



## FEATURE: ULTRA-HIGH-NET-WORTH FAMILIES & FAMILY OFFICES

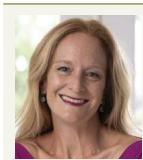
By **Sharilyn Hale**

# Philanthropy and Wealth 3.0

A more skillful view regarding advice on charitable giving

**H**ave you heard of Wealth 3.0? It's a new paradigm that reframes and deepens how advisors across disciplines may work with ultra-high-net-worth (UHNW) clients. Responding to long-term shifts in professional advising and the increasing influence of positive psychology, James Grubman, Dennis T. Jaffe and Kristin Keffeler have advanced a more nuanced and balanced understanding of wealth as a complex opportunity for families in their book, *Wealth 3.0: The Future of Family Wealth Advising*.<sup>1</sup> Wealth 3.0 is intentional and strength-based, eschewing the fear-driven controlling perspectives they've defined within prior paradigms Wealth 1.0 and 2.0. And, it has implications for philanthropy. Too often, philanthropy is oversimplified. It may be offered as a straightforward solution for family dysfunction or a surefire strategy to prevent children from becoming entitled or otherwise harmed by wealth. Charitable giving may be conducted in ways that are passive and transactional despite carrying high hopes it will perpetuate fundamental family values. Foundations may be funded and structured in ways that concentrate authority or dictate involvement and direction, sometimes from the grave.

Reflecting on Wealth 3.0, however, we're invited to establish new thinking on top of what we know is working well. It matters. Grubman, Jaffe and Keffeler have made the case that the narratives advisors advance with clients are influential in shaping clients' perspectives and actions. See "Eight Areas of Philanthropy Advice," p. 47.



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What does Wealth 3.0 mean for philanthropy and philanthropy advising in particular? It offers a more skillful view of philanthropy advice and its relationship to the broader advisory ecosystem, which informs how we talk about philanthropy and how we advise that it be practiced.

### Not All or Nothing

Family philanthropy doesn't have to be all or nothing. For many families, giving together is a pleasurable low conflict activity that can express their desire to make a difference in the world. It can be a meaningful thread that connects one generation to the next; an inspiring platform for the rising generation to cultivate the seeds of empathy, generosity and justice and a dynamic space to experience real agency. Indeed, the value and benefits of giving and sharing are well articulated, from faith traditions to academic research.

My research on generous families found the experience of working together across generations, navigating decision making, having fun while learning new things and resolving conflict (as can be required in philanthropy) can strengthen a family's social capital muscles over time—their capacity to be in relationships with each other, share ideas about their history and identity and engage with trust, respect and dialogue. This capacity can then bring associated benefits to other spheres of family life.

However, a Wealth 3.0 approach understands that setting up a giving structure or undertaking a formal philanthropy program may not be right for every family (or family member). The new paradigm helps us recognize the potential to set unrealistic expectations, elicit shame and, in some cases, even cause harm.

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Some families don't have the requisite social capital to draw on to work effectively together. A collective giving experience might be traumatic for some or perpetuate experiences of relegation or control. Or, a collaborative model may not align with family or cultural norms. Most philanthropy advisors can relate to being engaged by a family, when the wealth creator expressed grand aspirations for what the family would do together through the family foundation, but when rising generation members struggled to have a meaningful voice and were undermined. The experience of mandated collaboration, and a wealth creator's inability or unwillingness to course-correct, can deepen lifelong resentments and harden goodwill.

Some family members want philanthropy to be an expression of their own identity and commitment. Women, for example, are increasing their control of wealth and often wish to develop their own philanthropic profile. And, in the words of a G4 business family member, "we do everything together ... do we have to do this together too?" These realities ought not to preclude families from engaging in giving activities, where there's a spark. Giving together doesn't have to be all or nothing.

Wealth 3.0 permits us to recognize the nuances of each client and family member along their developmental journey. Deep discovery and generative conversations continue to be critical elements of 3.0 philanthropy advising, in which each individual involved or invited to participate in philanthropy is engaged and heard. The resulting insights can then stimulate a generous array of options and strategies that honor and enable the philanthropic intent of the family.

### Seeking Purpose

Many affluent families are looking to redefine what success looks like. In their book, Grubman, Jaffe and Keffeler describe family wealth as a vehicle for learning with the ultimate goals of well-being and the ability to thrive. Philanthropy and social impact can be meaningful avenues for discovery and skill development as well as service and connection to others. These are where a purposeful life is often found.

Rather than being viewed as medicine for what ails a family, giving can be a powerful platform for growth and exploration, collectively and individually. I've often observed this in the context of family change and transition, for example, an enterprise family that sold an operating business, a younger family member charting their future or a family member who needs to start a new chapter after divorce or the death of a spouse or founder. It's natural in these moments to reflect on what matters most and what can make the heart sing.

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This shift from the preservation of capital at all costs to the pursuit of purpose and the purposeful use of all forms of capital creates more opportunities for philanthropy and social impact—those gifts of time, treasure, talent, ties and testimony. An individual may take an active role in philanthropic leadership and governance, become informed about social and environmental issues, engage in critical conversations about inequality, volunteer and advocate or research new models for deploying financial capital for good. Even the experience of honing philanthropic mission, vision and values can be grounding and help families connect to a world outside their own.

Philanthropy advisors have a unique opportunity to work with family members of the rising generation to tap their creativity and imaginations as budding philanthropists. The advisors can offer a forum for the rising generation to explore their relationship with their family's wealth and perhaps find a new purpose in it. An advisor colleague shared with me his work with a teenager from a *Forbes* 400 family:



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He has found peace through philanthropy. He's literally sleeping better at night. He feels he's making an impact in the world, and that he's seen, heard and valued as we do this work. We are also unlocking 60-70 years of future philanthropy.

Wealth 3.0 emerges at a time of significant shifts within philanthropy. It dovetails with the growing expectations that philanthropists adopt more informed and inclusive giving practices while being reflective about their power and influence. This can be challenging for some generous families to navigate, when giving may carry the potential for scrutiny and reputational risk. Even the thoughtful deployment of billions of dollars by MacKenzie Scott hasn't gone without criticism. When you add to this the increasing ways to create social impact (in addition to traditional philanthropy), cross-jurisdictional giving and the increasing diversity and complexity of families and communities, the result is a deepening value proposition for skilled philanthropy counsel.

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Clients aren't helpless actors who need us to save them, however. They often come to philanthropy with generational charitable legacies, histories of giving and volunteering and an inclination to harness the full scope of their intellectual, social and political assets with entrepreneurial mindsets. They care deeply about impact. Philanthropy advisors are increasingly called on to thread a fine needle

between simply being expert guides and the more complex role of enhancing a client family's capacity, knowledge base and driving ambitions.

Exploring these issues is often soulful work that requires engaging the hearts and minds of participating family members. Not all family wealth advisors feel comfortable having these kinds of conversations or relating to their clients in these ways, and their compensation models often don't account for such work. Traditional Wealth 1.0 and 2.0 approaches too often have defaulted to the technical activities of philanthropy, such as setting up giving structures, managing charitable assets and developing tax-efficient giving strategies. This often occurs without much more than surface considerations of why.

These technical considerations are important and necessary, but Wealth 3.0 philanthropy counsel requires rebalancing and better integration of the technical and content areas of philanthropy so that purposes—for self, family and community—can be brought to light in more detail. Networks of relationships that support and enable community-responsive giving can be mapped and nurtured. It's especially useful when the organization and governance of giving can be crafted in ways that resonate with participant realities and aspirations as well as community needs and transparency. Savvy family wealth advisors come to realize that working with skilled philanthropy advisors in philanthropy tends to support and open doors to important work and conversations happening—or that need to happen—in the broader family system.

### A Distinct Domain

Philanthropy is a distinct domain even as the advising field is diverse and evolving. The UHNW Institute's Ten Domains of Family Wealth model<sup>2</sup> includes the domains of social impact and philanthropy, deemed essential to the responsible stewardship of wealth and integral to the ongoing cultivation of family capital. These reflect both the technical and the content aspects of philanthropy advice. While in some corners of family wealth advising there remains a dated sentiment about giving (that is, "how hard can it be?"), the model recognizes philanthropy advising as a distinct discipline rightfully situated within a multidisciplinary and interconnected frame.

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Philanthropy isn't competing with, distracting from or relegated off the side of someone's desk. It enhances the value and cohesion of the professional advisory toolkit providing more fulsome benefits to clients and community.


Wealth 3.0 calls for greater professionalization, training and education across all the domains of family wealth in addition to the enhanced elements of advising. As Grubman, Jaffe and Keffeler point out about the other domains, there are few ways for clients to assess the quality of the philanthropy advice they may receive. For professional philanthropy advisors, there's no comprehensive body of knowledge, educational path, credential, practice framework or widely adopted ethical standards. Yet, there have been efforts to better articulate the work. Professional advisor networks and communities are also sprouting. And, a great deal of research and community expertise is available on philanthropy, philanthropists and effective giving strategies professional advisors may draw from in addition to knowledge integrated from other family wealth domains. Strategies to help families select and assess philanthropy advisors specific to their needs would be a useful contribution to the field.

Philanthropy advising has a great diversity of practice and practitioners, as found in research conducted about philanthropy advisors globally. Defining philanthropy advising as "skillful support for thoughtful donors,"<sup>3</sup> the research indicates that some advisors focus on philanthropy exclusively while for others, it's only a portion of their practice. Some are independent consultants while other advisors work for a single family, in a community foundation, wealth firm or family office. Some come to advising following careers in the charitable sector while the path for others runs through the private sector.

What we as advisors tend to share is a desire for more and better philanthropy together with a sense of accountability to our clients and the community. Yes, we understand that we have a duty to the public trust. This must include understanding the systemic workings of the social sector, entrenched global challenges, how change happens and the complex dynamics between funders and grantees. Advisors with a commitment to core Wealth 3.0 principles of

rigor and ethical practice, in hand with experience and evidence-based knowledge, will better serve clients and carry a responsibility to help advance the field.

### The Future

Philanthropy can and does play a deeply purposeful role in the life of UHNW individuals and families. Donors' ability to give well is essential to our communities. The rising paradigm of Wealth 3.0 recognizes the strong potential to be found in skillful philanthropy advice. It also emphasizes the opportunity for greater collaboration and alignment across all the domains of family wealth. 

### Endnotes

1. James Grubman, Dennis T. Jaffe and Kristin Keffele, *Wealth 3.0: The Future of Family Wealth Advising* (2023), [www.amazon.com/Wealth-3-0-Future-Family-Advising/dp/BOC9SHFSGM](https://www.amazon.com/Wealth-3-0-Future-Family-Advising/dp/BOC9SHFSGM).
2. UHNW Institute, *The Ten Domains of Family Wealth*, [www.uhnwinstitute.org/our-thinking/](https://www.uhnwinstitute.org/our-thinking/).
3. Emma Beeston and Beth Breeze, *Advising Philanthropists: Principles and Practices*, Social Sector Press (2023).

### Eight Areas of Philanthropy Advice

#### Common issues

Advisors address:

- stimulation to become philanthropic;
- getting started in philanthropy;
- management, administration and technology;
- strategic planning;
- effective grantmaking;
- evaluation and impact;
- family issues and collaboration; and
- supporting life-long learning.

— *The Philanthropic Initiative*,  
<https://search.issuelab.org/resource/what-s-a-donor-to-do-the-state-of-donor-resources-in-america-today.html>