients look at themselves

as authors of their life stories. Because each client is the author of his or her story, each client can rewrite it and even look at the past differently. I thought that was interesting because philanthropy can also be a way to rewrite one's history and create a happy ending (legacy) so to speak.

BI: Why are stories more relevant with potential donors than quantitative information? Can you explain the statement, "Your non-profit's story is the only thing that separates you from the pack?"

JG: Well, as I said earlier, there are too many nonprofits. In Louisville for example there are several fine organizations whose mission is similar to that of Boys and Girls Haven. I would venture to say that your nonprofit's story, to the extent that you craft it properly, is about the only thing that can differentiate you from the pack. Generally the people with the most money are older people headed toward retirement or in retirement. This demographic tends to like stories and be a bit more interested in the past than younger people.

We had our 60th Anniversary this last summer. We advertised for the event by running print ads that listed all our original donors from 1948 who donated to Boys and Girls Haven. It was amazing how many people read through all these names and came out to the celebration because they were curious about the nonprofit that their parents and grandparents had given to years ago. Storytelling doesn't always bring in dollars immediately, but it definitely helps raise resources more consistently. There is something about stories that resonates with people.

BI: Have you trademarked "Narrative Philanthropy" yet?

JG: No and I think there is someone in Canada using the name. [Laughs.] I can't find anyone else who used the term before 2004 when I first published the article, so perhaps I should take your advice!

BI: In your article in *Planned Giving Today* you list five different types of stories (Founder, Staff, Service, Alumni, and Donor Stories). When are the appropriate circumstances to use these different caveats of narrative philanthropy?

JG: They are all useful at different times. For example, in terms of a donor story, instead of coming out and asking someone directly for a gift you might tell them a story about somebody else who gave to your institution. This approach is especially useful for planned gifts involving more technical estate planning or real estate issues where people are nervous about all the ramifications of the gift. If you tell these donors a story of how someone else made a technically complex gift, it lowers their anxiety level.

Another use of the donor story is to raise the bar for potential donors. If you meet someone to ask her for \$10,000, you might tell stories of other people who gave at that level to your institution. Currently at Boys and Girls Haven, we are asking folks to donate \$6,000 or more over 3 years in order to beef up our annual fund. My sister-in-law died last summer so I talked one of my nephews and a brother-in-law into each giving \$1,500 towards a memorial gift. I kicked in \$1,500 and solicited small donations from other family members for the final \$1,500. I mention this approach to other donors so that even if they do not donate in this family fashion, it still gets them thinking about other ways to give. It helps them realize they can increase their giving by showing how someone else did it.

This approach works for two reasons. First, you are not preaching to people when you use narrative philanthropy. Second, you are not begging. You are telling stories. This doesn't mean the development officer is off the hook for making a direct ask if need be, but often the story approach works more effectively.

BI: So the first time you learned about Narrative Philanthropy was when you went to the funeral home to thank the family for their loved one's gift?

JG: Yes, it all started in a funeral home! As I mentioned earlier, I was a bit surprised when the Executive Director told me that part of my job description was visiting funeral homes. When I visit the funeral home I just ask someone, "Is Mrs. Jones's husband or children here?" And I've found the best approach is to come straight out and say, "I am from Boys and Girls Haven. I am so sorry

for your loss and I wanted to thank your family for how much your [spouse, parent, etc.] did for us.” Nine times out of ten people are very appreciative and respond very warmly.

BI: I bet sometimes it may come as a surprise to the individual?

JG: Yes, a relative might say, “I didn’t know my father gave to Boys and Girls Haven.” Or people may want to sit and talk for ten minutes. I’ve been surprised how much people will sit and talk to me, a total stranger. It is kind of inspiring.

BI: How did you gain insight into the wealthy donor’s perspective?

JG: I found out about the role of stories in the lives of very wealthy donors through my writing for financial magazines. I’ve written several articles about special wealth management firms that are known as “family offices.” These firms take care of a family’s investments, insurance issues, philanthropic strategies, even concierge services like travel planning and supervision of domestic staff. Family offices also organize family meetings that bring different generations together both to hash out their differences and to cement their common bonds.

Ninety-five percent of all family businesses fail to survive until the fourth generation. Often the cause of this dismal success rate is not a lack of financial acumen, but sibling rivalry and in-fighting over money. I was born into a family business and married into another one, so I’ve seen the dynamics from the inside.

Some high level financial planners even hire therapists to help facilitate these meetings.

In some ways the structure of these family meetings is simple: get the family members talking with each other in order to pull out the central family stories in order to surface the primary family values in order to help the family plan for the future. Philanthropy is almost always a part of the family plan and stories are the key to this family planning process.

BI: So it’s like a business plan essentially, but it’s more about the soft side of family issues?

JG: Not necessarily. It is the family stories that lead to the family plan (a plan that entails much more than just the family business). In fact, without the stories you cannot surface the values that ultimately lead to the plan. The process moves from story to values to plan, and while it may sound touch feely the family offices that run these meetings are all staffed by CFA’s and CFP’s – hard core finance types responsible for millions or even billions of dollars. Particularly the financial advisors managing billions of dollars emphasize the importance of bringing the extended family together and following the above-mentioned process. This strategic planning is often more important than figuring out which stocks client should purchase. Since 80% of investment professionals can’t beat the indexes, many sophisticated financial planners have given up on stock picking as an investment strategy.

BI: So it really was looking at the family office business along with your CFP® certification that gave you the Narrative Philanthropy perspective?

JG: Yes. Interviewing financial planners and seeing how financial planners were bringing their clients together for these family

meetings made an impression on me. In these meetings the financial planners often use story boards to get everyone talking. They want everyone present to understand the family history. Who did what? Who were the good guys? Who were the bad guys? They write everything up on the boards in order to generate the family stories. In very wealthy families, the family office will often hire someone to write the family history or make a video about the family history. The whole purpose is to help the family create a 100-year family plan that ultimately includes tax planning and complex trusts, but starts with uncovering the family story. Finding out where they come from helps a family figure out where they want to go. Since so many family businesses do not survive, it is worth the extra effort to figure out how to keep the family and the family money together. Stories play a big part in this process.

BI: What about smaller donors? What is their perspective? How do you reach them?

JG: Smaller donors are attracted to the stories of your clients. When someone gives Boys and Girls Haven a few hundred dollars I often ask them what prompted their generosity. They often say, "It's the stories you all write about your kids." One donor told me, "I grew up in such a perfect household; everybody was nice to me and I married a wonderful man. I heard about kids being abused and I couldn't even fathom it. I made that one of my prime charities because it made me so upset." Here is a perfect example of the effect of telling client stories. This particular donor ended up leaving money in a trust to us, an example of small gifts leading to bigger gifts. In working with this donor, it helped me to know her story too.

Everybody has a different reason why they give. It may be because they never had any abuse in the family, or they knew someone in the family who was an alcoholic or something like that. One thing we hear from people who read our newsletters is that they always read the column called "In Their Own Words." These are stories that come straight from our kids.

BI: We know that there is a place for the quantitative stuff. How do you balance the quantitative and qualitative information?

JG: Everybody wants to know about a nonprofit's financial management. No one wants to give if they think you're wasting their money. They want to look at your Federal 990 tax return, but their giving never starts with this quantitative information. Reading a nonprofit's 990 might be the final thing a donor does, but the impulse to give starts from the heart. Impassioned donors may never read the 990. If people are obsessed with your financials, generally they are looking for a reason not to give. If they really want to give, whether your administrative cost is 10% and the guy down the street's is 14% simply will not matter.

BI: Not to interrupt, but I was also thinking in relation to what you said about how your story is the only thing that separates your nonprofit from the competition. These administrative percentages tend to be the same for most nonprofits too, don't they?

JG: Many of us use the same or similar accounting firms that tend to analyze our financial information according to the same strict protocols. These administrative percentages often are quite similar. If a particular nonprofit had really small

administrative costs, that would make me suspicious.

BI: So it's similar quantitative stats along with similar missions, that often causes all the muddling together in the donor's mind? It is the story rather than the mission and the quantitative stuff that makes a nonprofit unique? Otherwise, it's all pretty similar across the board when you are looking at comparable charities?

JG: Right. Donating tends to be a bit like investing. Studies have shown that when people buy stocks they spend little time researching the stock; they tend to buy on impulse (and often on stories or rumors about the stock!). I am not saying this is necessarily a good thing, but people tend to give as well as to invest emotionally. As long as you are running a good financial operation and you have nothing to hide, then you should sell your story. That is all you have to sell and if people are attracted to it then they are going to give. If not, they are not going to give. Anybody can look at a 990 and find something they don't like. This minuscule financial data may be important for grants, but in terms of private gifts, people give from the heart. People might say this sounds manipulative, but if reading about abused kids doesn't pull at your heart strings, what does?

BI: People have been selling stories since the beginning of time. Even biblical stories, they are selling something.

JG: Some of the world's best stories are from the Bible and there is an entire branch of theology called narrative theology. The famous Holocaust survivor Elie Weisel summed up this theology when he said, "God made man because he loves stories."

Stories put a meaning and structure to philanthropy. Even in Narrative Philanthropy, there is a certain organization and structure just like there is in Venture Philanthropy. Stories provide important detail about an organization in a highly efficient manner. Stories help your donors understand what problem your agency is solving and why you need their support. Stories put a face on philanthropy. One good story often provides more useful information than 1,000 statistical outcomes. ▽