

Fund Raising in Recessionary Times
For
UT Presidents and Chief Development Officers
By

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At a recent UT System Council meeting with presidents and a quarterly meeting with chief development officers, conversations and questions arose regarding fund raising in our current economic environment.

This paper is a response to those conversations. The information provided represents facts and ideas from leaders in the philanthropic community such as Robert F. Sharpe, Bruce Flessner, and Michael Steltzer, along with observations from UT System chief development officers and UT's historical giving data and experiences. We hope you'll consider this information and our proposed strategies to guide you through the days ahead, and we invite you to contact us if we may be of service.

Situation

Many of us made institutional fund raising plans for this year based on the record-breaking \$306.39 billion dollars given in 2007 for charitable purposes. Since then we have felt the impact of subprime mortgages and a dramatic drop in the stock market, and now it appears we may be on a path to an economic recession.

What changes do we need to make, if any? What fund raising strategies should we consider in light of the serious economic downturn?

Historical Perspective

Although current economic conditions are uncharted waters for many, history provides some guidance.

Over the past 40 years we had several recessionary periods (1969–70; 1973–75; 1980; 1981–82; 1990–91; 2001). During these recessionary periods charitable giving overall did not decline significantly. According to *“Giving USA Spotlight”* Issue 3, 2008:

1. *Total giving has increased in current dollars every year but one since recording began. The exception is in 1987 when a tax law change in 1986 prompted some people to “give early”.*
2. *In economic downturns, giving continued to increase, but its rate of growth was slower. It is important to note that even in tough years, giving still grows.*

3. *In current dollars, before adjusting for inflation, giving has increased an average of 8.4% in years without a recession. In years with a recession, giving has increased 6.2%.*
4. *The average rate of change in giving during a recession is a drop of 1%. This decline compares with the total 40 year average (inflation adjusted) of growth in giving of 2.8% for 1967-2007. During years without a recession, giving has increased an average of 4.3%.*

Over the past 25 years, bequests received by higher education as reported by the Council for Aid to Education (CAE) have averaged 23% of individual giving, with charitable remainder trusts and life income gifts bringing the total to 30-35%.

History shows that philanthropy in America is resilient. People use different gift vehicles in a variety of economic conditions to accomplish their charitable intent.

Lessons Learned from Previous Recessions

- As long as people remain employed they will continue to make charitable gifts.
- Major donors pay more attention to the form and timing of their gifts. Therefore, professional gift planners and development officers who understand multiple gift vehicles may be well suited to advise donors as to which assets work best in completing gifts.
- Major donors will still make large gifts.
- Donors who have less gift capacity are affected more. Therefore you may expect a decline in the total number of annual donors and the size of their gifts.
- Older donors who are retired comfortably may be the least affected by the downturn. Their properties are often paid for and they have fewer equity holdings in the stock market.
- People in their 60s and older have likely been investing for a long time and still enjoy market gains. A DOW 9000 has grown an average compounded rate of 9% (without adjusting for inflation or dividends) over the past 27 years.
- Persons over age 65 account for more than 50% of total giving from appreciated assets.
- The worse the economy the more likely wealthier people may be to make gifts in the form of bequests or other deferred gifts.

Fundraising Observations

Now is not the time to retreat. Your mission remains important to Texas, and your institution's work has great relevance on the lives of people everywhere.

If this current recessionary period is short (end of first quarter of 2009), the lasting effect on philanthropy will not be great. The longer the downturn, the greater the impact on fund raising plans.

The fund raising campaigns among UT institutions typically are conducted over longer periods of time (6-8 years), so they can withstand short-term economic downturns. The lifespan of a capital campaign is longer than the lifespan of an economic downturn or recession. Because of the structure of our Texas

economy, we have been somewhat buffered from some of the national economic downturns, although conditions continue to change rapidly.

Most of UT's campaigns depend on very large leadership gifts. Some of our historical campaign data shows 90% of goal coming from 10% of the donors. We may need more patience in securing those very large lead gifts.

If there is a trend developing, it is the donor's desire to delay commitment ("come see me in a few months"). Other donors may begin looking for longer payment options, staggered payment levels, or blended outright and planned gifts.

Overall Fund Raising Strategy

- Continue to tell your story effectively – make a compelling case (why support is needed) and show donor impact. If you do not demonstrate a compelling case in this challenging economic environment, it will be difficult to raise funds. You may wish to adjust some of your appeals in the short term to focus on where funds are most needed today. It is appropriate to place emphasis on "making the thank" with loyal friends and donors more than "making the ask." When times are better for them, they will remember that you were by their side.
- Make every effort to stay near to your donors. Face-to-face interaction is important. If that is not practical now, consider calling them or sending written, personalized correspondence.
- Be creative with gift planning to help donors make their best gifts.
- Be patient with large outright gifts, but make every effort to become well-versed, or ensure that you work with skilled professionals, in the areas of flexible philanthropy.

a. Strategies with Individuals Donors

- Keep information on non-cash giving in front of individuals. Many individuals may be concerned about additional financial losses, outliving their retirement, etc. Consequently, if they are less inclined to make an outright cash gift, they may automatically default to including your institution in their wills to receive a gift after death when those fears are no longer a factor. This is where having experienced gift planning professionals in our institutions is absolutely essential. Many institutions are not well-versed in life income gift options and consequently offer their donors very limited options--outright cash gifts or life insurance and bequests. Other options have proven to be attractive and flexible to donors, especially during economically challenging times. Some examples include:
 - Charitable Gift Annuities (CGAs) - This is an excellent time for donors to establish CGAs. CGAs provide donors with a steady stream of income and eliminate market gyrations. Since as state agencies the UT institutions can't manage gift annuities, the UT Foundation is available to do so. When you couple this with the fact that UTIMCO is an investment manager for the UT Foundation, CGAs make an attractive package to a donor who is worried about steady income and bank failures.

- Charitable Lead Annuity Trusts and Charitable Lead Unitrusts make good vehicles for unappreciated and appreciated assets.
- Charitable Gifts from an IRA. The Emergency Economic Stabilization Act of 2008 extended the ability of those over 70½ to make tax-free distributions from their IRAs to qualified charities during 2008 and 2009.
- Do you have donors with mineral rights? This is a great time for them to consider a charitable gift of all or some of their mineral rights.
- Focus bequest commitments on donors 70 years of age and older.
- Some donors will appreciate a blended gift of outright support coupled with a planned gift to meet their giving objectives.
- Pay close attention to donors who have given the most, and donors who have given the longest. Dedicate time to these donors by reporting back on gifts and thanking them.
- This may not be the optimal time for acquiring a significant number of new donors. Make sure you're investing time in donor retention and stewardship.
- Showcase the strength of UTIMCO for holding endowments.

b. Strategies with Foundation Donors

- In 2007, foundations (including family foundations and larger, national ones) accounted for 49% of all charitable gifts to UT System institutions. That may be unlikely in the coming year as foundation portfolios are reduced. Typically, foundations will continue with current commitments but may delay consideration of other requests and proposals until their portfolios are strong again. With family foundations, remain close and communicate frequently with principals in the same way that you communicate with individual donors. With larger, state and national foundations, be sure that your proposal ideas are completely in alignment with their giving purposes. This may also be the time to submit requests for projects that already involve collaborations with other UT institutions and ask the foundation for a single larger gift. This reduces the competitive proposal situation faced by foundations when supporting fewer organizations. A joint proposal may be attractive to them at this time.

c. Strategies with Corporate Donors

- Focus on sectors doing well – energy, gas, oil. Law firms and merger and acquisition groups are also doing well. Pay special attention to those corporations who recruit from you or have other natural ties to your institution.

Your Institution and the UT System Office of External Relations

Each institution is unique. All are at different levels of fund raising performance and have different resources. Each will have to decide its own course of action.

If you desire assistance with any of the non-cash gifts mentioned or more complex gifts that will help your donors, please contact us at (512)499-4777. We have staff expertise in this area and will be happy

to visit with you, your staff, or donors. If you want assistance developing a more tailored strategy or fund raising program for these times, or have specific questions on extended pledge payments or other tactical matters, we're eager to be of assistance on administrative or strategic matters.

If you have ideas you would like to share with others about fund raising in these times, we'll look forward to hearing them. For example, UT Austin has a new brochure "Gift Planning Works for You" that highlights some of the gifts mentioned in this paper.

The Office of External Relations is committed to helping your institution secure the philanthropic resources to fund your important mission. We know that we must be very flexible with donors at this time, and we look forward to hearing from you.

Resources used in compiling this information

A Stitch in Time Saves Nine-and the Reverse Can Be True, Too, Barlow T. Mann
Council for Aid to Education (CAE)
Fund Raising in Times of Uncertainty, The Sharpe Group
GIVING USA Spotlight, Issue 3, 2008
Philanthropy in Uncertain Times – A Retrospective, Robert F. Sharpe & Company, Inc.
Take it to the Next Level, Robert F. Sharpe, Jr
The Chronicle of Philanthropy, Recession-Proof Philanthropy Live Discussion
The Sky is Falling...Again, Robert F. Sharpe, Jr.
The UT System Office of External Relations