

NFP

Bringing the Baby Boomers
On Board

Wealthy Americans
Are Committed to
Charitable Giving

Making Money While Doing Good

With public subsidies dwindling and competition for donor contributions showing no signs of abating, nonprofits are looking beyond these funding sources for less traditional methods of raising the capital they need to perform charitable work. Like many not-for-profit groups, your organization may be thinking about supplementing its income by getting involved in revenue-producing business activities. There are no rules prohibiting nonprofits from making money from investments or business enterprises, provided the proceeds of these ventures are used for charitable purposes. But in crafting a strategy for generating income, your organization should take into account the limits of its current resources, as well as the potential impact of an earned-income venture on the group's image and integrity.

Going into Business

When considering ways your organization can generate income,
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Bringing the Baby Boomers On Board

With a decade or more of productive years ahead of them, as well as considerable energy and experience to offer, many baby boomers approaching retirement will be open to the appeals of an organization that can help them answer the question: “What should I do with the rest of my life?”

The number of volunteers age 65 and older is expected to increase 50% over the next 13 years, from nearly 9 million in 2007 to more than 13 million in 2020, according to U.S. Census Bureau data. As the first wave of baby boomers prepares for retirement, nonprofits are crafting strategies for tapping into this potentially vast source of labor and expertise.

The largest demographic bulge in U.S. history, the generation of Americans born between the “boom” years of 1946 and 1964 comprises nearly one-third of the U.S. population. Compared with previous generations, baby boomers are affluent, educated, and healthy. And, despite their reputation for self-centeredness, 25.8 million of the approximately 77 million members of the baby-boom generation volunteered for a charitable organization in 2005, giving them the highest volunteer rate of any demographic group.

It is commonly assumed that greater numbers of people take part in volunteer activities with greater frequency once they have left the workforce and entered retirement. In fact, data on volunteer trends over the life span indicate that people are most likely to volunteer in mid-life, often for school or other child-related activities, or through church or workplace volunteer programs.

According to a study by the Corporation for National & Community Service, employed boomers volunteer at a much higher rate than their peers who are not working. While just 24.3% of boomers who are unemployed or out of the labor force volunteer, 33.7% of full-time workers and 46.3% of part-time workers participate in volunteer activities. These results suggest that organizations hoping to induce baby boomers to donate their time in retirement may want to start their recruitment efforts in the workplace.

Research also indicates that baby boomers come to volunteering with a different set of expectations than previous generations. Highly skilled professionals are unlikely to be satisfied with menial tasks like stuffing envelopes or

sorting clothes, while busy boomers who value leisure and family time may be less inclined to take on volunteer positions that do not allow for flexibility. While a series of recent AARP surveys indicates that boomers who volunteer do so because they want to help others and make their communities a better place, these volunteers also appear to be motivated by a desire for social interaction and personal development. Compared to the “silent generation” that preceded them, baby boomers are less likely to volunteer or donate to charity out of a sense of duty or obligation. Boomers are also more likely than other age groups to volunteer for more than one organization.

People of all ages who volunteer their services tend to have higher-than-average incomes and educational levels. Because many potential baby boomer volunteers are accustomed to having a high degree of autonomy in the workplace, they may be most attracted by volunteer opportunities they consider meaningful and challenging. Results of the Corporation for National & Community Service study showed that volunteer retention rates are highest among boomers involved in tutoring, mentoring, coaching, performing, or other professional or managerial activities. By contrast, retention rates were found to be lowest for volunteers involved in general labor or supply transportation.

Whenever possible, charities should attempt to pair baby boomers with volunteer roles that make use of the talents and skills they have developed over the course of their lives. In assigning tasks, organizations should take into account not just the volunteer’s professional experience, but also his or her personal interests and connections within the community. To reward hard work and commitment, organizations may want to offer promotions to greater levels of responsibility or other forms of recognition to volunteers.

Cultivating long-term relationships with boomer volunteers should be a priority for nonprofits. In addition to minimizing the disruption caused by high volunteer turnover, establishing durable bonds with volunteers increases the chances they will donate money, as well as time, to the organization. By building solid connections with members of the vast and influential baby-boom generation, nonprofits can make considerable progress toward achieving their goals and fulfilling their mission. ♦

MAKING MONEY WHILE DOING GOOD

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the first step is to determine what services or products your organization might be able to sell. If, for example, you are currently offering certain services at no cost, think about charging a small or sliding-scale fee. In addition to bringing money into your organization, asking clients to pay even a nominal fee for services rendered can empower people who would otherwise see themselves as recipients of charity. Your organization may also be able to charge businesses or institutions for its services, while still offering them for free or at reduced prices to individuals who could not afford them otherwise.

But, when thinking about starting an income-generating venture, be careful not to assume that activities or products that meet the needs of the community necessarily constitute a market. It is essential to approach any income-generating venture as a business. People are unlikely to pay for something they really do not want or believe they could obtain elsewhere for free.

Tax Considerations

For tax purposes, it is important to assess the scale and nature of the income-producing activities your organization is considering. Generally, activities substantially related to an organization's charitable purpose do not incur income taxes if the proceeds are used to support the nonprofit's mission. If, however, the organization derives more than 15%–20% of its income from the sale of a product or service that is not clearly related to its mission, it could lose its tax-exempt status. A nonprofit can get around this problem by setting up a profit-making subsidiary subject to taxation, while retaining a separate identity as a tax-exempt organization.

Strategies for Success

Before starting a for-profit enterprise, it is essential to draw up a business plan. In addition to being a prerequisite for obtaining bank financing or attracting investors, a business plan can serve

as a road map for the business as it grows and develops. A business plan typically includes a description of the products or services that will be offered, a plan for financing the business, a plan for managing the business, and a plan for marketing the products and services. The business plan should be as detailed as possible, containing an analysis of market conditions, information about funding sources, and projections of capitalization, cash flow, and profits and losses.

If your organization's proposed enterprise is intended to produce social as well as financial returns, getting funding for the business may be easier than if you were a typical entrepreneur looking for venture capital. The prospect of

turning a profit while supporting an organization that does good work may persuade existing donors to become investors in the enterprise.

Launching a business will likely be a major undertaking for your organization, taking time and energy away from other projects. Any staff members involved in setting up and running the business should be fully aware of what their new responsibilities will entail. At the same time, the business will need one or more committed leaders who can take charge during the difficult start-up phase. Without the full engagement of people with the skills and drive necessary to start a business, the venture has little chance of success.

While a for-profit venture does not have to be directly related to your organization's mission, it should be in line with your group's core values. The enterprise should serve to enhance the image of your organization through effective management and fair business practices. Well-run nonprofit subsidiaries give back to the community, providing affordable goods and services, as well as employment opportunities to people in need of income and job training. Ideally, a business venture will enable your organization to generate income and build its profile in the community, while also furthering its mission and expanding its social impact. ♦



Wealthy Americans Are Committed to Charitable Giving

Philanthropy is a high priority for affluent Americans, with most wealthy people donating to charity out of a desire to improve the world rather than out of a sense of obligation, according to a survey conducted by wealth management company U.S. Trust.

Researchers questioned high net worth individuals about their attitudes toward wealth and social responsibility. The survey sample was made up of people with total investable assets of more than \$5 million, including individuals whose total assets exceed \$25 million.

Results showed that most affluent Americans are actively involved in charitable giving, with 88% of respondents saying they contribute to charity out of a desire to give back to society, and 72% indicating they make charitable donations because they want to make a difference in the world. By contrast, just 33% of respondents cited tax considerations as a motivation for giving,

and only 24% said they contribute to charity mainly to uphold family tradition.

When asked to what types of charities they would consider leaving money, 68% of respondents cited academic institutions, 66% said health-related institutions, and 43% said religious institutions.

The survey further revealed that high net worth individuals are concerned about the effects of passing on wealth to the next generation. Some 87% of the affluent Americans surveyed believe it is important to encourage entrepreneurial values in children, and 80% are in favor of teaching children that social responsibility comes with having money. The survey also showed that 53% of respondents are concerned about the negative impact of wealth on children, and just 43% feel they owe it to their children to leave them a sizeable trust. ✧

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