The Market, The Virus, and The Mega Gift

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What we are experiencing today is uncharted territory.

Within two weeks a new, virulent virus has led to deaths, quarantines, and an interruption of our production supply-chain. This then caused historic declines in the stock market and the creation of a bear market. The bear market now produces a concern that it could be followed by 2 quarters of economic decline. In the US, the confluence of a bear market and Covid-19 have produced anxiety which results in prudent caution, prophylactic suspension of public meetings, and social distancing.

Outside of World War II, never have we witnessed the suspension of international travel, professional sports, parades, trade shows, academic classes, business conferences, bars and restaurants. In some cases, panic and self-centered human behavior has led to hoarding and a run on staples in the grocery store, supermarket and drug stores resulting in shortages of sanitizer, vegetables and of all things toilet paper.

How does this impact Philanthropy?

From our perspective there are some lessons we can take from recent history. After the collapse of the stock in 2008 and real estate market in 2009 we witnessed the evaporation of the “mega gift”: those over $50 million.

I recall being in the office of the president of an investment bank on the day the market collapsed in 2008. With respect to our campaign analytics and forecasts, his comment was, “take all your models and assume everyone has lost a third of their value. This collapse is different from the dot com boom. This effects every sector. The market will return, but the psychological impact of the loss means it will take longer for people to accept that they have regained their wealth and make significant philanthropic investments.” He was prophetic. The Mega Gift disappeared.

Examining the underpinnings of philanthropic growth reported in the 2016 Giving USA study we found that the Mega Gift had finally returned. While the economy that year was essentially flat, published gifts of $25 million and more represented $3.7 billion in giving and multi-million-dollar gifts made up 63% of the total growth. That explained the surge and it took six years.

What I recommended at the 2010 Planet Philanthropy Conference was to recognize a new reality: the 95/5 or 90/10 rule was likely to return to the 80/20 or even the 70/30 rule – with a focus on the middle of the gift pyramid. In the short term, we could not rely on the visual construct of an Egyptian Pyramid, we were looking at a Mayan Temple, shorter, wider, and without a peaked top. Major gifts in the $100,000 to $250,000 range and Leadership Annual Gifts of $2,000 per year for five years would take on particular importance. We had to engage more people in the “Middle band” to reach our financial goals and support the mission.

In 2020, people with 401 K’s and heavy investments in the stock market have more money today on paper than they did three years ago. However, the financial impact of falling markets on a retirement portfolio is similar to 2009. A loss is a loss. And the psychological impact of an historic loss that occurred over two weeks is difficult to digest. From a fundraising perspective, we must acknowledge that fact.

It is time to be sensitive to market reality.

This may not be the week to ask someone for mega-millions, even if they serve on your board. For transformational and principal gifts, strategies may have to adjust to focus on the long term – commitments that can be fulfilled within or at the end of 5 years. Philanthropic investors may respond to staged proposals, with an initial request rounded down coupled with consent to return in two years with a second proposal for consideration – essentially splitting the gift in two. Two gifts of $5 million instead of one $10 million proposal. You cannot request what they no longer have…

Today's Covid-19 virus adds another level of severity. Without a vaccine, and with an increased risk to those over 65 (our target major, principal and planned gift audience) prospective donors are less likely to receive "carriers" into their home or office. Their club may be closed. Where do you conduct your face to face meeting? What do you do about your cultivation event? Your campaign kick-off? Or ground-breaking ceremony?

When flights were cancelled after 9-11, we used technology – video conferencing. It was expensive but effective. In the intervening ten years technology has improved, and the cost is lower. Today, you can communicate by phone, by video, and with google glasses provide "virtual engagement" strategies. In addition, you can quarantine for 14 days and certify yourself "contagion free" before meeting in private with your lead donors.

Time, medical innovation, and public restraint will permit the amelioration of the deadly impact of Covid-19. Things will get back to normal. The market returned after "Black Friday" in 1987 and the market returned after 2009. Attention to cleanliness and being careful is good. Working from home will provide a little space to slow the virus. Meanwhile it is time to re-examine, re-adjust, and re-align our giving strategies. Know that campaigns launched during recessions have succeeded. Sensitivity and innovation are partners in this new-world enterprise.

The fundamentals of sound fundraising are the same: focus on mission and vision, identify the passion and priorities of those who understand your work, build trust in leadership, and tell the story. Society still needs philanthropists and our work as catalytic agents.

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