

DIVERSIFYING YOUR INCOME

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on behalf of the



helping you
to help others

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INTRODUCTION

In recent years, some organisations have become overly dependent on statutory and / or trust funding. This funding is usually restricted and must be spent on the projects for which it has been given. This limits the flexibility of organisations to develop new ideas and try new things.

In addition, it creates instability and is potentially unsustainable – for example, when a major funder withdraws funding or funding naturally comes to an end. This is a particular issue in the current economic climate.

This course examines some alternative options for diversifying income, specifically by looking at fundraising from individuals and companies.

INDIVIDUAL FUNDRAISING STRATEGY

For most organisations, raising money from individuals will be a part of a wider fundraising mix, which will include other income streams, such as:-

- Statutory funding
- Grants from trusts and foundations
- Lottery money
- Corporate sponsorship / donations
- Income generation through sales or activities

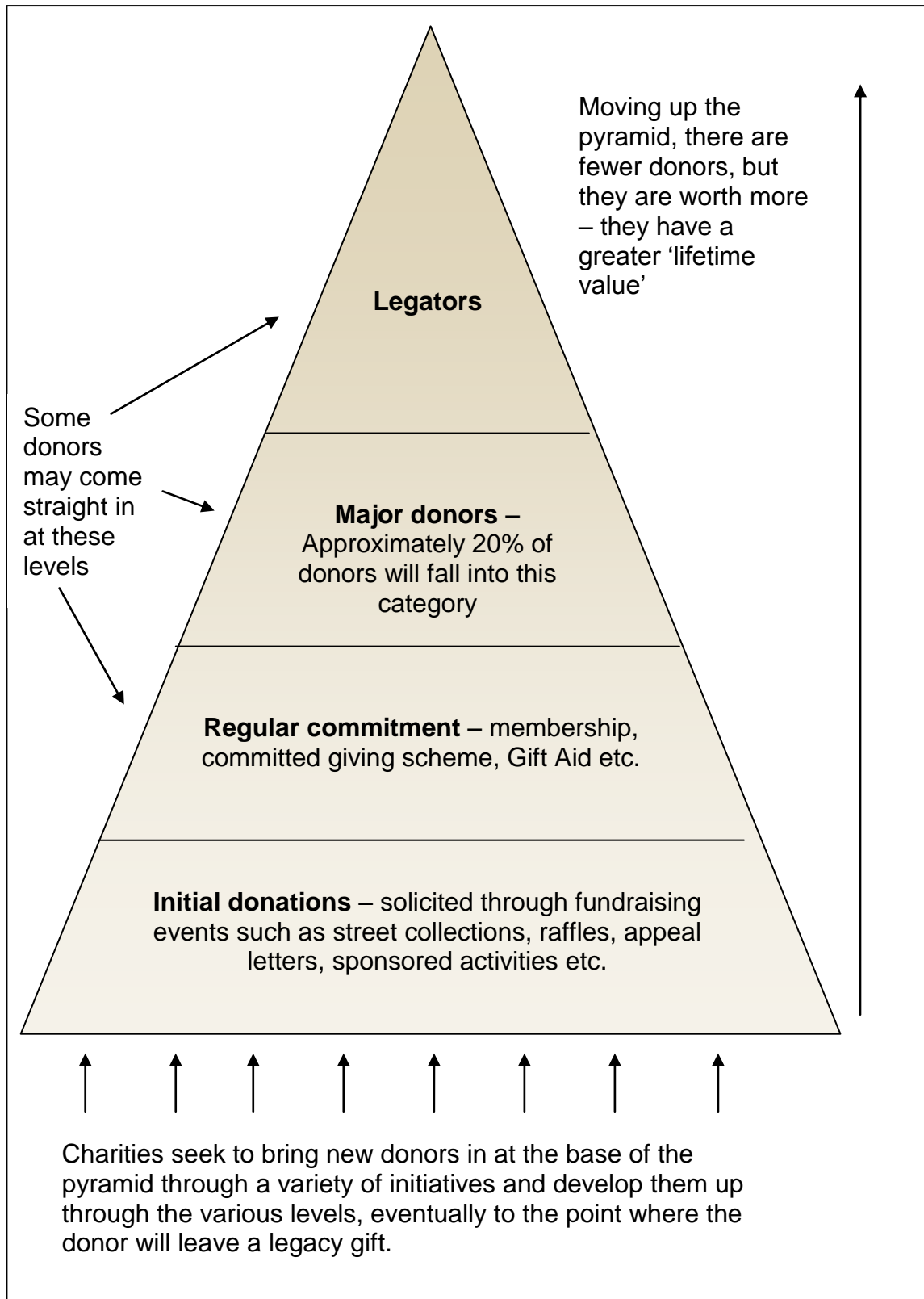
Every organisation should have an overarching fundraising strategy which sets out the methods of fundraising to be employed, the balance of the different income streams and fundraising targets.

So far as individual fundraising is concerned, a good starting point is the consideration of the various ways in which individuals might financially support the organisation.

EXERCISE: What are the ways in which individuals might financially support a charity?

Looking at individual fundraising strategically, the following diagram provides a model for considering the different methods and their inter-relationships.

PYRAMID OF INDIVIDUAL GIVING



The individual fundraising strategy needs to consider ways in which people are brought into the pyramid, at what level, and how they might be developed up through the levels.

DONOR MOTIVATIONS

Before embarking upon an individual fundraising programme, it is important to consider your potential donors' motivations – in other words, the reasons why they might want to support your charity. An understanding of donor motivation will enable the 'ask' to be made at the right time, in the right way, and by the right person.

EXERCISE: What motivates people to donate to charity (in general)	What might motivate someone to give to YOUR charity in particular?

It is useful to make a distinction between donor motivations that are 'cause' related and those that are not.

So people will donate to charity simply because they support the cause. 'Popular' causes will have an obvious advantage. The most popular causes include:-

- Cancer support and research
- Children
- People with disabilities
- Animal welfare

However, some people give to charity for reasons completely unrelated to the cause (which is good news for less 'popular' charities). For example:-

- Buying a raffle or lottery ticket (because they could win something)
- Playing bingo (ditto)
- Bidding at an auction (because they want to own something)
- Attending an event (because it's fun; because they want to meet someone; because they want to be seen in the same milieu...)
- Buying merchandise (because they want to own something)
- Because a friend / family member is involved. Fundraising, individual or otherwise is about relationships, encapsulated in the phrase:

Fundraising is friend-raising

DONOR RECRUITMENT

Beginning at the base of the pyramid, a charity might try any number of initiatives to draw people in. These might include:-

- Raffles / prize draws / 50:50 club (registration with your local authority or a licence MAY be required for larger schemes. See Institute of Fundraising factsheet)
- Sponsored events (like a sponsored swim, walk, bungee jump...). To make the most of these, join www.justgiving.com and / or www.virginmoneygiving.com
- Other events (dinners, balls, fetes etc.)
- Collections at events (such as a church service or after giving a talk)
- Appeal letters / leaflets (these could be 'piggy-backed' with existing mailings, such as newsletters). ALWAYS include a freepost envelope / address (www.royalmail.com). Appeals should be SHORT.
- Advertisements / inserts in newspapers or magazines
- Street collections (licence required)
- Door-to-door collections (licence required)
- Selling merchandise (e.g. Christmas cards, second-hand goods etc.)
- Auctions (E.g. celebrity items [see www.fanmail.biz] including e-bay [www.missionfish.org.uk])

Whichever of these methods are chosen, any accompanying literature should clearly state the charity's name, address, and charity registration number.

The nature of your cause and the number of people connected with it will determine the most appropriate method. For example, you may have an 'unpopular' cause or be relatively unknown in your area. Whichever methods are chosen, you should check carefully with the Fundraising Regulator's Codes of Practice to ensure that you comply with best practice and any legal requirements. These are available to download free on the Regulator's website.

Successful fundraising in general begins with those who are known to the organisation. These will be its staff, trustees and volunteers. Trustees and volunteers are in a good position to fundraise because they are not being paid to 'make the ask' (in general, the public HATE the idea of paid fundraisers).

Therefore, it is important that the trustees (in particular) are fully committed and involved in the fundraising process and, where possible, that they financially support fundraising endeavours – it is easier to ask others for money if you have given yourself.

Whichever methods are chosen, thought needs to be given to data capture (and therefore to data protection as well – any organisation embarking on individual fundraising should be registered with the Information Commissioner's Office www.ico.gov.uk).

Ideally, the organisation should have a donor database to record all donors and donations. This will help with relationship management and identifying potential major donors.

EXERCISE: Thinking about your organisation, which methods discussed so far might be a possibility for your organisation?

DONOR DEVELOPMENT

It goes without saying (hopefully!), that all donors should be thanked, no matter how small their gift. The method however, will vary depending of the size of the gift. Methods include:-

- Face-to-face: ideal with a 'captive audience', for example a church congregation or community group. Also suitable for very sizable donations where the charity goes out of its way to visit a donor and thank them in person.
- By letter: Make sure that the letters are personalised, noting the donor's name and the amount of their donation. The less they look like mail-merge letters, the better. Thank you letters should be dispatched promptly, especially for the larger donations and should be signed by someone with status in the organisation, for example, the Chair (NOT by the paid fundraiser).
- By telephone: This is the preferred method for large donations. The call should be made upon receipt of the gift by someone with status in the organisation. This should be followed up by a letter of thanks.

- By advertisement or article in a newspaper or newsletter: this is suitable for 'anonymous' donations, such as those given through a street collection. They will additionally help to raise the profile of the charity.

'Thank You's', however they are communicated, should include specific information about how the money will be / has been spent and THE DIFFERENCE THIS MAKES TO THE CHARITIES BENEFICIARIES.

People give to those they know, like and trust. Saying 'thank you' is the first step in developing the relationship with the donor so that they will want to give again. It is therefore very important to communicate the difference that their gift has made.

By reference to the pyramid, the next stage of the strategy is to try to convert as many donors as possible into regular givers and / or Gift Aiders (of course, there is nothing to prevent a charity trying to do this from the outset if the audience is already known).

A committed giving scheme is where donors are asked to make a regular donation every month / quarter / year by standing order or direct debit. Although a certain amount of administration is required, once established, they can virtually 'guarantee' a regular source of income – research suggests that many people do not review their standing orders or direct debits very often.

Gift Aid is tax relief on money donated to UK charities. The charity can then reclaim this tax from the HM Revenue and Customs. The relevant forms for reclaiming this tax can be downloaded at www.hmrc.gov.uk together with an appropriate form of words to be used on Gift Aid declarations.

MAJOR DONORS

In major donor fundraising, potential donors may be either 'suspects' or 'prospects'. Suspects are those who we *think* may be wealthy and that they will be interested in our cause. Prospects are those we *know* are both wealthy and interested in our cause. Both suspects and prospects may be already known to the organisation (from the database or other personal contacts) or may be complete strangers - such as a local business person or celebrity.

EXERCISE: What resources might we use to identify wealthy individuals?

What might be clues to their wealth?

It is an accepted fact in fundraising that between 80-90% of a charity's income will come from between 10-20% of it's donors (the pareto rule). The database should be capable of identifying these donors. This is usually done by RFV analysis:-

- Recency – how recently have they given?
- Frequency – how often do they give?
- Value – how much money do they give?

Prospects can then be ranked according to their estimated capacity to give and their estimated propensity to give, by grading each on a scale of 1-5 to give an overall ranking.

PROSPECT RANKING CHART

Name	Date & amount of 1 st gift	Date & amount of last gift	Date & amount of largest gift	Total number of donations	Total given to date	Capacity	Propensity	Overall ranking	Comments
Mrs Bloggs	£30 1/2/99	£100 23/2/10	£5,000 3/7/10	17	£8,560	2	4	8	Went to same school and is same age as Chair
Mr Smith	£100 4/9/87	£1,000 5/12/09	£6,000 3/8/08	8	£15,900	4	3	12	Likes to visit projects. Lives locally
Mr Willis	£1,000 1/12/04	£1,000 4/6/10	£1,000 12/12/09	7	£7,000	1.5	4	6	Owens a local company. But wife just got big divorce settlement

Potential major donors need to be managed personally, largely through face-to-face contact. Who will be the best person to manage the relationship will depend on who the prospect is and who s/he is known to already. In some cases – especially for large projects, the prospect should be involved in shaping the project to be funded so that they have ownership of it (psychologically, that is).

Prospect cultivation can take years (or months if the prospect is already known to the organisation) and is fairly intensive in terms of time. In addition to the face-to-face contact, there needs to be comprehensive record-keeping and a range of activities for the prospect to be involved with or invited to. Each prospect should have their own ‘moves management’ plan:-

MOVES MANAGEMENT TEMPLATE		
Prospect	Date	
Primary contact	Primary asker	
Anticipated ask amount £		
Anticipated cultivation time prior to solicitation		
Key information about prospect:		
Those closest to the prospect who can help with cultivation		
1)		
2)		
3)		
Moves management steps:		
Move (activity)	Led by	By when
1)		
2)		
3)		
Updated		

This information can then be transferred to 'to do' lists / action plans and the moves monitored to make sure that the donor is developed by the right person, at the right time and in the right way.

ALL contact with these prospects needs to be recorded, including new information gleaned through conversations and other methods. Where events are concerned, a member of the organisation needs to be assigned to the prospect to cultivate and gather information. A debriefing should then take place.

Ideally, an ask should be made by somebody at the same peer level as the donor and by this point, the donor should already have had a good deal of contact with the organisation at an appropriate level.

A compelling case for support (proposal) should be developed which taps into the donor's individual motivation. This should include compelling case studies, a rational budget and have an element of urgency about it.

Recognition initiatives should be thought through where appropriate and should be commensurate with the size of the gift (do not agree to name a room after somebody who gives you £50,000, if you have another donor in mind who might give you £100,000 for the privilege!)

An ask should be made for an appropriate sum (which will be larger than the donor's largest gift to date, and based upon the assessment of wealth made during the research period). Remember that the donor can always offer less than the sum asked for, but the asker cannot ask for more if he / she suddenly feels they have underasked.

The asker should know (or be accompanied by someone who knows) the details regarding tax-effective giving, since this can be a major motivator for some donors. This includes:-

- Gift Aid (at lower and higher levels)
- Donations of shares (exempt from capital gains tax / inheritance tax)
- Legacies
- Payroll giving
- Setting up a charitable trust

LEGACIES

Most charity's legators are at the pinnacle of the fundraising pyramid, having been nurtured through a series of fundraising initiatives of increasing commitment. It is important to recognise that legacy fundraising is an integral part of the overall fundraising strategy which includes individual donor recruitment, retention and development.

One of the great advantages of legacy income is that it is 'untied' – i.e. not linked to any specific project. It can therefore be spent on 'unpopular' activities, such as fundraising, administration and core costs such as rent and electricity. It can also be used to fund experimental projects, feasibility studies and other developmental activities that other types of funders would be unwilling to fund.

For the donor, one of the advantages is the fact that legacy gifts to charity are free from inheritance tax (currently 40% on estates worth more than £325,000).

There are different types of legacy gifts, the most important being:-

Pecuniary bequests

A pecuniary legacy gift is a fixed amount of money, such as £10,000. The value of this kind of gift tends to be eroded by inflation and, from a fundraising point of view is not the best type of gift to promote because people review their wills infrequently. Research suggests that the average pecuniary gift to charity is worth £5,000.

Residuary gifts

This is the remainder of the legator's estate once all their other wishes have been carried out. A residuary gift is usually described as a percentage or fraction, for example, 10% of the value of the remainder of the estate. Residuary gifts keep pace with inflation since they are based on the current value of the estate. In terms of likely values, it is these types of gift which should be promoted above all others. Research suggests that the average residuary gift to charity is worth £35,000. Many are worth considerably more.

Specific gifts

These are gifts of specific items, for example a piece of jewellery, a painting, shares etc.

Reversionary gifts

This is a gift that takes effect subject to a prior interest or wish, such as providing for their partner until their death, after which time the gift reverts to the charity.

Most charities produce legacy literature in the form of a leaflet and a more detailed booklet. These documents summarise the organisation's case for support by setting out the reasons why a legacy will help the charity's beneficiaries, together with explanations of the various types of legacy gifts and how to go about drawing up and amending a will. Information about the tax benefits of charitable bequests is also included as an added incentive, together with the dangers of dying intestate (without a will). Finding a similar charity and looking at their legacy literature is a good place to start.

Within any charity, the starting point for a legacy campaign should be with the trustees. Any trustee pledges (not actual amounts!!) should be communicated to the target audience as a way of communicating that legacy gifts are accepted and can make a significant contribution to the organisation's charitable work, thereby encouraging others to consider a similar move.

This should be followed up with the production of legacy literature – which should always be checked by a solicitor.

Another useful form of fundraising is in memoriam gifts which are given in lieu of flowers at a funeral.

EXERCISE: How might your organisation communicate that it accepts legacy / in memoriam gifts?

RAISING MONEY FROM COMPANIES

Corporate fundraising is another income stream that will help you to diversify your income. However, it is quite labour intensive and the returns on investment are usually less than other forms of fundraising.

As a whole, the corporate sector provides less than 3% of income to the voluntary sector as a whole.

EXERCISE: What are some of the ways in which corporates support charities

Methods include:-

- Soliciting donations (of money)
- Match funding (when employees are involved in a charity event)
- Corporate sponsorship (where there is a benefit to the sponsor – usually some form of advertising)
- Cause related marketing (a proportion of the sales income is donated to charity)
- Gifts in kind (e.g. items that can be used as raffle prizes, unwanted equipment or furniture)
- Employee volunteering (they 'lend' a charity some staff)
- Payroll Giving (donations from individual employees is collected at source, before tax and passed on to the charity [including the tax element])
- Facilitation (helping to elicit donations from the public by, for example, adding £1 to bills, distributing collecting envelopes, hosting a static collecting tin etc.)

Again, it is important to understand corporate motivations for supporting charities.

EXERCISE: Why do corporates support charities / good causes?

Again, **RELATIONSHIPS** are key to successful corporate fundraising and as a starting point you could begin by looking at who knows who in the corporate world – for example, where do your trustees and volunteers work? What about their partners etc. Face-to-face is always the best approach.

You will also need to research which companies are in your area. You can do this through:-

- Your local authority website (some are better than others)
- Local Chamber of Commerce
- Local Rotary Club (Inner Wheel for business women)
- Thompson Local Directory
- www.CorporateRegister.com

EXERCISE: Are there any ethical issues relating to corporate fundraising for your organisation?

INFRASTRUCTURE AND RESOURCES FOR DEVELOPING CORPORATE AND INDIVIDUAL FUNDRAISING

EXERCISE: What infrastructure and resources will you require to develop corporate and individual fundraising?