Trends in Philanthropy

How and Why the Wealthy Give

Study reveals the latest research on philanthropy among America’s most financially successful families

INSIDE
›› How philanthropy is changing
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›› Ideas to consider as you plan your giving
A recent study conducted by SEI Private Wealth Management and Scorpio Partnership about philanthropy among the ultra high net worth (UHNW) revealed a varied mix of generosity, optimism and worry.

They give generously, but want to give more. They value philanthropy, but worry that their money is being wasted. Many give without an expectation of getting anything back, while others are laser-focused on measuring impact. And while they’re committed to giving, they want a balance between meeting their own and their families’ needs, and doing the most good with their money.

The next wave of philanthropy will be focused on big ideas and led by donors who want to give not only their money, but also their time and expertise.

This paper shares findings and analysis from the study, “Algorithms of Wealth: Community,” identifies key trends in philanthropy and suggests ways to navigate the often-confusing landscape.
Philanthropy is changing to reflect the times

We are living in a data-driven world. Those who give more expect more—like the metrics to prove the impact of their considerable giving. And the biggest givers are now the youngest (those under 40 years old) and the wealthiest (those with more than $10 million in assets).

The giving spirit, however, comes with a surprising amount of anxiety. Just over half (52%) of those with $10 million-plus say their giving keeps them up at night. They are concerned that their money is being wasted or that they’re not giving enough to make a difference.

Wealthy individuals under age 40 are the most generous. They donate 27% of their wealth to philanthropy, more than double the average of 13%. Those with more than $10 million in assets are similarly generous, donating 21% of their wealth.

For many wealthy individuals, philanthropic giving is entwined with their deepest values and family considerations. Against the backdrop of a fast-changing world, the ultimate goal may be a timeless one—to do good in the world while building strong and resilient family relationships.
The youngest and the wealthiest give the most

There is a generational shift in philanthropy. Younger wealthy consumers give considerably more than their older counterparts, and they are more focused on the impact of their donations. Unfortunately, they are also more stressed about giving. Altogether, it adds up to an interesting picture of high achievement and even higher ideals.

By wide margins, the youngest respondents earn the most money, nearly a million dollars a year, far higher than those 40-59 ($644,000) and the over-60 group, which had income of just over $250,000. Women report significantly higher annual salaries than men, $744,000 versus $522,000.

Not surprisingly, perhaps, the youngest give away 27% of their wealth. Also on the top rung of givers were those with assets of $10 million or more, who donate 21% of their wealth.

A study in contrasts

But high income and generosity—even optimism about the future—don’t seem to bring peace of mind. By a wide margin, the youngest givers spend the most time thinking about their personal wealth goals and finances—25 hours a week. That’s 15% of the week.

Those with assets over $10 million are also big worriers, clocking in at 22 hours a week. By contrast, those with $3 million or less in assets and the oldest respondents spend about 10 hours weekly thinking about financial matters. That’s the difference of an entire workday.

The youngest and wealthiest are a study in contrasts. They spend the most time contemplating their finances, but are the least satisfied with their giving. Nearly three-quarters (72%) of those with $10 million or more in assets say their philanthropic giving keeps them up at night.

FIGURE 2

Considering your current level of wealth today, what percentage do you allocate to causes annually?

INTERESTING FACT:
36% of this group are under age 40
The generous are also anxious

While giving is a core value, philanthropy doesn’t exist in a vacuum. Before they can think about giving, people must feel secure about their own financial security. When asked what troubled them most, 59% of respondents cited running out of money. The factors that tied for second place—both at 21%—were passing wealth on to the next generation and making the right impact with giving.

Family is another concern. Forty-three percent said the #1 factor that could hold them back from reaching their financial goals was disputes with family over strategy.

Sleepless nights

Given the potential complexity of giving, it’s not surprising that thinking about giving kept some people up at night. Still, there were also plenty of sound sleepers. Those with less than $3 million in assets slept best (59% said their philanthropy did not keep them up at night), followed closely by those in the middle wealth band, at 55%.

Those percentages dropped dramatically for the UHNW. Just 28% reported that their giving didn’t keep them up at night. They were most concerned that they hadn’t wasted their money and that they were doing enough to make a difference.

Finally, age and gender seem to bestow a certain measure of peace. Respondents 60 and older and women (54% versus 43% of men) had the most carefree sleep, untroubled by their giving strategy.

When it comes to your donations, what keeps you awake at night?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Reason for Worry</th>
</tr>
</thead>
<tbody>
<tr>
<td>52%</td>
<td>My philanthropic giving keeps me awake at night</td>
</tr>
<tr>
<td>23%</td>
<td>That I have not wasted my money</td>
</tr>
<tr>
<td>20%</td>
<td>That my funds are making an impact</td>
</tr>
<tr>
<td>20%</td>
<td>That I am doing enough to make a difference</td>
</tr>
<tr>
<td>12%</td>
<td>That the cause I have given to is the right one</td>
</tr>
<tr>
<td>9%</td>
<td>How much need there is in relation to my own ability to influence it</td>
</tr>
<tr>
<td>7%</td>
<td>That my plans for philanthropy will continue long after me</td>
</tr>
<tr>
<td>5%</td>
<td>That I will earn the respect of my family and peers with my actions</td>
</tr>
</tbody>
</table>
Generations gauge giving differently

The allure of giving for giving’s sake is strong. Forty percent of respondents said they didn’t expect any personal benefits. That was followed by 28% who were gratified that their personal wealth could have a direct impact on issues, 19% who said their efforts were appreciated in the community and 17% who said giving brought their family closer.

There are some differences by age group—for instance, nearly one-third (30%) of those under 40 want to see that their efforts are appreciated, while nearly 60% of those 60 and older don’t expect any specific benefits.

Social impact is a key measure of results

There was quite a lot of agreement among the survey respondents on the preferred measure of results. For those who measured the results of their giving, social impact was the #1 choice for all respondents. For the wealthiest and the youngest, social impact was followed by family impact (defined as underscoring family values). Those with assets between $3 million to $10 million diverged, however, choosing numeric measures specific to the cause as their #2 preferred measure.

The percentage of those who measured results was highest among the wealthiest and youngest, and lowest among those 60 and above.

In relation to your philanthropy/charity, what do you consider to be the preferred measure of results?

<table>
<thead>
<tr>
<th>Measure of Results</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social impact</td>
<td>35%</td>
</tr>
<tr>
<td>I don’t measure the results</td>
<td>31%</td>
</tr>
<tr>
<td>Family impact (underscores family values)</td>
<td>28%</td>
</tr>
<tr>
<td>Financial impact</td>
<td>20%</td>
</tr>
<tr>
<td>Numeric measures specific to the cause</td>
<td>15%</td>
</tr>
<tr>
<td>Political impact</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
</tbody>
</table>

FIGURE 4
Advisors add value

When making difficult financial decisions, the wealthy are most confident getting advice from wealth advisors, with 44% of all respondents choosing them as their go-to source. The second highest choice, at 21%, was family, and 20% said they relied on themselves.

With the multitude of life and financial issues wealthy donors must handle, it makes sense they would look to professionals to provide unbiased, clear-headed advice. That’s particularly true as they seek the right philanthropy for themselves and their families.

The less affluent are confident in their own advice

While advisors are the leading choice, others preferred their own counsel. Interestingly, the least affluent, those with less than $3 million in assets, chose to go it alone in high numbers. Seventy-one percent said they made all or most of their investment decisions on their own. The under 40 group was even more independent, with 92% saying they were mostly self-directed.

Nearly half of people 60 and older, however, chose to use and follow the advice of professional advisors. Advisors were also popular with women. Thirty-seven percent of women (compared to 26% of men) put their trust in wealth advisors.

Which of the following best describes the way you make investment decisions?

- 38% I could handle my own investments but I don’t have time. I use professional advisors to manage this.
- 24% I use professional advisors for information and advice on more complex investments but make most of the investment decisions on my own without specific advice.
- 8% I use professional advisors for information and advice during special life events, but make most of the investment decisions on my own without specific advice.
- 6% I may get ideas and information from other people, but basically I’m a self-directed investor.
- 23% I use professional advisors and usually follow their advice and recommendations.
Trends in philanthropy

Philanthropy has changed dramatically, driven in part by donors' new expectations and the development of new ways to measure success. Donors are bringing the same scrutiny to their charitable giving that they give to other areas of their lives. That focus doesn’t seem to have diminished the enthusiasm for giving, however.

They are as committed as ever to building their communities, although some may now define their community as global. As we look ahead, we can see other trends emerging strongly. We explore four of these trends below.
Impact investing

Increasingly, donors are looking at charities through a business lens, particularly in terms of sustainability. This trend has given rise to impact investing, in which money given to a philanthropic, educational or other institution is expected to bring about both positive change and a financial return.

Impact investing allows donors to support the causes they feel most strongly about while also meeting bottom-line goals for the organization, such as establishing a firm financial foundation and ensuring sustainability. Impact investing also taps into another trend—the desire for quantifiable results.

Metrics and measurement

In a data-driven world, it’s not surprising that donors are seeking transparency into an organization’s effectiveness. Donors are generous, but they want to be sure that their contributions of time or money are well spent. To that end, they are seeking out quantifiable, as well as qualitative, measurement, for example:

›› Results of research studies conducted on a programs’ effectiveness
›› The number of people served
›› Long-term outcomes
›› How the budget is spent

In response, more philanthropic and charitable organizations are finding new ways to collect, analyze, report and share essential information.

Donors are generous, but they want to be sure that their contributions of time or money are well spent.
Donor-advised funds (DAFs)

In its 2015 Donor-Advised Fund Report, The National Philanthropic Trust (NPT) found that DAFs have experienced growth over the past several years in all of the key metrics—number of individual DAF accounts, total grant dollars, total contributions and total assets. The increase in contributions has driven DAF assets above $70 billion, according to the NPT.

The upward trajectory of DAFs is expected to continue as donors look for ways to give that are also convenient and flexible.

Family foundations

Family foundations are emerging as a favored choice for the next generation of philanthropists. Between 2002 and 2013, the number of family foundations grew by 44%, and total giving to family foundations almost doubled—to $23.9 billion, according to the National Center for Family Philanthropy (NCFP).

As family foundations grow, they are also changing in significant ways. In prior decades, family foundations were often created from estates. Now, two-thirds of family foundations have a founder who is active in the organization, according to the NCFP. What’s more, foundations are making an active effort to get the younger generation involved and millennials are stepping up as decision-makers.
Many things in life require investing—investing time in a startup business, investing money in a child’s education or investing energy in serving the community. Whether investing time, money or both in philanthropy, it’s important to exercise the same scrutiny you give to other areas of life. To help navigate the often-confusing world of philanthropy, there are some key factors to consider.
Follow your passion

For some, choosing charitable causes is easy. For others, it can seem overwhelming, particularly if they have multiple interests. It’s essential, though, to identify what causes are most important to you and define the impact your want your donation to make. Some people are issues-oriented while others are committed to their own community. Still others may be moved by the charitable work of family and friends and welcome the opportunity to join them, working toward shared goals while deepening important relationships.

Choose your level of engagement

While spontaneous giving can be rewarding and appropriate in some cases, it’s important to have a plan to achieve maximum impact. First, establish the type and level of engagement you want to have. Some people prefer checkbook giving while others want to be deeply involved in the charities they support.

That might mean serving on the board, volunteering for hands-on work or donating professional skills, such as legal, finance, accounting, technology, public relations or management capabilities.

It’s essential to identify what causes are most important to you and define the impact you want your donation to make.
Make informed choices when selecting a charity

Even if after identifying priority issues, geographies or causes, it can be challenging to find the right fit. Equally important, it’s critical to find a philanthropic organization that can demonstrate its impact with data or metrics. As we’ve seen, people want to give but they don’t want to waste their money or time.

Websites such as CharityNavigator.org analyze how money is spent by an organization. It shows how much money is spent on the organization’s programs and services as well as administrative and fundraising costs, among others. In addition to informational websites, it’s also helpful to look at the board of directors and executive management, as well as visiting facilities and talking to clients.

Pursue impact

Worry about wasting philanthropic dollars is pervasive. Luckily, the thinking — and the ability to collect, track and analyze data — have all evolved. Both philanthropic organizations and donors are in agreement that reliable metrics and data are at the core of measuring success. Measurement is also critical for building capacity and striving for continual improvement.

It’s important to feel comfortable and confident about philanthropic choices — including whether a cause offers enough transparency or impact. Monitoring an organization over time can help determine its effectiveness. If it’s not meeting its goals, it may be time to reassess. Conversely, if it’s exceeding expectations, more support might be in order.
It’s easier than ever to make real and lasting change.

It’s an exciting time to be involved in philanthropy. The same disruption that we’ve experienced in other areas of life is beginning to show up in the philanthropic realm. There are new ideas, many aimed at solving the root causes of problems, not just treating a symptom. New technology is helping to address issues in innovative ways. Giving can be as close as community organizations or as global as environmental programs with worldwide impact. Metrics and data have ushered in a new area of measurement and accountability.

What may be most exciting, however, is the chance to bring about real and lasting change on an unprecedented scale using new tools and capabilities. Right now, philanthropic-minded Americans have the opportunity of a lifetime.
Study methodology

SEI and Scorpio Partnership have co-led a survey program into the issues facing ultra-high-net worth (UHNW) investors since 2011 with more than 1,200 participants since inception. This unique body of work represents the deepest insight into the hopes and dreams and concerns of America’s wealthiest households. This survey incorporates direct input from UHNW consumers through a digital survey channel. The eighth of these surveys—entitled “The Personal Algorithms of Wealth”—has focused on the attitudes of wealth holders surrounding the influences on their lives in relation to their community, their family and themselves. What, essentially, makes them tick.

In this eighth round of input, 275 UHNW individuals took part. The average total financial assets of the individual respondents were $18 million. There is a portion of the survey population that is both under the age of 40 and has assets of $10 million or more. This accounts for 11% of the total survey population. This sample size is considered relevant in size and response levels for the community of UHNW investors. The quantity in this latest survey, in fact, is the largest of all the surveys to date. Indeed, overall, this survey program continues to be among the largest of its kind ever undertaken.