Bulls, Bears and Philanthropists: Charitable giving in Canada and the Influence of Economic and Industry Trends

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Arno Bangert, Director, Research & Campaign Operations, BC Children's Hospital Foundation

SESSION DATE: Friday, October 14, 2016

SESSION TIME: 9:00 am to 10:15 am

Agenda

- Introduction
- Economic Factors that Influence Philanthropy
- Bringing it Home – Local and Microeconomic Factors
- Informing your Research
- DIY Environmental Scan
- Conclusion and Q&A

Your Presenters

Celeste Bannon Waterman

- VP Research & Analytics, KCI
- Leads Research on a variety of projects for KCI, including environmental scans, campaign assessments, etc.

Arno Bangert

- Director, Research & Campaign Operations, BC Children's Hospital Foundation
- Supervises a team of 4 responsible for research, analytics, and prospect management.

The Backstory…

- BC Children's Hospital Foundation conducting a strategic planning exercise in 2016

- To inform the plan, KCI was hired (early 2016) to conduct a comprehensive environmental scan to provide an external perspective on potential risks, threats, and opportunities that might impact BCCHF in the short, mid and long-term.

- The report has helped inform the development of a 5-year strategic plan at the Foundation, and became the impetus for this presentation

Philanthropy & The Economy

Economic Factors Influencing Philanthropy

State of the Union – Philanthropy in Canada

Philanthropy in Canada in 2016 is:

- Growing marginally

- Increasingly reliant on fewer donors making bigger gifts

- Diversifying in channels, causes, and what it means to 'donate' from the perspective of individuals

- 8.1% of the Canadian GDP, between the charitable & not-for-profit sector

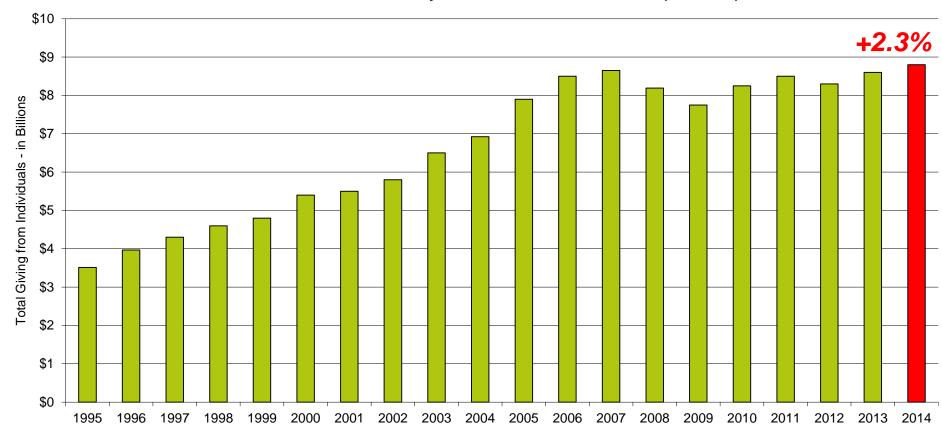- Subject to the same macroeconomic factors that affect the larger economy

Individual Giving in Canada

Charitable Donations Claimed by Canadian Individual Taxfilers ($ billions)

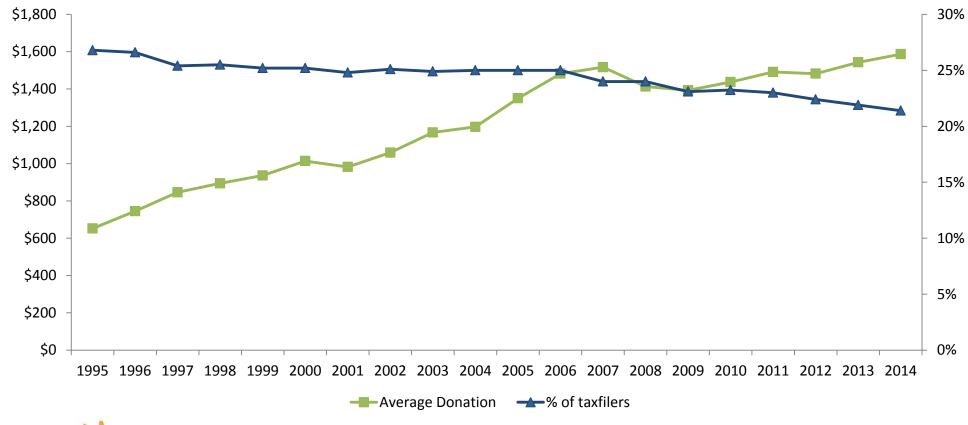**+2.3%**

Source: Statistics Canada, annual taxfiler data

Individual Giving in Canada

Proportion of Canadian Taxfilers Claiming Donations, and Average Amount Claimed

Source: Statistics Canada, annual taxfiler data

Economic Factors & Charitable Giving

Many factors can impact overall trends in charitable giving, including major disasters.

The Giving USA Foundation and others have researched economic factors and their relation to total charitable giving levels. Overall, the key factors identified by many sources are:

- **Income**, for which **GDP** is often a proxy. Charitable revenue tends to climb when economic growth is strong, and fall during periods of relative economic weakness.
- **Wealth.** Both households and corporations are more likely to give, and give more, when the **stock market** is up, or there are other factors influencing overall wealth *(real or perceived)* such as property values. The stock market link is particularly true for high net-worth donors who are more likely to be invested in stocks, and likely to give appreciated stock.
- **Interest rates**. Current low levels can impact giving ability of older individuals.
- **Tax policy.** Changes in tax policy for charitable gifts can have an impact on decisions around gift size, particularly for high net-worth donors.

Source: ?? Need it
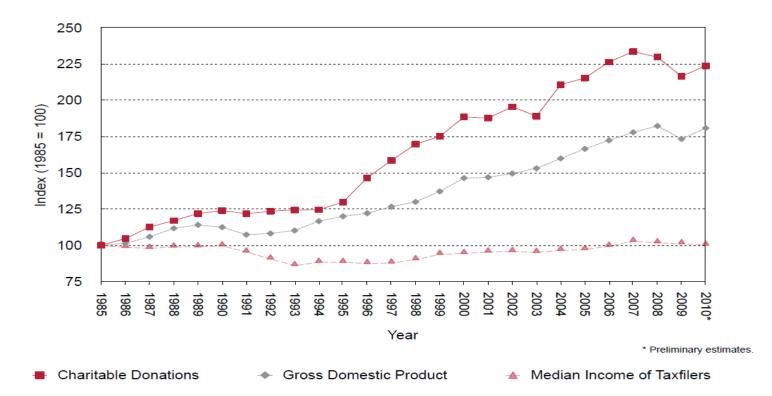
Economic Factors & Charitable Giving

- Imagine Canada conducted a study in 2011, right after the global financial crisis period, and came to similar conclusions.

- In particular they noted that charitable giving tended to track changes in GDP fairly well until 1996. Tax policy changes became a factor in 1996, when changes around capital gains for charitable donations of certain types of goods and securities were introduced, and then enhanced in 2006.

Indices of Real Change in Donations Claimed, Gross Domestic Product and Median Income, 1985 to 2010.

* Preliminary estimates.

■ Charitable Donations   ◆ Gross Domestic Product   ▲ Median Income of Taxfilers

Source: Imagine Canada, Research Bulletin, December 2011
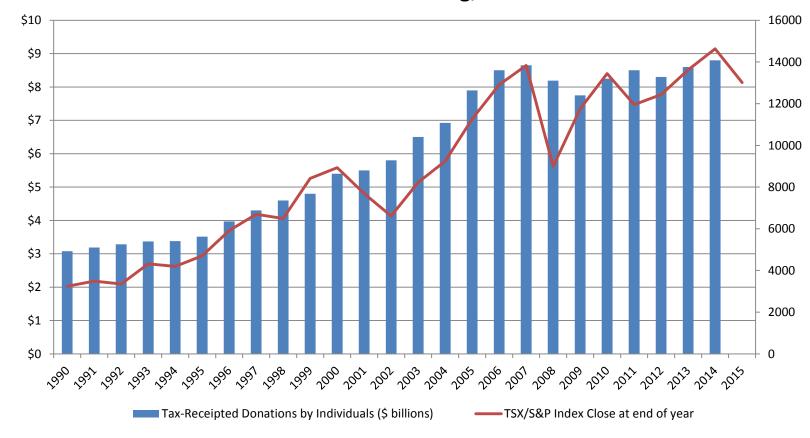
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Economic Factors & Charitable Giving

- KCI's own research has found similar trends.

- The graph to the right compares total charitable giving from individuals against the TSX/S&P Index at the end of each year.

- Although the Index is more volatile, it is interesting to note similar rises and dips, particularly that the Index 'leads' drops in charitable giving in 2008/09, and again in 2011/12

Individual Giving, TSX

Tax-Receipted Donations by Individuals ($ billions) — TSX/S&P Index Close at end of year

Source: Statistics Canada taxfiler data, S&P/TSX Composite Index (Google Finance), KCI Research
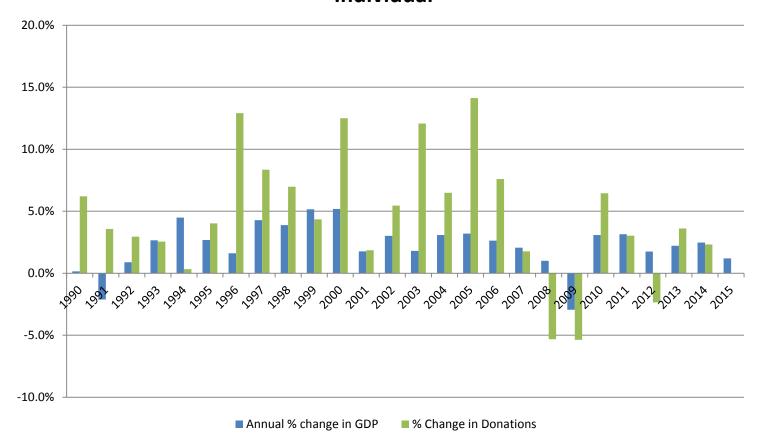
Economic Factors & Charitable Giving

- Changes in Canada's GDP are also somewhat tied to charitable giving changes, but not as closely as the TSX.

- However, broad measures such as Canada's total GDP often obscure local realities and differences across the country.

Annual % Change in National GDP, Receipted Donations by Individual

Legend: ■ Annual % change in GDP   ■ % Change in Donations

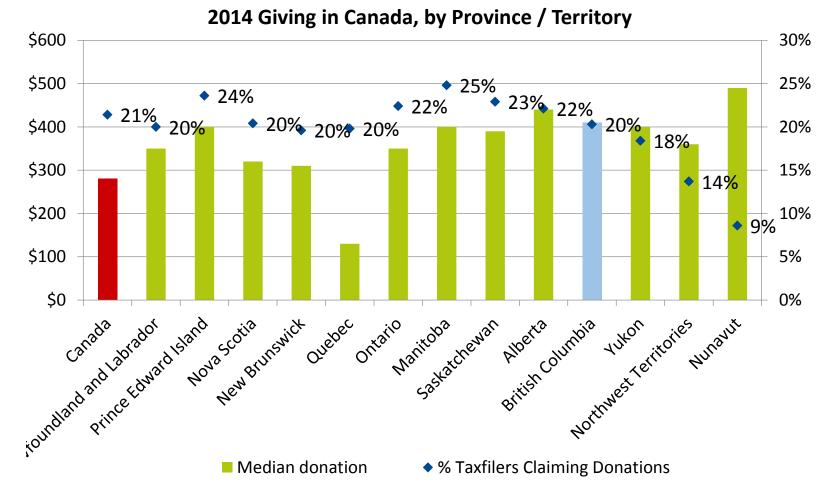Source: Statistics Canada, KCI Research

Charitable Giving by Province

- Giving rates and levels vary widely across the country at any given point, as seen for 2014.

- In general, giving rates and median levels tend to be higher in PEI and Western Canada, and lower in Quebec and some Maritime provinces.

2014 Giving in Canada, by Province / Territory

Median donation — percentages of % Taxfilers Claiming Donations by province/territory:
Canada 21%, Newfoundland and Labrador 20%, Prince Edward Island 24%, Nova Scotia 20%, New Brunswick 20%, Quebec 20%, Ontario 22%, Manitoba 25%, Saskatchewan 23%, Alberta 22%, British Columbia 20%, Yukon 18%, Northwest Territories 14%, Nunavut 9%

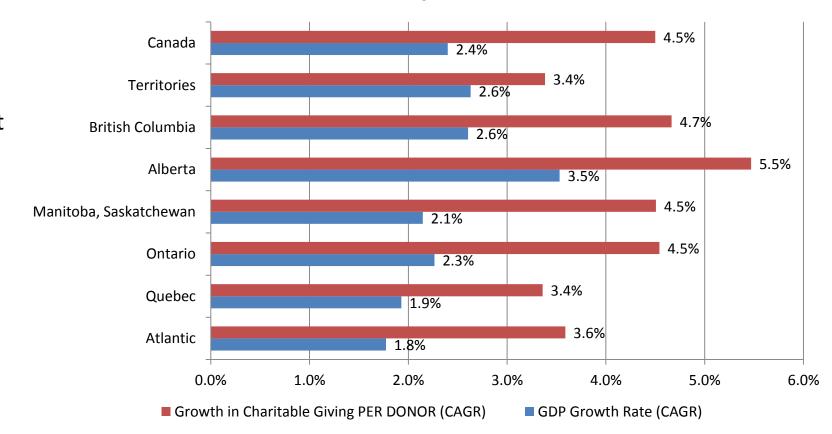■ Median donation   ◆ % Taxfilers Claiming Donations

Charitable Giving by Province

- And not surprisingly, there is a correlation between provincial GDP levels and giving.

- Higher levels of growth in GDP at the provincial levels somewhat related to greater increases in total giving by donors.

- Perception vs. Personal Situation?

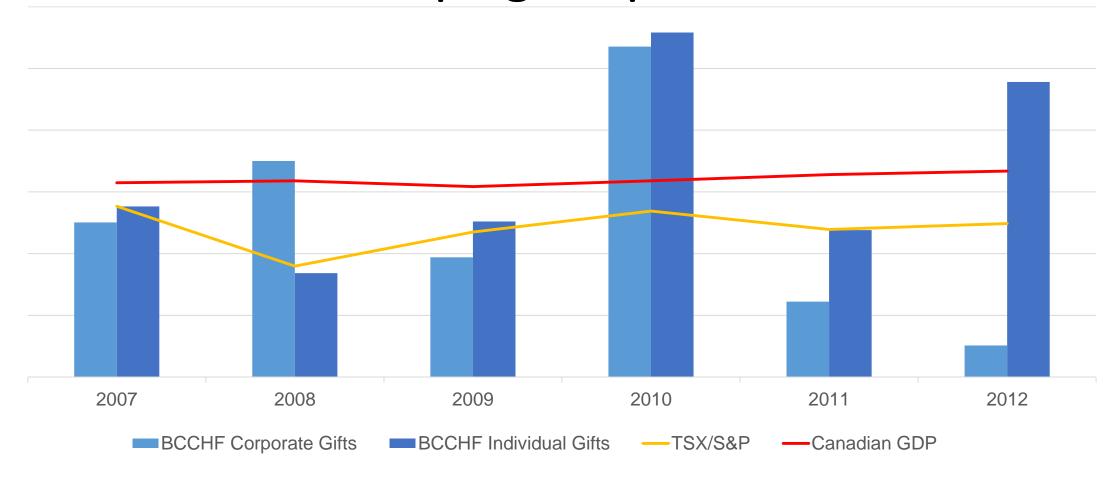**Annual Growth Rate in Provincial GDP and Charitable Giving per Donor, 2013 to 2014**

Province	Growth in Charitable Giving PER DONOR (CAGR)	GDP Growth Rate (CAGR)
Canada	4.5%	2.4%
Territories	3.4%	2.6%
British Columbia	4.7%	2.6%
Alberta	5.5%	3.5%
Manitoba, Saskatchewan	4.5%	2.1%
Ontario	4.5%	2.3%
Quebec	3.4%	1.9%
Atlantic	3.6%	1.8%

■ Growth in Charitable Giving PER DONOR (CAGR)   ■ GDP Growth Rate (CAGR)

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BC Children's Campaign Experience

Closer to Home

Local and Micro-Economic Factors

Local Economic Factors & Charitable Giving

On a provincial or community level, the same factors are likely to influence charitable giving, but the degree of local variation is not the same:

Locally Variable

- **Income** can be highly influenced by local economic conditions
- **Wealth** also influenced by local conditions i.e. housing. Demographics can influence aggregate wealth.

National / Less Variable

- **Interest Rates** are generally national, but can impact wealth and influence local factors (see housing)
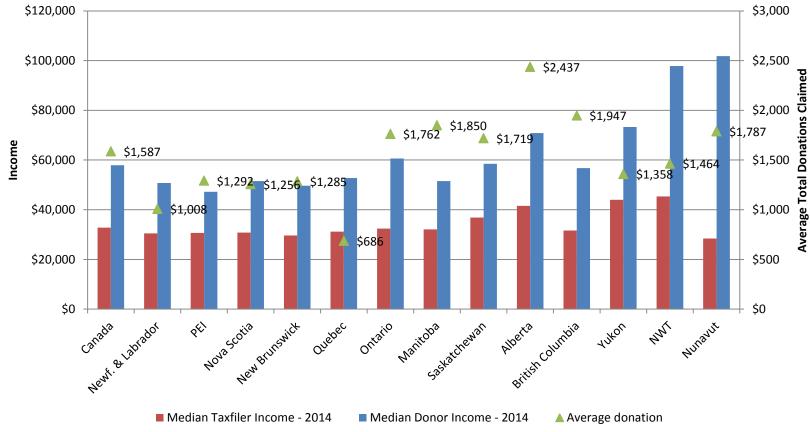- **Tax Policy**

Source: ?? Need it

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Income Variations

- Much like the giving chart seen earlier, income levels vary across the provinces. Average donations claimed are somewhat related to income levels.

- In all cases, however, incomes of donors tend to be much higher than overall median levels. However, note that couples can claim donations on the return of one person, which tends to be the higher earner.

Median 2014 Total Income of Taxfilers vs. Donors*, and Average Claimed Donations, by Province

Legend: ■ Median Taxfiler Income - 2014 ■ Median Donor Income - 2014 ▲ Average donation

*Donor defined as individual taxfiler with donations claimed on 2014 tax return.
Source: Statistics Canada, 2014 Individual Taxfiler Data, CANSIM Table s111-0001 and 111-0004

Wealth and Associated Factors

- Income is not the only factor impacting giving levels and amounts.

- Age, asset values, and degree of donor confidence also have substantive impact.

- The number of donors in your target demographic, and the strength of connection to your cause, can also have an impact on overall giving levels and potential capacity.

	Net Worth	Assets	Liquid Assets	Real Estate	Debt
Canada	$442,130	$564,834	$229,000	$335,834	$122,705
Newfoundland and Labrador	$218,106	$314,610	$107,583	$207,028	$96,505
Prince Edward Island	$248,750	$334,078	$134,377	$199,702	$85,328
Nova Scotia	$263,023	$353,727	$156,543	$197,185	$90,704
New Brunswick	$196,240	$275,906	$116,902	$159,004	$79,665
Quebec	$288,207	$375,444	$169,727	$205,717	$87,237
Ontario	$523,969	$655,896	$252,787	$403,109	$131,927
Manitoba	$342,779	$440,014	$194,011	$246,003	$97,235
Saskatchewan	$384,791	$496,997	$229,519	$267,478	$112,206
Alberta	$531,067	$698,410	$314,883	$383,527	$167,344
British Columbia	$591,047	$747,495	$269,638	$477,857	$156,448
Territories	$278,030	$394,403	$145,016	$249,388	$116,373

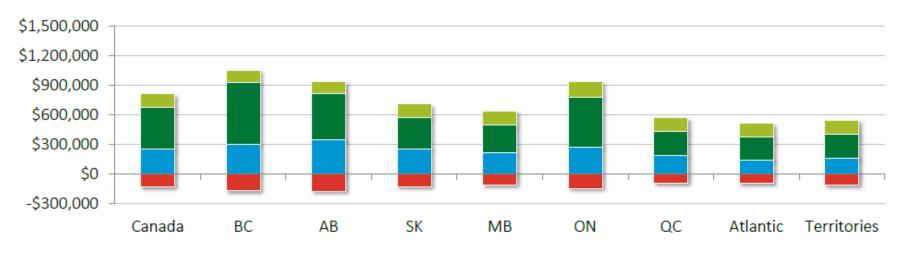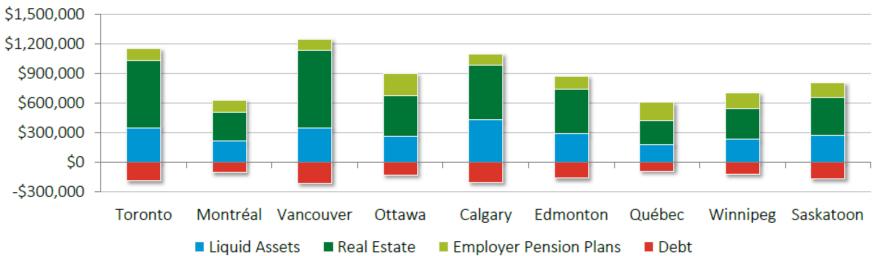Source: Environics Analytics Wealthscapes, 2013

THE DIFFERING WEALTH CONCENTRATIONS

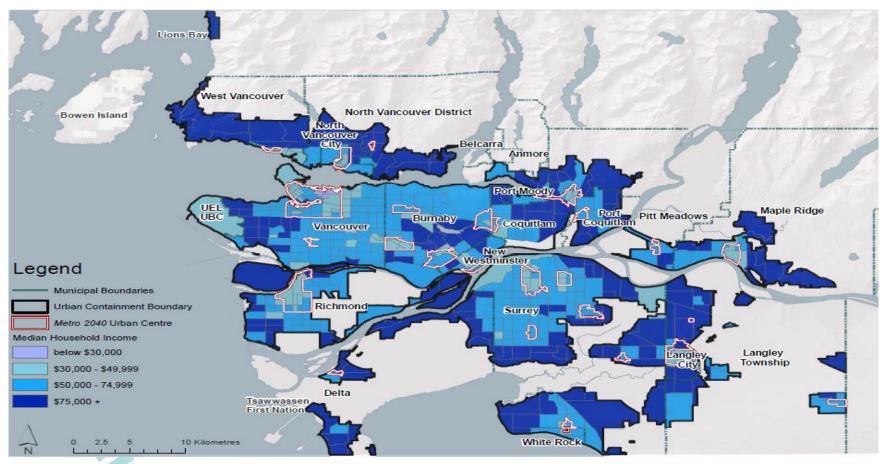WealthScapes

NET WORTH COMPONENTS PER HOUSEHOLD

Legend: Liquid Assets, Real Estate, Employer Pension Plans, Debt

ENVIRONICS ANALYTICS

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Income Variations

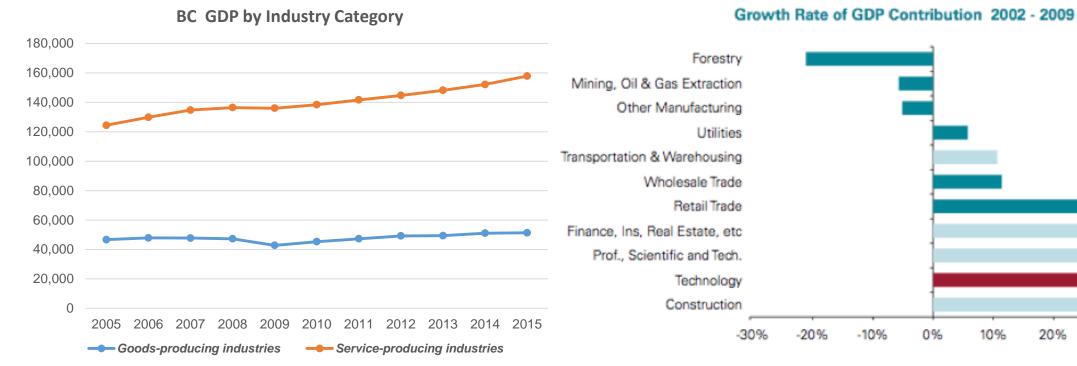

And of course, income levels tend to vary at much smaller geographic levels, as this map of the Metro Vancouver area demonstrates.
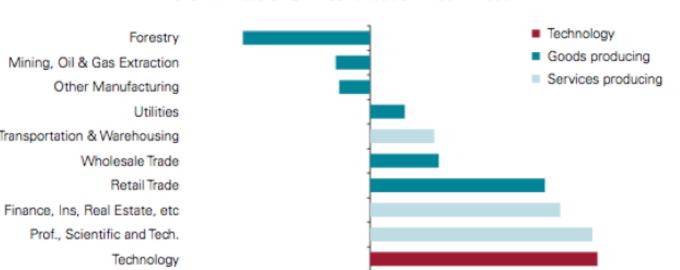
Legend

Municipal Boundaries
Urban Containment Boundary
Metro 2040 Urban Centre
Median Household Income
below $30,000
$30,000 - $49,999
$50,000 - 74,999
$75,000 +

Local Economic Factors – Provincial Industry Trends

BC GDP by Industry Category

Source: StatCan CANSIM 379-0030

Growth Rate of GDP Contribution 2002 - 2009

Source: Profile of the British Columbia High Technology Sector, BC Stats, July 2011.

Local Economic Factors – Provincial Industry Data

BC GDP by Industry - NAICS Aggregations, 1997-2015
Millions of Chained (2007) Dollars

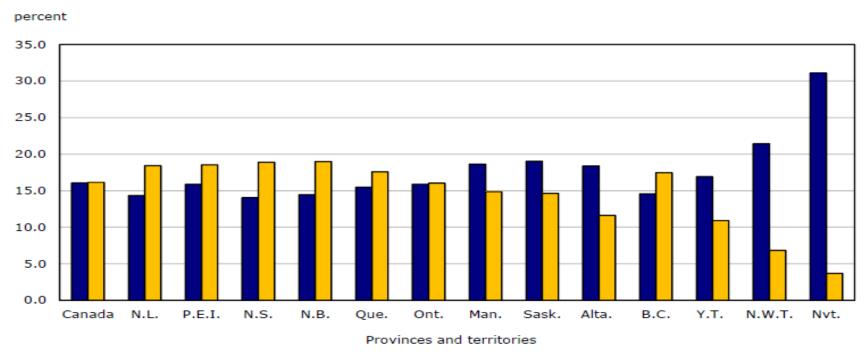|	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
All industries	**171,140**	**177,708**	**182,529**	**183,633**	**178,777**	**183,574**	**188,789**	**193,667**	**197,401**	**203,067**	**209,110**
Goods-producing industries	**46,657**	**47,836**	**47,772**	**47,244**	**42,791**	**45,276**	**47,274**	**49,193**	**49,386**	**51,087**	**51,329**
Agriculture, forestry, fishing and hunting	4,168	4,106	3,965	3,578	3,077	3,434	3,780	3,794	4,063	3,918	4,161
Mining, quarrying, and oil and gas extraction	10,376	10,386	9,910	10,192	9,127	10,383	11,146	10,813	11,600	12,284	11,326
Utilities	3,457	3,080	3,498	3,489	3,417	3,305	3,614	3,660	3,558	3,493	3,602
Construction	13,030	14,347	14,608	15,375	14,524	14,886	14,978	16,788	16,167	17,039	17,137
Manufacturing	15,377	15,861	15,791	14,527	12,516	13,255	13,710	14,115	14,120	14,625	14,996
Non-durable manufacturing industries	5,837	5,868	5,865	5,733	5,240	5,443	5,413	5,381	5,254	5,549	5,792
Durable manufacturing industries	9,544	9,994	9,926	8,788	7,238	7,787	8,298	8,759	8,901	9,106	9,226
Service-producing industries	**124,423**	**129,831**	**134,757**	**136,411**	**135,986**	**138,402**	**141,659**	**144,669**	**148,147**	**152,140**	**157,870**
Wholesale trade	7,169	7,501	8,054	7,872	7,212	7,411	7,685	8,359	8,798	9,225	9,456
Retail trade	9,608	10,381	10,911	11,018	10,757	11,160	11,212	11,200	11,496	12,010	12,762
Transportation and warehousing	9,735	9,928	9,952	9,745	9,744	9,970	10,272	10,496	10,619	11,044	11,602
Information and cultural industries	6,616	6,769	6,901	6,945	6,602	6,602	6,646	6,760	6,843	6,876	6,845
Finance and insurance	9,487	10,267	10,660	10,421	10,249	10,715	11,003	10,940	11,344	11,691	12,278
Real estate and rental and leasing	26,703	27,610	28,878	29,507	30,582	31,641	32,607	33,899	35,155	36,583	38,372
Professional, scientific and technical services	8,537	9,339	10,041	10,419	9,795	9,819	10,341	10,815	10,949	11,282	11,629
Management of companies and enterprises	1,220	1,264	1,277	1,360	1,312	1,265	1,299	1,293	1,353	1,424	1,444
Administrative and support, waste management and remediation service	4,214	4,415	4,656	4,667	4,333	4,273	4,235	4,461	4,528	4,730	4,831
Educational services	9,156	9,373	9,691	9,995	10,112	10,306	10,491	10,726	10,849	10,409	11,132
Health care and social assistance	11,715	12,085	12,286	12,458	12,692	12,578	12,979	13,147	13,421	13,689	13,925
Arts, entertainment and recreation	1,713	1,811	1,883	1,851	1,881	1,878	1,854	1,792	1,866	1,906	1,999
Accommodation and food services	5,069	5,182	5,299	5,244	5,193	5,249	5,170	5,182	5,409	5,682	5,882
Other services (except public administration)	3,932	4,104	4,190	4,254	4,185	4,086	4,207	4,237	4,348	4,444	4,563
Public administration	9,463	9,754	10,080	10,646	11,266	11,409	11,619	11,370	11,234	11,247	11,334

Source: StatsCan CANSIM 379-0030

Demographics

- The age profile of regions can have an impact on giving, as older people are more likely to have accumulated wealth, while younger populations tend to have more debt and expenses.

Proportion of the population aged 0 to 14 years and 65 years and over, 2015, Canada, provinces and territories

■ 0 to 14 years   ■ 65 years and over

Source: Statistics Canada Annual Demographic Estimates, 2015

Demographics

- Similarly, population growth can have an impact on long-term trends, as more people = more donors (hopefully).

- However, it is important to understand the drivers of growth, particularly changes between provinces.

Factors of Population Growth, 2015/16, Canada

Source: Statistics Canada Annual Demographic Estimates, 2016
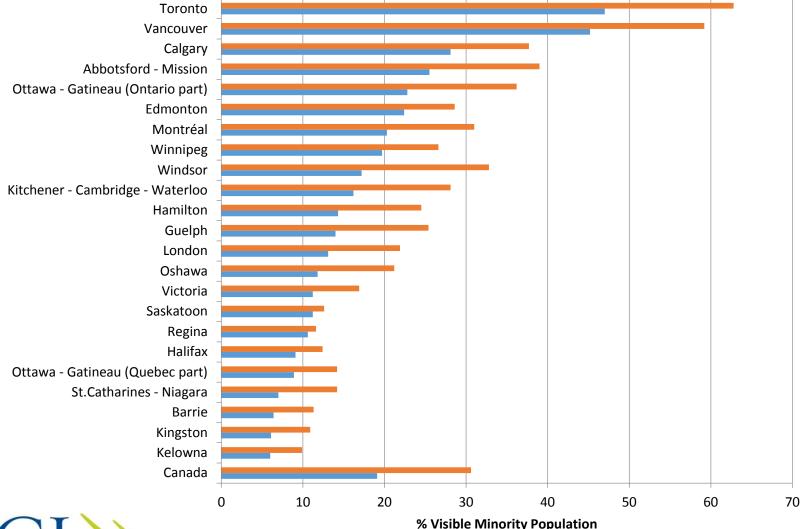
Demographics

Ethnocultural factors are also key items to understand for your community or regions.

On a basic level, some areas have relatively small proportions of visible minorities, and particular ethnocultural strategies may not be warranted. Others such as Toronto and Vancouver may need multi-faceted and sophisticated approaches to both engage particular communities and ensure diversity is 'baked in' to all activities.

Proportion of Population Belonging to a Visible Minority Group, Selected Census Metropolitan Areas, 2011 NHS and 2031 Projections
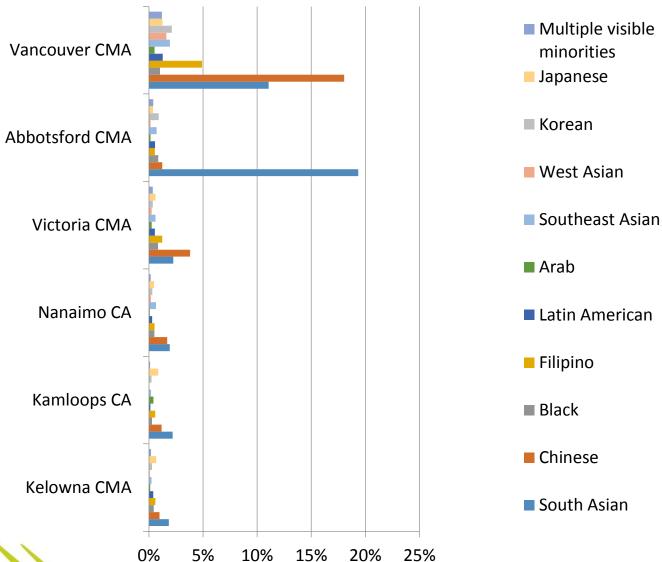
Demographics

Digging deeper to get a sense of particular visible minority groups is helpful to understand what types of communities are represented.

For example, this chart built for BC Children's shows that there are a number of ethnic groups with substantive portions of the population to consider in Vancouver, while for Abbotsford the majority of visible minorities are of South Asian origin.
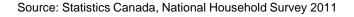
% of Population by Visible Minority Group

Legend:
- Multiple visible minorities
- Japanese
- Korean
- West Asian
- Southeast Asian
- Arab
- Latin American
- Filipino
- Black
- Chinese
- South Asian

Categories: Vancouver CMA, Abbotsford CMA, Victoria CMA, Nanaimo CA, Kamloops CA, Kelowna CMA

X-axis: 0% 5% 10% 15% 20% 25%

Source: Statistics Canada, National Household Survey 2011

Okay, so What Does This Mean for Researchers?

Incorporating Findings into Your Work

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Start with your Donors

Think about your current donors and 'catchment area':

- **Geography:** Are your donors geographically concentrated (i.e. community hospital foundations) or more dispersed? If dispersed, are there concentrations in any key areas?

- **Industry:** What industries are your corporate donors in? If you have a geographic concentration, what are the major industries in that area? Who are the owners of top private companies?

- **Demographics:** What do you know about your supporters? Are they older? More educated? Gender variations? Are there particular ethnic communities who are strong supporters? Or are there communities you need to build relationships with?

Source: ?? Need it

Stay Informed

On an ongoing basis, stay abreast of trends as well as the news on individual prospects and donors.

- Read the Business News
    - Overall economy and market trends and forecasts
    - Local/regional reports and updates
- Watch for key Industry News and Indicators
    - Expansions, layoffs, acquisitions
    - Commodities prices, demand (if applicable)
    - Impact on specific prospects under cultivation
- Keep an eye on Demographic Trends
- Read critically and selectively – distinguish between data-based trends and momentary but sensational blips. Beware the "apocalypse du jour" or the "squiggly line"

Trends vs. media soup

Premarket: Global stocks head for best week since July -
Reuters
Published Friday, Sep. 23, 2016 6:15AM EDT

Risks to Canadian economy pile up as outlook looks bleaker and bleaker – Financial Post

Positive signs for Canada's Economy despite ongoing weakness in the energy sector: RBC Economics

At midday: Falling oil prices drag down TSX - Reuters
Published Tuesday, Sep. 27, 2016 11:25AM EDT
Last updated Tuesday, Sep. 27, 2016 11:27AM EDT

The TSX outlook looks bright for October – especially for one sector - The Globe and Mail

Canada's economy surges for second month, bolsters outlook,. The Globe and Mail Sept 30, 2016

Vancouver tops list of housing markets facing greatest risk— The Globe and Mail
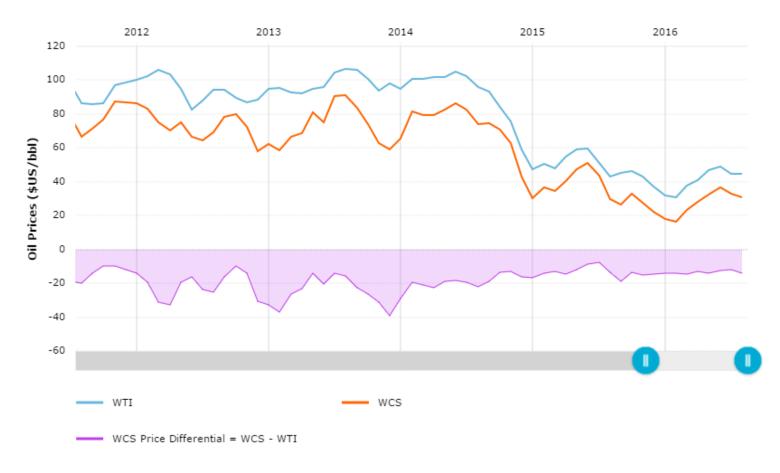Published Tuesday, Sep. 27, 2016 3:36PM EDT

OECD cuts Canada's economic growth forecast as global economy slows

Canada's economy will 'snap back' in Q3, RBC says – CBC News

Significant Indicator…

...But for Some more than Others

Energy Sector - % of 2015 GDP by Province

Province	% of GDP
Alberta	21.7
Newfoundland and Labrador	19.7
Saskatchewan	17.9
Canada	9.3
New Brunswick	7.4
Northwest Territories	6.8
Manitoba	5.8
British Columbia	4.4
Quebec	4.2
Nova Scotia	3.4
Ontario	2.5
Yukon	1.8

% of GDP

Source: Statistics Canada: GDP by North American Industry Classification System, Table 379-028

Charitable Giving Indicators

For your 'catchment area' or key areas of interest:

- Donor giving rates (% of population that claims receipts)

- Total giving, and average and median donation levels

- Giving by key donor demographics – gender, age groupings, etc.

- Mega/Major gifts in your area of interest – who is giving to causes like yours? In your area?

- Broader trends in the sector – how are donors giving? To what causes?

Economic Indicators

- Population income levels
- Employment / unemployment rates
- Economic forecasts from reputable sources (think big picture, longer-term as a general rule)
- Industry forecasts, particularly for key corporate donors and prospects
- Major announcements from top employers in your area
- Real estate trends (big picture)

Demographic Indicators

- Age profile – local population / your donors

- Recent and projected population growth rates, and factors of growth

- Proportion of recent immigrants

- Key ethnocultural communities, and proportions

Using Insights to Drive Research

- Focus on prospecting, profiling, & providing input to strategy
- Translate statistics to local & organizational reality
- Unpack high level trends, e.g. by industry sector & region (province & CMA)
- In which sectors is growth predicted & how can those sectors be mapped against your donor base?
- Who are the leaders in growth industries/key cultural communities?
- Impact on corporate engagement by sector
- Impact on employees, executives, and investors in those sectors
- Prospecting in the midst of negative indicators (someone is always making money!)

DIY Environmental Scan

Beyond keeping yourself informed, consider preparing a more formal environmental scan for your own organization, ideally as an input to broader planning.

- Organize your data into key sections
- Use visuals and graphs as much as possible
- Be sure to state implications and observations, connecting the dots between facts and suggested strategy, eg: "There is a substantial and growing South Asian population in our community. As they become established their giving potential will grow, therefore we should ensure we are reaching out to build relationships."

DIY Environmental Scan

- A comprehensive scan is a distillation of all external factors impacting an organization's ability to maximize its fundraising success
- Typically informs the Opportunities and Threats component of a SWOT analysis

Components:

Political - tax policy, privacy legislation, CASL

Economic – GDP, TSX/S&P , industry sector trends, household wealth/philanthropic trends

Social – demographic trends, immigration statistics

Technological – emerging channels, mobile giving, cloud-based CRM & B.I. software

Competitive – concurrent and planned campaigns, leading local & national charities

- Choose the most crucial components for your organization's current needs.
- Consider performing mini-scans of specific communities, regions, or industries

DIY Benefits

- Add value to your department's range of services

- Gain visibility/credibility with senior management

- Participation in the strategic planning process

- Opportunity to inject variety into your team's workload

Bringing it Together

Final Thoughts

Final Thoughts

- Ultimately, donors are people, and economic conditions can impact their giving decisions for both rational and emotional reasons
- Organizations need to keep abreast of trends to inform tactics and strategy
- Based on your donors / potential donors, determine what local indicators, factors, and sources are important to monitor, and incorporate results into your work
  - But think climate trends vs. weather forecasts
  - Look for the positive side of any trend (i.e. oil is down, but shipping costs are better!)
- Prospect researchers are well-positioned to provide trend research, and can use the insights to guide their own work, add value ....and maybe nerd out a little.
- Have fun!

Recommended Resources

Suggested National resources include:

- **StatsCan Individual Donor Data**, based on tax filings and for claimed receipted donations only. Search for CANSIM Tables 111-0001 (summary), 111-0002 (by age and sex), 111-0003 (by income group).
- **StatsCan GDP Data**, with filters for time frame, province, and industry CANSIM Tables 379-0028 (% of total GDP) & 379-0030 (total $$).
- **StatsCan Taxfiler Summary Data**, with income and demographic summaries for metropolitan areas (CMAs). Search for CANSIM Table 111-0004.
- **2011 Census / National Household Survey**. Although it's becoming somewhat out of date, the data still yields some interesting insights and is free. Search for the 'Focus on Geography' series on the StatsCan webpage for insights on metropolitan regions and municipalities.
- **Bank of Canada.** Weekly updates of Consumer & Commodity Price Index, interest rates etc.
- **Big 6 Banks**. Quarterly economic updates, industry analysis, monthly housing market, et al.

Recommended Resources

Local/regional resources include:

- Business councils/Boards of Trade
- Local business media (Business in Vancouver/Alberta Venture/Ottawa Business Journal)
- Provincial statistics bureaus (BC Stats, Alberta Office of Statistics & Information, Ontario Ministry of Finance)
- Provincial economic statistics
  - Labour Force Surveys (comprehensive long-range employment trends by industry)
  - Industry-specific forecasts
  - Government-sponsored sector profiles
- Municipal planning data (housing starts, home price benchmark, employment etc)