

Despite Downturn, There's Hope for Charitable Giving, Researchers Say (10/15/08)

Despite turmoil in the financial markets and a slowing economy, charitable giving levels may not be affected as much or for as long as some fear, say researchers at Boston College's Center on Wealth and Philanthropy (<http://www.bc.edu/research/cwp/>).

Speaking to a group of American fundraising professionals at Boston College, John J. Havens, a leading authority on empirical patterns of wealth, said it could be a year or more before the impact of the current crisis is seen in charitable giving levels.

According to Havens, the nation is in a "wealth recession," defined as three successive quarters with a decrease in the real value of wealth. In the most recent recession, the nation began to see a decline in net wealth in 1999, while a falling stock market in 2000 contributed to a downward trend in household wealth that lasted three years. During that period, aggregate household wealth declined by 15 percent to 20 percent – the broadest and deepest such downturn since the 1930s.

The decline in net worth, however, did not directly correlate with changes in charitable giving. Average household contributions did not begin to fall until 2000, and they did not drop as much as households' net worth did. From 1999 to 2002, average net worth dropped by as much as 20 percent, while aggregate charitable giving fell only 10 percent. Moreover, when net wealth began to rise again in 2002, aggregate giving also began to increase.

In the current climate, said Havens, net household wealth began to decline in late 2007, which means there could be a lag of up to a year before giving declines -- in part because high-net worth donors tend to plan their contributions a year or more in advance and in part because the decline in total giving may not be significant. Havens did offer a caveat, however: though household incomes historically have proven more stable than net wealth, if incomes were to decline significantly, the resulting impact on charitable giving would likely be far greater.

"One key characteristic of this crisis is that it has certainly affected the top 8 percent of households of the income-wealth spectrum, which is responsible for more than 50 percent of charitable giving," said Paul G. Schervish, director of the Center on Wealth and Philanthropy. "So the challenge facing charitable and philanthropic enterprises is to see if the emotional identification that can be elicited from the donor -- the sense of caring -- can overcome what is, for now, still hoped to be a temporary crisis."

"Despite Downturn, There's Hope for U.S. Charitable Giving, Boston College Researchers Tell National Conference of Fundraisers." Boston College Press Release 10/10/08.

<http://fconline.foundationcenter.org/pnd/15015512/story>