BIZCOMMUNITY

Trends shaping philanthropy in the post-pandemic world

By Lisa Forster and Timothy Townsend

26 May 2021

One of the things that has become evident, especially during the Covid-19 pandemic, is that philanthropy itself has become the trigger for many of the high-net-worth families to start considering setting up a new single-family office. But the notion of philanthropy is highly personalised and unique for each family and, as such, is guided by what matters to them most. This is fast becoming a significant factor in determining the advice families seek and source from a trusted advisor.

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The patriarch or matriarch is thinking of their own mortality and handing over the baton to the next generation much earlier than what would have been the case pre-Covid-19. At the same time, there has been a shift in the values, priorities and expectations of nextgen (millennials and Gen Z) family members who are more conscious of ethical considerations and want their investments to have a positive impact on the communities in which they operate.

For example, the recent downturn in some commercial real estate markets has led many family offices to consider investing in social housing schemes. They achieve this by forging connections with their peers who demonstrate a common purpose of making a difference.

Nature of giving is evolving

The nature of giving is evolving, along with innovations in philanthropic structures to effectively facilitate the receipt of financial contributions. Recent financing innovations piloted by financial institutions, philanthropists, non-profit organisations (NPOs) and development finance agencies include social impact bonds, blended financing and development impact bonds. Standard Bank's *Africa Wealth Report 2020* revealed that only 17-27% of families have their own private foundation or charity. Structured giving through various financial vehicles including donor advised funds (popular in the United States) can be supported by impact investments within family investment portfolios.

Measuring impact is another rapidly evolving trend for families who are shifting towards a far more proactive assessment of the overall impact of their family wealth, aligned to an increasing appetite displayed across the finance sector to effectively measure non-financial returns for investors. Dr Michael Overton, co-founder of Global Family Office Partnership, highlights the shift in family focus from "philanthropy as an aside" to becoming "core to the family business practices", which involves assessing investments from both a shareholder and broader stakeholder perspective.

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Strategic philanthropic giving

Philanthropy is fundamentally concerned with private initiatives for the public good. While it is different from charity, there is some overlap. Unstructured and unplanned spontaneous charitable giving makes it difficult for NPOs to invest in strategic long-term initiatives for maximum impact. This is where strategic philanthropic endeavours by families on the continent can make a difference. Similarly, the expansion of responsible, sustainable and impact investment spills into the traditional impact-only focus of philanthropy. This environmental, social and governance (ESG) tailwind is evidenced in the overwhelming interest seen in Africa's first sustainability-linked bond from Netcare ad Standard Bank.

The resulting post-pandemic collective consciousness has propelled the business of philanthropy even further beyond traditional charitable giving with ESG issues now at the forefront of this modernisation of philanthropy.

Significant changes in the philanthropy landscape were, however, already well underway in the run up to what the UN has dubbed the "Decade of Action", which sounds the call for accelerated sustainable solutions to the world's biggest challenges – ranging from poverty and gender to climate change and inequality. The Covid-19 pandemic has exposed these complex societal issues greater than ever before, highlighting the vital role modern philanthropy must play in addressing them.

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Re-valuate commitments, prioritise opportunities

South Africa is not alone in facing tough social and economic challenges that are too great for the public sector to solve. Philanthropists on the continent must re-valuate their commitments and prioritise opportunities that can achieve a just and sustainable economic recovery. An important role is played by over 220,000 NPOs registered with the Department of Social Development in reaching communities that the public and private sector are unable to reach. The exacerbated strain placed on local NPOs facing the ongoing challenges of Covid-19-related lockdown measures, social distancing and funding shortfalls calls for revised ways of 'helping from home', revised cash flow management, clear communication with existing and potential new donors and greater collaboration with other NPOs facing similar challenges.

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Regional trends

The *African Wealth Report 2020* shows that an overwhelming number (94%) of wealthy family respondents from the continent engage in philanthropic activities often following the regional trends identified in the report, such as the entrepreneurial approach of East and West African families who focus on job creation through social entrepreneurship confidently expanding into new and multiple sectors or serving on NPO or foundation boards. Whereas Southern African respondents, often second or third generation families, place a greater emphasis on the financial support of NPOs. The strategic long-term nature of philanthropy is critical to support the generous traditional short-term charitable and religious giving in South Africa and key to the ongoing survival of the country's many NPOs.

Education remains a popular and commonly supported cause by philanthropists on the continent, with grants to university and school endowments featuring as a strong way to give back to society. This focus on education resonates across the wealth spectrum and one such example of democratised philanthropy is Feenix – the South African crowdfunding platform for tertiary students. Feenix trustee Philip Faure highlights the need for emerging philanthropists to "embrace and drive further scalable fintech for good" solutions on the continent. Alongside education, healthcare is another key cause supported by African families.

Nextgens are also now, due to Covid-19 becoming increasing aware of the social, emotional and mental health challenges that may affect their family members and many are choosing to include specific provisions to promote these issues with impact.

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Planning a legacy

The pandemic has prompted us all to consider our own mortality and many families have revisited provisions made for giving after death. One reward of crafting a sound financial plan to cater for your own personal lifetime requirements to support your desired lifestyle (and establish financial independence) is the ability to focus on planning a legacy for the next generation and others. A regularly updated will is fundamental to this process and many still choose testamentary giving through this mechanism. Charitable trusts or foundations can be established pre-death and there is an increasing move to "strategic giving while living" aligned to the areas of impact that resonate most deeply with a family.

ABOUT THE AUTHOR

Lisa Forster, head of family office, Standard Bank Wealth & Investment, and Timothy Townsend, senior business development manager, International Fiduciary Investment Solutions