

A high-angle, close-up photograph of a person's hands writing in a spiral-bound notebook on a dark wooden desk. The person is wearing a blue and white checkered shirt. To the right of the notebook are a pair of black-rimmed glasses and a black disposable coffee cup with a lid. In the bottom left corner, a portion of a laptop keyboard is visible. The overall lighting is warm and focused on the workspace.

Entrepreneurs as Philanthropists

*Understanding entrepreneurs'
unique approach to giving*



FIDELITY CharitableSM

Make more of a difference



Entrepreneurs have a profound impact on American society, as a powerful force for economic growth, productivity and employment—and philanthropy. This study explores how entrepreneurs approach giving.

Entrepreneurship and philanthropy are closely intertwined in the United States, woven together in a cycle of wealth creation and distribution. The most famous philanthropists in the United States have also been some of its most successful entrepreneurs, from Carnegie and Rockefeller in the industrial era to Gates and Zuckerberg in the tech boom, all dedicating significant portions of their fortunes to giving back to society.

These giants of industry are the country's best known philanthropists, and their outsized contributions drive much of the conversation about business and giving. But less is known about the charitable habits and contributions of everyday entrepreneurs—the business founders, owners and investors who make up so much of the economic fabric of the United States. Today, there are more than 27 million businesses operating in the United States, and fewer than 4,000 are publicly traded. Yet the philanthropic impact of these entrepreneurs remains largely unexplored territory; non-anecdotal data on entrepreneurs and giving is largely lacking.

This report was designed to provide insight into what qualities, if any, are unique to entrepreneurs by providing a comparison between entrepreneurs and non-entrepreneurs on a range of dimensions. Entrepreneur respondents range from owners of large enterprises to microbusinesses; it includes family business founders, serial entrepreneurs and hands-on investors. It examines the broad charitable giving attitudes and behaviors of entrepreneurs and business owners. Is giving prevalent among all entrepreneurs and business owners? Are the traits that characterize entrepreneurs also present in their giving? We highlight the unique characteristics of these charitable donors and show entrepreneurs are committed not only to addressing gaps in the marketplace through business, but also gaps in the social sector through their giving.

Summary of Findings

Outsized impact

Entrepreneurs give and volunteer more than peers of similar economic circumstances.

	Entrepreneurs		Non-entrepreneurs
On average, the median annual gift for entrepreneurs is 50 percent higher than non-entrepreneurs.	\$3.6k	<i>median annual giving</i>	\$2.4k
Two-thirds of entrepreneurs volunteer two or more hours a month, compared with just more than half of non-entrepreneurs.	66%	<i>volunteer 2+ hours/month</i>	55%

Philanthropy as identity

Entrepreneurs are significantly more likely than non-entrepreneur peers to self-identify as a philanthropist and to rate charitable giving as very important. They are also far more likely to have family traditions around giving and to see a link between their volunteer activity and their professional success.

	Entrepreneurs		Non-entrepreneurs
Nearly half of entrepreneurs consider themselves philanthropists, compared with less than a third of non-entrepreneurs.	47%	<i>consider themselves philanthropists</i>	30%
Six in 10 see giving as important relative to other financial priorities, compared with nearly half of non-entrepreneurs.	59%	<i>believe giving is important relative to other financial priorities</i>	48%
Three-quarters believe volunteering has an impact on their professional success, compared with only three in five non-entrepreneurs.	75%	<i>believe volunteering affects their professional success</i>	63%

Unique approaches

Entrepreneurs' approach to philanthropy reflects the hands-on approach they have used in building their businesses; they place more emphasis on being personally involved in giving, deciding how funds are used, and the ability to demonstrate leadership through their volunteering.

59% of entrepreneurs say their business approach influences their giving.

61% of entrepreneurs want to be personally involved in charities, as opposed to just making financial contributions.

Particularly with the rise of tech entrepreneurs on the West Coast, there is anecdotal data that entrepreneurs give differently: they are “venture philanthropists” who see their philanthropic activities as investments driving systems change and are more willing to take risks on innovative nonprofits. Our study confirms that, in fact, entrepreneurs are significantly more likely than non-entrepreneurs to take a venture approach—although notably it is still a minority.

Financially savvy philanthropy

Entrepreneurs are more likely to have had a discussion about philanthropy with a financial advisor and to have engaged with more sophisticated approaches to charitable giving, including direct donation of appreciated stock. They're also more likely to plan for legacy giving.

	Entrepreneurs		Non-entrepreneurs
Nearly three-quarters have had a conversation with an advisor about giving, compared with just half of non-entrepreneurs.	73%	<i>had a conversation with an advisor about giving</i>	52%
Nearly half are planning to leave a charitable legacy gift, compared with just a third of non-entrepreneurs.	47%	<i>are planning to leave a charitable legacy gift</i>	34%



Planning for the future

Three in 10 entrepreneurs plan to exit their businesses in the near future, and charitable giving is on the minds of many considering the sale of their business.

29% of current business owners plan to sell or pass their business to a family member within the next five years.

69% of these entrepreneurs have a desire to incorporate charitable giving into their exit plans.

Who we surveyed

3,000 total respondents who give to charity and itemized deductions on their taxes last year.

- 708 entrepreneurs, including 559 who currently own a business and 149 who previously owned a business and hold assets deriving from its sale.
- 2,292 non-entrepreneurs

Entrepreneurs were defined by having founded a business or owning a business directly through stock or direct ownership. Those who owned stock in public companies were excluded unless that ownership gave them a controlling interest.

Profile of Entrepreneurs

Nearly two-thirds of entrepreneurs founded their own businesses, and most are involved in day-to-day management.

Leadership

62%

Founder or co-founder



38%

Purchased, inherited or owned a percentage of the business

Business Involvement

85%

Actively involved in managing the business



15%

Primarily an investor



Family Involvement

47%

Have a family member involved in the business



Business Revenue

57%

Less than \$1 million in revenue



43%

One million or more in business revenue

Average business revenue: **\$16.9 million**

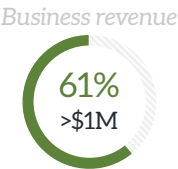
Number of Businesses

35%

Are serial entrepreneurs, having founded more than one business



Business engagement in philanthropy



Have a formal or informal program of giving back through the business



Top approaches to corporate giving

Corporate foundation, philanthropy program or employee giving program:	29%	
Employee volunteer program (formal or informal)	20%	
Pledge a percentage of profits or equity to charity	17%	
Social good or benefit formally a part of business mission (i.e., B corp or other structure)	11%	

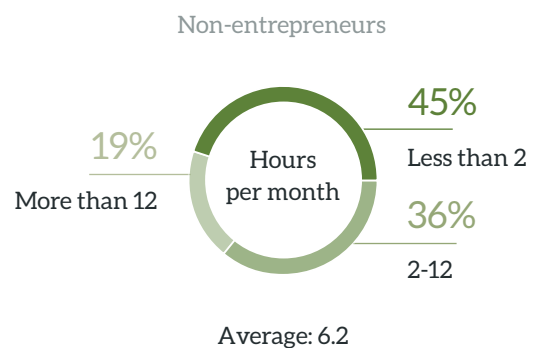
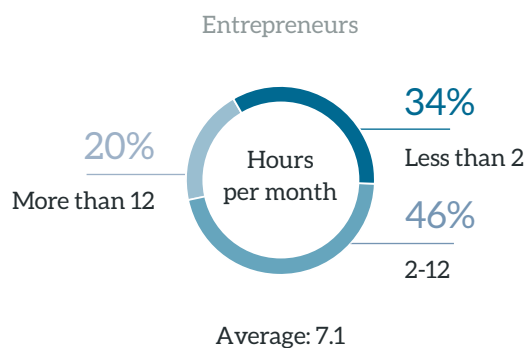
Outsized Impact of Entrepreneurs

Simply stated, entrepreneurs give more time and money than non-entrepreneurs. The average household donation of an entrepreneur is more than four times that of a non-entrepreneur, while the median household donation is 50 percent higher. Entrepreneurs also spend more hours per month volunteering.

Household Giving

Entrepreneur Annual Donation		Non-entrepreneur Annual Donation	
Average	\$50,359	Average	\$11,151
Median	\$3,577	Median	\$2,383

Time spent volunteering in the past 12 months



Philanthropy as Identity

Entrepreneurs unquestionably identify more strongly with charitable giving than non-entrepreneurs across a range of dimensions. From describing charitable giving as a core part of their identity to rating charitable giving as highly important compared to other financial priorities, giving is generally more central to entrepreneurs' mindset.

Giving is central to identity

Attitudes toward giving

	Entrepreneurs	Non-entrepreneurs	Difference
I consider myself a philanthropist	47%	30%	+17
Charitable giving is a tradition in my family	69%	57%	+12
I feel it is a social expectation in my circle/family/ community to give to charity	64%	56%	+8
Charitable giving is a critical part of who I am	79%	73%	+6

Importance of charitable giving compared to other financial priorities





Volunteerism and professional identity

Among those who are actively working, entrepreneurs are more likely than non-entrepreneurs to think that volunteerism contributes to their professional reputation or career success, from learning new skills to enhancing their personal and corporate reputations.

Believe volunteer activities have an impact on professional reputation or career success



Perceptions of top professional benefits

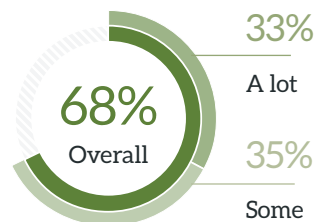
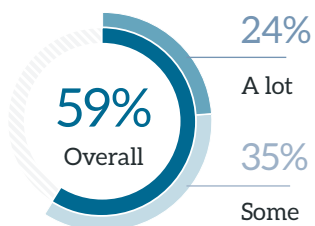
	Entrepreneurs	Non-entrepreneurs	Difference
Helps my professional brand/reputation	31%	17%	+14
Helps my company's brand/reputation	26%	16%	+10
Learn new skills that may be relevant to my profession	31%	24%	+7
Opportunity for networking outside of my company	36%	31%	+5

Unique Approaches to Giving

Entrepreneurs' approach to philanthropy reflects the hands-on approach they have used in building their businesses. Six in 10 business owners say owning a business has influenced the way they approach their personal charitable giving—and that number rises to 68 percent for owners whose businesses generate \$1 million or more in annual revenue.

Notably, the top considerations among donors regarding their charitable giving are the same regardless of business ownership. But entrepreneurs place far more emphasis on decision factors ranging from the ability to be personally involved, to make stipulations around how charitable funds are used and opportunity for public recognition or to demonstrate leadership. The higher priority and preference placed on hands-on involvement with giving is likely related to the personality traits and behaviors that also characterize entrepreneurs' professional activities.

Influence of business ownership on entrepreneur approach to personal charitable giving



Among businesses with >\$1 million in revenue

Hands-on giving

Entrepreneurs and non-entrepreneurs are aligned around the most important qualities in their charitable giving. However, entrepreneurs are more likely to prioritize aspects of giving that align with a business mind-set. They are highly engaged and hands-on.

Entrepreneurs and donors value similar attributes in giving



Entrepreneurs also prioritize attributes that reflect a business mindset



Types of volunteering

The difference in approach extends to volunteerism as well, where entrepreneurs are more likely to take on a wider variety of hands-on roles, including donating professional services.

	Entrepreneurs	Non-entrepreneurs	Difference
Donate my professional services	29%	13%	+16
Help with fundraising	29%	19%	+10
Serve on a committee	31%	22%	+9
Serve on a board	26%	17%	+9
Mentor	20%	11%	+9
Organize or help organize events	26%	21%	+5
Teach or tutor	17%	14%	+3
Help staff	18%	16%	+2
Hands-on providing of services to people	34%	36%	-2
Administrative or office work	7%	9%	-2

Prevalence of venture philanthropy approaches

Entrepreneurs are significantly more likely than non-entrepreneurs to take a venture approach to giving; they identify their philanthropic activities as investments driving systems change, and are more willing to take risks on innovative nonprofits. While this group of entrepreneurs is a minority, venture philanthropy is a type of giving that has risen to popular prominence, particularly as West Coast tech leaders become more involved in philanthropy and social change.

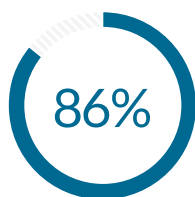
	Entrepreneurs	Non-entrepreneurs	Difference
I'd rather give to a new, innovative nonprofit	31%	19%	+12
I carefully measure the progress a charity is making on specific metrics	30%	19%	+11
I consider my donations to be investments and expect to see a social or financial impact	27%	20%	+7

Financially Savvy Philanthropy

Advisor relationships

Entrepreneurs are more likely not only to work with an advisor, but to work with multiple advisors. In particular, entrepreneurs are more likely to have relationships with accountants and attorneys, in addition to financial advisors. They are 40 percent more likely than non-entrepreneurs to have had a conversation about charitable planning with an advisor, with nearly three-quarters reporting having that type of discussion.

Work with an advisor



Entrepreneur



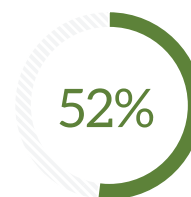
Non-entrepreneur

Advisor type	Entrepreneurs	Non-entrepreneurs
Financial advisor	68%	64%
Certified public accountant (CPA)	41%	22%
Attorney	27%	11%

Had a conversation about charitable planning or giving with an advisor*



Entrepreneur



Non-entrepreneur

Advisor type	Entrepreneurs	Non-entrepreneurs
Financial advisor	64%	47%
Certified public accountant (CPA)	56%	50%
Attorney	48%	49%

* Among those who work with an advisor



Advanced giving methods

Entrepreneurs are more likely to have used sophisticated approaches to charitable giving, such as direct donation of appreciated stock. They are also more likely to be planning for a charitable legacy.

Plans to leave money to charities after death



Have donated appreciated stock directly to charity*



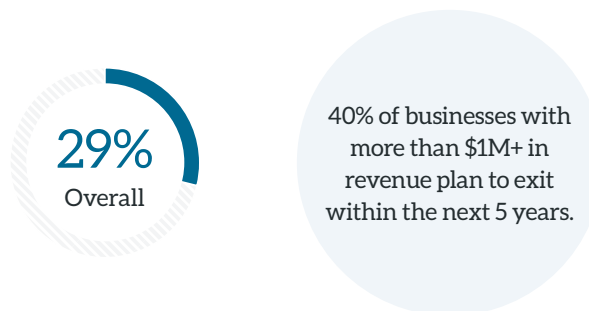
*Among those who own appreciated stock in a non-retirement account

Planning for the Future

Succession planning is a both a key concern and a significant opportunity for many entrepreneurs, as it may potentially create financial windfall. Charitable giving is on the mind of many of those considering selling their businesses or passing along a venture to a family member. However, many of these plans are not yet firm, indicating a need for additional education so entrepreneurs can maximize what will be, for many, a once-in-a-lifetime opportunity.

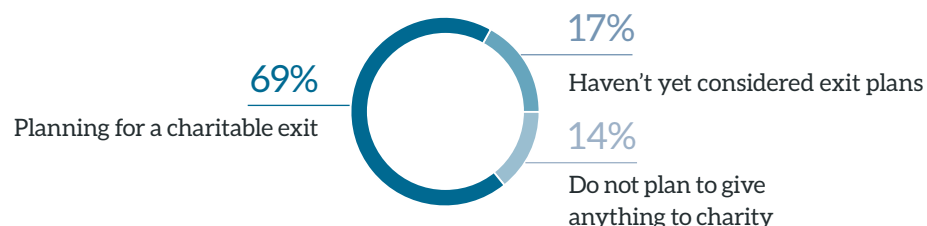
Planning to exit business in next five years

Three out of 10 current owners plan to sell or pass the business to a family member in the next five years, including nearly 40 percent of entrepreneurs running businesses with revenue of at least \$1 million annually.



Business exits with charitable intent

Two-thirds of entrepreneurs planning to exit their businesses in the next five years have philanthropy in mind as part of their exit strategy, while an additional 17 percent say they haven't yet thought about it. Just 14 percent say definitively that they are not planning to give anything to charity as a part of their exit.





Charitable strategies considered

Making a donation to charity with the proceeds following the sale of the business is the most common approach to leveraging the windfall of an exit for charitable purposes. However, the largest businesses are most likely to be considering strategies such as setting up an ongoing way to make charitable donations or donating shares of a business prior to a sale.

Top Plans

Among those planning to exit in next 5 years	Total	\$1M+
Make a donation to charity with the proceeds following the sale of the business	32%	41%
Set up an ongoing way to make charitable donations, such as a foundation or donor-advised fund	27%	32%
Donate shares of the business prior to the sale	26%	33%
Not sure yet, but would like to do something charitable	18%	21%
Haven't yet thought about charitable giving as part of exit strategy	17%	21%
Do not plan to give anything to charity	14%	8%



Conclusions

Entrepreneurs as Philanthropists demonstrates entrepreneurs are committed, financially savvy and hands on in their giving. But understanding business owners' attitudes and behaviors just scratches the surface of this topic area. We focus on charitable giving broadly. However, we have not yet explored in detail the various modes that entrepreneurs can take in their giving; models range from traditional giving through company donations to the small but growing slice of entrepreneurs upending the traditional giving models by blending business and social outcomes. What is the influence of factors such as gender, age of business, and business size? These areas are ripe for further investigation.

But we can conclusively say entrepreneurs are unique in their giving. Even when not giving at the level of Carnegie or Gates, they bring a special set of skills to their giving, ultimately making an outsized impact in the causes they support, and providing a unique and beneficial lens to the nonprofit sector.

Methodology

This report is based on a 2018 survey conducted among 3,000 adults in the U.S., including 708 current or former business owners. Respondents donate to charities and claimed itemized charitable deductions on their tax returns. The study was conducted by Artemis Strategy Group, an independent research firm.

About Fidelity Charitable

Fidelity Charitable is an independent public charity that has helped donors support more than 255,000 nonprofit organizations with more than \$30 billion in grants. Established in 1991, Fidelity Charitable launched the first national donor-advised fund program. The organization's mission is to grow the American tradition of philanthropy by providing programs that make charitable giving accessible, simple, and effective.

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