

Philanthropy Corner – 8-15-10

“Changing the Face of Philanthropy: The Giving Pledge”

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The two richest men in America, Bill Gates and Warren Buffett, are attempting to generate significant philanthropic funds by recruiting other billionaires to participate in The Giving Pledge. The Giving Pledge is a suggested commitment to the mega-rich to give at least half of their net worth to charity during their lifetimes or after their death to philanthropic causes or charities of their choice. This largest fundraising campaign in history has the potential to change the face of philanthropy and charitable behavior of Americans everywhere, even in the Keys.

If this effort is successful, it will result in tens of billions of dollars in additional philanthropic dollars each year. There is a significant gap between what the mega-rich currently donate versus The Giving Pledge proposal of 50 percent or better of net worth. In 2007, the 400 wealthiest taxpayers donated an estimated 11 percent of their income to charity. With an estimated net worth of around \$1.2 trillion, if these billionaires give 50 percent of their net worth, it would amount to \$600 billion, twice the amount of total giving in the U.S.

While The Giving Pledge is specifically targeting Forbes list of the 400 wealthiest American billionaires, it could create a new standard of giving for donors of all financial means and backgrounds. “The diversity of American giving is part of its beauty,” states Bill Gates. The goal to raise the level of giving among others isn’t a far stretch considering the rise of wealth. In 2008 there were 6.7 million U.S. households with a net worth of \$1 million or more, not including the primary residence. It is estimated more than half of their wealth is in the form of financial instruments such as stocks, bonds and mutual funds. Of 30 multimillionaires surveyed by Fortune, almost half plan to leave at least as much to charity as to their heirs.

Florida has a history of resident millionaires that dates back to 1855 with Key West resident William Curry, a penniless immigrant from the Bahama Islands who made his fortune allegedly as a salvager. Modern-day mega-wealthy also are attracted to the coastal environments of the Sunshine State and because it does not have a state income tax. Naples, Sarasota, West Palm Beach and the Treasure Coast boast some of the highest number of millionaires. Though statistics for millionaires living in Monroe County aren’t readily available, there is evidence, including the annual influx of many wealthy seasonal residents, that most likely millionaires live right next door, some of whom who are already giving to local charity.

In Monroe County there are more than 40 private independent foundations that reported more than \$63 million in total assets and granted over \$6.4 million during their last reporting year according to Guidestar, an organization that tracks charitable organizations. These amounts don’t include the Community Foundation of the Florida Keys that manages an additional \$7 million in assets and granted \$1.2 million during the last fiscal year through the 100 donor funds under management created by private individuals and other nonprofits. Nor does it count the \$20 million in “living pledges” of the 35 individuals who have pledged to make a gift to the community through their estate. Undoubtedly, there are many more Keys residents who haven’t made their intent to make a gift through their estate known.

It is heartening to see America's rich tradition of philanthropy brought forward into a new century under the leadership of the Bill and Melinda Gates and Warren Buffett. As Winston Churchill stated, “We make a living by what we get, we make a life by what we give.” Community foundations were established to bring the power of collective philanthropy to smaller communities and to ordinary people who cannot afford to set up their own foundation. Foundations pride themselves in managing individual funds, aiding donors in identifying local need, making grants to local charities, and tracking the effectiveness of their grantmaking while keeping administrative costs to a minimum.

As the years pass, community foundations typically attract substantial assets, largely through legacy gifts. As an example, the Community Foundation of Marin County just north of San Francisco is forty years old and has a relatively small population with similar demographics to Monroe County. In 2007, it held assets of \$1.25 *billion* dollars, and made grants of \$51 million in the community. The Community Foundation of the Florida Keys is working toward a similar future of community philanthropy here in the Keys. We welcome an opportunity to talk to you in confidence about your Giving Pledge.

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