

# It's Not Just Checkbook Giving Anymore

Understanding the varied ways in which today's individual donors give can benefit both nonprofits and their donors

by Richard Tollefson

► In the past, the most common way for individual donors to support their favorite nonprofit was to open their checkbooks once per year in response to the annual fundraising campaign. They wrote checks from discretionary income, and, on occasion, donated stock or other appreciated assets.

They still do, but today they have a wider array of giving vehicles at their fingertips, including in-kind gifts and, increasingly, donor advised funds (DAF) or individual or family foundations. Donors who own closely held companies also may give through their corporation or its foundation, and those who wish to continue a philanthropic legacy while optimizing investments can select bequests and planned giving vehicles (including charitable trusts) at the end of life.

When CEOs and executives sitting on nonprofit boards work with individual prospects, their awareness of these varied vehicles — and their encouragement of donors and the development staff to consider them — can result in substantially increased giving.

## WHERE TO START?

"Nonprofits usually have a document about preferred ways of giving," says University of Arizona's Jennifer Flores, associate vice president and chief health sciences development officer. "The first thing board members should do is know that document." If some options (like those above) are missing, the board member might ask why.

Boards also should understand their strengths, says Matt Nash, senior vice president at Fidelity Charitable, an independent public charity. "They are most adept at telling the nonprofit's story — who they are, what they do — and getting donors engaged and interested." And while seasoned development officers best understand the mechanisms of getting money to their charities and how to leverage things like complex assets, boards still need to understand funding basics.

Consider, for instance, gifts made through family foundations. Knowing that family foundations are geared toward a particular cause or mission, the board member whose prospective donor suggests this instrument will compare the family foundation's mission with the nonprofit's. If it doesn't match, he may recommend a DAF as an alternative because he knows that DAFs allow donors to redirect their donation to any number of qualified nonprofit organizations.

Board volunteers also should look for clues when speaking with donors. "When a donor says, 'I'm thinking about getting rid of some real estate,' board members should suggest a development officer or an estate planner who can join in on the conversation," says Flores. "Board members can ask key



questions, like 'Have you talked to your financial advisor?' or 'Have you let your charity of choice know?'" Guiding donors early and often means nonprofits face fewer restrictions on gifts, and the donor can realize greater tax advantages.

## THE 'CASH IS BEST' DEBATE

An unequivocal "no" to any gift that isn't cash is a surefire way for nonprofits to lose donated revenue. Nash points to DAFs. "With this vehicle, the charity receives more funds from appreciated securities and private asset donations than if a donor were to sell them first, turn them into cash and then gift them," he says. "And donors realize better tax advantages."

Another advisable gift for nonprofits is a mutual fund that has gained value since the financial crisis. "Many charities can accept it directly," says Nash, "and if they can't, it can still be processed through an intermediary — like a DAF that can turn it into cash for the nonprofit."

Yet board members and staff must be strategic in their acceptance, because not *all* gifts are right to *all* nonprofits. "We try never to turn down a gift," says Flores, "but we have to fundraise for things that will have net benefits for the organization. A gift that takes 500 hours of time to transfer as an asset may not be the best choice." Sometimes, property or in-kind gifts, for instance, don't offer net benefits. "Sometimes you have to say, 'We can't use that, but perhaps another organization can.'" Showing the time and resources needed to convert a gift — on paper — can be helpful. "Donors get it when you're honest with them," says Flores, adding that facts or even a simple explanation of the nonprofit's long-term mission may lead a donor to consider different — and more useful — giving options. "It's always about honoring your donor's intent, though," says Flores.

In the end, educated boards can help their nonprofits realize greater gains. It's really that simple. ■



## UP NEXT MONTH

Telling the Nonprofit's Story



## INDIVIDUAL GIVING VEHICLES IN THE U.S.

According to *Giving USA*, the annual report on American philanthropy, 72 percent of the \$373.25 billion in charitable giving during 2015 came from individuals who gave through their checkbook or convertible assets.

When adding giving through DAFs, family foundations, or bequests, that percentage jumps to 87 percent of all charitable giving in the United States.



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Grant-making from DAF accounts to qualified charities totaled an estimated \$12.49 billion in 2014, representing an increase of 27 percent compared with 2013, according to National Philanthropic Trust.



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