

High Net Worth Individuals philanthropy trends

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Philanthropy Advisory 2017

High Net Worth Individuals philanthropy trends

A comparative study of France
and the Netherlands



Maastricht University



"To most people, investing and donating are still two separate worlds. However, I look at my portfolio holistically. Social investments, which can be more risky or yield a lower return, are a good hybrid between philanthropy and investing.

A big advantage of investing in a social enterprise is the fact that it is aimed at making the organisation more independent. There is a clear focus on sustainability."

Maurits Schouten
Investor & philanthropist



Foreword

Charitable giving is of great value to society. In particular, wealthy individuals and their families have the ability to make a significant impact on society. Many research papers and wealth briefings try to understand the multi-billion dollar global charitable giving market. These studies have provided valuable insights, but often miss the viewpoint of High Net Worth Individuals (HNWIs). Our comparative research provides a unique perspective on wealthy individuals in France and in the Netherlands. It is the first research to use the same methods in two different countries, which allows us to make solid comparisons.

We asked 961 High Net Worth Individuals about their charitable giving behaviour and their knowledge of and interest in impact investing. What causes do our clients value most? How much do they give annually? And how does charitable giving relate to impact investing for the clients? Does the financial return or social return drive individuals to invest with impact? Please join us in this study to explore charitable giving from the giver's perspective.



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Personal and financial characteristics of Dutch and French High Net Worth Individuals

The French and Dutch samples are comparable regarding many of the research participants' characteristics. When comparing the characteristics of the respondents to those of the non-respondents, both the Dutch and French samples fairly represent the bank's customers.

Of the 271 wealthy French clients who completed the questionnaire, 68% are men, 32% are women, and the average age is 67. Of the 690 wealthy Dutch clients who completed the questionnaire, 63% are men, 37% are women, and the average age is 63.

Origin of wealth

Close to a third of the Dutch and French HNWIs inherited their wealth (31% of Dutch respondents and 33% of French respondents). There is a bigger difference in type of income between the two nationalities with more entrepreneurs among the Dutch HNWIs (31% vs. 21% of the French respondents) and more employees among the French HNWIs (31% vs. 25% of the Dutch respondents).

Average wealth and income size

The average wealth of French and Dutch HNWIs is approximately 3 million euros. The average income of French HNWIs is 137,150 euros compared to 137,815 euros in the Netherlands.

ORIGIN OF WEALTH

	France	Netherlands	
Inheritance or family wealth	33%	31%	"Heirs"
Income from employment	31%	25%	"Employees"
Income from own business	21%	31%	"Entrepreneurs"
Real Estate	8%	5%	*
Other	8%	8%	*

WEALTH (IN %)

	France	Netherlands
Less than 1 million euro	32%	26%
1-2 million euro	25%	34%
2-3 million euro	13%	16%
3-5 million euro	15%	12%
5-10 million euro	11%	7%
10-25 million euro	2%	4%
More than 25 million euro	2%	1%
ESTIMATED AVERAGE	3.165.000	3.077.011

A majority of respondents in France have less than 1 million euros, whereas the biggest wealth bracket in the Netherlands is between 1 million and 2 million euros. In France, a larger percentage of HNWIs has assets between 3 million and 10 million euros compared to the HNWIs in the Netherlands.

Charitable giving behaviour

Donation amounts

In 2015, French HNWIs gave 13,544 euros in total to charity (9.5% of their income and 0.4% of their assets). The Dutch gave 5.7% of their income and 0.3% of their assets to charity, with an average gift of 7,915 euros.

Remarkably, the French gave much more to environmental and religious organizations, while the Dutch gave significantly more to emergency relief. Healthcare and welfare are important themes in both countries. It is also interesting that the French tend to give more to charity on average, whereas the Netherlands is more known for its philanthropic tradition.¹ It has to be noted that religious organizations received few but high donations from the French and that the same goes for emergency relief in the Netherlands. Therefore, we can conclude that the most popular themes to give money to are 'health and welfare', 'nature and the environment', and 'arts and culture'.

DONATIONS PER THEME

	France	Netherlands
Nature and the environment	5.528	408
Health and welfare	2.558	1.594
Religious organizations	1.937	622
Arts and culture	783	1.193
Research and education	696	528
Sports and recreation	451	130
Poverty reduction abroad	440	872
Poverty reduction in own country	390	422
Democracy and Human Rights	362	224
Emergency relief	175	1.483
Animal welfare	39	181
Other causes	185	259
TOTAL DONATIONS	13,544 EUROS	7,915 EUROS
PERCENTAGE OF INCOME	9.5%	5.7%
PERCENTAGE OF WEALTH	0.4%	0.3%

¹ 2015, An Overview of Philanthropy in Europe. Observatoire de la Fondation de France / CERPhi

Philanthropic activities

There are striking similarities in the philanthropic activities of the Dutch and the French, not just thematically as we have seen, but also in their giving method. A little over 80% of HNWIs in both countries give through individual donations and about 20% have a charity included in their will. In both countries, over 40% is active as a volunteer.

PHILANTHROPIC ACTIVITIES

	France	Netherlands
Individual donations	82%	85%
Giving through a last will	20%	24%
Voluntary activity	45%	41%

Annoyances about charities

Another unique aspect of our study is that it asks respondents how they feel about charities and what annoys them most about them. There are interesting differences between France and the Netherlands. Overall, the Dutch tend to be more annoyed about charities than the French (90% of the Dutch respondents report an annoyance compared to 79% of the French respondents). Moreover, the type of annoyances differ in both countries.

One in five of our Dutch respondents are annoyed about the high directors' salaries, but only 4% of the French agree with this. The French, in turn, are more often annoyed by the fact that they find it unclear what happens with their donated money. However, one important similarity stands out. HNWIs in both countries experience unsolicited requests for additional donations as their biggest annoyance.

ANNOYANCES ABOUT CHARITIES

	France	Netherlands
Unsolicited requests for additional donations	25%	27%
Unclear where the money goes	22%	14%
Too much is spent on overhead	10%	19%
Amateurism	7%	2%
High directors' salaries	4%	20%
Bad communication	4%	1%
Other	8%	6%
Charities do not annoy me	21%	10%

Even though the French tend to get less annoyed with charities than the Dutch, the French react more often by not giving to certain charities anymore. In France, a third (31%) of the respondents have stopped giving to charities several times because of their annoyances. In the Netherlands, this is the case for 25% of the respondents. In total, more than half of the HNWIs in both countries have stopped giving to charities in the past due to an annoyance.

STOPPED GIVING TO CHARITY BECAUSE OF AN ANNOYANCE

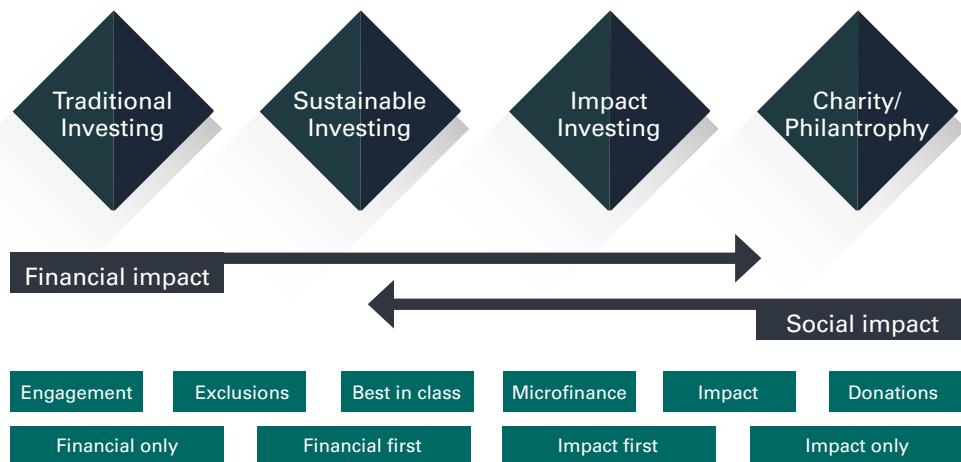
	France	Netherlands
Yes, several times	31%	25%
Yes, once	28%	30%
No	41%	44%

Sustainable investment and impact investment

In addition to our questions about charitable giving behaviour, we asked what our respondents think of sustainable investing and impact investing. Sustainable investments take into account social standards, the environment and good governance (ESG). Sustainable investments often invest in the type of funds that focus explicitly on factors such as environmental and human rights and/or exclude sectors such as the weapon and tobacco industry.

Impact investments invest directly in projects with a social value or with a focus on the environment. These investments are often in non-listed companies. Examples are projects aimed at creating jobs and reducing CO₂ emissions. Unlike sustainable investment products, whose main goal is a financial return, impact investing tends to be more focused on measurable social or environmental returns even though it can also have financial returns.

Banks and financial institutions often identify a continuum that ranges from traditional investing to giving to charities. In between these two 'extremes' are sustainable investing and impact investing. Do the views of HNWIs align with those of banks?



Making an impact with an investment portfolio

Respondents in both countries show an interest in sustainable investing. This is in line with European trends as well as the growing number of ABN AMRO's sustainably invested assets (from 4.6 billion euros in 2013 to 8.2 billion euros in 2016). The Dutch market seems to be more mature; sustainable investing is much more popular with our Dutch clients than our French clients (48% vs. 15%). While in the Netherlands a much larger percentage of women invests in a sustainable manner compared to men (68% and 37%), there is hardly any difference between men and women in France in this area (15% and 16%).

SUSTAINABLE INVESTING

	France	Netherlands
Respondents with an investment portfolio	15%	48%
Respondents without an investment portfolio	85%	52%

By contrast, the percentage of impact investments is higher in France than in the Netherlands (7% of French HNWIs opt for impact investment, compared to 4% of Dutch HNWIs).

INTEREST IN IMPACT INVESTMENT

	France	Netherlands
Yes, I have impact investments	7%	4%
Yes, I have heard of impact investments	11%	13%
Yes, but I am not familiar with it yet	30%	26%
No	52%	58%

Interest in impact investment is high in both countries. In the Netherlands, respondents show the most interest in impact investment aimed at reducing CO2 emissions. In France, reduction of the distance to the labour market for vulnerable groups and/or job creation are more popular impact investment topics. Another topic that interests impact investors is a fair distribution of earnings across the entire value chain.

Strikingly, the themes 'nature and environment' as well as 'health and welfare', which we found to be popular among givers to charity, also appear to be the top causes for impact investors. Therefore, interest in societal themes seems to be unrelated to the type of giving (support via gifts or impact investments).

Top 5 interest in different types of impact investments (respondents were given the option of multiple answers)

TOP 5 INTEREST IN DIFFERENT TYPES OF IMPACT INVESTMENTS (RESPONDENTS WERE GIVEN THE OPTION OF MULTIPLE ANSWERS)

	France	Netherlands
1 Shortening distance to the labour market for marginalized groups/ creating jobs	62%	45%
2 More honest division of profit in trade chains	40%	40%
3 Limiting CO2 emissions	26%	51%
4 Financial inclusion and microcredit in developing countries	26%	40%
5 Medical services in developing countries	24%	31%

Social Impact at the core of the investment

For both French and Dutch HNWIs, social impact is the main reason for turning to impact investment (73% and 72%, respectively). The main reason not to opt for impact investment in France is that clients prefer to give to charities (44%). In the Netherlands, the fact that respondents are unaware of the exact meaning of impact investment is the main reason not to invest in this category (29%).

MOST IMPORTANT REASON TO INVEST IN IMPACT

	France	Netherlands
Social impact	73%	72%
Risk diversification	8%	14%
I like to invest in new investment categories	8%	3%
Financial return	4%	6%
Other	6%	3%
I would never invest in impact	2%	2%

MOST IMPORTANT REASON NOT TO INVEST IN IMPACT

	France	Netherlands
I rather give to charities	44%	17%
I do not know what it is and do not want to investigate it	16%	29%
I think social impact is limited	11%	16%
Risk is too high	11%	15%
Return is too low	11%	12%
Other	7%	11%

Doing good and making a difference

A trend from charitable giving to impact investing is emerging in Europe. HNWIs in both the Netherlands and France appear to use impact investing as a new way to shape their philanthropic activities. Social impact seems to be the main driver for the large interest in impact investing.

In the financial sector, investment managers and banking professionals try to explain the risk/return ratio of impact investments with the message that returns on impact investments are comparable to 'other investments'. This way, financial professionals try to make the two extremes of the 'Impact Overview' of doing well and doing good meet. Having analysed our respondents' answers, we wonder if this approach is most effective. Impact investors seem to be driven much more by social returns rather than financial returns. Impact investing complements clients' philanthropic activities.

In closing, we would like to extend a special thanks to Annemiek Dresen for making the comparative research happen. Furthermore, we would like to note that we will continue exploring philanthropy and impact investment trends among HNWIs in different countries, and aim to improve our services on a continuous basis.

To learn more about charitable giving and impact investing, we invite you to visit a philanthropy network event at your ABN AMRO private banking branch. Inspiring speakers will be on hand, along with our specialists. For more information, please contact your relationship manager, or Jasmijn Melse, philanthropy advisor (jasmijn.melse@nl.abnamro.com).

For more information on this research, please contact Paul Smeets via www.paulsmeets.eu.

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