

In Wealthy Households, Who Decides?

New research offers rare insights into the philanthropy of high net-worth donors.

How do wealthy households decide where and how to give? The answers may surprise you.

The *2010 Bank of America Merrill Lynch Study of High Net-Worth Philanthropy* included questions rarely if ever asked of high net-worth donors: questions about how they invest their philanthropic dollars, who they trust to address societal and global problems, and how couples make decisions.



Conducted for Bank of America Merrill Lynch by the Center on Philanthropy at Indiana University, this landmark biennial study began in 2005 and has proved to be a leading resource on the giving amounts, behaviors, and motivations of people with a household income greater than \$200,000 and/or net worth of at least \$1 million, excluding their primary residence.

This year's extensive findings—including insights about **what motivates wealthy donors to give and why they stop**—will aid donors and their advisors as they consider their giving, and will help nonprofits better understand this group that plays such a significant role in U.S. philanthropy.

“This is the first time we’ve looked this deeply into high net-worth households to try to better understand how philanthropic decisions are made,” says Una Osili, the Center’s director of research. “Understanding the environment in which donors are making decisions helps nonprofit professionals develop better strategies for working and communicating with them.”

Many Decision-Making Models

Consultation and collaboration drive philanthropic decision making by high net-worth donor couples. More than two-thirds of the couples surveyed confer with each other before giving money to charities. Two out of five (41.0 percent) made their decisions together, and a quarter (25.9 percent) discussed their decisions before one person made the final choice.

“This research gives us unprecedented insights into how high net-worth couples decide where their philanthropic dollars go,” Osili says, noting that some nonprofits may assume men are the primary philanthropic decision makers, rather than women deciding or the couple choosing together. This research, coupled with *Women Give 2010*, demonstrates women’s influence in giving.

More than 30 percent of respondents made decisions separately—16.4 percent made their household’s charitable contributions without conferring with their partner, and 15.2 percent of couples reported they each made independent decisions about the couple’s giving.

“There’s not one model that rules charitable decision making,” cautions Osili, who notes that nonprofit professionals should tailor their solicitations to individual couples’ philanthropic priorities, life experiences, and decision-making process.

Balancing Risks and Returns

When it comes to investing their philanthropic dollars, high net-worth donors are less willing to take risks than they are with their personal investment portfolio.

“Donors seem to appreciate that their philanthropic assets—whether in a donor-advised fund, private foundation, or another giving vehicle—are not their own, but are to be used for the common good,” says Claire Costello, national foundation executive for philanthropic management at Bank of America Merrill Lynch. “They understand that their philanthropic capital ought to be invested with appropriate levels of risk considering that these assets are intended for public benefit.”

While over a third (35.2 percent) of high net-worth households were willing to tolerate above-average or substantial risk in their personal portfolio, only 22.9 percent were willing to assume that risk in their philanthropic investments. More than a quarter, 25.7 percent, said they were completely risk averse in their philanthropic investing, compared to 10.4 percent who avoided any risk with personal investments.

“Risk management, metrics, and measurable outcomes—these are extremely important to high net-worth donors,” Osili says. The message for nonprofits is clear: “Demonstrate prudent financial practices and make sure you communicate to donors how you are managing resources.”

Confident in Nonprofits

Nonprofit organizations have the trust of high net-worth donors. Most wealthy donors reported holding either some confidence or a great deal of confidence in nonprofit organizations (94.5 percent) and individuals (89.1 percent) to solve societal or global problems. Over half reported having that level of confidence in the federal government (58.1 percent) and state or local government (54.5 percent), while about a third (32.0 percent) expressed that level of confidence in Congress.

“This study offers timely information and insights that nonprofit professionals can use as they create strategies for attracting and maintaining relationships with more of their high net-worth donors,” Osili says. “One way to do this is by helping these donors understand the strategies in place to safeguard their mission and resources.”