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ISSUE 28 | WINTER 2022

Philanthropy Impact

Inspiring Philanthropy and Investing for Impact

MAGAZINE

THE LIFE CYCLE OF A PRIVATE CLIENT

MAINTAINING AND ENHANCING SOCIAL PURPOSE THROUGH PHILANTHROPIC AND ESG/ IMPACT INVESTING DURING HIGH INFLATION AND STRESSFUL ECONOMIC TIMES

THE FIRST ISSUE OF A TWO-PART SERIES

MAXIMISING YOUR IMPACT - LESSONS FROM A YOUNGER GENERATION

THE NEW PHILANTHROPY LIFECYCLE

THE IMPACT AND LEGACY OF A TRUSTED ADVISOR

BREAKING THE MOULD: ADVISING CLIENTS ACROSS THE GIVING SPECTRUM

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PHILANTHROPY IMPACT

Vision A world where individuals and families engage in philanthropy and social impact investment, supported by professional advisors.

Mission To increase the flow of capital for good by enabling private clients and their families to match their purpose driven wealth strategies with their values, capturing their sustainable, social and impact investment and philanthropy preferences across the spectrum of capital.

We achieve our mission by delivering activities to support our members and key stakeholders.

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- Training for professional advisors: we offer bespoke CPD certified and CISI endorsed training courses for advisors, providing philanthropy and social investment advice to help them support their clients’ social impact investment journey.
- Training for wealth advisors: we offer bespoke CPD certified and CISI endorsed training courses for wealth advisors as well as lawyers and other professional advisors with an interest in suitability issues and ESG investing.
- Training for major donor and corporate fundraisers: we offer bespoke CPD self-certified training courses for high-value fundraisers working with (U)HNWI, to help them understand the role of their professional advisors and to strengthen professional relationships that will transform their fundraising.
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- Technical content and analysis
- Case studies
- Philanthropy Impact Magazine
- Market research

Philanthropy Impact Public Affairs
- Advocacy: lobbying for policies and regulations that encourage philanthropic giving and social investment
- Policy position submissions and papers
- Engagement with government and key policy stakeholders

Chief Executive and Editor: John Pepin
Co-Editor and Director of Membership and Development: Zofia Sochanik

Philanthropy Impact, Two Temple Place, London WC2R 3BD, United Kingdom

Tel: +44 (0)20 7407 7879 / +44 (0)780 305 1674

www.philanthropy-impact.org

@PhilanImpact

linkedin.com/company/philanthropy-impact

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The purpose of the magazine is to share information about philanthropy and social impact investment in a domestic and international context. We welcome articles, letters and other forms of contribution to philanthropy in Philanthropy Impact Magazine, and we reserve the right to amend them.

Please contact the Editor at editor@philanthropy-impact.org

Philanthropy Impact is supported by its members and sponsors.

Magazine design and artwork by antmadethis.co.uk

Philanthropy Impact
Inspiring Philanthropy and Investing for Impact

INSPIRING TRANSFORMATIVE PHILANTHROPIC AND SOCIAL ESG/IMPACT INVESTING FOR A BETTER FUTURE

OUR COMMUNITY:

46% Private Client Advisors

17% Charities

13% Trade Associations and networks

13% Philanthropy and Impact Consultants

6% Social Investment Funds

5% Philanthropists and Impact investors

Our network is **several thousand organisations and individuals**, including professional advisory firms, professional advisors (investment professionals and financial planners, private client advisors, wealth management, private banking, independent financial advice, tax and legal sectors), not for profit organisations and social impact investors.

WE ARE A UNIQUE ORGANISATION AT THE INTERSECTION BETWEEN PHILANTHROPY, SOCIAL AND ESG/IMPACT INVESTMENT

Alongside our membership community, and our wider network of speakers, magazine recipients and strategic partners, we operate a space for true collaboration, discussion and learning. We are the leading Centre of Excellence for philanthropy and social impact investment in UK and Europe.

WHY JOIN OUR COMMUNITY?

RETAIN CLIENTS

Philanthropy Impact offers certified CPD training and a programme of educational events to enhance the professional development of the whole of your team in this rapidly evolving space.

CPD CERTIFIED The CPD Certification Service

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REACH NEW CLIENTS

Our publications, bi-weekly newsletter, webinars and events reach a network of over 11,000 active individuals across the globe, mainly in Europe but including Asia, Middle East, North and South America.

REPUTATION

Our membership directory is a way for clients to see whether your firm is dedicated to ensuring the best advice in philanthropy and social impact investing to support your clients to achieve their long term objectives and goals.

WE SEE OUR MEMBERS AS PARTNERS IN OUR MISSION

“*Philanthropy Impact is a catalyst for collaboration, knowledge sharing and innovation. We work with many strategic partners to shape the philanthropy, social investment and ESG/impact space, and to ensure that together we can be as impactful as possible.*”

John Pepin – CEO, Philanthropy Impact

CONNECT WITH US:

W: WWW.PHILANTHROPY-IMPACT.ORG

E: INFO@PHILANTHROPY-IMPACT.ORG

T: +44 (0)20 7407 7879 | M: +44 (0)780 305 1674

@PhilanImpact
philanthropy-impact
philanthropyimpact
PhilanthropyImpact

Philanthropy Impact, Two Temple Place, London WC2R 3BD, United Kingdom

"THE PROBLEM WITH THE TRADITIONAL WORLD OF 'MAXIMISED TAX EFFICIENCY' AND 'OPTIMISED INVESTMENT STRATEGIES' IS THAT A PLAN IS ONLY USEFUL IF IT CAN SURVIVE REALITY."

EDITORIAL

THE COMPOUNDING EFFECTS OF GOOD ADVICE

JAMES VON SIMSON – WWW.EVELYN.COM

The quality of advice a client might receive from their tax advisor or wealth manager used to be measured by the initials after an advisor's name and the tasteful thickness of their business card. However, when it comes to specialisms, neither experience nor expertise are the superpower they might sound like.

Instead, they can be handcuffs to perspective; "that's the way we have always done it" can be a totem pole of sub-standard outcomes. Too often advisors arrive with prepared answers or an expectation that issues will be resolved if they try enough standard techniques in the guise of best practices. However. what is appropriate for one client is often completely wrong for another. Advisors get trained to disseminate information when they should be trained to listen.

The illusion of control might increase confidence, but not accuracy; worsening the outcome as clients progressed from wealth creation strategies to wealth preservation strategies and then on to wealth utilisation strategies.

Many advisors do not want to initiate a discussion on philanthropy with their clients as they understandably would rather give no advice than bad advice. They avoid focusing on human capital as you can't get a qualification in emotional intelligence. However, we can become better advisors by getting comfortable with dealing with the uncomfortable. We need to acknowledge luck's role in our success and risk's role in our failures.

The problem with the traditional world of 'maximised tax efficiency' and 'optimised investment strategies' is that a plan is only useful if it can survive reality. Yet reality is full of unknowns, so it is important to have a margin for error, a margin of safety. The more specific points of your plan you need to be true, the more fragile your plan really is. The transfer of wealth and assets is as much about relationship management as it is about technical advice. For all the appropriate tax planning and sophisticated structures, if clients and their advisors have not worked on the non-financial aspects then clients are likely to fail to achieve their intended aims.

Conversations around giving can be a learning experience on both sides, they can help close the information gap between advisors and their clients. It is not uncommon for new clients to initially tell advisors what they think the advisors wants to hear. Larger families might want to copy structures and approach of families they know without thinking if it suits their family.

Philanthropic advice is not about imposing values but unearthing them. These discussions should not be about encouraging giving rather about helping clients understanding the journey of their wealth; if it is all to pass on to the next generation how does the current generation want them to engage and utilise it?

It is still a taboo in many families to discuss inheritance during lifetime with the contents of wills only reveals to all parties on death. The ability of advisors to discuss the potential for philanthropic giving is not just about advising existing clients but also building a bridge of understanding with those that follow. It can support families in understanding how personal goals will change and how

the intergenerational transfer of wealth brings new expectations and measures of success.

Family discussions on philanthropy can provide a relatively neutral space which can be uses as a form to help educate family members and can also be vehicle of inclusiveness by including more distant/non-blood relatives/in-laws in discussions on the family's future. It can connect across generations to act as a bridge between grandparents and their grandchildren. For advisors if provides the ability to make sure all members of a family are heard.

"PHILANTHROPIC DISCUSSIONS ARE NOT JUST A FEEL-GOOD/GUILT-REDUCTION EXERCISE, THEY ARE A FORM OF FAMILY COHESION WORK."

Every family has internal conflict and disagreements, but many allow it fester rather than resolve. Advisors can be sherpas for some of the family baggage, but they cannot decide on the destination a family should take. Within the safety of conversations around supporting those outside the family, advisors can uncover historic resentments that colour the lenses of current behaviour. Philanthropic discussions are not just a feel-good/guilt-reduction exercise, they are a form of family cohesion work. Work done to prevent fragmentation, to ensure the continuity of family wellbeing.

Family philanthropy can also be a sandbox for future entrepreneurs and a training ground for education the next generation without revealing the totality of the family wealth. It can also help being a further meaning to success, many businesses owners can feel slightly lost after a liquidity event and its corresponding impact on their identity.

Understanding philanthropic options is not just about grand multi-generational plans. The 2022 Remember A Charity Consumer Benchmarking Study, found that only 19% of UK charity donors currently intended to make a charitable bequest in their will which suggest the number in the wider population is even lower despite the opportunity to reduce IHT charges. While a 2016 study by HMRC found that only 52% of UK Higher & Additional Rate taxpayers were aware of the 20-25% tax rebate component to Gift Aid.

While traditional private client advice was based on clients discussing "what" they are, the success of modern private client advice hinges on clients telling their advisors how they got to be "who" they are.

Our job is probabilistic, not one of certainty. While there might be a right and a wrong way of making small decisions, how they compound into a lifelong plan should be the aim of all private client advisors.

JAMES VON SIMSON

James is a Partner in Evelyn Partners' private office where he specialises in advising multi-generational and multi-jurisdictional families on their investments, family governance, wealth preservation, and philanthropic strategies. He sits on both the STEP Worldwide Council and the CISI International Committee and is also an Ambassador for the Diversity Project.

Since 2015 he has been repeatedly ranked in Spear's 500, Private Client Global Elite and PAM Top 40 under 40 lists of leading private client advisors. He won Wealth Professional of the Year at the 2018 Magic Circle Awards, Outstanding Individual of the Year at the 2020 Citywealth Future Leaders Awards and was runner up as UHNW Manager of the Year at the 2022 Spear's Wealth Management Awards.

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Philanthropy Impact
Inspiring Philanthropy and Investing for Impact

Maximising ESG/Impact investment client satisfaction - addressing suitability issues

**Wealth advisors preparing for changing times
Adding value to existing regulated suitability approaches to ESG/Impact investing**

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WHY ATTEND THIS COURSE?

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- Further develop your *skills and competencies* and enhance your business's responsible investment proposition
- Meet your clients' evolving preferences for *investing with positive impact*
- Improve *client engagement* levels and enhance your reputation
- Receive essential *knowledge* and be apart of an *ecosystem* which bridges the professional advisory space.
- Receive *3 certified CPD points* and a free copy of the Philanthropy Impact *online handbook*–your go-to resource for delivering an effective philanthropy advice service

KEY LEARNING OUTCOMES

By attending this workshop, you will:

- Learn more about the nature and purpose of impact investing
- Develop impactful approaches to addressing a client's values, motivations, ambitions and goals
- Discover the benefits of incorporating suitability discussions into practice

There is a need for highly specialised training...

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zofia.sochanik@philanthropy-impact.org

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CISI CHARTERED INSTITUTE FOR SECURITIES & INVESTMENT ENDORSED CPD

LEARN WITH PHILANTHROPY IMPACT

Our mission: To increase the flow of capital for good by enabling private clients and their families to match their purpose driven wealth strategies with their values, capturing their sustainable, social and impact investment and philanthropy preferences across the spectrum of capital.

This course is intended for wealth advisors as well as lawyers and other professional advisors with an interest in suitability issues and ESG investing

MAXIMISING YOUR IMPACT – LESSONS FROM A YOUNGER GENERATION

REBECCA CRETNEY – WWW.NEDBANKPRIVATEWEALTH.COM

Having a positive impact requires a robust plan, a suitable structure, and a desire to ensure your money benefits the causes you care about

I was recently on holiday with my stepdaughter in Crete, watching a spectacular sunrise over stormy seas. We were having a deep conversation and at one point I asked her, "what's the point?". A look of confusion etched across her face, as if the answer was so obvious as to render the question utterly stupid. "To make a positive impact in the world," came her (very admirable, very millennial) answer.

Millennials and younger generations have a series of demands and expectations others of us from older generations do not necessarily weigh up or consider to the same extent. It seems they have a well-honed sense of justice. Many would never dream of investing in a way that damaged the environment, nor would they entertain the idea of supporting a company that abuses human rights. It is a curious fact that their enthusiasm for fairness and justice actually tends to translate into less risk, or better outcomes, as by sticking to a set of values helps avoid reputational risks, regulatory breaches or sanctions, and minimises exposure to assets that may in the future become stranded because they are environmentally unfriendly.

Many millennials actively seek to make a positive impact, be this in their investment portfolio selection, companies they support (or exclude), or via charitable giving, seeing this as their stamp on the world. But this philanthropic view is not just limited to younger generations. You may be planning on setting a portion of your wealth aside to give to a worthy cause. In fact, in the United Kingdom, if you donate 10% of your estate or more to charity, you receive a significant reduction in your inheritance tax bill, from 40% to 36%.

On the face of it, charitable giving seems a relatively simple process. You pick a cause close to your heart, you decide how much you want to give and that's it. All you have to do is instruct the transfer or write a cheque. At first glance it would appear that you had full control throughout the process.

However, it doesn't take much scratching of the surface to come up with a series of concerns.

- How much can I really afford to give?
- When should I do this – throughout my life, or should I write it in my will?
- What about the loss of control? Once you give the money you have no control over how it is spent or what exactly it is spent on.
- Who carries out due diligence on the chosen charity?
- What if the charity changes and in future I do not like what they do? What if their change in purpose no longer aligns with your personal values?
- What if they are embroiled in a scandal?
- What is the most tax-efficient way of giving?
- What if the cause/charity don't have any experience of dealing with large sums of money, and therefore having a large injection of cash could be overwhelming?

In some cases, a single cash sum donation might be appropriate, but there are other alternatives. By retaining a level of control, you could decide to change which charity receives the donations, or lower the amount the charity is receiving to ensure your donation goes to what you really care about.

SO WHAT IS THE RIGHT ANSWER FOR ME?

As always, the answer is to have a good plan. First, you need to determine what you want to achieve. Then, we suggest involving financial professionals such as wealth planners, lawyers, tax advisors or other trusted parties who can assist in creating a wealth plan tailored to meet all of your financial goals, including philanthropic or charitable giving.

Depending on the amount of money to be gifted, setting up a charitable trust/foundation or a donor-advised fund may be an appropriate solution. The use of these vehicles can allow for you to retain control – you determine the mission, when and how much of the funds are given away and what they are used for. This could mean the funds can be used for charitable giving for many more years, including after your death as the structure can continue. The trustees will continue to distribute funds according to the guidelines you set out. In this way your children and their children could be appointed so that your charitable aspirations and legacy are perpetuated.

By structuring your charitable giving, you can maximise tax efficiency and retain control, so that you can rest assured that your money will leave the impact you desire, express your views and values, and benefit the causes closest to your heart.

"DEPENDING ON THE AMOUNT OF MONEY TO BE GIFTED, SETTING UP A CHARITABLE TRUST/FOUNDATION OR A DONOR-ADVISED FUND MAY BE AN APPROPRIATE SOLUTION."

REBECCA CRETNEY – INVESTMENT COUNSELLOR

Rebecca joined Nedbank Private Wealth in May 2004, having moved to the Isle of Man from Barcelona to pursue a course in Business Studies with the Isle of Man Business School. Rebecca was appointed to the role of investment counsellor in March 2019 to focus exclusively on the company's discretionary investment management services.

She works closely with our teams of private bankers to provide support in advising our clients with integrity, and to give additional technical investment expertise where more complex portfolio requirements exist.

Rebecca is a Chartered Fellow of the Chartered Institute for Securities & Investment and a Chartered Wealth Manager.

"IN THE PAST FEW YEARS, WE HAVE SEEN TREMENDOUS INNOVATIONS IN GIVING, AND PHILANTHROPISTS ARE NOW DONATING IN EVER MORE DIVERSE WAYS."

THE NEW PHILANTHROPY LIFECYCLE

DARREN KELLAND AND LAURA NEVITT - WWW.HAWKSFORD.COM

The younger generation are bringing fresh approaches to the philanthropic space, with family and positive social change at the heart of it

Philanthropic giving remains a leading concern for the world's wealthiest individuals. Done well, it's a powerful tool that adds meaning and purpose to life. For many individuals, strategic philanthropy is a way to articulate the purpose of their wealth and to better understand its value, as they seek to have more of an impact on the causes that are important to them.

In the past few years, we have seen tremendous innovations in giving, and philanthropists are now donating in ever more diverse ways. For an increasing number, creating a legacy is no longer the only priority. The focus has turned towards innovative, impactful ways to support social and environmental causes.

To help explain the new philanthropic lifecycle, this article brings together the insights of **Darren Kelland** and **Laura Nevitt** (Hawksford), **Charlie Tee** (Withersworldwide), **Victoria Papworth** (Coutts) and **Paul Knox** (JP Morgan Private Bank), to discuss how, across various firms and disciplines, they collectively bring purpose and impact into play in the lifecycle of their clients.

You can view the full one-hour discussion here: The Lifecycle of a Private Client

BEGINNING YOUR PHILANTHROPY JOURNEY

High net worth individuals may start their philanthropy lifecycle at different stages, and with very different ambitions. Some might include self-made entrepreneurs, those with inherited wealth, or business people who've accrued significant wealth in the commercial space.

These different starting points can influence the role philanthropy might play in the early stages of a client's giving journey.

"Sometimes, particularly for our entrepreneurial clients, philanthropy can often seem like a conversation that they want to have at the end of their wealth journey," says Victoria Papworth of Coutts. "For those individuals who have perhaps inherited wealth, their relationship with philanthropy often starts much earlier."

"I thought about the wealth lifecycle of a client, and, for me, there are two distinct opportunities for individuals and families to become wealthy. One is through commercial ventures, and one through inheritance," adds Darren Kelland of Hawksford. "Quite often, those then become the starting points for discussions with professional advisors around structuring the future."

Nowadays, the lifecycle of philanthropy often begins with these conversations. Hawksford's private client services team encourages clients to examine their goals and values when it comes to their wealth, and the causes that matter to them.

"First and foremost, clients want to make sure that their immediate family needs are catered for," says Laura Nevitt of Hawksford. "If they feel comfortable, and they have sufficient wealth for the family going forward, it's then that we can start talking to them about how they can deploy some of that wealth for charitable purposes."

Victoria adds: *"It's not just about the money or what you want to do with it, but the purpose of your wealth. What is it for? What is it not for? Once you have established your family security, once provisions for your health are in place, and your children are supported as they start their life's journey, what do you want to do as a family to explore your family values?"*

CREATING A FAMILY LEGACY

When it comes to the new lifecycle of philanthropy, for many clients, family is at the heart of the journey. Whether it be the creation of family trusts or charity foundations, or passing on philanthropic work through multiple generations, the family structure can serve as a useful tool when it comes to innovative giving.

Combining the experience of multiple family members, pooling resources and sharing opinions can lead to diverse and meaningful philanthropic objectives. For many clients, their entrance into the philanthropy lifecycle begins when they start to frame their wealth around family.

"Ideas around charitable giving and philanthropy may be different between generations; it's important to get a consensus from the family as to what they're seeking to achieve collectively," says Paul Knox of JP Morgan. *"One area where we can see values differing is around ESG and impact investing."* *"Any family or trust with a portfolio needs to be thinking about ESG right now, irrespective of whether a family has grand overarching philanthropic aims or not,"* adds Charlie Tee of Withersworldwide.

While ESG investing and philanthropic giving are two separate disciplines, considering the relationship between the two is a new and important stage in the philanthropy lifecycle.

GIVING AND THE NEXT GENERATION

Driving the new philanthropy lifecycle is, for the most part, the younger generation. Bringing a fresh approach to the philanthropic space, the younger generation are often seeking advice on turning their charity ambitions into a reality.

"I'm certainly noticing that there is a trend in recent years around the younger generation and charity. They're starting early, at 20 years old or so, and they're very philanthropically minded. They have a cause they want to do something about, and they're passionate," says Charlie.

Laura adds: *"It's the younger generation who increasingly lead conversations around what money is for, and what it is not for. We're moving away from just wanting to actively invest in something which offers positive social change, but to actively disinvest from those things that are negatively impacting on the planet or upon communities."*

CHARITY BEYOND A LIFETIME

"When I started out in my career, most of the discussions I was having with clients about philanthropy and charitable giving was, what are they going to do after death? What are they going to put into their will? But now, it's much more about what can we do in our lifetime," explains Charlie.

And indeed, this is another key part of the new philanthropic lifecycle: more than ever, clients are looking to give while they're alive, and finding solutions to problems relating to causes that mean something to them.

Celebrity and high-profile wealthy individuals have played a part in this change; speaking openly about their desire to spend and give during their lifetimes. More than anything, philanthropic strategies are growing ever more innovative. For many high net worth individuals, giving has become more hands-on. This personal involvement in philanthropy is proving rewarding, and is providing individuals with lifelong purpose.

"All of our clients are human at the end of the day, and they still have things that have happened to them, in terms of life events – the death or illness of a family member, for example. That can change the dynamic around philanthropy," says Darren.

"Finally, people want to be remembered for more than just being someone who got lucky. They are asking, 'what good can I do? I want to pass on some of my luck to others'."

DARREN KELLAND – GLOBAL HEAD OF PRIVATE CLIENT SERVICES, HAWKSFORD

Darren is an experienced guardian when it comes to the assets and financial affairs for ultra HNW individuals and families. As Global Head of Private Client Services, he is responsible for a team of specialist administrators, and leads the management and growth of Hawksford's private client services and proposition.

He has substantial experience as both a trustee and a director on complex trust structures, family offices and multi-national companies, and has provided administration services for high-profile and influential individuals, entrepreneurs and long-established families with considerable private capital and varied business interests.

LAURA NEVITT – DIRECTOR, PRIVATE CLIENT SERVICES, HAWKSFORD

Laura is substantially experienced as a director for complex asset protection, succession planning and outsourced administration services. She is experienced in the provision of bespoke company secretarial and administration services to UHNW families whose main investments are usually split into capital preservation/growth for younger generations and lifestyle assets for their personal use and enjoyment. Laura is capable, dependable and trusted by clients and their advisors with the administration and transactions for their most valuable assets. She places robust corporate governance and her clients' investment and succession goals at the very heart of her decision-making and service to clients.

THE IMPACT AND LEGACY OF A TRUSTED ADVISOR

KIMBERLEE RILEY – WWW.CFOCF.ORG

The key is for donors to engage a trusted advisory team with a clear goal and plan – including defined values and aspirations for themselves, their family and their legacy

Around the globe, philanthropy addresses our community needs. While community needs vary from region to region, solutions provided by philanthropy for some of the largest needs include systemic change. Community needs are complex and require collaboration and partnership of many stakeholders to provide improved quality of life and thriving communities. Similar to the systems that serve our communities, the philanthropy that funds the transformational and ultimate systemic changes also requires collaboration.

Philanthropic collaboration crosses sectors and disciplines to ensure not only that donor aspirations are achieved but also that outcomes and impact are maximised for the donor and the community's needs. The philanthropic journey for individuals and families includes thoughtful and strategic decisions, which allow for leveraging as well as maximisation. To be effective on this journey requires the expertise of professional advisors. As wealth is grown, a variety of professional advisors are typically engaged – tax accountants, financial planners and legal advisors to name a few. It is also prudent to engage these professionals when planning to distribute wealth.

For the most part, advisors are reactive to their clients. Advisors gather information, and, through their training and expertise, they often have a traditional advice model – financial and wealth advisors guide in building wealth, and legal advisors guide in protecting wealth and distributing within the family. It is also traditional for advisors to provide their services separately. While this expertise is critical and valuable, these traditional models of professional advising can create confusion or conflicting advice and can result in dollars left on the table, or less than optimal outcomes.

Developing a trusted advisory team is not enough – many donors already have the team, although they work with them individually and remotely. The key is for donors to engage a trusted advisory team. For a team to perform effectively it must have a clear, defined goal and plan. This plan is defined by the donor and includes values and aspirations for themselves, their family and their legacy.

The type of advisors that make up the team depends upon the donor and where they are in their philanthropic journey. The list could include experts in investment management, tax planning, estate planning, business succession, financial planning, life insurance, philanthropic planning and even non-profit executives of a donor's desired beneficiary.

The role advisors can play on these trusted teams varies but one of the most impactful roles is for the advisor to initiate the conversation about philanthropy and inquire about the donor's comfort level with engaging the team. The 2018 US Trust (now Bank of America) Study of High Net Worth Donors revealed

two thirds of donors believe that having a philanthropic conversation with their advisors is important, and that donors have a desire for the advisor to initiate the conversation. The study also showed that advisors have a false belief that their clients are hesitant to give to charity because of wealth preservation. There is a disconnect between donors (clients) and their advisors.

To overcome the disconnect with clients and to help clients achieve their philanthropic aspirations, advisors should consider the following roles:

- Initiate the philanthropic conversation with your client – inquire about their philanthropic goals and their mission statement, which defines the values and the legacy they wish to leave in the world. If your client has not defined a mission statement, provide resources for them (For families – Create your Family Mission Statement resource).
- Invite your client to coordinate a meeting with their most trusted advisors. Share how effective this meeting can be with advisors working together rather than separately. An invitation from the client to their advisors with their request and goals is most effective to establish a level team with understanding that each expertise is respected and valued at the table.
- Work collaboratively with the team. Advisors are accustomed to working one-on-one with their clients and it may take some time for some advisors to adapt to working as a team.
- Consider being a lead or most trusted advisor for your clients. A lead advisor supports their client with their goal of engaging an advisory team. They can assist with planning meetings, which should be short, and focused on defined projects.
- Plan for succession. Invite a colleague to the team when you know you will be retiring or perhaps moving to a different office or role.

"Discussing philanthropy is good for the client, it's good for the advisor and it's good for society because ultimately the advisor is potentially moving resources into the public good

"PLAN FOR SUCCESSION. INVITE A COLLEAGUE TO THE TEAM WHEN YOU KNOW YOU WILL BE RETIRING OR PERHAPS MOVING TO A DIFFERENT OFFICE OR ROLE..."

KIMBERLEE RILEY

Kimberlee Riley, CAP® serves as the President and CEO for the Catholic Foundation of Central Florida, an independent foundation addressing community needs in nine counties. A social entrepreneur, Kimberlee has experience leading business development, strategic planning, public/private partnership, governance, investment and philanthropic strategies. She is a team-oriented leader with more than 25 years of building relationships and partnerships focused on collaboration, transparency, compliance and implementation of evidence-based practices yielding growth, mutual benefits, enhanced capacities and improved quality of life.

Kimberlee graduated with a Bachelor of Arts in International Trade and Economics from Auburn University, where she was a member of the varsity swim team. In 2020, she earned the Chartered Advisor in Philanthropy® designation from the Richard D. Irwin Graduate School of the American College of Financial Services.

Kimberlee believes in volunteerism, and serves in various national and local roles including Leadership Council Member of the Central Florida Commission on Homelessness, Housing Board of Directors and Treasurer for Catholic Charities of Central Florida, Alumni Council Member for The American College of Financial Services, Steering Committee member of The Consortium of Catholic Foundations, and Board Member of The International Association of Advisors in Philanthropy. As an advocate for affordable housing and quality of life, Kimberlee was selected for the 2017 Sadowski Affiliate Award. She is a member of the Leadership Orlando class of 1991.

Kimberlee enjoys lifelong learning and serving colleagues and her community. She believes in charity and its positive impact on the giver, the beneficiary and our world, and is passionate about our philanthropic journeys. Kimberlee is married and has three children.

"BEING A TRUSTED ADVISOR AFFORDS AN AMAZING OPPORTUNITY TO BUILD MORE ROBUST RELATIONSHIPS WITH STAKEHOLDERS – CLIENT, EXTENDED FAMILY, OTHER ADVISORS, AND NEW CONTACTS..."

that otherwise might not have happened without the advisor-client philanthropic conversation."
Claire Costello, Bank of America

Cost is a factor for donors (clients) and advisors – time is money. A more fulfilled client is one that is likely retained. For the client, a trusted advisory team can save them money over time, give them peace of mind and help them achieve their philanthropic aspirations. Fee structure is something that should be openly discussed up-front.

Scott Fithian, visionary in the financial services industry and co-author of the book 'The Right Side of The Table', reflected on what legacy is for advisors:

"Legacy is doing the right thing, not the easier one.
Legacy is helping wealth holders find their ultimate ends.
More than listening, legacy is hearing.
Legacy is about the here and now ... to be intentional and know your purpose."

Being a trusted advisor affords an amazing opportunity to build more robust relationships with stakeholders – client, extended family, other advisors, and new contacts. Supporting a client in building a meaningful philanthropic portfolio and legacy is more valuable to clients than most advisors realise. For the advisor with their own philanthropic aspirations, engaging in philanthropic conversations with clients is part of their own impact in the world today.

“THE NORMS AND ASSUMPTIONS OF CAPITAL ARE OFTEN PRESENT – ELIMINATING BROADER DISCUSSIONS ABOUT GIFTS OF TIME AND TALENT.”

BREAKING THE MOULD: ADVISING CLIENTS ACROSS THE GIVING SPECTRUM

MICHELE FUGIEL GARTNER

Changing the philanthropic advisory landscape requires us to challenge some fundamental assumptions – not least about what philanthropy is, and who can be a philanthropist

The enormity of issues facing modern society can feel overwhelming – climate change, equity and equality, recession and inflation, food insecurity, global health, and the socio-economic impact of the COVID-19 pandemic. Yet, they are human-made, meaning that humans have agency in their solutions. There are tools we can use. The challenge is knowing what they are and linking to the people who are best placed to enable their use.

Philanthropy is the use of private resources, such as time, treasure and talent, for public purposes. These private resources exist for every human. Yet, the first challenge is that the philanthropic field has told us that the term philanthropist is something for only the strategic, and the billionaires. The field has continued to promote ideas taken from the United States in the early 20th century, indicating that a scientific approach to giving is better, more effective, and more efficient than a charitable one. And yet, nearly a quarter of the way into the 21st century, we see a return to billionaires who give away their money without constraints or conditions. The field is confused about this about-face and what it might mean for their previous advice. Maybe the tension between scientific and charitable was just one person’s opinion?

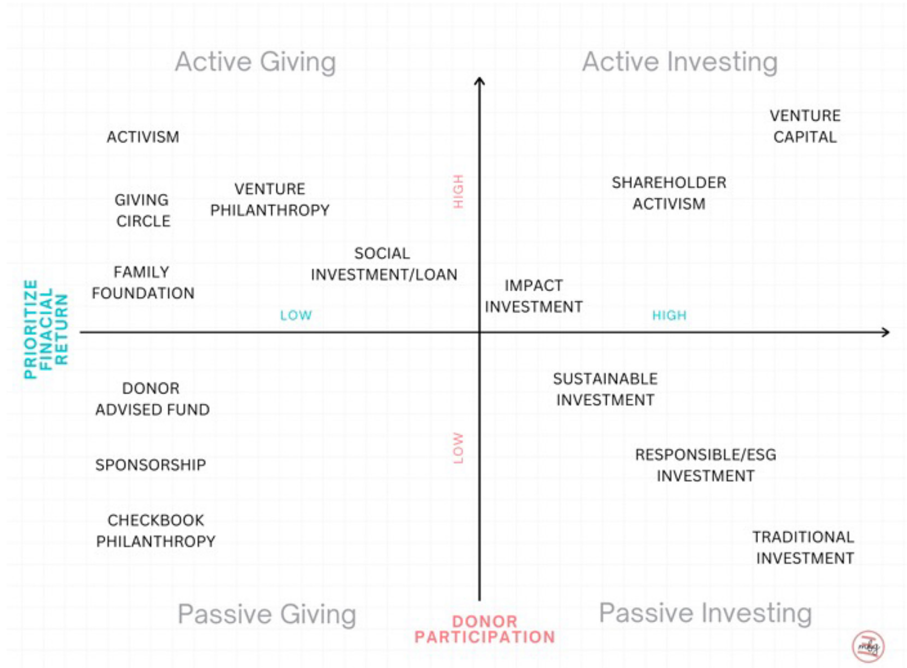
Suppose we put this duality aside and consider philanthropic activity as a broad spectrum of tools. In that case, we open more creative conversations about how to put them to use to address social issues. The second challenge is that discussions about giving tools have often been relegated to the hidden and opaque worlds of wealth and financial advisory. Within this, it isn’t easy to see if these conversations are being had and in what manner. The norms and assumptions of capital are often present – eliminating broader discussions about gifts of time and talent. Previous research has highlighted the challenges of providing philanthropic advice within these structures: advisors are not trained in philanthropy, they are not raising conversations with their clients, and direction comes later in the legacy conversation. For advisors working in wealth, estate and legacy spaces, the advice might be offering a selection of charities, a donor-advised vehicle, or establishing a family foundation. The tools of philanthropy are narrow in this framework.

What if, instead, the advisory conversation might be broadened by focusing on two variables: the desire for financial return and the donor’s participation? Philanthropists will undertake different styles of activities at various points in their lives. The matrix below is an initial rendering of the philanthropic tools that can be activated and combined to meet client goals. Tools are available depending on a client’s interest in financial return and high/low participation. The axes create four quadrants: passive investing, passive giving, active investing, and active giving. Unlike the contrast between scientific/strategic and charitable giving, there are no value judgements in the terms active or passive. They merely reflect a style of activity. Within the matrix, various unique tools are shown, such as ESG investing, shareholder activism, giving circles, and venture capital.

The breadth and complexity of what could be considered philanthropic advisory are viewable. For one client, they might see themselves as a passive investor, but also as an active giver. Their advice might be to invest for returns, but through ESG and responsible screens, as well as participating in social investment, giving circles, or activism. Through this view, the options of giving tools become more visible and more creative. This matrix is illustrative, and the opportunities become even more diverse as more tools are conceived.

> “THE EXPECTATIONS FOR ONE ADVISOR TO BE ABLE TO PROVIDE THIS BREADTH OF PHILANTHROPIC ADVICE ARE OVERWHELMING.”

PHILANTHROPY ADVISORY MATRIX



MICHELE FUGIEL GARTNER, PHD, CAP®

Michele Fugiel Gartner, PhD, CAP®, is a philanthropic advisor for individuals, couples and family foundations. She specialises in advisory for women and next-generation clients. She is a Chartered Advisor in Philanthropy® and a member of the Global Philanthropy Advisory Group with the Society of Estate and Trust Practitioners (STEP).

This conceptualisation demonstrates how capital dominates our discussions of giving tools – but it can also show how time and talent might be woven into conversations to provide more fulsome, bespoke advice to clients. High or low donor participation are broad generalisations but demonstrate how cultural, gender and age-related approaches must also be considered within advisory services. Within this view, the variety of options is significant, and they would be made more so by viewing a client’s unique talents and contributions.

The expectations for one advisor to be able to provide this breadth of philanthropic advice are overwhelming. With such a complex space, the advisor’s role will also require bridging relationships with other philanthropic advisors and their specialities. Intermediaries, such as Philanthropy Impact, can help with this task through their Giving Advice tools and directories. Ultimately, firms and advisors will need to see the value and be provided with incentives to pursue these relationships and this approach to philanthropic advisory. Whether philanthropic advisory remains an assets-under-management business model or an add-on for the highest net-worth clients is a choice. Both limit the agency of clients and the pool of potential clientele.

Breaking the mould of philanthropic advisory requires unearthing and challenging our assumptions about what constitutes philanthropy and who can be a philanthropist. It then requires understanding the philanthropic advisory landscape and the available giving tools. We need to provide more creative advice to clients and offer more substantial network support to those providing advice. Academics and practitioners are starting to undertake these types of sense-making activities. The matrix above provides a small contribution to support advisors’ conversations with their clients. The task at hand is to challenge a century-old notion of philanthropy, demonstrate to donors the variety of tools within their reach, and work on solving the issues of our modern societies. ■

"'SYSTEMS CHANGE' AND 'DIRECT INTERVENTION' ARE TWO USEFUL CATEGORIES FOR UNDERSTANDING DIFFERENT WAYS OF GIVING AND HOW THESE FOSTER DIFFERENT OUTCOMES."

HOW CAN YOU UNDERSTAND WHAT YOUR CLIENT REALLY WANTS? QUESTIONS FOR WEALTH MANAGEMENT ADVISORS TO BETTER UNDERSTAND THEIR CLIENTS

MARK GREER – WWW.CAFONLINE.ORG

Understanding their motivations and the impact your client wants to see can help advisors determine the best approach to a philanthropic portfolio

As advisors to high net worth individuals, we know that client relationships are built on trust, reliability and professionalism. Preparing for conversations with clients is therefore necessary to better understand them, their motivations, goals and the impact they want to achieve with their wealth.

WHY DOES YOUR CLIENT WANT TO GIVE?

The very first question we ask is why a donor wants to give.

Considering why a client is giving, and digging deeper into their motivations if needed, is a key exercise for advisors.

Are they responding to a particular event or need? Do they have a faith-based belief in doing good? Have they reached a stage in their career that they now want to give back to society? For instance, we have seen that an increasing number of clients are hoping to set a good example to their children or leave a legacy of a better world. These motivations can affect the causes donors support and how they choose to manage their philanthropic portfolio.

Understanding what a client hopes to achieve through their giving is crucial to developing an effective strategy and ensuring that the client's original intentions are still fit for purpose as their strategy progresses.

WHAT IMPACT DO THEY WANT TO ACHIEVE?

Impact is a key word for those who work in the philanthropy sector. Understanding what a client hopes to influence or change with their wealth is usually closely linked to their motivations and can help to determine the philanthropic strategy pursued.

'Systems change' and 'direct intervention' are two useful categories for understanding different ways of giving and how these foster different outcomes. These two approaches also depend on your client's attitude to risk with their philanthropy.

Systems change aims to change part of a system that could benefit an entire population or group of beneficiaries and the way in which programmes, services or treatments are delivered. Examples include medical research, advocacy and policy change.

Direct approaches focus on benefits, goods or services to a specific group, such as responding to a humanitarian emergency or funding medical aid at a time of need.

For example, a philanthropist passionate about healthcare might choose to adopt an approach based on systems change, such as Dolly Parton, who donated $1 million to coronavirus-vaccine research. A direct-systems approach, meanwhile, might

look like Bill Gates' 2017 promise to donate a mosquito net for every person who engaged with a particular blog post and quiz designed to boost public awareness of malaria.

Most philanthropic portfolios are a combination of both approaches. But understanding the impact a client wants to see can help advisors determine the best approach.

HOW INVOLVED DO THEY WANT TO BE?

Some clients will want to make a one-off donation and move on, whereas others will seek to give money over time. Understanding this can offer different possibilities about how the client might seek to design their giving.

Donors who give a one-off donation may be well-placed to respond to an urgent need such as funding an emergency response following floods, or covering the shortfall for an organisation on the point of closure. Donors who wish to give money over time, however, might develop more extensive strategies. For instance, they may want to fund an organisation or programme on an ongoing basis, or respond to different needs over the long-term within the same cause area. They may also consider social investment, which, through vehicles such as Venturesome, means the same capital can be 'recycled' to help many different social organisations.

Another factor to consider is whether the client wishes to draw on their own influence or time as part of their philanthropic work. For many charities, leveraging the networks of their trustee boards and donors can be significant to their success. As identified in CAF's research with the Institute of Chartered Accountants in England and Wales into the future of trusteeship, many trustees bring particular skills and experiences to the table. Some clients may be interested in doing the same as part of their philanthropic approach, and to incorporate volunteering their time, skills or networks and public representation into their giving strategy.

HOW WILL YOUR CLIENT'S WEALTH EVOLVE OVER TIME?

Some clients aim to give away all their money over the course of a few years, whereas others hope for the next generation to continue giving beyond their lifetime. When clients wish to involve their family, advisors may need to consider how to help their clients prepare for the transition of assets. There are likely to be tax implications to consider, or the ability to create a pot a of wealth to fund future philanthropic ventures.

MARK GREER

Mark Greer is Managing Director of Philanthropy Services at the Charities Aid Foundation, and is responsible for CAF's giving and social-investing services. This includes our donor-advised funds for private clients, corporate-giving services, grant-making services and our social-investment arm, Venturesome. Mark joined the Charities Aid Foundation in 2016 as Senior Manager of the CAF American Donor Fund before going on to lead our wider private client work as Head of Private Clients.

Mark has spent much of his professional life working with people to help them realise their philanthropic ambitions. Before joining CAF, Mark worked as Philanthropy Director at UK Community Foundations and as CEO of the Beacon Awards for Philanthropy.

Earlier in his career, Mark led programmes engaged in intercultural work and community development, as well as working for a British MP and an ultra high net worth family in Miami, Florida. Mark's expertise includes philanthropy and philanthropy advice, social investment, fundraising, major donors, cross-border giving, donor-advised funds and other charitable giving vehicles.

Giving habits can also vary dramatically with age. Younger donors are far more likely to be involved in impact investing or mechanisms that allow them to choose both social or environmental and financial returns. They are showing a growing interest in putting together a portfolio of philanthropic investments – just as they would a portfolio of for-profit investments – marrying a balance of risks with a balance of potential social returns.

Advisors and charity advisory services can help high net worth individuals to have a significant positive impact with their wealth. We can direct philanthropists towards legitimate, high-impact charities and social enterprises in their local community or abroad, where their money will make the greatest difference.

Asking useful questions is a core component of enabling high-impact giving. So keep asking questions: even greater impact may well be just around the corner.

NURTURING THE EMERGING GENERATION OF PHILANTHROPISTS

RUTH JACKSON – WWW.STEWARDSHIP.ORG.UK

We need to understand the motivations, values and concerns of younger donors – their passion and focus suggest an exciting future for philanthropy that we must support

Over the next 20 to 30 years, tens of trillions of dollars will move from baby boomers to younger generations, with estimates putting that figure at around $30 trillion. In the UK, £5.5 trillion will have transferred between generations by the end of this year. Plus, an increasing number of socially mobile millennials are earning significant amounts of money. In short, the emerging generation of younger donors has the potential to become the major donors of the future.

If we are to nurture these future philanthropists, we need to understand their motivations and their concerns. How predisposed are they to donating, and how is the current economic crisis impacting them in this area?

A recent report from Barclays Corporate shows that young people donate most often to charity overall and are the highest users of all donation channels. The 18-24 group come out on top, with 90% of this demographic donating to charity over the last 12 months, compared with 80% of UK adults overall. It is crucial to engage now with these high earners, early in their giving experience, to create a firm foundation for philanthropy that will see them through the distractions of later life.

A key characteristic of this emerging generation of philanthropists is a greater focus on ESG/impact investing. As The Beacon Collaborative's Giving Experience Report explains, the younger generations are much more vocal about systemic issues such as race, gender, and the environment, and more conscious of the net impact they can make in these areas through their lifestyle choices and resources. They are therefore keen to push the boundaries of traditional philanthropy with a greater use of impact investing or social entrepreneurship, and co-funding opportunities in a quest to achieve both profit and purpose. Social investment has strong appeal as it enables innovative and results-oriented investment with the potential for capital to be recycled for other opportunities. One in every four dollars in global investments now is Socially Responsible Investment, investing in the best ESG performers.

It seems that the next generation of philanthropists is much more inclined to see philanthropy as a way of life – an expression of themselves and their family values. They are pioneers, looking to strike the right balance between the traditional models of philanthropy, which have been passed down from the generations before, and adopting a more innovative, holistic approach. In a more obvious and intentional way than many of their predecessors, young philanthropists are also blurring the lines between their investment initiatives and philanthropic activities. In investor and business families, the younger generation is often the driver for impact investing, regarding this as a means of effectively integrating financial, environmental and social goals.

Impact for this audience is personal and often small scale, according to The Beacon Collaborative report on young givers. For example, meaningful purpose comes from arranging a successful charity event or knowing that a financial donation has contributed to something directly. The opportunity to change the course of an individual's life for the better is a key motivator.

Modern philanthropists are also drawn to structures for managing their giving that are easy and flexible to use. A donor-advised fund (DAF) is much less bureaucratic and expensive to run than a traditional charitable foundation or trust, and can facilitate a more innovative approach to giving. For instance, by investing DAF assets for impact, donors can align their impact-investment and grant-making goals to release more resources for addressing social and environmental challenge. A DAF permits gifts in cash, property or shares, and anonymity if wanted.

So, the new philanthropists are driven to positively impact the issues they are passionate about, but, as with all philanthropists, they have challenges to overcome. Many are still in the wealth-creation life phase and are working towards a financial goal, which may make it difficult to justify significant donations until that goal is reached. The

"FINANCIAL TRANSPARENCY, REASSURANCE THAT DONATIONS ARE GOING TO A WORTHWHILE CAUSE, AND CLARITY OVER HOW THEY WILL BE USED ARE VITAL..."

uncertainty created by the current economic crisis will not be helping.

Another obstacle is a lack of trust that charities will steward their gifts well. The Barclays report cites this as the second highest factor preventing charitable donations, with 32% of those surveyed claiming this. Financial transparency, reassurance that donations are going to a worthwhile cause, and clarity over how they will be used are vital for building young philanthropists' confidence to give.

Young donors can also be concerned their donations will make little if any difference given the overwhelming scale of some of the issues they care about. It's important for them to know they have made a tangible and visible impact. Hence the tendency for them to give to individuals more than organisations.

Throw into the mix a legacy of secrecy and fear around money that previous generations have sometimes unintentionally passed on, and it's easy to see why the philanthropic journey can be lonely and difficult for young philanthropists. How can we come alongside them to better understand these challenges and provide effective support? Building a community is key; a real strength of young philanthropists is their appetite to learn from and collaborate with peers, being more willing to tackle big social issues together to create greater impact.

Knowledge networks are also emerging. They provide a safe and neutral space where funders and fieldworkers can come together on an equal footing to share learning about the issues and best practices that will support good giving decisions.

This is an exceptionally challenging moment to be a young philanthropist; we are living through particularly turbulent times and a highly volatile economic environment that is not conducive to investment of any kind, let alone social entrepreneurship. Yet the passion and focus of this emerging generation point to an exciting future for philanthropy, one that builds on community and collaboration to create meaningful impact. ■

RUTH JACKSON, PHILANTHROPY SERVICES, STEWARDSHIP

Ruth leads the marketing communications for Stewardship's philanthropy services team. She has over 25 years' business- and customer-facing experience across the private and public sectors, most recently for Cambridge Enterprise at the University of Cambridge.

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> *"SIMPLY PUT, EFFECTIVE ALTRUISM IS A SOCIAL MOVEMENT BUILT AROUND A QUESTION – HOW CAN ONE DO THE MOST GOOD?"*

ADVISING EFFECTIVE ALTRUISTS

URSZULA SWIERCZYNSKA - WWW.PHILANTHROPOID.IT AND WILLIAM TROY - WWW.COPPICEPHILANTHROPY.COM

Increasing numbers of philanthropists are interested in effectiveness, with some clients willing to explore one of the most rigorous approaches, Effective Altruism. What are the key areas of advisory work linked with 'EA', and how can advisors work with clients interested in implementing it?

When working with clients on setting up their philanthropic strategy, the issue of effectiveness is one of the first topics that comes up. Choices abound – from simple charitable giving with minimal consideration of impact, to strategic philanthropy where a roadmap begins to take shape, all the way to results-oriented philanthropy, where there are clear philanthropic goals to achieve and outputs to maximise.

On the highest end of the effectiveness spectrum, Effective Altruism (EA) demands that impact be the top priority, higher than other considerations such as passion or personal preference. Many donors will have heard of this new and emerging philanthropic movement. But what is EA, and how can advisors and philanthropists incorporate the beliefs and principles of this social movement into their practices?

'PHILANTHROPY ON STEROIDS'

Simply put, Effective Altruism is a social movement built around a question – how can one do the most good? It is a results- and evidence-driven philosophy – a radical utilitarian approach to giving, described a few years ago by William Schambra as "strategic philanthropy on steroids".

The EA movement sprung up mostly in the UK in the early 2010s, led by thought leaders such as Will MacAskill and Toby Ord, who built on the work of many earlier thinkers, foremost among them Australian philosopher Peter Singer. Singer developed many fundamental EA concepts, such as the 'shallow pond' thought experiment, and his idea of the 'expanding moral circle'. These establish a moral obligation to help the world's poorest people, regardless of whether they live next door or across the globe.

Another basic idea is that, all human lives being equal, if you can save ten lives for the same cost as you can save one, then you should save the ten. This central tenet provides the basis for EA's obsession with cost-effectiveness. The most cost-effective intervention, then, will ultimately save the most lives. Since these early days, the 'EA movement' has gained traction among enthusiastic young do-gooders worldwide, as well as a handful of billionaires. The movement has also split into several distinct camps. Some are passionate about animal welfare, as they realise just how many sentient beings are living truly horrible lives in factory farms. Others have come to the realisation that, because the scale of future problems may be larger than we can even imagine, then potentially the greatest good we can do is to protect future generations. These 'long-termists' are chiefly concerned with reducing catastrophic risk – namely artificial intelligence, pandemics, and other calamities. While some EA thinkers go to truly bizarre places in pursuit of the intellectual project of 'the most good you can do', the average donor could learn much from engaging with the very basic principles.

KEY AREAS OF ADVISORY WORK

So, what lessons might the EA movement have for philanthropists and those who advise them? Here are three key ways in which advisors can bring in the core concepts of the EA community.

1. **Cause selection** Effective Altruism places a large emphasis on 'cause-neutrality' – the idea that a philanthropist should consider impact first and foremost, as opposed to their particular passion or interest. So, how to determine which cause might have greater impact? To answer this, EAs developed the 'ITN Framework', short for Importance,

"WHAT DOES EFFECTIVE ALTRUISM PROMOTE WHEN AN INTERVENTION OR A CAUSE CANNOT BE MEASURED? MANY EAS USE THE CONCEPT OF EXPECTED VALUE."

Tractability, and Neglectedness. According to EAs, the most impactful causes will work on large problems (Important), with established solutions (Tractable), that are relatively lacking funding (Neglectedness). When these three factors come together, you have found yourself an impactful cause to focus on. Without a large amount of research, a donor or an advisor can gauge how one cause may line up against another.

2. **Screening and vetting funding opportunities** Effective Altruism adds a whole new level of rigour to the advising practice of recommending organisations. Because of the emphasis on cost-effectiveness, EAs often require a strong evidence-base to get behind a certain intervention. Luckily, several EA-aligned research organisations have sprung up, such as Givewell for global health, Giving Green for climate change, and Animal Charity Evaluators for animal welfare. These organisations provide free recommendations based on many hours of research. Beyond these third-party organisations, an EA-aligned donor could benefit from learning about quantitative research methods, such as weighted-factor models and cost-effectiveness analyses.

3. **Working with the unknown** What does Effective Altruism promote when an intervention or a cause cannot be measured? Many EAs use the concept of Expected Value. Borrowed from the world of decision theory, and used in various parts of the effective philanthropy landscape, 'EV' is a way to operate in a world of unknown variables (i.e. the real world). Following this tool, a practitioner would choose between two interventions by multiplying the Potential for Good by the Probability of Success. Using this method, a funder may determine that a riskier approach could ultimately be worth funding, depending on the potential for impact it has, and assuming it is not too risky. Even simple back-of-the-envelope calculations can be very beneficial when thinking between two different interventions, neither of which is a sure thing.

For clients, EA provides an opportunity to think about a new approach to impact maximisation. EA can also be a fantastic lens through which to expand one's worldview and test one's assumptions. For advisors, EA adds a level of rigour that can be intimidating. However, finding and evaluating high-impact charities, as well as estimating the Expected Value of certain interventions, are areas of advisory competence that are currently in demand and are likely to become increasingly desired in the near future.

CONCLUSION

Effective Altruism has a lot to teach the greater philanthropic community. While the movement's moral intensity and data-heavy approach will turn off many philanthropists, others will undoubtedly be attracted to its idealised version of 'Doing Good Better'. For advisors working with EA-curious clients, or indeed any philanthropist looking for ways to think about greater impact, it can be worthwhile to take a closer look at the tools and methodologies of EA.

URSZULA SWIERCZYNSKA

Urszula is a Philanthropic Advisor and founder of Philanthropoid. She works with individuals, families and family offices interested in developing and implementing funding strategies built upon the premise of effectiveness.

WILL TROY

Will is a Philanthropic Advisor and founder of Coppice Philanthropy. He is based in Santa Cruz, California, and works with philanthropists and family foundations looking to achieve more impact with their giving.

"SO WHAT IF WE TOOK A THUNDERCLAP APPROACH TO PHILANTHROPY? COULD WE IDENTIFY A CAUSE AND A MOMENT IN TIME FOR A COHORT OF PHILANTHROPISTS…"

'THUNDERCLAP PHILANTHROPY': HOW COLLECTIVE PHILANTHROPY COULD ENGENDER GREATER GIVING

ALEX DAY – WWW.THEBIGGIVE.ORG.UK

Creating a single moment for coordinated giving can increase impact, raise awareness of causes, and create a more engaging and rewarding experience for philanthropists

In 2018, a website called Thunderclap closed down. It had offered campaign organisers a tool to amplify their message. Users who wanted to add their voice signed up to the 'Thunderclap', which was then posted on their social accounts at a coordinated, single moment in time. For those familiar with social media algorithms, the success of Thunderclaps won't surprise. They boosted the reach and virality of a campaign, and helped to create more 'noise' about the issue at hand.

It was harnessed by a huge range of actors, from small charities and independent authors to The White House and Microsoft. However, in the wake of the Cambridge Analytica scandal, social media companies changed their terms of access to their platforms, leaving the Thunderclap website unusable.

"THE 'TELETHON' APPROACH TO PUBLIC FUNDRAISING, ALTHOUGH SOMEWHAT DATED WITH TRADITIONAL BROADCAST MEDIA IN DECLINE, ALSO HAS PROVEN BENEFITS."

Save for the potential interference from Russian bots, Thunderclap was a simple and compelling concept. Firstly, identify a moment to highlight a cause. Secondly, engage with those who feel motivated to act. Finally (which is where Thunderclap's technology helped), coordinate action at a single moment in time to boost reach and impact.

So what if we took a Thunderclap approach to philanthropy? Could we identify a cause and a moment in time for a cohort of philanthropists to deploy their philanthropy to benefit from a catalytic effect and galvanise greater impact?

History shows us that this could indeed be the case. Reacting to crisis events, and quickly mobilising giving off the back of prominent media coverage, is a model adopted by the Disasters Emergency Committee (DEC), to the point where the total amount raised becomes a news story in itself. DEC secures primetime TV slots to make appeals, and updates the public on how funds raised are having an impact. This quick mobilisation of giving around disasters is not a new phenomenon. Rhodri Davies unpacks historical examples in this Twitter thread, which includes a reference to a disaster relief fund for the Lancashire Cotton Famine. The conveners of the fund published lists of donors in regional and national press to encourage others to support:

LANCASHIRE and CHESHIRE OPERATIVES RELIEF FUND.—PADDINGTON GENERAL SUBSCRIPTION.—The Committee have much pleasure in announcing the receipt by their Treasurer of the following contributions, and in adding that they have forwarded to the Mansion-house Committee

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C. H. A. Martelli, Esq.	1 1 0
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Mr. Cates	1 0 0
F. Smith, Esq.	1 0 0
Hon. Sir Richard Kindersley	50 0 0
Messrs. Browning and Son	3 13 6
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C. P. Lochner, Esq. ..	5 0 0
Rev. H. Clissold ..	10 0 0
Jeremiah Greatorex, Esq.	50 0 0
Right Rev. Dr. Manning	10 0 0
W. Gordon, Esq. ..	10 0 0
Sir Minto Farquhar, Bart., M.P.	10 0 0
W. Murray, Esq., M.P.	21 0 0
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Mr. Veale and family ..	2 14 0
Mr. M. Pritchard ..	0 8 0
Alfred Elkington, Esq.	5 0 0
J. J. Johnson, Esq. ..	10 0 0
J. G. Perry, Esq. ..	10 0 0
Mr. Slater	5 0 0
Mr. Neale	1 1 0
Mr. Sargent	1 0 0
Mr. Rideout	1 0 0
Mr. Thayer	0 10 0
Capt. Penny, Paddington Rifles	10 10 0
Serjeant Major Clarke, Paddington Rifles ..	1 0 0
W. Todd, Esq.	1 1 0
Thos. H. Brooking, Esq. (monthly for 5 months)	5 0 0
Mrs. Shaw (monthly for 3 months)	2 0 0
Mr. Thos. Parry ..	1 1 0
Lieut. General Moore ..	10 0 0
John Scott, Esq. (monthly for 4 months)	5 5 0
E. Boutcher, Esq. ..	10 10 0
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Thos. Vile, Esq.	10 10 0
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Roberton Blaine, Esq.	2 0 0
Benjamin Shaw, Esq.	10 0 0
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Ralfs Disraeli, Esq. ..	5 5 0
Miss Gee	5 0 0
J. F. B. (a lady) ..	2 0 0
C. A. Bentham, Esq.	1 1 0
Mr. W. H. Waters ..	1 0 0
Lieut.-Colonel Wood	10 10 0
W. Simpson, Esq. ..	2 2 0
W. B. Gulsett, Esq. ..	1 1 0
Miss O'Connor (monthly for four months) ..	5 0 0
Mr. J. L. Moore ..	10 0 0
Dr. Thos. Grant ..	3 0 0
F. L. Adams, Esq. ..	1 0 0
Mr. Dickenson	1 1 0
Mr. Hall	1 1 0
George S. Brodie, Esq...	10 0 0
Thos. F. Kent, Esq. ..	£5 0 0
Miss Stooks	10 10 0
Miss F. M. Stooks ..	10 10 0
M. A. P. (monthly) ..	0 1 0
Thos. How, Esq. ..	21 0 0
M. H. Brooking, Esq. ..	5 0 0
Lieut.-Col. Keane ..	2 2 0
W. Ford, Esq.	5 0 0
Mrs. Ford	5 0 0
Sir John Shaw, Bart. ..	5 0 0
Admiral Cator	2 0 0
Hugh Johnston, Esq. ..	10 0 0
Mrs. Paton, Sen. ..	5 0 0
George Paton, Esq. ..	2 2 0
Dr. Walter Bryant ..	3 3 0
Mrs. W. Bryant	2 2 0
The Misses Bryant ..	3 3 0
J. H. Bryant, Esq. ..	1 1 0
Master W. Bryant ..	1 1 0
Charles Floyer, Esq. ..	10 0 0
H. Gordon, Esq. ..	2 2 0
C. A. Aikin, Esq. ..	5 0 0
Mrs. Gordon Duff ..	5 0 0
Mrs. Kirwan	0 10 0
– Rushforth, Esq. ..	2 0 0
Mrs. Fisher	0 5 0
Miss Laing	0 10 0
Mrs. Karslake	0 10 0
— Karslake, Esq. ..	0 10 0
P. Scott, Esq., and Family	1 1 0
Mrs. Wilkinson	50 10 0
Miss Grant	5 0 0
C. Beachcroft, Esq. ..	3 0 0
Miss Beachcroft	2 0 0
Servants of Mr. Beachcroft	0 6 0
Mr. Barwell	0 10 0
Jacob Birt, Esq... ..	10 10 0
Mrs. Blakiston (monthly for six months) ..	1 0 0
W. J. Fawcett, Esq. ..	5 5 0
Mr. Goldsworthy ..	0 10 0
J. Walker, Esq.	2 0 0
Servants of Mr. Walker	0 5 0
Mr. and Mrs. Edward J. Daniell	20 0 0
Servants of Mr. E. Daniell	0 7 6
Mrs. Hurle	2 2 0
W. H. Harrison, Esq. ..	1 1 0
Children and Servants of Mr. Harrison	0 7 0
J. Dickinson, Esq. ..	1 0 0
R. Pott, Esq. (monthly)	2 2 0
Servants of Mr. Pott ..	0 5 0
O. A. Field, Esq. ..	2 0 0
Thos. J. Hall, Esq. (2d don.)	5 0 0
Collection at All Saints' Church, per Rev. E. H. Steventon	116 1 0
Mrs. Da Costa	2 0 0
John Brooke, Esq. (2d don.)	20 0 0
Miss Laycock (2d don.)..	5 0 0
John Grafton, Esq. ..	10 0 0
Collection at St. James's Church, per Rev. A. Boyd	351 19 4
Addition to collection at St. James's Church, do.	50 0 0
C. B. F. A.C.W. (weekly)	0 7 0
Henry Cotton, Esq. ..	5 0 0
Collected by G. A. Kain.	

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The Committee beg to announce the following CONTRIBUTIONS to the 28th November, in addition to the list advertised on Monday, the 24th inst. :-

£3,000 (1st payment) has been forwarded to the Central Committee at Manchester, for distribution.

Sir Saml. Scott, Bart., and Co. (in addition to £100 by Samuel Scott, Esq.)	£105 0 0
C. J. Bevan, Esq. ..	100 0 0
St. Marylebone parish Church, collection at on Nov. 23, per the Rector	256 13 0
(Deduct paid direct to Ashton-under-Lyne) ..	50 0 0
	206 13 0
Parish Chapel Collection at, per the Rev. W. H. Charlton ..	23 0 1
St. John's Chapel, St. John's-wood, collections at, per the Rev. H. Sandham (1st instalment)	17 13 10
St. Peter's, Vere-street, collection at, per the Rev. F. D. Maurice (2d week)	19 10 5½
George Bird, Esq., £10 a month for 12 months if required	10 0 0
Messrs. Debenham, Son, and Freebody	50 0 0
Employés of ditto (1st week's subscription) ..	1 19 8
Major-General Hankey	25 0 0
Sir Claude E. Scott, Bart.	20 0 0
Thomas Feetham, Esq.	21 0 0
John Feetham, Esq. ..	10 10 0
Mrs. Col. Deare	20 0 0
Mrs. Plowes	20 0 0
Miss Eliza Plowes ..	5 0 0
S. J. Waley, Esq... ..	20 0 0
Geo. William Lenox, Esq.	20 0 0
Francis Le Breton, Esq.	20 0 0
W. Cririe, Esq.	20 0 0
J. Borradaile, Esq. ..	21 0 0
S. H. Harlowe, Esq. (£5 per month for 3 months)	5 0 0
Mr. E. Busby	10 10 0
G. Mann, Esq.	10 10 0
Messrs. Brown and Mann	
S. J. Stephens, Esq. ..	£5 0 0
Mrs. Salomans	5 5 0
S. T. Townsend, Esq. ..	5 0 0
George Pollexfen, Esq.	5 0 0
John J. Nicholl, Esq. ..	5 0 0
Miss Pack	5 5 0
Edwd. Headland, Esq...	5 5 0
W. Lowe, Esq.	5 0 0
Mr. Thomas King ..	5 5 0
W. Keith, Esq.	5 5 0
G. Gardener, Esq. ..	5 0 0
Philip Hardwick, Esq...	5 0 0
Rev. F. J. Holland, Minister of Quebec Chapel	5 0 0
Members of the Congregation of Quebec Chapel, per Rev. F. J. Holland	15 16 0
Mrs. L. Muspratt ..	5 0 0
Amounts received under £1, per Rev. D. W. Marks	3 11 6
Messrs. Marshall and Snelgrove (3d weekly subscription of Assistants of)	6 10 0
Messrs. Benham and Son (Workmen and Employés of), 1st instalment	5 5 7
Mr. Peter Robinson (1st weekly subscription of Assistants of)	6 0 0
Messrs. Foster, Son, and Duncum (2d weekly subscription of Employés of)	0 17 3
Contents of two unclaimed purses found at Messrs. Foster, Son, and Duncum's ..	4 18 8
Rev. F. D. Maurice ..	3 3 0
Mr. Williams, sen. ..	3 0 0
Mr. H. Williams ..	3 0 0
Mrs. Williams	1 0 0
Mr. E. C. Williams ..	1 0 0
John Treble, Esq. ..	3 3 0
Miss Hamilton	3 0 0

The 'telethon' approach to public fundraising, although somewhat dated with traditional broadcast media in decline, also has proven benefits. Rather than a reactive approach like that used by DEC, well-known, coordinated and highly publicised examples, such as Comic Relief, target a moment in time to highlight an issue – in Comic Relief's case, poverty – and raise significant funds (£1.3bn since 1985). Comic Relief affects giving behaviour by ensuring that donating becomes normality. "We have a sense that everyone else around us – at home, at work, in our social lives – is doing it," says Jo Butler from the University of Sussex. "When an act is widely considered to be morally desirable, as with giving to charity, there is also a strong sense that people close to you would approve of you donating. This is known as an 'injunctive norm'." (The Conversation, 2017)

But could these sorts of events be harnessed more strategically to target philanthropists specifically? Collective philanthropy efforts like The Giving Pledge, Common Goal and Women Moving Millions use this injunctive norm to good effect by targeting specific groups of HNWI and UNHWI around a specific cause area and 'normalising' philanthropy.

"THUNDERCLAP PHILANTHROPY NOT ONLY HAS THE OPPORTUNITY TO GALVANISE GREATER GIVING AT A PARTICULAR MOMENT BUT OFFERS OTHER BENEFITS TOO."

But what they miss is targeting efforts around a particular time. Moments like #GivingTuesday give us the opportunity to really galvanise philanthropy at a specific moment in the year.

At The Big Give, we've found this to be an opportune time to launch our biggest match-funding campaign, The Christmas Challenge. Last year, it raised £24 million for 928 charities thanks to match funding provided by 25 philanthropic 'champions' (HNWIs, foundations and companies). By bringing these champions together with charities and offering to match public donations, it has proven to be an effective way of ensuring that the sum is greater than the individual parts. In essence, it's our own Thunderclap moment, and, much like the original Thunderclap website, we find that technology is an excellent enabler that works by bringing people together on our platform. (And so far, no interference from Russian bots!)

We have seen similar successes with launching philanthropic match-funding campaigns on moments like World Earth Day (our Green Match Fund raised £2.7 million) and International Women's Day (Women & Girls Match Fund raised £2 million).

Thunderclap philanthropy not only has the opportunity to galvanise greater giving at a particular moment but offers other benefits too. It could help increase awareness for 'underserved' issues like mental health, where philanthropy hasn't reached the same scale as other areas. For every £1 the government spends on cancer research, the public contributes £1.27, compared with £0.03 for mental health research. In addition, benefits such as pooling resources for better economies, for example shared overhead costs of due diligence, could be achieved. Finally, Thunderclap philanthropy could offer a more engaging experience for philanthropists – bringing them together around a particular moment could be more fun, they could share learning, and they might be encouraged to repeat or increase their philanthropic commitments.

I would encourage those working with philanthropists, and philanthropists themselves, to ask what their Thunderclap moments could be and invite others to join in. You might just be surprised at what you can achieve.

ALEX DAY

Alex joined The Big Give as Managing Director in 2015. The Big Give is the UK's biggest digital match-funding platform, and has raised over £200 million for not-for-profit organisations since 2008. Alex manages the relationships with The Big Give's match-funding 'Champion' partners, which include trusts & foundations, companies, (U)HNWs and public funders. During his tenure, he has led on a number of high-profile match-funding campaigns, including raising £2.6 million following the Grenfell Tower fire, and has grown the size and impact of The Big Give's flagship campaign, the Christmas Challenge, from £7.2 million raised for 258 charities in 2015 to £24 million raised for 928 charities in 2021.

Alex has spent the majority of his career in the not-for-profit sector. He has worked for a number of international development and humanitarian NGOs including Tearfund and Medair. He recently completed a one-year secondment to REED as Director of Social Impact. Alex holds a BA Hons in Business & Geography from Exeter University, and an MA in Charity Management from St Mary's University, which included a thesis entitled 'Impact Bonds: The future of disaster resilience funding?'. He is Vice-Chair of Excellent Development, an international development charity specialising in water conservation, and lives in Surrey with his wife and young son.

SIMPLE TOOLS FOR SMALLER DONORS

SYLVIA BROWN – WWW.SYLVIABROWNSMARTDONORS.COM

It's not just the biggest donors who want to make thoughtful and effective decisions – providing a few practical tools to smaller donors can help them make better choices for the biggest impact

Financial and legal advisors face a quandary. They have been told repeatedly that incorporating offering philanthropic advice into their client conversations is a powerful customer-relations tool; yet they usually lack the training – let alone the time – to discuss much beyond basic tax principles, such as the Gift Aid rebate. While UHNW private-bank clients often have access to at least one (usually overworked) philanthropy advisor, the majority of advisors simply cannot support individual clients through the charitable giving process. And they are unable to answer the question most asked by donors large and small: "Is my donation making a difference?"

Discussing philanthropy is undeniably good for business. But studies in the US and UK show a glaring disconnect between the expectations of advisors and of their clients. Clients feel their advisors over-emphasise the technical (legal and tax) aspects of giving, rather than providing guidance on the 'personal' (choosing a cause, and selecting a high-performing charity to support). Advisors misperceive their clients' hesitation to give as being wealth-related, when in fact the clients say it is due to a lack of knowledge. In a US Trust study, two-thirds of HNW clients who discuss philanthropy with their advisors want to learn more but are given inadequate resources; only 27% feel their advisors are very capable in advising about charities. A majority of clients want their advisor to assist with philanthropic decisions, but only a tiny minority feel their advisors know how to give to make a difference.

There also is a huge disconnect between the time and effort individuals are willing to spend researching a donation (about 15 minutes) and the hours they devote to researching holidays, a new electrical appliance or an insurance policy. Numerous studies, including my own peer-reviewed research, show donors claim to care deeply about the impact of their gifts, yet do not intentionally seek out the highest performing organisations. Their giving is strongly influenced by the recommendations of friends and family, rarely by comparisons of charities doing similar work. They would like to have a TripAdvisor or Yelp-style website that ranked Britain's 166,000 charities according to a star system.

A truly fair and accurate rating system for the entire charitable sector will probably never exist – metrics are too varied and evaluation capacity is too weak, particularly in smaller charities. Often, charities themselves communicate their impact poorly. And all the while, donors' desire for instant answers is compounding their disappointment.

> *"NUMEROUS STUDIES, INCLUDING MY OWN PEER-REVIEWED RESEARCH, SHOW DONORS CLAIM TO CARE DEEPLY ABOUT THE IMPACT OF THEIR GIFTS, YET DO NOT INTENTIONALLY SEEK OUT THE HIGHEST PERFORMING ORGANISATIONS."*

The solution is to give clients simple, practical tools to make their own more thoughtful and effective giving decisions. Brain-imaging technology shows the mid-brain lights up when people donate to charity, the same area of the brain linked to cravings and pleasure rewards. When the charitable gift is spontaneous or ad hoc, the 'warm glow' dissipates after about two hours. However, when donors spend even a little time planning their giving, satisfaction levels improve by almost 50%.

Unfortunately, very few educational resources exist for donors who are not

"ENCOURAGING DONORS TO BASE THEIR GIVING ON EVIDENCE RATHER THAN EMOTION IS UNDENIABLY CHALLENGING."

'high capacity' despite their contributing almost half of philanthropic dollars in the US, and 77% of charitable gifts in the UK. The consultants, trade publications and networks that drive the philanthropic sector are entirely focused on the actions of only the wealthiest donors. Little wonder that so many small- and mid-level donors favour the same half-dozen mega charities, ignoring the thousands of local initiatives doing transformative work. Little wonder they continue to believe in myths such as rating a charity by its overhead expenses rather than by its actual impact. But when donors become just a little more strategic, the difference in the amount charities receive, and the quality of service delivered, is exponential. Despite the current fashion for donation apps and spontaneous, ad-hoc giving opportunities such as Giving Tuesday, only smarter giving will increase a donor's social impact.

Encouraging donors to base their giving on evidence rather than emotion is undeniably challenging. My focus group research in the UK suggests that individuals are willing to spend about three hours learning how to give more thoughtfully and effectively – if it is gratis. Thus, who better than a trusted advisor to offer such training, much like the virtual financial literacy courses presented by some banks, which require no staff-time to run and are inexpensive to produce?

However, it is essential that the content and vocabulary be calibrated to the needs of smaller donors who will be supporting existing charities, not 'requesting proposals', 'making grants' or funding their own programmes. Since gifts of a few hundred or thousand pounds seldom give access to a charity's senior staff, smaller donors must make decisions based on publicly available information. Yet many charity websites contain outdated facts and figures, confuse outputs (activities, numbers served) and outcomes (what benefit is actually occurring), rarely mention bumps in the road and course corrections, and rely on simple emotional images rather than telling an often complex story. Even smaller donors are hearing about the importance of supporting grassroots initiatives and local leaders in underserved communities, but few know how to do so. By providing simple, practical tools for them to sift through confusing information, and by equipping them with the knowledge and resources they need to make informed charitable decisions on their own, advisors will reap the profession's holy grail: gratitude and loyalty. ■

SYLVIA BROWN

Leveraging her American family's 300-year philanthropic legacy and her own extensive experience in international development, Sylvia Brown, CAP® (Chartered Advisor in Philanthropy) is a passionate advocate of thoughtful and effective giving by ALL donors. Based in London and New York, she produces live and virtual donor education tools such as 'Smart Donors...Make a Difference' (US) and 'ThinkingGiving' (UK).

"ACCORDING TO A RECENT SURVEY BY THE UK FCA (FINANCIAL CONDUCT AUTHORITY), CONSUMERS ARE INCREASINGLY DEMANDING FINANCIAL PRODUCTS THAT TAKE SUSTAINABILITY INTO ACCOUNT."

THE ROLE OF FINANCE IN DRIVING A SUSTAINABLE FUTURE THROUGH STEWARDSHIP AND ENGAGEMENT

SIANNE HALDANE – WWW.MAANCH.COM

Stewardship and engagement are key to responsible investing, and are having a significant impact on sustainable real-world outcomes

Financial services and markets have an important role to play in the transition to a more sustainable future. To this end we see that financial services firms are increasingly incorporating consideration of Environmental, Social and Governance (ESG) factors into their operations, products and services. And, in response to growing consumer demand, they are providing an increasingly diverse range of products that target various sustainability objectives, themes or characteristics.

This is being led by consumer demand as well as by a wider global acknowledgement that governments, corporates and investors all have a role to play in the transition.

CONSUMER DEMAND

According to a recent survey by the UK FCA (Financial Conduct Authority), consumers are increasingly demanding financial products that take sustainability into account. In the survey, which asked consumers of retail investment or pension products a series of ESG-related questions, the data indicated that:

- 80% wanted their money to 'do some good', while also providing a financial return
- 71% wanted to 'invest in a way that is protecting the environment'
- 71% would not put their money into 'investments which are unethical'

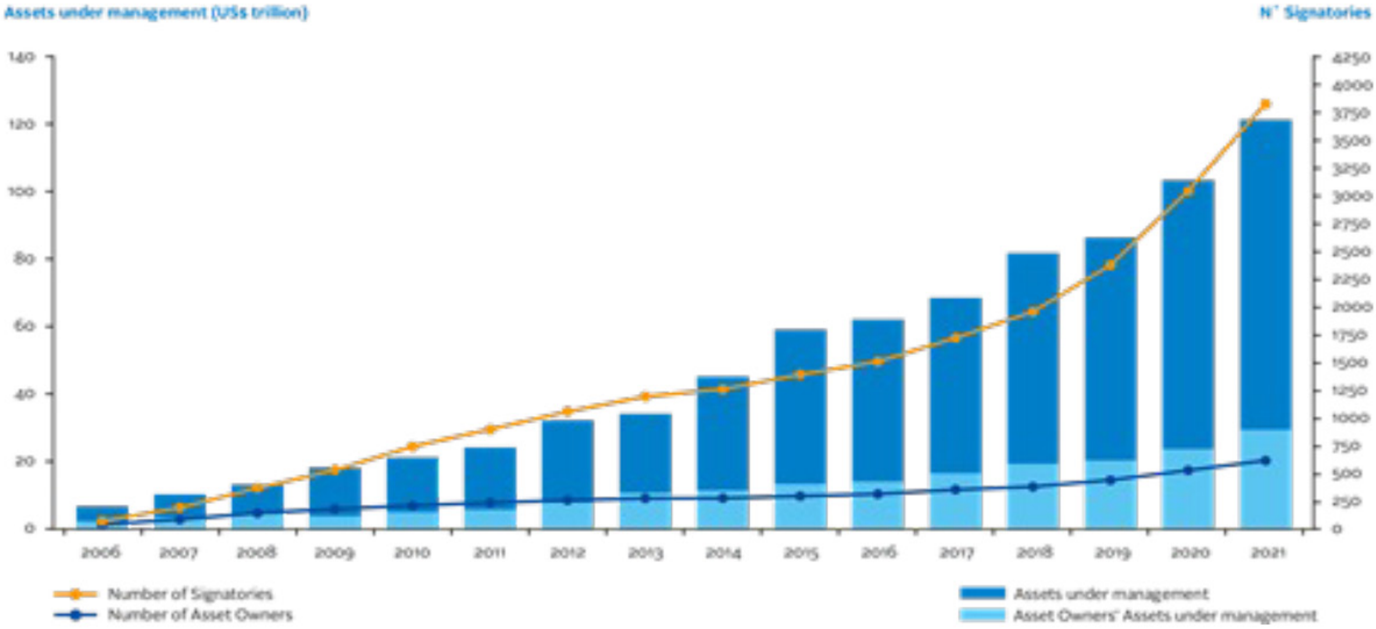
"THE UNPRI OUTLINES SIX CORE PRINCIPLES THAT SIGNATORIES ADHERE TO IN ORDER TO BE ACCOUNTABLE AS RESPONSIBLE STEWARDS OF CAPITAL, INCORPORATING ESG FACTORS INTO INVESTMENTS..."

TRENDS IN RESPONSIBLE INVESTMENT

As an industry, it has been recognised that more needs to be done to help create simplicity and understanding around what these products actually do, as well as how asset managers and owners are working on behalf of savers and investors to steward their assets.

Increasingly, asset managers and asset owners are aligning towards these trends, and are showing their commitment to driving sustainability. This can be seen by the growing number of signatories to the UNPRI (UN Principles for Responsible Investment). The UNPRI outlines six core principles that signatories adhere to in order to be accountable as responsible stewards of capital, incorporating ESG factors into investments, and becoming a community of 'active' investors.

> *"STEWARDSHIP AND ESG INTEGRATION ARE KEY TO RESPONSIBLE INVESTING AND ARE COMPLEMENTARY STRATEGIES THAT DRIVE REAL-WORLD OUTCOMES."*



With an increasing number of macro events in the last few years, the role of companies and investors in society are very much more under the microscope, driving the need for more regulation.

INCREASING REGULATORY ENVIRONMENT

As regulatory tools develop, such as the UK Stewardship Code, they drive more change and bring transparency by setting out key guidelines on stewardship and engagement practices and how signatories should report on them.

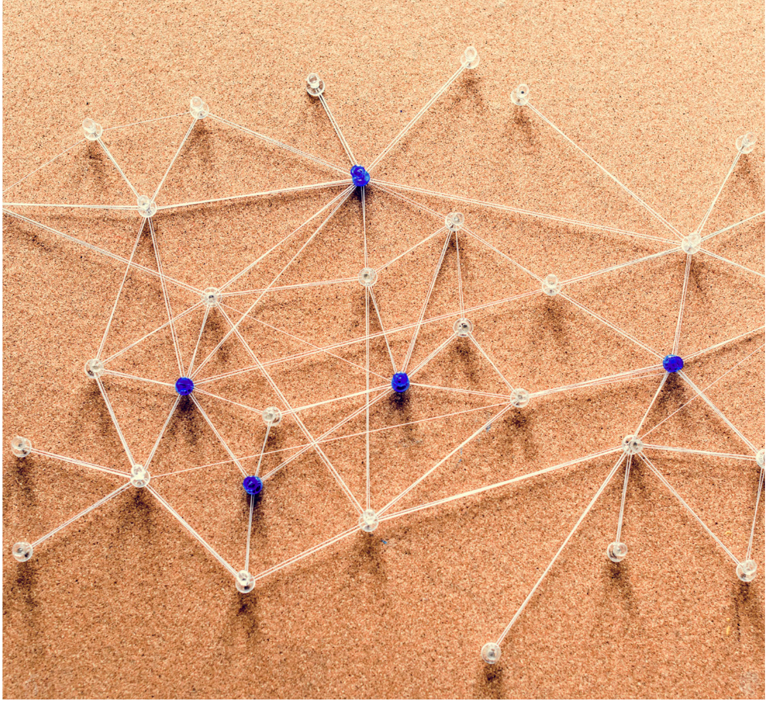
The UK Corporate Governance Code also has a strong focus on the role of investors as stewards, and provides a framework to hold companies (Boards) to account on how they should incorporate social and environmental factors into their strategies. Versions of these are also being developed in other jurisdictions.

There is also an increasing move to the regulation of labelling and classification of sustainable and ESG investments (SFDR, SDR, MIFID regulations) aimed at protecting consumers, and avoiding greenwashing. All of these regulations are helping us to understand what an ESG, Responsible or Sustainable investment actually is and how they are classified as such.

There are many nuances around these different terms that create more confusion. All essentially have different strategies in selecting and managing investments with an ESG lens.

WHY ARE STEWARDSHIP AND ENGAGEMENT SO IMPORTANT?

Stewardship and ESG integration are key to responsible investing and are complementary strategies that drive real-world outcomes. The PRI defines ESG integration as "the systematic and explicit inclusion of material ESG factors, such as climate risk, into investment analysis and investment decisions". It is one of three ways to incorporate responsible investment into investment decisions, alongside thematic investing and screening.



Engagement key to active ownership is one of the stewardship tools available to investors, and it generally involves an investor communicating with current or potential investee companies to improve ESG practices, sustainability outcomes and/or public disclosures. It usually takes the form of meetings, calls, emails and letters between the investor and the investee company during which these issues, which have been identified as possible risks by the investor, are discussed, and investors clarify their expectations.

However, investment stewardship is more than just this type of interaction, and increasingly investors are utilising other rights that are available to them as shareholders and other providers of capital, such as voting.

It is fundamentally about investors using their influence and rights over current and potential investee companies, and thinking about the impact on other stakeholders – to maximise overall, long-term value.

One area that has highlighted the impact of engagement and voting, and which has grown recently, is the movement towards more collaboration between investors on key 'ESG-themed' topics or issues that they are raising with their portfolio companies to affect change.

The purpose of this type of engagement is to enhance their influence as investors, pool resources and use their collective voice to drive sustainable growth. The initiatives are often focused on different themes, such as climate change, biodiversity loss, diversity and human rights. There are different organisations in this space that are driving different initiatives.

NOTABLE COLLABORATIVE INITIATIVES

Diversity
One of the earliest initiatives is the 30% Club, a scheme to drive 30% representation of women at board and C Suite level at the largest companies globally. This initiative started in 2011, with only seven members (corporates and investors). The idea was to use the power of investor capital collectively to demonstrate how important diversity in investee companies was for investors, both asset owners and asset managers.

Today, diversity is one of the key areas for investors across all asset classes, both in terms of their investing in companies and their stewardship priorities, but also in trying to improve the diversity of the investment industry itself.

The 30% Club UK Investor Group now has over 40 members, with over £11 trillion in assets under management, which shows how collaboration and engagement can drive critical topics to improve outcomes.

Climate change
Another initiative is Climate Action 100+, which is made up of 700 global investors who are responsible for more than $68 trillion in assets under management across 33 markets. Investor participants are signatories to the initiative and are responsible for direct engagements with focus companies, individually and/or collaboratively.

Investor engagement through Climate Action 100+ has secured a number of groundbreaking commitments from

SIANNE HALDANE

Sianne Haldane is Chief Impact Officer at Maanch. Maanch is a London-based B Corp providing integrated technology and advisory solutions to measure, manage and report ESG & sustainability data.

Sianne works closely with Maanch's clients on all impact-related strategies, from embedding sustainability across their businesses, to developing philanthropic goals and using Maanch's tech solutions to continuously improve their impact and share their successes.

She is a strong advocate and active member of sector-wide initiatives and thought leadership, and is a natural 'connector', creating communities that are mutually beneficial to enable impact.

A dual qualified lawyer in the UK and in her native South Africa, she has had a career that has spanned more than 15 years across the governance, sustainability, impact, CSR and private client space.

As a South African, Sianne's passions are biodiversity and nature and human rights.

Sianne is also a Trustee of both Mosaik Education and Save the Rhino International. She is an Advisory Board Member of the UBP Biodiversity Impact Fund, sits on the Executive Committee of the South African Chamber of Commerce, on the UN Global Compact Global Goals working group and the UN Global Compact Advisory Group, and is a committee member of the STEP Global Philanthropy Advisors Special Interest Group.

focus companies, such as setting science-based targets to reduce emissions and an increase in the number of net-zero commitments from large corporates.

UNPRI collaboration on social issues and human rights (Advance)
Advance is an initiative driven by the UNPRI-supporting institutional investors to take action on human rights and social issues together, with the objective of influencing companies and other decision-makers to create positive outcomes for workers, communities and society. The PRI is supporting a range of activities, including investor collaborative engagement with companies, along with potential further escalation where needed as well as investor engagement with policymakers and other stakeholders as a UN-supported body.

Share Action – health and wellbeing collaboration
Another notable not-for-profit working in this space is Share Action, which works with investors, policy makers and individuals to drive the environmental and social agenda with investee companies. They focus on key areas with investors to push this through research and rankings – setting industry standards for leading practice on environmental and social topics, as well as working with investors to scale up positive change at the largest corporates. This is done through engagement initiatives as well as voting and shareholder activism, including collaborative initiatives.

One of their most recent initiatives, launched in October 2022, is around driving health through The Long-term Investors in People's Health Initiative, led by ShareAction, with The Health Foundation and Guy's & St Thomas' Foundation. They are hoping to harness the huge potential of the investment sector to build healthier, fairer societies. There are currently 35 investors managing over $5.7 trillion in this new alliance, uniting asset managers and asset owners who want to prioritise population health, and will give investors the tools to improve health outcomes for workers, consumers and communities by sharing best practice and creating opportunities to collaborate on corporate engagement.

Investors are asked to commit to embed health into their policies and practices, and use their influence to accelerate impact throughout the investment sector. This is starting to be seen in efforts ranging from encouraging food companies to improve the healthiness of their products, to ensuring businesses pay a living wage.

Transparency and driving positive outcomes
As these initiatives scale, they have the potential to bring about positive change and accelerate the transition to a sustainable future. We can see this through increased disclosures and commitments from companies that have been engaged through these initiatives.

Engagement and stewardship are the cornerstones in turning the needle. Particularly where we can track and see the impact of engagements and voting, which is now a requirement under the UK Stewardship Code. With the increased scrutiny on greenwashing, transparency is key.

The qualitative data collected around the journey of companies is equally important, as it illustrates the steps taken, and how companies engaged in the process. Stewardship responsibilities as part of an overall ESG/ responsible investment strategies are about the better understanding of portfolio companies and sector trends, as well as clarifying the risk/return profile of companies.

This shows how building relationships between investors and the board of directors through stewardship becomes even more important in upholding market standards. By using stewardship to its full potential, and utilising all of the tools at its disposal, the finance sector can rebuild trust and demonstrate progress, as well as capture and measure outcomes.

"BUT AS DEMAND FOR CHANGE HAS GROWN FROM MULTIPLE STAKEHOLDERS – ASSET OWNERS, CONSUMERS, AND TOP TALENT ALIKE – SO HAVE CONCERNS ABOUT IMPACT- OR GREEN-WASHING."

DRAWING THE LINE OF DISTINCTION FOR IMPACT INVESTING THROUGH IMPACT LINKED CARRY

TOM SCHMITTZEHE, JESSICA HART, TOMAS ROSALES AND KARTHIK VARADA WWW.MOONSHOTVENTURES.ORG

How impact-linked incentive structures for impact funds can offer transparency and accountability – and help to counter fears of green-washing in impact investing

Fifteen years since the Rockefeller Foundation coined the phrase 'Impact Investing', there is ever more demand for fund managers to invest for impact. However, some of the mechanics of this emerging approach are still catching up. In the light of growing concerns about impact-washing, there has never been a more important time for the impact fund to demonstrate greater accountability and transparency. Building on recent developments in impact measurement and management, Impact Linked Carry (ILC) is an emerging tool for impact funds to help incentivise and hold their managers accountable to the impact and financial returns that they have long promised.

In one of the first studies of its kind, due to be published soon by Routledge, we shine a light on the emerging practice of Impact Linked Carry. This article touches on some of the developments that help make ILC possible today, why fund managers should be interested in ILC and how they should go about designing it. It also highlights one impact fund that built their ILC model around a framework proposed in the study. We end with reflections on the role that ILC can play, not just in helping impact funds manage more effectively, but more broadly in helping the sector distinguish itself more clearly in an increasingly clouded climate.

Investing for impact is well on its journey to becoming mainstream. Capital flows into ESG and impact investing have increased dramatically in the last decade. The Forum for Sustainable and Responsible Investment (US SIF) reported $17.1 trillion ESG assets under management in the US in 2020, a 43% increase from $12 trillion in 2018 (US SIF, 2020). Similarly, the Global Impact Investors Network (GIIN) estimated impact assets under management to be $715 billion worldwide in 2020 (Hand et al., 2020).

But as demand for change has grown from multiple stakeholders – asset owners, consumers, and top talent alike – so have concerns about impact- or green-washing. Hardly a week goes by without new media headlines calling into question the impact claims of a major financial institution or corporation. Mirroring growing alarm from many governments and regulators, the UK's Financial Conduct Authority announced in October new measures aimed at curbing misleading claims by fund managers on sustainable investing (FCA, 2022). In the run-up to COP27, UN Secretary-General António Guterres

JESSICA HART

Jessica is a Consultant at Boston Consulting Group, where she is passionate about improving the way our society works through both private-sector, government and non-profit organisations. She graduated in the class of 2021 from Harvard Business School, where she conducted the research behind this chapter and established the HBS Impact Fund, which seeks to expand access to affordable, flexible capital for black, brown and immigrant entrepreneurs. Jessica lives in London and holds a BEng in Electronic Engineering from the University of Manchester.

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declared: "Our world cannot afford any more green-washing, fake movers or late movers." (UN, 2022)

Given this context, it seems ever more important to tie financial incentives to impact goals for fund managers. But if Peter Drucker's famous words still hold true that "you can't manage what you can't measure", then this requires first a rigorous way to measure impact – and second a system to translate impact metrics and goals into desired behaviours by fund managers. On the first requirement, significant progress has been made in recent years, and it is now possible to set ex-ante impact key performance indicators (KPIs) and actively manage for impact during the investment period. Leading protagonists include the Impact Management Project (IMP) – a coalition of impact stakeholders aiming to define and measure impact. Industry-specific impact metrics can be found through GIIN's IRIS+, and MSCI and others produce ESG scores, whereas the Impact Weighted Accounts Initiative (IWAI) at Harvard Business School aims to price environmental and social externalities.

However, when it comes to the second requirement, there is still much to be done in designing and implementing ways that bridge impact goals with incentives for executive teams promising to meet those goals. Encouragingly, a patchwork of context-specific attempts towards this is emerging. For instance, the idea of linking incentives to ESG outputs has already taken hold in the credit markets through sustainability-linked debt instruments, which reward borrowing firms for hitting clear and specific sustainability goals with a lower interest rate. At the same time, CEOs of publicly listed corporations are increasingly finding their compensation linked to ESG metrics; a 2020 report by Willis Towers Watson found that 51% of S&P 500 companies use ESG metrics in their executive incentive plans (Newbury & Delves, 2020).

Efforts to adopt incentive structures to promote impact goals among ESG and impact funds are also beginning to emerge. The impetus is particularly strong among PE- and VC-styled impact funds. Simply put, unlike ESG funds that seek to invest while 'doing no harm', impact funds seek to 'do good' through investing, emphasising intentionality in helping to generate positive change. Impact fund managers promise a varying mix of both impact and financial returns. In principle, when offered investment opportunities with similar return profiles, they should select those generating the greatest impact, or, depending on what they promised their investors, they may even accept concessions on one goal or the other. With ever more rigorous impact measurement tools now at hand, it is evident why investors to these impact funds should want incentive systems in place to help ensure fund managers generate the impact they promise. And yet, this is still not the norm.

Most ESG and impact fund managers still employ traditional incentive structures borrowed from the PE and VC world. Here, fund managers (General Partners or GPs), are offered a share of the profits from the fund, known as Carried Interest or 'carry', which are due to their investors (Limited Partners or LPs), typically once a minimum threshold of financial return has been reached.

KARTHIK VARADA

Karthik Varada is a Project Researcher at the University of Tokyo, studying ESG and climate-tech investments. Previously, Karthik was the founding member of Asia Women Impact Fund, a $100 million impact-investing fund at the Sasakawa Peace Foundation. Karthik has advised several venture capital funds and start-ups on impact investments and impact management. Karthik holds a PhD from the University of Tokyo, focused on ESG and gender-lens investing. He holds a Master's from the University of Tokyo and a Bachelor's in Engineering from the Indian Institute of Technology, Hyderabad.

Nonetheless, change is afoot, and a growing number of impact fund managers are innovating with incentive structures that do explicitly promote investing for impact. In the study, our co-writers Jessica Hart and Tomas Rosales detail a survey of impact fund managers they conducted at Harvard Business School, focusing on funds that had developed different Impact Linked Carry models, adapting the traditional carry system to explicitly promote impact goals.

The study established several design choices that funds commonly considered in their ILC models. One fundamental choice was how much of the GP's carry should be subject to achieving hard impact goals, where the main decision factor was the strength of the desired signal to the market and employees. Another important consideration was the measures taken to ensure third-party verification of the impact achieved, which was important to avoid impact-washing. Funds typically elected to use either independent auditors, or a committee of the fund's own LPs, to do this fact checking – each with trade-offs principally around cost and decision-making control.

Other insights from the study centred around why funds had sought to implement ILC. The overwhelming motivation was for its signalling effect to LPs and potential portfolio companies, and because it was simply the logical step for a fund with a clear impact mission. Managers from Vox Capital, which invests in start-ups with innovative solutions for low-income Brazilians, expressed that "impact and financial returns can and should go hand in hand. It was natural for us to link impact to incentives and very much in line with our strategy".

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When it came to barriers to adopting ILC, several main factors were identified. Not surprisingly, chief among these were concerns around the tools available for quantifying impact, which lacked robustness and standardisation. And even if concrete KPIs could be agreed on, many funds were concerned about how to compare and reward their teams for achieving very different kinds of impact. "How do I aggregate and compare impact KPIs for a dyslexia software company with the impact of a CO_2 emissions measurement tool? And how do I decide which one is more impactful?", as one manager put it. So, while the rationale was clear to many managers for using ILC, the tools available for doing so were often less certain.

Based on best practices and insights from the study, Hart and Rosales built a template to help impact fund managers design their own Impact Linked Carry model. And then this was road-tested with a newly launched impact fund, the Indonesia Women Empowerment Fund (IWEF).

IWEF aims to address the missed economic opportunities for women in Indonesia. As one of the region's first Gender Lens Investing (GLI) funds, and

TOM SCHMITTZEHE

Tom is founder and Managing Partner of Moonshot Ventures, a venture capital and impact-investing firm operating in Southeast Asia, which in 2020 launched the Indonesia Women Empowerment Fund (IWEF), the first venture fund dedicated to gender-lens investing and supporting women start-up founders in Indonesia. Tom has spent the last 25 years working with start-ups, including as an investor, advisor and founder – primarily within the emerging sector of impact investing and in Asia. He previously held regional leadership roles with Ashoka, a global pioneer of impact investing, and he co-founded two successful impact-investing firms in Asia. He has a particular interest in social innovation, and has helped launch several new approaches in impact investing, particularly related to blended finance. He advises development agencies and multi-laterals on social innovation and impact investing, such as the UNDP and USAID. Tom holds degrees from Oxford University, the Wharton School of the University of Pennsylvania, and the Harvard University John F. Kennedy School of Government (HKS).

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one of the first such funds globally to incorporate ILC, it invests in technology-driven start-ups with solutions to systemic barriers to better livelihoods for women. IWEF was launched in 2020 by Moonshot Ventures, an impact investor operating in Southeast Asia, along with an Indonesian foundation supporting women's SMEs as its local partner.

The fund's investment thesis relies on investing in start-ups that are positioned to simultaneously generate superior impact and financial returns. For example, IWEF invested in Binar Academy, an ed-tech start-up in Indonesia offering accelerated vocational courses and a job-matching platform. Binar disproportionately targets women and enables them to access better paid jobs in the country's fast-growing digital economy. Its revenue generation is in alignment with the impact goal of helping more women upskill and achieve better livelihoods.

Like many impact funds adopting impact carry, IWEF aims to signal to entrepreneurs and capital providers alike its intentional commitment toward investing for impact. Furthermore, as part of its mission to challenge practices in impact investing, Moonshot Ventures hopes to offer a proof of concept to other fund managers, especially those investing with a gender lens, on how they can be incentivised to achieve both financial and social returns at the same time.

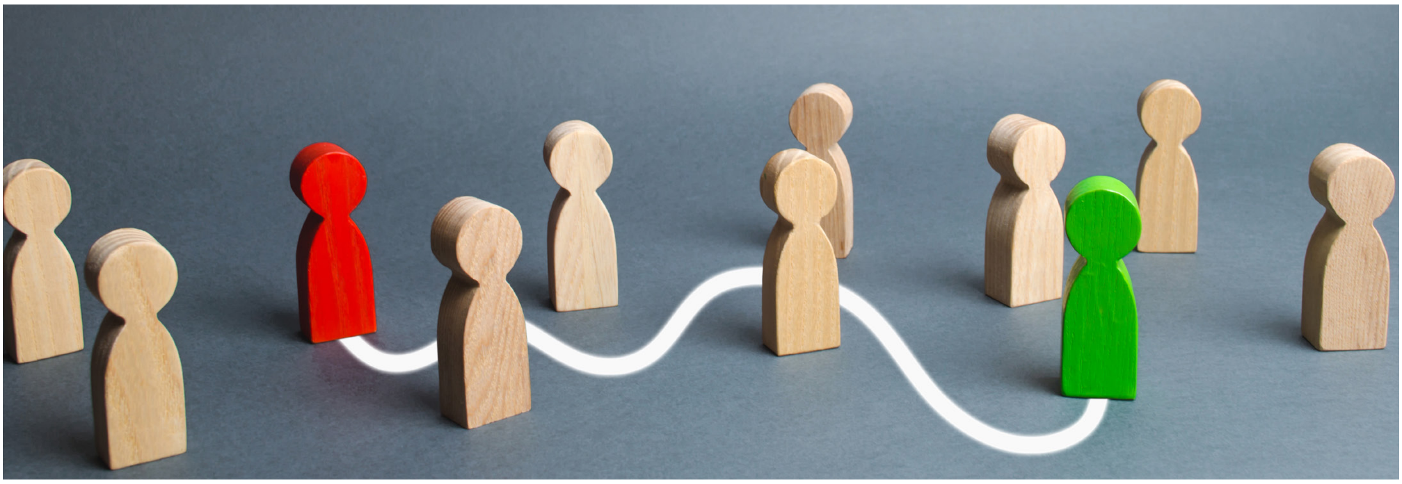
Working with Hart and Rosales and the framework they conceived, the Moonshot Ventures team made design choices for IWEF's impact carry model guided by a few fundamental principles. For instance, the model needed to reflect the fund's thesis that it would only invest in start-ups where there was strong collinearity between potential for achieving impact goals and financial returns, so with no trade-offs between the two objectives. Consequently, design features such as having the entire carry pool subject to achieving impact goals was deemed appropriate. Ultimately, the team wanted to signal that it would only reward itself commensurate with the impact it delivered, and that success in achieving impact would match success in financial returns too.

Another important criterion was that the design choices needed to lend themselves to simplicity and cost-effectiveness. The team wanted to capture sufficient nuance to include both depth and breadth of impact, but without placing excessive burden on the emerging start-ups in helping to collect the data, or on IWEF's team in managing that data, which as a small fund is very capacity-constrained.

In seeking solutions, IWEF was inspired by the Lean Data approach championed by 60 Decibels, including the use of Net Promoter Score (NPS) to gauge beneficiaries' self-reported impact. Based on this, IWEF will capture impact metrics periodically via short market-research-styled surveys administered by start-ups among samplings of their customers or beneficiaries. The surveys will include NPS questions that allow comparability between start-ups in different sectors, as well as questions specific to a start-up's product and the 'depth' of its impact in improving women's livelihoods, so as to allow for contextualisation. This approach has numerous advantages, including cost-effective data capture and analysis, while also providing valuable market insights to a start-up's management team, which is less likely to view the surveys as burdensome. Furthermore, costs can be controlled by engaging third-party independent verification of the data and

TOMAS ROSALES

Tomas is currently the Vice President of Growth at ZUMI, a Kenya-based start-up that focuses on empowering informal retailers. Previously, he worked at growth equity investor Verdane Capital. Whilst there, he designed and implemented the strategy for a €300 million impact fund, one of the first fully commercial funds to adopt the impact-linked carry model. Prior to Verdane, Tomas worked at Boston Consulting Group with digital business models and social impact. He also spent time at development agency UNOPS in Myanmar. Tomas graduated with an MBA from Harvard Business School, where he and Jessica conducted the research behind this chapter. He also wrote cases on social impact organisations. Tomas holds an Msc in Applied Economics and Finance from Copenhagen Business School.



analysis only for the subset of start-ups that exit and otherwise contribute to the carry pool.

So, what useful conclusions can be drawn from this work around Impact Linked Carry?

Both immediate and broader insights can be distilled. On a hands-on level, we do not suggest that this model alone will revolutionise impact investing, but we believe it can be an important part of a fund's robust impact strategy. For a fund with a clear impact strategy and vigorous measurement and management, ILC is a powerful tool for focusing the investment team on their dual mandate and signalling commitment to impact to stakeholders.

On a broader level, the emergence of ILC can be seen as part of growing efforts across the global economy towards accountability to non-financial performance. It is perhaps surprising that more impact funds have not adopted impact carry. While impact investors show growing interest, hesitancy to follow through may be due to a lack of clarity on the approach, and misguided fears of 'mind-boggling' complexity. We hope the example of IWEF, with its emphasis on a simple and cost-effectiveness model, as well as our wider work to look behind the curtain of impact carry, will help address this barrier.

More pressingly, growing public concerns with impact-washing may act as a long overdue wake-up call for the sector. More than ever, impact investors need to demonstrate greater accountability and transparency – and impact funds need to find a way to draw a line between themselves and mainstream PE and VC funds, which increasingly make superficial claims about impact. As we witness the growing fall-out from such discredited claims, there is a real risk that the impact sector becomes tarnished by the same brush and that the distinctiveness of impact investing becomes blurred. Challenging fund managers to 'put your money where your mouth is', by using tools like Impact Linked Carry, may just be what the impact sector needs to draw that proverbial line in the sand, and maybe even influence mainstream funds to adopt approaches that will help accountable impact become more accessible to more investors.

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