

The 2012 Bank of America Study of High Net Worth Philanthropy

ISSUES DRIVING CHARITABLE ACTIVITIES AMONG WEALTHY HOUSEHOLDS

Key Findings

November 2012

2012 Bank of America Study of High Net Worth Philanthropy

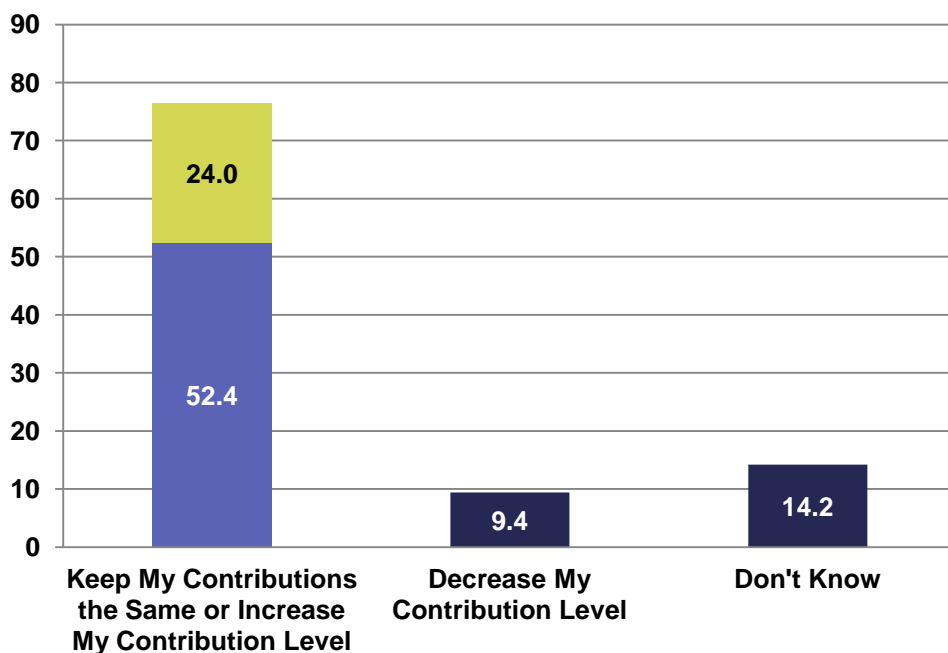
Summary of Key Findings

The 2012 Bank of America Study of High Net Worth Philanthropy examines the giving patterns, priorities and attitudes of America's wealthiest households. The latest in this series of studies was once again written and researched in partnership with the Center on Philanthropy at Indiana University and builds on those completed in 2010, 2008 and 2006. The following is a summary of key findings from the full 75-page report. Results are based on a nationwide sample of 700 U.S. households with a net worth of \$1 million or more (excluding the value of their home) and/or an annual household income of \$200,000 or more.

Strong commitment to giving

- Since 2006, this study has found that the vast majority of high net worth households donate to charity each year. This high rate of giving continues in the latest study, with 95 percent giving to at least one charity last year. This is compared to 65 percent of the general population of U.S. households who donate to charity¹.
- To put the importance of giving by high net worth donors into context, of the nearly \$300 billion given away in 2011, more than 70 percent was given by individuals², of which roughly half was given by the wealthiest 3 percent of American households³.
- Among wealthy households, average giving as a percentage of household income held steady at approximately 9 percent between 2009 and 2011, despite a challenging economic environment. Between 2007 and 2009, giving as percentage of household income declined 2 percentage points.
- For the first time since this research series began, the 2012 study asked wealthy donors to forecast their giving plans for the next several years – an area of ongoing concern for nonprofits operating amid economic uncertainty in the U.S. and around the world. Responses to this study offer an optimistic view of the future of giving, with three out of four (76 percent) high net worth donors planning to give as much (52 percent) or more (24 percent) during the next three to five years (through 2016) compared to their charitable contributions in the past; just 9 percent plan to give less.

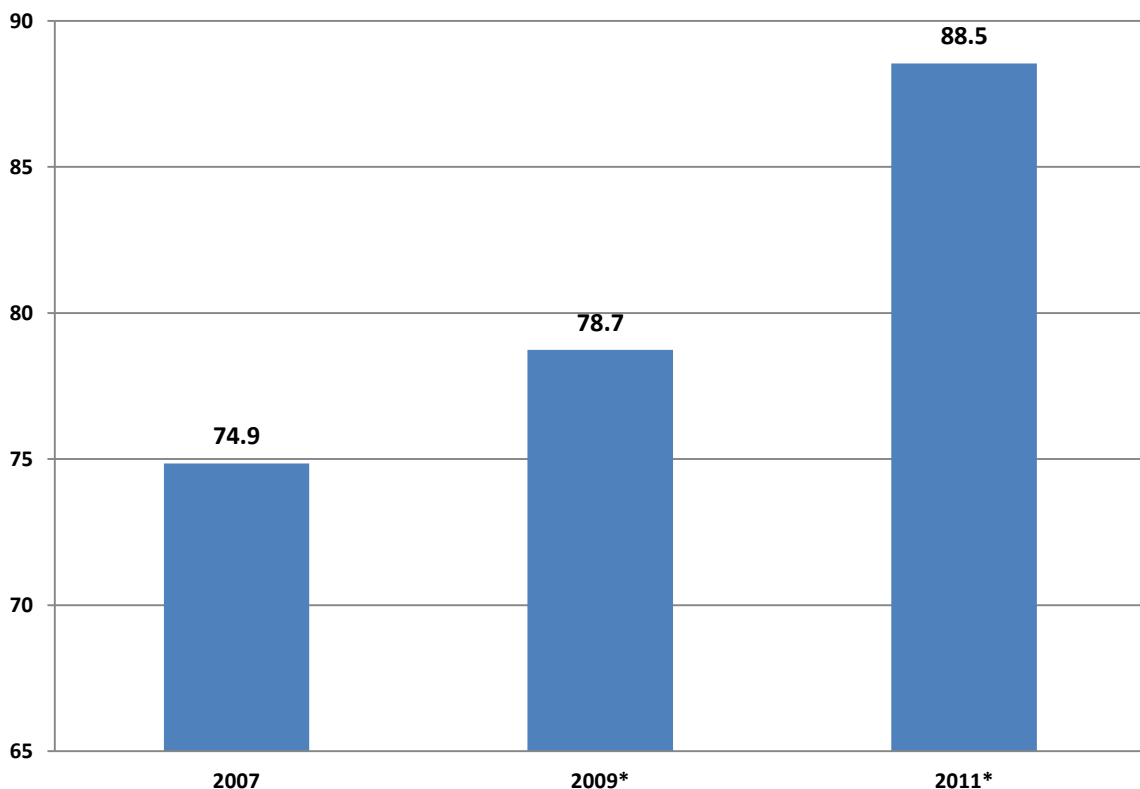
Wealthy Donor Charitable Giving Forecast for the Next 3 to 5 Years (Percentage)



Volunteerism on the rise

- High net worth individuals are also showing their continuing support for the organizations and issues they care about most through a significant increase in volunteerism. In 2011, 89 percent of high net worth individuals volunteered their time and talent to nonprofit organizations – up 10 percentage points from 2009. More than half (54 percent) volunteered more than 100 hours, and 35 percent volunteered more than 200 hours in 2011.
- Generally, high net worth individuals who volunteer tend to also give financial gifts, and those who volunteer more tend to give more. Last year, those who volunteered more than 100 hours gave more than \$78,000 on average, roughly twice the average gift among those who volunteered fewer than 100 hours, which was approximately \$39,000.
- Increasingly, high net worth individuals are giving their contributions to organizations where they both volunteer and believe their gift will have the largest impact. Average gifts to these organizations grew 40 percent between 2009 and 2011 (from \$73,301 to \$102,642).
- The most common volunteer activity for high net worth individuals last year was serving on a board of directors for a nonprofit organization (61 percent), followed by event planning and fundraising activities (both 48 percent). Meanwhile, 40 percent provided professional services to the nonprofits they support, such as volunteering their business and marketing skills.
- Two-thirds (67 percent) of wealthy donors reported that they give more to organizations where they serve on a board or are in an oversight role.
- When asked how and why they chose to volunteer, 43 percent of high net worth individuals said they volunteer because they feel passionate about the cause supported by the organization and therefore approached them about opportunities to get involved, while 31 percent indicated that it was the organization that approached them.

High Net Worth Individuals Who Volunteered in 2007, 2009 and 2011 (Percentage)



Donors give strategically

- The majority of wealthy donors gives strategically and has a plan for their giving – with 71 percent having had a specific strategy in place to guide their charitable giving last year, and 61 percent having had a budget set aside for their philanthropic activities. This is further evidenced by the fact that 81 percent of donors apply a certain level of focus to their charitable activity, giving to organizations based on geography or a specific cause or issue. This is compared to 16 percent who give with no particular focus to a large number of organizations. However, just 5 percent report having a formal mission statement to guide their giving.
- The use of giving vehicles is on the rise, with 19 percent of wealthy households giving to such vehicles as foundations or donor-advised funds in 2011, compared to 16 percent in 2009. On average, the dollar amount given to these vehicles was greater than average giving to any specific nonprofit subsector last year. Furthermore, 26 percent of wealthy donors reported having a private foundation or donor-advised fund, with an additional 5 percent planning to establish one during the next three years. Another 18 percent have an endowment fund with a particular organization, and 16 percent use a charitable remainder trust. Among all giving vehicles, the wealthy still primarily utilize charitable provisions in a will (43 percent).
- Forty percent of wealthy donors consulted at least one type of outside advisor about their charitable giving in 2011. Among those donors who sought advice from at least one source last year, most consulted accountants (53 percent), followed by financial or wealth advisors (37 percent) and nonprofit personnel (33 percent).

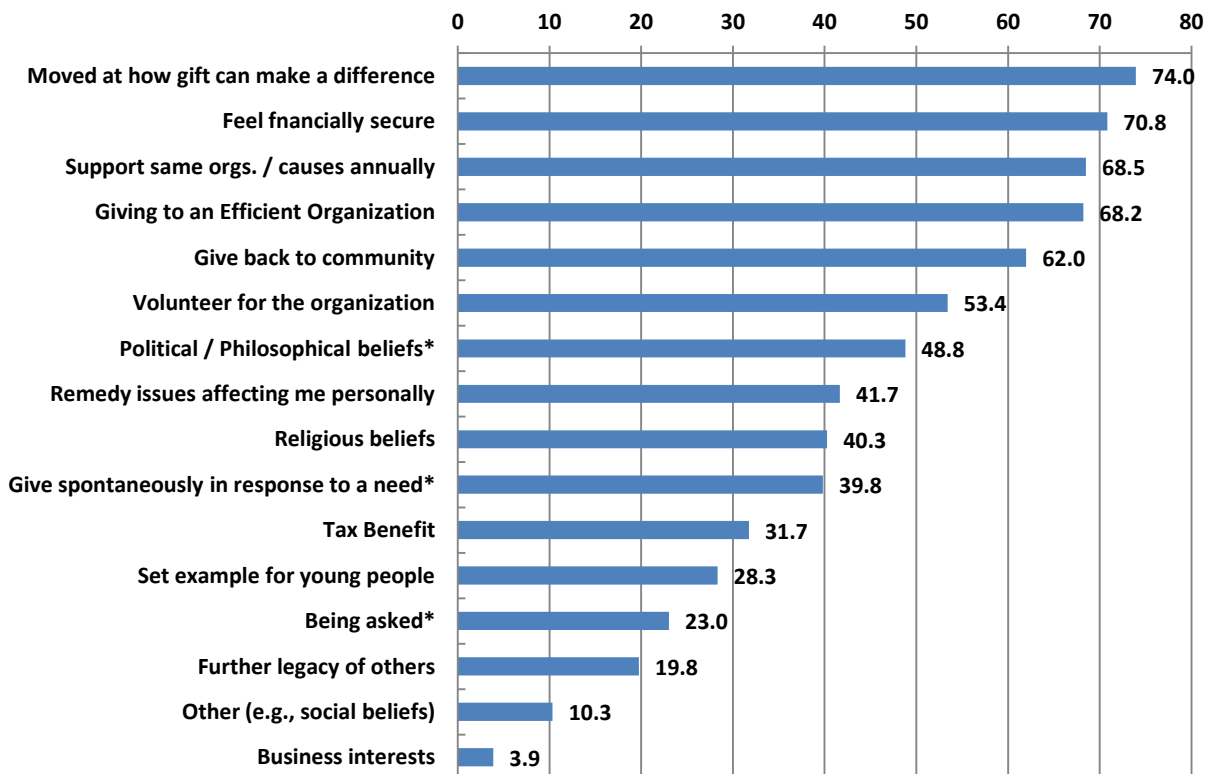
Giving distribution and objectives

- In 2011, the greatest percentages of high net worth households gave to educational (80 percent) and basic need (79 percent) organizations, followed by arts (69 percent), health (65 percent) and religious (65 percent) organizations.
- The three areas receiving the largest proportion of gift dollars from wealthy donors last year were education (28 percent), giving vehicles such as a foundation or donor-advised fund (23 percent), and religious organizations (13 percent). These three areas received the largest proportion of gift dollars in 2009 as well.
- The average dollar amount gifted per high net worth household declined 7 percent between 2009 and 2011, from \$56,621 to \$52,770 (adjusted for inflation).
- Last year, wealthy households tended to direct their largest gift to religious (36 percent), education (25 percent) and health (8 percent) organizations. Consistent with their priorities reported in 2009, when asked about the objectives for their largest gifts in 2011, 61 percent of high net worth households gave to fund a nonprofit's general operations, 30 percent gave to fund a particular program or activity, and 21 percent gave their largest gift to support organizational expansion and innovation.
- Among new questions in the 2012 study, respondents were asked whether the allocation of their contributions to fund nonprofits' general operations and specific programs changed between 2010 and 2011 in light of the economic environment. Compared to 2010, 32 percent of high net worth households gave more to fund the general operations of an organization in 2011. A similar percentage (30 percent) of wealthy donors gave more in 2011 to fund special programs than they did in 2010.

Motivated to give and feeling groovy

- Nonprofits the world over benefit from knowing what motivates high net worth donors to give. Between our 2010 and 2012 studies, the top reasons for giving have remained relatively constant. Our latest study found that wealthy donors give at the greatest rates under the following circumstances: being moved by how a gift can make a difference (74 percent), feeling financially secure (71 percent), because they give to the same organization or cause annually (69 percent), and because they feel the organization they are supporting is efficient (68 percent).
- Less than one-third (32 percent) of donors cited tax advantages among their chief motivators for giving. In fact, half (50 percent) reported that they would maintain their current charitable giving levels even if income tax deductions for donations were eliminated, and 95 percent would maintain or increase their bequest giving even if tax deductions for estate giving were permanently eliminated.
- High net worth donors find personal fulfillment and satisfaction in their charitable giving. In this context, fulfillment relates to feelings that their charitable activity engenders, while satisfaction relates to the perception that donors have about the impact and outcomes of their charitable activity. The majority (78 percent) of wealthy donors enjoy a sense of fulfillment based on their philanthropic engagement (giving or volunteering). Three out of four gain satisfaction from the impact their charitable activities have on the people and world around them (75 percent). In addition, these donors feel sense of accomplishment when these activities produce positive results (76 percent). Meanwhile, just 18 percent feel the need for visibility or recognition based on these activities.

Motivations for Giving (Percentage)



Donor expectations and why they stop giving

- Wealthy donors have strong feelings about how the nonprofits they support should use their contributions and conduct themselves. For instance, these donors expect the nonprofits they support to spend an appropriate amount of their donation on general administration and fundraising (82 percent), and to demonstrate sound business and operational practices (76 percent). They expect nonprofits to honor their request for privacy and anonymity (75 percent), and similarly to not distribute their name to others (78 percent). Receiving a “thank you” or at least a receipt for tax purposes are also very much appreciated by these donors (74 percent).
- In 2011, 30 percent of wealthy donors stopped giving to at least one nonprofit organization they previously supported, among which 27 percent stopped giving to one organization and 32 percent stopped giving to two. The following were the top reasons cited for why these donors stopped giving to a particular charity:
 - The donor received too frequent solicitation or the nonprofit organization asked for inappropriate amount (38 percent).
 - The nonprofit organization they supported changed leadership or activities (29 percent).
 - The donor personally changed philanthropic focus or decided to support other causes (27 percent).
 - The donor’s household circumstances changed (e.g., financial, relocation, employment) (22 percent).
 - The donor was no longer personally involved with the organization (12 percent).

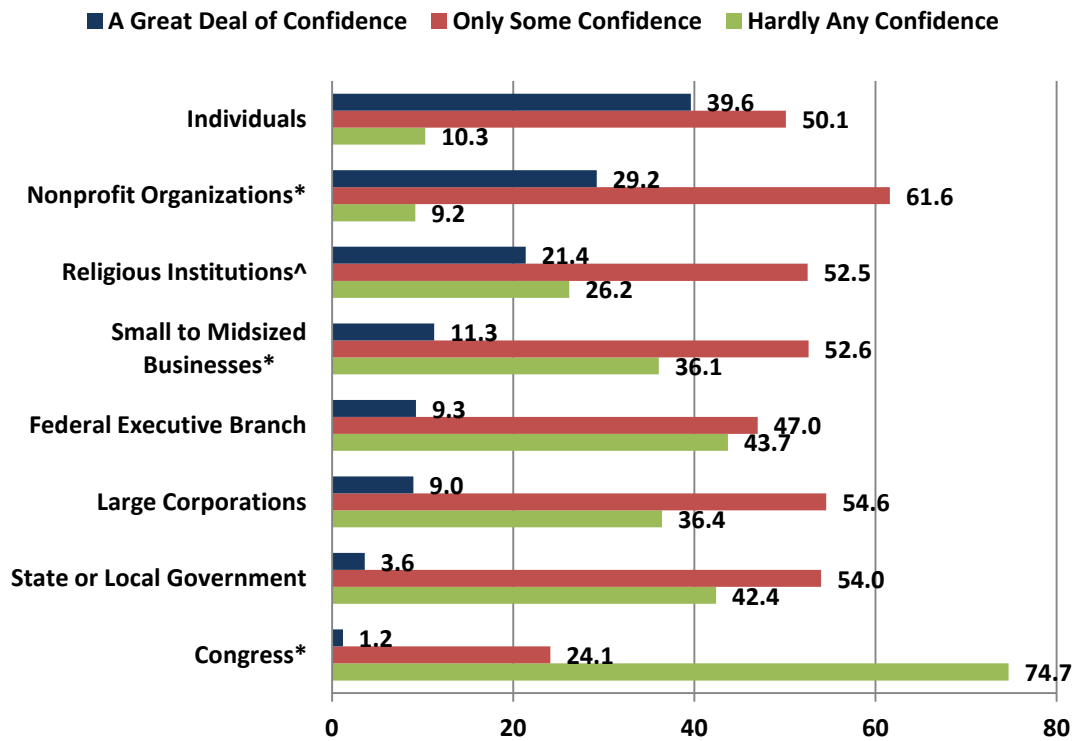
Family traditions and preparing the next generation

- Many high net worth households have family traditions around giving (41 percent), such as volunteering as a family and giving to charity during the holidays. Perhaps not surprisingly, 26 percent of wealthy donors cited the joy they derive from engaging with family around charitable activities among the benefits of giving.
- The spirit of the holiday season often encourages more generous giving. This is certainly true for high net worth households, 43 percent of whom confirmed that they make more charitable contributions during the “giving season” (between October and December) than during the rest of the year – while 44 percent spread their giving evenly throughout the year.
- One-third (33 percent) of high net worth donors who have children involve them and other younger relatives in their household’s charitable giving activities. With regard to the transmittance of philanthropic values, the 2012 study found that a family’s personal efforts and those of their network of friends or peers continue to be the leading sources by which children, grandchildren and other younger relatives learn about charitable giving (51 percent), followed by religious organizations (34 percent) and nonprofits themselves (21 percent). Given the unprecedented intergenerational transfer of wealth in the coming years, advisors to the wealthy also have a significant opportunity to guide the current and next generation of philanthropists.
- Respondents from nearly half (46 percent) of high net worth households reported that they make decisions about their giving jointly with their spouse or partner – even when deciding where to give their largest gift (48 percent). This is consistent with decision making about the broader management of their wealth, with 48 percent citing that wealth management decisions are made jointly.

Societal issues facing America and confidence in those working to address them

- Among the leading societal and public policy issues that matter most to wealthy donors today are education (60 percent) and health care (45 percent), followed by the economy (38 percent), poverty (34 percent) and the federal deficit (33 percent).
- Our 2012 study found that nearly one-third (29 percent) of wealthy donors changed their giving priorities last year in response to the economic downturn.
- The study asked wealthy households about their confidence in various societal groups and institutions to solve domestic and global problems. The vast majority said they have faith in nonprofits (91 percent) and individuals (90 percent) to influence and enact positive change. Fewer have confidence in the private sector, and far fewer have faith in various areas of government – particularly Congress (25 percent).
- Noteworthy in the lead up to the election, half (51 percent) of high net worth donors gave to political causes in 2011 for the purpose of electing or defeating a candidate. By comparison, findings from an earlier American National Election Study found that approximately 13 percent of the general population makes political contributions⁴.

High Net Worth Individuals' Confidence in Groups to Solve Societal or Global Problems (Percentage)



Sources

¹ The Center on Philanthropy Panel Study, 2009

² Giving USA: The Annual Report on Philanthropy for the Year 2011, 2012, Giving USA Foundation

³ The Center on Philanthropy at Indiana University – percentage of giving by high net worth households is an estimate derived from the percentage of households that itemize and the top income earners in the United States

⁴ American National Election Study, 2009 – a collaboration of Stanford University and the University of Michigan, producing data on voting, public opinion and political participation