

## THEME 01

# Charity

CHARITY &  
PHILANTHROPYWEALTH  
MANAGEMENT

MILLENNIALS

In the coming years, a massive transfer of wealth will take place across the world, as baby boomers pass theirs on younger generations. With new generations controlling and overseeing these fortunes, they will implement new investment strategies and objectives. As such, charitable giving and philanthropic activities will reflect their values and preferred ways of putting charitable money to work.

## Our observations

- The Center on Wealth and Philanthropy [estimates](#) that \$59 trillion (\$67.5 trillion in purchasing power terms) will be transferred from almost 100 million American estates between 2007 and 2061: the greatest wealth transfer in U.S. history. Of this, an estimated \$20.6 trillion will be given to charity. In the Netherlands, €86 billion will be donated to charities in the coming four decades, dubbed the “[Golden Age](#)” of philanthropy.
- Charitable giving trends are historically correlated with longer-term financial indicators, such as changes in [household income](#), [stock market performance](#) (especially [upturns](#)) and the economy’s general [business cycle](#). As a result, [charitable giving](#) in the U.S. has increased strongly in the past years, powered by long bull runs in the stock market and real economy. Charitable giving by individuals has grown at a higher rate than other sources of giving, such as charitable foundations and corporations.
- Myanmar, Indonesia and Kenya top the [World Giving Index](#), while the rest of the top 10 includes Anglophone countries such as the U.S., the U.K., Australia, New Zealand, Canada, and Ireland. The report shows that these countries have ingrained cultures of helping strangers, donating money to charities and spending time on volunteer work. That is a result of these countries having weak or small governments in combination with a strong civic culture that values charitable giving and philanthropic activities.
- A [study](#) by Fidelity Charity shows that 41% of American donors say that they have changed their charitable giving because of increased knowledge or transparency, such as information about the goals and objectives of the programs or organizations producing the best results.
- In the [U.K.](#), Millennials are more generous when giving to charities during Christmas, but are also more likely to research their chosen charities before donating. In a case study on the Grenfell disaster, Millennials had more concerns about fundraising but when they found their preferred information on where the money was going, they donated more money.



## Connecting the dots

In our modern society and economy, man is often understood as a *homo economicus*: a rational human being that maximizes his self-interest. The idea of altruistic or charitable giving therefore appears a contradiction to this. However, charity and philanthropy have a long history and are rooted in our biological and cultural behavior.

Primatologist and ethologist [Frans de Waal](#) shows in his research that animal behavior is based on both competition and reciprocity. These “moral qualities” of animal behavior help boost intra-group relations and mutual trust, hence increasing the group’s survival rate. Likewise, anthropologist Marcel Mauss shows in his magnum opus [The Gift](#) that pre-modern, archaic societies also knew a certain degree of altruistic behavior, with gifts establishing lasting and durable social relations between tribes and local communities. According to anthropologist [David Graeber](#), the emergence of the “monetary economies” (economies with primarily non-barter types of exchange) enabled the spread of altruistic behavior and charity beyond the local and cultural groups of traditional and archaic society, hence leading to a flourishing of charitable and philanthropic activities in a larger geographical scale.

In European history, we see a further evolution of philanthropy and charity. During the Middle Ages, Europe had a feudal system, where feudal lords held lands from the Crown, on which their tenants would work. In exchange for their labor and share of agricultural production, these tenants received general protection and could live on the feudal lord’s land, where they would receive the means for a basic level of subsistence. Charity, in the sense of taking care of those in real need of help, was the job of the Church, with monasteries providing shelter for the homeless and the Church giving food for the hungry. Etymologically, charity comes from the Latin word *caritas*, meaning the Christian love of one’s neighbor and of God. At the end of the Middle Ages, when the feudal system disappeared, the emerging modern state – with its rational bureaucracy and centralized legal authority – increasingly took on the role of providing basic necessities for its citizens. This evolved and expanded after the 19<sup>th</sup> century, into the more-encompassing concept of the welfare state, especially during the 20<sup>th</sup> century in Western Europe. When the modern state replaced the feudal system, a new estate simultaneously emerged as the result of increased trade and commerce. Whereas the feudal lord derived his societal duties from his aristocratic status – articulated in the medieval customs laws – this rich elite or “bourgeoisie” acquired several societal obligations, such as taking care of the poor and contributing to the

general social good.

Fast forward to the 21<sup>st</sup> century, this “noblesse oblige” is still an important aspect of societal life and civic culture. The U.S., for example, has a strong “philanthropic culture”, in which retiring businesspersons often use their fortunes for charitable purposes. Examples are the Rockefeller Foundation, the Ford Foundation, the Bill Gates Foundation, and Berkshire Hathaway’s [Warren Buffet](#) spending large amounts of his private wealth on charity. However, this trend isn’t limited to the superrich, as developed countries and the less wealthy contribute as well by doing volunteer work, donating money or other goods (e.g. clothes) and services (e.g. helping the digitally or financially illiterate). Although there are various possible [motives](#) for doing this, it still holds that people engage in charitable and philanthropic giving and activities because they want to help and contribute to the social values they find important. With the Baby Boomer generation retiring we will witness the largest wealth transfer in history. With Millennials controlling this wealth, charity and philanthropy will increasingly reflect their preferences and values. And younger generations often tend to have different values and objectives than their parents. That is not only the case in fashion or media consumption, but also in wealth management: 66% of children [fire](#) their parent’s financial advisors after receiving their inheritance because they want to invest the money elsewhere. There are three important differences between Millennials and Baby Boomers. First, Millennials prefer increased transparency and clarity about the purpose and plan of action when donating money. This is enabled by digital technology, which allows donators to track investments in their “life cycle” and see how their money is put to work. Second, Millennials increasingly prefer a holistic approach to societal issues. Instead of looking to nonprofits only for solving future challenges, [research](#) shows that Millennials are more confident that cross-sector solutions involving public-private partnerships, individuals, universities and social enterprises can make a bigger impact. And lastly, Millennials take a more international perspective on the pressing issues of the world. In contrast to Baby Boomers, Millennials more often note international issues as top priorities for charity organizations, arguably a result of their more interconnected world due to social media, travel and the internet. This matrix – holistic approach, international outlook and the use of digital technology – will determine the themes (e.g. agricultural technology in Africa, financial inclusion in rural India) and strategies of future charity and philanthropy.

## Implications

- Charity organizations can tap into this new generation of “Millennial charity” by implementing blockchain technology, which promises a fully transparent value chain. Applications, interfaces and software applications that visualize the blockchain software could provide Millennial donors their preferred transparency and insight into where their fortunes are being put to work.
- As we have [written](#) before, wealth management strategies are increasingly between automatic, passive investment options with low engagement, and active, premium wealth management services with personalized meetings and long-term relationships. With respect to charity and philanthropy, the latter could focus on consultation on the donator’s values and objectives, and help with the corresponding type and strategy of impact investment strategy.
- Sustainable and ethical investing has a more explicitly reciprocal nature than charity, as the investors receive a return. But like charity, it appeals to Millennial [values](#), as we have written before, explaining the increased [interest](#) of younger generations in these types of investments.