

Legacy Marketing Overview March 2010

For more than 25 years, FLA Group has provided fundraising leadership to Canada's charitable sector. Increasingly, this leadership has come in the form of working with charities to enhance and grow their legacy marketing programs. Our approach is unique in the sector. Put simply, we help deepen the relationships between you and your loyal direct mail donors, leading those donors to make the ultimate gift: a bequest in their will.

Over the past decade, we've worked with more than 30 high profile Canadian nonprofits, and have conducted both qualitative and quantitative research specific to legacy giving. What follows is a report on our findings and learnings, and an overview of what past clients have achieved in terms of results from their FLA legacy programs.

What our research tells us:

Let's start by looking at Canadian direct mail donors. Our research has shown that:

- 92% have a will.
- 97% know they can leave a charitable bequest.
- Almost half (48%) think that charitable bequests are 'a good idea'.
- 17% have already made charitable bequests – and,
- A further 18% are considering making this kind of gift.
- The majority have never been asked to make a bequest by any of the charities they support.

Now let's look at the research we've done around Canadians and their wills to see exactly what potential there is around legacy giving:

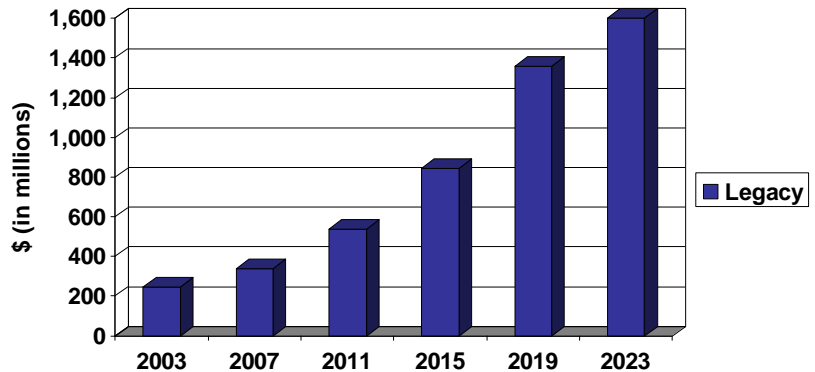
- An FLA survey of 2,000 Canadian adults in October 2006 (fielded by Environics Research on our behalf) found that 56% of Canadian adults have wills – and that 7% of those with wills have already made charitable bequests.
- According to Statistics Canada, there are 26.6 million Canadians over the age of 18.
- Overlaying the two points above, we can conclude that 1.04 million Canadians have already made charitable bequests.
- At two bequests per donor – and with an average bequest amount of \$20,000 (\$40,000 for hospitals) – the value of this legacy giving in Canada is \$42 billion.
- A 2003 FLA poll of Canadian direct mail donors found that, for every donor who had already made a bequest, there was another who reported being either 'very likely' or 'somewhat likely' to make such a gift in the future. The potential for growth beyond the \$42 billion previously identified is significant.
- Our polling has also shown that making wills – and making gifts in wills – has a definite age correlation. The older the person, the more likely these events have taken place – or will take place soon.

In other words, you're sitting on a gold mine.



Still not convinced? Let's look at what's actually taking place in terms of Canadian direct mail donor leaving charitable bequests and project that forward into the future. What we see is a dramatic trend line upward.

What's more, in 2007, we surveyed 32 Canadian charities regarding their experience with bequests. Of the more than 3,000 bequests received by those charities, almost 92% were surprises. In other words, the first they learned of the bequest was when it was received (the donor had not told them about the bequest in advance). We can, therefore, safely say that for every bequest you're told about in advance, there are 9 more that you won't know about until they're received.



Despite all this evidence, most charities seem to suffer from what we call 'instant gratification syndrome'. Because the money doesn't come in the door overnight, they're unwilling to invest and wait. Instead, they add another golf tournament to next year's list of tactical activities.

As individuals, we hold mortgages, invest in RRSPs and put money aside for our children's educations. For most of us, these are the biggest financial decisions we make. Yet, if we required the 'payoff' by the end of the current year, we would do none of these things. Successful legacy marketing requires vision, belief in the process and the confidence that the investment is a wise one.

Evidence and Case Studies

Our clients have been conducting legacy marketing with the help of FLA Group for a number of years now. What we've found is that every client is unique: results differ depending on brand recognition; sector; secularity; age of the charity; and, given that each legacy marketing program is tailored to the client, the makeup of the particular program.

So, let's look at a few client case studies:

Client A: A large international development agency, whose pool of legacy giving prospects has all been giving for 25 years or more.

- CEO legacy vision/testimonial letter generated 8% response. That's 8% confirming, in writing, that they'd left a bequest in their will, and that translated to over 800 donors.
- A phone campaign was conducted, which probed donors on their thoughts and intentions about leaving a bequest in their will. Of the 95 donors spoken to, almost 40% had left a bequest in their will to Charity A.
- This client saw the greatest success of all the clients we've worked with on a particular mailing, and these results are far from average.



Client B: A large international development agency

- A group of 1,750 active monthly, loyal and major donors were called. 54 indicated (without being asked) that they had left a bequest to Client B.
- A smaller group of 400 of these donors (along with the 54 expectancies) were sent a series of six mailings (four cultivation and two solicitations) over a two year period. A further 18 expectancies were confirmed through this process (or 4.5%).
- At an average bequest of \$20,000, this translated to \$360,000 in expectancies.
- A few years later, the client sent out a donor survey as part of a renewal mailing. One of the questions asked donors to self-identify if they'd left a bequest in their will. Of the donors who indicated they had, a full 25% had been part of the past legacy mailing campaign (in other words, the impact of the series of six mailings was continuing well beyond the final drop date).

Client C: A national charity dedicated to a specific disease.

- FLA Group is working with this client on a series of six mailings. To date, the first three cultivation pieces have gone out. Keeping in mind that these mailings do not include an ask, the client has had five to ten bequests confirmed per mailing so far. This bodes extremely well for the rest of the program!

Client D: A hospital located in a large city.

- FLA Group worked with this client on a full legacy marketing program (prospect identification, focus groups and a series of six mailings).
- A group of 500 donors was identified as the best prospects to receive the mailing series.
- At the end of the mail series, 40 donors had confirmed a bequest (or 8% of the original group). With an average bequest of \$40,000, this translated to \$1,600,000 in expected revenue.

Conclusion

Legacy marketing with FLA is about getting a small number of very large gifts from your 'average' donors. These are the donors who aren't on your radar screen already, who aren't interested in tea and banana bread with a planned giving officer, but who are very loyal to your cause.

The big question is this: how many of these big gifts do you need to justify the program? The answer is, not many. On average, our clients can conservatively expect that if they start with their top 20% of donors ('top' defined as loyal and long-term rather than dollar value), 1% will confirm a bequest expectancy within five years of starting the FLA legacy marketing program (that number rises to 2% for monthly donors). And, since our research shows that 1% actually equals 10% (due to the 90% who will never inform you of the gift), the numbers are significant.

Take the number of donors that the above calculation leaves you with, and multiply that by your average bequest (or \$20,000 if you don't know your average bequest). This should give you a fairly accurate idea of your end results.



Also keep in mind that there is no instant gratification in this area. This money will come in over decades, not months. The following chart might be helpful in projecting revenue:

Bequests and Gift Expectancies
(based on Statistics Canada mortality tables)

Females (Age 70)	Males (Age 70)
5% die by year 3	5% die by year 2
20% die by year 8	20% die by year 6
50% die by year 11	50% die by year 9
100% die by year 19	100% die by year 15

About FLA

Seven years ago, we began exploring the idea that ordinary donors had considerable bequest potential because of their age, their values (as members of the Civic Generation born before 1946) and their financial parameters – namely asset-rich and relatively cash-poor.

Since that time, we've worked with clients to leverage charitable bequests (which average \$20,000) from donors who give as little as \$30 annually. Our work with these clients has ranged from conducting donor focus groups and designing effective planned giving materials, to managing full-scale legacy marketing campaigns.

FLA is the global leader at using a synergy of quantitative and qualitative market research to shape legacy gift marketing that identifies the right prospects, articulates the right messages the right way and asks for gift identification appropriately.

In November 2007, we published 'Iceberg Philanthropy' – the first book ever written about leveraging extraordinary gifts from ordinary donors. Response to this publication has been simply outstanding.

We have published on this subject in professional fundraising publications and have presented on legacy marketing at many regional, national and global conferences.

Our Legacy Marketing Clients

BC Cancer Foundation
BC Women's Hospital & Health Centre Foundation
Canadian Red Cross (Ontario Zone)
Canadian War Museum
CARE Canada
CHF
Children's Hospital of Eastern Ontario
Council of Canadians
Covenant House
CUSO-VSO
Doctors without Borders /Médecins sans frontières – Canada
Easter Seals
Heart and Stroke Foundation of Ontario
Interpares
Interval House

Multiple Sclerosis Society of Canada
Nature Canada
New Democratic Party of Canada
Ontario March of Dimes
Ottawa Hospital Foundation
Oxfam Canada
Plan Canada
Pueblito Canada
Rouge Valley Health System Foundation
Southlake Regional Health Centre Foundation
Toronto General & Western Hospital Foundation
United Way Centraide Ottawa
University of Alberta
VGH & UBC Hospital Foundation
World Vision Canada