

# The Five Most Dangerous Fundraising Fallacies

Don't make these deadly mistakes.

By Brent A. Hafele

It's easy to make assumptions about fundraising, and many nonprofit professionals do. Understanding the falsehoods on which these assumptions are based will go a long way toward organizational success.

## Five Fundraising Traps – and How to Avoid Them

**1. Fallacy: Holding special events will solve our fundraising problems.** Events can be a very inefficient way to raise money. They take significant staff and volunteer time while often yielding small net profits.

And just because frozen turkey bowling works for one organization doesn't mean it will work for yours. The last thing many communities need is another banquet or golf tournament.

Events can also be risky. Bad weather or competition from coinciding events can threaten everything.

It takes years to establish a flagship fundraising event. To decide if the investment of time is worthwhile, ask yourself these questions:

- What's your goal in holding the event? If your focus is to draw in supporters rather than raise funds, it may be OK to lose money on the event and think of it as an investment in the future — a “friendraiser” rather than a fundraiser.
- Is the event newsworthy? If not, why expend effort trying to gain media coverage for it?
- Do you have a cultivation plan for people who attend the event? Following up after an event can be the most important part of the process.
- Could staff and volunteer time be more wisely invested in meeting directly with donors?
- While working on the event, what other responsibilities will staff have to give up or delay?

**2. Fallacy: Fundraising costs should always be under 5-10% of money raised.** Pressure from foundations, watchdog groups, and even nonprofits themselves to keep costs artificially low can lead to a false economy.<sup>1</sup>

Sometimes it makes sense to spend more. For example, it might be advantageous to put more money into a donor acquisition campaign. Even if the campaign itself loses money, you may gain new supporters who will yield impressive gifts in the future.

There are also seasons where fundraising costs must be greater than usual to prepare for future growth. The key is that fundraising expenses need to make sense for your organization's season, strategic plan, and campaign goals.

**3. Fallacy: We can just ask the businesses in town for money.**

It's striking how many people think that hitting up businesses for donations is all that's needed for a healthy fund development program. In fact, businesses typically give less than 5% of all charitable donations, while individual donors give 75%, and if you include gifts from wills and estates, the total from individuals rises to over 80%.<sup>2</sup>

While businesses can be a valuable revenue stream, individual people who write \$25 or \$50,000 checks are the ones fueling the nonprofit sector. A mature, balanced fundraising program should focus on cultivating individual donors. So when board members say “Show me the money,” point them to your individual donor strategy.

**4. Fallacy: Supporters divided by goal equals ask amount.**

Novice fundraisers have the idea that fundraising strategy should be based in fairness. They develop an equation of sorts: If everyone gives \$50, we need 200 donors to raise \$10,000.

This strategy contains a vital flaw: \$50 may not be the right gift for every donor. Some donors can't afford \$50. Others can give much more, and you're leaving money on the table if you ask for too little.

Missing in the equation is the true power of philanthropy. Calculations distill fundraising down to a business transaction, leaving out the power of the human heart to reach further. Jerold Panas' famous advice rings true here: “When all is said and done, the right person asks the right prospect for the right amount....”<sup>3</sup>

Identify the appropriate giving level for each donor. Provide options so that donors can find the best level for them.

**5. Fallacy: Fundraising staff should do all the fundraising.**

Board members and volunteers often breathe a sigh of relief when the “professional fundraiser” joins the staff. Grateful that someone has those responsibilities covered, it's tempting to step away from fundraising to let the paid staff handle it.

This attitude is lethal. Volunteers (including board members) play a critical fundraising role that paid staff can't replicate.

First, volunteers can introduce potential donors to the organization and the fundraising team. Friends, colleagues, and family members may be more willing to listen because they know and trust the volunteer.

Second, volunteers can help with the cultivation process. They may know valuable information about contributors that can facilitate the donation process.

Volunteers can also help thank donors by calling, writing, or meeting in person. Donors expect staff to say thank you; hearing words of

“ Sometimes it makes sense to spend more. ”

<sup>1</sup>As Ann Goggins Gregory and Don Howard state in “The Nonprofit Starvation Cycle,” *Stanford Innovation Review*, nonprofits are actually starving themselves to keep administrative costs down. “The effects of such limited overhead investment are felt far beyond the office: nonfunctioning computers cannot track program outcomes and show what is working and what is not; poorly trained staff cannot deliver quality services to beneficiaries.” Available: [http://www.ssireview.org/articles/entry/the\\_nonprofit\\_starvation\\_cycle/](http://www.ssireview.org/articles/entry/the_nonprofit_starvation_cycle/)

<sup>2</sup>See Giving USA “Annual Report on Philanthropy,” <http://www.givingusareports.org/free.php>

<sup>3</sup>See Jerold Panas' *Asking: A 59 Minute Guide*, [jeroldpanas.com](http://jeroldpanas.com).

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gratitude from a volunteer can be even more meaningful.

Events are a great place for volunteers to make a fundraising impact. Because events are so labor intensive, volunteers can lighten employees' workload.

Regardless of how they help, volunteers can add an authenticity and impact that's hard to achieve with only professional staff.

## Beyond Assumptions

It's good to challenge not just these five assumptions but others used in your fundraising program. Reflecting on the efficacy of strategies is an exercise that will lead to more thoughtful and productive efforts.

With any fundraising plan, there's a need for balance and intentionality. Basing too much of a plan on unproven assumptions is risky.

We're blessed to live in an era where fundraising knowledge and training are readily available. Here are some ways to take good advantage of such resources:

- **Encourage volunteers and staff** to attend training through state nonprofit associations, a local Association of Fundraising Professionals group, or online.
- **Seek the counsel** of veteran fundraisers and consultants.
- **Check with your library.** Many are building nonprofit collections.

With the right resources, assumptions, and implementation, your fundraising program will reach new levels of effectiveness even in challenging economic times. 

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**Deepen the truths** in this article with these resources from the Society for Nonprofits' Library ([www.NonprofitWorld.org/members](http://www.NonprofitWorld.org/members)):

**Is There a Role for Your Board in Raising Funds?** (Vol. 23, No. 3)

**Improve Your Special Events** (Vol. 30, No. 5)

**The Word You Hear Most Often in Fundraising** (Vol. 28, No. 4)

**Raising Funds in an Uncertain Economy** (Vol. 27, No. 2)

**Deeper Donor Relationships = Increased Contributions** (Vol. 26, No. 4)

**Five Simple Ideas for Developing Fundraising Results** (Vol. 29, No. 3)

Also see Learning Institute programs on-line: Resource Development and O for Opportunity: Exploring New Revenue Opportunities for Nonprofits ([www.NonprofitWorld.org/LearningInstitute](http://www.NonprofitWorld.org/LearningInstitute)).

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