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It's Time to Embrace Stock Gifting. Here's Why and How

By Steve Latham, Co-founder and CEO, DonateStock, Inc.



Charitable stock gifting's time has come and now it's easier than ever to make it a core part of your fundraising program. Here are the what, why and how of stock gifting that will help you diversify and expand your fundraising program.

Stock Gifting 101: unlocking \$100 billion in new funding

For decades charitable stock gifting has been overlooked and underutilized as a source of funding for nonprofits of all sizes. While stock gifting represents \$100 billion in potential annual funding, it is largely untapped for several reasons:

1. Few donors are aware of the benefits of donating stock—namely the ability to avoid capital gains tax on the appreciated stock

while maximizing the value the deduction. To date, stock gifting has been one of the best kept secrets in personal finance.

2. Only larger nonprofits with brokerage accounts could receive stock gifts. To receive stock, your organization needs a brokerage account. As we've seen firsthand, it is increasingly difficult to establish a brokerage account if your organization does not have significant assets.
3. Painstaking process: to donate stock without the help of a financial advisor, donors must contact the nonprofit to research the process and gather information their broker will require. In some cases the nonprofit requires the donor to complete a form. The donor must then contact their brokerage to find out how to execute a charitable stock transfer.

They will then be asked to download, print and complete an authorization form, and to return it in person, via fax and/or in some cases via secure upload. The archaic process is major deterrent—for many it's simply too much work.

4. Lack of transparency: when stock is transferred from the donor to the nonprofit's account, the donor's information does not accompany the stock. Unless the donor provides the details of their stock gift (which stock, how many shares and when it took place), there is no way for the receiving nonprofit to know whose stock they received.
5. Poor donor experience: For donors, stock gifting has historically been a very unpleasant experience. Beyond the painstaking process of making the gift, the lack of acknowledgement from the nonprofit is also deflating. Donors naturally assume that the nonprofit will know who donated stock; when they don't hear back (due to lack of transparency above) they may feel unappreciated or even irritated. This does not bode well for future giving.
6. Administrative burden: even if you know the identity of the stock donor, the process of selling stock, transferring funds, reconciling gifts and sending donation authorizations is a costly, manually intensive process. For these reasons it has been difficult to scale.

For these reasons, stock gifting has been largely untapped. Excluding Donor Advised Funds (used primarily by the wealthiest 1%), less than 0.5% of U.S. households donate stock. Sadly, billions in potential funding for nonprofits go unrealized every year.

The good news is that everything is changing!

Innovative new solutions—such as [Donatestock.com](https://www.donatestock.com), a fintech platform that automates the process of initiating and receiving stock gifts,

have made stock gifting accessible and easy for every donor and nonprofit. Here is a summary of what is new:

1. Receiving stock gifts is no longer restricted to nonprofits with brokerage accounts.¹ By using a 3rd party to process stock gifts and distribute cash, smaller nonprofits can solicit and receive stock gifts.
2. The donor experience is dramatically better. What used to take hours can now be done in minutes—[Donatestock.com](https://www.donatestock.com) has made stock gifting fast, safe and free for donors. With email notification and dashboard reporting, donors have visibility into the process of each stock gift. A much more enjoyable process may lead to subsequent donations and larger gifts in the future.
3. The nonprofit experience is also much better. No longer must you explain the stock gifting process to every donor, nor do you need to post your brokerage account and DTC number on your website (which by the way is highly discouraged). Just direct donors to your stock gifting page and the rest is fast and easy.
4. Transparency and data to ease reconciliations. Gone are the days of wondering whose stock was donated. Nonprofits are now notified when each donation is made and completed. The details of each gift and donor are at your fingertips. This makes reconciliation a breeze for those who want to do it in-house. For those who are under-staffed, [Donatestock.com](https://www.donatestock.com) can also process reconciliations and donor acknowledgement letters.

Up to now, the archaic process and lack of transparency made it difficult for nonprofits to scale stock gifting programs. With manual handling, reconciling and reporting, most struggled to process more than a handful of stock gifts efficiently. But now that dashboard reporting, notifications, donor education, stock

CASE STUDY

Chapman Partnership

Chapman Partnership of Miami, FL provides health care and support to homeless individuals and families. Over the past 25 years, Chapman has served more than 126,000 homeless individuals.

in 2021 Chapman realized the need to embrace change and seek new sources of funding. Appreciated stock emerged as a large untapped opportunity, allowing donors a new way to give that offered advantages for them and the partnership. The CEO and head of development worked in concert to educate the board and seek alignment to support a partnership with DonateStock. In their words, the turnkey onboarding, ease of use and live support was instrumental in providing confidence to start soliciting stock gifts in late 2021. In just 60 days, Chapman realized more than \$100,000 in stock grants from new and existing supporters.

“We had to pivot quickly to virtual events and digital communications to sustain engagement in a post COVID environment. Taking an integrated approach to giving opportunities was necessary and an important part in fulfilling our mission. One of those approaches was starting a stock gifting program with DonateStock.”

— Symeria Hudson - President & CEO, Chapman Partnership

gifting is set to scale as an easy proposition for non-profits of all sizes.

The opportunity is tremendous. Most are aware that pre-tax stock gifts are generally much larger than after-tax cash gifts. Moreover, U.S. Households (45+) have \$7 in their investment portfolio for every \$1 in the bank. Stock is where the money is.

If each investor donated \$1,600 in appreciated stock, \$100 billion would flow to nonprofits each year. Stock has the potential to grow the \$400 billion individual giving market by 25%.

Keys to Success

Here are some proven keys to successfully launching and/or growing your stock gifting program.

1. Get informed: rather than spend hours researching articles on stock gifting, Donatestock.com has condensed everything you need in the [Ultimate Guide to Stock Gifting](#)
2. Educate your board and your team on the need and/or opportunity to make stock gifting a key part of your fundraising program.
3. Optimize your “Donate Now” pages and make “Other ways to give” highly visible to donors.
4. Add a snippet of content to educate donors on the unparalleled benefits of donating appreciated stock (provided by Donatestock.com) to every client).
5. Ask your board to make a stock gift. Most directors have investment accounts – ask them to experience the process themselves and provide a quote you can use to promote to your donors.

6. Make it newsworthy: Issue a press release that you can now receive tax-advantaged stock gifts. Include a quote from a board member about how easy it was to give smarter via stock.
7. Email your donors: Educate them on the benefits and ease of donating stock, and how they can have greater impact by making a pre-tax gift. Changing behavior takes time so start now and maintain consistent messaging throughout the year
8. Make it social: Include stock gifting in your social media posts, newsletters and web communications.
9. Integrate stock gifting language in all communications: newsletters, brochures, onesheets, emails, donation requests, pledge fulfillments, etc.

In closing, the time to unlock stock gifting has arrived and the prize is huge. Take time now to incorporate stock gifting into your development program—it's a small investment of time that will pay massive dividends for years to come. ■

Steve Latham, co-founder and Chief Executive Officer of DonateStock, Inc.

A tech entrepreneur and Harvard MBA, Steve spent the last 25 years in finance, digital marketing, and advanced analytics. Before founding DonateStock in 2020, Steve launched and grew two digital marketing technology companies and 2 nonprofits. Steve has been a contributing author and thought leader in the marketing and financial services industries and is a lifelong supporter, fundraiser, and volunteer for many worthy causes.

Footnotes

- 1 *Any tax-exempt nonprofit can now receive stock gifts through DonateStock Charitable, a 501c3 that converts charitable stock gifts to cash for nonprofits.*



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The background of the banner features a night-time photograph of the Chicago skyline, with several skyscrapers illuminated against a dark blue sky. A large white arrow graphic points from the left towards the center of the banner.