The Bridgespan Group

Four Pathways to Greater Giving

What will it take to unlock dramatically more philanthropy from America's wealthiest families?

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Collaborating to accelerate social impact

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Executive Summary

Many ultra-wealthy individuals and families—who each hold $500 million or more in assets—say they want to achieve more with their philanthropy. In the United States alone, more than 140 billionaires have signed the Buffett-Gates Giving Pledge, committing to give half of their wealth to philanthropy during their lifetimes or upon their death.

Despite such aspirations, ultra-wealthy American families donated just 1.2 percent of their assets to charity in 2017, which falls considerably short of average, long-term investment returns on assets. Compare 1.2 percent to the S&P 500's 20-year average annual return of 9 percent. The clear-eyed math shows that if an ultra-high net worth family wanted to spend down half its wealth in a 20-year timeframe, the family would need to donate more than 11 percent of its assets per year—a nearly ten-fold increase over its current level of giving.

The gap between the very wealthy's current giving and their full potential to give has implications for us all. At its best, private philanthropy, in partnership with innovative nonprofits and resident-led movements, has helped secure major social advances, such as eliminating age-old infectious diseases and securing important civil rights for repressed populations. At the same time, the social problems we haven't solved will continue to grow. We have arrived at a decisive moment. The ultra-wealthy, having amassed resources of unprecedented magnitude, have the capacity to support innovative initiatives that could benefit millions.

Against that backdrop, The Bridgespan Group's research team, with support from the Bill & Melinda Gates Foundation, set out to spotlight barriers that impede giving to social-change efforts. The team then identified pathways that could conceivably double ultra-wealthy giving to benefit society from $45 billion to $90 billion per year. The team interviewed more than 60 ultra-wealthy families, their advisors and staff, and experts in the field, and paired insights gleaned from those interviews with lessons from behavioral science and the experiences of community leaders and fundraisers.

Barriers that Impede the Wealthiest from Giving to Social-Change Efforts

Finding the right funding opportunities can be challenging

One reason donors aren't betting big on reducing social inequities is because of a vicious cycle that makes it irrational for nonprofit leaders to ask them to. Since donors rarely make large financial commitments to social-change efforts, most nonprofits are unpracticed at making the case for gifts of eight-figures (or more). Leaders who address social inequities need financial incentives that make it worthwhile to invest in developing large-scale fundable ideas.

Giving to social-change efforts often requires a change in mindset

Behavioral science shows that for many, for a risk to be worth taking, the probable gains must far exceed the potential losses. Donating to innovative social-change efforts can feel risky when compared to more familiar, time-honored charitable alternatives. There is also a mindset challenge to overcoming inertia—that is, avoiding delay and leaning further into "giving while living."

The marketplace for matching funding with opportunities is broken

The barriers to funding social change—as well as the gap between the wealthiest donors' ambitions and actions—signal that the marketplace matching great opportunities to philanthropy is broken. What's more, the evidence suggests that the market's flaws will worsen over time, as donors retreat from supporting perpetual, large-staffed foundations and are left to seek out big opportunities on their own.

Four Pathways Emerge

Having identified the barriers, we set about conceiving a compelling "future state" for ultra-wealthy giving. We sought to meld an analysis of what exists today and what has (and has not) worked in the past, while surfacing ideas that would help donors with their quest to put more money toward potent social change.

Our assessment identified four significant pathways (there are certainly others) to greater giving to social-change causes, by which we mean causes like human/social services, the environment, and international development. These pathways—individually and collectively—could represent meaningful progress to the audacious goal of doubling giving from this population and unlock billions of dollars to drive social change. However, we also realize that philanthropy is personal, and deeply enmeshed with family, legacy, and values. A core challenge—creating solutions at scale for donors who are accustomed to bespoke approaches—should not be underestimated. Scaling strategies that assume all donors behave alike will likely fail.

Path #1: Aggregated funds become a common asset class for ultra-wealthy philanthropists

Platforms like Blue Meridian Partners and The END Fund, which enable funders to marshal resources and invest collectively to address structural barriers to equity, are among the most prominent models for collaborative, aggregated funding. We estimate that an array of philanthropic options such as these could spur more than $5 billion in annual giving.

Path #2: A high-impact way for philanthropists to bet big on improving economic mobility

US economic mobility has declined sharply over the past half century. A promising model for accelerating donors' efforts to put millions more Americans on an upwardly mobile trajectory comes in the form of matching donors to great community-led opportunities. This pathway replicates, on a national scale, community foundations' most effective elements. A "community foundation for America" would offer grantee options that enable donors to give seamlessly to advance economic mobility. If successful, we estimate this approach could unlock at least $5 billion annually.

Path #3: Philanthropists have access to high-quality services that support their giving

Private wealth management firms in the for-profit sector, such as JPMorgan Chase and Morgan Stanley, offer high-touch relationship managers who connect customers with the right investment and asset managers to address their financial needs. The same does not occur at scale with philanthropy. Very few organizations provide strategic philanthropy services that support, say, more than 20 ultra-wealthy donors simultaneously. Even though philanthropy is personal, many of the services that ultra-wealthy donors need most have similar characteristics. If donors, at scale, could access those services readily, we estimate they could unlock more than $2 billion annually.

Path #4: Philanthropists have consistent access to those qualified grantees that are able to put their big bets to effective use

Compared to institutional nonprofits like hospitals and universities, social-change organizations operate at a major disadvantage. It is often easier for philanthropists to give to institutions, with their large development offices and robust programs. Meanwhile, a top tier of social-change focused nonprofits suffers from chronic budget deficits. Although some high-performing nonprofits are prepared to put big philanthropic investments to immediate use, more capacity-building work needs to be done, especially if the ultra-wealthy double their giving. Strengthening social-change nonprofits—including helping them plan for and deploy the large gifts they receive—could unlock upwards of $10 billion annually, according to our estimate.

These mechanisms have tremendous potential to give philanthropists new access to social-change efforts (and to local/community-driven solutions and solutions driven by people of color). History demonstrates that at its best, philanthropy can help strengthen civil society, as well as organizations that are a potent force for change. More recently, emergent organizations and resident-led initiatives have introduced promising approaches to address society's challenges. There are community-driven models like the Family Independence Initiative, which supports the efforts of low-income families and communities to build their own approaches to climbing out of poverty. There are "direct-to-people" efforts like The Bail Project, which is working to reduce mass incarceration by using a revolving fund to pay the bail for low-level defendants who cannot afford to do so. There are also field-building intermediaries like Campaign for Tobacco-Free Kids, which augments the efforts of other actors working to achieve population-level change in the field of tobacco cessation.

We are at the beginning of an estimated $30 trillion wealth transfer from Baby Boomers to their heirs, which will play out over the next two to three decades. If the wealthiest families surmount the challenges to giving more, they will seize a once-in-a-generation opportunity to help put society on a path to enduring progress.

Introduction

America's wealthiest families are donating at historically high rates. In 2017, the nearly 2,000 "ultra-wealthy" American households—those that each held more than $500 million in assets and collectively controlled $3.7 trillion—contributed around $45 billion to charity.[1]

At the same time, the top 0.1 percent of adults—the ultra-wealthy and the very wealthy—controls 20 percent of the nation's wealth, roughly the same share of wealth as the bottom 86 percent.[2] Given the massive (and growing) levels of wealth and income inequality in the United States, the wealthiest Americans are coming under fire.

And yet, the evidence remains: when "doing good" is done well, philanthropy can be a powerful force for positive change. At its best, private philanthropy, in partnership with innovative nonprofits and resident-led movements, has helped fuel some of the past century's greatest social-impact success stories: virtually eradicating polio, establishing universal 911, securing marriage equality in the United States, dramatically reducing adult and teenage smoking rates, to name a few.

The good news is that many ultra-wealthy philanthropists we talk to feel the pressure to do better and recognize the opportunity to achieve more. In the United States alone, more than 140 billionaires[3] have signed the Buffett-Gates Giving Pledge as of fall 2018, committing to give half of their wealth to philanthropy during their lifetimes or upon their death. This spirit of generosity has set an historic and important new norm among their peers. Indeed, analysis of the pledgers' letters of intent reveals that nearly 60 percent reference "giving back to ensure the future of the American Dream" (or similar sentiments), one of the great social challenges of our time.

Despite these aspirations, ultra-wealthy American families donated just 1.2 percent of their assets to charity in 2017—a rate consistent with payouts over the past six years. That number falls considerably short of average, long-term investment returns on assets. Putting aside the outsize stock market gains from 2017 to 2018, compare 1.2 percent to the S&P 500's 20-year average annual return of 9 percent, or the Harvard Endowment's 20-year return of 10 percent, or even to foundation endowments' (required) 5 percent annual payout.

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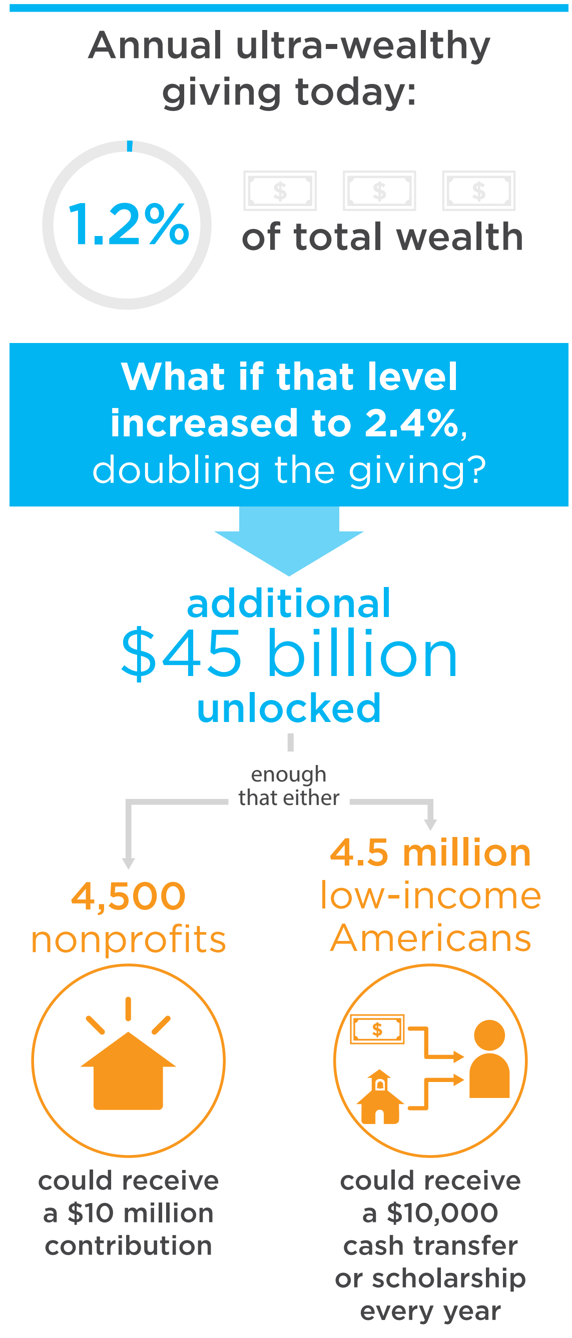
1 Data compiled from Wealth-X, IRS tax filings, Giving USA. Giving estimate likely to have a 10% to 15% error. For more on how we calculated this estimate, see "Snapshot: The Ultra-Wealthy's Charitable Giving in 2017," p. 35, in the Appendix.

2 World Inequality Database accessed at https://wid.world/data/. Computation based on net personal wealth shares for the top 0.1% and bottom 86% of US adults in 2014. Estimate represents most recent data available and may have changed.

3 "Eye on the Giving Pledge," Glasspockets, 2018, https://glasspockets.org/philanthropy-in-focus/eye-on-the-giving-pledge/a-closer-look.

We hear many reasons for the gap between the ultra-wealthy's current level of giving and their full potential to give, which we explore in this report. They include: uncertainty as to how to get started, difficulty finding "great" giving opportunities, fear of making a bad gift and being attacked in the media, illiquid wealth tied up in family businesses, and more. Then there is the single most pervasive reason: there is absolutely no penalty for delay.

Regardless of the reasons, at a 1.2 percent payout rate, philanthropists couldn't spend down half of their wealth in their lifetimes. In fact, average gains in assets are piling up faster than they are flowing out to charity. The clear-eyed math shows that if an ultra-wealthy family wanted to spend down half its wealth in a 20-year timeframe, the family would need to donate more than 11 percent of its assets per year—a nearly ten-fold increase over its current level of giving.



Moreover, much of the ultra-wealthy's funding bypasses organizations and movements that address inequities. It's as though there's a four-lane highway for transporting charitable dollars from wealthy families to institutions: universities, hospitals, religious institutions, some conservation and arts causes, and so forth. However, when it comes to funding efforts to confront pressing social, environmental, and economic challenges, charitable giving quickly off-ramps onto slow-going backroads.

Setting aside the possibility of a ten-fold increase, if the ultra-wealthy simply doubled their giving, from 1.2 percent to 2.4 percent of assets (from $45 billion to $90 billion), that would translate into a more than 11 percent jump in total annual charitable giving. That is enough for 4,500 nonprofits to reap a transformative, $10 million contribution, or for 4.5 million low-income Americans to benefit from a potentially life changing, $10,000 cash transfer or educational scholarship—every single year.

Against that backdrop, we asked: given that there are far too few roadways capable of efficiently delivering these large sums, especially to underfunded yet vital social impact efforts that contribute to the public good, what would it take to build more?

We found heartening news. There are, in fact, emerging pathways to greater giving, which we detail in the pages that follow. New collaborative funds that enable philanthropists to band together to fund a wide array of efforts to address social inequities. New funding mechanisms that are allowing donors to hit an "easy" button and donate millions of dollars to high-performing nonprofits and promising movements, through a vetted due diligence and monitoring process. New platforms that enable high-potential leaders and organizations to build the capacity to absorb big bets and deploy them effectively. New interest among advisors in helping ultra-wealthy families break through the psychological barriers holding them back, and among ultra-wealthy benefactors who enthusiastically exhort their peers: “Jump in, don’t delay!”

If nurtured properly, these pathways could play a powerful role in conveying more and larger philanthropic payloads to high-performing organizations and initiatives that are confronting daunting social challenges.

The stakes could not be higher. If left unaddressed, the disconnect between what the wealthiest are currently giving and their full philanthropic potential will increase significantly in the coming decades, especially as retiring Baby Boomers unleash the biggest wealth transfer in history. At the same time, the social problems we haven’t solved will continue to grow. We have arrived at a decisive moment. The ultra-wealthy, having amassed resources of unprecedented magnitude, have the capacity to support innovative initiatives that could benefit millions. If we can help address the wealthiest donors’ aspirations and barriers, we just might increase the odds that fully funded nonprofits and other agents of change will make dramatic progress toward solving some of society’s biggest challenges.

Research Focus

What will it take to unlock dramatically more philanthropy—that is, to increase the flow of funding and its efficacy—from America’s wealthiest families?

From 2017 to 2018, The Bridgespan Group’s research team,[4] with support from the Bill & Melinda Gates Foundation (Gates Foundation), pursued a three-fold mandate:

- To analyze and illuminate both historical trends in giving from ultra-wealthy[5] families and the barriers to giving more, with a particular eye toward giving to reduce social inequities[6]
- To identify bright spots that show promise in increasing giving from ultra-wealthy families
- To identify high-potential and inspiring—yet achievable—pathways that could double giving from $45 billion to $90 billion per year to benefit society

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4 Funding was provided by the Bill & Melinda Gates Foundation’s Philanthropic Partnerships Team, which supplied valuable information and insights but did not have any editorial role or oversight over this analysis and publication. Special thanks to deep and sustained efforts from the Bridgespan team: Anna Soybel and Brian Bills for their critical contributions over the course of a year; Ashley Chin, Rachel Heredia, and Kate Archibald for their research and insights; Bill Breen, Carole Matthews, and Gail Perreault for their editorial guidance in bringing this report to life.

5 Ultra-wealthy includes American households with a net worth of more than $500 million.

6 Philanthropy that benefits relatively wealthier institutions such as universities and hospitals is distinct from giving to solve inequities. As used in this paper, the term “giving to solve inequities” broadly encompasses public causes and sectors such as civil rights and freedoms, public health, youth and families, early childhood and public education, workforce development, economic development and other economic-mobility/anti-poverty initiatives, conservation and the environment, racial and gender equality, and other social-change movements and causes.

To explore donors' attitudes toward giving, this report surfaces firsthand accounts from more than 60 ultra-wealthy families, their advisors and staff, and experts in the field, paired with lessons from behavioral science and the experiences of community leaders and fundraisers. Insights from these interviews, when coupled with quantitative analysis, helped prioritize pathways to greater, more effective philanthropy. Specifically, we explore four actionable pathways that could dramatically unlock future giving.

We acknowledge that bringing any one of these ideas to life won't be easy. Having worked with dozens of philanthropies and donors, we are well aware that just because an organization builds a model for better giving, it doesn't necessarily mean that others will run with it. Moreover, our investigation of promising concepts that failed to achieve dramatic impact (or simply failed) was sobering. However, given donors' clear hunger to give—and society's urgent need for them to do so—we believe these pathways can potentially lead to dramatically greater levels of generosity going forward.

Two Trends and an Opportunity

First trend: Philanthropy from the ultra-wealthy hasn't kept up with surging wealth

Private wealth in the United States is growing at an unprecedented rate. Over the past three decades, the top 0.1 percent's share of household wealth grew threefold, a level not seen since the early twentieth century.[7] Today, the top 0.1 percent of families controls 20 percent of the nation's wealth—roughly the same share of wealth as the bottom 86 percent of families.[8] At the time of this writing, the Dow Jones industrial index is approaching its all-time high—and the accumulation of so much wealth in the hands of so few shows little sign of slowing.

Even as wealth becomes increasingly concentrated, economic mobility has been declining for decades. From 1940 to 1985, the probability that children would grow up to earn more than their parents—widely considered a benchmark of the American

Impact of Tax Cuts and Jobs Act

- In 2017, the Urban-Brookings Tax Policy Center Microsimulation Model projected a $21 billion annual decrease in charitable giving as a result of the legislation.
- The downward effect is relatively small for ultra-wealthy households, whose itemized deductions well exceed the nearly doubled standard deduction.
- The most significant impact is expected to arise from the doubling of the estate amount that's exempt from taxation. The one-time estate tax repeal in 2010 reduced overall charitable bequests by 37 percent, or $4.4 billion.

7 Emmanuel Saez and Gabriel Zucman, "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data," *The Quarterly Journal of Economics* 131, no. 1 (2016). The top 0.1% represents households with more than ~$20 million in wealth in 2012. The top .01% represents households with more than ~$110 million in wealth (2012).

8 World Inequality Database accessed at https://wid.world/data/. Computation based on net personal wealth shares for the top 0.1% and bottom 86% of US adults in 2014. Estimate represents most recent data available and may have changed.

Dream—fell from 92 percent to 50 percent.[9] The picture is even bleaker for people of color. One example: nearly seven out of 10 Black Americans born into the middle-income quintile will backslide into one of the bottom two quintiles as adults.[10]

The good news is that many of the nation's wealthiest households aim to give much of their money away. As of 2017, more than 140 US donors have signed on to the Buffett-Gates Giving Pledge, committing to give half their wealth to philanthropic causes. Moreover, almost 60 percent of these Giving Pledge signatories reference the American Dream in their own experiences or funding priorities,[11] further highlighting the pervasive interest in helping to build a vibrant, economically mobile society.

However, there is also some dispiriting news: ultra-wealthy donors are not nearly on pace to accomplish their goals. Their rapid wealth accumulation is simply outstripping their annual giving.

Consider that over the past five years, the average wealth per household at the top has grown by 5 percent annually. In 2017, more than 1,800 American ultra-wealthy households—in possession of $3.7 trillion—donated nearly $45 billion.[12] Over the past six years, the philanthropic payout rate of this group has consistently ranged from 1.0 to 1.5 percent.

If current appreciation trends continue, donors seeking to channel half their wealth into philanthropic causes within the next 20 years would have to contribute over 11 percent of their wealth annually—nearly ten times the current rate of giving.[13]

Second trend: Despite their social-change aspirations, donors frequently give their biggest gifts to institutional causes

As noted above, almost 60 percent of Pledgers cite the American Dream as an important aspect of their philanthropy. Nearly 80 percent of major donors[14] identify a potent social-change goal—think ending homelessness or eradicating polio—among their top three priorities. Yet, excluding the Gates Foundation, previous Bridgespan research[15] has shown that just 20 percent of philanthropic big bets (those of $10 million or more) target social change.

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9 "The American Dream Is Fading," Opportunity Insights, https://opportunityinsights.org/national_trends/.

10 Debby Bielak, Devin Murphy, and Jim Shelton, "'Billion Dollar Bets' to Create Economic Opportunity for Every American," The Bridgespan Group, May 2016, https://www.bridgespan.org/insights/library/big-bets/billion-dollar-bets-to-create-economic-opportuni.

11 December 2017 analysis of US Giving Pledge letters for references to upbringing in America or funding interest in social change in America. For ambiguous letters, we examined the individual's giving track record.

12 Wealth-X database and Bridgespan analysis.

13 Analysis of giving assuming 8.8% annual asset appreciation, the S&P 500 index's average annual return, including dividends, from January 1, 1998, to December 31, 2007, based on data from Yahoo! Finance and Robert Shiller.

14 William Foster, Gail Perreault, Alison Powell and Chris Addy, "Making Big Bets for Social Change," *Stanford Social Innovation Review*, Winter 2016, https://ssir.org/articles/entry/making_big_bets_for_social_change. "Major donors" refers to a review of the public statements of US donors who have committed to the Giving Pledge and those listed in Forbes 50 Top Givers. Nearly 80% state that such a goal is one of their two or three top priorities.

15 Ibid.

In fact, the great majority of wealthy Americans' philanthropic giving goes to large institutions—such as universities, hospitals, and cultural institutions—that are vital to a healthy society, but may not make progress against donors' stated priorities.

The opportunity

If the nation's wealthiest families and individuals escalated their giving, and focused this increase on supporting nonprofits and other actors that are working to solve society's most pressing challenges, they could deliver a dramatic boost to the social sector and through it to social outcomes. Doubling the amount of ultra-wealthy giving from just over 1 percent to over 2 percent of assets (from $45 billion to $90 billion annually) would translate into a more than 11 percent jump in total annual charitable giving—enough for 4,500 nonprofits to reap a transformative, $10 million contribution. Put another way, that level of giving is enough for 4.5 million low-income Americans to benefit from a potentially life-changing, $10,000 cash transfer each year.

Philanthropic activity at that order of magnitude would align with the wealthiest donors' stated aspirations without reducing their wealth, given capital accumulation trends. So, what is holding donors back from committing even larger funding flows to organizations that are working to benefit millions? Taking these barriers and what we know about behavioral psychology into account, what new ideas could unlock donor giving at an unprecedented scale?

Barriers that Impede the Wealthiest from Giving to Social-Change Efforts

Through scores of interviews and more than a decade working with donors, we have identified three sets of formidable barriers that hamper philanthropists' overall giving, as well as their giving to address inequities. Frustrated observers might well be tempted to dismiss or belittle obstacles that thwart the wealthiest of the wealthy from giving at their full potential. However, the fact remains that time and again, we have found that for ultra-wealthy philanthropists, these stumbling blocks are all too real. If not addressed seriously, these obstacles will continue to hinder the flow and effectiveness of future giving.

We began by separating "general" barriers to philanthropy from barriers that are specific to giving to address inequities.

General barriers to giving

Lack of urgency

Despite peers who advise "Don't delay!" and increasing numbers of donors who prioritize "giving while living," many struggle with inertia when getting started

Historically, philanthropy was something people turned to towards the end of their lives, by leaving bequests or setting up private foundations. The motto "Learn, Earn, Return," with its implicit assertion that "giving back" only arrives in life's Act III, endured for

General Barriers to Philanthropy

Lack of urgency

Difficulties in securing trusted advisors

Challenges navigating the journey

Barriers Specific to Giving to Social Change

- **Finding the right opportunities**
  - Surfacing investments with the capacity to effectively absorb significant funds
  - Building the right relationships
  - Measuring social change
- **Overcoming common mindset challenges**
  - Getting appropriate reward for the risk
  - Expecting more from social change
  - Underinvesting in securing deals

decades. In recent years, however, donors have begun their philanthropy even as they continue to learn and earn. In fact, in a recent video interview series that Bridgespan conducted with more than 50 donors and foundation leaders, active benefactors voiced this common refrain to their peers: “Don’t delay!”

As in other aspects of their lives, these donors hold a high bar for their philanthropy and understandably want to ensure that their hard-earned money goes to good causes. Says Jeff Raikes, co-founder (with his wife Tricia) of the Raikes Foundation:[16] “If you’re really going to be successful [in philanthropy], you either have to commit a significant portion of your time, or bet on people you trust who represent your values.”[17]

However, the pressure to “do better faster” can result in inertia, compounded by the fact that there is no real *requirement* to donate personal funds (or even tax-advantaged donor-advised funds [DAFs]). “While many people could give significantly more, they don’t because it’s not top of mind for them,” reflects one major donor.

Difficulties in securing trusted advisors

Many donors struggle to find a trusted advisor who can guide them towards confidence-inspiring, large donations to address inequities

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16 Bridgespan has had the benefit of supporting and learning from many of the initiatives mentioned in this report.
17 “Jeff Raikes advises new philanthropists to commit to the philanthropic journey,” Conversations with Remarkable Givers Video Series, November 27, 2013, https://www.bridgespan.org/insights/library/remarkable-givers/profiles/jeff-raikes/jeff-raikes-advises-new-philanthropists-to-commit.

When donors do decide to take the next step, they must often contend with finding a confidant who can skillfully provide guidance. When surveyed, 40 percent of high-net-worth individuals reported that they do not feel their professional advisors are adept at discussing their personal or charitable goals.[18] Rather, advisors prioritize financial, security, and other aims. Advisors seem to agree. They say they more often initiate philanthropic discussions from a technical rather than a personal perspective.[19] In fact, advisors are often *disincentivized* financially from encouraging more philanthropy. If an advisor is paid based on the common "assets under management" fee structure, cutting those assets in half runs against vested interests.

Challenges navigating the journey

All donors face personal and family dynamics in their giving

Finally, all donors encounter unique situations that complicate their philanthropic journey. Family members can disagree on how or even whether to give. For instance, more conservative parents might embrace giving to religious institutions, while their more liberal, next-generation children might prioritize social justice causes. Additionally, there are few opportunities to share concerns and knowledge with peers in a confidential and curated space. Even the prospect of giving large sums responsibly can become a daunting proposition.

Barriers specific to giving to social change

Finding the right funding opportunities can be challenging

One reason donors aren't betting big on reducing social inequities is because of a vicious cycle that makes it irrational for nonprofit leaders to request such gifts. Since donors rarely make large financial commitments to social-change efforts, most nonprofits are unpracticed at making the case for gifts of eight figures (or more). Ask most of the country's 1.1 million leaders of public charities why they don't have a plan to absorb a $10 million gift and they'll likely laugh out loud: "Why would I tilt at windmills? I'm struggling to keep three months of cash on hand to make payroll." Excluding gifts from the Gates Foundation, Bridgespan's "big bets" research surfaced fewer than 600 such commitments to social-change nonprofits over a 12-year period, less than 50 commitments annually. At that rate, it's no wonder nonprofits haven't built the skill sets and invested the time to structure, seek, and effectively absorb such gifts.

The risks of reaching out

When Jeff Bezos asked for philanthropic advice via Twitter, he received 18,000 replies within a day—and a barrage of criticism for not acting quickly enough on those ideas.

How do ultra-wealthy donors learn about and meet compelling social-change leaders when they are likely to be deluged with intense interest, and quite possibly, criticism?

To compound matters, donors are wary of advertising their willingness to fund social causes. It's much easier for donors to fund hospitals, arts institutions, and universities, where they already have a network of relationships and can easily connect with

18 "The 2018 U.S. Trust Study of The Philanthropic Conversation: Understanding Advisor Approaches & Client Expectations," U.S. Trust and the Philanthropic Initiative, July 2018, https://www.tpi.org/sites/default/files/pdf/u.s._trust_study_of_the_philanthropic_conversation-2018_full_report_0.pdf.

19 Ibid.

fundraisers. When interacting with nonprofits, many donors must step outside their comfort zones to forge connections, in a way that neither wastes the nonprofit leader's time nor raises expectations. For donors, the friction that comes from trying to work with unfamiliar organizations can outweigh their desire to foster social change.

Giving to social-change efforts often requires a change in mindset

As behavioral science insights bear out (see sidebar "Behavioral science explains barriers to giving to social-change causes"), people are fundamentally averse to the possibility of loss. For many, for a risk to be worth taking, the probable gains must far exceed the potential losses. Donating to innovative social-change efforts can feel risky when compared to more familiar, time-honored alternatives.

"Philanthropists, especially of an older generation, hesitate to donate to causes that don't feel 'safe'—and they may resist letting their children do so as well," says a donor who leads a family foundation.

Furthermore, even when a donor's dollars ultimately move the needle on a challenging social issue, success often emerges only after decades of perseverance. In the *Harvard Business Review* article, "Audacious Philanthropy,"[20] Bridgespan examined 15 of the past century's breakthrough social-change initiatives, including the near-eradication of polio deaths worldwide and the establishment of a 911 emergency services system that spans the nation. Nearly 90 percent of those efforts took more than 20 years to land. One lesson: donors can struggle to strike the right balance between being persistent enough to keep chipping away at big, important problems over the long run while summoning the prudence to achieve short-term, winnable milestones.

Behavioral science explains barriers to giving to social-change causes[22]

- **Loss aversion:** Donors may view social change as a risky proposition (since results come slowly and are hard to measure), particularly when compared to established, often institutional alternatives.
- **Framing effect:** Donors may be more receptive to investing in social-change organizations when their unique benefits vis à vis universities, hospitals, and arts institutions are highlighted.
- **Confirmation bias:** Donors may interpret information in ways that reinforce their preexisting concerns about social-change investments (for example, the wrong-headed notion that "nonprofits are inefficient").
- **Choice paradox:** Donors may hesitate to give when faced with too many options (such as scores of education organizations).
- **Sunk cost fallacy:** Donors may find it difficult to shift their existing commitments of time and money away from institutions to new opportunities.
- **Mental accounting:** Donors may subjectively place their philanthropic giving to social change in a separate mental "account" from which they are reluctant to deviate.

20 Susan Wolf Ditkoff and Abe Grindle, "Audacious Philanthropy," *Harvard Business Review*, September-October 2017, https://hbr.org/2017/09/audacious-philanthropy.

21 Sources: (Loss aversion) Amos Tversky and Daniel Kahneman, "Loss Aversion in Riskless Choice: A Reference-Dependent Model, *The Quarterly Journal of Economics* 106, no. 4 (1991): 1039-1061; (Framing effect) Tversky and Kahneman, "The Framing of Decisions and the Psychology of Choice," *Science* 211, no. 4481 (1981): 453-458; (Confirmation bias) Raymond S. Nickerson, "Confirmation Bias: A Ubiquitous Phenomenon in Many Guises," *Review of General Psychology* 2, no. 2 (1998): 175-219; (Choice paradox) Barry Schwartz, *The Paradox of Choice* (New York: HarperCollins, 2004); (Sunk cost fallacy) Hal R. Arkes and Catherine Blumer, "The Psychology of Sunk Cost," *Organizational Behavior and Human Decision Processes* 35, no. 1 (1985): 124-140; (Mental accounting) Richard H. Thaler, "Mental Accounting Matters," *Journal of Behavioral Decision Making* 12, no. 3 (1999): 183-206.

Not only do donors find institutional giving to be a safer bet, they also hold social-change gifts to a higher bar. Donors don't require detailed logic models proving how a new library will improve graduation rates. They don't ask whether a new hospital wing has improved patient outcomes—or threaten to take back the equipment if it doesn't. Yet that is exactly the standard to which they often hold social-change efforts.

Just as the standard for social-change giving is somewhat uneven (with respect to institutional giving), the way that funders and society value donations is unequal. That $10 million donation to a new library is far less likely to deliver life-changing impact than a $10 million gift to deliver public health services to needy populations. But society will reward both gifts equally, because we tend to count donor contributions by dollars, not impact. Most top 10 lists focus on the biggest donors, not the most effective.

Finally, the dearth of resources for guidance, mentioned above, can whittle away at the confidence donors need to give boldly. Because they often don't get the right kind of advice when they need it, donors' investments are sometimes more reactive. They delay their philanthropy. Or they say "yes" to nonprofits with a turnkey menu of giving options—typically large institutions—and don't invest in structuring gifts that may offer a more promising, innovative set of strategies.

A broken marketplace

The barriers to funding social change—as well as the gap between the wealthiest donors' ambitions and actions—signal that the marketplace for matching philanthropy with great opportunities is broken. What's more, the evidence suggests that the market's flaws will worsen over time, as donors retreat from supporting perpetual, large-staffed foundations and are left to seek out big opportunities by themselves. Such foundations have historically provided donors the capacity to structure their social-change giving.

However, while the barriers are significant, so is the will to give big to address major challenges. And various initiatives, such as strategic partnerships that bring together philanthropists and advocates, are helping donors do so. How, then, to combine the desire to give more with a growing supply of promising initiatives?

Four Pathways to Bigger, More Effective Giving

Imagine what it would take to help the nation's wealthiest households double the flow and efficacy of their giving to social-change causes over the next two decades. Think about the new structures and norms that would make for a healthy philanthropic marketplace, one that provides sufficient opportunity for donors to translate aspiration into action.

With those questions in mind, we set about conceiving a compelling "future state" for ultra-wealthy giving. We sought to meld an analysis of what exists today and what has (and has not) worked in the past, while surfacing ideas that would help donors with their quest to put more money toward potent social change.

What's worked, and lessons from what hasn't

Our research yielded a diverse landscape of actors and approaches, including eight that are addressing the barriers to greater giving (see sidebar "Philanthropic initiatives and actors").

Within each category, we looked for bright spots—initiatives that promised to generate significant ultra-wealthy investment in three areas:

1. Charitable investments to advance social change
2. Charitable investments, regardless of intent
3. For-profit investments

Digging into the bright spots, we asked, "What's the secret sauce?" and identified concrete insights that could be applied to social-change philanthropy. We found promise in a number of examples, including:

- The Edna McConnell Clark Foundation's Blue Meridian Partners, a vehicle for collaborative funding, which is applying best practices in donor engagement and leadership and has attracted over $1 billion in funds (p. 19)
- The Fidelity Charitable Donor-Advised Fund, a charitable investment account that offers an increasingly appealing structure for donors to advance their giving (p. 23)
- The Advisory Board Company, a platform providing curated research, technology, and consulting services that are addressing healthcare industry practices at a significant scale (p. 25)
- The MacArthur Foundation's 100&Change competition, a philanthropic "market maker" that has attracted significant interest among wealthy donors to fund a pipeline of organizations and collaborations ready to receive substantially bigger bets (p. 26)

We also gleaned insights from well-intentioned funds and initiatives that have failed to scale and identified several "watch outs" to carry forward, including:

- **Don't assume that "If you build it, they will come."** A failure to cultivate early, sizeable commitments from lead funders, who set the high stakes that typically attract other donors, can sink a philanthropist's well-meaning efforts. Kelvin Taketa, former president and CEO of the Hawaii Community Foundation, emphasizes the "soft power" of a lead funder making the initial ask, which "helps in the short run, by adding marquee value and often has great leverage beyond that donor's participation."

Philanthropic initiatives and actors

- Philanthropic services providers (for example, Arabella Advisors, 21/64, community foundations)
- Membership organizations and donor networks (for example, Giving Pledge, Science Philanthropy Alliance)
- Fundraising and awareness campaigns (for example, university capital campaigns, The Nature Conservancy's bequest campaigns)
- Investment sourcing platforms (for example, DonorsChoose, Kiva)
- Event and experience providers (for example, the Audacious Project at TED, Aspen Philanthropy Group)
- Banking-related intermediaries (for example, DAFs, Legacy Venture)
- Investment funds (for example, ClimateWorks, The Rise Fund)
- Research and information providers (for example, GiveWell, GuideStar, Lilly Family School of Philanthropy)

- **Need doesn't always translate into demand.** While donors value high-quality services, such as just-in-time due diligence and convenings to share knowledge, they have not demonstrated an equal willingness to pay for those services and other philanthropy-related expenses. Carol Thompson Cole, president and CEO of Venture Philanthropy Partners, which funds high-impact nonprofits and collaborative efforts in the Greater Washington region, is one among many who say it's been difficult to convince donors of the importance of covering the expenses of organizations that provide such services to funders. As one donor, who co-founded and leads a foundation, counsels, "Focus on feasibility: the question of who will buy what, and why, is prominent." Steve Denning, chairman of General Atlantic, cautions, "It's critical to fully understand the economic model for any option."

- **If you've seen one donor, you've seen one donor.** Philanthropy is personal, and deeply enmeshed with family, legacy, and values. Scaling strategies that assume all donors behave alike will likely fail. "Any option must be bespoke—which limits options for scale," observes one billionaire donor. Another major donor agrees: "Customization is critical in meeting donors' needs." The head of a billionaire's foundation shared, "Many donors do not want to give without a personal connection, making scale difficult."

The pathways emerge

With these bright spots and watch outs in mind, we developed ideas that might help philanthropists overcome barriers and support nonprofits in effecting social change. Working with the Gates Foundation's Philanthropic Partnerships Team, we jointly identified nearly 20 ideas (see the Appendix, p. 30) for building the marketplace of the future, as well as emerging norms for giving. There are obviously other ideas: we hope and expect that others will surface additional workable ideas to address these issues. Armed with additional research and input from 60 ultra-wealthy philanthropists, their advisors and staff, and experts in the field, we evaluated those ideas for their potential to achieve impact at scale (in the billions of dollars), their feasibility, and their value proposition for donors.

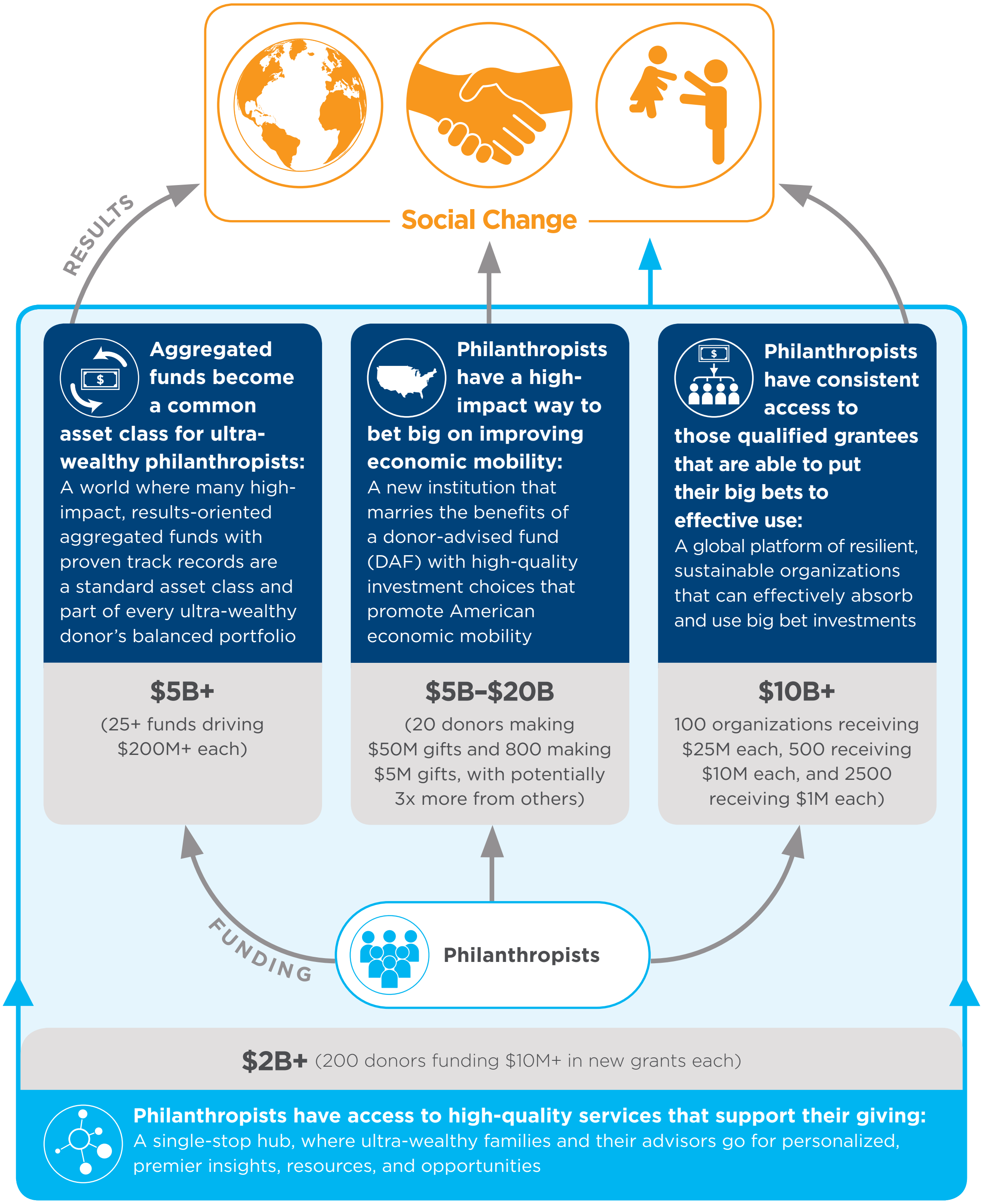
Our assessment identified four pathways to greater giving. These pathways—individually and collectively—could potentially unlock billions of dollars to drive social change.

1. An array of collaborative, aggregated funds across a greater range of compelling social issues
2. A new institution that offers the benefits of a DAF, allowing donors to easily direct large gifts to compelling, social-change causes
3. A services hub that provides premier insights, resources, and learning opportunities to donors
4. Platforms that source and support highly-qualified investment opportunities across a range of donor interest areas

Beyond these ideas, the team identified the importance of continuing to foster social norms around giving, such as "giving while living." While these ideas are not the report's express focus, we believe they represent critical elements of a healthy philanthropy marketplace.

Four pathways to bigger, more effective giving

These four pathways—individually and collectively—represent critical elements of a healthy philanthropy marketplace and could potentially unlock billions of dollars annually to drive social change



Path #1: Aggregated funds become a common asset class for ultra-wealthy philanthropists

What if donors proactively managed their philanthropy, as they do their wealth and investments, and allocate resources to their own initiatives, as well as to other philanthropic asset classes? One such asset class could be aggregated funds.

Blue Meridian Partners. The END Fund. The newly announced Co-Impact. These platforms, which enable funders to marshal resources and invest collectively to address structural barriers to equity, are among the most prominent models for collaborative, aggregated funding. We estimate that an array of philanthropic options such as these could spur more than $5 billion in annual giving. This calculation assumes that 25 funds each dramatically scale to unlock an additional $200 million annually. Or, alternatively, 50 big bettors give an average of $50 million, and 500 more philanthropists give an average of $5 million annually through such funds.

The need. To help nonprofits and movements take on today's complex challenges, donors are wise not to go it alone. Increasingly, they are citing the benefits of collaboration. "I want to work alongside other donors who share my passions," says one billionaire donor. Another donor concurs: "There is a lack of collaboration in the philanthropy space. I think individuals would get excited about innovating collaboratively to generate big bet opportunities." Many other such donors agree, and they are asking how to make that happen.

However, we studied more than 40 US-based philanthropic funds that aggregate capital from multiple private donors, and just eight deploy $50 million or more a year.[22] Growing donor interest in collaboration has not yet translated into a field of large funds.

Why this idea holds promise. Nevertheless, annual grantmaking across the more than 40 funds exceeds $1 billion. And nearly all of the $50 million-plus funds were founded in recent years—evidence that they are gaining traction and generating excitement. Such funds, through shared decision making and large-scale investments in promising nonprofits, make it easier to make a dent in social challenges. They also offer important alternatives to donors, including options to either remain anonymous, publicly lead on an issue, or learn as they go.

We see corollaries to this approach in for-profit asset classes like private equity and venture capital. Those investment classes have surmounted a tipping point in investor participation rates, strengthened fund operator networks, and developed reliable measurement and reporting standards. Private equity's rise from 24 firms in 1980 to over 7,700 firms in 2017—the industry raised almost $400 billion from investors that year—suggests not just a pathway, but a four-lane highway to long-term, collaborative investing. Can aggregated funds get 1 percent as far?[23]

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22 See list in Appendix, p. 53.

23 "Global Private Equity Report 2018," Bain & Company; "The Rise and Rise of Private Markets: McKinsey Global Private Markets Review 2018," McKinsey & Company.

Success factors. While there are a number of structuring options for aggregated fund leaders, three success factors are consistent:

- **Leadership**, including a committed set of founding donors and high-caliber staff, is vital. For example, NewSchools Venture Fund, a national nonprofit venture philanthropy focusing on education, received founding investments from venture capitalist John Doerr and the Gates Foundation, which gave $22 million to launch the fund. Doerr continues to sit on the NewSchools' board of directors, and experts in the education and philanthropy sectors guide the fund.
- **Scalability** in design, including efficient ways to identify funding opportunities, is key for growth. For example, Co-Impact has cultivated a community of philanthropists that make long-term investments in the fund, to effect systems-change approaches to solving pressing social challenges. Co-Impact's commitment over the long run and its ambition to bet big (with plans to deploy grants of up to $50 million) increase the odds that it will scale its impact.
- **A results focus**, including defined, measurable, "winnable targets," is a common characteristic of leading funds. For example, in measuring progress toward its goal of fighting poverty in New York City, Robin Hood Foundation applies a rigorous approach to evaluating the cost-benefit ratio of each grant, enabling impact comparisons and quantitative reporting to donors. Another example of a powerful, winnable target is the push to end polio, emphasized through the Global Polio Eradication Initiative.

What success looks like. The recently launched Blue Meridian Partners (BMP) has all the components of a successful aggregated fund.

- **Leadership**—After 15 years of identifying and funding compelling youth development opportunities—and after supporting two prior donor collaboration funds of increasing size—The Edna McConnell Clark Foundation (EMCF) pioneered BMP. EMCF led with a $200 million commitment. It also identified a set of general partners eager to fund at similar levels. (Eight general partners have committed $50 million or more over five years).
- **Scalability**— Having raised large commitments from donors, BMP seeks to deploy those investments via big bets of up to $200 million, enabling the fund's recipients to achieve bold goals while minimizing the cost of back-end operations for the fund.
- **Results focus**—EMCF identified a clear funding philosophy. BMP's aim is to invest against specific, tangible growth goals and provide business-planning support to help grantees such as Upstream and Nurse-Family Partnership use large gifts to scale their impact.

BMP has pooled over $1.7 billion to date. An entire asset class of fund options could go a long way to channeling ultra-wealthy donor dollars to solve big problems.

Growth factors. Of the increasing number of emerging collaborative funds, many of them, like Blue Meridian, exemplify the success factors outlined above. However, these approaches, by themselves, are not enough to build a new asset class. Using lessons learned from other asset classes, we have identified three factors that funds require to reach their full potential:

- First, a broad selection of fund providers, spanning many issue areas, risk profiles, and geographies, that meet each donor's interest

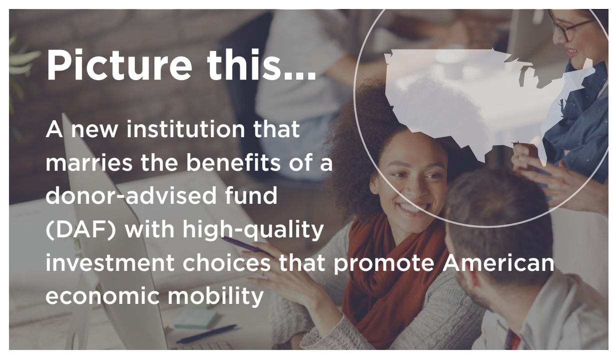
- Second, a proactive campaign to inspire and engage donor/investors
- Finally, core infrastructure, including measurement and reporting systems, cannot be ignored. Donors must have some degree of certainty that their gifts will move the needle. For example, regular access to trusted measures to compare funds' performance can boost investors' confidence

"We need to support experts with credibility to lead funds," says a leading donor. "That would build momentum among donors." Thoughtful investments made in each of the above areas—and especially in turbo-charging strong funds with great leaders—can enable a set of promising one-offs to become a standard part of many donors' portfolios.

Path #2: A high-impact way for philanthropists to bet big on improving economic mobility

To complement their other philanthropy, what if donors had a "go to," trusted way to address economic mobility in the United States?

Fueled in part by rising inequality, US economic mobility has declined sharply over the past half century, according to a team of researchers led by the Harvard economist Raj Chetty. Given that the American Dream—the notion that children will grow up to earn more than their parents—is fading for millions of people, especially those in the middle- and lower-income quintiles, there is rising public and philanthropic interest in providing an equal opportunity for every resident to climb the income ladder. Ultra-wealthy donors like Priscilla Chan and Mark Zuckerberg (co-founders of the Chan Zuckerberg Initiative), Charles and David Koch (the principals behind Koch Family Foundations), George Soros (founder and chair of Open Society Foundations), and Steve and Connie Ballmer (co-founders of Ballmer Group) are all leaning into the notion that philanthropy can and must play a role in helping nonprofits and communities advance upward economic mobility.



A promising model for dramatically accelerating donors' efforts to put millions more Americans on an upwardly mobile trajectory comes in the form of matching donors' efforts to great community-led opportunities. Historically, community foundations have provided such matching efforts at the local level. According to GrantSpace, "A community foundation is a tax-exempt charitable organization that provides support—primarily for the needs of the geographic community or region where it is based—from funds that it maintains and administers on behalf of multiple donors."

Although they represent the smallest foundation segment in the United States, based on asset-size, community foundations are the fastest growing, in part because they play vital roles in their regions. Those that succeed have strong relationships with the area's high-net worth donors; a deep knowledge of blue-chip, local nonprofits; and attractive ways (such as DAFs) for donors to direct their giving to social-change efforts.

Community foundations' potential to accomplish far more has not eluded the sector's leaders. "We need the services of community foundations with a more global reach," says a president of a family foundation. Another donor observes that a national community foundation model could "leverage the best private foundations' know-how on particular issues to do even more with wealthy donors."

This pathway would enable donors—on a national scale—to access greater community-led funding opportunities. It would create new pathways and also leverage existing infrastructure—community foundations and other foundations—that are currently in contact with exciting nonprofits and social-change leaders. If successful, we believe this approach could unlock $5 billion annually, assuming 20 donors make $50 million average yearly gifts and 800 more make $5 million average yearly gifts. This number could rise to as high as $20 billion, if the fund catches on more broadly or becomes a common landing spot for large, charitable bequests.

The need. Almost 60 percent of US Giving Pledge signatories reference the American Dream in their own experiences or funding priorities. But to date, philanthropists have lacked a national platform that provides them with a simple, compelling way to invest in efforts to increase upward economic mobility.

Powerful, unifying "national moments" can help philanthropic institutions raise large sums for specific causes, but those efforts are often short-lived. Five ex-US presidents united to champion the Hurricane Harvey relief effort in 2017, but that was a one-off occasion. The ALS Ice Bucket Challenge raised $115 million in a massive, issue-specific viral event, but its impact crested within a single year.

Other events, like Giving Tuesday, have had more staying power but don't focus specifically on social change. Likewise, DAFs, which have risen rapidly from $1 billion to more than $110 billion of assets under management,[24] don't explicitly focus on economic inequities. Other platforms, like foundations, either lack national scope or do not regularly attract large investments from outside funders.

On getting the inside scoop

"I want to know who the top donors in different areas are and what organizations or people they're investing in."

CO-FOUNDER OF A FAMILY FOUNDATION

Why this idea holds promise. Make no mistake, a nation-spanning "community" foundation that targets economic mobility would be without precedent in the philanthropic world. But as income inequality increases and the probability that people will move up the income ladder declines, there is growing evidence that such a platform has potential. Premier funders across issue areas are clamoring for curated, validated giving opportunities that have demonstrated they can enhance upward mobility. Because no two donors are exactly alike, as a group they will appreciate having the flexibility to customize their giving—for example, to give passively or actively, with their names or anonymously. DAF structures offer these options. What's more, with incentives

24 "The 2018 DAF Report," National Philanthropic Trust, 2018, https://www.nptrust.org/reports/daf-report/.

to spend funds within a certain time horizon, a new platform could add a sense of urgency to an already compelling way to give.

Success factors. To build a strong platform, organizers would be wise to integrate five factors that drive success:

- **Committed lead donors**—Donors that lead with early large commitments, as seen with the NewSchools Venture Fund, set high table stakes for future donors.
- **Attractive structure**—DAFs' low administrative overhead and immediate tax write-offs have helped the field take off. Fidelity Charitable leads the way, with its DAF raising $6.8 billion in contributions in 2017, making it the number one charity in America by fundraising.[25]
- **Results-oriented options**—Unlike DAFs, which lack an impact filter, this new platform would make payouts to only vetted nonprofits and initiatives across a variety of sectors aimed at improving economic mobility in America. By carefully curating nonprofit recipients, this fund would mirror the rigor of Blue Meridian Partners, ClimateWorks, and other top collaborative philanthropy funds. "Donors are motivated by status and affiliation," says Kelvin Taketa, formerly the CEO of the Hawaii Community Foundation. "They expect best-in-class stewardship from the organizations they invest in."
- **Donor-centered reports**—As shown in the financial sector, high-caliber, reliable portfolio reporting keeps investors committed. This new platform would employ best-in-class reporting formats that engage donors with stories and compelling data to inspire them and demonstrate how their dollars are driving results.
- **Action-focused campaigns**—Movements like the American Cancer Society and Robert Wood Johnson Foundation's joint anti-tobacco campaign, which garnered big donations from ultra-wealthy givers, forge emotional connections with philanthropists as well as the public. Regularly occurring events (with exclusive options) that elevate an issue like economic mobility could generate sizable interest in this new platform.

On making bequests

"Brand and longevity [are] critical to bequests. People want to know that they are going to low-risk places that are unlikely to face scandals."

CHARLES BRONFMAN, FORMER CO-CHAIR, THE SEAGRAM COMPANY LIMITED AND CHAIRMAN, THE ANDREA AND CHARLES BRONFMAN PHILANTHROPIES

In addition, to attract large, end-of-life bequests, which presently amount to more than $5 billion (over 10 percent) of ultra-wealthy giving annually, the platform would need to inspire a high degree of trust. Donors are understandably eager to ensure that their legacy gifts go to important causes and high-performing institutions.

25 "Fidelity Charitable, 2017 Annual Report," Fidelity Charitable, https://www.fidelitycharitable.org/docs/2017-Annual-Report.pdf.

What success looks like. A "community foundation for America" has no obvious corollary. The individual or group that takes this on would be a pioneer.

Path #3: Philanthropists have access to high-quality services that support their giving

What if, instead of individually recreating the wheel, donors had immediate access to trusted services to guide their philanthropic decisions?

The Philanthropy Workshop maintains that donors' "relationship with wealth seems to have a great influence on how one structures and practices philanthropy...[which] leads to an artisanal philanthropic journey."[26] This notion reflects a need for bespoke services. A leading donor we spoke with emphasizes, "Each donor expects a very high degree of customization."

Picture this...

A single-stop hub, where ultra-wealthy families and their advisors go for personalized, premier insights, resources, and opportunities

However, even though philanthropy is personal, many of the services that ultra-wealthy donors require have similar characteristics. If donors, at scale, could access those services readily, we believe they could unlock more than $2 billion annually. This estimate assumes that based on those services, 10 percent of the market, or 200 ultra-wealthy families, each fund $10 million in new opportunities.

The need. Donors and their staff know they could go farther and faster with much less effort if they could access expert advice and learn lessons from their peers. "There is great potential for shared intellectual property in philanthropy to further professionalize the space and drive more ultra-wealthy donors to go big," says John Hood, the CEO of Julian Robertson's foundation. Here's the rub: there is no high-quality hub that aggregates and provides such information to donors and staff in the premier, personalized way they require.

Field research and interviews with more than 25 ultra-wealthy individuals and their advisors highlight the need for a single, go-to hub for high-quality services (see box on right). Currently, there are large-scale advisors for operational needs (for example, legal, governance, and investment activities) and small-scale advisors for strategic philanthropy (such as visioning, sourcing, and due diligence efforts).

Donors identify needs

- **Grantmaking intelligence:** One donor identified the need for "advisory organizations to bring even better deal flow to bear" and "strong due diligence."
- **Just-in-time supports:** Suzanne Kennedy, director of the office of IAC Chairman Barry Diller, reviews philanthropic opportunities for Diller and his wife Diane von Furstenberg and emphasizes, "Effective family philanthropy requires time and capacity. It's challenging to access all the supports we need."
- **Learning opportunities:** One donor calls for "centers of excellence to connect top donors to learn from each other." Another donor cites the benefit of being "surrounded by people who share my passions." Says Pam Scott, advisor to Maverick Collective: "User-centered engagements and purpose-driven trips can excite donors about our philanthropy and influence us to give differently."

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26 Kimberly Dasher Tripp and Rachel Cardone, "Going Beyond Giving: Perspectives on the Philanthropic Practices of High and Ultra-high Net Worth Donors," The Philanthropy Workshop, 2017.

Very few, if any, organizations provide strategic philanthropy services that support, say, more than 20 ultra-wealthy donors simultaneously. And yet, philanthropists hunger for a premium service. “I value expertise networks that enable members to access valuable philanthropic support, but they have to be the best of the best at all times,” says Bassima Mroue, board member of the Sara Blakely Foundation.

Why this idea holds promise. Plenty of private corollaries demonstrate this pathway’s potential. Consider The Advisory Board Company, which has offered healthcare and higher education executives access to aggregated, industry, and role-specific insights. The very high market penetration, renewal rate, and steadily growing revenue per member is a testament to the value of the Advisory Board’s services.

Alternately, private wealth management firms, such as JPMorgan Chase or Morgan Stanley, offer high-touch relationship managers who prioritize identifying their customers’ specific needs, and connect them with the right investment and asset managers for their financial needs.

For ultra-wealthy giving to double, donors must have access to services that can meet them where they are and help “unstick” them in the *moment they need it*. Otherwise, matching ideas with dollars simply becomes too inefficient and time-intensive.

Success factors. A successful hub for philanthropic services combines at least four field-tested elements.

- **Relationship management** including the ability to partner with clients, identify where they are and what they need, and breed donors’ trust and confidence; private wealth management advisors’ close working relationships with their rosters of high net-worth clients provides an exemplar
- **Curated insight** offering reliable investment intelligence in critical moments, akin to the due diligence on deals that leading consulting firms provide or high-caliber equity research reports that investment banks publish
- **A deep network** of trusted referral partners and peers to help donors overcome obstacles along the giving journey, much like a high-end concierge service or a more exclusive Angie’s List with a list of “all good” providers for a variety of philanthropy needs
- **Engaging experiences** to stimulate interests and forge connections, such as Berkshire Hathaway’s marquee annual meeting as well as exclusive funder learning trips, which drive engagement and investment

Equipped with such services, ultra-wealthy families would have the tools they need to pursue highly personalized, productive philanthropy when they want to act. At the same time, they wouldn’t have to take on the responsibility of managing a staff year-round.

What success looks like. Before it split its healthcare and higher education business units in 2017, the $800 million Advisory Board[27] demonstrated a corollary for how semi-standardized services might gain traction:

27 “10-K Annual Report,” The Advisory Board Company, February 2017, https://www.last10k.com/sec-filings/abco.

- **Relationship management**—the Advisory Board provided expert counsel, talent placement, and hands-on advisory support for members to set strategic direction, address key operational challenges, and implement best practices.
- **Curated insight**—the Board provided its members with research and data on health-care and higher education industry dynamics, best management practices, and emerging trends.
- **A deep network**—drawing on data from its 5,600 members, the Board delivered high-value performance technology software for benchmarking finance and operations data.
- **Engaging experiences**—the Board facilitated a range of ways—including executive forums, practice roundtables, and topic-area events—for members to learn.

Path #4: Philanthropists have consistent access to those qualified grantees that are able to put their big bets to effective use

What if donors invested regularly in high-quality nonprofits in their interest areas, as they do with DAFs and institutions?

Compared to institutional nonprofits like hospitals and universities, social-change organizations operate at a major disadvantage. It is easier for philanthropists to give to familiar, time-honored charitable alternatives, such as educational institutions and hospitals, compared to innovative social-change efforts, which may feel riskier in comparison. This discrepancy has resulted in real-world differences: Harvard's endowment realized more than a 10 percent annual return over the past 20 years;[28] meanwhile, a top tier of social-change focused nonprofits suffers from chronic budget *deficits*.

Strengthening social-change nonprofits—including helping them plan for and deploy the large gifts they receive—could unlock upwards of $10 billion annually. This estimate assumes that 100 large organizations on average receive $25 million or more in big bets, that 500 more nonprofits access $10 million on average, and 2,500 smaller organizations access $1 million on average.

The need. Many high-performing nonprofits are prepared to put big philanthropic investments to immediate use. Even so, more capacity-building work needs to be done, especially if the ultra-wealthy double their giving. Julia Stasch, president of the MacArthur Foundation, believes there is a "missing middle—promising organizations and collaborations that need greater capacity to deliver on more ambitious plans. Significant work is required to help build capacity to deploy 'big bets.'" A former foundation CEO concurs. "Organizational readiness is a challenge. I see the need to build a more robust pipeline and strong deal flow to attract capital." Their observations reverberate across the sector, as many leading social-change nonprofits:

- Lack financial incentives to invest in developing fundable proposals for large-scale social change

28 "2016 Annual Endowment Report," Harvard Management Company, 2017.

- Lack financial resilience, as over half of 275 nonprofits accounting for approximately one-third of the top 15 US foundations' spending suffer from frequent budget deficits[29]
- Operate on shoestring budgets, resulting in chronic underinvestment in key capabilities. For example, just 1.5 percent of small nonprofit budgets go to leadership development, compared to 3.6 percent of for-profit budgets[30]

Interviewees frequently cited the challenge of developing top-tier leaders. "There's a big gap in the number of high-quality leaders in the sector who can execute on promising ideas," observes Herb Sandler, co-founder, with his wife Marion Sandler, of Sandler Foundation.

Why this idea holds promise. Big donors and nonprofits alike are seeking ways to find one another. Case in point: through its 100&Change competition, the John D. and Catherine T. MacArthur Foundation offered a $100 million grant to fund a single proposal that promised real progress toward solving a critical problem. The result: 1,900 applicants from around the world entered the competition, which gave them the opportunity to raise their sights and aim to access much needed capital and other capacity-building supports. A joint proposal from Sesame Workshop and the International Rescue Committee ultimately won. Meanwhile, other donors have shown an interest in supporting the runners-up, demonstrating the growing demand for vetted proposals for powerful solutions.

Beyond MacArthur, other high-profile funders have seized on the need to help nonprofits build the capacity to do more. For instance, the Ford Foundation is providing large, unrestricted, multiyear grants to high-performing nonprofits and helping them build operations that are fit for the future.

Meanwhile, in the for-profit sector, organizations are building capacities in leadership, technology, and operational efficiency through executive education, R&D support, and shared infrastructure and systems, all of which provide proven approaches that can inspire the social sector.

Success factors. Developing platforms to strengthen social-change efforts at scale is a major undertaking. That said, examples from the field suggest several key ingredients:

- **Identify great organizations**—The Gates Foundation's Grand Challenges platform, which sources and invests in more than 2,400 global health and development innovators, has generated new ideas and forged donor/nonprofit connections.
- **Build critical capacities,** including:
  - Leadership and talent—The Annie E. Casey Foundation's leadership development work has built nonprofit managers' skills while creating cohorts to practice learning. Elite executive education programs, such as those administered by Harvard, suggest there are larger opportunities.

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29 Jeri Eckhart Queenan, Michael Etzel and Sridhar Prasad, "Pay-What-It-Takes Philanthropy," *Stanford Social Innovation Review*, Summer 2016, https://ssir.org/articles/entry/pay_what_it_takes_philanthropy.

30 Gretchen Upholt and Rusty Stahl, "The Nonprofit Talent Ratio: Final Report on a Pilot Study," Talent Philanthropy Project and NYU Wagner, November 2013, http://fundthepeople.org/toolkit/how-to-guides/nonprofit-talent-ratio/; "2013 State of the Industry Report," Association for Talent Development, December 2013, https://www.td.org/research-reports/astd-research-2013-state-of-the-industry-report.

- Technology and innovation—Hopelab, which designs technologies that improve the health of teens and young adults, is putting R&D into practice at leading nonprofits such as Nurse-Family Partnership. Private sector initiatives like Bell Labs suggest the potential for a larger innovation landscape.
- Operational efficiency—The Lyda Hill Foundation's Better Together Fund is investing in streamlined operations and strategic assistance for a community of nonprofits to improve early literacy in Dallas. Consolidation in the hospital sector offers further lessons in improving efficiency without compromising outcomes.

- **Reinforcing strengths**—The Ford Foundation's BUILD Initiative's unrestricted, multiyear grants and support for "institutional strengthening plans" allow grantees to identify and develop their own path to sustainability.

If we could grow such efforts to strengthen nonprofits and increase their capacities to ask for and manage big money, ultra-wealthy donors would have a wider array of better options to bet big on social change.

What success looks like. MacArthur's 100&Change competition demonstrates several of these success factors and the promise of new launch pads for ultra-wealthy donors in their interest areas:

- **Identifying great organizations**—The allure of a $100 million grant surfaced an unprecedented number of ambitious, high-impact opportunities. The interest that 100&Change generated on the donor side and on the organization side suggests there are opportunities to expand.
- **Building critical capacities**—100&Change's semi-finalists each received strategic assistance to improve their proposals and bring them to life to increase the likelihood of success over time.
- **Reinforcing strengths**—The $100 million grant enabled the recipient to identify a problem; propose a bold, multiyear solution; and set milestones that will be assessed over time, enabling flexibility to adjust the strategy as needed.

From Pathways to Progress

We know the nation's wealthiest households give generously to social causes, but considerably less than their potential. We know many seek to accelerate their philanthropy but struggle to overcome the barriers to giving more. We also know, from our research and interviews, there are four pathways that have the potential to increase funding to help reduce social inequities.

We estimate that investing collectively to help social-change organizations scale their impact could potentially unlock more than $5 billion annually in philanthropic capital. Creating a "community foundation for America" to fuel efforts to advance upward economic mobility might also funnel $5 billion annually into the pipeline for social change. Launching a high-quality, high-trust services hub that guides philanthropists' decision making could unlock another $2 billion. Helping to improve the capacity of nonprofits and other actors to put large gifts to work could release upwards of $10 billion annually. Even if all these aspirations were achieved—and beat our expectations—giving from this population would move only from 1.2 percent to around 2.5 percent. That is a serious amount of capital—and there is a cost to society in not investing it in effective social-impact efforts.

History demonstrates that at its best, philanthropy can help strengthen civil society, as well as organizations that are a potent force for change. More recently, emergent organizations and resident-led initiatives have introduced promising approaches to address society's challenges. There are community-driven models like the Family Independence Initiative, which supports the efforts of low-income families and communities to build their own approaches to climbing out of poverty. There are "direct-to-people" efforts like The Bail Project, which is working to reduce mass incarceration by using a revolving fund to pay the bail for low-level defendants who cannot afford to do so. There are also field-building intermediaries like Campaign for Tobacco-Free Kids, which augments the efforts of other actors working to achieve population-level change in the field of tobacco cessation.

Imagine what these and other kinds of innovators—along with high-performing, direct service nonprofits—could accomplish, if the country's wealthiest families were to double their giving to social causes. Consider that we are at the beginning of an estimated $30 trillion wealth transfer from Baby Boomers to their heirs, which will play out over the next two to three decades. If the wealthiest families surmount the challenges to giving more, they will seize a once-in-a-generation opportunity to help put society on a path to enduring progress.

Appendix

Overview

- This appendix provides insights that support key themes in the *Four Pathways to Greater Giving: What Will It Take to Unlock Dramatically More Philanthropy from America's Wealthiest Families?* report, including:
  - Sizing of the ultra-wealthy philanthropy opportunity
  - Donor barriers and features of successful initiatives that have countered such barriers
  - Data and research reinforcing four big ideas in the "future state" of ultra-wealthy philanthropy
- Such insights result from:
  - 60 field interviews specific to this research, including:
    - 27 ultra-wealthy individuals and their advisors
    - 15 foundation and philanthropic fund leaders
    - 18 field providers and experts
  - Secondary research sourced from over 100 reports, articles, and databases
  - The Bill & Melinda Gates Foundation's (Gates Foundation) expertise
  - Bridgespan's own sector experience advising over 100 institutional and individual donors
- All insights aim to inform answers to the question: "What will it take to unlock dramatically more philanthropy—that is, to increase the flow of funding and its efficacy—from America's wealthiest families?"

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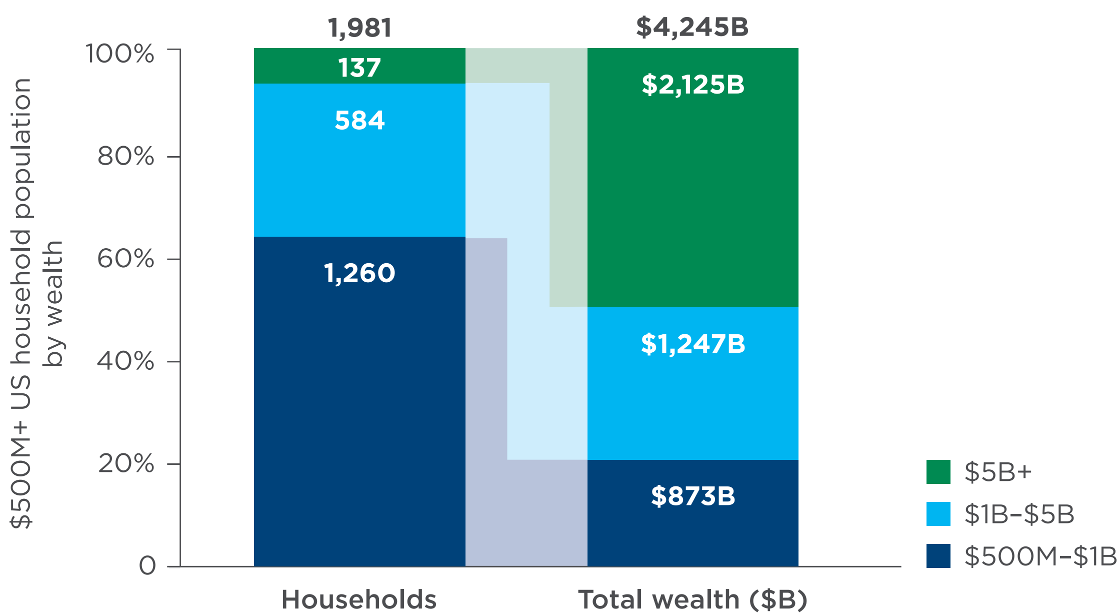
As of 2018, ~2,000 ultra-wealthy households control $4.2T in wealth

Several demographic factors correlate with wealth

- Nearly 75% of this wealth is held by householders over age 60; older individuals tend to hold wealth in more liquid assets.
- While men comprise nearly 90% of primary wealth earners or inheritors, research suggests nearly half of all married men make giving decisions jointly with their spouses.
- More than 80% of ultra-wealthy households have earned all or some of their wealth (and more than 25% of those in finance), with research suggesting major donors are more likely to be self-made.
- Two-thirds of ultra-wealthy households are clustered in 12 metro regions with New York, San Francisco Bay Area, and Los Angeles leading in number of ultra-wealthy households and wealth.

Of ~1,980 ultra-wealthy households, the ~720 billionaires control ~80% of total wealth

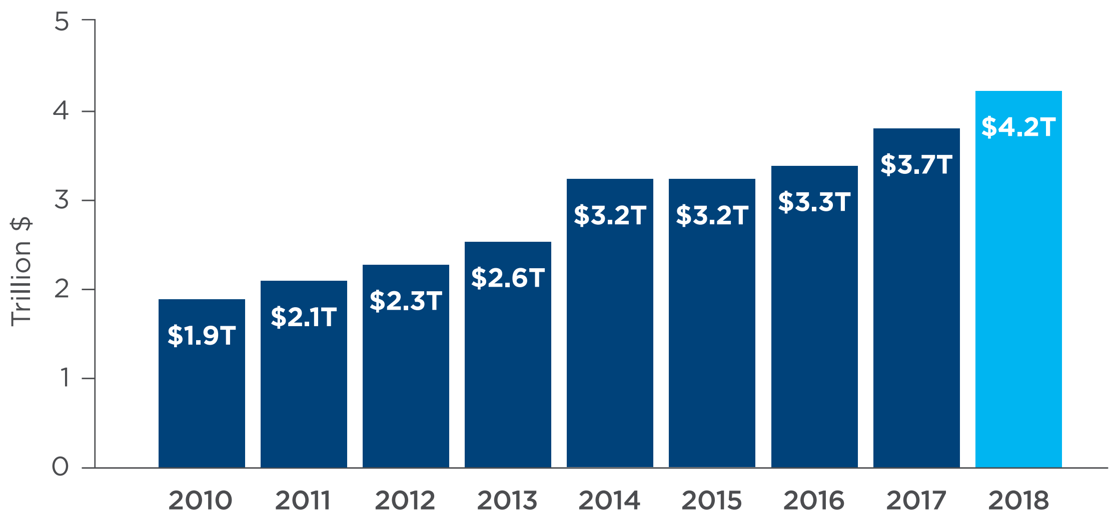


Source: (Chart and age distribution) Wealth-X, 2018; (Gender and wealth source) Wealth-X American Ultra Wealth Report, 2014–15; (Geography) Analysis from Wealth-X database provided April 2017; (Joint decision making) “How and Why Women Give: Current and Future Directions for Research on Women’s Philanthropy,” The Indiana University Lilly Family School of Philanthropy, May 2015.

Ultra-wealthy collective wealth has more than doubled in last 8 years; wealth per ultra-wealthy family has grown by 45%

- Average wealth per ultra-wealthy household has grown from $1.4B to $2.1B from 2010 to 2018

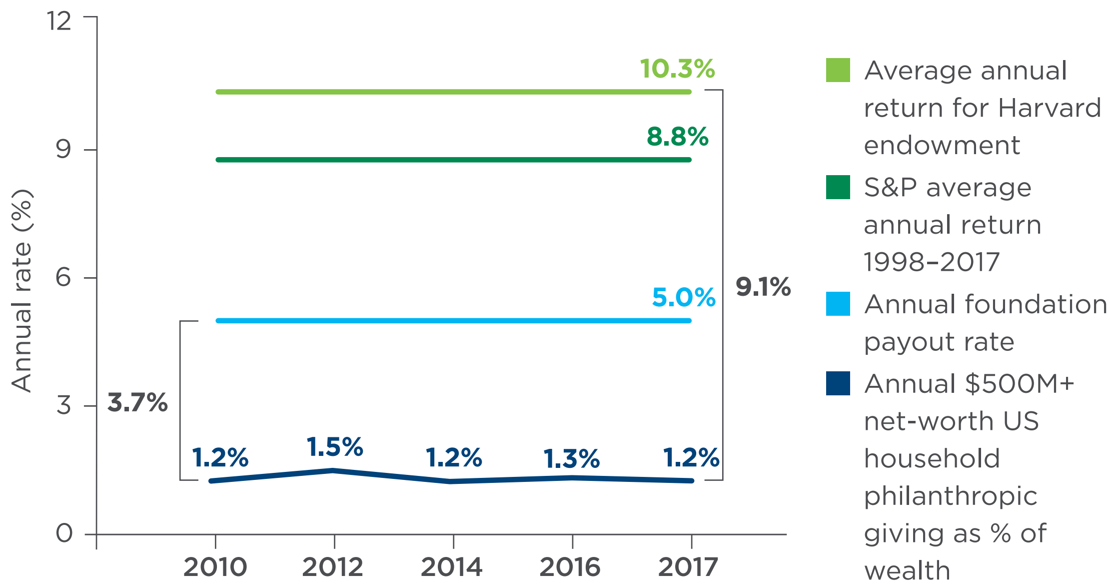
US ultra-wealthy household wealth



# Ultra-wealthy households	1,300	1,400	1,400	1,500	1,600	1,600	1,700	1,800	2,000

Source: Wealth-X, 2017–2018, with years 2010–2013 estimated based on 1) *Forbes* billionaire counts and their wealth in 2010–2013 and 2) the ratio of billionaires and their wealth to total ultra-wealthy households and their wealth in 2014; households are rounded to the nearest hundred "units" and wealth to the nearest hundred billion dollars.

In 2017, ultra-wealthy families gave ~$45B, just over 1% of wealth, a consistent trend that lags benchmark rates



Ultra-wealthy phil. giving	$22.1B	$33.2B	$37.0B	$41.6B	$44.2B

Note: Giving estimates are approximations; actual amounts vary, potentially up to 15%.

Source: (Average annual return for Harvard endowment) "2016 Annual Endowment Report," Harvard Management Company, 2017; (S&P average annual return) Computation of average annual return of S&P 500 index, including dividends, from January 1, 1998 to December 31, 2017; underlying data from Yahoo! Finance and Robert Shiller; (Annual foundation payout rate) The Foundation Center; (Annual $500M+ net-worth US household philanthropic giving as % of wealth) See next page describing methodology.

Snapshot: The Ultra-Wealthy's Charitable Giving in 2017

We calculate that in 2017, US ultra-wealthy households—those with more than $500 million in assets—contributed around $45 billion (our estimate is $44.2B) to charitable causes. That philanthropic payout is the sum of three giving estimates, with a margin of error of 10 percent to 15 percent:

- **Individual ultra-wealthy household-giving estimate: $23.4 billion.** We used three data sources: 1) IRS itemized charitable contributions from 2016, segmented by household income; 2) Giving USA's estimate of total household charitable giving in 2017; 3) Wealth-X data from 2014 on the number of households by wealth tier, from $50 million to more than $5 billion.

  Key underlying assumptions: a) giving is directly proportional to wealth for households earning more than $10 million; b) all households with more than $500 million in assets have reported income to the IRS of more than $10 million; c) the ratio of the number of households worth more than $50 million and their collective wealth in the United States is the same at present as it was in 2014.

  The giving estimate comes from multiplying 2016 giving from households with income of $10 million or more (as reported to the IRS) by the ratio of total wealth held by households worth more than $500 million to the approximated wealth of the remaining households in the $10 million-plus income bracket using the 2014 Wealth-X tiers. The ratio of this resulting "ultra-wealthy" amount to all 2016 individual household giving was then multiplied by the 2017 household giving amount from Giving USA to get the final estimate.

- **Ultra-wealthy charitable-bequest giving estimate: $5.1 billion.** We used three data sources: 1) IRS charitable bequest data from 2016, segmented by estate size; 2) 2017 Giving USA estimate of bequests from estates worth more than $5 million; 3) Wealth-X data from 2014 on the number of households by wealth tier, from $50 million to more than $5 billion.

  Key underlying assumptions: a) bequest giving is directly proportional to wealth for estates worth more than $50 million; b) all $50 million-plus net-worth households' estates are worth more than $50 million; c) the ratio of the number of households worth more than $50 million and their collective wealth in the United States is the same at present as it was in 2014.

  The giving estimate comes from multiplying 2016 bequests from estates worth more than $50 million (as reported to the IRS) by the ratio of total wealth held by households worth more than $500 million to the total wealth of households worth more than $50 million, using the 2014 Wealth-X tiers. The ratio of this resulting "ultra-wealthy" amount to all 2016 $5 million-plus estate-size bequests was then multiplied by the 2017 Giving USA value of bequests from estates worth more than $5 million to get the final estimate.

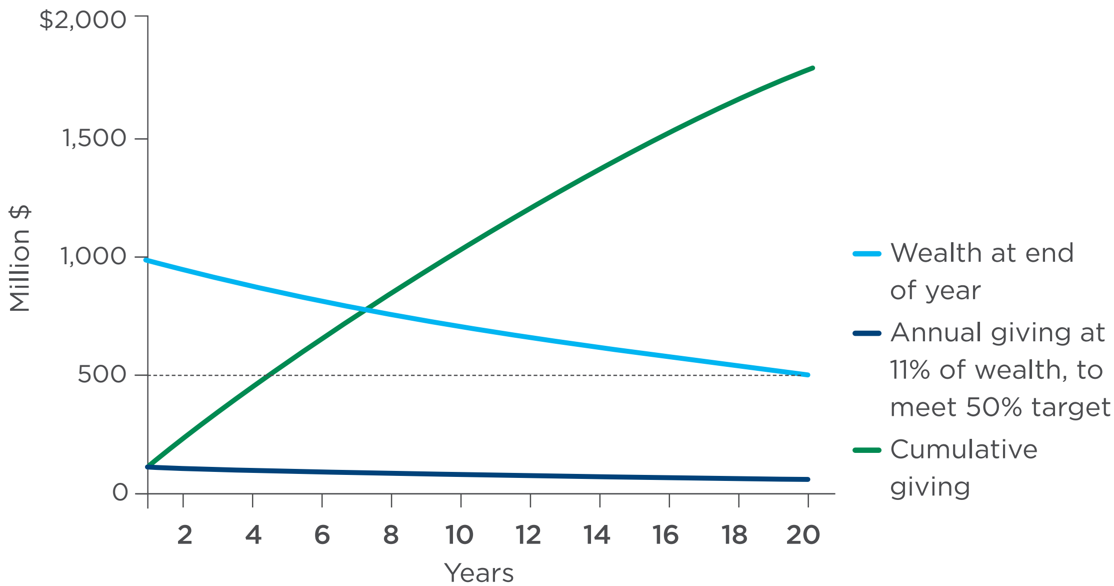
- **Ultra-wealthy family foundation-giving estimate: $15.7 billion.** We used two data sources: 1) Giving USA estimate of independent foundation giving from 2014 to 2017; 2) Wealth-X household-level database from 2017, including more than 1,600 ultra-wealthy households and their foundation giving in 2014.

  Key underlying assumptions: a) independent family foundations represent approximately 64 percent of total independent foundation giving, as cited by Giving USA; b) the Wealth-X database captures 90 percent of all ultra-wealthy family foundation giving, with that percentage remaining true at present.

  The giving estimate comes from multiplying total family foundation giving in 2017 (from Giving USA, using total independent foundation giving multiplied by the 64 percent estimate) by the ratio of ultra-wealthy foundation giving in 2014 (the sum from the Wealth-X database, divided by estimated 90 percent capture rate) to total family foundation giving in 2014.

Spending down 50% of wealth in 20 years requires an over 11% annual payout

- A billionaire committing to give away half his wealth (the Giving Pledge commitment) would need to spend down to $500M in assets during his lifetime or upon his death. There are many approaches to achieve this objective.
- One such approach is to give away a constant share of assets each year. Based on past asset appreciation rates, donors would need to give away over 11% of their assets each year to achieve this goal in 20 years.
- Total giving over 20 years would approximate **$1.8B,** vs. $500M at current 1.2% payout rate.



*All amounts in $M	Year									
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Wealth at end of year	965.9	933.0	901.2	870.5	840.9	812.2	784.6	757.8	732.0	707.1
Annual giving at 11% of wealth, to meet 50% target	122.1	117.9	113.9	110.0	106.3	102.6	99.1	95.8	92.5	89.4
Cumulative giving	122.1	240.0	353.9	463.9	570.1	672.8	771.9	867.7	960.2	1,049.6
	11	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
Wealth at end of year	683.0	659.7	637.3	615.5	594.6	574.3	554.8	535.9	517.6	500.0
Annual giving at 11% of wealth, to meet 50% target	86.3	83.4	80.5	77.8	75.1	72.6	70.1	67.7	65.4	63.2
Cumulative giving	1,135.9	1,219.2	1,299.8	1,377.6	1,452.7	1,525.3	1,595.4	1,663.1	1,728.5	1,791.7

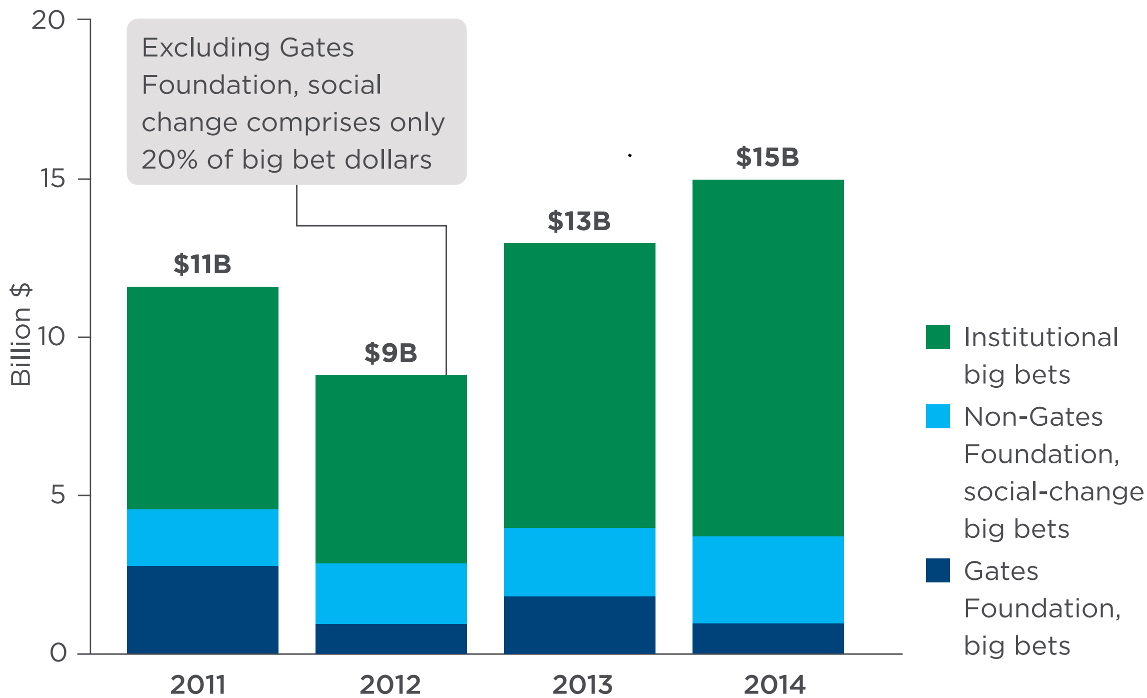
Note: Assumes an asset appreciation rate of 8.8%, the average 20-year return from the S&P 500.

Although philanthropists want to address inequity, just 20% of big bets go to social change (not including the Gates Foundation)

An increasing number of ultra-wealthy donors are aggressively leaning into social change:

- In 2014, Mark Zuckerberg and Priscilla Chan made two big bets toward social change totaling $145M.
- The Ballmer Group recently helped to launch Blue Meridian Partners and committed hundreds of millions to big bets addressing inequality.
- Between 2004 and 2014, Bloomberg Philanthropies made 14 big bets toward social change, totaling more than $880M.

Dollar value of big bets

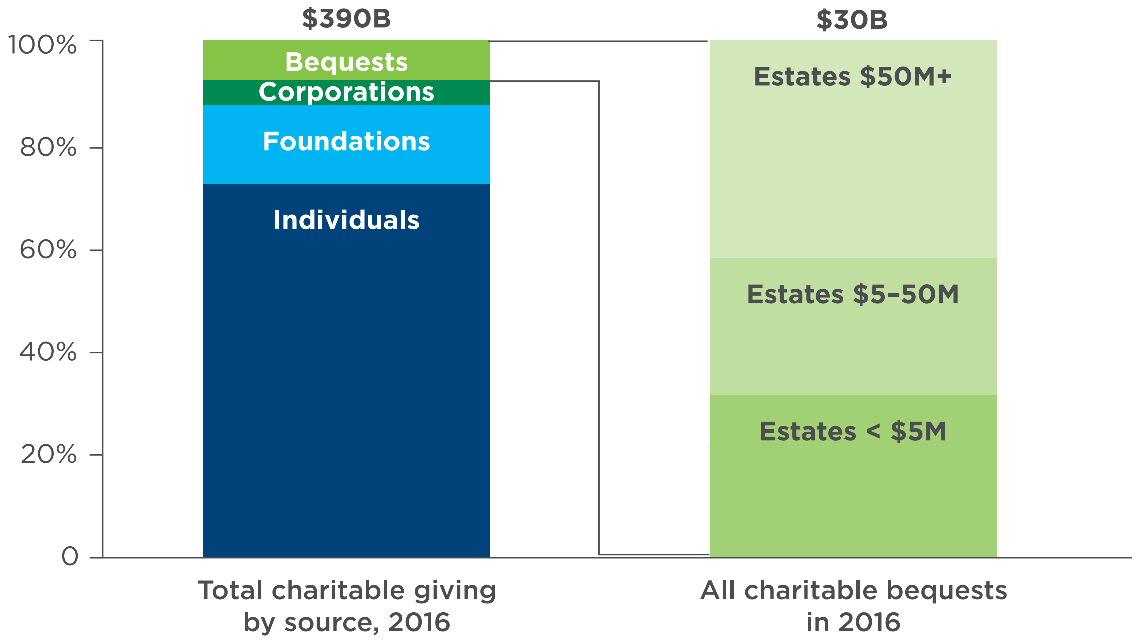


Note: Data shows philanthropy originating from the US only and does not include gifts by corporations, or corporate foundations; a Big Bet is defined as a commitment of at least $10 million.

Source: Bridgespan analysis of data from Million Dollar List, *Chronicle of Philanthropy,* and Foundation Center; ultra-wealthy donor and organization websites.

In 2016, US bequests amounted to $30B, much of it coming from the wealthiest individuals

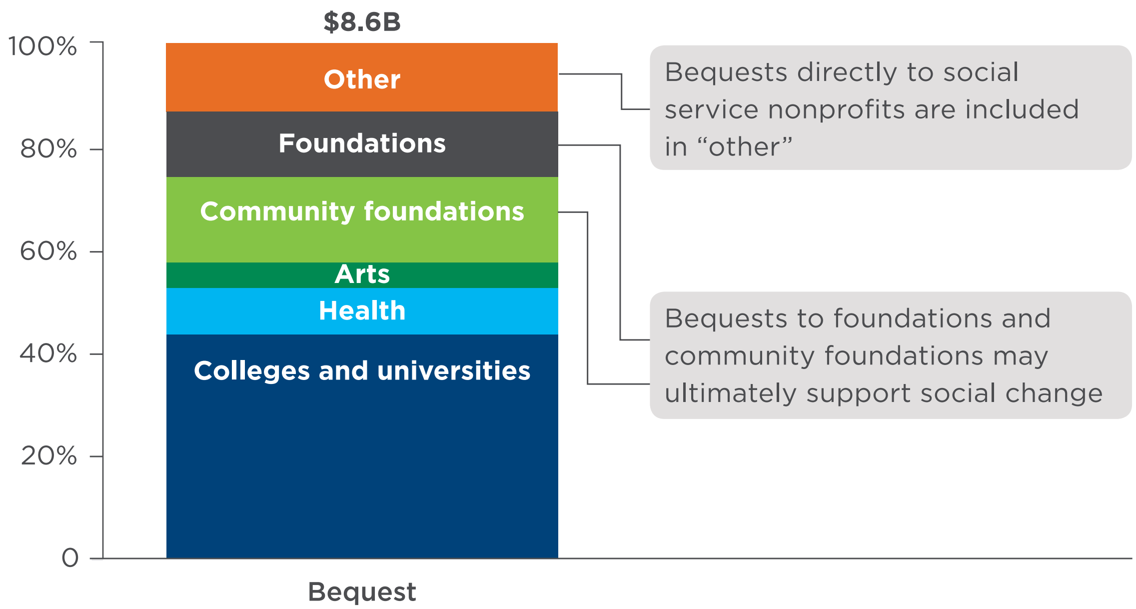
- The wealthiest are the largest source of bequests (per capita): in 2016, over 40% of all charitable bequest dollars came from estates worth $50M or more.
- The highly wealthy are much more likely to give charitable bequests: in 2015, 49% of estates worth $50M or more claimed a charitable deduction, compared to 22% of all filing estates between $5–50M.



Source: Giving USA 2017 Annual Report (includes data 1975–2016; most recent data for bequests by estate size is 2016 from IRS); IRS estate tax data, 2016.

Most large bequests go to major institutions like universities and hospitals, rather than social change

Bequests >$1M given from 2010 to April 2017



Note: Data from *Chronicle of Philanthropy*'s Big Charitable Gifts database and includes all gifts listed from 2010–April 2017. Database includes large gifts ($1M+) that were publicly announced. Database features a "gift type" field; while this field was left blank for approximately one-third of entries, these blanks reflect gifts where the gift type was not obvious from publicly available information; the *Chronicle* indicates that most bequests are publicly identified, so these blank entries are less likely to be bequests. One implication of this methodology is that the estimate of bequests is almost certainly an underestimate to some degree.

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Behavioral science offers hints on why some of these barriers make giving to social change so difficult (1/3)

Loss aversion

People are more motivated to avoid losses than achieve gains, all else equal

Everyday example

- When placing bets on a normal coin toss, the chance of winning or losing is equal
- A study shows that in a situation where losing a coin toss cost $10, people are only willing to place bets if they are able to win $20 or more
- People are willing to leave a lot of money on the table (an expected value up to $5 in this case) to avoid the possibility of losing

Application to ultra-wealthy philanthropy

Donors may view social change as a risky proposition, especially as results take a long time to realize and are hard to measure

Framing effect

Changing the perception of a problem or outcome can change the decision made

Everyday example

- Consider a person at the end of a day who has lost $140 at the horse race track and is deciding whether to bet $10 on a 15:1 long shot
- Research shows they will be more likely to make the last big bet when it's framed as "winning back their losses" than a "15:1 bet"
- Consistent bettor behavior reinforces this principle; bets on long shots are most popular on the last race of the day

Application to ultra-wealthy philanthropy

Donors may be more excited about funding social-change initiatives that convey how they can solve big social problems

Source: (Loss aversion) A. Tversky and D. Kahneman, "Loss aversion in riskless choice: A reference-dependent model," *The Quarterly Journal of Economics*, 106(4) (1991): 1039-1061; (Framing effect) A. Tversky and D. Kahneman, "The framing of decisions and the psychology of choice," *Science*, 211(4481), (1981): 453–458.

Behavioral science offers hints on why some of these barriers make giving to social change so difficult (2/3)

Confirmation bias

People view evidence in ways that align to their existing beliefs and expectations

Everyday example

- The traditional juror role involves deliberating on provided evidence to decide a verdict
- Studies show that, in deliberation, individual jurors weigh more heavily evidence that supports a verdict they have formed early in the case
- Moreover, jurors tend to recall evidence consistent with their verdict over evidence that is inconsistent

Application to ultra-wealthy philanthropy

Donors may interpret information in ways reinforcing their pre-existing concerns about social-change investments (e.g., "nonprofits are inefficient")

Choice paradox

An abundance of options can discourage or paralyze the decision-maker

Everyday example

- Choosing a new peanut butter at the grocery store takes more time when there are 20 options when compared to 5
- This is especially true when shoppers seek the best peanut butter rather than one "good enough"
- Furthermore, discouraged shoppers will settle for a familiar or well-branded peanut butter over exploring other options

Application to ultra-wealthy philanthropy

Donors may feel discouraged when faced with too many options (e.g., scores of education organizations), and give to brand-name institutions instead

Source: (Confirmation bias) R.S. Nickerson, "Confirmation bias: A ubiquitous phenomenon in many guises," *Review of General Psychology*, 2 no. 2 (Chicago, 1998) 175; (Choice paradox) Barry Schwartz, *The Paradox of Choice: Why More Is Less, Revised Edition*, (Ecco, May 17, 2016).

Behavioral science offer hints on why some of these barriers make giving to social change so difficult (3/3)

Sunk cost fallacy

People prefer to add in money, effort, or time to investments previously made, even if doing so is not the best path forward

Everyday example

- In poker, players take turns making bets based on how good they think their hand is
- Even on a bad hand, some players choose to bluff in order to avoid forfeiting the previous bets they have made into the pot
- Research shows that a player's choice not to fold on one bad hand often leads them to throw more money into the pot going forward, even when winning isn't likely

Application to ultra-wealthy philanthropy

Donors may find it difficult to shift their existing commitments of giving, time, and energy away from established institutions to new social-change opportunities

Mental accounting

People rarely deviate from spending patterns across expense categories, even when they don't have explicit budgets

Everyday example

- Studies show that workers allocate funds from their paychecks generally consistently across different categories of expenses (e.g., food, rent, childcare, leisure)
- For instance, if a couple goes to several nice dinners they would allocate it from their leisure budget, not food
- Furthermore, they would limit how much they spend on leisure that month, rather than cut back on groceries, even though they have fewer meals to account for

Application to ultra-wealthy philanthropy

Donors may subjectively place their philanthropic giving, particularly to social change, in a separate mental "account" from which they are reluctant to deviate significantly

Source: (Sunk cost fallacy) Arkes, H.R., and Catherine Blumer, "The psychology of sunk cost," *Organizational Behavior and Human Decision Processes*, 35, no. 1 (February 1985): 124-140; (Mental accounting) Thaler, R.H., "Mental Accounting Matters," *Journal of Behavioral Decision Making*, 12 no. 3 (1999): 183.

Solution providers across different genres are working to address ultra-wealthy barriers

Service customized to each donor ↔ **Product** semi-standardized for investment

Genres	Description	Select examples
Philanthropic services providers	Customized or bespoke professional service providers who advise ultra-wealthy donors on strategy and initiatives	• Arabella Advisors • 21/64 • The Bridgespan Group • Community foundations
Membership organizations and donor networks	Initiatives or organizations that foster collaboration and knowledge sharing between ultra-wealthy donors to advance philanthropic efforts toward shared goals	• Giving circles (e.g., Big Bang Philanthropy) • Giving Pledge • Philanthropy Roundtable
Fundraising and awareness campaigns	Dedicated fundraising efforts and campaigns both for individual organizations and for broader issue areas	• Bequests to individual organizations/institutions • University capital campaigns • Women Moving Millions
Investment sourcing platforms	Online and offline competitions, intermediaries, and initiatives to source and fund investment-ready opportunities	• Grand Challenges • DonorsChoose • MacArthur Foundation's 100&Change
Event and experience providers	Initiatives or organizations that host events to catalyze increased investments and/or effectiveness of philanthropy	• Aspen Philanthropy Group • Davos (philanthropy panel) • TED's The Audacious Project
Banking-related intermediaries	Philanthropy-focused efforts led by financial institutions, including donor-advised funds (DAFs) and research	• Family office networks • Goldman Sachs (DAF and research to support donors) • Schwab Charitable DAF
Investment funds	Funds that aggregate capital from donors and investors to deploy to organizations via grants or impact investments	• Blue Meridian Partners • Robin Hood Foundation • TPG's The Rise Fund
Research and information providers	Organizations and initiatives that provide philanthropy-related research and insight for the field	• Center for Effective Philanthropy • Charity Navigator • GuideStar

Source: Bridgespan interviews and analysis, 2017.

This provider landscape varies in its depth of supply and demonstrated ability to generate ultra-wealthy donor demand

	General giving barriers	Barriers to giving to social change		SUPPLY: Presence of promising models to serve ultra-wealthy donors	DEMAND: Evidence of ultra-wealthy donors giving to social change based on services
		Funding opportunities not obvious	Opportunity appears riskier		
Philanthropic services providers	●	○	○	Higher	Medium
Membership organizations and donor networks	○	○	●	Medium	Medium
Fundraising and awareness campaigns		○	●	Medium	Higher
Investment sourcing platforms		●	○	Lower	Medium
Event and experience providers		●	○	Medium	Medium
Banking-related intermediaries	●		○	Higher	Higher
Investment funds	○	●	○	Higher	Higher
Research and information providers	○	○		Medium	Lower

● Strong evidence of addressing barriers ○ Emerging evidence of addressing barriers

Source: Bridgespan interviews and analysis, 2017.

Field bright spots suggest design principles for big social-change ideas

Categories	Has evidence of potential to drive significant capital ($1B+) to social change	Has driven significant capital ($1B+) to philanthropic institutions	Has driven significant capital ($1B+) to for-profit investments
Philanthropic services providers	○ Has been shown to be effective in one-on-one engagements but not at 40+-donor scale		
Membership organizations and donor networks	○ Membership organizations like the Giving Pledge and Philanthropy Roundtable have engaged donors		● For-profit companies, like The Advisory Board Company, have gained traction in providing curated services to members
Fundraising and awareness campaigns	● Several social-change nonprofits have been successful in attracting big bets and bequests (e.g., Teach for America, The Nature Conservancy)	● Universities and hospitals have been highly successful in attracting big bets and bequests	
Investment sourcing platforms	○ MacArthur's 100&Change has significant attention; successful crowdfunding initiatives (e.g., GoFundMe) do not aim at ultra-wealthy donors		● Venture capital funds have catalyzed start-ups to "think big" and identified shovel-ready funding opportunities for large capital infusions
Event and experience providers	○ Events have gained traction but have yet to move capital at large scale consistently		
Banking-related intermediaries		● Donor-advised funds have provided a structure to move more money	● Private wealth managers have influenced the allocation of significant sums of ultra-wealthy capital
Investment funds	● Such funds are attracting more resources (e.g., Robin Hood deploys >$100M/year, Blue Meridian Partners pooled >$1.7 billion)		● Capital aggregation funds move significant capital flows outside of the social sector via investment funds, mutual funds, etc.
Research and information providers			● Research and information (e.g., analyst reports) influences for-profit investment flow at scale

● Strong evidence ○ Emerging evidence

Source: Bridgespan interviews and analysis, 2017.

17 concepts for ultra-wealthy big ideas for social change emerged from research, field interviews, and workshops with BMGF

Category	Big ideas
Philanthropic service providers	1. **Creative services to navigate the philanthropic journey:** Innovative services for donors to engage in their personal philanthropic journeys in a highly meaningful way 2. **Expert network or consulting braintrust:** A network of experts or consultants that provide advice to donors and staff over short periods of time
Membership organizations and donor networks	3. **Philanthropy services hub:** A one-stop source providing premier, highly-trusted, concierge insight, resources, and learning opportunities to ultra-wealthy families and their staff 4. **Scaled up giving circles:** A network of membership organizations that connects funders with an array of investments, allowing donors to find learning and co-investment opportunities
Fundraising and awareness campaigns	5. **Development team for social change:** Support for individual or groups of social-change nonprofits to increase capacity to raise major gifts, including via bequests and dedicated campaigns 6. **Culture shifting campaigns:** Movements to change common perceptions of philanthropy among ultra-wealthy individuals, via media and other vehicles, encouraging greater and more effective giving
Investment sourcing platforms	7. **Global platform of qualified investments:** A mature set of platforms for nonprofit sourcing and capacity-building, increasing donors' confidence in and ability to make large capital injections 8. **Expertise-driven deal flow development:** Sourcing, due diligence, and/or proxy granting based on guidance of trusted organizations or experts (e.g., intermediaries, researchers, fellow donors) 9. **Innovation-driven deal flow development:** Sourcing investments via creative methods, including prizes, to incentivize ambitious ideas and new funding approaches
Event and experience providers	10. **Deal flow events:** Conferences and private placements that connect funders with an array of investments, allowing donors to find co-investment opportunities and meet grantees
Banking related intermediaries	11. **Social-change institution:** A trusted, neutral fund dedicated to social change, offering donors an easy way to give to social inequities, both while living and by bequest 12. **Financial services partnerships:** Strategic partnerships with private wealth management firms to provide high quality philanthropic advisory services
Investment funds	13. **Scaled up capital aggregation funds:** An asset class of high-quality funds each with the caliber of leadership, focus on results, and variety of engagement options donors find in their financial investments 14. **Scaled up impact investing funds:** Substantially increased number of quality evidence-based investing funds taking an active approach to seeking and measuring impact
Research and information providers	15. **Staffing and talent development network:** Central service or portal that facilitates recruiting for philanthropy roles and provides insight for donors and staff to support talent onboarding and development
Enabling ecosystem	16. **Policy changes:** Changing public or private policies in ways that incentivize increased flow and effectiveness of ultra-wealthy philanthropy 17. **Public goods for philanthropy:** Publicly available utilities that enable donors with different interests at different stages to improve their philanthropy

Criteria helped to narrow the longer list of ideas into smaller set of high potential pathways

Category	Indicators
Potential for impact, in the $ billions	• Size and value of target market served • Applicability for investments in social change • Potential to move dollars at scale
Donor value proposition	• Clear donor indications of interest in the idea (e.g., via interviews, past behavior) • Critical donor "core values" met • Evidence of willingness to invest
Feasibility of implementation	• Capabilities (e.g., brand, relationships) exist in the field or could be built • Costs and timeline to go from concept to scale are manageable • Distinctive, supportive positioning vis-à-vis other providers in the field • Conducive external environmental factors

4 pathways to greater giving

- Aggregated funds become a common asset class for ultra-wealthy donors
- A high-impact way for philanthropists to bet big on improving economic mobility
- Philanthropists have access to high-quality services that support their giving
- Philanthropists have consistent access to those grantees that are prepared to put their big bets to best use

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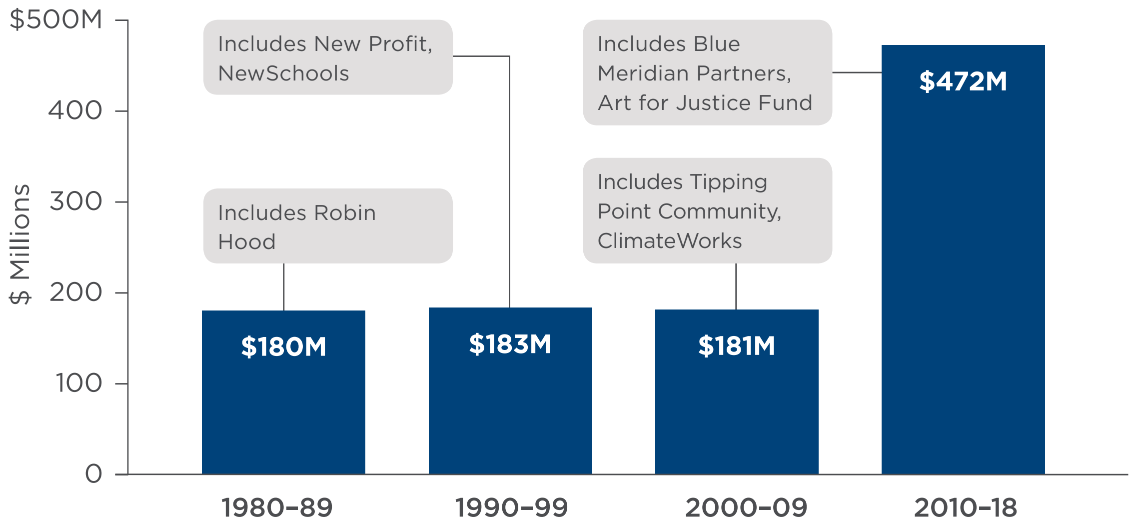
A Note on Our Giving Estimates

The aspirational goal is another 1 percent-plus of giving. This doubling keeps giving still well below the rate of appreciation. Our estimates of each of the significant pathways' ability to contribute to this goal are high-level, order-of-magnitude estimates. These estimates are not mutually exclusive.

Aggregated philanthropic funding is on the rise, totaling more than $1B in annual investment

Aggregated philanthropic funds have grown in size and number...

2016 grants ($M) made organized by founding decade of fund



# of currently existing funds founded by year	5	7	13	16

...and collaboration is gaining traction in the field

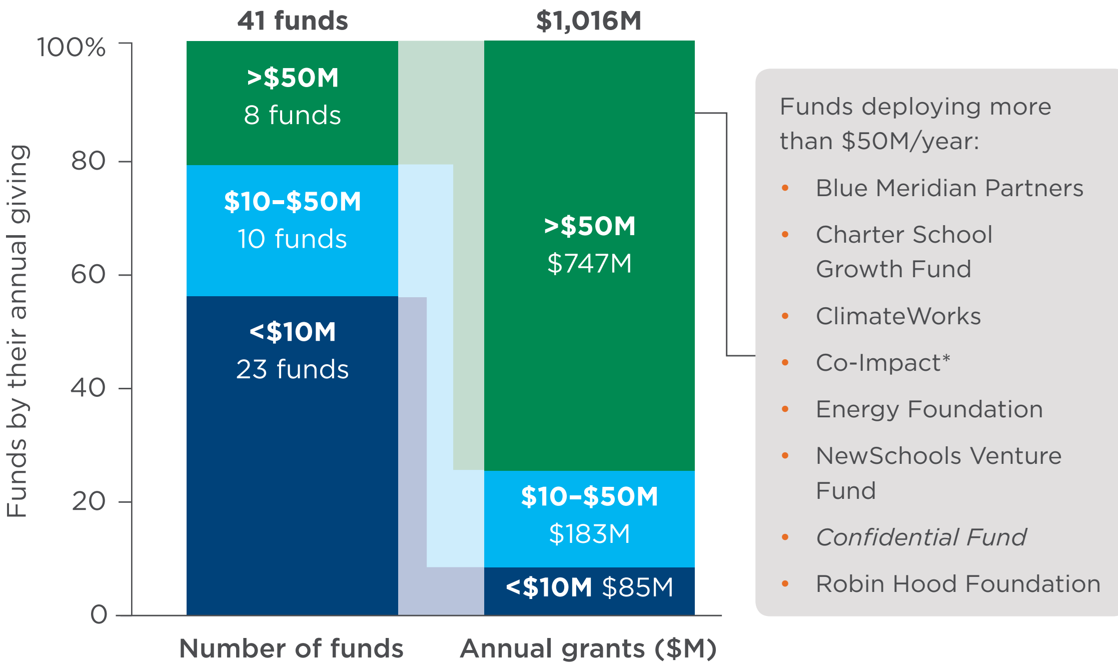
- Giving circles have doubled in number from ~600 to 1,200 over the past 8 years
- Innovative "green shoots" (e.g., Co-Impact, Blue Meridian Partners) are attracting attention and demonstrating donor demand
- Growth in aggregated philanthropy suggests promise of far greater scale than achieved to date

Notes: 1) Includes aggregated fund vehicles that raise funding from philanthropists, deploy funding to nonprofits via grants, and are based in the United States (can give internationally), but does not include giving circles or other collaborations that don't have a fund vehicle, fund vehicles that are focused on government funding or public-private partnerships, funds that are based outside the United States; 2) Annual grants from some funds founded in 2017 and 2018 (African-American Cultural Heritage Action Fund, Art for Justice Fund, Blue Meridian Partners, Co-Impact, Racial Equity in Philanthropy Fund, and Diagnostics Accelerator) are based on fund goals; 3) Includes loan amounts granted by Charter School Growth Fund and includes NewSchools Venture Fund's grants under fiscal sponsorship; 4) 2015 funding data used in instances 2016 data is not yet available.

Source: Organization websites.

Despite recent growth, 33 of 41 funds studied grant less than $50M per year

Aggregated philanthropic funds by size of annual grants made (2016 or 2017 or 2018)



Notes: 1) Includes aggregated fund vehicles that raise funding from philanthropists, deploy funding to nonprofits via grants, and are based in the United States (can give internationally), but does not include giving circles or other collaborations that don't have a fund vehicle, fund vehicles that are focused on government funding or public-private partnerships, funds that are based outside the United States; 2) Annual grants from funds founded in 2017 and 2018 (African-American Cultural Heritage Action Fund, Art for Justice Fund, Blue Meridian Partners, Co-Impact, Racial Equity in Philanthropy Fund, and Diagnostics Accelerator) are based on fund goals; 3) Includes loan amounts granted by Charter School Growth Fund and includes NewSchools Venture Fund's grants under fiscal sponsorship.

Source: Organization websites; *Expected giving.

These funds span a range of donor interest areas

Fund name	Year founded	Issue focus	Geographic focus	Annual funding ($M)
A Better Chicago	2010	Education	Chicago	3.1
African-American Cultural Heritage Action Fund	2017	Racial equity	US	5
Alliance for Early Success	2005	Children, youth, and families	US	6.5
Art for Justice Fund	2017	Criminal justice reform	US	40
Ashoka	1980	Social innovation/ entrepreneurship	Global	5.3
Blue Meridian Partners	2016	Children, youth, and families	US	150
Carnegie Corporation 100Kin10 Fund	2011	Education	US	10.3
Charter School Growth Fund	2006	Education	US	54
Chicago Public Education Fund	2000	Education	Chicago	5
ClimateWorks	2008	Environment	Global	60
Co-Impact	2017	Global systems change	Global	100
DC Public Education Fund	2008	K-12 Education	DC area	5.4
Diagnostics Accelerator	2018	Medical research	Global	10
Draper Richards Kaplan	2001	Social innovation/ entrepreneurship	Global	13
Echoing Green	1987	Social innovation/ entrepreneurship	Global	4.2
Educate78	2016	Education	Oakland, CA	Not reported
The END Fund	2012	Global health	Global	14.9
Energy Foundation	1991	Environment	Global	75.8
The Freedom Fund	2013	Human rights	Global	8.5
Fund for Public Schools	1984	K-12 Education	New York City	18.5
Fund for Shared Insight	2014	Philanthropic effectiveness	Global	5.8
Global Fund for Women	2016	Gender equality	Global	6.6

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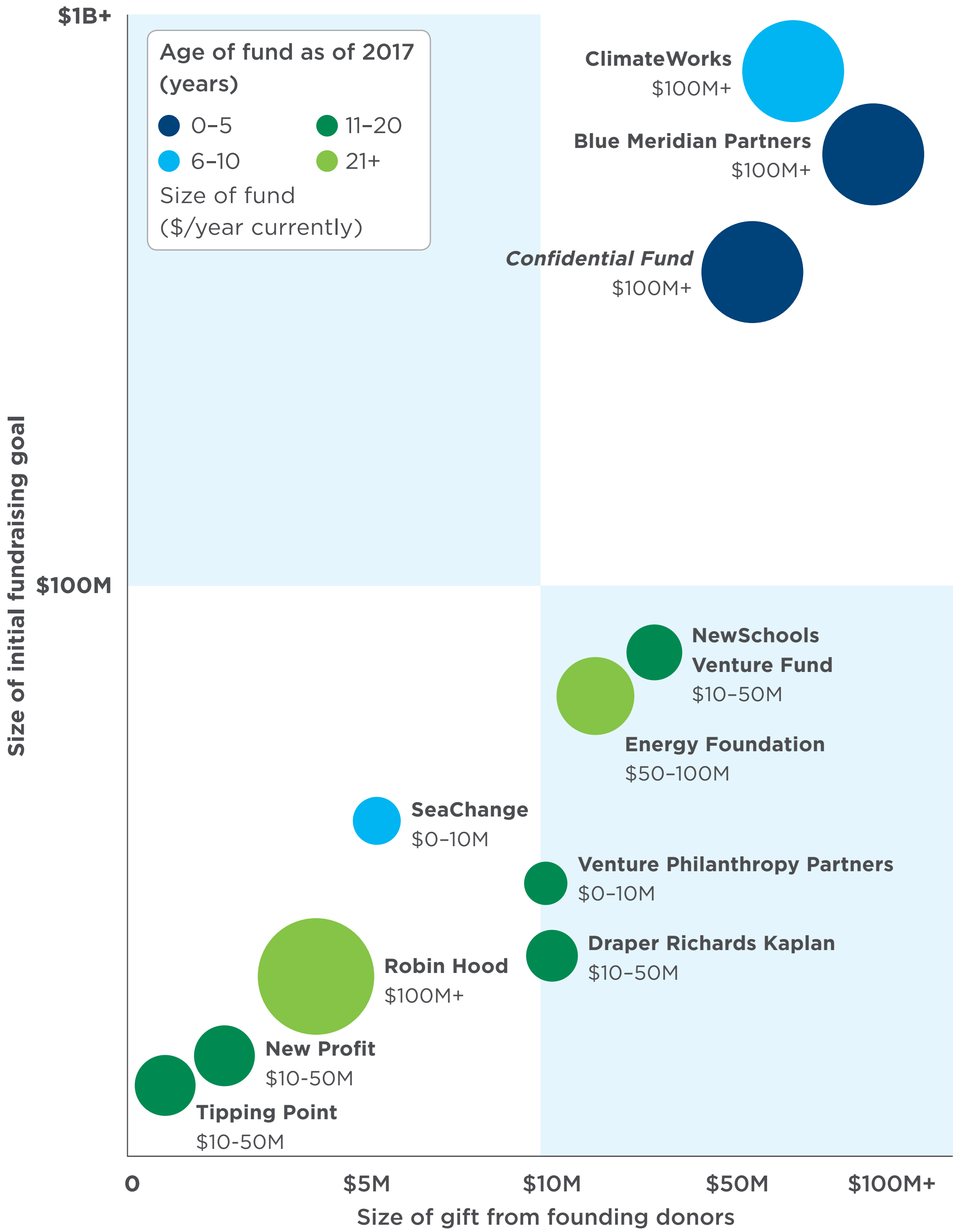
Fund name	Year founded	Issue focus	Geographic focus	Annual funding ($M)
GreenLight Fund	2003	Children, youth, and families	Detroit, Cincinnati, Boston, Philadelphia, SF Bay Area	2
Living Cities	1991	Urban development	US	3.2
NEO Philanthropies	1983	Democracy/ advocacy	US	23
New Profit	1998	Social innovation/ entrepreneurship	US	16.6
NewSchools Venture Fund	1998	Education	US	78.6
Oceans 5	2011	Environment	Global	10.5
Pew Charitable Trusts Global Ocean Legacy	2006	Environment	Global	Not reported
Proteus Fund (Piper Fund and Security & Rights Collaborative)	1996	Democracy/ advocacy	US	3
Racial Equity in Philanthropy Fund	2018	Racial Equity	US	4.5
REDF	1997	Employment	US	4.4
Robin Hood	1988	Poverty alleviation	New York City	129
SeaChange Capital Partners	2008	Social innovation/ entrepreneurship	US	0.7
Silicon Valley Social Venture Fund (SV2)	2008	Social innovation/ entrepreneurship	SF Bay Area	1.2
Social Venture Partners	1997	Social innovation/ entrepreneurship	Global	1
Strategic Grant Partners	2002	Children, youth, and families	Massachusetts	6
Tipping Point Community	2005	Poverty alleviation	SF Bay Area	21.9
Venture Philanthropy Partners	2000	Children, youth, and families	DC area	5.1
Confidential	2016	Multiple	Global	3
Confidential	2012	Global health	Global	100

Notes: 1) Includes aggregated fund vehicles that raise funding from philanthropists, deploy funding to nonprofits via grants, and are based in the United States (can give internationally), but does not include giving circles or other collaborations that don't have a fund vehicle, fund vehicles that are focused on government funding or public-private partnerships, funds that are based outside the United States; 2) Annual grants from funds founded in 2017 and 2018 (African-American Cultural Heritage Action Fund, Art for Justice Fund, Blue Meridian Partners, Co-Impact, Racial Equity in Philanthropy Fund, and Diagnostics Accelerator) are based on fund goals; 3) Includes loan amounts granted by Charter School Growth Fund and includes NewSchools Venture Fund's grants under fiscal sponsorship; 2015 funding data used in many instances.
Source: Organization websites.

Past efforts demonstrate the importance of fundraising goal size and lead donor commitment



Note: Includes all funds studied granting >$10M/year, based on data available in 2017, excluding those for which there was not sufficient public information and includes two additional funds as examples at smaller scale.

Source: Publicly available resources, including organization websites, Form 990s, and articles and reports.

Interviewees reinforce best practices leading philanthropic funds deploy

*"I want to work alongside other donors who **share my passions**."*

Ultra-wealthy donor

"We need to support *experts* ***with credibility*** to lead funds; that would build momentum among donors."

Ultra-wealthy donor

*"To provide value, capital aggregation needs to be led by a **trusted entity**—one that will hold itself **accountable for the ultimate results.**"*

Family office staff

*"You need an **anchor person** to be the lead on a new fund and to coalesce a small group."*

Fund leader

*"There's no question that having a **winnable target** attracts large gifts, but we wouldn't have been able to attract those gifts without years of work and **track record**. We've built **credibility and relationships**."*

Fund leader

*"We've learned you have to have **measurable** results and tell the stories with the **heartstrings** for donors."*

Fund leader

Source: Bridgespan interviews, 2017.

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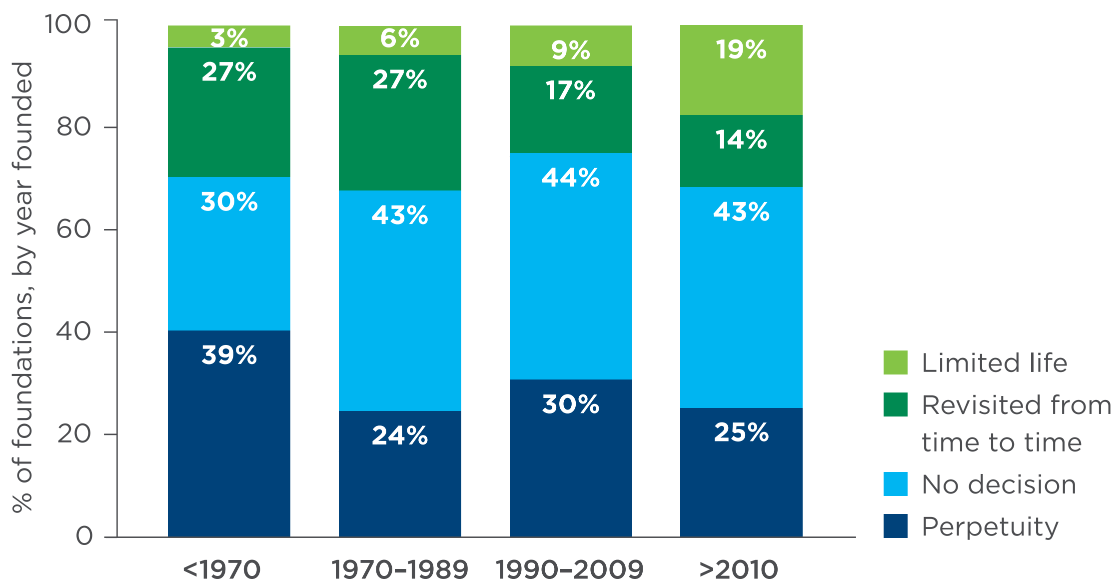
Ultra-wealthy families are now less likely to establish large foundations with large staff to exist in perpetuity

- More than three quarters of foundations founded since 1990 are being run by unpaid family members rather than paid family members, paid staff, or advisors
- An increasing number of foundations are limiting their life span
  - 39% of foundations founded before 1970 plan to exist in perpetuity compared to 19% of foundations founded after 2010
- Payout rates are higher for newer foundations
  - 41% of foundations founded between 1990 and 2009 have payout rates greater than 6.1% compared to 12% of foundations founded before 1970
- Anecdotally, some donors are setting up LLC structures to house their philanthropy (e.g., Chan/Zuckerberg, Laurene Powell Jobs, and Pierre Omidyar)

Foundations' planned duration



Number of foundations	45	54	187	34

Note: Data from a survey of 341 family foundations.

Source: Elizabeth T. Boris, Carol J. De Vita, and Marcus Gaddy, "National Center for Family Philanthropy's 2015 Trends Study," The Center on Nonprofits and the Urban Institute, November 2015.

Donor-advised funds offer donors flexibility and are growing dramatically

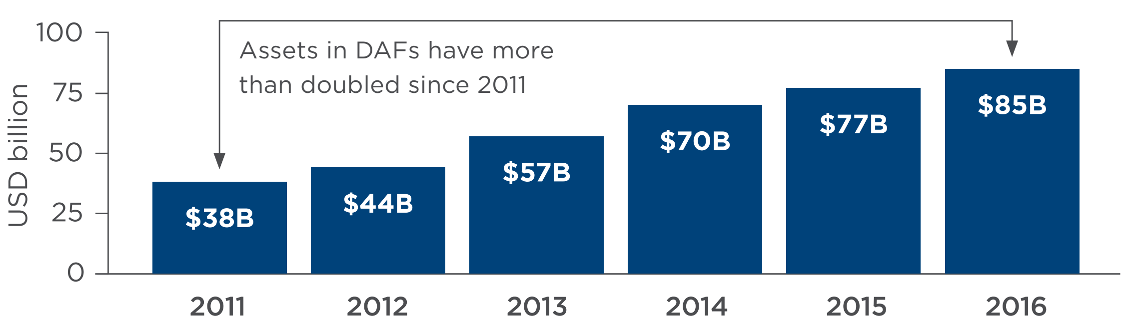
- Donor-advised funds (DAFs) are investment vehicles in which a donor takes an immediate tax credit on contributions; assets in the fund are invested and the donor directs grants from the fund to nonprofits when they choose to do so
  - A DAF is like a "charitable savings account"
- Previously, DAFs were not required to disclose assets to the IRS but now must submit details about assets, grantmaking, and contributions through Form 990s
- There are three types of DAF providers/sponsors:
  - National charities (e.g., Fidelity Charitable)
  - Single-issue charities (e.g., Jewish federations)
  - Community foundations (e.g., Silicon Valley Community Foundation)

Source: Giving USA 2017; National Philanthropic Trust, Donor-Advised Fund Report, 2017.

Donor-advised funds have experienced dramatic growth, more than doubling in assets between 2011 and 2016

- Contributions to donor-advised funds (DAFs) have grown faster than grantmaking and now represent 8% of individual giving
  - $23B in contributions to DAFs in 2016, a 40% increase from 2012
  - $16B in grants made from DAFs in 2016, a 46% increase from 2012
- In 2016, four commercial providers facilitated 45% of contributions to all DAFs—and were among the ten largest recipients of donations from Americans in 2016
  - Fidelity Charitable Gift Fund: $4.1B in contributions (and in 2017 $6.8B)
  - Goldman Sachs Philanthropy Fund: $3.2B in contributions
  - Schwab Charitable Fund: $1.9B in contributions
  - Vanguard Charitable Endowment Program: $1.3B in contributions

Total Charitable Assests in Donor-Advised Funds

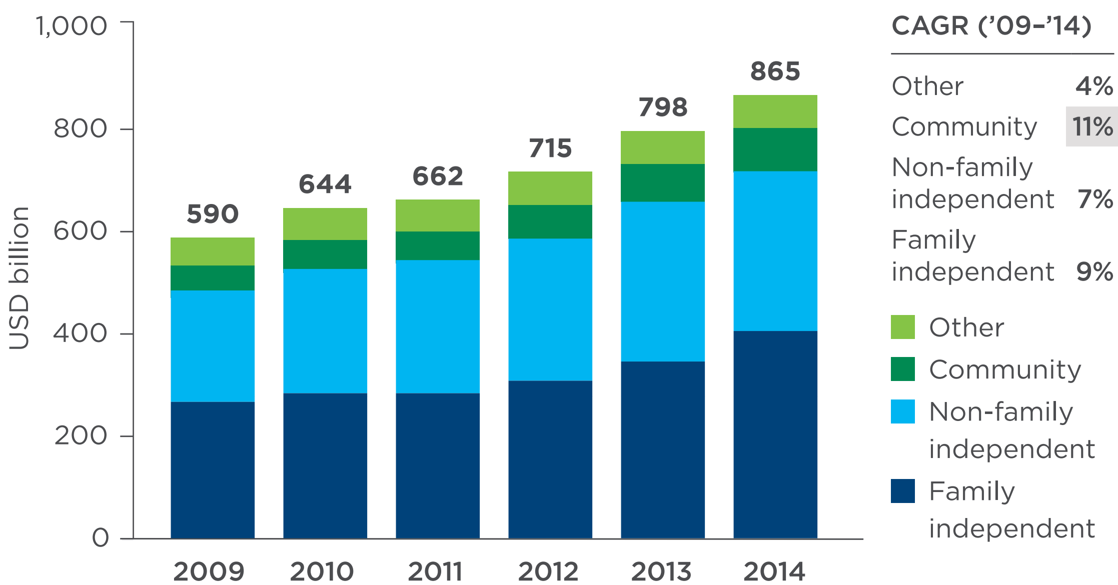


Source: 2016 and 2017 DAF reports, National Philanthropic Trust; Giving USA 2017; 2017 Philanthropy 400, *The Chronicle of Philanthropy*; Institute for Policy Studies 2018.

Community foundations have also been growing quickly

- Community foundation asset growth has outpaced other foundations since 2009 at a compound annual growth rate of 11% through 2014
- In 2009, community foundations accounted for 8.4% of total foundation assets; in 2014, they accounted for 9.5% of foundation assets
- This growth is powered by donor-advised funds, and ultra-wealthy donors have increasing used community foundations as a key philanthropy vehicle. As a notable example, Mark Zuckerberg and Priscilla Chan have given well more than $1B to their DAF at the Silicon Valley Community Foundation.

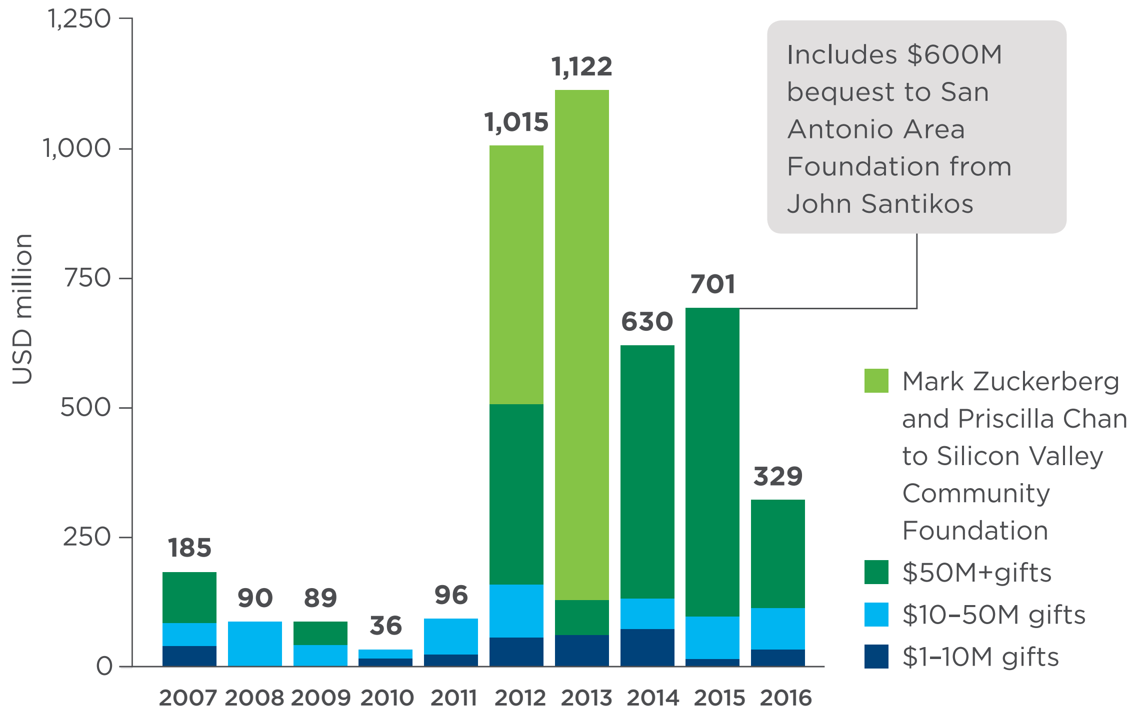
Total assets by foundation type



Note: "Other" includes Operating and Corporate Foundations.
Source: Foundation Center, Giving USA.

Ultra-wealthy donors have increasingly used community foundations (including DAFs) as a key philanthropic vehicle

Major gifts ($1M+) to community foundations



Note: Includes gifts to donor-advised funds; $1M gifts are not necessarily generated by ultra-wealthy donors but represent best proxy in the data.
Source: "Big Charitable Gifts: Where Donors Have Given $1 Million or More" database, *The Chronicle of Philanthropy.*

In this landscape, there's no easy way for ultra-wealthy donors to make large, results-oriented investments in economic mobility

Current approaches

Family foundations Granted $25.9B in 2014	**Donor-advised funds (DAFs)** Granted $19.1B in 2017	**Community foundations** Granted $7.0B in 2015 **United Way chapters** Raised $3.9B in 2017
• Offers naming and legacy opportunities • High hassle factor and administrative costs in setup • Very few donors give to someone else's foundation	• Offers anonymity • Allows transfer and tax write-off without selecting specific causes or charities • Sets no explicit bar for quality of investment	• Grounded in local context • Often not primarily targeted at ultra-wealthy donors: – Community foundations (excluding DAFs) target ultra-wealthy and everyday donors – United Ways target everyday givers and corporations • Extent to which dollars are largely donor directed or informed by the foundations varies

A better way would be to...

• Continue to offer legacy and naming opportunities • Have low hassle and administrative costs	• Continue to offer anonymity and tax write-off at time of transfer • Guide choices on where to give	• Continue to offer local funding opportunities • Target ultra-wealthy donors, have national ambition, and hold a high bar for quality

Source: (Family foundation) Aggregate Fiscal Data of Family Foundations in the U.S., 2014, The Foundation Center; (DAF giving) "The 2018 DAF Report, National Philanthropic Trust; (Community foundations) Aggregate Fiscal Data of Community Foundations in the U.S., 2015, The Foundation Center; (United Way's chapters revenue) "America's Top Charities 2017," *Forbes*.

Core capabilities for a new entity focused on improving economic mobility include leadership, brand, and results

Premier leadership

- Lead ultra-wealthy funders would set high table stakes with their own investment and help fundraise among their peers.
- A strong leadership team would cultivate relationships and deliver on commitments.
- An elite network of issue experts, funding partners, and field leaders would inspire the respect and admiration of ultra-wealthy donors.

Trusted brand

- The entity would earn a reputation that ultra-wealthy families across the political spectrum entrust with a substantial portion of their wealth.

Results delivery

- The entity would cultivate partnerships with leading funders across a range of areas to source and offer great investments efficiently and effectively.

Interviews with ultra-wealthy donors, family office staff, and foundation staff reinforced these core capabilities

Premier leadership

"It's important for me to have ***well-respected peers*** *or organizations publically validate specific ideas before I engage."*

Ultra-wealthy donor

"There needs to be some level of ***curation****, and promising* ***opportunities that are ready to go****; otherwise you can't make sense of the chaos."*

Foundation leader

"Donors follow each other and are motivated by affiliation... This boosts the fundraising abilities of ***well-established institutions****."*

Foundation leader

Trusted brand

"A start-up organization would be most successful if it was ***affiliated with an existing premium organization****."*

Ultra-wealthy donor

"We made that investment in part because it was ***built on top of a trusted organization****."*

Family office staff

Premier leadership

"If an effort is ***evidence-based****, it's* ***much easier*** *to raise money. People can trust it's going somewhere meaningful."*

Ultra-wealthy donor

"Donors expect a level of ***outcomes*** *from a gift to social change that they simply do not in support of a cherished institution."*

Foundation leader

"We need ***trusted measurement*** *or nothing will happen. It needs to be clear what has been achieved with each gift."*

Foundation staff

Source: Bridgespan interviews, 2017.

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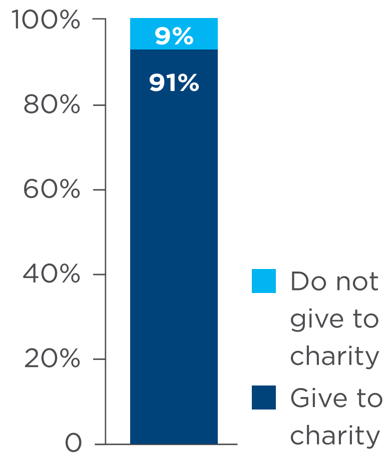
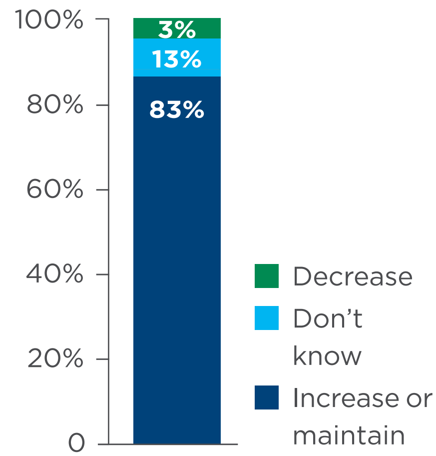
Ultra-wealthy households lack trusted, knowledgeable advisors for their giving

Most wealthy donors give to charity, and over 80% of them expect to maintain or increase their giving

Wealthy households who gave to charity in 2015



Wealthy households' self-reported charitable giving forecast for the next three years



These wealthy donors seek advice and guidance on what and where to direct their philanthropy…

- 67% of wealthy donors ($1M+ in assets) reported that their greatest challenge when it comes to charitable giving is identifying what causes they care about and deciding where to donate
- Expert interviews with foundation leaders and family office wealth advisors reaffirmed appetite among donors for more reliable guidance on where to invest:
  - "There needs to be some level of curation and promising opportunities that are ready to go; otherwise you can't make sense of the chaos." — Foundation leader
  - "Aside from structural and tax questions, clients wanted to know in a broader sense, 'What is everyone else doing?' and from there, 'Now that I have this mission, how do I determine the top 3 or 4 organizations really focused on this particular area?'" — Former executive at Fidelity

…but can lack trusted advisors with philanthropic expertise to help

- In 2015, just over 20% of wealthy donors consulted with an advisor regarding charitable giving and philanthropy strategies (note this figure may be higher among the ultra-wealthy)
- These donors are typically advised by non-philanthropy experts—nearly 9 out of 10 from an accountant or independent financial/wealth advisor

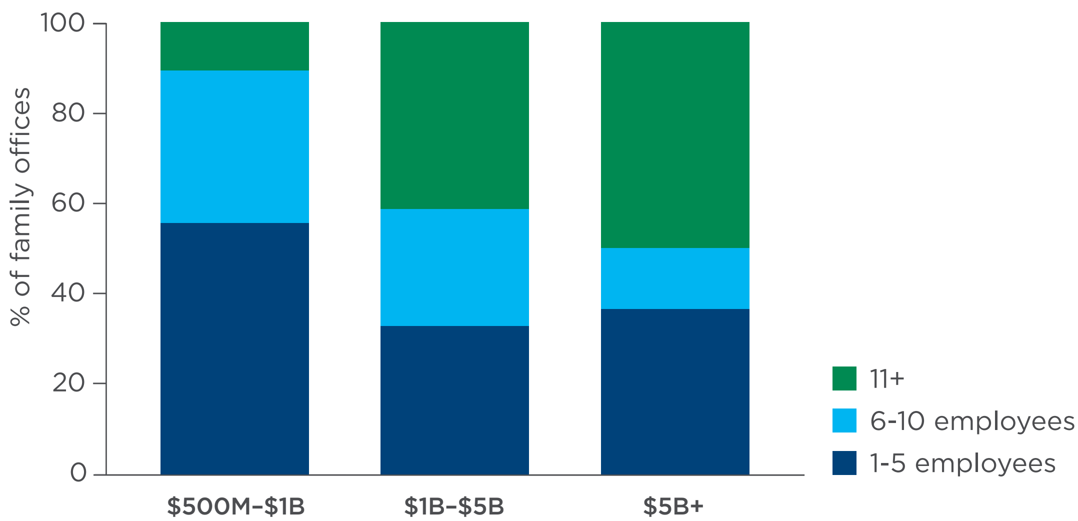
Source: U.S. Trust Study of High Net Worth Philanthropy, 2016.

Most ultra-wealthy households employ a limited philanthropy staff

Family offices with small philanthropy teams may be interested in outsourcing expertise...

- The size of family offices varies widely, with typically fewer staff at lower ultra-wealthy tiers
- Smaller family offices typically outsource some investment capabilities

Ultra-wealthy household wealth



...and smaller or nascent family foundations could benefit from more flexible resources

- Most ultra-wealthy families have foundations
  - 62% of ultra-wealthy families engage in traditional philanthropy through their own family foundations vs. just 32% through direct gifts or via others' foundations
- But most ultra-wealthy family foundations have 5 or fewer paid staff*
  - Very few family foundations with <$100M in assets (representing over 80% of ultra-wealthy family foundations) have a program officer or grants manager
  - Even foundations with >$100M in assets average just 5 paid staff members

Foundations with <$100M assets have 3 or fewer paid staff; that count grows to only 5 for larger foundations

Only 1 in 7 foundations with <$100M assets have a program officer or grants manager

Note: *Data from J.P. Morgan survey of 81 families globally (not US-specific) with $500M+ in net worth

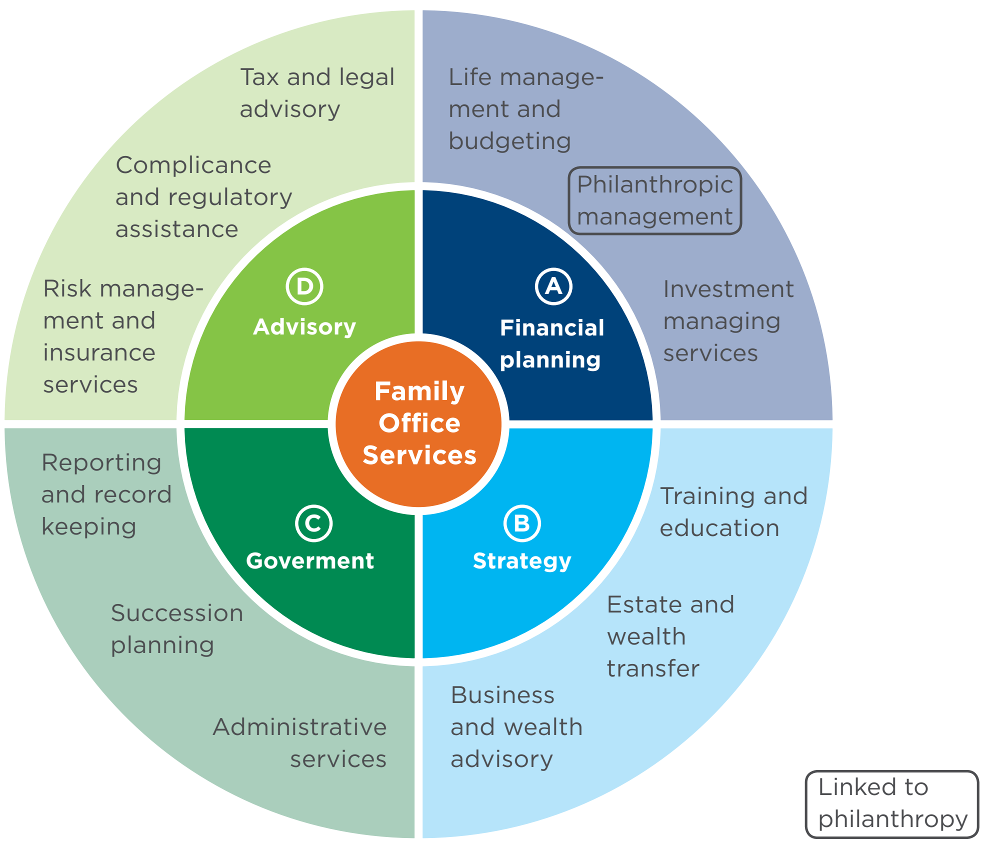
Source: "The Single Family Investment Office Today: A primer on structuring an investment office to achieve family objectives and societal value," World Economic Forum in collaboration with J.P. Morgan, August 2016; Brian Solomon, "The Spider of Silicon Valley: Inside 'Zuck & Friends' Secret Billionaire Fund," *Forbes*, December 15, 2014; Anupreeta Das and Juliet Chung, "The New Force on Wall Street: The 'Family Office,'" *Wall Street Journal*, March 10, 2017; "2016 Grantmaker Salary and Benefits Report," Council on Foundations.

Private family offices, as trusted advisors, have meaningful influence over ultra-wealthy family wealth and assets

Family offices have risen in recent decades, and are favored by ultra-wealthy families for wealth management

- Family offices are favored by ultra-wealthy families for offering bespoke services, a high-level of control, and near-secrecy—the cost of which ultra-wealthy families can afford
- Estimates of the family office market suggest ~$1 trillion in assets in the United States and $3–$4 trillion globally
- Structurally, single family offices are not subject to the same regulations as typical investment offices or firms
  - Do not have to register with federal regulators as long as investment advice is limited to descendants of a common ancestor, key employees, adopted children and former spouses
- Since 2011, over 30 hedge funds have converted into family offices after returning clients' money (e.g., Soros Fund Management), according to the *Wall Street Journal*

A fully-developed family office provides a number of services, some of which can be outsourced

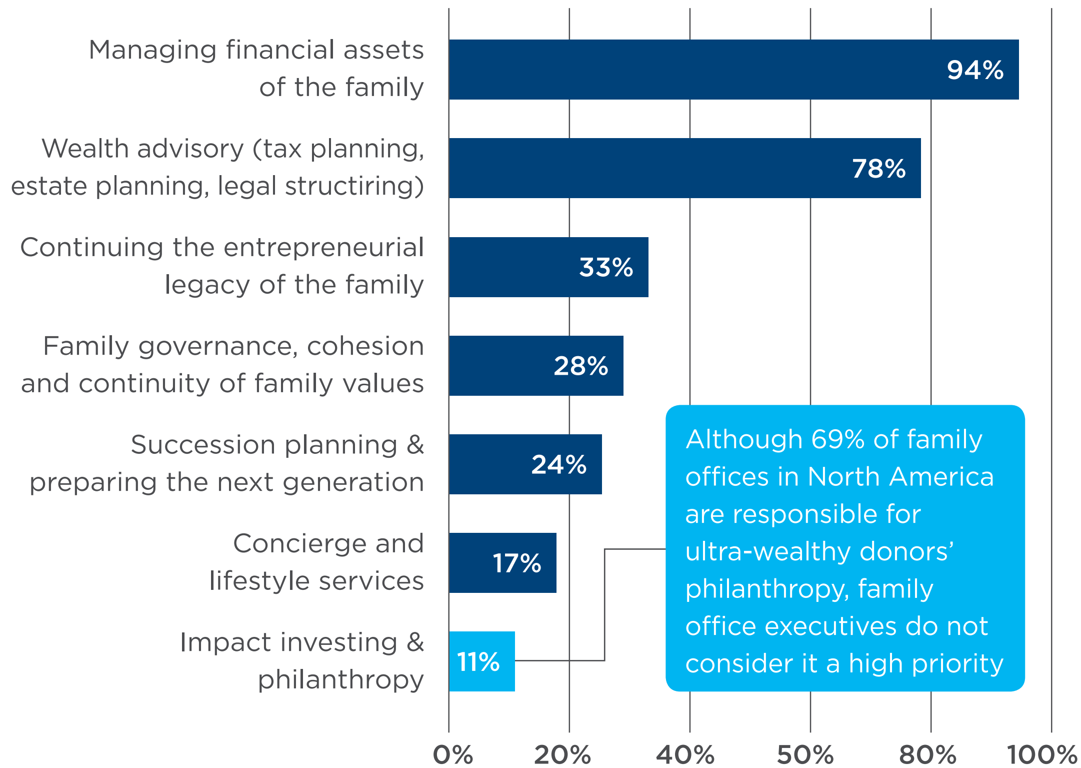


Note: Image adapted from "The Family Office Dynamic: Pathway to Successful Family and Wealth Management," Credit Suisse, p. 13.

Source: "The Family Office Dynamic: Pathway to Successful Family and Wealth Management," Credit Suisse; "The New Force on Wall Street: The 'Family Office,'" *Wall Street Journal,* March 10, 2017; "It's a Family (Office) Thing," *Bloomberg*, October 19, 2016.

Family offices see philanthropy as a low priority, suggesting hurdles and opportunities

Top family office objectives, as identified by family office executives



Family offices consider philanthropy a low priority among other responsibilities, which could suggest 1) challenges in a services hub targeting family offices as primary customers, and 2) a key gap in family office capabilities that a services hub could fill

Note: Data from J.P. Morgan survey of 81 families globally (not US-specific) with $500M+ in net worth.

Source: "The Single Family Investment Office Today: A primer on structuring an investment office to achieve family objectives and societal value," World Economic Forum in collaboration with J.P. Morgan, August 2016.

Research has identified a number of personal, technical, and strategic issues on which donors seek support

Administrative, technical and/or back-office activities
related to the structural and operational aspects of giving

- Set-up of donor vehicle
- Governance and family advising
- Grant administration
- Tax, accounting, and legal

Strategic philanthropy process
that involves intentional and strategic activities to maximize the impact and effectiveness of giving

- Set philanthropy strategy
- Source grantees
- Screen (due diligence)
- Select investees
- Support grantees
- Scale, sustain, and measure

White space in the provider landscape indicates a potential market failure and possible opportunity

Administrative, technical and/or back-office activities

Set-up of donor vehicle | Governance and family advising | Grant administration | Tax, accounting, and legal

Strategic philanthropy process

Set philanthropy strategy → Source grantees → Screen (due diligence) → Select investees → Support grantees → Scale, sustain, and measure

Shared/standardized

Financial institutions serve ultra-wealthy families at scale, mostly providing administrative/technical supports and limited strategic philanthropy services

Examples: JPMorgan Chase, Bank of America, Wells Fargo, BNY Mellon, Fidelity

Foundation service providers offer supports to ease operational burden, but most rarely offer strategic philanthropy supports and do not target ultra-wealthy families

Examples: Pacific Foundation Services, Foundation Source, RenPSG

Community foundations and other donor-advised fund providers offer ultra-wealthy families administrative/technical supports and basic advising at scale, but strategic philanthropy supports are still limited

Examples: Silicon Valley Community Foundation, The Boston Foundation, National Philanthropic Trust

Opportunity

Semi-standardized sourcing and selective due diligence on high-quality opportunities

Reliable measurement and reporting

One-off/customized

Philanthropy advisors offer tailored philanthropy consulting and due diligence, as well as grantee support, but do not serve ultra-wealthy families at scale given how personalized services are

Examples: Arabella Advisors, Rockefeller Philanthropy Advisors, The Philanthropic Initiative

Opportunity

Referrals to quality providers serving individualized needs

Source: Bridgespan interviews and analysis, 2017.

Family office executive and wealth advisor interviews validate interest for services in this white space

Insight: trusted sourcing and confidential diligence

- Multiple donor staff interviewed expressed interest in "filling gaps" in the diligence they bring to donors, and quickly
- Donor staff who would like to have trusted funders provide diligence to them

"We don't need to be reinventing the wheel. I wish there was a trusted source or database of information from people who support similar causes and have looked at organizations that we're also reviewing."

Ultra-wealthy family office director; < 3 staff for philanthropy

Support: referrals to quality providers

- Professional services (e.g., legal, accounting, etc.) are often a setup barrier in early stages
- A variety of individualized needs arise consistently throughout the philanthropy journey

"In the early stages, legal was a nightmare. We found that there was a high value proposition for quality legal support and we needed the best-of-the-best."

Ultra-wealthy family advisor; < 3 staff for philanthropy

Resources & experiences: networking and learning opportunities

- Donors want to connect with peers who are ahead of them on the giving journey, to learn from their experiences and gain critical insight for themselves
- Donors want quality resources, including measurement tools, grant agreements, and grant proposals
- Donor staff often feel isolated in their jobs and have a difficult time finding fellow travelers

"It's hard to share ideas in philanthropy and even harder to find others to share ideas with."

Ultra-wealthy family office and foundation director; < 3 staff for philanthropy

But, with the possible exception of select due diligence, interviewees indicate ultra-wealthy donors would not be willing to pay for these philanthropy services

Source: Bridgespan interviews, 2017.

Interviewees also described examples of the types of services that could best meet each of these needs

Examples of desired services

Access to curated **insight**

- High-quality sourced investment opportunities
- Selective due diligence, available in short windows
- Reliable portfolio measurement and reporting

Customized, flexible **support**

- Vetted list of referral partners for a wide range of services
- Temporary talent placements or staff secondments

Best-in-class **resources & experience**

- Learning-to-investment, cause-specific groups
- Peer role-alike meetings
- Learning trips
- Tools, videos, and templates, including off-the-shelf issue backgrounds

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A number of sector challenges limit ultra-wealthy investment in social change

	Social Sector	vs	Other Sectors
Sourcing Investments	Donors frequently struggling to source and vet quality deals; just 20% of big bets of $10M+ have gone to social change over the past decade	vs	Investors employing efficient mechanisms for continual flow of quality deals; for example, 3,538 private equity transactions closed in 2016
Leadership & Talent	Insufficient investment in nonprofit leadership & talent development • 1.5% of nonprofit budgets allocated to leadership development	vs	Substantial private sector investment in leadership & talent development • 3.6% of for-profit budgets allocated to leadership development
Financial Sustainability	Patterns of financial instability among leading organizations • 53% of 275 nonprofits accounting for ~1/3 of the top 15 US foundations' spending suffer from frequent or chronic budget deficits	vs	Sustained financial health among leading universities • Endowments of the top 10 US universities realized a 6.8% average annual return over the past 10 years, outperforming the market*

- Such challenges not only reduce ultra-wealthy investment in social change but also may dissuade providers from serving sector needs at scale, creating a vicious cycle
- Philanthropists have an opportunity to break this cycle by supporting solutions that strengthen leadership, promote financial stability, and grow the pipeline of opportunities

Note: *As ranked by US News & World Report. Benchmark is a global 60%/40% stock/bond portfolio used as benchmark by Harvard endowment (4.9% return).

Source: (sourcing investments) Bridgespan big bets research, last updated 2017; US PE Breakdown, Pitchbook; (leadership & talent) "The Nonprofit Talent Ratio," Talent Philanthropy Project and NYU Wagner; 2013 State of the Industry, Association for Talent Development; (financial sustainability) "Pay What It Takes" project, The Bridgespan Group, 2017; NACUBO.org; "Performance and Persistence," The Skorina Letter.

Capacity-building approaches: Leadership & talent

	Investing in individuals	Investing in organizations
	NeighborWorks and Harvard Kennedy School	**Boys & Girls Clubs of America**
Approach	• 18 month program for mid-level/senior leaders in Neighborworks' network of >240 community development organizations • Includes a combination of curriculum, one-on-one coaching, and peer group collaboration	• One of the largest nonprofits in the U.S.: 1,100 local organizations with 4,000 club locations • Centralized training program for local leaders • Content (classroom and project work) anchored in the competencies most critical for club leadership
Scale	• **Cohort size:** ~50 participants	• 650 leaders from 250 local orgs in first two years • Measured increase in membership and revenue for participating organizations
Insights	• **Power of collaboration:** Subject-matter context and networks combined with deep expertise and pedagogy from elite institution • **Importance of sustained support:** A mix of instruction, coaching, and peer support helps embed a participant's learning into their work over time	• **Power of supporting talent in their context:** Program focused on the competencies critical for their leaders • **ROI benefits of investing in a large network:** Centralized investment within the network enabled scale across the network with shared costs, driving an estimated 6-8x ROI

Opportunity for social sector

- **Providing direct support to individuals – and building the capacity of organizations to cultivate their own talent – are critical pathways to supporting strong, sustainable nonprofit pipelines.**
- **Result:** Ultra-wealthy donors fund leadership development in the social sector and the stronger organizations benefitting from such programs. Nonprofit organizations attract, retain, and cultivate top talent having the competencies necessary to lead high-performing teams.

Source: Organization websites; "Putting a value on training," *McKinsey Quarterly*, July 2010.

Capacity-building approaches: Technology & innovation

	Promising social sector approach	More established approach
	Hopelab	**Bell Laboratories**
Approach	• Funds R&D of technology-based products to improve health and well-being • Partners with commercial, nonprofit, or government to create and distribute its products • Products have measureable impact on health outcomes in RCT studies	• Founded as an R&D hub to tackle pressing challenges in industry and transform research into business solutions • Over a 90 year history, has produced and implemented countless game-changing innovations (transistor, laser, satellite communications)
Scale	• **Annual Investment:** ~$10M	• **Annual Investment:** $3.6B
Insights	• **Underserved technological needs of the nonprofit space:** The problems that HopeLab funds are not addressed by private sector • **Ability of the right technology to dramatically improve outcomes and measurement:** Using tech solutions like Re-Mission led to substantially improved outcomes	• **Combination of exceptional talent with serious investment** • **A close, independent relationship between industry and R&D to maximize value:** As an independent subsidiary of telecom giants, Bell intimately understood sector needs but had freedom to innovate

Opportunity for social sector

- **Incentive fund for developers and implementation assistance to nonprofits become key features of an ecosystem that supports nonprofits in executing tech-enabled solutions to key social problems.**
- **Result:** Ultra-wealthy donors invest in scalable technology and innovation in the social sector. Nonprofits access and use high-quality technologies to develop, deliver, measure, and improve programs.

Source: Organization websites; John Gertner, "How Bell Labs Invented the World We Live in Today," *Time*, March 21, 2012; Mike Murphy, "Bell Labs, the historic birthplace of world-changing innovations, is being taken over by Nokia," *Quartz,* April 15, 2015.

Capacity-building approaches: Operational efficiency

	Promising social sector approach	More established approach
	Lyda Hill Foundation and Better Together Fund	**American Hospital Association**
Approach	• Pilot fund encouraging nonprofits to formalize long-term collaborations launched in Dallas in 2017 • Offers planning/implementation grants up to $600K. Five co-funders are encouraging grantees to participate in Better Together's early literacy effort.	• In recent years, the American hospital sector has undergone substantial consolidation • Motivated by goals of reducing overhead and generating efficiencies through coordinated care
Scale	• **Annual consolidation:** Launched June 2017 with $3-4M raised; over 50 grants totaling over $1.75M to date	• **Annual consolidation:** 102 hospital mergers completed in 2015 (from only 50 in 2005)
Insights	• **Appeal of collaboration:** There appears to be appetite among nonprofits for formal collaborations ranging from shared support functions to mergers • **Funding as just one of several critical ingredients:** Nonprofits need financial and organizational assistance to successfully implement these formal partnerships	• **Importance of common purpose and strong communication:** Successful collaboration depends on shared vision, communication, & decision-making • **Potential financial and outcome advantages:** Standardizing processes and best practices at scale may yield both cost and quality improvements • **Urgency drives change:** Pressure of tightening margins drive consolidation

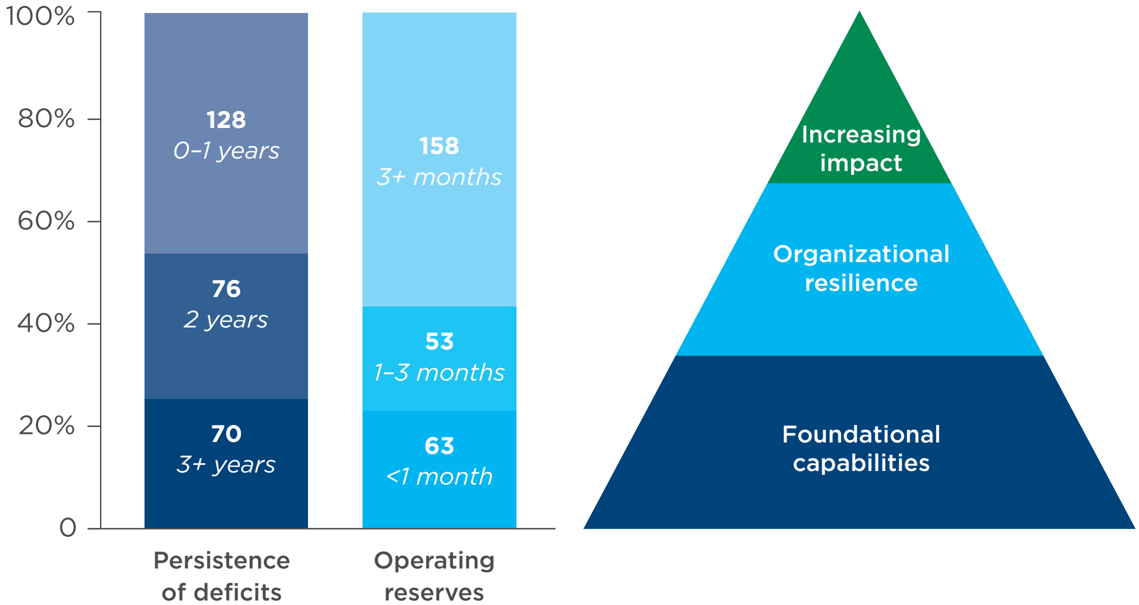
Opportunity for social sector

- **Standing funds, with technical assistance support, facilitate adoption of shared systems and services across organization working towards shared goals.**
- **Result:** Ultra-wealthy donors gain transparency and confidence that investing in shared services improves outcomes. Aligned nonprofits streamline operations to improve productivity.

Source: Organization websites; "Hospital M&A: When done well, M&A can achieve valuable outcomes," Deloitte, 2017; Health Care M&A News, Irving Levin Associates; "Hospital Merger Benefits: View from the Hospital Leaders and Econometric Analysis," Charles River Associates, January 2017.

General support approaches: Ford Foundation's BUILD Initiative

Ford found significant financial weakness among top grantees… **…suggesting true cost recovery and reserve build-up as precursors to scale**



Approach	• Multiyear funding commitments structured largely as unrestricted funding targeting strategy, leadership, management, and finances • Organizations develop an institutional plan to determine what capacities they want to strengthen and how; Ford offers feedback
Portfolio	• Invited 136 organizations to participate during the summer of 2016, representing a mix of emerging and well-establish organizations • Planning to dedicate $200M per year from 2016 through 2020 to BUILD, out of $500M–600M of total grants per year in 2015–16

Source: Guidestar.org; NFF FinancialSCAN; Foundation Maps; Ford Foundation website; Bridgespan "Pay What It Takes" interviews.

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