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## Strategic Assessment of Philanthropy: Lessons for the Joyful Giver

Patrick Moynihan, Seth Morton & Marc J. Sharpe

All major faith traditions, ethical systems, and moral codes emphasize the importance of charitable giving. Saint Paul puts it succinctly: “He which soweth sparingly shall reap also sparingly; and he which soweth bountifully shall reap also bountifully.” The stoic philosopher and Roman statesman Seneca offers a complimentary view: “We should give as we would receive, cheerfully, quickly, and without hesitation; for there is no grace in a benefit that sticks to the fingers.”<sup>2</sup>



The highest goal then is to give cheerfully and without hesitation. However, the modern cynic, and probably you and I, for justifiably prudent reasons, would counter that one must also give responsibly. The joy of giving is easily crushed when donations produce little change or, worse, are wasted or stolen. By the same logic, increasing your philanthropic allocation will not proportionally increase your joy. Developing an informed approach is crucial.

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<sup>2</sup> For more of Seneca’s writings on charity, see *On Benefits*, perhaps the first extended work on the nature, purpose, and value of charity.

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## Increasing Joy Without Decreasing Prudence

If giving should be joyful, then how can one increase joy without sacrificing the crucial role of diligence in order to make prudent and informed decisions? Looking through the lens of process can help diagnose and understand the overall ecosystem of a family office's philanthropic work. A family office philanthropy team can enter the space with the best of intentions only to emerge jaded by bad faith actors and overly complicated structures. The result is that they become disenchanted with the potentially rejuvenating and rewarding work of giving, which then reverberates throughout the family office. In this scenario, rather than a source of joy, philanthropy becomes a burden, or just another way to build a tax efficient balance sheet. The fault doesn't lie with any individual or organization, but rather emerges from a locus of forces and constraints that make it difficult to do philanthropy well.

The most fundamental force is simply the scale of the problem itself. An unintended consequence of being a global citizen is the inheritance and enormity of global problems. The scale of the problems are often so great that no individual or group of philanthropists alone can solve it. Against such large-scale problems, even large acts of giving appear like a drop in the bucket. But despite the enormity of the problems, and complexity of the system, one can still do philanthropy well. Doing so requires careful design and the ability to mediate a healthy cynicism with a sincere desire to improve the world in a meaningful way.

It's for these reasons that family offices must proceed with the utmost care and caution -- but proceed all the same. The rise of new qualitative metrics like Environmental, Social, and Governance (ESG) and the broader category of "Social Impact" evince the tidal shifts that are

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underway in public and private markets.<sup>3</sup> The rise of impact investing is in part born out of the realization that the private sector has an immense influence over a host of non-financial outcomes.<sup>4</sup>

Despite these commercial trends, there will always be a need for philanthropic citizens; if for no other reason that not every worthy cause can (or should) be profitable. The division between philanthropy and ‘for-profit’ impact investment is complex and merits further analysis, but for our purposes it’s important to simply note that there are some endeavors that produce desirable social goods but will never themselves be profitable<sup>5</sup>.

## Measuring Giving Practice

To help your assessment of your own family office’s approach to philanthropy, we offer four assessment ‘metrics’ for consideration. These metrics are qualitative in nature and are meant to inspire critical thinking and analysis. Alongside these metrics is a heuristic that offers one way to think about portfolio construction. The most important take away comes from the ancients themselves: giving should be joyful. If you are happy and content with your giving practices, then continue in your path as a joyful giver.

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<sup>3</sup> For our thoughts on ESG and Impact Investing, see our earlier publication “Impact Investing: What Family Offices Must Consider.” <https://tfoatx.com/wp-content/uploads/2021/01/Whitepaper-2.0-Impact-Investing.pdf>

<sup>4</sup> According to Charity Navigator, philanthropic dollars represent only 2% of GDP. While that 2% can make a tremendous impact, they must be managed and deployed with utmost care. <https://www.charitynavigator.org/index.cfm?bay=content.view&cpid=42>

<sup>5</sup> Education is one example: the value of an education is unmistakable, but the gains themselves may not be realized for years or for generations. Hospitals and healthcare are also excellent examples. Hospitals in the 19<sup>th</sup> century were largely funded through religious organizations and churches. Their existence was wholly dependent on philanthropic commitments. Today we view hospitals and healthcare as an essential part of our society, not merely as an act of charity.

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## 1. Fluidity

The concept of fluidity assesses the overall speed of your giving. How easy is it for you to give? How long does it take you to get comfortable with a new organization? The counterforce to fluidity is drag. These are not moral terms; speed is not a universal good and drag is not a universal bad. Philanthropy is much harder to analyze than investing because the return on philanthropic giving is social, not financial. The nation's wealthiest individuals have voiced this sentiment. Elon Musk, on January 7, 2021, tweeted that finding impactful ways to donate money is "way harder than it seems." While Musk is at the beginning of his philanthropic journey, the Bill and Melinda Gates Foundation has 1,600 employees and an endowed trust of \$49.8 billion dollars. Even with a large staff and annual contributions from Warren Buffet, the foundation supported grantees with only \$5.1 billion in 2019.<sup>6</sup> Based on the Gates Foundation public disclosures, the organization could easily sustain an annual giving budget of about \$7.5 billion and still remain within their stated goals and objectives. The need and the resources exist, but the processes and systems increase the drag and slow down the overall impact.

From a macro perspective, the problem of an illiquid philanthropic ecosystem is evinced through the capital held up in donor advised funds (DAF).<sup>7</sup> In 2018 total contributions to DAFs grew by 20% to \$37.12 billion. Total charitable assets in DAFs were \$121.42 billion in 2018. Despite the increase in funds, the aggregate grant payout rate remains around 20%. While the DAF payout rate is higher than what private foundations are required to give, there is a tremendous amount of capital stuck in DAFs. Unlike an institution like a foundation, the

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<sup>6</sup> Gates Foundation Fact Sheet. <https://www.gatesfoundation.org/Who-We-Are/General-Information/Foundation-Factsheet>

<sup>7</sup> See Mark Schoeff Jr. "A Better Way of Giving," *Investment News*, 22 March 2020. <https://www.investmentnews.com/a-better-way-of-giving-190446> and the *National Philanthropic Trust's* 2018 DAF Report: <https://www.nptrust.org/reports/daf-report/>

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purpose of a DAF is meant to streamline the giving process between making the gift and deploying the gift. Part of the disjointedness emerges because the benefit to giving to a DAF is secured once the gift is made, not when the gift is deployed. In other words, the incentives to make the gift are higher than the incentives to deploy the gift. If DAFs only deployed 20% of their assets in 2018, does that mean that there were only \$24.28 billion dollars of worthy organizations? Given the scale of the national and global problems and the amount of human and ecological suffering, it would appear that the problem is not the lack of need, but rather the lack of fluidity.

Your success as a giver is secured through trust and knowledge, both of which require time and patience. As a general principle, the more you trust the individual or organization, and the more you know the details of their organization, as well as their mission, the more quickly and fluidly your giving will be. The conclusion of this paper outlines a few practical strategies that can help increase the overall fluidity of your philanthropic practices without losing the important and necessary work of diligence and building an informed understanding. As a family office philanthropist, reflecting on the fluidity of your own giving practices may help you discover new ways to optimize your overall practice.

## 2. Transparency

There are two lenses through which one can analyze transparency: authenticity and integrity. Authenticity captures the extent to which claims line up with actions and intentions. Integrity speaks to how the practices of the organization fit within a larger social and economic milieu.

Authenticity is the surest way to establish trust in an organization. Do they do what they say and are their operations open for careful diligence? In extreme cases, inauthentic organizations

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may be acting fraudulently, however a more common occurrence is simply the marketing claims of the organization not living up to the experience and practices on the ground. Because there is such a strong connection between the story of an organization and their ability to attract donors, sometimes the claims of the organization outgrow the operations. Stakeholder analysis as well as program and financial analysis and track record are critical factors for any analyst here.

The concept of integrity, in this instance, refers to the human, social, and economic stability of the mission of the organization. A clear example of an unsustainable practice is found in the practice of donating basic supplies – like clothes – to poor nations. In the case of Haiti, donated T-shirts end up being sold for pennies on public markets. The result disrupts the local economy, puts skilled craftsman like tailors out of work, erodes community-based knowledge, and creates a dependency between the developed and undeveloped world that cannot be easily undone.<sup>8</sup>

There's no easy way to analyze the sustainability of an organization but empowering your team to investigate the secondary and tertiary consequences of an organization, with the same level of rigor that they bring to private investment opportunities, and working with experts in the space will help build a more sound and thoughtful overall strategy and mission to your philanthropic activity. Becoming a subject-matter expert in a specific region or theme allows you and your team to build a specific knowledge base in order to understand the major players and the best and most effective strategies.

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<sup>8</sup> Patrick Moynihan has written about this exact phenomenon, which he witnessed first-hand during his time with The Haitian Project. <https://www.catholicnewsagency.com/column/t-shirt-mistakes-2029>

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### 3. Efficiency and Effectiveness

While the concept of fluidity and drag represent one way to understand efficiency, the concept broadly speaks to all the forces that either impede the flow of capital or dilute the use of capital. Drag is both quantitative and qualitative. There are ways to measure the efficiency of the gift, but one must also reflect on the other forces that are causing one to “drag their feet.” Is the gift outside of your comfort zone, do you have reservations about the organization, do you question the larger impact and purpose of the gift, are there competing interests that make an equally strong case for another kind of organization?

As was the case with DAFs, analyzing the relationship between the dollars committed vs the dollars deployed is one way to measure overall portfolio efficiency. Another equally important metric is the measurement of operational overhead vs deployed capital. It’s not always the case that low overhead costs mean well managed money. More important is the organizations justification and analysis of their own overhead costs and how those line up with your own ideas. Robust organizations that are looking to build a charitable legacy need to create worthy incentive structures in order to attract and retain top talent. Similar to building a family office team, finding the perfect balance between operational efficiency and rewarding incentives is an ever-evolving dynamic. When it comes to philanthropic activity, the best place to begin is simply with validating the claims of the organization itself. For example, “Food for the Poor”, got into trouble because its marketing claims used cash and noncash donations to appear much more efficient than it actually was. Eventually the state of California issued a cease-and-desist order to “Food for the Poor” and this is a cautionary tale in the importance of careful diligence<sup>9</sup>. Although your gifts will not be measured through an ROI, it is vital to work with experienced

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<sup>9</sup> Martin Levine, NPQ: *Nonprofit Quarterly*, “Food for the Poor: Questionable Tactics Threaten its Credibility and Reputation. 6 June 2018 <https://nonprofitquarterly.org/food-for-the-poor-questionable-tactics-threaten-its-credibility-and-reputation/>

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professionals that can help identify robust, authentic, and well-designed organizations that will help you achieve the social objectives of your philanthropic gifts. Those that you empower to help steward your capital toward these ends must be as diligent and rigorous as the investment team that structures and negotiates private investment or public securities.

#### 4. Joy

It's difficult to write about joy in a rigorous way, but it may be the most foundational and important 'metric' on this list. Giving should be joyful. When organizations you've given to in the past call you, or your philanthropy team reaches out to have a meeting, do you feel joy or dread or nothing at all? If the feelings are negative, then it may be time to undergo a deeper review of your overall strategy and goals. If you already experience joy, then how can you continue to foster and grow that experience for yourself, your team, and your peers? One important relationship is the connection between joy and knowledge. By joy, we're not referring to the superficial rush one experiences when one makes a large gift. The kind of joy outlined by St Paul and Seneca is sustainable and grounded in knowledge. Making informed choices and knowing that your actions are making a real and significant impact in the world create a foundation for becoming a joyful giver.

#### Putting These Metrics into Practice

Hopefully these four metrics help put your own giving practices into perspective. If that's the case, then there are some easy-to-implement strategies to improve your giving practice. First: Curate your portfolio. Pick a few organizations to get seriously involved with. Organizing around a specific theme is a great place to start. Second: Become a subject matter expert. Build a knowledge base around the theme, expert writers and thinkers, and major organizations and efforts. Third: Identify opportunities for outsized impact. Large gifts can seem small when given



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to massive foundations; alternatively, local organizations or more niche strategies may allow you to make a massive difference within a particular area. Extra diligence is required when working with newer organizations, but the opportunity to grow alongside an organization while it builds out its capabilities Finally: Become engaged with the community. Get to know the groups that you're most active with and look for opportunities to become a board member or advisor.

While these strategies offer a framework for deploying enlightened capital, you can supplement this strategy with a separate pool of funds for more spontaneous gifts, akin to a pipeline for future opportunities and research. From a risk management perspective, 80% of your allocation may be dedicate to your core area, while 20% you keep on reserve for new opportunities.

We hope by putting the above strategies in place it will help you to add more joy to your giving!

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**Patrick Moynihan** is a leader in the nonprofit space with experience as an educator, a community builder, who spent the past 25 years successfully reviving and then expanding an educational institution, in Haiti, one of the Western Hemisphere's poorest nations. Patrick has seen the best and the worst in the global philanthropy and he launched Moynihan Philanthropic Advisors (MPA) in 2020 to share his knowledge and help funders gain the confidence to invest their philanthropic dollars more quickly and accurately, increasing its impact. Patrick graduated magna cum laude from Brown University and earned a Master of Arts Degree with distinction in Religious Studies from Providence College. Ordained a permanent deacon for the Roman Catholic Diocese of Rockford (IL) in 2001, he is currently assigned to St. Sebastian, Sebastian, FL and lives with his wife, Christina, in Vero Beach, FL. Contact: [Patrick Moynihan](#)

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**Marc J. Sharpe** is the founder and Chairman of [TFOA](#), an organization formed in 2007 to provide a forum for education and networking and to serve as a resource for single family office principals and professionals to share ideas and best practices, pool buying power, leverage talent and conduct due diligence. Mr. Sharpe is active in the community and has served on the Board of the Holocaust Museum Houston, the HBS Houston Angels, and on the Investment Committee for two Texas based foundations. Contact: [Marc Sharpe](#)

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