September 2007

Wealth and Philanthropy:

the views of those who advise the rich

A qualitative assessment of recent trends

EXECUTIVE SUMMARY

Over the last five years there have been remarkable, positive developments in British philanthropy: new ways of giving have been matched by a growing infrastructure of advisors to help individuals give more effectively. These trends are driven in part by the significant growth in wealth amongst the richest, as well as the growing number of self-made millionaires. However, charitable giving has not kept pace with wealth creation, and the most recent CAF data showed no growth in overall individual giving over the prior year[1]. Moreover, little data exists on giving by Britain's wealthy.

This report, based on a survey of advisors to high-net-worth individuals, provides a qualitative assessment of trends in attitudes toward and practices in giving by Britain's wealthy. It builds on our work published in *Why Rich People Give*[2], the first major British study into giving by the wealthy.

The research revealed five key findings. Compared to five years ago, advisors believe that:

1. More wealthy people are giving.
2. More people are giving during their lifetime.
3. Donors are increasingly concerned about how effectively and efficiently their money will be spent.
4. Feelings of financial insecurity are less of a barrier to giving.
5. More individuals are seeking professional philanthropy advisory services.

Overall the findings present an encouraging outlook for British philanthropy. The research both affirms the conclusions of *Why Rich People Give* and provides new insight. The report also identifies opportunities for the broader giving community to build on the positive trends identified in the research.

INTRODUCTION

This report is part of Philanthropy UK's efforts to promote a culture of giving in Britain. It aims to provide a qualitative assessment of recent trends in philanthropy through exploring the views of professional advisors, the 'gatekeepers' to Britain's rich. Through their perspectives, it presents a picture of both trends in attitudes by Britain's wealthy towards giving, as well as their actual practices of giving. The report also illustrates the type of support private clients are seeking for their philanthropy.

We have been able to capture the experiences of a breadth of private clients who hold on average over £1m in investable assets. Through these interviews, which included a number of people who also participated in the 2002 research, Philanthropy UK can offer a high-level view of emerging trends in UK philanthropy.

1 Individual giving was £8.9 billion in 2005/6, unchanged from 2004/5CAF. *Charity Trends 2007*, West Malling: CAF and CaritasData, 2007.

2 T Lloyd. *Why Rich People Give*. London: Philanthropy UK, Association of Charitable Foundations, 2004.

FINDINGS

1. More wealthy people are giving.

More wealthy individuals are becoming philanthropists, with the most noticeable change seen at the higher end of the wealth spectrum. There has been a dramatic increase in the number of rich people in the UK, as can be seen on the *Sunday Times Rich List*, and more of them are seeking to use their money to help those less fortunate or to effect positive social change.

> *"The high-earners are beginning to give; they cannot consume what they are earning."*
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> **solicitor**
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> *"There is more openness about giving, and about talking about giving, partly a factor of substantial wealth creation over the last ten years. There is more individual giving than recognised."*
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> **accountant**

Levels of giving vary widely, depending largely on the experience of donor, but also on the individual's wealth and sense of financial security. However, despite an eagerness to test new, innovative approaches to tackling social issues, donors are still mainly focused on donating to registered charities. There was little appetite for pursuing other means of effecting positive social change, such as helping individuals directly or supporting social enterprises or other civil society organisations.

There also was little interest among these private clients in socially responsible investment[3], with many individuals viewing their financial investments as distinct from their philanthropy.

2. More people are giving during their lifetime.

More people are choosing to give during their lifetime, rather than through a one-off legacy bequest. They want to see the impact of their contribution and to experience the joy and rewards of giving, such as the relationships they develop – with charity staff, beneficiaries and other donors. Advisors observed that these clients typically are driven by a personal passion for a cause, as well as a sense of wanting to *"give back to society"*, a motivation that was most pronounced amongst the self-made. Also, more people want to give their time as well as their money.

Views on the amount of wealth parents should pass on to their children differ by source of wealth. Individuals who have inherited their wealth tend to view themselves as stewards of their family's wealth, which they must preserve for future generations. In contrast, the self-made are more likely to view their wealth as their own and therefore feel freer to distribute it as they wish.

Notably, advisors also reported that clients were more likely to leave a legacy if they were already giving or serving as a charity trustee.

> *"They will provide for their children, but charity is also important."*
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> **solicitor**
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> *"With the property boom, many children are better off than their parents were at the same age."*
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> **wealth manager**

[3] Socially responsible investment is an area of finance where an investor considers social, environmental and ethical principles when deciding where to invest.

3. Donors are increasingly concerned about how effectively and efficiently their money will be spent.

Advisors reported a growing awareness of charities as well as increasing sophistication of donors. Today's philanthropists are more engaged in their giving, and seek demonstrable impact. They want to feel that they are making a difference. Regardless of source of wealth, there is growing concern amongst donors about how charities use their funds, especially when making large donations to small charities. Many wealthy donors are also wary of giving to large charities or to disaster appeals, where they are less able to monitor the impact of their donation.

Moreover, insufficient confidence in a charity is often a barrier to giving[4]. Similarly, one advisor noted that some new donors give relatively small amounts (compared with their income or wealth), and a significant obstacle is a lack of understanding of the impact that they can have with larger sums.

> *"Whilst many donors have had good experiences with charities, the effect of a bad experience is disproportionate."*
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> **accountant**

> *"Charities need to communicate better with their donors."*
>
> **solicitor**

4. Feelings of financial insecurity are less of a barrier to giving.

Advisors noted that, in part due to strong financial markets in recent years, feelings of financial insecurity are much less of a barrier to giving than they were five years ago, when our research identified this as a significant obstacle. In general, self-made individuals feel more financially secure than those who have inherited their wealth, whilst younger clients feel less secure. This is partly because younger clients tend to have children still living at home, and must plan over a longer-term horizon.

However, other barriers remain. For instance, views on the role of private philanthropy remain mixed.

> *"Some see the blurred line between government and charity as double taxation. We need more robust debate."*
>
> **wealth manager**

Government is generally expected to provide social welfare and other 'basic' public services. Even some committed givers are wary of "letting government off the hook" with their philanthropy. Rather, because as private individuals they are more able to take risks, they seek opportunities to augment public service delivery, such as, for example, testing and promoting new, innovative approaches and subsidising a higher level of service than the government provides.

Additionally, advisors reported that, when choosing giving mechanisms, donors continue to be concerned about using a charitable trust, due largely to a perceived regulatory burden and lack of privacy as compared to Gift Aid[5]. Furthermore, the recent introduction of the 'substantial donor rules' in the 2006 Finance Act imposes new burdens on wealthy donors.

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[4] Impact evaluation is explored further in the June 2007 issue of the *Philanthropy UK Newsletter* ("Demonstrating Impact: a two-way dialogue"). www.philanthropyuk.org

[5] These views concurred with those found in our 2002 research (Why Rich People Give), which revealed that, whilst wealthy donors recognised the benefits of using a charitable trust – such as that it encourages a strategic approach which helps to make giving effective – a fifth of those who had set-up a grant-making charity had serious reservations about one or more aspect of doing so.

Finally, perceived negative media coverage of giving by the wealthy was identified as a barrier to giving publicly. Whilst the advisors recognised that media coverage of philanthropy *"is improving"*, there is a feeling that the press sometimes can be cynical, assuming self-interest or other ulterior motives when reporting on a donation by a wealthy giver. These perceptions are inhibiting many philanthropists from speaking publicly about their giving, leading to a lack of role models for new givers[6].

5. More individuals are seeking professional philanthropy advisory services.

Advisors reported an increase over the last five years in the number of clients asking for support in their philanthropy. The level of interest and the type of support sought varied significantly by type of advisor. For instance, clients of solicitors or accountants typically were more experienced givers: they normally were *"confident to do their own thing"*, and were seeking specific legal or tax advice. In contrast, those approaching financial advisors typically were at an earlier stage in their 'philanthropic journey', and sought advice on *"how to get started"*. They wanted to know more about how to give effectively, and sought a network of like-minded peers to share experiences and learning.

Philanthropy support most commonly provided by professional advisors includes setting up a charitable trust, advising on tax benefits, introducing clients to other philanthropist clients, and connecting donors to charities they might support. With only a few exceptions, most advisors will initiate a discussion of philanthropy with their clients, although the approach is largely technical, including providing legal or tax advice, rather than holistic, such as discussing the client's personal motivations and goals.

Compared to other professional advisors, private banks have more recently begun to introduce philanthropy advisory services, which now sit alongside other specialised services for private clients. One financial advisor identified a lack of in-house expertise as a barrier to providing more comprehensive services, and a number of private banks are partnering with various donor advisory organisations which have emerged over the last five years.

However, more and more advisors are recognising the business case for supporting their clients' philanthropic interests and are responding to the growing demand from clients for support for their giving.

> *"It broadens our relationship with our clients, as it addresses an area of clients' lives that they are passionate about."*
>
> **wealth manager**

> *"It opens up new areas of trust and tax law in which we can advise, and a continuing interest on the part of the client means continuing involvement on our part if we get it right."*
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> **solicitor**

[6] British media coverage of philanthropy is explored further in the June 2007 issue of the *Philanthropy UK Newsletter* ("The British media: barrier or catalyst"). www.philanthropyuk.org

CONCLUSIONS

This report offers a qualitative overview of the trends in giving by Britain's wealthy. Its findings affirm the conclusions of previous research published in *Why Rich People Give*, such as attitudes of the wealthy towards giving and how the self-made are altering the giving landscape.

The research also provides new insight – including that the recent dramatic increase in wealth in Britain is spurring new giving by the very rich, as well as highlighting the important role that financial advisors play in encouraging and supporting giving by the newly wealthy.

However, a culture change does not happen quickly, and these findings suggest opportunities to bolster the trends identified in the research. Namely:

1. **Individual philanthropists:** To seek support from the growing range of philanthropy services being offered by professional advisors, and to encourage their peers to develop their own charitable giving.
2. **Professional advisors:** To expand their philanthropy advisory services to better meet the needs of both experienced and new givers – which may include the use of external specialist expertise – to help clients feel more confident in their giving.
3. **Charities:** To communicate their vision and impact to donors more effectively, and to encourage their own donors to speak publicly about their support for the charity.
4. **Media:** To provide increased, objective coverage of charitable giving in the UK.
5. **Government:** To send a positive message which welcomes all givers and recognises their commitment to society; and to minimise regulatory and administrative burdens on grant-making charities.
6. **Research community:** To explore further the experiences and practices of wealthy donors and particularly to build on Philanthropy UK's research with a quantitative analysis of giving by the wealthy and the support provided by philanthropy advisors.

Taken as a whole, these findings provide a real basis for optimism. The sense of financial insecurity which has held back some potential donors is diminishing among the very wealthy, and their advisers are more likely to be able to provide or access professional philanthropic guidance to their clients. However the challenge is to accelerate the trends highlighted in this report. Potential beneficiaries, government and the media all have their part to play.

METHODOLOGY

This research was conducted through in-depth, face-to-face interviews with 12 advisors representing a mix of the legal, wealth management and accountancy professions. Their private clients hold on average over £1m in investable assets. Five of these advisors participated in the 2002 research. About half of the survey – mainly those questions focusing on donor motivations and attitudes – was based on the 2002 questionnaire.

ABOUT PHILANTHROPY UK

Philanthropy UK is the leading resource for free and impartial advice to aspiring philanthropists who want to give effectively. We develop and share current information and best practice on giving; provide accessible links to specialists; and aim to inspire more people to become philanthropic and so enjoy the extraordinary rewards this brings. An initiative of the Association of Charitable Foundations (ACF), Philanthropy UK publishes the **Philanthropy UK Newsletter**, the leading publication on British philanthropy, and **A Guide to Giving**, the essential handbook for philanthropists.

www.philanthropyuk.org

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