

NONPROFITS

Nontraditional giving methods boost philanthropic risk-taking among UHNWs

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Moncler fall/winter 2016; environmental causes are particularly of interest to millennial UHNWs

By STAFF REPORTS

Younger generations of ultra-affluent individuals are impacting the way in which the overall deep-pocketed population gives to philanthropic causes, according to a new report from Wealth-X.

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The Giving Index, which draws from data about UHNW philanthropic participation and giving amounts, grew 3 percent from 2014 to 2015 to an all-time high. Wealth-X's "Changing Philanthropy: Trend Shifts in Ultra Wealthy Giving," commissioned by Arton Capital, finds that socially- and environmentally-minded millennials are more open to new business models, establishing philanthropy-centric corporate cultures that put giving at the forefront.

"A number of innovative philanthropic tools have gained popularity in recent years, including venture philanthropy, impact investing and microfinance," said Maya Imberg, research director at [Wealth-X](#).

"While many of these tools are often characterized by higher numbers of relatively modest donations, they often provide an opportunity for the ultra-wealthy to assess the impact of a cause before donating," she said. "This allows for UHNW individuals to donate more comfortably, knowing that a major gift will truly make an impact with a cause."

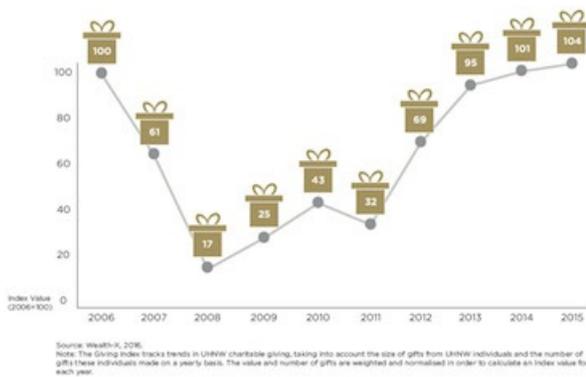
Giving trends

For the purposes of this report, ultra-high-net-worth individuals are defined as those with net assets of at least \$30 million. Of the 212,615 individuals who qualify as UHNW, 18,500 are considered major donors, giving \$1 million or more to charitable causes in their lifetimes.

Major donors have an average net worth of about \$300 million, twice as much as other UHNW individuals, and they tend to keep more of their assets liquid. Around seven in 10 major donors are self-made, partly due to these entrepreneurial individuals being in general twice as wealthy as those who inherited.

These individuals also tend to be two years older than their counterparts who give less.

THE MAJOR GIVING INDEX



Wealth-X's Major Giving Index

Females, who are 13 percent of the overall UHNW population, make up 10 percent of major donors, up slightly from 8 percent in 2014. While they represent a small share of this group, women tend to give a greater portion of their net worth to charities over their lifetimes.

The Americas, which hold the greatest UHNW population, are also home to 57 percent of major donors, driven largely by the U.S.' heritage of public giving. In this region, ultra-affluents give away on average 12 percent of their net worth over the course of their lifetimes, compared to Asia-Pacific's 10 percent and the EMEA's 9 percent.

Wealth-X projects that if the population of major donors follows the growth trajectory of the overall UHNW numbers, it will double to reach 27,000 by 2020. Based on their predicted total wealth, the researchers found that about \$260 billion in additional funds would be accessible for charitable causes.

"Wealth-X forecasts that the major donor population will grow from 18,500 to 27,000 in the year 2020," Ms. Imberg said. "This will be influenced by a number of factors, including rising wealth in Asia and Middle East.

"Another consideration is the growth of millennial wealth, as this generation continues to increase their own net worth and inherit existing wealth," she said. "Many of the innovations in giving that are blurring the line between philanthropy and investing are being driven by this tech-savvy generation who are knowledgeable about a wide range of social and environmental causes, and increasingly want to personally engage in solving them."

Education is the top beneficiary of UHNW giving, with 47 percent of ultra affluents giving to colleges or other institutions. Health comes in second, with 20 percent of wealthy donations.



Paris' Louvre

Women major donors are more apt to support the arts and humanities, while millennials are driving an increased interest in environmental causes. However, despite younger generations' interests in the environment, it has not yet risen into the top five.

Men tend to spread their giving across multiple organizations, while women are more likely to focus on a single cause.

Show of support

The number of gifts from UHNW individuals is growing, partly thanks to alternative methods of philanthropy.

Benefactors can now donate smaller funds through new vehicles such as program-related investments, social impact bonds or donor advice funds, and then use data to decide if they are seeing results from their funds. This enables donors to then decide if they want to give more to a particular organization.

While the ultra-affluent under 30 only hold 0.3 percent of total UHNW assets, they are pushing innovation in giving. Millennials are very attuned to issues, and they want the businesses they work for and support to have strong corporate social responsibility. As opposed to sporadic charitable campaigns, companies are increasingly working philanthropy into their overall operations.

This is especially true for corporations run by millennials, such as startups like Facebook. Mark Zuckerberg and his wife Priscilla Chan have pledged 99 percent of their \$45 billion in Facebook shares to charitable causes.

Philanthropy as the norm is not limited to millennials, as Warren Buffett and Bill Gates' Giving Pledge, established in 2010, urges billionaires to give away most of their fortunes to causes.

Philanthropy and charitable contributions have emerged as essential elements of a fashion brand's image, according to a new report from Fashionbi.



Louis Vuitton linked with UNICEF

While galas, auctions and sponsored fashion shows have never been abnormal, a growing number of big-name brands, including Versace, Burberry, Bulgari, Cartier and Gucci, have established or teamed with charity foundations dedicated to specific causes in recent years. Consumers naturally aspire to luxury brands, thus transforming brands into role models that must demonstrate genuine concern for social causes in order to maintain that interest from consumers ([see story](#)).

The holiday season is traditionally a time for luxury brands to escalate their corporate philanthropy.

For instance, Tod's worked with the San Patrignano community, which runs long-term residential recovery programs for young addicts, providing them with training and education during their time, to create a collection of accessories in time for holiday gifting ([see story](#)).

Also appealing to holiday shoppers, the Madison Avenue Business Improvement District hosted its 30th Miracle on Madison event, bringing together retailers on the high street to invite consumers to shop for a cause, in this case The Society of Memorial Sloan Kettering ([see story](#)).

"UHNW individuals are accustomed to personalized outreach, whether it's in the for-profit or philanthropic space," said Andrew Watson-Hogan, director, business development, at Wealth-X. "Not-for-profit organizations seeking major gifts from ultra-wealthy donors must employ a sophisticated and bespoke outreach strategy to understand the personal preferences of an individual and then determine the potential for a major gift.

"Wealth-X has become a go-to resource in the philanthropy space for providing applied intelligence that directs that strategy and helps organizations achieve their objectives."

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