Awakening the Millennial Philanthropist
A Guide for Professional Advisors

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By encouraging your clients' millennial children to think about philanthropy now, you stand a better chance of keeping them as clients in the future.

Over 90% of heirs will change financial advisors promptly after receiving their inheritance, according to the Institute for Preparing Heirs. Nearly 70% of that inherited wealth will go directly to women, who have distinct ideas about money when compared to their male counterparts. In particular, research shows women are especially interested in using their wealth for charitable activities.

It stands to reason that these young women and men will increasingly be looking for philanthropic advice alongside financial and legal services. By working with your clients' millennial daughters and sons to explore their philanthropic passions now, you not only prepare the next generation for their coming wealth, you also deepen your relationship with them whilst expanding your service offerings. In the end, you'll be giving millennial heirs more reasons to stick with you for the long term.

The Millennial Wealth Transfer

If your clients plan to pass wealth onto their millennial children, they are far from alone. New research from mutual insurer Royal London found that British Millennials can expect to inherit over £400 billion in the coming years. This isn't the $30 trillion wealth transfer that American millennials will enjoy, but it's still highly significant.

The Institute for Fiscal Studies points to the growing importance of inheritance in the UK, with *nearly half* of UK households over 80 expecting to leave their heirs an inheritance of £150,000 or more.

A Millennial Approach to Philanthropy

Here in the UK, millennials are more than twice as likely to donate to a charity than those aged 55 and older. But that doesn't mean that this generation is interested in giving the same way their parents and grandparents have.

- **Members of the UK millennial generation are the most likely to choose a charity based on a recommendation from their peer network**. Fundraisers, crowdsoursing and social media events such as #nomakeupselfie and the Ice Bucket Challenge are examples of the power of millennials to raise millions of pounds by urging each other on.

Millennials, "want impact they can see, and they want to know that their own involvement has contributed to that impact," according to the 2012 NextGen Donors Report.

- **Millennials want to see more than glossy photos and vague promises of 'good work' done by charities**. Instead, they are more focused on data and impact than earlier generations. Millennials, "want impact they can see, and they want to know that their own involvement has contributed to that impact," according to the 2012 NextGen Donors Report.

- **Millennials are also more willing to give to those outside of their social and economic class**. The UK Charities Aid Foundation's 2017 report found that while the older generations typically give to hospitals and religious organisations, millennials are more likely to give to mental health charities, homeless and refugee organisations.

Starting the Conversation

Clients with Millennial Children

Your more philanthropic clients may have already thought about how to pass their charitable values onto their children. They may well be looking for guidance, especially since many people with significant wealth fear raising self-indulgent children with little sense of giving back.

Let your clients know that you're happy to be a resource and a sounding board for them and their children as they discuss the philosophy and practice of charitable giving. Proactively offer resources such as the Philanthropy Impact web site www.philanthropy-impact.org and the book, Raising Charitable Children and connect clients with philanthropic advisors who can help them and their children define and research a charitable focus.

If the family already has a family foundation, they should start discussions about family values and philanthropic traditions early. This guide from the National

Center for Family Philanthropy in the US includes some useful questions to start the conversation.

Millennials/Next-Gen Clients

Your millennial/next-gen clients (or those with client parents) may already have some ideas their own philanthropy. The research shows that as a whole, millennials are passionate, result-oriented and engaged. Prepare by reading some of the latest ideas on this generation's approach to giving, such as the newly released Generation Impact: How Next Gen Donors Are Revolutionizing Giving.

Then, sit down for a conversation. For those who aren't so keen on philanthropy yet (or just haven't thought about it) take some time to get to know them and their interests. What did this young person study in school? How does he or she spend their spare time? Perhaps your client is a surfer so giving to an organisation that protects sea life or costal waters could be of interest at some point. Maybe she's an animal lover—has she ever considered supporting an animal sanctuary?

Even if the millennial isn't interested in parting with any money yet, you can still encourage him or her to explore their passions by volunteering, or even just following a few charities on social media for a while. Let them know that you're there for them when—and if—they want to talk more about charitable giving.

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For those millennials ready to give philanthropy a try on their terms, your conversation with them will be a bit different. You might start by asking them questions like:

Are there issues you're particularly passionate about? How are you involved in these issues right now?

Tell me about a charity you donated to in the last couple of years. What attracted you to them?

Are you interested in giving just money to the cause or causes you care about? Or are you also interested in sharing your talents and time?

If the young person is quite new to philanthropy or is interested in learning about various approaches to giving, you can help them test the waters. Groups like The Young Funding Network and The Philanthropy Club offer excellent opportunities for millennials to network and collaborate with like-minded peers. Both organise regular events for younger people to meet in fun, casual locations and learn about innovative funding opportunities. The Philanthropy Club even offers opportunities for young people to combine their talents to tackle challenges facing local charities.

Working toward a giving strategy

Before launching a philanthropic journey, your client will want to outline his or her values and general objections. For many people, giving is an emotional response to a particular appeal or an exciting new approach to giving. There's nothing wrong with letting your heart guide your charitable wallet. But at the end of the day, a person who gives haphazardly can be left to wonder what their overall charitable impact has been. Many people will wish they started with a giving objective and strategy of how to get there. As we know, millennials are especially interested in seeing the impact their money creates.

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This is of course where a philanthropic advisor can be useful. Philanthropic advising is increasingly being integrated into the wealth planning of high net-worth individuals in the UK and Europe. Philanthropic advisor can help clients define their philanthropic goals and understand how the charitable sector is addressing specific causes. Better informed givers are more impactful givers, after all.

Exploring Approaches to Creating Charitable Impact

Once your client has outlined some basic values and objectives of their own giving, you—ideally with the help of a philanthropic advisor—can help them explore the wide variety of approaches to creating charitable impact.

Traditional Charities

Britain has a rich history of charitable work and many well-established charitable bodies that carry it out. Charities dedicated to a range of pressing issues—from cancer to international development—raise millions of pounds each year and their work touches thousands. Gifts to these larger, household name organisations could be put to good use, and some millennials will want to support them for emotional or practical reasons.

But if you and your clients scratch the surface a bit, you'll find a wealth of smaller, more targeted charities in urgent need of funding. Community foundations continue their growth across the country and are excellent sources of information on local needs and charities. GiveWell, based in the U.S., publishes regular rigorous research on the effectiveness of charities working mostly in the international health sector.

Finally, you and your clients would also do well to watch the charity news by following publications such as Third Sector and the various newspapers' charity sections. These media outlets tend to highlight innovative charities while educating readers about charity scams and abuses.

Micro-lending and Micro-gifting

Nobel Prize winner Muhammad Yunus was the first to introduce microlending as a means for the extremely poor to access the credit they needed to build businesses. Since Yunus launched the Grameen Bank in Bangladesh, microlending has taken off as an engaging way for people with even just a few pounds to see the impact of their giving. Charities like Kiva.org are terrific places—particularly for people new to charitable giving—to get their feet wet with microlending. There, 'Lenders' can choose from a range of people they can lend to. When the loan is repaid, the site makes it easy to pick a new person and project to fund.

Websites like donorschoose.org and globalgiving.org work in a similar way, except that they connect individuals and charities with donors rather than lenders. American school teachers use Donors Choose to post requests for specific supplies for their classrooms. Donors at a certain level receive thank you packs from the teacher and his or her students. For the newbie philanthropist, micro lending and gifting can be a useful and fulfilling way to get a feel for the range of projects and issues philanthropy can address.

Impact Investing

The Global Impact Investing Network defines impact investments as investments made into companies, organisations, and funds with the intention of generating social and environmental impact *alongside* financial return. The ideal is that an impact investor recoups his or her initial investment alongside a profit, which may or may not be less than what that investment could have generated from a traditional investment.

The impact investment sector is still relatively young, but it's growing fast with quite a few advocates behind it, including many in the millennial generation. In fact, a World Economy Forum study found that 36% of millennials believe that the primary focus of business should be to "improve society," slightly more than those who believed the major goal of business should be to generate profit.

There are a range of ways your clients can dip their toes into impact investing and make it part of a larger philanthropic strategy. You could start by reading The Shareholder Action Guide, and give a copy to your more progressive millennial clients. If shareholder advocacy is outside of their comfort zone, talk with them about ways to design their portfolios so they don't include industries that don't align with their values. And if they're ready to make the leap into full-on impact investing, you'll want to set aside time to review investment options for them like those listed on the Social Stock Exchange or consider the growing number of impact mutual funds.

Settling on Vehicles for Giving

Once your millennial clients have developed a rough strategy—or at least general guidelines—for their philanthropy, you'll want to help them settle on the best way to manage and distribute their gifting.

Family Foundations and Private Charities

Private foundations and charities are always an option for managing an individual or family's giving. However, these structures require significant paperwork and on-going administration, including due diligence of those it funds. Private foundations have to file annual reports with the Charity Commission, which can cost thousands of pounds a year to prepare.

Before launching a brand new charity, encourage your clients to think realistically about the kind of back-end work they're willing to put in. Millennials in particular may feel they are too busy with their careers, families and lives in general to dedicate time to managing a foundation.

Donor Advised Funds (DAF)

For millennials who simply want to begin gifting, a donor advised fund is an excellent option. In addition to being increasingly popular in the UK, DAFs take very little paperwork to establish, and the tax reporting is significantly less complicated than that of a private foundation. Even better, a range of asset types can be donated to a DAF, including stocks and even fine art. All that, and a DAF can be up and going in a week or two, compared to the months it typically takes to establish a foundation.

In Summary

You've worked hard to build a relationship with your clients. You can demonstrate your enduring value to their family by helping your clients' children become informed, involved philanthropists even before they inherit significant wealth. By demonstrating your willingness to be a resource and guide for these millennial and next gen givers, you will strengthen your relationships with your existing clients, and build trust with those who will ultimately inherit their parents gifts.