



Is Your Organization Ready For An Endowment?

With funding shrinking and demand for services growing, nonprofits are under new pressure to find new income sources. As a result, many are looking at endowments.

And the timing may never be better. Researchers are predicting a huge transfer of wealth between generations that is expected to generate at least \$6 trillion for charity during the next 50 years.

First, Make Sure You're Ready

Starting an endowment takes time, and nonprofits should move carefully. Your organization may be ready if it:

- has at least a 10-year operational history,
- regularly meets its budget,
- has a stable board and staff, and
- has built reserves equal to at least one-fourth of its annual budget.

That said, consider these key steps as you work to establish permanent funding sources for your organization:

1) Determine The Best Fit. Don't be afraid to think out of the box. For example, a Technology Upgrade Endowment can be very helpful as technology changes rapidly. A Staff Scholarship Endowment can help provide continuous and permanent education. An Uncompensated Care Endowment can allow donors to underwrite those who are least able to use the services of an organization.

2) Cultivate The Right Donors. To excite prospective donors, you'll first need to provide a compelling answer to that all-important question, "What's in it for me?" From the donor's perspective, an endowment contribution can accomplish any of the following:

Leave a legacy. Donors can ensure the future of a favorite program, attach their names to a meaningful charitable outreach, and/or memorialize a loved one.

Allow immediate benefits. Some donors do not want to give away their assets during their lifetimes, yet they want to see the benefits of the gift immediately. Incremental funding of an endowment accomplishes just that.

Provide lifetime income. Some kinds of endowment gifts — split interest gifts, for example — pay income to the donor for life, with the remainder going to the charity's endowment after the donor's death. An endowment alleviates management burden, a concern for many older donors.

3) Build The Assets. The best way to build an endowment fund is with a campaign, similar to a capital campaign, with stated goals and a defined time frame. Consider using focus groups, where small groups of individuals with some history of support for an organization meet with key organizational leaders to talk about an endowment initiative. One-on-one calls are also extremely effective. Individuals, generally from the endowment steering committee who have made the initial gifts to the endowment, are asked to take a friend to lunch and simply tell them about the endowment effort.