

# Investing with Impact, Donating with Direction

---

Giving is a growing priority. More than ever before, we are driven by a desire to do well by doing good.

Individuals are inspired by a range of motivations — values and beliefs, personal satisfaction, sense of duty, family legacy, tax benefits. Even as priorities and opportunities evolve over time, one thing is clear: The main barrier to having a greater impact is lack of planning. In fact, only 11% of individuals report that they have developed a strategy for strategic giving — yet many value the direction an advisor can provide, nearly double would like more guidance to help define and meet philanthropic goals, and 59% want assistance to start or invest more with impact and/or ESG investing.<sup>1</sup>

By focusing intentionally on companies and organizations aligned with their core values, individuals who invest with impact or donate with direction are fostering the kind of change they wish to see in the world. And whether they are putting to work \$5,000 or \$5 million, there a multitude of options to use financial capital for greater good.

---

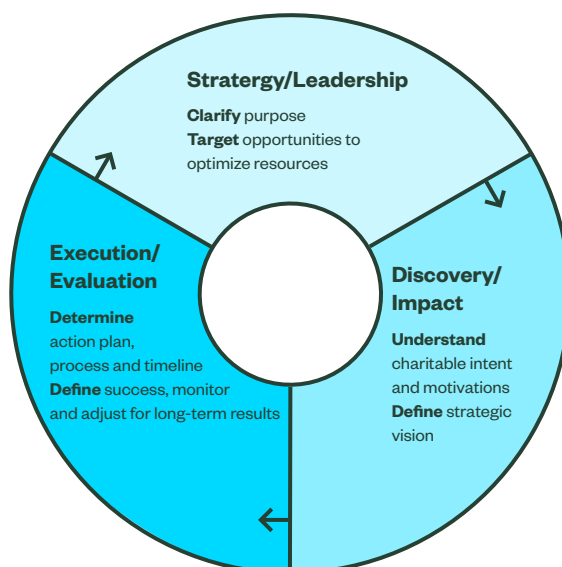
## A High-Impact Plan for Results

Advisors can help investors find their path to deeper purpose, collaborating to help define their goals and develop a high-impact, integrated plan for efficient giving and effective investing. Strategic philanthropy empowers investors to take a more proactive and thoughtful approach to giving and investing for impact. It leverages their resources creatively to maximize results.

This does not mean adopting a rigid set of rules or financial formulas. A high-impact, integrated plan channels efforts to reveal possibilities. The key is in developing a personalized, results-oriented approach that focuses on what matters to the individual.

It starts with a process of understanding motivation and intentions, sets the bar for expectations in the short run and long term, delves into benefits of available options for allocating resources, and continuously looks for ways to magnify impact.

Figure 1  
**Helping Clients  
 Move from Ambition  
 to Action**



Source: State Street Global Advisors, The Transformative Power of Philanthropy: An Exploration of How the Desire to Make an Impact is Evolving Advisor-Client Relationships, 2016.

The age of checkbook charity is fading fast. New vehicles for giving and investing bring more ways for individuals to target their financial capital and achieve greater impact. A results oriented strategic plan for philanthropy should start with the individual's motivations and their strategic vision. And although motivations to give and invest responsibly tend to be more intrinsic than rational, most investors are driven by a combination of feelings and experiences:

“ I teach my children that, by giving, you receive.

—Investor

“ I feel good when I can help others. It's like a high.

—Heir

“ I didn't grow up wealthy. But I've been blessed, so I feel that I have an obligation to help others.

—Investor

“ The tax component is an important benefit. It's not the sole reason, but it is an added incentive.

—Investor

“ I don't invest in something I don't believe in. I do believe in climate change, and I look at that as a long-term investment.

—Investor

Source: Investor and heir interviews, State Street Global Advisors, The Transformative Power of Philanthropy: An Exploration of How the Desire to Make an Impact is Evolving Advisor-Client Relationships, 2016.

---

A multitude of factors can inspire generosity and a sense of responsibility. Some are intrinsic, such as the desire to protect the environment. Investors motivated by intrinsic factors are driven to make a difference. Take Samantha, for example, a Millennial and budding artist. Even as a recent college graduate, working hard to establish a career, she donates 5% of her profits to the World Wildlife Fund. She is inspired by the examples set by her parents and a college professor to support those causes that are really important to her. Her commitment is clear, and she sees a world of possibilities when it comes to doing good.

Other factors are extrinsic, such as a portfolio liquidity event that provides unexpected cash flows to donate or invest. Consider Mike, a 66-year old investor who recently sold his family business for \$144 million. Philanthropy wasn't initially on his mind. But after planning for an estate that would ensure the welfare of his children and grandchildren, he ultimately chose a donor-advised fund for a significant donation. The primary goal for this gift was to help establish a family legacy; secondarily, he also received the added benefit of tax savings, applied against such a massive one-time increase in income.

---

## Maximizing Resources for Greater Good

---

Just as consumers cast a dollar vote with each purchase, donors and impact investors use their financial capital to make a difference. A strategic approach can help investors maximize their resources for the greater good. Good stewardship starts with good intentions, but it requires the right plan that will foster investing for impact and donating with direction.

---

## A Glossary for Giving

---

To help you decode the jargon of stewardship here are some of the most commonly used terms for giving and impact investing. This list includes charitable and investment vehicles; as with any other product area, the relative benefits of each one will vary and depend on the individual's particular situation.

**Charitable Gift Annuity (CGA)** Donation of assets to a charitable or other non-profit organization in exchange for a series of fixed payments (the annuity) to the donor and/or beneficiary (maximum of two) during the donor's lifetime. The donor has no say over investment decisions. The donor receives an immediate tax deduction; the organization receives the remaining value of the gift when the annuity is terminated. Minimum amounts are typically much lower than for a charitable remainder trust (CRT), which has higher administrative costs.

**Charitable Lead Trust** Donation of assets to an irrevocable trust. The trust makes payments (fixed amount or fixed payout rate) to a charitable or other non-profit organization (for life or for a specified term of years). When the annual investment return is higher than the payment, the donor/beneficiary receives a payment. Tax benefits depend on the structure of the trust.

**Charitable Remainder Trust (CRT)** Donation of assets to a charitable or other non-profit organization to an irrevocable trust. The trust makes payments to the donor (and/or beneficiary) during their lifetime or for a specified term of not more than 20 years (the payout rate). The donor names the trustee and has influence over the investment decisions. The donor receives an immediate tax deduction; the organization receives the remaining value of the assets at end of the payment term. Minimum amounts are typically higher than for a charitable gift annuity (CGA), which has lower administrative costs.

**Charitable Remainder Annuity Trust (CRAT)** Type of charitable remainder trust. Unlike the CRUT, the CRAT pays a fixed dollar amount. Unlike the CGA, the CRAT requires a trustee (the organization itself or a third party).

---

**Charitable Remainder Unitrust (CRUT)** Type of charitable remainder trust. Unlike the CRAT, the CRUT payment can vary; when the annual investment return is higher than the payout rate, the principal value of the trust increases (along with the payment). Unlike the CGA, the CRUT requires a trustee (the organization itself or a third party).

**Charity** Tax-deductible donation to a non-profit organization that benefits society in some way. Closely related to philanthropy, charity tends to be directed toward meeting immediate human needs (e.g., food, water, shelter and healthcare). In the US, charitable organizations are exempt from paying federal income tax, according to Section 501(c)(3) of the Internal Revenue code. Often referred to casually as a 501(c)(3) organization.

**Donor Advised Fund** A fund in which donors invest assets they give to charitable organizations. Donors advise the fund on how they want their donations to be used; funds generally comply with donors' requests, but they are not obligated to do so. These funds are the fastest-growing philanthropic vehicle, in part because of the immediate tax benefit, convenience, and flexibility (donors can contribute at any time but there are no regulations over when assets are to be distributed).

**Endowment** Donation of assets to a charitable or other non-profit entity (e.g., educational, cultural service-based or religious institution) to fund charitable activities. Assets are typically invested, with only the investment income paid out for specific programs that are aligned with the endowment's objectives. Donors often request certain use of their donation.

**Environmental, Social And Governance (ESG) Investing** ESG investing is a broad term for an investment process that includes an assessment of environmental, social or governance credentials in addition to traditional financial metrics. The objective may be to mitigate risk, seek long-term sustainable returns, and/or express values or preferences through one's investments, achieve positive impact, avoid doing harm, manage risk or outperform. Environmental issues include energy consumption, water management, and pollution; social issues include human capital, supply chain management and human and labor rights; governance issues include executive compensation, board composition, and transparency and shareholder rights. Incorporating ESG criteria into investment analysis generally addresses issues that are perceived as material to performance, potentially increasing investment returns. ESG investing can be applied across asset classes, including stocks, bonds and alternatives. Often used interchangeably with sustainable investing.

**Foundation** Donation of assets to a non-profit organization. Private foundations are generally created and supported by individuals, families or corporations, and are charitable organizations; public foundations are generally created and supported by educational, cultural, service-based or religious institutions, and include charitable and non-charitable (but still non-profit) organizations. Assets are typically invested, with only the investment income paid out for specific programs that are aligned with the foundation's objectives. Donors often request certain use of their donation.

**Grant** Award (in cash or in kind) given by an individual or organization, often to sponsor a specific educational, research or other type of initiative. The recipient is often chosen on the basis of an application or proposal process.

---

**Impact Investing** A growing investment approach that falls under the broader category of ESG investing. Impact investing seeks to achieve positive ESG outcomes alongside positive financial returns, covering areas such as housing, healthcare, education, resource conservation and gender equality, among others. It differs from other forms of ESG investing, such as socially responsible investing, which primarily aim to avoid doing harm because of the intent to generate and then quantify environmental and social impact.

**Low-Profit Limited Liability Company (L3C)** A business entity that falls between a non-profit and a for-profit organization. An L3C seeks to achieve certain ESG goals, not to maximize revenue. A hybrid legal and tax structure makes this feasible.

**Mission-Related Investing (MRI)** Investments made by foundations and other philanthropic entities that are intended to contribute to or at least not conflict with the organization's mission. MRI generally consists of impact or program-related investments, but may include ESG investing or socially responsible investing.

**Philanthropy** Donations made to benefit a cause. The word "philanthropy" is a Greek term meaning "love of mankind." Closely related to charity, philanthropy tends to be directed toward developing solutions that improve quality of life or benefit society in some way. Not all organizations that are considered to be philanthropic qualify for 501(c)(3) status.

**Pooled Income Funds** A mutual fund that commingles donations for separate donors in a single fund for investment purposes. Each donor receives a proportionate share of the new income earned by the fund each year. The non-profit organization keeps the remaining assets from each donor's share of the fund upon each donor's death. Donors receive an immediate tax benefit and income stream; they avoid capital gains taxes and reduce estate taxes.

**Program-Related Investments (PRI)** Investments made by foundations and other philanthropic entities with the primary goal of achieving specific program objectives. PRIs can extend to market-rate financial returns so long as financial return maximization is not the primary objective.

**Socially Responsible Investing (SRI)** An investment process that seeks to avoid doing harm by excluding investments that among other reasons, create negative impacts, are controversial, or otherwise conflict with values or mission. Related to ESG investing and mission-related investing.

---

## Research Methodology

---

### State Street Global Advisors Individual Investors 2019 Study. A global survey on consumer sentiment, purpose and behavior in wealth management.

In 2019, 5,034 individual investors participated in an online quantitative study in the United States, United Kingdom, Australia and Japan on the topics of investing attitudes and behaviors, perceptions of industry and advisors including price of advice and client satisfaction, and wealth structure and purpose. Select questions on the survey were specific the topic of sustainable and/or ESG investing. Participants were required to share or have sole investment decision-making responsibility with investable assets of USD \$250,000. Quotas were set to ensure the sample reflects demographic representation on age, gender, region and household income. State Street Global Advisors contracted with A2Bplanning to field the research.

### The Transformative Power of Philanthropy: An Exploration of How the Desire to Make an Impact is Evolving Advisor-Client Relationships.

In 2015, 400 financial advisors and 560 individual female individual investors participated in an online quantitative study in the United States on the topic of multi generational wealth management. A subsection of the survey was dedicated to the topic of strategic philanthropy. State Street Global Advisors contracted with Core Data to field the research.

In 2016, two additional online quantitative studies were conducted. The first was an omnibus survey in June with 1,101 individual investors in the United States. The second was a custom survey in October with 1,086 individual investors. Participants were required to share or have sole investment decision-making responsibility with investable assets of USD \$200,000, work with a financial advisor and donate to philanthropic/charitable organizations or causes; demographic representation on age, employment and household income. State Street Global Advisors contracted with A2Bplanning to filed the research.

---

## About Practice Management

---

The cornerstone of our business is helping financial advisors succeed.

We are an innovative team with expertise in business development, applied research, global marketing and practice management. With an outcomes-based approach built on proprietary research and the latest thinking from both industry and academia, we help firms grow and manage change.

We offer a diverse range of capabilities that address forces shaping the investment landscape; best practices to drive results and optimize your business; conversation starters to guide and engage with clients; and continuing education to hone techniques and accentuate your value.

---

## Learn More

---

For more information on how these industry-leading practice management resources can support advisors' most important business objectives, contact your **Regional Consultant** or the **State Street Global Advisors Sales Desk** at +1 866 787 2257.

---

## Endnote

- 
- 1 State Street Global Advisors Individual Investors 2019 Study. A global survey on consumer sentiment, purpose and behavior in wealth management.

## About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third-largest asset manager with US \$3.05 trillion\* under our care.

\* This figure is presented as of June 30, 2020 and includes approximately \$69.52 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

## ssga.com/etfs

### Marketing Communication

Investing involves risk including the risk of loss of principal.

State Street Saudi Arabia Financial Solutions is licensed by the Capital Markets Authority (CMA) in Saudi Arabia under license number 19208-35 dated 16/11/1441H corresponding to 07/07/2020 G.

This document is confidential. It is intended only for the person to whom it is addressed. These materials are only meant for qualified/institutional clients and are not meant for retail distribution. Clients should conduct their own due diligence on the SSSAFS and the financial services marketed. If you do not understand the contents of this document you should consult an authorised financial adviser.

### State Street Global Advisors Worldwide Entities

**Abu Dhabi:** State Street Global Advisors Limited, ADGM Branch, Al Khatem Tower, Suite 42801, Level 28, ADGM Square, Al Maryah Island, P.O. Box 76404, Abu Dhabi, United Arab Emirates. Regulated by the ADGM Financial Services Regulatory Authority. T: +971 2 245 9000. **Australia:** State Street Global Advisors, Australia, Limited (ABN 42 003 914 225) is the holder of an Australian Financial Services License (AFSL Number 238276). Registered office: Level 14, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240-7600. F: +612 9240-7611. **Belgium:** State Street Global Advisors Belgium, Chaussée de La Hulpe 120, 1000 Brussels, Belgium. T: 32 2 663 2036. F: 32 2 672 2077. SSGA Belgium is a branch office of State Street Global Advisors Ireland Limited. State Street Global Advisors Ireland Limited, registered in Ireland with company number 145221, authorized and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. **Canada:** State Street Global Advisors, Ltd., 1981 McGill College Avenue, Suite 500, Montreal, Qc, H3A 3A8, T: +514 282 2400 and 30 Adelaide Street East Suite 800, Toronto, Ontario M5C 3G6.

T: +647 775 5900. **France:** State Street Global Advisors Ireland Limited, Paris branch is a branch of State Street Global Advisors Ireland Limited, registered in Ireland with company number 145221, authorized and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Ireland Limited, Paris Branch, is registered in France with company number RCS Nanterre 832 734 602 and whose office is at Immeuble Défense Plaza, 23-25 rue Delarivière-Lefoullon, 92064 Paris La Défense Cedex, France. T: (+33) 1 44 45 40 00. F: (+33) 1 44 45 41 92. **Germany:** State Street Global Advisors GmbH, Briennner Strasse 59, D-80333 Munich. Authorized and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin"). Registered with the Register of Commerce Munich HRB 121381. T: +49 (0)89-55878-400. F: +49 (0)89-55878-440. **Hong Kong:** State Street Global Advisors Asia Limited, 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. T: +852 2103-0288. F: +852 2103-0200. **Ireland:** State Street Global Advisors Ireland Limited is regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2. Registered Number: 145221. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300. **Italy:** State Street Global Advisors Ireland Limited, Milan Branch (Sede Secondaria di Milano) is a branch of State Street Global Advisors Ireland Limited, registered in Ireland with company number 145221, authorized and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Ireland Limited, Milan Branch (Sede Secondaria di Milano), is registered in Italy with company number 10495250960 - R.E.A. 2535585 and VAT number 10495250960 and whose office is at Via Ferrante Aporti, 10 - 20125 Milano, Italy. T: +39 02 32066 100. F: +39 02 32066 155. **Japan:** State Street Global Advisors (Japan) Co., Ltd., Toranomon Hills Mori Tower 25F 1-23-1 Toranomon, Minato-ku, Tokyo 105-6325 Japan. T: +81-3-4530-7380. Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345), Membership: Japan Investment Advisers Association,

The Investment Trust Association, Japan, Japan Securities Dealers' Association.

**Netherlands:** State Street Global Advisors Netherlands, Apollo Building, 7th floor Herikerbergweg 29 1101 CN Amsterdam, Netherlands. Telephone: 31 20 7181701. SSGA Netherlands is a branch office of State Street Global Advisors Ireland Limited, registered in Ireland with company number 145221, authorized and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. **Singapore:** State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826-7555. F: +65 6826-7501. **Switzerland:** State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Authorized and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered with the Register of Commerce Zurich CHE-105.078.458. T: +41 (0)44 245 70 00. F: +41 (0)44 245 70 16. **United Kingdom:** State Street Global Advisors Limited. Authorized and regulated by the Financial Conduct Authority. Registered in England. Registered No. 2509928. VAT No. 577659181. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. T: 020 3395 6000. F: 020 3395 6350. **United States:** State Street Global Advisors, One Iron Street, Boston, MA 02210-1641. T: +1 617 786 3000.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor. All material has been obtained from sources believed to be reliable. There is no representation or warranty as to the accuracy of the information and State Street shall have no liability for decisions based on such information. Investing involves risk including the risk of loss of principal. The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed

to third parties without SSGA's express written consent. Standard & Poor's®, S&P® and SPDR® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global (S&P); Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC (Dow Jones); and these trademarks have been licensed for use by S&P Dow Jones Indices LLC (SPDJI) and sublicensed for certain purposes by State Street Corporation. State Street Corporation's financial products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates and third party licensors and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability in relation thereto, including for any errors, omissions, or interruptions of any index. The returns on a portfolio of securities which exclude companies that do not meet the portfolio's specified ESG criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's ESG criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.

**The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.**

**State Street Global Advisors Funds Distributors, LLC**, member FINRA, SIPC. One Iron Street, Boston, MA 02210.

© 2020 State Street Corporation. All Rights Reserved. ID306307-3254434.11.GBL.RTL 0920 Exp. Date: 09/30/2021