The current shift in the financial services landscape is unprecedented. Who and what will emerge from this crisis and the scope of its impact is uncertain. What is certain though is that the non-profit sector will remain a viable part of the U.S. economy. In 2007, charitable giving represented 2.2 percent of the country’s gross domestic product – $306.39 billion.\(^1\) This is equivalent to nearly $1,000 for every American man, woman and child.\(^2\) The need for voluntary organizations to provide services is greater than ever before in the history of the United States and highly likely to increase as the economic downturn is borne out.

Despite this need, charitable giving is not immune to market volatility. A slow down in philanthropy is inescapable given the current economic climate. Once you get past the initial shock of recent events, the reality may not be as stark as some would have you believe. The key to resilience in an economic downturn is understanding its impact on specific donors and taking advantage of certain opportunities to better position your organization for the eventual economic upswing.

The history of the voluntary sector demonstrates how well it weathers economic and geo-political crises. Since 1967, five recessions have occurred. Despite this, there has never been a philanthropic recession.\(^3\) Giving may plateau during bad economies but it has never decreased nationwide compared with the prior year. While giving is undeniably linked to the health of the country’s economy, it tends to be a lagging indicator of economic conditions. Historically, giving has reflected downturns in the market two years after a recession is well underway. By that time, the market could be on the rise again. If the overall recession is mild enough, it is possible that philanthropy will not be affected at all.

It is important to understand the nature of any given economic downturn and its impact on the different players in fund raising. Most downturns are uneven and affect businesses differently. There are always counter-cyclical industries that withstand a recession. In the current situation, firms in the financial sector are disappearing or losing significant profits, but oil and gas, chemicals, healthcare, pharmaceuticals, technology and insurance companies remain relatively strong, in part because those needs exist outside of markets. Some hedge funds are closing while others are doing exceedingly well. Knowing which industries and firms are affected is a significant part of mitigating the impact of an unhealthy economy on development efforts.

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\(^1\) Giving USA Foundation\textsuperscript{TM}/Giving USA 2008
\(^2\) Giving USA Foundation\textsuperscript{TM}/Giving USA 2008
\(^3\) Giving USA Foundation\textsuperscript{TM}/Giving USA 2008
Corporate giving represented 5.1 percent of total charitable giving in 2007. This is the smallest portion of charitable giving, equivalent to $15.69 billion. Many financial corporations will not be able to give at previous levels because of steep declines in their profits. But recent acquisitions may not mean pledges go unfulfilled. Often when large corporations move into new regions, they want to ingratiate themselves with the community and thus honor the commitments of the firms they have bought, or make new ones of their own.

Foundation grants, representing 12.6 percent of total giving or $38.52 billion in 2007, are generally based on a three-year average. Consequently, these gifts will likely remain steady in the initial onset of an economic downturn. In fact, foundation giving grew by 10.3 percent, 7.3 percent adjusted for inflation, in 2007 despite the economy’s poor performance in the fourth quarter of that year. This was due in part to an 11.6 percent increase in foundation assets during 2007. If the market continues to go down, foundation giving will likely decrease as stock portfolios suffer, diminishing assets.

Having contributed $229.03 billion to non-profits in 2007, individuals represent nearly 75 percent of total charitable giving. Mega gifts, those of $100 million or more, totaled nearly $43 billion, 18 percent of the 2007 individual segment. Ultra high net worth individuals capable of these sorts of gifts will likely be immune to the current crisis. While their net worth may decline, they will remain in the highest income bracket and will continue to give generously.

Individuals with $100,000 or more in investable assets, the mass affluent portion of the population, are much more likely to scale back on their philanthropy. Gifts from these donors are often the result of a liquidity event, making them more vulnerable to significant decreases in asset value. Individuals who lose their jobs or are highly leveraged will also be more affected by the current downturn. In general, most families subscribe to checkbook philanthropy, contributing less than two percent of their income to charities. This giving is less likely to change.

Despite the inevitable decline in personal assets, the generosity of the American people should never be underestimated. During difficult times and catastrophic events, Americans dig deep to help those in need. A slow down in charitable contributions is certain to occur, but instances of extraordinary giving are also likely to happen. Compassion for those in need ranks second amongst the top five motivations for giving.

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4 Giving USA Foundation™/Giving USA 2008
5 Giving USA Foundation™/Giving USA 2008
6 Giving USA Foundation™/Giving USA 2008
7 The 2007 Slate 60 (www.slate.com)
8 Based on research by Indiana University’s Center on Philanthropy, the Independent Sector, the University of Pittsburgh and others, the top five reasons why people give are, respectively because they are asked or presented with an opportunity; compassion for those in need; personally believe in the cause; affected by the cause and to give back to their community.
Personal belief in an organization is also one of the top five reasons why gifts are made. People will continue to contribute to their main causes, making it vital to remind consistent donors of how essential their support is and to not pre-judge them. Donors will decide their philanthropic priorities and whether or not it is a good time to give. The flipside is that donor acquisition may become more challenging as people become reticent to take on additional commitments. New prospects may need a little more time and finessing.

It is important to remember that over the long term, the economy will improve. Despite major set backs during the 20th century, this has always been the case. In the meantime, certain measures will improve an organization’s resilience to the philanthropic slow down. Several tenets, long proven to ensure the success of any fund-raising operation, are especially true in times of economic stress.

Activity is critical to successful fund raising, whether in a booming economy or not. Maintaining activity levels, both behind the scenes and with donors, is especially important during a recession. The number one reason why people give is because they are asked. Without regularly scheduled meetings and solicitations, prospective donors will not have the opportunity to give. While the solicitation cycle may take longer in lean years and require greater sensitivity, more possibilities for cultivation will arise. The most effective fund raising occurs face-to-face.

Focus on donors that are committed to the organization and continue connecting with them. Uncover lapsed donors that have already expressed interest in the organization and re-engage them. If people are uncomfortable increasing their contribution or even giving at past levels, ask them to volunteer on the programmatic side or in leadership roles. The benefits of this type of engagement are two-fold. It is an incredible tool for turning donors of convenience into donors of conviction. Furthermore, the monetary value of volunteer time in 2007 was $19.51 per hour. Being nimble in your approach to donors during times of economic uncertainty will serve you well.

This flexibility, both internally and with donors, will bolster fund-raising efforts. Weak economies may result in longer campaigns, lowered benchmarks, and re-ordered prospect charts. Understanding the situation and being responsive to it will yield better results than ignoring it or forcing certain outcomes, especially when it comes to donors. Offering different options that make it easier to give, such as back-loaded pledges or extended payment periods, will facilitate principal gifts.

Economic downturns can offer certain opportunities for diversifying a prospect pool. Over-reliance on a single revenue stream can be detrimental no matter what the stock market is doing. A recession could be the right moment to establish a planned giving program. Bequests totaled $23.15 billion in 2007, 7.6

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9 Independent Sector (www.independentsector.org)
percent of total charitable giving.\textsuperscript{10} A deferred gift can be an excellent vehicle, yielding immediate recognition for the donor and potentially larger, longer-term revenue for the organization.

No matter which steps are taken in response to a recession, it is crucial to continue communicating with donors and prospects. Keep your cause in front of people, constantly reaffirming your mission. Make sure people understand how important their support is, whatever form it comes in. Take advantage of the moment to educate the leadership, reinforcing fund-raising fundamentals. All of this activity and all the behind-the-scenes work integral to effective fund-raising should continue so that when the time is right, your team is fully prepared to make the ask. Remain confident that your plan will help the organization overcome the worst of times and better position it for the future.

\textit{Written by Gillian Shoch Reeder}

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\textsuperscript{10} Giving USA Foundation\textsuperscript{TM}/Giving USA 2008