

# CHARITABLE GIVING IN 2018

## KEY TAKEAWAYS FOR YOUR FAITH-BASED ORGANIZATIONS

Every June The Giving Institute at the Indiana University Lilly School of Philanthropy releases the most comprehensive, longest running, and most rigorously researched annual study of US charitable giving.

### 4 KEY TAKEAWAYS FOR FAITH-BASED ORGANIZATIONS FROM THIS YEAR'S REPORT:



1

**TOTAL GIVING INCREASED BY \$2.97 BILLION (0.7%) BETWEEN 2017 AND 2018 BUT DECREASED BY 1.7% WHEN ADJUSTED FOR INFLATION.**

**GOOD NEWS** Americans gave a record \$427.71 billion to charity, and relative to the Gross Domestic Product (GDP), giving remained at 2.1%, which is greater than the 40-year average of 2.0%.

**BAD NEWS** The decline of 1.7% in giving, when adjusted for inflation, represents just the 13th drop in overall giving in the past 40 years.

#### POSSIBLE CAUSES?

- Effect of the new tax code—either the bundling of gifts in 2017 to take advantage of donation itemizing (i.e., giving more in 2017 and less in 2018) or the disincentive to give because of the lack of donation itemizing (proportion of individuals who claimed charitable deductions on their taxes fell to 8.5% in 2018, compared with 24% in 2017). Too early to tell if this is a trend...Tax incentives tend to help shape how people give, not why.
- The fear of a coming recession and the erratic stock market in the last half of 2018 (especially December).

2

**GIVING BY INDIVIDUALS DECLINED IN 2018 TO 68% OF ALL GIVING.**

**GOOD NEWS** Foundation giving was up 7.3% and corporate giving up 5.4%.

**BAD NEWS** 2018 was the first time in the last 50 years that the percentage of individual giving fell below 70%. In terms of constant dollars, individual giving fell by 1.1% compared to a 5.7% increase in 2017.

#### POSSIBLE CAUSES?

- Many donors chose to bundle their gifts by contributing to a Donor-Advised Fund (DAF). Donations coming from DAFs are counted by Giving USA as foundation giving, not individual giving. So the increase in foundation giving might actually be individuals giving through DAFs. According to a 2018 study by the National Philanthropic Trust, the total giving from DAFs has more than doubled since 2013 from over 450,000 distinct DAFs.

3

**THE NUMBER OF DONORS IS STEADILY DECLINING. SINCE 2001, THE PERCENTAGE OF US HOUSEHOLDS CONTRIBUTING TO CHARITY HAS DECREASED FROM 67% TO 55% IN 2014.**

**GOOD NEWS** The decline in donor numbers is greatest at the smallest levels of giving. Donor retention is highest at the largest levels of giving.

**BAD NEWS** Larger-donor giving has in past years made up for this decline in the number of donors giving. But 2018 was the first year since this trend began when that did not happen. Moreover, with the decline in the number of donors and the highest losses at the lowest levels of giving, smaller charities are disproportionately affected by this negative trend since they typically have less contact with wealthy donors than bigger, more well-established organizations.

#### POSSIBLE CAUSES?

- Numerous surveys (e.g., Gallup) suggest that Americans trust charities less today than they did even five years ago (e.g., 32% less according to a recent study by Give.org). Lack of trust decreases both the propensity to give and the amount given.

4

**DECLINE IN RELIGIOUS AFFILIATION IS ADVERSELY AFFECTING GIVING.**

**GOOD NEWS** There is a strong correlation between religious affiliation and giving. Religious people not only give to religious organizations but are also more likely to give to non-religious organizations. According to the 2017 Giving USA Special Report on Giving to Religion, 62% of religious households give to charity compared to 46% of households with no religious affiliation.

**BAD NEWS** Giving to religious organizations, which accounts for 29% of all charitable giving in the US in 2018, declined nearly 4% to \$124.5 billion. Just two decades ago, in 1999, giving to religious organizations accounted for nearly 58% of all US charitable giving. So religious organizations have lost half their market share of all charitable giving in the last 20 years.

#### POSSIBLE CAUSES?

- During this same 20-year period, religious affiliation has declined in the US. According to Gallup, only half of Americans claim to belong to a religious institution (e.g., church, synagogue, or mosque) while 70% claimed such affiliation in 1999. With fewer people claiming religious affiliation and, more broadly, fewer people giving, overall giving will inevitably decrease.

# WHAT SHOULD RELIGIOUS ORGANIZATIONS DO IN RESPONSE TO THESE TRENDS



**Pay attention to how people are giving to your organization**—e.g., DAFs, bundled gifts every other year—and communicate with them based on their giving patterns. If a donor, for example, is bundling gifts, continue to maintain close contact with the donor even on the off-year of giving. And if donors are giving through DAFs, make sure that their gifts are acknowledged personally, even though the gift comes from a DAF sponsoring organization and indirectly from the donors.



**If fewer donors are giving, then donor retention is critical.** Retaining donors is the best way to build sustainable funding for your organization despite economic downturns or market volatility. Moreover, retention of donors at the smallest levels of giving is crucial for smaller organizations that don't have as much access to wealthier donors as larger, national organizations.



Given that smaller donors are dropping off for various reasons (e.g., lack of tax incentive, economic uncertainty, increased competition among nonprofits for fewer gifts, etc.), **religious organizations should invest in major gifts programs** where larger gifts are identified, cultivated, and solicited and can compensate for the lack of lower-level donors. Retaining a handful of major givers to your organization is often easier than retaining hundreds of lower-level donors.



Finally, **religious organizations should actively build trust among their donors** through greater transparency, better donor communication and appreciation, and demonstrable impact. If donors are thanked well and understand how the resources they have entrusted to your organization are being used, then donors are more likely to view themselves as trusted partners with you in fulfilling the mission of your organization. This partnership engenders greater trust and thus deeper generosity and donor loyalty.