

THE 2014 U.S. TRUST® STUDY OF HIGH NET WORTH PHILANTHROPY¹

CONDUCTED IN PARTNERSHIP WITH THE LILLY FAMILY SCHOOL OF PHILANTHROPY AT INDIANA UNIVERSITY

Highlights for nonprofit organizations

GIVING LEVELS UP AND THE FUTURE LOOKS BRIGHT

The wealthy are leaders in philanthropy. Nearly all (98%) high-net-worth (HNW) households donated to charity in 2013 — the highest rate of giving since the study began in 2006. Comparatively, only 65% of the general population donates to charity.²

- **Wealthy donors have increased their giving dollars:**

The average dollar amount given to charity by wealthy donors increased to \$68,580 in 2013, a 28% increase from 2011 when the average was \$53,519. This confirms the results of our 2012 study, in which wealthy donors planned to increase their giving in the coming years.

- **Average giving by HNW households rose with wealth levels:** Households with more than \$5 million in assets gave more than \$166,000 on average. That's more than six times as much as households with assets between \$1 million and \$4,999,999, which gave an average of roughly \$25,000. These giving levels were up from \$117,000 and \$18,000, respectively, in 2011.

- **An optimistic view of the future of giving:** The study found that 85% of wealthy donors plan to give as much (50%) or more (35%) in the next three to five years — up from 76% who said they had planned to give as much (52%) or more (24%) when asked in 2012. When asked why, they cited an anticipated “increased financial capacity” (85%) and the “perceived need of the nonprofits or causes” they support (48%). Fewer plan to give less (9% in 2012 compared to just 6% in 2014).

VOLUNTEERS GIVING MORE

Volunteerism is strongly correlated with higher giving levels, and increasingly so. Wealthy donors who volunteered in 2013 gave 73% more on average than those who did not volunteer (\$76,572 compared to \$44,137). The report also found that giving among wealthy donors who volunteer increased 23% on average from 2009 (\$62,302) to 2013 (\$76,572). Offering wealthy donors the opportunity to actively participate in furthering your organization's mission builds deeper relationships with donors and may inspire increased giving levels.

- **Wealthy donors give their time:** Seventy-five percent of wealthy donors volunteered in 2013. Among those, 59% volunteered more than 100 hours, while 34% volunteered more than 200 hours. Forty-two percent gave their time to three or more organizations, 32% to two organizations and 26% volunteered with one.
- **Inspiration to volunteer:** In 2013, a direct request from a nonprofit organization inspired the highest proportion of wealthy individuals to volunteer (50%), while just 18% approached nonprofits about volunteering. This is a reversal of 2011 trends, in which more wealthy individuals reported becoming a volunteer through their own initiative (43%) rather than by being asked (31%).

EDUCATION SECTOR CAPTURES HEARTS AND WALLETS

In 2013, 85% of wealthy households gave to educational institutions and causes. A closer look reveals that 73% gave to higher education and 60% donated to K-12 education.

- **Education also received the largest share of dollars:** Among all charitable subsectors, the largest share (28%) went to education. Other areas that received a share of wealthy donors' giving dollars included religious (12%), environmental (5%), arts (4%), basic needs (3%) and international causes (1%).
- **The average size of HNW gifts is on the rise:** Average gift amounts from wealthy donors to education grew 21% from 2011 to 2013. Another cause that attracted increased gifts from the wealthy was religious organizations (up 25%). Charitable subsectors that experienced a significant decline in average gift amounts included international (-40%), health (-29%) and basic needs (-21%).
- **Education is a key policy priority:** When asked what policy issues mattered most to them, regardless of the causes they support philanthropically, more than half of wealthy donors (56%) cited education. Other top priorities were poverty (35%), health care (34%) and the environment (28%).

MOTIVATIONS FOR GIVING

Altruism, not tax incentives, drives HNW philanthropy. In 2013, wealthy individuals included believing their gift can make a difference (74%) and giving back to their community (63%) among their top motivators for giving. Only 34% of HNW donors included tax advantages among their motivation for giving, and 50% reported that they would maintain or increase their current giving levels even if income tax deductions for donations were eliminated.

- **Loyal, committed and satisfied donors:** Respondents indicated that supporting the same causes annually (66%) was another key reason they gave. Personal satisfaction was a motivation for nearly three-quarters (73%) of respondents.
- **The impact of government funding on HNW donor decisions:** Regardless of government funding of nonprofits, most wealthy donors would remain loyal to the organizations that have already won their support. In fact, in the event government decreased funding for an organization that a wealthy household currently supports, nearly one-third (32%) of respondents would increase their charitable contributions. Meanwhile, 12% would decrease support in response to more government funding, while only 5% would increase their donation to that organization.

WEALTHY DONORS HAVE CLEAR EXPECTATIONS FOR NONPROFITS

The study provides insight into how HNW donors think about their relationships with the nonprofit organizations they support.

- **Support for general operations:** Eighty-one percent of wealthy donors expect the nonprofit organizations they support to spend an appropriate amount of their donation on general administration and fundraising, and 80% want the charity to demonstrate sound business and operational practices.
- **Placing a priority on privacy:** Donors also expect nonprofits to honor their request for privacy and anonymity (78%) and to not distribute their name to others (74%). Nonprofit organizations should clearly communicate with donors about their activities, highlighting when they are meeting and exceeding expectations — and providing transparency when they are not.

LOSS OF SUPPORT FROM HNW DONORS

Wealthy donors stopped giving to nonprofit organizations when they felt they were receiving solicitations too frequently or were asked for an inappropriate amount (42%); the donor personally changed philanthropic focus or decided to support other causes (35%); the organization was not effective (18%); and the nonprofit they supported changed leadership or activities (16%).

Nonprofit organizations should understand the solicitation preferences of their wealthy donors. Communications should strike a balance between fundraising and conveying meaningful information about furthering the organization's mission.

DONORS GIVE STRATEGICALLY

The majority of HNW donors (73%) have a specific strategy in place to guide their charitable giving. And a full 93% of wealthy donors focus their philanthropic efforts on a targeted set of geographic areas or causes. Only 7% give with no particular focus. Knowing how donors and prospects focus their donations can help nonprofit organizations to better target and tailor their fundraising appeals.

DONORS WHO MONITOR THEIR GIVING TENDED TO GIVE MORE

Slightly more than half of HNW donors (53%) monitored or evaluated the impact of their charitable giving. Those who monitored donated a higher total amount (nearly \$105,000) in 2013, compared with those who did not monitor (\$28,000).

- **How wealthy donors monitor their giving:** Among those who monitor the impact of their giving, most do so by directly engaging with the nonprofit organization (80%). Almost as many use information put forth by nonprofit organizations (44%), such as annual reports, as do those who reference third-party ratings services (46%), such as Charity Navigator and GuideStar. For these reasons, nonprofit organizations should make it a priority to publicize the effectiveness of their work.

SOURCES OF PHILANTHROPIC ADVICE FOR WEALTHY DONORS

Among HNW households who consulted with an advisor about their giving, the highest proportions consulted with nonprofit personnel (49%), a financial or wealth advisor (46%) or an accountant (45%). Respondents who sought advice gave a higher total amount (nearly \$97,000) than those who did not consult with an advisor (\$47,531). By serving as a resource for donors and advisors, nonprofit organizations can raise their profile, reach more potential donors and deepen relationships with those who already give.

WEALTHY DONORS' USE OF GIVING VEHICLES INCREASES

For most HNW households, the primary source of their 2013 giving was their own personal assets and income (83%). However, a growing number (57%) of wealthy donors use or plan to use a charitable trust, private foundation or donor-advised fund to make their gifts. In fact, these giving vehicles received 28% of charitable dollars in 2013, up from 23% in 2011. Understanding these kinds of giving vehicles, and how wealthy individuals structure their giving, can help nonprofit organizations refine the ways in which they approach donors.

- **Donor-advised funds are the most popular giving vehicle:** The study found that wealthy donors are favoring donor-advised funds. Sixteen percent of donors gave to a donor-advised fund in 2013. Eight percent donated to a private foundation and 4% gave to a charitable trust.

- **Online giving has grown dramatically:** During the last decade, the percentage of wealthy donors who gave online increased from 15% to 50% (comparison of behaviors from 2004-2007 and 2010-2013). By making it easier to give online, nonprofit organizations can attract and retain HNW donors.

KNOWLEDGEABLE AND ENGAGED DONORS GIVE MORE AND ENJOY GREATER FULFILLMENT

The more wealthy donors know about giving, the more likely they are to achieve personal fulfillment from their philanthropic pursuits. HNW respondents who rate themselves as “expert” or “knowledgeable” in charitable giving are more likely to monitor their charitable gifts, consult with a professional advisor and have or plan to use a giving vehicle. Self-described “experts” also gave significantly higher amounts to charity in 2013.

- **Greater fulfillment associated with greater giving:** Knowledgeable and expert givers were more likely to derive greater personal fulfillment from their charitable giving. Those who reported personal fulfillment donated a higher total amount (\$80,516) than those who reported a neutral opinion (\$31,385) or lack of fulfillment (\$15,093).

FAMILY TRADITIONS AROUND GIVING

Philanthropy is a family affair for many HNW households.

- **Teaching the next generation:** When it comes to imparting philanthropic values to children in wealthy families, the leading sources are the family’s personal efforts and those of their friends and peers (55%). HNW families also rely on religious organizations (44%) and nonprofit organizations (24%) to teach the next generation about giving. These findings show that nonprofit organizations have an opportunity to foster philanthropy by helping to educate donors’ children and grandchildren.
- **Creating a culture of giving:** Forty-one percent of wealthy families have well-established giving traditions. Because many of them make it a priority to volunteer as a family or donate to charities during the holidays or at year-end, nonprofit organizations may want to consider engaging more families during the giving season.

WOMEN MORE LIKELY TO BE SOLE DECISION-MAKERS

Of married or partnered HNW couples, 61% work together to make decisions about their giving, compared with 53% in 2011. Among heterosexual married/partnered households, nearly three times as many women (20%) as men (7%) are the sole decision-makers. These results are a key reason why nonprofit organizations should make it a priority to consistently engage women donors in their mission.

Wealthy donors see nonprofit organizations as highly effective, and they want to help by contributing both their money and time. Making it easy for donors to give in each of these ways — and engaging them with effective communication — can help strengthen relationships between nonprofit organizations and individuals — the two groups that wealthy donors believe are most capable of addressing social issues.

WEALTHY DONORS HAVE MORE CONFIDENCE IN NONPROFITS THAN IN GOVERNMENT

When it comes to resolving domestic and global issues, wealthy donors express the most confidence in nonprofit organizations (92%) and individuals (91%). Fewer — and in many cases, far fewer — have faith in the ability of the federal government (54%), state or local government (61%), Congress (25%), large corporations (58%) or religious institutions (73%).

ABOUT THE STUDY

The 2014 U.S. Trust® Study of High Net Worth Philanthropy examines giving behaviors and attitudes among wealthy American households. Since 2006, this biennial study has been produced in partnership with the Indiana University Lilly Family School of Philanthropy. The largest, longest-running series of its kind, the study is an important barometer of the charitable engagement and views of high-net-worth donors.

To access the full 2014 U.S. Trust® Study of High Net Worth Philanthropy, visit www.ustrust.com/philanthropy.

METHODOLOGY

This study represents a comprehensive analysis of data gathered from a 15-page survey randomly distributed to 20,000 households in high-net-worth areas of the U.S. The latest in this series of studies builds on those completed in 2006, 2008, 2010 and 2012, with the full report once again researched and written in partnership with the Lilly Family School of Philanthropy at Indiana University. Results are based on a nationwide sample of more than 630 households with a net worth of \$1 million or more (excluding the value of their primary residence) and/or an annual household income of \$200,000 or more. Conducted between April and September 2014, the survey asked respondents about charitable giving and volunteering behaviors and attitudes for the year 2013.

ABOUT INSTITUTIONAL INVESTMENTS & PHILANTHROPIC SOLUTIONS

Institutional Investments & Philanthropic Solutions (II&PS) is dedicated to the philanthropic and nonprofit communities. We put our strengths and resources behind every mission — be it a nonprofit organization or a philanthropic individual or family. II&PS provides specialized advisory, administrative and investment solutions to both nonprofit organizations and private philanthropic clients that help transform their charitable goals into meaningful action. We tailor mission-focused solutions and offer ongoing advice and guidance through a close working relationship with a dedicated advisor, helping organizations and individuals turn missions into milestones.

¹ This study is a continuation of the 2006, 2008, 2010 and 2012 Bank of America Study of High Net Worth Philanthropy research series.

² Source for the U.S. general population is the 2009 Center on Philanthropy Panel Study on giving in 2008. The latest year data on average giving by American households is available at www.philanthropy.iupui.edu/research.

Institutional Investments & Philanthropic Solutions (II&PS) is part of U.S. Trust, Bank of America Corporation (U.S. Trust). U.S. Trust operates through Bank of America, N.A. and other subsidiaries of Bank of America Corporation (BoFA Corp.). Bank of America, N.A., member FDIC. Banking and fiduciary activities are performed by wholly owned banking affiliates of BoFA Corp., including Bank of America, N.A. Brokerage services may be performed by wholly owned brokerage affiliates of BoFA Corp., including Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S).

Certain U.S. Trust associates are registered representatives with MLPF&S and may assist you with investment products and services provided through MLPF&S and other nonbank investment affiliates. MLPF&S is a registered broker-dealer, registered investment adviser, member SIPC and a wholly owned subsidiary of BoFA Corp.

MLPF&S and Bank of America, N.A. make available investment products sponsored, managed, distributed or provided by companies that are affiliates of BoFA Corp. or in which BoFA Corp. has a substantial economic interest, including BoFA® Global Capital Management.