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What Fundraisers Should Do Next: How ‘Giving USA’ Findings Point to Smart Strategies

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TIM AUBRY/GREENPEACE
Greenpeace plans to use street canvassers to attract small-dollar donors.

This year’s "Giving USA" report was released Tuesday, and the picture isn’t rosy: Contributions to charity fell 1.7 percent in 2018. Donors held onto their dollars in response to the new federal tax code and a rocky December stock market. So how do the new findings influence what charities should do in the year ahead? Here’s what fundraisers and consultants recommended.

Emphasize the charitable mission.

Leslie Lenkowsky, professor emeritus in public affairs and philanthropy at Indiana University, said that, in uncertain times, nonprofits should focus on the fundamentals and highlight the important work they do.

"They should continue to diversify their revenue streams, continue to emphasize the worth of their organization, not the tax effects of giving," he said.

Laura MacDonald, principal at the Benefactor Group, urges fundraisers to tell donors how their dollars make a tangible difference. "Be as specific as possible, and equate the impact of their donation," said Laura MacDonald, principal at the Benefactor Group. "If it’s a $100 donation, make sure they know how much of an impact $100 has."

Seek out small-dollar donors.

The 2017 tax law doubled the standard deduction and removed the financial incentives for many middle-income households to give to charity. "It’s the midlevel donor that [the tax law is] probably going to hit the hardest: the people that are giving $1,000 to $5,000, who aren’t itemizing anymore," said fundraising consultant Lynne Wester. Even so, Wester doesn’t see this sector of donors disappearing completely. "A tax deduction is a bonus, not the sole reason why they’re giving," she said.

About 70 percent of households didn’t itemize before the tax-law change because they didn’t have big-ticket items to write off, like expensive homes or high state and local taxes. Kim Klein, a fundraising consultant, says that without access to the charitable deduction, "people don’t stop giving."

Brian Anderson, chief development officer at Greenpeace, says the tax law’s effect on middle-income donors underscores the need to cultivate small-dollar donors who will give year after year. "Smaller donors haven’t been impacted by the tax law changes," he said.

During the coming year, Greenpeace plans to use street canvassers to bring more small-dollar donors into the fold. That said, some of the fundraising may be thwarted by the very problem the charity is raising money stomp out: climate change. "We had some extreme weather on the East Coast and in Chicago in the first quarter [of 2019], which kind of keeps the canvassers from knocking on doors or being on the streets. And we're expecting some extreme heat this summer," he said.

But Steve MacLaughlin, vice president for data and analytics at Blackbaud, says that pursuing gifts of less than $10 doesn't always pay off in the long run. "If you're going to make the investment, starting higher and potentially using some predictive analytics and other stuff to decide what to focus on can be really valuable," he said.

Ask donors to give more and give monthly.

At the Houston Food Bank, the chief development officer Amy Ragan is asking more longtime supporters to give more this year. One couple increased their donation from $30,000 to $35,000 when she asked. After that, Ragan said, "I thought, 'Well, dang, I should've asked them for more. That was pretty easy!' "

Not everyone is willing to up their contribution, but enough people have agreed to give more that Ragan is continuing the strategy.

Now that the standard deduction is higher, some charities have reported anecdotal evidence of donors who let them know that they'll be giving significantly bigger gifts every few years instead of a large annual contribution. Long-time fundraising consultant Robert Sharpe says fundraisers should face this new reality head-on.

"They should go to people that made larger-than-average gifts in 2017 and didn't give much in 2018 and get the next two years of giving now before somebody else does," he said.

Wester, the fundraising consultant, also recommends that nonprofits develop strong monthly giving programs to help keep funding dependable from year to year. "Giving needs to become a habit, and if we get [people] giving regularly, if we give them amazing updates on our work, we can show them that partnership really works," said Wester.

Find new funding sources.

Building relationships with corporations can help nonprofits find more donors. MacLaughlin says charities need to think less about corporate sponsorships and big gifts and more about how to persuade a company's employees to give. After all, even though individual giving was down, such donations still represent70 percent of all charitable donations.

"Corporate social responsibility is one thing, but having your employees engaged and giving them an opportunity to give back is actually an HR benefit," MacLaughlin said.

The Houston Food Bank frequently works with volunteers from local businesses. It has also seen success with corporate partnerships. Since 2016, the food bank has collaborated with the Houston Texans football team and fast-food chain Whataburger to raise money through sales of burgers during Hunger Action Month in September. In 2018, they raised $156,000. For Whataburger and the Houston Texans, this partnership was "an easy way for them to support charity," says the food bank's Ragan.

Charities can also appeal to specific types of donors who are gaining wealth and clout. Today, says Klein, the fundraising consultant, "women control more of our money and make money."

Wester says charities can start by including the names of both people in a couple when addressing prospective donors. This way, she says, "women are not losing their identities in greetings." She also says fundraisers should be sure to include both heads of households in fundraising visits.

Acknowledge gifts from donor-advised funds.

"Donor-advised funds are the new normal," says MacLaughlin. This reality is frustrating for many fundraisers because charities don't know who made a gift through a donor-advised fund unless the donor chooses to tell them.

But Ragan says donor anonymity isn't a reason to treat these contributions differently. "We look at donor-advised funds as an individual gift," she said.

The Houston Food Bank received more than $780,000 from donor-advised funds in 2018. Ragan's team acknowledged each of these contributions by sending a thank-you note to the organization that holds the investment and ask it to share the letter with the donor. This strategy, Ragan admits, is more effective with donor-advised funds held in community foundations than it is with a behemoth like Fidelity.

Ragan has even learned the identity of the donor behind one of the funds that contributed to the food bank — all because a fundraiser at the food bank called the community foundation to offer thanks for the gift. When the financial adviser told the donor about the call, she decided to let the food bank know who she was. "She's gone on to support us in a couple different ways," said Ragan.

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