

Inspiring Philanthropy Across Generations



For philanthropic families, charitable giving is more than just a way to strengthen their communities and support causes that are dear to their hearts. Giving back is a central part of the family's mission and legacy.

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Introduction

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While next-generation family members such as children and grandchildren often have a natural interest in the family's charitable endeavors, ensuring the family's philanthropic legacy is maintained and strengthened across multiple generations requires a thoughtful approach to engaging younger generations. We examine best practices for teaching younger generations about philanthropy and engaging them in the family's charitable activities.

How to Instill a Spirit of Philanthropy in Children and Grandchildren

How to Instill a Spirit of Philanthropy in the Next Generation

As with most behaviors, the best way for parents and grandparents to teach younger generations about the value of charitable giving is by modeling this behavior themselves. While acting as a philanthropic role model is a great start, there are several specific strategies that parents and grandparents can use to engage children in a way that inspires them to carry on the family's philanthropic mission throughout their lives.

- **Start talking about philanthropy early... and don't stop:** At what age should parents start talking to children about philanthropy? As soon as they are old enough to receive an allowance or perform some kind of volunteering, according to Mark Ottoni-Wilhelm, a professor of economics at Indiana University-Purdue University Indianapolis (IUPUI) and a professor of philanthropic studies at the Indiana University Lilly Family School of Philanthropy. "The earlier the better, or I should say, the earlier the easier," Mr. Ottoni-Wilhelm said in an article from *The Wall Street Journal* titled "How to Raise Your Child to be a Philanthropist."¹ "If you haven't started (teaching children about philanthropy) before spending and time-use patterns are taking shape in adolescence, it is going to be hard."

Mr. Ottoni-Wilhelm said that many parents will talk to children about giving when they are younger, but then stop those conversations once children reach adolescence. "That is a mistake in terms of raising charitable children because we found that a parent who talks to a child about giving increases the likelihood that the child gives by at least 13 percentage points," he said.¹

- **Encourage hands-on participation:** It is important to teach children that philanthropy is about much more than just giving money. Teach them that gifts of time, energy, and expertise can be every bit as powerful as monetary gifts. Giving money can be an abstract idea that is difficult for children, especially younger ones, to grasp. They might not fully understand what the money is going toward, and they may not view giving away money as a tangible sacrifice. That is why hands-on volunteering opportunities can be so powerful in helping children grasp not only the needs of people who are less fortunate, but also the impact that your contributions are making.

Another benefit of volunteering is that it gives you an opportunity to contribute together as a family. Many children learn best by observing and participating, so look for philanthropic activities where children can play an active role, such as serving meals at a homeless shelter or creating care packages for people who are hospitalized. This will be not only a powerful way to teach your children about philanthropy, but also a fun, bonding experience for your family.

"Families who build strong individuals with varied passions and accomplishments raise trustees and donor advisors who come to the table with the ability to offer as much (even more) than they derive from it," said Virginia Esposito, founder, National Center for Family Philanthropy (NCFP).²

¹ Dagher, Veronica. The Wall Street Journal. "How to Raise Your Child to be a Philanthropist." March 19, 2017. www.wsj.com/articles/how-to-raise-your-child-to-be-a-philanthropist-1489757165

² National Center for Philanthropy. "Trends 2020: Results from the Second National Benchmark Survey of Family Foundations." www.ncfp.org/knowledge/trends-2020-results-of-the-second-national-benchmark-survey-of-family-foundations/

How to Instill a Spirit of Philanthropy in Children and Grandchildren (continued)

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How to Instill a Spirit of Philanthropy in Children and Grandchildren (continued)

- **Explain your “why:”** Empathy doesn’t come naturally to most children, according to Alison Powell, senior director of philanthropy at The Bridgespan Group, a nonprofit consulting group for philanthropists. “At its heart, giving money away is an ‘unnatural act,’” Ms. Powell said in *The Wall Street Journal* article.³ “It’s possible—and if my kids are any example, likely—that encouraging kids to give away their own money and toys may be met with initial resistance without relevant context, modeling, and reinforcement.”

One way to provide valuable context is by explaining why philanthropy and specific causes matter to your family. For example, rather than just telling your children that you contribute your time and energy to an organization that provides free tutoring to disadvantaged youth, you can explain why you believe that early-childhood education is so important to society. Or, better yet, you can tell the story of how having a tutor helped you or another family member reach his or her potential. Sharing personal stories from your family’s history can be a powerful way to help children understand the true meaning of giving.

- **Give children a voice:** Conversations with children about philanthropy shouldn’t be a one-way street. It’s important to encourage your children to ask questions and express their own ideas about philanthropy. This is especially important once kids reach their teenage years.

Part of giving children a voice in the conversation means not assuming that the same causes that you support are the same ones that your children will care about. According to the NCFP’s 2020 study of family foundations, 28% of younger generations said that they were interested in different issues than older generations.⁴ Allowing children to identify a cause that they want to support and then helping them research organizations that are doing good work in that particular area can be a powerful way to help children feel engaged and energized about supporting the family’s higher philanthropic mission.

“Younger people can have charitable interests that differ dramatically from the family’s shared interests. Encourage those!” said the NCFP’s Ms. Esposito. “Value their educational achievements and professional successes. Support their volunteering and personal giving, at whatever level they are able to contribute.”

- **Focus your efforts:** Many families look to spread their charitable gifts across a wide range of causes and organizations. Diversification may be an effective way to reduce risk in your investment portfolio; however, when it comes to charitable giving, diversification may end up increasing the risk that your children won’t fully appreciate or adopt your philanthropic mindset, according to The Bridgespan Group’s Ms. Powell.

“We’ve observed that philanthropy success often comes from focusing on fewer things, over longer periods, with the majority of one’s giving,” Ms. Powell said in *The Wall Street Journal* article.³ “Rather than have kids see scattershot giving, better to have them learn and observe what you care about, why, and how that has translated into the lion’s share of your time and giving.”

- **Make giving a pattern, not an annual event:** Like most other parts of parenting, setting a good example and exhibiting a consistent behavior is invaluable in shaping children’s behavior and attitudes. Unfortunately, many families treat charitable giving—and holding conversations about those decisions—as once-a-year events, often around the holidays. Rather than making large annual gifts, divide the contributions into quarterly or monthly gifts and allow children to see you making these gifts. This will impress upon children that giving is an ongoing part of your life, not a special event.

³ Dagher, Veronica. *The Wall Street Journal*. “How to Raise Your Child to be a Philanthropist.” March 19, 2017. www.wsj.com/articles/how-to-raise-your-child-to-be-a-philanthropist-1489757165

⁴ National Center for Family Philanthropy. “2020 Trends Study: Results of the First National Benchmark Survey of Family Foundations.”

Involving Younger Generations in Family Foundations and Donor-Advised Funds

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Formal philanthropic vehicles such as private foundations and donor-advised funds (DAFs) can provide valuable opportunities for younger generations to take an active role in carrying on the family's philanthropic mission. In fact, one of the primary reasons why many families choose to give via foundations or DAFs is that these structures foster engagement across multiple generations. According to the NCFP 2020 report, 70% of foundations provide next-generation family members opportunities to formally participate in the foundation via a next-gen board or participating in board discussions, decisions, or other governance structures.

But just because a structure for multigenerational involvement is in place, that does not necessarily mean that the younger generations will want to get involved or that the process of giving them formal roles and responsibilities will be a smooth transition. It is important to think strategically about when to begin assigning children roles, how to set governance rules that establish processes for how giving decisions will be made, and how to manage expectations among older and younger generations about those roles. In many cases, taking on roles within a family's philanthropic structure will also help children better understand a family's financial goals and values. In addition, it provides fiduciary experience to strengthen their understanding and engagement in wealth and financial planning.

Choosing the Right Charitable Giving Vehicle

To learn more about the relative strengths and limitations of private foundations, donor-advised funds, trusts, and other charitable giving vehicles, see our analysis, "Thinking Strategically About Charitable Giving."

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Thinking Strategically
About Charitable Giving



Using charitable giving strategies to enhance the tax-efficiency of your donations plays a vital role in maximizing the impact of your gifts.

Involving Younger Generations in Family Foundations and Donor-Advised Funds (continued)

Organizations such as the NCFP, Indiana University's Lilly Family School of Philanthropy, and The Center for Effective Philanthropy have published a wealth of information about best practices for family philanthropy. Particularly helpful are the case studies that NCFP has published about the strategies that family foundations across the country are using to engage younger generations.⁵ For example, the Tracy Family Foundation has created a Next Gen Advisory Board, which meets quarterly to review grants of up to \$5,000. At the Tracy family's annual reunion, next-generation members tell the story of why they gave to a specific organization and the whole family votes on which nonprofit will receive an additional \$1,000 prize. As part of its youth engagement strategy, the Lumpkin Family

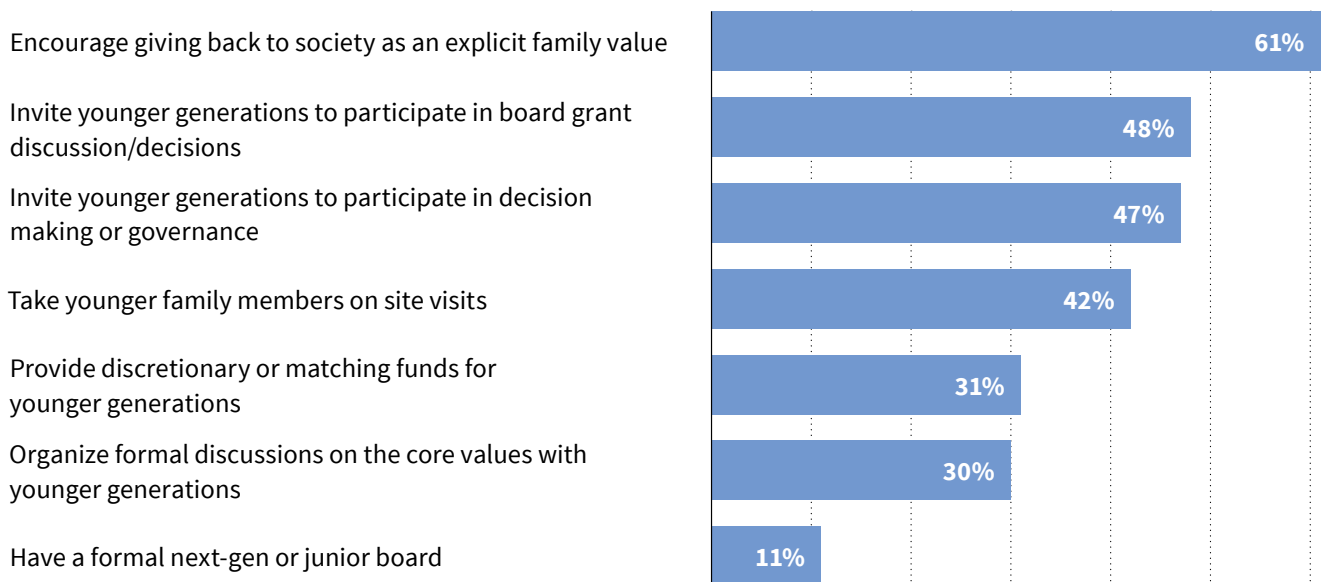
Foundation created an award that recognizes youth family members who contributed more than 10 hours of service to a nonprofit over the past year, and the board sends a book about philanthropy to each family member under age 30 on his or her birthday. The Lawrence Welk Family Foundation hosts opportunities for the youngest generation to participate in service, fundraising, and grantmaking opportunities at the family's annual Cuzapalooza Family Reunion.

⁵ National Center for Philanthropy. "Igniting the Spark: Examples of Next Gen Engagement Strategies." www.ncfp.org/collection/igniting-the-spark-engaging-next-gen-and-youth-in-family-philanthropy/

EXHIBIT 1

How Family Foundations Are Engaging the Next Generation

The majority (70%) of family foundations engage younger family members in the foundation, according to the NCFP's "2020 Trends Report."



Source: National Center for Family Philanthropy

Involving Younger Generations in Family Foundations and Donor-Advised Funds (continued)



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New Trends in Philanthropy

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For families who are focused on fostering a spirit of philanthropy in the next generation, it is crucial to remember that philanthropy is not a static endeavor. The ways that people give and the causes they want to support are constantly evolving, and these changes seem to have reached an inflection point over the past decade.

The rise of social media and mobile devices has created exciting new ways for people to learn about causes, make contributions, and encourage their friends to get involved. The growing importance of “impact investing,” microfinance, and environmental-social-governance (ESG) factors have blurred the lines between investing and philanthropy like never before. ESG factors have created opportunities for investors to think creatively about their capital using charitable and non-charitable assets to make a difference. In addition, the ongoing and rising awareness of economic, racial, and human rights inequality have brought new issues to the forefront for next-generation donors and society at large.

If a family’s tradition of philanthropy is to endure for the next generation, and for generations to come, the family needs to understand these changes and think about how they can be used to strengthen their philanthropic mission.

See How Philanthropy is Changing

To learn more about the trends that are reshaping the way people give, see our paper on “Philanthropy in the Age of Constant Disruption.”

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Philanthropy in the
Age of Constant Disruption



Trends and forces that are creating new opportunities to
maximize the charitable impact of your wealth

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