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How Baby Boomers Will Change Philanthropy

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By

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Billion-dollar charitable donations and pledges from t
Buffett and now Mark Zuckerberg have been big news
radar lie millions more–over five million, according to
retire "affluent" households with net worth of $1 million and above.

More important than their current count is this group's growth: faster than any other wealth cohort.

Most will follow a plan to provide for sustainable retirement income that, in all but the worst economic circumstances, will see their wealth continue to increase during this phase of life. It takes time, but most of these retirees will gradually shift from a focus on having enough money to one of realizing they have more than they will spend.

Then what?

Not surprisingly, many will leave the vast majority of their wealth to children, grandchildren, family and friends. However, some will choose to also leave more than a token amount to religious organizations, educational institutions and other favorite charities. This is where things will get interesting.

Those who decide to leave even 10% to 25% in end-of-life bequests to such organizations will unleash a torrent of dollars to these fortunate charities. Its impact will be two-fold. First, gifts by bequest will more than double from current levels. More significantly, charities will find this next generation of donors to be much more demanding than in the past.

A quick numerical example will illustrate. It's not unlikely that, during the next 25 years, as many as 10 million of these affluent households will leave behind average wealth of $3 million. Suppose 20% of these individuals/couples desired to give 20% of their wealth to charities. That's $600,000 per donor. For some organizations, such a $100,000+ gift will be among the biggest they've ever received.

If so, these organizations will receive $1.2 trillion–about $50 billion annually over this quarter-century–double what they currently receive from all bequests. This will be even higher based on how the other 80% decide to give back to the communities in their lives.

Beyond the sheer amount of these gifts, they will come gift-wrapped in the values and results-orientation that helped create the lifetime fin millionaires. Increasingly, these donors will ask simil "investing" in a charity as they learned to do when the

What is your vision? What is your plan? What will our/my gift allow you to do that you aren't doing now? How can I make a real difference without just putting money in your endowment so you can spend 4%-5% of it every year forever? What could you do with this "charitable venture capital?" What would success look like? How will you measure and

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report results? Who will be responsible for this?

This will particularly be true when it is done through donor-advised funds. That's because, unlike lump-sum gifts paid at a donor's death, such "venture philanthropy" can be funded over several years and overseen by the fund's trustee(s) who are charged with carrying out the elderly or deceased donor's vision and intentions. This will spark ongoing dialogue and foster accountability while also influencing the next generation of affluent philanthropy.

Churches, schools and charities will pay attention. Not simply because a(nother) potential six-figure gift has come calling. Rather, it's because this situation–this conversation–will be happening tens of thousands of times each and every year for quite some time as today's affluent age. It has the potential to change the way charitable organizations think about everything from mission to strategy to operations to accountability.

In other words, it could just change the world.

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