Jeff Lydenberg - Wed, 5/18/2016 - 00:00

The challenge grant has been a cornerstone of fundraising for major and annual gifts for many years. Typically challenge grants are structured so that a foundation (or other grant maker) makes a gift to charity upon the charity raising an agreed upon amount of money. Challenge grants have helped nonprofits raise money for capital campaigns and meet other fundraising goals. The challenge grant familiar to most is the program sponsored by the Kresge Foundation. If you have been in fundraising very long, you have probably heard about a Kresge challenge. While the Kresge Foundation is more focused on strategic philanthropy today, it still uses challenge grants to help charities meet their fundraising goals. Likewise, many foundations and corporations host matching gift programs that will provide funding for each dollar raised by the charity from other sources.

Donors seem to like challenge grants and matching gift programs. If a high profile foundation partners with a charity to provide a challenge grant or matching program, it increases the perception of the charity as stable and trustworthy. (If the Kresge Foundation is willing to support this organization, the charity will probably be good stewards of my money.) Donors also seem to like the leverage that a challenge or matching gift program offers so they feel like they are making their gift go further.

**Challenge and Matching Gifts in Planned Giving**

Primarily a creature of major or annual gift fundraising, challenge and matching programs are starting to become popular in planned giving. The same general concepts applicable to outright challenge and matching programs apply to planned giving matches and challenges.

Planned giving campaigns typically take the form of a match. A matching donor makes an outright gift for every qualifying planned gift commitment. However, the matching donor might also increase the size of their legacy gift for every identified planned giving commitment.

Planning for a legacy challenge campaign has three elements that must be dealt with before launching the campaign:

1. The non-profit must identify a major donor to underwrite the match and agree upon the terms of the match.
2. The campaign should be time limited, so the term of the campaign should be established.
3. The campaign must establish criteria to qualify for the match that are fair and transparent to all participants.

**Identifying a Legacy Challenge Donor**

Non-profits that have successfully operated legacy challenge programs have typically identified individuals who are passionate about increasing estate commitments to support the charity. The American Civil Liberties Union has successfully conducted four legacy challenge campaigns. The first three of these were underwritten by an individual. After the death of their matching donor, the ACLU turned to a foundation to provide the matching funds.

The nature of legacy challenges should appeal to donors and foundations interested in building the capacity of the charity to sustain itself. What better way to build ongoing support for the organization than through filling the planned giving pipeline? The terms of the match will need to be negotiated with the donor, or donors. In some cases, the matching gifts are supplied by multiple matching donors.

Some legacy campaigns match qualifying planned giving commitments with an outright gift, without regard to the size or value of the planned gift. Others use a formula to compute the matching gift. For example, the Environmental Defense Fund provided a matching gift equal to 10% of the face value of qualified commitments. A qualifying planned gift funded with $50,000 would generate an outright gift of $5,000 to EDF, up to a maximum matching gift of $10,000 per donor. The UJA-Federation’s matching donor matched planned gifts with a 10% contribution to the annual campaign, up to $50,000. Any undisclosed or unknown amounts were matched with a gift of $10,000 to the annual campaign.

Other organizations, like the International Rescue Committee had donors that provided a challenge in the form of a pledge of a $1 million planned gift if the organization confirmed four other planned gift commitments of at least $1 million each. Other combinations of smaller gifts would qualify, even those that were partially outright and partially in the form of a planned gift.

**Time Limitation**
The greatest obstacle to most planned gift commitments is inertia. People naturally avoid hard conversations. Revising one's estate plan raises issues around family, money, and mortality that most would rather put off. Plus the donor may be putting off the estate planning process because of the cost of fees for legal and accounting professionals.

A reasonable time limitation should also give supporters plenty of time to take action to create a qualifying planned gift. A minimum of one year would give most supporters time to document qualifying commitments. If the campaign is kept open too long, inertia can set in again. If it is a seven-year campaign, why make the gift in the first year of the campaign?

A campaign period that gives time to document planned giving commitments (e.g., one year), gives time to act, but may make some feel rushed. Extending the campaign to two or even three years gives the charity plenty of time to solicit gifts and for the prospects to take action to revise their long-term plans.

**Qualifying a Legacy Challenge Gift**
The terms of what kinds of commitments qualify for the match must be clear to all who are solicited for such gifts. Do revocable and irrevocable commitments both count? Are revocable and irrevocable gifts weighted differently for purposes of the match? Must the donor provide documentation of the commitment, or is notification sufficient to qualify?

Here are some guidelines drawn from the experience of charities that have completed legacy challenges as to what works.

Every organization is different, so these criteria may need modification at your organization. Nevertheless, these are the primary considerations for launching a legacy match or challenge.

**Marketing the Legacy Challenge**
Creating a multi-channel marketing plan to sustain the visibility and urgency of the challenge is the key to success. Brand the challenge with new print, web, and electronic communications. Have a landing page on the charity website. Develop a marketing calendar and keep all staff informed when communications will be sent. Train staff having donor contact to be able to discuss the challenge. Have testimonials from donors who have been motivated to action.

Launch the challenge at a high profile event, preferably with the funder in attendance. Show that leadership of the organization is fully participating with their own estate commitments. Look for all opportunities to mention the challenge at organization programs. Provide periodic progress updates. Maintain a level of excitement and urgency using all communication channels.

**The Benefits of a Legacy Challenge**

You may have heard colleagues say, “If you can’t raise money, then ask for a planned gift.”  It is no small accomplishment that a legacy challenge generates current cash for the sponsoring charity.  Comments that undermine the importance of planned giving are unfair and reduce the credibility of planned giving.  A planned giving challenge raises the visibility of planned giving at the charity.  A significant benefit of the legacy challenge is that it provides data that will allow you to quantify the pipeline of future gifts that are often so hard to value.  A campaign could give planned giving a chance to accurately quantify the return on investment in the program.

A legacy challenge packages planned giving in a way that makes it easy for all development staff and volunteer leadership to talk about.  A common concern among non-planned giving professionals is they don’t know how to bring it up.  They fear the conversation will lead to discussions of death, taxes, and raise questions they aren’t prepared to answer.

The volunteer can say, “We are conducting a campaign that will raise both current and future support for our organization.  You can participate in this effort without making a gift for years to come.  Let me tell you how it works.”  Or the trustee or major gift officer can say, “I’ll have my colleague get in touch with you to talk about how you can be a part of this exciting program.”

**What’s in it for Your Charity?**

At the ACLU, during its first legacy challenge campaign, new gift intentions increased from $20 million to $50 million per year.  They saw a return of $30 in planned gifts for every dollar invested in running the legacy challenge.  The Environmental Defense Fund received 130 new bequest intentions, which is three times their average notifications.  EDF had 20 donors that increased the amount of existing commitments and the average amount of the intentions more than doubled from $25,000 to $66,000. In addition, EDF received outright gifts totaling $440,000 from the matching donor.

The legacy challenge is a unique opportunity for charities to address the inertia often shown by prospective planned giving donors in finalizing their planned gifts. The excitement and urgency created by the challenge moves donors to action – and fills the charity’s bequest pipeline.

1. Revocable bequests and beneficiary designations qualify for the match but should include a specific dollar amount, or an estimate of the value of percentage gifts.
2. All irrevocable life income gifts qualify at face value.
3. Estate gifts subject to contingencies or gifts that will occur only on the death of a second donor are considered qualified on a case by case basis. (Consider the terms of the contingency, the ages of the donors, and the relative likelihood that the planned gift will be realized.)
4. Qualifying gifts must be reported to the charity on an application form that includes:
    1. Donor name
    2. Date of birth
    3. Type of planned gift
    4. Face amount of specific gifts or a dollar estimate of the value of percentage commitments
    5. Date the gift was completed
    6. A copy of relevant sections of the will, living trust, beneficiary designation or other instrument documenting the donors intentions

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