

Bank of America  
Study of High Net-Worth Philanthropy

Initial Report



Researched and Written by



October 2006

## **Bank of America**

The Philanthropic Management group within Bank of America delivers expertise and a comprehensive suite of investment, planned giving, grantmaking and charitable management services to help our clients build and sustain their missions. Our clients include philanthropic individuals and families and nonprofit institutions for which we seamlessly integrate philanthropy into a broader financial relationship. We focus on effective and efficient philanthropy for both donors and the nonprofits they support. Over 9,000 philanthropic institutions, individuals and families entrust us with over \$30 billion in assets (as of 12/31/05).

## **The Center on Philanthropy**

Every culture depends on philanthropy and nonprofit organizations to provide essential elements of a civil society. Effective philanthropy and nonprofit management are instrumental in creating and maintaining public confidence in the philanthropic traditions--voluntary association, voluntary giving, and voluntary action. The Center on Philanthropy at Indiana University increases the understanding of philanthropy and improves its practice through programs in research, teaching, public service, and public affairs.

The Center on Philanthropy at Indiana University is a part of the IU School of Liberal Arts at Indiana University-Purdue University Indianapolis. The Center has academic and research programs on the IUPUI and the IU-Bloomington campuses.

## **The Study of High Net-Worth Philanthropy**

### Center on Philanthropy Project Team

Patrick M. Rooney, Ph.D., Director of Research and Principal Investigator

Heidi K. Frederick, Assistant Director of Research and Project Manager

Melissa S. Brown, Associate Director of Research

Eugene R. Tempel, Ed.D., CFRE, Executive Director

Graduate Assistants: Emily Krauser, Taka Yoshioka, Xing Wei, and Christine Weisenbach

### Editorial Review Board

Cary Grace, Managing Director, National Philanthropic Management Leader, Bank of America

Ramsay Slugg, Senior Vice President, National Philanthropic Management Practice, Bank of America

Kerry H. Sullivan, Senior Vice President, Grantmaking Executive, Bank of America

Paul Bombard, Senior Vice President, Global Wealth & Investment Management Segment Marketing, Bank of America

### Research Methodology Committee – Study of High Net-Worth Philanthropy

Richard S. Steinberg, Ph.D., Professor of Economics and Philanthropic Studies, IUPUI

Mark Wilhelm, Ph.D., Associate Professor of Economics and Philanthropic Studies, IUPUI

Patrick Rooney, Ph.D., Professor of Economics and Philanthropic Studies, IUPUI

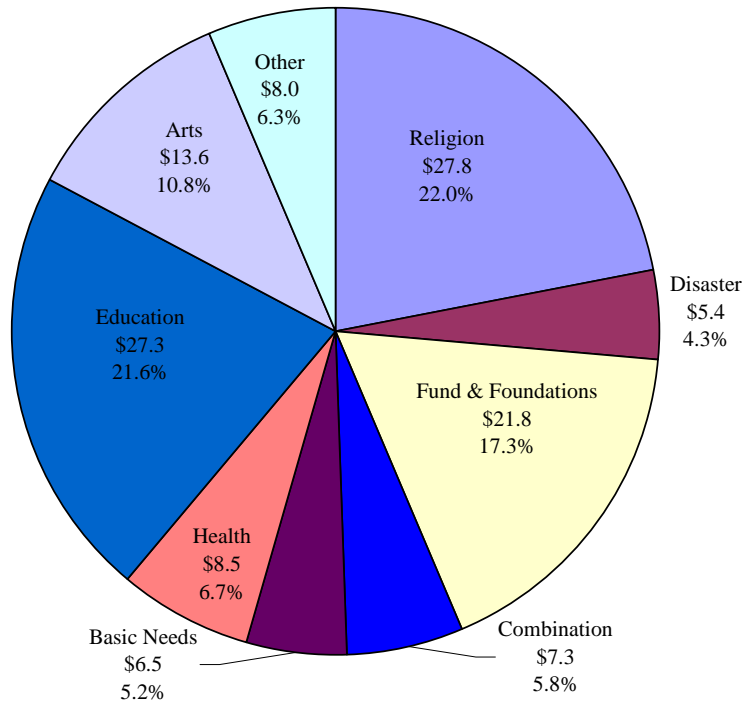
Heidi K. Frederick, Staff Support

The Center on Philanthropy  
at Indiana University  
550 W. North St., Suite 301  
Indianapolis, IN 46202-3272  
317-274-4200  
www.philanthropy.iupui.edu

Bank of America  
Philanthropic Management  
100 Federal Street  
Boston, MA 02110  
617-434-6057  
www.BankofAmerica.com

High Net-Worth households, those with incomes of greater than \$200,000 or assets in excess of \$1,000,000, represent 3.1 percent of the total households in the United States. This very small number of households has an enormously disproportionate impact on charitable giving – they are responsible for approximately two-thirds of all household charity in this country. The Bank of America Study of High Net-Worth Philanthropy is the most in-depth quantitative study of those households aimed at understanding not only their charitable practices, but also the motivations behind them. Bank of America, one of the leading providers to both philanthropic individuals and institutions, partnered with the Center on Philanthropy at Indiana University, one of the nation’s leading academic centers for the study and practice of philanthropy. Based on a random survey of over 30,000 households in high net-worth neighborhoods across the country, this landmark study has major implications for the philanthropic sector: those who donate, the nonprofits that benefit from those donations, and the financial institutions that support them. These are the initial findings from the study.

Figure 1  
 Allocation of Total Donations from High-Income Households, 2005  
 Total estimated donations: \$126 billion



High net-worth households, as a group, allocate their philanthropic contributions quite differently than the U.S. general population. For the general population, the majority of donations are directed towards religious organizations. However, most high net-worth household donations are given to organizations that serve a combination of purposes, such as the United Way, or to foundations, funds, or trusts. High net-worth households also give a disproportionately larger percentage of their donations to educational and arts and cultural organizations.

Figure 2 Estimated Distributions of Household Giving by Type of Recipient, High Net-Worth and U.S. Household Comparison

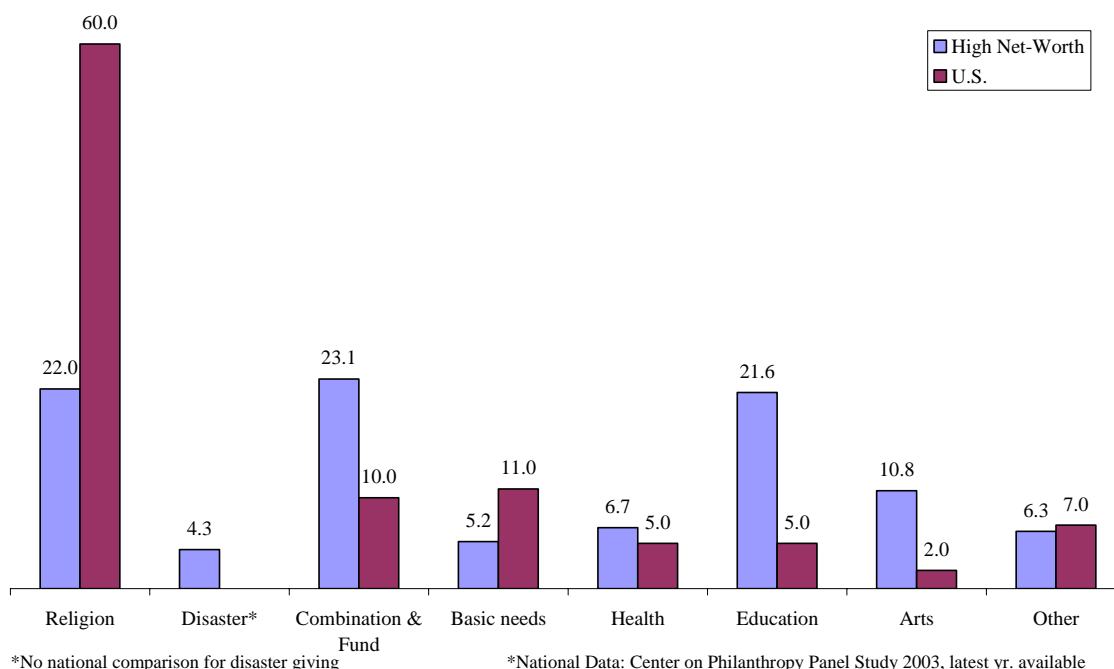


Table 1: High Net-Worth Household Giving by the Type of Organization Receiving Funding (donor households only)

	Percent of HNW Donors Giving to subsectors	Avg. HNW	Median HNW	Avg. U.S.	Median U.S.
Total giving <sup>2</sup> (excluding disasters)	98	\$117,488	\$15,500	\$1,917	\$700
Disaster giving	71	\$5,038	\$1,000	----	---
Total giving (with disasters)	98	\$120,651	\$16,500	-----	-----
Secular giving	97	\$102,553	\$10,000	\$863	\$302
Religious giving	72	\$20,530	\$4,000	\$1,769	\$600
Fund giving	33	\$114,683	\$5,000	\$130	\$200
Combo giving	60	\$7,750	\$1,000		
Basic giving	75	\$4,550	\$1,000	\$457	\$100
Health giving	70	\$21,257	\$975	\$298	\$100
Education giving	80	\$25,852	\$2,000	\$416	\$100
Arts giving	70	\$16,567	\$1,000	\$215	\$100
Other giving	55	\$12,716	\$1,000	\$311	\$100

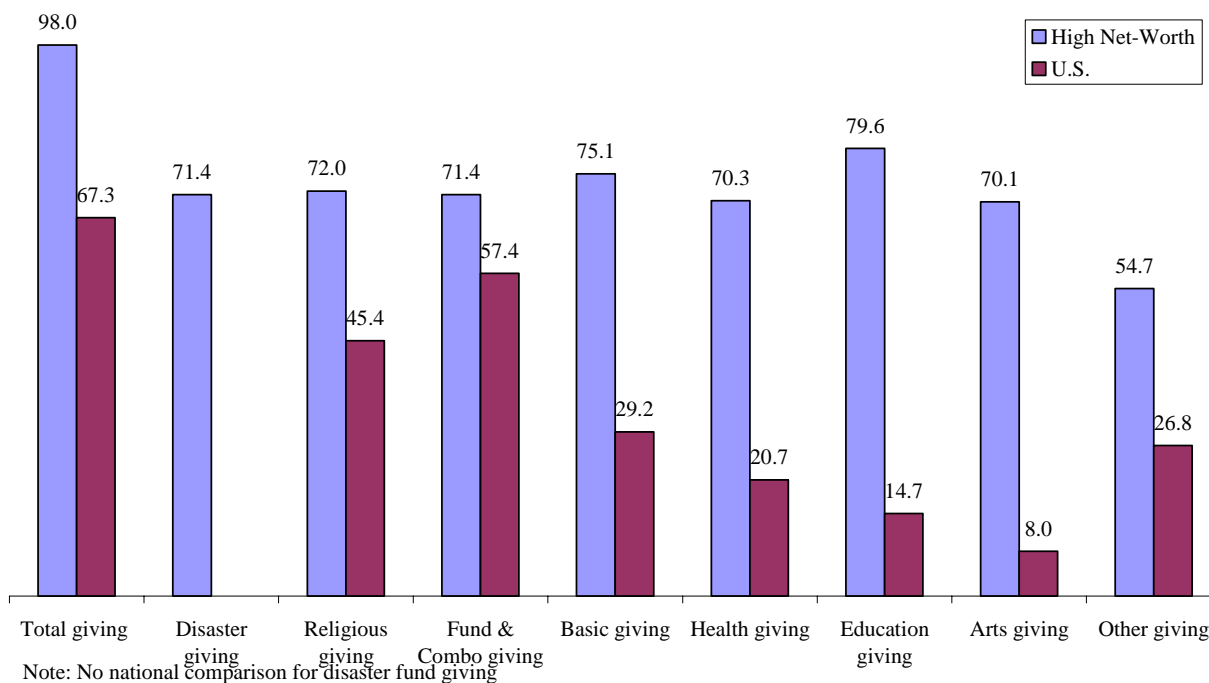
Average total giving to charity by high net-worth households is greatly influenced by the amount given to foundations or funds. Average total giving, with giving to foundations and funds included, is \$120,651 and decreases by nearly \$40,000 to \$82,850 when giving to foundations and funds factored out.

Table 2 Average Total Giving with and without Fund Giving

	Average Giving
Total giving with fund giving	\$120,651
Total giving without fund giving	\$82,850

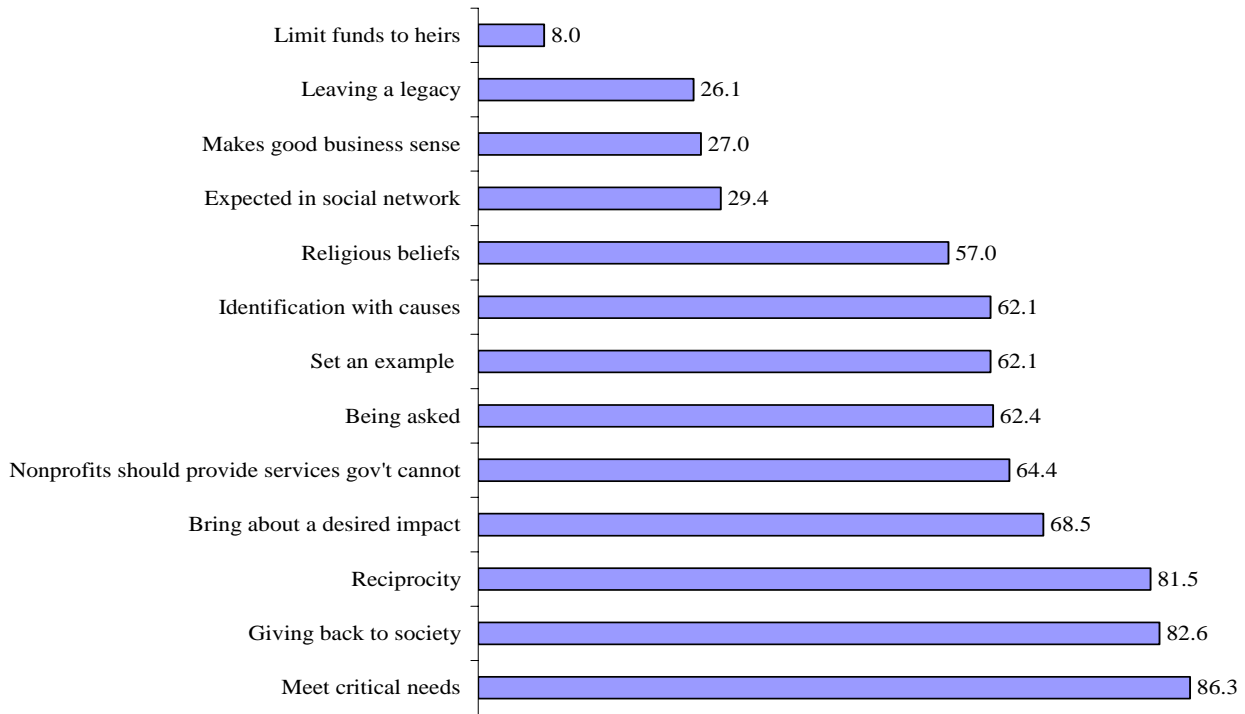
To every type of organization, a higher proportion of high net-worth households made a donation than U.S. general population households. More than 67 percent of U.S. households donate to charity, but nearly 98 percent of high net-worth households donated to a charitable organization in 2005. An even higher percentage of high net-worth households donated to religion than U.S. general population households (72% versus 45%).

Figure 3 Estimated Percentage of Households that Donated to Charity by Recipient Subsector, High Net-Worth and U.S. Households



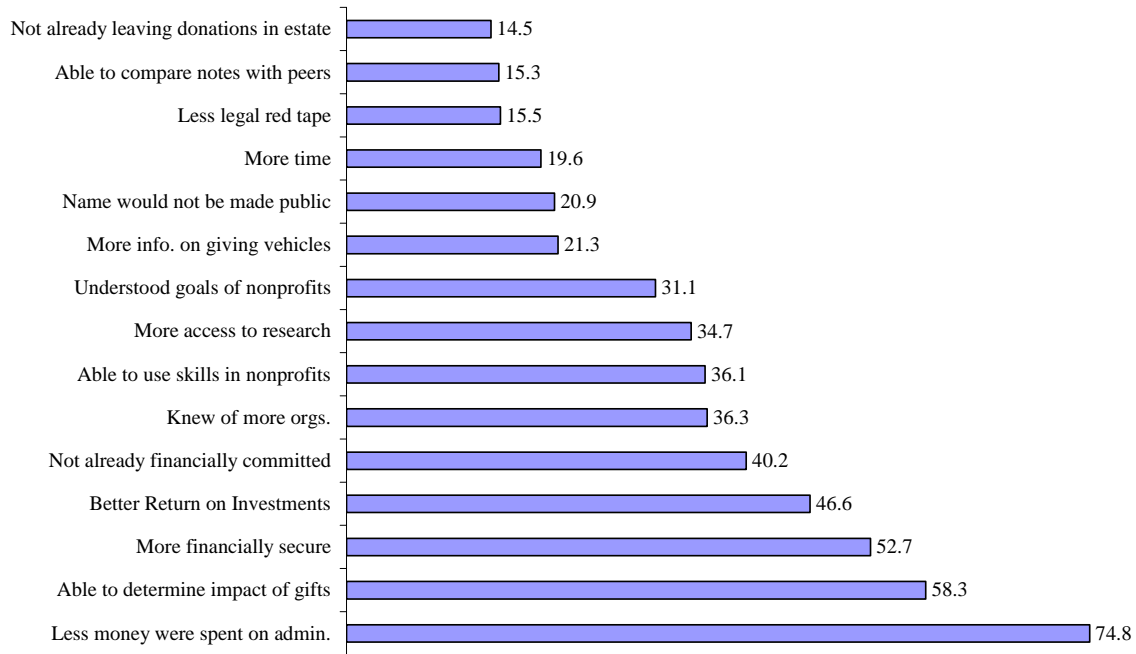
Meeting critical needs, giving back to society, and social reciprocity (the feeling that those who have more should help those with less) led as key motivators for charitable giving by high net-worth households. Limiting funds to heirs, leaving a legacy, charity as making good business sense, and a social network expectation were all ranked as less important motivations for giving to charity by high net-worth households.

Figure 4 Important Motivations for Charitable Giving by High Net-Worth Households



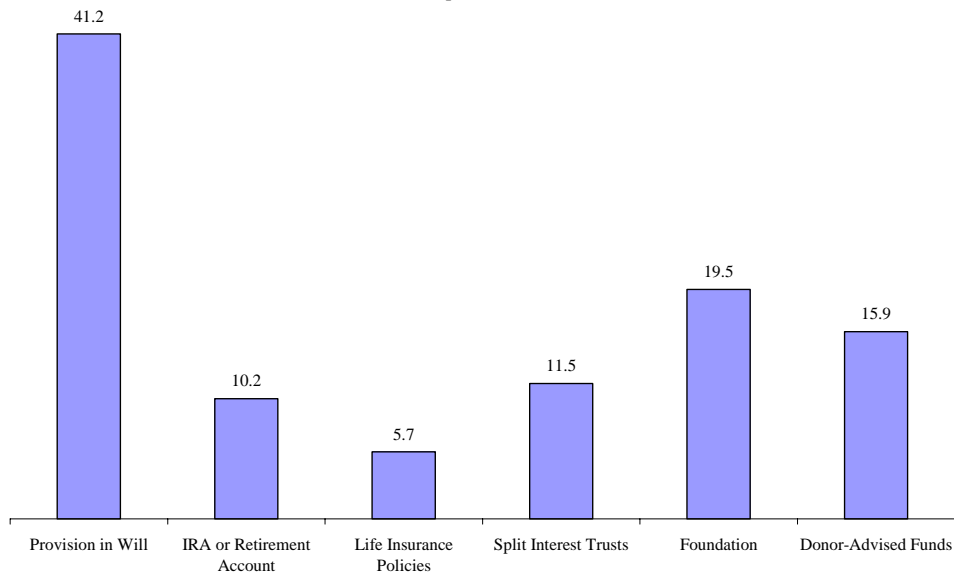
In the survey, households were also asked what factors would cause them to give more to charity. By far, high net-worth households told us that if charities spent more on helping the constituencies they serve and spent less on administrative and fundraising expenses, then they would give more to charity. High net-worth households also told us that they would give more to charity if they were able to determine the impact of their gifts, if they felt more financially secure, and if they received a better return on their financial investments.

Figure 5 Percentage of High Net-Worth Households Reporting They Would Give More to Charity If the Following Occurred



Just over 40 percent of high net-worth households have a provision in their wills for charity. Almost 20 percent of high net-worth households have established a foundation and nearly 16 percent have established a donor-advised fund.

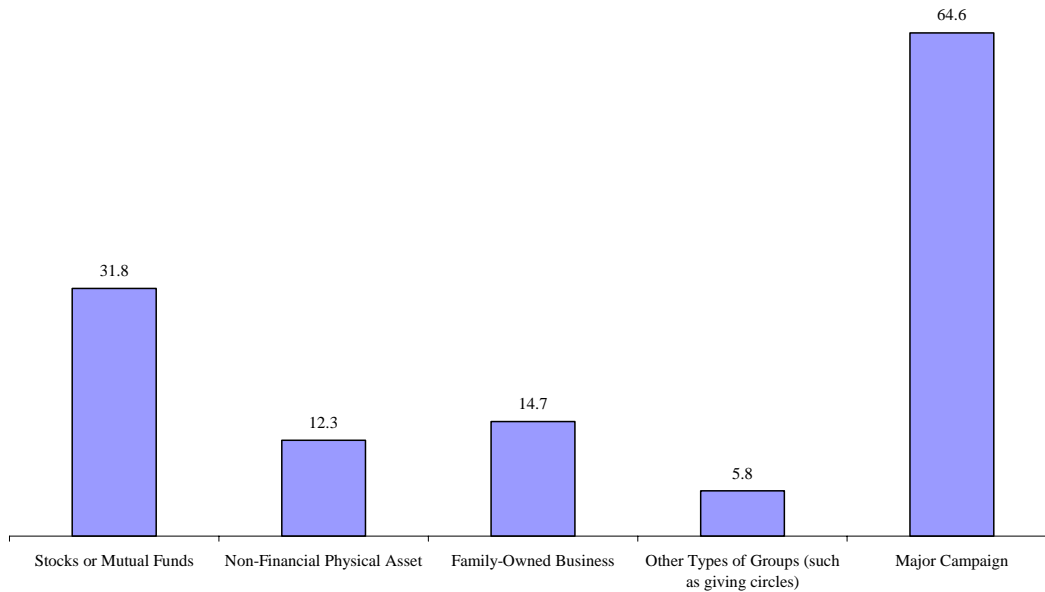
Figure 6 Vehicles Used in Donations by High Net-Worth Households (percent)



Just under one-third of all high net-worth households donate stocks or mutual funds to charity and almost two-thirds participated in a major charitable campaign, such as a capital campaign, in 2005.

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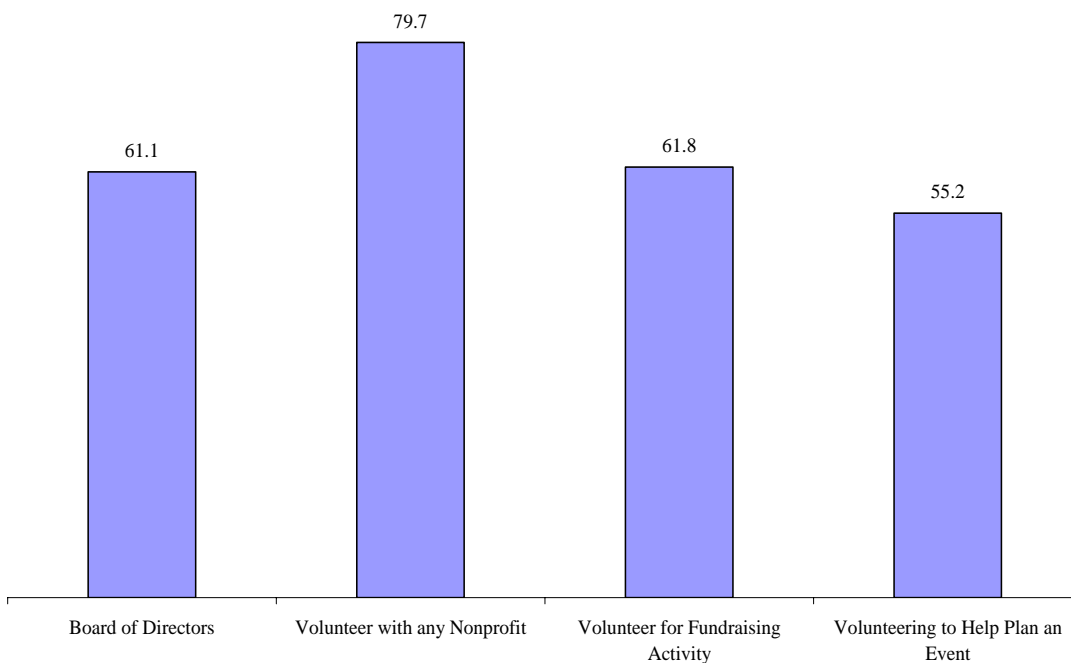
Figure 7 Vehicles Used in Donations (Continued)  
(percent)



A very high proportion of high net-worth households also donate their time to charity. Many, 61.1 percent, serve on a board of directors for a nonprofit organization, and 61.8 percent have volunteered to help charities raise funds.

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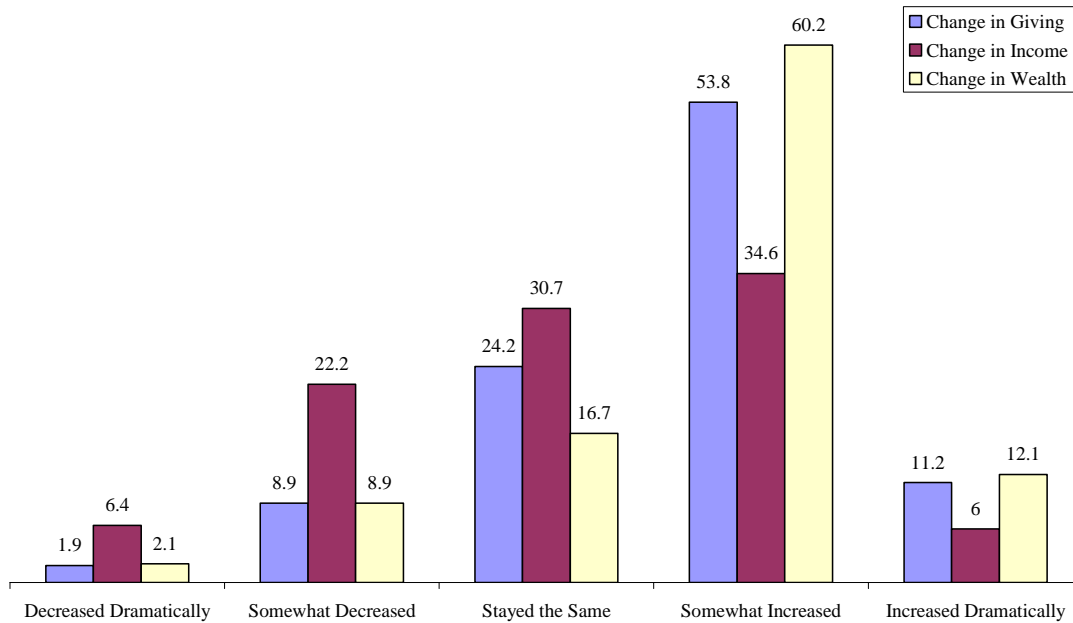
Figure 8 Percentage of High Net-Worth Households Volunteering  
by Volunteer Activity





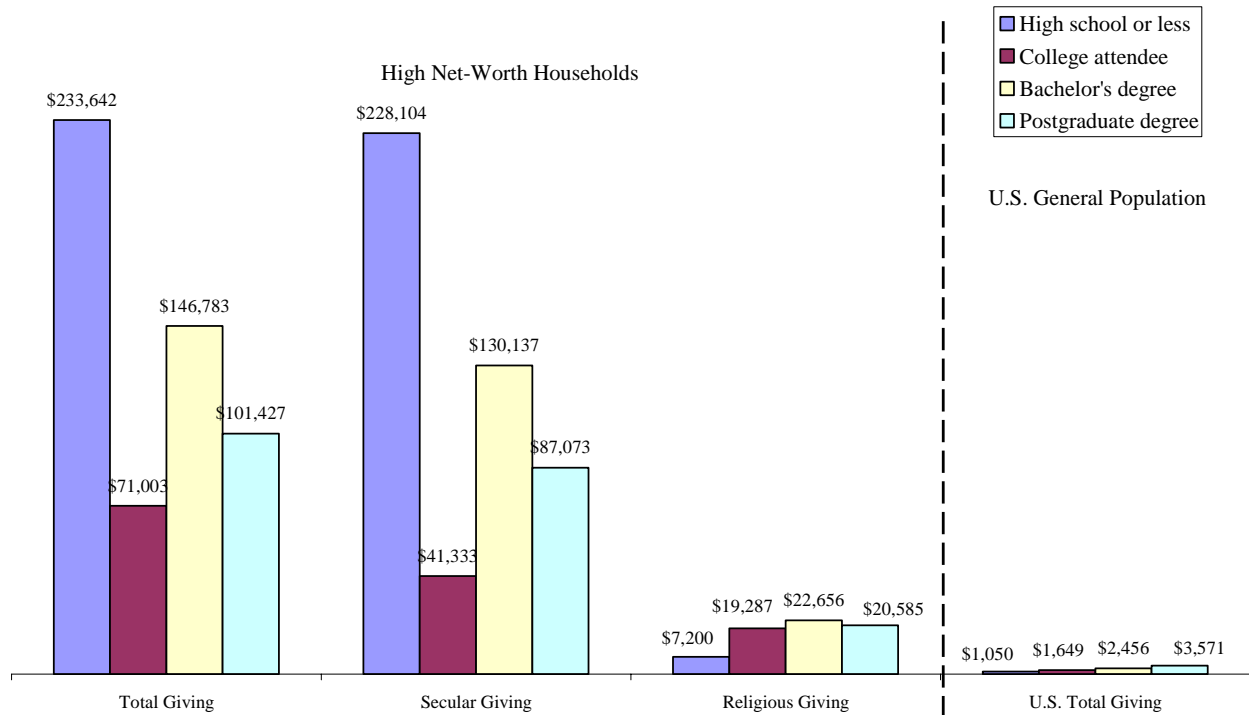
Changes in income or wealth for high net-worth households are statistically associated with changes in their charitable giving. Most high net-worth households saw a slight increase in their income over the past five years and even more households reported a slight increase in their wealth. This slight increase in income or wealth corresponds with a slight increase in their charitable giving over the same time period.

Figure 9 Percentage of High Net-Worth Households Reporting Changes in Giving, Income, and Wealth over the Past Five Years



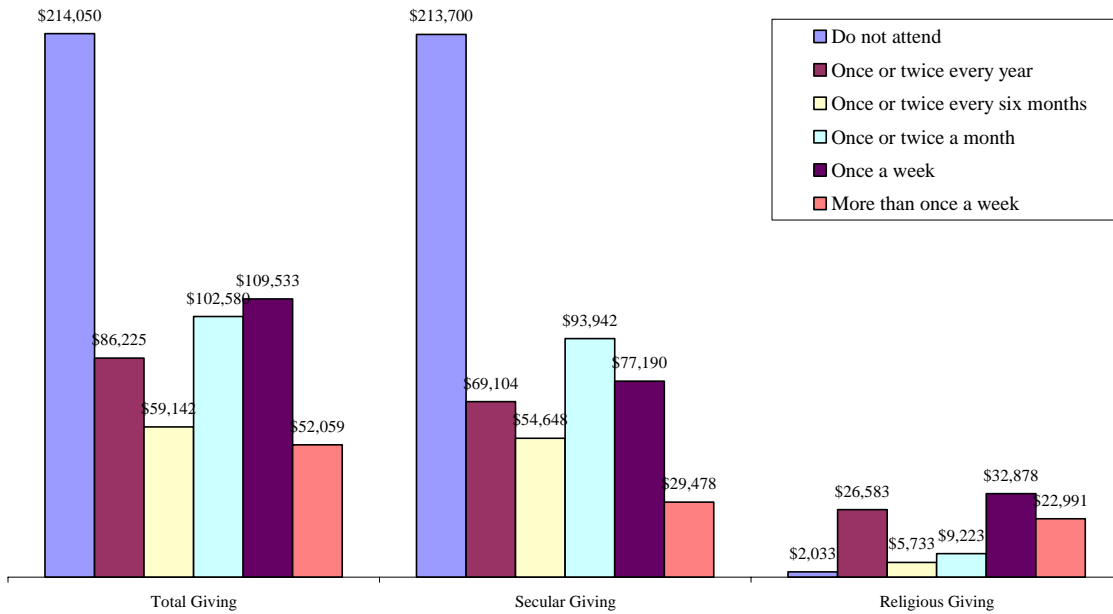
In the general US population, educational attainment is correlated with charitable giving levels. The more education a person receives, the more they give to charity even when controlling for differences in income and wealth. This is not the case in high net-worth households. Educational attainment is not associated with their giving levels. On average, of those high net-worth households contributing to charity, individuals with a high school diploma or less contribute more to charity, \$233,642. However, the median amount donated by those with a postgraduate degree, \$16,365, was larger than those with less education.

Figure 10 Average Total, Secular, and Religious Giving by Education Level, High Net-Worth and U.S. Households, 2005 (donor households only)



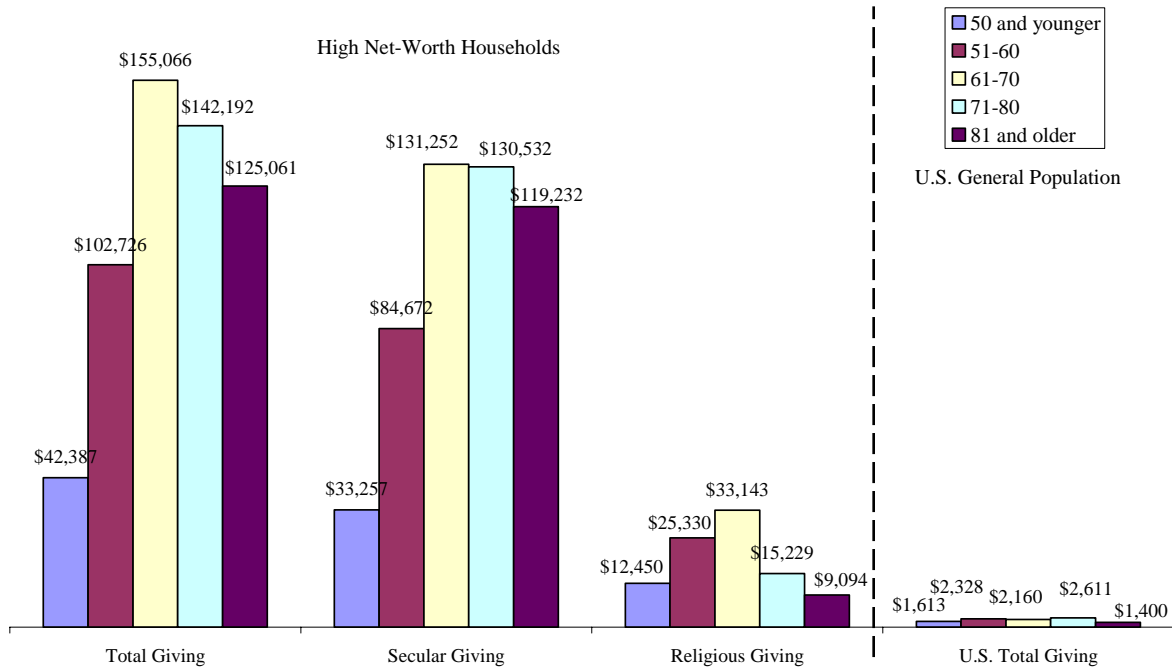
The frequency with which high net-worth households attend religious services is statistically associated with average total and religious giving. Of those high net-worth households that donated to charity in 2005, those that do not attend religious services on average gave more to secular causes than those that did attend services. Those who attend religious services once a week gave the highest average amount to religious causes, \$32,878.

Figure 11 Average Total, Secular, and Religious Giving  
by Religious Service Attendance, High Net-Worth Households, 2005  
(donor households only)



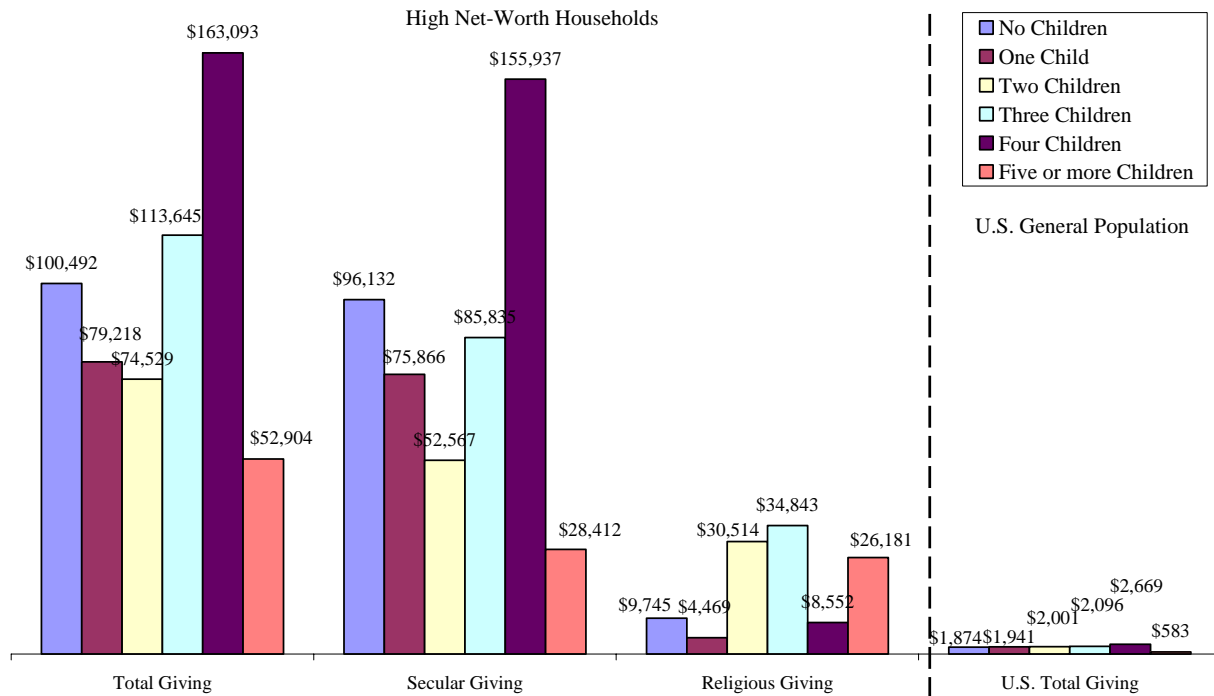
Age is often a predictor of charitable giving in the general population; however, age does not seem to be a strong predictor of the philanthropy of high net-worth households. Average total, secular, and religious giving increases with age until age 70. After age 70, average and median giving levels decrease. Median religious giving, however, is very similar across all ages (\$3,000-\$4,000).

Figure 12 Average Total, Secular, and Religious Giving by Age Range, High Net-Worth and U.S. Households, 2005 (donor households only)



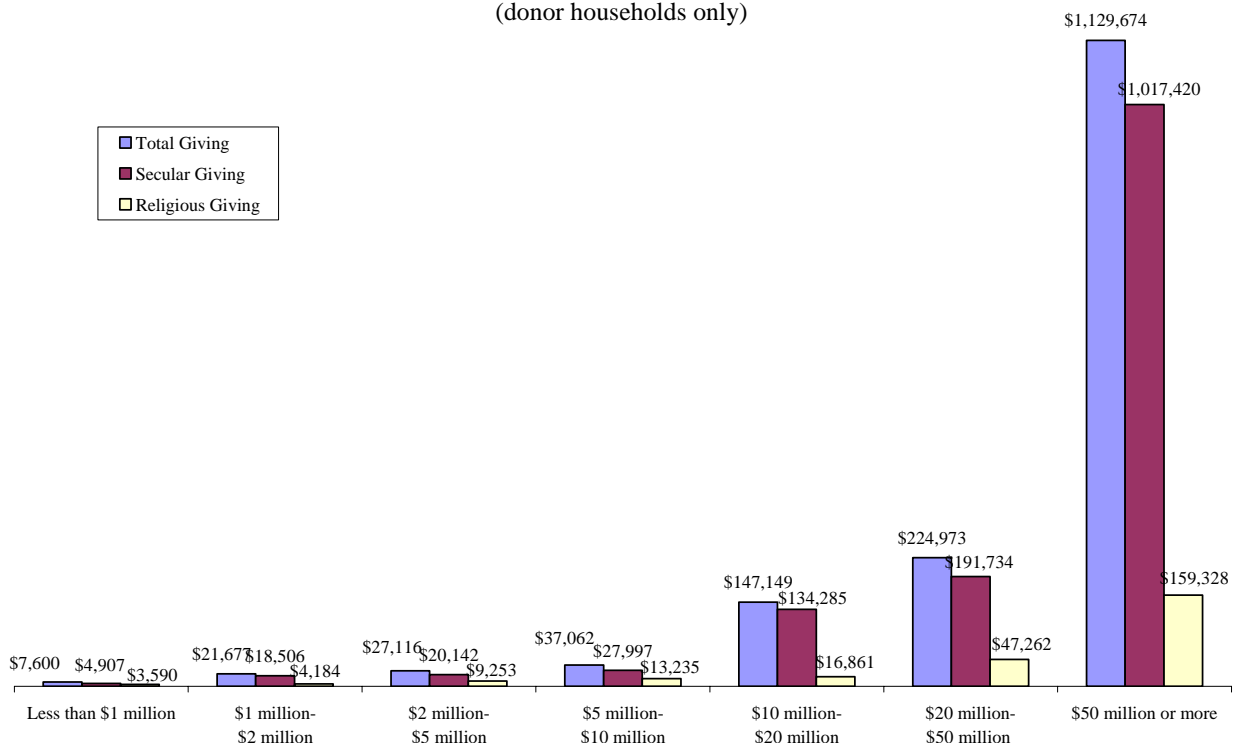
In studies of the general population, the number of children has a differential impact on average giving levels. Of the high net-worth households that gave to charity in 2005, those with four children gave on average the highest dollar amount to charity, \$163,093 and most of those dollars were donated to secular causes.

Figure 13 Average Total, Secular, and Religious Giving by Number of Children, High Net-Worth and U.S. Households, 2005 (donor households only)



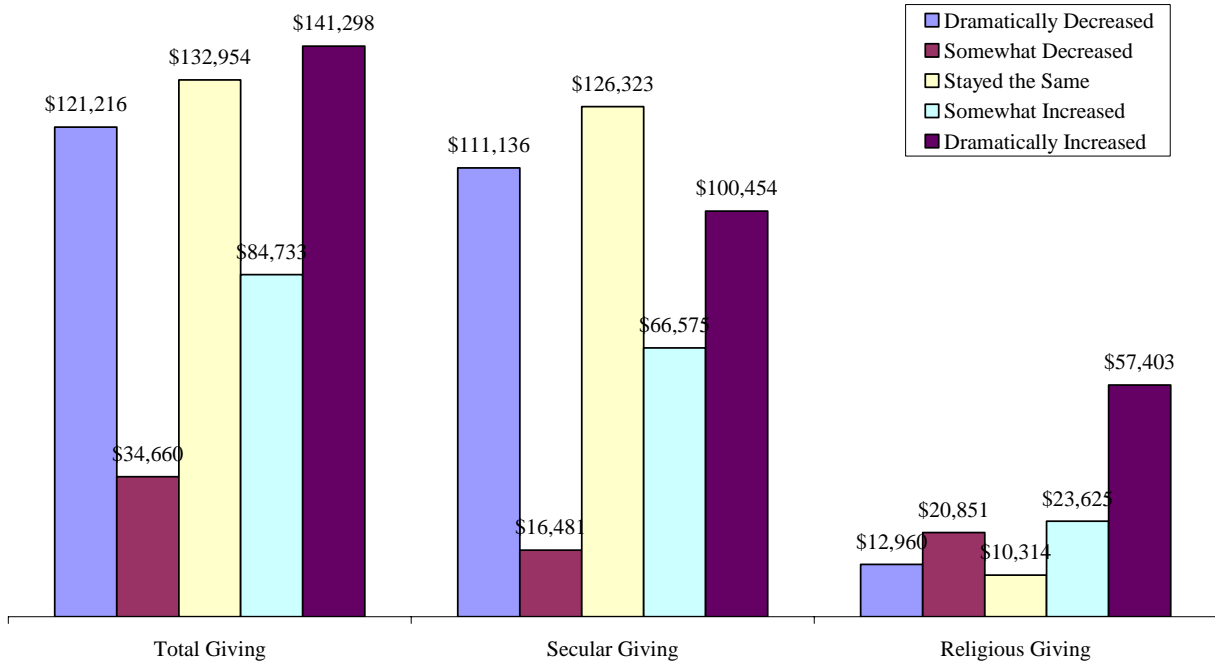
Wealth is also an important characteristic when understanding differences in high net-worth households' philanthropy. Wealth is statistically associated with giving levels. In general, as net worth increases, so does a household's level of charitable giving. Of the high net-worth households that donated to charity in 2005, those with net worth of more than \$50 million gave, by far, the highest average amount overall, to secular causes, and religious organizations, although the increase in average giving to religious organizations is not as pronounced.

Figure 14 Average Total, Secular, and Religious Giving by Net Worth, High Net-Worth Households, 2005 (donor households only)



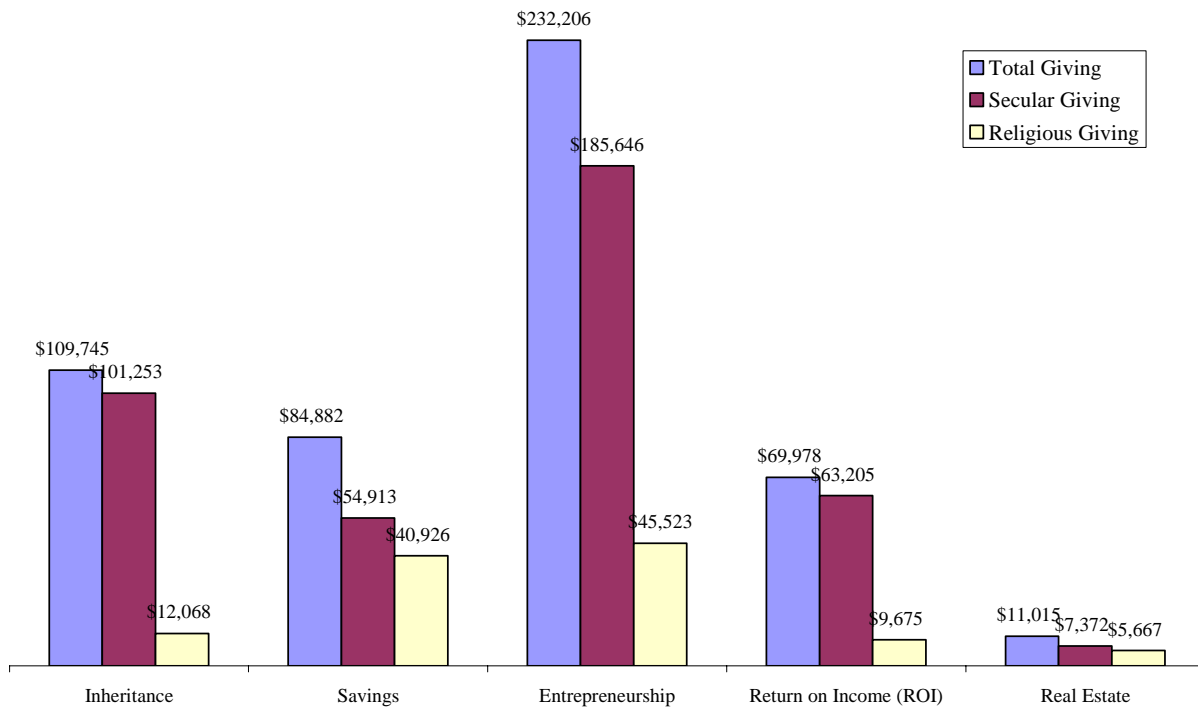
A dramatic decrease in wealth over the last five years did not decrease the average amount donated to secular causes. Dramatic decreases in wealth are associated with higher levels of average and median giving, while slight decreases in wealth are associated with the lowest levels of giving.

Figure 15 Average Total, Secular, and Religious Giving by Change in Wealth, High Net-Worth Households, 2005 (donor households only)



Sources of net-worth had a dramatic impact on the average total amount given to charity by high net-worth households. High net-worth households with 50 percent or more of their net-worth coming from entrepreneurship contributed to charity, on average, \$232,206. In contrast, households with 50 percent of their net-worth coming from appreciated real estate contributed on average \$11,015. In all three categories (total giving, secular giving, and religious giving), households with net-worth coming from entrepreneurship gave much more than all other sources of wealth. On the other hand, households with net-worth coming from real estate gave less to secular and religious causes than those whose wealth came from all other sources of wealth.

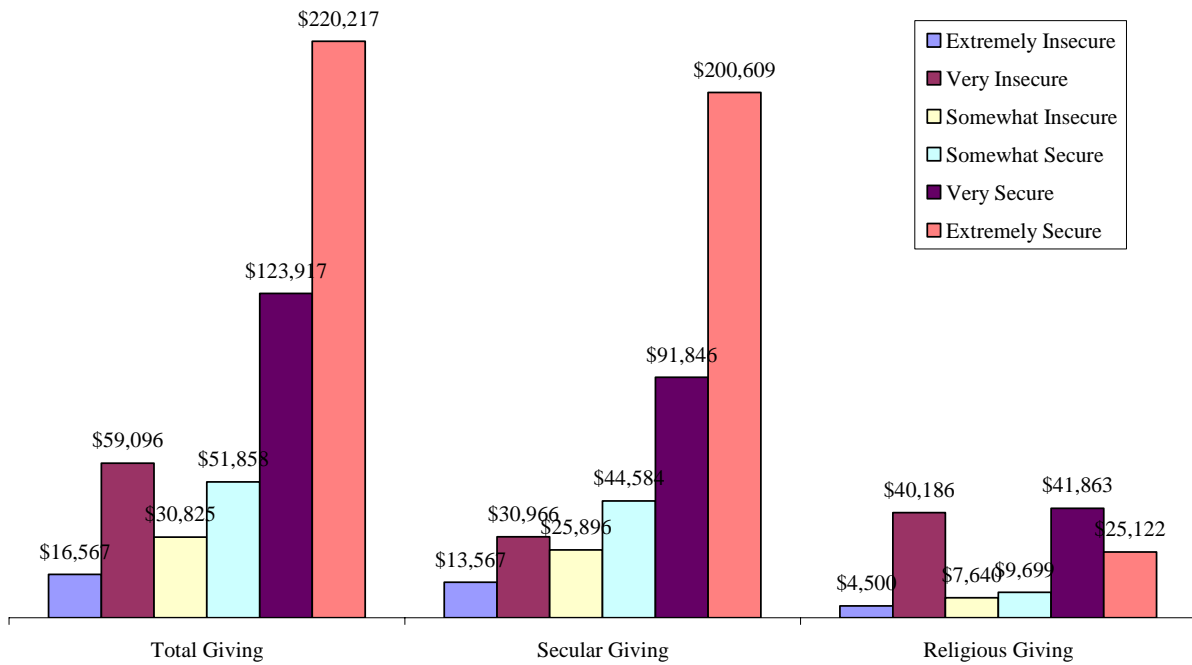
Figure 16 Average Total, Secular, and Religious Giving by the Source of Net-Worth, High Net-Worth Households, 2005  
(donor households only)





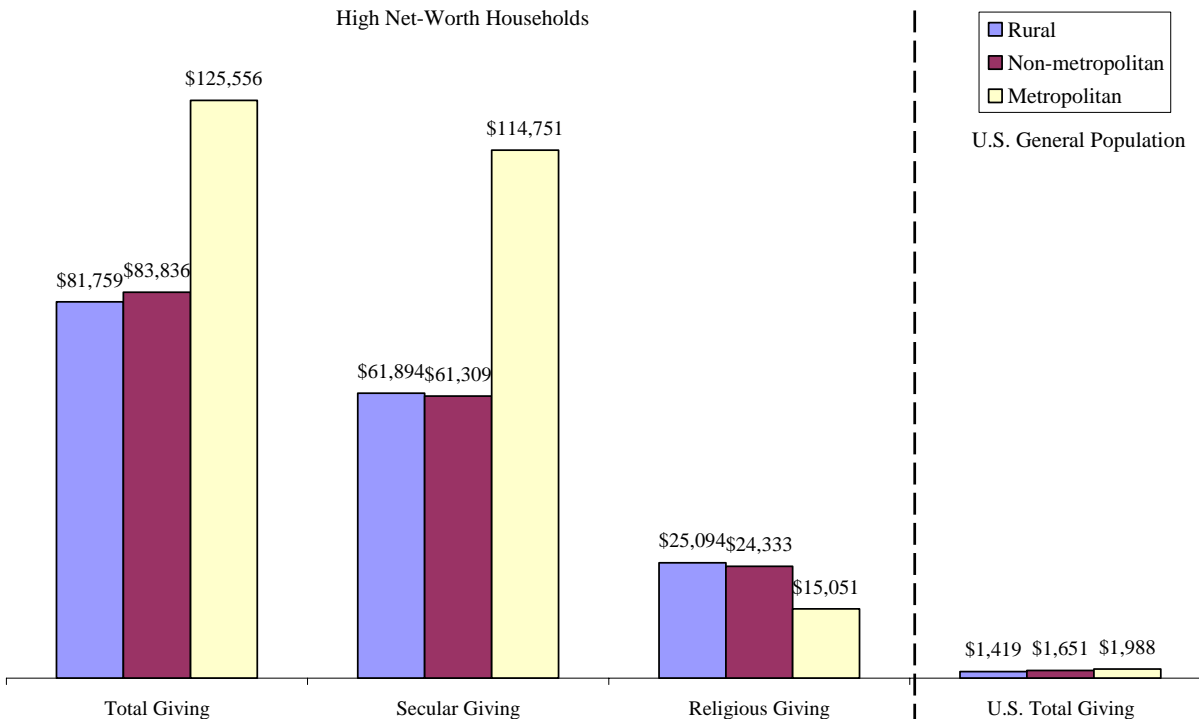
As might be expected, on average, the more secure respondents felt about their finances, the more they donated to charities. Similarly, those reporting extreme insecurity with respect to their finances gave the least amount, on average, in the three categories (total giving, secular giving, and religious giving). Those reporting extreme security in terms of their finances gave, on average, by far the most in total giving (\$220,217) and also gave, on average, by far the most in secular giving (\$200,609).

Figure 17 Average Total, Secular, and Religious Giving by Financial Security, High Net-Worth Households, 2005 (donor households only)



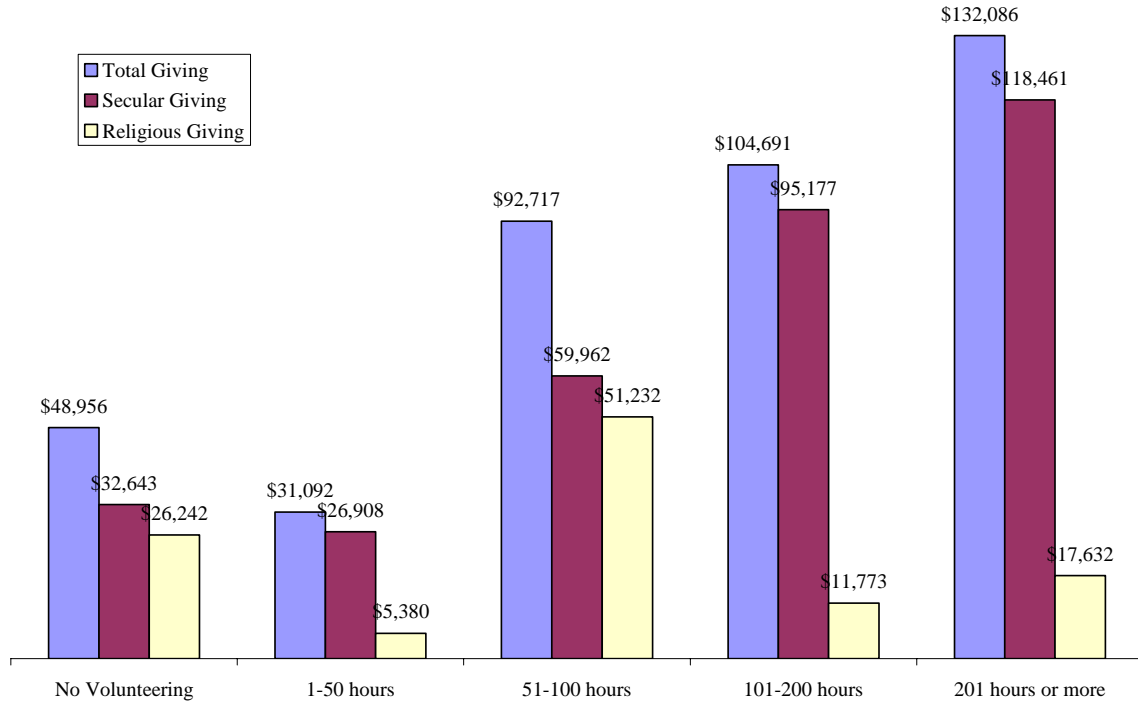
High-net worth households residing in metropolitan locations tend to give, on average, more than rural or non-metropolitan dwellers. When comparing the average giving of rural, non-metropolitan, and metropolitan high net-worth households to the average giving of the U.S. general population, the overall U.S. population exhibits similar patterns but on a much lower scale than the high net-worth households.

Figure 18 Average Giving by Residence Location,  
High Net-Worth and U.S. Households, 2005  
(donor households only)



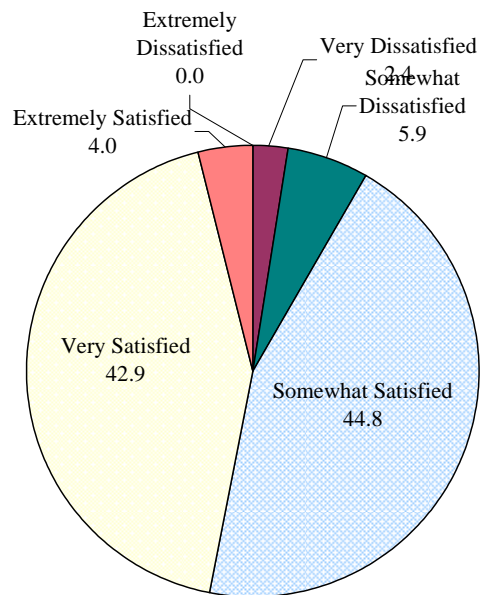
Higher levels of volunteering by high net-worth households are associated with higher total giving levels. The exception to this is religious giving, which seems to vary unpredictably with the number of hours volunteered. On average, non-volunteers gave slightly more than low-frequency volunteers. After 50 hours of volunteering, higher levels of volunteer hours translates into higher total and secular giving.

Figure 19 Average Giving by Volunteer Hours from 2005



Most high net-worth households are either somewhat satisfied, 44.8 percent, or very satisfied, 42.9 percent, with the impact of their charitable donations. No high net-worth households reported they were extremely dissatisfied.

Figure 20 Percentage of High Net-Worth Households' Satisfaction with the Impact of Their Charitable Giving



High net-worth households were also asked questions about how changes in tax law would impact their charitable giving. High net-worth households responded that their charitable giving would mostly stay the same if the estate tax were repealed and would stay the same or somewhat decrease if they received zero income tax deductions for their charitable contributions.

Figure 21 Percentage of High Net-Worth Households Reporting a Change in the Amount Left to Charity in an Estate Plan if the Estate Tax Were Repealed

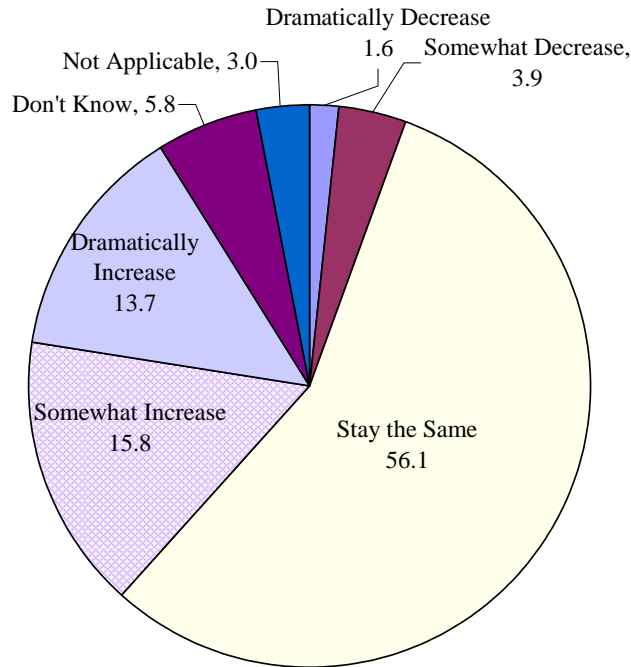
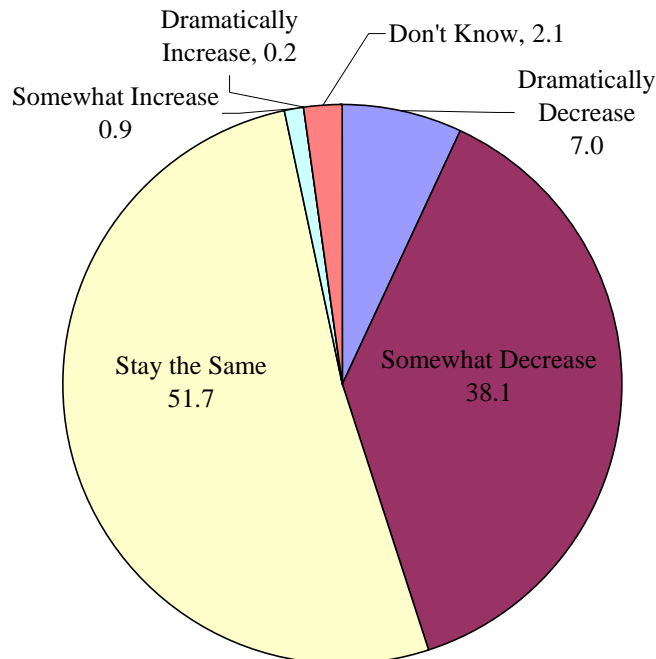
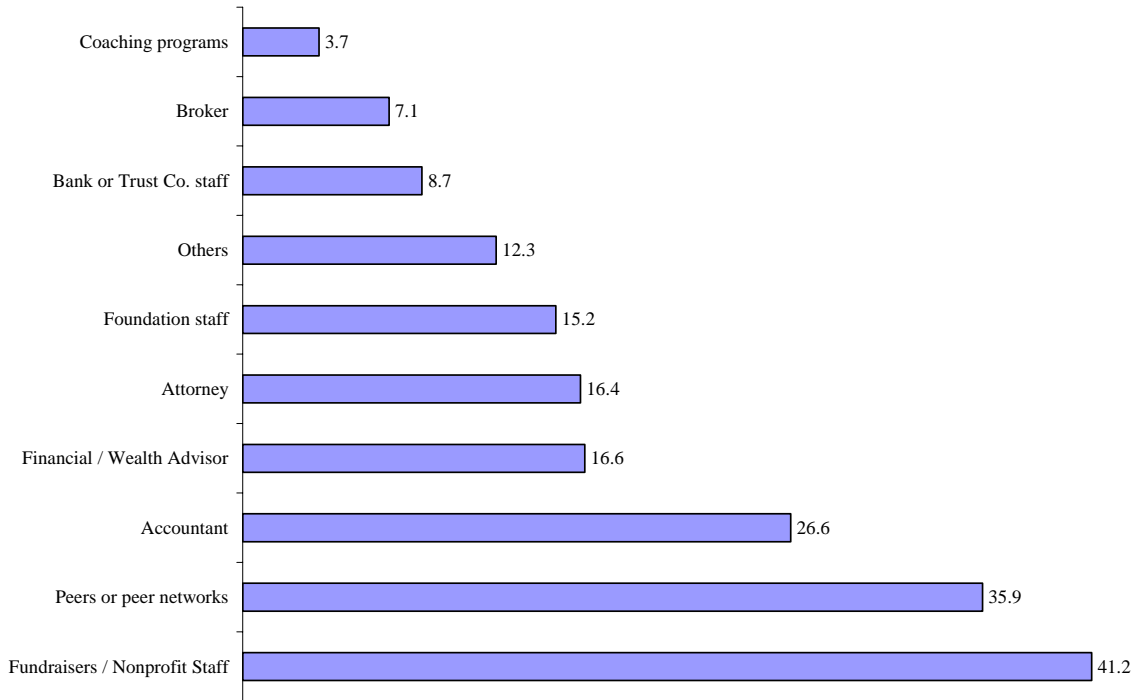


Figure 22 Percentage of High Net-Worth Households Reporting a Change in Charitable Giving If They Received Zero Income Tax Deductions for Their Donations



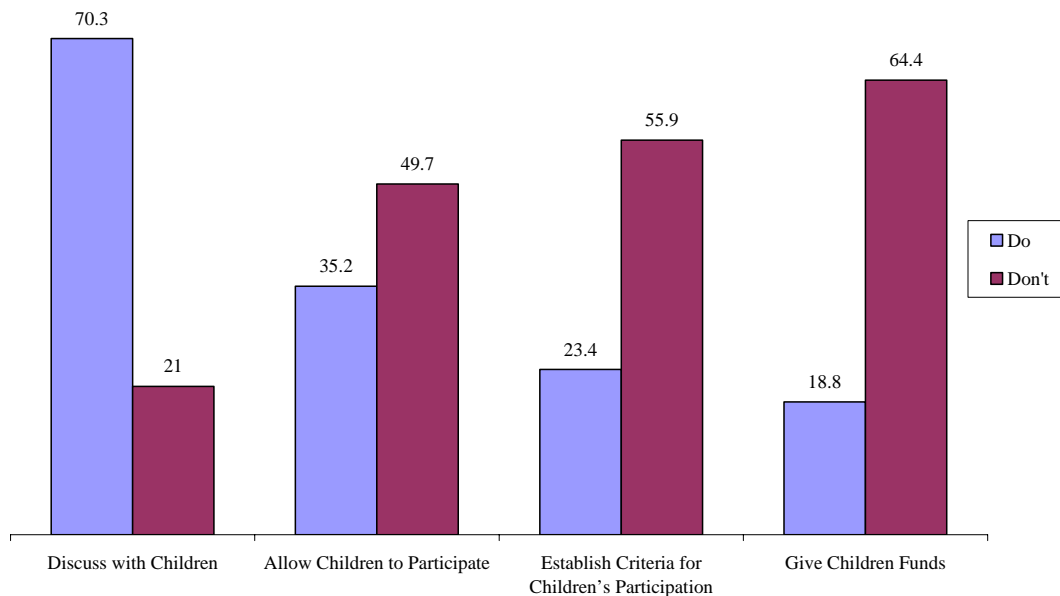
When asked about the type of advisors consulted when making charitable decision, a higher proportion of high net-worth households reported consulting fundraisers or other personnel from nonprofit organizations than any other group of advisors.

Figure 23 Percentage of High Net-Worth Households That Consulted Others when Making Charitable Giving Decisions by Type of Person Consulted, 2005



Just over 70 percent of high net-worth households discuss their philanthropy with their children. Approximately 35 percent allow children to participate.

Figure 24 Percentage of Households Reporting Participation in Philanthropy



## Study Overview

The purpose of the Bank of America Study on High Net-Worth Philanthropy was to assess charitable giving and philanthropic activities of high income and high net-worth households. The study consisted of mail surveys randomly distributed to 30,000 households in high net-worth areas of the United States (those where the average amount of investable net assets were \$3 million or more). The project's principal investigator was Dr. Patrick Rooney, and the study's project manager was Heidi Frederick, both from the Center on Philanthropy Indiana University. Indiana University Center for Survey Research (CSR) implemented the survey. Kellie McGiverin-Bohan was the CSR project manager for the survey. John Kennedy, the CSR director, and Nancy Bannister, the associate director, oversaw the fielding of the survey. Analysis procedures were overseen by the study's methodology committee consisting of economists, Drs. Mark Wilhelm, Rich Steinberg, and Patrick Rooney, all from the Department of Economics at Indiana University Purdue University Indianapolis (IUPUI).

## The Questionnaire

For this report, the CSR mailed and received questionnaires between June 7, 2006 and September 26, 2006. Total giving questions were modeled after the philanthropy questions from the Center on Philanthropy Panel Study (COPPS) a module of the Panel Study on Income Dynamics conducted at the University of Michigan. This modeling was intentional so as to provide comparable national averages on giving data. In addition, questions on the motivations for giving were modeled after questions asked on regional giving studies conducted by the Center on Philanthropy. Questions were vetted with the Research Methodology Committee, the Editorial Review Board, and Paul Schervish and John Havens of the Center on Wealth and Philanthropy at Boston College. Final questions were approved by Bank of America and Dr. Patrick Rooney at the Center on Philanthropy.

There were two versions of the questionnaire: a 4-page version and an 8-page version. In addition, the survey was conducted with standard and anonymous versions of both questionnaires. The standard versions included survey ID numbers which were used for sample management and tracking. The anonymous versions did not include survey IDs, and respondents could not be linked to sample information. Pearson NCS designed the layout and printed the paper questionnaires.

## Final Disposition Summary

The following table characterizes the disposition of sample cases.

<b>Label</b>	<b>Regular</b>	<b>Anonymous</b>	<b>Totals</b>
<b>Complete</b>	<b>1115</b>	<b>284</b>	<b>1399</b>
<b>Partial</b>	<b>2</b>	<b>0</b>	<b>2</b>
<b>Refusal</b>	<b>67</b>	<b>5</b>	<b>72</b>
<b>Deceased</b>	<b>95</b>	<b>18</b>	<b>113</b>
<b>Physically or mentally unable</b>	<b>5</b>	<b>0</b>	<b>5</b>
<b>Nothing returned</b>	<b>20212</b>	<b>5096</b>	<b>25308</b>
<b>Mailing returned/undeliverable</b>	<b>2468</b>	<b>591</b>	<b>3059</b>
<b>Not eligible</b>	<b>36</b>	<b>6</b>	<b>42</b>
<b>Duplicate</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>24000</b>	<b>6000</b>	<b>30000</b>

**The response rate for this survey is 4.66%.** The response rate was calculated using AAPOR Response Rate 2, which includes partially completed questionnaires in the numerator. The denominator is the total sample, minus ineligible. **The response rate was 5.24%** if you also exclude undeliverable surveys, those households that were not eligible, physically or mentally unable, or deceased.

### **Final Dataset**

The study's main purpose is to understand the philanthropic patterns of high net-worth households. Therefore, any household with an income less than \$200,000 or a net-worth of less than \$1,000,000 was also excluded from analysis. In addition all respondents must make their primary residence in the United States. The total number of respondents to the survey was 1399. However, in order to produce a timely public report, we analyzed only the first 1150 responses. After excluding those households that did not qualify because of their income or wealth, the final sample was 945 responses for this report. All eligible responses will be utilized in all subsequent research emanating from this data.

### **Analysis**

The Center on Philanthropy directed by Heidi Frederick and overseen by Dr. Patrick Rooney conducted four layers of analysis. The first layer consisted of running basic descriptive statistics on each variable. This analysis produced a series of tables on the mean, median, mode, percentage, maximum, and minimum on each variable as appropriate. The second layer of analysis was to conduct a series of crosstabulations. These crosstabulations were mostly conducted on donation data and other characteristics such as income, wealth, age, region, stage of life, etc. There were three demographic variables, race, age, and marriage, in which there was not enough variance in the sample to conduct analysis. The final layer of analysis was to conduct multivariate regression analysis using Ordinary Least Squares (OLS), Tobits, and Probits. Stata was used for the regression and other statistical analyses. The purpose of this analysis was to determine which variables and to what extent those variables were correlated with both the amount of giving and the propensity to give by high net-worth households, holding constant other factors statistically. Regression analyses allows us to determine the incremental or marginal effects of changes in any one independent variable like income on giving while holding constant statistically the other independent variables like wealth, age, and educational attainment. All multivariate analyses were overseen by the methodology committee. The final layer of analysis to be conducted is cluster analysis or factor analysis enabling researchers to identify various archetypes of donors found in the data. These results will also be overseen by the methodology committee.