



## Top-Heavy Philanthropy Explained in 8 Charts

### *How the Concentration of Wealth is Warping the Giving Sector*

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Also available [online](#).

Since the publication of our first edition of [Gilded Giving](#) in 2016, we have been drawing attention to the risks posed to the autonomy of the nonprofit sector—not to mention our democracy—by the growing concentration of wealth and philanthropic power being held in fewer hands.

Our charities are experiencing a transition from broad-based support across a wide range of donors to an increasing reliance on a small number of very wealthy individuals, a trend we call “top-heavy philanthropy.” As this happens, greater proportions of charitable dollars are being diverted into wealth-warehousing vehicles such as private foundations and donor-advised funds, rather than going to working charities serving immediate needs. And a tiny group of mega-philanthropists is exercising increasingly outsized influence over nonprofit priorities and missions. For many charities, the COVID-19 pandemic and its associated economic shock have only served to accelerate this shift.

Increasing inequality in giving poses significant risks for the practice of fundraising and the health of the independent nonprofit sector. But the general public has a financial stake in this as well, since wealthy donors receive significant tax savings through their charitable giving—savings which are subsidized by the American taxpayer by up to [74 cents for every dollar](#) donated. We deserve to know that the tax breaks we underwrite are providing us with an equivalent return, funding charities actively working for the common good.

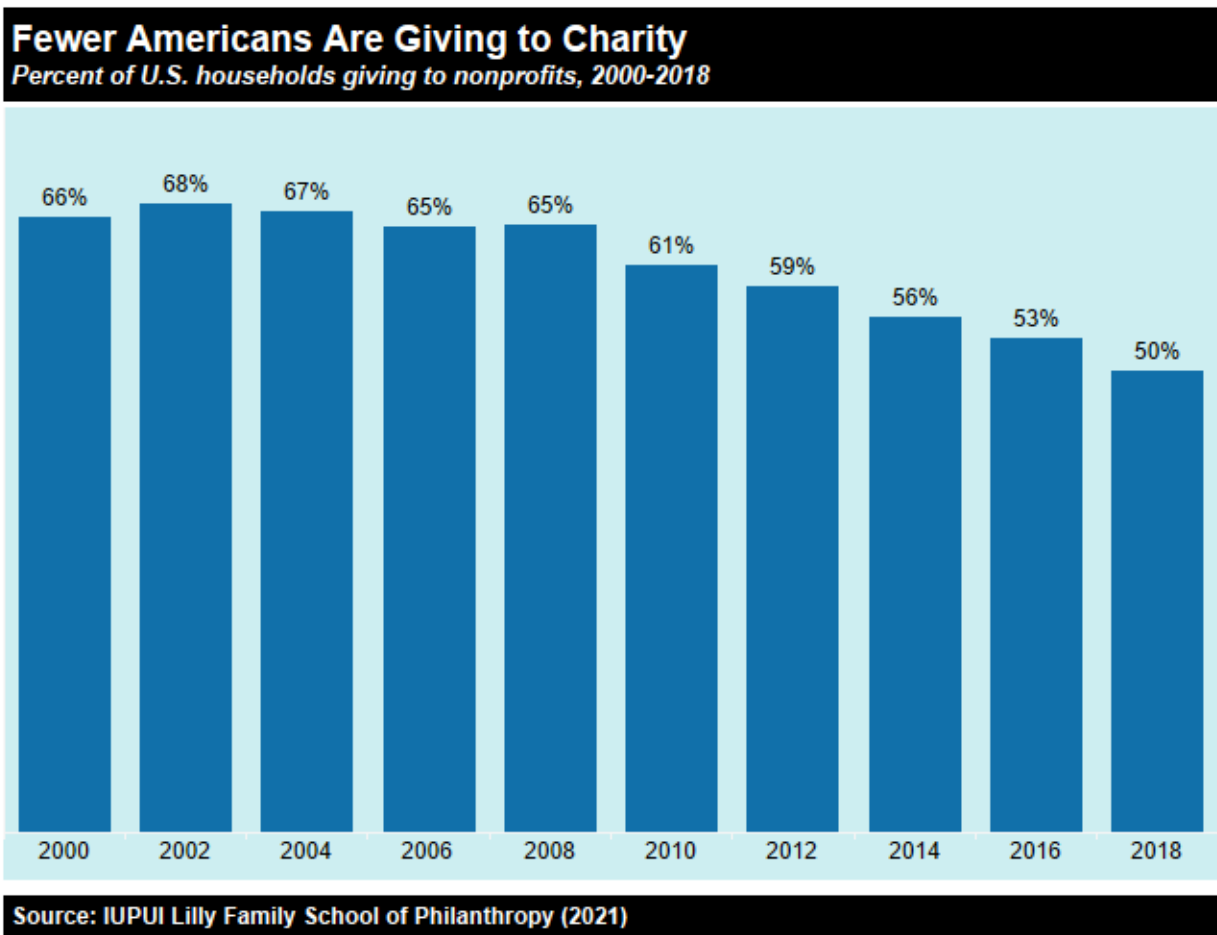
We must also never lose sight of the fact that even the greatest mega-philanthropy is no substitute for fair tax policy. Charitable dollars don’t build roads and electric grids, protect the safety of our food and homes, or provide us with guaranteed incomes and medical care in our retirement. And if we are to have a strong, stable society, charitable giving cannot eliminate the responsibility for everyone to pay their fair share to support it.

Below are 8 charts that tell the story of top-heavy philanthropy in pictures.

### ***Fewer Americans Are Giving to Charity***

The latest research from the Lilly School of Philanthropy’s [Philanthropy Panel Study](#) revealed that the percent of U.S. households giving to charity had slipped below 50 percent for the first time since the study began twenty years ago.

The PPS, which is a part of the [Panel Study of Income Dynamics](#) at the University of Michigan, surveys the same set of more than 9,000 households every two years to learn about their giving behavior. According to the survey, in 2008, 65 percent of the households surveyed had given to charity. In 2018, just ten years later, that had dropped to 50 percent. The declines in donor participation showed up consistently when controlling for all socio-demographic characteristics.

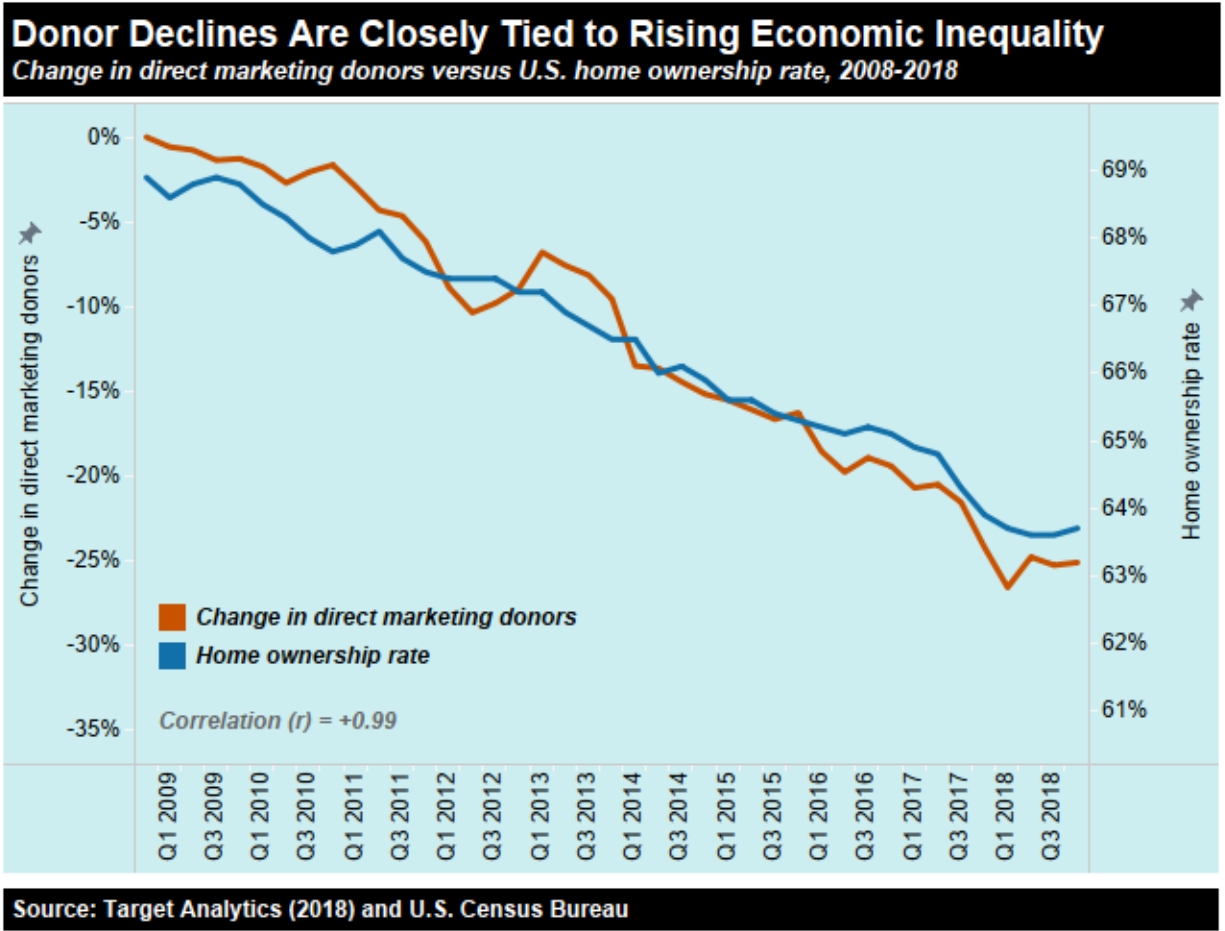


**Donor Declines Are Closely Tied to Rising Economic Insecurity**

As we wrote in the 2020 edition of [Gilded Giving](#), giving by everyday Americans has been declining for 30 years, reflecting the escalating wealth and income inequality in our society. As economic times get tougher for ordinary Americans, they can't afford to give as much of their spending money to charity. The Philanthropy Panel Study researchers acknowledged this in their latest analysis, [writing](#) that a good portion of the decline in giving participation they were seeing could be explained by “declines in income, wealth, and home values.”

In one of the only quantitative examinations of this relationship, Target Analytics [plotted](#) the donor counts in their 2015 Index of Charitable Direct Marketing Performance against the U.S. labor force participation rate, and found that the two had an extremely close +0.80 degree of correlation. “While we do not have enough data to say that this is causative,” Target Analytics concluded, “these trends make intuitive sense; when people are not employed, they are likely to have less disposable income, and will not be as disposed to give to charity.”

In our own [analysis](#), we found that Target Analytics’ donor declines also correlated closely to another key indicator of economic security, the rate of home ownership; the two had a close-to-perfect 0.99 degree of correlation from 2005 to 2015. This is further evidence that harmful economic conditions undermine lower- and middle-income donors’ sense of financial security—and thereby their capacity and willingness to donate to charity.



## Charities Are Increasingly Turning to Higher-Income Donors

As charities face a loss of broad-based support, they become increasingly reliant on smaller numbers of major donors to stay afloat. These major donors thus gain increasing influence over charities’ activities and even their core missions. And this endangers not only the charities themselves, but also those who depend on their work.

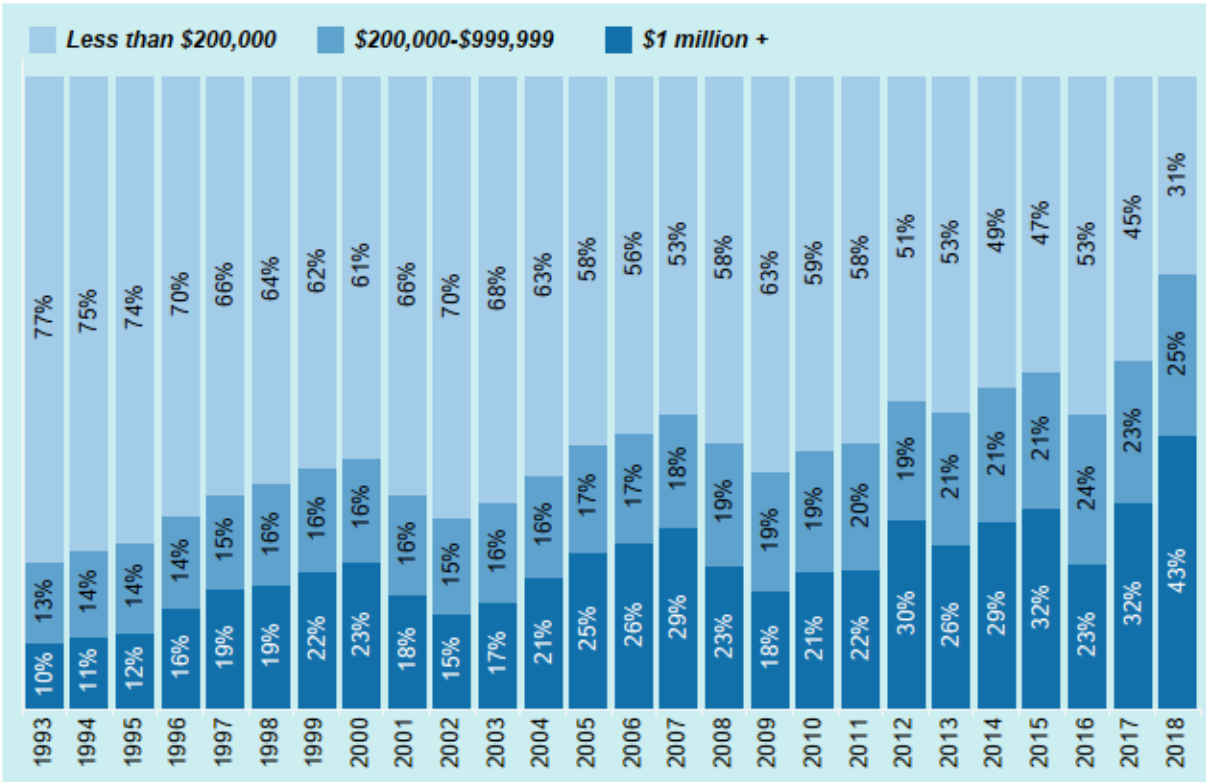
According to [IRS data](#), households earning \$200,000 or more accounted for just 23 percent of itemized contributions in 1993, but that share had grown to 68 percent by 2018 (the most recent year available). This growth means, as the *Chronicle of Philanthropy* [wrote](#), that “nonprofit groups have become more dependent on the wealthy generally.”

Households at the very top of the income scale have been stepping up their use of the charitable deduction at an even faster rate than those of merely moderate wealth: the share of itemized contributions claimed by households with incomes over one million dollars increased from just 10 percent in 1993 to 43 percent in 2018.

In other words, the top 1 percent of income earners in the United States have rocketed from just one-tenth to nearly half of all charitable deductions in just 25 years—allowing them to disproportionately reduce their tax burdens while giving them an outsized voice in what happens to charities.

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Percent of charitable tax deductions taken by household income level, 1993-2018

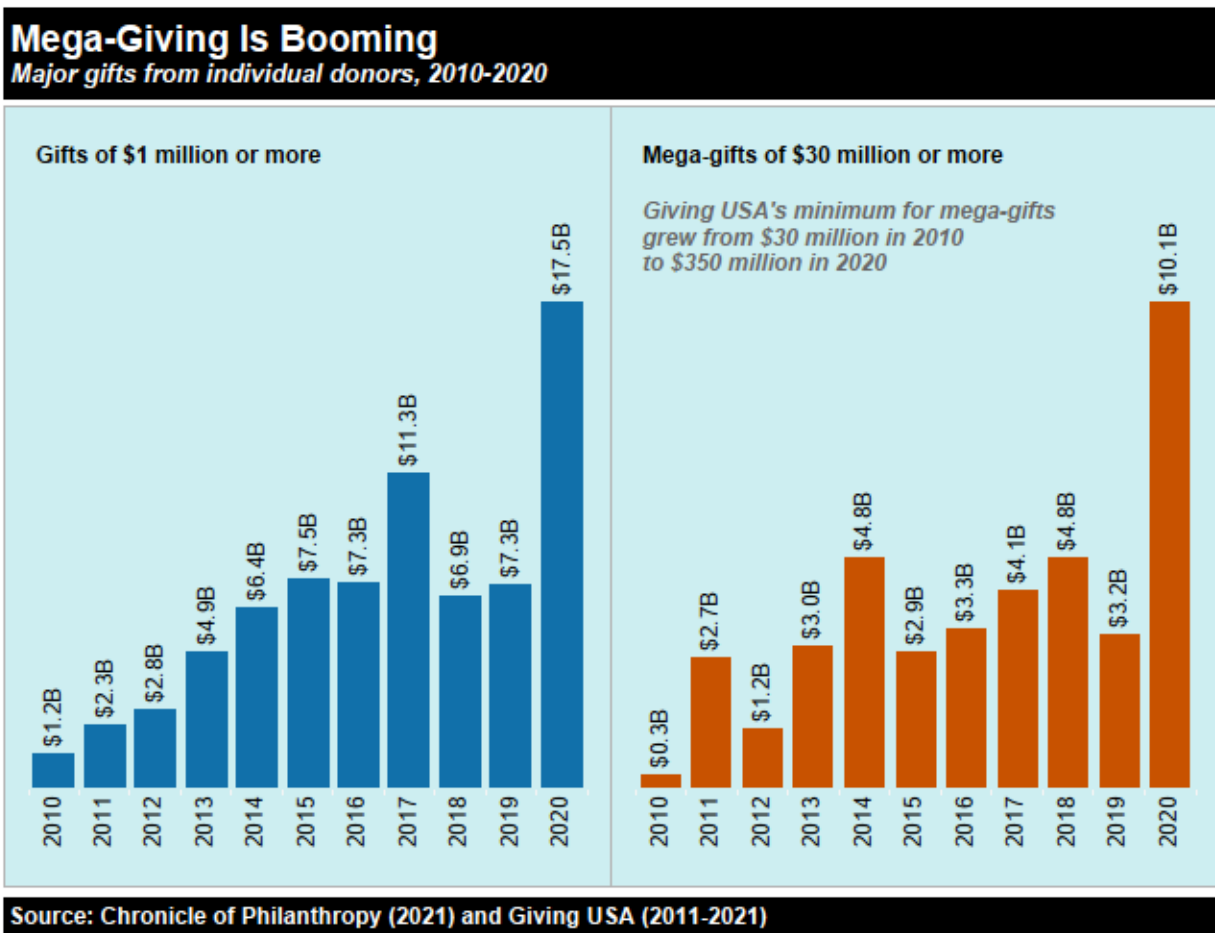


Source: Internal Revenue Service

## Mega-Giving Is Booming

Mega-donations create a big splash when they are bestowed on one or another lucky nonprofit. And mega-sized gifts to charity from some of the wealthiest among us have become more frequent in recent years. According to [data](#) from the *Chronicle of Philanthropy*, gifts from individuals of \$1 million or more added up to just \$1.2 billion in 2010, but that had risen to more than \$17 billion in 2020.

Ultra-enormous mega-gifts—gifts that [Giving USA](#) defines as those large enough to require an adjustment to their econometric estimates—have grown even faster. In [2010](#), the threshold for mega-donations was \$30 million, and mega-donors gave a total of just \$300 million. By [2020](#), the mega-gift threshold had jumped to \$350 million—more than the entire amount given by mega-donors ten years earlier—and mega-donors gave \$10.1 billion between them.

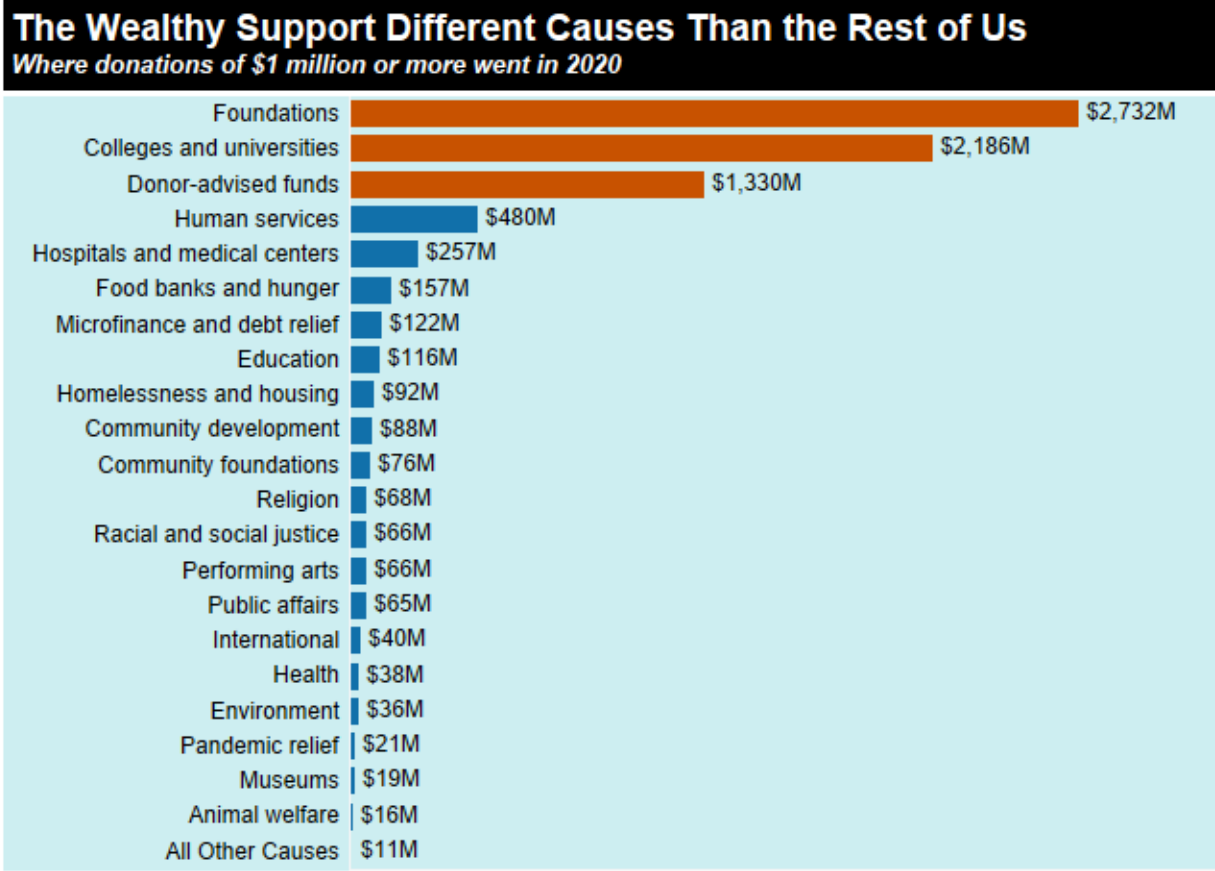


These estimates do not even include the record-smashing \$10 billion given by Amazon CEO Jeff Bezos to his Bezos Earth Fund in late 2020, since that was, at the time of Giving USA’s publication, just a pledge; if Bezos had made his gift earlier in the year, it would have nearly doubled the mega-donation total. Instead, the biggest mega-donor included in Giving USA’s 2020 estimates was MacKenzie Scott, who gave more than [\\$5.7 billion](#) to a wide variety of working charities. Billionaires Michael Bloomberg, Phil Knight, and Jack Dorsey, who all made billion-dollar [donations](#) that year.

**The Wealthy Support Different Causes than the Rest of Us**

Wealthy individuals certainly can and do give directly to working charities, as other donors do. But for the past several years, the favorite cause of wealthy donors has been their own private foundations. Slightly behind foundations, but rapidly growing in popularity, are the donors’ own donor-advised funds. And when wealthy donors do give directly to charity, their gifts tend to be directed toward causes that the wealthy disproportionately [prefer](#)—higher education and medical centers.

In February 2021, the *Chronicle of Philanthropy* published its annual [list](#) of the fifty top philanthropists in the United States. Of the \$18 billion that the group donated to charity in 2021, 78 percent went either to private foundations or to donor-advised funds. Colleges and universities, the top category of working-charity recipients, received 12 percent of the total, leaving the remaining 10 percent to be distributed across all other nonprofits.



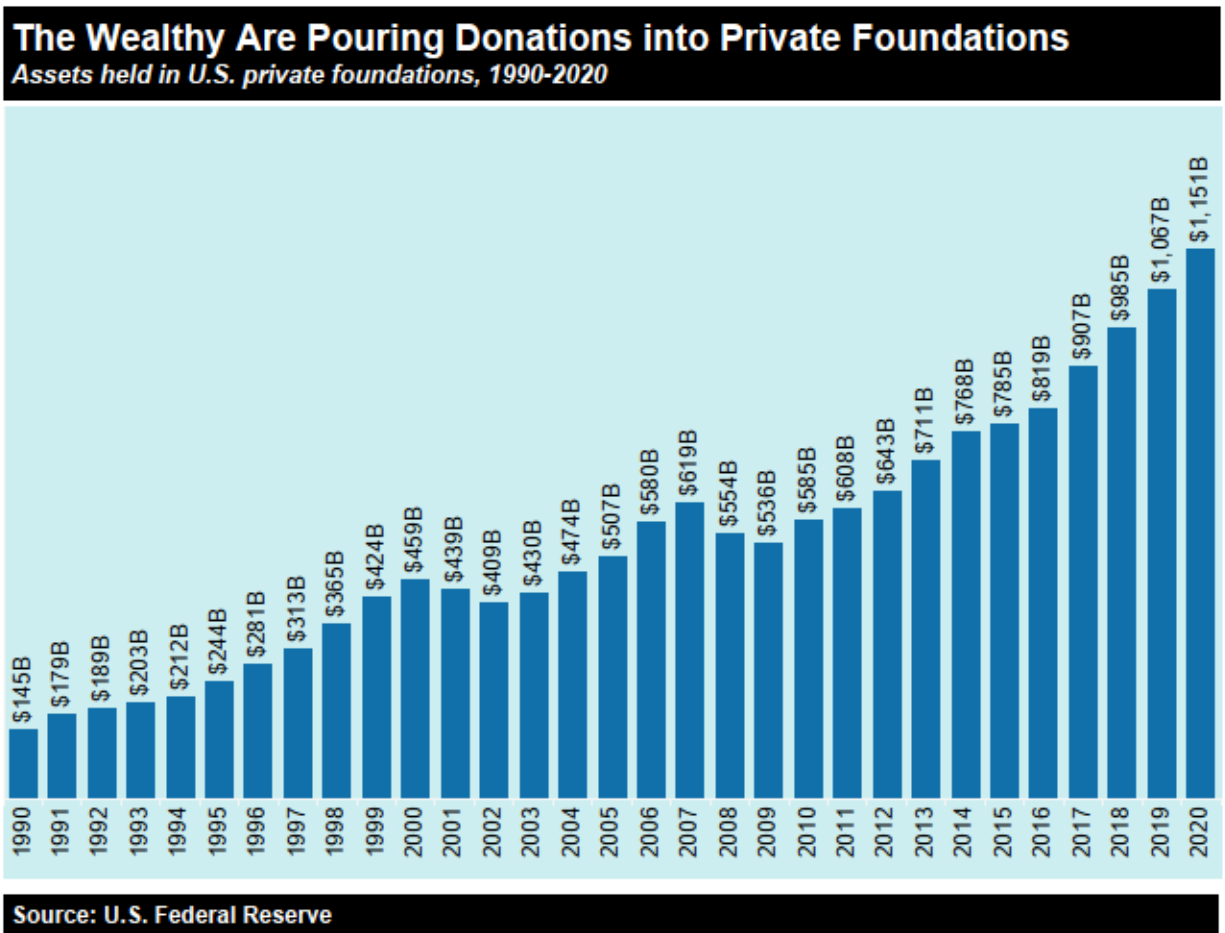
**Source: The Chronicle of Philanthropy (2021)**

2021 could certainly be considered an atypical year for mega-philanthropy, including as it did the launch of Jeff Bezos’ \$10 billion environmental foundation. But private foundations have ranked first (or, more rarely, second) on the *Chronicle’s* list of the wealthy’s favorite charitable recipients for at least the past six years, with colleges and universities and donor-advised funds consistently ranked as top causes as well.

**The Wealthy Are Pouring Donations into Private Foundations**

Private foundations are charitable giving vehicles that are generally available only to the affluent, since establishing and maintaining one usually requires a [significant](#) financial investment. Over the past three decades, wealthy philanthropists have been directing more and more of their charitable giving towards foundations, creating them at a rapid clip and endowing them with increasingly large donations.

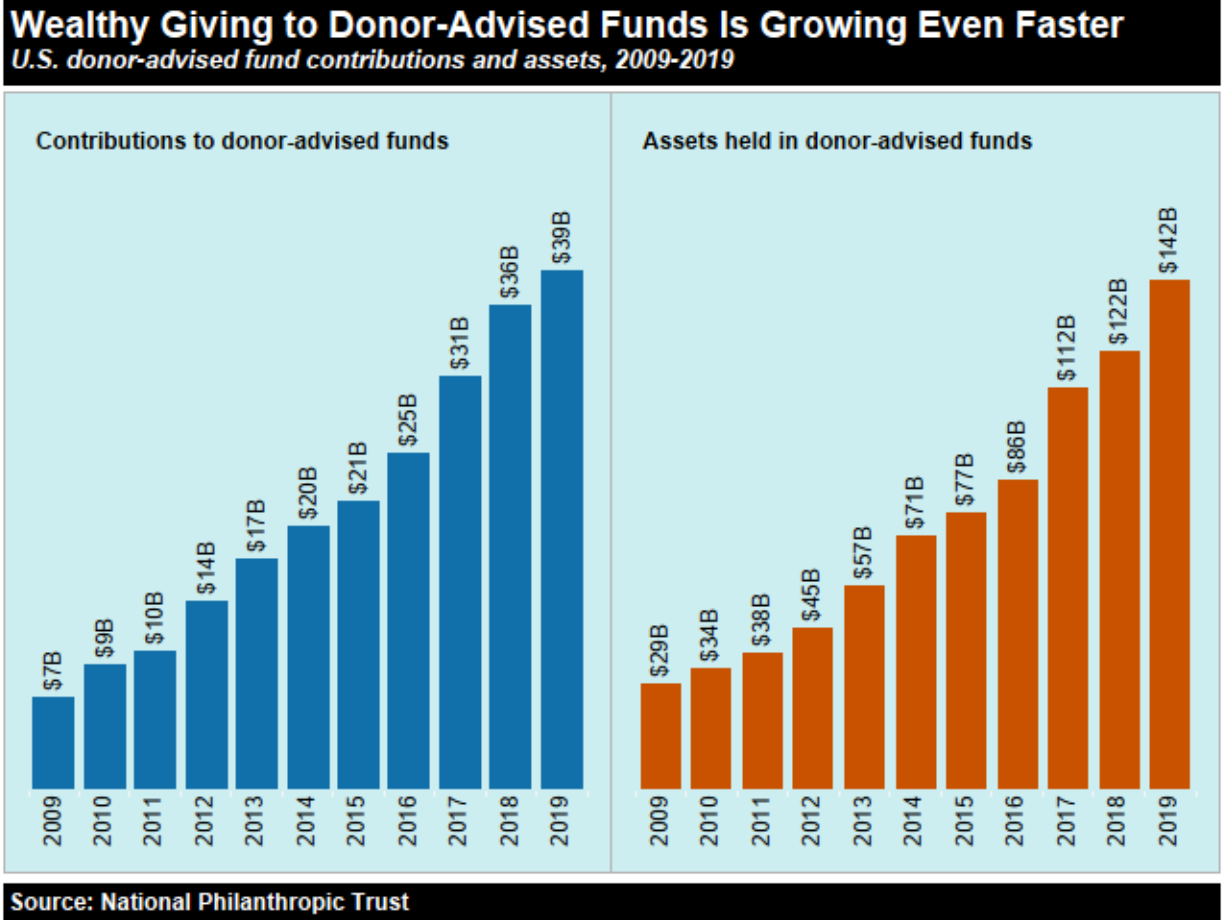
According to the U.S. Census and Candid, the number of foundations in the United States grew from 32,401 in [1990](#) to 127,595 in [2020](#)—nearly tripling over thirty years. The amount of [assets](#) held in those private foundations has increased more than twice as fast, growing a whopping 693 percent from \$145 billion to \$1.2 trillion over the same period.



Private foundations fulfill the letter of the law in being legitimate recipients of charitable donations. But with most private foundations giving out grants at annual [payout rates](#) just barely above the minimum 5 percent of assets required, they do not always move money in a timely way to public charities, and can serve instead as warehouses for charitable revenue. They can also prove financially advantageous to the investment advisers who manage their endowments and to the family members who sit on their boards, raising questions about the extent to which they are truly carrying out their charitable missions.

**Wealthy Giving to Donor-Advised Funds Is Growing Even Faster**

As quickly as the wealthy have been adopting private foundations, their embrace of [donor-advised funds](#), or DAFs, has been even more rapid. DAFs have been the fastest-growing charitable sector in the U.S. in recent decades. According to the National Philanthropic Trust, donations to DAFs increased from almost \$7 billion in [2009](#) to almost \$39 billion in [2019](#)—growth of 467% over just ten years. In contrast, giving by [individual](#) donors grew by just 58%.



DAFs have seen such phenomenal growth that they now house more than \$141 billion in assets, and some DAF sponsors are now among the largest single charitable recipients in the country. A commercial DAF sponsor, the Fidelity Charitable Gift Fund, became the [top recipient](#) of giving for the first time in 2016, edging the United Way out of the top spot. By the following year, six commercial DAF sponsors had broken into the [top 10](#), and they have never looked back. Fidelity Charitable alone held over [\\$31 billion](#) in assets in 2019, more than a third of the total assets of all [community foundations](#) in the United States combined.

DAFs offer wealthy donors a [convenient way](#) to offload appreciated assets without incurring capital gains taxes and, at the same time, to get a tax deduction for their donation. But there is no legal requirement for DAFs to pay out their funds to working charities—ever—so the civic benefit from these publicly-subsidized gifts can be delayed indefinitely. And since DAFs have [lax](#) reporting requirements, it is nearly impossible to determine how quickly individual DAF accounts are paying out, or whether their grants are going to qualified charities at all.

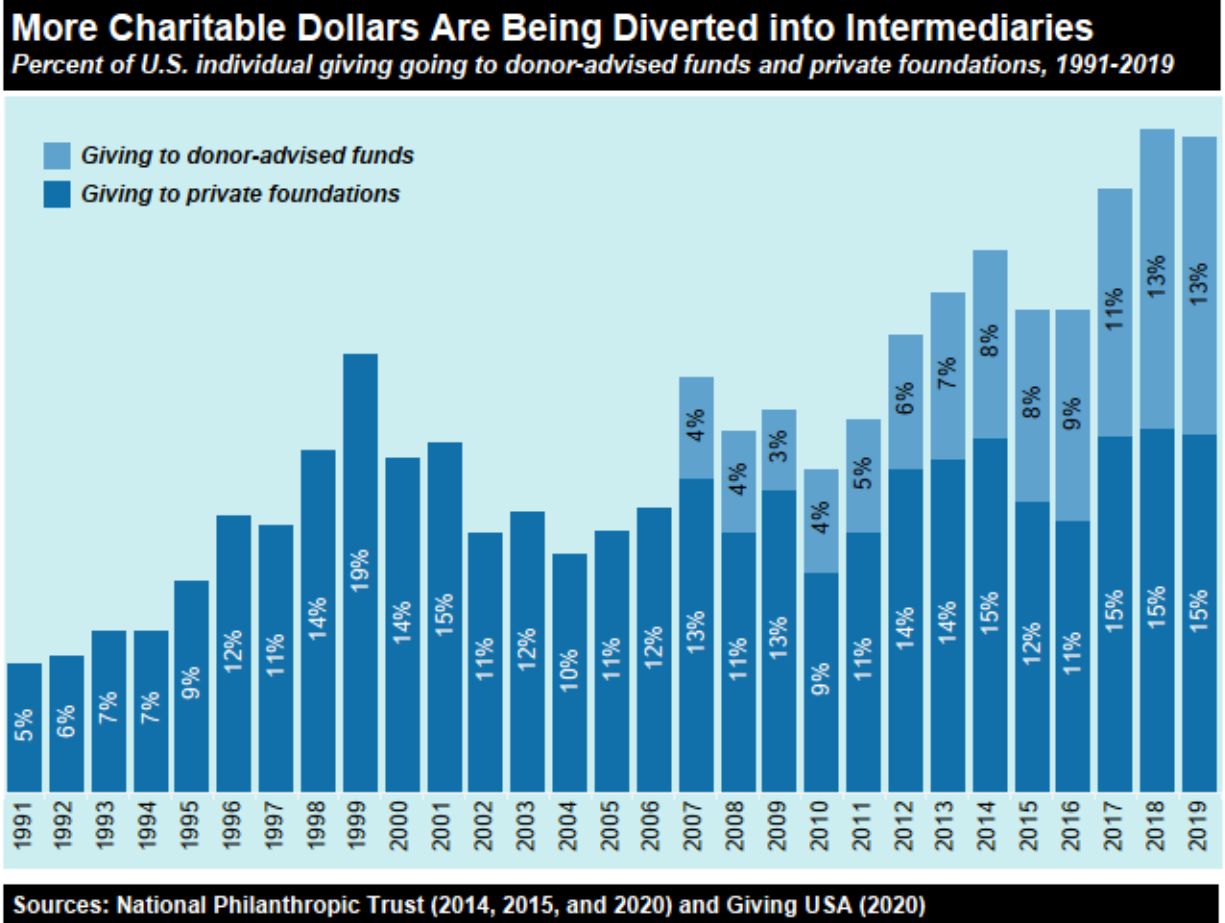


**Every Year, More Charitable Dollars Are Diverted into Intermediaries**

Charitable giving in the U.S. has remained remarkably [constant](#) at 2 percent of personal disposable income—the income that is left over for people to spend once taxes are taken out—for more than forty years. But, over that same time, donations to private foundations and DAFs have grown many times faster than donations to working charities.

This means that not only have foundations and DAFs grown in sheer volume; they have also grown significantly in the share of charitable dollars that they receive from America’s donors each year, while working charities are receiving less.

Data from [Giving USA](#) shows that giving to private foundations increased from 5 percent to 15 percent of all charitable giving since 1991. And data from the [National Philanthropic Trust](#) shows that giving to DAFs increased from 4 percent to 13 percent of all charitable giving since 2007. Combined, these two intermediaries now soak up 28 percent of all U.S. donations—more than quintupling their share of the charitable pie in less than thirty years.



According to tax and philanthropy experts James Andreoni and Ray Madoff, this shift towards intermediaries has [resulted](#) in an estimated shortfall of \$300 billion to working charities over just the past five years. As charities look to major giving to make up for broad-based donor losses, the nature of that major giving is disproportionately lifting up not charities, but intermediaries and, in many cases, the major donors themselves.

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