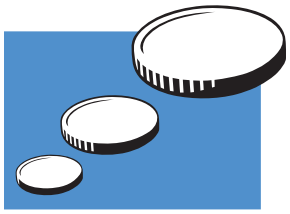
The business of philanthropy



New
Philanthropy
Capital

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Building the philanthropy advice market

The
ATLANTIC
Philanthropies

The business of philanthropy

Building the philanthropy advice market

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Summary

The past decade has seen a significant rise in philanthropy, with more donors willing to put money and effort into making the most of their giving. Yet demand for philanthropy advice is modest at best, and few donors actually receive professional advice about their giving.

Private client advisors, such as lawyers and bankers, are in an ideal position to reach and advise existing and potential philanthropists. But a significant opportunity is being missed.

Not enough advisors are proactively offering philanthropy services to their clients. What is more, where advice is offered, the quality is at times questionable. As the head of one private bank told us: *'Our bankers know their stuff, but it's amateur time when it comes to philanthropy discussions.'*

Barriers to growth

The philanthropy advice market has significant potential to grow, if both supply and demand can be boosted. But a number of barriers are holding back this growth.

On the **demand side**, the difficult economic climate is making some donors reluctant to discuss giving, and personal philanthropy is still a private and even taboo subject in many cases.

Some donors do not care enough about the impact of their giving, and many of those who do care about impact are not aware that advice is available. Others are unclear of the value of philanthropy advice.

There are also **supply-side** barriers standing in the way of the philanthropy advice market developing. For instance, many private client advisors do not know enough about the sector, and others are unwilling to share information about best practice.

Another barrier is the striking lack of innovation in products and services offered to philanthropists in the UK, which makes it difficult for private client advisors to serve the market, even where there is demand.

The benefits of advice

Despite these barriers, philanthropy advice can be beneficial for both advisors and clients.

Good advice can help philanthropists to clarify their objectives and review their past giving. It can help to increase their knowledge of areas and need, and build confidence in what they fund.

For bankers, lawyers, multi-family offices and other advisors, offering philanthropy advice can deepen the relationship with clients and their families, enhance the firm's brand and values, and create an additional line of revenue.

Even so, these benefits have yet to be translated into a clear business case for delivering philanthropy advice. Private client advisors need to work through issues such as how philanthropy advice can sit within their organisational structure, how to incentivise staff to offer advice, and how best to charge for it.

Recommendations

Although the philanthropy advice market in the UK is growing, it needs to mature and develop more rapidly, overcoming the obstacles of supply and demand. Private client advisors can lead market development from the supply side, driving demand. As well as benefiting philanthropists, it makes good business sense, and would add value to client relationships.

Our recommendations centre around two principles:

- the importance of **collaboration** and sharing information; and
- the importance of **leadership** to shape the market, spur its development and support the capacity of the sector.

From these principles, we have four key recommendations:

1. Participants in the philanthropy advice market should recognise a collective interest to develop and promote the market.
2. A formal network should be established to progress the development of the market.
3. Government should take a lead in convening key players in the market and encouraging its development.
4. The financially strong members of the philanthropy advice market should support the whole market—particularly the weaker parts—practically and financially.

As a first step towards strengthening the philanthropy advice market, NPC has created a **Steering Group of Advisors**, with representatives from 19 different private client advisory and specialist philanthropy advisory organisations. The steering group is chaired by Dame Stephanie Shirley, the UK's Ambassador for Philanthropy.

The group will meet regularly to share knowledge and ideas, and work together on initiatives to develop the provision and take-up of good philanthropy advice. The group's aims include promoting philanthropy advice as widely as possible, and establishing standards of best practice. It will track and measure its progress towards its goals.

We hope that the coming decade will see a significant rise in the provision of philanthropy advice from those who are so well placed to do so: clients' trusted advisors. If the supply of advice grows, demand will be stimulated and clients will be able to give more effectively, ultimately helping charities to achieve more.

Foreword

Although the past decade has seen a significant increase in philanthropy in the UK, giving is still not embedded into the culture of this country. This is one of my roles as philanthropy ambassador, and we are working in a multitude of ways to encourage giving from a wide range of people.

This report, *The business of philanthropy,* is important in this context as it underlines the key role that private client advisors have in encouraging more, and better, philanthropy. With access to wealthy individuals, trusted advisors are uniquely placed to inform, advise and educate their clients about their giving. What's more, advisors themselves can benefit by supporting clients along their philanthropy journey, as it is a way of deepening the relationship with their clients.

The most exciting development arising from this report is the formation of a steering group of advisors, which I'm delighted to be chairing. Many advisory groups exist to strengthen philanthropy, but this one stands out for a number of reasons:

- The group was created to specifically solve a problem: the low levels of philanthropy advice in the UK.
- The group is made up of a cross-section of advisors—private bankers, family offices, lawyers, specialist philanthropy advisors, community foundations, and some membership organisations—committed to sharing information and collaborating.
- The members will work together to create initiatives to tackle the various obstacles stifling the development of philanthropy advice.
- The group will measure its progress towards its goals.

Together we will ensure that philanthropy advice is promoted as widely as possible, with the highest standards of best practice, so that wealthy individuals will give more and think differently about the way in which they give for maximum reward and impact.

Dame Stephanie Shirley
The British Government's Ambassador for Philanthropy
February 2010

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Introduction

The purpose of this report

This report was prompted by conversations that New Philanthropy Capital (NPC) has had with private client advisors* from across Europe, about providing philanthropy advice to their clients. Through these discussions it became clear that a significant opportunity is being missed. Advisors and their parent institutions are not, on the whole, offering high-quality philanthropy advice to clients.

For those who want to promote and improve philanthropy, like NPC, this is frustrating. It means that the philanthropy advice market is not adequately developed.

The purpose of this report is therefore twofold. Firstly, it provides an analysis of the state of philanthropy advice in the UK; secondly, it provides concrete proposals for developing the philanthropy advice market.

Sources of information

This paper draws on interviews and conversations with over 30 private client advisors in the UK, from late 2008 to the middle of 2009.

We also reviewed relevant literature from the UK, the US and Australia, drawing particularly on two pieces of research that NPC commissioned from Scorpio Partnership in 2007 and 2008, interviewing both wealthy individuals[2] and 'trusted advisors'[1].

Finally, we see philanthropy advice as an innovation and hence we reviewed literature on how new ideas and innovations spread, grow and take root in other markets, to apply the learnings to the philanthropy advice market.

Scope

Although we have drawn on research from around the world, this report's primary concern is philanthropy advice in the UK. That said, we believe many of the lessons and recommendations could be applied to other countries where philanthropy advice is also underdeveloped. Our research has led us to believe that such underdevelopment is an international phenomenon, even in the US.

We have limited the research to focus on one specific aspect of philanthropy: donations and grants to non-profit organisations, which is NPC's area of expertise. We do not look at advice that covers venture philanthropy, loans to charities, mentoring, volunteering, or other ways of supporting charities.

Finally, this report focuses primarily on private client advisors rather than specialist philanthropy advisors. This reflects the crucial role that we believe private client advisors have in stimulating and building the market.

NPC's vested interest

NPC's mission is to help donors and charities achieve more. One route to this end is to encourage more giving, and in particular, to stimulate more effective giving. We therefore have a vested interest in encouraging more and better philanthropy advice.

The development of a strong and mature philanthropy advice market is in the interest of all the players involved. There are benefits for donors who want their giving to make a difference; for professional advisors who offer philanthropy services to their clients; for specialist philanthropy advisors who aim to support donors; and ultimately for charities that are doing effective work in their fields.

Structure

Section 1 provides an overview of the philanthropy advice market, including the types of advice offered to clients. It also explains the report's focus on private client advisors.

Section 2 looks at the demand side of the problem. It highlights recent trends that are driving the demand for philanthropy advice, and explores some of the reasons for the market not developing further.

Section 3 tackles the problem from the supply side. It looks at the role professional advisors play and their objectives for offering philanthropy advice to their clients, and it examines some of the barriers that are stifling growth. This section draws heavily on lessons from the development of other markets.

Section 4 makes recommendations for the development of the philanthropy advice market.

* See glossary for definition.

The philanthropy advice market

Advice on philanthropy is supplied by both specialist philanthropy advisors and private client advisors, such as lawyers and private banks. This advice can include helping donors to define their objectives, helping with administration, and even reviewing the impact of grants.

Yet the philanthropy advice market is underdeveloped, and does not operate as well as it might. Supply does not meet demand, and demand is less than it might be, with various barriers standing in the way of the development of the market.

Components of the market

Demand for philanthropy advice comes from donors, including individuals, families, private foundations and corporate foundations.

Philanthropy advice is supplied by both specialist philanthropy advisors and private client advisors. Specialist advisors include Charities Aid Foundation, community foundations, the Institute for Philanthropy, Geneva Global, NPC and individual consultants. Private client advisors include private banks, multi-family offices*, lawyers and accountants.

As Figure 1 shows, donors can receive philanthropy advice directly from their private client advisor, or they can be referred to (or find themselves) a specialist philanthropy advisor. Referrals can work both ways; clients may also be referred from their specialist philanthropy advisor to a lawyer (for instance) for help on setting up their foundation.

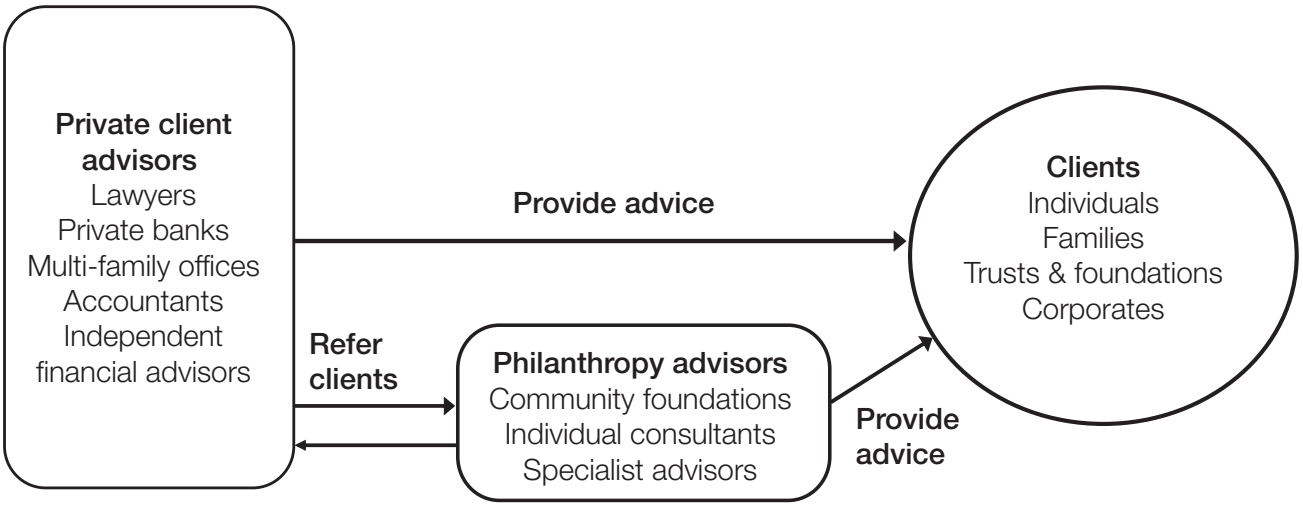
The role of private client advisors

Private client advisors are (or seek to be) 'trusted advisors' who are close to their clients. Most wealthy individuals have regular contact with a private banker, an accountant or a lawyer, so these advisors are a natural first port of call for clients wanting help with many aspects of their lives, including their giving. Indeed, many private client advisors are already providing some assistance on giving, in the form of tax advice and structuring of foundations or trusts.

The private client industry is therefore a crucial part of the market for philanthropy advice. Private client advisors have the best access to donors; they can help clients navigate the most appropriate options; and they can build demand for advice from those who have not thought about the benefits of philanthropy. If this industry does not work as well as it might, the philanthropy market will not thrive.

The private client industry is a crucial part of the philanthropy advice market, with the best access to donors.

Figure 1: The main players in the philanthropy advice market



* See glossary for definition.

There is a disconnect between the demand for and supply of philanthropy advice.

Figure 2 shows the full range of philanthropy services a client may require. Even in a fully-developed philanthropy advice market, it would not make sense for private client advisors to offer all of these services to donors. Instead, one of the main roles for private client advisors is to guide the client through this complex landscape—delivering the services where they are well placed to do so, and referring clients to the relevant third-party experts according to their needs. In Figure 2, the services highlighted are those most commonly offered by private client advisors.[1]

The problem

As Figure 3 shows, various factors encourage the growth of the philanthropy advice market, but other factors are barriers to its growth.

One key problem is that there are untapped opportunities for professional advisors, who are not stimulating client demand for philanthropy advice as much as they could. Where there is demand from donors for advice, and a willingness to pay, private client advisors are not meeting this demand. This is despite the fact that, even in an economic downturn, donors increasingly want help to achieve a greater impact through their philanthropy (see Section 2). It is also despite the fact that there are business benefits for professional advisors who enter into this space (see Section 3).

So the philanthropy advice market is underdeveloped and does not operate as well as it might.

Private client advisors are increasingly interested in offering philanthropic services, but supply does not meet current levels of demand. In addition, demand is less than it might be. The market could be grown substantially—simultaneously boosting both demand and supply.

Developing a market

Our experience and literature reviews have highlighted two insights that are particularly pertinent to the rest of this report.

The first insight is about the propagation of innovations. Philanthropy advice should, properly understood, be seen as an innovation. The vast literature on this subject informs how philanthropy advice could develop, and a key lesson is that supply can play an important role, particularly in helping to generate demand.

The second insight is about the importance of collaboration and cooperation in developing markets. While competition provides a spur to help markets develop, cooperation often sits alongside and gives an additional boost. There is frequently a direct juxtaposition of competition and cooperation.

The next two sections look at demand for and supply of philanthropy advice, bearing these insights in mind as we look at developing the philanthropy advice market.

Figure 2: Types of philanthropy advice

Getting started	Maximising impact	Making it happen	Reviewing
• Deciding to engage/ what kind of giver • Providing overview of options • Facilitating family involvement • Structuring vehicle • Tax/finance implications • Defining objectives	• Defining giving focus • Knowledge building • Meeting other donors • Sourcing co-funding opportunities	• Sourcing charities • Providing admin support • Distributing funds • Monitoring grants • Doing due diligence	• Reviewing personal/ family/business objectives • Assessing past giving—analysis of grants

Offerings in boxes identified by private client advisors as being most commonly provided in-house.[1]

Figure 3: Drivers of and barriers to the growth of philanthropy advice

	Demand side	Supply side
Drivers	• Increased levels of philanthropy • Changing approaches to philanthropy	• Adding value to the client relationship • Additional revenue • Client retention
Barriers	• Economic climate • Taboo subject • Few donors caring about impact • Low levels of giving • Unclear of benefits of advice • Unaware that advice is available	• Lack of clear business case • Institutional barriers • Lack of knowledge about the sector • Lack of innovation • Relationships with third parties • Little sharing of information • Lack of leadership

Photo supplied by Kristian Buus.

Demand for philanthropy advice

There is a significant potential market for philanthropy advice. Not only are people giving more, but they are also giving more thoughtfully, and are willing to put money and effort into making the most of their philanthropy. These trends make the demand for advice more likely, and mean that the market potential is considerable.

Yet demand for philanthropy advice is modest at best, and several demand-side barriers stand in the way of growing the philanthropy advice market.

The difficult economic climate is making some donors and advisors reluctant to discuss giving, and personal philanthropy is still a private and even taboo subject in any case. Some donors are not aware that they could have more of an impact with their giving, and others are not aware that advice is available.

So giving needs to be encouraged, donors need to see the importance of impact, and people need to talk about their giving. When this happens, demand for philanthropy advice will increase, and the market will grow.

Trends in levels of philanthropy

Philanthropy is growing, despite the current economic downturn.[3] Significant wealth creation over the last two decades is a key driver of this. However, the profile of the wealthiest segments of society is also changing, representing a key influence on levels of and attitudes towards giving. Five trends in particular are influencing the growth in philanthropy:

- wealth creation;
- self-made wealth;
- giving while living;
- leaving less to the kids; and
- increased visibility of donors.

Wealth creation

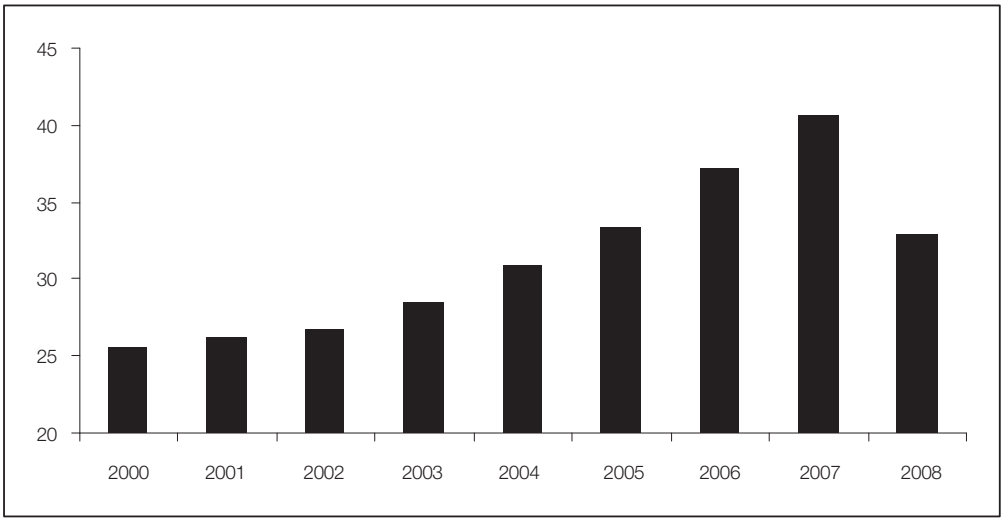
The last two decades have been a time of immense wealth creation. By the end of 2008, there were 8.6 million high net worth individuals (HNWIs)* in the world, 362,000 of whom were in the UK.[4] Many individuals within this group are becoming or are expected to become significant donors.

Although the wealth of HNWIs around the globe dropped by almost 20% in 2008, their collective wealth is still greater than it was five years ago, standing at US$32.8trn (see Figure 4).[4] With the recent recovery in financial markets, this wealth will now be even higher.

Despite the recent fall in wealth, there are indications that giving remains relatively resilient. The top 100 philanthropists in the 2009 *Sunday Times Rich List* donated £216m more than in the previous year—an increase of 8%.[3] The top 30 givers donated at least 4.5% of their wealth in the past year, giving a total of £2.6bn—9% more than the year before (as shown in Figure 5).

Several key trends are driving the demand for philanthropy advice.

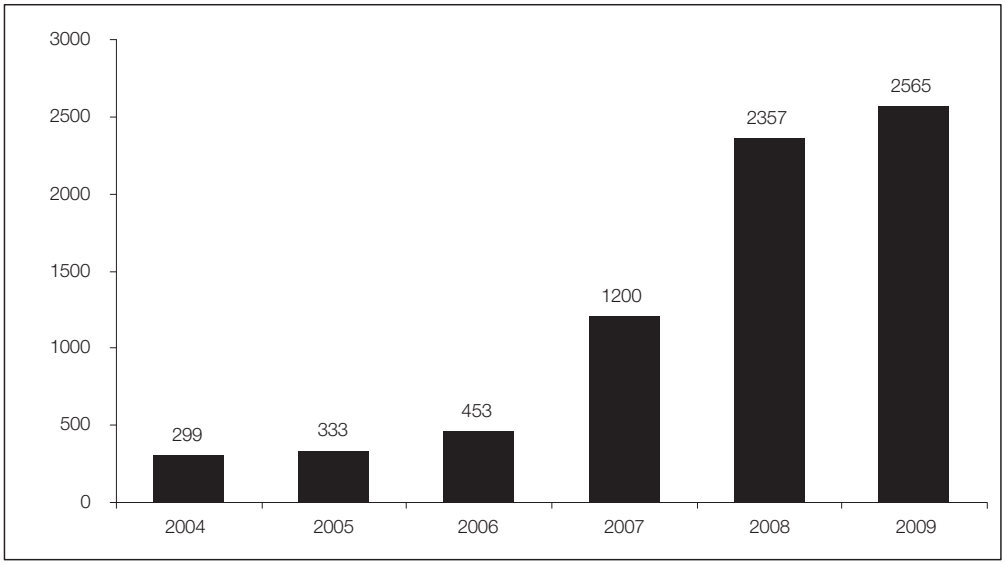
Figure 4: Wealth of global HNWI population (US$trn)[4]



* See glossary for definition.

The top 100 philanthropists in the 2009 *Rich List* donated 8% more in 2009 than in 2008.

Figure 5: Previous year donations from the top 30 givers in the *Sunday Times Rich List* (£m)[3]



A 2009 Barclays Wealth survey of wealthy individuals also suggests that giving is proving resilient.[5] In this survey of 500 UK and US HNWIs, when asked about the downturn, most of the respondents saw philanthropy as a key expense. They said they would rather cut back on luxury goods, staff, eating out and holidays before cutting back on their charitable giving.

So on the one hand, the current economic downturn appears to be prompting some to re-evaluate their social values. The era of 'conspicuous consumption' is being questioned, which could be one of the reasons why giving might hold up.

Photo supplied by Libi Peddar.

Dame Stephanie Shirley

On the other hand, the decline in wealth has been such that the impact on giving could be marked. We suspect that the real impact of the financial crisis on giving levels will become more evident during 2010, so it is prudent to expect some drop in giving, at least in the short term.

Self-made wealth

The balance between self-made and inherited wealth amongst the richest is changing. In 1989, three quarters of the *Sunday Times Rich List* had inherited their wealth. By 2009, the same proportion had created their own wealth.[3]

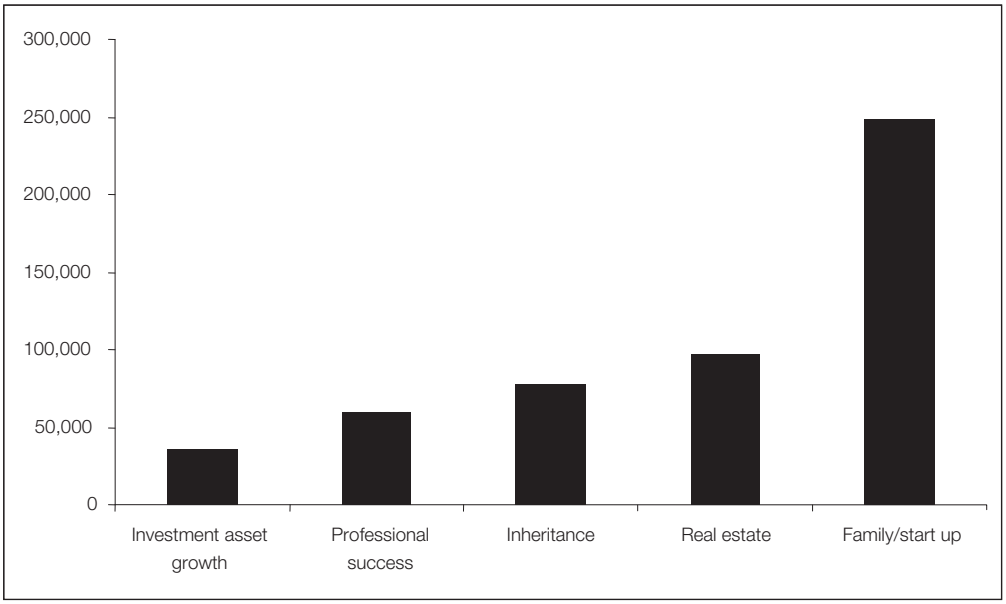
Wealth that is self-made rather than inherited tends to have a positive effect on philanthropy. Entrepreneurs (where 50% or more of their net worth comes from a family-owned business or start-up company) give significantly more to charity than high net worth households with other sources of wealth.[6] For example, in 2007, entrepreneurs in the US gave more than three times as much on average as those whose wealth was inherited, as shown in Figure 6.

Giving while living

There is evidence that wealthy donors are increasingly trying to give more money away during their lifetime, rather than endowing foundations in perpetuity.

In the US, this is most evident with the Bill & Melinda Gates Foundation, which is designed to spend down its capital within 50 years of the death of the last of its founders. Moreover, the money donated to the foundation by Warren Buffett must be spent promptly.[7] And the Gates Foundation is not alone. For example, its

Figure 6: Average aggregate giving by primary source of net worth, 2007 (US$)[6]



Entrepreneurs gave three times as much to charity as those who inherited their wealth.

attitude is shared by The Shirley Foundation in the UK, which was set up by Dame Stephanie 'Steve' Shirley and concentrates on funding autism charities. Steve Shirley intends that her foundation spend down within five years of her death.[8] The two largest foundations in Ireland—The Atlantic Philanthropies and The One Foundation—similarly plan to spend down.

The attitude of 'giving while living' was put well recently by Chuck Feeney, co-founder of Duty Free Shops and the founder of The Atlantic Philanthropies:

'Giving while living has to be better than giving while dead. I've never met anyone who said they didn't enjoy the result of what they gave their money for.'[9]

NPC encounters this attitude regularly in its private client work. People want to give during their lifetimes, maximise the impact of their donations and enjoy the experience.

Leaving less to the kids

Related to giving while living is a shift towards 'leaving less to the kids'. Many parents fear 'affluenza'—the dissatisfaction that is said to come from the excessive pursuit of a material life—and the negative effects of burdening children with excess wealth. This is perhaps particularly the case with those who have made their fortune rapidly, compared to those with inherited wealth.

Warren Buffett's decision to give the majority of his wealth to charity rather than to his children was a very public example of this attitude. In Buffett's words:

'A very rich person would leave his kids enough to do anything, but not enough to do nothing.'[10]

Increased visibility of donors

Warren Buffett, Bill Clinton, Bill Gates and eBay founder Pierre Omidyar are obvious examples of public role models in this field. An increasing number of public figures are stepping into the philanthropic limelight on this side of the Atlantic too, including Stanley Fink (who recently took over as chairman of Absolute Return for Kids), Jamie Oliver and JK Rowling.

Philanthropy has risen in prominence in the media, with the creation of programmes such as Channel 4's *Secret Millionaire*, which seeks worthy causes for a wealthy individual's donations. Press articles about philanthropy have also increased significantly, with coverage of the issue rising by 208% in the last five years, and articles on effective giving and the importance of measuring impact increasing exponentially.[11]

This increased visibility appears to be encouraging the wealthy to give. It is also likely to encourage them to think about how they give.

Photo supplied by EMPICS.

Warren Buffett

> "I have some small hopes that what I'm doing might encourage other very rich people thinking about their philanthropy to decide they didn't necessarily have to set up their own foundations but could look around for the best of those that were up and running and available to handle their money."
>
> Warren Buffett

Trends in approaches to philanthropy

It is not just levels of giving that are changing, but also the ways in which people give. Three trends in particular are increasing the need for philanthropy advice:

- strategic giving;
- collaborative giving; and
- family giving.

Strategic giving

From the point of view of this research, the most significant development in philanthropy is the fact that donors are becoming more strategic about the way they give. This is one of the main drivers of the demand for philanthropic advice.

Strategic giving means caring about the impact of funding and taking an informed, planned and targeted approach to funding.

In 2007, NPC, wise and Bertelsmann Stiftung commissioned Scorpio Partnership to interview 34 ultra high net worth individuals* and family offices to examine their views on giving.[2] The research highlighted the importance of strategic philanthropy. Every interviewee thought strategy was fundamental to philanthropic success. In the words of one individual: *'It is the only way to think about philanthropy.'*

More than 90% of the interviewees recognised the need for expertise in the philanthropic process. As one said: *'There is a need for advice and information on how to give effectively,'* referring particularly to the start-up, project selection and monitoring stages of the philanthropic process.

The trend towards 'giving while living' doubtless increases the demand for philanthropic advice. One US philanthropy advisor, Betsy Brill, comments: *'My experience is that donors put much less thought into their estate giving than they do their lifetime giving.'*[12]

This quest to become more strategic with giving is borne out in NPC's consultancy service for individual and family donors, where we see demand for advice from both those new to giving and experienced givers on good funding practice and how to achieve greatest impact with their funds.

Collaborative giving

Donors are increasingly funding collaboratively, which has the potential to create more strategic giving and more demand for advice.

As we have already seen, Warren Buffett put his funds in the hands of the Bill & Melinda Gates Foundation in order to increase his impact. There are also so-called 'new money' funders working together, such as the Elton John Aids Foundation and The Children's Investment Fund Foundation. On a smaller scale, donors often ask NPC to introduce them to others who may be experienced in a certain field, so they can share knowledge, especially about maximising impact. Co-funding can be particularly appropriate when funding in developing countries, where knowledge about local projects is harder to access.

Donors are not co-funding just to increase impact. They are also doing it for a greater sense of enjoyment. It appears that the trend towards establishing 'giving circles' or other ways to give together are encouraging new donors. A good example of this in the UK is The

* See glossary for definition.

Photo supplied by Kristian Buus.

Funding Network, an innovative giving circle set up by Fred Mulder. Up to 200 people gather four times a year to donate between £100 and £1,000 each to deserving charities.

Participating in giving circles encourages donors to give more and to be more strategic.[13] There has been a significant growth in the number of giving circles established in the US in recent years. It is difficult to say exactly how many giving circles exist because of their grassroots nature. However, since the Forum of Regional Associations of Grantmakers in the US began to track these groups in 2004, the number identified has more than doubled to well over 500.

Family giving

An increasing number of parents want to involve their children in their philanthropy.

Some see giving as a tool to bring families and generations together, especially if they live far apart. Others want to encourage the younger generation to become more socially aware from a young age. Recent research from Barclays Wealth showed that a third of wealthy donors interviewed believe their children will be more charitably inclined than themselves.[5] If true, this indicates that philanthropy will bloom yet further in the future.

NPC has received a number of requests to help parents engage their children in giving, and to teach them about issues, charities and philanthropy.

Private banks are responding to this increased demand from parents by running courses on wealth, investment and life-skills for clients' children. Included in these courses is a fairly significant philanthropy element. NPC runs the philanthropy programmes for several banks, inspiring young adults to incorporate giving into their lives—for example, by taking them to visit charities. Discussions cover a range of issues, such as how to combine personal passions and interests with giving, how to tell if a charity is effective or not, and the range of ways to become involved with charities.

Barriers limiting demand for advice

Demand for philanthropy advice does exist, fuelled by many of the factors described above. The vast majority of wealthy individuals interviewed for the Scorpio Partnership research in 2007 recognised the need for expertise around their giving. The research also showed that donors are willing to pay for that advice. One interviewee said:

'Advisors are like business managers or a CEO. You … buy the best people in to get the right results.'[2]

The emergence and growth of organisations like NPC, together with increased interest in community foundations and increased interest from commercial companies such as banks, are all testimony to the growth in demand.

However, of the donors who understand the importance of advice, many appear unaware of the services on offer that could help them to fund more effectively, such as community foundations and tax breaks.

Equally striking is just how low are the actual levels of demand for advice. Most advisors report that they receive between one and five requests a month for advice about philanthropy. This is far below the levels one might expect given the

90% of interviewees recognised the need for expertise in the philanthropic process.

trends outlined above. Privately, in conversations with NPC, many advisors have reported that actual demand is low, although some are determined to continue working to boost it.

The demand for philanthropy advice, low as it is, appears to be driven by clients rather than by private client advisors proactively raising the topic. A recent Bank of America study on HNWIs showed that advisors (particularly lawyers) are very unlikely to initiate discussions on philanthropy (see Figure 7).[6] Demand is therefore the driver of such conversations.

Figure 7: Who initiates conversations about charitable giving decisions, by type of advisor (%) [6]

	Client initiated	Advisor initiated
Lawyer	93.1	6.9
Accountant	89.9	10.2
Financial advisor	79.8	20.2
Bank	67.5	32.5
Non-profit personnel	48.0	52.0

Section 3 discusses problems with the supply of philanthropy advice. Here, we concentrate on demand, starting from the observation, borne of considerable experience, that it is low. There are several reasons behind this, including:

- the economic climate;
- the taboo nature of the subject;
- few donors care about the impact of their giving;
- low levels of giving;
- a lack of clarity about the benefits of advice; and
- ignorance of the availability of advice.

The economic climate

Some advisors are using the current economic downturn as an excuse to delay the implementation of philanthropy services or to cut existing services altogether. In the words of the director of one multi-family office: *'This is the very worst time to be discussing giving with clients.'*

And there is little doubt that giving will take a hit as wealth levels are eroding, although there have been encouraging signs of resilience, as already discussed.

Many people believe that clients are actually particularly receptive right now to discussing the issue. With fewer resources, they are more concerned than ever before about how their money is used and what impact it is having.

Advisors rarely initiate the philanthropy discussion with clients.

Advisors can use the poorer climate to discuss philanthropy in several ways:

- as a way of regaining trust with their clients;
- as something else to discuss with their clients, other than difficult investment conversations; or
- as a way to show clients that their firm has a more morally conscious outlook at a time when social values are being re-evaluated.

It is therefore not clear that the economic climate is unambiguously a bad thing for the level of demand. Moreover, levels of demand were pretty low even during recent years when wealth was rising.

A taboo subject

Philanthropy advice faces a specific obstacle in the UK: people do not generally talk about their charitable giving. This makes them unlikely to bring the subject up with an advisor, and to spread the word to others if they do seek philanthropy advice.

In turn, advisors are hesitant to raise the subject with clients. We have often heard expressions such as *'It's too personal a subject,'* or *'I might upset or embarrass my client if I ask him about his giving.'*

Spreading the word is important if philanthropy advice is to grow. One study, which draws together all the strands of research on how innovations spread, highlights two of the key elements in the process: communication channels and the social system.[14] People must know the benefits of an innovation for it to spread. That sounds obvious, but it has important implications.

A classic demonstration of the diffusion of an innovation is the growth of doctors prescribing the antibiotic Tetracycline.[15] This was a powerful new drug introduced in the US in the 1950s. A study of how its use spread showed that the social characteristics of doctors played an important part. Specifically, the more connected the doctor, the greater the speed of adoption. Such interconnectedness included the doctor's position in a local hospital, attendance at staff meetings, sharing offices with other doctors, and meeting socially with doctors.

Studies of diffusion overwhelmingly make this obvious point: an innovation needs to be heard about before it can be adopted.

So it is essential that philanthropy becomes a topic that is discussed. The increased visibility of philanthropists and philanthropy in the UK is helping to lessen the taboo nature of giving, and it is becoming more socially acceptable to talk about one's giving. Donors often ask NPC to be connected to other donors so that they can

comfortably and openly discuss philanthropy. However, giving still remains largely private, inhibiting advisors' willingness to raise the subject with clients.

According to the President of Schwab Charitable, Kim Wright-Violich:

'What we see with some advisors is that they'll wait until their client brings up an event before they feel comfortable starting a discussion. The problem is that means they are being reactive instead of proactive.' [16]

In the UK at least, people's reluctance to discuss publicly their philanthropic actions or intentions remains one of the reasons why the philanthropic advice market is so fragile.

One way of breaking the taboo is for advisors to offer their philanthropy services formally and proactively to all clients, so that it becomes standard practice to ask about philanthropy. Clients may still wish to keep their giving confidential, but they will not be offended, knowing it is a common service offered as part of their overall wealth management. In this way, the latent demand for advice that exists can be teased out.

Few donors care about the impact of their giving

Another obstacle to the development of philanthropy advice is the number of donors who actually see the need for advice in the first place, beyond setting up vehicles for giving.

As discussed above, there is some evidence that people are taking a more business-like approach to their giving, requiring advice to help them maximise the impact of their donations. According to one individual interviewed by Scorpio Partnership:

'Philanthropy is like business … I want to know my money is doing something positive.'[2]

However, there are still swathes of people giving significant sums of money away who need encouragement to take a more deliberate and strategic approach to their giving.

Charities tend to escape the same scrutiny and accountability that applies to most other organisations. One reason for this is that:

'Giving to charities can often be seen as a disinvestment rather than investment. It is about assuaging guilt, easing one's conscience, making a gesture, currying favour. The impact of donations is secondary. Why bother spending time and effort assessing how the money is used?'[17]

Also, deciding where to donate money is often driven by emotion rather than any analytical framework—that is, all heart and no head.

But emotion and intellect are not necessarily fundamentally opposed, as the authors of *Philanthrocapitalism: How the Rich Can Save the World* point out:

'Philanthrocapitalism is about combining the head and the heart, by bringing a business-like approach to solving society's problems, which now seem more daunting than at any time in a generation.'[18]

If giving money to charities is seen as an investment (albeit with a social rather than financial return) rather than a disinvestment, there is likely to be significant demand for advice on how to 'invest' wisely.

NPC sees this change already beginning to take place, with more techniques and services for assessing charities developing each year around the world. The fact that similar organisations to NPC are emerging in various countries is an encouraging indication that the mindset is changing amongst donors.

Funders are demanding that more charities report on their results, partly inspired by the likes of the Bill & Melinda Gates Foundation, The Children's Investment Fund Foundation and ARK (Absolute Return for Kids), where measurement is key.

Advisors have a role to play in highlighting to their clients that thinking about effectiveness is becoming standard—they should be demanding more from the charities they support, and there are frameworks to help them assess the impact of their donations. It is not always appropriate for an advisor to recommend that their client follows this course of action (they do not want to seem too prescriptive), but at least they can lay out the options available.

Low levels of giving

Professional advisors often argue that giving to charity is just not embedded in our culture in the UK, and therefore any philanthropy services that they develop will only be relevant to a minority of their clients. For this reason, why go to the effort of setting up the services? Particularly if it is still difficult to see the tangible benefits of doing so.

Giving in the UK is still some way behind our US counterparts, at only 1.1% of gross domestic product[19] compared to 2.2% in the US.[20]

Indeed, most advisors still report a relatively low number of monthly requests for philanthropy advice from their clients, in spite of an increase in demand.[1] This does not necessarily mean that the business receives so few requests, but that only a small number are identified by relationship managers as requests that the firm can assist with. In many cases, the clients may simply be told that they cannot be helped.

It is essential that philanthropy becomes a topic that is discussed.

Most advisors are still only receiving between one and five requests for philanthropy advice each month.

A lack of clarity about the benefits of advice

Another aspect holding back the demand for philanthropy advice is that although there are more individuals recognising the need for expertise around their giving, they have not been made aware of the value of receiving philanthropy advice (and hence do not understand why it is worth paying for).

But NPC sees its clients benefiting from philanthropy advice in various ways:

- **Direction:** By setting objectives or reviewing their past giving, clients have a clearer vision of what they want to achieve.
- **Confidence:** Clients become more confident in their giving by increasing their knowledge of areas of need and monitoring their grants.
- **Independent expertise:** Clients often want objective help with finding projects and learning about other funders and best practice.
- **Efficiency of funding:** Help with the practicalities of grant-making and the analysis of charities can make giving more efficient.
- **Engagement:** Clients can find it helpful to get their family, employees or trustee boards involved.

Not all of these benefits will be relevant for all clients, but the case needs to be made clearer to existing or potential donors that assistance with their giving can make it much more rewarding and have a greater impact.

Ignorance of the availability of advice

Although many private client advisors offer philanthropy services to their clients, many do not proactively market these services, as Section 3 discusses. Many clients do not know that their advisor may be able to help them with their philanthropy. As one multi-family office said to us: *'You wouldn't go to your dentist to ask him for advice on your hairstyle.'*

So even for those individuals who care about impact and can see the benefits of receiving advice on their giving, it is not always clear where to turn to find that advice.

Conclusion

A growing number of organisations are assessing charities and advising donors. This is an encouraging reflection of the growth of demand for advice. Yet almost all of these organisations rely on grants to survive, as fees from donors are too low. This is not because donors will not pay for advice.[21] The difficulty is simply that too few donors are buying advice.

In order for the philanthropy advice market to grow, demand needs to be increased. This can be achieved through encouraging giving, educating donors that the impact of their funding is important, and encouraging people to talk about their giving.

The growth of the market can also be stimulated by focusing directly on the supply of philanthropy advice. We now turn our attention to the suppliers, and explore the role that private client advisors can play.

Photo supplied by Kristian Buus.

Supply of philanthropy advice

Private client advisors are increasingly interested in providing philanthropy advice, but there is still confusion about its business model. The number of advisors offering philanthropy advice is also growing, but the rhetoric exceeds the reality, and the industry is falling short of client expectations.

Supply of philanthropy advice—particularly from private client advisors—is key to unlocking further growth in the market. Studies on the spread of innovations show that supply can create demand. But several obstacles stand in the way, including lack of product innovation in the area, and institutional barriers.

The market needs strong leadership, greater cooperation and increased sharing of knowledge. This will encourage the supply of philanthropy advice and build demand.

Growing interest from advisors

Private client advisors are becoming more interested in providing philanthropy advice, partly in response to the demand. As *The Wall Street Journal*'s Victoria Knight observes:

'Demand is growing for financial advisors who can help investors meet their philanthropic as well as financial goals … The new services are part of a broad push by advisory firms to provide a one-stop shop in what is becoming an increasingly competitive marketplace for wealthy clients.'[22]

And this is an important development, as Kim Wright-Violich, President of Schwab Charitable, agrees:

'As more and more wealthy individuals and families focus their efforts on the world of philanthropy, the role of financial advisors stands to become increasingly important.'[16]

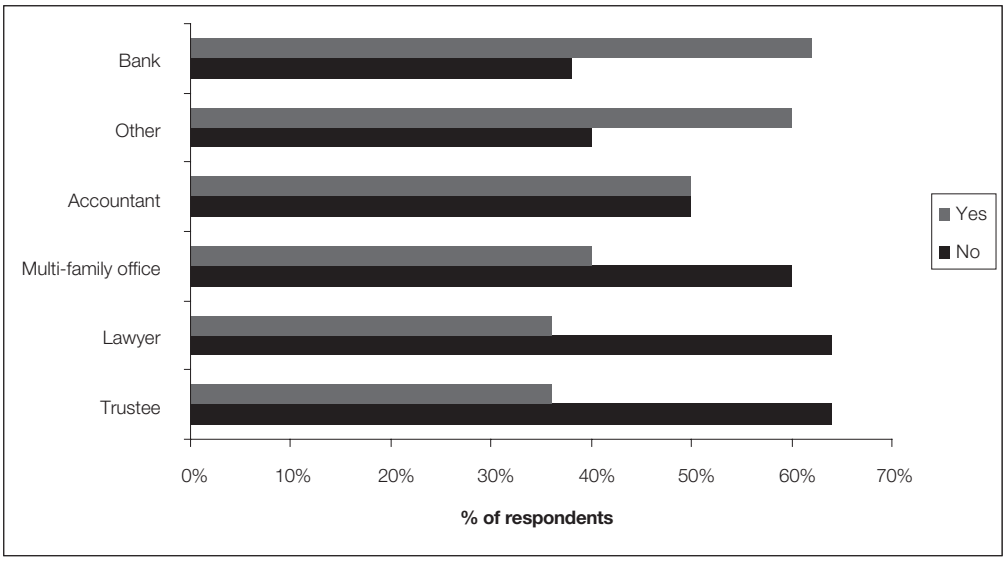
Scorpio Partnership's 2008 research showed that out of the 100 private client advisors interviewed, 78 offered some form of philanthropy services to clients.[1] Philanthropy advice was deemed important to the business of private client advisors, with 60 interviewees believing that it would become a core pillar of private client services in the next five years.

Over half of the advisors interviewed were looking to expand their philanthropy services, either through third-party relationships or by developing services in-house. This was particularly the case for private banks, but less so for lawyers, as shown in Figure 8 below.

Increase in advisor interest is also seen in the US. The most recent Bank of America studies of high net worth philanthropy have shown a striking increase in donors' use of legal and financial professionals to help them make charitable giving decisions.[6] In 2005, donors relied on non-profit

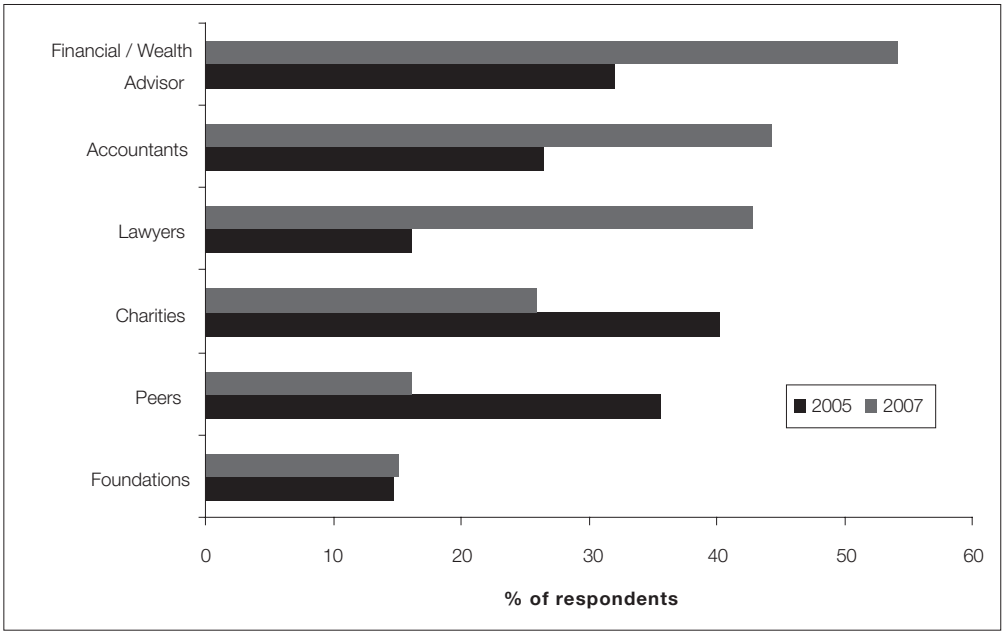
60% of advisors believe that philanthropy will become a core pillar of private client services in the next five years.

Figure 8: Response of advisors who were asked: Do you plan to expand your philanthropy offering?[1]



Source: Scorpio Partnership

Figure 9: Type of person consulted by high net worth households on charitable giving[6]



personnel and their own peers more than any other source of advice in this area. But by 2007, accountants, lawyers and financial or wealth advisors were among the leading sources of charitable advice (see Figure 9).

A similar study in Australia showed a significant rise in the number of professional advisors providing philanthropic support to their clients. In 2002, only 14% of advisors provided advice. This had risen to 44% by 2005.[23]

In NPC's experience, there has been a significant increase in interest from all types of private client advisors in the UK wanting to develop their philanthropy services. Although we have been talking to private client advisors for the past five years, it has only been in the last 12 to 18 months that there has been real energy and interest in understanding how best to serve clients in this area. We are receiving requests for help in supporting clients from a growing number of institutions.

Box 1: Helping a leading global private bank to structure its philanthropy services

A leading global bank commissioned NPC to interview both its own private bankers and some of its key competitors, to help determine whether it should begin offering a philanthropy service to its ultra high net worth clients. NPC prepared a report analysing competitors' offerings in this area, outlining the concerns of the bank's own people, and examining the overall demand for philanthropy services in the bank's target market.

The report concluded that growing interest in philanthropy services made them an increasingly important part of wealthy clients' expectations of their banks. We identified five components of an effective philanthropy offering—including initial conversations about the client's concerns, and reviews of the impact of donations—and suggested several possible structures for delivering philanthropy services to clients.

Growing activity from advisors

Difficult market conditions have prompted some private banks to reduce investment in their philanthropy teams. Yet several other private banks have recently appointed a head of philanthropy or built up their philanthropy services, such as JP Morgan, Standard Chartered and Barclays Wealth. When Barclays Wealth appointed a head of client philanthropy, its head of private banking noted:

'We understand that our clients need advice which extends to more than just managing financial assets. Through our philanthropic programme we can help clients identify the right structure, ensure their giving aims are achieved, involve the family to create an inter-generational legacy and develop their own philanthropic vision.'[24]

The head of another private bank said to us:

'We need someone to live, breathe and think philanthropy and to be the go-to person for the relationship managers when the giving question comes up.'

Other banks and private client advisors are investing resources into working out the best way to go about offering philanthropy services to their clients and how these services can be integrated into their existing business, as illustrated in Box 1.

The services on offer are also slowly developing. The chief executive of a financial planner* in the UK told us that, driven by client demand, philanthropy is a growing area of his firm's business. It has created a comprehensive giving plan for clients wishing to give away more than

£50,000. The planners discuss issues with their clients such as:

- What are your passions and drivers for your philanthropy?
- How much of your giving do you want to be international?
- What type of asset do you want to give?
- How should the funds be invested if they are not to be given away immediately?

The planners bring up philanthropy in all client conversations, although only around 10% of their clients use their philanthropy advice in some form. Despite the fairly low take up of the advice, which is provided for a fee, it is still seen as a service that adds value, and a relatively low-cost offering that has the potential to enhance relationships.

The challenges of delivery

These changes are welcome. Nevertheless, the reality lags behind the increased talk about philanthropy advice. Even when philanthropy services are provided, their quality and delivery are sometimes in doubt. A number of private bankers and others admit privately that they are less active in the field than appears to be the case. Moreover, we have met private bankers who are not even aware of their firm's reported offering. There may be a glossy brochure or dedicated pages on the website referring to the firm's philanthropy services, but we frequently hear negative comments.

For example, an advisor at one private bank reported during the Scorpio research: *'It is a new area and private banks in general are struggling to understand it all.'* [1] The head of another private bank told us: *'Our bankers know their stuff, but it's amateur time when it comes to philanthropy discussions.'*

One bank suggested that, even though there was a philanthropy page in its pitch-book to new clients, *'the relationship managers on the whole tended to skim over the page very quickly and hope they didn't get quizzed on the subject.'*

Over half of the advisors interviewed in Scorpio Partnership's 2008 study indicated that their philanthropy services were only marketed informally—for example, in response to requests from clients or on an ad hoc basis.[1]

Wealth advisors themselves are aware that their industry is not fully supporting clients' philanthropic goals. Scorpio Partnership found that only multi-family offices and lawyers felt their industries responded well to client needs in this area. The common feeling amongst private banks was that their philanthropy offerings were either still in their infancy or non-existent. Private client lawyers noted that they are often too reliant on client instructions and need to find a way to take the lead with clients. According to one lawyer:

'We need to be more pro-active and engage with clients on these issues as a sector.' [1]

It is difficult to form a clear picture of just how much activity there is, but it seems to be relatively little, and the quality of service can be less than perfect. Section 2 described how the industry is failing to meet client expectations and the current modest levels of demand. Furthermore, many third-party providers do not see the reported referrals from these institutions. The philanthropy advice market is underdeveloped, needing support and promotion to develop further.

Supply of philanthropy advice is not even meeting the modest levels of demand.

The importance of supply

Supply can lead the development of the philanthropy advice market. It need not wait for demand—it can help to create demand. That is especially true for innovations. Products or services are developed before demand is known. Demand then follows (or not, if the product is doomed to fail).

Philanthropy advice is an innovation. Its development comes from a mixture of supply and demand, but is driven strongly by supply. The development of organisations such as NPC (in its earliest form) has been led by supply—in particular, by people who thought that such services should exist. Demand was not necessarily market-tested and supply was often driven by conviction. Likewise, even before the signs of demand described in Section 2, some private banks and other commercial firms started to build the supply of philanthropy advice.

This is not an unusual situation, and history provides us with many examples of supply-led innovations.

The Florentine princess, Catherine de Medici, married King Henri II of France in 1533. Catherine is credited with introducing the fork to France as part of the entourage and equipment she brought with her for the marriage.[25] Before this, people used fingers to eat. There was no particular demand for forks, but Catherine's use and promotion of them gradually converted people, and they became widespread.

The story of the iPod bears some similarities. The technology for the iPod was developed before anybody knew for sure whether there was demand for an iconic portable music device with a large-scale storage capacity.

Philanthropy advice, like other innovations, can be supply-led rather than waiting for demand.

* See glossary for definition.

Photo supplied by istockphoto.com.

Gradually, the technology and stylish device became ubiquitous as more people bought iPods and adopted the technology. Tell-tale white earphones played an important role in helping to promote and disseminate the technology.

As with forks, the social aspects of spreading a technology were important with iPods. This has important lessons for philanthropy advice, especially given people's general reluctance to talk publicly about their charitable giving.

If supply is to lead the growth of the philanthropy advice market, we must first understand its business case, and then the obstacles that stand in the way.

Building a business case

The business case for philanthropy advice—or the lack of a business case—is at the heart of both the interest in providing advice, and problems with developing supply.

The benefits of providing philanthropy advice

Bankers, lawyers, multi-family offices and other advisors do not enter this domain for altruistic reasons. Their main objective and motivation is to earn more revenue—either through directly charging for advice, or in more indirect ways, such as deepening the relationship, getting a larger share of the client's assets under management, or even winning the next generation's business.

According to Scorpio Partnership, offering philanthropy advice to clients offers various benefits for advisors, including:[1]

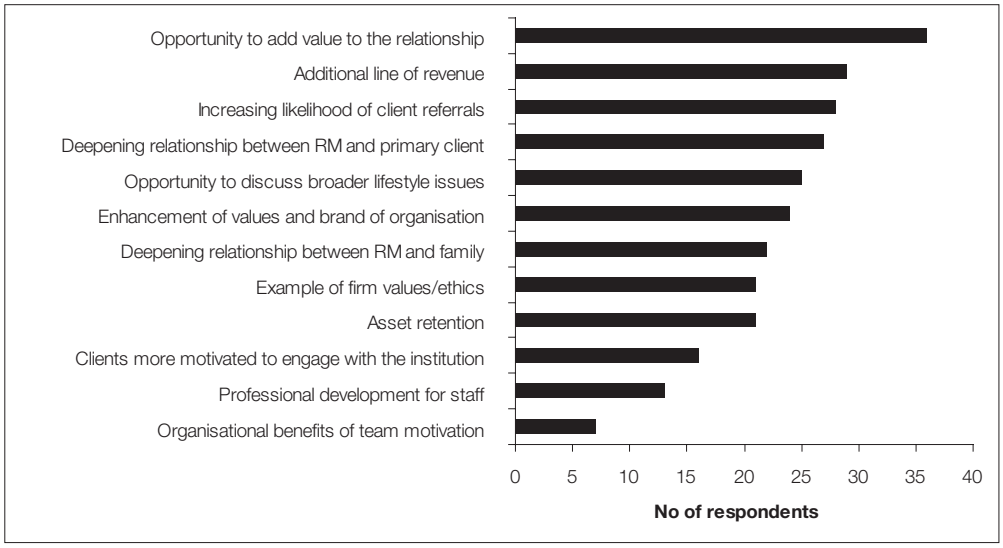
- adding value to the relationship;
- creating an additional line of revenue;
- increasing the likelihood of client referrals;
- deepening the relationship with the client;
- providing an opportunity to discuss broader lifestyle issues;
- enhancing the organisation's brand and values;
- deepening the relationship with the client's family;
- retaining assets; and
- providing professional development opportunities for staff.

Scorpio Partnership found that 77% of advisors who were offering philanthropy services said that they had established these services due to client demand.[1] Very few (10%) were launching services because of the revenue-generating potential, although an additional line of revenue was the second most noted benefit of a philanthropy service once it was up and running. As Figure 10 shows, other key benefits highlighted were adding value to the relationship and increasing the likelihood of client referrals.

As Figure 11 shows, the benefits differ according to the type of advisor. For private bankers, asset retention and deeper relationships are the main benefits, whereas for lawyers, additional revenues and client referrals are the main benefits.

> "We know we need to be in this space, but we don't want to do it ourselves. We need someone like NPC to be our best friend. I know that getting our bankers to talk more knowledgeably about philanthropy with their clients will enrich the relationship."
>
> Head of a UK private bank

Figure 10: What are the benefits of offering a philanthropy service?[1]



Source: Scorpio Partnership

Deepening the relationship

Some advisors are beginning to understand the benefits of using conversations about philanthropy to deepen the client relationship. A private banker in London recently said to us:

'When we win a new client, they open two accounts—a financial account and an emotional account. Even if the financial account is struggling (as in the current environment), it is the banker's duty to keep the emotional account in positive territory and this is exactly where the philanthropy conversation fits in.'

After discussing philanthropy with his client for the first time, another relationship manager said: *'I have never spent an hour and a half with my client. And I have never seen him so engaged.'*

And in the words of the head of a UK private bank:

'I can't quantify it, but I know that relationships deepen if you can talk more knowledgeably about philanthropy. It enriches the relationship at no cost other than time. The more touch points you have with a client, the more likely they are to stick with you.'

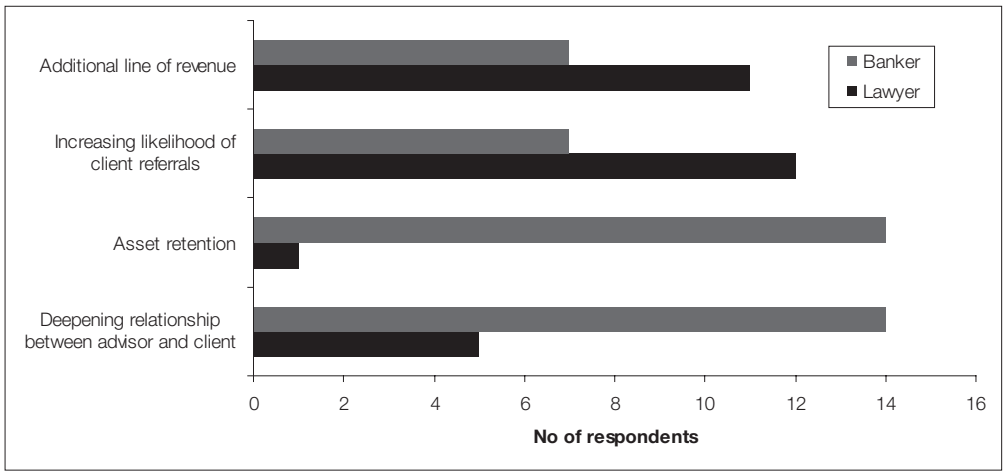
Standing out from the competition

Many advisors, particularly private banks and multi-family offices, see philanthropy as a service to offer clients as a way of differentiating themselves from their competition. As philanthropy services become part of the mainstream suite of services offered to clients, differentiation will then come through the level and quality of service provided.

One advisor that has differentiated itself on the basis of high-quality advice is a law firm in Switzerland, which has far more requests for advice on philanthropy than other advisors. It receives in excess of 30 requests per month (compared to the average of one to five requests).

> "I know that relationships deepen if you can talk more knowledgeably about philanthropy. It enriches the relationship at no cost other than time."
>
> Head of a UK Private Bank

Figure 11: The top benefits of offering philanthropy services, by advisor type[1]



'Like many other law firms, this legal practice focuses on planning and vehicle structuring. However, its success is founded on its depth and experience of cross-border planning and structuring … Equally importantly, the firm offers its philanthropy services proactively as a core part of the suite of private client services it provides. This high level of visibility is judged to have a significant impact on the number of requests.' [1]

> "The friction between clients and their advisors arises because advisors are trying to maximise financial outcomes, not maximise their clients' joy, self actualisation or social impact."
>
> Sean Stannard Stockton, Tactical Philanthropy Advisors[16]

However, although there are many benefits of offering philanthropy advice, one lawyer put it very succinctly—the topic just might come up:

'It is essential for our partners to be well-versed in philanthropy—for when the client brings it up. We don't want to look like fools not knowing how to help them.'

The lack of a clear business case

Many advisors simply do not see the benefits of discussing philanthropy with their clients, or find these benefits confusing. Within private banking, the absence of a clear business case for philanthropy advice lies at the root of this obstacle. Is it to be regarded as part of a service, and an intrinsic part of client care? Or is it to have defined products and revenue streams?

The range of possibilities is expressed in a piece of US research, which identifies three different types of financial advisors when it comes to helping their clients with philanthropy:[26]

- Bankers acting as '**Goalies**' are so keen to protect assets under management (AUM) that they do not raise the issue of philanthropy with clients, or they only recommend giving vehicles that will keep AUM as large as possible for as long as possible.
- Bankers acting as a '**GPS**' (global positioning system) raise the question of giving and refer interested clients to other professionals.
- Bankers acting as '**Guiding stars**' serve their clients as lifetime intergenerational family philanthropy coaches.

Few bankers see the third option as their role, and the problem hinges around the fact that the banks, on the whole, find it hard to see beyond their clients' philanthropic giving as a threat to the bank's revenue earning potential (at least in the short term). They focus on revenue streams from philanthropy advice, and are less aware of the relationship benefits, which are harder to quantify.

One senior investment banker heading a private client service was reported as saying: '*We have not seen a single example where philanthropy has resulted in new business for the bank.*'

When we asked a multi-family office advisor why more philanthropy advice was not offered, she commented:

'Too many of the bankers think "What's in it for me?" *or* "I can't be bothered"*, even during the years when so much wealth was being created.'*

However, we are encouraged to see some advisors who are beginning to measure the impact their philanthropy offering has on their business (see Box 2). If more advisors offering a philanthropy service were to measure its impact and provide evidence on its benefits, this may inspire other institutions to develop those services.

An issue that is particularly relevant for lawyers and accountants is that they already feel they offer clients the advice on giving they need, such as tax advice, legal structuring and cross-border planning. They do not see it as their role to help the client with the next steps—for example, maximising their giving potential, achieving more impact, involving their family, or becoming more knowledgeable on the causes about which they are passionate. For lawyers or accountants, the existing services already have a clear business model. Additional services might not contribute to this business model, particularly if they involve bringing in third-party advisors.

The bottom line is that very few advisors have really worked out the business case for offering philanthropy services to clients. The danger is that the market for philanthropy advice will not move forward successfully until the business case is addressed.

Box 2: Measuring the value of a bank's philanthropy offering

Having invested significantly in developing a high-quality philanthropy service for clients, Coutts & Co, with its own dedicated in-house philanthropy team, takes the time to measure the benefits that the philanthropy offering is bringing to the bank. It is particularly interested in whether the offering is having an impact on the following three areas:

- improving client trust and loyalty;
- differentiating from other private banks; and
- increasing its share of clients' private banking.

By employing an independent consultant to conduct regular surveys with all types of customers of the bank, Coutts is able to assess the impact that its philanthropy service is having on client satisfaction, revenue generation, client retention, brand and so on. The surveys also give the bank the opportunity to identify what clients are interested in, and any new types of services that it can develop to meet its clients' needs.

Even though it is still early days, the surveys have shown that the philanthropy offering is having a positive impact on the Coutts brand.

Barriers limiting the supply of philanthropy advice

Articulating a business case for philanthropy advice is the most important development that is still to take place in the market. However, a number of other barriers are also slowing down the growth in the supply of philanthropy advice, thereby hindering the development of the market. These barriers are:

- institutional barriers;
- lack of knowledge about philanthropy;
- lack of product innovation; and
- poor relationships with third parties.

Institutional barriers

Largely due to lack of clarity about the business model, institutional barriers inhibit the development and delivery of philanthropy advice.

The first challenge is the commitment of institutions to philanthropy advice. In the last few years, a number of private banks in the UK, including Barclays Wealth, Coutts and JP Morgan, have hired philanthropy specialists, and other institutions are thinking more seriously about the subject. But there are no more than a handful of individuals who are pushing the subject forward within their firms and with clients. These individuals are supported by their senior management, but few institutions appear to be making determined efforts to mainstream philanthropy advice. Success or failure seems to depend to a considerable degree on individuals' efforts.

A second challenge is that philanthropy advice can sit uncomfortably within a firm's organisational structure. In some cases, it is driven by, and located within, the marketing department. The more successful model is ultimately likely to be where philanthropy is integrated into the heart of the business, and where the firm really tries to answer such questions as *'How do we incentivise advisors to discuss philanthropy with clients?'* or *'Which bits of advice do we offer ourselves, and which should be outsourced to a third-party expert?'*

Incentives are an important consideration. Incentives for private bankers are, on the whole, tied to the amount of product they deliver to their client. But currently, in the UK at least, philanthropy is not delivered as a product that bankers are incentivised to deliver.

One German private bank interviewed by Scorpio Partners has tried to get around this by including the number of new foundation mandates brought by each private banker as a direct measure in staff bonus reviews. The bank also penalises private bankers who fail to bring in at least one new mandate annually.[1]

It is not only bankers who face these difficulties. Lawyers tend to be reactive to clients because they are charging on an hourly basis. This makes it hard to initiate conversations and drive the supply of philanthropy advice.

According to Anne-Marie Piper from Farrer & Co, *'There's a limit to how proactive a lawyer can be on a subject the client may or may not want to discuss … Sometimes it is easier to initiate discussions about philanthropy at a client gathering, when the meter's not running and when clients are in the company of others.'* [27]

Banks, multi-family offices and lawyers need to work out what kind of philanthropy products and services would best fit into their current institutional structures. They also need to decide how best to encourage their relationship managers or private client lawyers to raise the issue proactively, on a more regular basis, despite it not being their 'day job'. To reap the benefits of providing philanthropy advice, organisations must see it as an integral part of a client's wealth planning (see Box 3).

Several advisors, both lawyers and bankers, have suggested to us that philanthropy should be part of a regular checklist of discussion points with a client. As one private client lawyer said:

'At the first meeting with a client, philanthropy should be on the checklist to discuss, along with wills, trusts, children etc. This would allow clients to know that we can help them with their giving should they want it.'

Box 3: Converting requests into philanthropic activity[1]

One international multi-family office has enjoyed a 67% success rate in turning client discussions into philanthropic activity—16 of the 24 requests in the past year have converted to fee-paying services.

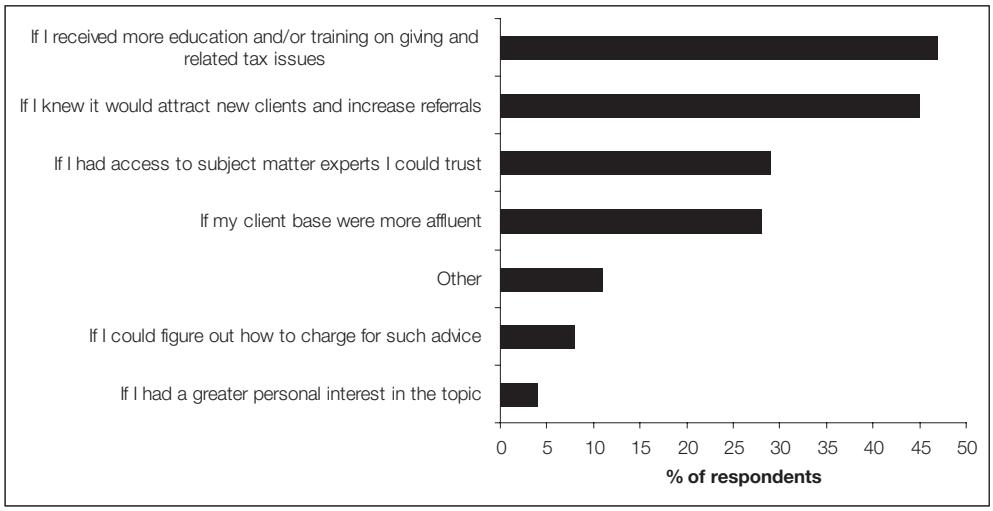
At this firm, a dedicated philanthropy expert invested significant effort into collaborating with relationship managers across the business to identify client situations and requests that required specialist philanthropy input.

This hands-on education programme for staff has led to relationship managers becoming increasingly confident in broaching the topic of philanthropy with clients. Furthermore, relationship managers have become effective at channelling significant requests to the philanthropy team.

The relationship managers have become more knowledgeable at screening their clients' requests, so those with the greatest need, and therefore likelihood of conversion to fee-paying work, are introduced to the philanthropy team. The relationship managers also see this as beneficial because they do not wish to waste client time.

The relationship manager remains the key point of contact and works alongside the client, the philanthropy team and any outside experts.

Figure 12: Factors that would increase charitable giving discussions[16]



If philanthropy becomes embedded in the institutional framework, advisors are more likely to bring up the subject. For example, one private bank has altered all of its client profiling forms and software to include information about the client's giving.

Photo supplied by Laura Kidd.

Lack of knowledge about philanthropy

A lack of knowledge about philanthropy is clearly holding back the supply of good advice. Advisors often know little (if anything) about the array of philanthropy options available to their clients, about specific organisations or sectors, or about challenges and pitfalls potentially facing clients.

A survey of US investment advisors in 2007 found that 79% of advisors talked to clients about philanthropy, although they found it difficult to provide the level of assistance and expertise that clients need and are coming to expect.[16]

This survey revealed that lack of expertise was the most commonly cited reason for advisors not discussing giving with their clients. Nearly half (47%) said that they would be more encouraged to have those discussions with clients if they received more education and training on giving (see Figure 12).

According to the President of Schwab Charitable, Kim Wright-Violich:

'Knowledge can make a critical difference in terms of an advisor meeting the needs of a client when it comes to charitable giving and the services it requires … It's difficult to bring up a topic with a client if you don't feel well grounded, or if you think you might make a mistake.'[16]

This lack of education around philanthropy is beginning to be addressed in several countries.

For example, in the US, an advisor can become a Chartered Advisor in Philanthropy (CAP) through the American College's Wallace Chair in Philanthropy, a programme that builds advisor effectiveness when helping clients and prospective donors reach both financial and philanthropic goals.

Similarly in Australia, Enrich Australia provides advisors with strategies to position their business in this area, and facilitates solutions

for clients to create their own charitable foundations. Their online and workshop training programmes are accredited by the Financial Planning Association of Australia.

And in the UK, some of the private banks are running their own in-house training sessions for bankers in how to bring up the topic with clients. Their aim is to inspire bankers to market philanthropy services to clients, rather than to wait for the clients to bring up the subject and leave the banker floundering, not knowing where to direct them.

NPC recognises that lack of knowledge is a key barrier, so we have developed a training course to address it. The course, run in partnership with STEP (Society of Trust and Estate Practitioners), provides public half-day workshops for any type of private client advisor wishing to increase their knowledge of philanthropy, looking at why they should be raising the issue with clients and the typical needs of clients at different stages of their giving.

There is also a great online resource for private client advisors—*Giving Advice: a guide for philanthropy advisors*—developed collaboratively by Philanthropy UK and STEP.[28] This new website provides a comprehensive guide for private client advisors who want to support their clients' philanthropic aims more effectively. It is an excellent resource, along with the rest of Philanthropy UK's website, to keep advisors up to date with developments in the sector.

Despite these steps, more work is needed to fill gaps in knowledge and enlarge the pool of advisors who are at least fluent in conversing about philanthropy, even if they are not experts themselves.

One option would be for some of the regulators of the private client industry, such as the Law Society and the Financial Services Authority, to get involved in ensuring that training in philanthropy becomes a core part of private client advisor training.

Lack of product innovation

There is a striking lack of products to enable giving in the UK, compared to other countries. This may well be a contributory factor to professional advisors in the UK being relatively slow to drive the growth of philanthropy advice.

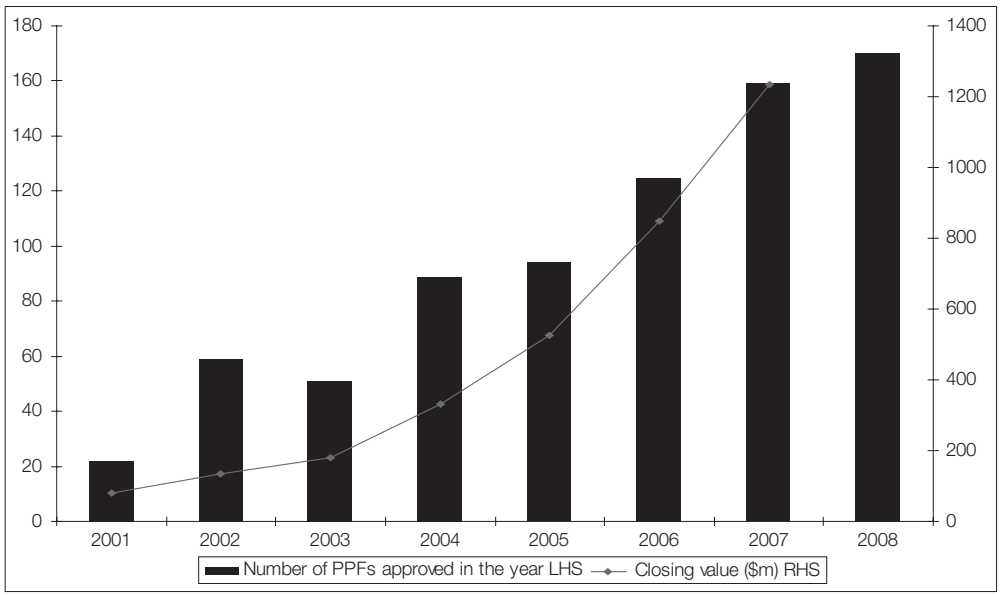
In other countries, where more innovative charitable vehicles have been established, it is often a change in tax incentives that has increased demand for giving.

For example, in Germany, the law of donations tax (the Spendenrecht) was amended in 2000 to allow the deduction of up to €300,000 on qualifying charitable donations from taxable income.[1] However, the donation had to be used to endow a new foundation—resulting in a glut of unsustainable, small foundations. In 2007, the law was changed again to raise the deductible amount to €1m over a ten-year period and to permit the deductible gifts to be made to existing foundations. The view in Germany is that this will result in a wave of new, pooled vehicles that will attract smaller donors.

In Australia, there is a range of tax-effective vehicles to facilitate the giving of affluent individuals. Most notably, in 2000, the government introduced a new form of private philanthropic trust—Prescribed Private Funds (PPFs)—that offers a range of benefits to donors. These include tax efficiency, ease of establishment, private control and the facilitation of giving over many years. Several hundred PPFs have been established since their introduction (see Figure 13).

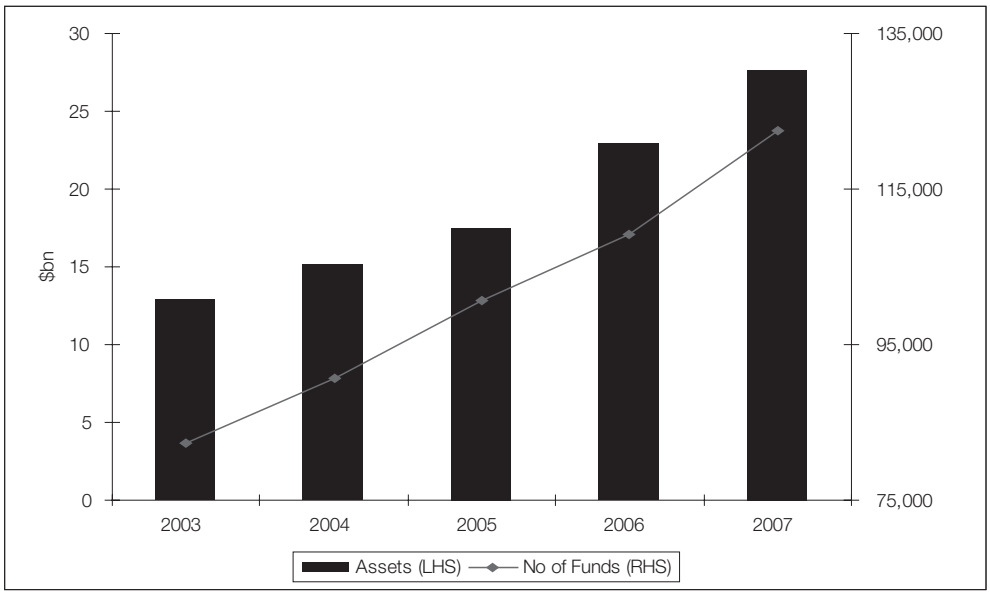
> "Relationship managers need to be able to talk about philanthropy with a great deal of confidence to ensure that they can educate their clients and help them in the process of giving."
>
> Advisor in a multi-family office[1]

Figure 13: Prescribed Private Funds in Australia[29]



US donor-advised funds held almost $30bn in assets in 2007.

Figure 14: Donor-advised funds in the US[30]



In the US, donor-advised funds (described in Box 4) are the fastest growing and most popular charitable vehicle, with more than 100,000 fund holders, and holding almost US$30bn in assets in 2007 (see Figure 14).[30] It is financial service providers, such as Fidelity, Vanguard, Merrill Lynch and Schwab, which run some of the country's largest donor-advised funds, prompted by the Fidelity Charitable Gift Fund that was established in 1992.

There is evidence that the recent economic downturn has also spurred families to shift their assets from private foundations into donor-advised funds, which are significantly less costly to maintain. The Fidelity Charitable Gift Fund, which has about US$3.6bn under management, is on track to increase the number of foundations it converts to donor-advised funds in 2009 by about 43%.[31]

The large growth in US donor-advised funds is being driven by professional advisors. Financial advisors, tax planners, accountants and others have understood the benefits of this flexible and efficient model of charitable giving.

Figure 15 shows the benefits of establishing a donor-advised fund, according to a survey of around 250 financial advisors in the US.[16]

Some of the lack of product innovation in the UK can be attributed to the fiscal and legal framework. For example, in the US, split-interest trusts (charitable remainder trusts and charitable lead trusts), which offer American donors a variety of products to choose from, are simply not available in the UK. In 2006, $8.4bn was distributed from split-interest trusts in the US, which had a book value of $108bn.[33]

There are some types of donor-advised funds in the UK, but these are of a very different nature to those provided by financial institutions in the US. Community foundations in the UK provide donor-advised funds—they manage the funds that an individual donates, help donors give tax-efficiently, deal with the administration, and connect the donor to local needs. Donors can also give via a Charities Aid Foundation (CAF) account, which is a type of donor-advised fund. Again, donors receive all the tax benefits when setting up the account, with relatively low administrative costs, and can direct their giving to their favourite causes. Similar accounts are offered by organisations including Prism, Charities Trust and Stewardship. And, although not a donor-advised fund, the recently launched Coutts Charitable Giving Account aims to make the process of giving to charity more convenient and should be applauded as an innovation in this area.

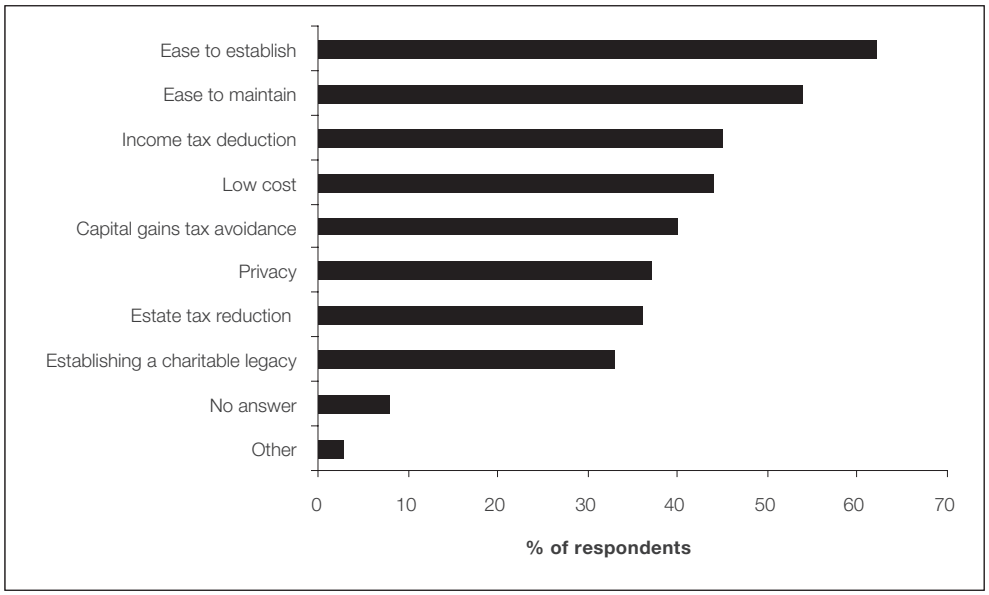
'A unique aspect is that clients will be able to transfer money between their charitable and their current accounts in either direction without notice, giving clients greater flexibility over their giving', says Mark Evans, head of philanthropy at Coutts.

Other types of funds have also been piloted in the UK—for example, NPC/CAF funds several years ago, and more recent environment and microfinance funds from Coutts. These are an innovative way of pooling donors' funds and directing donations within specific fields to make a bigger impact. However, evidence of their success is missing.

Box 4: US donor-advised funds

A donor-advised fund is a charitable investment account administered by a public charity. Donors can open a fund in a donor-advised programme by making a contribution and receiving an immediate tax deduction. The contribution is irrevocable and becomes controlled by the public charity, which invests the funds in competitive investment vehicles. Although the donor no longer controls the funds once contributed, they can recommend grants to other charitable organisations.[32]

Figure 15: Advantages of donor-advised funds[16]



Given the significant growth of donor-advised funds in other countries, it is hard to understand why UK financial service providers have not seized the opportunity to create a tax-efficient, low-cost alternative to a charitable trust or foundation. It would give an excuse for advisors to talk about philanthropy with clients, provide a revenue stream from the asset management side, and raise the philanthropic profile of the organisation willing to step out and provide such a fund.

Poor relationships with third parties

One of the reasons why so few advisors offer philanthropy advice may be the involvement of third-party experts. NPC has noted reluctance on the part of some advisors to outsource advice, perhaps for fear of losing control of the client.

NPC recommends that advisors remain actively involved in the referral process, rather than simply passing on the contact details of a third-party expert to the client. If the advisor sits in on at least the first conversation between the client and the philanthropy expert, the advisor can gain a deeper insight into the client's philanthropy needs and probably other issues close to his or her heart. With more experience and a better understanding of the value of outsourcing advice, relationship managers, lawyers and accountants may feel more confident that their relationship with the client can improve rather than be damaged.

Encouraging the supply of philanthropy advice

Literature on the spread of innovations highlights three lessons that are useful to apply to the philanthropy advice market:

- Share information.
- Take a lead.
- Build a community of practice.

Share information

The theory behind the development of markets demonstrates the potential that is created when suppliers of a service or product deliberately share information. It is not enough for private client lawyers to tell their competitors that they now provide philanthropy advice. Rather, there needs to be a conscious policy of sharing information on best practice and challenges faced by clients. This is particularly valid and important for an innovation such as philanthropy advice, where there are so many unknowns. At present, this sharing does not happen enough.

Photo supplied by Kristian Buus.

Information sharing could be valuable in developing the philanthropy advice market.

At the heart of this principle of sharing information is an apparently counterintuitive idea: that competitor firms should cooperate with one another.

Within the academic literature that has sprung up about this subject, the process is known as 'informal information trading'. Its study has often been carried out in engineering and other technologically-rich industries—a very early study outlining the theory looked at steel mills in the US. There is no reason, though, to restrict it to such fields. It has also, for example, been found in hotels in Sydney and wine regions in Chile.

An important conclusion of such research is that firms can benefit from allowing their employees to cooperate with their counterparts in rival companies. Reciprocity of information sharing—an acceptance that drawing on knowledge from a competitor creates an obligation to share information oneself—is an important feature of this phenomenon.

The market in controversial credit default swaps illustrates this concept.

A credit default swap is one of the types of financial derivatives that have caused so many problems in the recent past. Derivatives most broadly have been dubbed by Warren Buffett as *'financial weapons of mass destruction,'*[34] and credit default swaps are described by some people, including George Soros, as so dangerous that they should be banned in some circumstances.[35]

In February 2009, the investment bank JP Morgan did something striking. It decided to publish and give away for free the details of how it calculates prices for credit default swaps.[36] For such an opaque and complex instrument, this is significant. It represents a valuable step towards transparency and loss of intellectual property by the investment bank that helped to create these toxic instruments in the first place.

Box 5: Silicon Valley—a case study[37]

One third of the largest US technology firms created since 1965 are in Silicon Valley on the west coast of America. It offers a fascinating history of planned development and fierce competition, tempered by shared broad goals and cooperation.

The technology market in this area initially developed largely thanks to the concerted effort of an engineering professor at Stanford University, Frederick Terman. Terman was committed to building a technology market in the area around the university, to rival its more traditional technology rival, Route 128 on the east coast. His employer, Stanford University, recognised the benefits and educational opportunities a bigger market would bring. In fact, the development of Silicon Valley enhanced the status of Stanford's electrical engineering course to such an extent in the 1950s that it ended up awarding as many doctorates in the subject as its larger rival, the Massachusetts Institute of Technology.

It all started with a small loan from Terman to two of his ex-students, William Hewlett and David Packard, which enabled them to build a product they had developed while studying. Over the following years, through collaboration and competition, Terman helped the technology market in Silicon Valley flourish. He encouraged knowledge sharing and networking, arranging field trips for university students to local businesses, and urging businessmen at industry conferences to share information with each other and draw on Stanford's research.

Terman also invited employees from local electronics firms to attend Stanford's Honors Cooperative Program, to hear more about the latest technical developments and to build contacts within the profession. Finally, Terman built a technology park so that businesses could settle close to the university, and draw on its talented pool of graduates. Cooperation was a key feature of the way Silicon Valley operated and developed. The classic study of how Silicon Valley developed makes this point clearly. Formal networks were few, but a number of informal ones sprung up and contributed to strong identities. This could be to the apparent cost of individual companies, as in: *'Here in Silicon Valley there's far greater loyalty to one's craft than to one's company. A company is just a vehicle which allows you to work.'* And in even more stark terms: *'The network in Silicon Valley transcends company loyalties … there is an even higher loyalty—to their network.'* This loyalty was manifested in sharing knowledge as well as, sometimes, equipment. It also took the form of cross-licensing patents to competitors, spreading technological advances more rapidly.

Such cooperation existed alongside intense competition. It contributed to the rapid development of Silicon Valley and provides a valuable case study of the potential of cooperation to boost markets. The whole industry benefited from these behaviours. At first glance, it would appear that firms were giving up competitive advantage through this process. But the benefits created—in terms of the speed of development of the industry and reciprocal information sharing arrangements created by the informal networks—far outweighed the apparent costs.

There is a clear lesson here for the development of the philanthropy advice market. As one commentator notes: *'The paradox of Silicon Valley was that competition demanded continuous innovation, which in turn required cooperation among firms.'* The same might be said about the developing market in philanthropy advice.

JP Morgan has a history of doing this—for example, it published a manual of formulae for derivatives during the growth of the credit derivatives market in the 1990s. The bank realised that publishing the formula for credit default swaps would add credence to the market and perhaps help to stem some of the criticism of these instruments.

The bank also realised that sharing this information would help the market develop. It would help JP Morgan, but it would also help others who want this market to exist. From this perspective, this cooperative act represents a contribution towards a broader good. Being willing to share information with rivals requires a level of trust and confidence that new markets might lack. But it can help to promote new markets. If it leads to new and more widely accepted standards and ways of doing things, the market can grow.

In the philanthropy advice market, sharing information could be valuable. Information that is shared between sympathetic individuals who want to promote philanthropy advice might help to tackle questions such as:

- How can I get my advisors to promote philanthropy advice?
- How should they raise the subject with clients?
- What services should I provide?
- How do I charge for philanthropy advice?
- When should I outsource specialist advice?
- Who are good providers of outsourced advice?
- How can I encourage clients to take up the service?

There is currently little evidence of meaningful sharing of information about philanthropy advice. Indeed, there is often little contact between professionals working in the same field but for competitor firms. But given that the philanthropy advice market is underdeveloped, it is particularly important to consider the potential benefits from information sharing.

Take a lead

When it came to credit default swaps, JP Morgan took a leadership role in sharing information to build a stronger and more developed market. The bank took this step from a position of relative strength.

The lesson for the philanthropy advice market is that firms in such positions should use their power, influence and strength for the broader good, even if this means giving up some of their competitive advantage. The benefits can then come from the market being more developed. The absence of such leadership can be a barrier to the market developing.

An example of leadership from an entirely different sphere is the role played by Stanford University in helping to create the modern collection of high-tech companies in Silicon Valley on the west coast of the US. This example, discussed in Box 5, highlights the importance of cooperation and knowledge sharing, as well as leadership.

One lesson from the literature on innovations is that there is no particular reason to be first. Analysis of the spread of many technologies shows that those who are first to market do not make a killing.[38] It is best to be second, waiting and watching for a product to get established before entering the market.

This may be particularly true for philanthropy advice, as it can easily be copied and replicated by other firms—it is not easy to copyright or protect the knowledge created by being first. This is another factor holding back the development of the market and discouraging investment. Individual firms will want to wait and see how the market develops before entering. As a result, there will be less risk-taking in terms of committing resources to the market.

Build a community of practice

One of the problems in the nascent philanthropy advice industry is the absence of any 'community of practice'. But building a community of practice could be a valuable development, as an example from another market illustrates.

D&AD is a British charity that gives awards in excellence in design. It began in 1962 in London, when a group of frustrated designers working in advertising went for a meal together.[39] These designers were frustrated with the stagnant state of the British advertising industry. They wanted to change the face of advertising, speed up the flow of new ideas, and evangelise about design and creativity in the industry. They decided to do this through a competition to encourage and promote good design. The British Design and Art Direction—D&AD—was created as the vehicle for this competition.

More than 45 years later, D&AD remains the watchword for excellence in design, and its black and yellow pencils a badge of pride. It is frequently described as the 'Oscars' of the design industry. The designers' collaborative action helped both to professionalise and to reinvigorate the world of design.

The term had not been invented then, but this group of designers could be described as a 'community of practice'. In recent years, management theory and research has highlighted the potential of deliberately fostering such communities where ideas are exchanged and problems discussed.

It is not difficult to draw a parallel between these frustrated designers and today's philanthropy professionals working in private banks and beyond. They are isolated from one another, working in organisations they are trying to

The philanthropy advice market would benefit from building a 'community of practice' to exchange ideas and discuss problems.

influence, and they could benefit from supporting one another. But they have relatively little contact and do not share information or collaborate. They represent a 'community of practice' that has not yet been properly formed, and whose potential has yet to be unlocked and realised.

Conclusion

Supply can lead to demand for an innovation. So if it is true that sufficient demand for philanthropy advice can be fostered and generated, it is not necessary to wait for this to emerge before investing the resources in providing advice.

It is possible to believe that philanthropy advice will become mainstream, and invest resources to this end, without necessarily seeing demand today. The most far-sighted advisors in the private client industry already grasp this. They are investing resources to create and ultimately meet a demand. Clearly, doing this carries more risk than meeting existing demand, but it is often the way that new products and services emerge, and it is a risk worth taking.

Demand for philanthropy advice is growing, although perhaps more modestly than some suggest. Yet that demand is not being met. Advisors should not simply wait for demand to grow even more before supplying services and products. And by supplying services and products, they can stimulate greater demand.

There are clearly some obstacles that are preventing a fully-fledged philanthropy advice market from emerging. But if some of these obstacles are overcome, there is potential for the market to flourish, and for clients to give their money away more effectively.

Photo supplied by Laura Kidd.

Conclusions and recommendations

The philanthropy advice market in the UK, while growing, needs to mature and develop more rapidly. But supply-side obstacles within the private client industry are a major problem, and overcoming these would help to unlock the potential of this market. Supply need not wait for demand—there are ample examples of supply leading market development. This does, of course, carry extra risk for private client advisors, but it is a risk worth bearing. A more developed market would add value to private client relationships and make good business sense.

So why is there not more philanthropy advice from private client advisors? It is primarily because the potential benefits of the market are not appreciated. In addition, the market is fragmented, and individuals can be protective and secretive about their work.

Our recommendations centre around two principles:

- the importance of **collaboration** and sharing information; and
- the importance of **leadership** to shape the market, spur its development and support the capacity of the sector.

A lack of collaboration and a lack of leadership are key barriers to realising the potential of the philanthropy advice market. Unless these can be overcome, the market will probably remain underdeveloped, or will develop more slowly. All market participants need to recognise that the benefits of collaboration and leadership outweigh the apparent costs.

Recommendations

We have four key recommendations:

1. Participants in the philanthropy advice market, including specialist advisors and the private client industry, should recognise a collective interest to develop and promote the market.
2. A formal network (a 'community of practice') covering the philanthropy advice market should be established to help promote the sharing of information, promote the testing of ideas, and progress the development of the market.
3. Government should recognise the importance of encouraging the development of this market as part of fostering a greater spirit and tradition of philanthropy in the UK. Government can play an important role in convening players in the market, and should use this power to encourage market participants to take the other steps necessary.
4. The financially strong members of the philanthropy advice market should recognise the need to support the whole market, particularly the weaker parts. This should include practical and financial support.

As Section 3 highlighted, good leadership can shape markets and help them develop. At NPC, we are trying to shape the market for philanthropy advice. We are a leader in advising donors, analysing charities and publishing research aimed at donors. But on our own, we do not have sufficient reach, capacity or resources to alter the landscape of the advice market.

We can, though, encourage others to play a bigger role. This report is part of that process. Within the private client industry, we see a significant role for private banks, law firms and others.

Steering group of advisors

In December 2009, NPC brought together the beginnings of a 'community of practice' by creating a steering group of private client advisors, keen to collaborate and share information in order to improve the philanthropy advice sector.

Appendix 1 lists the names of the individuals and institutions that have agreed to be part of this steering group. We have been delighted by the enthusiasm and commitment already shown by everyone. During the first meeting, a statement of intent, set out in Box 5, was agreed.

Dame Stephanie Shirley, Ambassador for Philanthropy, will be chairing this group, and some early initiatives are being taken on by the group to tackle some of the barriers outlined in this report. These include the lack of evidence of a solid business case for advisors to offer

Collaboration and leadership are key to developing this market.

Box 6: Steering group's statement of intent

We believe that there are significant opportunities to develop the provision and take up of good philanthropy advice. We believe that through collective action and the sharing of knowledge and ideas, philanthropy advice can develop to the benefit of all participants—private client advisors, specialist philanthropy advisors, clients and charities.

We aspire to the following:

1. *to create a group with a limited lifespan (to be reviewed after two years) committed to developing the market, in its widest sense, for philanthropy advice, and are willing to track progress towards this goal;*
2. *to attend a quarterly meeting of this steering group to discuss ideas and develop initiatives;*
3. *to share information and knowledge about philanthropy advice between the group (so long as client confidentiality or business terms are not compromised in any manner);*
4. *to discuss challenges and to try to find common solutions;*
5. *to promote philanthropy advice as widely as possible within our institution and industry; and*
6. *to establish standards of best practice of philanthropy advice.*

philanthropy advice to clients; the need for more training in the field; and the question of how best to let clients know the beneficial value of philanthropy advice.

Although the steering group consists of competing institutions, it is understood by all that the sharing of information and collaboration will neither compromise any elements of client confidentiality, nor weaken competitive advantage—reciprocity and information sharing is enshrined within the rules of the community. It will also be important for parent institutions to buy into this process for it to succeed. High-level management commitment from all firms is essential.

A final word

We have a great opportunity to build a significant and potentially world-class market in philanthropy advice. But it cannot be done alone. The more players that are willing to get involved and take on some of our practical suggestions, devoting time and resources to overcoming the obstacles, the more likely this market will be to develop. This will be to the benefit of professional advisors, specialist philanthropy advisors and donors. And ultimately, it will be to the benefit of effective charities.

Appendix

Appendix 1: Steering group participants

The following individuals constitute the initial formation of the steering group of private client advisors, who have agreed to work collaboratively to develop philanthropy advice. This group is open to other advisors who are keen to sign up to the statement of intent and prepared to commit time and resources to contributing to various initiatives to stimulate the market for philanthropy advice.

Dame Stephanie Shirley	Ambassador for Philanthropy **(Chair of steering group)**
Roberta d'Eustachio	Chief of Staff to the Ambassador for Philanthropy
David Emerson	Association of Charitable Foundations (ACF) and Philanthropy UK
David Hawkins	Arts & Business
Emma Turner	Barclays Wealth
Simon Weil	Bircham Dyson Bell
Russell Prior	Charities Aid Foundation (CAF)
Diviya Gosrani	C Hoare & Co
Bob Loft	C Hoare & Co
Clare Brooks	Community Foundation Network
Jessica Stuart	Community Foundation Network
Mark Evans	Coutts & Co
Maya Prabhu	Coutts & Co
Richard Bendell	European Association of Philanthropy & Giving (EAPG)
Lord Janvrin	HSBC Private Bank
Rebecca Eastmond	JP Morgan Private Bank
Paul Knox	JP Morgan Private Bank
Tim Thornton Jones	Lawrence Graham LLP
Ceris Gardner	Maurice Turnor Gardner LLP
Martin Brookes	New Philanthropy Capital
Lucy de Las Casas	New Philanthropy Capital
Plum Lomax	New Philanthropy Capital
Alexander Scott	Sand Aire
Keith Johnston	Society of Trust & Estate Practitioners (STEP)
Clive Cutbill	Withers LLP

The Office of the Third Sector has agreed to act as Secretariat to the steering group.

Glossary

Credit default swaps	A specific kind of counterparty agreement which allows the transfer of third-party credit risk from one party to the other. One party in the swap is a lender and faces credit risk from a third party, and the counterparty in the credit default swap agrees to insure this risk in exchange of regular periodic payments (essentially an insurance premium). If the third party defaults, the party providing insurance will have to purchase from the insured party the defaulted asset. In turn, the insurer pays the insured the remaining interest on the debt, as well as the principal.[40]
Financial planner	A financial planner is a practicing professional who helps people deal with various personal financial issues through proper planning, which includes but is not limited to these major areas: cash flow management, education planning, retirement planning, investment planning, risk management and insurance planning, tax planning, estate planning and business succession planning (for business owners).[41]
High net worth individual (HNWI)	HNWIs are defined as having investable assets of US$1m or more.[4]
Multi-family office	A firm that manages investments and trusts for multiple wealthy families. Multi-family offices typically provide a variety of services including tax and estate planning, risk management, objective financial counsel, trusteeship, lifestyle management, coordination of professionals, investment advice, and foundation management. Some multi-family offices are also known to offer personal services such as managing household staff and making travel arrangements. Because the customised services offered by a multi-family office can be costly, clients of a multi-family office typically have a net worth in excess of US$50m.[42]
Private client advisor	Includes a range of professional advisors who advise private clients, including lawyers, accountants, private bankers, independent financial advisors and multi-family offices.
Ultra high net worth individual (UHNWI)	Ultra-HNWIs are defined as having investable assets of US$30m or more.[4]

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Stephen Hammersley	Community Foundation Network
Mark Evans	Coutts & Co
Maya Prabhu	Coutts & Co
Richard Bendell	European Association for Philanthropy & Giving (EAPG)
Warren Lancaster	Geneva Global
Bob Loft	C Hoare & Co
Diviya Gosrani	C Hoare & Co
Lord Janvrin	HSBC Private Bank
Rebecca Eastmond	JP Morgan Private Bank
Paul Knox	JP Morgan Private Bank
Tim Thornton Jones	Lawrence Graham LLP
Karin Jestin	Lombard Odier Darier Hentsch & Cie
Michael Maslinski	Maslinski & Co
Ceris Gardner	Maurice Turnor Gardner LLP
Susan McKenzie	Philanthropy UK
Alexander Scott	Sand Aire
Cath Tillotson	Scorpio Partnership
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Research reports are focused on specific areas of charitable activity in the UK unless otherwise stated.

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We provide independent research, tools and advice for funders and charities, and shape the debate about what makes charities effective.

We have an ambitious vision: to create a world in which charities and their funders are as effective as possible in improving people's lives and creating lasting change for the better.

- For charities, this means focusing on activities that achieve a real difference, using evidence of results to improve performance, making good use of resources, and being ambitious to solve problems. This requires high-quality leadership and staff, and good financial management.
- For funders, this means understanding what makes charities effective and supporting their endeavours to become effective. It includes using evidence of charities' results to make funding decisions and to measure their own impact.

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