

Why the Richest Americans Can't Give Money Away Fast Enough

Billionaires' personal fortunes are rising faster than their pace of donations. Does that mean they need to step it up?

By Ben Steverman, Amanda L Gordon, and Sophie Alexander

America's wealthiest have been getting a lot of unsolicited advice lately about their philanthropy, especially since the pandemic inflated the fortunes of the top 0.1% while devastating the broader economy.

Their critics' loudest complaint: You should be giving your money away much faster.

Since splitting from the world's richest man in 2019, MacKenzie Scott has shown how it might be done.

The ex-wife of Amazon.com Inc. founder Jeff Bezos has donated \$8.5 billion in about 12 months, distributing the cash among hundreds of small organizations typically overlooked by big donors. "It's really kind of stunning what's she's done and how different an approach she's taken," said John Arnold, a billionaire hedge fund manager who retired in 2012 to devote himself full-time to philanthropy. "I'm hopeful that more people will follow that model."

Scott's strategy -- probably the fastest philanthropic spree

in history -- is still no match against the forces lifting billionaire wealth, particularly the rapid ascent of tech valuations. In 2019, she joined the Giving Pledge -- a promise by very wealthy people, not legally binding, to give away the majority of their fortunes in their lifetimes. Since then, the rising price of Amazon stock means Scott's net worth has jumped from about \$37 billion to \$62 billion, according to the Bloomberg Billionaires Index.

Warren Buffett, who helped create the Giving Pledge and has promised to give away almost all his wealth to charity, offers an even starker example. Over 16 years, despite giving up half his stake in Berkshire Hathaway Inc., his wealth has more than doubled to \$104 billion.

We're living in the second golden age of philanthropy because we're living in the second golden age of inequality, said Jason Franklin, principal of Ktisis Capital, a boutique philanthropic advisory firm based in Grand Rapids, Michigan.

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Buffett responded to the raging debate on Wednesday. In a statement that also announced his resignation as a trustee for the Bill and Melinda Gates Foundation, the world's eighth-richest man offered a partial defense of the go-it-slow approach to giving.

Buffett's first wife, Susan, had argued for "giving away large sums when we were young -- when our net worth was a tiny fraction of its eventual size," he wrote. "I held out for later, remaining charmed by the results of compounding."

In 2006, a couple of years after his wife died, Buffett, then 75, "stepped on the accelerator" in his giving..

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The value of the shares he's given away -- \$41 billion -- would be worth \$100 billion to the recipient foundations if he'd waited until now.

"Would society ultimately have benefitted more if I had waited longer to distribute the shares?" he asked.

Trillions of dollars depend on how the members of the 0.1% answer this question. Many of the very richest Americans have also signed onto the Giving Pledge. This includes Michael Bloomberg, the founder and majority owner of Bloomberg LP, the parent company of Bloomberg News.

There are now 222 signatories globally, but only a small fraction of the money has actually gone to charity, and many of today's newly minted billionaires can expect to live for decades longer.

Mark Zuckerberg, the 37-year-old co-founder of Facebook Inc., signed the pledge along with his wife, Priscilla Chan, in 2015, when he was worth \$45 billion. And, while the couple's Chan Zuckerberg Initiative says it gave \$2.7 billion in grants from 2015 to October 2020, Zuckerberg today is worth \$126.8 billion.

The argument for giving more now, rather than later, is that while wealth can compound over time, so can the problems that philanthropy tries to address. In the fight against climate

change, a cause embraced by both Bezos and Bill Gates, time is of the essence. Education now pays big dividends over the lifetime of a child, while curing a disease could save millions of lives.

"There are investment returns to philanthropy as well," Arnold said. Failure to address issues like intergenerational poverty today, for example, "leads to a bigger problem tomorrow."

The debate over giving has been around for decades. But last year inspired a flurry of initiatives designed to encourage foundations and rich donors to be more generous, more quickly. Some of their creators were frustrated by the pace of wealthy Americans' giving even as government stimulus and record-low interest rates helped boost the assets of the very rich.

Too many wealthy Americans are "hoarding" their fortunes, said Alan Davis, who runs a \$150-million family foundation inherited from his parents. MacKenzie Scott "has raised the bar -- I'm not sure there are that many billionaires who are willing to jump over it."

That sentiment also inspired calls to change U.S. laws governing charitable giving, by, for example, limiting tax breaks for money that doesn't reach the needy quickly enough. Davis started the Crisis Charitable Commitment, a campaign to boost the minimum contributions

coming from foundations and the wealthy.

"Procrastination is an all-too-common problem for charitable giving as well as everything else," said Boston College law professor Ray Madoff, who argues the U.S. needs "reasonable guardrails in place to ensure that charitable tax benefits benefit the public and not just wealthy donors and money managers."

Madoff worked with Arnold and several other billionaires to start the Initiative to Accelerate Charitable Giving last year. Their ideas became the basis for a bill proposed this month by Iowa Senator Chuck Grassley, a Republican, and Maine Senator Angus King, an independent who caucuses with Democrats, called the "Accelerating Charitable Efforts Act." The bill would create new time limits on donor-advised funds, or DAFs, which are increasingly popular vehicles that offer an upfront charitable tax deduction but place no deadlines on when money actually reaches working charities.

The Philanthropy Roundtable, an organization representing foundations and wealthy individuals, opposes the bill. "More mandates and regulations on giving will make it harder for all Americans to support the causes they care about," Elise Westhoff, president and CEO of the group, said in a statement this month.

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The efforts coincide with those by President Joe Biden to raise taxes on the wealthy, measures that could also indirectly boost incentives for philanthropy. Buffett has long supported higher taxes on people like him, a sentiment shared by many other voices cheerleading for faster charitable giving.

"It's a broken system," said Jennifer Risher, who with her husband, David -- a former Microsoft Corp. and Amazon executive -- last year started the #HalfMyDAF project to voluntarily encourage more giving. Rising fortunes at the top "speaks to structural and systemic problems in our whole system," she said. "We should pay more taxes. The minimum wage needs to be higher."

Some believe the changes to the philanthropic world could end up being significant.

"We're at a dramatic inflection point," said Michael Moody, Frey Foundation Chair for Family Philanthropy at the Dorothy A. Johnson Center for Philanthropy at Grand Valley State University. "The previous Gilded Age" ultimately led to many of the rules and structures that govern giving now, he said, but now "we're seeing a lot of innovation and change in how people go about deploying that wealth."