Philanthropy in the Family Office: A Global Perspective

Global Family Office Community

Hammer & Associates

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Global Family Office Community

The Global Family Office Community (GFOC) exists to serve the needs of family offices of all continents, including single, multi and virtual offices. Activities are for and driven by families and their family offices, and focus on events, recruitment, news, information and supplier directories. GFOC is an umbrella group for other business services for family offices, including the global online portal www.familyofficerecruitment.com. For more information, visit www.globalfamilyofficecommunity.com

Global
Family Office Community

Hammer & Associates

Hammer & Associates is a philanthropic advisory firm based in the U.S. that works with philanthropic families, family offices, businesses and wealth professionals worldwide. As a full-service firm, Suzanne Hammer and her team support philanthropists as they launch foundations or funds, strategize and manage giving, tend to the day-to-day administrative duties, engage the next generation, and ease transition points—including succession, change in assets and spend down. For more information, visit www.suzannehammer.com

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During the inaugural Global Family Office Conference in 2014, organized by the Global Family Office Community, many of the attendees—both family office staff and family members themselves—expressed a desire to know more about philanthropy. Much of the curiosity focused on how to get started in philanthropy, how philanthropy could help families build more cohesion and unity over time, and questions about some of the big trends in philanthropy today, including impact investing.

It was after that conference that we came together to answer some of these questions for our colleagues. The result is the report you are now reading.

Our hope in offering you this report is that families worldwide have a better understanding of how to engage in thoughtful philanthropy—for the good of their families and for the good of the world.

We hope this opens a new avenue of education within the family office structure, one that is useful across borders and cultures.

Vahe Vartanian
Founder

Suzanne Hammer
President

On the pages of this report, you will find action steps and resources for your family and staff to start—or enrich—your conversations around philanthropy. It provides advice and guidelines for thinking strategically about giving, with an important eye toward impact.

Family philanthropy is both a privilege and a great responsibility. It helps families come together around a common cause that matters to them, and create an important legacy across lifetimes. It's an honor to be able to share this information with you in the hope that it will inspire you and your family for generations to come.

If we can support you along the way, please be in touch with us directly.

Truly,

Vahe Vartanian Suzanne Hammer

Global Family Office Community

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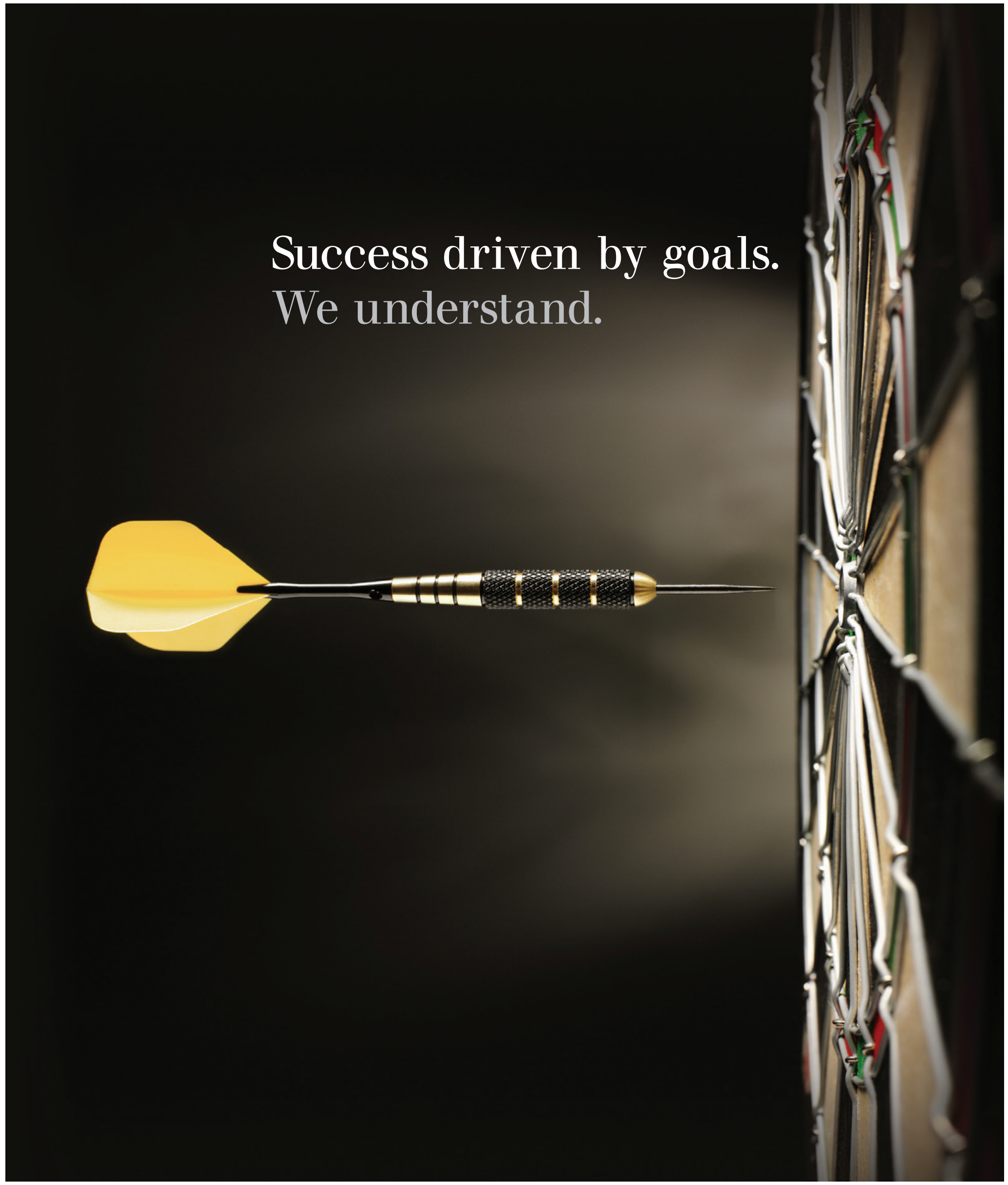

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Introduction

Following demand from its membership, the Global Family Office Community in partnership with philanthropy partner Hammer & Associates has commissioned research to discover the role of philanthropy in family offices globally. This white paper is the result of that research, and is based on in-depth conversations with family offices, high-net-worth individuals and philanthropy advisors.

The study sought to answer these questions, among others:

1. How do family offices work with their families on their philanthropy?
2. How does geography affect their perspective on giving?
3. What do family offices most need to better serve their families' philanthropy? What are some tools and resources they can access?

Whilst philanthropy in the family office is a growing trend, little research has examined the issue in depth. This is the first independent global report aimed at helping family offices approach, incorporate and measure philanthropy in a thoughtful and effective way. It includes insights on the best practices, trends and needs in philanthropy across family offices in several regions of the world. Family offices and individuals of wealth can use this report to begin a conversation on philanthropy, or strengthen a philanthropy program that they already have in place. We hope this guide will be useful for family offices, philanthropic families, advisors and support organisations.

Audience

This report offers useful frameworks and insights for single-family offices, multi-family offices, family businesses, and high- and ultra-high-net-worth individuals who are just starting to engage in philanthropy. Those already engaged in philanthropy will find information and advice on ways to be more strategic and increase impact.

In addition, the information may be useful for philanthropy support organisations, family office associations and close advisors.

Each family office's motivations and goals for philanthropy will be different. There is no set approach to philanthropy that fits every family. In addition, philanthropy may not suit all families or have a place in every family office. There will be some family offices that conclude philanthropy is not appropriate for them at this time. However, for those that do wish to expand their philanthropy, this guide will be a good starting place.

Family members, family office professionals and advisors representing several major regions of the world were interviewed for this report through the Global Family Office Community and Hammer & Associates. Regions included Africa, Asia, Australia, Europe, Latin America, the Middle East, and North America.

Interviews were conducted with a semi-structured protocol. All interviewees were asked to reflect on their approach and theory of practice as family offices and close advisors related to family philanthropy. They were also invited to suggest tools and best practices family offices worldwide could use to engage in effective and intentional philanthropy. In addition, interviewees were asked to discuss their opinions on philanthropy trends in the region(s) they represent.

This report is based upon our own interviews and research, alongside literature review, and the expertise and knowledge of Hammer & Associates and the Global Family Office Community. Understandably, many interviewees have wished to remain anonymous for privacy reasons, as is often the case with family offices.

The scope of this study was limited to identifying themes and tools that will be helpful for family offices globally. At the same time, it acknowledges that as all family offices are different, there is no one definitive approach. We hope these findings will be useful to the family office field as a whole, and particularly for those who are considering incorporating philanthropy into their overall wealth strategy.

While each family builds their family office around specific needs and circumstances, they all meet a universal need: to manage the complexities of wealth.

A family office takes many forms but is generally a structure or company that looks after a wealthy family's wealth and interests.

Typically, this will involve managing their investments, properties and structures, whilst also offering personal services such as managing household staff and making travel arrangements. In addition, a traditional family office also manages day-to-day accounting, payroll, tax services, legal affairs, charitable giving and succession planning.

Family offices work with extremely wealthy (UHNW) families, typically, it is said, with a net worth in excess of $100 million. Generally, true family offices are very private organizations that are solely focused on representing the family's best interests.

The purpose of a family office is to manage, preserve and increase the family's wealth for both current and future generations, whilst also providing for the family's day-to-day running costs.

Generally, the following types of family office exist:

- Single Family Office is the name given to a company or structure that oversees one family's wealth.
- Multi Family Office is the name given to an organisation that looks after the wealth of multiple families.
- Virtual Family Office, a more recently developed term, is the name given to a group of advisors who look after the wealth of a number of similar families on an outsourced basis.

Single and multi-family offices globally can vary dramatically in terms of their structures, strategies, sizes, and histories. As the common saying goes, "If you've seen one family office, you've seen one family office." They are all vastly different in terms of structures and approaches, yet they all meet the needs of a family enterprise, providing tailored assistance and resources.

WHAT DOES A FAMILY OFFICE DO?

Family offices may manage the following for the family (or families) they represent: investments, fiduciary and tax concerns, estate planning, education, governance, lifestyle matters and philanthropy. In fact, philanthropy is an important and growing segment in a family office repertoire of services. Especially in the U.S., family offices have become more involved in guiding and managing the family's philanthropy—sometimes in cooperation with a family foundation, and other times not.

Typical roles of the family office might include helping the family find a strategic focus, providing due diligence services, and helping the family measure the effectiveness and impact of its giving.

What is Philanthropy?

Philanthropy, by definition, simply means "love of humankind," and most commonly refers to the act of donating money to create a positive change. There is no set dollar amount that defines philanthropy, and there are many different tools that encompass philanthropy: charitable giving, venture philanthropy, microfinance, impact investing, volunteering of time, providing pro-bono technical assistance.

Strategic philanthropy has to do with intention. In its simplest terms, it means deciding what change to make in the world ("the world" here could be as small as a community, town or neighborhood, or as large as an entire country, region or planet), and then using philanthropy as a tool to make that change.

A **grant** (or grantmaking, as it's often called) is another word for a gift of money to an organisation or individual doing good things. A grant award may be earmarked for a specific program or result, or it may contribute to an organisation's general operations and overall mission.

Often people confuse philanthropy with charity. Although the two are many times used interchangeably, words like "charity" and "gifts" tend to connote a more tactical, opportunistic, "short-term-solve" approach, whereas "philanthropy" and "social investing" are generally considered more strategic, active and based in a business-mindset.

Charity tends to focus on finding a quick fix now—a more immediate response to serve the needy or provide rescue and relief. Philanthropy (in theory and not always in practice) looks to solving root problems for the long-term and achieving a greater mission. As an example, charity could be sending money to help aid the immediate response of a natural disaster, whereas philanthropy would be making a grant to an organisation that focuses on the long-term rebuilding efforts in a community affected by that disaster.

According to our interviewees, it's common for older, more traditional donors to maintain a charity mindset—writing checks or wiring money year after year to their charities of choice, such as orphanages, hospitals, or universities. Often, a hurdle for families is how to grow from a charity mindset to a more strategic approach. This requires exiting the legacy commitments they've been funding for years.

According to Lynn Zovighian, managing director of Zovighian & Partners: "A family patriarch may have put a standing order in place to send money to a family in need. Twenty years later, that receiving family might have evolved their economic lifestyle to afford more basics and comfort. Yet they may be unknowingly dependent on that standing order, because the family did not get to think through how to live without it."

Over time and with guidance, some come to recognize the difference their money can make when applied as a philanthropic investment in social change. "Philanthropy is a decision to think differently–to move away from treating a charitable asset like a subsidy, to building an impact portfolio that is very mindful of the multi-dimensional value of wealth–and make high-integrity choices on how to allocate our financial, social, and intellectual capital for social good," said Zovighian.

Why Philanthropy in the Family Office?

Family offices represent the interests of families, and philanthropy plays an important role in that. The most successful family offices plan ahead for succession and prepare the next generation for the responsibility of wealth. Philanthropy is an effective way to do that. It provides an unparalleled opportunity for a family to share its values, skills and creativity—all whilst making positive changes to causes close to their heart.

Of course, in many countries, there are powerful tax advantages to giving. But beyond that, family offices have the freedom and flexibility to make things happen fast. They have financial control over assets and can leverage dollars to do more good. And philanthropy has a way of bringing family members together in a way like no other—leaving a legacy within the family and the community that extends well beyond the donor's lifetime.

There is a growing opportunity for family office professionals to guide their families toward intentional and impactful philanthropy. Driving this change is the number of HNW and UHNW individuals who wish to engage in philanthropy. This increased interest in philanthropy may be due in part to these statistics and trends:

* Wealth is increasing the world over. Over the past 30 years, the number of HNW and UHNW individuals has grown; between 2008 and mid-2014 there was a 54 percent rise in the number of millionaires and more than double increase in the number of billionaires.[1]
* In the next four decades, it is projected that the millennial generation will inherit an estimated $41 trillion in wealth from the previous generation.[2]
* As wealth increases, so does philanthropic activity.[3]
* Younger wealth holders are recognized as more socially and environmentally conscious and 70 percent of these inheritors are women.[4]

Philanthropy is a way for families to bring their values and their legacy to life.

* High-net-worth and ultra-high-net-worth clients regularly identify philanthropy and charitable giving as one of their top four concerns in terms of advice, service and support.[5]

* Entrepreneurs today more than ever want to find innovative ways to solve society's problems.[6]

* In the philanthropic sector, a shift in focus is occurring from the act of giving itself to the impact it achieves.[7]

Family offices are often trusted with philanthropic giving, as evidenced by a recent survey by Forbes Magazines. According to the study of 83 single-family offices, 59 percent considered including philanthropic money managers among their advisors.[8]

In spite of the growing interest in philanthropy, many family office staff members are reserved when it comes to raising the topic. There are many reasons why this could be so:

* They don't know if the family is interested in philanthropy.

* They don't think it is their role to raise this conversation.

* Philanthropy doesn't fall into their personal expertise; thus, they lack confidence in how to properly advise families on the matter.

According to Alana Petraske of Withersworldwide:

> "Often, there is a near-miss when it comes to a conversation on philanthropy between advisors and their clients. Those seeking wealth advice wouldn't know that their advisor on private wealth could also guide them on philanthropy, and advisors often hesitate to bring up the conversation."

There is a sentiment that "if the family was interested in philanthropy, they would bring it up." This may lead family offices to look for a third party advisor when it comes to servicing their philanthropy needs. According to one interviewee, "There's been a traditional growth in interest in philanthropy among HNW and UHNW individuals, and they see philanthropy as a reason to go out the door [of the family office] and seek external advisors."

"The challenge is that most advisors only can provide guidance on issues that they know are applicable to the families. Families want staff to bring up issues without being asked, and who can offer ideas in advance of problems arising," said Tim Lappen, founder and chairman of the Family Office Group at the law firm Jeffer Mangels Butler & Mitchell LLP. "I use this analogy: If all of your interactions with a doctor was based only on you asking and the doctor telling, you would have terrible medical care. Of course, doctors ask for the patient's input but go well beyond that, checking on issues that are likely to be important for that particular patient, due to past history, age and lifestyle. It's important for professionals to know what their families are doing and have the ability to weigh in early."

The most successful family offices manage virtually all aspects of a family's financial life—from how the wealth is acquired and managed, to how it is distributed. Family offices are in a favorable position for implementing effective and meaningful philanthropy—and doing so in a way that makes an impact.

In addition, unlike some of the more traditional and structured giving vehicles, family offices can be more flexible and agile when it comes to family philanthropy—getting resources out the door swiftly and effectively.

Philanthropy changes the interaction with families from a dry, financial one to a passion conversation.

Here are some ways family offices can use philanthropy to add value to the families they represent:

Philanthropy discussions link to future wealth objectives.

Particularly in the current environment, many wealthy individuals and families are looking for advice, strategies and solutions that allow them to maintain or increase their wealth, as well as their level of support to causes and organisations they value. A family office can provide tools, techniques and tactics that allow the family to harness their assets more efficiently in support of their financial and philanthropic goals—whilst sustaining current financial security and the ability to meet longer-term planning goals.

Philanthropy inspires innovative thinking and passion for change.

Wealthy individuals who are creative, entrepreneurial and savvy want to innovate on solving world problems, just as they innovate in their businesses. Such individuals often have the skills, sophistication and agility to envision and/or act on innovative ideas. The more private donors and social investors know what their philanthropic options are (including in other regions and countries), the more it will enable them to take strategic action and bring forth tangible results.

Philanthropy softens discussions about more complex family and governance issues.

Research has shown that the families who prosper from one generation do so because they have robust governance structures in place. A philanthropy conversation with the family could serve as an entry point to other more potentially contentious discussions, such as family governance, succession, charters and unproductive dynamics.

Philanthropy teaches the family to work together and promotes family unity over time.

Philanthropy develops collaborative skills. According to family advisor Christian Stewart of Family Legacy Asia, "Collaborative skills are important for keeping a family together. If family members don't learn to work together and share power in their 20s and 30s, by the time succession comes around, it's too late." Often, a family patriarch or matriarch has a dream of keeping the family together over time, but never teaches family members how to do that (A common sentiment is: "I look at my 50 year old kids, and wonder why they can't work together.")

Drawing the family members together around a philanthropic cause teaches new skills including collaboration, compromise and shared decision making. This can bring new layers to relationships and boost the chances for family unity over the long term.

However, whilst most everyone agrees philanthropy is a good way to teach collaborative skills, putting it into practice can be challenging—especially in certain cultures that still value "keeping your cards close to the chest." When there's a lack of transparency around family wealth structures, it can slow down education.

Philanthropy trains the next generation to be good stewards of the family's wealth.

Across all cultures and regions, philanthropy is seen as an excellent way to educate and ground the next generation. When done well, it can teach the next generation about the family enterprise, finances and values, and empower them to do something of meaning. It can help younger family members develop their own sense of purpose, and give them a lesson in sharing power and responsibility—before the stakes get higher.

Part II

A Snapshot of Philanthropy Around the World

It's been well documented that high net worth individuals and families are philanthropic, with almost a quarter of global HNWIs reporting that philanthropy is a top spending priority.[9] However, what the key differences in culture, behavior and attitudes toward giving in the different regions around the world? This research uncovered the following trends and insights into philanthropy among high net worth donors globally.

* **Most countries have a long-standing tradition of philanthropy**—thousands of years of philanthropic engagement, although it might look different from the professionalized lens of philanthropy today. Some countries (like China and the former Soviet Union) are reportedly rediscovering their philanthropic roots post-Communism.

* **Philanthropy is personal**; it cannot help but be informed by culture and geography, and it is different wherever you go. Whilst the concept of philanthropy is universal, the ways in which people give are not.

* **Global philanthropy is not uniform but rich in its diversity**. Trying to impose uniformity in defining global practices may marginalize some cultures and local practices.

* **The level of sophistication, infrastructure and trusted philanthropy advice varies dramatically among different countries**. In some countries, families aren't sure where to turn to make sure their philanthropic intent gets executed in the way it's intended.

* **A relationship exists between how much governmental provision there is** and how much private wealth steps up to fill the gap.

* **A country's policies can drive the philanthropy of its citizens**, just as gaps in policy and practice can hinder philanthropic growth. In Southeast Asia, for example, Singapore is known to be a leader in increased giving through policies that encourage it—including a 250 percent charitable deduction for contributions made to specific nonprofits.[10]

* **Some reported noticing a trend globally toward strategic philanthropy;** however, in many parts of the world, there is still no common definition or practice of strategic philanthropy. Many families are still relatively less structured in their giving–especially in the first and second generation, they tend to be more impulsive givers.

* **There is a trend toward giving toward global issues**—such as climate change, poverty, access to fresh water—versus place-based causes. However, many internationals still want to give back to their home country or community—the place where they still have a close connection.

* **As the world becomes more international**, more donors want to get on the ground and see that their funds are making a difference.

* **The level of personal interaction between donor and recipient differs**, based on cultural norms. In Asia, for example, a third party intermediates all contact between donor and recipient. It would be considered rude to have a direct conversation with the donor.

* **Openness versus privacy. In most countries, people are private about their wealth and giving**. The U.S. is the anomaly, and in the last three decades, it has become more accepted to discuss philanthropy openly; however some donors and private foundations still prefer to remain anonymous.

"In the U.S., it's not seen as blowing one's own trumpet to talk about philanthropy. In other parts of the world, people struggle with that—and a lot of generous people prefer to remain anonymous."

"More philanthropists from the U.S. and the Middle East see the world as in extreme need of philanthropy—and view their own countries as being in more urgent need than the rest of the world."[11]

Africa:

Philanthropy is not new to African societies. Reciprocity and giving are age-old practices that have been in place regardless of socio-economic status, and are part of the currency of how communities and societies function. Few formal

African foundations exist; however, African citizens in the Diaspora (those people whose families left Africa and settled overseas but remain closely connected to their communities of origin) remit more money to Africa—some $52 billion each year—than all other donors combined.[12]

In Africa, a new generation of philanthropists is emerging. They are interested in the transformative potential of philanthropy to bring about social change, by and in focusing on the root causes of social, economic and environmental injustices.[13] These entrepreneurs and philanthropists have the resources, networks and opportunities to spur greater social and economic change.

Over the last few years, Africa has begun to see the emergence of more strategic philanthropy, with the growth of formal vehicles for its practice. There is a growing interest to better understand African philanthropy and achieve greater impact.[14]

"Africa is a large net receiver of philanthropy. One of the concerns in any charitable giving involves the level of infrastructure and expertise, and how we can be sure the funds are actually reaching the people who need them."

Asia:

Despite philanthropy's long history in Asia, there is less public information available on how families approach it and why they do it. Many families in Asia still manage their assets and other aspects of their business and philanthropy in a traditional manner. Charitable giving is not done for tax considerations; rather, it's often Confucian values that lead a wealthy individual to want to give back, and/or the strong desire to create or preserve the family reputation and legacy. Asians typically give to their own countries versus international issues, and education remains one of the most important causes to which HNWI give.

Newer philanthropic trends include social entrepreneurship and value-based investing, and the younger generation is far more influenced by international practices. There is also more interest in measuring impact, however, there is still a traditional view (among the older generation) that giving is the end-goal in itself.

Family offices are less common in Asia and an evolving strategy. It is common for UHNW families and individuals in Hong Kong to establish charitable trusts or their own charitable foundation. In such cases, the family office might provide some administrative support to the charitable activities of the family, but most often do not.

> "In Asia, countries like India, China and Indonesia saw an exponential rise in wealth and as the generation shift was taking place these families did not have a relevant set of advisors who could look at their requirements in a holistic manner and provide unconflicted advice."

> "Most families are sophisticated in their own way but work in silos. People's mindsets take time to change. Self-made billionaires are younger, and people are entrepreneurial. Time is money, and they look at philanthropy purely as its own focus to scale up their own wealth. The footprint is much bigger, much more diverse, and everything needs to be

more fluid. Donors want to know how they can make the most impact, based on their own starting point.”

“In some Asian countries, there’s a personal risk to being too open about philanthropy. People value confidentiality and discreteness, and that hinders sharing and learning from each other. Also there is a lack of data and evidence-based philanthropy; it’s not available as of now.”

Australia:

Philanthropy in Australia is more than 200 years old. It traditionally evolved from one state—Victoria—because that state allowed people to set up trusts in wills and had the best incentives tax-wise. In 2001, a new type of vehicle (the private ancillary fund) gave incentive to HNWI to give during their lifetimes. This created a new wave on philanthropists—those who are more hands-on, who want to be strategic, and who want their kids involved in giving.

A recent trend is for highly successful business people to set up philanthropic ventures and be much more hands-on than in the past. People are moving away from checkbook writing and more toward measuring performance.

According to Philanthropy Australia, philanthropy in recent years has increased, and recent tax changes may explain this increase (inclusion of property as a tax deductible gift, for example). It’s reasonable to estimate that Australians give slightly less than the U.K. and Canada and significantly less than the U.S.

“Philanthropy is not widely talked about. It has a particular perception around it. Whereas in the U.S., it’s difficult to be high net worth and have no philanthropic activity, here in Australia, it’s not the social norm. It is starting to grow, and we just had our first Australian sign the Giving Pledge. There’s a mark of change but still a long way to go.”

Europe:

European philanthropy is a fragmented and varied phenomenon, with significant differences between nations. Each country has its own historical, cultural and social conditions, different legal rules, and different levels of government involvement in the social sector.

In the U.K., there is a great tradition of philanthropy, and it has served as model for charity law and infrastructure in other countries, including Australia, Canada, Singapore and Hong Kong. The U.K. is looking at ways to increase philanthropic giving, and venture philanthropy and impact investing is a part of that. The philanthropic landscape and infrastructure has matured more rapidly than the rest of Europe.

In countries like Ireland, a strong sense of community prevails and HNWI remain closely connected to the village and people from where they came. This has positive implications for philanthropy, and it is done on a highly local level.

Across Europe, the level of government provision greatly affects the prevalence of philanthropy. In Scandinavia, for example, there is a generous social welfare system, with extensive state-sponsored and delivered programs. Nonprofits exist, but mostly for people's political, social and recreational interests. Countries like Sweden offer no charitable tax deduction; therefore, philanthropy is not something that is commonly practiced.

Germany, the Netherlands, Belgium, France and Spain also have high government subsidies for social welfare programs, lending to philanthropy to be typically weak in these countries.

> “The U.K. is just now in position where people are setting up as philanthropy advisors—we are in the Wild West because of that. There are not a lot of professional qualifications or benchmarks where clients can compare different advisors. Nearly everyone can call themselves an expert.”

Eastern Europe:

Former Soviet countries have little culture of giving or volunteering, remembering a time when "forced volunteering" was imposed under Communism. The social sector is small, and welfare spending is high. The younger generation is recognizing it is up to them to build their communities, and philanthropy is slowly becoming more a part of that.

India:

There is a strong tradition of philanthropy in India, largely due to the huge disparity of wealth across India and the inescapable presence of poverty. A large proportion of HNWIs are part of a family business, and upon retirement, the patriarch typically takes over the charity responsibility for the family. A lack of state support in providing essential services is another key factor in driving the philanthropy among the wealthy in India today.

"Family offices are a growing trend in India with many wealth families setting up their own single-family office structures. Many of the families have been involved in philanthropy, but this has been largely ad-hoc and not structured in the right manner. Impact investments are definitely on the rise with many high profile families investing in funds and backing ventures in this space."

"Corporates above a particular threshold of profit have to mandatorily give 2% towards Corporate Social Responsibility (CSR). This has raised awareness and increased the opportunity, however, there remains some lack of clarity on what qualifies as a CSR."

Israel:

"In Israel, the society is very philanthropic. Israel itself is built on philanthropy, and has been the recipient of many international donors. It's more recently that locals are looking to make impact. This corresponds with newer wealth in Israel from the tech industry."

Latin America:

Latin American countries give little in terms of tax incentives to donate to charity. As of 2011, Argentina, Brazil and Mexico offer donors deductions of 5 to 7 percent, compared to 50 percent in the U.S. Social welfare is widely viewed in the region as the province of church and state rather than private individuals, and histories of corruption and tax evasion caused some governments to repeal tax breaks for giving.[15]

Even so, some organized philanthropy has grown in Latin America over the last decade. Traditionally, philanthropy focused on relief activities and spontaneous aid for the poor. More recently, philanthropic activity has adopted a more systematic approach toward solving social problems, focusing on the root causes.[16]

> "Counting on local private philanthropy is also complicated because it is nearly non-existent in Latin America. In Latin America, there is a 'cultural resistance' to giving."
>
> –Michael Layton,
> Instituto Tecnológico Autónomo de México[17]

Middle East:

The countries of North Africa, West Asia and the oil-rich Arabian Gulf have deep traditions of individual and collective philanthropy. Philanthropists in the Middle East are often motivated by religion, and most prefer to remain anonymous as decreed by their beliefs.

In Muslim cultures, there is a mandatory charity to those in need (called zakat payments—one of the five pillars of Islam) that the government collects and distributes. The practice involves Muslims giving a percentage of their surplus earnings to those in need. However, in recent years, wealthy donors want to see more social return on their giving beyond what the zakat provides them.

Social change is one of the top priorities for funding. Middle Eastern philanthropists are reported to be the most patient compared to other countries, with many willing to wait for results of their philanthropy for more than 25 years.[18]

"There is no personal fulfillment or intimacy in government-required giving. People want their [philanthropy] to have a lot of integrity, and therefore are compensating the previously institutionalized giving. This giving is very entrepreneurial and creative and has little to do with traditional charity—especially when it's the next generation influencing these family decisions."

North America:

The U.S. leads the way in terms of donating both money and time, with South Africa, Saudi Arabia and Ireland close behind.[19]

The U.S. leads the way among HNWI in terms of donating both money and time, and the wealthy have both social and tax advantages in giving. There's a tradition of seeing philanthropy as one's duty—tied to how the individual can be helpful in society. This hearkens back to a powerful tradition of philanthropy when there were few government institutions providing services. There is also a sense of obligation from those who have achieved success to "give back."

Philanthropy is popularly viewed as heroic and "the right thing to do." In this way, philanthropy in the U.S. remains individualistic: There is an optimism and innovation that it's up to the individual, not the government, to solve society's problems.

Over the last three decades, philanthropy has become very much part of the public discourse, and has received a lot of media attention. Wealthy individuals and families are open about their giving, and many strive to be more strategic. In addition, the availability of sophisticated advice and resources in America is said to be 15-20 years ahead of the U.K. and other countries, with many multifamily offices, philanthropic support organisations and advisors providing services and specialized advice.

"Americans make a bigger deal about everything. There's much talk of the American Dream, but every country has its own dream—we just don't go on about it. It's a big cultural difference: Americans tend to sing their own praises, whereas others do things on a discrete level. Europeans and Canadians in general are more subdued; we don't go on about stuff."

Common Family Concerns

This research asked family offices what the common concerns or issues families had in regards to their wealth and their philanthropy. Here is what interviewees said.

Involving the children – What to communicate to the next generation regarding the wealth, and when, was a big issue for the families. Quite a few interviewees reported that they see families withhold important information from their children about inheritance, succession or trust structure, often with mixed results. In some cultures, respondents reported there is often high expectations and pressure placed on the next generation regarding obligation to the family. There can be a culture clash if the younger generation returns to their home country after being educated elsewhere.

Family governance – Key questions included how to make decisions and work together, how to manage shareholder responsibility in the business or family enterprise, how to manage conflict and unproductive family dynamics, and transition points such as succession. In families, there can be a resistance to overly formalizing things, which can lead to continued lack of clarity and blurry boundaries. Families that develop charters and plans early can often prevent potential difficulties later.

Family dynamics – Power struggles, competition and conflict between family branches, generations, siblings can impede (or perceive to impede) effective giving. Whilst these issues are often deeply rooted, more families are looking for tools and guidance in dealing with these issues so they can at least be productive and engaged to the task at hand.

Family unity – Most every family wants to keep the family together over time, yet how to do that effectively isn't always clear. Building collaborative skills early on is something families said they want—but they don't necessarily have the skills or take the time to do it. It helps to have a common aim and charitable goal to link the family together inter-generationally.

Finding a philanthropic focus – Clients may know they want to give, but have no idea where to begin. They need options and resources to navigate the world of possibilities in front of them. How do they figure out the right causes, projects, or locations to fund? What's the right giving vehicle? How much risk are they willing to take?

What Families Want in their Philanthropy

Legacy – Family offices look at their philanthropic activity as creating legacy for the family—a way to be remembered both by family members and the community. Typically, people talk about legacy in terms of values and qualities, and want to look back at their lives and be able to say those values were fully expressed.

Simplicity – UHNW and HNW families don't have a lot of time. They want efficient but not complicated. They want compliance but don't want to be overburdened by rules and regulations all the time. Many families said they don't want the administrative burden of a foundation or an overly structured giving vehicle. Yet in order to be strategic and effective in giving, they realize some structure is needed.

Desire to make an impact – Family offices spoke of the desire to run philanthropy as if it was an investment, and social (if not financial) return is on everyone's mind. Donors want to see where their money is going and what it is achieving – the key performance indicators (KPIs), the profit & loss (P&L), and the return on their investment. This can also include a "learning return"—a buzzword that points to the desire to pioneer something and spread learning.

Giving is emotional – Families may outsource other steps in the philanthropic process, but they are not willing to delegate the actual giving decisions. And in spite of the trend to run philanthropy like a business and the keen desire to see results, families are human systems and giving is personal and emotional.

Privacy – In many cultures still today, families are hesitant to talk about their philanthropy openly. For some, security is a real concern, and it isn't safe to publicly position oneself or ones family as philanthropic. For others, it's a matter of modesty. Families want to maintain their privacy, and yet, would be open to opportunities to work together, learn from their peers, and share successes and failures. They said more could be done to overcome the cultural shyness and find ways of working and giving together.

In addition, some interviewees expressed the following interests:

How to give internationally – Cross-border giving is challenging. Family office founders are often visionaries who work and give globally; however tax and legal regimes are stubbornly local. There was a need to know about laws in various jurisdictions, and how to navigate those laws.

How to give together to leverage dollars – Families realize if they are going to make any positive step in solving the world's biggest problems, they cannot go it alone. In some parts of the world, donor circles (also called giving circles, funder collaboratives, pooled funds, co-investment funds) are a growing trend, as are informal support networks. Notably, some of the family offices surveyed reported offering pooled fund opportunities in which families could co-invest. There is a real drive to see money leveraged. However, in cultures that remain more private or shy away from sharing successes and failures, these types of collaborations are less common.

Challenges to Giving

According to those surveyed, HNW and UHNW individuals and families are typically extremely generous, and driven by the desire to give meaning to their money—and put it to work for the world. However, some studies have shown there are notable barriers from UHNW individuals from doing more good by giving. Namely:

* Globally, there's a universal need to move beyond impulsive giving to a well-thought-out strategic approach. Yet, within family giving, the preoccupation with strategy and metrics may stunt forward movement. High standards for impact may place a perfectionist spin on philanthropy, leaving the passion for it behind.

* UHNW research has shown that the wealthy are unsure where to turn for help with their charitable giving. In most countries, "philanthropy consulting" is a relatively new field, and just as there are no formal qualifications to work in a family office, there are no standards for what makes someone a philanthropy expert.

* UHNWs could benefit from more professional assistance in balancing the risks and rewards of a long-term philanthropy strategy. This is where family offices, with the proper knowledge and resources, could add value.

Old Wealth and New Wealth Approaches to Giving

Most cultures today have their "old wealth" and their "new wealth" families. Old wealth families made money several generations ago, and grew up in a culture of giving. They are comfortable with philanthropy, and see it as their social responsibility or obligation to "give back." They expect no return on their donations, and think in terms of providing aid to the needy and less fortunate.

New wealth, on the other hand, tends to be extremely wealthy entrepreneurs who made money in their lifetime. Many are in the technology field, but others earned their millions in real estate, corporate mergers, sports or entertainment.

"The tech entrepreneurs and the next generation wealthy are driven to solve problems rather than to simply manage them. They aren't keen on the idea of giving a certain amount per year and feeling they've done their bit," said Peter Cafferkey, director of Geneva Global in London. "They have the Gates of this world saying you can stop disease. They believe that and want their business and their philanthropy to be a positive force for change, in a way that will scale."

For the newly wealthy who contribute philanthropically, they are likely to approach it in terms of business and investments, just as they would any business venture. They are not interested in strictly making a donation; they want to invest in an organisation's future in the form of social venture capital. They may want to serve on an organisation's board of directors or lend their business expertise.

Richa Karpe of Altamount Capital Management, India's first independent multi-family office, compared old and new wealth mindsets. "The old wealth still likes to retain control over the allocation to causes and perhaps is less inclined to have professional managers involved. These families set up their own name foundations and stick to traditional causes like education, setting up schools in villages, and contributing to building temples, etc. The new wealth is a lot more demanding, wants professional accountability and assessment of impact."

Generally speaking, new wealth tends to embrace the following mindset:

* **Giving is an investment, not a hand out.** New wealth philanthropists want to know what is the social return on investment—what's the long-term gain from this short-term support?

* **More focus on global issues.** Givers are less focused on funding within a certain geographic area, and more in favor of funding a global issue such as climate change, access to fresh water, civil rights, human trafficking, etc.

* **Impact is imperative.** How can we fix what is wrong? New approaches to giving care about solving the root causes of the problem and

demonstrating a measurable change. It's less about the program itself, more about what it achieves. Givers want stronger evidence that their money is making a difference.

* **The more engagement, the better.** New wealth philanthropists want a more personal, hands-on connection with those they give to, and are willing to give their time and skills along with their money.

* **Sustainability.** New wealth donors want to do more than fund for a few years and move on. They want to know the organisation will go forward when they stop funding it. A common question is: "How do we make sure these people don't rely on us forever (or see us as the bad guys when we retreat)?

* **Accountability.** New wealth donors want reporting not just on the money and how it was used, but also on the overall performance of the organisation.

One recommendation for new wealth donors was to balance enthusiasm with knowledge. Lisa Parker, president of the Lawrence Welk Foundation and vice president of philanthropic services for The Whittier Trust Company remarked: "In the Silicon Valley region [of the U.S.], the hot seat of innovation, we see entrepreneurs starting their own nonprofits and initiatives, but these are not always well thought out. While fresh ideas and an entrepreneurial approach are badly needed in philanthropy and the nonprofit sector, so is wisdom from long-standing philanthropic support organisations on what is, and what is not, effective giving. There is a massive body of wisdom and research that gets left on the table."

She listed U.S.-based institutions such as the National Center for Family Philanthropy, Grantmakers for Effective Organizations and the Center for Effective Philanthropy, as well as university-based resources such as the Dorothy A. Johnson Center of Philanthropy as excellent resources that are vastly under-utilized.

Family Offices and Private Foundations

Among new and younger donors, a trend is to practice strategic or venture philanthropy, which monitors and measures the impact of projects.

In cases where the family has established a private foundation or trust, how do family offices work with or serve that foundation?

This research found that most families that do have a private foundation or trust operate it as its own entity—almost entirely discrete from the family office. The two have seemingly different goals: The family office focuses on preserving wealth, whist the foundation focuses on giving it away.

According to one interviewee, "We are linked to the foundation and share resources, and a number of people we work with are officers to the foundation. All of the family's philanthropy is managed through the foundation. It's rare for a foundation to be managed by the family office; the two may not touch each other."

Others may share resources, staff and core services with the foundation. A growing number of family offices in the U.S., for example, provide administrative, financial, recordkeeping and investment support for the family's private foundation. Others may be co-located in the same office space. This can be a cost effective model, as the family office provides the back-office and financial support, leaving the foundation staff to focus purely on the philanthropy.

According to one foundation executive director in the U.S.: "The family office staff treats the foundation as a client, just as they do family members. We think of them as critical partners: they make the money grow and keep the family cared for, and we then care for the family's dreams of repairing the world."

Family offices working closely with family foundations can experience unique challenges as well. They tend to have different ways of measuring success, and separate management structures. For those family offices that do work closely with the family foundation, it is recommended that there be clear roles and expectations for family office staff and foundation staff, a structured way of communicating, and a shared commitment to the goals of the family.

PART IV

SUPPORTING FAMILY PHILANTHROPY

Philanthropy is an expression of our highest hopes and values and thus a tremendous way to live and leave a legacy that embodies a family's core values.

– Lisa Parker, President, Lawrence Welk Foundation and Vice President of Philanthropic Services, Whittier Trust Company

Family office professionals can support the family's philanthropy in a number of different ways. Typically, these services fall into four categories related to the philanthropic journey. These are: planning, family governance, implementing and assessing impact. The following describes activities that fall into these categories.

This is not an exhaustive list, nor meant to imply family offices should engage in all of these activities. Rather, it's a starting place to support the family's needs in regards to their philanthropy at any point along the way. Family offices might offer a range of these services either in-house or with third parties.

Across the world, families want solutions that are contextualized for their culture, their goals, and their family style.

PLANNING

* Introduce philanthropy into wealth management conversations
* Explore motivations and objectives for giving
* Help individuals/families narrow a chosen area of giving
* Research the needs in that issue area or community—who is doing what, where are the gaps and opportunities to contribute, and how to make impact
* Bring in an advisor/expert on chosen issue area
* Make contacts with other donors funding locally or by issue area
* Find out what tax advantages are available
* Provide resources on philanthropy

* Set up networking opportunities with peers
* Research cross-border giving laws when needed

Family Governance

* Help the family articulate its vision, values, mission for philanthropy, and a process for making decisions
* Help the family office founder(s) write or record his or her donor intent when living. This will allow the family to communicate openly about their values and wishes as a family for their philanthropy long-term
* Facilitate discussions for how to get the family involved
* Help set preemptive policies to mitigate unproductive family dynamics
* Educate the current or next generation on philanthropy (e.g., set up a youth board to teach children or young adults how to make grants, work together, etc.)

Implementing

* Set up giving vehicles
* Identify causes, charities, organisations or projects to support
* Conducting due diligence on those organisations, including site visits
* Manage and oversee donations and grant agreements
* Review and advise on current giving portfolio

Assessing Impact

* Request reports from recipient organisations
* Monitor donations and financial reporting
* Survey grant partners and community members to evaluate results
* Determine social return on investment

What are the Right Questions to Ask Your Families?

* What moves you and motivates your philanthropy?

* What is the legacy you have inherited and the one you want to leave?

* For younger donors: What would you most like to change or build? What kind of impact would you like to have now and ten years from now?

* What is your vision and what you do want to achieve?

* Where in the world do you want to give? To what section of society? What's success going to look like?

* What values do you share as a family? What shared experiences, traditions and practices have helped define your family and will likely shape your philanthropy?

* What rewards do you want to get out of philanthropy—social impact and personally? What is the level of risk with which you are comfortable?

* How might you involve the children? Why is it important to you to involve the children or family? Or if no children how might you involve other people, and why?

* What giving vehicle is right for you? What structure will match you in the long-term? (Bearing in mind: an overly structured vehicle may not be the right choice—as one interviewee said, "we don't saddle them with a structure they don't want.")

* Do you want to give money now or later?

* How invested do you want to be? How much time do you want to spend? How much do you want to involve the family?

* For those interested in giving back to their home country or where they live now: Think about local context with which they are a part of. What are the needs and alternatives of

these communities?

* What's going on in the society where they want to give—what's working, what's not, where are the gaps? If they don't know, how can they find out?

* For seasoned philanthropists: How can you magnify the scale of your impact?

* What starting point are you comfortable with? How can find out about other stakeholders and how you can contribute to the space?

"It can be interesting to ask families how their own lives have been affected by someone else's philanthropy. If they have gone to a park or museum, or been the recipient of a scholarship, for example, they too have benefitted from someone else's vision and generosity."

– Lisa Parker,
President of the Lawrence Welk Foundation
and Vice President of Whittier Trust Company

Getting Started with Philanthropy

Whilst all family offices are different, most that give philanthropically will follow certain steps for deciding who, what and where to give their charitable donation or grant. The following describes basic steps as a suggested practice. Note that the steps listed here are presented in simple form, and there is room to be much more thorough and creative within this process.

Articulate a mission statement. Just as a family would put thought into any gift they give, it's important to think through how, what and where they might give philanthropically. By discussing the family's vision for change and shared values, members can determine what areas or causes they wish to focus their giving. A philanthropy mission statement describes this focus and is used to direct their giving in the years to come.

One way to approach a philanthropy mission statement is to find the right balance between the following:

I wanted to solve all my country's problems but did not know how to do it or where to start. The only thing I knew about philanthropy was about money being given out, and that only a fraction of such money reaches the target.

– Founder, Family Office

* What the family cares about and most wants to change
* What the family or family office is already giving to, and
* What the community or region of focus needs

When developing a mission statement, it helps to be as specific as possible. If a family starts with "we want to give to education," ask them to drill down deeper. *Do you mean building a school? Sponsoring individual children? Giving money to the government? Establishing new skills?*

Set guidelines for giving. Giving guidelines is an extension of a philanthropy mission statement. It's a lens for deciding what will be funded and what won't. For example, some countries offer tax advantages for making a donation to tax-exempt nonprofits (NGOs), in which case families may want to direct their giving to these types of organisations. Other families may wish to limit their giving to one particular geographic area—their home country, or a village or town they grew up in.

As part of the internal giving guidelines, a family might decide what percentage to allocate to strategic ("impact") giving, what percentage to allocate to legacy giving (the family's historical giving) and what percentage to allocate to more fluid giving, such as disaster relief, emergency funds or family members' discretionary gifts (those that are of interest to individuals, and may fall outside of the mission statement). For instance, some families might choose a 50/30/20 split to make up their philanthropic portfolio.

Research opportunities and organisations. Once the family knows what it wants to accomplish, the next step is searching for others who can bring the vision and mission to life. This involves locating organisations and projects that are doing the work the family wants to achieve. At this stage, it can be helpful to call in an expert or advisor in the specific issue area who can educate the family and help determine the needs and gaps. Once the family has narrowed its choices, it's time to look more closely at the organisations, companies or projects the family is considering. Due diligence can be a simple

Start with the vision and values for the type of change and impact you want to have. The specifics may differ across generations, but the founding vision stays the same.

– Patricia Armstrong, Senior Director of Family Dynamics and Education, Abbot Downing

or complex process: examples include checking an organisation's website, reviewing its financial records, and scheduling a site visit to meet the people doing the work.

Decide where to give. Deciding who will get the donation or grant isn't always easy. It helps to bring the family together to discuss the advantages and risks for each option, and have them take a vote or come to consensus.

Measure success. There are different ideas of what defines impact, and it will be different for every family and possibly every project. The point is to have a clear plan and goals going in. Families that define success upfront and how to measure it are more likely to achieve it. Consider: What difference does the family want to make? After the fact, did they do it, and how? What changed as a result?

Measuring Impact

Increasingly, philanthropic individuals and families wish to be more strategic and impactful in their giving, yet there is little global agreement on what impact is and how to measure it. Many people tout their own ideas and metrics, yet there is no "one way" that works across all people, projects and nations.

According to Philo Alto of Asia Value Advisors, a philanthropic advisory platform, impact is understood differently across cultures. "In Europe and the U.S. where the philanthropic landscape is more developed, impact goals and metrics are typically clearer, and service providers can focus on defining and meeting metrics of philanthropic families and foundations. In Asia, such impact metrics and their usage are still in its infancy. Hence, the definition of impact tends to focus on output numbers, for example, the number of trees planted, the number of elderly served, etc. If you talk about their linkages to social outcome indicators, such as the level of poverty reduced, this is still an evolving dialogue and will take some time to connect."

According to one interviewee, "Measuring impact is a long process. It's a business model, something a family must commit to. Some people love the measurement piece, and for others, it takes the fun

Innovative philanthropy creates economies that are disruptive, where one status quo is annihilated and replaced with another that is much more efficient, and not surprisingly, more human.

- Lynn Zovighian, Managing Director, Zovighian & Partners

out of giving. It's really a matter of what the family wants to achieve. Some just want to give for the sake of giving."

In addition, measuring impact is a matter of cost. According to Peter Cafferkey of Geneva Global, "Sometimes a donor doesn't have the resources or the desire to measure social impact." Geneva Global, he said, is experimenting with ways beneficiaries of the funds can report back what's happening on the ground.

Yet, most people agree: Impact is incredibly important if humans are going to make a dent on the world's biggest problems. It's something that new donors and young donors, in particular, place at the forefront of their philanthropy. People want to know their money or time or contributed skills are making an actual difference on a widespread scale.

"In Saudi Arabia, our young donors think in terms of seeing and measuring impact rather than just giving dollars. What we need is for people on the ground to put that rhetoric on replay," said Lynn Zovighian of Zovighian & Partners. "Numbers speak, and we see a lot of dollar wastage." Impact, she said, starts by taking the necessary small steps that can be measured and tracked, even on a weekly or monthly basis. "That can be a lot more promising than grand-sweeping high-level decisions on who and how to donate charitable dollars. There is a need for financial integrity and accountability; philanthropy P&Ls need new impact accounting rules."

In some countries, measuring impact is critical in terms of ensuring the money is granted and spent as intended. As one family member said, "We would like to do more in our home country, but here's the challenge: it's hard to channel funds in a way that wouldn't encounter corruption."

For those families who want to measure impact, start with these questions:

* What is impact?

* What does impact mean to you?

* What would impact in this particular project/opportunity/investment look like?

What Tools are Available to Family Offices?

This research asked family offices and close advisors what tools they found most helpful in guiding their families in philanthropy. Those mentioned include the following:

* Early stage questionnaires are a first opportunity to understand where an individual or family is coming from. Include philanthropy questions as a routine matter.
* Hold individual interviews with family members in advance of a family meeting to uncover their philanthropic interests.
* Refer families to other family websites to see what other families have done in terms of mission, vision, scope.
* Always ask, what does success look like for you as a family?
* Refer families to philanthropic research and recommended readings.
* Use Motivational Values Cards and Picture Your Legacy Cards from the U.S.-based organisation 21/64 (www.2164.net) to help family members uncover their interests and motivations in philanthropy.
* Use Dennis Jaffe's Values Edge Cards (www.dennisjaffe.com) to help family members define their personal values.

Of course, any tool must be culturally appropriate for a family. As Christian Stewart, founder of Family Legacy Asia said, "In Asia, for example, we need to give multiple choice tools or it won't work. If you ask a question to an Asian family like 'What does wealth mean to our family?' there would be silence."

It's important to know the family you are working with, as well as the cultural context, and use what works for them.

Part V

Involving the Next Generation

Teaching children and grandchildren about philanthropy early on can be a predictor in preserving family wealth, unity and legacy over the long term.

Many successful family offices realize that family unity and long-term wealth preservation depends on their ability to prepare the family's younger wealth owners.

One of the biggest concerns is how to educate and pass on leadership to younger generation family members (commonly referred to as 'next generation' or 'new generation').

Motivating the next generation can be a challenging task. Older family members may believe their young adult children enjoy the benefits of wealth and want little to do with the responsibilities. Or they may be waiting to see if or when their children express interest, skills or follow-through to engage in the family enterprise.

According to Pat Armstrong, senior director of family dynamics and education at Abbot Downing,

> "For people who have made their own money and the scale of their wealth is beyond what they anticipated, they often worry that their kids will go off the rails, lack focus or feel they don't have to work."

In spite of the concerns, some families don't do much to ready the younger family members for their future roles in managing the family enterprise or working together.

As Christian Stewart of Family Legacy Asia remarked:

> "Patriarchs often have a dream for family unity—keeping the family together over time—but they rarely teach the skills to do that. The family continues under patriarch's dynamics, and as the older generation ages, they wonder why their children can't get along."

The next generation may view the family enterprise as elusive at best or a burden at worst. They may lack understanding about the family wealth, business and philanthropy—and why it's important to be involved. There may be uncertainty that the older generation even wants them involved, or if so, what that involvement entails. Finally, there may be a reticence to get caught in family dynamics and conflict.

Philippe Weil of PJ Weil Family Offices based in Tel Aviv and Zurich explained it like this:

> "The younger generation is often uncomfortable and experiences frustration with regard to the family fortune. Members of that generation fail to find a place for themselves in society. Each struggles to define his/her own identity. They feel worthless in the sense that economically everything is available to them but in effect, they have no say in anything."

Christian Stewart of Family Legacy Asia sees this pattern in the Asian families he works with.

> "The first and second generations are traditional, brought up and educated in Asia, worked in the business there. The third generation goes overseas for education and work experience, and they are called back to contribute to the family in some way—it's seen as their duty. Yet, they aren't given any control today to make any changes."

In Asian cultures, the younger generation wants to bring western ideas, see things more professionalized and use external advisors—and this can lead to a real cultural conflict within a traditional family, said Stewart.

Philanthropy is an excellent way to bridge this conflict—teaching the next generation about the family enterprise, finances and values, and empowering them to do something of meaning. It can help younger family members develop their own sense of purpose, and give them a chance to practice good stewardship, responsibility and how to share power.

As Weil said: "One way to endow the younger generation with a positive attitude towards money is to encourage social responsibility and channel some of the family funds to a philanthropic project. In this way the heirs learn to appreciate the family wealth

"The next generation is often more interested in philanthropy than they are the family business. They become the fuel for philanthropy in the family."

and its positive effect, and attain satisfaction by doing things that benefit the society in which they live."

Weil reflected he most often sees families of three generations or more become interested in philanthropy. Whereas the first generation, the wealth creators, are focused on the business, and the second generation is focused on preserving the wealth, the third generations' role can be less clear. "By the time the third generation comes along, they are more conscious what it is to be a family of means. I always tell the first generation to encourage their grandkids to get involved with philanthropy, to do something more strategic."

According to Richard Joynt and Ian Slack of Bedell Family Office based in Jersey, Channel Islands, "In our experience clients of all cultural backgrounds view philanthropy as an effective way to prepare the next generation. By giving them the opportunity to have responsibility for part of the family wealth, within a safe environment, it allows the head of the family to give them some financial freedom, whilst also serving as an education to the next generation in comprehending the value of money."

In the U.S., more family offices and private foundations are engaging their children in philanthropy early on. One of the popular ways of involving the next generation is by creating an adjunct board and giving younger family members a small amount of money to give away. Lisa Parker, president of The Lawrence Welk Foundation and vice president of philanthropic services for the multi-family office Whittier Trust Company, participated on a youth board when she was young. "Back then, we were very unusual for creating a junior board for the youngest family members (ages 11-24). Now there are so many families intentionally cultivating the next generation to be givers and board members, not necessarily as 11-year olds but certainly as young adults."

Trends in Younger Generation Giving

This study identified the following trends in how the next generation approaches philanthropy:

Drivers of the philanthropy conversation. The younger generation often initiates the philanthropy in the family.

Move from check-book giving to philanthropy as a business. "Giving is highly entrepreneurial and creative and has little to do with traditional giving—especially when it's the next generation who is doing it."

Interested in innovation and ideas for change. Research has shown that whilst next generation donors give to some similar causes as their families, they are also keen on new ways of change for the future. (Johnson Center and 21/64, 2013)

Want to "give whilst they live." Younger donors feel an urgency to solve the world's biggest problems. They care about making a difference today, in their lifetimes, rather than giving to leave a legacy.

Metrics matter. Many times, younger donors are entrepreneurial themselves. They want to see impact and results. They want to quantify the social return.

> "One way to approach younger family members is to ask them: What would you like to change or build? What kind of impact would you like to have now, and ten years from now?"

Ideas for Engaging the Next Generation

Family offices can use different methods to engage new generations in the family business and philanthropy. Suggestions from colleagues included:

* Invite younger family members to meetings as observers or participants
* Talk to the next generation and find out what they are interested in
* Take them on site visits of the family business

and/or recipients of family funds

* Allow younger members an appropriate amount of money that they collectively must decide to give away; facilitate discussions to uncover their motivations and thought process

* Provide ongoing professional development through conferences, workshops, learning and networking events

* Offer service on advisory committees of the family council or board

* Encourage them to serve on charitable boards as training ground for running the family office or family business, and engaging another perspective

* Ask them for input on projects they are interested in or have expertise

* Establish a "next generation" fund or philanthropy program to train the younger members on philanthropy and grow their collaborative skills

* Encourage the family to share stories about successes and challenges, as research has shown this builds resilience and confidence in the next generation

"Women tend to make decisions for the good of the group, whether it be in their families, at work or any other situation. That behavior easily translates into philanthropic work."

Women are often the driving force behind their families' philanthropy. According to this research, often it is the women in the family who determine which philanthropic causes to give to and manage that process.

> "The influence of women in families is very powerful. It may show up as a trend now, but I'm not aware of a time when women haven't been involved in some sort of philanthropy. Perhaps it wasn't common in the past for women to be in positions of authority, but when have women not cared for their communities?"

Some of today's HNW women view their wealth as a means to independence and a way to pursue work and social contributions that are important to them. They often desire to give back to their communities, and to transfer these values to their families.

This is true also for young women. "Social giving is a commitment that is really exciting many of the young women we work with. A social giving mindset not only allows a family to develop a more intimate relationship with society, it even greatly influences how this family will treat and look after itself," said Lynn Zovighian of Zovighian & Partners, a family business based in the Middle East that specializes in innovative philanthropy and bespoke education for next-generation family members. Zovighian explained: "Education has become a toolkit of expertise, thoughtfulness and confidence for women who want to influence, manage and lead various dimensions of family wealth."

Philanthropy when approached with innovation, she said, is an opportunity for the next generation women to build a credible track record of smart decisions. By tying leadership with philanthropic projects, women can become the educators in their families on how philanthropy ought to be treated and respected, said Zovighian.

> "The women we work with are becoming experts in the eyes of their families. We had no idea the strategic act of philanthropy would allow these women to gain such influential power in their families."

Through impact investing, families can put more of their resources to work for gaining social change.

– Peter Cafferkey,
Director, Geneva Global

Impact investing is an investing approach that intentionally seeks to create both financial return as well as positive, social and/or environmental return—and one that is actively measured.

It has become a growing global phenomenon, attracting a diverse group of individuals, institutions, foundations and family offices, as more people are looking to put their assets to work on the world's problems—whilst still enabling long-term wealth retention.

Whereas traditionally investors have kept their financial goals and resources separate from their philanthropy, impact investing offers an opportunity to give money and make money. Individuals and families can align their investments with their values, produce competitive returns, and make a significant impact on a local and/or global scale.

Much of the interest in impact investing has occurred in developed countries—the U.S., the U.K., Canada and Australia; however, with the help of big philanthropic organisations, impact investing is reported to be growing in developing countries and continents, including India and Africa. For example, in India, impact investments are on the rise, with many high-profile families investing in funds and backing ventures in this space. "Many new funds have recently been set up in India to tap into this desire for impact initiatives," said Richa Karpe of Altamount Capital Management.

According to Peter Cafferkey of Geneva Global:

> "For a number of families, there is a wish to have a larger scale impact on social issues which are just too large for them to address purely through their philanthropy. Through impact investing, families can put more of their resources to work for gaining social change. It enables them to recycle funds invested to enable a more long-term social impact, and also bring more of their investment skills and analysis to the investment."

Deals in this space, he said, can be innovative and exciting—adding to the attraction.

Some investors focus only on projects, not impact investing funds. "I do not invest in companies or funds but directly in projects and financial opportunities, which alongside their social merits, happen to generate a compelling financial return," said Tatiana Alexandra Ward of Rex Clement Capital in Hong Kong. "It's much harder to find suitable, diligence worthy projects, but the families I work with appreciate the more tangible impact of owning a real asset be that a wind farm, a hydro plant or a training facility in rural Africa."

Impact investing as a trend is in its early days, and it can be a complicated marketplace. For one, there is confusion and little global consensus as to the definition of what is and what is not impact investing. According to Lisa Parker, president of The Lawrence Welk Foundation and vice president of philanthropic services at Whittier Trust Company, "The term itself means different things to different people. Some view it as avoiding "sin stocks" and investing in companies with positive ESG scores (Environmental, Social, Governance). Others see it as investing in much different terms—for example, funding social ventures in developing countries. Some expect market returns. Others are not looking for significant returns but simply want their investable funds to be working towards their mission alongside their charitable contributions. There are cases where impact investing is returning as much if not more than traditional market investing, so it is not as straight-forward as one might think."

Tatiana Alexandra Ward of Rex Clement Capital, Hong Kong, agreed the definition leaves room for clarity.

> "Impact investing is not cut and dry. There are those investors who care about the financial return first, those that care about the social and environmental return first, and those who are investing purely philanthropically and not expecting any return."

Beyond finding a common definition of impact investing, other challenges include: finding opportunities ("they are rare, but they do exist") and how to measure social returns ("it can be a long and expensive process"). Finding projects that match a family's cultural preferences can add even more complexities ("cultural idiosyncrasies do exist, but it makes it all the more exciting!").Whilst the challenges are real, they are not insurmountable.

Still, traditional philanthropy still maintains its position as the go-to way to give. "The families we work with aren't saying 'let's pull our philanthropy and do impact investing,'" said Cafferkey. Rather, they are seeing impact investing as a way to leverage more resources for the social good, and make their philanthropic money work harder.

Family offices can play an important role in bringing scale to the impact-investing sector in the coming years. According to Ward, "With targeted impact investments, a family office can achieve a lasting positive impact on the environment, a resource, a community or a country, whilst also creating a socially and/or environmental responsible legacy at the same time."

The most successful impact investments are those in which the family is fully engaged—not necessarily from a time perspective, but from the actual project/investment perspective. For family offices exploring the possibility of getting involved in impact investing, interviewees recommended these first steps:

Decide why impact investing is for you. Write a list of what matters to you individually and as a family. Where is there overlap with other family members? Rule out whether exclusive investment or philanthropy would be more appropriate or effective. Why or why not?

Engage an advisor. An advisor specializing in impact investing can be brought in before, during or after the narrowing process of what to focus on and why. When identifying an advisor, take your time. Rely on personal recommendations and a comparison of fee structure, type of opportunities in which sector, region, size of the organisation, etc.

Do your research. If a particular social issue is motivating you, research that issue (or engage others to do so for you) so that you understand the social element and the gaps in that marketplace. By building your knowledge of the social challenge, you will be better able to identify opportunities for the largest social impact in that area.

Engage with others. If financial innovation and potential returns are your primary motivation, look to engage with other investors, understand the common challenges, and talk with others who are already involved in impact investing.

Learn by doing. Make a small number of initial investments in areas of interest, viewing them as learning opportunities. Within impact investing, many individuals have become involved by initially putting to one side a small part of their philanthropic portfolio to experiment with funds for which they have little expectations of returns.

> "Impact investing is not a specific asset or tool or financial whizbang; it's an overall approach. It's doing investment with different metrics: You go into it with the intention that social and financial returns are equally important, and measure the success of both."
>
> – Peter Cafferkey, Director, Geneva Global, U.K.

> "The majority of impact investments may not change the world, but they are aligned with the family's values and will succeed in having a positive life changing impact—whist also ticking the superior returns box. What better legacy could there be?"
>
> – Tatiana Alexandra Ward,
>
> Partner, Rex Clement Capital, Hong Kong

Part VI

Conclusion

As you've read on these pages, philanthropy can help family offices align their values, create a legacy, and bring the family together in a way that makes a difference in the world.

Family offices are uniquely positioned to play a role in the philanthropic sector. By guiding families through their philanthropic journey, the family office can serve a valuable role for the families they serve.

As each family office is different, so too will be the philanthropy they practice, and not all family offices will be ready to engage at this time. We hope the approaches outlined in this guide will be useful and inspirational for family offices eager to include philanthropy in their family office strategy.

For those family offices that are ready to engage in philanthropy, the opportunities to create a meaningful difference for the family and the world will, without a doubt, be worthwhile. Most satisfying will perhaps be seeing transformation occur in a family over time, and knowing philanthropy has been instrumental in that change.

If you have questions or want to learn more, we encourage you to contact us at:

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Appendix A: List of Contributors

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Appendix B: Resources

21/64—www.2164.net

U.S.-based nonprofit providing consulting, training and tools for multigenerational families of wealth and the advisors who serve them; partnered with the Johnson Center for Philanthropy to produce the U.S.-based #NextGenDonors report

Geneva Global—www.genevaglobal.com

A leading philanthropic consulting firm specializing in international development, global health and poverty solutions, providing guidance and services to individuals, foundations and institutions throughout the world

Global Impact Investing Network—
www.thegiin.org

A project of Rockefeller Philanthropy Advisors, GIIN is dedicated to increasing the scale and effectiveness of impact investing

Global Philanthropy Forum—
www.philanthropyforum.org

Building a community of donors and social investors committed to international causes

Future World Giving—www.futureworldgiving.org

A Charities Aid Foundation project aiming to unlock the potential of global philanthropy

National Center for Family Philanthropy—
www.ncfp.org

U.S.-based philanthropy resource dedicated to families who give and those that work with them

Worldwide Initiative for Grantmaker Support—
www.wingsweb.org

WINGS is an independent not-for-profit global network that brings together 88 support organisations serving philanthropy in 36 countries

Appendix C: Endnotes

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