

The Next Chapter in Giving

Two client segments — millennials and women — are ahead of the curve.

Millennials and women are the new face of philanthropy. Some big trends are happening — forces have aligned for these investors to take the lead in charitable giving. Their more inclusive, strategic approach features a sharper focus on giving and a greater impact on investing.

For wealth management professionals, this trend presents an opportunity to help investors find their path to a deeper purpose by collaborating to define goals and develop a high-impact, integrated plan for efficient giving and effective investing. Strategic philanthropy empowers clients to take a more proactive and thoughtful approach while leveraging their resources creatively to maximize results where they matter most. For wealth management professionals, this can strengthen relationships in deeply personal and meaningful ways — possibly more than any other service aspect could.

Case in Point

Shortly after graduating from New York University with a degree in game design, Stephanie¹ became the head of her family's donor-advised fund. Searching for a more sustainable means to address gender inequality, she saw an opportunity to shift the fund's focus toward advancing women — providing grants for women in the areas of science, technology, engineering and math — specifically, coding. Being in the field herself, Stephanie saw how few women chose the same path, and she wanted to pay it forward. She aimed to make a difference.²

Like her millennial peers (those born between 1981 and 2000) and women across all generations, Stephanie is using wealth to address pressing problems. These two influential investor segments are flexing their individual and collective muscles, reshaping the next chapter of giving. They're searching for sounder, more sustainable solutions — and they're motivated to reframe the conversation. They're actively seeking ways to get more traction and bandwidth.

Performance and Purpose

Research shows how millennials' and women's philanthropic involvement distinctly combines performance with purpose.^{3,4}

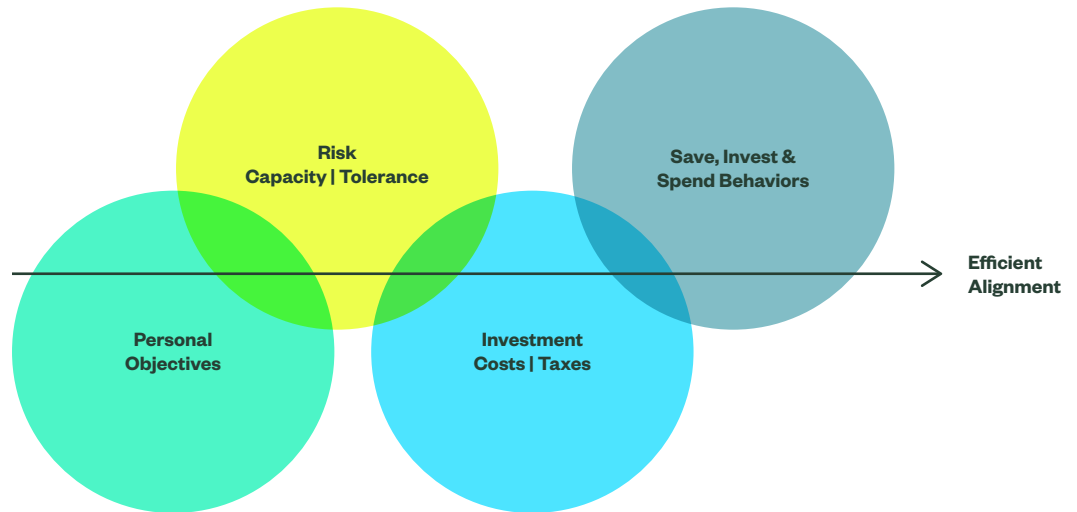
- Millennials have come into their own in a very different world — one that's more participatory because of the digital tools available.⁵ Many are motivated to make a difference in the world and want to feel like they're making an investment, not just a donation. They're investing their capital not only purposefully, but also emotionally.⁶

- Millennials intend to change how decisions are made; they want multiple information resources to be used during the conduction of research and due diligence. First and foremost, they want to know that their involvement has a greater impact on society.⁷
- By 2030, women will control much of the \$30 trillion in financial assets that baby boomers will then possess⁸ — and 53% of women are the primary decision-maker for their household financial and investment decisions.⁹ Many are using their influence to direct philanthropic investments toward socially conscious causes such as moving women out of poverty, helping them to provide future generations with both roots and wings.¹⁰
- Across all income levels and generations, women are more likely to give — and to give more — than their male counterparts.¹¹ Younger women are particularly influential in household charitable decisions — more so than their older counterparts.¹²

Making an Impact

The days of checkbook philanthropy are fading fast. Investor expectations are changing, calling for the alignment of personal and portfolio growth. As investors look to wealth management professionals for help in achieving their personal goals, they're also increasingly looking for opportunities to use their financial capital for the greater good.

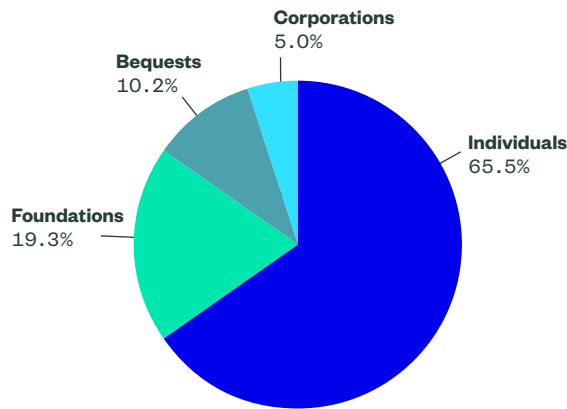
Figure 1
Achieving Efficient Alignment
 Personal Growth
 Versus Portfolio Growth



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 benefits of incorporating strategic philanthropy, which seem so evident today, didn't happen overnight. The single largest contributor to growth in recent years is the individual investor (\$309.66 billion in 2019), not foundations (\$75.69 billion) or corporations (\$21.09 billion).¹³

Figure 2
**2020 Projected
 Distribution of
 Total Giving by
 Donor Source**
 The Largest
 Contributor is the
 Individual Investor



Charitable giving by American individuals/households is predicted to increase by 3.4% in 2020, surpassing the historical 10-year, 25-year, and 40-year annualized average growth rates.
 Source: Indiana University Lilly Family School of Philanthropy, *The Philanthropy Outlook 2019 & 2020*, January 2019.
 * Historical data for total giving growth rate was derived from *Giving USA 2018: The Annual Report on Philanthropy for the Year 2017*, researched and written by the Indiana University Lilly Family School of Philanthropy and published by Giving USA Foundation, <https://givingusa.org>.

Individual investors and family offices are the change agent in product development, as increasing demand is reshaping philanthropy and driving advancements in impact investing. These investors follow in the larger footsteps of institutional investors, who led the way in creating demand for the first environmental, social and governance solutions.

High-net-worth individual investors have since raced ahead of institutional investors in driving real change in impact investing, demanding products that meet a broader range of needs more efficiently and more effectively. While institutional investors have generally focused on screening out unsustainable companies (because of risk), individual investors are more interested in using their financial capital to make progress in issues they care about.

What Inspires Generosity

Millennials and female investors have some unique shared connections that are shaping how both client segments are thinking about and acting on charitable intent.

- Rise of economic power and financial influence, pushing conventional approaches to investing and philanthropy in new directions.
- Prioritization of giving and an aspiration to make an impact beyond simply preserving wealth for future generations.

A better understanding of how age and gender influence motivations and goals can help organizations engage these influential investors more effectively. Giving is important to all generations and both genders, but the ways in which they give back vary as different factors inspire generosity and influence responsibility. Generally, they fall into two categories: intrinsic (personal satisfaction) and extrinsic (financial).

Intrinsic Factors These include a desire to protect the environment or to give back to the community. These factors motivate investors to use their financial capital to foster the kind of change they wish to see in the world. This isn't exclusive to any particular investor segment. Any individual may be inspired to donate to a charity or to choose a sustainable investment vehicle, whether it's \$5,000 or \$5 million. A growing list of options for giving and investing has made it easier for investors to target their financial capital and achieve a greater sense of fulfillment and impact.

Extrinsic Factors These are financial influences, such as a portfolio liquidity event. The priority may be a prudent wealth management decision, but the double bottom line from philanthropic giving and impact investing adds another dimension of returns. Here too, the breadth of options available for giving and investing makes it easier for investors to connect purpose and performance. We see this more and more, as the positive track record for sustainable investments continues to build and as investors realize they don't have to forfeit performance for purpose.¹⁴

Millennials' Perspective

Millennials aren't necessarily hardwired to be more charitably minded than other generations are but, their life experiences make them more inclined to act. First, they have more choices — product development has added simplicity, flexibility and individualization for donors. Second, technology has created more transparency (which helps investors determine their ultimate impact) and has increased awareness of issues (which has fostered engagement).

Millennials are more likely to make contributions driven by how they live, work and invest.¹⁵ They place much value on making an impact with their generosity and want to be engaged throughout the process, prioritizing knowing exactly how their charitable donations will be used.¹⁶

This generation tends to be plagued by stereotypes — that they're overconfident, self-oriented and unmotivated. The industry is at risk of letting misperceptions stand in the way of successfully helping them use financial capital for good. Millennials are reshaping what's next. They have surpassed Baby Boomers as America's largest living adult generation. They'll be the largest adult segment by the end of the decade¹⁷ and are projected to be worth as much as \$24 trillion this year.¹⁸ This segment is far too influential for wealth management professionals to misunderstand or mismanage.

In fact, millennials' attitudes and actions are proving these stereotypes wrong. What shapes their perspectives relative to giving paints a different picture:

- They're values-based investors; mindful of the privilege they've inherited or that comes from the wealth they're creating. Millennials seek a balance between honoring family legacy and personal missions.

“ One thing that seems to be true of the younger generation in their late teens to early 30s is that they have a pretty consistent interest in giving back, in doing well by doing good. They have a strong value system and they're globally aware. Giving for them is not necessarily a tax strategy, it's a value system.”

—Linda Davis Taylor: *Author and Host of Money Stories with LDT Podcast*

- They're strategic and purposeful, seeking new tools and strategies to develop greater impact. Millennials are diligent in their research and willing to contribute their talents, not just assets, to solve problems alongside those they support. In return, they expect proven effectiveness or measurable impact from the organization.

“ I raise money and run the Boston Marathon for Mass General Pediatrics. I go in and see the kids the night before the marathon. All those sick kids really inspire me. I know I'm making an impact.”

—Marissa, *Age 23*

- They have a strong sense of community and leverage their peer networks. Once engaged, transparency matters. They track progress to ensure impact is meaningful, and smart charities are taking note.

“ Four million more people in 22 countries now have access to clean drinking water — but, you don't have to take our word for it. Charity: Water's latest tech improvement is putting remote sensors on wells — so donors can see just how much water flows from what they helped build.”

—Scott Harrison, *Founder, Charity: Water*

Women Are Making Their Mark

As women earn higher incomes, achieve higher education and control more substantial assets, they're putting their own mark on strategic philanthropy. They're also more likely to give — and give more than their male counterparts.¹⁹ Research indicates that women are more altruistic and empathetic.^{20,21} Intrinsic factors are key motivators — a desire to help others in tangible ways. But, it's not just a matter of generosity.

In addition to their influential economic prowess, there's also been a growing interest in leadership roles within their local and global communities. One growing area is investing in the rights and well-being of women and girls, often referred to as “gender lens” investing.^{22,23} Criterion Institute, an activist think tank, provides an excellent summation of the “gender lenses” through which investors can determine how to invest their capital:²⁴

Increasing access to capital for women — Access to equity, loans and financial training and consideration of larger structural barriers to access, such as land ownership, power dynamics between women borrowers and male bankers and loan officers and even implicit societal biases.

Workplace equity — Includes increasing the number of women on boards and in senior leadership positions to alter the gender landscape at the top, as well as instituting policies that benefit women more broadly, such as wage equity and paid maternity leave. This category also applies to issues of supply chain management, in jobs where women tend to hold the lowest paying, most vulnerable and sometimes most dangerous positions.

Products and services that benefit women — Encompasses a wide range of business models selling products that range from reproductive/maternal health innovations to daycare services, from water wheels to money management training. In general, investments revealed through this lens respond to a need, whether biologically or socially driven, that's particularly unique to female consumers.

Men and women share many fundamental similarities in their financial lives — both want to drive impact and see change in areas they support. Researchers have documented several ways in which they give differently, including economic and social differences. It's also important to remember how much life experiences impact perspectives as we go through different life stages — the age effect will also have influence on donor identity, attitudes and behaviors related to philanthropy.

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.

Assessing the Landscape — Female Investors and Financial Advice

In 2015, 250 financial advisors and 1,000 individual female individual investors participated in an online quantitative study in the United States. To further contextualize learnings, an omnibus survey was conducted with 946 individual investors, and qualitative research with 18 subject matter experts and six female investors, all located in the United States. Advisory participants were required to have at least USD \$20M in AUM; demographic representation across a variety of institutions and dealer types. Individual investor participants were required to share or have sole investment decision-making responsibility with investable assets of USD \$200,000; demographic representation on age, employment 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 multigenerational wealth management. A subsection of the survey was dedicated to the topic of strategic philanthropy. State Street Global Advisors contracted with CoreData 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 field the research.

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Endnotes

- 1 Name changed to protect anonymity of research subject.
- 2 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.
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- 20 Joseph Quinlan and Jackie VanderBrug, "Gender Lens Investing: Uncovering Opportunities for Growth, Returns, and Impact", 2017.
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- Build from breadth
- Invest as stewards
- Invent the future

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