

# THE FUTURE OF PHILANTHROPY IN THE AMERICAN JEWISH COMMUNITY

WAYNE L. FEINSTEIN

*Executive Vice President, Jewish Federation Council of Greater Los Angeles*

*Although the needs of the American Jewish community have never been greater, so are the potential financial resources. Endowments, private foundations, government funds, and United Way allocations generate significant financial resources and must be included in comprehensive financial planning. In addition, the engine that drives the entire communal enterprise—the annual campaign—must be retooled to appeal more effectively to today's new donors.*

No discussion of trends in American Jewish philanthropy can ignore the enormous stresses and strains affecting Jewish life today. These pressure points and tensions affect Jewish philanthropy in general and communal fund raising in particular in various, often unpredictable ways. At the same time, the potential financial resources are greater than ever before.

Health and social welfare services delivered through Jewish community agencies are today heavily underwritten by public dollars. The philanthropic component of agency finances has become the critical remainder, enabling the provision of a greater extent and higher quality of service. Yet, the North American Jewish community is just at the threshold of massive efforts aimed at enhancing the quality of Jewish life and strengthening Jewish identity and affiliation. Too, the community is at the beginning of what will undoubtedly be a long process of establishing new, mature organizational and individual linkages between Israel and the Diaspora. All these changes have significant financial requirements and fiscal consequences.

The UJA-federation annual campaign, with its fundamental base in the concept

of tzedakah and its operational base in volunteerism, is the engine driving the entire UJA-federation establishment. It is the training, the communal discipline, and the structure of the annual campaign that empower the entire communal enterprise and have taught generations of American Jews to give and to give generously. Yet, both its fundamental base in tzedakah and its operational base in volunteerism are facing strong challenges today. Even without these challenges, the funds generated by the annual campaign would be insufficient to meet the future needs of the Jewish community. Meeting these needs requires retooling the engine—the annual campaign.

Yet, the resources of the federation are substantially greater than those generated by the annual campaign alone. Today's federation is a considerably more variegated enterprise than it was only a decade ago, a fact that must be recognized and acted on by federation professionals. Endowments, private foundations, government funds, and United Way allocations all contribute substantial dollars to the communal treasury. Each component must be guided by its own financial strategy, all of which must then be incorporated into a comprehensive financial plan.

This article reviews trends in Jewish philanthropy, focusing particularly on the differences between the traditional and

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new donor, and then recommends how the very large potential resources can be captured to meet the needs of the American Jewish community. Although the needs have never been greater, so have the potential financial resources. Linking the two is the challenge we face.

#### TRENDS IN JEWISH PHILANTHROPY

Although the annual campaign is still the dominant force in Jewish fund raising, it faces greater competition for Jewish philanthropic dollars, both from within and outside the Jewish community. In 1986, about 7%, or \$3.5 billion, of all philanthropic contributions were made by Jewish donors (Kosmin, 1988). Yet, less than half of these Jewish dollars were donated to Jewish causes, a significant decrease from the two-thirds percentage in 1972 (Kosmin, 1988). This decrease can be explained both by changes in the typical Jewish donor (to be discussed later) and more intense philanthropic competition. In 1987, there were 124,000 nonprofit groups vying for donors, two-thirds of which did not even exist in 1960 (Kosmin, 1988). Barry Kosmin, director of research for the Council of Jewish Federations (CJF), concludes, "Relative to the growth of U.S. philanthropy, giving to Jewish causes has fallen since the early 1970s. This relative decline has occurred despite the obvious success of project-oriented giving and the flourishing endowment funds of many federations" (Kosmin, 1988, p. 8).

The annual campaign faces increasing competition for Jewish dollars from within the Jewish community as well. Institutional and capital campaigns, day schools and yeshivas, hospitals, Israel-based institutions, and political activism groups all vie for funds.

In 1987, federations raised \$710 million. Close to 60% of this amount was raised from 13,000 gifts and the balance (\$259 million) from 853,000 gifts. This represents a net reduction of 25% in the number of gifts since 1974 (Kosmin, 1988).

Yet, at the same time as the number of gifts to the annual campaigns has declined, federation endowment funds have been experiencing tremendous growth. In 1987, the federated endowments of 95 cities reporting to CJF totaled close to \$2 billion. In that year alone, over \$430 million in new funds were received, including \$92 million from investment earnings and capital gains and the remainder from new funds. Yet, the endowment picture is not as rosy as it seems at first glance. According to Kosmin, "Essentially, this [endowment funds] is not new money to the extent that it comes from a restricted pool from within our upper 300,000 households. Most of the endowments are given by known and long-time givers, ideal federation types. However, endowments probably serve to attenuate loss of dollars to Jewish philanthropy because they stop the clock in a particular generation" (Kosmin, 1988, p. 18).

Jewish private foundations have also experienced tremendous growth over the past 15 years. Nearly 7% of all foundations with assets over \$1 million or annual giving over \$100,000 are Jewish. Kosmin notes, "In proportion to population, Jews are 23 times as likely to establish a foundation dedicated to, among other causes, Jewish giving as Catholics are to their religious group, and Jews establish foundations at about 12 times the rate for Protestant religious givers. . . . Entries for Jewish welfare are as common as medical research as a target of American foundations" (Kosmin, 1988, p. 13).

#### THE NEW DONOR

For the traditional donor, a self-made businessman who lived through both the Holocaust and the rebirth of Israel, the pulls toward Jewish communal giving exerted by both Jewish tradition and the emotional impact of the events he had witnessed were strong. This donor responded emotionally and readily to relatively unsophisticated campaign appeals. Making a contribution to the annual campaign was

seen as a direct fulfillment of the mitzvah of tzedakah. For the most part, the traditional donor was willing to follow communal priorities in expending the funds.

In contrast, the new donor, born after the Holocaust and the establishment of the state of Israel, has very different needs and motivations.

Although 36% (approximately 940,000) of all Jewish households have annual incomes over \$50,000, the actual pool of major donors is not greater than 300,000 households. Kosmin explains why the pool is so much smaller than the actual number of affluent households:

This is because of some unique characteristics of American Jewish society in the 1980s. The Jewish income distribution is not as sharply pyramidal as the national profile. One ironic result of this is that many apparently affluent Jewish households have a psychological sense of relative deprivation as they measure themselves against even more successful relatives and neighbors. They are faced, too, by escalating real housing costs and escalating college tuition for their children. Some of their costs are self-imposed by their lifestyles, such as when they subscribe to the ethos of you are what you drive or to the high entertaining costs of Jewish *simchas*, which are a unique expense in themselves. Nevertheless, in a society where yesterday's luxuries are today's necessities, the amount of discretionary income available often cannot keep pace with even the increasing cash flow of two-earner Jewish households. Whatever the claims of economists or even moralists, many of these people feel financially strapped (Kosmin, 1988, p. 13).

In contrast to the traditional donors who lived primarily in large urban centers and who were concentrated in relatively few occupations, the new donors are geographically dispersed and hold widely varying political, religious, and social attitudes.

There is little realization that American Jews now constitute a diverse set of subgroups and the community is, in reality, many communities with different political, social, economic and religious agendas. In other

words, the Jewish market is segmented, and secular causes are often better placed for marketing in this new situation. The arcane world of Jewish fund raising is impenetrable to most American Jews, a large proportion of whom according to federation-sponsored surveys, have no idea of what a federation does (Kosmin, 1988, p. 17).

The pull of Jewish tradition is weaker for many of the new donors. The motivation of performing the mitzvah of tzedakah is mixed with that of economic and social gain. More aware than their predecessors of the economic and social benefits of giving, the new donors seek tax and economic advantages from their contributions. According to Neal Myerberg, director of endowments at the UJA-Federation of New York,

Donors expect more from their charitable gifts than the warm feeling that charities hope motivates these contributions. With tax and economic issues of paramount importance to today's contributors, charities now must see that their fund-raising programs involve "planned" giving. Providing fixed income for life, a place to "bank" future charitable dollars or a secure financial retirement, charities must recognize that satisfying their donor's need translates into major gifts (Myerberg, 1989, p. 36).

A final difference between traditional and new donors is the new donors' increased interest in designating where their funds will be going and then following their funds through the system. They are very concerned that their donations be spent effectively and efficiently; in colloquial terms, they are seeking the "most bang for the buck."

Members of the generation of the traditional federation giver can be motivated to continue their optimal giving throughout their lives and even to extend their tzedekah beyond their lifetime through the federation endowment. And campaign endowments from the traditional donor provide necessary "gap funding" until contemporary marketing techniques can be

developed to reach the modern generation of contributors. But what of their children and grandchildren?

### RETOOLING THE ENGINE

Given the new donor psychology—the sense of psychological deprivation, the motivation of self-interest, the segmented community, the desire to designate funds and to see them spent most efficiently—and the widespread competition for the philanthropic dollar, can the engine of the annual campaign be retooled to meet these challenges? Consider these questions raised by Norbert Fruehauf, director of planning at CJF:

We must ask ourselves whether the umbrella campaigns of federations have hit a plateau in market penetration? Have our current strategies and tactics reached about as many people as possible given current population and demographic patterns and attitudinal and behavior patterns? How can we increase total numbers and levels of contributors? Our fund-raising messages do not convey urgency or pressing needs—they focus on community-building, enhancement of Jewish life—the theme of the usual, regular and sustaining (Fruehauf, 1988, p. 40).

Yes, the engine can be retooled by building upon its major strength—its credibility—and by incorporating cautiously the concept of designated giving.

#### Credibility

The credibility of the UJA-federation structure is derived from the efficiency and effectiveness with which it fulfills its fund-raising, financial administration, planning, and agency relations functions. In turn, it is this credibility that enables the UJA-federation structure to raise funds so successfully from the annual campaign and endowments. This credibility is responsible for the annual campaign's high status in the philanthropic marketplace.

The results of the annual campaign are monitored closely on Capitol Hill and are

the single most important measure of the UJA-federation enterprise. When this record of fund-raising success is combined with our agencies' excellent track records in delivering service, the federation's ability to work in partnership with the public sector is enhanced greatly. Today, public dollars fund the major share of Jewish communal health and senior adult services. Yet, it is only by the dynamic interaction of these public funds with the core administrative budgets of the Jewish agencies, which are funded by Jewish philanthropic dollars, that government grants can be used for service delivery. Too, most federations serve as the bank of first resort for their agencies, often providing non-interest-bearing cash flow advances of several millions of dollars in any one fiscal quarter while notoriously slow-paying government agencies delay payment. The government recognizes the vital role played by the UJA-federation structure in maximizing the effectiveness of public dollars.

Just as the federation structure enjoys a high degree of credibility in the public sector, so it has a similar status in the United Way system. United Way leadership sees the federation as the central address of the organized Jewish community and its efficient delivery of services as an important contribution to its overall community service framework. As a result, federations continue to garner greater net allocations from United Way at a time that the percentage of Jewish contributions to United Way has decreased.

And of course, federation's credibility within the Jewish community enhances its fund-raising abilities. Amid the news of philanthropic scams and vastly inefficient fund-raising operations, the federation's reputation is a very strong asset.

The credibility and the business-like manner in which federations raise, account for, manage, and expend their funds present a basic market opportunity that should be explored more fully. I know of several instances where donors seeking to establish a supporting foundation began giving at the major gifts level to the an-

nual campaign. As federations change to become more business-like, to make their evaluation methods more rigorous, and conceivably eliminate obsolete agencies and programs that no longer have valid claims to Jewish communal support, credibility among major donors will grow even stronger.

The importance of the credibility factor cannot be overemphasized. Building on it, the annual campaign package can be made more attractive. Most annual campaigns lament the absence of a clear and compelling message to motivate their work. That message is simple—the annual campaign is the donor's window on the Jewish world. Marketing what the community does with the funds raised, while emphasizing the efficiency and effectiveness of service delivery, is essential. So is more aggressive advertising. As in a feedback loop, more successful annual campaigns will reinforce the growth of endowment funds, Jewish foundations, United Way allocations, and governmental funding.

#### Designated Giving

Designated giving, which is an integral part of the United Way allocation system, is a concept that is receiving increasing attention in the Jewish philanthropic community. Although designated giving is clearly responsive to the new donor psychology, it has dangers, as noted by Donald Feldstein:

Designated giving, which has just been thrust on the United Way system by political pressures, could be the undoing of federated philanthropy in the Jewish community as it has begun to hurt the United Way. If individuals contribute to any one of a list of agencies or causes and then that is distributed by the federation, then the federation is nothing more than a bank or a temporary holding company for contributions. The distinction is subtle but critical. On one hand, we have a variety of techniques which personalize input and decision-making in choice in contributing around

priorities and needs established by community process. On the other hand, we have an invitation to designate by each individual contributor, which completely undoes the notion of citizen planning and decision-making on priorities. We need to define ways to exploit the former without falling into the latter (Feldstein, 1988, p. 76-77).

Yet, designated giving, if channeled appropriately without undoing the communal basis for federation giving, can be a very valuable tool in attracting sizable contributions from today's generation of donors. It represents a tremendous opportunity for endowment funds in particular. The planned giving approach of donor-advised endowment funds provides multiple options from which the donor can choose and still be in accord with community priorities. Increasingly, the donor's first gift to the Jewish community is an endowment, which is later followed by sizable contributions to the annual campaign (Myerberg, 1989). These donor-advised funds also fulfill the function of linking future generations to the Jewish community as the heirs are bound by the donor's Jewish charitable preferences.

The key to effective donor option programs is to meet the donor's objectives while staying within the bounds of community priorities. Feldstein notes, "One can select a number of priorities, programmatic or capital in nature, and invite contributors, particularly major contributors, to do extra giving for these causes" (Feldstein, 1988, p. 16).

A number of federations have already begun experimenting with such an approach. One new idea is the field-of-interest endowment fund; for example, the creation of large communal scholarship funds, such as Los Angeles' Fund for Jewish Education or New York's Gruss Fund. Endowments for capital facility development, such as Chicago's Continuum program, also provide opportunities for donor designation beyond the annual campaign. Other designated endowments

provide some permanent corpus and substantial annual contributions that supplement federation allocations to local agencies. By so doing, they not only fulfill the donor's desire to be more directly involved above and beyond his or her annual campaign gift but they also meet the community priority-setting objectives to which Feldstein referred. Furthermore, such endowments strengthen the bond between federations and their beneficiary agencies by enabling the federations to fulfill more of their financial resource development responsibility at a time when the growth of annual campaigns barely covers increases in the cost of living.

Analogous projects on the international level provide opportunities for overseas designation, including Project Renewal, a spectrum of options within the Joint Distribution Committee, and one hopes in time, within the priority framework of the Jewish Agency in Israel. There are plans on the drawing board for a community or several communities to join together with other Jewish philanthropic organizations to make an impact on one problem or one region of Israel. Such areas as regional development would provide an exciting opportunity for the kinds of hands-on participation desired by the new donors.

#### CONCLUSION

The needs of the Jewish community continue to grow. Yet, the potential financial resources are immense to meet those needs. Linking the two, however, is not simple. It will require broadening the scope of federation financial resource development, building creatively on the campaign base and the business-like ap-

proach that federations contribute to volunteer sector management. Comprehensive financial planning is required that will take into account the interplay of annual campaign proceeds, funds available from endowment funds—either restricted, donor designated, or unrestricted—and contributions from philanthropic funds and supporting foundations. Also required will be the retooling of the annual campaign built upon the concepts of credibility and designated giving. Enhancing the credibility of the annual campaign will have a spillover effect, strengthening federation's other fund-raising programs and its ability to secure governmental and other private sector funds. By broadening the scope of resource development and retooling the annual campaign we will be confident of meeting the challenges ahead.

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