

GIVE & TAKE®

Ideas and Insights from the Sharpe Group

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Planning for a New Year

by Robert Sharpe

As the new year unfolds, many nonprofits are making plans for 2014 fundraising efforts or are continuing to implement plans already in progress. Taking time to design a thoughtful fundraising strategy for the coming months can help ensure you meet or exceed expectations now and in the future.

This article outlines an approach to donor communication and cultivation that addresses the needs of various segments of your constituency based on a number of critical factors.

Getting started

The Sharpe Gift Planning Matrix® is a helpful way to organize your constituents by age and approximate levels of wealth and income. For our purposes, we are dividing donors into three groups: under age 50, age 50 to 70 and age 70 and older. Wealth level divisions used to further segment your donors are more subjective, and the “splits” are often determined by the size of your constituency, staff capacity and other factors.

Sharpe Gift Planning Matrix®			
	<50	50 to 70	>70
Wealthy	A1	B1	C1
Moderate Means	A2	B2	C2
Limited Means	A3	B3	C3
	Gen Y and Gen X	Baby Boomers	Silents and G.I.

Note that the B column of the matrix closely matches the age of the bulk of baby boomers—now age 50 to 68. Column A is comprised primarily of Gen Y and Gen X, while Column C is mainly the combination of the remainder of the Silent and G.I. generations.

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SHARPE  GROUP®

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Planning for a New Year

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Let's look briefly at each of the segments of the Sharpe Matrix and determine which gift planning strategies are best for each group.

C3 – Older donors of limited means

Experienced gift planners know it is important to cultivate this group. Some organizations receive a significant percentage of the number of bequests and life income gifts from these donors. A large number of donors in this segment are childless with relatively modest estates of perhaps \$200,000 or less. When this sum is split among five charitable interests, the result can be five \$40,000 bequests, an amount that is close to the national bequest average. It is not unusual for gift annuity donors to come from this group as well.

With this potential, make certain not to exclude these donors from bequest and gift annuity marketing based on criteria such as past gift amounts and/or wealth ratings. Longevity and frequency of giving are much better indicators of interest among donors in the C3 category.

C2 – Older donors of moderate means

While very similar to C3 donors, this somewhat wealthier group is likely to own more valuable homes and to hold significant sums in IRA and other retirement accounts. These donors will often account for the largest number of bequests received and should be included in all communications related to estate gifts.

Some will also be prospects to fund life income gifts such as gift annuities and charitable remainder trusts with gifts of cash or securities.

C1 – Older wealthy donors

While fewer in number for most nonprofits, C1 donors are often the source of the handful of bequests that can make up 50 percent or more of estate revenue in a given year. Many programs will sometimes group the C1 donors with younger wealthy donors found across the remainder of the top of the matrix. This group can also be the source of many of the largest outright gifts in a given year. *The Chronicle of Philanthropy* recently reported that the donors responsible for the largest gifts each year have an average age in the mid-70s, putting them solidly in the C1 box.

According to IRS reports, this group is responsible for the majority of gifts of stock and other appreciated assets. C1 donors are also more likely than other groups

to be able to make gifts from retirement funds during lifetime or at death.

B1 – Middle-aged wealthy donors

At this point we take a “left turn” across the top of the matrix and continue our examination of the wealthier segments. There are strong commonalities among the A1, B1 and C1 segments. In many programs, the A1, B1 and C1 boxes are collectively managed as “major donors” because it is believed that the wealth of the C1 donors trumps their age from a communications and stewardship perspective.

Success in a more complex and increasingly competitive market will require organizing efforts not simply around institutional needs, size and timing of gifts but also around the donor's situation in life.

The B1 segment should perhaps receive more attention than any other group this year. These donors are in their peak earning years and also enjoy significant levels of wealth in the form of real estate and other assets. The primary goal is to help them structure immediate gifts in the most effective way possible. Their largest gifts, whether current or deferred, are most often made in the form of appreciated assets.

Keep in mind that a 60-year-old couple has a joint life expectancy of 30 years. Even the oldest in the B1 group could very well live for 15 years or more. Therefore, it is best to focus on gift planning options that can be realized in a donor's lifetime. Examples include charitable lead trusts, charitable remainder gifts for terms of years or gift annuities and life income gifts designed to benefit a parent or other older loved one for life.

A1 – Younger wealthy donors

Persons under the age of 50, regardless of their wealth level, are rarely in or near their prime giving years. Building careers and raising families can naturally overshadow philanthropic impulses.

The bulk of information directed to this group should be focused on the acquisition and upgrading of donors. The small number of donors who express interest in making an estate gift at this age reveal a higher-than-normal level of donative intent and should be considered prospective major gift donors.

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Neuroimaging and Charitable Bequests

By Russell James

Professor Russell James, J.D., Ph.D., CFP® of Texas Tech University is responsible for the university's on-campus and online graduate program in charitable financial planning. This month's article is the final installment in a three-part series highlighting new findings from his latest research into the psychographics of charitable estate planning.

About 80 percent of Americans engage in charitable giving each year, but only about 5 to 6 percent of Americans over 50 have a charitable estate plan in place.¹ Even among substantial donors (\$500+) over age 50, fewer than one in 10 have a charitable estate plan.² Clearly, donors who decide to make a charitable bequest have a different mindset.

My colleagues and I decided to find out just how much bequest giving differs from other forms of charitable giving by using neuroimaging (brain scanning) to learn which parts of the brain are particularly active for those considering charitable bequests as compared with current giving.

When donors are considering leaving a bequest to charity, the most important question they tend to ask themselves is, “Which charity (or cause) is part of my life story?”

Charitable giving and the brain

A handful of neuroimaging studies have explored current charitable giving. Researchers have found that charitable giving increases activity in reward areas (“giving is enjoyable”) and in regions used for social interaction (“giving is social”).³ One study traced this social component to two different brain regions: one used for taking another person's perspective and the other for feeling empathy.⁴

This two-part model makes sense. If donors don't take the perspective of the beneficiary, there is no reason to give. If donors take this perspective but have no empathy for the beneficiary, giving still won't be compelling.

For our study, we wanted to learn what was different about charitable bequest decisions when compared to current giving decisions. We placed subjects in an fMRI (functional magnetic resonance imaging) machine and asked them questions about 28 different

large charities. Specifically, we asked “If asked in the next three months, what is the likelihood you might give money to ____?” and “If you signed a will in the next three months, what is the likelihood you might leave a bequest gift to ____?”

The neuroimaging results showed that bequest decisions more strongly engaged two particular brain regions. One was an area used for taking an outside perspective on one's self (precuneus) and the other was a visualization area (lingual gyrus).⁵ Previous studies had shown that these same brain regions were engaged when visually recalling one's own life and life stories.

In a sense, charitable bequest decisions looked like visualizing the final chapter of one's own autobiography (i.e., “visualized autobiography”). This fits with other research results. A recent dissertation involving in-depth interviews with planned bequest donors found that “when discussing which charities they had chosen to remember, there was a clear link with the life narratives of many respondents.”⁶ When donors are considering leaving a bequest to charity, the most important question they tend to ask themselves is, “Which charity (or cause) is part of my life story?”

We then took this theory out of the lab and tested different marketing messages for their ability to increase self-reported willingness to leave a charitable bequest. In a test of over 4,000 respondents, the most effective messages involved sharing the life stories of donors whose charitable bequest plans will continue to impact the world long after death.⁷ These life stories fit perfectly with the “visualized autobiography” concept. Compelling stories make it easy for a donor to visualize a bequest commitment as part of his or her life story.

In another experiment we found (not surprisingly) that bequests to friends and family members more strongly engaged brain regions of memory and emotion than did charitable bequests. This may explain why bequest giving to charity is relatively rare, and also point to an important bequest fundraising strategy. When a charity can connect its cause to a donor's friend or family



Russell James

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When Wealth Isn't Enough: Focusing on Charitable Intent

By Joe Chickey

Fundraisers know that finding wealthy prospective donors is a vital component to successful efforts. But identifying the individuals you believe have the capacity to become key donors is just the first step. Finding ways to interest and involve these potential donors with your organization can often be a bit more challenging and is central to the process of encouraging and completing planned gifts.

During my time serving a major medical center in Chicago, for example, we developed a successful strategy both to identify potential donors and later to secure meaningful gifts from these individuals, whether current or deferred. During the quiet phase of our capital campaign, we asked our board of directors to take a leadership role in establishing five new health "Institutes" designed to highlight specific healthcare programs. Each Institute was chaired by a board member who worked with the development office to identify six potential committee members who were the board member's peers and qualified prospective donors.

Cultivation is key

Over the course of the next two years, we were dedicated to the cultivation of these newly involved committee members. We organized quarterly visits to the hospital with each group to highlight our strengths and illustrate our needs. We asked committee members what issues were important to them and then designed the tours with the committee members' interests in mind. For example, each visit by members of the Heart Institute featured a different cardiologist with a specific area of expertise.

Peer-to-peer interactions

At the end of this cultivation period, our board leaders served as "natural partners" and solicited each committee member personally in a peer-to-peer format. Our development team worked with them to determine the right amount for each gift solicitation. The board members were more than willing to help. Only one board member initially indicated he would prefer not to be the solicitor; however, after the first "yes" seemed so easy, he willingly took over in the second meeting.

Having a board member ask a peer for a gift worked very well. For instance, our Heart Institute committee was chaired by the CEO of a major company,


and his committee included other CEOs. Having one CEO ask another CEO for a gift was very effective. As an added bonus, we were able to ask this group for both corporate and individual gifts.

Creating committed donors

Each of these individuals made gifts directed to the Institute he or she had been a part of. These donors helped create the program and consequently felt invested and wanted to do what they could to help it be a winner.

Well-focused charitable intent is critical to any fundraising initiative.

Once the committee members were committed to giving, we had the opportunity to explore the best format for the gift. Thirty percent of the gifts we received from this effort included a planned giving component.

As someone who has spent the majority of my career in the gift planning arena, this experience underscored the fact that well-focused charitable intent is critical to any fundraising initiative. The motivation for a gift must of necessity be developed prior to the structuring aspect. The most well-conceived gift plan will rarely be realized without first focusing on "who" the donors are and "why" they are most likely to give. With major and planned gifts in particular, the decision to give is often emotional in nature and is typically restricted to a specific purpose that holds great importance for the donor. 



Joe Chickey

Sharpe Group Managing Consultant Joe Chickey has been elected to serve a three-year term on the national board of directors of the Partnership for Philanthropic Planning. His term begins January 2014.

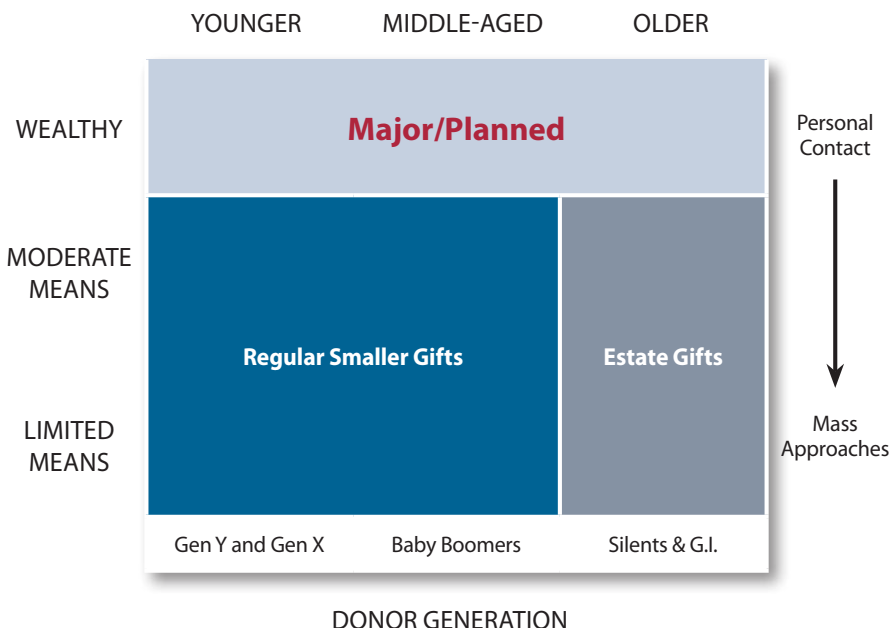
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A2, B2, A3 and B3 – The rest of the matrix

The lower left sections of the matrix are where the largest number of donors and prospective donors may be found, especially in the case of educational institutions. These donors are normally only candidates for relatively smaller gifts of cash.

The key with donors in this age and wealth range is to acquire, retain and upgrade them to maximize future success.



Putting it all together

While it is important to have access to specialists who can help address special factors related to “annual,” “major,” “capital,” “endowment” and “planned” gifts, success in a more complex and increasingly competitive market will require organizing efforts not simply around institutional needs, size and timing of gifts but also around the donor’s situation in life.

Marketing plans for each segment of the matrix should account for varying communications preferences. Those in the C2 and C3 boxes will most often respond best to mail and other traditional means of contact. Wealthier individuals across the top will often be given priority for personal contact along with information and tools to help them structure their gifts, whether current or deferred. Social media and other cutting-edge communications techniques should largely be reserved for the younger donors who represent the future of your funding efforts. **G&T**


Support for Your Marketing and Communications Planning

Everyone knows that a well thought out and carefully implemented marketing and communications plan is critical to fundraising success, but achieving that goal is not as easy as it seems.

With over 50 years of experience, a staff of experts and a variety of support services, the Sharpe Group offers comprehensive solutions for your gift planning needs. Whether you need assistance communicating with your donors, learning more about your constituents, training staff, analyzing your program or interfacing with donors on the web, the Sharpe Group has the experience and services to help.

Contact us at **901-680-5300**, email us at **info@sharpenet.com** or visit **sharpenet.com** to learn how the Sharpe Group can become an invaluable member of your team. **G&T**





“This was the best training I have ever attended. The presenters were phenomenal. They imparted knowledge—and beyond—they imparted their wisdom.”

—Ron Siwiec, Catholic Charities of Broome County, Binghamton, N.Y.

2014 Dates for Sharpe Group Training Opportunities

An Introduction to Planned Giving

Learn how to build your planned giving program. Discover the keys to effective communications with your donors. Examine the donor life cycle and how you can help donors make larger gifts today and plan future gifts through bequests, trusts, gift annuities and other techniques. Learn to work effectively with those 65+ who may make up much of your donor base—or soon will. This seminar is appropriate for those who are laying the foundation for a successful gift planning program or are looking to improve the effectiveness of an existing program.

New York • February 10-11
Washington • June 2-3

New York • October 13-14
Chicago • December 8-9

Gift Planning Fundamentals

Who makes the larger gifts and why? Help donors understand the best asset to give, the best way to transfer it, and how timing can affect the size and tax benefits of the gift. Increase your knowledge and understanding of the what, when and how of various gift planning vehicles for maximum gift value and return on investment. Register for this seminar if you are new to planned giving responsibilities and need to learn gift types in more detail or if you could benefit from a refresher course.

Washington • March 3-4
New York • July 14-15

Chicago • September 15-16

Integrating Major and Planned Gifts

Learn how major and planned giving can work together for positive results; how to help donors make the best gifts for their age, wealth and other factors, while meeting your current, capital and endowment needs; how to interpret a donor's verbal and non-verbal clues to determine which giving option is right and how to help donors make larger charitable gifts that might not otherwise be possible due to personal planning concerns. This seminar is for you if your organization has both departments and would like to bring everyone together, or if you or others are responsible for both major and planned gifts.

Chicago • April 3-4
Boston • May 5-6

San Francisco • August 18-19
Washington • November 6-7

See full agendas and register at sharpenet.com/training or call **901-680-5318** with questions. 

Neuroimaging and Charitable Bequests

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member (living or deceased), the likelihood of receiving a bequest may increase. In fact, in the previously mentioned survey, asking about family members who were connected to a particular cause increased the willingness to leave a bequest to support that cause.⁸

Compelling stories make it easy for a donor to visualize a bequest commitment as part of his or her life story.

Once again, the distinguishing factor in influencing charitable bequest decision making was the ability to connect with the donor's life story.

Editor's note: This article underscores the importance of reaching donors at a time in their lives when they have a rich repository of life experiences. Donors at earlier stages may have not yet reached the point at which they can evaluate their experience over a full lifetime. See the November issue of Give & Take for the first installment in this series of articles in which Dr. James observes that a majority of donors who leave bequests make the decision after age 75. It is at this point that many donors are contemplating their final wills, and often the preceding will did not include charitable provisions. G&T

Notes

1. Statistics from *Giving USA* and *American Charitable Bequest Demographics*
2. James, R. N., III. (2009). Health, wealth, and charitable estate planning: A longitudinal examination of testamentary charitable giving plans. *Non-profit and Voluntary Sector Quarterly*, 38(6), 1026-1043.
3. Moll, J., Krueger, F., Zahn, R., Pardini, M., de Oliveira-Souza, R., & Grafman, J. (2006). Human front-mesolimbic networks guide decisions about charitable donation. *Proceedings of the National Academy of Sciences*, 103(42), 15623-15628.
4. Hare, T. A., Camerer, C. F., Knoepfle, D. T., O'Doherty, J. P., Rangel, A. (2010). Value computations in ventral medial prefrontal cortex during charitable decision making incorporate input from regions involved in social cognition. *The Journal of Neuroscience*, 30(2), 582-590.
5. James, R. N., III, & O'Boyle, M. (in press). Charitable estate planning as visualized autobiography: An fMRI study of its neural correlates. *Non-profit and Voluntary Sector Quarterly*
6. Routley, C. J. (2011). *Leaving a charitable legacy: Social influence, the self and symbolic immortality* (Unpublished doctoral dissertation). University of the West of England, Bristol, UK. Page 220
7. James, R. N., III (2013). *Inside the Mind of the Bequest Donor*. CreateSpace: Charleston, SC
8. James, R. N., III (2013). *Inside the Mind of the Bequest Donor*. CreateSpace: Charleston, SC

Let Your Guide to Effective Giving in 2014 Inform Your Donors

As you plan for 2014, make sure you inform your donors about the best ways to make larger gifts. You can furnish this information to a key group of donors and prospective donors and also have materials on hand to help you respond quickly to their gift planning questions.

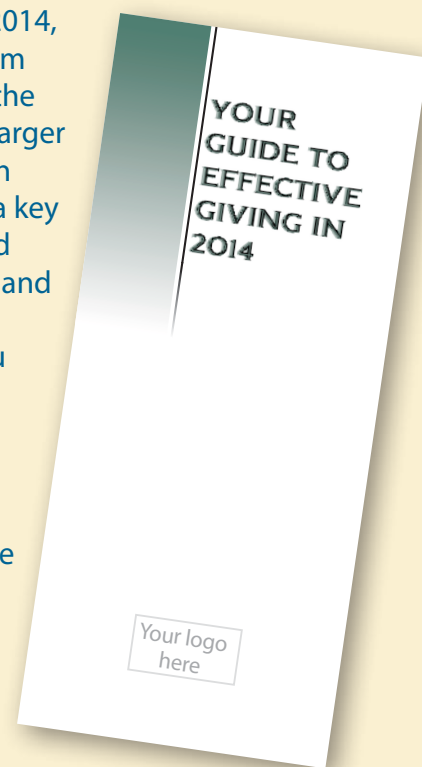
Updated for the new year, the Sharpe Group's 16-page booklet **Your Guide to Effective Giving in 2014** is designed to help your donors choose a gift plan to match their charitable and financial goals.

Readers will find an overview of the most popular ways to make charitable gifts, including:

- Cash gifts
- Gifts of securities
- Gifts of tangible property
- Gifts from retirement funds and life insurance
- Life income gifts
- Charitable lead trusts
- Bequests and living trusts

Your Guide to Effective Giving in 2014 also includes a general summary of federal tax law considerations to serve as a starting point for donors' discussions with advisors.

Email info@sharpenet.com or call **901-680-5300** to learn more. G&T





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New York, February 10-11

Washington, June 2-3

New York, October 13-14

Gift Planning Fundamentals

Learn the basics of gift planning tools, whether your focus is on facilitating gift planning or you have multiple responsibilities and need to broaden your knowledge.

Washington, March 3-4

New York, July 14-15

Chicago, September 15-16

Integrating Major and Planned Gifts


For those who have separate major and planned gift programs and want to bring them together or who have responsibility for both major and planned gifts.


Chicago, April 3-4

Boston, May 5-6

San Francisco, August 18-19

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Register early to ensure your spot. Registration is limited to allow interaction between participants and instructors.

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