



# Four Pathways to Greater Giving

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

by Susan Wolf Ditkoff, Alison Powell, and Kyle Gardner, with Tom Tierney

# Table of Contents

Executive Summary .....	3
Introduction.....	6
Research Focus.....	8
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? .....	8
Two Trends and an Opportunity .....	9
First trend: Philanthropy from the ultra-wealthy hasn’t kept up with surging wealth .....	9
Second trend: Despite their social-change aspirations, donors frequently give their biggest gifts to institutional causes .....	10
The opportunity.....	11
Barriers that Impede the Wealthiest from Giving to Social-Change Efforts .....	11
General barriers to giving .....	11
Barriers specific to giving to social change .....	13
Four Pathways to Bigger, More Effective Giving.....	15
What’s worked, and lessons from what hasn’t.....	16
The pathways emerge.....	17
Path #1: Aggregated funds become a common asset class for ultra-wealthy philanthropists.....	19
Path #2: A high-impact way for philanthropists to bet big on improving economic mobility .....	21
Path #3: Philanthropists have access to high-quality services that support their giving.....	24
Path #4: Philanthropists have consistent access to those qualified grantees that are able to put their big bets to effective use.....	26
From Pathways to Progress .....	28
Appendix.....	30

## 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.<sup>1</sup>

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.<sup>2</sup> 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<sup>3</sup> 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.

---

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.

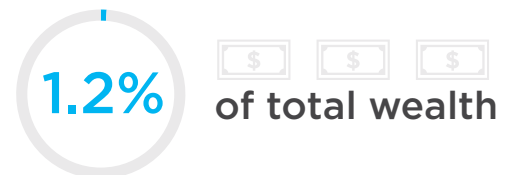
Moreover, much of the ultra-wealthy’s funding bypasses organizations and movements that address inequities. It’s as though there’s a four-lane highway for transporting charitable dollars from wealthy families to institutions: universities, hospitals, religious institutions, some conservation and arts 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?

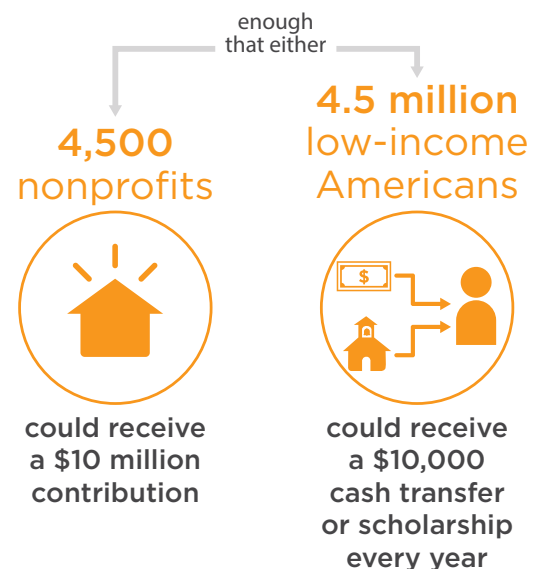
We found heartening news. There are, in fact, emerging pathways to greater giving, which we detail in the pages that follow. New collaborative funds that enable philanthropists to band together to fund a wide array of efforts to address social inequities. New funding mechanisms that are allowing donors to hit an “easy” button and donate millions of dollars to high-performing nonprofits and promising movements,

## Annual ultra-wealthy giving today:



## What if that level increased to 2.4%, doubling the giving?

**additional \$45 billion unlocked**



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,<sup>4</sup> 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<sup>5</sup> families and the barriers to giving more, with a particular eye toward giving to reduce social inequities<sup>6</sup>
- 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

---

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.<sup>7</sup> 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.<sup>8</sup> 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.<sup>9</sup> 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.<sup>10</sup>

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,<sup>11</sup> 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.<sup>12</sup> 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.<sup>13</sup>

## 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<sup>14</sup> 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<sup>15</sup> has shown that just 20 percent of philanthropic big bets (those of \$10 million or more) target social change.

---

9 “The American Dream Is Fading,” Opportunity Insights, [https://opportunityinsights.org/national\\_trends/](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](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:<sup>16</sup> “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.”<sup>17</sup>

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*

<sup>16</sup> Bridgespan has had the benefit of supporting and learning from many of the initiatives mentioned in this report.

<sup>17</sup> “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.<sup>18</sup> 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.<sup>19</sup> 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.

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

### 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?

---

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](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,”<sup>20</sup> 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<sup>22</sup>

- **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.

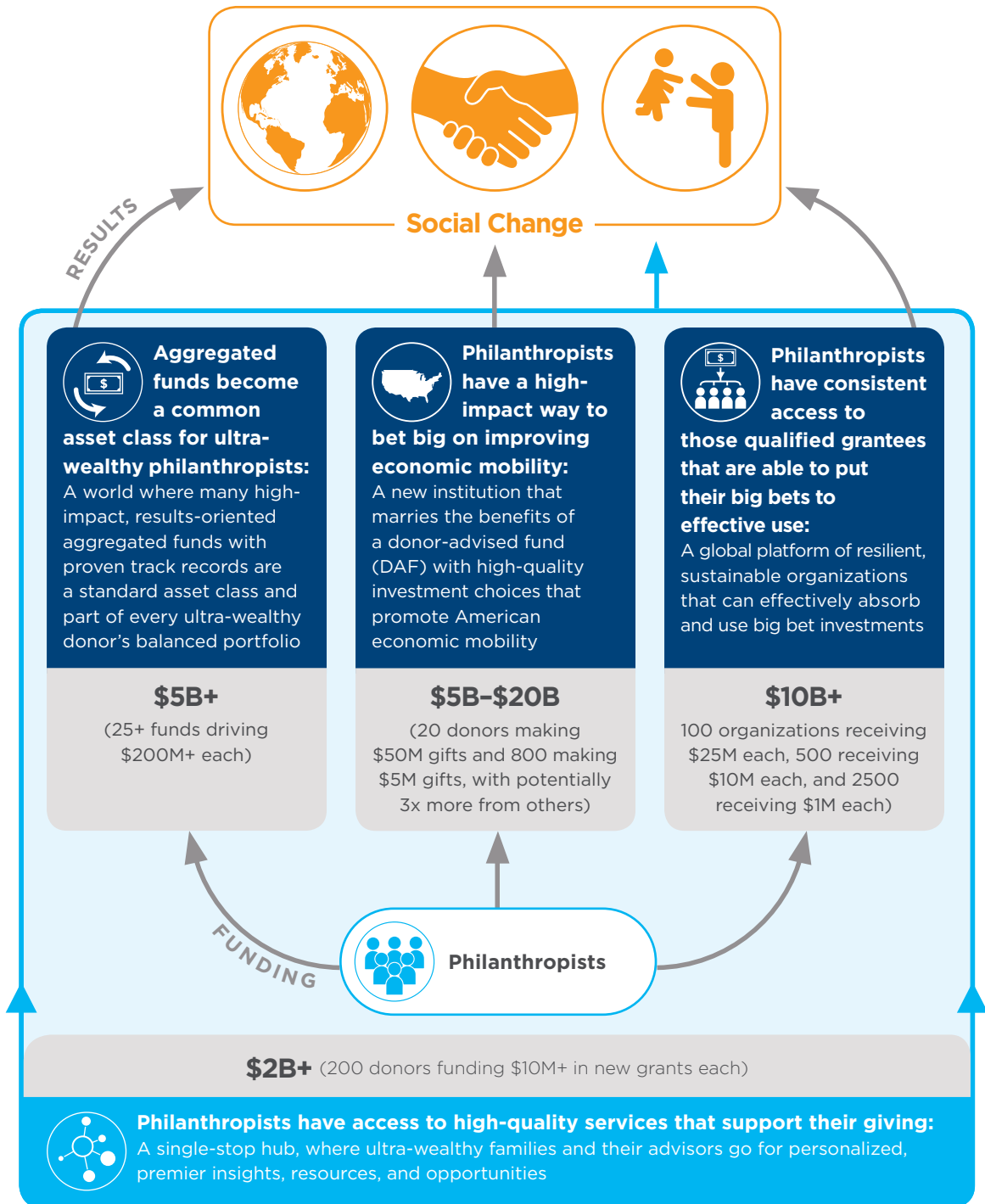
Our assessment identified four pathways to greater giving. These pathways—individually and collectively—could potentially unlock billions of dollars to drive social change.

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

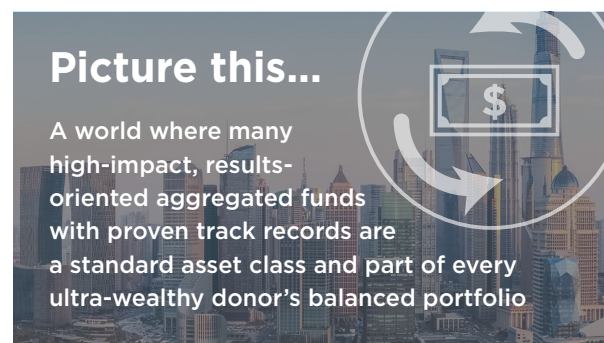




## Path #1: Aggregated funds become a common asset class for ultra-wealthy philanthropists

**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.<sup>22</sup> 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?<sup>23</sup>

---

<sup>22</sup> See list in Appendix, p. 53.

<sup>23</sup> "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,<sup>24</sup> 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.

**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

---

### 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

---

---

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.<sup>25</sup>
- **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.

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.

---

### 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

---

---

<sup>25</sup> “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.”<sup>26</sup> This notion reflects a need for bespoke services. A leading donor we spoke with emphasizes, “Each donor expects a very high degree of customization.”

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).

### **Picture this...**

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

#### **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.”

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 “unstuck” 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<sup>27</sup> 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;<sup>28</sup> 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<sup>29</sup>
- 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<sup>30</sup>

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.

---

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](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.