

Highlights of the 2021 Bank of America Study of Philanthropy: Charitable Giving by Affluent Households

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As our community faced the uncertainty of the early days of the Covid pandemic, the team at the Community Foundation was often asked what we thought would happen to charitable giving. With so much unknown, how would our community respond? Living and working in Greater Des Moines, we strongly suspected generosity would remain. And indeed, it did. While the generosity of our community was evident all around us, the recently released 2021 Bank of America Study of Philanthropy: Charitable Giving by Affluent Households highlights this was a trend that played out across the United States.

This study is the eighth in the series of research reports produced in partnership between the Indiana University Lilly Family of Philanthropy and Bank of America. The data discovered themes in generosity and ways of giving amongst affluent donors that provide great insight into giving trends and motivations. As our team reviewed the findings, five highlights stood out related to how affluent donors gave in 2020.

- 1. Charitable giving by affluent donors increased.** In 2020, affluent donors remained consistent in their giving, but what stands out is the average amount given per affluent household increased by 48%. Nationwide, affluent households rose to the occasion and gave even more in support of increased needs and opportunities.
- 2. Giving decisions shifted from selections based upon organizations to decisions based upon specific issues and causes.** In the 2017 data, 54% of affluent donors reported being drawn to the organization to which they were giving compared to 45% in the 2020 data. The study also found age to be a key differentiating factor in this piece of data. Fifty-five percent of affluent donors 38 and younger choose to give based upon issues, compared to 41% of affluent donors over the age of 38. Issues based giving continues to rise year-over-year in the study and provides an excellent opportunity for nonprofits to continue to focus on the stories of why they seek to serve and the meaningful impacts they make.
- 3. The top three charitable categories supported remained the same from 2017 to 2020.** Organizations in service of basic needs remained the top category supported in terms of both number of gifts and amount given. Religion remained at number two and education, both K – 12 and higher education, continued to hold at number three. Of note in the study was the increase in affluent donors supporting social justice and racial justice causes in 2020. One in five households surveyed said they want to become more knowledgeable about how their charitable giving can advance racial equity and social justice goals and 11% selected social justice as one of their top three most important causes or issue areas.
- 4. Impact investing is on the rise.** The percentage of households reporting they made at least one impact investment nearly doubled from seven percent in 2017 to 13 percent in 2020 and this trend is more pronounced among younger donors. As defined by Bank of America, “Impact and sustainable investing aim to invest for the purpose of generating returns while supporting social, environmental or other causes.” Of those who participated in impact investing, 60% said their impact investing was done in addition to their existing charitable giving. This provides valuable insight for professional advisors and nonprofits alike. Affluent donors are seeking opportunities to be involved in innovative ways to address systemic change, and they are willing to invest to make it happen. How can our local nonprofits highlight the many ways they are innovating to prospective donors to develop new and lasting partnerships?

5. More households used giving vehicles. Affluent donors are presented with a variety of paths to give back. Increasingly, they are choosing to use giving vehicles. For example, 17% of households said that they currently have a will with a specific charitable provision. Additionally, 7% use donor advised funds; a 75% increase from the last study. New to the 2020 study was inquiry into the use of qualified charitable distributions from IRAs. It proved to be the second most used giving vehicle cited by respondents. While we know these and other giving vehicles can be of great value for all donors, the study found use of giving vehicles correlated with respondent's net worth. Nearly 60% of household with assets over \$5 million used one or more of these vehicles. This highlights the ways in which gifts other than cash can provide unique opportunities to meet giving goals in ways that also meet overall financial goals.

As I reflect on the findings of this study, I can't help but be left with the feelings of immense gratitude and optimism. Even amid challenging times, we stepped up to help one another and aid where it was needed. The findings also highlight to me the value of your partnership with the Community Foundation as a donor or as a professional advisor seeking to meet the goals of your clients. We are here to work alongside you as you learn more about causes you care about and the needs of our community. And our top priority is fulfilling a charitable plan meeting your unique needs. Our team is here to listen, consider your goals and suggest giving vehicles and giving opportunities that match your charitable values. Our community is strong, innovative and thriving thanks to you and the spirit of giving that is alive and well.

About the Author:

Jordan leads the Charitable Investment Partner program by collaborating with professional advisors and their clients as they develop and implement charitable giving goals. He facilitates charitable giving programs for local businesses. Nonprofit organizations also rely on Jordan to support their endowments. Jordan is a Chartered Advisor in Philanthropy® (CAP®), a designation which provides expertise to guide charitable individuals and organizations in strategic philanthropic planning. Jordan is also a 21/64 certified advisor, specializing in facilitating conversations with individuals and multigenerational families, so donors can give and connect more effectively in their charitable giving. Contact him at richardson@desmoinesfoundation.org or (515) 244-0020.