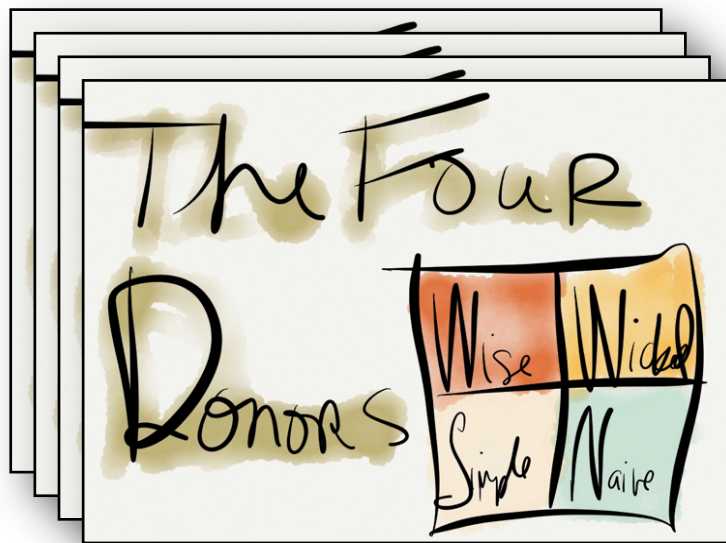


Personalized Philanthropy and the Four Donors

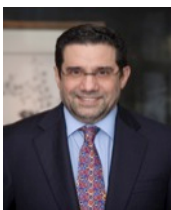
Parables for Radically Rethinking Your Philanthropy

A New Conversation for donors, gift officers, and advisors



*"I'm in;
I'm out;
I haven't thought about that question;
I didn't know one could ask questions."*

By Steven L. Meyers, Ph.D.



Steven L. Meyers, Ph.D., is Vice President of the Center for Personalized Philanthropy at the American Committee for the Weizmann Institute of Science. Steve is a primary developer of personalized philanthropy, based on his mantra of "the right gift, for the right purpose, for the right donor." Steve's innovative donor-focused gift designs, especially a series of arrangements he calls "killer apps," combine the full spectrum of current and future gifts so that donors can create a lasting legacy where impact and recognition are able to start up right away. Steve joined the American Committee of the Weizmann Institute of Science in 1995 and now serves as Vice President of its Center of Personalized Philanthropy, as well as a member of its management team and total financial resource development strategy group. He holds a Masters Degree in Organization and Management from Antioch University and a Ph.D. from the University of Buffalo. Steve has published in *The Journal of Gift Planning* and speaks frequently at national and regional gift and financial planning events on donor-centered giving and "Planned Giving in the Big Picture." Steve strongly believes in building a pioneering culture of teamwork and collaboration and most enjoys helping donors realize ways they can help make miracles happen at the Weizmann Institute and other organizations close to their hearts.

Personalized Philanthropy and the Four Donors

Parables for Radically Rethinking Your Philanthropy

A new conversation for donors, gift officers, and advisors

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Personalized Philanthropy and the Four Donors

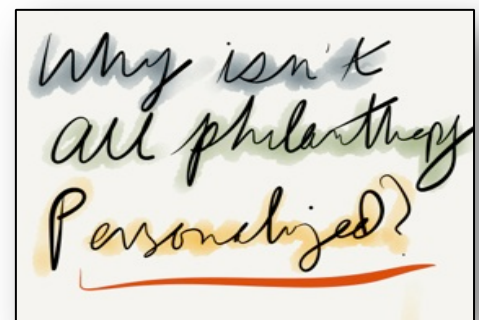
Parables for Radically Rethinking Your Philanthropy

- ☐ How can a simple parable open up a whole new thinking about philanthropy?
- ☐ Can just four represent the donors in all of us?
- ☐ How is it that a donor's full giving capacity gets lost in the fundraising mix?
- ☐ Is there any way you and your advisor can untangle the matrix?

Why isn't all philanthropy Personalized Philanthropy?

As a donor seeing the term "Personalized Philanthropy" for the first time, you might do a double take and wonder: "What are they talking about? I thought ALL philanthropy was personalized philanthropy." That is what most people think.

But the truth is, and the little secret fundraisers and charities are reluctant to talk about, is that this is so often not the case.



Conventional best practices counterproductive to true philanthropy –The reality is that for quite some time most fundraising has followed conventional "best practices" that are counterproductive. The prime example is the common practice of channeling donors into separate silos for "annual," "major" and "planned gift" campaigns. Most fundraising professionals cultivate and solicit donors in each of these categories and their performance is judged more on the "metrics" than the merits. Meaning what counts is how well they are **servicing** these separate campaigns rather than their true fundraising achievements.

"What are they talking about?
I thought ALL philanthropy was
personalized philanthropy."

Accounting versus Counting – The problem with conventional fundraising goes deeper than how just the fundraisers are recognized. It's how donors are recognized. The way donors' gifts are "booked" would surprise many donors and their advisors. Accounting practices which are quite appropriate as financial measures and which show results as "present values" are quite different than fundraising achievements that expand philanthropy. Yet, many of the largest and most significant gifts and commitments you have executed with your advisors may never even show up on your organization's radar until you have passed away, let alone begin to have a philanthropic impact in your lifetime. The Legacy Societies established at many organizations often struggle to make their donor recognition programs meaningful, because deferred planned gifts are often marginalized and it is not always the case that planned gift donors can claim a seat around the major gift table.

Donors' Real Capacity Lost in the Mix – The conventional fundraising establishment tends to operate in these silos and channels in an institution-focused way, almost as if in a Matrix, where the donor's lifetime value is hidden. Clearly, these practices need to evolve for donors of today and certainly for those of tomorrow. While there is no doubt that conventional fundraising through "Institutional Advancement" has

produced some wonderful results, the honest truth is that donors' full lifetime capacity and interests often get lost in the mix.

We (donors and fundraisers) **know** that we need a much more personalized approach -- especially for our organizations' most ardent supporters -- so we can plan together more holistically and in less of merely transactional manner. We **know** we need to view giving not just as the transaction of a moment, but in the fullness of time. But we're trapped in many respects by our system. How do we crash this matrix?

Otherwise, to put it plainly, some of the most important philanthropic programs (for example, *yours*) simply might not happen on your watch – because they must be deferred until after your lifetime.

The unique power of Personalized Philanthropy derives from the real possibility that your charitable impact and recognition can begin immediately and grow over time.

Yet, what may appear to be a simple switch of the dial from “organization-focus” to “donor-focus” is really a major challenge for the fund raising establishment.

We're finding that the new personalized gift designs can make all the difference in the world – especially those which combine current and future giving. Using the approach suggested here, it is now possible to tap into your full lifetime capacity for charitable giving.

In fact, Personalized Philanthropy is *already* changing the way philanthropy is done, so that many more donors giving with a “warm hand” can enjoy the impact and recognition of their gifts – not just after their lifetime, but now. I hope you will join them soon.

A handwritten signature in black ink, reading "Steve L. Meyer". The signature is fluid and cursive, with the first name "Steve" being more prominent and the last name "Meyer" following in a similar style.

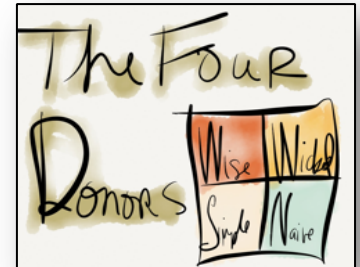
Personalized Philanthropy and The Four Donors

Parables for Radically Rethinking Your Philanthropy

A few years ago, I wrote a riff on a great classic parable.

My insight came while re-reading the story of The Four Children, that part of the traditional celebration of the Jewish Passover service known as the Seder, which talks about four types of individuals—their personalities, their learning styles.

Passover is the holiday that commemorates in story and song the end of the enslavement of the Jews by Pharaoh in Egypt—the Exodus. The term, Seder, literally refers to “the order of things” and shapes the annual retelling of the story.



For Jews, along with many others who can identify with being enslaved, this story of the Exodus is about how both individuals and peoples come by their identities. And for me, always on a quest for order, it was a turning point in my thinking about Personalized Philanthropy.

It occurred to me that the four children in the story could stand in as analogies of four donor personalities I so often encounter. OK, there are a few twists. There are so many systems fundraisers have for “donor profiling” that you can hardly keep track of them. So often, the characters’ descriptions *all* resonate for me, but I can never remember them. For one thing, there are always more than four. But, the Four Children? I *already* know them.

What is so distinctive about The Four Children (and the thing which makes this a parable) is that the story actually teaches us something. It prescribes meeting each child where they are and suggests a specific place to start for engaging with each of the types of children.

Not only did the four children resonate strongly for me because they were familiar personalities, but because the story reflected how I had in fact already been approaching and engaging with many donors for years, without ever realizing it until that ah-ha moment.

Perhaps these characters and the story will resonate with you as well.

**The story of the Seder introduces us to four children –
the wise, the wicked, the simple and the one who doesn’t know how to ask.**

The essence is that while there may be “one truth and one path for every person ... we should not use a standardized, unvarying approach for all types of students but must tailor [our] approach, words and method to conform to each individual student.”

(c) Meeting Donors Where They Are

The core idea of the **four children**, in my opinion, is that a personalized kind of engagement with each individual is likely to have the most beneficial and satisfying outcome for all parties involved. This is something a lot of people feel just intuitively, somehow, but there are plenty of others who feel a single prescribed and unwavering answer is best for everyone.

While the Passover Seder service describes children of only four types of character – the Wise, the Wicked, the Simple and the Naive (the child who does not know how to ask) – the reality of the parable indeed is much more complex, with new meanings discovered in the retelling year after year. What is the challenge that each child presents to its elders? Here is my not-so-traditional rendering:

The Four Children of the Passover Story – What do they ask?

Wise – Immersed in the letter and spirit of the laws, driven to curiosity, the wise child asks: Will you tell me more so I can do more?

Wicked – Has wisdom to understand, but because the rituals seem lacking personal meaning, asks: What does all this have to do with *me*?

Simple – Overwhelmed by the magnitude of ritual, the simple child asks: What is this all about?

Does not know how to ask – This child, naïve, uncertain and intellectually curious, cannot figure how form a question. It is up to us to ask on their behalf: where can we begin?

The idea of engaging **children** *where they are* sounds simple, but seen in the light of experience there is certainly more to it first thought. And when it comes to helping **donors** make major philanthropic decisions, mixing the financial, the personal and the philanthropic can get complicated pretty quickly.

Reflecting on donor personalities I suddenly began to rethink the standard questions and answers. Observing and respecting the trajectory of each donor, since each donor starts in a different place, they may end up in a different place. And so, I began to think of The Four Donors as distinct yet related personalities.

Having always been intrigued by the questions and personalities of the four children I wondered what it would be like to consider some of the innate processes that characterize donors when they are considering charitable action. Here's my present thinking about just some of the dimensions that each donor can present and a sense of their mind-set when approaching philanthropic questions..

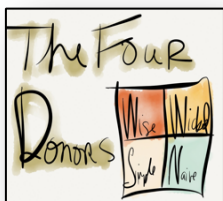
The Four Philanthropic Donors – How do we characterize them?

Wise – Astute, aware, careful, clever, discerning, thoughtful. *"I'm in."*

Wicked – Reserved, mischievous, competent, expert, adept, able, questioning. *"I'm out."*

Simple – Straightforward, uncomplicated, sincere, trusting, direct.
"I haven't thought about that question."

Does not know how to ask – Naive, curious, inquisitive, searching.
"I didn't know one could ask questions."



The Four Donors

A parable about choosing
the right gift, for the right purpose, for the right donor
and meeting donors where they are.

In the Passover Seder, the Four Children offers a lesson on meeting people where they are and appreciating them for who and how they are. The unique characteristics and propensities each of the Four Donors helps translate our charitable inclination and personalities into action in a different way. Since Personalized Philanthropy is about finding just the right gift for the right person and purpose at just the right time let's explore how this might play out for you and the organizations close to your heart.

1. The Wise Donor (Astute, aware, careful, clever, discerning, thoughtful) – This is the *wise* and loyal annual donor, who gives without being asked, perhaps even every year. Because they give every year and are wise, they are eager and excited to hear about ways they can increase the impact of their annual gift, even without changing one bit their regular habit of giving, at first. For instance, when they commit to a series of annual gifts, each gift in the series can have up to twenty times the impact of a solitary gift (based on a spending rate of 5%). When the time is right, they'll want to hear about other annual donors, like them, who established bequests and achieved an impact from their gift far beyond what they might have imagined possible.
2. The Wicked Donor (Reserved, mischievous, competent, expert, adept, able, questioning) – This donor is not in any way *wicked*, but usually more reserved and cautious. They give, but also want there to be a 'give and take.' They may need something in return, or perhaps they are feeling slightly unsure and insecure financially. Among many possibilities, there could be a new way to give, through a charitable gift annuity or trust - so there will be assurance of receiving payments each year for their lifetime. Some, as they grow more confident about their own financial condition, become intrigued to hear that there are donors who establish an annuity every year, (with some having a dozen or more), or they may add to grow their trust. Enjoying this security, a surprising number of annuitants do become annual donors by contributing some of their yearly excess income that they don't need. Because they feel so intrigued and invested, they are also pleased to learn that many annuity donors have made bequests, which turn out to be much larger than any gifts they could make during their lifetime. There are so many possibilities to explore.
3. The Simple Donor – (Straightforward, uncomplicated, sincere, trusting, direct) – These donors are by no means '*simple*' – it's tradition that usually rules for them. A bequest is the gift they begin and, sometimes end with, and are most comfortable with. They often chose the same form of giving as their parents, thinking 'as my parent planted before me, so do I plant for my (charitable) children.' They come to see their gift as something greater than just themselves and are aware that bequests often are the largest and most significant contributions organizations receive. Bequest donors are often the most ardent supporters that charitable organizations have. Some are only too happy once they understand the more immediate impact they can have, to begin making a modest annual gift, (perhaps to start up a scholarship) during their lifetime with spending rate gifts. Knowing their gift of greatest significance will come later, they become increasingly comfortable with their support.
4. The Donor who does not know how to ask – (Naive, curious, inquisitive, questioning, searching) – The Searching Donor by no means *doesn't know how to ask or is naive*; they just might not know how to act on their charitable impulse. While usually very successful financially and worldly-wise, they may not know what the stunning effect of a pledge could be; or perhaps they may have recently inherited great wealth and now feel overwhelmed at being the steward of a legacy. Even with the smartest and best-intentioned advisors, along with a great drive to give, they might have no idea about how, or where, or even what to give for. To a thoughtful gift officer or advisor, it is a special privilege to assist a donor who, though they may not know "how to ask," has the strongest charitable impulse to drive their philanthropy forward, for the benefit of the causes they care most about.

Bringing Change to the World Through Personalized Philanthropy

Connecting your values to actions

- ☐ Why focus on the most important Core Needs of the Institutions you care about?
- ☐ How can you overcome fundraising mechanics and connect your true vision to the world?
- ☐ Can just three killer apps of personalized gift design really change the way we do philanthropy?
- ☐ What is the vast power of **spending rate** and why should we radically rethink endowment?

Connecting the Social Capital You've Created as a Donor to Real Societal Change in the World

Perhaps ideas are already forming about where you might *fit* as one, or a combination of, the Four Donors. Many donors self-identify as both Wise and Wicked! They understand that their motivation is complex. They want to make something good in the world, but not entirely at their own expense or that of their family and loved ones. Others might not worry about changing the world, but do what they can by following a moral or spiritual teaching. For others, the only definition of wealth is money. Still others do not even have a way to form the question of what to do.

What philanthropists know is that while you must begin with yourself, tapping in to your deepest philanthropic instincts will take you beyond yourself. Thus, it is also becomes important to think deeply about what are the most important needs of the organizations you care about, the places that can implement and connect your vision of a better world *IN* the world.

Your financial planning advisor may have helped you generate a lot of “social capital” through your income tax saving and estate tax saving. By this time, you may have realized that your wealth is multi-dimensional. It's about more than just the money; it's about your personal values and also about reaching out even beyond your own family to your community and the betterment of humanity. If so, now is the time for you to think exactly how are you going to connect that social capital you've created to real societal change.

Now is the time for you to think exactly how are you going to connect that social capital you've created to real societal change.

This might not be as easy as you think for either you or the organizations since the typical fundraising mechanics for annual, capital or endowment gifts do not often specify what these needs are (except the need in itself for you to make an annual gift, for example). Sometimes it is surprisingly hard to *mesh* the needs you have as a donor with the needs of the charities you care about. But, working this out is ultimately so satisfying to all involved. These core needs are often described as “evergreen,” in the sense that they define the heart of the mission, both for today and tomorrow; they are forever valid.

Your gift officer, who knows both you and the organization you care about, should be able to help you with this. You need more than the general case statement. Essentially, there has to be a case statement for *you* and the use of *your* funds. This meshing of your compelling interests and the organization's compelling needs – that's your vision! Once you have a sense of what matters, that's where my personal gift plans or ‘killer apps’ can come into play and be useful in crafting the right gift for the right purpose at the right time.

Game-changing Personalized Gift Apps [The Killer Apps]

Before going to specific cases, let's look at the tools that can help you make your change in the world. These are the three “classic” game-changing personalized gift strategies and how you might deploy them for example, for scholarships right in the trenches, in real situations. I call them the killer apps of personalized philanthropy, because (once understood) they will change the way you think about how philanthropy should be done.

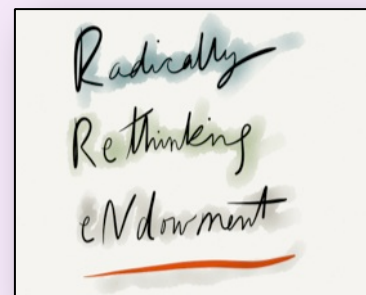
The Three Personalized Gift Designs

- 1. Virtual Endowment** – donor combines and in effect chains together a series of current gifts of a “spending rate” amount that will maintain a program with a future gift (a bequest or other “balloon payment”) to endow the program. Later, you will see how this approach means that even modest gifts can matter much more than you would ever have thought.
- 2. Philanthropic Mortgage** – donor’s annual gift commitment covers an amount greater than that needed for maintenance of the program. The “surplus” amount is used to gradually build “equity” in an endowment or a legacy fund until fully established and able to sustain the program for the future. Later, you’ll see how you won’t have to wait until your gift is fully paid to enjoy being a benefactor.
- 3. Step-up Gifts** – donor establishes a gift at a starting level with an outright gift or, alternatively, current “spending rate” annual gifts, and then steps it up. Later, you’ll see how your impact can begin now, with assurance you will achieve your greatest goals over time, e.g., growing your support from a master’s scholarship to a doctoral scholarship to a professorial chair.

Did You Know?

Important Terms: Endowment and Spending Rate

Endowments, very broadly speaking are gifts such as investment funds where the principal is expected to remain intact while investment income is used for charitable efforts. Donors can also express specific preferences of the use of funds, leaving ultimate discretion with the organization. Charities usually designate a “**spending rate**” as a certain percentage of the assets to be used each year, which may also include interest and principal as necessary to fulfill that purpose..



When you focus on core needs and the heart of the mission, what matters to most donors is finding a source of funds to enable the mission to be carried forward, both today or tomorrow, or both.

Of course, you can support the mission by making current contributions that are to be expended immediately; or you can make a major outright gift when they have a special campaign; or you can make a planned gift through your estate plans. But often, an institution’s most highly valued source of such future streams of support comes from endowment, or endowment-like gifts.

You might think about endowments as a mechanism for producing annual support. Endowments are often established through planned gifts such as bequests or charitable trusts, but can also be funded with outright or major gifts.

The link between current and future needs seems compelling, natural and organic. However, in the conventional fundraising and development office, that link is broken. Conventional fundraising and institutional advancement offices divide donors and fundraisers into separate departments - channels for annual, major and planned gifts. The connection between current dollars and future dollars is often severed or never even established.

Personalized philanthropy is a radical rethinking of endowment, as well as annual/major/planned giving. The strategies are all about repairing and restoring this connection by eliminating the channels and gaining a clear view of the donor’s big picture over their lifetime of giving. That allows us to devise new kinds of gifts that can actually bridge the gap between the current and future dollars and enables us to design gifts that can meet the organization’s most enduring and important needs.

The vastly under-estimated power of spending rate - Each one of these game-changing strategies in one way or another leverages the power of what institutions call “spending rate,” the percent of the corpus of your gift that can be expended annually to support your program.

As noted earlier, the entire point of endowment and other approaches for building legacies is to create a stream of annual revenues to sustain your program. While it may not be possible to obtain the corpus initially, it may be much easier to provide that stream of annual gifts to maintain your program. In fact, you may *already* be giving the funds, though in a less decisive or intentional way.



With this simple approach – focusing on the stream of annual gifts first – many programs can be established that would otherwise never see the light of day. For example, a traditional endowment of \$100,000 produces \$5,000 of spending, with a 5% spending rate. Many more donors can give \$5,000 per year than \$100,000 as a lump sum. Thus, even modest annual gifts (in the context of lifetime and estate giving) can have all the impact and power of major gifts. Spending rate is **magic**.

If the annual spending commitment precedes the formal establishment of the endowment, who is to say that is not just as valuable as having the endowment itself?

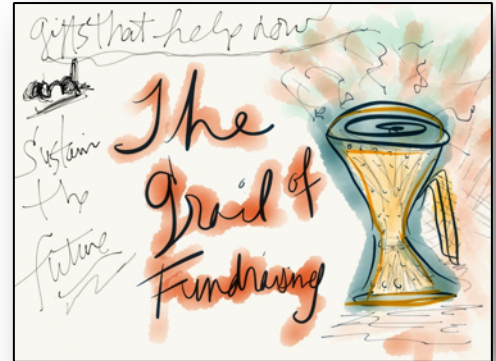
Personalized Philanthropy and the Grail of Fundraising for the Four Donors Within You

- ☐ What would be the best gift you could make, *even if* your cause doesn't ask for it?
- ☐ How might getting in touch with the 4 donors within you lead you to a better gift?
- ☐ Can you become comfortable with your complex motivations?
- ☐ What if you are wise, wicked, simple, and still don't know how to ask?

What is the best gift for you? A gift design that is personalized just for you can both shape and empower major gifts that could otherwise never have happened. They could have been deferred. Or denied.

Consider the ideal gift. Could there even be such a thing?

The Grail of Fundraising is exactly this chaining together of your current and future gifts and capacities for giving in such a way that **your overall philanthropic program supports both the current needs and at the same time secures the future needs of the organizations you care most about.**



Sounds simple. But how do you execute it?

Below you will find just a few examples, in this case of scholarships, that have come about, or have been upgraded, by “meeting the donor where they are” with personalized philanthropy.

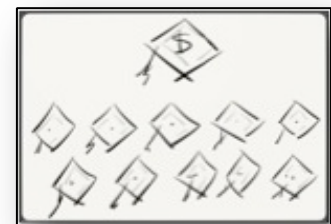
Turning Endowment on its Head Scholarship with Virtual Endowment



Wise – astute, aware, careful clever, discerning, thoughtful

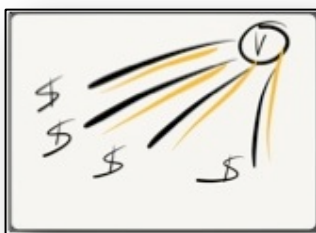
A Wise donor, indeed. Arthur is an astute and loyal annual donor. He generally makes a gift every year from his personal foundation, almost without being asked, and he designates his gifts for general funds. Starting there, with the annual gifts, Arthur eagerly responded to ideas about opportunities for increased impact. Wouldn't you?

From his pattern of regular annual giving, it seemed apparent that Arthur was not ready to make a large contribution at this time. He had been making gifts for so many years and was very comfortable with his habit of annual giving.



However, in an extended conversation, it turned out that once being presented with the concept and opportunity to have a **greater impact, with little or no change in his annual giving patterns**, Arthur would happily make two new choices.

He decided for the first time that he wanted to restrict his gifts, and he determined he would designate them for a scholarship. He did this after realizing that his regular annual gifts would go much farther as a continuing series than as individual gifts. In fact, with no change, his annual gift would perfectly support an annual scholarship.



For the years in which Arthur would continue to make annual gifts, he would have what I call a *virtual endowment*. His annual gift of \$7,500, when viewed as part of a scholarship series, would have the power of a gift 20 times larger, since \$7,500 equals a 5% spending rate from a \$150,000 endowment.

Funding a long-running program with these multi-year annual gifts essentially turns endowment on its head. The focus and driver has become the repeated annual gifts, rather than the single gift of principal.

Along with his enthusiasm for continuing the tried and true pattern of continuing annual gifts, Arthur was also perfectly willing to designate that at a future point, on his death or possibly sooner, he would contribute through his foundation an outright gift or balloon payment that would fully fund his scholarship, so that it might continue in future years. At that point, a virtual endowment becomes a true endowment. In the meantime, Arthur's scholarship would start up immediately and would be recognized now, and his scholarship student would be named right away. An exciting 'win-win' for everyone.

Arthur's total gift plan included a multi-year commitment for annual gifts, along with a separate commitment for the balloon payment (bequest). The two aspects were each secured by a legally binding pledge, and so the entire combined gift was counted on the charity's books in the year the pledge was signed. And, later, if he decides his foundation can make a larger gift than originally contemplated, his master's scholarship could be upgraded to a doctoral scholarship or postdoctoral fellowship, or even a professorial chair.

(c) From Postdoc to Philanthropist: A Classic Endowed Scholarship (Stepped Up)



Wicked – Reserved, mischievous, competent, expert, able, questioning

Wicked or not? Better to think of this donor as **reserved** and questioning. The most effective donors are the ones who give with their head and not just with their heart. Donors who **need to have a give and take** certainly aren't *wicked*. They may just need to establish a sense of security and smart financial planning that allows them to explore options for increasing their gifts to reach ambitious goals.

Thirty years before he became a philanthropist, Richard was a postdoc. ("Postdoc" is slang for an individual holding a doctoral degree who is engaged in a temporary period of mentored research and/or scholarly training for the purpose of acquiring the professional skills needed to pursue a chosen career path.) While a student, he developed a new process for freezing protein crystals, reducing protein analysis from six to twelve months to just a couple of hours. This process became standard practice in laboratories all over the world. But Richard left academia to pursue a career in business, and as a result did not become aware of his impact on basic science until many years later. Richard and his wife wanted someone else to have the same opportunities they had. He says, "When success came, we made a list of all the things we wanted to do for the rest of our lives, and giving back was right near the top." They decided to create a scholarship.

This scholarship started out as an outright contribution to establish an endowment fund, based on their success in business. That fund would spin out an annual "spending rate" or distribution that creates many scholars in their name over the years to come (e.g., if the endowment for the scholarship costs an outright contribution of \$150,000 and the spending rate is 5%, the scholarship would be expected to spin off or distribute \$7,500 per year, over the years funding many students.)

Several years after creating that classic scholarship at the Masters level, with an outright contribution, they decided they wanted to augment it. However, they were not able to make another large outright contribution to move from one academic level to another. As an alternative, they obtained a charitable gift annuity. The gift annuity immediately gave them the assurance that their fund would grow in future years, increasing the impact of their scholarship. At the same time, their gift annuity provided them an income tax charitable deduction in the year of the gift as well as a stream of lifetime payments for the rest of their lives. This gave them the security and assurance to step up their gift without having to wait until a later date or defer their gift until after their lifetime. They get to see and enjoy their gifts in action.

After their deaths, the remaining proceeds will be added to their scholarship fund, helping it **step up to the higher level**, to a postdoctoral. It seems likely they will find other ways to add to the impact of their scholarship fund over a productive and philanthropic lifetime as conversations and ideas continue. It is possible their Masters could move to a doctoral scholarship or a postdoctoral fellowship, or even a professorial chair. In our organization, donors frequently use charitable gift annuities, combining them with bequests and outright gifts to establish major philanthropic funds.

**When you use the basic building blocks of philanthropy toward a purpose,
over time you can achieve a larger goal than you might
imagine with any single gift.**

A fair number of donors have described themselves, in terms of the 4 donors, as both wise and wicked. Wanting to help other people and humanity generally, but also motivated by an internal metric that demands accountability and responsibility for themselves first. Ultimately, the wise donor is a donor who knows who they are and where they are. Arthur understood and embraced his true longing to help real people, not just an undefined cause; he found a way to link his current and his future giving. Richard and his wife understood that they wanted to help others as they had been helped and yet, at that point in their financial life cycle they saw how a life income arrangement providing for their own needs, could enable them to make an additional gift. This was the best gift for them at that point in their philanthropic journey.

The Power of Spending Rate to Transform Philanthropy

- ☐ How can an umbrella advance philanthropy-your-way?
- ☐ How might you begin to mesh your compelling interests with your institutions compelling needs?

(c) **Give the Spending Rate or Give the Endowment, or Both. Then repeat.**
The Simple Truth. (Virtual Endowment)



Simple – Straightforward, uncomplicated, sincere, trusting, direct

Uncomplicated, yes – Simple, never! Sylvia built her classic **virtual endowment** on the certain knowledge that she was going to make a significant bequest through her estate. I suspect she always knew this was her way, yet she was anything but a simple donor - she always was curious.

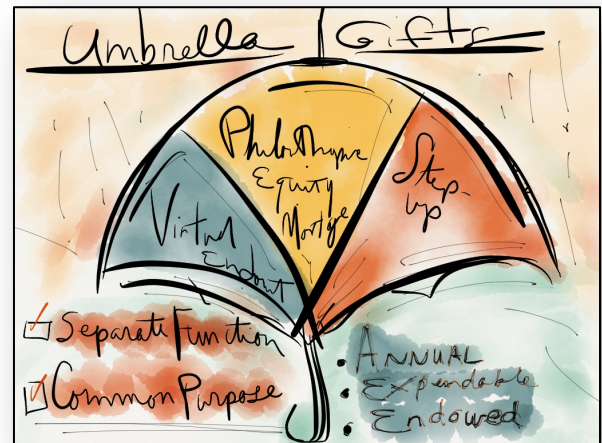
Many donors will “put a toe in the water” choosing early and simple gifts, but become curious about how to do more. Sylvia Initially was providing the “maintenance” spending rate, an annual gift that provided scholarship support for a single student. In her will, she had a commitment for the minimum amount that would ultimately be needed to endow that scholarship upon her demise.



Sylvia was so satisfied with this approach and pattern of giving over the years that she duplicated it several times, such that her annual gifts have been covering the maintenance of several students. She also added and increased her bequest as well, to create full endowments for each of “her students,” in effect creating a “scholars” program of her own through combining both her lifetime and estate gifts. Thus, a seemingly “simple” bequest combined with a pattern of modest annual gifts was able to establish a gift of great moment and impact.

What was the arrangement that enabled this program to come about initially, and to be scaled up so significantly? It was the classic personalized gift arrangement called the Virtual Endowment.

The Importance of “Umbrella” Gifts – Each of the three “killer apps” of personalized philanthropy is an “umbrella” gift agreement. Each is comprised of *separate gift commitments, where the elements have a separate function, but all serve a common purpose.* For illustration here, the common purpose is to establish a scholarship whose impact is recognized and begins immediately. The aim is for impact and recognition to begin now and grow over time. Below is a useful chart to summarize the elements and how they may be used flexibly and creatively to achieve the goal.



Sample Personalized Gift Designs Matched to Donors' Life Stage, Needs and Goals				
Donor age	Personalized gift design	Gift commitment	Type of gift	Key Features
80+/-	"Classic" Virtual endowment	Annual gift for life; expendable; maintains program. Bequest for endowment secures the program for the future	Two Irrevocable pledges toward one program goal	Program starts up right away; recognized; counted in campaign
65+/-	Testamentary pledge	Bequest commitment. Donor pledges portion of larger total gift they have in mind and are comfortable	Irrevocable pledge. Not payable until death of donor; may be paid early	Program cannot start up until donor's passing, but irrevocable gifts can be recognized immediately
50+/-	Equity-building philanthropic mortgage	Annual gifts which are greater than the spending rate; excess of annual need goes to build endowment. May include a down payment or a balloon payment at end of term	Irrevocable pledge for a term of years; builds equity while program operates from start-up.	Program impact and recognition start now. Allows younger donor to benefit from modest spending rate gifts while they build legacy endowment over time.
40+/-	Limited virtual endowment.	Annual gift expendable for a certain number of years	Irrevocable pledge	Younger or older donor. Spending rate gifts "as if" endowed.
40+/-	Hybrid bequest plus annual gifts	Testamentary pledge for bequest; revocable annual gifts. Irrevocable bequest pledge	Revocable annual gifts	Program begins and operates as long as annual gifts; assured by bequest
40+/-	Hybrid annual gifts plus bequest	Donor pledges annual gifts for number of years. Revocable intent for bequest. Irrevocable pledge of annual gifts.	Revocable bequest intent	Program assured for a number of years; possible bequest

Variations on a theme. There are many variations on this theme of creating multiple scholarships. Robert took a similar approach to creating a program with multiple scholars, through his foundation. Rather than matching a bequest to each annual scholarship, as Sylvia did, he decided to create fully funded scholarships with each gift to create a much larger "scholars" program. How did this come about? His uncle had funded a single scholarship in memory of his father many years ago, and over the years some very impressive students had come through that program and become professors in their own right. Robert ultimately determined to make a long-term commitment from his foundation, such that each year's pledge payment would establish its own fully funded new scholarship in the name of his family.

The Cross-Fertilization of Finance and Philanthropy

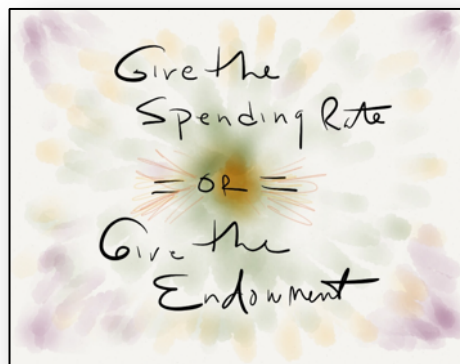
- ☐ Could a donor be very sophisticated financially and still not know how to ask?
- ☐ How will charitable spirit find a way?

A Scholarship Financed with Annual Gifts and Balloon Payments (Philanthropic Mortgage)



Doesn't know how to ask – Naïve, curious, inquisitive, questioning, searching

Doesn't know how to ask - Naive or searching for the right gift at the right time? To characterize as *naive* a person who is a sophisticated financial advisor and shrewd investor seems totally off base – until you learn the inside story. Harold and his wife Diane have a very deep and powerful charitable impulse. Yet, with all of his financial sophistication, it had never occurred to Harold that he might apply a key part of his financial knowledge to philanthropy.



However, once they had imagined an “endowment” program that is powered by a combination of current and future gifts (like a virtual endowment), they had less difficulty imagining variations on this theme.

Harold and Diane have children who will soon graduate from college. They can envision a time not long in the future when the funds that have been going toward tuition might go for something else, perhaps something philanthropic.

Harold is a successful businessperson and investment manager. He understands how money can work in different ways and was willing to try applying some proven financing approaches to advance his own philanthropy. His plan enabled him embrace an innovative way to support a student, consistent with his current and future prospects.

The funds for an outright scholarship will be coming on-stream when their children finish college. For the present, Harold and Diane are comfortable making annual gifts that could be used for the maintenance costs of a scholarship program (e.g., \$7,500 each year for the first four years). Harold would equate this to a purchase or loan, just paying “interest” (really the annual maintenance) during the early years.

Then, in the later years, while continuing to maintain the program with annual gifts, they would be able to make larger payments to build equity in their program and to fully establish their scholarship program (\$7,500 + \$50,000 for the last three years). In Harold's terms, from a financial perspective he would be making three balloon payments at the end of the term.

In any case, Harold and Diane were able to build a financial strategy that fit the terms of their lives. This form of gift, similar to what you might think of as a “**philanthropic mortgage**” meant their scholarship could begin immediately and that they would be recognized for the important support they were providing on a timely basis. After all, when you buy a home, you don't have to wait until it's fully paid for before you move in. You get a mortgage. Why not apply this familiar approach in order to build equity and begin the recognition and impact of your scholarship or other endowment immediately.

How We Count It

In this case, the organization's financials would recognize a commitment to payments running over 7 years (\$7,500 x7), including in the last 3 years balloon payments of \$50,000. The total gift under the agreement would be \$52,500 + \$150,000 = \$202,500.

Conclusion

For the four (or more) philanthropists in you

As your comfort level increases with the three game-changing personalized gift designs, which I think of as new applications for consolidating basic building blocks and charitable vehicles under a single umbrella or game plan, you can add great power to your charitable giving.

Working with your financial resources and charitable intent, along with these tools of personalized philanthropy, you, your advisor and gift officer can work in a true alliance together, without the push-pull impedance and seeming sales-force dynamic that much fundraising seems to engender.

This donor-driven process enables you to achieve important goals on your own terms, where the impact and recognition of your charitable support begins right now and grows in future years.

As the commentary states so well, as we all possess the four children within ourselves; perhaps we also possess all the four donors: we are in essence speaking to the wise, wicked, simple and unable to ask elements in all of us....

Three Pillars of Personalized Philanthropy

- ☐ What are the lessons donors can teach us about personalized philanthropy
- ☐ What questions can we consider when approaching our gift?
- ☐ How does the Passover story of the 4 children relate to philanthropy?

Hopefully, this booklet about the Four Donors will raise as many questions as it answers, and then some. To provide some insight into my own thinking and the questions I've asked, here are three lessons that I have learned from the donors referenced. I think you will find that these lessons permeate all of the examples and help to inform the shaping and design of each of the gift plans, matched to the interests of the individual donors and to the compelling needs of the organizations they care about. To me these questions and insights point to better ways to do Effective Philanthropy, powered by Personalized Gift Design.

Message in a Bottle: Three Keys to Effective Personalized Philanthropy

(For any soulful season of giving)

I like to think about the Three Keys as if it were a forgotten fragment – a message in a bottle – written by a philanthropist long ago. It was sent (floated) by the author in the hope it would be found by the People Who Want to Make a Plan, but too often have come up against the crush of reality: “Life is what happens when you’re busy making other plans” (John Lennon). “Everybody has a plan until they get punched in the face” (Mike Tyson). Whether you are a philanthropist or a fundraiser, this message resonates for people seeking to understand and act on their charitable impulse. This message in a bottle seems relevant all year long, at any soulful season of giving.

Imagine that you found the bottle and read this message.

1. **Give with a warm hand** – My friend said it was better to give with a warm hand than a cold one. She meant it, and did it. Maybe you've heard the phrase from Warren Buffett, “Giving While Living.” Giving with a warm hand is the Big Idea behind that. It also shapes the Giving Pledge, which has encouraged so many philanthropists to designate at least half of their estates for helping others. So, if you feel charitable, it's up to you to decide what you want to happen with your gift. Go ahead and make your statement. You do not have to defer or leave this important life-defining decision to someone else.
2. **Give with a warm heart** – Besides giving while living, you can give as you live, with passion and a warm heart. Share that. To something meaningful to you. Start now. Aim high. Scale-up and go long. Make a habit of giving. You can achieve much more by combining current with future gifts for something important to you. Most charities will allow you to target or restrict your gift. The really enlightened ones encourage it. You can start with something do-able now and yet grow the impact of your support with each additional gift.
3. **Give with a cool head** – Give smart. Not just from your heart. Employ the powerful tools of *personalized philanthropy* and smart advisors who can show you how. It's possible and even OK to benefit your loved ones and yourself from your giving. Bequests, charitable trusts, gift annuities, charitable insurance and retirement plans. Especially bequests. Find out about virtual endowments and how to build equity in your endowment. This way, you can create a lasting legacy, and it can begin now.

They say this is how philanthropy used to be done. This is how it will be done in the future.

A Few Thought Questions

Would you give with a “warm hand” if you could? If you consider giving with a warm hand to mean not only giving while alive, but directing and designating the use of your future gifts, does that way of thinking open up the possibilities for you to give more or give differently? Do you believe that your legacy should be decided by someone else; if not you, who?

When one thinks of meeting a donor “where they are,” where would you think of yourself on the spectrum? In the range and capacity from wise (Astute) – wicked (Questioning) – simple (Curious) – doesn’t know how to ask (Searching), where are you? Are you always in the same place or is there a variance from time to time? If you are giving away your treasure, what should you expect to gain from your gifts?

Do you expect a financial return, a spiritual redemption, or other sense of ROI of “impact” and change? If you could, would you like to have more personal and interactive relationship with representatives of the organization or cause whose programs and projects will ultimately benefit from your support and generosity? Would you like to gain access to special people?

Do these personalized giving techniques help you see new ways to give? Endowment is a very specific investment and management concept to nonprofit administrators. But, to you as a donor it may mean simply ensuring that a goal will continue to be met long into the future. Which is most important to you, the investment of the endowment or the use of the funds to achieve a goal? How do you set the balance?

Does it seem reasonable and possible to borrow familiar concepts from the rest of your life (say, the idea of a mortgage) and import them into philanthropy? Have you encountered charitable organizations that allow you to “build equity” in your endowment while also have it work at full capacity, as in these examples? If not, are you willing and able to lead the way and show them how? Sometimes donors go from “one who does not know how to ask” to one who leads.

Can you see how some of the basic building blocks of philanthropy – the seemingly modest outright gifts you make ever year, for example -- could become the basis of a much more powerful gift later on? Have you thought about making a commitment over multiple years, instead of one year at a time, and what that could mean to an institution you care about?

If you decided to lead with your annual gifts (and turn a traditional endowment on its head), how could your ultimate gift have even greater impact than if you used those modest gifts to grow an endowment?

Using personalized philanthropy, how might you reconfigure your own approaches to giving to achieve greater impact and recognition, starting now?

The Passover Haggadah and Philanthropy

By Rabbi Steven Steinberg

Let me set some context for this unusual little volume, since “The Four Donors” takes off from the Passover story of the Four Children.

The Passover Haggadah is a small manual used to structure the setting for a meal. The manual combines elements of Biblical literature, rabbinic literature, medieval stories, songs, ancient and recent, and modern literature.

The structure of the Haggadah is open and allows for the addition of materials. The themes of the manual are the movement from slavery to freedom, both physical and psychological, and the concomitant feeling of moving from shame to glory.

While Passover celebrates a Jewish holiday, these are universal themes. Many cultures and varying religious groups have adopted and adapted the meal and the manual to their unique circumstances.

The meal takes elements of two ancient Middle Eastern celebrations, a Springtime harvest festival and the birth of lambs, places them in a Hebrew Biblical context, adds on Jewish rabbinical themes and superimposes all that on a typical Greco-Roman symposium or meal, reinterpreting the Greco-Roman rituals to fit Jewish religious themes.

Imagine a McDonald's Happy Meal reinterpreted in a religious context.

Then over the next two thousand years songs, artwork and contemporary pieces of literature are added (or older ones omitted) to more closely align the Haggadah with a particular local culture.

The entire document is structured as if answering questions of the uninitiated. Thus the rituals leading to the actual meal are treated as teaching tools.

The number four is used as a literary tool in the Haggadah. Thus there are four sons/children who ask four questions. There are four cups of wine to be imbibed.

Certainly there are obvious analogies between the ideals of the Haggadah and the ideals of philanthropy. Since the Four Sons is an all-inclusive trope: I'm in, I'm out, I haven't thought about that question, and I didn't know one could ask questions, there is a ready comparison that can be made to four types of donors who are seeking an education as to why to do philanthropy.

The Four Sons is an all-inclusive trope:
I'm in, I'm out, I haven't thought about that question,
and I didn't know one could ask questions.

The Haggadah as well as philanthropy stresses the communal responsibility of all participants. Both remind us of the hazards of the world that require attention.

Both hope to take us from need to success and our right to celebrate that success.

Both remind us that the task is unending.