PRIVATE CLIENT DINING CLUB AND CANCER RESEARCH UK

ROUNDTABLE DISCUSSION AT THE FRANCIS CRICK INSTITUTE: TRENDS IN PHILANTHROPY AND THE ROLE OF ADVISERS

CANCER RESEARCH UK

INTRODUCTION

RESEARCH SHOWS THAT WEALTHY PEOPLE WHO TAKE ADVICE GIVE TWICE AS MUCH AS THOSE WHO DON'T

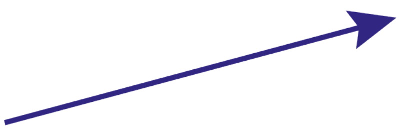
The UK has a long history of generous philanthropic giving, which has created schools and hospitals, and brought about societal change. The total value of donations of £1m or more rose from £1.37bn in 2006/07 to a record high of £1.83bn in 2016.[1] Despite this, with the current constraints on public spending there is a need for more philanthropy and for the impact of that philanthropy to be greater.

Many wealthy individuals do not give significantly or systematically: only 10% of the 18,000 high-net-worth individuals in the UK are engaged in some way with civil society. If the culture of philanthropy in the UK were to change to result in more giving, this could unlock an estimated £4bn of additional charitable funds.[2]

A recent article in the *Financial Times* by Alice Ross highlights the need to encourage wealthy individuals to give more to charity. Matthew Bowcock (The Philanthropy Workshop) and Cath Dovey (formerly at Scorpio Partnership) have calculated that, "the median level of giving among so-called high-net-worth individuals – those with £1m-£10m in investable assets – is just £500 a year. Among the ultra-wealthy – those with more than £10m – it is just £240". Matthew Bowcock is currently assembling a forum of 70 philanthropists with the aim of increasing total giving by the wealthy to £4bn a year.

This culture of relatively low-level giving represents a challenge for charities that receive no government funding, such as Cancer Research UK (CRUK). To add to the challenge, the health sector receives only 8% of the total number of donations from wealthy individuals and only 4.8% of the value (£718m). This is in sharp contrast with the higher education sector and foundations, which receive the bulk of donations.[3]

To continue to fund world-leading and life-saving research, CRUK aims to extend the charity's reach among philanthropists. **Research shows that wealthy people who take advice give twice as much as those who don't,** meaning that professional advisers are key intermediaries and influencers. CRUK is therefore keen to understand more about how the charity, and indeed the sector, might partner with advisers.



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10% of UK high-net-worth individuals are engaged in some way with civil society

The health sector receives 8% of the total number of donations from wealthy individuals

1 Coutts Million Pound Donor Report 2017
2 New Philanthropy Capital's Giving More and Better 2016
3 Coutts Million Pound Donor Report 2017

The following is a summary of a recent discussion with professional advisers to get their views on trends in philanthropy and the role they can play in improving levels of giving. This discussion was facilitated by CRUK and the Private Client Dining Club.

1. THE ROLE OF PHILANTHROPY IN THE UK AND INTERNATIONALLY

> IN THE US, PEOPLE THINK YOU ARE STRANGE IF YOU ARE NOT ALSO AN ACTIVE PHILANTHROPIST

There are significant differences across countries and regions and these tend to be linked to donors' motivations. In the Middle East, giving is often linked to religion and so philanthropy is relatively ingrained within the region's culture. In Asia and Africa, there is a lot of new wealth and no real history of philanthropy, although there is an understanding of charity and giving. In the Scandinavian countries, having private capital involved in big societal problems is a relatively new concept as people are used to the governments taking responsibility for societal issues.

In the UK and the US, there is a long tradition of philanthropy to fulfil personal values and to take advantage of tax incentives and efficiencies. One interesting phenomenon particular to the US is that business people are not considered successful unless they are philanthropists: **"People think you are strange if you are not also an active philanthropist."**

In the US, people are also more comfortable displaying evidence of their philanthropy. They will openly fundraise and encourage their peers to give, while those in the UK tend to be more private about it. What's more, US philanthropists tend to give more as there are greater tax incentives and products to support giving.

2. THE ROLE OF THE GOVERNMENT IN PHILANTHROPY

The UK Government probably feels that it does enough to encourage charitable giving through tax incentives and Gift Aid. The challenge will be to maintain these incentives in times of austerity.

However, incentives on philanthropic gifts through estate planning don't seem to be a key driver for clients. Often, they have a clear idea of how much they want to leave, but find the Inheritance Tax calculations too complex: **"I can probably count on one hand the number of clients who express interest in the details."**

It was noted that the immediate tangible Gift Aid benefit is a focus for clients when they are looking at tax bills. Although it's not the main reason for going into philanthropy, it can be a good way to start the conversation, as charitable giving is extremely tax efficient.

Currently, only 10% of the 18,000 high-net-worth individuals in the UK are engaged in some way with civil society. Increasing this to 20% would make a significant difference. **The UK Government could help achieve this by changing the culture around philanthropy and introducing new tax incentives – for example, building sizeable charitable gifts into immigration visas for wealthy individuals, which would help foster a sense of belonging to the country as well as benefiting charities.** However, there is a limit to what the Government can do and current donors are perhaps better placed to coral their peers into adopting a more philanthropic mindset.

3. TRENDS IN PHILANTHROPY

Family is key

> PHILANTHROPY CAN BE THE GLUE BETWEEN ALL GENERATIONS

Philanthropy can create a very strong bond within a family as they work towards a common goal. Getting the younger members of a family involved and getting them excited them about a cause can inspire them in a way that discussions about tax are unlikely to: **"Philanthropy can be the glue between all generations."**

Families operate like brands: they want to project values today and leave a legacy for the future, and they see their philanthropic activity as part of their brand. Next-generation events are relevant and useful, but charities should be thinking about extending this to multi-generational events, where the whole family unit is involved to help younger members buy into the cause from an early age.

Numbers and evidence of impact matter

Potential donors want to see the details, evidence of efficiency and objective assessment by independent experts. Charities need to be prepared to respond to this with detailed information and advisers need to be equipped to counter donor's cynicism about charities. Donors understand that these are big businesses with running costs, but want to be really clear about how the money is spent: **"Donors want to dive into the detail about what's going to happen to the money, over what period of time, and what optionality there is about involving other family members now or in the future."**

Impact Investing

There is an increasing appetite for Impact Investing, which includes Environmental, Social and Governance (ESG), Socially Responsible Investing (SRI) and Venture Philanthropy. For those philanthropists who want to see a financial as well as a social return, capital markets are the best way to achieve their objectives and are an easy introduction to philanthropy.

4. HOW ADVISERS AND CHARITIES CAN WORK CLOSER TOGETHER

Awareness and impact

> I THINK £100K MIGHT BE £150K IF DONORS THOUGHT THEY COULD GET THAT RECOGNITION

There is a lack of awareness of the different ways that philanthropists can get involved: **"I would imagine the majority of practitioners out there wouldn't have the faintest idea that they could come to you and say, 'look I've got this person with this sum of money. What planning can we do?'"** Charities need to raise awareness of what's possible with lifetime and planned gifts, and highlight that donors can choose specific projects to support and receive ongoing feedback on the impact of their gift. There is also evidence that donors who use advisers tend to give more because they have a relationship with the charity: **"I think £100k might be £150k if donors thought they could get that recognition."**

Education and networking

Advisers need to educate philanthropists and vice versa. An effective way of doing this is through three-way networking events with charities, wealthy individuals and advisers. **Contrary to the perception that it's difficult to engage wealthy individuals, with the right topic and the right speaker at the right time, they will show up.** Charities should use warm existing donors to inspire their networks of peers who have not yet engaged.

Inviting clients to an event is a good way for advisers to broach the subject of philanthropy – a model that is already used by the Founders Pledge, a private network of leading digital and tech entrepreneurs. CRUK could emulate this and facilitate an event for advisers and their clients, with a respected philanthropist such as Percy Barnevik as the speaker. At these events, CRUK should also have scientists talking about their cutting-edge research: "**Focusing on scientific developments – the research and the outputs, rather than cancer – has been the most fundamental way of shifting the conversation."**

Bespoke offer

Philanthropists want to create plans that meet their strategic objectives, satisfy their personal interests and show evidence of impact. And charities need to respond to this. CRUK has successful examples of working with advisers to develop bespoke plans for major donors, who have specified where the money goes, both in their lifetime and on their death. These donors have a strong relationship with CRUK and have gone on to support the charity in many different ways.

For example, one donor started out by wanting to write CRUK into her Will, but after carrying out serious due diligence and understanding her potential involvement and impact, she decided to also volunteer at a senior level. She now gives her surplus annual income to CRUK because she was able to restrict her donation to a project that interested and inspired her: **"Who would have thought that estate-planning could be fun and motivating."**

RECOMMENDATIONS

1. Work with the UK government to promote the importance of philanthropic giving and explore possible additional tax and other incentives to benefit the sector.
2. Target families as well as individuals to inspire and engage the children and young people who will be tomorrow's philanthropists.
3. Educate advisers on the bespoke options available for their clients: inspire with science, convince with numbers and sell with impact.
4. Develop a programme of networking events for advisers and their clients through existing donors, scientists and inspiring external philanthropists.

Cancer Research UK (CRUK) is the world's largest independent funder of cancer research dedicated to saving lives through research. Its vision is to bring forward the day when all cancers are cured by preventing more cancers, diagnosing the disease earlier and improving treatments. CRUK receives no government funding, so this life-saving work is only possible thanks to the support of generous individuals and organisations who share this vision.

CRUK's mass fundraising activity is well established and currently delivers most of the charity's annual income (£540m in 17/18). CRUK is also active in the philanthropy space and has been successful in securing major gifts that help fund world-class research in the charity's network of centres and institutes. CRUK is also a founding partner of the Francis Crick Institute in London, which is Europe's largest biomedical discovery institute under one roof housing 1,500 scientists and support staff.

The Private Dining Club was founded by David Bell and is the premier business networking club for international private client professionals.

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