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Can Jewish Groups Weather A Double-Dip Recession?

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Bronfman Philanthropies' Jeffrey Solomon: Jewish organizations stressing "efficiency."

The stock market's plunge last week to a 14-month low has left doomsayers predicting a "double-dip recession," a recession that is followed by a brief period of recovery before the economy enters another recession. Are Jewish organizations — whose endowments have already been battered by the Bernard Madoff fraud and the overall stock market volatility of recent days — taking the necessary steps to protect their assets from such a fate? To find out, we checked in with Jeffrey Solomon, a leading commentator on the Jewish philanthropic world who serves as president of the Andrea and Charles Bronfman Philanthropies.

Q: The debt crisis in Europe contributed to the stock market's recent plunge, and fears abound that the economy will get worse before it gets better. Can Jewish organizations withstand such a fate?

A: Whether it's a double-dip recession or normal 10 percent correction that happens when markets go up as much as this market has gone up since the recession, or whether its something else entirely, the last couple of years have forced Jewish organizations to take a hard look at their most essential programs and build up their core. Clearly, issues of efficiency are on every organization's mind. Survival depends on it.

What actions have Jewish organization taken to weather the stormy market?

I haven't heard any discussion emerging yet about specific action in light of possibility that this could turn into a double-dip recession. It's a little early for that. Organizations don't react that quickly. What we are going to see, sadly, is that to the degree that something like 84 percent of philanthropic dollars come from individuals, what we've seen over past couple of weeks will make individuals more nervous and therefore more conservative.

Given the likely decrease in individual giving, what advice can you offer to fundraisers?

The best advice is that which was offered by so many throughout the end of 2007: "There are three rules: communicate, communicate, communicate." Communicate to donors not only when asking for money, but throughout the year. Help them understand what their donations can accomplish and what the shortage of support is curtailing. Some of largest and best nonprofits have been totally transparent about the cuts they've had to make and there's great wisdom in that.

Are you seeing foundations and other Jewish organizations seeking more risk-averse investments for their endowments, despite lower potential gains?

What we have seen, especially since Madoff, is a greater emphasis on good governance. Whether a shift to more conservative approaches or staying the course in more balanced portfolios, there are far more transparent conversations taking place among investment committees and then presented to the board. In addition, the revised 990 IRS form that nonprofits complete, which is far more expanded, asks about the board's involvement in all things financial. I think it's a great thing.

Before recent market drops, many believed that the worse economic news was behind us. Is that true for those in the Jewish philanthropic world?

We saw some early evidence of that. If you hold the Robin Hood Foundation's annual event as a barometer, clearly there was a return to the 2007 level in terms of how much money they raised. People were beginning to breathe easier. Now, there's greater concern.

Are you bullish about the market?

My crystal ball is far too cloudy. I think we're in for greater volatility for a while. That's going to impact individual giving. Foundation giving tends not to react to momentary conditions. Many of the traditional foundations give based on three-year retrospective returns, so a 1,000-point drop in the Dow over the course of three years doesn't have a great impact. But foundations are just a small piece of philanthropic puzzle. In the Jewish world, there are very few traditional foundations that rely simply on a three-year traditional way of measuring allocations. Many are small family foundations that are contributed to each year by their living donors. Even though listed as foundations, they fit very much in the psychology and rhythm of individual donors. Those are the ones to watch.

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