

Raising Funds In Difficult Times
November 2008

presented by
Carole V. Rylander, CFRE
carole@rylanderassociates.com
214.348.9086

Overview

- What Concerns Do We Have?
- The Current Economy
 - The Stock Market
 - GDP & Unemployment
 - Globalization & Recovery
 - The Media
 - Personal Income

2

Overview

- Giving Facts
- Giving USA Research
- Other Aspects of the Economy & Giving
- Recommendations
- What Does This Mean For Us?
- Additional Resources

3

•What Concerns Do We Have?

4

The Stock Market

• 5 of the 10 largest point declines occurred during Sept. & Oct. 2008

- Down 777.69 on Sept. 29, 2008
- Down 733.08 on Oct. 15, 2008
- Down 684.81 on Sept. 17, 2001 after 9/11
- Down 508 on Oct. 19, 1987 "Black Monday" (#10)

5

The Stock Market

• On a percentage basis, Oct. 19, 1987 was the largest decline – down 22.6%

- Most of the remaining 10 largest percentage declines were during the Great Depression – an 89% decline from 1929 – 1931
- The 7.8% decline on October 15, 2008 was the 9th largest decline
- 42.3% cumulative decline from Oct. 9, 2007 high (14,164.53) to October 27, 2008 low (8,175.77)

6

GDP & Unemployment

- The Real Gross Domestic Product is estimated to have declined slightly (-0.3%) in the 3rd quarter of 2008 after growth in the first half of the year
- Unemployment increased to 6.5% in October 2008 (3.1% for college grads.)
 - Estimates are in the 7 – 8% range for 2009
 - Unemployment peaked at 24.9% in 1933, at 10.8% in 1982 and at 8.8% in 1975

7

Globalization & Recovery

- The impact of globalization
 - Projections of a world-wide recession
 - Serious slowdown in developing economies
- How long will a recovery take?
 - Projections indicate a long, slow recovery
 - Recessions typically last 6 – 16 months
 - Recovery can take up to several years

8

The Media

- More stories on problems facing nonprofits and fundraising
 - *Time*- “Charities are Bracing for a Long, Hard Winter”
 - *Chronicle of Philanthropy*- “Bracing for Tough Times”
 - *Philadelphia Inquirer*- “Charities Brace for Lean Times in 2009”
 - TV-Shortages & growing demand facing local food banks

9

The Media

- Similar stories across the country in all media
- In addition, there are a growing number of useful stories with a more balanced perspective and practical suggestions

10

Personal Income

- Personal income continued to grow slowly through September 2008 (0.2%)
- Psychological factors related to economic uncertainty are often more important than the actual data

11

- Is there something really different this time?
 - In the absence of perspective . . . it is *always* “different this time”
 - History suggests otherwise . . .

12

Giving Facts

- Three major influences on charitable giving are:
 - The level of the stock market at year end
 - Growth in personal income
 - Changes in tax rates (higher taxes=more giving)

13

Giving Facts

- The economic turmoil we are experiencing this year is not unprecedented
 - The market was very volatile in 2002 as well, & other recessions have had serious effects
 - The psychological impact of the market declines & economic uncertainty can be significant in the short term
 - The sky is probably not falling

14

**Giving USA Research:
Giving and the Economy**

- Total giving has increased in current dollars in every year but one since 1954, the year Giving USA began keeping records
 - The exception is 1987, when tax changes at the end of 1986 prompted people to give early to maximize deductions

15

**Giving USA Research:
Giving and the Economy**

- Over the past 40 years, giving in current dollars has increased an average of 8.4% in years without a recession and increased 6.2% in years with a recession
- Historically, even in recessions, giving in current dollars still grows

16

**Giving USA Research:
Giving and the Economy**

- Adjusted for inflation, giving typically:
 - Increases in non-recessionary years
 - Stays level or falls slightly during recessions and economic slowdowns

17

**Giving USA Research:
Giving and the Economy**

- Over the past 40 years giving in inflation adjusted dollars has:
 - Increased an average of 4.3% in years without a recession
 - Increased by 0.8% in years of economic slowdown and
 - Declined an average of only 1% in years with a recession

18

**Giving USA Research:
Giving and the Economy**

- In the 4 years with recessions lasting 8 months or more, inflation adjusted giving only declined an average of 2.7%

19

**Giving USA Research:
Giving and the Economy**

- The impact of long recessions on giving by different donors varies:
 - 1974 – the worst year for recession giving:
 - Declined a total of 5.4%
 - Declined from all donors: individuals, corporations & foundations

20

**Giving USA Research:
Giving and the Economy**

- The impact of long recessions on giving by different donors varies:
 - 1982 giving:
 - Declined from individuals & foundations
 - Increased from corporations
 - 2001 giving:
 - Declined from individuals
 - Increased from foundations & corporations

21

**Giving USA Research:
Giving and the Economy**

- Because individual gifts are the largest source (73%), declines in individual giving have the strongest impact on the total

22

**Giving USA Research:
Giving and the Economy**

- Not all organizations, or types of organizations, experience the same changes in giving, even in recession years
 - From 2000 through 2007, 49% – 59% of organizations surveyed saw growth in giving
 - In 2002 – the worst year – less than half of all organizations reported a drop in total dollars received

23

**Giving USA Research:
Giving and the Economy**

- The bottom line is that it is too simple to say that recessions & economic slowdowns have a negative effect on giving
- The rate of growth may slow, & giving to some organizations may slow, but most organizations report continued growth in giving

24

**Giving USA Research:
Giving to Sectors**

- Human services & public-society benefit:
 - Growth in giving in recessions & slowdowns
 - Higher rates of growth in longer recessions
- International affairs & environment:
 - Slower rates of growth
 - No sign of declines during recessions & slowdowns

25

**Giving USA Research:
Giving to Sectors**

- Health:
 - Slower rate of growth in recessions, in longer recessions & in slowdowns
- Religion:
 - Little change in slowdowns
 - Slower growth in longer recessions
 - Slight drop in recessions

26

**Giving USA Research:
Giving to Sectors**

- Foundations:
 - Slower growth in recessions
 - Declines during economic slowdowns
- Education
 - Strong effect
 - Declines during recessions
 - Declines more during long recessions
 - Declines slightly during economic slowdowns

27

**Giving USA Research:
Giving to Sectors**

- Arts, Culture & Humanities:
 - Mixed effect
 - Slower growth during recessions & longer recessions
 - Declines during economic slowdowns

28

**Other Aspects of the
Economy & Giving**

- Emerging work on demographic variations in giving suggests younger donors are more likely to give
- Older individuals still have capital gains exposure
- IRA rollover provision is in effect through December 2009

29

**Other Aspects of the
Economy & Giving**

- During recessions and slowdowns:
 - Market share can be gained or lost as a result of an organization's level of funds development activity
 - Continued funds development activity demonstrates the importance of the need & commitment of the board & volunteers to fulfilling the need

30

Other Aspects of the Economy & Giving

- Not asking &/or reducing cultivation & fundraising activities:
 - Leaves donors vulnerable to appeals from other organizations
 - Results in lost opportunities for building relationships & gaining donors due to the inactivity of other organizations

31

Other Aspects of the Economy & Giving

- Continuing evidence shows that the impact of recessions will vary across sectors this time, as well
- Growing work on philanthropy elsewhere reinforces the patterns we have observed in the US
- Plenty of anecdotal evidence exists of continued giving & successful fundraising by many organizations

32

Recommendations

- Always start by thanking people & telling or reminding them what their gift has helped to accomplish
- Ask people how the economy is affecting them or their business to get a sense of their general situation
 - How are things going for you?
 - What would need to be in place – or change – for you to recover?

33

Recommendations

- Ask people specifically to support:
 - Projects that they have said are the most important to them or
 - Specific time-sensitive needs linked to their interests

34

Recommendations

- Pay special attention to renewing support from long-term & current donors
- Be creative & sensitive to individual circumstances when structuring the way gifts can be made and/or the schedule on which pledges will be paid

35

Recommendations

- When donors indicate they may not be able to make the gift they expected to:
 - Consider exploring the conditions that would need to be in place for the gift to be made, or
 - Consider asking whether they would be comfortable making a smaller gift, or
 - Tell them you understand, thank them again for their past support, continue to keep them informed & involved & keep cultivating them for a future gift

36

Recommendations

- Continually look for new sources of support, especially from new individual donors
 - Some individuals will make more money in a recession or slowdown
- Focus on cultivating long-term interest, investment and relationships rather than short-term gifts

37

Recommendations

- Provide personalized stewardship & accountability so that donors know precisely how their gifts have been used and that their support is appreciated
- Be understanding, genuinely grateful for all gifts & work to earn people's continued support

38

• What Does This Mean For Us?

39

Additional Resources

- *Giving USA* and the *Giving USA Spotlight*
 - www.givinginstitute.com
- News & research from the Center on Philanthropy at Indiana University
 - www.philanthropy.iupui.edu
- "A Survival Kit for Fundraising in a Bad Economy"
 - www.aftnet.org
- Robert Sharpe articles on Economic Conditions & Charitable Giving
 - www.sharpenet.com/uncertaintimes

40

Additional Resources

- "Resilient Philanthropy" by Bradford Wm. Voigt and "Charitable Giving and Inflation," *Advancing Philanthropy*, Sept.-Oct. 2008
- "Seeing the Light," by Kristin Rehder, *CASE Currents*, April 2003
- "Friends in Need: How charities maintain ties to financially strapped donors," by Maura Webber, *Chronicle of Philanthropy*, June 26, 2003

41

Additional Resources

- News and articles from the *Chronicle of Philanthropy*
 - www.philanthropy.com
- "International fundraisers debate impact of recession and credit crunch," October 21, 2008, from the International Fundraising Congress in the Netherlands
 - www.ukfundraising.co.uk/news
- Google searches for "fundraising and recession," "recession impact on fundraising," or related topics

42

Credits

- * Melissa S. Brown, Associate Director of Research and Managing Editor of Giving USA at the Center on Philanthropy at Indiana University
- * Gary L. Cardaronella, Ph.D., Cardaronella Stirling Associates, Fresno & San Francisco

43

Thank You!

44
