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Generations Winter 2022 - Doing Good by Doing More: Looking Beyond Traditional Philanthropy

On November 17, 2021, Day Pitney's Palm Beach Family Office Forum Series presented a panel webinar discussion on philanthropy, focusing on "doing good by doing more" and emphasizing current trends and innovative approaches. The panel was moderated by Jennifer M. Pagnillo, partner at Day Pitney and co-chair of Day Pitney's Tax-Exempt Organizations and Charitable Giving practice group, and other panel members included Elissa Cook and Tandy Robinson of Goldman Sachs & Co. LLC and Scott J. Nance and Nageeb Sumar of Fidelity Charitable.

The panel first focused on impact investing, and Elissa and Scott walked through some of the relevant terms, myths and challenges. Elissa discussed "alignment" – where negative or positive screening is used to align values in an investment portfolio; "integration"—where an investor is looking for alpha by finding outperformance or avoiding risk; and "impact investing"—seeking financial return while still achieving measurable environmental and social impact.

Scott then turned to some of the myths surrounding impact investing, focusing on donor-advised funds and the availability of engaging in this type of investing. He explained that the largest donor-advised fund providers, including Fidelity Charitable, offer a robust menu of investment options for donor-advised funds to engage in this space. He also noted the myth that impact investing means accepting a lower rate of return, and he explained that as with any type of investing, impact investing covers a wide spectrum of opportunities to achieve financial returns. Finally, Scott explained that impact investing in a donor-advised fund does not need to be "at odds" with the charitable purposes of the fund. The growth in a donor-advised fund (or even a family private foundation) simply means that more assets are available to support the charitable purposes of the fund (or foundation).

The largest challenge noted by the panel is the educational piece, specifically bridging the gap between the interest an investor may have in engaging in impact investing and actually making the investments. The full spectrum of options can be overwhelming to an individual investor, and so the need for good education is an important part of the process. There also may be a generational divide, where the younger generation of a family may be more focused on the impact investing space, so there is a need to educate across the generations to bring different family members to the same page. Good advice is extremely important here.

Nageeb then turned to the topic of strategic and mission-oriented grant-making in donor-advised funds. This very personal topic is driven by one's values, and Nageeb noted the need for education in this process in order to help individuals think through their strategic philanthropic objectives. There can be generational divides in this process as well, where giving practices are not well aligned between older and younger generations of a family. Again, good advice and education are extremely important here. Creating a mission statement can be a good first step, coupled with education and a mechanism for accountability.

Specifically, with respect to donor-advised funds, Nageeb explained that Fidelity offers a "recoverable grant" option. Similar to a PRI (or program-related investment) for a private foundation, this option allows a donor-advised fund to make a no-interest loan for charitable purposes, which can be paid back to the donor-advised fund. A few success stories here involved the Global Health Organization and the establishment of a healthcare facility in Peru, which needed upfront capital to establish the facility that the facility would repay through smaller streams of revenue received from patients over time, as well as a workforce training program initiated by Social Finance Forum, which provided funds to train students, who would pay back the funds over time once the students were gainfully employed.

Finally, Tandy discussed giving circles and ways that a group of people can pool resources to give more effectively to charitable causes. These groups are brought together by a common interest or shared values and can provide local and specific focus through grassroots activism. These groups often breathe new life into underrepresented and underfunded local organizations and causes. This type of social giving has grown dramatically over the past two decades and allows people to collaborate in their learning and giving. Tandy explained the Impact 100 model, where 100 (or more) women come together, and each contributes \$1,000. Each woman has one vote to decide how to make grants of the funds to local nonprofit organizations and charitable causes. These circles can empower women as activists through utilizing larger grants to make an impact in the local community.

The panel concluded by noting there are so many ways to make a difference and to do good by doing more in your investing, philanthropy and everyday life!

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