

The Legacy Group Contrarian Approach



Planned Giving – The Legacy Group approach

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When it comes to planned giving as a fundraising tactic, we're pretty sure that many of us are going about it backwards – if we're going about it at all.

Over the years, we've constantly encouraged direct mail clients to get serious about planned giving, and to make the investment today that will generate rich rewards down the road. By and large, we've failed.

Oh sure, everyone agrees that planned giving is important. But, few believe that it's urgent. This drives me nuts!

So, we're going to climb onto our respective soapboxes and share our rant with you in the hope that it will shake up your current attitudes, perceptions and behaviors with respect to this critically important area of fund development.

We've picked eight contrarian ideas that fly in the face of current planned giving conventional wisdom.

1. Simplify!

Before you read any further, go and grab a copy of your current planned giving brochure. Do it now. We'll wait for you to come back.

We'll bet dollars to donuts that your brochure lists at least four ways that donors can make a planned gift. Life insurance. Gift annuities. Charitable remainder trusts. Gifts of securities. The list can go on almost indefinitely!

We've got planned giving brochures from 14 name brand charities scattered all over our floor right now. Many of them describe eight or more means by which donors can make a planned gift. The options are dizzying.

¹ With special thanks to Fraser Green

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Yet, more than 90% of all planned giving revenue comes from one simple source – bequests.

Contrarian idea #1 – Simplify your planned giving marketing to focus on bequests only.

What are we trying to do with these brochures? Are we trying to make it easy for the donor to make a lifetime gift or are we trying to confuse her into inaction?

Let's take a moment to review some Communications 101. We as humans haven't evolved much since we first stood upright. Our brains are wired pretty much the same as in the days when we hunted the Woolly Mammoth into extinction.

Yet, information technology propels forward at a geometric rate. Put simply, we now have the ability to transmit endless messages – but our ability to receive messages is very limited. You'll be exposed to some 3,000 marketing messages today. How many of them will 'stick'? Not many.

Your donor is overwhelmed too. She can't possibly digest all the information that's thrown her way each and every day. If you want to get through, keep it as simple as possible.

In a survey of 500 US direct mail donors conducted in March of 2003, we found that 99% of them already knew that they could leave a gift to a charity in their wills. We would argue that your challenge is to convince your donor that leaving a legacy gift to you would be an impactful humanitarian gesture.

Once you're in the donor's will, you can always go back for tea and banana bread and explain the other options in person. But – get named in the will first. As Deep Throat said, "Follow the money".

2. Name it

We as fundraisers use the phrase "planned giving" as the label for the umbrella of fundraising tactics geared at getting gifts of assets. We have no objection to this term – so long as we consider it jargon that we use with each other.

If you went out onto the street and asked 100 passers by what the term planned giving means, how many of them would give you the correct answer? So, why do we insist on using a term that ordinary people simply don't understand?

Contrarian idea #2 – Never use the words 'planned giving' or 'planned gifts' with donors.

We've watched donors in several focus groups talk about this topic. They like the word "legacy." It has positive connotations. It sounds important. They like the word 'gift'. They're okay with the word 'bequest'.

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For our money, We'd use the phrase "legacy gift" over "planned gift" any time.

3. Do Your Research

As well as being fundraisers for charities, we've spent a lot of time also being involved in political campaigns. Before spending a lot of money on an election campaign, politicians do a lot of polling and market research to help them to understand who the voters are, what issues they care about most, and how the candidate or party can present themselves in the most positive light.

We're constantly blown away by how little market research is done in the non-profit sector. We make a lot of investments based on what we heard someone else was doing or what someone said at a conference last month.

Contrarian idea #3 – Spend 10% of your planned giving budget on quality market research.

Polling of direct mail donors has revealed a lot. We now know that:

- almost 75% of direct mail donors are over 65 years of age
- more than 1 in 3 direct mail donors has already named at least one charity in their wills or intends to do so within five years
- the majority of donors surveyed say they've never been asked for a legacy gift
- certain segments of the donor file (honorific Miss. and monthly donors for example) have greater potential to make legacy gifts.

Conducting this poll cost money. But, the information it yielded is worth its weight in gold!

4. Estimate your potential

Here's an all-too typical scene. The Director of Development is pitching her Board to invest in planned giving. She's read the articles and been to the conferences. She really feels like her organization has to invest.

The Chair of the Finance Committee asks her "okay, you want us to hire a full-time planned giving officer. How much is he going to raise and when will we see the money?"

She's stuck. The discussion ends and they go back to planning the annual golf tournament.

What if she could have answered the question this way?

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“That’s a good question Jack. Here’s how I see it. We currently have 20,000 active direct mail donors on our file. We know from polling data that a 7,000 of them have or will make at least one legacy gift. The average legacy gift is worth \$20,000. Our typical direct mail donor supports 14 charities. So, I figure that if we get 1/14th of 7,000 legacy gifts at \$20,000 each – our revenue potential is \$10 million...

In fact Jack, our average direct mail donor has a net lifetime value to us of \$166. Yet the per capita legacy potential from our average direct mail donor is \$500.

...As for when we’ll see the money, I’ve done some estimates. Our average direct mail donor is a 70 year old woman. Based on life expectancy tables, I project that we’ll receive the first million dollars within five years, we’ll have \$5 million in ten years and the whole \$10 million in 19 years.”

Contrarian idea #4 – Pproject revenues and costs just like you do with your direct mail program.

5. Be Smart & Be Brave

Most planned giving initiatives get shut down internally. As we’ve outlined above, the Director of Development often fails to convince her CEO and Board of Directors to make a serious investment. Why is this? It’s pretty simple..

The Board knows from experience that a \$15,000 investment in the golf tournament will generate \$45,000 in revenue. They know that the \$10,000 investment in the gala will generate \$35,000 in revenue. They know that spending \$300,000 on the direct mail program will yield \$900,000 in revenues.

Your challenge is to frame your planned giving proposal in these terms. In order to do that, you need certain information such as the age and gender of your donors and life expectancies based on age and gender. Go to government statistics web sites and do some life expectancy research. Do some polling and get a handle on the age and gender of your donors.

The three investment examples we’ve listed above yield between 3 and 4 dollars revenue for every dollar invested within one year. Spending \$500,000 to generate \$10 million over twenty years has an ultimate payoff of \$20 in revenue for every dollar spent. The efficiency is huge – but the gratification isn’t immediate. People need to learn to see beyond this fiscal year.

Then, do the best job of estimating your legacy revenue potential and the years over which it will be realized.

Contrarian idea #5 – Make it your personal challenge to champion the cause of serious legacy marketing – and don’t give up until you succeed.

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This is probably making you a bit uncomfortable – and it should. We’re talking about serious accountability here. We’re talking about making commitments – and seeing them through. But isn’t that the way every other kind of fundraising works? Why should planned giving be any different?

6. Cast a broader net

Traditional planned giving theory talks about concentric circles. Start with your board. Move out to major donors and out further still to your most committed volunteers. This approach involves building relationships with dozens of planned giving prospects. It’s time consuming and sometimes awkward because we already know these people.

We think this approach is fine – but it doesn’t go nearly far enough. Let’s illustrate.

A few weeks ago we met with a charity that currently has 225,000 active donors on its database. Using the revenue potential method outlined above, their potential legacy revenue is \$112 million!

Contrarian idea #6 – Shift your planned giving thinking from dozens of prospects to thousands!

This organization has just hired an individual to do both planned and major gifts. He’ll spend half his time marketing legacy gifts (we hope!). He’s got one huge whack of direct mail donors – most of whom probably won’t be on this Earth in 15 or 20 years.

The planned giving officer in question ain’t gonna generate \$112 million visiting donors and spending two hours at each house over tea and banana bread. He’s going to have to come up with some other tactics to build donor loyalty to his cause and encourage the idea of legacy gifts across a very broad constituency.

7. Crawl inside a 75 year-old skin

If you’re not in your late 60’s or into your 70’s, you just don’t think the right way. You don’t read the paper from front to back and you don’t write letters to your grandchildren.

We need to stand in the shoes of someone who’s 75 or even 65 to do a better job at communicating legacy opportunities.

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Contrarian idea #7 – Skip the next planned giving seminar and go spend a few hours at a long term care facility.

Every marketer knows the critical importance of seeing the world through the customers' eyes. Why should planned giving be any different? Our challenge is to see the world through older eyes, hear it through older ears -- crawl inside older skin every now and then

8. Inspire

Okay, this is the one that REALLY BUGS US.

Go to a planned giving seminar or conference. Pick up some planned giving brochures from other charities. Look at the planned giving pages on web sites. More often than not, this stuff is dry as toast!

Contrarian idea #8 – Legacy prospects need inspiration to give – not a tax instruction manual!

Most planned giving programs seem to focus on how – and that's the wrong question in our minds. The issue isn't how to make a planned gift – it's why the donor should leave a bequest to your organization.

It's not about financial planning, tax treatment and planning. It's about the donor's heart and soul. It's about her making a lifetime gesture on behalf of a cause she deeply cares about. It's about the very meaning of her life – and the mark she'll leave on the world when she's gone.

If you're a planned giving officer we beg this of you...keep a copy of Martin Luther King's 'I Have a Dream' speech within reach at all times. Read it at least once a month. Think of it when you're working on marketing materials.

Think of your planned giving program as music for the soul. Make it sing.

The Opportunity and the Challenge

In our contrarian approach, there's a huge opportunity out there right now to retool or build a legacy marketing program that can really capture your donor's imagination and passion. As your direct mail donors grow old and pass on, you have the opportunity now to speak to their souls and enable them to make the gift of a lifetime.

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Your challenge will be to convince others within your organization that this is a worthwhile investment which must be made now. We wrote this article to announce one simple truth – as of today, planned giving has become urgent! The train is leaving the station. Are you and the leadership of your organization on board