Passing the Torch: Attracting and Cultivating the Next Generation of Philanthropist

Inclusiveness

Considerations and solutions for meaningful and sincere outreach

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For a decade you have heard about the intergenerational transfer of wealth, and articles about philanthropy underscore the need for organizations and development professionals to take the steps necessary to access it:

- An estimated $11.6 trillion in personal wealth to be transferred between 1998 and 2017.
- An estimated $1.7 trillion to be bequeathed to nonprofits.
- A remaining $7 trillion (after taxes and fees) to be inherited.
- An estimated 1.8 million estates of $1 million or more—more than 1 million new millionaires due to inherited wealth

Ten years after the research first appeared, you have seen some of the anticipated largesse. Eight- and nine-figure gifts are reported regularly in trade magazines, daily newspapers and yes, even on the Internet. Even “smaller” organizations that have paid attention to the importance of cultivating major donors have received six- and seven-figure gifts from supporters who are making their largest gifts ever.

However, the reality throughout the nonprofit world is much different than these articles might suggest. Many organizations are seeing decreases in their annual giving. Fewer donors making fewer gifts means not only less funding for programs and services, but also, and more critically, smaller numbers of prospects for the major-gift pipeline, even within those organizations that are thinking strategically.

As your prospect lists grey, what are you doing to replace the donors who are disappearing? It is no longer enough to ask older donors to introduce you to their children and grandchildren. If they have not brought their younger family members to the organizational table during their prime giving years, it is unlikely they will be able to bequeath the philanthropic passion along with the dollars they pass on to their heirs.

You must actively seek younger donors and introduce them to the good work you do and the good feeling that comes from being an integral part of your organization’s ability to make a difference in the lives of people, their communities and the world.

Successful Partnering With the New Philanthropists

If you are going to feed the pipeline of giving, from both an annual and long-term perspective, first understand who the new prospects and donors are. You must meet their terms and expectations, not force them to meet yours. The new philanthropists are children of the baby boomers: Generation X (born 1965–1977) and Generation Y (born 1977–1994). They are donors who have very different characteristics— and often different interests—than their parents have. They are young, diverse, multicultural, intolerant of bureaucracy and committed to individuals. They have looser ties to “elite philanthropy” and status than past generations have; they make decisions based on knowledge and research, are risk takers and want very quick results. They are often interested in the environment and global causes, and seek to change the world.

How do you reach out to them and get them involved in your organization? The following suggestions will help you get started.

1. Do not skimp on the up-front work. It is not enough to develop a list of prospects; invite them to an event and expect them to engage in the organization. The three most important words in getting ready to meet the new philanthropists are preparation, preparation and preparation. First, do your homework. Find out where their interests lie, who knows them and what will appeal to them about what your organization does.

2. Create opportunities to informally cultivate, involve and educate. New philanthropists are busy. Those who are married generally are managing two careers. If they have children, their evenings are spent at home as often as possible. Dinner time is sacrosanct. Their time for, and interest in, special events is limited to occasions where they can socialize with people they like or organizations they strongly support. Utilize every chance to get to know prospects and donors informally and to involve them in important activities that are meaningful to them. Develop a volunteer structure that engages non-board members in committees where they can help solve organizational problems. You may want to include their children in the cultivation. Develop perks that meet both their interests and their family and social needs.

3. Create different giving structures. New philanthropists want to control (restrict) their giving. Offer the opportunity to make a gift online, via credit card, through a monthly bank draft or in multiple-year pledges. New philanthropists are less likely to accept investment advice and more likely to appreciate general information. Because they are more open to the idea of global giving, new philanthropists often appreciate the opportunity to use intermediaries to facilitate their giving. They are intelligent donors and savvy investors, and they expect their causes to be the same.

4. Measure results in ways that make sense. New philanthropists e and appreciate high-level business management. Their motto might recognizbe described as “invest, measure and invest again.” As a result, organizations must be willing to dig down into the finances, show balance sheets in ways that can be clearly interpreted and understood and avoid using smoke and mirrors with the numbers and the results.

5. Be more transparent. According to a recent report, only 15 percent of Americans express a great deal of confidence in charities, barely ahead of confidence in “big business.” Eleven percent of Americans believe that non-profits spend their money wisely and 19 percent believe that nonprofits do a good job of running their programs. Collectively and individually, non-profit organizations must develop the structures and policies that provide prospects and donors with confidence in their accounting practices and in their demonstrated results. Younger donors expect—and demand!—sound management and accountability and want to see the best results for every dollar they give. Make sure you have all your T’s crossed and I’s dotted, and be prepared to answer questions about everything you do and the reasons for it.

6. Make information available 24/7. Generation X is the first generation to embrace computers and the Internet almost from infancy; Generation Y is the first to have unlimited access to wireless technology. “All access, all the time” is no longer merely an advertising slogan. Organizations do not have the luxury of relegating website upgrades to the next budget year. New philanthropists want to “surf the Net” whenever and wherever. Attractive, highly searchable websites with interactive capability, blogs and links to statistics, results and other similar sites are key to attracting the attention of younger donors. A presence on Facebook and My Space is a must. If you do not understand e-philanthropy, find someone who does. Now, “more, better, faster” says it all.

7. Provide proof of ROI. New philanthropists understand an entrepreneurial focus. They look at the return on investment (ROI) for everything they do. Questions such as “How many people will our gift affect?” “How quickly?” and “How will it be measured?” require an answer as part of the solicitation. Regular reports of the ROI should be a major component of your organization’s stewardship plan. Furthermore, each fundraising activity and event should be measured for its individual ROI. Events that have hidden costs in staff and volunteer time should be scrutinized for their value beyond the dollars they raise.

8. Utilize current donors to pass the torch. Ask existing donors to help identify and introduce friends, relatives and acquaintances who also have an affinity for your organization’s cause. Arrange for introductions. It still matters who invites involvement. However, the difference is that younger donors do not easily pattern themselves after those who have come before. Thus, it may take more than just an introduction to engage them sufficiently to make more than a token financial investment.

9. Understand (and learn to live with) restricted gifts. As organizations mature, they must develop options to pay for ongoing operating costs. More and more nonprofits are seeking expanded endowment funds to bridge the gap between unrestricted giving, fees for service and the cost of doing business. Boards of directors and senior administrative staff must be prepared to manage a larger number of restricted gifts. This does not mean changing the organization's focus. It simply requires better articulation of the case for support and the solicitation strategies to ensure that donors' restricted gifts still meet primary core needs.

10. Recognize these changes are not going away. Giving is no longer your grandparents' philanthropy. Be ever-more attuned to your organization's case, leadership and prospects to make sure all are in harmony. Have fun! After all, professional fundraising is still the best job there is. Where else can you work with the finest people in the world—volunteers and donors who care about their organizations and their communities—and help them make a real difference in the causes they support. In some ways the pace of change in nonprofits is glacial, but you must use your skills to embrace change along with developing relationships beyond those that exist today.