



Highlights for Nonprofit Organizations

From the 2012 *Bank of America Study of High Net Worth Philanthropy*

Wealthy donors remain strongly committed to giving

Since 2006, the study has found that the vast majority of high net worth households donate to charity each year. This high rate of giving continues in the 2012 study, with 95% giving to at least one charity in 2011. This is compared to 65% of the general population of U.S. households that donate to charity.¹

- **The wealthiest individuals account for the greatest proportion of all contributions:**

To put the importance of giving by high net worth donors into context, of the nearly \$300 billion given away in 2011, more than 70% was given by individuals,² of which roughly half was given by the wealthiest 3% of American households.³

- **Giving holds steady as a percentage of income:** Among wealthy households, average giving as a percentage of household income held steady at approximately 9% between 2009 and 2011, despite a challenging economic environment. Between 2007 and 2009, giving as a percentage of household income declined only two percentage points. Though wealthy donors maintained their giving levels at 9% of their household income, the average dollar amount gifted per high net worth household declined 7% between 2009 and 2011, from \$56,621 to \$52,770 (adjusted for inflation).

- **Wealthy donors intend to sustain their commitment:** For the first time since this research series began, the 2012 study asked wealthy donors to forecast their giving plans for the next several years—an area of ongoing concern for nonprofits operating amid economic uncertainty in the U.S. and around the world. Responses offer an optimistic view of the future of giving, with three out of four (76%) high net worth donors planning to give as much (52%) or more (24%) during the next three to five years (through 2016), compared to their charitable contributions in the past; just 9% plan to give less.

More wealthy donors are volunteering their time

High net worth individuals are showing their continuing support for the organizations and issues they care about most through a significant increase in volunteerism. In 2011, 89% of high net worth individuals volunteered their time and talent to nonprofit organizations—up 10 percentage points from 2009. More than half (54%) volunteered more than 100 hours, and 35% volunteered more than 200 hours in 2011.

- **Personal involvement correlates to giving:** Generally, high net worth individuals who volunteer also tend to give financial gifts, and those who volunteer more tend to give more. Last year, those who volunteered more than 100 hours gave more than \$78,000 on average, roughly twice the average gift among those who volunteered fewer than 100 hours, which was approximately \$39,000. Increasingly, high net worth individuals are giving their contributions to organizations where they both volunteer and believe their gift will have the largest impact. Average gifts to these organizations grew 40% between 2009 and 2011 (from \$73,301 to \$102,642 adjusted for inflation). Volunteer opportunities that

About the study

The 2012 *Bank of America Study of High Net Worth Philanthropy* examines the giving patterns, priorities and attitudes of America's wealthiest households. This latest in this series of studies was once again written and researched in partnership with the Center on Philanthropy at Indiana University and builds on those completed in 2006, 2008 and 2010. These studies have set the benchmark for research on the giving practices of high net worth donors, providing valuable insights to nonprofit organizations across the country that rely on their support.

A profile of survey respondents

The 2012 *Bank of America Study of High Net Worth Philanthropy* is based on a nationwide survey of high net worth U.S. households. Each had a net worth of \$1 million or more, excluding the value of his or her home. The average net worth of respondents was \$10.7 million; nearly half of them had a net worth of between \$3 million and \$20 million. They gave an average of 9% of their annual income and had an 89% volunteer rate.

enable volunteers to experience the impact they are having on the organization's mission benefit both the organization and the donor/volunteer.

- **Wealthy volunteers fulfill a variety of roles:** The most common volunteer activity for high net worth individuals in 2011 was serving on a board of directors for a nonprofit organization (61%), followed by event planning and fundraising activities (both 48%). Note that two thirds (67%) of wealthy donors reported that they give more to organizations where they serve on a board or are in an oversight role. Meanwhile, 40% provided professional services to the nonprofits they support, such as volunteering their business and marketing skills. Nonprofit organizations should be thoughtful when engaging volunteers so as to be able to leverage volunteers' particular areas of interest and expertise in furtherance of the organization's mission.
- **Wealthy donors actively pursue volunteer opportunities:** When asked how and why they chose to volunteer, 43% of high net worth individuals said they volunteer because they feel passionate about the causes supported by the organizations for which they volunteer and therefore approached them about opportunities to get involved, while 31% indicated that it was the organization that approached them.

Wealthy donors give strategically

The survey showed that the majority of wealthy donors give strategically and have a plan for their giving. Seventy-one percent had a specific strategy in place to guide their charitable giving and 61% had a budget set aside for their philanthropic activities in 2011.

- **The majority of wealthy donors focus gifts to increase impact:** Further evidence of strategic giving is the fact that 81% of donors apply a certain level of focus to their charitable activity, giving to organizations based on geography or a specific cause or issue. This is compared to 16% who give with no particular focus to a large number of organizations. However, just 5% report having a formal mission statement to guide their giving. In order to be efficient and effective in recruiting and retaining donors, nonprofit organizations should do their best to understand donors' particular values, passion and focus.
- **More wealthy donors are structuring their giving:** The use of giving vehicles is on the rise, with 19% of wealthy households giving to such giving vehicles as foundations, donor-advised funds and charitable trusts in 2011, compared to 16% in 2009. On average, the dollar amount given to these vehicles was greater than average giving to any specific nonprofit subsector last year. Furthermore, 26% of wealthy donors reported having a private foundation or donor-advised fund, with an additional 5% planning to establish one during the next three years. Another 18% have an endowment fund

with a particular organization, and 16% use a charitable remainder trust. Among all giving vehicles, the wealthy still primarily use charitable provisions in a will (43%). Nonprofit organizations can benefit from internal or external resources that better enable them to work with donors through their giving vehicles.

- **Wealthy donors seek advice about their giving:** Forty percent of wealthy donors consulted with at least one type of outside advisor about their charitable giving in 2011. Among those donors who sought advice from at least one source last year, most consulted with accountants (53%), followed by financial or wealth advisors (37%) and nonprofit personnel (33%). Developing relationships with these advisors and understanding the role they play with their clients can help nonprofit organizations to attract and retain high net worth donors.

Giving distribution and objectives of wealthy donors

The study provides insight into how high net worth donors allocated their contributions among various charitable subsectors.

- **Educational organizations drew most donors and dollars:** In 2011, the *greatest percentages of high net worth households* gave to educational (80%) and basic needs (79%) organizations, followed by arts (69%), health (65%) and religious (65%) organizations. The three areas receiving the *largest proportion of gift dollars* from wealthy donors in 2011 were education (28%), giving vehicles such as a foundation or donor-advised fund (23%), and religious organizations (13%). These three areas received the largest proportion of gift dollars in 2009 as well. Wealthy households tended to direct their *largest gift* to religious (36%), education (25%) and health (8%) organizations in 2011.
- **Majority of wealthy donors fund general operations:** Consistent with their priorities reported in 2009, when asked about the objectives for their largest gifts in 2011, 61% of high net worth households gave to fund a nonprofit's general operations, 30% gave to fund a particular program or activity, and 21% gave their largest gift to support organizational expansion and innovation. Nonprofit organizations should not be reluctant to solicit operating capital from high net worth donors — they understand the need to support general operations.

Motivated and feeling good about giving

Nonprofits the world over benefit from knowing what motivates high net worth donors to give. Between our 2010 and 2012 studies, the top reasons for giving have remained relatively constant. It is important for nonprofit organizations to keep these reasons in mind when communicating with donors.

- **Making an impact is the greatest motivator for wealthy donors:** The 2012 study found that wealthy donors are most motivated under the following circumstances: being moved by how a gift can make a difference (74%), feeling financially secure (71%), because they give to the same organization or cause annually (69%), and because they feel the organization they are supporting is efficient (68%). Nonprofit organizations can benefit from donor communications that report measurable results and by involving donors in activities that demonstrate the organization's impact.
- **Other considerations are more important than tax benefits:** Less than one third (32%) of wealthy donors cited tax advantages among their chief motivators for giving in 2011. In fact, half (50%) reported that they would maintain their current charitable giving levels even if income tax deductions for donations were eliminated, and 95% would maintain or increase their bequest giving even if tax deductions for estate giving were permanently eliminated.
- **Wealthy donors derive great satisfaction from giving:** High net worth donors find personal fulfillment and satisfaction in their charitable activity. The majority (78%) of wealthy donors enjoy a sense of fulfillment based on their philanthropic engagement (giving and/or volunteering). Three out of four (75%) gain satisfaction from the impact their charitable activities have on the people and the world around them. In addition, these donors feel a sense of accomplishment when these activities produce positive results (76%). Meanwhile, just 18% derive satisfaction from the visibility or recognition they receive from their charitable activities.

What wealthy donors expect — and why they stop giving

Wealthy donors have strong feelings about how the nonprofits they support should use their contributions and conduct themselves. In addition to soliciting new donors, it is important for nonprofits to pay sufficient attention to their existing donors who are important ambassadors for the organization among their peers.

- **Appropriate administration and fundraising spending are top considerations of high net worth donors:** Wealthy donors expect the nonprofits they support to spend an appropriate amount of their donation on general administration and fundraising (82%), and to demonstrate sound business and operational practices (76%). They expect nonprofits to honor their request for privacy and anonymity (75%), and similarly to not distribute their name to others (78%). Receiving a “thank you” or at least a receipt for tax purposes is also very much appreciated (74%). Nonprofit organizations should aim to have appropriate administrative support and infrastructure to meet the highest standards for cost-efficiency, confidentiality and appropriate gift acknowledgement.
- **Why wealthy donors stop giving:** In 2011, 30% of wealthy donors stopped giving to at least one nonprofit organization they previously supported. The following were the top reasons cited for why these donors stopped giving to a particular charity:
 - The donor received too frequent solicitation or the nonprofit organization asked for an inappropriate amount (38%).
 - The nonprofit organization he or she supported changed leadership or activities (29%).
 - The donor personally changed philanthropic focus or decided to support other causes (27%).
 - The donor's household circumstances — for example, finances, relocation, employment — changed (22%).
 - The donor was no longer personally involved with the organization (12%).

Family giving traditions and preparing the next generation

Many (41%) high net worth households have family traditions around giving, such as volunteering as a family and giving to charity during the holidays. Not surprisingly, 26% of wealthy donors cited the joy they derive from engaging with family around charitable activities among the benefits of giving.

- **Nearly half of wealthy donors give more toward the end of the year:** The spirit of the holiday season often encourages more generous giving. This is certainly true for high net worth households, 43% of which confirmed that they make more charitable contributions during the “giving season” (between October and December) than during the rest of the year — while 44% spread their giving evenly throughout the year. Nonprofit organizations should consider ways to capitalize on the heightened giving during the end of the year while also being mindful that oversolicitation is the primary reason that wealthy donors discontinue their support.
- **Many wealthy donors consult with spouse or partner on gifts:** Respondents from nearly half (46%) of high net worth households reported that they make decisions about their giving jointly with their spouse or partner — including when deciding where to give their largest gift (48%). This is consistent with decision making about the broader management of their wealth, with 48% citing that household wealth management decisions are made jointly. Nonprofit organizations should be attentive to donors' spouses and partners as part of a giving unit and sensitive to any giving traditions the family may observe.



Confidence in nonprofit organizations to address domestic and global issues

The study asked wealthy households about their confidence in various societal groups and institutions to solve domestic and global problems.

• **Wealthy donors trust nonprofits and individuals to solve problems:** The vast majority of wealthy donors said they have faith in nonprofits (91%) and individuals (90%) to influence and enact positive change. Fewer have confidence in the private sector, and far fewer have faith in various areas of government — particularly Congress (25%). The overwhelming confidence in nonprofit organizations is a heartening endorsement of the important work they do. Nonprofit organizations can strengthen ties with wealthy donors by communicating clearly and frequently about the impact the organizations are having on critical issues and problems.

Methodology

This study represents a comprehensive analysis of data gathered from a 12-page survey randomly distributed to 20,000 households in high net worth areas of the U.S. The latest in this series of studies builds on those completed in 2006, 2008 and 2010, with the full report once again written and researched in partnership with the Center on Philanthropy at Indiana University. Results are based on a nationwide sample of 700 households with a net worth of \$1 million or more (excluding the value of their home) and/or an annual household income of \$200,000 or more. Conducted between April 2012 and September 2012, the survey asks respondents about giving and volunteering behaviors and attitudes for the year 2011.

To access the full 2012 Bank of America Study of High Net Worth Philanthropy, visit: newsroom.bankofamerica.com/press-kit/bank-america-high-net-worth-philanthropy-study

Sources

¹ *The Center on Philanthropy Panel Study*, 2009.

² *Giving USA: The Annual Report on Philanthropy for the Year 2011, 2012*, Giving USA Foundation.

³ The Center on Philanthropy at Indiana University — percentage of giving by high net worth households is an estimate derived from the percentage of households that itemize and the top income earners in the United States.

Bank of America is a marketing name for Institutional Investments & Philanthropic Solutions (II&PS). II&PS is part of U.S. Trust, which operates through Bank of America, N.A. and other subsidiaries of Bank of America Corporation ("BAC"). Bank of America, N.A., Member FDIC. Banking and fiduciary activities are performed by wholly owned banking affiliates of BAC, including Bank of America, N.A. Brokerage services may be performed by wholly owned brokerage affiliates of BAC, including Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). MLPF&S is a registered broker-dealer, member SIPC and a wholly owned subsidiary of BAC.

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
-----------------------------	--------------------------------	-----------------------