

# What You Don't Know — and How It Can Hurt You



If you haven't thoroughly researched prospective major donors before you meet with them, you might as well leave a wad of cash on the table when you walk out the door.

**A** few years ago, one of my clients requested rush research on a prospective donor. The client, a development officer at an independent school, explained that the headmaster was planning to meet with a parent to ask for a gift. He believed that the prospective donor had the capacity to make a \$300,000 gift, but the development officer thought the number might be higher.

The completed research supported my client's feeling; the school revised its strategy and asked for a \$1 million gift. The meeting was a great success — the donor agreed to make a gift totaling \$1.3 million over a three-year period!

Without understanding the donor's capacity to give, my client would have received a much smaller gift, and the donor might not have felt as connected to the school.

Prospect research should be considered the invisible yet indispensable arm of a major-gifts program. It helps you understand a prospective donor's giving capacity, among other things.

Unfortunately, many nonprofit development offices are not using research to understand the giving capacity of their prospective donors because they believe they can't afford to set up a research department. As my client's story illustrates, you can't afford not to have some level of research.

### What is it?

Prospect research typically is a multifaceted process of retrieval, analysis and dissemination of biographical and financial information. This information can be at the core of identifying, cultivating and soliciting major-gift prospects. It often uncovers:

- shared values,
- prospective donors' friends and
- associates who can help form a basis for institutional involvement.

To develop donor profiles, researchers consult biographical and general reference books, scan journals and newspapers, and search

## Fabulous Free Sites

**Portico** is a collection of Web sites containing publicly available information compiled for the use of the advancement community. The site was developed by staff at the University of Virginia and is one of the best compilations of free sites currently available. <http://indorgs.virginia.edu/portico/home.html>

The **National Association of Legal Investigators'** site has links to a variety of sources of information, some free and some fee-based. [www.nalionline.org/investigativelinks.html](http://www.nalionline.org/investigativelinks.html)

The **Wall Street Journal Executive** career site has a wealth of salary surveys and other useful career information. [www.careerjournal.com/salaryhiring](http://www.careerjournal.com/salaryhiring)

**Yahoo! Finance** provides information on more than 9,000 public companies, including contact information, business summaries and officer/employee information. Best of all, it's free. <http://finance.yahoo.com>

The **Securities and Exchange Commission's** site allows you to search by keyword(s) the EDGAR database filings, including insider names. The biggest drawback of this site is that it only contains information from the last four years, but it provides free access to important data. [http://searchwww.sec.gov/EDGARFSCClient/jsp/EDGAR\\_MainAccess.jsp](http://searchwww.sec.gov/EDGARFSCClient/jsp/EDGAR_MainAccess.jsp)

computerized databases, and unpublished public records to cull the necessary information. As I'm sure you can imagine, the Internet plays a big role in research.

With access to the Internet, we

are exposed to incredible amounts of information. In fact, a Netcraft Web Server Survey concluded that there were 80 million Web sites on the Internet in April 2006 — double the number from 2003. ▶



## FOCUS ON: PROSPECT RESEARCH

Sorting through the vast amount of information can make prospect research a time-consuming and labor-intensive process.

Fortunately, there are some great tools to help researchers find information in a timely manner. Using good research tools can help organize your research and reduce the amount of time you spend searching for relevant and reliable information. (See the sidebar on Page 41 for some fabulous free sites, then visit [www.fundraisinguccessmag.com](http://www.fundraisinguccessmag.com) for a handful of great, inexpensive and moderately priced resources.)

To create profiles, researchers should only use publicly available information and follow the codes of ethics of both the Association of Fundraising Professionals and the Association of Professional Researchers for Advancement, along with following and understanding the Donor Bill of Rights. Researchers must be sensible, prudent and, above all else, sensitive to the donor as an individual.

### Now what?

So you've done your research and now you need to evaluate the information you found and translate it to giving capacity. There are many sources of formulas for giving capacity and net worth, and they can be found online at APRA and AFP, and in publications like *The Chronicle of Philanthropy*.

But the definitive source of information on wealth in the United States is the Internal Revenue Service.

In the winter 2005-2006 publication of Statistics of Income Bulletin, the IRS released its latest statistics on personal wealth. The report looks at asset composition for estates of the top wealth holders in the country and gives insight into the more than 7.4 million individuals with assets greater than \$675,000. The research, based on

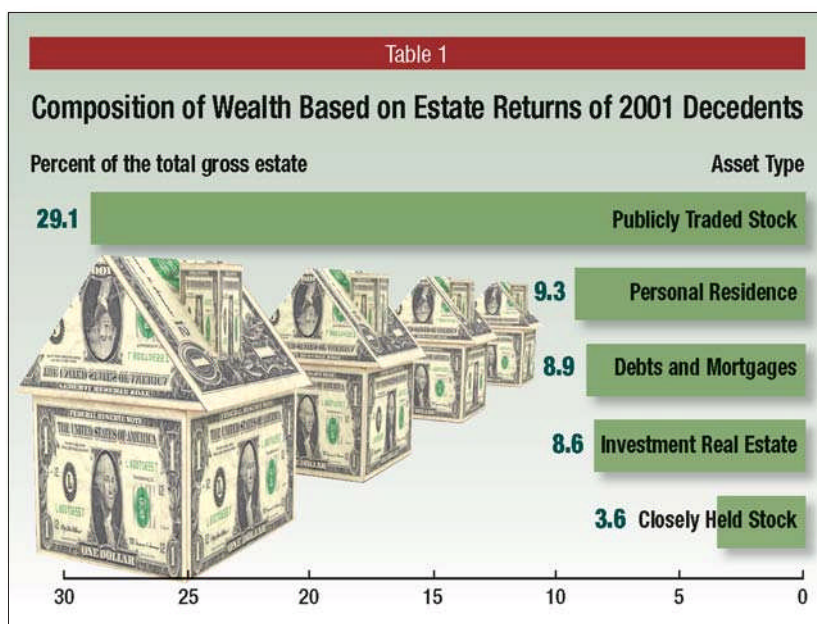
federal estate tax returns of 2001 decedents, is consolidated in Table 1 and shows a generalized composition of assets for the top wealth holders with assets in the range of \$675,000 to \$20 million-plus. Real estate, including personal residence and investment property, makes up nearly 18 percent of the assets. Stocks of publicly traded companies represent about 29 percent of the asset distribution.

we can estimate her net worth to be approximately \$4.7 million. From her net worth, we easily can calculate her giving capacity.

### The real question

Can your organization survive without donor research? Perhaps.

But imagine meeting with a constituent and learning afterward that he is the wealthiest person in his community! Imagine the advantages



Using the IRS data, we can estimate a prospect's capacity if we know his or her total assets in any one category listed in Table 1 because we know that Americans typically give about 3 percent to 5 percent of their net worth.

For example, if we know from our research that Mary Patron owns shares valued at \$1.5 million of publicly traded XYZ Company, we can estimate her total assets to be about \$5.15 million by dividing \$1.5 million by 0.291.

This figure is just the assets, though, and doesn't include any adjustments for debt. To give a more realistic picture, we'll need to subtract the debt. If we subtract 8.9 percent for debt and mortgages,

of learning as much about the person as possible beforehand. Also, imagine the edge you'll have by knowing your prospect's true passion, which coincidentally aligns with one of your institution's strategic goals. Lastly, imagine an easier path to securing the resources needed to further your organization's mission. ♦

Margaret King is president of the InfoRich Group. [www.inforichgroup.com](http://www.inforichgroup.com).

► For three more resources, check out "Prospect Research" on [www.fundraisinguccessmag.com](http://www.fundraisinguccessmag.com). Under Related Content you'll find a link to great inexpensive and moderately priced resources.