The Illusion of Net Worth

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As researchers, we value accuracy. We want our work to contain the most recent, reliable information we can find. And that's why so many of us wince when we get the same old request:

"Just get me the prospect's net worth."

And yet, far too often we nod, smile, and dutifully set out to find something we can call "net worth." While this is not an altogether useless exercise (and the accompanying article on "Estimating Net Worth," on page 5, offers a valuable look at how it can be done) I strongly believe that we need to change the terms of the discussion.

Because we can't find the prospect's net worth. It simply is not possible for an ethical researcher, using publicly available information, to accurately determine an individual's net worth.

Too many people in development, including researchers, use the term "net worth" without thinking about its real meaning. Net worth is the result of subtracting all of the prospects' liabilities from all of his or her assets. While we can identify some of a prospect's assets, maybe most, there will always be assets that cannot be identified or quantified.

Examples:

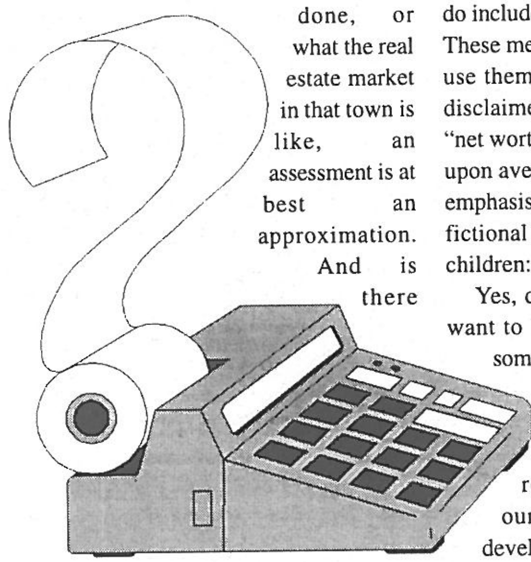
A safe-deposit box full of government bonds.

A trust fund from the prospect's spouse's Great-aunt Gertrude.

A piece of land in Montana that hasn't had an updated valuation in 30 years.

How can a researcher determine an accurate value for such things, when more often than not we don't even know they exist?

Of course, we can find stockholdings and their worth. That is, we can find the stockholdings that the prospect is required to disclose to the Securities and Exchange Commission. But it's possible to own huge amounts of stock in companies where you are not an officer, director, insider, or 5% owner. Those holdings will not be visible to the eyes of even the most talented researcher. We can usually find an assessment of the prospect's house. But without knowing when the assessment was done, or what the real estate market in that town is like, an assessment is at best an approximation. And is there a vacation home we don't know about? A timeshare condominium may have an assessment for tax purposes, but no real resale potential. If a second home is overseas, there may be no data available on its value.



And finding assets is a lot easier than finding liabilities. How many loans has the prospect taken out? Is there a first or second mortgage on that million-dollar home? How many credit cards do they have, and how many of them are maxed out? Did Great-aunt Gertrude provide a low-interest personal loan? Many liabilities are not things we can or should investigate (I doubt any of us advocates opening personal credit records to the public). Even if we could, the public relations aspect of such research is a minefield. I am certain that most prospects would find an investigation of their debts highly intrusive, and would react very negatively.

Which leaves us with "guesstimates." There are several sets of figures generated by the IRS that allow us to extrapolate from the types of assets we can find, including stockholdings and real estate data, and they do include typical percentages for liabilities. These methods are certainly valuable, and I use them myself. But I always include a disclaimer, emphasizing that the resulting "net worth" figure is only an estimate based upon averages. I usually put it in italics for emphasis. The "average" prospect is just as fictional as the "average" family with 1.2 children: have you ever seen .2 of a child?

Yes, development officers are going to want to know net worth. Yes, they need some kind of a number on which to base an estimate of giving ability and choose a figure to use for the ask. But it's important for us as researchers to be honest with ourselves and our colleagues in the development office. We're not psychic, and no one should expect us to be, so let's admit that we are making highly educated guesses. We are probably often quite close to the mark. And the more educated we are, the better our guesses. But we should not be promising more than we can realistically deliver.

As we educate ourselves, we need to educate our colleagues. Perhaps we should stop using the term "net worth" entirely. I prefer the phrase "known wealth," which indicates that the information presented is known to be true, without implying that it is a complete picture. Estimates of wealth are certainly a valuable and necessary part of our work. But "net worth" is an illusion, not a reality. ■