A BETTER ASK:
The future of fundraising in an ageing society *Issue paper 2*

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Our society is ageing and changing and this will have a profound effect on UK charities. By 2033 nearly a quarter of the population will be over 65, with the proportion under the age of 16 falling. The population will be increasing ethnically diverse too and these demographic shifts will affect charities' services, staff, volunteers and income[1].

Today, men and women over the age of 50 hold 80% of the nation's wealth, and those over 60 provide more than half of all donations to the voluntary sector. This trend is set to continue and, in decades to come, it is likely that the over 50s will become even more important for voluntary organisations. More donors—some say up to 5 million more—with sizeable disposable incomes and an interest in making a difference represents a rich opportunity for those organisations that get their fundraising 'ask' right.

However, with this increased pool of potential donors comes greater competition for income, time and attention as people find themselves juggling intergenerational demands (such as helping with childcare) or choosing to spend their time and money on further study or new hobbies instead of charity. This new generation of retirees is likely to be more demanding and less loyal than the current generation. For fundraisers, this will present a new challenge and will require them to adapt and innovate.

The Commission on the Voluntary Sector & Ageing was established by NPC and ILC-UK in 2013 to consider future population trends and explore strategically how the sector can best prepare for and adapt to an ageing society over the next 20 years. Our discussion paper *Age of opportunity* put forward a variety of potential, contrasting scenarios for what the charity sector could look like in the future to prompt this thinking and help charities future-proof their activities.

Here we focus on the future of fundraising, drawing on conversations with individual fundraisers and donors across the sector and a roundtable event with charity fundraisers held in June 2014.

A golden opportunity?

Donations from individuals are already an important source of income for the voluntary sector—making up nearly 22% of income in 2011/2012. And this funding is particularly valuable because it tends to be flexible and unrestricted. We know that older people currently give more, so charities could enjoy a funding bonanza as the baby boomers retire with more access to financial resources and even greater potential to give both during their lives and after death.

£8.4bn of voluntary sector income comes from individuals donating.

However, individual giving has not increased significantly in recent years despite the fact that we are living in a period of increasing social need[2]. While the increased potential donor base is a significant opportunity, fundraisers will also need to bear in mind the pressures that the older donors of the future will face in terms of tailing-off defined-benefit pensions, increased spending on health and care, plus the need to provide financial support to help younger generations. Many donors may end up being 'asset-rich but cash-poor'.

Voluntary organisations cannot afford to simply sit back and assume that the donations will flood in as the population ages. Indeed, a serious rethink is needed in order to ensure that fundraising efforts continue to yield results in the future. Private donations generally mean unrestricted income and a better chance of planning for the long-term, so there is a big incentive to get this right. And no charity can afford to be left behind.

[1] Demographic stats from our *Age of opportunity* discussion paper. All sources included in this report.

[2] Piketty, T. (2014) *Capital in the Twenty-First Century*. Harvard University Press.

More demanding, less deferential

The pre-War, pre-welfare state generation who currently donate to charity through a sense of duty are beginning to give way to the next generation—the baby boomers. This group is, on the whole, better educated, and many will be healthier and wealthier too. Growing up as they did in a time of dramatic social change, and many with years of activism under their belts, this is a less deferential group.

This means that donors are likely to want a more engaged relationship with the organisations they donate to in the future. Already nearly half of all donors also volunteer, and this trend is likely to continue. Charities will need to develop stronger links between fundraising and volunteering programmes and offer a mix of giving, volunteering and social activity. The future over 65s will also have different attitudes and expectations about their quality of life and leisure time in older age. Older donors will become more demanding and discriminating, and will have greater choice over how they spend their hard-earned money and free time. That means fundraisers will need to work harder to secure their donations of time and money.

'They demand to make a difference… and will be eager to be involved with something great'

Reciprocity and values

The blurring of lines between donor, volunteer and beneficiary is a trend that is set to continue. Coupled with more demanding consumer behaviour, the donors of 2033 are likely to expect something in return for their support. This is linked to the concept of 'values-exchange', where donors will increasingly seek organisations which they feel share their values and priorities. For example, donors who see themselves as 'change warriors' will bring a clear vision of what they want to achieve through their donations and, in turn, will be more discerning both about what they fund and the difference their cash makes.

This all suggests that bigger donations, made less frequently or in a more *ad hoc* way, and more project-focused funding will become the norm, replacing some of the regular donations that many organisations currently rely on. A fundraiser at our roundtable shared her experience of this: 75% of her charity's donors direct their donations to a specific project or campaign, rather than into the general (very well-known) donation pot. For many voluntary organisations, this will mean that managing cash flow and finding ways to cover their core costs will become a particular focus.

'Activist philanthropy' and 'mini-philanthropy' will require a change in mind-set for voluntary organisation, which will need to replace the traditional 'you give, we get' fundraising mantra with a more tailored approach. This will involve investing in new ways of retaining and developing donors. Fundraising departments will need to start seeing themselves as providing a service to ensure that donors 'feel great about giving'. And, among other things, it will be important to find new ways to recognise donors and engage them emotionally through timely updates and feedback.

New favourite causes

Another possible trend is that donors become focused on a cause or issue, rather than specific organisations. This may require organisations to take a more collaborative approach to fundraising, perhaps in a similar way to the Disasters Emergency Committee crisis appeals. Donors will be looking to charities to be efficient and collaborate more, whether in specialist areas of delivery or back office functions.

'More and more, people don't sign up to a charity so much as to an issue'

As the population becomes more ethnically diverse and more geographically spread (and with technology enabling us to become more globally connected), international issues might creep up the list of favourite causes. We might also see support grow for causes linked with ageing, such as visual impairment, cancer, dementia and end of life care. In turn, these shifts could crowd out support for other issues.

The general tendency towards localism and personalisation could also affect how donors make choices and who they choose. Crowd-sourcing and other online technologies increasingly allow smaller charities, local projects and specific short-term initiatives to get off the ground and these are often able to demonstrate easily what they do and so provide tangible returns for donors in a relatively short space of time. This may leave larger national or more established organisations struggling to engage with some donors and unable to prove their impact quickly enough to supporters.

A changing role for the sector

The charity sector's increasingly overlapping role with the public sector and its delivery of statutory services is another trend that could impact on fundraising in the future. Fundraisers told us that older donors currently still see the voluntary sector 'through a very Victorian lens' and struggle to understand than many charities now operate as professional organisations. A variety of criticisms have been thrown at the sector recently about everything from CEO pay to charity campaigning and there are indications that public trust in the sector is far from stable. This underlines the importance of charities making the case for these changing relationships and new areas of work—based on need and demonstrating the benefits to the beneficiaries of the services—and continuing to safeguard public trust in their work for decades to come.

'People want to give to an organisation with an ethos they like, that's run by people giving up their time'

Creating a legacy

The potential of increased legacy giving from the next generations presents another enormous opportunity for fundraisers to tap into in the future. Legacies currently make up just 4% of giving—representing £1.7bn of voluntary sector income in 2011/12—but a number of charities already rely on legacies for a large proportion of their income. However only a small number of wills currently include a legacy to charity, and indeed nearly 60% of people in the UK are estimated not to have a will in place at all. This could change dramatically in the coming decades and fundraisers will need to ensure that theirs is an excellent 'ask' as they will no doubt face fierce competition.

£1.7bn of voluntary sector income comes from legacies.

The recent scrapping of compulsory annuities in pensions in particular, and the growth in more flexible pension arrangements in general, will allow pensioners much more freedom with their retirement savings. And many will not have children to leave these savings to: it is estimated that in 2030 there will be 2 million people over the age of 65 without adult children (although it is worth bearing in mind that these child-free adults may need to spend their funds on their own health and social care provision as they won't have offspring to turn to for care and support.)

'Living legacies'—tax-effective arrangements widely used in the US and Canada to allow people to make significant charitable gifts in their lifetime, not solely through their wills—are another opportunity that might take off in the future and fits with the more active role than the next generation of donors want to take. It's been estimated that the introduction of these living legacies could generate an additional £400m for charity in cash and assets each year. For voluntary organisations, living legacies can mean a guaranteed gift of significant value (or even a regular income or guarantee for a loan, depending on how it is structured). It also means long-lasting, engaging relationships with these donors. In turn, the donors benefit from certainty over future income and the reward of making substantial, transformative gifts to a good cause.

Some work has already been undertaken to encourage greater legacy giving, such as the Growing Giving parliamentary inquiry and Remember a charity initiative, but much more is needed if we are to make leaving a legacy to charity the cultural norm. And fundraisers will need to galvanise the support of policymakers, financial advisors and estate practitioners alike, in order to lay the groundwork for greater take up of 'giving while living' legacies, including through the creation of simple, tax effective vehicles that enable donors to bequeath their funds and their assets to charities.

Leave the ice buckets alone

A key challenge facing charities will be how to engage with the next generation of older donors, while simultaneously appealing to younger donors. The popularity of recent online campaigns like Stephen Sutton's bucket list, #nomakeupselfie and the Ice Bucket Challenge have highlighted the power of social networks and signify a shift in fundraising activity from being organisation-led to donor-led. Although not without controversy about their methods and efficacy, these campaigns have succeeded in reaching new, younger audiences and generating significant income for the organisations involved.

'The Ice Buckets have been a huge turn-off for me'

Some fundraisers have told use they are concerned about perceptions that these types of fundraising challenges alienate older, more established donors. It is hard to predict what viral fundraising campaigns will look like in a few decades' time, but fundraisers will need to watch out for jarring differences in expectation and tone between different age groups.

'If I see one more cancer charity ad showing a young patient, when I know that the vast majority of cancer sufferers are elderly…'

The age gap between staff working as charity fundraisers and the average donor age has been identified as a problem too. A number of commentators have suggested that voluntary organisation broaden their staff pool to get 'fresh perspectives' and ensure that advertising campaigns and marketing materials are targeted appropriately. This conflict of tone and priorities is likely to be heightened as the younger generation feels the differences with older donors more starkly, as they grapple with increased state pension age, student debts and inflated property prices.

Meanwhile, some UK charities have been criticised for focusing too many of their fundraising activities on young people to the exclusion of older donors. Given that the proportion of donations given by those aged under 30 has more than halved since the 1980s, fundraisers may end up working harder to appeal to this group and in the process alienate their most valuable (in income terms) supporters.

What should fundraisers do?

Acquiring donors is costly—the average payback for a regular £5-a-month donor acquired by door-to-door fundraising, television campaigns or mailshots takes two years. And, as a member of our expert panel told us, 'every pound is harder to raise than the previous pound'. Adapting to changing demographics and new donor expectations will have its price too, requiring an investment in trialling and implementing new approaches, and building the relevant skills and capacity among fundraisers. However, this is needed if charities want to ensure that they are able to meet the needs of the donors of tomorrow. Some areas for them to consider include:

- **More sophisticated segmentation and targeting:** targeting donors better will require more advanced databases as well as more tailored methods. This will become important for small charities, as well as large ones which are like to have more resources to invest in fundraising software. On the other hand, the potential of 'Big Data' and the ever-decreasing cost of technology could mean that size is not a barrier and indeed smaller organisations may find it easier to be nimble and embrace new approaches.

- **New methods of donor acquisition and retention:** voluntary organisations will need to come up with new ways to attract donors and to keep them engaged. It is important that they are not seen as intrusive or aggressive. Indeed it is likely that fundraising departments will need to rethink their current reliance on chuggers and on certain types of telephone fundraising and direct mail campaigns, if the escalation of complaints to the Fundraising Standards Board (by almost half in 2013 compared with 2012) is anything to go by. Although it is hard to predict the form that these future methods will take, they are likely to be online and mobile given that even today 54% of adults aged 54-65 own a smartphone. And the focus will need to be on providing an excellent service.

- **New funding vehicles:** whether legacies or social investment, it is likely that we will see the development of new, more flexible ways of supporting charities. And donations of money will go hand-in-hand with volunteering, which in turn will require a more joined up approach between fundraisers and other teams.

- **Standing out from the crowd:** 'It's very easy now to create white noise, particularly through social media,' one commentator told us, 'we have unprecedented access to people. But, people are exercising more choice than ever before, and we need to be cleverer about targeting them.' For example, Friends of the Earth recently sent bee friendly flower seeds in return for a £3 donation, and saw an influx of people who hadn't previously viewed themselves as Friends of the Earth supporters.

'The donor is saying "Make me feel special." It shouldn't be hard.'

- **Greater attention to recognition:** fundraisers are likely to need a greater focus on thanking their supporters and demonstrating the impact of their donations. For example, they will need to think creatively about how to thank those who give on a more *ad hoc* basis or provide one-off but substantial donations such as in their will.

- **More impact please:** similarly, fundraisers will need to get better at reporting back to donors on the difference that donations make. Measuring and then articulating impact—that difference—is already a powerful motivator and it is likely to become more important. NPC's *Money for Good UK* research, for example, found that 62% of those not currently donating to charity said that they would give if they felt that their donations would make a difference.

Conclusions

The baby boomers may be the most prosperous generation we have ever seen, but charities take their generosity for granted at their peril. Indeed, life-long loyalty to an organisation based on a belief that 'they do something good' will probably be a thing of the past, as more demanding consumers become the mainstay of charitable giving. But for those fundraisers that succeed in engaging older donors and tapping into their free time, political motivations and wide-ranging interests, the prize may well be a big one.

Discussion points

- How can we ensure that a young, professionalised fundraising workforce does not alienate its older donors? How do they make sure they get the tone right and that methods, such as on-street fundraising or public challenges, don't put people off?
- How can we change the fundraising mantra of 'You give, we get' towards the more meaningful reciprocal relationship that baby boomer donors may wish to see?
- What will the shift in demographics—ageing as well as ethnic diversity—mean for fundraising for your cause and organisation?
- How can we make leaving a legacy in your will or creating a living legacy the social norm?
- How do we make sure charities take full advantage of the new rules on pensions? What is the role for policymakers and advisors (such as lawyers or independent financial advisors) in supporting this?

What do you think?

We hope that this paper has stimulated thinking about the implications of an ageing demographic on your organisation and its fundraising.

We'd love to get your thoughts and feedback on the future of fundraising or any other topics related to the charity sector and population changes, so get in touch via volsecageing@thinknpc.org or tweet @VolSecAgeing using the hashtag #AgeOpportunity.

Find out more about the work of Commission at www.voluntarysectorageing.org

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