

WEBINAR

5 new trends in major giving & the paths to success



A quick note:



- This event is now **CFRE-approved for 1.0 credits**
- We've added a question to the survey to certify your participation
- **It's possible that CFRE audits are increasing, so make sure you do this!**



Today's agenda

1. Intros
2. The primary macro-trend in fundraising
3. 5 trends in major giving
4. 3 paths for success
5. Next steps and Q&A

Recording & slides will be sent around later today



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Introductions



Intros

Co-CEOs: Jenny Xia Spradling & **Patrick Schmitt**



BainCapital



change.org



A big month for the FreeWill team



GROWING TEAM

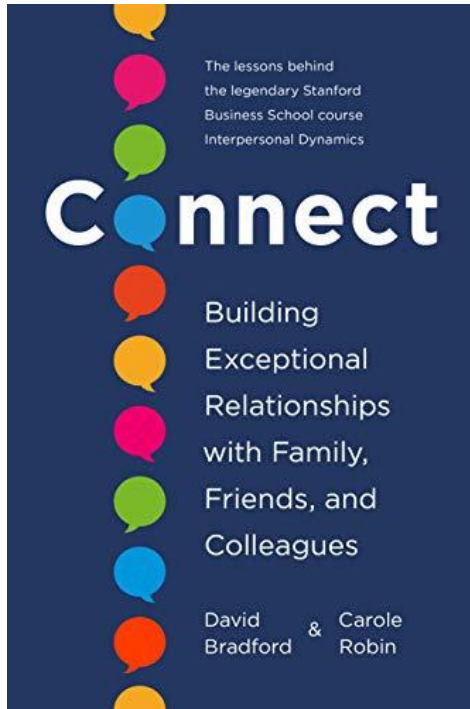
90+

BEQUESTS, STOCKS, & QCDs RAISED

\$3.2 billion



A gift:



- We're going to send a copy of “Connect: Building Exceptional Relationships with Family, Friends, and Colleagues” to **2 people** as a gift
- This book is based on “Interpersonal Dynamics” (A.k.a. “Touchy-Feely”)
- Make **a note in the survey** if you'd like a copy, and tell us where to send it



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The most important macro trend:
A rapid shift away from giving
cash



Trend: A rapid shift to non-cash giving



Why? Reason #1:

- In 2017, the *Tax Cuts and Jobs Act* passed, and became effective in 2018
- This **increased the standard deduction** (the amount you have to clear before itemizing deductions)
- It also **capped the most popular deductions**: State and local taxes and mortgage interest



Trend: A rapid shift to non-cash giving



- The result is that **only about 10%** of people will itemize deductions in 2021, compared to **30%** in 2017
- So in 2021, giving cash will have **no tax benefit for 90% of adults**
- Donors are worse-off when giving cash, and **many gift officers are realizing that the kindest thing they can do for donors is to help them give smarter**



Non-cash & stock gifts drive success for organizations

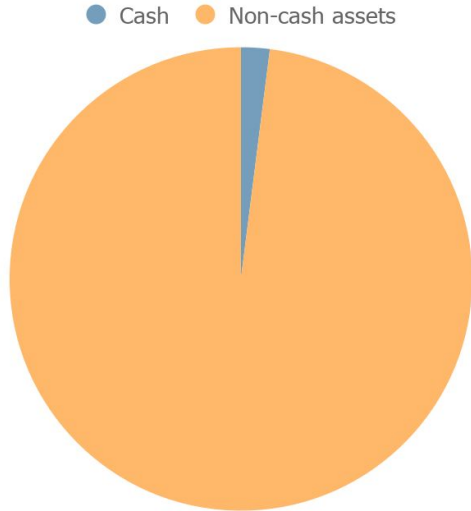


- An analysis of 1 million+ nonprofit tax returns by Dr. Russell James showed that organizations who strictly looked for cash donations grew by just 11% over a five year period
- Organizations taking any non-cash assets **grew by 50%**
- Organizations taking appreciated securities **grew by 66%**

Source: [Russell James](#)



This means larger gifts from the same people



- **97-99% of wealth is held in non-cash assets**
 - 1-3% of wealth is held in cash
 - US Stock Market: \$34 Trillion
- The average value of stock gifts given via the FreeWill Stock Tool in 2020 through 2021 was **just over \$10,000**
- In our survey of over 300 nonprofits, the the average value of a stock gift was over **\$8,400**



Trend: A rapid shift to non-cash giving



Reason #2

- Fundraising leaders and gift officers (you!) are getting much smarter about non-cash giving
- Reduced travel, events, and reunions have opened up more time for learning, and **many of you made huge advancements in 2020**
- (You should feel really good about this!)



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4 more trends in major giving



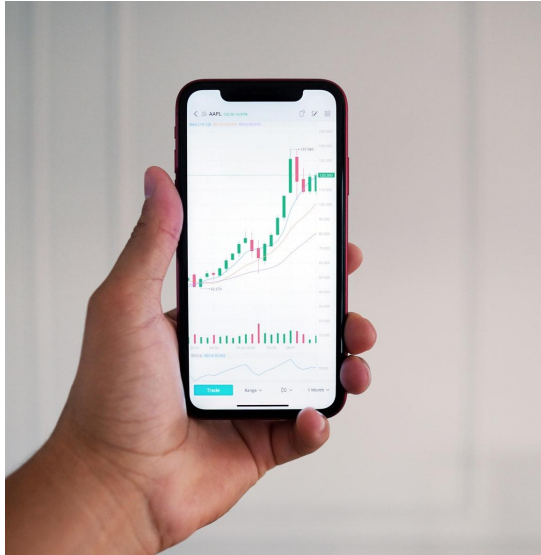
2021 Stock Report



- We did a ton of original research to produce our first ever report on charitable gifts of stock
 - Surveyed and spoke with 100s of nonprofits in every size and sector
 - Included internal data from FreeWill Stock Tool, as relevant
- Goes in depth on gift values, growth year-over-year, donor demographics, marketing, and more
- Here's what we've learned



Trend #2: Stock gifts are growing in popularity & value



- U.S. stock market has climbed more than **10X** since 1990
- COVID crash in Spring 2020 was the shortest **bear market** in US history
- Since then, the S&P 500 has risen by more than **80%**
- **One-third** of Americans now own individual stocks (Source: [Pew](#))
- **Huge surge in users** for online stock trading sites — Americans opened **10M new brokerage accounts in 2020**



Trend #2: Stock gifts are growing in popularity & value

(Original research)



- Nonprofits across all sizes and sectors reported getting **more stock gifts in 2020** than previous years
- The number of orgs fundraising 25+ stock gifts a year **increased by 30%** from 2019 to 2020
- More than two-thirds of nonprofits reported that **the average value of their stock gifts had either increased or stayed strong** last year

Source: [FreeWill 2021 Report on Charitable Gifts of Appreciated Stock](#)



Trend #2: Stock gifts are growing in popularity & value



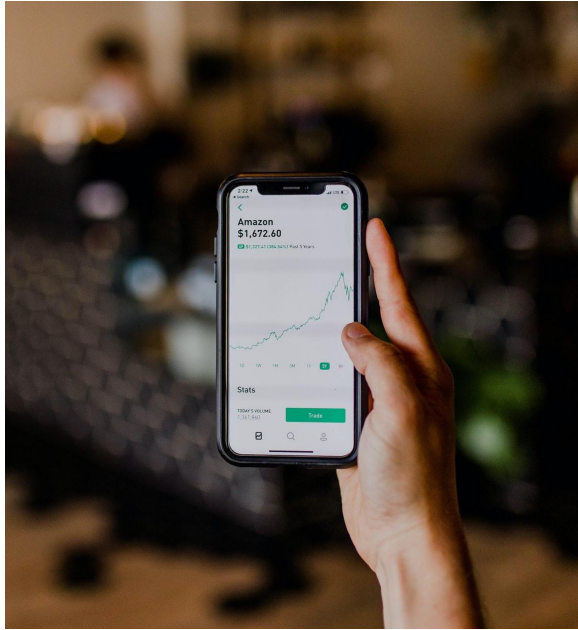
Trend #2: Stock gifts are growing in popularity & value



- Why is this happening?
 - Because there is so much more money in the stock market
 - Because people are trying to save on **capital gains** taxes — whether or not they can save on **income taxes**



Trend #2: Stock gifts are growing in popularity & value



When donors give stock instead of cash, they save on 2 types of taxes:

1. When stock is given directly, the donor **avoids all capital gains tax** (and state income tax on capital gains)
2. The donor also receives **a federal income tax deduction** for the full present value of the stock



Trend #2: Stock gifts are growing in popularity & value



- Donor awareness on the benefits of stock giving is increasing as well
- Nonprofits are leaning into stock giving:
 - 41% said an **increase in donor awareness** was a driving factor in getting more gifts
 - Nonprofits who marketed stock giving to their supporters at least twice in 2020 were **1.5 times more likely** to get gifts

Source: [FreeWill 2021 Report on Charitable Gifts of Appreciated Stock](#)



Additional note: Index funds are becoming more popular

U.S. equity fund assets, monthly

■ Actively managed funds ■ Index funds



Note: Mutual funds and exchange-traded funds

Source: Morningstar



Additional note: Index funds are becoming more popular



- ~14% of US stock investments are in “index funds” which track indices, as opposed to trying to “beat the market”
- Management fees are lower
- Often a better long term strategy than stock picking: Same average gain, lower risk



Trend #3: Rising housing prices = less liquid assets



- The pandemic raised housing prices
 - The average home asking price **hit a record high** of \$380,000 this May
- **Rise of remote work** and **lower mortgage rates** gave Americans more flexibility on where they live
- Due to a **low supply of housing**, buyers are **bidding up the prices** of available homes
- Partly because older Millennials are hitting the housing market, with fewer “Silents” leaving

Source: [Yahoo](#)



Trend #3: Rising housing prices = less liquid assets



- People are liquidating assets and **shelling out more in down payments**
 - Median down payment on a home is **up almost 30%** from last year
- More people are **buying homes in all cash** to beat out competition
- This means many have fewer liquid assets, even as they have more *illiquid wealth*

Source: [PR Newswire](#)



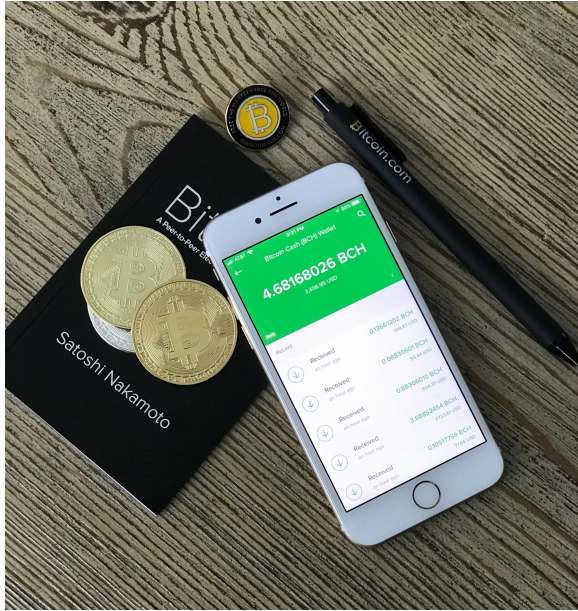
Trend #3: Rising housing prices = less liquid assets



- This means there is significant increase for many homeowners and families, even without salary increases or other investment growth
- For planned giving, you should be focusing on **gifts that benefit from inflation**
- **Ask for a percentage vs. a specific amount** — these gifts are much larger as investments continue to grow over a donor's lifetime



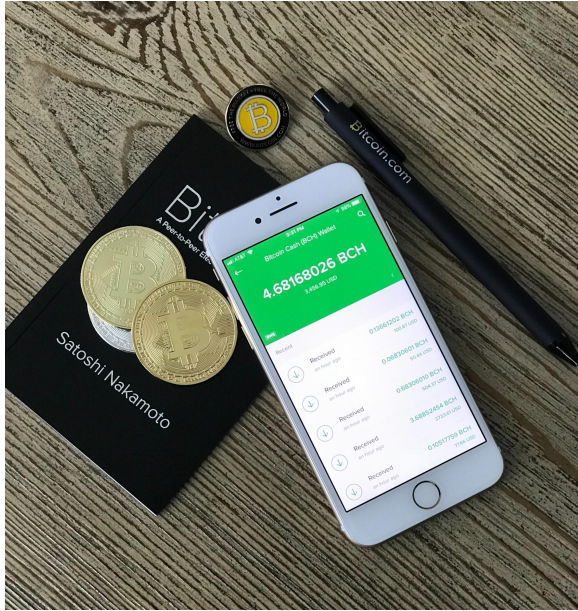
Trend #4: Crypto is growing in popularity



- Crypto is digital currency that can be used to buy goods and services
 - Most popular is Bitcoin, but dozens of others
- **Subjected to the same capital gains taxes** as individual stocks and mutual funds
- Those who bought early have seen huge gains, as share value has grown exponentially and continues to climb



Trend #4: Crypto is growing in popularity

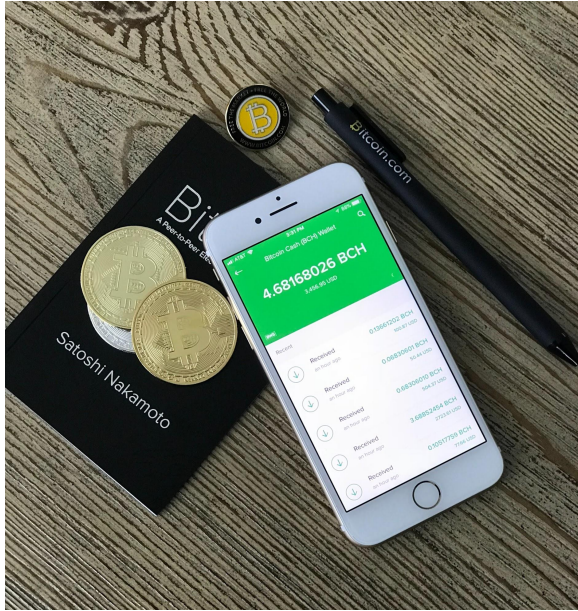


- Cryptocurrencies are exploding in popularity
 - **14%** of the US population owns crypto (~**21.2 million adults**)
 - **13% of US adults say they'll buy crypto in the next year** (~19.3 million people)
 - Total value of all cryptocurrencies is more than **\$1.6 trillion** (\$969 billion is Bitcoin)

Source: [Gemini](#)



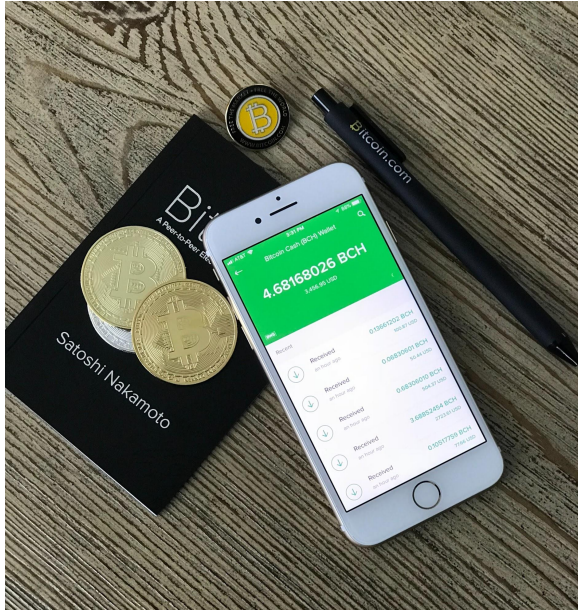
Trend #4: Crypto is growing in popularity



- Since 1929, the stock market has only dropped more than 5% in a day 30 times (or once every 3 years)
- In contrast:



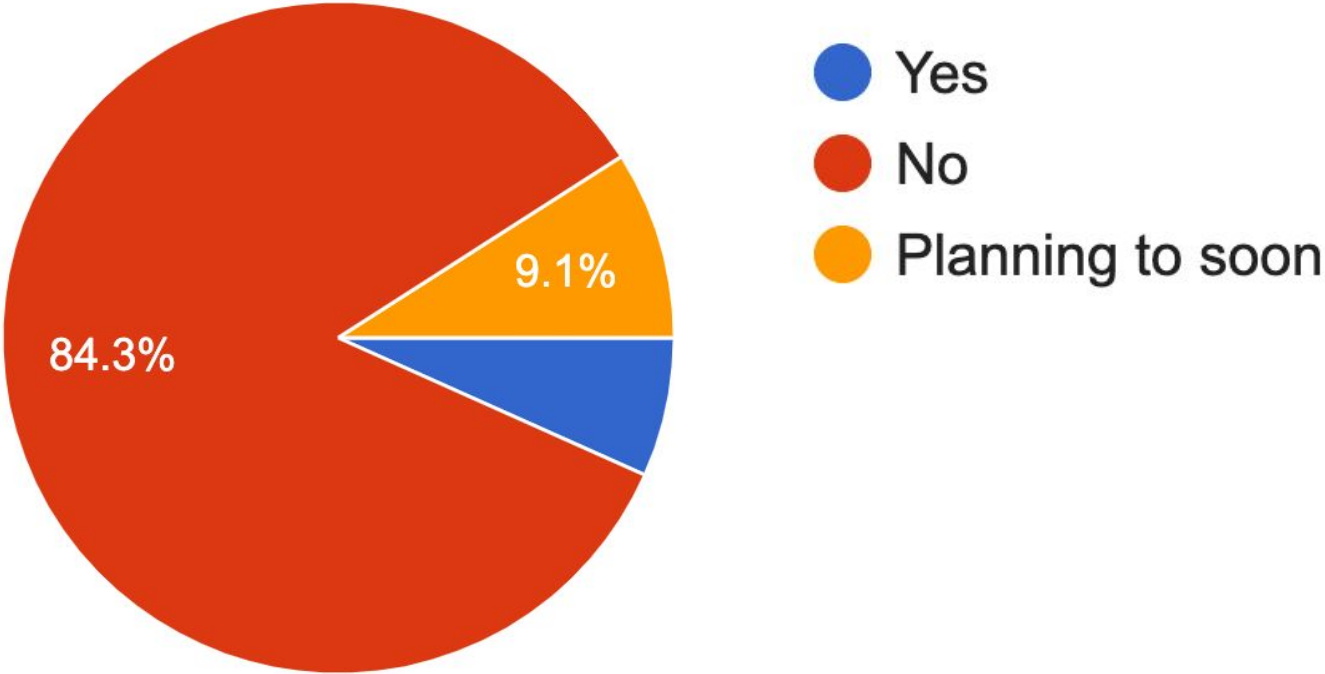
Trend #4: Crypto is growing in popularity



- Fidelity Charitable raised \$28 million in crypto donations in 2020
- Now is the time to get clear on how your organization will handle these gifts moving forward
 - Treat these similar to stock gifts
 - Sell immediately for cash proceeds — this is even more important with crypto due to high fluctuations in price



Does your organization accept cryptocurrency?



Trend #5: QCD growth will only keep accelerating



- Qualified Charitable Distributions are **tax-free gifts made from a traditional IRA**
 - **Fastest growing area of philanthropy** over last 3 years
- QCDs can be given by anyone 70.5+
 - 43% of the prospects in nonprofit marketing databases are over 70



A move from pensions to 401(k)s and IRAs



- **1979:** 38% of workers had pensions
- **1978:** Congress passed Revenue Act, creating 401(k)s
- **1981:** IRS issued rules to allow employees to contribute to 401(k)s via salary
- **1983:** Half of all large firms started offering 401(k)s
- **1996:** Assets in 401(k)s exceeded \$1 trillion with 30 million participants



A move from pensions to 401(k)s and IRAs



- **2006:** The Pension Protection Act made it easier for companies to enroll employees in 401(k)s
- **Today:** There is more than \$4.8 trillion in 401(k)s — only 13% of private sector workers have pensions
- Many people choose to rollover 401(k)s to IRAs, which can then be given as QCDs



Trend #5: QCD growth will only keep accelerating



Why is this important?

- 401(k) plans are now **the primary way many people save for retirement** — pensions are increasingly rare
- IRAs are much more conducive to both planned & major giving than pensions ever were

Source: [CNBC](#)



Trend #5: QCD growth will only keep accelerating



- QCDs will likely see massive growth this year
 - For many people, this is **the only way** they can get tax benefit for gifts
 - With RMDs suspended last year, there are now **2 years of new eligible donors** — almost 6 million people
- Plus, no RMDs in 2020 and stock market growth means larger balances in IRAs



Trend #5: QCD growth will only keep accelerating



- Despite lack of RMDs in 2020, QCDs still kept growing
 - Nonprofits of almost every size **received more gifts last year than in 2019**
 - With RMDs back on, this should increase again in 2021
- These are big gifts — average gift size is more than \$7.6K
- New data: # of QCDs through FreeWill was **90% higher in May 2021** compared to May 2020



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3 next steps for major & planned giving in 2021



Step 1: Ask for percentage-based planned gifts



- Percentage gifts are better for both donors and organizations
- With planned gifts, **they allow for inflation and grow over time**
- Percentage gifts are also **7 to 15X larger**

Source: [Sharpe Groupe](#))



We asked:



Are bequests left to your org usually a percentage or specific amount?

- More often a percentage: 17%
- More often specific cash amount: 22%
- About 50 / 50: 18%



Step 1: Ask for percentage-based gifts



- **Do:**
 - **Use social proof:** “Many supporters like you create a legacy by donating 5% of their estate to our organization.”
 - Ask what impact the donor would like to have with their gift
- **Don’t:**
 - Lead with a specific dollar amount
 - Use technical jargon, like “bequest”



Sample language for 1-1 conversations



“Creating a legacy with us helps ensure we will continue to realize our mission for many years to come.”

Many donors have chosen to leave a percentage of their estate to us in their will. Would you like to learn more about that?”



Sample language for your website



“Many donors choose to leave a gift in their will and create a lasting legacy. Giving a percentage of your estate can help us find many more dogs a loving home for decades to come. Contact us or [click here](#) to learn more.”



Step 2: Planned gift to regular gift



- What to do if a donor already has made a fixed cash amount?
- **For older donors with more certainty around assets:**
 - Suggest turning the cash amount into a real-time gift, and replace with a percentage
 - “Many people like to see firsthand the impact of their gift. Would you consider turning that \$15,000 into a real-time gift to do X? We can replace the fixed amount with a small percentage of your total estate.”



Step 3: Simplify non-cash giving for donors



- Cash gifts are worse for your donor, and you'll miss out on larger gifts from the same people
- It's much kinder to steer donors in a tax-savvy direction — **put non-cash gifts front and center on your website**
- More than 90% of stock gifts that include a “utm source” using our tool come directly from a nonprofit's website



Step 3: Simplify non-cash giving for donors



- Put non-cash giving options **on your donate** and “Ways to Give” pages
 - Non-cash vehicles should also have their own giving pages for donors to learn more
- Educate your donors on the impact of these gifts
 - Less tax jargon and more impact
 - *“You can save up to 70% on taxes and make a bigger impact on our mission with a gift of stock.”*



Step 3: Simplify non-cash giving for donors



3 goals of having non-cash giving on your website:

1. Give donors who already want to make a non-cash gift an easy path to doing so
2. Capture information of people who are interested, but may not complete a gift without help
3. Provide education to people who are curious about tax-savvy giving



Step 3: Simplify non-cash giving for donors



For stock gifts, don't make the mistake of putting DTC info directly on your site:

- Donors make a gift, but the brokerage doesn't share donor information
- The donor starts to make a gift, but does not finish
- **May increase risk of fraud**

DTC info is the info a donor needs to transfer stocks from their broker account to yours



Step 3: Simplify non-cash giving for donors



But if you don't make DTC info accessible at all, you'll lose donors.

- Slow response time, especially on nights and weekends
- Many donors (especially Millennials and Gen Z) do not want to talk to strangers about giving



Step 3: Simplify non-cash giving for donors



- 50% of nonprofits say they occasionally or often receive stock gifts without any donor information
- For ALL non-cash gifts — **collect donor information before revealing how to give** (or before providing DTC info for stocks)
- Gift officers can follow up with “in progress” gifts, closing more donations and hitting their goals



What can we help you with?

I want to make a gift of stock online to Saint Ignatius High School

Thanks to our partnership with FreeWill, you can make your stock gift quickly and hassle-free by beginning your forms online.

[Begin stock gift online](#)

I just want Saint Ignatius High School's transfer information to make my gift

Access Saint Ignatius High School's account number, brokerage name, DTC info, and additional information to make your gift of appreciated assets over the phone, through the mail, or via your financial advisor.

[Access transfer information](#)



Request stock brokerage details

To request our financial information for gifting stock, please fill out your contact information and the details of your intended gift in the form below. Please note that the gift details you provide here are nonbinding, and are used only to help verify gifts received and provide you with a proper tax acknowledgement letter.

Are you a financial advisor donating stock on behalf of your client? [Switch to our financial advisor view.](#)

What is the name of your financial brokerage?

Choose one...



What is the full name of the stock, bond, mutual fund, or other security that you would like to donate?

If you would like to transfer multiple securities, please fill out this form for each security.

Apple Inc.

What is the asset's ticker symbol?

AAPL

How many shares are you donating?

500

When was this asset acquired? (optional)

Full legal name

Please provide your name as it appears on your tax returns and other official documentation. If you are a financial advisor filling this out on behalf of a client, please [switch to our financial advisor view.](#)

First Name

Middle Name

Last Name

What is your email address?

jane@example.com

What phone number can we reach you at?

(201) 555-5555

Where should we mail your tax acknowledgement letter?

Street Address 1

Street Address 2

City

State



Zip Code

You can use this space below to personalize your gift with a message

Message here



Thanks for your support!

We appreciate you informing us about your upcoming gift of stock. Information that you may need for the electronic transfer is provided below.

Account Title

Saint Ignatius High School

Account Number

XJ18559

Account Address

18500 Lake Road, Suite 400
Rocky River, OH 44116

Name of Receiving Institution

UBS

DTC Number

0221

[Go back to Saint Ignatius High School](#)



Sample website language



Many donors prefer to make gifts of appreciated stocks, bonds, **mutual funds**, or exchange traded funds (ETFs) because it can have a large impact on our mission, while maximizing potential tax benefits by avoiding paying tax on capital gains.

If you would like to transfer your appreciated assets you can:

- Use our online tool to walk you through the process in less than 5 minutes; or
- Access our transfer information and work directly with your broker to transfer your stocks.

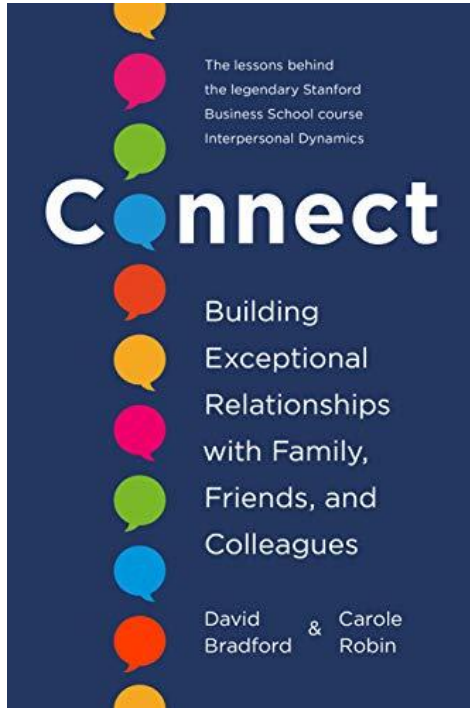


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Resources



A gift:



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- Make **a note in the survey** if you'd like a copy, and tell us where to send it



Resources for you



- **Brand new: “2021 Report on Charitable Gifts of Appreciated Stock”**
- 2021 QCD Report
- Major donor follow-up email templates

Make a note in the survey if you want to receive these.



60-second break (then
Q&A)

Please take this short
survey (link in the chat)



Next steps

1. **Please fill out the survey in the Zoom**
2. Next webinar is on July 13th: “The rise of Cryptocurrency in Philanthropy”
3. If you have creative ideas to share (or if you need anything at all), just email me at Patrick@freewill.com

