



A Zeal for **ENDOWMENT**



Here's how to start and build an endowment for your organization — and guard it once it's in place.

By Melinda McAfee

Ever been accused of caring too much? And if so, has it been about something as humdrum as funding an endowment? Well, I have and believe me, I was indignant at the accusation.

I'm proud of my passion for the plain-vanilla endowment. It might not be as sexy as some campaigns, but good old-fashioned stability can be very desirable.

Some people find it easier to get excited over grander objectives such as raising big dollars for a new building or going over goal on a phone-a-thon. I, too, enjoy seeing

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immediate results such as a new facility, additional scholarships, and innovative programs.

But there's something powerful about knowing that an organization's long-term needs will be met because someone decided to be a zealot for the mundane.

Believe in something that will last beyond a lifetime.

Donors to endowments are out there if you market your long-term vision well, starting with your board. Any discussion—formal or informal—regarding your organization's future is an opportunity to discuss endowments. You can cover much ground quickly if you ask the right questions:

- **Exactly what role does the board want to play** in creating a viable and exciting future for the organization?

• **Are board members interested in taking responsibility** for the benefit of the next generation? Would they like to create and nurture a sustaining source of funds for operations, programs, or capital needs?

Whatever your organization's mission, endowment makes sense. Be the first to jumpstart goal setting and strategy building. It's possible to build an endowment and still take care of business as usual. Building an endowment is a noble goal that demonstrates integrity. If you present this goal with passion, board members will readily agree to support a vision that goes beyond the present group's lifetime.

Build a constituency of like-minded visionaries.

Consider bringing in a planned-giving consultant to talk to your board. This person can provide much insight about marketing planned gifts as a strategy for your future. And listening to examples of other successful campaigns will help the board envision achieving a large endowment for your organization.

Don't settle for a sales pitch from the local bank trustee.

Develop a savvy investment and spending policy.

If your endowment now is small or nonexistent, it's never too soon to get started. Bring in investment experts to talk to your board. Done right, this isn't simply a matter of making a presentation to the board, churning out another policy, and reaching a consensus. This is a case where the journey is as important as the destination.

Take the time necessary. The initial goal is for the board or designated investment committee to understand the rationale behind the asset allocation, the expected rate of return, what it will take to defeat inflation, and so on. Erosion of a hard-earned endowment is not acceptable.

The time spent cultivating a long-term vision will be far more valuable than time spent soliciting for a new carpet.

When looking for experts, don't settle for a sales pitch from the local bank trustee. Seek out development professionals from established charities. They'll be more than happy to help you develop policies for managing your endowment.

Never miss a chance to endow a fund.

The key to building an endowment is to think ahead and take advantage of every opportunity. The vast majority of American community colleges, for instance, were envisioned during the late 1950s and early '60s and came to fruition in the mid-'60s. Enlightened trustees at that time started endowment associations or foundations for their scholarship programs and typically relied on the college business officer and the college president's secretary to administer the day-to-day receipt of gifts (usually scholarships but sometimes bequests).

One college set the minimum to endow a "scholarship trust" at \$1,000. It received a host of small scholarship funds generating \$100 scholarships each year, and many students were helped that way. Eventually the board realized that \$100 gifts were not enough. Their solution was to increase the minimum level to endow to \$2,500. Eventually, the minimum made sense at \$10,000. Of course, the donors who could afford that amount were few and far between.

Experience has shown that building an endowment is as easy with smaller gifts as with larger ones. The greater job is to guard the gate once the endowment has been built.

A correlating responsibility is to see that investment and spending

policies are in place to ensure that your endowment grows and to avoid erosion of its value. If the minimum to endow is \$10,000 and donors want to achieve that over three years, work with them on a pledge arrangement where everyone wins. An endowment doesn't depend as much on the size of the initial gift as on its wise management thereafter. An organization should never alienate donors' or prospects' good will by tolerating poor stewardship of an endowment.

Plow through the intricacies of planned giving.

Okay, so it's not as though donors are calling for appointments to go over their estate plans. Once sold on the merits of an endowment, how can an organization fast-forward into a planned-giving inventory of gifts?

The key is to be sure the board is educated on the details and inspired by the vision. One or two board members can inspire the rest with their commitment. To get the ball rolling, for instance, the board chair and vice-chair might arrange to leave part of their estates to the organization.

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Another way to inspire the board is to recruit a colleague in the local Association of Fundraising Professionals chapter who is, for example, the executive director of a regional foundation. This person will be delighted to recount success stories about the vision displayed by "the trustees back in 1940." Stories about programs now in place because of bequests will be a breath of fresh air to board members. Once a nonprofit understands the power of an endowment, staff can develop related materials and begin a meaningful planned giving program. Sounds like a winner!

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CREATIVE FUNDRAISING IDEAS

Hold a Donor Seminar

One of the best ways to find planned-giving prospects is to plan a seminar. Find an entertaining speaker who is knowledgeable about planned giving. Send invitations to your widest audience. Pick an engaging title — not “Wills Seminar,” but something more catchy, such as “How to Avoid Accidental Disinheritance.” Hold the seminar at an enjoyable location, along with a sit-down or buffet meal. At the seminar, provide forms attendees can use to request a no-obligation follow-up.

Don't Forget the Radio

The radio is an often overlooked medium for nonprofits. Radio advertising is an excellent way to spread the word to a wide audience at a fraction of the cost of mailings. Use it to build awareness of your organization and to market your planned-giving offerings. Karen Jackson, founder of Results in Giving (www.resultsingiving.com) recommends buying radio time in the fall, which is when most people plan year-end gifts, and in the spring, when radio time is less expensive.

Always Leave Something Behind

When you meet with prospects, never leave them empty-handed. Prepare an attractive folder with information about planned giving to leave with them. Be sure the materials you give them are appealing and appropriate for their interests. You might also give them pens, calendars, or paperweights inscribed with your organization's name and contact information. Such useful objects will help them remember you and get in touch when they're ready. For more planned-giving tips, see *Planned Giving Mentor* (<http://www.pgto.org/day.com/pgmentor/index.htm>).

It's worth the time and attention.

Over time, with hard work and a solid financial plan, your reports to the board will look better and better. Don't miss any chance to report the list of newly endowed funds, regardless of size, with a story behind the donors' motivation for giving. With patience and persistence, the endowment will grow, and so will your organization's prestige in the community.

With your organization resting on a foundation of wise investment and wise spending (along with reports of new gifts from time to time), your board will appreciate the endowment program's progress. The time spent cultivating a

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long-term vision will be far more valuable than time spent soliciting for a new carpet. And with good planning, the carpet donor's response to your appeal for a \$2,500 endowment gift will come with a longer-than-lifetime guarantee. ■

Resources

Ashton, Debra, “Preparing for an Endowment Campaign,” *Nonprofit World*, Vol. 9, No. 1.

Barnes, Sharon & Jim Cornwell, “Building Your Endowment with

Life Insurance,” *Nonprofit World*, Vol. 8, No. 2.

Brinckerhoff, Peter, “The Keys to Financial Empowerment for Your Organization,” *Nonprofit World*, Vol. 13, No. 4.

Fockel, Kenneth, “Investment Policies for Endowment Funds,” *Nonprofit World*, Vol. 11, No. 2.

These resources are available at www.snpo.org/members. Also see Learning Institute programs on-line: Resource Development (www.snpo.org/li).

Melinda McAfee has over a decade of leadership in fundraising and relishes opportunities to help nonprofits create lasting legacies. For her, development is about convincing people that they can achieve their dreams and showing them how.

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