

What do the next generation of major donors want?

Amy Clarke, Ben Eyre, Sharna Goldseker and Michael Moody

We hear a lot about ‘next gen donors’ and how they will change philanthropy and social investment. But what we hear is not always consistent, nor is it based on systematic data gathered directly from the next gen donors themselves. Two recent studies of this crucial group help to give us a more informed picture of who these new donors are and what they want from their philanthropy.



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Some worry that the rising cohort of major donors – those now in their twenties and thirties – will be free-wheeling, free-spending global jetsetters, crushed by the weight of the trillions in wealth predicted to transfer to their hands in the next half century, and prone to rash investments in flashy but ineffective social ventures. Others worry that these new philanthropists will neglect traditional causes in favour of whatever their friends are talking about on social media. Or worse that they will ‘engage’ as donors solely by clicking the ‘Like’ and ‘Give’ buttons on a website.

What everyone agrees on is that these next gen donors have the potential to be the most significant philanthropists in history, given the size of the assets they will be able to contribute, and the pace of innovation in the social sector. No one doubts the importance of knowing more about what they want.

The major donors we studied are in a crucial stage of developing their philanthropic identities, which will in turn shape global giving and social investment for decades to come. While our two studies were not connected, and while they gathered data from different populations, we arrived at many similar and somewhat surprising conclusions. For the most part, these rising donors are thoughtful about giving, and want to be personally engaged in their philanthropy. They want to be taken seriously as strategic donors looking to make a significant impact, often in collaboration with members of their networks. But there were also some differences in our findings that raise new questions about the next generation.

Impact-focused and looking for new strategies

Impact measurement has been moving up the philanthropy agenda for years, yet our two studies confirm that the focus on measuring the tangible difference giving makes is going to be even more critical for these next gen donors than for previous generations. They want to innovate new strategies to maximize this impact.

In the *Future Stars* global survey, 52 per cent of respondents under 30 said ‘I want to make a tangible difference and impact’ when asked ‘what type of giver are you?’ compared to 43 per cent of those over 45. Similarly, the *NextGenDonors* survey respondents, when asked which elements of philanthropic strategy were important, rated ‘conduct due diligence’, ‘address root causes’ and seeing evidence of ‘proven effectiveness and measurable impact’ as among the top five.

One of the *NextGenDonors* respondents cited this as a generational difference:

The Future Stars of Philanthropy

Released in 2012, *The Future Stars of Philanthropy* is the first report in the Future of Philanthropy series from the Charities Aid Foundation (CAF). Based on data from the Scorpio Futurewealth project, *Future Stars* analyses survey responses from 1,428 wealthy individuals under 30 and over 45 from across North America, Europe and Asia-Pacific countries.

www.cafonline.org/my-personal-giving/long-term-giving/future-of-philanthropy/future-stars-of-philanthropy.aspx

NextGenDonors: Respecting legacy, revolutionizing philanthropy

Released in early 2013, the *NextGenDonors* report is a joint project of the Johnson Center for Philanthropy at Grand Valley State University and 21/64, a non-profit consulting practice specializing in multigenerational engagement in philanthropy and family enterprise. The data for *NextGenDonors* came from a survey of 310 high-capacity (either their own or their family’s capacity) 21–40-year-old donors in the US, along with 30 in-depth interviews.

www.nextgendonors.org

What do the next generation of major donors want?

'I believe my parents give much more for the "feel good" feeling that comes along with giving, whereas I am dead-set on maximizing the impact of my philanthropic dollars.'

Having bought into the measurement idea at a young age, it seems that next gen donors aim to bring about sustained gains for society through more impact-focused giving.

Achieving an impact through asset allocation – in addition to giving – seems to be very appealing to next gen donors as well. Interest in impact investing is growing as next gen donors yearn to achieve more with their philanthropic capital. One US donor commented:

'My generation doesn't think you need to sacrifice positive social impact for earning money. Those two things don't just coexist together but are actually inherently aligned and that is actually the way the world should work, that I should be adding both social value and financial value to me and everyone else.'

We found that interest in other new innovations – such as social enterprise, entrepreneurial social ventures and collaborative vehicles – is also growing among the next generation. It seems that they want to use every tool in the philanthropic toolbox, even the risky ones, to achieve greater impact.

What causes are they interested in?

What about the causes on which these next gen donors want to make this impact? Are these the same as for previous generations, or for donors around the globe?

Our two surveys found that while many of the causes are the same across generations – for example, education and basic needs – there are some important differences. The next generation is relatively more interested in giving to environmental or economic inequality causes, and less interested than older generations in religion, health, youth/children and the arts. The global sample of young donors in the *Future Stars* study also show a greater interest in global issues than the US donors in the *NextGenDonors* report. The US donors were relatively more focused on engagement with problems closer to home.

Hands-on and looking to add value

But the next generation differs most in *how* they want to approach their giving. They are focused on creating impact, and doing so using new kinds of strategies and innovations. They want to change how major donors

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engage in their philanthropy. Our two studies highlighted the growing demand by next gen donors to 'connect' more with their giving activities. They want philanthropy to be an intense, 'need-to-have' lifestyle choice, not an occasional, 'nice-to-have' add-on activity. In their responses, we heard that philanthropy should be hands-on, more than writing a cheque. It should make a meaningful contribution through close engagement with people and organizations.

One young donor, quoted in the *Future Stars* report, focused on philanthropy at the beginning of her entrepreneurial career:

'When I started the business, I knew I wanted to have a charity aspect to it. I had always worked in fashion, but I wondered if I could do more. Fashion is light-hearted, fun and beautiful, but I wanted an element in the business that kept me grounded and made sure I didn't forget about the real needs of people.'

Other under-30 respondents to the *Future Stars* survey said that they want personal involvement with causes about which they care deeply. Under-30s were twice as likely as those over 45 (33 per cent vs 16 per cent) to say this.

Donors interviewed for the *NextGenDonors* report echoed this interest in making philanthropy 'not only something that we give financially' but something 'that permeates our everyday life, that we give of our time, of our intellect'.

EXIT SIGNS?

While the two studies clearly found a similar interest among next gen donors – both US and non-US – in being closely engaged in giving time and talent as well as money, there was a notable difference in the findings of the two studies around the question of when this engagement should end.

The *Future Stars* report, as well as CAF's own work with the next generation of major global donors, suggests that many of these donors are driven by the desire to affect change in their close organizational partners and then *exit* wisely. They consider carefully how they can exit the organization with the confidence that any 'gap' can be filled easily and effectively. They are interested in the health of the organization pre-, during and post-engagement.

By contrast, the US donors in the *NextGenDonors* report did not report this same interest in finding a way to effectively end their engagements. They see great benefit to a long-term relationship, and once they develop a close relationship with an organization they believe in, they want to stick around and continue this relationship, so long as their engagement remains meaningful and the organization continues to create real impact.

This subtle but important difference in our findings suggests a theme for future research on this all-important group of rising donors.

Comment

Felipe Custer



Felipe Custer with his wife Carla and son Kai. The placard reads: 'Without the environment there is no future.'

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Clearly, the way we give and invest is changing. This article highlights some of the key aspects of this change, and I see many of my views reflected in these trends. Engagement and collaboration are core concepts in my perception of philanthropy. Although many of my views are mirrored in the article, I would put a far greater emphasis on the inclusion of children and youth in our strategy.

Most of the trends mentioned point at a more general trend in the field of 'love for humanity': an evolution towards a more sustainable form of giving. Shared knowledge and hands-on effort, combined with persistence (here I identify with the donors interviewed for the *NextGenDonors* report, who plan to stick around rather than to 'exit wisely' – I'm 33 and US-born, so it's a profile that more or less fits my own), are all likely to support long-term success and greater impact. Establishing metrics to gauge impact is a key factor in a project's sustainability, as is the flexibility and adaptability to embrace new strategies. All of these trends make good sense and they define an approach that I seek to emulate.

Indeed, it's all about a more strategic approach in order to maximize impact. We need change and we need it fast. We also need that change to last. We've seen plenty of examples of quick fixes that end up creating larger problems, but to change this trend we have to consider key elements of our target audience.

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For me, a central part of an effective, long-term strategy in almost every field that is relevant is the inclusion of children and youth. The article describes trends regarding areas of interest, stating that the next generation is relatively more interested in environmental causes than in health and youth/children. I disagree. We need to include young people in our strategy

to make progress on environmental issues. Anything different would show a lack of foresight. In addition, the well-being of our environmental ecosystems is intimately tied to human health, and these issues should all be considered deeply interrelated.

Our generation faces some of the greatest challenges to date. The well-being of our planet is absolutely paramount. To achieve that, however, we need not only to be more involved, collaborative, adaptive and persistent; we also need to understand where synergies exist and how they play into a smarter form of giving.

These rising young donors choose to engage in two ways. First, they want to actively partner with their NGO of choice to help shape and deliver the projects they support. They want to see their contributions at work and to have the assurance that those funds will be leveraged to their fullest extent. Another US donor interviewed for the *NextGenDonors* report said this was a difference in his style of philanthropy compared to older members of his family, noting:

'I am more of a mile-wide, hundred-mile-deep guy where you just get to know everybody very well, you have a very close relationship, you really believe in the organization, and your money makes a big impact on that organization.'

Second, next gen donors want to invest not just their money, but also their time, talents and skills to help shape the future growth and sustainability of the

organizations they support. They want to roll up their sleeves, open their toolbox of skills, and help solve problems. They want to travel to where the organizations they support are working on the ground to see tangible change. This hands-on orientation was a key finding in both of our reports and it presents a vital and positive opportunity for family, advisers and NGO leaders who seek to engage next gen donors to build a relationship of working *with* one another instead of *for* one another.

Influenced by family . . .

As we did, readers might initially assume that Gen X and Y donors would be most influenced in their giving by Twitter and Facebook. But both of our studies show, instead, that 'old school' channels of information play a bigger role for next gen donors than we expected. ▶

What do the next generation of major donors want?

The most widely cited influence on the philanthropy of donors in the *NextGenDonors* survey was parents (89 per cent), followed by grandparents (63 per cent), close friends (55 per cent), and peers (47 per cent). Similarly, in the Future Stars survey, donors under 30 were more likely to turn to family members, peers and giving circles for information on philanthropy than were their counterparts over 45, who were more likely to consult accountants.

Both studies found parents and older family members were eager to involve the next generation in philanthropy at an early age. Over 40 per cent of the US donors in the *NextGenDonors* study said they first became actively involved in their family's philanthropy before the age of 21. Both studies also found that, despite this strong early influence of families, next gen donors tend to want to emerge from under their parents' philanthropic wing. One US donor

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said first, 'my family has taught me everything I know about giving', and then quickly clarified, 'I approach it very differently and, of course, bring different things to the table as a young person with a fresh perspective.'

... and looking for peers

In short, where next gen donors are now is not where they want to be, or where they think they will be in the future. They seem predisposed to embrace opportunities to learn and are especially attracted by opportunities for peer learning. Whether from situations of inherited philanthropic opportunity or earned wealth, both studies found a keen interest among the next generation in collaborative peer giving vehicles. They want to leverage their peer networks to, again, create greater impact.

One young donor from the UK considers this peer orientation to be a hallmark of her generation. 'The community aspect is so key to me. I think that was lost in the last generation. I am always looking to put people back in touch with each other.' A US donor from the *NextGenDonors* study concurs: '[Giving] is so much

Comment

Ayşecan Özyeğin Oktay



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This is an incredibly exciting time to be involved in philanthropy. Not only is the field extraordinarily dynamic but, as these two studies show, there is so much to learn, with readily accessible new information emerging almost daily. Similar to the donors surveyed, I have been involved in my family's philanthropic work from a very early age, and much influenced by my parents.

My parents have been very hands-on in their philanthropy, taking a deep interest in the organizations they set up – similar to the next gen donors described in the article. I would see myself as continuing this practice as I believe that without personal involvement it is difficult to assess the challenges faced – or the success. My business background has enabled me to analyse the work I am involved in and to bring a more results-oriented approach – though not, I hope, at the expense of losing the social change dimension which for me is really the bottom line.

I also believe that, as with any organization or work, philanthropy can only be as successful as the people involved, which is why I believe that professional management, of the same quality and standards as we would expect in our business ventures, is critical.

What struck me as I read this article is how diverse the context for next gen donors is. Strategizing on

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and practising philanthropy is very different for the next generation in countries with a long history of institutionalized giving as opposed to emerging economies where we have yet to move on from traditional charity. In emerging economies like Turkey the sustainability of philanthropic ventures is a key issue, and I believe the new generation has a responsibility to ensure the successful legacies of their families, who are often the makers of the fortune. Too often we find that new generations do not share the interests of previous generations or they set up their own institutions and neglect those that are already established. If these older institutions do not have secure endowments they may start to fail.

I would hope that as a next gen donor I can strike the right balance between sustaining and furthering the successful work of my parents and creating my own innovations.

better when there are 20 other people around the table.’

Looking to the future

The days of Dickensian charity might finally have passed. The new donors coming of age now will be working in a very different philanthropic landscape, even if some of the scenery is familiar.

It is exciting to see the potential for next gen donors to redefine how societies around the globe deal with the issues they face. Next gen donors don’t want to outsource delivery of social solutions; they want to be part of the solution and they are willing to bring the resources of their families, friends, peers and workplaces, as well as their skills and their time, to bear as they engage closely with the organizations they believe in.

They want impact. They want engagement. They want to be closely connected to the organizations they support and to their peers. They want to be taken seriously as donors.

There are many questions still to be answered about this group with outsized philanthropic potential. What about emerging donors in other parts of the globe such as Africa or Latin America? How might wealth creators differ from inheritors? How much do certain experiences with philanthropy matter? How will the next generation react to unintended failures or frustrations in their philanthropy? Will the preferences we found now change as Gen X and Y donors age?

Hopefully our two studies provide useful initial insights into what next gen donors want, and how these generations want to go about giving what, by all accounts, is an unprecedented amount of philanthropic resources.

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Comment Joana Lee Ribeiro Mortari



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I remember being dragged to a Council of Foundations conference a few years ago and feeling like a complete alien. In three days I found out about the existence of community foundations, only to discover gladly, later on, that Brazil actually has a few. It was the first time I had heard about impact investment, and to my delight it was surprisingly fitting with my beliefs. A friend of mine founded the first impact investment fund in Brazil – and to this day I have not been able to convince my family to invest a penny in it.

It was also the first time I heard of 21/64 and actually met some of its members, and that really struck me as amazingly far from my reality. Up to 2006, when I started my career in the not-for profit-sector, I did not have a single friend who volunteered or donated. If they did, they hid it from the world. In Brazil, volunteering and donating are not cultural values.

After a few years in the field I was, however, able to find incredible people doing wonderful work and yes, I can see myself and many of my friends really enthusiastic about personally engaging ourselves in our philanthropy and taking it very seriously and being very results driven. To many of us it is not a question of helping the less fortunate but a real effort to bring about change.

One thing that is really noticeable in Brazil, which is not mentioned in the article, is the lack of trust. The

consequence is that major donors prefer to operate their own philanthropic programmes rather than to invest in others. While none of my friends have taken their family philanthropy and changed it into a grantmaking foundation, I have noticed that next gens are more aware of the need to strengthen NGOs institutionally and are putting together foundations focused on this.

As to social enterprises, I am glad to report that they are rapidly gaining space in Brazil, microcredit leading the way. I went to a talk by Muhammad Yunus earlier this year, as

crowded and diverse as a good soccer final. The event was organized by the next gens section of a prominent Brazilian business federation, whose idea of social investment seems to be mainly to teach poor youth to do technical work for the industry, so the event shed some light into the tunnel.

In sum, although I could find some similarities, I would not reach the same conclusions as the article. It looks to me that we are in a much earlier stage of development in Brazil.

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