Leave No Stone Unturned: Estimating Total Philanthropic Giving

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Overview of Giving Trends relative to Income and other factors

Macro-vision
- Database and analytics driven capacity ratings on individuals
- KCI’s approach
- A Do-It-Yourself (DIY) approach

Micro-vision
- Foundation, corporation, and individual capacity evaluations based on “deeper dive” prospect research – to provide a capacity rating for a major giving ask
Tools along a Continuum

Analytics

Screening

Prospect Qualification / Identification

Focused Research

Entire Database

Groups

Specific Prospects
ESTIMATING CAPACITY – BACKGROUND AND THEORY
Estimating Giving Capacity

There are many resources and experts in the field with formulas or ‘rules of thumb’ for estimating charitable capacity based on known information, including (but not limited to!):

- Cecilia Hogan’s excellent: “Prospect Research: A Primer for Growing Nonprofits” (2nd ed., 2008)
- Elizabeth Crabtree’s numerous presentations and fabulous spreadsheet template
Show Me the Math!

Common formulas are summarized below, drawn primarily from Cecilia Hogan’s 2008 reference. Note that the output is “Total Philanthropic Capacity” (TPC), an estimate of the amount an individual can give to all charities over 5 years.

<table>
<thead>
<tr>
<th>You know…</th>
<th>The Estimate / Rule of Thumb is…</th>
<th>Sample Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Worth</td>
<td>Total Philanthropic Capacity is 5% of an individual’s Net Worth.</td>
<td>Net worth of $10 million X 5% = $500,000 TPC</td>
</tr>
<tr>
<td>Annual Income</td>
<td>Annual Income (salary + bonus) represents 10% of Net Worth.</td>
<td>Annual Income of $300,000 / 10% X 5% = $150,000 TPC * works better for higher income prospects</td>
</tr>
<tr>
<td>Primary Real Estate Holdings</td>
<td>Real estate holdings represent 20% to 25% of an individual’s Net Worth</td>
<td>Real Estate of $3.5 million / 20% X 5% = $875,000</td>
</tr>
<tr>
<td>(i.e. value of home)</td>
<td></td>
<td>$3.5 million / 25% X 5% = $700,000 TPC range is $700,000 - $875,000</td>
</tr>
<tr>
<td>Stock Holdings</td>
<td>Stock holdings represent 30% to 35% of an individual’s Net Worth</td>
<td>Stock holdings of $3 million / 30% x 5% = $500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$3 million / 35% X 5% = $430,000 TPC range is $430,000 to $500,000</td>
</tr>
</tbody>
</table>
What about Generational Impact?

GIVING ACROSS THE GENERATIONS

**Generation Y**
- Represent 15% of total giving
- 3.4 million donors in Canada
- 62% give
- $639 average annual gift
- 4 charities supported

**Boomers**
- Born 1946 – 1964 (age 49-67 as of 2013)
- Represent 32% of total giving
- 5 million donors in Canada
- 78% give
- $942 average annual gift
- 4.9 charities supported

**Generation X**
- Born 1965 – 1980 (age 33-48 as of 2013)
- Represent 27% of total giving
- 4.8 million donors in Canada
- 79% give
- $831 average annual gift
- 4.5 charities supported

**Civics**
- Born 1945 and earlier (age 68+ as of 2013)
- Represent 25% of total giving
- 2.4 million donors in Canada
- 87% give
- $1,507 average annual gift
- 7 charities supported

*Generational groups, total Canadian population, and giving data (on average)*

And Regional Differences?

Giving in Canada, by Province / Territory

- Median Donation
- % Taxfilers Claiming Donations

Source: Statistics Canada
Macro:

Estimating Capacity for Groups of Individuals
Goal of capacity estimation for groups is usually to prioritize or sort the individuals into levels or groups for:

- Prioritization of those with highest capacity for deeper research
- Segmentation for differing cultivation or asks
Estimating Capacity – Groups of Individuals

Bulk capacity estimation is usually done on an annual basis – i.e. how much a donor could give in a 12-month period, because the majority of donors give annually and/or are solicited for annual gifts.

– Enables comparison of all donors against the same yardstick and sorting of higher vs. lower capacity donors.

– To determine major giving capacity you can do some math – usually by multiplying by 5 or 10.

– But some prefer the 5-year capacity approach, so check the fine print.
Estimating Capacity - Groups

There are two main approaches used by analysts and vendors:

1. A **formula-based** method that incorporates estimates of capacity from neighbourhood income and/or asset levels, coupled with giving history. For U.S. donors and firms, other data may be included (gifts to other organizations, home value, etc.).

2. A **predictive modeling** approach, where the dependent variable modeled is single gift size or yearly contribution levels. This can include whatever data is available and significant, such as giving history, age, etc.
KCI’s preferred approach is formula-based, estimates annual giving capacity, and recognizes that donors support multiple organizations.

Primary factors we use are:

- **Recent yearly contributions**: Analysis of recent giving trajectory/velocity, usually over last 5 years.

- **Largest contribution**: The largest gift made to the organization by the constituent, and how recently. Gifts older than 5 years are ‘eroded’ based on age.

- **Income data based on home address**: Neighbourhood income estimate based on StatsCan census data is added to each donor’s record for their postal code / Dissemination Area. Potential giving capacity is estimated as a percentage of income. We use a sliding scale ranging from 0.15% at lower levels to 1% at higher. For example:

<table>
<thead>
<tr>
<th>Donor</th>
<th>Estimated Income</th>
<th>Potential Annual Gift</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$30,000</td>
<td>$30,000 * 0.15% = $45</td>
</tr>
<tr>
<td>B</td>
<td>$500,000</td>
<td>$500,000 * 1% = $5,000</td>
</tr>
</tbody>
</table>
Estimating Capacity for Groups – DIY

You can create your own bulk capacity estimation formula, a straightforward DIY approach is:

1. **Pull a report:** Get a list of your donors, include ID, total giving per year for the last 5 years for each donor, largest gift and the date of the largest gift.

2. **Average Yearly Giving:** Find the average of the last 5 years of giving for the donor.

3. **Giving Trajectory:** Using the last 5 year of giving, calculate the trajectory – an easy way is to use Excel’s SLOPE function (use years or year counts when it asks for x-axis values, ie. 1, 2, 3, etc. or 2010, 2011, etc.). Add the slope (positive or negative) to the most recent year of giving.

4. **Largest contribution:** Decide how (or if) you want to ‘erode’ older large gifts. A suggested approach is to subtract 10% for every year over 5 years old. For example, a gift of $10,000 made 8 years ago would be adjusted by the formula: $10,000 – (3 x 0.1 x $10,000) = $7,000

5. **Income data based on home address:** If you have access to neighbourhood income estimates for each donor based on their address, decide what multiplier you want to use (eg. 1%) and multiply that by the estimated income value.

6. **Overall Estimate:** Decide how conservative or aggressive you want to be:
   1. More Aggressive: Calculate the **maximum** of the three values from Steps 2, 3, 4 and 5.
   2. Less Aggressive: Calculate the **average** of the values from Steps 2, 3, 4 and 5.
Capacity Results - Sample

- Below is a sample capacity distribution.
- The size of the bars represents the number of individual donors scored with each level.

Sample Capacity Distribution

- L10: $50,000+ 17 donors
- L09: $20,000-$49,999 38 donors
- L08: $7,500-$19,999 89 donors
- L07: $2,000-$7,499 344 donors
- L06: $900-$1,999 510 donors
- L05: $500-$899 966 donors
- L04: $300-$499 3057 donors
- L03: $150-$299 8439 donors
- L02: $75-$149 7543 donors
- L01: $25-$74 2930 donors
Bringing it Together to Segment & Prioritize

<table>
<thead>
<tr>
<th>Giving / Affinity Score</th>
<th>L01: $25-74</th>
<th>L02: $75-149</th>
<th>L03: $150-299</th>
<th>L04: $300-499</th>
<th>L05: $500-1499</th>
<th>L06: $750-2999</th>
<th>L07: $1500-4999</th>
<th>L08: $3000-9999</th>
<th>L09: $5000-10000+</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>91-100%</td>
<td>91</td>
<td>297</td>
<td>480</td>
<td>255</td>
<td>156</td>
<td>344</td>
<td>184</td>
<td>190</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>81-90%</td>
<td>133</td>
<td>343</td>
<td>400</td>
<td>184</td>
<td>115</td>
<td>225</td>
<td>86</td>
<td>66</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>71-80%</td>
<td>181</td>
<td>419</td>
<td>507</td>
<td>171</td>
<td>143</td>
<td>256</td>
<td>92</td>
<td>23</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>61-70%</td>
<td>247</td>
<td>641</td>
<td>668</td>
<td>231</td>
<td>199</td>
<td>346</td>
<td>99</td>
<td>63</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>51-60%</td>
<td>381</td>
<td>983</td>
<td>973</td>
<td>287</td>
<td>306</td>
<td>511</td>
<td>88</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>41-50%</td>
<td>670</td>
<td>1,760</td>
<td>1,665</td>
<td>448</td>
<td>453</td>
<td>511</td>
<td>88</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>31-40%</td>
<td>1,399</td>
<td>3,221</td>
<td>3,015</td>
<td>675</td>
<td>716</td>
<td>724</td>
<td>115</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>21-30%</td>
<td>3,387</td>
<td>7,873</td>
<td>6,550</td>
<td>1,250</td>
<td>1,054</td>
<td>945</td>
<td>97</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>11-20%</td>
<td>12,310</td>
<td>24,573</td>
<td>15,575</td>
<td>2,105</td>
<td>1,856</td>
<td>1,350</td>
<td>133</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>0-10%</td>
<td>76,367</td>
<td>124,209</td>
<td>65,543</td>
<td>8,264</td>
<td>6,915</td>
<td>4,608</td>
<td>450</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>95,166</td>
<td>164,319</td>
<td>95,376</td>
<td>13,850</td>
<td>11,915</td>
<td>9,726</td>
<td>1,449</td>
<td>422</td>
<td>18</td>
<td>8</td>
</tr>
</tbody>
</table>
Now What?

Capacity analysis is a starting point that helps you segment and prioritize next steps, including:

1. Combine capacity with some other indication of interest (i.e. likelihood score, recent giving, etc.) to segment for annual appeals. Test different ask amounts for different levels.

2. Donors with ‘Mid-Level’ capacity should be targeted for premium group engagement activities.
3. New Higher-capacity prospects should be researched and reviewed individually to develop a more accurate capacity rating. Start at the highest capacity rating and work down the list.

- Individual review takes time – plan accordingly and allocate resources
- Until reviewed, include higher-capacity donors in same group engagement approaches as your mid-level prospects
Micro:
Estimating an Individual’s Giving Capacity
"Our research says she's a $5-million prospect, but she was definitely wearing last season's Ferragamo pumps, so who knows."
The “Micro” Group

Research Required for:

• Major giving prospects that result from top quartile of analytics process
• In-house data mining – RFM, recent, frequent and higher monetary donors to organization
• Peer Review – names brought forward by senior board volunteers, executives, development staff, and other major giving donors
• Proactive Prospect Research
**Capacity Ratings**

*Capacity* estimates what a prospect is able to give (think *predictive & external*) to *any* organization.

- A prospect’s *Affinity* to an organization helps to “tweak” the capacity rating for the right ask/solicitation

**Some rules of thumb:**

- **Foundations** usually list their totals assets and also their gift ranges (depending on the markets, foundations usually give ~4% of assets each year).

- **Corporations** often have written commitments to community support on their web pages or in their annual reports (Imagine Canada Caring Companies and most corporations pledge to give 1% of profits to charity).

- **Individuals** may give between 1-5% of their net worth → need to determine ~Net Worth

**First Step:** Researchers first look at what donations, if any, a prospect has given to other organizations or foundations for a “quickie capacity range”.

Calculating Wealth

Wealth indicators help to determine the “right” major gift ask/pledge amount. We use the word “indicator” because this is based on small amounts of information. This does not provide a complete financial picture of a prospect.

The sources to use include:

- **Donation history**: to your organization and to other organizations.
- **Prospect review**: meeting with staff and volunteers to provide subjective estimates of capacity.
- **Wealth lists**: e.g.) Canadian Business Rich 100
- **Articles**: such as those detailing a sale of a private business, etc.
- **Information circulars**: provide information of directors and top executives of public companies
- **Real estate holdings estimates**
- **Salary estimates**
• While you should read the Rich Lists that come out on an annual basis (as some may be your donors or volunteers), most of your prospects do not have their estimated wealth published in a neat format

• ALSO, take a look at who is new on the list (at the bottom) and who is no longer on it!
*Gifts to other organizations = best indicator for capacity range
Real Estate Estimates:
e.g.) Realtor.ca (MLS) for Neighbourhood Pricing
Neighbourhood Pricing & Demographics

The following demographic information will help you get a taste of the neighbourhood where this listing is located. The demographic data is based on the dissemination area as defined by Statistics Canada. A dissemination area contains, on average, approximately 200 – 400 households and is often referred to as a small neighbourhood. Data has been provided by Environics Analytics based on census data from Statistics Canada.

- Population size: 576
- Average Household Size: 2.84
- Households with Children: 56%
- Number of Households: 202
- Median age: 47.70
- Average Household Income: $932,547
- Households without Children: 44%
- Not in the Labour Force: 46%

Population by Age Group
Population grouped according to age in the area containing the listing.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 4 years</td>
<td>13</td>
</tr>
<tr>
<td>5 - 9 years</td>
<td>17</td>
</tr>
<tr>
<td>10 - 19 years</td>
<td>76</td>
</tr>
<tr>
<td>20 - 34 years</td>
<td>111</td>
</tr>
<tr>
<td>35 - 49 years</td>
<td>89</td>
</tr>
<tr>
<td>50 - 64 years</td>
<td>48</td>
</tr>
<tr>
<td>65 - 69 years</td>
<td>87</td>
</tr>
<tr>
<td>70 - 79 years</td>
<td>50</td>
</tr>
<tr>
<td>80+ years</td>
<td>52</td>
</tr>
</tbody>
</table>
Salary Estimates: Monster

Executive Jobs in Canada Browse the largest listing of $100K plus Executive postings in Canada

Victimology Certification Become a Victims Advocate & Support Leadership & Change. Free Gu

Become a Bookkeeper Learn bookkeeping at home with expert training from ICS Canada. www.ic

Salary Center

Similar Jobs

- Top Government Affairs Executive (Federal Level)
- Account Management Manager
- Accounting Manager
- Accounts Payable Manager
- Accounts Payable/Receivable Manager
- Accounts Receivable Manager

<table>
<thead>
<tr>
<th>Branch Manager I</th>
<th>CA National Averages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Salary + Bonus</td>
<td>C$73,381</td>
</tr>
</tbody>
</table>

Methodology

- 10%: C$48,036
- 25%: C$60,115
- 75%: C$90,834
- 90%: C$106,725
The Ontario “Sunshine List”: Public Sector Salaries > $100,000

*Note: many physicians are cross-appt with a university & have salaries with both!

<table>
<thead>
<tr>
<th>Name</th>
<th>Name</th>
<th>Position</th>
<th>Salary 2022</th>
<th>Salary 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>BRIAN</td>
<td>JESSICA A. Clinician Investigator</td>
<td>$112,008.00</td>
<td>$576.62</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>CARMICHAEL</td>
<td>ROB Dentistry</td>
<td>$193,832.34</td>
<td>$1,013.33</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>CHAU</td>
<td>TOM Senior Scientist</td>
<td>$150,010.15</td>
<td>$720.72</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>FALZON</td>
<td>KELLY Senior Director, Rehab and Complex Continuing Care/Chief Nursing Executive</td>
<td>$119,739.10</td>
<td>$752.60</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>FEHLINGS</td>
<td>DARCY Physician Director</td>
<td>$292,963.19</td>
<td>$1,312.74</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>GUIMOND</td>
<td>MARIE-JOSEE Director, Research Operations</td>
<td>$106,623.20</td>
<td>$540.54</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>HAANSTRA</td>
<td>CHRISTA Chief, Communications and Public Affairs</td>
<td>$144,917.75</td>
<td>$715.56</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>HANCOCK</td>
<td>ROBERT Senior Director, Facility Management</td>
<td>$120,851.62</td>
<td>$603.60</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>HATTON</td>
<td>LINDA Senior Director, Information Systems</td>
<td>$128,705.98</td>
<td>$630.68</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>HUNG</td>
<td>RYAN Physician</td>
<td>$100,381.15</td>
<td>$0.00</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>HUNTER</td>
<td>JUDY Vice President, Human Resources and Organization Development</td>
<td>$203,496.34</td>
<td>$1,506.18</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>JARVIS</td>
<td>SHEILA President/Chief Executive Officer</td>
<td>$472,329.64</td>
<td>$9,850.50</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>JINENEZ</td>
<td>ELIZABETH Physician</td>
<td>$165,143.94</td>
<td>$751.86</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>KAWAMURA</td>
<td>ANNE Physician</td>
<td>$184,670.19</td>
<td>$782.54</td>
</tr>
<tr>
<td>Holland Bloordview Kids Rehabilitation Hospital</td>
<td>KILLEY</td>
<td>NAICY Director, Organization Development and Learning</td>
<td>$106,772.00</td>
<td>$1,034.14</td>
</tr>
</tbody>
</table>
Board of Directors & Shares

Director nominees and attendance

The following pages set out the names of nominees proposed for election as directors, together with their municipality and country of residence, year first elected or appointed as a director, age, principal occupation, education, other principal directorships, areas of expertise, committee memberships and meeting attendance. The equity ownership in RBC of each nominee on January 3, 2014 and at approximately the same time last year, consisting of shares and the Director Deferred Stock Units (DDSUs) credited to each nominee under the Director Deferred Stock Unit Plan, is also indicated below. (1) (2) Also shown for each of the proposed nominees is the value of their equity in RBC as a multiple of the share ownership guideline, which is described on page 14 of the Circular.

None of the directors of RBC holds shares of its subsidiaries. For further information relating to the proposed nominees, including previous board memberships, please refer to the section entitled "Directors and Executive Officers" in the Bank’s Annual Information Form dated December 4, 2013 and filed with securities regulators at sedar.com. This information is current as of the date of this Circular. The Annual Information Form may be obtained free of charge on request from the Secretary, Royal Bank of Canada, 200 Bay Street, South Tower, Toronto, Ontario, Canada M5J 2J5.

(1) The value of Shares/DDSUs was calculated using the closing price of RBC common shares on the Toronto Stock Exchange (TSX) on January 3, 2014, which was $71.39 per share, and on January 7, 2013, which was $60.81 per share.

(2) The Director Deferred Stock Unit Plan is described under “Directors’ compensation” in this Circular.

W. Geoffrey Beattie

Toronto, Ontario, Canada | Director since 2001 | Age 53
Independent

Mr. Beattie is Chief Executive Officer of Generation Capital (a private investment firm) and Chairman of Relay Ventures (a venture capital firm). He served as Deputy Chairman of Thomson Reuters Corporation from 2000 through May 2013 and was President and Chief Executive Officer of The Woodbridge Company Limited (an investment holding company) from 1998 to December 2012. In addition to the public company board memberships listed below, Mr. Beattie is a trustee of the University Health Network and a director of the Dean’s Advisory Board of the Joseph L. Rotman School of Management.

Mr. Beattie holds a law degree from the University of Western Ontario.

<table>
<thead>
<tr>
<th>Board/Committee membership</th>
<th>Overall attendance 90.9%</th>
<th>Public company directorships in the past five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>8 / 8</td>
<td>–</td>
</tr>
<tr>
<td>Corporate Governance and Public Policy</td>
<td>2 / 3</td>
<td>–</td>
</tr>
<tr>
<td>Risk – Chair</td>
<td>7 / 8</td>
<td>3 / 3</td>
</tr>
</tbody>
</table>

Securities held

<table>
<thead>
<tr>
<th>Year</th>
<th>Shares (#)</th>
<th>DDSUs (#)</th>
<th>Total Shares/DDSUs (#)</th>
<th>Total value of Shares/DDSUs</th>
<th>Total as a multiple of share ownership guideline of $500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>17,121</td>
<td>56,259</td>
<td>73,380</td>
<td>$ 5,238,598</td>
<td>10.5 x</td>
</tr>
<tr>
<td>2012</td>
<td>16,466</td>
<td>50,911</td>
<td>67,377</td>
<td>$ 4,097,195</td>
<td>8.2 x</td>
</tr>
</tbody>
</table>
# Public Company: Executive Compensation Tables

## Summary compensation table

<table>
<thead>
<tr>
<th>Name and principal position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Share-based awards ($)</th>
<th>Option-based awards ($)</th>
<th>Non-equity annual incentive plan compensation ($)</th>
<th>Pension value ($)</th>
<th>All other compensation ($)</th>
<th>Total compensation ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>G.M. Nixon</td>
<td>2013</td>
<td>1,500,000</td>
<td>6,600,000</td>
<td>1,650,000</td>
<td>2,932,000</td>
<td>1,312,000</td>
<td>44,877</td>
<td>14,038,877</td>
</tr>
<tr>
<td>President &amp; Chief Executive Officer</td>
<td>2012</td>
<td>1,500,000</td>
<td>6,600,000</td>
<td>1,650,000</td>
<td>2,850,000</td>
<td>1,087,000</td>
<td>44,877</td>
<td>13,731,877</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>1,476,712</td>
<td>5,137,500</td>
<td>1,712,500</td>
<td>1,750,000</td>
<td>1,050,000</td>
<td>44,417</td>
<td>11,171,129</td>
</tr>
<tr>
<td>J.R. Fukakusa</td>
<td>2013</td>
<td>733,288</td>
<td>2,420,000</td>
<td>605,000</td>
<td>1,362,000</td>
<td>496,000</td>
<td>21,863</td>
<td>5,638,151</td>
</tr>
<tr>
<td>Chief Administrative Officer and Chief Financial Officer</td>
<td>2012</td>
<td>650,000</td>
<td>2,200,000</td>
<td>550,000</td>
<td>1,190,000</td>
<td>136,000</td>
<td>19,447</td>
<td>4,745,447</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>638,630</td>
<td>1,781,250</td>
<td>593,750</td>
<td>900,000</td>
<td>596,000</td>
<td>19,217</td>
<td>4,528,847</td>
</tr>
<tr>
<td>D.I. McKay</td>
<td>2013</td>
<td>733,288</td>
<td>2,640,000</td>
<td>660,000</td>
<td>1,320,000</td>
<td>170,000</td>
<td>21,863</td>
<td>5,545,151</td>
</tr>
<tr>
<td>Group Head, Personal &amp; Commercial Banking</td>
<td>2012</td>
<td>650,000</td>
<td>2,420,000</td>
<td>605,000</td>
<td>1,450,000</td>
<td>133,000</td>
<td>19,447</td>
<td>5,277,447</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>638,630</td>
<td>2,062,500</td>
<td>687,500</td>
<td>1,300,000</td>
<td>129,000</td>
<td>19,217</td>
<td>4,836,847</td>
</tr>
<tr>
<td>A.D. McGregor</td>
<td>2013</td>
<td>708,219</td>
<td>5,330,000</td>
<td>1,332,500</td>
<td>3,587,500</td>
<td>6,500</td>
<td>4,500</td>
<td>10,969,219</td>
</tr>
<tr>
<td>Co-Group Head, Capital Markets and I&amp;TS</td>
<td>2012</td>
<td>500,000</td>
<td>5,148,000</td>
<td>1,287,000</td>
<td>3,465,000</td>
<td>4,833</td>
<td>4,500</td>
<td>10,409,333</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>500,000</td>
<td>3,753,750</td>
<td>1,251,250</td>
<td>2,695,000</td>
<td>4,000</td>
<td>4,500</td>
<td>8,208,500</td>
</tr>
<tr>
<td>M.A. Standish</td>
<td>2013</td>
<td>738,460</td>
<td>6,946,989</td>
<td>0</td>
<td>3,740,686</td>
<td>15,953</td>
<td>0</td>
<td>11,442,088</td>
</tr>
<tr>
<td>Co-Group Head, Capital Markets and I&amp;TS</td>
<td>2012</td>
<td>499,500</td>
<td>5,142,852</td>
<td>1,285,713</td>
<td>3,461,535</td>
<td>14,985</td>
<td>0</td>
<td>10,404,585</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>498,350</td>
<td>3,741,363</td>
<td>1,247,121</td>
<td>2,686,107</td>
<td>14,651</td>
<td>0</td>
<td>8,187,592</td>
</tr>
</tbody>
</table>

**SEDAR:**
*RBC Management Circular, Jan. 2014*
Estimating Giving Capacity

• Cecilia Hogan in her book “Prospect Research: A Primer for Growing Nonprofits” (2\textsuperscript{nd} ed., 2008) discusses various formulas based on annual income, net worth, real estate, and other indicators including age multipliers (from U.S. annual income tax returns).

• Total Philanthropic Capacity (TPC) is a fundraising estimate of the amount an individual will or can give to all charities \textit{over 5 years} (aka a major giving pledge/ask amount).

• Update: This past summer KCI performed a test of these (U.S.) formulas with known donors in Canada. Overall, the formulas hold true for Canada.
## TPC Formulas

<table>
<thead>
<tr>
<th>You know…</th>
<th>The Estimate / Rule of Thumb is..</th>
<th>Sample Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Worth</td>
<td>Total Philanthropic Capacity is 5% of an individual's Net Worth.</td>
<td>Net worth of $10 million X 5% = $500,000 TPC</td>
</tr>
<tr>
<td>Annual Income</td>
<td>Annual Income (salary + bonus) represents 10% of Net Worth.</td>
<td>Annual Income of $300,000 / 10% X 5% = $150,000 TPC *works better for higher income prospects.</td>
</tr>
</tbody>
</table>
| Primary Real Estate Holdings  | Real estate holdings represent 20% to 25% of an individual's Net Worth | Real Estate of $3.5 million / 20% X 5% = $875,000  
$3.5 million / 25% X 5% = $700,000  
TPC range is $700,000 - $875,000 |
| (i.e. value of home)          |                                                                        |                                                                                                  |
| Stock Holdings                | Stock holdings represent 30% to 35% of an individual’s Net Worth       | Stock holdings of $3 million / 30% x 5% = $500,000  
$3 million / 35% X 5% = $430,000  
TPC range is $430,000 to $500,000 |

---
Estimating Giving Capacity

**Note:** In Canadian Business report on “Canada’s Richest Neighbourhoods”, 21-63% reported owning other real estate. So we may assume that TPC based on Real Estate may be conservative in higher wealth individuals (in that they may own more real estate than used in estimate)

**Other TPC formulas include:**

- Based on the fundraising math adage: The value of stock holdings represents 30-35% of an individual’s net worth
- By Private Company sales, it is calculated that:
  
  TPC = [Company value or annual sales] X ownership percentage X 5%
Testing Capacity Estimates - Individuals

• 12 Canadian philanthropists were selected for review, based on the following criteria:
  – Individuals were prominent with at least some information available, ideally in the KCI database with giving histories
  – Donated at least one major gift in 2013
• Capacity estimates using most recent (2013 / 2014) data and existing formulas were done, and then compared against actual 2013 giving.
• We also tested an ‘age modification’ factor

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Capacity %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 21-39</td>
<td>1%</td>
</tr>
<tr>
<td>Age 40-49</td>
<td>2%</td>
</tr>
<tr>
<td>Age 50-59</td>
<td>3%</td>
</tr>
<tr>
<td>Age 60-69</td>
<td>4%</td>
</tr>
<tr>
<td>Age 70+</td>
<td>5%</td>
</tr>
</tbody>
</table>
Capacity Test #1

Sample Individual 1
- EVP and Group Head, Wealth Management at a Major Canadian Bank
- Age not available.

<table>
<thead>
<tr>
<th>Available Data</th>
<th>Value</th>
<th>Estimated Net Worth</th>
<th>Capacity Estimate - Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Income</td>
<td>$750,000</td>
<td>$7,500,000 (10x Income)</td>
<td>$250,000 to $500,000</td>
</tr>
<tr>
<td>Stock Holdings (as of June 2014)</td>
<td>16,181 units at $97.68 each, total value of $1,580,560</td>
<td>$4,516,000 to $5,269,000 (30% to 35% of net worth in Stocks)</td>
<td>$100,000 – $249,999 (low) $250,000 - $500,000 (high)</td>
</tr>
</tbody>
</table>

Individual’s 2013 Major Giving:
- $500,000 to University of Toronto
Sample Individual 2
- CEO of Canadian Manufacturing Company
- Age = 57

<table>
<thead>
<tr>
<th>Available Data</th>
<th>Value</th>
<th>Estimated Net Worth</th>
<th>Capacity Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Income</td>
<td>$334,903 base salary; $9,734,850 bonus</td>
<td>$100 Million (10x Income)</td>
<td>$5,000,000 (at 5%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$3,000,000 (age-adjusted)</td>
</tr>
<tr>
<td>Stock Holdings (as of December 2013)</td>
<td>768,599 units at $82.00 each, total value of $63,025,118</td>
<td>$180M to $210M (30% to 35% of net worth in Stocks)</td>
<td>$9M to $10.5M (at 5%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$5.4M to $6.3M (age-adjusted)</td>
</tr>
</tbody>
</table>

Individual’s 2013 Major Giving:
- $1,000,000 to the local community hospital
Sample Individual 3
  - CEO of Major Canadian Financial Institution
  - Age = 66

<table>
<thead>
<tr>
<th>Available Data</th>
<th>Value</th>
<th>Estimated Net Worth</th>
<th>Capacity Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Income</td>
<td>$1.5M base salary; $1.6M bonus</td>
<td>$31 Million (10x Income)</td>
<td>$1,5500,000 (at 5%) $1,240,000 (age-adjusted)</td>
</tr>
<tr>
<td>Stock Holdings (as of June 2014)</td>
<td>Total value of $139,660,000</td>
<td>$400M to $465M (30% to 35% of net worth in Stocks)</td>
<td>$20M to $23M (at 5%) $16M to $18.6M (age-adjusted)</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Estimated value of $4 Million</td>
<td>$16M to $20M (20% to 25% of net worth in property)</td>
<td>$800k to $1M (at 5%) $640k to $800k (age-adjusted)</td>
</tr>
</tbody>
</table>

Individual’s 2013 Major Giving:
  - Joint $2,500,000 gift with his brother to their alma mater
### Estimating Giving Capacity (TPC) Formulas

<table>
<thead>
<tr>
<th>Prospect Name</th>
<th>Prospect ID Based on 5%</th>
<th>Real Estate Value Estimate $3,500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Published Net Worth $10,000,000</td>
<td>Capacity (TPC) Based on 5% of Known Net Worth $500,000</td>
<td>Estimated Net Worth Based on 25% $14,000,000</td>
</tr>
<tr>
<td>Capacity (TPC) Based on 5%</td>
<td>Estimated Net Worth Based on 20% $17,500,000</td>
<td>Capacity (TPC) Based on 25% $700,000</td>
</tr>
<tr>
<td>Annual Salary $250,000</td>
<td>Bonus $50,000</td>
<td>Capacity (TPC) Based on 20% $875,000</td>
</tr>
<tr>
<td>Total Compensation $300,000</td>
<td>Net Worth Based on Salary as 10% $3,000,000</td>
<td>Private Company Sales $25,000,000</td>
</tr>
<tr>
<td>Capacity (TPC) Estimate Based on Salary $150,000</td>
<td>Ownership Percentage 30%</td>
<td>KCI Annual Giving Range</td>
</tr>
<tr>
<td>Stock Holdings Value Estimate $4,500,000</td>
<td>Capacity (TPC) Based on % Ownership $375,000</td>
<td>KCI Major Giving Range</td>
</tr>
<tr>
<td>Estimated Net Worth Based on 35% $12,857,143</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Affinity rates how likely a prospect is likely to give to your organization based on a closeness or connection with your organization.

- In health-care organizations, a grateful patient may have a high affinity to your institution.
- Unfortunately, or fortunately, because of the privacy laws in Canada, unless a grateful patient comes forward to declare his strong affinity, we may never know it.
- But, there are other ways to see affinity:
  - Past donations to your own organizations or others like it
  - Volunteer activity in your organization or others like it
  - Common business associations with your organizations, and so on.

Tweak, tweak, tweak...
Capacity & Affinity Ratings
Set up Capacity & Affinity Ratings* in dB

For capacity, researchers & solicitors set up potential gift ranges, such as:

- Under $1,000
- $1,000 – 4,999
- $5,000 – 9,999
- $10,000 – 24,999
- $25,000 – 49,999
- $50,000 – 99,999
- $100,000 – 499,999
- $500,000 – 999,999
- $1 million or more

Similarly, affinity ratings can be created, such as:

- 0 – Unknown
- 1 – Low
- 2 – Moderate
- 3 – Excellent
Capacity vs Affinity

- **High Capacity**, **Low Affinity**: MG Potential. Need cultivation.
- **Low Capacity**, **Low Affinity**: Not good MG prospects. Don`t waste resources.
- **Low Capacity**, **High Affinity**: Not good MG Prospects. PG Potential.

MOVE
Can add in Likelihood %

- As noted: Capacity Ratings estimate what an individual is able to give to all organizations.

- Paired with Affinity, this will give you a better estimate as to what an individual will give to your organization.

- In addition: you can add a Likelihood % related to each particular Ask (within the Proposal in Raiser’s Edge for instance) to customized even further – very subjective.
You can then apply % to these upon Export, such as:

High = 90%
Medium = 50%
Low = 10%

As a whole, all the Proposals together form a good financial forecast.
Macro Capacity Closing Thoughts

• Capacity ≠ Philanthropy
  – Some kind of giving likelihood or affinity assessment very helpful

• Demographics based on home address are important clues, but not enough on their own
  – Does your prospect own that home or rent the basement? Or is it their parents’ house?

• It’s a Numbers Game
  – Remember that the goal of analytics is to increase your odds of success at the individual level in the long run, but not every swing will be a home run.

• Your Top Prospects Still Need to be Researched!
Micro Capacity Closing Thoughts

- We can only get public information so all of our wealth indicators and capacity ratings are estimates.
- After you’ve assessed capacity -- Go back to the beginning and use your people resources – peer screening works.
- The best reference for future giving is previous giving.
- Capacity formulas are meant to be guides/indicators only when resources are limited.
- Capacity formulas aren’t instant take-aways – they have to be tweaked with affinity and likelihood for every particular program ask for your organization.
- Use the Force! Sometimes a researcher’s or solicitor’s “guess-ti-mates” trump publically-accessed information.
Remember Francis Bacon said “Knowledge is Power”
Questions?

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