



# Creating a Preauthorized Gift Program

Want to boost donors' gifts while easing fundraising effort? Here's how.

By Jon Biedermann

Would you like to reduce your fundraising costs and increase the lifetime value of your donors, while making it easy for people to give on a regular basis? It may seem too good to be true, but a preauthorized gift program can achieve all these benefits for your organization.

## What are Preauthorized Gifts?

With preauthorized gifts (also called recurring, sustaining, regular, or monthly giving), donors authorize you to collect a specific amount automatically each month (or other cycle). The authorization could be for a specific length of time or an indefinite period. Ideally, these authorizations continue till donors elect to end them, which means they'll never have to make another decision whether or not to give.

## Why Set Up a Preauthorized Giving Program?

There are many benefits to developing a preauthorized giving program, according to Harvey McKinnon, author of *Hidden Gold* and a leading authority on monthly giving programs. His book lists the following advantages:

**Monthly giving will dramatically increase your annual income.** Studies show that donors generally give at least 100% more money once they sign up for a monthly giving program. In some cases, the rise is even more dramatic—up to 1,200% higher!

**You can build better relation-**

**ships with your donors.** Monthly giving programs draw people closer to your organization. Monthly donors are among the best people to approach for special events. They're also most likely to bequeath money to your organization in their wills.

Many monthly donors will continue giving for a decade or more.

**Donors will keep giving longer.** The drop-off rate is low—usually only 2-8% per year. Many donors will continue giving for a decade or more.

**Monthly giving revenue is predictable,** guaranteeing you a consistent cash flow every month.

**You can lower your fundraising costs** by saving on solicitation mailings, pledge reminders, and check processing.

**Income will grow over time** as you build your base of donors and encourage existing donors to increase their monthly commitment.

**Monthly giving is convenient** for both you and the donor. No checks to write, no reminders needed, and no time wasted on mail and phone solicitations.

## How to Implement a Recurring Donation Program

**Educate.** The key to starting a program is to educate your employees, board, and donors about recurring donations. Once staff and board members are up to speed, they can help develop strategies to encourage donor participation

and spread the word to those interested in your cause. To donors, explain the benefits of a recurring donation program, and address any concerns they may have about security.

**Target Solicitations.** Building participation in recurring giving programs requires an integrated approach to solicitation. Incorporate this option into your existing mailings and campaigns. Stress the benefits to the organization and donors, and provide a simple way to sign up. Since your current donors are most likely to participate, it's a good idea to start with a special appeal targeted to them.

**Use the Latest Technology.** Perhaps the most important tool in a recurring gift program is what McKinnon calls an "efficient and responsive back-end system." This system consists of two parts:

### 1. Donor Management System.

A good donor management system is more than a database of donors and prospects. It provides tools that make it easy to handle the many tasks associated with your preauthorized gift program (as well as your other fundraising efforts). It will help you do the following:

- Maintain complete donor information.
- Track giving history with automatic calculation of gift summary by year.
- Manage gifts and pledges in a way that integrates a transaction processing service.
- Track the generation of leads and solicitations.
- Report results.

### 2. EFT Transaction Processing.

You can collect preauthorized gifts

## Beware of EFT processing solutions that don't integrate with your donor management system.

with several forms of electronic funds transfer (EFT), including payments by credit card or debits to the donor's checking or savings account. Although credit cards tend to be more popular with donors, bank drafts (often known as ACH transactions because they're processed through the Federal Reserve's Automated Clearing House system) offer unique advantages, such as lower costs and no expiration dates. The most successful preauthorized giving programs allow donors to give in whatever way they prefer.

Beware of EFT processing solutions that don't integrate with your donor management system. Although they may allow you to collect payments, you're likely to give up important benefits such as:

- ability to transmit a batch of transactions automatically without any duplicate entry
- having the donor's giving history automatically updated to reflect payments collected
- receiving a comprehensive view of all your gifts for processing and reporting
- a simple process for both credit-card and ACH transactions
- low monthly fees (particularly important if you're just starting a recurring giving program since your transaction volume may be modest at first). ■

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This article is an excerpt from a white paper containing additional tips on implementing a recurring donation program. You can download a free copy of the complete white paper at [www.donorperfect.com/whitepapers](http://www.donorperfect.com/whitepapers).

### RESOURCES

\*Fought, Susie, "Secrets of Sustaining," *Nonprofit World*, Vol. 21, No. 2.

McKinnon, Harvey, *Hidden Gold*, Chicago: Bonus Books, [www.harveymckinnon.com](http://www.harveymckinnon.com).

\*Sawyer, Willits & Elizabeth Warner, "Increase Monthly Gifts with EFT," *Nonprofit World*, Vol. 11, No. 2.

\*Warner, Elizabeth, "Monthly Pledge Systems," *Nonprofit World*, Vol. 12, No. 3.

\*Starred resources are available at [www.snpo.org/members](http://www.snpo.org/members). Also see Learning Institute programs online: Resource Development and O for Opportunity: Exploring New Revenue Opportunities for Nonprofits (<http://www.snpo.org/lino>).

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