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How do we ensure that the largest transfer of generational wealth in history will be put to charitable use?

October 12, 2021

For the past seven years, I have had the incredible privilege of running my family's foundation. Spending my working hours leading a team that makes decisions about how to give away funding, I am in the unique position of seeing up close the instrumental work nonprofits are doing to address the needs of our communities. From [housing our unsheltered neighbors](#) to [connecting vulnerable young people with caring mentors](#), nonprofits ensure that donated dollars reach the people who need them most.

Yet charities doing this important work continue to face financial hardship. One report found that [more than a third of nonprofits](#) across the country are at risk of closing within two years. In addition, the nonprofit workforce has [lost nearly nine hundred and sixty thousand jobs](#), a devastating blow to local economies and the most vulnerable in our communities.

While the outlook is uncertain for nonprofits, the baby boomer generation is in the midst of planning [the largest generational transfer of wealth](#) in both U.S. and world history. At the federal level, we have long-established charitable tax deductions as a tax policy to incentivizes us to give. Now is the time to restart a public conversation about what we mean by charitable giving.

I am a proud Minnesotan. Minnesotans are generous people — setting aside money for the public good is in our DNA. Our largest corporations [led the nation](#) in charitable giving in the latter half of the twentieth century. Over the next two decades, Minnesotans will act on their generosity by setting aside money to support those charities we all understand to be both essential and in a precarious financial position. Yet the fact is that our current charitable giving laws no longer work as intended to increase the flow of resources to charities — at a time when they urgently need help.



Currently, donors can set funds aside in charitable intermediaries — private foundations and donor-advised funds (DAFs) — and claim the full tax benefits of charitable giving. However, *there's no guarantee that these funds will ever be put to charitable use*; the connection between charitable tax benefits and benefits to charities is tenuous at best. Taxpayers are left footing the bill without any certainty of receiving the public benefits that working charities provide.

The data make clear that we need to modernize our charitable tax policy. Over the years, there has been a substantial shift in giving towards DAFs and private foundations and away from direct contributions to charities. According to a [report released in May](#), charitable giving by individuals as a share of income has hovered around 2 percent over the past forty years, while contributions to DAFs and private foundations have grown from 5 percent in 1991 to 28 percent of all individual giving in 2019. Today, more than \$1 trillion sits in private foundations and DAFs combined.

All this charitably directed wealth could do tremendous good, but in order to protect the vitality of the nonprofit sector, policy changes are needed to ensure that DAFs and private foundations distribute funds to working charities more quickly. Community foundations and other public intermediaries can play a unique role by educating newer donors about pressing issues and connecting them with community leaders. No matter how it happens, donors who claim the full tax benefits of charitable giving need to feel the urgency of actually giving that money away.

My family created our foundation as a way for us to work together to professionally give money away. We have grown closer by building working relationships with community leaders and investing in transformational ideas. But the most important and fulfilling part of my job is very simple: making sure we meet our annual giving budget with fidelity so that the foundation's endowment is spent down by 2044. So much of our society is focused on the efficient accumulation of wealth; it is my hope that charitable giving laws encourage DAFs and private foundations to make charitable distributions that meet or exceed their endowment's long-term financial returns.

Having lived through the last year as a resident of Minneapolis, I know all too well that we face compounding social issues that cannot be left unaddressed one more day. Today's philanthropists should be helping to advance solutions to today's problems by shifting our attention and resources away from private control and toward community.

(Photo credit: Pictures of Money)



Bill Graves is founding president of the [John and Denise Graves Family Foundation](#). An earlier version of this article was published in [Worth](#).

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