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Wealthy Households Plan to Give More, Study Finds

By Maria Di Mento

More than 98 percent of the wealthiest American households donated to charity last year, the highest rate of charitable giving among those donors in the last nine years, and most of those people plan to give at least that much or more over the next few years, a new study has found.

Just under half of wealthy people said they believe charities need their dollars more than ever now, but what's really behind their generosity is simpler: 85 percent said they have more money to give.

The study was based on data from more than 600 households whose family members make at least $200,000 a year or have $1-million in assets.

It's not just extra resources that prompts people to increase donations: Donors who consider themselves highly knowledgeable about charitable giving donated significantly more than novices, according to the study by U. S. Trust and the Lilly Family School of Philanthropy at Indiana University.

Payoff From Engagement

The 14 percent of wealthy people who rated themselves as "expert" about giving donated an average of $150,229 to nonprofits last year. That is more than twice the amount given by the almost three-quarters of wealthy households that said they are "knowledgeable" about giving.

That latter group gave an average of $64,599 to charity in 2013, while those who consider themselves "novices" gave considerably less—an average of $19,013.

Claire Costello, who advises wealthy donors through Bank of America's national philanthropic practice, said she hoped fundraisers would use that finding to shape how they educate donors.

"If you give your donor more information about how you've furthered your mission and how you did it, then you've got them in pocket," said Ms. Costello.

Seeking Information

And wealthy donors say they want to know more.

Of the more than half of affluent people who monitor or evaluate the impact of their gifts, nearly 80 percent of them do so by engaging directly with the charities they support, and just under half rely on reports from watchdog groups like Charity Navigator and GuideStar to learn more about nonprofits. Only 3 percent use a private consultant to monitor or evaluate a gift’s impact.

How Donors Give

But that doesn’t necessarily mean donors are happy about the impact of their gifts. A study released a few days after the U.S. Trust report found that only one in five is satisfied with the results from a philanthropic contribution.

The study of more than 2,200 UBS Wealth Management Americas clients indicated that donors were more likely to be happy with their giving when they had a plan in place for supporting charities. (See article on this page.)

But many donors are doing more than just planning their giving.

The U.S. Trust study found that nearly three-quarters of respondents said they have a strategy for how they give, while 70 percent reported using a budget for their giving.

Donors like Eric and Deborah Suder are taking strategy and measurement to new heights. Through their $2.7-million Suder Foundation, the couple in Plano, Texas, operates First Scholars, a program that seeks to increase the graduation rate of first-generation college students.

First Scholars uses data it gathers to track the progress of students and fine-tune the ways in which the program helps them succeed. Mr. Suder said he hopes to eventually expand First Scholars to 100 colleges and universities across the country.

That kind of strategic giving, says Mr. Suder, is key to achieving significant change.

In business, he said, "you absolutely have to measure every part of your business to make sure you’re constantly adjusting and refining. Without that, you’re flying by the seat of your pants, and the same thing goes for the nonprofit world."

Yet when it comes to other areas in which he and his wife provide support on a smaller level, such as the arts, human services, and other causes, Mr. Suder said he takes a less strategic approach.

"For me, the smaller the organization, you kind of go more on the tug of the heartstrings and on whether you have a sense that they’re going to do well," he said.

Impact Investing

The study shows that the Suders may not be alone in thinking that way.

While most rich donors today are aware of creative ways to use their money to advance their social or charitable goals, only 13 percent are pursuing sophisticated approaches that blend high finance and social good, such as social-impact bonds or mission-related investing.

The study found that twice as many women as men reported wanting to learn more about impact investing.

This is a significant finding, said Ms. Costello, because even though women make or influence most of the philanthropic decisions in a family, many wealth and philanthropy advisers are still more likely to consult only with the male partner.

Leaving women out of the conversation, she said, is shortsighted when many women today not only hold more wealth of their own but also end up controlling more of a household’s assets because they tend to live longer than men.

"By not involving her in the process all along, it makes it harder for [advisers] when the man is out of the picture," said Ms. Costello. "They’re not really speaking to the client unless they’re also speaking to the woman of the household, because she’s at the fore of all of these decisions, philanthropic and otherwise."

Pledging to Give

The study found that whereas well-off families are committed to giving, they are not as committed as people with billions in assets.

The new study took a cue from the Giving Pledge, an effort by the philanthropists Bill and Melinda Gates and Warren Buffett to encourage billionaires to promise to give away at least half of their fortunes during their lifetimes.

For the first time, researchers asked participants whether they would be willing to earmark at least 25 percent of their wealth for a similar pledge; only 13 percent said yes.

It is unclear why more haven’t warmed to the 25-percent pledge, said Ms. Costello. One reason might be that donors would rather make a more collaborative decision among all family members, she suggested.

But, she added, "I can say that among those that are willing to take that pledge, they’re the ones giving more."

And although the households in the study are wealthy, said Patrick Rooney, associate dean for academic affairs and research at the Lilly Family School of Philanthropy, they are not billionaires and have many of the work-a-day concerns of other Americans.

"You might make $200,000 a year or have $1-million in net worth right now and that’s a good income and nest egg, but that doesn’t mean you feel you’re financially prepared for your kids going to college or that you’ve fully funded your retirement," said Mr. Rooney. "So it’s not a surprise that most of the people in that sample aren’t willing to make that kind of commitment yet."

Volunteerism's Role

As in previous years, affluent donors are giving not only their dollars but also their time.

Seventy-five percent said they volunteered for at least one nonprofit last year, and more than half of all donors gave more than 100 hours of their time to a charity.

But in a reversal from previous years, well-off Americans are not taking the initiative to volunteer as much as they did in the past.

In 2013, a direct request from a charity was more likely to inspire a wealthy person to volunteer, with 50 percent responding to a nonprofit's request and only 18 percent approaching nonprofits on their own. It was a different story in 2011, when 43 percent of wealthy donors chose to become volunteers on their own

That's probably because in the years following the downturn, people felt a greater sense of urgency about helping those hurt by the financial crisis and the scaling back of government support, said Ms. Costello.

Or, said Mr. Rooney, because nonprofits were still reeling from the recession in 2011, they may have been more active in asking for volunteer help in open positions they could not afford to fill with paid employees.