

Six Important Lessons About Philanthropy

What I've learned from my practice

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Six years ago, I began working with individuals, families, foundations and businesses across the United States, helping them design, implement and evaluate a wide variety of ways to make philanthropy more impactful for themselves and their communities. I've been privileged to assist dozens of clients.

Throughout this process, I've learned many lessons about what works best. As I launch the seventh year of this practice and these columns, I would like to share six key lessons.

Giving Benefits the Donor

Most of us think of philanthropy in terms of altruism—the practice of selfless concern for the well-being of others. Although altruism is a desirable trait, there are in fact real benefits for the donor in giving.

By working together around shared values, families can become stronger and healthier. By creating a “safe zone” around the activity of giving, families can re-balance the rules of engagement and encourage the participation of rising generations as equal partners in decision making with their elders. Businesses engaged in community philanthropy see improved employee recruitment, engagement and productivity, as well as increased customer loyalty and an enhanced social license to operate. Strategic philanthropy also improves profitability.

Giving and volunteering to help others come with health and longevity benefits that are well documented. People who meaningfully engage in repairing the world live longer, healthier and happier lives.

“Top Down” Philanthropy Is Limited in Value and Not Sustainable

Families and businesses alike have stakeholders. Engaging them has powerful benefits.

In families, each generation has its own interest in the values and impact of philanthropy. Rising generations look at these activities through a lens that can differ greatly from the lens of the wealth-creating generation. As a result, they have much to offer.

In businesses, stakeholders include employees, shareholders, customers, vendors, regulators, lenders and leaders. Each offers a valuable perspective on the role of the company in the community and how good corporate citizenship can enhance its business.

The “Peanut Butter” Approach to Giving Has Less Impact

Many philanthropists employ the “peanut butter” approach to giving—spreading their charity thinly over a wide area. Going deep instead and focusing on a limited number of carefully selected causes is far more engaging to stakeholders and much more likely to achieve a meaningful result. In this way, philanthropy can be transformational—not just transactional.

Donating After Death Is Less Satisfying Than Donating During Life

During life, our clients all want to conserve enough resources to take care of themselves and their loved ones. However, many clients can easily achieve that goal and still engage in some sort of philanthropy. We as advisors can help clients predict what they’ll need to live securely and provide for their heirs. Using the remainder to give during their lifetime provides learning, growth and fulfillment—none of which, as far as we know, can be enjoyed from the grave.

Don’t Ignore the Other 95 Percent

Philanthropically committed capital—in foundations and donor-advised funds—is available to help achieve charitable mission. Unfortunately, foundations often deploy only the 5 percent minimum required payout while the rest remains invested. Impact investing using mission-related investment, program-related investment and socially responsible investment tools aligns all philanthropically committed capital with mission, thereby achieving much greater impact.

Effective Philanthropy Is More Than Writing a Check

Becoming an effective philanthropist (rather than merely a generous donor) means planning to optimize the efficacy of giving. The same intellectual resources and rigor that were used to earn money in the first place should be applied to philanthropic efforts to distribute that money. Research, analysis, strategy, organized implementation, evaluation and adjustment are critical investment tools which, when also applied to philanthropy, can achieve better results.

Back in 2010, I wrote in my first column: “Philanthropy is like love. The more you make it a cornerstone of your life, the more you’ll find the joy, meaning and satisfaction in living.” These words rang true then and, based on six years of experience, ring even truer today.

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