Tomorrow’s Philanthropist

In co-operation with Ledbury Research
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Foreword

Since its inception, Barclays Wealth has remained committed to the publication of thought-leading research that helps us to engage with clients at different levels, with new ideas and with a better understanding of the value of wealth.

As a part of helping clients to make the most of their wealth, we provide advice across the spectrum so they can fulfill the broader ambitions they wish to achieve. Philanthropy has long been central to this offering.

In partnership with Ledbury Research, we have developed this report to build a compelling picture of the current philanthropic landscape and how the wealthy will engage with charities and causes in the future.

The paper is based on consultation with 500 UK and US-based high net worth and ultra high net worth individuals. In addition, it uses the perspectives and insights of a wider panel of international experts drawn from charity, industry and finance circles.

Tomorrow’s Philanthropist looks at how philanthropic habits are evolving. Set against the backdrop of the global downturn, it is encouraging to see how much of a priority philanthropy has become and will continue to be. The report also indicates that a younger and ambitious type of philanthropist is emerging – a positive sign for causes and charities around the world.

I hope you find this report an informative and entertaining read.

Thomas L. Kalaris
Chief Executive
Barclays Wealth
Methodology

This report was authored by Ledbury Research on behalf of Barclays Wealth, to examine how the changing attitudes of high net worth donors will alter the future of charitable giving. It does not aim to glorify or judge these individuals, but rather to better understand how these important donors are changing behaviourally and attitudinally, and to assess the impact that these changes will have on philanthropic activity in the future.

It is based on two main strands of research, conducted by Ledbury Research in May 2009. The first is a survey of 500 high net worth individuals in the UK and US (all with investable assets of over £500,000/$1m). These hard-to-reach individuals were asked questions about their current and future attitudes towards philanthropy, including how these have changed over the past decade. The results represent the first time that attitudes of high net worth donors in the US and UK have been compared and contrasted in such a manner.

Alongside this quantitative fieldwork, Ledbury interviewed 20 experts in the field of philanthropy, across the US and UK, about the key trends in charitable giving and how these might change philanthropy. We would like to thank our panel of experts, listed below, for their time and effort in helping to create this report:

**UK:**
- **Emma Turner**, Head of Client Philanthropy, Barclays Wealth
- **Martin Brookes, Plum Lomax** and **Lena Schreiber**, CEO, Marketing Manager and Senior Consultant, New Philanthropy Capital
- **Dominic Vallely** and **Joe Steel**, Founders, not-for-profit social networking site See the Difference
- **Russell Prior**, Executive Director, Enterprise and Philanthropy Development, Charities Aid Foundation
- **Emma-Jane Weider** and **Jennifer Chambers**, Partners, law firm Maurice Turnor Gardner LLP
- **Cameron Saul**, Founder, UK Charity, Bottletop
- **Beth Breeze**, Centre for Philanthropy, University of Kent
- **Doug Miller**, Founder and Honorary President, European Venture Philanthropy Association

**US:**
- **Dr. Peter Diamandis**, CEO, X-Prize Foundation
- **Heidi Frederick**, Assistant Director of Research, Indiana Centre for Philanthropy
- **Doug Balfour**, CEO, philanthropic advisors Geneva Global
- **Matthew Bishop** and **Michael Green**, Authors, Philanthrocapitalism
- **Michael Sonnenfeldt**, CEO, high net worth investor group TIGER 21
- **Joanne Heyman**, Head of Donna Karan’s Urban Zen Foundation
- **Donna Hall**, CEO, Women Donors Network

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Key Findings

• We are at the beginning of a new age of philanthropy – A new breed of wealthy philanthropists is emerging who are more socially aware and more motivated to give back to the communities they came from, as well as global causes.

• The wealthy are still giving despite the downturn – The recession has failed to dampen philanthropic spirit; the commitment of those who already give will remain resolute, and some wealthy individuals are actually increasing the levels of their funding in order to ensure that their charitable goals are met.

• The wealthy will play an increasingly important role, compared to governments, in funding welfare projects – The recession will potentially increase the role of the wealthy philanthropist on a broad basis, as governments around the world become more constrained in the causes they can fund. High net worth givers will become an invaluable source of innovation and investment for charities.

• The wealthy prefer to fund projects directly – Respondents increasingly feel that they can make a bigger impact and drive change more effectively by giving directly to charities, rather than supporting causes indirectly through taxation.

• High net worth donors are becoming increasingly active philanthropists and now seek to solve rather than simply to support – Historically, high net worth individuals have donated money and time to charities to support their endeavours. Now, however, the wealthy are far more ambitious in their philanthropic aims and are wanting to see visible or measurable change.

• The worlds of charity and business are converging – Smaller, nimbler and more accountable charities are becoming increasingly attractive to donors compared to the large, traditional charities. This will have a knock-on effect and in the future, we will see the emergence of more commercial ventures which have a philanthropic aim at their core.
Section 1: A New Age of Philanthropy

“Each past boom in giving was associated with massive wealth creation linked to innovation in business, and also to social upheaval that left big problems to solve. Often this was accompanied by political unrest that seemed to threaten capitalism, adding urgency to the need for a philanthropic response.”  
Matthew Bishop and Michael Green, Authors, Philanthrocapitalism
We are at the beginning of a new global age of philanthropy

Throughout history, private charitable giving has undergone cycles of boom and bust. The timeline below shows how these ages of philanthropy have come and gone, revealing four key periods. In each, the stimulus was wealth creation and business innovation by private individuals, both of which were then turned towards solving the social problems of the day. However, the social problems these philanthropists sought to tackle often proved too great for individuals to solve alone, and governments regularly intervened to provide much-needed support, bringing the donor-led philanthropic age to an end.

In each period, the ambition and scope of private philanthropy has widened, as improvements in communications, transport and technology changed the nature of the world we live in. For example, whereas in the Renaissance period, wealthy merchants sought to give back to their local community, nineteenth century billionaire philanthropists sought to improve their nation through building a network of public libraries.

Today’s wealthy individuals are global citizens, and are set to transform the nature of philanthropy through applying their considerable financial and intellectual resources to solve the global problems of our age.

### Chart 1: The four ages of philanthropy

<table>
<thead>
<tr>
<th>Period</th>
<th>Economic boom</th>
<th>Giving pattern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renaissance</td>
<td>Local giving</td>
<td>1st</td>
</tr>
<tr>
<td>Joint stock companies</td>
<td>Community giving</td>
<td>2nd</td>
</tr>
<tr>
<td>UK/US Industrial Revolution</td>
<td>National giving</td>
<td>3rd</td>
</tr>
<tr>
<td>Tech &amp; Comms Revolution</td>
<td>Global giving</td>
<td>4th</td>
</tr>
</tbody>
</table>

Source: Ledbury Research and "Philanthrocapitalism"
The wealthy increasingly believe that they should give back to society

Andrew Carnegie, the famous nineteenth century billionaire philanthropist, argued that with great wealth came great responsibility. He saw it as the duty of affluent individuals to use their wealth “for the common good,” stating that the wealthy had a responsibility to give back to those who had been less fortunate.¹ This social contract between the wealthy and society is being rediscovered by a new generation of philanthropists, a third of whom feel a growing sense of responsibility to redistribute their wealth.

“The leading beneficiaries of the winner-takes-all society worry increasingly about the political risks inherent in growing inequality. They, like Carnegie before them, are concluding that philanthropy may be one of the best ways to manage the risks.” Matthew Bishop and Michael Green

“Certainly people are less likely to sell a business this year because they’re not going to get so much, but crucially those that are, are very much wanting to do something charitable with some of that money. That’s a really important longer-term trend.” Emma Turner

As Emma-Jane Weider and Jennifer Chambers of the law firm Maurice Turnor Gardner LLP explain, this may be as a result of their upbringing, as wealthy young individuals grow up seeing their parents give, and inherit this sense of responsibility. The next generation of philanthropists will therefore be more inclined to fulfill Carnegie’s social contract, and consider themselves custodians, rather than keepers of wealth.

Chart 2: Percentage who agree that they have felt a growing responsibility to share their wealth

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 - 34</td>
<td>33%</td>
</tr>
<tr>
<td>35 - 44</td>
<td>27%</td>
</tr>
<tr>
<td>45 - 54</td>
<td>22%</td>
</tr>
<tr>
<td>55 - 64</td>
<td>18%</td>
</tr>
<tr>
<td>65+</td>
<td>19%</td>
</tr>
</tbody>
</table>

The next generation of the wealthy will be more charitably inclined, and more socially involved

Education and upbringing have a vital role in shaping the values of the next generation of givers. According to Doug Miller, himself a high net worth donor and founder of the European Venture Philanthropy Association, “I think youth today are becoming more aware of social issues at an earlier date... it’s been a part of the school curriculum.” Recent examples of this include the new citizenship classes suggested in the UK national curriculum, including lessons in national, regional, ethnic and religious cultures that are aimed to produce greater understanding and tolerance.²

Wealthy parents agree that the next generation will grow up with this heightened sense of social responsibility, and that this will lead to greater charitable involvement. Overall, a third believe that their children will be more charitably inclined than themselves, indicating that when the next generation of philanthropists grow into their fortunes, philanthropy will bloom yet further.

“Many wealthy parents have always been givers, and people go to them a lot seeking support. The next generation then falls into that role and they grow up with this expectation that they have this responsibility.” Emma-Jane Weider and Jennifer Chambers

“Philanthropy is being used as a tool in family dynamics, it’s a way in which one can connect to one’s children over something that isn’t about who’s going to get the spoils. It’s something where you can try and inculcate your values into the younger generation.” Doug Balfour

Chart 3: Do you believe your children will be more inclined towards charitable giving than yourself?

<table>
<thead>
<tr>
<th></th>
<th>Less charitably inclined</th>
<th>More charitably inclined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>-18%</td>
<td>30%</td>
</tr>
<tr>
<td>UK</td>
<td>-15%</td>
<td>35%</td>
</tr>
<tr>
<td>US</td>
<td>-21%</td>
<td>27%</td>
</tr>
<tr>
<td>Men</td>
<td>-18%</td>
<td>28%</td>
</tr>
<tr>
<td>Women</td>
<td>-19%</td>
<td>34%</td>
</tr>
</tbody>
</table>

² The Independent, ‘British values at heart of the new National Curriculum’ 8th July, 2007
Women will increasingly drive the charitable agenda

The findings of this research indicate that women will increasingly be the focus of philanthropic discussion and decision-making within families, being nearly twice as likely as men to say that they have discussed philanthropy with their children.

Women are also increasingly important donors in their own right, with the research showing that they donate more of their wealth to charity than men. This is particularly the case in the US where, on average, high net worth women give 3.5 per cent of their total net worth to charity each year, almost double the 1.8 per cent given by men.

“Women are not afraid to share ideas and to learn from each other about what is the best strategy or what is the best consortium of organisations. Men tend to make decisions that are more individual in nature, and don’t necessarily look for a lot of group opinion” Donna Hall

It is not only in the amount given, but also in the method of giving, that women differ from men. Donna Hall, CEO of the Women Donors Network in the US says that women have a greater sense of collaboration, and will often work together to gather opinions and achieve shared goals. Men on the other hand are more likely to make individual decisions, and employ their own counsel. This female sense of collaboration extends to how they work with a charity, which is more likely to be in partnership rather than dictating terms or attaching strings to their charitable donations.

The future of philanthropy may ultimately lie in understanding how men and women might work together in partnership. Bill and Melinda Gates are one prominent example of joint givers, and proof that as traditional gender roles converge, it increasingly becomes families, and not individuals, who make philanthropic decisions.
The US gives much more, but the UK is catching up and changing faster

This study has found that wealthy individuals in the US are more generous than their British counterparts in giving both their time and money to charity. In fact, American high net worth individuals allocate three times the amount of time to charitable causes each month, and four times the level of resources than those in Britain, comparative to their net worth. Many of those interviewed for this study ascribe this difference, historically at least, to the creation of a welfare state in the UK.¹ However, they also noted that a good deal of activity in the UK has already moved from the state sector into private hands, with the result that charitable giving has increasingly come to be seen as a responsibility of wealthy donors.

"Typically you’re getting five to ten times the value with your dollar in international giving than you are in inner-city Chicago… for $150, you completely alter the trajectory of somebody’s life. You say, well how much would it cost me to actually achieve that same thing per person in the US? It’s probably about $4,000." Doug Balfour

Britain’s wealthiest individuals have led by example, with the value of the top 30 donations in the UK increasing nine-fold since 2003, according to The Sunday Times. These individuals are starting to act as role models for a new generation of British philanthropists. Beth Breeze has conducted a study into the media coverage of philanthropy, concluding that “even though there are thousands of people out there being philanthropic, coverage tends to focus on the same handful of people again and again… I think they have created something of a sea change.”

“We’re finding younger donors are definitely more interested in global issues. Those that have secondary residences abroad are particularly internationally focussed.” Heidi Frederick

This trend is set to continue with the next generation, and will redress the gap in charitable giving between the two countries. As shown in Chart 3 on page 7, a third of wealthy parents in the UK believe that their children will have a greater sense of charity than themselves, which is more optimistic an outlook than in the US. When this new generation of philanthropists begins to emerge, we may start to see the UK shifting towards a more American model of giving.

¹ A 1948 poll of British citizens found that over 90% felt there was no longer a role for charity in Britain after the creation of the welfare state. Institute for Philanthropy, “A short history of tax incentives for giving in Britain”
Yet in some ways the UK is already more progressive than the US. Chart 5 shows which regions and countries high net worth donors target with their philanthropic donations, and reveals the UK to be much more international in its perspective. For example, a quarter of UK high net worth donors target Africa with their donations, compared to just nine per cent of wealthy donors in the US.

At the same time, the amount of grants given to international causes by US foundations over the past ten years has more than doubled to reach an all-time high of $5.4bn.\textsuperscript{4} Whilst this still represents under a quarter of all grants made by foundations, it does point to a future where US philanthropy will become a greater international force for good. This trend may accelerate, especially when the wealthy realise that they can, as Doug Balfour, CEO of philanthropic advisors Geneva Global, puts it, “get so much bang for your buck” by giving abroad. In a recessionary environment, where individuals are looking to get more value for their money, this aspect to international philanthropy may become even more crucial.

\textsuperscript{4} The Foundation Center, International Grantmaking IV, 2008
“Typically you’re getting five to ten times the value with your dollar in international giving than you are in inner-city Chicago… for $150, you completely alter the trajectory of somebody’s life. You say, well how much would it cost me to actually achieve that same thing per person in the US? It’s probably about $4,000.”

Doug Balfour, CEO, philanthropic advisors Geneva Global
Section 2: Resilience in a Downturn

“I’ve been very pleasantly surprised that members are maintaining giving at current levels as a very high priority, and they’ve cut back on other things rather than cutting back on their philanthropy... It feels to me that people are giving up what are called discretionary capital expenditures, and discretionary personal expenditures. But they’re considering their philanthropy as a core expense.”

Michael Sonnenfeldt, CEO, high net worth investor group TIGER 21
The majority of high net worth individuals in both the US and UK have been badly affected by the decline in company valuations, stock markets and house prices, which has led many commentators to worry about a corresponding drop in the amount of money available for charitable donations. However, the findings from this research show that the wealthy are actually loathe to cut back on their charitable commitments, and consider philanthropy as a key expense. They would sooner give up comforts including luxury goods, staff, eating out and holidays, before cutting back on their charitable giving, with only education fees proving more important.

“For the last few years there’s been a re-emergence of a sense of responsibility, and I think that’s heightened even further as we go into recessionary times. I think a lot of people are taking stock and saying ‘Hang on a second. What’s really important? Chasing material goods, shopping, the celebrity cult?’ We’ve had a bit of a wake up call as a society.” Joe Steel

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This is not to say that the recession will have no impact on charitable donations – looking across all high net worth individuals, the average cutback is around two to three per cent. Some groups, such as low-value donors and the over 55s, have been cutting back by an average of around five to six per cent.

“Donors in the US, which was first impacted by the credit crunch, are cutting back more than those in the UK. This may be evidence of a key attitudinal difference between the two countries, since according to Doug Miller, “The US is more likely to be early adopters of new ideas, but the danger is they move around too quickly… The UK is more conservative in terms of adopting ideas, but once they’ve thought it through they tend to be more committed.” A greater conservatism in the UK may therefore be a hindrance to charities looking for donations in an economic boom, but invaluable for those looking for support in a downturn.

Wealthy individuals are not dramatically cutting back their donations due to the downturn

<table>
<thead>
<tr>
<th>First</th>
<th>Luxury Goods</th>
<th>Staff</th>
<th>Eating Out</th>
<th>Holidays &amp; Travel</th>
<th>Charitable Giving</th>
<th>Education Fees</th>
<th>Last</th>
</tr>
</thead>
</table>

“For as much bad news out there, there is also good news. The good news is that people are continuing to give and consider philanthropy a core expense, despite the recession. And it’s very important to look at it positively, because remaining positive really does, in turn, encourage people to continue to give.” Emma Turner
Entrepreneurs and younger high net worth individuals are actually increasing their donations as a result of the downturn

Some wealthy individuals will increase their funding of charitable causes, as they realise charities may face a shortfall in donations during a downturn. The research shows young donors, aged under 45, are the most likely to be “contrarian givers,” increasing donations by three to four per cent in an attempt to help their charities survive the downturn. Similarly, entrepreneurs are, on balance, increasing their donations – Chart 7 shows how their giving is more resilient than other wealthy groups.

High level givers – many of whom have a set of charitable structures and goals in place – are also more likely to maintain or increase their donations, comparative to lower level donors, to make sure that these aims are met. Further evidence of the continued commitment of high level donors is shown in the eight per cent increase in donations given by The Sunday Times Top 100 donors in the UK in 2008 compared to 2007, despite the fact that many have lost vast sums of money as a result of the credit crisis (the top 1,000 on The Sunday Times Rich List lost 37 per cent of their net worth in 2008 compared to the previous year).

Maintaining levels of giving in such a challenging economic environment can be seen as a real statement of intent. Michael Sonnenfeldt, head of the high net worth investor group TIGER 21 commented, “With 20 per cent losses of capital and greater losses of income, if one is maintaining one’s giving, that’s a very powerful message about the importance of philanthropy.” 75 per cent of the high net worth individuals surveyed for this study in US and UK said that they would not decrease their levels of giving in the current downturn; 26 per cent overall said their giving levels would increase.

Chart 7: How much money are you giving to charities compared to 18 months ago?

<table>
<thead>
<tr>
<th>Category</th>
<th>Reduced by more than 50%</th>
<th>Reduced by 25-50%</th>
<th>Reduced by 10-24%</th>
<th>Reduced by less than 10%</th>
<th>No change</th>
<th>Increased by less than 10%</th>
<th>Increased by 10-24%</th>
<th>Increased by 25-50%</th>
<th>Increased by more than 10%</th>
<th>Increased by more than 50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>5%</td>
<td>5%</td>
<td>7%</td>
<td>6%</td>
<td>49%</td>
<td>12%</td>
<td>8%</td>
<td>4%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>All US</td>
<td>3%</td>
<td>7%</td>
<td>10%</td>
<td>8%</td>
<td>46%</td>
<td>13%</td>
<td>9%</td>
<td>3%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>All UK</td>
<td>8%</td>
<td>2%</td>
<td>4%</td>
<td>3%</td>
<td>54%</td>
<td>12%</td>
<td>8%</td>
<td>5%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Entrepreneur</td>
<td>4%</td>
<td>6%</td>
<td>4%</td>
<td>3%</td>
<td>52%</td>
<td>13%</td>
<td>11%</td>
<td>5%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Earnings / Savings</td>
<td>5%</td>
<td>4%</td>
<td>9%</td>
<td>7%</td>
<td>47%</td>
<td>15%</td>
<td>8%</td>
<td>3%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Inheritor</td>
<td>6%</td>
<td>8%</td>
<td>9%</td>
<td>5%</td>
<td>50%</td>
<td>9%</td>
<td>5%</td>
<td>6%</td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>
Health, environmental and children's causes increasing in their importance to donors; art, animal and religious causes are waning

Though humanitarian, environmental and social causes have in recent years become the biggest categories for donations across the UK and US, this research indicates that they will increase in importance yet further in the coming decade, at the expense of other categories.

These sentiments are reflected in Chart 8 below, highlighting which causes will rise in importance for wealthy donors over the next ten years. Health and medical causes are likely to be the biggest beneficiaries of the boom in charitable giving. Similarly, causes involving children and the environment are likely to see further increases in funding from wealthy individuals, especially young wealthy donors who the findings show to be their most ardent supporters.

“Despite widespread pessimism, it's certainly not impossible to fundraise in a recession. Look at the record-breaking amounts raised in 2008/09 by UK fundraising events such as Children in Need, Comic Relief and the London Marathon. It's important not to underestimate donors, because the panic pervading the charity sector is not mirrored in the donor community.”

Beth Breeze

The future is less certain for the traditional recipients of charitable donations, such as the arts and religious organisations. On balance, high net worth donors stated that these causes had become less important to them over the past ten years, and that this trend would accelerate over the next decade if the causes in question failed to engage in a meaningful way with the next generation of givers.

![Chart 8: Which causes do you think will become more important over the next ten years?](chart)

Note: The figures above show the net change in importance, calculated by subtracting the % who say each will become less important, from the % who say each will become more important.
The role of the high net worth individual will become more important as the state is constrained

Previous booms in donor-led philanthropic activity have ended with the state taking increased responsibility from wealthy individuals, and bringing considerable public resources to bear on the problems that private finances had started to solve. However, in the near-term, state intervention may prove more difficult, since many are burdened with debt from bailing out the private sector, and thus have less capability to take any additional burden of responsibility. As Matthew Bishop and Michael Green, authors of ‘Philanthrocapitalism’, note, "If you look at the public finances for the next 20 years, it’s absolutely horrible... There’s going to be much less government money for innovative work, and innovations will become peripheral to government activity."

Wealthy individuals now feel that, since governments’ capacity to give will be constrained over the coming years, responsibility will fall on them instead to provide innovative solutions to social problems. This drive towards greater individual responsibility is most keenly felt by the young – the next generation of wealthy – 72 per cent of whom believe that they may have to step up to fill in for the government.

The wealthy also increasingly feel that it may be better to fund welfare projects directly, rather than through taxation, because they feel that they can be more effective in this way. This study found that 59 per cent of high net worth individuals agreed that they would rather donate directly to charities than support causes indirectly through taxation.

This does not imply that the wealthy and the state have to work in opposition, however; there are ways that this new generation of philanthropists can work in collaboration with government, and leverage the benefits that large public finances can bring.

Chart 9: Percentage who believe governments are overburdened with debt and that, as a result, giving will become more incumbent on wealthy individuals

<table>
<thead>
<tr>
<th>Age</th>
<th>18 - 34</th>
<th>35 - 44</th>
<th>45 - 54</th>
<th>55 - 64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 - 34</td>
<td>72%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35 - 44</td>
<td>51%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45 - 54</td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>55 - 64</td>
<td>45%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65+</td>
<td>44%</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

5. See Chart 1, page 5
The wealthy are not as risk averse as governments and large institutions

The interviewees agreed that the wealthy are in a better position than governments to help charities innovate. Joanne Heyman, Head of Donna Karan’s Urban Zen Foundation, explains, “It’s in governments’ DNA to be risk averse. It’s on balance private institutions and individuals who can take these risks. Look at someone like George Soros, he’s the perfect example of that. He can take risks where other people can’t… then policy may or may not shift as a result.”

Emma Turner, Head of Client Philanthropy at Barclays Wealth, agrees, explaining that, “In general, individuals have the luxury of being more ambitious and being able to take greater risks with their own money than any institution can, because fundamentally it is their money. Therefore, you can decide what you want to do with it and whether you want to support something that will be very safe or whether you want to support something where there might be a higher risk of it not succeeding.”

Case Study: George Soros and SME investment in India

George Soros is a prominent example of an individual willing to take risk in his social investments. Through partnership with the Omidyar Network and Google.org, the Soros Economic Development Fund is helping finance a $17m small to medium enterprise investment company to provide capital to SMEs in underserved markets. These businesses often have little access to public money, and are frequently ignored by capital markets despite being a key part of the engine for Indian economic growth.

The benefits go further than simply improving SMEs, and will filter down to improve the lives of a new generation of entrepreneurs and their families. Importantly, this means that their reliance on philanthropy will be reduced, as the loans will help create job opportunities and spur greater economic participation for a larger segment of the population.

“If a wealthy philanthropist could guarantee the losses in the event the project did not succeed, then charities would become much more confident in developing initiatives. Because the risk is now insured by a third party, other investors would also be more likely to come on board, and charities would find it easier to raise money.” Matthew Bishop & Michael Green

Within this scenario, the financial tools developed to manage risk in the financial markets could be turned towards helping to solve social problems. If used responsibly, these tools could be used to help charities better manage their own risk, and raise more money as a result. As Russell Prior, Executive Director, Enterprise and Philanthropy Development, Charities Aid Foundation, explained, “I think you’ll begin to see philanthropists using more market-based mechanisms; social investments, social businesses, these sorts of things… One’s already beginning to see a broader range of methods of support for charity investments… and all sorts of mechanisms emerging as an alternative to just making gifts.”
Section 3: Impact Giving

“What is really crucial is that there is this demand from donors to be able to measure impact. That is the key behind all the donor services that exist out there, and that is something that people are willing to pay for.”

Martin Brookes, CEO, New Philanthropy Capital
‘Active wealth’ leads to ‘Active giving’ as the wealthy increasingly seek to solve rather than simply support

Throughout history, the majority of wealthy individuals at any one time have inherited their fortunes, and this in turn has had an effect on how they have given their money away. Inheritors have a different relationship with their wealth than self-made individuals, often considering themselves custodians of the family fortune, and are often less willing to take risks with their donations. However, the way people have made their money has been dramatically shifting; just 20 years ago, three-quarters of the wealthiest individuals in the UK had inherited their wealth, and one-quarter were self-made, but the past few decades have seen a complete reversal of this ratio.6

“Entrepreneurs can see opportunities for charities that bigger institutions or the old-fashioned type of giver might miss, which is perfectly understandable. That is why they are entrepreneurs: they have taken risks and succeeded. Their whole psyche and perspective can make a big difference to a charity.” Emma Turner

As the nature of how people have made their fortunes has changed over the past few decades, so has the nature of how people are giving their fortunes away. We are now in an age of active, self-made wealth, and these individuals are becoming just as active in their philanthropy. The key skills that many learned whilst building their wealth in the commercial sector are now being applied in the not-for-profit world. Just as they do in business, entrepreneurs are applying the same business acumen and innovative approach when engaging in philanthropy. Whilst money is by far the most common way all donors give to charity, entrepreneurs are more likely than other groups to state that they are providing business expertise (1.3 times more likely), networking (1.4 times) and fundraising (1.2 times) to help the causes they support (see Chart 10).

“Inherited wealth is more difficult because you feel that if you take a big risk with it and then lose it, you have let down the family.” Matthew Bishop and Michael Green

According to Donna Hall, this shift towards providing skills rather than just money is part of a growing realisation amongst the wealthy that they can play a greater role in society. “They’re saying to themselves, ‘It’s not just that I have money, but I have access, I have power. I have a voice.’” The wealthy increasingly want to get involved with charitable causes, and are seeking to apply their business skills to solve the social problems of the day and drive change. Philanthropic initiatives are therefore going to become much more donor-led than charity-led in future.

Chart 10: How do you give to charity? Comparing wealth types with wealthy donor average

6. The Sunday Times Rich List & Forbes 400
The wealthy will increasingly give their money away before death to see the results

As the wealthy become more ambitious with the level of social change they try to bring about, so they will increasingly start to give their money away during their own lifetimes to witness its impact. Commenting on this trend, Doug Balfour said, “The generation of, ‘I’m going to write my cheque and I’m going to get it named after me,’ is almost dead now.”

“Fundamentally there’s been a shift from giving by wealthy individuals towards the end of their lives or beyond, to giving more during their lives, and particularly in their early years, 40s, 50s and even 30s in some cases.” — Russell Prior

This is particularly the case for high-value donors, who are especially keen to see their gift have a noticeable impact. Chart 11 shows how the ‘give whilst I live’ sentiment is greatest among these highly committed donors, declining in importance amongst the other groups in proportion to their donation level. One important result of this trend is that charities will no longer be able to rely on bequests to the same extent, and will increasingly have to engage and involve major donors in order to show them the impact their gift will have.

Chart 11: By the time I die, I would prefer to have donated my wealth in order to witness its impact on society

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Level Donors</td>
<td>45%</td>
</tr>
<tr>
<td>Mid Level Donors</td>
<td>34%</td>
</tr>
<tr>
<td>Low Level Donors</td>
<td>23%</td>
</tr>
</tbody>
</table>

Low Level Donors = under £/$1,000 per annum
Mid Level Donors = £/$1,000 – £/$10,000 per annum
High Level Donors = £/$10,000 + per annum
Collaboration will become more common

As the wealthy have become more active in their philanthropy, so they have begun to upgrade their ambitions and goals. One of the ways in which the wealthy are trying to achieve these ambitious social goals is through pooling their considerable resources. The wealthy are becoming what Martin Brookes, CEO of New Philanthropy Capital, terms ‘Change Makers’ by joining forces, as epitomised by the Bill Gates and Warren Buffett partnership. This example of collaboration has now been taken one stage further, with several well-known billionaires recently meeting in New York to decide how to work together to achieve shared social goals.7

The Internet will bring about a new networked generation of philanthropists, who can pool resources from all over the world to achieve their collective social ambitions. These dynamic networks have another efficiency gain; one of speed. The collective assets and talents of their individual members can be mobilised to address concerns at short notice, and achieve real social change in record time.

Future solutions to many problems that plague society may therefore lie in the hands of these highly networked groups of wealthy philanthropists. As Dr. Peter Diamandis, CEO of the X-Prize Foundation maintains, “I think that true breakthroughs and things that could only be done by large corporations or governments will be possible in the future by wealthy single individuals.”

“With the half a million dollars that we raised in ten days, we launched a movement that really ended up making a big difference in significant areas around the country that nobody else went to, because they can’t move that fast.”

Donna Hall

7. The Observer, “They’re called the Good Club – and they want to save the world,” 31st May 2009
The focus will be on supporting specific aims where there is either a visible or a measurable impact

With wealthy donors wanting greater impact and demonstrable results from their giving, the onus is being placed on charities to provide greater evidence and transparency in how they are spending their money. Charities are going to have to cope with the demands of a new generation of givers, who according to Doug Balfour are “not content with what I used to call the charity proposition of ‘Trust us and we’ll do a good thing’… instead they expect to know information. They expect that if they’re going to make an investment, they’re going to know exactly what happened with it.” In this context, giving becomes more of a contract than a donation, with the giver expecting the charity to provide evidence of how the gift has been used and what impact it has had.

“I think you’ll begin to see philanthropists using more market-based mechanisms; social investments, social businesses, these sorts of things… One’s already beginning to see a broader range of methods of support for charity investments… and all sorts of mechanisms emerging as an alternative to just making gifts.” Russell Prior

“Our clients want to be taught how to select charities themselves, and therefore that’s putting much more emphasis on providing tools for donors and examples of best practice. I think that is a big shift that we’ve seen over the last five years as we’ve developed.”

Martin Brookes

Organisations such as New Philanthropy Capital and Geneva Global provide tools which can help an individual measure the impact that their gift has, and help wealthy donors to optimise the difference that their gift can make. However, there is an ongoing debate as to whether you can measure social impact; Beth Breeze mentions that it is often hard to count the effect that charities have on people's lives, particularly in the longer term, whilst others maintain that it is simply a case of developing the right tools, and even seemingly subjective aspects such as impact can be measured.

For organisations such as See the Difference, impact does not necessarily have to be measured, just seen. The founders, Dominic Vallely and Joe Steel consider this shift in attitude “a social revolution… If you look at all the research in terms of people's social attitudes, it changes somewhere around the sort of 45-year old mark and below, into, ‘Well, I don’t want to give you my money unless I get some kind of social reward.’”

Chart 13: Agreement with the statement ‘Charities are efficient in managing the money of donors’

<table>
<thead>
<tr>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>37%</td>
</tr>
<tr>
<td>Slightly agree</td>
<td>37%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>12%</td>
</tr>
<tr>
<td>Slightly disagree</td>
<td>12%</td>
</tr>
</tbody>
</table>
Technology will be the enabler for monitoring and delivering impact across a wider community

One of the ways in which charities and individuals can achieve greater impact is by leveraging their use of the Internet as a platform for giving. The rise of the Internet as both a social and information-gathering tool is changing the way people give, and in the words of Dr. Peter Diamandis is part of “a seismic shift of empowering individuals.”

The Internet is breaking down the traditional boundaries that have existed between donors, charities and beneficiaries, allowing charities to connect and engage with anyone in the world, and providing donors with the widest possible choice of causes to choose from. This is helping to create more transparency, where donors can more accurately find the charity whose stated aims best align with their own. In this way, before donors have even given their money, they can ensure that it will have the best possible impact.

“The ability for an individual anywhere on the planet through social media and the web to identify a cause that they can relate to, and either donate small amounts of money or donate their time, is very different from what has gone before.”
Dr. Peter Diamandis

After this stage, the Internet is then a useful tool in monitoring the impact of a donation. The instantaneous nature of communication means that results can be relayed back to an individual in real time, allowing them to see where and how their donations are making an impact.

Chart 14: Percentage who frequently use online resources to research charities

<table>
<thead>
<tr>
<th>Online Resource</th>
<th>All</th>
<th>United Kingdom</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Search</td>
<td>60%</td>
<td>50%</td>
<td>66%</td>
</tr>
<tr>
<td>Charity website</td>
<td>55%</td>
<td>47%</td>
<td>61%</td>
</tr>
<tr>
<td>Online social network</td>
<td>20%</td>
<td>16%</td>
<td>22%</td>
</tr>
<tr>
<td>Blogs</td>
<td>11%</td>
<td>9%</td>
<td>12%</td>
</tr>
</tbody>
</table>
A third important development of the Internet is how it is beginning to alter the relationships between donors and their beneficiaries. Dominic Vallely explains that the Internet “fundamentally changes the relationships that we have over distance. If you assume most charity work or most philanthropy is about bringing together a kind of body of people who care about something, because they have a particular view about what the world can do, I think the Internet starts to completely change that, in a very profound and fundamental way.” This body of donors no longer has to be local or even national in nature; they are becoming truly global, united by their passion in supporting a given cause or organisation. This wider sense of community exhibited by the young is shown by 59 per cent of under 35s stating that global causes are important to them, far higher than the percentages of the other age groups.

Chart 15: Percentage of the wealthy who agree that global charitable causes are important to them

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 - 34</td>
<td>24%</td>
</tr>
<tr>
<td>35 - 44</td>
<td>20%</td>
</tr>
<tr>
<td>45 - 54</td>
<td>16%</td>
</tr>
<tr>
<td>55 - 64</td>
<td>16%</td>
</tr>
<tr>
<td>65+</td>
<td></td>
</tr>
</tbody>
</table>

Case Study: See the Difference

See the Difference is a good example of the form this new interaction between individuals, charities and businesses is taking. The company was started by Dominic Vallely, formerly a Senior Executive with the BBC, and Joe Steel who helped to set up Virgin Mobile, as a way to help transform giving by connecting people directly with the projects they support. This direct engagement is made through using online video to allow charities to tell donors the stories of how they will use their money. The use of video allows a more emotional, inclusive and immediate connection to be built between donors and charities, helping to build a community of givers; importantly, this tool also allows people to directly see the difference that their money has made, and the impact that it has had.

The creation of the website illustrates that people are increasingly looking for a social outlet to apply their skills. As Dominic Vallely explains, “I think I have in my life, a portfolio career; I have half of my week where I cheerfully go to work to try and make as much money as possible using the skills that I have, and I have a pro bono half of the week where I go for a purely altruistic purpose, and have clarity of focus around that.” Businesses have also come together to help the founders realise their goal of raising £500m for charity in the next five years. See the Difference has mobilised a network of 300 professionals, each of whom has donated their time and resources for free in order to help make this vision a real possibility.
The wealthy will increasingly seek professional advice for giving, as they do in business

As philanthropy becomes more important to wealthy individuals, and donors begin to commit more funds to charitable causes, they are increasingly seeking advice and help. As Martin Brookes explains, “It’s very much how to, rather than where to give, that I think is more in demand – what are the best ways to do their funding, what’s the best type of funds, the best types of grants that they should be giving.” The choices available to donors are now wider than ever before, and many wealthy individuals are starting to use professional advisors to help determine how they might achieve the greatest possible impact with their donations, as they have always done in their business lives and with regard to their investments.

Emma Turner observes that, “Compared to five to ten years ago, today’s wealthy do have a clearer sense of their own social conscience and, though they don’t necessarily know where they specifically want the money to go, they do have a clearer idea of what things are meaningful to them and that is what they want to begin to explore.”

Chart 16: Professional philanthropic advisors used by wealthy individuals
Section 4: Charity and Commerce Converge

“There used to be two silos, one of which was business activity and the other, charity. Never the two would meet... The boundaries between those silos have become much more like a continuum and much more like a semi-permeable membrane than hard walls.”

Doug Balfour, CEO, philanthropic advisors Geneva Global
Charities must learn from and embrace business practices, or suffer

As donors are increasingly self-made and skilled in business and commerce, so they demand more engagement, transparency and control over how their money is spent, as they have got used to in their professional lives. Seventy-eight per cent of high net worth donors in this study said that they did not consider charities to be efficient organisations, and 82 per cent agreed that charities would need to become more efficient and transparent to continue to appeal to today’s donors.

New calls for efficiency and transparency may prove hard for large organisations and foundations to meet. Smaller, nimbler charities on the other hand may benefit, as they are able to be more upfront about their costs, and can react faster to changes. Donna Hall believes that “You’re going to see a number of the very large foundations essentially fund down and go out of business because it’s a dinosaur model. It’s a model that’s very heavy on bureaucracy and hierarchy, and these new Internet organisations and family foundations are lean and mean.”

“The bigger charities are going to have a tougher time and they’re going to really have to up their game in terms of making it as simple and easy for people to understand where their money’s going, what it’s doing and why they need the levels of democracy and scale that they have.” Cameron Saul

Given the changing nature of the high net worth donor, it is likely that business methods will increasingly influence the charitable sector, driving greater transparency, efficiency, and prioritisation. Furthermore, donors will become more and more goal-oriented, with over half of wealthy individuals agreeing that the future will be more about investing in individual projects rather than giving to large charities without a designation for how it will be spent.

Chart 17: Percentage who agree that ‘Giving will become more about investing in individual projects than giving to large charities’

<table>
<thead>
<tr>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>51%</td>
<td>19%</td>
</tr>
</tbody>
</table>

0% 10% 20% 30% 40% 50% 60%
Business must collaborate with charity to create a more sustainable form of capitalism

At the same time as charity learns lessons from the world of commerce, so businesses will become informed by the values of charity. Philanthropy is likely to become more deeply embedded in the heart of companies as the world seeks to find a more sustainable and ethical form of commerce. Much of this change will be driven by the younger generation of wealthy individuals who are fundamentally more cautious about unfettered capitalism and more interested in a form of commerce that places greater emphasis on social and cultural benefit rather than simply profits.

Chart 18 shows the percentage of individuals in each band who agreed with a number of important attitudinal statements which – though deliberately provocative – indicate of the changing views of high net worth individuals around the world. It is perhaps surprising to hear the strength of these views, with around a third of the younger groups of wealthy agreeing with the statement that “Capitalism seems to be flawed.”

“At Urban Zen we mix philanthropy and commerce – we have a retail operation and a percentage of sales goes to the bottom line of the public charity. So I think that looking down the line, combining philanthropy and commerce is what we’re going to see. I don’t think it’s going to be an either/or, going forward it’s going to be ‘and’.”
Joanne Heyman

Chart 18: Percentage who agreed with the statement ‘Capitalism seems to be flawed’

Chart 19: Percentage who agreed with the statement ‘Climate change seems to be reaching the point of no return’
Dr. Diamandis sees this more ethical form of capitalism spreading to mainstream companies. He describes this process as “a fundamental differential that companies are beginning to look at – that they can do well financially in the marketplace by doing good philanthropically.” The future may be one where businesses develop a “triple bottom line,” where companies are assessed by their performance against the three Ps: Profit, People and the Planet.

This marriage of business and charity will blur the line between the two sectors, and as part of this cross-pollination, charities may become important commercial brands in their own right. This may happen in collaboration with established brands; over a third of the next generation of socially aware consumers believe that this partnership with charities would make luxury brands more attractive in their own right.

Case Study: Bottletop

Cameron Saul, himself a young social entrepreneur and founder of the UK charity, Bottletop is an example of where this form of more ethical capitalism might lead. Saul set up Bottletop in 2002 after teaching in Uganda for Students Partnership Worldwide. This first hand experience brought home the need for philanthropy, and the crucial work that grass roots education projects were conducting, often with limited financial support. On returning to the UK, Saul set out to help these initiatives by developing and retailing ethical fashion and music products, which were sold to raise funds and awareness. As the son of the founder of Mulberry, his experiences in the worlds of fashion and music lent themselves to creating a charity brand with high quality products and commercial values at its heart. Bottletop was born after Saul brought back a handbag he had picked up in Uganda that was made from recycled bottletops. He set out to sell as many bags as possible to raise funds for small, dynamic education programmes and generated employment for craftsmen in Africa in the process. The bags were sold for £100 through a joint campaign with Mulberry, generating profits of over £250,000. In the process it helped to redefine the Mulberry brand, winning it critical acclaim for its role in staging the campaign. Since then, Saul has gone on to turn Bottletop into a charity lifestyle brand, using music, fashion and fundraising events as vehicles to help support grass roots education projects.
Conclusion: The Next Generation of Giving

“Donors are becoming more discerning and diligent about how they manage their philanthropy just as they are about many life choices. This is a good thing and will encourage the sector to keep up with this new age and develop accordingly. Those organisations that don’t address this will run the risk of falling behind those that do.”

Emma Turner, Head of Client Philanthropy, Barclays Wealth
The next generation of giving

The past decade has been an unprecedented era of wealth creation, and whilst this may be drawing to a close, a new wave of philanthropy is just beginning. The social contract promoted by prominent philanthropists such as Carnegie, is being rediscovered by a new generation of wealthy individuals who are more socially aware, and feel an increased desire to give back both their time and their money to support causes that they feel passionate about. The recession has only increased the role of the wealthy philanthropist, as governments around the world become more constrained in which causes they can fund, and are seen as less effective than privately funded projects.

The wealthy, now predominantly business owners rather than inheritors, will become important “change makers,” transferring the same attitudes, skills and networks that helped build their wealth to bring about real social change. They will be motivated by a broader, more global, awareness than ever before, as well as a desire to solve social problems rather than simply to support causes.

Evidence of this change will be demanded, as giving becomes more of a contract between donor and charity, with the donor expecting to see the impact their gift has made. This will place increased demands on the third sector, which is likely to undergo a period of disruption as charities learn to adapt to the new needs of an engaged and aware generation of givers. The world of business will experience a corresponding shift, allying more closely with the practices of the third sector, to create a more sustainable form of capitalism.

A clear picture of the next generation of wealthy givers is emerging

As self-made entrepreneurs, many wealthy individuals have taken measured risks to build their fortunes; they are as a result more willing to take measured risks when giving their fortunes away. This will engender more innovative forms of giving, where the wealthy invest “risk capital” into new ventures, which large charities or governments can then take up and develop once they prove successful.

The new generation of givers will be more ambitious in the social changes they aim to produce. A culture of giving to solve rather than giving to support will emerge as the wealthy become more involved in the charitable causes they help fund. The wealthy are also becoming increasingly aware of their place in society, and their responsibility to give back.

As a result of a greater awareness of their place in the world, the next generation are far more global in their outlook. Giving will in turn become more international, as the wealthy realise they can often achieve a greater impact with their donations in poorer countries.

The new generation do not give without expecting something back. They expect engagement and impact from their giving, and charities will have to start to meet these demands.

The wealthy have made their fortunes faster and earlier in life than ever before. They are similarly impatient when setting their charitable goals. The rise of instant methods of communication has heightened this desire for fast impact, and the wealthy will pursue their social goals with vigour until they have completed them.

The next generation are growing up more charitably inclined, and aware of the impact they have on the world around them. They are keen to build a more sustainable future, with a more responsible and considered consumerism at its heart.
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