



Money for Good: The US Market for Impact Investments and Charitable Gifts from Individuals Summary Findings, August 2010

OVERVIEW

For the first time since 1994's *The Seven Faces of Philanthropy*, the Money for Good (MFG) initiative provides a comprehensive understanding of the behaviors, attitudes, and motivations of affluent Americans with respect to impact investing, charitable giving, and international entrepreneurship.

Leveraging a nationwide survey of 4,000 Americans with household incomes of \$80,000 a year and above, the Money for Good initiative analyzed the US market opportunity for impact investments and charitable gifts for individuals. The initiative also identified what for- and non-profit organizations can do to "unlock" that market opportunity, by serving their donors and investors more effectively.

The Money for Good research was run from December 2009 – April 2010. The initiative was funded by the ANDE Capacity Development Fund (CDF), the Rockefeller Foundation, the Hewlett Foundation, and the Metanoia Fund. A core group of ANDE members supported the Money for Good grant proposal to the CDF, and were partners throughout the initiative. These organizations included E&Co, Endeavor, Ignia Partners, Mercy Corps, Root Capital, ShoreBank, TechnoServe, and VisionSpring.

KEY FINDINGS

The MFG findings as related to charitable giving, impact investing, and international entrepreneurship are summarized below. These findings can be used by ANDE members to:

- Design more targeted, effective fundraising campaigns
- Focus grant dollars where they are likely to achieve the most change
- Enable donors to make more informed grant decisions
- Open the impact investing market to individual investors

More Effective Nonprofit Fundraising

The Money for Good initiative made several key discoveries related to donors' motivations and levels of satisfaction around giving, and how nonprofits might use those insights to fundraise more effectively:

- There is \$45B market opportunity associated with serving individual donors more effectively
- Accessing this market opportunity will be difficult, because donors are highly loyal and because donors are not dissatisfied with the giving experience, giving them little reason to change their giving habits
- However, accessing this market opportunity is possible, by doing a better job of accommodating donor motivations for giving and of meeting donor needs
- Donors break into six different behavioral segments, each with different motivations for giving. These segments include the Repayer; Casual Giver; High Impact donor; See the Difference; Faith-Based; and the Personal Ties donor

- While donors are largely satisfied with the giving experience, donors do cite too much solicitation as a source of dissatisfaction

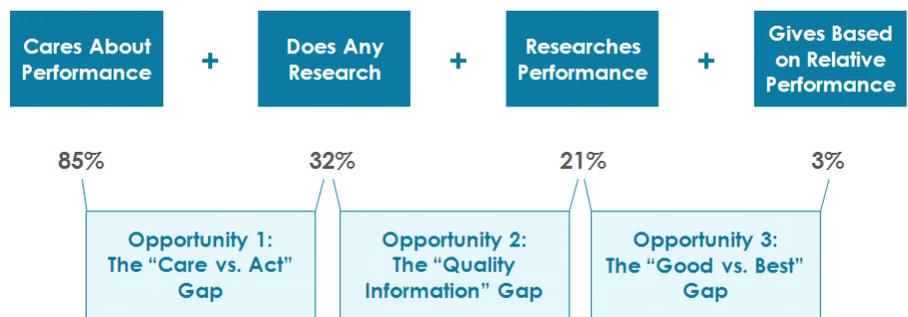
What can ANDE members do to fundraise more effectively?

1. Choose 1 – 2 donor segments, and shape your donor outreach and experience to those segments’ motivations for giving
2. Survey your donors about what is important to them in nonprofit performance, and how your nonprofit is performing
 - You can use the list of attributes that we’ve already road-tested across 4,000 respondents, on slide 18 of the Money for Good report: www.hopeconsulting.us/pdf/Money%20for%20Good_Final.pdf

Driving More Dollars to Higher Performing Nonprofits

There is a lively social sector discussion on how to get more dollars to higher performing nonprofits, with much of the focus on using individual donors as the leverage point to do so. The Money for Good research indicates that individual donors do not heavily research nonprofits. As a result, efforts to get donors to make ‘smarter’ giving decisions should likely start by accommodating donors’ existing needs and behaviors, and migrating them to more data-based ways of giving over time. Key findings include:

- The majority of Americans (85%) say that they care about nonprofit performance, but only 35% do research on any charitable gift in the course of a calendar year
- Of those that research, most (63%) do so to validate the nonprofit they’re seeking to give to
- Only 3% of donors do comparative research to find the best nonprofit to give to
- This pattern of data consumption creates a donor information funnel, below. The funnel represents donors’ attitudes and behavior around using information in their charitable giving. Donor dollars roughly map to the share of donors at each point along the funnel



- We see three opportunities to leverage donor attitudes and behavior along the funnel to get more dollars to higher performing nonprofits, each implying a different set of actions for ANDE members and others interested in improving the quality of individual donor giving

What can ANDE members do to get more dollars to higher performing nonprofits?

1. Encourage organizations to focus on opportunities 1 and 2, where the potential to move dollars is greatest
2. Address opportunity #1, closing the Care vs Act gap, by encouraging donors who say they care about performance to do some research
3. Address opportunity #2, closing the Quality Information gap, by:
 - Providing donors with basic info they can use to easily validate their choice of gift
 - Encouraging donors who already do research, to research performance and to research a greater share of gifts

Impact Investing

The Money for Good research sought to establish Americans' appetite for impact investments, and how to unlock that market from a demand perspective. The research found that:

- There is a \$120B untapped market opportunity for impact investments for individuals
- Over half of the market opportunity is for investments of \$25,000 or less
- Even the wealthiest individuals surveyed, those with annual household income of over \$1M, prefer impact investments with lower investment minimums
- Appetite for impact investments is stronger (estimated 1.8x) if impact investments are characterized as investments, not as charity
- Impact investments do not cannibalize charity – only 10% of respondents said they would take money from charitable giving to make their impact investments
- The main barriers investors see to making impact investments today are all related to the newness of the market, not to concerns around social or environmental impact
- Return is not a dominant investor concern for investment amounts under \$50,000
- As with charitable giving, investors break into segments. The three largest segments are Safety First, Socially Focused, and Quality Organization. These segments value, respectively: return of principal, the investment's cause, and the organization's track record and business plan

What can ANDE members do to build the retail impact investment market?

1. Meet investor demand for impact investments (position as investments, not charity; offer investment minimums of \$25,000 and less; etc)
2. Address the barriers to the newness of the impact investing market, as these factors are preventing individuals from making impact investments
3. In compliment to the demand perspective, work to understand and address the supply side issues (product structuring, distribution, marketing) around providing retail impact investments, and systematically address those issues

International Entrepreneurship

A core part of the Money for Good research was to understand what international entrepreneurship organizations can do to attract more capital. The Money for Good research found that:

- A third of respondents give to and invest in the developing world today
- Respondents' main reasons for supporting the developing world had little to do with a passion for international causes *per se*
 - Those who give to the developing world are motivated by response to disaster relief (54%), or reasons that have little to do with international (33%)
 - Those who invest in the developing world primarily do so to diversify their portfolio (57%) or to generate higher returns (34%)
- International donors and investors, and those that support international entrepreneurship specifically, are not strikingly different from other donors and investors. However, they are more engaged: they do more research, they donate more, they are more likely to care about how their donations are used, and they're more willing to make impact investments
- The main barriers that donors see to giving to organizations working internationally are difficult to address: local problems should be solved first; corruption; and lack of connection/proximity
- The main barriers that investors see to investing in the developing world are corruption; investments' risk; and difficulty in evaluating investments. While corruption is difficult to solve, both the investments' risk and the evaluation are addressable barriers to investment

What can ANDE members do to attract more dollars to international entrepreneurship?

1. Follow the general recommendations for charitable giving and impact investing – the international angle is not the driving reason most people give or invest in the developing world, or in intl entrepreneurship
2. Cultivate the third of donors and investors who already support the developing world, as they won't have to be convinced to support organizations working internationally
3. Focus on addressing investors' barriers to investing internationally, namely around investment riskiness and evaluation of investment opportunities

FOR MORE INFORMATION

More Money for Good resources, including the complete Money for Good report and the Special Report on International, can be found at www.hopeconsulting.us/money-for-good.

In addition, feel free to contact us with specific questions or inquiries. We are grateful to ANDE for its support of Money for Good, and are committed to continuing to help its members to use the Money for Good results.

"Hope Consulting's thoughtful methodologies and meticulous data analysis created a report that will inform and shape my work for years to come."
- Anna Gibson, Senior Director, TechnoServe

"Hope Consulting's work is excellent. Their analytic skills are top-notch, combined with a keen interest in making the insights practical and usable."
- Cliff Kellogg, EVP, ShoreBank, Money for Good Steering Committee

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