VALIDATING WEALTH SCREENINGS: MINIMUM EFFORT FOR MAXIMUM BENEFIT

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Definition of Wealth Screening

• Send your database (or a portion) to a vendor to screen
  o ResearchPoint, WealthEngine, Donorsearch, Donorscape, iWave, LexisNexis...
• Cross-checked against a database (itself a conglomeration of databases!)
• Variety of wealth indicators
  o Real estate, stocks, compensation, philanthropy...
• Arcane matching algorithms return data with varying degrees of confidence
• Estimates of wealth and giving capacity
Expectations

• Wealth data on thousands of prospects
  o Gift pyramid!
  o Feasibility study!
  o Instant portfolio population!
Now What?

• Dump it in your CRM and move on
  o Okay, as long as you are extremely clear about where it came from

• Use the screening to fill portfolios
  o Be prepared for frustrated development officers

• Churn out profiles on everyone
  o Not sending DOs in blind… but questionable ROI

• There is another option!
How I Got Here

• Annual screening of incoming freshmen parents
• 1000+ FGUs every year
• Goals:
  o Reach people before their kids start
  o Cultivate a great relationship by the time student becomes alumnus
  o Parents become donors, which influences new alumni to become donors
What We (Used) to Do

• Team of three researchers
• Exhaustive, deep-dive look at each set of parents
• Really good quality...
• ....but it took so long!
QUALITY vs. QUANTITY
Guided Brainstorming (with whiteboard!)
Research Process

Research process
• Read call reports
• Look up all real estate
• Run name in LexisNexis Advanced Search for news articles
• Stock holding verification
• Verify every philanthropic and political gift
• Identify names and ages of all family members
• Find social media presence
• Analyze political giving
• Etc
• Etc
• Etc
The New Process

- Check only the most important wealth indicators
- Take no more than 15-20 minutes per name/FGU
- Use “bucket ratings”

You can always do a more in-depth rating later!
Benefits

• Researchers are not investing too much time too early in the pipeline

• Fundraisers get pre-qualified prospects
  o Contacting prospects is less of a cold call
  o Less frustration at inaccurate ratings

• Much quicker to get through the lists of names!
Downside

It can be hard to learn to...

Let It Gooooon

Timers help!
Elements of Validation Process

• Real estate
• Stock holdings
• Compensation
• Philanthropy
• Optional:
  o Political giving
  o Private company information*

*With big caveats...
First Things First

• Use the most current data you can!
• Compare and combine sources
What’s In Your Bucket?

- Annual
- Major
- Principal
Step 1: Real Estate

• This is where you’ll spend the majority of your time!
• Compare results from different tools
• Go directly to the source – assessors
  o Pulawski.net is a fantastic resource
  o Third-party vendors are always a little out of date
• Market vs. assessed
• Zillow or other estimators, by preference

This is only a very quick hit! I recommend others for full presentations on the art of valuing real estate
Step 2: Stock Holdings

• Tread carefully
  o Double-check spelling of name, middle initial, etc.
  o Knowing job history is useful here too
• Yahoo! Finance is a great resource
  o SEC Form 4 filings are the source
• Use your own comfort level
  o My team will not consider stocks more than 3 years out of date
Step 3: Compensation

- Most wealth screenings only provide for publicly traded companies
- Time permitting, look for salaries for
  - Government workers
  - Workers in state university systems
  - High-level administrators and/or board members in nonprofit organizations that file 990s
- Go directly to the source
  - Lag in information
  - Information may be incorrect or missing
- Again, use your judgment for how long to go back
- I don’t recommend the use of salary.com or similar at this stage...
  - ...but if you’re comfortable go for it
Step 4: Philanthropy

- Only the biggest gifts
- Things to check:
  - Spelling
  - Middle name/initial
  - Location
  - Known interests
- Beware of matching algorithms
Optional: Political Giving

<table>
<thead>
<tr>
<th>Political Giving</th>
<th>Likelihood of Charitable Giving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above $2,500</td>
<td>14.48x</td>
</tr>
<tr>
<td>$1,000 – $2,500</td>
<td>6.43x</td>
</tr>
<tr>
<td>$500 – $1,000</td>
<td>5.17x</td>
</tr>
</tbody>
</table>

Correlation between Political and Charitable Giving

“When trying to determine who is a likely major gift prospect, looking at those who have been large political donors is one of the best places to start. Not only is political giving at high levels a knock-out indicator for wealth, but at the higher levels it is an incredibly predictive marker for philanthropy. In our back-study, when charitable and political giving were combined, those that had given over $2,500 total in lifetime political giving were responsible for over 54% of all philanthropy.”

Bonus: confirming job titles through FEC data

Optional: Private Company

• Take values with a huge grain of salt
• Use as a “gut check” rather than a value
  o eg, capacity rating may get bumped up a level
• Do what feels comfortable!

Lots of resources out there for valuing private companies
Google*

• Quick search for prospect’s name
  o Add company or town if needed
• May surface topics of particular interest
• If a bio is available, add it to documentation
  o Ditto for social media presences
• Avoid the rabbit hole

*(or Bing, or DuckDuckGo, or whatever you prefer)
Rate and Repeat

• Use your favorite rating formula
  o 5% of total identified wealth works
  o Lots of resources out there

• Gut checks can help
  o Kids in private school?
  o Empty nest?
  o Recent purchase or sale?
Caveats

• Disclaimers are critical!
• Distinguish preliminary ratings from “real” ones
• Sample language:

  Preliminary research indicates a giving capacity of $100,000 to $500,000 based upon real estate assets in excess of $3 million and verified annual income of $250,000. Further investigation and/or information from development officers may clarify this rating.
Side Benefit: Data Hygiene

• Deceased constituents
• Marriage, divorce, or other name change
• Relocations
• Current and past employment information
Make It Work

Tailor the process to your needs

• Size of gifts
• Profile of constituency
• Common wealth indicators
• Resources available
• Anything and everything!
Conclusions

• Wealth screenings benefit from a human touch
• Balance of quantity and quality
• Customize it for your unique needs
• Happier researchers, happier fundraisers, happier donors
Questions?

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