



# Factsheet

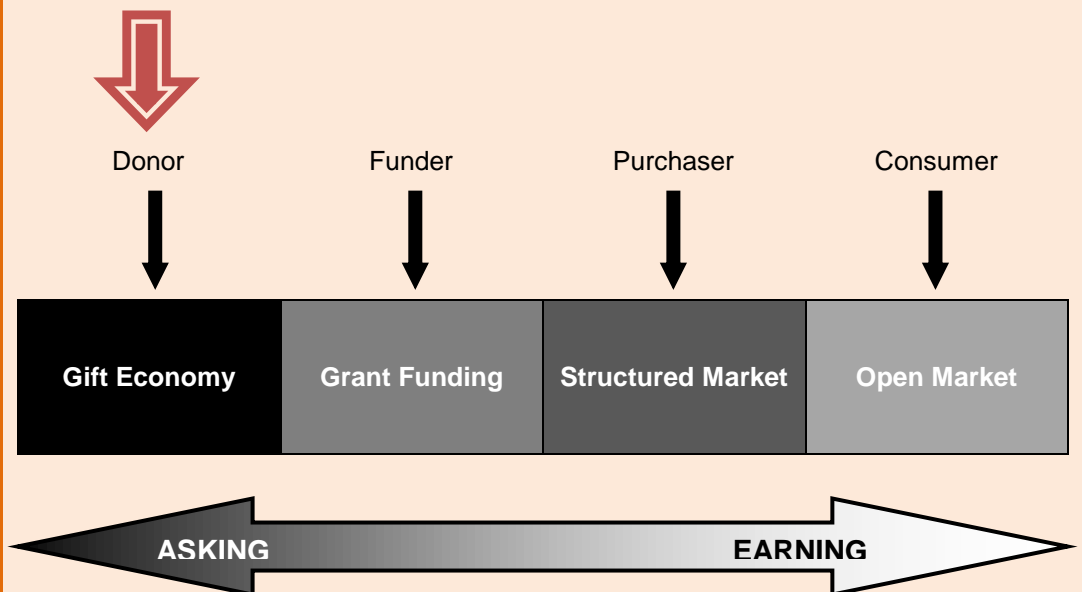
## Fundraising and types of gifts

### Key Messages

#### What is fundraising?

- Fundraising is method of income generation within a sustainable funding framework.
- Essentially, it consists of asking individuals, businesses and other charities for financial support in a form of a gift.
- Regardless of technique and audience, fundraising bases on a heart rather than on a mind – fundraising is not appealing to rational thinking but to people's empathy, sympathies, own experiences, fears, gratitude, identity, interests, etc.
- While fundraising doesn't appeal to rationality it is a rational activity requiring planning, communication skills, transparency – if activities are to support organisational sustainability the whole fundraising plan needs to be a consistent and on-going process!
- People don't give because they are not being asked!

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### Types of Gifts

Fundraising is about asking for a gift from various people and organisations. Gift may be understood as a number different things, from cash to time and skills. Below is selection of main types of gifts to be obtained by non-profit groups:

- **Cash donations:** individuals give money in cash, cheque or as card payment to an organisation. There is a number of techniques to solicit cash donations: during events, by setting up donation boxes in local shops and services, by direct mail, by public street and door-to-door collections (these 2 only for registered charities who need to obtain a license from local authority or

Metropolitan Police if collections to be run in the whole of London), leafletting targeted area – options are endless. Card payment method requires specialist facility!

- **Regular giving:** basically, it's cash donation but made by an individual on regular basis by a number of ways: direct debit, standing order and Continuous Payment Authority. Direct debit is the most beneficial form but requires obtaining Originators Identification Number from your bank and building the whole direct debit scheme. Standing order is less requiring than direct debit but it is also less flexible – every change in amount needs to be operated manually with its own separate paperwork. CPA is an option for regular payments from debit or credit cards on certain day agreed with a donor but the process may be labour-intensive without professional software.
- **Payroll Giving:** an employee commits an agreed amount of their salaries to be donated to a charity (before taxation). Payroll giving requires collaboration with Payroll Giving Agency which administers salaries deductions and passing money to a charity. This method benefits not only a group but also a donor by reducing salary base for taxation.
- **Legacy:** a gift left in a will by an individual to a group. There are 3 major types of legacies: pecuniary (a fix sum of money, affected by inflation), residuary (“everything that's left”, not affected by inflation, sector's favourite!), specific (specific item left to a charity, everything from buildings through shares to sewing machines). Legacies are a great income source but only when included in long-term financial plans – the very nature of legacy gifts require waiting!
- **Buildings and Land:** an organisation receives an offer of building or land. For the nature of this gift it is crucial to take legal advice! It has to be remembered that buildings and land are becoming liability so it is worth to consider all options carefully, especially if conditions are attached to the gift (e.g. a building must be used only for specific purposes or for specific services/users) or a building/land is in dreadful condition itself and costs would override any market value.
- **Stocks and Shares:** an individual offers a gift of stocks and shares which – depending on organisational policy – may be sold straight away or ‘gambled with’ to increase its worth. Certain knowledge of stocks and shares is required otherwise an organisation need to handle things through financial advisor (usually for fee). If amount of papers is small and is likely to incur administrative costs overriding financial gain from them, it is wise to consider declining a gift.
- **Gift in Kind:** a group is offered a gift in a form of an item. Charity shops, car booth sales, garage sales, jumble sales – ways of turning items into pecuniary value. Often gifts in kind will be used directly, e.g. school furniture or PCs for a supplementary school. It is crucial to remember that time and skills are also a Gift in Kind! – a solicitor giving free advice or a carpenter amending a community hall for a group is providing a Gift in Kind. Soliciting Gift in Kind is a good way of establishing relationships with businesses that tend to be open for Gifts in Kind.
- **GiftAid:** a special facility for organisations registered in Charity Commission provided by HMRC. GiftAid scheme deducts 28% of a donation's worth from a donor's tax and pass the amount back to the charity. The whole scheme costs nothing but a donor signing up for GiftAid needs to be UK tax payer (and actually has a tax due).

### Tax-effective giving

Tax-effective giving means that there is a direct tax benefit for a donor in exchange for giving a gift to a charity. Information on tax-effectiveness is an important factor in soliciting gifts!

There are a number of types of gifts which may benefit a donor:

- any donation that can be qualified for **GiftAid** (here, a donor doesn't actually benefit but they don't lose a penny either, Gift Aid is deducted from an amount

of their tax);

- **Shares:** giving shares is subject to Income Tax and Capital Gains Tax relief. The more valuable shares are, the higher tax relief an individual receives.
- **Legacies:** legacies above certain level of value are subject to a tax, value of a legacy left to a charity is deducted from a base and therefore final tax is smaller to pay.
- **Corporate support:** if a company is donating any form of a gift to a charity, a charity can claim GiftAid. If a group is supported by business through sponsorship arrangements then the company may claim incurred spending as eligible business expenditure and include the amount in costs, for example as expenditure for PR and advertising.

## Fundraising techniques

Fundraising techniques are ways of approaching potential donors and soliciting donations. Basically, the technique to be used depends heavily on the type of donor and the case to be funded.

Main techniques are as follows:

- **Community fundraising:** money is raised through and from local communities and usually by means of various events. It means using all opportunities to get people together and ask them to do something for money. There is no limit to community fundraising ideas: from pub quiz, jumble sale, dance marathon, cake sale, sponsored dog walk, lotteries to concert or gala dinner. It is important to design an event bearing in mind what type of target group we have in mind and if the event is purely to collect money. If you want to attract support from 50+ women try to think about something less controversial than sponsored bikini parachute jump – which may be a great option for young City executives! Bear also in mind that community fundraising has great power of building relationships between your cause and supporters so use it wisely to publicise your mission and objectives – those relationships will open doors to other fundraising techniques!
  - Please be aware that some fundraising techniques are regulated by separate legal regulations, e.g. raffles and lotteries, and are subject to licensing – for more information check *Codes of Fundraising Practice*.
- **Individual giving:** this technique consists mainly of approaching individuals for donation. Usually these are: public street collections, door-to-door collections, collection boxes in public spaces (e.g. local shop). It has to be underlined that certain methods require licensing and therefore – registration number in Charity Commission (street collections and door-to-door fundraising are subject to licensing by local authorities or Met Police if for the whole Greater London). If a group intends to collect money in someone's space (e.g. shops, tube stations, other charities etc.) they have to obtain permission!
- **Corporate Support:** business is giving support to non-profits. There are two main types of support from businesses: gifts and sponsorship. Essentially, either way a group receives some sort of support – in a form of money, skills and expertise of gifts in kind – but it is important to understand tax-effectiveness from companies' point of view. It is also worth remembering that companies rarely provide simple money gifts but through negotiations and arrangements a group can secure free access to specific skills, support for specific activities in exchange for publicity, gifts in kind (especially where bigger investment would be required, e.g. furnishing a community centre) and many more. It is important also to remember that 'nothing is for free' in business world and asking for support will eventually turn into carefully negotiated arrangement where everybody will gain: a group will gain support and a company will gain publicity or other values useful for core business.
- **Major donors:** essentially a major donor is a philanthropist who is willing to donate large gifts to organisations. Major gift is a large sum of money, large enough to cultivate an individual major donor as separate 'source of income'. It is crucial to understand that size of a gift is relative: for Cambridge University a

major donor is the one who donates £10m as one gift, for small neighbourhood youth group it may be £500 if their total income is £5000 per year. Major donor technique requires good research and developed skills of relationship building and donor cultivation but it is worth it. Organisations monitoring fundraising income by using databases are encouraged to approach donors who are either regular or who tend to give larger donations – people need to be asked!

- **In Memoriam and Tribute Giving:** this technique is based on people's need to commemorate someone's death by the way of leaving a gift to a charity. In practice, In Memoriam giving consists of asking funeral guests not to bring flowers to the funeral but to donate this sum to In Memoriam fund which will be then passed on to an organisation.
  - Tribute giving is basically a 'committed' way of giving in memory of a deceased where friends, family, colleagues etc. collect money once every given period of time and donate regularly to a chosen organisation. These techniques require certain amount of tact and sensitivity but they are useful way of getting donations. In other countries the same mechanism is being used for other family events, especially for weddings, where a bride and a groom ask for money or in-kind donations for their favourite group/cause.

### Signposts

A list of documents and websites useful for fundraising:

- **Codes of Fundraising Practice:** <http://www.institute-of-fundraising.org.uk/code-of-fundraising-practice/>
- **General info on tax-effective giving:** <http://www.tax-effective-giving.org.uk/>
- **Updated guide on Giving by Businesses by HM Treasury, Government and HMRC:** <http://www.tax-effective-giving.org.uk/media/GUIDE%20TO%20GIVING%20FOR%20BUSINESS%20-%20Updated%20version%20Jan%202010.pdf>
- **KnowHowNonProfit:** <http://www.knowhownonprofit.org/funding/fundraising/fundraising>
- **Directory of Social Change:** best publisher of materials on fundraising sources and techniques and other money-related issues for non-profits: [www.dsc.org.uk/publications](http://www.dsc.org.uk/publications). Groups can also use their library and on-line search engines, contact directly for more details.
- **NCVO Sustainable Funding Programme:** <https://knowhownonprofit.org/funding>