Generous Generation: The business case for financial advisers supporting under-35s with philanthropy

August 2024

Anoushka Kenley & Nicole Sykes

PRO BONO ECONOMICS

Pro Bono Economics uses economics to empower the social sector and to increase wellbeing across the UK. We combine project work for individual charities and social enterprises with policy research that can drive systemic change. Working with 900 volunteer economists, we have supported over 500 charities since our inception in 2009.

This report was made possible with the support of the Law Family Charitable Foundation.

Contents

Summary

The financial sector is bracing for the ‘Great Wealth Transfer’, where an estimated £5.5 trillion is expected to be passed down to younger generations over the next 20 to 30 years. The implications of this for financial advisers are profound, as the next generation of wealthy individuals is markedly different from their predecessors. Financial advisers and firms seeking to attract the business of the around 200,000 under-35s who already possess net financial assets exceeding £100,000 will need to adapt.

One way for financial advisers to attract this new generation of wealth is to tap into their philanthropic instincts – because this is the generous generation. Nearly all wealthy young people surveyed – those with net financial assets (excluding all property wealth, physical wealth and workplace pensions) exceeding £100,000 - express a strong desire to have a positive societal impact with their money, and 88% of them were already donating to charity. And not only are more of them giving to charity than in other generations, but they are giving more. 38% of under-35s contributed more than £2,000 annually – a figure eight times higher than their over-55 counterparts.

Despite the financial pressures from goals such as paying off mortgages or starting businesses, and even despite inflation’s pressures, younger wealthy individuals prioritise charitable giving.

This generation is also significantly more likely to seek financial advice, with 78% having already done so through various channels, compared to 61% of those over 55. But there are nevertheless around 100,000 wealthy people under 35 who may not have a relationship with a financial or wealth advisor at present. That is a significant market to tap into.

Financial advisers have a significant opportunity to engage this demographic by integrating philanthropy into their services. More than half of wealthy under-35s indicated they would be more likely to choose a financial adviser who offers philanthropy advice.

Aware of the potential that this presents to the UK financial sector, the UK government and the Financial Conduct Authority have been working with a coalition of accredited bodies and philanthropy experts to encourage more philanthropy education and training. There is every indication that these efforts will continue, if not gain pace, with an ambitious new government in place who may be looking to make a dent in pressing societal issues that philanthropy can make a difference to.

As such, financial advisers have a double opportunity. By providing younger wealthy people with tailored advice on charitable giving, impact investment, and ethical funds, they will find not only a path to differentiation but get ahead of government action too. In doing so, they will also discover a means to secure the loyalty and trust of a new generation of clients.

The generous generation's behaviour

Across the financial sector, discussions are underway about how to prepare for the so-called 'Great Wealth Transfer', with significant sums of wealth and assets expected to be transferred to younger generations over the next 20 to 30 years. One estimate puts the likely value of this transfer at around £5.5 trillion.[1]

Indeed, using the Wealth and Assets Survey,[2] PBE estimates that in Great Britain there are around 200,000 people under 35 with net financial assets (excluding all property wealth, physical wealth and workplace pensions) exceeding £100,000.[3] An estimated further roughly 1.4 million are aged 35-54.

This next generation of wealth is significantly different from the ones that have gone before it, in some marked ways.

While at a headline level, wealthy young people and their older peers share similar long-term financial goals, such as building up their assets and achieving security in retirement, almost all young wealthy people want to achieve their financial goals in a conscientious way. Nine in ten (90%) under-35s surveyed for this report said it is "important to them to have a positive impact on society with their money".

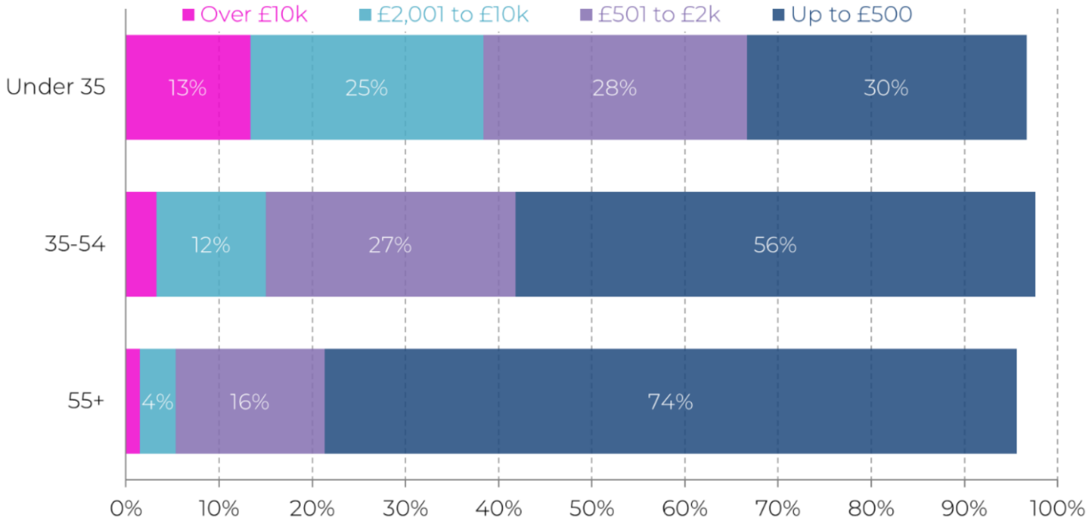
This desire to do good is evident in wealthy younger people's giving habits. Nine in ten (88%) wealthy under-35s reported that they donated to charity within the last year, and did so in a notably more generous way than their older peers. Almost four in ten (38%)[4] wealthy under-35s donated more than £2,000 to charity last year, compared to 5% of over-55s[5] . This makes them eight times more likely to have made a substantial gift to charity or charities, as shown in Figure 1.

---

[1] Kings Court Trust, Passing on the pounds: The rise of the UK's inheritance economy, February 2017. Accessed 16 July 2024.
[2] Office for National Statistics, https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/debt/methodologies/wealthandassetssurveyqmi, February 2022.
[3] See Annex for more details of estimation methodology.
[4] Based on a sample of 615 respondents over 55 and 60 respondents under 35.
[5] Sample sizes: 60 people under-35, 615 people over 55.

Figure 1. Wealthy young people surveyed were more likely to make large charitable donations compared to their older peers

Total amount donated to charity/charities in the last 12 months, by age



Notes: Survey conducted September 2023, under-35s N=68, 35-54 N=248, over-55s N=720, UK.
Source: PBE analysis of Opinium survey.

And despite the challenges posed by the cost of living crisis, most (63%) under-35s surveyed said they nevertheless considered increasing their charitable donations, compared to 13% of over-55s.

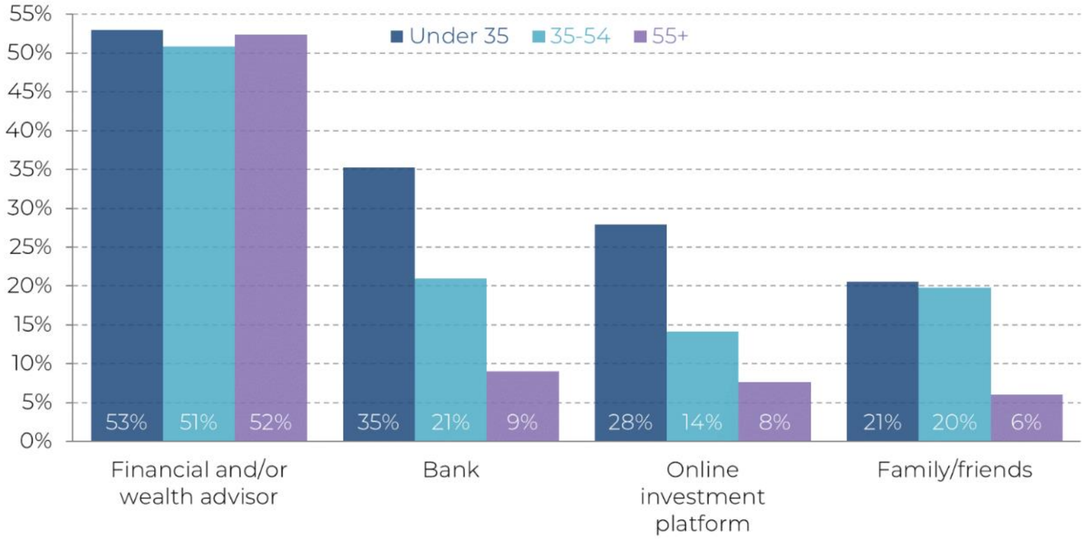
These generous habits are despite younger wealthy people possessing more ambitious financial goals than older groups. For example, wealthy under-35s were also more likely than older groups to be saving for specific goals, like paying off their mortgage or starting a business. They place a clear priority on giving despite that. These competing financial pressures make young people prime candidates for financial advice.

Three in five young wealthy people said they would *be "more likely to choose a financial advisor"* who offers philanthropy support

Wealthy under-35s show a strong inclination to seek out financial advice in general. Nearly eight in ten (78%) wealthy under-35s surveyed reported receiving financial advice in some form, be that from a bank, friends, family or an online investment platform. That compared to around six in ten (61%) people over-55 in Figure 2.

Figure 2. Young wealthy people are more likely than their older peers to seek advice from a wider range of sources

Sources of financial advice, by age



Notes: Respondents were asked to choose all answers that applied. For example, a respondent may have selected that they receive advice from both a financial advisor and an online investment platform. Survey conducted September 2023, under-35s N=68, 35-54 N=248, over-55s N=720, UK.
Source: PBE analysis of Opinium survey.

Despite this, only around half (53%) of wealthy people under 35 surveyed currently receive advice from a financial or wealth advisor.[6] If a similar proportion of wealthy young people nationally do not currently have a financial or wealth advisor as those surveyed, around 100,000 wealthy people under 35 may not have a relationship with a financial or wealth advisor at present. This creates a potentially significant market for advisers to tap into.

Advisers may have to overcome numerous barriers to convince this crop of new wealth to access their services. Reasons for not using an adviser range from believing advice is too expensive to simply not having thought about advice.[7] But appealing to younger generations' generous instincts is one way by which advisers can make themselves more compelling, acting as a key differential among advisors competing to attract new, young clients who are building their assets.

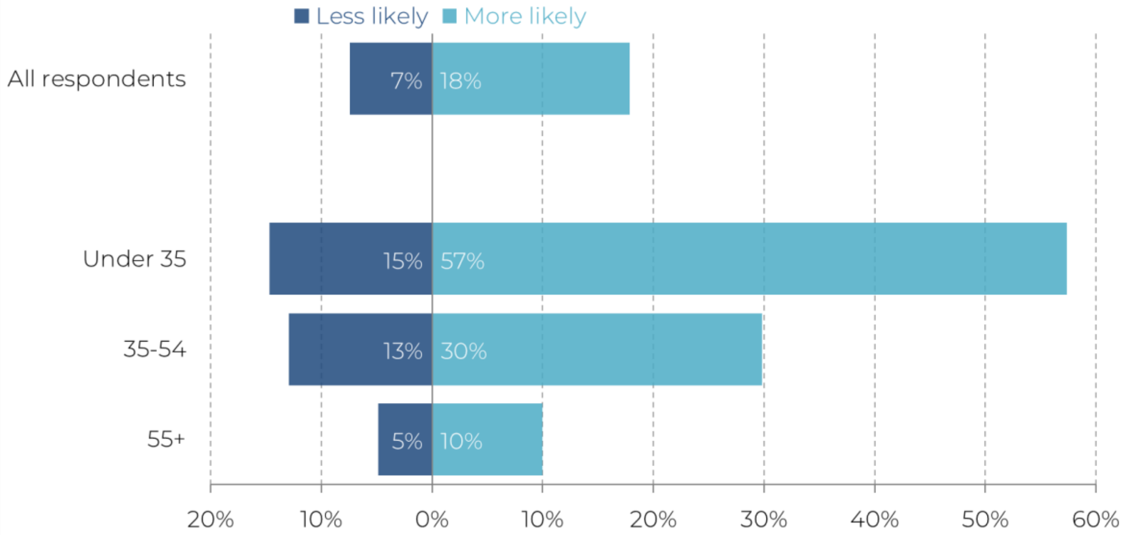
---

[6] The survey reached people with assets excluding main property and workplace pension worth over £100,000. 68 were under 35, 248 were 35-54 and 720 were over 55. See Annex for full details of the survey.
[7] Royal London, adviser.royallondon.com/globalassets/docs/adviser/misc/br4pd0007-exploring-the-advice-gap-research-report.pdf, accessed 16 July 2024.

As is clear in Figure 3, more than half (57%) of wealthy under-35s surveyed said they would be "more likely choose a financial advisor" if they also offered advice on philanthropy or charitable giving. The proportions are similar for those with and without a financial or wealth advisor currently. Of those wealthy under-35s surveyed who said they did not currently have either a financial or wealth advisor (just under half of those surveyed), more than half (53%) of this group said they would be "more likely" to choose a financial advisor who also offered advice on charitable giving.

Figure 3. More than half of all wealthy under-35s surveyed would be more likely to choose a financial advisor who also offered advice on charitable giving

Would you be more or less likely to become a client of a financial advisor if they also offered advice on philanthropy or charitable giving? (By age)



Notes: Survey conducted September 2023, N=1,036 adults, UK.
Source: PBE analysis of Opinium survey.

This suggests that there are significant opportunities to reach a new cohort of wealthy young people who do not yet have a relationship with a financial or wealth advisor, as well as strengthening relationships with those that do.

Advisers and firms can support younger wealthy clients with causes, products and tax

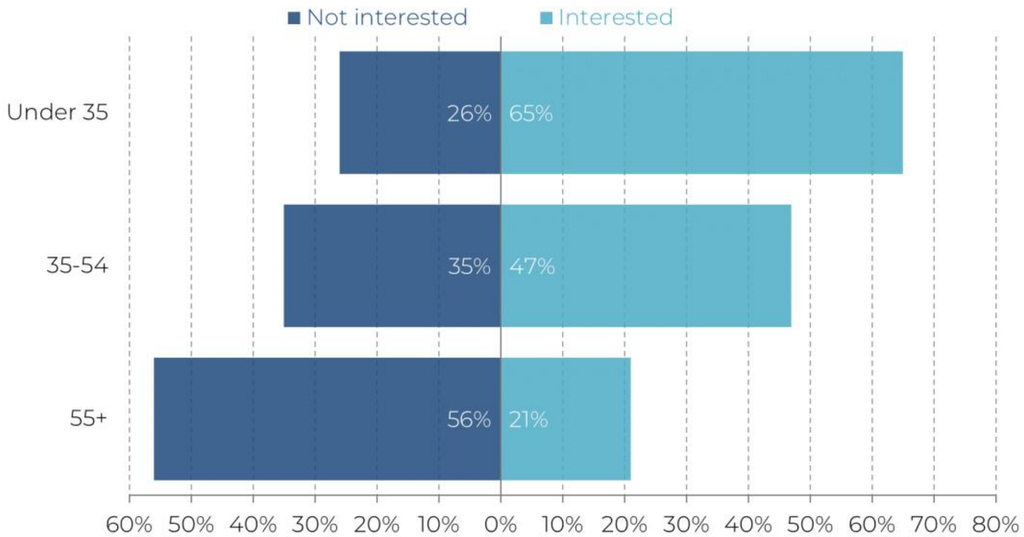
Charitable giving may only make up a small proportion of any one individual's financial picture, but there are a number of ways advisers and firms can support their clients in this area.

One compelling route to engaging with younger clients and potential clients on their giving is through Donor Advised Funds (DAFs). DAFs are convenient charitable giving vehicles which can be funded with a variety of assets, including cash, shares and third-party entities. These assets can be invested and managed much as other investments can, but the donor/investor in question receives immediate tax benefits from the money, which is irrevocably allocated for charitable purpose. The money can then be granted out to charities over time.

While it is relatively unusual for older people to be familiar with these, with only one in twenty-five (4%) wealthy over-55s stating an awareness of this product, young wealthy people do claim to be. More than half (56%) of wealthy under-35s surveyed stated that they were already familiar with DAFs. And they have an appetite to match that curiosity. Once a short explanation of DAFs' function was provided, most younger people surveyed (65% of under-35s and 51% of under-55s) said they would be interested in investing in a DAF in the future.

Figure 4. Most people under 55 surveyed are interested in investing in a Donor Advised Fund

How interested would you be in investing in Donor Advised Funds in future? (By age)



Notes: Survey conducted September 2023, N=1,036 adults, UK.
Source: PBE analysis of Opinium survey.

This makes DAFs an attractive offering for both advisers and clients, allowing advisers to manage assets for eventual charitable purpose and clients to feel confident that they can build wealth and give simultaneously.

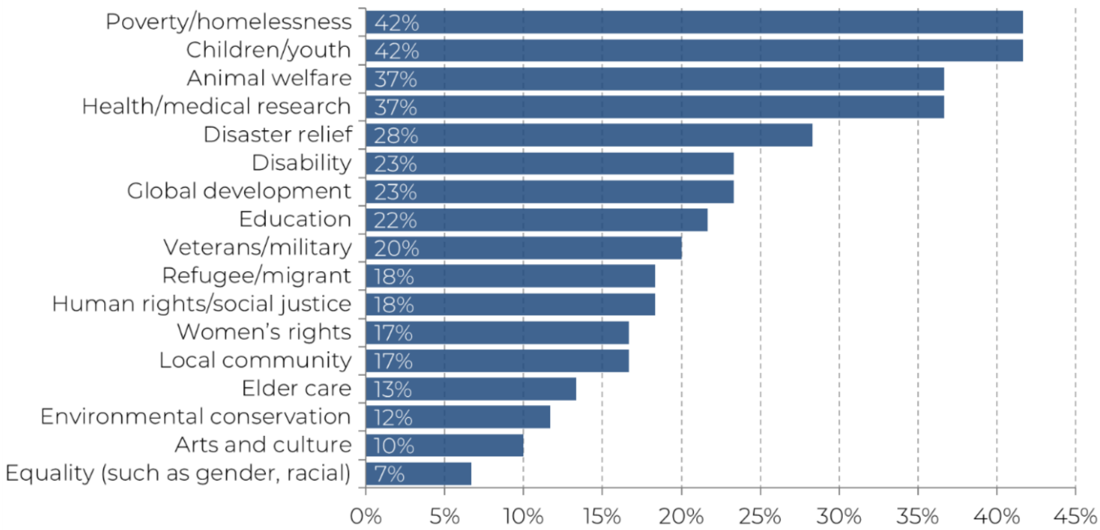
The second area advisers can support clients with is cause. Finding a charity to support, particularly one that effectively demonstrates the quality of its work, can feel overwhelming. For lots of wealthy people, the charity sector is an unfamiliar world; one which requires a new language to understand and expert knowledge to navigate. As such, around a quarter of young wealthy people surveyed want help choosing causes and identifying organisations that will be most likely to achieve a positive impact.

Many advisers report feeling that this is a challenging area to be comfortable giving advice in, because charity is deeply personal. This is reflected in young wealthy people's motivations to give. Their most popular reasons are to "make a difference" or because of an emotional connection to a particular cause. One in four (27%) of under-35s surveyed also cited their spiritual/religious beliefs as driving their giving.

Yet there are trends and patterns advisers can use to prepare themselves to be able to talk in broad strokes about causes with their clients. Certain cause areas are particularly important to this group, and wealthy under-35s surveyed were most interested in supporting charities that help children and young people, and those that fight poverty and homelessness.

Figure 5. Under-35s surveyed were most interested in charities that help children and young people, and those that combat poverty and homelessness

The causes/types of charities under-35s support



Notes: Survey conducted September 2023, N=1,036 adults, UK. Respondents were asked to select all cause areas/types of charities they support.

Source: PBE analysis of Opinium survey.

This concentration of interest can help advisers and firms to focus their efforts in the areas most likely to be of interest to the younger wealthy people they are targeting, building relationships and knowledge of the causes most likely to attract them.

Finally, the tax benefits of philanthropy are also key – should that be an area that an adviser or their partners are legally able to provide advice or information on. While highly motivated to make a difference, a proportion of young wealthy people's current giving appears to be more motivated by tax benefits. 15% of under-35s surveyed cited tax benefits as a reason for their current donating behaviour. This is five times higher than the rate of over-55s (3%) who cite this as a reason.

Beginning to provide philanthropy advice: insights from expert Emma Beeston

Advisers looking to start out in philanthropy may find themselves asking how to deliver for clients by making a positive difference in a world full of complex and intersectional issues. It's a big question, and at the start it can feel like an even bigger step away from what many advisers are used to.

Fortunately for philanthropy advisors like me, being immersed in the debates and conversations that philanthropy churns up is part of what makes this work so fascinating. And helping a client navigate their way through to start giving, give more, and give well is deeply rewarding. It is also important – there is a shortfall of $4 trillion on meeting the Sustainable Development Goals[8] and we need more people to be giving. I therefore urge anyone supporting wealthy clients to add talking about philanthropy to their skillset.

My three tips for getting started are:

1. Inform yourself

It is hard to initiate a topic when you don't feel you know enough. There are lots of excellent resources out there. For example:

- Alliance magazine will keep you up to date with current issues and debates.
- Why Philanthropy Matters where Rhodri Davies writes and talks clearly on this topic and articles include going back to the basics of what philanthropy is and what it is for.
- Barclays Private Bank has a Guide to Giving which gives a good overview of the steps and choices involved for philanthropists.
- Advising Philanthropists: principles and practice, the book I co-authored with Professor Beth Breeze, looks at philanthropy from the point of view of the advisor and draws on interviews with 40 advisors.

Hopefully reading will introduce you to the topic, direct you to lots of other great podcasts, reports, thinkers and doers, and also reassure you that you

[8] United Nations Trade and Development (UNCTAD), SDG Investment Trends Monitor (Issue 4),unctad.org/publication/sdg-investment-trends-monitor-issue-4 ,September 2003.

don't need to have all the answers – nobody does. You can be curious for and with your clients and learn together.

2. Learn through doing

If you don't already give or volunteer yourself then get started. The decisions you work through on how best to donate your money or time will give you an insight into the thoughts and feelings your clients will be having. Do you decide to give locally because you can see the difference made or do you choose to support work in the global south because your money goes further? Do you tell your friends or feel you want to keep your giving private? As well as helping others, volunteering will provide a valuable insight into what it is like to work in the charitable sector. Charities often need Trustees with financial acumen – Getting on board has useful resources and links to Trustee vacancies.

3. Do it with others

There has been a huge rise in collaborative giving. Giving in a group – whether a giving circle, pooled fund or funder collaborative – means you can share expertise and resources and amplify your impact. It also can take the pressure off feeling it is all on you to get this right. The same applies to learning about philanthropy. You can spread the load and enjoy the conversations if you do this with others. Why not set up a book club with colleagues? Or invite experts into your workplace to talk about their work (always pay charities for their expertise and time) or to provide training in philanthropy and giving philanthropy advice? Could your firm provide a venue for local charities, set up a skilled volunteering programme, donate a percentage of profits, or start payroll giving?

Your clients are also a great source of insight. As a small first step you could start with them: why not explain this is an area you are thinking about and ask them if they are looking for any support with their giving.

Conclusion

Providing philanthropy support for young wealthy clients presents a significant growth opportunity for financial advisers. With around 200,000 wealthy under-35s holding investable assets exceeding £100,000, advisers who understand and cater to the philanthropic inclinations of this generation can build long-term relationships with the high-net-worth individuals of the future.

Supported by an alliance of accredited bodies, government entities, and philanthropy experts, the Financial Conduct Authority, the Treasury, and the Department of Culture, Media and Sport are working to enhance philanthropy training for advisers. This initiative aims to empower advisers to provide the necessary guidance to the generous generation, benefitting clients, the financial sector, and the broader community alike.

Firms that do not currently offer philanthropy services or limit their offerings to the ultra-wealthy risk being left behind – by demographics, demand and by governmental action. To seize this moment, financial advisers must evolve, integrating philanthropy into their core services to attract and retain the next generation of clients. Embracing this opportunity will not only differentiate advisers in a competitive market but will also contribute to a more giving, socially-conscious society.

The time to act is now. By championing philanthropy, financial advisers can ensure they remain relevant, competitive, and impactful, securing their position as trusted advisors to the generous generation.

Annex: Research methodology

Survey details

PBE commissioned Opinium to survey UK adults with investable assets of £100,000 or more (excluding the value of their main residence or other illiquid assets).

The question used to determine eligibility for inclusion in the survey was:

For the purposes of this question, we define investments as any savings/investments outside of your main residential property or workplace pensions.
Including the value of any private pensions, SIPPs or ISAs, what would you estimate is the total value of your investments?
(Please exclude the value of your main home).

Opinium spoke to 1,036 adults in September 2023. The sample is unweighted. We cannot from this data derive any age effect.

Within the sample, by age:
- 68 people were aged 18-34
- 248 people were aged 35-54
- 720 people were aged 55 or older (of which 400 were aged 65 or older)

Within the sample, by asset value:

- 550 people had investable assets between £100,000 and £250,000
- 270 people had investable assets between £250,000 and £500,000
- 216 people had investable assets over £500,000

Population estimates

We estimated the total number of wealthy under-35s in Great Britain using data from round 7 of the Wealth and Assets Survey (WAS) – a biennial household survey conducted by the Office for National Statistics. Round 7 covers April 2018 – March 2020, and is the latest available at the time of this report.

To ensure comparability with the definition of wealth used in the PBE-commissioned survey (above), we combined variables from the detailed microdata of the WAS survey to create a wealth measure covering net financial wealth and private pension wealth.

Based on this measure, we identified nearly 100 respondents aged 16 to 34 with wealth above £100,000. Using the sample survey weights, this corresponds to an estimate of a little over 200,000 individuals in the population in Great Britain. On the same basis, we estimate that around 1.4 million people aged 35 to 54, and around 4.1 million aged 55 and over, had financial wealth over £100,000 in 2018-2020.

Given that the WAS data related to April 2018 – March 2020, we tested the sensitivity of the estimates to changes in wealth over the past few years with a simple modelling exercise. We judge that our estimates are still broadly appropriate in 2024, though the true number of people with over £100,000 wealth may have increased, in part due to high inflation.

PLTY01

PRO BONO ECONOMICS

@ProBonoEcon

www.probonoeconomics.com

020 3632 2668