

Are Charitable Deductions holding us back?

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ABOUT THE PRESENTER

- 35 years advising donors in outright and planned giving while representing education and social service nonprofits, including 14 years at Lewis & Clark College and 11 years at SMART Reading where she currently serves as the Senior Development Officer
- Independent philanthropy advisor certified by 21/64, a leader in multi-generational philanthropic advising and training
- Graduate of Beegle Poverty Immersion Institute, Resolutions NW anti-racism seminar, and University of Oregon School of Journalism; Community Centric Fundraising student
- Philosophy: Social justice philanthropy; move \$ into community sooner rather than later; use \$ to level playing field, create opportunity

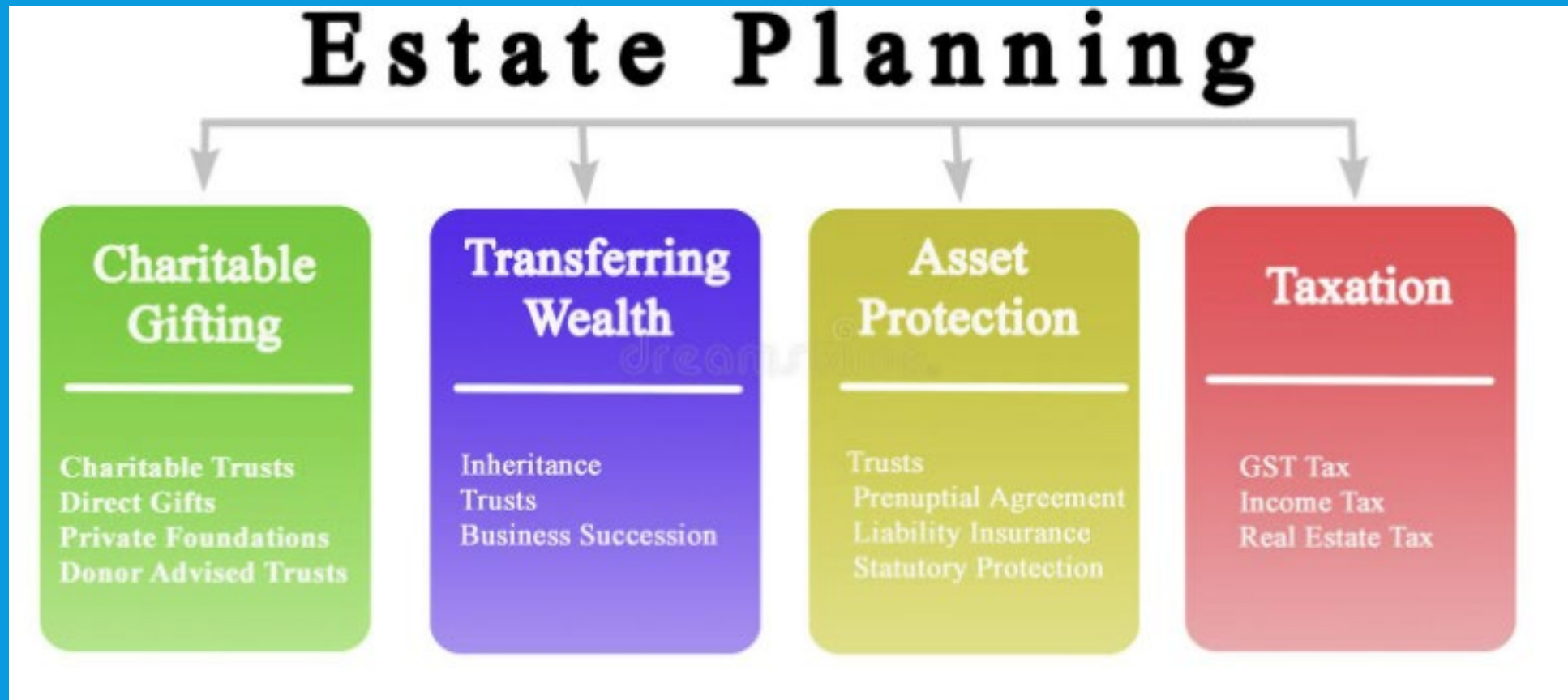
ABOUT THE PRESENTER

- Major gift officer with limited planned giving experience
- Something about the negative tax narrative didn't sit right with me
- Moved to smaller \$4M grassroots nonprofit that started equity journey 10 years ago
- Learned about Community Centric Fundraising and how to look at our work with an equity lens
- Now looking for ways to improve fundraising that gets money to charities sooner and minimizes harm to the greater community

TODAY'S DISCUSSION

- Traditional Philanthropy: the good & the bad
- What is our goal?
- If more tax was paid on the front end, would we need less philanthropy on the back end?
- What you can do today to promote new era philanthropy

TRADITIONAL ESTATE PLANNING



HOW DID WE GET HERE?

Three examples of contributing factors to modern tax-reducing gift planning:

- Bequest and trust practices brought over from England in 1600s; practiced by our founders/forefathers
- Universities, churches and hospitals began planned giving and endowment marketing in early 1900s
- Tax reform acts adopted to regulate and incentivize planned giving and preserve wealth

LEGACY OF INJUSTICE IN PHILANTHROPY

In 2022, Harvard's Legacy of Slavery report that revealed:

- Over 1/3 of Harvard's early 1800s private donations came from five men enriched by slavery and slave-based trade
- Benjamin Bussey, a merchant of sugar, coffee, and cotton, left Harvard \$320,000 (1842)
- James Perkins, involved in Caribbean slave trading, gave \$20,000 (1822)

ANOTHER TAKE ON PHILANTHROPY

"Philanthropy is commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice which make philanthropy necessary." — Martin Luther King, Jr.

"Philanthropy is getting money back into the hands of people who should have had it in the first place."
— Program officer, major private foundation

"I should pay more in taxes." — Jennifer Risher,
author, *We Should Talk: A Memoir About Wealth*

“UNINTENDED” CONSEQUENCES OF WEALTH PRESERVATION & TRADITIONAL PHILANTHROPY

Wealth disparity

Preservation of assets and
intergenerational wealth **highly
effective:**

- the top 1% owned a record 32.3% of the nation’s wealth as of the end of 2021
- the share of wealth held by the bottom 90% of Americans, likewise, has declined slightly since before the pandemic, from 30.5% to 30.2%

“UNINTENDED” CONSEQUENCES OF WEALTH PRESERVATION & TRADITIONAL PHILANTHROPY

Wealth stockpiling

- Multi-billion-dollar college endowments yet millions still can't afford college
- \$40 billion in community foundations, yet high decline rates
- \$251 billion in donor advised funds yet many nonprofits struggling

“UNINTENDED” CONSEQUENCES OF WEALTH PRESERVATION & TRADITIONAL PHILANTHROPY

Rise of **tax-adverse** narrative

less tax revenue in public coffers can hurt marginalized populations (ex: public school systems; unhoused population)

TOUGH TALK ABOUT TAXES

What if we changed the narrative around taxes?

- Acknowledge that public revenue benefits all (education, infrastructure, public safety, elder and disabled care)
- Acknowledge the connection between tax avoidance at the front end and philanthropy on the back end: If more of us paid taxes on the front end, would we need less philanthropy on the back end?
- Acknowledge the connection between fundraising and tax avoidance: charitable deductions, charitable trusts, and donor advised funds

WHAT TAXES CAN DO

Sector	Tax-Based Model (e.g., Scandinavia)	Philanthropy-Based Model (e.g., U.S.)
Healthcare	Universal access	Crowdfunding medical bills
Education	Free, public, high-quality schools	Donor-funded charter schools
Housing	Public housing and benefits	Homeless shelters, private aid
Disaster Relief	Fast government response	NGO and donor dependency

UNINTENDED CONSEQUENCE OF DAFs

- Before 1991, less the 6% of charitable donations were going to foundations and DAFs and balance to nonprofits on the front lines
- By 2019, nearly 30% of donations going to foundation and DAFs – that's a decrease of capital for nonprofits during work on the ground
- Result: **Nonprofits are under-capitalized** and one study says \$300 billion was diverted from charity to DAFs during 2014-2018
- There is an estimated \$251 billion in DAF charitable assets
 - Unlike foundations, no laws mandating DAFs be spent down
 - Since the charitable deduction has already been taken, no urgency for clients to move money out of DAFs



STEP BACK: WHAT IS OUR GOAL?

What is your organization's mission?

Who are we/fundraisers/advisors beholden to? Donors?
Students/patients/clients we serve? The greater good?

Is there a way to conduct our work in gift planning that is more equitable?

ANECDOTE: NEW ERA PHILANTHROPY

Planned Giving Officers: Would it not benefit your nonprofit if you proposed shorter terms for charitable trusts, including non intergenerational trusts?

Story: Katie inherited mother in laws trust. Spent 10 years giving money away and was happy when trust finally dissolved

Financial Advisors: if your clients have philanthropic intent, could you engage them in a conversation about paying taxes on a few fronts?

Story: Wealth advisor blown away by this concept

ANECDOTE: NEW ERA PHILANTHROPY

#halfmyDAF is movement encouraging people to spend down half of their donor advised funds to get more capital to nonprofits today

- #halfmyDAF creators are incentivizing spending down DAFs by offering matching gifts
- Participants pledge to give away 50% of their DAF, then requests the grants, nominate nonprofits to receive matching gifts
- More than \$33 million has been transferred from DAFs to nonprofits
- BTW, \$251B could permanently house all 582,000+ people experiencing homelessness in the U.S.

ELEPHANT IN THE ROOM

Philanthropy is centered around charitable deductions; if it ain't broke...

Financial Advisors make money from DAFs, so...



WHY SHOULD WE CARE?

Because our donors do!

- Values-based philanthropy (it's a thing)
 - Connecting values to giving, often across generations
 - New take: using a **fairness lens**
- Clients' desire to leave the world better than they found it
- Awakening of community's social conscience (example: Harvard legacy report)
- Evidence: Rise in social conscious investing (ESG: Environment Social (justice) Governance) and Donor Advised Funds (DAFs)

WHERE DO WE START?

By having conversations with our donors

- Are your values aligned with those of your grandkids? What behaviors exhibited by your grandkids have caused you to think again about your values or ways of doing things?
 - (aka, are they vegan, gay, have friends of color, socially conscious investors, etc.)
- Tell me about your family's/business' history focusing on the origins of the assets/wealth and the people who helped harvest the assets
 - (aka, was the land homesteaded? Did the workers reap the same benefits as the company owners? What was the environmental impact of the business?)
 - Resource Generation is young people with wealth and/or class privilege committed to the equitable distribution of wealth, land, and power.

PEP TALKS FOR FUNDRAISERS

Be Your Best S.E.L.F.

S: Start your reflection today

E: Evaluate Values: Yours, Nonprofit, Donors

L: Leverage Awakening Momentum

F: Focus on mission, urgency

ACTION ITEMS: THINGS YOU CAN DO TODAY

- Write a personal statement about your values as they relate to fairness and consider how these insights interface with your work
- Converse with donors about grandchildren or youth that bridges modern thinking/practices with traditional values
- Talk to your org's leadership about what you learned today
- **Spread the word about the #halfmyDAF campaign**
- **Propose gift planning solutions with shorter terms**

TODAY'S TAKE-AWAYS

- Traditional estate and gift planning practices have community consequences as well as benefits to our donors and nonprofits
- Asset protection and altruism are alive and well; fairness philanthropy is worth considering
- Reflection and focused conversations with donors can lead to gifts made sooner rather than later
- Resources available:
<https://www.sharonbbenson.com/resources.html>

Q & A

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SOURCES

Wealth Disparity

Federal Reserve

<https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/chart/>

Fortune

<https://fortune.com/2024/10/08/congressional-budget-office-wealthiest-one-percent-nation-wealth/>

Wealth Inequality

<https://inequality.org/facts/wealth-inequality/#richest-americans>

CNBC reporting on the Federal Reserve

<https://www.cnbc.com/2022/04/01/richest-one-percent-gained-trillions-in-wealth-2021.html>

SOURCES

Current amount of held in DAFs and foundations

National Philanthropic Trust, nptrust.org

<https://www.nptrust.org/reports/daf-report/#:~:text=There%20is%20an%20estimated%20%24234.06,totaled%20%2445.74%20billio n%20in%202021>

Downside of DAFs

Charity Watch

<https://blog.charitywatch.org/the-dark-side-of-donor-advised-funds-dafs/>

Philanthropy News Digest – Candid

<https://philanthropynewsdigest.org/news/dafs-may-have-cost-charities-300-billion-over-five-years-study-finds>

SOURCES

DAFs with minimum 10% payout and other progressive philanthropic investments

Amalgamated Foundation

<https://amalgamatedfoundation.org>

Trust-based Philanthropy

<https://www.trustbasedphilanthropy.org/values>

Next gen philanthropy: Resource Generation

<https://resourcegeneration.org/>

Inequality.org

<https://inequality.org/article/ten-solutions-bridge-racial-wealth-divide/>