

PHILANTHROPY HANDBOOK



FOREWORD

“Never doubt that a small group of thoughtful, committed citizens can change the world; indeed it’s the only thing that ever has.”

MARGARET MEAD
Anthropologist

Philanthropy is a powerful tool to support the common good. It plays a fundamental and growing role in funding vital work that enhances our lives, strengthens our society and protects our environment. It can also provide a deep sense of purpose and pleasure for philanthropists themselves. And, for families who are thinking about how their wealth can reflect their shared values, it can provide a shared focus. Whatever your motives for giving, we believe that philanthropy is a tool for good which is available to everyone.

The profile of philanthropy is changing. Some donors are younger, and initiatives like the Founders Pledge and the Giving Pledge are encouraging many more people to give throughout their lives. New platforms and approaches are fuelling the enthusiasm for giving. Whilst the social and environmental challenges we face can feel increasingly complex, there are more opportunities to add value and support change than ever before.

At Coutts, philanthropy is in our DNA. We are especially proud of our association with Angela Burdett-Coutts, who was one of the most progressive 19th-century philanthropists. You can read her story, and that of her entrepreneurial grandfather, Thomas Coutts, on pages 42-43.

We’re also proud of the fact that we were the first private bank in the UK to establish a dedicated philanthropy advisory team, to help clients ensure that their giving is both effective and rewarding.

An ever increasing number of clients benefit from the insights of our in-house philanthropy experts and our charity investment and trust planning services. Through our Coutts Forums for Philanthropy and the practical guides and research we produce, we aim to celebrate and inspire philanthropy around the world.

We hope this handbook helps you reflect on the causes or communities you care about. We’re here to help you power up your giving and would love to hear your ideas.

THE COUTTS PHILANTHROPY TEAM

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GLOSSARY OF TERMS



CHAPTER 1 UNDERSTANDING PHILANTHROPY

What is philanthropy?

Philanthropy means the love of humankind. It can be fuelled by people's passions, values and enthusiasms, or by their frustrations or concerns about issues either close to home or in other countries.

It's about making a difference, both socially and environmentally, by giving one or more of the following:



Money



Assets



Expertise



Support



Time

The difference between philanthropy and charity

Charitable giving is usually reactive, compassionate and spontaneous. So we may donate money for disaster relief or sponsor someone who's running a marathon.

Philanthropy is more strategic; it's more deliberate and thought out. For the most part, it tends to be associated with funding an activity, but today many philanthropists are using other approaches to make a difference. These include loans, equity or patient capital to charitable organisations or social enterprises. This approach is known as social investment or impact investing.

Different kinds of philanthropy

Philanthropy comes in many forms. It can be the result of a legacy from a wealthy individual or family, but increasingly people are exploring how to give during their own lifetimes. It can be undertaken as a private individual or as a family, and can also come from a family business or a corporation.

Philanthropy makes a difference

Philanthropy is diverse in nature. But what unites philanthropists is a passion for using their resources to make a real difference to the causes or communities they care about – both at home and across the world.

Philanthropy in context

The challenges we face

We live in an era of unparalleled affluence, with many people enjoying unprecedented levels of welfare and well-being. But despite this, poverty and other socio-economic or environmental concerns are deeply entrenched in many communities throughout the world.

The importance of civil society activity

Civil society is sometimes called the ‘social’ or ‘third’ sector. It includes the activity of charities, social enterprises and voluntary or community groups which delivers a social benefit, rather than a private profit.

Working alone, neither government nor business is able to tackle many of society’s challenges or create and deliver appropriate solutions. The good news is that most communities host an extraordinary range of civil society activity that enriches society and makes a real difference to people’s lives, including:

- local grassroots organisations
- high-profile national and international non-governmental organisations
- cultural centres such as museums, galleries and theatres
- places of worship
- schools or universities
- local radio stations
- web-based networks
- community centres
- social enterprises
- social movements

These civil society organisations are the engines of positive change, and many depend on philanthropy to succeed.

Examples of civil society activity

The scale and range of activity supported by civil society is considerable, from small volunteer-led organisations to large multi-purpose social businesses. The projects and services are often funded by donations either from philanthropists or from local government and charitable foundations.

These groups work for positive social outcomes by delivering services, acting as campaigners and advocates, and often providing community spaces for other groups. Below are a few examples, but it is likely that civil society in some form will support most causes which are close to philanthropists’ hearts.

- Education and employability support
- Coordinating emergency disaster relief
- Animal welfare
- Access to sports and the arts
- Bringing people together to combat loneliness and isolation

Some civil society activity is innovative in nature, and can help solve some of society’s most pressing challenges. The issues that philanthropists can focus on are hugely diverse; we hope this handbook will help you navigate these choices so you can make a difference to what you care about.

“The best way to find yourself is to lose yourself in the service of others.”

MAHATMA GANDHI

CHAPTER 2 GETTING STARTED

Why give?

People are motivated to get involved in philanthropy for all kinds of reasons. Some of the motivations we come across in discussions with clients include:

- a desire to give back or to make a difference
- expressing personal and family values
- religious beliefs
- a passion for a cause, such as tackling poverty or improving the environment
- an issue that has directly affected an individual, family member or friend, such as a health problem
- enthusiasm for a particular activity, such as art or music
- a lasting legacy for the family or to unite the family around common interests
- a desire to demonstrate leadership or perhaps enhance the reputation of an individual, family or business
- preparing the next generation for the responsibilities and opportunities of wealth
- preference not to leave all the family's wealth to the children
- a sense that philanthropy is a sign of success
- recognition that philanthropy can be enriching or help develop a sense of purpose and enjoyment
- tax relief

Quite often key events in people's lives can play a role in thinking about scaling up philanthropy. These could include the sale of a business, the intergenerational transfer of wealth or the writing of a will.

QUESTIONS TO ASK YOURSELF:

- What are my motivations for philanthropy?
- How might philanthropy benefit my family? Could it strengthen my family bond, educate the next generation or create a lasting legacy?
- What sort of legacy do I want to leave for my children?
- Is there an issue that has had a significant impact on me, my family or my friends?
- Does my faith or cultural background encourage me to do something?
- How might philanthropy strengthen my connection with the communities or causes that I care about?
- Could tax relief help me scale up my giving?

Philanthropy is unique, in that it creates benefits for society while also being rewarding for the philanthropist. Some people are uncomfortable with the idea of philanthropy being anything other than purely altruistic. But many of today's most prominent philanthropists acknowledge that the more people get out of their philanthropy in terms of personal fulfilment, the more they are likely to give.

Developing a philanthropy strategy

Your journey begins even before you have the resources to give or make your first commitment. The experiences that shape you are as important as the financial assets you bring.

Once you've explored your key motivations for philanthropy, we encourage you to think about three factors.

- Explore your values, interests and passions around giving
- Consider any learning you'll need to undertake and what impact your input can have
- Explore the resources which you can bring to your giving

The place where these intersect will help you chart the direction of your philanthropic journey and give it focus.



CONSIDERATIONS WHEN DEVELOPING A PHILANTHROPY STRATEGY

THINGS TO THINK ABOUT

- At Coutts, we often find that clients' philanthropy journeys and strategies emerge and develop over time. Even philanthropic foundations that have been around for decades recognise that they are still learning and adapting to the changing context around them and the challenges and opportunities that arise.
- Having patience and being persistent is often key to enabling lasting change. As such, there are benefits to developing a focus for philanthropy so that progress can be tracked over time.



Values, interests and passions

Philanthropy is fuelled by people's values, passions and interests. Or indeed by their frustrations, concerns or visions for the future. Whatever the case, they will form the building blocks of your philanthropy and they will help give your philanthropy some focus.

Whether driven by shared family values, religious beliefs or the passions of one individual, it helps to reflect on your values and what interests or concerns you about the world around you.

THINGS TO THINK ABOUT

Which geographic area would you like to focus on?

It could be your local community – perhaps where you live, work or originate from. Or it could be at a national level, abroad or across many geographies.

Which causes or sectors are important to you?

There is an extensive range of causes and sectors you could focus on such as education, culture, the arts, climate change, disability, human rights, animal rights or developing social enterprises.

Are there specific groups of people you would like to focus on?

For example children, young people, older people, victims of violence, refugees or social entrepreneurs.

Many clients start their philanthropy journey by supporting their local communities. That way they get to see first-hand the real difference they can make.

Resources

Philanthropy is often associated with money, but there are other things that philanthropists can give to achieve their goals and benefit society. These include expertise, time, networks and an ability to leverage support from others.

Philanthropy is more about the act of giving than the amount. Having said that, you will no doubt need to think carefully about how much you want to give.

For some, the concept of giving a fixed percentage of their income, like a tithe, aligns with their religious beliefs or traditions. For others, decisions are influenced by important life events, like selling a business, drafting a will or planning to pass on wealth to the next generation.

And it's not just a question of how much money you want to bring to your philanthropy. It's important to consider how you might best deploy your resources. As illustrated in 'Chapter 3 – Scaling up', there are many ways you can go about lending your support.

Forms of financial support

As well as giving money to organisations in the form of grants, there are other ways to provide financial support.

You could provide loans, equity or patient capital. This is known as social investment or impact investing and is described further on page 33. You may choose to establish an endowment, where the endowment is invested in the markets to generate an income. This is especially relevant to philanthropy that is significant in scale or intended to be long-lasting.

Charity endowments are another way to enable positive change. Charitable trusts can integrate environmental, social and governance (ESG) factors in investment decisions. They can also apply positive or negative screening of assets to make sure their investments align with their mission.

Investment returns are not guaranteed. The value of your investment, can go down as well as up, and you could get back less than your original investment.

QUESTIONS TO ASK YOURSELF:

- How much can I afford to give?
- Other than financial support, what other resources can I harness?
- How much time can I contribute to the organisation(s) that I support?
- Do I have expertise, networks or knowledge that could help?
- Which doors can I open to help the organisations I support?
- Do I want to establish an endowment and how might the investment of this align with my mission?

Learning and impact

For many, identifying the causes, issues or communities they would like their philanthropy to focus on is a real journey of learning and exploration.

Once you have broadly identified where you would like your support to go, there are many steps you can take to learn more.

- Meet and collaborate with other donors who share similar interests – there's more about this in the next section 'Connecting with other funders'
- Visit different projects
- Meet and learn from the people and communities where you want to make an impact
- Look at reports, blogs and other data to learn more about the areas where you want to help
- Meet with government or business representatives connected to your fields of interest
- Dip your toe in the water by making a small number of donations and learning from the work of the organisations you support

THINGS TO THINK ABOUT

- Many organisations will have different approaches to tackling any given challenge or opportunity. Some deliver direct services to individuals, while others conduct research or campaign to influence government policy, corporate behaviour or public perception.
- How you target your philanthropy and the nature of the work you support will depend on your theory of change and what it is you want to achieve.

Developing a theory of change

Many organisations are now adopting the 'theory of change' model to impact planning. Put simply, this is a structure and setting for action. It articulates the difference you are trying to make and the steps you need to achieve it. You might find it helpful as a structure for your giving.

Philanthropy strategies are often underpinned by a theory of change. You could consider questions such as:

- What change am I hoping to achieve through my philanthropy?
- How do I think this change will come about?
- Who are the key organisations – in civil society, government or business – active in the field?
- Are there barriers to, or opportunities for, change?
- How can I use my resources to help bring about this change?
- Which organisations are best placed to enable this change with my support?
- Recognising that my resources alone are unlikely to be enough to create this change, who do I need to coordinate or collaborate with or influence?
- What might success look like and how will I/the organisations I support track and measure progress?

Developing a theory of change can give you a direction of travel for your philanthropy. But it is important to be nimble and flexible so that your theory of change can respond to shifting contexts and lessons learned from your experience.

QUESTIONS TO ASK YOURSELF:

- Who can I learn from?
- How can I learn from and collaborate with other funders who share similar passions, values and interests?

Connecting with other funders

Meeting like-minded philanthropists or established funders can be a great source of inspiration and information. It can be an opportunity to share ideas and experiences and exchange lessons learned.

Philanthropists with similar interests sometimes pool their funds, time and skills by setting up what is known as a giving circle, where they decide as a group which organisations to support. Some giving circles work well as an informal group of friends.

QUESTIONS TO ASK YOURSELF:

- How can I find out what other philanthropists are doing?
- Would I be able to achieve more working with others?
- Who inspires me?
- Do I know other people or established foundations with similar philanthropic interests and values to me?
- Might I be interested in pooling my resources with others?

Don't be afraid to experiment with these structures until you find one that works for you. The most successful collaborations are built on trust and shared values and approaches, as well as common goals. Some people find it helpful to have some open conversations about how they will make decisions and what they will give, be that time or resources, at the start. Other partnerships find it helpful to agree a set time frame for working together, to avoid difficult conversations later down the line.

PHILANTHROPY NETWORKS

Coutts Forums for Philanthropy are regular sessions giving clients the opportunity to learn from some of the world's leading philanthropists and to share ideas and experiences with their peers.

There are also many helpful networks and regular conferences for philanthropists where you can find support, for example:

- The Association of Charitable Foundations in the UK
- The Council on Foundations in the United States of America
- The European Foundation Centre
- The World Congress of Muslim Philanthropists
- Dasra
- The European Venture Philanthropy Association
- The Asian Venture Philanthropy Network
- UK and international Community Foundations, which help philanthropists support local causes

As well as more generalist giving circles, there are also theme-specific networks for philanthropists who wish to direct funds towards particular issues such as Women & Girls funds or the Environmental Funders Network.

Your funding window

Some philanthropists back projects or organisations for short periods, say for a year. Others support them for many years developing strong, trusting and rewarding relationships.

It's important to recognise that enabling lasting positive change often requires patience and persistence.

Increasingly, the trend is for giving during a donor's lifetime rather than leaving a philanthropic legacy. This gives you the chance to be involved in the decisions and direction of the organisations you support. It also gives you the opportunity to experiment with different approaches, and engage in a cycle of 'doing, reviewing, renewing'.

Clarity about your focus will help you understand your window of giving, both for you as an individual or as a family, as well as for the organisations themselves. For more on this topic, see 'Developing a relationship with an organisation you support' on page 30.

Setting up a foundation or giving through others

You are likely to want to use a number of vehicles to channel your philanthropy.

You might start by simply funding an organisation directly, but as your philanthropy becomes more strategic and significant in scale, you may wish to create a more formal legal entity for it, such as a trust or foundation.

An alternative to this might be to establish a fund through a specialist intermediary, such as a Community Foundation. Tax considerations may also influence how you choose to structure your philanthropy.

Tax relief

Many governments offer tax relief for charitable giving. Different jurisdictions offer a range of vehicles that philanthropists can use to organise and structure their giving, such as charitable trusts and foundations. These vehicles may also create a tax-efficient framework through which to donate.

You should seek your own legal and tax advice regarding the tax implications and most suitable structure for your donations.

CHAPTER 3 SCALING UP

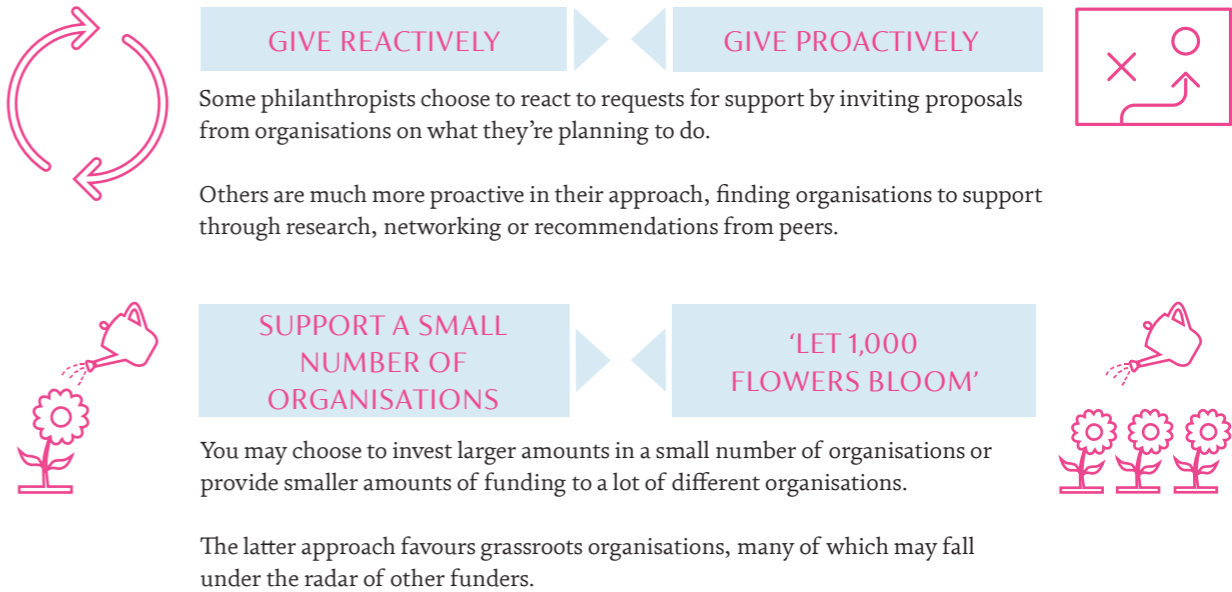
Your approach to philanthropy

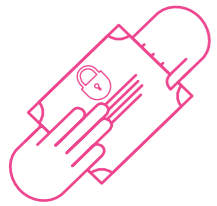
There are many different approaches to philanthropy. Your choice will generally depend on two key factors:

- How involved you want to be
- Your theory of change, as discussed on page 17

Many philanthropists choose to support existing organisations, either by funding established projects or helping to experiment with new approaches. But some choose to put their effort and resources into setting up their own organisation or social enterprise.

If you're considering supporting existing organisations through your philanthropy, you may wish to combine a number of approaches.





RESTRICTED GRANTS

UNRESTRICTED GRANTS

Unrestricted funding is letting organisations use your donations as they see fit. Restricted funding means that donations must be used for a specific project or budget item.

At Coutts, we tend to advise philanthropists to consider offering unrestricted funding, as many organisations depend on this for their success.

When providing unrestricted funding, it's good to think not just about the projects the organisation is implementing, but the strength of its leadership and governance too.



FINANCIAL SUPPORT

MORE THAN MONEY

Some philanthropists give time, expertise and other support, in addition to money, as part of a broader strategy. This approach is sometimes referred to as 'funder plus', venture philanthropy or high-engagement philanthropy. Where non-financial support is given, it's often aimed at helping organisations develop skills and competencies they need to perform effectively. Greater engagement can also influence public policy, practice and attitudes.

Some philanthropists use their convening power to bring stakeholders together to influence change, or offer support with fundraising.



TRIED AND TESTED

NEW AND RISKY

Everyone's perception of what constitutes risk is different. Some philanthropists are comfortable with supporting innovative, untested initiatives or new organisations.

Others are more inclined to focus on organisations or initiatives with an established track record. Risk can also relate to operating in volatile contexts or supporting unpopular causes.

It's worth considering what risk means to you and what your attitude towards it might be.



ANONYMOUS

PUBLIC

Philanthropists have different attitudes when it comes to publicity.

Those who remain anonymous may do so out of modesty or because of their religious beliefs or traditions. They could also be concerned that their philanthropy will invite unwelcome attention, unsolicited appeals or loss of control of their giving. Those who give publicly may take the view that the publicity can help raise awareness of a particular cause and inspire others.



LIMITED TIME FRAME

OPEN ENDED

Many established philanthropic organisations exist in perpetuity – they have no end date and conceivably could carry on operating for ever. For example, those founded decades ago by individuals such as Andrew Carnegie.

Today's philanthropists are increasingly debating the pros and cons of limited life foundations versus those that exist indefinitely.



WORK ALONE

COLLABORATE

Many philanthropists appreciate that they may not achieve their goals by working alone. But collaborating with other funders is not always easy and often depends on having the right chemistry and sharing similar values and approaches. Where it works it can bring many benefits.

Some philanthropists choose to pool their resources with others, for example in the form of giving circles, to scale up their potential impact and learn with others. You can find out more about collaborating with other funders on page 18.



THINGS TO THINK ABOUT

- There's no one right way. Some donors want to be hands-on, others hands-off; some prefer to work collaboratively, others independently; some are reactive, others proactive. Some adopt a combination of the approaches described above – it's not a case of an 'either/or' approach.
- For example, a proactive focus might be at the core of your philanthropy, but you might also keep a discretionary fund that allows you to support ad-hoc requests. You may focus a majority of resources on a small number of organisations, but also keep a small pot to support grassroots activity.
- If you choose to establish your own operating organisation, it's worth checking that you are not duplicating the efforts of others and that you have considered the sustainability of the organisation or initiative you wish to create.

Identifying organisations to support

The huge number of organisations that could benefit from your philanthropy makes the choices vast and exciting. And having considered key aspects of your strategy - outlined in 'Developing a philanthropy strategy' on page 12 - you will start to develop a filter for the kinds of organisations or initiatives you want to support.

QUESTIONS TO ASK YOURSELF:

- What criteria will I apply when choosing which organisations to support?
- How much do I want to know about the organisations?
- How much do I need to know to make an informed decision?
- Do I want to meet the organisations before agreeing any support?
- Do I have time to meet the organisations?
- Would I give more if I understood their work better?
- How much am I going to rely on my own judgement of their work and the people involved?
- What is my appetite for risk?

Things to do if you take a proactive approach

- Find out which other funders share your interests and meet them or review their lists of grantees
- Participate in giving circles (outlined on page 18)
- Use the internet to find relevant organisations
- Meet organisations that have a high-level view of the causes or communities that you care about

Considerations if you take a reactive approach

- What will my process be for responding to requests?
- What criteria am I going to set to select charities to support?
- Will I make my funding guidelines available and how?
- How will I respond to requests for funding?

THINGS TO THINK ABOUT

The clearer you can be about the focus of your philanthropy and the decision-making process the easier it will be for you and for the applicants, especially if you are open to unsolicited proposals. You will also be less likely to be inundated with requests for funding that do not match your interests.

Managing expectations

If you choose to contact an organisation, it's important to think about how this may raise their expectations. And the more information you ask for, the greater their expectations will be. So, it's always wise to do as much research as possible from other sources before making contact to avoid expectations being raised unnecessarily.

Responding to funding requests

Think about how you will respond to requests for funding. You may wish to draft a sample reply letter to acknowledge formal funding applications that you will consider. This could be along the lines of:

"Thank you for sending me details of the organisation/project that you would like me to support. I will be back in touch with you as soon as I have considered your request. I expect this to be no later than (date/month). I will let you know if I need additional information or to conduct a site visit."

Declining funding requests

How you decline funding requests can have an impact on the applicant organisation, particularly smaller groups. So, you should give some thought to how you do this. Ideally, you want to remain encouraging and provide some context for your decision. There might be many reasons why you can't support a funding proposal. It could be outside your area of interest. It may not be well presented or thought through. You may be concerned about the organisation's lack of strategy, viability or the way it is using its funds.



Consider drafting a sample reply letter to those funding applications that you will not be able to consider along the lines of:

"Thank you for sending me details of the organisation/project that you would like me to support. I am sorry that I cannot consider your proposal as it falls outside my guidelines (or I am sorry but I do not accept unsolicited proposals) but wish you every success in finding other funding?"

What to look for in a funding proposal

What you look for and how deeply you want to scrutinise applicants will depend on things like the maturity of the organisation and the nature of the proposal. This will also help you determine the level of funding that you are prepared to make, and the nature of funding required, eg is it a grant, loan or another form of finance?

The amount of information you seek from organisations will also depend on the resources you are able to give. For example, you wouldn't expect an organisation to draft a detailed proposal for a small financial grant.

THINGS TO THINK ABOUT

Organisations spend a great deal of time looking for funding and drafting proposals. To make life easier for everyone, it may be worth thinking about a two-stage process if your philanthropy is significant:

- Request a brief concept paper to check that the organisation and its work reflect your interests
- If so, invite a more detailed proposal clearly outlining what information you are looking for

Depending on the nature of the organisation and what they are asking for, some organisations may provide business plans or longer-term strategic or financial plans. They should also be able to share a copy of their latest financial statements.

Start-up organisations may not have much information to share. This makes your assessment of their vision, leadership and governance, and their proposed plans crucial.

If you're planning on making a significant contribution, you may want to consider contacting one or two existing funders to act as referees.

It might also help to find out what challenges the charity faces and how it plans to overcome them. Most organisations face significant hurdles at one time or another, sometimes for reasons outside of their control.

Many organisations find it hard to raise funds to cover their running costs, and without any central budget it can be difficult to manage projects efficiently. Where possible and appropriate, it's good to offer unrestricted funding they can use to cover the general expenses associated with running an organisation.

If you decide to fund an organisation, you will need to consider how to let them know their application has been successful, on what basis the funding will be made available and how the donation will be paid. For small donations, you may want to inform them by letter or email. For large donations, you may want to do this in person. The organisation might also ask if they can use the opportunity to generate some publicity and encourage other donors to come forward. If there are conditions attached, you will want to think about how to communicate and monitor these.

What's typically included in a funding proposal?

- A short description of the background to the organisation, its mission and objectives
- The rationale for its activities and who will benefit
- The type of activities it is undertaking and plans for the future
- Its major achievements to date
- Information about staff and governance
- How the organisation tracks and communicates its results
- A detailed projected budget for the organisation/project, noting income secured to date
- Information about how much funding is being sought, what for and over what period

QUESTIONS TO ASK YOURSELF:

- Does the organisation or initiative fall within the scope of the focus of my philanthropy?
- Do I identify with their mission?
- What is it trying to achieve and how it is going about it?
- Does the organisation have a clear vision and strategy?
- Is it well led and governed?
- Is the financial information available sound and the budget sensible?
- How will the organisation track and communicate the progress of its work?

Conducting a site visit

If you are considering giving a significant donation to one organisation, it's a good idea to pay them a visit, both before giving any money and while you are supporting them. This will give you the opportunity to meet some of the people involved, get a better understanding of what the organisation is doing and find out what they will do with your funding.

It might also be worth meeting one or two of the organisation's trustees as well as the chief executive. A visit will also help you decide whether or not you want to develop a long-term relationship.

You can find a lot of information about many organisations and causes online, so be sure to prepare for visits and use the time you have to get into useful conversations about approach and fit.

QUESTIONS TO ASK YOURSELF:

- What more do I want to know about the organisation and/or sector?
- How much time should I put aside for the visit?
- Should I bring someone with me so that I can discuss the visit with them afterwards?
- What should I tell the organisation about the possibility of funding?
- How long will it be before I can get back to the organisation with a decision?
- Should I visit more than one organisation so that I can compare different approaches?

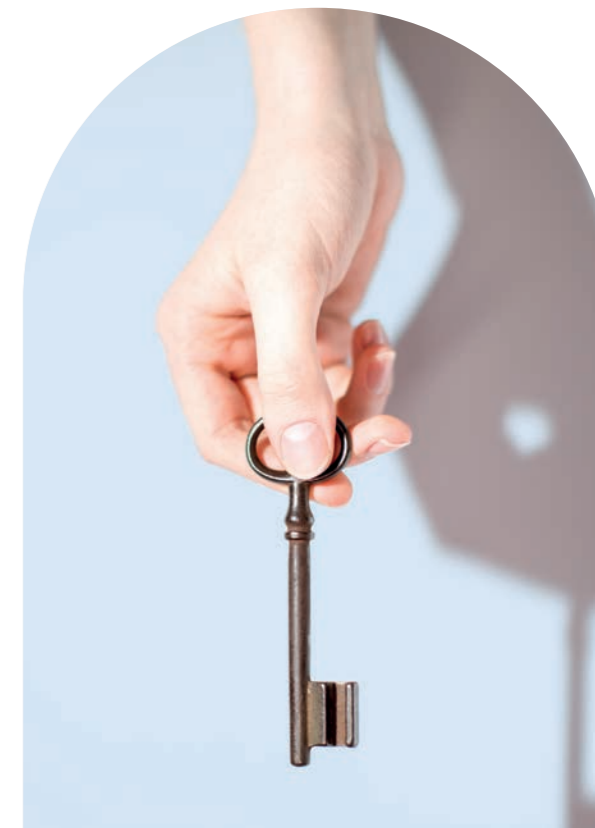
QUESTIONS TO ASK THE ORGANISATION:

Before making any donation, you will want to find out about the organisation's history, aims, performance and resources. Ask specific questions that help you understand exactly how your support will help them. Ask more general questions about their activity – for example, “What's the most successful part of your programme?” – as well as probing ones about budgets and staffing.

- What have been the key successes and challenges your organisation has faced in recent years? How have you overcome the challenges?
- What are the plans for the future?
- What are the challenges and opportunities facing your organisation in the next few years?
- What other organisations work in this area? How does your work differ from theirs? How do you collaborate with them?
- What support are you looking for?
- What resources will you need to run the organisation or project effectively?
- Tell me about your leadership team. How do you navigate matters such as succession planning and diversity?
- Tell me about your board. Are there any ways in which you think the board needs strengthening?
- What are the key results from your work and how do you track them?
- Do you receive feedback on your activity from the people you are seeking to benefit and how is this used?

THINGS TO THINK ABOUT

- Be prepared for the fact that some organisations will face significant challenges – it's not necessarily a sign that they're not good at what they do.
- Give the organisation the opportunity to prepare for your visit by first making an appointment. Remember, they are busy too, so respect their time.
- Review the organisation's annual report, financial statements and other online information before you visit. And take useful materials to the meeting with you so that you can refer to them.
- Ask to meet some of the people the organisation supports, if that is appropriate.



Developing a relationship with an organisation you support

Building a long-term relationship with an organisation can be more satisfying than making a one-off donation, but it requires a higher level of commitment and trust on both sides. Try to find the right balance between head and heart. Instinct and intuition can be as important as facts and figures. On the other hand, just because an organisation is run by kind, well-meaning people does not mean that it is well-run.

Developing a relationship with an organisation requires open, honest communication and mutual respect, as well as the exchange of knowledge and information. The key is listening to what the organisation is telling you, inviting the organisation to raise issues that are important to them and giving constructive feedback.

Ultimately, you should enjoy supporting the organisation and feel a sense of achievement.

QUESTIONS TO ASK YOURSELF:

- What do I expect out of the relationship with the organisation?
- What does the organisation expect from the relationship with me?
- Have we agreed how often we are going to meet, and where and when?
- Have we agreed how best to communicate – by phone, email or letter?
- How are we going to define success?
- How would I like the organisation to report back and how often?

THINGS TO THINK ABOUT

The organisations you support are likely to be experts in the area they are delivering. This can be the specific service, or the place where they work. The leadership of a good organisation will have developed an in-depth and nuanced understanding of the issues they address.

- Forcing the organisation to do something it does not want to do will not work for either party.
- Consider what the organisation wants out of the relationship. It might want to understand how often you would like to meet, conduct site visits and receive written information or telephone updates. The organisation may also want to know if you would consider becoming a patron or trustee, supporting the organisation by offering a testimonial or endorsement or helping with fundraising. Organisations can offer a variety of volunteering opportunities depending on your available time, interests and skills. If you are not able to offer your time or expertise, let the organisation know.
- Ensure that the organisation knows what you want out of the relationship. Be prepared to give some idea of how long or big a commitment you might be able to make as well as the process and the timetable for further funding.
- When things don't go according to plan, use it as a learning experience. Most organisations face significant challenges at one time or another, sometimes for reasons outside of their control. As a major funder, you may well be able to help them overcome any difficulties. But if you decide to terminate your support for any reason, give the organisation as much notice as possible so they can plan accordingly.

Tracking the progress and results of your philanthropy

People give because they want to make a positive difference to a cause or to the lives of others. While the nature and degree of this impact will vary, most philanthropists want to understand the difference their support is making.

QUESTIONS TO ASK YOURSELF:

When assessing the results of your philanthropy, it's worth considering these two dimensions:

Whether the organisations you are supporting are achieving what you and they hoped:

- How is the organisation tracking and communicating its results?
- What are we both learning from this?
- Do the findings suggest that the work could be adapted or improved?
- Are my reporting requirements adequate or too onerous?

Whether you and your family are getting what you hoped for out of your philanthropy:

- What am I enjoying about my philanthropy?
- Am I or my family getting what we had hoped for out of it?
- What have been the key lessons I have learned from my philanthropy so far?
- What might I do differently as a result?

THINGS TO THINK ABOUT

- Proportionality is key in tracking the progress of your philanthropy. Monitoring and evaluation requirements should be fair and reasonable and should not place too much of a burden on the organisation you support. Nonetheless, it is reasonable to expect more detailed reports on large, multi-year commitments. Make sure that the information you're tracking is meaningful and useful for everyone involved.
- It's important to remember that there is an additional cost to organisations to track and communicate the results of their work effectively. You could make a significant difference to an organisation by covering the costs of this type of activity.
- It's worth allowing the organisation you support to consolidate its reporting so that it does not have to spend unnecessary time crafting different reports to suit different funders. Unless the organisation you are supporting is 'high risk', annual written reports are usually enough. And if your donation is significant, never underestimate the value of conducting site visits.

“I believe that every right implies a responsibility; every opportunity, an obligation; every possession, a duty.”

JOHN D. ROCKEFELLER

Other forms of financial support

For some, the belief that for-profit investment can only maximise financial returns and that social purpose can only be pursued through philanthropy and charitable activities is no longer valid.

It's now recognised that there's potential to generate blended returns from investments, composed of financial as well as social and/or environmental benefits.

There are a range of approaches to philanthropy. You can make simple donations for delivery or strategic and multi-year support. But you can also invest directly in an organisation, with or without the requirement for the organisation to repay the investment.

This is known as social investment or impact investing. It provides capital for businesses or funds to proactively generate measurable social and/or environmental returns as well as a range of financial returns.

This sort of investment can take different forms. It could be a bridging payment to support an organisation's cash-flow, for example, or to buy equipment for a new social enterprise.



The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment.

Funding internationally

Some philanthropists choose to support organisations outside of their home country. Motivations can range from a desire to support the communities they originate from or where their business is based, to a desire to support organisations working with people in the developing world. Funding from a distance can be challenging, but there are many ways in which this can be done effectively. For example:

- supporting international non-governmental organisations (NGOs) that have a strong presence in your own country and abroad
- working through local funding intermediaries, including Community Foundations, that have a good track record
- collaborating with other funders that have experience of working in the communities that you wish to support
- conducting site visits to meet with the organisation's leadership team

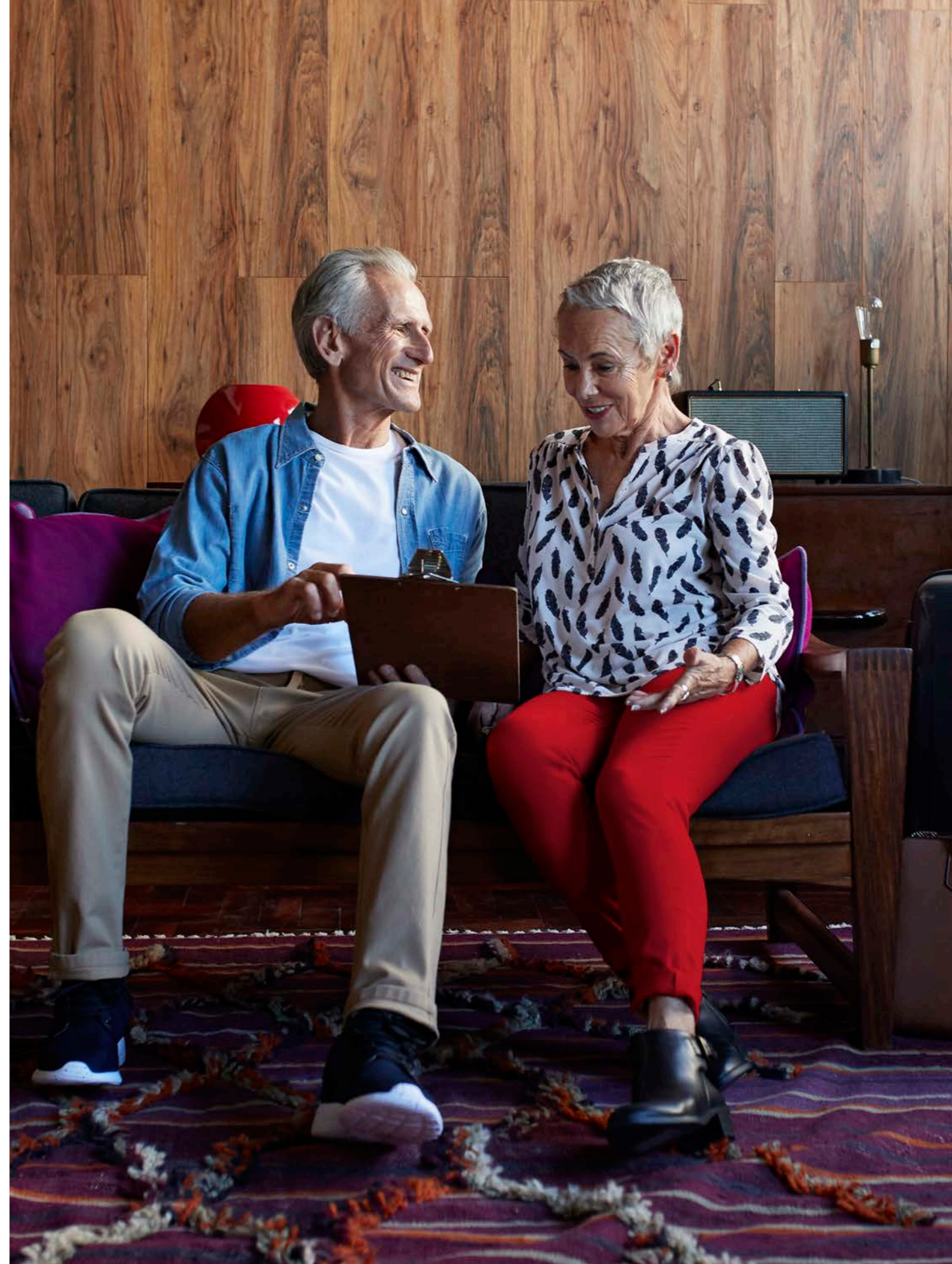
QUESTIONS TO ASK YOURSELF:

- What change do I hope to bring about? Is this more likely to be achieved by supporting local organisations on the ground, or by supporting those that influence national government policy or address issues at an international level? Or should I perhaps support organisations that are active at all levels?
- Do I want to give directly to local grassroots organisations or do I want to work through a large international NGO – or both?
- Do I wish to support a particular community or country, or address a specific issue, such as sanitation or education, that cuts across many regions?

THINGS TO THINK ABOUT

One mistake that donors can make is assuming that what works here will work there. Effective international giving must take the local context into account as well as the experiences and ideas of local people who understand the challenges and opportunities.

It can be more important to find partners to work with when giving internationally so there is local knowledge to ensure programmes are run appropriately for the local context.



CHAPTER 4 KEEPING IT IN THE FAMILY

Family philanthropy

In many countries, there is a long history of family philanthropy and its legacy is significant. Giving as a family can be especially rewarding.

It might be a thread that has run through your family for years, or generations. It might be that changing circumstances or a new generation have helped you to think about your shared giving in a different way. It can provide an opportunity for the family to do something significant together. When done well, it can bring the family closer together.

Family philanthropy can take many forms. It can be quite informal, with families meeting on an ad-hoc basis to discuss which organisations to support.

Family foundations provide a more formal structure for donations and grants, often adopted by families whose philanthropy is significant in scale and longevity. A family business may choose to establish a corporate philanthropy programme, which in some cases may reflect not only the interests of the family but also other partners such as staff.

Some families establish endowments for their family foundation; others a family fund, such as a donor-advised fund within a specialist intermediary like a Community Foundation. And in some cases, families adopt more than one model.

Steps to consider

The initial stages are key to ensuring that family philanthropy is effective and rewarding. Steps to take might include:

- clearly articulating reasons for working together
- establishing clarity of expectations

- ensuring that people are invited to participate and have freedom to enter and leave the process
- understanding that giving together should be an enjoyable experience
- recognising that each family member will have individual interests, but that the overall goals of the family's philanthropy should reflect shared values, interests and passions
- acknowledging that all family members have something to learn
- clarifying how decisions will be made
- understanding how inevitable differences in opinion might be handled

Key characteristics of family philanthropy

Although the key steps in developing family philanthropy will not differ much from other forms of philanthropy, there are some key characteristics:

- exploring the family's shared values, passions and interests
- identifying shared goals and a shared dream
- developing a philanthropy strategy
- establishing the mechanisms and processes for philanthropy
- sustaining the philanthropy for the longer term through engaging the next generation and/or professional staff



QUESTIONS TO ASK YOURSELF:

- Who constitutes family in the context of my family philanthropy?
- Do family members have similar interests?
- Who is going to put money into the family philanthropic pot?
- How much are we going to tell our children about what we are giving away? Do we want to involve them? How and when?
- What is our succession plan?
- How are we going to make decisions as a family?
- How well can we work together as a family?
- How often are we going to meet?
- What sort of legacy are we trying to create?
- Are there other families that have done this well, and how can we learn from them?
- To what extent should non-family members be involved?

THINGS TO THINK ABOUT

- It's good to talk about philanthropy as a family to get a sense of what people think the family stands for, what its core values are and who is interested in getting involved. Ask the family how they feel about money and the idea of philanthropy. Explore people's views on different subjects, such as poverty and the environment.
- Finding a core focus to your family philanthropy that everyone identifies with is important. It's also worth thinking about allocating a discretionary fund to each family member so they can support organisations that reflect more personal interests.
- Take account of both family giving traditions and religious beliefs, and have open conversations about the purpose and goals of your wealth.
- It's good practice to determine the criteria for inviting family members to participate. At what age are children formally included? On what basis are spouses, partners, siblings, nieces, nephews, friends or others involved?
- Clarify roles and responsibilities in writing to avoid the possibility of misunderstandings. Some family members may be better at reviewing the investment management strategy than the grant making approach given their respective skills or interests. You may also want to involve an independent professional trustee or hire professional staff.
- Consider what sort of giving vehicle is appropriate. In the case of a family trust or foundation, you will want to address questions such as how long it will last, how many trustees you want, how often trustees should rotate and whether premises and/or professional staff are needed.
- Family members may seem to be in agreement when they are not. Encourage formal as well as informal discussions. Give everyone involved a voice. Keep everyone informed on a regular basis.
- For large charitable trusts or foundations, consider organising a family retreat and inviting a professional adviser as a facilitator to help you establish a direction for your family philanthropy.

Next generation philanthropy

There are two ways the next generation of your family can get involved in philanthropy. The first is on their own initiative, using their own resources. They will have learnt from existing practices in philanthropy, but may also want to explore new avenues and approaches. Their distinctive world view and life experiences will shape the causes they support. The second way is through family philanthropy.

For many families, philanthropy represents a key aspect of family values and an important dimension of the meaning and purpose of wealth. Engaging the next generation in philanthropy from an early age can also support the process of wealth succession, by clarifying shared giving values, and strengthening family ties.

Engaging the next generation in family philanthropy can bring significant benefits. These include:

- Preserving the family legacy
- Bringing the family together around shared values, interests, passions or concerns
- Giving young people a focus and sense of purpose
- Providing a good training ground for skills associated with financial planning, governance, conflict management, decision-making and leadership
- Providing an opportunity for the family to learn
- Making better decisions

THINGS TO THINK ABOUT

- It's easy to introduce the idea of helping others to children at a young age. You can encourage them to donate unwanted toys to charity or give them a modest amount of money to give to a cause or organisation of their choice on special occasions such as birthdays.
- As children get older, they could be encouraged to attend forums or workshops for philanthropy, or

engage in next generation giving circles. You can also encourage them to get involved in volunteering.

- You could consider setting up a next generation advisory board for your family foundation, or invite the younger members of the family, as adults, to join the board of the family trust. You may also encourage them to set up their own philanthropic foundation.
- It's also valuable to involve the younger members of the family when you conduct site visits to organisations that you support.
- It's important to value the next generation's contribution and respect their passions and interests. Their involvement with the family foundation will, and should, influence how it develops over time.

Ask your private banker for a copy of our reports on wealth succession to find out more about how philanthropy can play an important role in enabling successful wealth succession.

QUESTIONS TO ASK YOURSELF:

- How can I encourage the idea of philanthropy from an early age?
- How might philanthropy help the next generation of my family have a more rounded view of the world?
- Can the next generation be encouraged to volunteer?
- What skills can the next generation learn through philanthropy?
- What causes are the next generation interested in supporting and how can they pursue their objectives?
- As a young philanthropist in my own right, would it be helpful and fun to engage in networks of young philanthropists?

CHAPTER 5 PHILANTHROPY AND COUTTS

Philanthropy is in our DNA

Philanthropy is ingrained in our business – we can trace our history of charitable giving for over 300 years. Coutts and Coutts staff support charitable activity, and Coutts can play an important role to inspire and grow your philanthropic endeavours. This handbook is just one of many examples of how we can support you to fulfil your ambitions for philanthropy.

Coutts can offer a range of philanthropy services, including:

- helping you develop effective strategies for philanthropy
- establishing and managing charitable trusts
- helping charities preserve and grow reserves with charity investment services (available to private foundations and to operating charities)
- a range of banking services for charities

For many families, philanthropy is a key dimension of the meaning and purpose of wealth, an important way in which family values are conveyed, and a path to engage the next generation so they are prepared for the opportunities and responsibilities wealth brings. Here we can also help with ideas and insights into how philanthropy features in strategies for effective wealth succession.

Eligibility criteria apply for Coutts philanthropy services. Fees may also apply. To find out more, please speak to your private banker.

How Coutts supports charitable activity

The Coutts Foundation

Established in 2013, the Coutts Foundation is an independent charitable foundation supported by Coutts. Its mission is to tackle the causes and consequences of poverty in the communities where Coutts has a presence.

The Foundation is inspired by the legacies of two prominent members of the Coutts family: the entrepreneurialism of Thomas Coutts and the progressive philanthropy of his granddaughter, Angela Burdett-Coutts.

Find out more about the Coutts Foundation and its approach to philanthropy at coutts.com/philanthropy

Our community programmes

Every year, we make a difference to our communities through both our official programmes and the activity of our employees, who provide valuable ongoing support to charities and other community groups, across a range of activities including:

- employee volunteering
- payroll giving
- local fundraising and charity activity
- financial education for young people

The Coutts family

Thomas Coutts and Angela Burdett-Coutts, his granddaughter, chose to use their wealth in ways that continue to inspire and drive many tenets of philanthropy today. Here, we take a look at their stories.

Thomas Coutts

An 18th century entrepreneur who funded a range of causes

Thomas Coutts came from a successful Edinburgh mercantile family and made his fortune as senior partner in the bank that bore his name, Thomas Coutts & Co. As an affluent gentleman, he made donations to and involved himself in causes ranging from the local to the London-wide and those that appealed to him personally. Both he and his elder brother James, who also worked for the bank, gave to Scottish charitable causes, demonstrating they hadn't forgotten their Scottish roots.

Thomas would have recognised that, as a man of means, it was his duty to give to charity. At a time when there was little governmental involvement in poor relief, it fell to prominent individuals to assist via private schemes.

We know Thomas received many approaches from the organisers of such projects, and that he donated to some of them. Locally, Thomas gave money to support the school for the poor at St Martin-in-the Fields church and involved himself in larger-scale London charities such as the Lying-in Charity for Poor Married Women and the Foundling Hospital.



Angela Burdett-Coutts

A progressive 19th-century philanthropist

The granddaughter of Thomas Coutts, Angela inherited a share of the bank's profits. The terms of her inheritance prevented her from active involvement in the bank, and she channelled her formidable energy and desire to make a difference into philanthropy. Made a baroness in 1871 by Queen Victoria for her charitable work, she was the first woman to have been made a peer in recognition of her charitable achievements and was widely known in London as the 'Queen of the Poor'. Charles Dickens, a client of Coutts, was her almoner for some time and she supported many of his causes for social reform.

Her most renowned philanthropic work was in East London, where she poured money into redevelopment, particularly in the Bethnal Green area. As well as building homes for the poor, she was concerned with the supply of fresh drinking water to deprived parts of London and paid £7,000 for a drinking fountain in Victoria Park, Hackney.

Another of her major concerns was child labour. She funded schools and evening classes, where children from deprived backgrounds could learn skills that would enable them to earn a living.

She was one of the first to support cancer research, and arguably an early 'social investor'. In 1851, the founder of the Royal Marsden Hospital received an interest-free loan from her to allow him to build the premises. She continued to support this hospital with annual subscriptions of £50.

Angela provided huge sums to relieve poverty in Ireland and in particular the effects of the Great Potato Famine. She paid for relief centres where corn, flour, tea and sugar could be bought cheaply, and attempted to stimulate the fishing industry by paying for boats and fishing equipment.



The full extent of Angela's philanthropy will never be known, as often her account entries simply record the sums and the description 'Donation'. Angela was also keen to keep out of the limelight and was the 'Lady Unknown' behind many gifts. But as one of the wealthiest women of her time, it is clear that she was a significant philanthropist, donating today's equivalent of more than £350 million during her lifetime.

GLOSSARY OF TERMS

Charitable organisation or non-governmental organisation (NGO) - a not-for-private-profit organisation whose goals and activities are purely to serve the public interest or the common good. The legal definition of charitable organisation – and what constitutes charitable activity – varies according to the country and in some instances the region of the country in which the organisation is registered and operates.

Civil society organisations - include charitable organisations, voluntary and community organisations, faith groups, non-governmental organisations and trade unions.

Community Foundation - a charity that works with local donors to support projects across a geographical region or regions (city, county or country).

Endowment - a donation of money or property to a non-profit organisation, which uses the resulting investment income for a specific purpose.

Founders Pledge - a commitment by entrepreneurs to donate a percentage of their personal proceeds to charity when they sell their business.

‘Funder plus’ - support offered to groups alongside and as well as a financial contribution.

Giving circle - group of like-minded investors who collaborate in their giving.

Giving pledge - individuals commit a portion of their wealth to philanthropy, in their lifetime or in a legacy.

Grassroots or frontline organisations - groups that are powered with local resources and that support local communities.

Mission-related investment - incorporating the values or the mission of an organisation within its investment decision-making processes.

Patient capital - generally refers to long-term investment where the investor is prepared to wait a considerable amount of time before seeing returns.

Philanthropy - the giving of money, assets, time, encouragement or expertise to create a social or environmental impact. The word philanthropy literally means the love of humankind.

Responsible investing - integrating environmental, social and governance (ESG) factors in investment decision-making processes and ownership practices.

Restricted donations - these can only be used for a specified purpose, such as a salary, or a particular project.

Social enterprise - an organisation or venture that achieves its primary social or environmental mission using business methods. From an investment perspective, social enterprises must principally direct financial surpluses back into the business or the causes they serve.

Social investment - actively placing capital in businesses or funds that seek to generate social and/or environmental returns as well as a range of financial returns, from principal to above market. It is sometimes known as **impact investing**.

Theory of change - a structure and setting for your philanthropy, which articulates the difference you are trying to make and the steps you need to achieve it.

Unrestricted donations - the organisation can use these funds as they choose, for example to cover less exciting activity, such as administration costs, or overheads such as rent and bills.

To find out more on our philanthropy services, please speak to your private banker or visit coutts.com/philanthropy

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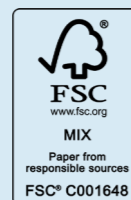
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At Coutts, sustainability is at the heart of everything we do.

As part of our efforts to reduce our environmental impact, this brochure is printed on paper sourced from sustainable suppliers.

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