

VIEWPOINT

Insights from the front lines

Helping Donors Get Unstuck

Many philanthropists have the capacity and desire to give more. A few simple strategies can help them overcome common roadblocks.

BY BEN KLASKY

When I worked as a non-profit CEO earlier in my career, I was certain that donating money was easier than asking for it. But now that I am a philanthropic advisor, I've come to realize that philanthropy is less straightforward than I thought.

My clients come from varied backgrounds and have achieved different levels of wealth. They share privately that they possess more resources than they imagined possible, and they want to give back to causes they care about. They are ready to take action and have the means to do so. Yet many of them hesitate. Some have spent years wavering, giving less than their desired charitable amounts.

What's going wrong? After years of engaging in deep conversations with clients, I've uncovered a common set of barriers causing high-net-worth donors to get "stuck"—sometimes to the point that they never experience the reward of impactful giving, but instead pass their wealth on to future generations. I have also formulated effective tips to help them move forward in their giving. With the world confronting numerous social and environmental problems requiring redress, it is imperative that the philanthropic sector find ways for donors to get unstuck and put more resources toward achieving solutions.

WHY DONORS GET STUCK

In my experience, potential donors regularly hit four roadblocks to following through on their intent to give.

Barrier #1: Option Paralysis | Donors confront an overwhelming set of choices. The United States alone has 1.8 million charities. That's roughly 500 times the number of books carried at a typical bookstore and 150 times the number of videos available at the country's largest streaming service. Selecting a charity to support can feel staggering, and conducting online research is not always helpful. Want to find a cure for cancer? A search for "cancer" on Charity Navigator (a useful website that bills itself as the "largest and most-utilized evaluator of charities") produced more than 4,500 results. An overabundance of choices tends to lead to poorer outcomes and decreased satisfaction with those choices, according to published research by Stanford

University social psychologist Mark Lepper and Columbia University business professor Sheena Iyengar. The sheer number of nonprofits to choose from can freeze some donors in their tracks.

Barrier #2: A Less Streamlined Marketplace | Imagine that an individual receives \$100 million and is given two tasks to complete in 24 hours. First, she must invest half of the money wisely to take care of her financial needs. Next, she must donate the remaining half to nonprofits that she is confident will conduct effective work. The first task is easy; it's possible to allocate \$50 million across a diversified investment portfolio in just minutes. The second task is more challenging because the philanthropic marketplace has fewer tools that are omnipresent in financial markets, such as clear measures of success (stock prices), market analysis (forecasts and analyst reports), and the normalization



of using issue-based funds that behave like mutual funds and exchange-traded funds.

Barrier #3: Reputational Risk | In these politically charged times, some donors are holding back gifts because they are concerned about scrutiny of their choices. A gift to Planned Parenthood, the Sierra Club, the National Rifle Association, or certain faith-based organizations can signal values that one may not want to share publicly. Larger donations make headlines and can attract criticism and potential legal action instead of the warm reception that some donors hope to receive.

Barrier #4: It's Work | Although donating money can be extremely rewarding, it requires consistent time and energy to do

return (the S&P 500 averaged 10.7 percent over the last 30 years), this individual can actually do more. In fact, she can donate 10 percent of her holdings every year (starting at \$1 million the first year, and not approaching \$500,000 annually until the end of 20 years). On such a schedule, she will actually donate more than \$15 million over the 20 years and will still possess almost half of her initial amount (\$4.7 million) at the end of the cycle.

Tip #2: Conduct a Giving Audit | Once donors realize how much more they can give, they can then turn to consider the issues that they care about most. A useful activity involves comparing desired giving categories with their actual giving history.

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so thoughtfully. With personal time in short supply, some potential donors find they are too busy with other matters to sit down and figure out their charitable giving, and so they postpone the requisite strategy work.

HOW TO GET UNSTUCK

In my experience, these barriers are not insurmountable. By following some simple guidelines, donors can start to move money faster, experience more joy from their giving, and ultimately have a greater impact on issues that concern them. The following five tips have especially come in handy.

Tip #1: Account for Market Returns | Most people can donate more than they think. To demonstrate this, I have developed a calculator into which donors input three figures: 1) how much they have set aside for charity; 2) over how many years they plan to give it away; and 3) the average market returns they expect. The calculator's results usually surprise people and give them courage to make larger gifts more quickly.

Consider, for example, an individual who has set aside \$10 million to donate over the next 20 years. At first blush, it might seem as though this individual can give \$500,000 annually—but this impression fails to account for earnings along the way. Assuming a 7 percent annual

I recently conducted such an audit with a married couple I have been advising. Each year, this couple pledges specific amounts to their local church and the university where they met. In large part due to their planning, we found that their actual giving has been matching their desired levels for these causes. However, the rest of their giving has not gone according to plan, with the couple underfunding their priority-issue area—homelessness. This shortfall was happening because they receive many charitable solicitations and are frequently invited by friends to attend fundraising events for other causes. The audit helped the couple rebalance their giving portfolio and recommit to spending the bulk of it on their priority issue.

Tip #3: Aim for Great, Not Perfect | Potential donors must not let the perfect be the enemy of the good. Compare stock investing: US stock exchanges have some 8,000 securities listed. A financial advisor who successfully picks the 6th, 23rd, and 50th best-performing securities would be thrilled. But with more than 1.8 million charities to choose from, a donor would be foolish to try to find the single best charity for her goals. Affluent people are often more cautious with their philanthropy than the risks they are willing to take

with financial investments. Rather than attempt to get every donation right at the outset, donors should start by making 5 to 10 gifts to good or great charities within a priority-issue area. This allows them to overcome the paralysis of too many options and start building relationships with organizations. In this way, donors can learn how organizations are stewarding their gifts and then deliberate over whether to reduce or increase support.

Tip #4: Give Anonymously | Donors who are worried about public scrutiny over their giving have options. Private foundations are required to publicly report every donation, but donor-advised funds (DAFs) allow individuals to make anonymous gifts. Critics of DAFs argue, with some merit, that they lack transparency—but they do enable people to make more donations without fear of being judged for their generosity. Giving anonymously can ease a donor's concerns about opposing beliefs among family members or the risk of potential political scrutiny.

Tip #5: Hire an Advisor | Finally, potential donors can seek professional advice, just as they might get help on their taxes, physical fitness, or home electrical work. Donors often turn first to their wealth managers for help, but this tendency can generate challenges. Wealth managers have perverse incentives when it comes to charity, because their job is to maximize “assets under management,” not to give money away. Those wealth managers who overcome these incentives (I've met many who do) can still be inexperienced in the nuances of high-impact philanthropy. Philanthropic advisors, by contrast, conduct due diligence on potential charities and have access to tools and resources that can help select grantees, intermediary funds, and issue experts to provide additional advice. In many cases, resources from a private foundation or DAF can help pay for an advisor's work.

Making charitable donations in a thoughtful manner brings its own set of demands. However, overcoming philanthropy's barriers needn't be daunting, and these tips afford little excuse not to put more resources to work for social good. ●

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