Could the rich give more?

The publication of the Rich List is always a splendid opportunity to review the habits of those who share most of the DNA of the rest of us but are assumed to be different in subtle ways – not least because, as Ernest Hemingway is famously supposed to have said, “they have more money”.

2010 was no exception, including the Giving Index. It is good to celebrate giving, and I hope that others are inspired and challenged by the Index to consider emulating the generosity to do the same. Role models are to be encouraged!

We have to careful about the data and the basis of the analysis, and make sure we are comparing like with like. In particular the analysis behind the Giving Index may miss people who give regularly but at lower levels. Someone who gives say £250,000 a year for 10 years may not feature on the radar, whereas someone making a one-off commitment of £2.5m will.

But while recognising the generosity of several, it is worth considering why so many people are not giving, or not giving at levels that might be thought appropriate for their level of wealth. By definition The Rich List deals with the very wealthy indeed. It is easy to look at how such people spend their money with the detachment of a social anthropologist – they’re so different from us that there is no basis for comparison or imitation. But there are far more people who fall into the category of “high net worth individuals” – defined in recent research as those with more than £0.5m available to invest. The paper, Barriers to Giving. was prepared by Ledbury Research for Barclays Wealth and published in March 2010. It was based on a survey of 500 high net worth individuals in the US and UK, including 150 with investable assets of over £3m.

What they found was that of those they interviewed only one-third gave more than £10,000 a year – less than 1% of their net worth. 40% with investable assets between £0.5m and £1m give less than £1000 a year. In other words, at a mid-point investment of £750,000, and a 4% return (£30,000) they are giving no more than 3% of their investment income. If their earned income is say £250,000 a year (and for many in this category it might be significantly more) we see total income of £280,000. Giving at £1000 represents one-third of 1% of this. 44% of those with investments of over £3m give under £10,000 a year. On a similar basis of a 5% return on say £5m, investment income would be £250,000. With an income level of say £1m and total income of £1.25m donations at say £7500 represents 0.6% of income.

As Martin Brookes of New Philanthropy Capital is quoted in the report: "Many feel it can be a bit premature to give away large amounts of money if they don't know how much money they need or have actually got".

Leaving aside the interesting position of not knowing how much money one has "actually got", the question of how much people feel they can "afford"? is crucial. My own research for Why Rich People Give also touched on this issue. In WRPG we saw that feelings of financial security were unrelated to levels of wealth. Indeed most interviewees recognised that their attitudes to money and financial security were tied up with emotion, family history and personal insecurities, and not related to a rational analysis of their current and future needs. This is echoed in US research. And as the Ledbury Research paper points out, feeling that "I can afford to give" was the most frequently cited reason for giving (mentioned by 50% of interviewees). This was closely followed by motivators related to giving back to society, personal fulfilment and social beliefs.

Whereas these triggers drive a propensity to give at all, the *level* of giving is directly related to religious beliefs, familial duty and a sense of social responsibility. These findings precisely echo those of Why Rich People Give, which showed that religion, family tradition and values and a sense of community are the key drivers.

Once people have engaged on the philanthropic journey, then other factors kick in. In particular the sense of personal fulfilment that reinforces the practice of giving becomes a primary incentive for recurring commitment and involvement. This personal fulfilment may come from knowing one has made a real difference (because one can see the impact of the philanthropic investment), learning about other areas of activity (whether in social welfare, the arts, health services, higher education) and meeting like-minded and sometimes inspirational people - whether the professional staff and volunteers who deliver the mission of the organisation receiving the money, other donors or, in some cases, the beneficiaries.

As we consider the impact of the financial situation and the move to the Big Society, it is appropriate to ask whether the rich should and could be encouraged to give more in proportion to their wealth – at least in due course to the level of 3% of annual income given by the poorer members of UK society.

This is absolutely not about castigating those who don't give. Naming and shaming, or exploiting "guilt" is not the way to encourage a culture of philanthropy and engagement. Once people are adult it is perhaps hard to embark on establishing religious values and family traditions among those who have no strong feelings about either. But the research and experience indicates that there are two strands that offer potential paths to increasing giving by the wealthy.

The first relates the question of "what I can afford". This issue should be an integral element in financial planning and estate management. The role of professional advisers to the wealthy is crucial. The current initiatives by STEP to strengthen training in this area and the Philanthropy Advice Steering Group, initiated by NPC, chaired by Dame Stephanie ("Steve") Shirley and coordinated by the Office for Civil

Society in the Cabinet Office are to be welcomed. (And Dame Stephanie is herself an outstanding role model and excellent first Ambassador for Philanthropy.) Such training of wealth managers, accountants and lawyers will not change attitudes overnight. However it is hoped that eventually, and with greater engagement by expert advisers with the development of family strategies for effective philanthropy, including the engagement of the next generation, there will be a long term and positive impact on the level and quality of charitable giving and involvement by the rich.

But as we have seen what can be “afforded” is only one factor. The other crucial element needed is to create and sustain the sense of personal fulfilment and the enjoyment of giving. This is entirely a reflection of how the recipient organisation generates a personal response and manages the relationships with significant prospects and major donors.

This is not to let the wealthy who don’t give, or who give relatively little, “off the hook”, but while there are honourable exceptions there are far too many organisations whose management of significant prospects and really major donors is inadequate – undertaken by inexperienced and junior staff, with no engagement by trustees or senior staff outside the fundraising team. They do not provide clear and transparent information on the impact of philanthropic investment. They do not ask for and respect the expertise that is the source of the wealth. They have clumsy bureaucratic procedures. They do not thank people promptly or address them appropriately. They do not ask donors how they would like feedback, or provide opportunities for the donors to lean more about the work. They do not explain the business model, or the importance of core costs, and then grumble when donors want their funding to go only to projects. They are not willing to invest in creating and nurturing potentially major long term relationships. They do not make it easy and enjoyable for donors to bring in other potential supporters. And, crucially, they misjudge why the prospect might support then, and what they should ask for, because they have not done their research. In other words the experience of giving is neither as fulfilling nor as much fun as it could and should be.

There are other players who should contribute to encouraging the wealthy to give more, including government (thinking about tax incentives and challenge funding) and the media (celebrating role models and raising awareness of opportunities for giving time, expertise and money), discussed elsewhere in this issue. But unless these crucial matters of personal feelings, values and experience are addressed there is a risk that any interest aroused is likely to be short-lived.

With a genuine partnership of advisers, beneficiaries, government, media, and current donors working in a mutually supportive and reinforcing way, there is every hope that more wealthy people will be encouraged to share their wealth and participate in wider society, to their own great benefit as well as that of the community.

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