

2010 Bank of America Merrill Lynch Study of High Net Worth Philanthropy

Key Findings from the 2010 Study:

Strong Commitment to Nonprofits. High net worth households continued to support charitable organizations at levels that were remarkably consistent with those seen in 2005 and 2007, with 98 percent of wealthy households donating to charitable causes in 2009. High net worth households also reported a continued strong commitment to supporting the same organizations or causes year after year (66 percent). Although 35 percent stopped giving to at least one organization in 2009, this was consistent with 2007 results – an indication that donors were no less committed to the organizations they supported during the recent recession than they were before it began. Giving as a percentage of income also remained somewhat steady in 2009 compared to the previous study, with wealthy donors contributing just over 9 percent of their income to charitable causes last year, compared to approximately 11 percent in 2007.

Giving Levels Decline. While commitment to continuing support for nonprofits remained high, wealthy households appear to be making trade-offs in the dollar amounts that they give to charity, with the overall average gift amounts in this study decreasing by 35 percent from 2007, after adjusting for inflation. Several sectors did see increases between 4 and 21 percent in average amounts given by wealthy donors, including the arts, environment/animal care and international giving. Although average giving amounts to health and education declined in 2009, they remain among the top nonprofit sectors supported by wealthy households. Consistent with the two previous studies, between 70 and 85 percent of high net worth households supported health, religion, the arts, education and basic needs. The percentage of households that gave to basic human needs, such as food and shelter, increased from 75 percent in 2005 to 85 percent in 2009.

Largest Gifts. More than 55 percent of high net worth households gave their largest gift in 2009 to fund the general operations at nonprofit organizations. Significantly fewer households made their largest gift to support the growth of an organization (24 percent), for capital campaigns (14 percent) and for the long-term needs of the organization (11 percent) compared to 2007.

Disaster Relief. Giving to disaster relief, such as the earthquakes in Haiti and Chile, Hurricane Katrina, tsunamis, or other events, is an area in which wealthy households do not make trade-offs. The majority of wealthy households (83 percent) sometimes or usually make a donation in response to disasters. When households made a donation, more than 92 percent gave to disaster relief in addition to their regular charitable giving.

Volunteerism. Volunteering remains a significant part of the philanthropic efforts of wealthy individuals. Since 2007, high net worth households have been giving more of their time and talent to the organizations and causes they value. Nearly 79 percent of high net worth individuals volunteered in 2009 and the percentage who volunteered more than 200 hours a year rose significantly, from 27 percent in 2007 to 39 percent in 2009. The study also found that the more high net worth individuals volunteered, the more they gave. For example, non-volunteers donated

\$46,414 on average in 2009, while those who volunteered more than 200 hours a year donated \$75,662 to charity last year.

Why Wealthy Donors Donate. When asked about the motivation behind their charitable behavior, high net worth households reported that they gave when they believed their gift would make a difference (72 percent), when they felt financially secure (71 percent), when they knew the organization was efficient in its use of donations (71 percent), and to support the same causes or organizations annually (66 percent).

Why Wealthy Donors Stop Donating. In 2009, 35 percent of households stopped giving to at least one organization, and 27 percent stopped giving to at least two organizations that they previously supported. The top four reasons cited for why they stopped giving to a particular charity last year included: "Too frequent solicitation/organization asked for inappropriate amount" (59 percent); "Decided to support other causes" (34 percent); "Household circumstances changed" (e.g., financial, relocation, employment) (29 percent); and "Organization changed leadership or activities" (29 percent).

Tax Considerations. In a shift from the previous studies, wealthy households reported being more sensitive to the effect of tax policy on their giving. About two-thirds (67 percent) of wealthy households would somewhat or dramatically decrease their charitable contributions if they received zero income tax deductions for their donations; 47 percent responded this way in 2007. If the estate tax were repealed, 43 percent of wealthy households would somewhat or dramatically increase the amount they leave to charity in an estate plan, compared to 36 percent in 2007.

High Expectations of Nonprofits. A combined 95 percent of wealthy households have some or a great deal of confidence in nonprofit organizations' ability to solve societal or global problems. However, in a continuing trend from the previous study, donors also have high expectations of charitable organizations, listing the following factors among those most important when determining which to support: "Demonstrate sound business and operational practices" (87 percent); "Acknowledge contributions, including sending receipts" (85 percent); "Spend an appropriate amount on overhead" (80 percent); and "Do not distribute personal information" (80 percent).

Household Decision-Making. For the first time, this study examined how charitable decisions within high net worth households are made. Among wealthy couples who make charitable donations (those who are married and/or living with a partner), both giving partners are usually interested in being involved in decision-making, with 41 percent conferring with their partner or spouse and then making joint decisions about charitable giving. Another 26 percent confer but then usually one person ultimately makes the charitable giving decisions for the household, 16 percent reported that giving decisions were made by a single decision maker without conferring with anyone else, and 15 percent of couples reported that each partner typically makes independent decisions about how to allocate their giving.

Raising Philanthropic Children. The children of wealthy households in this study are generally adults with an average age of 31. The vast majority (85 percent) of households instruct their children and/or younger relatives about philanthropy. According to respondents, other sources from which younger individuals learn about the value of giving include religious institutions (45 percent), nonprofits (21 percent), and through their own personal efforts (19 percent).

Family Traditions. Wealthy households reported a variety of family traditions as a part of their annual charitable giving. In fact, more than 70 percent of wealthy families have family traditions in which they involve their children and/or younger relatives in charitable giving, such as making gifts to honor the memory of an individual (35 percent), making gifts to organizations they are involved with (34 percent), having family discussions about giving throughout the year (27 percent), volunteering as a family (18 percent) and making family decisions about charitable giving during the holidays (10 percent).

Use of Giving Vehicles. More than 16 percent of wealthy households gave to giving vehicles such as private foundations, donor-advised funds and charitable trusts in 2009, and the average giving amount to these vehicles increased by 21 percent, from \$62,680 in 2007 to \$75,867 in 2009.

Risk Tolerance. In another new area of research, the latest study examined high net worth households' levels of risk tolerance among both their personal and philanthropic investments (e.g., private foundations, donor-advised funds and charitable trusts). The results show that, while 35 percent of wealthy households cited a willingness to tolerate above-average or substantial risk in their personal investments, only 23 percent reported these high levels of risk tolerance when it comes to their philanthropic investments. Furthermore, while only 10 percent of households reported they were not willing to take any risk in their personal investing, one quarter (26 percent) indicate being completely risk averse with their philanthropic investments.

Charitable Advice. This year's study continued to examine trends in charitable advice sought by wealthy donors. Consistent with trends observed in the 2006 and 2008 studies, the 2010 study witnessed notable increases in donors' use of accountants (68 percent) and financial/wealth advisors (39 percent) to help them make charitable giving decisions. High net worth households also consulted with nonprofit personnel (24 percent) in their charitable decisions around philanthropic mission definition and creation. More than 90 percent of wealthy households initiated discussions with their advisor and 85 percent were satisfied with the advice given.

(1) Analysis by the Center on Philanthropy at Indiana University of charitable giving using data from the Survey of Consumer Finances (2004), IRS tax deductions (2004), and Giving USA Foundation (2004) information for households with income of \$200,000 or more. Latest years available.

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