The mind of the millionaire: Extended report of the Bankers Trust Private Banking, Deutsche Bank Group, Wealth with Responsibility Study/2000

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BOSTON COLLEGE

CENTER ON WEALTH AND PHILANTHROPY

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Extended Report
of the
Bankers Trust Private Banking, Deutsche Bank Group
Wealth with Responsibility Study / 2000

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Boston College

March 2001

> Few subjects arouse more widespread discussion than the motives, mental processes, and behavior of the rich. The actions of the millionaire and the reasons for them—these are topics on which all men feel free to express an opinion.
>
> Nevertheless, a veil of mystery appears to surround the subject. It is a characteristic American custom to write, read, and talk about millionaires—and yet the man himself remains a riddle after all. He is approached with intense curiosity and perhaps with a touch of awe.
>
> Through all the vicissitudes of shifting economic and industrial conditions the problems of whether great fortunes in this country are acquired and used in such a way as to be more of a benefit or a menace to the people never fades from sight. It is one of those insistent topics which cannot be dismissed, and, unlike so many other subjects, does not vanish of itself or quietly lose a merely transient popularity.
>
> —Albert W. Atwood, ***The Mind of the Millionaire***
> Harper & Brothers Publishers, New York and London, 1926, p. 1

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Introduction

This 2000 Study on Wealth with Responsibility continues Bankers Trust's efforts, which began with its 1996 Study, to explore the meaning and practice of wealth among those in the uppermost financial tiers of the United States. The following report presents findings from a survey conducted in 1998 for Bankers Trust, the purpose of which was to discover how wealth holders think about and act on the capacity of their wealth to affect their own lives, to shape the lives of their heirs, and to improve the lives of others.

Although a growing number of studies present findings on the attitudes and practices of the affluent, the 2000 Wealth with Responsibility study is distinctive in two ways. First the 2000 Study is unique in focusing solely on individuals from the uppermost tiers of wealth. Approximately 5 million—with some estimates as high as 7 million—of the 105 million households in the U.S. currently possess a net worth at or above $1 million, but only about 600,000 of those households have a net worth at or above $5 million.

To our knowledge, the 2000 Study is the first study to survey a sample composed almost entirely of respondents from households with wealth at or above $5 million, including thirty households (of the 112 in the sample) with net worth of least $50 million. Although several existing studies report findings about the attitudes and practices of the wealthy, these studies are actually based on samples of what might more properly be termed the upper affluent. Even though such surveys interview respondents from households at or above $1 million in net worth, they include a substantial proportion of cases with net worth under $1 million, and only few cases with net worth above $10 million.

The second distinctive aspect of the 2000 Study on Wealth with Responsibility is its rigorous methodology. Given the unique opportunity to survey respondents from the very top of the wealth distribution, Bankers Trust wanted the research findings to be especially reliable. To achieve this goal, Bankers Trust enlisted the assistance of researchers from the Boston College Social Welfare Research Institute and from the University of Massachusetts Boston Center for Survey Research. These researchers worked closely with Bankers Trust to develop and pilot the survey questionnaire, to select a sample that would include cases at each level of wealth from $5 million to over $100 million, to develop an advisory board of highly respected individuals whose involvement would lend credibility to the study and bolster the response rate, and to carefully code and analyze the findings.

As with the 1996 Study on Wealth with Responsibility, the focus of the current report is the relation between the material resources and moral purposes of wealth holders. Aristotle maintains that the purpose of life is happiness, and that the path to happiness is wise choices. According to Boston College researcher Paul Schervish the fundamental characteristic of wealth is the latitude it provides for choice. Although being a wealth holder does not intrinsically lead to wise choices in regard to oneself or others, it does broaden the range and effect of the choices that are made.

Whether any individual wealth holder or whether wealth holders as a group are sufficiently conducting a life of wealth with responsibility, we are not able to say. But through this report we can present a portrait of how the rich conceive and carry out the moral purposes of their vast material resources. Equipped with this knowledge, the public, financial professionals and institutions, the media, and wealth holders themselves will be better positioned to reflect on how wealth is to be allocated in the service of wise decisions.

Summary of Findings

The survey was designed to explore the meaning and practice of wealth by individuals in households with net worth at or above $5 million. It is not just what wealth holders decide to do with their wealth that is important, the values and purposes to which they align their decisions are also significant. It is this unity of material capacity and spiritual meaning that constitutes the moral biography[1] of wealth holders, that self-reflective spoken and unspoken narrative by which they understand and chart their lives. There are six related sets of findings that describe how the very wealthy *as a group* understand and carry out their biography of wealth with responsibility in regard to themselves, their families, and their world:

- the meaning of financial security;
- the empowerment of wealth;
- educating children on the responsibilities of wealth;
- philanthropic giving and volunteering;
- socially responsible investing; and
- estate planning.

Wealth, Source of Wealth, and Financial Security

The sample was drawn entirely from households with assets at or above $5 million. When debt is included in order to obtain net worth or wealth, only 12% of the sample have net worth under $5 million, 60% are between $5 million and $49 million, and 28% with net worth at or above $50 million. The average level of wealth of the respondents is $38 million and the median level of wealth is $35 million.

The respondents are overwhelmingly self-made, with the vast majority of respondents (89%) deriving their wealth at least in part from entrepreneurial and professional efforts. For the average respondent, 18% of net worth came from inheritance or gifts, 59% from business or profession, 21% from investments, and 2% from unspecified other sources.

Feeling financially secure is a function of both psychological comfort and material wherewithal. Only 36% felt completely financially secure. The higher the net worth, the greater the amount of wealth respondents say they need to feel financially secure. The median amount needed for financial security is $20 million, or 67% more than current wealth, while the average amount needed is $45 million, or 75% more than current wealth.

[1] See Paul G. Schervish, “The Moral Biographies of the Wealthy and the Cultural Scripture of Wealth,” in *Wealth in Western Thought: The Case for and against Riches*, edited by Paul G. Schervish, Westport, CT: Praeger, 1994. (167-208).

The Purposes and Freedoms of Wealth Holders

The most frequently mentioned policy issues which wealth holders would like to influence through their contributions of time or money generally revolve around developing human capital, such as improvement of education, reduction of poverty and hunger, promotion of arts and culture, and strengthening family stability.

Sixty-one percent of the respondents are engaged in advancing their spiritual or religious development; and three quarters of that group indicate that wealth has a positive effect on their ability to do so.

Educating Children about the Responsibilities of Wealth

Ninety-seven percent of respondents report that they were active in teaching their family values to their children, and 60% report taking steps to educate their children specifically about their relative affluence. Such education focused especially on exposing the children to philanthropy, communicating the responsibilities and stewardship of wealth, and teaching about the power and privilege of wealth.

Philanthropic Giving and Volunteering

Ninety-seven percent of respondents report making monetary contributions to charitable causes in 1997, with an average annual amount of $1.2 million per family or 22% of family income. The bulk of charitable giving is via trusts, gift funds, and foundations rather than directly to charitable organizations in cash or appreciated assets, however, in all cases donors give to the causes to which they are physically or emotionally attached. Fifty-seven percent of the charitable dollars were to causes in which donors or their families were directly involved; 73% of all charitable dollars were given to groups about which the respondent feels some passion. Virtually all respondents report that finding a new cause about which they feel very strongly is likely to increase how much they give.

Ninety-two percent of respondents report volunteering their time to charitable causes during the past three years. Eighty-six percent currently volunteer at least one hour in an average month in these activities; this is nearly double the national average. Respondents volunteer a median of 10 hours and an average of 15 hours per month. Approximately 60% rated both the helpfulness to others and satisfaction to themselves at a level of 8 or higher on a ten-point scale. Most respondents indicated that in the prior three years their volunteering included a leadership role such as serving on a board of directors, fund-raising, or helping to plan an event.

Socially Responsible Investing

Socially responsible investing is not a frequently used or highly valued form of financial responsibility. Respondents hold only about 4% of their assets in socially responsible investments. Two-thirds of the very wealthy do not currently find the idea of socially responsible investing attractive and half have never considered the criterion of social responsibility when making their investments. Those who find socially responsible investments attractive tend to have higher income, contribute larger amounts to charitable and political causes, and derive a larger proportion of their wealth from inheritance.

Estate Planning

Eighty-nine percent of the respondents have a written estate plan. On average, they expect that 37% of their estate will go to taxes, 46% to heirs, and 16% to charitable organizations. If they could modify this distribution, they would prefer that 9% go to taxes, 65% to heirs, and 26% to charitable organizations. Respondents report that having better information about their planning options, the future needs of their family, and the tax benefits of giving to charity would make them more likely to initiate or revisit their estate planning. The very wealthy look to individual professionals rather than financial or charitable institutions to best provide such advice.

Characteristics of the Respondents

Family Net Worth

The most significant characteristic of the sample is that all the respondents are exceptionally wealthy. The sample was originally selected from among households with assets of at least $5 million. Net worth, which takes into account assets and debt, is generally used as the measure of wealth. The average level of wealth of the respondents is $38 million and the median level of wealth respondents is $35 million. Only 12% of the sample had net worth under $5 million, 60% were between $5 million and $49 million, and 28% with net worth at or above $50 million. We refer to the 72% of respondents with net worth under $50 million as the very wealthy, and the 28% of the sample with net worth at or above $50 million as the extremely wealthy.

Family Net Worth

	%
Less than $1 Million	0.9%
$1 Million < $5 Million	11.2%
$5 Million < $10 Million	16.8%
$10 Million < $20 Million	18.7%
$20 Million < $50 Million	24.3%
$50 Million < $100 Million	12.1%
$100 Million or More	15.9%

Family Income

As with wealth, the respondents' family income is at the very upper end of the distribution. An annual income of $1 million currently places a family in the top 1/10 of 1% of the U. S. income distribution, a category in which 63% of the respondents attain. For the respondents as a group, the median annual income is $3 million and the average is $4.4 million.

Annual Pre-Tax Family Income

	%
Less than $100 Thousand	1.9%
$100 T. < $250 T.	4.6%
$250 T. < $500 T.	13.0%
$500 T. < $1 Million	17.6%
$1 Million < $5 Million	40.7%
$5 Million < $10 Million	13.0%
$10 Million < $25 Million	3.7%
$25 Million or More	5.6%

Age

Respondents range in age from 30 to 84 years. Both the average and median age of respondents is 59 years, which makes them older, on average, than most adults in the U.S. There is a fairly wide distribution of age, however, with 22% of the sample under age 50 and another 22% age 70 or older.

Age

	%
30<40 years	4.5%
40<50 years	17.0%
50<60 years	31.3%
60<70 years	25.9%
70<80 years	16.1%
80 years or older	5.4%

Gender and Marriage

The great majority of the respondents are men (91%) and are living with a spouse (88%). This prominence of males and of married respondents precludes the possibility of any analysis broken down by gender or marital status.

Education

In addition to being exceptionally wealthy, the respondents are very well educated. Almost all graduated from a four year college and almost half hold a graduate or professional degree.

Education

	%
High School or Less	4.5%
2-year degree or equivalent.	2.7%
4-year college degree.	47.3%
Graduate/professional degree	45.5%

Employment

Although 47% of the respondents are over 60 years old, only 23% are retired and no longer working. Of the 67% of the respondents who are not retired, 46% are self-employed, 23% are employed by others, and 8% are in an intermediate position where they are neither working for pay nor retired, for example continuing to work in an unpaid executive job.

Children

Ninety percent of the respondents have children or step children. The median number of children is 2 but 12% of the sample have 5 or more. Their children range in age from less than six month to 65 years old. Nearly two thirds (64%) of the respondents with children have no children under age 18. Conversely, somewhat more than a third (36%) of the respondents have at least one child age 18 or younger, and nearly half (46%) claim one or more of their children as dependents.

Children and Step Children

Number	
0	8.9%
1	9.8%
2	36.6%
3	18.8%
4	14.3%
5 or More	11.6%

Revised

Grandchildren

A large group (44%) of respondents have grandchildren or step grandchildren. The number of grandchildren and step grandchildren ranges from 1 to 24; the median number is 5. The ages of the grandchildren range from less than 6 months to 42 years old. Approximately 20% of respondents with grandchildren indicate that at least one is older than age 18.

Revised

Grandchildren and Step Grandchildren

Number	%
0	56.3%
1-5	23.2%
6-10	14.3%
11 or more	6.3%

Source of Wealth

Respondents were asked to estimate the percentage of their current family wealth that derived from inheritance or gifts; from professional efforts such as running a business, earning a salary, or entrepreneurship; from investment; or from other unspecified sources.

What did the respondents report about the origins of their wealth? The short answer is that for the most part they worked for it. The main source of wealth is the effort of the respondent as a business owner or employed professional. Moreover, the higher the value of current wealth, the greater the proportion of this wealth is due to work. There are several ways to show the fact that the respondents, like those included annually on the Forbes 400 list of the wealthiest Americans, are overwhelmingly self-made.

Source of Wealth for Average Wealth Holder

The first is to average what each respondent reports about how they obtain their fortune. We find that on average respondents derive 60% of their wealth from professional efforts, a little over 20% from investment, and a little under 20% from inheritance.

Origins of Total Pool of Wealth

A second way to indicate the prominence of business efforts as the engine of wealth is to consider all the wealth owned by the respondents as a single pool and calculate how much of that total pool flows from each source. This also provides a glimpse into the fact that the bulk of private wealth is generated through the current generations' own, rather than their parents', personal and business enterprise. Of this pool of total aggregate wealth, 68% derives from business or professional efforts, 18% derives from investment; and 11% derives from inheritance. Although not directly showing it, the foregoing suggests that although investments and inheritances can make a particular individual wealthy, it is business that makes a nation wealthy.

Source of Wealth for Average Wealth Holder

	Average %
From Inheritance/Gifts	18.3%
From Professional Efforts	59.0%
From Investment	20.9%
From Other	1.8%

Origins of Total Pool of Wealth

	Percentage of Total
Inherited	10.5%
From Professional Efforts	68.4%
From Investment	18.4%
From Other	0.3%

Respondents by Source of Wealth

Finally, a third way to show the business-based origins of wealth is to look at how many respondents gained some or all of their wealth from each source. Only a small percentage of respondents obtain their wealth from only one source. But among this select group, business and professional work is most commonly the one source. Among the respondents who gain their wealth from more than one source, the largest number (89%) derive at least part of their wealth from entrepreneurial or professional efforts, and only 11% acquired their wealth with no professional or entrepreneurial activity (that is, through investment, through inheritance, or a combination of the two). Somewhat fewer (76%) of respondents derived part or all of their wealth from investment, and about half (51%) of respondents derived part or all of their wealth from inheritance. The important point, of course, is that more respondents derived some or all of their wealth from professional efforts than those who didn't and that more respondents derive wealth solely from personal efforts than solely from inheritance or investment.

Respondents by Source of Wealth

	%
Some or All from Inheritance/ Gifts	50.9%
Some or All from Business or Professional Efforts	89.1%
Some or All from Investment	75.5%
All from Inheritance/Gifts	3.6%
All from Business and Professional Effort	11.8%
All from Investment	0.9%

Financial Security

Feeling Financially Secure

Feeling financially secure is a function of psychological comfort as well as of the level of material wherewithal. Since all but one respondent reported wealth in excess of $1 million, it is not surprising that nearly all the respondents felt more financially secure than insecure, with 98% placing themselves above the midpoint on a scale from 0 to 10. However, given their affluence, only a relatively low 36% felt completely financially secure. The ratings ranged from 4 to 10 and averaged 8.5.

Degree of Feeling Financially Secure

Scale of 0-10	%
4	0.9%
5	0.9%
6	7.1%
7	15.2%
8	21.4%
9	18.8%
10	35.7%

Amount of Wealth Required for Full Financial Security

When asked for the amount of wealth required to feel completely financially secure, respondents gave values ranging from as small as $10,000 to as large as $500 million. The median amount needed for financial security is $20 million, or 67% more than current wealth, while the average amount needed is $44 million, or 76% more than current wealth. These figures, of course, vary by how financially secure someone currently feels. Those who feel completely financially free believe they could remain so even with less wealth, while those who feel financially insecure require a substantial increase in wealth to feel completely secure. For instance, respondents who felt completely financially secure indicated that they would require about 44% of their current level of wealth to maintain that security. Respondents who rated themselves as 8 or 9, indicated that they would require an average 60% addition to their net worth in order to feel completely financially secure; and respondents who rated themselves lower than 8 on the scale indicated they would require an average increase of 285% in their net worth in order to feel completely financially secure. The fact that those who rate themselves a 10 require a lower net wealth for complete financial security than those who rate an 8 or 9 is another indicator of the psychological dimension of financial well-being.

Net Worth Required for Full Financial Security by Current Financial Security

Degree Of Financial Security Scale of 0-10	Average Minimum Net Worth For Full Financial Security ($ million)	Average % of Current Net Worth Needed for Full Financial Security
Less than 8 Rating	$26.83	285%
8 or 9 Rating	$59.56	60%
10 Rating	$37.84	0.44%
All	$44.32	76%

Requirements for Full Financial Security by Net Worth and Income

Another indicator of the psychological foundations of financial dispositions is that on average respondents at moderately high levels of income (up to $10 million family income) and wealth (up to $50 million family net worth) indicated they would require additional wealth in order to feel completely financially secure. Only at very high levels of income ($10 million or more in family income) and wealth ($50 million or more in family net worth) did respondents indicate, on average, that they would feel completely financially secure with less than their current level of wealth.

Requirements for Full Financial Security by Net Worth

Family Net Worth	Average Minimum Net Worth For Full Financial Security ($ million)	Average Percentage of Current Net Worth Needed for Full Financial Security
Less Than $5 Million	$16.45	479%
$5 Million < $20 Million	$16.26	47%
$20 Million < $50 Million	$42.87	22%
$50 Million or More	$98.32	0.89%
Total	$44.32	76%

Requirements for Full Financial Security by Income

Current Pre-Tax Family Income	Average Minimum Net Worth For Full Financial Security ($ million)	Average Percentage of Current Net Worth for Full Financial Security
Under $500K	$15.50	320%
$500K < $1M	$13.94	3%
$1M < $10M	$50.77	36%
$10M or More	$118.89	0.78%
Total	$44.32	76%

Confidence in Financial Security of Next Generation

Despite their own financial security, only 26% of the respondents feel very confident that the next generation will be as financially secure as they are now. Perhaps because of their own or their parents' depression-era uncertainties, there appears to be caution about the fortunes of the next generation. A striking 22% do not feel confident about that their heirs' financial security and a majority of respondents are only moderately confident about what the future may portend. The very wealthy, despite their fortune, and the long bull market remain wed to a financial prudence that contributes in part to efforts they devote to teaching their children the values and virtues of work and frugality.

Confidence in Financial Security of Next Generation

Wealth Percentages

	Average %
Very confident	25.7%
Moderately confident	52.3%
Not Very Confident	16.5%
Not confident at all	5.5%

Material Freedom and Moral Aspiration

The Freedoms of Wealth

The most universally recognized attribute of wealth is the range of choices it bestows and the freedom it provides wealth holders to decide among those choices. In order to learn the realms of engagement that upper strata wealth holders see wealth as shaping in their life, respondents were asked about four categories of activity--business, politics, foundations, and personal development. A majority of respondents indicated that they or members of their families are engaged in each of these realms: 65 % in the start up or running of a business; 59% in the financial support of political parties, candidates, or causes; 51% in the management of a family philanthropic or charitable foundation; and 60% in practices to deepen their own spiritual, religious, or personal development.

Respondents were next asked to report how significant their wealth is for carrying out each of these activities and then to list any additional areas where wealth provides special opportunities for them and their families. Over 70% of the respondents who participate in business, politics, foundations, and personal development recognize wealth to be at least moderately important in providing an opportunity for those engagements. Going further, 79 respondents took the effort to indicate one or more additional realm where wealth makes a difference in their lives. These have been grouped into six categories where respondents see wealth endowing them and their families with the temporal and material wherewithal to (1) pursue their desires, (2) obtain what they wish to purchase, (3) provide for their family's needs, (4) gain access to contacts and to leadership roles, and (5) contribute time and money to help others.

What is important is not the relative prominence of one area of freedom over the other, nor necessarily the specific areas of choice that wealth sets out. The most important point is that wealth holders recognize and can articulate the fundamental attribute of fortune. This is the two-fold capacity of wealth. Wealth first expands the array of potential choices that come daily into the horizon of wealth holders. And then it serves as the instrument for actualizing their aspirations about the range of choices they enjoy. Looking at the policy issues wealth holders hope to influence is one such locus where material capacity and moral aspiration intersect.

Areas of Engagement and the Freedoms of Wealth
(full description of categories to be listed in appendix or technical report)

	% of all Respondents Engaged in Activity	% of All Responde Whom Wealth A Engagement in At I Moderate Wa
Starting or running a business	64.8%	56.5%
Financial support of political parties, candidates, or causes	59.2%	42.7%
Managing a family or other private foundation	51.4%	47.7%
Spiritual, religious, or personal development	60.4%	45.3%
Freedom and time to pursue personal interests in general		19.6%
Ability to afford specific activities and purchasing goods and services one desires		25.9%
Providing for financial needs of self and family, including education		16.1%
Gaining access to social, business, and political contacts, and to leadership roles in community		16.1%
Contributing time and money to help others		19.6%

Policy Issues Wealth Holders Would Like to Influence

As Adam Smith pointed out two centuries ago, wealth is often viewed as an end in itself, but in fact it is an instrument placed into the service of values and purposes. In order to learn what wealth holders discern as the complementary, non-business objectives of their time and money, we asked respondents to choose or write in the three policy issues they would most like to influence through their contribution of time or money. By asking respondents which issues they would like to influence rather than simply what they think are important encourages them to provide answers that better reflect what they are actually doing or are likely to pursue.

Comparing the public policy priorities of the respondents depends, of course, on how issues are grouped together. The most commonly cited areas were the single issue of improvement of education, mentioned by 60% of respondents, and the compiled category combining the mitigation of poverty, reduction of inequality, and provision of basic needs, mentioned by 49%. These were followed by concern for arts and culture, family stability, economic growth, the environment, and the combined category of health, nursing home, and mental health provision. All other issues, including reducing taxes, discrimination, drug abuse, and crime, were each identified by less than a tenth of the respondents.

As can be seen, wealth holders tend to be materially disinterested about the concerns they hope to influence. Taken together, their focus on improving education and on addressing the conditions of poverty suggest a dual strategy of human-capital development in which the goal to alleviate poverty is attended to by the improvement of education for those of lesser means. The next section, looks at the philanthropic contributions of time and money that wealth holders devote to the people and causes for which they care.

Policy Issues Wealth Holders Would Like to Influence

Policy Issue	Number of Mentions	% of Respondents Mentioning
Affordable child care	10	9.0%
Arts and culture	37	33.3%
Campaign finance reform	10	9.0%
Crime	10	9.0%
Disarmament	5	3.6%
Drug/alcohol abuse	11	9.9%
Economic growth	21	18.9%
Education improvement	68	60.4%
Environmental issues	19	16.2%
Fair government	1	0.9%
Family stability	30	26.1%
Gender discrimination	3	2.7%
Health care, mental health, nursing home, and elder care	17	14.4%
High taxes	7	6.3%
Poverty, inequality, hunger, affordable housing, health care for uninsured	67	48.6%
Racial/ethnic discrimination	8	7.2%
Research and development	6	5.4%
Religious issues	1	0.9%
Right to work	1	0.9%
Social security viability	5	4.5%
Terrorism	2	1.8%
Third World development	4	3.6%
U.S. military strength	1	0.9%
Welfare-to-work transition	8	7.2%

Voluntary Assistance

Wealth holders, like the American people in general, are actively engaged in providing voluntary assistance on behalf of a range of people and causes for which they care. There is, of course a potential for what social scientists call a selection bias, in that the people who responded to the survey may be more inclined than the full population of wealth holders to be donating their time to assist people and causes. At the same time, there is evidence that when people are asked carefully about their volunteering, the number of respondents who report some volunteering is above 90%.[2] In this Survey of Wealth with Responsibility, respondents were asked whether they provided voluntary assistance sometime in the past three years. Although the three-year time period results in participation rates higher than what might be found for a single year, the three-year period was used in order to find longer-term patterns of participation rather than statistical counts for a single year. Overall, it is reasonable to conclude that the level of participation, the average number of hours per month, and the areas of engagement in providing voluntary assistance accurately portray the range and intensity of wealth holder's voluntary activity.

Patterns of Volunteering

Almost all the respondents (92%) have volunteered their time to charitable or political causes during the past three years. Most of the respondents (86%) currently volunteer at least 1 hour in an average month in these activities. The amount of time respondents spend on these activities in an average month ranges from 1 to 100 hours with a median of 10 hours and an average of 15 hours per month or 180 hours per year.

Patterns of Volunteering

Volunteered in Past 3 Years	92.0%
Currently Volunteers	86.3%
Median Hours Per Month	10.0 Hrs.
Average Hours Per Month	15.4 Hrs.

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[2] See Paul G. Schervish and John J. Havens, "A River Rises in Eden: Exploring the Quotidian Tributaries of the Moral Citizenship of Care," (2000) a paper reporting the findings from the year-long Boston Area Diary Study, in which 43 randomly selected respondents were queried once a week about their philanthropic giving and volunteering. In that study, 100% participated in the survey year in some form of formal or informal volunteering to assist others outside their home and other than relatives. (Forthcoming).

Volunteer Activities in Past Three Years

Wealth holders were asked to indicate whether they volunteered their time to assist causes or people in need, whether they contributed time to assist political, candidates, parties, or causes; and then to specify some of the particular activities they carried out in their voluntary roles in a wide variety of activities ranging from providing ordinary assistance to specific leadership roles and service on boards. In addition to indicating their involvement as an ordinary volunteer for charitable causes and people in need, and in the political realm, respondents were asked to indicate some of the particular leadership roles by which they carried out their volunteering. Although there is no comparable data from other studies charting the leadership activities of the population as a whole, it is clear that such leadership roles are prominent in the repertoire of volunteer venues in which wealth holders participate. Seventy-one percent serve on a board of directors for a charitable or philanthropic organization, 75% volunteered time for fund-raising activities , and 52% volunteered to help plan an event for a charitable or philanthropic cause.

Perceived Helpfulness and Satisfaction as an Ordinary Volunteer

All research on philanthropy indicates that charitable involvements are generated, sustained, and expanded when donors perceive that their contributions of time and money help the people and causes for which they care, and when donors experience positive personal satisfaction from having made a difference. In order to gauge the effect of these motivating factors, respondents were asked to assess how helpful and satisfying were their ordinary volunteer efforts. It appears that wealth holders appreciate the contribution their volunteering makes and feel rewarded for their efforts. Very few give a low rating to the helpfulness of their efforts and the satisfaction they derive. Around 60% of those who volunteer both recognize their volunteering as very helpful and consider their work to be very satisfying. On a ten-point scale respondents perceive a 7.3 average level of helpfulness and experienced a 7.8 average level of satisfaction.

Volunteer Activities in Past Three Years

Overall Participation	92.0%
Charitable Causes & People in Need	77.7%
Political Candidates, Parties, Causes	27.7%
Specific Activities	
Board of Directors	70.5%
Fund Raising	75.2%
Event Planning	51.8%

Perceived Helpfulness and Satisfaction as an Ordinary Voluntary

	Perceived Helpfulness	Perceived Satisfaction
10-Point Scale		
Low (<5)	10.5%	3.4%
Medium(5 to 7)	27.9%	36.8%
High (8 to 10)	61.6%	59.8%
Average	7.8	7.3

Perceived Helpfulness and Satisfaction as Political Volunteer

In contrast to the 78% who contribute their time as ordinary volunteers, only 28% volunteered time to a political candidate, party, or cause in the prior three years even through there was a presidential election during this period. Of this relatively small fraction of respondents, only around 40% consider their volunteering in the political realm to be either very helpful or very satisfying. On a ten-point scale, the average level of perceived helpfulness to political candidates, parties, or causes is 6.5, while the average level of satisfaction is 6.2.

Most Important Activities of Political Volunteering

Even though only one-quarter of the respondents participate in political volunteering and their average levels of perceived helpfulness and satisfaction are lower than for charitable volunteering, it would be a mistake to underestimate the meaning and effectiveness of political volunteering among wealth holders. As with any involvement, the number of participants and the amount of time they devote is not the full story. Also important, especially in the realm of politics, is the type of activities wealth holders undertake. In the realm of politics, as in volunteering, participants indicate engagements that are highly leveraged. For instance, 29% of those volunteering in the political arena participate in a relatively high-profile role as a direct advisor, elected official or delegate; and 25% are directly active in some aspect of raising funds. Finally, it is indicative of a sense of effectiveness that when asked to state their most important area of political engagement, 18% indicate a close affinity to a political candidate or party, by simply writing in “the Bushes,” or “the Democrats.”

Perceived Helpfulness and Satisfaction as Political Volunteer

	Perceived Helpfulness	Perceived Satisfaction
10-Point Scale		
Low (<5)	13.3%	19.4%
Medium(5 to 7	46.7%	41.9%
High (8 to 10)	40.0%	38.7%
Average	6.5	6.2

Most Important Activities of Political Volunteering

	% of Political Volunteers Engaged in Activity
Consultant, Senior Activist, Elected Official, or Delegate	28.6%
Fundraising, PAC Involvement, Making Personal Contributions	25.0%
Event Planning, Hosting, Calling, Mailing, General Campaign Work	35.7%
Voter Education, Voter Participation, Precinct Work	7.1%
Unspecified Engagement with Named Candidate or Party	17.9%

Charitable Contributions

Research based on the Federal Reserve's Survey of Consumer Finances, a survey with a substantial sample of very wealthy respondents, indicates that 90% of every household with net worth at or above $5 million contributes to charity, and with substantial amounts.[3] The major drawback of that survey is the absence of any exploration of the areas to which wealth holders contribute and the conditions that animate that giving. In addition to providing further evidence of high rates of participation in charitable giving and high levels of giving, the Survey on Wealth with Responsibility offers for the first time a portrait of the meanings and motivations that accompany the charitable giving of the very wealthy.

Participation in Charitable Giving

All the respondents report that they or their families made monetary contributions to charitable or political causes in 1997: 97% contributed to charitable organizations and 65% to political causes. Almost all respondents contributed to non-religious organizations or to combined charities, and approximately 70% gave to churches, synagogues, or mosques, and to trusts, gift funds, or foundations. Although wealth holders support their places of worship at a rate higher than the general population, they are even more likely to contribute to non-congregational charities. This is consistent with a well known general tendency, namely that the wealthier donors are the more likely they are to contribute to a greater number of organizations other than their places of worship and to contribute a greater proportion of their total donations to these non-church organizations. One significant finding about the very wealthy shown with survey data for the first time, is how many respondents contributed to a foundation or trust over a single one-year period.

Participation in Charitable Giving

All Types of Organizations	100.0%
Charitable Organizations	97.3%
Specific Non-religious	90.0%
Combined Charities	77.5%
Religious Organizations	70.9%
Trusts, Gift Funds, Foundations	67.0%
Other Organizations	53.2%
Political Organizations or Causes	65.2%

[3] See Paul G. Schervish and John J. Havens and (2000), "Wealth and the Commonwealth: New Findings on the Trends in Wealth and Philanthropy," for estimates of charitable giving by income and wealth. (Forthcoming).

Amount of Charitable Contributions

The average annual amount of contributions to charitable and political causes was $1.2 million per family in 1997, or an average of 22% of their family income. Of this only $12,000 on average was given to political causes, parties, or candidates. Among the 97% percent of respondents who report making gifts to charitable causes in 1997, the average annual amount is $1.2 million per family[4] or 22% of family income. The amounts contributed range from $1,700 (0.1% of income) to $36.1 million (481% of income). Because wealth holders tend to make very substantial gifts in some years and to give less in other years, and simply because wealth holders differ in how charitably engaged and inclined they may be, any one year snapshot of giving will capture wide variations in how much is given. For instance, approximately 20 percent of the respondents contributed $20,000 or less to charitable or political causes in 1997, averaging 1.9% of their family income. At the same time, 25% of the respondents contributed $500,000 or more to charitable or political causes in 1997, averaging 69 percent of their family income.

Amount of Charitable Contributions

Amount of Annual Contribution		Average Contribution ($ thousands)	Average Percentage of Income Contributed
Under $20,000	20.8%	$8.5	1.9%
$20,000 < $100,000	30.6%	$50.0	5.1%
$100,000 < $500,000	23.6%	$227.3	10.3%
$500,000 or More	25.0%	$4501.0	68.9%
All	100.0%	$1,196.0	21.6%

[4] Only 72 of the 112 respondents specified the amounts that they contributed to charitable and political causes. Another 7 individuals gave partial information. If we assume that the missing amounts are zero for the later 7 respondents, average contributions are reduced from $1.2 million to $1.1 million per family. To establish a floor for the average amount of contributions, we may calculate the average using a zero value for missing amounts. In this case the average contribution for respondents is $746 thousand per family. Thus, the respondents contributed at least $746 thousand per family in 1997. Assuming that the amount contributed is unrelated to the willingness of the respondent to disclose this amount, $1.2 million per family is the best estimate of the average contribution per family for this group of respondents.

Charitable Contributions by Wealth and Income

The relationships between charitable giving and wealth and charitable giving and income are direct and unmistakable. As the level of wealth increases so do both the amount and the percentage of income contributed to charity. The amounts contributed range from a very modest $2500 to $5.5 million for households with net worth at or above $100 million. The relation between charitable giving and income is also positive. Although the amount and percentage of income contributed to charity generally rise as income goes up, there is not an even pattern. The choppy pattern of the findings is due to the small size of some cells and the fact that income was obtained by such broad categories. Other research based on larger cell sizes has documented a clear and consistent pattern by which charitable giving, both in the amount of dollars and in percentage of income, increases as income rises.[5] In addition, when we chart charitable giving by fewer income categories, the positive relation appears more even. The problem of cell size does not affect out findings on wealth and charitable giving because there is a fairly even distribution of cases to each cell of net worth. This is due to the fact that the sample was carefully selected to cover each category of net worth reported here.

Taken together, the findings on charitable giving by wealth and income indicate the emerging trend, and contribute to the emerging realization that at the very high end of the financial hierarchy there is a substantial engagement in charitable giving.

Wealth and Charitable Contributions

Family Net Worth	Average Contribution	% of Income Contributed
Less than $1 Million	$2,475	2.5%
$1 Million < $5 Million	$13,113	3.5%
$5 Million < $10 Million	$65,780	10.6%
$10 Million < $20 Million	$211,700	11.6%
$20 Million < $50 Million	$488,247	16.5%
$50 Million < $100 Million	$1,544,889	34.5%
$100 Million or More	$5,498,091	56.7%
All*	$1,108,707	20.4%

* The overall average differs slightly from that reported in a previous table because of different patterns of missing data.

[5] See John J. Havens and Paul G. Schervish (1999), “Wealth and the Commonwealth: New Findings on the Trends in Wealth and Philanthropy,” and Schervish and Havens, “Money and Magnanimity: New Findings on the Distribution of Income, Wealth, and Philanthropy,” *Nonprofit Management & Leadership* 8, no. 4 (Summer 1998): 421-434, for estimates of charitable giving by income and wealth.

Income and Charitable Contributions

Annual Pre-Tax Family Income	Average Contribution	% of Income Contributed
Less than $100 Thousand	$2,088	2.1%
$100 T. < $250 T.	$12,233	7.0%
$250 T. < $500 T.	$29,370	7.8%
$500 T. < $1 Million	$204,607	27.3%
$1 Million < $5 Million	$375,479	12.5%
$5 Million < $10 Million	$3,881,409	51.8%
$10 Million < $25 Million	$2,661,750	15.2%
$25 Million or More	$18,280,000	73.1%
All*	$1,108,707	20.4%

* The overall average differs slightly from that reported in a previous table because of different patterns of missing data.

Income and Charitable Contributions

Annual Pre-Tax Family Income	Average Contribution	% of Income Contributed
< $1 Million	$110,312	16.7%
$1 Million < $10 Million	$1,232,484	22.1%
$10 Million or More	$2,661,750	26.8%
All*	$1,108,707	20.4%

* The overall average differs slightly from that reported in a previous table because of different patterns of missing data.

Venues of Charitable Giving

Not only do more wealth holders contribute to non-religious organizations and to combined appeals than to religious organizations, they also contribute more dollars to the non-religious venues than to their places of worship. The largest amounts are to trusts, gift funds, or foundations which were given an average amount over $750,000. Gifts to specific, non-religious charities, such as educational, social, welfare, medical, and cultural organizations, averaged almost $170,000. Combined charities received an average of under $40,000, while churches, synagogues, and mosques received $16,000. The average contribution to political causes, candidates, and parties was $12,000. Another $264,000[6] was donated to unspecified charitable organizations other than those listed above. Among these figures, the one deserving special mention is the substantial average amount the very wealthy contribute to trusts, gift funds, and foundations.

This does not mean that wealth holders are not as dedicated to their congregational life as the rest of population, nor does it mean that they aren't equally committed to religious causes or motivated by religious impulses. It only means that the religious organization category was narrowly defined to mean churches, synagogues, or mosques. Unless there are major capital campaigns, wealth holders are not generally called upon to make large gifts to their places of worship, nor, for that matter, is there usually much need to do so--given the relatively small operational budgets of congregations and the fact that most congregations attended by wealth holders would be attended also by others who would be bearing their share of congregational finances. At the same time, giving to Catholic Charities, the United Jewish appeal, while religiously connected, would be included under the rubric of united appeals. Similarly, contributions to religious schools and colleges--a major category of charitable giving by wealth holders--are conventionally categorized as gifts to education. Another factor, of course, is the large amount of unspecified giving that the respondents report and the fact that the trusts, gift funds, and foundations to which they give, are themselves then distributing funds to various causes. Even more important for understanding the areas wealth holders wish to emphasize in the giving are the findings reported above that indicate the desire of wealth holders to focus their gifts of time and money on improving education, mitigating poverty, advancing the arts, and fortifying family stability.

Venues of Charitable Giving

	Average Amount Contributed ($ in thousands)*	% of Total*
All Types of Organizations	$1,196.0	100.0%
Charitable Organizations	$1,184.0	99.0%
Specific Non-religious	$167.0	14.0%
Combined Charities	$38.0	3.2%
Religious Organizations	$16.0	1.3%
Trusts, Gift Funds, Foundations	$753.0	63.0%
Other Organizations	$264.0	22.1%
Political Organizations or Causes	$12.0	1.0%

*See note 5.

[6] The totals add to $1,250,000 (and 105%) which is more than the reported average of $1,196,000. The reported average is based on cases in which all components were reported. Several cases reported values for only some components. The component averages thus do not add to the overall average.

Association, Dedication, and Initiation:
The Motivational Matrix of Charitable Giving

Although the bulk of charitable giving is via trusts, gift funds, and foundations rather than directly to charitable organizations in cash or appreciated assets, donors give to the causes to which they are physically or emotionally attached. In addition to dividing charitable contributions according to venue, respondents were given the opportunity to state the proportion of their family's contributions that were self-initiated, about which they felt passionate, and were given to organizations to which they or their family were connected.

The identification model of charitable giving[7] suggests that it is the engagement rather than the absence of self that generates greater charitable giving. The more closely donors are associated with charitable causes and the more intensely donors feel the beneficiaries of their giving share a fate with them, the greater is the amount of charitable giving. Respondents were asked two questions, the answers to which support the identification theory of charitable motivation: what proportion of their charitable dollars is given to groups with which they or their family are associated; and what proportion is given to causes about which they feel passionate. For the very wealthy, as for the population at large, both association and intensity of care induce greater charitable giving.

Association

In regard to association, wealth holders give a greater proportion of the charitable contributions to groups, and those who do give at least half of their gifts to such groups give more. On average, respondent families give 57% or their donations to charitable groups with which they or members of their family are involved as members, participants, volunteers, board members, or committee members. Moreover, those who give over half of their contributions to organizations in which they or members of their families are involved contribute larger amounts ($1.2 million) and a higher percentage of income(24%) than respondent families that give half or less of their contributions to organizations in which they or their families are involved ($ 995,000 or 14% of income).

[7] For an elaboration of the identification model, see Paul G. Schervish and John J. Havens, "Social Participation and Charitable Giving: A Multivariate Analysis," *Voluntas: International Journal of Voluntary and Nonprofit Organizations* 8, no. 3 (Sept. 1997): 235-260.

Association, Dedication, and Initiation

To Groups or Causes	Average % of Total $$ Contributed
Associated With	57.4%
Not Associated With	42.6%
Feel Passionate About	72.3%
Not Feel Passionate About	27.7%
Not by Request (Self-Initiated)	48.1%
By Request	51.9%

Dedication

In regard to feeling passionate, there is an even stronger effect. Respondents indicate that their families give 72% of their contributions to causes about which they ardently care. Respondent families which give over half of their contributions to causes about which the they feel passionately make average contributions of $1.3 million or 23% of income, while those who give have or less of their donations to causes about which they feel passionately make average contributions of $317,000 or 12% of income.

Initiation

A third division of charitable giving respondents were asked to report was how much of their giving results from their own initiative rather than from being asked. Although pretty much all charitable giving is self-initiated in the sense that it is a voluntary act, it is not self-initiated in the sense that it occurs without some kind of an appeal. Wealth holders, whose gifts are larger and more explicitly directed toward creating new philanthropic ventures or approaches, are also more likely to offer a charitable gift without waiting to be asked. Being passionate about a cause and associated with a charitable group help mobilize charitable giving across the financial spectrum. But among wealth holders, association and passion also have a way of leading to a high level self-induced giving. On average, about half the contributions (52%) are made in response to a request for contributions while the other half (48%) are initiated by donors without being asked. As a factor that generates giving, the associational linkages represented by being asked remain important even though wealth holders initiate a great proportion of their gifts. Respondent families which give over half their contributions in response to requests to contribute give an average of $1.3 million or 28% of income, while those who give half or less of their contributions in response to requests donate $1 million or 14% of income . In the end, it is not so much whether wealth holders respond to requests or initiate their giving. What matters is that they do both within an environment of association and care. The general picture is that wealth holders give more when passionate about the causes to which they give, they tend to be passionate about the causes with which they associate, and they respond generously when asked to give to the causes they feel strongly about or with which they are associated, but they also are likely to initiate gifts to such causes.

Distribution of Giving by Kinds of Involvement

Kinds of Involvement	% of Respondents	Average $$ Contributed	Average % of Income Contributed
Level of Engagement?			
Associated (<50% of gifts)	61.5%	$1,197,346	24.2%
Not Associated (50% + of gifts)	38.5%	$994,534	13.7%
Intensity of Concern?			
Feel Passionate (<50% of gifts)	76.0%	$1,346,668	11.9%
Not Passionate (50% + of gifts)	24.0%	$317,150	23.4%
How Inaugurated?			
Self-initiated (<50% of gifts)	58.7%	$1,003,960	14.23%
By Request (50% + of gifts)	41.4%	$1,275,456	28.38%

Satisfaction with Effectiveness of Charitable Giving

Although more satisfied than not with the effectiveness of their donations and social contributions to improving the well-being of others, only 8.3% of the respondents rated their satisfaction at 10 on a 10 point scale. The scores on this scale range from 2 to 10 with an average value of 7. Despite the fact that respondents evince a higher level of satisfaction with their charitable giving than with their volunteering, that the vast majority of respondents indicate that there is room for improvement in their charitable giving. For instance, forty percent indicate that risks of mismanagement or corruption in some charities limit the amount they now contribute.

General Factors Likely to Increase Charitable Giving

Given such room for improvement, what general conditions might induce wealth holders to increase their charitable giving, and what specific changes do they contemplate when they look to revise their giving?

To learn which factors are most likely to actuate increased giving, respondents were asked to rate how likely each of six changes would be to increase their giving. The factor that respondents most consistently claimed would elevate their giving is finding a new cause about which they feel especially passionate. Ninety-three percent indicate that finding a new and worthy cause about which they feel passionately would likely or very likely increase their overall charitable giving. Increased personal net worth, increased tax incentives, and knowledge that the contributions are making a real difference are likely to increase contributions for at least two-thirds of wealth holders. More time to study and think about charitable giving is likely to increase charitable contributions for 46%, while better information about tax benefits of charitable giving is likely to increase giving for only 22%.

Although there are always multiple factors at play, and different combinations of them for different wealth holders, the findings indicate a telling pattern: material capacity and emotional engagement are more important than cognitive knowledge. Wealth holders understand and articulate a combination of material realism and emotional idealism. Increased wealth and greater tax benefits provide the foundation for increasing the supply of charitable dollars; intensity of emotional concern mobilizes that material foundation. Respondents are virtually unanimous in saying that deeper charitable commitment derives from finding a cause to feel passionate about. Fuller information and more time to study it are, of course, important. But in generating additional generosity they take a back seat to greater material capacity and to more fervent concern.

Satisfaction with Effectiveness of Charitable Giving

	Satisfaction with Effectiveness
10-Point Scale	
Low (<5)	10.2%
Medium(5 to 7)	50.0%
High (8 to 10)	39.8%
Average	7.0

General Factors Likely to Increase Charitable Giving

Kind of Change	Likely or Very Likely To Increase Giving	Not Very Likely or Not Likely At All To Increase Giving
Find Worthy Cause That You Feel Passionate About	93%	7%
Increase in Net Worth	88%	12%
Increased Tax Benefits	74%	26%
Better Information About Effectiveness of Gifts	66%	34%
More Time to Study and Think About Giving	46%	54%
More Information on Tax Benefits	22%	78%

What They Would Do Differently

A series of questions offered respondents an opportunity to specify the kinds of things they would like to change in their giving and the factors they would consider in doing so. Although only 35% of the respondents opted to write in what they personally would like to do differently with respect to their giving, most respondents did talk about the factors they consider when they do make changes in giving.

Of those who wrote what they'd like to do differently, two-thirds spoke about changes that in one way or another revolve around more closely monitoring and then amending the process by which their charitable dollars translate into charitable effects. They talk about changing the focus of their funding, earmarking greater priority to fewer causes, being more proactive in initiating gifts, leveraging their gifts to attract support from others, and in general revaluating the needs they want their gifts to address and the organizations they choose as their emissaries.

Specific Factors Considered when Adjusting Charitable Giving

Respondents were invited to indicate the factors they consider when adjusting their charitable giving from year to year. Their answers demonstrate a sensitivity to all the major elements by which financial resources come to attend to human needs. They assess the supply side of their own changing net worth, their estate planning, and the general tax environment. They also assess the demand side, scanning the horizon for changes in the needs they might wish to meet. Moreover, how much they decide to give and when they decide to give it is not a static or abstract reality. Decisions about the amount and about the cause occur in interaction. How much donors decide to give is affected by the nature and urgency of the needs they perceive and visa-versa. In addition to this interactive matching of a supply of financial resources and a demand of human needs, is a set of decisions surrounding which particular organizations to support. The findings are also illuminating about how these decisions are made. Wealth holders highlight three processes for relocating the organizational home of their gifts. One revolves around changes in the range and level of donors' personal involvement with particular organizations. A second process occurs in and around how friendship and business networks bring new causes within their purview. A third process that wealth holders accentuate is their evaluation of the relative effectiveness and efficiency by which an organization pursues its mission.

Taken together, the findings portray a scenario in which the very wealthy are dedicated to a persistent vigilance about and amendment to their charitable giving. Wealth holders are strategic philanthropists. They are regularly engaged in a self-reflective decision-making process about the amount of financial resources they deem available for charity, the social purposes they consider important, the organizational pathways their gifts traverse, and the efficacy of the outcomes they hope to secure.

Specific Factors Considered when Adjusting Charitable Giving

Factors Considered	Percentage of Respondents Identifying Factor
Review Programs and Set Priorities with Respect to Own Charitable Goals	31%
Revise Giving in Accord with Personal Financial Status, Tax Incentives, and Estate Planning	35%
Revise Giving Based on Personal Engagement or Friendship Network	19%
Revise Giving Based on Need of Cause	44%
Revise Giving Based on Effectiveness of Organization	38%

Educating Children about the Responsibilities of Wealth

For all wealth holders the transfer of wealth is simultaneously the transfer of values. One of the most perplexing and satisfying aspirations of parents is finding the proper tone and proper strategies for passing on the responsibilities of wealth to their children. Providing an appropriate inheritance of financial skills, values, and commitments is as crucial as providing a secure financial upbringing and a suitable financial inheritance. For instance, 97% of respondents report that they are or were consciously active in teaching their family values to their children. In order to understand how parents educate their children about the meaning and practice of wealth, a series of questions were asked to learn what they teach their children and how they teach it.

Education About Family's Relative Affluence

In addition to teaching family values, wealth holders also focus on the specific task of educating their children about their relative affluence. Sixty percent of respondents report directly taking steps to educate their children during their children's formative years about their relative affluence; and another 20% indicate that they carried out such education after the formative years. The 60% who start the education of their children during the formative years begin doing so when their kids were anywhere from birth through 17 years old. Most of the remaining 20% indicate that they took up the issue of relative affluence with their children between ages 18 and 21, with a few beginning a little later. Most of those respondents who began the education process during their kids' formative years also offered examples of what they did. Respondents mentioned a variety of activities which could be grouped into three categories (1) frugal financial management, such as earning spending money and avoiding materialism; (2) the dispositions of humility and responsibility, such as realizing that wealth entails a measure of good fortune and blessing and requires special responsibilities; and (3) philanthropic involvements, such as bringing children into their parents' philanthropy and encouraging or requiring their children to carry out their giving and volunteering.

Examples of What Parents Do to Educate Children Concerning Family's Relative Affluence

Area of Education	Percentage of 61 Respondents Mentioning Area
Frugal Financial Management	20%
Disposition of Humility and Responsibility Regarding Wealth	57%
Philanthropic Involvement	34%
Not Wealthy when Children Young	5%

Specific Activities to Teach Financial Virtue

Several questions were asked to learn how many parents carried out various specific activities in order to teach their children a life of financial virtue. It is clear that parents pursue a range of activities to communicate in words and in actions what they hope their children will understand about the value and use of wealth. Almost all parents encourage their children to earn their own money and about half who have family businesses involve their children in one way or another. Over three-fourths work to instill a philanthropic inclination.

When asked to provide some examples of what they did to embed a philanthropic disposition and other aspects of financial virtue, the respondents emphasize teaching a range of ideas, sentiments, and behaviors all designed to carry out what can be called a process of financial formation. Such formation covers the full range of economic life including the production, accumulation, investment, consumption and distribution of wealth. Most important, perhaps, in understanding the serious intent of fashioning the character of their children is the repeated emphasis on instilling religious and humanistic dispositions of humility and responsibility. From its inception to its consumption, wealth is a relational reality. Wealthy parents with wealthy children may not be any more successful either in living their values or passing them on to their children. But when given a chance to express their aspirations for their children, they want them to be as smart and as caring as possible.

Specific Activities to Teach Financial Virtue

	Percentage Doing So
Encourage children to earn own money	91%
Involve Children in Family Business (% of the 64% who have a business)	51%
Teach About Charitable Giving	84%
Teach About Volunteering to Help Others	78%
Did Other Things Not Already Mentioned	61%

Examples of Educating Children Concerning Charitable Giving

Area of Education	Percentage of 77 Respondents Mentioning Area
Disposition of Humility and Responsibility Regarding Wealth	7%
Involvement in Respondent's Philanthropy	20%
Exposure to Conceptual Basis of Care	38%
Encouragement to Help Others	24%

Examples of Educating Children Concerning Volunteering

Area of Education	Percentage of 54 Respondents Mentioning Area

Disposition of Humility and Responsibility Regarding Wealth	3%
Involvement in Respondent's Philanthropy	8%
Exposure to Conceptual Basis of Care	32%
Encouragement to Help Others	27%

Examples of Educating Children Concerning the Value of Money*

Area of Education	Number of Respondents Mentioning Area	Percentage of 37 Respondents Mentioning Area
Frugal Financial Management	21	40%
Disposition of Humility and Responsibility Regarding Wealth	14	26%
Philanthropic Involvement	2	4%

*The number of respondents providing each answer is provided in accord with the convention of not exclusively presenting percentages for tables with less than 50 cases.

Socially Responsible Investing

Socially Responsible Investing: Attractiveness and Participation

On average, the respondents hold about 4% of their assets in socially responsible investments. Most of the respondents (68%) do not currently find the idea of socially responsible investing attractive and nearly half (49%) have never considered the criterion of social responsibility when making their investments. Of the 51% of respondents who have ever personally considered this type of investment only 63% have done so. Among those who have ever made socially responsible investments, the average amount of assets currently devoted to this category by themselves and their families is 6%. Moreover, 37% of those who have actually made such investments do not find them attractive. Twenty-seven respondents offered examples of what they consider to be a socially responsible investment. The most frequently mentioned example was that of a gift or loan to directly support socially beneficial projects or organizations. There were few mentions of investments in socially responsible companies, and even fewer of direct stock screening.

Socially Responsible Investing: Attractiveness and Participation

Have Ever Considered SRI (% of total sample)	51.0%
And Have Ever Personally Done So (63% of 51%)	32.0%
And Find It Attractive (63% of 32%)	20.2%
Find Concept of SRI Attractive (% of total sample)	32.1%
Self *or* Family Currently Invest in SRI(% of total sample)	44.2%
And Find it Attractive(59.5% of 44.2%)	26.3%

Average Percentage of Total Assets Currently In Socially Responsible Investments

By Respondent Families Ever Invested in SRI	6.1%
By All Respondent Families Currently Invest in SRI	3.8%
And Find it Attractive	
	8.8%
	12.0%-?

Factors Likely to Increase Participation in Socially Responsible Investing

Both for those who find it attractive and those who do not find it attractive, the three factors that are most likely to induce respondents to participate in or to increase their participation in socially responsible investing are (1) competitive rate of return, (2) validation that such investing is actually doing some good, and (3) recommendation by a trusted friend. Support by financial institutions, the diversity of opportunities for such investing, and the advice of investment counselors are not, by themselves, likely to increase the participation of wealth holders in this form of investment, except, perhaps, among those already finding such investments attractive. Once again, wealth holders indicate a disposition to heed hard evidence about rate of return and actual social benefit, and to trust those they personally know in preference to an institutional or independent advisor.

Factors Likely to Increase Socially Responsible Investing (SRI)

Kind of Change	Likely or Very Likely To Increase Giving	Not Very Likely o Not Likely At All To Increase Givin
Large Institutions Begin Supporting SRI	31%	69%
Investment Returns from SRI Become Competitive	69%	31%
SRI Advances More Diverse Causes	37%	63%
Evidence of Good Done by SRI	62%	38%
SRI Recommended by Investment Advisor	49%	51%
SRI Recommended by Trusted Friend	56%	44%

The Problems and Prospects of Socially Responsible Investment

Among both those engaged and those not engaged in socially responsible investing, negative attitudes are quite high. About 44% of respondents or members of their immediate family currently participate in socially responsible investments, usually committing a low percentage of their portfolios to such vehicles. The attitude toward making socially responsible investments even by those who do so is not all favorable: 41% of these investors do not find socially responsible investing attractive. In the absence of any new and effective effort to change the investment culture, there appears to be little or no potential to increase the proportion of investors engaged in socially responsible investing, and there is the potential risk that this proportion could decline. Still, there is a segment comprising one quarter of the respondents who are currently engaged (through themselves or their family) in socially responsible investing and who find it attractive. There is a potential to increase the proportions of the portfolios of this group currently held in socially responsible investments from their current average of 12%. A full 91% of this group, moreover, indicate that they would be likely or very likely to increase their investments if it can be documented that socially responsible investing is doing some good.

Socially responsible *investing* , however, does not appear to be a major concern for a majority of wealth holders. Other research studying wealth holders found that many business owners consider their entrepreneurial enterprises as socially productive.[8] Although there is little apparent interest in making socially responsible investments in stocks, mutual funds, and so forth, this does not imply wealth holders are disinterested or disengaged in what they perceive to be socially responsible uses for their money. Questions that wealth holders would consider more relevant, and to which they would tend to respond positively might include: "What percentage of your assets are producing socially beneficial results?" or "What percentage of your investments are productive for society?"

Wealth holders as a class are among the most self-determined members of our society. They are not prone to financial naiveté, as is demonstrated by the three factors that would induce or increase participation in socially responsible investing: (1) competitive rate of return, (2) validation that such investing is actually doing some good, and (3) recommendation by a trusted friend. The last factor, especially, should be front and center in any strategy to advance socially responsible investing (narrowly defined). Given the low interest in the customary notion of socially responsible investments, it may be that a productive strategy would be to ask wealth holders how they would define the socially responsible use of their assets, and what assistance they might need in order to better allocate their assets in accord with their definition.

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[8]. Paul G. Schervish, "The Modern Medici: Patterns, Motivations, and Giving Strategies of the Wealthy." Paper presented on the panel, "The New Philanthropists," at the inaugural forum, "What is 'New' About New Philanthropy," of the University of Southern California Nonprofit Studies Center, Los Angeles, January 20, 2000, and Paul G. Schervish *The Modern Medici: Strategies of Philanthropy Among the Wealthy,* San Francisco: Jossey Bass, forthcoming.

Estate Planning

Estate planning is commonly portrayed as a set of financial decisions in the light of death and taxes. In fact it is a set of decisions about a way of living and giving in regard to oneself, one's heirs, and society. Estate plans, whether self-reflectively fashioned legacies or documents passively constructed around default options, are lenses onto how wealth holders view themselves, their heirs, and their world. Estate plans are life plans as well as death plans. With 89% of the respondents having a written estate plan, what wealth holders report about their estate planning and about the kind of counsel they might desire are relatively stable pieces of the overall picture of wealth with responsibility.

Expected and Desired Distribution of Estates

What wealth holders expect to be the allocation of their estates among taxes, heirs, and charity is different from what they would like it to be. On average, they expect the assets from their estates to go largely to heirs and taxes and a smaller portion to charitable organizations and causes. If they could modify this distribution, they would prefer that their assets go first to heirs and then to charity. In the ideal scenario, taxes become a distant third priority. It is worth noting that not all respondents would prefer that their estate taxes be totally eliminated, although most would prefer that they be reduced. In moving to their preferred distribution, wealth holders would divide the tax savings in a ratio of 2-to-1 between heirs and charities.

Expected and Desired Distribution of Estates

	Expected Distribution	Desired Distribution
Children and Grandchildren	42%	58%
Other Heirs	5%	6%
Taxes	37%	9%
Charity	16%	26%
Other	0%	1%

Factors Likely to Influence Creation/Revision of Estate Plan

When asked about factors that would influence them in the creation or revision of an estate plan, wealth holders respond in a way that reveals an interest in obtaining knowledge about the three-way interaction between family needs, tax requirements, and tax-incentives for charitable giving. They tend to know enough about their current financial status and are not worried about finding modestly priced advisors. They are willing to pay for good advice; and that good advice revolves around insuring that their legacy achieves a favorable allocation among heirs, government, and charity.

Factors Likely to Influence Creation/Revision of Estate Plan

Factor	Likely or Very Likely To Increase Giving	Not Very Likely o Not Likely At All To Increase Givin
Better Information about Tax-Effective Estate Planning	69%	31%
Better Information about Future Needs of Family	59%	41%
Better Information about Tax Benefits for Charitable Giving	51%	49%
Better Information about Current Financial Status	39%	61%
Better Access to Reasonably Priced Advisors	24%	76%

Perceived Source of Best Advice for Estate Planning

When planning their estates wealth holders would expect to get the best advice from independent practitioners rather than professionals employed by financial institutions or by nonprofit philanthropic organizations. Respondents often indicated more than one source for estate-planning advice. Some respondents wrote that they felt that a team of advisors was necessary in which a tax attorney, estate planner, or accountant were one of the members of the team. An important implication of the finding is that wealth holders are accustomed to working with independent professional and are less concerned with the particular specialty of their advisors than with the direct access and personal attention they expect and receive.

Perceived Source of Best Advice for Estate Planning

Source of Best Advice	
Tax Attorney	59%
Financial or Estate Planner	44%
Accountant	25%
Financial Institution	9%
Friend or Relative	3%
Professional Working at a Nonprofit Organization	4%

Institutional Factors Perceived to be Very Important for Estate Planning

Although only 9% of respondents reported that they considered financial institutions to be the among the best sources of advice for their estate planning, 90% still provided a response about what they would most want to find if they were looking to a financial institution for assistance. Not surprisingly, the institution they would turn to for advice about financial management would be one that is itself well managed. Hence an institution's stability, administrative reputation, and management team loom important. Given that solid foundation, wealth holders then want a consistent personal point of contact and customized financial strategies. Wealth holders capable of discerning for themselves the quality of a service and willing to pay for competency, are understandably less concerned about fee schedules, regulatory oversight, the institution's own investment policies, and past experience with other clients.

Even though each one of the previous factors is important for some respondents, and some appear very important, the fact remains that wealth holders are reluctant to turn to institutions for their estate planning. Why this is so is suggested by the foregoing findings. Institutions are perceived as a matter of course to be carrying out a good investment policy and to be subject to market standards in terms of oversight and fees. So these factors, while very important to some, are in themselves not compelling.

What may better draw wealth holders doing estate planning to financial institutions is the added value of building personal relationships, offering advisory teams with complementary expertise, having a personally known point of contact, and the provision of personally tailored strategies. This suggests that it may be worthwhile for institutions to bring in-house, or to fashion working relationships with, independent boutique estate planners who can serve as personal liaisons to wealth holders and who can counsel wealth holders in the development of customized strategies.

Institutional Factors Perceived to be Important for Estate Planning

How Important Is?	Very Important	Mod-erately Important	Not Very or Not At All Important
Strength and Stability of Institution	72%	18%	10%
Reputation for Good Administration	69%	24%	7%
Professional Credentials of Management Team	62%	28%	10%
Providing Single, Dedicated Point of Contact	55%	33%	12%
Ability to Provide Customized Solutions	51%	34%	16%
Approval of Institution's Investment Strategy	39%	44%	17%
Existence of Regulatory Oversight	33%	35%	31%
Demonstrated Experience with Philanthropic Clients	32%	39%	30%
Fee Schedule	28%	46%	26%