

# expectations of UHNWI

PHILANTHROPY AMONGST ULTRA HIGH NET WORTH INDIVIDUALS AND FAMILY OFFICES IN EUROPE:  
United Kingdom, Switzerland and Germany

## summary of findings

Wealthy individuals and families may have a plethora of advisors to hand but they seem to struggle to find suitable advice to help them launch a philanthropic programme or select suitable charities. Private banks, family offices and other trusted advisors are not sufficiently meeting their clients' philanthropy needs beyond establishing legal giving structures. And yet there is increasing evidence that adding value to the philanthropy process in terms of suitable advice, can deepen and enhance client relationships – a win-win situation for both the advisor and the client.

Research into wealthy donors and family offices concludes that although the giving experience is generally perceived as very positive, there were considerable challenges facing donors. These include identifying suitable advice, particularly at the start of the giving process; selecting suitable charities that match their personal objectives; networking with other donors; and measuring the success of their donations.

These challenges present enormous opportunities - for advisors to build their knowledge of philanthropy to provide a more holistic service to their clients, for charities to change the way they present themselves and their success to this new breed of results-oriented donors, and for donors themselves in accessing the new advice forms that exist to help them become more strategic and effective funders.

## background to the research

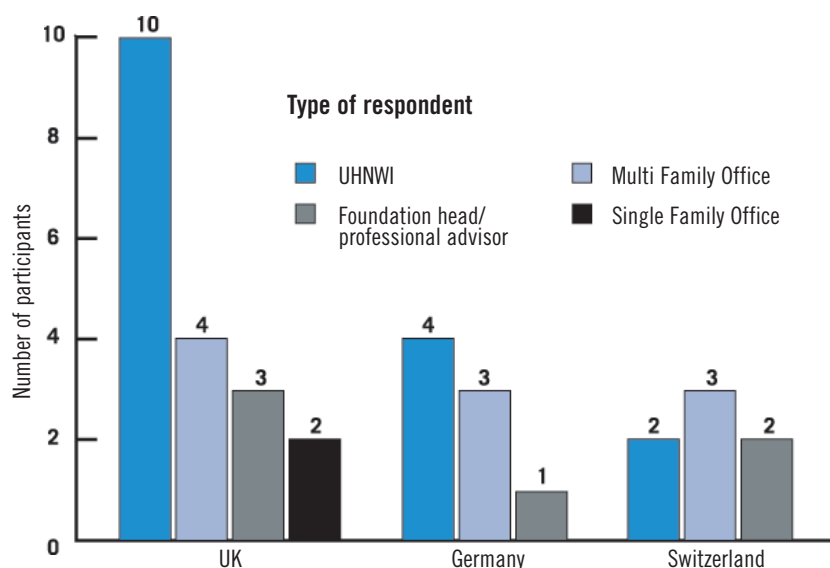
This document is a summary of some research undertaken to provide a unique insight into the landscape of European philanthropy. New Philanthropy Capital<sup>i</sup> (UK), wise (Switzerland) and the Bertlesmann Stiftung<sup>ii</sup> (Germany) commissioned Scorpio Partnership<sup>iii</sup> to examine the views of wealthy donors and family offices across Europe. The aim of the research was threefold:

- to assess donors' perception of the giving experience and challenges they faced with their giving;
- to gain insights into the current practices, needs and knowledge base of donors;
- to evaluate donors' information and service requirements to assist them in their decision making process.

## profile of participants

34 interviews took place, the majority being face-to-face, in the UK, Switzerland and Germany between March and May 2007. Respondents had a net worth ranging from \$90mn to \$2.5bn and on average give away 5% of their net worth each year. They were a mixture of ultra high net worth individuals, heads of family offices and a few heads of family-endowed philanthropic foundations. Respondents also fell into two main categories – **new philanthropists**, entering the field for the first time post a liquidity event, and **institutional philanthropists** – drawing on a family history of philanthropic giving most often with a foundation in place.

Figure 1: profile of participants



Source Scorpio Partnership

“Lawyers and private bankers are very good at providing technical advice, but they are not interested in the psychic income.”

### the giving experience

The majority of interviewees find the philanthropic experience rewarding and stimulating – and find they typically increase their involvement on the back of positive experiences.

*“...[Philanthropy] is like a drug. The more I do the more I want to do.”*

Their motivations to give were varied, ranging from experience of a particular issue, to maintaining the family legacy, to disillusionment with government. However a common thread was that nearly all donors were highly focused in their philanthropy, having a particular theme to their giving, whether by cause or by geography. In some cases different family members might support different charities under the banner of this overarching theme. For example, one family foundation had a strong focus on the developing world, but projects were as diverse as education, poverty and AIDS.

There were some negatives raised, however. Fraud was cited by 8% of the sample, while disappointment with the progress of individual projects was also mentioned regularly. There was also some wariness of supporting large charities with general funding – donors appear concerned with the accountability of large institutions, their operating costs and their ability to deliver.

The research found significant differences between the three countries, both in terms of what they support and their approach to talking about their philanthropy. UK based families are very international in selecting causes – global themes of climate change, poverty, terrorism and cross-cultural social reconciliation featuring strongly. Of the more domestic interests, education, deprivation and the arts were mentioned. UK donors are also very keen to network and share their experiences with other donors – setting themselves at the

other end of the spectrum from their German peers.

German-speaking families (based in Germany, Switzerland and Austria) confine their philanthropic endeavours to very local themes – usually to their area of residence or business. The environment, church and arts featured as support areas within their geographic region, and if they did support international causes, it was usually limited to German speaking countries – ie Namibia. But the striking difference with the Germans was their reluctance to speak about philanthropy. Indeed 89% of those approached in Germany to take part in the research refused, compared to almost complete cooperation within the UK. When asked about the reasons for this general reticence to share experiences, the responses suggested this was primarily a matter of culture.

*“We have a saying which translates as ‘give but do not speak’...”*

Meanwhile, Swiss based families straddle the polarities presented in the UK and Germany. They give locally for international projects – “glocal” philanthropists, with a strong emphasis on personal contacts and people (as opposed to institutions) –

*“... it is a lot like investment bank-*

*ing. You have to know the right people who can get things done.”*

Foundations are the vehicle of choice among the sample for engaging in philanthropy, irrespective of jurisdiction, and are used by every family of UHNW with over \$200mn of net worth. The logic for establishing a family office and family foundation for philanthropy are strikingly similar. Oversight, control, trust and the desire for long-term relationships are all highly valued by individuals and families.

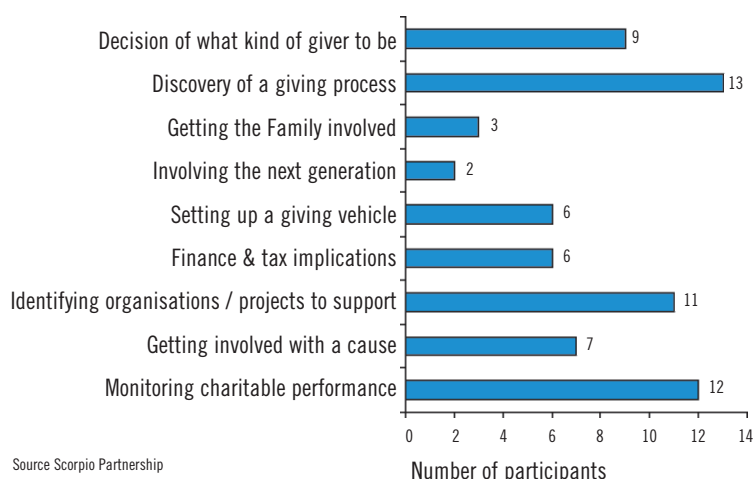
### four challenges facing donors

It is clear from the research that externally sourced information and advice on the different stages of the philanthropic process are in high demand – and that donors are willing to pay for this advice as long as it is value added to the effectiveness of their giving.

*“[Advisors] are like business managers or a CEO. You ... buy the best people in to get the right results.”*

And the overwhelming majority of participants expressed a strong preference for advice over other forms of information. This is because advice is bespoke, more time-efficient and allows them to retain control of the process.

Figure 2: stages where advice would be most useful to the sample



*“I am dismissive of information now because it is so cheap and you can get it in huge quantities. It is all about advice.”*

More specifically, the main challenges highlighted in the research by donors were:

### 1. start-up advice

Over 90% of the sample group recognised the need for expertise throughout the philanthropic process, but responses suggested that the appetite for advice was highest during the initial, start-up phase. Indeed the lack of suitable advice appears to be acting as a serious barrier to potential philanthropists –

*“more people would get involved if they knew how to do it”,* said one participant.

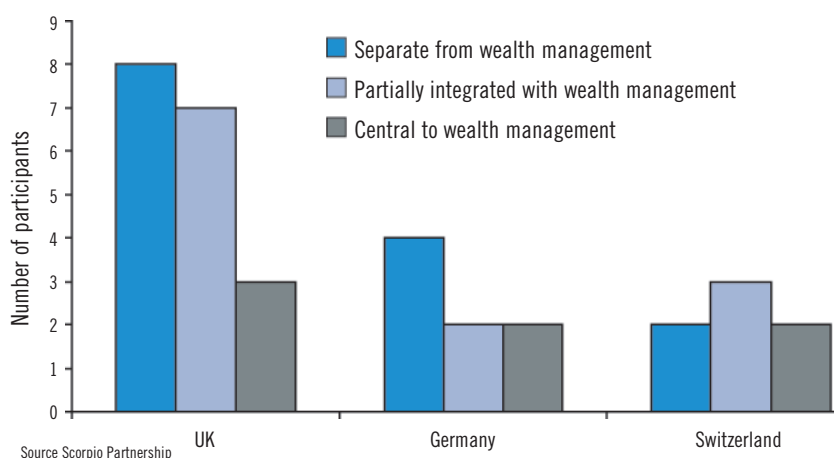
And yet existing wealth management providers seemed unable to support their needs – *“lawyers and private bankers are very good at providing technical advice, but they are not interested in the psychic income”*.

This lack of support is despite the fact that philanthropy is increasingly being integrated into the wealth planning of UHNW individuals and family offices, illustrated in Figure 3.

There was a correlation between levels of giving and the level of integration with the individual’s overall wealth management plan. Families that considered philanthropy core to their wealth management contribute over 10% of their annual net worth to philanthropy, compared to an average 5% contribution among the group.

There was an even stronger correlation between integration and the donor’s level of personal involvement. Donors that spent more than 20% of their time on philanthropy tended to place giving closer to the core of their wealth planning. And

Figure 3: integration of philanthropy into wealth management



very active philanthropists, who spend more than 40% of their time on the issue, have found synergies between their philanthropic and business interests. In one case, the individual has harmonised their businesses and giving vehicles to mutually reinforce each other. As Tom Hunter recently said, *“it makes me a better money maker knowing that the money is going to good use.”*

The trend towards integration has been acknowledged by a number of private banks and other professional advisors who now include philanthropy services as part of their overall product and service offering. But donors clearly want more from their advisors than they currently receive.

### 2. becoming strategic philanthropists

Every respondent thought that strategy was fundamental to philanthropic success, with a defined methodology for selecting areas of focus, filtering fields of interest and letting the research agenda drive their decision on what to support.

However by no means did all interviewees deem themselves (or their clients) to be strategic in their approach. Over a quarter of respon-

dents said their approach was not strategic, while the multi-family offices (MFO) considered only 10-20% of their clients to be strategic – they were also largely detached from their philanthropy due to ongoing business involvements and time restraints. This suggests that these types of donors might benefit from help in becoming more strategic in their philanthropy and finding results-oriented charities which correspond with their objectives.

### 3. networking with other donors

Networks were considered important in several ways – as an exchange of ideas and a forum for sharing learnings; as a way of increasing impact by co-funding with other donors interested in the same issues; as a platform for would-be philanthropists to learn the fundamentals of giving; and fulfilling a due diligence role by learning what peers have funded.

There were some key differences between the geographies regarding networks. In the UK, networks are of great interest and are emerging and growing due to demand, with a focus on communication and collaboration between funders with established areas of interest. They are relatively easy to access once identified.

In Switzerland, networks are also very important – but are more difficult to access for new philanthropists, given their highly inter-personal nature. They are often used for identifying the right individuals to lead family foundations

In Germany, UHNWIs and families use networks much less frequently, due both to the localised focus in giving and the high level of anonymity related to philanthropy. When families do network, they tend to do so based on longstanding links, often originating from outside philanthropy.

#### 4. measuring success

Receiving feedback and measuring success were both critical challenges to the sample. *“Philanthropy is like business ... I want to know my money is doing something positive”*. On the whole, donors want to see tangible outcomes to their giving, with a high ranking given to quantitative metrics as a measure for success. And donors need help with this – monitoring the performance of funded charities was one of the key stages where respondents demand support (see Figure 1) – no surprise given their focus on impact and results.

More than 75% of the sample

expressed a preference for face-to-face or bespoke feedback from charities they've funded but there were concerns voiced over placing an excessive burden on the charities. There was demand for exploring forms of feedback that give donors the requisite information without taking up valuable time and focus.

#### conclusion

The research highlights a number of challenges facing donors but what stands out clearly is their need for advice in the many stages of the philanthropy process. And donors are willing to pay for this advice as long as it is adding value to the impact of their giving.

The research, along with anecdotal evidence, suggests that many advisors are now being asked by their clients for help with their philanthropy. However because philanthropy has not so far been part of their range of advisory services, advisors are unsure of what advice to give or how to help their clients. And yet in the words of one private client lawyer,

*“talking about philanthropy definitely enhances client relationships. It shows you care about the*

*broader personal and social needs of your clients rather than just saving a few million off their tax liability.”*

wise – philanthropy advisors accompanies donors and their families in fulfilling their philanthropic aspirations. We provide tailored and independent advice and have developed tools and processes to meet high standards of transparency and impact, ensuring that the opportunities created will make a sustainable difference.

The gap in advice creates plentiful opportunities for all those involved. With more advice donors can have greater impact with their giving, charities can become more results oriented to the benefit of those they're set up to help and advisors can build better relationships with and provide enhanced services to their clients.

To read the entire research study, go to [www.wise.net](http://www.wise.net)

The summary has been written by Plum Lomax (New Philanthropy Capital UK) and Etienne Eichenberger (wise).

i **New Philanthropy Capital (NPC)** helps donors understand how to make the greatest difference to people's lives. NPC provides independent research and tailored advice on the most effective and rewarding ways to support charities.

ii **The Bertelsmann Stiftung** is dedicated to promoting the public good. It focuses on the fields of education, economic and social affairs, health and international relations. It also promotes the concept of philanthropy and wants to bring fresh momentum to civic engagement.

iii **Scorpio Partnership** is a strategy consultancy to the wealth management industry and is based in London and specialises in qualitative interviewing of high net worth individuals and wealth management industry professionals to support strategic assessments and future initiatives.

**wise – philanthropy advisors (wise)** accompanies donors and their families in fulfilling their philanthropic aspirations. We advise donors seeking to create new opportunities for social change and connect them with those acting with insight, expertise and leadership in the social field.

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- please contact us directly for further information on our philanthropy services for individuals, families or advisors at [contact@wise.net](mailto:contact@wise.net) or at +41(0)22 321 7737

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