

A Closer Look

Engaging the Next Generation Through Philanthropy



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In Brief

- **Parents are often hesitant to discuss money and inheritance with their children as they don't want to de-motivate or inhibit their full potential.**
- **Our century of experience working with wealthy families shows that philanthropy can engage younger generations and bring the family together.**
- **Research also reveals that the next generation has much to bring to the table.**

Changes in Family Philanthropy

Greg's father waited on the list for a lifesaving heart transplant for five years. With this firsthand knowledge of the bureaucracy and challenges of the organ donation system, at age 30 Greg decided to leave his job in venture capital and dedicate himself full-time to finding a solution to the organ shortage. He is now working with key stakeholders in government, healthcare, and technology to build a national organ donor registry and, through a mass-marketing campaign, register over 90% of the U.S. population as potential donors. He is well on his way to finding a solution that could save the lives of the more than 100,000 people currently on the organ donation waiting list.



Donna Trammell
Director of Family
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The Next Generation and Innovation

Greg is not unlike the other teens and young adults who are the new face of philanthropy: Gen Z (born 2001 through present day) and Millennials (born 1981 through 2000). These young people, who are positioned to inherit more than \$40 trillion over the next few decades,¹ are using their wealth to implement innovative solutions to social problems.

Recent research from Dorothy Johnson Center for Philanthropy and 21/64 shows how their philanthropic involvement differs from that of their parents and grandparents. The study *NextGenDonors: Respecting Legacy, Revolutionizing Philanthropy* suggests that young people, like Greg, are using entrepreneurial talent to expand innovations in philanthropy. They are also starting earlier, volunteering more, and giving at a much younger age than previous generations.

What's even more encouraging is that these next-gen donors are influenced and driven by the values instilled in them by their parents and grandparents. They look forward to taking an expanded role in family leadership and working with other family members to leave a lasting legacy in their communities.

A Unique Challenge of Wealth

Families with wealth face unique challenges. We've seen parents who hesitate to discuss inheritance and money with their children because they are afraid that knowledge of the family's wealth at too young an age may de-motivate children or inhibit them from leading productive lives. To address some of these challenges, we have found that philanthropy provides a natural forum for these conversations in the context of the family's values, goals, and ultimate legacy.

¹ Accenture: *Wealth and Asset Management Services | Point of View: The "Greater" Wealth Transfer — Capitalizing on the Intergenerational Shift in Wealth*, 2016.

How We Support Our Client Families

- **Family 1:** We worked with parents to help them bring their four adult children formally onto the family foundation board. Up until then, the foundation seemed merely a “checkbook” for mom and dad so they had concerns as to whether the children would be interested in getting involved. The Bessemer team facilitated a series of family board meetings to identify shared values and goals, reach consensus around grantmaking, and ensure everyone had a voice at the table. Now the family is actively engaged in joint grantmaking projects in the education field with each of the children nominating grants to be made in areas of interest to them.
- **Family 2:** An 18-year-old next-gen client worked with our philanthropy team to develop a prize program through her family foundation. She wanted to setup a prize for “innovating ideas in K-12 education” as a way to honor her grandfather. We worked with her to identify nonprofit partners and develop a business plan to govern the way the prize would be awarded. The program is now up and running, with the next-gen family member working with her grandfather to make it sustainable. This was an effective way to bring the generations together and establish a legacy in honor of the grandfather.
- **Family 3:** At a family meeting that included grandchildren ages 8 to 15, we led an interactive exercise to identify “wants versus needs” across generations. After each family member reviewed their lists, we explored how wants and needs change across generations, and how some “needs” may really be “wants.” From there, we facilitated a discussion of various needs in the family’s larger community and how the family might help.

Involvement with family philanthropy — be it a family foundation, donor-advised fund, or even informal personal giving — can increase the financial acumen of younger generations. For example, we have worked with clients who use family foundations to teach asset allocation and investment performance to younger family members. As such, philanthropy allows the family to have conversations about money and values without the distraction or anxiety of revealing the family’s net worth or parents’ complex estate plans.

We are encouraged by the *NextGenDonors*’ findings that 90% of respondents credit their parents for teaching them the value of giving.² These lessons can come at any time — whether through reading a story about homelessness to your nine-year-old daughter or discussing food sustainability with your teenagers around the dinner table. Families are better served by

starting early and encouraging conversations among generations about the family’s values, philanthropy, and the wealth their children will someday receive.

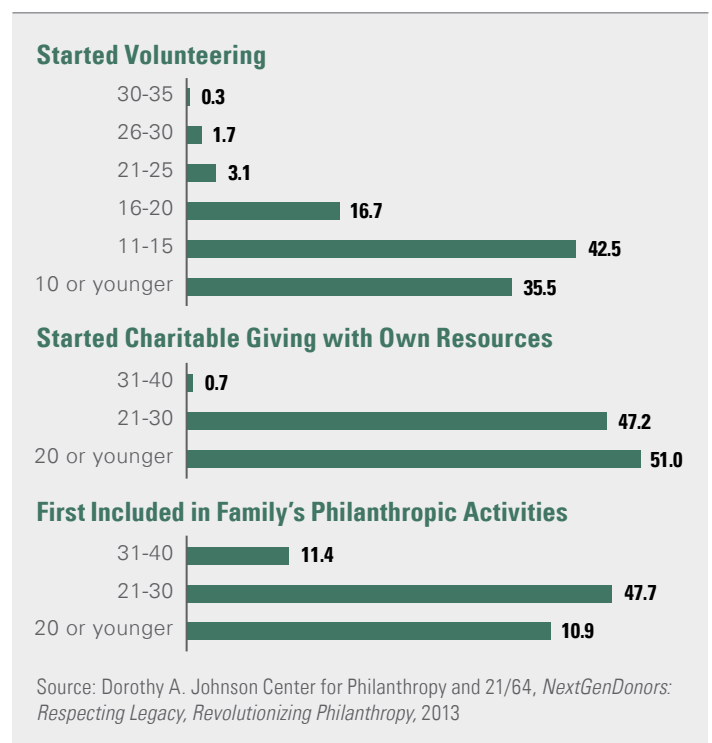
The New Face of Philanthropy

What is unique about how Gen X and Millennials approach philanthropy? Which notions, values, and habits differentiate them from their Baby Boomer (born 1946 through 1964) and Traditionalist (born 1927 through 1945) relatives? And how will this knowledge empower families to overcome some of the unique challenges of wealth? To begin answering these questions, we will highlight some of the research findings from the aforementioned *NextGenDonors* survey, for which more than 300 people between the ages of 21 and 40 were questioned.

They are eager to begin. Seventy-eight percent of survey participants started volunteering when they were less than 16 years old, and more than 50% started giving with their own resources when they were 20 or younger (Exhibit 1). They are excited to explore the innovations

Exhibit 1: Inheriting Values, Looking to the Future

Respondents indicated the age when they began the following activities:



² Dorothy A. Johnson Center for Philanthropy and 21/64, *NextGenDonors: Respecting Legacy, Revolutionizing Philanthropy*, 2013, www.nextgendonors.org.

in philanthropy, such as microfinance or commercial enterprises that build a specific donation amount into the price of a product. The next generation believes that legacies should be created over a lifetime of giving activity, rather than something that is embarked upon during retirement.

They are more strategic with their giving. One significant difference is that Gen X and Millennials want to be more effective with their giving. They intend to use multiple sources of information and all the tools in their toolbox to conduct due diligence on potential recipients — and they want to know that their own involvement made a difference. These young adults also value donor education, and take advantage of forums where they can discuss their philanthropy with others — peers, wealth managers, and affinity groups — as well as networks like the National Center for Family Philanthropy.

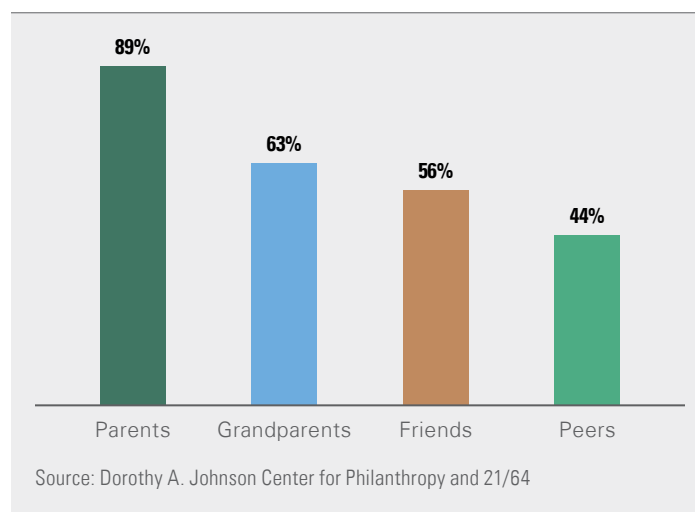
They want to be active partners with the causes they support. The next generation tends to enjoy hands-on involvement with organizations they support. In short, they view their role as a partnership, devoting time, talent, and resources to help improve the organization. As one young philanthropist put it, “Simply writing a check every year for a regional theater company may be a good thing, but it [might] not. They may need challenge grants and programs for students in trying to get the community involved at a much deeper level so they can survive longer.”³ This tendency toward experiential learning, which we see in all our work with the next generation, plays a large role in developing a philanthropic identity.

They are skilled at leveraging their networks and learning from their peers. The next generation seems to seek out and trust a broader and more active network of peers. According to the *NextGenDonors* survey’s analysis, “In a previous generation...if you were pushing too much and networking too much, [people] looked at you with disdain; but now it is something that is heralded.”⁴ In particular, the next generation uses social media to inform others, exchange ideas, and rally interested parties to their causes. Sharna Goldseker, managing director of 21/64 and co-author of the study, observes, “They prefer to learn by doing and sharing their experiences with peers as opposed to being instructed by a teacher or parent about how to give.”

Their philanthropy often reflects the values they learned from their families. While technological innovation gives the younger generations more ways to engage with philanthropy, the basic values that guide their interests and efforts typically come from their own families — particularly parents and grandparents (Exhibit 2). Starting conversations about philanthropy, then, can help reinforce the family’s broader value system and pave the way for more in-depth education about the family’s ultimate plan for its wealth. There are many different ways to start the conversation, which we will highlight in the following section.

Exhibit 2: Who Influences Next Generation Donors?

Key Takeaway: The basic values that guide the interests of the next generation typically come from parents and grandparents.



Implications of Family Dynamics

Involving the next generation in philanthropy can be a great first step in helping to foster the family’s values, encourage responsibility, and promote an environment where discussions about wealth can take place more easily. Gen X and Millennials are open to engaging in philanthropic family activities, whether it’s volunteering as a family or participating on the foundation’s junior board. To enhance family dynamics, we suggest parents and grandparents observe the following rules of thumb:

- **Leverage the unique learning style of the next generation.** Younger generations often appreciate hands-on opportunities such as site visits or similar

³ Dorothy A. Johnson Center for Philanthropy and 21/64, *NextGenDonors*.

⁴ *Ibid.*

types of experiential learning. We work with grandparents who set up an annual “giving day.” They gather the grandchildren and take them on pre-arranged site visits to select nonprofit organizations. Depending on the grandchildren’s ages and interests, this could be the local zoo, the children’s museum, an urban garden reclamation project, or a science center. That afternoon, each child gets to recommend his or her favored recipient for the grandparents to fund. The following year, the group can revisit the organizations to hear how the funding was used. Not only does this provide the grandchildren firsthand exposure to philanthropy, but it also enhances a bond between grandparents and grandchildren that will be long remembered.

- **Prepare to transfer some of the decision-making authority to the next generation.** It may seem obvious, but creating responsible young adults requires giving them responsibility. A family foundation board we work with had seven board seats for the matriarch and her six children. When the matriarch passed away, each grandchild of a certain age filled her seat for a one-year term. Stepping up to the main board allowed the third generation to work with other family members to ensure their grandmother’s legacy continues.
- **Use the family’s philanthropic efforts to help teach basic financial concepts.** Just as philanthropy provides a natural forum to discuss the family’s values, it also offers the opportunity to introduce the next generation to investments, budgeting, and taxes. A foundation’s annual grantmaking budget can be used to teach teenagers and young adults the basics of long-term planning. Post-college family members could join the foundation’s investment committee. This gradual approach offers the next generation a chance to learn from and share their successes and failures with the family when the stakes are still relatively small.

- **Encourage diversity in interests and passions within the family’s philanthropic activities.** While we believe families share many core values, the expression of these values often varies by individual and over time. Be supportive of the next generation’s interests, even if they do not align with your own. This can be done by establishing a donor-advised fund for each family member, and a separate fund or pool for joint giving to a cause on which the entire family votes.

This structure recognizes different philanthropic passions and geographical dispersions within families while reinforcing shared values. It also introduces decision making within family groups. For example, a family member can support her cherished local art museum, while the family as a group agrees to support an issue central to all members, such as cancer research. Meeting annually to determine joint family gifts will also help strengthen family ties.

How to Take the First Step — Sooner Rather Than Later

Building the next generation’s financial competency and gradually sharing information about — and responsibility for — the family’s wealth is one of the best ways to prepare them to be good stewards of that wealth. Involving them in philanthropy is an effective way to start the process. Philanthropy can serve as a common thread — interests, passions, and goals — to connect generations and create a way for family members to learn from one another.

This paper is one of many resources available on this topic. If you are interested in learning more about involving the next generation or any of the other topics of discussion, please contact your Client Advisor.

Books and Resources for Engaging the Next Generation through Philanthropy

Generations of Giving: Leadership and Continuity in Family Foundations, Kelin E. Gersick, co-publication with the National Center for Family Philanthropy

Living the Legacy: The Values of a Family's Philanthropy Across Generations, edited by Charles H. Hamilton, National Center for Family Philanthropy

Wealth in Families, Charles Collier, (Second Edition)

A Wealth of Possibilities, Ellen Miley Perry

The Opposite of Spoiled, Ron Lieber

Making Connections: Philanthropy Networking Groups for Donors

Exponent Philanthropy, www.exponentphilanthropy.org

Council on Foundations, www.cof.org

Foundation Center, www.foundationcenter.org

National Center for Family Philanthropy, www.ncfp.org

Nexus Global Youth Summit, www.nexusyouthsummit.org

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Our Philanthropic Advisory Services team offers objective, straightforward advice to clients on a customized basis and collaborates with our specialists in estate planning, family wealth stewardship, tax planning, and more, to integrate clients' charitable giving goals into their comprehensive wealth management plan. Bessemer Trust can help clients and their families explore the value of philanthropy whether it is a long-standing commitment or a new interest.

About Family Wealth Stewardship

Our Family Wealth Stewardship team can work with your family to navigate the complexities that come with wealth. We focus on three primary areas: educating the next generation, bringing families together to foster communication, and building family governance structures. Bessemer Trust assists clients to create a unique wealth management plan that speaks to the future and lays the groundwork for an ongoing family legacy.

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