

## Are Strong Markets Good News for Planned Giving?

The leading stock market indicators finished extremely well in 2013. The three most widely-quoted indices – the Standard and Poor’s 500, the Dow Jones Industrial Average, and the NASDAQ Composite – all had annual total returns in excess 30%. These results come on the heels of strong performances in 2012. What do two years of positive returns indicate for planned giving?

We believe that these results are unqualified good news for charities. Although measuring specific correlation is difficult, it’s generally believed that rising stock values have a positive effect on the volume and size of gifts made to charities. Donors feel better about their personal financial situations - for most, their retirement accounts have been steadily increasing in value over the past two years - and as their overall wealth increases, they feel better able to make substantial gifts to charitable organizations.

The effect may be somewhat delayed. We saw that charitable giving by individuals in the U.S. rose approximately 4% in 2012, while the total annual investment returns of the major stock indices were substantially higher. Information is not yet available for 2013, but it’s likely that charitable giving by individuals rose yet again, possibly by an even higher proportion. The individual sense of wealth and well-being is buoyed not only by stock values, but also by other economic indicators such as residential property values – which have been rising steadily since the widespread collapse in 2008.

So where are we in 2014? The stock markets sustained major corrections in January and certain commentators proclaimed that the “bubble” was bursting. Yet at the time of this post, the stock markets have basically recovered from the declines in January. We still have economic uncertainty – employment levels continue to be troubling, and many economists are pointing to the growing disparity between the top and bottom of the wealth spectrum in America – but fundamental measures of U.S. and international companies are still solid, and GDP is rising across the globe, albeit more significantly in some countries than in others.

No one can say with assurance what will happen with stock markets in 2014, or what the economy will do, or what the immediate impact will be on charitable giving by individuals. We can say, however, that the signs point to at least reasonable, continuing investment returns, and optimism on the part of the individuals who make up our core constituency in planned giving. This should pave the way to an even more robust year of philanthropic support by the citizens of one of the most generous populations on the planet. What do you think? We welcome your thoughts and feedback.