New Philanthropy Capital

NPC perspectives

Ten ways to boost giving

March 2011

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Introduction

In these times of austerity and public spending cuts, charities have to think hard about how to boost their income from other sources. Giving by individuals features in many charities' hopes—hopes echoed by the government's recent Giving Green Paper, which called for ideas on how the government can help to create a more giving society.[1] We believe there needs to be a greater focus on stimulating philanthropy—planned, structured, thoughtful giving by wealthy individuals—an area largely absent from the green paper. Although wealthy individuals could and should give more, they face various barriers to giving, and efforts to boost philanthropy will fail unless they take account of these barriers.

Charitable giving by individuals is a vital income stream for the charity sector. It totalled £10bn in 2009/2010—more than a third of all charity sector income.[2]

But individual giving is stagnant. It has not grown in recent years, either as a proportion of household income or as a proportion of the population. Giving as a share of total household spending in the UK has remained stable for the past 20 years at 0.4%.[3] And although 56% of adults give to charity, this figure has declined by 18% since 1998.[4]

Charities rely heavily on large donations from wealthy individuals,[5] with almost half of total individual giving coming from only 8% of donors.[6] Yet wealthy individuals in the UK are not as generous as they could be. The poorest 10% of donors give 3.6% of their total spending to charity, whereas the richest 10% give only 1.1%.[7] What is more, they are not generous when compared to donors internationally—a recent report from Barclays Wealth ranked the UK 14th out of the 15 countries surveyed, looking at where philanthropy featured in high net worth individuals' spending priorities.[8]

So why do rich people in the UK not give more? How can we encourage more and better giving?

At New Philanthropy Capital (NPC), we have been exploring how to increase the scale and impact of philanthropy for a decade. Building on our experience, this paper looks at what is holding wealthy individuals back from giving. We present ten practical suggestions for government, businesses, charities and others to overcome the barriers that potential donors face and boost giving.

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1 Cabinet Office (2010) *Giving Green Paper.*
2 National Council for Voluntary Organisations and Charities Aid Foundation (2010) *UK Giving 2010.*
3 Cowley, E., Smith, S., McKenzie, T. and Pharoah, C. (2011) *The new state of donation: Three decades of household giving to charity, 1978–2008*. Cass Business School and University of Bristol.
4 Martin Brookes' speech to the Royal Society for the encouragement of Arts, Manufactures & Commerce (29 September 2010) *The Morality of Charity*.
5 We use the term 'wealthy individuals' to mean those in the top third of the population in terms of income.
6 National Council for Voluntary Organisations and Charities Aid Foundation (2010) *UK Giving 2010.*
7 Cowley, E., Smith, S., McKenzie, T. and Pharoah, C. (2011) *The new state of donation: Three decades of household giving to charity, 1978-2008*. Cass Business School and University of Bristol.
8 Ledbury Research and Barclays Wealth (2010) *Global Giving: The Culture of Philanthropy.*

Barriers to giving

There are six reasons commonly given by wealthy rich people for why they do not give. Whether they are strongly held beliefs, perceptions based on little experience, or simply excuses used to justify not giving, confronting these beliefs is crucial if we are to unlock more and better giving.

'It's too complicated'

Many wealthy individuals feel that they do not have the time to think seriously about giving. They may believe that philanthropy is complicated and difficult, and that it will only be rewarding and meaningful if they devote a lot of time to it. Those who have not yet started to plan their giving may believe that philanthropy requires setting up their own foundations, being personally involved in the projects they support, sitting on charities' boards and visiting projects as well as writing cheques.

'I can't afford it'

Surprisingly, wealthy individuals often feel that they cannot afford to give much to charity and will not become major donors until they feel financially more stable. A 2010 study of wealthy individuals found that 71% of people give only when they feel financially secure.[1] Although one might reasonably question this belief, especially as poor donors give more of their income to charity than rich donors, it is nevertheless a factor that is commonly cited and needs to be addressed.

'I find it hard to connect with a cause'

One of the most common motivations for giving is being inspired by a cause, and in NPC's experience, feeling passionate about a cause encourages donors to give more. If someone is not inspired by a particular cause, they may not give at all.

'I think charities are inefficient'

Many donors consider administrative costs to be a measure of how efficient (and even how effective) charities are. Just over half of wealthy individuals believe that charities are inefficient in managing donations, and this may put them off giving.[2] Some fundraisers perpetuate this belief by talking about how little they spend on administration, rather than telling potential donors about what they achieve.

'I don't think about giving'

The UK does not have a strong culture of giving, relatively speaking. In Barclays Wealth's global giving survey, only 18% of wealthy individuals in the UK said that charity is one of their top three spending priorities, compared to 41% in the US.[3] A lack of cultural expectations, social norms and role models means that potential donors simply may not think about giving.

1 Bank of America Merrill Lynch (2010) *Study of HNW Philanthropy: Issues Driving Charitable Activities among Affluent Households.*
2 Ledbury Research and Barclays Wealth (2010) *Barriers to Giving: A white paper in co-operation with Ledbury Research.*
3 Ledbury Research and Barclays Wealth (2010) *Global Giving; The Culture of Philanthropy.*

'I haven't enjoyed giving before'

In a recent survey of family offices, we identified several factors that put people off giving, including *'tortuous administration'* and the fear of being *'actively pursued by charities'*.[1] We have also heard donors criticise charities for not thanking them for their donations and not communicating the results of their funding. If the giving experience is not straightforward and rewarding, donors may not continue to give.

Box 1: Myths about why wealthy donors give

Two assumptions are often made about wealthy donors: first, that they act quite differently from other donors; second, that wealthy donors are all the same—more focused on impact, more strategic, or more likely to research charities than other donors.

But the richest donors do not in fact differ significantly from less affluent donors. There are several different types of donor behaviour across the income and giving range.

For example, one study separates donors into six segments:*

- **repayment—**paying back institutions that have helped them;
- **personal ties—**giving to organisations where there are personal contacts;
- **faith-based—**giving based on compatible religious ideology;
- **see the difference—**giving locally where impact can be seen directly;
- **casual—**giving reactively without too much thought; and
- **high impact—**seeking maximum impact through giving.

Another study also found six types of donor: privileged youth, eco givers, altruistic entrepreneurs, reactive donors, cultured inheritors and professional philanthropists.[†] Other research found that donors' social experiences and personal and professional backgrounds were key determinants of giving choices.[‡]

Wealthy donors' motivations and behaviours are far from uniform, and plans to increase philanthropy should build on these differences to avoid simplistic proposals that work for only a small proportion of donors.[#] For example, some donors ('personal ties', faith-based and casual donors) may respond well to role models encouraging them to give, whereas others (high impact and 'see the difference' donors) may want advice and information to help them give more. If these differences are understood, initiatives to increase philanthropy are more likely to be effective.

* Hope Consulting (2010) *Money For Good: The US Market for Impact Investments and Charitable Gifts from Individual Donors and Investors.*

[†] Barclays Wealth (2010) *Philanthropy: The evolution of giving*.

[‡] Breeze, B. (2010) *How donors choose charities*.

[#] Hope Consulting (2010) *Money For Good: The US Market for Impact Investments and Charitable Gifts from Individual Donors and Investors*.

1 Lomax, P., Keen, S. and Lidster, J. (2010) *Family philanthropy: Rewards and challenges*. New Philanthropy Capital and Global Partnership Family Offices.

Ways to boost giving

The government's green paper asked for ideas about how to change the UK's culture of giving. Here, we focus on ten actions that we believe will encourage philanthropy. Some of our suggestions are more widely applicable to giving in general, but each is designed with wealthy individuals in mind.

For each suggestion, we highlight the barrier or barriers it overcomes, look at how it can be implemented, identify who needs to take action, and provide evidence (often from overseas) to show why it should succeed.

Table 1: Summary of the ten ways to boost giving

Recommendation	Barrier	Who is responsible
1. Banks should develop new products and services that stimulate philanthropy	It's too complicated	Banks
2. Companies should make it easier for their employees to give	It's too complicated	Companies Government
3. Legislative changes should reduce the cost of giving to the individual	I can't afford it	Government
4. Private client advisors should put philanthropy advice higher up the agenda	I find it hard to connect with a cause	Private client advisors
5. Companies and private client advisors should encourage donors to get started	I find it hard to connect with a cause, and it's too complicated	Companies Private client advisors
6. Charities should communicate their impact	I think charities are inefficient	Charities
7. Institutional funders should share their knowledge about charities' impact	I think charities are inefficient	Foundations Government
8. A 'giving pledge' should be established for the UK	I don't think about giving	Donors Government
9. Media partnerships should be developed to champion giving	I don't think about giving	The media
10. Charities should manage their relationships with donors better	I haven't enjoyed giving before	Charities

1. Banks should develop new products and services that stimulate philanthropy

Barrier overcome: *'It's too complicated'*

Banks could do much more to stimulate giving, and they are well placed to do so. They have relationships with potential donors who trust them to manage their money, although this trust has been severely tested in the turbulent past two years. Banks are now seeking to win back trust and looking for ways to rebuild relationships with clients. They also have infrastructure in place that could be developed to manage charitable funds alongside existing accounts. So they are in a good position to offer straightforward, tax efficient, low-cost alternatives to setting up a charitable trust or foundation.

If banks offered new philanthropic products in the UK, there would be benefits not only for charities through increased donations and better giving, but also for the banks themselves, generating revenue through management fees for charitable assets, building deeper relationships with clients, and improving their image.

Three products that banks would do well to emulate and promote are donor advised funds, private ancillary funds and charitable giving accounts.

Donor advised funds

Donor advised funds are charitable investment accounts that individuals, families and organisations use to manage their giving, often as an alternative to setting up their own formal foundation structure. Donors put money into their funds then use them to donate to charities. Depending on the type of account, donors receive a tax deduction on their contribution.

As well as offering donors a flexible and accessible way of giving, donor advised funds can encourage good quality philanthropy by giving donors access to bundled or related services, such as information on charities or recommendations in different fields.

Donor advised funds are common in the US, offered by leading financial services providers including Fidelity, Vanguard, Bank of America Merrill Lynch and Schwab. In 2009, there were more than 152,000 donor advised fund account holders, holding $25.2bn in assets and resulting in $6bn in donations to charities.[1]

Similar products do exist in the UK—for example, from the Charities Aid Foundation and community foundations—but these institutions are not nearly as well known to potential clients as banks, and do not have their scale or infrastructure. If banks were to offer donor advised funds, they could increase the market much more rapidly and efficiently than existing providers.

Private ancillary funds

Private ancillary funds—a form of private trust—were established in Australia in 2001 as a result of tax reforms designed to stimulate philanthropy. They offer a range of benefits to donors, including tax efficiency, ease of establishment, private control and the facilitation of giving over many years. Over 700 private ancillary funds have been established since their introduction, resulting in charitable donations of over $300m.

There is evidence that some individuals who had not previously considered charitable giving have directed significant funds into private ancillary funds (for example, after receiving a significant one-off boost in income).[2]

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1 National Philanthropic Trust (2010) *Donor-Advised Fund Report*.
2 Queensland University of Technology and the Australian Centre for Philanthropy and Nonprofit Studies (2008) *Private Prescribed Funds in Australia*.

Charitable giving accounts

One innovative UK giving vehicle is the charitable giving account offered by Coutts, the private bank, which allows clients to transfer money between their charitable and current accounts. The account provides regular statements that make tracking donations and claiming tax relief easy.

Standard Chartered Private Bank has established a tailored deposit account that enables clients to give easily to 'Seeing is Believing', the bank's global campaign to tackle avoidable blindness. The account allows credit interest to be transferred automatically to Seeing is Believing, and each donation is matched by the bank, up to a collective target of $20m.[1]

Conclusion: Banks should offer philanthropic products that make it routine and straightforward for clients to give. They should offer proven products, including charity accounts and donor advised funds, and develop new services that could generate more and better giving.

2. Companies should make it easier for their employees to give

Barrier overcome: *'It's too complicated'*

Many companies run employee giving schemes—in 2010, 724,000 people gave a total of £106m to charity through these schemes.[2] But they are less widespread than they should be, and generate much less giving than they could. Only 44% of employees on a payroll in the UK have access to a giving scheme, and only 6% of those whose employers offer them actually participate in such a scheme.[3]

Payroll giving has several benefits for both charities and employers. It is simple to administer and tax efficient, ensuring that the maximum tax relief is automatically passed on to charities (unlike Gift Aid). It can also be supplemented by matched giving from the employer, resulting in significantly higher donations.

But more needs to be done to encourage the uptake of payroll giving and improve the experience. Only 1% of donations are made through payroll giving schemes,[4] and in our experience, few donors report that payroll giving is a rewarding experience, as charities rarely contact them or thank them for their donation.

Bonuses are rarely out of the spotlight in the financial services sector. Coverage is usually negative, but bonuses provide companies with a great opportunity to encourage employee giving, make giving easy and inspiring, and boost their corporate responsibility. Matched giving schemes can play a key role in encouraging employees to give and in increasing corporate donations.

1 Philanthropy UK Giving Advice website on donor advised fund providers: http://www.philanthropyuk.org/publications/giving-advice-guide-philanthropy-advisors.
2 Association of Payroll Giving Organisations website: http://www.apgo.org.uk/apgonewsitem.php?ID=38&stylesheet=style.
3 Association of Payroll Giving Organisations website (7 October 2010): http://www.apgo.org.uk/apgonewsitem.php?ID=16&stylesheet=style.
4 National Council for Voluntary Organisations and Charities Aid Foundation (2010) *UK Giving 2010.*

As we have suggested elsewhere,[1] banks in particular, and companies in general, could make their matched giving schemes much more effective, by making sure that they are:

- **generous**, promoting major gifts by offering significant incentives;
- **clear** on what is eligible and how to apply;
- **accessible** through the firm's intranet;
- **simple**, using straightforward forms and minimising bureaucracy;
- **promoted** to new staff and to all staff at regular intervals, particularly during bonus season;
- **supported**, directing staff to information and advice to help with giving decisions;
- **celebrated**, applauding their most generous staff and using them as role models; and
- **transparent** about details and uptake, to build public trust and foster competition between employers to be recognised for the greatest generosity.

Increasing uptake among employers

The government and industry bodies can help to publicise the benefits of payroll and matched giving schemes and encourage companies to provide and promote them. There is a National Payroll Giving Award, which recognises excellence in employers' schemes, but this could be extended to whole industries, based on the proportion of companies offering giving schemes.

Some industry bodies, particularly in sectors where pay and bonuses are controversial, might consider encouraging transparency amongst their members on corporate matched giving and employee giving. If it were the norm for companies to publish these details, companies would be incentivised to provide and promote giving schemes.

Transparency about matched giving schemes should address these questions:[2]

- How much will you match fund for each of your employees?
- What proportion of staff use the matched giving scheme?
- What is the total amount of employee giving that you match?
- What proportion of staff use the maximum amount of matched giving?

Increasing uptake among employees

While some employers that offer payroll giving schemes actively promote them and monitor their uptake and amounts given by staff and matched by the employer, many others do little to encourage employees. Payroll giving providers can help employers to monitor uptake and promote their schemes, and technology may well play a role in the future to make schemes accessible, user-friendly and easy to track.

Companies can encourage uptake among employees by matching donations, offering volunteering opportunities, seeking suggestions for charity partners, and communicating the impact of donations.

Several companies have developed interesting approaches to promoting their payroll giving schemes. For example, Guardian News and Media offers a matched donation to encourage new donors—a one-off gift to charity of £50 if employees pledge £5 per month, or £100 if they pledge £10 or more per month. More than a third of the company's employees use the scheme.

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1 Martin Brookes (11 January 2011) *How investment banks could promote more giving*. New Philanthropy Capital blog, http://newphilanthropycapital.wordpress.com/2011/01/11/how-investment-banks-could-promote-more-giving/.
2 Martin Brookes (7 February 2011) *Boris and bank bonuses*. New Philanthropy Capital blog, http://newphilanthropycapital.wordpress.com/2011/02/07/1670/.

However, in our experience, few companies in the UK are doing all they can to promote employee giving, or being particularly innovative when they do promote it. For example, companies could work with philanthropy advice providers to offer their staff an annual philanthropy advice session to plan their giving.

Conclusion: Industry bodies and the government should encourage employers to develop and improve their employee giving schemes through awards and transparency. Companies should set up and promote employee giving schemes that are accessible, monitored and supported. Banks should lead by example in their generous, straightforward and transparent matched giving schemes, especially during bonus season.

3. Legislative changes should reduce the cost of giving to the individual

Barrier overcome: *'I can't afford it'*

Legislative changes are often the focus of proposals to improve philanthropy, particularly when it comes to reducing the cost and complexity of giving. Two areas deserve particular attention if we are to encourage philanthropy: lifetime legacies and Gift Aid.

Lifetime legacies

Lifetime legacies (or 'charitable remainder trusts') cleverly allow both a donor and a charity to benefit from an asset during the donor's lifetime. Through lifetime legacies, people are able to give in the future, in a way that benefits a charity immediately. Donors commit to give a charity shares, property or cash, but the gift is only realised upon their death, so they retain the income from and use of the gift during their life. Donors can make deductions against capital gains tax at the time of the gift, and do not have to count its value as part of their estate for the purposes of inheritance tax.

Charities benefit because lifetime legacies require an irrevocable commitment (unlike charitable bequests). They can not only count on receiving the asset in the future, but can also put the asset on their balance sheets today, enabling them to borrow against the asset, for example.

Lifetime legacies are already available in the US, Australia, Canada and Germany, and there are many advocates of introducing them to the UK, brought together in the Lifetime Legacies Coalition. But despite the backing of leading charity sector groups and membership bodies, the idea has drifted in and out of vogue over several years and has not yet been implemented in the UK.

Gift Aid

Gift Aid is a UK system that increases the value of donations to charities by allowing them to reclaim basic rate tax on gifts. Donors who pay higher rate tax can claim back the additional tax from their donations.

By making giving more tax effective, Gift Aid brings in significant additional income for charities. However, the rules governing the Gift Aid system need to be simplified to reduce the cost and administrative burden for charities, making it easier to maximise the value of donations to charity and encourage donors. A number of organisations are calling for the administrative simplification of Gift Aid, including the Charity Tax Group and the Charity Finance Directors' Group.

Four in ten donors use Gift Aid, and 73% use it for donations of £100 or more.[1] But the charity sector loses £750m each year in Gift Aid that is not claimed on donations. Only half of higher rate tax payers are aware that they can claim tax relief for themselves, and only a third of these have actually done so.[2]

Conclusion: The government should support programmes like lifetime legacies, proven elsewhere to encourage giving, and simplify existing legislation to reduce the cost of giving.

4. Private client advisors should put philanthropy advice higher up the agenda

Barrier overcome: *'I find it hard to connect with a cause'*

Some potential donors say that they find it difficult to identify with a particular cause. This may seem surprising, as many of the needs faced by the people charities help are hard to avoid, from homelessness on the streets to poverty and disadvantage on the news. Yet wealthy individuals can live in relative isolation from these problems, and in NPC's experience may not relate to particular causes until they have had personal experience of them. This phenomenon is not restricted to wealthy individuals—many of the best funded charitable causes, like cancer for example, receive such support because so many people have direct experience of them.

Wealthy individuals also often find themselves confronted by a plethora of decisions when they get serious about philanthropy, and they should be able to find helpful advice on their giving, as they would with any investment decision. Donors most commonly say that they want advice on financial planning, the tax and legal implications of setting up a giving vehicle, selecting charities, and monitoring grants and impact.[3]

Yet the private client industry is only just waking up to this opportunity. Philanthropy advice drives giving among very wealthy individuals where it is available, but such help is still rarely provided by private client advisors.[4] Even so, 60% of private wealth advisors interviewed in 2008 believed that philanthropy would become a core offering to clients within the next five years.[5]

Private client advisors are well placed to introduce philanthropy into their discussions with clients, advise clients on where they could give or invest, and match clients' resources and passions with areas where there is the greatest need. If this advice is not available, wealthy individuals may not develop their giving as fast or as effectively as they might, or might not be spurred into giving at all.

Our research tells us that many advisers still struggle to introduce philanthropy into conversations with clients, and many of the organisations that in theory offer philanthropy advice are still struggling to embed it in the advice they provide and their business as a whole. Where advice is offered, it may not routinely cover what donors want, for example, selecting charities and monitoring impact.

1 National Council for Voluntary Organisations and Charities Aid Foundation (2010) *UK Giving 2010.*
2 Charities Aid Foundation (2009) *The public bond with tax effective giving in the UK*.
3 Capgemini and Merrill Lynch (2010) *Wealth Management Financial Advisor Survey.*
4 New Philanthropy Capital (2007) *Advice needed*: *Philanthropy amongst ultra high net worth individuals and family offices in Europe* and New Philanthropy Capital (2008) *More advice needed: The role of wealth advisors in offering philanthropy services to high-net-worth clients.*
5 Scorpio Partnership (2008) *The role of wealth advisors in offering philanthropy services to high net worth clients.*

One private bank had a client who already funded a range of charities, but none of them really inspired him to engage more deeply. The client's banker knew he had a passion for opera so introduced him to Streetwise Opera, a charity that helps homeless people by engaging them in the arts. The client not only began giving to Streetwise Opera, but also began to fund similar programmes that use the arts to engage vulnerable people. The advisor's skill in matching his client's passion with a charity's approach helped make his giving much more rewarding, and resulted in a stronger client relationship.

NPC has established a philanthropy advice steering group to help the industry of private client advisors establish and develop their own philanthropy advice. We believe that private banks, wealth managers, lawyers and others providing advice to wealthy individuals should develop and promote philanthropy within their work, not only to help create more and better giving, but also to develop better relationships with clients and stronger business models.

Conclusion: Private banks, wealth managers, lawyers and other advisors should embed philanthropy advice in their offerings, and train and support advisors to provide high quality advice. Private client advisors should introduce philanthropy to their client discussions and help potential donors to find causes and needs that match their interests and passions.

5. Companies and private client advisors should encourage donors to get started

Barrier overcome: *'I find it hard to connect with a cause'*

Some people are reluctant to start giving to charity because they think they will need to give away large amounts to have an impact. But this is not the case, and companies and private client advisors can help to overcome this barrier by encouraging their staff and clients simply to get started with their giving.

In our work with donors, we have often found that they benefit from being encouraged to get started and learn by doing. Working with one family whose giving ambitions were significant, but experience was limited, we helped them to start giving by testing out relatively small donations to different projects, before settling on causes they felt really passionate about and scaling up their giving. We have found that this approach works well with people who are new to philanthropy.

Many private client advisors are wary of broaching the subject of philanthropy with clients, unless they know that the client is already a major donor. Yet our research and experience suggest that one of the most useful roles advisors can play is to help clients get started with their giving. Advisors are also well placed to connect their clients with other donors who have recently started giving, to share experiences and encourage each other. Products and services that simplify the giving process can be linked to advice, helping donors who are just starting out.

For most people, the experience of giving is hard to predict and much easier to learn about by getting involved. Donors often learn about their preferred causes, approaches, charities and funding styles by trial and error. In order to encourage philanthropy, advisors and companies can therefore help most by getting people started on that journey.

Conclusion: Companies and private client advisors should encourage wealthy individuals to get started with their giving and learn about what works for them through experience. Advice can be particularly effective when linked to products that simplify giving, including donor advised funds and matched giving programmes.

6. Charities should demonstrate their impact

Barrier overcome: *'I think charities are inefficient'*

Research into public trust in charities consistently highlights two key factors in building trust: how donations are spent and what they achieve.[1] These two factors become barriers to giving if a potential donor believes that particular charities or charities in general are inefficient or ineffective.

Although efficiency and effectiveness are both central to trust, efficiency has become much more prevalent in donors' concerns about charities. Research into the attitudes of wealthy donors has found that efficiency and administrative costs are the two most important factors when deciding whether to fund a charity.[2]

Charities are also focusing on efficiency in an attempt to allay donors' concerns, as a recent high profile fundraising campaign illustrates. In February 2011, Oxfam partnered with PayPal to run a 100% giving campaign in which PayPal covered Oxfam's 'running costs' for all donations to the charity made via PayPal, so that *'100% of your donation goes directly to fighting poverty'*.[3] But this perpetuates the perception that running costs do not contribute directly to a charity achieving its results.

The focus on efficiency is understandable, as administrative costs appear to be both measurable and comparable. But unfortunately these costs are largely meaningless—they are not calculated in a standard way that allows comparison between charities, and they tell donors very little about real efficiency. What is more, an apparently efficient charity with low administrative costs may be ineffective, with no evidence that its work actually helps change the lives of those it aims to help.

NPC believes that when donors research a charity, they should look at what the charity is achieving rather than being side-tracked by administration costs. In order for donors to do this, charities must communicate their results. But few charities talk about their impact in public documents, so donors looking for results information are unlikely to find it.[4]

NPC's 2010 report *Talking about results* analysed the annual reports, annual reviews, impact reports and websites of 20 of the top 100 UK fundraising charities. Nearly all the charities analysed (90%) were good at describing their activities and outputs, but only four in ten communicated clearly the difference they made in people's lives.[5]

As charities are not yet communicating their impact, donors will continue to focus on efficiency and costs when thinking about giving. A campaign is needed across the charity sector to encourage charities to focus on impact in their communications and fundraising, to focus less on administrative costs, and to direct donors' concerns away from administrative costs. Such a campaign would need to be a long-term, collaborative effort involving leading charities, sector bodies like the Impact Coalition, and the fundraising profession. It would also need to be backed up by a commitment from charities to publish information about their impact in their reports so that over time, donors will expect to find it there.

Conclusion: Charities should communicate their impact in their annual reports, websites, fundraising materials and communications with donors. They should move away from talking to donors about administrative costs and try to educate donors about more important factors. A broad sector coalition should support these efforts and help to shift donor perceptions in the long term.

1 Charity Commission (2010) *Public trust in charities*.
2 Ledbury Research and Barclays Wealth (2010) *Barriers to Giving*.
3 Oxfam website (20 February 2011), https://www.oxfam.org.uk/donate/paypal/?cid=Rdt_100percentGiving&ito=4341&itc=0.
4 Hedley, S. et al (2010) *Talking about results*. New Philanthropy Capital.
5 Hedley, S. et al (2010) *Talking about results*. New Philanthropy Capital.

7. Institutional funders should share their knowledge about charities' impact

Barrier overcome: *'I think charities are inefficient'*

Donors can find the search for information about charities' results frustrating. Organisations like NPC in the UK and Charity Navigator, GiveWell, Philanthropedia and Root Cause in the US can help impact-focused donors find the information they seek. But donors rarely get the opportunity to draw on the wealth of knowledge amassed by grant-making trusts, foundations and public funders. These organisations do not often publish their evaluations, research and institutional knowledge, and when they do, they are rarely widely accessible.

Institutional funders could play an important role in supporting and encouraging effective philanthropy, as a number of new initiatives illustrate.

In forthcoming research commissioned by the City Bridge Trust, NPC will suggest ways in which foundations could share their knowledge successfully. One option would be a tailored search engine for sharing knowledge, like the Only Foundations Search on the US website www.glasspockets.org.

The Nominet Trust, a grantmaker that supports organisations working to increase access to the internet, has built its own knowledge centre to share what it has learned through its application and monitoring processes. This is publicly accessible and the platform itself has been made available to other funders.

Foundations could commit to publishing all the charity evaluations that they commission or fund. This would allow donors seeking information on impact to learn from a much richer, more independent evidence base than is currently available to them through charities' own communications. Charities too could commit to publishing evaluations and making them readily accessible on their websites.

In 2009, NPC published research commissioned by the City Parochial Foundation (now Trust for London) looking at how foundations can work with philanthropists by channelling their donations, offering fund products or funding collaboratively.[1] Government departments too could work harder to build relationships with foundations and philanthropists, perhaps through departmental philanthropy champions, as suggested in our *Social Impact Manifesto*.[2]

Conclusion: Trusts, foundations and public funders should commit to sharing their knowledge wherever possible to support donors seeking information about charities' impact. By publishing evaluations and partnering with donors, institutional funders can make more of their expertise by influencing funding from private donors.

8. A 'giving pledge' should be established in the UK

Barrier overcome: *'I don't think about giving'*

In 2008, Bill Gates stepped back from day-to-day oversight of Microsoft to focus his attention on the Bill and Melinda Gates Foundation. The example of this immensely successful entrepreneur had the potential to inspire others into action. Last year, Gates partnered with Warren Buffett to establish The Giving Pledge—an effort to encourage the wealthiest people in the US to commit to giving the majority of their wealth to philanthropy. By December 2010, 57 billionaires had signed up.

1 Brick, P. and Stringer, E. (2009) *Achieving more together: Foundations and new philanthropists.* New Philanthropy Capital.
2 New Philanthropy Capital (2010) *Manifesto for social impact*.

In Bill and Melinda Gates' own pledge letter, they outline how the example that people set in their philanthropy is a powerful motivation for others. *'The idea of the pledge came out of discussions we had with other givers about what they were doing, about what had worked in philanthropy and what had not worked. Everyone shared how giving had made their lives richer. Everyone who attended was inspired by listening to the others' passion and encouraged to do even more.'*

The importance of role models in philanthropy is widely recognised. For example:

- The government's founding Ambassador for Philanthropy, Dame Stephanie Shirley, leads a programme recruiting philanthropists to encourage others by sharing their experiences.
- The Beacon Prize encourages giving by recognising leading individuals' contributions to philanthropy. In 2010, the winner was Alec Reed CBE, founder of the Big Give, which matches philanthropic funding with individuals' donations.
- The Funding Network brings donors together to pledge money for projects in open bidding sessions, based on Fred Mulder's vision of donors encouraging each other to give more.
- The Philanthropy Review, an independent review chaired by Tom Hughes-Hallett, and involving leading figures from the charity and private sectors, is exploring ways to stimulate giving, including the role of donors encouraging their peers.

NPC believes that a giving pledge should be established in the UK to promote philanthropy. With 53 billionaires in the UK at the last count, and the collective wealth of the UK's 1,000 richest people standing at £336bn,[1] there is clearly huge potential to boost philanthropy.

No one has yet stepped forward to lead a UK giving pledge, but we believe it could be led by a group of millionaires rather than a single billionaire. The government could play an important supporting role, encouraging potential leaders to put themselves forward and making sure that political support would be available to help promote it.

Conclusion: A UK giving pledge should be established to push philanthropy to the front of potential donors' minds. The government could help to establish and support such an initiative, but it would need to be led by philanthropists themselves.

9. Media partnerships should be developed to champion giving

Barrier overcome: *'I don't think about giving'*

The media plays a big role in promoting giving, through programmes like *The Secret Millionaire*, columns like the Financial Times' *How to give it*, features like the *Sunday Times' Giving Index,* and fundraising events like BBC Children in Need, Comic Relief and newspaper Christmas appeals.

More coverage, including more in-depth reporting, would help to promote a greater understanding of philanthropy and the positive role it plays in the UK. However, the media struggles to find philanthropists who are willing to talk about their giving. Along with their advisors, donors tend to be tight-lipped, fearing that their giving will be treated sceptically or negatively.

Journalists can help to allay these fears. Where specialist philanthropy correspondents exist, like Stephanie Strom at the *New York Times*, they are able to build up a rapport with advisors

1 The Sunday Times (March 2010) *Sunday Times Rich List*.

and philanthropists over time. Their articles tend to avoid glib conclusions, providing readers instead with greater insight into the motivations and benefits of giving, and the complexities involved in choosing how and where to give. By increasing the quality of media coverage, expert reporters could help to inspire a more thoughtful and positive approach to philanthropy.

Philanthropy advisors have a role to play in encouraging donors to share their stories and introducing their clients to journalists. Charities can also play a greater brokerage role with the media where they have excellent contacts with major donors, benefiting at the same time from good coverage of their work. With this in mind, the philanthropy advice steering group that NPC has established is exploring the idea of compiling a centrally-administered list of donors and philanthropists who are willing to be contacted by the media. This list would provide details of donors' activities, but not their name or other personal details, and would be a useful source for journalists of potential donors to interview. Their interview requests could then be coordinated by the relevant philanthropy advisor.

There is scope for more corporate-media partnerships, particularly around awards and other recognition schemes for philanthropists. For example, BNP Paribas works closely with the Wall Street Journal Europe, amongst others, to announce its annual philanthropy awards. For media partners, the benefits of involvement might include exclusive interviews with some of the prize-winners and greater insights into different approaches to giving.

Media partnerships can help to inspire and inform giving. For example:

- The Guardian and Observer teamed up with The Big Give for their 2010 Christmas charity appeal. Readers' donations were matched with £100,000 of philanthropic funding.
- The Evening Standard worked with the Community Foundation Network (CFN) to distribute the £5m it raised for its Dispossessed Fund. CFN helped to distribute small grants to local charities working in some of London's most deprived areas.

A potential role for a business would be to sponsor a prize for the best philanthropy correspondent, or the best column, blog or television programme on the topic. Such an award does not yet exist in this country, although it echoes awards in other specialist areas (such as wine writing and education reporting) and could be an excellent way to showcase good philanthropy reporting.

Conclusion: The media should build partnerships with businesses, philanthropy advisors and charities to promote giving and build a greater understanding of impact.

10. Charities should manage their relationships with donors better

Barrier overcome: *'I haven't enjoyed giving before'*

Donors' relationships with charities are an important determinant of whether they continue to give. Wealthy donors are typically very loyal to the charities they support, and 86% of donations are very likely to be repeated in future years.[1] Yet donors' experiences can be very poor. In our experience, they sometimes feel that they have not been thanked appropriately for their donation, or that one donation is taken as permission for an unacceptable volume of subsequent requests for funding. Many donors feel that charities do not report back well on their donations, so they struggle to understand the impact their donation has produced.

1 Hope Consulting (2010) *Money For Good: The US Market for Impact Investments and Charitable Gifts from Individual Donors and Investors.*

If the experience of giving is negative, unrewarding or even intrusive, donors are likely to stop giving. Research from the US has found that six in ten wealthy individuals who stop giving to a particular charity do so because they are too frequently solicited or asked for an inappropriate amount.[1]

Charities are missing an opportunity if they do not build positive, rewarding relationships with their donors. Based on NPC's experience of working with and researching charities on the subject of impact reporting, we believe they could do more to segment their donors, asking them about their motivations when they make a donation, and working out what they are looking for in a relationship with the charity.

Some donors seek little or no relationship from the charities they fund, and indeed may prefer not to be contacted even though they will give again. Others would like to get more involved, perhaps visiting projects, volunteering or getting friends involved in the charity's work.

Charities should try to engage more with donors, bearing in mind donors' individual preferences to build a constructive relationship. Charities should also keep donors informed about the impact of their giving. This can help to cement donor loyalty and inspire more giving.

Conclusion: Charities should manage their relationships with wealthy donors, thinking about their giving motivations and preferences for ongoing engagement. Charities should also report back to donors on the impact of their gifts.

1 Bank of America Merrill Lynch (2010) *Study of HNW Philanthropy: Issues Driving Charitable Activities among Affluent Households.*

Conclusion

Charities face increasing pressure to diversify their funding and boost giving from wealthy donors. If the government, companies, private client advisors, foundations, the media and charities respond to our recommendations, we can start to overcome the barriers that prevent wealthy individuals from giving. They will realise that giving does not have to be complicated, there are causes they can connect with, charities are not inefficient, and giving can be enjoyable.

Some wealthy individuals may still believe that they cannot afford to give or that they cannot find causes to support and be passionate about. This may seem surprising, but our purpose here is not to change people's perception of their level of wealth and financial comfort, nor to argue that they should change their surroundings to understand the social problems that charities tackle. Lifetime legacies and changes to Gift Aid will be a step in the right direction, but we do not pretend that our recommendations will change how people feel about their financial security.

However, it is important to make sure that people are more routinely exposed to opportunities to give and to the needs that their gifts could address. With these recommendations, we believe that we can help turn exhortations that wealthy people could and should give more into practical ways to boost giving.

Recommendations

Government

The government should support programmes like lifetime legacies, proven elsewhere to encourage giving, and simplify existing legislation to reduce the cost of giving.

The government should encourage employers to develop and improve their employee giving schemes through awards and transparency.

Where the government funds charities, it should commit to sharing knowledge to support donors seeking information about charities' impact. By publishing evaluations and partnering with donors, public funders can make more of their expertise by influencing funding from private donors.

The government should help to establish and support a UK giving pledge to push philanthropy to the front of potential donors' minds (although the initiative would need to be led by philanthropists themselves).

Companies

Companies should set up and promote employee giving schemes that are accessible, monitored and supported. Industry bodies should encourage employers to develop and improve their employee giving schemes by awarding the best organisations and encouraging transparency.

Companies should encourage employees to get started with their giving and learn about what works for them through practical experience. Advice can be particularly effective when linked to products that simplify giving, including matched giving programmes.

Banks

Banks should offer philanthropic products that make it routine and straightforward for clients to give. They should offer proven products, including charity accounts and donor advised funds, and develop new services that could generate more and better giving.

Banks should lead by example in their generous, straightforward and transparent matched giving schemes, especially during bonus season.

Private client advisors

Private client advisors should introduce philanthropy to their client discussions and help potential donors to find causes and needs that match their interests and passions.

Private client advisors should encourage wealthy individuals to get started with their giving and learn about what works for them through experience. Advice can be particularly effective when linked to products that simplify giving, including donor advised funds and matched giving programmes.

Donors

A UK giving pledge should be established to push philanthropy to the front of potential donors' minds. The government could help to establish and support such an initiative, but it would need to be led by philanthropists themselves.

Trusts and foundations

Trusts and foundations should commit to sharing their knowledge wherever possible to support donors seeking information about charities' impact. By publishing evaluations and partnering with donors, trusts and foundations can make more of their expertise by influencing funding from private donors.

The media

The media should build partnerships with businesses, philanthropy advisors and charities to promote giving and build a greater understanding of impact.

Charities

Charities should communicate their impact in their annual reports, websites, fundraising materials and communications with donors. They should move away from talking to donors about administrative costs and try to educate donors about more important factors. A broad sector coalition should support these efforts and help to shift donor perceptions in the long term.

Charities should manage their relationships with wealthy donors, thinking about their giving motivations and preferences for ongoing engagement. Charities should also report back to donors on the impact of their gifts.

New Philanthropy Capital (NPC) is a charity consultancy and think tank dedicated to helping funders and charities to achieve a greater impact.

We provide independent research, tools and advice for funders and charities, and shape the debate about what makes charities effective.

We have an ambitious vision: to create a world in which charities and their funders are as effective as possible in improving people's lives and creating lasting change for the better.

For **charities**, this means focusing on activities that achieve a real difference, using evidence of results to improve performance, making good use of resources, and being ambitious to solve problems. This requires high-quality leadership and staff, and good financial management.

For **funders**, this means understanding what makes charities effective and supporting their endeavours to become effective. It includes using evidence of charities' results to make funding decisions and to measure their own impact.

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