

# Why Your Nonprofit Should Focus On ACH Recurring Donations

---

6 min read



Cultivating reliable revenue streams can be a major challenge for nonprofit organizations. While year-end giving represents the largest portion of revenue for many nonprofits and donors are grateful for the opportunity to participate in the spirit of the holiday season, a focus on year-end giving can result in particularly challenging cash flow management during the rest of the year.

## Key Takeaways

- **How to Increase Recurring Donations in Your NPO:** While there are many ways to automate donations, recurring ACH donations are among the best options because they tend to be the least expensive option...
- **Drop the Zero:** If you have a donor that gives your NPO \$1,000 per year, ask if they would be willing to give you \$100 per month, instead. This method simplifies the process and automatically increases your total revenue by 20%...
- **Simplify NPO Donor Management With a Better Back Office:** Your back office should be working for you, as a fully functional department that helps to support your organization, further its mission, and maximize its impact...

ultivating reliable revenue streams can be a major challenge for nonprofit organizations. While year-end giving represents the largest portion of revenue for many nonprofits and donors are grateful for the opportunity to participate in the spirit of the holiday season, a focus on year-end giving can result in particularly challenging cash flow management during the rest of the year.

If your nonprofit struggles to generate reliable revenue streams or seasonal cash flow, then recurring donations - which provide reliable monthly revenue, for 12 months of the year - could be the perfect solution to solve all of your problems.

## How to Increase Recurring Donations in Your NPO

Yes, it's essential to encourage [recurring donations](#) during your interactions with your donor base. No matter how enthusiastically you push recurring donations, donors are not likely to jump on board if signing up for recurring gifts is in any way difficult, confusing, or challenging.

So, one of the best ways to encourage and increase recurring donations is to automate them for your donors. Automation makes giving easy and only requires each donor to decide to give to your organization once. After they've decided to support you, they'll automatically support you monthly.

While there are many ways to automate donations, recurring [ACH donations](#) are among the best options because they tend to be the least expensive option (compared to recurring payments that use credit cards). Recurring ACH donations also eliminate the burden of updating

donor credit card information when credit card numbers change or the cards expire, and this makes recurring ACH donations easier for your organization, too.

**Read More:** [Bookkeepers vs. Accountants: What Nonprofit Leaders Need to Know](#)

## What Are Recurring ACH Donations?

**ACH Recurring Donations Definition:** ACH stands for "automated clearing house. An ACH is a type of electronic payment that is debited from a bank account, processed through the Federal Reserve Bank, and then credited to another bank account.

ACH payments can be processed as one-time payments or recurring payments. One-time ACH payments are only approved for a single transfer. Recurring payments are authorized for ongoing transfers of a set amount on a predetermined schedule (usually monthly).

So, recurring ACH donations are recurring ACH payments that donors authorize to transfer automatically to your NFP on an ongoing basis.

## 5 ACH Recurring Donations Best Practices

### 1. Make It Easy and Keep It Secure

Your donors are more likely to sign up to become recurring [donors](#) if your process is simple and secure. To accomplish simplicity and security at once, we recommend using a reputable electronic donation facilitator such as Donorbox paired with [Stripe](#), [GoCardless](#), [iATS](#), or [iCheckGateway](#).

These companies have powerful IT security built into their products, and their platforms can seamlessly integrate into your own website for ease of use.

### 2. Be Compliant

A whole host of rules and regulations exist to keep ACH payments safe, secure, and reliable for all involved parties. It's essential that your nonprofit follows these rules and regulations.

If you choose to use a third-party system to process recurring [donations](#), then you'll be shifting some of the compliance burden onto the third-party company. They'll be responsible for ensuring security and gathering all of the necessary data and authorizations in addition to distributing the required disclosures to your donors.

If you choose to collect recurring payment authorizations for ACH payments and establish your own system of transfers with your bank, then you'll be responsible for compliance. This means you'll need to talk with your bank representative and probably your lawyer to ensure you have all

of the necessary documents, authorizations, and disclosures and that you're storing these records properly.

Read More: [12 Tips For Executive Directors To Increase Online Donations](#)

### 3. Mind the Fees

As stated above, ACH transfers are typically much less expensive than credit card payments. They do, however, usually still come with some fees. Whether these are charged by your bank that's processing your ACH transfer file or by a third-party payment processing provider, you'll want to research the fees that are charged and choose a provider that won't significantly diminish your most reliable revenue source.

---

## 7 Management And Board Reports Nonprofits Should Be Looking At



[The ultimate guide for nonprofit management and strategic leadership: download today!](#)

---

### 4. Drop the Zero

When talking with one-time, annual, or year-end donors about signing up for recurring ACH donations, use the "drop the zero" method. With this method, you ask your donors to drop the zero from their one-time or annual gift and then donate that amount on a monthly basis. So, if

you have a donor that gives your NPO \$1,000 per year, ask if they would be willing to give you \$100 per month, instead. This method simplifies the process and automatically increases your total revenue by 20%.

## 5. Educate Your Donors

As always, donor education is key to increasing your NFP's base of reliable, recurring revenue streams. In addition to talking about your mission and providing your donors with real-life examples of the impact that different dollar amounts can have when put to use in your organization, you should also help them understand why recurring donations are so important. Help donors understand how you use recurring donations, how heavily you rely on them outside of year-end giving time, and how recurring donations help you improve your strategic planning efforts and, as a result, your organization as a whole.

When donors truly understand the difference they can make and the increased impact they can have simply by switching from an annual donor to a recurring donor, they are much more likely to authorize recurring ACH payments to your organization.

**Read More:** [The Nonprofit Guide to Outsourcing Your Back Office - Bookkeeping and Accounting](#)

Additionally, when signing up donors for recurring ACH payments, it is essential that you explain the process. Make sure your donors understand the steps you have taken to protect their personal information (i.e. bank account number, bank routing number, name, etc.). Donors might also be concerned that signing up for recurring donations means signing up for forever donations. So, be sure to explain to donors that they can easily stop the payments at any time if they choose to do so.

## Simplify NPO Donor Management With a Better Back Office

If your entire donor base and all of your revenue streams currently feel like a mixed-up jumble, then your nonprofit [organization](#) could benefit from a better back office. Your back office should be working for you, as a fully functional department that helps to support your organization, further its mission, and maximize its impact. With a properly functioning back office, you can automate revenue, donation, donor, and expense tracking to strengthen your revenue streams, increase recurring donors, and more! If you're ready to take your organization to the next level, start by elevating your back office with outsourced bookkeeping and accounting services.