Making Sense of Planned Giving Metrics: Advancing the Dialogue About What Really Counts

Changes in giving as a result of the recession have brought planned giving to the forefront in new ways. With short-term resources strapped, nonprofit donors and fundraisers are reassessing the potential of planned giving as a more visible player in longer-term institutional investment and growth.

Often separated from principal, major and annual gift strategies because cash is king in campaign and annual counting, planned giving programs have also been relatively content with their aura of mystery and have remained fairly resistant to accountability. But in recent months, more attention to metrics has become a larger part of the conversation, providing the chance to consider planned giving opportunities with reliable data for measuring and managing their impact.

According to the Center on Philanthropy at Indiana University, the data are clear that we are experiencing the lowest level of confidence in fundraising for U.S. charities in more than a decade. In the center's Philanthropic Giving Index report in December 2008, major gift fundraising showed continued declines. However, fundraisers reported more success with planned giving (72.9 percent) than they had just six months earlier (67.6 percent).[1] In addition, fundraisers predicted that major individual gifts, including planned gifts, would increase in 2009, and that estate planning would be a major focus.[2]

Especially in this economic climate, with the emphasis on efficiency and dollars well spent, metrics are increasingly vital across development programs. This focus on ROI depends more than ever on the integration of experience *and* data, blending art with science in philanthropy.

In this context, frontline major gift and annual fund fundraisers as well as planned giving officers act more collaboratively to reframe discussions with donors. While outright gifts may be the objective in the short term, the additional focus on deferred giving and creative planning with unusual charitable gift assets provides donor connectivity for the longer term. With the broader goal of relationship building over time, not simply solicitations, they can cooperate to ensure that money is not left on the table.

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1 The Center on Philanthropy at Indiana University. Press Release, Dec. 18, 2008. www.philanthropy.iupui.edu

2 The Center on Philanthropy at Indiana University. Briefing, Revised and Updated, December 2008. www.philanthropy.iupui.edu

Some Perspectives on Metrics

There is plenty of attention, but little clarity and even confusion, about what to count, why and for what purposes. In moving away from little accountability, the danger is going to the other extreme and a flurry of metrics without a clear strategy. Marts & Lundy has conducted several recent studies of planned giving organizations and their measurement activities.

Two surveys of nonprofits in New England showed widely inconsistent planned giving measurement practices and rationales [see Table I and Table 2]. Between 36 percent and 53 percent of the organizations responding were applying metrics, but their approaches and benefit analyses were quite varied. We also found that nearly all aspired to use metrics.

Getting started requires agreement on what metrics matter. What behavior are we trying to drive? What works? What doesn't work? Without this shared understanding in all development programs, both fundraising and counting may fall short of optimal results.

For example, it's not uncommon to find that planned giving directors will have annual goals for new bequest intentions or legacy society memberships. Yet fewer of those institutions will assign responsibility for achieving those goals beyond the planned giving director. A bequest intention is really about a type of giving, analogous to annual giving, but a major gift officer focused on the priority and urgency for cash may consider a bequest an "add-on" to his or her work. The challenge is how best to leverage that opportunity for life-stage planning to connect the donor's interests now and 25 years in the future.

Planned giving creates a context for longer-term philanthropic conversations at a time when short-term strategies may be unsuccessful and untimely.

Table 1: Survey — Planned Giving Group of Connecticut (2008)

Organization	No. Responses	Yes	No	Metrics
Uses metrics to guide and then evaluate planned giving director/officer performance	17	52.9%	47.1%	Visits, new bequest intentions, legacy society members, new lifetime gifts, new proposals, inquiries
Uses metrics to project planned giving program growth (quantitative goals)	17	5.9%	94.1%	
Incorporates planning giving metrics into capital campaign planning	17	17.6%	82.4%	
Secures "blended gifts" (outright and deferred)	15	6	9	Only one of the "yes" organizations measures this activity
Leading quantitative indicators of planned giving (open-ended question)	• Proposals • Consistent steady growth in new funds, legacy society membership and advisor referrals • Strong annual fund loyalty • Realized gifts and bequest intentions • Increased inquiries and new bequest intentions			

Note: respondents from higher education, independent school, hospital/healthcare, human services

Table 2: Survey — Planned Giving Group of New England (2008)				
Organization	No. Responses	Yes	No	Metrics
Uses metrics to guide and then evaluate planned giving director/officer performance	42	36%	64%	
Uses metrics to project planned giving program growth (quantitative goals)	43	21%	79%	
Incorporates planning giving metrics into capital campaign planning	40	32%	68%	
Secures "blended gifts" (outright and deferred)	30	11	15	A few measure this activity
Leading quantitative indicators of planned giving (open-ended question)	• Annual support • Giving history • Loyalty (gifts and response to newsletters and mailings) • Reunions • Visits • Increase in identified and qualified prospects • Inquiries • Bequest intentions and realized bequests • Legacy society • Co-visits with major gifts • Number of marketing mailings • Internal presentations to other development staff • Qualified referrals by board, senior management and direct mail • Proposals			

Historical Practices and Recent Trends

Traditionally planned giving has worn a cloak of mystery within the development office. Regarded as technical and the specialized realm of financial services professionals and attorneys, planned giving has operated with little or no performance targets or measures and scant hard data. In the early days, faith and patience guided the general belief that results would occur at some point in the future. However, changes in language and titles over the years — from "deferred giving" to "planned giving" to "gift planning" to "philanthropic advising" — reflect constructive movement toward a proactive, donor-centric planning function. At the same time, the multiplicity of terms can be confusing to those who are not "in the know."

Benchmarks for measurement are non-existent or, at best, limited. Because outcomes are challenging to project, unlike crediting policies in annual or capital campaigns, planned giving has had virtually no presence in campaign planning. In fact, planned giving has become a "money later" approach, instead of a facilitating tool to build the largest package of support from each donor.

Our Planned Giving Survey of cancer and health care institutions in December 2008 continued an earlier study in 2004. Eleven institutions of the 16 invited to participate responded to the two-part benchmarking study last December: Brigham & Women's Hospital, City of Hope, Cleveland Clinic Foundation, Dana-Farber Cancer Institute, Fred Hutchinson Cancer Research Center, Fox Chase Cancer Center, Johns Hopkins

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Institutions, Memorial Sloan-Kettering Cancer Center, The Rockefeller University, The University of Texas M.D. Anderson Cancer Center and the University of California, San Francisco.

The results illustrated some of the ongoing issues inherent in planned giving today:

- Nearly all institutions continue to struggle with ways to better integrate gift planning into major gifts and especially principal gifts work.
- Institutional pressures to raise cash are prominent and intense, and it is challenging to "make the case" for the value of planned gifts with physicians/faculty.
- The ability and commitment to analyze data are identified as essential planning tools.
- Bequests remain the "bread and butter" and the source of substantial and still increasing philanthropic revenue.
- It is challenging to define the correlation between marketing investment and return.
- There are relatively few examples of blended gifts (outright and deferred) at the top of the gift pyramid.

Shifts Toward Metrics

Increasingly chief development officers are taking the approach that planned giving should be more like major gifts, acting proactively and with targets for monthly visits. There is greater attention to moves management coordination among all front-line fundraisers, including planned giving specialists. More interest in benchmarking across the board is placing new emphasis on reliable guidelines for planned giving as well.

The metrics that are being applied to planned giving are, in most cases, coming from the chief development officers, not the planned giving office. This sets the stage for planned giving directors to become more active in defining their own best practices and establish the right metrics. Activities that are commonly counted include: meetings, inquiries, proposals, solicitations, gift closures, numbers of bequest intentions, types of gift plans, responses to mailing and other marketing, website traffic and joint visits with major gifts.

It's realistic to assume that more activity will yield more philanthropic support, so the data to track this can truly matter for development program planning.

Chart 1 shows what percentage each planned gift origination method plays in the total number of planned gifts coming in.

- In this study the average percentage of gifts from direct mail is 19% (in 2004 it was 36%), face-to-face is 42% (35% in 2004).

Chart 2 indicates the number of responding institutions that track various productivity metrics.

- For those institutions that are tracking face-to-face visits, the average expectation is 10 visits/month.
- Productivity metrics in general play an increasing role in nearly all programs, but there is little consistency as to what ought to be tracked and how to measure success.

What to Count and Why

Counting planned gift dollars can represent a hard measure of program growth and success. There are several ways to do this, all with uneven track records at present:

- Market value and present value. Both values are important indicators. Neither should be in the exclusive realm of either the development or the finance offices. And "Counting," crediting and donor recognition must not be confused with "Accounting." Institutions with a long history in planned giving can analyze these values in relation to actual investment performance and ultimate, actual values of remainder interests, when made available for use.

- Bequest intention value. This value is harder to quantify and thus poorly tracked. Yet planned giving professionals should have

Chart 1: Origination of Planned Gifts

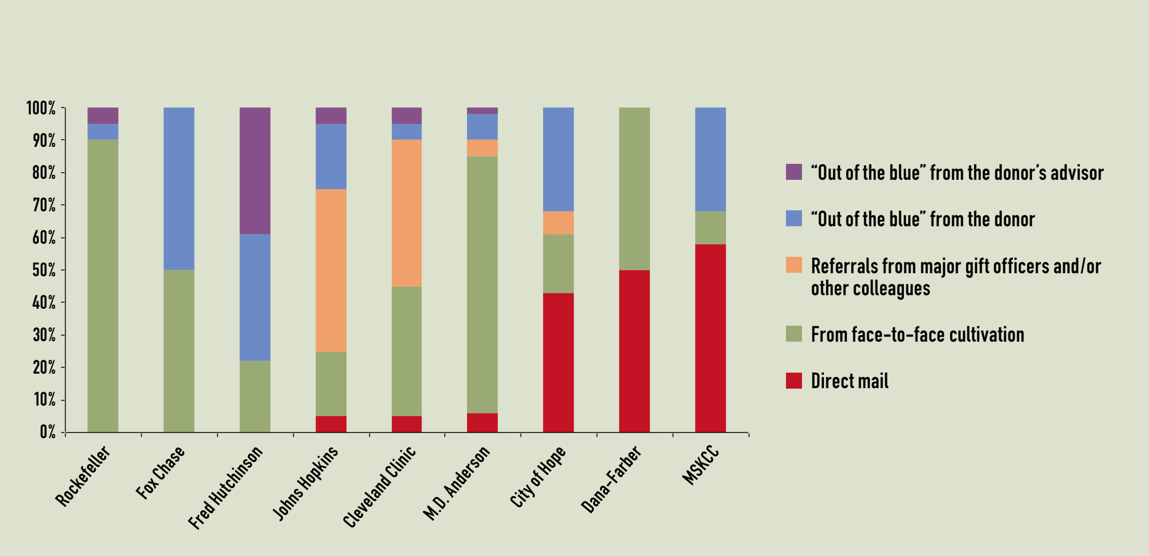
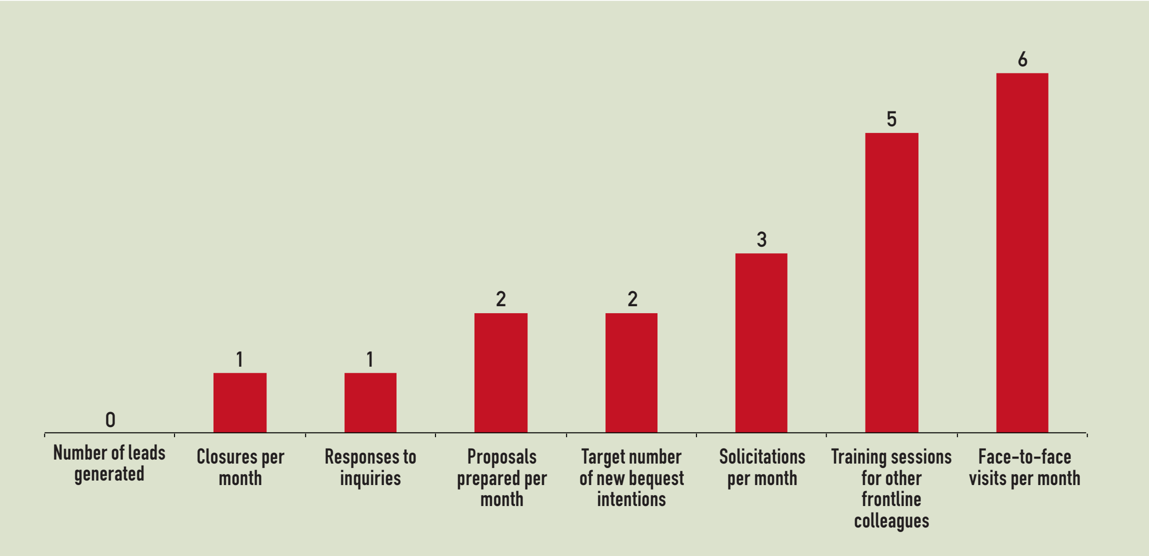


Chart 2: Productivity Measures



some kind of estimate for the "intention pipeline" and a preview of what might come 20 years down the road — notwithstanding the fact that it will be a soft number.

- Realized bequests, deferred gifts under management, outside managed deferred gifts, comprehensive "pipeline values." Consistent collection, tracking and analysis of this data will inform development of a program baseline for planning purposes.

There is no one-size-fits-all solution; metrics need to be customized for each program and in coordination with other development activities.

- Blended gifts (outright and deferred combination). These are also poorly tracked, yet an area of great potential. Understanding the extent to which gift planning raises the bar at the highest levels — notably, the major gifts at the top of the donor pyramid — is an area of missed opportunity for leveraging and ratcheting up discussions about a donor's ultimate gift in whatever form.

- Investment performance. Surprisingly this area hasn't been reviewed rigorously, at least prior to the sharp economic downturn in late 2008. This is an area in which board investment and finance committees, wearing both their fiduciary and philanthropic hats, can maximize all of philanthropy.

What Works and What Does Not

Planned giving has been typically viewed as a "last resort," but it is far more. It can, for example, put a lens on gifts of unusual assets that can be converted to cash now. Using planned giving as part of creative philanthropic planning will *almost always* deepen relationships and raise the bar on all gift conversations.

Applying metrics will also raise the credibility of planned giving, which is not well understood in the rest of the development program, and bring it more into the mainstream. While measures of success are not well-defined across the industry, increasingly organizations are using more rigorous marketing analysis to make the case for investment in planned giving resources and to guide program planning. The ROI will be seen through the program's relevance to the president/CEO, chief development officer, chief financial officer and other senior leadership and in its ability to be helpful and understandable to donors. Already donors today are better educated about planned giving opportunities because of robust marketing by investment and financial institutions.

In this wider view of what's possible, however, we know that trying to track everything will drain time and energy from frontline donor contacts. There is no one-size-fits-all solution; metrics need to be customized for each program and in coordination with other development activities. If longtime and loyal annual fund donors are good candidates for bequest intentions, then those who express bequest intentions should be good candidates for the annual fund. This collective approach requires that planned giving is engaged in the dialogue about what measures make sense and that ownership of planned giving goals is clear to all players within the development team.

Such fresh thinking will make metrics a guide for all to benefit broader philanthropic goals.

Defining Best Practices

As we move from the program stereotypes and donor typecasting, it's time to integrate gift planning proactively into top gift strategies. Metrics and guidelines will go a long way toward the accountability, collaboration and flexibility that will dissolve silo-based planning and engage the full development team in fulfilling fundraising goals.

While many eyes are on planned giving in the current economic environment, these best practices will maximize planned giving's capacity to support all philanthropy in any situation:

- Identify and prioritize leading indicators of success. This means more boldness in donor visit goals.
- Balance quantitative and qualitative, remembering that relationship building is both a science and an art.
- Create time horizons for planning, projections and results.
- Integrate planned giving metrics with overall development metrics in both fundraising and marketing, using the case for support as the theme and coordinating messaging internally and externally.
- Move toward increased sophistication and customization in donor conversations and performance targets, encouraging incentives for cooperation between major gift and planned gift officers.
- Work as a development team, promoting education, collegiality and greater philanthropic results.
- Develop and update "industry benchmarks," continuing to evaluate planned giving metrics in regional and national groups.

By doing so, planned giving will be well-positioned to join the development mainstream. ■

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GIFT PLANNING FRONT AND CENTER

- **Identify and enlist select partners, starting with the chief development officer, to collaborate on multiyear program plans, define and embrace performance metrics and assess strengths and opportunities.**
- **Leverage collegial relationships with major gifts officer, by participating in strategy sessions, inviting facilitation of case study reviews and becoming familiar with the major donor prospect pool.**
- **Work together with senior institutional leaders as ambassadors, partners and donors, including the president/CEO, chief financial officer and faculty/physicians/curators/program planners.**
- **Build advocacy with volunteer leaders through board of trustee presentations that strategically focus on gift planning success stories rather than legislative or legal updates and data that bolster income streams and visibility.**
- **Engage with the campaign, connecting gift planning tools to funding priorities and coordinating communications collateral and messaging.**

WAYS TO TRACK DATA

Planned giving is a microcosm of the entire development office, yet systems are not always in place to track data. Embracing planned giving into the entire case for support lays a foundation for counting directed at overall development program goals:

- **Annual targets — legacy society membership and some dollar goals, such as estimates from a typical range of cash from bequests each year.**
- **Multiyear campaigns — strong potential for proactive planning to leverage new kinds of commitments beyond cash from estates.**
- **Programs and officers — inquiries, visits and other major gifts metrics.**
- **In analyzing data, asking these questions — "What were the characteristics of each donor?" and "What caused his or her planned gift to occur?" — will provide a lens on past donor behaviors and facilitate planning for future outcomes.**

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