The 2014 U.S. Trust® Study of High Net Worth Philanthropy

Conducted in partnership with The Lilly Family School of Philanthropy at Indiana University

Insights into the motivations, priorities and strategies of wealthy donors

GIVING LEVELS UP AND THE FUTURE LOOKS BRIGHT

The wealthy are leaders in philanthropy. Nearly all (98%) high-net-worth households donated to charity in 2013—the highest rate of giving since the study began in 2006. Comparatively, only 65% of the general population donates to charity.

- Wealthy donors have increased their giving dollars: The average dollar amount given to charity by wealthy donors increased to $68,580 in 2013, a 28% increase from 2011 when the average was $53,519. This confirms the results of our 2012 study, in which 24% of wealthy donors planned to increase their giving in the coming years.

- Average giving by HNW households rose with wealth levels: Households with more than $5 million in assets gave more than $166,000 on average. That’s more than six times as much as households with assets between $1 million and $4,999,999, which gave an average of roughly $25,000. These giving levels were up from $117,000 and $18,000, respectively, in 2011.

- An optimistic view of the future of giving: The study found that 85% of wealthy donors plan to give as much (50%) or more (35%) in the next three to five years—up from 76% who said they had planned to give as much (52%) or more (24%) when asked in 2012. When asked why, they cited an anticipated “increased financial capacity” (85%) and the “perceived need of the nonprofits or causes” they support (48%). Fewer plan to give less (9% in 2012 compared to just 6% in 2014).

VOLUNTEERS GIVING MORE

Volunteerism is strongly correlated with higher giving levels, and increasingly so. Wealthy donors who volunteered in 2013 gave 73% more on average than those who did not volunteer ($76,572 compared to $44,137). The report also found that giving among wealthy donors who volunteer increased 23% on average from 2009 ($62,302) to 2013 ($76,572).

- Wealthy donors give their time: Among wealthy donors who volunteered in 2013 (75%), 59% volunteered more than 100 hours, while 34% spent more than 200 hours doing volunteer work. Forty-two percent gave their time to three or more organizations, 32% to two organizations and 26% volunteered with one organization.

- Inspiration to volunteer: In 2013, a direct request from a nonprofit organization inspired the highest proportion of wealthy individuals to volunteer (50%), while just 18% approached nonprofits about volunteering. This is a reversal of 2011 trends, in which more wealthy individuals reported becoming a volunteer through their own initiative (43%) rather than by being asked (31%).
EXECUTIVE SUMMARY

EDUCATION SECTOR CAPTURES HEARTS AND WALLETS

In 2013, 85% of wealthy households gave to educational institutions and causes. A closer look reveals that 73% gave to higher education and 60% donated to K-12 education.

- Education also received the largest share of dollars: Among all charitable subsectors, the largest share (27%) went to education. Wealthy donors gave more to education than to religious, environmental, arts, basic needs and international causes combined.

- The average size of HNW gifts to education is on the rise: Average gift amounts from wealthy donors to education grew 21% from 2011 to 2013. Another cause that attracted increased gifts from the wealthy was religious organizations (up 25%). Charitable subsectors that experienced a significant decline in average gift amounts included international (-40%), health (-29%) and basic needs (-21%).

- Education is a key policy priority: When asked what policy issues mattered most to them, regardless of the causes they support philanthropically, more than half of wealthy donors (56%) cited education. Other top priorities were poverty (35%), health care (34%) and the environment (28%).

MOTIVATIONS, EXPECTATIONS AND PERCEPTIONS

Altruism, not tax deductions, drives HNW philanthropy. In 2013, wealthy individuals included believing their gift can make a difference (74%) and giving back to their community (63%) among their top motivators for giving. Wealthy donors also displayed loyalty and commitment, indicating that supporting the same causes annually (66%) was another key reason for giving. Personal satisfaction was a motivator for nearly three-quarters (73%) of respondents. Only 34% of HNW donors included tax advantages among their chief motivators for giving. In fact, 50% reported that they would maintain or increase their current giving levels even if income tax deductions for donations were eliminated.

- Wealthy donors have clear expectations for nonprofits: Eighty-one percent expect the nonprofits they support to spend an appropriate amount of their donation on general administration and fundraising, and 80% want the charity to demonstrate sound business and operational practices. Donors also expect nonprofits to honor their request for privacy and anonymity (78%) and to not distribute their name to others (74%).

- Why wealthy donors stop giving: When asked why they stopped giving to a charity they previously supported, the top reasons wealthy donors cited are receiving solicitations too frequently or being asked for an inappropriate amount (42%); the donor personally changed philanthropic focus or decided to support other causes (35%); the organization was not effective (18%); and the nonprofit they supported changed leadership or activities (16%).

- Government funding does not have a significant impact: Regardless of government funding of nonprofits, most wealthy donors would remain loyal to the organizations that have already won their support. In fact, in the event government decreased funding for an organization that a wealthy household currently supports, nearly one-third (32%) of respondents would increase their charitable contributions. Meanwhile, in response to an increase in government support, only 12% would decrease their support, while 5% would increase their donation to that organization.

DONORS GIVE STRATEGICALLY

The majority of HNW donors (73%) have a specific strategy in place to guide their charitable giving. And a full 93% of wealthy donors focus their philanthropic efforts on a targeted set of causes or geographic areas. Only 7% give with no particular focus.

WEALTHY DONORS’ USE OF GIVING VEHICLES INCREASES

For most HNW households, the primary source of their 2013 giving was their own personal assets and income (83%). However, a growing number (57%) of wealthy donors use or plan to use a charitable trust, private foundation or donor-advised fund to make their gifts. In fact, these giving vehicles received 28% of charitable dollars in 2013, up from 23% in 2011.

- Donor-advised funds are the most popular giving vehicle: The study found that wealthy donors are favoring donor-advised funds, with 16% of donors giving to a donor-advised fund in 2013. Eight percent donated to a private foundation and 4% gave to a charitable trust.

- Online giving has grown dramatically: During the last decade, the percentage of wealthy donors who gave online increased from 15% to 50% (comparison of behaviors from 2004–2007 and 2010–2013).

- Wealthy donors are aware of additional tools to make a difference: HNW households are looking beyond donations to advance their social or charitable goals. A full 84% of wealthy donors are aware of socially responsible investing, social impact bonds or mission-related investing. Awareness has not yet been translated into action, however. Currently only 13% of wealthy donors use these tools.
KNOWLEDGEABLE AND ENGAGED DONORS GIVE MORE AND ENJOY GREATER FULFILLMENT

The more that wealthy donors know about giving, the more likely they are to achieve personal fulfillment from their philanthropic pursuits. HNW respondents who rate themselves as “expert” or “knowledgeable” in charitable giving are more likely to monitor their charitable gifts, consult with a professional advisor and have or plan to use a giving vehicle. Self-described “experts” also gave significantly higher amounts to charity in 2013.

<table>
<thead>
<tr>
<th></th>
<th>Expert (14%)</th>
<th>Knowledgeable (72%)</th>
<th>Novice (14%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitor giving</td>
<td>78%</td>
<td>53%</td>
<td>29%</td>
</tr>
<tr>
<td>Confidence in the impact of their giving</td>
<td>84%</td>
<td>60%</td>
<td>43%</td>
</tr>
<tr>
<td>Consult with an advisor</td>
<td>61%</td>
<td>46%</td>
<td>26%</td>
</tr>
<tr>
<td>Have or plan to use a giving vehicle</td>
<td>78%</td>
<td>57%</td>
<td>30%</td>
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<tr>
<td>Achieving personal fulfillment through their charitable giving</td>
<td>89%</td>
<td>75%</td>
<td>47%</td>
</tr>
<tr>
<td>Total amount of giving in 2013</td>
<td>$150,229</td>
<td>$64,599</td>
<td>$19,013</td>
</tr>
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• Donors who monitor their giving tended to give more: Slightly more than half of HNW donors (53%) monitored or evaluated the impact of their charitable giving. Those who monitored donated a higher total amount (nearly $105,000) in 2013, compared with those who did not monitor ($28,000).

• How wealthy donors monitor their giving: Among those who monitor the impact of their giving, most do so by directly engaging with the nonprofit organization (80%). Almost as many use information put forth by nonprofit organizations (44%), such as annual reports, as do those who use third-party nonprofit ratings services (46%), such as Charity Navigator and GuideStar.

• Sources of philanthropic advice for wealthy donors: Among HNW households who consulted with an advisor about their giving, the highest proportions consulted with nonprofit personnel (49%), a financial or wealth advisor (46%) or an accountant (45%).

• Advisor consultation associated with use of giving vehicles: Those who consulted with an advisor were more likely to have or plan to use a giving vehicle (77%) in 2013, compared to those who did not consult with an advisor (39%).

• Those who consulted with advisors gave more: Wealthy donors who sought advice gave a higher total amount (nearly $97,000) than those who did not consult with an advisor ($47,531).

• Greater fulfillment associated with greater giving: Knowledgeable and expert givers were more likely to derive greater personal fulfillment from their charitable giving. Those who reported personal fulfillment donated a higher total amount ($80,516) than those who reported a neutral opinion ($31,385) or lack of fulfillment ($15,093).

FAMILY TRADITIONS AND DECISION-MAKING

Philanthropy is a family affair for many HNW households. Of married or partnered HNW couples, 61% work together to make decisions about their giving, compared with 53% in 2011.

• Women more likely to be sole decision-makers: Among heterosexual married/partnered households, nearly three times as many women (20%) as men (7%) are the sole decision-makers.

• Creating a culture of giving: Forty-one percent of wealthy families have well-established giving traditions. Many of them make it a priority to volunteer as a family or donate to charities during the holidays.

• Teaching the next generation: When it comes to imparting philanthropic values to children in wealthy families, the leading sources are the family’s personal efforts and those of their friends and peers (55%). HNW families also rely on religious organizations (44%) and nonprofit organizations (24%) to teach the next generation about giving.

IMPACT OF TAX INCENTIVES AND POLICIES ON GIVING

Tax considerations play less of a role in whether HNW donors give than in when and how they do so.

• Wealthy donors would give regardless of estate tax and income tax deductions: Almost all HNW givers (96%) would maintain or increase gifts through their will even if the estate tax were permanently eliminated. By a larger percentage than in any year since the beginning of the survey series, half (49%) of HNW households reported that they would increase the amount they would leave to charity in their estate plan if the estate tax were permanently eliminated, including 18% who would dramatically increase their giving.

With respect to the income tax deduction, only one-third (34%) of donors cited tax advantages among their chief motivations for giving. And half (50%) would maintain or increase their giving even if income tax deductions for donations were eliminated.
EXECUTIVE SUMMARY

• Donors do not want to see a cap on charitable deductions: Three-quarters (74%) of wealthy donors oppose placing a cap on charitable tax deductions in order to reduce the federal budget deficit. Only 10% of HNW donors favor a cap.

• Little difference in the importance of various tax deductions: When asked to rank the importance of tax deductions to themselves and to society, HNW donors were somewhat evenly split between mortgage interest (31% and 30%, respectively), charitable deductions (both 28%) and health care expenses (23% and 20%, respectively).

WEALTHY DONORS HAVE MORE CONFIDENCE IN NONPROFITS THAN IN GOVERNMENT

When it comes to resolving domestic and global issues, wealthy donors express the most confidence in nonprofit organizations (92%) and individuals (91%). Fewer — and in many cases, far fewer — have faith in the ability of the federal government (54%), state or local government (61%), Congress (25%), large corporations (58%) or religious institutions (73%).

ABOUT THE STUDY

The 2014 U.S. Trust Study of High Net Worth Philanthropy examines giving behaviors and attitudes among wealthy American households. Since 2006, this biennial study has been produced in partnership with the Indiana University Lilly Family School of Philanthropy. The largest, longest-running series of its kind, the study is an important barometer of the charitable engagement and views of high-net-worth donors.

To access the full 2014 U.S. Trust Study of High Net Worth Philanthropy, visit www.ustrust.com/philanthropy.

METHODOLOGY

This study represents a comprehensive analysis of data gathered from a 15-page survey randomly distributed to 20,000 households in high-net-worth areas of the U.S. The latest in this series of studies builds on those completed in 2006, 2008, 2010 and 2012, with the full report once again researched and written in partnership with the Lilly Family School of Philanthropy at Indiana University. Results are based on a nationwide sample of more than 630 households with a net worth of $1 million or more (excluding the value of their primary residence) and/or an annual household income of $200,000 or more. Conducted between April and September 2014, the survey asked respondents about charitable giving and volunteering behaviors and attitudes for the year 2013.

ABOUT INSTITUTIONAL INVESTMENTS & PHILANTHROPIC SOLUTIONS

Institutional Investments & Philanthropic Solutions (II&PS) is dedicated to the philanthropic and nonprofit communities. We put our strengths and resources behind every mission — be it a nonprofit organization or a philanthropic individual or family. II&PS provides specialized advisory, administrative and investment solutions to both nonprofit organizations and private philanthropic clients that help transform their charitable goals into meaningful action. We tailor mission-focused solutions and offer ongoing advice and guidance through a close working relationship with a dedicated advisor, helping organizations and individuals turn missions into milestones.

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