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"Wherewithal and Beneficence: Charitable Giving by Income and Wealth"

Paul G Schervish and John J Havens

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NEW DIRECTIONS FOR PHILANTHROPIC FUNDRAISING

Robert E. Fogal
Ohio Presbyterian Retirement Services Foundation
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EDITORS

CULTURES OF GIVING II

HOW HERITAGE, GENDER, WEALTH, AND VALUES INFLUENCE PHILANTHROPY

Charles H. Hamilton
J. M. Kaplan Fund
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By looking at both income and wealth, the authors show that generosity does not vary much by income, present the first systematic findings on wealth and philanthropy, and offer important practical implications for fundraising.

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Wherewithal and beneficence: charitable giving by income and wealth

Paul G. Schervish, John J. Havens

IT IS OUR contention that taking fundraising seriously requires a serious analysis of the data about the donors to whom fundraisers appeal. In this chapter we review three sets of research findings on the relationship between philanthropic giving and levels of income and wealth. These findings derive from research conducted by us at the Boston College Social Welfare Research Institute, which was graciously supported over the past few years by the Indiana University Center on Philanthropy, the Lilly Endowment, and the T. B. Murphy Foundation. In the first section of the chapter we discuss the relationship between level of income and percentage of income donated to charity. In the second section we explore the relationship between wealth and the percentages of income and wealth donated to charity. In the third section we summarize some relevant preliminary findings on giving and household finances. We

conclude with a discussion of the major empirical findings and their implication for fundraising.

Do the poor pay more?

We review the relationship between income and philanthropic giving from two perspectives (see Schervish and Havens, 1995). We begin by looking at the magnitude of philanthropic contributions made by various income groups, using four macromeasures of giving patterns averaged over groups of households. Then we present findings from micro, individual-household data to convey the relationship between household gross income and the percentage of that income contributed to philanthropy. We show where the "U-shaped" relationship, which is frequently construed as evidence that the poor pay more than the wealthy, comes from. We then go on to recalculate the relationship between income and giving, showing why in general the data do not support the contention that the poor pay more (in the sense of contributing a greater percentage of their income to philanthropy). The findings are based on statistical analysis of a data set we constructed by combining data from the 1990 (reporting contributions for 1989) and 1992 (reporting contributions for 1991) national surveys of giving and volunteering in the United States conducted by the Gallup Organization for the Independent Sector (Hodgkinson and Weitzman, 1990; with Noga and Gorski, 1992). For more information on how we constructed this data set, see Schervish and Havens, 1992.

The central question is whether the conventional notion that the poor are more generous than the wealthy is indeed correct. In other words, is what Stanley Salett (in Schervish and others, 1993, p. 78) reads and reports actually true? That is, the Independent Sector (IS) data show "that the less affluent were more generous than the very wealthy." For starters, we point out that the Independent Sector data cannot provide any answers to questions about the generosity of the rich and the poor. We must turn to other sources to obtain such information, as we shall discuss in the second major section of this chapter. For now it is important to point out that the Independent Sector data to which Salett refers and on which we base the analysis in this section provides information only on *household income*. Hence, while we can compare *upper- and lower-income households*, we cannot use the data to compare *wealthy and poor households*.

Four macromeasures of contribution by income level

In this section, we analyze contribution data for each of the thirteen categories of gross household income (Table 6.1). The analysis answers four questions about the relative magnitude of contributions by households at different income levels.

1. How much do households at different income levels contribute to philanthropy? Households in the upper five income categories ($40,000 or more in 1991 dollars) contributed 65 percent (or $45.6 billion) of the total reported contributions in 1989 and 66 percent (or $40.7 billion) of the total reported contributions in 1991. Households in the bottom eight income categories contributed 35 percent (or $24.7 billion) of the total reported contributions in 1989 and 34 percent (or $20.5 billion) of the total reported contributions in 1991 (see Table 6.1, Panels 2 and 4 for details by income category).

Figure 6.1 graphically presents the finding that lower income levels contribute far less in absolute terms than do higher income categories. (We should point out that the charts based on combined data adjust income categories for inflation between 1989 and 1991 on an individual record basis while the charts reporting aggregate figures separately for each year adjust income categories for inflation on an aggregate basis. The generally small discrepancies between the two methods do not result in changes in the general shapes and patterns which are the subject of discussion in this paper.)

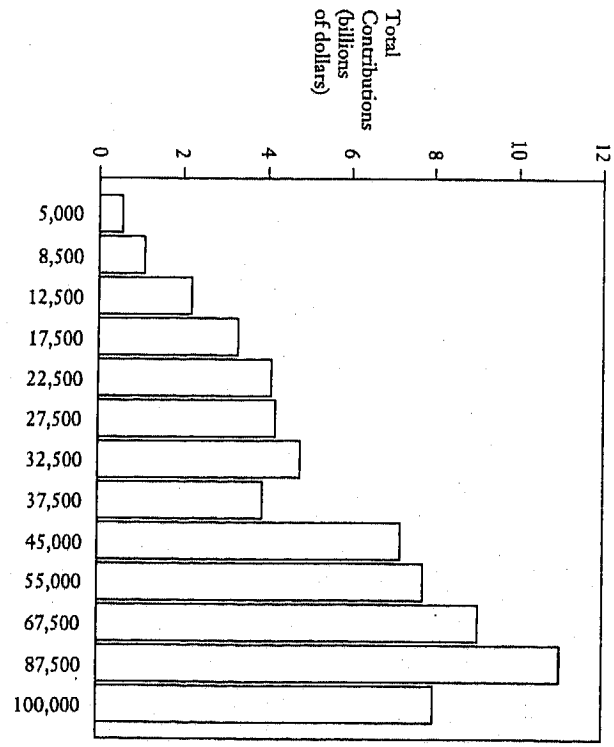
2. What is the average contribution of households at different income levels? The average contribution per household rises from $79 in 1989 and $114 in 1991 for households earning less than $7,000 per year to about twenty times as much ($1,963 in 1989 and $2,208 in 1991) for households earning $100,000 or more (see Table 6.1,

Table 6.1. Selected Measures of Contribution for Households, 1989 and 1991

Panel	Year	Household Income: Under $7,000	$7,000–$9,999	$10,000–$14,999	$15,000–$19,999	$20,000–$24,999	$25,000–$29,999	$30,000–$34,999	$35,000–$39,999	$40,000–$49,999	$50,000–$59,999	$60,000–$74,999	$75,000–$99,999	$100,000–or more	Total
1. Sample Size															
	1989	137	137	180	211	205	198	197	151	213	208	213	124	79	2253
	1991	150	98	149	156	180	180	171	183	189	212	219	123	102	2112
2. Total Annual Contributions (billions of 1991 dollars)															
	1989	0.3	1.0	2.4	2.5	4.2	4.6	5.0	4.8	7.3	6.8	8.7	12.2	10.6	70.4
	1991	0.8	0.8	1.8	4.0	3.0	3.7	3.3	3.2	6.4	7.9	9.1	8.8	8.5	61.3
3. Average Dollar Contribution per Household															
	1989	79	298	383	397	700	661	894	698	858	1,019	1,289	2,468	1,963	863
	1991	114	149	243	508	410	522	570	517	917	1,201	1,314	1,751	2,208	734
4. Cumulative Annual Contribution (percentage)															
	1989	0.5	2.0	5.4	8.9	14.9	21.4	28.5	35.4	45.8	55.4	67.7	85.0	100.0	100.0
	1991	1.4	2.6	5.5	12.0	16.9	22.9	28.3	33.5	44.0	56.9	71.7	86.2	100.0	100.0
5. Cumulative Percentage of Households															
	1989	5.5	11.0	19.5	27.9	37.1	45.9	54.1	61.6	72.5	81.0	89.4	95.6	100.0	100.0
	1991	8.9	15.1	23.8	33.3	41.9	50.4	57.4	64.8	73.1	81.1	89.3	95.4	100.0	100.0
6. Percentage of Contribution															
	1989	0.5	1.5	3.4	3.6	5.9	6.5	7.1	6.9	10.4	9.6	12.3	17.3	15.0	100.0
	1991	1.4	1.3	2.9	6.5	4.8	6.0	5.4	5.2	10.4	13.0	14.8	14.4	13.8	100.0
7. Percentage of Total Income															
	1989	0.8	1.3	2.8	3.9	5.5	6.2	7.0	7.3	12.9	12.1	14.6	14.0	11.7	100.0
	1991	1.3	1.4	3.0	4.4	5.3	6.3	6.2	7.5	10.3	11.9	15.3	14.5	12.6	100.0
8. Share of Contribution per Share of Income															
	1989	0.60	1.17	1.22	0.92	1.08	1.04	1.02	0.94	0.81	0.79	0.85	1.24	1.28	1.00
	1991	1.10	0.87	0.97	1.47	0.91	0.95	0.87	0.69	1.02	1.09	0.97	1.00	1.10	1.00

Source: Social Welfare Research Institute at Boston College analysis of data from Independent Sector's *Survey of Giving and Volunteering in the United States*

Figure 6.1. Annual Philanthropic Contributions, by Household Income

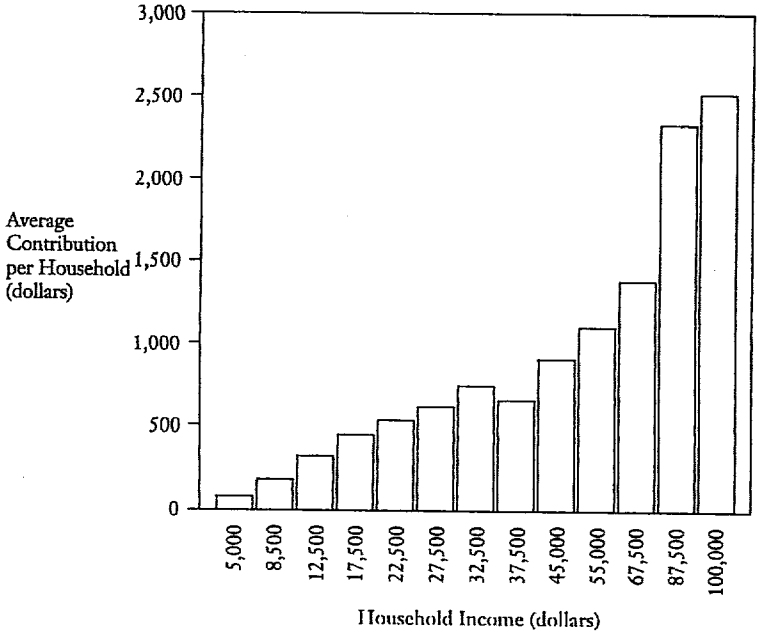


Source: Social Welfare Research Institute at Boston College analysis of combined 1989 and 1991 data from Independent Sector's *Survey of Giving and Volunteering in the United States*

Panel 3). Figure 6.2 presents this information in graphic form. Once again, the average contribution per household is strongly skewed, with upper-income households donating substantially larger amounts than lower-income households.

3. What percentage of total contributions is made by the households in the highest income quintile as compared with those in the lowest income quintile? In 1989 the 20 percent of households with the lowest incomes (less than $15,800 annually) contributed 5.7 percent of total contributions while the 20 percent of households with the highest incomes ($49,020 or above) contributed 45.6 percent of the total. Similarly, in 1991 the 20 percent of households with the lowest incomes (less than $12,815) contributed 4.2 percent of contributions while the 20 percent of households with the highest

Figure 6.2. Average Household Contribution, by Household Income

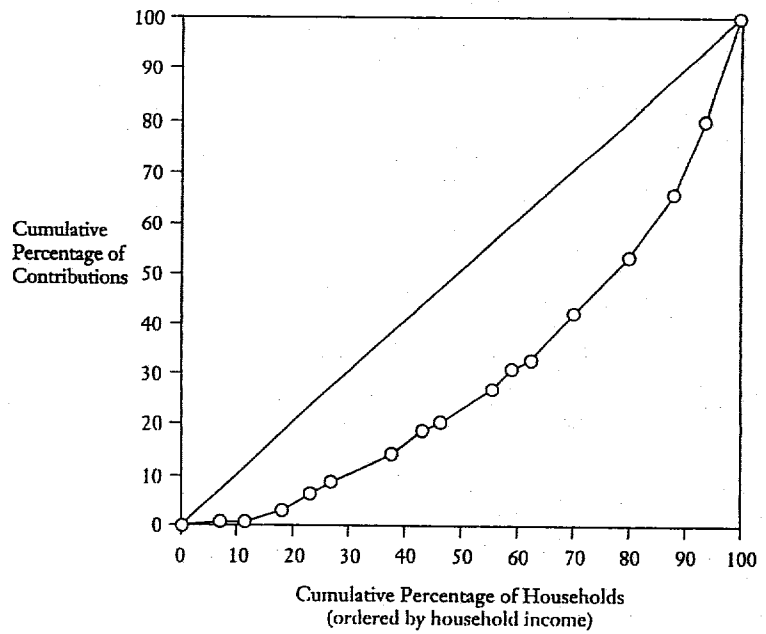


Source: Social Welfare Research Institute at Boston College analysis of combined 1989 and 1991 data from Independent Sector's *Survey of Giving and Volunteering in the United States*

incomes ($48,675 or above) contributed approximately 44.5 percent (see Table 6.1, Panels 4 and 5). In passing, it is interesting to note that Panel 5 shows that over half the households earn less than $35,000 in annual gross household income (1991 dollars) as reported in the IS survey data. This is consistent with U.S. Bureau of the Census estimates of $30,126 median money income for households in 1991 (*Statistical Abstract of the United States*, 1993, Table 711, p. 457).

Figure 6.3 presents a Lorenz-type curve for philanthropic contributions. This type of curve is often used to describe the level of inequality in the national distribution of income. Here we use it to measure the degree of inequality in the national distribution of contributions as compared with the distribution of households, ordered by income. The horizontal axis measures the cumulative

Figure 6.3. Cumulative Distribution of Contributions Versus Cumulative Distribution of Households



Source: Social Welfare Research Institute at Boston College analysis of combined 1989 and 1991 data from Independent Sector's *Survey of Giving and Volunteering in the United States*

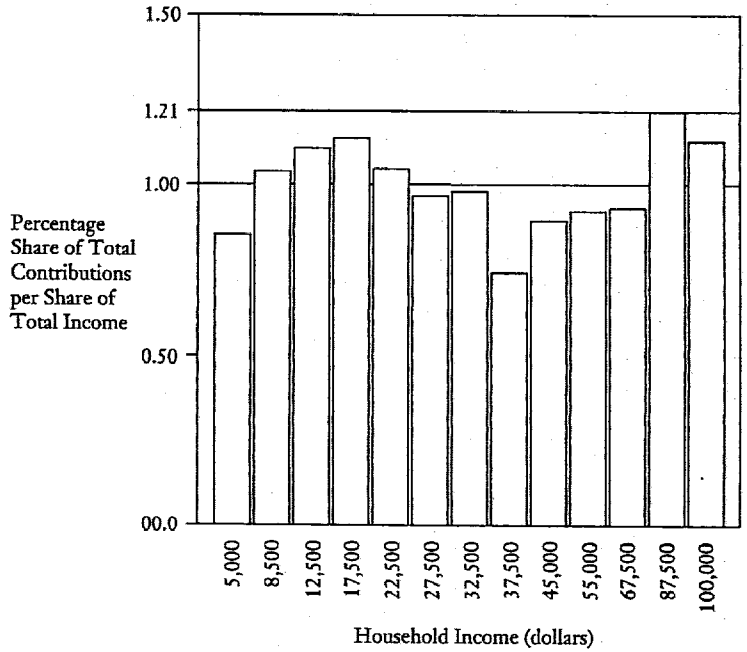
percent of households (ordered from lowest to highest household income) and the vertical axis measures the cumulative percent of total contributions made by those households. The curve identifies the percent of total contributions contributed by a designated percent of the households. Just as income is unequally distributed in the population so too are philanthropic contributions. Combining the 1989 and 1991 data, we find that the 42 percent of households with the lowest incomes (less than $25,000 annual household income) contribute approximately 16 percent of the total while the 9 percent of households with the highest incomes ($75,000 or above) contribute approximately 28 percent of the total. The higher-income households, therefore, contribute substantially more than the proportion of such households in the population.

When measured by cumulative distributions, lower-income households contribute less than higher-income households.

4. How does this cited share of total contributions made by each income category compare with its share of total income? To this end we have examined the distribution of contributions without regard to the distribution of income or the ability to pay. Lower-income households by definition have less income to contribute than do higher-income households. Thus, a complete picture of the distribution of contributions requires an additional measure that also takes household income into account. One such measure is the ratio of the percentage of total contributions made by each income group relative to the percentage of total income earned by that group. A ratio greater than one indicates that the share of contributions is larger than the share of income while a ratio of less than one indicates the reverse. For example, a share score of 1.28 for households earning $100,000 or more in 1989 indicates that these households contributed 28 percent more of the contributions than their share of income. On the other hand a score of .60 for households earning less than $7,000 in 1989 indicates that these households contributed 40 percent less of the contributions than their share of income.

Table 6.1, Panel 8 indicates a rough equality of contribution scores for 1989 and 1991 in both the lower and higher income categories and a modest tendency for households in middle income categories to contribute less than their share of income. Figure 6.4 demonstrates in graphic form the same general conclusion that there is relatively little difference in the share score among income groups. We can see that lowest income households (below $7,000) contribute the smallest share of contributions compared with their share of income. The next four income categories contribute more (about 5 to 15 percent more) than their share of income. However, the highest income households (above $80,000) contribute the greatest share (about 15 to 20 percent more) compared with their share of income. It is the group of households in the middle income range ($30,000 to $80,000) that contributes somewhat less (about 1 to 10 percent) than their share of income, with the exception of

Figure 6.4. Share of Total Contributions per Share of Total Income, by Household Income



Source: Social Welfare Research Institute at Boston College analysis of combined 1989 and 1991 data from Independent Sector's *Survey of Giving and Volunteering in the United States*

households with incomes of $35,000 to $40,000, which contribute 25 percent less than their share of income. When measured by share of total contribution per share of total income, we find some disproportionate generosity in both lower- and upper-income groups. But the general tendency across all income groups is for there to be a relatively equal level of generosity rather than greater generosity only among lower-income households.

The imagery of stingy upper-income households and generous lower-income households is not sustained in the foregoing macroanalysis of the data. More than two-thirds of total contributions (more

average, households at higher income levels make contributions that are an order of magnitude larger than that of households at lower levels. The highest income quintile contributes more than ten times the amount of the lowest income quintile. On all of the first three absolute measures, higher-income households contribute many times more than lower-income households. On the fourth measure, which compares share of contributions to share of income, there is a rough equality of generosity among all income groups, with at most a modest tendency for middle-income households to contribute less than their share of income. There is no evidence to support the popular notion of caring lower-income and uncaring upper-income households. Both groups appear equally caring.

Micromeasures of contribution by household income

The Independent Sector's biennial Gallup survey also enables us to analyze the giving patterns of individual households by constructing three important micro measures. The first is the U-shaped pattern of giving that emerges when we exclude noncontributing households and look only on the subset of households that make a charitable contribution. The second is the participation rate of each income group, that is, the proportion of households in an income group that makes at least $1 in charitable contributions during the survey year. The third instructive measure is the percentage of income contributed by each income group when all (contributing and noncontributing) households are included in the statistics.

Where the U-shaped curve comes from. The first step is to reproduce the often-cited U-shaped relationship between income and giving. Table 6.2 (Panels 1 and 2) presents the data that is graphed on Figure 6.5.

Figure 6.5, like the following two figures, plots the data for contributions in 1989 and 1991 on the same figure because income and contributions are both adjusted to 1991 dollars. The points on the figure represent the average percentage of household gross income contributed by household income for each year. All of these averages are based on more than one hundred households (see Table 6.1,

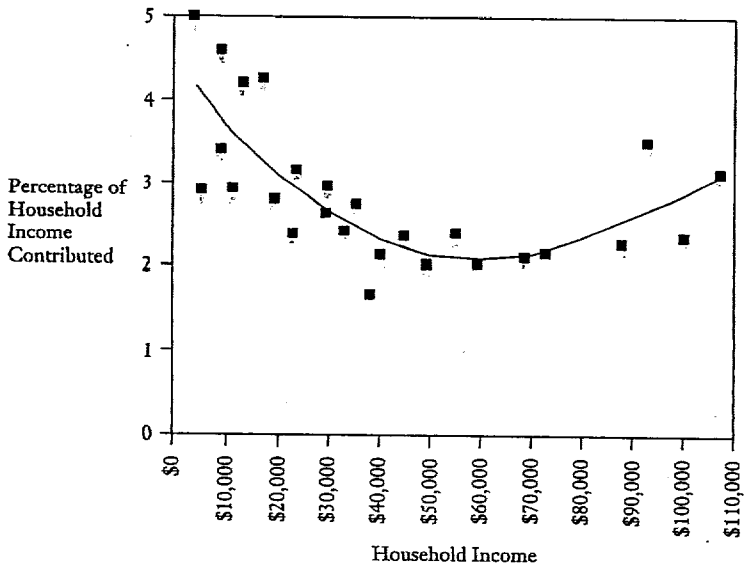
Table 6.2. Percentage of Household Income Contributed, 1989 and 1991

Household Income (nominal dollars)

Panel	*Year*	*Under $7,000*	*$7,000–$9,999*	*$10,000–$14,999*	*$15,000–$19,999*	*$20,000–$24,999*	*$25,000–$29,999*	*$30,000–$34,999*	*$35,000–$39,999*	*$40,000–$49,999*	*$50,000–$59,999*	*$60,000–$74,999*	*$75,000–$99,999*	*$100,000 or more*
1. Household Income in 1991 Real Dollars (plotted on x-axis)														
	1989	5,357	9,107	13,392	18,749	24,106	29,463	34,820	40,177	48,212	58,926	72,318	93,746	107,138
	1991	5,000	8,500	12,500	17,500	22,500	27,500	32,500	37,500	45,000	55,000	67,500	87,500	100,000
2. Annual Average Percentage of Income Contributed, Contributing Households Only														
	1989	3.0	4.7	4.3	2.9	3.2	3.0	2.9	2.2	2.1	2.1	2.2	3.4	3.1
	1991	5.0	3.4	3.0	4.3	2.5	2.7	2.4	1.6	2.4	2.5	2.1	2.3	2.3
3. Rate of Participation in Giving (percentage of all households)														
	1989	46.6	58.1	64.9	67.7	82.3	75.1	83.9	84.2	88.8	84.7	91.4	95.5	90.2
	1991	42.9	51.0	65.2	68.1	72.7	73.0	72.5	84.2	84.7	88.6	91.1	89.0	95.6
4. Annual Average Percentage of Income Contributed, All Households														
	1989	1.4	2.7	2.8	2.0	2.6	2.2	2.4	1.8	1.8	1.8	2.0	3.2	2.8
	1991	2.2	1.8	1.9	3.0	1.8	2.0	1.8	1.4	2.0	2.2	2.0	2.0	2.2

Source: See Table 6.1.

Figure 6.5. Percentage of Household Income Contributed, by Household Income



Source: Social Welfare Research Institute at Boston College analysis of combined 1989 and 1991 data from Independent Sector's *Survey of Giving and Volunteering in the United States*

Panel 1). The U-shaped curved line in Figure 6.5 is a third order polynomial that has been estimated from the data using ordinary least squares regression. It shows the trend relationship in the data and is statistically different from a horizontal line (representing no difference by income) at a .01 level of significance. The left end of the curve is higher than the right end, indicating that lower-income households contribute a greater proportion of their income than do higher-income households. The low portion of the U indicates that middle-income people give less than both lower- and higher-income households. Thus even those who cite this relationship misconstrue its content when they say they say that low- and middle-income households give a greater percentage of their incomes than upper-income households.

It might appear from this reconstruction that there is evidence that the poor do pay more. However, when we look more closely at

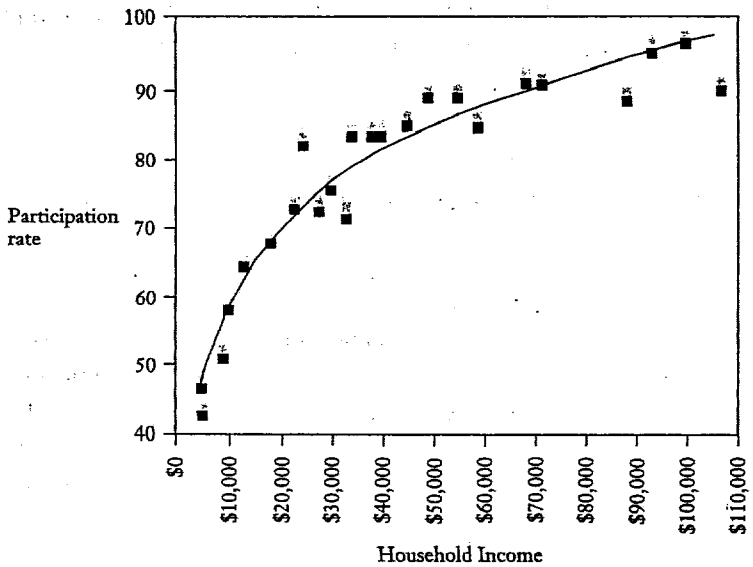
the procedures for analyzing these data we find a critical flaw, namely, the treatment of the subpopulation of contributors as if it were the entire population. The U-shaped curve describes only those households in each income category that make a contribution and ignores all other households that contribute nothing. As such, the data describe just those who report making contributions rather than all the lower-income, all the middle-income, or all the higher-income households.

We now arrive at the key finding that sets the record straight about the so-called U-shaped curve concept, namely, that lower-income households are more likely than upper-income households to make no charitable contribution. Were there roughly equal proportions of households making contributions in each income group, the U-shaped pattern would be maintained for the population as a whole, albeit shifted downward. However, the combined data for both survey years show that the participation rates are substantially lower and statistically significant ($p < .01$) for lower-income households than for higher-income households, ranging from under 66 percent for the three lowest income groups to over 88 percent for the three highest income groups (see Table 6.2, Panel 3). As we can see from Figure 6.6, the participation rates for each income category and the least squares (logarithmic) trend curve for participation data in 1989 and 1991 show an increasing level of participation as income rises.

Recalculating the relationship for all households. The difference in participation rates implies that the relationship between income and percentage of income contributed in the population as a whole is different from that represented by the often-cited U-shaped curve. When we include all households in the analysis (Table 6.2, Panel 4), the U-shaped curve (Figure 6.5 and the upper curve in Figure 6.7) is flattened to the wavy, relatively flat curved line depicted by the lower curve in Figure 6.7. This curve is not statistically significant (even at the .2 level), that is, it is not different from a horizontal straight line. Thus we can conclude that households at all income levels contribute roughly the same percentage of their incomes to philanthropy even though there is an upturn at the right side.

Discussion. Like the macro-level analysis, the micro-level analysis

Figure 6.6. Rates of Participation, by Household Income

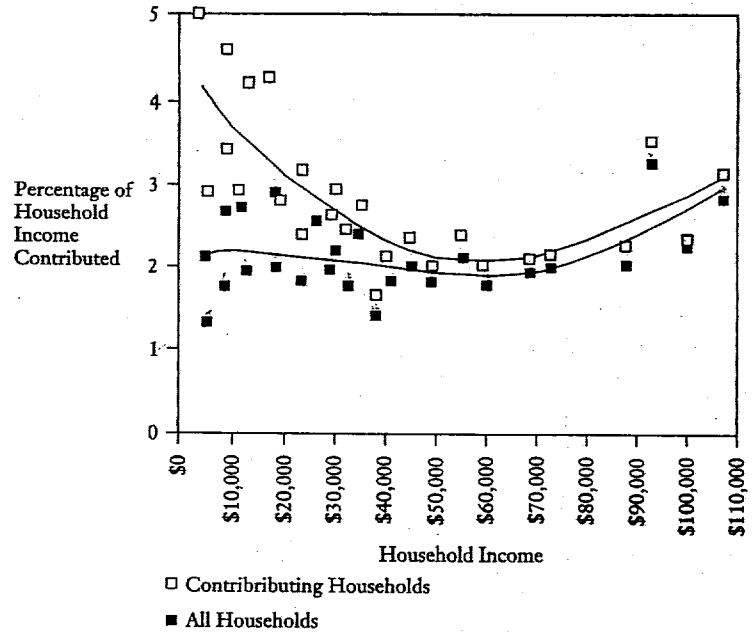


Source: Social Welfare Research Institute at Boston College analysis of combined 1989 and 1991 data from Independent Sector's *Survey of Giving and Volunteering in the United States*

does not support the contention that lower-income households donate a higher percentage of their income to charity than upper-income households. When taking into account both contributing and non-contributing households, the percentage of gross income contributed to philanthropy is roughly the same at all income levels.

However, the original U-shaped curve does tell us something important about differences in the underlying pattern of giving for lower- and upper-income households. First, many at lower-income levels contribute nothing while nearly all at upper-income levels contribute something. Second, those who do contribute at the lower end give on average a greater share of their incomes than do contributors at the upper end. Our major conclusion is that generosity is not strongly related to income and, hence, must be related to other social and personal characteristics that cut across the financial spectrum. Ferreting out some of these positive and perhaps class-blind

Figure 6.7. Percentage of Household Income Contributed, by Household Income



Source: Social Welfare Research Institute at Boston College analysis of combined 1989 and 1991 data from Independent Sector's *Survey of Giving and Volunteering in the United States*

sources of generosity rather than perpetuating an invidious imagery, is the task we undertake in the third section of this chapter.

Higher income, wealth, and giving

This section of the chapter presents significant findings from our current ongoing research. It is based on giving behavior from our quantitative analyses of the 1989 *Survey of Consumer Finances* (SCF). This is a representative survey of approximately twenty-seven hundred households with an oversample of approximately three hundred high-income households. The survey was conducted by the Survey

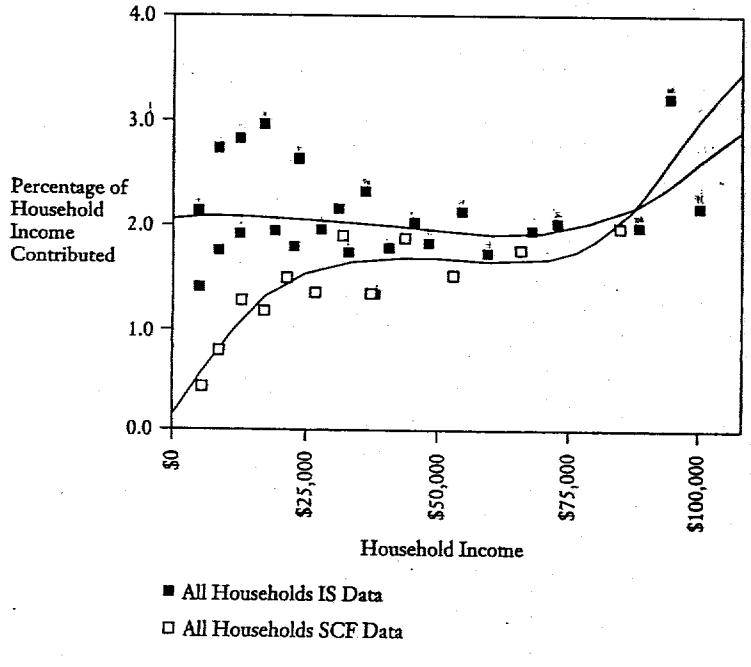
Research Center at the University of Michigan for the Federal Reserve. Our analysis has three primary objectives: (1) to confirm and extend our earlier findings regarding the relationship between household income and charitable giving; (2) to explore the relationship between household wealth and percent of income given; and (3) to discuss the problems that arise when attempting to uncover patterns in the percent of wealth contributed.

Confirmation and extension of prior findings

The 1989 SCF provides detailed information for 1988 on total annual contributions in excess of $500 as well as on household income. These data allow an independent reevaluation of the relationship between giving behavior and household income. The reevaluation graphically presented in Figure 6.8 confirms the findings cited in the previous section of this chapter for households with incomes under $100,000, with the exception that where the IS data indicate an average household contribution of 2 percent across income levels, the SCF data indicate an average contribution of 1.5 percent. We believe this discrepancy is the result of two factors. The SCF excludes contributions of less than $500 and it excludes political contributions, which we included in our analysis of the IS data. The downward curving left tail of the SCF data line reflects the fact that households that gave less than $500 in the survey year are treated as not having made a contribution. When we eliminate contributions of under $500 from the IS data to make it parallel with the SCF data, the left tail of the IS data line looks like the left tail of the SCF data line in Figure 6.8.

Although the IS survey does not support analysis beyond income of $100,000, the SCF does because of its unique oversample of more than three hundred very high income households. Figure 6.9 presents the analysis of this extended income range. The figure shows that there is a rather sharp increase in the percentage of income contributed as income increases. Charitable contributions are slightly less than 2 percent of income at $100,000, increase to approximately 3.6 percent at the $100,000 to $150,000 level, and jump to approximately 4.9 percent at the level of $1 million or more.

Figure 6.8. Percentage of Income Contributed, by Household Income Under $100,000 for All Households in the Independent Sector Data and in the *Survey of Consumer Finances*



Note: The SCF records contributions of $500 or more annually; IS includes contributions of all amounts. Thus, (i) the average value of percentage of household income contributed is approximately 2 percent based on the IS data but is approximately 1.5 percent based on the SCF data; (ii) the plotted points based on households in the lower income range of the SCF are especially low relative to the corresponding points based on households in the lower income range of the IS data.

The curve based on IS data is not statistically significantly different from a horizontal line at the .01 significance level. The curve based on SCF data is significantly different from a horizontal line at the .05 significance level because of households in the lowest two income categories; an additional consequence of the differences discussed in the paragraph above.

The IS data combine data from the 1990 and 1992 *Survey of Giving and Volunteering in the United States*. The SCF data were collected in the 1989 survey.

If the IS data are recalculated by considering total household contributions less than $500 to be 0, similar to the SCF, the data plots become nearly identical, even in the lower income range.

Sources: Social Welfare Research Institute at Boston College analysis of combined 1989 and 1991 data from Independent Sector's *Survey of Giving and Volunteering in the United States* and 1988 data from the Federal Reserve's *Survey of Consumer Finances*

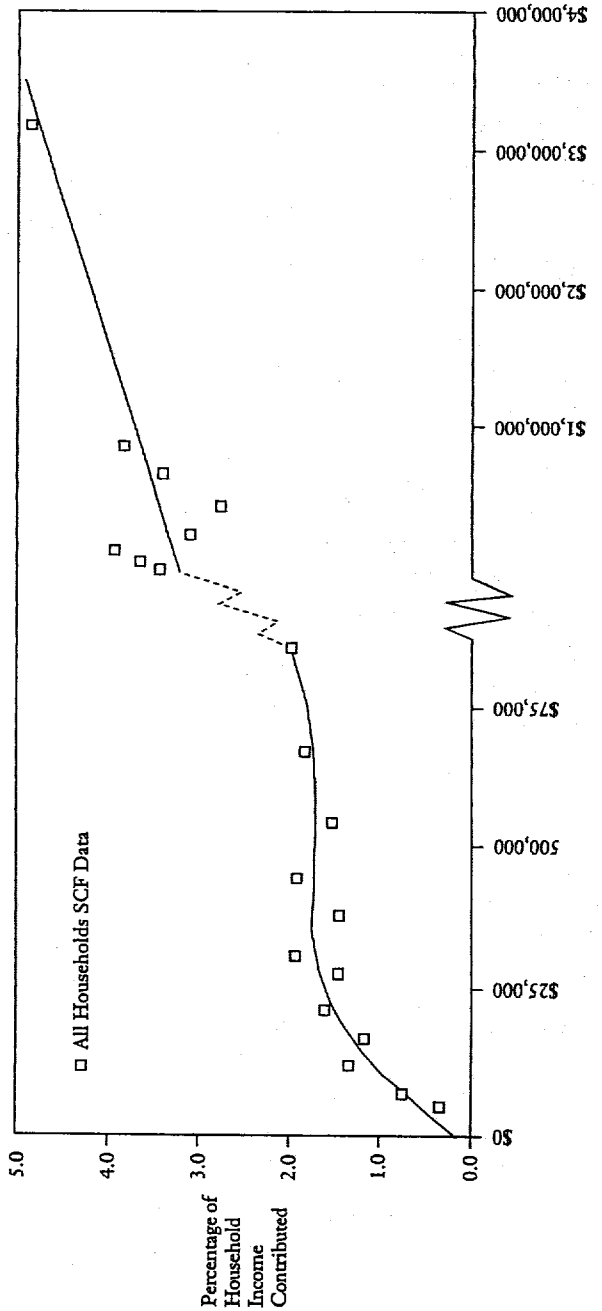
Our earlier findings must therefore be modified. In terms of the percentage of income contributed, the very affluent (households with incomes greater than $100,000) are more than twice as generous as lower- and middle-income households. Importantly, the increased percentage of income contributed at the upper-income levels is attributable primarily to a small fraction (less than 20 percent) of households in each income category that make very large contributions while the remaining households in the category make modest contributions averaging approximately 2 percent of their income (see again Figure 6.9). One possible explanation for this pattern is that higher-income households may regularly contribute a "normal" amount averaging 2 percent per year but once or twice a decade make an additional, substantial contribution.

Wealth and charitable giving

At this point in the chapter, we have discussed the relationship between household income and percent of income contributed to charity. The second set of findings from our analysis of SCF explores the relationship between wealth and giving behavior. Although much philanthropic literature speaks of differences between the rich and the poor, it is not accurate to do so on the basis of analysis of household giving behavior by income. As we have already indicated, the financial data for classifying households in our analysis of the IS data was income, not wealth.

Fortunately, the *Survey of Consumer Finances* enables us to begin to remedy this situation because it allows us to estimate the percentage of income contributed by households at different levels of net worth. As our measure of wealth, we utilized the concept of net worth, that is, all household assets minus all household liabilities. (As already noted, the SCF collects no information concerning contributions totaling less than $500 per year. So unless otherwise specified, all references to average contributions, participation rates, and percentages of income contributed are to contributions in excess of $500.) The relationship between wealth and giving is complex and requires further analysis. For our purposes here, there are several preliminary findings in Table 6.3.

Figure 6.9. Percentage of Income Contributed, by Household Income, for All Households in the *Survey of Consumer Finances*



Note: The *Survey of Consumer Finances* records contributions of $500 or more annually. On the horizontal axis, each tic to the left of the saw tooth represents $5,000 in 1988 dollars; each tic to the right of the saw tooth represents $100,000 in 1988 dollars. The graph to the left of the saw tooth is a third order polynomial and is identical to the SCF portion of Figure 6.8; the graph to the right of the saw tooth is exponential. Both graphs are based on "best fit" criteria and were fit on the basis of least-squares estimation within the range portrayed.

Sources: Social Welfare Research Institute at Boston College analysis of combined 1989 and 1991 data from Independent Sector's *Survey of Giving and Volunteering in the United States* and 1988 data from the Federal Reserve's *Survey of Consumer Finances*

Amount contributed. For the population of all households, the average amount contributed increases as household net worth increases (from an average contribution of $151 for households that have zero or negative net worth to $238,426 for households that have a net worth of $50 million or more).

Percentage of income contributed. The average percentage of income contributed consistently increases as household net worth increases (from an average of 0.5 percent for households that have zero or negative net worth to 17.8 percent for households that have a net worth of $50 million or more). The upward sloping curve in Figure 6.10 reflects the strong positive relationship between net worth and percentage of income contributed at the very upper reaches of the net worth distribution.

For the subset of households that make a contribution, the relationship between income and percentage of income contributed resembles a "J." Contributing households with negative net worth give about 8.2 percent of their income while households with a net worth of $15,000 to $25,000 contribute only 3.9 percent of their income. However, for households with a net worth of $50 million or more we find contributions reaching 17.8 percent of income.

Participation rate. The rate of participation in charitable giving increases dramatically as net worth increases (from 6.5 percent participation for households that have zero or negative net worth to 100 percent for those that have a net worth of $50 million or more).

Thus it is clear that wealth is strongly related to giving behavior in terms of participation in philanthropy, amounts contributed, and rates of participation. All three measures increase as wealth goes up, just as they increased with income. However, the relationship between percentage of income given and level of income differs from the relationship between percentage of income given and level of wealth. The average percentage of income contributed is roughly constant for households with incomes under $100,000 and increases with income only for households with income above $100,000. In contrast, the average percentage of income contributed increases as net worth increases throughout the positive range of net worth, although the increase is most dramatic among households with net worth in excess of $1,000,000.

Table 6.3. Selected Measures of Contribution by Household Net Worth

Household Net Worth

Panel	*Negative or $0*	*$1–$5,000*	*$5,001–$25,000*	*$25,001–$50,000*	*$50,001–$100,000*	*$100,001–$150,000*	*$150,001–$250,000*	*$250,001–$500,000*	*$500,001–$1,000,000*	*$1,000,001–$10,000,000*	*$10,000,001–$50,000,000*	*$50,000,001 or More*	*Total*
1. Sample Size													
	217	271	335	264	373	253	278	313	193	484	138	24	3143
2. Average Contribution per Household (dollars)													
	151	77	158	359	386	601	938	1,322	1,821	7,784	41,379	238,426	715
3. Average Percentage of Household Income Contributed													
	0.5	0.6	0.6	1.3	1.4	1.7	2.2	2.8	2.8	5.5	6.8	17.8	1.5
4. Percentage of Households Participating in Philanthropy													
	6.5	9.5	14.0	27.2	29.3	42.9	47.2	64.7	75.5	83.6	98.4	100.0	30.7
5. Sample Size, Contributing Households Only													
	18	22	52	65	120	114	147	210	152	449	133	24	1506
6. Average Contribution per Household, Contributing Households Only (dollars)													
	2,311	812	1,127	1,319	1,319	1,399	1,986	2,043	2,412	9,305	42,044	238,426	2,330
7. Average Percentage of Household Income Contributed, Contributing Households Only													
	8.2	5.9	4.4	4.6	4.7	4.1	4.6	4.4	3.7	6.6	6.9	17.8	4.7

Note: Only annual household contributions of $500 or more are recorded in the *Survey of Consumer Finances.* Only contributions of $500 or more are included in this table. The table thus underestimates total and average contributions, as well as contributions as a percentage of income.

The table excludes all cases in which the amount contributed, the participation rate, the percentage of income contributed, or net worth is coded as missing data. Net worth is the sum of the household's assets at current market value less the sum of its liabilities in current dollar terms. No data were collected for the value of furnishings and personal belongings, other than luxury items such as jewelry. The net worth does not take them into account.

All dollar figures refer to 1988 dollars and have not been adjusted for inflation.

Source: Social Welfare Research Institute at Boston College analysis of 1988 data from the Federal Reserve's *Survey of Consumer Finances*

Figure 6.10. Percentage of Household Income Contributed, by Household Net Worth for All Households in the 1989 *Survey of Consumer Finances*

Note: The *Survey of Consumer Finances* records contributions of $500 or more annually. On the horizontal axis, each tic to the left of the saw tooth represents $50,000 in 1988 dollars; each tic to the right of the saw tooth represents $5,000,000. The graph to the left of the saw tooth is a power function; the graph to the right of the saw tooth is exponential. Both graphs are based on "best fit" criteria and were fit on the basis of least-squares estimation within the range portrayed.

Source: Social Welfare Research Institute at Boston College analysis of combined 1989 and 1991 data from Independent Sector's *Survey of Giving and Volunteering in the United States* and 1988 data from the Federal Reserve's *Survey of Consumer Finances*

Additional findings and research directions

We are currently involved in several other research efforts that are related to the content of this chapter. Although these efforts have not yet been completed, we are able to report some preliminary findings.

Charitable giving by low-income households

Preliminary analysis suggests that low-income households contain a large subgroup of persons who are over age 60 and retired. This subgroup further subdivides into a surprisingly sizeable fraction of people who are fairly wealthy—as measured by their net worth—and another fraction, as expected, made up of those who are quite poor. (It should be noted that in the following paragraphs, when we use the term *wealthy* we are referring to net worth.) The wealthy subgroup accounts for a moderately large number of the households with little or no income who make charitable contributions. We are currently exploring the giving behavior of these subgroups to assess the extent to which the higher percentage of income contributed by low-income households is the result of the contributions of these wealthy but low-income households who are apparently contributing to philanthropy from their accumulated wealth rather than from their incomes. Such contributions mathematically would raise the average percentage of income contributed by the low-income group. If this turns out to be the case, the implication is that the high giving by low-income households found in the survey data is not evidence of a very generous low-income poor but of a somewhat generous low-income wealthy.

Variation among very high income households

As presented previously in this chapter, our analysis indicates that households with very high incomes contribute proportionately and progressively more than do other households. Moreover, wealthy households also contribute proportionately more of their income than do both poor households and households of average wealth. But these averages tend to obscure what may be an important underlying

phenomenon: a preliminary analysis of the very high income oversample of the *Survey of Consumer Finances* reveals that a subgroup of these households made large contributions in 1988 while the remainder made modest contributions. This finding is consistent with three different underlying patterns: (1) there are two types of very high income households—one very generous and the other less generous; (2) one type of very high income household makes very large contributions once every few years and modest contributions the rest of the time; or (3) there is some combination of (1) and (2).

To explore this issue further we are attempting to acquire or assemble panel data for very high income households from the *Survey of Consumer Finances* for each of their survey years. An understanding of the underlying pattern is important for fundraisers who would like to know if most wealthy make very large contributions at one time or another and need only to be induced to do so more frequently or if most wealthy seldom make such large contributions and need to be introduced to the notion of substantial giving for the first time.

Up to this point we have investigated charitable giving in terms of participation rate, amount contributed, and percentage of income contributed. However, we have not presented results on the percentage of net worth contributed. We have started to address this issue by examining several correlates of the percentage of net worth contributed. We find that neither level of household income nor level of household wealth is statistically relevant to the percentage of net worth contributed by a household.

There are three possible explanations for this lack of relationship. First, the percentage of net worth may not be a good measure of giving behavior; we are not yet convinced one way or the other. Perhaps there is reason to believe that households with the same level of net worth may perceive their ability to give in entirely different lights. Second, the relationship between percentage of net worth contributed and net worth may be nonlinear and complex. Different underlying patterns of giving may be occurring at different levels of household wealth. Simple correlation analysis is not sufficiently sophisticated to reveal this kind of more complex relationship. Third, the generosity of households as measured by the percentage of their net worth contributed may depend on factors other than household wealth. For example, it may depend more on age, family status, types of assets making up one's net worth, and so forth.

Joint effect of income and wealth

We have found that level of household income and household wealth each separately affect participation rates, amount given, and percentage of income given. Looking at the joint effects of income and wealth we find that, for the most part, the rate of participation, the amount given, and the percentage of income given all increase for each level of income within each level of wealth and for each level of wealth within each level of income. That is, the effects of income and wealth on giving are cumulative. Although the joint effect of income and wealth is positive, wealth tends to make a greater impact than income on amount given and percentage of income given. In contrast, income tends to make a greater impact than wealth on participation rates. We tentatively conclude that, while wealth and income are separately and jointly important for explaining generosity, overall wealth is more important than income, especially when wealth increases to very high levels.

Conclusion

The findings discussed in the foregoing paragraphs are significant for a number of reasons. By analyzing charitable giving across the entire financial spectrum, we are able to correct a long-standing misconception about income and generosity. We can offer the first systematic, albeit preliminary, look at charitable giving by the wealthy. This detailed research suggests several practical implications for fundraising.

Correcting a long-standing misconception

One important empirical contribution of the analysis presented in this chapter is to correct the factual misconception that lower-income households are markedly more generous than upper-income

households. In terms of absolute amounts contributed, it is clear that the upper-income groups contribute the lion's share of charitable contributions. More importantly, because lower-income households are substantially less likely to make charitable contributions, it turns out that in the income range up to $100,000 there is a relative equality of generosity measured by percentage of income contributed. Moreover, when we examine patterns of giving for households with income above $100,000, there is a dramatic increase in percentage of income contributed. Thus the popular notion of the generous poor and the stingy rich is simply incorrect.

In fact, lower-income and upper-income households are equally generous, while very high income households are markedly more generous. This should not be taken as an effort to replace the misdirected attack on the rich with adulation. That those with substantially greater discretionary income contribute a larger share than those who may in fact need assistance is neither surprising nor cause for celebration. It is, however, an important fact of philanthropy, the implications of which we address in the next paragraph.

Wealth and philanthropy

The second set of important empirical findings concern the giving patterns of the truly wealthy. Much previous research has spoken about the giving patterns of rich and poor. But that research actually was based on data about income rather than net worth. The *Survey of Consumer Finances* has enabled us not only to extend the analysis to the highest income brackets but to provide—to our knowledge—the first systematic findings on *wealth* and philanthropy. We can now say unequivocally that virtually all the rich are contributors, that they donate very large amounts to charity, and that they give greater proportions of their income to charity than do the poor or the merely affluent. Whether this pattern represents generosity is not for us to say. However, it certainly contradicts the statistical portrait maintained by those who refer to the wealthy as "ungenerous" and "stingy" (see Nielsen, 1992).

Implications for fundraising

Although these findings are quite new and a rich research agenda still awaits our attention, what we have already learned suggests several practical implications for fundraising. Because our findings about upper-income and wealthy households break the most new ground, we focus on the implications in regard to these groups.

First, fundraisers do not need to induce the financially well-off to become givers or create every generous giver de novo. Nearly all upper-income and wealthy households are already participating in charitable giving and many from each group are substantial givers. Second, much of the groundwork for fundraisers has already been done. Unlike lost drivers in Boston who are told "You can't get there from here," fundraisers have it in their capacity to find the way to their goal. Of course, it is their hope and responsibility to attract new donors and elicit the largest possible gifts. But fundraisers generally do not need to turn the wealthy into givers. Usually, that has already occurred.

Thus, fundraisers should attend to getting wealthy donors to do *more* of what they are already doing. That is, in addition to inducing donors to make either an initial or a more frequent large contribution, fundraisers should concentrate on getting donors to focus more on the fundraisers' organization. In a word, fundraisers should abandon the tired and potentially paralyzing imagery of always needing to beckon an unheeding, ungenerous, and uninitiated wealthy population. All are already givers, most are substantial givers, and many have an associate, if not a friend, who is generous.

We recommend three practical tasks, each of which is within the reach of fundraisers. The first is to provide a reason for people who are already givers to focus on a particular cause. Rephrasing Tip O'Neill's dictum about politics, it is also true that all giving is local in the sense that giving reflects the connection between an organization's mission and a funder's moral purpose. Because most individuals at the upper ends of income and wealth are already engaged in charity at some significant level, it is their

dedication and not just their generosity that must be secured. The second fundraising task is to engage the very generous givers as fundraising associates. Fundraisers need to learn how to draw on the commitment, access, and contacts of current donors in order to persuade others to make an initial large gift or to increase the frequency and size of their gifts. The third task is to expand the number of such fundraising associates and encourage them to enlarge their own commitments.

And the bottom line? There is a substantial amount of income and wealth available for charitable purposes. Only a few of the wealthy are stingy, many are generous, and all are already active donors at some level. To attract the greater donations, fundraisers need to induce dedication and expanded commitment but not initial generosity.

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