

Trending Now and Next Year: Our Predictions for Philanthropy in 2020 and Beyond

Understanding the Philanthropic Landscape



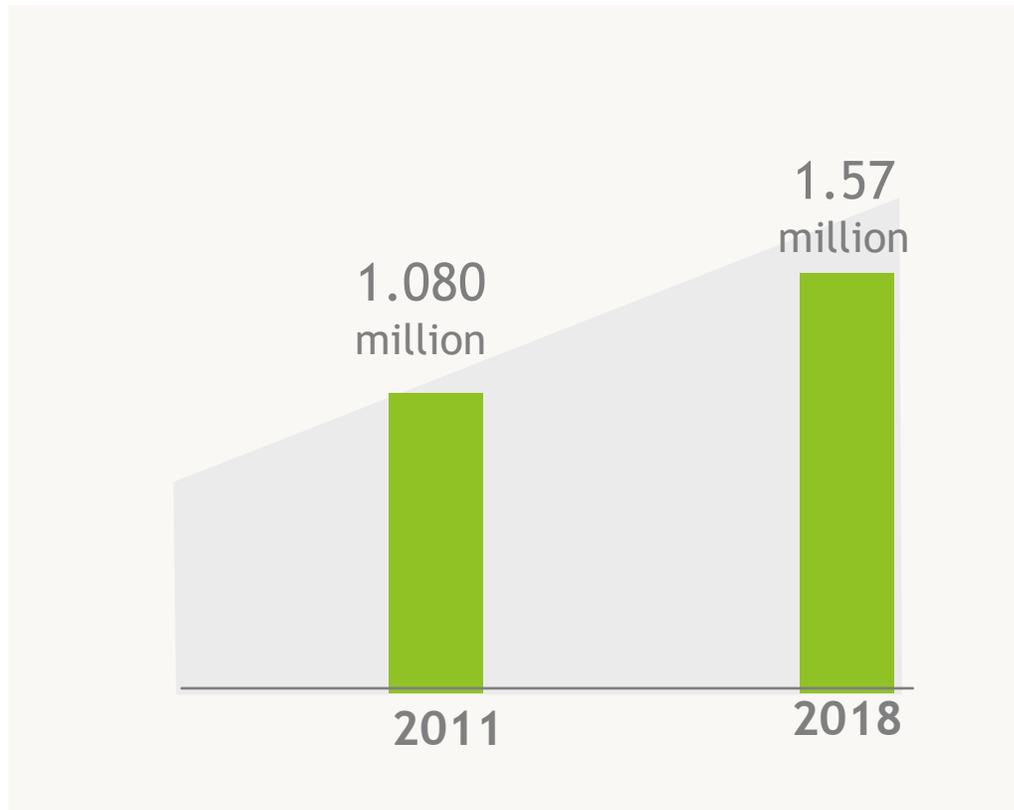
Philanthropic Landscape

- Americans gave **\$449.6 billion** = **2% US GDP**
- More than **86,000** private foundations giving **\$60 billion/year**
- More than **270,000** Donor Advised Fund accounts giving **\$15 billion/year**
- Largest intergenerational transfer of wealth in history (**\$59 trillion**) including **\$6.3 trillion** earmarked for charity



PHILANTHROPIC LANDSCAPE

- ▶ IRS annually reports number of charitable organizations registered under Section 501(c)(3) of the Internal Revenue Code.



450,000
Average 50,000/year

5.4% of US GDP
10% of the US workforce

▶ Source: United States Internal Revenue Service



TREND #1

▶ Influence of High Net Worth Donors



Why Does High Net Worth Giving Matter?

▶ **\$427.71** billion was contributed to U.S. charities in 2018.

▶ Of which American individuals gave **70%** (\$286.65 billion)**

▪ Wealthy households (those with annual incomes of \$200,000 or more) give on average approximately 70% of the household giving reported to the IRS by itemizing households with taxable returns. *

▶ Family foundations collectively donated **\$75.86** billion in 2018.

In 2018, high net worth households gave, on average, a total of **\$29,269**.

By comparison, American households in the general population give, on average, about **\$2,514** each year.

*Indiana University Lilly Family School of Philanthropy, 2017

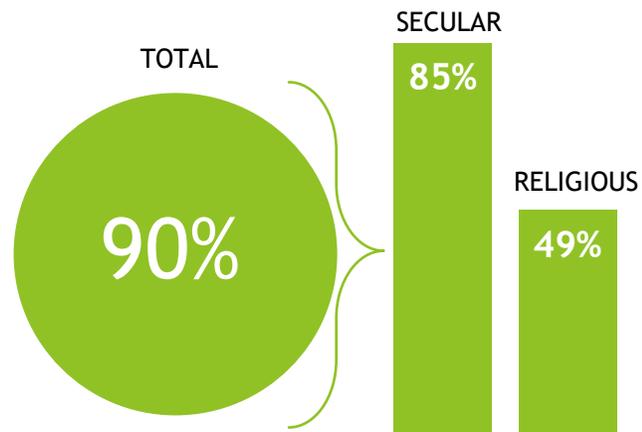
**Giving USA 2017



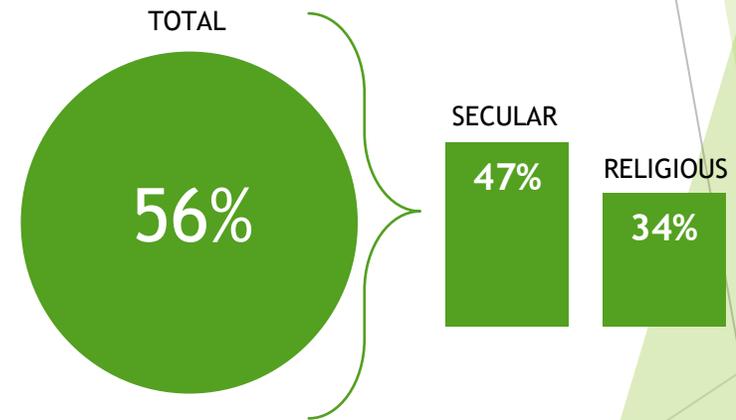
Percentage of high net worth and general population households that gave to charity

Percent of households giving to charity

Among high net worth households



Among general U.S. households*



*Source: Indiana University Lilly Family School of Philanthropy, 2015 Philanthropy Panel Study on giving in 2014, the latest year data is available on average giving by American households.



Who is Giving?

- ▶ Women 93% 
- ▶ Men 87% 

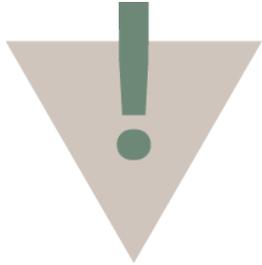
- ▶ Millennials 84%
- ▶ Older than Millennials 91%

- ▶ White 90%
- ▶ African American 92%
- ▶ Hispanic/Latino 89%
- ▶ Asian American 85%

- ▶ LBGQTQ 87%



High Net Worth Donor Evolution



- Giving away money is easy, doing it well is hard
- HNW don't consider donation, consider INVESTMENT
- The most satisfying and effective philanthropy reflects values
- Donors who are more engaged in their giving are inclined to give more
- Giving that is both effective and personally satisfying takes time and effort



Motivations for charitable giving

Factors that led, or would lead in the future, to decisions about contributing to a particular cause or organization

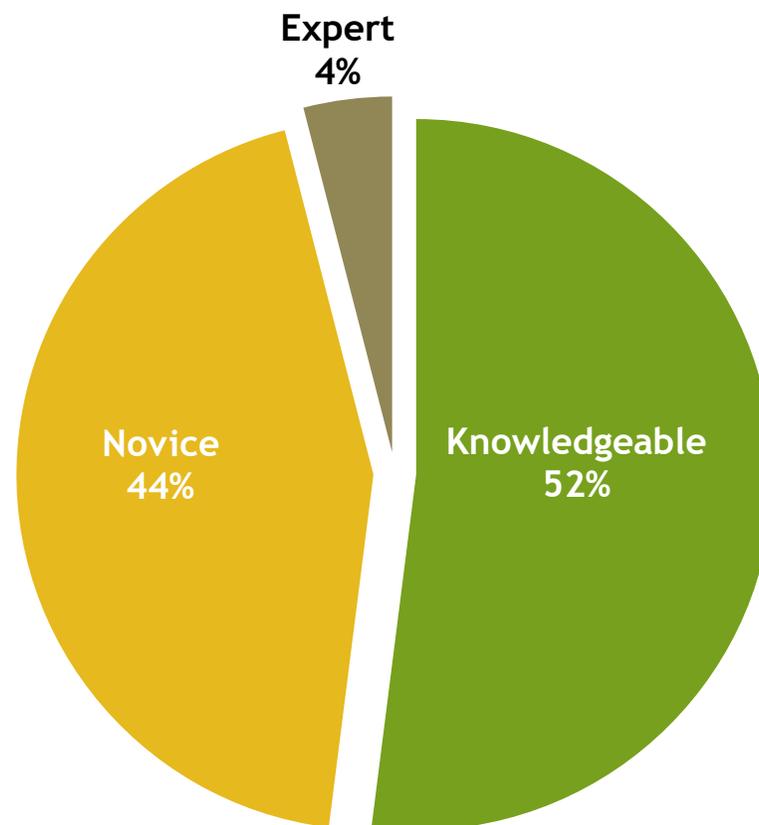
Among all respondents



Philanthropic knowledge

Percent who describe their giving knowledge

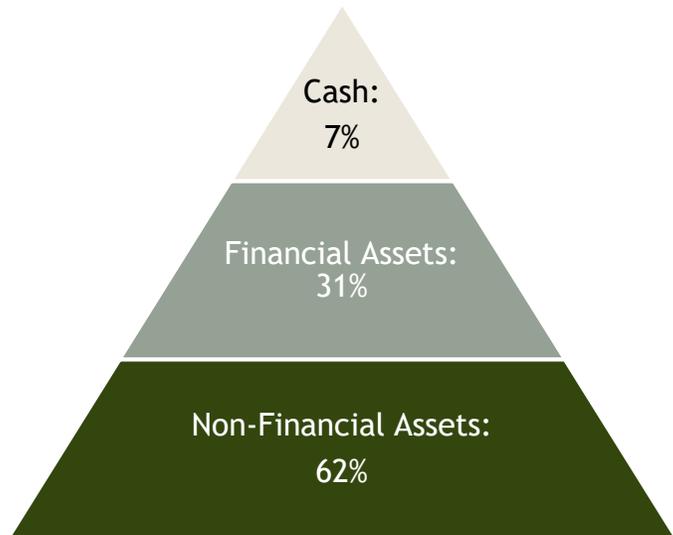
Average Among all respondents



TOOLS AND TECHNIQUES: ACCEPTING GIFTS OF SPECIALTY ASSETS

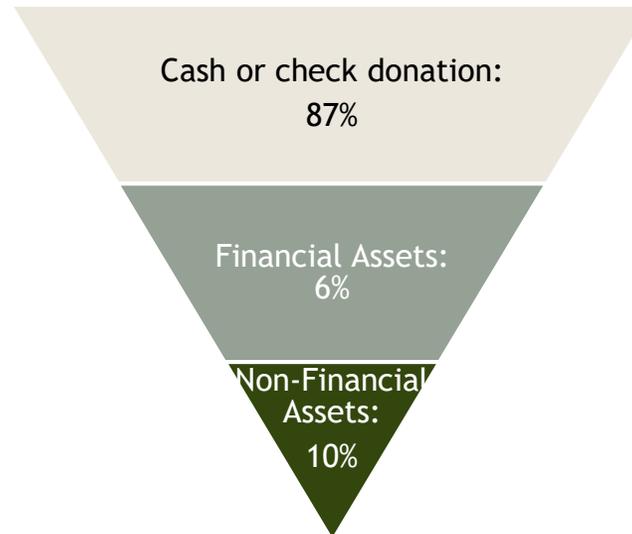
NONFINANCIAL ASSET GIVING: ALIGNING POTENTIAL WITH ACTUAL

DISTRIBUTION OF
AMERICAN HOUSEHOLD WEALTH



Source: Federal Reserve. *Changes in U.S. Family Finances from 2007 to 2010 (2012) (latest data available); Financial Accounts of the United States (2014) (latest data available).*

DISTRIBUTION OF AMERICAN
CHARITABLE GIVING METHODS AMONG
HIGH NET WORTH DONORS



Source: Bank of America. *Study of High Net Worth Philanthropy (2016).*



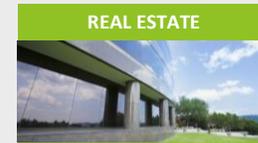
TOOLS AND TECHNIQUES: ACCEPTING GIFTS OF SPECIALTY ASSETS

THE NONPROFIT PERSPECTIVE: THE OPPORTUNITY WITH ILLIQUID ASSETS¹

- ▶ With more than 60% of the net worth in the U.S. in illiquid assets, there is a potential opportunity to increase gifts to your organization.
- ▶ Studies show that donors will leave the liquid investments to their heirs, with the illiquid assets often going to charity.

COMMON TYPES OF ILLIQUID ASSETS:

- Vacant land
- Residential property
- Farm, ranch and timberland
- Investment property such as apartments, office buildings and shopping centers
- Commercial property used in a business such as industrial property, motels and hotels, recreational parks, mobile homes, and RV parks
- Natural resources such as coal, oil and gas, and minerals
- Interests in closely held businesses



▶ ¹ Source: Federal Reserve Bulletin, June 2012. Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances. (Latest available data.)



TOOLS AND TECHNIQUES: ACCEPTING GIFTS OF SPECIALTY ASSETS

DUAL PERSPECTIVE: BENEFITS OF GIFTING AND ACCEPTING ILLIQUID ASSETS

DONOR-RELATED BENEFITS

- Pursue philanthropic goals
- Potentially avoid probate and estate taxes
- Defer and limit capital gain taxes
- Current year income tax deduction
- Shift management responsibility
- Diversify investments
- Generate more reliable income stream

BENEFITS FOR ORGANIZATIONS

- Help donors pursue their goals
- Increase fundraising by expanding the types of gifts accepted to include specialty assets
- Investment attributes of some real estate holdings:
 - Inflation hedge
 - Reduced volatility to non-correlated assets
 - Combined income and principal growth potential

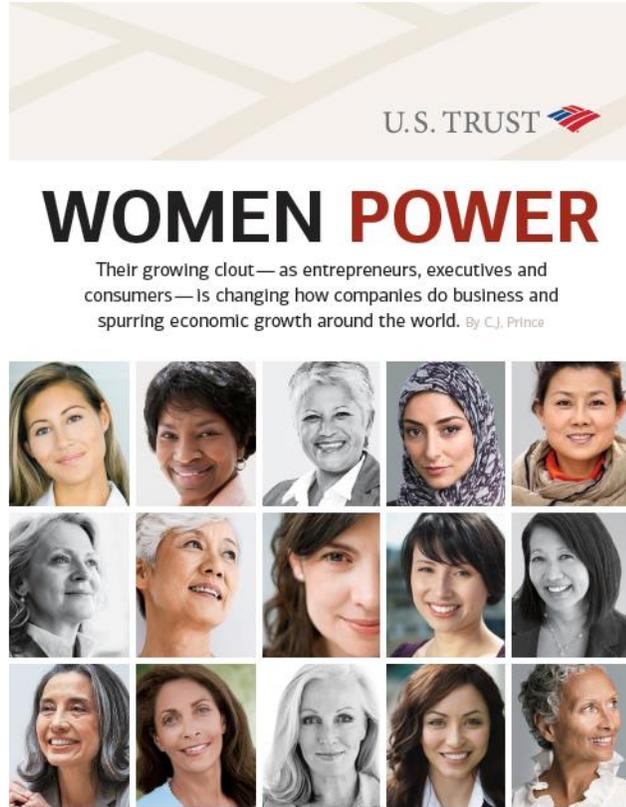


Trend #2

Women's Leadership



Growing influence of women



- Women control 1/3 of global wealth¹
- By 2020, more than 50% of all private wealth will be in the hands of women²
- Estimated 9 out of 10 women will eventually take charge of their families' wealth³
- More than 40% of the global workforce - nearly 50% in U.S.⁴
- 26 women now lead Fortune 500 companies⁵
- In 40% of U.S. households with children under age 18, women are the sole or primary source of income for the family⁶

¹ *Leveling the Playing Field: Upgrading the Wealth Management Experience for Women*, Boston Consulting Group, 2010. (Latest available data.)

² *The Female Economy*, Harvard Business Review, 2009. (Latest available data.)

³ *Women Power*, U.S. Trust, Bank of America Private Wealth Management, May 2015.

⁴ *What's Going On? 101 Things Every Investor Should Know About the Global Economy*, GWIM, U.S. Trust, Bank of America Private Wealth Management, Joseph Quinlan, 2014.

⁵ "Women in S&P 500 Companies," Catalyst.org, August 2017.

⁶ *Women Power*, U.S. Trust, Bank of America Private Wealth Management, May 2015.



WOMEN AS PHILANTHROPISTS

Women are driving or equal decision makers in 98% of all philanthropic decisions¹



Women DONORS are more likely to...²

- Give when they are moved by how their gift can make a difference
- Give when they know the organization is efficient in its use of donations
- Give to a wide range of charitable organizations
- Give to organizations for which they have volunteered
- Spend more time on due diligence when deciding to give
- Have a strategy and/or budget for their giving
- Expect a deeper level of communication with their support
- Place greater importance on hearing about the impact of their gift

¹ The 2011 Study on High Net Worth, *Women's Philanthropy and The Impact of Women's Giving Networks*, December 2011.

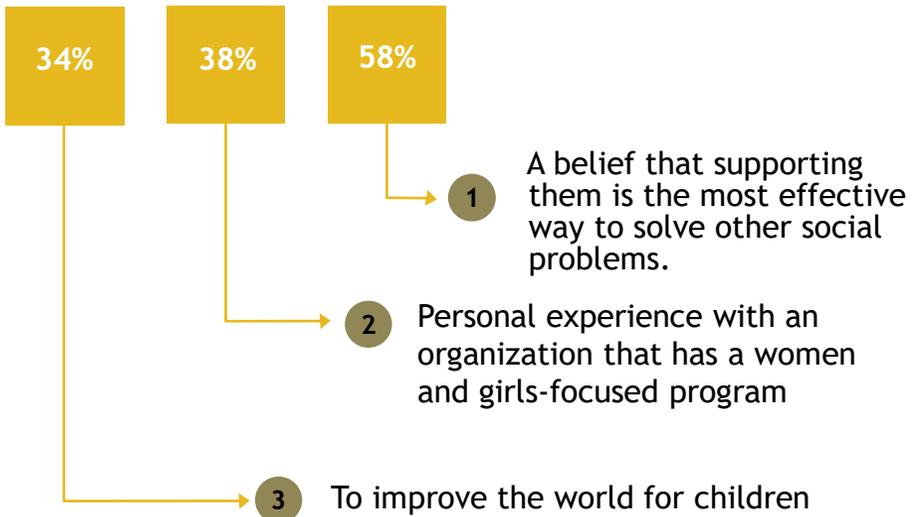
² Worth Knowing, "Women: Putting Their Money Where Their Values Are," U.S. Trust Philanthropic Solutions, October 2017.



Advancing women and girls

Reasons for supporting women's and girls' organizations or causes

Among those who currently support



Other reasons cited

Personally researched a specific cause or organization

16%

Was invited by a friend or family member

16%

Joined a philanthropy group or network

7%

Personally experienced gender discrimination

6%



TREND #3

Collaboration for Equity and Impact



Collaboration is key

“The social challenges we face today are too complex for any single actor to fully address on their own....dramatic, community-wide progress requires engagement of all sectors in a community: nonprofits, business, philanthropy and government pulling together, in the same direction.”

1. All participants have a **common agenda** for change including a shared understanding of the problem and a joint approach to solving it through agreed upon actions.
2. Collecting data and **measuring results consistently** across all the participants ensures shared measurement for alignment and accountability.
3. A plan of action that outlines and coordinates **mutually reinforcing activities** for each participant.
4. Open and **continuous communication** is needed across the many players to build trust, assure mutual objectives, and create common motivation.
5. A **backbone organisation(s)** with staff and specific set of skills to serve the entire initiative and coordinate participating organisations and agencies.



Tips for successful collaboration

1. Beware the “scarcity mindset”
“Do what you do best and partner for the rest”.
2. Work with partners to define success and articulate shared goals
What role do we each play in the collective effort?
What are we trying to achieve and why?
3. Be Honest
The currency of collaboration is trust.
Nonprofits have to trust their partners in order to share both control and responsibilities
4. Embrace mistakes, take risks.
A positive collaboration offers a supportive environment of learning from mistakes, striving together, and a willingness to take risk,
5. Expect, and accept conflict, gracefully.
Assume conflict, acknowledge the conflict, and focus on keeping the project moving forward to reach the endgame.



Collaboration for equity and impact

“If you have come here to help me, you are wasting your time. But if you have come because your liberation is bound up with mine, then let us work together.”

-Lilla Watson



TREND #4

Convergence of For-Profits and Nonprofits



New tools and new roles

- Impact investing
- Social entrepreneurship
- Crowdfunding
- For-profit philanthropy



TREND #5

Impact First



Impact first

“I really want to be a low-impact donor.”

- No one



Impact first

- Multiple meanings- individual, family, community, world
- Appetite for risk
- Focus on root causes
- Outcomes vs outputs
- Data and evaluation



Impact matters

7 Ways of making a positive impact in society

In order by potential for having the greatest impact



Charitable giving



Volunteering



Voting for a political candidate who shares your ideals on topics important to you impact investing political contributions



Impact investing



Political contributions



Purchasing goods from a company that has a social mission

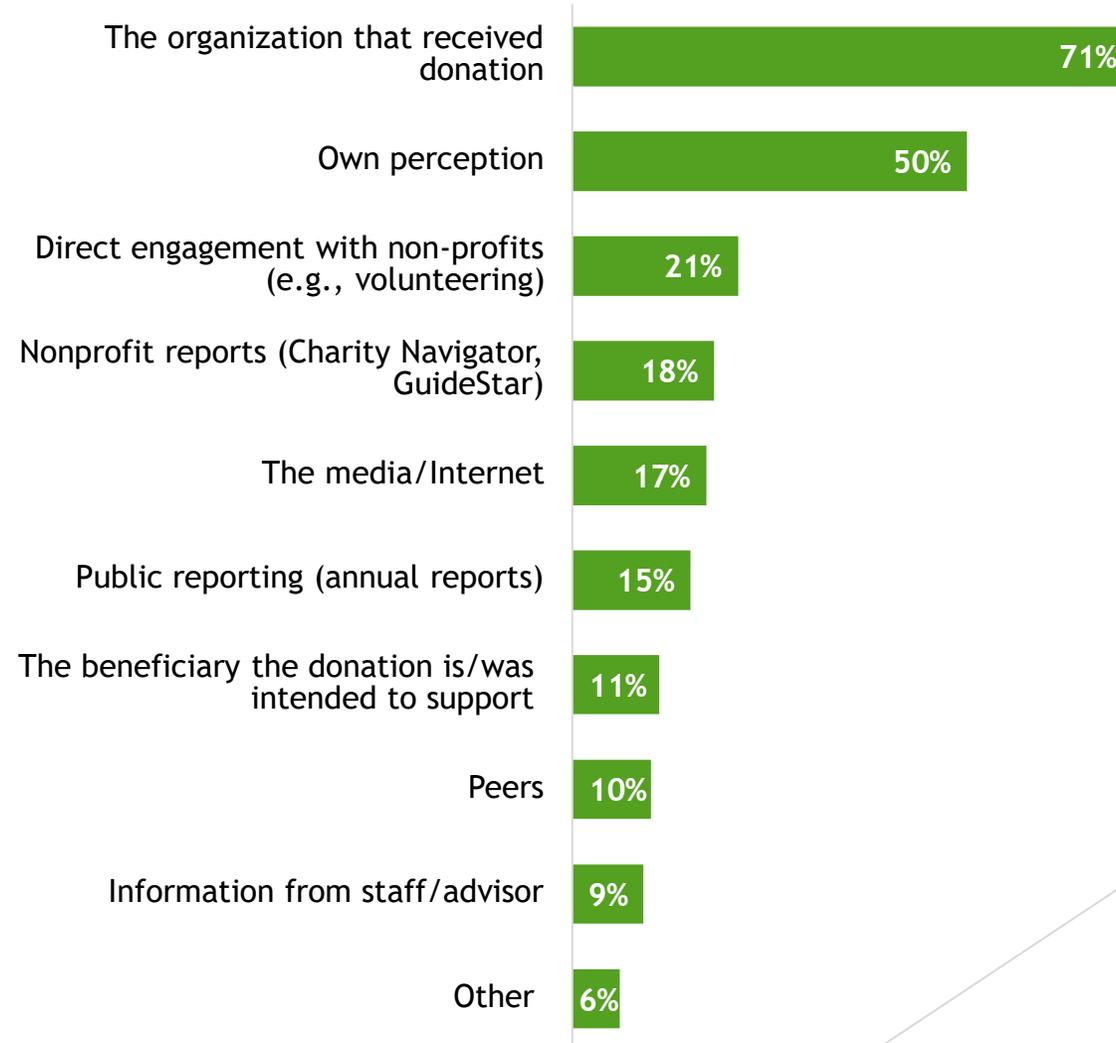


Participating in a social-media campaign to raise funds or awareness



The search for impact

Where high net worth donors seek information on the impact of their charitable giving



TREND #6

Next Gen Doers and Donors



Next Gen Donors

▶ Generation X

- born 1964-1980
- 46 million

▶ Generation Y

- born 1981- 1999
- 76 million

- ▶ Next Gen Donors inheriting over \$40 trillion in wealth from bequests and gifts during their lifetimes

“poised to become the most influential donors in history”



What Drives Next Gen Giving

Values

- Values often learned from parents and grandparents
- Mindful of privilege
- Seek a balance between honoring family legacy and needs/tools of the day

Impact

- Issues vs Institutions
- All of the “tools in the toolbox”
- Impact they can see
- Personal involvement directly contributing to impact

Time, Talent, Treasure, and Ties

- Want to go “all in”
- Giving without significant, hands-on engagement feels hollow
- Want to solve problems, offering own professional or personal talents
- Highly networked- constantly learning and sharing

Identities

- Developing a sense of self
- Historical events and conditions have left lasting impressions
- Actively craft their identities now
- Actively think about their own legacies



How Has the Pandemic Affected Us?

- ▶ Loss of attachment - Who am I connected to?
 - ▶ I need to feel connected bonded, secure or included.
- ▶ Loss of territory - Where do I belong?
 - ▶ I need to feel a sense of belonging and grounding to a place or a home.
- ▶ Loss of structure - What is my role?
 - ▶ I need to feel important, involved and valued.
- ▶ Loss of identity - Who am I?
 - ▶ I need to know who I am as an individual, what I stand for, what my values are.
- ▶ Loss of future - Where am I going?
 - ▶ I need to know my direction and have hope and positive expectations.
- ▶ Loss of meaning - What is the point?
 - ▶ I need to find meaning and purposes in all situations.
- ▶ Loss of control - I feel overwhelmed
 - ▶ I need to feel in control of the situation and my destiny/future.

