A Fresh Look at Feasibility: Planned Giving in Campaigns

Planned Giving Today

Vol. 25, No. 9 (September 2014) pp. 1-2, 6-7

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A new President shows up on campus. A new CEO appears in the office. A new Administrator takes over a major health care organization. And after learning how to navigate the by-ways of the non-profit, almost all of them soon begin to cast covetous eyes on the prospect of a new fundraising campaign.

For good reason. Each newly appointed chief executive comes with a vision (or should come with a vision) to lead the organization to new levels of effectiveness, and—one would hope—a desire to fulfill the organizational mission in better, fuller, and more clever ways. Campaigns are often the engines that drive these visions and turn ideas into practical reality.

At the same time, though, we would argue that campaigns are artificial and manufactured: the canopy of the campaign format is an institutional contrivance—an excuse to have a conversation with major donor prospects that might not occur were it not for the visibility and the urgency of the "campaign."

The Role of Feasibility Studies

One of the first things a smart new leader will do to prepare for a campaign is to commission a feasibility study. Designed to engage campaign prospects in the process of determining the focus and the scope of the campaign, a good feasibility study should significantly frame the size, the duration, the purpose, and the structure of the campaign. To do so, however, requires that the feasibility study paint the potential campaign in broad and multi-faceted ways. If the feasibility study is too narrow in its questions, the results will likewise be equally narrow, and the organization may find itself missing significant opportunities to raise money and secure commitments in support of its mission. For that reason, we would recommend a new approach to feasibility studies.

Too often feasibility studies exclude asking about both non-cash gifts and deferred gifts—both of which can be essential to a successful campaign. The traditional feasibility study, with its questions on the different programmatic options all delineated in a graphically lovely brochure, inevitably asks "where would you place yourself on this pyramid of gifts?" And interviewees most often respond by thinking of their income and their checking account. That response is almost always too low because it evolves from the donor's consideration only of cash or cash-like assets.

When we first began offering feasibility studies several decades ago, we, too, were blinded by the importance of "cash now"—especially for capital projects—and often phrased our questions in limited ways. What we forgot is that a feasibility study also is a teaching/seduction opportunity. By asking "which of these non-cash assets will work best to publicize at your college?" or "which of these legacy gifts will be the most appealing to your membership organization," we allow interviewees to pause and then ask in turn "Huh? You mean I could give my vacation property I don't use anymore. . . and get a tax deduction?" or "I can change my TIAA/CREF policy that easily to include a non-profit?"

More than a decade ago, we conducted a feasibility study for a Continuing Care Retirement Community (CCRC) that offered lifetime care for its residents. This particular CCRC wanted to reformat a nursing facility into a residence for those who were memory impaired. It was a classic capital project with a need for upfront cash, or so we and everyone else thought. When we asked our questions to our interviewees, each person agreed with the importance of the project but almost everyone said, "but I am living on a fixed income and could not possibly contribute to this campaign." At the end of our interviews, we had found no lead donors and, in fact, few at the five- or six-figure level. It appeared to almost everyone that the CCRC could not undertake the project, no matter how much everyone thought it was needed.

But it so happened that this CCRC had an entrance fee that was refundable to the resident if he or she left the community or to the resident's estate at death. The CCRC could use the income from the entrance fees but had no access to the principle since it was obligated to refund the original amount at some future time. What if, we asked, people could donate their refundable entrance fee, thus freeing that amount to be used immediately by the community? Or, what if people could give through a CGA and the organization used the remainder interest for construction costs? Further, we discovered that many of the residents of this retirement community had worked for a large for-profit organization with a major local facility. It so happened that this for-profit organization gladly matched up to $50,000 per retiree each year—and it was happy to match non-cash gifts as well as cash gifts. The campaign was over almost before it started once non-cash gifts, life-income gifts, and matching gifts entered the equation. Planned gifts were the key to success and only talking with the residents did we discover the specific planned gift assets that enabled the construction to take place.

Ever since that feasibility study and successful campaign, we have learned to do the following:

- Always include questions on non-cash gifts in the feasibility interview questions.

  Simply by asking questions about non-cash assets, feasibility studies can expand the perspectives of potential donors. Most donors to most campaigns continue to think about major gifts as something to do with "the money I have left over in my checking account" or "the cash I can afford to give away after I have taken care of my other responsibilities—planning for retirement, caring for aging parents, saving for grandchildren's education, etc." But cash and cash equivalents (such as money market funds) comprise only around 10% of what donors collectively own, as measured by value. Real estate, securities (both public and private), retirement plan assets, insurance policies, trusts, and tangible property are, together, worth far more than most people's cash accounts. Asking about non-cash gifts opens new avenues of thought for donors and often will significantly influence how they place themselves on that ubiquitous campaign pyramid.

- Schedule individual interviews, of course, but also schedule one or two small group sessions.

In a feasibility study setting, some potential donors will speak more candidly and openly when talking one-on-one. These are the people whose decisions about the campaign will make the most difference--the major potential lead prospects. Often, however, others, who can have a significant impact on a campaign, engage better in small groups. Sub-sets of governing boards, members of special advisory boards (like Alumni Councils at universities), or simply groups of like-minded friends can, when meeting together, stimulate one another to think more broadly about a potential campaign than they would if meeting separately. With the campaign we cited earlier at the CCRC, groups of residents who knew each other socially, played bridge together, or ate together, produced some of the most creative and lively discussions, and most of those who attended ended by participating in the campaign, often at levels they had not envisioned before the meetings. These small group gatherings are both more economical than one-on-one interviews and more inclusive, as they allow more people to be treated as "special."

- Try to include someone who has given through a life income gift or through a legacy commitment in these small group feasibility sessions.

Life income gifts and legacy gifts are increasing important to campaigns. Even at the large multi-billion dollar campaigns at some of the nation's largest non-profits, life income and legacy gifts can easily comprise from 25-40% of the ultimate total. And nothing reinforces the benefits and the ease of making such gifts more than testimonials from people in the organization who have already made such a commitment.

Testimonials work in general communications, but they work even better in person. That is why we often will ask a donor who has funded a CGA or included the non-profit in his or her estate plans to be a part of our feasibility small group discussions. Almost invariably others in the group will ask how they can participate in the same way, and by so doing they influence considerably our recommendations about the size and structure of the campaign.

- Consider presenting campaign gifts as opportunities to solve family problems.

  Rather than assume a common, yet erroneous perception that charitable giving and family financial responsibilities are oppositional to one another, we like to pose questions in our feasibility study interviews and group discussions that suggest ways of addressing both through the same mechanism. Adding to retirement security through a CGA or a charitable trust, saving for children's or grandchildren's education through a similar vehicle, avoiding income tax on the residue of a 401(k) plan through a testamentary CRT to benefit children, relieving donors of the complications of managing a remote vacation property are only some of the ways charitable gifts can address family concerns. We often prepare a set of creative ways of giving, with specific examples of how these gifts can help with non-charitable issues, as part of the preparation for our feasibility interviews. And, again, invariably someone in the interview list wants to know more.

Counting Planned Gifts in Campaigns

The increased importance of planned gifts (both current non-cash assets and deferred gifts) in campaigns not only influences the ways we believe meaningful feasibility studies should be conducted. It also affects the ways in which campaigns present themselves to the public, both internal and external. The Partnership for Philanthropic Planning, when it was still operating under its previous title of NCPG, commissioned a national task force to address this issue and recommend a set of best practices to ensure both transparency and inclusivity for campaigns. Dr. Bigelow had the pleasure of chairing that effort and, along with a number of his fellow task force members, has spoken on numerous occasions since the task force issued its report about the recommendations. We find more and more of our clients following these guidelines as new campaigns come on line. The task force report can be found on the PPP website: (http://www.pppnet.org/pdf/PPP_counting_guidelines_(2009).pdf).

In summary, the report suggests that campaigns should comprise three different categories of commitment—three different "buckets," if you will—within which to report campaign gifts. The first is gifts that are usable by the organization within the campaign reporting period. These can and should include non-cash gifts of real estate, closely held stock, or tangible property. So even in this category, planned gifts, as we define them, become critical. The second "bucket" is irrevocable gifts that the organization will receive at some time in the future after the campaign is completed. And the third is revocable gift commitments made during (and probably as a function of) the campaign that will come to the organization at some point in the future, most likely after the death of the donor.

By including all three of these “buckets’ in the campaign planning and by addressing the possibility of all three categories in the initial feasibility study, organizations can create a campaign structure that encourages the “triple ask”. Organizational representatives can ask donors about all three types of gift commitment, and donors can combine all three to make a bigger campaign gift than they thought possible.

By emphasizing planned gifts—both in the feasibility study and in the campaign itself—non-profits will raise more money, engage more donors in thoughtful ways, and create a long-term stream of gift commitments that will set the stage both for the next campaign (which will surely come) and for the financial viability of the organization for many years to come.