FEATURE:
PHILANTHROPY

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The Rise of Women as Philanthropic Family Leaders

New opportunity to align charitable planning with estate planning

Simply put when money flows into the hands of women who have the authority to use it, everything changes.
—Melinda Gates

In the coming decades, the amount of wealth controlled by women will outpace that of men. This represents a significant shift in the philanthropic landscape. Because women drive the philanthropic decisions in families and give more than men, this shift presents a new opportunity for trusted advisors to more closely align philanthropic planning with estate planning. When philanthropy is used as a tool to unify the family around its core values and mission for its wealth, families are more likely to retain their cohesion and family assets post-estate transition. A fundamental goal most wealth creators and family leaders hope for is that their wealth won't divide their family or dissipate over time. Yet, that's what the statistics say will happen, at least 70 percent of the time.[1] We say, why leave the very reason the wealth was created to hope when hope is a weak strategy? The advisor is in the pivotal position to reverse the swing of the global norm of the shirt-sleeves-to-shirtsleeves phenomenon.

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The Economic Shift

More often than not, women are the household CFOs, making significant financial decisions for themselves, their families and extended family members. Currently, women make 83 percent of the household consumer decisions and control about $14 trillion in assets.[2] Through inheritance, a minimum of $22 trillion in assets will shift to women in the coming years.

Women are earning more educational degrees than men. In the United States, they're now the majority in undergraduate settings and are more than half of all alumni. With increased education come increased earnings.[3]

In addition, more women than men are in professional positions generating higher income. Women hold 51 percent of managerial and professional jobs in the U.S. workforce.[4] Forty-two percent of top wealth holders in the United States are women, including more than 3 million women with annual incomes greater than $550,000.[5]

This economic shift adds up to women controlling significant wealth now and continued growth of their wealth and decision making for decades to come.

The Philanthropic Shift

With increased earnings and education, women have demonstrated an increased focus on philanthropy. Women are giving more and influencing more philanthropy. Repeatedly, studies find that women have a greater inclination to giving than men:

- Baby Boomers and women in previous generations are more likely to give than their male counterparts at all giving levels.[6]
- For every $10,000 that a wife's income increases, total household giving increases by more than 5 percent. In comparison, for every $10,000 a

husband's income increases, total household giving increases by 3 percent.[7]

Women of the household are almost always involved in the gift decision. Research by the Women's Philanthropy Institute found that nearly three-fourths of the general population households decide jointly on philanthropy, and in high-net-worth households, nearly one-half decide jointly. When only one spouse decides, the wife decides twice as often as the husband.[8]

We now know beyond a shadow of a doubt, thanks to research from the Women's Philanthropy Institute, that women drive a family's philanthropic decisions. They give more than men do. And this trend will continue, given the growth of women's earnings, inheritances they'll receive and the likelihood they'll outlive men.

When children are introduced to the family values of philanthropy at a young age, they find comfort and confidence in an expanded identity of their family.

Women Give Differently

"Women are nearly twice as likely as men to say that giving to charity is the most satisfying aspect of having wealth," according to "Insights on Wealth and Worth: Women and Wealth Fact Sheet."[9] Their philanthropic involvement is often different from men's. "Different Perspectives," this page, adapted from the *2016 U.S. Trust Study of High Net Worth Philanthropy* highlights some key differences.

According to the study, women leverage all their resources for causes they care about. They give their time (volunteering) as well as their expertise and are more likely to leverage their networks to increase support. Women philanthropists were more likely to grow up in households with giving traditions and want to pass these on by involving the next generations.

Different Perspectives

Key giving variations between men and women

Philanthropic Involvement	Women	Men
Obtain personal fulfillment from volunteering	66.0%	58.4%
Plan to increase charitable giving level over next 3 years	28.8%	25.3%
Lived in households with traditions around giving	26.0%	18.2%
Involve children, grandchildren or other younger relatives in giving	35.6%	25.3%
Believe that larger donations from wealthiest Americans are more likely to change the world	21.1%	14.5%
Believe in the ability of nonprofits to solve societal or global problems	87.8%	81.6%

— *Adapted from* 2016 U.S. Trust Study of High Net Worth Philanthropy

While both men and women are motivated to give to make a difference in the world, women ask more discerning questions before they give. They want to understand the complexities at hand and will learn from their networks and leaders in the charity, as well as by educating themselves. While it may take them longer to decide to be involved and give to a charity, they stay involved longer once the choice is made. With that in mind, women's leadership in family philanthropy lends itself to long-term learning and patient investment (with time, talent and treasure) to bring about the desired change.

Catalyst for Learning

As "Different Perspectives" shows, women genuinely care about family participation in philanthropy and its impact. They know that the continued learning that can come from philanthropy and the overall alignment of the family stakeholders can often be key for a cohesive unified family.

The top four concerns affluent parents have for their children have little to do with having enough wealth to pass on, but rather, the impact of that wealth on their family (see "Top Four Parental Concerns About Their Children").

At some point, many successful families find that solely building and preserving wealth becomes an

unsatisfying goal by itself, and it doesn't necessarily reflect their personal, long-term hopes for their children. At this juncture, the heads of families may choose to focus on wealth being a launch pad for good and a vehicle to create opportunities for family members, as opposed to being a threat or burden to them. Leaving a legacy of social good provides a framework the next generation is often proud to be a part of.

> Philanthropy can be a means to increase levels of trust and communication in a family, provide a platform to better prepare the inheriting generation to be responsible managers of the wealth and create alignment for the purpose of the wealth.

Family involvement in philanthropy can help the next generation learn financial skills such as due diligence and quantitative and qualitative assessment of organizations. They learn to present proposals and recommendations to maximize the impact of philanthropic dollars. They learn how to work together, or with non-profit leaders, to solve problems. Family members of all ages learn how to make effective requests, track implementation and follow through. Throughout the process, individuals learn generosity, curiosity and patience, as well as the importance of following one's commitment. These skills aren't just good for sound philanthropic giving, but also are the keys to building trust, managing identity and coordinating effective action.

Families who align their philanthropy around societal values and family values allow for learning about family traditions, norms, expectations and leveraging impact. Just as women take time to learn for themselves, they often set up the opportunities for their children and other family members to learn, test and grow and, in so doing, counteract the entitlement factor.

Top Four Parental Concerns About Their Children

They all involve the impact of wealth on the family

Too much emphasis on material things	60%
Having their initiative ruined by affluence	50%
Having a hard time taking financial responsibility	42%
Thinking they have big shoes to fill and that they'll fail	18%

— U.S. Trust Survey of Affluent Americans XIX
December 2000

When children are introduced to the family values of philanthropy at a young age, they find comfort and confidence in an expanded identity of their family. When the family is aligned on a clear vision and understanding of what makes it unique, as the next generation comes of age, they're already practicing and participating in the wealth in productive ways. The onslaught of inevitable requests for money from numerous sources is mitigated by being able to state the family mission as it relates to their giving. Also, estate planning becomes easier and more sustainable when the family is aligned. Typically, when there's alignment on family values, there's a deeper level of trust and overall sense of team. At this point, we see family members more willing to maintain the existing advisory team for the sake of cohesiveness and familiarity with family history and sidestep the complexity that can come from introducing alternative advisory recommendations. Family members who grow up exposed to philanthropic practices can see their own roles in continuing the traditions and the opportunities philanthropy can provide for themselves and their own families. They can interface with the advisory team already in place.

Core Drivers of Wealth Transition

Without a conversation that includes philanthropy, wealth is just about the money. When the focus is that narrow, it's a short distance to the family losing its unity and the advisor losing the inheriting generation as clients. Wealth conversations, which often include trusted advisors, typically drift to who's getting what distribution

and when, to expectations about the size of a home and speculation about how one sibling is perceived to be getting more than another.

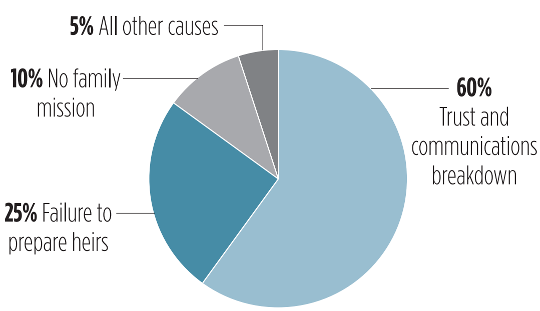
As family coaches, we help advisors broaden those conversations to include how the inheriting generation can grow the wealth, contribute and ensure it lasts for generations. Conversations on this level allow the family members to see how they can contribute to the wealth, not only how the wealth is contributing to them. It's how the family, as a high performing team, can ensure the wealth will be sustainable across generations, have a powerful impact in the world, reduce suffering of others and advance the human condition.

An internationally recognized study conducted by The Williams Group found that there are three core drivers of successful wealth transition as it relates to families. The research, including more than 2,500 families of significant wealth, revealed a staggering 70 percent of family wealth transfers fail within three generations. Sixty percent was due to issues related to trust and communication, 25 percent due to unprepared heirs and 10 percent due to lack of family values and mission.[10] (See "Reasons for Unsuccessful Family Wealth Transfers")

Authentic and meaningful inheritance conversations that involve philanthropy expand a whole new definition of what it is to be a family and have a common vision for how the wealth is to be used today and in the future.

Reasons for Unsuccessful Family Wealth Transfers

Seventy percent fail within three generations



— The Williams Group

Philanthropy becomes an extension and embodiment of the family values witnessed through their philanthropic action as a family team.

Women often see philanthropy as a way to knit the family together and, as a result, gain more confidence that the larger estate plan will be embraced. A mother typically spends a lot of energy managing the emotional ties within the family with the intention of keeping the peace and civility between siblings. For women, philanthropy is a powerful force for the family members to embody the very values that operate in the background and in large part are responsible for how the wealth was created. It's a unifying force that can build appreciation, pride and care within the family.

Family Story

A mother recently came to us concerned that her foundation was in jeopardy of being diminished. Her larger concern was that the very tool she relied heavily on as a platform to keep her sons enrolled in a greater purpose for their wealth was becoming less viable. In a long-standing tug of war over resources for the foundation, she often found herself at odds with her husband. He wanted to redistribute their wealth into a riskier portfolio. She, on the other hand, wanted to secure more funds for the foundation. She was concerned the capacity of the foundation to realize its goals would be significantly impacted if the riskier investments didn't pan out as hoped. Over time, this issue created greater distance between them. When her husband then wanted to pull out more of the principal potentially impacting their lifestyle, the issue came to a head.

The essential conversation wasn't about the wealth or even the division of funds. It was about trust. Mom was growing increasingly distrustful that her husband wasn't listening to her concerns, putting her lifestyle at risk and threatening the source of meaning and purpose in her life, her philanthropy. Her concerns were largely about giving back, teaching her sons about philanthropy and, at the same time, protecting the quality of life they enjoyed. Her husband's concern was growing the wealth, and riskier investments offered the highest potential payback. Left unaddressed, the dissonance would continue to grow, and their relationship become more distant. Through family coaching and skill building, the very conflict creating distance became generative. They learned to have a conversation for co-design that

incorporated each of their concerns and goals. The skills they deepened included learning to listen, learning to speak up when not feeling heard and organizing as a team around a shared purpose, as opposed to individual goals. Ultimately, they were able to create a solution that met each of their concerns and requirements. A more specific plan supported the goals of the foundation. They set a percentage of principal that could be applied to risk, assuring the lifestyle they were accustomed to living would continue. Most importantly, the values of the family exemplified through their philanthropy were protected, and their relationship to trusting each other was strengthened.

Questions the advisor can ask to reveal the distrust among family members:

- In what areas do you and your spouse see eye to eye, and in what areas do you see things differently? What's the consequence of not being in alignment?
- What are you doing (other than hoping) to ensure your children will still take care of each other after you're gone?
- When you don't agree with each other, how do you reach a solution? How's that working for you?
- How does the subtle distrust that may be operating in the background of your family show up?
- In what ways does your family see you as a resource, not just a wealth provider?
- Are the conversations about wealth a two-way conversation, or are you mainly calling the shots? What do you anticipate will happen after you're gone?
- What are the conversations you don't dare to have?

Embrace the Shift

The rise of women as philanthropic leaders will have a significant impact on the world and their families in powerful and meaningful ways. The changing economic and philanthropic landscape is emerging as a vital opportunity to knit a family together and deepen a sense of family pride, while having a significant impact on the human condition and our world. Philanthropy can be a means to increase levels of trust and communication in a family, provide a platform to better prepare the inheriting generation to be responsible managers of the wealth and create alignment for the purpose of the wealth. Professional advisors have an opportunity to embrace this shift to deepen their relationships with entire client families by making clients aware of the core drivers of successful wealth transition and how philanthropy can be used to align the family for successful wealth transition.

Endnotes

1. The Williams Group.
2. Danielle Kayembe, "The Silent Rise Of The Female-Driven Economy" (Dec. 20, 2017), *www.refinery29.com/2017/12/184334/rise-of-female-driven-economy-feminist-economics?bucketed=true.*
3. "Spotlight: Women at Work," U.S. Bureau of Labor Statistics (March 2011).
4. "Women in the Labor Force: A Databook," U.S. Bureau of Labor Statistics (December 2014).
5. "SOI Tax Stats—Female Top Wealthholders by Size of Net Worth," Internal Revenue Service (2007).
6. Debra Mesch, Una Osili, Jacqueline Ackerman and Elizabeth Dale, "How and Why Women Give: Current and Future Directions for Research on Women's Philanthropy," The Women's Philanthropy Institute (May 2015).
7. Debra Mesch, "The Gender Gap in Charitable Giving," *The Wall Street Journal* (Feb. 1, 2016).
8. "2011 Study of High Net Worth Women's Philanthropy and the Impact of Women's Giving Networks," The Center on Philanthropy at Indiana University (December 2011).
9. "Insights on Wealth and Worth: Women and Wealth Fact Sheet," U.S. Trust (2013), *www.ncgs.org/Pdfs/Resources/Women%20and%20Wealth.pdf.*
10. "Failure" is defined as loss of control of family assets and family unity.