

Philanthropic News & Analysis

Giving Across The Ages: Donor Behavior, Past, Present And Future

When John Havens and Paul Schervish at **Boston College** identified in 1999 a potential wealth transfer of \$41 trillion, the not-for-profit community rallied around the possibility of major future infusions of philanthropic support. Their prediction has begun to bear fruit; according to *Giving USA*, total charitable bequests increased from \$17.8 billion in 1999 to \$28.1 billion in 2014, a compound annual growth rate of 3.1%, compared with an annual inflation rate of 2.4%.

Fifteen years later, Havens and Schervish have revised their estimate of philanthropic potential from U.S. Baby Boomers to nearly \$59 trillion (*A Golden Age of Philanthropy Still Beckons: National Wealth Transfer and Potential for Philanthropy*, 2014).

Despite this powerful evidence that the more than 60 million “Gen X” Americans (born c. 1965–1980) will soon hold the purse strings, GG+A observes that this group is curiously absent from the national conversation about giving. Recent major gifts are evidence that those who focus exclusively on the over-60

crowd may miss critically important opportunities. Yet national attention has focused on the response of Millennials (born c. 1981–1997) to new forms of engagement such as crowdfunding, activity-based fundraising, and peer influence via social networks, allowing many to overlook the enormous potential of the middle generation.

Consider recent gifts of \$20 million to **Connecticut College** from Robert ('88) and Karen Hale to endow a need-based financial aid program, support career programming, and improve athletics facilities; and \$15 million

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New Generation Volunteers: A Complex Mix Of Motivations

“Room at the table – it’s our turn now.” Reflecting on her appointment to the **Philadelphia Museum of Art** (PMA) Board at the age of 40, Jaimie Field chuckles: “I was the poster child for a shift of culture.” Field, Director of Sustainability for Entercom Communications, Inc., and a board member at the **People’s Emergency Center** (PEC) in West Philadelphia, had worked for the Museum after graduation from **Brown University** and continued as a volunteer thereafter. Jennifer Alvey, Vice President, Revenue Cycle Services, IU Health, describes her trajectory at **The Children’s Museum of Indianapolis** (TCM) similarly, having joined its Board last year after serving on the Finance Committee two years previously: “What’s important about my service is that it has an impact – that my opinion counts and is valued.”

Alvey first became involved with TCM when her children were small: “I went to some events and noticed that many Board members were

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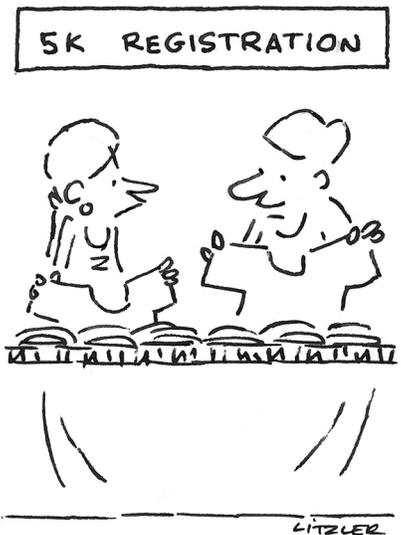
to **Harvard University** from Eric ('88) and Stacey Mindich to endow a program in public service activity. These gifts demonstrate a powerful impulse to advance core values shared by the donor and the institution. Jaimie Field reports that her first major gift to the **People's Emergency Center (PEC)** supported the infant and toddler resource center: "If I did nothing

else right in my life, 125 kids would enjoy a safe, clean and nurturing environment every day."

Skeptical, Opinionated, Hands-On: The Gen X Donor Cohort Emerges

"We ask a lot of questions." This is an understatement, according to fundraisers accustomed to the high level of trust in institutional rhetoric that characterized donor behavior for years. Carol Dedrich, Chief External Relations Officer of the **Girl Scouts of Greater Los Angeles**, sums it up: "Gen X'ers need to see it and believe it. Older donors needed less convincing." Melissa Starace, Associate Vice President for Engagement, Annual Giving, and Operations at the **University of Scranton**, agrees: "Gen X donors want a greater say in what they're investing in."

Younger donors appear to affiliate more directly with the cause than the institution: as one second-generation family philanthropist noted, "I have a list of problems I'm interested in and try to research the best way to attack the problem." Research is frequently followed by due diligence – careful review of the organization, its leadership, its finances, and its "proof" of impact (*Next Gen Donors Report: Respecting Legacy, Revolutionizing Philanthropy*, Johnson Center for Philanthropy, 21/64, 2013).



"WE'RE SAVING THE WORLD
ONE FIFTY-DOLLAR T-SHIRT
AT A TIME."

Although outcomes and measurement recur consistently as important motivators for younger donors, this cohort is not entirely left-brained in orientation. In thinking about the members of the **Krieger School of Arts and Science's** Second Decade Society, Lindsay Esposito, Assistant Director for Volunteer Leadership at **Johns Hopkins University**, says that these young donors "respond to both quantitative (budgetary) and emotive (student testimonial) information. Both are effective in engaging them with their alma mater."

"This 'philanthropy' thing is new to us." "You can provide information in all sorts of forms,

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but it's not clear what will stick," notes Geoff Branigan, Director of Development at **Montclair Kimberley Academy**. The school's *Future Forward Campaign*, now at \$25 million toward its \$30 million goal, has provided an opportunity to engage many parents in their first conversations about major gifts. "One of our challenges with younger parents is to teach them about philanthropy. We've used a 'mentorship' approach, of sorts, by asking Baby Boomers to talk with Gen X parents about what their giving has meant to them." Jennifer Alvey describes her own experience in similar terms: "When a mentor whom I admired invited me to Museum events, I started to feel obligated. When I was asked to play a role, I felt connected and said 'yes.'"

Some Gen X donors "tell us how they want their gifts to be used," according to Starace, seeking a level of control unfamiliar to development officers who have worked with older donors. This situation can be particularly challenging when one donor urges others to support a pet project: "This is about active listening and aligning donor interests with institutional priorities so that the donors feel good about their investments and recognize the impact the institution is able to make as a result of their gifts." And the challenge of working with

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THE GENERATIONAL DIVIDE: STAYING AHEAD OF THE CURVE

Hardly a day goes by without some reminder that the vehicles for human interaction are changing far more rapidly than previously imagined, let alone experienced. Those whose success depends upon volunteer and donor engagement may find the range of options now available confusing, if not downright bewildering. A recent study provides a few clues about how best to engage, motivate, and gain support from donors across the generations.

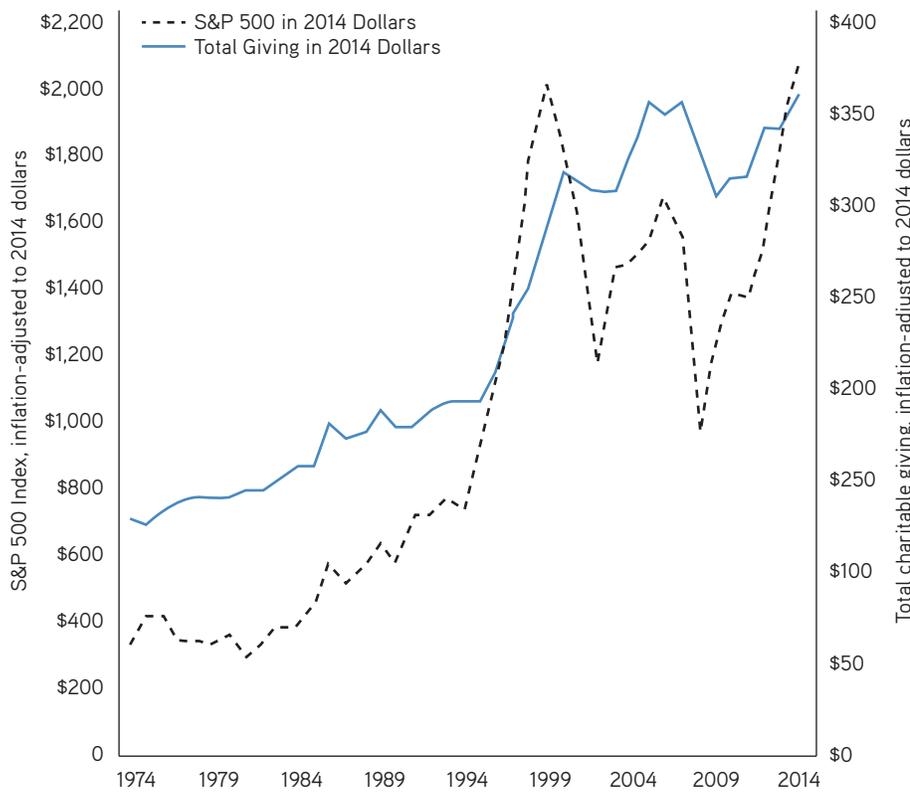
- Although the factors that donors identify as making them feel genuinely involved are fairly consistent across the generations, active volunteer involvement is far more important for the youngest, while the eldest appreciate a more passive connection, in the form of "updates," such as newsletters, that may be consumed on their own time.
- The factors that motivate donors most strongly remain consistent across the generations (reputation; belief in mission; wise use of money; support makes a difference), although the importance of reputation is sharply higher (62%) for Mature donors (b. 1945 or earlier) than for Millennials (48%), for whom hands-on evidence is more powerful.
- Impulse giving ("checkout donations") represent the most frequent form of contribution for Millennial and Gen X donors, although not, of course, the vehicle for the largest gifts. Millennials report making only 8% of their gifts by phone, as compared with 25% of gifts from Mature donors. And although gifts made via social networking sites represent only 5% of total contributions, they constitute nearly double that share for Millennials, at 9% – a trend to be monitored closely.
- Gen X and Millennial donors, most likely to be parents themselves, are most supportive of organizations that serve children and youth – hardly surprising. But charities may be less likely to anticipate the strong affinity of the youngest donors for animal welfare organizations (an umbrella term that also encompasses aspects of environmental and wildlife causes) or that religious giving falls below the top three for both Millennial and Gen X donors, consistent with the growing percentage of the U.S. population that self-identifies as "unaffiliated" regarding religious institutions.

Source: *Donor Engagement: Aligning Nonprofit Strategy with Donor Preferences*, Abila™, 2015.

Market Impact On Philanthropic Potential: A Case Study

When markets experience significant corrections or simply the kind of high volatility manifested since August 2015, it is natural to wonder what the impact will be on fundraising programs in the near- and long-term. As the following chart and formal research on the matter indicate, there is a statistically valid correlation between the rise and fall of equity markets and overall philanthropy in the United States.

Total Charitable Giving Graphed with Standard & Poor's 500 Index, 1974-2014
(in billions of inflation-adjusted dollars, 2014=\$100)



Source: Giving USA Foundation™, Giving USA 2014.

This connection may seem obvious, especially given that many large gifts are made from individual assets, not income. The research indicates, however, that rising equity markets inspire more aggressive philanthropic growth rates than declining markets depress them. In other words, corrections or bear markets are not to be feared as much as bull market runs are to be cheered.

How quickly will an institution see an impact, and can we determine or forecast the likely rate of change? As it turns out, public records research alone (“wealth screening”) is not enough. As the adjacent chart shows, the impact of both falling and rising markets on a prospect pool’s philanthropic capacity is often not easily quantifiable for several years, as changes in any individual’s financial situation will not be revealed immediately in publicly available data, but over time.

In this case, one major research university refreshed wealth screening ratings on their entire alumni population every two years from 2007 through 2015. While nearly all global asset classes experienced significant declines by late 2009 and near-recovery to pre-recession levels by the end of 2011, evident philanthropic capacity for this alumni population continued to fall through 2013 and then rebounded sharply in 2015. Furthermore, while the number of constituents in each gift capacity increased, the highest levels had not returned to pre-recession levels by 2015.

Why would this be? Publicly available data is less precise in assessment of some individuals’ wealth and philanthropic capacity than others, as information varies according to profession, types of assets held, and other variables. In addition, GG+A typically finds that migration of previously unrated prospects into the ranks is more likely to be evident at the lower ranks than the very top.

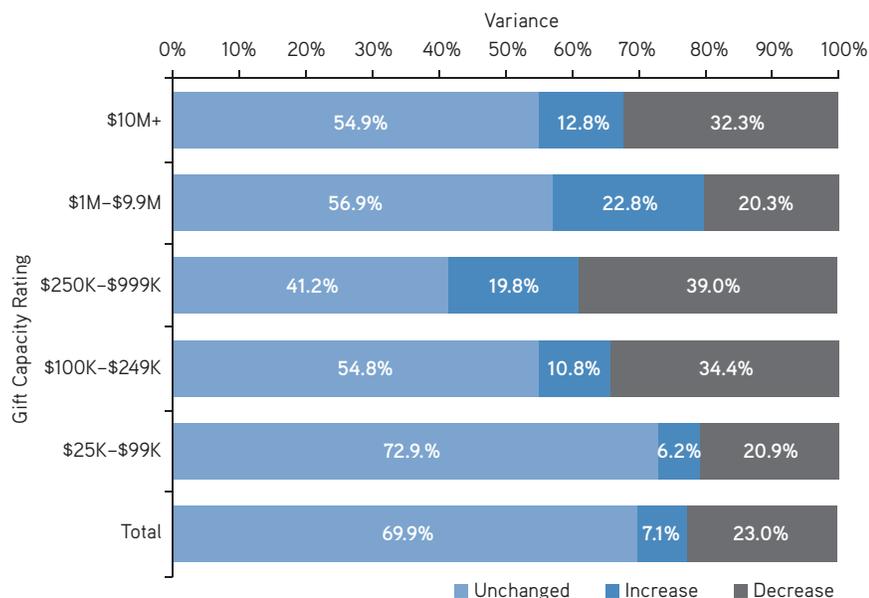
**Philanthropic Capacity Rating Over Time:
A Snapshot of One University Profile Post-Recession**
(Number of Constituents by Rating from 2007-2014)

Gift Capacity Rating	2007	2009	2011	2013	2015
\$10M+	145	125	53	38	76
\$1M-\$9.9M	563	561	402	387	654
\$250K-\$999K	1,404	1,419	1,551	1,465	2,470
\$100K-\$249K	4,310	4,126	4,883	4,288	6,762
\$25K-\$99K	33,899	31,960	37,833	30,644	46,265
Total	40,321	38,191	44,722	36,822	56,227

Source: GG+A Philanthropic Analytics

However, when we took a close look at the pattern of change between 2011 and 2015, individual by individual, we learned that 70% of individuals' estimated capacity remained the same; 7% increased; and 23% decreased. These changes are not uniform across the wealth spectrum, though; records rated at \$250,000 or more in gift capacity were two to three times more likely to have increased in capacity compared to the average. This is likely explained by the fact that mid-range prospects' capacities are often driven more by real estate than equities; home values have recovered more slowly and tend to suffer from a reporting lag based on the timing of local tax assessment cycles.

Shifts in Philanthropic Capacity Rating, 2011-2015



Source: GG+A Philanthropic Analytics

Both in the aggregate and at the individual level, this data highlights the importance of clear communication and collaboration between researchers and gift officers. Public records are a necessary and time-tested approach to achieving a balanced understanding of philanthropic capacity, but they are never as timely or accurate as direct interaction with prospects, whether face to face or even via electronic surveys that elicit indications of interest and/or capacity. Perhaps most importantly, this type of research can touch the psychological aspects of wealth. Donors who feel their wealth is increasing, especially relative to others, will make better prospects than those who feel their financial situation is stagnant – even if in absolute terms wealth has not rebounded to its highest levels for either cohort.

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donors who believe that charitable organizations, no matter how important the mission, will be less competent in managing assets than they would be themselves, has raised the ante in making the case for gifts to the endowment.

Others have learned from their parents, as demonstrated by the 2013 Johnson Center survey of high-net-worth, high-capacity younger philanthropists, 83% of whom are members of families that contribute \$250,000 or more per year. One interviewee characterized his family's philanthropy as follows: "Philanthropy matters. It is a part of how you engage with the world... both with the funds you have and the time you give away." Although the behavior and expectations of Gen X donors demand change within many organizations, this cadre of interested, involved, and active donors will respond enthusiastically to those institutions able to understand the changing landscape and adapt. Those that are able to document need, demonstrate what philanthropy can accomplish, and follow up with exceptional stewardship will surely win support from this next generation of donors. ❖

Q & A

DIGITAL ENGAGEMENT: A CONVERSATION WITH ANDREW GOSSEN

GG+A's Ed Sevilla recently interviewed Andrew Gossen, Senior Director for Social Media Strategy, Alumni Affairs & Development at **Cornell University**. Cornell's first Day of Giving on March 25, 2015, raised \$6,969,229 and generated 9,683 gifts.

Q: *The conversation about young donors typically goes right away to Millennials. Why do you think there has been less focus on the Gen X cohort, aged 35 to 55?*

A: A lot of our confusion about Gen X is a direct reflection of our failure to invest in young alumni programs in past decades. All we really know about people between 35 and 55 years old is whether they're donors. We need to learn what, if anything, motivates this generation differently.

Q: *Are there assumptions that you think we should challenge?*

A: One is that Gen Xers will respond to a reminder from a classmate about the annual gift because it's the cultural norm: because giving back is "what you do."

Higher education used to be the only game in town when it came to philanthropy. Some of the global charities are now way ahead in terms of approach, stewardship, and a sense of tangible impact. Look at **Charity Water** – an organization that raised \$27.9 million in 2014 and has funded over 17,000 water projects since its founding in 2006. What they do is pretty amazing.

Q: *Are there differences between a Day of Giving and a crowdfunding approach?*

A: Yes. Giving days are driven by the institution; we put on the full court press and send messages to everybody. Most crowdfunding efforts are grassroots outreach. Nine out of ten projects are student-driven, so promotion begins

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New Generation Volunteers: A Complex Mix Of Motivations

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older and had been involved for a long time; I wasn't sure that younger folks with kids had a voice on the Board." She credits the Museum for involving her first at the committee level – "they slow-walked me into it," while other organizations have been less forthcoming: "I'm on the outside looking in." Jeff Patchen, President and CEO of TCM since 1999, reflects on the generational shift in volunteer leadership: "Our younger volunteers don't lack a desire to be philanthropic. Their youthful ambition and energy is exciting and reassures me about the future of philanthropy." Lindsay Esposito agrees that younger volunteers must be confident that they are taken seriously: "It's important to convey genuine interest in their advice and respect for their time."

The Krieger School recognized 25 years ago the importance of focusing on volunteers and donors in their 30s. Membership in the Second Decade Society, a group created to engage alumni selected for volunteer and philanthropic capacity, has proven a great predictor of future engagement: 23 University Trustees are former SDS members, and the 459 emeriti and 98 active members – none of whom has yet reached the age of 60 – have given more than \$83 million in total to **Johns Hopkins**, including several eight-figure gifts.

Communicate, communicate, communicate: But how? "It's complicated," confesses the Girl Scouts' Dedrich. "They say they like e-mail and texts, but they crave real connection." Jeff Patchen agrees that customized service is essential: "All the work we do must be tailored to their needs. There's a lot to be learned from the way major retail enterprise allows you to customize your purchases by what's important to you and when you need it. We must learn how to meet the needs of individuals at different times in their lives." Dedrich comments that busy schedules can create real obstacles in connecting with volunteer leaders: "We do our best to go out to our volunteers, rather than expecting them to come to us." Managing expectations is also important: "Being very respectful of their time helps to build the strong relationship. Our young staff members do not always understand this." Esposito also describes a balancing act: "No matter how hard we try to get it right, it's too little or too much." She now sends a monthly aggregate e-mail, rather than myriad messages: "We almost never send anything by mail, except the introductory package and annual stewardship pieces."

"What's in it for me?" Geoff Branigan describes "the unspoken question" that pertains to many potential alumni volunteers today: "What do

I get? What's the benefit to me?" Jessica Cole, President and CEO of Becker's Healthcare in Chicago and president of **Dance Marathon Chicago** from 2009 to 2014, concurs: "Many of my friends will ask about my involvement in an organization. What was it like? How much time did you commit? What did you get out of it?" The challenge, she reflects, can be helping them to understand that "they actually need to **do** things as well as come to meetings." Esposito notes that potential SDS members "need to see the benefits to themselves as well as to the institution."

According to Lucille Tarin, Executive Director of the Annual Fund at **Bucknell University**, spontaneous group activities appeal to younger alumni volunteers, demanding a more nimble development staff prepared to coordinate multiple efforts simultaneously: "We've learned to keep special projects simple," notes Tarin. Carol Dedrich adds that Millennials often need "immediate satisfaction. They rally for short-term, critical-need goals, like disaster relief." Established organizations sometimes struggle to provide that level of short-term reward. Jessica Cole also sees significant change between the recent generations: "Millennials in general are looking for a feel-good moment; they're much less likely to get into Charity Navigator than a Gen X'er would be." ❖

Digital Engagement: A Conversation With Andrew Gossen

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with campus communities and recent graduate networks, eventually spreading to the broader alumni community. At Cornell, we thought this strategy would appeal to current students and Millennials, but we were surprised by the positive response from Gen X alumni, as well.

Business as usual in higher education fundraising depends on a “broadcast” model, pushing our priorities out to a generally undifferentiated audience. In contrast, crowdfunding enables differentiation on a personal level.

Q: *What about our commitment to high-quality content? How can we strike the right balance between effective institutional messaging and entertaining clickbait?*

A: With data that shows that audiences are paying attention and engaging. If experimentation is the price we pay to identify and adopt different ways to engage, we’d be foolish not to experiment. Development officers don’t feel the sense of urgency, because 95% or more of the money comes from 5% or fewer of the donors, who still tend to be Baby Boomers or older. Perhaps we can afford to ignore this for a while longer. But change is coming; in fact it’s already here and we are not recognizing it. We are in for a shock.

We have to be smart and humble at the same time: to recognize that our institutional aesthetics don’t always align with what current generations want to do online while still finding ways to engage with those we need in order to survive over the long term.

Andrew Gossen, Cornell University

Q: *What actions should we take to help younger generations emerge as philanthropic leaders?*

A: • Engage in a highly digital space, with competitors who are investing heavily in time and dollars

CROWDFUNDING AT CORNELL: BY THE NUMBERS

- 56% of gifts from alumni of the 2000s and 2010s, including current students
- 27% from alumni of the 1980s and 1990s
- 14% from alumni of the 1960s and 1970s

- Invest in people who are thinking about emerging technologies and communications approaches
- Accept data science and analytics as a core discipline within philanthropy

Be creative: 2015 is not the same as 2005, and 2025 will be different from today. How will you make young people feel part of the change your organization is trying to create?

Jessica Cole

Q: *As you think about engagement and philanthropy in the next five years, are you optimistic or pessimistic? Why?*

A: Optimistic. Because in the few moments when we’ve been able to craft something that clicks with young alumni, they share, they step up and they give. It’s just a question of figuring out the key elements so we can be smart and structure our approaches successfully. Giving days and crowdfunding are just the start. Young donors’ insistence on engaging with the institution across many channels will help us do better stewardship all the way up the pyramid, as our youngest donors now become our biggest donors over time.

For the full text of Ed Sevilla’s interview with Andrew Gossen, visit the GG+A Blog at www.grenzebachglier.com/blog.