

# Capacity Rating Formulas

## Definition

Once you have gathered key information about the assets and overall wealth of your prospect, you may want to determine a capacity rating. A capacity rating is:

- A major gift dollar range for a gift over 5 years if only one gift was made
- Strictly based on wealth indicators and not on affinity or inclination
- Suggests ability to give without considering unknown liabilities
- NOT a solicitation amount

## Simple Capacity Formulas

The formulas below are derived from prospect researchers' experience as well as census data, IRS tax return information on the wealthy and other data *and are only guidelines*. Single-asset formulas are likely to provide you with conflicting results, although sometimes you may only know about one asset (usually real estate). The more data you have, the more accurate and less subjective your capacity rating will be.

- Real estate value:  $\$(>\$400k) \times 5 \text{ years} \times 4\%$  or  $\$(<\$400k) \times 5 \text{ years} \times 3\%$
- Salary: salary  $\times 5\%$  or  $10\%$
- Political Contributions: \$ amount in one cycle  $\times 20$
- Annual Giving: \$ amount in one year  $\times 20$
- Direct Stock Holdings: Direct Stock Holdings  $\times 5\%$  or  $(\text{Direct Stock Holdings}/.20) \times 5\%$

The more information considered in your formula, the nearer to truth it can become. This multiple-asset formula is an example of taking it one step further:

$[(\text{household annual income total} \times 5) + \text{owned real estate assets total} + \text{current direct stock holdings total} + \text{pension plan value total} + \text{investment data total} + (\text{largest family foundation gift in most recent fiscal year} \times 5) + \text{luxury assets total}] \times 1\% \text{ to } 5\% \text{ (based on age)} = \text{five-year gift capacity}$   
 (Ages <35 = 1% ; Ages 35–44 = 2% ; Ages 45–54 = 3% ; Ages 55–64 = 4% ; Ages 65–74 = 5% ; 75+ = 4%)

## More Information

According to the 2007 *Mendelsohn Media Research Affluent Survey*, the percentage of assets at different household income levels is as follows:

Asset Type	Household Income Ranges		
	\$85k-\$99k	\$100k-\$249k	\$250k+
Household Annual Income	10%	10%	12%
Principal Residence	33%	29%	18%
Other Real Estate	10%	11%	15%
Securities*	20%	22%	32%

\*Includes corporate stock, bonds, money market funds/CDs, and mutual funds.

**Net Worth:** Prospect researchers are not able to determine net worth because we cannot know the prospect's liabilities or debts and are likely not to know every asset.

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