

Commission Based Compensation For Professional Fundraisers

Should a fundraising professional be compensated on the basis of a percentage of funds he/she raises? The presented rationale typically is *“that’s the way we do it in business... basing compensation on production!”* Not unreasonable to consider, but definitely not a sound policy in the non-profit sector.

My view is not based solely on ethical standards adopted by professional fundraising associations throughout the United States. My view is also based on practical considerations that commission-based compensation can diminish an organization’s fundraising results.

What Attracts the Gift? Donors are primarily attracted to a non-profit organization’s fundamental mission, and by a warranted regard for its programs, services and established reputation established. Not primarily in response to a professional fundraiser’s solicitation.

Who should Get the Credit? Most major gifts come after time, patience and personal contacts with a donor by many people associated with the organization, most particularly volunteers. With that in mind, who should receive credit for the eventual gift commitment?

Downgrading Major Gifts: Donors would be reluctant to make a major contribution to a favored organization if 5% to 10% of their gift went directly to a professional fundraiser involved.

Premature Solicitation: A professional fundraiser might be more interested in “closing” a gift commitment swiftly for the immediate compensation, rather than working with the donor over time to maximize his/her interest and eventual gift commitment.

Unwarranted Promises: A professional fundraiser might be tempted to suggest special benefits and privileges to encourage a major gift commitment; benefits which the organization may not be in a position to honor. For example: guaranteed admission, discounted medical services, “naming” a major facility, special seating.

When to Compensate? How would a professional fundraiser be compensated for a donor’s pledge to be paid over five years? In advance before pledge payments are received? As pledge payments are received? When all payments have been received? And, what about an estate planned gift commitment such as bequests and trusts?

Volunteer Involvement: It would be difficult to encourage volunteers to become engaged in personal contact, cultivation and solicitation of donors knowing that the assigned fundraiser would be *“taking a cut!”*