Is a Personalized Letter Always Better?

Is "Dear Friend" ever good enough?

Q Can you direct me to quantifiable data that proves personalization is more effective than a "Dear Friend" letter? Whatever you can give me, I will appreciate.

A I'm sure that vendors of personalized laser-printing or similar services can cite chapter and verse proving just that. But, in reality, personalization isn't always more effective than a generic approach.

The key variable, I think, is the cost. Does personalizing add substantially (in proportional terms) to the cost of your appeal? If so, then don't personalize the letter unless you expect the target audience to respond generously and at a high rate.

As a result, I rarely use personalization in any sort of prospecting. And I typically omit names of donors of less than $25 from personalized mailings. Those decisions are the result of numerous direct mail tests over the years—tests that establish personalization doesn't always work better.

Of course, personalization involves a lot more than including the addressee's name and address in the text of a letter and response device. To be optimally effective, personalization requires using other data from a donor file—such items as the amount of the last gift (or of the highest previous gift), how many years a donor has been in your file, and so forth. Mentioning such things in a letter provides a compelling case that you're really writing to an individual, not just a name on a list.

Mal Warwick, Chairman
Mal Warwick & Associates, malwarwick.com

Must You Spend a Certain Amount of Your Endowment?

What are the rules for a nonprofit's endowment funds?

Q Our 501(c)(3) corporation has an endowment fund. Is there, by law, a requirement that a certain percentage of the interest be spent annually?

A If your organization is a public charity and not a private foundation, there's no federal or state tax law requirement to spend a certain percentage of endowment funds every year. If your organization were a private foundation, then you would be required to use or distribute 5% of the value of your net investment assets each year for charitable purposes.

These answers apply whether the fund is a true endowment —that is, given by a donor or donors with a prohibition against spending anything except income—or merely accumulated surpluses and reserves set aside to be treated as endowment by the board.

Don Kramer
Nonprofit Issues, nonprofitissues.com

WHAT'S UP ONLINE?

To broaden online discussions on nonprofit topics, we're expanding our Discussion Forum with a ListServe, provided by Yahoo Groups. To join, you can either click on the "Yahoo" button at:
http://www.NonprofitWorld.org/social/
(free Yahoo login required)
or send a blank e-mail to:
NonprofitWorld-subscribe@yahoogroups.com
If you have any questions, contact Jason Chmura at jchmura@NonprofitWorld.org