Boston College Researchers Design First Model to Produce Quarterly Estimates of Household Giving

(Feb. 2, 2010) Researchers at Boston College's Center on Wealth and Philanthropy have developed the first model designed to estimate future charitable giving by households on a quarterly basis and have put it to a successful test run.

CWP Director Paul Schervish and Associate Director John Havens describe the model and the results of the first trial in the January/February issue of "Advancing Philanthropy," the journal of the Association of Fundraising Professionals. Their report provides estimates of U.S. household giving for 2009 - calculations that prior to the development of the model would not have been available until June 2010 - as well as preliminary estimates for 2010.

Because there are no quarterly data on charitable giving, researchers have been unable to generate national estimates of either current or near term household giving in as timely a way as may be useful for charities, said Schervish and Havens.

To fill this need, they constructed the CWP Individual Giving Model, which estimates how the most recent changes in financial resources affect the aggregate level of household giving - or what researchers refer to as "individual charitable giving" - which excludes charitable giving from foundations, corporations or charitable bequests from estates. The IGM is designed to be calibrated annually and modified every three months based on data that are released quarterly or more frequently, such as price and market indices, along with components of income and net worth.

"These data enable us to provide quarterly estimates that will comprise at least a current indicator of how individual charitable giving is progressing on a national basis," Schervish said. The model also can produce estimates on a household-by-household basis.

According to the researchers, the IGM estimates U.S. household charitable giving for calendar year 2009 will total between $216-218 billion (current dollars), representing a decline of between 4.8 percent and 5.7 percent from the 2008 total of $229 billion.

Preliminary projections for 2010 are somewhat rosier, offering the possibility that total household charitable giving could return to the pre-recession (2007) level of approximately $234 billion, in the best-case scenario, or, on the low end, decline an additional 3.9 percent from the 2009 estimates, to a total of $212 billion by the end of 2010. These 2010 estimates will be lower if unemployment remains high throughout 2010, and higher if the recovery is stronger than we expect, the researchers add.

"The Boston College Center for Wealth and Philanthropy's Individual Giving Model is a quantum step forward in how we can estimate charitable giving," said AFP President and CEO Paulette V. Maehara. "Instead of getting accurate giving numbers only after the year has ended, we can now use the model to get a very precise sense of how individual giving will fare in a particular quarter. This type of information is invaluable for fundraisers as they assess their strategies and tactics throughout the year, as well as for more detailed benchmarking and comparisons. I commend Paul and John at the BC center for their great work on this model and look forward to seeing future iterations of their research."

The researchers tested the IGM by examining 2008, before going on to predict charitable giving for 2009. "The test produced results that were surprisingly - and coincidentally - close to the actual figures for 2008 reported by Giving USA 2009," according to Havens. "We were especially pleased by these results because, although net worth was fully integrated into the model, income and unemployment have not yet been fully integrated."

It turns out, said Havens, that developing the model at this time also has provided valuable information about how changes in financial resources of households during a deep recession affect household charitable giving.

While the researchers do not expect the model to produce results closely identical to the Giving USA report on a regular basis, Schervish said, they consider the model, even at this early stage of development, to be promising enough to describe its characteristics, the results for 2008 and 2009, and a preliminary glimpse at 2010.

Click here to learn more (link to PDF article from "Advancing Philanthropy" magazine).

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