

2018 YEAR IN REVIEW:

Philanthropic
News & Trends

Table of Contents

Introduction	2
January: “On Philanthropy: 6 ways the world of giving could change in 2018” by Bruce Deboskey	3
February: “Charities brace for giving plunge in wake of new tax law” by Brian Faler	3
March: “When It Comes to Donating Money, Whom Do You Trust?” by Ann Carrns	4
April: “As Philanthropy Grows, What Are the Rich Spending Their Money On?” by Lee Mannion	4
May: “There Are Better Ways To Fight Poverty Than Giving Money To Corporations” by Noelle Sullivan and Lisa Ann Richey	5
June: “Philanthropy Is the Latest Sign That the Rich Are Getting Richer” by Leslie Albrecht, Marketwatch	5
July: “How much does average American taxpayer give to charity and why could it fall in 2018” by Matthew Frankel, Motley Fool	6
August: “Commentary: It shouldn’t be so hard to give money to charity” by Una Osili	6
September: “Jeff Bezos is What Democracy Needs Right Now” by Tyler Cowen	7
October: “People donate more when they think they’re being watched” by Leslie Albrecht	7
November: “How Political Ideology Influences Charitable Giving” by Paul Sullivan	8
December: “How to do more good with your charitable dollars” by Beth Pinsker	8
Bibliography	9

Introduction

This year, Lassiter & Associates catalogued twelve articles on philanthropy, nonprofits, and charitable giving from various local and national sources in order to examine major 2018 changes and trends and their impacts as we move into 2019 together.

We hope this serves as a tool to help nonprofit leaders and their organizations. Not only have legislative changes had profound effects on the philanthropic and charitable landscape, many of the studies published this year have demonstrated yet more ways for nonprofits, NGOs, and charities to raise funds to support their visions and missions.

Foundations are a vital source for the sustainability of nonprofits and community organizations, and the increased popularity of donor-advised funds and other recent innovations will have a profound effect on how philanthropy will change moving forward. This is especially true in the wake of the new, larger standard deduction, which may discourage middle-class donors unless they can begin to use this resource and others like it to compile their contributions. This and the greater competition for grants have caused some organizations to begin searching for alternative fundraising measures and audiences.

We have used our vantage point as communications and fundraising consultants to observe shifts in philanthropic efforts over the course of the year while at the same time observing trends from the perspectives of our clients and their communities. We know that it is essential for our clients to keep track of these changes, opportunities, and trends in order to strategize for the year ahead and sustain optimal fundraising efforts; that is why we have assembled twelve of the most prominent articles representing some of the strongest and most pivotal trends from 2018 and for the years ahead.

- *Lassiter & Associates, LLC*
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January and February

“On Philanthropy: 6 ways the world of giving could change in 2018”

Denver Post
January 14, 2018
Bruce Deboskey

Deboskey hypothesizes on trends that nonprofits and donors will see throughout the year. “Trickle-down philanthropy,” he says, is even less likely to occur than trickle-down economics, which has been widely discredited.¹ He also predicts that giving in 2018 will fall by \$20 billion because of new federal tax laws, but that “rage philanthropy” will continue to thrive as Trump supporters and detractors support organizations that align with their beliefs. Giving circles, which have tripled in number over the past decade, will continue to grow, likely focusing on local causes and employing donor-advised funds. Foundations themselves will start putting “their money where their missions are” through impact investing.

Volunteerism is expected to go up as a result of the wave of new studies explaining the health benefits of giving; health care facilities, businesses, and other entities may begin to provide more volunteer opportunities. Although new federal tax laws are predicted to negatively impact small, local nonprofits, Deboskey predicts that issue-related giving, giving circles, impact investing, and volunteerism will steadily grow throughout the year.

“Charities brace for giving plunge in wake of new tax law”

Politico
February 2, 2018
Brian Faler

As a result of new federal tax laws, Faler reports, the official Joint Committee on Taxation expects the number of taxpayers taking the charitable deduction to fall by 28 million, most of those coming from the 61 percent of middle-class donors that will no longer be eligible for it. Charities that have relied on middle-class donors will no longer be able to use the tax break as a selling point, and many fear a decline in giving because the cost of contributing will effectively rise. Some nonprofits will instead begin giving donors much more detail on the difference their gifts make, but others will increasingly focus on the rich.

Moreover, if only 15 percent of Americans now receive the benefit, justifying charitable giving as a deduction will become more difficult, especially since the government will essentially contribute 37 cents for every dollar donated by the wealthy, but will contribute nothing for middle-class gifts.

501(c)3 organizations, the main type of organization for which contributors can claim a deduction, may face more competition now that the incentive has been removed for so many middle-class donors; they may no longer care whether a group is a 501(c)3. Many donors will not realize they are no longer eligible for the tax deduction until 2019, when they file their 2018 taxes, so not all impacts are visible yet. Nevertheless, a robust economy still means more giving.²

1. Bruce DeBoskey, "On Philanthropy: 6 Ways the World of Giving Could Change in 2018," The Denver Post. January 15, 2018. Accessed December 13, 2018. <https://www.denverpost.com/2018/01/14/philanthropy-landscape-2018/>.

2. Brian Faler, "Charities Brace for Giving Plunge in Wake of New Tax Law," POLITICO. February 09, 2018. Accessed December 14, 2018. <https://www.politico.com/story/2018/02/09/charities-tax-law-giving-plunge-331049>.

March and April

“When It Comes to Donating Money, Whom Do You Trust?”

The New York Times
March 22, 2018
Ann Carrns

“To help ensure their philanthropy is being used effectively,” Carrns reports that “donors are increasingly seeking the help of professionals.”³ Philanthropic advisors are now being sought after to help donors vet organizations before granting major gifts. These advisors examine the details of financial reports, arrange site visits, and talk to their contacts in the field as well as to nonprofits’ leaders and existing donors. Potential warning signs include steadily increasing deficit, unexplained variances from the budget, missing documents, and unusual sums of money spent on overhead or fundraising. However, all of these factors need to be considered in context.

“As Philanthropy Grows, What Are the Rich Spending Their Money On?”

Reuters
April 26, 2018
Lee Mannion

Education is a popular focus for wealthy philanthropists, followed by social welfare, health, arts and culture, and poverty reduction. The wealthy are driven by a moral sense of obligation and a fear that “when inequality becomes too acute it may threaten peace, stability, and the free enterprise system that created such wealth.”⁴ In 2008, the richest 1 percent of the world’s population owned 43 percent of the wealth, but that figure has since increased to half.

Globally, foundations have combined assets of \$1.5 trillion, found an assessment of thirty-nine countries on various continents (though 95 percent of foundations surveyed were in Europe and the United States). Three-quarters of foundations that gave their age were created within the past twenty-five years; if the trend continues, philanthropy may be able to increase its social and economic impact.

3. Ann Carrns, "When It Comes to Donating Money, Whom Do You Trust?" *The New York Times*. March 22, 2018. Accessed December 14, 2018. [https://www.nytimes.com/2018/03/22/your-money/philanthropy-donors-](https://www.nytimes.com/2018/03/22/your-money/philanthropy-donors-advisers.html?rref=collection%2Ftimestopic%2FPhilanthropy&action=click&contentCollection=your-money®ion=stream&module=stream_unit&version=latest&contentPlacement=3&pgtype=collectio)

[advisers.html?rref=collection%2Ftimestopic%2FPhilanthropy&action=click&contentCollection=your-money®ion=stream&module=stream_unit&version=latest&contentPlacement=3&pgtype=collectio](https://www.nytimes.com/2018/03/22/your-money/philanthropy-donors-advisers.html?rref=collection%2Ftimestopic%2FPhilanthropy&action=click&contentCollection=your-money®ion=stream&module=stream_unit&version=latest&contentPlacement=3&pgtype=collectio)

4. Lee Mannion, "As Philanthropy Grows, What Are the Rich Spending Their Money On?" *Reuters*. April 26, 2018. Accessed December 14, 2018. <https://www.reuters.com/article/us-charities-financing-wealth/as-philanthropy-grows-what-are-the-rich-spending-their-money-on-idUSKBN1HX00J>.

“There Are Better Ways To Fight Poverty Than Giving Money To Corporations”

The Huffington Post
May 24, 2018
Noelle Sullivan and
Lisa Ann Richey, Guest Writers

Sullivan and Richey dig deeper into a prevalent but problematic approach to philanthropy: “if we consume junk with no discernable use, we’ll help others we’ll never see while we continue to enjoy, and not question, our own privilege.”⁵ Red Nose Day is an example of how “brand aids” make corporations look good while channeling good intentions into low-cost heroism that is commercially lucrative and politically unquestioning. National Breast Cancer Awareness Month and (Product) RED are similar examples; the companies’ profits surpass the donations to and impact for the actual cause.

These types of strategies contribute to the rise in global inequality by promoting problematic forms of consumerism as the means of ending, for example, disease or poverty. The authors encourage donors to give directly to the organization rather than buying a product from a company that is leveraging the cost for their own financial benefit.

“Philanthropy Is the Latest Sign That the Rich Are Getting Richer”

New York Post
June 18, 2018
Leslie Albrecht, Marketwatch

In 2017, Americans donated \$410.2 billion to charity—a record amount—but according to Giving USA’s annual report on philanthropy, much of that came from the richest households. For decades, about two-thirds of households consistently gave to charity, but the rate fell during the Great Recession, and lower-income, lower-education, and younger households have not recovered as well. Since the recession, dollars donated have increased by 30.6 percent, but the number of donors has decreased. Millennials in particular lag behind other age groups in charitable giving because they see their entire lifestyle as an opportunity to give holistically.

Tech tycoons such as the Gates, the Zuckerbergs, and the Dells top the Chronical of Philanthropy’s Philanthropy 50 list of America’s biggest donors. Cryptocurrencies have seen a rise in donations, as have private family foundations; donor-advised funds allow donors to set money aside for a charity in a lump sum in order to meet the threshold for the tax deduction without assigning the money to specific nonprofit groups ahead of time.

5. Noelle Sullivan and Lisa Ann Richey, "There Are Better Ways To Fight Poverty Than Giving Money To Corporations," *The Huffington Post*. May 24, 2018. Accessed December 14, 2018. https://www.huffingtonpost.com/entry/better-ways-to-fight-poverty_us_5b05d182e4b05f0fc8445023.

6. Leslie Albrecht, "Philanthropy Is the Latest Sign That the Rich Are Getting Richer," *New York Post*. June 18, 2018. Accessed December 14, 2018. <https://nypost.com/2018/06/18/philanthropy-is-the-latest-sign-that-the-rich-are-getting-richer/>.

July and August

“How much does average American taxpayer give to charity and why could it fall in 2018?”

USA Today
July 6, 2018
Matthew Frankel
Motley Fool

36.95 million tax returns filed in 2017 claimed a deduction for charitable contributions made in 2016, but Frankel and others anticipate that one particular provision in the Tax Cuts and Jobs Act could dramatically reduce this number in the coming years. The average deduction among those 2016 returns was \$5,508, but with the standard deduction nearly doubling to \$12,000 for single taxpayers and \$24,000 for married couples filing joint returns, one of the incentives for charitable giving will no longer be accessible to many in lower income brackets.

Only taxpayers who choose to itemize deductions—on average, about 25 percent of the population—are eligible for the deduction, and new standard deduction is predicted to decrease that number to 5 percent.

“Commentary: It shouldn’t be so hard to give money to charity”

Reuters
August 8, 2018
Una Osili

Almost thirty world governments have policies that restrict philanthropic activity and make it more difficult for charitable organizations to operate. As a result of growing opposition to immigration and focus on domestic affairs, says Osili, many countries are growing suspicious of nonprofits that work across borders.

Political volatility—for instance, the trend towards populism in parts of Europe—threatens global philanthropy because of new regulations on foreign support to charitable organizations. Even regulations intended to increase transparency and prevent funding from reaching militant organizations can hinder international nonprofits’ operations, especially through hefty reporting requirements.

However, countries like China and Saudi Arabia have seen significant increases in philanthropy despite strict requirements; the latter, for example, aims to strengthen the impact of homegrown nonprofits by improving their transparency and performance. Still, NGOs and international nonprofits take on issues that individual countries cannot adequately address alone, and current trends endanger those goals.⁸

7. Matthew Frankel, "How Much Does Average American Taxpayer Give to Charity and Why Could It Fall in 2018?" USA Today. July 06, 2018. Accessed December 14, 2018. <https://www.usatoday.com/story/money/taxes/2018/07/06/how-much-average-taxpayer-give-charity-taxes-2018/36561381/>.

8. Una Osili, "Commentary: It shouldn't be so hard to give money to charity," Reuters. August 16, 2018. Accessed December 14, 2018. <https://www.reuters.com/article/us-osili-philanthropy-commentary/commentary-it-shouldnt-be-so-hard-to-give-money-to-charity-idUSKBN1L11U5>.

September and October

“Jeff Bezos is What Democracy Needs Right Now”

Bloomberg
September 21, 2018
Tyler Cowen

Jeff Bezos' new fund to create preschools and help homeless families has met some criticism; some argue that he should first give Amazon employees raises, or that the money he gives to those causes should come instead from his taxes. Cowen, on the other hand, defends private philanthropy in his article. He points out that Bezos is unlikely to dictate terms given that he must work through preschools, homeless shelters, and the organizations that help them, and a Bezos-funded preschool is not guaranteed to succeed; it must provide “a compelling educational experience.”⁹

While it is true that taxes and government spending are democratically controlled, the fact that the elderly vote the most means that democratic expenditures are skewed towards their interest. Philanthropy is typically more interested in younger or future generations, and furthermore, its experimental nature allows for flexibility and for diverse visions. Raising taxes on capital income is less effective than one might imagine because that is the very capital that is the most internationally mobile and hardest to tax.

There is room for both democracy and philanthropy, but more private philanthropy may be what democracy needs.

“People donate more when they think they're being watched”

New York Post
October 18, 2018
Leslie Albrecht

Albrecht reports on an October study that found that each person donated an average of one cent more to a children's museum when a picture of human eyes appeared on the donation box as opposed to a chair or a nose and mouth. This resulted in a total increase of \$12 per week over the twenty-eight weeks, which was especially significant given that the average weekly donation to begin with was \$15.¹⁰

9. Cowen, Tyler. "Jeff Bezos Is What Democracy Needs Right Now." Bloomberg.com. September 21, 2018. Accessed December 14, 2018. <https://www.bloomberg.com/opinion/articles/2018-09-21/what-amazon-s-jeff-bezos-gets-right-about-philanthropy>.

10. Leslie Albrecht, "People Donate More When They Think They're Being Watched," New York Post. October 18, 2018. Accessed December 14, 2018. <https://nypost.com/2018/10/18/people-donate-more-when-they-think-theyre-being-watched/>.

November and December

“How Political Ideology Influences Charitable Giving”

The New York Times
November 3, 2018
Paul Sullivan

Sullivan reports on a study that found that political competition decreases giving, both in donations and in the taxes from “involuntary giving”; the study’s authors speculate that this is because trust decreases, and we are less confident in the impact of our giving when our beliefs are not shared by those around us. While Republican counties are more charitable, Republicans give less in Democratic counties, likely for this reason, and possibly as a result of higher taxes in those counties. Wealth distribution is higher in Democratic counties despite the lower rates of charitable giving because of those taxes; taxpayers would seem to have little say in their involuntary giving, but choosing to live in those counties shows their willingness to be taxed and their confidence that the government will support the causes they believe in.

Additionally, those in favor of lower taxes argue that individuals are more capable than the government of allocating money to important causes, but evidence shows that donations do not match government assistance and that, without tax money, social services are not funded as robustly. However, there are things that private philanthropy can do better than government aid; for instance, without the threat of political fallout, private philanthropy is more willing to fail, and therefore, to take risks.¹¹

“How to do more good with your charitable dollars”

Star Tribune
December 1, 2018
Beth Pinsker, Reuters

U.S. tax laws that went into effect in 2018 encourage saving up charitable donations over multiple years until they meet the larger standard deduction, which is likely to increase the popularity of donor-advised funds, special accounts that allow investors to designate assets for charitable giving and choose the destinations later.

Organizations such as Fidelity Charitable, Vanguard Charitable, and Schwab Charitable offer selections of sustainable investing options that a donor can choose from, and firms like Crawford’s MicroVest and advisers like Harrison help donors direct their funds to groups such as ImpactAssets or Water.org that turn charitable donations into microinvestments in developing countries. Returns from these can either be reinvested or return to the donor-advised fund.¹²

11. Paul Sullivan, "How Political Ideology Influences Charitable Giving," *The New York Times*. November 03, 2018. Accessed December 14, 2018. https://www.nytimes.com/2018/11/03/your-money/republicans-democrats-charity-philanthropy.html?ref=collection/timestopic/Philanthropy&action=click&contentCollection=your-money%2%AEion=stream&module=stream_unit&version=latest&contentPlacement=1&pgtype=collection.

12. Beth Pinsker, "How to Do More Good with Your Charitable Dollars," *Star Tribune*. December 01, 2018. Accessed December 14, 2018. <http://www.startribune.com/how-to-do-more-good-with-your-charitable-dollars/501367452/>.

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