Private
Bank

Barriers to Giving

Research into the evolving world of philanthropy

BARCLAYS

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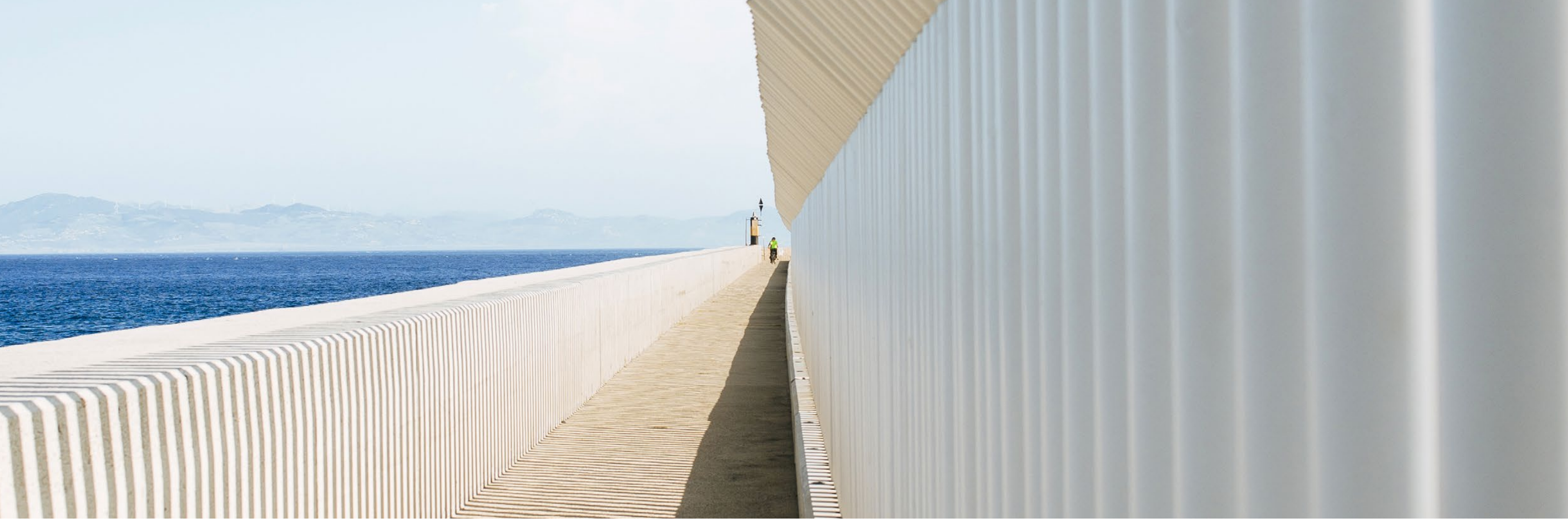


Introduction

In 2009, in the aftermath of the financial crisis, Barclays conducted research into charitable giving, focusing on the barriers to giving affecting wealthy individuals in the UK and US. One of the report's key findings confirmed the difference between the philanthropic cultures of the two countries. Though they had similar levels of income and capital, wealthy individuals in the US gave a larger proportion to charitable causes than those in the UK.

Ten years on, philanthropy for the wealthy in the US is as important as ever but this is in stark contrast to much of the rest of the world. In 2018, more than $425bn[1] was raised and donated in the US, equivalent to 2.1% of gross domestic product (GDP). However, the total of just over £10bn raised and donated in the UK[2] in the same year equated to just 0.5% of GDP[3].

One of the reasons for this, as identified in the original report, is culture. In many countries outside the US, philanthropy and charitable giving are less embedded in society and are often seen as an optional activity, even among the very wealthy. However, this relatively small population of highly successful individuals is growing.

There are now an estimated 1.1 million multimillionaires (those with £5m+ in investable assets) outside of the US, all of whom have the means to make major donations. And the reality is that while many of them do give to charitable causes, their giving is often limited – they are givers but not, according to the standards of the charitable sector, major givers.

What motivates them to give in the first place, why do they give the amounts they do and what is holding them back from giving more?

This report answers these questions by examining the giving behaviour of global multimillionaires outside the US and identifying the current barriers to greater giving.

[1]Giving USA 2019: The Annual Report on Philanthropy for the Year 2018
https://givingusa.org/giving-usa-2019-americans-gave-427-71-billion-to-charity-in-2018-amid-complex-year-for-charitable-giving/

[2]CAF: UK Giving 2019
https://www.cafonline.org/about-us/publications/2019-publications/uk-giving-2019

[3]Office of National Statistics – Gross Domestic Product: chained volume measures: Seasonally adjusted £m 30 September 2019
https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/abmi/qna

Methodology

This report was authored by Savanta on behalf of Barclays Private Bank. It is based on three main strands of research, conducted by Savanta in Q2 2019.

The first is a survey of more than 400 high net worth individuals (HNWIs) in key wealth markets outside the US. These included the UK, France, Germany, Italy, Saudi Arabia, UAE, Hong Kong, Singapore and India. All participants held assets of £5m or more. These hard-to-reach individuals were asked questions about their past, current and future giving as well as their attitudes to charities and causes.

In addition, data on the charitable giving of ultra high net worth individuals (UHNWIs) – people with assets of more than £30m – was sourced from Wealth-X.

To help interpret and contextualise these findings, Savanta interviewed more than 25 experts and intermediaries from across sectors connected with philanthropy. They included philanthropy authors, academics, philanthropy consultants and intermediaries, family office professionals and private client lawyers such as:

- Emma Turner, Director, Philanthropy Service, Barclays Private Bank
- Dr Beth Breeze, Director and co-founder, The Centre for Philanthropy, University of Kent
- Martin Brookes, Director, Brookes Impact Partnership
- John Canady, CEO, National Philanthropic Trust UK
- Zaki Cooper, Director, ZC Consulting
- Etienne Eichenberger, Managing Partner, WISE Philanthropy Advisors
- Jo Ensor, CEO of Philanthropy Insight
- Ludwig Forrest, Philanthropy Adviser, King Baudouin Foundation
- Fabian French, Chief Executive, UK Community Foundations
- Ceris Gardner, Partner and Head of Charity and Philanthropy, Maurice Turnor Gardner LLP
- Sianne Haldane, Head of Planned Giving Philanthropy, Cancer Research UK
- Anna Josse, CEO and co-founder Prism the Gift Fund
- Plum Lomax, Principal: Impact Investing, New Philanthropy Capital
- Carlos Miranda, Founder, I.G. Advisors
- Alison Morse, Senior Director, Geneva Global
- John Nickson, author, donor and philanthropy campaigner
- Dhivya O'Connor, Former CEO of Children, Cancer UK, and specialist in HNW Donor philanthropy
- John Pepin, Chief Executive, Philanthropy Impact
- Petra van den Houten, Head of Individual Giving, Manchester
- Joanna Walker, Head of CAF Private Client Philanthropy
- Paddy Walker, J Leon Philanthropy Council

We would like to thank all our contributors for their time and effort in helping to create this report.

State of play and missed opportunities

Sources of donations

Donating from income

To understand the levels of giving among HNWIs, it is important to examine the different sources of wealth available to them when it comes to making decisions about gifts.

For many individuals, their annual income is the most relevant source and, while this is usually substantial, the real figure is the amount that is available after other costs and responsibilities have been taken care of. Their living costs can be considerable and a great number also use their income to provide for members of their family, particularly in relation to education.

The proportion of giving from millionaires' incomes is remarkably low – on average, around half of non-US, global HNWIs donate less than 1% of their annual income. If every individual in this group were to increase their donations to this amount, there would be an additional £800m in annual global funding for charitable organisations – UK multimillionaires alone would provide an additional £46.4m.

Donating from assets

Multimillionaires' assets are often the focus of evaluations of their giving capability – particularly their capacity for more substantial donations – but these are often not the most reliable indicator of how much they can give at that point in time. During their lifetime, an individual's net worth can often be tied up in fixed or relatively illiquid assets such as their business, other financial investments and real estate.

As a result, very large gifts from assets tend to be made by a small pool of very wealthy people with significant liquid assets, in fact just 0.6% of the UHNW population outside of the US. There are around 750 UHNWIs giving more than £500,000 a year. Around 300 more are making annual gifts of around £7.5m and less than 10% of that number, who are almost all billionaires, are giving on average £23.5m a year.

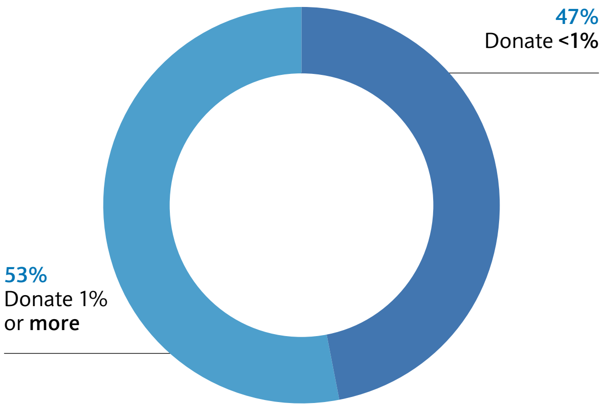
Encouraging a small proportion of donors with the greatest potential to give more could yield a massive increase for charitable causes. Given that there are approximately 2,000 billionaires outside the US[4], encouraging just 5% of these to increase their annual giving to £23.5m would raise an additional £2.4bn a year for charitable causes.

Legacy giving

Of course, when they pass on, the wealthy leave their assets as part of large estates to be dispensed with according to their instructions. This is another potential source of gifts for charitable organisations. However, the amount that is made available can often be what remains after other legatees have been provided for.

On average, around two-thirds (67%) of a multimillionaire's estate

Donations by HNWIs as proportion of income



Source: Savanta survey

[4]Wealth-X

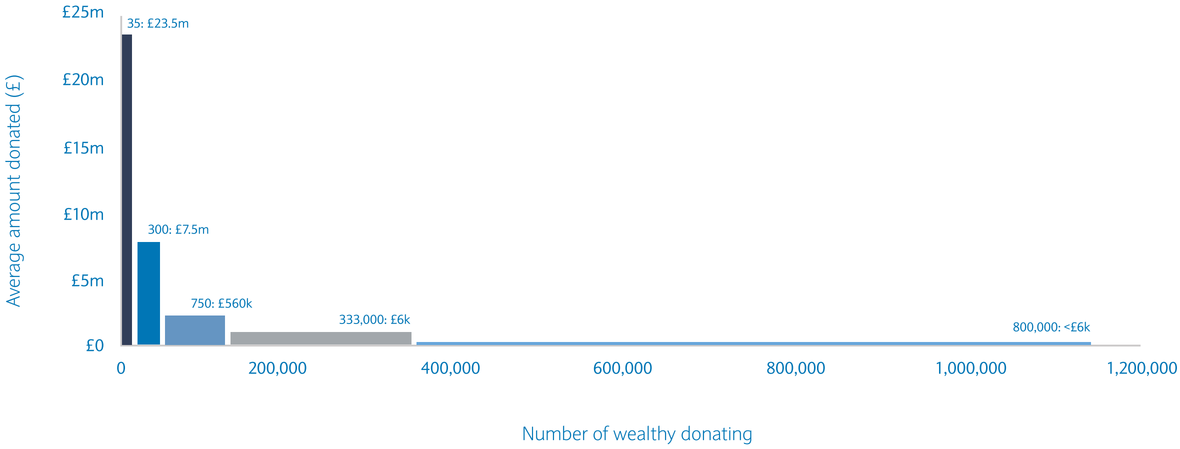
is promised to family or friends with around a quarter (24%) made available to charitable causes. This amounts to an average of £1.88m per estate of those worth at least £5m. If just 5% of non-US multimillionaires fulfilled these estate pledges, the total would equate to more than £100bn of charitable funding over the next 10 years.

While this is encouraging, such levels of intended generosity are met with scepticism, as are estate pledges in general, by those who work in the charitable sector or are advisers to it. In their view, legally binding commitments to the suggested level of intent rarely materialise. It is difficult for the executors of estates to interpret an individual's wishes without an accompanying plan or precedent of past giving to guide how they would like it to be donated. And it is also the case that these estate pledges are difficult for charities to work with because they cannot plan for them. This limits their ability to use future pledges as part of their strategic vision. Added to this is the sad reality that these donors never get to see the impact their gift has on the causes that matter to them.

Donation triggers

Financial security
Among the wealthy, reaching a point of financial security is not a primary trigger for making especially large donations. Only 30% of wealthy donors state that it started their giving journey. Perceptions of financial security are very subjective, and our panel suggest that feeling as though you have enough wealth is a qualifier

Known average annual donations in 2018 by the number of multimillionaires



Source: Wealth-X; Savanta survey

more likely to open the door to smaller donations, at least initially.

Philanthropic influencers

There is a clear role for others in persuading HNWIs to make donations. In recent years, major philanthropists, particularly the signatories of the Giving Pledge, such as Microsoft co-founder Bill Gates, have been lauded as role models. However, the proportion being inspired by a public figure to start their giving is relatively small (25%).

However, generous-minded friends and family can influence the wealthy by encouraging them to begin their giving journey. Being 'encouraged by family/friends' trigger over one in three (34%), showing how the culture of those around the wealthy can play quite a significant part in donations.

Passion for change

The most significant triggers for HNWIs to make larger donations come from personal experiences. For many people, deep sadness, grief or anger relating to a 'personal situation', such as the illness of a relative or an unfortunate event, will inspire them to become a more involved and generous donor, their passion to force change igniting their sudden willingness to make large contributions.

'They're either angry about something and want to change it, or they're passionate and excited about something and want to change it. There needs to be that really strong emotion that drives them in their giving.'

Director, Philanthropy Consultancy

However, personal experience goes beyond events that affect HNWIs personally. The experience of 'visiting other countries and seeing the conditions' (27%) can highlight and bring to life the problems affecting the wider world. Reactions of sorrow and anger can ultimately provoke them to do more to make a difference through charitable giving.

Barriers to giving

Anatomy of the barriers

It is often expected by charities that HNWIs will make more 'major' donations given their personal wealth, or that there will at least be a positive correlation between their increase in net worth and the increase in the amount donated. However, this is not the case. Many individuals do not increase their donations in proportion with their wealth and, in some cases, they cease making donations altogether or never even start:

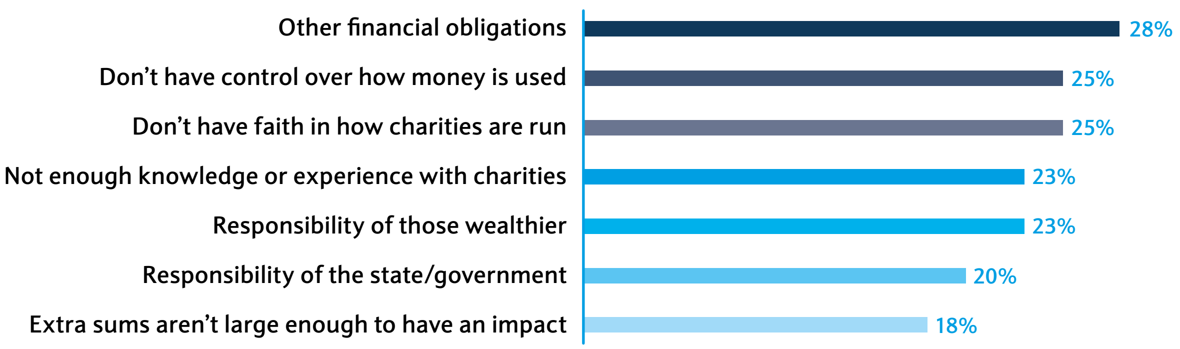
There are a multitude of reasons why HNWIs do not donate or do not donate more, but some are more significant than others.

- The first of these is that these individuals have other financial priorities and obligations that take precedence over making larger donations
- A lack of control on how a donation is used is also cited as a major reason for not being prepared to make large donations, as well as a lack of faith in charities and how they are run
- Additionally, many have a belief that it is the responsibility of others to provide this funding, whether the state or individuals who are wealthier than they are

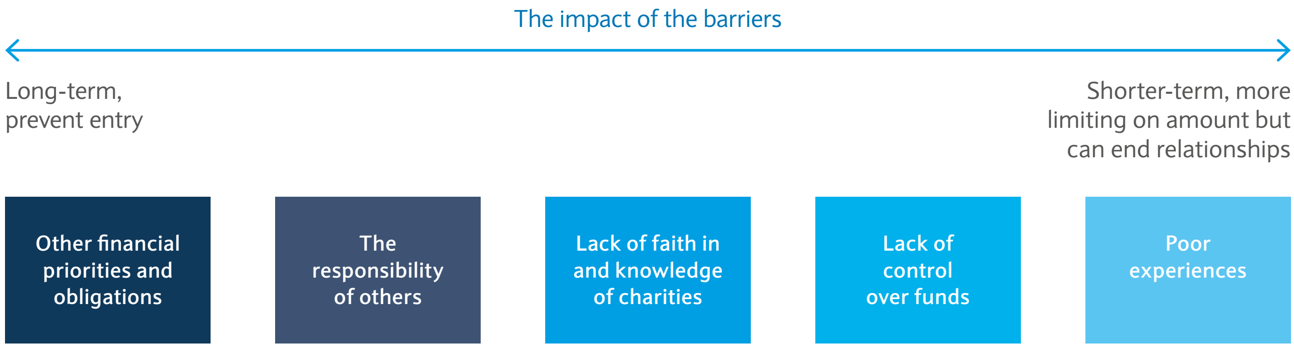
However, the impact of these barriers differs. Some are fatal, acting as 'donation blockers' that prevent the development of relationships with charities and, ultimately, inhibit larger donations. Other barriers are generally less final and simply limit the individual's propensity to give larger amounts in the first instance. They are not considered permanent or irreversible, and there is evidence they can be overcome by building better relationships, particularly to overcome a lack of faith in charities.

There is also a difference in how long these issues remain barriers. Some of them – such as having other financial priorities or viewing large donations as the responsibility of the state or someone far wealthier – are long-term issues that grow over time, even through generations, and can block entry to major giving. Others are more short term in effect – such as feeling a lack of control over donations made or having a poor experience when making large gifts in the past – which tends to limit the amount given but can also end relationships in a moment.

Reasons for not donating more

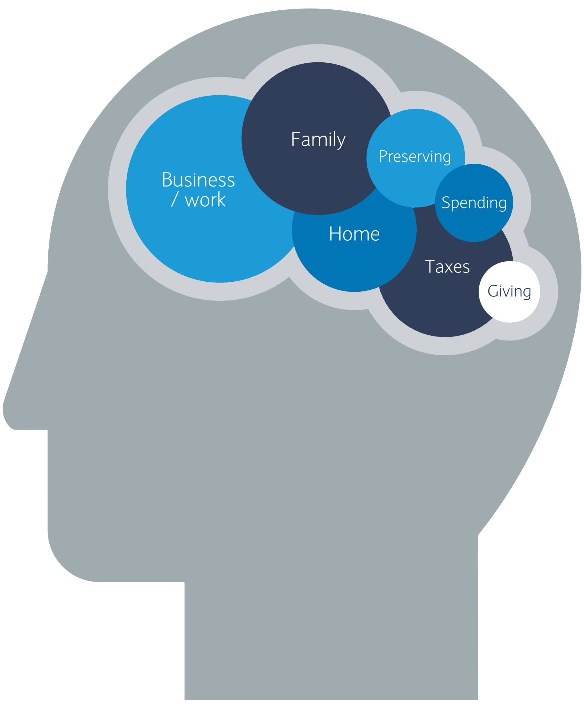


Source: Savanta survey



Other financial priorities and obligations

Just under a third (28%) of HNWIs say business and family spending commitments take precedence over giving more to charity. It is worth considering that despite their wealth, these people can be somewhat financially captive. Their various obligations, such as providing for and educating their children, buying and improving their homes, going on holidays with their families, investing in their businesses or simply preserving their wealth for later in life (to safeguard against illness and old age), can use up a remarkable amount of income and resources, no matter how large these might be.



This barrier helps to explain why the amount given from income is so low. Many of these individuals focus on creating wealth throughout their lives and careers, with their income prioritised on enhancing or maintaining their lifestyle.

'They want the bigger house and they want … their children to be privately educated… There are all these other things that, I guess, they feel are priorities.'

Head of Major Giving, Charity

Though this may be viewed as materialistic, it is quite apparent that the multimillionaire lifestyle can be costly to maintain. It is also often the case that these wealthy individuals assist their friends and family financially, so some of their expenditure arises from concern for those they love and care for and is not purely the result of self-interest.

The case for a more holistic view of wealth management

Advisers to these individuals consistently focus on the three stages of wealth: first growth, then preservation and, finally, succession. This is an understandable and long established approach but one that leaves little room for discussion of and, therefore, less consideration and resource for more advanced philanthropy.

'Giving to charity is mostly going to be what you can do with money left over, that you feel you don't need. I don't think enough people know what they don't need, because people are quite cautious and you're banking on what might go wrong.'

Philanthropy Adviser

This lack of structural planning to include philanthropy as a financial obligation means charities tend to get the residual income after all other objectives have been fulfilled. This is not always caused by the wealthy's reluctance to give – it is more the result of a lack of discussion with advisers or charities, meaning there is not a considered and thorough approach to thinking about major giving. Advisers could help willing clients adopt a more strategic approach that gives a greater financial potential for philanthropy, enabling them to make more considered donations and generate more of an impact. Trusted advisers are in a privileged position and can play a role in helping clients plan for philanthropic giving. Not only are they able to show they approach the issue from their clients' point of view, they are also well placed to help navigate some of the challenges that uninitiated individuals might encounter.

Seizing the offer of philanthropic planning as an opportunity can introduce a more holistic approach to the client relationship. This tends to result in more committed clients, fostering deeper relationships in every respect. For example, discussions about succession and inheritance can introduce questions about 'giving while living', encouraging earlier engagement with the causes clients are looking to support.

The responsibility of others

The notion of responsibility when it comes to charitable giving can be a long-held and deeply embedded view. Individuals who grow up in cultures or families where the responsibility for helping others, particularly among the wealthy, is clearly accepted may find it hard to understand how others

42%

HNWIs consider that the amounts they are able to give would be insufficient to make a real impact

54%

HNWIs consider it is the government/state's job to support causes

75%

HNWIs think major giving is the responsibility of people wealthier than themselves

Source: Savanta survey

from different societies and backgrounds fail to acknowledge this.

However, in many national cultures outside the US, there is a belief among wealthy individuals who give proportionately little, or sometimes nothing at all, that philanthropy is the responsibility of others.

That over half (54%) of non-US multimillionaires consider it is the responsibility of the state, rather than themselves, to support charitable organisations' causes is a personal decision influenced by the prevailing political and fiscal environment. In regions and countries with high tax regimes or state socialism, the wealthy often consider that because they and others pay a large amount of tax, it is the responsibility of the state to provide for the needs of society.

For instance, in France where state socialism is widely accepted and the state provides many services, 71% agree in the state's role. In contrast, in the Middle-East where the state has a far smaller role and religion takes a larger role, the religious requirements of zakat in Islam – the annual giving of 2.5% of accumulated wealth – only one in three (33%) agree.

This is not a view the charitable sector (or philanthropy advisers) share. They believe that these wealthy individuals are surely capable of seeing that states fall short in providing for all the needs of society and, with wealth levels of at least £5m, multimillionaires are extremely powerful financially and fully capable of making a huge impact individually, not to mention as a collective force.

However, many of these individuals do not feel they have the financial muscle to make a difference. Around two in five (42%) consider that the amounts they are able to give would be insufficient to make a real impact and it was acknowledged by sector experts and advisers that many wealthy individuals legitimately question the impact of their donations when considering the scale of the problem at hand.

This is fed by their own definition of a major donation, with those in the study considering a major gift to be around £540,000, which is often much higher than their own total giving over the course of a year. The perception of feeling unable to make a philanthropic impact also feeds another belief held by three-quarters of non-US multimillionaires: that it is the responsibility of those wealthier than themselves to support these causes.

There is greater harmony on this point between the wealthy, the sector and philanthropy advisers with the reflection that individuals of very great wealth have a greater moral obligation to give and the amounts they are able to donate mean they can make a serious, immediate and often strategic impact on an organisation and cause.

The passing on of responsibility to wealthier people by these multimillionaires is also exacerbated by the high-profile nature of the most celebrated philanthropists making vast commitments to causes. Many of these are multibillionaires, feeding perceptions that the smaller sums HNWIs can contribute are inconsequential. Our experts identified that part of this issue is a lack of role models with lower levels of wealth, who are well known and perceived to be making an impact.

'Are there enough public role models for people at lower levels? I don't see them or know who they are necessarily. There are great role models of big givers, and they have spent a lot of time trying to encourage other people to be a lot more public with what they're giving. But these people, they're billionaires.'

Director, Philanthropy Consultancy

Taking responsibility

These views – particularly the misconception that the amount they could give would not make much of an impact or make them a serious philanthropist – can be very hard set in the wealthy. However, contextual understanding and education can help to soften these perceptions.

One example is that greater exposure to conditions in the wider world can persuade some to accept more responsibility and make larger donations. Bigger donors have often been more affected by witnessing major issues, crises and living conditions around the world, often through their own travel but also through engagement with topical issues. Over half (52%) of those who gave £500,000 or more donated to global rather than local causes.

Pointing out the inefficiencies of states and governments is not likely to meet with significant disagreement among the wealthy. They will be aware that governments, no matter how well funded, will not be capable of providing everything that society requires, but also that official processes can be slow moving and lacking innovation due to their often risk-averse nature. It is clearly not only an issue of finite resources but of an unwillingness to evolve. Charitable organisations, on the other hand, particularly when powered by wealthy donors, are not so hampered.

'Figuring out [their] relationship with the state… to answer this [they've] got to say, "What am I doing that's adding value the government can't?"'

Philanthropy Author and Academic

Reflecting what is socially acceptable for the wealthy in their social circles can influence their behaviour. Hence those in the social milieu and peer group of the wealthy can be instrumental in encouraging philanthropy. Around a quarter (24%) of those making proportionately larger donations started to do so when they realised their peers were major givers, highlighting the value individuals place in doing what is expected. At very high wealth levels, philanthropy is almost a given and is expected socially. Those who do not give can feel awkward and might not want to feel left out by leaving philanthropy to others. For those who see this wealthier group as having a greater responsibility, news of people in their immediate circle – at the same wealth level – making bigger gifts and more substantial commitments to charitable organisations can help to normalise perceptions of major giving in their peer group. Major fundraisers tell us that even strangers multimillionaires meet at events, who talk passionately about their giving, can trigger an interest in doing more.

However, it is not only wealthy contemporaries who exert an influence. Friends and family can also make a big impact on changing HNWIs approach to giving. Experts see HNWIs' children, in particular, having a role in changing the way their parents see the world and how their wealth can make a difference. The younger generations are often more interested in global issues and inequalities and can see their parents' wealth as a tool to be used in philanthropy. They can also be part of wider discussions about succession and building a multi-generational, family approach to philanthropy.

Misunderstandings between charities and the wealthy

Being able to trust organisations and the people within them is central to many wealthy individuals' ethos and values, not only in businesses and investments but in all aspects of their lives. Though many have taken risks to achieve their wealth, they can be very cautious in their efforts to protect what they see as hard won and are careful about how their wealth is used and who they entrust it to.

Unfortunately, many wealthy individuals lack the requisite faith and trust in the way charities are run, with one in four identifying this as a major barrier to giving more and advisers recognising this as a serious problem. This is possibly linked to their lack of knowledge and experience of charities – which is also identified as a major barrier by a similar number (23%).

Our experts also identified that charities can lack an in-depth knowledge of the motivations, lifestyles, interests, challenges and wider skillset of their largest potential donors. Together, misconceptions and assumptions on both sides perpetuate a mismatch in understanding and expectations between the two groups.

This propagates a negative 'us and them' culture with each side making assumptions about the other instead of encouraging open, frank and tolerant discussion.

'Lack of faith often comes from lack of understanding. I spend quite a bit of time explaining to clients what a 21st century charity is really like: challenges, competition, under-resourced, understaffed, replication in some cases… Once they start to understand, the conversation shifts to their being more sympathetic and open to learning more.'

Director, Philanthropy Service

Negative assumptions

Charities sometimes make assumptions about the wealthy that are more likely to turn potential donors off philanthropy completely than open them up to the idea of giving more and becoming more involved with charities. One assumption relates to their fortunes – charities can presume that these individuals can always give more, simply because they are very wealthy. In a number of cases, this is partly down to the nature of wealth, notably the difference between money that is immediately accessible and 'paper' wealth that is illiquid.

Another challenge can be the biases held by those working in charities against the wealthy and the wealthy about charitable organisations. Our expert panel of authors, academics, consultants and professionals have observed that there can be a lack of unprejudiced dialogue between both parties that prevents them from achieving what is essentially a shared goal.

In the US, where philanthropy among the wealthy is more commonplace and where wealth creation is generally celebrated, fundraisers applaud the success of their donors. They feel they understand what makes the wealthy tick and they shape the relationship as being one of teamwork rather than merely extracting funding. But beyond the US, a lot of charitable organisations in many countries – in particular those not set up for major donations – do not understand the wealthy in the same way. In some cases, individuals working in these organisations do not view great wealth in a positive light; a common narrative across a wide section of many societies. Starting these relationships with a negative perception of the donor can impact the potential for a deep and meaningful relationship and, consequently, the wealthy individual's commitment to the cause.

However, it can also be difficult for organisations that make the opposite assumption – that getting close to and personal with donors will inevitably yield larger donations. Here there is a fine line between a productive relationship with a shared goal, where the organisation's officers are trusted and even admired by the wealthy individual, and a situation where the arms-length nature of the relationship is compromised by an over-eagerness for proximity, particularly when that appears to be for the sole purpose of requesting ever larger donations, without much else in return.

But there are assumptions on both sides. In the same vein, wealthy individuals hold a number of preconceptions about the charitable sector. Our experts often felt this is due to a lack of knowledge about the organisations, which can be extrapolated out to the sector as a whole.

The first typical assumption the wealthy have about charities is that they may not run or use resources efficiently. Some wealthy individuals have been unfortunate to have experienced this at first hand, but most impressions are based on hearsay and isolated incidents reported in the media. These individuals have taken this to be typical of the sector as a whole.

'From our own experience, charities are not necessarily efficient with the money they're given… for us, every penny that you put somewhere, no matter if it's for a charitable donation or if it's an actual investment, it has to generate much more than it's actually worth.'

Family Office Director

The media have also fed another assumption of the sector by wealthy individuals – that the organisation and oversight of charities are questionable. Scandals involving charitable organisations can often be seized upon as confirmation that the whole sector conducts itself in a similar way. This reductive narrative immediately sets potential donors against charities, which can lead to a hesitancy to engage with charities, preventing the perspective that both are on the same team working toward the same cause.

> 'They have a broad-brush lack of confidence in the whole sector. In the same way as the business sector, you have good organisations and less good ones. People lack the confidence to do good due diligence and work out which ones are good.'
>
> **Director, Philanthropy Consultancy**

And despite their apparently low expectations of the sector, some wealthy individuals expect charities to conform to especially high standards. For one thing, their status as charities carries unrealistic expectations of the organisations' moral integrity, while at the same time demanding them to be run with high levels of business-like efficiency and a sense of financial prudence that would be rare even in the commercial sector. On top of this, there is also a degree to which wealthy individuals expect the highly skilled professionals who run these organisations to accept a 'moral salary' in lieu of market pay.

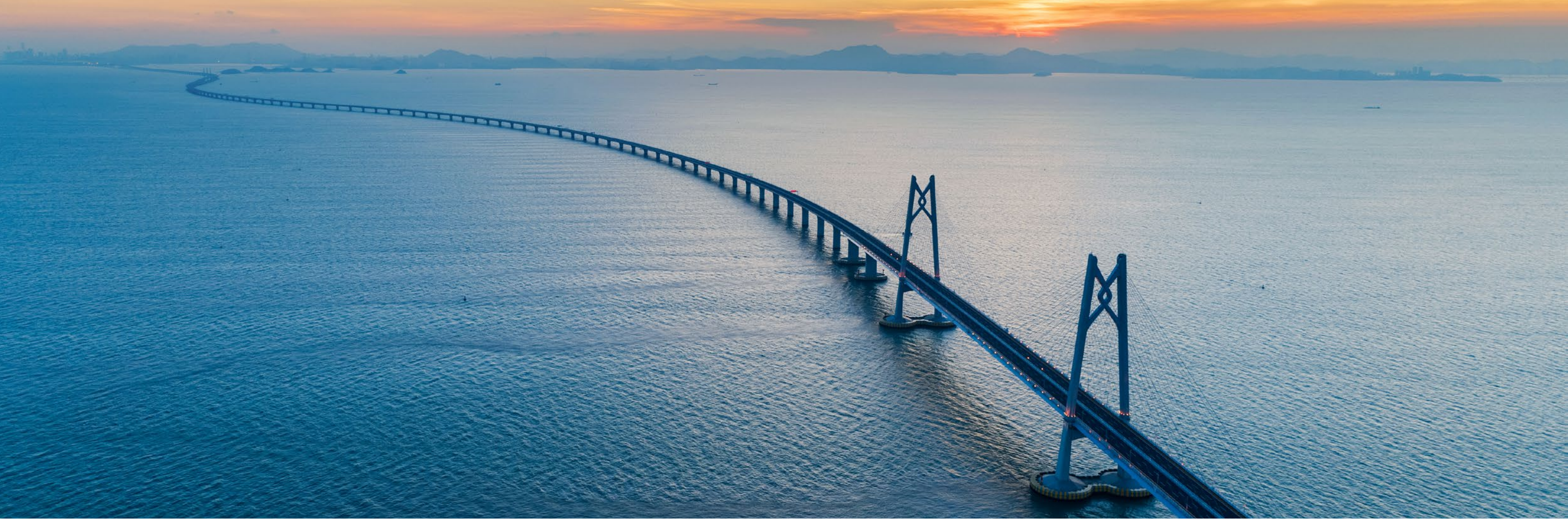
The result of both charities and multimillionaires' preconceptions is a mutual misreading of intentions, a lack of connection and poor relationship development – a vicious circle that only serves to worsen the perception of an 'us and them' culture.

The meaning of a donation

One example of this misreading of intent is the interpretation by charities of wealthy individuals' donations. This can depend on a charity's annual revenues and, in particular, how sophisticated the organisation is when it comes to major gifts. Wealthy donors don't often communicate the meaning behind their donation to the chosen cause, leaving a vacuum of understanding.

Charities therefore make assumptions about the intent behind the gift. At the lower end of the scale, a donation of below £5,000 is often labelled as a 'go away' donation – the assumption being that if the wealthy individual were more interested in philanthropy or the cause itself, they would have donated a larger amount. However, this is often assumed without any knowledge of the individual's prior experience or history of donations or without any better engagement to understand their goals. In these cases, a charity is often afraid to engage properly and ask for more. HNWIs may also sometimes be testing a charity with a small donation before committing to more significant support.

Donated amount	Classification by the charity	Interpretation
<£5k	'Go away'	I'm not engaged with your cause and this should placate you
£5k - <£50k	Convertible	I like you but I'm not committed
£50k+	Major	I'm engaged and committed



A gift of more than £5,000 but less than £50,000 is, for many charities, considered to be a 'convertible' donation, which is interpreted as a message of vague interest but not commitment. This is despite the fact that many of the donors may view a gift in this range as being very large, certainly if it is significantly larger than their previous donations.

It is at £50,000 that many charitable organisations deem a gift 'major' and interpret this as a sign of engagement and commitment from the individual. But, again, this approach lacks relativity on the side of the giver: if they are used to giving far larger gifts to other organisations, assuming the same level of commitment may lead to misplaced efforts to involve them further.

Navigating the negative reputation of philanthropy

However, it is not always an accidental misinterpretation by either wealthy donors or charities that causes distance between the two. Third parties can also exacerbate the problem. For example, parts of the media and the commentariat are imbuing the terms 'philanthropy' and 'philanthropist' with negative connotations.

The dictionary definition of a philanthropist as 'a person who seeks to promote the welfare of others, especially by the generous donation of money to good causes' seems a perfectly neutral description. However, its common association with individuals who have vast personal fortunes – wealth that is often implied or explicitly voiced by parts of the media as being of immoral proportions, particularly in countries with large wealth divides – means that 'philanthropy' and 'philanthropist' have become burdened terms.

'I think one of the things that's particularly current now is that there is so much criticism towards larger donors, I actually find it quite a concern. I worry that it might put the major donors off giving large gifts because of the backlash.'

Head of Major Giving, Charity

The fact that philanthropy is also often connected with tax-efficient foundations results in the term being connected with more bad than good.

This reframing of its meaning and associations has made the younger generation of wealthy individuals begin to reject the title 'philanthropist' in favour of more politically charged monikers such as 'activist', that infer the creation of sustainable impacts and 'grass roots' results.

For others, the associations with the philanthropist label may push their giving towards anonymity. Donor-advised funds, a financial vehicle that allows donors to make irrevocable contributions to a charitable institution to manage and grow as an investment, and then only be gifted to charities, may become more attractive. They promise anonymity, privacy and the opportunity to be philanthropic out of the limelight, the latter increasingly bringing more controversy than anything else.

‘Donor-advised funds are going to be a dominant area. What you’ll find is that the wealthy who have their own trusts and foundations might have a special fund with a donor-advised fund, because then it’s anonymous. There is no transparency as there would be in having your own trust.’

Director, Philanthropy Consultancy

Bridging the gap
To overcome the void of understanding between wealthy individual donors and charitable organisations, bridges must be built that enable each side to understand the other more thoroughly and without prejudice.

Better communication can be achieved through a more sympathetic and open-minded approach on both sides. Our panel of contributors suggest that charities can spend more time discussing the challenges they face with potential large donors. And the wealthy can approach the sector with an appreciation of the expertise garnered in knowing what works and what doesn’t work in solving the issues being targeted. These can overcome a lack of faith and also provide both sides with a valuable education into how the other thinks and operates. In particular, both sides can address the problematic ‘us and them’ culture by tackling some of the issues that exacerbate the situation.

First, experts recommended addressing the major-giving fundraising strategy and team by taking a more holistic approach to wealthy donors. Our panel suggested that charities should be wary of the perception of being only interested in the financial contribution of the wealthy. They should get to know the donors and consider the value of their other skills and experience, often built over many years of business and/or professional work, as well as their influence and potential network.

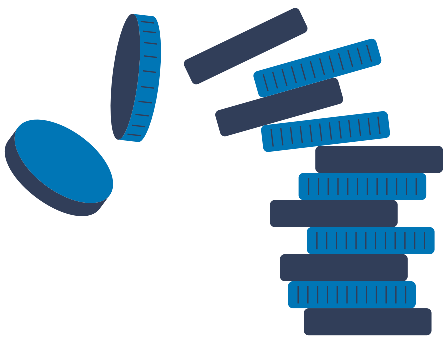
Second, donors can take a more business-investor relations approach to the relationship. A more hand-in-hand strategic partnership helps create a professional bond of trust between charities and wealthy individuals. Getting to know the principal actors within the organisation can challenge pre-conceptions of inefficiency and help value their expertise in their cause.

Finally, intermediaries suggest that charities consider mirroring some aspects of the highly service-focused world HNWIs are used to. This does not mean more overt displays of deference, as these are often transparently inappropriate. Instead, it involves approaching donors without prejudice, with respect and gratitude, not just for their gift but for their time and input too.

A lack of control

Feeling in control is normal for many wealthy individuals. A huge number of them have attained their wealth by creating and directing their own businesses and so they feel a personal sense of control over their own future. In addition to this, they often employ professionals to provide a greater sense of control over aspects of their life in which they have less expertise, such as looking after their investments and exposure to risk.

Therefore, they are not used to lacking control and without it they can feel uncomfortable. This can also be the case when it comes to making large donations, particularly to organisations they have limited experience of and to individuals they have only recently met. A quarter of wealthy individuals think a lack of control over how their donation is spent is a major barrier to giving charities more money. This is a refrain that experts and intermediaries often hear and is one that clearly frustrates the sector.



Charities are also highly concerned that the wealthy will always seek more control over how their giving is spent, and they often do. These demands for control from the wealthy can cause charities to treat potential donors with suspicion rather than openness. A multimillionaire donor taking control over how their money is spent can be challenging for many organisations, not least charities who have a myriad of complexities to manage.

'They don't have that control over their investment funds. You trust the fund manager. You always have to trust intermediaries to do that. But when it comes to philanthropy, people like to be hands-on and they like to be meddlesome, and they create huge costs to the charity that receives their money.'

Philanthropy Author and Academic

25%

feel that a lack of control over how their money is used prevents them from giving more

Ultimately, the effect of wanting control can be more disruptive than is often imagined by the wealthy. And with charities' default position often to protect against this interference too, there is a risk that the donation experience will be much less engaging and fulfilling.

This is another situation where the 'us and them' culture is apparent. From the perspective of a charitable organisation, ceding control of a donation to a wealthy donor is rarely the preferable option. First, the psychology of asking for more control is, to many charities, a signal of a lack of trust. Organisations often see this as a slight to their skills and management. And, far worse, they often view this as part and parcel of a wealthy individual's belief that, despite the charity's specialist experience, the donor feels they know best how to use the gift.

'Unless a donor has spent years really educating themselves on an issue, it's very dangerous for them to come in and control the way an organisation works. They will have less understanding and knowledge than the people that are working within that organisation.'

Director, Philanthropy Consultancy

Practically speaking, donors taking control of the path of donations is problematic. The projects that many wealthy individuals want to focus their donations on are not the only areas that need funding, and many specific requests by wealthy donors cannot be fulfilled without funding parts of the organisation that they have stipulated they do not want their money to support.

This can lead to a stand-off, where wealthy individuals and charitable organisations are seeking to champion the same cause but are unable to agree on terms that are acceptable to both sides.

Wealthy individuals' intermediaries, and experts on the sector, take a different view of their motives. They believe that the desire for more control is well intentioned. Donors want to make a real impact and are worried most of their funding will be used in areas other than their chosen one, diluting the impact and rendering their money and efforts less effective.

It is common for these individuals to view a large donation as they would a financial investment and want to ensure it performs well. If they feel they lack control over their investments, it brings a greater feeling of risk and a sense that they could have made a bad decision. Instead, many would prefer that their donation is ring-fenced for specific uses.

The challenges of restricted giving
This is the rationale for restricted giving, which is available to anyone who wishes to donate to any charity. This is essentially when a donor has the opportunity to be selective about where their money goes. Often this means giving to the charity's primary purpose but imposing certain limitations on how that gift is used.

However, this practice can be problematic for charities. While they are grateful that these generous individuals want to get involved and really make an impact, such specific demands can make operations difficult for some organisations.

'We always want to see where the money's going. Even within this space, we would still not want just to give a certain amount but to actually see where it will be going.'
Family Office Director

For this reason, many charities don't publicise that these are available, potentially reducing their overall income. Understanding and responding to the desires that underlie restricted giving, and incorporating these into fundraising plans, may be a more effective approach for both charities and their major donors.

Understanding how a charity is run
Helping wealthy donors feel a greater sense of control over their gifts is one solution suggested. This requires input from trusted advisers, representatives of the sector and the organisation in question to manage donors' expectations and help them feel more in control.

Part of this is educational. Many wealthy individuals capable of making large, first-time donations may have a relatively low level of knowledge and experience of how charities operate. In particular, an understanding of how overly tight restrictions and a focus on hard solutions may not achieve the strategic ends they desire without the provision of non-project-related expenditure.

Knowledge outreach can better prepare these individuals for what to expect when making major gifts. Our panel of contributors suggests that this could help them feel more in control and relaxed about making a large donation without onerous restrictions, and in this there is a role for their advisers as well as the sector.

Another factor to consider is these individuals' desire for proper preparation and audit. Before making a business decision, HNWIs are often encouraged to conduct due diligence to ensure their investment is a wise one. Many donors seek this same rigour for their charitable donations – wanting to see thorough due diligence, not simply by reviewing the account books and considering the cause itself but by getting to know the people involved in the organisation. An important way to foster trust is to use a more qualitative evaluation of those in charge of delivering the impact of the funding. Meeting the trustees and senior figures in the charity, in some cases even visiting the wider team in their office, can help engender a donor's trust in the organisation as a whole and bring them reassurance.

'If you're trusting the management team, you will be enthused every time you see them and, as a result, you will stay the course for at least three years.'
Philanthropist

Wealthy donors can also feel in control by fostering a feeling of openness in the relationship from the outset. Transparency promotes trust and reassures the charity that intentions are sincere, and a partnership can emerge. This will also encourage charities to be more open and honest with the donor about any issues that arise in relation to their gift. A project or the charity's cause can then be discussed honestly and proactively.

The future of giving

Summary

Despite the challenges the charitable sector and its wealthy donors face in bridging the gap between them, there are signs of a brightening future for the involvement of wealthy individuals in philanthropy.

There will not only be an increased acknowledgment of the need for philanthropy, with future generations starting to reframe the concept for a new era, it is also clear that there is more information on the positive effects of major giving.

This is partly the result of the work of high-profile philanthropists, whose achievements are reported widely and easily in this digital era, and partly down to increasing awareness of how philanthropy actually benefits not just the cause but the donors themselves. MIT scientists, for example, have revealed the neurological benefits of the empathetic thinking at the heart of philanthropy. They have shown how the benefits on the donor of giving go beyond the simple 'feel-good factor' to actually improve their decision making, health and wellbeing.

However, there is also a need to recognise that changes must be made. Approaches and practices must evolve to enable charities and donors to develop better relationships and, ultimately, how wealthy individuals can be attracted to major giving. The following are emerging trends that were brought to light in our research.

'Youthification' of wealth

One of the most promising developments for the charitable sector is how the younger generation of wealthy individuals thinks differently to its elders when it comes to charitable giving.

Only 32% of non-US multimillionaires over the age of 65, who are already giving, plan to donate more next year. However, 75% of those under the age of 45 are actively planning to give more. There is also evidence from charities and sector experts that younger people, particularly the large millennial cohort, are travelling more and, therefore, seeing problems and imbalances in the world at an early stage in their lives. As a result, they are seeking to take action relatively quickly.

> 'They're younger, travelling more and seeing more things, seeing the impact of climate and poverty in different countries, they are more attuned to that.'
>
> **Head of Major Giving, Charity**

This higher level of engagement with such issues has not been overlooked by the older generation either, as two in five non-US multimillionaires believe their children are more inclined to charitable giving than they are.

Young people are being educated in charitable giving by their parents in other ways, particularly when discussing succession. Some wealthy families are engaging their younger members in the family's giving early on, informing them about the charitable sector and how giving works, while highlighting the world's problems. Such an approach introduces the children to financial management and prudence in the context of good causes, something to which many young people are naturally drawn.

> '[The young] have peer support and there are organisations that are encouraging them and motivating them. I think social media has played a part in that, too.'
>
> **Director, Philanthropy Consultancy**

However, young people are also encouraging their parents to think differently about philanthropy in terms of activism – focusing on strategy and involvement in the cause rather than simply writing cheques. Some children are more aware of global issues and the continued need for philanthropy and greater social change. Their involvement can have a profound influence on the priorities of the family business, for example, by directing more profits towards charitable giving or emphasising social and environmental investments in the family's portfolio.

Global causes may go viral – at the expense of local ones

One of the most outstanding achievements of social media over the past few years is its ability not only to report events but set the global news agenda.

This is a valuable tool for philanthropic causes. Anger, outrage and sorrow expressed in relation to tragic world events can lead discussion and debate when they go viral on social media channels, prompting potential wealthy donors to consider how they can help.

However, people's involvement in these trending causes is not always entirely altruistic. As with all social media trends, being liked, admired and seen to show others a level of concern for the key issues of the time, as well as a feeling of 'not being left out', are key drivers of engagement for many.

It is also possible that causes that go viral may receive disproportionate attention, funding and shorter-term engagement. This can be an issue for other causes with a lower profile, which aren't currently perceived to be as important or worthy of attention. For instance, younger individuals are often focused on international projects and long-term global issues, such as the environment. The mass scale of 'awareness' created through social and other media, as well as young people's international travel, means global issues may receive more attention and funding, whereas more local, less grandiose causes may suffer.

> 'They have access to the world… They can easily go and visit Sri Lanka. Whereas 30 years ago people wouldn't travel and explore, people go and study abroad now or spend a year abroad… more environmental charities will be considered and that may be the entry point.'
>
> **Director, Philanthropy Consultancy**

Cause-based giving could reframe major gifting

Another trend recognised by charities, experts and intermediaries is that individuals are focusing on giving to an end cause, rather than an organisation or charity itself.

> 'Increasingly, giving across the board is much more about causes and projects, with which the donor can identify, than it is about organisations and institutions.'
>
> **Philanthropy Author and Campaigner**

While there is naturally concern that this pushes the sector towards project-based restricted giving, which is problematic for the functioning of many charities, it is also seen as an opportunity. This trend could be harnessed effectively to highlight strategic projects that need funding and perhaps encourage greater giving that will achieve an end goal.

This may also help to give major donors a sense of control and that their funding is helping the end cause. It can attract project donors to the organisation, rather than attract organisation donors who seek to choose projects of their own to fund. And such an approach could be especially popular among the younger generation, helping them feel more like frontline 'activists' than back-seat 'philanthropists'.

Honesty and consistency in reporting

One of the reasons why wealthy individuals feel a lack of control over their donations and are reluctant to give more money to charities is that many organisations do not communicate with them in the manner they would like, or in a way that is likely to build trust, rapport and strengthen the relationship for the future.

Experts recommend that approaching reporting with a sense of responsibility and transparency is more likely to result in an improved relationship with wealthy donors. It is not only about letting them know when things go well but keeping them up to date when things do not. If a donor discovers an attempt by a charity to conceal failures – however well intentioned – such a revelation could bring a potentially great relationship to an abrupt end.

A communication programme of honesty and consistency will not only keep the donor engaged and updated, it will reinforce the feeling that this is a partnership akin to a business relationship with full disclosure, which will increase the donor's trust in the

professionalism of the organisation overall. This, in turn, will avoid questions about the organisation's efficiencies, while managing expectations throughout the process will minimise any disappointment on the part of the donor.

Ultimately, the most valuable aspect of this approach is the likelihood of it maintaining, restoring or even deepening a wealthy donor's faith in a particular project or the broader cause, avoiding that awkward and unwelcome feeling of having wasted their time and resources.

Qualitative assessment of the charity's effectiveness

Wealthy individuals also have a role to play in reshaping the relationship they have with the charitable sector and, in particular, the type and level of assessment they conduct in the charity itself and the causes it supports.

Intermediaries and professionals within this sector suggest that what this demands of them is a more qualitative assessment of the charity's effectiveness instead of the more common impact assessments. This concept arises from the finding that many wealthy individuals end up investing in people – their knowledge, passion and approach – rather than just a cause or an organisation.

At present, intermediaries admit that most wealthy donors approach assessments of their giving from a financial perspective or trusted numeric metrics of success. While this can lead to a high-level understanding of their return on investment, it does little to increase their knowledge of, and trust in, the individuals running the organisation itself. This can limit the depth of the relationship and, in turn, the satisfaction a donor derives from giving.

A more qualitative assessment may actually be more important to many potential major donors. By meeting key management, they will gain a better understanding of the people working in the charity and what they do.

Sector specialists consider that charities have a key role to play in this. Senior figures in the organisation need to ensure they can tell a story, take potential donors on a journey and inspire them to believe in their cause and projects. This is the spark that can move donors from a position of curiosity and broader trust to a true belief in the end goal and their role in helping to achieve it.

Conclusion: bridging the gap

This report highlights an important problem in the relationship between wealthy individuals and the charities they have the potential to support with major gifts. Many of the barriers to forming successful relationships stem from misunderstandings on both sides, with the relationship often starting from an awkward position of misread intent.

Wealthy individuals have other priorities for their wealth as well as concerns about how their money is deployed and the success it brings, however that is defined. Their confidence in the efficiency of charitable funding is clouded by their lack of trust in the way the charity sector operates.

Meanwhile, charities who make assumptions about HNW donors' intentions, are often defensive of their way of doing things and sometimes lack an understanding of the perspectives of wealthy individuals in the first place. These issues create a gap between the two sides. But it is one that can be bridged. By tackling preconceptions and prejudices, asking more questions and being braver when discussing key issues such as the size of donations and restrictions on gifts, both sides can be brought closer together.

Advisers from across the sectors that engage with the wealthy can also help to build this bridge. They can educate their wealthy clients on what to realistically expect from the charitable sector and how they can best achieve satisfaction in giving.

And those who work with the wealthy on a regular basis in different contexts can inform charities on how the wealthy think and operate, helping them work with HNWIs to achieve bigger and more meaningful results. To start bridging that gap, Barclays Private Bank is partnering with The Beacon Collaborative, a collective founded to encourage and celebrate major donors in the UK, and the Institute of Fundraising, the professional membership body for UK fundraising. The partnership aims to deliver a step change in giving by building trust and understanding between HNWIs and charities. It will support The Beacon Collaborative's objective to generate an additional £2 billion in donations to charity by 2025. Barclays Private Bank and The Beacon Collaborative will also work with the Institute of Fundraising to deliver a series of events to help fundraisers engage and form long-term relationships with HNWIs.

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