

The Value of Donor Research

January 29, 2019

Gift Capacity Calculations

Source (Primary): Prospect Research (Second Edition) by Cecelia Hogan (2008), Chapter 6

*Total Philanthropic Capacity (TPC)

- DOES NOT equal (one of many factors) - total **Ask Rating**
- Not exact, so usually range over 5-Year Period

TPC Variables

- **Compensation (Salary, Bonus, etc.) = 10% Net Worth**
Ex. Formula: **Compensation** = \$500,000 x 10 x .05 = **TPC** \$250,000 (5-Year Period) or \$50,000 Per year
Note: TPC = 5% Net Worth (if gathered from wealth list, etc.)
- **Real Estate = 20-25% Net Worth (Note: Percent goes down as Net Worth goes up.)**
Ex. Formula: **Real Estate** = \$500,000/.20 (/ .25) x .05 = **TPC** \$125,000/\$100,000 (5-Year Period)
- **Stock Holdings = 30-35% Net Worth**
Ex. Formula: **Stock Holdings**: 10,000 shares x \$90 per share/.30 (.35) x .05 = **TPC** \$150,000/\$128,571 (5-Year Period)

TPC Variables – Cont.

- **Age-Giving Percentages of Net Worth (Note: Giving increases as donor ages.)**
 - 21-39 = 1%
 - 40-49 – 2%
 - 50-59 – 3%
 - 60-69 – 4%
 - 70+ - 5%
- **Private Company Sale (If known) – BE CAREFUL**
Ex. Formula: **Private Company Sale** = Company Value/Annual Sales x Ownership % x .05/Age-giving %) - \$10 million x .50 x .05 = **TPC \$250,000** (5-Year Period)
- **Others**
 - **Annual Giving** – Multiply by 10-20 (More Conservative: Largest Gift x 5 Years) = TPC
 - **Largest Foundation Gift** x 5 Years = TPC

Other sources:

- <https://www.helenbrowngroup.com/the-artful-science-of-capacity-ratings/>
- https://www.caresearchers.org/assets/documents/Ordunio_Butchenhart_Presentation-2010-6.pdf