Maintaining Fundraising Success During Times of Economic Uncertainty

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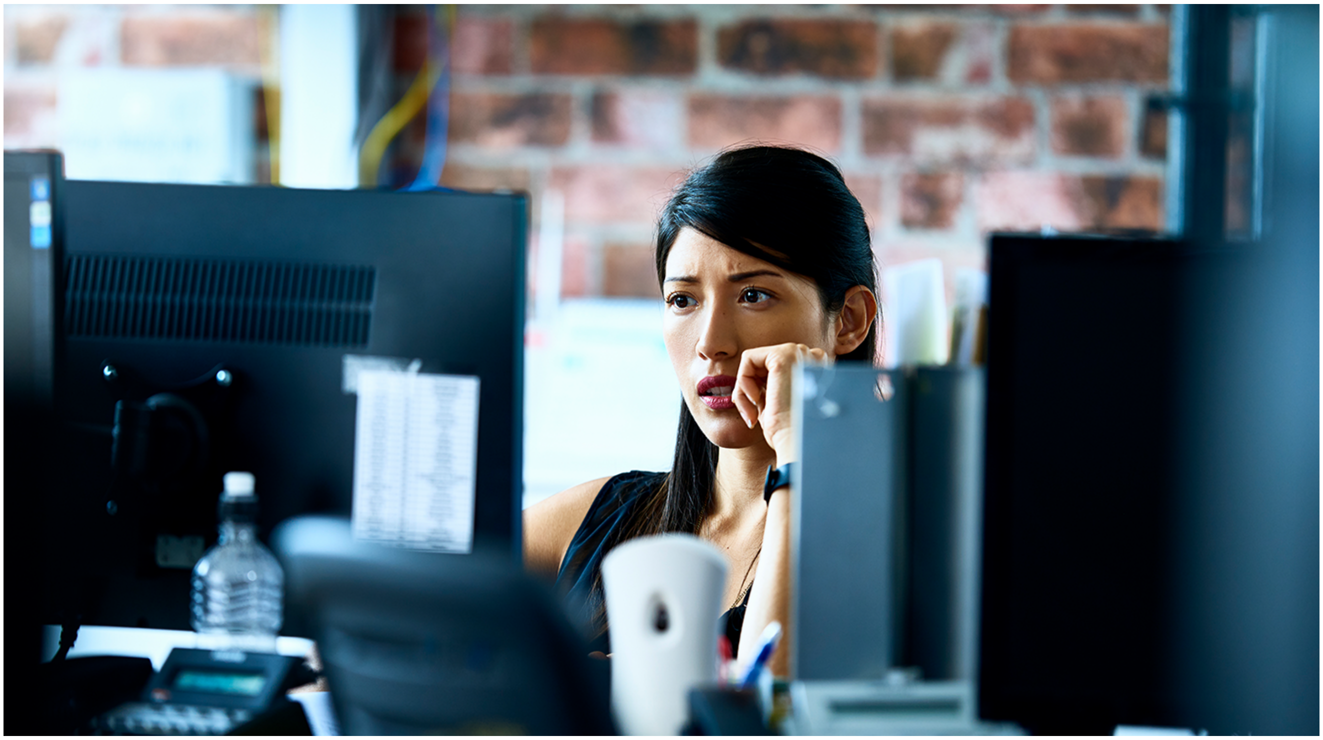

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Nonprofit organizations can take key steps in times of financial volatility to avoid compromising their campaign or delivering on their mission.

At the time of writing of this article, the economy is in a position that seemingly defies classification. Unemployment is low, inflation is up, and the government is taking drastic steps to avoid a recession by raising interest rates and passing the Inflation Reduction Act. While wages have increased, credit card debt is also on the rise. Although hopes that the economy would immediately return to pre-pandemic stability have been hindered, the current economic climate is drastically different from the 2008 crisis, and some indicators are looking more positive. "Unprecedented" seems to be the only universally accepted description of the current market, but where does that leave nonprofit organizations and their fundraising efforts?

While things may seem unpredictable, it is important to remember that economic uncertainty is inevitable. By diversifying funding sources, building meaningful connections with stakeholders, and motivating staff to take on new challenges, nonprofits have the capacity to navigate through difficult times and emerge stronger than ever. Times like these can provide organizations the perfect opportunity to bolster their development practices and strategies.

Nonprofits can take these nine key steps to ensure success during this time of economic uncertainty.

- **Directly Address Uncertainty:** Do not be afraid to reach out to your donors and inform them of the broad challenges that you are facing. You can avoid uncertainty by being honest and clearly illustrating the steps you are taking to navigate them. This applies to staff as well as donors. If your staff is uncertain about how you plan on moving forward, they will not be able to convey confidence to the stakeholders they engage with. Importantly, if you have a special role to play in relieving thecurrent economic situation, make sure your staff and stakeholders understand it perfectly.
- **Emphasize Impact:** Do not make mere “survival” the rationale for gift solicitations. Clearly articulate the impact of gifts both now and in the long term and communicate how necessary they are for your organization to fulfill its mission. Your strongest supporters will continue to be most interested in hearing why their gifts matter and the difference their personal philanthropy can make to your organization’s mission and purpose.
- **Be Flexible with Gift Options:** Stakeholders may not be able to donate with an immediate cash gift, but still want to support your organization. Offer the possibility of deferring their gifts or extending the timeline of their planned contributions. Consider structuring pledges in a way that lets the annual gift amount increase over time, rather than remaining static over several years. If a donor is hesitant about their ability to fulfill their commitment, work with them to find a more sustainable giving plan.
- **Pursue Support from Foundations and Donor Advised Funds:** Foundations and Donor Advised Funds are made up of dollars that have already been earmarked for philanthropy and are waiting for an inspirational opportunity to be granted to a nonprofit. These sources, particularly those who practice asset averaging, may be in a better position to offer support than individual givers. In 2021, giving by foundations grew by 3.4%, and giving to foundations increased by 9.3%. Although their funds can also be subject to economic and market volatility, these issues are not the same as individuals who need to pay bills and save for retirement or corporations that need to pay staff and monitor margin pressures. Incorporating these funding sources into your pipeline will provide temporary relief and long-term sustainability.
- **Don’t Cancel Fundraising Plans:** Making practical changes to your campaign yields higher ROI than cancelling plans entirely. If necessary, extending the length of your campaign, reconfiguring special initiatives for shifting budgets, and expressing empathy in your messaging are reliable ways to maintain your goals.

- **Evaluate Specific Economic Segments:** Avoid basing your actions on broad economic evaluations and focus on understanding the unique relationship between a donor's charitable assets and current market trends. The performance of the VIX Index – a real-time market calculation that represents expectations for volatility over the next 30 days – is likely to relate to willingness to contribute from donor advised funds. Supply chain issues are likely to correspond to in-kind donation capacity. Inflation tends to have more of an impact on annual donors versus high-net-worth individuals. Focus your solicitation strategy on the most appropriate segments of your donor pipeline.
- **Differentiate Expectations:** Donors are likely still eager to help how they can, but their capacity may have shifted. Remain optimistic about high-level prospective donors while recognizing that some mid-level donations may plateau or decline.
- **Avoid Blanket Assumptions**: Do as much as you can to gain actionable information from donors rather than arrive at your own conclusions. Not everyone will be impacted in the same way by financial volatility, and one donor's situation may be vastly different than another's. Give your supporters the opportunity to tell you, directly and in their own words, about their own unique circumstances and goals.
- **Leverage Historical Trends:** While the current economic climate is unique, periods of market instability are not uncommon. Examine how your organization, or similar ones, responded to the 2008 financial crisis or the early days of the COVID-19 pandemic. Look for examples of success but remember that mistakes can be just as informative.

If the past three years have given us any lasting lessons for philanthropy, it is to expect the unexpected. While the important steps defined here were developed with times of financial instability in mind, they can be used in any circumstances when an organization must respond to unforeseen challenges.

Don't wait for surprises to dictate your course of action. Donors, staff, and stakeholders will always appreciate proactivity as opposed to reactivity. Don't let your supporters make philanthropic decisions based on speculation or market trends alone. As early and as frequently as possible, approach them with data, empathy, and clarity.