Philanthropy Impact

Inspiring Philanthropy and Investing for Impact

Guide to giving

For new donors/social investors and current donors/social investors

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Introduction

Wealthy individuals and their families are increasingly looking for opportunities to engage responsibly in order to make a difference. The opportunity to do this is broad, ranging from pure charitable giving to professional social or impact investing, and the journey can be very rewarding and fulfilling. The personal value proposition leads the decision-making process in choosing a suitable pathway.

There are typically three main approaches:

1. **Pure philanthropic engagement** – donating funds and not expecting a financial return;
2. **Venture philanthropy** – seeking to maximise some form of societal return and engaging your time and energy in a social venture; or
3. **Intentional/social investment strategy** – focused primarily on social enterprise and seeking to maximise societal return while receiving some financial return.

An additional approach to complement these is sustainable and impact investing, whereby an investor seeks to maximise their financial return as well as a societal or environmental return. The engagement or investment in these different ways is often value driven. People are motivated by their ambitions to do something beneficial for society or the environment based on their own values. A clear vision gives purpose and direction when embarking on this rewarding endeavour.

> See Investment Return Continuum. The continuum is a context within which philanthropists and ESG/impact investors can understand the various approaches to sustainable investment.

Pure Philanthropic Engagement

Some questions to ask yourself to get started could be:

- Have you already identified causes/what you want to support, or do you have no idea what you want to achieve?
- Are there family challenges you have faced and/or have your friends been through things that have seriously affected them?
- Are there articles in the news, either domestically or internationally, that concern you?
- Do you know which of your assets you are ready to give – is it purely financial or do you have other resources that could be of value to others?
- How long do you want to do this for?
- Do you want to do this on your own or collaborate with others?

Note: *these questions do not need to be answered in this order. Identify which ones you already know the answer to, and shape your answers to the others around that.*

The goal is to define your objectives, and then how you can action them and reach those goals.

Rockefeller Advisory Services' Philanthropy Roadmap provides an excellent overview of how to plan your giving. They released a very detailed report, Reimagined Philanthropy: A Roadmap to More Just World about the questions and reflections that emerging philanthropists should consider.

There are also eight other questions that philanthropists should consider: Are you cognisant of the inequalities our philanthropic systems are built on?

- Are your short-term gains laced with long-term harms?
- Are communities being empowered to determine their own solutions?
- Have you done the work or are you taking shortcuts?
- Are you engaging with the grassroots and valuing them properly?
- Do those on your board reflect the communities you are serving?
- Is your philanthropy truly catalytic?
- In whose name is this being done?

LGT and Philanthropy Insight's report provides a very useful framework to take donors through every stage of their journey.

If you are only just getting started and it is important to you that you fund topical projects that have urgent need, UBS' Top Five Trends in Philanthropy 2023 is a valuable holistic vision of the current state of philanthropy sector.

A lot of donors choose for their donations to be restricted grants, which often need to be assessed and reported on and the charities need to demonstrate the funds have only been spent on an agreed project. Many do not like their grants to cover core costs but over the last few years, that mindset has been increasingly challenged. In his Ted Talk, Dan Pallotta presents a useful summary of why that is.

Darren Walker, President of the Ford Foundation and ex-Vice President at the Rockefeller Foundation released an insightful book in 2023, From Generosity to Justice: A New Gospel of Wealth. It reflects back on the vision of Andrew Carnegie, and how it relates to modern times.

For are also groups of philanthropists who come together to learn from their peers and develop, or improve their practice. Forward Global (previously named The Philanthropy Workshop), Toniic and the Global Impact Investing Network are the most well-known and for those that are inheriting their wealth and are concerned about where it came from, the Good Ancestor Movement is a group of that has been formed to help bring them together.

One approach that not many people take is educating young children about philanthropy. If you have young children who will be inheriting your wealth, it is useful to understand how children can be taught about giving, and also how the material they use can help, or hinder this approach. The Giving Machine and the Lilly Family School of Philanthropy also offer useful advice on this topic.

RESOURCES:

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https://www.bridgespan.org
https://ssir.org/articles/entry/catalytic_philanthropy
https://www.philanthropy-impact.org/sites/default/files/user-uploads/pi_magazine_12_final_web_pgs4-7.pdf
https://learningforfunders.candid.org/

Your Total Portfolio Impact

It is important to get a broad sense of what your investment portfolio looks like; where and how your assets are invested, and whether this aligns with your values; and what you would like to achieve with your wealth. By looking at the table above, you can get an understanding of the spectrum of capital impact from traditionally managed investments all the way through to philanthropic funding. (Philanthropy Impact Spectrum).

Individuals, foundations and families alike are increasingly moving towards considering a "total portfolio impact approach", which means aligning your investment portfolio with your values and your philanthropy. This strategic approach creates maximum positive impact and ensures investments do not cause harm. For example, it will ensure you do not invest in tobacco and alcohol at the same time as supporting cancer charities. This is an increasingly important consideration for Gen Z, Millennials and and women of wealth, who want to authentically engage with societal issues and address them through all channels.

With the growing awareness around ESG/impact and responsible investments, this is now easier to achieve. Your wealth managers and professional advisors are more likely to ask you early on, and when reviewing your investment criteria, if you wish for your portfolio to comprise responsible investments aligned with your values.

There are also more accessible "impact investments" being offered by asset managers, which can align with your philanthropic mission – and it might be worth considering such funds, which are often thematic, addressing areas such as health and wellbeing, biodiversity and clean energy.

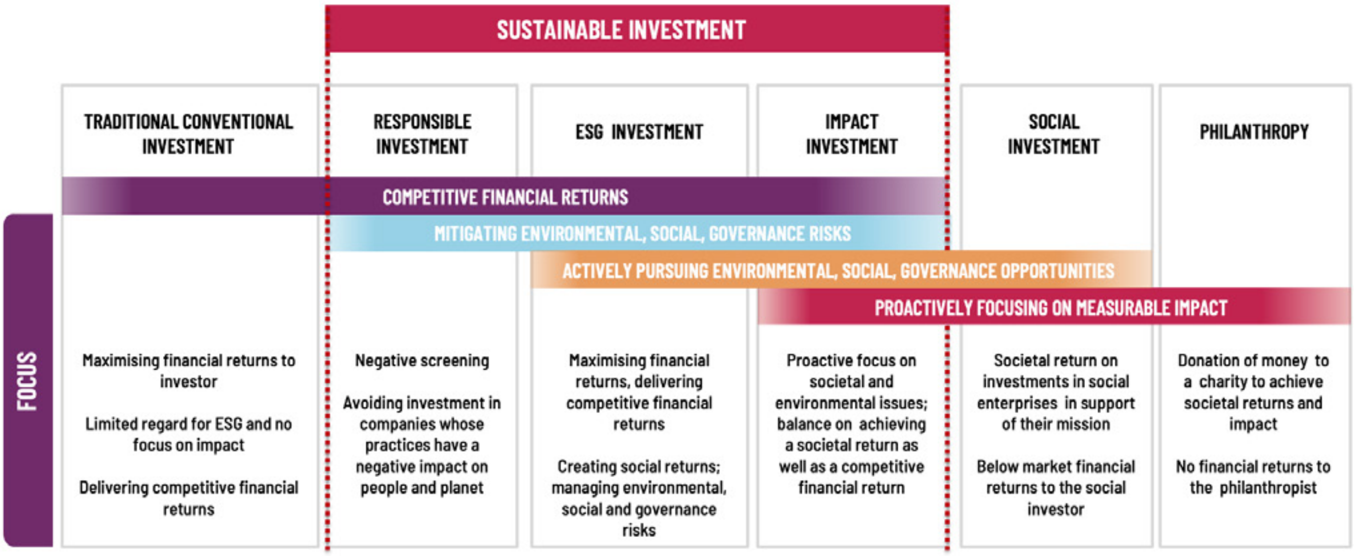
If you really wish to have all your assets working towards your goals, you should take steps to work with your professional advisors to achieve this.

See **Typology of Sustainable Investments** below, which describes investments from traditional to impact-generating, with some key characteristics.

TYPOLOGY OF SUSTAINABLE INVESTMENTS - STRATEGIC PURPOSE OF THE INVESTMENT

		Sustainable investments			
Traditional	Avoid Harm	ESG-screened	ESG-managed	Impact-related investments	
				Impact-aligned	Impact-generating
Focus on return. ESG & thematic approaches (i.e. SDG) not considered.	Exclusion of topics, industries or practices.	Mitigation of ESG-related risks and/or ethical considerations	Systemic reflection on ESG related risks and opportunities	Directly address social and environmental challenges and goals	Actively contributing to social and environmental solutions and transformations

SPECTRUM OF CAPITAL INVESTMENT-RETURN CONTINUUM



*Impact investment rests between social investment in social enterprises (whose primary purpose is a societal return of some type; and only secondarily with some modified form of financial return) and ESG investing (whose primary purpose is to maximise financial returns to investors whilst achieving some social good which is secondary). Impact Investment is where there is an equal emphasis and balance between societal and financial returns on investment.

NOTE: the term impact investment is also applied to the full societal impact continuum
The chart above reflects returns from the perspective of the investee and their impact - societal and/or financial. Investors including intermediaries would decide on the appropriate investment mix depending on their objectives for capital and their values. *Ref: Aperio and Bridges*

While donating to a good cause or investing in a social enterprise may seem simple, a lot can go wrong, particularly when significant amounts are being invested. Sophisticated advice, knowledge and learning are therefore essential to your success. Support from professional advisors may be helpful if you are embarking on a donor and social investment journey or reviewing your current approach.

In summary:

a. Be aware of your motivation. The following points outline the variety of reasons why wealthy individuals get involved with philanthropy:

- **Responsibility:** having created wealth, they feel a responsibility to give back to the individuals and society that helped them on their way. They wish to align their values with their money.
- **Family values:** they come from a family that gives, or they want to demonstrate to their children the importance of empathising with those who are less fortunate.
- **Peer group:** they are part of a community (often religious) that gives, and they continue in that tradition.
- **Life changing event:** whether selling a company or coming to terms with a tragic event, life changing events often change the priorities of individuals. They may have more time on their hands and want a new challenge, or they may have very personal reasons for focusing on a particular cause.
- **Legacy:** it is a cliché that the first half of life is about success and the second half is about significance. However, for some wealthy donors, the desire to leave traces of a well-led life is a powerful motivator.

- **Restructuring for wealth and estate planning:** others leave gifts to charities for estate-planning purposes, or because they don't have children to whom they can pass on their wealth.

b. Agree the causes or issues you would like to address, in order to live your values and motivations. Use a modified version of investigation as if it were a business proposition, including research, developing a vision, strategy, business planning and risk analysis/mitigation.

c. Establish the level of involvement you and/or your family would like to have and are capable of commiting to. Be aware there are several different approaches to philanthropic giving, some of which are:

- **Values-based philanthropy:** Donors prioritise their values to help effectively channel donations.
- **Strategic philanthropy – predictive model:** Decide a clear goal, and design and implement how to achieve it/impact; strategy-based on evidence/data-driven strategies.
- **Transformative Philanthropy:** Turns the power of money into creative and decision-making power for many; donors are part of the process in direct contact with the supported group.
- **Emergent philanthropy:** Motivation to pioneer and disrupt, innovate and to make a significant difference. The approach combines elements of venture philanthropy and the application of an emergent strategy. Emergent strategy accepts that a realised strategy emerges over time as the initial intentions collide with, and accommodates to, a changing reality. The term "emergent" implies that an organisation is learning what works in practice.
- **Catalytic philanthropy:** Catalyses/mobilises a campaign that achieves measurable impact; focuses on issues to resolve, not on organisations to support.
- **Venture Philanthropy:** High-engagement and long-term approach whereby an investor for impact supports a social purpose organisation (spo) to help it maximise its social impact – funding and expertise.

d. Establish as part of ones planning an approach to evaluation – evaluating the process of implementation and then the outcomes and impact.

See more detailed information on the seven stages of giving.

Pure philanthropic funding is often a catalyst for transformation and has an important role to play in supporting charities to make change happen.

Some donors want to give practical support to causes which are close to their heart, while others are more interested in influencing complex societal issues. Personal philanthropic engagement can be very innovative and satisfying, and is more strategic than charity, which is an immediate response to an acute issue or disaster. Private philanthropy often takes a more explorative approach in order to tackle burning issues. Success stories can then be scaled up efficiently and translated to similar causes.

The entry points are taking a business-like approach, being strategic and utilising common sense – together with a curious and explorative mind-set.

RESOURCES:

https://www.philanthropy-impact.org/sites/default/files/pdf/philanthropy-impact-magazine-issue-29_autumn_2023.pdf

https://www.philanthropy-impact.org/sites/default/files/pdf/philanthropy-impact-magazine-issue-26-pt1_final.pdf

https://www.philanthropy-impact.org/sites/default/files/pdf/pi_magazine_11_final.pdf

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https://www.philanthropy-impact.org/sites/default/files/pdf/pi_magazine_6_final.pdf

https://www.philanthropy-impact.org/sites/default/files/pdf/pi_mag17_aw_final_all_pages.pdf

https://www.philanthropy-impact.org/sites/default/files/pdf/pi_magazine_14_pgs_all_0.pdf

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https://www.philanthropy-impact.org/sites/default/files/pdf/pi_mag_19_final.pdf

THE BENEFITS OF ADVISORS:

Advisors: be proactive with clients about sustainable investing
by Jon Hale, May 22, 2019

What do clients really want from their wealth manager?
by Caroline Burkart, January 6, 2020

Why you need a philanthropy advisor on your team
by Emma Beston, PI Magazine, Spring 2018

Awakening the millennial philanthropists: a guide for professional advisors
by Lauren Janus, PI Magazine, Spring 2018

Philanthropy: What advisors need to know about the new age of philanthropic giving
by Sianne Haldane and James Maloney, PI Magazine, Summer 2020

Note: *Philanthropy Impact would recommend getting advice from a regulated Tax Advisor before making a decision.*

Additional to philanthropic giving and social investment, consider ESG/impact investing.

United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are the blueprint for achieving a better and more sustainable future for all, and provide a great framework with which to align your activities. Agreed by 193 countries in 2015, the 17 SDGs underpinned by 169 targets and 244 indicators, are the world's 'to do' list for the next 10 years. The SDGs make it clear that the global community relies heavily on the private sector to solve some of the most urgent problems the world is facing.

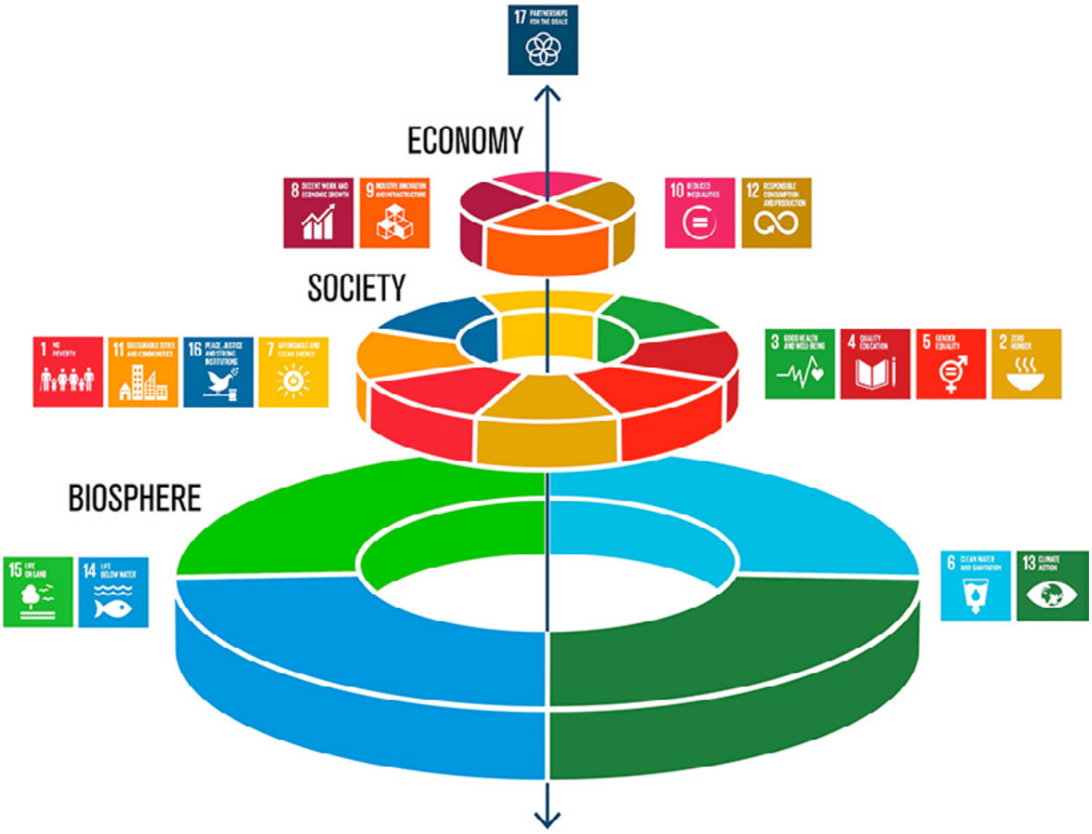
Both companies and institutional investors are being asked to contribute to the SDGs through their business activities, asset allocation and investment decisions.

Note: *the SDGs are growing in importance as more ESG/impact investors and philanthropists are contextualising their activities within the SDGs.*

THESE CAN BE CATEGORISED INTO FOUR IMPACT & INVESTMENT THEMES:

Failure to achieve the SDGs will impact all countries and sectors and create macro financial risks. Universal owners' portfolios are inevitably exposed to these growing and widespread economic risks – which are in large part caused by the companies and other entities in which they are invested.

Another way of looking at the SDGs is through biosphere, society and economy. This leads to a better understanding of how they might be applied and how a philanthropist and social impact investor can use them to set priorities. See chart below.



In a previous edition of our magazine, entitled [What Kind of Society Do We Want To Build?] there were 42 articles; the authors, their colleagues and their organisations proactively designing and implementing a 'new normal' – very inspirational, indicating the future holds promise.

Part 1 of this edition, [SDGs – Driving Societal Priorities: Leading to a Just Society], addresses the issue in a number of ways. The editorial states:

Andrew McCormack asks the question: can the world achieve sustainable development? He says: "*The world has the appetite and capacity for sustainable development. It has less than a decade to show the collective determination it needs to achieve its common goals.*"

Other articles outline how the SDGs applied in ESG impact investing can support the changes needed to achieve the SDGs, applying suitability criteria to enable investors to live their values and achieve their ambitions. To this end, Greg Davies explores the behavioural implications of impact on everything from philanthropic giving to impact investing.

Michael Alberg-Seberich address SDGs from another perspective – the challenge of measuring impact. As he says: *"The SDGs are not perfect, but they open the door to intense client conversations about impact. The effect of the SDGs on the corporate discourse on impact targets is an indication for this."*

International examples are explored in a number of articles from Russia to Asia to India; including a case history of an international philanthropist who is part of the Maverick Collective. The latter, Stasia Obremskey sums it up: *"My motto these days is 'yes, And.' YES philanthropy AND impact investing, to have more influence on women's lives. Yes, invest locally AND globally as the needs are great in both markets. YES mission AND financial returns to drive more investment capital into women's health. YES, education AND more and better products that enable women to manage their fertility, allowing them to make their mark on the world. The world so needs the minds and voices of women, working with men, to solve our most pressing problems—from climate change, economic inequities and disparities in health, education, and well-being. Let's invest in improvements in reproductive health and education for women and girls to make the world a better place."*

This is not just the beginning. There is a worldwide movement in support of achieving the SDGs, a momentum leading to a just society.

Just watch this space… as SDGers in multiple environments on a never-ending road create a sustainable world with healthy and sustainable economies, societies and biosphere.

Driving Investment Strategy

Achieving the SDGs will be a key driver of global economic growth, which any long-term investor will acknowledge as the main ultimate structural source of financial return over the long term. Economic growth is the fundamental driver of the growth in corporate revenues and earnings, which in turn drives returns from equities and other assets.

The SDGs aim to create a viable model for the future in which all economic growth is achieved without compromising our environment or placing unfair burdens on societies. Embracing the relationship with society, the environment and government creates a new strategic lens through which to view and judge business and investment success.

In the last 10 years, responsible and impact investment has evolved from being a primarily exclusionary approach to one focused on identifying companies that can effectively manage ESG risks and opportunities, while achieving impact. The challenges put forward by the SDGs reflect that there are very specific regulatory, ethical and operational risks which can be financially material across industries, companies, regions and countries. They provide a common way of referencing the move towards a more sustainable world, and can thus strengthen investors' ESG risk frameworks as well as focus in on impact investment actively contributing to social and environmental solutions and transformations.

In many cases, investors and philanthropists are implicitly taking these factors into account already. The SDGs offer a common language with which to shape and articulate such investments and philanthropic strategies, as well as a sense within which to think about selecting charities.

RESOURCES:

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https://unstats.un.org/sdgs/report/2023/

https://access-socialinvestment.org.uk/us/total-impact-approach

https://www.schroders.com/en/insights/economics/what-are-the-uns-sustainable-development-goals-a-quick-guide

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https://updates.maanch.com/2020/11/how-to-reallocate-capital-for-impact

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SUGGESTION 1:
"What does impact investing really mean?"
by Alice Millest, PI Magazine, Summer 2019

SUGGESTION 2:
"Investing and giving for good: homelessness: it's impact on the economy"
by Shakeel Adli, Autumn 2023

SUGGESTION 3:
"The celebrity philanthropist – impact investing for social and environmental change"
by Simon Voisin, Winter 2022

SUGGESTION 4:
"What is social impact investment, why is it growing and is it really having an impact?"
by James Westhead, Winter 2022

ESG

SUGGESTION 1:

"As clients open up to ESG, what role should wealth managers play?"
by Caroline Burkart and Tasha Vashisht, 21. July 2020

SUGGESTION 2:

"How alignment can create impact for ESG investors"
by Adam Bendell, Toniic, 23. July 2020

SUGGESTION 3:

"The Investor Revolution"
by Robert G. Eccles and Svetlana Klimenko, Summer 2019

WOMEN WITH WEALTH

SUGGESTION 1:

"Letter to the editor"
by Ise Bosch PI Magazine, Autumn 2018

SUGGESTION 2:

"An invisible opportunity: Engaging women of wealth around philanthropy"
by Leesa Muirhead PI Magazine, Autumn 2018

SUGGESTION 3:

"A brave new world of philanthropy"
by Isabelle Clough PI Magazine, Autumn 2020

SUGGESTION 4:

"Editorial: Millenials and women of wealth – an opportunity or pitfall for advisors?"
by Cecilia Hersler, PI Magazine, Autumn 2018

MILLENNIALS

SUGGESTION 1:

"Awakening the millennial philanthropist – a guide for professional advisors"
by Lauren Janus PI Magazine, Spring 2018

SUGGESTION 2:

"Millennials are seeking professional advisers who understand their values"
by Charles Peacock and Charlotte Filsell PI Magazine, Autumn 2018

SUGGESTION 3:

"Next Generation Philanthropy – What matters to millennial mega-donors"
by Michelle Wright PI Magazine, Summer 2020

SUGGESTION 4:

"Why next gen philanthropists are being set up for failure"
by Jake Hayman, PI Magazine, Autumn 2018

The Role of Professional Advisors

An evaluation process for judging/selecting professional advisors and how to deal with those relationships.

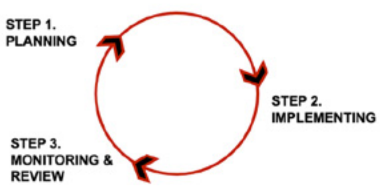
To enjoy a successful and satisfying philanthropy, social investment or impact investing experience, a professional advisor is useful to help guide you. A professional advisor may be a private client advisor, and/or work in the wealth management, private banking, independent financial advice, tax or legal sectors.

A professional advisor can be particularly helpful when first getting started, when time is a constraint, when there is increasing complexity or when you are giving and investing significant amounts. A professional advisor can best support your giving practice – reducing risk when deploying money, increasing your knowledge and ultimately leading to a successful philanthropic engagement.

Keep in mind that, over their donor journey, a philanthropist may need 23 distinct services from multiple professional advisors. See below for examples.

PHILANTHROPY ADVICE HAS THE SAME STEPS AS OTHER PROFESSIONAL ADVICE

Philanthropy Advice Process



STEP 1. PLANNING SERVICES

- Personal/family philanthropic strategy
- Advice on giving structures
- Family governance
- Selecting organisations/ projects
- Tax advice
- Landscaping and context
- Identifying social/impact investing opportunities

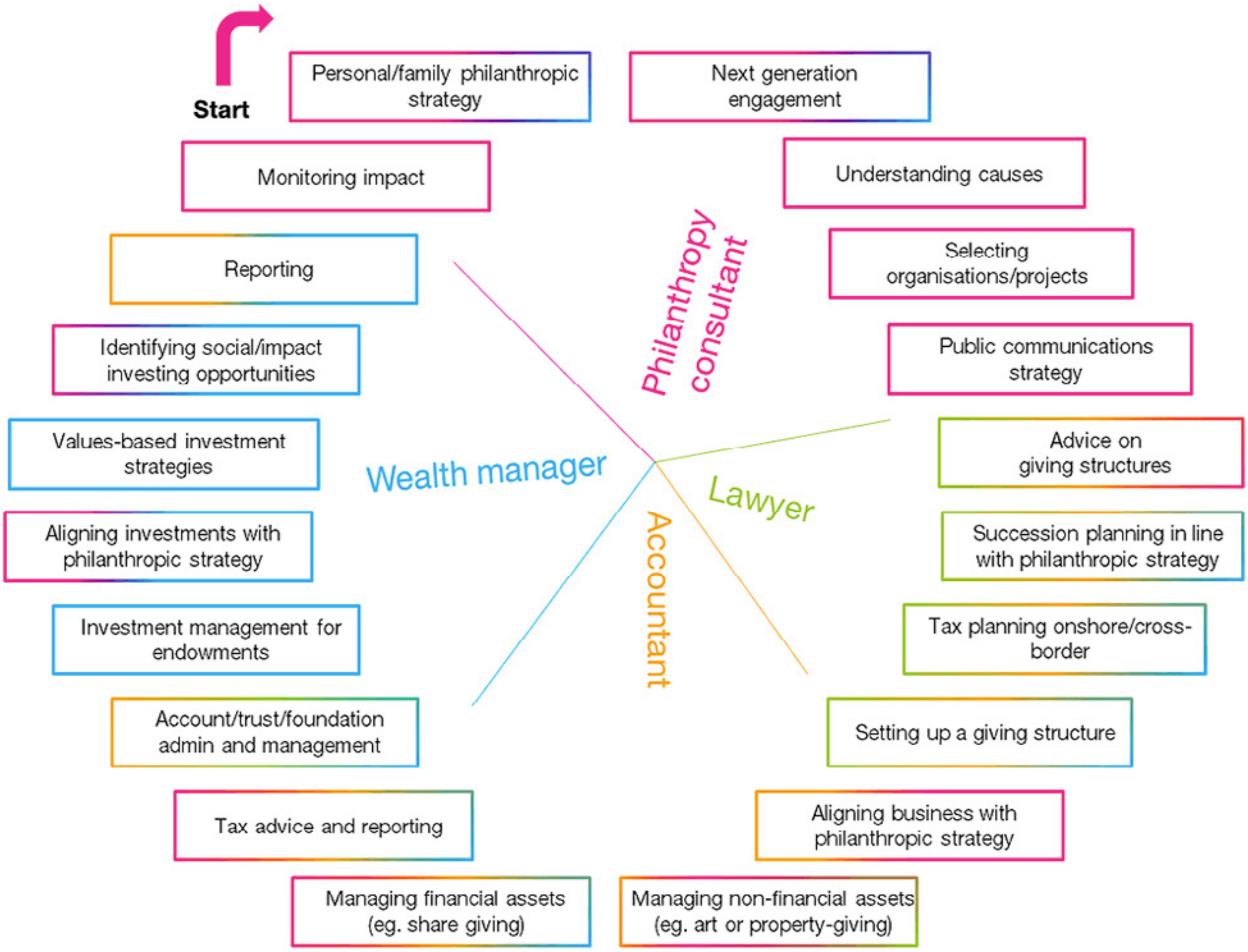
STEP 2. IMPLEMENTATION SERVICES

- Setting up a giving structure
- Aligning investments with philanthropic strategy
- Succession planning in line with philanthropic strategy
- Investment management for endowments
- Tax planning onshore/cross-border
- Account/trust/foundation admin and management
- Aligning business with philanthropic strategy
- Values-based investments (e.g.. social investment)
- Managing non-financial assets (e.g.. art or property-giving)
- Research, knowledge, networks and inspiration
- Managing financial assets (e.g.. share giving)
- Public communications strategy

STEP 3. MONITORING & REVIEW SERVICES

- Financial reporting
- Tax reporting
- Monitoring impact
- Monitoring implementation and tactical adjustment of strategy

MULTIPLE ADVISORS ACT IN DIFFERENT PARTS OF THE ADVICE CHAIN



How best to select an advisor? You might engage with several advisors along the way, for example, a lawyer to help set up a structure or a wealth manager to invest in charitable funds. They can also help guide you through social impact investing and its contribution to your philanthropic goals.

The following is some useful criteria for you to use in selecting a good advisor.

WHAT MAKES A GOOD ADVISOR?

Advice	• Independent and objective - 'Trusted advisor' status • No products to sell, clients feel confident that they receive appropriate advice • Customised to clients' needs – each client is different
Communication and transparency	• Timely, concise and jargon-free communication • Communication especially when times are more difficult • Transparency, particularly around fees
Service	• Exceptional and personalised
Integrity	• Alignment of interests with the client • "Serves the client's interests when no one is looking"

WHAT MAKES A TRUSTED ADVISOR?

Empathy	• Listens carefully to what clients likes to share – particularly personally • Ambition to not only comply with client needs but making client happy • Patience in accompanying the clients through their purpose driven journey
Matching Strategy	• Understands how client defines success and individual perception of return • Anticipate client sense of long termism when suggesting investment options • Openness about challenges versus opportunities inbuild in social finance
Service	• Tailor made offering from within the spectrum of opportunities based on values
Care	• Supervision of the overall engagement with regular updates on developments • Reflect on achievements and add new contexts on order to go to next level

An evaluation process on how to judge/select philanthropic advisors and how to deal with those relationships.

What services can a philanthropic advisor provide?

(see A guide to working with Philanthropic Advisors, Fidelity Charitable)

- **They can help design a strategy or plan for giving.**
  Philanthropic advisors can help donors clarify their values, mission and goals. A philanthropic advisor will listen to donors' charitable interests and priorities and work with them to document and define an approach that meets their needs. This support gives shape and brings clarity to a donor's ideas and helps translate them to action.

- **They can support and facilitate discussions among families.**
  Giving together as a family can be a rewarding experience, but it's not always easy. Philanthropic advisors give families the tools to examine individual family member's interests and desires to participate in family philanthropy and then use that information to define each member's role in the family's philanthropy and to support them in deciding where and how they will focus their resources as a group and/or as individuals.

- **They can identify giving opportunities and carry out plans.**
  Some donors know what causes are important to them but still need assistance finding the right non-profits and giving opportunities. Philanthropic advisors use their expertise as well as their professional relationships to match a donor's charitable vision with suitable organisations or projects — and they can help structure the funding agreements, too.

- **They can evaluate the impact of donor grants.**
  Results-oriented donors can rely on philanthropic advisors to help them understand how, and if, their giving is leading to the outcomes they hope to achieve.

- **They can identify other aligned funders or learning partners.**
  Philanthropic advisors can help donors who wish to make a bigger impact in a specific area to identify like-minded individuals with whom to meet and collaborate.

- **They can coordinate with investment advisors and financial planning experts.**
  Philanthropic advisors are less focused on tax and financial planning and more focused on matters related to the distribution of charitable assets. However, they may work with a donor's financial advisor, tax attorney, estate planner and other experts who play important roles in helping an individual determine which assets to give to charity and when, which giving vehicles are most appropriate, and how best to integrate charitable giving goals into broader financial plans.

When does a donor need philanthropic advice?

Individuals and families decide to work with a philanthropic advisor for different reasons and at different stages of their lives. Here are some common situations where donors may look to an advisor for clarity and support.

- **When philanthropy requires more time and focus than a donor can give.**
  People who've dipped a toe in financial planning know how time-consuming it can be — in fact, it's one reason why many households hire financial advisors. Philanthropic planning can be equally complex. A philanthropic advisor can assist busy individuals and families with the research and evaluation of non-profits, including deciding where to give, how much to give and over what length of time. Many dedicated givers also feel overwhelmed by the number and frequency of requests they receive from non-profits. Advisors can help by managing relationships with non-profits, especially for donors who prefer to remain anonymous. They also can step in to help clients focus on the causes and issues that matter most to donors, and support them in developing a tailored, proactive plan for their giving.

- **When a change in finances leaves a donor with more to give.**
  A philanthropic advisor can help individuals who have experienced a financial windfall and have more to give than in the past by working to clarify their charitable priorities and motivations. Having a well-defined plan in place allows donors to feel more confident in their decision-making around giving, especially when giving at significant levels.

- **When a donor wants in-depth information about a cause.**
  Philanthropic advisors use their expertise to research topics or issues a donor may be considering supporting. Advisors may look for key opportunities for philanthropic funding and identify high-impact organisations that are working in a particular sector or area.

- **When a donor wants to understand charitable impact.**
  A philanthropic advisor can help a donor track the impact of her giving by monitoring and evaluating the grants she has made to non-profits. Following up with non-profit staff and analysing reports provided by organisations help an advisor determine if a donor's charitable aims are being met. This tracking also can inform discussions about potential adjustments to a giving strategy.

- **When important life events impact a family.**
  When a family experiences a liquidity event or significant life event, such as a marriage, birth or death, the responsibilities and activities of those involved in the family's giving may also experience transition. Sometimes this change is best navigated in multigenerational families by an independent party, such as a philanthropic advisor. An advisor can support the conversations and provide guidance around the family's giving choices and how those may be continued or altered. An advisor can also help a family that's just getting started in charitable giving by making sure members are answering important questions about the roles, level of involvement and extent of collaboration expected from everyone. Cooperation at the beginning of philanthropic planning can pave the way for greater agreement and more impactful giving decisions as the months and years pass.

- **When a donor wants help to design and manage significant legacy gifts.**
  Philanthropic advisors can provide accompaniment to ensure that legacy gifts have long-term benefits to the organisations they choose to support.

What should a donor consider before working with a philanthropic advisor?

In the right circumstances, a philanthropic advisor's expertise can elevate a donor's charitable giving. Here are a few important elements that donors should consider as they think about hiring a philanthropic advisor to make sure they make the most of the relationship.

- **Level of openness and receptivity to help.**
  As with any consultant who assists individuals with their goals, a philanthropic advisor can be a powerful partner — but only if donors are receptive to advice and make themselves available to their advisor. Willing discussion is critical in working together to plan and achieve charitable aims.

- **Role for other family members and advisors.**
  In many situations, the work will be most effective if family members and additional professional advisors engaged by a donor, such as financial planners, are supportive of the effort and available to participate in the process as appropriate.

- **Priority areas and needs.**
  There are several approaches to working with a philanthropic advisor and several ways an advisor can help. To make the most of the investment of time and resources with an advisor, donors should be clear on the nature of their needs and their priorities and structure the engagement accordingly.

- **Short term.**
  Many individuals engage a philanthropic advisor for a single, limited project, such as to define a giving plan or to prepare for a family transition that will alter giving roles. An advisor serves as a short-term consultant in these scenarios to assist with a temporary need.

- **Long term.**
  Some donors require a philanthropic advisor's assistance for an extended amount of time, such as to support the management and execution of a long-term giving plan that requires consistent assessment and attention. In this case, the advisor may serve as an alternative to hiring staff to support one's philanthropy.

- **Occasional.**
  Dedicated givers who have ongoing but undefined needs may engage advisors to provide occasional counsel. These advisors can serve as a sounding board when working through questions related to specific gifts, family dynamics or other challenges that arise.

How can donors find and evaluate a philanthropic advisor?

When a donor has established her reasons to engage expert help in charitable giving, the next step is to locate a philanthropic advisor who speaks to both her needs and her operating style. These tips will guide donors in that process.

Research the right fit and qualifications

- **Reputation**
  Donors are wise to investigate the background and experience of the firm or individual they are considering for philanthropic help, just as they would any other type of consultant. It's crucial to confirm that advisors are trustworthy and have a successful track record. Speaking with references can be particularly useful when evaluating the quality and experience of a philanthropic advisor.

- **Chemistry**
  A philanthropic advisor should have a style, approach and philanthropic philosophy that aligns with the donors', so spending some time talking with an advisor and getting a feel for how he or she works before formalising an engagement just makes sense. References also are helpful here. Donors should be comfortable sharing any personal challenges or goals with their advisor and feel confident that an advisor has the expertise to do the work asked of them; they should also get a sense that the advisor will listen to all parties involved in giving. An advisor must be able to work well with all the people and entities that have a hand in a donor's charitable giving.

- **Experience**
  It goes without saying that an advisor should have demonstrated experience working in philanthropy — and specifically in the areas where a donor needs assistance, whether that means working with families or structuring complex international gifts. Experience as a grant-maker and access to networks in the communities where the donor is trying to make change are also very valuable assets. Philanthropic advising encompasses more than simply disbursing gifts; it includes providing thoughtful strategic input, creative problem-solving, and knowledge of and appreciation for the dynamics between grant-maker and grant recipient.

How do donors structure an engagement and assess fees?

The contract structure and associated fees for an engagement with a philanthropic advisor will depend primarily on the specific nature of the work requested. For example, using a philanthropic advisor to organise a family retreat for charitable planning will have a different scope and fee structure from defining, building and providing support for a multi-year giving plan. However, any engagement with a philanthropic advisor should have a well-defined plan, including deliverables and a timeline, to achieve the donor's goals.

A few common pricing models include:

- **Project-based fees**
  The advisors' fees are fixed and tied to a defined scope of work. This model may be most helpful in cases where the advisor is being hired to conduct specific research or facilitate a meeting or set of meetings.

- **Retainer model**
  The advisor is available to help a donor on an ongoing basis. This model is often useful for donors who need support across many different areas of giving, and over a long period of time, but don't need a full-time staff member.

- **Hourly fees**
  This model is most helpful if a donor wants the greatest flexibility in working with an advisor, allowing the donor to engage the advisor on an ad hoc and as-needed basis to support a donor's learning process, support a strategic planning process that may evolve over time, serve as a sounding board, answer specific questions, or assist in other ways.

Donors may hire and pay philanthropic advisors personally or, in some cases, a charitable entity (e.g. a private foundation or donor-advised fund sponsor) may hire and pay the advisor.

Choosing a professsional advisor: due diligence

- What does being a trusted advisor mean?
- Be clear about your needs, what type of advisor(s) is needed (wealth management, tax planning, philanthropy) to meet your needs?
- Outline the criteria you should set for the advisor of choice
- How do you assess your advisor? See competency framework below for potential areas to discuss including planning, implementing, monitoring/review (including measuring impact) related to both advisors supporting a client on their philanthropic and impact investing journey

Note items:

- 1 - 3 cover both impact investing and supporting clients on their philanthropic journey
- 4 - 7 cover supporting a client on their philanthropic journey
- 8 - 10 cover supporting clients on their impact investing journey
- 11 - 12 cover generic issues applying to philanthropic giving and impact/ESG investment

Competencies	Leaning Outcomes	
1. What is impact investing including investments and assets (financial and non-financial) and how does it differ from ESG investing	A general understanding of approaches to investment and asset management (financial and non-financial) and how these relate to philanthropic strategies (both financial and non-financial returns)	A general understanding of investment management and how to signpost clients as needed, a good understanding of how investment and asset management needs inform a client's agreed philanthropy and impact investing planning assumptions
2. Approach to creating an investment portfolio and approach to due diligence	A general understanding the key aims of impact investing	A general understanding of achieving environmental/societal (SDGs) return along with a financial return and of the context of impact investing and where it fits in and is differentiated form the other approaches on th spectrum of capital
3. Overview of social investment	An up-to-date understanding of social investment approaches and the range of social investment vehicles used	A comprehensive understanding of social investment approaches, intermediaries and their role and how to sign post a client to them, understanding the client's priorities for social investment, understanding the client's objectives and time horizons
4. Personal philanthropic and impact investing strategy withing and understanding of the spectrum of capital	A good understanding of client needs and how to reflect their philanthropic and impact investment priorities in any wealth management strategy; being able to develop strategies for philanthropy and impact investing that reflect the client's values, motivations and priorities	A good ability to identify and articulate the individual client's values, motivations, objectives, needs, and constraints, including client attitudes, biases, drivers, preferred social or environmental causes and willingness to investigate other social issues – potentially within the D+SDGs context

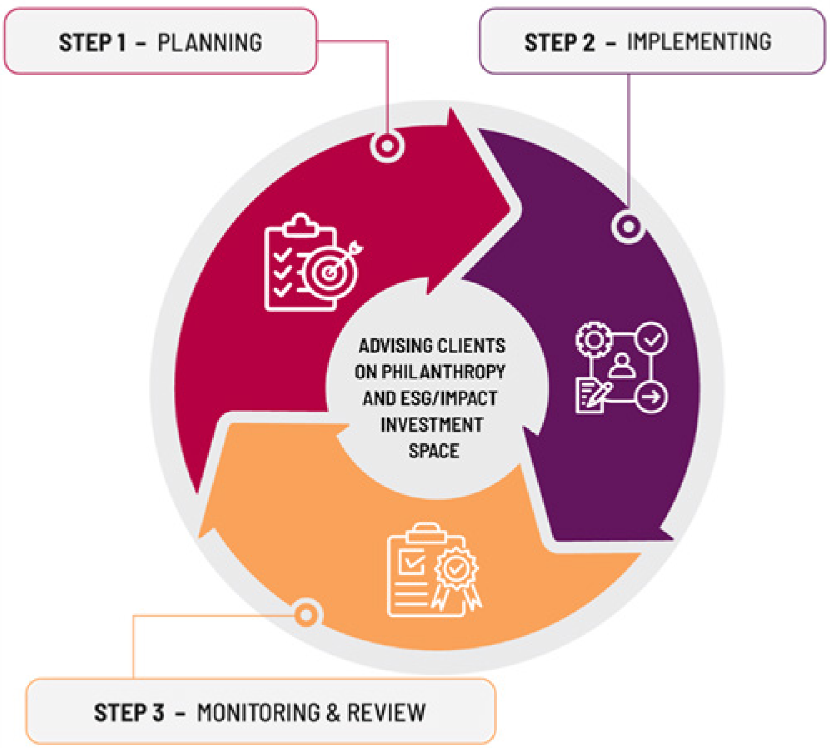
Competencies	Leaning Outcomes	
5. Family philanthropic and impact investment strategy (if applicable)	A good understanding of family philanthropic and impact investment strategies; being able to develop strategies for philanthropy and impact investment that reflect the family's priorities	A good ability to identify and articulate the family client's objectives, needs, values and constraints, including attitudes, biases, drivers, succession and legacy planning; preferred social or environmental causes and willingness to investigate other social issues
6. Tax relevant tax understanding	A good understanding of the implications and advantages for tax efficiency relating to philanthropic and impact investing giving	A good ability to determine the client's understanding of various tax approaches and signposting clients to appropriate support
7. Philanthropic Giving structures	An up-to-date understanding of what giving structures are available for philanthropy	A good understanding of different structures and the pros and cons of each one i.e. a Foundation or a DAF or Gift Aiding in order to develop and manage the client's philanthropy strategies
8. Philanthropy landscape and context	A good understanding and up to date broad knowledge of how charities, non-profits and social enterprises operate and the current philanthropic trends	A good understanding of the philanthropic and charitable sector landscape, emerging trends that are impacting the sector and how these might influence client decisions, how charities operate and their governance principles, how planned gifts (deferred and current) and major gifts are cultivated, solicited and stewarded by charities, understanding how to work with charities to communicate and address the interests of clients
9. Selecting organisations/ projects for philanthropic giving	A good understanding of grant-making policies and processes that are most commonly used, monitoring and evaluation approaches and how to commission external support in this area	An up-to-date understanding of charity law and how it applies to donations and grant-making (including for non-charities), designing a grant-making programme in line with a client's philanthropy strategy, assessing charities and assess grant applications, monitoring and evaluating progress during and after the grant period, identifying appropriate reporting priorities and dealing robustly with 'problem' grants
10. Impact measurement	The purpose of and issues/challenges related to measuring and reporting impact/outcomes and outputs for philanthropic giving and impact investing	An understanding of the purpose and value of impact measurement and of impact management and measurement including principles, frameworks, standards and tools
11. Risk and communications internal/external and the importance of due diligence and suitability discussions	An understanding of the different risk profiles of different philanthropy approaches and gift types, funds, intermediaries, and how to appropriately assess for risk within a philanthropic / civil society landscape, and effectively using strong interpersonal communication skills with clients, colleagues and other professionals; and of risks related to impact investing and the importance of suitability discussions as part of customer centricity	A good ability to determine the client's risk management objectives, risk exposure and tolerance for risk exposure (including willingness to take steps to manage financial risks) Building and maintaining effective relationships with clients in order to discern client intent, values, motivation, interests, passions and proactively developing connections with a wide range of people across different sectors to support and inform philanthropy strategies
12. Inspiration and learning	Up-to-date skills and knowledge, understanding of the key issues surrounding philanthropy and impact investment	An understanding of the need for ongoing professional development and reflective learning, including training in advisory expertise

- Seek referrals from friends/peer group, family, trusted advisors
- Research firms and individual advisors and their teams (USP/what sets the firm apart from other firms, ownership structure, assess built in bias/ conflicts related to the firms values/structure/ culture/impact/approach to sustainability and impact investing, any regulatory issues/government investigations involving the firm or individual advisors, plans present and future, regulatory context, websites, client testimonials, credentials and qualifications, experience/track record, range of services offered/educational support/resources, resources, approach to technology)
- Arrange an interview to discuss your needs and to assess the fit of services to need, their and their firms and advisors values and approach to sustainable investment, their ability to support you across the spectrum of capita, their approach to goal setting/suitability/SDGs as part of the decision making process including process of identifying/ evaluating/selecting investment opportunities, communication, their level of professionalism. Ask about their approach to client relationships, investment philosophy/impact investment and measurement expertise and experience, and how they address complex financial challenges, and what your intuition is telling you about whether there is positive chemistry trusting your instincts, and all potential fees (including compensation they receive from selling investment products and how does the firm address conflict of interest re advising a cleint and selling a product.
- Check references/samples of reports/due diligence memos (redacted)
- Make final choice – will they be your first call
- Ensure the onboarding process is focused on relationship development
- Keep in mind that a philanthropist will need 23 distinct services on their philanthropic (and impact investing) journey.

The 23 services

Philanthropy, ESG and impact investment advice has the same steps as other professional advice

The listings are related to the 23 services that Philanthropy Impact has already identified as being essential for effectively supporting you across the spectrum of capital.



STEP 1. PLANNING SERVICES

- Personal/family philanthropy, and ESG/impact investment strategy
- Advice on philanthropy, and ESG/impact investment approaches and giving structures
- Identifying social/impact investing opportunities
- Family governance
- Selecting organisations/projects and ESG/investment vehicles
- Tax advice
- Research, landscaping and context

STEP 2. IMPLEMENTATION

- Setting up a giving structure and impact investment portfolio
- Investment management
- Aligning business with investment and philanthropic strategy
- Research, knowledge, networks and inspiration
- Succession planning in line with philanthropic strategy
- Account/trust/foundation/impact/ESG investment admin and management
- Aligning investments with philanthropic, ESG/impact strategy
- Tax planning onshore/cross-border
- Values-based investments (e.g. philanthropic, ESG/impact investment)
- Managing financial assets (e.g. share giving)
- Managing non-financial assets (e.g. art or property-giving)
- Public communications and risk strategy

STEP 3. MONITORING & REVIEW SERVICES

- Financial reporting
- Monitoring implementation and tactical adjustment of strategy
- Tax reporting
- Monitoring impact

For further information on the 23 Services, please visit **23impact.com**

The Seven Stages of Giving

Our seven-stage framework will help you on your philanthropic and social investment journey. Click on each stage of the framework to see advice and case studies from other philanthropists who have addressed the issues you might now face. This is not a linear journey and any stage can be revisited at any time.

Stage 1: values comprehension

- Understanding your motivation and identifying your guiding values and ambitions, and how this fits into the bigger picture of your personal situation.
- Values develop out of a dynamic process and are the basis for responsible behaviour that leads to societal transformation. The typology of values is vast and includes personal values, values related to work life and values embedded in the culture.
- Values can shift personally and often they reflect cultural change processes and are the prerequisite for a changing world. So, it is about the identification and formulation of personal values in the context of a changing environment. Common values are integrity, respect and responsibility, but there are many more. They reflect our sense of right and wrong and our internal compass. Your values are the things that you believe are important in the way you live and work.

Here are a few useful prompts to help you define your values:

- Once aware and connected to one's own values, a vision usually emerges of how we want to be and also a sense of what we really want.
- *"Visioning means imagining, at first generally and then with increasing specificity, what you really want. That is, what you really want, not what someone has taught you to want, and not what you have learned to be willing to settle for. Visioning means taking off the constraints of 'feasibility", of disbelief and past disappointments, and letting your mind dwell upon its most noble, uplifting, treasured dreams."* (Donella Meadows)
- It is in our best interests to be clear about our vision. Vision is not simply a memory, but a living and specific awareness of intention. It is a conscious integration of mind and heart, and the best starting point for a complex ambition requires learning and collaboration. It allows you to utilise all of your talents and capabilities, both explicit and implicit, and opens your awareness to emergent and unexpected resources and support.

SUGGESTION 1:
"Standing in the Future"
by Academy co-Founder and Faculty Member, Robert Hanig

SUGGESTION 2:
"Turning the conversation upside down: start listening to bring purpose to the client relationships"
by Heiko Specking PI Magazine, Spring 2018

SUGGESTION 3:
"Millennials are seeking professional advisers who understand their values"
by Charles Peacock and Charlotte Filsell PI Magazine, Autumn 2018

SUGGESTION 4:
"Learning to give: lessons for advisors and would-be philanthropists"
by Cath Tillotson

Motivation and Context

Closely aligned with vision and values, it is important to also understand one's motivations. Most of us have reflected on how to express what we care about. But can we explain clearly what we want to achieve with our giving? Such knowledge can help define a philanthropic plan of action and maximise its impact.

"What is your wealth for?" and "Why do you like to engage?" are central questions. Being or becoming aware of opportunities to make a difference aligned with one's own vision and personal set of values may well be overwhelming. It is important to be clear about your own motivation to engage as this helps to take clear steps to make the giving successful, impactful and self-rewarding.

It is important to identify values, personal motivations and ambitions as well as to understand what personal fulfilment would look like. What would you like to achieve? What are your ambitions?

What does success mean and what would it look like? These are likely to change over time as one learns more throughout the journey and adapts the strategy accordingly.

At the outset, it important to understand your motivation in context. Typically, this could have developed out of a family tradition, a desire to encourage your children to reflect on wealth, a wish to engage with communities, the urgency to make a difference or leave a legacy, personal fulfilment or more strategically just doing 'good' and acting responsibly.

Other questions to consider are "What are you passionate about?", "what issues or causes do you wish to address?" and "what do you want to be remembered for?"

Here are some key reasons why people start their philanthropic journey:

- **Responsibility:** having created wealth they feel a responsibility to give back to the individuals and society that helped them on their way. They wish to align their values with their money.
- **Family values:** they come from a family that gives, or they want to demonstrate to their children the importance of empathising with those who are less fortunate.
- **Peer group:** they are part of a community (often religious) that gives and they continue in that tradition.
- **Life changing event:** whether selling a company or coming to terms with a tragic event, life changing events often change the priorities of individuals. They may have more time on their hands and want a new challenge. Or they may have very personal reasons for focusing on a particular cause.
- **Legacy:** for some wealthy donors the desire to leave traces of a well-led life is a powerful motivator. Others leave gifts to charity for estate planning purposes or because they don't have children to whom they can pass their wealth.
- **Restructuring for wealth and estate planning:** others leave gifts to charities for estate planning or because they don't have children to whom they can pass their wealth on to.

SUGGESTION 1:
"How To Give It: meet the wealth therapist"
Emma Turner is on a mission to awaken the philanthropist within, Chloe Fox February 5th 2020

SUGGESTION 2:
"Our Responsibility to act"
by Leslie Johnston PI Magazine, Summer 2020

SUGGESTION 3:
"Dealing with complexities collectively"
by Urszula Swierczynska PI Magazine, Summer 2020

SUGGESTION 4:
"An invisible opportunity: Engaging women of wealth around philanthropy"
by Leesa Muirhead PI Magazine, Autumn 2018

SUGGESTION 5:
"Giving Tomorrow"
by Legacy Foresight, 2019

Knowledge Base and Learning Curve

Advice from peers or professional advisors can help on this road to impactful philanthropy, but you need the skills to find the information needed. You need to ask the relevant questions and develop the ability to tell the difference between good and bad charitable projects.

Everybody brings a set of skills, as well as general or specific knowledge and experiences, to the discussion. But embarking on a philanthropic journey means continuous learning and understanding of the challenges.

At some stage a field visit may even be useful to help better understand current giving practices and also how these could be improved.

SUGGESTION 1:
"The Philanthropic Learning Curve"

SUGGESTION 2:
"The 6 Stages of the "Philanthropic Curve"

SUGGESTION 3:
"Helping Families Move Up the Philanthropic Curve"

Are you ready to embark on a philanthropic journey? Are you feeling like you want to live your life on purpose, but you don't quite know how to get started?

Dipping your toe in the philanthropic waters is like starting a journey without knowing where you're going. So begin by exploring what issues and problems matter to you. Learning from experts about the issues that you have identified is a smart starting point as you experiment with some modest grant-making. You'll quickly discover that the needs in your community and in the world are vast and your time and resources finite. More critical thinking, exploration and discernment become a must, and a more concrete learning agenda and clear plan of action become essential.

According to Peter Karoff, founder of The Philanthropic Initiative, there are six stages to the philanthropic learning curve.

1. Become a donor. You may be thinking about your legacy, your position in the community or your desire to go from success to significance. You respond to many, many requests and you likely give in small amounts to large numbers of organisations. In this novice approach you spread your dollars across a wide variety of causes and organisations.

2. Get organised. You may feel like you don't have any control over the process. You have a pile of requests on your desk and you are being reactive instead of proactive, so you want to take a step back and begin to determine your priorities and approach.

3. Become a learner. You realise that philanthropy is hard and you want to engage in learning about the issues that are important to you. You want to know which are the most innovative and impactful non-profits on the cutting-edge of the work, and by extension, the organisational leaders who are devoting their time, energy and resources to addressing important issues. You begin to distinguish philanthropy from charity.

4. Results oriented. You want to begin to make a difference and determine if and how your investments can make an impact. You become more discerning as you become more educated about issues, approaches to addressing those issues, and the organisations and people who are providing, championing and piloting solutions to problems. You search for the leading people and organisations which are making a measurable difference.

5. Leveraging your philanthropy. You gain the clarity to either develop or fund programmes that meet specific objectives. You consider collaborating with other funders and learn from others who have invested in a variety of solutions before you.

6. Alignment. The alignment of community impact and personal fulfilment happens when you have clarity of your vision, passion, and interests, and these dimensions come together to achieve your goals. This coherence is when philanthropy is exciting and satisfying. Ultimately, philanthropy works when a critical social need has been identified and the gift has fulfilled that need. That is alignment. That is at the heart of philanthropy.

Karoff goes on to list the following questions as the primary test of philanthropy:

Was our purpose noble, were we true to it, and did we in all instances, deeply listen to the community of interest we presume to serve?

Stage 2: Emergence of a Vision

A vision statement should express one of two things – either a vision of what you expect to achieve or aspire to be; or a vision of how society will be different if your approach achieves your mission, describing desired outcomes and impact. It is our ideal future, our aspiration.

A well-defined vision statement gives meaning to the work of the philanthropist and aligns philanthropic giving under a common intent. It answers the big questions: "Why are we doing what we're doing? What are we really trying to achieve?" The vision statement should outline one's expectations, aspirations and performance, and should inspire feelings of enthusiasm, hope and pride.

Key questions to consider when defining your vision:

1. Describe the community/cause you would like to address
2. What is the nature of this community's problem that you would deal with?
3. How would things be better and/or different for them if this problem were solved?
4. What is your ultimate hope for this cause?

Mission & Vision

- Setting clear objectives can be taken one step further by writing a vision and mission statement.
- A donor's vision is an inspirational, long-term view of the kind of world they would like to see, while the mission defines how they are going to try to achieve that vision. Some donors like to set out in writing their vision and mission, either to guide their own internal strategy, or for external purposes — for example, for potential grantees or other funders, if you have a charitable trust.
- A mission statement is not a replacement for setting objectives or defining funding criteria, which go into much more detail about your wishes and plans. Instead, the vision and mission statements should be short (one or two sentences), inspiring, durable (designed to last five or more years) and distinctive.

Why have a vision and mission statement?

For many donors thinking about their giving plans, setting clear objectives of what they want to achieve is one of the first stages. The vision and mission statement can give a clear sense of direction to trustees and a framework within which to set and review objectives. It can provide a sense of clarity to external audiences on what the foundation is trying to achieve. And the process of setting out in words the world you want to see, can really help you to clarify your values and beliefs, and express the most important aspects of what you are trying to achieve with your giving.

How to write a vision and mission statement

It can take time and effort to devise a well-written vision and mission statement, but it is worth the effort. Depending on how you are giving or with whom, the process can be helped by involving others —board members, family members, staff and external advisors. When writing your vision statement, try to articulate the world you would like to see, incorporating your values and beliefs. Your mission statement needs to set out why you are giving and what you will do to work towards this broad vision.

Deciding how to support a charity

Once you have set your vision and mission, think about how you would like to execute. There are many ways that you can make valuable contributions to a not-for-profit.

Financial support will certainly be top of their priority list, be it immediate support or longer-term giving, like a charitable bequest. You can also provide support by raising the charity's profile and opening your network to them, once you have established a relationship. Other types of support, include offering your skills or goods and services. Or even all of these! This provides a great opportunity to really integrate purpose into a business and a great tool for engagement with employees and other stakeholders.

Maybe you know of an organisation which is doing great work but struggling in some capacity, and you can see ways in which your skills could help them address these difficulties. Or perhaps you have spare time and would enjoy the challenge of applying your skills in a different context, while making a real difference to a cause you care about.

Before you begin exploring opportunities to give your time, first assess what commitment you can make and over what period. If your commitments are unpredictable, it is vital to be clear about this and plan your engagement accordingly. Trustee or board positions should be a longer-term commitment, as the charity will need to invest resources in your induction. However, the charity may benefit from shorter-term support such as business planning or strategy coaching.

Keep the following in mind when selecting a charity:

- The investment-return continuum
- Key steps in preparation: assessing one's values/motivations/desired impact, researching/selecting, setting goals, developing a strategy and budgets
- The research stage includes seeking advice, meeting other donors, and specialist advisors, as well as deciding how much you want to do and what you want to outsource to advisors

- Decide whether and/or how to involve family and next gen/millennials
- Explore and decide how to structure giving e.g. tax issues, vehicle (daf, trust etc)
- Learn how to choose and select a charity/social enterprise, and apply within your strategic context

Additionally take a due diligence risk management approach:

- Collect basic information on the targeted charities/social enterprises
- Desk research, identify other funders, review annual report and accounts, understand the vision/mission/strategic priorities and key individuals
- Assess governance, risk management/how they are mitigating risks, board and CEO evaluation processes
- Ask for a business case from the charity, re the charity as a whole, and as part of the specific area of interest e.g. service need/problem, right strategy and solution, USP, people to make it work, the ask and returns (financial and societal/environmental)
- Review evaluations of the charity/social enterprise and its impact
- Assess financials as you would a business e.g. cash flow, deficit/surplus, reserves, income sources included restricted/unrestricted

Support at a strategic level

If you decide to donate your skills by supporting the senior management or strategy development of the organisation, ensure that you jointly set clear objectives and establish when you want to achieve them. This helps set expectations of all parties and provides opportunities to celebrate achievements.

Finally, it may be more helpful to focus on advising and coaching the charity's management in learning valuable skills (such as writing a business plan), rather than doing it yourself; this will ensure that your contribution makes a lasting change, as the charity becomes increasingly independent of your support.

There is a balance to strike between committing resources to charitable causes during your lifetime and leaving money to charity in your will. 'Giving whilst living' allows you to see the difference your contribution is making and get actively involved in supporting the cause.

This may also provide for an opportunity to engage the wider family, particularly the next generation, with one's personal donor journey. However, some people may like to be generous to charities but concerned about their own savings, in which case legacy giving may be more appropriate. Many also opt to do both, taking a planned giving approach, as they wish to see their commitment through and provide long-term support, which their families can also see through, either through a charitable trust or by deploying a gift in a will.

If you decide to give through a charitable foundation, one key decision is whether the foundation will exist in perpetuity, distributing the investment income and preserving capital, or whether you want it to 'spend out' over a fixed period.

When planning your giving strategy, it's important to begin by focusing on your overall aims, and identifying what kind of giving will help you achieve those aims. Key factors include how you want to allocate your resources for yourself and your family over your lifetime and afterwards, how personally involved you want to be in decisions about giving, and what you want your money to achieve.

Giving time

Giving time and contributing personal expertise and competences alongside money can be a powerful way to make your giving more rewarding. It fosters a deeper connection with the cause, a detailed understanding of the challenges the organisation faces, and an opportunity to share in its achievements. For many charitable organisations, particularly smaller and underfunded organisations, the contribution of skilled volunteers is hugely valuable, and can sometimes have a greater impact than donations of money.

Giving time need not mean participating in an organisation's regular volunteering programme. It could involve contributing professional legal or financial expertise, mentoring the charity's senior staff, fundraising through your networks of contacts, or becoming a trustee.

The starting point for giving time is to consider in broad terms what you want to get out of your giving. This will help you assess whether you want to give time, how much you want to give, and in what capacity.

Lifetime giving

There are many different ways that giving during your lifetime can be carried out, but it is important to maximise the impact of your donations by giving tax effectively. See Giving Mechanisms for more on which charitable vehicle is most suitable for you, and Tax-Efficient Giving for giving tax effectively.

Legacy giving

Charitable bequests can form part of your estate planning. Bequests can be made to specific charities named in your will, which is a gratifying way to know that you have contributed to the long-term financial security of that organisation. Alternatively, you can also choose to set up a charitable foundation through which to channel donations both during your lifetime and afterwards. See Legacies for more on the specific ways of leaving money to charities in your will and the tax advantages of legacies.

Permanent endowment

By choosing to permanently endow a foundation, you can ensure you have a long-term impact on issues, and provide a secure resource for future generations to draw upon. It is particularly appropriate if you are passionate about problems you believe will be with us forever.

Giving in perpetuity can also provide a focus for family engagement across generations, encouraging family members to work collaboratively towards the ends established by the founder. Permanently endowed UK trusts and foundations are required by law to preserve their endowments, and in doing so to balance the needs of present and future beneficiaries. As founder, the challenge is to create a clear, flexible statement of your charitable intentions so your philanthropy can remain responsive to changing needs over time.

Spend-out or spend-down foundations

Spend-out foundations are established to spend down their capital over a fixed period. They differ from traditional foundations which exist in perpetuity, spending only the interest and preserving the original capital investment. Foundations which plan to spend capital have greater flexibility to increase giving in times of greater need, whereas those spending only investment income may have fewer resources during any economic downturns.

The spend-out model can be suitable for donors who want their money to be given in a high-impact and strategic way, remaining closely connected to their passions. It is also suitable for those donors who want to contribute their own particular skills or knowledge. Some founders recognise that it can be difficult to preserve their intentions across generations, and fear mission drift and a decline in passion for the cause if their funds are given in perpetuity. Others believe that future generations should generate their own philanthropy, and are concerned that family members will view distributing someone else's money as an administrative burden rather than a passion.

Most spend-out trusts will establish a specific timeframe (ie, to be spent over the next twenty years, or within ten years after the founder's death). But they can remain flexible and respond to events as they near the expected time to close. It is vital for spend-out foundations to be clear with grantees about their timescales and either help them prepare for the funding to cease, or build relationships with grantees in preparation for a large grant or endowment to be made in the final phase of spend out.

In general, one should be aware that giving remains an ongoing process in an always changing environment. Therefore, you need to have these reflections and conversation(s) long term.

It is important to allow for change – 'as you may have changed in your lifetime, so will the world after your lifetime'. That explains the need to think about the way you set up your foundation. There should also be a mechanism in place to highlight the possible amount of unused income in Trusts – bad practice legacy advice is very pertinent here.

Foundations are not known for often spending out but in 2023, the Lankelly Chase Foundation announced that it was going to close in five years' time and will be 'redistributing its assets' until then. The Board were very open that the current methods of philanthropic practices have created a lot of barriers, exclusions, inequities, discrepancies for foundations' and trusts' beneficiaries and wanted to shift their framework of giving to accommodate to some of the problems that philanthropy has actually created. In 2024, the Foyle Foundation announced it will be spending out its assets to close in 2025.

Choosing how to make your social investment

In order to start the journey as a social investor, much like with any other financial investment it is prudent to take advice, unless you are a sophisticated investor.

There are many intermediaries and funds, as well as some notable innovative new platforms and organisations that you can draw guidance from or consider joining as a member. Some larger, more recognisable names have also started to incorporate social investment into their products, like Schroeders and Aberdeen Investments.

Some also opt for a total-portfolio impact or mission-aligned investment approach and look to align their investments generally with a purposeful approach that ties into their philanthropic approach and their overall vision. Similarly, one might also intentionally invest funds that have been earmarked for philanthropic activity in aligned investments, e.g. investments with an environmental focus, that are also diverted to charities working in that space.

HERE ARE SOME OTHERS TO LOOK AT:

Big Society Capital
The Big Exchange
Resonance
Bridges Fund Management
Social Finance
Toniic
The Giin
LGT Group

Giving Structures

There are a number of options a philanthropist may choose from concerning structuring their giving. It is important to consult your professional advisors about the choice that is best for you.

Some of the choices are:

- **Donor-advised fund (DAFs):** this is a charitable giving vehicle administered by a group created to manage charitable donations on behalf of organisations, families, or individuals. Using it is easy and only requires the participant to open an account in the fund and deposit cash, securities, or other financial instruments. They surrender ownership of anything they put in the fund, but retain advisory privileges over how their account is invested and how it distributes money to charities.
- **Dedicated account:** a regular bank account, allowing the philanthropist to make donations without the need for a giving structure.
- **Foundation/(charitable) trust:** a private foundation is a non-profit organisation that is usually created via a single primary donation from an individual or a business and whose funds and programmes are managed by its own trustees or directors. As such, rather than funding its ongoing operations through periodic donations, a private foundation generates income by investing its initial donation, often disbursing the bulk of its investment income each year to desired charitable activities.
- **Social investment intermediaries:** funds or financial organisations that invest smaller amounts in a number of frontline social sector organisations, social enterprises and charities.

Stage 3: Setting Goals and Objectives

Establish clear personal philanthropic and/ or social investment objectives to clarify what you want to achieve with your giving. Make it enjoyable. Elaborate on suitable giving structures.

- What do you want to achieve both short and long term? Setting clear objectives will help you to work out what is important to you, and provide you with something to assess the success of your giving against.
- Giving becomes rewarding when it reflects your core values and lifetime experiences, allowing you to see, and truly understand, what you are accomplishing.
- There are different philosophies and types of philanthropy and ways to engage that can be generally distinguished, although most of them have overlaps in their strategic implementation and range from how you might choose the cause area to how deeply you engage with the beneficiaries.

Different Approaches to Philanthropic Giving

Values-based philanthropy

Prioritises donors' values to help effectively channel donations.

Strategic philanthropy – predictive model

A clear goal is decided, and how to achievement it/ impact is designed and implemented. The strategy is driven by evidence/data.

Effective altruism

Effective altruism is about answering one simple question: how can we use our resources to help others the most? It is an evidence-based and analytical approach to finding the very best causes to work on, as well as deploying your skills and other resources to do the most good you can.

Transformative philanthropy

Turns the power of money into creative and decision-making power for many; donors are part of the process in direct contact with the supported group.

Entrepreneurial/emergent philanthropy

Motivated by a desire to pioneer, disrupt, innovate and to make a significant difference. This approach combines elements of Venture philanthropy and the application of an emergent strategy. An emergent strategy accepts that a realised strategy emerges over time as initial intentions collide with, and accommodate to, a changing reality. The term "emergent" implies that an organisation is learning what works in practice.

Catalytic philanthropy

Catalyses/mobilises a campaign that achieves measurable impact and focuses on issues to resolve, not organisations to support.

Venture philanthropy

A high-engagement and long-term approach whereby an investor for impact supports a social purpose organisation (SPO) to help it maximise its social impact – providing funding and expertise.

RESOURCES:

https://www.effectivealtruism.org
https://ssir.org/podcasts/entry/values_based_philanthropy
https://www.jbs.cam.ac.uk/faculty-research/centres/strategic-philanthropy/
https://giving-with-trust.org
https://ssir.org/articles/entry/catalytic_philanthropy
https://www.lgt.ch/export/sites/inta_lgtch_v2/en/services/philanthropy-advisory/lgt-guide-strategic-philanthropy/downloads/LGT_Guide-to-Strategic-Philantrophy_en.pdf

Types or ways of deploying your philanthropy

Individual philanthropy

Philanthropy is a deeply personal venture, and through setting objectives, you will become clear about what you would like to achieve with your giving. This provides the starting point for working out how to make that vision come to fruition.

Your objectives should reflect what is important to you and what is motivating you to give, and can be broader than simply choosing a cause to support. For some, their main objective is to improve their local community, whilst for others it is about bringing together their wider family.

Clear objectives provide you with a set of priorities to help inform your decision-making, and enable you to look back and assess the impact and success of your giving.

Impact and rewards tend to be greater when your giving is relevant to your own life, such as when you are seeking to support something you really care about, which aligns with your personal value propositions. To inform your objectives, it is important to think about past experiences with your giving: What have you enjoyed? What have you found frustrating? What has held you back from giving more and what have you learnt most from?

Everyone has different objectives for their giving, and these goals can be:

- **Charitable** – supporting specific causes that reflect your personal beliefs, experience and passions (see Defining a Focus)
- **Personal** – such as using your time productively after the sale of a business or passing on family values to the younger generation (see Giving Time, and Family Philanthropy)
- **Corporate -** if you are thinking about your giving from a business perspective, you may have additional objectives, such as engaging your employees or strengthening the company brand (see Corporate Philanthropy)

Some donors find it useful to take this a step further and create a vision and mission statement setting out what they want to achieve. (see Mission and Vision).

Objectives will evolve, and even change considerably, particularly if you are setting objectives for the first time. This is good as it reflects what you are learning about issues, what works and what you find rewarding. So, remember that defining your objectives is an ongoing process and it is advisable to revisit your objectives on a regular basis (see Reviewing Objectives).

Once you have your objectives, you need to translate these into something practical and achievable that reflects your resources. Your objective may be to help 'disadvantaged youth' in your own city, but there will be a multitude of different ways to achieve that. What you focus on and how you achieve that will depend on a combination of your own beliefs (you may want to focus on tackling root causes rather than relieving symptoms, for example), your resources and your knowledge of what works best. This is laid out in the 'Developing a Strategy' stage of the framework. This is also applicable to social investing and you might wish to focus investments around particular areas, for example biodiversity, clean energy, food and agriculture or investing with a gender lens.

It is important to set objectives for your impact so that you know what you want to achieve and whether you are achieving it. But you can also set specific objectives for organisations that you support — milestones that you want them to reach with your funding (see Charity Impact Evaluation).

SUGGESTION 1:
"How philanthropy catalyses the impact of your investments"
by Emily Johnson, PI Magazine, Winter 2022

SUGGESTION 2:
"Philanthropy today, impact tomorrow, what next?"
by Jo Bateson and Andra Lavinia Ilie, PI Magazine, Summer 2020

SUGGESTION 3:
"Alternative routes to financing bigger impact and better outcomes for vulnerable children: a case history"
by Katie Fowler, PI Magazine, Summer 2019

SUGGESTION 4:
"Awakening the millennial philanthropist – a guide for professional advisors"
by Lauren Janus PI Magazine, Spring 2018

Family philanthropy

Giving as a family is a great way to strengthen family ties, achieve multi-generational learning and to share values and long-term giving goals among your family members.

It creates a family tradition and can build up to leaving a family legacy, while involving children at an early age helps them to develop a sense of responsibility. Family philanthropy also gives members a chance to give beyond what may be possible as an individual.

Family foundations pass down an understanding that a family's goals surpass the needs of the individual member. Family philanthropy utilises the power of legacy and network to create a long-lasting tradition of impact.

Another vehicle that can be used well in a family context is a Donor-Advised Fund (DAF). This provides flexibility for younger generations to test and be responsive, and figure out what their vision might be. It also offers a reduced administrative burden as well as anonymity.

Giving together creates spaces for collaboration and engaged focus on one giving mission. It also opens the door to multi-generational learning across the family, while strengthening family values and dialogue between different family members through the very personal and often emotional conversations required. Passing on knowledge about impact and giving to the next generation creates structures of support and instils traits such as generosity and kindness. It also helps develop an understanding of different family members' opinions about life and their particular motivations in making a difference.

There are a variety of ways family foundations are constantly deepening relationships, fostering leadership and making the sector stronger.

- **Multi-generational collaboration -** up to three generations can share their values, ideas and collective vision.
- **Self-actualising -** family members can come to understand more about who they are and what they would like to achieve, as well as the pathway to get there. This could also mean that some members start their own individual activities.
- **Creation of shared spaces -** these spaces provide encouragement for innovation and discussion of core beliefs of the foundation and the actions required to share these beliefs with the world.

SUGGESTION 1:
"Global trends and strategic time horizons in family philanthropy"
by Olga Tarasov PI Magazine, Summer 2020

SUGGESTION 2:
"Understanding Family Philanthropy"
by Urszula Swierczynska, Philanthropy Advisor

SUGGESTION 3:
"Philanthropy: In association with a family approach to philanthropy and a lasting family foundation"

SUGGESTION 4:
"Giving Together: A Workbook for Family Philanthropy"
The Philanthropic Initiative

Corporate Philanthropy

Corporate philanthropy takes a range of different forms, depending on the type of business. It may involve financial support, such as donating a proportion of its profits to charitable causes, and it may be supplemented by fundraising or payroll giving by staff members.

In addition, staff time, skills and in-kind contributions can be also donated to support projects. Corporate philanthropy is often linked or combined with the Corporate Social Responsibility (CSR) schemes of the company. Recently, corporate philanthropy and CSR activities have become more aligned with the general long-term strategy of the business.

Corporate funding can make a real difference to people's lives through the substantial financial and non-financial resources at its disposal. It is crucial, therefore, for companies to think about how best to use their resources to address the needs of the individuals and charities they want to help.

There are a number of reasons businesses choose to engage in corporate philanthropy, ranging from the personal values of the founder or management team to positive publicity and a virtuous reputation. Often businesses will engage in corporate philanthropy as a way to motivate staff and to attract high-quality candidates, as well as giving back to the community in which they operate and to align with their corporate purpose.

There are five common steps for businesses to go through when establishing effective corporate giving. These are stages which all funders should go through, but which have specific applications for corporate funders.

Define objectives

Clarity on objectives means the organisation can target resources to achieve them, articulate the benefits of their corporate philanthropy, and ensure the support of key stakeholders such as the company's board, clients, staff and shareholders. Objectives may include:

- Achieving charitable impact
- Attracting and retaining talent
- Developing employee skills through providing pro bono support in a different context
- Building brand profile and loyalty
- Reflecting corporate identity and culture to encourage stakeholders to participate in corporate funding programmes
- Enhancing client and stakeholder relationships for example through match-funding or joint work on a pro bono project
- Creating business development opportunities: some companies will only work with organisations that have a good track record of corporate responsibility

Identify focus area and need

Corporate funding programmes are usually most effective if they are focused on particular geographic areas or social or environmental issues, such as health or education. These are often related to the sector or geographies in which a business operates. A clear focus will make it easier to build up knowledge and relationships in the area, decide which charities to support and to take a strategic approach to achieving change.

Look for opportunities to align your business and charitable interests (potentially contextualised within SDGs). If your funding is linked to your company's identity, culture and strategy, you will be able to develop a coherent and compelling story about what you are funding and why.

Once you have chosen a broad focus area, you can narrow your funding further, based on what are the most pressing needs which exist in the areas you want to fund. When conducting a needs analysis, make the most of your company's business acumen in market research, financial analysis, due diligence and problem-solving skills to create an effective programme.

Select Effective Charities

By investing time in analysing charities, you can minimise the risk of making poor decisions, which might carry reputational risk as well as being an inefficient use of resources.

Analysing charities and managing relationships with grantees takes time so think carefully about the time you have available and how many relationships you can realistically manage. Information about charities quickly becomes out of date, so it is important to have regular contact with grantees and to encourage them to notify you of any significant developments which might affect your support.

Develop a package of support

When thinking about how to package support for a charity, consider how financial and non-financial resources fit together, and bear in mind that non-financial support (such as providing staff as volunteers) will not be appropriate for every charity. It is also important to realise that managing volunteer days can take a lot of time and resource for charities so should be arranged carefully. While most corporate funders will give grants, there are a range of different types of support which can be provided, including social investment.

Think carefully about the appropriate size and length of any grant. Although it can be attractive to fund a specific project, unrestricted funding is far more valuable to most charities. Multi-year funding is also recommended as it allows charities to plan ahead. Ensure that the funds provided are sufficient for the activities the charity is committing to, as underfunded projects are likely to be unsuccessful and may damage the wider organisation. However, to avoid the organisation becoming dependent on your funding, avoid providing a high proportion of their overall income in any year.

Measure impact

Corporate funders should think about why they want to measure their impact and who their audience is, as this will inform the type of data they collect. Communicating impact allows them to be transparent about how they are using company resources, and justify the use of this resource. Funders should measure impact against the objectives they established, both charitable and corporate.

Be clear with grantees at the beginning of the funding process how you want them to feed into your impact measurement. Do not impose complicated and resource-intensive monitoring requirements on grantees; instead, use the systems already in place, or encourage them to develop reporting which is useful for all their stakeholders. Any reporting that you ask for should be proportionate to the size of the grant and you should only request information that you will use.

Corporate philanthropy may be just one part of an organisation's wider strategy for social and environmental responsibility. See Nicky Amos's expert opinion on Corporate Responsibility to find out more.

SUGGGESTION 1:
Corporate Responsibility
by Nicky Amos, Director, Nicky Amos CSR Services Ltd

Stage 4: Developing a Strategy

Outline how you will accomplish your goals, where to focus your giving or social investment, whom to collaborate with, what type of support you can and wish to offer, and the best mechanism for you.

Having set your objectives, a giving strategy outlines how you will achieve those goals — your themes or focus areas (cause and geography), how engaged you want to be as a donor, the types of organisations you want to support and what kind of funding you can offer. Your preferences for each may change throughout your giving journey — for example, donors often choose to seek a low profile and remain hands-off at the start of their giving, but take on more risk, raise their profile and become more engaged as they build their experience. It is also important at this stage to consider whether you need a structure like a charitable account, DAF or trust to manage your giving.

Start: How to decide the strategy

Defining a focus

If you are able to define a clear focus for your giving, it will allow you to move from giving on an ad-hoc reactive basis to planned, strategic giving which aims to tackle specific issues close to your heart. Focused giving provides you with opportunities to learn more about the causes you care about, and over time refine your giving to achieve maximum impact.

By combining the following variables, you will find a focus that is both valuable and personally rewarding – your interests and passions, areas of need (where your support make the most difference), and ways you can help (your available resources such as money, time, contacts, and skills).

Benefits of focused funding

When you have a focus, you can research an issue to really understand the need and how to tackle it. For example, donors who want to support homelessness may find that there are adequate soup kitchens in their area, but identify a need for giving homeless people the skills and resources to help them into employment so that eventually they can find their own accommodation.

As you build experience in an area you will be in a better position to confidently select charities which align with your priorities and make a real difference. Over time, you will develop an opinion on which interventions and charities are effective, and thereby take a strategic approach to achieving change and charitable impact. As you see the change that you're making, giving becomes more rewarding and engaging.

A clear focus provides you with a clear funding identity and a strategy to communicate to external partners. This is one way to discourage applications from unsuitable candidates: it is much easier to say no to projects which obviously don't fit with your focus. Having a clear funding focus also makes it easier to get to know other funders with similar interests with whom you can share expertise or collaborate for more successful efforts.

Where to start

If you're finding it difficult to identify your focus, it can be useful to narrow down causes under the headings of people (for example, children, women, specific ethnic groups etc), geography (for example your local community, city, country or group of developing countries etc), or issue (for example, mental health, human rights, poverty). However, there is a balance between narrowing the focus too far and losing flexibility in your funding decisions, and stretching your resources too thinly across a range of projects. Another way to focus is to align against specific United Nations' SDGs which create a really great framework within which to develop a strategy. They also provide a baseline check on achieving impact against the world's most pressing needs. There is an interesting technology platform that is addressing this called Maanch. See SDGs.

In some cases, you may find that the people involved in your funding – for example, family members or company directors – may not agree on one focus area or it does not fit into a broader family tradition or family business routine. One way to bring together a range of interests and passions is to divide the overall amount you want to give into separate pots, with different members deciding the focus for each. Another way is to deliberately differentiate between personal giving, a family engagement or corporate donation practices. You may also want to keep a portion of your funding aside in a discretionary pot to react to requests or issues as they arise.

SUGGESTION 1:
"What are your priorities and why? The Robin Hood Effect"
by Peter Samuelson, PI Magazine, Autumn 2023

SUGGESTION 2:
"Giving wisely, spending well"
by Rennie Hoare, PI Magazine, Summer 2020

SUGGESTION 3:
"How to Give It: a complete guide to smart philanthropy"
By Claire Wrathall, Financial Times, 5th February 2020

SUGGESTION 4:
"Defining impact should not be an 'issue'"
by Bonny Landers PI Magazine, Summer 2019

SUGGESTION 5:
"Guide to Strategic Philanthropy"
By LGT and Philanthropy Insight, n.d.

Assessing needs

Assessing needs means understanding the key problems that need to be addressed and where funding gaps exist. It can be tempting to fund high-profile causes and organisations, but these are often already well served by other donors and/or statutory provision, and you may make a greater difference in underfunded areas.

A needs assessment should identify underfunded issues. Needs analyses take a variety of forms. An informal approach might involve reading some reports on the issue, talking to some experts and charities, and forming a view of what needs support. At the more formal end – for a large strategic foundation wanting to concentrate millions of pounds of donations on a specific issue (such as combating malaria), for instance – a full research study might be necessary. However you go about it, you should be confident that you are meeting a need and not duplicating provision.

Stages of needs assessment

When conducting a needs analysis, you should aim to begin by understanding the size and nature of the need: how big the issue is, how many people are affected, and to what extent they are affected. You may identify some groups who are particularly badly affected by an issue. It can be complicated to conduct this research from scratch, so look out for existing research by think tanks, large charities in the field, other funders and government agencies.

The second stage is to discover what the public and private sectors are doing in this area. This will involve understanding provision from central government, in addition to local authorities, public health bodies and schools. You may find that existing support covers only a proportion of those affected by an issue or only some of their needs, or that services are being affected by spending cuts.

Next you should look to understand what work charities are undertaking in the area. Find out what the charities are hoping to achieve, how they address the issues and what interventions are most effective. It can be difficult to assess the impact of a charity, but look for information about the difference they make (i.e. changes in the lives of their beneficiaries), alongside detail of their activities (see charity impact evaluation). Finally investigate what other funders are doing in the area; it is important that you support an area where there is a real need for more funding.

Deciding how to address need

When deciding where to dedicate resources, it can be helpful to think about the trade-offs you need to make between addressing the need in different ways. Projects that work directly with individuals (such as providing wheelchairs to disabled children) tend to have a greater certainty of outcome, and changes can be observed relatively rapidly. However, these projects tend to be high intensity and therefore reach a relatively small number of people. Investment in policy or campaigning work (for example a campaigning project to tackle obesity) will have a much less certain outcome and it will take longer to see any change, but success is likely to impact a huge number of people. Donors deciding how to address the needs they have identified can think about where they would like to fund along these three spectrums—breadth of reach, certainty of outcome, and time required to demonstrate impact.

Much of the information needed can be found through desk research and through conversations with practitioners and experts. If you are already funding projects then it can be valuable to review any learning from your experience. Some donors decide up front to develop a 'learning portfolio' supporting charities that work at different points along the breadth, certainty and time ranges. This can be a short-term arrangement as you assess your preferred method of tackling the need, or it can be part of a long-term strategy to increase the impact of the funding by tackling the problem from many different levels.

Needs analysis can be a complicated process, and daunting to undertake alone. If you have a clear idea of where and how you want to fund, then the most important thing is to reassure yourself that your money goes towards a real need and does not get lost in a well-funded area. If you're less clear on how to make the most of your funding within a particular area and want to undertake a more thorough assessment of needs, you may find it more practical to get some support from experts.

Giving locally

There are a range of challenges facing every local community, providing abundant opportunities for donors of all types to make a difference to their local residents or neighbourhoods.

Donors choose to give locally for a range of reasons; their desire to improve their local area or tackle inequality, a personal experience (for example supporting their local hospital), a wish for hands-on involvement in the community, or a belief that supporting small local organisations can have great impact. It is one of the easiest ways to really see what difference your money or time is making and can therefore be incredibly rewarding.

Local giving can mean different things. For some donors, it can represent supporting a place close to their home or work, and that place can be a village, a borough, a city or even a whole country. For others, it may mean giving back to the community in which they grew up, or where their family originally came from.

Reasons to give locally

Local charities make up a large proportion of the charity sector and often operate on tiny budgets; 85 per cent of registered charities in the UK have an annual income of less than £100,000 and thousands more community groups operate informally. Local charities tend to be badly affected by cuts during financial downturns at a time when they usually face higher demand for their support. Donations to relatively small organisations can make a real difference to the issues they are addressing, and enable philanthropists to see the impact of their gift up close.

Local charities also know their local issues well, having the knowledge, expertise and networks that would be hard for national organisations to come by.

Get to know local need

One of the best ways to get to know your local area is simply to walk or drive around, visit community centres and local groups, and talk to community leaders. Check local press and websites to find out about organisations, events, and forums where you can find out what's going on, or try talking to the local branch of a national organisation. Most areas have voluntary sector infrastructure organisations, such as a volunteer centre or council for voluntary services, which can explain the local context and suggest projects you may wish to support.

Local Trust and Do Something Good provide useful information about projects that are happening in local communities.

Working with partners

If you want to fund locally but don't have much time to dedicate to researching local needs, consider funding through a community foundation. Community foundations are geographically focused charities which aim to identify local needs and link philanthropists to projects which will improve the life of their community.

They provide a range of vehicles for giving time, money and expertise. If you'd like to retain more involvement in your giving, consider connecting with other local funders through a regional funding network.

SUGGESTION 1
"How local philanthropy can help build a community-driven society"
by Rosemary Macdonald PI Magazine, Autumn 2020

SUGGESTION 2:
"Investing in our Communities"
by Stephen Hammersley, CEO UK Community Foundation, PI Magazine, summer/autumn 2014

Giving internationally

Some are motivated to give towards International Development to support geographic regions and communities that are in poverty, war torn or lack other infrastructure and rights that more developed countries have. It might be that one has ties to a region or community or simply, that one feels that inequalities should be addressed. Whatever the motivation is, it can be more challenging to support Internationally and there are some practical considerations one needs to make in order to do so.

Due diligence and research is important in selecting any charity, be it local or international, but the level of due diligence required for international causes would require extra layers, to ensure that you know enough about the entity and who and how its activities are being undertaken. The same would apply to reporting and monitoring and evaluation, given you are geographically distant and in some instances, likely dealing with hard to reach communities. Another factor to consider is whether the entity you are supporting is a not-for-profit that is recognised in your jurisdiction, for tax purposes and potentially other regulations (depending on the nature of the work being carried out and in which region it is in). One also needs to be aware of other KYC and AML regulations, particularly if your donation is being directed to regions or communities that are troubled.

Microfinance, or microcredit, is also seen as a major tool in international development programmes. It seeks to provide credit and other financial assistance, as well as business training and networking opportunities, to disadvantaged entrepreneurs. Such people typically are outside the banking system and at the mercy of moneylenders who charge exorbitant rates. Average loan sizes from microfinance organisations are small (sometimes as little as £50) and repayment rates as high as 97 per cent with most clients being women. Such loans create jobs and, crucially, help people to help themselves. Many international NGOs have such programmes, for example Opportunity International.

Although these are challenges to be aware of, it is incredibly rewarding to be serving communities and regions where the needs are highest for support. Seeking support of professional advisors or giving through a DAF are recommended if you are looking at supporting a small organisation that is not widely known or not registered in the UK.

Take the time to research and understand the political, economic, social, cultural and technological context in which your international philanthropy will take place. Tap into expertise that already exists, including at the local level, and develop a philanthropic strategy that is realistic and appropriate.

USEFUL LINKS:

https://www.cafonline.org/my-personal-giving/long-term-giving/give-global
https://www.bond.org.uk
https://developingeconomics.org/2021/05/10/the-power-of-private-philanthropy-in-international-development/
https://philanthropynewsdigest.org/features/book-reviews/foundations-in-international-development
https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/beyond-oda-foundations.htm
https://www.thebrokeronline.eu

Supporting individuals

Some people like to include the support of individuals in the portfolio of their charitable giving.

Supporting individuals might include subsidising doctors from low and middle income countries to train for a year in the UK, or funding young sportspeople — usually those involved in activities in which the donor also has an interest. The provision of scholarships at schools and universities is a traditional area of funding, and support of the arts is a frequent focus.

Finding individuals to support

In virtually every case, money is not donated directly to individuals without the intervention of an intermediary organisation that helps identify and select potential beneficiaries and monitors how the money is spent and accounted for. In some cases, the donor will have no influence on the choice of recipient, but in other cases the donor may be provided with a list of possibilities and be able to choose a project that fires his or her imagination. In a few cases, the donor may initiate the process and help select recipients, as a panel member.

Some cultural organisations, usually in the performing arts, encourage the involvement of individual donors by associating them with the training of young artists or the support of established musicians – whether singers or players. Examples include the Chair Sponsorship scheme at the Orchestra of the Age of Enlightenment which links donors, individual players and the orchestra as a whole, promoting strong networks between donors who enjoy sharing a passion for the orchestra and the music it performs.

Some donors may never meet the beneficiaries of their philanthropy. There is the example of child sponsorship schemes, such as that run by ActionAid, in which the money given is pooled for the benefit of the community as a whole, and the child is essentially an ambassador or representative of that community.

Supporting individual enterprise

Another way to change the lives not only of individuals but also of whole communities is to support social entrepreneurs – extraordinary individuals with unprecedented ideas for change in their communities. An example is Ashoka, which identifies and supports Fellows who are 'practical visionaries' committed to systemic social change in their field. Such entrepreneurs provide new opportunities and better lives for their fellow citizens.

USEFUL LINKS:

https://www.nesst.org
https://www.kiva.org
https://www.unltd.org.uk
https://acumen.org/about
https://grameenfoundation.org

In the UK The Prince's Trust provides a wide range of opportunities for disadvantaged youngsters. One element is the support of young people through microfinance and associated business expertise. Another example is the website Prowess, a network of organisations and individuals throughout the country who provide financial and non-financial support to disadvantaged women seeking to start their own businesses.

Benevolent funds

For nearly every profession there is an associated benevolent fund that provides help to individuals who have fallen on hard times. Such funds may be supported by those who have done well in the profession, such as the law (e.g., the Barristers' Benevolent Association, or by those who have enjoyed the pleasure of the sport (e.g., the Injured Jockeys Fund) or the art form (e.g., the Musicians Benevolent Fund).

SUGGESTION 1:
"Supporting the social impact ambitions for your clients: insights from Financial Times Investing Global Impact 2018"
by Damian Payiatakis and Alexander Joshi PI Magazine, Spring 2018

SUGGESTION 2:
"Poverty and inequality updated"
by Dominic Fox, PI Magazine, Spring 2015

SUGGESTION 3:
"Impact philanthropy comes into its own"
by Michelle Benson and Jenny North, PI Magazine, Summer/Autumn 2014

Charity Event

May charities raise money by running special events. The charity benefits from the difference between the cost of putting on the event and the ticket receipts, plus any money gathered during the event itself and indeed often, events are sponsored and gifts in kind secured from corporate partners.

The type of event a charity may engage with has grown immensely in the past few years and now covers fundraising auctions and dinners, walks, runs, team activities, overseas volunteering and hikes, bike rides and even sky dives. Attending or participating in charity events can be a tax-efficient and fun way of supporting organisations.

During the global pandemic, many charities had to cancel and postpone events and turn to other solutions to bridge this gap. Three key themes have arisen, which will continue to evolve and grow. Digital fundraising – charities are looking to reach more individuals through social media appeals such as the ice bucket challenge and through the emergence of various digital platforms like Brevio, Maanch or BizGive, Emergency appeals are another way in which charities are trying to raise additional funds to help bring them through the crisis. Lastly, many charities are looking at how to leverage or deepen existing relationships and perhaps revisit grant agreements or seek additional support.

Events are key to fundraising for charities and an easy entry point for donors to get to learn in a light-touch way what organisations are doing. They also help collaborative fundraising and bring together friends or their peers behind causes they care about, or give gifts in kind.

USEFUL LINKS:

https://www.civilsociety.co.uk/fundraising/fundraising-in-the-time-of-corona-how-can-charities-respond-to-an-unprecedented-crisis.html
https://fundraising.co.uk/2020/09/11/charities-will-need-new-fundraising-approaches-post-covid/
https://ciof.org.uk/IoF/media/IOF/Stickers/What-next-Fundraising-after-covid-report.pdf?ext=.pdf

Tax and ticketed events

In the case of ticketed events, the charity should be able to tell you the amount or percentage of the price of an individual ticket or table for an event that is expected to be left after all the costs are covered. This is the donation part of the ticket price. Some charities will give a ‘suggested donation’ as part of the ticket price.

The part of the event ticket that is a donation can be given tax-efficiently, whether by a Gift Aid donation or a cheque taken from your charity account. The larger the percentage of the ticket cost that is a donation, and the more efficient the charity is at making the most of the tax relief, the higher the proceeds for the charity. So, if the charity manages to have all of the costs of putting on an event met directly or as gifts in kind, the entire ticket cost is a donation.

Challenge events

Challenge events are a fun and interactive way of raising funds for your chosen cause and can bring you into contact with like-minded people. Jeremy Gane and Simon Albert, the founding directors of Charity Challenge met during a charity trek up Kilimanjaro and have created a well-established infrastructure for running numerous and varied group adventure travel expeditions. There are an enormous amount of trips and activities you can choose from: trekking the Himalayas, Petra, the Sahara Desert or Iceland, go dogsledding in Sweden, walk along Hadrian’s Wall, see Ben Nevis at night-time, cycle from London to Paris, or cycle along Sri Lanka’s cultural triangle. Or there are many more choices on top of those ones. Over 1,270 charities have been supported through Charity Challenge, raising over £30m to date.

Doitforcharity.com, set up by Skyline Events, the UK’s largest charity events organiser, works with well over 1,000 charities and has raised millions of pounds over its 16 years. An online portal, Doitforcharity.com links potential participants to thousands of charity events every year including skydiving, cycle around London at night-time or London to Amsterdam. Also, if you would like to host your own event to raise money for your chosen charity, you can create your own site on Justgiving.com.

Donor network events

The Funding Network (TFN) runs a different type of fundraising event; members of this network can sponsor organisations or projects to be featured at their pledging events. The project then has an opportunity to pitch to a group of interested funders who pledge support to projects which match their interests. It can be a fun and lively way to meet other donors and be introduced to a range of new projects. See giving networks for other such events.

Starting your own charity

There are over 169,000 registered charities in England and Wales, with numerous charities working in each field.

These charities compete for funds, pay separate set-up and administration costs, and each have to find dedicated trustees. It is usually more efficient to pursue your charitable aims by working with existing organisations rather than create duplication.

Charitable context

Before setting up a new charity, it is vital to gain an understanding of the wider charity context and assess the existing charities working in the field. If they are well established and regarded with an effective programme of work and good trustees, you may feel you can achieve your aims by funding a specific project within that charity. You can find charities working in specific fields on the regulators' websites, for example on Charity Commission, or you can review sites such as 360 Giving and Giving is Great, which both allow you to filter things out according to your areas of interest. There are also some membership umbrella bodies for the particular sectors (e.g. HospiceUK or Homeless).

To operate effectively, new charities have to build their reputation and credibility, and learn about how the charity world works. A new team has to establish guidelines, strategies or governance structures and this all come at extra cost. New organisations should also aim to build networks with other charities and build on existing expertise and good practice for trustworthiness.

You should also take into account the current areas of concern, such as diversity, equity and inclusion and make sure these are shaped into how you build your charitable organisation.

Reasons to start an operating charity

There may be compelling reasons to set up a new charity if it will have a unique focus. Or if it will be associated with a particular person who will make a difference or is in the position to contribute their own funds or have access to contributions via a personal network.

There is a stronger case for setting up a new organisation if you have a group of engaged individuals who want to direct how the charity operates and are eager to invest the time and skills needed to run it on a voluntary basis as trustees.

Issues to consider

Think carefully about your own commitment of time and resources, as well as whether the charity will be sufficiently funded to make a difference to its core purposes, and sustainably funded in the long term. If you do not plan to fully fund the charity in perpetuity, it is essential to plan your fundraising approach early and be confident that the cause will continue to receive the level of funding it deserves.

Once registered, charities must operate as public organisations and publish accounts which are displayed on the Charity Commission website. The trustees have a legal duty to take decisions which best achieve the charity's stated purposes, and the views of the board may not always be congruent with those of the founder. Some founders find it difficult to defer to the collective views of trustees on the organisation's strategy and use of funds. Once set up, a charity is not likely to be dissolved easily. The funds cannot be paid out to the original funder.

With limited exceptions, founders and trustees cannot be paid for their time, and there are strict limitations on activities a charity can undertake which do not fall within its charitable purposes, even if these are designed to subsidise charitable activities. If these issues present a problem, you may wish to investigate alternative legal forms—such as the community interest company (CIC) — as a vehicle to achieve your social aims.

The process of setting up

To register with the appropriate regulator, submit an application form and documents, including governing document, bank statements, and trustee declarations. Regulators provide models for governing documents which explain procedures for decision-making and selection of trustees. The new charity needs to demonstrate that it delivers public benefit and that its activities fall within the legally defined list of 'charitable purposes'. Detailed guidance on the registration process can be found on the regulators' websites.

The simplest form of charity is the Charitable Association which is only registered with the Charity Commission and has relatively few reporting requirements. It may be suitable if you expect your charity to remain relatively small with few commitments. However, if the charity is likely to incur liabilities through employing staff, investing in assets, or fundraising, it is important for trustees to limit their liability by registering both as a charity and as a company limited by guarantee. It is always best to consult an experienced lawyer or accountant, who can go through the process with you.

USEFUL LINKS - UK REGULATORS:

England & Wales: https://www.gov.uk/government/organisations/charity-commission

Scotland: https://www.oscr.org.uk

Northern Ireland: https://www.charitycommissionni.org.uk/start-up-a-charity/register-of-charities/

Structure: giving vehicles and how to choose them

Charitable trust

A charitable trust is established specifically for a charitable purpose that is for public benefit. It attracts favourable tax treatment, operates principally under the Charities Act 2011 and is regulated by the Charities Commission.

It follows the same principle of other types of trusts, whereby assets are set aside by a settlor and passed to a trustee with directions that they are to be used for the benefit of a group of beneficiaries. The main distinction is that for a charitable trust the intended beneficiary is a charity or charitable cause. The trust deed, which is signed at the start of the relationship, sets out the legal basis within which the trustee must operate.

Trusts and foundations are charities with private, sustainable income. In turn, trusts and foundations make grants to support individuals and other charitable organisations to achieve their goals.

Charitable trusts in English law are a form of express trust dedicated to charitable goals. There are a variety of advantages to charitable trust status, including exception from most forms of tax and freedom for the trustees not found in other types of English trust. To be a valid charitable trust, the organisation must demonstrate both a charitable purpose and a public benefit. Applicable charitable purposes are normally divided into categories for public benefit, including the relief of poverty, the promotion of education, the advancement of health and saving of lives, promotion of religion and all other types of trust recognised by the law. There is also a requirement that the trust's purposes benefit the public (or some section of the public), and not simply a group of private individuals.

Such trusts will be invalid in several circumstances; charitable trusts are not allowed to be run for profit, nor can they have purposes that are not charitable (unless these are ancillary to the charitable purpose). In addition, it is considered unacceptable for charitable trusts to campaign for political or legal change, although discussing political issues in a neutral manner is acceptable. Charitable trusts, as with other trusts, are administered by trustees, but there is no relationship between the trustees and the beneficiaries.

A charitable trust may be suitable if you want to give regularly to a number of causes, if you want to give a reasonable amount as a one-off gift from time to time, or if you want to ask others to contribute to the trust's funds. Setting up your own trust provides a framework for planning your charitable giving in a systematic and thoughtful way.

Setting up a trust

To set up a trust, you will need:

- A donor or 'settlor', which may be you, your family or your business
- Trustees, who could be you and members of your family, as well as someone outside the family, such as your lawyer or a family friend

- Charitable purposes, which set out the type of causes the trust can support
- A trust deed (which forms the trust's constitution)

The trustees hold and control the trust's assets. They decide how the income and capital (assets) of the trust should be distributed, and make sure that this is in line with the charitable purposes of the trust. After the founder's death, the trustees will continue to distribute funds according to the guidelines set out in the constitution.

The charitable purposes form part of the trust deed and describe the sort of causes that the trust can support. They must be for public benefit within the purposes that the law regards as charitable.

Tax efficiency

Because a charitable trust is a charity, it can receive money tax-free using Gift Aid or payroll giving. If you are employed, and your employer has a scheme where they will match your donations to charity, you may be able to take advantage of this to make your trust even larger. The trust can continue after your death, and may be the beneficiary of a legacy from your estate which will also be tax-free. See lifetime and legacy giving.

Apart from the tax relief on your own donations, the trust will not pay tax on its investment income. It will not pay corporation tax or inheritance tax. If it eventually runs its own office, the trust will not need to pay business rates (there is mandatory relief against business rates at 80 per cent and a further 20 per cent on a discretionary basis). Also, the trust is unlikely to have to register for VAT.

Running a trust

Setting up a charitable trust is relatively easy, but you may need some help at the start. Running costs can be paid for out of the trust's income. If there is a significant lump sum, there may also be investment management fees to ensure the best return on your investment. Running costs are generally not high, but some trusts are large enough to make it necessary to employ their own staff.

It is not possible to give an exact estimate of set up or running costs but, as a guideline, if you ask your lawyer to set up a simple trust, it might cost up to £1,500 plus VAT. Also, yearly fees from your accountant might be up to £1,000 plus VAT. These are estimates and subject to change.

Registered trusts need to submit a formal annual report and accounts to the appropriate regulator, but as long as the trust stays within its own rules and is properly administered, the regulators will leave trustees to run the trust as they see fit.

Community foundation

For those wanting to engage with and support their local communities, community foundations help you invest your money, time, and skills – matching values, passions or interests to the specific needs of the local community.

Community foundations provide finance by giving assistance, or making investments and grants, to the widest possible range of community groups, organisations or initiatives by providing essential services, supporting existing amenities or investing in future opportunities.

You can find your local community foundation by going to the UK Community Foundations' (UKCF) website.

Trusteeship

Trustees are ultimately responsible for a charity's actions, direction and strategy. They have a duty to ensure that charities are well run, solvent, legally compliant and working towards the charitable purpose for which they were established.

Trusteeship is an important and a highly rewarding way to support an organisation.

They form the governing board of an organisation and are sometimes known by other names, including directors, board members, governors and management committee members. With some limited restrictions, trustees give their time on a voluntary basis. The particular role of trustees is to maintain a strategic overview of the charity's position and activities to ensure it responds to the needs of beneficiaries and continues to deliver on its mission.

Reasons to be a trustee

Many people see trusteeship as a valuable way to really understand and get involved in the organisations they have already chosen to support financially. For individuals with valuable skills, such as legal, financial and marketing, it can be a high-impact way of giving to a cause.

For people early in their career, trusteeship is a great way to develop leadership skills, build their CV, and gain experience at board level. Charity trustees need to be involved in the charity's budget and strategic direction, so trusteeship can enhance decision-making, project management and strategic thinking skills. For those later in their career, trusteeship provides an interest outside of work: a way to develop new expertise, meet interesting people and apply skills to a new and challenging area.

The Director of Social Change lists five reasons why becoming a trustee could be the best decision you have ever made:

1. It's never been easier to be a great trustee
2. Turbo-charged experience
3. It's awesome practice
4. Trustees are just people who are about the same things
5. You can make a real difference

Commitments of trusteeship

Trustees have mandatory responsibilities which include ensuring the charity complies with regulation, acts with integrity, avoids conflicts of interest, monitors risk and does not misuse funds. Optional responsibilities include:

- Helping the charity to follow good practice, including setting the strategy
- Agreeing clear roles and responsibilities for trustees and the charity's staff
- Supporting senior management
- Attending regular board and subcommittee meetings
- Taking the time to stay up-to-date with the charity's work and the environment in which it operates
- Reviewing board performance

The trustee level of commitment required varies depending on the type of charity, but usually requires some dedication of time beyond attendance at meetings. Trustees of very small charities may find the organisation needs support on operational issues such as fundraising, management of staff and volunteers, administration of campaigns and so on. For the trustee, the challenge is always to balance their support of operational demands with the need to step back and take a strategic view.

As the legal custodians of a charity, trustees have liability for ensuring that the organisation acts in accordance with its defined purposes and uses money appropriately to further these purposes. Trustees can have personal liability in situations where appropriate practices are not followed, however the charity commission is clear that the "conscientious and committed trustee need have few worries about personal liability". Trustee liability is limited if the charity is incorporated (i.e. registered as a charitable company limited by guarantee), and trustees can be further protected through trustee liability insurance.

Getting on Board is the most well-known site which provides detailed information about becoming a trustee.

Finding a trustee vacancy

Many trustee appointments occur informally through individuals making a greater commitment to organisations they are already involved with, or finding out about available trustee positions through networks and contacts.

A number of organisations advertise trustee vacancies, or match-make between charities and potential trustees. These organisations will do different levels of due diligence on the charities they feature, so it is important to spend time researching the charity and, before committing to a trustee position, make sure you understand:

- The charity's financial position
- The responsibilities and duties that they expect of you
- How the charity engages with and supports its trustees
- The risks the charity faces

Here are examples of organisations that you can use to find trustee vacancies:

- Trustees Unlimited
- NAVCA
- Young Trustees Movement
- The Honorary Treasures Forum – for those with financial skills
- Bar in the Community – for those with legal skills

SUGGESTION 1:
"Implications for becoming a charity trustee in these difficult times"
by Jennifer Emms PI Magazine, Summer 2020

SUGGESTION 2:
"Getting the right trustees is crucial to charities' survival"
by Steph Taylor, Charities Aid Foundation

SUGGESTION 3:
"Trusteeship"
Philanthropy Impact (n.d)

Donor-advised funds

Donor-advised funds (DAFs) are vehicles for individual, family or business charitable giving, administered by a third party, and designed as an alternative to direct giving or setting up a charitable foundation. They can be funded through cash donations, through payroll giving or by gifts of shares.

DAFs are structured in a similar way to charitable trusts, but because they are operated centrally by others, they remove the need for a donor to find his or her own trustees or deal with administrative aspects.

How DAFs work

The donor decides how much to give and pays it into the fund. The host organisation offers grant-making expertise, monitoring and reporting processes, and deals with the administration and distribution of funds.

DAFs are a tax-efficient way of giving to charity, as they can claim back the tax on Gift Aid donations and add it to the amount in your account. If you are a higher-rate taxpayer, the periodic statements you will receive provide a useful record of your giving and will help you make your personal tax claim on your Self-Assessment tax return.

Charity accounts

Charity accounts with intermediaries, such as Charities Aid Foundation and Stewardship, are a type of DAF and are similar to bank accounts, designed especially for charitable giving with all the relevant tax benefits.

Reasons not to use DAFs

If you are giving relatively few donations of larger amounts, or if you use payroll giving and want to benefit a particular charity regularly, it may be less expensive (and not much more complicated) to give directly to your chosen causes. You would save the administration charges, and because no interest is paid on your charity account, there could be a sizeable cost if you maintain a significant balance in your account.

SUGGESTION 1:
Expert opinion: Choosing the Right Vehicle for Giving: Donor-Advised Fund or Foundation

SUGGESTION 2:
Expert Opinion: 5 Reasons to use a DAF for Tax Effective Giving
by John Canady

SUGGESTION 3:
How to Use Donor-Advised Funds to Make Impact Investments
by Ryan Macpherson, Saah Earney, & Emma Kulow, SSIR, 25.10.2018

Venture philanthropy

Venture philanthropy (high-engagement giving) invests capital and human resources in charities and social enterprises. It is categorised as a form of social investment seeking a social return at the same time as attempting to achieve organisational and/or community sustainability and viability.

For more information go to Impact Europe and Asian Venture Philanthropy Network.

RECOMMENDED RESOURCES:

Impact Europe (previously called European Venture Philanthropy Association (EVPA)): Europe's only peer network of venture philanthropy funds and other organisations promoting the movement. The website has a free download for people interested in establishing a venture philanthropy fund.

Skoll Centre for Social Entrepreneurship, Saïd Business School, University of Oxford: Research and working papers on the non-profit capital market and venture philanthropy.

SUGGESTION 1:
"The catalytic power of blended finance to regenerate our ecosystems"
by Anjou Dargar, PI Magazine, Autumn 2023

SUGGESTION 2:
"Philanthropy 2.0 – Moving from donating to causes to investing in causes"
by Jamie Broderick PI Magazine, Autumn 2020

SUGGESTION 3:
"Philanthropy reaches the parts impact investing cannot reach"
by Elisa Trovato, 16. December 2019

SUGGESTION 4:
"Social Impact Measurement: a challenge"
by Catherine Beringer and Andrew Whitby Collins, PI Magazine, Spring 2016

SUGGESTION 5:
"The future for social investment"
By Adam Williams, PI Magazine, Autumn 2016

Social enterprise and social entrepreneurs

Social enterprise is an activity as opposed to an organisational type – engaged in by social entrepreneurs.

It can be performed by 'social enterprises' or any voluntary or community sector organisation. Often the following words 'social enterprise', 'trading', 'earned income', 'commercial enterprise', 'co-operatives', and 'social businesses' are used interchangeably, although each has a slightly different emphasis on social and financial return.

The difference is in how an organisation self-identifies – some identify as social enterprises, others as charities or NGO's with trading arms or holding companies, and others as co-operatives. However, the ends are the same – a social, cultural, economic or environmental mission combined with financial return or financial viability.

A social enterprise is a business with more than one bottom line, measuring its performance on more than profit – financial, social or community, cultural, and environmental.

A social entrepreneur is someone who applies entrepreneurial skills and experience for social benefit.

Social Investment

Social Investment is defined as being the supply of finance and non-financial support with the objective of strengthening an organisation's social, economic, environmental or cultural impact whilst potentially seeking a financial return on capital and/or community or organisational financial sustainability and viability.

SUGGESTION 1:
"Social Investing: What do investors want?"
by Greg Davies PI Magazine, Summer 2020

SUGGESTION 2:
"There's a huge win when you invest socially"
by Dame Stephanie Shirley CH PI Magazine, Autumn 2018

SUGGESTION 3:
"A philanthropist's perspective: how to maximise impact using social impact investment"
by Katie Fulford-Smith PI Magazine, Summer 2019

SUGGESTION 4:
"Social investment is not impact investment, let's finally be clear on what we mean"
by James Perry PI Magazine, Summer 2019

SUGGESTION 5:
"Advisors: Be proactive with clients about sustainable investing"
by Jon Hale, 22nd May 2020

SUGGESTION 6:
"The remarkable Rise of ESG"
by Georg Kell, Forbes Magazine, 11th July 2018

Stage 5: Giving and investing tax effectively and impactfully

Maximise your resources and your impact by taking advantage of the different methods of tax-efficient giving.

Although tax reliefs are not a primary driver for most to give, it is worth noting what is the most tax-efficient method for you to have the most impact. It is recommended that you talk to your advisers about charitable tax reliefs that align with your goals and your circumstances.

Gift Aid:

If an individual in a higher tax bracket donates cash to a UK registered charity, they can claim the difference between the tax rate paid and the basic rate on the donation. The tax could have been paid on income or capital gains.

Example: When someone pays tax at the 40% rate, a donation of £10,000 allows that person to recover £2,500, so the donation only costs £7,500 but the charity receives £12,500

- Gift Aid adds 25% to the value of your charitable donations to the beneficiary
- You must complete a Gift Aid declaration for the registered charity of choice
- You must tell the charities you support if you stop paying enough tax

Payroll Giving Scheme:

Employees can make a gift that is deducted from wages or pension before tax is deducted. The tax relief depends on the rate of tax paid. In England and Wales to donate £1, you pay:

- 80p if you're a basic rate taxpayer
- 60p if you're a higher rate taxpayer
- 55p if you're an additional rate taxpayer

Gift of Land, Property or Shares:

Individuals do not have to pay tax on land, property or shares donated to charity. This includes selling for less than their market value. Income tax relief is obtained by deducting the value of the donation from the total taxable income. Capital gains tax does not have to be paid on land, property or shares given to charity.

We would recommend getting advice from a regulated Tax Advisor before making a decision.

Inheritance:

The standard Inheritance Tax rate is 40%. The estate can pay a reduced Inheritance Tax rate of 36% on some assets if 10% or more of the net value is left to a registered charity in the will.

- No inheritance tax if value of estate is below £325,000
- No inheritance tax if value of estate above £325,000 threshold is left to spouse, civil partner, charity or community amateur sports club
- For more information and to use the HMRC inheritance tax rate calculator visit: https://www.gov.uk/inheritance-tax-reduced-rate-calculator

Social investment tax relief:

SITR is a type of venture capital scheme designed to help raise money for social enterprises from investors by buying new shares or lending money as a debt investment. Investors receive tax relief on shares bought or money lent to the enterprise. The social enterprise must be either a registered charity, community interest company, or a community benefit society. Note, the government has indicated this scheme may come to an end in 2023.

For rules and regulations and how to apply visit: https://www.gov.uk/guidance/venture-capital-schemes-apply-to-use-social-investment-tax-relief

SUGGESTION 1:
"Social investment tax relief at the crossroads – an uncertain future or a golden opportunity?"
by James Westhead, PI Magazine, Summer 2020

SUGGESTION 2:
"How to improve Social Investment Tax Relief (SITR)"
by Evita Zanuso, Senior Director, Big Society Capital, 2018

Legacies

Legacies should be seen as part of a strategic approach to giving and part of the planning for distributing your assets after you die.

Giving money to charities during your lifetime can be highly rewarding and you may want this support to continue after you have gone. This can be done via a will or by creating a trust and appointing family as trustees.

When someone dies or when assets are transferred to a discretionary trust (a trust whose trustees can choose who should benefit from the trust and how much they should receive) or to a company, inheritance tax (IHT) must be paid if the estate or the value of the assets transferred is more than the tax threshold.

IHT does not apply to gifts made to charities in your will – they are tax free and are deducted first, so they have the effect of lowering your overall taxable threshold.

In addition, from 6 April 2012, if you leave 10 per cent of your estate to charity, the tax due may be paid at a reduced rate of 36 per cent instead of 40 per cent.

The net value of your estate is the sum of all the assets after deducting any debts, liabilities, reliefs, exemptions and the nil-rate band.

To see how much you need to leave to charity to qualify or whether your estate can pay a reduced rate of Inheritance Tax because of a charitable donation left in a will, you have to work out the value of each of the separate parts of an estate. These are known as 'components' and are broken down as follows:

- Survivorship property – when you have jointly shared assets
- Settled property – the property you are entitled to
- Any property subject to a reservation of benefit – this is more complex but can bring benefits if mixed with other components

HMRC's technical guidance includes an example of the wording of a clause that can be included in a will to ensure that it will always meet the 10 per cent test. It is advisable to talk through this with your solicitor.

There are several different ways of leaving money to charities in your will:

- **Pecuniary:** a fixed sum of money.
- **Specific:** you may wish to leave a particular item (such as jewellery, furniture, shares or property). However, if you are considering making a non-financial gift, it is extremely important that you contact the organisation you propose to give it to, to discuss your plans. Gifts of works of art may be left directly to art galleries, using the cultural gifts scheme. This means that more of your inheritance tax bill is settled than if the work was sold and the proceeds used to pay the tax.
- **Residuary:** the residue is what is left of the value of your estate after all the specific bequests (gifts) have been met and all debts and administration expenses have been settled. You could leave the total residue, or a share of the residue, to one or more charities.

If you have set up a charitable trust, it can be a beneficiary of your will, and no inheritance tax will be due on the amount given to the trust.

If you have already made a will, you can still add another legacy by drafting a codicil. This is a separate legal document which adds to or amends the will you have already made and should be kept with your will.

Another approach is to set up a 'Legacy account' with a donor advisory organisation, such as the the Charities Aid Foundation, Stewardship or your local community foundation. In this case, you name the donor advisory organisation as the beneficiary of the amount you want to leave, and give them a signed list of the charities you want to benefit, and the amount they should receive.

This list is your letter of wishes and you can change it as many times as you like, simply by writing to the organisation. Unless you want to change the total amount given, you do not need to change the will itself and will not have to pay any legal costs.

After your death, the money you have left to the Legacy account will be paid by your executors into the account. The organisation will then distribute your gifts according to your wishes.

There may be a small administrative charge for this service, which is taken when funds are received from the estate.

RECOMMENDED RESOURCES:

HM Revenue & Customs (HMRC)
Remember a Charity
Society of Trust and Estate Practitioners (STEP)

Community investment tax relief (CITR)

The community investment tax relief (CITR) scheme offers a tax incentive to investors in accredited community development finance institutions (CDFIs). CDFIs lend and invest in deprived areas that cannot access mainstream finance.

CDFIs provide financial services to enterprises and individuals, with the aim of achieving both financial and social returns. The total relief is worth up to 25 per cent of the value of the investment over five years and is in addition to any interest or dividend paid by the CDFI.

CITR is run by HM Revenue & Customs (HMRC) and they have provided a detailed manual to review what it is and how it works.

RECOMMENDED RESOURCES:

https://www.ftadviser.com/investments/2018/07/10/understanding-social-investment-tax-relief-and-how-to-make-it-work/

https://responsiblefinance.org.uk/the-community-investment-tax-relief-citr/community-investment-tax-relief-citr/

Responsible finance: the trade association for CDFIs, has published a guide for investors, including examples and case studies, which is freely available on its website: https://responsiblefinance.org.uk

Detailed information is available from the HMRC website.

It can be valuable to review which topics the government have deemed important for social changes to be made. It can be confusing, as there have been several shifts in government departments who review how different projects can make positive change. The Department for Business, Innovation and Skills was replaced by the Department for Business, Energy and Industrial Strategy. In 2023, that was split into different sections: The Department for Energy and Security and Net Zero, Department for Science, Innovation and Technology, and the Department for Business and Trade. Department for Business, Energy and Industrial Strategy.

Stage 6: Selecting charities

Finding and selecting effective organisations to support is the key to rewarding philanthropy. This is an important next step once you have gone through an exercise of thinking through your philosophical approach and how you want to make that impact and also why you want to do it. There are over 169,000 registered charities in the UK alone, so aligning and finding your match can be a challenge. It is important to do your due diligence on the organisation and develop a meaningful relationship with the organisations supported.

Resources to find charities

Assessing a Charity: Basic Questions

1. What is your vision and what values do you live by?
2. What impact do you wish to accomplish?
3. How long is the commitment and what is the amount to be donated?
4. How is the distribution to be measured?
5. Collect the following information: name of charity, its history, its purpose, services, size, governance including committees, leadership team/staffing/volunteer numbers, and impact, contact details including charity registration number
6. Project/activity/post to be donated to – restricted or unrestricted
7. Desk research on the charity
8. Details of other foundations/funders and charities in the sector, and any particular/important comments/findings; if available comparison of impact.
9. Collect and review documentation e.g. annual report and accounts (filed with the Charity Commission), vision statement, strategy documents and plans, risk analysis and management, staff performance evaluation, evaluation reports, management accounts, internal strategy, evaluation documents, information on the charity's impact, current funders, and strategic alliances and accreditation
10. Conduct key stakeholder interviews, including key people from the charity
11. Discuss items from 8 above
12. Detail the culture the management team want to foster, and how they plan to influence this
13. Find out whether the management team's vision aligns with how the staff and beneficiaries view the charity
14. Financials
15. Measuring efficiencies and programme effectiveness

Most people start by giving to organisations that approach them for support, or that come via a personal recommendation. However, some people want to give in a more pro-active way, selecting effective charities that tackle a specific cause.

It is usually straightforward to identify the biggest players in each field. However, if you want to give to smaller organisations, or to charities working in underfunded areas, working locally or addressing an unmet need, it can be challenging to find appropriate organisations where you are confident that your donation will have an impact.

There are a number of ways you can access information: through online research, by linking with existing experts in the field and through specialist intermediaries.

Talking to people is a great way to gather ideas about organisations to support. Simply asking friends, family and colleagues which organisations they are passionate about will help you find charities you might otherwise miss. As you investigate different opportunities for charitable giving, you are likely to come into contact with a number of people with expertise in the area who you can ask for advice and recommendations.

Finding charities online

Start with the Charity Commission for England and Wales. It has an advanced search which allows you to identify charities by activity type, geographical location, size of organisation and a number of other attributes. Separate regulators exist for charities registered in Scotland and Northern Ireland. The charity regulator websites usually display summary information with an annual report, so you can look in some detail at a charity's operations. The Charities Aid Foundation has a similar search engine function for UK registered charities. New organisations are continuously emerging to help charitable giving being done in a professional way, such as Epic Foundation, Givewell and Maanch.

If you are interested in a particular cause, it is useful to look at umbrella membership bodies with a specialist in that area; for example, when looking for charities tackling homelessness you could investigate the Homeless Link website. These bodies should provide a list of their members, and also supporting research, information on policy developments and other useful information.

Finding charities locally and internationally

If you want to find small projects focused in a geographical area, the website Local Giving is a good place to start, as it provides information on vetted local projects. However, you may want to begin by finding out more about local context and pressing needs, in which case the local council for voluntary service (CVS) can help with local expertise, and may be able to suggest projects in need of support. Alternatively, you could explore working with established local funders to find out which of their previous grantees are having a big impact in the area. See Giving locally.

Working with intermediaries

If you lack the time to undertake research, it can be useful to work with an intermediary, like a Community foundation, a DAF provider. Alternatively, specialist philanthropy advisors can help by identifying suitable projects and organisations which meet the focus areas you have decided upon. Depending on who you bank with, there may be someone who can help you there who has a specialist role to support philanthropy.

Independent philanthropy advisors are experienced in long-listing projects based on your interests, and short-listing candidates for support based on detailed due diligence. You can choose what level of involvement to have in this process; you may want to identify projects yourself and ask an advisor to conduct due diligence, visit the charity with the advisor to see their work first hand, or simply review recommendations made by your advisor.

Giving network – giving circles

Donors with a shared interest or who want to give and learn together in a supportive community often join a giving circle. Such a circle requires a minimum contribution in exchange for the experience of shared decision-making and leveraging their dollars to greater advantage.

These groups, known as giving circles and networks, can take many forms and generally involve groups of individuals coming together with a philanthropic purpose, pooling their resources, and deciding collectively where to give their money.

In the UK, a number of formal and informal networks are emerging around areas of interest. Some are private, but others have open meetings and encourage new members.

Benefits of giving together

Giving networks allow donors to benefit from the past experiences of all participants, as well as discussing and drawing lessons from their shared giving. It is an ideal way for those new to giving to develop as philanthropists and see the power that their donations can have. Aside from jointly developing good giving practices, giving networks are a forum for philanthropists to share ideas about the role of philanthropy in family life and hear about other people's strategies for giving. Donors may also find that they learn of projects which the network chooses not to fund, but which they want to fund independently.

One of the most appealing and effective aspects of giving circles and networks is the opportunity to shape the group to meet the particular needs of a community, and the interests and capabilities of participants. Networks vary in size and structure, ranging from an informal group of friends meeting locally to large, formal organisations with employed staff members.

Giving collectively can promote the giving of further resources such as time and expertise, to increase the impact of the financial donation. This is a great way for donors who feel committed to the mission of an organisation to express their support of the organisations they fund in an enjoyable way. For donor circles with a geographical focus, this can contribute to a broader community response through fundraising and awareness raising. See giving time.

RESOURCES:

https://blog.ted.com/how-to-pick-the-charity-thats-right-for-you/
https://www.thinknpc.org/blog/ask-npc-where-can-i-get-good-information-about-which-charity-to-support/

Stage 7: Assessing impact and why it is important

Understanding the impact of a donation is an important part of the giving process. It helps donors assess whether they are meeting their objectives, helps charities learn from their work and makes giving more rewarding.

Charity impact evaluation

Assessing impact involves understanding the difference that charities make and the change they create for the people they help. Charities sometimes find it difficult to demonstrate their impact, but it is important for them to assess their work to demonstrate to all stakeholders what they are achieving as well as evaluating their progress in their cause area.

For donors, assessing the impact of a donation is important for knowing whether their funding has been well used by the charity and what difference their support has made; as well as for assessing whether they should continue to fund that organisation and if it aligns overall with their giving objectives.

Why donors should measure impact

Donors may want to use this information to communicate their impact, share lessons from their work or review their approach or strategy. Some of these reasons will be more appropriate to some types of donor than others. For example, for a corporate donor, communicating impact might be a particular priority, whereas for an individual, it may be more important to understand whether their overall objectives are being met.

Besides this, a donor should be confident that a charity is looking at its results and using them to inform future work. They should measure the impact of their work to understand how well they are addressing the needs of their beneficiaries and meeting their own charitable objectives.

Different types of evidence

There is a variety of evidence that can be used by charities to demonstrate their impact. Anecdotal evidence and the stories of users will undoubtedly remain powerful influences on giving, but evaluation or performance data is increasingly being asked for by donors. This may include a clear 'theory of change' – where the charity maps how its day-to-day activities contribute to its overall mission – as well as before and after data from projects, qualitative evidence, and statistically robust evaluations such as randomised control trials.

It is not uncommon for charities to have no published evidence of impact; however, this does not mean a particular type of service or intervention is ineffective. This is a particularly important point for philanthropic giving, which often seeks to support new and innovative work, and which by its very nature will not have an established evidence base.

Some charities are also indicating how their activities align with the UN SDGs, as a broad framework of impact to indicate how their activities are helping to address the world's most pressing needs.

How donors can monitor a grant

There are a variety of ways to assess the impact of your grant, depending on the size of your donation, the size of the charity and what you want to use the information for. The range of options, in ascending order of time and cost commitment for both the charity and the donor include:

- The donor reviews the charity's publications (website/newsletter etc)
- The charity completes a simple feedback form (has the project exceeded/failed to meet expectations, how many people did the project help?)
- The charity provides monitoring reports it uses for other funders
- The charity provides detailed responses to the donor's questions
- The donor visits the charity
- The charity conducts detailed monitoring against milestones agreed with the donor. These should be agreed at the start of a grant, and should be realistic and achievable. They usually include goals relating

to the charity's results and should cover both outputs (such as training 100 new volunteers to read to school children) and outcomes (improving the literacy levels of at least 80% of the children on the project). Milestones can also include organisational goals, such as building up the level of reserves or strengthening the management team.

- The donor commissions a third-party provider to monitor the grants

Key questions to ask

Important questions to ask any charity you have funded include:

- An overview of the organisation and the context in which it operates—key changes / challenges over the period?
- How was the funding used?
- What did the funding achieve, and how did this compare to expectations?
- What were the main internal and external factors affecting the results?
- Were there any lessons from the funded work? Will these influence future work?
- What are the plans for the next 12 months and beyond for the organisation and the funded service?

How else could you help the charity (such as by offering your time, expertise, networks or different types of funding)?

Overall impact of a funding programme

Many funders would like to assess the overall impact of their support for charities, rather than just measuring on a charity-by-charity basis. This is not easy. Although you can aggregate data about outputs (such as the number of people supported), it is very difficult to aggregate data about outcomes (the changes achieved in people's lives). It may be possible for specialist funders who are focused on measurable objectives such as increasing educational attainment or reducing re-offending. But this type of approach needs addressing early on, when planning funding programmes and developing goals and objectives.

SUGGESTION 1:
"Beyond reacting: A call for philanthropy to take on systemic change"
by Emma Beeston, PI Magazine, Autumn 2020

SUGGESTION 2:
"Standing in the Future"
by Robert Hanig, co-Founder of the Academy for Systems Change

Reviewing objectives

Once you have been funding projects for a while, you should take time to assess whether you're achieving what you expected. Reviewing objectives may be about ensuring your giving evolves to match your changing preferences, but it is also about considering whether a revised giving strategy could have a greater impact on the areas you care about.

In addition to objectives around who and how you want to support, you may also have personal objectives related to your family, to the time and skills you want to donate, or corporate objectives related to your company profile or employee involvement. It is important to review these regularly alongside the impact of your giving.

Why review objectives

You should review your objectives periodically. However, you may want to review your objectives in order to make changes to your giving according to a number of different circumstances, for instance:

- A sudden increase in your wealth may encourage you to scale up your giving
- Certain events in your personal life might change your priorities so that different causes become important to you

- New circumstances may lead you to devote more time and non-financial resources to giving, for example as you step away from the day-to-day running of your business

You may also want to review your objectives in response to changes in the external environment, for instance changes in the economic climate, other funding programmes or government priorities.

You may want to review what has worked well with your giving and what you have learnt. You should understand what your giving is achieving, and whether your current strategy is accomplishing the desired impact on the issues you care about.

As a donor, it is important to identify which organisations really help you deliver on your goals. Reviewing objectives may therefore be about checking that there is close alignment between your objectives and those of the charities you support. An organisation may be doing a great job in an important area, but if their focus is different to yours you may choose to devote your resources to an organisation that is a closer match.

It's also a learning process for both you and the charity you're supporting about which interventions have greatest impact. If you're supporting unproven innovative ideas, it is vital to build in review assessments of whether this is successful.

How do you review objectives?

To assess your success you will need to regularly review information provided to you by the organisations you fund. You may also want to talk to or survey your grantees to understand how you can improve your funding and support. You should also look more broadly at the context you are working in to see whether anything has changed and how you should respond to this. Finally, you should assess what you have learnt from your funding and interactions with charities.

Learning from your review

Once you understand the impact of your grants and overall funding, you will be able to assess whether you are meeting your initial objectives. It may be that you need to alter the type of support you are giving in order to better meet your objectives. As an example, if one of your objectives was to help improve your local community, there may have been a change in needs to address within your local area — and you might want to consider funding different types of projects, perhaps those specifically getting people back to work during economic downturns.

As well as adjusting your funding to meet objectives, you may also want to alter your objectives depending on what you've learnt from your giving.

RESOURCES:

https://milkeninstitute.org/article/how-evaluate-returns-philanthropic-investment
Issue Lab: Evaluation in Philanthropy
The Stanford PACS Guide to Effective Philanthropy (Chapter 6: Theory of Change, Monitoring, and Evaluation: Understanding an Organisation's Activities, Outcomes, and Impact
Understanding your Philanthropy: Rockefeller Philanthropy Advisors - tool

Personal rewards (new) satisfaction

It's essential for you to be able to see, know and understand exactly who or what in benefiting from their donations, gestures or interventions. This also help make giving truly fulfilling and gives a sense of achievement. Where families are involved, this is often what also creates that cohesion and brings generations together, when as a family, everyone can get a sense of pride from their giving and also align on their values as a family.

Guide To Giving For Current Donors/Social Investors

This guide is for existing philanthropists and social investors who wish for efficient, effective and impactful giving.

Introduction

Wealthy individuals and their families are increasingly looking for opportunities to engage responsibly in order to make a difference. The opportunity to do this is broad, ranging from pure charitable giving to professional social or impact investing, and the journey can be very rewarding and fulfilling. The personal value proposition leads the decision-making process in choosing a suitable pathway.

There are typically three main approaches:

- **Pure philanthropic engagement** – donating funds and not expecting a financial return;
- **Venture philanthropy** – seeking to maximise some form of societal return and engaging your time and energy in a social venture; or
- **Intentional/social investment strategy** – focused primarily on social enterprise and seeking to maximise societal return while receiving some financial return.

An additional approach to complement these is sustainable and impact investing, whereby an investor seeks to maximise their financial return as well as a societal or environmental return. The engagement or investment in these different ways is often value driven. People are motivated by their ambitions to do something beneficial for society or the environment based on their own values. A clear vision gives purpose and direction when embarking on this rewarding endeavour.

See Investment Return Continuum. The continuum is a context within which philanthropists and ESG/impact investors can understand the various approaches to sustainable investment.

Defining a focus

Highlights

- If you have already started your philanthropic journey, it might be time to reassess and refocus your giving. This will provide you with opportunities to learn more about the causes you care about, or discover new ones, and over time refine your giving to achieve maximum impact.
- Remember that it is often useful to combine three variables – your interests and passions, areas of need and ways you can help – to find your funding focus once you've thought about your objectives for giving.
- If you're finding it difficult to re-identify your focus, it can be useful to narrow down causes under headings detailed below.

When you started your philanthropic journey, you may have identified specifically where you wanted to direct your donations. But many people find it hard to prioritise the range of pressing social and environmental needs – should I support children's hospices, save a dying species or provide scholarships for rural Africans? There is no right or wrong answer, and many people choose to spread their giving across multiple issues. Perhaps you found it hard to focus on what it really was that was driving your giving forward. If you can reassess and define a clear focus for your giving, it will allow you to move from giving on an ad-hoc reactive basis to planned, strategic giving which aims to tackle specific issues close to your heart. Focused giving provides you with opportunities to learn more about the causes you care about, and over time refine your giving to achieve maximum impact.

It is often useful to combine three variables to find your funding focus once you've thought through and reassessed about your objectives for giving. These variables are your interests and passions, areas of need (where can your support make the most difference), and the ways you can help (your available resources such as money, time, contacts, and skills). With the development of products such as social investment, responsible investment, impact investment, there are many new vehicles you can use to channel your resources. By combining these, you will find a focus that is both valuable and personally rewarding.

Benefits of focused funding

By re-focusing your funding, you can build up knowledge and expertise which is not possible when your funding covers a wide range of issues.

When you have a focus, either at the start of your giving or during it, you can research an issue to really understand the need and how to tackle it. For example, donors who want to support homelessness may find that there are adequate soup kitchens in their area, but identify a need for giving homeless people the skills and resources to help them into employment, so that eventually they can find their own accommodation. Donors may also find some types of work that are very valuable, but underfunded.

As you build experience in an area you will be in a better position to confidently select charities which align with your priorities and make a real difference. Over time you will develop an opinion on which interventions and charities are effective, and thereby take a strategic approach to achieving change and charitable impact. As you see the change that you're making, giving becomes more rewarding and engaging.

There are practical advantages to defining, and redefining, a funding focus. It provides you with a clear funding identity and strategy to communicate to external partners. This is one way to discourage applications from unsuitable candidates: it is much easier to say no to projects which don't fit with your focus. Having a clear funding focus also makes it easier to get to know other funders with similar interests who you can share expertise with.

Where to re-start

If you're finding it difficult to re-identify your focus, it can be useful to start afresh, and narrow down causes under the headings of people (for example, children, women, specific ethnic groups etc), geography (for example your local community, city, country or group of developing countries etc), an issue (for example, mental health, human rights, poverty). However there is a balance between narrowing the focus too far and losing flexibility in your funding decisions, and stretching your resources too thinly across a range of projects.

In some cases you may find that the people involved in your funding (for example family members or company directors involved with corporate philanthropy) may not agree on one focus area. One way to bring together a range of interests and passions is to divide the overall amount you want to give into separate pots of a defined size, with different members deciding the focus for each. You may also want to keep a portion of your funding aside in a discretionary pot to react to requests or issues as they arise.

Assessing needs

Highlights

- Assessing needs means understanding the key problems that need to be addressed and where funding gaps exist.
- Whether formal or informal a needs assessment should identify under-funded issues through a number of stages, suggested below.
- Needs analysis can be quite a complicated process, and daunting to undertake alone.

Assessing needs means understanding the key problems that need to be addressed and where funding gaps exist. It can be tempting to fund high-profile causes and organisations, but these are often already well served by other donors and/or statutory provision, and you may make a greater difference in underfunded areas.

A needs assessment should identify underfunded issues. Needs analyses take a variety of forms. An informal approach might involve reading some reports on the issue, talking to some experts and charities, and forming a view of what needs support. At the more formal end – for a large strategic foundation wanting to concentrate millions of pounds of donations on a specific issue (such as combating malaria), for instance – a full research study might be necessary. However you go about it, you need to be confident that you are meeting a need and not duplicating provision.

Stages of needs assessment

When conducting a needs analysis, you should aim to begin by understanding the size and nature of the need: how big the issue is, how many people are affected, and to what extent they are affected. You may identify some groups who are particularly badly affected by an issue. It can be complicated to conduct this research from scratch, so look out for existing research by think tanks, large charities in the field, other funders and government agencies.

The second stage is to discover what the public and private sectors are doing in this area. This will involve understanding provision from central government, in addition to local authorities, public health bodies and schools. You may find that existing support covers only a proportion of those affected by an issue or only some of their needs, or that services are being affected by spending cuts.

Next you should look to understand what work charities are undertaking in the area. Find out what the charities are hoping to achieve, how they address the issues and what interventions are most effective. It can be difficult to assess the impact of a charity, but look for information about the difference they make (i.e. changes in the lives of their beneficiaries), alongside detail of their activities (see charity impact evaluation). Finally investigate what other funders are doing in the area; it is important that you support an area where there is a real need for more funding. You can review the information provided by 360 Giving and Giving is Great which demonstrate what other funders are doing and how much they are distributing to a wide-range of charities.

Deciding how to address need

When deciding where to dedicate resources, it can be helpful to think about the trade-offs you need to make between addressing the need in different ways. Projects that work directly with individuals (such as providing wheelchairs to disabled children) tend to have a greater certainty of outcome, and changes can be observed relatively rapidly. However these projects tend to be high intensity and therefore reach a relatively small number of people. Investment in policy or campaigning work (for example a campaigning project to tackle obesity) will have a much less certain outcome and it will take longer to see any change but success is likely to impact a huge number of people. Donors deciding how to address the needs they have identified can think about where they would like to fund along these three spectrums—breadth of reach, certainty of outcome, and time required to demonstrate impact. There are different questions you could consider when you are deciding how to address a variety of needs.

Much of the information needed can be found through desk research and through conversations with practitioners and experts. If you are already funding projects then it can be valuable to review any learning from your experience. Some donors decide up front to develop a 'learning portfolio' supporting charities that work at different points along the breadth, certainty and time ranges. This can be a short-term arrangement as you assess your preferred method of tackling the need, or it can be part of a long-term strategy to increase the impact of the funding by tackling the problem from many different levels.

Needs analysis can be quite a complicated process, and daunting to undertake alone. If you have a clear idea of where and how you want to fund, then the most important thing is to reassure yourself that your money goes towards a real need and doesn't get lost in a well-funded area. If you're less clear on how to make the most of your funding within a particular area and want to undertake a more thorough assessment of needs, you may find it more practical to get some support from experts.

If it is important to you to perhaps shift your thinking, and address more topical issues and adjust your approach to fit into the current method of philanthropic thinking, UBS' Top Five Trends in Philanthropy 2023 is a valuable holistic vision of the current state of philanthropy sector.

A particularly valuable paper to read, to consider what you have done so far, what you have achieved or what challenges you have faced, and what other areas need to be taken into account that you have not thought about yet, is the Volume 2 of the Rockefeller Philanthropy Advisory Services' Reimagined Philanthropy reports – Advanced Strategies for a More Just World.

There are also eight other questions that you can take into account when you are reflecting on the outcomes of what you have been doing so far: Are you cognisant of the inequalities our philanthropic systems are built on?

- Are your short-term gains laced with long-term harms?
- Are communities being empowered to determine their own solutions?
- Have you done the work or are you taking shortcuts?
- Are you engaging with the grassroots and valuing them properly?
- Do those on your board reflect the communities you are serving?
- Is your philanthropy truly catalytic?
- In whose name is this being done?

A lot of donors choose for their donations to be restricted grants, which often need to be assessed and reported on and the charities need to demonstrate the funds have only been spent on an agreed project. Many do not like their grants to cover core costs but over the last few years, that mindset has been increasingly challenged. In his Ted Talk, Dan Pallotta presents a useful summary of why that is.

Darren Walker, President of the Ford Foundation and ex-Vice President at the Rockefeller Foundation released an insightful book in 2023, From Generosity to Justice: A New Gospel of Wealth. It reflects back on the vision of Andrew Carnegie, and how it relates to modern times.

MacKenzie Scott, ex-wide of Amazon founder Jeff Bezos has been very open about her style of giving and has listed some of the charities who received some of her $2.1billion in 2023. There is a three-year report that is analysing the effectiveness of her unprecedented grant distribution process, which is to allocate large, unrestricted grants – Results from Year Two of Three-Year Study.

LGT and Philanthropy Insight's report provides a very useful framework to take donors through every stage of their journey.

If the grants you have given have been restricted grants, consider that over the last few years, things like donors avoiding things like core costs have been challenged. In his Ted Talk, Dan Pallotta presents a useful summary of why that is.

Monitoring, evaluation and review

Activities for clients to consider

The quality and frequency of charity feedback and monitoring data should be taken into account as one criteria in the initial selection process. Feedback from charities is generally tailored, based upon the nature of the relationship and donor expectations.

Clients should acknowledge that the purpose and scale of their contribution will play a significant part in determining the information they receive. For example, for a £50 donation to Oxfam they probably could not expect regular reporting on its activities, shifts in priorities, setbacks, successes and so on. But if they had pledged £5 million to Médecins Sans Frontières to build and develop a humanitarian aid camp, it is reasonable to expect that the charity would deliver impact reporting to keep the benefactor abreast of major developments on the project.

USEFUL RESOURCES:

See the following Philanthropy Impact magazine editions on impact and return on investment:

https://www.philanthropy-impact.org/sites/default/files/pdf/pi_magazine_10_final.pdf

https://www.philanthropy-impact.org/sites/default/files/pdf/pi_magazine_11_final.pdf

https://www.philanthropy-impact.org/sites/default/files/pdf/pi_magazine_13_final.pdf

https://www.philanthropy-impact.org/sites/default/files/pdf/pi_magazine_14_pgs_all_0.pdf

Also see the following:

https://philanthropy-impact.org/report/state-impact-measurement-and-management-practice

https://philanthropy-impact.org/report/1996-2016-twenty-years-grant-making

http://www.thinknpc.org/our-work/our-services/measuring-impact-2/

Measurement of targets

Clients need to be clear from the outset of a relationship with a charity exactly what they are expecting in return. They should ask the individual or department managing their contribution what processes the charity follows, and discuss any perceived shortcomings.

It is important that charities are not set unrealistically ambitious targets, but rather outcomes that are achievable and that can be measured. They should not focus simply on measuring success in achieving end-goals, but also be open to periodic changes that improve mission delivery. Targets are important – helping supporters to understand quantitative and qualitative achievements – but not to the extent that they drown donors in detail.

Funding a measurement for an impact monitoring process can be expensive, but is justified in some cases.

USEFUL RESOURCES:

See the Philanthropic Initiative (2015), and also the Rockefeller Foundation's tool for evaluating impact (http://roadmap.rockpa.org/assessing-impact/).

A helpful model

To help you assess the effectiveness of an investment, the following model can be used. Some stages relate closely to monitoring (i.e. activity, process, inputs and outputs) while others support reviewing and evaluation (outcomes and impact).

- Activity – is the project actually taking place?

- Process – is the project progressing according to plan?
- Inputs – what are the available resources and how effectively are they being managed?
- Strategies – are the strategies clearly defined?
- Outputs – what is the project producing in terms of concrete data?
- Outcomes – has the project delivered the desired outcomes in terms of tangible results?
- Impact – what is the project's impact on the broader challenge in the larger community?
- Effectiveness – do the outcomes and impact justify the resources allocated to the project?

Giving locally

Highlights

- Local giving can mean different things. In all senses, it's focusing your giving around a particular geography that matters to you.
- Local charities make up a large proportion of the charity sector and often operate on tiny budgets; 85% of registered charities in the uk have an annual income of less than £100,000 and thousands more community groups operate informally.

There are a range of challenges facing every local community, providing abundant opportunities for donors of all types to make a difference to their local residents or neighbourhoods.

Donors choose to give locally for a range of reasons; their desire to improve their local area or tackle inequality, a personal experience (for example supporting their local hospital), a wish for hands-on involvement in the community, or a belief that supporting small local organisations can have great impact. It is one of the easiest ways to really see what difference your money or time is making and can therefore be incredibly rewarding, and often a good place to start for donors daunted by the range of charities to support.

Local giving can mean different things. For some donors, it can represent supporting a place close to their home or work, and that place can be a village, a borough, a city or even a whole country. For others, it may mean giving back to the community in which they grew up, or where their family originally came from. But in all senses, it is focusing your giving around a particular geography that matters to you.

Reasons to give locally

Local charities make up a large proportion of the charity sector. In March 2023, there were nearly 170,000 charities in England and Wales alone. In 2020/21, there were 77,295 charities whose income band was less that £10,000 and 54,431 whose income band was between £10,000 - £100,000. On top of this, thousands more community groups are not registered with the Charity Commission and operate informally. Local charities tend to be badly affected by cuts during financial downturns at a time when they usually face higher demand for their support. This was particularly evident throughout the Covid-19 pandemic and has had long-term effects on these organisations having the capacity to regenerated their funding, and therefore for their survival. Donations to relatively small organisations can make a real difference to the issues they are addressing and enable philanthropists to see the impact of their gift up close.

Local charities also know their local issues well, having the knowledge, expertise and networks that would be hard for national organisations to come by.

Get to know local need

One of the best ways to get to know your local area is simply to walk or drive around, visit community centres and local groups, and talk to community leaders. Check local press and websites to find out about organisations, events, and forums where you can find out what's going on, or try talking to the local branch of a national organisation. Most areas have voluntary sector infrastructure organisations such as a volunteer centre or council for voluntary services which can explain the local context and suggest projects you may wish to support.

Local Trust and Do Something Good provide useful information about projects that are happening in local communities.

Working with partners

If you want to fund locally but don't have much time to dedicate to researching local needs, consider funding through a community foundation. UK Community Foundations is a network of foundations who are geographically focused charities which aim to identify local needs and link philanthropists to projects which will improve the life of their community. They provide a range of vehicles for giving time, money and expertise. If you'd like to retain more involvement in your giving consider connecting with other local funders through a regional funding network.

Reminder: Questions when assessing a charity

To qualify as a charity, an organisation must have purposes which are exclusively charitable. It cannot have some which are charitable and some which are not. A charitable purpose must be one of the 13 listed in the Charities Act 2011.

Charities act 2011: charitable purposes

1. The prevention or relief of poverty.
2. The advancement of education.
3. The advancement of religion.
4. The advancement of health or the saving of lives.
5. The advancement of citizenship or community development.
6. The advancement of the arts, culture, heritage or science.
7. The advancement of amateur sport.
8. The advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity.
9. The advancement of environmental protection or improvement.
10. The relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage.
11. The advancement of animal
12. The promotion of the efficiency of the armed forces of the Crown or of the police, fire and rescue services or ambulance services.
13. Other purposes currently recognised as charitable and any new charitable purpose which are similar to another charitable purpose and must be for the public The nature of the benefit provided to the public may look very different depending on what the charity was set out to achieve.

Charities in England and Wales with expected annual income of over £5,000 must register with the Charity Commission.

Below are some basic questions and procedures to keep in mind when assessing a charity. As always, it is important to start with the donor's intentions.

1. What is the vision of the donor and what values do they live by?
2. What impact do they wish to accomplish?
3. How long is the commitment and what is the amount to be donated?
4. How is the distribution to be measured?
5. Collect the following information:

- Name of charity, its history, its purpose, services, size, governance including committees, leadership team/staffing/ volunteer numbers, and impact
- Contact details including charity registration number
- Project/activity/post to be donated to – restricted or unrestricted

6. Undertake desk research on the charity
7. Establish details of other foundations/funders and

charities in the sector, and any particular/important comments/findings; if available comparison of impact

8. Collect and review documentation g. annual report and accounts (filed with the Charity Commission), vision statement, strategy documents and plans, risk analysis and management, staff performance evaluation, evaluation reports, management accounts, internal strategy, evaluation documents, information on the charity's impact, current funders, and strategic alliances and accreditation.

9. Conduct key stakeholder interviews, including key people from the charity:

- Discussing items from 8
- Detailing the culture the management team want to foster, and how they plan to influence this.
- Assessing whether the management team's vision aligns with how the staff and beneficiaries view the charity.

10. Review and assess financials:

- Review budget, P&L, balance sheet, cash flow, reserve/restricted and unrestricted funds, assets and how they are invested (impact investment/etc? – harms vs. good), controls and money managing.
- Establish whether the income of the charity covers its expenditure.
- Assess use of data and business intelligence, and organisational and service evaluation.
- Review risks/safeguarding areas and how they were managed.

11. Investigate measuring efficiencies and programme effectiveness.

Programme Evaluation, or Assessing Impact

The generic purpose of evaluation is ensure accountability by measuring process (formative evaluation) and outcomes (summative evaluation) to see whether the programme was effective and efficient; seeking ways to improve programme delivery, making it more responsive to meeting client needs.

Programme evaluation should address the following:

1. What will be evaluated and how, including the purpose of the evaluation/questions to be answered, who the evaluation is directed at, the ways the evaluation results will be used and themethodology.

- What aspects of the programme will be considered when judging performance?
- What standards/type or level of performance must be reached to be judged successful?
- What evidence will be used to judge performance and where will it be sourced (individuals/documents/etc.)?
- What quality control approaches will be used to ensure reliability and validity?
- How will stakeholders be engaged in the process?

2. What is/was the programme and its intended results?

- Mission, programme goals and strategies, capacity to bring about change.
- Programme description includes need, outcomes, activities, resources utilised, context within which it will operate, and change steps.

3. Were the intended results/outcomes of the programme achieved? To answer this question the evaluation will need to determine:

- What were the underlying assumptions and the intended outcomes?
- What are the antecedent conditions?
- Prior state/characteristics of the organisation as possible factors impacting outcomes.
- Original position to measure change from.
- Intervening conditions/circumstances arising during the process that may have impacted the process.

4. Intervention/set of activities/steps mounted to achieve agreed upon objectives/impact.

- Key steps/How ideas are implemented?
- Objectives at each key What were the key indicators and were the objectives/outcomes achieved at each step?
- Underlying assumptions at each step. Did they hold true? What other things took place instead of or in addition to the underlying assumptions?
- Were they implemented in the prescribed manner?
- Did the manner in which they were implemented affect the results?
- Cost of each intervention.
- What is the most cost effective way of operating the programme?

5. Was each step/activity effective/efficient?
6. Key Issues:

- Barriers/inhibitors identified throughout the process.
- Risks that have to be managed.

7. Outcomes/impact/interpretation:

- Final conditions/position to measure change relative to.
- Objectives:
- Underlying assumptions.
- Stated ends/key indicators.
- Were the ends met?
- Did the assumptions hold true?
- Outputs – increased number of activities/ sessions etc.
- Were the outcomes achieved?
- Did the programme produce the measured results?
- Effects – unintended consequences:
- Were there any unintended outcomes, good or bad?
- What is the evidence?

8. What lessons were learned? To answer this question the evaluation will need to:

- Clarify the processes that lead to the outcomes.
- Identify which processes worked, which ones did not work.
- Outline how the processes could be changed to improve the outcomes.
- See what processes led to the unexpected outcomes and how they should be used, adapted or changed in the future.

9. To what extent are the process and results generalisable to other situations?

- Suggested improvements.
- Recommendations re: the programme:
- Did it achieve its objectives and should it be replicated?
- Future approaches to evaluation.

The overall intention of the above points is to identify whether the charity's mission is clear and to establish whether it ensures its activities and outcomes remain aligned to that mission. Clients need to understand how closely the charity's mission/strategy/ programmes are aligned with their own goals and if the culture is results-orientated and will achieve sustainable change.

Clients need to know what qualitative and quantitative evidence charities report, how solid and diverse their income streams are, that their financial reporting is not erratic and that their income is not dependent on one source of funding alone.

It important to establish that there is strong leadership in the charity, that there is not a fast staff turnover and that staff work together as a team to makes things happen.

How much a philanthropist is contributing and the impact they intend to make affects the amount and depth of questions it is appropriate for them to ask. Below are guidelines for questions to ask depending on the size of the charity/grant applicant.

Giving internationally

Overview

Donating resources on an international scale means your opportunities are so vast it can be a daunting. There can be several complexities in this form of giving: the structures, processes and cultures of civil society are different in other countries, there are language barriers, dissimilar tax incentives for cross-border giving, and you may have less direct access and interaction with the projects you fund, so may feel less-informed about the impact of your funds.

If you are interested in giving on a global scale, the core questions to ask are four-fold:

- Are there areas you have funded locally that you think would have value if the outcomes are spread out on a much wider scale, and how do I reach them?
- Are there any current global issues that concern you?
- Are there other funders who are funding global areas that interest you?
- How can you keep track of giving that has many levels to go through before it reaches the key beneficiary?

Ways to do it

If you have donated to a specific project that is based in the UK, ask the people who are doing the work on the ground if they know if there is similar work in other places around the world. If they don't know of any similar work, reach out to intermediaries such as Global Giving, Charities Aid Foundation or New Philanthropic Trust, as they have offices in the UK and will have already identified and vetted organisations who address needs on a global scale. From a practical and financial point of view, giving money directly to charities based outside the UK does not carry tax benefits. However, Give Directly provides information about how you can give directly, or via other intermediaries.

Global issues

What global issues are concerning you? If it is climate change, Greenpeace, Climate Outreach, Friends of the Earth focus on these areas and the Climate Coalition is a collection of all of the main climate change charities. There are currently 100+ global conflicts which are inflicting an enormous number of challenges around the world, and if you are interested in this area, be cautious of the political, economic and social context. How are NGOs and their activities viewed in the country, and what are the implications of this? How volatile is the environment and how might the country and local context change, and what effect would this have on your donation? The Disasters Emergency Committee and the International Rescue Committee are useful channels of funding for these areas. Or is it poverty, sanitation and/or education of children in low-income disadvantaged communities? If you don't know where to start, research the UN SDGs. Unfortunately, we are way behind meeting the target date of 2023, so stepping back and reading about these goals that apply globally, and what projects have – or have not – been successful, could open your eyes to areas you had not even considered. The RELX SDG Resource Centre provides very useful information about this area.

Other funders

The most well-known donors who support international projects are the Bill and Melinda Gates Foundation, MacKenzie Scott, Ford Foundation, Comic Relief, Global Fund for Children. Look at where – and how – they are funding international projects and see which ones connect with you. Reaching out to charities that have already been funded by such well-resourced individuals suggests they have already been well-vetted.

Monitoring and Evaluation

Any monitoring arrangements should be agreed with the beneficiary NGO in advance of the grant to ensure that the organisation can provide the required monitoring information in a cost effective and timely way. This could include some fairly simple measures – such as progress milestones, to more elaborate impact measurement arrangements for large grants. Funds for NGOs provide insight into how charities shape their monitoring and evaluation strategies. Your level of measurement and reporting should be proportionate to the size of your grant and the capacity of the organisation. Professional advisors can help you to design a monitoring and/or impact measurement framework and to collect and analyse the data.

Venture philanthropy

Overview

Venture Philanthropy (VP) consists of an investment approach, the process including having an investment strategy, finding and screening investment opportunities, due diligence, agreeing the deal, monitoring the deal and agreed impact, exit as appropriate and evaluation.

A Practical Guide To Venture Philanthropy and Social Impact Investment is a useful framework to understand how VP functions.

VP is an approach that adapts some principles of venture capital, such as detailed evaluation ('due diligence'), a medium-term horizon (3 – 5 years) and hands-on support, to organisations that provide public benefit, such as charities and social enterprises. As VP spreads globally, specific practices may be adapted to local conditions, yet it maintains a set of widely accepted, key characteristics:

- High-engagement between parties
- Tailored financing
- Multi-year support
- Provision of non-financial support
- Organisational capacity building
- Performance measurement

Interest in VP is growing around the world. The European Venture Philanthropy Association, EVPA (which has been renamed Impact Europe) was established in 2004 to provide a platform for the VP movement, and is now the leading organisation in this field. VP networks have started to develop; the Asian Venture Philanthropy Network replicated the work of what was EVPA. It is based in Singapore and working to build a social investment community across Asia.

Even though it was written in 2006, 'Venture Philanthropy: The Evolution of High Engagement Philanthropy in Europe' provides some useful information about the growth of this area.

An academic reflection of the development of 'Venture Capital Network' (rather than Venture Philanthropy), written in 2022, provides some useful insight into how networks in these groups come about.

Individual philanthropists, such as Sir Tom Hunter, find the VP approach aligns with their own entrepreneurial spirit, and deepens their experience of giving.

Ways to do it

Impact Europe and Philanthropy Impact offer online and in-person VP resources for donors. EVPA's member directory, freely available on its website, includes case studies of all its 'Full' members.

VP funds can make their resources go further if others are prepared to co-invest with them. This offers the donor a taste of the VP model while limiting their level of personal involvement – an appealing prospect for time-poor executives.

You may be in a position to donate time and money to a VP operation. Being part of a team that engages with a small charity to help solve problems or strategise can be immensely rewarding. For some who run companies, there may be opportunities to partner with an existing VP fund to provide pro bono services to a portfolio of charities.

Venture philanthropy investors

- Impetus Trust: First general purpose VP fund in the UK.
- Children's Investment Fund Foundation: Linked to a high-performing hedge fund, CIFF has strategic grant-making programmes in Africa and India.
- UnLtd Ventures: The VP arm of UnLtd, which supports social entrepreneurs.
- Social Business Trust: A partnership of seven leading companies that provides VP investment to social enterprises looking to scale up.

Social enterprise

Overview

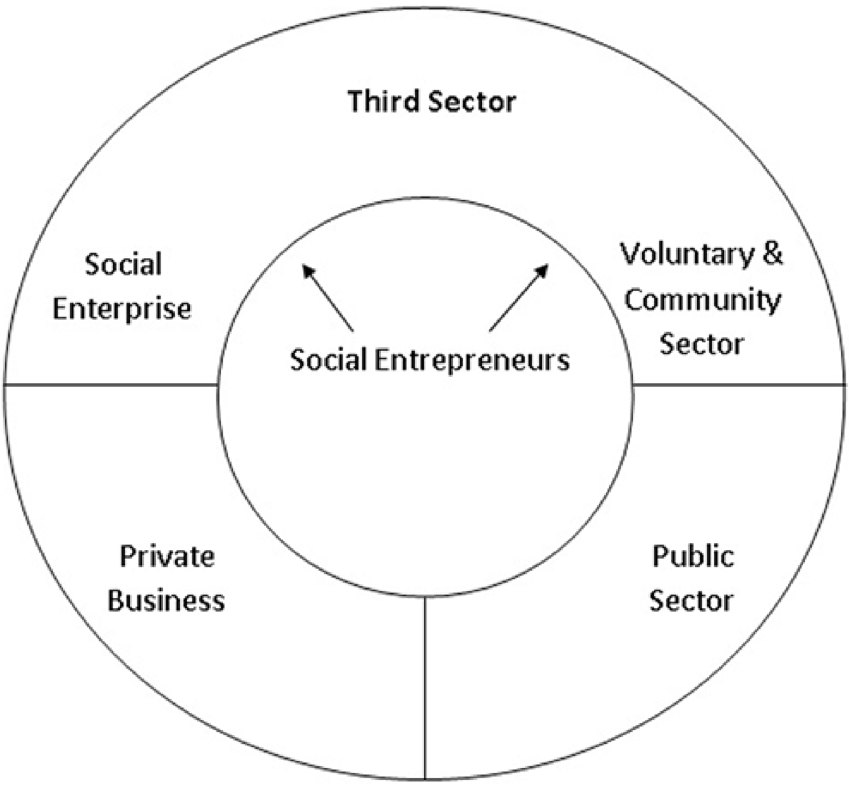
Social enterprises are businesses which trade for a social or environmental purpose. They use the profits of the business to benefit people and the planet. There are different forms of social enterprises which are structured slightly differently.

Big Society Capital (BSC) is the wholesale investor for social investment and works to connect socially minded investors with charities and social enterprises. It was kickstarted by the government, Barclays, HSBC, Lloyds Banking Group and Royal Bank of Scotland and launched in 2011 as a financial institution, funded by £400million of dormant account money. There are a range of intermediaries in this area, such as Good Finance, Access, Social Investment Forum, and of course Social Enterprise UK, and Fusion 21. There is an understandable crossover when people talk about social investment v social enterprises but the driving force is about using investments for make positive change.

In its simplest definition, a social entrepreneur is someone who applies entrepreneurial traits and abilities for social benefit, and shapes their businesses according the objectives of a social enterprise. A social entrepreneur identifies and implements practical solutions to social problems through innovation, resourcefulness, persistence and pragmatism. Measurement and evaluation is central to the success of social entrepreneurs.

Whilst not a panacea for every social issue, social entrepreneurship can play a significant role in creating sustainable social change if combined with access to finance, and tailored support. Philanthropists can play an important role in supporting social entrepreneurs through funding, mentoring, and brokering contacts and networks.

There are many examples of social entrepreneurs who have been very successful in their achievements. They can translate their successes through vehicles in civil society, the public sector or private sector.



Ways to do it

The obvious way for philanthropists to get involved is to identify social entrepreneurs working in the areas that interests them, and invest in their work. Though more risky than giving to a larger, more established charity, the potential for tangible impact is also that much greater, as is the excitement from being involved in something at an earlier stage. Investing in social entrepreneurs in this manner allows philanthropists to work directly with individuals with innovative ideas. Philanthropists who take this route should become accustomed to the Social Return of Investment as this is an important element to the success of their work.

Alongside funding, support over the long-term is crucial to the social entrepreneur, and philanthropists can play a role in helping put this in place, both directly (through funding support or acting as a mentor) and indirectly (through brokering contacts and networks). Some people like to include the support of individuals in the portfolio of their charitable giving. Making a difference to individual lives is one of the most rewarding aspects of philanthropy, and the specific support of individuals among the most satisfying donations.

USEFUL LINKS:

Said Business School
Kiva
UnLtd
Acumen Fund
The Prince's Trust

Supporting individuals

Some people like to include the support of individuals in the portfolio of their charitable giving. Making a difference to individual lives is one of the most rewarding aspects of philanthropy, and the specific support of individuals among the most satisfying donations.

Supporting individuals might include subsidising doctors from developing countries to train for a year in the UK, or funding young sportspeople — usually those involved in activities in which the donor also has an interest. The provision of scholarships at schools and universities is a traditional area of funding, and support of the arts is a frequent focus.

Finding individuals to support

In virtually every case, money is not donated directly to individuals without the intervention of an intermediary organisation that helps identify and select potential beneficiaries and monitors how the money is spent and accounted for. In some cases, the donor will have no influence on the choice of recipient, but in other cases the donor may be provided with a list of possibilities and be able to choose a project that fires his or her imagination. In a few cases, the donor may initiate the process and help select recipients, as a panel member

Some cultural organisations, usually in the performing arts, encourage the involvement of individual donors by associating them with the training of young artists or the support of established musicians – whether singers or players. Examples include the Chair Sponsorship scheme at the Orchestra of the Age of Enlightenment, which links donors, individual players and the orchestra as a whole, promoting strong networks between donors who enjoy sharing a passion for the orchestra and the music it performs.

Some donors may never meet the beneficiaries of their philanthropy. There is the example of child sponsorship schemes, such as that run by ActionAid, in which the money given is pooled for the benefit of the community as a whole, and the child is essentially an ambassador or representative of that community.

Supporting individual enterprise

Another way to change the lives not only of individuals but also of whole communities is to support social entrepreneurs – extraordinary individuals with unprecedented ideas for change in their communities. An example is Ashoka, which identifies and supports Fellows who are 'practical visionaries' committed to systemic social change in their field. Such entrepreneurs provide new opportunities and better lives for their fellow citizens.

USEFUL LINKS:

https://www.nesst.org
https://www.kiva.org
https://www.unltd.org.uk
https://acumen.org/about
https://grameenfoundation.org

In the UK The Prince's Trust, a provides a wide range of opportunities for disadvantaged youngsters. One element is the support of young people through microfinance and associated business expertise. Another example is the website Prowess, a network of organisations and individuals throughout the country who provide financial and non-financial support to disadvantaged women seeking to start their own businesses.

Microfinance, or microcredit, is also seen as a major tool in international development. Programmes provide credit and other financial assistance, as well as business training and networking opportunities, to economically active poor people. Such people typically are outside the banking system and at the mercy of moneylenders who charge exorbitant rates. Average loan sizes from microfinance organisations are small (sometimes as little as £50) and repayment rates as high as 97 per cent. Most clients are women. Such loans create jobs and, crucially, help people to help themselves. Many international NGOs have such programmes. An example in this field is Opportunity International.

Benevolent funds

For nearly every profession there is an associated benevolent fund that provides help to individuals who have fallen on hard times. Such funds may be supported by those who have done well in the profession, such as the law (e.g., the Barristers' Benevolent Association), or by those who have enjoyed the pleasure of the sport (e.g., the Injured Jockeys Fund) or the art form (e.g., the Musicians Benevolent Fund).

A version of this article, written by Theresa Lloyd, was published in a previous edition of A Guide to Giving (2008).

Social investment – By John Kingston

Highlights

- The main ambition of a social investor is to build the capacity of the charity in order to achieve greater social impact. They seek to generate some financial return, even if that means aiming only to recoup some or all of the sum originally invested.
- Charities and social enterprises have similar financial needs to small and medium-sized businesses but find it harder to access capital.
- Social investment is not designed to replace grants, or mainstream financial investments.
- Over the past 10 years the social investment market in the UK has grown rapidly from almost nothing to an estimated £165m in 2011 (but of which only 5% is high risk capital – the rest is secured loans).

What is social investment?

Charities and social enterprises need income to provide services, to pay staff and to pay rent. They also need access to capital to manage cash flow, to acquire property and other fixed assets, and to invest in order to grow and develop. Social investment provides such capital as loans, underwriting or equity. Social investment therefore complements the use of grants and earned income.

The main ambition of a social investor is to build the capacity of the charity in order to achieve greater social impact. Social investments are distinct from mainstream financial investment because they seek to generate a social return. They are also distinct from grants because they seek to generate some financial return, even if that means aiming only to recoup some or all of the sum originally invested.

Why do charities and social enterprises need it?

Charities and social enterprises have similar financial needs to small and medium-sized businesses but find it harder to access capital. Three common requirements are:

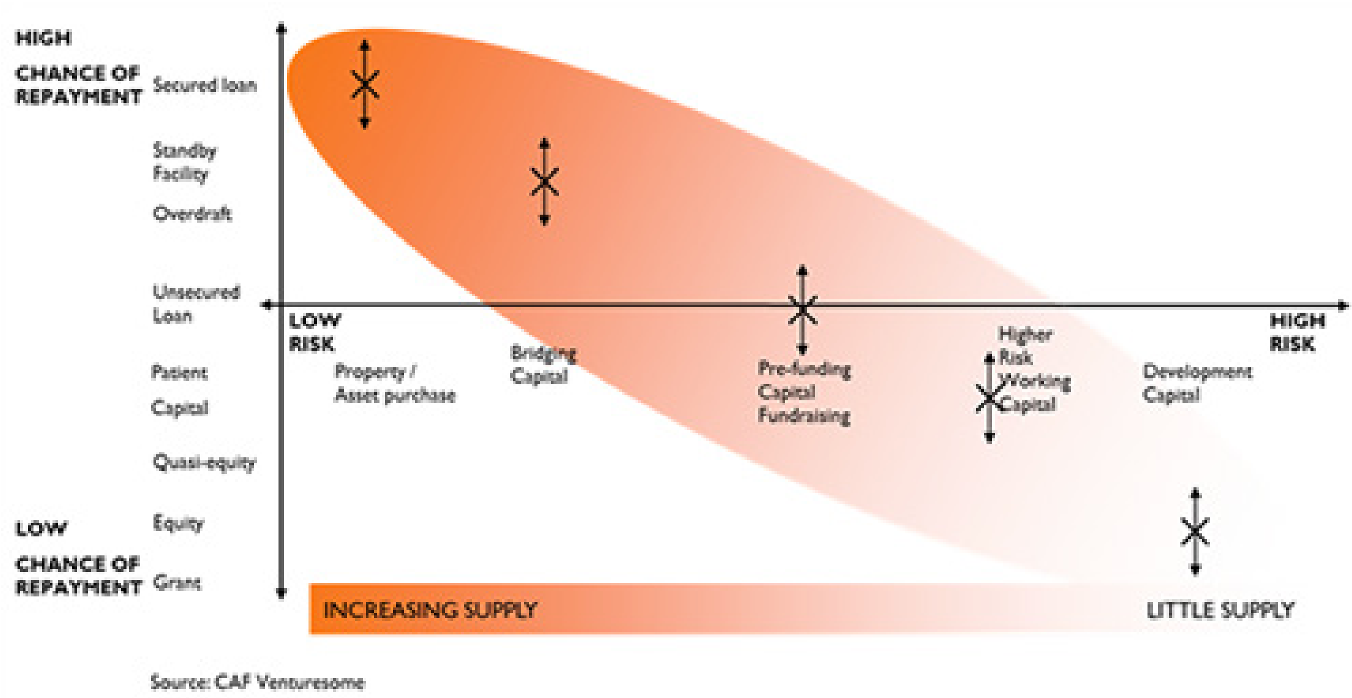
Building capacity: A mental health charity that provides counselling sessions to vulnerable adults has won a new contract to support 50 additional users. However, the contract doesn't start for another six months, and in the meantime the charity needs to recruit and train additional counsellors to meet this demand. Social investment could provide the charity with a loan to plug the gap, with the investment repaid with interest once the contract starts.

Growth capital: A social enterprise wants to invest in new machinery to improve productivity. The upfront cost of this is significant and cannot be met from the limited balance sheet reserves. However, the projected increase in income as a result of the investment makes this a good proposition. A loan repayable monthly over four years is set up at an interest rate of 6 per cent per annum.

Property: A charity is struggling to pay the increased rent charged for its local shop and is forced to consider moving. However, a good location is essential in order to secure local footfall. When another building on the street comes up for sale, a social investor is able to purchase it and lease it back to the charity at lower than full market rent, which still affords him a steady rental income.

What does it offer the philanthropist?

Philanthropists may have various reasons prompting them to explore social investment. Firstly, the investor is meeting a real need: charities need access to capital. Secondly, rather than a one-off grant, the social investor



This diagram shows types of investment and their associated risks. There is a greater requirement for the riskier forms of financing that cannot be accessed through traditional means.

can expect their money to be re-cycled and have impact a number of times. Thirdly, investors aim to build the capacity of charities – resulting in a longer-term increase in social impact.

Social investment is not designed to replace grants or mainstream financial investments – it is a "third category" between the two extremes. Many philanthropists decide to divert some of their funds into social investment and accept lower than market financial returns, considering this to be offset by the social impact generated.

Wider context

Over the past 10 years, the social investment market in the UK has grown rapidly from almost nothing to an estimated £165m in 2011 (but of which only 5 per cent is high-risk capital – the rest is secured loans). The Government has made a public commitment to supporting the development of the social investment marketplace, most notably through the launch of Big Society Capital, with its projected £600m balance sheet.

Two organisations blazing the trail since 2002 are CAF Venturesome and Bridges Fund Management, who provide financial support to charities and social enterprises, as well as businesses in socially disadvantaged areas. In 2010, the first Social Impact Bond (SIB) was launched at HMP Peterborough, which took an innovative approach to reducing re-offending by funding "through the gate" comprehensive support for prisoners upon release. The SIB model has attracted huge interest throughout the world, with similar schemes in progress or development elsewhere.

The growth of social enterprise is leading to more opportunities for investors to generate a social impact as well as a financial return.

Case study: social impact bond

Social Impact Bonds (SIBs) are a form of outcomes-based contract in which public sector commissioners commit to pay for significant improvement in social outcomes (such as a reduction in offending rates, or in the number of people being admitted to hospital) for a defined population.

Private investment is used to pay for interventions, which are delivered by service providers with a proven track record. Financial returns to investors are made by the public sector on the basis of improved social outcomes.

Jonathan Bruce had £100k he wanted to invest through his personal charitable foundation into a social cause he was passionate about. He chose to invest in a Social Impact Bond that was funding an innovative service to support young adolescents on the edge of entering the care system.

The Essex Edge of Care Social Impact Bond was a five-year programme that ran between 2013 and 2018, and was successful in its aims:

- It achieved a 43-percentage-pointreduction in care days from the baseline of 55% to 11.92%, significantly reducing the time spent in care against the counterfactual expectations.
- 386 children were out of care, with their family, at the end of the tracking period.
- 85% completion rate

Social investors received a return of 1.45 times committed capital of £3.1 million.

These outcomes were sustained:

- While 91% of the cohort had social care provision in the two years prior to MST, only 41 young people (11%) had provision in the year post-MST. 41 young people (11% of cases) were in care 28 months after MST provision finished.

Jonathan was aware that this was perhaps more risky than a mainstream investment, but the attraction was that he could identify the project his money was funding, and would receive regular updates on the impact being achieved.

HOW DO I GET INVOLVED?

A growing number of resources are being developed to inform prospective investors about opportunities. This is not an exhaustive list but it is a good place to get started.

CAF - https://www.cafonline.org/research/publications.aspx
Social Finance - http://www.socialfinance.org.uk/
Ethex - https://www.ethex.org.uk/
Pioneers Post - http://www.pioneerspost.com/

Microfinance

Overview

Microfinance models provide financial services to people on low-incomes who do not have access to credit and other financial services. Many are unable to open a bank account, negotiate a loan to start a business or buy insurance. Microfinance services are primarily loans to local individuals who use these loans to work their ways out of poverty, whose work positively impacts others in their local communities. There are various intermediaries and funds through which individuals can invest in microfinance.

It was the work of Nobel Laureate Professor Muhammed Yunus through his establishment of the Grameen Foundation in the US, that inspired this whole movement to take place. Although there have been recent challenges with the long-term processes that have been established through the systems he established, his mission to use businesses to make a positive impact on society stays alive.

There remains an inherent tension between microfinance's social goals (inclusion for the poor) and its financial ones. The need to balance the two is what makes microfinance such a powerful example of a social business – creating social benefits while also generating a financial return on investment. The tension between these dual objectives has generally been good for the sector and has spurred innovation and more efficient delivery models.

Ways to do it

Microfinance loans can be structured about smaller loans from organisations such as the Microloan Foundation, or larger scale investments from socially minded investors through the Tridos Bank. There are smaller organisations, such as Five Talents, Habitat for Humanity and Care International's Lend with Care which have grown incredibly well and made a significant difference to the lives of low-income communities. Kiva is also a well-known, well-established organisation whose projects target low-income areas around the world.

Each of them have shared examples of their success stories:

- Five Talents
- Habitat for Humanity
- Lend with Care
- Kiva

Innovative solutions in the areas of mobile money and branchless banking are expected to lead to lower operating costs, and should contribute to the establishment of new banks and the growth of established players. There is still huge unmet demand for inclusive financial services and the microfinance industry plays a pivotal role in trying to address it.

Trusteeship

Highlights

- Trustees have a duty to ensure that charities are well run, solvent, legally compliant and working towards the charitable purpose for which they were established.
- Trusteeship is an important and highly rewarding way to support an organisation.

Trustees are the people who are ultimately responsible for a charity's actions and its direction and strategy. They have a duty to ensure that charities are well run, solvent, legally compliant and working towards the charitable purpose for which they were established.

In 2020 there were 940,453 trustee positions in England and Wales held by approximately 700,000 people (Charity Commission, 2020). Trusteeship is an important and a highly rewarding way to support an organisation.

Trustees form the governing board of an organisation and are sometimes known by other names, including directors, board members, governors and management committee members. With some limited restrictions, trustees give their time on a voluntary basis. The particular role of trustees is to maintain a strategic overview of the charity's position and activities to ensure it responds to the needs of beneficiaries and continues to deliver on its mission.

Reasons to be a trustee

Many people see trusteeship as a valuable way to really understand and get involved in the organisations they have already chosen to support financially.

For individuals with valuable skills, it can be a high-impact way of giving to a cause they have benefited from personally, or more generally to give back to society. Professional, legal and financial skills are highly valuable, but so too are marketing and social media skills, soft skills and relationship building, and representation of the views of beneficiaries.

For people early in their career, trusteeship is a great way to develop leadership skills, build their CV, and gain experience at board level. Charity trustees need to be involved in the charity's budget and strategic direction, so trusteeship can enhance decision-making, project management and strategic thinking skills. For those later in their career, trusteeship provides an interest outside of work: a way to develop new expertise, meet interesting people and apply skills to a new and challenging area.

The Director of Social Change lists five reasons why becoming a trustee could be the best decision you have ever made:

1. It's never been easier to be a great trustee
2. Turbo-charged experience
3. It's awesome practice
4. Trustees are just people who are about the same things
5. You can make a real difference

Commitments of trusteeship

Trustees have mandatory responsibilities which include ensuring the charity complies with regulation, acts with integrity, avoids conflicts of interest, monitors risk and does not misuse funds. They also have optional responsibilities which include:

- Helping the charity to follow good practice, including setting the strategy
- Agreeing clear roles and responsibilities for trustees and the charity's staff
- Supporting senior management
- Attending regular board and subcommittee meetings
- Taking the time to stay up-to-date with the charity's work and the environment in which it operates
- Reviewing board performance

The trustee level of commitment required varies depending on the type of charity, but usually requires some dedication of time beyond attendance at meetings. Trustees of very small charities may find the organisation needs support on operational issues such as fundraising, management of staff and volunteers, administration of campaigns and so on. For the trustee, the challenge is always to balance their support of operational demands with the need to step back and take a strategic view.

As the legal custodians of a charity, trustees have liability for ensuring that the organisation acts in accordance with its defined purposes and uses money appropriately to further these purposes. Trustees can have personal liability in situations where appropriate practices are not followed, however the charity commission is clear that the "conscientious and committed trustee need have few worries about personal liability". Trustee liability is limited if the charity is incorporated (i.e. registered as a charitable company limited by guarantee), and trustees can be further protected through trustee liability insurance.

Getting on Board is the most well-known site which provides detailed information about becoming a trustee.

Finding a trustee vacancy

Many trustee appointments occur informally through individuals making a greater commitment to organisations they are already involved with, or finding out about available trustee positions through networks and contacts. In an Institute for Philanthropy survey of 100 UK charity chairs and chief executives in 2010, only 20% of respondents reported outside advertising as their primary means of recruitment.

A number of organisations advertise trustee vacancies or match-make between charities and potential trustees. These organisations will do different levels of due diligence on the charities they feature, so it is important to spend some time researching the charity yourself and, before committing to a trustee position, make sure you understand:

- The charity's financial position
- The responsibilities and duties that they expect of you
- How the charity engages with and supports its trustees
- The risks the charity faces

It is important to find a charity which closely matches your interests, where the board is fit for purpose and which, overall, you have confidence in.

HERE ARE EXAMPLES OF ORGANISATIONS THAT YOU CAN USE TO FIND TRUSTEE VACANCIES:

Trustees Unlimited
NAVCA
Young Trustees Movement
The Honorary Treasures Forum – for those with financial skills
Bar in the Community – for those with legal skills

Charity events

Many charities raise money by running special events. The type of event a charity may engage with has grown immensely in the past few years. Attending or participating in charity events can be a tax-efficient and fun way of supporting organisations.

The type of event a charity may engage with has grown immensely and now covers fundraising auctions and dinners, walks, runs, team activities, overseas volunteering and hikes, buckets of water being poured over people's heads, bike rides and even sky dives. The list is as vast as a charity fundraisers' imagination. Attending or participating in charity events can be a tax-efficient and fun way of supporting organisations.

The part of the event ticket that is a donation can be given tax-efficiently, whether by a Gift Aid donation or a donation from your allocated charity account (for example, via your donor advised fund). The larger the percentage of the ticket cost that is a donation, and the more efficient the charity is at making the most of the tax relief, the higher the proceeds for the charity. So, if the charity manages to have all of the costs of putting on an event met directly or as gifts in kind, the entire ticket cost is a donation.

Challenge Events

Challenge events are a fun and interactive way of raising funds for your chosen cause and can bring you into contact with like-minded people. Jeremy Gane and Simon Albert, the founding directors of Charity Challenge, met during a charity trek up Kilimanjaro and have created a well-established infrastructure for running numerous and varied group adventure travel expeditions.

Through Charity Challenge, you can choose a range of exciting events, such as trekking the Himalayas, or the Sahara, Petra, Machu Piccu, or even Iceland. Or you can walk through London's Royal Parks, Lake District, or see Ben Nevis at night.

Doitforcharity.com works over 1,000 charities and has raised millions of pounds over its 16 years. An online portal, it links potential participants to thousands of charity events every year including abseiling, zip sliding, knockout, trekking and dragon boat races. Also, if you would like to host your own event to raise money for your chosen charity, you can create your own site through Just Giving.

Charitable trusts

A charitable trust or foundation is a legal organisation which can be set up by anyone who has decided to set aside some of their assets or income for charitable causes. They are registered charities.

A charitable trust may be suitable if you want to give regularly to a number of causes, if you want to give a reasonable amount as a one-off gift from time to time, or if you want to ask others to contribute to the trust's funds. Setting up your own trust provides a framework for planning your charitable giving in a systematic and thoughtful way.

Setting up a trust

To set up a trust, you will need:

- A donor or 'settlor', which may be you, your family or your business
- Trustees, who could be you and members of your family, as well as someone outside the family such as your lawyer or a family friend
- Charitable purposes, which set out the type of causes the trust can support
- A trust deed (which forms the trust's constitution)

The trustees hold and control the trust's assets. They decide how the income and capital (assets) of the trust should be distributed, and make sure that this is in line with the charitable purposes of the trust. Many people involve their family, or friends and colleagues, and find it an enjoyable and constructive way of developing a shared commitment to giving. After the founder's death, the trustees will continue to distribute funds according to the guidelines set out in your constitution, and in this way you can make sure that your favourite causes continue to benefit.

The charitable purposes form part of the trust deed and describe the sort of causes that the trust can support. These can be worded in quite a general way so the trustees can keep their options open, or they can be very specific to ensure that the funds are distributed for the purpose intended by the donor. The charitable purposes must be for public benefit within the purposes that the law regards as charitable (guidance on public benefit can be found on the regulators' websites).

The trust deed is the constitution of the charitable trust. It sets out the framework within which the trustees must operate. A trust deed will generally describe:

- The powers and responsibilities of trustees
- How they are appointed and removed
- The approach to investment
- How the constitution (but usually not the charitable purposes) can be altered
- What will happen after the death of the settlor

The Charity Commission has a set of simple model trust deeds available on their website as a good example of what you will need to think about.

Tax efficiency

Because a charitable trust is a charity, it can receive money tax-free using Gift Aid or payroll giving. If you are employed, and your employer has a scheme where they will match your donations to charity, you may be able to take advantage of this to make your trust even larger. The trust can continue after your death, and may be the beneficiary of a legacy from your estate which will also be tax-free. See lifetime and legacy giving.

Apart from the tax relief on your own donations, the trust will not pay tax on its investment income. It will not pay corporation tax or inheritance tax. If it eventually runs its own office, the trust will not need to pay business rates (there is mandatory relief against business rates at 80 per cent and a further 20 per cent on a discretionary basis). Also, the trust is unlikely to have to register for VAT.

Running a trust

Setting up a charitable trust is relatively easy, but you may need some help at the start. Running costs can be paid for out of the trust's income. If there is a significant lump sum, there may also be investment management fees to ensure the best return on your investment. Running costs are generally not high, but some trusts are large enough to make it necessary to employ their own staff.

It is not possible to give an exact estimate of set up or running costs but, as a guideline only, if you ask your lawyer to help you to set up a simple trust, it might cost up to £1,500 plus VAT. Also, yearly fees from your accountant might be up to £1,000 plus VAT. If there is a significant lump sum, there may also be investment management fees to ensure the best return on your investment.

As legally registered charities, trusts are subject to the charity regulators, such as the Charity Commission for England and Wales, the Office of the Scottish Charity Regulator or the Northern Ireland Charity Commission. Registered trusts need to submit a formal annual report and accounts to the appropriate regulator, but as long as the trust stays within its own rules and is properly administered, the regulators will leave trustees to run the trust as they see fit.

A version of this article, written by the Association of Charitable Foundations (ACF), was published in a previous edition of A Guide to Giving (2008).

Community foundations

Overview

A community foundation supports local charities in place-based areas. The UK Community Foundation has been registered with the Charity Commission as an entity itself and encourages both fundraising and the allocation grants to a particular geographical region. It has formed a large network of 47 accredited community foundations based in the UK. There is an interesting history that lies behind community foundations, which reflects how it started and how it has grown around the world.

Different governments often indicate community foundations can be used to address the needs of localised areas, however the funding the governments allocate to these organisations is limited at best. In 2023, the Conservative government allocated £2.1bn to the Levelling Up Fund, however the outcomes and impact of this fund did not take into account improving existing structures but instead created new ones.

Setting up a community foundation

A community foundation is set up by a group of people, who raise money from local people to fund local causes. It is set up as a charity, but the management of the organisation and its charitable objectives need to demonstrate its place-based intentions. Some local people are content to donate funds directly to the community foundation itself, others prefer to set up their own fund through their local community foundation, as this takes away the administrative costs.

If you are interested in setting up a community foundation in an area which does not already benefit from localised giving, contact UK Community Foundations to ask for their advice before you start applying through the Charity Commission.

Donor-advised funds

Highlights

- Donor-Advised Funds (DAFs) are vehicles for individual, family or business charitable giving, administered by a third party, and designed as an alternative to direct giving or setting up a charitable foundation.
- Donor Advised Funds are easy to set-up and use, and there are a variety of schemes available which suit most donors' needs.
- They can be funded through cash donations, through payroll giving or by gifts of shares.

Donor-advised funds (DAFs) are structured in a similar way to charitable trusts, but because they are operated centrally by others, they remove the need for a donor to find his or her own trustees or deal with administrative aspects.

How DAFs work

DAFs tend to fall into two categories: named funds at community foundations or other host organisations (such as Prism or The Bulldog Trust) and charity accounts. In both cases, the donor decides how much to give and pays it into the fund. The host organisation offers grant-making expertise and monitoring and reporting processes, and deals with the administration and distribution of funds.

DAFs are a tax-efficient way of giving to charity, as they can claim back the tax on Gift Aid donations and add it to the amount in your account. If you are a higher-rate taxpayer, the periodic statements you will receive provide a useful record of your giving and will help you make your personal tax claim on your Self Assessment tax return.

Community foundations

Community foundations are pioneers of the DAF, which provides many of the same benefits as a private family charitable trust (including all tax reliefs) but allows philanthropists to make use of the community foundation's grant-making, due diligence, monitoring and reporting processes. Once a fund is established, the trustees of the community foundation take legal responsibility for the fund. Donors are guided through a variety of options, reflecting whether they have a lump sum immediately available or whether they plan to build an endowed fund (usually of at least £25,000) over a longer period.

Once the fund is up and running, it is up to the donor to determine their level of involvement with funding decisions, as the foundation uses its local knowledge to support organisations and projects that have been assessed for their value to the community. Donors can, if they wish, engage more closely with the causes they care about by giving time and other resources.

The community foundation will continue to monitor recipients of grants on behalf of donors and keep them informed of their progress. Meanwhile, professional investment managers will be applying their expertise to build the value of the fund.

Charity accounts

Charity accounts with intermediaries such as Charities Aid Foundation and Stewardship, are a type of DAF and are similar to bank accounts, designed especially for charitable giving with all the relevant tax benefits. There are many ways to give to your chosen charities through a charity account: generally, donations can be made online, with charity cheque books, via debit cards or vouchers, or by telephone, post or standing order.

Reasons not to use DAFs

If you are giving relatively few donations of larger amounts, or if you use payroll giving and want to benefit a particular charity regularly, it may be less expensive (and not much more complicated) to give directly to your chosen causes. You would save the administration charges, and because no interest is paid on your charity account, there could be a sizeable cost if you maintain a significant balance in your account.

For more in-depth information, please view the DAF section.

Start your own charity

Overview

Before setting up a new charity, it is vital to gain an understanding of the wider charity context and assess the existing charities working in the field. There are nearly 170,000 registered charities in England and Wales, with numerous working in each field. These charities compete for funds, pay separate set-up and administration costs, and each must find dedicated trustees. It is usually more efficient to pursue your charitable aims by working with existing organisations rather than creating duplication. If they are well established and regarded with an effective programme of work and good trustees, you may feel you can achieve your aims by funding a specific project within that charity.

Three easy ways to find existing charities are either through the Charity Commission, Giving is Great or 360 Giving websites. You can filter down your choices on all three sites and the charities listed on the last two will have already gone through the vetting process by other funders.

You should think carefully about your own commitment of time and resources, as a new charity is likely to need your dedicated attention over a long period. It is important to think about whether the charity will be sufficiently funded to make a difference to its core purposes, and sustainably funded in the long term. If you do not plan to fully fund the charity in perpetuity, it is essential to plan your fundraising approach early, and be confident that the cause will continue to receive the level of funding it deserves.

Once registered, charities must operate as public organisations and publish accounts which are displayed on the Charity Commission website. The trustees have a legal duty to take decisions which best achieve the charity's stated purposes, and the views of the board may not always be congruent with those of the founder. Some founders find it difficult to defer to the collective views of trustees on the organisation's strategy and use of funds.

With limited exceptions, founders and trustees cannot be paid for their time, and there are strict limitations on activities a charity can undertake which do not fall within its charitable purposes, even if these are designed to subsidise charitable activities. If these issues present a problem, you may wish to investigate alternative legal forms - such as the community interest company (CIC) - as a vehicle to achieve your social aims.

Ways to do it

If your charity will have an income of at least £5,000 per year, or if it is a charitable incorporated organisation, it will need to be registered by the appropriate regulators.

Before you register your charity, consider whether you expect your charity to remain relatively small with few commitments. If the charity is likely to incur liabilities through employing staff, investing in assets or fundraising, it is important for trustees to limit their liability by registering both as a charity and as a company limited by guarantee. It is always best to consult an experienced lawyer or accountant, who can go through the process with you.

Steps to take to register your charity if it will be based in England or Wales:

- Find trustees
- Agree on the charitable purpose of the organisation as its 'charitable purposes must be for the public benefit'. There are 13 descriptions of what is classed as a 'purpose'.
- Choose a name for your charity
- Choose a structure for your charity. Examples:
  - Charity/Trust/Foundation – Whether you are setting up charity, trust or foundation, you need to follow similar processes. The trustees hold and control the trust's assets. They decide how the income and capital (assets) of the trust should be distributed, and make sure that this is in line with the charitable purposes of the trust. Setting up a trust or a foundation are terms people often use when they are talking about families setting up a charity, and when there are substantial assets to distribute but there is minimal day-to-day running

or operations and does not employ a whole team of staff that need to be managed. It is often the establishment of a group of trustees to manage the family's wealth, both to reflect the family's charitable intentions and also for tax-efficiency purposes. Alternatively, large solicitor and law firms usually have in-house staff who can set up charitable trusts and can administer its functions behind the scenes. Running costs can be paid for out of the trust's income. If there is a significant lump sum, there may also be investment management fees to ensure the best return on your investment.

- Charitable Incorporated Organisation (CIO) or charitable company (limited by guarantee). These charities employ paid staff, deliver contracted charitable services, and can own other properties. Its trustees are not usually personably liable for its outcomes.
- Unincorporated Charitable Association - these have a more informal structure which lacks limited liability protection, which makes the trustees not only responsible, but also liable for the expenditure of the funds. These are more common for smaller charities or community groups.
- Community Interest Companies - (CIC). A social enterprise is a company that uses its profits and assets for the public good. See other section about social enterprises.
- Donor Advised Fund (DAF) – these are structured in a similar way to charitable trusts but as they are operated centrally by others, they remove the need for a donor to find his or her own trustees or deal with administrative aspects. The philanthropists put sums of money into this fund, and the other organsations, such as CAF, NPT UK, Prism or The Bulldog Trust channel it to the beneficiary. The funds can only be distributed to organisations that have been approved by the intermediaries but this means they have all been vetted already, so you do not have to. Note – a donor advised fund is effectively registered as a charity entity itself, so you don't need to go through the administrative efforts to build one from scratch.

- Write your governing document
- Complete this form

If your charity will be based in Scotland or based in Northern Ireland, there are other processes which will need to be followed.

Whatever structure they take, charities must be registered and approved by the appropriate Charity Commission/regulator. It is often seen as a cumbersome and time-consuming process but if a donor has time to go through this, it means they will have detailed awareness of all the legal requirements and accountabilities that need to take place.

Please follow this link for complete info on Social Enterprises.

A Guide to Reviewing Progress to Date

Reviewing your giving

Highlights

- Reflect on what you have achieved so far and consider whether you have met your aspirations
- Examine gaps between original aims and achievements
- Reflect on successes and failures – this helps improve strategic approaches
- Have new areas been identified within the cause you have supported, and should you redirect your support accordingly?
- Have other things happened in your life, or the world around you, that have completely refreshed your thinking and you feel have an even greater need than what you have one before?

Even for those already engaged in giving, who might be quite advanced in their strategy, there are many reasons to pause, take a step back and review where you are.

There may have been a life event, such as an illness or a liquidity event, giving you access to more capital that you wish to set aside, which could mean reviewing your mission and expanding your activity. You might also have more time on your hands and have become more engaged with your philanthropy, so you want to offer your skills and time. You may want to review your strategy to respond to external crises, like the pandemic, and you will need to review to whom and how you might be giving in order to support the global recovery best.

You might also realise there is a gap in what you were hoping to achieve, and in order to tackle the problem you are hoping to help solve, you need to engage on a different level. For example, if your priority is around human trafficking, you might want to support not only advocacy and awareness, but also support victims, helping them return to their families. You might also wish to align your investments with your mission and work towards a total portfolio impact.

Taking time to reflect on the successes, failures and outcomes of previous philanthropic efforts can only improve your strategic approach to new charitable ventures.

There are no standardised criteria or methods review to measure impact and this area is still evolving. Depending on your chosen approach, you can review the impact of your philanthropy in different ways. For example, if you are directly engaged in running a non-profit or administering programmes via a private operating foundation, you can evaluate impact through your programmatic outputs and outcomes. Similarly, if you provide financial support to an existing non-profit, you can rely on the non-profit to report the output and outcomes of their activities.

Be sure to align your evaluation with the size of your financial contribution. Evaluation requires a degree of effort so it should be commensurate with your charitable gift.

A light touch approach can also be to access more generalised impact data (e.g. number of programmes, individuals served) through non-profit monitoring websites such as Charity Navigator or Candid. (See more on evaluation later).

It is good practice to review your giving every 3-5 years to ensure your activities are still aligned with your values and aims, and that you are achieving and maximising the impact you would like to see. It is also important to assess efficiencies tied to effectiveness.

A particularly valuable paper to read, to consider what you have done so far, what you have achieved or what challenges you have faced, and what other areas need to be taken into account that you have not thought about yet, is the detailed Volume 2 of the Rockefeller Philanthropy Advisory Services' Reimagined Philanthropy reports – Advanced Strategies for a More Just World.

There are also eight other questions that you can take into account when you are reflecting on the outcomes of what you have been doing so far: Are you cognisant of the inequalities our philanthropic systems are built on?

- Are your short-term gains laced with long-term harms?
- Are communities being empowered to determine their own solutions?
- Have you done the work or are you taking shortcuts?
- Are you engaging with the grassroots and valuing them properly?
- Do those on your board reflect the communities you are serving?
- Is your philanthropy truly catalytic?
- In whose name is this being done?

A lot of donors choose for their donations to be restricted grants, which often need to be assessed and reported on and the charities need to demonstrate the funds have only been spent on an agreed project. Many do not like their grants to cover core costs but over the last few years, that mindset has been increasingly challenged. In his Ted Talk, Dan Pallotta presents a useful summary of why that is.

RESOURCES:

https://milkeninstitute.org/centers/center-for-strategic-philanthropy/philanthropists-field-guide
https://www.rockpa.org/guide/assessing-impact/
https://milkeninstitute.org/centers/center-for-strategic-philanthropy/philanthropists-field-guide
https://www.rockpa.org/guide/assessing-impact/

Purpose of the review

Highlights

- Clarify objectives and desired outcomes in order to maximise the value and impact of your giving
- Assess various approaches to determine desired pathway

A good place to start is to clarify what your objectives are in conducting the review, what outcomes you want to achieve, and to decide who the review is for (e.g. oneself, the team, external partners, the board, stakeholders).

Setting the purpose of the review from the start will help. Depending on what the purpose and scope of the review is, you can then determine the pathway you wish to follow and what areas you need to focus on. Ultimately, giving yourself a clear purpose for the review, will help to drive more aligned and impactful giving as you move along on the journey.

Part of the review's purpose may be to assess various approaches to philanthropic giving.

Each is attempting to maximise the value and impact of a philanthropist's giving – however, the means may vary and be complementary. Some examples include:

Values-based philanthropy

Donors articulate their values, motivations and ambitions in order to set goals and select an appropriate approach to achieving them. Key questions may include:

- What are my values? Life goals?
- What do I care about?
- What does my money mean to me?

Once this has been accomplished the philanthropist needs to be strategic about researching, planning and deciding on means and implementations, and on evaluation, refining and revising.

Strategic philanthropy

Philanthropists decide a clear goal, and design and implement how to achieve it and to achieve impact. The strategy is built on having a well-articulated theory of change and is based on evidence and data.

It emphasises accountability and rigorous evaluation, and assumes that outcomes arise from a logical sequence of causation, whilst keeping in mind unintended consequences as societal change is complex.

Transformative philanthropy

This approach turns the power of money into creative and decision-making power for many. Philanthropists are part of the process in direct contact with the supported group.

It is a process built on trust, recipient participation and decision-making about aims, desired impact and how the funds are used.

Transformational philanthropy supports projects, invests in organisational structures, offers flexibility in the way the money is used, commits to the long term and keeps paperwork to a minimum. Actions take centre stage, not the capital provided.

It is a process of letting go of control and moving to shared control.

Emergent philanthropy

Emergent philanthropy derives from the principle that if funders are to make better progress in meeting the urgent challenges of today they should move towards a more nuanced model of emergent philanthropy, which is better aligned with the complexity of today's societies and social problems.

The philanthropist's motivation in this case is to pioneer, disrupt, innovate and make a significant difference. The approach combines elements of venture philanthropy and the application of an emergent strategy.

Catalytic philanthropy

Catalysing philanthropy is mobilising a campaign that achieves measurable impact. It is issues focused.

Various approaches are used, incorporating expertise in advertising, corporate resources, investment capital, advocacy and litigation. It includes creating actionable knowledge – that is, the gathering of knowledge used to inform and motivate the actions of the philanthropist.

Venture philanthropy

Venture philanthropy is a high-engagement and long-term approach whereby an investor for impact supports a charity or social enterprise, helping them to maximise their social impact by providing funding and expertise.

What to consider as part of the review

Highlights

- Determine the parameters of review, including the giving process, the structures used and the approach to governance
- Look at what resources are available and how they have been used
- Ask how distribution will be measured

Once you have decided on the purpose of the review, you will need to think about what you wish to consider as part of the scope of that review. This will be how you give, what structure you are giving through, what your budget is, when you started giving, how decisions are made and so on.

There is a really useful tool that Rockefeller Philanthropy Advisors have created, which covers the essential areas and offers scope for your review while helping you recognise areas of alignment or otherwise. From here you will have a good grounding to ask yourself key questions aligned with the purpose of the review.

Rockefeller Philanthropy Advisors released two reports in 2023, falling under the term Reimagined Philanthropy. The first volume, A Roadmap to a More Just World is for emerging philanthropists, but existing donors would benefit from the second volume, Advanced Strategies for a More Just World, which provides detailed insights into:

- operating models
- diversity, equity and inclusion principles
- adopting a systems perspective
- redefining philanthropic impact
- strategic time horizons
- impact investing
- communications – alongside a range of other topics.

Both of these reports are very detailed.

A simple way to frame your approach might be to consider: What do you want to now start doing? What do you want to stop doing? And also, what do you want to continue doing?

If you wish to start doing something new, broaden the scope of your objectives, increase your spend or align your investments with your mission, make sure that you are putting in place the right processes as well as recording a new objective. You might also want to start exploring other opportunities to increase your impact and the scope to a venture philanthropy model, impact investing or social investing.

Many have reviewed their giving strategies in the wake of the Covid crisis, responding by making emergency contributions to appeals as well as reviewing their longer-term strategies to ensure that they are effectively supporting longer-term recovery. This does mean that traditional giving patterns have shifted, and much giving has been focused on Covid-related issues, leaving other cause areas behind.

Others in the wake of the pandemic, given the shrinking of foreign aid budgets, the economic impact on low and middle-income countries and the inward focus of many funders. Charity Excellence Framework has a detailed list of NGO projects in Africa, the Disasters Emergency Committee shows a list of charities who are part of their work and Charity Choice has a long list of UK charities who support children and young people overseas.

The COVID-19 pandemic prompted a number of philanthropists to dig deeper into their endowments and change their grant-making approaches to deploy more capital than they had planned. All are recognising that this historic pandemic has demanded an extraordinary response. Previous experience of recessions suggests that consumers will end up compensating for the shortfalls in charitable giving as we come out of restrictions and regain confidence in the economy. Giving has been deferred, not cancelled. On top of this, the pandemic has left many in a position to increase their philanthropy.

If ever there was a time for foundations to consider permanently accelerating the pace and volume of giving, it is now.

There is an increasing awareness that philanthropists should assess the time value of philanthropy in the same way an investor does: putting more value on a dollar deployed today than one spent in the future. The conclusion is that delaying grant-making in favour of capital accumulation often exacts a significant cost.

As we enter the long recovery effort, trustees as well as individual philanthropists should have explicit discussions about the rationales for their giving horizons. Does perpetuity help achieve your social-impact objectives, or is it serving another objective, such as family unity or founder legacy? If family connection is the primary goal, is setting up a permanent foundation the best way to achieve it? What do you believe your giving will be able to do better 50 or 100 years from now? If you have already received the tax benefit for your giving, why not disburse more of the funds sooner?

If you wish to stop something, this is likely also to result in the need to review objectives; for example, you may want to revise your objectives and grant-making policies to be less restrictive.

You may also want to check in on your risk appetite and if you need to flex on any of your due diligence requirements.

Over the past 20 years, the philanthropic sector has adopted a more data-driven and rigorous approach. While those developments have strengthened the field in many ways, they have made the process of seeking and managing grants more cumbersome, especially for small, community-based organisations. The COVID-19 pandemic has accelerated moves to reduce those hurdles, prompting many foundations to relax grant requirements, speed up decision-making and give recipients additional flexibility in how they use funds. (See Trust Based Philanthropy).

Darren Walker, President of the Ford Foundation and ex-Vice President at the Rockefeller Foundation released an insightful book in 2023, From Generosity to Justice: A New Gospel of Wealth. It reflects back on the vision of Andrew Carnegie, and how it relates to modern times and could shift a donor's mindset to a new methond of thinking.
If it is important to you that you fund topical projects that have urgent need, UBS' Top Five Trends in Philanthropy 2023 is a valuable holistic vision of the current state of philanthropy sector.

RESOURCES:

https://www.mckinsey.com/industries/public-and-social-sector/our-insights/a-transformative-moment-for-philanthropy
https://www.beaconcollaborative.org.uk/cathy-pharoah-what-can-we-expect-from-philanthropy-in-2021
https://www.weforum.org/agenda/2020/05/pandemic-international-human-deveolpment-covid19-coronavirus
https://givingcompass.org/partners/giving-smarter/learning-lessons-to-rebuild-a-better-world
https://www.legacyforesight.co.uk/wp-content/uploads/Giving-Tomorrow-Legacy-and-In-Memory-2045-October-2019.pdf

Analysis

Highlights

- Addressing gaps in the process
- Doing a needs assessment
- Deciding how distribution will be measured
- Charity selection
- Considering a giving circle to achieve more impact and targeted giving

Once you have carried out the initial exploration and answered some of the preliminary questions, a deeper analysis is required, where you will be going back to basics, such as addressing gaps and selecting charities.

A needs assessment should identify underfunded issues. An informal approach might involve reading some reports on the issue, talking to some experts on the cause area and charities, and forming a view of what needs to support. At the more formal end – for a large strategic foundation wanting to concentrate millions of pounds of donations on a specific issue (such as combating malaria), for instance – a full research study might be necessary.

You might also now consider whether you will achieve more by collaborating with others, for example by joining a giving circle or other communities.

As the landscape of philanthropy continues to expand and evolve, it is become increasingly clear that the future of real systemic change – i.e. using giving to find solutions that address the underlying causes of social, economic and environmental problems – requires not only larger pools of funding, but more combined willpower and expertise. If your philanthropic vision involves truly moving the needle on a big issue, it is worth exploring the possibility of bringing others along with you on the journey.

There are a number of benefits collaborative philanthropy can have, both for funders and for grantees, such as offering learning opportunities for donors, risk management and of course amplifying impact.

Private investors typically look to investment managers who have specific expertise and a successful track record; private-equity investors frequently deploy their capital alongside others they trust, following others' due-diligence efforts rather than conducting their own. Yet when it comes to philanthropic giving, many individual philanthropists — and institutional foundations — often go it alone. They build sizeable teams that develop expertise, create new initiatives and deploy grants largely in isolation from other philanthropists.

The pandemic response demanded a different approach, bringing donors together at the local, state, national and global levels to pool resources, align on priorities, and deploy funds rapidly through collaborative funding platforms. For instance, the Covid-19 Therapeutics Accelerator was formed to develop treatment options, anchored by $125 million in funding from the Bill & Melinda Gates Foundation, Wellcome Trust and Mastercard. It was quickly supported with follow-on funding from others.

Although Covid-19 is still present in all of our lives, and more manageable for some of those who have been infected, long covid has been recognised as long-term impact affecting some of those people. Some of the symptoms of long covid have been identified. There are several organisations such as Scope, the National Lottery Community Fund and NHS Charities Together, who you could discuss this issue with and find where your grants would be the most effective.

Some new examples of collaborative giving are emerging, like Co-Impact who are a global philanthropic collaborative that supports locally rooted coalitions in the Global South to transform underlying systems and achieve impact at scale, with a core focus on advancing gender equality and women's leadership.

You might also want to realign your philanthropy and social or impact investments along broader existing frameworks, like the United Nations Sustainable

Development goals (SDGs) in order to understand how you are contributing to some of the worlds biggest challenges. Organisations like Maanch, an impact technology platform, can help you align, measure and report on your impact towards achieving the SDGs.

Most philanthropic funders will see that their missions are affirmed by the SDGs, whether they fund domestically or internationally. That is because virtually every cause that philanthropists and foundations support is included in the ambitious scope of the SDGs, which encompass a wide range of issues in the economic, social and environmental spheres.

The SDGs represent an opportunity to effect the systemic change that so many foundations aim for. Around the globe, the SDGs are inspiring funders to find new ways to partner, engage employees, collaborate with governments and NGOs, and gather and share data to mark progress on the path to 2030.

Funders may also find that the SDGs can help them frame issues, connect with other change-makers, strengthen partnerships, and communicate about their progress — all for greater impact. Foundations and their grantee partners can take part in this global effort by contributing funds, implementing programmes, sharing knowledge, and aligning their objectives with those of the SDGs.

An example might be funding access to pre-schools for underserved children. This of course links to SDG, 4 – quality education, SDG 1 – no poverty and SDG 5 – gender equality. Looking deeper at the targets and indicators, you can also see more specifically how your giving ties in, i.e. SDG 4.2 – "By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education."

Achieving the SDGs will require far more resources than are now being applied to them. To end poverty. To combat climate change. To achieve gender equality. To "leave no one behind" and be truly concerned with the most forgotten and disadvantaged people in every society.

Foundations can contribute to this endeavour in many ways. Some will change how they make grants or how many grants they make. Some will support SDG infrastructure so that funders can collaborate better. Others will match their existing programme areas to the SDG targets. Aligning with the SDGs in essence is another collaborative approach, and monitoring and reporting on progress is essential to capturing progress against the targets.

Moving to practicalities, you might also now take the opportunity to consider if your giving is as tax efficient as it could be, and if the way you are deploying your capital aligns with your overall wealth planning. This is also a good time to perhaps engage with an advisor, if you are not already working with one.

RESOURCES:

https://www.thinknpc.org/resource-hub/the-value-of-charity-analysis
https://www.rockpa.org/guide/collaborative-giving
https://www.nptrust.org/collaborative-giving
https://www.rockpa.org/wp-content/uploads/2019/04/04-12-RPA-SDG-Guide-A-Final-WEB.pdf
https://maanch.com/our-metrics
https://www.co-impact.org

Implementation

Highlights

- Think holistically to understand non-profit effectiveness
- Consider process to evaluate and monitor giving
- Do key stakeholder interviews if appropriate
- Identify if any additional resources or infrastructure are needed

Once you have undertaken the review, you will likely have some actions to implement. Some of these might be practical, like hiring an employee or an advisor in order to help you scale, refine and implement your strategy.

You might also need to use a vehicle in order to deploy your giving and this might be the time to set up a charitable entity to formalise or give some more structure to your giving or create a donor-advised fund (DAF) to provide another channel for anonymous or more flexible giving outside the structure of an established family trust. In the philanthropic world, charitable foundations are coming under increased scrutiny and pressure to ensure that their endowments are invested responsibly and for positive impact. This requires them to move away from investments that harm natural resources or exacerbate social inequality. As an example, a lot of foundations hold fossil fuel investments while at the same time making grants to combat climate change. Many are using their DAFs to also start exploring impact investing and ensuring they are aligning their mission with their investments.

You may have also discovered that, as a result of the review, there is now a need to evaluate and monitor your giving. This is because you want to make sure that your efforts have the maximum impact.

Understanding non-profit effectiveness goes beyond the financial indicators. The best approach is to think holistically, taking into account all of the dimensions that influence an organisation's impact, which requires taking a deeper look – beyond financials and the myth of the overhead ratio. It requires understanding their theory of change as well as who their leadership and management team are, as well as what targets and indicators they have set for themselves and how they evaluate themselves.

Ultimately, this will drive your grant-making policy, helping you measure your effectiveness and report to stakeholders (such as family members or trustees) on your impact.

On the practical side, you may want to consider if you need additional resources or infrastructure, such as technology solutions, to help you deliver your grant-making more effectively. There is a lot of grant-making software to support giving, and some will include some form of impact tracking and reporting functionality.

Invest in the relationship – trust is key

Highlights

- Build trust and personal engagement
- establish open channels of communication with beneficiary organisations to keep your finger on the pulse
- Be responsive – ask for and act on feedback

A key element of successful implementation of your giving is to build open and transparent relationships with your beneficiary organisations (or the beneficiaries themselves, depending on how you are set up). If you have been providing philanthropic support over time in a more hands-off way, making grants and seeing some results but wanting to do more, now might be the time to build in more personal engagement.

In building open channels of communication and relationships with some key individuals in an organisation, you will be able to keep your finger on the pulse, understand needs and challenges, and transform your giving from a transactional relationship to one that is truly fulfilling. Big challenges require collective effort, and you are playing a key part in helping find solutions.

The most successful interventions have been in cases where there is a dynamic of trust. One would think that if you support an organisation philanthropically this automatically exists, as you are aligned on values and mission, but often this is not the case. There is a lot of inefficiency and an unbalanced power dynamic in philanthropy, with charities having to "prove" their worthiness, undergoing rigorous due diligence and having to go through multiple grant application requirements.

Fundraisers or philanthropy managers are also sometimes regarded with a degree of scepticism, and it is important to reconsider this perception. Most fundraisers are highly motivated people who also have been drawn to a cause and working in the third sector, rather than the private sector, as it aligns with their values. In building a relationship with a fundraiser, you will find that you have someone in the organisation who can help you navigate your way and meet your mission, as well as introducing you to others, including beneficiaries, where appropriate.

This thinking aligns with an emerging school of thought around trust-based philanthropy, which looks to address some of these challenges. It is about shifting the relationship to be more inclusive and collaborative – recognising the power imbalance between funders and grantees, and working to actively rebalance it.

The most recent, unprecedented example of a philanthropist using trust-based giving by granting large, unrestricted funds and having faith in the charities that they will do what is right, is MacKenzie Scott. She is the ex-wide of Amazon founder Jeff Bezos and has been very open about her style of giving. She has listed some of the charities who received some of her $2.1billion in 2023 in the second-copy of the three-year report that is analysing the findings of her grant distribution process, Results from Year Two of Three-Year Study.

Key themes in trust-based philanthropy are to:

- Deeply value the quality of relationships – honour how we treat others on the path to winning on our issues, as much as valuing the act of winning itself
- Give multi-year, unrestricted funding – recognising that unrestricted funding over time is essential for creating healthy, adaptive, effective organisations
- Simplify & streamline paperwork
- Be transparent & responsive
- Solicit and act on feedback
- Offer support beyond financial support if you can, which can include your networks or professional support

Ultimately, we choose to embark on a philanthropic endeavour because we are answering a need which is aligning with our own "higher calling", our values and our motivations to respond. In order to make this a creative and fulfilling experience, we need to be open to constantly learning and evolving on what is a collaborative journey.

RESOURCES:

https://tpi.org/resource/making-a-difference-evaluating-your-philanthropy
https://www.nptuk.org/philanthropic-resources/giving-perspectives/how-donor-advised-funds-can-lead-the-way-for-responsible-and-impact-investing
https://www.cafonline.org/my-personal-giving/long-term-giving/donor-advised-funds
https://trustbasedphilanthropy.org

Summary

In summary, the basic elements that could be used as a guide for reviewing philanthropy are:

- What is your vision as a donor and what values do you live by?
- What impact do you wish to accomplish?
- What resources do you have available and how have they been used?
- How is the distribution to be measured?
- What approach to governance is being taken? And why?
- If appropriate as part of the evaluation, do key stakeholders interviews.
- What information about other foundations/funders and charities in the sector do you have, and are there any particular/important comments/findings? If available, conduct a comparison of impact.
- Review vision statement, strategy documents and plans, risk analysis and management, staff performance evaluation, evaluation reports, management accounts, internal strategy, evaluation documents, information on your impact, and current funding partners/strategic alliances.

Glossary

Assets: Holdings of economic value by a foundation or charity – such as cash, stocks, bonds, buildings or other property, and accounts receivable.

Capacity building: Investing in the core costs of an organisation, such as its operational capacity and long-term sustainability, rather than supporting specific projects.

Capital: All tangible assets that cannot easily be converted into cash. These are usually held for a long period, such as real estate, equipment and other physical property.

Charity: A voluntary organisation that benefits the public in a way the law says is charitable.

Charitable trust: An arrangement whereby a person or persons (the trustees) is/are made the nominal owner/s of property for the benefit of another person or group of people (the beneficiaries).

Charitable Incorporated Organisation (CIO): A corporate form of business designed for (and only available to) charities. The main benefits are that a CIO has a legal identity, its members have limited liability and it only has to submit accounts to the Charity Commission and not Companies House.

Community Foundation: A grantmaking charity established to strengthen local communities, creating opportunities and tackling issues of disadvantage and exclusion.

Community Interest Company (CIC): A limited company, with special additional features, created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage (CIC regulator definition). CIC is a legal form used by many social enterprises.

Core costs: The overhead costs of an organisation, as opposed to those specific to a project.

Donor-Advised Fund: A philanthropic fund established under an umbrella charity that administers the fund on behalf of the donor.

Effectiveness: The ability of an organisation to produce its desired result. See Impact.

Environmental, Social and Governance (ESG): refers to the three central factors in measuring the sustainability and social impact of an investment in a company or business.

ESG Integration: The systematic and explicit inclusion by investment managers of ESG factors into financial analysis.

Expendable Endowment Fund: A fund that must be invested to produce income.

Foundation: The terms 'trust' and 'foundation' are often used interchangeably.

Full cost recovery (FCR) organisations: Funders ensure that the price of contracts and grants reflects the full costs of delivery, including the legitimate portion of overhead costs.

Gift Aid: A scheme of tax relief for single outright cash gifts made to charities by individuals and companies.

Impact: Broader or longer-term effects of a project's or organisation's outputs, outcomes and activities.

Impact (ESG) Investments: Often used synonymously with sustainable investing, socially responsible investing or mission-related investing – can be defined as the consideration of ESG factors alongside performance factors in the investment decision-making process. Investments made in companies, organisations and funds with the intention to generate social and environmental impact alongside a financial return; (GIIN, thegiin.org). Impact Investing seeks to create positive social or environmental change while also generating a financial return. That typically means investing in businesses, organisations and fund managers that are contributing to solutions to societal challenges as part of their core strategy (UK NAB).

Inputs: All the resources a group needs to carry out its activities, such as money, people, facilities and equipment.

Microfinance: A term for financial services aimed at micro-enterprises, sole traders and individuals, usually in under-invested communities, including small loans and savings facilities with no (or a very low) minimum deposit.

Mission-related investment (MRI): Marketrate investments that support the mission of the foundation by generating a positive social or environmental impact, while generating reasonably competitive rates of financial return (CoF, US). Making investments from either endowment or income directly in pursuit of an organisation's charitable objectives.

Non-profit: An organisation that uses all money earned or donated to pursue its objectives and does not distribute profits to owners. In the UK the term not-for-profit is more commonly used with the same meaning. Most non-profits operate with a social purpose.

Objects: The term used by the Charity Commission to describe and identify the purpose for the which the charity has been set up. The objects do not specify what the organisation will do on a daily basis.

Outcomes: The changes, benefits, learning or other effects that result from what a project or organisation makes, offers or provides: for example, a new job, increased income or improved self- esteem.

Outputs: The direct and tangible products from an activity: for example, the number of people trained.

Permanent endowment: Property of a charity (including land, buildings, cash or investments) which the trustees may not spend as if it were income.

Programme Related Investments (PRI): Investments that are made primarily to achieve a programme objective, rather than a significant financial return. PRIs are expected to be repaid, not necessarily to the full amount (CoF, US). Could be seen as a form of social investment.

Reserves: That portion of a charity's income funds set aside for essential, but as yet unidentified, future expenditure.

Restricted funds: Assets or income which are restricted for a particular use, such as a donation made to a charity specifically for a bursary or a named project run by the charity. See Unrestricted funds.

Social business: A business that integrates commercial objectives (growth, profits) with a social, ethical or environmental mission.

Social enterprise: A business with primarily social objectives where surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit.

Social entrepreneur: Someone who uses skills commonly associated with private enterprise to create and develop a business designed to achieve a social purpose.

Socially responsible investment: Ethical or socially responsible investment (as well as responsible and sustainable investment) are terms used to describe any area of the financial sector where the social, environmental and ethical principles of the investor (whether an individual or institution) influence which organisation or venture they choose to place their money with.

Spending out: The term for where a time-limited foundation spends all or part of its capital assets in furtherance of its charitable objectives. Known as 'spending down' in the US.

Sustainable and Responsible Investment (SRI): A long-term oriented investment approach, which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors, and to benefit society by influencing the behaviour of companies (Eurosif, eurosif.org).

The Third Sector: The collective name for charities, voluntary, non-government and campaigning organisations. Also known as the voluntary and community sector (VCS).

Unrestricted funds: Funds that can be used for the general purposes of a charity. See Restricted funds.

Venture philanthropy: An adventurous approach to funding unpopular social causes, preliminary performed by foundations, this is a term which is still in evolution; (John, 2006, based on Rockefeller 1967). The process of adapting strategic investment management practices to the non-profit sector to build organisations able to generate high social rates of return on their investments is an approach modelled on the high end of venture capital investment (Morino Instiitute, 2001). Venture philanthropy for development is an entrepreneurial approach to philanthropy that combines a variety of financial and non-financial resources to identify, analyse, co-ordinate and support self-sustaining, systemic and scalable (for and not-for profit) solutions to development challenges aimed at achieving the greatest impact (OECD, 2014).

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