

# *Philanthropy Matters*<sup>®</sup>

Indiana University Lilly Family School of Philanthropy · Volume 22, Issue 3 · 2014



## Wealthy donors giving more

*In this issue:*

- ◆ Philanthropy and the Arab Spring
- ◆ Generosity spans the globe



## Learning something new

A highlight of my tenure as founding dean of the Lilly Family School of Philanthropy has been the opportunity to learn something new every day. Because I work among brilliant, curious scholars who constantly provide illuminating answers to intriguing questions, that's no surprise, but it is a great privilege.

Philanthropy is worthy of contemplation and study because of the profound effect it has on donors and recipients alike. Research about philanthropy enlightens those who serve on the frontlines and informs those who wish to share with others. Philanthropy's effective practice changes lives, changes hearts and changes the world, and practitioners who participate in our workshops inform research.

As I step away from administration and return to research and teaching as a full-time faculty member, I am eager to advance these important goals in new ways. The school's future is in excellent hands under the leadership of our new dean, Dr. Amir Pasic, and the school's great team. Like my colleagues, I look forward to assisting him in developing the school to its full potential. Perhaps most of all, I am anticipating more high-quality time with the students in our academic programs, the Lake Institute and The Fund Raising School, who are tomorrow's leaders. I can hardly wait.

Cordially,  
Gene Tempel  
Publisher and Founding Dean  
Indiana University Lilly Family School of Philanthropy

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# More wealthy donors may hike their giving in next few years

**M**ore than a third of wealthy donors—up from fewer than a quarter of them in 2012—intend to increase their giving in the next three to five years, according to early findings of a biennial study of wealthy American givers.

The 2014 U.S. Trust Study of High Net Worth Philanthropy, conducted by U.S. Trust and the Indiana University Lilly Family School of Philanthropy, found that, in 2014, 35 percent of donors—up from 24 percent in 2012—plan to give more in the near future. Half of the respondents said they would continue giving at the same level as they had in the past.

Of those who plan to give more, 85 percent said they would do so because of their increased financial capacity.

Those were among several early findings of the study, the fifth in a series. The study was based on a survey of 630 donors with annual incomes of \$200,000 or more and/or \$1 million or more in assets, excluding their primary residence.

“Essentially, what the research reveals is that more are giving, more are giving more and more intend to give more in the near future,” said Claire Costello, national practice executive for

philanthropic solutions at U.S. Trust, Bank of America’s private wealth management arm. “That’s a bright forecast for nonprofits, for our communities and, by extension, the world at large.”

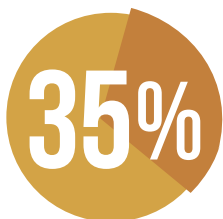
## Donors want to have impact

Nonprofit organizations are the primary consumer of the study, Costello said, but wealth advisers also should pay attention to the “undeniable pattern” that more wealthy clients are seeking advice about philanthropy and those who do are happier about their decisions, more strategic and have greater impact.

Nonprofits can benefit from this increased generosity by communicating their organization’s impact and that of the gift, said Patrick M. Rooney, associate dean for academic affairs and research at the IU Lilly Family School of Philanthropy. They also must demonstrate good stewardship. Some overhead is expected and some risk-taking is welcome as nonprofits seek untraditional solutions to intractable problems, Rooney said. But “nonprofits can’t be whimsical in their spending.”

Costello said that nonprofits should be “empowered and enthused” to learn about “the high regard and, frankly, the bet that individuals are making on their success . . . The takeaway for nonprofits is to make sure they do their utmost to engage their donors through volunteerism, and with thoughtful communication, and to recognize that these supporters place great faith in their organization’s ability to have a positive impact.”

The study also reveals a cautionary note, Costello said, that nonprofits should “not over-solicit, be it with respect to



More than a third of wealthy donors plan to increase their giving in the next 3 to 5 years.

▲ UP FROM 24% IN 2012.

# Why I Give

## JERRE STEAD

Since they were teenage newlyweds living in a trailer on \$3,000 a year, Jerre and Mary Joy Stead have found a way to give. Their ability to do so increased substantially over the years, as Jerre led seven national and multinational companies. He now serves as chairman and CEO of IHS Inc., a global information company.



“We have always tithed, even when we had little,” Jerre says. “We invested more and more and we give our time, talent and treasure in all of our philanthropy.”

Over the years, the Steads worked with many nonprofit executives—interactions, he says, that inspired them to help create effective future leaders in various fields, especially business, research, education, faith-based organizations and the church.

Through several serendipitous meetings Jerre came to realize that the Lilly Family School of Philanthropy was, among other things, teaching future philanthropic leaders how to be thoughtful, innovative leaders. In November, Jerre, Mary Joy and granddaughter Sydney contributed \$1.5 million from the Stead Family Foundation to create the Stead Family Chair in International Philanthropy at the school.

The school, he says, “felt to me like it could be the right thing, the thing I’d been looking for to focus on creating great leaders. It’s a very special place.”



frequency or inappropriate amounts, because that is consistently the No. 1 reason why folks stop giving to any organization.”

## Do tax deductions matter?

Another early finding of the study was that, while only 34 percent of wealthy donors said that the federal tax deduction for charitable contributions was a chief motivator for them to give, 74 percent of the respondents oppose placing a cap on deductions to reduce the federal deficit.

“They see this as a fairness issue and, while they’re not giving primarily for the tax benefits, they feel like they should be able to take the full dollar value of those gifts as a tax deduction,” Rooney said. “I think there’s a fairness quotient here that is different from being primarily motivated to donate for tax reasons.”

The study also found that 13 percent of the millionaires surveyed—about one in eight—would be willing to pledge to give 25 percent or more of their wealth during their lifetime. Such a promise would be in the spirit of the Giving Pledge, an idea sponsored by Warren Buffett and Bill and Melinda Gates, who since 2010 have asked the world’s billionaires to pledge to donate at least half of their wealth to philanthropic causes.

Rooney said he has not heard of any movement to ask millionaires to make a similar pledge “but it is certainly something that could make a difference.”

◆◆ MORE INFO ◆◆

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# Generosity grows around the globe

The value of large charitable donations around the world increased significantly in 2013 compared to 2012, demonstrating that major philanthropy is thriving and growing.

So finds the 2014 Coutts International Million Dollar Donors Report, for which the Indiana University Lilly Family School of Philanthropy conducted the U.S.-based research.

The study, which analyzed 2013 donations, added Singapore to the list of countries studied the previous year: the United States; the United Kingdom; Russia; China; Hong Kong; and members of the Gulf Cooperation Council—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

The report tracked \$26.3 billion in donations of \$1 million or more, up from \$19.04 billion identified in the 2012 study. The dollar amount increased in all six regions previously considered.

“The fact that both the total number of gifts of a million dollars or more and the total dollar amount went up across the board is very encouraging, given that not all economies are increasing at the same rate,” said Patrick M. Rooney, associate dean of the school.

Mark Evans, managing director of the Coutts Institute, said, “Our second international report celebrates the growth of major philanthropy across the world. It’s great to see more million dollar donors talking about their work and sharing their passion for making a difference.

“Not only does the report highlight the diverse approaches to strategic giving, it also identifies the causes and communities where million dollar donors are making the biggest impact. Most important, this showcases new opportunities for donors, charities and government to collaborate even more effectively.”

The authors say region-to-region comparisons are inappropriate but comparisons of a specific region’s giving in 2012 and 2013 shows an increase in generosity, Rooney said.

This is the second Coutts study to track charitable gifts of \$1 million or more made around the world. The 2012 study was the first effort to compile information about large, publicly announced gifts made by people and institutions from countries other than the United States and the United Kingdom. The studies build on the Million Dollar List, which the school has published since 1999, and on the Million Pound Donor Report, which Coutts Institute has published since 2008.

A noteworthy finding, Rooney said, is that the same five recipient groups were favored by domestic and global donors. Globally, higher education was by far the most popular recipient. Foundations were second, overseas third, public and societal benefit fourth and health fifth. U.S. donors chose the same top five recipients, though foundations and overseas flipped positions.

In the United States, the total value of donations rose 21 percent—from \$13.96 billion in 2012 to \$16.92 billion in 2013—to their highest level since 2008. But the number of large gifts declined 17 percent—from 1,408 in 2012 to 1,173 in 2013. The decline in the number of million dollar gifts may suggest that some donors are still nervous about the economy, Rooney said.

The average gift rose from slightly more than \$10 million to slightly more than \$14 million but the median stayed constant.

“What that says is that the typical million-dollar donor is behaving one way, but the gifts on the high end have become much larger,” Rooney said. “That suggests the economy is recovering and the very largest donors are both more confident in their financial circumstances and confident in the nonprofit sector—and they’re willing to support it.”

#### ◆◆ MORE INFO ◆◆

Contact Patrick Rooney at [rooney@iupui.edu](mailto:rooney@iupui.edu). Read an overview of the report at <http://philanthropy.coutts.com/en/reports/2014/executive-summary.html>, where you also can access reports on individual countries/regions.

# Right Place, Right Time *Then and now*

**A**s Catherine Herrold recalls it, her faculty advisers at Duke University thought her idea for her dissertation was “the dumbest thing ever.”

She wanted to research whether foundations and other non-government organizations—known as NGOs—assist in building democracy. American foundations were created in a democracy, so they wouldn’t do as subject matter. Her early research suggested foundations were proliferating in the Arab region, where laws and practices in the economic and political systems had been relaxed but autocrats still ruled.

But the focus was too narrow, too obscure, most of her advisers said. Others in her field of political science weren’t terribly interested in philanthropy and even less interested in philanthropy in the Arab region.

Herrold, now an assistant professor of philanthropic studies at the Indiana University Lilly Family School of Philanthropy, likewise recognized that she faced obstacles. “I was a blonde running off into the Arab region and I didn’t speak more than about five words of Arabic at the time,” she said. Worse yet, she had no idea how she would coax information from her sources, who surely would be reluctant to openly admit to a foreigner that they were trying to advance democracy in an autocratic regime.

But she was resolute, so her advisers approved her travel to Egypt for three months in early 2010 to conduct preliminary research. She returned to the United States and struggled for months to draft a research proposal that would give her insights into Egyptian foundations’ true motives.

## **A revolution sparks revolutionary ideas**

“Then I got really lucky and the January 25, 2011, revolution happened,” she said. “And I had the opportunity to observe and study how these foundations responded when a popular



movement for democracy arose. My advisers—to their credit—all said ‘forget a proposal; just go and start talking to people.’”

The revolution in Egypt was one of the earliest episodes in the Arab Spring, a wave of protests and uprisings that rolled across 20 or so countries in the Arab region. Egypt’s 30-year president, Hosni Mubarak, was removed from power in February 2011 and Mohamed Morsi, a member of the Muslim Brotherhood, was installed in June 2012 as Egypt’s first democratically elected president.

In early February 2011, while Egypt’s revolution was still underway, Herrold traveled to Jordan, where she worked and waited until it was safe to return to Egypt. Seeking to learn if and how foundations altered their strategies when the revolution provided new political opportunities, she conducted 75 interviews over the 11 months of her second trip, talking with donors from three arenas—Western donors, both private foundations and government sources; Egyptian community foundations; and Egyptian private foundations.

The three kinds of donors responded differently to the revolution. International donors were largely stymied when the Egyptian government, under Morsi and later under former military leader Abdel Fattah el-Sisi, who with the support of popular uprisings deposed Morsi in July 2013, clamped down on democracy promotion and stopped the money from reaching the NGOs that were using it.

The second group, community foundations, “latched onto revolutionary zeal and used their foundations to facilitate community members’ political advocacy and education campaigns,” Herrold wrote in her dissertation.

The third group, private foundations, didn’t respond directly to the revolution, but they continued to operate, seeking to empower those whom they served “to be citizens rather than just subjects of an autocracy,” Herrold said. Her research last summer found that private foundations are supporting programs in civic engagement, political education and arts and culture, all of which promote self-expression and a desire for freedom. For now, the government appears to be tolerating their efforts and has not stopped them from operating programs that might be considered pro-democracy, she said.

As she wrote her dissertation, “Bankrolling the Arab Spring: The Role of Philanthropy in Egypt’s Political Transition,” Herrold realized that “the existing theories of social movement patronage just didn’t work; I couldn’t use them.” So she adapted a theory from political science and posited that philanthropic decisions are based on three things: the donor’s interests, institutional structures and ideas about the appropriate roles of civil society in political reform processes.

## Revolutionary ideas spark interest at home

The IU Lilly Family School of Philanthropy took notice of her dissertation and sought her out to work at IU. “We were very impressed and decided in the interview process that this was somebody we needed on our faculty,” Founding Dean Eugene R. Tempel said.

In addition, “we are in fact looking at globalization as an integral part of what the school stands for,” he said. Consequently, the interview committee typically asked about candidates’ interest in international issues and, “in Katie’s case, we knew right away we had somebody who worked in the Middle East and who also could help us with the whole area of Muslim philanthropy.”

She also has a variety of experiences that inform her teaching. Born and reared in Pennsylvania, she was graduated with a degree in economics from Mount Holyoke College and went to work as a financial consultant in Boston. But she was bored, she said, and found a job at the Urban Institute, a think tank where she studied foundation effectiveness.

“I fell in love with it,” she said, so she did master’s work, earning an MBA from the Vlerick Leuven Gent Management School in Belgium and an MSc in voluntary sector organizations from the London School of Economics.

Herrold wanted to test in practice the theories she had learned, so she worked two years at the George Gund Foundation in Cleveland before venturing into her doctoral program. She began teaching at the IU Lilly Family School of Philanthropy in January 2014.

Outside experts also took notice of Herrold’s bold fieldwork and theory-building and the Association for Research on Nonprofit Organizations and Voluntary Action awarded her the prestigious Gabriel Rudney Memorial Award for Outstanding Dissertation in Nonprofit and Voluntary Action.

It is meaningful, Tempel said, to have “somebody on your faculty who is a rising star and that her potential is recognized by a national organization.” But it’s even more special, he said, because in 1988 Rudney provided insights that helped what was then the year-old IU Center on Philanthropy build its faculty. “It’s almost like it has come full circle for us,” he said.

◆◆ MORE INFO ◆◆

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“ The time I spent in the military opened my eyes to the importance of serving one’s community. Bringing forward the values and principles the Marine Corps instilled in me has only enhanced my commitment of service to my own community. I felt like I was being called to give back, so the IU Lilly Family School of Philanthropy’s programs are a great fit for me.”

-Greg, B.A. student and former Marine

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