



# The Future of Philanthropy

Where individual giving is going

# Executive summary

As the philanthropic landscape changes, the way donors perceive and approach giving is evolving, too — though not always at the same pace. This report from Fidelity Charitable® provides insight into the priorities of individual donors, who generate 87 percent of all charitable giving in the United States,<sup>1</sup> and offers a glimpse of where emerging generations may steer philanthropy in the future. *The Future of Philanthropy* details the results of a survey of 3,200 donors who answered substantive questions regarding their outlook on and engagement with giving.<sup>2</sup> What causes are the most important to address for the future? Who are the changemakers they trust to provide solutions to society's problems going forward, and who do they believe should pay for those solutions? What trends shift the ways they give? The answers to these questions reveal both traditional and non-traditional approaches to giving that will continue to shape giving for years to come.

## Key findings

### Giving today

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The world has become a more complex place, and donors' changing perceptions of giving reflect that complexity.

- Donors identify a wide range of social problems as important to solve for the future, prioritizing issues related to health and hunger.
- However, donors see giving as just one element in solving these large, intractable problems. Three-quarters are only somewhat optimistic that their giving can solve the issues most important to them.
- This tempered response reflects both their motivations for giving and their perceptions of the intricate framework required for social change.

<sup>1</sup> Giving USA Foundation, "Giving USA 2016: The Annual Report on Philanthropy for the Year 2015," 2016. Researched and written by the Indiana University Lilly Family School of Philanthropy. The report shows that in 2015, giving by individuals, bequest, and family foundations amounted to an estimated 87 percent of total giving.

<sup>2</sup> Unless otherwise noted, data in *The Future of Philanthropy* is based on a survey of donors in the United States who give to charity and who had itemized charitable giving on their 2015 tax returns.

## Trends shaping donor giving

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Transparency, technology and evolving attitudes toward wealth are reshaping donors' approaches to giving.

- Philanthropy has become more results-focused for many donors. Forty-one percent of donors say they have changed their giving due to increased knowledge about nonprofit effectiveness.
- Twenty-seven percent of donors say their approach to giving has changed due to technological advances that provide convenient tools for researching and funding charitable projects and organizations.
- A smaller but significant number say their giving has been affected by trends related to charitable planning, such as donating one's wealth to charity rather than passing it down to family, and using giving methods and vehicles to give more to charity.

## Broadened view of changemakers

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Donors have an expanded view of which groups will successfully develop solutions for society's challenges – and of who should be responsible for funding them.

- Donors see nonprofits and public-private partnerships as the most likely to develop solutions.
- In addition, donors believe other specific sectors have a role to play in solving for society's challenges, including religious institutions, universities, businesses and social enterprises.
- Donors think the two groups that should do more to fund change are business and individual donors.

## Generational differences transforming philanthropy

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Generational shifts are driving the transformation of philanthropy, demonstrated by the differences between two major forces in giving, Baby Boomers and Millennials.

- Millennials' worldview is distinct from that of Baby Boomers. They approach philanthropy with a more global, social and inclusive outlook and express more optimism about philanthropy's ability to impact the issues most important to them.
- Millennials are much more likely to have incorporated new philanthropic trends into their giving. Sixty percent have been influenced by two or more trends, compared with 37 percent of Boomers.
- Millennials are more likely than Baby Boomers to believe almost all sectors have a role to play in solving society's challenges, a view likely influenced by the interconnected world in which they've grown up.

## Implications for the future of philanthropy

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# Giving today

Individual donors have a rich history of giving in the United States. Last year alone, personal philanthropy — giving from individuals, through bequest and from family foundations — accounted for 87 percent of a record-high \$373 billion donated.<sup>3</sup> These donors give as broadly as they do deep, supporting a wide range of sectors, from education to human services to environmental issues.

This report examines how emerging trends in philanthropy have meaningfully impacted the strategy and giving of these individual donors. It reveals the causes donors say are most important to address for the future and the groups they believe should take on society's challenges. A picture of both traditional and non-traditional ideas on giving emerges that will continue to influence the future of philanthropy.

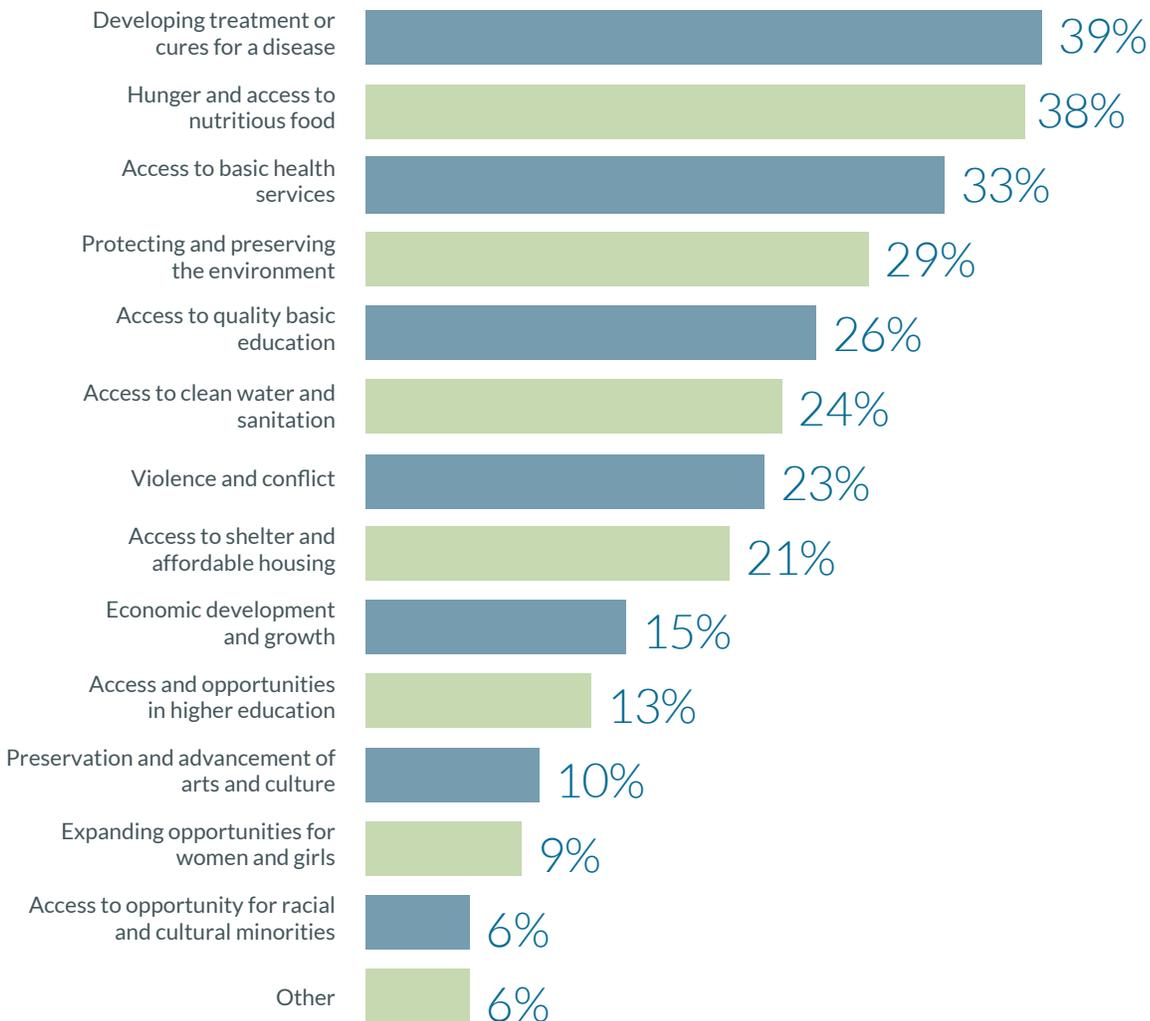
The information in this report is based on a survey that examined giving trends and donor views of philanthropy. The representative survey was conducted in June and July 2016 among 3,254 people in the United States who give to charity and who had itemized charitable deductions on their 2015 tax returns.



# Donors identify a wide range of social problems as most important for the future.

Donors prioritize a variety of challenges they believe need to be addressed by society in the future, with healthcare concerns – both for basic services and the treatment and development of cures for disease – at the top of the priority list. Hunger, the environment and education also are top concerns. Donors believe these are the most important challenges to address, even if they do not currently support these issues with their giving.

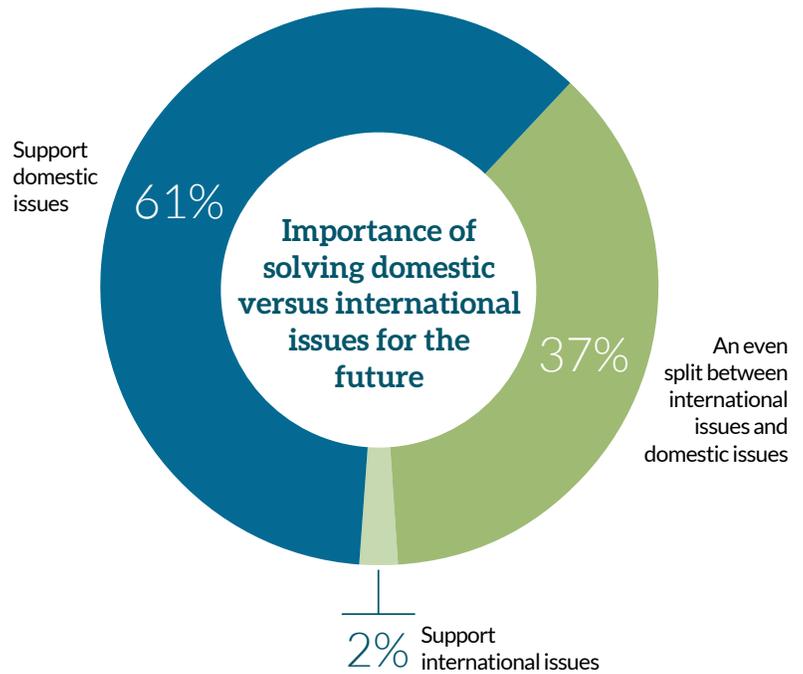
## The challenges donors see as the most important for society to address for the future\*



\* Donors selected up to three challenges.

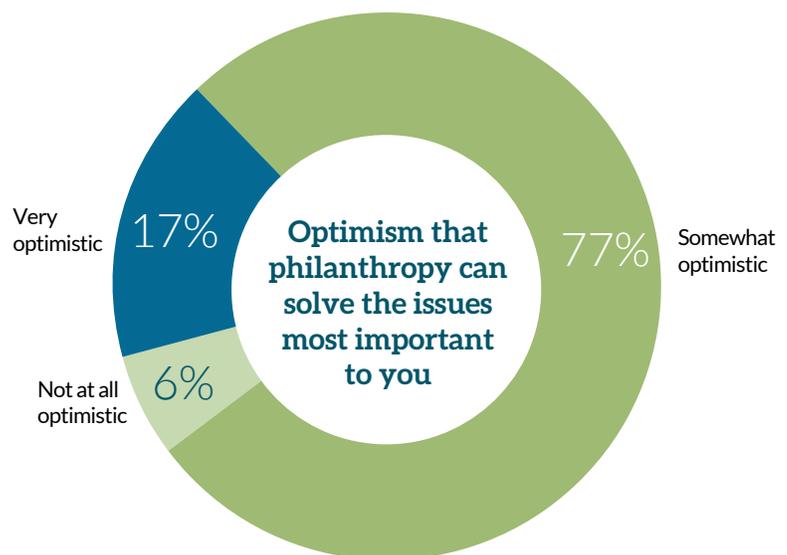
## Donors prioritize addressing domestic issues.

Although awareness of global issues increasingly influences everyday lives, most donors believe that solving domestic issues is most crucial, while more than one-third place equal priority on challenges at home and abroad. Few support addressing international issues exclusively.



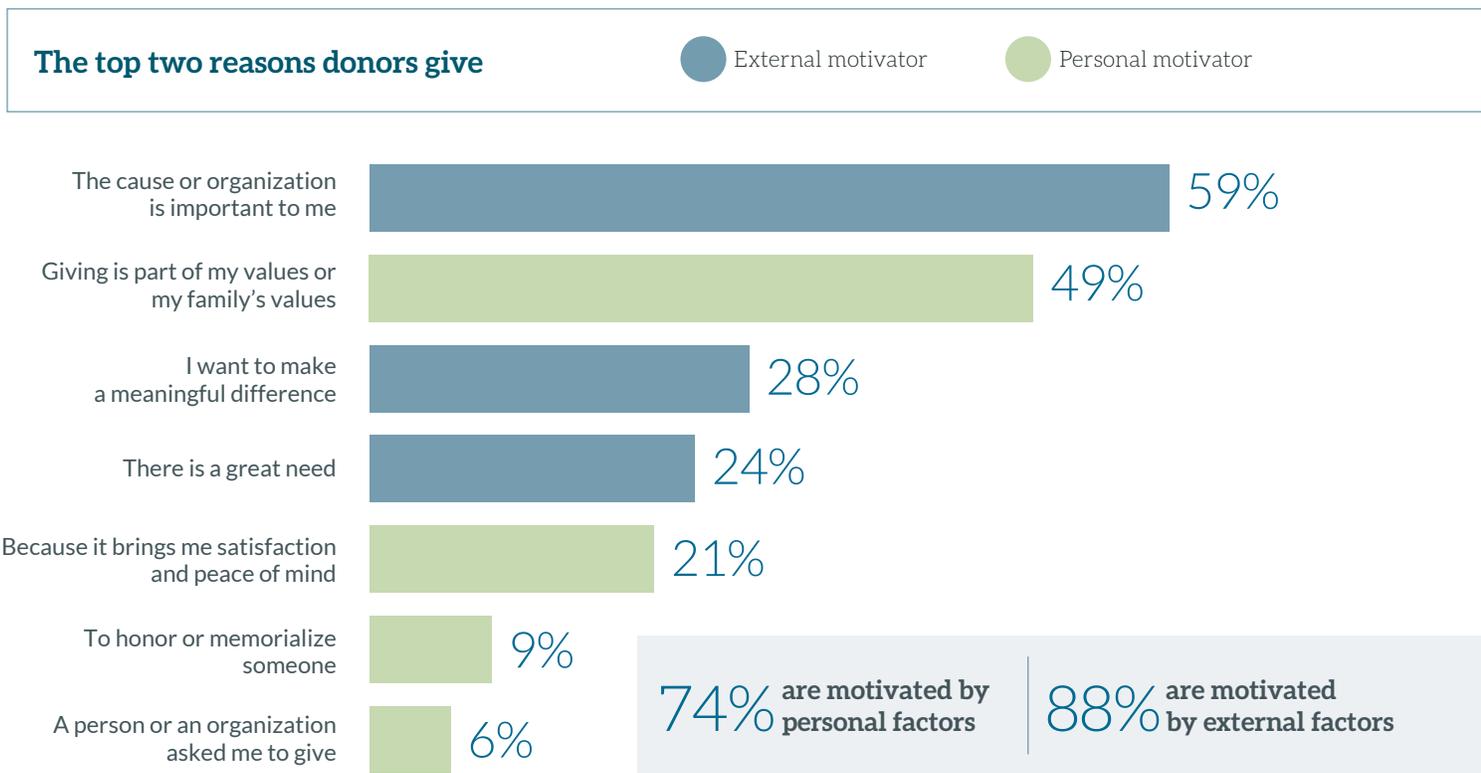
## Donors express only cautious optimism that philanthropy can solve the issues most important to them.

Despite the average survey household donating \$8,700 last year, many donors are only moderately optimistic that philanthropy can solve society's challenges. While few express outright pessimism, only 17 percent of donors are strongly optimistic that giving can have meaningful impact on the causes that they prioritize. This lack of conviction may stem from the intractability of these problems. But additionally, donors say they are motivated to give for a variety of reasons, only some of which involve social change.



## Solving social problems is only one reason donors give.

Not all donors give to achieve comprehensive solutions, meaning this is only one possible driver of their philanthropy. On the whole, donors are almost as likely to say they give because of an intrinsic motivator, such as values or peace of mind, as they are to donate for an external reason, such as making a difference or because there is great need.

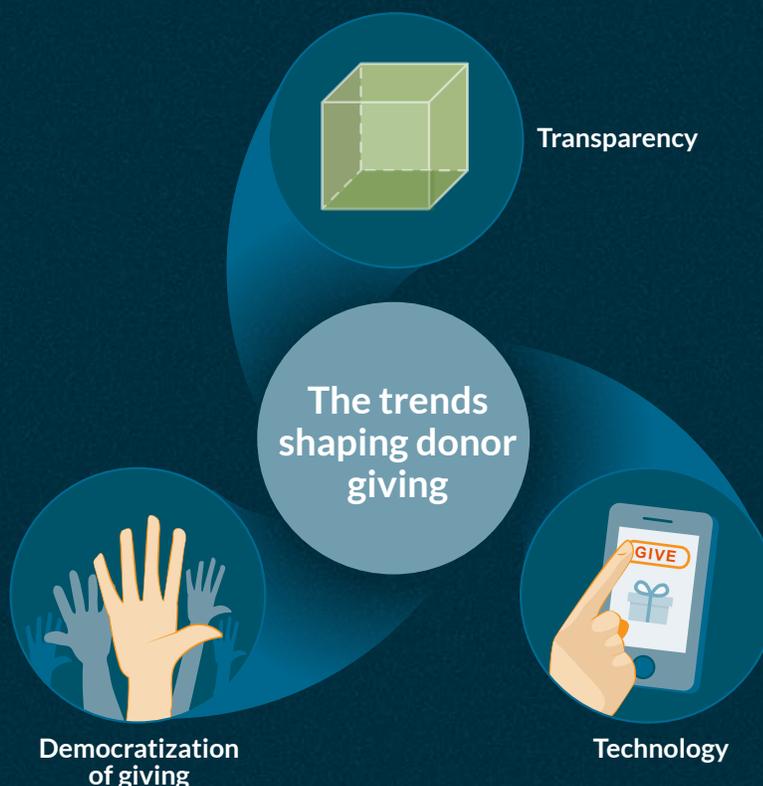


## Evolving expectations and perceptions also influence donor attitudes toward giving.

The complexity of the modern philanthropic landscape also involves more: more information, more options for giving and more actors in the mix. Donors today seek greater understanding of how their charitable dollars will be used by nonprofits. Meanwhile, the act of giving has expanded beyond the tradition of handing a check to a charitable organization. Donors' adoption of these changes has altered both their perception of philanthropy's reach and their approach to giving. These trends are explored more closely in the pages that follow.

# Trends shaping donor giving

While debate exists about philanthropy's ability to keep pace with transformations in the world around it, there is little doubt that trends such as globalization, interconnectedness and ready access to information already have impacted the ways in which individual donors approach giving. Sixty percent of donors cite at least one way their giving has changed. Donors have more options for how and where to give, and they want to know what will happen to their donations when they give. And while the philanthropic space is no longer limited to simply writing checks to nonprofits, some widely discussed giving trends have yet to gain momentum in the broader population of donors — momentum that may be achieved with the emerging generation.



## Transparency and technology empower donor giving.

Two of the most broadly adopted giving trends – access to information about nonprofits and technological advances – demonstrate the change in how donors give and the expansion of what they expect from their giving. This change is deeper than the ability to research a nonprofit or the flexibility and convenience of online payments – in itself a shift from past giving models.

Increased knowledge or transparency into nonprofit effectiveness, such as information about the programs and organizations producing the best results

41%

**Percentage saying this trend has had an impact on their personal approach to giving**

Technological advances that make it easy to collect small donations from many people, support charities from a mobile device, or learn about charitable organizations and causes

27%

An increasing number of donors are becoming results-focused. This is evidenced by the growing popularity of online reporting and ratings through nonprofit measurement websites such as Charity Navigator and GuideStar, as well as the increasing number of nonprofits that produce their own impact data. But donors are also more discerning about where their dollars go: What programs will their donations serve? How much impact is the charity having on a particular challenge? They also take advantage of social media connections to learn more about causes and to connect to issues they care about – another empowering tool for individual donors.

# Shifting approaches to charitable planning.

Attitudes toward generational wealth are changing. With the advent of the Giving Pledge in 2010, the concept of donating one's wealth to charity instead of passing it on to succeeding generations began to gain broader traction among the world's donors.<sup>4</sup> While the idea is most likely to influence donors who have more wealth to work with — representing a relatively small portion of the overall population of donors — the strategy of using today's dollars to solve today's problems is not limited to the very wealthy. Survey findings suggest this trend has impacted about one in five charitable donors.

21%

Changing attitudes toward generational wealth, such as people choosing to give a higher proportion of their wealth away instead of passing it along to the next generation

**Percentage saying this trend has had an impact on their personal approach to giving**

18%

Expanded access to and awareness of financial planning strategies that can help individuals give more to charity, such as donor-advised funds or donating appreciated stocks

Access to and awareness of charitable planning strategies are increasingly allowing donors of all levels to give more. Donor-advised funds are now the fastest-growing charitable vehicle in the United States.<sup>5</sup> Meanwhile, charitable dollars donated by bequest have grown 30 percent since 2013.<sup>6</sup> Financial planning options and giving vehicles such as these increasingly offer a way for individual donors at a variety of giving levels to be more thoughtful and strategic about their giving.

But despite this growth, the overall adoption of charitable planning strategies and vehicles is relatively small. One in five donors say expanded access to and awareness of charitable planning strategies has impacted their giving. This statistic aligns with a recent Fidelity Charitable® study highlighting donors' low use of charitable giving vehicles and methods.<sup>7</sup>

<sup>4</sup> The Giving Pledge is a commitment by the world's wealthiest individuals to dedicate a majority of their wealth to philanthropy. The number of pledgers has grown nearly fourfold since August 2010, when the first 40 families made the commitment.

<sup>5</sup> The National Philanthropic Trust, "2015 Donor-Advised Fund Report," 2015.

<sup>6</sup> Giving USA Foundation, "Giving USA 2016: The Annual Report on Philanthropy for the Year 2015," 2016.

<sup>7</sup> Fidelity Charitable, "The Giving Gap," 2016.

## Emerging use of new tools.

The philanthropic sector has seen much discussion of the rise of collaborative giving and new forms of change creation such as impact investing and social enterprise. But, while these trends have gained momentum over the last 10 to 15 years, their impact has not been felt in the broader donor population. They have, however, caught on among some core groups of younger donors, suggesting the trends may grow in coming years.

**Percentage saying this trend has had an impact on their personal approach to giving**

Rise of alternative forms of giving, such as investing in or purchasing from companies with a social mission

16%

Increased opportunities to connect with peers about giving, such as giving circles where people pool resources to benefit a common charitable cause

14%

# Broadened view of changemakers

The philanthropic sector increasingly is seen as just one piece of the puzzle in ending homelessness, protecting the environment or curing disease. Donors believe multiple groups have the potential to successfully develop solutions to society's challenges in the future, and they also favor a wide range of agents to help fund that change. The idea of cross-sector collaboration, with an expanding view of stakeholders, is capturing donors' interest.

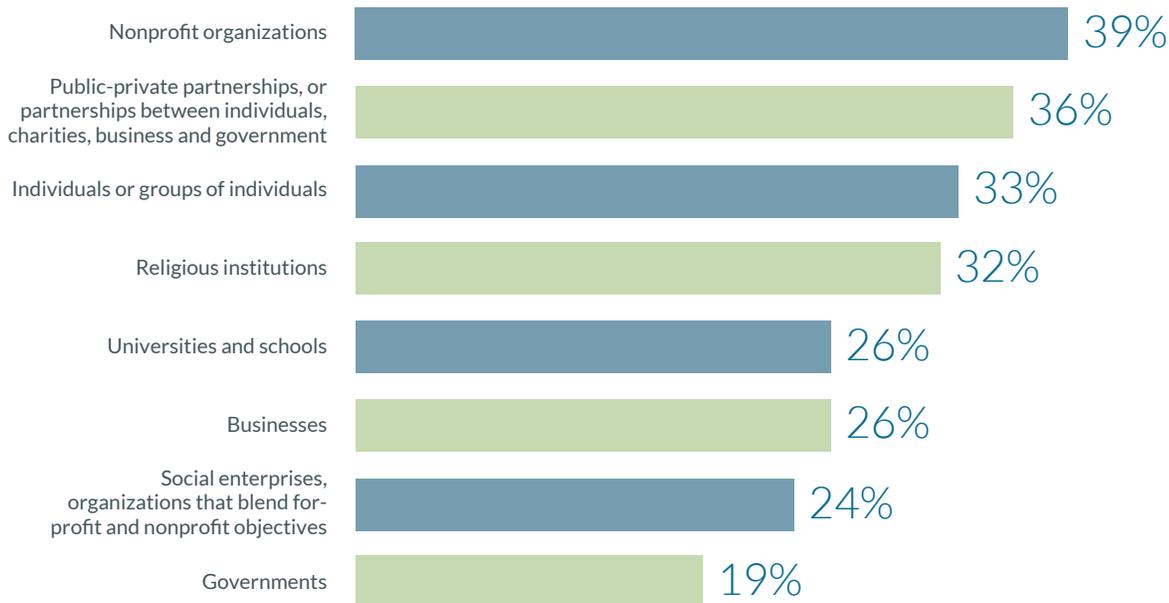


## Donors see broad ownership of the responsibility of developing solutions to society’s challenges.

Donors today view nonprofit organizations as the most likely to develop solutions and create the change required to solve problems, but not always in isolation. Donors see public-private partnerships as almost equally likely to create solutions as nonprofits. These partnerships have gained popularity and strength over the past 10 to 15 years, perhaps reflecting growing interest in collaboration between sectors.

Donors also believe many other less traditional agents can impact problem-solving. One-third say religious institutions can play a role, while one-quarter of donors think universities, businesses and social enterprises can help develop solutions. Donors’ more expansive view of potential changemakers reflects the increasingly blurry lines between institutions; no single sector is charged with taking on the challenges for the future.

### The groups donors see as having potential to develop solutions and create the change necessary to solve problems in the future



## Broadened view of changemakers

# Donors believe business can support solutions through more funding.

While donors might not look first to the business sector for solutions to challenges, they do believe business can do more to fund change. This reflects changing expectations of businesses as well as changing attitudes of businesses themselves. Businesses are increasingly serving as social change incubators, whether through nonprofit partnerships, prize philanthropy or an increased focus on socially conscious business models.

# Most believe individual donors have a responsibility to fund solutions.

While donors are only cautiously optimistic about philanthropy's ability to solve issues most important to them, they still believe it is an important piece of the equation. More than four in 10 donors believe individuals should do more to fund solutions, and half believe individual donors should maintain their support at current levels. Personal philanthropy's substantial impact upon overall giving in the United States means individual donors and private philanthropy will continue to play an important role in influencing social change.

### The groups donors believe should do more to fund solutions to solve problems in the future



# Generational differences transforming philanthropy

The emergence of new trends and their acceptance in the broader population is driven by generational shifts, with younger generations now leading the way. This suggests that the strength of many trends examined in this report will grow over time.

The analysis that follows highlights a comparison of the philanthropic approaches of two generations – and two major players – in giving: Millennials (b. 1981-2000) and Baby Boomers (b. 1946-1964). Baby Boomers currently are the greatest economic force in giving. As they move into retirement and begin to spend more time on philanthropy over the next 20 years, this generation is expected to donate more than \$6 trillion.<sup>8</sup>

Millennials, widely considered to be the “impact generation,” are motivated by a desire to make giving back and social change integral throughout their personal and professional lives.<sup>9</sup> While Millennials do not yet have the economic power of Baby Boomers, they are pushing the boundaries of what giving looks like. Millennials share opinions with other generations on the greatest challenges society faces, but they differ in almost every other respect. They are more likely to have adopted giving trends, more inclusive of all institutions’ abilities to contribute to solutions and more optimistic overall that change is possible.

<sup>8</sup> Merrill Lynch, “Giving in Retirement: America’s Longevity Bonus,” 2015. The study predicts charitable financial giving from retirees over the next 20 years to total an estimated \$6.6 trillion.

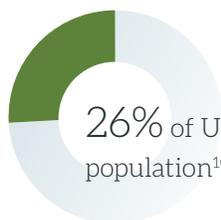
<sup>9</sup> The Millennial Impact Project, “A Generation for Causes: A Four-Year Summary of the Millennial Impact Project,” 2014, and “Top 100 Findings from the Millennial Impact Project,” 2016.

## Generational differences transforming philanthropy



### Millennials

Born 1981–2000



Most are at early stages in their careers or still in school

**Estimated median charitable giving**

**\$1,000**

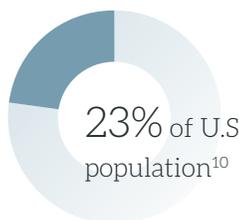
**56%** say their giving is more **spontaneous**

**Millennials are more likely to say they give to make a meaningful difference**



### Baby Boomers

Born 1946–1964



Most are approaching or in retirement

**Estimated median charitable giving**

**\$2,000**

**72%** say their giving is more **planned**

**Boomers are more likely to say giving is part of their values or that the cause or organization is important to them**

<sup>10</sup> United States Census Bureau Population Estimates, 2015. These statistics refer to estimates of the total U.S. population.

<sup>11</sup> Blackbaud, "The Next Generation of American Giving," 2013. These statistics reference total U.S. giving, while the survey responses reflect people in the U.S. who itemized charitable giving on their tax returns in 2015.

## Priorities cross generations ...

Both younger and older generations prioritize challenges related to health, hunger and the environment. Though the priorities of both generations remain largely consistent across the challenges for the future, there are a few notable differences. Millennials are more likely to prioritize addressing violence and conflict; the issue ranks fourth for Millennials and seventh for Boomers. Baby Boomers are more likely to emphasize access to quality basic education; they rank the issue fifth, while Millennials rank it seventh.

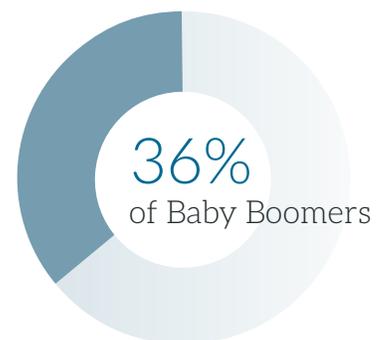
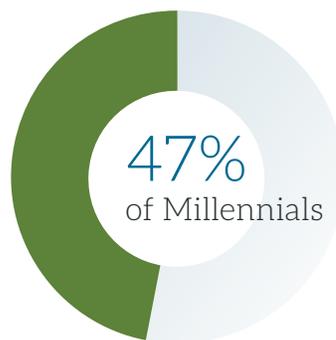
### Top issues for Millennials and Baby Boomers

Millennials	Baby Boomers
1 Access to basic health services (35%)	1 Hunger and access to nutritious food (42%)
2 Developing treatment or cures for a disease (34%)	2 Developing treatment or cures for a disease (40%)
3 Hunger and access to nutritious food (33%)	3 Access to basic health services (33%)

## ... but Millennials are more likely to take a global approach.

Millennials are more likely to view societal challenges – and indeed, most of what they see around them – through an international lens. Almost half of this group splits its priorities between domestic and international issues, compared with just over a third of Baby Boomers. Millennials have grown up in a world increasingly interconnected by travel, information and global awareness, influencing their view of home-and-abroad boundaries.

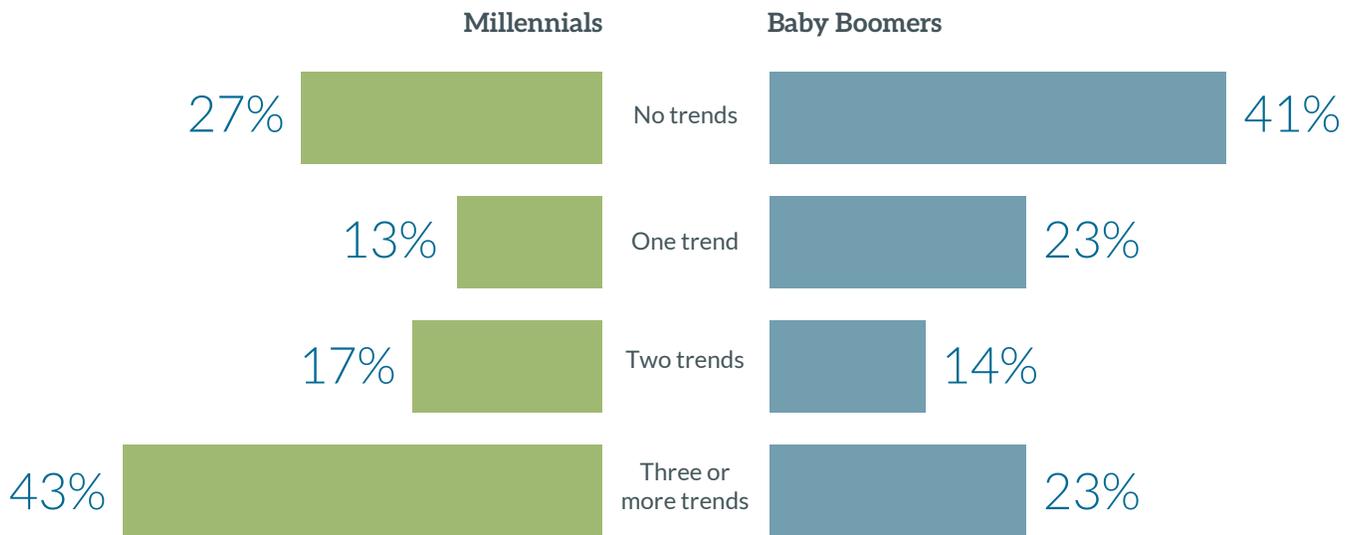
### Split concerns for the future between domestic and international issues



## Millennials welcome trends with open arms.

Millennials are significantly more likely than Baby Boomers to say their giving has been influenced by all philanthropic trends. Even the most prevalent trends have impacted Millennials' giving at a higher proportion. Almost half say changes in technology have affected their giving, compared with only about a quarter of Baby Boomers. Likewise, almost a third of Millennials cite alternative forms of giving – such as impact investing and social involvement in giving – as having influence, nearly double the number of Baby Boomers. Because most Millennials are still in the early stages of work lives and wealth building, these trends are likely to build in strength over time as Millennials become even more engaged in giving in the future.

### Number of trends influencing donors

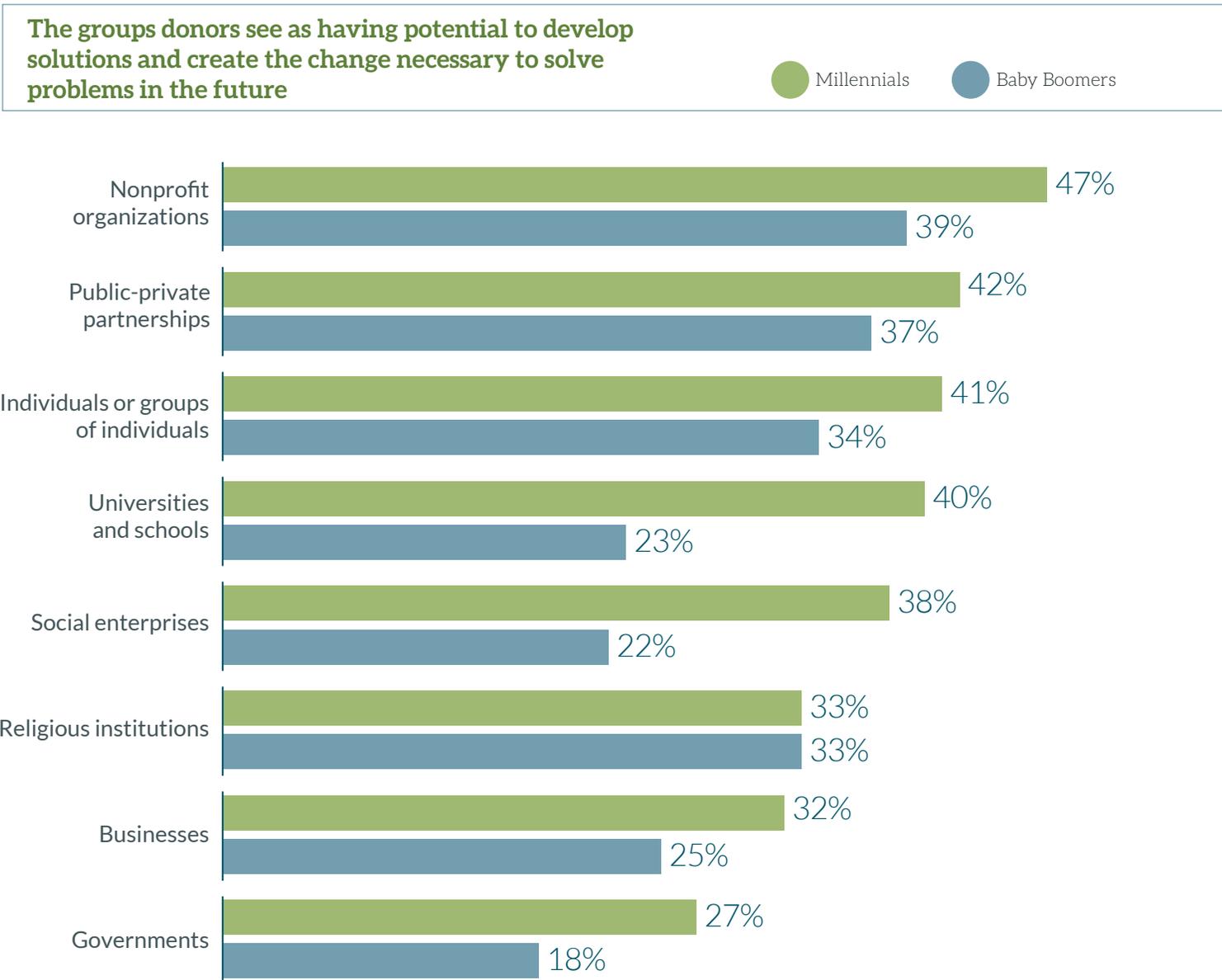


### Three largest trend gaps between Millennials and Baby Boomers



## Millennials expect all sectors will help solve society's challenges.

While both Boomers and Millennials look first to nonprofits to help solve future challenges, Millennials are more confident that cross-sector solutions involving public-private partnerships, individuals, universities and social enterprise can make an impact. Both Millennials and Boomers believe funding will come from businesses and individuals; two in five believe these groups should do more to fund solutions. However, unlike Boomers, Millennials also have high expectations of government (45% of Millennials compared with 36% of Boomers).

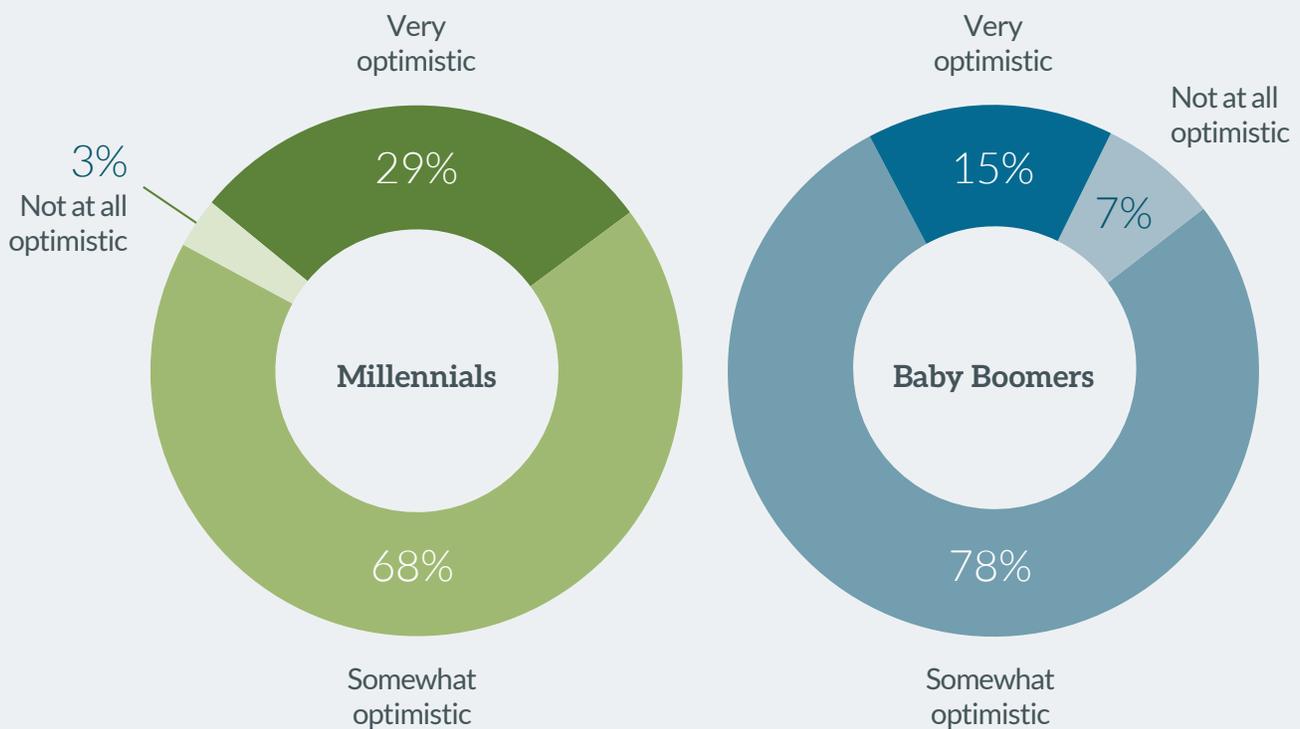


## Generational differences transforming philanthropy

### More than youthful optimism.

It could be tempting to explain the greater optimism of Millennials compared with Baby Boomers solely through the lens of stage of life and youth. But Millennials also view the world in a distinctly different way from Baby Boomers – with a more global, social and inclusive outlook – and the adoption of these approaches by Millennials suggests that the strength of the trends analyzed here will grow over time, pushing the edge of how philanthropy and social change are defined.

#### Optimism about philanthropy's ability to solve the issues most important to you



# Implications for the future of philanthropy

So what does the changing philanthropic landscape mean for donors, nonprofits, and others interested in making a positive impact on the future?



## Charitable giving will continue to play a robust role in social change.

Though donors are adopting new definitions of giving and who can create social change, the role and importance of charitable giving will not diminish. Individual giving is part of our society's fabric: donors not only believe individuals play a major role in funding social change, they believe they should give even more. But as younger generations take on a greater role in society, they will continue to impact the way we give and our views may change on what constitutes giving itself. In the future, we may see fewer individual donors who simply donate to a nonprofit and instead see more types of engagement with a variety of organizations that want to do good.

## As donors expand their perception of the players who can create social change, collaboration and partnerships across sectors will become increasingly important.

Donors give for many reasons; they may give to change the world, or they may give for personal fulfillment. By the same token, donors identify a range of players, beyond just nonprofits and individuals, who should work to solve social problems. The nonprofit sector may need to adapt quickly to meet donor expectations – especially organizations that are not already exploring new methods of engaging with donors or forming partnerships with outside groups. And non-traditional groups that are newer to involvement in the social sector have an opportunity to expand their reach of influence or redefine their missions. In some cases, these sectors have anticipated these changing perceptions and have begun to investigate ways to create social impact. Already, examples exist in businesses' corporate social responsibility efforts; at universities that house social change incubators and support careers for social good; and through government-funded efforts such as social impact bonds.

## Implications for the future of philanthropy

### Donors will increasingly adopt philanthropic trends. This gradual shift will require a corresponding evolution in how nonprofits and donors approach giving itself.

The most influential trends – nonprofit transparency and technology – will continue to have a broad impact on nonprofits. Over time, the number of people who will make a donation without researching nonprofits will continue to shrink, while the variety of tools people use to facilitate giving will continue to grow. Nonprofits have already made significant shifts in how they operate based on these trends, but most are still under-invested in reporting and many still struggle with how to demonstrate impact in a way that is most valuable. Future success may progressively hinge on the ability to accomplish these tasks.

Donors will also need to make corresponding changes. As donors increasingly research nonprofits and raise their expectations for the impact of their gifts, they will need to analyze information across a wide variety of organizations and sectors. While charity-rating services such as Charity Navigator and GuideStar provide some of these services, donors will require more detail, including the ability to easily compare impact and find organizations that align with their giving goals.

### Donors will increasingly integrate giving into their lives.

Donors expect individuals to do more to fund and develop solutions to society's challenges, but they also have an expanded view of giving itself. As a result, giving will increasingly integrate into donors' lives, as evidenced by the impact of certain trends, particularly among younger generations. For example, the rise of trends related to charitable giving strategies – using giving methods and vehicles to give more, and giving while living instead of passing wealth down – means donors will holistically integrate giving into their financial and life planning. The rise of collaborative giving through conversations with peers and more formal giving circles shows the development of social norms around the discussion of philanthropy, results and impact.

While the evolution in donor perceptions described in this report shows views of giving are shifting, we should not be concerned about philanthropy's future. Giving is changing, but its definition is broadening. These changes will strengthen philanthropy's impact, making giving more relevant and universal than ever before.

# Methodology

This report is based on a 2016 survey conducted among 3,254 adults in the U.S. who have donated to charities and claimed itemized charitable tax deductions on their 2015 tax returns. The study was conducted by Artemis Strategy Group, an independent research firm.

# About Fidelity Charitable

Fidelity Charitable is an independent public charity that has helped donors support more than 219,000 nonprofit organizations with more than \$22 billion in grants. Established in 1991, Fidelity Charitable launched the first national donor-advised fund program. The mission of the organization is to further the American tradition of philanthropy by providing programs that make charitable giving simple, effective and accessible.

# Disclosures

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