



# PHILANTHROPY

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### RAISING FUNDS FROM AMERICAN DONORS

OR

### WHY DON'T WE ASK BILL GATES?

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The persistent myth about fundraising is that there are wealthy people just waiting to give money away. Fundraisers in the United States, and probably elsewhere, sooner or later are asked, “Why don’t you call Bill Gates and ask him for money? He’s got plenty!”

Let’s examine this myth: As CEO of Microsoft, it is true that Bill Gates does have plenty of money, and he is very philanthropic. It is also true that many Americans are wealthy and are also philanthropic. As a matter of fact, over 70% of all US households contribute to charity. In 2002, these individuals donated \$200 dollars, or 80% of the total \$241 billion US charitable dollars.<sup>1</sup>

However, while most Americans give to charity, it is the very rich that give the most. Ten percent of the population gives 90% of all philanthropic dollars. Assuming this percentage holds, the future looks very good for fundraisers, because the rich are getting richer. To make the 2003 list of Forbes Magazine’s *400 Wealthiest Americans*, your net worth needed to be \$600 million (up 7% from last year). The aggregate net worth of the wealthiest 400 US citizens, which includes Bill Gates, as well as such people as the film director, Steven Spielberg, Michael Dell of Dell Computers, David Rockefeller, head of the Rockefeller family fortune, and real estate mogul, Donald Trump, is \$955 billion.

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<sup>1</sup> 2002 figures taken from *Giving USA 2003/AAFRC Trust for Philanthropy* ([www.aafrc.org](http://www.aafrc.org))

So part of the myth – that there are rich Americans who give money to charitable causes - is true. This does not mean that they will give to your organization or cause. To successfully fundraise in the US, you need to make a clear, concise and compelling case that your needs match a donor's interest. To do that you need to understand why donors give.

### **What's in it for the donor?**

One reason why people give is to receive certain benefits. There are two types of benefits: intangible and tangible. Intangible benefits are the good feelings the donor receives from supporting a worthy charity or cause. Whether it is alleviating suffering, preserving an historic building, educating children, or protecting a natural area, the urge to do good is the overwhelming reason why donors give. Your mission, cause or project is what will attract donors. What might encourage donations, or higher donations are the tangible benefits you offer, e.g., the free admission, magazine or special invitation. For example, the US cultural organization, HISTORIC NEW ENGLAND<sup>2</sup>, offers these benefits to their member:

*Intangible:* Preserve, understand and celebrate the cultural heritage of New England! Participate in programs and activities that celebrate New England's rich cultural history, and support preservation work in the region.

*Tangible:*

- ✓ Free admission for one person to 35 Historic New England properties
- ✓ Free use of Historic New England's Library and Archives
- ✓ *Historic New England* magazine and The Historic New England Guide
- ✓ Invitations to special members' events
- ✓ Advance notice and priority registration for popular programs and events

When I was the chief fundraiser for a small museum, I suggested we offer our top category of members a 10% discount on purchases made at our new gift shop. Deeply shocked by the idea, the museum's Trustees explained to me that these people were so wealthy they did not need a discount, and the offer would be embarrassing.

I prevailed and was pleased to see these members take full advantage of their discount. The Trustees congratulated themselves on what they now remembered as their good idea, and we all learned that everyone, no matter how rich, likes a bargain.

Everyone also likes to pay fewer taxes. In the US, donors may subtract the amount of their donations to registered charities from their taxable income. The chart below provides a simple example:

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<sup>2</sup> Complete information on Historic New England can be found at [www.historicnewengland.org](http://www.historicnewengland.org).

A. Personal Tax with No Deductible Gifts		
Annual Salary		\$30,000
LESS Deductible Gifts		- 0
Taxable Salary		\$30,000
Tax rate: 33%		x 33%
Tax due		\$9,900
B. Personal Tax with a \$1,000 Deductible Gifts		
Annual Salary		\$30,000
LESS Deductible Gifts		-1,000
Taxable Salary		\$30,000
Tax rate: 33%		x 33%
Tax due		\$9,570
C. The True Cost of a \$1,000 Deductible Gift		
Tax due without gift		\$9,900
LESS tax due with gift		9,570
Out-of-Pocket Cost to Taxpayer of Making a \$1,000 Gift		\$330

Perhaps the easiest way to raise money is to provide donors with a naming opportunity. Most cultural and educational buildings in the USA have the names of donors listed on their walls, proving that Americans like to put their names on things.

I proved this to myself a few years back. Ellis Island, the port of entry into the USA for millions of immigrants in the 19<sup>th</sup> and early part of the 20<sup>th</sup> centuries, had fallen into disrepair. A multimillion dollar restoration and preservation project was launched. While I approved of the project, and read the many solicitations I received with great interest, I was never moved to give my “suggested contribution” of \$25.

One day, I received another letter, not asking me for a donation, but offering me the opportunity to honor someone I knew who had immigrated to this country. For \$100, I could have that person’s name engraved on a Wall of Honor to be constructed on Ellis Island in recognition of “their courage and bravery in coming to the New World.”

I paid \$200 for two, immediately. My grandmother and father were thrilled, and so was I. I have never given a better present.

The lesson here is that many people like to put their names on things, and will pay handsomely for the privilege. What can be named? Almost everything. My rule of

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thumb is if it is not breathing, it can have a plaque on it. If it is breathing, name the position. The Johanna Gurland Director of Operations has a nice ring to it, don't you think?

### Who Asks?

A very important reason why US donors give is because of who asked them.

#### **Who Asks?**

*(in order of effectiveness)*

Board Chair & Members  
Volunteer Chair  
Chief Executive  
Chief Fundraiser

#### **How?**

*(in order of effectiveness)*

One-on-one meeting  
Telephone  
Letter  
Formal Proposal

Prospective donors want to talk to people of equal or superior wealth and status. You want your million-dollar donor to ask your prospective million-dollar donor, or at least make an introduction for the charity's Chief Executive. The ideal person to make the ask is your chief volunteer solicitor – the Chair of your Board of Trustees, for example. Usually the Chair and Chief Executive make the ask, but this is not a rule. The important point is that the prospective donor needs to trust the person making the ask.

I think all prospective donors secretly worry that the charity is not legitimate and that they might be the only donors who were fooled. It reassures and encourages prospective donors to talk with people they trust.

### Don't Forget to Ask!

Perhaps the most important reason why US donors give money is because they were asked! Please note well: Americans expect to be asked for money. If you are able to get an interview with a wealthy prospective donor – do not waste it. Before you go on your visit, make sure you have all the answers to the following questions and make sure you can articulate them clearly to your donor:

- How much are you seeking?
- What is the purpose of the gift?
- Why do you think this purpose will interest the donor?
- Where will the donor's gift fit into the total project, or organizational budget?
- What benefits might the donor receive?

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During the visit: Present your case for support in a clear, concise and compelling manner; Ask for a gift; Cite the dollar amount or range of dollar amount; and, Sit back and be silent. (I start counting slowly in my head, promising myself that if there is still silence by the time I reach 45, I'll say something. I haven't reached 45 yet.) Let the donor talk! Let the donor voice his or her agreement or objection, ask questions, or make suggestions. Your job is to listen and respond appropriately.

Do you ask for more than money? Absolutely! Whether I have received a yes or a no to my request for a donation, I often move on to the second ask – usually not monetary in nature. This might be a list of names of other people who might be interested in supporting my organization, or introductions to their friends. Once it was a yacht.

Several years ago, the chief fundraiser for a Scottish charity and I went to see a member of the very wealthy Forbes family in New York City. In the elegant headquarters of Forbes magazine, we were ushered into Mr. Forbes' office. He rose to greet us saying, "I hope you haven't come to ask me for money, as I haven't any."

My heart sank, as of course that was why we were there. Fortunately my Scottish colleague started oozing her formidable charm, reassuring Mr. Forbes that we were not there to ask for money, but simply to introduce ourselves.

For the next ten minutes, my colleague and Mr. Forbes had a delightful time, talking about Scotland and the people they knew in common. Then, it happened. Mr. Forbes looked at his watch, signaling the end of the visit and we had asked for nothing!

I cut across the conversation, "Mr. Forbes, we know how busy you are, so we won't waste your time. We would like you to give us your yacht for a fundraising dinner and cruise."

"No problem," Mr. Forbes said, handing us a card. "Call this person and arrange it."

Mr. Forbes did not give us a check, as he warned us he would not do. He gave us the fully staffed family yacht (called the Highlander -- now how perfect is that for a Scottish charity?) He gave us drinks, hors d'oeuvres, and dinner for 100 guests. He gave us a cruise around the New York harbor on one of the most beautiful nights I have ever seen.

By his lights, Mr. Forbes did not give us money. By ours, he gave us a gift more valuable. Through ticket sales, a raffle and an auction, the charity made a substantial sum that evening. More important, the charity made generous friends for life.

To launch a successful fundraising program in the US, it is important to understand why US donors give. In my twenty years of experience, I have learned that donors give because:

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1. They have an interest in or connection to your organization's mission or project
2. They have the means
3. They perceive some benefit
4. They were asked by someone they trust
5. They were asked

Use this knowledge to inform your fundraising endeavors and don't forget to ask for the yacht!

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