Philanthropic Giving

An excerpt from

Wealth with a Why

Part 2: The Purposeful Investment Landscape

Presented by Stephanie & Stuart Mills and Partners

"We offer you our story of how we reignited our love of land and sea
when we asked ourselves, 'Can we do better with our money?'
This question spearheaded our deep dive into the world of sustainable finance."

The Small Print

The views represented here are those of Stuart and Stephanie Mills. The guide resonates with their practice, but they recognise that your needs may differ and that there will be other resources available to you, specific to your interests, location, or needs. It aims to help you identify the types of services and financial vehicles to seek in order to meet your financial needs and values whilst serving the planet.

Philanthropic Giving

While we've highlighted how philanthropy is more than our purses, the financial aspect of our philanthropy gives us a powerful lever with which we can support social change. It's about using our financial resources to support initiatives that might not be ready for, or even suitable for, traditional investment models that expect a profit in return.

We think of philanthropic giving as our way to provide vital capital – the kind of funding that gets crucial projects off the ground, tests out innovative solutions, or challenges existing systems. This is where we focus on those deep-rooted social and environmental issues, supporting the organisations and efforts that are working to address the root causes and not just the symptoms.

> 'Be brave. Give what you can, and then be absolutely amazed at what happens next.'
>
> Chris Anderson, *Infectious Generosity*

Given the scale and complexity of the environmental challenges we are facing, people often ask: "What difference will my funding make?" In fact, philanthropic giving is exactly the kind of funding needed. Because it is society's most flexible capital, it can be deployed quickly, take risks, start movements, and test out solutions that other finance can then scale. Most powerfully, unlike other forms of finance, it can be used to challenge businesses and governments to do more, and to hold them to account to ensure they meet their promises and commitments. It's arguably the most catalytic form of finance in the face of social and environmental challenges, and the sort of funding most urgently needed.

Behind the scenes, philanthropic funding has been integral to almost every aspect of environmental action that has succeeded to date, from campaigns that lead to policy change such as the developments in ocean protection, or the launch and growth of accountability platforms such as CDP that encourage tangible corporate climate commitments, to powerful media and documentaries that increase the public's awareness (remember An Inconvenient Truth?

For inspiration, explore fantastic examples of donors providing funds that helped solve significant environmental problems and had transformative effects from the Environmental Funders Network, Climate Works, and Climate Lead!

This was co-funded by philanthropist Jeffrey Skoll). Philanthropy has helped get projects off the ground that would not have been possible without it.

Philanthropy can take a variety of forms, from long-term giving to one-off donations, all of which centre around the concept of using capital to generate positive social and environmental change. At its best, philanthropy can be a generous, progressive, and transformational way to address the systemic issues that perpetuate inequality and injustice around the world and make it a better, more equitable, and healthy place to live.

The Financial Vehicles of Philanthropic Giving

Whether it's through donations or one-off grantmaking or by establishing a more structured approach like a **Donor Advised Fund (DAF)** or even a **charitable trust** or **foundation**, philanthropy gives us the flexibility to support areas where a financial return isn't the primary goal, but where the potential for positive impact is immense. It's about recognising that some of the most important work in creating a better future needs this kind of dedicated, impact-first approach.

Often, the financial vehicles in philanthropy focus on tax efficiency for high-net-worth individuals, but increasingly, more services and opportunities are available to those of some-net-worth by thinking more strategically about your giving and better understanding the terminology.

Donations

The simplest form of giving vehicle is the **donation**. Broadly defined as voluntary gifts to charitable organisations for public benefit and without the expectation of personal gains, they can take the form of money, goods, services, time, or assets (such as land or shares), and are generally given with few or no conditions on how the gift is used.

There are many ways in which donations are collected. Whether through direct appeals from the charity or through intermediaries that provide a platform for fundraisers, donations can be any amount, in any currency, for any length of time (one-off to ongoing on a monthly or yearly basis). It is up to the donor to decide how much and the frequency of the donations.

Not all charities and not-for-profits are equal in their impact, and not all impactful work needs to be philanthropic. Do consider the impact that occurs across the whole spectrum of capital.

Grants

Whilst the two terms *grant* and *donation* are sometimes used interchangeably, grants tend to be specific amounts of money given to a charity for pre-determined purposes, with expectations outlined in the grant agreement, which specifies budgets, timelines, and expected outcomes. Generally speaking, grants have a formal application and approval process, and certain parameters must be met when using the grant. For this reason, grants are typically administered through established entities such as foundations or other charitable organisations. Grantmaking can also be undertaken outside of more formal structures, and individuals can provide grants for specific activities, charities, or causes. The latter is increasingly seen in the climate action space, where funders recognise the value of flexible, trust-based support to individual change-makers.

Charitable Trusts/Foundations

The terms ‘trust’ and ‘foundation’ are used interchangeably in the UK, but they have very slight legal differences. A charitable trust is a legally binding arrangement where one or more individuals (the trustees) hold assets for exclusively charitable purposes that provide a public benefit. A foundation is a separate legal entity, often incorporated, that owns and manages assets for a specific purpose. No, we aren’t entirely sure exactly what these slight differences mean either! A trust/foundation is a way to dedicate assets irrevocably to good causes, separate from personal or business interests. Unlike private trusts, charitable trusts/foundations are regulated by the Charity Commission and must demonstrate that their activity falls within the defined charitable purpose.

Whilst foundations and trusts can be a fantastic way of redistributing wealth in line with the founder's wishes, they can be resource-intensive: they usually require staff, and must adhere to certain charity-related codes of conduct, including annual reporting. There are restrictions in place to ensure they have certain structures to oversee the work that they do, including boards of trustees, and increasingly, advisory panels with lived experience of the issues they address, who can help shape and guide their giving strategies.

Donor Advised Funds (DAF)

DAFs offer many of the benefits of charitable trusts/foundations, without the expense, hassle, and responsibilities that come with them (e.g., administration, reporting, and fiduciary responsibilities). DAFs can be funded with a variety of assets (e.g., shares, cash, non-cash assets), which are then ring-fenced for charitable giving. They are designed for immediate tax efficiency, reducing the administrative management of grantmaking for you as the donor.

The funds are managed by a separate entity, typically an umbrella charitable organisation, and as such, the donor cedes financial control of the assets in the fund but can request that the funds be invested, gifted, or granted at any time, to whatever charity the donor chooses. The money can sit in the account as long as the donor likes, but any withdrawals must be for charitable purposes. Until the money is distributed to a charity, it is invested in wealth management products like ETFs or stocks. Generally, DAFs will have a minimum opening balance or require additional contributions on an annual basis. For example, the Charity Aid Foundation (CAF) offers DAFs for donors giving £25,000 or more per year.[1] There is more information on DAFs on the Philanthropy Impact website, together with a list of DAF providers in the UK.

Collective Giving (Pooled Funds)

This is a growing area of philanthropic giving that differs from DAFs in that grantmaking is made in a collective manner. Providing an effective and flexible way of enabling donors to create targeted and strategic grants, pooled funds can give large sums to causes by bringing individual donations together under one grant. The funds can either be fully independent or fiscally hosted by a larger organisation. There has been a trend towards the development of 'pooled funds' (otherwise known as funder

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[1] Charities Aid Foundation DAF for 2025 - noncash assets. Personal Giving. Retrieved from https://www.cafonline.org/personal-giving/

collaboratives or intermediaries) such as Farming the Future, where donors (foundations and individuals) pledge money into one fund focused on a specific theme or community.

Whilst collective giving fosters an environment of shared learning, and generally, experts are on hand to help choose the projects that receive support, they can have their limitations, including inadequate resourcing for setup and maintenance, conflict between different funders with regards to the focus of the fund, and a reluctance amongst funders to cede control.

Employer Giving Schemes

Give As You Earn or Payroll Giving allows you to donate to charities directly from your payroll. Donations are deducted from your pay cheque directly from your employer, which makes the donation tax-efficient for you because it reduces your tax liability. The funds are placed in a separate account available to you to distribute when you want to allocate a donation.

This vehicle is only available through your employer, and the employer is responsible for setting up and administering the programme. Specialist payroll giving agencies assist companies with this service. Employers sometimes treat this vehicle as an added benefit for their employees' well-being, helping charitable causes that their employees support. It can be coupled with other support, such as match-giving or volunteer days.

Think Like An Investor!
Use the same disciplines that you do for selecting other investments (e.g., a trustworthy organisation and team). Even a comparatively small amount of funding can have a tangible impact, particularly when it can be used to leverage much larger amounts from other sources.

Bridging Loans and Concessional Finance

Like many businesses, non-profit organisations can experience challenges with cash flow when facing unforeseen financing gaps – for example, when contract payments are delayed. This can be addressed through the provision of short-term lending or **'bridging' loans,** which can enable the ongoing provision of vital services as and when they are required, rather than waiting for funding to be in place first. This is the approach taken by humanitarian charities such as UNICEF, as well as through initiatives such as the Open Road Alliance, which work to overcome complications of other forms of lending with bridging loans, such as a tendency for lenders to hide and hike lending rates and fees. In the UK, bridging loans have been used very successfully in recent years to help conservation organisations buy land and protect nature.

Concessional loans enable borrowing at below-market interest rates and/or over longer periods of time. For example, women-led agri-businesses and farmers in the Global South can struggle to access affordable finance on account of gender norms, the lender's risk appetite towards agriculture, and other factors. Concessional loans, when provided alongside grants and capacity building support, can therefore help women access the training and equipment they need, as well as develop a track record and credit rating to secure finance in the future. Examples include The Rallying Cry, One Acre Fund, and Root Capital**.**

DAFs have received criticism for their lack of accountability and transparency, and their misappropriation for tax avoidance. Large sums can be donated to DAFs for immediate tax relief, but there is no regulation regarding when those funds must be spent, meaning they can be 'hoarded' for interminable amounts of time.

It is therefore advisable if you are considering setting up a DAF to secure a value-aligned sponsor, such that any investments made from the DAF align with your aims, ensuring that investments made through the DAF are not undermining the good that is being done through the charitable giving that it enables.

Who's Who in Philanthropy

Different types of organisations of varying sizes and activities form the rich tapestry of the third or voluntary sector. In addition, umbrella or intermediary organisations exist to support and strengthen charities themselves or to support donors, and these are referred to as charity or philanthropy' infrastructure organisations'. When funding environmental causes as an individual, you may come across these different actors who can play various roles in your purposeful journey.

There are four main legal structures of charities in the UK, defined by the Charity Commission (or Scotland's Scottish Charity Regulator): Charitable Incorporated Organisations (CIO); Charitable Company or Community Interest Companies (CIC);

Unincorporated Associations; and Trusts.[2] It's helpful to recognise the differences because the different structures can potentially play a role in how you decide to fund. For example, we often look to maximise our donation with an additional 25% boost of Gift Aid. If Gift Aid does not apply, then we can factor that information into our investment.

Gift Aid Explained

Gift Aid is a UK government scheme that allows charities to reclaim tax on donations made by UK taxpayers. Essentially, for every £1 donated, the charity can claim back 25p from HM Revenue & Customs (HMRC), effectively increasing the value of the donation by 25% at no extra cost to the donor.

Not only does Gift Aid offer the added benefit to the charity, but higher-rate taxpayers can directly benefit from claiming back tax. If you pay income tax at a rate higher than the basic rate (currently 20%), you can personally claim back the difference between the higher rate you pay and the basic rate on your gross (pre-tax) donation.

For example, if you're a 40% taxpayer and donate £100, the charity claims £25 in Gift Aid, making the gross donation £125. You can then claim back the additional 20% tax (£125 x 20% = £25) through your Self Assessment tax return or by contacting HMRC to adjust your tax code.

Source: https://www.gov.uk/donating-to-charity/gift-aid

Charitable Incorporated Organisations (CIO)

Plain and simple, CIOs are commonly known as charities. These are the organisations that can receive donations and collect Gift Aid. Charities are required to have a governing board of trustees and a constitution. Many are volunteer-led and operated, while larger organisations will employ paid staff. Depending on the size of the organisation, fundraising is often led by the CEO, who will be the first point of contact for donors.

Charitable Companies/Community Interest Companies (CIC)

CICs are limited companies, operating in the same way as any other company, but their primary purpose is to serve their community and have a public benefit rather than private profits. A CIC maintains a separate identity, protecting its directors from liabilities

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[2] Charity Commission. (n.d.). Charity types: how to choose a structure. GOV.UK. Retrieved from https://www.gov.uk/guidance/charity-types-how-to-choose-a-structure#types-of-charity-structure

and allowing the company to exist with changes to its board. It also has flexibility in its ability to borrow and generate funds, but cannot qualify for Gift Aid or tax exemptions like its CIO counterparts.

Charitable Trusts and Foundations

Trusts and foundations come in many different forms, with the main difference between the two being that 'trusts' do not have to be officially registered to exist; they are more of an agreement between two parties pertaining to a transfer of assets that are subsequently used for charitable purposes. Meanwhile, foundations own their assets from the outset, and have more flexibility in regards to the activities they undertake. Trusts and foundations tend to adopt a strategic or geographical focus aligned with the founder's or the trustees' areas of interest, for example, supporting communities displaced by climate change, although some support all charitable causes.

DID YOU KNOW?

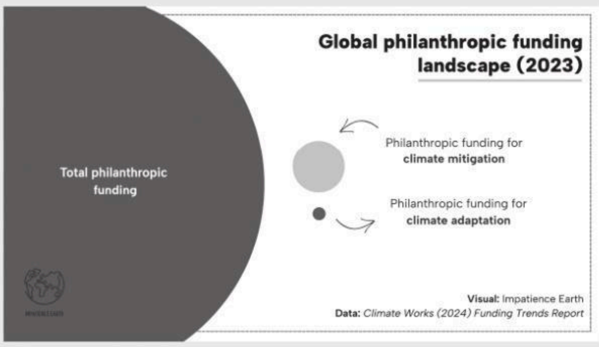
UK's Charity Sector by Numbers

The UK had 170,171 registered charities in June 2024. At least another 20,000 not-for-profit organisations have charitable status but don't feature on the register.

The voluntary sector contributed approximately £18bn to the UK's economy in 2020/21, or 0.8% of GDP.

Micro charities and small charities (defined by an income of less than £10,000 and £10,000 to £100,000 respectively) make up over 80% of the sector*

Currently, just 2% of global philanthropic giving goes towards 'climate mitigation' (reducing and removing the greenhouse gas emissions), which is eight times the funding that climate 'adaptation' receives (responding and adapting to the impacts of climate change).



*source: http://policybee.co.uk/blog/uk-charity-statistics

Corporate Foundations are generally funded by a specific business and those who work within it, and tend to support local causes in the communities where they work. There are also **family foundations,** which tend to focus on longer-term, intergenerational giving.

As an individual donor, you can find that foundations are helpful partners that provide a broader understanding of what trends and actions are happening in the sector. You can join them to support their work, providing the needed capital to accomplish more progress.

Intermediaries/Philanthropic Advisers

Philanthropic advisers act as non-profit consultants who can support you to make considered, targeted, and impactful decisions with your money. This is a fantastic option for anyone who is daunted by the challenge of approaching environmental philanthropy and the wealth of information that accompanies it.

EXPLORE MORE

Philanthropy Advisers

To find philanthropy advisers in your area, you can search the STEP database. Choose 'philanthropy' for the 'practice area.'

Visit: www.step.org

Specialist philanthropy advisers such as Impatience Earth can help guide your philanthropic journey by facilitating learning journeys with experts on climate and environmental issues that you are interested in, by helping you understand the links between causes you already support and climate change - for example education, gender, and health – and by exploring the various ways in which your philanthropy can be used to drive impact in that space. This can include anything from 'sounding board' style advice to the co-creation of philanthropic strategies, including recommendations with regard to giving mechanisms and potential grantees.

Intermediaries, also referred to as Development Managers, offer a range of philanthropic services, including management of donor advised funds and charitable giving accounts. These services often work closely with employers to run their payroll and match-giving schemes.

Media Mania vs Good News

There is no question that charities are held to a higher standard of conduct. But oftentimes, stories of misconduct are misconstrued or inflamed by disinformation in today's online media that outweighs the actual good work from the sector.

Yes, scandals do happen (as they do in every sector), but don't be cynical - apply your good analytical skills to read beyond the headlines and understand the issues.

Strategies for Giving

Unlike other forms of investing, philanthropy does not generate returns on investment for the giver, but it does provide a much more valuable social return. It can act as much-needed 'catalytic capital' or 'risk capital' that enables projects and initiatives that benefit society to get off the ground, and to secure additional investment from elsewhere. This approach has been especially important in supporting early-stage **climate adaptation** projects, including those that are trialling new approaches towards addressing the impacts of climate change, such as extreme heat and drought.

Choosing the right charity and mechanism for giving can seem difficult, especially when you are short on time and can't do a deep dive into every cause you care about. Giving often becomes 'ad hoc' and separated from an investment strategy. However, there are a few strategies we use to integrate giving into our overall spectrum of capital strategy.

- **Basic due diligence:** this need not be onerous - you can look up the charity free of charge on the Charity Commission website, or on Giving is Great, you can look for the charity's own annual report to understand its recent activities and impact, and you can look for a Theory of Change or programme evaluation reports.
- **Look for opportunities to give more:** This can either be through employer matching schemes or matched-funding campaigns, like the Big Give's Raise: Earth Fund.
- **Join others:** Whether it's adding your donation to a larger fund or participating as a member of a funding community, you can stretch your impact further with confidence that others are supporting the same issues.
- **Consider the Core:** It's important to know that charities do operate like businesses in that they have the same operating expenses and require revenue to cover those expenses in order to deliver their impact. Charities can really benefit from funding they can use as they see fit, rather than money with lots of strings attached. This is often referred to as unrestricted or core funding.
- **Make long-term commitments:** similar to our relationship with our financial advisers, we value getting to know an organisation, which takes time and effort from both parties. When we, as donors, commit to 3 or 5 years of funding, it demonstrates our interest in their work. If we liken grants to community shares, where we don't expect to see a return for 5-7 years, then we can help the charity think more strategically about its future as well.

- **Think impact first, taxes second:** So much of our philanthropic planning is geared toward our taxes (or perhaps, avoiding them). When you're able, ask what interests you about supporting the charity, then look at ways that tax efficiencies can enable that outcome.
- **Act fast:** You have the power to be nimble and quick that funding institutions do not. They are burdened with regulatory requirements or internal decision-making processes. Take advantage of your flexibility and go for it!
- **Where and how matters too:** There is a growing trend toward supporting initiatives and organisations that help shift decision-making power and trust towards the frontline communities who are facing the worst impacts of the climate crisis, and who are therefore best-placed to address them.

We participate in Impact London Collective, knowing that their rigorous due diligence has vetted the organisations for grants, and we are members of the UK's environmental funding community, the Environmental Funders Network.

Trends in Global Climate Giving

Globally, philanthropic giving is on the rise, with an estimated US$885 billion being given to all causes by individuals and foundations worldwide in 2023 - a 10% increase on 2022. For the first time since 2020, Climate Works Foundation identified a growth in climate-related giving, which outpaced overall growth in philanthropic funding in 2023 with a 20% increase from the previous year. A similar trend was identified in the giving of UK-based foundations, with giving towards environmental causes almost trebling between 2021 and 2022. Emerging stories of action collated by the Environmental Funders Network demonstrate that all philanthropic donations - no matter how big or small - have the potential to make a substantial difference.

As well as an increase in the volume of philanthropic giving towards environmental causes*, there has also been a transformation in recent years in regards to the way that we give, in part driven by the rise in the global youth movement which has placed scrutiny over where philanthropic funds are coming from, as well as how they are being redistributed, and to whom.

As such, philanthropists (both at an individual and foundation level) are being called on to take a justice-centered approach towards their giving, addressing historic power imbalances between funders and grantees, and supporting initiatives and organisations that help shift decision-making power and trust towards the frontline communities who are facing the worst impacts of the climate crisis, and who are therefore best-placed to address them. This includes a trend towards the provision

of 'unrestricted funding' (which enables the grantee to determine how funds are spent), 'core funding' (which support operations, including staff salaries), and longer-term, multi-year grants, in recognition of how long it takes to deliver sustained and sustainable change.

***For the first time since 2020, Climate Works Foundation identified a growth in climate-related giving, which outpaced overall growth in philanthropic funding in 2023 with a 20% increase on the previous year. A similar trend was identified in the giving of UK-based Foundations, with giving towards environmental causes almost trebling between 2021 and 2022.**