

# New Ventures in Philanthropy

## Building Knowledge and Networks to Grow Giving

### The New Landscape of Philanthropic Giving

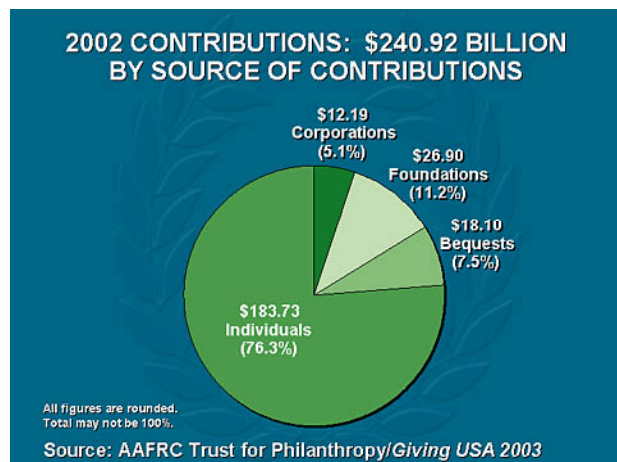
**The face of philanthropy is changing in dramatic ways. From the surge of high-profile giving by the wealthy, to the increasing recognition of giving by women, racial and ethnic communities, youth, and other nontraditional donors, new opportunities and challenges abound for organizations that seek to serve and grow philanthropy.**

**U.S. charitable giving continues to increase, in spite of the economic downturn.** In 2002, despite a sustained recession, overall giving rose to \$241 billion dollars, an increase of 1 percent over 2001<sup>1</sup>. Giving in 2002 was 2.3 percent of the nation's GDP, a figure that – while down slightly from 2001 -- continues to represent significant growth from 1999.

**Individuals remain the majority of donors, by far.** In 2002, more than 76% of all giving came from individuals. Charitable bequests from individuals accounted for another 7.5% of all giving. In contrast, foundations contributed just over 11% and corporations contributed about 5%<sup>2</sup>.

**Highly visible philanthropic giving by the wealthy has surged.** There are greater numbers of "mega wealthy" Americans than ever before – more than 2,500 households with a net worth exceeding \$100 million and more than 270 billionaires<sup>3</sup>. Business Week's December 1, 2003 edition tracked 50 philanthropists each of whom gave or pledged at least \$95 million in the last five years – a combined total of more than \$47 billion dollars. These philanthropists, like other high wealth individuals today, are more likely to be self-made, most commonly through entrepreneurial interests, small-business ownership, investments, or earned income. They are more likely to maintain a high level of control over their giving and give much of their wealth during their lives. Of these high wealth individuals, 75% have at least one wealth management advisor<sup>4</sup>.

**Giving occurs across a wider and wider economic spectrum.** 89% of American households give philanthropically. The average gift is \$1,620 annually<sup>5</sup>. People with less wealth have traditionally given more of their incomes, proportionately, to charity. In the year 2000, for example, the U.S. Census reported that households with incomes between \$20,000 and \$29,000 contributed 3.9% of



<sup>1</sup> American Association of Fundraising Counsel/Giving USA, 2003

<sup>2</sup> American Association of Fundraising Counsel/Giving USA, 2003

<sup>3</sup> *What's a Donor to Do?* The Philanthropic Initiative, Inc.

<sup>4</sup> [The Philanthropic Initiative, Inc. \(TPI\)](#) "Advancing Philanthropy: Tapping the Potential of Legal and Financial Advisors"

<sup>5</sup> Independent Sector

their income (as measured in cash and in-kind contributions) to charity, as compared to an average of 2.7% for households with an income of more than \$100,000.

**Women and racial and ethnic communities are becoming significant contributors.** People and communities that have not been recognized as philanthropic – including women, racial and ethnic communities, and younger donors – are making their presence felt.

- Women make up 1.3 million of the top wealth holders in the U.S., with a combined net worth of almost \$1.8 trillion. Women generated \$2.1 trillion in earnings in 1999. And, because they live longer than men, they will end up in charge of much of the \$41 trillion expected to pass from generation to generation over the next fifty years<sup>6</sup>. There are more than 90 women's funds across the U.S., up from the "original eleven" created in the 1970s<sup>7</sup>.
- African American households contribute significantly to philanthropy. Fifty-three percent of all black households give to charity, and 59 percent of their donations go to churches and other religious purposes<sup>8</sup>.
- In 1998, almost 63% of Hispanic/Latino households gave to charity – an increase of six percent from 1995.

**Rural philanthropy is receiving more attention.** Rural communities have traditionally lacked philanthropic infrastructure and assets, and now also face a shorter time horizon to capture philanthropic assets from the coming wealth transfer. Data developed by the Nebraska Community Foundation suggest that Nebraska's rural wealth transfer is likely to peak by 2015 in that many in the generations receiving the transfer are moving to more urban areas<sup>9</sup>. Two national initiatives – the National Rural Funders Collaborative and the Aspen Institute's Community Strategies Group – have been created to stimulate rural economic development through philanthropy. Additionally, the Southeastern Council and Southern Rural Development Initiative have collaborated to develop the Philanthropy Index, which helps rural communities assess their philanthropic assets and develop community funds. The Index is currently being piloted in more than 20 communities in the rural south.

**Donors are driven by new aspirations and beliefs.** According to The Philanthropic Initiative, the cultural forces affecting philanthropy include an entrepreneurial spirit and a search for meaning and community. The entrepreneurial culture has engendered a high-engagement philanthropy, exemplified by groups like SVP and Venture Philanthropy Partners. The search for meaning takes the form of a hunt for values, connectedness to place, and increased spirituality. These new donors often have new wealth – which doesn't feel quite real. They are interested in innovation, impact, and accountability and have a hands-on style. They are fiercely independent and suspicious of established philanthropy<sup>10</sup>.

As the black middle class continues to grow, more African Americans will move away from mutual aid to more formalized philanthropy, from African-American to more universal giving, and from church to more secular giving.

*Source - African American Traditions of Giving*

<sup>6</sup> Women's Philanthropy Institute: <http://www.women-philanthropy.org/>

<sup>7</sup> Women's Funding Network, 1999

<sup>8</sup> W.K. Kellogg Foundation, 2001

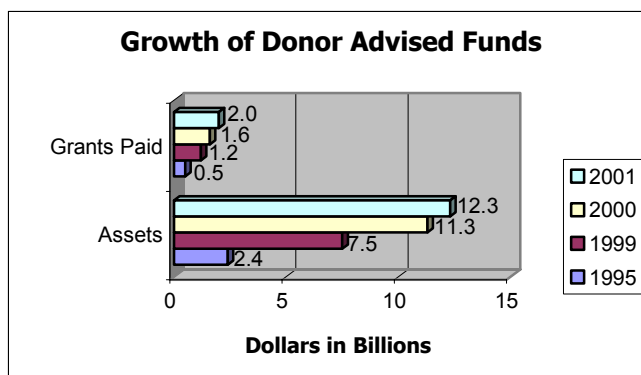
<sup>9</sup> Nebraska Community Foundation, <http://www.nbcmmfound.org/Updates/tofgraph.pdf>

<sup>10</sup> The Philanthropic Initiative, Inc: *What's a Donor to Do?*

**New foundation growth is booming.** Between 1990 and 2001, the number of foundations in the U.S. nearly doubled, growing from 32,401 to 61,810. Assets quadrupled, from \$142.48 billion to \$476.79 billion. Giving by foundations has also grown, more than tripling from \$8.68 billion in 1990 to \$30.30 billion in 2002<sup>11</sup>. New foundation creators often start small: In just three years, between 1998 and 2001, 10,000 new foundations were created with assets of less than \$1M, and 4,000 more with assets in the \$1M - \$10 range<sup>12</sup>.

**New vehicles are emerging, especially for giving in lasting ways.**

- **Donor advised funds** have grown rapidly, in community foundations and in commercial enterprises. In 2001, donor advised funds had \$12.3 billion in assets and gave out \$2 billion in grants. This is a 9.6% growth in value from 2000-2001 and a 26.4% growth in fund distribution. At the same time, the number of people contributing to donor advised funds grew 24.9% from 42,653 to 53,275<sup>13</sup>.



A rapid rise in commercial charitable gift funds is worth noting. The **Fidelity Charitable Gift Fund** started in 1992, and with twelve years of experience and growth, as of June 30, 2002 had grown to \$2,389,000,000 in assets in 30,112 donor-advised accounts. They now consider themselves the “#1 public grantmaker”. Between 1996 and 2000, the growth rate for Fidelity Charitable Gift Fund was more than four times that of the average community foundation<sup>14</sup>.

- **Giving circles:** Giving or Donor Circles, in which donors come together, formally or informally to pool their resources, have emerged as a powerful grassroots philanthropy force in the last five years. In Maryland alone, 14 new giving circles have been created since 2000, representing approximately 800 engaged donors<sup>15</sup>.
- **Social Venture Partners**, an organized donor circle for entrepreneurs, reflects this trend in its rapid growth. As of the fall of 2003, 23 SVP organizations and more than 1,100 SVP partnerships (approximately 1,500 total Partners including spouses, partners, etc.) exist across North America, with new affiliates springing up across the globe. SVPs had invested tens of thousands of volunteer hours and more than \$11 million in 147 organizations as of August 2003<sup>16</sup>.
- **Electronic giving forums:** The internet plays an increasingly important role in philanthropy, with sites like *Network for Good*, *TouchDC*, and others making a donation just a click away. With 850,000 charities online, Network for Good generated more than 17 million dollars for nonprofits in 2003<sup>17</sup>.

**A significant part of today’s giving creates community capital.** Donors are increasingly investing in their communities, through funds at community foundations, affiliate funds, and giving circles. There are more than 650 community foundations in the United States holding approximately \$29.7 billion in

<sup>11</sup> The Foundation Center: <http://fdncenter.org/>  
<sup>12</sup> The Center on Philanthropy and Public Policy at the University of Southern California  
<sup>13</sup> *FPAAnet Philanthropy 101: Donor Advised Funds* [http://www.fpanet.org/journal/articles/2003\\_Issues/jfp1103-art8.cfm](http://www.fpanet.org/journal/articles/2003_Issues/jfp1103-art8.cfm)  
<sup>14</sup> Community Foundations of America (<http://www.cfamerica.org/page15619.cfm>)  
<sup>15</sup> Baltimore Giving Project, 2003  
<sup>16</sup> SVPI (<http://www.svpi.org/About/OurHistory.asp>)  
<sup>17</sup> Network for Good, 2004 <http://www.networkforgood.org/about/press/pressreleases/2004/02-09.aspx>

assets, and are located in almost every region and/or state in the country. In 2002, community foundations gave approximately \$2.5 billion to a wide variety of nonprofit activities – urban affairs, the arts, education, environmental projects, health and disaster relief<sup>18</sup>. The figures reflect a six-fold increase in community foundation assets and giving since 1988<sup>19</sup>.

In the New Ventures initiative, 41 coalitions of organizations and community leaders have grown philanthropy in ways appropriate to their distinct geographic and demographic characteristics. They have leveraged a national investment of \$14 million into more than \$570 million in endowed community assets<sup>20</sup>.

**A philanthropic infrastructure is emerging to support donors.** Infrastructure, both organizational and virtual, has grown up in concert with the growth of giving. Thirty formal regional associations of grantmakers are supplemented by more than 250 informal geographical networks of grantmakers and more than 40 affinity groups of grantmakers<sup>21</sup>. Networks are proliferating at an increasing rate: the 1990s saw the founding of twice as many new networks as were founded during the 1980s<sup>22</sup>.

There is also a rapidly growing electronic infrastructure representing both commercial and nonprofit players. Sites such as Network for Good and [GlobalGiving.com](http://GlobalGiving.com) connect donors directly to specific projects or direct them to organizations that match their interest profile. Yahoo! has a directory of more than 20 such sites. Web-based services such as [Guidestar](http://Guidestar) and [Give.org](http://Give.org) from the Better Business Bureau also offer tips and advice on screening possible charities.

The growth of Social Venture Partners, organizations like Resource Generation and More than Money, and the proliferation of giving circles, represent the start of an infrastructure for individual donors. And, New Ventures in Philanthropy is a nation-wide initiative to connect and support all these players.

**The intergenerational transfer of wealth will create significant future increases in philanthropic assets.** The intergenerational transfer of wealth over the next 50 years is reckoned to amount to more than \$41 trillion changing hands. Conservative estimates assume that more than \$6 trillion will be donated immediately, with the bulk of the assets transferred to the next generation.

Even at current levels of wealth, there is evidence that we could give more. According to a study by New Tithing Group, wealthy givers, those with more than \$100,000 in income, could have afforded to give an additional \$107 billion last year without changing their standard of living<sup>23</sup>.

***Most of this wealth is not, as one might suspect, held in portfolios of stocks, bonds, mutual funds, options, and other financial instruments. In fact, more than half the wealth, about \$22 trillion in total, is held in non-financial assets, such as houses, land, farms, vehicles, and personally-owned businesses.***

Source – Community Foundations of America Wealth Transfer Reports

<sup>18</sup> Council on Foundations: <http://www.cof.org/Content/General/Display.cfm?contentID=675>

<sup>19</sup> Foundation Center: Philanthropy News Digest, 2002

<sup>20</sup> Harder&Company Community Research, *A Retrospective - The New Ventures Experience*

<sup>21</sup> *Philanthropic Connections: Mapping the Landscape of US Funder Networks*, Blueprint R&D

<sup>22</sup> *Funder Networks in Action: Understanding Their Potential for Philanthropy*, LaFrance Associates

<sup>23</sup> <http://www.newtithing.org/>