

While the advice and counsel in this month's article is meant to provide practical steps that organizations can take to thrive despite current challenges, The Phoenix Philanthropy Group believes the time has come for larger discussion of the state of philanthropy in the United States. The nonprofit, for-profit and government sectors must collaborate on both deliberate policy and practice improvements to ensure the continued democratization of giving.

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# Give Back

## The Changing Nature of America's Donors

And challenges to overcome

by Richard Tollefson and Michal Tyra

► At first glance, the state of philanthropy in the United States appears strong. The second decade of the century has seemingly proved beyond doubt the resilience and adaptability of the American philanthropic model — one which the rest of the world continues to emulate. While the global financial crisis of 2008/2009 roiled the philanthropic community and severely dented overall giving, the lessons learned from the crisis has made nonprofits leaner, more responsive to giving trends, and more deliberate in their development practices, resulting in an unprecedented level of growth in giving in the years since. In 2018, when adjusted for inflation, charitable giving in the United States reached its second-highest level, surpassed only by the previous year. This success, however, is masking a dangerous new trend — a sharp decline in the number of new donors and the average percentage of giving by American households.

A 2018 piece by Nicole Wallace in *the Chronical of Philanthropy* noted that since the year 2000, there has been a 10-percent decline in the percentage of American households making gifts on an annual basis; that amounts to nearly 20 million people who have stopped giving, with youth, education and healthcare groups being the hardest hit. Even more disturbing, Wallace also noted that giving amongst those aged 51-60, traditionally the most active givers, saw the most precipitous decline.

How is it possible that giving continues to increase despite the decline in givers? Because, while fewer people are giving, those who do are giving more on average. Over the last 20 years, average annual household contributions rose from \$2,584 to \$2,763. Furthermore, an increase in the frequency of so-called megagifts (contributions so large that they impact giving statistics by a percentage point or more) has also been able to sustain overall giving levels. This narrowing of the giving pyramid points to a potential demographic shift in philanthropy from an egalitarian enterprise to a privilege of the elite. While the exact reason for this decline is heavily debated (from uncertainty over new tax laws to the supposed apathy of the young), the message is clear: To maintain or grow their fundraising efforts, nonprofits must compete over an ever-shrinking pot of donors.

The message here is not meant to be one of doom and gloom, but a recognition that change requires, as Jim Collins famously noted, a willingness to “confront the most brutal

facts of your current reality, whatever they might be.” Just as was the case in 2008, the organizations that survive will be the ones that are quick to heed the winds of change and react accordingly.

### Develop Flexibility and Adaptability

While the notion of “competition” is generally perceived as antithetical to the philanthropic mission of the nonprofit sector, organizations must become comfortable with the reality that fewer donors means organizations need to prioritize flexibility and adaptability to set themselves apart. They must be willing to experiment with new programs, strategies for community outreach and marketing; and giving channels; and then ensure that well-developed evaluation processes are in place to retain what works and ditch what doesn't.

### Demonstrate Impact

Research has shown that donors are no longer tied by geography or institutional loyalty. They will give to the innovative and successful organizations, no matter where they are. Standing out in this crowded field, however, requires a new way of measuring and communicating impact. One way to do this is for organizations to look at their Social Return on Investment — a modified version of traditional ROI measurement which goes beyond outputs to outcomes.

### Develop a Culture of Philanthropy

Repeat after me: “Everyone is a fundraiser.” Regardless of job title, organizations that land major gift donors (and retain those donors) are those where every staff member and every volunteer helps to support and advance the fundraising effort. Infusing this culture is not a quick or easy process and often requires a complete culture shift. The results, however, are well worth the effort.

### Prioritize Collaborative Leadership

Making the extensive changes recommended above requires engaged, collaborative and transparent leadership. Chief executives must be willing to work closely with their department directors to ensure that everyone is bought into the strategic direction and working in unison to achieve organizational priorities.

