What's a Donor to Do?

The State of Donor Resources in America Today

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August, 2000
(rev. Nov. 6, 2000)

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Hard copies available from TPI $10.00/each

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Executive Summary

The opportunity to launch the next golden age in philanthropy is upon us. The recent, unprecedented creation of wealth augurs well for society, especially if a healthy percentage of that wealth can be converted into social capital.

America today is home to more than five million millionaires and 350,000 deca-millionaires. The aging of the baby boom generation and its increased interest in a search for meaning are healthy omens for the new philanthropy. Creative new technologies and an intensely entrepreneurial culture are generating a wide variety of ideas and energies, not just in business but in the philanthropic sector as well.

Despite all of this energy and opportunity, most wealthy individuals are just beginning their philanthropic voyage. The vast majority is practicing checkbook philanthropy. The critical opportunity and challenge is to engage and support them so that philanthropy becomes an integral part of their lives and legacies.

This report was commissioned by a group of the nation’s largest, established foundations that are interested in (1) encouraging the newly wealthy to become actively involved in philanthropy, (2) ensuring that new and emerging donors are well supported in their philanthropic journeys, and (3) learning from and working with the new generation of donors, many of whom are bringing innovative perspectives, ideas and approaches to their philanthropy.

"What’s a Donor to Do?” is an analysis of the state of donor resources in America today. The information on which it is based was gathered from both primary and secondary resources, both among donors and service providers. Throughout the report we define donor resources broadly – as a wide range of services and information that influence, engage, support and educate new donors, both directly and indirectly.

Evolution of the Donor

The report is structured around the stages of a donor’s evolution and growth – beginning the journey as a passive, largely uninformed giver, and progressing up the philanthropic curve to become an energetic, high-impact donor. We conceive this developmental growth in three stages.

<u>Stage 1 - Dormant but Receptive</u> - This donor is willing to make gifts if asked, but is basically passive; philanthropy is not a big part of his/her life. Most new and emerging donors or would-be-donors fall into this category.

Stage 2 - Engaged, Getting Organized - This donor is more connected to giving and may have established a management vehicle, e.g., a donor advised fund or even a foundation. Most such donors are not yet thinking strategically, and they are only beginning to be pro-active. While considerably fewer in numbers than Stage 1 donors, this group is growing quickly.

Stage 3 - Committed, Becomes a Learner - Philanthropy has become a major part of this donor's life and; s/he is committed to making a difference. This donor is an active learner and her giving is the closest analog to professional philanthropy.

The premise of this report is that there is considerable potential to help donors move up the philanthropic curve, to become more engaged, strategic, and focused on high-impact giving. In TPI's view, the following information and services are those that most new and emerging donors will need at some point in their philanthropic voyage.

- *Stimulation to become philanthropic* – Inspiration, through personal experience, peer influence, and role models, as well as support to overcome the impediments to giving.

- *Getting started* – Advice and information for moving forward, including identification of the key questions, referral to major resources, tax and financial planning, and exploration of the "soft" issues of legacy and meaning.

- *Management, administration and technology* – Vehicles, tools and systems for managing giving.

- *Strategic planning* – Identifying philanthropic values, passions and goals, augmented by the development of a strategic perspective for giving.

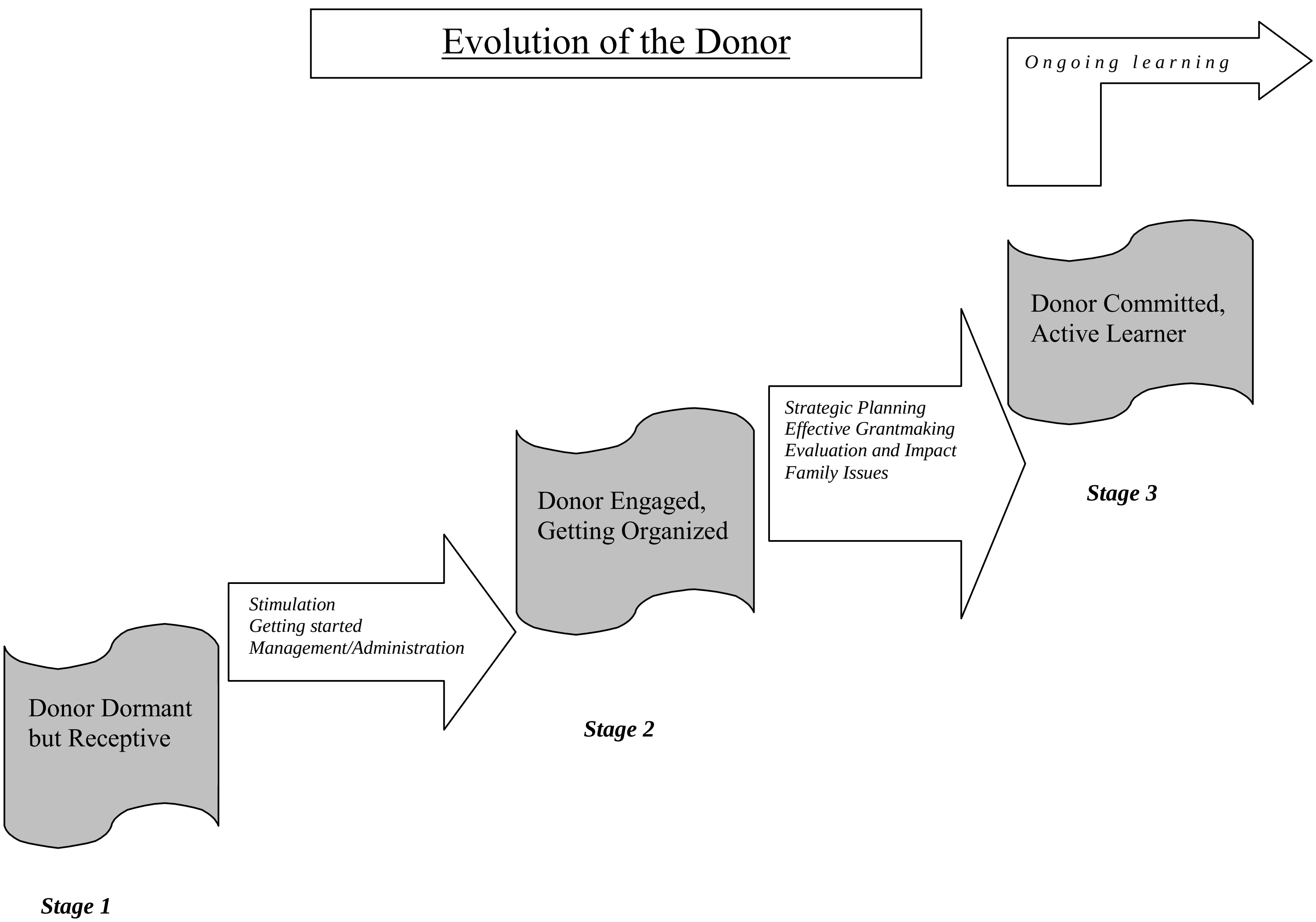
- *Effective grantmaking* – Education and experience in designing effective grants and making them to worthwhile organizations.

- *Evaluation and impact* – Confidence that one's giving is making a difference, acquired through guidance on evaluation frameworks, processes and tools.

- *Family issues* – Processes and support for developing a shared family vision about philanthropy, finding satisfying ways of working together, succession planning.

- *Support for lifelong learning* – Ongoing opportunities to learn, grow, and enhance philanthropic skills and engagement.

Most donors will continue to have at least some of these learning/resource needs for the duration of their philanthropic lives. However, we believe there are points in the donor's development at which certain needs assume greater importance than at others. Meeting those needs in timely and effective ways can assist the donor in migrating from one stage to the next. The diagram on the following page illustrates this dynamic.



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Engaging new and emerging donors, however, is not a cookie-cutter process. Donors come at the world of giving with a wide range of backgrounds, experiences, personalities, perspectives and influences. Some will move rapidly up the curve because of or even despite these factors; others will need a great deal of encouragement and support.

Donor Resources

The quantity and variety of donor resources is increasing, but their availability is too often random and ad hoc. There are a growing number of for-profit organizations – so-called "mixed motive" players – that provide philanthropic information, advice and services. Many of these groups have significant capital as well as sophisticated marketing skills. They represent a means to reach large numbers of potential donors who might otherwise go unnoticed. Still, their entry into a market that previously had been "owned" by organized philanthropy, while a presumptively positive development, raises questions that include potential conflict-of-interest.

Even as we write, information access and virtual communities are changing the prevailing paradigms in philanthropy. Many of these developments are still inchoate and largely untested. Issues of quality control loom large. And the marketplace, both real and virtual, is still working things out.

Nowhere is philanthropy's transformation more visible than in the new language, and in the wide variety of new investment models that include venture philanthropy and "community asset building." New models, mechanisms and hybrid intermediaries abound. Many of them represent a reinvention/expansion of old models, such as giving circles, a variation on an old theme of collaborative giving.

The major new sources of influence, delivery systems, and venues to help the new and emerging donor include the following:

<u>Stage 1 Donors – Dormant but Receptive</u>

- *Advisors* cast the broadest net across society's wealth spectrum. In the main, advisors to the wealthy are under-informed about philanthropy. Donors say that many or most advisors focus too much on technical giving vehicles and tax reduction, too little on the values that motivate giving.

- *Fundraisers* are often seen as the front-line donor educators, the best of whom can help donors think holistically about their philanthropic goals and plans. The reality, however, is that there is an acute shortage of experienced development professionals and the time they have available to devote to efforts beyond the boundaries of their own institutions is severely limited.

- *The major fundraising intermediaries,* United Ways, Jewish Federations, and Catholic Charities, are collectively the largest delivery systems of information and advice. While that advice is also primarily organization-centric, it has the potential to become more donor-service oriented.

- A number of *social/business groups & networks* are demonstrating increased interest in philanthropy, supporting their members in the move from "success to significance" in the donor’s life. Traditional business organizations like WPO and Business Roundtables, and new organizations like the Committee to Encourage Corporate Philanthropy, have access to much of the new and emerging wealth, as well as considerable credibility with their constituencies.

- A wide range of opportunities to communicate and stimulate philanthropy through *media and public education* exists through, e.g., the Council on Foundation’s renewed emphasis on communication; innovative programs funded by New Ventures in Philanthropy; and new, inventive approaches such as the Catalogues for Philanthropy.

<u>Stage 2 Donors – Engaged and Getting Organized</u>

- *Community foundations* represent the traditional medium for new donors who wish to organize their giving in a tax-efficient and convenient way and/or connect more closely with community needs. While some community foundations have become serious about educating their donors, many more lack the capacity – capital and focus – to invest substantially in needed staff. Only a few community foundations have taken on the challenge of becoming a real philanthropy-education resource for the entire community.

- *The commercial charitable gift funds* have become a force, and their marketing ability is proven. The Fidelity Charitable Gift Fund now numbers some 22,000 donors and holds assets of $2.3 billion, a significant sum, especially considering that the 20 largest community foundations have a total of $3.1 billion in donor-advised assets. The gift funds are primarily focused on the “transaction side” of philanthropy and their educational resources for donors are quite limited.

- More and more *private banks, investment firms, and some law firms* are targeting the newly wealthy and addressing the "soft" side of wealth (including philanthropy) in the services they offer. Their potential role as advocates and educators may become very important in coming years.

<u>Stage 3 Donor – Committed and Active Learner</u>

- *Organized philanthropic membership and resource groups*, including the Council on Foundations, Regional Associations of Grantmakers, and various affinity groups, are developing important educational resources for new donors. Most, however, serve those who actively seek support – principally the Stage 3 donor. Some of the new groups, such as the Association of Small Foundations and the National Center for Family Philanthropy, are seeking to make resources available to donors at an earlier stage.

- The number and variety of *donor support and identity groups* are on the rise. They provide inspiration, peer support, shared learning, and opportunities for collaboration. Giving circles (see "New Players"), though an old model, arguably represent a new permutation of this construct.

- Little is known about the growing cottage industry of p*hilanthropic consultants* that serves those donors interested in becoming more strategic, increasing impact, and/or dealing with succession and other family issues. Observers believe that there are neither enough such consultants today, nor any effective way to gauge the effectiveness or quality of their advice.

- Only a few *academic centers* now offer donor education programs, but several others are under development.

- *Established foundations* are exploring how best to connect to and support the new donor. Only a few offer established formal programs to educate donors. Others make grants to philanthropic membership groups and community foundations. New technologies are spurring more foundations to make their studies and reports available on-line.

New Players/New Models

Change is occurring on many fronts, and new players with innovative models are reaching new and emerging donors at various stages in their evolution. The new players include the following.

- *New Ventures in Philanthropy,* a ten-year project designed to encourage and support new philanthropy. In its first two years the project awarded planning and implementation grants to 25 regional coalitions for a wide array of projects, including outreach to new donor populations, advisor education, legislative change, on-line donor materials, public education campaigns, and the creation of opportunities for peer influence. The program, housed at the Forum of RAGs, represents a valuable vehicle to increase visibility for promotion efforts and to support additional promotion laboratories.

- A variety of *hybrid organizations* are riding the interest in leverage, in going to scale, as well as accessing a more intensive, hands-on kind of "venturesome philanthropy." This diverse mix of groups, ranging from the large International Youth Foundation to the fledgling New-Profit Inc, provides a network, a giving collaborative, and an expert consulting capacity.

- *E-Philanthropy and the Internet* are transforming the way donors gather information, learn, connect, build community and transact their giving. How to differentiate, utilize and navigate the mountains of data in this rapidly changing environment remains a challenge. E-philanthropy fundraising and transactional models clearly offer huge potential in terms of convenience and cost savings. At the same time, they may risk alienating the donor from the "feel and touch" that motivates giving. While the capital infusion from dot-coms is healthy and increases the opportunity for e-philanthropy to reach more donors, questions remain concerning fair access, and the reliability and neutrality of available information.

- Although collective giving is an ancient model, *giving circles* have given it a new cast. While the phenomenon is not huge, at least not when measured by the number of donors presently involved, these learning and giving collectives appear to be increasing in number rapidly. They have considerable appeal to donors who seek to learn from their peers.

- A few *corporations* such as AOL and Putnam Investments are assuming an active role in encouraging and supporting philanthropy among an increasingly wealthy employee population.

Opportunities: Recommendations for an Action Agenda

The findings of this initiative raise questions and pose opportunities and challenges for established foundations.

How can major foundations assist new and emerging donors in making the most of the new dollars and the new ideas that are in play? What opportunity is there to share knowledge and experience, set standards, and fund promising efforts to stimulate additional and more effective giving? How can established foundations learn from and work with the new donors who are bringing fresh perspective and innovative ideas to the table?

The challenges center on more defensive issues. Could a backlash result from unrealized expectations on the part of new donors and of the nonprofit organizations they serve? What should be done to minimize the likelihood of the "black eye," the possibility of a New Era-type scandal that could emerge out of the excitement, confusion, and proliferation of new models and approaches?

We identify a number of opportunities for foundations to address these questions and challenges. Out of the these opportunities and recommendations could be created an action agenda that would do much to improve the ability of new and emerging donors to move up the philanthropic curve, to become highly effective and engaged philanthropists.

<u>Contribute to New Learning Systems Within the Existing Infrastructure</u> – More opportunities are needed for new donors to engage in "learning systems" that can educate and enable them to move up the curve to more thoughtful, high impact giving.

1. Further encourage and capitalize community foundations in their role as donor

educators. Help them develop learning systems to connect their grantmaking and programmatic expertise and share it with donors in the community. The same could apply to Regional Associations of Grantmakers, United Ways and other federated giving efforts.

2. Explore ways to encourage and support the new "mixed-motive" players in donor education through, for example, providing educational content and relationship building.

3. Dig deeper into the concept of "learning systems" and support new models of both formal and informal donor education, including learning through new technology.

4. Consider funding a resource/support organization for non-foundation donors.

<u>Support and Pioneer New Organizational Models</u> – There are a number of opportunities to promote further the remarkable innovation that is taking place in philanthropic engagement and promotion.

5. Fully fund New Ventures in Philanthropy, the national effort to promote philanthropy. This initiative is organized philanthropy's most significant effort to seed new models and become a national resource for philanthropy promotion.

6. Support the growing number of hybrid or intermediary organizations that successfully engage donors in an education process while employing innovative approaches to grantmaking. These could include some of the venture philanthropy and "incubator" organizations.

7. In the confusing and evolving world of e-philanthropy, help nonprofit organizations compete with the for-profit world. At the same time, make connections with the dot-com players.

8. Encourage and support dialogue, evaluation, and practical assessment of all the new activity.

9. Address the inadequacies of the not-for-profit infrastructure, including support of strong intermediaries, technical assistance and sustaining capital.

<u>Improve Philanthropic Knowledge Management</u> – Established foundations have the opportunity to use new media to share what they have learned, to be a significant resource for new donors, and to improve knowledge management in philanthropy.

10. Invest in the process of sharing lessons learned. Create an accessible library of full-text (and annotated) research and issues papers. Partner with affinity groups to assure that the information is widely available.

11. Collaborate with and learn from new high-tech philanthropists who are developing intriguing models of virtual offices, connected through sophisticated knowledge management systems.

12. Support a user-friendly on-line platform for learning. This could include an enhanced GuideStar-like resource or a "philanthrobot" – TPI's term for an Internet search engine that would enable donors to access philanthropy-related resources more easily.

Support the Advisor – Professional advisors can play a pivotal role in influencing the way their clients think about, use and allocate their wealth, both at the front end of the client's philanthropic journey, and as s/he moves up the engagement curve.

13. Support efforts to educate advisors on the critically important soft side of philanthropy – motivation, values, family and impact assessment. This education process might take place in professional schools, in professional organizations, or be supported by community foundations and other philanthropy groups.

14. Develop an infrastructure to train and professionalize the field of philanthropy consultants. This might include a national network, professional organization, and/or a credentialing process.

Promote Accountability and Ethics – Established foundations are in a position to take a leadership role in ensuring that the new philanthropy is transparent, accountable and ethical.

15. Be the model and set the standard of excellence and ethical behavior for the funding community. Serve as the catalyst for a national dialogue on ethical philanthropy. Invite new philanthropy players to join in an effort to revisit Council on Foundations standards and support substantive collaborations on technology, ethics and accountability.

Finally, the opportunity exists for more large and almost-large foundations to consider getting involved in the promotion of philanthropy and supporting and collaborating with new donors. As a next step, we recommend establishing a formal and expanded affinity group committed to encouraging active dialogue within organized philanthropy about ways that foundations can inform, guide and support philanthropy promotion.

Established foundations have a critically important role to play if the enormous potential for more and better philanthropy is to come to fruition in the coming decades. We urge the major foundations to join with their colleagues and the many new and emerging donors to help create the next golden age in philanthropy.

I. Introduction and Background

The initiative that gave rise to this report started out as a relatively straightforward process.

Nine national foundations convened in February 1999 to discuss the role of established, large foundations, and how they might assist new and emerging donors. As a result of that meeting the participants decided that they would take the following steps:

- commission a research project on the state of donor resources today
- create a forum for interested foundations to review, research and identify strategic opportunities to support, work with, and learn from new and emerging donors.

Supported by grants from these and other foundations, The Philanthropic Initiative (TPI) was asked to launch a research initiative focused on the state of donor resources today. Research began in the spring of 1999, based on a workplan that included surveys, phone interviews, and focus groups with community foundations, RAGs, national philanthropy organizations, donors, advisors to the wealthy, consultants and independent foundations. A review of secondary sources supplemented this work.

In February 2000, TPI met with the funding foundations and representatives of a number of other foundations in New York to review the findings, to begin to explore strategic options for large established foundations, and to determine the direction and scope of additional research and project work. During this meeting, participants identified two areas for additional research. The first was to develop a more complete profile of the new donor, in particular to get beyond the stereotype of the dot-com donor. The second was to begin to compile an inventory of recent grants made by large, established foundations (including participants and funding organizations) that relate to the creation or provision of resources for donors.[1] In addition, participants requested that the final recommendations be presented in actionable blocks that could be tackled by members in issue-focused committees.

The initiative was funded by the Ford Foundation, R.W. Johnson Foundation, W.K. Kellogg Foundation, John D. and Catherine T. MacArthur Foundation, Rockefeller Brothers Fund, Rockefeller Foundation, the Mott Foundation and others.

As TPI began the research, it quickly became apparent that no analysis of donor resources would be complete without casting an eye over the social landscape and identifying at least some of the trends that are affecting charitable behavior. That, plus the sheer complexity and rapid change within the realm of what we are calling donor resources, has resulted in a paper of some length.

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[1] The responses to this will be compiled in a separate document.

As the study progressed, TPI became increasingly convinced of the important opportunity available to large and medium-size foundations to help realize philanthropy's potential. Sheer kinetics will surely move philanthropy along without any intervention, but much more will be accomplished if there is a strategic approach to the support and nurturing of new donors and would-be donors.

II. Research Components

In an effort to compile a comprehensive picture of the state of donor resources today, the project team gathered information from a diverse array of stakeholders and providers. While the initial task was to quantitatively inventory those services and providers now available, TPI soon discovered the virtual impossibility of such a task – the environment is simply changing too rapidly to create a fully reliable data set. Nonetheless, the information and data provided valuable qualitative insights. Once interpreted, it suggests some clear trends, gaps and potential action opportunities.

The workplan included research from both primary and secondary sources on: potential providers of donor services, donors, gatekeepers to the wealthy, philanthropy leaders, fundraisers, and established foundations. The research tools included written surveys, phone surveys, phone interviews, focus groups, Web site and literature review. TPI also drew from its own eleven-year experience in working with new and emerging donors. For more detail on the research components, see Appendices.

III. The Landscape

The impetus for this study was the exceptional changes taking place in society with regard to the growth and transfer of wealth, and the explosion of new donors and new models in philanthropy. For the last several years TPI has been using the tag line “the money and the mood” as one way to describe these changes, and there is little doubt that the two have begun to come together in dramatic ways. In this section we highlight some of the major changes and trends that are affecting the state of donor services today.

The Opportunity

As we enter the new millennium there is a rare opportunity to convert an unprecedented amount of wealth to philanthropic capital. Whether and how that occurs is a major question behind this research initiative. The opportunities within reach are striking.

- A staggering accumulation of wealth, including the estimated $41 trillion to $136 trillion dollars that are expected to change hands in the intergenerational transfer over the next 50 years.[i] The principal question for society is how will this wealth be allocated between family/heirs and philanthropy writ large?

- There are greater numbers of “mega wealthy” Americans than ever before. It is estimated that the United States is home to 276 billionaires, over 2,500 households that have a net worth exceeding $100 million, 350,000 individuals with a net worth of $10 million, and five million millionaires.[ii] As a result, there are more individuals capable of making either mega gifts or a significant commitment to philanthropy than at any other time in our history. In 1994, 528 individuals made grants in excess of $1 million. By 1998, that figure had tripled, to 1,500.[iii]

- The growing volume of philanthropic giving. Giving USA reports that in 1999 Americans donated $175 billion to non-profit organizations, a nine percent increase over 1998. Just over three quarters of that sum came from living individuals ($134 billion); the rest from foundations ($18 billion, an increase of 22 percent over ‘97), bequests ($13 billion) and companies ($9 billion).[iv]

- Growth in organized giving vehicles, including family foundations and donor advised funds. According to IRS records, in 1989, 37,000 private family foundations filed a Form 990, compared with 54,500 in 1997. It is estimated that family foundations are being created at a rate of roughly 1,000 a year. Donor-advised funds, which have long been the province of community foundations, are being launched by a large variety of for-profits and nonprofit entities, including: banks, investment houses, universities, hospitals, United Ways and Jewish Federations. The Chronicle of Philanthropy recently reported that the total assets of donor-advised funds offered by 20 of the largest community foundations, by the Fidelity Charitable Gift Fund, and a handful of other companies, grew 231% over the 1995-1999 period.[v]

- A proliferation of philanthropy promotion efforts (50-100), depending on how "promotion" is defined, around the country. Inspired by an awareness of the importance of local initiatives to support and promote philanthropy, a new national initiative has been created to financially support and strengthen those grassroots efforts.

The Challenge

But not all in the future of American philanthropy is so encouraging. Challenges abound, beginning with the fact that much of the new wealth may not easily be converted to new philanthropic capital. Among the worrisome trends are the following.

- Giving as a percentage of personal income has remained virtually stagnant over the past 30 years. While this ratio increased slightly over each of the last three years, it is still only 2.1%, the same figure as in 1968.[vi]

- According to the Independent Sector, only 15% of households gave 2% or more of their household income to charity in 1996. The American Association of Fund-Raising Counsel Trust for Philanthropy (AAFRC) notes that 25% of individuals account for 60% of all contributions. Paul Schervish and John Havens of Boston College found in their research that 10% of households (giving more than 5% of their income) make 54% of all contributions.[vii]

- Data show that the wealthy give away a tiny percentage of wealth during their lifetimes, averaging half of one percent of net worth. According to IRS statistics, only 19% of wealthy households (estates valued at $600,000 or more) made charitable bequests in 1992 and the value of those bequests amounted to only 8% of the donors' net worth after adjustments for estate expenses. Those with estates of $600,000 to $1 million gave 3.5% of their net worth and those with the largest estates, $20 million or more, gave about 26%.[viii]

- As the wealth of the United States has grown over the last several decades, it has also become more concentrated. According to researcher Edward Wolff of New York University, the top 1% of the richest families held 27% of our country's wealth in 1981, 39% in 1986, and an estimated 42% in 1992. Another researcher has estimated that the top 1% of richest families holds nearly half of all "financial wealth" in America today, measured in terms of net worth minus equity in owner-occupied housing.[ix]

- There is little evidence that new donors are willing or interested in addressing some of the systemic challenges – e.g., race relations and persistent poverty – that have been the focus of many of the major, traditional foundations. We estimate that no more than 20% of the wealthy are engaged with philanthropy beyond responding to routine gift requests.

Societal Trends that Affect New and Emerging Donors

Societal and economic trends are changing the world and creating new networks, connections, and ways of relating. These trends will have a profound impact on how and whether new and emerging donors become effectively engaged.

Economic Extremes - The economic growth of the last decade has produced an enormous amount of wealth, as evidenced by the impressive number of billionaires and millionaires cited above. Yet, we are becoming a nation of economic extremes, with a shrinking middle class, a growing number of very affluent households, and a significant proportion of very poor families. While poverty has declined, 12.7 percent of our population (34.5 million people) live below the poverty level. And while the number of children living in poverty has also decreased, 18.9 percent remain poor.[x] Suburbanization and wealth concentration pose the risk that most potential new and emerging donors are isolated from the plight of the very poor.

Aging Population - An aging population creates increased pressures to spend public and charitable resources on the problems of the elderly. To some extent this has already occurred: social security and other programs have drastically cut poverty among the elderly in the last two decades. As the large cohort of baby boomers move into the ranks of the elderly, the pressures will become enormous.

Diverse Population - It is estimated that minorities will be 49% of the U.S. population by 2050. An increasingly diverse population provides the opportunity to benefit from the richness of a multicultural society, but may present a challenge to building consensus around public policy. Nonprofit organizations will need to enhance their capacity to work with new constituencies. Mining the philanthropic potential of diverse populations will require new approaches that reflect differing cultures and ways of giving.

Globalization - Globalization of the economy and world culture is expanding our horizons, forging new links between diverse people and communities. It may also be eroding certain kinds of connections at the local level. Globalization of business and public policy makes it increasingly difficult to address employment and environmental issues on a local basis. Enhanced communications and new collaborations make for new opportunities, but “home” is increasingly ephemeral and hard to define.

Technology - The information age and computer technology have not only created a new economy and new millionaires, but have also transformed how we learn and connect. New technologies provide donors and nonprofit organizations with phenomenal amounts of information at their fingertips. The potential for enhanced collaboration and broader communication via technology is enormous, and it may lead to new and very dynamic definitions of “community.” Speed and convenience are permeating our culture in both positive and negative ways, and we risk becoming a society that emphasizes "donor convenience" through technology, at the expense of touch, feel and true connection. The digital divide threatens to further isolate disadvantaged populations from the mainstream economy, educational system and culture.

Entrepreneurial Culture – A culture of entrepreneurship is transforming not only the commercial world, but also the nonprofit and philanthropic sectors. Low cost and pervasive technology, as well as the ready availability of start-up capital, have dramatically improved the ability of start-ups to enter new business areas and there has been a spillover into the philanthropic sector. This shift has resulted not only in the rapid growth of new hybrid and nonprofit organizations, but also a celebration of the entrepreneurial mindset in the philanthropic world. New donors are increasingly interested in "venture philanthropy" as an organizing principle for their giving. They are attracted to nonprofits that demonstrate entrepreneurial business acumen, and mistrustful of larger, seemingly bureaucratic institutions.

Search for Meaning - A very different cultural shift can best be described as the "search for meaning" among the aging baby boomer population. This is what we call the "mood" within society. The Noetics Society conducted a major public opinion survey in 1998 that found 42% of Americans were on a hunt for values, for connectedness to place and community, and for increased spirituality. People use different words, but in essence, many Americans are troubled by an information overload, by the fast pace of contemporary life, and by the very affluence that has created all the wealth. The media underscores the link between the "mood" and a renewed or increased focus on philanthropy with its stream of reports on young entrepreneurs who are eschewing the careers through which they have amassed significant wealth, to pursue their passions through philanthropy.

Trends in the Independent Sector

Significant shifts in the independent sector are also underway, many of which may affect the perceptions, beliefs and behavior of new donors.

Growth of the Sector - The nonprofit sector has expanded faster than other major economic sectors over the last 20 years. Between 1977 and 1994, total national income (excluding volunteer time) grew at an annual rate of 2.2%, while the independent sector grew at 4.3%. Some of this growth is due to privatization, devolution, and the growth in Medicare, Medicaid and general health costs. Over that same period the number of nonprofits doubled, causing some donors to feel confused by the proliferation of organizations and concerned over duplication of efforts.[xi]

The Problem of Size - Most nonprofit organizations are very small. It is estimated that the top 6% of nonprofit organizations control 80% of the assets and account for 85% of the expenses in the sector. Of nonprofits that filed a 990 with the IRS (and these are the larger ones) only 4% reported expenses exceeding $10 million. According to Independent Sector, a large percentage of the sector's organizations are economically fragile and undercapitalized.[xii]

From the new and emerging donor's perspective there are very few organizations with a size/infrastructure sufficient to accommodate, much less pursue, the very large gifts that are being made today. Major institutions, such as colleges, universities, hospitals and the largest cultural institutions, which have always enjoyed strong support from individual and institutional donors, have attracted a major share of the "new philanthropy."

This natural tilt toward larger and more established institutions does not bode well for the smaller community-based grass roots organizations, many of which are struggling to deal with society's most difficult issues. An anecdote from TPI's practice illustrates this point in which a donor lamented, "I know how to give $100 million to Stanford but I don't know how to give $100 million to the poor kids in the city, and that is what I really want to do!"

Changing Public Role - The changing role of government will continue to profoundly affect the nonprofit sector. Devolution, privatization, and the implementation of managed care all create opportunities and place pressures on the nonprofit organizations that provide services under government grants and contracts. In real dollar terms, government funding of the sector is now less than it was in 1980, placing more burdens on the nonprofit sector to find private sources of funding and earned income. Donors are more confused than ever about the distinct roles of public vs. private funding.

Accountability and Transparency - Accountability has always been important, but recent high profile scandals in the nonprofit sector have added new pressures for increased reporting, review, and restrictions in the sector. Technology and the development of databases such as Guidestar have provided the tools and opened the books on both the grantmaker and grant receiver sides. Combined with the changing view of what constitutes the public domain, a standards revolution is inevitable. For the new and emerging donor, more accountability and transparency should be a plus, providing greater confidence in the sector and trust that the money will be well used.

Similar pressures for accountability and transparency are evident on the donor side, fueled by a small number of unfortunate abuses like the New Era scandal. There may well be increased regulation and reporting requirements for private foundations down the road, making the options of establishing donor-advised funds or offshore foundations more attractive.

IV. Who is the New and Emerging Donor?

In order to explore what the new and emerging donor needs, it is important to understand more about who the new and emerging donor is, where the wealth came from, how his/her preferences and behavior differs from predecessor donors, and the fundamental differences among new donors.

The observations presented here are based on many sources: TPI's experience working directly with hundreds of donors, input from high level fundraisers, financial advisors, opinion leaders and experts, and a number of studies on the "new wealth," including a donor survey conducted in connection with this research.

Who Are the Newly Wealthy?

First, what are the primary sources of the new wealth? Most pertinent here, out of what cultures and experience base do the new and emerging donors come? We suggest that the major sources and types of new wealth include the following:

<u>Post "Liquidity Event" Entrepreneurs</u> - These are the high profile, newly wealthy, often very young individuals, epitomized by the 35-year-old dot-com billionaires. These entrepreneurs have come out of many industries, not just technology, and have been propelled to wealth quickly through a powerful IPO market.

<u>Executives of Large Companies</u> - Compensation and severance packages for chief executives at both large and even mid-size companies have grown exponentially in recent years. Base salaries exceeding $1 million, combined with lucrative stock option and other performance bonuses are typical and have produced a whole cadre of new wealth.

<u>Financial Services/Investments Industry Executives</u> - The growth in the stock market has fueled huge compensation packages in the financial services and investment sector, especially in the venture capital world. Annual bonuses for salespeople at top-notch investment houses have been in the $1 million range in recent years, while partners and senior money managers have reaped even greater windfalls from the stock market bonanza. Generally, these potential donors have accumulated their wealth over a longer time period than the liquidity entrepreneurs or large company CEOs.

<u>Consultants and Service Providers</u> - The major consulting firms servicing the economic growth have produced another species of the newly wealthy. Many of these firms have found ways to become equity partners with their clients, and firms like Bain & Company have established substantial venture capital operations.

<u>Owners of Highly Appreciated Stock Options/Investments</u> - Along with those working directly in the investment field are the employees of companies that have gone public, as well as savvy or lucky investors who have benefited from the soaring stock market, IPO market, appreciating real estate market and the robust economy generally.

Athletes and Hollywood Stars - Western society continues to place a high monetary value on the star and the high profile athlete, and Hollywood continues to produce its share of the mega-rich.

Plain Vanilla Business People - The dry-cleaning chain owner and the car dealer who quietly benefits from a good economy. A solid business and good investments account for a good number of the deca-millionaires.

Academics - More modest, but nonetheless significant wealth exists in the generation of college and university professors and administrators now retiring. Those who early on joined TIAA/CREF, one of the very first mutual funds, have participated in the stock market run-up with impressive results. The April 2000 issue of Education Week featured an article on these unlikely millionaires. Thus far, they are riding below the philanthropic screen.

Women - Women have more control of wealth than ever before, by dint of increased earning power, longer life spans (seven years greater than men, on average) and enhanced legal and "cultural" rights. Women are also far less likely to have trustees controlling their wealth than in the past. Women's interest in serious philanthropy is growing, as evidenced by: the tremendous growth in women's funds and giving circles (there are now 95 women's funds in the United States); the enormous fundraising success that many women's colleges have experienced; and the fact that the "Slate 60" contains 22 women's names – four individual donors and 18 domestic partners.

Minority Groups - There is also evidence that people of color are increasingly participating in philanthropy as they amass more wealth. One indication of this shift is the growing number of "minority funds" at community foundations, which increased from 100 in 1993 to 639 by 1998.

According to a recent report on philanthropy in diverse American communities, the African American community is poised to become more philanthropic as it experiences rising education and income levels, increased business ownership, and greater representation in the professions and corporate management.[xiii] Historically, African American giving behavior has reflected the community's cultural traditions, with an emphasis on giving to immediate needs, or groups to which donors are personally tied. Emmett Carson, CEO of the Minneapolis Foundation, believes that African American philanthropy is shifting more towards economic and social empowerment. Many African Americans engage in philanthropy through established, traditional African American organizations such as African American churches, service and fraternal groups, nonprofits, colleges and universities.

Native American communities, which have long been involved in traditional forms of giving and sharing, are also beginning to engage in "institutional" or mainstream philanthropy. Tribal enterprise, including gaming, energy, and resorts, is the source of some of the most visible new money. In addition, increased educational achievement in Native communities, as well as professional and entrepreneurial success, will certainly enhance their philanthropic potential. Between 1973 and 1996, the number of Native grantmakers grew from 3 to 32. To date, most of these are public charities and very few are family or private foundations.

By sheer dint of its size and rapid growth (now 11% of the population and projected to soon become the largest "minority" group), the very diverse Latin American population should become a greater philanthropic factor in the years ahead. Home ownership, expendable income, and entrepreneurism are all rising. While participation in mainstream philanthropy has been limited to date, indicators of change include recent growth in the number of new Latino nonprofits (more than 300/year), as well as the number of Latino trustees and foundation executives. Hispanics in Philanthropy, a professional association, has seen its membership grow from less than 100 to over 400 over the past 10 years.

<u>Inheritors of Post Second World War Wealth</u> - While most of the buzz is about the new wealth, the vast majority of wealth is not new. Before the recent stock market growth and dot-com phenomenon magnified the numbers, society was expecting the largest intergenerational transfer of wealth in history from the World War II generation. Whether the final number is $10 trillion or $120 trillion, the fact remains that hundreds of thousands of Americans are expected to or are now inheriting substantial sums of money.

Characteristics of the New and Emerging Donor

Are the newly wealthy different than their predecessors, and if so, how? Do these differences affect their style, behavior and preferences as donors? What implications do these differences have for the need for resources to educate and serve new donors?

Clearly, the new and emerging donor is not monolithic, and stereotypes are always risky. In the great American tradition, donors come in many different stripes and types. Differences in life experience and values clearly affect donor behavior. Nonetheless, we think it is useful to offer some general comments about the preferences and behavior of new donors as they relate to the question of what donor services are needed. In the following section we explore some of the key differences “behind the curtain,” differences that may even debunk some of these generalizations.

<u>Speed of Wealth Accumulation</u> - Many of the newly wealthy – especially those from the recent IPO/ stock market boom years – have come by their wealth quite quickly. Many are not comfortable with it. For others, the wealth may not seem real, as evidenced by the story of the young technology employee who is worth $10 million but has not yet paid off her student loans, much less become philanthropic. Those who accumulate new wealth quickly may either spend excessively or hide their wealth for fear of it "changing everything" with friends, family, job, security, etc. A new label has been coined to describe this phenomenon, "Sudden Wealth Syndrome."

<u>Younger</u> **-** Inverting the traditional model, more young people are being found at the top levels of the wealth pyramid. Today, five of every 100 people in the top one percent of the wealthiest Americans are 35 years or younger, compared with just a fraction of a

percent 17 years ago. These include not only young entrepreneurs, but also employees who have been enriched by stock options. The younger donor is often extremely busy with work and family, has a far longer time frame for potential involvement in philanthropy, and is likely to have a different mindset than the traditional 50+ donor who cares about leaving a legacy and capping his/her career by giving back. No one knows for sure the implications of such differences.

New to the Experience - Because of the speed at which their wealth was generated and the younger age at which it was acquired, many new donors have little experience or context for giving. In the words of one fundraiser, they are still "immature" donors. Even the word philanthropy may sound pretentious. If they did not come from a family that was active in the community, their knowledge of charitable giving probably comes primarily from the groups that have directly affected and benefited their lives: colleges, churches, etc. Although they may have the wealth of a Rockefeller or a Carnegie, they don't yet think of themselves in such terms.

Hands-on Style - Fundraisers and experts have commented for years on the increased interest of many new, younger donors and board members in being hands-on and involved in their philanthropy. Mirroring this observation, we have seen in our practice some reluctance on the part of the new wealth to hire staff and/or use consultants. Many of these new donors have been quick to recognize that adding their personal knowledge and expertise is both more valuable and satisfying than simply making gifts and grants. The increased interest in venture philanthropy is further evidence of this characteristic.

Directing/Controlling Gifts - Consistent with the hands on approach of many new donors is the tendency of some to direct or restrict their gifts. This was a consistent theme expressed by the fund-raisers that were interviewed for this study, who also noted that this behavior reflected the increased number of larger gifts.

Issues and Innovation - The Second World War generation is sometimes thought of as institution builders and protectors. Indeed, it successfully built many of today's great social institutions. New and especially younger donors are widely viewed as more focused on issues and problems. In this respect, they are very interested in looking at innovative approaches to issues that have not been "solved" by traditional means. Consistent with the fast-moving, entrepreneurial culture out of which they come, many new donors are eager to do their giving differently. The language of venture philanthropy, the new hybrid intermediaries, and other innovative models for giving are all products of the pioneering spirit of the new donor.

Take Charge, Think Big and Move Very Fast - Many of the new donors can be characterized as "take charge" people, entrepreneurial in both business and philanthropy, unafraid to take risks, and willing to move forward quickly, on instinct, with little planning. The philanthropy media abounds with stories of gifts of $1 million or $100 million made on the spot. An MIT graduate got up in the middle of a fundraising dinner, went to the microphone, and announced a $100 million gift. Bill Gates and his partner Paul Allen decided to give Nelson Mandela $25 million the same day they met him in

Seattle. Another e-world entrepreneur heard a presentation from New Profit Inc. (one of the new venture philanthropy intermediaries) at a TPI conference, and sent a check for $1 million two weeks later.

Looking for Impact and Accountability - New donors are increasingly adopting an investment model for their philanthropy, with all of its component aspects of due diligence, accountability and return. It is part of the new language that meets people where they are. This investment metaphor adds an important discipline and "seriousness" to the process of giving and is in many ways healthy and important to the field. However, we have also seen it sometimes taken to the extreme, where it can become short-term and controlling. Thus, there is an underlying tension between the inexperience of the new donor and the excitement and energy of a vigorous, new perspective.

Fiercely Independent, Yet Drawn to Certain Kinds of Collaboration - Many new and emerging donors come directly out of an entrepreneurial culture, inclined to be independent thinkers who value the freedom to act. Yet, consistent with the business imperative to establish mutually beneficial relationships, these new donors recognize the value of partnerships for leverage, knowledge sharing and scale. The success of the Social Venture Partners model and the surging interest in giving circles attest to new donors' interest in collaboration.

Suspicious of the Philanthropic Establishment and Large Institutions - "I don't ever want to be like the x Foundation" (a large foundation with a hundred staff or more) is a statement that we have heard more than once in our experience with new donors. Afraid that a staff will disengage the donor, and labeling the existing philanthropic establishment as bureaucratic or boring or both, many new donors want to "do it differently," utilizing virtual offices and lean staff. This mistrust of large institutions plays itself out in grantmaking as well, with new donors avoiding all except their alma maters. Many new donors are virtually antagonistic toward government institutions.

Are these qualities really much different than those of new and emerging donors 20 years ago, 50 years ago? In many striking ways, these characteristics are similar to those of the early John D. Rockefeller and Andrew Carnegie. Certainly there is symmetry between how they conducted their business and how they conducted their philanthropy. Rockefeller believed that the giving away of money deserved the same due diligence and analysis as the investment of money. The same can be said for those who are coming out of the e-world. E-business, however, is very different than the commerce that built the large industrial empires at the turn of the century – much shorter time lines, very rapid change, more collaborative. Thus there are stylistic elements of the new philanthropy that are different, consistent with the age and experience of the new donor. But the introduction of free-market values and approaches is a constant.

Almost all entrepreneurs, both past and present, share the characteristic of being controlling. Any review of the correspondence between Andrew Carnegie and the communities asking for funds to build a library makes it very clear that donor control and direction were significant to Carnegie. The differences may reside in how that control is exercised. Rockefeller was comfortable with establishing boards and large institutions. The new wealth is clearly driven to be hands-on, to resist bureaucracy and yet to learn new ways to achieve scale. One of the real questions is whether, at the end of the day, the new wealth will succeed in creating lasting institutions, however defined, that will equal some of those created in the past. An example that comes to mind is the University of Chicago, one of Rockefeller's important legacies. The philanthropic analogs for today's wealth are yet to be determined.

Differences Among New Donors - Behind the Curtain, Beyond the Stereotype

Obviously, the qualities described in the previous section do not apply universally to all new and emerging donors. By virtue of different life experiences, sources of wealth, personality, stage in life, peer influences, and undoubtedly many other factors, each donor is unique in his/her preferences, behavior, style and needs. We believe, however, that the generic qualities described above are common characteristic of many new donors, especially the more recent wealth.

What are the relevant differences among new and emerging donors with respect to the services and resources they will need in order to achieve their philanthropic potential? What follows is a short menu of distinguishing factors, drawing from economics, demographics, sociology and psychology:

Inherited vs. Earned Wealth - Inheritors of wealth, be it through birth or marriage, often behave differently than earned-wealth donors. The chief difference is that the inheritor is often more likely to be conservative in the scale of giving, consciously or unconsciously believing that the money cannot be earned again. On the plus side, the inheritor has often grown up in a culture of giving, and is therefore more comfortable and experienced with it. He or she often has a peer network of other givers among family and friends to turn to for support and collaboration. There is also a different relationship to the wealth. The inheritor may feel less ownership. He or she must live with "the family story" and legacy, which are sometimes positive, sometimes negative, and usually a mix of both. The wealth creator has to deal with the awkwardness of a completely new experience. In either case, the wealth dynamic produces a range of personal challenges, all of which dramatically affect philanthropic action or inaction.

Age and Giving Experience - Participation in giving and increased levels of giving are typically associated with donors who have reached their 50's, after they have made the big purchases in their lives, achieved financial success, and are thinking ahead to legacy. Increased wealth among the young may challenge this paradigm. Beyond the numbers, it is believed that younger donors behave differently than older donors as a result of being at a different stage of life - deep into work and family life, defining and achieving success, rewarded for brash, new ideas. One experienced fundraiser observed that younger donors are more arrogant, that control is more of an issue, and that they are apt to "jump in and get it wrong." The middle-aged donor may be more inclined to give the donee the benefit of the doubt, yet still push for accountability and ask good questions based on experience. The older donor, according to this fundraiser, understands and wants to bring about real, long-term change. He says that there is a maturity curve to the donor, which is often age-related. At TPI, we have observed that the less experienced giver is more likely to first engage in payback gifts to alma maters and other important institutions, before moving on to issues-oriented and/or innovative approaches to giving.

<u>Regionalism</u> – In 1998, California replaced New York as home to the greatest number of start-up foundations, reflecting the shift westward in wealth accumulation.[xiv] Some research has focused on regional qualities in philanthropy suggesting distinctive differences.[xv] Certainly, the trend suggests the need for more resources for the new and emerging donor in the west. It may also mean that western perspectives and experiments in philanthropy (and many of the new models have started in the west) have an increasingly important influence on the field as a whole.

<u>Connectedness</u> - We all know loners and joiners, and we also know the impact on charitable behavior that comes with active volunteerism. The preference for "connectedness" to community, associations or advisors may be more of a personality trait – not attributable to age, background and experience. Certainly, over time, loners can be convinced of the utility of connecting with others for business or social purposes. However, the loner is more likely to be someone who relies on close family and friends/peers for advice or role modeling, while the joiner may seek to work with and learn from organized groups and settings. When it comes to philanthropy, the joiner is more likely to actively seek out information, advice and support, and to potentially collaborate and work with existing institutions. The independent loner may invent it him/herself, confer with a small group of advisors and friends and then do it without the involvement of others. It is here that the growing interest in giving circles or other collective activity among new donors is so intriguing. The giving circle ultimately circles back to the individual who uses that learning to develop her/his own approach to giving.

V. What Do New and Emerging Donors Need?

The best donors are deeply engaged in and committed to their giving, and are continually learning about how to make their giving more effective. New and emerging donors are not yet “there” in the journey; in fact many do not recognize the potential – not to mention what it takes – to get there. And many will never get there unless they are motivated, educated, nudged, and supported in the process.

The Evolution of the Donor

In an effort to better understand how to reach and support the new and emerging donor, we developed a framework that categorizes donors in three stages, based on a continuum of experience and engagement with philanthropy. Obviously not all donors will fit cleanly into one of these discrete stages. However, the categories may be helpful in thinking about how a new, inexperienced donor evolves into an effective, engaged philanthropist.

<u>Stage 1 - Dormant But Receptive</u> - This donor is willing to make gifts based on requests from friends, colleagues, alma maters, and community institutions. S/he engages primarily in responsive giving, and may make a fair amount of "payback" and social or business "have to" gifts. Philanthropy is typically not a high priority in her life, even though the total amount of her giving may be substantial. This is the stage where we find most new and emerging donors. We would also include in this category what might be called "the would-be donor," those who with the right stimulation could become philanthropic.

<u>Stage 2 - Engaged, Getting Organized</u> - This donor is becoming increasingly engaged by his philanthropic pursuits and finding that philanthropy is an especially satisfying part of his life. His giving levels are increasing and he is probably becoming more thoughtful and proactive in his gifts. He may find that he is starting to lose track of what he's doing and he may find that frustrating. This donor typically decides to set up a charitable giving vehicle to make it easier, more organized and more tax efficient - possibly a donor advised fund, a charitable trust, or even a foundation. The number of donors at this stage of development is considerably smaller than in Stage 1, although it is growing with the popular marketing of donor-advised funds.

<u>Stage 3 - Committed, Becomes a Learner</u> - For this donor, philanthropy has become a significant part of her life and she is deeply involved in trying to do it better. She is a learner, actively looking for advice, peer support and growth experiences. She may also be focused on bringing along and developing philanthropic expertise among others in her family. Very few donors reach Stage 3, yet most formal, established philanthropic resources and attention are focused on this group.

In the pages that follow we look at the three stages of donor development and attempt to identify in each: the major influences (including institutions, individuals and media); the nature of services or education provided; and the critical gaps in services, education, outreach and information that may inhibit a donor's evolution from one stage to the next. The report concludes with a menu of action options that established foundations might take to help move the new and emerging donor along this continuum.

Getting From Here to There – Key Steps in the Process

What information, services and experiences do new and emerging donors need if they are to move up the continuum and become engaged and effective philanthropists? The following menu of donor needs is based on (1) donor, provider, and advisor surveys conducted for this study, and (2) TPI's experience in working with hundreds of donors.

Stimulation to Become Philanthropic – Somewhere in the voyage, the new and emerging donor becomes motivated to become philanthropic. Some are fortunate enough to be raised in a philanthropic culture, where giving back is an integral part of life. Others might be inspired to become philanthropic because of a personal experience, the influence of peers, inspiration by role models, or an emotional tug to compelling issues and social action.

For many potential donors there are major barriers to overcome before they can become givers or before they can ramp-up their giving to a level commensurate with their wealth. Such barriers include:

- discomfort with wealth, including failure to recognize its scope, how much they really need, and guilt about having it
- fear of exposure and becoming a target for charitable solicitation
- fear that they cannot make a difference
- suspicion and cynicism
- lack of time

Frameworks for understanding and rationalizing wealth, particularly in this era where so many have accumulated so much so quickly, are very important. Philanthropy is often a good bridge, but not the only ingredient to getting there.

Getting Started – Once donors are motivated to become philanthropic they may need some help in getting started. The needs are threefold.

- The first is simply knowing where to start. Most new donors do not know the key questions to ask, or of whom to ask them. They do not know what resources are available to help them, including the many nonprofit organizations that can provide support and information. The computer-savvy donor can now turn to the Internet in this search, but that too can be a fool's errand – many seekers of useful philanthropy-related information are left at sea in that search.

- Tax and financial planning is important, including determination of the allocation of wealth between self, heirs and society, as well as guidance on which giving mechanisms are most appropriate (planned giving, donor advised funds, foundations, etc.).

- Consideration of the "soft" side of planning is even more important, including exploration of the role of philanthropy in the donor's life, its potential importance as a personal legacy, involvement of other family members, etc.

Management Administration and Technology – Donors who reach a certain scale will often need some back-office support in tasks that include: tracking their giving; relating to the outside world; reporting to government agencies; and processing gifts. The more sophisticated donor increasingly wants to take advantage of new technology to enhance communications and capture her learning.

Strategic Planning – This begins with careful consideration of what the donor wishes to accomplish with his/her giving. This is not a one-time event, nor does it necessarily have to be part of a formal strategic planning process. We have learned that the most effective and satisfying philanthropy is based on a donor's values and passions, and for many donors this takes some figuring out. Values and passions will shape a donor's goals, interest in certain types of organizations, issue areas and gifts. Many donors need help in understanding what it means to be a strategic donor, and over time, to cultivate a strategic perspective. This may occur by looking at what others have done, or from a planning or education experience.

Effective Grantmaking – Learning about effective grantmaking may require some or all of the following: developing a deep understanding of issues and/or community needs; learning about worthwhile organizations and programs (and how to identify them); learning about different approaches and tools for giving; and understanding the steps that go into making effective grants. Obviously, much of this knowledge base comes from experience, but much can be learned from others.

Evaluation and Impact – Donors are increasingly demanding to know the impact of their gifts, and thus need to know how to measure the success of an organization or program's work. Guidance on realistic, cost effective evaluation processes and tools is needed, as are new frameworks for helping donors and nonprofits assess impact.

Family Issues – Families who do philanthropy together need to: identify a shared vision for their philanthropy; establish a governance structure that works for the family; and create a succession plan and process for developing and bringing on the next generation. Most families can benefit from having an external consultant facilitate this process - to provide a safe place to air issues, help keep volatile family dynamics in check, and find elevated common ground. Too many families fail to take this step and need damage control later.

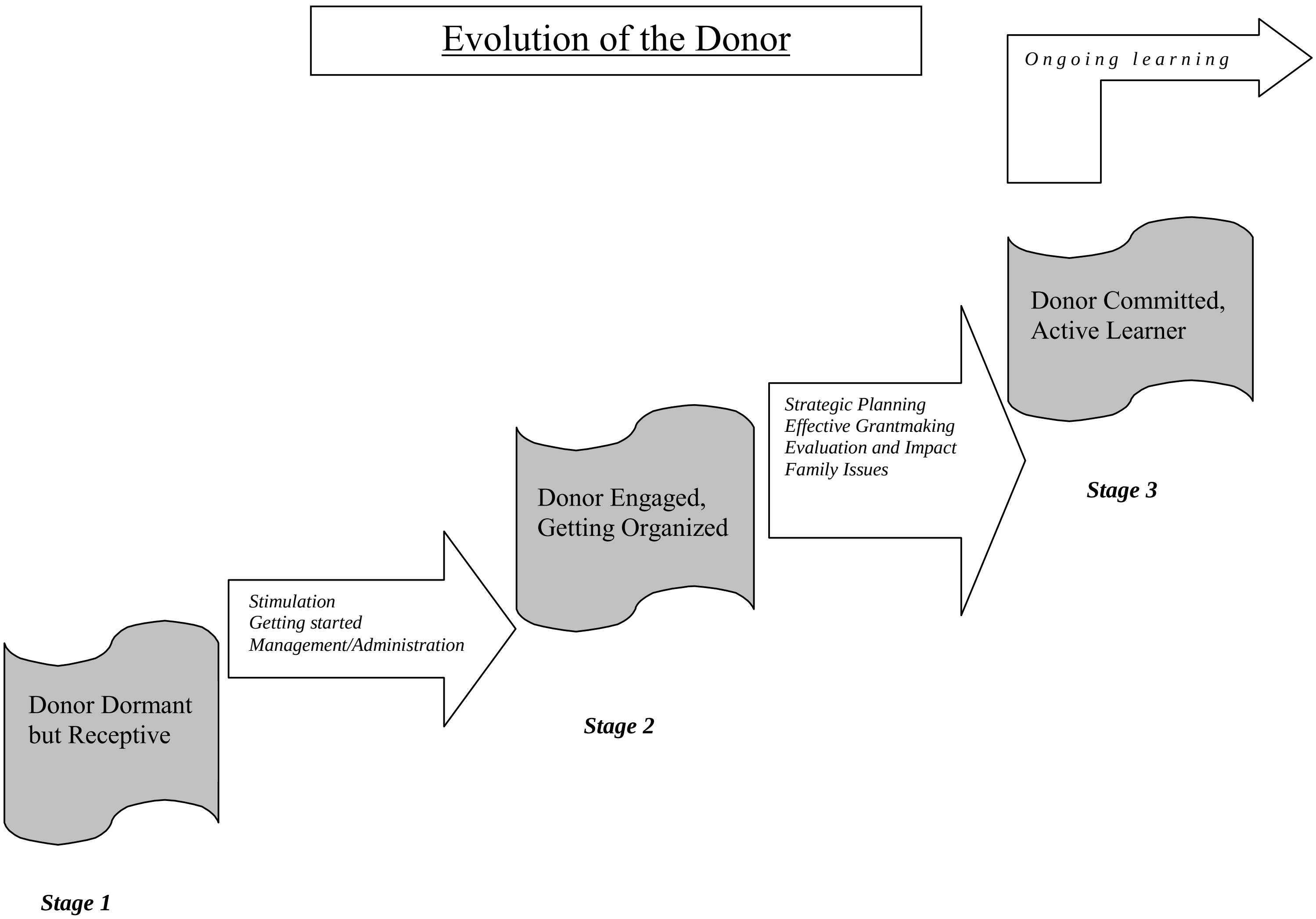
Support for Lifelong Learning – Donors need ongoing opportunities to learn, grow and enhance their philanthropic skills and engagement. Many donors satisfy this need through networking and collaborating with peers, and through identification with inspiring role models. More formal ongoing training and education programs may also connect donors with important support for lifelong learning.

We believe it is important that donors fulfill all such learning/resources needs in the course of their philanthropic journey. Unfortunately, we suspect that most never get the chance, because (1) they do not know what they need or what is available, and/or (2) not enough providers affirmatively reach out to the donor with the full range of needed services.

For most donors, many of these learning needs continue throughout their philanthropic lives. However, there are points in the donor's evolution where certain needs are paramount, and where particular resources are especially critical in helping him/her evolve from one stage of development to the next.

In order to move from Stage 1 to Stage 2, donors particularly need stimulation to become more philanthropic. Once they have decided to organize like a Stage 2 donor, they need help in getting started, and management/administrative services. In order to move from Stage 2 to Stage 3, they need further stimulation, as well as a nudge to become more strategic in perspective, make more effective grants, and begin to think about evaluation and impact. Successfully involving the whole family in the giving process may be important at this stage as well; it could also be important at other stages. Finally, every committed giver needs support for lifelong learning. See Diagram 1 for an illustration of evolving donor needs.

Diagram 1



Evolution of the Donor
Ongoing learning
Donor Committed, Active Learner
Strategic Planning
Effective Grantmaking
Evaluation and Impact
Family Issues
Stage 3
Donor Engaged, Getting Organized
Stimulation
Getting started
Management/Administration
Stage 2
Donor Dormant but Receptive
Stage 1

VI. Influences on the Stage 1 Donor – Dormant but Receptive

In Stage 1 the new and emerging donor is typically not actively seeking to make gifts or to learn how to be a better donor. However, anyone with wealth will eventually be a target or recipient of information/solicitations from those seeking gifts, their peers, or even "the culture." Who does the new and emerging donor learn from at this stage in his/her development as a donor? And what support, services, and advice is s/he receiving?

This is undoubtedly the most chaotic stage in a new and emerging donor's evolution, one in which information and advice come thick and fast from many quarters. And because they are not actively soliciting advice, Stage 1 donors often receive a broad and uncensored range of messages and services. The primary sources of influence and information include:

- Wealth-related advisors - lawyers, accountants, financial planners, etc.
- Fundraising community - especially alma maters, health and cultural institutions, and the United Way
- Non-profit boards on which the donor may serve
- Peers and family members
- Religious institutions
- Social/business groups - professional organizations, Chamber of Commerce, YPO, etc.
- Media messages, including the Internet

The Professional Advisor

For the majority of donors, it is the professional advisor – lawyer, financial planner, private banker, insurance professional, etc. – who exerts the first influence on whether s/he chooses to become philanthropic, and how. Many advisors have the access and opportunity to influence the way their clients think about, use, and allocate their wealth. And while more and more advisors appear to be "asking" the philanthropic question," it is also clear that many do not feel they are asking it well. And many donors and potential donors agree.

In 1996 TPI, working with the Council of Michigan Foundations, interviewed 125 estate planning attorneys in Michigan. Among the findings: (1) Few advisors routinely asked their clients about philanthropic interests. (2) A majority only discussed philanthropy if the client raised the issue. (3) Discussions regarding philanthropy focused largely on the tax consequences of giving. (4) Many advisors felt that any inquiry into a client's philanthropic interests was unprofessional and could result in the loss of the client's trust and, possibly, of his or her business.

In a 1999-2000 TPI study of advisor behavior we found that not a great deal has changed. In advisors' own words, too many "are afraid to ask the hard questions." Many "move too quickly" to discussions of giving mechanisms, before fully engaging their clients around values and motivations. And many "would do more if [they] knew how."

TPI's survey of 500+ advisors revealed the following:

- Asking the Philanthropic Question - Almost 90% of advisors make it a practice to raise the subject of philanthropy or charitable giving with their high net worth clients. However, of the advisors who do raise the subject with clients, only half (54%) discuss it with all their high net worth clients.

- Donor Motivation - Advisors say that clients' motivations for giving are, first, caring about a cause or institution (73%), and second, the tax benefits of such a gift (57%). But their clients' commitment to a cause or institution notwithstanding, advisors still feel that their clients should be paying more attention to the tax benefits of their philanthropy. Clients <u>should</u> give "to make a difference, to help people" (41%) say advisors, but an almost equal percentage say their clients should be motivated by "tax reasons" (40%).

- Barriers to Giving - Advisors believe that the greatest deterrent to greater client charitable giving is the fear that if they will not have enough money left for themselves (54%) or their children (48%).

- Range of Advice/Information - Over half of all advisors still do not discuss their clients' personal or social values, or help them develop a philanthropic mission. A large majority of advisors would like to become better informed about how to make charitable giving conversations more effective. Nearly two thirds of advisors have very limited philanthropy toolboxes. Most rely consistently on one or two planned giving vehicles, regardless of the client's circumstances or charitable intent.

- Advisor Role - Advisor perceptions about their role continue to vary, from those who see opportunities to help clients "make a difference," to those who continue to believe that even to raise the topic of philanthropy may create a risk of alienating the client.

- Referrals - Roughly 50% of advisors say they will, where warranted, bring a third party into the discussion. It is significant, however, that most such referrals are not to community foundations, planned giving officers, or philanthropy consultants, but to lawyers.

Donors who were questioned for the study see the advisor/client relationship very differently than do many of the advisor participants. Many say they wish their advisors were more knowledgeable about the broad sweep of philanthropic planning, that advisors would take a more “holistic” approach in their advice about giving, and that they would focus less on tax deductions and specific giving mechanisms.

These findings, supported by the impressions of donors, strongly suggest that not a great deal has changed in the last four years. What donors need and want, and what the professional advisor can and is willing to provide, may in many cases constitute a mismatch.

While advisors are a consistent and useful source of donor resources, it is important that they become more competent in the philanthropic advice they provide, and that they be able and willing to make referrals to other sources of expertise as needed.

Fundraising Community

It is often said that fundraisers and development officers comprise the front-line of donor educators. Fundraisers have the job of matching potential donor interests to institutional funding needs.

The best fundraisers are characterized by: sensitivity to donor needs and interests, knowledge about institutional needs and the various ways to design and structure gifts, and superb interpersonal skills. The best fundraisers can help donors better understand their own interests and passions, provide inspiration, educate donors about both the programmatic and technical aspects of making gifts, and link donors to additional resources beyond their own institution. The best fundraisers recognize that they can help donors move up the engagement curve, from Stage 1 towards Stage 3.

The large institutions - universities, hospitals, and major cultural and social service organizations -- have developed and refined sophisticated systems for acquiring and engaging major donors. They have steadily funneled more and more resources into the expansion and upgrading of their development and institutional advancement offices. Similarly, the development professionals in these organizations have become increasingly sophisticated in their use of a wide array of giving tools. For many donors these institutions and their staffs are the primary source of information and services related to their philanthropy.

A few large institutions are providing broad-based donor education – including seminars, workshops and newsletters – in the belief that this will help the donor feel more connected to the institution and may increase their overall giving levels. Brown University has just hired staff to launch a program on philanthropy for alumni. Harvard, Stanford, Brandeis and Cornell have all established donor advised funds (see Stage 2) for alumni, to help them organize their giving. This is a relatively new phenomenon and may offer an opportunity to educate new and emerging donors "where they are."

Professional fundraising associations on the national, regional, state levels, as well as special interest groups, such as planned giving societies, are devoting increased attention to the broader aspects of philanthropy. Voluntary groups like the Friday Forum, a Boston-based association of senior development professionals, have been organized specifically to consider the bigger picture. All of these organizations are devoting time and resources to raising the skill level and knowledge base of the professionals who are on the front line of donor relations.

The reality, however, is that in the nonprofit world there is an acute shortage of experienced development professionals and the time they have available to devote to efforts beyond the boundaries of the institutions that employ them is severely limited.

The United Way and Other Federated Giving Programs

Many Stage 1 donors will do some of their biggest giving – indeed the majority of their giving – through the United Way, because of its well-developed approach to engaging donors proactively in the workplace. The history of United Way is a donor education model. According to Eleanor Brilliant in her book on the United Way, it was based on the idea of bringing the leadership of the community together to address issues of poverty, and to advance charity and philanthropy. "It will hope to produce its results in the way of a wiser distribution mainly through a better educated giver." Today there are 1400 local United Ways, which collectively raised $3.6 billion in 1998.[xvi]

United Way's influence in the field has declined in recent years. Giving to the United Way has declined from 3.2% of all charitable funds contributed in 1987 to 2.4% in 1997. Observers speculate that this decline is due to a number of factors, including the desire of donors to play a more direct role in designating gifts, and general distrust of institutional structures, which was further exacerbated by the scandal that engulfed a recent past president of the organization. Many United Ways have responded by adopting flexible donor designation programs – including targeted issue-area funds as well as designations to specific organizations. As a result, some United Way chapters now raise as much as a third of their campaign dollars as designated dollars, raising questions and concerns about the mission and positioning of United Way in a community.

The role of United Way chapters in reaching out to new and emerging donors, and particularly moving Stage 1 donors to Stage 2, continues to be a powerful opportunity. Many United Way chapters have been successful in raising increasing amounts of money from high-net-worth individuals through the DeTocqueville Society. These efforts are leading to more customized service and higher quality information. Other chapters are for the first time raising endowment funds, campaigns that call for a different approach to staffing and new kinds of donor information.

The United Way may continue to offer one of the most promising approaches for stimulating, involving and educating new and emerging donors at the lower end of the wealth spectrum. Its potential to engage and educate the upper-end donor, particularly the entrepreneurial hands-on donor, is as yet unclear.

Board Membership/Volunteerism

Just as the Stage 1 donor typically makes gifts in response to unsolicited appeals, the emerging donor may also agree to serve as a member of a not-for-profit board, especially if she is asked by a peer or is already active in the organization as a volunteer. Active board involvement can offer the new and emerging donor the opportunity to learn a great deal about the non-profit sector, the role of philanthropy, and important social issues. By serving on a nonprofit board many people become inspired to contribute more of their resources to philanthropy; they may also learn how to make major gifts.

The link between volunteerism and giving is well documented in the literature. For instance, the Independent Sector reports in its biannual study on giving and volunteering that volunteers give more than non-volunteers, and contributing households that include an active volunteer give a much higher percentage of their income than do those without a volunteer.[xvii]

Peers and Family

In virtually every study the most frequently cited reason for giving is “someone asked me.” And undoubtedly the most frequent solicitor of a Stage 1 donor is a peer or family member.

Beyond the individual gift is the important influence of this close circle of friends and family on the donor's philanthropic values and frame of reference. Clearly parents profoundly affect their children in terms of role modeling and establishing an expectation of giving. The inheritor is often raised in a strong culture of philanthropic stewardship. And many who were raised without wealth are also strongly influenced by parents who supported church and community with their time and limited resources.

Peers can and do provide powerful role modeling and support to the would-be donor. The Kauffman Foundation has developed a video for entrepreneurs, based in part on the premise that most entrepreneurs prefer to learn from other entrepreneurs. The growth in giving circles (discussed further in “New Players”) is another example of the power of peers to support and encourage others in philanthropy.

Religious Institutions

Approximately 42% of all charitable dollars in this country go to churches, synagogues and other religious institutions. Ninety percent of all Americans say they believe in God and a huge percentage belong to an organized religion. Studies on philanthropic giving consistently report a strong association between religious affiliation and giving.

Organized religion, by virtue of its message and mission, provides inspiration and stimulation to "give unto others" and many religious organizations play the role of connecting its members to social causes and institutions through fundraising drives, volunteer networks and other special projects. In some communities – e.g., certain African-American communities – the church is the "United Way" for collecting donations and even delivering services.

Social/Business groups

Social and business groups such as Kiwanis and the Junior League have historically played an active civic engagement and charitable giving role. These "identity groups" connect their members to social issues and causes through volunteerism and fundraising. Over the past five to ten years, an expanded universe of these groups – such as the Young Presidents Organization (YPO), World Presidents Organization (WPO), and various Business Roundtables – has added the topic of philanthropy to their program and educational agendas.

- The WPO is about to publish in its newsletter a first-ever article about philanthropy. It has scheduled a week-long seminar for Spring, 2001 on the topic of wealth with responsibility.

- The Massachusetts Business Roundtable has published a primer on corporate social responsibility for its membership and other interested corporations and plans to produce a series of educational workshops on philanthropy.

- Organizations like the Social Venture Network and Business for Social Responsibility have been successful in broadening their membership.

We believe that the opportunity for such organizations to inspire and educate their members on philanthropy is great, and that the timing is right. Moreover, these groups are natural venues for experimentation with some of the newer giving vehicles, e.g., next-generation giving circles.

Media and the Internet

Finally, Stage 1 donors are, like the rest of us, targets of the media in all its traditional and emerging forms. These include news media, public service announcements, public education ad campaigns, cause-related marketing promotions on the Internet, etc.

The largest example of social marketing to encourage and promote philanthropic giving is the Independent Sector's "Give 5" Ad Council campaign that began in 1987 and continued through the 90's. Today, some of the New Ventures in Philanthropy grantees (see "New Players") are conducting similar campaigns in their communities.

Historically, the news media has not paid much attention to philanthropy and there have been few "philanthropic beats" in the industry. With the new attention to wealth, however, this is changing. Moreover, the Council on Foundations has made communications a major priority.

In the competitive scramble that is accompanying the growth of the Internet, we have seen more and more cause-related marketing promotions on-line. In some ways, this is a positive development insofar as it shifts more dollars into charities, sends a charitable cultural message, and to some extent educates shoppers about social needs and good organizations. On the negative side, it can seem gimmicky and is often limited to a transactional interchange. (Discussion of the Internet and e-philanthropy for donors who are actively searching for information or to make a transaction is included in the “New Players” section of this report.)

Another intriguing development is the popular media’s interest in ranking the newly wealthy according to their philanthropic generosity. By offering a frame of reference for the mega-wealthy, this may in the long run have a significant influence on giving.

Moving the Stage 1 Donor to Stage 2 - What’s Missing?

Stage 1 donors represent the largest group of donors, "the money in the woodwork." They are difficult to access, but they are also those who are likely to respond if exposed to the right message in the right context. The principal challenge in working with this donor population is to move its philanthropy from the responsive mode to one that is material and active.

The principal needs of Stage 1 donors are twofold:

1. Stimulation and motivation to be more philanthropic by family, friends, peers, advisors, the culture, and from personal experience. It may also include overcoming barriers to giving, such as skepticism and discomfort with wealth.

2. Trustworthy, ethical, donor-centered information and advice that deals with the following:

   - the important role of the independent sector in society and the critical importance of charitable giving
   - understanding of the soft side of wealth-related issues, especially concerns about family and children
   - encouragement to look at philanthropy as an expression of passions and goals, so they can move beyond reactive giving
   - exposure to the different types of giving vehicles and understanding the pros and cons of each

What are the gaps and opportunities? At this stage new and emerging donors are influenced by many disparate and uncontrolled influences. The challenge is not to increase the amount of pressure on the donor at this stage, but to change its character by focusing on the donor and developing effective ways to draw out and encourage the philanthropic impulse. It requires meeting donors where they are and inspiring them to go further. Some examples of opportunities are the following.

- Wealth advisors (financial, legal, insurance, etc.) need to be better prepared to raise the philanthropic question with their clients, to understand and explain the “soft” benefits of philanthropy, and then to connect interested clients to additional philanthropic resources– such as community foundations, the Council on

Foundations, and the National Center for Family Philanthropy.

- Fundraisers have an opportunity to convert their institution-specific contacts into proactive donor education opportunities. Universities, in particular, could take on the role of educating their alumni to become inspired, engaged donors. Other educational, cultural and community institutions could do the same. Federated campaigns like the United Way, which meet the donor in the workplace, have an opportunity to educate the donor broadly, in a donor-centric way.

- New models of philanthropic engagement are needed, such as increasing the number of situations in which new and emerging donors are influenced and inspired by their philanthropic peers, or situations in which new language and structures "connect" with previously unengaged wealth. For example, business membership groups could be supported and encouraged to develop programs on philanthropy, and to promote the growth of giving circles that reach donors where they are and draw them into a learning environment.

- More media attention on exemplary donors as well as on the value and effectiveness of philanthropy would help to create a climate that supports the philanthropic impulse.

VII. Influences on the Stage 2 Donor - Engaged and Getting Organized

At some point in her development a donor may find that she is making more gifts, that the gifts in the aggregate are larger, and she may increasingly wish to exert greater control over her giving. Or perhaps she is planning an estate for the first time. Whatever the cause, the Stage 2 donor is looking for an organizing vehicle(s) for her giving, often a charitable trust, donor advised fund, or a private foundation.

At this stage, new and emerging donors may still be learning about effective philanthropy from those sources identified in Stage 1. Because they are beginning to search actively for a plan and/or a vehicle, they are also likely to be referred to or to seek out and learn from any or all of the following additional resources:

- community foundations
- commercial charitable gift funds
- financial institutions and law firms engaged in charitable trust management
- increasingly, the Internet

There are considerably fewer donors in this stage than Stage 1, but any donor of significant scale is likely to reach this stage at some point, if only to ease the administrative burden of their philanthropy. As a result of the proliferation of new giving mechanisms and the strong entry of Fidelity Investments and others into the field of charitable gift funds, there are many more donors moving to Stage 2 than ever before. Their needs are transactional. The challenge is to help them move beyond the transaction.

Community Foundations

A community foundation is a public foundation that receives donations from a broad base of private sources and manages them under community oversight for charitable purposes. Most community foundation assets consist of donor-advised funds that are managed by the foundation under the guidance of individual and family donors. By virtue of their public foundation status, community foundations and donor advised funds offer tax advantages superior to those of private foundations.

Due in part to support from major national funders, the recent economic boom, and the growing interest in donor-advised funds, community foundations have enjoyed strong growth in both numbers and size over the last decade. There are nearly 600 community foundations nationwide, and their total assets have tripled, to more than $10 billion. According to a 1998 survey of community foundations by the Columbus Foundation, grants paid out in 1998 increased by 23% over 1997, and gifts received by the foundations reached $2.8 billion, up more than $400 million over 1997, for an increase of about 17%. Community foundations range widely in size and geographic coverage. While 51 have assets of over $100 million, more than half have assets under $10 million. Twenty-three percent have assets of less than $1 million.

The new and emerging donor most commonly encounters the community foundation because of an interest in establishing a donor advised fund. The donor's financial or legal advisor may suggest this option, or the donor might hear about the foundation's grantmaking through serving on the Board of a nonprofit institution, or from a friend. On the face of it, community foundations are well positioned to serve the new and emerging donor, not only with investment and administrative management, but also with educational, planning and support services, and information about community needs and funding opportunities. Indeed, many community foundations do an excellent job of providing intellectual, financial and connective capital in their community. Most community foundations have program staff who are responsible for making discretionary foundation grants, development staff who are responsible for finding and keeping new donors, and financial/administrative staff for managing the fund. They act as fundraiser, grantmaker, and investment manager.

With some exceptions, it is very difficult for most community foundations to carry out their many roles and at the same time provide the new and emerging donor with the support, information and inspiration to become a Stage 3 donor. The challenges include the following.

- Many community foundations, especially the large universe of smaller ones, are extremely under-capitalized and under-staffed for the many roles they play. This severely limits their ability to provide high quality donor education to clients, much less to the broader community.

- In their role as public foundations, community foundations are under constant pressure to bring in more gifts and grow their asset base. As a result, the emphasis is often on "selling" the community foundation as a vehicle and less on encouraging philanthropy in the community.

- For many years, community foundations were the only game in town when it came to donor advised funds. Competition from commercial charitable gift funds, Jewish federations, and other public foundations has undoubtedly had both a negative and positive effect on community foundations. Most significantly, the commercial funds start with large client bases and have far greater resources than do community foundations for marketing their vehicles, providing sophisticated financial planning advice and establishing technologically savvy and efficient donor resources. Commercial funds also have chosen not to provide grantmaking advice or donor education, and report that this has not negatively affected their sales success. Community foundations are struggling with how to respond to the competitive challenge and still maintain their program depth and donor education activities. Some are choosing to go head to head with the commercial funds, while others are looking for a middle ground.

Tellingly, when the National Center for Family Philanthropy did a random review of 25 community foundation Web sites, it found that 23 out of 25 of the organizations emphasized low fees and tax advantages as reasons for a new donor to choose the foundation. Only two of the foundations stressed the benefits they provided as a community resource, or as an educator and supporter of new donors.

Survey Results – Thirty-three community foundations, evenly distributed around the country, responded to TPI's provider survey inquiring about the services they provided to donors. It is our judgment that the marginal response rate is an indicator of both how understaffed the foundations are, as well as the minor emphasis they place on donor education.

Nearly 80% of those respondents said that they provide some type of educational services, including: topical briefings, education on planned giving vehicles, site visits/bus tours and informal seminars. Most of the services appeared to be conventional types of education and programming. However, a number of innovative and interesting experiments surfaced, including:

- Philanthropy classes for 15-35 year olds
- Youth in Action training
- Partners in Philanthropy programs at which grantmaking information and invitations to collaborate are shared with private foundations and individual donors

Two-thirds of the respondents indicated that they provide one-on-one consulting services to donors in areas such as strategic planning (36%), program development (32%), grant-making (30%), grants/program evaluation (40%) and program/foundation management (28%). Fifty-eight percent of the respondents provide Internet-based services and many described plans to update these services.

But it may also be that response bias – in the form of self-selection among respondents by those community foundations that are providing such services – paints an unduly optimistic picture of the number of service providers.

Innovations in Community Foundation Work - Through TPI's work with several dozen large and small community foundations and conversations with foundation executives, we are aware that a small group of community foundations is breaking the mold and taking an active role in seeking to serve the new and emerging donor. Examples include:

Triangle Community Foundation has been particularly active and innovative in reaching out to and supporting new and emerging donors. Through the Catalyst project to promote philanthropy in the region (begun in 1995), Triangle has taken a leadership role in a collaborative to expand the philanthropic base of the community, a collaborative that includes family, independent, and corporate foundations, as well as the community foundation itself. Triangle has been notably successful in working with advisors and positioning itself as a donor resource, regardless of the giving vehicle that the donor chooses. Recently it created an innovative vehicle called the Entrepreneurs Fund to reach a new group of donors that may not now be cash-rich, but which could ultimately become significant donors.

The Greater Kansas City Community Foundation has been extremely successful in increasing its assets and clients by competing head-to-head on a transactional basis (e.g. processing gifts and tracking accounts) with Fidelity, which it believes it can equal or better in both technology and cost. GKCCF brought in $141 million in new funds last year and now has more than 600 donor advised funds. Despite this success, Jan Kreamer, President of GKCCF, estimates that no more than five percent of the donor advised funds have a strategic funding plan. The opportunity being lost is the chance to coalesce these dollars behind pressing issues in the areas of interest to the donors. In search of a remedy, the foundation is developing a continuous educational system for its donor community in an effort to move donors up the quality scale.

Both the ***Silicon Valley and Peninsula Community Foundations*** have also been creative in attracting new funds from entrepreneurs, some of significant size. For instance, the Kirsch Family has established a $50 million supporting organization with the Silicon Valley Foundation. The ***Arizona Community Foundation***, another example of innovation, has more than 35 supporting organizations.

The potential for community foundations to serve as true donor resources depends to a large extent on resources, which in most instances are severely constrained. The larger issue, however, is one of policy. One way to frame the question is, in what business are community foundations? Do they wish to be holders of capital and grantmakers? Or do they wish to be organizations that promote philanthropy holistically within their jurisdictions? Which approach provides the greater value to society?

While they can obviously do some of both, the organization and management of community foundations varies greatly depending on whether they choose to emphasize their role as stewards of capital, or that of being providers of donor resources. The answer has implications for foundation control, staff training, and other issues. Developing a strong donor orientation requires training for staff to help them become effective tutors for their donor advised fund clients. Obviously, this is a different orientation than one that supports program officers. Moreover, if the community foundation holds several hundred million dollars in unrestricted funds, the answer to these questions will be very different than if the foundation is just getting started. The basic policy issue, however, remains.

Commercial Charitable Gift Funds

The new and emerging donor who is looking for an organizing mechanism for his/her giving is increasingly likely to bump into a commercial charitable gift fund early in the search. This is a recent phenomenon, triggered by Fidelity Investment's entry into this field less than 10 years ago. Fidelity was followed by a number of major financial service companies such as Vanguard Investment and Charles Schwab, as well as other banks and financial institutions. There are now an estimated dozen such funds, and more on the way. In the meantime, the Fidelity Charitable Gift Fund has grown to 22,000 donors and holds assets of $2.3 billion, a substantial powerhouse when one considers that the 20 largest community foundations have a total of $3.1 billion in donor-advised assets. The Schwab fund began operating in September 1999 and by February, 2000 had already accumulated $50 million in assets from more than 1,000 donors.[xviii]

Commercial charitable gift funds have successfully attracted donors through aggressive marketing efforts targeted at both existing and new financial services clients. They provide clients with the same tax benefits that community foundations do with their donor advised funds, and promise donors easy, efficient administration, investment management, and gift transaction services. Compared to many community foundations, these companies tend to provide faster, more efficient, and less costly grant processing services.

What the charitable gift funds have not done is provide clients with the donor education, peer networking, or custom philanthropic consulting services that many community foundations offer. In our interviews with commercial charitable gift providers, they say that their donors do not seek this kind of service and would not take advantage of it if it were available. Clearly, the commercial entities have seen little or no competitive advantage and profit in providing donor education or they would have done so already.

The large financial service companies have recently upgraded their charitable gift fund Web sites. Both Fidelity and Schwab provide some excellent reading and resource referrals for donors, as well as a link to GuideStar's database of nonprofit organizations. While that is the extent of their progress to date with donor education, the increasing cost-effectiveness of technology and the growing number of commercial funds competing for the same clients could easily stimulate more such services. One exception today is a boutique operation called the National Philanthropic Trust, a venture of the Pitcairn Trust Company. Targeting large, million-dollar-plus accounts (most funds require only a $10,000 investment), NPT is also attempting to provide a broad array of planning, facilitation and philanthropic design services.

As suggested above (see "Community Foundations"), there has been considerable apprehension and concern among community foundations about the growth of commercial charitable gift funds. Much of this concern has been based on the belief that the community foundations have not been given a level playing field on which to compete with their commercial counterparts. By way of example, community foundations cite the fact that there is little expectation that a commercially affiliated gift fund will play a significant role in civic and community engagement. There is a certain level of suspicion that confronts any for-profit entity that crosses over to the not-for-profit side to sponsor non-profit activities. Community foundations have also been disturbed by the practice of some commercial funds that provide incentive fees to referring advisors. At their most strident, community foundation critics of commercial funds assert that the latter provide no societal benefit at all, and are merely engaging in "philanthropy by convenience."

In response, the commercial funds claim that they have contributed to the growth of philanthropy. In a survey of Fidelity Charitable Gift Fund donors last year, nearly two-thirds of respondents said they gave more money to charity after opening an account than before. Observers have also noted that competition from commercial gift funds has pressured many community foundations to become more efficient, donor friendly, and innovative - sorely needed changes in sometimes-staid institutions.

For now, perhaps the only fair conclusion is that the commercial gift fund phenomenon is still too new to assess adequately its social or philanthropic impact.

Financial Institutions

The burgeoning numbers of the newly wealthy have prompted financial service companies across the nation – investment firms, private banks and trust companies – to enhance their services to such individuals. Many companies that traditionally provided only one or two specialized services to moneyed clients (stock brokerage, money management, trust management, banking) are creating comprehensive, one-stop wealth management services that include philanthropic advice and management.

Evidence of this recent and rapidly expanding trend can be found in the inquiries that TPI receives on a regular basis from such firms. While a few years ago, we were often invited to deliver a one-hour talk on philanthropy, today TPI is increasingly asked to provide much more extensive services. In addition, companies are regularly contacting us for assistance in searching for senior professionals to manage in-house philanthropic advisory services.

Since 1996, TPI has worked with the private bank at Bankers Trust (now owned by Deutsche Bank) on a program for the high-net-worth clients entitled Wealth with Responsibility. This comprehensive program focuses on philanthropy, socially responsible investing, and psychological/family aspects of wealth. TPI has trained account managers to support effectively their clients' philanthropic interests, developed a resource library (and is now developing an on-line component of that library), participated in several Wealth with Responsibility conferences for clients, and provided initial and ongoing client consultations.

Other financial services companies that have established philanthropic planning services for clients include the trust companies that have long focused on the high net worth client, e.g., Harris Trust, Northern Trust and Bessemer Trust. More recent entrants include large financial service companies such as Merrill Lynch (which recently established a referral relationship with community foundations and hired a vice president for philanthropy) and American Express.

Also prominent among the new players is Citigroup, which has a launched an ambitious new Family Advisory Practice. That Practice, to which TPI is lending assistance, includes a program to train their 400 private bankers in all aspects of the "soft side" of wealth counseling, including philanthropy. Goldman Sachs, Bear Stearns, Offitbank, and surely others are also getting into the mix.

In TPI's view, this increased interest and activity is largely positive and offers real potential for better educated, informed, and connected donors. But there are questions, too.

- Is there substance behind the marketing?
- Will such institutions find substantive donor support and education to be economic, or will they end up focusing on transactional money management and custodian services?
- Will they migrate to a conventional charitable gift "product" orientation in their philanthropic services, which in all likelihood will not holistically serve the unique needs of the donor?

Law Firms

Law firms are another resource for donors seeking assistance with their philanthropy. In the face of a growing trend for law firms to adopt a full wealth-management/services model, an increasing number of firms are wading into the donor resources business.

Major law firms in major American cities have traditionally assisted clients with a wide range of wealth management needs, e.g., trusts and estates, planned giving advice, fiduciary/trustee relationships and – uniquely in Massachusetts – investment management. In the course of such relationships, lawyers have historically provided their clients with idiosyncratic advice about specific gifts and/or specific non-profit organizations to which to give.

In the last few years, a number of firms have begun providing clients assistance with strategic grantmaking, and philanthropic program development. In Boston alone there are at least four firms providing such services. Hemenway & Barnes has a Donor Services Office which for several years has managed the grants program of a major New England foundation and which is now offering a range of donor services to other clients. Nutter McClennan & Fish is assisting clients with due diligence and other grantmaking functions. Rackemann, Sawyer & Brewster is providing donor services in connection with its traditional business in the administration of charitable trusts. And Goulston & Storrs offers a range of services to clients in a full service model that it claims is unique to the market.

Goulston & Storrs reports that its success in this arena is attributable to its ability to provide one-stop shopping – to bring lawyers, CPAs, money managers, and philanthropy consultants around a single table. Another draw for Goulston's donor-resources clients is the awareness that Goulston lawyers sit on a number of non-profit boards, and thus the clients hope to be the beneficiaries of this insider's view. The firm is conscious of the risk of bias in this arrangement, and is taking measures to guard against it.

While the American Bar Association does not maintain data on this trend, with this level of activity in Boston it seems certain that similar services are being offered elsewhere. In the near term, such services will likely be limited to the top of the market, or those clients willing to pay high-end legal fees.

The Internet

The Internet has dramatically changed the ways in which people search for information, and it has geometrically increased the amount of information available to them. The Stage 2 donor who is actively looking for information about how to manage her/his giving or whether to set up a foundation may very well turn to the Internet for basic background information. But where they end up and what type of information they unearth may very well be a function of their search engine. The good news, however, is that they are likely to get connected to some of the major philanthropic organizations Web sites early in their search. The Council on Foundations, for instance, turns up quickly on most searches, and it contains some excellent and very accessible "Getting Started" information. The risk is that would-be donors find their way to sites that are largely or completely transactional, or sites with no educational component. The other risk, which will certainly grow in the future, is that they become overwhelmed by the amount of information available. More on the new world of e-philanthropy can be found in the section "New Players."

Moving the Stage 2 Donor to Stage 3 – What's Missing?

This is the second largest group of donors; they have already "declared" themselves by choosing to establish a private foundation or a donor advised fund. S/he may be stuck in a transaction mode where administrative efficiency and convenience dominate. For donors in this transitional stage there is tremendous opportunity to push or inspire them to become committed learners, and to migrate up to the top of the philanthropic curve.

Evolving Stage 2 donors need to:

- become even more inspired and excited and involved in their philanthropy
- develop a strategic perspective that allows them to go deeper, to become more focused
- understand community and issue area needs and create philanthropic agendas to meet those needs
- learn the ropes of really good grantmaking, including how to identify organizations that match their interests and giving criteria
- see how their gifts are making an impact
- potentially, learn how to involve other family members in an exciting and satisfying family endeavor

There is an important opportunity here to take advantage of a donor's active quest for an organizing vehicle and convert it into a connection to ongoing, donor-driven advice, support, and inspiration to do more with their giving.

- More community foundations could take on a serious and sustained role as donor educators and a resource for the general donor population. They could provide more active consultation and support for clients – e.g. helping them develop a strategic perspective, sharing information on community needs, and connecting them to interesting, high quality organizations. For the donor community generally, community foundations could serve as a catalyst that convenes like-minded donors and disseminates information about community needs.

- Commercial gift funds could proactively provide their donor clients with resources, information, and education about effective philanthropy – once again, services that inspire and encourage donors to invest more of themselves and connect them with additional information resources.

- While market and profit motives may get in the way, we hope that financial institutions and law firms entering the full-wealth-management field will be donor-directed, rather than sales or product-driven. It is hoped that they will introduce new and emerging donors to the full range of available resources.

- Non-profit philanthropy sites on the Internet should be augmented and improved and bridges built to and from high quality commercial sites. As the amount of information available on the Internet increases, new and emerging donors looking for information need better ways to navigate, connect, and find high quality, neutral information sources.

- Continued opportunities to connect with peers, learn, and become more engaged, need to be established and sustained. These might be created by any of the players described above - community foundations, wealth management services, etc.

VIII. Influences on the Stage 3 Donor - Committed and Active Learner

Just as there are fewer donors who reach the getting-organized stage (Stage 2) than the receptive stage (Stage 1), the population that becomes deeply involved in philanthropy as active learners is smaller still. The challenge is to move more donors to Stage 3.

In Stage 3, donors are actively looking for resources, networks, information and support to help them become highly effective givers. They seek to learn more about an issue area, best practices, new models and the latest research. They want to know how better to use technology and evaluation in their giving. They are thinking about how to invest more of themselves in their philanthropy.

This is the world of organized philanthropy. For this donor, there is a growing and increasingly formal network of organizations and resources to turn to, including national and regional membership and resource groups, donor support and identity groups, philanthropic consultants, and other established foundations. More recently, there has been a virtual explosion in online resources and a lesser, but important growth in various peer-to-peer learning models such as giving circles.

Philanthropic Membership and Resource Groups

For many years, the Council on Foundations served as the only membership group and public voice for organized philanthropy. Eventually, it was supplemented by the Regional Associations of Grantmakers (RAGs). In the last five years, a number of important new membership and resource groups such as the Association of Small Foundations, the National Center for Family Philanthropy, and a strengthened network of RAGs, now called the Forum of RAGs, have emerged.

This infrastructure growth is clearly a response to the tremendous expansion and diversity in private, family philanthropy and the need for resources and services other than those traditionally provided by the Council and the RAGs, services largely geared to professionally staffed foundations. Today, membership and resource groups offer an increasingly rich array of products and services to the Stage 3 donor, particularly Stage 3 donors with private foundations.

- The Council on Foundations sponsors an annual Family Foundations conference, which typically attracts as many as 800 participants. A few years ago, COF's Independent and Family Foundation division set up a separate family foundation area, increased its staffing, created an extensive set of printed products for the family foundation, and established a phone-based resource and referral service. The COF Web site also offers some good basic information on starting a foundation.

- An increasing number of RAGs have expanded their outreach and services to new and emerging donors, especially family foundations. However, most still focus their outreach and products on building membership. Some offer family foundation roundtables, annual family foundation conferences and, for their members, opportunities to network and collaborate. A few have taken innovative steps to engage more novice donors – such as the Washington RAG's "virtual bus tour" of the district. More donor-friendly activities and donor outreach may be forthcoming as a result of the Forum of RAG's involvement in the New Ventures in Philanthropy initiative (see New Players/New Models).

- The Association of Small Foundations, which was founded in the mid-90s and hired full-time staff in 1997, is quickly filling an important niche of serving the unstaffed or small-staffed foundation. ASF provides information and assistance related to quality philanthropy to those offices having five or fewer persons and a portfolio that includes all aspects of foundation work. With a modest membership fee, aggressive outreach (a membership packet is sent to all new foundations within 60 days of receiving IRS approval), and increasing use of Web-based information sharing, the ASF has grown to over 2000 members. Very customer sensitive, ASF has responded to donor requests to learn from each other and has developed a protected web site with over 600 pages of sample guidelines, job descriptions, etc. In addition, it conducts regional conferences, and is currently in the process of establishing an on-line and phone network for peer learning.

- The National Center for Family Philanthropy is another new organization founded within the last five years. More of a resource and education organization (i.e., not membership based), NCFP's mission is to "encourage individuals and families to create and sustain their philanthropic mission." Unlike all the other major groups that target foundations, NCFP is vehicle neutral in its support of family and individual philanthropy, which is significant given the tremendous growth in donor advised funds. In addition to conducting research on the field of family philanthropy, NCFP publishes monographs and resource books, conducts workshops, and provides resources and referral to donors interested in issues ranging from strategic planning to family issues. While NCFP also serves individual donors, most of its products to date and certainly its name suggest a family emphasis.

- There are over 35 affinity groups associated with the Council on Foundations, groups which, like the RAGs, vary widely in size, sophistication and services. Many are focused on issue areas or target populations, but others represent grantmaker populations, such as Hispanics or women. Still others address issues in grantmaking, such as evaluation. Typically, the affinity group supports its members through conferences, newsletters, and other opportunities for peer networking and sharing issue expertise. The number of affinity groups has grown dramatically in recent years and is often mirrored at the local level, indicative of a strong donor desire to learn from one another and improve grantmaking. Unfortunately, most affinity groups have not had the staffing to actively reach out to new and emerging donors, particularly those without a private or family foundation.

Donor Support and Identity Groups

For some time now, various types of donor support and identity groups have populated the philanthropy landscape; their numbers appear to be growing with the number and diversity of donors. These groups defy definition but they are typically composed of individuals who seek to learn from (and potentially collaborate with) others with whom they share demographic or ideological identity. These groups provide inspiration, peer support, shared learning about best practices, and opportunities for collaboration. In some cases they also provide fund and grant management services. This is probably the most diverse category of donor resources in terms of structure, services and venues**.** For example:

- Women's Funds - There are nearly 100 of these public foundations, which are typically governed, managed, and supported by women and whose grantmaking and other activities are directed at women. These funds vary in structure, but most provide an opportunity for women to work and learn together actively. A few have taken on a broader donor service mandate and provide supports such as financial literacy seminars to their supporters.

- The Gathering brings together funders for whom the Christian faith is a point of departure. It meets on an annual basis and encourages Christian donors to find ways to express their values beyond the church and in society generally.

- First Nations Development Institute was originally founded to "help tribes build sound, sustainable reservation economies. They have expanded their reach to include meetings, workshops and direct advice and counsel to Native American communities, especially the gaming tribes, on development and implementation of philanthropic strategies.

- The Jewish Funders Network is now in its eighth year and provides a gathering place for Jewish philanthropists (individuals, foundation trustees and staff) to "discuss emerging issues, learn about new projects and ideas, gain expertise in the operational, administrative and legal aspects of grantmaking, and exchange information." FIDALCO is a similar organization for Catholic donors.

- The Philanthropy Roundtable is a membership group comprising donors, advisors, foundations, corporations, trusts and estates officers and others. The membership's common bond is a conservative ideology based on the free market and a strong interest in protecting donor intent. It conducts an annual conference, symposia on various issues, and publishes a magazine six times yearly.

- The Gill Foundation is a completely different model of identity/donor support group. A private foundation with regular grantmaking activities, it also operates the OutGiving Project to encourage and support leadership donors in the gay, lesbian and bisexual community. Training programs, conferences and other donor resources are part of the project.

The giving circle, which we describe in the New Players section of this report is a new permutation of an old concept, aimed at peer-to-peer learning and support around a shared interest or identity.

Independent Philanthropy Consultants

Some Stage 3 donors may turn to a philanthropy consultant to help them develop a mission statement and strategy for their giving, design or manage their grantmaking, help with family issues, or evaluate their effectiveness.

Little is known about the growing cottage industry in philanthropy consulting. The NCFP has a growing list of 150 consultants, but has only been able to gather brochures and bios on about 50 of them. Most are one-person operations with the principal having nonprofit or foundation experience. There may be about a dozen firms that consist of six or more professionals, TPI and The Conservation Company being the largest. A new non-profit organization is Bridge, an offshoot of Bain & Company. Bridge is working with some foundations but is primarily focused on not-for-profits. Very few consultants provide the full spectrum of donor services, tending to segment themselves into the fields of program design, family issues or evaluation.

As would be expected, there is crossover among other related consulting professions, and we see some family business and family therapy consultants also offering philanthropic advice. As indicated above, some law firms and financial services firms are also positioning themselves to be available to the very engaged donor.

Based on this research, and on TPI's own experience of responding to the steady demand for our services, it appears that the number of donor-centric philanthropy consultants is not sufficient to meet demand. There is also little evaluation of the quality of available services, and no way today to do so. Standards do not exist in the field, and there is no professional organization of consultants that might offer continuing professional development.

Academic Centers

The Independent Sector identifies 23 academic institutions that have centers or programs focusing on the study of philanthropy. Only two institutions responded to our survey, so we collected further information through phone interviews and an Internet search. Most academic philanthropy programs take a nonprofit management or fundraising perspective. However, a few centers have launched or are contemplating the development of educational programs for the new and emerging donor.

- In March 2000, Harvard's Hauser Center for Nonprofit Organizations at the Kennedy School of Government and the Initiative on Social Enterprise at Harvard Business School conducted a three-day strategic giving seminar for "individuals of significant wealth who are interested in establishing or strengthening their philanthropic efforts." Attendance was lower than anticipated (25 donors), which may have been due in large part to the $4500 tuition. Another seminar is scheduled for fall 2000.

- The Center for Social Innovation at Stanford University's Business School will be holding a program for donors in November 2000. Over the past two years the Center has held two conferences on philanthropy: "Entrepreneurship in Philanthropy" and "High Impact Philanthropy."

- Indiana University, the most prolific source of philanthropy scholarship, conducted a program some time ago for donors, in partnership with The Conservation Company. While Indiana did not repeat the program, the university is now in the planning stages of developing a Community Foundation Institute, targeted at foundation staff and trustees, which is expected to be up and running in two-to-three years.

Other academic institutions have offered occasional philanthropy seminars to donors – mostly their own donors – over the years, but we are unaware of other formal programs. We know from various requests and informal conversations that a number of institutions are considering the possibility of developing similar programs.

Established Foundations

Despite some new donors' skepticism about established foundations, many Stage 3 donors turn directly to the experienced foundations in their community or peer group to learn about community needs, best practices, and the pitfalls to avoid. Even those donors who do not directly solicit advice from established foundations may look to them indirectly as role models, or to form a benchmark against which to establish their own goals and strategies.

Several of the foundations that supported this study report that they receive multiple requests per week from new donors who have just launched or are about to launch their own foundations. Yet very few foundations are prepared to respond to these requests, except perhaps informally. Indeed, developing an appropriate response to such requests was one of the principal motives behind this study.

The following foundations offer something more than informal consultations to new and emerging donors.

- In 1995 The Rockefeller Foundation established a formal foundation-sponsored donor education program called The Philanthropy Workshop. This intensive program's mission is to "create an active, global association of strategic philanthropists with the skills, commitment and imagination to make a significant contribution to pressing issues of our time." It consists of a yearlong workshop divided into four one-week modules. It also provides an ongoing alumni association of philanthropists that provides lifelong learning support. Serving approximately 24 students a year at a tuition of $10,000 apiece, this is a high quality program for the high-end donor who is willing to make a large investment of time and effort in improving his/her giving.

- The Ewing Marion Kauffman Foundation has produced a 45-minute video, entitled *Giving Back*, that outlines what successful entrepreneurs should consider when creating a private foundation.

Some foundations, such as The David and Lucile Packard Foundation, are exploring a variety of options including the possible development of educational programs.

In addition to providing direct donor advice and education, a number of foundations have made their studies and reports part of the knowledge base of the philanthropic world. The Carnegie Corporation and Russell Sage Foundations, for example, have always published their reports and actively disseminated their research.

The Web is making such reports more plentiful and easier to access. As an example, the Kellogg Foundation's Web site includes over 60 downloadable publications and includes easy-to-access summaries. The Kauffman Foundation site includes dozens of downloadable reports as well as a bookstore from which to order books, multimedia materials, and other reports. Through the Internet, foundations are increasingly likely to promote the growth and availability of their publications and learning tools.

Other Educational Resources

Twice a year, TPI offers a two-day intensive symposium on strategic grantmaking for trustees of family foundations and individual donors. The symposium is limited to no more than 25 participants per session to ensure customized attention and create the dynamics for peer support. TPI also offers numerous other workshops and conferences through which we will reach about 1,000 wealthy individuals and their advisors in 2000.

Sustaining the Committed Giver – What's Missing?

The population of donors that reaches this stage is an important but much smaller group. Because these donors are taking the initiative to become more effective givers, outreach efforts are not as critical at this stage. Those few large foundations that seek to educate donors tend to invest most of the resources here, where there is a willing audience. It can be argued that more investment in the Stage 2 donor's support and evolution is needed, to help more of them reach Stage 3.

But this is not to suggest that Stage 3 donors no longer have needs. At this stage, the very motivated learner needs support for ongoing learning and development in areas that include:

- moving beyond giving to investment of self
- linking with and learning from other donors
- best practices, new research, model programs
- using technology in grantmaking and as a research and community-building resource
- better models of evaluation/assessing impact
- new models of philanthropy

- selecting/differentiating among consulting professionals
- bringing the next generation into the picture

A considerable quantity of services and resources are under development, and there has been good progress in providing support for best practices, assessment, technology, etc. Areas in which more work is needed include the following:

- A resource clearinghouse, coordination center, or improved networks for the donor who is not part of a foundation. This resource would connect the Stage 3 donor to the latest research on issue areas, to other donors doing similar work, etc.

- A mechanism or network through which Stage 3 donors can obtain ready access to the learnings and research accumulated by more experienced donors and established foundations. This might be through affinity groups, Internet resources, or any number of vehicles that can synthesize and distribute information.

- More and consistently-high-quality philanthropic consultants to coach donors through the process, help them address family involvement and governance issues, help craft strong philanthropic strategies, and help evolving donors learn about best practices and connect with their peers.

- Increasing communication between the new donors and experienced funders in ways that are productive and mutually beneficial. More opportunities to collaborate and learn from other donors are needed.

IX. New Players/New Models

Myriad new players engaging in new giving models are making philanthropy more convenient, appealing, and exciting to emerging donors at every stage in their evolution. In today's fast-changing and entrepreneurial culture it is virtually impossible to keep up with all the new players. However, some of the principal new entrants – and a few reinvented established players – include:

- New Ventures (Forum of RAGs) efforts
- e-philanthropy
- hybrid organizations
- giving circles
- corporations

New Ventures in Philanthropy

New Ventures in Philanthropy is a ten-year project managed by the Forum of RAGs that "aims to create new foundations and corporate giving programs, and encourage new donors to endow philanthropic funds whose income and/or principal will be used for grantmaking." The project budget for the first five years is $10M, of which approximately $6M has been invested by funders to date, primarily from a consortium of large foundations that includes some of the sponsors of this research.

In its first two years the project has awarded planning and implementation grants to 25 regional coalitions, whose lead members include RAGs, community foundations, United Ways, corporations and business associations, legal and financial professionals, academic institutions, nonprofit organizations and various population, religious and civic groups.

The grantee projects are diverse, reflecting the different collaborators' cultures and needs of the regions they serve. Some grantees seek to promote philanthropy among specific target populations – e.g. women, African Americans, Latinos, and entrepreneurs. Others are more broad-based, but employ an intriguing variety of approaches such as outreach to and education of legal and tax advisors, legislative changes in tax law, development of Web site and printed materials, creation of opportunities for peer-to-peer influence, and media/public education campaigns. The notion is that each project is both a community-building effort as well as a "learning laboratory" for testing approaches to the promotion of philanthropy.

New Ventures national staff supports grantees and others interested in promoting philanthropy by developing education and marketing tools, providing technical assistance, and creating opportunities for peer learning. They have crafted a high quality Web site that will continue to be a hub for new resources, advice and tools for philanthropy promotion, and resource documents such as "So You Want to Give?" a guide for the new donor.

Some of the approaches and tools that the grantees have developed to help educate and support the new and emerging donor include:

- Raleigh/Durham - In the Raleigh/Durham area, the Catalyst Project (led by the Triangle Community Foundation) has created an Entrepreneurs Venture Fund that is designed to enable newer entrepreneurs whose cash is still tied up in their young companies to become active givers. The Fund's principal spokesperson and creative leader is a highly successful Internet entrepreneur.

- Ohio - In Ohio, the Promotion of Philanthropy Initiative (sponsored by the Donors Forum of Ohio) has created an outreach effort that is organized around peer-to-peer presentations in the peer leader's home to small gatherings of potential donors. The undertaking is being rolled out regionally in order to reach a diverse mix of wealthy prospects in the state.

- Seattle - In contrast to Ohio, the Northwest Giving Project (a collaborative headed up by the Pacific Northwest Grantmakers Forum) has acknowledged that Seattle's new wealth culture is more comfortable with group meetings than the more personal peer-to-peer recruitment approach. The NW Giving Project has combined "informational" meetings that highlight model approaches to giving with an exceptionally donor-friendly Web site.

- New England – This five-state effort brings together foundations, charities, entrepreneurs, fundraisers, donors and others in an effort to (1) organize community coalitions for local promotion of philanthropy, (2) create a state-of -the-art Web site to meet the information needs of new and emerging and established donors and (3) promote giving circles as catalysts and support systems for giving.

- Detroit - The African American Legacy Program (AALP), managed by and housed at the Community Foundation for Southeastern Michigan, has already made significant inroads into the life and consciousness of Detroit's middle and upper-class Black community. As a result of its initial outreach, articles on philanthropy have appeared in major local newspapers and in the African American press. The Michigan Chronicle, Michigan's leading African American newspaper, has been running a series of columns featuring the AALP and the Community Foundation. As a result of the media strategy, several new donors have contacted the Legacy Program, which has assisted them in establishing funds.

As evidenced by these examples and an interim project evaluation, the early returns on New Ventures are extremely promising. New Ventures has succeeded in creating a "buzz" about philanthropy in many areas of the country. It is clear that the various regional initiatives are a central component of the nascent R&D work underway in promotion around the United States. Moreover, the initiative's national staff represents a valuable resource for increasing large-scale visibility for promotion efforts and supporting additional philanthropy laboratories as they emerge.

E-Philanthropy and On-line Charitable Gifting

In February 2000, the W.K. Kellogg Foundation released a report that described 140 Internet sites that "facilitate philanthropy, volunteerism, social change-making, and the development of nonprofit organizations."[xix] Estimates are that there are over 300 such sites today, and given the increasingly ubiquitous nature of the technology the boundaries of this universe are expanding.

The Kellogg report divided the sites into eight purpose-specific categories:

1. E-Commerce Shopping/Profit Sharing
2. Fundraising and Advertising
3. Philanthropy and Donor Services
4. Knowledge and Capacity Building
5. Volunteering and Service
6. Social Advocacy and Action
7. Events and Auctions
8. Portals/Full Spectrum Services

Another analysis of the same information reframed the Kellogg inventory according to the sites' functional benefits to donors, recognizing that the categories are not mutually exclusive:[xx]

1. Information - general information, inspiration
2. Education and Training - more customized advice, tools, how-to information
3. Community - connecting to peers
4. Program - giving opportunities, examining impact
5. Transactions - making charitable donations on line

The increased interactivity of many sites means that some *education and training* is taking place. For example, tools that help a donor calculate the financial impact of making a gift (e.g., those provided by the Fidelity Charitable Gift Fund, or NewTithing, Inc.) might fall into this category. TPI's recent Distance Learning pilot also constitutes education and training.

The area of *community-building* presents a potentially enormous opportunity for using the Internet to support new and emerging donors. A number of affinity and identity groups, as well as general philanthropy organizations such as the Association of Small Foundations, are using the Net to establish e-mail introduction services, list-serves, bulletin boards and chat-rooms to connect peers. Such services will undoubtedly continue to expand and be a substantial benefit to the new and emerging donor.

While *program resources* and advice are offered on the Internet by various providers (Foundation Center, United Way, established foundations, affinity groups, etc.) they are not easily located or navigated. For even the Stage 3 donor, it is a taxing undertaking to seek out information on high-performance organizations or best practices in a given field. Observers have pointed out that some of the new resources for researching nonprofits, such as GuideStar, are limited by their taxonomy, their reliance on nonprofits for the information provided, and by the quality of the search engine. Other critics say they benefit larger organizations and lack accountability in general. Finding the right information without being overwhelmed by oceans of mixed quality "junk" is the challenge.

It is the *transactional* e-philanthropy model that has received the most attention, no doubt due to the serious involvement of for-profit entities in the "business." An increasing number of individual nonprofits are offering their donors the opportunity to donate online. The Red Cross claims to have raised $2.5 million through its Web site in 1999. It is estimated that the amount of giving done online today is only about 1% of the $175 billion in gifts made annually, but it is widely agreed that this number will grow. Jimmie Alford, a nonprofit consultant and immediate past chairman of the American Association of Fund-Raising Counsel, believes that in 10 years, half of all financial transactions between donors and charities will be handled online.[xxi]

The potential benefits provided by these new transactional models are clearly huge. Ease of transaction may reduce fundraising and administrative costs, make it easier for small nonprofits to tell their story, and may ultimately increase the amount of funds going into philanthropy. But there are also concerns. Will convenience run amok? Isn't it possible that donors will never meet, touch and feel what is happening in the nonprofits they support, thus failing to develop and grow as effective donors? Will the digital divide between large and small nonprofits only widen, doing real harm to the struggling, start-up social entrepreneur? Will dot-coms and dot-orgs collaborate or will dot-coms dominate?

Whatever the answer, the Net will clearly be a major resource for serving new and emerging donors at every stage of their evolution. It will also continue to be a major intersection point for involvement of for-profit organizations in supporting and encouraging philanthropy.

Hybrid Organizations

A variety of new intermediary organizations are providing resources to donors. Established foundations have developed some, while others are entrepreneurial inventions.

The International Youth Foundation (IYF) was formed 10 years ago with a $60 million matching grant from the W. K. Kellogg Foundation. IYF supports youth grantmaking organizations in 20 countries around the world. This platform, skillfully built by founder Rick Little, is now swinging into high gear as a large-scale resource to global corporations. Lucent Technologies has made a $14 million grant to IYF to act as a local grantmaker in six countries where Lucent has operations. Cisco Systems, NIKE and Nokia are using IYF to develop schools, child care services and housing around their manufacturing plants in the developing world. (Such funds typically come out of the HR budget, rather the charitable giving budget.) IYF is playing an increasingly important role to those who want to give globally and will serve as a model for other global organizations with an on-the-ground infrastructure.

New Profit, Inc., an organization supported by several major foundations, was formed to place bets on social entrepreneurs and provide them with capital funds and technical assistance that will allow their organizations to go to scale. Founded by a talented and charismatic young social entrepreneur, New Profit has to date raised $5.5 million from a range of donors and venture capitalists.

The Entrepreneurs' Foundation, founded by a successful Silicon Valley venture capitalist, has designed an innovative pitch to start-up companies to contribute stock options to an organization that resembles a community foundation. While the corpus of the Fund is primarily illiquid stock, two of the participating companies have had IPOs, and now both the fund and its participants are making grants. The Entrepreneurs' Foundation is in the process of ramping-up its capacity to provide advice and counsel.

A new "philanthropy incubator" modeled after the venture capital incubators that have been so successful in Silicon Valley and elsewhere is under discussion. The incubator notion contemplates informal cross-fertilization of ideas that leads to innovation and a fast tracking of concepts and operating plans. The promoters, who include the founder of Cisco Systems, the W. K. Kellogg Foundation, and the David and Lucile Packard Foundation believe that this kind of home for philanthropic ideas fits the temperament and needs of those who have helped pioneer the new economy.

SEA Change (Social Entrepreneurs' Alliance for Change) is a new non-profit organization that seeks to encourage communication and collaboration among social entrepreneurs, for-profit entrepreneurs, and philanthropists. SEA Change plans to create learning communities on and off-line for those interested in supporting social entrepreneurship, and a marketplace to cultivate partnerships among these stakeholders. They plan to develop training programs for high-end donors and corporate employees who wish to become more engaged philanthropists.

Giving vehicles like those above represent a blend between a staffed foundation, a mutual support system, a cooperative, and a consultancy. There will clearly be others.

Giving Circles

No discussion of new models for educating and developing donors would be complete without a mention of giving circles. While giving circles are in fact far from new, the new circles are often different in style, scope, and method than those that have gone before. We estimate that hundreds of giving circles have been created over the last year or two, started either by a small group of motivated donors or encouraged/sponsored by an institution such as a RAG, community foundation, women's fund, federated campaign, company, or even a university or hospital. Advocates opine that giving circles will become as popular as investment clubs. In the process they will help build community, increase the amount of giving, and educate the givers.

Giving circles are defined by a group of individual donors that pool resources around a common interest or cause. Some giving circles have paid staff support, while others operate completely through volunteer capital. Giving circles might more accurately be called "learning and giving circles," for in the process of making joint giving decisions participants gain an in-depth understanding of an area of philanthropic focus, at the same time learning together about effective giving. At their best, giving circles provide peer networking and collaboration, create community, support learning, and leverage resources. At the end of the day, the “circle” circles back to the individual participant and informs his/her approach to giving.

Examples of giving circle models include:

- Social Venture Partners is probably the best-known new giving circle. Founded in 1997 by a group of Microsoft alumni, SVP has grown to about 250 participants in the Seattle area and has been replicated in Arizona and Texas. In the SVP model, donors each ante up at least $5,000 per year and come together to make grants in focused interest areas such as education, youth development, and the environment. Members of the giving circle take on different roles in the group, including participating in grantmaking decisions, or involvement in hands-on support of grantees. SVP is a strong proponent of “venture philanthropy” principles in its grantmaking.

- Mario Marino, a successful entrepreneur, whose institute has been one of the innovators in the venture philanthropy movement, has been successful in carrying the giving circle to scale. More than two dozen high-tech and e-world entrepreneurs have each contributed $1 million to a venture philanthropy mutual fund now valued at $30 million. The organization will be staffed like a venture capital firm with highly motivated consultants who will work with their client nonprofit organizations. The focus of this fund is on youth programs in the Washington, D.C. area.

- Giving New England, a five-state effort to promote philanthropy that is funded in part by New Ventures in Philanthropy (above), has made promotion of giving circles one of its major priorities. To date, identity-group circles composed of women donors and black male donors have been created, and there are plans to create others.

Examples of giving circles sponsored by corporations are described in the next section.

Corporations

Historically, the corporation has not been a traditional provider of donor education services to its employees, although over the years some large corporations have encouraged employee giving by providing matching grants or donating to the favorite charities of top executives.

In recent years, however, this model has changed. Corporations are now actively taking on the role of encouraging employee volunteerism through mechanisms that include: matching employee volunteer hours with monetary contributions, enlisting employees to serve on corporate grant review or allocations committees, and establishing formal partnerships with nonprofits or schools that include donations of employee time.

TPI has been privileged to work with a number of companies that are pioneering new models for supporting and encouraging philanthropy among an increasingly wealthy employee population.

- Putnam Investments, a successful investment management firm in Boston, has experimented with two vehicles for helping their senior executives become more effective givers, a Philanthropic Advisory Service (PAS) and a giving circle. The PAS has offered workshops on effective giving and involving family members in philanthropy, and has sponsored one-on-one consultations with TPI. This service works much like the financial management advice fringe benefit that many companies provide to senior executives. Putnam's giving circle is funded by the top 30 executives out of their bonus pool, and managed by a volunteer subcommittee of 10 executives. It is supported and administered by Putnam community relations staff and TPI. In addition to giving away $1-2 million annually, the very process of managing the circle provides training to committee members in effective giving.

- This year, America Online (AOL) established a philanthropic support service available to all employees, The Giving Tree. The service comprises an extensive Web site rich with donor resources, workshops held at employee locations around the country, staff support for giving and service circles, and, for those who may be starting a foundation, one-on-one consulting support. While AOL estimates that its 12,000+ employee population includes over 1,500 millionaires, the service is available to all employees.

Much about these new models is worthy of replication by other companies in the technology, financial services, and other fields. We believe it is likely that the role of the corporation in supporting and educating their employees in philanthropy will continue to grow and evolve in the coming years.

X. Opportunities: Recommendations for an Action Agenda

The roots of this research initiative were laid down at a meeting of senior representatives of large foundations in February 1999. The questions posed were straightforward:

> What is the environment that new and emerging donors now inhabit? Is there a need or opportunity to strengthen the donor education/advising field so that it effectively serves such donors?

The answer was "yes" and the foundations in attendance that day agreed to begin to (1) create a strategy to meet such needs, and (2) define possible roles for interested members of the philanthropic community.

The research results reported above – results previewed in a preliminary briefing in February 2000 – point-up both opportunities and challenges. They point toward the potential for an action agenda for interested foundations; they may also provide others with a point of departure to move in different directions. But based both on this research and TPI's own experience we see several important questions for established foundations, the answers to which will help define the long-term action plan:

- Established foundations can clearly participate in meeting the needs of emerging donors. How can they best do so? They are already the historical model and exemplar, but will they set the standards that will attract new resources to critical social issues? And should they share their intellectual and experiential resources and make them accessible to other donors with similar interests?

- The potential for collaboration is great. How can the established foundations learn from, be open to, and work with the new donors who are bringing fresh perspectives and innovative ideas to the table?

- The promotion of philanthropy is certainly not a role that *every* major foundation must play. But perhaps every large foundation should at least pose the question: Can we contribute to philanthropy's growth? If so, how best can we do so? Is supporting the new and emerging donor part of the picture?

- While the opportunity presented by significant increases in philanthropic resources is tantalizing, obstacles remain for all donors, both new and old, to meaningfully address critical social issues. The obstacles include inadequate infrastructure within the not-for-profit sector, as well as inefficiencies and confusion about what works. These hurdles are made worse by the lack of coordination among funders. Is there an imperative to be more aggressive, more creative, and more ambitious in addressing those obstacles? And if the large foundations do not address these questions, who will?

The research also points up a number of challenges. There are challenges to the established order of things. New rules of the game are emerging at lightning speed, and the expectations are high. There is also the potential for both backlash and what one funder calls "the black eye."

- Backlash may take many forms. One form may be the burnout of new donors who have negative experiences with their initial giving, donors who may then turn away from meaningful and sustained philanthropy. The unfortunate consequence will be a reduction in the growth of social capital.

- The "black eye" concern refers to the potential for New Era-type scandals that could occur in the excitement, confusion and proliferation of new models and approaches. The wealth dynamic in American society, of which philanthropy is a part, is the object of intense media attention and there is continuing concern within the Independent Sector over undue or unwanted regulation.

Foundations are among the few institutions that defy the laws of mortality. They have the option – like Old Man River – of just rolling along. Philanthropic action arises out of personal values and passions, but it is acted out in a very public space. As such, foundations straddle the domains of public and private activity. Established foundations have typically made the transition from "personal checkbook philanthropy" to what might be called "citizenship philanthropy" that addresses broader social agendas. Most new foundations and new donors are at the very beginning of that transition. And it is therein that lies much of the opportunity.

Arguably, too few established foundations include within their definition of "citizenship" programmatic activity that supports and promotes philanthropy. A former program officer at the Ford Foundation was fond of saying that foundations concerned with promoting philanthropy constitute the smallest affinity group in the field -- "On a good day, the count can be made on one hand." Certainly supporting the new and emerging donor is one way of manifesting public citizenship, of promoting philanthropy.

We identify a number of opportunities below. While some can be acted upon immediately, e.g., those that support existing initiatives or involve a minimum amount of time and resource investment, others will require further exploration and development.

Contribute to New Learning Systems Within the Existing Infrastructure

There has been considerable discussion and activity around the headlong rush of commercial entities into expanded services for the wealthy donor, about the competitive pressures between for-profit and nonprofit donor advised funds, and the development of new mechanisms for grantmaking, e.g., the hybrid organizations described above. What has been missing in much of this is the focus on what we are calling "learning systems" that engage, educate, and enable donors to move up the curve to more thoughtful, high-impact giving. We offer the following suggestions for investing in learning systems.

1. Further encourage and capitalize community foundations in their role as donor-educators. Help especially the larger established foundations develop and market exciting learning systems to connect their grantmaking and programmatic expertise and share it with donors in the community. Help smaller community foundations to explore innovative ways to work collaboratively and to build the necessary capital base and hire talented donor-relations staff so they can also become positioned to provide donor education. Support all community foundations to position themselves as educators of the whole community of donors, not just their clients. Encourage them to balance an emphasis on grantmaking with a focus on using their institutions to create the next generation of philanthropists. The same could be true for Regional Associations and United Ways that are committed to becoming true resources for donors.

2. Explore how to encourage and even support the new "mixed-motive" players with content and information. Support efforts within the philanthropy world that are aimed at making those connections and building those relationships.

3. Dig deeper into the concept of learning systems and develop and support new models of formal and informal donor education. Support market research, curriculum development, administration, and marketing for workshops, symposiums and donor-friendly courses within the field of philanthropy, at universities and colleges, and with mixed-motive players. Explore how learning can be enhanced through new technology, including distance learning models.

4. Consider funding a resource/support organization for non-foundation donors. Alternatively, support new donors by expanding resources at United Ways, other workplace giving systems, and even through nonprofit organizations.

Support and Pioneer New Organizational Models

This is an extraordinary time in philanthropy, not only because of the scope of the new wealth, but also because of the innovation and proliferation of new models of philanthropy promotion, donor collaboration, grantmaking, and non-profit management. While the seeds of some of this creativity can be found in the experience of established philanthropy, much is the product of new players, new perspectives, and new technologies. We suggest the following as ways to build on and sustain this innovation.

5. An important priority should be to fund fully New Ventures in Philanthropy, a major national effort to develop creative ways to promote philanthropy. Already, after less than two years, New Ventures has successfully funded a variety of innovative programs to reach and educate new and emerging donors through professional advisors, giving circles, peers, media and other influences. It has been the catalyst for collaboration among multiple stakeholders in a host of grantee communities. These are truly "laboratories in learning." New Ventures has raised $6 million of the $10 million budgeted for its first five-year cycle. It will be important to fund the balance

of the cycle, and find resources to support the second.

6. Support and seed the growing number of hybrid organizations that represent variations on the donor resource theme and that are appealing to new donors, including "venture philanthropy" and "incubator" organizations that are serious about donor education. Support the development of intermediary models that enable new donors to make gifts of significant scale, especially to smaller community-based organizations working on critical issues. Support and encourage learning circles for new donors.

7. In the confusing and evolving world of e-philanthropy, help the nonprofit organizations compete with the for-profit world, but also build bridges to the for-profit players (much as Kellogg has sought to do). Work to support the development of standards to ensure that the for-profit world doesn't run away with the store.

8. Encourage and support dialogue, evaluation and practical assessment of all this new activity. Ensure that it is making a difference and that lessons learned are shared with others.

9. Donor action is intrinsically tied to the not-for-profit infrastructure, which except for the large educational, health and cultural institutions, is haphazard and chaotic. Lack of strong intermediaries (with the exception of community development through LISC and The Enterprise Foundation), lack of capital, and weak technical assistance all inhibit effective donor action on many critical social issues. If this is true for large foundations, it is especially true for new donors. Work on these issues, build on what is in the field, and create new delivery systems or intermediaries where needed.

Improve Philanthropic Knowledge Management

One industry observer has predicted that the most valuable foundation in the 21st century will be the "Information Foundation," one that leverages its financial investments with information investments.[xxii] New technologies are clearly transforming the way emerging and existing donors learn, connect, and act. Foundations have the opportunity – perhaps the mandate – to employ fully these tools to improve knowledge capture and information sharing for all donors.

10. Be a resource, share what you have learned. The intellectual capital within the large foundations, both issue specific and experiential, is not being disseminated in useful or broad-based ways with new donors, or perhaps even with existing funders. The technology to do so is now available. There is an opportunity here to share lessons learned, to create an accessible library of full-text research/issues papers as well as annotated versions. Affinity groups and learning circles, among others, might be logical partners in this effort.

11. Learn from new philanthropists about new ways to manage knowledge. For example, some of the venture philanthropy players and high technology donors are developing

intriguing models of virtual offices that are connected through sophisticated knowledge management systems.

12. Provide virtual information resources for the new donor. Perfect a Guidestar-like resource that is more searchable and more applicable to actual donor needs. Invest in a user-friendly "philanthrobot" ™ – TPI's term for a Web "bot" aimed at finding philanthropy resources – that will enable donors to access philanthropy-related information quickly and effectively.

Support the Advisor

For many new and emerging donors, their choice of advisors is a pivotal influence on the scope and nature of their giving or lack thereof. Yet, little has been done to ensure that advisors are equipped to provide donors with the information, referrals, and services that they need to begin the journey and develop into effective philanthropists. Resources are needed to educate and support both the wealth-related advisor and the philanthropy consultant.

13. Support efforts to educate advisors on the critically important "soft side" of philanthropy – motivation, values, family, and impact. This educational process/delivery mechanism might take place in professional schools, in professional organizations, or be driven by community foundations and other philanthropic groups. Link advisors to resources that will help their clients and their client relationships.

14. Develop an infrastructure to nurture, support and further professionalize the cottage industry of philanthropy consultants. Foundation investments in this field could include leadership support for the creation of a national network or professional organization for philanthropy consultants. The network could create standards, credentials, and ongoing professional development opportunities, including peer learning and training for practitioners. At a minimum, find ways to support advisor practice in this arena through sharing foundation expertise and experience.

Promote Accountability and Ethics

Concern over the "black eye" is real. There is a continued risk that in a field largely free of regulatory constraints and blessed by general public support and credibility, there is growing potential for regulatory backlash. Moreover, if philanthropy's silver seal became tarnished the potential to transform much of the new wealth into social capital would clearly be negatively affected. What can the leading foundations do?

15. Be the model and set the standard of excellence and ethical behavior for the funding community. This includes, at a minimum, full transparency in all aspects of your own actions. The large foundations could also be the catalyst for a national dialogue on ethical philanthropy, inviting new philanthropic players to jointly revisit the Council on Foundations standards, celebrating those who exemplify the standards,

and supporting substantive conversations and collaborations on technology, ethics and accountability.

Next Steps

This report began with the question, "What's a Donor to Do?" Throughout this work, the emphasis has been on (1) understanding who the new and emerging donors are, (2) what they need to become effective, (3) from whom they are learning, and (4) what is missing. The opportunities identified above are a distillation of many possible ways in which large foundations could do meaningful work both to fill the gaps and plan for the future.

One objective of the funders was to create a forum for interested foundations to come together around such issues. We hope that this research and report will provide an impetus and a context for maintaining such a forum. Specific next steps could include:

- Formalize and expand a philanthropy promotion affinity group among the large foundations, a group committed to meeting the needs of the new and emerging donor, and committed to encouraging active dialogue within organized philanthropy about ways foundations can inform, guide, and support promotion generally. To have its greatest impact, such a group might create a permanent or rotating secretariat to organize convenings, communication, and collaborative efforts.

- Establish within the affinity group committees of foundations interested in acting on particular opportunities or issues. Such committees could carry this initial analysis to the next level, prioritize members' actions, and create appropriate programmatic action plans.

Established foundations have a critically important role to play if the enormous potential for more and better philanthropy is to come to fruition in the coming decades. We urge established foundations to join their colleagues and the many new and emerging donors to help create the next golden age in philanthropy.

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Appendices

Donor Services Inventory Questionnaire

Project staff created a Donor Services Inventory Questionnaire and distributed it to a range of philanthropic organizations. The purpose of the questionnaire was to ascertain what currently exists or is being developed to educate and motivate new donors, who is providing services and materials, where gaps in service or information exist, and how services, materials or models might be supported, enhanced or developed. A list of respondents follows.

Survey recipients included 29 RAGs, 403 community foundations, 39 affinity groups, 25 selected foundations, 24 giving circles and social venture groups, 48 philanthropy consultants and professional organizations, 14 philanthropy associations, 25 academic institutions and six financial institutions.

Approximately 10 percent of the targeted providers responded to the Inventory Questionnaire: 32 community foundations, equally distributed across the country; five RAGs; nine philanthropic consultants; seven affinity groups; six philanthropic organizations and associations, three private foundations; two academic institutions; for a total of 64.

Letter to Donor Services and Resource Providers

Dear Colleague:

The Philanthropic Initiative, Inc., a decade-old non-profit, has received a grant from a collaborative of independent foundations to explore donor services now available from philanthropic organizations and individual philanthropy consultants.

Are philanthropic organizations meeting donor needs for information, education, and services? Is there a need or opportunity to strengthen the donor education/advising field so that it effectively serves such donors? Are donor services providers sharing approaches and techniques with other providers?

These are the questions that TPI is seeking to answer. The findings will allow the collaborative to assess donor demand, map existing services, and recommend ways for our national foundation partners to address the information and service needs of new and emerging donors.

You can help in this important study by completing the attached form, describing the services you provide to donors, and suggesting ideas for services and resources that might be developed in the future. In exchange for your participation, we are pleased to share the results of our research with you. You may also complete the survey by visiting us at our web site at www.tpi.org and clicking on Serving Donors Questionnaire.

Thank you, in advance, for contributing to our knowledge of the learning environment inhabited by donors and for helping us craft strategies to better meet donor needs. If you have questions about this project, please contact Jane Maddox at the number above.

Sincerely,

H. Peter Karoff
President

Donor Services Inventory Questionnaire

Please describe any of the following materials and services you provide to donors on:

Philanthropic→ ↓	Strategic Planning& Group Facilitation	Program Development	Grantmaking	Grants or Program Evaluation	Program or Foundation Management
1. Educational Seminars					
2. Conferences					
3. Consulting Services					
4. Ed/training Videos					
5. Internet Sites: General News&Info					
Donor discussion groups					
Links to related sites					
6. Information Databases					
7. Research Services					
8. Newsletters					

9. In your opinion, what services do donors need that they are not receiving?

Service Providers Who Responded to the Donor Survey

Community Foundations
Boulder County Community Foundation
California Community Foundation
Columbia Basin Foundation (WA)
Community Foundation of Broward County(FL)
Community Foundation of Cape Cod
Community Foundation of Central Florida
Community Foundation for Delta County (MI)
Community Foundation of Greater Chattanooga, Inc.
Community Foundation Serving Northern Colorado
Community Foundation of Shreveport-Bossier (LA)
Cumberland Community Foundation (NC)
Fairfield County Foundation
The Fremont Area Foundation (MI)
Greater Worcester Community Foundation
Henry County Community Foundation (IN))
Hutchinson Community Foundation (KS)
Greenville Area Foundation (MI)
Maine Community Foundation
Milwaukee Foundation
Montana Community Foundation
New Britain Foundation for Public Giving
Philadelphia Foundation
San Diego Foundation
The Portland Foundation (IN)
Santa Barbara Foundation
Santa Fe Community Foundation
St. Croix Foundation
Williamsport-Lycoming Foundation (PA)
Winston Salem Foundation
Two Anonymous Foundations

RAGs
Association of Baltimore Area Grantmakers
Donors Forum, Inc. (Miami)
Donors Forum of Chicago
New York Regional Association of Grantmakers
Washington RAG

Consultants
The Affuenza Project
BYW Consultants Informing Change
Charitable Contributions Services, San Francisco

Consultants (cont.)
The Conservation Company
Inheritance Project, VA
John Levy, California
Legacy Philanthropy at Work
PDP Services, Minneapolis
Working Systems, Williamsport, MA

Academic Institutions
Harvard Business School
Social Welfare Research Institute

Philanthropic Organizations and Associations
Association of Small Foundations
The Friday Forum
The Inheritance Project, Inc.
The Philanthropy Roundtable
NSFRE
Women's Philanthropy Institute

Affinity Groups
Affinity Group on Japanese Philanthropy
Global Greengrants Fund
Japanese Philanthropy
Jewish Funders Network
Woman's Funding Network
Woman's Fund of Milwaukee
Woman's Philanthropy Institute

Donor Questionnaire

A second questionnaire was developed to gain information from donors regarding the value of services they receive through their professional advisors. It was produced in tandem with the Professional Advisor Project, another TPI initiative. Insofar as donors value privacy in regard to their philanthropy, this component of the project proved both challenging and rewarding.

To maximize the size of the sample, we created a template for both oral and written responses to the questionnaire. TPI furnished the donor survey to the following groups and organizations and asked for their cooperation in administering it to clients and constituents: eight private banks with whom TPI has had a professional relationship over the years; past TPI clients, as well as donors who have attended TPI's symposia; 29 RAGs; and grantees of New Ventures in Philanthropy.

The client/donor questionnaire addressed four principal issues:

- client motivation for being philanthropic
- the role advisors play in their clients' charitable giving
- elements of advisor/client discussions that are most helpful to clients regarding philanthropy planning
- types of advice, education, and materials that are most useful to clients

In the end, 37 donors either completed the questionnaire or were interviewed by project staff.

How Good is Professional Advice About Philanthropy?

A Questionnaire for Donors

The Philanthropic Initiative (TPI) is a non-profit organization dedicated to increasing the quantity and improving the quality of American philanthropy. We are engaged in a national research initiative to understand better the ways in which the advisor professions - lawyers, financial planners, accountants, insurance professionals, and others - approach the subject of philanthropy with their clients.

As part of our research we hope to learn more about how donors and potential donors perceive the role and performance of their advisors in discussing philanthropy. Essentially, we want to know whether advisors are providing consistent, high quality advice about the mechanics, objectives, and opportunities in charitable giving.

We would be very grateful if you would take a few minutes to help us. Please jot down your answers to the following questions, using the back of these pages for additional space as needed, and return the completed questionnaire to Jane Maddox at TPI.

You may choose to remain anonymous. However, if you would like to be copied on the results of this research, please include your name and address. **If you would prefer to provide your input over the telephone – and we tend to learn more in conversation – please contact Jane Maddox or Steve Johnson of our office, who will be pleased to talk with you.**

Thank you for participating in this important work.

1. What mechanisms do you use in your charitable giving, *e.g.*, direct charitable gifts, planned gifts, a private or family foundation, employment-related giving programs?

2. What are your principal reasons for being philanthropic?

3. What types of advisors have helped you with your philanthropy, *e.g.*, financial, legal, insurance, accounting, banker, philanthropy consultants, etc.?

4. What role(s) have advisors played in your philanthropy/charitable giving? Have they:

   Encouraged you to give for tax reasons?

   To give for the sake of giving, to “make a difference”?

   Have they created for you a foundation or charitable trust for ongoing giving?

   Have they structured single gifts to achieve a tax-related objective?

   Have they helped you identify potential gift recipients?

   Have they helped you assess the amount or helped you create a budget for giving?

   Do you feel your advisor(s) is/are knowledgeable about charitable giving and the various methods of doing so?

5. What is the most helpful philanthropy-related advice/service your advisor(s) has/have provided?

6. How did the subject of philanthropy arise with your advisor(s)?

   Did you raise the subject first, or did your advisor?

   Did the subject arise in the context of tax planning, or did it originate in a conversation about values, “making a difference,” leaving a legacy, etc.?

7. Are you more inclined to take advice about charitable giving from an advisor whom you know to be philanthropic himself/herself?

8. Have your advisors provided you with any materials – e.g., articles, questionnaires, worksheets – that have been particularly useful? What were they?

9. As you think about your future philanthropic plans, what kinds of advice, service, and materials would be most helpful to you?

10. From whom or what organization did you “learn the ropes” of philanthropy or become a more strategic or effective donor?

11. Have you ever requested or received assistance in your giving from any of the following:

    A community foundation?

    An independent foundation, *e.g.,* Ford, McArthur, Kellogg, etc.?

    A private or family foundation?

    A “regional association of grantmakers”?

    The Council on Foundations?

    A philanthropy advisor or consulting organization?

12. Was it helpful? How could it have been more so?

13. In thinking back to when you first became active in philanthropy, what kinds of advice, services, education or materials would have been most helpful to you?

14. If a good friend decided to start a family foundation, where would you direct him/her to go for the best advice?

15. As you think about your future philanthropic plans, what changes do you envision?

Thank you for your assistance. Please return your questionnaire to The Philanthropic Initiative, Inc., Attention: Jane Maddox, 77 Franklin Street, Boston, Massachusetts 02110. And please let us know if you would like to be copied on the results of this research.

Fundraiser Query and Focus Groups

In order to produce a more accurate and complete profile of the new donor, traditional and unfolding, a questionnaire was sent by e-mail to more than 80 fundraisers. We received responses from 12. TPI also held a focus group with six experienced fundraisers in Boston to tap their knowledge of new donors.

The questionnaire read:

Dear   :

I'm working with a consortium that is studying the changing trends and developments in philanthropy for national foundations. Researchers are looking for first-hand impressions from senior development professionals about the large donor. This seemed to be right down the Friday Forum's alley, so I offered to contact our members and ask for their help. Here are their questions:

Do you see characteristics in today's major donors that weren't prevalent a decade or more ago? If you do, what are some of them? Attitudes? Expectations? Objectives? Levels of involvement? If there has been a change, when did you begin to see it emerge?

Has your work with large donors changed over the years? If it has, what are some of the ways it has changed? Do you find you're advising donors on their support for other causes and institutions? Speaking of advice, have you seen an upswing in contact with donor advisers? Has this been instead of or in addition to the donors themselves?

What about age differences? And what about those new entrepreneurs (and dot.com achievers) - are these donors significantly different from those who came before? Anything else?

If you could take a few minutes to jot down your thoughts on all or any part of the above (or any other reactions you have), it would be mightily appreciated. Please send them back to me via e-mail by the end of March. Or give me a ring at 531-0010. All responses will be held in confidence, but Friday Forum will get credit in the report. The survey will help shape major initiatives to stimulate local and regional philanthropy, so it may be very significant. Results will be sent to you when they're completed.

Many thanks. See you soon.

Bob Hohler,

President
The Friday Forum

Letter to Funders

Memorandum

To: Funder

From: Jane Maddox, TPI

Date:

Re: Donor Services Project – Survey of grants in support of new donors

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At the Donor Service Project meeting, held in New York on February 23rd, several participants proposed that we share information about current and recent grants that are designed to serve new donors.

In an effort to capture this useful and timely information, we invite project funders and meeting participants to complete the attached survey. Any grant that serves to promote the growth of donors, directly or indirectly is of interest. Such grants might include, for example:

- specific projects to support or expand the existing infrastructure
- partnership experiments
- development of new models for disseminating information, supporting peer groups, or for knowledge management
- new studies commissioned or conducted
- specific support for community foundations, standards development, advisor outreach, or donor outreach

Please also include information about the results you seek and next steps, and return the survey to Jane Maddox at TPI by April 10, 2000.

Thank you for your contribution and guidance in support of donors and the Donor Services Project.

Survey of Grants in Support of New and Emerging Donors

Name of Foundation---

Project	Size /scope	Object /Results
1.		
2.		
3.		

Again, thank you for your help. Please return the survey in the enclosed envelope.

Interviews with Leaders in Philanthropy

TPI senior staff held phone or in-person interviews with more than two dozen leaders of traditional philanthropy organizations, new philanthropy models, philanthropy consultants, New Ventures grantees and others leaders in the field. In addition, we interviewed representatives from all the report funders and several other interested funders. Over the course of the eighteen months of preparation for this report, we also held informal conversations on this subject with dozens of other leaders.

The individuals interviewed included the following:

Janet Atkins – Goulston & Storrs
Nina Biggar – The Giving Back Fund
Kate Busch – Connecticut Giving Project
Deborah Bussel – Donors Forum, South Florida
Emmett D. Carson – The Minneapolis Foundation
Rob Collier – Council of Michigan Foundations
Sarah Englehart – The Foundation Center
Virginia Esposito – National Center for Family Philanthropy
Lew Feldstein – New Hampshire Charitable Trust
Tracy Gary – Community Change Consultants
Karen Green – Council on Foundations
Bob Hohler - The Friday Forum
Kathy Jankowsky – Giving Maryland
Anne Kaplan – AAFRC Research Foundation
Julia Kittross – NW Regional Association of Grantmakers
Janice Kraemer – Community Foundation of Kansas City
Linda Lampkin – National Center for Charitable Statistics
Christine Letts – The Hauser Center
Scott Marshall – CharityAmerica.com
George McCully – Ellis Phillips Foundation and Catalog for Philanthropy
Kira McGovern – Giving New England
Katherine McHugh – Hemenway & Barnes
Janet Milne – Consultant
Christopher Mogil - The Impact Project
Tom Reis – W.K. Kellogg Foundation
Sherry Reson – Women's Donor Network
Dorothy Ridings – Council on Foundations
Claude Rosenberg – NewTithing
Susanna Ross – New Ventures in Philanthropy
Albert Ruesga – New Ventures in Philanthropy
Charles Scott – Association of Small Foundations
Marion Freemont Smith – Choate, Hall & Stewart
Cole Wilbur – The David and Lucile Packard Foundation
Greg Winter – Washington State Catalogue Project
Sandra Wood – Connecticut Giving Project

Other Research Components

Review of Literature and Internet Sites

Staff reviewed the Internet sites and links of 15 RAGs, 16 community foundations, six financial services firms, and nine major foundations. The literature review included a number of scholarly studies on donors and advisors; the major daily papers and the Chronicle of Philanthropy; e-mail broadcasts from The Planned Giving Design Center; other sources and publications from TPI's own library; plus resources sent to us by some of the organizations, firms and foundations that responded to our inventory questionnaire.

Advisor Research

In a separately funded but related research initiative, TPI examined the degree to which professional legal and financial advisors consult with clients about philanthropy and the factors that contribute to whether they do or do not. TPI and its pollsters conducted phone surveys, focus groups, and in-person interviews with almost 600 legal and financial advisors on their attitudes and practice around the discussion of philanthropy with clients. Some of the findings from that study have been included in this donor report.

Data Collection and Tracking

To collect the data and track responses, TPI created databases with contact information and web site addresses for the organizations, foundations and firms. This enabled TPI to send several reminders as well as an electronic version of the Inventory Questionnaire to bolster the response rate.