

# The Apparitional Donor: Understanding and Engaging High Net Worth Donors of Color



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## Overview: Why High Net Worth POC Donors?

*“At no other time in American history has giving among communities of color been more critical to achieve the parity that previously excluded people due to race, culture and identity, nor have donors of color been more empowered ... The question for us all is how to reach these donors effectively...”*

—Erica Hunt<sup>1</sup>

People of color who are high net worth (HNW) and ultra-high net worth (UHNW)<sup>2</sup> are apparitional in the field of philanthropy—rare and unusual phenomena, a spectral presence whose existence itself requires proof. Their presence in the literature, study, and practice of philanthropy is so rare as to be ghostly. Their priorities, interests, and experiences are invisible in discussions of HNW philanthropy. When African American, Hispanic, or Asian American individuals make major philanthropic gifts, they are not connected to gifts made by other people of color, or seen in a broader philanthropic context. HNW people of color are treated as anomalies, rather than animators of a field of giving that is hiding in plain sight.

At the same time, the need for HNW donors of color in the philanthropic ecosystem has never been more apparent. In a moment marked by urgently high levels of racism, nationalism, and xenophobia, over-policing and state abandonment based on race, nationality, economic status, ethnicity, gender identity, and sexual orientation, new resources are needed that can be directed to the affected communities that are currently least well served by philanthropy.



## Project Background and Research Methods

This analysis grew out of a desire to address the racialized structures of donor network-building, social capital, wealth management, donor advising, and fundraising that undergird the field of individual high net worth donor philanthropy. It was also born of a vision of what a critical mass of highly connected HNW donors could accomplish together.<sup>3</sup>

The project set out to understand what was known about high net worth people of color through research, an extensive literature review, interviews, and discussion with an advisory team of experts in philanthropy. This Executive Summary is an abstract of the full Apparitional Donor report.

<sup>1</sup> Erica Hunt, former President, 21st Century Foundation, as quoted in Building Bridges to *Communities of Color: A Tool Kit*. Coalition for New Philanthropy, 2007, p. 2.

<sup>2</sup> For the purposes of this research, we define high net worth (HNW) as someone with investable assets of over \$1 million. Ultra-high net worth (UHNW) is defined as having investable assets greater than \$30 million. The term “people of color” is used in this report to describe and group non-white donors. It is not necessarily a term that people apply to themselves.

<sup>3</sup> One model that informs the potential of high net worth donors joined by common identity and interests is the Gill Foundation’s OutGiving conference and network of LGBTQ donors. OutGiving connected and inspired HNW donors to give generously, and eventually harnessed their collective resources politically through a network that prioritized the goal of full marriage equality. Imagining the possibilities of a network of donors of color similarly aligned towards an ambitious common purpose is a key part of the vision driving this work.



## High Net Worth Donors of Color: By the Numbers

The accumulation, organization, and distribution of money are not neutral phenomena. They take place inside structures that reproduce inequalities. Structurally, inequalities based on race, gender, geography, and access to education, among other factors, undergird and determine the accumulation, distribution, and giving of wealth which dramatically

impacts the numbers of HNW and UHNW individuals in communities of color.

Despite the structures that work against the accumulation of wealth in communities of color, the term “high net worth people of color” is not an oxymoron. Data modeling by analyst group TargetSmart allows us to look at projections for net worth by race based on commercial datasets. This modeled data projects 1.3 million African-American, Asian, and Hispanic individuals across the US with a net worth of over \$1 million.

Net Worth by Race: Based on Modeled Data<sup>4</sup>

Net Worth	White	African-American	Asian	Hispanic	Other/Unknown
Net worth over \$1 million	8,135,777	185,653	621,774	514,260	790,121
Above \$10,000,000	170,215	1,397	16,928	7,310	21,871
\$5,000,000 - \$9,999,999	1,087,505	11,536	112,881	63,982	123,877
\$2,500,000 - \$4,999,999	3,895,376	86,469	392,616	292,285	416,939
\$1,000,000 - \$2,499,999	2,982,681	86,251	99,349	150,683	227,434
\$750,000 - \$999,999	1,710,209	79,216	86,645	120,487	129,866
\$500,000 - \$749,999	1,690,211	95,880	91,653	131,902	129,463
\$250,000 - \$499,999	2,027,058	115,891	97,094	147,362	148,500
<b>Total</b>	<b>13,563,255</b>	<b>476,640</b>	<b>897,166</b>	<b>914,011</b>	<b>1,197,950</b>

<sup>4</sup> TargetSmart Data modeled for this project in January 2017. Models are based on financial data with aggregated public information from IRS, FHA, Bureau of Economic Analysis, the Department of Commerce, the Housing Management Development Association, self-declared loan data, and other proprietary financial data sources. TargetSmart created the chart above in part by applying a data model they developed for a client to classify the ethnicity of registered voters. The data model involved creating a classification and confidence score for each voter based on predictors of ethnicity such as names, neighborhood composition, place of birth, previously reported ethnicity classifications, among other demographic data. Overall, the model predicted voter ethnicity correctly 89% of the time, with 10.9% false positives, and 3.3% false negatives.

Another view of this same data shows that individuals meeting our definition of high net worth number in the hundreds of thousands across minority racial groups for whom data was available.

#### Net Worth over \$1 Million by Race<sup>5</sup>

White



African-American



Asian



Hispanic



Other/Unknown



## Giving Patterns by Racial Group

Existing research on giving trends by racial group is highly siloed and largely out of date. Trends shared in this report are here largely to provoke new investigation and to make the important point that racial and cultural traditions influence patterns of giving in meaningful ways that must be considered in attempts to mobilize donors from these communities.<sup>6</sup>

### KEY CONSIDERATIONS FOR AFRICAN AMERICAN DONORS

- Many organizations like black Greek fraternities and sororities that appear to be primarily social networks include philanthropy as a foundational part of their mission.
- Black political donors have been an organized force that has not been channeled to other causes largely due to a lack of infrastructure to coordinate potential interested parties.
- Family, church, and education are long-standing priorities for current African American giving across the entire African diaspora. The Civil Rights Movement received much of its funding from black churches.
- African American HNW donors are actively building their wealth, their social and political capital, and are less likely to inherit wealth from family.

<sup>5</sup> Ibid.

<sup>6</sup> Please see the full *Apparational Donor Report* for details and citations.

## KEY CONSIDERATIONS FOR ARAB-AMERICAN DONORS

- Arab-American giving is focused first on family, extended family, and religious institutions, and is often unstructured.
- Arab American donors were likely to emphasize the relationships, service aspects, and emotional impact of giving over the end results of that giving.
- Lack of information for donors is a challenge alongside donor fatigue from hearing repeatedly from a very small group of organizations.
- There is a sense of crisis related to Arab-American profiling and Islamophobia. This has created a sense of disengagement for some and urgency for others to which philanthropy may be a part of a solution.

## KEY CONSIDERATIONS FOR ASIAN AMERICAN DONORS

- Generalizations about Asian Americans as donors do not capture significant differences across Asian identities. Asian donors may not share priorities across groups, and may not support pan-Asian efforts.
- There is a large accumulation of Asian American wealth in Silicon Valley, where donors take an entrepreneurial and business-like approach to giving.
- Asian Americans on the whole have significantly less religious affiliation than non-Asians. At the same time, much of Asian American (particularly Indian/Hindu and Muslim) giving is done through religious institutions.

## KEY CONSIDERATIONS FOR LATINO DONORS

- Hispanic giving traditions involve family, church, and education. Youth and the elderly are also high interest areas.
- Older Hispanic donors have a strong primary interest in culturally associated organizations while younger donors have a stronger interest in education.
- Latino donors express strong interest in preserving and identifying with their heritage (as opposed to assimilating).
- Giving is personal in nature. Personal relationships matter.
- Hispanic donors are least likely to be approached but are more interested than most in learning more about nonprofit causes.

## KEY CONSIDERATIONS FOR NATIVE AMERICAN DONORS

- There are pre-existing traditions of both formal and informal philanthropy across tribal cultures.
- Tribal philanthropy exists on the level of tens to hundreds of millions of philanthropic dollars each year but there is little data on individual HNW Native philanthropy.
- Governance issues matter. Tribal sovereignty and suspicion of cultural imperialism masked as philanthropy are important factors that impact Native American giving to traditional 501c3s.
- A very significant amount of current philanthropic resources is coming through gaming tribes and mineral rights on tribal lands.



## Summary of Findings

The limited available research on HNW donors of color and the lack of comprehensive data on giving by affluent, HNW, and UHNW people of color leaves many questions unanswered and many details about donor priorities, concerns, and motivations unknown. However, some insights can be gleaned from the research and provide a picture of HNW people of color donors and their giving.

HNW donors of color are real and complex individuals with unique personal stories who bring a generous personal engagement with their families, communities, and cultures. The philanthropic practices of communities of color are distinctly different from one another and are, in highly significant ways, unlike the philanthropy of white HNW donors.

### KEY INSIGHTS

- HNW donors of color face unique challenges and opportunities as donors. They are not linked philanthropically or politically to each other, nor across race and ethnic lines, are not significantly connected to organized philanthropic networks, and are less engaged with financial advisors and wealth managers.
- Knowledge about HNW donors of color comes mostly from convenience samples surveyed by private entities (banks, wealth management firms, consulting businesses). Data are limited, independent research or philanthropic affinity-group funding for initiatives to interview HNW donors of color is scarce, and little research has been conducted.
- HNW donors constitute a substantial and growing community of philanthropists. Their giving

follows the pattern of giving by HNW individuals generally — primarily to support education and traditional charities. These donors across the board also identify strongly with family and with community. They are informed by a desire to “give back” and create opportunity.

- POC donors are much more likely to live in cross-class families and communities, where the impacts of the racialized wealth gap are very apparent. This fuels both a fire towards upward class mobility, and also a desire for community uplift.
- Generational differences exist among HNW donors of color, both immigrant and non-immigrant, with younger donors more willing to think and link across ethnicity and race, and to collaborate as donors.
- Politically, these donors are diverse. Although many were inspired by President Obama to engage in political giving, HNW donors of color cannot be uniformly categorized under one ideology. Major donors to Republican candidates in previous elections included significant numbers of people of color.
- HNW donors of color may represent new resources for social and racial justice initiatives, and for specific challenges affecting communities of color, but at present they are not giving in significant measure to social justice projects. Many report not having been asked to engage in this kind of giving, a further indication that the opportunity is real.
- Distinct ethnicity- and race-specific philanthropic, professional, social, and cultural networks connect and engage HNW people of color within each racial and ethnic group. But few networks connect individuals across ethnic and racial lines. And no philanthropic network counts significant numbers of individual HNW philanthropists of color among its members.

- Individual advisors working in the fields of law, accounting, wealth management, trusts, estate planning, tax, and financial services play a significant role in advising donors of color on their philanthropy.
- Network building and relationship building strategies to connect affluent, HNW, or UHNW people of color with each other would leverage the power of their giving significantly.



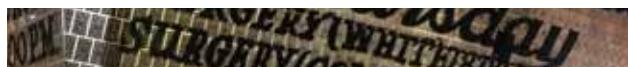
## Recommendations

These research findings lead us to recommend organizing of donors of color as a primary intervention. To increase understanding and knowledge about HNW donors of color the report recommends:

- *More highly targeted engagement and focus on HNW donors of color by philanthropic networks, organized institutional philanthropy, academic centers, and civil society organizations.* Such an engagement should include:
  - > Conduct one-on-one interviews with HNW individuals to learn directly about their experience, priorities, and vision. No such database of interviews exists to our knowledge.
  - > Gather new data through surveys, focus groups, and outreach to business, nonprofit, social media, and professional networks to increase knowledge on giving by people of color at every level of wealth.
  - > Identify and reach out to HNW POC donors in different sectors (finance, entertainment, business, technology) to capture information, learn about giving priorities, and determine the

specific needs of each community.

- > Identify existing networks that connect HNW POC individuals to each other philanthropically and politically. Understand the extent to which cross-racial and intra-racial networks are relied upon by HNW individuals to engage in giving.
- > Research policy and programmatic priorities of HNW people of color.
- *Build donor networks to connect HNW POC individuals with each other.* This organizing work should be informed by the engagement outlined above, and by past work done by the Kellogg Foundation and others to understand giving in communities of color. The findings of this report suggest donors of color are interested in connecting with each other.
  - > Start from where HNW donors are already networked and build from there rather than “recruiting” donors to join largely white networks.
  - > Deliberately build cross-racial networks where none exist and where donors have comparable interests across racial lines. Currently there is also an historical opportunity based on shared threats across communities of color that can be leveraged into new forms of cross-cultural organizing.
  - > Strengthen existing race- and ethnicity- specific networks, geographically based networks, POC giving circles, and issue-specific networks.
  - > Identify donors of color with a progressive lens who are interested in collaboration and make the case to them of the value of forming a racial, gender, and economic justice focused network.
  - > Create new infrastructure to recruit and network HNW donors to one another to share information, develop shared analysis, and leverage their giving.



## Conclusion

Donors of color lack the power of visibility and the impact of interconnectedness, but this landscape analysis finds that they emphatically do exist in large numbers, are engaged in giving at significant levels on issues affecting their lives, and in some instances, may represent new resources for social and racial justice initiatives, as well as for a broad range of issues. Affluent, HNW, and UHNW individuals are present in every racial and ethnic community. Like other members of communities of color, HNW donors of color give generously to a wide range of social, cultural, and political projects, and give in ways that are informed by family, cultural traditions, ethnicity and race, generation, and community.

Because donors of color are regarded as anomalies, the power of this giving is neither noted nor leveraged, certainly by social justice movements and philanthropic networks. Indeed the people most aware of the potential impact of affluent, HNW, and UHNW individuals of color are the professionals who seek their business.

The treatment of HNW donors of colors as apparitions has material consequences. For one, it renders critical experiences, resources, and talent missing at a moment in which societal institutions are most in need of new ideas, investment, and innovation. It contributes to a landscape in which organized philanthropy in the US is inadequately focused on the experiences and needs of African American, Native American, Asian American, Hispanic, Arab, Middle Eastern, and other communities of color in the United States.

Second, the absence of affluent, HNW, and UHNW people of color in conversations about philanthropy perpetuates a false narrative that opportunity has only one color and results in a lack of understanding of the complex interaction of race, ethnicity, wealth, and philanthropy in the United States. The lack of research on the multifaceted stories of the giving traditions, practices, and philanthropic leadership of people of color is a symptom of this false narrative.

Third, there is power in organized money. This truth is attested to through structures as diverse as business and trade associations, traditional philanthropic foundations and networks, new social venture models of investment and giving, PACs and political donation vehicles, and private donor networks and giving circles. In an era of increasingly organized elite influence in politics, business, and culture, the absence of organized networks that link HNW people of color together renders their philanthropic and political giving less powerful, regardless of how wealthy they might be.

Finally, the spectral presence of affluent, HNW, and UHNW donors of color in organized progressive — and conservative — individual donor networks in the US impacts the priorities and decisions made by those networks. The priorities of these networks and philanthropic institutions, in turn, have an outsized impact on what is funded and on the conduct of nonprofits and social movement organizations. The absence of donors of color also occurs within a broader philanthropic context in which there is significant lack of racial (and gender) diversity in the leadership, program structure, and focus of philanthropic institutions.



## Next Steps for This Work

This report is conceived to be Part One of a larger two-year project, *Understanding and Engaging High Net Worth Donors of Color*. The project intends to build knowledge about, engage, and network high net worth people of color (HNW POC) involved in philanthropy. It consists of several closely connected projects (including this report) that will be conducted over the next two years by a team of researchers and organizers experienced in philanthropy — the POC Donor Collaborative.

The POC Donor Collaborative, led by the Vaid Group and Faces of Giving, proposes to do the following:

- Finalize and publish this landscape analysis that outlines the state of the field of knowledge about HNW donors of color;
- Identify and research the philanthropic priorities of 100 individual HNW POC;
- Conduct between 30-100 interviews with HNW POC to learn about their philanthropic priorities and stories; and
- Develop and test a case statement for donors of color to come together into a new donor network focused on racial, economic, and social justice.

We are actively fundraising so that we may complete this project as well as embark on the exciting, timely, and necessary work that will come next — networking, connecting, and organizing high net worth people of color so that the potential power of these alliances can be unleashed to transform philanthropy and society towards inclusivity and progressive social change.

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Cover photo: Taken on November 16, 2015 at the National Museum of African American History and Culture event to "Commemorate and Celebrate Freedom" during which the façade of the building was illuminated with images depicting key moments in African American History.