

# 2018 So Far: Optimism and Opportunity

## \$10M+ Giving to Higher Education

The \$10M+ giving midyear report arrives at the busy season of giving to higher education. We also look back on 2017, when a strong economy and tax reform propelled banner philanthropy among these mega donors. With that kind of performance come higher expectations, realistic or not.

As of today, we believe 2018 will be another strong year for big gifts and are reasonably optimistic 2018 will at least match 2016. Higher education giving of \$10M+ through June 2018 totaled \$3.1B, almost exactly halfway between 2016 and 2017 levels at midyear.

While total giving is lower by 7.3 percent compared to 2017 midyear, the total number of \$10M+ gifts increased from 95 to 105 year over year. Gifts in the \$10M-\$24M range increased 30 percent; gifts at the highest level, \$50M+, held steady; and gifts in the mid \$24M-\$49M range fell by 28 percent.

It's still too early to say why this might be. The total number of \$10M+ gifts provides encouragement. Clearly, big donors remain inclined to give, and the strong economy works in favor of big gifts. It may be that tax reform resulted in gifts that otherwise would have been \$25M+ instead falling to the lower range. However, the upper ranges of giving, i.e. \$50M+ and \$100M+, are nearly identical to 2017 at midyear. We won't know these answers until we can reflect upon the full year.

Consistent with the "High Growth Scenario" projected by the Indiana University Lilly Family School of Philanthropy for 2018 and published in **The Philanthropy Outlook 2018 & 2019**, we observe continued momentum and less uncertainty for 2018. We will continue to monitor philanthropy from bequests and donor-advised funds, both of which were positive outliers last year.

Amid this flux, our advice is simple and straightforward: Focus on the fundamentals and intensify relationship building and case making. This will mitigate the risk of a large drop-off after 2017.



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### **A Special Comment about the Economy and Tax Reform**

Let's start with the topics that drove the jump in giving from 2016 to 2017: the economy and tax reform.

2018's economy lights are flashing green for the stock market, household discretionary income, low inflation and consumer confidence — though guidance around trade and interest rates do give pause to some.

Last year's tax overhaul remains an issue that may affect giving in 2018. We remember donors accelerating big gifts into 2017 and that donor-advised funds took an unprecedented 91 percent jump from 2016 to 2017. We assume this happened because they saw their tax rates decreasing in 2018. Last year's Tax Cuts and Jobs Act also doubled the standard deduction to reduce the number of people who will itemize. But few of us are acquainted with big donors who don't itemize, so that impact is minimal on big giving.

The bottom line is that we just don't know yet how many of 2017's big donors were preempting their giving to ensure they squeezed every advantage out of their tax circumstances before the 2018 changes.

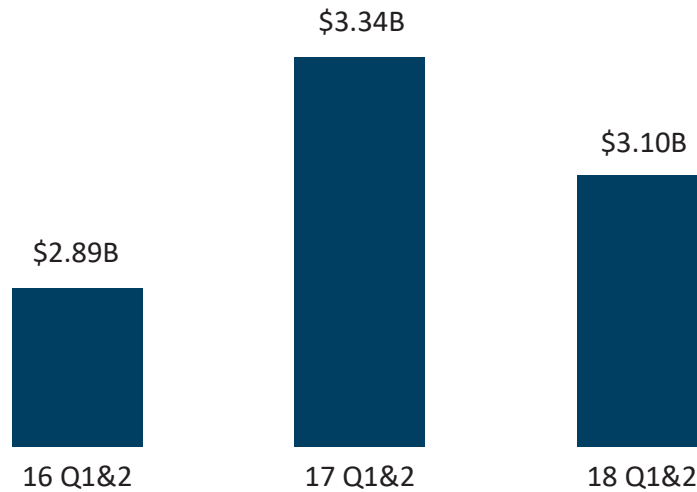
What we do know — as a firm — is that our best-performing clients expend more effort than usual in cultivating, stewarding and educating big donors. Those institutions understand that time spent meaningfully engaging donors with leadership and its mission is the best way to raise donors' sights. These actions propel the donor toward impact giving, whether that is because the organization is in a campaign or because the donor is matched with a transformational opportunity.

The other thing we know is that while tax policy is not a motivator for giving, it can make a difference on the margin when it comes to gift size. All the more reason to dedicate ourselves to increasing interest and readiness among big donors with activities that we can control.

## Key Findings

### \$10M+ Giving Pacing Between 2016 and 2017

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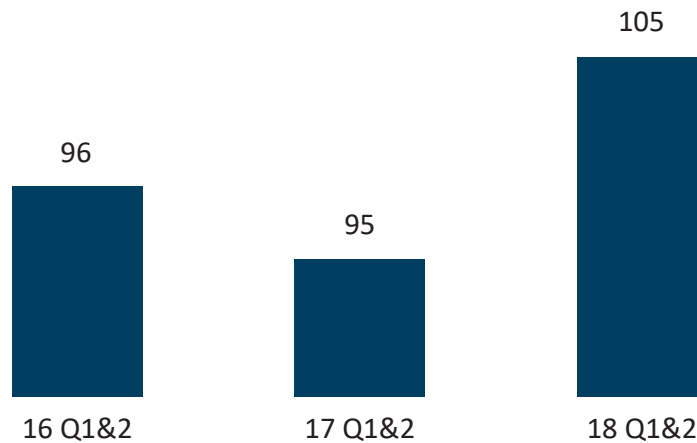


**Figure 1A**

Source: *The Chronicle of Philanthropy* and Twitter. Includes gifts and commitments.

### Total Number of \$10M+ Donors Up

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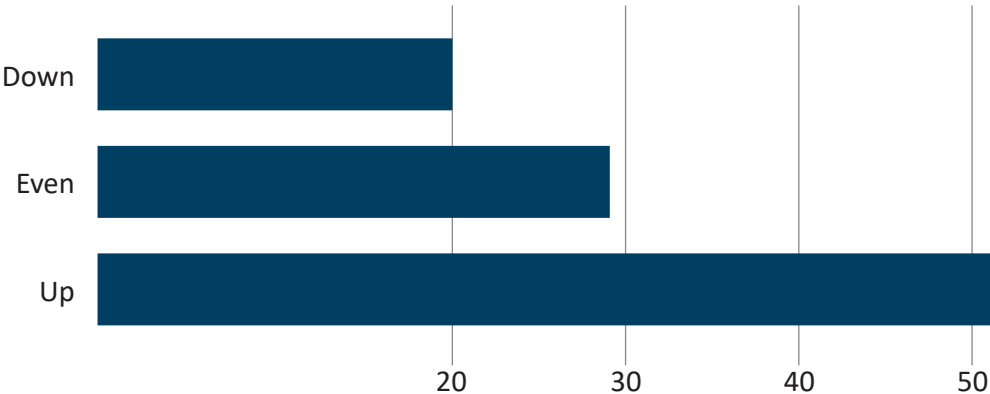


**Figure 1B**

Source: *The Chronicle of Philanthropy* and Twitter. Includes gifts and commitments.

## Going Deeper

A Sharpe Group study in July (Figure 2) asked participants how giving to their institution is trending so far in 2018. Eighty percent of respondents said they anticipated that giving will increase or remain even. While not specific to higher education, this number is another affirmation that 2018 is performing on pace with the past two years.

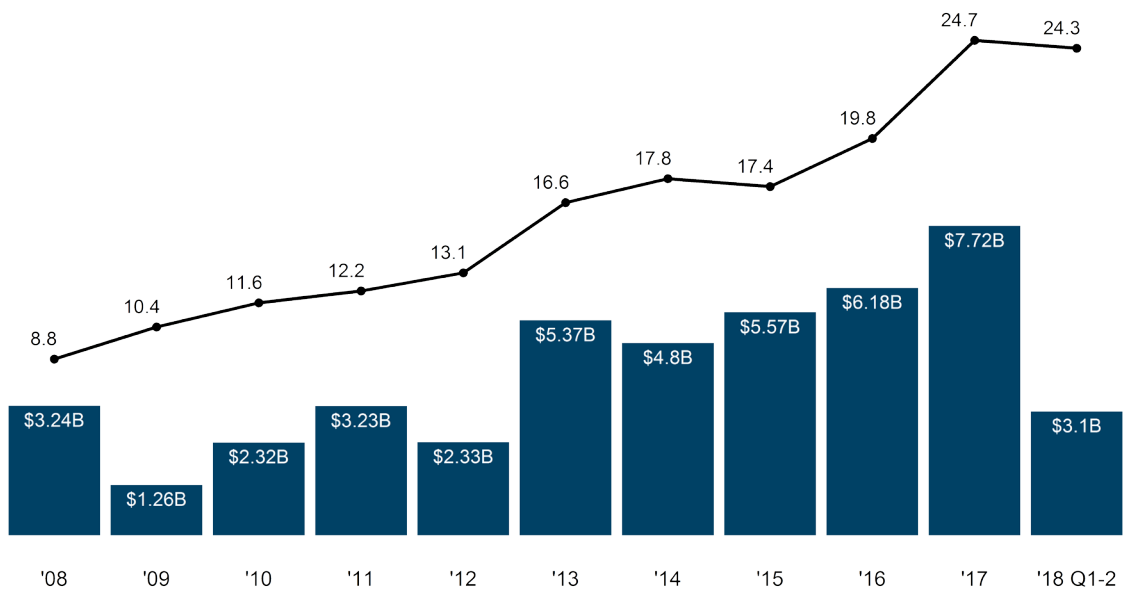


**Figure 2**  
Source: Sharpe Group *Give & Take*, August 2018

## A Marts & Lundy Special Report

### 2018 \$10M+ Giving to Higher Education Alongside the Stock Market DJIA

Total giving to higher education so far this year is off to a good start compared to prior years. It is more than 50 percent of the 2016 total of \$6.1B and 40 percent of the 2017 total of \$7.72B. Compared to total giving for the 11 years represented, the first half of 2018 is 25 percent higher than the \$2.4B average total giving from 2008 to 2012. Through June, 2018 is performing at levels consistent with recent years and, so far, is steady. Total giving compared to 2017 midyear is lower by 7.3 percent, yet the number of \$10M+ gifts is up by 10.5 percent.



**Figure 3**

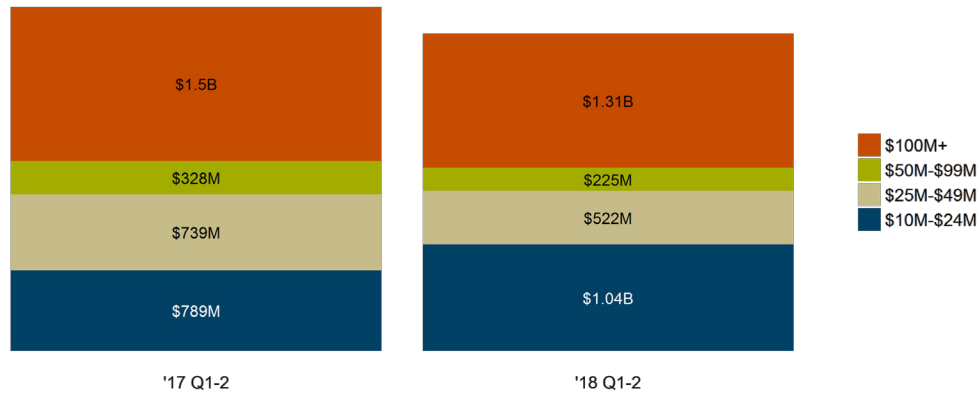
Source: *The Chronicle of Philanthropy* and Twitter. Includes gifts and commitments.

Line represents year-end value of Dow Jones Industrial Average for 2008-2017 and through midyear 2018.

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### \$10M+ Giving to Higher Education by Gift Range

There was an increase of more than 30 percent for gift amounts in the \$10M-\$24M range with decreases year to year in the higher ranges.

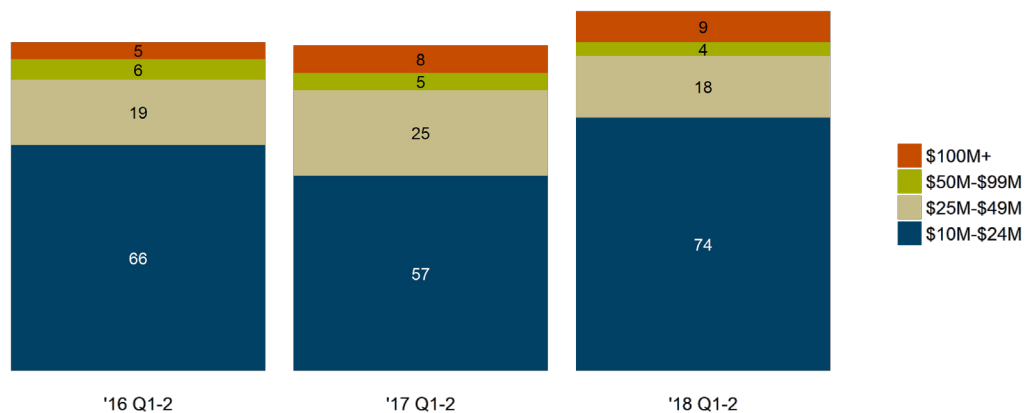


**Figure 4**

Source: *The Chronicle of Philanthropy* and Twitter. Includes gifts and commitments.

### \$10M+ Giving to Higher Education by Number of Gifts

While total dollars may be lower than last year in three of the gift ranges, productivity in terms of number of gifts remains on par with both 2016 and 2017.



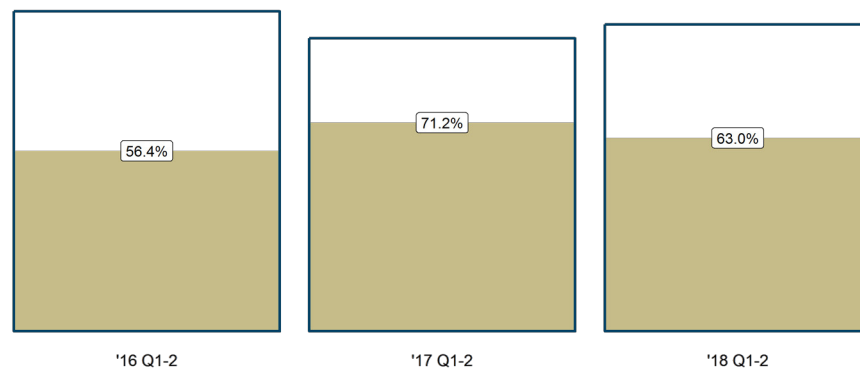
**Figure 5**

Source: *The Chronicle of Philanthropy* and Twitter. Includes gifts and commitments.

## A Marts & Lundy Special Report

### \$10M+ Giving to Higher Education as a Percentage of All Institutions

Giving to Higher Education as a percentage of giving to all institutions is down compared to 2017 through June but up compared to the same time in 2016. One reason for the decrease is a large increase in \$10M+ giving to Health this year compared to 2017.

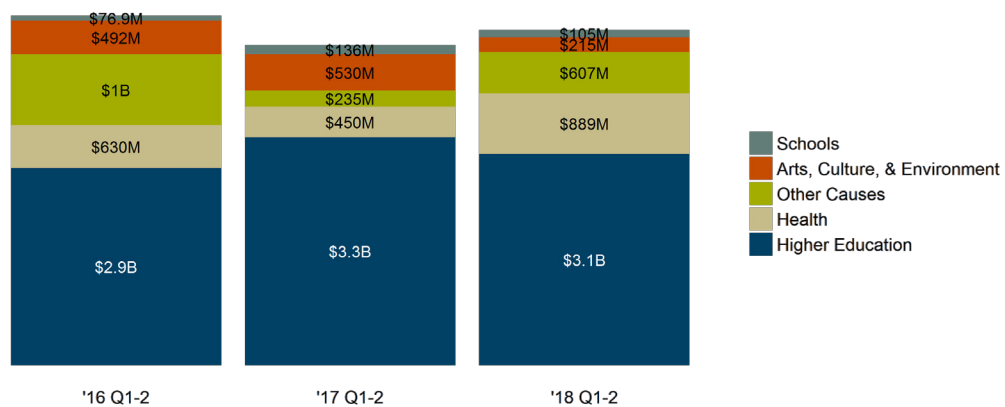


**Figure 6**

Source: *The Chronicle of Philanthropy* and Twitter. Includes gifts and commitments.

### \$10M+ Total Midyear Giving by Sector

Total giving to Higher Education is slightly less than 2017, while total giving to Health significantly increased. Health received \$450M at midyear in 2017 compared to \$889M through June 2018, an increase of nearly 100 percent.



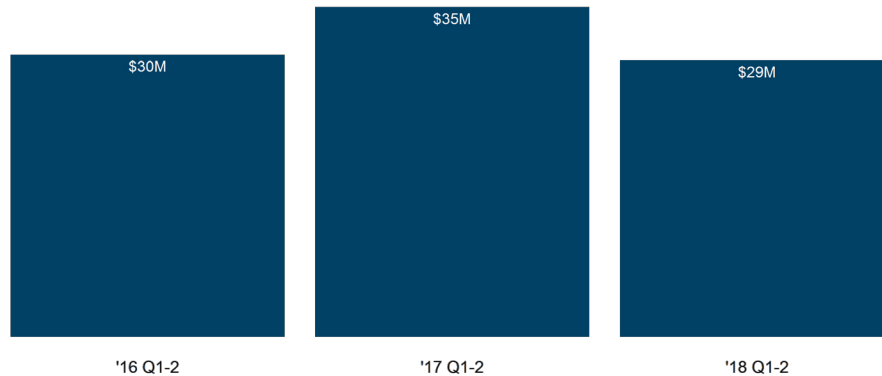
**Figure 7**

Source: *The Chronicle of Philanthropy* and Twitter. Includes gifts and commitments.

## A Marts & Lundy Special Report

### Average Size of \$10M+ Gifts to Higher Education

While the average \$10M gift of \$29M in 2018 is less than 2017 at midyear, it remains about the same as 2016. This would indicate again that productivity has not fallen off.



**Figure 8**

Source: *The Chronicle of Philanthropy* and Twitter. Includes gifts and commitments.

## In Conclusion

We remain optimistic about Higher Education Philanthropy, and in particular regarding \$10M+ giving. Importantly, however, shifting tax and economic conditions present opportunities — imperatives, perhaps — to more meaningfully engage donors with your organization’s leadership, mission and vision.

Special thanks to **Alison Rane**, Consultant, Director of Research and Development, and to **Nick Wagner**, Data Manager, for their work on this project.

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Marts & Lundy’s analysis focuses on gifts and commitments of \$10M or more from primarily one source: The Chronicle of Philanthropy “Big Charitable Gifts” database. The Chronicle’s list has been supplemented with additional \$10M+ gifts and commitments identified through an automated search of gift announcements on Twitter. All gift types have been included in this analysis: Non-Cash/Gifts-in-Kind, Bequests, Challenge and Matching, and Gifts (including pledges). This analysis reflects only gifts and commitments made by individuals, directly or through family foundations, to recipient organizations within the United States. Gifts made to academic medical centers are generally included as gifts to Higher Education.