



Endowments & Foundations Charitable Giving

Trends in Charitable Giving

As a leader of PFM's National Endowment and Foundation practice and someone who has spent a significant portion of his career working with endowments, it is both in my interest and a joy to keep close tabs on recent trends in the space. To that end, I recently attended a presentation that discussed both trends and forecasts for charitable giving. The presentation's key findings were taken from *Giving USA 2019: The Annual Report on Philanthropy* (the Report).¹ There were several data points and ideas that I found particularly interesting and worth sharing.

One noteworthy and perhaps surprising takeaway from the presentation was that individuals donate more money than large corporations. According to the Report, corporate donors only account for 5% of giving, while individuals comprise 86% of charitable donations. Also, while fewer households are giving to charities overall, another interesting data point is that high-net-worth households currently account for more than 50% of giving, as compared to 30% in 2000.

It should also be mentioned that, while it is believed that the 2017 Tax Cuts and Jobs Act (TCJA) will impact tax deductions that benefit donors, there are new giving options that offer donors additional tax benefits.

New Ways to Give That Benefit Donors

Cash and cash-equivalent gifts are still the most popular way for donors to support nonprofits, as are appreciated stocks. However, other giving vehicles can make donating more beneficial to people seeking tax advantages. These include:

- ◆ **Qualified Charitable Distribution (QCD)**, which is a direct transfer of funds from a donor's individual retirement account (IRA). This benefits the donor because a QCD can be counted towards the donor's required minimum distribution (RMD) for the year, as long as QCD requirements are met.
- ◆ **Inherited IRA RMD**. Starting at age 70 and a half, the IRA requires most IRA owners to withdraw a RMD each year, which can be used for charitable giving without being taxed. However, private foundations and 509(a)(3) supporting organizations do not qualify to be recipients.

With the addition of these new giving vehicles, there are several ways foundations and nonprofits can make it easier for donors to use tax-advantaged gifts:

- ◆ Offer a RMD response option for donors
- ◆ Offer donor-advised funds (DAFs) as a response or transfer option
- ◆ Educate donors with a tax-planning session where professional tax advisors serve as speakers

¹ The Report is published by the Giving USA Foundation, a public service initiative of The Giving Institute. The Report is researched and written by the Indiana University Lilly Family School of Philanthropy at Indiana University-Purdue University Indianapolis.



What Drives Fundraising Efforts

According to the Report, several key factors drive individuals when choosing a nonprofit to support. Individuals are more likely to give to a nonprofit if it provides the individual with a sense of purpose or meaning; if the donor believes that the organization is trustworthy and will use donations to fulfill its mission; if the nonprofit's mission can make a tangible impact; or if the individual has the ability to give to the nonprofit or donate time or a talent to support a nonprofit's initiatives.

Using the information from the trends and forecasts discussed during the presentation, a foundation or nonprofit may be able to help increase donations through their donor engagement programs by:

- Telling an impactful story that resonates with donors;
- Engaging people as volunteers;
- Thanking every donor every time; and
- Having board members or volunteers personally make thank-you calls.

As the presentation focused on charitable giving trends, a significant source of endowment growth continues to be the investment strategy itself. Asset allocation, diversification and attention to fees are considered among the key drivers to that effect. PFM has extensive experience partnering with endowments and foundations nationwide to help develop comprehensive investment programs that are cost-effective and customized to their unique missions.

\$12.3

billion

**ASSETS UNDER
MANAGEMENT**

35+

years as an

**INSTITUTIONAL
INVESTMENT ADVISOR**



dedicated to
**ENDOWMENTS &
FOUNDATIONS**

Discretionary multi-asset class assets under management as of March 31, 2020.

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