

Giving Vehicles in the Bay Area

*Experiences, Preferences, and Effects on
Charitable Giving*

Erinn Andrews

Director of Philanthropy Research and Education
erinn.andrews@stanford.edu

Rebecca Shamash

Associate Director of Research
rshamash@stanford.edu



Stanford PACS
Center on Philanthropy
and Civil Society

—
Effective Philanthropy Learning Initiative

The Effective Philanthropy Learning Initiative



EPLI conducts research, develops resources, and teaches to help high-capacity donors become more effective, strategic philanthropists. We are an interdisciplinary team working at the intersection of strategic philanthropy and the social and behavioral sciences to accelerate learning for donors and relevant actors in the donor-support ecosystem—so they can make more informed, outcome-focused decisions, thereby increasing their philanthropic impact.

We pursue our work in the following ways:



Research



Tools & Resources



Education

High-capacity donor: Individuals with great wealth, but may also have time, talent, or ties to contribute. Some younger donors may still be building their wealth.



Overview of Study and Findings

WHAT WE HOPED TO LEARN:

How do donors in the Bay Area learn about, choose between, and use various giving vehicles? How do these vehicles impact their philanthropic practices?

(How) do giving vehicles affect the ways nonprofit organizations receive gifts and build relationships with donors?



RELEVANCE

- In 2017 there were about 460,000 DAF accounts
- Total assets of over \$110 billion

Donor Advised Funds (DAFs)

tax-advantaged charitable bank accounts

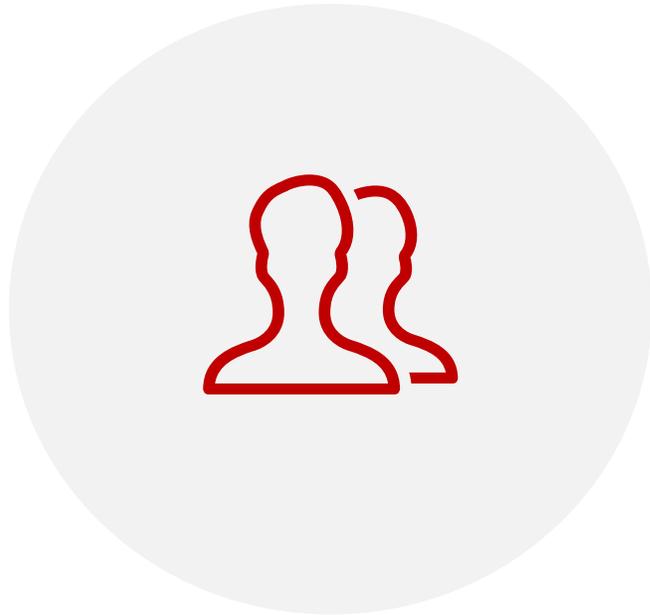
WHAT

- Donors receive a tax deduction when they contribute assets to a DAF
- At their discretion, donors (DAF “holders”) may advise the DAF manager, or “sponsor,” to distribute funds to tax-exempt charities

CRITICISMS

- Could lead to charities deprived of the immediate use of the funds
- Gifts made can be anonymous

Who did we interview?



- 55 high-capacity donors in the Bay Area
- 26 nonprofit leaders from seven Bay Area counties

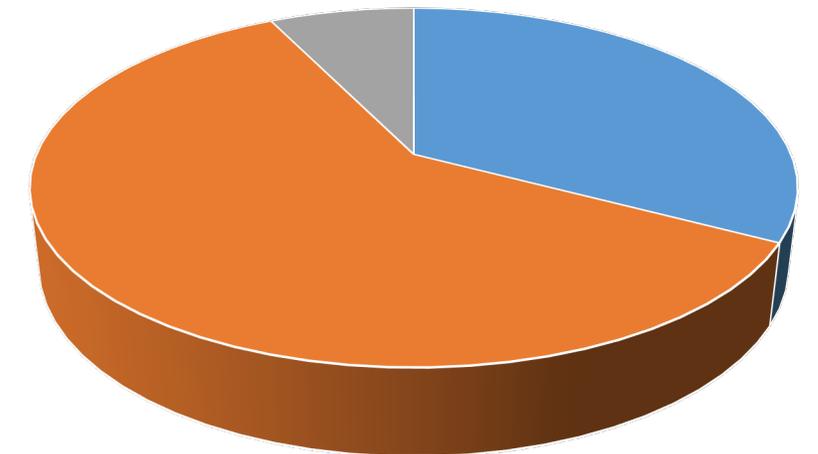
Donor Sample

Donor Sample (n=55)

Gender		Age					
Male	Female	20-29	30-39	40-49	50-59	60-69	70-79
21	34	1	11	14	14	12	3

Annual Giving Amount				
\$10-\$50k	\$50-\$100k	\$100-\$500k	\$500k-\$1m	>\$1m
21	14	8	4	8

Primary Giving Vehicle



■ Checkbook (18) ■ DAFs (33) ■ Family Foundations (4) ■

Topics of interest

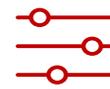
**ANNUAL GIVING
LEVELS**

**AREAS OF
PHILANTHROPIC
INTEREST**

**HISTORY &
EXPERIENCES
WITH GIVING
VEHICLES**

**CHALLENGES
RELATED TO
CHARITABLE
GIVING**

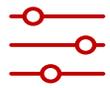
Checkbooks & Credit Cards



All donors in our sample used checkbooks and credit cards for some giving

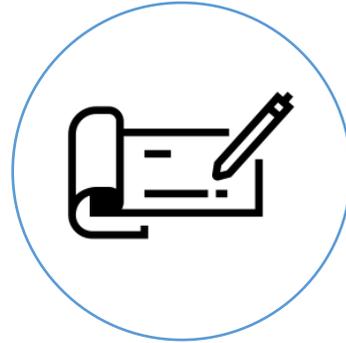


Checkbooks were used as a primary vehicle by donors at the lower end of annual giving, as well as at the very top



Checkbooks/credit cards are by far the most flexible vehicle available to donors, but not necessarily the most tax-advantaged

Checkbook & Credit Card Giving



Pros

- No administrative fees or barriers
- Absolute flexibility: can give to any type of organization or individual
- Donating via credit card is very quick and easy

Cons

- Credit card fees are expensive for NPOs
- Expensive if the donor has significant assets in appreciated stock
- If using checks, writing and mailing them can be tedious

DAF Giving



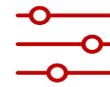
Pros

- Allows donors to receive a tax incentive when putting money in the fund and then distribute funds at a later point
- Particularly advantageous for donating appreciated stock
- Easy to use and simple record keeping
- Option of anonymity

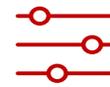
Cons

- Must go through a fund sponsor and requires some effort to set up
- In some cases, there can be delays getting funds to NPOs
- Donors can give anonymously in error
- Some restrictions on giving, such as buying tables at fundraisers, making multi-year commitments, and political giving

DAFs: National Sponsors



Large, national banks with low fees, but limited investment options

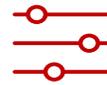


Easy-to-use online platforms and speedy grant disbursement

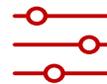


Lack of support for donors

DAFs: Community Foundations



Local, community-based financial institutions like the Silicon Valley Community Foundation, Marin Community Foundation, etc.



Access to philanthropic advisors, giving circles, and a community of donors (quality varies)

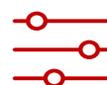


Higher fees and can be slow to disburse grants and have poor user interfaces

DAFs: Affinity Sponsors



Supports a specific cause or community the donor cares about



More likely to have alternative investment options, like ESG, impact investing, or recoverable loans



Can have higher fees and poor user-interfaces

Family Foundations



Pros

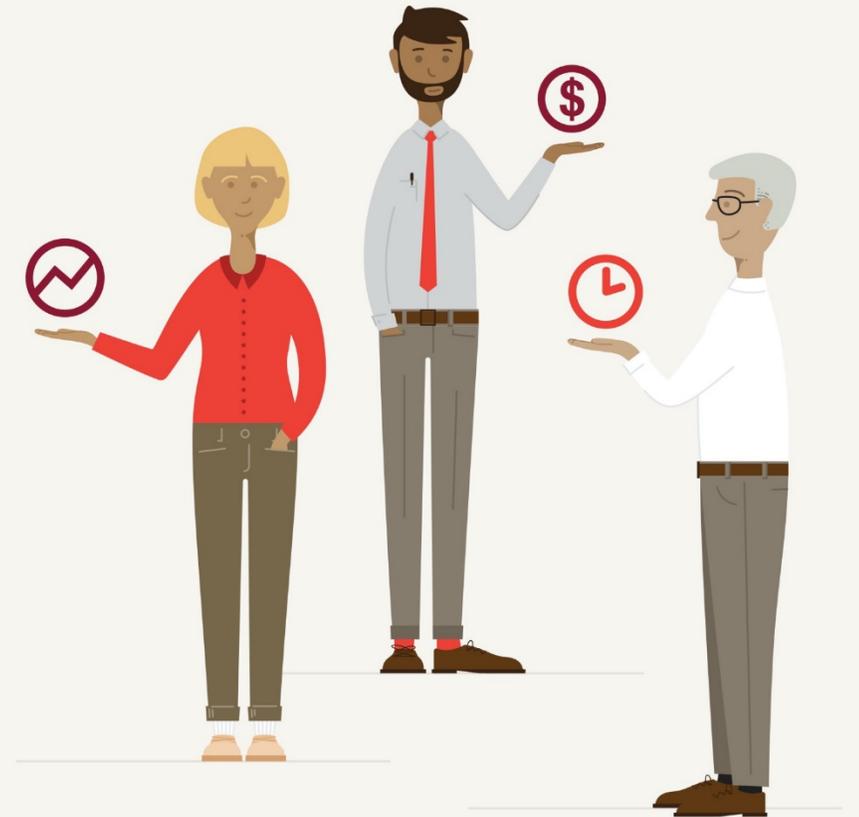
- Creates a visible family legacy

Cons

- Somewhat cumbersome administratively
- High fees and administrative costs

Other Findings from Donors

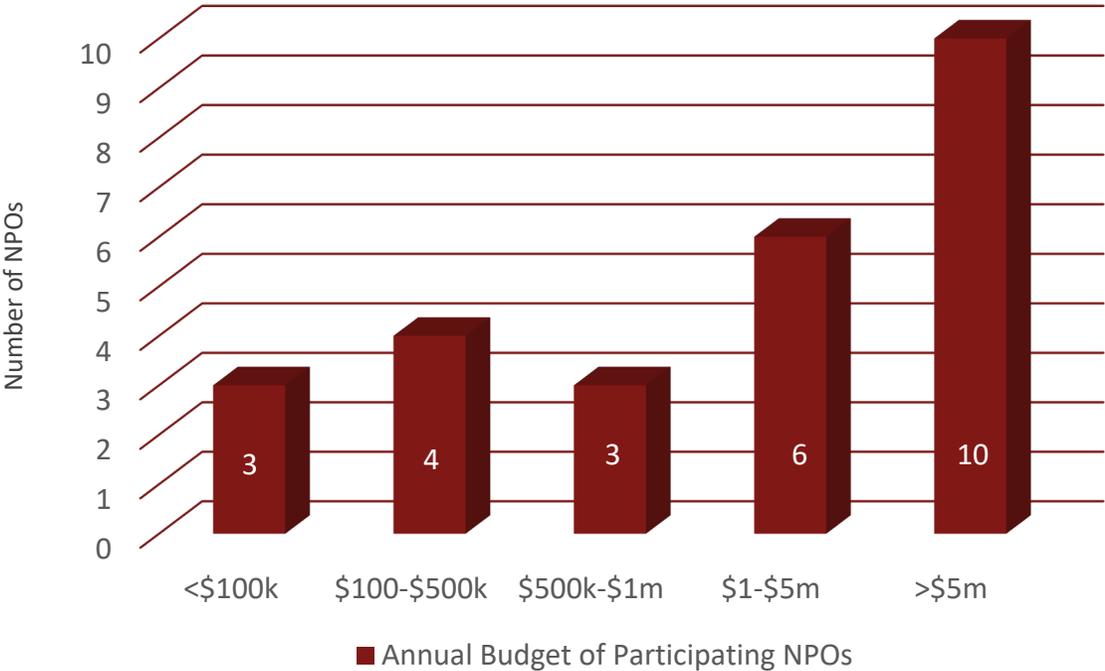
- Donors use additional vehicles including direct stock transfers and retirement accounts
- Ability to give anonymously is important to a small minority of donors
- Donors are more likely to use a vehicle besides check/c.c. if they give more annually, but there is often a lag between ramping up giving and selecting a vehicle



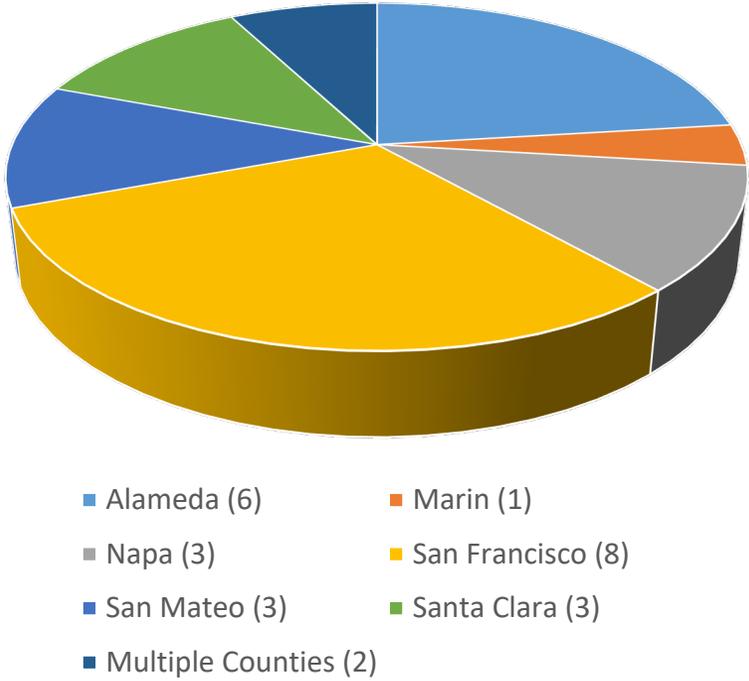
NPO Sample

NPO Sample (n=26)

Annual Budget of Participating NPOs



Bay Area County



Topics of interest

**ANNUAL BUDGET
AND SOURCES OF
FUNDS**

**BUILDING
RELATIONSHIPS
WITH DONORS**

**RECEIVING AND
PROCESSING
DIFFERENT GIFT-
TYPES**

**CHALLENGES
RELATED TO
FUNDRAISING &
DONOR
RELATIONSHIPS**

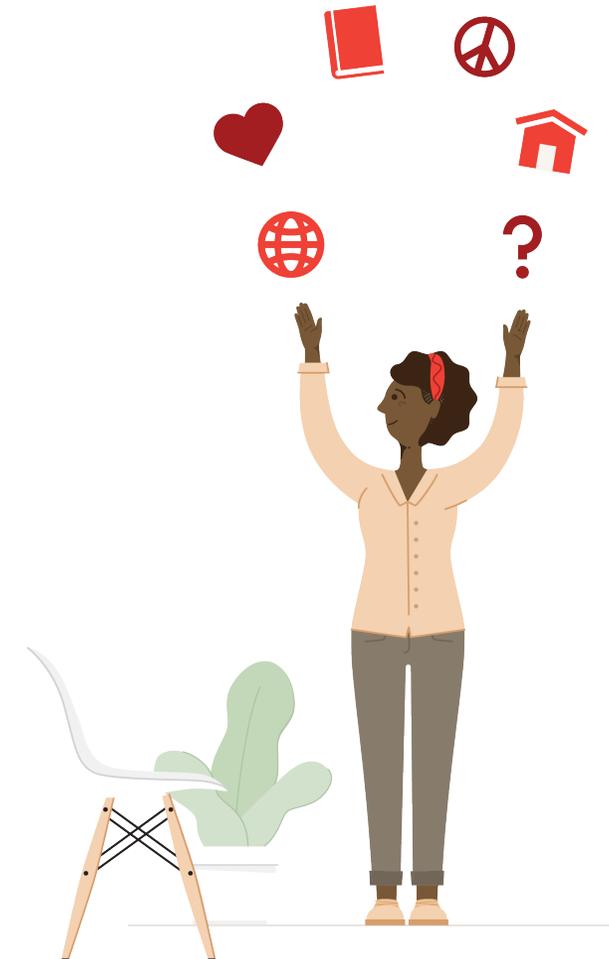
Concerns of Nonprofit Leaders

- Diversification of funding sources
- Capacity for donor outreach and relationship building
- Interactions with DAF sponsors
- Receiving anonymous gifts



Diversification of funding sources

- Leaders worried about trends in philanthropy, and losing key support as the interests shifted
- Organizations that relied heavily on government funding feared changes in public funding
- Major donors represented a particularly valuable source of funding for organizations with relatively little funding from individual donors



Capacity for donor outreach and relationship building

- Unsurprisingly, organizations who had staff in dedicated development roles were much better poised to build and maintain relationships with individual donors
- Catch-22 in which some donors thought outreach signaled a misuse of funds, while nonprofits felt a burden to thank donors and keep them updated about their activities
- Many leaders or smaller organizations wanted to cultivate donor relationships, but were unsure how to go about it



Interactions with DAF Sponsors

“ _____

We have a close working relationship with the staff there. They are good at communicating with us. If we have questions, they're very responsive. And I guess we work with them not just on the donor advised [fund] side, but just on the general foundation grant side. And I think I make pretty regular communication with somebody from the community foundation on a monthly basis...so it's pretty regular. We're participating in a number of different initiatives and work with them pretty closely.

_____”

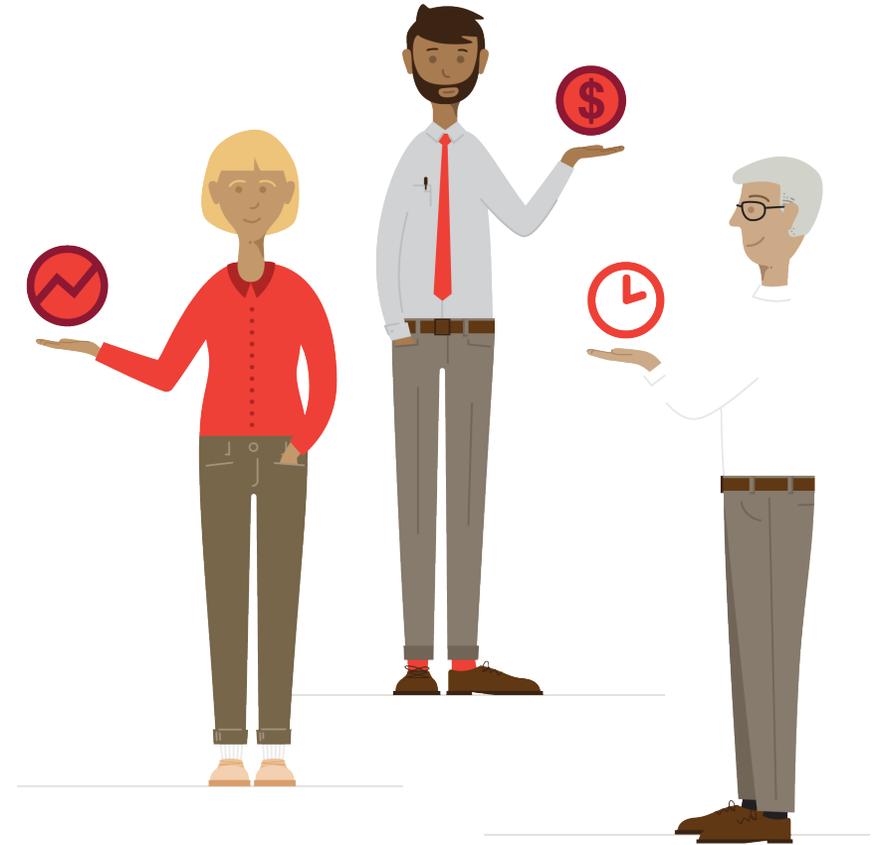
“ _____

We've tried to cultivate some of those relationships....[with local community foundation] It's not always easy. It seems like they're also a gate keeper in a lot of ways. They're not as willing to—it feels like a sales-y relationship. They know that you're trying to sell your organization, and it's not really like they're looking for that information.

_____”

Receiving Anonymous Gifts

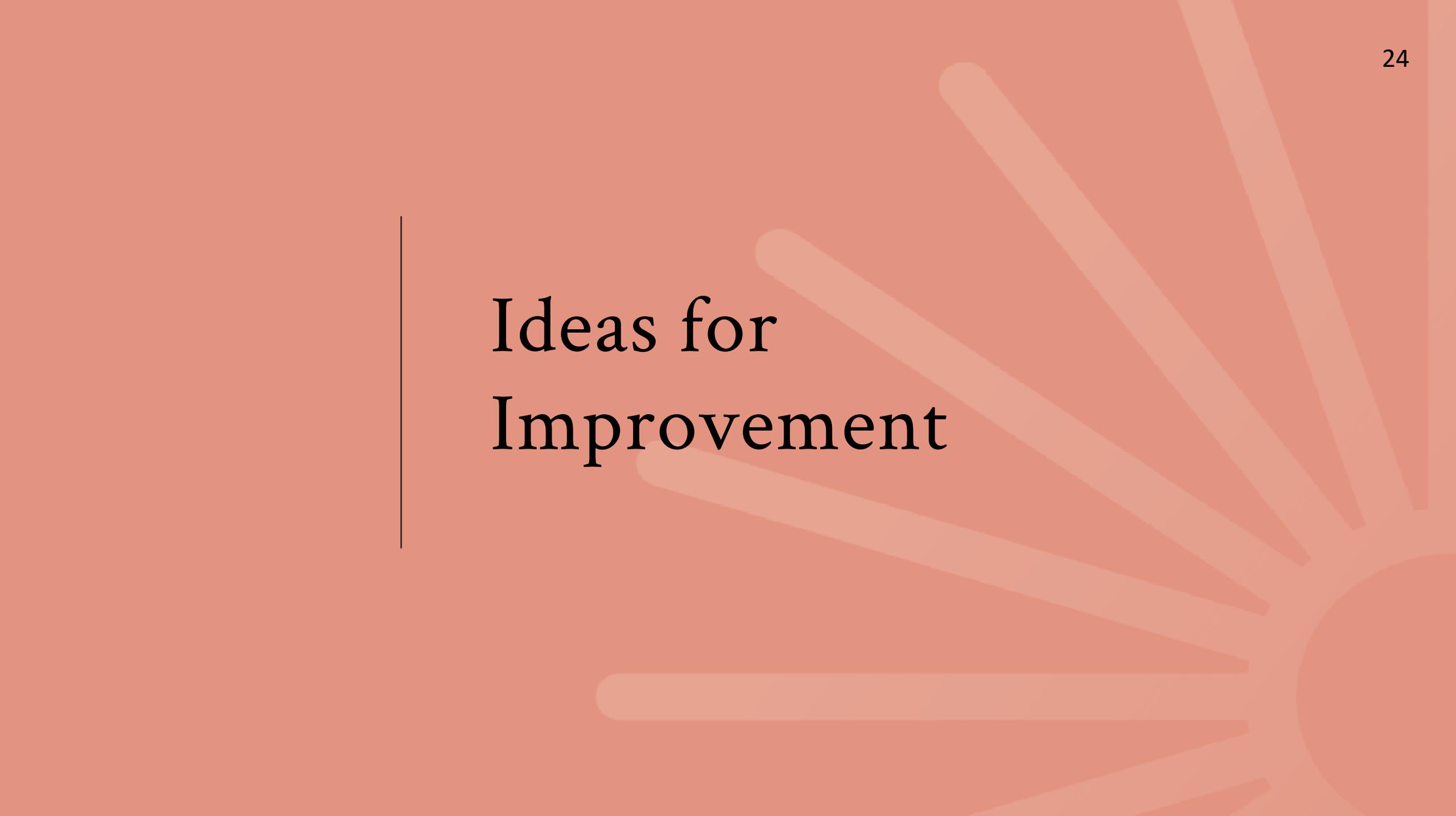
- Leaders of the smallest organizations were typically very thankful to receive any gifts and were less concerned with anonymity
- Organizations who had the capacity to practice donor outreach and cultivation were frustrated, as they required additional work on the part of staff
- Some leaders received gifts that were sent anonymously in error—this could create miscommunication with major donors



COVID-19 Response

- Giving more
- Giving less
- Giving sooner
- Loosening restrictions on gifts
- Giving directly to individuals
- Feeling driven to learn more about issues and organizations
- More funds to direct services
- Doubling down on existing commitments





Ideas for Improvement

THE PROBLEM:

Community foundations are uniquely positioned as a bridge between nonprofits and the donor community. However, they often serve as gatekeepers instead and could more effectively support nonprofits by facilitating introductions between donors and outstanding local organizations.

IDEAS TO EXPLORE:

- How can we evolve gatekeeper roles so they better support nonprofits?
- Could community foundations, and perhaps national sponsors, allow local NPOs to add themselves to an internal directory of organizations that is available to donors looking to make grant in a specific area?
- Could they provide more accessible information for nonprofits about their funds, grantmaking policies, and communication policies?



THE PROBLEM:

Many community foundations use poor quality technology tools and donation platforms. For donors, the poor quality of user interfaces was a deterrent from maintaining a DAF with community foundations and affinity sponsors.

IDEAS TO EXPLORE:

- How could online platforms be improved to allow for simpler grantmaking for donors that mimic the national sponsors?
- Is the cost the greatest barrier to these changes or something else?
- Could DAF sponsors default to sharing donors' contact information, and make it abundantly clear when it will not be provided to NPOs?



THE PROBLEM:

Donors are rarely pushed to disperse their DAF funds, and neither DAF sponsors nor advisors have an incentive to encourage this behavior.

IDEAS TO EXPLORE:

- How might donors be nudged to quickly disburse DAF funds?
- How might financial advisors particularly aid in this endeavor?
Could this be factored into an annual plan or strategy?
- How can donors (and nonprofits) be supported in thinking about appropriate donation levels?
- How might wealth advisors support donors in this process?





Upcoming Research Projects

**Equity and Social Justice in the
Practice of High-Capacity
Philanthropy**

June 2021-May 2022

**An Investigation of the
Relationship Between
Profession, Wealth, and
Philanthropic Practice**

March 2021-September 2022

**High-Capacity Giving and
Advocacy Work: How
Donors Approach
501(c)(3)s, 501(c)(4)s, and
Direct Political Giving**

September 2021-May 2022

Thank you!

Feel welcome to reach out with any questions or feedback!

Erinn Andrews

Director of Philanthropy Research and Education
erinn.andrews@stanford.edu

Rebecca Shamash

Associate Director of Research
rshamash@stanford.edu



Stanford PACS
Center on Philanthropy
and Civil Society

—
Effective Philanthropy Learning Initiative