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The Largest Transfer Of Generational Wealth Is Upon Us—How Do We Ensure Donated Funds Will Be Put To Charitable Use?

Charitably directed wealth could do tremendous good, but in order to protect the vitality of the nonprofit sector, policy changes must be made to distribute dollars from donor-advised funds and private foundations to working charities more quickly.



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Photo courtesy of Karolina Grabowski via Pexels

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 have the unique privilege of seeing up close the instrumental work nonprofits are doing to address the needs of our community. From **housing our unsheltered neighbors** to **connecting vulnerable young people with caring mentors**, nonprofit organizations ensure donated dollars reach the people who need them most.

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throughout the country are in jeopardy of closing within two years. In addition, the nonprofit workforce has **lost nearly 960,000 jobs**, a devastating blow to local economies and the most vulnerable in our community.

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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 re-start 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 later half of the 20th century. Over the next two decades, Minnesotans will act on their generosity by setting aside money to support those working charities we all understand to be both essential and in a precarious financial position. The simple fact is this: Our current charitable giving laws no longer work as intended to increase the flow of resources to charitable organizations, especially at a time when charities need help.

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charitable giving. However, *there's no guarantee that these funds will ever be put to charitable use*, breaking the connection between charitable tax benefits and benefits to charities. Taxpayers are left footing the bill without any certainty of receiving the public benefits that come from working charities.

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The **data makes 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 in May**, charitable giving by individuals as a share of income has hovered around 2 percent over the past 40 years, while contributions to DAFs and private foundations have grown from 5 percent in 1991 to 28 percent of all individual giving in 2019. Currently, 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 must be made to distribute dollars from donor-advised funds and private foundations to working charities more quickly. Community foundations and other public intermediaries can play a unique role in ensuring this by connecting newer donors to pressing community issues and leaders. No matter how it happens, donors that claim the

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: Make sure we meet our annual giving budget with fidelity so that the foundation's endowment is emptied by 2044. So much of our society is focused on the efficient accumulation of wealth—it is my hope that charitable giving laws that govern private foundations encourage donor-advised funds and private foundations to make charitable distributions that meet or exceed their endowment's long-term financial returns.

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Society's problems are compounding. Having lived through the last year as a resident of Minneapolis, I know this all too well. Today's philanthropists **should be helping with today's problems** by focusing our attention and resources away from private control and towards the community.

Bill Graves is the founding president of **The John and Denise Graves Family Foundation**. Prior to his work with the foundation, Bill worked in the technology and creative consulting sectors as a

As president of the foundation, Bill represents the Graves family's vision for impact. He works to ensure time and resources are stewarded toward broad impact and invests in the learning and growth of the Graves team to effectively execute that vision.

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