Expanding the Prospect Pool: The Key to Increased Gifts

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Many years ago, one of our new clients wanted to increase its prospect pool. For our first meeting, the representatives of the charity asked us to bring them a list of people who might become donors. When we tried to explain that, um, that wasn't the way expanding a prospect pool worked, they said "ok, then tell us who the rich people are in this town and we will send a letter. We quickly disabused our eager, but naive client and suggested a more thoughtful approach. Some of the ideas from that conversation—and from many others since—might also be helpful to other non-profits.

Every non-profit we know would like to increase its fundraising totals. But we know of only two ways to move toward that goal: increasing the size of the gifts from current donors, or increasing the number of donors making gifts. With good reason, conventional wisdom suggests that keeping a donor one already has is easier than finding a new donor to replace a lapsed one. The other part of that conventional wisdom tells us that current donors are the best prospects for new gifts. Current donors have already made an investment in the mission of the non-profit, and they have already taken an active step in supporting that mission.

So what can one do with current donors to expand the pool?

1. Thank them! This advice seems simplistic and gratuitous, but we are amazed at how often non-profits delay or "forget" to send notes of thanks for a gift. And thank them multiple times. Many universities have instituted student "thank-a-thons," in which students call annual fund donors simply to say thank you—again. Those strategies pay off in both good will and new donations. And "forgetting" to send that thank you note also has a result—often in creating a new lapsed donor.
2. Steward them. Make them feel special. Every donor, regardless of the size of the gift, wants to know that he or she is making a difference. Tell your donors how their gift changed someone's life. Be specific. Tell a story about the student who attended school as a result of the gift, about the family who found a place to live and put food on the table because of the donor's generosity, about the policy that was changed because of the contribution. And invite them to special events—even bagels and coffee count as "special."
3. Suggest new ways they can give. As generous as donors might be, some would benefit from finding ways of becoming more generous through tax benefits and new strategies for transferring assets. Yes, you can include such strategies on your website, but few people read what appears to them complicated and technical information. Instead, tell

stories about other donors who made gifts of real estate or privately held business or partnership interests.

And begin—or revitalize your legacy program. Donors who make a commitment through their estates often will increase their current gifts as well. For these donors, the investment is both short and long term. Personal visits, letters from the CEO, tokens of appreciation all help reinforce generosity.

One specific new method of giving we have found especially appealing—and effective—is a gift of retirement plan assets. For many donors, retirement plans are the largest single asset in the donor's estate. Making a non-profit a beneficiary of an IRA or a 401(k) plan is both quick, inexpensive (in fact, free), and can provide an ultimate gift far larger than the donor might ever have imagined.

4. <u>Focus on special groups who have a particular reason to increase the size of their gifts.</u> The governing board is group number one on this list. Serving on a board is a privilege, but one that carries responsibilities too, one of which is financial support. Every board member should make an annual gift, sometimes of a minimum suggested amount. But board members are also those who should merit a fundraising conversation every year as well. We suggest that the CEO or Chief Development Officer make a personal commitment to talk about giving—especially giving through non-cash or estate commitments—with each board member each year. Such conversations will both reinforce the importance of giving as a component of board membership and produce new and sometimes unexpected gifts from the board members and their families.

   Another special group is current (or retired) employees. Staff members may not feel wealthy, but they should make annual gifts. And some staff members, if encouraged, can make an estate commitment, even a small one. At universities, faculty are an even more vibrant prospect pool. Many faculty have taught for decades at the same institution and, again, even though faculty as a collective usually see themselves as anything but major donors, we have found faculty exceedingly responsive to messages about Charitable Gift Annuities or retirement plan beneficiary designations.

5. <u>Pay attention to donor loyalty.</u> Donors who have made a gift for a number of years in a row—no magic but probably at least ten—are often your best prospects for another, and perhaps a major, gift. Most major gifts do not come as a function of steady incremental growth but rather because a donor has been giving steadily for some time and then experiences a life change that enables him/her to move to a new level. Or sometimes, the donor is simply ready to respond to the continuing stewardship (see above) and makes a larger or more creative gift. Your donors who have given more than fifteen years in a row are also some of your best prospects for an estate commitment, which in itself increases the possibility of a larger current gift.

But what about adding prospects to the pool?

1. Focus, focus, focus

   While private (or public) foundations with a stated interest in the mission of the non-profit can sometimes become new prospects (and yes, with foundations, cultivation and personal contact often are every bit as important to a gift as they are with individual donors), most new prospects will come from the larger pool of those who already have a connection with the charity. Alumni who have not previously given, parents whose children have just enrolled in a school, members of a national organization, new professionals in a professional society, new patients and their families—all are potential donors. But turning them from potential to real is the key.

2. Ask Advice

   One of the best ways we have found of facilitating that transition for potential to actual donors is to ask them how to encourage their gifts. Focus groups of 10-12 people representing the very constituency the non-profit would like to cultivate can offer invaluable insights in how best to engage others with similar demographic characteristics. Who does not like to offer advice? And we have found that asking advice both provides valuable advice, but also engages prospects in the process of self-cultivation. Invariably, someone in a focus group will stay afterward to discuss a way that he or she can become more active with the non-profit and sometimes how they, in fact, make their first major gift.

3. Segment

   Finally, we urge our clients to think also about market segmentation. Public relations professionals have learned long ago that targeted messages from credible spokespersons has far more effect than the old scatter-gun approach. We are all so bombarded by anonymous opportunities to part with our philanthropic dollars that we tend to ignore most of them. The more personal the approach, the more likely your donors are to respond.

   One such target audience is the "entrepreneurs." Often, those who have parleyed a good idea and business savvy into what are sometimes a series of successful business ventures, tend to think about their philanthropic giving in much the same way as they think about their investments. They like to be in control; they are usually excellent planners, so they appreciate the opportunity to brainstorm with a gift planning professional on the many ways of accomplishing their philanthropic goals. They want their gifts to fit with the other financial and social goals in their lives. They believe in taking reasonable risks, and they value a charity's believing in their ability to turn risk into reward before it happens.

   One of the most successful approaches to cultivating entrepreneurs for a "venture capital" gift begins with conversations about a donor's new project. One example to illustrate this idea comes from a small liberal arts college that was just entering a major campaign. The chair of the board, a successful venture capitalist, wanted to make a major lead gift but his capital was tied up in his new project. He posed the question to the college leadership of giving a 10% share in the new company, forgoing his up-front tax deduction (since value was so indeterminate at the beginning). But he was confident that college would benefit in a few years. Sure enough, his gift turned out to be worth well over $1million before the campaign ended. This college went on to approach other donors with similar interests and assets, with some similar successes. The growing number of “retirement-age” baby boomers provides another market segment worth considering. Whether these donors are in fact retiring or not, they are approaching (or passing) the age when they will have to start withdrawing from the IRAs and 401(k) plans they have been building for years. And their retirement plan managers—and every insurance agent in the country—are offering free dinners to try to entice them to annuitize those plans with their companies. Many of these potential donors may respond, and in the process, eliminate the opportunity to make their favorite charity a beneficiary of their plans. Messages that focus on the 65-71-year- old population can produce potential significant benefit for charities that offer advice on how easy—and tax-effective--a retirement plan designation can be.

Growing and sustaining a prospect pool is critical to successful fundraising. But that is just the start. Nurturing relationships with those prospects is the next step. And a topic for another article.