Charitable Gifts of Appreciated Stock

Insights on one of the most impactful gifts for driving fundraising growth

2021

REPORT

FREEWILL

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INTRODUCTION

Dear friends,

Thank you for your interest in our first ever report on charitable gifts of appreciated stock. We decided to write this report as part of our mission to help nonprofits unlock transformational gifts — and there are few gift types as impactful as stock.

In 2018, Russell James, the Professor and Director of Graduate Studies in Charitable Financial Planning at Texas Tech University, published research analyzing one million nonprofit tax returns. It uncovered an astonishing fact: accepting non-cash gifts like stock drives high-impact fundraising growth across nonprofits of every size and sector.

Despite this, most traditional fundraising methods still rely on cash donations and one-to-one outreach. But the world, and philanthropy, is shifting. Digital innovation, evolving tax laws, and a rise in the stock market are leaving donors unaware of the best ways to give and many nonprofits unprepared to serve them.

This is why we're working with more than 600 nonprofits to simplify giving and embrace this change. Our intuitive online tools across planned and major giving have helped nearly 300,000 people make plans and commit $3 billion to important causes.

Through this work, we've learned a lot about what helps people give, as well as how straightforward tools can transform the fundraising process. And we're committed to continuing our research and experimentation to find the most effective strategies for securing high-value gifts with simple, digital, tax-efficient solutions — like gifts of appreciated stock.

In 2021, there has never been a better time to focus on fundraising these gifts. Since 1990, the U.S. stock market has climbed more than tenfold. The S&P 500 has risen by more than 80% from the 2020 stock market crash caused by the Coronavirus pandemic. And Wall Street firm Fundstrat predicts that $6 trillion could flood into stocks over the next decade.

Much of this is being driven by digital innovation and accessible platforms for stock trading. Last year, Americans opened 10 million new brokerage accounts. More than half of these were with Robinhood, a free stock trading app.

One-third of Americans now own individual stocks. In 2019, Pew Research Center found that 35% of Americans were invested in publicly-traded stocks, bonds, and mutual funds outside of their IRAs or 401(k)s. Many of these individuals are high net worth, high income, and highly charitable. With the right guidance, they can replace their traditional cash gifts with more tax-savvy methods of giving — a win for both nonprofits and donors.

Over the last year, we've learned a lot from our nonprofit community about how they fundraise stocks, and from our partners on how they use our Stock Tool. We're excited to share our research and insights with you, as well as the recommendations we're making as a result.

We hope this report will help you and your organizations go beyond cash to unlock more impactful gifts, and serve your donors better.

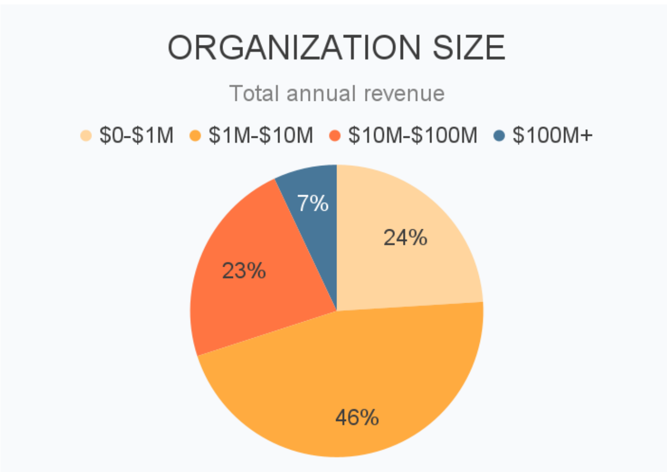
We'd love to hear your thoughts on our findings, and thank you for reading.

Patrick Schmitt
Co-CEO, FreeWill
June 2021

ABOUT THIS REPORT

This is the first edition of FreeWill's Report on Charitable Gifts of Appreciated Stock. It was created by the FreeWill Team to help nonprofits understand the current state of stock giving and the strategies they need for fundraising growth.

Our research is comprised of conversations and qualitative survey results from nearly 300 nonprofit professionals, detailing their individual experiences with fundraising gifts of stock from 2019 through the first quarter of 2021.



Nearly half of respondents for our surveys came from organizations with $1 million to $10 million in total annual revenue.

68% of respondents held roles focused on major giving, annual giving, or a combination of fundraising areas. 11% held leadership or director-level roles at their organizations. Job titles ranged from Executive Directors to Directors of Development to Major Gifts Managers and more.

As relevant, we've also included data points on stock gifts made on the FreeWill platform in 2020 to provide further insights on this giving vehicle.

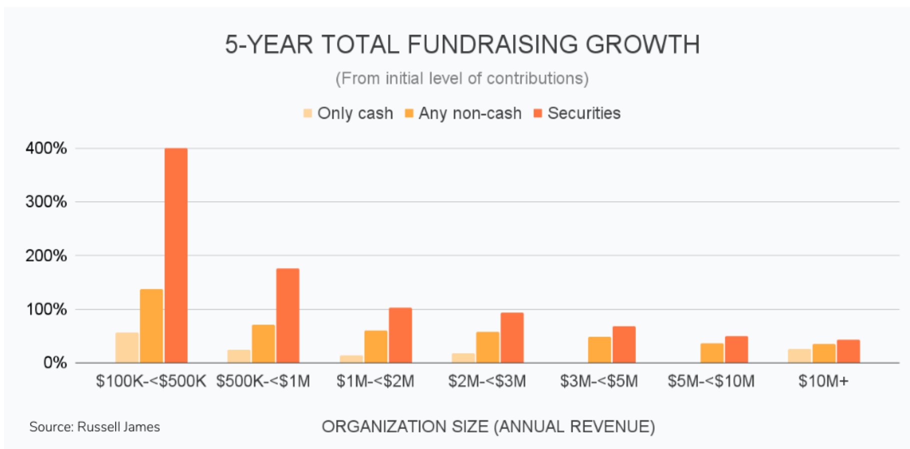
We welcome all feedback, which can be shared with Patrick Schmitt at Patrick@FreeWill.com.

THE BASICS OF STOCK GIVING

HOW STOCK GIFTS FUEL FUNDRAISING GROWTH

An analysis of one million nonprofit tax returns found that accepting non-cash contributions like stock drives nonprofit fundraising growth regardless of size and sector. When looking at growth over a five-year period, nonprofits strictly accepting cash donations only grew by 11%.

However, organizations that accepted any non-cash assets grew by 50%, and those that accepted appreciated securities grew by 66%. This growth is even more pronounced among smaller organizations (between $100,000 to $500,000 in fundraising revenue).



This growth is fueled by a simple fact: **gifts of appreciated stock are almost always larger than cash gifts** — even from the exact same donors. The reasons behind this are slightly more complex.

1. **Wealth is held in non-cash assets.**

   An estimated 97% to 99% of all wealth in the United States is held in non-cash assets like stocks and real estate, meaning only 1% to 3% is held in cash. And the US stock market is worth more than $34 trillion. Plus, the economy is coming off an 11-year bull market, where many long-term assets have grown immensely.

“

My biggest gifts are almost always stock. We've built buildings with a single stock gift. We need everyone to get smart about this.”

— Director of Major Giving, Major Private University

This means that wealthy, or even middle-class donors, likely hold more of their wealth in securities, and can give more in this way than they ever could in cash.

2. **Asset gifts remind donors of their wealth.**

   When a donor feels wealthy, they actually tend to give more. And when you ask a donor for a gift from their assets, it reminds them of their wealth. This is because donors make relative comparisons — a gift from their assets (stocks, bonds, IRAs, etc) feels much smaller than a gift from their disposable income.

   For example, a $10,000 gift in stock might only be 1% of a donor's total wealth, but 50% of their available cash. It feels much easier for donors to give 1% than it does to give 50%.

3. **Tax savings make it “less expensive” to give more money in stock than in cash.**

   Donors see significant tax savings when they give stock instead of cash. They can avoid two types of taxes — capital gains and income taxes — and receive income tax deductions. We'll go over this in more detail on page 10. However, what this breaks down to is that it **costs the same donors less to make a gift of stock** than it would to sell that stock and give in cash.

   Donors generally transfer those tax savings onto the nonprofit, making their non-cash gifts much larger. Our nonprofit survey analysis showed that the median stock gift value is $4,975, while the average is $8,438. Data from the FreeWill Stock Tool puts this even higher — at an average gift value of more than $10,000.

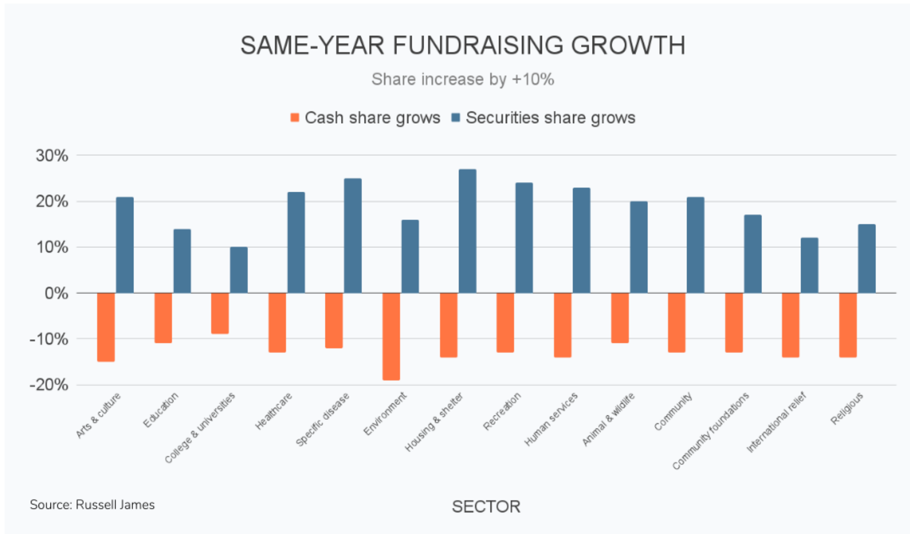
Because these gifts are often larger than cash, they have a significant impact on overall fundraising revenue even within the same year.

The analysis of tax returns mentioned above found that when shares of cash gifts grow by over 10%, total contributions fall by 13%. But when a nonprofit's share of gifts from securities grows by over 10%, total contributions grow by 18%.

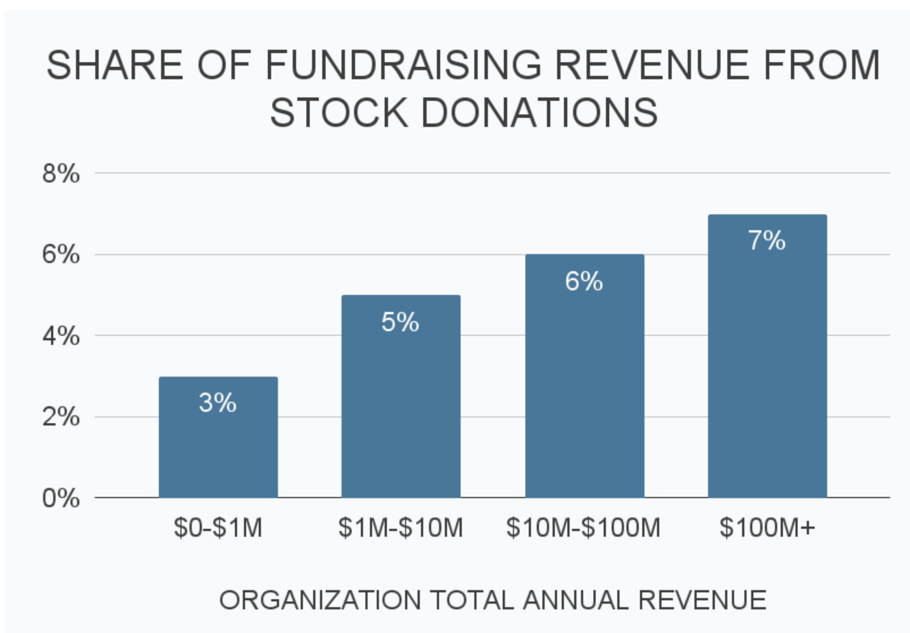
18%

growth in total contributions when nonprofits increase share of gifts from securities by +10%

In other words, the more a nonprofit takes in appreciated assets, the bigger the gifts they receive, and the faster they grow in fundraising revenue.



On average, organizations reported that only 5% of their total fundraising revenue in 2020 came from stock donations. And for smaller organizations, this was even lower — at 3%. If nonprofits can increase the share of their fundraising revenue coming from appreciated assets by even a little, they can expect big returns in overall fundraising growth.



3 TYPES OF STOCKS

Let's define exactly what we mean by "stocks" — and what types of stocks most organizations accept.

A stock is a type of investment that represents an ownership share in a company. Investors buy stocks that they think will go up in value over time, also known as "appreciation."

For example, Apple has 17 billion shares of stock, priced at $124 per share. Five years ago, their share price was about $24. For any donors who bought Apple shares at that time and still hold them today, their shares have appreciated 410%.

However, that is just one type of stock, and there are three main types:

1. **Publicly-traded stocks**

   These are stocks that are sold on open stock exchanges as opposed to being privately-held. There is always a clear, publicly-known price at any moment in time. (E.g. Apple)

2. **Mutual funds, index funds, and ETFs (Exchange-Traded Funds)**

   These are an investment in a group of stocks (or other investments), as opposed to a share of stock from a single company. Index funds track a specific "index," such as the S&P 500 or the Dow Jones Industrial Average. (E.g. Vanguard 500)

3. **Privately-held assets**

   These are stocks that represent shares in companies that are not publicly-traded, such as LLCs, C Corps, S Corps, or others.

Most nonprofits only accept the first two types of stock as there are more complexities involved in giving privately-held assets. For example, they have to perform due diligence to determine whether there are any restrictions on giving the asset and appraise what the asset is worth.

DEFINING CAPITAL GAINS

As mentioned above, donors can save on two types of taxes when they give stock instead of cash. One of these taxes is capital gains tax. But what is a "capital gain"?

A capital gain is the current value of a stock minus the purchase price. The original purchase price is called the cost basis. For example, Apple stock is currently worth $124. If an individual purchased a share five years ago at $24, their cost basis is $24 and their capital gain would be $100.

The US government taxes capital gains when a stock owner sells shares. If the asset has been held for more than a year, it will be taxed at 15% or 20% (based on income) of the capital gain. If it has been held for less than a year, it will be taxed at income tax rates. The majority of states also place an income tax on capital gains.

Using the Apple example, the stock owner would pay $20 in federal capital gains taxes (20% of $100). If they lived in California, they'd also likely pay an additional $13 in state capital gains taxes (13.3% CA income tax rate of $100).

This means the donor would pay $33 in taxes, only taking home $67 of their $100 capital gains.

WHY STOCKS ARE TAX-SAVVY GIFTS FOR DONORS

Because of capital gains and income taxes on appreciated stock, giving these assets is the most financially-savvy way for donors to maximize their philanthropic impact.

When a donor gives stock to charity, they can **avoid capital gains taxes** and **receive income tax deductions** for the present value of the stock. This allows donors to give more for the same cost or give the same amount for a lower cost.

On the following page, we will show how this works.

But first, let's define a "tax deduction." A tax deduction is something, such as an expense or contribution, that lowers a person's taxable income. This means that if a donor has an annual income of $500,000, but receives a $70,000 deduction from a donation, he would be taxed as if he made $430,000.

Example: California resident makes a $10,000 donation by giving shares of Apple stock. The donor purchased the shares for $5,000 (if selling the stock, he'd have a $5,000 capital gain).

	TAX RATE*	AMOUNT THAT WOULD BE TAXED	TAX SAVINGS
Federal capital gains	20%	$5,000 gain	$1,000
CA state income taxes on capital gains	13.3%	$5,000 gain	$665
Federal income tax saved from claiming a charitable deduction	37%	$10,000 (deducted from income)	$3,700

**Assumes the donor would be taxed at the highest rates*

$5,365

saved in taxes by giving a gift of appreciated stock instead of cash

In the example above, the California-based donor wants to give $10,000 in Apple shares to charity. When they bought the shares, they paid $5,000, meaning their capital gains is also $5,000.

If they donate the stock, they avoid paying a 20% federal capital gains tax. Off of a $5,000 gain, this would be a tax savings of $1,000. They would also avoid paying income taxes on the capital gains at the state level. In California, the highest tax rate for 2021 is 13.3%. Off of the $5,000 gain, the donor would save $665 in state income taxes (13.3% of $5,000).

On top of avoiding all capital gains taxes, the donor would also be able to deduct the full amount of the charitable donation from their federal and state income taxes. On the federal level, this tax rate can be as high as 37%, depending on a donor's income. This means the donor could save $3,700 on federal income taxes when claiming the donation as a charitable deduction (37% of $10,000 gift).

All of these tax savings add up to $5,365.

If the donor had sold the shares and donated the cash from the sale, they'd only be able to give $8,335 after capital gains taxes. Plus, they'd only receive tax deductions on that amount rather than on the $10,000 gift. Instead, by donating stock, they can give a much bigger gift worth $10,000 at no added cost to them.

"I've never considered giving stock before. It feels like a double win."

— Nonprofit donor, Claremont, CA

An added benefit: Resetting cost basis

A donor can give stock without significantly changing their investment portfolio. After donating stock, the donor can immediately buy a new share of the stock with cash. This will help them reset their cost basis, the amount they originally paid for the shares, to their current value.

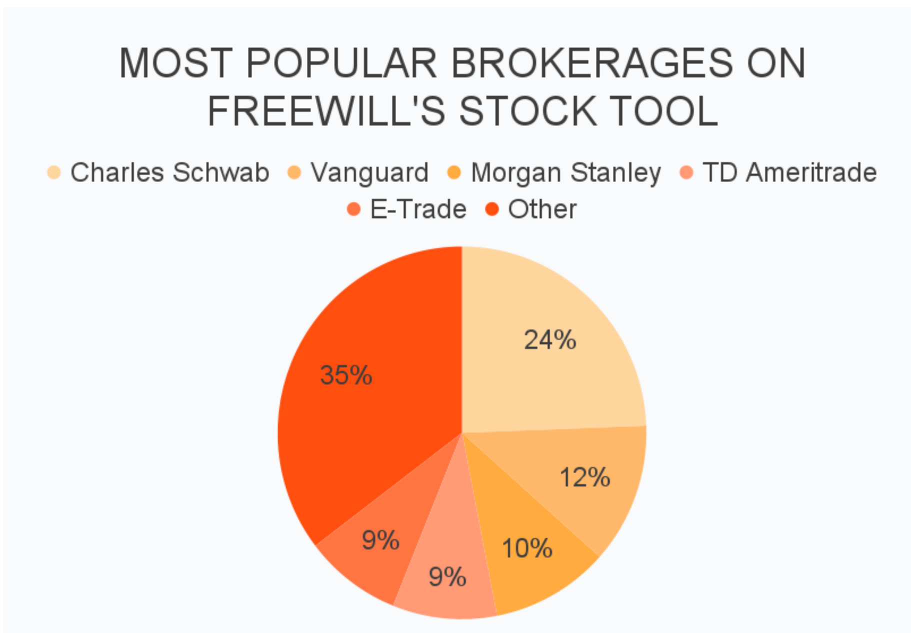
For example, if a person donates 100 shares of Apple today and uses cash to buy 100 shares of Apple, they will only pay capital gains if the shares increase in value after today. In the future, this higher cost basis would allow them to further save on capital gains taxes.

THE PROCESS FOR MAKING & ACCEPTING STOCK GIFTS

To accept donations of publicly-traded stocks, mutual funds, or ETFs, nonprofits need to:

1. **Open a brokerage account.** The most common brokerage accounts for nonprofits are Charles Schwab and Fidelity Charitable.
2. **Monitor the account daily for new gifts.** When a new gift comes in, they need to record the value of donated shares.
3. **Sell the shares the same day.** While some nonprofits hold onto shares, many prefer to sell immediately to avoid market risk and accounting discrepancies between the donated value and the actual cash proceeds.
4. **Send an acknowledgement letter to the donor.** This may be required if the gift is over a certain amount, and should include the ticker, the number of shares, and the date of the donation.

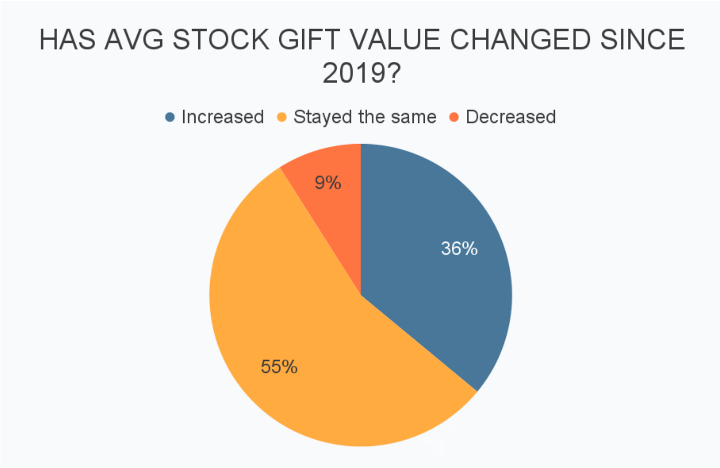
To make a stock donation, donors will need their broker's charitable gift transfer form as well as the nonprofit organization's brokerage name, Depository Trust Company (DTC) number, and account number. Some brokerages give donors the option to sign and submit a transfer request electronically, while others require donors to mail in their transfer requests.



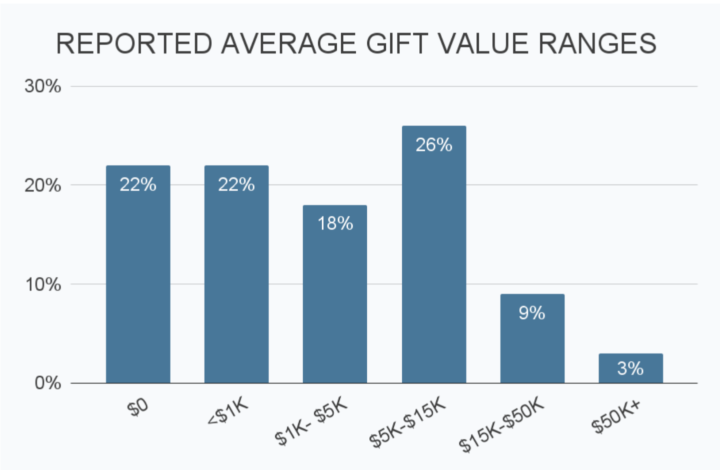
**Other includes minor percentages of other brokers like Wells Fargo, JP Morgan, Merrill Lynch, Northern Trust, RBC, and more.*

INSIGHTS & ANALYSIS: THE DATA ON STOCK GIFTS IN 2021

GIFT VALUE



ANNUAL REVENUE	AVERAGE GIFT VALUE
$0-$1M	$4.3K
$1M-$10M	$6.7K
$10M-$100M	$13.3K
$100M+	$21K



As the stock market has gone up, donors have been giving larger and larger gifts.

More than two-thirds of the nonprofit professionals we surveyed reported that the average size of a stock gift to their organization had either increased in value or stayed strong over the past couple years.

They reported that the average value of a stock gift in 2020 was $8,438. The larger the organization was in annual revenue, the larger their average gift size was as well.

The average value of stock gifts given via the FreeWill Stock Tool in 2020 through 2021 was just over $10,000.

It can also be useful to look at the ranges in gift values to get a sense of what the majority of nonprofits are receiving, and could expect in following years.

44% of respondents reported average stock gift values between $1,000 to $15,000, and a good 15% reported average values of more than $15,000.

For many nonprofits, **gifts of this size are major gifts, and critical for their organization's success**. As the stock market rises and organizations place a bigger emphasis on fundraising large gifts of stock, they will also likely see the average value of these gifts increase.

GIFT COUNT & GROWTH

From the COVID-related crash early in the year to a huge increase in new, younger investors, the stock market experienced a lot of turbulence in 2020.

However, the strong rebound appears to have helped the majority of organizations accepting stock to get more of these gifts.

The number of nonprofits fundraising more than 25 gifts a year increased by 30% from 2019 to 2020.

The largest organizations ($100M+ in annual revenue) received the most, seeing a 41% increase in the average number of gifts over the past two years.

But nonprofits across all sizes and sectors reported getting more stock gifts in 2020 than in 2019. Even organizations between $1 million to $10 million in annual revenue had a 15% increase in average number of gifts.

ANNUAL REVENUE	AVERAGE GIFTS RECEIVED		PERCENT INCREASE
	2019	2020	
$0-$1M	1.6	1.8	**15%**
$1M-$10M	7.4	8.6	**16%**
$10M-$100M	33.1	38.4	**16%**
$100M+	33.6	47.5	**41%**

53%

of nonprofits cited a strong stock market as a driver behind increased gifts in 2020

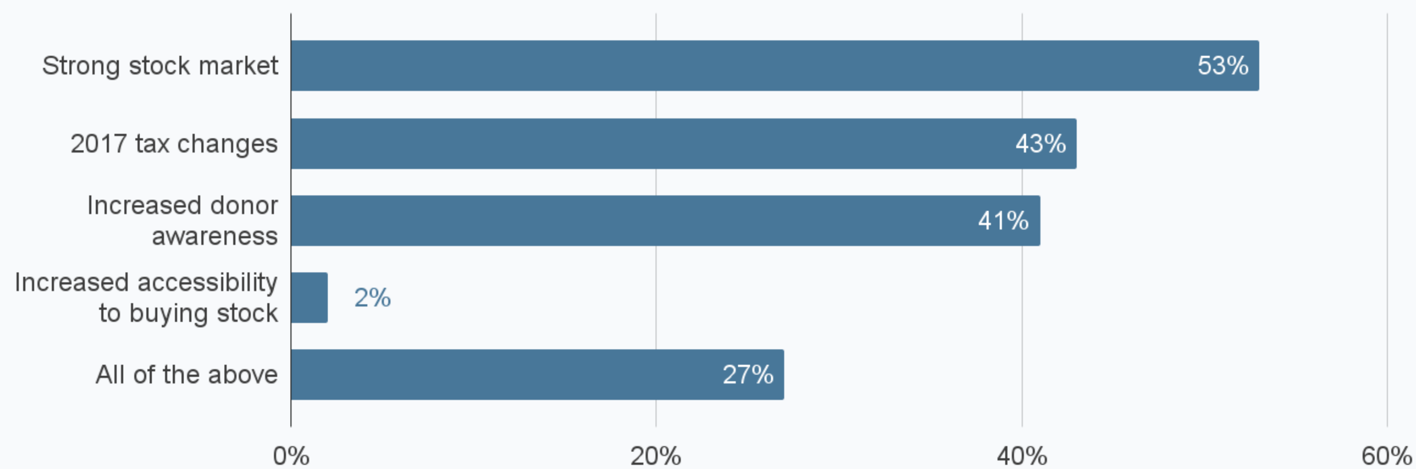
Beyond the strong stock market's role in driving more donors to give stock, 43% of respondents noted that federal tax changes in 2017 may have had an effect.

Those tax changes increased the standard deductions, dropping the number of Americans itemizing their charitable gifts from 30% to 10% in the following years.

Saving on capital gains taxes can also make stocks an especially smart way to give, and nonprofits appear to believe donors are catching on to this. 41% of nonprofits reported that an increase in donor awareness of the tax benefits was a driving factor in why they received more gifts.

However, when we analyzed the data to see how nonprofits were talking about stock gifts, we found that there were two internal factors that had an even bigger influence on whether they received more donations than their peers: **marketing and personal contact with donors**.

WHAT INCREASED STOCK GIVING IN 2020?



THE IMPACT OF TALKING ABOUT STOCK GIFTS

Despite many citing increased donor awareness as one of the biggest drivers behind stock giving, more than half of all respondents said their nonprofits did not market this giving vehicle at all in 2020.

This may not be surprising. 2020 was an extremely challenging year for nonprofits.

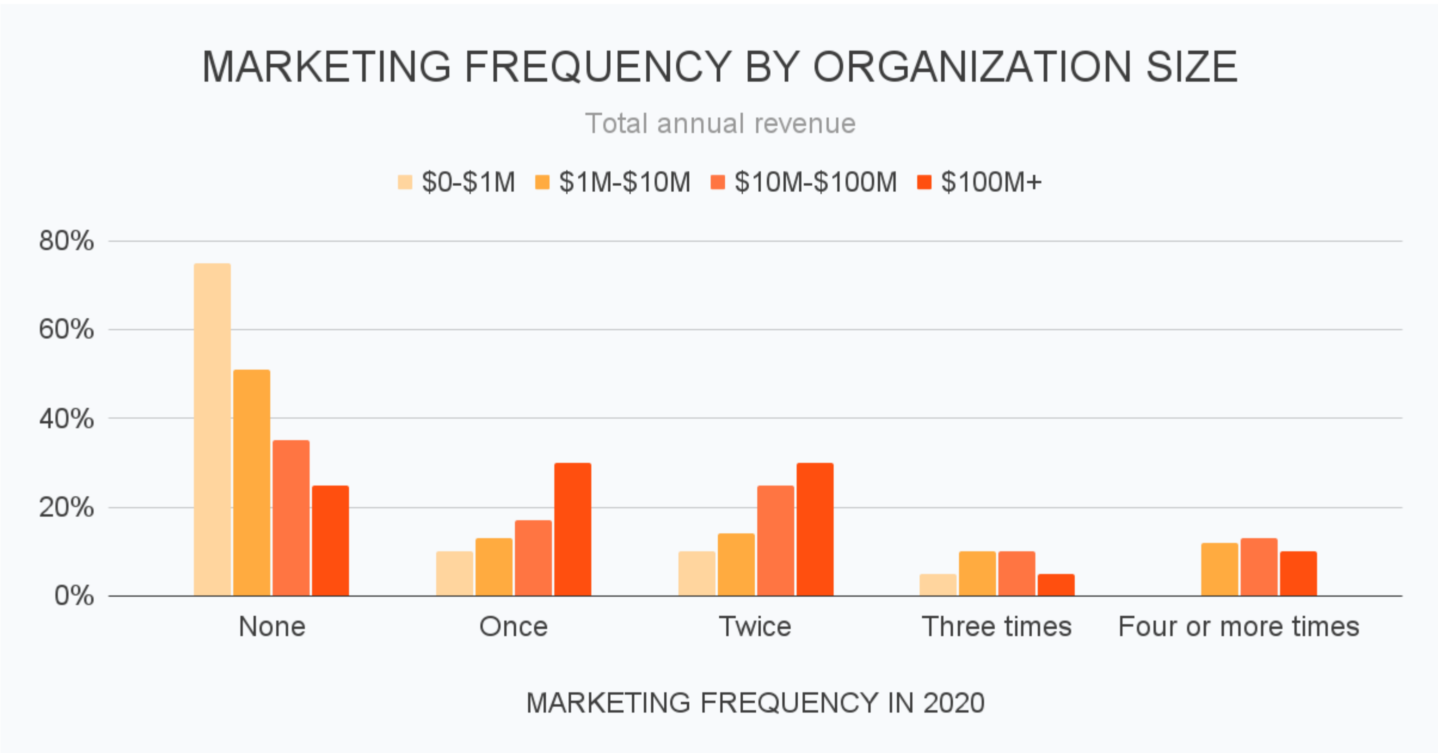
Many lost crucial events, earned, and fundraising revenue, and had to lay off staff during the COVID-19 pandemic.

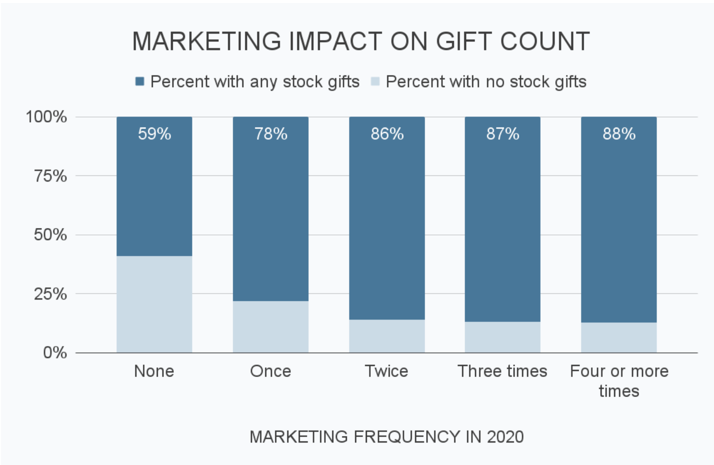
Even though smaller organizations benefit the most from accepting non-cash gifts, they unfortunately struggled the most with stock marketing. This may be due to the possibility that they took the biggest hits during the pandemic.

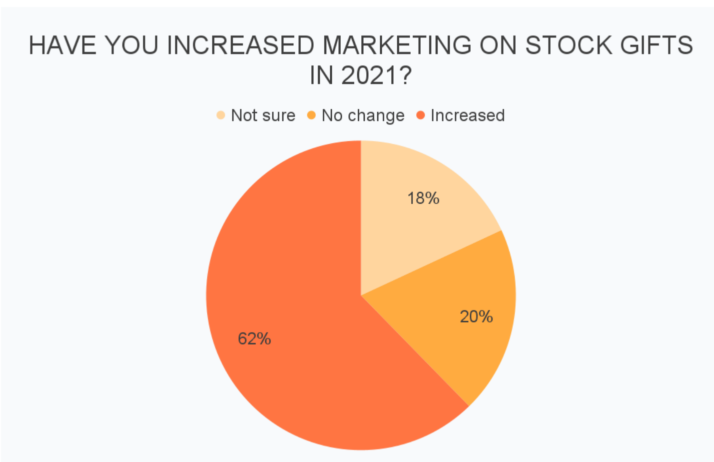
But another potential factor is that these organizations are also the least likely to have figured out who in their organization is responsible for accepting and fundraising stock. We'll go into this in more detail on page 31.

75% of organizations with under $1 million in annual revenue reported no stock gift marketing. Meanwhile organizations with $10 million to $100 million in annual revenue reported the highest levels.

23% of nonprofits in that revenue bracket marketed stock giving to their supporter bases three or more times in 2020.







Organizations that did market stocks last year found a significantly greater level of fundraising success.

Those that sent educational information or appeals about stock donations to their supporters at least twice in 2020 were nearly 1.5 times more likely to get gifts than those that didn't market at all.

Fortunately, close to two-thirds of nonprofits have already increased or plan on increasing stock gift marketing in 2021.

None reported planning to decrease marketing efforts.

1.5X

more likely to receive gifts when marketing stocks at least twice

71%

of nonprofits with 25+ stock gifts in 2020 had donor conversations about stock giving

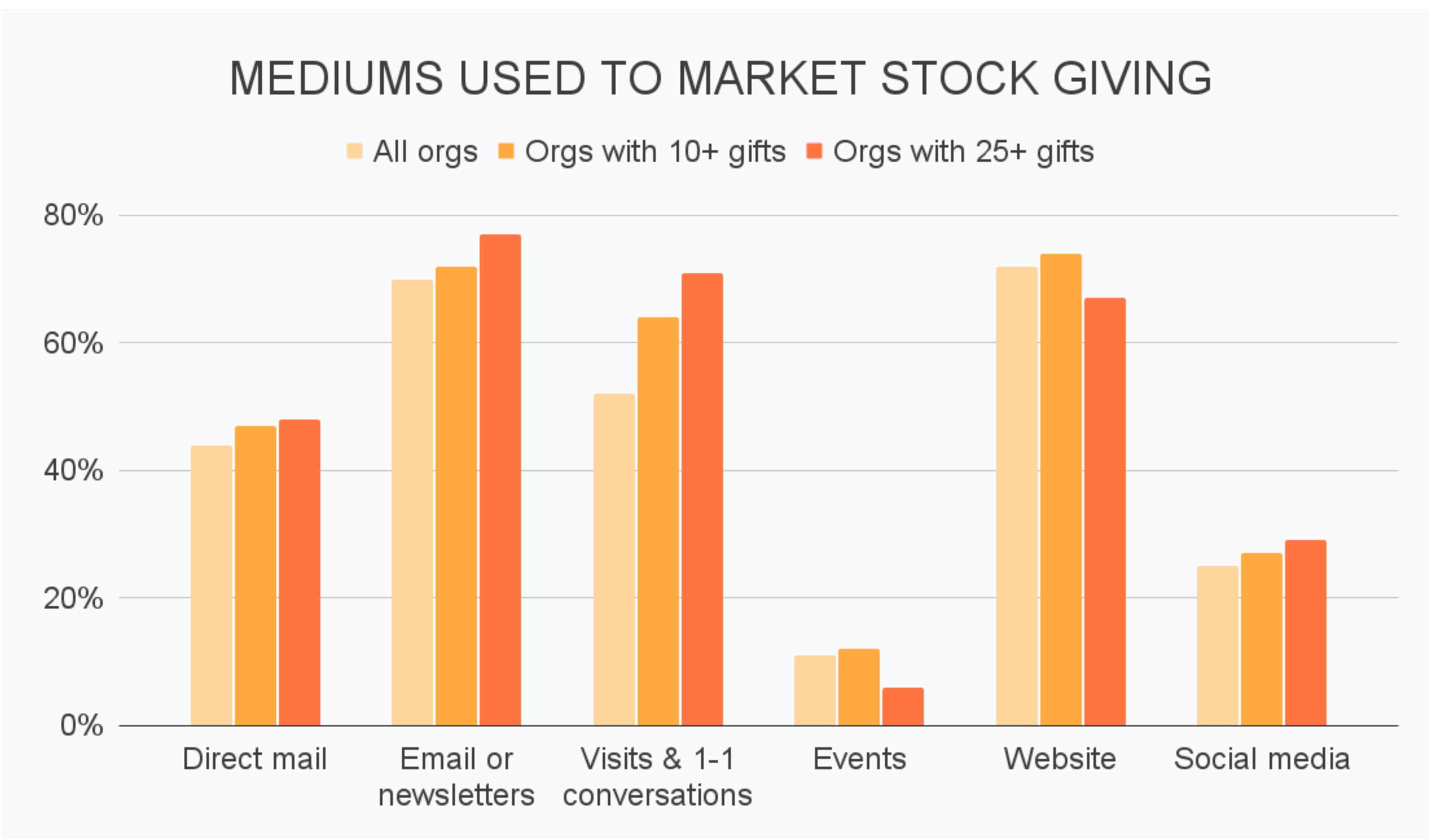
When it comes to which mediums nonprofits use to market these gifts, most organizations send emails and newsletters, and have a web page. There is not a notable statistical difference between all organizations who do this and those that get more gifts.

However, there is a significant difference between nonprofits that put a heavier focus on personal contact with donors.

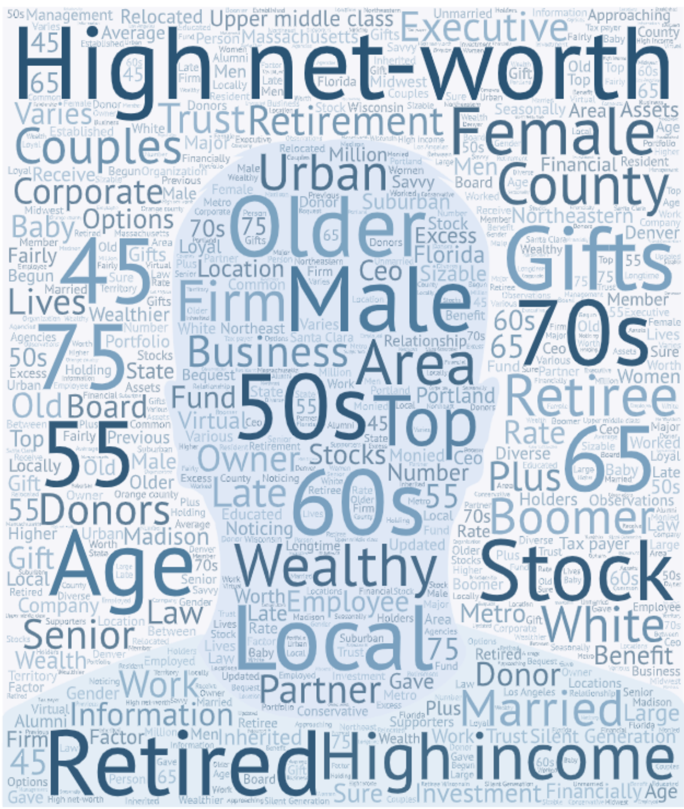
52% of all respondents (whether they had gifts or not) reported having gift officer visits and one-on-one conversations with donors.

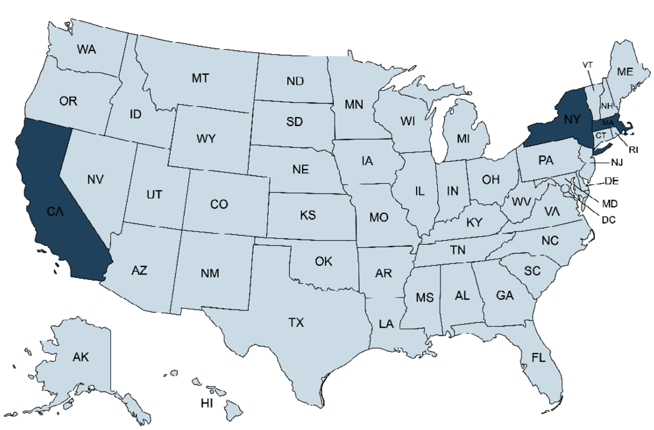
But the most successful organizations — those that received more than 25 gifts last year — were much more likely to have this personal donor contact. 71% of these organizations used these conversations to talk about stock giving.

This nearly 20-point difference suggests that donor conversations are one of the most significant factors for receiving more gifts.



THE STOCK DONOR PROFILE





On average, respondents reported that they believe just under half of their donor prospects own stocks.

But with personal conversations and visits making the biggest difference in fundraising these gifts, gift officers will need to know which of their donors to spend the most time with.

While nonprofits should increase stock marketing to all of their supporters to widen the net (especially for increasing awareness among young, new investors), there does appear to be a typical donor profile for those making the majority of stock gifts.

1. **Age:** 38% of respondents noted their stock donors were usually in their 50s, 60s, or 70s, and 16% said they were likely to be retired.

2. **Gender:** 35% of respondents described their organization's typical stock donor as male, versus 11% who mentioned women.

3. **Wealth:** Over 20% of respondents said their typical stock donors had a high net-worth, or upper middle-class income.

4. **Location:** 11% of respondents said their stock donors were usually local to their organization.

   In 2020, 34% of donors giving gifts via the FreeWill Stock Tool were located on the West Coast. 28% were located in the Northeast and 23% in the Southeastern United States.

   The three states with the most stock donors on FreeWill were California, New York, and Massachusetts. This makes sense as these states have some of the highest concentrations of wealth in the country.

"

Stock giving is exactly what I needed. I'm sitting on so much gains that this is the best way to give money."

— Nonprofit donor, Westchester, NY

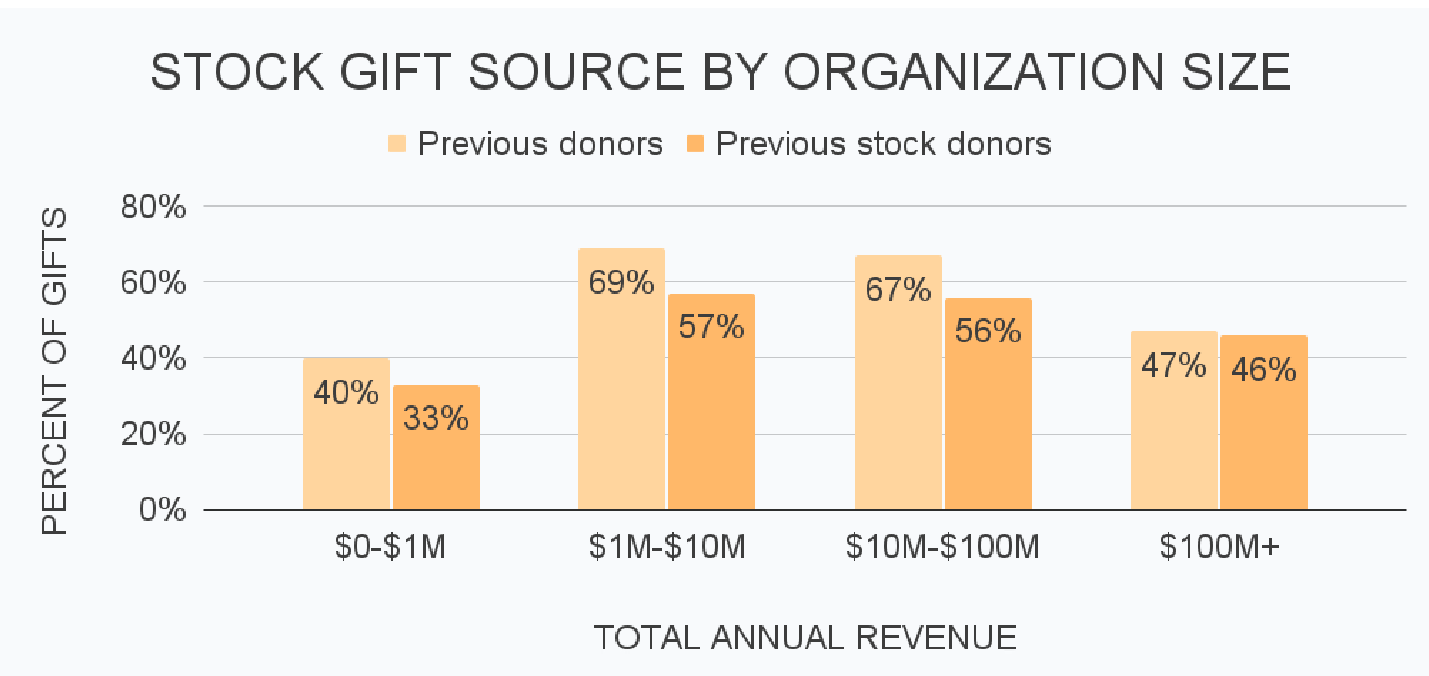
Beyond demographics, those who have given to an organization before are more likely to give stock.

On average, 60% of stock gifts come from previous donors — whether that previous gift was cash, a planned gift, or stock. And over 50% of stock gifts in 2020 on average came from donors who had previously given stock.

Overall, organizations between $1 million to $10 million in annual revenue reported the highest number of stock gifts coming from previous donors. The smallest and largest organizations get more of their stock gifts from first-time donors.

This shows that **gift officers have a tremendous opportunity to engage their supporters in new, tax-savvy ways of giving**. Those with more of their gifts coming from previous donors may want to think about how to open up stock giving to new donors as well.

And those that are leaning heavily on new donors for stock gifts may want to target previous donors for 1-1 conversations about smarter ways to give.



CHALLENGES WITH FUNDRAISING STOCK GIFTS

Fundraisers face both internal and external challenges when it comes to getting more stock gifts and stewarding these donors:

1. They don't know how to market stocks effectively; and
2. Financial brokers don't include any donor information when transferring these gifts.

Some organizations have also struggled with deciding who in their organization should be responsible for stock fundraising. This is especially true among smaller nonprofits with limited staff and limited time to devote to these gifts.

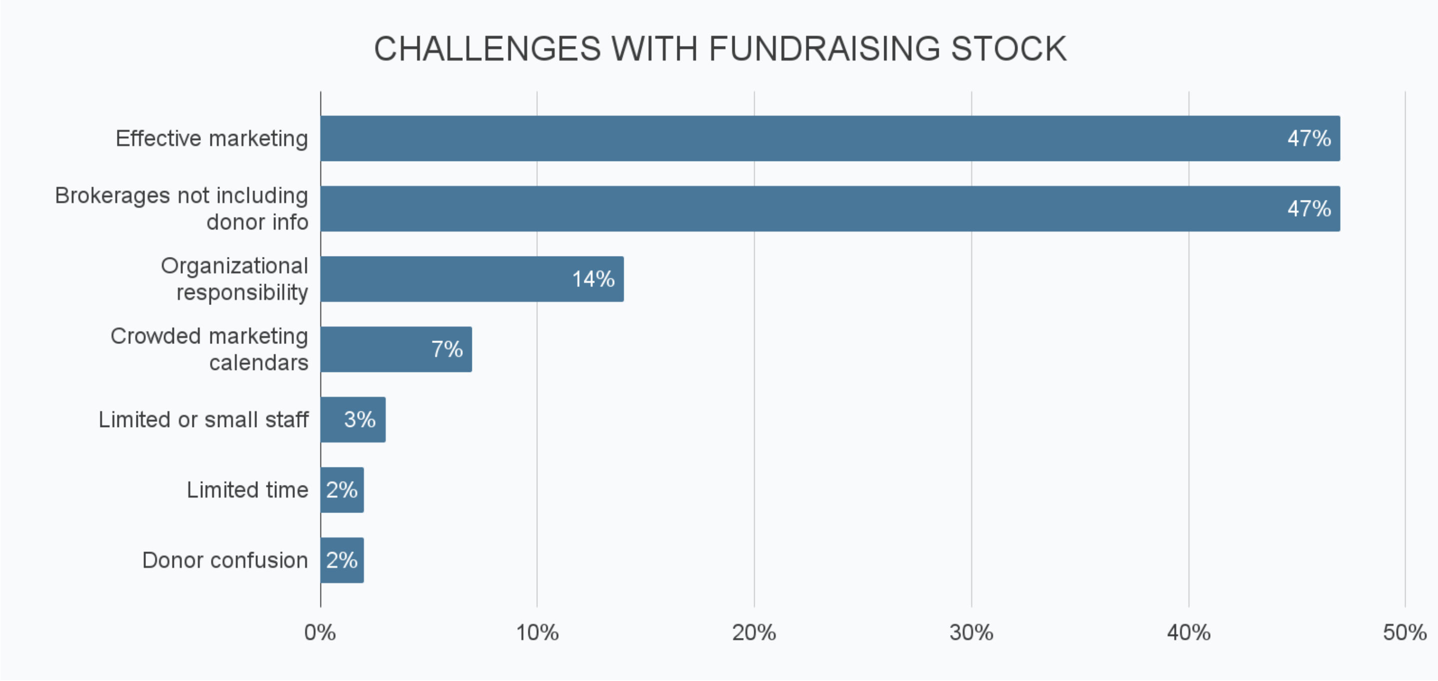
We'll go over our recommendations for how to solve some of these issues and get more gifts in the next section on page 24.

Effective marketing

Despite more marketing being a key factor in whether an organization can successfully fundraise stock gifts, 47% of respondents selected this as a big challenge for them.

Some of the factors within marketing may be that they don't know how to identify who owns stock, they're struggling to communicate why giving stock is better than giving cash, or they don't have the staff or time to get these fundraising appeals into packed marketing calendars.

This means that many nonprofits are missing out on crucial opportunities to engage and educate donors on why stocks are one of the most tax-savvy ways to give. And because of this, they may be stunting or delaying their fundraising growth.



Donor info: Tracking & attributing gifts

Even when nonprofits are able to successfully fundraise stock gifts, they may struggle with tracking who the donations are coming from.

47% of respondents said one of their biggest challenges is receiving donation transfers from financial brokers without any donor information attached.

And this is a fairly frequent occurrence.

Nearly half said that they occasionally or often receive these gifts without any donor information. Even if this is happening rarely (33%), it can present a problem for fundraising growth.

For donors, it means they can go unthanked for their large gifts and, if they're a new donor, they might not hear from the nonprofit ever again. This will likely discourage these donors from making another gift.

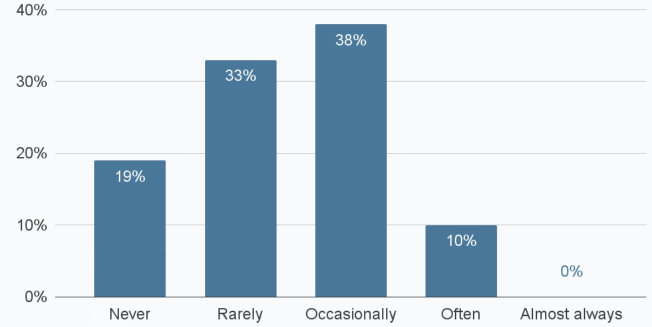
For gift officers, this lack of information prevents them from meaningfully engaging with their donors.

Relationship-building is key to development work as donors will usually give again (driving fundraising growth) if the organization thanks and stewards them.

48%

of nonprofits occasionally or often receive stock gifts without donor info

FREQUENCY OF RECEIVING STOCK GIFTS WITHOUT DONOR INFO



RECOMMENDATIONS: 3 PATHS TO SUCCESS WITH STOCKS

There has never been a better time to implement more effective stock fundraising methods and drive growth for years to come. Nonprofits have three primary channels that they can improve to get more stock gifts: their website, donor conversations, and email marketing.

1. IMPROVING YOUR WEBSITE

More than 90% of stock gifts given via FreeWill's Stock Tool originate from a nonprofit's website page (if they have a known source).

This means that donors are heading to a nonprofit's website with the intent of making a gift, or, in visiting the website, they learn about the option.

Having more information about stock giving on your nonprofit's site is essential for acquiring these gifts. There are three important reasons for this:

1. It provides donors who want to give stock an easy path to do so.
2. You are able to capture information for people who are interested in giving stock, but may need help completing their gifts.
3. You can provide educational information to people who are curious about stock giving.

If your site doesn't do so already, you should put a link to your stock giving page on both your donate page and your "ways to give" page.

On your stock giving page itself, do not put transfer instructions directly on your site.

Transfer instructions are the information that a donor, or financial advisor, needs to transfer stocks from their account to yours. These generally include your organization's broker name, address, account, and DTC (Depository Trust Company) number.

Making DTC information public causes several issues:

- Your donor may make a gift, but the brokerage won't share their information
- Your donor will start to make a gift, but not finish (and you have no way of following up)
- You may increase your risk of fraud

However, if you don't provide transfer instructions at all, your organization will risk losing donors.

Many donors may try to make these gifts on nights or weekends when no one is available at your organization for a call, or your organization may respond slowly. And some donors (especially Millennials and younger) will prefer not to speak to anyone at all to get the instructions.

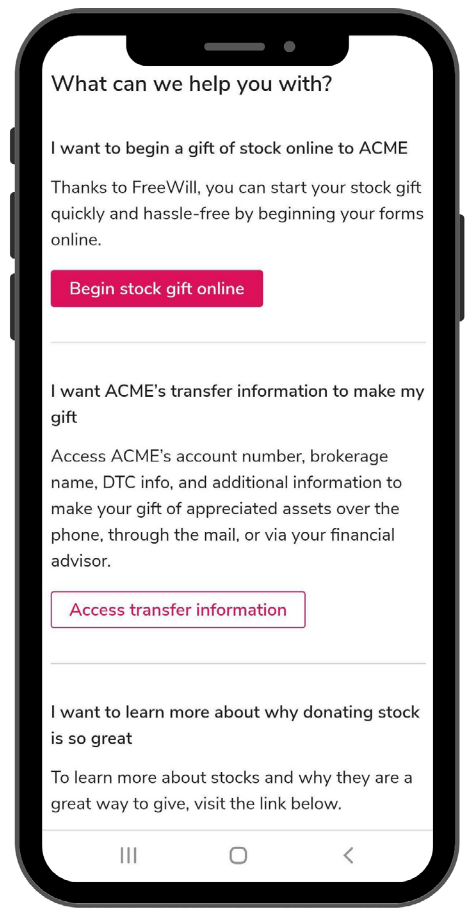
The solution is to collect donor information before revealing transfer instructions.

Implement a form on your stock giving page that a donor must fill out, including their name, stock ticker, and date they intend to make the transfer. Once they complete the form, then reveal the transfer instructions.

This will prevent you from receiving gifts without any donor information, and put an end to delays for donors (likely increasing gifts from younger or busier donors).

Plus, it will help gift officers to follow up with donors who put in their information, but never transferred the gift.

This will allow your organization to close more donations and hit fundraising goals. Making donors fill out a form will also reduce the risk of fraud.



We recommend including this language on your website to encourage these gifts and collect donor information — and if you have an online stock donation tool like FreeWill, you can direct users to that site:

Many donors prefer to make gifts of appreciated stocks, bonds, mutual funds, or exchange-traded funds because it can have a large impact on our mission, while maximizing potential tax benefits by avoiding capital gains taxes.

If you would like to transfer your appreciated assets, you can use our online tool to walk you through the process in less than five minutes; or access our transfer information and work directly with your broker to transfer your stocks.

2.
IMPROVING DONOR CONVERSATIONS

Gift officers that have the most success with fundraising charitable gifts of stock know how to frame these gifts to donors, work them into every conversation, and answer common questions.

49% of respondents felt less than fairly confident in fundraising this type of gift with an average of 3.4 on a scale of one to five.

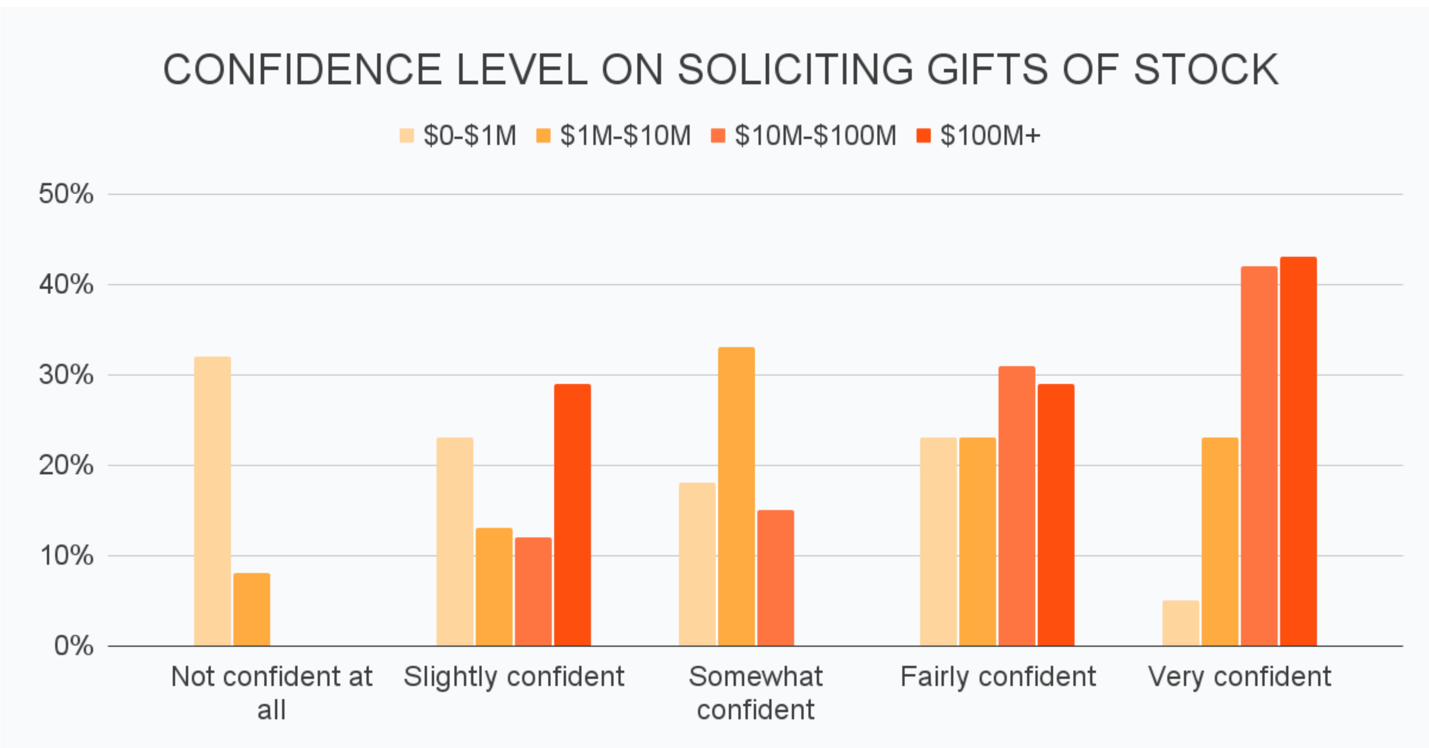
Furthermore, the smaller their organization was, the less likely respondents were to feel confident about fundraising stock.

Over 40% of gift officers at organizations with more than $10 million in annual revenue reported that they were very confident, compared to 32% of those at organizations under $1 million in annual revenue reporting they didn't feel confident at all.

This means there is a lot of room for growth. Nonprofits will need to invest in training gift officers on how to speak about complex gifts like stock.

49%

of gift officers feel less than fairly confident about soliciting gifts of stock



From the data presented on page 19, we know that personal contact with donors is one of the most effective methods for fundraising these gifts.

When approaching these conversations, gift officers should have three goals:

1. Giving stock should come across as accessible, common, and straightforward for the donor.
2. The donor should understand the advantages of giving stock over cash.
3. The donor should have clear next steps to make a gift.

To do this, gift officers should become very familiar with the tax benefits and processes for making these gifts.

"

People are surprised at how powerful stock giving is. We talk a lot about purchase power. Donors can give more for less."

— Development leader, National health research organization

They should be able to answer common donor questions, such as:

- "How do I make the transfer?"
- "What are your DTC and account numbers?"
- "Why is stock better than cash?"
- "What will you do with the stock?"
- "How will this gift make a bigger impact?"

If your organization has one-to-one donor visits or calls where gift officers discuss vehicles for charitable giving, then stocks should be brought up in every single one of these conversations.

Not bringing it up means your organization will likely miss out on these impactful gifts.

In conversations, avoid jargon and complexity around tax savings. Instead, keep it simple. Use social proof to drive action, and acknowledge that this may be surprising for your donor to learn about.

You can also make it clear that this information will be helpful to the donor for any of their giving.

Most donors give to more than one cause, and gift officers have the opportunity to play a more helpful role in their relationships with donors.

By sharing how to give more effectively "to any nonprofit," you'll create a stronger relationship and a more open mind.

Plus, the more a donor gives stock to any organization, the more frequently they'll give stock to yours.

The last key part of these conversations is to make sure there are clear next steps.

Gift officers should send a follow-up note to their donors to solidify the relationship and reiterate the opportunity around stock giving by using social proof and helpful language.

For example, you might follow up with language like this:

"I'm putting together a short gift agreement that outlines a bit more about your gift. (It's a non-binding agreement that outlines the goals we discussed, so our team can put it to great use).

I also wanted to share that we are increasingly seeing supporters like you choosing to donate shares of stock instead of cash. Some folks are surprised to see how big the combined tax savings are (between avoiding all capital gains taxes and getting a full income tax deduction).

I share this in case it's helpful for any of your giving, so you can have more impact at lower cost to any of the important causes you support."

3.
IMPROVING MARKETING

50%

of stock gifts in 2020 came from previous stock donors

The role of email and direct mail marketing around stocks is not necessarily to immediately get new gifts.

Instead, it is to educate your supporters about tax-savvy options, so they can make a smarter choice when they're ready to give.

Once a donor makes a stock gift for the first time, they are likely to do so again.

Remember, more than 50% of stock gifts in 2020 came from donors who had previously given stocks. And the more frequently nonprofits marketed stock giving in the past year, the more likely they were to receive them.

To improve marketing on stocks, send educational emails with higher frequency to all of your supporters.

The most successful nonprofits (those getting more than 25 stock gifts a year) also take a multi-channel approach.

67% of them reported using three or more channels to market stock giving. These included emails, social media, events, website pages, and donor conversations.

Repetition is key — traditional marketing rules state that consumers need to hear a message seven times before they purchase.

If it's hard to fit standalone emails on stock giving into marketing calendars, we recommend presenting it as one of several ways to give. You can do this in a regular fundraising email, a newsletter, or even as a postscript.

In any mentions, link to a web page that includes more information on how to give stocks (as well as a form to collect donor info) or give them ways to learn more and speak to a gift officer.

Even if those emails don't generate gifts immediately, you can use them to get donors on a call.

Follow up with anyone who clicked on your message, but didn't give, to find out what they'd like to learn more about — or if they want to speak to a gift officer about stock.

The majority of stock gifts tend to come during end-of-year fundraising.

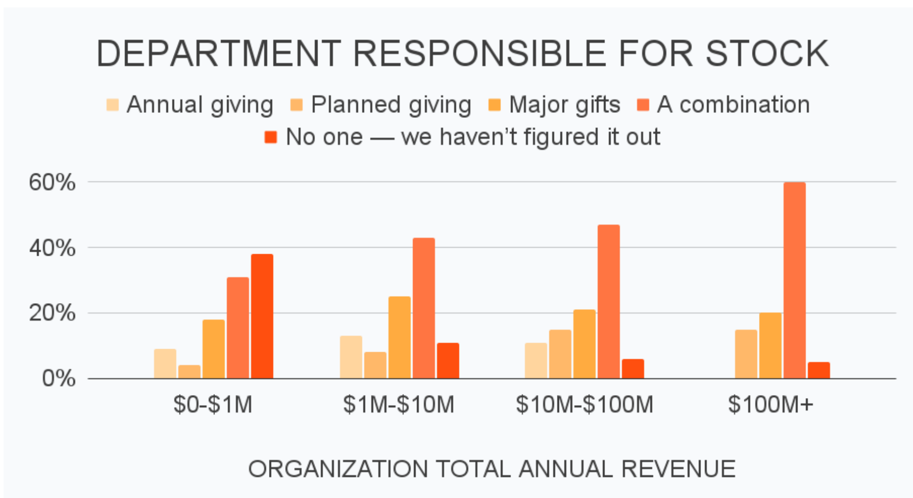
Educating your supporters about the tax benefits of these gifts throughout the year will ensure that they're ready to make that gift when the benefits feel the most relevant.

ADDITIONAL RECOMMENDATION: GET ORGANIZED

2021 is a crucial moment to approach stocks in a smarter way and work across departments within your organization to improve giving overall.

15% of organizations that accept stock haven't figured out which department should be responsible for accepting and fundraising these gifts.

The smallest nonprofits struggled with this the most — 36% of them reported that they had not yet figured it out. Meanwhile, 60% of the largest organizations rely on a combination of departments to fundraise stock.



While 57% of organizations that place responsibility on annual giving didn't market stock giving in 2020, they did tend to see a larger share of their fundraising revenue arising from stocks.

This is perhaps due to the fact that they also received a greater share of stock gifts from previous donors.

No matter where your organization places responsibility, it's important to assign someone to lead the charge in fundraising these gifts.

They should make sure that teams are aligned on what these gifts are, why they're important, and how to make sure donors know about them, so no prospects are missed.

For example, they could train gift officers to ask donors "Would you like to make this gift in cash or stock?" This could open the door for a conversation with a potential donor, helping everyone raise more funds across the organization.

Taking these steps now will allow organizations to increase the size and quantity of their stock gifts and spur fundraising growth for years to come.

ABOUT FREEWILL

FreeWill is a social venture which was founded at Stanford University in 2016, dedicated to making it easier for nonprofit fundraising teams to unlock transformational gifts. FreeWill is based in the US, with a team of 90+ engineers, lawyers, designers, and fundraising experts who find joy in supporting nonprofits doing amazing work.

To date, FreeWill has generated nearly $3 billion in new gifts for thousands of nonprofit organizations. The influential original research on how technology and demographics are changing philanthropy by FreeWill co-founders Jenny Xia-Spradling and Patrick Schmitt was published in the Stanford Social Innovation Review. FreeWill's work has since been featured in The New York Times, The Chronicle of Philanthropy, Forbes, and dozens of other media outlets. FreeWill's co-founders were named "Top 50 Philanthropists" by Town & Country in 2019.