

---

## **Endowment Fundraising** *Do's Don't and What ifs*

Larry G. Raff  
Copley Raff, Inc.

---

[www.copleyraff.com](http://www.copleyraff.com)

**A special  
bank**



## What's an endowment?

Is that like a foundation?

Do you give away money?

So if I give you money you won't be able to spend it?

Isn't that the kind of mortgage you have?

Does that mean the money is all in bonds?

Can't the board spend it anyway?

Does the money all have to be one place?

Is it one big endowment fund or can there be little ones?



## Endowment?

...the use of principal is restricted for a specific period of time.

- Conditional
- Absolute
- Tied to an instrument
- Quasi





## Is endowment the answer



Planned giving programs?  
To ensure its long-term viability?

**Positive answers to any of these questions may lead the organization to consider the creation of an endowment...or not:**

1. Is your mission and need for your services enduring?
2. Is your annual income cyclical or at risk during certain periods?
3. *Does your organization face increasing operating costs?*
4. *Does your organization currently have new programs related to its purpose that cannot be operated because they lack funding?*
5. *Does your organization anticipate future needs for programs that may not be met for lack of funding?*
6. *Is your organization dependent upon government or private grants for its organizational expenses?*
7. *Has the organization lost major annual gifts through attrition of its donors?*

## MYTHS

*Appear too “rich”*

*Restricted gifts difficult to manage*

*Robbing Peter to pay Paul*

*Endowment improves financial stability*

## REALITIES

Endowment “protects” future gifts’ effectiveness

RGs are a fact of life – work with donors to liberalize use of funds

Annual gifts, campaign gifts, endowment gifts have different purposes and cases for support

Balance sheet is improved, but may have little impact on P&L

7



## MYTHS

*Planned gifts reduce chance of capital gifts*

*Endowment management is a burden, requires special staffing*

*Endowment funds used as part of loan covenants*

## REALITIES

PGs protect capital gifts; combination gifts elevate giving

It is a problem you want to have. Use your finance committee, investment advisors...you still have reserves to manage

If a true endowment, the banks may not be able to access the funds, so does not assist in financing

8



# Brandies University

	2007	2008	DELTA
CONTRIBUTIONS	\$ 99,667,125	\$ 39,160,525	-61%
<b>INVESTMENT INCOME</b>	<b>\$ 69,430,934</b>	<b>\$ (3,953,003)</b>	<b>-106%</b>
TOTAL REVENUE ALL SOURCES	\$410,896,585	\$289,873,136	-29%
CONTRIBUTIONS/TOTAL REVENUE	24%	14%	
INVESTMENT INCOME/TOTAL REVENUE	<b>17%</b>	<b>-1%</b>	
TOTAL INVESTABLE ASSETS	\$1,243,898,599	\$1,155,725,445	-7%
INVESTMENTS/TOTAL REVENUE	303%	399%	32%

9



## Profile for success



- In existence for at least 8-10 years.
- History of strong program growth
- Solid fundraising program that has continually grown
- Strong annual fund program with a solid base of loyal donors
- Stable staff
- Demonstrated strong financial oversight
- Commitment by the board to build endowment

10



## Case statement for endowment

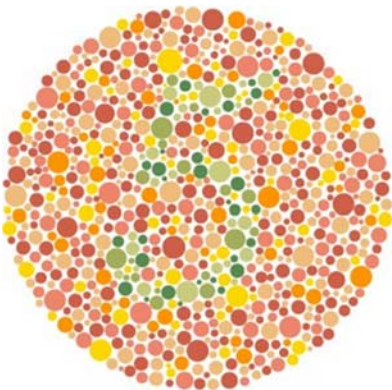


11

- Supports the mission
- Vision: How the money be used in 10-20 years... who will benefit
- Why you expect to be around in 20 years
- How you use endowment/investment income today
- Spending policy: 4%/year rolling average, has this changed in the past
- Domiciled & managed by a community foundation
- Legacy recognition opportunities



## Test the case



12

- Do your own feasibility study
- Visit with Directors, donors, volunteers
- Ask them to help you and react to the case statement to help you launch this planned giving/ endowment effort



## Is an endowment more attractive to some donors than others?

### Donor appeal?

- During their lives
- After death
- For legacy program support
- Using outright gifts
- Using estate gift vehicles

*Find out by discussing with the donor*



*Discuss your personal feelings about this with your neighbor*

13



### Board commitment

- Be clear about the rationale for establishing an “endowment”
- Define the type of endowment: quasi, permanent, period-certain, restricted
- Transfer of surplus operating funds or matured planned gifts.
- Create as part of a capital campaign to support the operation and maintenance of new buildings or programs
- Create policy that all bequest income is put into a quasi-endowment
- Spending policy
- How and where will it be managed



14



"If you do not know where you are going,  
you might wind up somewhere else."

## Truism 1



Yogi Bear



## Building Lifetime Donor Relationship and Value

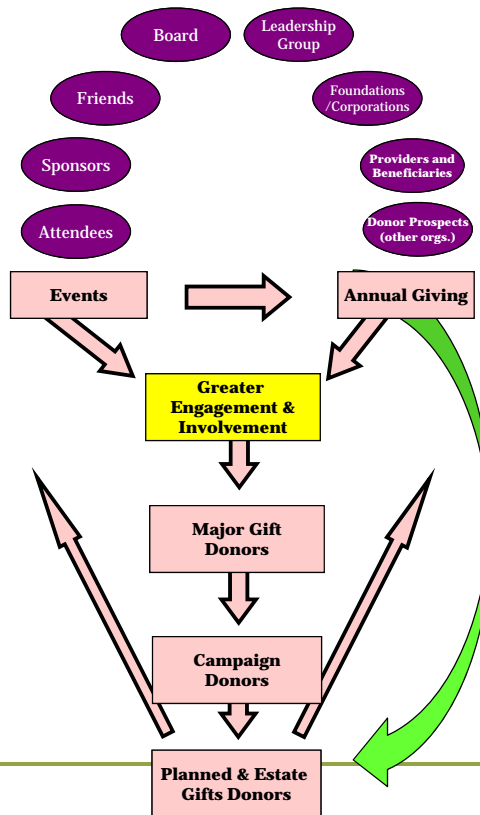
Make friends BEFORE you need them.

Congressman Tip O'Neal

## Truism 2



## Development Cycle



## 5 P's of Planned Giving



**PLAN:** goals, staff, budget, timetable, committee

**PRODUCTS:** giving options, giving clubs, donor/advisor services, named funds, endowment campaigns

**POLICIES:** written, reviewed, and approved by the board

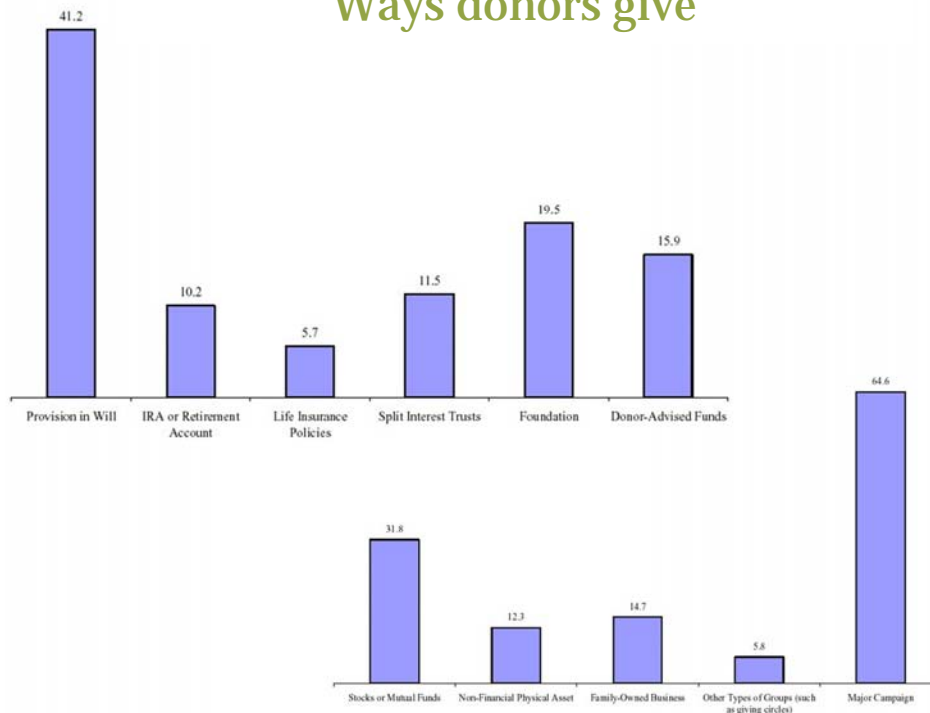
**PROMOTION:** print materials, articles, seminars, brochures, newsletters, advertising, recognition

**PROSPECTS:** donors, trustees, in-person visits, cultivation, long term relationships, donor services

19



## Ways donors give



20



## Gift Maturity

Age at Gift	Bequests	Charitable Remainder Trusts
18-34	3%	6%
35-44	14%	10%
45-54	26%	18%
55-64	22%	20%
65-74	20%	23%
75+	15%	24%
Mean age	58	62

Source: The Planned Giving Company national client database of more than 10,000 PEG donors.



## PEG gifts mature sooner than intuition tells us:

*The 10-40-40 PEG gift pipeline rule:*

- 10% realized in 5 years;
- 40% realized within next 5 years;
- 40% realized within next 5 years
- (90% mature within 15 years of initiation)

Not all PEGs are deferred. Some provide current cash.

## Gift Maturity





## Women hold 61% of the wealth and give:

- Give more than men
- More if they are single
- In more inclusive ways, seeking advice
- More visibly

---

Analysis by: Caroline S. Grace, Managing Director Philanthropic Management Institutional Retirement, Philanthropy & Investments, Bank of America; commissioned High Net Worth Philanthropy Study

23



## PEG Donor Profile



### **PEG Donors are not necessarily wealthy:**

- 69% of PEG donors give LESS than \$500 per year and are unrated prospects
- Wealth screening and demographic criteria are POOR predictors of propensity to make a planned gift
- The ONLY predictor that has high predictive value is LOYALTY

24

---

Source: The Planned Giving Company national client database of more than 10,000 PEG donors.



## PEG Donor Profile



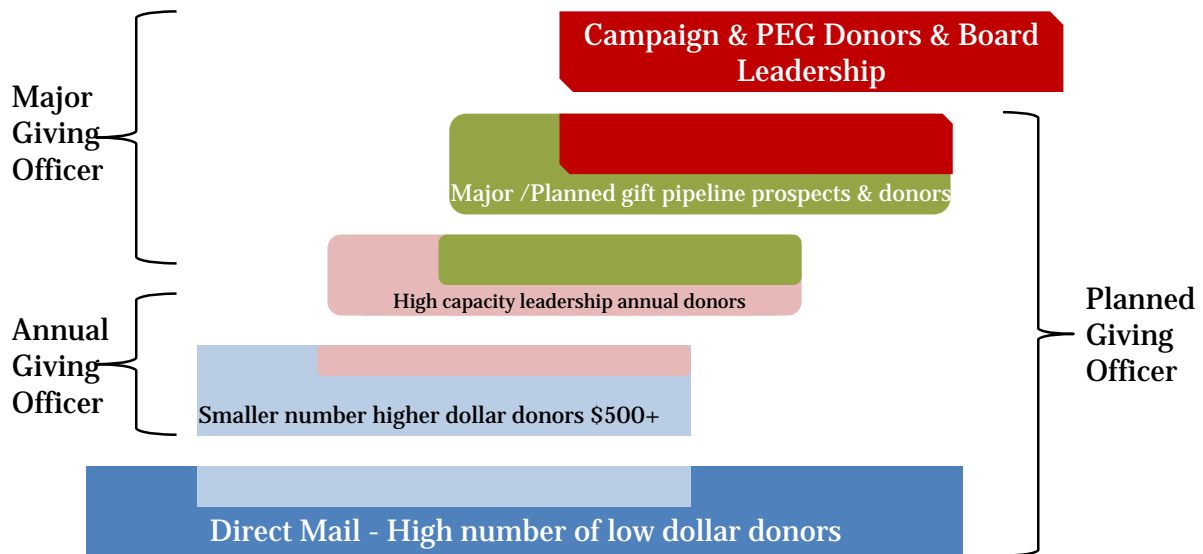
### The patterns that demonstrate loyalty:

- 41% of planned giving donors give 10+ consecutive years
- Most of the other 60% give loyally, but not consecutively

25



## Direct Mail to Major Gifts



26



"Don't judge each day by the harvest  
you reap, but by the seeds you plant."

### Truism 3



Robert Louis Stevenson

### Targets of a PEG

Endowment funds

Special purpose funds

Campaign gift

Legacy naming opportunity



## Campaign / Legacy naming opportunity



### Triple ask:

1. Campaign gift (outright gift or pledge)
2. Annual gift (outright gift)
3. Estate gift / Endowment

### Valuing gift for Naming Opportunity

Net present charitable value of deferred gift

The amount of the current charitable deduction

29



High results



High "touch"

30



## Most productive strategy

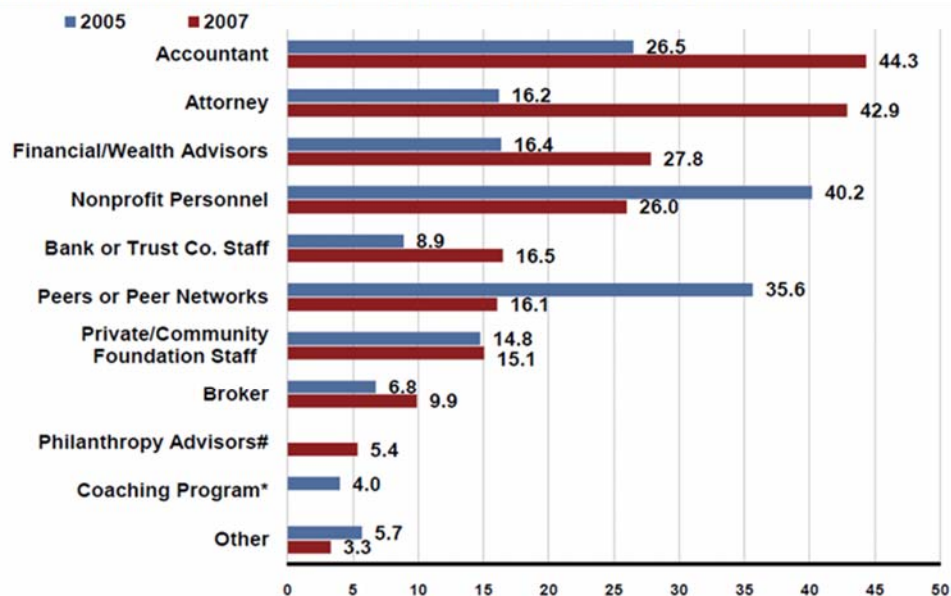
Prospect Type	Lead Time	Average # Steps (including Ask)	Average Amount
Development ID (research)	5.7 months	3 steps	\$49,000
Board Connected	6.9 months	2 steps	\$242,000
Physician identified	2.9 months	2 steps	\$455,000

Source: Virginia Mason Foundation

31



## HNWHs That Consulted Others When Making Charitable Giving Decisions by Type of Person Consulted (%)



B of A's The Study of High Net Worth Philanthropy, March 2007, The Center on Philanthropy, Indiana University

32



# Quality of relationships

SCREENER NAME: \_\_\_\_\_

**WILLIAM SHATNER**

Randolph 1 2 3 4

**SARAH McLOUGHLIN**

Braintree 1 2 3 4

**ARTHUR MURRAY**

Abington 1 2 3 4

**GEORGE STEPHANOPOULOS**

Brockton 1 2 3 4

**MARY CONTRARY**

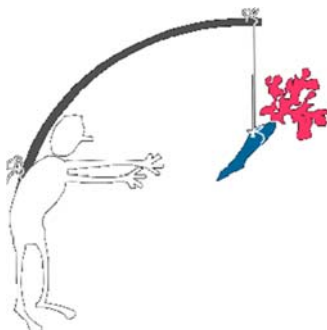
Randolph 1 2 3 4

1=willing to write note on invitation 2=willing to invite to lunch  
3=willing to invite to dinner with CEO 4=recommend for greater campaign involvement  
CIRCLE ALL THAT APPLY

33



## PEG Donor motivations

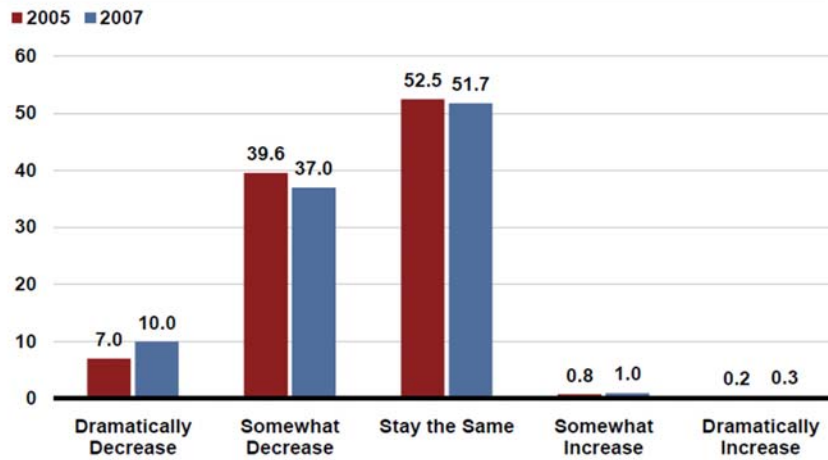


- Estate planning strategy
- Ensure the endurance of the institution and its mission
- Present day reliable income
- High rate of return guaranteed (older donors)
- Present day tax savings (income)
- Legacy naming opportunity
- Beneficiary support (income to spouse, children)

34



## HNWHs Reporting a Change in Charitable Giving if They Received Zero Income Tax Deductions for Their Donations (%)



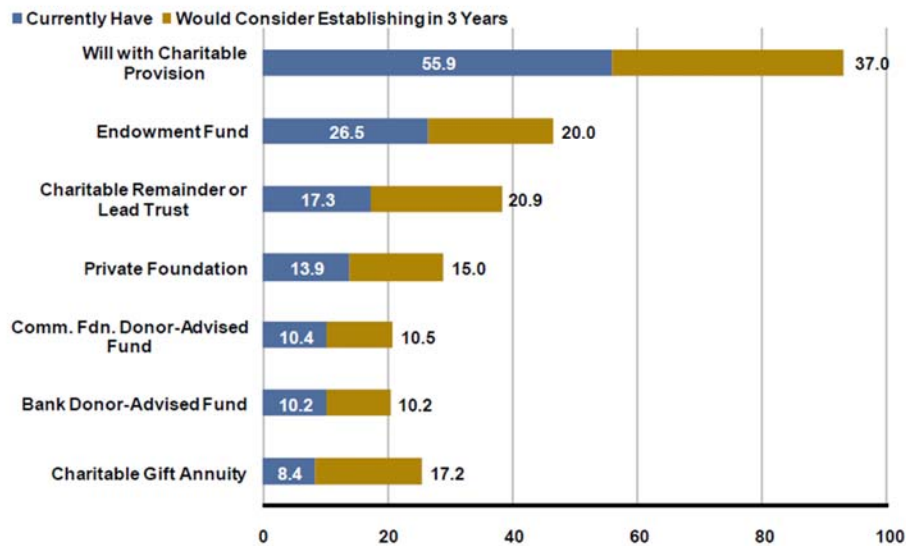
35

B of A's The Study of High Net Worth Philanthropy, March 2007, The Center on Philanthropy, Indiana University



## Planned and Estate gifts are on their minds!

### HNWHs That Currently Have or Would Consider Establishing in Three Years by Type of Charitable Vehicle (%)



36

B of A's The Study of High Net Worth Philanthropy, March 2007, The Center on Philanthropy, Indiana University



## What you need to know



Know what you *don't* know about the technical aspects of gifts

Know the general way each type of gift works in terms of:

- Income present day
- Tax benefits present day
- Type of advisor that should be involved

Know an example of how each gift might work

Know the philanthropic impact of the gift

37



## When to use a PEG officer



- You have the relationship with the donor
- Work with PEG officer to design strategy (Consultive model vs. Portfolio model)
- Ask permission to bring the PEG officer to a meeting to more fully explain the PEG vehicle (if part of strategy)
- Could involve educating the donor's advisors
- PEG officer becomes part of the relationship
- Be willing to hand off this part of the relationship to the PEG officer

38



- Accountants know where the money is and the tax ramifications
- Estate attorneys design the instruments and explain the impact on estate taxes and management
- Complex instruments and/or estates require advisor input
- Vet a selection (4+) of advisors for donor to choose if needed
- Tax advice only from donor's advisors
- Can be good source of donor leads

## When to use outside advisor



39



Your chances of getting a gift are much better if you ask for it than if you don't ask.

Larry G. Raff

## Truism 4



Dogs always ask for what they want.



## Simple rules



- Think long and hard about an endowment strategy
- Have strong leadership
- Lead by example and find others to do same
- Have a compelling case for support and vision
- Use your database and find your loyal donors
- Gain personal expertise on PEG and line up others
- Have thorough gift policies
- Always Be Closing