

# Changing Times, Altered Demographics, New Assumptions -- The Shifting Philanthropic Sands

Strategies and Tactics for Success

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“Change is inevitable  
(except from a vending machine)...”

*Conrad Teitell*



# What is the Environment Today?

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- Increased and evolving regulations, oversight, and potential liability of charity officers and directors
- Increasing competition for donors, other funding dollars.
- Basic capitalization and fiscal challenges at the institutional level
  - Diminishing endowments and reserves
    - Adoption of UPMIFA in most states by 2009
  - Stresses on federal, state and corporate funding and grantmakers (2010 and forward)
- Financial stress on individual donors (real and/or perceived)
- Nonprofits face increasing pressure for accountability and sound management from
  - Government
  - Donors
- New donor demographics
- Increased use of technology, expansion of the “local community” of nonprofits and donors

# The Dimensions of Giving in the United States

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- 80 percent of US households give to charities each year.
  - An estimated 75% of all donors (not all donated dollars) receive no tax benefit from their charitable gifts
- As our wealth increases, the percentage of households that contribute rises markedly
  - 95% of families with a net worth in excess of \$1 million give to charitable organizations annually
  - 98% of families with a net worth in excess of \$5 million give annually

Source: Giving USA 2010

- Donors are changing views on giving as the economy recovers: 25% plan to increase giving according to the 2011 Cygnus Applied Research donor study.

# Client values that DO affect Philanthropy:

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- Philanthropic Motivation
- Concern about effects of wealth on heirs
- Desire to control access to wealth by succeeding generations
  - ✓ Preservation of capital
  - ✓ Protection of assets from spouses, creditors, etc.
- Desire to create a “legacy”
- Sense of moral or legal obligation

# Five Major Trends (and others too numerous to list):

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1. The Economy/Markets and impact on donors, charities, etc.
2. Government/Regulatory/Tax uncertainty and increased scrutiny – impact on donors, charities
3. Short Term Needs vs. Long Term Sustainability  
(exacerbated by #1 and 2 above)
4. Demographic shifts – younger, female, newer wealth, the role of technology, and implications thereof
5. Industry/organizational turnover and the mismatch with planned giving

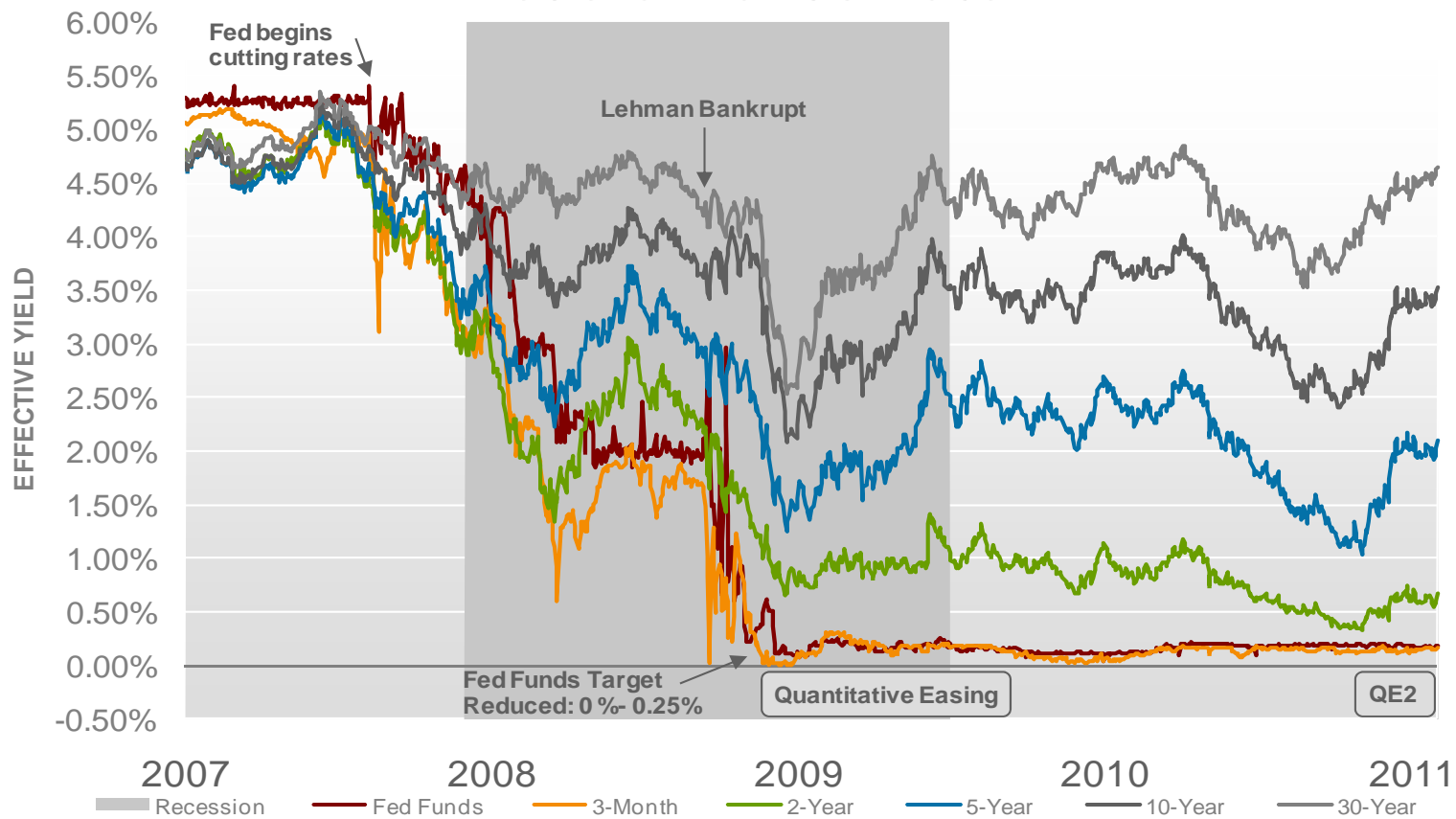
# 1. The Economy/Markets and Impact on Donors and Charities

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- Lower expected returns impact the math and psychology of gift planning.
- Heightened volatility has increased investor's "click-it" tendency
- Investor's remain concerned about the economic environment (but more positive than 2009)
- Some charities have to focus primarily on meeting annual fundraising targets
- 24/7 media focus on equity market underlines the extremes of fear and greed – a diversified portfolio shows a different story

# Fixed Income

## Daily US Treasury Yields and the Federal Funds Rate



Source: FactSet; WMG Research



# Equities

## S&P 500 Index



Source: FactSet

# Market Sentiment

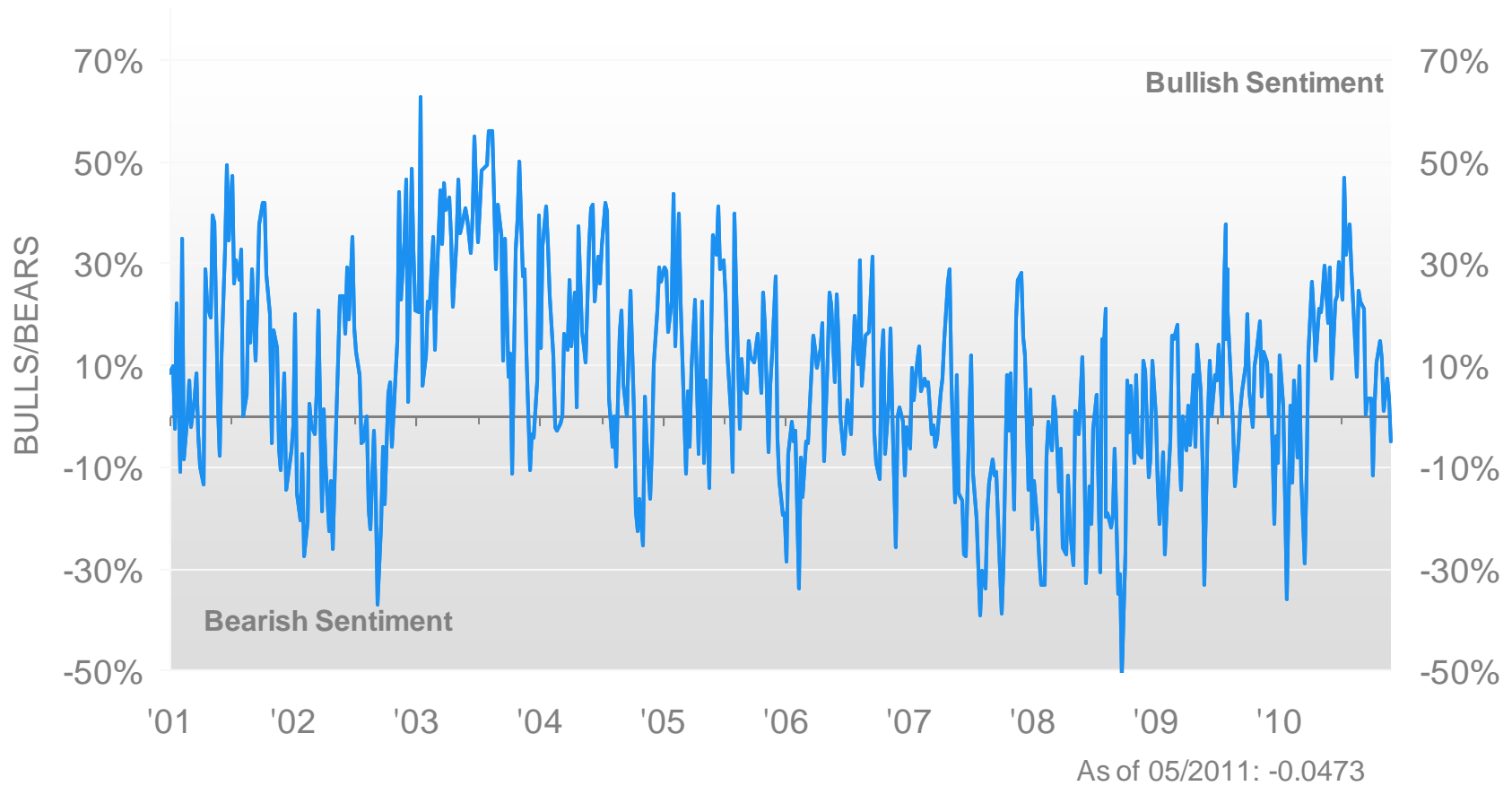
## CBOE Volatility Index (VIX)



Source: FactSet

# Market Sentiment

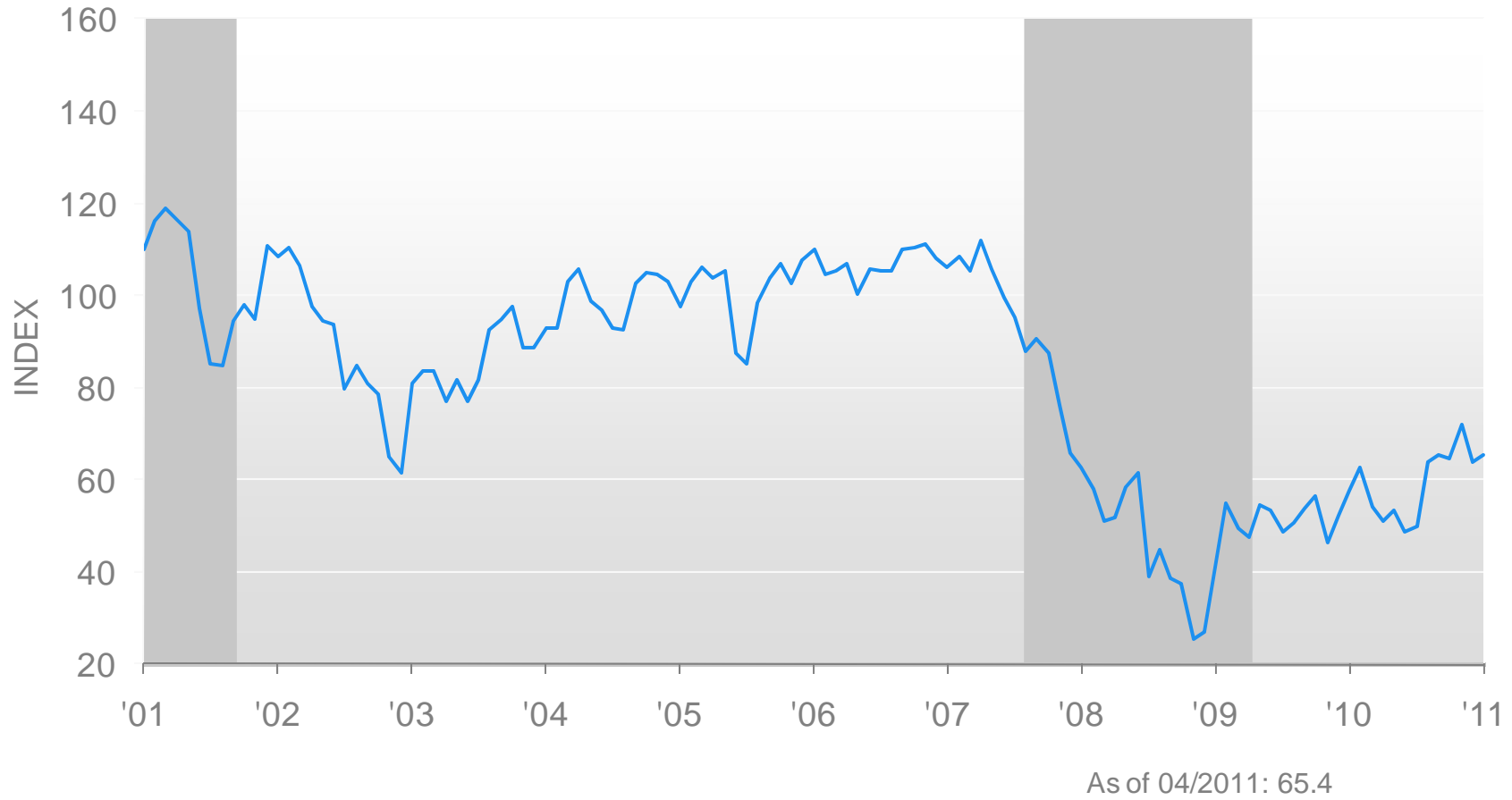
## Sentiment of Individual Investors



Source: American Association of Individual Investors – Weekly Survey of Investor Sentiment

# Market Sentiment

## Consumer Confidence

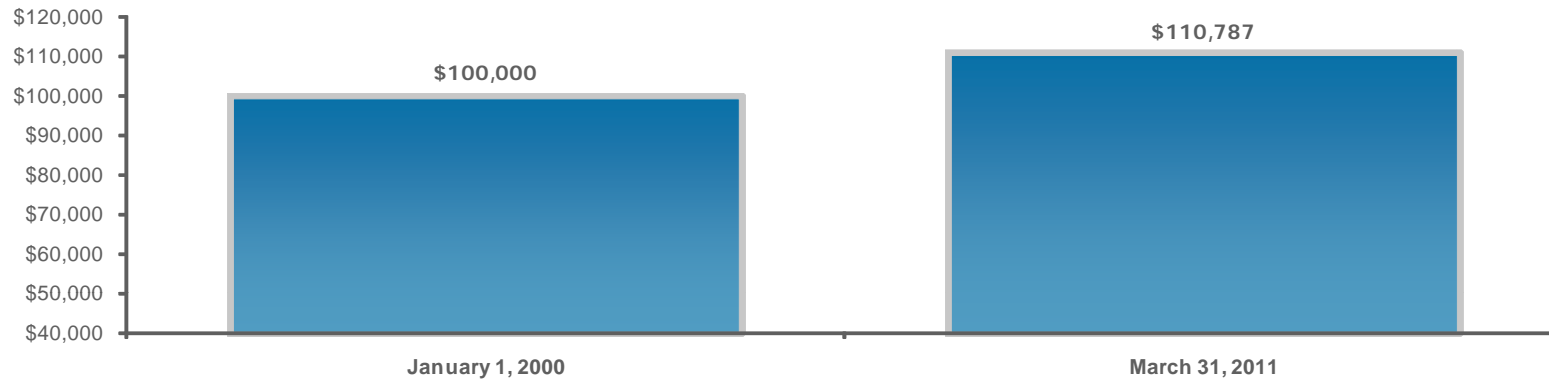


Source: Conference Board; FactSet

# Asset Performance

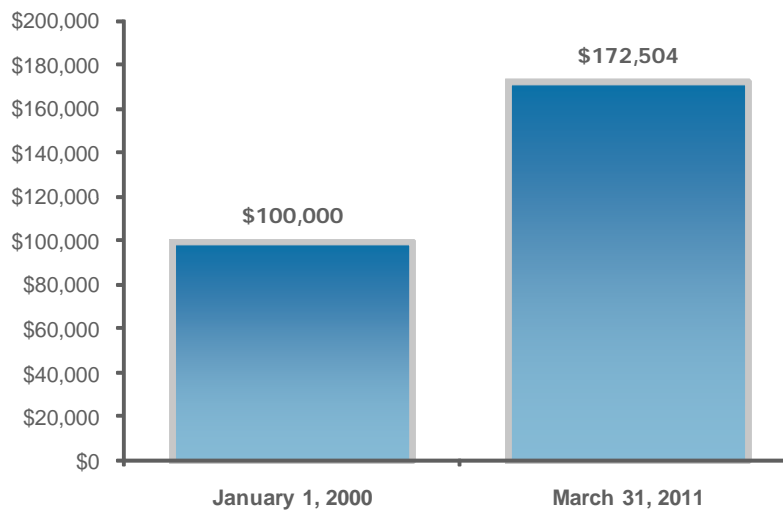
## Total Return

Value of \$100,000 invested in a portfolio similar to the S&P 500



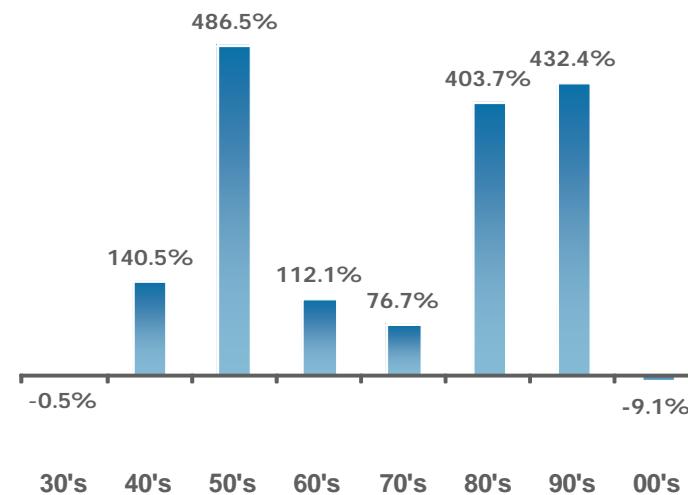
## Diversified Portfolio

Value of \$100,000 invested in a diversified portfolio (diversified across multiple asset classes)



## Decades of Returns

S&P 500 - Cumulative Total Returns



Source: WGM Research; Morningstar

## 2. Government/Regulatory/Tax Uncertainty and Increased Scrutiny – Impact on Donors and Charities

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- UPIA (Charitable Trusts)
- UPMIFA (Endowments)
- Estate and income taxes - what will 2012/2013 bring?
- More scrutinization of 990 data by government and donors
- Updated 990 Forms
- More transparency required and desired
- California Professional Fiduciaries Act

### 3. Short Term Need vs. Long Term Sustainability

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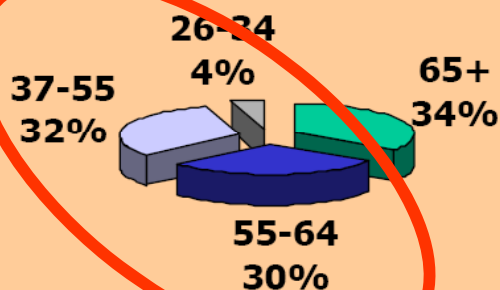
- Stresses between current operating needs vs. long-term goals of organization and leadership team
- “What have you done for me lately” challenge for planned giving donor stewardship

## 4. Demographic Shifts – Younger, Female, Newer Wealth, the Role of Technology, and Implications Thereof

**The key change in the high-net-worth market is increasing diversity. Old stereotypes about wealth are being eroded.**

### Age

The age spectrum of high-net-worth individuals (HNWIs) is broadening.



### Gender

Men are often viewed as the primary wealth holders, but women have increasing significance in the wealth market. Though the average HNWI is still male, a recent study by UBS PaineWebber reported that for the first time ever, women represent nearly half (47%) of all investors with \$100,000 or more in investable assets, up 11% from just two years ago.

### Race

The last decade has seen significant growth in wealth among the Hispanic, African-American, and Asian-American populations, though the average HNWI is still white. Asian-American households, for example, have a higher annual median income than all other races, including whites.

### Source of Wealth

Researchers have found that only 15% of HNWIs became wealthy primarily because of inheritance/trust funds, though almost half received some inheritance. The wealthy are now more likely to be self-made, most commonly through, entrepreneurial interests, small-business ownership, investments, or earned income.

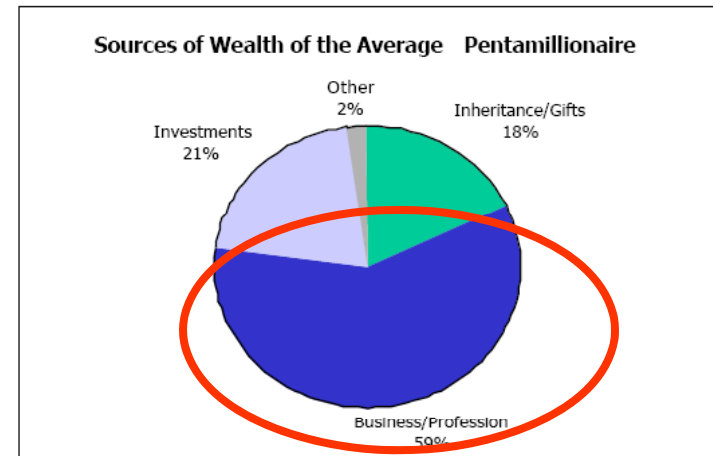
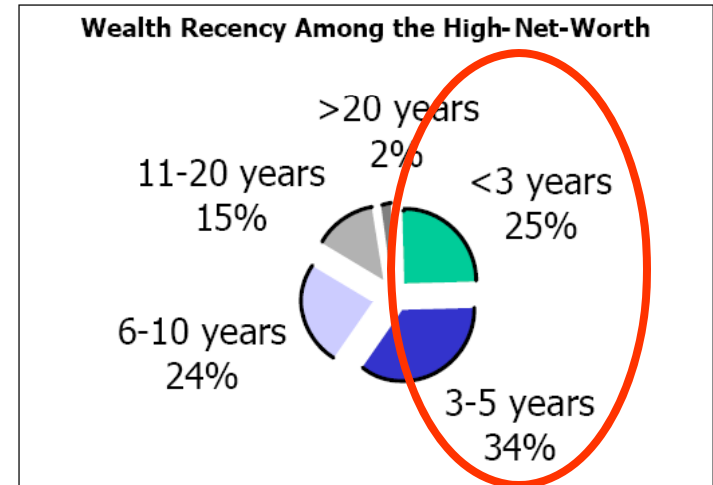
Sources: Spectrem; HNW WealthPulse; Cerulli Associates; Forrester; Opinion Research Corporation



## 4. Demographic Shifts (continued)

### Wealth Recency

- The economic boom of the late 90s had a significant effect on the high-net-worth: **Most doubled their net worth between 1995 and 2000**
- 85% say **they are better off now than they were growing up**
- In general, **those in the upper-echelons of wealth have been wealthy for longer periods of time.** The average decamillionaire obtained that level of wealth 15 years ago
- **People who have had their money for more than 10 years are generally older**, on average 56 years old, when compared to the newly wealthy counterparts, who are on average 41 years old and have had their wealth for 5 years or fewer years
- **Those who attained their wealth more than 10 years ago are more likely to feel an obligation to give back** to their communities than their newly wealthy counterparts



## 4. Demographic Shifts (continued)

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### Role of Technology: Donors Appreciate Cost Savings\*

- Online giving on the rise
- A recent survey revealed that 65% of all donors plan to give online:
  - 86% of younger donors (under 35)
  - 69% of donors 35-64
  - 53% of donors over 65!
- Social Media booming
  - Increasingly important for charities to be visible
- Donor Communication
  - 69% of donors prefer electronic over print
  - Charities need to know what, when, where and how donors want to gather information and/or give

\*2011 Cygnus Donor Survey

## 5. Industry/Organizational Turnover and the Mismatch with Gift Planning

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- On-going board and staff member turnover is a given
- Be flexible and embrace change

“If you work hard for a Planned Gift and get the gift, you’ve lost the bigger gift you could have had if you hadn’t worked so hard!”

*Bob Sharpe, Sr.*

# Conclusions and Over-Arching Strategies

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- Always have your donor's best interests first and foremost in mind – you must know your donors and prospects
- Understand your donor's complete financial picture
- Listen to your donor
- Feel your donor's pain, whether real or perceived
- Keep certainty of organization's mission constant and regularly communicated to donors and colleges
- Follow your gut
- Be positive, flexible, open to change, and have FUN with your work – remember, we have some of the best jobs around!