Millennials and Women Are the New Faces of Giving

The days of checkbook philanthropy are fading fast.

Brie Williams | Oct 04, 2017

Two client segments—millennials and women—are ahead of the philanthropic curve, and their more inclusive, strategic approach means a sharper focus for giving and a greater impact for investing.

Making an Impact

The benefits of incorporating strategic philanthropy, which seem so evident today, didn't happen overnight. Philanthropy has steadily increased since 1954, and the single largest contributor to growth in recent years is the individual investor ($282 billion in 2016), not foundations ($59 billion) or corporations ($19 billion).

Individual investors and family offices are the change agent in product development, as increasing demand is reshaping philanthropy and driving advancements in impact investing. These investors follow in the larger footsteps of institutional investors, who led the way in creating demand for the first environmental, social and governance solutions.

High-net-worth individual investors have since raced ahead of institutional investors in driving real change in impact investing, demanding products that meet a broader range of needs, more efficiently and more effectively. While institutional investors have generally focused on screening out unsustainable companies (because of risk), individual investors are more interested in using their financial capital to make progress in issues they care about.

What Inspires Generosity

Millennials and women investors have some unique shared connections that are shaping how both client segments are thinking about and acting on charitable intent:

1. Rising economic power and financial influence, pushing conventional approaches to investing and philanthropy in new directions; and
2. Prioritization of giving and an aspiration to make an impact beyond simply preserving wealth for future generations.

Giving is important to all generations and both genders, but the ways in which they give back vary as different factors inspire generosity and influence responsibility. Generally, they fall into two categories: intrinsic (personal satisfaction) and extrinsic (financial).

Intrinsic factors. These include a desire to protect the environment or to give back to the community. These factors motivate investors to use their financial capital to foster the kind of change they wish to see in the world. This isn't exclusive to any particular investor segment. Any individual may be inspired to donate to a charity or to choose a sustainable investment vehicle, whether it's $5,000 or $5 million. A growing list of options for giving and investing has made it easier for investors to target their financial capital and achieve a greater sense of fulfillment and impact.

Extrinsic factors. These are financial influences, such as a portfolio liquidity event. The priority may be a prudent wealth management decision, but the double bottom line from philanthropic giving and impact investing adds another dimension of returns. Here too, the breadth of options available for giving and investing makes it easier for investors to connect purpose and performance. We see this more and more, as the positive track record for sustainable investments continues to build and as investors realize they don't have to forfeit performance for purpose.

Millennials' Perspective

Millennials aren't necessarily hardwired to be more charitably minded than other generations. But, their life experiences make them more inclined to act. First, they have more choices—product development has added simplicity, flexibility and individualization for donors. Second, technology has created more transparency (which helps investors determine their ultimate impact) and has increased awareness of issues (which has fostered engagement).

This generation tends to be plagued by stereotypes—that they're overconfident, self-oriented and unmotivated. The industry is at risk of letting misperceptions stand in the way of successfully helping them use financial capital for good. Millennials are reshaping what's next. They'll be the largest adult segment by the end of the decade and are projected to be worth as much as $24 trillion in three years' time.

In fact, millennials' attitudes and actions are proving these stereotypes wrong. What shapes their perspectives relative to giving paints a different picture:

- They're values-based investors; mindful of the privilege they've inherited or that comes from the wealth they're creating. Millennials seek a balance between honoring family legacy and personal missions.
- They're strategic and purposeful, seeking new tools and strategies to develop greater impact. Millennials are diligent in their research and willing to contribute their talents, not just assets, to solve problems alongside those they support. In return, they expect proven effectiveness or measurable impact from the organization.
- They have a strong sense of community and leverage their peer networks. Once engaged, transparency matters. They track progress to ensure impact is meaningful, and smart charities are taking note.

Women Are Making Their Mark

As women earn higher incomes, achieve higher education and control more substantial assets, they're putting their own mark on strategic philanthropy. They're also more likely to give—and give more than their male counterparts. Research indicates that women are more altruistic and empathetic. Intrinsic factors are key motivators—a desire to help others in tangible ways. But, it's not just a matter of generosity.

In addition to their influential economic prowess, there's also been a growing interest in leadership roles within their local and global communities. One growing area is investing in the rights and well-being of women and girls, often referred to as "gender lens" investing. Criterion Institute, an activist think tank, provides an excellent summation of the "gender lenses" through which investors can determine how to invest their capital:

Increasing access to capital for women—Access to equity, loans and financial training and consideration of larger structural barriers to access, such as land ownership, power dynamics between women borrowers and male bankers and loan officers and even implicit societal biases.

Workplace equity—Includes increasing the number of women on boards and in senior leadership positions to alter the gender landscape at the top, as well as instituting policies that benefit women more broadly, such as wage equity and paid maternity leave. This category also applies to issues of supply chain management, in jobs where women tend to hold the lowest paying, most vulnerable and sometimes most dangerous positions.

Products and services that benefit women— Encompasses a wide range of business models selling products that range from reproductive/maternal health innovations to daycare services, from water wheels to money management training. In general, investments revealed through this lens respond to a need, whether biologically or socially driven; that's particularly unique to female consumers.

The days of checkbook philanthropy are fading fast. Investor expectations are changing, calling for the alignment of personal growth and portfolio growth. As investors look to wealth management professionals for help in achieving their personal goals, they're also increasingly looking for opportunities to use their financial capital for the greater good.

This is an adapted version of the author's original article in the October 2017 issue of Trusts & Estates.