

2018 CHARITABLE GIVING TRENDS & STRATEGIES

A BEHAVIOR-DRIVEN APPROACH





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We gave people 5 dollars or 20 dollars and told half to spend the money on themselves and half to spend the money on others. Those told to spend the money on themselves bought material goods. Those told to spend the money on others bought toys for younger siblings, made donations to charity, and bought food or drinks for friends.

When we called people back that night, **participants who had been told to spend the money on somebody else were significantly happier** than those who'd spent the money on themselves.¹

Dr. Elizabeth Dunn
Professor, Psychology at the University of British Columbia

1. THE SCIENCE OF GIVING

HUMANS ARE SOCIAL CREATURES -

We are hard-wired to help others and rewarded with a neurochemical boost of happiness for each selfless act.²

Dr. Elizabeth Dunn, happiness researcher at the University of British Columbia, has conducted numerous studies in giving, including the abstract above. Her research showcases the overwhelming impact of giving to others on happiness and well being.

Most economic and public policy theories suggest increased wealth leads to increased well being.

However studies show happiness tends to plateau at a seventy-five thousand dollar per year salary.

This income plateau, our increased use of technology for social interaction and other cultural phenomena have left many searching for a greater sense of purpose in their daily life.

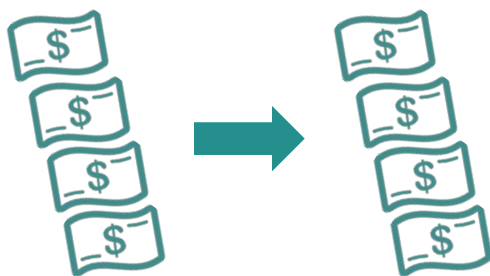
This paper explores the numerous drivers creating an opportune climate for charitable fundraising. Now is the time to rise above the noise and solve this gap in fulfillment while achieving your organization's mission.

2. FUTURE TRENDS IN PHILANTHROPIC GIVING

Evolving generational and racial demographics are shaping our national footprint and resulting philanthropic behaviors. Below are the top trends to consider as you craft your organization's outreach strategy:

WEALTH TRANSFER - Baby boomers, the largest generation in American history, born between 1946–1964, are entering retirement. With their large population comes great financial opportunity for charitable organizations.

According to the Planned Giving Design Center, between 2011 and 2048, baby boomers are expected to transfer \$30 to \$41 trillion to Generation X (1965–1980) and Millennials (1981–2000).



Renowned charitable giving expert Dr. Russell James (who also serves as an advisor to Giving Docs) cites two

important trends of this historic transfer in his book “Encourage Generosity”: baby boomers have shown decreasing use of wills and increasing use of transfers on death.³

As baby boomers set this unprecedented generational wealth transfer in motion, planned giving expertise is an invaluable resource.

Sharing the pros and cons of various estate planning vehicles can prepare them to provide value to their loved ones while recognizing causes that have been important in their lives.

RACIAL INFLUENCES - By 2044 the population of the U.S. is predicted to reach a non-white majority.⁴ This trend will also trigger a shift in philanthropic giving.

Research by Dr. James shows that African-Americans rate the value of charitable and religious bequest gifts higher than other racial groups. While African Americans were less likely to have a will or trust with a charitable component, this seemed to be a result of insufficient access to planning documentation, not a lack of interest.

Overall, African Americans were more likely to give religious bequests greater importance relative to other charitable or family bequests.

INCREASED RESOURCES FOR FEMALE DONORS - Women will inherit 70% of the intergenerational wealth transfer expected over the next 40 years, according to Boston College's Center on Wealth and Philanthropy.⁵ In addition to women controlling wealth and consumer activity, they tend to donate more of their wealth than men do.⁶

3. TECHNOLOGY AND REGULATORY DRIVERS

As millennial, digital natives overtake baby boomers as the largest generation, their spending behaviors will have an overwhelming impact on the economy, including charitable giving. The effects of this emerging demographic will coincide with new national tax laws with unprecedented impact. Keep these trends in mind:

TECHNOLOGY DRIVERS

ONLINE GIVING GROWTH - While overall giving remains relatively flat, online giving continues to grow approximately 7 percent year over year.⁷

There are a lot of advantages to online giving: clearer user journeys, dynamic feedback and advanced analytics. To be successful it's critical to have your digital infrastructure running smoothly. This includes leveraging multiple platforms including web, mobile and direct message campaigns.

USABILITY IS KEY- Mobile-friendly, responsive donation forms yield

34% more gifts

than non-responsive pages because people can donate easily regardless of what device they're on.⁸

EMAIL STILL REIGNS - In a 2016 M+R Benchmarks study email accounted for

26% of all online revenue.⁹

STAY ACTIVE ON FACEBOOK - Nonprofits have claimed Facebook as the most important social media for their causes, with Twitter in a close second place, and YouTube in third place.

\$45 million

was raised by nonprofits through Facebook fundraisers in a single day on Giving Tuesday.¹⁰

CAPTURE HIGH-WEALTH DONORS - It's not just the young professionals making their donations online.

51% of high-wealth donors

(\$200k+) prefer to give online.¹⁰

Managing multiple engagement platforms can be a full time job, but it's a necessity for maximum impact.

REGULATORY DRIVERS

November's significant tax reform bill left many in the world of charitable giving uncertain about the future. While the effects of the bill are still unfolding, here are the top drivers to keep in mind:

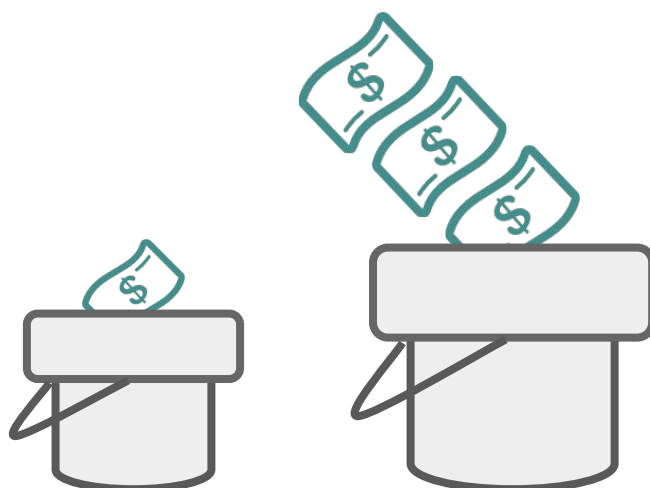
GDP - Despite decreased deductions and changing tax benefits, there is still hope for increased charitable donations. Over the last 40 years charitable giving has consistently represented an average of 2 percent of the national GDP. An analysis of the new tax plan by the Tax Foundation predicted a 3.7 percent increase in GDP over the long term and 2.9 percent higher wages.¹¹ This influx of economic growth therefore has the opportunity to directly impact charitable giving and reach above 2017's 2.1 percent rate.

GIVING SOLUTIONS - Federal tax benefits for paying state capital gains taxes have been withdrawn under the new tax law. A Charitable Remainder Trust is a powerful giving solution with no capital gains taxes and lifelong earnings. Donor-advised funds also present significant advantages with a tax deduction in the contribution year and ongoing tax-free growth.

DONATING ASSETS - Donors seeking to avoid capital gains taxes still have the option to donate appreciated

stocks, bonds and other assets. Rather than donating cash, the donor can make a direct investment into an existing portfolio purchasing identical assets. This approach avoids any capital gains taxes be paid on past appreciation.

In an in-depth article following tax reform announcements, Dr. James highlighted the larger psychological impact of this behavior change with "donors now thinking about gifts from assets (i.e., 'the big bucket') rather than simply gifts from monthly disposable income (i.e., 'the little bucket')." ¹²



4. BEHAVIORAL TRIGGERS FOR GIVING

Insights from psychology and behavioral science help us identify the key factors motivating their donation behavior. The following cognitive biases are particularly relevant for charitable giving behavior:

IDENTIFIABLE VICTIM - If you've ever seen ASPCA's notoriously heart-wrenching TV commercial graced with Sarah McLachlan's somber melody, you will appreciate the impact of a single pair of eyes looking at you asking for help. While intuition suggests staggering numbers would lead to action, a clear identifiable victim, or identifiable recipient, inspires donations at a higher percentage than large, unrelatable numbers.¹³



Use clear imagery of a single “victim” and share specific text about their experience to elicit an emotional, and monetary, response.

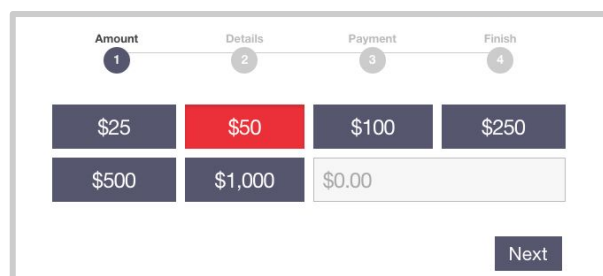
BANDWAGON EFFECT - The social nature of humans means we also have the desire to be similar to others. A 2012 study by Facebook found that the act of friends sharing their voting behavior generated an additional 340,000 votes nationwide.



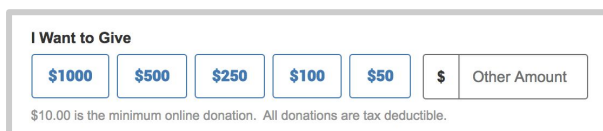
This social proof can be leveraged to increase overall messaging impact. Create distinct opportunities for your community members to share their gift.

ANCHORING - Imagine you receive a call from your alma mater requesting a donation. You initially consider donating \$50, then learn most people donate an average of \$200.¹⁵ This new information makes you feel your initial offer was too low and you resolve to donate \$100.

The anchoring effect suggests that people are overwhelmingly influenced by the first piece of information they receive. Thanks to the \$200 anchor, your alma mater increased your donation by \$50, doubling your intended amount. This tactic can also be applied digitally using default donation amounts:



DECOY EFFECT- Another instance of anchoring is seen in the decoy effect. Take the example below: while few donors are likely to make a \$1000 donation, the organization of the



default donations frames users to think about donating a higher amount and leads their eyes to the center donation value of \$250. Renowned behavioral economic researcher Dan Ariely (advisor to Giving Docs) illustrated this effect in a study on subscription tiers for *The Economist*.¹⁶ A third decoy tier increased likelihood to purchase the more expensive tier from 68% to 84%.

LOSS AVERSION - If you've fallen victim to clicking on a "Last Chance" or "Today Only" marketing email from your favorite brand, you have experienced loss aversion. This behavioral trigger tells us that loss feels more painful than an equivalent gain will feel good. It causes us to take action to avoid a loss. The example



above demonstrates how loss aversion may motivate a buyer to make a snap purchase decision to receive their product more quickly.

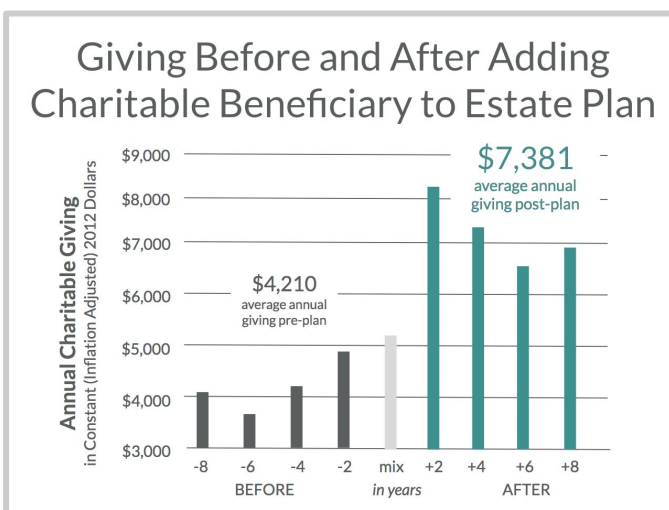
ENDOWMENT EFFECT -

A sub-theory of loss aversion is the endowment effect, which suggests we are more likely to attribute value to the things that we own. This could be

one contributing factor to the trend of increased annual charitable giving following naming a charity in your will.

Dr. James has been analyzing the charitable behaviors of an ongoing longitudinal research study of more than 20,000 Americans by the National Institute on Aging.

For this analysis he looked at more than 9,000 responses about annual and planned gifts. His findings show an average increase of \$3000 in annual donations after the creation of an estate plan including a charitable bequest.¹⁷



By documenting a lasting commitment to a charity these individuals may be ascribing a certain level of ownership, triggering the endowment effect. The more you can give your community a sense of ownership in your cause, the greater the impact.

5. AN ACTIONABLE PLAN FOR PLANNED GIVING PROFESSIONALS

Get started today! Leverage the trends and strategies in this paper to activate your community.

01 | The Science of Giving



SCHEDULE A COMMUNITY-BUILDING EVENT

Feed your community's desire for authentic connections and plan an activity that directly contributes to your cause (further triggering that endowment effect!)

02 | Future Trends in Philanthropic Giving



UPDATE YOUR INFRASTRUCTURE

The great wealth transfer from the baby boomer generation is likely to prompt a surge of planned gifts. Prepare consultants and digital systems to support this inflow.

03 | Technology and Regulatory Drivers



LEVERAGE ALL CHANNELS

Set a monthly goal for digital touchpoints including email marketing, blogs, Facebook messages, Tweet and YouTube videos. Repetition triggers action. Keep emails active.



PREPARE EDUCATIONAL MATERIALS

Attention-grabbing headlines have many donors worried about tax reform and its implications. Provide resources to educate your community on how to give smart.

04 | Behavioral Triggers for Giving



EXPERIMENT WITH MESSAGING

Start by adding a singular identifiable victim in your next email marketing campaign. Compare the engagement between campaigns and iterate until you hone in on messaging that is deeply resonating with your audience.

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