

PHILANTHROPY COMES OF AGE

The continued growth of
donor advised giving in the UK

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FOREWORD

At the time of publication, the world is a different place. We have all been affected by the COVID-19 pandemic and we know that the generosity of High Net Worth Individuals is more important than ever. The pandemic has disrupted our way of life, the financial markets and charities' ability to raise funds whilst seeing an increase in demand for their services.

Philanthropy is hugely important to tackle this pandemic. We have seen governments taking extraordinary measures to support businesses and employers whilst taking measures to stabilise the economy. Charities provide essential services to society, and without them many people in need will not receive the help they need.

This report is an analysis of the donor advised giving market in the UK. It is encouraging to see continued growth into these giving structures because they hold so much potential for sustained giving in the UK and around the world. More than £575m of new contributions were made into this type of structure in 2017/18 and philanthropic assets under management have grown to more than £1.5 bn.

Over the past five years, donor advised giving in the UK has experienced remarkable growth. We have seen contributions grow from £250.3m to £575.4m. This represents a 130 % increase in contributions over the past five years. Much of the reason for this growth is that these structures provide an easy, flexible and effective way to give. At CAF we have continued to raise awareness of donor advised giving services to individuals, families and advisers as a practical way to help people plan and implement their philanthropy year after year. We encourage and help professional advisers to start these conversations with their clients.

The landscape of philanthropy is changing. Donor advised services can be used to support many forms of non-cash giving, responsible investment and social impact. They can be used to respond to calls for emergency assistance, scale up support for favoured causes over a number of years, or plan a legacy so that philanthropic values are continued with the next generation. As philanthropy in the UK develops into additional forms of social financing like loans, development bonds and investments aligned with ESG (Environmental, Social and Governance) goals, it is important that providers of these facilities offer the right options for the use of those funds.

It is encouraging to see that grant-making from donor advised giving continues to grow despite the uncertainty over Brexit and the wider geopolitical environment. During this period £360.4m was granted out to thousands of beneficiaries making a difference to charities both in the UK and internationally. A key aspect of this is that the providers are carrying out robust due diligence making sure that the donations go to genuine charitable causes.

Donors today want to feel informed and empowered to give in different ways to the causes they care about. The growth in the use of donor advised models reflects the continued importance of charitable giving in UK society. Being in a position to give is a privilege and in a time of international crisis, it is encouraging to see so many philanthropists responding in different ways to provide immediate support.



A handwritten signature in black ink that reads "David Stead". The signature is fluid and includes a long, sweeping underline.

David Stead
Director of Philanthropy and Development





Donor advised giving, through funds and trusts have seen very strong growth in the UK in recent years.

ABOUT THIS REPORT

Donor advised giving, through funds and trusts have seen very strong growth in the UK in recent years. These are the UK's fastest-growing philanthropic giving vehicles. They offer several advantages over charitable foundations, namely cost savings, tax-efficiency, flexibility, and ease of administrative, fiduciary, and reporting requirements.

These funds and trusts work by allowing donors to give cash, shares, property or other assets into a charitable fund managed by a charitable entity and to be used only for charitable purposes. While the donations are irrevocable and become the assets of the managing charitable institution, the individual will advise the institution where they would like the money to go, in the UK or internationally.

CAF is one of the largest managers of donor advised giving in the UK, accounting for around 80% of assets under management in the UK market. This report looks at the impact of donor advised giving in the philanthropy sector and the continued growth of these, which is great news for beneficiaries and charities alike.

It should be noted that one additional provider has been added and as such, previous years data has been updated.



KEY FINDINGS



DONOR ADVISED GIVING

within the UK continues to grow year on year

These tax-effective structures offer flexibility and simpler administrative, fiduciary and reporting requirements



CONTRIBUTIONS INTO DONOR ADVISED GIVING STRUCTURES

reached a new high of over

£575.4M

in 2017/18, having grown by 10% since the previous year



GRANTS MADE VIA DONOR ADVISED GIVING TO CHARITIES

grew to over

£360M

in 2017/18



CHARITABLE ASSETS UNDER MANAGEMENT

now exceeds

£1.5BN

with a 17% increase from 2016/17

RECOMMENDATIONS

- Advisors to the wealthy should increase their engagement with donor advised giving as a vehicle to help their clients reach the causes they care about and affect real and lasting change. Specialists can support advisers with these discussions.
- Professional advisers are probably aware of the estimated \$30tn transfer of wealth in the next few decades from the baby boomer generation to their children and grandchildren. Donor advised products should be an essential part of their 'philanthropy toolkit' for clients to help start a philanthropic journey with real impact. Millennials and Generation Z are widely acknowledged as making values-based decisions in all areas of their life, so advisers should seize the opportunity to make philanthropy part of the discussion.
- Providers of donor advised structures should consider widening their offering to include responsible investing, impact investing and social investment as well as grants. For example, donors can achieve social and environmental impact through ESG funds before the funds are distributed as grants or repayable finance. The demand from donors for alternative ways of achieving impact are likely to increase further.
- Providers should monitor the amounts being paid out in grants from the accounts they manage. They should work with their donors to shape compelling opportunities to give. Given the increase in assets under management this year, providers should aim to increase the funds deployed over the next few years to demonstrate the social impact potential of this model of giving.
- Donors should look to work with providers to help them better manage risk in their philanthropy and social investment, particularly when supporting organisations in difficult parts of the world like war zones. This area can be very complex and verification services can provide reassurance and protection for today's donors and social investors.

TACKLING LOCAL CHALLENGES

Supporting local charities to have an impact in Colchester

Older people



Funding vital local services to the elderly in Colchester

Homelessness



Purchasing properties to support 21 homeless people move on to long-term housing

Cancer / hospital ward



Best use of heritage, arts, culture or sport in peacemaking

Colin Bennett is passionate about supporting local charities in his home town of Colchester.

COMBATING ISOLATION, POVERTY AND LONELINESS BY FUNDING CORE COSTS

According to Colchester Borough Council 33,169 people are aged over 65 in Colchester, accounting for more than 17% of the population. It is vital to keep voluntary organisations running to combat isolation, loneliness and poverty. Colin bought new premises from which Age Concern Colchester could operate and used his CAF Charity Trust to fund a new CEO and other members of staff. He continues to support the charity through strategic planning and funding.

BUYING PROPERTY TO HELP HOMELESS PEOPLE MOVE ON TO LONG-TERM HOUSING

Research from Shelter shows that 445 people are homeless and living in council arranged temporary accommodation and 13 people are sleeting rough in Colchester. Colin is a trustee of Beacon House, a local homelessness charity. He has provided guidance and helped transform the organisation's supply of move on accommodation for the homeless. This was much needed after a local homelessness charity providing accommodation went into administration. Starting out by purchasing 3 houses accommodating 12 homeless people for a year, he then went on to finance the development of 9 flats for Beacon House beneficiaries, where 21 people will be using the accommodation as a platform to move on to long-term housing.

MATCH FUNDING AN APPEAL TO BUILD A NEW CANCER CENTRE

The appeal to build a new cancer centre at the local hospital was losing momentum. Colin pledged £1 million from his CAF Trust, which resulted in increased donations, with the appeal securing £3.25 million.



“The new facility will be more welcoming. Dealing with cancer is such a hard and stressful time, and having an improved facility can make a real difference. Imagine the impact that will have on the patients and their families.”

Colin Bennett CAF Charity Trust account holder

Colin continues to carry out amazing work for the community, even setting up a new grant making charity using a portion of his CAF Trust.

INTRODUCTION TO DONOR ADVISED GIVING

Donor advised giving continues to go from strength to strength. This type of giving originated in the USA in the 1930s and in the 1970s CAF was the first organisation to introduce a giving structure similar to an American fund, but with greater flexibility, donor choice and investment options. The result was our flagship giving vehicle, the CAF Charitable Trust.

Today the market and the number of providers have grown. There are a number of names for donor advised products in the UK, ranging from Charitable Trusts to Donor Designated Funds and Donor Advised Foundations.

Why have we seen an impressive growth in these giving structures in the UK over the past 5 years? This is due to the flexibility they offer. They are designed to make giving easy, by alleviating many of the time consuming tasks normally involved in running a charitable trust.

The key benefits of using them are fundamentally the same: they allow you to create a charitable fund today, invest the funds and then donate the funds. It allows a donor to create a structured long-term giving plan, make ad-hoc donations in response to causes of interest or support social investment initiatives.

Compared to direct individual giving or setting up a foundation, the donor advised route has the following benefits:

- Ring-fenced money for long or short-term charitable giving, including retirement projects
- Estate planning
- Giving across a range of asset types including cash, shares, bonds, property and art, using tax incentives to increase giving
- The ability to name your fund as you choose or stay anonymous
- The ability to see, within one place, where you have given and to whom
- Validation of investments and gifts to charities or social enterprises by the provider
- Lower start-up costs, lower ongoing time and expenses in connection with legal, administrative and accounting services as compared to private foundations
- No need to appoint a board of trustees
- Option to invest to grow funds for future distribution
- Options to diversify assets to allow for a mixture of investment into growth funds or stocks, social impact repayable finance, ethical investing, multi-year grants and one-time gifts

BREAKING CYCLES OF DOMESTIC ABUSE AND TRAUMA

Giving babies the best chance at life

Family



The UK's first whole family change programme

Counselling



Evidence-based response to domestic abuse, trauma and what babies need from conception to age two

Cycle



Breaking the cycle of trauma that can be passed down in families for generations

Stelio Stefanou, OBE, set up the Stefanou Foundation using a CAF Trust. His desire to find new ways to bring an end to domestic abuse led him to decide that his charity needed to work with both parents: not only with the parent experiencing the abuse but also the parent who has been abusive.

The charity's mission also reflects how such interventions can help social mobility and have long term impact – from improved behaviour and emotional development to a reduction in police and criminal justice system interventions. By the end of 2019, For Baby's Sake had helped around 600 people, including babies, children and the mothers and fathers who are changing life-chances for themselves and their families.

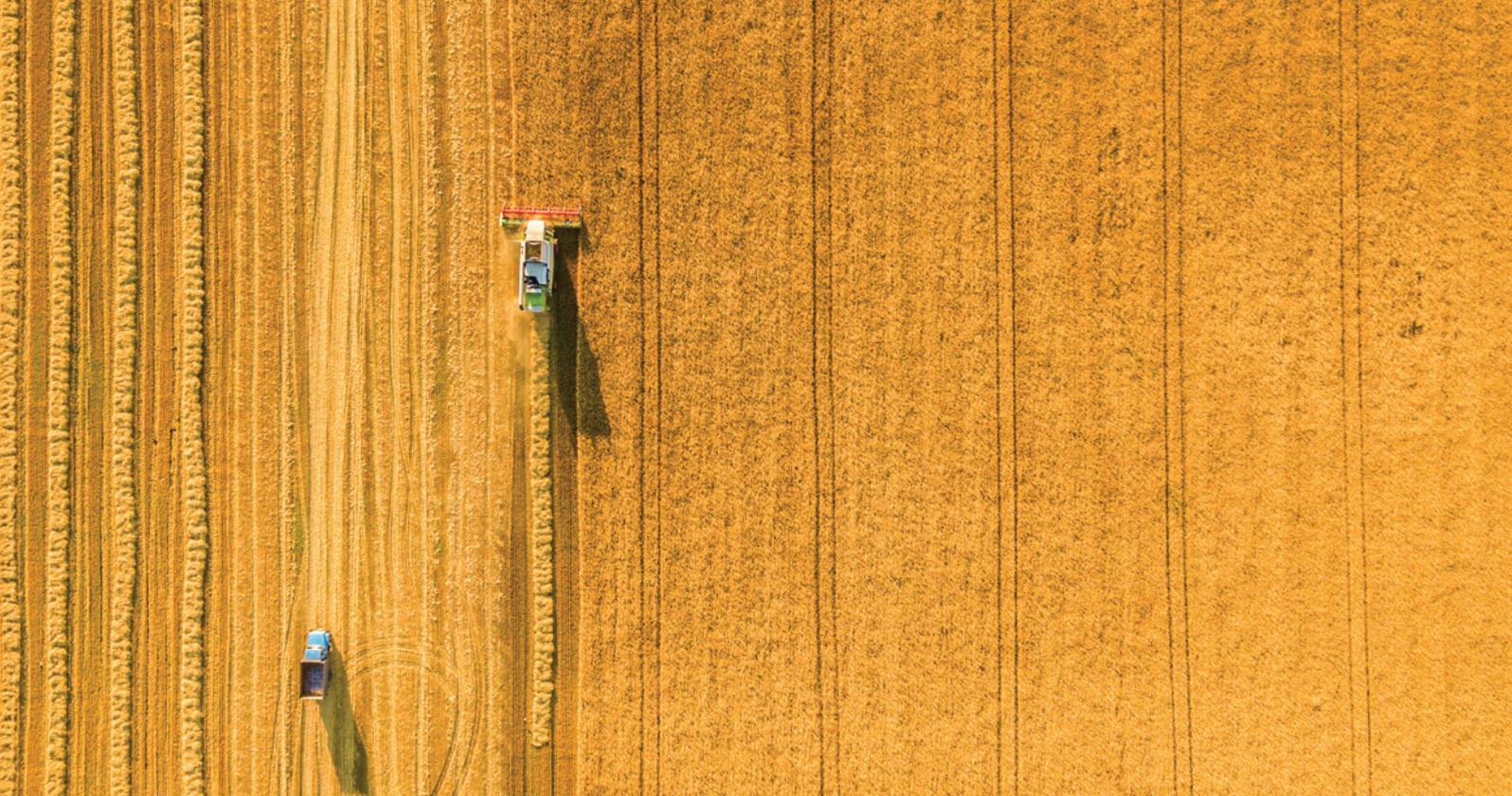
The Foundation has four teams working in London, Hertfordshire, Cambridgeshire and Blackpool and are keen to continue scaling up through new philanthropic and public sector partners.



“Although it’s not an easy fix, our thinking was that by giving each parent, the mum and dad, their own For Baby’s Sake Practitioner, with whom they could each build a trusting relationship, work through their trauma and develop new life skills as adults and parents, we could increase the chances of breaking the cycle of domestic abuse for good.”

Stelio Stefanou OBE, CAF Charitable Trust account holder





OVERVIEW

The donor advised giving market in the UK has flourished. We have seen rapid growth across key metrics of contributions, grants and assets under management. With that, the donor advised proposition has matured and the awareness of these products has increased amongst professional advisers.

Donor advised giving continued to grow in 2017/18, shown through the year-on-year growth of contributions made to funds. 2017/18 saw contributions increase by £54m compared to the year before. Overall, the level of contributions has increased by 130% over the last five years.

We have also seen an increase in funds that were transferred to a chosen charity through a grant. Grants through donor advised giving reached a new five year high of £360.4m, a 63% increase over the last five years.

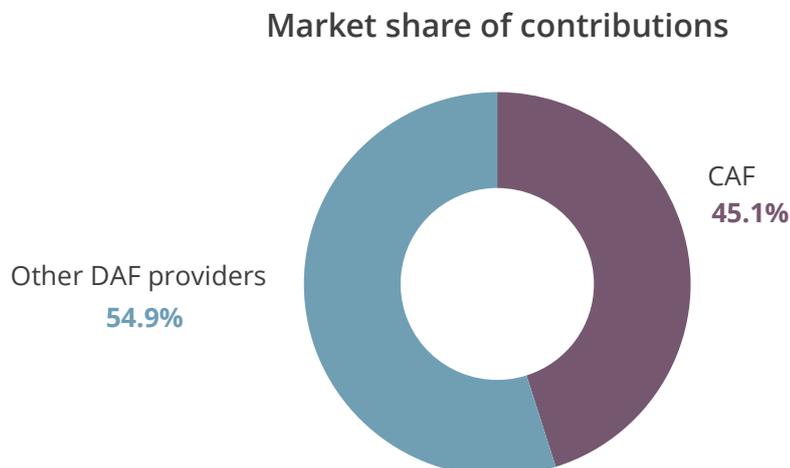
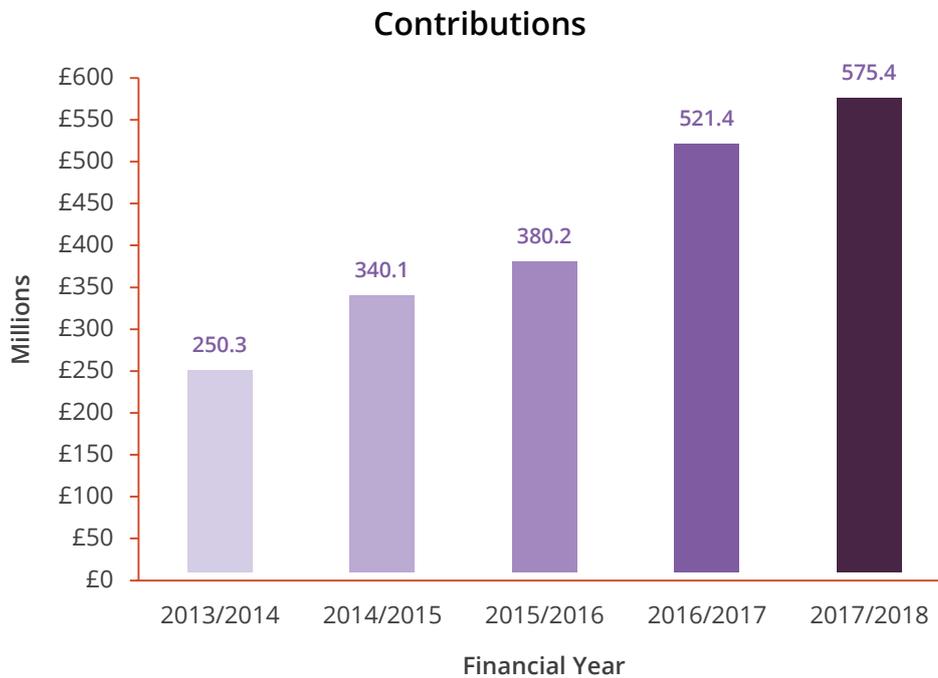
Charitable assets under management surpass the £1.5bn mark, representing a 17% increase on 2016/17. Charitable assets under management have grown by 77% over the last five years.

SIZE OF DONOR ADVISED GIVING IN THE UK

The following section will look at the size of donor advised vehicles in the UK and how this has changed over the last five years. This has been produced from a review of the main providers' annual reports using the most up-to-date reports available, which cover the financial year 2017/18. Historical data (from 2013 until 2018) has been updated within this report to include an additional provider, Southampton Row Trust.

CONTRIBUTIONS IN

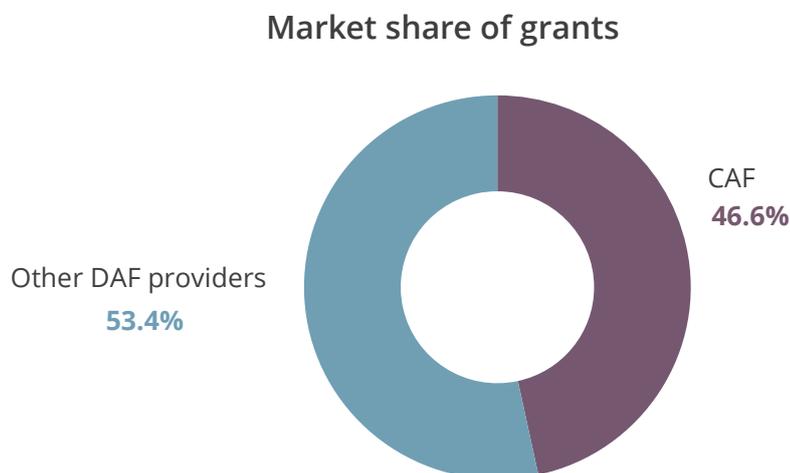
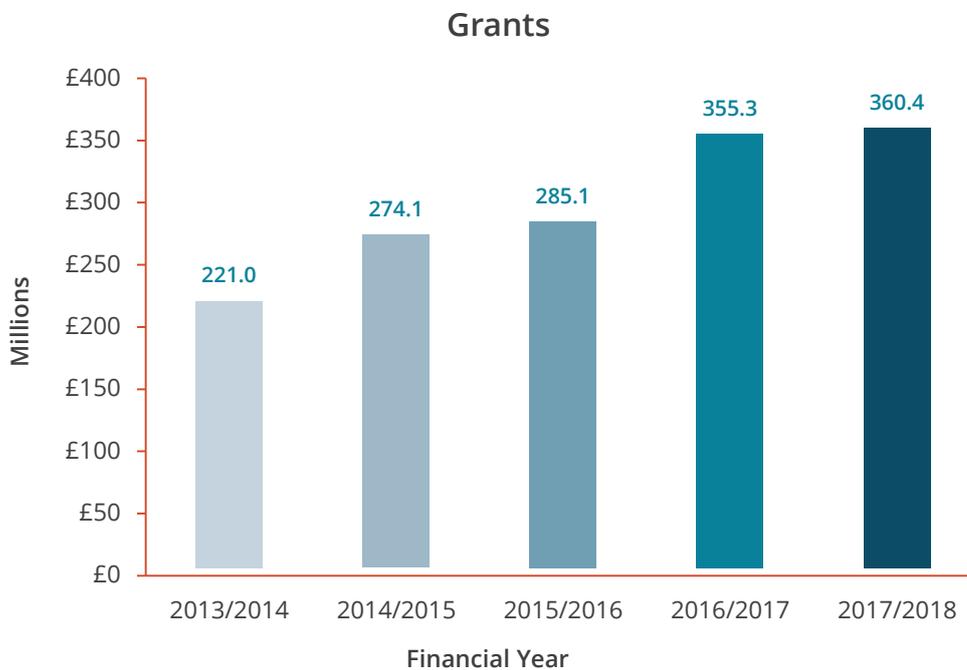
Overall contributions into these funds continue to grow year-on-year. Contributions rose to a new high of £575.4m in 2017/18 as a result of a £54m increase since 2016/17. However year-on-year growth has declined, having seen 10% growth since 2016/17 compared to 37% growth the previous year (2015/16 to 2016/17).



GRANTS

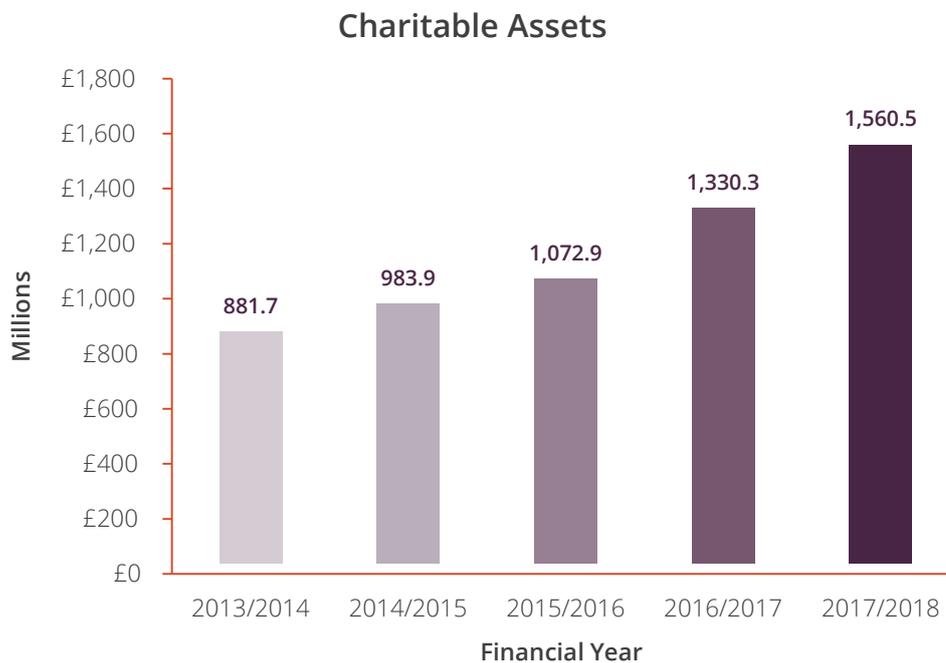
The amount of money granted out from donor advised giving to charities also continued to trend upwards over the five years, rising to £360.4 million in 2017/18 and representing an increase of 1% year on year. The level of growth is lower than 2016/17, which saw growth of 25%.

However, despite this increase in grants, 63% of the money taken into these structures was paid out, which, while still high, is a 6% decrease since the previous year (63% compared to 68% in 2016/17). While the level of contributions grew in 2017/18, this was not fully reflected in money granted out and instead saw a higher proportion of assets being held under management.



CHARITABLE ASSETS

Charitable assets under management in all donor-advised giving accounts continued to increase, with assets exceeding £1.5 billion in 2017/18, having seen a 17% increase since 2016/17. This growth in charitable assets is reflective of the increase in contributions made to donor advised giving accounts in 2017/18, whilst a decreased proportion of the money taken into donor funds was paid out (63% compared to 68% in 2016/17).



EMPOWERING WOMEN THROUGH BEE KEEPING

Breaking the cycle of poverty through the creation of a sustainable community business

Money



Sustainable source of income all year round

Bees / honey



Transforming traditional beekeeping methods through modern hives

Moringa trees



Planting 1,000 Moringa trees, to increase local biodiversity

A project funded by CAF client Trevor Dickey in partnership with UK based charity Shared Interest Foundation sees fifty women in rural Burkina Faso pave the way for future generations of female beekeepers in their community. Trevor chose the charity with the help of his CAF Client Manager and funded the project with £50,000.

The group of women, who previously struggled to provide for their families, now hope to triple their average earnings, and teach others how to produce honey in a clean and safe way through modern bee hives.

The funding has helped to transform traditional beekeeping methods by equipping each of the women with five modern bee hives, as well as training on how to sustain their bee population to sell honey to the local market or to larger buyers.

The donation has also been used to plant 1,000 Moringa trees, which are helping to increase local biodiversity, attract bees, and provide shade so that crops can be grown underneath them, also provide the women with an additional income source as their nutritionally rich leaves can be dried and sold on the local market.

“Before this project I was not positive about the future and the biggest challenge I faced was securing a future for my children. Now I have this opportunity to earn an income I will be able to pay for the health and schooling expenses for my children and provide them with three meals per day so they can concentrate better in their class.”

Fatoumata Ouattara (34), Beekeeper





Donors today want to feel informed and empowered to give in different ways to the causes they care about.





METHODOLOGY

Desk research was conducted in November 2019, reviewing annual reports of the eleven main providers to obtain figures for contributions in, grants out and assets held in the funds. As this analysis includes one additional provider, Southampton Row Trust (Premier donor advised funds), all past data since 2013/2014 has been updated.

ASSUMPTIONS

Assumptions have been made when reviewing data within the annual reports, due to different terminology used by the charitable organisations.

For each annual report, a decision was made as to the correct source of funds to include under the term 'Contributions'. Investments and subscriptions (fees) were not included.

REFERENCES

The following annual reports were used to provide insight for this report:

- Charities Aid Foundation
- Southampton Row Trust
- UK Community Foundations
- NPT – UK
- Prism the Gift Fund
- UBS
- Stewardship
- C. Hoare & Co.
- SharedImpact
- Charities Trust
- Founders Pledge



Donor advised giving structures are a practical way to help individuals, families and advisers plan and implement philanthropy year after year.



GLOSSARY OF TERMS

Donor Advised Fund (DAF)

A Donor Advised Fund is a charitable tool which allows donors to establish charitable accounts and/or charitable funds whilst remaining involved in supporting the issues they care about. The donor can donate assets into the account (either via a one-off donation or by topping up their account whenever suits the individual). When a DAF is established, donors relinquish personal control of the funds. All funds distributed from these DAFs must be used for qualified, charitable purposes and may be eligible for certain tax reliefs. Although these funds are widely referred to as a "DAF" in the USA, some charitable organisations in the UK have other DAF type products: donor advised foundation; charitable trusts or donor designated funds.

Contributions

The amount that an individual donates into a donor advised giving fund. Most individuals make an initial donation into the fund and then top up whenever is convenient to them.

Grants

The transfer of donations from within a donor advised giving fund to a reputable charity or organisation which has charitable purpose.

Charitable Assets

The amount of funds that a charitable organisation (the provider) holds and manages. The assets are owned by the provider, not the donor, as the funds have crossed the charity threshold and tax relief has already been given or considered, increasing the value of the assets available for distribution.



We are experts in philanthropy and social investment. We have 90 years of experience connecting donors with THE charitable causes they care about locally and around the world.

By working together we can create a much bigger impact.

About CAF Private Clients

We work with clients to make giving go further
so together we can transform more
lives and communities around the world.

We provide comprehensive philanthropy services,
rigorous verification and unrivalled global reach.

Together we'll create lasting, meaningful change.
We are CAF and we make giving count.

CAF

10 St. Bride Street,
London EC4A 4AD

T: +44 (0)3000 123 000

E: partners@cafonline.org

2873A/0420



@CAF



charities_aid_foundation



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