Mutually Assured Survival: Library Fund-raising Strategies in a Changing Economy

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Abstract

This essay examines the current international economic disruption and its effect upon the scholarly and academic community, an effect that is exacerbated by what appears to be a fundamental shift in donor philosophy. Taken together, these factors are forcing academic and cultural institutions to reevaluate traditional areas of support in light of broader societal pressures. The implications for research libraries, including their special collections departments, are profound, and much of this essay is devoted to strategies for coping with an unfamiliar and competitive fund-raising environment. The approach is to stress the need for librarians, including those in special collections, to develop a long-term vision and strategy based upon a flexible working knowledge of the evolving goals and mission of the parent library and institution. Additionally, the essay emphasizes the necessity for understanding the broader philanthropic environment and the tools required to exploit philanthropic opportunity, from planned giving and investment vehicles to donor-advised giving instruments.

Introduction

Traditionally, academic libraries in general, and special collections libraries in particular, have derived their operating budgets from a combination of sources. Operating budgets are the cumulative result of funds provided from tuition revenues, university allocations, endowment income, and monies raised annually from a variety of sources including individual donor contributions in the form of cash gifts, gifts-in-kind, and bequests; and grants made by corporate and philanthropic foundations and govern-

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mental granting agencies. The recent economic downturn, with its far-reaching effects on the for-profit, nonprofit, and governmental sectors of the American economy, has imperiled each of these sources, threatening the continued flow of financial support into academic libraries and endangering the future growth of their collections.

In addition to pursuing development initiatives in support of their own programs, special collections libraries have long provided leverage for larger institutional fund-raising efforts by providing exhibitions, private viewings of their most prized collections, behind-the-scenes tours, limited edition publications, and exclusive venues for dazzling receptions, dinners, and gala events all designed to impress and entice donors. The public relations aspect of special collections librarianship, always an important component of the work, will not diminish as fund-raising becomes increasingly competitive. In fact, the opposite is likely to be true.

For better or worse, special collections libraries are perceived as possessing an element of glamour and exclusivity shared by museums but missing from general research libraries. The one-of-a-kind aspect that attaches to special collections along with the well-publicized prices of many acquisitions, the rarefied atmosphere of auction houses, and the members of the literati and glitterati so often associated with museum culture combine to obscure the support given to research and teaching, the sometimes back-breaking work of acquisitions, and the many quotidian tasks that comprise the daily reality of the jobs along with the rigorous intellectual preparation that the profession demands. Nevertheless, maintaining this glamorous façade will be important as library and institutional fund-raising enters an environment of foreshortened expectations. As special collections librarians and institutional development officers work harder and longer for every dollar raised, dependency on the public personae of special collections librarians, their work, and their workplaces will increase.

Working alone or in tandem with their development officers to generate income for their own collections or for the larger institutions in which they reside, special collections librarians can take preemptive measures to shore up current or anticipated fund-raising shortfalls caused by prevailing economic conditions. Their ability to respond to these circumstances will require the creation and implementation of long-term strategies designed to mitigate the effects of an unfavorable economy. Successful implementation of such strategies will depend to a great extent upon three things: the ways in which the market economy affects the nonprofit sector; an understanding of the changes in the philanthropic environment brought about by the market economy; and a working knowledge of the latest investment strategies and giving instruments available to and used by private, corporate, and foundation donors.

How the Current Market Economy Affects Philanthropic Giving and Receiving

Citing data collected by the *Christian Science Monitor,* the *Philanthropy News Digest* observed recently, "a shaky economy and plunging stock values have caused organizations and individuals to scale back charitable donations across the country, prompting nonprofits to find new ways to raise funds to further their missions" (Foundation Center, 2002b). This observation encapsulates the fallout experienced by the economic recession begun nearly two years ago and accelerated in the aftermath of the September 11th tragedies. Among the many newspaper stories documenting the recent decline in charitable giving, the *New York Times* reported on the impact curtailed giving is having on some cultural organizations,

> Shriveling endowments and a new wave of philanthropic thriftiness have compelled many organizations to lay off workers, to leave staff positions unfilled, and to tell grant seekers not to bother. (Strom, 2002b, p. A27)

Tamar C. Podell, vice president for planning and development at Lincoln Center, Inc., qualified the situation further by noting the three distinct ways in which giving will be impacted by current and anticipated future economic conditions:

> The economy is soft, which means reduced earnings, which translates into concerns about corporate giving. Then there is the stock market decline, which we fear might have a negative effect on year-end giving by individual donors, and finally, the foundation support that we have come to greatly appreciate is most likely going to be reduced. (Strom, 2002b, p. A27)

Another New York City fund-raiser, referring to the recent inability of certain individual donors to fulfill pledge commitments, framed the situation this way: "Tack a list of dot-coms, telcos, venture capital firms, financial services companies, and tech companies to a wall and throw a dart. I guarantee you'll find an executive that can't live up to a commitment he made to an institution" (Strom, 2002b, p. A27).

According to the *Chronicle of Higher Education,*

> Efforts to raise money lagged in the immediate aftermath of September 11, as some institutions stopped fund-raising altogether or did not solicit from donors in the New York or Washington areas, sometimes for months. Then, late in the fiscal year, the stock market slide began, imperiling the relative wealth of donors. (Van Der Werf et al., 2002, p. A27)

These events delivered a veritable one-two punch to academic and cultural fund-raising, severely curtailing the immediate flow of revenue and dramatically altering long-range fund-raising plans designed to meet future goals and priorities.

It is important to remember, however, that the current philanthropic slowdown began not with the events of September 11th, but with the widespread Internet business failures setting this most recent recession in motion, followed by volatility of the capital markets, a sharp drop in corporate profits, and slower growth of personal income. When adjusted for inflation, data show that charitable giving in 2001 declined by some 2.3 percent over the previous year, a trend that has continued throughout 2002. According to American Association of Fundraising Council (AAFRC) Trust for Philanthropy chair Leo P. Arnoult, charitable giving "fits the pattern we have seen during previous recessions. In six of the eight recession years since 1971, giving dropped by one to five percent when adjusted for inflation" (Pulley, 2002a, p. A27).

Support for all charitable causes, including education and related initiatives, fell in 2001 when adjusted for inflation. Similarly, gifts from living individuals, which account for nearly three-fourths of all giving, declined by 1.7 percent when adjusted for inflation. The *Giving USA* report informs that estimated corporate giving suffered the steepest drop, declining 12.1 percent, to $9.1 billion, an inflation-adjusted decline of 14.5 percent (Pulley, 2002a, p. A27).

In contrast to corporate giving, foundation grants grew by 5.4 percent in 2001, to an estimated $25.9 billion, an inflation-adjusted increase of 2.5 percent. The *Foundation Yearbook*'s extended analysis of estimated foundation giving in 2001 suggests, however, that a weak recovery from the nation's first recession in ten years, along with two years of declining equity values, will mean, at best, no increase in foundation giving for 2002. This prediction is borne out by advance warnings ranging from giant foundations such as the Ford and Gates foundations to local community foundations across the country (Foundation Center, 2002a).

Just as the recession has impacted the fortunes of private donors and philanthropic foundations and their generosity, so too has it affected the financial health and well-being of universities and their endowments. The *New York Times* reports, "the investment losses incurred in this recession mark the first time since the early 1970s that universities have lost money on the endowment investments two years in a row" (Zernike, 2002, pp. A1–24). According to the National Association of College and University Business Officers, universities lost an average of 3.6 percent on their investments in the fiscal year ending in June 2001 (Zernike, 2002, pp. A1–24). Public and private universities have been similarly wounded, but private universities have absorbed a greater impact because they depend on their endowments for a greater share of their budget than do public universities (Zernike, 2002, pp. A1–24). Programmatically, the repercussions have ranged from serious to catastrophic, with hiring freezes, layoffs, and postponed or cancelled building projects that would have resulted in additional classrooms, laboratories, dormitories, and medical facilities. Ironically, the budgetary shortfalls caused by losses in anticipated endowment income have increased institutional dependency on the largesse of philanthropists who have sustained similar investment losses since the recession began.

This recent economic volatility may well emerge as a continuing factor in twenty-first-century fund-raising. With widespread corporate retrenchment taking place throughout American industry, the near- and long-term economic forecasts do not bode well for corporate and family philanthropic foundations and individual investors who habitually contribute a percentage of their incomes to nonprofit organizations. The fallout from declining corporate revenues and individual investment income will mean, at the end of the day, that development officers raising funds on behalf of nonprofit institutions, including special collections librarians endeavoring to maintain the flow of philanthropic dollars into their libraries, will have to work harder and longer, and live with more disappointment than usual, to sustain their funding bases.

As special collections librarians and their development officers spend increasingly larger amounts of time raising funds, the opportunity cost associated with this activity will increase, making fund-raising a more expensive organizational proposition than ever before. Every hour a special collections librarian spends raising money instead of performing collections-based tasks, the cost of that hour is known as the "opportunity cost," or the cost associated with the activity, in this case, fund-raising. If in the current economy a librarian has to spend twice as many hours raising amounts similar to those prior to the economic downturn, the opportunity cost of raising that money will double.

Changes in the Philanthropic Environment

For development officers and others involved in fund-raising and portfolio management for cultural and educational institutions, the severity of these economic repercussions has been compounded by recent shifts in the funding priorities of corporate, foundation, and private philanthropists away from higher education and cultural initiatives. Educational and cultural institutions dependent upon financial support from philanthropic agencies have been left scrambling to reformulate not only fund-raising priorities but also strategies that heretofore yielded lucrative results from individual and corporate donors.

Higher education, particularly the liberal arts, has been disproportionately affected by this new economic reality. The *Chronicle of Higher Education* notes,

> During the downturn, some budget items, predictably, have received the lion's share of attention: faculty salaries, tuition rates, and construction spending. But the budget items that support intellectual life are much smaller and much more vulnerable, so many academics believe they will not be able to bounce back when the economy recovers. (Smallwood, 2002, pp. A10–13)

As the principal support of intellectual life on most university campuses, academic libraries fall into this category. The fear of never regaining lost financial ground is palpable. Penn State English professor Michael Bérubé notes, "Imagine that flush times return in 2006. I can't believe any state legislator will be saying, 'OK, now let's pour money back into the library.' That's not going to happen" (Smallwood, 2002, pp. A10–13).

Compounding the decelerating pace of philanthropic giving is the geopolitical instability that has unfolded in the months since September 11th, capturing the attention of many philanthropic organizations. More than a few organizations have opted to focus their diminished financial resources on issues pertaining to nation-building and world health crises, assigning a lower priority to their largesse on behalf of education and culture. Simply put, at this particular juncture, corporate and foundation philanthropists have less money to give away largely due to an economic recession. The bulk of philanthropic resources available for distribution are subsidizing humanitarian relief. For many philanthropic organizations, the problems of historic and cultural preservation pale in comparison to the gut-wrenching needs of starving children, land mine victims, the Third World AIDS pandemic, and human rights abuses.

Acknowledgment by grant makers that the problems faced by higher education are not as compelling as they once were is a serious blow to fundraising in the educational and cultural venues. Elementary and secondary education, early-childhood education, early-childhood development, and health and medical programs are competing successfully with higher education for foundation funding, as evidenced by the Atlantic Philanthropies' announcement in early 2002 that it was abandoning its higher education programs, which had accounted for 60 percent of its grants. Atlantic announced that it would shift the focus of its philanthropy to issues of disadvantaged children, aging, and biomedical research and public health. Atlantic's president, John R. Healy, said of his foundation's new philosophy, "We expect to reduce our investment in higher education and generally in nonprofit sector research in the U.S." (Pulley, 2002c, p. A28).

Atlantic Philanthropies' shift mirrors similar transitions in other philanthropic organizations that are redirecting resources away from higher education toward other areas of the nonprofit sector. The Pew Charitable Trusts has, according to Susan A. Urahn, Pew's director of education, narrowed its focus in higher education to concentrate on issues of early education. Objecting to any characterizations of Pew's altered practices as a shift, Urahn calls it a "trimming." Gail C. Levin, executive director of the Annenberg Foundation remarked, "There was a concern that not enough was being done to strengthen public elementary and secondary education. There has been a heightened awareness of the great need in those K–12 years." Deborah J. Wilds, a program officer at the Bill and Melinda Gates Foundation said, "I think many foundations are trying to focus on the areas that they see as having the greatest needs and the greatest problems. That has tended to be, increasingly, K–12 education" (Pulley, 2002c, p. A28).

In a climate of diminished philanthropy driven by changes in focus by foundations, corporations, and individual donors, universities increasingly are strategically redirecting their fund-raising initiatives. This may mean repackaging traditional and ongoing needs in order to adjust to contemporary giving trends or, more radically, shifting institutional priorities significantly so that they will have greater appeal to external imperatives. For universities, this often means demonstrating and emphasizing the positive role they play in society at large, for example, creating links to K–12 education, national health issues, or sharing resources via the Internet. Suffering by contrast are funding initiatives that are perceived as emphasizing "thing over people" or areas of teaching and research that appeal, or seem to appeal, only to a limited number of scholars or to have no "practical" benefit. The humanities, perhaps, are at a greater disadvantage in this regard than either the sciences or the social sciences in that the humanities often are associated in the public mind with elite cultural expression, distant historical subjects, or artistic endeavors that are of less urgent consequence in hard economic times than are issues of world hunger, AIDS and cancer research, or explosive global politics.

The Need for a Long-Term Fund-raising Vision

While desperate times traditionally call for desperate measures, traditional tactics such as the wholesale cancellation of important but expensive serial titles and other similarly dramatic gestures taken to mitigate rising acquisitions costs will not by themselves stanch the bleeding that research libraries are currently experiencing. Neither will piecemeal nor opportunistic fund-raising efforts mounted in support of stand-alone projects, nor those that capitalize on the whims of individual donors. The long-term survival of research library collections, programs, and services will necessitate comprehensive strategies that include not only voluntary and involuntary belt-tightening, but also a philanthropic vision that resembles a personal investment strategy as much as it does an institutional fund-raising plan.

The vision that will protect library collections and services from erosion is one that grows its funding bases through careful planning, fund management, and diversification. Just as shrewd investors build and maintain diversified investment portfolios, never depending on a single investment for both growth and income, so should a library's fund-raising plan strive for similar diversification. No fund-raising strategy should ever depend exclusively upon one or even a few select donors to achieve fund-raising goals.

This long-term vision is likewise predicated on librarians and their development officers becoming more conversant with the nonprofit sector and the philanthropic environment in which their organizations attempt to raise money. It is also dependent on the ability to take the long view. The creation and implementation of long-term rather than immediate fund-raising objectives holds the key to institutional solvency and survival.

In order to devise long-term effective fund-raising strategies it is now incumbent upon librarians to acquire financial skills and political aptitude by submerging themselves in areas of expertise that were previously thought to reside outside their spheres of interest or influence. Librarians must understand why the fortunes of the nonprofit sector are linked to those of the government and corporate sectors, and how their own institutional fortunes are thus affected. Awareness that the realities of a market economy can and do influence the nonprofit sector in ways that eventually impinge upon philanthropists and their support of educational and cultural institutions, including libraries, is a first step to understanding the need for long-term strategies.

It is essential for librarians to learn that they can influence philanthropic behavior the same way development officers do by matching programmatic needs to the categories that most frequently attract external financial support. But in order to be successful, librarians wishing to become fund-raisers must build up their knowledge base and become as comfortable discussing investment strategies, market fluctuations, and nonprofit management as they are explaining the intricacies of electronic databases. Additionally, they must be able to approach donor constituency building in a comprehensive manner that simultaneously connects their organizational missions to public relations campaigns while relating the philanthropic community's interest and financial resources to their libraries through fund-raising. Finally, they must be able to capture the attention of potential donors and philanthropists at a time when competition for the diminished philanthropic dollar is stronger than ever. Whether they realize it or not, librarians have the capacity to persuade donors to make long-term investments in their programs in the same ways that investment counselors advise clients on matters of personal finance. In short, librarians must learn to think like entrepreneurs and strategists, like investment bankers with one eye on the bottom line and the other on the horizon.

Building Up a Knowledge Base

A substantial body of literature devoted to the practical aspects of library development has accrued in recent years. Donor prospect identification and cultivation, major gift solicitation and stewardship, friends programs, events planning, and leadership competencies comprise the substance of much of this valuable reading, offering sound practical advice for novices as well as those experienced in library fund-raising. A recently published essay by Mark D. Winston and Lisa Dunkley is typical of the genre. In their article entitled "Leadership Competencies for Academic Librarians: The Importance of Development and Fund-raising," Winston and

Dunkley stress leadership qualities such as adaptability, effective interpersonal communication, and good decision-making as essential for effective academic library leadership in general and fund-raising in particular. Providing lists of fund-raising responsibilities and core competencies for academic librarians involved in development and fund-raising, they note,

> The data suggest that today's fundraising professional needs to be able to identify gift opportunities through strategic planning, to create successful solicitation and cultivation plans, and to provide stewardship to donors. In a library setting, obtaining these requisite skills can be challenging. Previous experience is a highly valued asset, and most librarians will not have professional fund-raising experience when they enter the profession. Yet, they need to have these skills to be successful in future leadership roles. (Winston & Dunkley, 2002)

Although true, this observation does not address a critical oversight pervading most of the available literature devoted to library fund-raising. That is, emphasis on the importance of a fundamental knowledge of the nonprofit sector and the way in which it is financed, without which librarians' efforts to create, advance, and facilitate philanthropy may falter.

In his extended study, *America's Nonprofit Sector: A Primer*, Lester M. Salamon, director of the Johns Hopkins Center for Civil Society Studies, remarked, "if health is the largest component of the American nonprofit sector, education is the second largest. One out of every five dollars of nonprofit expenditures is spent by nonprofit educational institutions" (Salamon, 1999, p. 95). He reported that in the mid-1990s education expenditures were only half as large as those for health care, but nevertheless represented 7 percent of the gross domestic product. One percent of the amount spent on education was designated for library services.

Salamon analyzed that income in the form of tuition and other fees provides at least 70 percent of total revenue for private colleges and universities. Government agencies provide approximately 17 percent of total funding. The remaining 13 percent of financial support for private schools is derived from the combined revenue from private gifts, grants, contracts, and endowment earnings. In contrast, he noted, public colleges and universities receive 45 percent of their income from tuition and other fees, relying on government support for almost 50 percent of their income, and on private gifts, grants, contracts, and endowment income for the remaining 5 percent. Regardless of the disparity in their funding sources, philanthropy provides the third most important source of funding for both public and private institutions of higher education. Yet, this third component of private and public school revenues often means the critical difference between initiatives moving forward or dying for lack of financial support (Salamon, 1999).

Information of the sort offered by Salamon helps contextualize the place institutions of higher learning, including libraries, occupy in the nonprofit sector, while throwing into sharp relief the economic and philanthropic environment in which fund-raisers function in the best of times. It is essential for librarians with fund-raising responsibilities to ingest this knowledge and maintain its currency by keeping apprised of proposed legislation affecting charitable giving as it moves through Congress, changes in tax laws as they pertain to charitable gifts and bequests, and marketplace fluctuations affecting the overall economy.

Coping with the New Realities of Fund-raising

With so many donor priorities now fixed on solving problems whose solutions are more urgent or visceral than those presented by academic libraries, a reappraisal of fund-raising objectives, strategies, and investment practices must take place within higher education, and specifically within libraries. As development professionals are waking up to the new realities of fund-raising in an altered environment, so too must librarians if they are to achieve success in securing outside funding.

Contemporary and future fund-raising will require librarians to express more than their institutional missions and case statements to funding agencies and donors. It will assume a level of expertise that extends beyond events planning, stewardship, and familiarity with a donor's intellectual and philanthropic passions. Successful fund-raising will demand librarians who comprehend on a profound level the societal importance of their work and who can persuasively convey this importance to sophisticated grant makers whose charitable predilections may not have leaned traditionally toward higher education, much less toward research libraries. Those librarians and library development officers able to make their institutional cases to individual donors and funding agencies (that may regard such investments as outside their philanthropic missions to cure disease and educate disadvantaged children) will succeed in the new funding environment.

Academic libraries, as integral components of their parent institutions, inevitably have been drawn into this shifting world of twenty-first-century philanthropy. Many are viewed by senior institutional administrators as being less relevant to the newer goals and priorities of the university. Just as the parent institution is compelled to justify itself as worthy of support, so must the library demonstrate that it is essential to the ongoing mission of the university and to the betterment of society at large. Simply chanting that the library is the heart of the university will no longer suffice—if it ever did. Proof is now required that the heart is still beating.

The task of successfully positioning the academic library within the context of a harsh economy, changing patterns of philanthropy, and institutional relevance is not, indeed cannot, be solely the province of the library's development office or that of the university. As Susan K. Martin, writing in the *Journal of Academic Librarianship,* states, "A library director intent on operating a successful development operation will need to devote time to fundraising . . . The amount of time may increase to 25–50%, and perhaps more than 50% during a capital campaign" (Martin, 1998, p. 8). Martin does not limit library participation in fund-raising to the director, however. She adds, "Other members of the library staff will participate in the development process. A few people are obvious candidates: the head of special collections, the curator of manuscripts, and the gifts librarian" (Martin, 1998, p. 8).

Aside from participating in library development work in general, what are the implications for special collections departments in the current economic and philanthropic climate? In the best of times, special collections units are all too frequently viewed within the library as being outside the mainstream and peripheral to the library's core mission, a situation that can lead to marginalization. In the present environment, this common situation may easily be exacerbated to the extent that the library is not made aware of the centrality of special collections to the larger enterprise and not convinced that existing funding should be sustained or that increased funding should be a high priority. As the library overall cannot rest upon sacred bovine laurels, neither can special collections departments.

The exhortation to librarians to be active participants in fund-raising is, as noted elsewhere in this paper, well covered in the professional literature. The remainder of this paper will acquaint librarians, including those in special collections, with new philanthropic approaches, the principal instruments of charitable giving, and the new breed of financial advisers who can be of assistance in navigating the choppy seas of economic doldrums, donor shifts in philanthropic focus, and institutional reaction to both challenges.

Pioneered by latter-day philanthropists, such as Bill and Melinda Gates and Paul Allen, who acquired their wealth during the tech boom of the 1990s, the concept of "venture philanthropy" has transformed modern charitable giving. Not unlike the Peace Corps with its practice of teaching hungry populations to grow their own food rather than depend upon charitable gifts of grain, venture philanthropists provide "seed money" for innovations that will result in societal benefit but will become ultimately self-sustaining. Although the high-tech bubble has burst, evidence of the persistent impact of venture philanthropy suggests that at least some of the new styles of giving that emerged in the 1990s may have a permanent place in philanthropy (Marcy, 2001, p. B13).

In 2001, the *Chronicle of Higher Education* pointed out,

> There are at least two compelling reasons why we in higher education should review our fundraising methods in the wake of the high-tech boom. One is that aggressive and substantial donors from the high-tech sector are still with us and are likely to remain so, even as the shakeout eliminates some of the less viable dot-com enterprises. The second reason is that many, if not most, of the new high-tech donors are also baby boomers. (Marcy, 2001, p. B13)

It is predicted that the members of the baby boom generation stand to inherit the bulk of the wealth projected to transfer from the World War II generation. Although reduced by the stock market slide of recent months, this inheritance, while smaller than the originally anticipated $41 trillion, will still be magnified with the repeal of the federal estate tax signed into law by President Bush as part of the Economic Growth and Tax Relief Reconciliation Act of 2001, and thus it represents a considerable philanthropic resource.

Noting the important differences between traditional donors and new venture philanthropists the *Chronicle* continued,

> The traditional donor wants to leave a legacy. The new donor often wants to change the world, and wants to do it now. The traditional donor invests in established institutions while the new donor may have a suspicion of established institutions. The traditional donor expects a gift to lead to a predictable outcome but the new donor may be more willing to embrace nascent or risky ideas. Traditional donors take on volunteer leadership roles defined by the institution. New donors may expect to contribute not only financial resources but also their expertise. (Marcy, 2001, p. B13)

Soliciting gifts from venture philanthropists may not be right for every library context. Some may not be able to accommodate an additional level of participation from donors who have invested in innovative library initiatives. Yet, the opportunity to join an enthusiastic, entrepreneurial, results-oriented donor with strategic library innovation makes a compelling case for the consideration of venture philanthropy.

Foundation support and contributions from individual donors or venture philanthropists obtained to fund innovative programs or for the purpose of leveraging additional financial support does not address the need to identify and secure funding for other, more traditional programmatic needs. These needs must be accommodated through the use of internal operating funds and the acquisition of assembled external support, usually in the form of traditional modes of giving such as gifts-in-kind to be sold for the benefit of the library and major gifts of cash.

Bequests, particularly those negotiated as a result of a donor's estate planning efforts, can provide useful, specifically targeted support for a library's areas of need while matching a donor's philanthropic objectives. Librarians may be able to influence a donor's estate planning efforts by suggesting bequests that will ensure that the donor's interests and influence will continue beyond the length of his or her life.

Gifts-in-kind, in addition to providing items that are incorporated into a library's holdings, may also take the form of items lying out of a library's collecting scope that are sold to provide funds that will support a library's collecting mission. Before contemplating a sale of gifts-in-kind, tax laws pertaining to sales of donated property must be thoroughly investigated.

Major gifts are typically gifts of cash in excess of $50,000 given for specific purposes. Major donors are those usually defined as persons contributing sums of this size to a single nonprofit organization within the immediate past two years and who maintain at least $1 million dollars in a discretionary advisory account (Fund Raising School, 2001a). As a rule, major gifts are not spontaneous donations but rather are the result of fairly lengthy cultivation efforts on the part of librarians and their development officers. Cultivation efforts are carefully planned and executed. They are based upon extensive research into a donor's background, finances, giving history, and philanthropic objectives and may be protracted over months or years before actual donations are made.

The imperative to devise the kind of longer-term development strategies that will secure a library's future can be obscured by the clear and present need to identify and obtain funds to subsidize more immediate needs. Subsidizing annual operations, capital and discretionary projects, and the programs that enhance the quality of extant library service frequently precludes consideration of some of the most overlooked fund-raising tools available. Planned giving instruments can provide libraries with endowed income that can help secure long-term financial stability because the nature of the gifts relate most decidedly toward endowment development. Some development professionals view planned gifts as trade-offs for the near-term financial gain of major gifts. This somewhat short-sighted opinion fails to recognize planned gifts as provisions allowing donors to perpetuate their personal interest and influence into the future while frequently providing themselves with dependable sources of income in the form of dividends and/or tax benefits (Fund Raising School, 2001b). Planned gifts are more imaginative than lump sum donations given to supplement income-producing endowments, or major gifts given to support specific and finite initiatives.

According to Victoria Steele and Stephen D. Elder, authors of *Becoming a Fundraiser: The Principles and Practice of Library Development,*

> Planned gifts are often grouped into three types: (1) bequests, (2) life-income gifts, and (3) other types of planned gifts. Donors make bequests through their will or living trust. Donors make life-income gifts by transferring ownership of assets, such as appreciated stock, to a [*sic*] library in return for which they enjoy an income, usually until they die, at which time the remainder of the gift comes to the library [*sic*]. The "other" category includes charitable lead trusts through which donors can provide an immediate benefit to the library, after which the asset is transferred to their heirs. (Steele & Elder, 2000)

Planned gifts are those that donors make in consideration of all other financial planning objectives in order to maximize the potential benefit of the gift to the donors as well as the charities. They also minimize the net cost of the gifts by virtue of tax considerations available to the donors. Simply put, planned gifts enable donors to commit portions of their assets to philanthropic objectives while receiving tax considerations (deductions or lowered tax bases) and still receiving the benefits of the donated assets.

Planned gifts tend to be large and present an opportunity for institutions to work with donors who may not be able to make lump sum gifts and acquire assets that might otherwise be unavailable. Planned gifts may produce revenue that is available on a regular basis for operating expenses, and they may be used as a basis for future estate planning for their donors (Steele & Elder, 2000). In addition to bequests, some of the more common planned giving instruments include trusts, life estate gifts, assignments of copyrights and/or royalties, charitable gift annuities, charitable lead trusts, charitable remainder unitrusts, charitable remainder annuity trusts, and life insurance, along with gifts of appreciated stock and securities. Librarians seriously engaged in formulating long-term development strategies should become conversant with the ways in which these gift instruments work so that they can discuss their use and implementation with donors and institutional development officers. While librarians may encourage certain donors to consider various planned giving instruments as part of their personal long-term investment strategies or estate plans, no librarian should ever dispense estate planning advice or tax advice to a potential donor, nor should a librarian attempt to execute a planned giving instrument. Planned gifts can be exceptionally complicated instruments to construct and execute, and they require the services of lawyers, accountants, or other tax and estate planning professionals.

The item with the most potential value in a library fund-raiser's tool kit is the donor-advised fund. As investment vehicles, donor-advised funds have been available since the 1930s. But today they are being recognized for the flexibility they offer contributors and the wealth they can bring to institutions. Like the offspring produced by the marriage of a planned giving instrument and a mutual fund, a donor-advised fund offers donors investing in it the benefit of dependable income in the form of dividends and offers institutions the long-term prospect of a share of the principle assets in the donor-advised account after the donor's death. Furthermore, donors have the option to use some or all of their dividend income for philanthropic purposes, thus becoming eligible for additional tax considerations (Pulley, 2002b).

Similar to mutual funds, donor-advised funds assure that the sponsoring organization will receive a percentage of the profits generated by the fund. These funds differ from foundations in that they are exempt from federal taxes as well as from a law requiring private foundations to distribute approximately 5 percent of their assets annually. Unlike many planned giving instruments, gifts to donor-advised funds are irrevocable and are controlled by the fund (Pulley, 2002b).

Donors investing the usual minimum contribution of $10,000 in donor-advised funds receive an immediate tax deduction that is more generous than the write-off on contributions to private foundations. Furthermore, donors to these funds have the ability to distribute money from their accounts for philanthropic purposes. During the life of the account, its investment profits may enlarge a contribution many times over (Pulley, 2002b).

Many colleges and universities are widening their planned-giving options by offering donor-advised funds to some of their donor prospects. According to the *Chronicle of Higher Education,* the typical arrangement most donor-advised funds requires 50 percent of the assets in a donor's account to eventually transfer to the institution. The remainder of the assets in the account may remain to generate revenue for the donor's personal use, which could include direct gifts for other philanthropic purposes (Pulley, 2002b).

According to the *Chronicle of Higher Education,* "while the concept is just beginning to take off at colleges, donor-advised funds have been growing quickly elsewhere" (Pulley, 2002b, pp. A31–32). Fidelity Investments was one of the first investment companies to anticipate the baby boomers' increase in demand for wealth-management and philanthropic services and established the Fidelity Charitable Gift Fund in 1992, a nonprofit entity that offered the first so-called "commercial" donor-advised fund. Today it is the largest such fund with total assets of about $2.6 billion. Other investment firms quickly followed suit, and now donor-advised funds are offered by Charles Schwab, the Vanguard Group, American Express, Goldman Sachs, Bear Sterns, Salomon Smith Barney, and TIAA-CREF (Pulley, 2002b).

Cornell University was among the first academic institution to create a donor-advised fund in 1986, followed by Harvard, Brandeis, Thomas Jefferson, and Yale Universities, along with the Universities of Florida and Maine. Boston University has recently established a donor-advised fund and has observed, "The donor-advised fund empowers the group to act in a far bigger way than its members could individually." The contributors to Boston University's donor-advised fund plan to raise and designate funds for worthwhile projects as needs arise (Pulley, 2002b, pp. A31–32).

Many financial planners predict that donor-advised funds represent the philanthropic wave of the future. "Donor-advised funds are the first step toward modernizing giving," says Cynthia L. Egan, president of the Fidelity Charitable Gift Fund. "My prediction is that, over the next decade, millions of American households will have donor-advised funds" (Pulley, 2002b, pp. A31–32). If these funds emerge as the popular philanthropic vehicle they are expected to be, librarians and their development officers would be well advised to acquaint themselves with the ways in which donor-advised funds work and how their institutions may benefit from them, so that they may suggest these investments as charitable options for their donors.

For donors, librarians, and development officers finding themselves as bewildered by the number and variety of complex giving options as donors may be, help is available from a new and growing breed of consultants known as philanthropy advisers. Similar to certified financial planners (CFPs) who typically advise clients about investment strategies and/or retirement planning, philanthropy advisers help would-be donors to achieve their philanthropic objectives through investment strategies and vehicles. The Social Welfare Research Institute at Boston College estimates that as much as $50 trillion will flow into nonprofit organizations by the middle of the twenty-first century, much of it from the newly wealthy, many with little experience in making large charitable gifts (Strom, 2002a). Among those becoming philanthropy advisers are members of the Rockefeller family, one of America's foremost philanthropic families. "The family is becoming increasingly large, and we have an ever-growing number of like-minded philanthropists who want to join us in our efforts," said Tara Rockefeller, a fifth-generation descendant of John D. Rockefeller (Strom, 2002a, p. B3). Rockefeller Philanthropy Advisers will offer advice to clients in need of help in developing and managing their charitable giving. Philanthropic advisers will help donors construct charitable giving plans and personal investment strategies that make use of planned giving instruments, available tax benefits, and other tools that assist in maximizing the benefits to donors and recipients of charitable gifts.

The "Proper" Administration of Wealth: Mutually Assured Survival

After mastering an understanding of market forces, the philanthropic environment, and the array of available investment products, librarians will be challenged to create and market compelling case statements of need that will capture the attention of potential donors and their philanthropic advisers. It is therefore advisable for library fund-raisers embarking on new development strategies and initiatives in a revised philanthropic climate to recall the wisdom of Andrew Carnegie on the subject of charitable giving. Carnegie, the poor Scottish immigrant who, with fellow industrialist John D. Rockefeller and investment banker J. P. Morgan, laid the foundation for contemporary philanthropy as it is practiced today, was acutely aware of the responsibilities conferred by wealth on those who had more than their share. Understanding Carnegie's philosophy of giving can help fund-raisers comprehend philanthropic motivations and inclinations, and thus help in strategy formulation.

Carnegie understood that the possession of wealth carried with it societal obligations. He implored the wealthy to view their personal fortunes as being held in trust for the public good and observed in his famous essay, "The Gospel of Wealth," "the problem of our age is the proper administration of wealth." Carnegie further suggested that in establishing philanthropic foundations, the wealthy should use them not for the relief of immediate needs (i.e., charity) but for philanthropy, "to provide ladders upon which the aspiring can rise." Furthermore, Carnegie believed "the man who dies thus rich dies disgraced" (Carnegie, 1962, p. 29).

Although Carnegie preached his gospel of wealth to his fellow industrialists, his lessons apply to the philanthropically inclined of today. Many philanthropists can afford to distribute their money, like Carnegie, knowing that their personal futures are secure. Others of more modest means, but no less philanthropically inclined, may wish to incorporate their philanthropic aspirations within their long-term investment plans, thereby doing good by doing well. Regardless of a donor's personal means, librarians and fund-raising professionals should be well versed in the motivations behind a donor's charitable giving as well as in the forces governing the nonprofit sector and all the giving and investment options at their disposal to help a donor achieve his or her philanthropic objectives. For just as our donors will profit from long-term philanthropic and investment strategies, so will libraries benefit from long-term development strategies that are unwavering in their goals and objectives but flexible enough to respond to the volatilities of a market economy. It is only by taking the same long view that philanthropists and their beneficiary libraries will share a vision that will insure long-term institutional growth and survival.

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