1998-2052: The Epoch of Giving

If someone were to give away $10,000,000 a day it would take more than 11,000 years to divest of $41 trillion.

Yet in 1999, Paul Schervish and John Havens wrote a technical and thoroughly researched article estimating that within just 54 years the U.S. adult population will transfer $41 trillion to succeeding generations. This is the gross amount from 87,839,311 estates not transferred to a surviving spouse, equaling more than $2 billion per day.

Because negative economic news had cast some doubt on the continued accuracy of their projections, Schervish and Havens reevaluated their 1999 conclusions in 2002. Perhaps not surprisingly, they decided that $41 trillion is still accurate.

Mark McPherson of law firm McPherson & Associates, P.C. cites a statistic indicating that only 15% of boomers expect to inherit money. The boomers are slightly pessimistic, but they are probably not that far off. Schervish and Havens also estimate that, of the $41

The Brave New World of Planned Giving

Given the numbers indicated in the study by Schervish and Havens (see companion article), it is no small surprise that nonprofits invest a great deal of time and energy into identifying current donors who have the capacity to plan for and give large gifts. While such facts are necessary, they are only part of the equation. Data analysis can often take you only so far. And major gifts officers are typically stretched to the limit when it comes to their caseload and the time it takes to engage with the next generation of major donors.

For these reasons, charities increasingly engage temporary researchers, perhaps on loan from an internal department or from a skilled outside firm, to inquire and learn important lessons about prospective major donors.

Regardless of who handles the inquiry, such research typically takes on one of two forms, and in some cases, both. One type of research learns about the heart of the donor, the other learns about the head. On the one hand, heart knowledge is typically gathered through one-on-one conversations with donors. These talks are very helpful in framing the potential approach and content of future discussions between planned giving personnel and prospective major donors.

This kind of research can help answer general questions like “What do they like most about us?”, “What can we do better?” and “Why would they give to us?”. These discussions may also take place between an interviewer and two or three prospective donors, for example, a married couple or a group of related donors.
trillion, $1.6 trillion will be paid in estate settlement fees (i.e. to lawyers, appraisers, CPAs, and such), $8.5 trillion will be paid in estate taxes, and $6 trillion will be given to charity. All that means that of the initial $41 trillion, only $24.6 trillion will be dispersed to heirs.

However, our colleagues Schervish and Havens say these numbers are conservative. They will most likely be larger if secular real growth in wealth increases from the 2% annual rate they used in their calculations!

For example, if the growth rate is 3%, the estimated value of estates increases to $72.9 trillion, estate fees increase to $2.9 trillion, and estate taxes increase to $18 trillion. If the growth rate is actually 4%, the estate value soars to $136.2 trillion, with estate fees rising to $5.5 trillion, and estate tax collections estimated at a whopping $40.6 trillion. Each of these more robust projections carries with it a correspondingly larger proportion given to heirs and charities.

The question this raises for nonprofits is clear. In the new millennium, organizations must be deliberate and strategic in their efforts to win a place in the hearts and minds of their donors, many of whom are making plans to transfer vast amounts of capital to succeeding “Head” knowledge, on the other hand, typically consists of top-of-mind answers to more routine questions. Many nonprofits reach out to prospective major donors through a screening survey that actually develops quantitative information – items like the level of interest in planned giving information, whether or not the donor has a will or estate plan in place, their likelihood to include a charity (or your charity) in their will, whether or not they have heirs, or ratings of affinity with your organization. In fact, Campbell Rinker has developed a standardized mail survey questionnaire for just such a purpose, as well as a way to seamlessly provide the resulting data back to the client.

Having an independent group conduct interviews among your constituents can provide insight that would not typically be shared with a direct representative of the organization. Furthermore, these kinds of prospect research can actually conclude with a nonprofit organization obtaining personally identifiable information on individual donor prospects. For this to happen there must be full disclosure, and the prospect must agree to have their information shared. This is not typical of true market research, where information that could identify the respondent is never shared with the research sponsor and results are provided only in aggregate form.

Of course, conducting prospect research is not for every organization. It requires capable in-house staff, or an outside research partner you can trust with sensitive and confidential donor data. It also mandates a certain organizational willingness to utilize new information as it comes to light – whether it is on an individual level or on a broad scale.

However, as time goes on, we have seen more and more organizations embrace these techniques as an organizational necessity. There is simply too much potential involved in this brave new world of planned giving to leave anything to chance.

Campbell Rinker is often called upon to measure the
generations.


affinity, loyalty, goals and motivations of potential major donors, adding depth and insight to known facts about a donor’s giving capacity. If you would like to learn more about these services, please call Dirk Rinker at 888-722-6723, or email him at Rinker@CampbellRinker.com.

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