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Importance of Planned Giving

And Counting Your Lifeboats

For charities and nonprofits, finding and maintaining sources of funding can be the most difficult and time-consuming task of all. This constant search for money exhausts resources that could be better spent elsewhere.

Yet there's a key source of funding that many of these organizations ignore, compounding their money struggle in the process: that is, planned giving.

Planned giving is, in its simplest form, a sizable donation given over time or as part of a donor's estate. Developing a strategy to pursue planned gifts can change a nonprofit's financial landscape, providing more secure long-term footing for the journey ahead.

Not pursuing planned gfts, on the other hand, is about as sensible as the decision by the Titanic's captain to ignore those warnings about ice. Nonprofits, are, after all, just as prone to going under as that "unsinkable" ship — and planned gifts can be a veritable lifeboat when the waters get rough.

> **This means if you don't have a planned giving strategy, you're losing out on a boatload of funding. And another group is getting the funding that could have been yours.**

Everyone Else is Doing It

No peer pressure here, but consider this: In 2011, a report from financial giant Morgan Stanley stated that a growing number of nonprofits are successfully using planned giving, and that it's often responsible for more than half of new capital campaigns.

Planned giving donations are among the largest gifts a nonprofit will receive, often 200 to 300 times the size of annual gifts. Even those fundraisers that just a dip a toe in the planned-giving waters are earning 50 to 100 percent more than those that aren't.

Quite simply, this means if you don't have a planned giving strategy, you're losing out on a boatload of funding. What's more, it means that another group is getting funding that could have been yours — and there's a lot of competition out there. The Urban Institute reports that in 2013, approximately 1.41 million nonprofits were registered with the Internal Revenue Service. So, while your organization is investing time and resources just to find ways to stay afloat, another nonprofit is using planned giving not just to survive, but to thrive and chart a course toward growth and sustainability.

The Great Wealth Transfer

Here's something else to consider: Financial experts are predicting that, over the next five decades or so, between $40 trillion and $140 trillion will be passed from one generation to the next.

That's trillion, with a '**T**,' and it represents the greatest wealth transfer in the history of the world.

Here's the kicker: Morgan Stanley predicts about a third of this money will likely be transferred to nonprofits through — you guessed it — planned giving.

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Yet the only nonprofits to get a piece of this pie will be the ones that pursue it *— it's rare for donors to seek out charities on their own. Instead, potential donors have to be identified and courted in order to establish a lasting relationship*.

Throwing a monkey wrench into the works is a study from RBC Wealth Management, which found that *30 percent of Americans surveyed have done no wealth transfer planning at all*. Quite simply, that means there's going to be a staggering amount of money up for grabs. In 2015 alone, according to Giving USA, $373 billion was donated to charitable causes — just imagine how much more is available. With a little effort, some of that money could be working to keep your nonprofit on course. Again, at least 30 percent of Americans have done no wealth transfer planning at all.

Appealing To a Broader Audience

Giving USA reports that individuals make 71 percent of the charitable gifts in the U.S. Many, though, cannot make as large an individual gift as they'd like. Furthermore, according to Target Analytics, of those giving for the first time, just 29 percent become repeat donors.

Planned giving is the perfect solution, because it allows donors to have a much greater financial impact than if they'd given a single gift. Despite that fact, fewer than 10 percent of Americans utilize planned giving.

FOR THOSE WHO DO NOT KNOW THEIR NUMBERS, A MILLION SECONDS IS 12 DAYS; A BILLION SECONDS IS 31 YEARS, A TRILLION SECONDS IS 31,000 YEARS.

Why? Most of it boils down to simple awareness — if a donor has never been approached to set up a program, how will they know it's an available option? By ignoring planned gifts, nonprofits effectively close the door on the opportunity to reach a much larger section of the population. That, in turn, means those nonprofits are pulling from a much smaller funding pool.

Yet there's a wide range of options for potential gift-givers to utilize, making it much easier to fit philanthropy into their budgets and long-term plans. Life insurance, bequests, annuities, trusts, retirement plan assets, securities, gifts of property — the list is long and offers flexibility for donors from a broad range of financial backgrounds.

> **30 PERCENT OF AMERICANS HAVE DONE NO WEALTH TRANSFER PLANNING AT ALL.**

Don't Put All Your Eggs In One Basket

As the economy fluctuates, so do gifts to nonprofits.

And according to Blackbaud, which makes software for nonprofits, Baby Boomers are responsible for 40.4 percent of all charitable giving in the U.S.

> **FEWER THAN 10 PERCENT OF AMERICANS UTILIZE PLANNED GIVING. WHY? MOST OF IT BOILS DOWN TO SIMPLE AWARENESS.**

Most of us have heard the saying, "Don't put all your eggs in one basket." But if your nonprofit is relying solely on annual giving and individual gifts, that's exactly what you're doing. And if that funding basket gets dropped, it will be hard — perhaps impossible — to recover from the mess.

Consider this: After the Great Recession, the number of charities seeking bankruptcy protection rose considerably. Such a move was once rare for nonprofits; they were far more likely to just fade into obscurity when faced with financial hardship. Today, though, bankruptcy protection is an accepted practice for charities.

That's largely because wary donors are now pushing charities to operate more like businesses — and those that don't make the cut will not only fail, but be held accountable for that failure. Where a charity could once float along through the lean years, head barely above — or slightly below — water, today's charities have to show results, or else.

A comprehensive, planned giving strategy can guide your organization through the rough waters. It can be a life preserver for times when sources of one-time charitable gifts are sinking. Planned giving can ensure a consistent, long-term source of funding, and maintaining focus on that revenue stream can help smooth the waves in the future.

If your organization doesn't have a planned giving strategy in place, it's time to reconsider. Proceeding without one makes about as much sense as rearranging the deck chairs on the Titanic. And we all know how that turned out.

I hope you found this white paper stimulating and useful.

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Contact me. Let me know how you're doing. And let me know how I'm doing.

Let's improve and succeed together.

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