In a brand new study, The Philanthropy Outlook, the Indiana University Lilly Family School of Philanthropy and Marts & Lundy project steady growth in U.S. charitable giving over the next several years. Based on econometric modeling that tests tens of thousands of variables, The Philanthropy Outlook forecasts total giving, examines changes in giving by source, and highlights specific subsectors such as education, health, and public-society benefit. And the news is bright: total giving is predicted to increase by 3.6% in 2017 and by 3.8% in 2018.

If the projections for total giving are up, why? Most often charitable giving tracks alongside general economic trends. With above-average growth expected in the stock market alongside similar anticipated growth in the GDP, personal income, household, and nonprofit net worth, the financial climate would indicate room for philanthropic growth.

If the projections for total giving are up, how do they compare with the past? While we do not yet have hard numbers from 2016, The Philanthropy Outlook had projected a 4.1% growth in philanthropy for this past year. This current and projected future year growth far outpaces the past ten year average of just .5%. When put in context with the annual growth rate of the past sixty years (1954-2015), the predictions for 2017 and 2018 are slightly above the inflation adjusted annual rate of growth of 3.3%. When compared only to the average growth rate over the past forty or twenty-five years, however, the projections trail the average annual growth rate of between 4.4 and 4.9%.

Alongside total giving, the report projects trends among the four major sources of giving: individuals/households, foundations, estates/bequests, and corporations. As always, individual and household giving dominates as a percentage of total giving (around 70%), and a projected increase in household giving (3.0% - 2017; 3.2% - 2018) falls only slightly behind the predicted increase in total giving. Slightly larger projected increases in giving among foundations (5.9% -2017; 6.0% in 2018) and estates (5.4% - 2017; 5.2% - 2018) make up the difference.

While the new report does not predict giving within each subsector, it highlights some of the fastest growing areas: education, healthcare, and public society benefit. While education and healthcare come as little surprise, the growth in public society benefit organizations may need slightly more explanation. This subsector includes groups as diverse as community development and human rights organizations as well as
umbrella charities like the United Way and Jewish federations. It also includes donor advised funds, which have exploded in recent years.

A future Insights article will hope to focus on the impact of donor-advised funds for faith communities and religious organizations, but it is worth noting the importance of donor-advised funds and donors’ increasing use of these vehicles for their giving. For the year 2015, it is estimated that contributions to donor-advised funds amounted to $22.3 billion. That amount is 6.0% of total U.S. charitable giving, significantly higher than in 2010 when contributions to these funds were 3.2% of total giving.¹

The Philanthropy Outlook does not predict giving trends to the religious subsector (defined narrowly to include mostly congregations and denominations) because it is notoriously difficult to predict. However, religious giving is not immune from these larger trends. In multiple studies, scholars have found that overall religious giving regularly mirrors trends in stock market, GDP, and personal income. Yet at the same time, in recent years, religious giving has also grown at a slower rate than overall charitable giving. It still remains by far the largest percentage of the philanthropic pie, but future projections may find it losing ground. There are multiple reasons for these trends that we have covered in Insights articles in the past, and Lake Institute will continue to address them going forward.

At present there are a few additional takeaways that religious organizations should note from this study:

1) **Personal engagement with donors matters.** While religious communities may often have increased connection with their constituents, their fundraising and stewardship appeals often forfeit that natural personal connection for an impersonal need for funding. How can religious organizations connect with the passions of their donors/members and demonstrate that you know and care for them?

2) **Donors are seeking instantaneous and flexible collaboration.** Of course, your organization cannot afford to dismiss digital connections as a means to connect with donors. As one nonprofit leader notes, donors are seeking “friction free” engagement.² “Friction free” may focus on a smooth giving transaction, but it also points to the need to take down barriers donors find to engage with your organizations. Do constituents know how to get involved, volunteer, and easily advocate for your work through their social networks? Too often in our attempt to manage our work, we limit the number of opportunities to interact with us. We do so to our detriments.

3) **Religious organizations must engage the larger philanthropic universe.** While growth in assets may mean larger annual giving by foundations over the next few years, most of the foundations are relatively small family foundations. Likewise, individuals are using the financial advantages of donor-advised funds with the capacity to give more than they might have in past years. Is your organization equipped to receive gifts from these types of philanthropic vehicles? Do donors know how your organization might match their interests?
4) Finally, motivations are still central. Religious organizations must engage not only how people are giving, but also why. This continues to serve as a significant advantage for religious agencies willing and able to engage individuals in discerning their own motivations for giving. Too often we relinquish this asset as separate from the work of fundraising. That must not be the case.

As we begin 2017, take time to reflect on how these trends affect your own organization, focusing on your own distinctiveness, and setting goals for your work in the coming year.