

NONPROFITS

How UHNWIs' philanthropic engagement is evolving

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UHNW contributions are increasingly being driven by sustainable values. Image credit: Stella McCartney

By SARAH JONES

Wealthy donors increasingly want to play a more active role in the organizations they support, taking philanthropy from contributions to "co-creation," according to a new report from Wealth-X.

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According to new research from Wealth-X, ultra-high-net-worth individuals have an outsize impact on giving, having donated a total \$153 billion to philanthropic causes last year. While traditional causes including education, health and culture still attract the most donors, sustainability is a rising focus for philanthropists.

Wealth-X's **report** looks at individuals with a net worth of at least \$30 million. The report looks at individual giving, rather than contributions made by UHNW-owned companies.

Philanthropic impact

The total amount donated by the ultra-affluent in 2018 is equivalent to the sum that the U.S. government spends annually on healthcare, education and energy.

Around the globe, North American UHNW individuals give the most, representing about half of total donations from the ultra-affluent with a total \$75 billion in philanthropic contributions. In the United States, the UHNW account for 20 to 30 percent of total individual donations in the nation.

Following North America is Europe, with 31.5 percent of total philanthropy globally. While Asia boasts a growing and significant number of ultra-affluents 80,000 to Europe's 74,000 this population represents just 12.3 percent of charitable donations.

Some of the discrepancies in regional giving can be tied to tax codes, welfare program coverage and the tradition or lack of history of philanthropy. Some regions including Asia also have a less developed nonprofit sector.

Part of what fuels UHNW giving is public pressure for them to give back.

Individuals who amass fortunes have also made decisions to earmark large sums towards charitable endeavors. The Giving Pledge, which was founded by Warren Buffett and Bill and Melinda Gates to inspire billionaires to give

away at least half of their net worth, has been signed by Michael Bloomberg, Richard and Joan Branson, Elon Musk and Mark Zuckerberg and Priscilla Chan.

The Founder's Pledge similarly unites entrepreneurs in giving back at least 2 percent of their personal proceeds from their business at the point of liquidity. Members include Farfetch's Jos Neves and WeWork cofounder Miguel McKelvey.

In addition to looking at the broader UHNW population, Wealth-X's research focuses on those who contribute at least \$50,000 per year to charity.

In North America, individuals in this group tend to be self-made, while philanthropists in the Middle East and Latin America are more apt to have inherited their wealth.

Education is the number one category that the ultra-affluent philanthropists donate to, with almost 90 percent having made contributions towards areas such as scholarships and research grants.



Philanthropists often donate to education. Image credit: XOJet

Social services, medical research and the arts all see contributions from about six in 10 wealthy individuals.

While environmental causes only receive donations from about a third of ultra-affluent donors, sustainable giving is a rapidly growing area. With older individuals the most active philanthropists, this trend is actually led by those over the age of 45.

Innovating giving

Philanthropists are also experimenting with new forms of giving, such as development impact bonds and venture philanthropy, which takes inspiration from venture capitalists to work with recipient organizations to measure impact.

In general, donors are expecting to see more of a return on their investment, holding nonprofits and institutions accountable for results. Technology such as blockchain could help solve the issue of measurability in philanthropy, enabling benefactors to see exactly where their money is going.

Rather than just donating a building or making a monetary contribution through a foundation, philanthropists are seeking to get more involved and engaged with their chosen beneficiaries. For instance, some may volunteer time by sitting on an organization's board, or they might use their position and connections to further the cause.

In general, there is more collaboration in donating. Ultra-affluents may pool their resources with others to make more of an impact, or they may seek out input from more sources than just their financial advisors.

Philanthropy is also more of a joint effort among families, as they hold meetings to get input from different generations. Younger wealthy consumers tend to be focused on specific causes, and this translates to how they give and how they influence their families' giving.

Values and a desire to be responsible with their wealth drive millennials' investment and spending decisions, enabling them to be activists with their assets.

During a fireside chat at LuxeCX/AMCX 2019 on Sept. 25, an executive from UBS explained how millennials are making choices about their finances as they inherit and earn significant wealth. More than other generations, these consumers let a company's sustainability or social impact guide them ([see story](#)).

Despite the attention that has been put on younger consumers' values, a previous Wealth-X report found it is those ages 70 and up who rank philanthropy as their top interest. For consumers younger than 70, sports come first, with the under 50 crowd placing philanthropy third and the 50 to 70 group ranking charity second ([see story](#)).

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