

*By Professor Russell James III*

# The Storytelling Fundraiser

The Brain, Behavioral  
Economics, and  
Fundraising Story



**The  
Storytelling  
Fundraiser:**  
The Brain, Behavioral  
Economics, and  
Fundraising Story

*The Fundraising Myth & Science Series: Book I*

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## **The Fundraising Myth & Science Series**

Book I: **The Storytelling Fundraiser:** The Brain, Behavioral Economics, and Fundraising Story

Book II: **The Epic Fundraiser:** Myth, Psychology, and the Universal Hero Story in Fundraising

Book III: **The Primal Fundraiser:** Game Theory and the Natural Origins of Effective Fundraising

Book IV: **The Socratic Fundraiser:** Using Questions to Advance the Donor's Story

PROFESSOR RUSSELL JAMES

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**INTRODUCTION TO THE SERIES:  
THE “ONE BIG THING” IN FUNDRAISING**

***A warning***

Getting advice from a professor can be a problem. I understand why. Professors love to be technical, theoretical, and esoteric. Being a professor, I’m guilty too. I love complex statistical methods. I love obscure scholarly writing. Worse yet, I love theory. I can happily spend all day discussing how the first derivative of my mathematical model explains charitable bequest giving.<sup>1</sup>

***Warning retracted***

But I’m not going to do that.

Why not? Because I’ve been there. Before I was a research professor, I was a fundraiser. For eleven years I worked in planned and major gifts.

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<sup>1</sup> James, R. N., III. (2017). An economic model of mortality salience in personal financial decision making: Applications to annuities, life insurance, charitable gifts, estate planning, conspicuous consumption, and healthcare. *The Journal of Financial Therapy*, 7(2), 62-82.

And since I've been there, I care about real-world outcomes. I care about practical results.

### ***Why v. how***

This series covers research and theory. It explores:

- Neuroscience
- Economics
- Sociology
- Psychology
- Anthropology
- Ethology
- Myth
- Law, and
- Literature.

If you think that's too much, I understand. This seems far removed from everyday fundraising. You're busy. You've got a job to do. The theory of *why* something works might be a curiosity. But it's not the job.

First, let me make a practical argument. Unless you understand the "why," the "how" won't make sense. When it doesn't make sense, things can go wrong. But once you know the "why," you'll be better at the "how." You'll know when the "how" applies. And you'll know when it doesn't.

More than that, you'll be able to create your own "how." You can shape your "how" to fit your situation. What works for this cause? For this charity? For this event? For this media? For this generation? For this donor? For this gift? Knowing the underlying "why" guides every answer.

### ***A promise***

Also, let me make a promise. This isn't just academic theory. This is about effective fundraising. Yes, this series dives deep into the rabbit hole of academic research. But it's still about being a better fundraiser tomorrow than you were yesterday.

### ***The one thing***

So, I'm not going to start with scholarly technicalities. Instead, I want to start with some famous cowboy advice. In the movie *City Slickers*, Jack Palance, playing Curly the cowboy, says, "Do you know what the secret of life is?" "This." [He holds up one finger.] "One thing. Just one thing. You stick to that, and the rest don't mean sh\*t." Billy Crystal asks, "But what is the 'one thing?'" Palance smiles and says, "That's what *you* have to find out."

That *one thing* for fundraising is what I want to share with you now.

## ***The one big thing in fundraising***

After more than a quarter century as a fundraiser and a professor focused on fundraising research, theories, data, and experiments, I want to tell you the “one big thing.” It’s this:

*Advance the donor’s hero story.*

It’s a simple, five-word sentence.<sup>2</sup> But it can change everything. If you understand every component *deeply*, it holds the key to donor motivation. If you master every part, you can become powerfully effective in fundraising.

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<sup>2</sup> In academic literature, see James, R. N., III. (2017). Natural philanthropy: A new evolutionary framework explaining diverse experimental results and informing fundraising practice. *Palgrave Communications*. DOI: 10.1057/palcomms.2017.50. p. 1. (“Advance the donor’s hero story.”) In fundraising literature, see, e.g., Ahern, T. (2015). *Seeing through a donor’s eyes*. Emerson & Church. p. 63 (“Why are donors critical to your vision? Have you made them the heroes?”), p. 93 (“But in the end the true heroes are the donors. They solved this particular problem by investing in the project.”), p. 123 (“Make your donor the real hero of the story.”), p. 129 (“With the ask, after all, the prospect steps into the picture and becomes the hero of the story (assuming she responds affirmatively to your case.)”); Ahern, T. & Joyaux, S. P. (2007). *Keep your donors: The guide to better communications & stronger relationships*. John Wiley & Sons. p. 108, (“This is what we call being ‘donor-centric’: treating your donors as heroes.”), p. 193 (“Donor-centric recognition is a different thing altogether: It treats donors universally as heroes.”), p. 280 (“The donor-centric organization offers something valuable: hero status as a donor.”), p. 327 (“In a donor-centered newsletter, the donor is unquestionably the hero.”), p. 387 (“Donor-centric newsletters go beyond just sharing the credit: they make the donor the hero of the story.”); Baker, B., Bullock, K., Gifford, G. L., Grow, P., Jacobwith, L. L., Pitman, M. A., Truhlar, S., & Rees, S. (2013). *The essential fundraising handbook for small nonprofits*. The Nonprofit Academy. p. 65 (“Suddenly, your donor is a hero.”); Craver, R. (2015). *Retention fundraising: The new art and science of keeping your donors for life*. Emerson & Church. p. 88 (“1. You need a hero. (Your donor, not you!)”); Kihlstedt, A. (2010). *Capital campaigns: Strategies that work* (3rd ed.). Jones & Bartlett. p. 302 (“The final appeals invite people to help close the gap, to be among the heroes who made the campaign cross the finish line.”); Million, H. (2006). *Fear-free fundraising: How to ask people for money*. Independently published. p. 93 (“However, you’ll be more than just an investor—you’ll also be a hero.”).

## ***Diving into that one big thing***

What exactly do these words mean? For compelling fundraising storytelling, they have special meanings.

A *story* uses character and plot. In fundraising, it must

- Evoke a clear image
- That generates social emotion
- Without logical error detection.

A *hero story* is an archetypal story structure. Joseph Campbell describes it this way:

“A hero ventures forth from the world of common day into a region of supernatural wonder: fabulous forces are there encountered and a decisive victory is won: the hero comes back from this mysterious adventure with the power to bestow boons on his fellow man.”<sup>3</sup>

The hero progresses through:<sup>4</sup>

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<sup>3</sup> Campbell, J. (1949/2004). *The hero with a thousand faces (commemorative ed.)*. Princeton University Press. p. 28.

<sup>4</sup> Following the previous quote,

The beginning point of “the world of common day” is “**original identity.**”

“venturing forth into a region of supernatural wonder” is “**challenge.**”

“fabulous forces are there encountered and a decisive victory is won” is “**victory.**”

“the hero comes back from this mysterious adventure with the power to bestow boons on his fellow man” is “**enhanced identity.**”

**Original Identity** → **Challenge** → **Victory** → **Enhanced Identity**

A *donor's hero story* means that the donor is, or identifies with, the hero. This story includes the donor's heroic gift. A heroic gift sacrificially protects the donor's people and values in a crisis (threat or opportunity).

*Advancing the donor's hero story* means moving through a narrative arc. This includes

1. Backstory and setting (*original identity*)  
This develops motivation from life story, values, and social norms before the ask.
2. An inciting incident (*challenge*)  
This promises heroism and forces a choice at the ask.
3. Climax and resolution (*victory and enhanced identity*)  
This confirms heroism through impact reporting, gratitude, and compatible publicity after the ask.

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The charitable gift serves as the ending step in the heroic story: It allows the donor "to bestow boons on his fellow man." This can serve as the ending step for many types of personal heroic challenges and victories. However, it can simultaneously apply to the fundraising scenario where the gift request itself constitutes the challenge. The fundraising challenge can promise a victory that delivers enhanced identity.

The “one big thing” starts simple. But understood deeply, it creates a unified framework for compelling fundraising.

### ***What’s ahead***

This book series explores research and theory underlying the “one big thing.” The books are

- I. THE STORYTELLING FUNDRAISER: The Brain, Behavioral Economics, and Fundraising Story
- II. THE EPIC FUNDRAISER: Myth, Psychology, and The Universal Hero Story in Fundraising
- III. THE PRIMAL FUNDRAISER: Game Theory and the Natural Origins of Effective Fundraising
- IV. THE SOCRATIC FUNDRAISER: Using Questions to Advance the Donor’s Story

Each book takes a different perspective. This has two purposes. The first is to find the language that connects best for you.

- Maybe you like scientific experiments testing words and phrases? THE STORYTELLING FUNDRAISER is for you.
- Maybe myth and psychology are more your thing? THE EPIC FUNDRAISER might speak to you.
- Maybe the natural origin of behavior piques your interest? THE PRIMAL FUNDRAISER covers this.

- Maybe you just want to know what to say at your next donor meeting? THE SOCRATIC FUNDRAISER is what you need.

Using these diverse perspectives has a second purpose. It shows triangulation. The approaches are vastly different. Yet, they each point to the same answers. This triangulation increases confidence in the answers. It also increases the depth of understanding. The more deeply you understand the “why,” the easier it is to figure out the best “how,” even in new circumstances.

## ***Conclusion***

Properly understood, you only have to do one thing. Advance the donor’s hero story. That’s it. But doing that one thing requires skill, understanding, and even artistry. In his book on storytelling, Robert McKee explains,

“The essential form of story is simple. But that’s like saying that the essential form of music is simple. It is. It’s twelve notes. But these twelve notes conspire into everything and anything we have ever called music. The essential elements of the Quest are the twelve notes of our music, the melody we’ve listened to all our lives. However, like the composer sitting down at the piano, when a [storyteller] takes up this seemingly simple form, he

discovers how incredibly complex it is, how inordinately difficult to do.”<sup>5</sup>

Mastering those skills is a journey. In this series, you may find that it’s sometimes a strange journey. Along the way, you’ll encounter some “fabulous forces.”<sup>6</sup> It won’t always be easy. This is graduate-level work. But I challenge you to leave behind your ordinary world. Take this journey. Ultimately, you’ll come back from your adventure with new powers. You’ll come back with the ability to help others. You’ll come back with the power to encourage generosity.

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<sup>5</sup> McKee, R. (1997). *Story: Substance, structure, style and the principles of screenwriting*. Regan Books. p. 197.

<sup>6</sup> Campbell, J. (1949/2004). *The hero with a thousand faces (commemorative ed.)*. Princeton University Press. p. 28.

PROFESSOR RUSSELL JAMES

## AT THE HEART OF PHILANTHROPY IS STORY

### *My journey*

My career has always focused on charitable giving. This was true in my practice experience, my research, and my teaching.

But I'll admit it. I *never* planned to study story.

I was always more of a “numbers guy.” My law practice focused on tax calculations in estate and gift planning. My fundraising career started in complex planned gifts. When my career shifted to academic research, I focused on quantitative data analysis. My teaching focused on technical aspects in gift planning.

My work was always about philanthropy. But it was more about data than story. It was not about the “soft” side of philanthropy.

## ***Plot twist***

And then, something happened. I was in the middle of my decades-long quest to understand philanthropy. (Specifically, I focus on how to encourage generosity.) As usual, I was applying technical, quantitative research methods. And then, quite unexpectedly, I was attacked. I was attacked by story.

## ***Background***

What led to this attack? Let me share a little background. Years ago, a local foundation made a gift.<sup>1</sup> They purchased a \$3 million fMRI machine for our university.<sup>2</sup> We were about to have cutting-edge brain-imaging research capabilities. I was excited! This hard science technology would be a perfect way to learn more about charitable decisions.

So, I started to train in fMRI data analysis.<sup>3</sup> (The freedom to chase such schemes is one of the advantages of having tenure.) This might seem like it was a big leap, but it really wasn't. My Ph.D. had focused on econometric analysis. Data analysis in fMRI is just a complex version of those methods.<sup>4</sup>

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<sup>1</sup> The gift came from the CH Foundation. This is the same foundation that later established the endowed professorship that I now hold as the CH Foundation Chair in Personal Financial Planning.

<sup>2</sup> fMRI is an acronym for functional magnetic resonance imaging.

<sup>3</sup> I trained at the University of New Mexico's MIND Institute and Harvard's Martinos Center.

<sup>4</sup> Admittedly fMRI analysis includes some new wrinkles like Fourier transforms and hemodynamic response functions. But fMRI data analysis is still just statistical analysis of a longitudinal dataset, albeit one that is orders of magnitude larger than typical econometric datasets.

Armed with this new fMRI machine, I continued my quest to understand philanthropy. With the help of experienced colleagues, I was now able to use even *more* technical and *more* quantitative methods.

### ***The question***

The first topic I explored was charitable bequest decisions. These aren't the typical "pocket-change" donations. These are gifts from wealth, not disposable income. They're often 10x or 100x larger than a donor's annual giving.<sup>5</sup>

How do people think about these largest of donations? After all the neuroimaging and data analysis, I found the answer. What did it show about these major gifts from wealth? What it showed was story.

### ***The answer***

Let me be more formal. Charitable bequest decisions uniquely activated "visualized

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<sup>5</sup> Decedents in 2007 with estates of under \$2 million, \$2 to <\$5 million, \$5 to <\$10 million, \$10 to <\$50 million, \$50 to <\$100 million, and \$100 million+, produced charitable estate gifts averaging 3.5 times, 20 times, 25 times, 28 times, 50 times, and 103 times, respectively, their average annual giving in the last five years prior to death. Steuerle, C. E., Bourne, J., Ovalle, J., Raub, B., Newcomb, J., & Steele, E. (2018). *Patterns of giving by the wealthy*. Urban Institute. p. 13.

[https://www.urban.org/sites/default/files/publication/99018/patterns\\_of\\_giving\\_by\\_the\\_wealthy\\_2.pdf](https://www.urban.org/sites/default/files/publication/99018/patterns_of_giving_by_the_wealthy_2.pdf).

autobiography” brain regions.<sup>6</sup> These parts of the brain are used when visualizing personal, autobiographical events from the past. The more strongly these regions were activated, the more interested the person was in making the gift. The gift decision was about life story and life story connections.

At the end of a long road of quantitative, technical, “hard science” research, I came to the answer. And the answer was story.

### ***Same answer***

There was an easier way to get this answer. It didn’t actually require a \$3 million fMRI machine. A few years before, on the other side of the Atlantic, Dr. Claire Routley wanted to answer the same question. She also wanted to know, “How do people think about charitable bequest decisions?”

She took a different approach. She didn’t stick people in a brain scanner. Instead, she talked to them. Her in-depth, qualitative interviews with bequest donors also found an answer. What was the key factor in these decisions? It was the donor’s life-story connection with the cause. Dr. Routley explained,

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<sup>6</sup> James, R. N., III. & O’Boyle, M. W. (2014). Charitable estate planning as visualized autobiography: An fMRI study of its neural correlates. *Nonprofit and Voluntary Sector Quarterly*, 43(2), 355-373.

“When discussing which charities they had chosen to remember, there was a clear link with the life narratives of many respondents.”<sup>7</sup>

Different roads led to the same destination. The quantitative “hard science” approach gave an answer. The qualitative “soft” approach gave the same answer. And the answer was story.

### ***Pre-historic story***

Story and philanthropy are strongly connected. Anthropology reveals just how deep this connection is. Storytelling was fundamental to the origins of human moral action.

Anthropologist Philip Kitcher describes a radical increase in human cooperation that happened about 20,000 years ago.<sup>8</sup> This was shown by dramatically larger human settlements and trading networks.

What happened? What was the great leap forward that suddenly allowed humans to function in large groups? What allowed cooperation in networks outside the village? Kitcher suggests that the crucial step that allowed for this extended cooperation was an

“enlargement and refinement of sympathy.”

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<sup>7</sup> Routley, C. J. (2011). *Leaving a charitable legacy: Social influence, the self and symbolic immortality* [Ph.D. dissertation]. University of the West of England. p. 220.

<sup>8</sup> Kitcher, P. (2006). Ethics and evolution: How to get here from there. In F. B. M. de Waal (Ed.), *Primates and philosophers: How morality evolved* (pp. 120-139). Princeton University Press.

This was made fixed through a

“compendia of rules, parables, and stories.”<sup>9</sup>

The key was the invention of story. Prosocial cooperative behavior began to grow. It began to grow through story. Story allowed it to be created, transmitted, and maintained.

### ***Modern pre-historic story***

This isn't just a matter of pre-historic speculation. The Agta are an indigenous hunter-gatherer tribe. They live in an isolated area of the Philippine Islands. Anthropologist Andrea Migliano analyzed stories from oral traditions of the Agta. She found that

“most of the content was about cooperation, egalitarianism, and gender equality.”<sup>10</sup>

This is story in its original, natural, prehistoric form. What was its function? To communicate and maintain cooperative moral behavior.

We've heard about the “moral of the story.” But it may be that “the story is the moral.” In other words, story is the key that unlocks prosocial morality. Without story, prosocial cooperative behavior can't be created. It can't be maintained. It can't be

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<sup>9</sup> *Id* at 137.

<sup>10</sup> Yong, E. (2017, December 5). The desirability of storytellers. *The Atlantic*. <https://www.theatlantic.com/science/archive/2017/12/the-origins-of-storytelling/547502/>

transmitted. Professor of philosophy Phil Hopkins explains,

“Ethics, then, requires and is embedded in stories. We tell stories ... about the way things relate in the world, the way the world itself is, such that this or that character or action is right or good.”<sup>11</sup>

### ***A children’s story***

The story is the moral. It’s the source of prosocial cooperative behavior. We can see this in prehistoric anthropology. We can see this in indigenous tribes. We can also see this in modern preschoolers.

Cognitive development researchers have found this. Preschoolers with higher exposure to storybooks develop stronger social-emotional skills.<sup>12</sup> But it’s not just the volume of storybook exposure that matters. Specific story elements predict the development of empathy and social-emotional skills. This comes from stories with

- “whole, well-rounded, characters”
- “that trigger the reader’s identification” and
- “evoke emotional responses”<sup>13</sup>

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<sup>11</sup> Hopkins, P. (2015). *Mass moralizing: Marketing and moral storytelling*. Lexington Books. p. 19.

<sup>12</sup> Mar, R. A., Tackett, J. L., & Moore, C. (2010). Exposure to media and theory-of-mind development in preschoolers. *Cognitive Development*, 25(1), 69-78.

<sup>13</sup> Aram, D., & Aviram, S. (2009). Mothers' storybook reading and kindergartners' socioemotional and literacy development. *Reading Psychology*, 30(2), 175-194. p. 176.

These story elements increase prosocial development in preschoolers. We'll see later, they also drive fundraising success.

### ***A grownup story***

And what about us? What about grownups in a massively connected, cooperative, modern civilization? Findings across many experiments show similar results. Exposure to stories increases empathy and prosocial actions.<sup>14</sup>

Also, consider this. Suppose we want to know which social behavior is and is not permitted. Where do we go? We have laws. Some experts – lawyers – provide guidance. Other experts – judges – mete out punishment. These people are not just experts on statutes. Mostly, they are experts on *stories*.

We call these stories “case law.” Law students spend little time memorizing statutes. Instead, they focus on stories. Becoming a lawyer is about learning to *think* like a lawyer.<sup>15</sup> This is the work of understanding *stories* and *story* interpretation. The real essence of human cooperative behavior is found in *stories*. Even in complex modern society, this is still true.

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<sup>14</sup> Dodell-Feder, D., & Tamir, D. I. (2018). Fiction reading has a small positive impact on social cognition: A meta-analysis. *Journal of Experimental Psychology: General*, *147*(11), 1713-1727; Rathje, S., Hackel, L., & Zaki, J. (2021). Attending live theatre improves empathy, changes attitudes, and leads to prosocial behavior. *Journal of Experimental Social Psychology*, *95*, 104138.

<sup>15</sup> Mertz, E. (2007). *The language of law school: Learning to "think like a lawyer"*. Oxford University Press.

## ***Conclusion***

Despite my best efforts, understanding philanthropy inevitably led me to story. But it doesn't matter what road we take.

- We can use the hard science of neuroimaging.
- We can employ the qualitative nuance of in-depth interviews.
- We can explore pre-historic human society.
- We can examine modern anthropology.
- We can track preschool psychological development.
- We can even look at the practice of law.

Whatever road we take, the destination is the same. At the heart of any social cooperative behavior is story. At the heart of philanthropy is story. At the heart of fundraising is story.

PROFESSOR RUSSELL JAMES

## UNDERSTANDING FUNDRAISING STORY WITH A BRAIN SCANNER

Philanthropy originates in story. In the earliest foundations of human social cooperation, story is at the center.<sup>1</sup> In empathy development of preschool children, story is at the center.<sup>2</sup> In personal motivations for major gifts of wealth, story is at the center.<sup>3</sup>

### ***What is it?***

But what is story? What do we mean by that word? When do we have it? When do we not?

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<sup>1</sup> Kitcher, P. (2006) Ethics and evolution: How to get here from there. In F. B. M. de Waal, (Ed.) *Primates and philosophers: How morality evolved* (pp. 120-139). Princeton University Press; Yong, E. (2017, December 5). The desirability of storytellers. *The Atlantic*.

<https://www.theatlantic.com/science/archive/2017/12/the-origins-of-storytelling/547502/>

<sup>2</sup> Aram, D., & Aviram, S. (2009). Mothers' storybook reading and kindergartners' socioemotional and literacy development. *Reading Psychology, 30*(2), 175-194; Mar, R. A., Tackett, J. L., & Moore, C. (2010). Exposure to media and theory-of-mind development in preschoolers. *Cognitive Development, 25*(1), 69-78.

<sup>3</sup> Routley, C. J. (2011). *Leaving a charitable legacy: Social influence, the self and symbolic immortality* [Ph.D. dissertation]. University of the West of England. p. 220.

Different sources give different answers. There are many different lists of elements of a story. Any particular story contains many elements. But at its core, what is essential for a story?

### ***Character and plot***

A story requires two elements: character and plot. Without character and plot, it isn't a story. With character and plot, it is.

Other elements may be nice. But they don't define a story. A story can have a theme. But so can a financial statement. A story can have a point of view. But so can a structural engineering report. These elements can appear in a story. But they don't create a story. However, if there is character and plot, there is a story.

Having character and plot makes it a story. But this doesn't always make it a *good* story. It may not be a useful or persuasive story. So, what does it take to create a compelling story?

### ***Good story***

Unfortunately, it's hard to create a good story. The skills may take years to learn. Even years of practice doesn't guarantee mastery. There is no simple blueprint to becoming a Faulkner or Hemingway. Reading this chapter, or any other, won't turn you into Steinbeck.

So now what? Compelling story is subjective. It is an art. But there is something objective about it: the way it looks *in the brain*.

### ***Fundraising story***

Compelling fundraising story does something special. It leads to giving. Neuroimaging shows what this looks like in the brain. In these studies, giving is triggered by

1. Social emotion.

This comes from

2. Identifying with another (i.e., perspective + empathy).

This is aided by

3. Visualization.

These steps work. Unless. They work unless they are interrupted by

4. Rational error detection.

Let's look at each of these steps in more detail.

#### **1. Social emotion**

What's the goal of effective story? In his workshop for aspiring Hollywood screenwriters, Michael Hauge explains,

“No matter what kind of storyteller you are ... you have one primary objective. You are really here to learn only one thing and that is how to elicit emotion.”<sup>4</sup>

This goal of eliciting emotion is a bit narrower for the fundraiser. Fundraisers encourage sharing with others. This means they must elicit *social* emotions. A story that makes us hungry or horny *does* trigger emotion. (It might even make a good screenplay for certain genres.) However, those aren't the kind of emotions that help with fundraising. Instead, compelling fundraising story must generate *social* emotions.

### ***My personal struggle***

Fundraising story is about emotion. It's about social emotion. This may seem obvious. But please understand that this is hard for me.

I'll admit it. Data analytics research geeks like me don't *do* emotion. So, in my research, I tried to avoid it.

In one project, I went looking *exclusively* for logic. I had already published findings about giving and cognition. Higher scores on logical cognitive tests

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<sup>4</sup> Hauge, M. & Vogler, C. (2003). *The hero's 2 journeys* [Audiobook]. Writer's AudioShop. ISBN 978-1880717479

led to more donations.<sup>5</sup> Now I wanted to learn which tests worked best.<sup>6</sup>

This study involved a large group of older adults (mean age of 76). They completed eighteen different panels of logical cognitive tests. The tests measured math, memory, reading, and other logical tasks.

### ***Plot twist***

Here's what happened. Only four among those eighteen tests strongly predicted donations. These four were also the *only* tests that required drawing. Yes, drawing. In one test, people were shown a card with three geometric figures. They then attempted to reproduce the drawing from memory. In another test, they drew lines to complete a complex connect-the-dots task.

### ***The answer***

What on earth did this mean? The answer was surprising. Spatial memory (tested by drawing) and social emotion are linked. The same hormone

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<sup>5</sup> James, R. N. (2011). Charitable giving and cognitive ability. *International Journal of Nonprofit and Voluntary Sector Marketing*, 16(1), 70-83.

<sup>6</sup> James III, R. N. (2011). Cognitive skills in the charitable giving decisions of the elderly. *Educational Gerontology*, 37(7), 559-573.

influences both.<sup>7</sup> Connected brain areas process both.<sup>8</sup> (The two regions border each other.)

Among this elderly group, some regions of neural degeneration would be no surprise. Any deterioration at this place would do two things. It would lower scores on spatial memory drawing tests. And it would reduce social-emotional processing.

My attempt to ignore social emotion had failed. I was like Jonah fleeing in the opposite direction. But despite my best efforts, I had been captured, returned, and spit back on the shore. I couldn't avoid it. Philanthropy was about social emotion.

### ***The same answer everywhere***

Fortunately, not everyone is so stubborn. Neuroscience research has repeatedly found the same connection. For example, injecting the social-bonding hormone oxytocin increasing giving.<sup>9</sup>

Neuroimaging shows the connection, too. Even the first neuroimaging study of giving found it. Donation decisions uniquely engaged a brain region that

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<sup>7</sup> The social-bonding hormone oxytocin affects both philanthropic decisions and spatial memory. For spatial memory, see Neumann, I. D. (2008). Brain oxytocin: a key regulator of emotional and social behaviours in both females and males. *Journal of Neuroendocrinology*, 20(6), 858-865. p. 862. For philanthropic decisions, see Zak, P. J., Stanton, A. A., & Ahmadi, S. (2007). Oxytocin increases generosity in humans. *PLoS One*, 2(11), e1128.

<sup>8</sup> See discussion in James (2011). Cognitive skills in the charitable giving decisions of the elderly. *Educational Gerontology*, 37(7), 559-573.

<sup>9</sup> Zak, P. J., Stanton, A. A., & Ahmadi, S. (2007). Oxytocin increases generosity in humans. *PLoS one*, 2(11), e1128.

“plays key roles in social attachment and affiliative reward mechanisms in humans and other animals.”<sup>10</sup>

Philanthropy is about social emotion. As neuroimaging technology evolved, a more detailed answer emerged.

## **2. Identifying (perspective + empathy)**

A later study used more advanced neuroimaging.<sup>11</sup> What predicted charitable giving? It was activation in a brain region used for valuing social-emotional outcomes.<sup>12</sup> No surprise there.

But this activation depended on input from two other brain regions. One shifts attention to focus on another’s perspective.<sup>13</sup> The other plays a role in empathy.<sup>14</sup> Both parts were needed.<sup>15</sup> Both together

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<sup>10</sup> Moll, J., Krueger, F., Zahn, R., Pardini, M., de Oliveira-Souza, R., & Grafman, J. (2006). Human fronto-mesolimbic networks guide decisions about charitable donation. *Proceedings of the National Academy of Sciences*, 103(42), 15623-15628.

<sup>11</sup> Hare, T. A., Camerer, C. F., Knoepfle, D. T., O’Doherty, J. P., & Rangel, A. (2010). Value computations in ventral medial prefrontal cortex during charitable decision making incorporate input from regions involved in social cognition. *Journal of Neuroscience*, 30(2), 583-590.

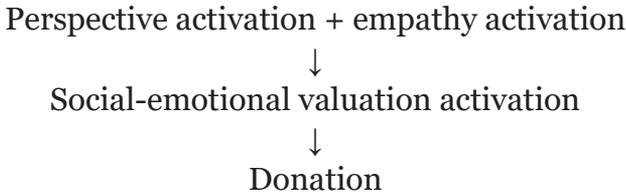
<sup>12</sup> The ventral medial prefrontal cortex. See, Adolphs, R. (2009). The social brain: neural basis of social knowledge. *Annual Review of Psychology*, 60, 693-716.

<sup>13</sup> posterior superior temporal cortex

<sup>14</sup> anterior insula

<sup>15</sup> A later study found some people rely more on empathy while others rely more on perspective taking. Tusche, A., Böckler, A., Kanske, P., Trautwein, F. M., & Singer, T. (2016). Decoding the charitable brain: Empathy, perspective taking, and attention shifts differentially predict altruistic giving. *Journal of Neuroscience*, 36(17), 4719-4732.

made donating feel valuable. This, in turn, predicted giving. In other words,



### ***Identifying with the character***

Story requires both character and plot. But it starts with character. Plot cannot be compelling unless we care about the characters.

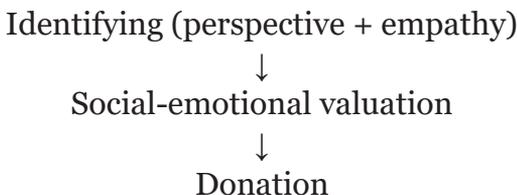
In effective fundraising story, social emotion is the goal. That's what triggers the donation. But social emotion requires specific character elements. The audience must be able to

1. Understand the character's perspective, and
2. Empathize with the character.

In other words, they must *identify* with the character. As an equation this would be

$$\textit{Identify} = \textit{Perspective} + \textit{Empathy}$$

In neuroimaging,



An effective story starts with a character. It starts with a character the audience can identify with.

Charities like to focus on their stories. Charity insiders find these stories compelling. They know the characters. They care about the characters.

But a donor is not the same. He<sup>16</sup> may not know these characters. That's a critical difference. The charity's story might have a great plot. But unless the donor identifies with the characters, that doesn't matter. If a donor doesn't care, the story can't work.

### ***“Like me”***

Who is the easiest character to identify with? The answer is, yourself. Taking your own perspective isn't hard. Having empathy for yourself comes naturally. This reality applies to story. Storytelling guru Robert McKee explains,

“Empathetic means ‘like me.’”<sup>17</sup>

This also applies to fundraising. Donors identify with those they feel are *like* them in some meaningful way. When a person is “like me,” it's easier to take their perspective. It's easier to empathize with them.

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<sup>16</sup> As a convention for clarity and variety, throughout this series the donor is referred to with “he/him/his” and the fundraiser is referred to with “she/her/hers.” Of course, any role can be played by any gender.

<sup>17</sup> McKee, R. (1997) *Story: Substance, structure, style and the principles of screenwriting*. ReganBooks. p. 141.

We might argue that a story about thousands of people ought to be compelling. But this isn't a good character. It's a story about a number. It's not a story about a character "like me."

A story about one person is different. That character can be "like me." In fundraising, the story about one person works better than the story about thousands.<sup>18</sup>

In brain imaging, a story about one person does something else. It generates more perspective and empathy activation.<sup>19</sup> It helps people identify (perspective + empathy) with another. This leads to donations.

The most compelling fundraising story is *the donor's* story. But any story can become *the donor's* story to some extent. As the donor *identifies* with the story characters, the story becomes the donor's story.

### 3. Visualizing

Social emotion is the goal. It triggers giving. This requires identifying with a character. It requires perspective + empathy. But before identifying comes visualizing. If we want people to *feel* something, we must first get them to *see* something.

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<sup>18</sup> Lee, S., & Feeley, T. H. (2016). The identifiable victim effect: A meta-analytic review. *Social Influence, 11*(3), 199-215.

<sup>19</sup> Ye, Z., Heldmann, M., Slovic, P., & Münte, T. F. (2020). Brain imaging evidence for why we are numbed by numbers. *Scientific Reports, 10*(1), 1-6.

In neuroimaging, words trigger internal visual representations.<sup>20</sup> Story increases this experience.<sup>21</sup> That's what makes it powerful.

The back of the brain processes vision. One region is called the lingual gyrus. (It doesn't have anything to do with speech. It just looks like a tongue.) This area processes complex scenes and faces. It's also used in internal visualization. (Damaging this area means losing the ability to dream.)<sup>22</sup>

Reading disconnected sentences triggers a little bit of lingual gyrus activation. Reading sentences in a story format triggers dramatically more activation.<sup>23</sup>

### ***Visual philanthropy***

What about fundraising? It's hard to recreate *major* gift decisions in the lab. But we can ask people about charitable bequests. These are usually the largest donation a person will ever make.<sup>24</sup> Also, these are gifts of wealth holdings, not just disposable income.

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<sup>20</sup> Dils, A. T., & Boroditsky, L. (2010). Visual motion aftereffect from understanding motion language. *Proceedings of the National Academy of Sciences*, 107(37), 16396-16400.

<sup>21</sup> Zwaan, R.A. (2004). The immersed experienter: toward an embodied theory of language comprehension. In B.H. Ross (Ed.), *The psychology of learning and motivation*, vol. 44 (pp. 35-62). Elsevier.

<sup>22</sup> Bischof, M., & Bassetti, C. L. (2004). Total dream loss: A distinct neuropsychological dysfunction after bilateral PCA stroke. *Annals of Neurology*, 56, 583-586.

<sup>23</sup> Yarkoni, T., Speer, N. K., & Zacks, J. M. (2008). Neural substrates of narrative comprehension and memory. *Neuroimage*, 41(4), 1408-1425. p. 1415.

<sup>24</sup> James III, R. N. (2009). The myth of the coming charitable estate windfall. *The American Review of Public Administration*, 39(6), 661-674.

What’s unique about these decisions? You guessed it. It is lingual gyrus activation.<sup>25</sup> More activation means more desire to make a charitable bequest gift.

But that isn’t all. These decisions also activate the precuneus. This area is used when we take an outside perspective on ourselves.<sup>26</sup> It’s required for visual imagery of *autobiographical* memories.<sup>27</sup> Thus, charitable bequest decisions are driven by “visualized autobiography.”

This isn’t just about visual story. This is about *the donor’s* story.

### ***Second verse, same as the first***

Exposing preschoolers to storybooks develops their prosocial skills.<sup>28</sup> This comes from specific story elements. These are

- “whole, well-rounded, characters”
- “that trigger the reader’s identification” and

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<sup>25</sup> James III, R. N., & O’Boyle, M. W. (2014). Charitable estate planning as visualized autobiography: An fMRI study of its neural correlates. *Nonprofit and Voluntary Sector Quarterly*, 43(2), 355-373.

<sup>26</sup> Vogeley, K., & Fink, G. R. (2003). Neural correlates of the first-person-perspective. *Trends in Cognitive Sciences*, 7(1), 38-42.

<sup>27</sup> Fletcher, P. C., Frith, C. D., Baker, S. C., Shallice, T., Frackowiak, R. S., & Dolan, R. J. (1995). The mind’s eye—precuneus activation in memory-related imagery. *Neuroimage*, 2(3), 195-200.

<sup>28</sup>Mar, R. A., Tackett, J. L., & Moore, C. (2010). Exposure to media and theory-of-mind development in preschoolers. *Cognitive Development*, 25(1), 69-78.

- “evoke emotional responses”.<sup>29</sup>

What increases giving? Neuroimaging says

- Visualizing
- Identifying (perspective + empathy), and
- Social emotion.

Notice the parallels.<sup>30</sup> The answers are the same. Apparently, what works for preschoolers also works for donors.

#### ***4. No rational error detection***

The final element of a successful story is actually the *absence* of an element. Emotion is powerful. But the brain prevents runaway emotional decisions. It has a brake.

That brake comes from regions that detect logical errors or conflicts.<sup>31</sup> This puts cognitive control on emotional decisions. These regions are like an accountant who shouts, “I object!” They often activate in response to number calculations. These are mathematical, logical, error-detecting brain

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<sup>29</sup> Aram, D., & Aviram, S. (2009). Mothers' storybook reading and kindergartners' socioemotional and literacy development. *Reading Psychology, 30*(2), 175-194, p. 176.

<sup>30</sup> Also, notice how these elements merge. Identifying with another requires both perspective taking and empathy. But perspective taking is a form of visualization. And empathy is a form of social emotion. Thus, identifying with another requires both visualization and social emotion.

<sup>31</sup> Botvinick, M. M., Cohen, J. D., & Carter, C. S. (2004). Conflict monitoring and anterior cingulate cortex: An update. *Trends in Cognitive Sciences, 8*(12), 539-546.

regions. They can interrupt social-emotional processes.

The lesson for fundraising story is two-fold. First, a successful story must make sense. We can't get lost in a story if obvious errors keep pulling us out of it.

Second, logical reasoning is the brake. It's not the engine. Preventing a logical, mathematical objection is important. These could interfere with an otherwise effective, visual, emotional story. But math or logic can't drive a story. They can't drive a gift. They can only stop it.

### ***Conclusion***

Story means character and plot. But what makes compelling fundraising story? In neuroimaging, it triggers

- Visualizing
- Identifying (perspective + empathy), and
- Social emotion
- Without error detection

That's what it looks like in the brain scanner. That's the technical outcome.

But how do we make it happen? The next chapter begins to explore this. It examines practical techniques that create this magical result.

### 3

## CAN I SEE YOUR CHARACTER?

### WHEN FUNDRAISING STORY IS IN THE DETAILS

#### *Story character*

A story needs character and plot. But it starts with character. A plot might be good. It might have a challenge. It might have a victory. But if we don't care about the character, plot doesn't matter.

In an effective story, we *identify* with the character.<sup>1</sup> We can see things from their perspective.

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<sup>1</sup> As a general concept, one researcher explains the role of identification with a character this way. "Telling a compelling story involves creating convincing characters, using enticing and enthralling plotlines and understanding one's audience. Stories resonate with audiences because they have narrative fidelity, generate points of identification, and have recognizable story structure: a beginning, middle and end." Kent, M. L. (2015). The power of storytelling in public relations: Introducing the 20 master plots. *Public Relations Review*, 41(4), 480-489. p. 484. doi:10.1016/j.pubrev.2015.05.011 As a specific example of the importance of identification from fundraising, an in-depth investigation of donor motivations for giving to university athletic programs found that, "'vicarious achievement' was a primary motivational factor for donors to university athletic programs. Kim, S., Kim, Y., & Lee, S. (2019). Motivation for giving to NCAA Division II athletics. *Sport Marketing Quarterly*, 28(2). 77-90.

We have empathy for them. As an equation, this would be

$$\textit{Identify} = \textit{Perspective} + \textit{Empathy}.$$

### ***Fundraising story character***

In brain imaging, donating is predicted by social-emotional valuation.<sup>2</sup> This, in turn, depends on both perspective and empathy.<sup>3</sup> In other words, donors must *identify* (perspective + empathy) with the character. This changes *a* story into *the donor's* story.

Identifying with a character starts by visualizing the character. If we can't envision the character, we can't take the character's perspective. If we can't take the character's perspective, we won't have empathy.

A vague story doesn't create social emotion. Neither does a complicated or confusing one. These don't work because they don't trigger visualization. To *feel* something, we must first *see* something. But

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<sup>2</sup> Hare, T. A., Camerer, C. F., Knopfle, D. T., O'Doherty, J. P., & Rangel, A. (2010). Value computations in ventral medial prefrontal cortex during charitable decision making incorporate input from regions involved in social cognition. *Journal of Neuroscience*, 30(2), 583-590; Moll, J., Krueger, F., Zahn, R., Pardini, M., de Oliveira-Souza, R., & Grafman, J. (2006). Human fronto-mesolimbic networks guide decisions about charitable donation. *Proceedings of the National Academy of Sciences*, 103(42), 15623-15628; Tusche, A., Böckler, A., Kanske, P., Trautwein, F. M., & Singer, T. (2016). Decoding the charitable brain: empathy, perspective taking, and attention shifts differentially predict altruistic giving. *Journal of Neuroscience*, 36(17), 4719-4732.

<sup>3</sup> Hare, et al. (2010); Tusche, et al. (2016).

what we see must also make us feel. A character must be clear, but it must also be empathetic.

### ***The goal***

The external goal of fundraising story is a gift. But the internal goal is this:

*Evoke a clear image that generates social emotion.*

This internal experience leads to the external gift. How do we make this happen? It starts with a compelling character. This means

1. Make it specific.
2. Make it simple.
3. Make it empathetic.

Let's look at each character element in depth.

### **1. Make it specific**

#### ***Character details in fundraising***

Revealing specific details about a character can help. It can make mental images easier to form. This is powerful for fundraising. Experimental results show this.

In one experiment, people could give money to another unknown person. Some were also told the recipient's last name. This added detail increased

average gift size by almost half.<sup>4</sup> In another experiment, some people could also see the recipient. This roughly doubled average gift size.<sup>5</sup>

The same idea also works in fundraising experiments. In one, people were asked to donate for a child in medical need. Some people also received the child's name, age, and picture. These details increased the likelihood of donating from 61% to 90%.<sup>6</sup>

### ***Why character details work***

In fundraising story, adding character details can make a big impact. How does this work? Researchers mapped out the steps.<sup>7</sup>

They began with a simple experiment. People were asked to donate for a child in Africa who was in danger of starvation. Some were also given the child's name and picture. This addition doubled willingness to donate. No surprise there.

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<sup>4</sup> Charness, G., & Gneezy, U. (2008). What's in a name? Anonymity and social distance in dictator and ultimatum games. *Journal of Economic Behavior & Organization*, 68(1), 29-35.

<sup>5</sup> Bohnet, I., & Frey, B. S. (1999). The sound of silence in prisoner's dilemma and dictator games. *Journal of Economic Behavior & Organization*, 38(1), 43-57.

<sup>6</sup> Kogut, T., & Ritov, I. (2005). The singularity effect of identified victims in separate and joint evaluations. *Organizational Behavior and Human Decision Processes*, 97(2), 106-116.

<sup>7</sup> Dickert, S., Kleber, J., Västfjäll, D., & Slovic, P. (2016). Mental imagery, impact, and affect: A mediation model for charitable giving. *PLoS One*, 11(2), e0148274.

But this experiment dug deeper. It asked detailed questions. It used statistical path analysis. This revealed the underlying steps. These were

1. Adding character details increased the clarity of the mental image.
2. This enhanced image increased sympathy.
3. This increased sympathy drove greater donations.

The underlying mental pathway was this:

*Character details*<sup>8</sup> → *Mental Image* → *Victim-focused emotion (Sympathy)* → *Donation*

These research methods were quite different from brain imaging. But the answers were almost identical.

In brain imaging, donations require

- Taking another's perspective *and*
- Having empathy for that person's circumstances.<sup>9</sup>

In this path-analysis research, donations require

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<sup>8</sup> The researchers used the word "identifiability." This referenced when participants received identifying character details, i.e., the child's name and picture. I omit this phrasing to avoid confusion with the concepts of identifying, identification, and identity used in a different application (i.e., connection with the self) in this book series.

<sup>9</sup> Hare, T. A., Camerer, C. F., Knoepfle, D. T., O'Doherty, J. P., & Rangel, A. (2010). Value computations in ventral medial prefrontal cortex during charitable decision making incorporate input from regions involved in social cognition. *Journal of Neuroscience*, 30(2), 583-590.

- Picturing the other person *and*
- Feeling sympathy for that person.

Again, different methods give similar answers.

## **2. Make it simple**

### ***The one outweighs the many***

In *Star Trek II*, Dr. Spock sacrifices his life in the climax scene. In his parting words, Spock says,

“Logic clearly dictates that the needs of the many outweigh the needs of the few.”<sup>10</sup>

Kirk responds, “Or the one.”

As a matter of logic, this is true. It’s better to help many people instead of just one. But as a matter of fundraising story, this isn’t true. Why? Because an individual can be a great character. A random crowd can’t. Experimental research confirms this.

### ***The one outweighs the five***

In one experiment, people could donate to help children in a famine. For some people, donations helped five pictured children. For other people, donations helped only one of the five children. Asking for gifts for just one child worked dramatically better.

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<sup>10</sup> Bennett, H. (1982). *Star Trek II: The Wrath of Khan* [movie script]. <http://www.dailyscript.com/scripts/startrek02.html>

Donations to help one pictured child were almost double those to help five.<sup>11</sup>

Why did this happen? It's complicated. No, the *answer* isn't complicated. The answer is, "It's complicated." The researchers explained,

"As the number of victims increases, the mental representation becomes more diffuse and abstract until it is difficult to attach emotional meaning to it."<sup>12</sup>

When the character changed from one child to five, the mental image became complicated. The emotion disappeared. The donations fell.

### ***The one outweighs the eight***

In another experiment, people could donate to buy life-saving cancer drugs. For some people, the drugs would save eight children. For other people, they would save only one. The total cost was the same in both cases. The requests included the children's names, ages, and pictures.

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<sup>11</sup> Study 1 in Dickert, S., Kleber, J., Västfjäll, D., & Slovic, P. (2016). Mental imagery, impact, and affect: A mediation model for charitable giving. *PLoS One*, 11(2), e0148274.

<sup>12</sup> Dickert, S., Västfjäll, D., Kleber, J., & Slovic, P. (2012). Valuations of human lives: normative expectations and psychological mechanisms of (ir)rationality. *Synthese*, 189(1), 95-105. p. 101.

What happened? With the story saving one child, 90% donated. With the story saving eight children, only 58% did.<sup>13</sup>

### ***The simple eight outweighs the complex eight***

And then things got even weirder. Another group also got the request for eight children. But this time, their names, ages, and pictures were removed. The result? The likelihood of donating *increased* from 58% to 77%!

Taken together this means

- 90% donated to a story of one child with name, age, and picture.
- 77% donated to a story of eight children without names, ages, or pictures.
- 58% donated to a story of eight children with eight names, ages, and pictures.

Why did this happen? Again, the answer is, “It’s complicated.” As the story grew more complex, donations fell. A story with eight main characters is complicated. Adding even more details – eight names, ages, and pictures – didn’t help. It made a complicated story even more complex. Donations fell even more.

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<sup>13</sup> Kogut, T., & Ritov, I. (2005). The singularity effect of identified victims in separate and joint evaluations. *Organizational Behavior and Human Decision Processes*, 97(2), 106-116. Table 1.

***The one cohesive group outweighs the many individuals***

Having six or eight different main characters is too much for a story. It's too complicated. But there is a solution. Presenting many individuals as one, single cohesive group simplifies the story.

In one experiment, people could donate to help educate six children in Africa.<sup>14</sup> The children's names and pictures were included. But for some people, the children were described as siblings from the same family. This addition more than doubled donations. Instead of six random characters, the story had a single, cohesive unit.

Another experiment asked for donations for butterflies.<sup>15</sup> The gift would help buy a shelter to protect 25 rare butterflies. For some people, the butterflies appeared on screen as a single, orderly unit. They flew in unison. For other people, they flew randomly from different locations at different speeds. Donations with the unified group butterfly video were two-thirds larger.

Another experiment asked for donations for gazelles.<sup>16</sup> The gift would help buy a fence to protect 200 gazelles. People were asked,

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<sup>14</sup> Smith, R. W., Faro, D., & Burson, K. A. (2013). More for the many: The influence of entitativity on charitable giving. *Journal of Consumer Research*, 39(5), 961-976. Study 2.

<sup>15</sup> Id. Study 1.

<sup>16</sup> Id. Study 3.

“How much the gazelles typified what it means to be a tight group.”<sup>17</sup>

The answer to this question predicted donations. Viewing the gazelles as a more unified group boosted emotional concern. This increased the gift.

The underlying goal is to

1. Evoke a clear image
2. That generates social emotion.

Having 5, 6, 8, 25, or 200 different main characters is too complicated. The image isn't clear. But a single cohesive group creates a single character. This makes a clear, simple image.

This works. *If*. It works if the image generates social emotion. It works if the image is empathetic.

### **3. Make it empathetic**

#### ***Only the empathetic one outweighs the many***

One experiment asked about donating for an environmental problem. For one group the problem was described as,

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<sup>17</sup> Id at 967.

“fertility loss due to pollution threatens reptiles on the Mexican coast”.<sup>18</sup>

In this group, 24% of people were willing to donate. For other people, the word “reptiles” was replaced with one specific reptile. If “reptiles” was replaced with “turtles,” 34% were willing to donate. If “reptiles” was replaced with “lizards,” only 17% were willing to donate.

Picturing “turtles” is easier than picturing “reptiles.” And the image evokes empathy. This works. Picturing lizards is also easier. But the image doesn’t evoke much empathy. This doesn’t work. It sharpens the focus of the image. But it sharpens the focus on an *unsympathetic* image.

Another experiment showed this with children.<sup>19</sup> It copied the previous experiment helping six children in Africa. As before, some people were told that the children were siblings. As before, this more than doubled donations.

But others were also told that the children were in prison for committing crimes. Donations fell. More importantly, this changed the effect of presenting the children as siblings. Doing this now *cut* donations by more than two-thirds.

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<sup>18</sup> Kahneman, D., & Ritov, I. (1994). Determinants of stated willingness to pay for public goods: A study in the headline method. *Journal of Risk and Uncertainty*, 9, 5-38.

<sup>19</sup> Smith, R. W., Faro, D., & Burson, K. A. (2013). More for the many: The influence of entitativity on charitable giving. *Journal of Consumer Research*, 39(5), 961-976. Study 4.

Why? Picturing a family is easier than picturing six individual characters. It sharpens the focus. If the characters are sympathetic, this helps. If they are unsympathetic, this hurts. Turtles and kids are sympathetic characters. Lizards and criminals aren't.

### ***Details help only the empathetic character***

One experiment asked people to donate for a learning experience. It benefited a financially needy, gifted child.<sup>20</sup> Half of the people were also given the name and picture of the child. Adding this nearly quadrupled willingness to donate.

Why? The character details increased sympathy for the child. This sympathy increased willingness to donate.

But details don't help if the character doesn't evoke empathy. Another version of the experiment changed one thing. The child was *not* in financial need. In this version, adding the name and picture of the child didn't help. Why? Because it had little effect on sympathy.

Visualizing the child became easier, but the character faced no challenge. There was no reason for

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<sup>20</sup> Kogut, T., & Ritov, I. (2005). The singularity effect of identified victims in separate and joint evaluations. *Organizational Behavior and Human Decision Processes*, 97(2), 106-116.

social emotion. So, more details didn't trigger more giving.

### ***Both steps***

Effective fundraising story

1. Evokes a clear image
2. That generates social emotion.

Visualizing a story's character is the first step. A simple and specific image works the best. But if the image doesn't generate social emotion, it won't lead to a gift. A clear image is important. Using visual media can sometimes help.<sup>21</sup> But without the rest of the story, it doesn't matter.

## **Other applications**

### ***The rules still apply***

These examples are great if you can tell sympathetic stories about specific beneficiaries. But what if you can't? What if your cause isn't puppies,

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<sup>21</sup> One experiment showed that identical text led to more donations if it was placed in stick figure thought bubbles in a comic form. [Xiao, Z., Ho, P. S., Wang, X., Karahalios, K., & Sundaram, H. (2019). Should we use an abstract comic form to persuade? Experiments with online charitable donation. *Proceedings of the ACM on Human-Computer Interaction*, 3(CSCW), 1-28.] In another example, one study showed that "content viewed on a Virtual Reality platform, when compared against a traditional two-dimensional video media platform, increases empathy, increases responsibility, and instigates higher intention to donate money and volunteer time towards a social cause." Kandaurova, M., & Lee, S. H. M. (2019). The effects of Virtual Reality (VR) on charitable giving: The role of empathy, guilt, responsibility, and social exclusion. *Journal of Business Research*, 100, 571-580. p. 571.

turtles, or kids? What if your characters are employees, donors, or concepts? Even then, the same rules still apply. The goal is still the same:

1. Evoke a clear image
2. That generates social emotion.

If your story's character or outcome is vague or fuzzy, it won't evoke a clear image. If it is complex and technical, it won't evoke a clear image. In either case, your story won't motivate donors. It can't. It doesn't even get to the first step.

### ***It's complicated***

The goal is to evoke a clear image that generates social emotion. But clarity isn't easy. Simplicity isn't simple.

Michael Hauge is a well-known script advisor. He's spent over 35 years consulting with professional storytellers and business leaders. What's the number one problem he encounters? He explains,

“Their stories are way too complicated.”<sup>22</sup>

What about your story? Does it create a clear, simple, visual image? Is that image emotionally compelling for donors? If not, you might still enjoy telling it. But it won't do much for fundraising.

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<sup>22</sup> Hauge, M. (2018). *What does your hero want?* [Website]. Retrieved from <https://www.storymastery.com/character-development/what-does-your-hero-want-outer-motivation/>

## ***Conclusion***

At the heart of philanthropy is story. Story starts with character. Without a relatable character, the fundraising story is dead. To be relatable, the donor must *identify with* the character. The donor must see things from the character's perspective. (The image must be clear.) The donor must have empathy for the character's situation. (The image must evoke social emotion.)

Story is hard, but it can be powerful. Story can work in fundraising. When does it work? It works when it evokes a clear image that generates social emotion.

PROFESSOR RUSSELL JAMES

**MATH PROBLEMS IN FUNDRAISING STORY:  
MOTIVATIONS AND BARRIERS**

***Numbers***

For nonprofit managers, numbers are important. Numbers define success or failure. Numbers keep the lights on or off. Numbers can show impact.

But numbers, in fundraising, are different. In fundraising, we enter an alternate universe where numbers don't work the same way. In fundraising world, numbers are still important. But they're important in weird ways.

***Welcome to our weird world***

First consider the real world. Suppose one store sells a can of Coke for \$1, but with "buy one get one free." The result: Two cans cost \$1. The next store offers a 50% refund when you buy two cans of Coke for \$1 each. The result: Two cans cost \$1. Do

people care which store they buy from? No. Either way, two cans cost \$1. Math is math.

But fundraising world is weird. If you buy one and one gets added for free, that's called a match. This works dramatically better than an identical refund. This is true in both lab experiments<sup>1</sup> and actual fundraising.<sup>2</sup> The math is the same. But the message is different.

Now suppose one store offers “buy one get one free.” The next store offers “buy one get *three* free.” What do people do? They stock up at the second store.

But fundraising world is weird. In fundraising world, people treat both offers *the same*. Offering a one-to-three match instead of a one-to-one match makes no difference.<sup>3</sup> The math is different. But the message is the same.

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<sup>1</sup> Eckel, C. C., & Grossman, P. J. (2003). Rebate versus matching: does how we subsidize charitable contributions matter? *Journal of Public Economics*, 87(3-4), 681-701; Eckel, C. C., & Grossman, P. J. (2006). Subsidizing charitable giving with rebates or matching: Further laboratory evidence. *Southern Economic Journal*, 72(4), 794-807; Gandullia, L. (2019). The price elasticity of warm-glow giving. *Economics Letters*, 182, 30-32; Gandullia, L., & Lezzi, E. (2018). The price elasticity of charitable giving: New experimental evidence. *Economics Letters*, 173, 88-91; Peng, H. C. (2020). Effect of cognitive ability on matching and rebate subsidies. *Research in Economics*, 74(1), 19-25.

<sup>2</sup> Eckel, C. C., & Grossman, P. J. (2008). Subsidizing charitable contributions: a natural field experiment comparing matching and rebate subsidies. *Experimental Economics*, 11(3), 234-252.

<sup>3</sup> Karlan, D., List, J. A., & Shafir, E. (2011). Small matches and charitable giving: Evidence from a natural field experiment. *Journal of Public Economics*, 95(5-6), 344-350.

## ***Story world, not math world***

It's not that numbers aren't important in fundraising. They are. But giving *motivation* is about story. Numbers are important in giving motivation only *as story*. Let's translate the math into story.

Math: I donated \$100. An outside corporation matched this with their own gift of \$100.

Story: I'm philanthropic. And my \$100 made an extra impact. That's a cool story.

Math: I donated \$100. An outside corporation matched this with their own gift of \$150.

Story: I'm philanthropic. And my \$100 made an extra impact. That's a cool story. But it's *the same* story. The plot is the same. The social-emotional content is the same. The attraction of the story is the same. Thus, the motivation to give is the same.

Math: I donated \$200. An outside corporation gave me a check for a cash rebate of \$100.

Story: This story is different. I'm "kind of" philanthropic. But I also got some cash out of the deal. So, I benefited too. But there was some cost to me. It's kind of a mixed bag. That's a confusing story.

When we translate the numbers into story, the weirdness makes sense. The first story and the second story are the same story. The third story is a worse story. Experimental results match this. People donate the same for the first or second story. But they donate less for the third story.

### ***Story characters and math***

In the real world, suppose one store gives you a Coke for \$1. Another gives you a Coke, and a Pepsi, and a Sprite, all for \$1. What happens? People buy from the second store.

But fundraising world is weird. In one experiment, one group could donate to save one child. Another group could donate to save eight children. The cost to save one child was the same as the cost to save eight children. But people gave more when the request was for only one child.<sup>4</sup>

The math doesn't make sense. But the story does. The story of one empathetic character is compelling. The story of a mixed group of different people is complicated.

### ***How NOT to solve math problems***

For “numbers people,” this weird behavior is a serious problem. Mathematically, the right answer is obvious. Acting otherwise is inefficient. But people

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<sup>4</sup> Kogut, T., & Ritov, I. (2005). The singularity effect of identified victims in separate and joint evaluations. *Organizational Behavior and Human Decision Processes*, 97(2), 106-116. Table 1.

don't choose the "right" answer. Can these math problems be fixed? The answer is surprising. The answer is, "Yes, but it's a bad idea."

Researchers ran experiments to fix these fundraising math problems.<sup>5</sup> People were paid for another task. They were then asked to donate part of their payment. This would help famine relief in Africa.

Some people read statistics about the millions needing help. They donated 27% of their payments. Other people read about a specific child needing help. They donated 57% of their payments. This result is no surprise. Stories beat statistics. The story of one child is more compelling than statistics about millions.

For two other groups, the researchers tried to fix this problem. Before asking for a gift, they first explained the bias. They described how donors respond strongly to individual stories, but not to statistics. What happened?

As before, some people then read statistics about the millions needing help. They donated 25% of their payments. No big difference from the previous result. As before, other people read about a specific child needing help. They donated only 23% of their

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<sup>5</sup> Small, D. A., Loewenstein, G., & Slovic, P. (2007). Sympathy and callousness: The impact of deliberative thought on donations to identifiable and statistical victims. *Organizational Behavior and Human Decision Processes*, 102(2), 143-153.

payments. This was less than half that from the previous experiment.

The logical message erased the bias in favor of the single victim story. It worked! But it worked by applying the brakes to giving. Further analysis showed why. Starting with the statistical explanation reduced the social emotion.<sup>6</sup> This reduced the giving.

Was it just a poorly worded explanation? No. In other experiments, the researchers tried other descriptions. They explained the statistics vs. story bias in other ways. These explanations also “worked.” People no longer gave more to the individual story. But neither did they give more in response to statistics.

### ***Be careful what system you trigger***

Why did this happen? To answer this, it helps to know how people think about money. People can do weird things with money. In fact, I teach a graduate course on this. It’s not actually called, “Why people do weird things with money.” It’s called behavioral finance.

There’s a lot of research on this topic. But one fundamental concept appears repeatedly. (Different researchers use different labels, but the basic

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<sup>6</sup> In a more technical analysis, the donations for the high giving group (using a specific child + no statistics nor statistical de-biasing intervention) were driven largely by social emotions such as sympathy, but this connection was broken for the three low giving groups (using a statistics and/or statistical de-biasing intervention).

explanation is always the same.) Choices result from the interaction of *two* systems.<sup>7</sup> One system is

- Social
- Emotional
- Automatic, and
- Fast.

The other is

- Mathematical
- Logical
- Deliberate, and
- Slow.

The social-emotion system motivates charitable giving.<sup>8</sup> Social-emotional story is the *engine* that drives giving. The math and logic system takes part too. But it contributes only as a *brake* on giving.

In experiments, pointing out math and logic errors “works.” The story vs. statistics bias disappears. But this works only by applying the brakes to giving. People act more logically, but they give less. In fundraising, that’s not a great result.

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<sup>7</sup> Ashraf, N., Camerer, C. F., & Loewenstein, G. (2005). Adam Smith, behavioral economist. *Journal of Economic Perspectives*, 19(3), 131-145; James III, R. N. (2011). Applying neuroscience to financial planning practice: a framework and review. *Journal of Personal Finance*, 10(2), 10-65; Kahneman, D. (2011). *Thinking, fast and slow*. Macmillan.

<sup>8</sup> See Chapter 2: *Understanding fundraising story with a brain scanner*.

## ***Waking up the math side***

Another version of the previous experiment used this two-system idea.<sup>9</sup> Before the donation request, some people first did math problems. Why? Because this “wakes up” the math-logic system.

Again, this “worked.” It blocked the social emotion from individual story. After doing math, those reading about one child gave only 24% of their payments. Without math, people reading about one child had donated 57%.

But math didn’t help the power of numbers. After doing math, those reading the statistics donated just over 30%. This wasn’t significantly different than those who had *not* done math first.

“Waking up” the numbers system killed the social emotion of the individual story. But it didn’t help the statistics argument. In charitable giving, the math system works only as a brake, not as an engine.

Others have found the same thing. Waking up the math or finance side blocks the social emotion side. In experiments, reminding people about money or finances reduces

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<sup>9</sup> Small, D. A., Loewenstein, G., & Slovic, P. (2007). Sympathy and callousness: The impact of deliberative thought on donations to identifiable and statistical victims. *Organizational Behavior and Human Decision Processes*, 102(2), 143-153.

- Charitable giving <sup>10</sup>
- Willingness to help, and <sup>11</sup>
- Compassionate responses.<sup>12</sup>

### ***More math problems: Barriers***

The social-emotion-story side is the engine that drives giving. The math-logic side is only the brake.<sup>13</sup>

Many fundraisers understand this intuitively. But this understanding can cause a *different* mistake with math. Math isn't the motivator. That's true. But math can be critical to making a gift happen.

How is this possible? If math isn't the motivation, how can math be good for fundraising?

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<sup>10</sup> Roberts, J. A., & Roberts, C. R. (2012). Money matters: Does the symbolic presence of money affect charitable giving and attitudes among adolescents? *Young Consumers*, 13(4), 329-336; Vohs, K. D., Mead, N. L., & Goode, M. R. (2008). Merely activating the concept of money changes personal and interpersonal behavior. *Current Directions in Psychological Science*, 17(3), 208-212.

One unusual experiment found this effect was particularly high for men with high testosterone levels. Dinsmore, J. B., Stenstrom, E. P., & Kunstman, J. W. (2021). Baseline testosterone moderates the effect of money exposure on charitable giving intent. *Psychology & Marketing*, 38(2), 328-337.

<sup>11</sup> Vohs, K. D., Mead, N. L., & Goode, M. R. (2006). The psychological consequences of money. *Science*, 314(5802), 1154-1156; Wang, L., Zhong, C. B., & Murnighan, J. K. (2014). The social and ethical consequences of a calculative mindset. *Organizational Behavior and Human Decision Processes*, 125(1), 39-49.

<sup>12</sup> Molinsky, A. L., Grant, A. M., & Margolis, J. D. (2012). The bedside manner of homo economicus: How and why priming an economic schema reduces compassion. *Organizational Behavior and Human Decision Processes*, 119, 27-37.

<sup>13</sup> In neuroscience, this "braking" function is called error detection. Effective fundraising story needs both parts: It must produce social emotion, but it must also avoid logical error detection that will otherwise counteract the social emotion.

Math can be good because donating is not *only* about motivation. Donating is *also* about cost.

An alumnus might be 100% motivated to give \$10 million for a new library. But if he doesn't have \$10 million, that gift won't happen. A gift results not just from motivation. It results from the *intersection* of motivation *and* cost.

### ***Bad math***

Confusing motivation and cost leads to bad advice for fundraisers. This comes up most frequently in advice about tax benefits.

The misleading and oft-repeated scenario usually goes like this. A consulting group wants to learn about giving motivations. So, they ask some donors why they give. Almost nobody says that they give because of tax benefits. The group then tells fundraisers not to talk about tax benefits. This advice is readily accepted. Fundraisers are happy to avoid the hard work of understanding tax benefits.

This advice is common. And it's wrong.

### ***Bad math reporting***

Even if tax benefits were a motivation, it couldn't be discovered this way. People report more socially acceptable motivations.<sup>14</sup> Donating to change

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<sup>14</sup> Nederhof, A. (1985). Methods of coping with social desirability bias: A review. *European Journal of Social Psychology*, 153, 263-280; Jidin, R., & Monroe, G. S. (2017). Social desirability in behavioural accounting research. In

the world is admirable. Donating to get tax benefits is not. No surprise, people don't tell the tax benefit story about themselves.

### ***Bad math comprehension***

But there's another problem. Cost *cannot* be the motivation for *wanting* something. Suppose you asked a friend, "Why do you smoke?" He answers, "Because it's cheap."

Does this make sense? No. Regardless of how cheap cigarettes are, it's cheaper *not* to smoke. In the same way, regardless of tax benefits, it's cheaper *not* to donate.<sup>15</sup>

Does this mean cost isn't important? No. If cigarettes go on sale, smokers will buy more. If tax deductions increase, donors will give more. But the cost of cigarettes has nothing to do with *why* a person *wants to* smoke. The cost of donations has nothing to do with *why* a person *wants to* donate.

Cost can influence if, when, and how much a person *will* donate (or smoke). But cost is not about motivations. Cost is about the *barrier to acting* on those motivations.

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T. Libby & L. Thorne (Eds.), *The Routledge Companion to Behavioural Accounting Research* (pp. 132-145). Routledge.

<sup>15</sup> Although true in 99.9% of cases, there are a few circumstances where this general rule doesn't apply. The following academic journal article demonstrates that it is better to donate appreciated assets to fund a Charitable Remainder Trust for retirement planning than to simply sell them. Yeoman, J. C. (2014). The economics of using a charitable remainder trust to fund a retirement portfolio. *The Journal of Wealth Management*, 17(1), 40-50.

### ***Math works in statistics***

Tax benefits lower the real cost of donations. This increases giving. National economic research repeatedly proves this. More tax benefits mean more giving.<sup>16</sup> Even getting tax benefits a little sooner means more giving.<sup>17</sup> If we know anything from objective statistics on charitable giving, it is this: tax benefits matter.

### ***Math works in experiments***

Experiments show the same result. Referencing tax benefits makes people more willing to donate.<sup>18</sup> For example, people are more willing to

“Avoid capital gains tax by making a gift of stocks or bonds to charity”

than simply,

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<sup>16</sup> One reason we can tell this is because tax benefits for donating change abruptly at each tax bracket. The value of a deduction is the the amount of the deduction multiplied by the marginal tax rate. These abrupt changes allow a separation of the effects of greater income from the effects of greater tax benefits. See e.g., Backus, P., & Grant, N. (2016). *Consistent estimation of the tax-price elasticity of charitable giving with survey data* (Economics Discussion Paper No. 1606).

<http://hummedia.manchester.ac.uk/schools/soss/economics/discussionpaper/s/EDP-1606.pdf>; Clotfelter, C. (1985). *Federal tax policy and charitable giving*. University of Chicago Press; Schiff, J. (1985) Does government spending crowd out charitable contributions? *National Tax Journal*, 38, 535-546; Steinberg, R. (1994). Taxes and giving: New findings. *Voluntas*, 1, 61-79.

<sup>17</sup> Hickey, R. D., Minaker, B. & Payne, A. A. (2019, January 31). The sensitivity of charitable giving to the timing and salience of tax credits. *Melbourne Institute Working Paper No. 02/19*. <https://ssrn.com/abstract=3333600> or <http://dx.doi.org/10.2139/ssrn.3333600>

<sup>18</sup> James III, R. N. (2018). Describing complex charitable giving instruments: Experimental tests of technical finance terms and tax benefits. *Nonprofit Management and Leadership*, 28(4), 437-452.

“Make a gift of stocks or bonds to charity.”<sup>19</sup>

Adding tax benefit references increases willingness to make all sorts of donations. This includes

- Donor advised funds
- Charitable gift annuities
- Retained life estates, and
- Charitable remainder trusts.<sup>20</sup>

Both experiments and national data agree. Tax benefits matter. Cost matters.

## ***Conclusion***

We’re left with a dilemma. Numbers, math, and finance can be a problem. They can interfere with the social emotion that motivates giving. But they can also be a solution. They can lower the cost barrier for making the gift.

We’ve got a problem: a math problem. So, what’s the answer? Fortunately, the next chapter begins everyone’s favorite part of a math book. The answer key!

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<sup>19</sup> Id at 447.

<sup>20</sup> Id.



**SOLUTIONS IN FUNDRAISING MATH:  
STORY FIRST, MATH SECOND**

The “one big thing” in fundraising is to advance the donor’s hero story. This story requires a donor. It requires a gift. A gift results when motivation overcomes cost. Increasing motivation helps. So does lowering cost. These make the gift easier. But sometimes, these two processes conflict.

***Number problems***

In fundraising, numbers can be a problem. The problem is this. Giving motivation comes from the social emotion system. It comes from story. Introducing math, numbers, and finance can disrupt this process. It can trigger the deliberative, error-detecting, logic system. This system can block giving motivation. It can interfere with the social-emotion story processes that drive motivation.

## ***Number solutions***

But numbers can also be a solution. A donation is not just about motivation. It comes from the intersection of motivation and cost. Cost is critical for effective fundraising. Math can help with cost.

So, what are the solutions to this math and story problem? Here are some options.

1. Number sequencing: Story first, numbers second. *(See below.)*
2. Number socializing: Change cost into story. *(See below.)*
3. Number comparing: Gifts of wealth, not income. *(See Chapter 6.)*
4. Number subtracting: Lower the feeling of cost. *(See Chapter 7.)*
5. Number multiplying: Experience the gift again. *(See Chapters 8 & 9.)*
6. Number dividing: Break cost into smaller pieces. *(See Chapters 8 & 9.)*

Those are the concepts. Let's look at some examples. But these are "math" solutions. So, let me put it a different way. Let's work some practice problems!

## **Solution 1: Number sequencing**

### **Story first, numbers second**

#### ***Motivation first***

A donation results from the intersection of motivation and cost. But the first step must be motivation. First, the donor must care. The donor must want some philanthropic victory. Only then does cost become important. (The cost of something doesn't matter if we don't want it in the first place.)

In a story, motivation is what a character wants. In fundraising, motivation is what the donor wants. When these two merge, *a* story becomes *the donor's* story. This makes for a compelling fundraising story. This happens when

- The donor *identifies* with the story character, or
- The donor *is* the story character.

#### ***Motivation from a character, not a number***

Numbers make a weak story character. Thousands of people in need is important math. But it's bad story. A donor can't identify with this character. The solution? Don't start with numbers.

Telling the story of one empathetic character is compelling. Trying to add in five, eight, or twelve main characters might be good math. But it's bad story. The solution? Don't start with numbers.

### ***Motivation from a plot, not a number***

An effective story needs a relatable character. But it also needs a motivational goal. It needs to promise a compelling victory. Fundraising story should answer

- What does the donor want?
- What does a meaningful “victory” look like for the donor?
- What impact is most compelling for the donor?

Talking finances too early restricts the story. It makes the donor careful, not imaginative. This limits the goal before the story even starts. The story stays small. It never becomes compelling. It never becomes epic.

How do we prevent this? The answer is the same. Don’t start with numbers.

### ***Sequence matters***

First, we must trigger motivation from the social-emotion “engine.” Without getting this *first*, nothing else matters. Only after we have this do we then need to worry about numbers. Only then does the “brake” from the math-logic system matter. Only

then does overcoming the cost barrier become relevant.

### ***The voice of experience***

Laura Hansen Dean shares this advice. She calls it a “lesson learned.” She explains that early in her career,

“It was pretty standard to talk first about likely estate tax consequences and how that tax could be reduced by charitable giving. In the years since then, I find that asking first about the impact the donor wants to have during lifetime and/or after death, regardless of tax consequences, focuses the conversation on the good the donor wants to do with their assets ... Then following up with gift options is more appropriate.”<sup>1</sup>

Byron Kennedy shares this story.<sup>2</sup>

“I was fresh out of law school. I could make every argument for and answer every objection against the most elaborate and tax efficient giving mechanisms. And that’s how I would start donor conversations. I learned very quickly that didn’t work. I needed to learn their story, their values. They are generous

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<sup>1</sup> Dean, L. H. (2019). Laura Hansen Dean in E. Thompson, J. Hays, & C. Slamar (Eds.), *Message from the masters: Our best donor stories that made a difference* (pp. 65-74). Createspace Independent Publishing. p. 71-72. Laura Hansen Dean is Senior Director – Gift Design and Documentation at the University of Texas at Austin.

<sup>2</sup> Adapted from conversations with Byron Kennedy, Vice President for University Advancement at Texas Tech University.

because they have a heart to serve the cause and make an impact. That was a big turning point for me. My financial planning background is invaluable to doing my job well. But generosity and finances are very different things and need to be treated that way to develop meaningful relationships.”

Gift planning can be useful. But it’s most effective when pushed to the end. A donor wants to make an impact. But the cost seems too high. That’s when financial options can help.

### ***Numbers come second***

In the book *Visual Planned Giving*, I explained it this way. Charitable planning starts with the magic phrase. The magic phrase is when a donor says,

“I wish I could do more, but ...”<sup>3</sup>

The donor is motivated. But cost is a barrier. The magic response is,

“What if there was a way you could do both?

If there was a way to make a gift and address this financial issue, would you like to hear more? Can I share what others like you have done in the past?”

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<sup>3</sup> James III, R. N. (2018). *Visual planned giving in color: An introduction to the law & taxation of charitable gift planning*. Version 5.1. Createspace Independent Publishing. p. 9.

With permission, the fundraiser can then share solutions. Ideally, this happens at a second meeting. This gives time to carefully build options.

These charitable options can overcome the cost barrier. They might provide income or tax benefits. The gift might change to an

- Asset gift
- Estate gift
- Multi-year pledge, or
- “Virtual” endowment.<sup>4</sup>

The calculations can get complex. But this math discussion happens only after establishing motivation. The story works better because we don’t start with numbers.

### ***Numbers as story confirmation***

If we begin with math and finance, the social-emotion engine won’t start. If the engine doesn’t start, the brake doesn’t matter. Numbers do matter. But they matter only as *the second* step.

Numbers in the second step are important. They can help to lower the cost barrier. They can also

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<sup>4</sup> See, e.g., <https://www.supportuw.org/gift-planning/virtual-endowment/>

*confirm* a great story. Confirming a story is important. It keeps the donor's foot off the brake.

Fundraising starts with social emotion and story. But if the later confirmation fails, the story can fail. For example,

- If the finances don't make sense, confirmation fails. The gift won't happen.
- If a proposal has errors or lacks credibility, confirmation fails. The gift won't happen.
- If there's no impact report, confirmation fails. The *next* gift won't happen.

Confirming a story is important. Numbers can help. But their impact is limited. Adding another zero to an annual report is great. It makes the numbers ten times better. But it doesn't make the story ten times better. It doesn't change the story at all.

Numbers can help. They can *confirm* a compelling story. But they can't *create* one. That's why, once again, the answer is the same: Don't start with numbers.

## **Solution 2: Number socializing**

### **Change cost into story**

#### ***Making math social***

A donation results from the intersection of motivation and cost. It starts with social emotion. This drives gift motivation. Cost is also important. But cost creates math and finance reminders. These “wake up” the logical error-detection system. This can stop a donation.

But can we change this second result? Is it possible for cost to become social? Can we “storify” it? Can cost become a type of character? In both experiments and the real world, the answer, is “yes.”

#### ***Social experiments***

Money is anti-social. Reminding people of money makes them more independent and competitive.<sup>5</sup> It makes them less helpful.<sup>6</sup> It makes them less compassionate.<sup>7</sup> It reduces donations.<sup>8</sup>

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<sup>5</sup> Roberts, J. A., & Roberts, C. R. (2012). Money matters: Does the symbolic presence of money affect charitable giving and attitudes among adolescents? *Young Consumers*, 13(4), 329-336; Vohs, K. D., Mead, N. L., & Goode, M. R. (2008). Merely activating the concept of money changes personal and interpersonal behavior. *Current Directions in Psychological Science*, 17(3), 208-212.

<sup>6</sup> Vohs, K. D., Mead, N. L., & Goode, M. R. (2006). The psychological consequences of money. *Science*, 314(5802), 1154-1156.

<sup>7</sup> Molinsky, A. L., Grant, A. M., & Margolis, J. D. (2012). The bedside manner of homo economicus: How and why priming an economic schema reduces compassion. *Organizational Behavior and Human Decision Processes*, 119, 27-37.

<sup>8</sup> Roberts, J. A., & Roberts, C. R. (2012). Money matters: Does the symbolic presence of money affect charitable giving and attitudes among adolescents?

Can this be changed? Can money become social? Researchers have tested this in some weird ways. One experiment used a donation appeal with a cartoon currency symbol.<sup>9</sup> One version added eyes, feet, and arms to the symbol. Adding these human-like features more than doubled donations.<sup>10</sup>

Another experiment tested this a different way.<sup>11</sup> Some people were asked to describe the physical characteristics of money. Other people were instead asked to describe the personality traits of money. (They described money as if it were a person who had come to life.) Next, everyone was asked for a donation. Those asked to describe money in social terms donated more than twice as much.

Beyond this, the donations from those in this second group depended on their descriptions. The more they used social-emotion terms to describe

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*Young Consumers*, 13(4), 329-336; Vohs, K. D., Mead, N. L., & Goode, M. R. (2008). Merely activating the concept of money changes personal and interpersonal behavior. *Current Directions in Psychological Science*, 17(3), 208–212.

<sup>9</sup> Zhou, X., Kim, S., Wang, L., & Aggarwal, P. (2019). Money helps when money feels: Money anthropomorphism increases charitable giving. *Journal of Consumer Research*. 45(5), 953-972.

<sup>10</sup> Another study found that replacing standard charts (not related to money) with anthropomorphized data graphics had no impact on empathy or donation intentions. See, Boy, J., Pandey, A. V., Emerson, J., Satterthwaite, M., Nov, O., & Bertini, E. (2017, May). Showing people behind data: Does anthropomorphizing visualizations elicit more empathy for human rights data? In *Proceedings of the 2017 CHI Conference on Human Factors in Computing Systems* (pp. 5462-5474). Thus, the results of the Zhou, et al. (2019) experiment may relate specifically to humanizing money and money-reminders, rather than to humanizing numbers in general.

<sup>11</sup> Zhou, X., Kim, S., Wang, L., & Aggarwal, P. (2019). Money helps when money feels: Money anthropomorphism increases charitable giving. *Journal of Consumer Research*, 45(5), 953-972. Study 2.

money's personality, the more they gave. Those who described money as “friendly, kind, and sociable,” gave the most.

OK. So, that's cute. And it's a little weird. But how does that relate to actual fundraising. How can the cost of a donation become “friendly, kind, and sociable?”

### ***Giving objects***

Suppose you arrive at a friend's house for a group dinner. Which of these two feels like a better greeting?

“Thank you so much for inviting me. It's so nice of you to put this together! I brought a bottle of wine for you. I hope you like it.”

or

“Thank you so much for inviting me. It's so nice of you to put this together! Here's \$50.”

The answer is obvious. You might very well bring a gift of an object for the host. But you would never bring a gift of cash.<sup>12</sup>

Money is anti-social. But gifts of objects are pro-social.<sup>13</sup> They are common in social relations. They emphasize community norms. This distinction

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<sup>12</sup> Webley, P., & Wilson, R. (1989). Social relationships and the unacceptability of money as a gift. *The Journal of Social Psychology*, 129(1), 85-91.

<sup>13</sup> Cheal, D. (1987). Showing them you love them: Gift giving and the dialectic of intimacy. *The Sociological Review*, 35(1), 150-169.

arises in anthropology and sociology theories.<sup>14</sup> It also shows up in experiments.

### ***Giving objects in experiments***

Gifts of objects fit with the social-emotion system. They support social-emotional responses. Gifts of cash don't.

In one experiment, people learned about a donation made by a hardware store.<sup>15</sup> The donation was either

- “\$2,000 to a food bank” or

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<sup>14</sup> In anthropology and sociology this distinction originates in the work of Mauss (1923). Mauss differentiated gift-giving indigenous societies from market-based Western societies. This contrasts with Malinowski's (1923) unitary view that both types of exchange are the same. Later researchers following Mauss applied the two types of transfers as co-existing within the same societies, rather than as exclusive alternatives. Carrier (1991) explains the difference between the two types of transactions this way: “In gift transactions, objects are inalienably associated with the giver, the recipient, and the relationship that defines and binds them.” In monetary or commodity exchanges, “transactors are self-interested, independent individuals who exchange with people with whom they have no enduring links or obligations. In [these] transactions, objects are alienable private property defined primarily in terms of use value and exchange value rather than the identity of the transactors.” Fundraising success is easier with the communal norms of gift exchange based in the donor's identity. Matching themes of social language, social framing, and identity-based fundraising are repeated throughout this series.

Carrier, J. (1991). Gifts, commodities, and social relations: A Maussian view of exchange. *Sociological Forum*, 6(1), 119-136. p. 121.

Malinowski, B. (1922). *Argonauts of the Western Pacific*. Routledge & Kegan Paul.

Mauss, M. (1923). Essai sur le don forme et raison de l'échange dans les sociétés archaïques. *L'Année Sociologique*, 30-186. [A recent English translation is Mauss, M. (2002). *The gift: The form and reason for exchange in archaic societies*. Routledge.]

<sup>15</sup> Gershon, R., & Cryder, C. (2018). Goods donations increase charitable credit for low-warmth donors. *Journal of Consumer Research*, 45, 451-469.

- “Boxes of canned food to a food bank. (The donation cost the company \$2,000 and it would have cost the food bank the same amount to obtain those goods.)”

For the second gift, people rated the company as more

- Generous
- Helpful, and
- Charitable.

In another experiment, a large corporation gave to humanitarian aid efforts.<sup>16</sup> They gave either

- “\$1,000,000” or
- “\$1,000,000 worth of medical supplies.”

With the second gift, people rated the company as more

- Generous
- Helpful, and
- Charitable.

Other experiments find similar results. Object gifts reflect kindness more than cash gifts do.<sup>17</sup> Gifts

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<sup>16</sup> *Id.*

<sup>17</sup> Kube, S., Maréchal, M. A., & Puppe, C. (2012). The currency of reciprocity: Gift exchange in the workplace. *American Economic Review*, 102(4), 1644-62; See also, Kube, S., Maréchal, M.A., Puppe, C., 2010. *The currency of reciprocity – Gift exchange in the workplace*. IEW Working paper 377. University of Zurich. [http://conference.iza.org/conference\\_files/BLE2008/4534.pdf](http://conference.iza.org/conference_files/BLE2008/4534.pdf)

of objects fit the social-emotion system. This system drives generosity.<sup>18</sup>

### ***Real world***

Gifts of objects are social. They reinforce norms of sharing. What does this have to do with real-world fundraising? Major gifts are often gifts of things. This can include

- Houses
- Land
- Artwork
- Businesses, and
- Shares or parts of these things.

These gifts might be direct – transferring the asset to a charity. They might be indirect – committing a share of sale proceeds to a charity. Such gifts can be powerful. This is true not just because of

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<sup>18</sup> This is illustrated in a type of giving that charities actually receive too much of: Holiday gifting of toys to children’s hospitals. One ethnography study reports, “large pediatric hospitals across America are buried under an avalanche of toys each year.” (p. 608). The researcher explains her personal struggle with this practice, “On many levels – socially, economically, medically, environmentally – holiday gifting practices appear wasteful, hyperconsumptive, hedonistic, unnecessary, inefficient, and damaging. I struggled to make sense of the practice until I reframed holiday gifting as a sacred ritual. Sacred rituals do not subscribe to the rules of logic, efficiency, rationality, and pragmatism, but are characterized by traditionalism, symbolism, performance, devotion, and commitment to shared moral beliefs (Bell 2009). Importantly, sacred rituals have redemptive potential and value.” (p. 609). This description parallels the two system approach of “story world” and “math world” described here. Barnes, L. (2019). Holiday gifting at a children’s hospital: Sacred ritual, sacred space. *Journal of Contemporary Ethnography*, 48(5), 591-618, 609.

tax benefits. These gifts can change a donor's mindset.

Real wealth is held in non-cash assets. Giving these *things* instead of *cash* changes the donor's reference point. It moves the donor from gifts of disposable income to gifts of assets. It moves the donor to gifts of wealth. This is transformational. The next chapter looks at the power of these major gifts *of assets*.

PROFESSOR RUSSELL JAMES

## 6

### **THE SECRET TO FUNDRAISING MATH: GIFTS OF WEALTH NOT DISPOSABLE INCOME**

#### ***Gifts of wealth***

A donation comes from the intersection of motivation and cost. Most of this series focuses on the motivation side. But often the secret to unlocking major gifts is on the cost side. That secret is this:

*Major gifts are gifts of wealth, not disposable income.*

It's a simple distinction. But it's powerful. Wealth is different. It's not just a different amount. It's a different category. It has a different origin. It triggers a different mindset.

#### ***Wealth is not income***

Understanding gifts of wealth starts by understanding wealth. Wealth doesn't come from a paycheck. Wealth comes from owning assets that go up in value.

Of course, the media is fascinated by people with large paychecks. Athletes and celebrities make great story characters. But they rarely build wealth. In fact, they commonly go bankrupt.<sup>1</sup>

### ***Wealth is appreciated assets***

Wealth comes from owning assets that go up in value. People buy assets with inheritance,<sup>2</sup> borrowings, or savings from income. People buy assets that go up in value by,

1. Picking the right assets. This usually means accepting investment risk.<sup>3</sup>
2. Using personal effort to increase asset value. This is what successful business owners do.

This is how wealth is built. Bill Gates started a company and grew it by personal effort.<sup>4</sup> Warren

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<sup>1</sup> Carlson, K., Kim, J., Lusardi, A., & Camerer, C. F. (2015). Bankruptcy rates among NFL players with short-lived income spikes. *American Economic Review*, 105(5), 381-84; *See also*, Campbell, J. C. (2005). Who owns Kim Basinger: The right of publicity's place in the bankruptcy system. *Journal of Intellectual Property Law*, 13, 179-204. p. 185. ("The list of celebrities who have filed bankruptcy is not only long, but also surprising given the commercial success of those celebrities.")

<sup>2</sup> Harbury, C., & Hitchens, D. (2012). *Inheritance and wealth inequality in Britain*. Routledge; Wolff, E. N., & Gittleman, M. (2014). Inheritances and the distribution of wealth or whatever happened to the great inheritance boom? *The Journal of Economic Inequality*, 12(4), 439-468.

<sup>3</sup> Finke, M. S., & Huston, S. J. (2003). The brighter side of financial risk: Financial risk tolerance and wealth. *Journal of Family and Economic Issues*, 24(3), 233-256. *See also*, Aka, P. C., & Oku, C. (2016). Black retirement security in the era of defined contribution plans: Why African Americans need to invest more in stocks to generate the savings they need for a comfortable retirement. *Rutgers Journal of Law & Public Policy*, 14, 169-195.

<sup>4</sup> Wallace, J., & Erickson, J. (1992). *Hard drive: Bill Gates and the making of the Microsoft empire*. Wiley.

Buffet created a new way to borrow money to buy stocks.<sup>5</sup> And he picked the right stocks.

The concept is the same for regular people. People borrow money from others. It's called a mortgage. They use it to buy an appreciating asset. It's called a house. Most middle-class wealth comes this way.<sup>6</sup>

Whether middle-class or ultra-high net worth, the answer is the same: Wealth comes from owning assets that go up in value.

### ***Wealth is a different money category***

In math, a dollar is a dollar. But in story, dollars are different. The story of wealth is the story of appreciated assets. Wealth is not cash. Less than 3% of household financial wealth is held in cash or checking accounts.<sup>7</sup>

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<sup>5</sup> This was done by acquiring ownership in a retail stamps company, Blue Chip Stamps, and using the float to purchase shares of other companies. See, *The Science of Hitting*. (2017, July 17). *Berkshire and Blue Chip stamps*, <https://www.gurufocus.com/news/543005/berkshire-and-blue-chip-stamps>

<sup>6</sup> "home equity remained the primary source of wealth for most households, especially for lower income homeowners, with home equity comprising 42% of the total household net wealth of all homeowners and 77% of the total net wealth of lower income homeowners"

Turner, T. M., & Luea, H. (2009). Homeownership, wealth accumulation and income status. *Journal of Housing Economics*, 18(2), 104-114. p. 105. Citing to Di, Zhu Xiao, 2003. *Housing wealth and household net wealth in the United States*. Working Paper 03-8. Joint Center for Housing Studies.

<sup>7</sup> Board of Governors of the Federal Reserve System. (2019, June 6). *Financial Accounts of the United States - Z.1*,

<https://www.federalreserve.gov/releases/z1/20190606/html/b101h.htm>  
In 2018, \$113,094.2 billion in total financial assets were held by households and \$1,375.9 billion were held in checkable deposits and currency held by households. Thus 1.2% of total financial wealth is held in "cash" by that definition. Adding money market fund shares adds another \$1,701.4 billion.

Wealth is still money. But it's money from a different category. It's money with a different reference point. This affects fundraising.

***Gift size is relative to the money category***

Asking for gifts of cash is asking from the small bucket. Asking for gifts from appreciated assets is asking from the big bucket. This difference affects the donor's mindset.

Compared to other cash purchases, a \$100,000 gift is absurdly large. The cash gift compares with coffee at Starbucks. It compares with spending from the disposable income category.

Compared to wealth holdings, a \$100,000 gift may be tiny. The asset gift compares with a different category. A stock gift compares with stock holdings. A real estate gift compares with real estate holdings. Large gifts are made possible by large reference points.

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Combined, this adds to 2.7% of household financial wealth. This excludes wealth from real estate. Thus, the share of total wealth held in these categories is actually much smaller.

### ***Experiments: Money categories change behavior***

Reminding people of their wealth changes their behavior. One experiment asked different questions from people entering a store.<sup>8</sup>

- Some were asked about their wealth: Did they own stocks, bonds, certificates of deposit, etc.?
- Others were asked what was in their wallet or purse: Did they have cash, credit cards, photos, etc.?

What happened? People first asked about their wealth spent over 36% more at the store. They were reminded of a different money category. That reminder changed their behavior.

### ***Experiments: Money categories change current donations***

This is an area where small gifts and large gifts work differently. For example,

- A small ask from a small category works. It makes the whole thing seem painless. It's a trivial ask from a trivial category. Saying "yes" is no big deal.
- A big ask from a small category does not work. It makes the ask seem unreasonably large. The request is too big relative to the category.

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<sup>8</sup> Morewedge, C. K., Holtzman, L., & Epley, N. (2007). Unfixed resources: Perceived costs, consumption, and the accessible account effect. *Journal of Consumer Research*, 34(4), 459-467.

- A big ask from a big category does work. The ask is big. But it's reasonable relative to the category.

One experiment illustrates this.<sup>9</sup> People were asked about a donation pledge. It would be deducted from their monthly paychecks. But the amounts were described either as \$1/\$4/\$7 a day or as \$350/\$1,400/\$2,500 a year. Changing the description format changed the comparisons. For example,

- When asked with the daily amount, people compared the gift with “routinely encountered, petty-cash types of expenditures.”<sup>10</sup> The money category was trivial.
- When asked with the annual amount, people compared the gift with “infrequently encountered, major expenditures.” The money category was large.

For the smallest ask, the daily amount worked better. It was a trivial ask from a trivial category. It's just “pennies a day.”

But for anything over \$1,000, the result reversed. Gifting doubled when using the annual, rather than the daily, amount. The “pennies-a-day” story worked, but only for pennies. Big gifts needed big reference points.

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<sup>9</sup> Gourville, J. T. (1998). Pennies-a-day: The effect of temporal reframing on transaction evaluation. *Journal of Consumer Research*, 24(4), 395-408.

<sup>10</sup> *Id* at p. 400.

### ***Experiments: Money categories change future donations***

The “pennies-a-day” story creates another problem. A small reference point makes *future* giving small.

In one experiment, workers had a gift made on their behalf.<sup>11</sup> For some it was donated in small daily segments. For others, it was given in one lump sum. After this, everyone had the chance to make their own gift. People whose previous gifts had been broken into small amounts acted differently. They gave about a third less.

Why did this happen? Further questions showed the answer. People used previous giving as the reference point for their donation. When previous giving had been made in small segments, it felt smaller. This smaller reference point led to smaller donations.

But there was a solution. Showing *the total* of prior gifts before making the ask worked. It made the small segment gifts feel larger. This larger reference point increased donations almost 50%.<sup>12</sup> For bigger gifts, we need bigger reference points.

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<sup>11</sup> Hmurovic, J., & Lambertson, C. (2017). Does repeating prompt retreating? How the structure of initial charitable contributions impacts the magnitude of subsequent support. *North American - Advances in Consumer Research*, 45, 661-662, <http://www.acrwebsite.org/volumes/1023996/volumes/v45/NA-45>

<sup>12</sup> *Id.* Experiment 3

Another experiment found a similar result.<sup>13</sup> When prior gifts were described in total terms, people gave more. If they were described in monthly terms, people gave less.

Describing past giving as several small gifts is a small-reference-point story. Describing it as a single large total is a large-reference-point story. Choosing a larger reference point changes the giving behavior.

Another experiment showed this in a different way.<sup>14</sup> It tested six mailings to over 50,000 people. The top-performing headline was,

“CAMPAIGN DONOR FOR \_\_\_\_ YEARS  
Your most generous gift was \$ \_\_\_\_ . Thank  
you.”

This sets a reference point of the donor’s largest gift. It also emphasizes the length of the relationship. It reminds the donor that they’re the kind of person who makes these gifts – especially large ones.

### ***Real world: A money category question***

Which gift is more valuable:

- A \$10,000 check, or
- \$10,000 of stock shares?

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<sup>13</sup> *Id.* Experiment 1

<sup>14</sup> Khan, H. & Hardy, E. (2019). *Using behavioural insights to encourage charitable donations among repeat donors*. Privy Council Office: Impact Canada. <https://www.canada.ca/content/dam/ih-ci/documents/pdfs/HS-eng.pdf>

The charity CFO will prefer the check. It's easier. Gifts of assets are a hassle. The charity has to retitle them. The charity has to sell them.

The donor's financial advisor will prefer the stock. Giving stock avoids capital gains taxes. It's cheaper for the donor.

Which gift should the fundraiser prefer? The gift of stock. If the fundraiser cares about the donor, the answer is already obvious. One gift costs the donor less. That's the gift the donor should make.

But there's another reason: categories matter. If gifting comes from a tiny category, future gifting stays tiny. If the same gift comes from a big category, future gifting can become big.

A checking account is where disposable income lives. Disposable-income gifts come from the small category. This keeps future gifts small.

Appreciated assets is where wealth lives. Asset gifts come from the big category. Asset gifts can lead to transformational donations.

### ***Real world: Money categories and “mental accounting”***

In math, a dollar is a dollar. In story, people put labels on money. They then treat the dollars

differently based on those labels.<sup>15</sup> In experiments, when a new category of money becomes donation relevant, giving increases.<sup>16</sup>

Suppose a person gives furniture or clothes to a charity shop for the first time. From that point forward, the category becomes donation relevant. Whenever redecorating happens, charity comes to mind.

Suppose a person gives shares of stock for the first time. They learn that capital gains taxes are avoidable. From that point forward, the category becomes donation relevant. Whenever a sale is contemplated, charity comes to mind.

### ***Real world: Money categories and fundraising success***

Experiments and theory are fine. But how powerful is this in the real world? An analysis of over a million nonprofit tax returns showed the answer.<sup>17</sup>

Raising money from noncash assets predicts current and future fundraising success. This was true for every charitable cause. It was true for every charity size. And the difference was massive.

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<sup>15</sup> Thaler, R. (1985). Mental accounting and consumer choice. *Marketing Science*, 4(3), 199-214.

<sup>16</sup> LaBarge, M. C., & Stinson, J. L. (2014). The role of mental budgeting in philanthropic decision-making. *Nonprofit and Voluntary Sector Quarterly*, 43(6), 993-1013.

<sup>17</sup> James III, R. N. (2018). Cash is not king for fundraising: Gifts of noncash assets predict current and future contributions growth. *Nonprofit Management & Leadership*. 29(2), 159-179.

Consider this comparison. Suppose there were two otherwise identical charities. Both raised the same amount of contributions in year one. But there was a difference. One had raised these gifts only from cash. The other had raised gifts from both cash and stocks.

Fast-forward five years. What was different about the cash-and-stocks charity? Its total contributions, on average, grew twice as fast. One little fact doubled fundraising growth. *Doubled!*

This is a big deal. This isn't just academic theory. This isn't just a little experiment. This is years of data from most American nonprofits. This is as "real world" as it gets. And the difference is massive.

### ***Real world: How to start***

Fundraisers can start by sharing stories. These can be stories of others like the donor who have made gifts of assets. Donor stories can include stocks, bonds, real estate, or businesses.<sup>18</sup>

In conversation, this might begin with saying, "I help our donors give smarter." When asked for an explanation, the fundraiser can share a story that teaches.

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<sup>18</sup> James III, R. N. (2019). Using donor images in marketing complex charitable financial planning instruments: An experimental test with charitable gift annuities. *Journal of Personal Finance*, 18(1), 65-73.

Marketing materials can regularly teach the benefits of such gifts. (Of course, fundraisers should also educate themselves.)<sup>19</sup>

Fundraisers can also listen. They can listen for upcoming financial events. A sale, a retirement, an inheritance can all be times when charitable planning works well. By learning, listening, and sharing, fundraisers can become a valuable advisor for donors. They can also change the donor's mindset.

### ***Mindset matters***

Most donors think of donations as something that comes from regular disposable income. Gifts come from "pocket change." These donors will give small. They will give small today. They will give small tomorrow.

But if a donor begins to think of donations as something that comes from wealth, things change. These donors will give big. They will give big today. They will give even bigger tomorrow.

### ***The transformational estate gift***

Legacy gifts are transformational. They can be transformational for the charity because of their size. For people worth over \$2 million, estate giving

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<sup>19</sup> For details, see James III, R. N. (2018). *Visual planned giving in color: An introduction to the law & taxation of charitable gift planning*. Version 5.1. Createspace Independent Publishing. [www.encouragegenerosity.com/VPG.pdf](http://www.encouragegenerosity.com/VPG.pdf)

averages 20, 50, or 100 years of their annual giving.<sup>20</sup> This multiple increases with increasing wealth. Legacy gifts from the wealthy can be enormous.

But legacy gifts are also transformational for the donor. Current giving increases dramatically after adding charity to an estate plan. Annual donations jump over 75%.<sup>21</sup> These are the same donors before and after. They just behave differently after changing their estate plans. Even eight years later, this higher level of giving persists.

Why does this happen? An estate gift is a gift from wealth, not disposable income. For many, putting charity in their will is their first commitment to donate *from their wealth*, rather than from their disposable income. This first gift from wealth can be transformational for the donor. It mentally reclassifies their wealth as donation relevant. This changes the reference point for donations. It opens the way for larger donations in the future.

## **Conclusion**

The key to fundraising growth is changing the donor's mindset. That starts by understanding the

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<sup>20</sup> James, R. N. III. (2020). American charitable bequest transfers across the centuries: Empirical findings and implications for policy and practice. *Estate Planning and Community Property Law Journal*, 12, 235-285. p. 271.

<sup>21</sup> "Thus, using these 8,891 "before and after" observations from 1993-2016, inflation-adjusted giving was, on average, about 77% greater after the charitable estate planning component was added than it was before (\$7,699 versus \$4,355)." James, R. N. III. (2020). The emerging potential of longitudinal empirical research in estate planning: Examples from charitable bequests. *UC Davis Law Review*, 53, 2397-2431. p. 2422.

secret: Major gifts are gifts of wealth, not disposable income.

## **SUBTRACTION IN FUNDRAISING MATH: MAKE COST FEEL SMALLER**

Teen Talk Barbie famously stated, “Math is hard.”<sup>1</sup> This may be particularly true in fundraising. Giving is motivated by social emotion. Triggering math, logic, error-detection thoughts can hurt. It can block social emotion.

But we can’t simply ignore math. Why not? Because giving doesn’t come just from motivation. It comes from the intersection of motivation and cost. Motivation must overcome the cost barrier. So, we can’t ignore cost. And cost is a number.

Or is it? In traditional economics, cost *was* just a number. It was part of a rational math equation. But then behavioral economics added experiments. It found that cost was *not* just a number. Cost was also a feeling. The same number

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<sup>1</sup> See, e.g., Brodeur, N. (2018, July 13). Why computer-engineer Barbie matters: A quest to fight stereotypes for girls, *Seattle Times*, <https://www.seattletimes.com/life/lifestyle/why-computer-engineer-barbie-matters-a-quest-to-fight-stereotypes-for-girls/>

could feel larger or smaller, depending on circumstances.

### ***Making cost feel small***

Giving results from the intersection of motivation and cost. If the cost feels smaller, a gift is more likely. How can we make cost feel small? One way is by subtraction.

Subtraction lowers the total cost. This can be objective. For example, tax benefits can do this. But it can also be subjective. Even with the same number, the *feeling* of cost can become lower. This can happen when the cost is compared with different reference points. It can happen when the cost comes from different sources.

### ***Objective subtraction: Tax benefits***

Lowering the real cost of a gift can help. Objective discounts like tax benefits make bigger gifts possible. They increase donations.

Even so, the power of math still depends on the story. In math, a rebate and a match are identical.

Match: The donor gives \$1. It's matched with \$1.

Result: The gift makes a \$2 impact but costs the donor only \$1.

Rebate: The donor gives \$2. The donor is paid \$1 for making the gift.

Result: The gift makes a \$2 impact but costs the donor only \$1.

The math result is the same. But the feeling is different. The feeling is different because the story is different.<sup>2</sup>

- A match is a story of greater impact (donor heroism). The donor uses a special tool to win a greater victory for the story characters. This improves the donor's story.<sup>3</sup>
- A rebate is a story of greater personal benefit (donor selfishness). The donor makes a gift. Plus, he gets some personal financial benefit. This weakens the donor's story.

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<sup>2</sup> More formally, a match is associated with a "cooperation" frame, which makes donors feel more generous, while a rebate is associated with a "reward" frame, which does not. See, Bénabou, R., & Tirole, J. (2006). Incentives and prosocial behavior. *American Economic Review*, 96(5), 1652-1678.

<sup>3</sup> In fact, one experiment showed that a special kind of match can be even more effective. In this experiment the match went not to the project the donor was giving to, but to a different project. For example, a gift to provide water to one Tanzanian village was matched by a gift to provide schools to the village. This complementary match told a better story and it worked better than the standard match. What did not work as well was a different match that told essentially the same story. For example, a gift to provide water to one Tanzanian village was matched by a gift to provide water to a different Tanzanian village. That wasn't a different story, and the impact of this type of match wasn't as great. See Adena, M., & Huck, S. (2017). Matching donations without crowding out? Some theoretical considerations, a field, and a lab experiment. *Journal of Public Economics*, 148, 32-42.

In fundraising experiments, a match works better than an identical rebate.<sup>4</sup> And we see this in fundraising practice. Everyone offers matches. No one offers rebates. Problem solved, right? Not exactly.

Unfortunately, the biggest money benefit that a donor gets is a rebate. A tax deduction is a rebate. The donor makes a gift and then gets a tax benefit.

We can't change this. But rebates don't work as well in a story. So, it makes sense to change the words we use to describe tax benefits. We want to use words that frame the tax benefit *as if* it were a match.

- Match language – Yes  
“You give and the government matches your gift with a tax benefit. Your dollars become more powerful because the government pays for part of the cost of the gift.
- Rebate language – No  
“You give and you get a tax benefit back in return. Giving this way means that the charity benefits and so do you.”

The math is the same. But the language changes the story.

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<sup>4</sup> Epperson, R., & Reif, C. (2019). Matching subsidies and voluntary contributions: A review. *Journal of Economic Surveys*, 33(5), 1578-1601.

## ***Objective subtraction: Charity benefits***

In math, a charity could lower cost by giving something back. In story, this is tricky. Getting back cash from a charity can ruin the story. In experiments, cash payments can *reduce* helping or volunteering.<sup>5</sup>

It's not that a charity can't benefit a donor. It's that the donor's benefit must create little or no *extra* cost for the charity. The best story is a gift that helps the charity 100%. If the donor's benefit doesn't cost the charity anything *extra*, that story stays intact.

Charitable auctions are common. The bidder gets a benefit, the item. But the items are always donated to the charity. The benefit didn't cost the charity anything. The story stays intact.

Charitable lotteries (raffles) are also common. A person buys a ticket for a chance to win a prize. The ticket can benefit the purchaser. But the *extra* ticket costs the charity nothing.

One experiment changed a raffle from a fixed to a variable cash prize. The prize grew by 50% of each extra ticket sale. What happened? Funding

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<sup>5</sup> For an example where cash payments reduce charitable behavior, see Ariely, D., Bracha, A., & Meier, S. (2009). Doing good or doing well? Image motivation and monetary incentives in behaving prosocially. *American Economic Review*, 99(1), 544-55. For an example where the promise of cash payments reduce guilt and increase satisfaction for those who *don't* support the charity see Giebelhausen, M., Chun, H. H., Cronin Jr, J. J., & Hult, G. T. M. (2016). Adjusting the warm-glow thermostat: How incentivizing participation in voluntary green programs moderates their impact on service satisfaction. *Journal of Marketing*, 80(4), 56-71.

dropped by more than half.<sup>6</sup> The prize wasn't smaller. But the charitable story was damaged.

A donor's benefit may be valuable. But it should add little extra cost for the charity. Thus, charities often provide,

- Use of facilities
- Admission to events, or
- Invitations to social gatherings.

These work because the extra cost for one more person is minimal. The donor's story stays intact.

### ***Emotional subtraction***

Tax or charity benefits can help, but gifts still cost money. Often, we can't change this number. But we can change the feeling from the number. In math, a number is a number. But in emotion, a number depends on the story of the number.

Reference points matter. Compared with routine disposable income purchases, a \$1,000 gift can feel enormous. Compared with infrequent major purchases, it can feel reasonable. Compared with wealth, it can feel tiny. In all three cases, the cost is the same. But the feeling of the cost can change dramatically.

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<sup>6</sup> Dale, D. J. (2004). Charitable lottery structure and fund raising: Theory and evidence. *Experimental Economics*, 7(3), 217-234.

## ***Losses hurt***

In experiments, people spend differently using different payment types. Paying with currency creates a visceral loss experience. The person physically loses something valuable. People spend little with cash.<sup>7</sup>

Paying with a check is also a loss. But giving up a single check hurts less than giving up a stack of cash. People spend more with checks.

Paying with a credit card doesn't feel like a loss. A person takes out a card but puts it right back. People spend a lot more with cards.<sup>8</sup> The more painful the cost feels, the less people want to spend the money. This is also true in giving.

## ***Windfall giving: Easy come, easy go***

In experiments, if money is earned by effort, people are less likely to donate it.<sup>9</sup> The more effortful

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<sup>7</sup> Soman, D. (2003). The effect of payment transparency on consumption: Quasi-experiments from the field. *Marketing Letters*, 14(3), 173-183.

<sup>8</sup> Soman, D. (2001). Effects of payment mechanism on spending behavior: The role of rehearsal and immediacy of payments. *Journal of Consumer Research*, 27(4), 460-474; See this effect in study 1 of Chatterjee, P., Rose, R. L., & Sinha, J. (2013). Why money meanings matter in decisions to donate time and money. *Marketing Letters*, 24(2), 109-118, retracted due to errors in study 3, but see the argument for study 1 data in Rose, R. L. (2016). Cautious thoughts on "a social priming data set with troubling oddities". *Basic and Applied Social Psychology*, 38(1), 30-32.

<sup>9</sup> Carlsson, F., He, H., & Martinsson, P. (2013). Easy come, easy go. *Experimental Economics*, 16(2), 190-207.

the earning, the less likely the donation.<sup>10</sup> People are most generous with money from a windfall gain.<sup>11</sup>

In western culture, tithing originated in windfall gains. In Archaic and Classical Greek, tithing refers to offering one-tenth of the spoils of battle to the gods.<sup>12</sup> The first appearance of tithing in the Bible is similar. Abraham gives a tenth part to the priest Melchizedek following a victory in battle.<sup>13</sup>

In real life, windfall gains can come at different times. It might be a bonus at work, a stimulus check, or a tax refund. But for major gifts, this typically comes from the sale of an appreciated asset. This might be the sale of real estate, shares, or a business.

Thus, gifts of appreciated assets are powerful both objectively and emotionally. Such gifts are cheaper. Donating before the sale avoids capital gains

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<sup>10</sup> Muehlbacher, S., & Kirchler, E. (2009). Origin of endowments in public good games: The impact of effort on contributions. *Journal of Neuroscience, Psychology, and Economics*, 2(1), 59.

<sup>11</sup> Arkes, H. R., Joyner, C. A., Pezzo, M. V., Nash, J. G., Siegel-Jacobs, K., & Stone, E. (1994). The psychology of windfall gains. *Organizational Behavior and Human Decision Processes*, 59(3), 331-347; Konow, J. (2010). Mixed feelings: Theories of and evidence on giving. *Journal of Public Economics*, 94(3-4), 279-297; Li, H., Liang, J., Xu, H., & Liu, Y. (2019). Does windfall money encourage charitable giving? An experimental study. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 30(4), 841-848; Reinstein, D., & Riener, G. (2012). Decomposing desert and tangibility effects in a charitable giving experiment. *Experimental Economics*, 15(1), 229-240. This behavioral difference can be explained by social norms. In experiments, "Perceptions of what most people would consider a morally appropriate donation depend on the amount of income and whether it is a windfall." Drouvelis, M., Isen, A. & Marx, B. (2019). *The bonus-income donation norm*. CESifo Working Paper No. 7961, <https://ssrn.com/abstract=3498718>

<sup>12</sup> Keesling, C. M. (2003). *The votive statues of the Athenian Acropolis*, Cambridge University Press.

<sup>13</sup> Genesis 14:17-20

tax. But this math advantage may be even more powerful as pretext. It triggers giving contemplation on the eve of a large windfall.

### ***Avoiding money losses***

Avoiding the feeling of loss is powerful in financial decisions. A long history of research shows this.<sup>14</sup> That’s why donating from a windfall gain feels easier. The cost doesn’t change, but it doesn’t feel like a loss. It feels like a slightly smaller gain.

Instead of being a loss, a donation can also be described as *avoiding* a loss. A temporary financial match can mean “lost money” if no gift is made. Jay Steenhuysen promotes asset gifts this way:

“Describe not giving assets as *losing* a 25% tax benefit.”<sup>15</sup>

The interest rate for complex gift deductions changes monthly.<sup>16</sup> This can mean *losing* valuable

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<sup>14</sup> Abdellaoui, M., Bleichrodt, H., & Paraschiv, C. (2007). Loss aversion under Prospect Theory: A parameter-free measurement. *Management Science*, 53, 1659-1674; Tversky, A., & Kahneman, D. (1991). Loss aversion in riskless choice: A reference-dependent model. *The Quarterly Journal of Economics*, 106(4), 1039-1061.

<sup>15</sup> Steenhuysen, J. (2017, February 8). *Major gifts: Bigger, better, sooner*. AFP/NCPGC Joint Luncheon, Washington, D.C. <http://ncgpc.org/documents/n/national-capital-gift-planning-council/downloads/steenhuysenpresentationfeb8.pdf>

<sup>16</sup> The section 7520 rate is used to calculate charitable deductions for complex gifts such as charitable remainder trusts, charitable lead trusts, charitable gift annuities, and retained life estates in homes and farmland. Donors can use the current month’s rate or either of the previous two month’s rates. Thus, it is actually the interest rate from the month before last that expires each month. However, if this offers a more favorable tax result, then failing to act by the deadline can be described as creating a loss.

deductions if the deadline is missed. Or gift annuity rates may be about to drop. Either way, the message is

“Act now or lose money!”

Or maybe the donor is age 72 or older. Then this message can be

“Donate from your IRA or lose money when they force you to take it out!”

End-of-year tax deadlines can also help. This message can be

“Give now or lose the deduction for a year!”

### ***Avoiding loss is money magic, not story magic***

Loss avoidance is powerful in money decisions. So, does this mean fundraising *story* should be all about avoiding loss? Actually, no.

Many experiments have compared gain and loss framing in fundraising story. Taking them all together, the answer is, “meh.”<sup>17</sup> This being academia, the conclusion is a bit more formal. Researchers describe it this way:

“A meta-analysis of 27 studies finds that gain-framed and loss-framed appeals do not differ

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<sup>17</sup> Xu, J., & Huang, G. (2020). The relative effectiveness of gain-framed and loss-framed messages in charity advertising: Meta-analytic evidence and implications. *International Journal of Nonprofit and Voluntary Sector Marketing*, e1675.

significantly on persuasiveness in charity advertising.”

One approach did no better than the other. So, what’s going on? Loss framing does work. It works with *finances*.<sup>18</sup> It works with numbers. The math, logic, numbers system in the brain focuses on error detection. It focuses on avoiding mistakes and losses.

One experiment tested gain and loss framing for different fundraising messages.<sup>19</sup> What worked was

“when the message combined abstract, statistical evidence with a negative [loss] frame, or anecdotal, vivid evidence with a positive [gain] frame.”

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<sup>18</sup> Loss aversion also works with death. See the classic study in Tversky, A., & Kahneman, D. (1981). The framing of decisions and the psychology of choice. *Science*, 211(4481), 453-458. But that isn’t just a result of loss framing, per se. That’s also a result of death avoidance. Death avoidance is a deeply rooted psychological construct of its own. Among other things, it is a foundation for an entire field of psychology known as Terror Management Theory.

<sup>19</sup> “Importantly, our findings showed that, compared with the work of other charities, the relevance of the present charity was perceived to be higher when the message combined abstract, statistical evidence with a negative frame, or anecdotal, vivid evidence with a positive frame.” Das, E., Kerkhof, P., & Kuiper, J. (2008). Improving the effectiveness of fundraising messages: The impact of charity goal attainment, message framing, and evidence on persuasion. *Journal of Applied Communication Research*, 36(2), 161-175. p. 170.

Note also that a meta-analysis of such experiments finds that “Gain- and loss-framed appeals do not significantly differ in persuasiveness concerning charity advertising.” Xu, J., & Huang, G. (2020). The relative effectiveness of gain-framed and loss-framed messages in charity advertising: Meta-analytic evidence and implications. *International Journal of Nonprofit and Voluntary Sector Marketing*, e1675.

## ***Story magic***

Loss framing works with numbers. But good story presents *both* loss and gain. A compelling challenge forces a decision,

1. In response to a threat or opportunity for the donor's people or values, and
2. With the promise of a victory for the donor's people or values.

A good challenge presents a risk of serious loss (or at least a lost opportunity). But it also offers the hope of a gain. It promises a victory. A good story doesn't end with, "Nothing changed." That's not a meaningful victory. That's not a compelling story.

## ***Wealth is a number and a feeling***

Major gifts come from people who can make them. They come from people with wealth. Wealth is a number, but it's also a feeling.

It's important not to confuse your feelings about a number with a donor's feelings. Consider this. If you had \$50 million, would you feel "extremely financially secure?" Probably so. But only one in five households with an actual net worth over \$50 million reported feeling "extremely financially secure."<sup>20</sup> One in ten felt "somewhat insecure."

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<sup>20</sup> Rooney, P. M. & Frederick, H. K. (2007). *Portraits of donors: Bank of America study of high net-worth philanthropy*. The Center on Philanthropy at Indiana University. p. 11.

Substituting your feelings about a number for a donor's feelings is a mistake. It leads to misunderstandings. It's easy to think that wealthy people don't worry about money. Or that they don't care about cost. Neither is true.<sup>21</sup> These feelings are important. They impact giving.

In national data, *feelings* about one's wealth predict donations better than *actual* wealth.<sup>22</sup> Regardless of actual wealth, if people

- Feel their friends are better off than them, or
- Worry about needing cash,

donations fall.

Wealth is a feeling. Settings that increase the feeling of abundance encourage giving. It's no accident that fundraising events are held in more opulent surroundings. They have abundant food and drink. These environments create the right feeling.

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<sup>21</sup> This error starts with a skewed definition. Rich people are *other* people who have a lot more money than we do. They aren't like us. If we were that rich, we wouldn't care about cost; so, why should they? But consider this. How does your household income compare with the global median of \$10,000? How does it compare with the five poorest countries' median of less than \$1,000? From a global perspective, you are *those other people* who have a lot more money. Do you worry about money? Is giving easy for you? Do you still care about cost? Considering this perspective may help show why these issues continue to be important even at various order-of-magnitude differences in income or wealth.

<sup>22</sup> Wiepking, P., & Breeze, B. (2012). Feeling poor, acting stingy: The effect of money perceptions on charitable giving. *International Journal of Nonprofit and Voluntary Sector Marketing*, 17(1), 13-24. Table 4: Model 1 and Model 2.

## ***Cost is important for wealthy people***

Wealthy people have more money. But there is a reason for this. Wealthy people like to hold wealth, rather than spend it. Otherwise, they wouldn't become, or stay, wealthy.

This simple reality is important. It provides insight into the wealthy donor's mindset. The importance of cost doesn't disappear for the wealthy. If anything, it's stronger.

## ***The framing of cost is important for older wealthy people***

The very wealthy tend to be older. The average age of those with \$500 million or more in the U.S. is well over 65.<sup>23</sup> Most charitable bequest dollars come from wills signed in the 80s and 90s.<sup>24</sup>

In experiments, verbal framing of financial numbers is powerful. But it's even more powerful among older adults.<sup>25</sup> Verbal framing is also more powerful among those with lower cognitive scores.<sup>26</sup>

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<sup>23</sup> Forbes. (2011). *Driving global wealth: Mapping ultra high net worth individuals around the globe*. Societe Generale Private Banking, [https://i.forbesimg.com/forbesinsights/StudyPDFs/Driving\\_Global\\_Wealth\\_May2011.pdf](https://i.forbesimg.com/forbesinsights/StudyPDFs/Driving_Global_Wealth_May2011.pdf)

<sup>24</sup> James III, R. N., & Baker, C. (2015). The timing of final charitable bequest decisions. *International Journal of Nonprofit and Voluntary Sector Marketing*, 20(3), 277-283.

<sup>25</sup> Besedeš, T., Deck, C., Sarangi, S., & Shor, M. (2012). Age effects and heuristics in decision making. *Review of Economics and Statistics*, 94(2), 580-595.

<sup>26</sup> Abeler, J., & Marklein, F. (2017). Fungibility, labels, and consumption. *Journal of the European Economic Association*, 15(1), 99-127; Hackinger, J. (2016). *Not all income is the same to everyone: Cognitive ability and the house money effect in public goods games*. <https://ssrn.com/abstract=2786603>

As people age, cognitive scores tend to decline.<sup>27</sup> Verbal ability actually stays higher in older age, whereas math does not.<sup>28</sup> Math fades, but story remains.

### ***Conclusion***

Cost is a number. So is wealth. And numbers are important. But for fundraising, the feeling about these numbers can be just as important. When cost feels less painful, giving increases. When resources feel more abundant, giving increases. Changing the story of money can change fundraising results.

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<sup>27</sup> Murman, D. L. (2015). The impact of age on cognition. *Seminars in Hearing*, 36(3), 111-121.

<sup>28</sup> Park, D. C., Lautenschlager, G., Hedden, T., Davidson, N. S., Smith, A. D., & Smith, P. K. (2002). Models of visuospatial and verbal memory across the adult life span. *Psychology and Aging*, 17(2), 299-320.

PROFESSOR RUSSELL JAMES

**ADVANCED FUNDRAISING MATH:  
MULTIPLY THE EXPERIENCE, DIVIDE THE COST**

***Charity managers' perspective***

How should a gift be structured? For charity managers, the answer is easy. The donor should just write a check. Write it immediately. Write it for as much as possible. And then go away. Let the managers get on with the job.

Yet, that isn't how large gifts work. Large gifts come with instructions. They can be complicated. For charity managers, this can be frustrating. They may think,

“Why do donors need to be so complicated! Why do we need gift agreements, restrictions, campaigns, pledges, trusts, or donor advised funds? Oh, and it gets worse! These days one set of headaches isn't enough. Now we need 'blended gifts' that stack these complications together. Why can't they just give us the money?”

### ***Perspective shift: Delivering value***

It's a good question. Why can't they just give us the money? Why are large gifts so complicated? Understanding this starts with a simple reality. It's a reality that charity managers often miss. It's this:

- Donations don't come because the charity "deserves it."
- Donations come because the donor's experience is worth the gift.

Getting big gifts means delivering big value to the donor. It means delivering a compelling donor experience.<sup>1</sup> Many small nonprofit managers dream of the million-dollar donation. Few dream about delivering a donor experience *worth* a million dollars.

Moving beyond simple checkbook gifts can work. It works by *delivering more value* to donors. It does this through the power of math. Not just the math of accounting, but the math of story.

### ***Simple math: Auctions***

Let's start small. Charity auctions are everywhere. A charity auction is a fragmented gift. One donor gives an object worth \$100. Another

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<sup>1</sup> A formal economic model incorporates this idea, with the explanation, "A charitable contribution is a social interaction not a market exchange. Stated differently, giving is an experience rather than a consumption item." Andreoni, J. & Serra-Garcia, M. (2019, December). *Time-inconsistent charitable giving*. NBER Working Paper No. 22824, <https://www.nber.org/papers/w22824>

donor buys it for \$200. At the end, the charity gets a check for \$200.

Why go through all this? Couldn't each donor just write a check for \$100? Yes, they could. But they won't. Writing a check doesn't deliver the same donor experience. It doesn't deliver the same value.

Consider the story. In math, each donor has made a gift of \$100. But not in story. In story, each donor has benefited the charity by \$200.

Story of Donor 1:

"I donated this object. As a result, the charity got a check for \$200. Because of me, the charity now has \$200."

Story of Donor 2:

"I gave a check to the charity. It was for \$200. They gave me an object that cost them nothing. Because of me, the charity now has \$200."

Each is a story of a \$200 gift. And each makes sense. The gift experience has been multiplied.

***Multiply the feeling of being generous:  
Auctions***

Consider the value delivered to the first donor. The auction is public. The donor of every object is

known. Gifts of objects are communal.<sup>2</sup> They provide greater enhancement to the donor's reputation.<sup>3</sup> Often, the object reflects the donor's identity, either as a person or a business. Their generosity, and their identity, is on display. It's on display in an approved, communal, shared process.

The second donor also receives high value. The bidding is also public.<sup>4</sup> Bidders can display wealth, generosity, and commitment to a shared cause. Although bidding does involve cash, it's more fun than finance. It uses objects as the medium for transfer. The object benefiting the donor costs the charity nothing. It doesn't reduce the impact of the donor's cash gift. A good-natured bidding war is common. Often this is for an item tied to the identity of its donor. Ms. Mary Lou's pie makes the cash bid *very* social.<sup>5</sup>

So, is a pie auction the road to major gifts success? No. But the concepts are useful. In a charity auction, two donors can claim the same gift. This multiplies the gift experience. But each donor's net cost of giving is less than the total amount. This divides the gift cost.

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<sup>2</sup> Cheal, D. (1987). Showing them you love them: Gift giving and the dialectic of intimacy. *The Sociological Review*, 35(1), 150-169.

<sup>3</sup> Gershon, R., & Cryder, C. (2018). Goods donations increase charitable credit for low-warmth donors. *Journal of Consumer Research*, 45, 451-469.

<sup>4</sup> Even in a silent auction, the bids may be written publicly or the winners may be announced publicly.

<sup>5</sup> The "pie supper" charity auction was popular in 19<sup>th</sup> and early 20<sup>th</sup> century Ozark Mountain culture. See Gilmore, R. K. (1990). Box and pie suppers. In *Ozark baptizings, hangings, and other diversions: Theatrical folkways of rural Missouri, 1885-1910*. University of Oklahoma Press.

These concepts are powerful. They can also apply to modern gift structures. These don't require two donors. Instead, they apply to one donor at different times. The simplest example is the charitable pledge.

***Multiply the feeling of being generous:  
Pledges***

Even more common than the charity auction is the charity pledge. This breaks the gift into two steps:

Step 1: Donor makes a pledge to give \$100 in the future.

Step 2: Donor fulfills the pledge and transfers \$100.

Why would this raise more money? It works by multiplying and dividing. First, it multiplies the gift experience. The donor gets to feel like a hero twice.

In step 1, the donor gets to be charitable. The donor is charitable by committing to a pledge. In step 2, the donor gets to be charitable *again*. This time the donor actually writes a check. The steps multiply the charitable experience.

Researchers explain it this way:

“The pleasures experienced at the time of the giving decision may be re-experienced later when focus is brought to the giving decision, such as when the gift is transacted. Hence, spreading a single giving decision into two

distinct social interactions is like giving a person a larger audience, even if the audience is the same people, and even if the audience is simply themselves (as with self-signaling).”<sup>6</sup>

### ***Divide the feeling of cost: Pledges***

Pledges also divide the gift cost. In the first step, the cost of being charitable is a pledge. A pledge for future money feels less painful than paying now. The cost feels smaller. This changes the decision. It’s no longer a choice of

“Give *now* or don’t give.”

Instead, it’s a choice of

“Give *later* or don’t give.”

This makes giving easier.

In the second step, the donor writes a check. But the decision is easier. Now, it’s just paying the bills. The decision is not a choice of

“Give now or *don’t give*.”

Instead, it’s a choice of

“Give now or *break my pledge*.”

This makes giving easier.

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<sup>6</sup> Andreoni, J. & Serra-Garcia, M. (December, 2019). Time-inconsistent charitable giving. NBER Working Paper No. 22824, <https://www.nber.org/papers/w22824>

In one experiment, researchers found a way to increase pledge fulfillment. Saying “thank you” after the pledge worked.<sup>7</sup> It worked because it increased the pain of breaking the pledge. It made the second decision easier.

A pledge splits the gift into two steps. The donor gets to feel charitable twice. This multiplies the gift experience. But the cost at each step feels less painful. This divides the gift cost.

### ***Divide the feeling of cost: Experiments***

Giving later makes the decision easier. This doesn't work only in theory. It also works in experiments.

One tested 1200 donors to an international relief charity.<sup>8</sup> All were giving monthly by automatic bank withdrawals. Fundraisers called and thanked the donors for giving. They gave examples of projects made possible by the gifts. They asked donors to increase their monthly donation by a set amount. The only difference was this: Some were asked,

“Can you consider increasing your monthly contribution with [X Amount]?”

and others were asked,

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<sup>7</sup> Andreoni, J., & Serra-Garcia, M. (2021). The pledging puzzle: How can revocable promises increase charitable giving? *Management Science*. Advance online publication.

<sup>8</sup> Breman, A. (2011). Give more tomorrow: Two field experiments on altruism and intertemporal choice. *Journal of Public Economics*, 95(11-12), 1349-1357. Field experiment 1: Diakonia.

“Can you consider increasing your contribution with [X Amount] starting in [month Y], which means that the first increase will be on the 28th of [Month Y]?” Month Y was two months later than the current month.

What happened? The average increase in giving was 1/3 larger for the second group. Large increases (more than double the median) occurred 80% more often in the second group.

This increase in giving was long lasting. A year later, the differences still persisted. The donors could have reduced their giving at any point. But they didn't.

Pledges also work in the lab.<sup>9</sup> Partly, this comes by reducing the feeling of cost. Paying with future money feels less painful than paying now. In fundraising, giving later feels less painful than giving now.

### ***Divide the feeling of cost: Sharing gains***

This feeling of cost can be lowered even more. Even easier than paying with future money is paying

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<sup>9</sup> “In generalized dictator games, subjects behave more altruistically towards others when deciding in advance rather than in the present” Kölle, F., & Wenner, L. (2018). Present-biased generosity: Time inconsistency across individual and social contexts (No. 2018-02). CeDEx Discussion Paper Series. <https://www.econstor.eu/bitstream/10419/200421/1/1019128569.pdf>  
See also, Powell, E., Jung, M., Vosgerau, J., & Pe'er, E. (2018). Donate today or give tomorrow? Adding a time delay increases donation amount but not willingness to donate. *ACR North American Advances*. [https://www.acrwebsite.org/volumes/v46/acr\\_vol46\\_2411255.pdf](https://www.acrwebsite.org/volumes/v46/acr_vol46_2411255.pdf)

with future *gains*. Losses are painful. But giving from a gain doesn't feel like a loss. It just feels like a smaller gain.

This is powerful in retirement savings. One plan allowed people to commit part of their future *raises* to retirement. Allowing this more than quadrupled savings.<sup>10</sup>

An experiment with donations found similar results. People were entered into a lottery. Each person was asked to commit part of their winnings to charity. Some were asked before they won. Others were asked after. Those asked before they won were 23% more likely to give. And when they gave, they gave 25% larger amounts.<sup>11</sup>

Cost can be a barrier to donating. But the less painful the cost feels, the easier the donation becomes. Changing the timing of the cost from now to later lowers the pain. Changing the cost from “taking a loss” to “taking a smaller gain” does the same. Doing both at the same time is doubly attractive.<sup>12</sup>

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<sup>10</sup> Thaler, R. H., & Benartzi, S. (2004). Save more tomorrow™: Using behavioral economics to increase employee saving. *Journal of Political Economy*, 112(S1), S164-S187.

<sup>11</sup> “participants are 23% more likely to commit to donate from the winning income and commit 25% more when asked before the lottery's outcome is determined—relative to those asked to donate after they learn they have won” Kellner, C., Reinstein, D., & Riener, G. (2019). Ex-ante commitments to “give if you win” exceed donations after a win. *Journal of Public Economics*, 169, 109-127. p. 127.

<sup>12</sup> A religious charity might use this framing to encourage entrepreneur supporters to “take the Melchizedek challenge” by committing, in advance, to donate a portion of their future winnings from a new business venture to the

The attraction of sharing future gains matches the rise of new corporate structures. These combine profit and charitable goals.<sup>13</sup> It can also match donors' stories about their legacy giving. Billionaire T. Boone Pickens commented,

“I’m not doing this to make money. Whatever I make from this will go to my estate, and all of my estate will go to charity when I go.”<sup>14</sup>

### ***Multiply the feeling of being generous: Experiments***

In one experiment, some people were asked to donate from payments being made today. Others were asked to donate from payments being made in a week. Giving was 50% higher for this second group.<sup>15</sup> No surprise. Giving tomorrow feels easier than giving today.

But the researchers found something else. There was more to the story than just cost. Those who gave from later payments experienced being charitable *twice*. They were charitable once when

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charity. In Genesis 14:17-20, Abraham gave a tenth part of the spoils of victory to the priest Melchizedek.

<sup>13</sup> Kurland, N. B. (2017). Accountability and the public benefit corporation. *Business Horizons*, 60(4), 519-528.

<sup>14</sup> Faerstein, I. (2008, August). Pickens on decline in price of oil: 'It'll go up again.' *The Hotline: National Journal's Daily Briefing on Politics*, cited in James, R. N. (2010). Charitable estate planning and subsequent wealth accumulation: Why percentage gifts may be worth more than we thought. *International Journal of Educational Advancement*, 10(1), 24-32.

<sup>15</sup> Andreoni, J. & Serra-Garcia, M. (2019, December). *Time-inconsistent charitable giving*. NBER Working Paper No. 22824, <https://www.nber.org/papers/w22824>

they pledged to give. They were charitable again when they made the gift.

The researchers then copied the experiment, but with one change. They added an audience. This increased attraction to the future gift more than the immediate gift.<sup>16</sup>

Why? Because now the future gift *was seen* twice. It was seen once when the pledge was made. It was seen *again* when the gift was made. But the immediate gift was seen only once. It was seen only when it was made. The future gift multiplied the audience. The donor got to be a hero twice.

## **Conclusion**

Auctions are useful. Pledges are even more so. But more important is understanding the concepts that make them useful. Multiplying the donor's giving experience works. Dividing the giving cost does, too.

The real power of these concepts, in the real world, shows up where the real money is. It's not in

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<sup>16</sup> "Exogenously varying the information about intertemporal giving decisions known to others strengthens the time-inconsistent charitable giving puzzle, and these audience effects are broadly consistent with the dynamic model of image concerns." Andreoni, J. & Serra-Garcia, M. (2019, December). *Time-inconsistent charitable giving*. NBER Working Paper No. 22824, <https://www.nber.org/papers/w22824>

Even outside of the charitable context, the desire to use a commitment device, such as one that creates a financial penalty if one doesn't follow through on a commitment, is higher when the use of the device is visible to others. In other words, the public commitment to future action is an additional means of signaling to others beyond simply the action itself. Exley, C. L., & Naecker, J. K. (2017). Observability increases the demand for commitment devices. *Management Science*, 63(10), 3262-3267.

auctions. It's not even in pledges. It's in the world of massive donations. It's in foundations, funds, trusts, and endowments.

## **THE PSYCHOLOGY OF THE MASSIVE DONATION: FOUNDATIONS, FUNDS, TRUSTS, AND ENDOWMENTS**

Many fundraisers don't understand the real world of philanthropy. They don't understand wealth. They don't understand charitable instruments. So, let's start with some basics.

### ***Because that's where the money is***

In the U.S., the most important charitable instruments include,

- Charitable remainder and lead trusts
- Donor advised funds, and
- Private family foundations.

These are “kind of a big deal.” What is the largest charity in the U.S.? It's a donor advised fund.<sup>1</sup>

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<sup>1</sup> Philanthropy New Digest. (2017, November 2). *Fidelity Charitable tops list of largest charities in 2016*. <https://philanthropynewsdigest.org/news/fidelity-charitable-tops-list-of-largest-charities-in-2016>

So is the third largest. And the sixth. And the eighth, and the ninth, and the tenth.

What about charitable remainder and lead trusts? They hold over \$100 billion.<sup>2</sup> That's about 50 to 100 times what the American Red Cross or the American Cancer Society has.

What about private foundations? They hold about a trillion dollars.<sup>3</sup>

### ***So what?***

These foundations, funds, and trusts are kind of a big deal. But how does that help us raise more money?

Over the long term, raising more money means one thing: Delivering more value to donors. Understanding the attraction of these instruments can help. It reveals the psychology of giving and wealth. It also shows your charity's real competition.

Charitable foundations, funds, and trusts attract huge donations. They provide real value to donors. They can

- Multiply the feeling of being generous

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<sup>2</sup> Unfortunately, the data for these instruments is nearly a decade behind. Rosenmerkel, L. S. (2013, August). *Split-interest trusts, filing year 2012*. <https://www.irs.gov/pub/irs-soi/14eowinbulsplitinterest12.pdf>

<sup>3</sup> \$889,375,778,000 in 2016, so potentially more than a trillion at present. Internal Revenue Service. (2019, November). *Domestic private foundations study*. Table 3. Domestic private foundations: income statements and balance sheets, by size of fair market value of total assets, tax year 2016. Statistics of Income Division. <https://www.irs.gov/pub/irs-soi/16pf03ta.xls>

- Divide the feeling of paying a cost
- Allow giving and holding wealth at the same time
- Include instructions reflecting the donor's identity, and
- Give permanence to the donor's identity.

Let's explore each of these ideas.

### ***Multiply the feeling of being generous***

A donor makes a gift to a charity. That's one step. Simple enough. But with foundations, funds, and trusts, things aren't so simple. That one step becomes three.

- Step 1: Donor gives to a charitable fund that he controls.
- Step 2: Donor manages the assets in the charitable fund.
- Step 3: Donor makes transfers from the fund to a charity.

These steps multiply the experience of generosity. The donor is generous when he gives to the fund. The government recognizes this. It awards him a deduction.

Later, the donor sends money out of the fund. The donor is generous again.<sup>4</sup> A charity recognizes this. It gets the money and makes an impact.

In between these two steps, the donor manages his charitable fund. This regularly reminds him (and others) of his generosity.

Suppose Bill Gates hadn't created a private foundation decades ago. Suppose he had just written a check to charity. Would we have been consistently reminded of his philanthropy for all these years? No. Would he have been? No.

Breaking apart these steps is powerful. The one-time experience of being charitable can become a lifetime experience.

### ***Divide the feeling of cost***

At the first step, the donor gives to his charitable fund. But this cost isn't as painful as a normal gift. The donor isn't giving up as much. He still controls the investments. In some cases, he can even benefit from them.<sup>5</sup> He still controls which charities get the funds and when.

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<sup>4</sup> For laboratory experiments showing this effect see, Andreoni, J. & Serra-Garcia, M. (2019, December). *Time-inconsistent charitable giving*. NBER Working Paper No. 22824, <https://www.nber.org/papers/w22824>

<sup>5</sup> With a charitable remainder trust the donor gets a share back as annual payments. With a unitrust version as investments increase, the donor's payments do too. A private foundation can use funds to hire insiders including family members to perform reasonable and necessary professional services.

At the third step, the donor transfers from the fund to a charity. But this cost isn't as painful as a normal gift. The donor isn't giving up as much. The gift has already been committed to go to charity at *some* point. The decision affects only the timing. This transfer to charity doesn't affect the donor's personal finances. The donor doesn't have to worry about being able to afford it.

### ***Allow giving AND holding wealth***

At the second step, the donor has already given. He has already received a tax deduction for it. He has been charitable. And yet, he still holds the wealth. The donor gives the wealth *and* holds the wealth at the same time.

Why is this such a big deal? Because wealthy people like to hold wealth. That's part of the reason why they became or stayed wealthy.

Wealthy people like to hold wealth. That means they don't spend it even during retirement. What happens among the wealthy (top 5%) after age 65? Their rate of wealth accumulation actually *increases*.<sup>6</sup> At every older age, they just keep accumulating more. This is true even up to 100 years of age.

Wealthy people like to hold wealth. That means they don't give it away to family members

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<sup>6</sup> Kopczuk, W. (2007). Bequest and tax planning: Evidence from estate tax returns. *The Quarterly Journal of Economics*, 122(4), 1801-1854. Figure 1.

during their life. They don't do so even though it would save enormously on estate taxes.<sup>7</sup> Of course, if they did that, they wouldn't be holding the wealth anymore.<sup>8</sup>

Estate giving allows donors to give and hold wealth at the same time. A donor includes a charity in his estate plan. He is charitable. But he is still holding the wealth. Do wealthy donors prefer to give this way? Yes.

Those with estates under \$2 million generate estate donations worth 3.5 times their annual giving. For those with estates of \$2–\$5 million, it's 20 times. For those with \$5–\$10 million, it's 25 times. For those with \$10–\$50 million, it's 28 times. For those with \$50–\$100 million, it's 50 times. For those with \$100 million or more, it's 103 times annual giving.<sup>9</sup> Wealthy people prefer giving that allows them to continue holding wealth.

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<sup>7</sup> Kopczuk, W., & Slemrod, J. (2003): Tax consequences on wealth accumulation and transfers of the rich. In A.H. Munnell & A. Sundén (Eds.), *Death and dollars: The role of gifts and bequests in America* (pp. 213-249). Brookings Institution Press

<sup>8</sup> In actual practice when wealthy people do give substantial wealth to family members during life, they tend to give it in a way that does not relinquish control. For example, they may gift limited partnership interests that transfer ownership, but retain the general partnership interests that actually control the entity's operations. They give the wealth, but they don't give up control of the wealth.

<sup>9</sup> Steuerle, C. E., Bourne, J., Ovalle, J., Raub, B., Newcomb, J., & Steele, E. (2018). *Patterns of giving by the wealthy*. Urban Institute. Table 4. [https://www.urban.org/sites/default/files/publication/99018/patterns\\_of\\_giving\\_by\\_the\\_wealthy\\_2.pdf](https://www.urban.org/sites/default/files/publication/99018/patterns_of_giving_by_the_wealthy_2.pdf)

## ***Include instructions reflecting the donor's identity***

Gift instructions can be simple. Giving to a specific cause is an instruction. So is giving to a special project. What's the most extreme version of gift instructions? Foundations, funds, and trusts. These can involve pages of detailed instructions. The instructions control the gift for decades or even generations.

These large gifts come with lots of instructions. This is no accident. Large gifts from life savings require compelling motivation. Instructions reflect the donor's values, life story, and identity. They make the gift compelling.

This reality is not new.<sup>10</sup> In two studies of wills from the late 1800s,<sup>11</sup> charitable bequests were restricted in

- 14% of small cash gifts
- 58% of real estate or large cash gifts, and
- 70% of gifts of a share of the entire estate.

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<sup>10</sup> James III, R. N. (2020). American charitable bequest transfers across the centuries: Empirical findings and implications for policy and practice. *Estate Planning & Community Property Law Journal*, 12, 235-285.

<sup>11</sup> See James III, R. N. (2020) analysis of data from Britt, S. H. (1937). The significance of the last will and testament. *The Journal of Social Psychology*, 8(3), 347-353 and Knaplund, K. S. (2015). Becoming charitable: Predicting and encouraging charitable bequests in wills. *University of Pittsburgh Law Review*, 77, 1-50.

It's not just that large gifts tend to be restricted. In experiments, allowing restrictions makes donations larger.<sup>12</sup> The instructions make the gift compelling.

### ***Give permanence to the donor's identity***

Philanthropy provides value to donors. It allows donors to accomplish things they couldn't do alone. A donor can't provide a college education. But through a nonprofit he can. A donor can't advance cancer research. But through a nonprofit he can. The charity is the donor's powerful instrument.

A charity can do something else that the donor can't. It can live forever.

One of the central psychological challenges for humans is personal mortality. This life is temporary. We're going to disappear. Facing this reality can be challenging.

In experiments, people respond to death reminders by pursuing "symbolic immortality."<sup>13</sup> This is the idea that some part of one's identity – one's

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<sup>12</sup> Helms, S. E., Scott, B. L., & Thornton, J. P. (2012). Choosing to give more: Experimental evidence on restricted gifts and charitable behaviour. *Applied Economics Letters*, 19(8), 745-748; Helms, S., Scott, B., & Thornton, J. (2013). New experimental evidence on charitable gift restrictions and donor behaviour. *Applied Economics Letters*, 20(17), 1521-1526; Li, S. X., Eckel, C. C., Grossman, P. J., & Larson, T. (2013). *Who's in charge? Donor targeting enhances voluntary giving to government*. Available at SSRN: <https://ssrn.com/abstract=2293407>

<sup>13</sup> Pyszczynski, T., Greenberg, J., & Solomon, S. (1999). A dual process model of defense against conscious and unconscious death-related thoughts: An extension of terror management theory. *Psychological Review*, 106, 835-845.

values, story, name, family, or community – will live on.

The ultimate charitable instrument for symbolic immortality is the private foundation. It's often named for and managed by the donor and the donor's family. It's legally bound to advance the donor's values. And it lives forever. The donor's name lives on. The donor's values live on. The donor's story lives on.

### ***Research on charitable permanence***

When mortality is relevant, permanence becomes powerful. For estates over \$5 million, 78% of charitable bequest dollars go to private family foundations.<sup>14</sup> Just 35 of the wealthiest and oldest schools get over a quarter of all estate gifts to education.<sup>15</sup> Permanence is powerful in estate giving.

In one experiment, mortality reminders increased current donations.<sup>16</sup> But this worked only when the charity was described as

“Creating *lasting* improvements that would benefit people in the future.”

If instead, the charity was described as

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<sup>14</sup> Raub, B. G. & Newcomb, J. (2011, Summer). Federal estate tax returns filed for 2007 decedents. *Statistics of Income Bulletin*, 31, 182-213. p. 191. <https://www.irs.gov/pub/irs-soi/11essumbulestatereturns.pdf> [perma.cc/2FJZ-LV46].

<sup>15</sup> Fleischer, M. P. (2007). Charitable contributions in an ideal estate tax. *Tax Law Review*, 60, 263-321. p. 303.

<sup>16</sup> Wade-Benzoni, K. A., Tost, L. P., Hernandez, M., & Larrick, R. P. (2012). It's only a matter of time: Death, legacies, and intergenerational decisions. *Psychological Science*, 23(7), 704-709.

“Meeting the *immediate* needs of people,”  
the results reversed. Now, mortality reminders  
caused donations to fall.

In another experiment, permanence worked for  
memorial gifts. Adding a goal of making a scholarship  
fund permanent worked. It dramatically increased  
the likelihood for additional gifts in memory of a loved  
one.<sup>17</sup>

As people age, mortality becomes more  
present. So too does the desire for lasting impact.<sup>18</sup>  
Major gifts often occur at older ages. They often come  
from life savings. Permanence is important for these  
gifts. Large gifts tend to go to large charities that hold  
large endowments.<sup>19</sup> These charities offer more  
permanence.

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<sup>17</sup> James, R. N. (2019). Encouraging repeated memorial donations to a scholarship fund: An experimental test of permanence goals and anniversary acknowledgements. *Philanthropy & Education*, 2(2), 1-28.

<sup>18</sup> In particular, as adults age, they are more likely to respond to mortality salience with an increased interest in generativity (emphasizing one's lasting impact) (Maxfield, et al., 2014), and it becomes increasingly important that the ending phase of one's life story "ties together the beginning and middle to affirm unity, purpose and direction in life over time" (McAdams, 1996, p. 309). Maxfield, M., Greenberg, J., Pyszczynski, T., Weise, D. R., Kosloff, S., Soenke, M., Abeyta, A. A., Blatter, J. (2014). Increases in generative concern among older adults following reminders of mortality. *International Journal of Aging and Human Development*, 79(1), 1-21.

McAdams, D. P. (1996). Personality, modernity, and the storied self: A contemporary framework for studying persons. *Psychological Inquiry*, 7, 295-321.

<sup>19</sup> Over two-thirds of all donations over \$1 million go to universities that hold large endowments or foundations that are large endowments. See, e.g., Coutts and Co. (2015). *Coutts million pound donors report*, <http://philanthropy.coutts.com/en/reports/2015/united-states/findings.html> and <http://philanthropy.coutts.com/en/reports/2015/united-kingdom/findings.html>

In 2019, nine of the ten largest charitable gifts went to such groups. Yakowicz, W. (2019, December 29). The biggest philanthropic gifts of 2019. *Forbes*.

Legal theory recognizes this power of permanence. One law professor writes,

“Laws enforce perpetual funds for charity because to do otherwise would discourage gifts.”<sup>20</sup>

The law doesn’t allow perpetual funds because they’re the best use of charitable dollars. It allows them because permanence attracts the donations in the first place.

### ***Do you want to?***

Big donations come from providing donors with big value. Foundations, funds, and trusts do that. But so can charities. Charities can *if* they decide they want to. This isn’t a trivial decision. In fact, it’s rare.

In the view of many charity managers, delivering value to donors is crazy talk. They may think,

“That’s not how it’s supposed to work. The donor’s job is to deliver value *to the charity*. The charity’s job is just to be its wonderful self. If the charity keeps doing its work, the donors are supposed to keep giving. This other stuff just makes it harder to use the donor’s cash.”

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<https://www.forbes.com/sites/willyakowicz/2020/12/29/the-top-10-philanthropic-gifts-of-2019>

<sup>20</sup> Brody, E. (1997). Charitable endowments and the democratization of dynasty. *Arizona Law Review*, 39, 873-948. p. 942-43.

This view is common. But it doesn't work for fundraising. It doesn't work because philanthropy is not fixed. Delivering value to the donor *creates* philanthropy.

It also doesn't work because donors are free to choose. If we don't beat the competition, we won't get the money. For massive donations, the competition isn't the charity across town. It's foundations, funds, and trusts.

### ***Yes, we can!***

Charities can provide value to donors. They can compete with foundations, funds, and trusts. How? Let's look at some examples:

- Charities can allow permanent endowments that follow the donor's instructions forever.
  - If the charity is new or unstable it can borrow permanence. It can have an established community foundation hold the funds.
- Charities can emphasize estate giving.
  - This allows donors to give *and* hold wealth at the same time.
  - Once the final destination of the funds is set, current giving changes only the timing. No surprise then that donors increase

annual giving by over 75% after adding charity to an estate plan.<sup>21</sup>

- Charities can give more influence over endowments during life.
  - One community foundation allowed scholarship donors to serve on the committee that selects recipients.<sup>22</sup> The result? It's now the state's largest scholarship program.<sup>23</sup>
- Charities can promote instruments that combine gifts to the charity<sup>24</sup> with continued control of the wealth. This includes,
  - Charitable remainder trusts
  - Charitable lead trusts, and
  - Retained life estates.
- Charities can encourage instructions with large gifts.
  - Instructions increase the value of the gift experience. They also lead to discussions

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<sup>21</sup> “Thus, using these 8,891 “before and after” observations from 1993-2016, inflation-adjusted giving was, on average, about 77% greater after the charitable estate planning component was added than it was before (\$7,699 versus \$4,355).” James, R. N. III. (2020). The emerging potential of longitudinal empirical research in estate planning: Examples from charitable bequests. *UC Davis Law Review*, 53, 2397-2431. p. 2422.

<sup>22</sup> Oklahoma City Community Foundation. (2007, April 6). *Oklahoma City Community Foundation scholarship fund policy*. <https://www.occf.org/documents/ScholarshipPolicy.pdf>

<sup>23</sup> <https://www.occf.org/fundoptions/>

<sup>24</sup> Making the instrument restricted to the specific charity is the key goal here. Donor recognition, benefit, control, and value should be triggered when the instrument irrevocably names the charity. Otherwise, this would be treated like any other revocable estate gift.

about bigger (or more permanent) impact from bigger gifts.

- Want to increase a planned estate gift (or learn of its size)? Ask, “Have you ever thought about how you would like your gift to be used?” Give examples of gift amounts and their impact.
- Charities can get creative with blended gifts.
  - If the donor doesn’t have the cash for a permanent endowment, offer a virtual endowment. The donor gifts annually for the payout plus some principal. An estate gift guarantees any remaining principal.
  - Discount any “unsold” naming opportunities by counting multi-year pledges, estate gifts, or irrevocable trusts.<sup>25</sup>

## ***Conclusion***

These are just a few examples of how charities can provide value to donors. The best solution for each charity or donor will vary. But the key is understanding one idea. Big gifts come from delivering big value to donors.

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<sup>25</sup> Such as charitable remainder trusts, charitable lead trusts, or retained life estate deeds. This “discounting” idea comes from Lani Starkey at Fifty Rock Consulting. Starkey, L. (2020, March 12). The five types of blended gifts: The what, when, and why of closing blended gifts [presentation]. *Hawaii Gift Planning Council Annual Conference on Gift Planning*, Honolulu, HI.

Many charities never get big gifts because they aren't trying. They aren't trying to deliver big value to donors.

Charities can compete with foundations, funds, and trusts. They can deliver big value to donors. They can transform the donor's experience. And that will transform the charity's fundraising.



## USING FAMILY WORDS NOT FORMAL WORDS IN FUNDRAISING STORY

### *Use your words*

Story starts with words. Word choice matters. It matters for fundraising story. For example,

- Simple, conversational, family words work. They match the social, emotional, empathy system. This encourages giving.
- Formal, contract, finance words don't. They trigger the math, logic, error-detection system. This can block giving.

A powerful fundraising story starts with the right words.

### *Just sales, right?*

Isn't fundraising just sales? Whether it's a used car or insurance or scholarships, sales is sales, right? Not exactly.

Fundraising is different. Fundraising is different because charitable decisions are different. They're different at a fundamental, neurological, chemical level.

### ***Brains and giving***

The first brain imaging study of charitable giving revealed some important facts.<sup>1</sup> Giving shares *some* neural processes with other financial decisions. But charitable decisions are different. They trigger a different brain region. It's a region that activates,

“when humans looked at their own babies and romantic partners.”<sup>2</sup>

Further,

“This region plays a key role ... in social attachment and the release of the neuromodulators oxytocin and vasopressin.”<sup>3</sup>

Oxytocin is part of the family-bonding system. (It's the family-bonding hormone.) Philanthropy engages this family-bonding system.

### ***Chemistry and giving***

Giving comes from social emotion. Social emotion comes from the “love and family” system.

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<sup>1</sup> Moll, J., Krueger, F., Zahn, R., Pardini, M., de Oliveira-Souza, R., & Grafman, J. (2006). Human fronto-mesolimbic networks guide decisions about charitable donation. *Proceedings of the National Academy of Sciences*, 103(42), 15623-15628.

<sup>2</sup> *Id* at p. 15625.

<sup>3</sup> *Id*.

The family-bonding hormone oxytocin affects this system.

Brain imaging was the first piece of evidence to show these connections. Later experiments got more direct. In one, people received a nasal spray. Some got oxytocin. Others got a placebo. Everyone then had a chance to give money. The result?

“Oxytocin raised generosity in the [game] by 80% over placebo.”<sup>4</sup>

No, this does not mean,

“I’ve found my fundraising answer! Just carry this nasal spray. Now, what excuse can I use to squirt it up the donor’s nose?”

The point is scientific. Giving links directly with the family-bonding hormone.

### ***The chemistry of old-fashioned fundraising***

There is another solution. We don’t have to squirt something up the donor’s nose to increase oxytocin. A later study found another way. Human touch, when combined with receiving a small gift, increased oxytocin. This surge in oxytocin also increased giving. It

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<sup>4</sup> Zak, P. J., Stanton, A. A., & Ahmadi, S. (2007). Oxytocin increases generosity in humans. *PLoS one*, 2(11), e1128, p. 3.

“increased monetary sacrifice by 243% relative to untouched controls.”<sup>5</sup>

In fundraising, it’s a good idea to shake the donor’s hand. Bringing a small gift for a donor can also help. These age-old practices work. What’s new is learning *why* they work. They work *through* the family-bonding hormone.

### ***Sales, the family/social way***

Sales is *not* a dirty word. Effective fundraising uses many of the same tools. But fundraising is different. It’s different in the brain. It’s different in body chemistry.

What do the brain and the chemistry tell us? Fundraising is not just logic and math. It’s not just a market/contract transaction. It’s about social emotion. Understanding this can change our words.

Jeff Brooks explains,

“Fundraising doesn’t live in the cubicles and carpeted offices of the business world. Fundraising belongs to a messier, more passionate world that includes love letters, ransom notes, pleas for mercy, and outbreaks of religious fervor. The standards of business communication are just roadblocks in that world. If you drag your fundraising into the

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<sup>5</sup> Morhenn, V. B., Park, J. W., Piper, E., & Zak, P. J. (2008). Monetary sacrifice among strangers is mediated by endogenous oxytocin release after physical contact. *Evolution and Human Behavior*, 29(6), 375-383. p. 375.

world of professional communications, you'll leave donors cold and untouched.”<sup>6</sup>

Fundraising is about social emotion. It's about building family/social relationships. How do we do this? We already know how. Think about it. How do we build a stronger relationship with a relative? We call. We write. We visit. How do we build stronger donor relationships? Same answer. We call. We write. We visit.

### ***Words matter***

And when we call, or write, or visit a family member, what words do we use? Do we use formal, technical, contract words? No. Instead, we use social, conversational, family words. We use simple words and stories.

Generosity and sharing come from the social-emotion system. Family/social language triggers the right frame of mind. It works. What is family/social language? Ask this simple question:

“Would you have used this phrase in a normal conversation with your grandmother?”

No? Be careful. You might be slipping into technical, formal, or contract language. This language can shift the listener's frame of mind. It can shift to a detached, defensive, market-exchange perspective.

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<sup>6</sup> Brooks, J. (2012). *The fundraiser's guide to irresistible communications*. Emerson & Church Publishers. p. 116.

This inhibits sharing. In fundraising experiments, these word choices can make a big difference.

### ***Formal words fail***

Complex charitable planning can offer enormous benefits. Effective fundraisers understand these options. They understand how to help their donors. But there's a danger. It's easy to slip into technical or contract terms. Does it matter? One experiment tested this.<sup>7</sup>

People read identical descriptions of a charitable remainder trust. The only difference was this. One began with the phrase,

“Make a transfer of assets ....”

The other began with,

“Make a gift ....”

The share of people “definitely interested now” in donating this way also differed. It more than *tripled* for the second description.

### ***Even more formal words fail even more***

Another experiment tested even more formal language. One description of a gift annuity began with,

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<sup>7</sup> James, R. N., III (2018). Describing complex charitable giving instruments: Experimental tests of technical finance terms and tax benefits. *Nonprofit Management & Leadership*. 28(4), 437-452.

“Enter into a contract with a charity where you transfer your cash or property ....”

The other began with,

“Make a gift ....”

The share “definitely interested now” in the gift annuity also differed. It more than *quadrupled* when switching to the simple language.

This isn’t just a theoretical issue. That last formal phrasing wasn’t a lab creation. It was taken from a popular fundraising brochure. It had already been used by hundreds of charities.

### ***Adding and removing formal words***

Another set of experiments showed the same result in a different way.<sup>8</sup> Some people read about a complex charitable gift *including* its formal name. Others read the same description, but without the formal name. In every case, removing the technical, formal name increased interest.

One test simply removed the name “charitable remainder trust.” Otherwise, the gift description stayed the same. This simple act more than doubled those “definitely interested now” in the gift. Removing the name “charitable gift annuity” also dramatically increased interest. Removing “remainder interest deed” did the same.

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<sup>8</sup> *Id.*

The results were all consistent. Removing formal, financial, contract terms increased interest in the gift.

### ***Formal words? Not interested.***

Another set of experiments asked a different question. What would you like to read about on your favorite charity’s website?<sup>9</sup> Formal, insider terms did not fare well.

For example, people did not want to read about “Planned giving.” But they *did* want to read about “Other ways to give.” Even more, they wanted to read about “Other ways to give smarter.” Changing to this phrasing quadrupled those, “definitely interested in reading more.”<sup>10</sup>

### ***But it means the same thing!***

People didn’t want to read about “Planned giving.” (Only 4.5% were “definitely interested in

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<sup>9</sup> The actual question was:

Suppose you are viewing the website of a charity representing a cause that is important in your life. In addition to a “Donate Now” button, the following buttons appear on the website. Please rate your level of interest in clicking on the button to read the corresponding information. (Note: after answering this set of questions, you will be asked to read information about one of these topics. Please rate the ones you are actually interested in more highly than those you are less interested in.)

James, R. N., III (2018). Creating understanding and interest in charitable financial planning and estate planning: An experimental test of introductory phrases. *Journal of Personal Finance*. 17(2), 9-22.

<sup>10</sup> James, R. N., III (2018). Creating understanding and interest in charitable financial planning and estate planning: An experimental test of introductory phrases. *Journal of Personal Finance*. 17(2), 9-22.

reading more.”) They didn’t want to read about “Gift planning.” (Only 3.4% were “definitely interested in reading more.”)

They wanted to read about “Other ways to give.” (15.6% were “definitely interested in reading more.”) Even more, they wanted to read about “Other ways to give smarter.” (19.5% were “definitely interested in reading more.”)

People were then asked what they expected to see. Did they expect to read about

- Gifts in wills
- Living trusts
- Gifts from IRAs
- Gift annuities
- Bank account transfer-on-death titles
- Gifts of stocks, bonds, and real estate
- Capital gain, income, and estate taxes?

The result was a shock. When people clicked on

- “Other ways to give” or
- “Other ways to give smarter”

they were just as likely to expect this full list of topics as when they clicked on

- “Planned giving” or

- “Gift planning”

People expected the same information. But conversational descriptions worked. Standard, industry “insider” terms didn’t.

### ***Formal words fail again***

In yet other study, 23% of people were interested now in making

“a gift to charity in my will.”

Only half that percentage were interested now in making

“a bequest gift to charity”<sup>11</sup>

In different studies with different tests, the answer is always the same. Introducing giving with formal, technical, contract terms fails. Simple words work.

### ***Avoiding “technical” difficulties***

Effective fundraising story evokes a clear image that

1. Produces social emotion, and
2. Avoids error detection.

This two-part goal reflects the two brain systems.

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<sup>11</sup> James, R. N., III (2016). Phrasing the charitable bequest inquiry. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 27(2), 998-1011.

1. The social-emotion system is the engine. It drives giving motivation.
2. The math, logic, finance system is the brake. It detects errors that can interrupt giving motivation.

Different words trigger different systems. They can alter the donor's frame of mind.

Formal or contract words trigger a market-exchange frame of mind. This world is logical, mathematical, and detached. It is a world of defensive, protective, or aggressive competition.

Social and family settings use simple, conversational words. This is the world of social emotion and social bonding. This is the cooperative world of *sharing*.

### ***Start simple***

Even if things may eventually get complex, we don't want to start there. We want to start simple.

Fundraiser David Hall shares this advice.<sup>12</sup> He asks for complex charitable gifts, but he starts simple. In his conversations, there are no CGAs, CRTs, CLTs, or RLEs. There are only "simple agreements" or "special arrangements." The formal terms disappear.

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<sup>12</sup> Many thanks go to David C. Hall, CFRE, a planned giving fundraiser with many years of experience working at The Salvation Army, The American Humane Association, and the University of Arkansas, for sharing these experiences.

Eventually, technical terms may be necessary. But we don't want to start there. We want to start simple instead. Delaying the technical terms helps. It prevents interference with the social-emotional motivation to give.

Ultimately, these gifts may involve legal and financial technicalities. But these should come later. They come *after* establishing the intention to give. They come after the social-emotion "engine" is running. At that point, these details can even help. They can help calm the math, logic, error-detection system. They can keep the donor's foot off the brake.

### ***Conclusion***

Sales strategies can be useful in fundraising. But fundraising is not just sales. It's different. It's different at a fundamental, neurological, chemical level. Family/social relationships encourage philanthropy. Market/exchange relationships don't. Use words that trigger the right mindset. Use words that fit the right world.

**CHARITY EFFICIENCY, OVERHEAD, AND  
FUNDRAISING STORY:  
A TALE OF TWO WORLDS**

Charitable giving comes from “story world.” Effective fundraising story triggers visualization producing social emotion. This is the *engine* that drives giving.

But story world isn’t the only world. There’s also “commerce world.” Commerce world is all about accounting, contracts, and complexity. These can also be part of a giving decision. But they’re not the engine. These act only as a *brake* on giving.

Story world and commerce world are different. The rules in one world don’t apply to the other. Giving comes from story world. Thus, giving decisions often won’t match the rules of commerce world.

## ***Investments in commerce world***

Consider this business proposal: A new partnership will build a \$100 million apartment complex. You're thinking about buying 1% ownership for \$1 million.

Would you care what *part* of the construction your \$1 million would purchase? Would you demand, "I want my money to be spent on plumbing, but not on architecture fees!" No. Would such a demand even make sense? Also no. Asking which part *your* money would be used for is silly. It's silly because money is fungible. Your dollar is the same as any other.

You *would* care about the project's *total* cost. Unneeded cost would make your investment less profitable. But you wouldn't care about assigning your dollars to any particular expense.

This makes sense. It makes sense in *commerce* world. But it's not how fundraising works.

## ***Investments in story world***

In fundraising, people behave differently. Fundraising doesn't live in *commerce* world. It lives in *story* world.

In story world, dollars are magical. They are characters in a fantasy drama. Some dollars are assigned to compelling roles. (Maybe your dollars buy the apartment's fire alarm. They play the role that

saves sleeping babies!) Others are not. (Maybe your dollars only pay for debt charges.) In story world, the project's total cost isn't all that relevant. What matters is that *your* dollars play a compelling role.

### ***Fundraising is not commerce world: Experiments***

Donors should “invest” their charitable gifts wisely. They should care about efficiency. Experiments show they often don't.

In a lab experiment, some donors received positive financial reports about a charity. These proved the charity's efficiency. The result? These

“did not translate into increased actual giving.”<sup>1</sup>

In another experiment, donors could give to charities. However, the charities were unknown to them. But donors could access the charities' financial efficiency details. What happened?

“[T]he majority of actual donors were unwilling to obtain this information.”<sup>2</sup>

This was true even if

- The information was easy to get

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<sup>1</sup> Buchheit, S., & Parsons, L. M. (2006). An experimental investigation of accounting information's influence on the individual giving process. *Journal of Accounting and Public Policy*, 25(6), 666-686.

<sup>2</sup> *Id.*

- The donors were trained in business management
- The donors didn't know the name of the charity they were giving to, or
- The donors were told the information was important "to donate their resources more efficiently."

This lack of interest matches the lack of positive impact of such information. A meta-analysis, combining results from many studies, found

"no positive effects at all for providing people with information about charity efficiency or effectiveness."<sup>3</sup>

In one experiment, some donors learned that their selected charity's overhead ratios were better than they expected.<sup>4</sup> The result? A third of these

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<sup>3</sup> Bergh, R., & Reinstein, D. (2021). Empathic and numerate giving: The joint effects of victim images and charity evaluations. *Social Psychological and Personality Science*, 12(3), 407-416. ("However, we found no positive effects at all for providing people with information about charity efficiency or effectiveness, with reasonably tight confidence intervals on this null effect in our meta-analyses (similar results were also obtained with other analytic strategies, see Supplementary Materials).") See also, Becker, A. (2018). An experimental study of voluntary nonprofit accountability and effects on public trust, reputation, perceived quality, and donation behavior. *Nonprofit and Voluntary Sector Quarterly*, 47(3), 562-582. ("... externally certified voluntary accountability demonstrates higher reputation and perceived quality among nonprofit organizations, but not relating to donation behavior"); Berman, J. Z., Barasch, A., Levine, E. E., & Small, D. A. (2018). Impediments to effective altruism: The role of subjective preferences in charitable giving. *Psychological Science*, 29(5), 834-844. p. 834 ("We found that even when effectiveness information is made easily comparable across options, it has a limited impact on choice.").

<sup>4</sup> Butera, L., & Horn, J. (2020). "Give less but give smart": Experimental evidence on the effects of public information about quality on giving. *Journal of Economic Behavior & Organization*, 171, 59-76. (Note that in this

donors actually *reduced* their giving. Donors argued that they, “Give less but give smart.” (They got the same charitable impact with fewer dollars.)

That’s what happens in lab experiments. What happens in the real world? One field experiment tested more than 8,000 appeal letters. Some people got an appeal letter. Some got the same appeal letter plus a second page including positive financial information. (For example, 92% of charity funds were spent on program services.) The result? Adding this information reduced the likelihood of giving.<sup>5</sup>

Apparently, donors don’t give to financial efficiency. They don’t even want to read about it. Positive financial information doesn’t help.

However, negative financial information can still hurt. Some experiments show that donors will avoid projects or charities with higher overhead.<sup>6</sup>

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experiment donors were to tell others about their gift and their charity’s overhead ratios, making both public.)

<sup>5</sup> The appeal letter recipients were randomly assigned to receive 1) an appeal letter only, 2) the appeal letter with a second page showing positive financial/accounting information, e.g., 92% spent on program services, 3) the appeal letter with a second page showing positive program accomplishments, or 4) the appeal letter with both additional pages. Overall, the addition of the positive financial information (letters 2 and 4) resulted in a decreased share of recipients making a charitable gift, lowering the share of those donating from 1.27% to 1.04%, precisely opposite of the result we would expect if donors made such decisions based upon financial and accounting operational efficiency factors. Parsons, L. M. (2007). The impact of financial information and voluntary disclosures on contributions to not-for-profit organizations. *Behavioral Research in Accounting*, 19(1), 179-196.

<sup>6</sup> Tinkelman, D., & Mankaney, K. (2007). When is administrative efficiency associated with charitable donations? *Nonprofit and Voluntary Sector Quarterly*, 36(1), 41-64. This contradicts findings from, e.g., Steinberg, R. (1986). The revealed objective functions of nonprofit firms. *RAND Journal of Economics*, 17, 508-526; Frumkin, P., & Kim, M. T. (2001). Strategic positioning

Math isn't the engine for giving, but it can be the brake. This is true. Unless. Unless we change the story.

### ***Fundraising is story world: Experiments***

Avoiding high overhead projects or charities matches commerce world. Wise donors should select efficient charitable investments. High administrative costs might reflect lower efficiency.

But experiments show something different. Donors are not always averse to high-overhead projects or charities. They just don't want *their* dollars to be spent on overhead.<sup>7</sup> If *their* dollars are spent on overhead, then overhead is a problem. If *other* donor's dollars pay for it, then overhead isn't a problem.

What matters is not the project's efficiency. What matters is their donation story. Of course, assigning *their* dollars to the more exciting parts doesn't change the project's efficiency. But it does make their donation story better.

Other experiments found other story solutions.<sup>8</sup> One found that paying for overhead

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and the financing of nonprofit organizations: Is efficiency rewarded in the contributions marketplace? *Public Administration Review*, 61, 266-275.

<sup>7</sup> Gneezy, U., Keenan, E. A., & Gneezy, A. (2014). Avoiding overhead aversion in charity. *Science*, 346(6209), 632-635.

<sup>8</sup> For example, one experiment found that high overhead wasn't a problem if it was accompanied by other positive accounting information. When high overhead was reported 46% donated. When no overhead information was reported 70% donated. But when high overhead was reported along with

wasn't a problem if *the words* changed. Just avoiding the word “overhead” helped.<sup>9</sup> So did replacing “overhead” with “overhead to build long-term organizational capacity.” It wasn't about the numbers. It was about the story.

Of course, this makes no sense in commerce world. The study authors noted,

“From a rational accounting perspective, this distinction should be irrelevant, but by framing the connection between the donor's gift and the resulting benefit differently, although the objective benefit remains the same, the tangibility of the benefit is viewed differently (James, 2017).”<sup>10</sup>

Another experiment looked at student giving to a campus synagogue.<sup>11</sup> The synagogue had expenses for

### 1) Prayer books and religious books

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information emphasizing the organization's outstanding accounting transparency 77% donated. Accompanying high overhead information with other positive information about impact also helped, but not as much. In that case 63% donated. See Tian, Y., Hung, C., & Frumkin, P. (2020). Breaking the nonprofit starvation cycle? An experimental test. *Journal of Behavioral Public Administration*, 3(1), 1-19.

<sup>9</sup> Charles, C., Sloan, M. F., & Schubert, P. (2020). If someone else pays for overhead, do donors still care? *The American Review of Public Administration*, 50(4-5), 415-427.

<sup>10</sup> Charles, C., Sloan, M. F., & Schubert, P. (2020). If someone else pays for overhead, do donors still care? *The American Review of Public Administration*, 50(4-5), 415-427, 418. Citing to James III, R. N. (2017). Natural philanthropy: a new evolutionary framework explaining diverse experimental results and informing fundraising practice. *Palgrave Communications*, 3(1), 1-12.

<sup>11</sup> Arbel, Y., Bar-El, R., Schwarz, M. E., & Tobol, Y. (2019). To what do people contribute? Ongoing operations vs. sustainable supplies. *Journal of Behavioral and Experimental Economics*, 80, 177-183.

## 2) Electricity, cleaning, and food

Both types of expenses were necessary. But when gifts paid for the first type of expense rather than the second, donations were four times larger. Of course, donors didn't want a dark and dirty synagogue. They just wanted someone else's money to pay for that boring stuff.

In commerce world, a dollar is a dollar. But in story world, donors want *their* dollars attached to the interesting parts of the story. This is true not just for how its use is described. It's true for *when* the gift is made. Donors are more willing to give money that helps start<sup>12</sup> or finish<sup>13</sup> a fundraising campaign. Starting gifts tell a "pioneer" or "leadership" story.<sup>14</sup> Ending gifts tell a "victory" or "finish line" story.<sup>15</sup>

In reality, money is fungible. A dollar is a dollar. A dollar given in the middle isn't any more or less efficient than one given earlier or later. A project costs what it costs. Efficiency doesn't change if some dollars are assigned to one part or another. It doesn't change if an expense is described with different

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<sup>12</sup> Reinstein, D., & Riener, G. (2012). Reputation and influence in charitable giving: An experiment. *Theory and Decision*, 72(2), 221-243.

<sup>13</sup> Cryder, C. E., Loewenstein, G., & Seltman, H. (2013). Goal gradient in helping behavior. *Journal of Experimental Social Psychology*, 49(6), 1078-1083;

Kuppuswamy, V., & Bayus, B. L. (2017). Does my contribution to your crowdfunding project matter? *Journal of Business Venturing*, 32(1), 72-89.

<sup>14</sup> Called the "influencer" effect in Reinstein, D., & Riener, G. (2012).

Reputation and influence in charitable giving: An experiment. *Theory and Decision*, 72(2), 221-243, 222.

<sup>15</sup> Called "goal gradient" motivation in Cryder, C. E., Loewenstein, G., & Seltman, H. (2013). Goal gradient in helping behavior. *Journal of Experimental Social Psychology*, 49(6), 1078-1083

synonyms. These are realities. But they're realities from commerce world, not from story world. Giving comes from story world.

### ***Fundraising is story world: Academic theory (anthropology)***

Issues that make no sense in commerce world can be key in fundraising. This distinction between worlds is not superficial. Philanthropy operates in a separate world from commercial exchange. It always has. A century ago, Anthropologist Marcel Mauss studied gifting in indigenous cultures. He explained,

“We have repeatedly pointed out how this economy of gift exchange fails to conform to the principles of so-called natural economy or utilitarianism ... money still has its magical power and is linked to clan and individual.”<sup>16</sup>

In other words, giving is “magical.”<sup>17</sup> It lives in the world of story, often in the fantasy genre. These motives for gifts, Mauss explains,

“are not to be found in the cold reasoning of the business man, banker or capitalist.”<sup>18</sup>

It's no surprise then that economic theory took some time to adapt to this reality.

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<sup>16</sup> Mauss, M. (1966/1925). *The gift: Forms and functions of exchange in archaic societies*. (Trans: Ian Gunnison). Cohen & West Ltd. p. 70.

<sup>17</sup> See discussion in Hornborg, A. (2016). Agency, ontology, and global magic. In *Global Magic* (pp. 93-111). Palgrave Macmillan.

<sup>18</sup> Mauss, M. (1966/1925). *The gift: Forms and functions of exchange in archaic societies*. (Trans: Ian Gunnison). Cohen & West Ltd. p. 73.

## ***Fundraising is story world: Academic theory (economics)***

Economic theory in philanthropy started with a model from commerce. This was called the public goods model.<sup>19</sup>

In this approach, donors wanted only the charitable outcome. They wanted a new park or less homelessness. They didn't care if they personally caused the change or not. Ideally, someone else would give instead of them. That way they could enjoy the outcome without paying. Although attractive to economists,<sup>20</sup> this model had a problem. It often didn't match actual human behavior.

This led to the "warm glow" model of giving.<sup>21</sup> This model added the idea that donors *enjoy* the act of giving. This allowed for the opposite extreme. A donor could enjoy giving even if their gift didn't change anything.

More recently, a third model described "impact philanthropy."<sup>22</sup> In this approach, donors care about

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<sup>19</sup> This is often referred to as "pure altruism." However, the implications of the model result in behavior that is often the opposite of what a lay person would call altruistic, so I avoid using this term.

<sup>20</sup> This approach had wonderful theoretical advantages for mathematical model building. Donations could be treated like any other consumer purchase. Donors maximize their own benefit, i.e., their own consumption of the public good, while minimizing their personal costs. Thus, the models were mathematically tractable. (In other words, they could use calculus to identify a maximizing solution.)

<sup>21</sup> Andreoni, J. (1990). Impure altruism and donations to public goods: A theory of warm-glow giving. *The Economic Journal*, 100(401), 464-477.

<sup>22</sup> Duncan, B. (2004). A theory of impact philanthropy. *Journal of Public Economics*, 88(9-10), 2159-2180.

their “perceived impact.” They want to personally make a difference. But the calculation of this impact is not objective.<sup>23</sup> It changes with various framings, descriptions, and temporary allocations. In other words, impact is based in story.

Thus, even economists have had to move beyond the cold reasoning of market-exchange models. Even they have had to adopt fuzzier concepts like “warm glow” and “perceived” impact.

### ***Two worlds***

Commerce world cares about accounting and efficiency. And rightfully so. But fundraising doesn't live in commerce world. Fundraising lives in story world. Accounting can confirm or contradict a social-emotional story. But it can't create it. Effective fundraising doesn't start with accounting. It starts with story.

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<sup>23</sup> More precisely, the mathematical model of impact philanthropy allows for multiple methods of estimating impact that specifically ignore various objectively true mathematical realities. After describing the power of gift targeting (i.e., gift restrictions) the author explains, “if a donor calculates impact by incorporating the changing gifts of others, then targeting a gift may not increase his or her utility.” Elsewhere the author explains, “Fully incorporating the response of others when calculating a gift's impact suggests that a donor receives no pleasure from personally helping someone that would have been helped anyway.” He finds such a suggestion implausible. Duncan, B. (2004). A theory of impact philanthropy. *Journal of Public Economics*, 88(9-10), 2159-2180.

PROFESSOR RUSSELL JAMES

**RESTRICTED GIFTS AND FUNDRAISING STORY:  
CONFLICT AND COMPROMISE BETWEEN TWO  
WORLDS**

***Fundraising is story world***

Lab experiments, field experiments, and academic theory agree. Fundraising lives in “story world,” not “commerce world.” Social-emotional story is the engine that drives giving. The technicalities, logic, and math of commerce world can’t do this. Those issues are still relevant. They can confirm or reject the giving desire. But they won’t motivate a gift. Motivation comes from story world, not commerce world.

This is key for understanding the power of gift restrictions. A restriction means the donor earmarks money for a particular use. Of course, “restriction” is a negative term. When a donor gets to put instructions with money, it’s “restricted.” When a charity manager gets to issue the instructions, it’s “unrestricted.” In both cases, money follows

instructions. The only difference is whose instructions control the money.

### ***Gift restrictions as story***

Gift restrictions can be powerful for story. A story is about character and plot.

Gift restrictions can improve character. They make *the donor's* character more important. They put the donor in control. A donor might even choose to use the gift “where needed most.” But the donor still chooses. Making the donor's character more important works. It makes the story more compelling to the donor.

Gift restrictions can also improve plot. Plot requires change. A compelling story promises an emotionally relevant change. A compelling donation request does the same. If the gift doesn't change anything, why make it? A gift restriction can help. It can connect the gift with a specific tangible outcome. It can evoke a clear image of an emotionally relevant change. It can turn a donation request into a donation story.

### ***Fundraising is story world: The power of unrestrictions***

Story world and commerce world are different. This can create some odd results. In a field experiment, one appeal letter had a restricted-gift option. Another version removed this option. The

first version raised approximately \$40,000 more.<sup>1</sup> No surprise. But here is where things got weird. About 98% of gifts for the first version were unrestricted. The restricted gift option increased giving. It did so even though donors didn't use it.

Another experiment found the same thing. The researchers explained,

“Allowing the option to restrict a charitable gift increases the average gift size, whether or not the donor chooses to exercise that option.”<sup>2</sup>

A similar result came up in another study. Allowing restrictions increased donations. It did so even for donors directing their gift “where it is most needed.”<sup>3</sup> Why did this work? Further questioning gave the answer.

Allowing restrictions evoked a clear image. It increased

“the vividness of the mental pictures of one's donation's usage.”<sup>4</sup>

It increased agreement with statements like

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<sup>1</sup> Eckel, C. C., Herberich, D. H., & Meer, J. (2017). A field experiment on directed giving at a public university. *Journal of Behavioral and Experimental Economics*, 66, 66-71.

<sup>2</sup> Helms, S., Scott, B., & Thornton, J. (2013). New experimental evidence on charitable gift restrictions and donor behaviour. *Applied Economics Letters*, 20(17), 1521-1526. p. 1521.

<sup>3</sup> Fuchs, C., de Jong, M. G., & Schreier, M. (2020). Earmarking donations to charity: Cross-cultural evidence on its appeal to donors across 25 countries. *Management Science*, 66(10), 4820-4842. p. 4838.

<sup>4</sup> *Id* at p. 4835.

- “It was easy for me to imagine how my donation would be used,”
- “I had a vivid mental picture about how my donation would be used,”
- “It was easy to envision what would happen to my donation,” and
- “I could visualize how my donation would be used.”<sup>5</sup>

Allowing restrictions did something else. It increased donors’ sense of control over their gifts’ impact.<sup>6</sup> This feeling of control increased giving. But the feeling of control was just as high whether or not they chose to restrict.<sup>7</sup> Their gift may have gone “where it was most needed.” But it went there *because* they chose for it to do so. The gift was unrestricted. But only because the donor decided it should be.

### ***Fundraising is story world: The donor character in control***

In commerce world, the power of an unselected restriction makes no sense. Donors didn’t choose the restriction. They didn’t want it. So, logically, offering it shouldn’t matter.

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<sup>5</sup> *Id* at p. 4837.

<sup>6</sup> Allowing gift restrictions increased agreement with the following statements: (1) “I was thinking that I could make a specific impact,” (2) “I had the feeling to be free in determining where to help,” (3) “I had the feeling I could influence where to make an impact,” and (4) “I was thinking that I would have control over what happens with my donation”. *Id* at p. 4837.

<sup>7</sup> *Id*.

But in story world, it does make sense. A donor who gets to choose, plays a more important story role. The donor is in control. The donor makes it happen. This is true even when the donor chooses “where needed most.” Allowing restrictions works because it increases the feeling of donor control. This feeling, in turn, increases donations.<sup>8</sup>

Increasing a donor’s sense of control is powerful. This can show up in some strange ways. In one experiment, potential donors completed a form.<sup>9</sup> Some first *chose* between a blue or black pen. Others were just *given* a pen. Those who got to choose their pen donated more.

In another experiment, potential donors first completed a survey. Some chose its format.<sup>10</sup> They could pick either four or twelve questions per page. Those who got to pick the format then donated more.

Why did these small changes work? They gave potential donors a greater sense of control. This feeling of control, in turn, increased donations.<sup>11</sup> Giving donors control is powerful, even if it’s just a feeling.

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<sup>8</sup> For another example, see, Heist, H. D., & Cnaan, R. A. (2018). Price and agency effects on charitable giving behavior. *Journal of Behavioral and Experimental Economics*, 77, 129-138.

<sup>9</sup> Xu, Q., Kwan, C. M., & Zhou, X. (2020). Helping yourself before helping others: How sense of control promotes charitable behaviors. *Journal of Consumer Psychology*, 30(3), 486-505.

<sup>10</sup> *Id.*

<sup>11</sup> This effect was strongest when the donation appeal addressed a more negative, distressing, or threatening situation. *Id.*

A charity can choose not to offer restrictions. Or a donor can choose not to use the offered restrictions. In accounting, these two results are the same. But in story, the results are different. The plot is different. The character roles are different. Thus, donations are different.

### ***Commerce world: Restrictions hurt impact***

Gift restrictions can be great for story world. But they can be a problem for commerce world. Charity managers don't like them. They use a negative word, "restrictions," instead of just "instructions." To them, such gifts are annoying. They can think,

"The novice-donor is trying to take control from the expert-manager. It's silly. It's counterproductive. It's wrong."

This is a reasonable argument. But it doesn't work for fundraising. Consider this. What if a family member responded like a typical charity manager? It might sound like this:

"Thanks for the tuition gift, Grandma. But I would prefer to spend it 'where needed most.' I'm sure your goal is my happiness. And, let's face it, I know a lot more than you do about that. You should really leave it to the expert. Just give me the cash."

That talk probably wouldn't end well. According to economic theory, the grandchild's argument is correct. So is the charity manager's

argument. The arguments might be true. But they still don't work.

### ***Story world: Restrictions help impact***

For a donor, putting instructions with a gift is not negative. It's intended to increase the gift's impact. Experimental research supports this. Restrictions are most attractive to donors focused on their gift's impact.<sup>12</sup>

Restrictions are even more important if recipients are seen as less responsible. In experiments, this is true for gifts to other people<sup>13</sup> or charities.<sup>14</sup> Consider an irresponsible family member. You wouldn't want to just give them free cash. They might use it foolishly. Instead, you want to pay for something specific. The same idea applies to charities.

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<sup>12</sup> Gangadharan, L., Grossman, P. J., Jones, K., & Leister, C. M. (2018). Paternalistic giving: Restricting recipient choice. *Journal of Economic Behavior & Organization*, 151, 143-170. (Gift restrictions were more attractive to donor's focused on the impact of their gift on recipients.)

<sup>13</sup> Jacobsson, F., Johannesson, M., & Borgquist, L. (2007). Is altruism paternalistic? *The Economic Journal*, 117(520), 761-781. (An experiment allowing giving to "a smoking diabetes patient whose willingness to pay for nicotine patches is positive but below the market price" found that "When subjects can donate both nicotine patches and money more than 90% of the donations are given in kind rather than cash."); Jones, K. (2017). Paternalism and ethnicity in giving. *Economic Record*, 93(302), 420-433. ("I find a higher proportion of donors choose to donate to a commonly negatively stereotyped recipient (Indigenous Australians) when they are able to [restrict their donations]")

<sup>14</sup> Li, W., McDowell, E., & Hu, M. (2012). Effects of financial efficiency and choice to restrict contributions on individual donations. *Accounting Horizons*, 26(1), 111-123.

In one experiment, donors could give to a charity.<sup>15</sup> For some, the charity spent 15% on overhead.<sup>16</sup> It had a four-star Charity Navigator rating. For others, the charity spent 75% on overhead with a one-star rating.<sup>17</sup> Offering gift restrictions increased giving more for the second charity than the first.<sup>18</sup> In fact, once restrictions were allowed, giving was the same for both charities.

Donors didn't mind giving to a high-overhead charity. They just didn't want *their money* used for overhead. People don't mind giving to an irresponsible family member. They just don't want *their money* used for something foolish. In both cases, gift restrictions "fix" the problem. They fix the problem by telling a better story.

### ***Peace between worlds: Gift restriction compromises***

It's true. Gift restrictions can be a source of conflict. Charity managers hate losing control. But putting donors in charge raises more money. Yet, this doesn't have to be a zero-sum game. Often, both sides can be happy.

Donor instructions can be powerful. But they're powerful *as story*. The world of story is not

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<sup>15</sup> *Id.*

<sup>16</sup> i.e., 85% to program services

<sup>17</sup> i.e., 25% to program services

<sup>18</sup> Li, W., McDowell, E., & Hu, M. (2012). Effects of financial efficiency and choice to restrict contributions on individual donations. *Accounting Horizons*, 26(1), 111-123.

the same as the world of commerce. The same instructions can be powerful in story world, even if they makes no difference in commerce world. This creates opportunities for effective compromise.

### ***Two-world compromise: “Funged” restrictions***

A gift restricted to an already-budgeted item acts like unrestricted money. Professor Wes Lindhall explains,

“Some restricted gifts can be “funged” or transferred to other areas by budgeting differently.”<sup>19</sup>

Restricted gifts tend to pay for interesting things. They don’t usually pay for administrative expenses. But does this actually make a difference overall? A 2021 study of 7,031 charities found that,

“Restricted revenues, however, do not curb nonprofits’ administrative expenses ...”<sup>20</sup>

Restricted gifts don’t necessarily change anything. Other money can be moved to other expenses. Restrictions can end up being a meaningless accounting exercise. In commerce world, money is fungible.

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<sup>19</sup> Lindahl, W. E. (1994). Multiyear evaluation of fundraising performance. *New Directions for Philanthropic Fundraising*, 1994(3), 77-93.

<sup>20</sup> Hung, C. (2021). Restricted revenues and nonprofit service delivery: The roles of financial discretion. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 32(1), 136-150.

But in story world, money is not fungible. *My* money is special. Restrictions can tell a better story about my money. My money makes a visualizable change. It wins a victory. Thus, my character becomes a more important part of the story.

### ***Two-world compromise: Revenue restrictions***

A similar result happens with a gift restricted to a revenue category. A scholarship gift to a university pays for tuition. But tuition is general revenue. Once paid, the tuition gift becomes unrestricted money. But because it was attached to a student, it's now a story.

Or a donor might pay for others' tickets to a charity's cultural performance. This makes a great story. The recipients couldn't have attended otherwise. But it's also extra revenue for the charity. Once paid, the ticket gift becomes unrestricted money.

In both cases, the money started as a restricted gift. It ended as unrestricted revenue. The commerce world result is unrestricted money.<sup>21</sup> But the story world narrative is better.

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<sup>21</sup> This assumes the scholarship is necessary for the student to attend, either because of financial need or competitive offers. Thus, when a donation pays for what would have otherwise been an unfunded scholarship it has the same net effect as an unrestricted gift. Similarly, paying for tickets to a charity's performance for those who otherwise wouldn't have been able to afford to attend (or otherwise wouldn't have chosen to pay for a ticket) when the performance is not sold out has the same net effect as an unrestricted gift to the charity.

## ***Two-world compromise: Examples, not restrictions***

Another compromise is to share examples of gift usage. Giving examples of what different gift amounts could pay for tells a story. It can evoke a clear image of a gift's impact.

But examples aren't restrictions. Examples don't change commerce world. But they can make a difference in story world. For example, experienced fundraisers suggest,

“Those solicited through direct mail, however, should receive multiple requests per year, each with a different theme ... It's a bit like restricted giving, but not exactly. Each theme is part of your core services.”<sup>22</sup>

## ***Two-world compromise: Rating example uses***

Providing restricted gift options can help in two ways.<sup>23</sup> First, they can create a social-emotional image. They can refer to specific outcomes. This makes the result more tangible. It makes the story more compelling.

Second, options require a decision. This makes the donor think. It requires thinking about and

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<sup>22</sup> Ahern, T. & Joyaux, S. P. (2007). *Keep your donors: The guide to better communications & stronger relationships*. John Wiley & Sons. p. 83.

<sup>23</sup> Fuchs, C., de Jong, M. G., & Schreier, M. (2020). Earmarking donations to charity: Cross-cultural evidence on its appeal to donors across 25 countries. *Management Science*, 66(10), 4820-4842.

envisioning various outcomes. It increases the donor's feeling of involvement and agency.

However, these feelings can be triggered without a gift restriction. A donor can be asked to rate the importance of different uses or projects. In experiments, doing this increases giving.<sup>24</sup> It works even when the gifts themselves are not restricted.

Sharing examples of gift usage is not a restriction. Asking for donor opinions on gift usage is not a restriction. Yet, these are powerful. They can capture the *story* elements that make restricted gifts attractive.

### ***Two-world compromise: Combination restrictions***

Donor restrictions can create a problem. Donors like to fund the attractive parts of an operation. But charities still need money for the other parts.

One compromise restricts only a share of the gift. For example, 2/3 goes to the selected project and 1/3 goes “where needed most.” Academic theory<sup>25</sup>

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<sup>24</sup> James, R. N. (2018). Increasing charitable donation intentions with preliminary importance ratings. *International Review on Public and Nonprofit Marketing*, 15(3), 393-411; Kessler, J. B., Milkman, K. L., & Zhang, C. Y. (2019). Getting the rich and powerful to give. *Management Science*, 65(9), 4049-4062.

<sup>25</sup> The theoretical model is presented first in Aflaki, A., & Pedraza-Martinez, A. J. (2016). Humanitarian funding in a multi-donor market with donation uncertainty. *Production and Operations Management*, 25(7), 1274-1291.

and experimental research<sup>26</sup> support this approach. In one experiment, donors could restrict 2/3 of their gift to specific projects.<sup>27</sup> The rest went to projects of the charity's choosing. This partial restriction worked just as well as a full restriction. The numbers changed, but the story remained.

Another version offers a combined project. For example, a new building is an attractive project. Maintenance, utilities, and insurance are not. A package can combine these together. The project might be a \$30 million "permanent" building. Construction is \$10 million. A \$20 million endowment pays for \$1 million annual maintenance, insurance, and utilities. This reframes the overhead costs. Now, they're part of the new building project. They make the new building permanent.

This is similar to comprehensive campaigns. The campaign includes attractive new expenditures. These are combined with necessary, but less compelling, operational expenses. The gift is restricted. But it's restricted to the combined campaign. This changes the dollars but keeps the attractive story.

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<sup>26</sup> Study 2 in Fuchs, C., de Jong, M. G., & Schreier, M. (2020). Earmarking donations to charity: Cross-cultural evidence on its appeal to donors across 25 countries. *Management Science*, 66(10), 4820-4842.

<sup>27</sup> *Id.*

## ***Two-world compromise: Per diem restrictions***

For some charities, compelling gift restrictions are obvious. A charity might build buildings, dig wells, or deliver physical items. But what about charities that offer intangible services? What items could a donor buy for addiction recovery or crisis counseling?

One approach is the per diem story. A donor can pay to run a particular operation for a day, a week, or a year. Suppose a donor is interested in crisis counseling for battered women. The fundraiser could just pick an amount, such as

“Would you consider a gift of \$6,000 to help this program?”

But the per diem request can be more powerful. For example,

“The counseling operation costs \$1,200 per day or \$6,000 for a week. A gift sponsoring a week covers all of these costs. We recognize these donors at the entrance here. This helps remind our counselors and clients that others care about their success.<sup>28</sup> Sponsors receive a full report on all activities that take place during

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<sup>28</sup> Such reminders can have real effects on charity staff. One experimental study reported, “The findings demonstrate that recipients of donations from named individuals (vs. recipients of anonymous donations) tend to regulate their behaviors to be more in line with the general goal of the donation.” Chen, Y., & Gao, L. (2021). The identified donor effect: Disclosure of the donor’s name shapes the recipient’s behavior. *Journal of Consumer Psychology*. p. 1.

their week. For larger gifts, a full year is \$300,000. A permanent named endowment for the entire program would be \$6 million. You've mentioned how much this program means to you. You understand the impact it has in the community. Would you consider a gift of \$6,000 to run this program for a week?"

This request is more powerful in several ways. First, it creates *a reason* for the amount requested. It also presents a range of amounts. (This can help if the request was too high or too low.) It introduces the concept of very large gifts. It creates a reason for large gifts. Each gift pays for a specific amount of work.<sup>29</sup> The largest gift adds the power of permanence. This is especially important for attracting large estate gifts.

A per diem request also does something else. It makes it easier to report the gift's impact. Most charities already track operational activities. Often this is for an annual report. A gift's impact report simply shows these for the sponsored time. Or, at least, it reports a prorated share of annual activities.

### ***Bridging the two worlds***

Fundraising lives in story world. In this world, gift restrictions are powerful. But they're powerful as

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<sup>29</sup> Mejia, J., Urrea, G., & Pedraza-Martinez, A. J. (2019). Operational transparency on crowdfunding platforms: Effect on donations for emergency response. *Production and Operations Management*, 28(7), 1773-1791. ("Each additional work-related word in an update (operational transparency) increases donations on average by \$65 per month, while certification (conventional transparency) raises funds on average by \$22 per month.")

*story*. Effective fundraising story evokes a clear image that produces social emotion. When gift restrictions do this, they help. They help even if they don't make a difference in commerce world.

Story world messages often don't make sense in commerce world. Commerce world messages often fail in story world. Bridging both worlds is difficult, but it's not impossible. It requires a translator. It requires a diplomat. In other words, it requires an effective fundraiser!

**UNDERSTANDING FUNDRAISING AS STORY:  
THE IDENTITY-CHALLENGE-VICTORY STORY CYCLE**

***What's it about?***

Many stories can be good stories. But a good fundraising story must do something specific. It must lead to a gift. This simple fact reveals something important. A good fundraising story, ultimately, is about the donor's gift.

Story means character and plot. In a story about the donor's gift, who is the key character? That's obvious. It's the donor. What is a key action in the plot? That's also obvious. It's the donor's action of making the gift.

***Whose story?***

This might seem obvious, but it's rare. Charities love to tell stories. Mostly they love to tell stories about themselves. This is natural. The most interesting story for me is my story. The most

interesting story for you is your story. The most interesting story for charity insiders is their charity's story. But the most interesting story for the donor is the donor's story.

When is a story the donor's story? When the donor either *is* or *identifies with* the main character. Either way, the story is – to some degree – about the donor.

But this isn't enough. To be the donor's story, the *donor's action* must be key to the plot. The plot must hinge on the donor's gift. Plot requires change. If the gift doesn't change anything, it's not part of the plot.

### ***Plot elements: The narrative arc***

A story needs character and plot. Plot requires change. This change arises through a narrative arc. This includes

#### *1. Backstory and setting*

Backstory shows the main character's original identity. This comes from his people, values, and life story. Setting shows the environmental norms in the story's world. These develop motivation for action before the challenge.

#### *2. The inciting incident*

This shows the main character's challenge.

3. *Climax and resolution*

These show the main character's victory and altered identity.

***Plot elements: The narrative arc in fundraising***

Fundraising story can follow this narrative arc.

1. *Backstory and setting*

These develop motivation for the gift before the ask. Backstory connects the gift request (challenge) to the donor's identity (life story, people, and values). Setting creates an environment in which sharing is a social norm.

2. *Inciting incident*

This is the challenge. It's the ask. It is

- A crisis (threat or opportunity) for the donor's people or values
- Promising the hope of a victory
- That forces a response.

3. *Climax and resolution*

These confirm a victory. They show the donor's heroism (or other positive character traits) resulting from the gift. They do so through impact reporting, gratitude, and publicity.

## ***The fundraising story cycle***

Applying this narrative arc to fundraising story creates a cycle.



The *challenge* is the fundraising ask. It's the inciting incident in the donor's story. But the story doesn't start at the ask.

The story starts with backstory and setting. These connect the donor's original *identity* with the *challenge*. They develop giving motivation from life story, values, and social norms before the ask.

Also, the story doesn't end at the ask. The donor's gift must do something. Accepting the *challenge* should lead to a meaningful *victory*. This happens at the climax.

A good story alters the main character's *identity*. The character must arc. This change is confirmed at the resolution. In fundraising, the *victory* leads to an enhanced *identity* for the donor. It might enhance personal meaning (internal identity). It might enhance public reputation (external identity). It might do both. Impact reporting, gratitude, and publicity can confirm this enhanced identity.

## ***Bad fundraising is bad story***

Understanding fundraising as a narrative arc is powerful. It makes fundraising intuitive. Consider these comparisons:

### *Story*

What if a story had great backstory and setting, but never went further? That story can't succeed. It never progresses to an inciting incident. It's bad story.

### *Fundraising*

What if a charity had great social events and "friend-raising," but never went further? It never led to a compelling ask. That story can't succeed either. It never progresses to an inciting incident. It's bad fundraising because it's bad story.

### *Story*

Story needs an inciting incident. The main character must respond to a crisis (threat or opportunity). He must face a compelling choice with the hope of victory.

But the story can't *start* there. The audience must first identify with the character, values, or theme. Without a relatable backstory, the inciting incident won't be compelling. The audience won't care. Starting at the inciting incident is bad story.

### *Fundraising*

In fundraising, the ask is critical. The donor must face a compelling choice with a promise of victory.

But the fundraising story can't start there. The donor must first identify with the charity, the beneficiaries, or the values. Otherwise, the ask won't be compelling. The donor won't care. Starting at the ask is bad fundraising. It's bad fundraising because it's bad story.

### *Story*

A story could build to a compelling inciting incident. A crisis arises. The hero faces a choice. He can hide in his self-focused world. Or he can go on an adventure promising a victory for the larger world. He resists. But finally, things change. He commits to go on the journey. And then ... the book ends. Or the credits roll.

That's a terrible story! There's no adventure. No climax. No resolution. You would never tell a story like that. And you wouldn't return to an author or director who did so.

### *Fundraising*

A story shouldn't end at the inciting incident. And fundraising shouldn't end at the ask. Yet this often happens. The donor says, "Yes." But then, nothing. There's no reporting of the

impact of the gift. There's no recognition, no gratitude, no publicity.

This is bad fundraising. It's bad fundraising because it's a bad story. There's no adventure. No climax. No resolution. Why would a donor repeat an experience like that?

Stopping at the ask is bad fundraising. So is starting at the ask. So is leaving out the ask. These are bad fundraising because they are bad stories.

### ***Story: The inciting incident***

In a story, the main character must face a challenge. This comes at the inciting incident.<sup>1</sup>

Different story experts call this step by different names. Robert McKee coined the term "inciting incident." Blake Snyder called it the

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<sup>1</sup> In describing a scale "for measuring the degree of good storytelling," Woodside notes, "The story has an inciting event (a crisis or turning point) involving the protagonist, along with a beginning and a resolution;" Woodside, A. G. (2010). *Storytelling theory and research*. In *Case study research: Theory, methods, practice* (pp. 41-83). Emerald Group Publishing Limited. See also, "A good story displays tension that includes one or more inciting incidents preceded by conditions or settings that initiate the unconscious/conscious identification of one or more goals, with actions by a protagonist and possibly additional actors resulting in an outcome;" Woodside, A. G., Sood, S., & Miller, K. E. (2008). When consumers and brands talk: Storytelling theory and research in psychology and marketing. *Psychology & Marketing*, 25(2), 97-145. p. 101.

“catalyst.”<sup>2</sup> Others name it the “call to action.”<sup>3</sup> In the universal hero story, Joseph Campbell dubs it the “call to adventure.”<sup>4</sup>

Regardless of the name, the elements are similar. A crisis (threat or opportunity) arises for the main character. He can’t just ignore it. It forces him to respond. But the crisis is not hopeless. It holds the promise of a solution. The main character accepts the challenge. He takes off in pursuit of the goal. And so, the action begins!

### ***Fundraising: The ask***

In fundraising story, the inciting incident is the ask.<sup>5</sup> A crisis (threat or opportunity) arises for the donor’s people or values. The ask forces the donor to respond. It’s a challenge. But it’s a challenge that promises a solution. It promises the hope of victory over the crisis.

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<sup>2</sup> Snyder, B. (2005). *Save the cat! The last book on screenwriting you'll ever need*. Michael Wiese Productions. [At the time of this, this book was listed at the number 1 best seller in the screenwriting category in Amazon.com.] Tim Stout describes the Catalyst as “The moment where life as it is changes. It is the telegram, the act of catching your loved-one cheating, allowing a monster onboard the ship, meeting the true love of your life, etc. The “before” world is no more, change is underway.”

<https://timstout.wordpress.com/story-structure/blake-snyders-beat-sheet/>

<sup>3</sup> Sublett, S. W. (2014). *Screenwriting for neurotics: A beginner's guide to writing a feature-length screenplay from start to finish*. University of Iowa Press. p. 72.

<sup>4</sup> Campbell, J. (2004/1949). *The Hero with a Thousand Faces* (commemorative ed.). Princeton University Press. p. 45

<sup>5</sup> See, Merchant, A., Ford, J. B., & Sargeant, A. (2010). Charitable organizations' storytelling influence on donors' emotions and intentions. *Journal of Business Research*, 63(7), 754-762.

Story needs an inciting incident. Fundraising needs an ask. Research results agree: Asking works. Asking increases both current<sup>6</sup> and bequest<sup>7</sup> gifts. In-person asking works best.<sup>8</sup>

One study examined a university phone-a-thon campaign. The campaign made it part way through an alumni list. Those with names earlier in the alphabet were more likely to be asked. The result? They gave more.<sup>9</sup> This didn't just happen once. Position in the alphabet actually predicted *lifetime*

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<sup>6</sup> Herzog, P. S., & Yang, S. (2018). Social networks and charitable giving: Trusting, doing, asking, and alter primacy. *Nonprofit and Voluntary Sector Quarterly*, 47(2), 376-394; Meer, J., & Rosen, H. S. (2011). The ABCs of charitable solicitation. *Journal of Public Economics*, 95(5-6), 363-371; Neumayr, M., & Handy, F. (2019). Charitable giving: What influences donors' choice among different causes? *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 30(4), 783-799; Yörük, B. K. (2009). How responsive are charitable donors to requests to give? *Journal of Public Economics*, 93(9-10), 1111-1117.

<sup>7</sup> Sanders, M., & Smith, S. (2016). Can simple prompts increase bequest giving? Field evidence from a legal call centre. *Journal of Economic Behavior & Organization*, 125, 179-191.

<sup>8</sup> Oh, J., & Ki, E. J. (2019). What makes association members donate more? factors influencing members' donation amount in membership-based professional associations. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 30(4), 800-810. p. 805 ("The results of the full model show that the mere act of face-to-face solicitation significantly increases the amount of donation among respondents ( $\beta = .065$ ,  $p < .001$ )."); Yörük, B. K. (2012). Do charitable solicitations matter? A comparative analysis of fundraising methods. *Fiscal Studies*, 33(4), 467-487. p. 469. ("The results show that the amount of money donated to charity differs considerably in response to alternative fundraising methods. In particular, compared with impersonal fundraising techniques such as direct-mail or telephone solicitations and media ads, charitable donors are not only more likely to donate but also donate more on average as a response to personal requests.") See also, Alston, M., Eckel, C., Meer, J., & Zhan, W. (2018). *High-capacity donors' preferences for charitable giving* (No. w25290). National Bureau of Economic Research. ("We found that high-income donors are not responsive to letters or e-mails... Our results suggest that motivating high-income donors requires more personal communication.")

<sup>9</sup> Meer, J., & Rosen, H. S. (2011). The ABCs of charitable solicitation. *Journal of Public Economics*, 95(5-6), 363-371.

giving to the university.<sup>10</sup> More asking led to more giving.

In another study, people were completing their will documents. Some were asked, “Would you like to leave anything to charity?” Others weren’t. The result? Asking more than doubled the share including charity in their wills.<sup>11</sup>

One national-level study explored what factors cause donations. It looked at everything from empathic concern, trust, and religiosity to education and income. The result? The most important factor wasn’t any of these. Instead, the researchers explained,

“the study reveals that being asked to donate has the highest explanatory power regarding the incidence of giving among all causes investigated.”<sup>12</sup>

## **Conclusion**

Good fundraising is good story. It includes each story element. Bad fundraising is bad story. It often leaves out parts.

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<sup>10</sup> *Id* at p. 366 fn 13. (“We examined the effect of alphabet position on lifetime giving (defined as the log of the sum of an alumnus's giving in each year since graduation) and found that those in A to F give, on average, 5.7% more than those in S to Z (s.e.= 2.6%), while those in G to L give 2.2% (s.e.= 2.7%) more, and those in M to R give 0.95% (s.e.= 2.8%) more.”)

<sup>11</sup> Sanders, M., & Smith, S. (2016). Can simple prompts increase bequest giving? Field evidence from a legal call centre. *Journal of Economic Behavior & Organization*, 125, 179-191.

<sup>12</sup> Neumayr, M., & Handy, F. (2019). Charitable giving: What influences donors' choice among different causes? *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 30(4), 783-799. p. 783.

Fundraising tends to focus on the ask. That's fine. A good story needs an inciting incident. But what makes a fundraising ask a good one? What makes it compelling? The next chapter explores this question. The answer, once again, is found in story.

PROFESSOR RUSSELL JAMES

**UNDERSTANDING THE ASK AS STORY:  
THE “INCITING INCIDENT” IN FUNDRAISING STORY**

Story moves through a narrative arc. This includes

1. *Backstory and setting*

These establish motivation from the main character’s original identity.

2. *The inciting incident*

This is main character’s challenge.

3. *Climax and resolution.*

These show the main character’s victory and altered identity.

A key part of a story is the inciting incident. (The main character faces a challenge.) A key part of a fundraising story is the ask. (The donor faces a challenge.)

A good story needs a compelling inciting incident. A good fundraising story needs a compelling ask. Understanding one gives insight to the other.

### ***The inciting incident***

The inciting incident kicks off a story's action. It justifies starting the adventure. It has two parts. First, it must be disruptive enough to cause a big reaction. A minor inconvenience won't work. Second, it must promise the hope of a victory. Without this, even a catastrophic threat won't motivate action. Action makes sense only if it can change things.

In simple terms,

*Big Problem + Potential Solution → Action*

The inciting incident needs both problem (negative) and solution (positive). It's a challenge, but it's a challenge that promises the hope of victory.

The inciting incident presents

1. A crisis (threat or opportunity) for the main character (*i.e., a problem*)
2. Promising the hope of a victory (*i.e., a solution*)
3. That forces a response<sup>1</sup> (*i.e., the action*).

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<sup>1</sup> Robert McKee defines the inciting incident with a section labeled, "The protagonist must react to the Inciting Incident." McKee, R. (1997). *Story: Substance, structure, style and the principles of screenwriting*. Regan Books. p. 191.

## ***Inciting incident descriptions***

It starts with a crisis (threat or opportunity). Researchers explain,

“But then an event – screenwriters call this event the ‘inciting incident’ – throws life out of balance in the shape of a new opportunity or threat.”<sup>2</sup>

Another researcher likens it to an alarm clock, explaining,

“the Inciting Incident is a jolt to the system.”<sup>3</sup>

Another says it “disrupts the homeostasis.”<sup>4</sup> Another calls it simply “trouble.”<sup>5</sup> Robert McKee explains,

“the inciting incident is the first major event of the telling of the story that radically upsets the balance of forces in the protagonist’s life.”

This crisis must be urgent and compelling. It can’t be vague or trivial. Otherwise, it won’t force a response. McKee illustrates this point. He writes,

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<sup>2</sup> Woodside, A. G., & Megehee, C. M. (2010). Advancing consumer behaviour theory in tourism via visual narrative art. *International Journal of Tourism Research*, 12(5), 418-431. p. 421.

<sup>3</sup> Bonnington Jr., R. G. (2014). *Pale statue* [Master’s thesis]. University of Tennessee at Chattanooga.

<sup>4</sup> “The second part of the story takes off when something new happens. An event disrupts the homeostasis. Some literary theorists refer to this event as the “inciting incident” (McKee, 1997).” Goldin, D. (2008). Tone as a measure of the relationship in psychotherapy and other co-narrative experiences. *International Journal of Psychoanalytic Self Psychology*, 3(1), 65-83. p. 67.

<sup>5</sup> “Some literary theorists refer to this event as the “inciting incident” (McKee, 1997). Daniel Stern (2004), in his analysis of micro-incidents in psychotherapy, calls it simply “trouble.” *Id.*

“When an Inciting Incident occurs, it must be a dynamic, fully developed event, not something static or vague. This, for example, is not an Inciting Incident: A college dropout ... wakes one morning and says: ‘I’m bored with my life. I think I’ll move to Los Angeles.’ She packs her VW and motors west, but her change of address changes nothing of value in her life ... If, on the other hand, we notice that she’s created an ingenious kitchen wallpaper from hundreds of parking tickets, then a sudden POUNDING on the door brings the police, brandishing a felony warrant for ten thousand dollars in unpaid citations, and she flees down the fire escape, heading West – this could be an Inciting Incident.”

To motivate dramatic action, the problem must be disruptive. Without a sufficiently disruptive problem, there’s no reason to act.

It’s a crisis (threat or opportunity). But it’s a crisis that promises the hope of a solution. It’s a challenge. But it’s a challenge that promises the hope of a victory. Putting both parts together forces the character to respond.<sup>6</sup>

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<sup>6</sup> In defining the inciting incident, Robert McKee notes, “A refusal to act, however, cannot last for very long, even in the most passive protagonists of minimalist Nonplots.” McKee, R. (1997). *Story: Substance, structure, style and the principles of screenwriting*. Regan Books. p. 192.

McKee explains,

“Therefore, the Inciting Incident first throws the protagonist’s life out of balance, then arouses in him the desire to restore that balance ... the Inciting Incident propels the protagonist into an active pursuit of this object or goal.”<sup>7</sup>

### ***The fundraising ask matches the inciting incident***

In fundraising story, the ask is an inciting incident. It’s a challenge to the donor. The effective challenge can start negatively. If nothing happens, a threat may become real. An opportunity may disappear. It’s disruptive enough to force a response.

But it can end positively. The challenge promises the hope of victory over the crisis. The threat can be averted. The opportunity can be realized. Making a gift promises a solution.

It’s negative. Then, it’s positive. It’s problem. Then, it’s solution. Both are needed for the inciting incident. Both are needed for the effective ask.<sup>8</sup>

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<sup>7</sup> McKee, R. (1997). *Story: Substance, structure, style and the principles of screenwriting*. Regan Books. p. 192.

<sup>8</sup> “the inciting incident/problem situation of the person in need, in the story appeal for charity, is likely to evoke negative emotions... We propose that the consumer would be encouraged to take actions to overcome these negative emotions, in anticipation of experiencing positive emotions. The consumer would be receptive to opportunities to donate, as these would nurture positive anticipated emotions.” Merchant, A., Ford, J. B., & Sargeant, A. (2010). Charitable organizations' storytelling influence on donors' emotions and intentions. *Journal of Business Research*, 63(7), 754-762. p. 757.

The effective ask presents

1. A crisis (threat or opportunity) for the donor's people or values
2. Promising the hope of victory
3. That forces a response.

Let's look at experimental research findings for each part.

### **1. The ask presents a crisis (threat or opportunity)**

#### ***Crisis (threat)***

In experiments, adding a threat can increase giving. For a human rights charity, it increased donations to mention that it

“works in countries that have recently passed laws that harshly restrict nonprofit organizations.”<sup>9</sup>

For a cancer research charity, adding that government funding was cut did the same.<sup>10</sup> The threat can come from many places. It might be

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<sup>9</sup> Chaudhry, S., & Heiss, A. (2020). Dynamics of international giving: how heuristics shape individual donor preferences. *Nonprofit and Voluntary Sector Quarterly*, 0899764020971045.

<sup>10</sup> de Wit, A., & Bekkers, R. (2020). Can charitable donations compensate for a reduction in government funding? The role of information. *Public Administration Review*, 80(2), 294-304.

opposing political groups,<sup>11</sup> natural disasters,<sup>12</sup> or even terrorist attacks.<sup>13</sup> In each case, adding a threat increases donations.

But this threat can disappear. If the crisis fades, so does the inciting incident. Thus, the fundraiser may also face a deadline. This can happen with natural disasters or social and political events.<sup>14</sup> Giving willingness is high when the threat is present, but then it fades.

This can also happen at a personal level. One study looked at 18,000 donation requests from a hospital.<sup>15</sup> These were to former patients. The study found that

“an extra 30-day delay between the provision of medical care and a donation solicitation decreases the likelihood of a donation by 30%.”

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<sup>11</sup> Miller, J. M., & Krosnick, J. A. (2004). Threat as a motivator of political activism: A field experiment. *Political Psychology*, 25(4), 507-523; Miller, J.M, Krosnick J.A., Holbrook A.L., Tahn A., Dionne A. (2016) The impact of policy change threat on financial contributions to interest groups. In J.A. Krosnic, I.C. Chiang, & T. Stark (Eds.), *Explorations in political psychology*. Psychology Press; Schwam-Baird, M. (2016). *Essays on the motivations and behavior of individual political donors* [Doctoral dissertation]. Columbia University.

<sup>12</sup> Brown, P. H., & Minty, J. H. (2008). Media coverage and charitable giving after the 2004 tsunami. *Southern Economic Journal*, 75(1), 9-25.

<sup>13</sup> Berrebi, C., & Yonah, H. (2016). Terrorism and philanthropy: the effect of terror attacks on the scope of giving by individuals and households. *Public Choice*, 169(3-4), 171-194; Katz, R. A. (2003). A pig in a python: How the charitable response to September 11 overwhelmed the law of disaster relief. *Indiana Law Review*, 36, 251-334. p. 252, fn. 2.

<sup>14</sup> Smith, S., Ottoni-Wilhelm, M. & Scharf, K. A. (2018). The donation response to natural disasters. In K. Scharf & M. (Eds.), *The economics of philanthropy: Donations and fundraising* (pp. 239-261). MIT Press.

<sup>15</sup> Chuan, A., Kessler, J. B., & Milkman, K. L. (2018). Field study of charitable giving reveals that reciprocity decays over time. *Proceedings of the National Academy of Sciences*, 115(8), 1766-1771.

There is a window to engage “grateful patients.” But with time, the threat fades and the window can close.

### ***Crisis (opportunity)***

It’s easiest to think about the inciting incident as a threat. However, an opportunity can also be disruptive. It can also serve as an inciting incident. So, which works best in fundraising? A review of 27 studies found that either can work equally well.<sup>16</sup> But different messages may appeal to different audiences.

One study asked for donations to support an art exhibit.<sup>17</sup> One request mentioned a threat that the exhibit might be discontinued. This increased giving by 40%. Threat worked. Another mentioned an opportunity to create a similar exhibit elsewhere. This increased giving by 73%. Opportunity worked too.

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<sup>16</sup> Xu, J., & Huang, G. (2020). The relative effectiveness of gain-framed and loss-framed messages in charity advertising: Meta-analytic evidence and implications. *International Journal of Nonprofit and Voluntary Sector Marketing*, e1675. (“A meta-analysis of 27 studies finds that gain-framed and loss-framed appeals do not differ significantly on persuasiveness in charity advertising.”)

<sup>17</sup> Lee, B., Fraser, I., & Fillis, I. (2017). Nudging art lovers to donate. *Nonprofit and Voluntary Sector Quarterly*, 46(4), 837-858. (The text read, “This exhibition is the only exhibition showcasing the artworks of Scotland’s emerging talent. Supposing that the gallery...” This was followed by, [Control] “was raising funds for the exhibition, how much would you be willing to donate?” or [Opportunity] “is raising funds to provide another platform similar to the exhibition for emerging artists within Scotland, how much would you be willing to donate?” or [Threat] “was in a position where it had to discontinue the exhibition because of financial constraints, how much would you be willing to donate in order for the gallery to be able to continue with the exhibition?”)

But different groups responded differently. The threat message worked better for frequent attendees. They had more “ownership” in the museum than the casual visitor. The threat of loss meant more for this group.<sup>18</sup>

### ***Main character’s crisis***

In the inciting incident, the action is prompted by a crisis (threat or opportunity). But this must be a crisis *for the main character*. Otherwise, it won’t motivate action.

The fundraising ask is similar. The donor’s action is prompted by a crisis (threat or opportunity). But this must be a crisis *for the donor’s people or values*.

Suppose the people or values involved don’t matter to the donor. That means the crisis doesn’t matter either. If the donor doesn’t identify with these people or values, the crisis won’t motivate a gift.

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<sup>18</sup> In behavioral economics this relates to the “endowment effect.” Even though owning an item doesn’t change its objective value, people tend to behave as if it does. The greater the feeling of ownership is, the greater the feeling of loss will be when losing it, and the more people will give up to avoid that loss.

## 2. The ask promises the hope of a victory

### *Negative then positive messages*

A good inciting incident has two parts. The crisis (threat or opportunity) disrupts the character's world. But the response promises a positive result. The challenge promises the hope of a victory. It's problem *then* it's solution. It's negative *then* it's positive.

The negative-positive sequence can be powerful in fundraising. One eye-tracking study showed this. It tested four online advertisements for a children's charity.<sup>19</sup> The top half used either

- 1) A sad child with a negative message,<sup>20</sup> or
- 2) A smiling child with a positive message<sup>21</sup>

The bottom half combined each with either

- 1) A negative story with a sad child,<sup>22</sup> or
- 2) A more positive story with a smiling child<sup>23</sup>

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<sup>19</sup> Bae, M. (2021). The effect of sequential structure in charity advertising on message elaboration and donation intention: The mediating role of empathy. *Journal of Promotion Management*, 27(1), 177-209.

<sup>20</sup> "Save our hungry kids. No one should starve. They need your help. Donate today, before it's too late (cry emoji)."

<sup>21</sup> "Dreams can come true. With your help, we can change the world. Feed the hungry and put a (smile emoji) on a child's face."

<sup>22</sup> "Amanda is eight years old and wants to be a doctor when he/she is older. Unfortunately, however, she has a serious illness due to chronic hunger. Her immune system is weak due to a lack of vital nutrients. She is often too weak to walk to school. Her situation is desperate. If Amanda can't learn because she hasn't eaten, we are hurting the next generation's future." A separate call out was "Please donate before it's too late."

<sup>23</sup> The positive version replaced "If Amanda can't learn because she hasn't eaten, we are hurting the next generation's future" with ", but there is hope. If

Of the four combinations, the most effective started negative but ended positive.<sup>24</sup> This captured the greatest attention, as measured by eye-tracking software. It also created the highest positive emotion at the end. This, in turn, increased both empathy and intention to donate.

### ***Matching the positive with the negative***

The inciting incident is a disruption. It “first throws the protagonist’s life out of balance.”<sup>25</sup> This leads to, “the desire to restore that balance.”<sup>26</sup> This combination motivates action.

But the two parts must match. The solution must match the problem. The positive must address the negative. This is also true on an emotional level.

One experiment tried ramping up a negative emotion. Some people first described a situation in

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Amanda can receive the nourishment she needs to learn, she can have a greater future.” The call out was changed to “Please donate and give her a future.”

<sup>24</sup> It is important to distinguish a negative then positive *sequence* from a conflicting message. A conflicting message doesn’t sequence the two. It uses them simultaneously. Experimental research finds that this does not work in charitable giving. A positively framed message (e.g., an opportunity) works with a positive image (e.g., happy). A negatively framed message (e.g., a threat) works with a negative image (e.g., sad). What does not work is to combine a positively framed message with a negative image or vice-versa. See Genevsky, A., Knutson, B., & Yoon, C. (2018). *Request framing moderates the influence of affective images on charitable giving*. <https://psyarxiv.com/s458p>

<sup>25</sup> McKee, R. (1997). *Story: Substance, structure, style and the principles of screenwriting*. Regan Books. p. 192.

<sup>26</sup> *Id.*

which they felt angry. This increased later donations, but only for certain gifts.

Increasing anger worked if the gift promised justice. It worked if the gift restored the harm done to a victim.<sup>27</sup> The victory satisfied the emotional imbalance.

But increasing anger didn't work if the gift just generally helped people. That victory did not address the emotional imbalance. The two parts didn't match, so they didn't motivate action.

### ***Finish the story***

Another study again showed the power of the negative-positive sequence. It started by describing a person in need.<sup>28</sup> This created negative emotions. Following this with an option to donate changed things. It created “*anticipated* positive emotions.” It created hope. Next, making the gift then created even more positive emotions. The emotional journey was negative, then positive.

But the story wasn't finished. With no feedback on the gift's usage, the donors' emotions again turned negative. Giving detailed feedback had

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<sup>27</sup> van Doorn, J., Zeelenberg, M., & Breugelmans, S. M. (2017). The impact of anger on donations to victims. *International Review of Victimology*, 23(3), 303-312. p. 303. (“anger leads to higher charitable donations, under the condition that people can restore equity with that donation (i.e., restore the harm done to the victim).”)

<sup>28</sup> Merchant, A., Ford, J. B., & Sargeant, A. (2010). Charitable organizations' storytelling influence on donors' emotions and intentions. *Journal of Business Research*, 63(7), 754-762.

the opposite effect. It improved emotions and future donation intentions.

The donor experience wasn't just about the ask. It was also about the rest of the story. If the charity didn't finish the story, the experience turned negative again.

Giving can be an emotionally rewarding experience. But it's risky. The ask starts negatively. But a good ask promises the hope of a victory. If the charity delivers on that promise, the story ends positively. If the charity fails, the story starts *and ends* negatively. This risk matches some people's ambivalence about being asked.

### **3. The ask forces a response**

#### ***Negative feelings***

A story needs an inciting incident. Fundraising needs an ask. Forcing a response works. Asking works. Lab and field experiments both confirm this.<sup>29</sup> So does practical experience.

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<sup>29</sup> Herzog, P. S., & Yang, S. (2018). Social networks and charitable giving: Trusting, doing, asking, and alter primacy. *Nonprofit and Voluntary Sector Quarterly*, 47(2), 376-394; Meer, J., & Rosen, H. S. (2011). The ABCs of charitable solicitation. *Journal of Public Economics*, 95(5-6), 363-371; Neumayr, M., & Handy, F. (2019). Charitable giving: What influences donors' choice among different causes? *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 30(4), 783-799; Oh, J., & Ki, E. J. (2019). What makes association members donate more? factors influencing members' donation amount in membership-based professional associations. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 30(4), 800-810; Sanders, M., & Smith, S. (2016). Can simple prompts increase bequest giving? Field evidence from a legal call centre. *Journal of Economic Behavior &*

But that doesn't mean asking is always easy. It doesn't mean being asked is always appealing. The ask can start negatively. Even with the hope of victory, it puts the donor at risk. The charity might not finish the story. There may be no happy ending. As a result, some will prefer to avoid being asked.

### ***Avoiding the ask***

One experiment used Salvation Army bell ringers at a store entrance. They were told to make eye contact and say, "Please give." This worked. Donations increased by 50%.<sup>30</sup> But many people avoided it. One third of those who would have used that entrance, instead chose another door.<sup>31</sup>

Given the chance, many will choose to avoid the ask. But that doesn't mean they shouldn't be asked. One experiment tested this. It conducted door-to-door fundraising. But it gave some people a warning. They first received a flyer. It had an opt-out

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*Organization*, 125, 179-191; Yörük, B. K. (2009). How responsive are charitable donors to requests to give? *Journal of Public Economics*, 93(9-10), 1111-1117.

<sup>30</sup> Andreoni, J., Rao, J. M., & Trachtman, H. (2017). Avoiding the ask: A field experiment on altruism, empathy, and charitable giving. *Journal of Political Economy*, 125(3), 625-653. p. 628.

<sup>31</sup> Another experiment also found this door avoidance, but noted that it disappeared when the weather turned cold. In other words, when the cost of avoidance increased, people stopped avoiding the ask. See Trachtman, H., Steinkruger, A., Wood, M., Wooster, A., Andreoni, J., Murphy, J. J., & Rao, J. M. (2015). Fair weather avoidance: unpacking the costs and benefits of "avoiding the ask". *Journal of the Economic Science Association*, 1(1), 8-14.

box and the time of the upcoming visit. What happened? This flyer reduced door opening by 23%.<sup>32</sup>

This seems efficient. It eliminates those who didn't want to be asked. But it was bad for fundraising. Donations fell. Here is the surprising part: They fell by even more than 23%. For one charity in the experiment, donations fell by 40%.<sup>33</sup> Thus, many who would choose not to be asked will still give if they are asked.

In lab experiments, some people will actually pay not to be asked for a gift.<sup>34</sup> This is true even though many of them would give if asked. Even if donors ultimately end up feeling good, the journey can still start negatively. Effective asks can still be disruptive. This can lead to avoidance, even among those who would give if asked.<sup>35</sup>

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<sup>32</sup> DellaVigna, S., List, J. A., & Malmendier, U. (2012). Testing for altruism and social pressure in charitable giving. *The Quarterly Journal of Economics*, 127(1), 1-56.

<sup>33</sup> Giving fell 28% for the local charity and 40% for the out-of-state charity. *Id* at p. 3.

<sup>34</sup> Dana, J., Cain, D. M., & Dawes, R. M. (2006). What you don't know won't hurt me: Costly (but quiet) exit in dictator games. *Organizational Behavior and Human Decision Processes*, 100(2), 193-201.

<sup>35</sup> Another study reported, "In addition to our main results, we find that a loss & identified victim framing has a significant negative effect on the number of seconds that participants remain on the web page displaying the donation calls (Table 3), although it has a positive effect on donation levels ... The loss & identified victim framing may increase peoples' willingness to donate more, but may also make them uncomfortable. This, in turn, may result in avoidance behavior becoming manifest in clicking to the next page faster." Metzger, L., & Günther, I. (2019). Is it what you say or how you say it? The impact of aid effectiveness information and its framing on donation behavior. *Journal of Behavioral and Experimental Economics*, 83, 101461.

## ***Asking too often?***

Another study tested the effects of asking too often.<sup>36</sup> It sent up to five extra appeal letters to donors from several charities. It sent them *in the same week*. Survey results showed this caused some annoyance. No surprise. And the result? The researchers explained,

“We find no indications that irritation reduces donations.”

The inciting incident starts negatively. It can be disruptive. Some might prefer to avoid it. But asking still works. Even excessive asking, although irritating, doesn't hurt giving.

## ***Immediacy and deadlines***

A good inciting incident is immediate, urgent, and specific. This triggers action. It's not passive or vague. That doesn't trigger action.

In fundraising, the inciting incident is the ask. A good ask is immediate, urgent, and specific. A weak one is passive or vague.

Does this mean that deadlines help? Not always. For a small gift, an ask implies the need for an immediate response. Adding a deadline can interfere with this. It can reduce the expectation for

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<sup>36</sup> Van Diepen, M., Donkers, B., & Franses, P. H. (2009). Does irritation induced by charitable direct mailings reduce donations? *International Journal of Research in Marketing*, 26(3), 180-188.

an immediate response. This encourages delay. The delay can then lead to no response at all.

In experiments with small gifts, shorter deadlines worked better than longer ones. But what worked best was not referencing deadlines at all.<sup>37</sup> The researchers explained,

“Our results point out that a short deadline, and not specifying a deadline, signals urgency. By contrast, providing a longer (one month) deadline gives people permission to procrastinate, with people ultimately forgetting.”

Does this mean that a quick response is always better? Not necessarily. For a small gift, this is fine. But a large gift requires time and thought. However, it’s still important not to leave the decision open-ended.

For the large gift, the goal is still to force a response. The goal is still to get a “yes.” But initially this can be a “yes” to the next meeting. This gives some time for thought. But at some point, the next meeting must force a gift decision. This prevents avoidance or unlimited procrastination. Ultimately, the inciting incident – and the ask – must force a response.

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<sup>37</sup> Knowles, S., Servátka, M., Sullivan, T., & Genç, M. (2017). *Deadlines, procrastination, and forgetting in charitable tasks: A field experiment*. Available at SSRN. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2576625](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2576625)

## ***Conclusion***

A story needs an inciting incident. A story without an inciting incident is probably a bad story. Fundraising needs an ask. A fundraising story without an ask is probably a bad fundraising story.

The inciting incident is essential. It can be disruptive. Some people might prefer to avoid it. But ultimately, it promises the hope of a victory.

Make a challenge. Promise a victory. It seems straightforward. But it can be harder than it looks. Many barriers can stand in the way of making it happen. The next chapter looks at some of those barriers and a few strategies to overcome them.

**PUTTING A VICTORY IN THE FUNDRAISING ASK  
WHAT CHANGES IF I GIVE?**

***What's it about?***

An effective fundraising story isn't just a good story. It must *do* something. It must lead to a gift. This means the story must be, to some extent, a story *about* the gift. It must be, in some way, a story *about* the donor and the donor's action.

***The ask in the narrative arc***

A typical narrative arc progresses through

1. *Backstory and setting*

These establish motivation from the main character's original identity.

2. *The inciting incident*

This is the main character's challenge.

### 3. *Climax and resolution*

These show the main character's victory and altered identity.

In story, the inciting incident must force a response. Otherwise, it fails. In fundraising, an ask must force a response. Otherwise, it fails. But in fundraising it's not enough to get just any response. We want a specific response. We want a gift. We want a "yes."

#### ***Getting to "yes" with fundraising story***

So, how do we get there? The ask is a challenge to the donor. In story, this challenge happens at the inciting incident. It forces a choice in response to a crisis (threat or opportunity). The effective challenge does not stand alone. It's part of the full story cycle. The challenge must link to each element in the story cycle.



The donor's *original identity* (people, values, or life story) must link to the *challenge*. For example, the crisis prompting the challenge may be a threat or opportunity *for the donor's people or values*. It's a threat or opportunity *for the donor's sources of identity*.

Also, the donor may identify as the kind of person who accepts such challenges. He may be the type of person who says “yes” to the gift because

- Other *people like the donor* make gifts like this.
- The *donor’s values* support making the gift.
- The *donor’s life story* links with the gift.

In each case, a source of the donor’s *original identity* (people, values, or life story) connects to the *challenge*.

The *challenge* for the donor comes at the fundraising ask. This must promise a personally meaningful *victory*. It promises a solution to the crisis.

The promised *victory* is meaningful if it will result in an *enhanced identity* for the donor. This can be internal (private meaning) or external (public reputation). It can also be both.

### ***The challenge must promise a victory***

In story, the challenge is the inciting incident. This starts with a disruption. The disruption can be negative. But it comes with a promise. The promise is the hope of a solution. It’s the hope of restoring the balance.<sup>1</sup> It’s the hope of a victory.

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<sup>1</sup> “Therefore, the Inciting Incident first throws the protagonist’s life out of balance, then arouses in him the desire to restore that balance.” McKee, R. (1997). *Story: Substance, structure, style and the principles of screenwriting*. Regan Books. p. 192.



In fundraising, the effective challenge may be disrupting, but it comes with a promise. That promise is the same. It's the hope of a victory. That promise answers the question, "What changes if I give?"

This may seem like a simple step. And it can be. But there are many ways to do it wrong.

### ***Victory barriers: Fuzzy victory***

Compelling story evokes a clear image. This requires a clear link from a clear challenge to a clear victory. If the goal isn't easy to visualize, it won't be motivating. A vague or uncertain victory won't work.



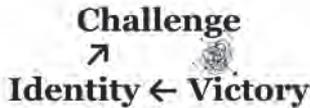
There can also be a different problem. The charity's goal might be clear. The donation request might be specific. But the connection between the request and the goal can still be vague or uncertain.



In either case, the problem is this. The “ask” fails to answer an important question. “What changes if I give?”

### ***Victory barriers: Complicated stories***

“What changes if I give?” If the ask doesn’t answer this question, it doesn’t promise a victory. It’s unlikely to be compelling. Sometimes another problem arises. The answer is just too complicated. The connection to a victory is too confusing.



The problem is not that this complexity isn’t real. The problem is that it doesn’t work. A complicated, technical explanation is exhausting. It also triggers the wrong system in the brain. It triggers the analytical, error-detection system. This blocks a social-emotional response. So, it won’t motivate a gift.

A gift must first be motivated by simple, social-emotional story. Afterward, it’s fine to make complexity available. This can confirm the original social-emotional decision. It can show that there were no rational, logical errors. But the motivating story can’t be complex. Compelling story is simple. It evokes a clear image.

## ***Victory barriers research: Complexity kills***

In fundraising, complexity is the enemy. More information is *not* better. One study tested fundraising appeals with different levels of information. The researchers found,

“While individuals increase their donations when they perceive an intervention to be more effective, increased knowledge about the project decreases donations.”<sup>2</sup>

Why? The researchers explained,

“Factual information about aid effectiveness that may be arduous to process, both with regard to content and length, might dampen the emotional reaction of donors.”<sup>3</sup>

Force-feeding facts doesn't work. It changes a social or emotional story into a technical report. A social or emotional story triggers empathy and

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<sup>2</sup> Metzger, L., & Günther, I. (2019). Is it what you say or how you say it? The impact of aid effectiveness information and its framing on donation behavior. *Journal of Behavioral and Experimental Economics*, 83, 101461, p. 9.

<sup>3</sup> “Our findings indicate that donation decisions, at least of small donors, might be an emotional rather than a rational decision. As a result, factual information about aid effectiveness that may be arduous to process, both with regard to content and length, might dampen the emotional reaction of donors. This in turn may result in a lower willingness to help and, consequently, in similar or even smaller donations than donation calls that only state a development problem. In contrast, empathy with a recipient of charitable aid, triggered by an identified victim narrative, increases charitable contributions even when the donor knows little about the effectiveness of her donation” Metzger, L., & Günther, I. (2019). Is it what you say or how you say it? The impact of aid effectiveness information and its framing on donation behavior. *Journal of Behavioral and Experimental Economics*, 83, 101461, p. 10.

sharing. A technical report triggers analysis and error detection.

Another study focused on major donors. These were the largest and most active donors to an environmental charity. It shared the charity's new 36-page plan. The plan shifted,

“Its approach from land conservation to a more complex, systems-oriented approach.”<sup>4</sup>

Technical experts approved this complexity. The donors? Not so much. 85% expressed serious concerns. The problem was this:

“When compared with the tangibility of prior gifts, these measures seemed too intangible to feel confident funding ... At its core, the grander vision was too broad for any one individual donor to feel like they personally can make the sort of impact that matters.”<sup>5</sup>

In fundraising, impact is not an issue of complex technical reports. It's an issue of social-emotional story. Forcing complex facts or concepts makes the story too complicated. A complicated story

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<sup>4</sup> Jones, J. A., & Daniel, D. L. (2019). Funder's meaning making regarding complex, adaptive projects: Findings from a developmentally oriented feasibility study. *International Journal of Nonprofit and Voluntary Sector Marketing*, 24(2), e1630; See plan document at <https://www.nature.org/media/aboutus/conservation-by-design-20th-anniversary-edition.pdf>

<sup>5</sup> Jones, J. A., & Daniel, D. L. (2019). Funder's meaning making regarding complex, adaptive projects: Findings from a developmentally oriented feasibility study. *International Journal of Nonprofit and Voluntary Sector Marketing*, 24(2), e1630.

won't evoke social emotion. Without social emotion, there is no gift.

### ***Victory barriers research: Complexity conflict***

Complexity kills fundraising. So why do many charities keep doing this wrong? It's not an accident. The problem comes from a specific source. Stories get complicated when charity managers get involved.

Charity managers deal with society's most difficult problems. They live in a world of complexity. They are technical experts. They have so much information. They naturally want to share it. They feel that the donors "need to understand." But this complexity ruins fundraising story. The desire to push complexity leads to conflict with fundraising.

One study examined a homelessness charity. But it used a unique approach.<sup>6</sup> It explored the charity's internal culture using ethnography. What it found was conflict. The researcher explained,

"Head of Fundraising shares this dilemma: "we simplify everything, that is, sort of the only way we can raise money quickly. We have to simplify!" Currently, fundraising is based on the slogan 'Give them a bed for the night!'. This, argues another senior manager, 'goes against all I have learnt about social work' as it

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<sup>6</sup> Arvidson, M., & Linde, S. (2021). Control and autonomy: Resource dependence relations and non-profit organizations. *Journal of Organizational Ethnography*. DOI 10.1108/JOE-05-2020-0021

refers to simple solutions at individual level although the issue ought to address profound structural and societal issues.”

This is a conflict. What is the charity managers’ proposed solution? Re-educate the donor. They believe,

“The accountability relationship should, in their view, involve educating the donor: ‘we need to work with the general public’s view about homeless people.’”

Charity manager’s desperately want to share their worldview. It’s a worldview of complexity. They want to force-feed this technical complexity to donors. Unfortunately, this has a dangerous side effect. It kills fundraising story.

### ***Victory solutions: The fundraiser as translator***

Complexity kills fundraising. So, what’s the solution? Translation. It’s not that the complexity isn’t real. It’s that it doesn’t work. Effective fundraising must translate. It must convert this complexity into a representative story. It must transform it into a simple story about the donor’s gift.

One study identified the key factors in successful major gift asks.<sup>7</sup> The researchers explained,

“they rely on the fundraisers’ skills in reframing complex issues and finding alignment between the recipient organisation’s needs and the philanthropic aspirations of the donor.”<sup>8</sup>

The successful fundraiser excels at “reframing complex issues.” She converts complexity into a simple story. It’s a story about the “philanthropic aspirations of the donor.” It’s a story about the donor and the donor’s gift.

### ***Victory barriers: Missing victory***

Sometimes the connection between a gift and a victory is fuzzy or complicated. Sometimes the victory itself is vague or uncertain. But it can get worse. Sometimes there isn’t any victory at all.



The essence of this request is

“We do good work. We need money. Please give.”

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<sup>7</sup> Breeze, B., & Jollymore, G. (2017). Understanding solicitation: Beyond the binary variable of being asked or not being asked. *International Journal of Nonprofit and Voluntary Sector Marketing*, 22(4), e1607.

<sup>8</sup> *Id.*

For the charity, this is a natural request. Why? Because it's a story about them. It's about their identity, their challenges, and their needs. It's also easy. It's a message that applies to every charity, everywhere, all the time.

It's a compelling story – for the charity insiders. The donor gives to honor their heroic work. The donor gives because they're so wonderful. This message may sound great to the charity insider. But it's not that compelling for the donor. In this story, the donor is just a bit player.

Moving beyond this message can be difficult for charity insiders. They have to set aside the story that they love. They have to put themselves in the donor's shoes.<sup>9</sup> This isn't easy.

### ***Victory barriers: Fundraising without victory***

A compelling ask answers the question, “What changes if I give?” But what if there's no answer? What if the answer is

- “Nothing”

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<sup>9</sup> “Having a theory of mind allows us to understand that others have unique beliefs and desires that are different from our own, enabling us to engage in daily social interaction as we interpret the mental states and infer the behaviors of those around us (Premack & Woodruff, 1978).” Ruhl, C. (2020, August 7). *Theory of mind*. Simply psychology [Website]. <https://www.simplypsychology.org/theory-of-mind.html>  
Citing to Premack, D., & Woodruff, G. (1978). Does the chimpanzee have a theory of mind? *Behavioral and Brain Sciences*, 1(4), 515-526.

- “I don’t know,” or
- “That’s not your concern. You just leave that to the experts.”?

The donation story has no victory. Can a fundraising ask still raise money? Yes. Donors can still give just because of who they are, not what the gift does.

Donors can give just because of their identity connections. They might identify with the charity, the cause, or the act of giving. Giving can still happen. But these gifts will tend to be small.

Think of it this way. Suppose you give \$100 just because you like the charity. Maybe it connects with your people, values, or life story. That’s fine. But how likely is it that you will grow to like that charity *10 times more* than you already do? Pretty unlikely. So, how likely is it that you will give \$1,000 or \$10,000 instead of \$100? The answer is the same. Pretty unlikely.

Without a victory, the only gift that makes sense is the small gift. This is the “pat on the head” gift. It’s the social compliance gift. It’s like trying to win the “participant” award. It can motivate action, but not much. It can motivate a gift, but not a large one.

To get the rest of the gift, we need the rest of the story. The 10x or 100x gift must *do* something different. It must do something specific, visualizable,

and compelling. It must promise the hope of a victory. Increasing the size of a gift means offering a compelling victory. This can improve the fundraising ask. It can even happen *after* the donation.

### ***Victory upgrades: Snatching victory from the jaws of the small gift***

Suppose a donor has made a gift. Maybe they've written a check. Maybe they've included your charity in their will. Regardless, after expressing gratitude, it's still possible to increase the size of the gift. How? It starts by adding a victory. It can even start by asking the donor to add a victory. For example,

- “Have you ever thought about how you would like this gift to be used?”
- “Tell me about your goals for this gift. What kind of impact do you want to make?”

These questions lead to conversations about outcomes. Outcomes have price tags. An outcome with a price tag leads to a challenge with a victory. It can turn the gift into the *initial* gift. It can lead to a more compelling ask. For example,

“The reason I ask is this. You remind me of another donor. She felt the same way you do. So, she decided to ...

- Establish a permanent scholarship fund.
- Sponsor this operation for a week.

- Fund a project that ... [*insert victory outcome*].

What are your thoughts about doing that?”

### ***Conclusion***

A story needs an inciting incident. Fundraising needs an ask. Both work better when they promise the hope of a victory. A challenge promising a victory makes a compelling ask. It makes the challenge part of a compelling fundraising story.

**PUTTING A CHALLENGE IN THE FUNDRAISING ASK**  
**YOU WANT ME TO DO WHAT?**

A story progresses through

1. *Backstory and setting*

These establish motivation from the main character's original identity.

2. *The inciting incident*

This is the main character's challenge.

3. *Climax and resolution*

These show the main character's victory and altered identity.

Effective fundraising story results in a gift. The story hinges on the donor's action. The donor is a main character. The donor's story progresses through these same story steps. But the steps must all connect.

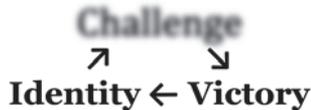
The donor will face a challenge. This challenge is the donation request. In an effective fundraising story, the challenge must connect to a victory.



A compelling ask promises the hope of a compelling victory. A compelling victory is specific and visualizable. This says something about the victory. But it also says something about the challenge. Connecting to a specific victory requires a specific challenge.

### ***Vague or missing challenge***

A vague or uncertain challenge is hard to connect to a specific victory. It's hard to connect to a clear-cut, compelling, visualizable outcome. The fundraising story cycle breaks down. The challenge becomes fuzzy.



Or worse yet, the charity never actually makes the ask. It just does good work. It hopes that people will automatically donate. That story cycle has no challenge.

↗      ↘  
**Identity ← Victory**

***The inciting incident is clear and simple***

Story requires an inciting incident. The inciting incident presents a challenge. In good story, this challenge is clear and simple.

Consider the highest-grossing movie franchises. In *The Matrix*, the choice is simple. Take the red pill or the blue pill. In *The Hobbit*, it's also simple. Go on an adventure or stay in the shire. In the original *Star Wars*, the choice is similar. Stay on the farm or go to Alderaan to help the princess.

These challenges aren't vague. These aren't challenges to, "Please do whatever you can." They are simple and specific. They are either yes or no.

***The fundraising challenge is clear and simple***

In fundraising story, the simplest challenge is to ask for a specific amount. This is a yes or no question. A specific amount can link to a specific victory. This makes the rest of the story clear and simple.

A specific ask for a specific amount works. But for the fundraiser, it can be scary. What if you guess wrong? What if the amount is too high – or worse,

too low?<sup>1</sup> What if the project was the wrong project for this donor? Getting it right requires a lot of information. Sometimes, that just isn't feasible.

What then? Fortunately, there is another answer. You'll find it at any restaurant.

### ***Menus can be clear and simple***

Suppose you visit a new restaurant. Instead of handing you a menu, the waiter says,

“We cook good food. So, just give us some money. Then we'll go figure out something to cook for you.”

This would be strange. But it's a bit like some charities' approach to fundraising. Their message is,

“We do good work. We need money. So, people should give us some. Then we'll do something good with it.”

This doesn't work in restaurants. And it doesn't work in fundraising. It's a vague request with a vague result.

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<sup>1</sup> Sometimes, this risk may be softened by a request with a floor. For example, a request could ask for “your best gift ever.” This has a floor of the donor's previous largest gift. However, phrasing can be tricky here. Asking for a gift of “at least” a certain amount devalues the target amount. It suggests that the amount is a meager, marginally acceptable response. Giving that amount is tolerable but doesn't fully meet the challenge. This makes the specific request less attractive. Because it uses devaluing language, it can also cause offense to those who feel that their contributions are not being appreciated.

What can help is a menu. A menu provides simple and specific options. It gives simple and specific prices. This can make the decision easier.

### ***Menus of causes and projects***

In research experiments, menus can sometimes help. In one, some people could give to any charity. Others had to choose from a list of only five charities.<sup>2</sup> With only five options, the share of people giving *more than doubled*.

Menus simplify the choice. They avoid analysis paralysis.<sup>3</sup> But even menus can get too complicated.

One experiment asked people to volunteer at a charity. Increasing the number of charity options from 10 to 30 actually *reduced* volunteering.<sup>4</sup> Another found that giving increased when people could choose from 8 charities rather than only 3. But increasing from 8 to 16 charities didn't help.<sup>5</sup>

Another used just one charity: UNICEF. But donors had to pick a project. People had 1, 7, or 13

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<sup>2</sup> Schulz, J. F., Thiemann, P., & Thöni, C. (2018). Nudging generosity: Choice architecture and cognitive factors in charitable giving. *Journal of Behavioral and Experimental Economics*, 74, 139-145.

<sup>3</sup> For the classic example of this effect in mutual fund selection, see figure 1 in Botti, S., & Iyengar, S. S. (2006). The dark side of choice: When choice impairs social welfare. *Journal of Public Policy & Marketing*, 25(1), 24-38.

<sup>4</sup> Carroll, L. S., White, M. P., & Pahl, S. (2011). The impact of excess choice on deferment of decisions to volunteer. *Judgment and Decision Making*, 6(7), 629-637.

<sup>5</sup> Experiment 1 in Soyer, E., & Hogarth, R. M. (2011). The size and distribution of donations: Effects of number of recipients. *Judgment and Decision Making*, 6(7), 616-628.

project options.<sup>6</sup> Giving was lower with just 1 or all 13 options.<sup>7</sup>

Having some options helps. Having too many hurts.

### ***Menus of gift amounts***

Menus can also help with suggesting a gift amount. One experiment used 120,000 appeal letters for a cancer charity.<sup>8</sup> Some letters included suggested gift amounts. Others didn't. Those with suggested amounts raised more money.

A menu can also help with another fundraising issue: asking too small. A menu helps by showing other levels. If we've guessed wrong on the amount, other options are nearby. Recommending the hamburger? Okay, but the filet mignon is still right next to it on the menu.

Asking for \$50,000 to run a program for a year can work. But why not put it on a menu? It can go beside the option of \$1 million to permanently endow

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<sup>6</sup> *Id* at Experiment 2.

<sup>7</sup> However, donations increased when donors could split gifts among multiple projects. In that case both total money and the propensity to donate increased when the number of project options increased from 7 to 13. In this case, donors no longer had to choose the single "best" option, but could choose to give something to all the projects they liked.

<sup>8</sup> Baggio, M., & Motterlini, M. (2019). Testing donation menus: On charitable giving for cancer research—evidence from a natural field experiment. *Behavioural Public Policy*, 1-22.

the program.<sup>9</sup> Listing charitable gift annuity rates is fine. But showing options with lower rates creating bigger donations is smarter.

Even the classic campaign donation pyramid is a menu. Requesting a gift from the pyramid

- Makes a specific ask
- Shows that many others are also giving (and giving even more), and
- Keeps the larger gifts “on the menu.”

### ***Menus with large amounts***

One experiment tested the effects of including a larger option.<sup>10</sup> The experiment used 60,000 fundraising appeal letters from a hospital. The standard letter followed the charity’s normal practice. The response card used the three most common gift amounts:

\$10  \$50  \$100  \$\_\_\_\_\_

An alternative version added higher amounts:

\$10  \$50  \$100  \$250  \$500  \$\_\_\_\_\_

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<sup>9</sup> If your organization is relatively new, consider establishing this fund through a local community foundation to enhance the feeling of permanence and stability.

<sup>10</sup> Ekström, M. (2021). The (un)compromise effect: How suggested alternatives can promote active choice. *Journal of Behavioral and Experimental Economics*, 90, 101639.

The second version raised twice as much money per letter. But another, relatively strange, version worked just as well. This had suggested amounts of only

\$10  \$500  \$\_\_\_\_\_

In both cases, including the higher amount worked better. But this is *not* the same as increasing all of the options. Increasing the smallest option has a downside. It makes a smaller gift seem unacceptable. This can reduce the share of people who give at all. Experimental results confirm this. One study with 10,000 public TV station members found,

“in three independent comparisons, increasing the entire vector of suggested amounts by 20%–40% reduces the probability of giving by approximately 15%.”<sup>11</sup>

### ***Simple works***

Menus provide simple options. This makes the decision easier.

One experiment found a way to interfere with this. People prefer to give round numbers. Removing this option frustrates simplicity. Replacing \$100 with \$95 causes people to avoid this option. A direct mail experiment changed the suggested amounts from,

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<sup>11</sup> Reiley, D., & Samek, A. (2019). Round giving: A field experiment on suggested donation amounts in public-television fundraising. *Economic Inquiry*, 57(2), 876-889.

\$35  \$50  \$75  \$100  \$250  \$\_\_\_\_  
to

\$35  \$50  \$75  \$95  \$250  \$\_\_\_\_

The result? People avoided the unusual option. The researchers explained,

“changing one of the suggested amounts in an ask string from \$100 to \$95 reduces the number of gifts greater than or equal to \$90 by more than 30%.”<sup>12</sup>

Menus work because they make the response simple. Of course, requesting one amount is simpler still. One experiment asked for small gifts for nature conservation. This was at the end of a tourist experience.<sup>13</sup> The share of people agreeing to give was

- 20% with a blank amount
- 35% with three suggested amounts and a blank amount
- 48% with only one amount, using the previous version’s middle suggestion, and
- 55% with only one amount, using the previous version’s lowest suggestion.

The open-ended request was the worst. A menu worked better. A specific amount worked the

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<sup>12</sup> *Id.*

<sup>13</sup> Nelson, K. M., Partelow, S., & Schlüter, A. (2019). Nudging tourists to donate for conservation: Experimental evidence on soliciting voluntary contributions for coastal management. *Journal of Environmental Management*, 237, 30-43.

best. But the specific amount had a trade-off. Asking for more increased the chance for a “no.”

### ***“Tricks and traps,” or delivering value?***

It’s fun to learn the tricks that bump up giving responses. It’s fine to focus on making the perfect ask. But the story can’t end at the ask. If it does, donors might still give. But they’ll only do it once.

After all the tricks, the donor experience was either worth the gift or it wasn’t. And if we look at how real donors behave in the real world, mostly it wasn’t. Donors test many charities. Most fail the test. Over 70% of first-time donors to a charity never give to that charity again.<sup>14</sup>

### ***Conclusion***

The right environment or framing *can* help. It can improve the challenge. It can make it more compelling. But if

- *Challenge* ⇌ *Victory*

The challenge doesn’t ultimately lead to a victory, or

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<sup>14</sup> Levis, B., Miller, B., & Williams, C. (2019, March 5). *2019 fundraising effectiveness survey report*. (Reporting 20% retention of new donors in the first 12 months.)

See also, “‘Over 70% of people that we recruit into organizations never come back and make another gift, so we’re caught on this treadmill where we have to spend lots of money on acquisition which most nonprofits lose money on anyway, just to stand still.’ Professor Adrian Sargeant” from <https://bloomerang.co/retention>

- *Victory ⇒ Identity*

The victory doesn't ultimately deliver enhanced identity,

then, it's unlikely to be repeated.

A charity can just take the money. It can deliver nothing to the donor in return. It can then hope the same tricks work the next time. But there is another option. After receiving a gift, a charity can finish the story. The next chapter looks at this.

PROFESSOR RUSSELL JAMES

**FINISH THE STORY OR LOSE THE DONOR:  
DELIVERING VICTORY WITH IMPACT REPORTING**

***We have a problem***

You make the perfect fundraising ask. It works! The donor makes a gift to your charity. Congratulations!

But was the gift a good idea? Four out five new donors say, “No.” Data from thousands of charities show new donor retention of 20%.<sup>1</sup> They make a gift. But they don’t repeat their mistake. Even a year later, they haven’t done it again. The story “worked” to get a gift. But something was missing. It didn’t work again.

This causes money problems. A study of more than 10,000 charities found a seriously “leaky bucket.”<sup>2</sup> Increased giving from active donors and

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<sup>1</sup> Bloomerang. (2020). A guide to donor retention [Website]. <https://bloomerang.co/retention>

<sup>2</sup> Levis, B., Miller, B., & Williams, C. (2019, March 5). *2019 fundraising effectiveness survey report*.

new gifts from others created gains of \$5 billion. Hooray! But wait. Other donors stopped or reduced their giving creating losses of more than \$4.6 billion. The researchers explained,

“every \$100 gained in 2018 was offset by \$93 in losses through gift attrition.”<sup>3</sup>

Why is this happening? One study explored this question. It interviewed lapsed donors. Why had they stopped giving? The top reasons related to the charity were about impact and gratitude.<sup>4</sup>

It wasn't just that these were weak. It's that they often didn't exist at all. Ex-donors commonly explained, the charity,

“Did not inform me how my money had been used.”

Many said the charity,

“Did not acknowledge my support.”

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<sup>3</sup> *Id* at p. 1.

<sup>4</sup> The top three reasons related to the charity were:

- “I feel that other causes are more deserving.” [i.e., impact]
- The charity “did not acknowledge my support.” [i.e., gratitude]
- The charity “did not inform me how my money had been used.” [i.e., impact]

This omits non-charity causes such as donor finances, death, or relocation. One final reason, inability to remember making the initial gift, likely also relates to the charity's lack of impact reporting or gratitude expression. Sargeant, A. (2001). Managing donor defection: Why should donors stop giving? *New Directions for Philanthropic Fundraising*, 2001(32), 59-74. p. 64, Table 4.1.

## ***We have a story problem***

Imagine a story in an interesting setting. The main character has a relatable backstory. A crisis or opportunity builds the tension. Finally, he faces a stark choice: Stay in his original, self-focused world, or go on a demanding adventure to make an impact in the larger world. After some delay, he finally commits. He looks, steely-eyed, at his wise guiding sage and says, “Let’s do this!” And then ... the credits roll. Or the novel ends.

Wait. What? No, no, no! That’s not right. That story is awful! I mean, is it even a story? Where’s the journey? Where’s the climax and victory? Where’s the resolution? That was terrible! Would you buy another book from that author? Would you watch another movie by that director? Probably not.

Of course, that’s a terrible way to tell a story. Yet, this is often how *actual* fundraising is executed. The storytelling ends at the donation decision. There’s no climax delivering the promised victory. There’s no resolution confirming the donor’s enhanced identity.

## ***The wrong story***

Charities aren’t finishing the story. Why not? Often, it’s because they weren’t *trying* to tell a donor story in the first place. Instead, they were telling the story that *they* wanted to hear. It’s a story about them. It’s *not* a donation story. It’s *not* a donor story. It’s a charity *insider* story.

In that story, the charity insiders are the main characters. They're the heroes. The donor is just a bit player. He makes a quick cameo appearance. He is there to honor the heroic administrators. He lays money at their feet (because they're so heroic). Then he disappears.

That story isn't about the donor. It's not about the donor's gift. It's not about the donor's impact. It's about the charity insiders. It's about the administrators. It's about their heroic journey.

This story easily ignores donor retention. Donors are supposed to come back automatically. In this story, donors are there to honor the charity insiders' heroism. So long as charity insiders keep being their heroic selves – and keep reminding donors of this – giving should continue.

Retention, this story suggests, should be easy. It should be automatic. Fundraisers should instead focus elsewhere. They should focus on spreading the charity insiders' fame. They should focus on telling the charity insiders' story to *new* people. They should focus on *new* donors.

### ***The wrong story in metrics***

This story bias affects real-world management. One study looked at fundraising accounting metrics.

It reviewed their use at hundreds of charities.<sup>5</sup> Out of eleven metrics, which one was most frequently reported to top management? The number of *new* donors recruited.

Some charities tracked costs for both new-donor acquisition and current-donor retention. Even for these charities, internal reporting was different. New-donor acquisition cost was twice as likely to be reported to top management.<sup>6</sup>

What about improving donor commitment and satisfaction? Most fundraisers felt these weren't even "slightly important" to top management.<sup>7</sup>

In math, a dollar is a dollar, whether from new or old donors. But in story, things are different. Top management lives the charity insider hero story. But that story doesn't match with donor retention efforts. In that story, delivering a donor experience *worth* the gift doesn't even make sense. Donors exist to deliver

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<sup>5</sup> Bennett, R. (2007). The use of marketing metrics by British fundraising charities: A survey of current practice. *Journal of Marketing Management*, 23(9-10), 959-989.

<sup>6</sup> *Id* at Table 1.

89% used donor acquisition costs with 44% reporting it to top management (44%/89%=49.4%). 70% used donor retention costs with 19% reporting it to top management (19%/70%=27.1%).

<sup>7</sup> When choosing what would motivate top management to invest in fundraising with budget increases, the least popular option was, "Predicted improvements in donors' feelings of satisfaction with or commitment to the organization" with 52% of fundraising managers indicating this was "not important" and 32% indicating "slightly important." Bennett, R. (2007). The use of marketing metrics by British fundraising charities: a survey of current practice. *Journal of Marketing Management*, 23(9-10), 959-989. p. 966, Table 2.

value to the charity insiders, not the other way around.

### ***The right story***

For sustainable fundraising, the right story is different. It's the donor's story. The donor's story progresses through

- Backstory and setting (*donor's original identity*)
- The inciting incident (*donor's challenge*)
- Climax and resolution (*donor's victory and enhanced identity*).

It connects the following:

**Original Identity** → **Challenge** → **Victory** → **Enhanced Identity**

In the donor's story, the challenge step is the ask. But the effective ask incorporates the full story cycle.

- The ask connects to the donor's original identity (people, values, and history).
- The ask promises a victory.
- The victory promises an enhanced identity. It's personally meaningful. It matches the donor's people, values, and history.

This makes for a great ask. It works. The ask promises a victory. It promises an enhanced identity. But it doesn't deliver them. It doesn't finish the story. A great ask works. But without the rest of the story, it only works once.

### ***Plot means change***

A story with no plot fails. A popular guide to screenwriting explains it this way. Films where a character's life at the end is the same as the beginning, "do not tell story."<sup>8</sup>

Such films are called "non-plot." They're "non-plot" because they have no change. Instead, "story dissolves into portraiture."<sup>9</sup> There is no story because story requires change.

For a donor, the question is simple:

"I made a gift. What changed?"

In the donor's story, the victory is the donor's impact. It's the impact of the donor's gift.

Charity managers often misunderstand this. To them, a specific donor's impact is vague. It's uncertain. It's also beside the point. Donors are supposed to give because of the *charity's* impact.

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<sup>8</sup> Mckee, R. (1997) *Story: Substance, structure, style and the principles of screenwriting*. ReganBooks. p. 58.

<sup>9</sup> *Id.*

But here's the problem. If nothing changed *because of* the donor's gift, there's no donation story. There's no donor story. There's no story reason to ever make another gift.

***The secret to donor retention: Finish the story***

Delivering a powerful ask is great. But it's not the same as delivering value to the donor. Delivering value is about what happens *after* the donor says, "Yes."

Why don't new donors give again? It's simple. The donor's experience wasn't worth the gift. It failed to deliver value.

The charity didn't finish the donor's story. The donor's story never had a climax. The donor never won a victory. The donor's story never had a resolution. No one ever confirmed the importance of the donor's victory. No one ever recognized the donor's enhanced identity. That's bad story. Few donors will want to repeat that story experience again.

Retention means getting *the next* gift. What's the best way to start that process? Deliver a compelling donor experience for *this* gift. That means finishing the story. It means delivering victory. It means showing the impact from the donor's gift.

Penelope Burk defines the word  
“Oversolicitation” as

“v. (Verb) Being asked to give again before they knew their first gift had an impact.”<sup>10</sup>

Tom Ahern and Simone Joyaux write,

“Donors have one overwhelming interest regarding the charities they support: What did you do with my money? Did I make the world a better place by giving you a gift?”<sup>11</sup>

### ***Finish the story: Experimental evidence***

The best cultivation for the next gift starts with this one. It starts by delivering a victory. One experiment decided to test this.<sup>12</sup> It tested three appeals to previous donors. One appeal just explained what the requested gift would be used for. A second one also mentioned their past donation. The third instead mentioned how the past donation had been used. The results? The researchers explained,

“Providing information on past donation use increases the probability of re-donation compared to both other appeal types.”

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<sup>10</sup> Burk, P. (2003). *Donor-centered fundraising: How to hold on to your donors and raise much more money*. Burk & Associates.

<sup>11</sup> Ahern, T., & Joyaux, S. P. (2011). *Keep your donors: The guide to better communications & stronger relationships*. John Wiley & Sons. p. 385.

<sup>12</sup> Shehu, E., Clement, M., Winterich, K., & Langmaack, A. C. (2017). “You saved a life”: How past donation use increases donor reactivation via impact and warm glow. *Advances in Consumer Research*, Vol. 45, (Eds.

A. Gneezy, V. Griskevicius, & P. Williams). Duluth, MN: Association for Consumer Research. p. 270-275.

[https://www.acrwebsite.org/volumes/v45/acr\\_vol45\\_1024372.pdf](https://www.acrwebsite.org/volumes/v45/acr_vol45_1024372.pdf)

Why? They explained,

“[Reporting] past donation use increases the perceived donation impact, then induces warm glow which translates into a higher intention to donate in future.”

Reporting past gift usage works. It confirms the donor’s victory. It shows a finished story. This induces a “warm glow.” It delivers a good experience. Delivering a good experience leads to the next gift. Getting the next gift starts by finishing the last story.

### ***The secret to major gift success: Finish the story***

Major donors are, of course, critical to fundraising success. Across all charities, the top 13% of donors generate 88% of the money.<sup>13</sup> So, where do we get those magical big donors? The easiest way is simple. Stop *losing* them.

On average, charities lose 4 out of 5 new donors.<sup>14</sup> Improving that only slightly could easily double retention. But how do we know which of these new donors to focus on? How can we tell which ones might be tomorrow’s major donors? Sophisticated wealth screening can be great. But for 70% of these top donors (the top 13% generating 88% of the

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<sup>13</sup> Miller, B. (2016, Winter). The Pareto Principle – How does it apply to fundraising? *Advancing Philanthropy*.

<sup>14</sup> Bloomerang. (2020). *A guide to donor retention* [Website]. <https://bloomerang.co/retention>

money), the answer is easier. Their *first* gift was \$1,000 or more.<sup>15</sup>

Such gifts are our big audition. Can we deliver a donor experience *worth* that initial gift? This first gift is the critical one. After the second gift, retention nearly triples.<sup>16</sup> Passing this initial audition can massively increase our major donors.

It's not about cold calls or wealth lists. It's about delivering value. Delivering value leads to retention. But it does more. Retention leads to referrals. One secret to *new* major donors is happy *current* major donors.

Charity managers love to dream about the magical new big donor. They think, "One day we'll get that \$X gift." That's fun. But they rarely think, "One day, we'll deliver a donor experience worth that \$X gift." That's not as much fun. That's hard work.

## ***Conclusion***

Without a change, there is no plot. Making a gift that doesn't change anything isn't rewarding. It's not an experience donors are likely to repeat. Of

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<sup>15</sup> Miller, B. (2016, Winter). The Pareto Principle – How does it apply to fundraising? *Advancing Philanthropy*.

<sup>16</sup> "However, if you can get a second donation (or golden donation), your retention rates increase dramatically because repeat donor retention is much higher. Nonprofits who focus on receiving that golden donation naturally increase their average donor retention rate (about threefold!) because of this higher repeat retention rate." (citing to 20.3% new donor retention and 61.3% repeat donor retention). Bloomerang. (2020). *A guide to donor retention* [Website]. <https://bloomerang.co/retention>

course, once we've got the donor's money, we don't have to finish their story. We don't have to deliver their victory. But then we shouldn't expect the donor to return. If we want to keep the donor, we've got to finish their story.

Next up,

*The Fundraising Myth & Science Series Book II*

THE EPIC FUNDRAISER:  
MYTH, PSYCHOLOGY, AND THE UNIVERSAL HERO STORY  
IN FUNDRAISING

## ABOUT THE AUTHOR

Russell James III, J.D., Ph.D., CFP® is a professor at Texas Tech University where he holds the CH Foundation chair in personal financial planning. He directs the on-campus and online graduate program in Charitable Financial Planning (planned giving). He also teaches graduate courses in behavioral finance. He holds a Ph.D. in consumer economics from the University of Missouri, where his dissertation was on charitable giving. He graduated, *cum laude*, from the University of Missouri School of Law. He was a member of the *Missouri Law Review* and received the United Missouri Bank Award for Most Outstanding Work in Gift and Estate Taxation and Planning.

Prior to his career as an academic researcher, Dr. James worked as the Director of Planned Giving for Central Christian College in Moberly, Missouri for 6 years and later served as president of the college for more than 5 years, where he had direct and supervisory responsibility for all fundraising. During his presidency, the college successfully completed two major capital campaigns, built several new debt-free buildings, and more than tripled enrollment.

Dr. James has published research in over 75 peer-reviewed scientific journal and law review articles. He

has been quoted on charitable and financial issues in a variety of news sources including *The Economist*, *The New York Times*, *The Wall Street Journal*, *CNN*, *MSNBC*, *CNBC*, *ABC News*, *U.S. News & World Report*, *USA Today*, *the Associated Press*, *Bloomberg News*, and the *Chronicle of Philanthropy*. His financial neuroimaging research was profiled in *The Wall Street Journal's Smart Money Magazine*.

His other books include

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*Inside the Mind of the Bequest Donor: A Visual Presentation of the Neuroscience and Psychology of Effective Planned Giving Communication*

For links to his videos, slide presentations, and papers, please connect on LinkedIn.