Charitable Trusts: Focusing on Those Most Likely to Give

Boost contributions with this multi-dimensional approach to identifying donors.

By Natalie Bush & David Lawson

Charitable trusts are an increasingly popular way for people to make a difference while earning tax breaks for themselves and their heirs.[1] These vehicles can offer valuable donation sources to your organization. The key is to be sure you focus on the right people.

Today's targeting methods are limited

Traditional targeting methods such as gross household income, home value, spending habits, and recency-frequency-monetary (RFM) segmentation have proven to be unreliable indicators of a person's true capacity to contribute in a major way, such as through a charitable trust. The bar for targeted marketing has been raised. Standard single-dimension approaches don't distinguish enough among consumers and won't work in today's sophisticated marketplace.

What's more, you can't lump people of means into one homogeneous group. While they're usually older (55+), earn incomes over $150K, and are highly educated, many other variables must be considered.

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To zero in on charitable trust prospects, you must use multi-dimensional targeting technologies. These tools allow you to do the following:

- **Focus on liquid assets** and *discretionary* income – not gross household income.
- **Screen donors** to identify *access to money*, regardless of income.
- **Use data mining** to determine people's propensity to make a charitable gift to *your* organization.

A new way to find valuable donors

Charitable trust donors are a different breed – a unique subset of the total donor universe. They're the top donors, with a true connection to your organization. They want their money to work toward a particular cause that extends far beyond their lifespan. These are important contributors who are worth cultivating.

To find them, you must start by understanding people's true ability to give. Unless a prospect has the capacity to make the gift, no amount of research, cultivation, or heartfelt marketing pleas will be fruitful.

Gross household income measures tend to be unreliable and don't discriminate among potential donors effectively. Rather, you need to understand what discretionary funds are available at a household level.

To understand the importance of discretionary income, consider two households, each in the same lifestage with $250,000 in annual income. Despite these similarities, their giving power and patterns could be sharply different depending on their tastes, attitudes, financial asset base, and where they live. Suppose, for example, that members of one household

continued on page 8

CREATIVE FUNDRAISING IDEAS

Get Your Board on Board

Remember that your board members are great prospects for planned gifts. One effective way to enlist them is for one board member to take the floor at a meeting and say, "I've included this organization in my will — who else is willing to commit to this?" Next, ask board members to recruit others. What better way to begin a pitch than with the board member's own story of setting up a planned gift to your organization?

Ask Foundations to Help with Trusts

Your local community foundation may be willing to handle charitable trust funds on your behalf. Many are already accustomed to creating pools of donor funds and handling complex financial arrangements for small nonprofits. Talk to the foundations in your area to find out what they have to offer. For other fundraising tips, see *Effective Fundraising for Nonprofits: Real-World Strategies that Work*, published by Nolo (www.nolo.com).

Don't Say "Planned Giving"

Although it's a common term in fundraising circles, "planned giving" may mean nothing to your donors. In your communications materials, avoid saying, "Have you considered a planned gift?" Better to stick to plain English, with headings like, "You can leave a living legacy" or "Please consider including [*your organization's name*] in your will or living trust."

buy top-of-the-line furniture, live in a high cost-of-living area, and tend to have minimal investments. This family would be less able to give than a second household with the opposite behaviors. The conclusion is intuitive but can also be supported by data.

Imagine how your organization would benefit if discretionary spending predictions and lifestage targeting tools were combined. The result would be superior targeting of prospective donors with high capacity to contribute major gifts. Why? Because spending power is a more robust measure of money available for consumption (push), and lifestage is a stronger measure of necessary expenditures (pull).

Today, there are screening tools available that segment and prioritize prospective donors based on

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true ability to donate significant funds. And the word "significant" is key when targeting charitable trust donors. Your organization benefits because you not only target people who can donate substantial funds, but because you focus your resources on the personal contact necessary to cultivate these donors.

Who's most likely to give major gifts?

While this discussion focuses on discretionary spending, that doesn't negate the importance of income. In fact, 82% of discretionary income is held by households earning $100,000 and up. But the diversity of spending and giving in that group is enormous. Baby boomers – the 78 million Americans born between 1946 and 1964 – represent almost 30% of the U.S. population, according to the U.S. Department of Health and Human Services. By 2015, all baby boomers will be over age 50. Today people over age 50 control more than $7 trillion in personal wealth. Once the rest of the boomers pass the half-century mark, those numbers will be even higher.

The nature of charitable giving is changing as boomers become able to make sizeable gifts. Many of today's donors are less inclined to pass most of their wealth to their children and more inclined to give to charitable organizations. Finding these individuals is where targeting becomes critical.

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Capacity to give and donor attachment are crucial factors

The key is to focus exclusively on households with not just high income, but high discretionary income. Such wealth indicators as private company ownership, professional status, and public stock ownership can give you a clearer picture of a prospect's charitable trust capacity. With this information, you can develop a donor profile that includes interests, gift timing, and other facts, letting you target prospects as unique individuals.

Your Planned-Giving Toolbox

To learn more about segmenting people based on true ability to give sizeable funds, visit:

- **Echelon Marketing Group,** www.echelonmarketing.com
- **Kintera, Inc.,** www.kintera.com/pin

See these *Nonprofit World* articles at www.snpo.org/members:

- **Planned Giving Tips for Every Organization**, Vol. 23, No. 6
- **Put the Government on a Tax Diet with a CRT**, Vol. 14, No. 6
- **Attract Major Gifts with a CRT**, Vol. 18, No. 1

Also see Learning Institute programs on-line: Resource Development (www.snpo.org/li).

It's also vital to prove a correlation between capacity to give and propensity to make a charitable gift. To do so, you can use screening tools to identify actual donations, nonprofit board memberships, and foundation affiliations. Additionally, you can use charitable giving models to find prospects who have the characteristics of donors.

A donor's attachment to and affinity for your organization are critical, too. Attachment can be defined by how long and how often a donor has given to your organization in the past. Affinity indicates how likely prospects are to give to your organization – even if they haven't given before. The best way to determine affinity is through data mining – identifying information in your database that correlates to giving. From here, you can create an affinity score that will rank prospects based on their likelihood to support your organization at a higher level, such as through a charitable trust. The power of this approach is that the resulting score is unique to your organization instead of a generic model used by many organizations.

Nonprofits that apply this multi-dimensional approach to donor identification can increase their performance by 20-30% on an annual basis. Armed with such a segmentation approach, you can take the following steps:

- **Target those with the ability** to establish a charitable trust.
- **Rank current donors** based on their giving capacity.
- **Enhance donor profiles** by combining spending power with previous donation history.
- **Customize offers and marketing messages** based on giving capacity.[2]
- **Identify** valuable new charitable trust donors.
- **Avoid contacting prospects** with low or no giving capacity, thus increasing return on investment.

Pinpointing the households most likely to establish charitable trusts requires identifying giving ability, attachment, and affinity. Precisely targeting prospects meeting those criteria will result in more charitable trusts with lower marketing costs. ■

Footnotes

[1] The most common type is the charitable remainder trust (CRT), an irrevocable trust that pays an annual amount to someone and then (usually at that person's death) distributes the remaining money to the designated charity.

[2] See "How to Market Planned Giving to Donors," *Nonprofit World*, Vol. 22, No. 6, www.snpo.org.

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