


APRA ASSOCIATION OF PROFESSIONAL RESEARCHERS FOR ADVANCEMENT


Approaches for Estimating Gift Capacity and Developing Rating Systems

Presented by:
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Faculty



**Elizabeth Crabtree - Director of Prospect
Development, Brown University**

- Elizabeth manages a team of professionals supporting campaign planning and management, prospect and market research, data mining and market analytics and relationship management.
- Her nonprofit career has encompassed working in research, communications, and corporate, foundation and government relations and managing a corporate foundation.
- She is a member of the board of directors of the Association of Professional Researchers for Advancement currently serving as its President; chaired the 2005 and 2006 APRA International Conferences. Elizabeth was honored to receive the 2007 Ann Castle Award from NEDRA.
- Elizabeth is a frequent, nationally recognized speaker and industry expert and is the founder of GivingResearch.com a planned web site community for advancement professionals that will be launched in the fall of 2007.



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Faculty



**Joyce Newton – Senior Strategic Analyst,
Dartmouth College**

- Before entering the development field in 2002, Joyce spent more than thirteen years in the Biotech/Biopharm industry as an Information Specialist, most recently at Millennium Pharmaceuticals in Cambridge, MA and before that, at Chiron Corporation.
- In addition, Joyce spent six years as a Market Research Analyst in the direct marketing field and five years as a Corporate Medical Librarian.
- Her experience positions her well for current responsibilities that include proactive prospect research, trade/news publications review, and continuous monitoring of new technologies/resources for improved effectiveness.
- Joyce holds a BA from the College of Our Lady of the Elms, is a contributor to www.supportingadvancement.com, and a founding member of Chase Solutions' Freelance Prospect Research Network. She was a 2006 panelist and a 2007 co-presenter at APRA's International Conference.



Program Overview

- Assumptions and Session Content
- Context and Underlying Values
- Quick Briefing on National Statistics
- The Concept of Asset Distribution
- Common Wealth Indicators
- Estimating Wealth and Gift Capacity
- Developing Rating Systems
- Applying Affinity and Inclination
- Informing Solicitation Strategy



Assumptions and Session Content



- While assets and wealth indicators will be discussed, we assume you already know *how* and *where* to find this information
- National statistics will also be discussed and referenced which can be used as a basis for developing capacity formulas
 - Quick overview of some of the most important studies
 - Reference to where you can get additional information for further study on your own

Assumptions and Session Content



- Session will focus on
 - How to use asset information to estimate wealth and gift capacity
 - How to consider affinity and inclination
 - How to develop rating systems
 - Case studies / sample rating systems
 - Using research information to inform solicitation strategy

Context and Underlying Values

- Purpose of uncovering and evaluating wealth indicators
 - Segmentation
 - Assignment
 - Cultivation
 - Solicitation



Context and Underlying Values

- Core responsibility of researchers:
 - Uncover basic indicators of wealth
 - Examine background and interests
 - Connect relationships
 - Evaluate implications for philanthropic giving



Context and Underlying Values

- Ethical considerations involved in the collection, use, and dissemination of donor information:
 - Respect confidentiality and privacy
 - Strive to achieve:
 - Accuracy
 - Relevancy
 - Document and reference sources



Context and Underlying Values

- We can:
 - Prepare an asset inventory based on publicly available information
 - Evaluate wealth factors and apply statistical formulas to estimate gift capacity ranges
 - For all charitable giving
 - For giving to our organization
 - Seek to understand and rate affinity to our organization and inclination for philanthropic giving



Context and Underlying Values

- We cannot:
 - Know everything:
 - Tax Filings
 - All Assets
 - Debts and Liabilities
 - Personal Stock Portfolios / Retirement
 - Inherited Wealth
 - **Determine net worth!**
- At best, we are providing an asset inventory or an estimate of wealth and/or gift capacity



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Context and Underlying Values

- Recap:
 - Do NOT use the term “estimated net worth” in research and reporting even if others do (i.e. Forbes, IRS, etc.)
 - Do use:
 - Estimated or Identified Assets
 - Estimated or Identified Wealth
 - Estimated or Identified Wealth and Assets



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National Statistics and Studies

- Expand our knowledge and understanding of philanthropy, fundraising and the nonprofit sector
- Provide a basis for estimating wealth and gift capacity
- Provide a framework for benchmarking and goal setting



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National Statistics and Studies

- Referenced in this presentation:
 - Giving USA
 - World Wealth Report
 - Spectrem Group Affluent Research
 - Center on Wealth and Philanthropy
 - Mendelsohn Affluent Study
 - IRS Statistics of Income files



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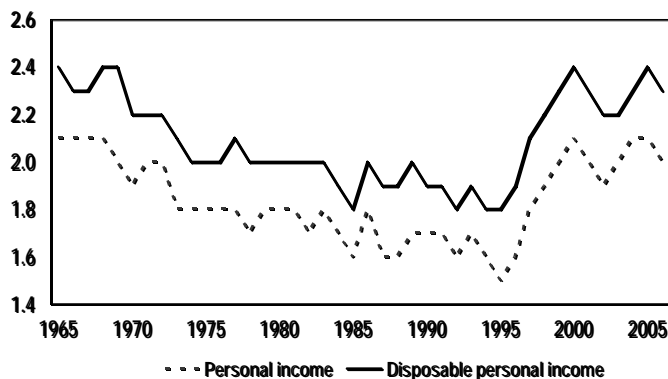
National Statistics and Studies

- Not included in this presentation, but worth a look:
 - U.S. Trust Survey of Affluent Americans
 - Bank of America Study
 - Citigroup Private Bank Charitable Giving Survey, January 2002
 - New Tithing Group – *The Demographics of Charitable Giving, based on 2003 IRS SOI data*
 - Federal Reserve Survey of Consumer Finances
 - Works by Arthur C. Brooks
 - Many others!



Individual Giving

Giving as a share of disposable personal income
(Inflation-adjusted)



Source: Giving USA Foundation™ / Giving USA 2007



Individual Giving



- Individual giving as a percentage of income has leveled off since 2000 and remains flat at 2.0%
 - This is the underlying basis for many common gift capacity formulas (*more on that later*)
- Individual giving follows the economy, especially tracking disposable income and the stock market

Source: Giving USA Foundation™ / *Giving USA 2007*

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Center on Wealth and Philanthropy



Giving by Household Income (2002 dollars)			
Household Income	% of Total Population	Giving Participation Rate	Avg. % of Income Given
<\$10,000	6.7%	34.3%	5.55%
\$10K - \$24.9K	19.3%	50.5%	2.63%
\$25K - \$49.9K	29.0%	65.6%	2.34%
\$50K - \$99.9K	29.0%	81.2%	2.15%
\$100K - \$149K	10.1%	93.1%	1.97%
\$150K - \$199K	3.4%	92.3%	1.75%
\$200K+	2.6%	94.9%	2.35%
National Avg.	100.0%	69.5%	2.48%

Source: The Boston Foundation, *Study on Geography and Giving*, June 2007 (Study conducted by Paul Schervish and John Havens at the Center on Wealth and Philanthropy at Boston College)

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Spectrem Group

- Charitable Giving and the Affluent:
 - Percent of gross annual income donated to charity:
 - **Affluent** **6.0%**
(\$500K+ of investable assets)
 - **Ultra High Net Wealth** **6.1%**
(\$5M+ net worth)
 - **Top Tier Ultra High Net Wealth** **7.8%**
(\$25M+ net worth)



Source: Spectrem Group, Charitable Giving and the Affluent Market, 2005

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World Wealth Report

- High Net Wealth Individuals and Philanthropy:
 - Used to provide a social return on investment rather than to leave a legacy
 - HNWI*s devote over **7% of their wealth** to philanthropic giving
 - Ultra-HNWIs** devote over **10% of their wealth** to philanthropic giving



Source: World Wealth Report, 2007, Capgemini and Merrill Lynch

* HNWIs are those with \$1M or more in assets, excluding real estate

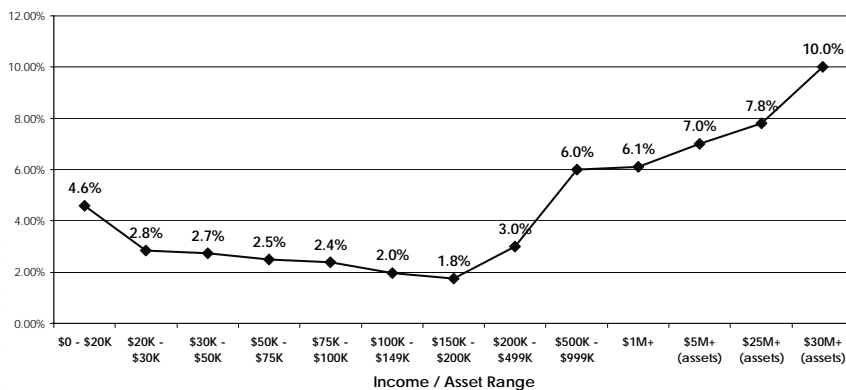
** Ultra-HNWIs are those with \$30M or more in assets, excluding real estate

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So Who Gives and How Much?

Average Annual Giving
as a Percentage of Income



Source: Elizabeth Crabtree, as compiled from research by Arthur C. Brooks, Paul Schervish and John Havens, World Wealth Report and Spectrem Group Research

Asset Distribution

- Many research studies indicate how the average person's wealth is distributed across various asset classes or types
 - Often available at various income or wealth levels
- This information is often used to develop wealth and gift capacity formulas using one asset type as the basis for the estimate

Asset Distribution

- Common sources for asset distribution information
 - Internal Revenue Service (Statistics of Income or SOI files)
 - Mendelsohn Market Research
 - Spectrem Group Research
 - World Wealth Report
 - U.S. Trust Survey of Affluent Americans



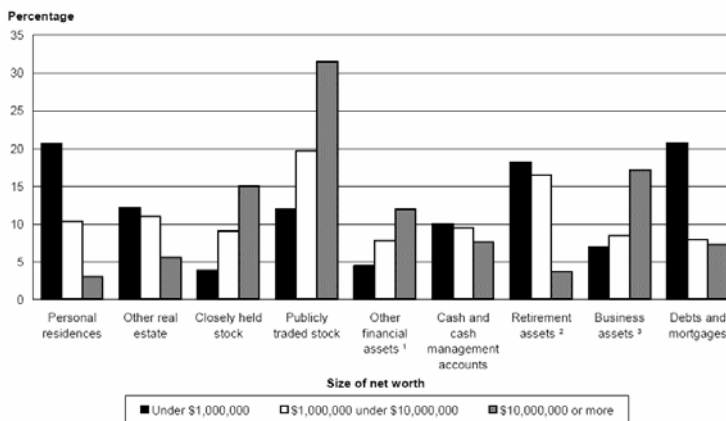
Asset Distribution

- Considerations in using various asset distribution charts
 - Source and income / asset levels of research or survey participants
 - Income and wealth levels typically found within your constituent base
 - Possible need to redistribute asset allocations to remove 'false' wealth indicators (such as life insurance)



IRS Statistics of Income (SOI) Files

Male Top Wealth Holders: Selected Assets and Debts as a Percentage of Total Assets, by Size of Net Worth, 2001



¹ Includes all government bonds, corporate bonds, bonds issued by foreign governments, and diversified mutual funds.
² Includes individual retirement accounts, annuities, and self-employed retirement or Keogh plans.
³ Includes noncorporate businesses, farms, and limited partnerships.

Source: Personal Wealth, 2001 (Johnson and Raub)

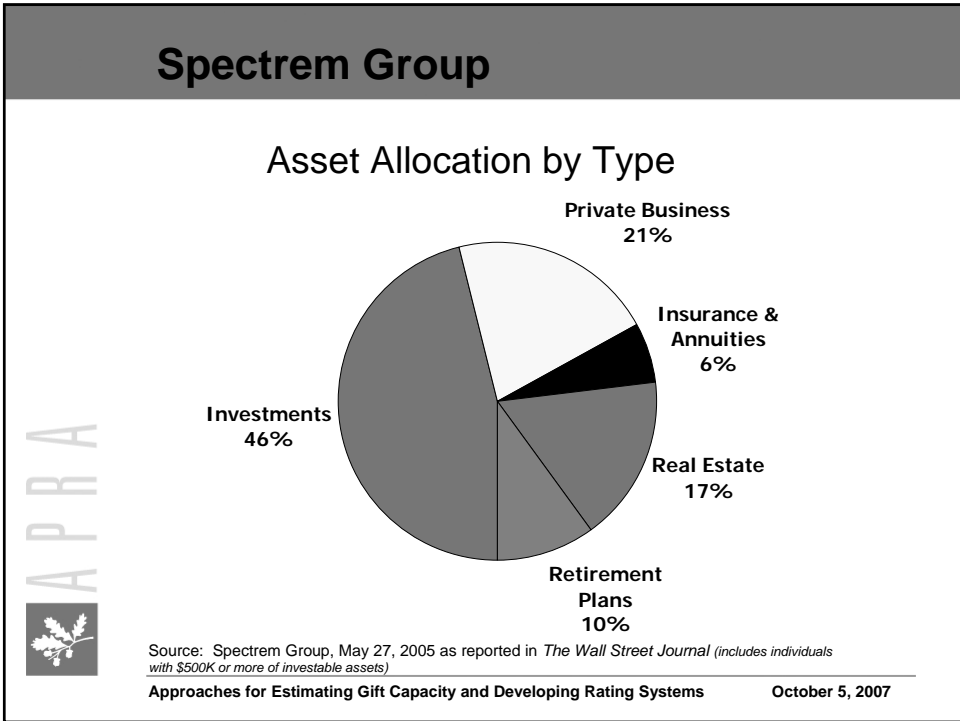
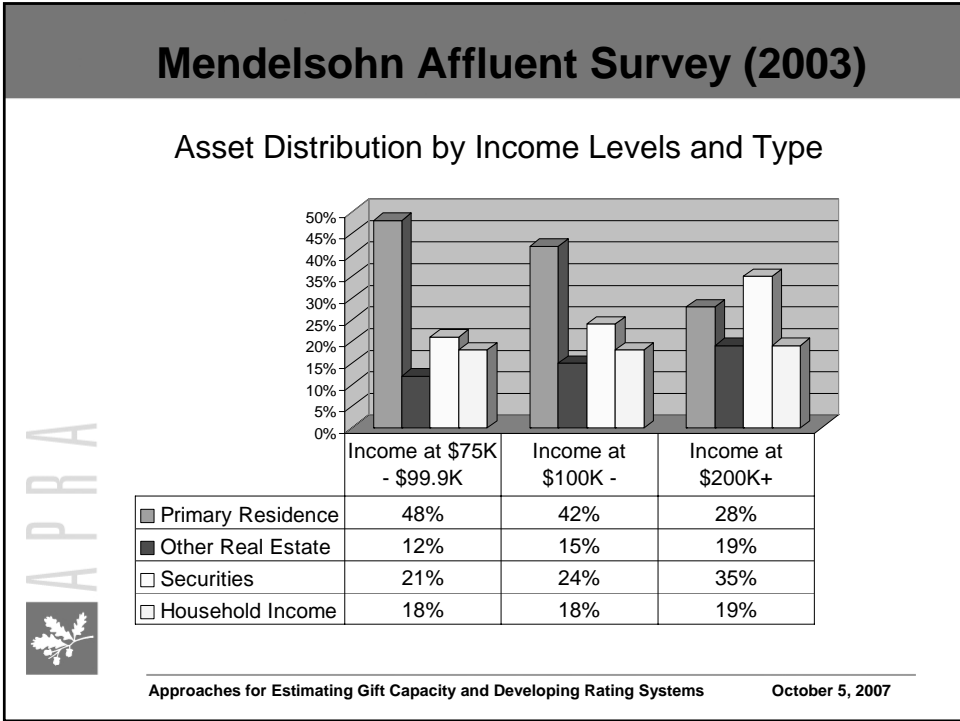


Customized IRS SOI File Table

Asset Type	Selected Assets and Debts by Size of Net Worth						Avg. All
	Average % of Total Assets						
	<\$1M	\$1M - \$2.4M	\$2.5 - \$4.9M	\$5.0 - \$9.9M	\$10.0 - \$19.9M	\$20M+	
Personal residence	19.8	14.2	10.0	8.1	6.6	2.5	11.8
Invest. real estate	10.6	10.9	12.3	9.9	8.5	4.6	9.8
Debts & Mortgages	8.6	7.0	6.9	5.9	6.6	6.6	8.9
Total Real Estate, Debts and Mortgages	39.0	32.2	29.3	23.9	21.7	13.7	30.5
Stock (Public)	16.0	19.7	23.1	25.4	26.6	34.9	23.0

Source: IRS, Statistics of Income Division, December 2005
 Access primary data source via Tax Stats, Individuals, Personal Wealth
http://www.irs.gov/pub/irs-soi/web_table_1.xls





Common Wealth Factors

- Income (actual, estimated or demographic)
- Real Estate Holdings
- Insider Public Stock Holdings
- Private Company Ownership
- Private or Family Foundation
- Luxury Items (art collections, yachts, planes)
- Known Philanthropy and Political Campaign Contributions



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Estimating Wealth - Approaches

- Formula-Based Approach
 - If only a few wealth factors are known, or are largely estimated, then calculations and conditional formulas can be developed to provide a reasonable projection of estimated wealth

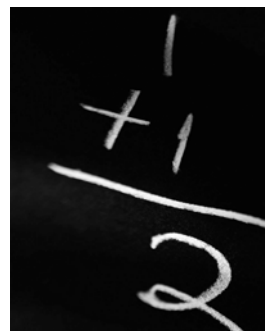


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Estimating Wealth - Approaches

- Cumulative Asset Inventory Approach
 - If many wealth and asset factors are known, then the final wealth estimate can be based on a conservative rounding up of the total known assets



This is often preferred over a formula-based wealth estimate



Estimating Wealth - Formulas

- Develop formulas based on national statistical sources
- Consider that final adjustments will be likely – not a one-size-fits-all method
 - Research analysis (pre-qualification)
 - Fundraiser field qualification
- Use common sense – if it seems unrealistic, it probably is



Estimating Wealth – Income Based

- Per the Mendelsohn Affluent Survey, household income is 18% to 19% of total assets
 - Total assets can then be estimated by dividing income by .18 or .19
 - ***\$500,000 income / .19 = \$2.6M est. wealth***



Estimating Wealth - Real Estate Based

- Per IRS wealth distribution averages if total assets are \$675,000 or more, divide property value by .305 (30.5%)
 - ***\$2M in total real estate / .305= \$6.5M est. wealth***
 - This example formula is based on using the customized IRS table that includes primary residence, other real estate, debts and mortgages
 - You could chose to use another approach or variation of the IRS data



Estimating Wealth - Real Estate Based

- Per Mendelsohn Affluent Survey, personal residence is 28% to 48% of total assets depending on income level:
 - @ \$75K annual income - \$2M primary residence / .48% = \$4.2 est. wealth
 - @ \$100K annual income - \$2M primary residence / .42% = \$4.8 est. wealth
 - @ \$200K annual income - \$2M primary residence / .28 = \$7.1M est. wealth



Estimating Wealth - Real Estate Based

- Per Spectrem Group Research, real estate is 17% of total assets
 - **\$2M total real estate / .17 = \$11.7M est. wealth**
 - Why is this formula so different that the others?
 - Much wealthier group of people included in the survey – most with investable assets of \$1M or more
 - In general, as wealth increases, real estate represents a smaller portion of total assets (investments are largest asset)



Recap

- So, depending on the approach, using \$2M in real estate as the basis for the wealth estimate:
 - Per IRS = \$6.5M estimated wealth
 - Per Mendelsohn = \$4.2M - \$7.1M estimated wealth
 - Per Spectrem = \$11.7 estimated wealth
- Ultimately, the estimated wealth range would be \$5M - \$10M
- Ranges are good



Why Ranges are Good

- What would your gift officers rather see?

RESEARCH RATING
John Doe '82
Est. Wealth: \$5,876,234.52



This example implies a level of accuracy that is not possible in our work; it looks more like a 'hard' fact rather than an estimate

RESEARCH RATING
John Doe '82
Est. Wealth: \$5M - \$10M



This example provides a low to high range indicative of an estimate; it is based on the best research and sound formulas we can provide



Gift Capacity Rating Systems

- Gift capacity rating systems can be derived from:
 - combining known assets or using total estimated wealth (*cumulative asset inventory approach*)
- OR**
- applying formulas to any specific wealth indicator (*formula-based approach*)



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Gift Capacity Rating Systems

- Rating systems enable organizations to segment their constituency databases into manageable subsets and to target various groups for specific development programs and activities
 - Code and pre-qualify prospective donors
 - Assist in prospect manager assignments
 - Determine available number of individuals for campaign and special initiative gift tables
 - Provide uniform means for cultivation and engagement – invitations to special events and activities, etc.



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Gift Capacity Rating Systems



- An Asset or Wealth Derived Rating is generally based exclusively on the individual's estimated wealth and/or accumulated assets
 - **Estimated gift capacity** (aka *major gift capacity*) indicates that the individual has the financial ability to make a significant philanthropic gift within a specific time period (usually 5 years)
 - This indicator is not based on whether the individual will make a gift at the stated level or during the time frame, but only that they have been qualified through analysis as *financially capable* of doing so

Sample Rating Chart



Rating	Gift Capacity (Paid over 5 years)
A	\$10+ million
B	\$5 – \$9.9 million
C	\$1 - \$4.9 million
D	\$500,000 - \$999,000
E	\$250,000 - \$499,999
F	\$100,000 - \$249,999
G	\$50,000 - \$99,999
H	\$25,000 - \$49,999
I	<\$25,000

Gift Capacity Rating Systems

- Most rating systems use the statistics on giving that are based on income.
 - The average American contributes 2% of the income per year to charity
 - *Typical formulas for gift capacity are then based on 1% - 2% for annual giving or 5% - 10% of identified assets for major gift capacity*
 - Can be too high or too low, depending on the level of wealth, predominant asset factor, AND on your organization's experience



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Annual Giving Capacity

- Determined based on actual or estimated income
- Gifts typically made in one year from discretionary income
 - Giving as a percent of income increases as income levels rise
 - May have to adjust formula according to your organization's experience and constituency base (1% - 2% is typical)



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Major Giving Capacity - Common

- Can be as simple as the annual giving capacity x 3 or 5 for the number of years on pledge
- Rules of thumb abound and are anywhere from 2% to 10% of a particular assets or total wealth
- Can use income as the sole or dominant basis
- Can use total known assets or estimated wealth as sole or dominant basis
- Test some formulas against most recent two years of major giving experience to determine most appropriate approach for your organization



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Major Giving Capacity - Common

- Typical major giving capacity formulas:
 - 10% of annual household income (2% per year x 5 years on pledge)
 - 5% - 10% of total verified assets when two or more are known (real estate, stock, collections, etc.)



Example:

**\$5M - \$10M in estimated wealth x 5% - 10% =
\$250K - \$500K in major gift capacity**

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Major Giving Capacity - Custom

- Sample formulas adjusted based on age:
 - Multiply estimated wealth or identified assets by 1% - 5% based on age:
 - 21 – 35: x 1%
 - 36 – 45: x 2%
 - 46 – 55: x 3%
 - 56 – 65: x 4%
 - 65+: x 5%

Example:

**\$5M - \$10M in estimated wealth at age 37 x
2% = \$100K in major gift capacity**



Major Giving Capacity - Custom

- Sample formulas adjusted based on income level:
 - Multiply estimated wealth or identified assets by 1% - 5% based on income:
 - Income <\$99K: x 1%
 - Income \$100K - \$249K: x 2%
 - Income \$250K - \$499K: x 3%
 - Income \$500K - \$999K: x 4%
 - Income \$1M+: x 5%

Example:

**\$5M - \$10M in estimated wealth with income
at \$500K x 4% = \$200K in major gift capacity**



Major Giving Capacity

- Important to test different formulas against your organization's experience
- Evaluate most recent two years of major giving experience with a selection of top donors
- Evaluate known or estimated wealth of those donors, analyze trends and apply different formulas to determine best fit



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Planned Giving Capacity

- Planned Giving Capacity is perhaps more difficult to determine, and is typically applicable for individuals age 45+
 - Simple: 10%+ of total estimated wealth
 - *For final estates recorded in 2003 the average donation to charity was 12.2%. (Schervish & Havens)*



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Planned Giving Capacity

- Planned Giving Capacity is perhaps more difficult to determine, and is typically applicable for individuals age 45+
 - Adjusted: Based on final value of estate. As the value of the estate goes up, the percentage going to charity increases
 - *Note that estates valued at \$20 million or more, make 43% of all charitable bequests in terms of dollars*



Planned Giving Capacity

Estates and Charitable Bequests			
Federal Estate Returns Filed in 2003 (in 2003 dollars)			
Gross Estate (after fees and transfer)	Charitable Deductions	Taxes	Heirs and Others
\$1.0M - \$2.5M	5.1%	9.3%	85.5%
\$2.5M - \$5.0M	10.5%	25.0%	64.4%
\$5.0M - \$10.0M	11.7%	36.7%	51.6%
\$10.0M - \$20.0M	16.6%	40.9%	42.6%
\$20.0M or more	31.6%	37.1%	31.3%
Average	12.2%	22.7%	65.1%

Schervish & Havens, September 2005, updated; originally from *New Findings on the Patterns of Wealth & Philanthropy*



Sample Research Rating

- Reporting the rating information

RESEARCH RATING (simple)

John Doe '82
Est. Wealth: \$5M - \$10M
Gift Capacity: \$250K - \$500K

RESEARCH RATING (more complex)

John Doe '82
Est. Wealth: \$5M - \$10M
Annual Giving Capacity: \$5K - \$10K
Major Giving Capacity: \$250K - \$500K
Planned Giving Capacity: \$500K - \$1M



Affinity

- Affinity is defined as the level of closeness or relationship (real or potential) that an individual has to your organization
- Close / Natural Relationships
 - Alumni, parents, faculty and staff
 - Grateful patients and their families
 - Patrons, volunteers, existing donors
- Secondary Relationships
 - Parents of alumni
 - Local corporations and foundations
 - Customers, former trustees, board members, staff
- Broad-based Relationships
 - Nationally known philanthropists and cause-related donors
 - General public



Affinity

- Affinity is subjective in nature, and is sometimes difficult to fully determine
- Affinity is typically based upon:
 - Relationship to the organization
 - Giving history – level, currency and longevity
 - Demographic statistics and/or predictive modeling



Affinity

- Simple Approach – used to define the level of closeness or degree of relationship with the organization
 - Low
 - Moderate
 - High
 - Unknown



Inclination

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- Inclination is defined as the level of interest, willingness and/or readiness that an individual has toward making a gift to your organization
 - Also subjective in nature
 - Giving history – level, currency and longevity (or RFM)
 - Level of engagement and/or involvement
 - Attitude exhibited during cultivation efforts
 - May be measured within a specific time period
 - Can change over time and be connected to moves management processes

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Inclination

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1	<i>Highly positive</i> or favorably inclined toward the organization; known to be among individual's top philanthropies; likely to seriously consider a gift at the rated capacity level
2	<i>Moderately positive</i> or favorably inclined toward the organization; likely to make a major gift, but may give significantly below the rated capacity level; may have competing philanthropies and interests
3	<i>Neutral or uncertain</i> inclination, with lackluster interest or minimal involvement; requires significant cultivation before a solicitation would be successful
4	<i>Negative/Disaffected</i> or low likelihood that a solicitation would be successful; giving history is lackluster, engagement and interest is minimal despite repeated efforts, may be dissatisfied with past experience
5	<i>Unqualified</i> ; requires research analysis and/or qualification

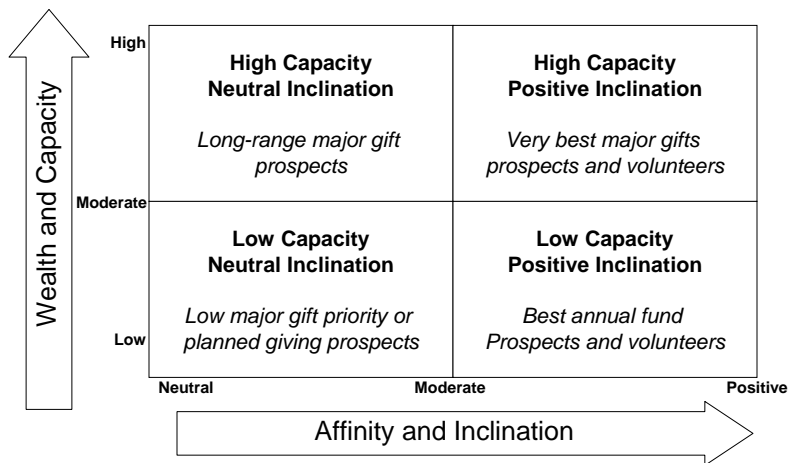
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Bringing It All Together

- Segmentation strategies can be developed once prospective donors are uniformly rated and grouped
- Strategies can include both confirmed research analysis *and* scoring analysis
- Strategies may also consider past giving behavior



Combining Capacity and Inclination



Discounting Methodologies

- If desired, gift capacity ratings based solely on wealth and assets can be discounted by affinity
- Use simple ratios:
 - Low 10:1 ratio or 10% of capacity
 - Moderate 5:1 ratio or 20% of capacity
 - High 3:1 ratio or 33% of capacity
- Can be related to typical campaign gift pyramid ratios of number of prospects to donors



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Discounting Methodologies

- If desired, gift capacity ratings based solely on wealth and assets can be discounted by inclination
- Use simple ratios:
 - Highly Positive 100% of gift capacity
 - Moderately Positive 25% of gift capacity
 - Neutral 10% of gift capacity
 - Negative 5% of gift capacity
 - Unknown 5% of gift capacity



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Discounting Methodologies - Example

- John Doe's estimated wealth is \$5M - \$10M with \$500K annual income and his major gift capacity is \$250K - \$500K
- John Doe's affinity is low
 - *Discounted gift potential* based on low affinity (so 10% of gift capacity) = \$25K - \$50K target ask

and/or

- John Doe's inclination is moderately positive
 - *Discounted gift potential* capacity based on inclination (so 25% of gift capacity) = \$62K - \$125K target ask



Sample Research Rating with Affinity and Inclination

- Reporting the rating information

RESEARCH RATING	RESEARCH RATING
John Doe '82 Est. Wealth: \$5M - \$10M Gift Capacity: \$250K - \$500K Affinity: Low Target Ask: \$25K - \$50K	John Doe '82 Est. Wealth: \$5M - \$10M Gift Capacity: \$250K - \$500K Inclination: Moderately Positive Target Ask: \$62K - \$125K



Creating Tools for Research

- Once a rating methodology is determined – that works for you and your organization – tools can be created to assist researchers in the wealth and gift capacity analysis process.
- Refer to sample of Elizabeth Crabtree's wealth and gift capacity worksheet (separate handout)



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Rating System Case Study

Dartmouth Rating System History

- 1998-1999 pre-campaign period
- 1999 presented to field staff
- 2001 refined and implemented



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Dartmouth Rating System Goals

- Verify and populate the Table of Gifts
- Estimate a prospect's wealth and the likelihood of a gift
- Consistent within and outside research
- Easy to understand & communicate



Approaches for Estimating Gift Capacity and Developing Rating Systems

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Basic Description

- 3-tiered system
 - Capability, (numeric), estimated wealth and giving capacity
 - Affinity (alpha character) - propensity or likelihood of a gift
 - Life circumstances (symbol) - variables that may affect timing or size of gift



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1. Capability Specifics

Rating	Estimated Wealth	5-Year Philanthropic Capability
1	\$500 million +	\$50,000,000 or more
2	\$200-\$500 million	\$10,000,000 to \$49,999,999
3	\$100-\$200 million	\$5,000,000 to \$9,999,999
4	\$20-\$100 million	\$1,000,000 to \$4,999,999
5	\$10-\$20 million	\$500,000 to \$999,999
6	\$5-\$10 million	\$250,000 to \$499,999
7	\$2-\$5 million	\$100,000 to \$249,999
8	\$1-\$2 million	\$50,000 to \$99,999
9	\$500K-\$1 million	\$25,000 to \$49,999
Red is Principal Giving; Blue is Leadership Giving		



2. Affinity Specifics

Sub-Rating	Dartmouth Relationship
A	Very Positive
B	Generally Favorable
C	Generally Favorable yet hindered by an issue
D	Neutral or Uncertain
E	Negative
U	Unknown



3. Life Circumstances Specifics

Sub-Rating	Current Life Circumstances
+	Prospect's current life circumstances are supportive of philanthropic giving
-	Prospect's current life circumstances are not supportive of philanthropic giving
X	Prospect's current life circumstances are supportive yet prospect is non-philanthropic
?	Unknown



Other Rating-Related Codes

- Source code
 - QR for **Q**ualified by **R**esearch
 - QS for **Q**ualified by **S**taff
 - NR for reviewed but currently **Not R**atable
- Family wealth code
 - FW



Rating Examples

- 1 A + QS: absolute best prospect
- 6 U ? QR: field staff needs to qualify
- 7 A + QR: loves DC but unstaffed



Approaches for Estimating Gift Capacity and Developing Rating Systems

October 5, 2007

Process for Determining Ratings

- Identify wealth indicators: income, RE, stock, foundations, internal/external giving, & private company ownership
- Elizabeth Crabtree's wealth and gift capacity worksheet
- In-house rating charts



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Rating Charts by Industry

- Identify industries with a large % of your alums
- Develop rating charts for each
- Use as a guide, as a starting point
- Get alums to help and/or validate



Rating Charts by Industry - Consulting

Guideline	TIER 1			TIER 2				TIER 3	
	Rate & Company	BCG	McKinsey	Mercer Other	Booz	Monitor	Marsh McLennan	Accenture	
1									
2									
3	Company Info	2,377 emp. in 59 offices. Strategy, consumer, mfg. Also energy & utilities, telecom, software, industrial goods, IT, HR, 2006+ PE, quality mgmt.	12,000 emp. in 146 offices. "Blue chip" clients. Strategy, mfg. mktg, retail, operations, org. structure. 2006+ \$14B	Example of a specialized (or boutique) firm. Focus on financial strategy issues. 800 emp. in 30 offices. Risk management and external consulting via the unit of Mercer Right Consulting (part of Mercer Inc.)	16,000 emp. in 100 offices. Strategy & consumer, operations, digital, operations, & venture consulting, org. development, 2006+ \$20-22 Billion. VCS in NY & VTB in DC. committed to pro-bono work	1,000 emp. in 29 offices. Strategy, e-commerce, mktg. Also top profit consulting, retail education, HR, operations, mfg. mktg, operations, HR, PE, VC	1,400 emp. in 27 offices. One called Mercer Right Consulting business design innovation, consumer and brand strategy, operations, org. structure, portfolio strategy, e-business, 2006+ \$12.3B	71,300 emp. in 10+ offices. IT, cost reduction, finance & performance mgmt., HR, solutions engineering & operations, e-business, 2006+ \$12.3B	
4	Rate	Assoc. Consultant	Associate	Bus. Analyst or Fellow	Analyst	Consultant	Analyst	Asst. VP	Analyst
5	Compensation	Avg \$55K*	Avg \$55K*	Avg \$55K*	\$50K+	\$50K+	Avg \$55-57K*	\$50K+	\$50K+
6	Education/Experience	no MBA & 3 yrs	no MBA	no MBA	no MBA	no MBA	no MBA	no MBA	no MBA
7	Rate	Gr. Assoc. Consultant	Consultant	Associate	Consultant	Associate	Associate	Vice President	Associate Partner
8	Compensation	\$90K-110K	\$110K	Starting \$160K		\$100K+	\$60K-110K		
9	Education/Experience	no MBA & 3 yrs	MBA	MBA		MBA & 2-3 yrs exp.			
10	Rate	Consultant/Case Team Leader	Project Leader	Associate/Specialist	Associate	Sr. Associate/Sr. Consultant	Vice President	Principal	Consultant
11	Compensation	Avg \$110K*	Avg \$100K*	Avg \$110K*	\$115K	\$200K	\$100K		
12	Education/Experience	(2-4 yrs w/ MBA)	MBA	MBA		MBA/PhD/MS + 5 yrs	MBA		
13	Rate	Manager	Manager	Assoc. Principal	Sr. Associate	Principal & VP	Consultant	Prtn & SVP	Senior Consultant
14	Compensation		\$950K						
15	Education/Experience	(2-5.5 yrs)	partners in training, profit sharing, 4 yrs +			informally called Partner			
16	Rate	Vice President	Vice President	Principal	Principal/Partner/VP	Sr. Vice President	Senior Consultant	Managing Director	Manager
17	Compensation		\$500K - \$1M/yr	\$500K/yr	\$500K/yr	\$500K/yr		\$500K/yr	
18	Education/Experience		2-7 yrs/18 mos to partner						
19	Rate	Partner	Sr. Vice President	Director	Vice President	Partner	Case Team Leader		Senior Manager
20	Compensation		\$1 - \$6M/yr	same as principal, w/ more responsibilities			\$500K/yr		\$500K/yr
21	Education/Experience								
22	Rate	Gr. Partner		Partner	Managing Director	Sr. Partner			Managing Partner
23	Compensation			\$3 - \$6 M/yr					

Real Estate Calculator

- Assessed versus market value
- Sale price and sale date
- Rate of appreciation
- Housing Price Index Data (Office of Federal Housing Enterprise)



Real Estate Calculator



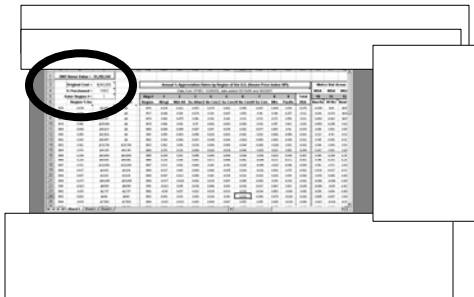
Spreadsheet available at:

<http://www.supportingadvancement.com/research/research.htm>

Real Estate Calculator

	A	B	C
1		2007 Home Value =	\$1,292,342 ← Estimated Market Value
2		Original Cost =	\$245,000 ← Data Entry Area
3		Yr Purchased =	1982 ← Data Entry Area
4		Enter Region # =	1 ← Data Entry Area

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Approaches for Estimating Gift Capacity and Developing Rating Systems
October 5, 2007

Challenges/Cautious Notes

- Strive for consistency
- Focus on gift capability
- Beware of overcoding
- Be prepared to substantiate ratings
- Periodically review ratings and/or charts
- Document with notes wherever possible

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Approaches for Estimating Gift Capacity and Developing Rating Systems
October 5, 2007

Advantages

- Structured system
- Simple, easily recognizable
- Enhances dialog b/w us and field staff
- Added advantage as part of IT group



Dartmouth Table of Gifts

- 42% of Dartmouth alumni rated 1-9
- 91% of prospects rated 1-6 coded QR or QS
- 12% of T of G still to be qualified



Using Gift Capacity Ratings

- While research, wealth analysis, and data mining is a useful and valuable pursuit, at its best, it is a guide
 - A starting point for driving and prioritizing fundraising activity
 - A framework for determining appropriate solicitation strategies



Approaches for Estimating Gift Capacity and Developing Rating Systems

October 5, 2007

Using Gift Capacity Ratings

- Considerations in refining ratings:
 - The individual's estimated wealth and/or accumulated assets
 - The individual's giving history
 - The individual's level of past and current involvement
 - The individual's background – educationally, socially and professionally
 - Occupational analysis
 - The individual's charitable activities



Approaches for Estimating Gift Capacity and Developing Rating Systems

October 5, 2007

Developing Solicitation Strategy

- Determining the most appropriate solicitation strategy for any fundraising initiative is highly dependent upon development officer field qualification, and will be subject to the level of cultivation, established donor interest, readiness and willingness related to the timing of the ask



Developing Solicitation Strategy

- Fundraisers should understand the basis of the ratings to determine the best strategy :
 - Annual giving capacity is based exclusively on actual or estimated household income
 - Major giving capacity is based on both income and assets
 - Planned giving capacity is based on both income and assets, but also increases dramatically as assets increase based on charitable deductions from IRS estate tax returns



Developing Solicitation Strategy

- The most appropriate target ask amount could be:
 - Annual capacity x 5 (for 5 years on pledge)
 - Major gift capacity (paid over 5 years)
 - A median or blending of annual and major gift capacity
 - Planned gift capacity (but should typically be understood as the ultimate or life time giving capacity)




Final Considerations

- It is critical that fundraisers work collaboratively with research:
 - provide additional insights to inform the quality of ratings
 - provide feedback from qualification visits
 - promote lead generation from donors and prospects



Questions?



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Approaches for Estimating Gift Capacity and Developing Rating Systems October 5, 2007

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Approaches for Estimating Gift Capacity and Developing Rating Systems October 5, 2007

Estimated Wealth and Philanthropic Gift Capacity Worksheet

Name: John and Mary Smith (fictional example)
 ID: 10101010
 Age: 52

Directions: Enter data or make "x" selection in all gray shaded areas throughout. Once a final method for calculating wealth and giving is selected, the worksheet will automatically provide the final rating information, including annual, major and planned giving capacity. Optional affinity and inclination factors can be used to determine a discounted target ask amount. Reveal hidden rows and columns to see all programming and notes.

Known Assets and Indications of Wealth

Income:	
Base Salary & Bonus	\$2,000,000
Spouse Salary & Bonus	\$150,000
Other Income	\$0
Total Income	\$2,150,000

Real Estate Current Market Value:	
Personal Residence	\$2,450,000
Other Real Estate (all other combined properties)	\$750,000
Total Real Estate	\$3,200,000

Stockholdings:	
Current Stock Holdings or Investment Assets	\$825,000

Other Known Assets:	
Inheritance / Family Wealth	\$0
Family or Private Foundation (100% controlled)	\$425,000
Significant Past Stock Sales	\$0
Yachts, Aircraft, etc.	\$0
Collections (Art, Antiques, Jewelry, etc.)	\$0
Profits from Past Sale of Business	\$0
Total Other Assets	\$425,000

SUBTOTAL INCOME AND ASSETS **\$6,600,000**

Other Indications of Wealth:	
Other Family or Private Foundation - % controlled	0%
Private Company Ownership - % controlled	100%

Foundation Included	\$0
Private Company Included	\$1,500,000
TOTAL INCOME, ASSETS AND OTHER WEALTH	\$8,100,000

Researcher Name: Elizabeth Crabtree
 Date: 10-1-07

Calculations and Rating Analysis

Statistics-Based Estimated Wealth:	Method Selected	
IRS Real Estate Based Estimated Wealth (2001 data)	\$10,491,803	choose one only
IRS Stock Based Estimated Wealth (2001 data)	\$3,586,957	
Mendelsohn Primary Residence Based Estimated Wealth	\$8,750,000	
Mendelsohn Total Real Estate Based Estimated Wealth	\$6,808,511	
Mendelsohn Stock Based Estimated Wealth	\$5,357,143	
Mendelsohn Income Based Estimated Wealth	\$11,315,789	
Spectrem Primary Residence Based Estimated Wealth	\$12,250,000	
Spectrem Total Real Estate Based Estimated Wealth	\$11,428,571	
Spectrem Investment Based Estimated Wealth	\$1,718,750	
Cumulative Income and Asset-Based Wealth	\$8,100,000	
Researcher Determined (enter hard estimated wealth figure)	\$0	

Final Rating:		
Selected Method - Estimated Wealth & Assets	\$8,100,000	
Estimated Wealth & Assets Range	\$5 million - \$10 million	
Gift Capacity Range	\$250,000 - \$499,999	
Rating Code	E	
Wealth & Asset Based Gift Capacity Calculations:		
Annual Giving Capacity	\$10K - \$25K	1% - 2% of income
Major Giving Capacity	\$400,000	5% of wealth
Planned Giving Capacity (must be age 45 or older to calculate)	\$900,000	12% of wealth

OPTIONAL: Affinity and Inclination Discounted Capacity Calculations:		
Affinity (indicate high, moderate, low or unknown)		high
Affinity-based discounted target ask amount		\$132,000
Inclination (indicate scale from 1 - 7 - see rating table descriptions)		3
Inclination-based discounted target ask amount		\$100,000
Blended Discounted Target Ask Amount		\$100,000

It is the intent of the author of this document to provide fundraising research professionals with samples of tools that can be created and used to improve the practice of estimating wealth, determining philanthropic gift capacity and uniformly managing a rating system. The author retains original copyright and intellectual property rights to this product and the methodologies employed in its creation, including all past and future versions and derivative works thereof. By sharing this product with others, the author grants individuals to modify, edit and/or use the product for the benefit of their own professional work in the service of a non-profit organization of which they may be employed. Individuals may not, however, share, forward, transfer, represent, sell or profit from the promotion and use of this product.

Management Consultants

Guideline	Company Info	TIER 1			TIER 2				TIER 3
		Bain & Company	BCG	McKinsey	Mercer Oliver	Booz	Monitor	Marsh McLennan	Accenture
		2,800 emp. in 26 offices, Strategy, bus process design, e-commerce, M&A, operations, org structure, PE, quality mgmt	2,370 emp. in 59 offices; strategy, consumer, copr dev, energy & utilities, fin svcs, healthcare, industrial goods, IT, HR; 2000 = \$1.1B	12,000 emp. in 84 offices; "blue chip" clients; strategy, corp fin svcs, mktg & sales, operations, org structure, 2000 = \$3.4B	Example of a specialized (or boutique) firm - focus on financial strategy svcs. 800 emp. in 30 offices. risk management and actuarial consulting via this unit of Mercer Mgmt Consulting (part of Mercer, Inc.)	10,000 emp. in 100 offices; strategy, e-commerce, incubators, mgmt, operations, & venture consulting, org leadership; 2001 = \$2B; 2 divisions: WCB in NY & WTB in DC; committed to pro bono work	1,000 emp. in 29 offices. Strategy, e-commerce, econ dev & no-profit consulting, exec education, fin assesment, mktg strat, operations, HR, PE, VC	Div called Mercer Mgmt Consulting: business design innovation, customer and brand strategy, operations, org structure, portfolio strategy	71,300 emp. in 110 + offices; IT, cust relations, finance & performance mgmt, HR, solutions engineering & operations, e-business; 2000=\$10.3B
Unrated	Title	Assoc Consultant	Associate	BusAnalyst or Fellow	Analyst	Consultant	Analyst	Asst VP	Analyst
	Compensation	Avg \$55K *	Avg \$55K *	Avg \$55K *	\$50K+	\$50K+	Avg \$50-57K *	\$50K+	\$50K+
	Education/Tenure	no MBA & 3 yrs	no MBA	no MBA	no MBA	no MBA stay for 2-3 yrs	no MBA		
Rate 7-8-9	Title	Sr Assoc Consultant	Consultant	Associate	Consultant	Associate	Associate	Vice President	Associate Partner
	Compensation	\$60K-110K	\$110K	Starting \$160K		\$100K+	\$60K-110K		
	Education/Tenure	no MBA & 3 yrs	MBA	MBA		MBA & 2-3 yrs exp			
	Title	Consultant/Case Team Leader	Project Leader	Associate/Specialist	Associate	Sr Associate/Sr Consultant	Vice President	Principal	Consultant
	Compensation	Avg \$110K *	Avg \$100K *	Avg \$110K *	\$115K	\$200K	\$100K		
	Education/Tenure	(2-4 yrs with MBA)		MBA		MBA/PhD/MS + 5 yrs	MBA		
Rate 7	Title	Manager	Manager	Assoc Principal	Sr. Associate	Principal & VP	Consultant	Prin & SVP	Senior Consultant
	Compensation			\$350K					
	Education/Tenure	(2.5-5 yrs)		partners in training, profit sharing, 4yrs +		informally called Partner			
Rate 6	Title	Vice President	Vice President	Principial	Principal/Partner/VP	Sr. Vice President	Senior Consultant	Managing Director	Manager
	Compensation			\$500K - \$1M/year	\$500K/yr	\$500K/yr		\$500K/yr	
	Education/Tenure			5-7 yrs/1st step to partner					
Rate 6 or better	Title	Partner	Sr Vice President	Director	Vice President	Partner	Case Team Leader		Senior Manager
	Compensation			\$1 - \$6M/year			\$500K/yr		\$500K/yr
	Education/Tenure			same as principal w/ more responsibilities					
	Title	Sr. Partner		Partner	Managing Director	Sr. Partner			Managing Partner
	Compensation			\$3 - \$6 M/year					
	Education/Tenure								
	Title	Managing Director		Sr. Partner					Partner
	Compensation			Highest compensation					
	Education/Tenure						bonus runs to 60% of base		Sr Mgmt Consultant

Tiers defined by an alum; shaded areas earning >\$500K per Brad; * source = 2001 vault.com

2007 Home Value = \$1,292,342

Original Cost = \$245,000
 Yr Purchased = 1982
 Enter Region # = 1

	Region % Inc		Apprec
1976	0.035	\$8,457	\$0
1977	0.086	\$21,087	\$0
1978	0.168	\$41,197	\$0
1979	0.106	\$25,904	\$0
1980	0.060	\$14,627	\$0
1981	0.051	\$12,524	\$0
1982	0.041	\$10,057	\$0
1983	0.162	\$39,709	\$39,709
1984	0.176	\$43,101	\$43,101
1985	0.249	\$61,089	\$61,089
1986	0.210	\$51,516	\$51,516
1987	0.133	\$32,609	\$32,609
1988	0.037	\$9,120	\$9,120
1989	0.007	\$1,630	\$1,630
1990	-0.077	-\$18,895	-\$18,895
1991	-0.023	-\$5,591	-\$5,591
1992	-0.011	-\$2,717	-\$2,717
1993	0.003	\$640	\$640
1994	-0.031	-\$7,582	-\$7,582
1995	0.041	\$10,109	\$10,109
1996	0.017	\$4,055	\$4,055
1997	0.046	\$11,280	\$11,280
1998	0.065	\$15,873	\$15,873
1999	0.098	\$24,033	\$24,033
2000	0.124	\$30,450	\$30,450
2001	0.109	\$26,672	\$26,672
2002	0.118	\$28,901	\$28,901
2003	0.104	\$25,460	\$25,460
2004	0.116	\$28,381	\$28,381
2005	0.096	\$23,601	\$23,601
2006	0.022	\$5,394	\$5,394
2007	0.022	\$5,394	\$5,394

Annual % Appreciation Rates by Region of the U.S. (House Price Index/ HPI)												Metro Stat Areas		
Data from OFHEO 03/08/05; data added 05/16/06 and 08/28/07												MSA	MSA	MSA
Reg #	1	2	3	4	5	6	7	8	9	Total	10	11	12	
Region	NEngl	Mid Atl	So Atlan	E No Cen	E So Cen	W No Cen	W So Cen	Mtn	Pacific	USA	Nas/Suf	NY/NJ	Boston	
1976	0.035	0.022	0.053	0.079	0.062	0.058	0.087	0.099	0.199	0.075	-0.005	N/A	N/A	
1977	0.086	0.108	0.079	0.134	0.097	0.154	0.116	0.184	0.257	0.132	0.019	0.070	N/A	
1978	0.168	0.075	0.106	0.138	0.124	0.132	0.172	0.172	0.158	0.133	0.049	0.063	N/A	
1979	0.106	0.164	0.117	0.093	0.043	0.089	0.134	0.157	0.163	0.120	0.059	0.205	0.126	
1980	0.060	0.095	0.087	0.017	0.076	0.042	0.077	0.067	0.112	0.070	0.164	0.103	0.145	
1981	0.051	0.003	0.056	0.020	0.003	0.002	0.120	0.068	0.058	0.043	0.123	0.113	0.138	
1982	0.041	0.046	0.043	-0.049	0.044	-0.002	0.058	0.068	0.009	0.022	0.145	0.052	0.020	
1983	0.162	0.100	0.038	0.046	0.040	0.044	0.008	-0.026	0.012	0.042	0.184	0.149	0.194	
1984	0.176	0.134	0.040	0.028	0.039	0.046	-0.001	0.021	0.051	0.054	0.267	0.193	0.201	
1985	0.249	0.143	0.055	0.049	0.049	0.044	-0.014	0.024	0.049	0.067	0.199	0.204	0.298	
1986	0.210	0.180	0.061	0.073	0.056	0.042	-0.004	0.031	0.072	0.083	0.198	0.243	0.204	
1987	0.133	0.162	0.068	0.081	0.041	0.025	-0.086	-0.027	0.096	0.069	0.153	0.172	0.100	
1988	0.037	0.061	0.069	0.066	0.025	0.024	-0.022	0.002	0.175	0.062	0.038	0.037	0.032	
1989	0.007	0.023	0.050	0.061	0.030	0.032	0.029	0.028	0.194	0.060	-0.019	0.000	-0.003	
1990	-0.077	-0.029	0.002	0.038	0.007	0.005	0.004	0.019	0.030	0.002	-0.066	-0.064	-0.083	
1991	-0.023	0.015	0.030	0.046	0.041	0.038	0.037	0.047	0.013	0.025	-0.004	-0.011	-0.025	
1992	-0.011	0.017	0.021	0.039	0.033	0.030	0.034	0.053	-0.014	0.018	0.018	0.014	-0.007	
1993	0.003	0.013	0.019	0.036	0.041	0.039	0.040	0.079	-0.020	0.020	0.005	0.007	0.010	
1994	-0.031	-0.033	0.001	0.049	0.047	0.053	0.015	0.090	-0.034	0.008	-0.021	-0.030	-0.014	
1995	0.041	0.031	0.043	0.061	0.056	0.053	0.042	0.075	0.028	0.045	0.021	0.032	0.052	
1996	0.017	0.004	0.022	0.050	0.040	0.041	0.023	0.042	0.009	0.026	0.016	0.011	0.037	
1997	0.046	0.033	0.045	0.052	0.047	0.049	0.039	0.049	0.053	0.046	0.038	0.039	0.061	
1998	0.065	0.040	0.045	0.042	0.048	0.048	0.050	0.040	0.072	0.050	0.077	0.056	0.086	
1999	0.098	0.053	0.044	0.049	0.025	0.062	0.044	0.043	0.059	0.052	0.132	0.100	0.137	
2000	0.124	0.079	0.065	0.061	0.039	0.072	0.051	0.069	0.113	0.076	0.132	0.114	0.150	
2001	0.109	0.089	0.079	0.052	0.051	0.073	0.058	0.065	0.092	0.075	0.122	0.106	0.121	
2002	0.118	0.106	0.075	0.044	0.034	0.063	0.041	0.044	0.110	0.076	0.149	0.122	0.135	
2003	0.104	0.111	0.085	0.050	0.038	0.065	0.034	0.053	0.126	0.082	0.138	0.119	0.112	
2004	0.116	0.121	0.133	0.059	0.051	0.066	0.049	0.110	0.195	0.112	0.148	0.143	0.108	
2005	0.096	0.138	0.182	0.058	0.073	0.067	0.066	0.184	0.196	0.131	0.143	0.160	0.069	
2006	0.022	0.063	0.077	0.028	0.075	0.037	0.077	0.092	0.073	0.061	0.045	0.065	0.000	
2007	0.022	0.063	0.077	0.028	0.075	0.037	0.077	0.092	0.073	0.061	0.045	0.065	0.000	

2007 the same as 2006; wait til have 2-3 quarters of 2007 data.

ME	NY	MD	WI	KY	ND	OK	MT	WA
VT	PA	DE	MI	TN	MN	TX	ID	OR
NH	NJ	DC	IL	MS	SD	AR	WY	CA
MA		WV	IN	AL	IA	LA	NV	AK
CT		VA	OH		NE		UT	
RI		NC			KS		CO	
		SC			MO		AZ	
		GA					NM	
		FL						

States =

6	3	9	5	4	7	4	8	4
---	---	---	---	---	---	---	---	---