



# Family Philanthropy's New Era

The concept of “making an impact” is not new. Families of substantial wealth and philanthropy have long had an intertwined history. So it is no surprise that, when 2020's tremors hit, families of exceptional wealth stepped up in ways not only addressing the pandemic but also tackling deeper societal issues. FOX Chief Operating Officer Glen W. Johnson talks with Jacqueline Valouch, Head of Philanthropy at Deutsche Bank Wealth Management, and Nick Tedesco, President and CEO of the U.S.'s National Center for Family Philanthropy, about the current state of philanthropy, what changed during the pandemic, and what lies ahead.

**GLEN JOHNSON: How would you describe the current state of philanthropy?**

**NICK TEDESCO:** The events of 2020 served as an accelerant to amplify the pre-existing critiques of philanthropy and help transform its practices at a more rapid pace. Families recognized the enormity of the need and responded in kind, increasing their payout in many instances. Grants were made with an expediency that really hadn't been realized before. Trust-based practices emerged organically – gifts were made without restrictions and reporting requirements lifted. Families used trusted intermediaries, such as community foundations, regional associations, or other collaborative funds, to put their dollars to work, acknowledging these intermediaries are proxies to the end beneficiaries and often the ones best positioned to steward the capital.

**JACQUELINE VALOUCH:** 2020 was a particularly unique year for global giving in terms of the range of issues – the pandemic and healthcare needs, various natural disasters, racial injustice – and how these issues shaped the global response. They created urgency and a deeper understanding that solving these large challenges will require collaboration. Giving also became more focused locally on the places where families do business and have people on the ground, helping those local communities react to these urgent challenges.

**GJ: Did you see families partnering more than before to affect the increased needs?**

**NT:** Collaboration certainly pre-dates the events of 2020, but the practice was pushed front-and-center in the wake of the pandemic and movement to advance racial justice. There was a broad recognition of time limitations, and quite honestly, the specific expertise lacking on the part of many philanthropic individuals and families. As a result, many families leveraged intermediaries and collaborative funds, appreciating that

partners often bring expertise, experience, and proximity. The embrace of increased collaboration is a recognition that these intractable issues are not going to be solved individually or in silos. Solving systemic problems requires unified and cooperative capital activation.

**GJ: What role do metrics play in philanthropy today? Are you seeing changes in how nonprofits and families think about measuring the impact of their giving?**

**NT:** In recent years, there has been a heavy focus on measurement and evaluation. But in light of the pandemic, many individuals and families either lessened or eliminated reporting requirements altogether, in favor of easing grantee burdens and accelerating timelines. The optimal goal is to build healthy relationships to become a nonprofit's partner on the front end and trust it to do its work. If we build trust, then we shouldn't need strict reporting requirements on the back end.

**JV:** Metrics enabled the businessperson philanthropist to understand why they were funding a project, and next gen family members to encourage number-focused family members to support certain initiatives. However, much like restricted funding, resources may be redirected to measurement and reporting and limit a nonprofit's ability to act with urgency or be innovative in best solving these problems. Hopefully the relaxed focus on metrics and restricted funds will continue, allowing organizations to pivot, create new plans, and decide how to get there.

**GJ: Are you seeing any changes in the charitable vehicles families use to deploy their philanthropic dollars?**

**NT:** Absolutely. Philanthropic families are starting to view charitable vehicles as a portfolio, rather than an individual solution. They can employ various vehicles to meet the totality of what they seek to accomplish and not be constrained by any one vehicle.

Private foundations continue to play an important role. But many individuals and families are leveraging donor-advised funds, or are even looking at incorporating limited liability companies (LLCs) to advance advocacy projects and initiatives. Donor-advised funds provide a bit more anonymity, and the opportunity to pursue discretionary funding and individual interests, whereas a foundation is often more of a collective giving effort. LLCs offer greater flexibility and can be an umbrella organization for a number of other entities, providing a vehicle to make for-profit investments to pursue social change.

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**JV:** Many charitable vehicles were created over the past 100 years to take advantage of tax policy changes and social needs, not just in the United States but throughout Europe and elsewhere. Where no such tax incentives or policies exist there is a much slower adoption rate.

Factors affecting vehicle use include the need for anonymity, timing around formation, asset type, tax impact, and differing family goals including ways to engage the next generation. As a result, most families use multiple vehicles to accomplish their philanthropic objectives.

Many families are also looking for simpler vehicles. That's why donor-advised funds are increasingly popular, especially with next generation donors who want to give efficiently and effectively rather than creating more complicated vehicles.

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**GJ: How are families addressing the complex issues surrounding racial injustice and diversity and inclusion?**

**NT:** For the first time, many families are acknowledging systemic bias and racism and social injustice, which is critically important. There is also a shift from seeing racial equity and racial justice as only an issue area to seeing it as a lens that is applicable to every social issue and funding decision.

Families are looking for ways to have productive conversations on race, particularly across generations and among family members with different points of views. It is complicated. Families may be very new to talking about racial equity and racial justice, and in certain instances, feel criticized – on the way their wealth was created or the practices they've used to put their wealth back into communities.

As a result, many families are engaging external facilitators, joining peer communities to talk about how to advance these conversations, and going through training with their staff and board. They are also adding independent board members closer to the end beneficiary of their grants or who may have lived experiences that can help the family advance their commitment to racial equity, racial justice.

**JV:** There is an evolution to the giving and the dialogue within families today. Initially disaster relief-type grants (meaning fast, one-time contributions) were made to organizations focused on racial injustice and social issues. Now we see families having deeper conversations around the enormity of the problem, complexity of the issues

and possible solutions, and the many different layers involved for organizations they currently support.

This could mean more giving shifts to those organizations that already meet a family's criteria. Or this thoughtful process could result in a family working closely with an organization that has not yet successfully addressed diversity, inclusion, and social injustice issues, but their partnership will allow for the organization to do so. For example, a family's support can help an organization by funding the work needed to create a better plan for governance and hiring policies.

Interestingly, the nonprofit sector has been somewhat slow in improving organizational diversity up to now. Donors have not consistently used diversity and inclusion-related criteria for funding purposes. Asking those critical questions on diversity and inclusion efforts and plans, in addition to being a committed partner, can create urgency and ultimately, create changes at nonprofits.

### **GJ: What role and impact on philanthropy are you seeing from the rising generation?**

**NT:** The rising generation in many ways is helping the sector evolve beyond its traditional practices, taking more ownership of the family philanthropy, using new tools, and exploring new approaches. Impact investing is a great example, very much championed by the next generation. The next gen is often who introduces impact investing as an option to the broader family.

We're also starting to see next generation members being incorporated into the decision-making framework a bit earlier, with family recognition that it's important to have fresh perspectives present in those discussions.

**JV:** The next generation in many ways is a generation of philanthropists who seek a more transparent and impactful process for their charitable giving. They are also looking for ways to become more involved and engaged in that process. Their role will continue to expand given the global transfer of wealth currently underway.

The next generation is also starting an important dialogue within families around some of the more systemic issues. The next generation is exploring what impact grants are having and how to create more effective philanthropy. For example, rather than simply providing grants to a soup kitchen, they are asking the important question

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of why the soup kitchen exists. Why are there single mothers with children living in shelters? Should we provide for the shelter or do we want to get to the underlying issues creating the need for the shelter? These are important conversations for families and the next generation is leading them and excited to take action.

**GJ: Nick, you were at the start of the Giving Pledge with Bill and Melinda Gates and Warren Buffett. How did that initiative come about and what has its impact been on philanthropy?**

**NT:** Bill, Melinda, and Warren decided prior to creating the Giving Pledge to give away the majority of their wealth. The goal of the Pledge was to amplify a conversation on the importance of philanthropy – across the wealth spectrum – about how everyone can contribute meaningfully to advance social change.

In June 2010 we officially launched the Pledge with the commitment of Bill and Melinda and Warren, and talked about the essence of philanthropy and the opportunity it creates. In August 2010 we announced the first group of signatories – a very iconic group of philanthropists. In the last ten-plus years the Pledge grew to exceed 200 signatories and expanded to a global community in a global network.

The Pledge elevated a conversation on philanthropy and legitimized giving big and giving now. People began to talk more about philanthropy. We saw a change in the conversation.

**GJ: Jacqueline, what impact have you seen from the Giving Pledge?**

**JV:** It has done great things from an awareness perspective, moving global leaders to action with the focus of giving away most of their wealth. The difficult work is how to create a defined mission and a plan to deploy this capital. Many signatories have started – and the pandemic increased overall efforts to accomplish this task. I am especially encouraged by efforts to get the next generation of philanthropists on board to help with this critical work.

There is an opportunity for more of the signatories to collaborate on various global challenges and systemic issues. These are big issues needing large amounts of capital, innovative philanthropy, and enormous attention. Can they start to put these leaders' minds and money together to move the dial on our largest issues? It would be great to see this as the next phase. With the collaboration we saw during 2020, this could be a reality.

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**GJ: What will we see around philanthropy in the coming decade?**

**NT:** We will continue to see an evolution – a recognition that the practice of philanthropy must change and adapt to do the work needed for better outcomes across the world.

We will continue to see a reorientation to risk and a growing understanding that risk capital is needed to achieve extraordinary results. This means being first to fund and put capital to work without a guaranteed outcome, similar to what we witnessed over the last six to nine months.

Families are also reexamining time horizons for funding vehicles and are going to be more flexible paying out capital and putting it to work without hesitation. Perpetuity may no longer be the goal as the desired lifespan of these vehicles

The use of multiple vehicles is something that will continue to rise in interest. This is a portfolio approach with vehicles, as I mentioned earlier, that can often meet the family's needs most appropriately.

The move to trust-based practices will hopefully become permanent. As a result, I think we'll see more general operating support, fewer reporting requirements, and deeper, more authentic grantee/funder relationships.

We expect to see collaboration as a permanent approach given long-standing issues – such as health, education, racial inequality, and the environment – need more than one individual funder to make meaningful gains.

Families are reflecting in very intentional ways around what it means to steward capital in the public sphere and have the public's trust. I'm hopeful we'll see much more intentionality in family decisions, reflecting not only on their values, but the needs of communities, and the opportunities present at any given moment to meet those needs.

**JV:** I am hopeful we will see four different initiatives continue.

One is having everyone act with greater urgency. Not just getting money out when there's a pandemic, but funding big issues faster.

Next, is approaching philanthropy as a way to solve underlying systemic problems to create change – not just funding at the surface, but understanding where the problem is coming from and looking many layers into it. Whether it's in healthcare or education, this is an important way to increase impact.

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Third, like Nick mentioned, is that philanthropy comes to the table as the risk capital. Donors are the perfect change agent and have the ability to provide patient capital. But they can only be that by creating a sense of obligation to be the first ones in to attract other families and funders.

Fourth, it remains critical to continue to move forward with collaboration, including public-private partnerships. There is no better way to move the dial on most of the larger global issues we face over the next decade and beyond.

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**Nicholas (Nick) Tedesco** is President and Chief Executive Officer of the National Center for Family Philanthropy (NCFP). Prior to joining NCFP, Nick served as a Senior Advisor in the J.P. Morgan Philanthropy Centre where he provided insights and services to help clients meet their philanthropic goals. Previously, Nick was a Relationship Manager and Program Officer at the Bill & Melinda Gates Foundation, where he helped launch the Giving Pledge. In this role, Nick managed relationships with current and prospective members of the pledge, as well as their staff and advisors. Nick began his career in the social sector as the Deputy Director of the Children's Health Forum – a national nonprofit focused on preventing and eradicating childhood diseases disproportionately affecting underserved communities. He serves on the Regional Board for UNICEF USA and as a panelist for the Echoing Green Fellowship and MacArthur Foundation 100&Change Initiative.

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**Jacqueline Valouch** is the Head of Philanthropy for Deutsche Bank Wealth Management. She leads global philanthropy efforts, working closely with private bankers, clients, and their advisors on strategic philanthropy and charitable solutions. In addition, she counsels clients who wish to include the next generation in their charitable plans and who are seeking far-reaching and innovative approaches to their giving. After nearly a decade as an attorney in private practice, Jacqueline joined Fidelity Charitable where, for 15 years, she led a team of charitable planning experts, and advised individuals, families and their advisors on how to incorporate charitable giving into their long-term planning goals. She sits on the Board of Directors for the Armory Foundation, is on the Executive Committee of WorkingNation and is also Co-Chair of Lincoln Center Planned Giving Advisory Committee.



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