

# Barriers to Giving

A white paper in co-operation with Ledbury Research

March 2010

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## Background

In mid 2009, Barclays Wealth commissioned Ledbury Research to conduct an in-depth quantitative study of 500 high net worth individuals\* in the US and the UK on attitudes towards philanthropy. The report – the largest of its kind to date – looked at the future of giving and the effect the economic downturn has had on wealthy donors around the world.

The report, “Tomorrow’s Philanthropist”, found that the wealthy increasingly want to be engaged with the charities they support and are set to become even more involved with them over the coming decade.

This new paper presents the very latest findings from a deeper analysis of the UK and US survey data, to understand what is holding the wealthy back from giving more to charity.

\* This is a survey of 500 high net worth individuals in the UK and US (all with investable assets of over £500,000/\$1 m). Included were over 150 ultra high net worth individuals (all with investable assets over £3m/\$5m)

## Philanthropy: Barriers to Giving

First, the good news - charitable activity is near universal amongst the wealthy, with 97% giving in some form. The remaining 3% have personal reasons for not donating which are deep-rooted and unlikely to change. Those who give tend to donate via cash and cheques (88%), fundraising themselves (35%) or serving on boards of charities (35%).

However, despite widespread involvement, only a third will donate more than £10,000 a year – less than 1% of their net worth. The purpose of this study is to understand what is holding back the majority of the wealthy from giving more: what are their barriers to giving?

# Financial Security

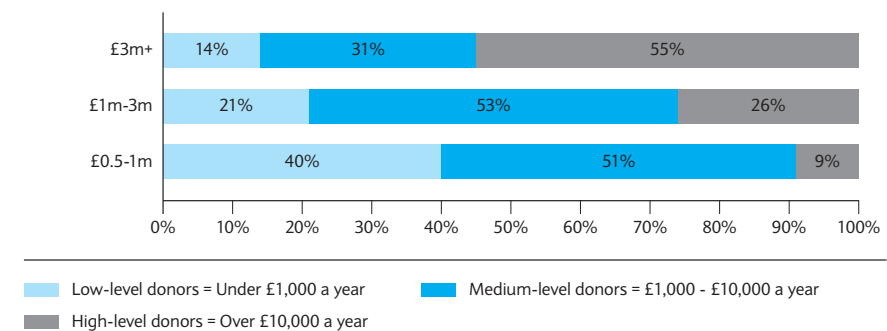
The starting point in uncovering some of the inhibitors towards philanthropy is to understand the main reasons the wealthy donate. The chart below shows the most popular motivators cited by the wealthy:

**Chart 1: Most popular motivations for giving**

Reason for giving	%
I can afford to	50%
To give back to the community	46%
Personal fulfilment	45%
Social beliefs	42%
Support the same causes annually	42%
Moved at how a gift can make a difference	40%
To address issues affecting me personally	38%
I believe wealthy people have a responsibility to share their wealth	37%
Political/philosophical beliefs	32%
Religious beliefs	25%
Tax incentives	24%
To set example for young people	23%
Being asked	21%
Desire to establish a worthy activity in which the family can participate	18%
Further legacy of parents	11%
Business interests	8%
Concern over the impact of inherited wealth might have on family members	7%
It is expected amongst my peers	6%
To offset guilt of being wealthy	5%
Public recognition	4%

50% of the wealthy are motivated to give to charity because they feel they can afford to do so. However, this is very subjective and many millionaires feel that they are unable to afford to give to charity and will not become major donors until they feel financially secure. Some of this sense of security derives from the asset levels themselves: Chart 2 below shows that 40% of those with investable assets between £500,000-£1m will give less than £1,000. It is only when individuals have more than £3m to their name that they are likely to become major cash donors (giving over £10,000 a year).

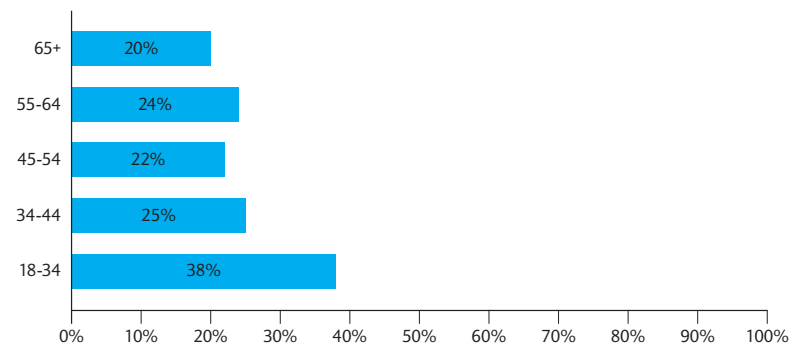
**Chart 2: Donor levels compared with wealth levels**



# Internal Motivators

As the wealthy get older, they also feel more secure. The chart below shows how the proportion of low-level donors decreases with age. Some of these differences can be explained by older generations being wealthier – having had longer to accumulate their assets. However, even when looking at the different age groups who have the same levels of assets, the younger are more likely to be low-level givers.

Chart 3: Proportion of low-level donors by age group



Not surprisingly, the volatility in the financial markets over the past two years, as well as the global downturn, has left many wealthy feeling much less financially secure.

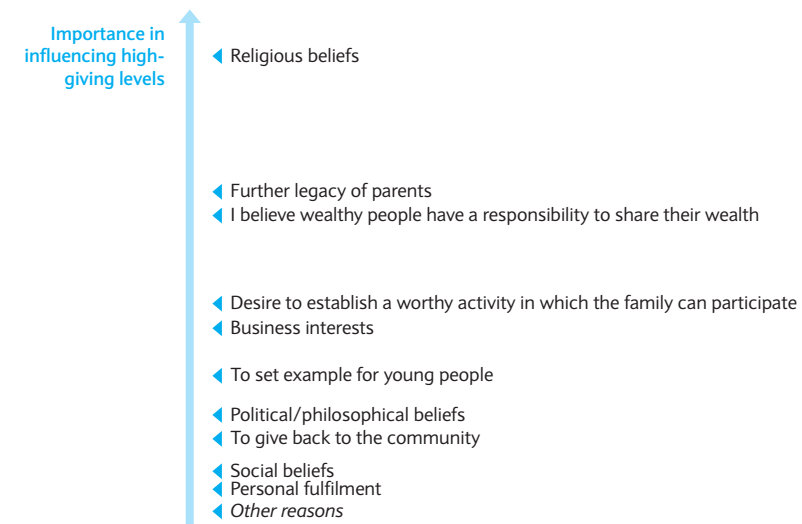
“Giving levels are related to wealth, to some degree. However, it is less about wealth as an absolute barrier, instead having sufficient wealth to be able to do what they want.” Russell Prior, Charities Aid Foundation

“Many feel it can be a bit premature to give away large amounts of money if they don’t know exactly how much money they need or they’ve actually got.”

Martin Brookes, New Philanthropy Capital

Giving to charity is an emotive matter, driven by a wide range of internal values and beliefs. To uncover what the most important of these are, the research analysed how the key motivators in Chart 1 were related to the amount of money the wealthy donated each year.

Chart 4: Motivators’ importance in driving high-giving levels

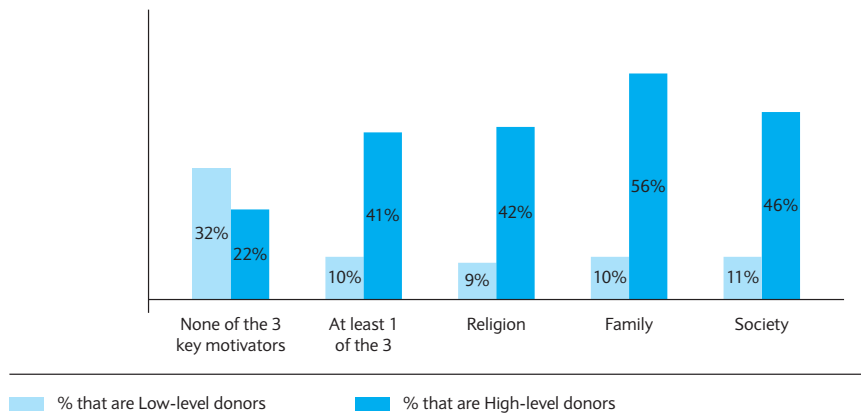


Of all the potential motivators to giving tested, the analysis shows that the three which are most closely related to high-value donors are linked to responsibility. The first is a religious duty. The second is a familial duty based on wanting to preserve that which was passed on from their parents. The third is societal – a belief that wealth should be shared amongst others.

# Charities' Efficiency

These motivators are critical to becoming a high-level donor. This can be seen by looking at those who are not motivated by one of these three factors: Chart 5 below shows they are more likely to be lower-value donors. The analysis shows that, of those who are motivated in at least part by their religious beliefs, only 9% are low-level donors. In fact, only 10% of the wealthy who are driven to give by at least one of the three key motivators are low-level donors. 32% of the wealthy who give for some of the other 17 reasons are low-level donors. The absence of these motivators means a wealthy individual is three times more likely to give at only low levels.

**Chart 5: The impact of the 3 key motivators in giving levels**



“We have to get the fire started somewhere and pity is a poor motivator.”

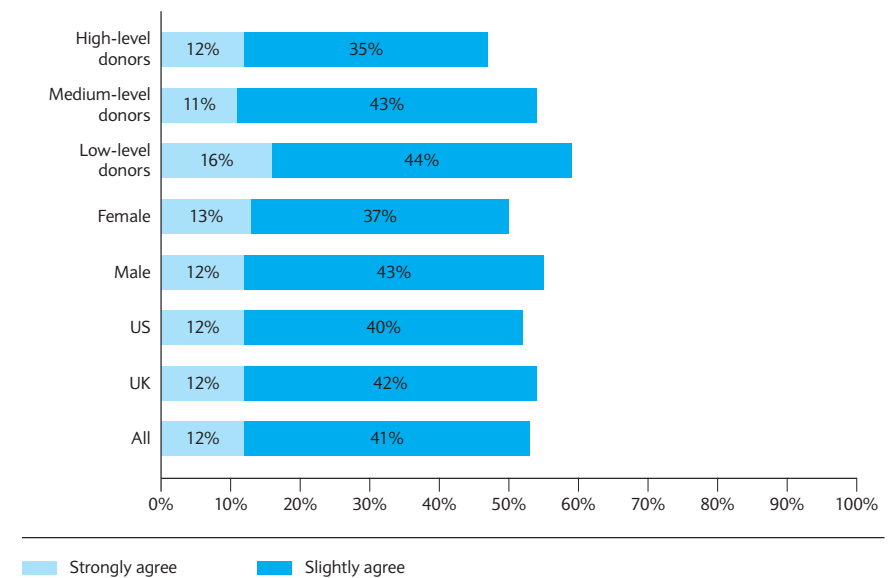
Victoria Hornby, Sainsbury Family Trusts

“I worry about an erosion of values, duty or responsibility to helping others and society.” Martin Brookes, New Philanthropy Capital

Once the wealthy have decided on a general cause, it is efficiency and the amount spent on administration which are the two most important factors when selecting an individual charity (89% and 88% respectively).

Yet, the majority of the wealthy (53%) believe that charities are inefficient in managing donations. Men are more sceptical than women and the very wealthy the most sceptical. 65% of UK-based ultra high net worth individuals (those with over £3m in investable assets) believe charities are inefficient.

**Chart 6: Percentage agreeing that “Charities are inefficient in managing the money of donors”**



Nearly two thirds (60%) who gives less than £1,000 agree that charities are inefficient. This corroborates what many commentators believe is often an excuse for not donating.

Even if it is used as an excuse by some now, charities' efficiency will continue to be an issue in the future: 82% believe that "charities will be forced to become more efficient as people begin to demand greater efficiency from the causes they give to".

"With philanthropy, seeing is believing; the more 'seeing' we can do, the better."

Victoria Hornby, Sainsbury Family Trusts

"A lot of apathy is born from frustration of being asked badly – being asked without being engaged." Russell Prior, Charities Aid Foundation

## The Role of the State

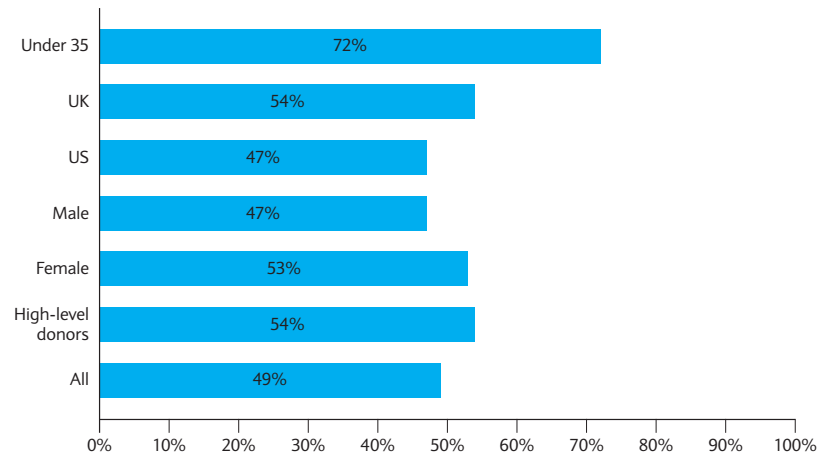
The role of government in philanthropy is controversial. On one hand, many wealthy individuals believe that the state has a responsibility to encourage charitable donations. When asked how, 52% said that the most effective way for the state to increase donations would be to increase tax breaks to offset charitable giving.

At the same time, many believe that the state's role should be restricted and that they should avoid intervening in philanthropic activities. Some of this is based on a lack of trust in the political process, with 59% of the wealthy agreeing that this distrust "has prompted them to give directly to charities", where they feel their money can make a bigger impact, than indirectly through taxation.

The downturn in the global economy has meant that the state's ability to participate has been restricted, forcing increased responsibility on the wealthy themselves. 49% of the wealthy believe that since governments around the world have borrowed large amounts of money, they have less capacity to give, and charities will become more reliant on wealthy individuals. Encouragingly for the future of the third sector, this attitude is more prevalent with age. 72% of those under 35 believe the government will become more reliant on them, the next generation of wealthy.

# It's not the Economy, Stupid

**Chart 7: Percentage agreeing that "Governments have less capacity to give and charities will become more reliant on wealthy individuals"**



“The state’s role has to be benign and broadly supportive, from simplifying and improving the tax system, to clearer regulation of foundations.”

Victoria Hornby, Sainsbury Family Trusts

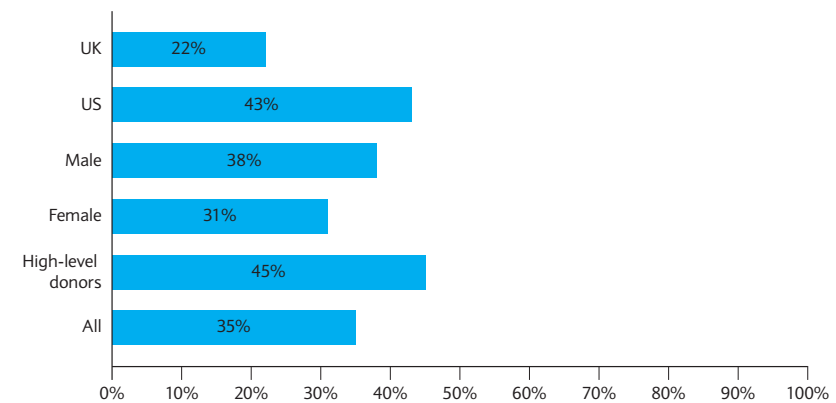
“The third sector enjoys its independence and to what extent would it welcome more intervention?” Russell Prior, Charities Aid Foundation

“Often, the tax system doesn’t actually matter: tax breaks aren’t the reason why we’re here, the reason why people give. It’s not a ‘big decision’ variable, in our experience.” Martin Brookes, New Philanthropy Capital

One potential barrier to giving is often cited as the performance of the economy as a whole, especially as both the US and UK experienced recessions in 2008 and 2009. 23% of the wealthy decreased their donations in 2009, with 10% cutting back the amount they gave by over a quarter. As a result, 20% of the wealthy have given time, rather than money. This has been especially prevalent in the US, where one in four have increased their time spent with charities.

At the same time, 49% of the wealthy asked were planning to give the same amount as last year and a core of 26% were planning to increase their donations. More importantly, the research has found evidence that the economic downturn has galvanised many. 35% of the wealthy are “more passionate in supporting charitable causes in an economic downturn, when they are struggling for funds”. Amongst those who are most passionate are the high-level donors, in particular the US high-net worth community.

**Chart 8: Percentage agreeing that they are “Becoming more passionate in supporting charitable causes in an economic downturn”**



“In the UK it’s still seen as vulgar to talk about money but we need a greater culture of celebration of giving at every level.” Tom Hughes-Hallett, Marie Curie Cancer Care

“If fewer people are giving, it reinforces the need to get it right for those who still are.” Martin Brookes, New Philanthropy Capital

# Summary

The detailed analysis of giving patterns, attitudes and behaviours of the wealthy in the UK and US has shown that this group could give more both in terms of time and money. The barriers which are restricting this increased engagement are based around four distinct themes:

- Despite their absolute levels of wealth, the first barrier is a lack of financial security, which is even more acute given the turbulent financial markets.
- The second is based on the wealthy's values, where they may be missing one of the three key motivators: wanting to give for familial, societal or religious reasons.
- Concerns about the ways charities are run remains an issue for the wealthy, and will only become more critical.
- Finally, the current tax system and welfare policies have a complex relationship with wealthy philanthropists: they need to be supportive, without being interventionist.

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