New Frontiers
Exploring philanthropic patterns of wealthy donors

Also in this issue:
- Million Dollar List aids nonprofits and donors
- Faith, philanthropy, and fundraising
Engaging Philanthropy

Connection. Commitment. Intentionality.

Today’s donors are increasingly approaching giving with these three principles in mind, and they expect the same from the organizations they support.

The new research featured in this issue bears this out, underscoring that philanthropists seek opportunities that resonate with both their hearts and their heads. Whether we are talking about giving a windfall or a widow’s mite, volunteering on a board or in the nursery at a house of worship, personal relationships, deeper engagement, accountability, and the sense of making a meaningful difference are the keys.

The studies highlighted here confirm what many of us have long known anecdotally—that whether we are nonprofit professionals, volunteers, or donors, it is when we are most engaged that we can have the greatest impact. As you read these pages, I invite you to reflect on how you can become more deeply engaged with the issues you care about most and the people who share that commitment.

Cordially,

Gene Tempel
Founding Dean, Indiana University Lilly Family School of Philanthropy

Lilly Family School of Philanthropy Research Partners
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High net worth donors are firmly committed to and confident in nonprofits, and they are highly strategic about their philanthropy, the 2012 Bank of America Study of High Net Worth Philanthropy finds.

Among wealthy households, average giving as a percentage of household income held steady at approximately 9 percent in both 2009 and 2011, despite the challenging economic environment. Developed through an ongoing partnership between Bank of America and the Indiana University Lilly Family School of Philanthropy, the fourth in this series of biennial studies defines high net worth donors as those with a net worth of $1 million or more (excluding the value of their home) and/or an annual household income of $200,000 or more. These donors were asked about their philanthropic activity in 2011, including their giving and volunteering patterns, priorities, and practices.

Virtually all wealthy donors—95 percent—continued to give even amid economic uncertainty. This high level of giving is consistent with the study’s previous rounds and compares with 65 percent of the general U.S. population who donate to charity.

“This is heartening news for nonprofits,” says Claire Costello, philanthropic practice executive for U.S. Trust, Bank of America Private Wealth Management. “We are seeing a persistent level of commitment among wealthy donors to the causes and organizations they care about most.”

One of the strongest indicators of that commitment is that 89 percent of high net worth individuals volunteered their time and talents for nonprofit organizations, up 10 percentage points from 2009. And, in general, the more they volunteered, the more they gave. For example, those who volunteered more than 100 hours gave more than $78,000 on average, roughly twice the average gift among those who volunteered fewer than 100 hours.

Increasingly, wealthy donors are giving their contributions to organizations where they both volunteer and believe their gift will have the largest impact. When that was the case, their average total gift grew by 40 percent between 2009 and 2011, from $73,301 to $102,642.

The Forecast for Giving

For the first time, the study asked high net worth donors to forecast their giving over the next three to five years, through 2016. More than three-quarters (76 percent) of those surveyed plan to give as much or more during that period than they have in the past. Just 9 percent plan to give less.

This optimistic projection further reinforces the confidence that the vast majority of wealthy donors have in nonprofits: 91 percent said they have faith in nonprofits to influence and enact positive change in the world. Fewer have confidence in the private sector, and far fewer have faith in various areas of government.

However, the possibility of changes in tax policy could temper high net worth giving. While less than one-third (32 percent) of donors cited tax advantages among their chief motivators for giving, 50 percent said their giving would stay the same if the charitable tax deduction were eliminated, and nearly half (49 percent) said they would decrease their giving somewhat (39 percent) or dramatically (10 percent).

“Taxes don’t drive giving, but they do matter,” says Patrick M. Rooney, Ph.D., associate dean for academic affairs and research at the Lilly Family School of Philanthropy. “We know wealthy donors give because of their religious beliefs or personal values. But they’re also rational human beings and eliminating charitable tax deductions may affect how much, where, and when they give.”
Informed and Intentional

Wealthy donors know where and why they want to give. In 2011, more than two-thirds (72 percent) rated themselves as knowledgeable about charitable giving and philanthropy, and 71 percent crafted specific strategies to guide their charitable giving.

In addition, 81 percent gave to a targeted set of organizations based on geography or a specific cause, and 61 percent set a budget to back that strategy.

“Not only is making a difference the number one motivation for giving, but wealthy donors are structuring their gifts for greater impact as well,” says Costello. “These are serious, dedicated, and deliberate donors who leverage their investments with great intention and forethought.”

The timing of their gifts also varies, according to preferences or personal circumstances: 43 percent made more charitable contributions during the “giving season” between October and December, while 44 percent spread their giving evenly throughout the year.

Where They Give

Wealthy donors are generous with their philanthropic dollars. However, even at this high level of income, donors still respond to the pressures of a volatile economy and are more motivated to give when they feel financially secure. Although high net worth households’ average giving as a share of household income remained the same, the average dollar amount given per high net worth household in 2011 declined 7 percent—from $56,621 in 2009 (adjusted to 2011 dollars) to $52,770.

While high net worth households were most likely to give to education (80 percent), basic needs (79 percent), and arts and culture (69 percent), the majority of their charitable dollars were directed toward education (28 percent), giving vehicles (23 percent), and religious organizations (13 percent). Wealthy households directed their largest gifts to religious (36 percent) and education (25 percent) organizations.

High Expectations

In 2011, 30 percent of wealthy donors stopped giving to at least one nonprofit they previously supported, and 20 percent stopped giving to five or more charities. The reasons? Nonprofits asked too frequently or for too much (38 percent), the nonprofit’s leadership changed (29 percent), the donor changed his or her philanthropic focus (27 percent), or household circumstances required rethinking the giving strategy (22 percent).

“Wealthy donors are informed and intentional. They have a strategy for where, when, and how they give. It’s important that nonprofits be ready with a strategy of their own,” says Rooney. “It’s not enough to prepare to solicit these gifts; nonprofits must be mindful of stewarding them as well.”

Contact Patrick Rooney at rooney@iupui.edu. Contact Claire Costello at claire.m.costello@ustrust.com. Read the 2012 Bank of America Study at www.philanthropy.iupui.edu/research-by-category/the-2012-study-of-high-net-worth-philanthropy.
“When clergy know the giving patterns of their congregation—when they make fundraising part of their ministry—it makes a difference,” says Dr. William Enright, the Karen Lake Buttry Director of Lake Institute on Faith & Giving at the Indiana University Lilly Family School of Philanthropy.

The importance of engaged clergy to congregations’ fundraising efforts was one of the key findings revealed by the 2013 Congregational Economic Impact Study, which explores how congregations in the United States are coping with recent economic challenges and looks at their financial and fundraising practices as well as how they are addressing the changing landscape of religious life.

Researched and written by the Lilly Family School of Philanthropy’s research team and Lake Institute on Faith & Giving at the School, in partnership with the Alban Institute, the National Association of Church Business Administration, the Indianapolis Center for Congregations, and MAXIMUM Generosity, the study, the second in a series, surveyed more than 3,100 U.S. congregations. Approximately two-thirds of the congregations surveyed are Mainline Protestant, a quarter are Evangelical Protestant, and the remaining respondents represent other Christian denominations (such as historically Black or Catholic), Jewish, or “other” (such as unaffiliated) congregations.

About 60 percent of responding congregations reported increases in pledges, dues payments, and fundraising receipts received between 2010 and 2011. Still, only about four in 10 congregations had actual revenues that kept pace with or were ahead of inflation between 2007 and 2011. Nearly half of responding congregations reported budget increases for 2012 compared with 2011, with most of those increases allocated toward outreach programs and mission activities.

Preaching Generosity

Discussing or preaching on the importance of charitable giving, offering seminars on financial management, and redefining pastoral care to include giving as a spiritual practice contribute to creating congregations of generosity. However, more than half of clergy, some 52 percent, discussed charitable giving the same or less than before the recession.

Although clergy awareness and involvement are key to a congregation’s fundraising success, 49 percent of responding congregations reported that their clergy are not aware of how much is donated to the congregation and who gives, compared with 45 percent who said their clergy is knowledgeable about these trends. Still, over a third of congregations offer seminars on financial management or charitable giving for their congregations.

“In congregations, fundraising is not about money exclusively,” says Reverend Tim Shapiro, president of the Indianapolis Center for Congregations. “It’s about relationships and trust, vision, and faith formation. It’s important that clergy not segregate generosity and giving from the dialogue about their mission, parishioners’ life issues, and other aspects of their pastoral role.”

Widening the Path for Giving

Contributions are connected to attendance and the composition of the congregation. Congregations with a younger average attendee age were more likely to see increases in contributions, compared with congregations with an older average age.

Congregations are starting to employ new tools—including social media and websites—to tell their story, attract younger people, and create diverse opportunities for giving. More than four in 10 respondents receive direct deposits from congregants; three in 10 receive checks or transfers from congregants’ online bank accounts. About 10 percent receive contributions through their websites.

“Congregations are beginning to meet parishioners where they are and how they give,” Enright adds.

“The 2013 study is a curriculum, a practical document for both clergy and laity to use in their congregations, whether that’s part of a finance team, stewardship team, budget team, board, or committee,” says Shapiro. “The study itself is a helpful tool for congregations to do the very thing the study suggests, which is to get people talking about faith and money.”

Contact Dr. William Enright at wenright@iupui.edu. Contact Rev. Tim Shapiro at tshapiro@CenterforCongregations.org. Download the full report at www.philanthropy.iupui.edu/congregational-economic-impact-study.
A million dollars. It’s an awe-inspiring number, one that can transform a nonprofit, galvanize its mission, and amplify its ability to effect change. But some nonprofits, perhaps because of their size or mission, think that a million-dollar-plus gift is out of their reach. The Million Dollar List proves otherwise.

Researched by the Indiana University Lilly Family School of Philanthropy, the Million Dollar List is a comprehensive, searchable database that provides insight into the patterns and trends of million-dollar-plus gifts, to assist donors in making more strategic giving decisions and to help nonprofits and scholars better understand these major gifts.

“Behind the data, there’s a story,” says Una Osili, Ph.D., director of research at the Lilly Family School of Philanthropy. “Donors are looking for ways to make meaningful, lasting impact. Nonprofits can use the list to help donors and their advisors see where their peers are giving, learn more about donors’ interests, and help them make gifts of enduring significance.”

The school’s latest report on the Million Dollar List offers an in-depth analysis of nearly 21,000 publicly announced charitable donations of $1 million and above given to 12 different types of recipient organizations between 2000 and 2011. The study and report are sponsored by CCS, a global fundraising consulting and management firm, through its William B. Hanrahan Fellowship at the Lilly Family School of Philanthropy.

“It’s important for nonprofits to really understand where these gifts are coming from—and where they’re going,” says Faón Mahunik, director of research analytics at CCS. “The Million Dollar List demonstrates that nonprofits, large and small, have the potential to attract and leverage major gifts.”

Charity Begins at Home

While donors are motivated to give to a wide variety of organizations and causes, most publicly announced million-dollar-plus gifts are focused in and on the areas where donors live, the study reveals. The majority of such gifts, some 60 percent, came from donors who live in the same state or geographic region as the nonprofit or foundation that received the gift. Between 2000 and 2011, nearly half of publicly announced million-dollar-plus gifts—47 percent of total gifts and 52 percent of dollar value—came from donors in the same state.

In particular, five types of organizations received at least half of their gifts from donors in the same state: health organizations; arts, culture, and humanities nonprofits; foundations; higher education institutions; and government agencies.

These five types of organizations received about two-thirds of their gifts from donors in the same geographic region. Compared with gifts from other sources (i.e., individuals, foundations, corporations, and other grant-making organizations), charitable bequests of $1 million or more were more likely to go to local nonprofits. More than 90 percent of bequests made to foundations came from local donors in the same state or geographic region, and more than 80 percent of bequests to public-society benefit organizations (like the United Way) came from local donors.
“Major gift donors are interested in building and strengthening their communities,” says Mahunik. “This study reinforces that successful fundraising and stewardship are about both proximity and engagement.”

“This research confirms the importance of local donors,” adds Osili. “There’s a strong sense that giving is local and that donors want to support charities in their own backyards.”

In the Neighborhood of Million-Dollar Gifts

Among the 12 different types of recipient organizations, higher educational institutions and foundations were the top recipients of publicly announced million-dollar-plus gifts, each receiving about one-third of the total dollar value of gifts at this level. Higher education received nearly half (48 percent) of the number of gifts, totaling $86 billion, which is about 32 percent of the total dollar amount. Foundations received more money but from fewer gifts: a total of $97 billion, nearly 36 percent of the total dollar amount, from just 235 gifts, which is about 1 percent of the total number of gifts.

The remaining dollars were relatively evenly split among the other subsectors: arts, culture, and humanities; other educational institutions; environment; health; human services; public-society benefit; religious organizations; international organizations; government institutions; and overseas organizations. No single subsector, outside of higher education and foundations, received more than 10 percent of publicly announced gifts.

“This is good news for nonprofits and the donors who support them,” says Osili. “Contrary to conventional wisdom, organizations of any type can earn million-dollar gifts. The information from this study and the Million Dollar List can help nonprofits learn more about the philanthropic landscape at this level, so they can create transformational opportunities for giving.”

Million-Dollar Donors

Individuals and foundations are the primary sources of million-dollar-plus gifts, according to the new report. While foundations represented the largest number of million dollar gifts, 43 percent, individuals contributed the largest share of the dollar value, confirming once again the importance of building relationships with individual donors who share your organization’s mission.

Approximately one-third of publicly announced million-dollar-plus gifts made between 2000 and 2011—representing half of the total dollar amount—came from gifts made by individuals during their lifetime. If charitable bequests are included, individuals contributed 40 percent of all such gifts and 65 percent of the total dollar amount.

Shifts in Giving

Not even million-dollar gifts are immune to economic volatility. The period between 2000 and 2011 saw dramatic ups and downs in million-dollar-plus gifts from all sources, with the biggest dips occurring from 2001 to 2003 and again from 2008 to 2010, before recovering somewhat in 2011.

Million-dollar gifts from individuals were affected more by economic changes than were gifts from foundations and corporations, suggesting that even at this high level of giving, feeling financially secure is an important factor in individual donors’ decisions to give.

The economy affects large gifts to some categories of charitable organizations more dramatically than others, the study found. In general, publicly announced million-dollar-plus gifts to arts, culture, and humanities organizations and to environmental groups shifted the most in response to economic fluctuations, whereas million-dollar-plus giving to health and human services organizations showed the least sensitivity.

“This data gives nonprofits an opportunity to put their fingers on the pulse of the trends and macroeconomic factors that affect million-dollar giving,” says Mahunik. “Nonprofits can shape fundraising strategies, recognize shifts in giving, and adjust their course to strengthen their ability to secure these major gifts.”

The Million Dollar List holds the nation’s most complete data on million-dollar gifts.

http://www.milliondollarlist.org/

MORE INFO

Contact Una Osili at uosili@iupui.edu. Contact Faön Mahunik at fmahunik@ccsfundraising.com. Download the full study at philanthropy.iupui.edu/research-by-category/a-decade-of-million-dollar-gifts.
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