

# Philanthropy

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## Frank Hanna

Winner of the 2007  
William E. Simon Prize  
for Philanthropic Leadership

### PLUS:

Bubba Cathy on Healthy  
Marriage Initiatives

John J. Miller Remembers  
Jeremiah Milbank

actual event, but the AVC makes a special effort to bring in students from local schools. "The soldiers from Afghanistan and Iraq really energized the room," says Roberts. "The high-school students were really able to connect with them because they were just a few years older. It's almost like they were looking at themselves."

The AVC receives support from some 70,000 individual contributors, many of them veterans or the children of veterans. But it also relies upon large gifts from foundations. "One of our chief goals is to promote organizations that teach new generations about veterans and our country's heritage," says Ed Tracy, executive director of the Chicago-based Tawani Foundation, which has supported oral history projects at the U.S. Naval Institute and bike paths that connect Civil War battlefields. "The American Veterans Center is a tremendous example of what private groups can do to support veterans and help them tell their stories."

The AVC's other major project is a Memorial Day parade in Washing-

ton, D.C. "A few years ago, we were amazed to realize that nobody had sponsored a parade in the nation's capital since 1939," says Tim Holbert, the AVC's program director. In 2004, the AVC partnered with several other groups to hold a parade in conjunction with the dedication of the national World War II Memorial. Since then, the AVC has become the sole sponsor. In 2006, actor Gary Sinise served as grand marshal. This year, wounded soldiers from the Walter Reed Army Medical Center had the honor. The parade-goers included Frank Buckles, a 106-year-old veteran of the First World War, and several of the famous Tuskegee Airmen.

"The parade is a wonderful, patriotic cause," says Larry Gill of the Dodge Jones Foundation in Abilene, Texas, which started donating to Radio America two decades ago and now contributes to the AVC.

One of the American Studies Center's latest initiatives combines the strengths of both groups: the AVC helps veterans of Afghanistan and Iraq

tell their stories, and Radio America helps broadcast them. "We're in the middle of a war, and nobody seems to know the individual stories of our soldiers," says Holbert. The weekly show *Veterans Chronicles*, which in the past has concentrated on the veterans of the Second World War, is beginning to profile the veterans of today.

"When you get these guys before the public, the public loves them," says Roberts. "But the mainstream media don't want to focus on the heroes of today. We're trying to fill this void."

It's a gaping hole. "Do Americans even know the names of the two men who won the Medal of Honor in Iraq?" asks Angela French, a Defense Department employee. She works with the AVC and Radio America to make sure that stories such as those of Jason Dunham and Paul Ray Smith—the two latest Medal of Honor recipients—reach the public.

"Helping the war effort is the most important thing we can do," says Roberts. "We want to do our part to help win it." ■

## Recent Trends in the Timing and Allocation of Charitable Giving

*Sooner rather than Later; Charity rather than Heirs*

**I**N HIS NEW BOOK *RICHISTAN*, REPORTER Robert L. Frank of the *Wall Street Journal* offers much anecdotal evidence that the newly wealthy feel an intense desire to be involved in the philanthropic causes they support. Many of them feel repulsed at the notion of foundations existing "in perpetuity." They also feel great angst at burying heirs under an avalanche of "unearned" wealth. The result, Frank conjectures, is a conscious increase in lifetime giving.

Numbers recently released by the Federal Reserve and analyzed by the Center on Wealth and Philanthropy back up these observations. Especially at the upper end, wealth-holders seem to

have moved the allocation of their wealth away from heirs and towards philanthropy, particularly lifetime philanthropy.

### CHANGING THE TIMING OF GIVING

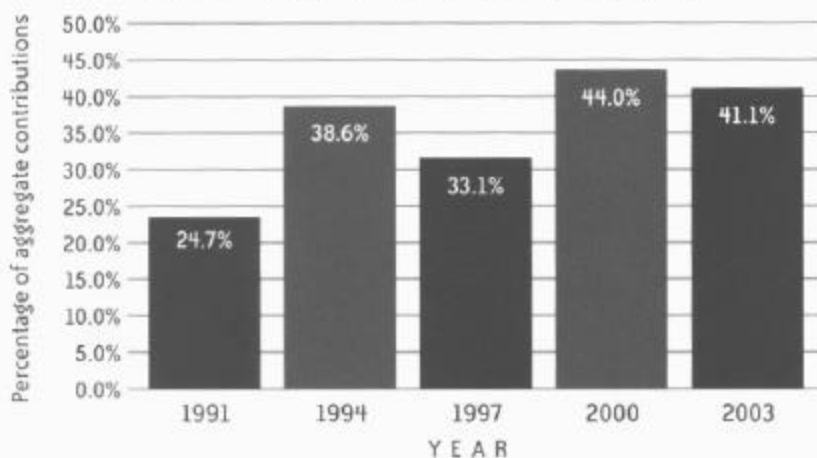
IT IS IMPORTANT TO RECALL HOW significant wealthy families' giving is to philanthropy in general. Over the last few years populist complaints have re-emerged that the rich abuse philanthropy for their own gain. These complaints have a long pedigree, reaching back to the 19th century. As always, they tar the entire enterprise with a few exceptional cases. The broader story is that wealthy families in this country have always given the lion's share to

charity and have actually increased that share in the last decade.

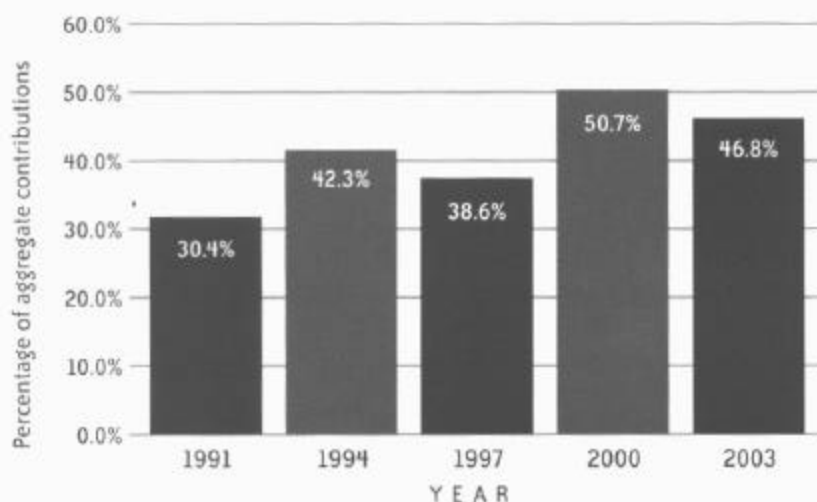
For example, in 1991, households earning the equivalent of \$200,000 (in 2005 dollars) gave just under 25% of all charitable gifts. Looking at the latest numbers, in 2003, similarly high-earning households gave over 40% of all charitable gifts, or around \$80 billion (see Graph 1).

PAUL G. SCHERVISH is director, JOHN J. HAVENS is senior associate director and senior research associate, and ALBERT KEITH WHITAKER is research fellow at Boston College's Center on Wealth and Philanthropy. Dr. Schervish is also senior research fellow at the Indiana University Center on Philanthropy, and Dr. Whitaker is director of family dynamics at Calibre, a division of Wachovia Wealth Management.

Graph 1: Percentage of Aggregate Contributions by High Income Households (\$200,000 or more per Year)



Graph 2: Percent of Aggregate Contributions by Wealthy Households (\$1 Million or more Net Worth)



A similar pattern emerges when we use net worth as our yardstick. In 1991, the wealthiest households (\$1 million or greater net worth, in 2005 dollars), gave over 30% of all charitable dollars. In 2003, similarly wealthy households gave almost 47%, or \$94 billion (see Graph 2).

During this same period of time, charitable giving as a whole increased dramatically, leading us and others to herald the advent of a "golden age of philanthropy." But just as dramatic is this

increase in wealthy families' share of overall giving, an increase of over 50%. This overall trend smoothes away market rallies and retreats over the past 13 years, revealing a decisive shift towards greater lifetime giving by wealthy households.

#### CHANGING THE ALLOCATION OF GIVING

THE REASONS FOR THIS SHIFT ARE MANY and range from changes in the types of business wealth-holders are engaged in, political changes (as in the tax

code), psychological changes of the sort that Frank points to, and social changes in attitudes towards philanthropy and family.

In previous articles in *Philanthropy* ("Philanthropy's Indispensable Ally," May/June 2005, and "Leaving a Legacy of Care," January/February 2006), we began to explore the last of these changes: the migrating relative allocation between philanthropy and family in wealth-holders' decisions about their wealth. We continue to find, as Frank and others have observed, that today's wealth-holders are consciously limiting their allocation to heirs and are turning to philanthropy instead. This change militates against or at least softens the "dynastic" image that popular culture still perpetuates about wealthy families.

One way to document that change comes through examining estate tax data. Looking at the actual allocation wealthy-holders plan into their estates is an indirect way to assess their lifetime giving.

Now, it is true that smaller bequests to heirs may indicate that parents passed more to their children during their lives. If that is the case, estate tax data could be misleading about lifetime allocations.

But the estate tax figures also clearly show that charitable bequests have continued to occupy the largest portion of the largest estates. When coupled with the information we just reviewed on the increasing size of lifetime giving by wealthy households, it is hard to imagine that the children are getting all the money during their parents' lives and making charity wait until the end.

#### NUMBERS FROM THE NET ESTATES

WHEN LOOKING AT ESTATE TAX DATA, the figures we focus on concern "net estates," which is the net worth of a decedent's estate less any spousal deduction and estate fees. Most research on charitable bequests and the impact of estate taxes on charitable giving does not distinguish between first estates (estates of the

first spouse to die) and final estates. As a result, since most first estates include relatively little charitable giving, and instead pass most of the assets to the surviving spouse, these analyses underreport wealthy families' charitable bequests. The proper focus should look at the spouses together as a marital or parental pair, hence our interest in the "net estate."

Recent data from the IRS allow us to analyze estate tax data up to 2004. From 1992 to 2004, the value of all net estates grew by about 43%, from around \$84 to \$121 billion (in 2004 dollars). But during that time, the allocation within these estates to charity grew even more, by 64%, from \$9 to \$15 billion. In other words, estates' charitable allocation grew much more than their overall value, indicating an increasing disposition toward charitable giving by decedents (see Table 1).

At the same time, taxes' share of net estates grew roughly in line with the estates' own growth in value (48% versus 43%), while bequests to heirs grew only by 38% (Table 1).

In other words, when all net estates are viewed together, the growth in bequests to heirs does not keep pace with the growth in the underlying value of the estates, while the growth in bequests to charity greatly outstrips that growth. This finding supports the growing sense that wealth-holders are consciously limiting their gifts and bequests to heirs.

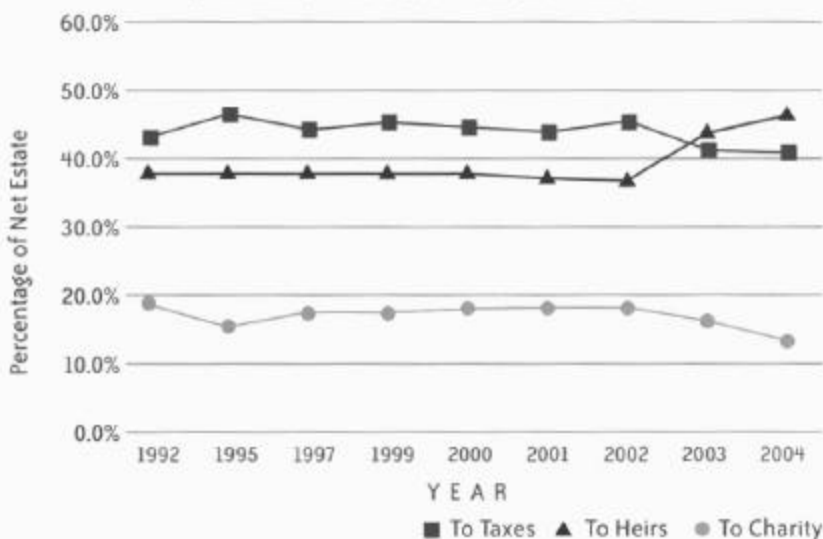
The situation does become somewhat more complicated in the wealthiest estates, from which the greatest share of charitable bequests flows. For example, in net estates valued between \$10 and \$20 million, the percentage of the estate going to charity has held roughly steady from 1992 to 2005, between 15% and 19%. The percentage paid in taxes has trended downward slightly, from 46% to 40%, while the percentage bequeathed to heirs has trended upward, from 38% to 45%. In short, recent estate tax cuts may have shifted some wealth from taxes to heirs, but without necessarily lessening charitable bequests (see Graph 3).

Table 1: Changes in Value and Allocation of Net Estates\*  
Estates of \$20 Million or More (Billions of 2004 \$)

	VALUE	BEQUESTS TO CHARITY	TAXES	BEQUESTS TO HEIRS
1992	\$9.7	\$3.2	\$3.8	\$2.7
1995	\$10.4	\$4.2	\$3.6	\$2.5
1997	\$19.9	\$9.8	\$6.0	\$4.1
1999	\$23.1	\$7.7	\$9.0	\$6.5
2000	\$23.3	\$7.7	\$9.1	\$6.5
2001	\$20.3	\$7.3	\$7.6	\$5.4
2002	\$22.4	\$9.4	\$7.6	\$5.4
2003	\$20.4	\$6.5	\$7.6	\$6.4
2004	\$21.4	\$7.3	\$7.3	\$6.8
%Δ92-99	138.61%	138.61%	137.60%	140.01%
%Δ99-04	-7.59%	-4.80%	-19.02%	4.91%
%Δ92-04	120.49%	127.16%	92.40%	151.80%

Source: Boston College Center on Wealth and Philanthropy based on data from Johnson and Mikow 1999 and Eller 1996-1997 and from the web page of the Statistics of Income Division of the IRS.  
\*Note: Net estates are estates minus fees and the surviving spouse deduction.

Graph 3: Percentage Allocation to Charity, Taxes, and Heirs for Estates Valued at \$10 Million but less than \$20 Million




A similar dynamic emerges in the wealthiest estates, those valued at over \$20 million, except in this case the charitable bequests are much, much larger. Because of their small numbers and large sizes, estates in this range may show much variability from one year to the next. But overall, from 1992 to 2005, their charitable allocation has remained in the percentage range of low 30s to mid 40s—a much larger charitable allocation than in smaller estates. Their allocation to taxes has trended slightly downward, in the low 30s, while allocations to heirs have trended slightly

upward, in the high 20s (see Graph 4). Again, heirs may slightly benefit from somewhat lesser transfers to Uncle Sam, but charity still receives the largest part of these wealthiest estates.

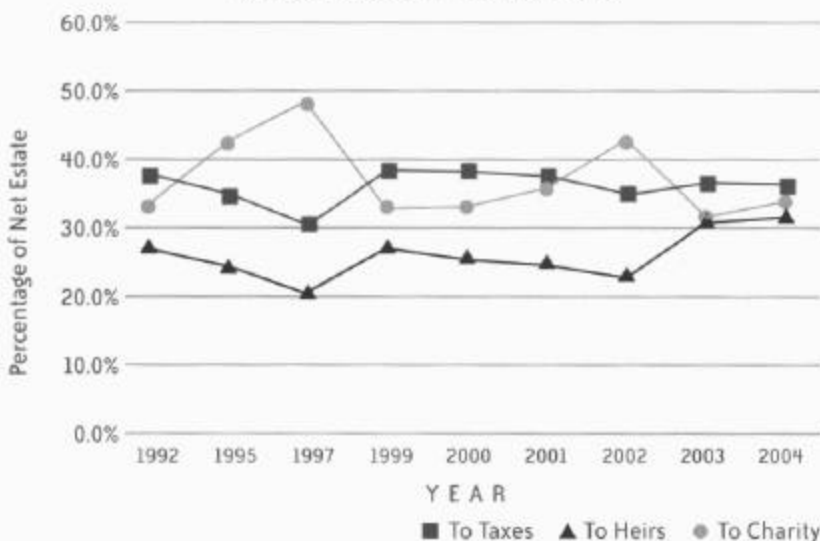
These observations conflict with some of the political rhetoric of the last decade, which has held that a decrease in estate taxes would lead to a precipitous decline in charitable bequests.

But even more significantly, in our view, is the support these data give to the claim that wealth-holders do not look to taxes as the sole or even pri-

mary factor in allocating their final or lifetime giving. The question is not just one of quantity: how much for me or for the government? It is more a question of quality: quality of life for me, my family, and my community.

Wealth-holders are increasingly looking to deploy their resources during their lives in order to share with others not just their dollars but also their values, insights, and experiences. At the same time, they are increasingly limiting their giving to heirs, perhaps out of concern that more money does not simply equal a better quality of life. We see these phenomena as connected. Both signal an increased sensitivity to the moral consequences of significant wealth, a development that bodes well for the commonwealth. 

Graph 4: Percentage Allocation to Charity, Taxes, and Heirs for Estates Valued at \$20 Million or More

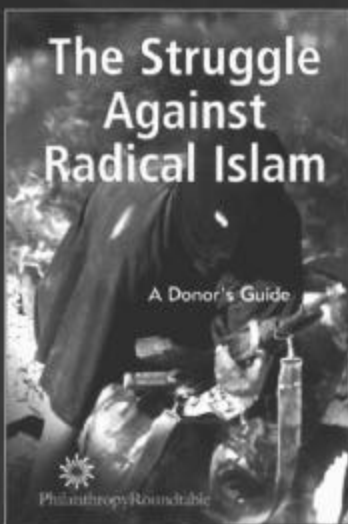


# The Struggle Against Radical Islam

Some donors look at issues of national and homeland security and assume that solutions must be the sole province of government — principally the federal government. Others look at the magnitude of the same issues and wonder where to begin in making a contribution.

While government is primarily responsible for the security of the United States, there are many opportunities for private philanthropy to have an impact.

These opportunities fall into three categories where private funding can make a crucial contribution to the struggle against Radical Islam. The first includes local or regional programs to improve the U.S. capacity to deter and respond to future terror-



ist attacks. The second includes programs to enhance the U.S. understanding of Islam, the Muslim world and the sources of radicalism and terrorism. And the third includes programs to strengthen moderate forces, both religious and secular, in the Muslim world.

The Philanthropy Roundtable is committed to helping interested donors achieve maximum impact in the national security arena. We are dedicated to assisting donors in determining which type of program best speaks to their interests.

This guidebook provides a place to start. It looks at the sources and attitudes of Radical Islam, at what government and private programs have achieved to date and at organizations that might provide an immediate route to involvement.



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