FINANCIAL TIMES

March 14, 2013

How the Other Half Gives

By Sarah Murray

In a laboratory game to assess how income levels affect charitable giving, participants are handed $10 in dollar bills and told that, if they like, they can put some in an envelope and give them to an anonymous partner. Psychologist Paul Piff has found that people making $150,000 or more a year give on average $2-$3, while lower earners give $6-$7.

"That's an incredible difference," says Piff, a social psychologist at the University of California, Berkeley. "You would think that the person who doesn't have much money would really value those few dollars, but we find the reverse."

Yet, when unpicking such findings, variations in giving levels cannot be explained simply by concluding that the rich are stingier than others. Moreover, some argue that the problem is not a lack of generosity among the wealthy but the inability of non-profit-making organisations to find new ways to engage the rich in problem solving.

Piff's findings certainly mirror the results of other studies. In a Stanford University paper, authors Claude Rosenberg and Tim Stone calculated that in 2003, if 1m affluent US taxpayers aged between 36 and 50 had donated the same proportion of their assets as their less wealthy peers, they would have added a collective $12bn to their gifts that year.

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> Executive Director,
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In Piff's research, similar results emerge when it comes to the giving of time. In another test, participants are asked how much time they would be prepared to give to help someone who rushes in late,

appears very distressed and who will, participants are told, need to remain behind to complete the test.

"We measure the minutes they're prepared to give," says Piff. "Wealthier participants give way less time."

When it comes to financial donations, the rich may give a lower proportion of their income away in part because of the disproportionate thanks they receive for what they do give.

"Humans have a hard time understanding big numbers, so we celebrate large gifts in an absolute way," says Jason Franklin,

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executive director of Bolder Giving, a US non-profit. "That lets wealthy people off the hook culturally, because they're described as generous for making a big gift regardless of their capacity to give."

Like the Giving Pledge – launched in 2010 by Bill and Melinda Gates and Warren Buffett to persuade wealthy individuals and families to give most of their assets to charity – Bolder Giving has a mission to inspire individual donors to give away more of their wealth.

Franklin believes wealthy individuals often have a poor understanding of how much they can donate without undermining their financial position. "People don't have a good sense of their own capacity to give," he says, adding that their wealth managers tend to focus on keeping or building their clients' financial assets.

The external environment also appears to influence giving. Piff argues that because those with few financial resources rely more on other people in their community and in turn help them out, they tend to develop higher levels of empathy.

Yet it takes relatively little exposure to others' misfortunes to cause wealthier people to gain that empathy and give more. When the time test was run on participants after they had watched a brief video about child poverty, no differences emerged between rich and poor in the time they offered to help the late-arriving participant.

For non-profits hoping to secure more funding from the wealthy, this suggests that exposing donors to the issues – whether through videos, images or even trips that give them first-hand experience of the effects of poverty or malnutrition – could yield positive results.

By contrast, being insulated from the lives of poorer people appears to damp the urge to give. By examining tax records in different US neighbourhoods, the Chronicle of Philanthropy newspaper found that in districts dominated by wealthy people, giving dropped below average rates.

Yet perhaps it is overly simplistic to rely on tax returns as a measure of generosity. "The financial complexity of the incomes and assets of high net worth individuals is very different from other people," says Susan Raymond, head of research and policy at Changing our World, a fundraising consultancy.

"By looking at household income and giving as [they are] itemised on a tax form as a percentage of annual income, you don't know what … they're doing with the rest," says Raymond.

Regardless, she says, in efforts to get the wealthy to give more, the onus is on non-profits to do a better job of understanding what motivates donors. "Non-profits have to understand that, increasingly, wealth is held by a diverse set of people with a diverse set of backgrounds," she says.

This means rich individuals are less likely to want simply to write a cheque to a charity or shell out large sums for a gala dinner. With more philanthropists having amassed their wealth in the private sector, rather than inheriting it, many are looking for entrepreneurial solutions to social problems.

This might mean seed-funding social entrepreneurs, engaging in social impact investing (which seeks social or environmental impact as well as financial returns) or buying social impact bonds that yield a return only when an objective, such as housing more homeless people, has been met.

Raymond believes non-profits need to move away from traditional fundraising methods to provide more creative financing options for the wealthy. "People of high net worth don't want to give money to problems. They want to invest in solutions," she says. "That's how you get wealth to become more engaged – not by simply showing more sad faces." ■