As we turn the page into a new decade and consider the future of philanthropy, we might expect to see blurring lines, and it is a good thing! In other words, as families are increasingly global, the geographic lines that once dictated grantmaking continue to blur. The line between investing and grantmaking is becoming blurry as philanthropists try to ensure their investments align with their purpose. And as clients consider their legacy in an integrated way, the line separating philanthropy from other aspects of life is becoming blurry. In this article, we explore several instances of this “blurring” and provide examples for how philanthropically minded individuals can embrace this blurring in their giving and investing plans.

**Blurred Geographic Lines – Cross-Border Giving Likely to Continue**

From the Gold Rush of 1849 to the Bakken Boomtowns of 2006, Americans have demonstrated a willingness to move in pursuit of opportunity. Although recent data suggests that geographic mobility in the U.S. has been declining generally, families of affluence in the U.S. and around the world continue to be mobile. People with wealth may move for any number of reasons – opportunity, political stability, favorable tax structure, lifestyle – and recent studies suggest that the wealthiest people in the world are also the most mobile.

Multinational philanthropic families will often seek opportunities to engage in cross-border giving. In fact, charitable giving outside of one’s home country is a growing segment of philanthropy. Cross-border giving is not without its challenges, regardless of the philanthropic vehicle that is used. For example, U.S.-based philanthropists cannot give directly to a foreign organization and receive a tax deduction.

There are, however, several options to help U.S.-based philanthropists meet their cross-border giving goals in a tax-friendly way, including affiliate organizations, expenditure responsibility and equivalency determination. The most efficient strategy is granting to an affiliate organization. An affiliate organization, often known as a “friends of” organization, is structured in the U.S. as a fundraising platform and provides tax deductibility for U.S.-based philanthropists. If granting to an affiliate is not an option, philanthropists who want to engage in cross-border giving through their private foundation or donor-advised fund may use expenditure responsibility (ER). ER is an enhanced level of due diligence designed to ensure that each grant is used as intended. Another option is making an equivalency determination (ED), the process through which a determination is made that a foreign grantee is the equivalent of a U.S.-based charity.

A decade ago, many philanthropists struggled with the ambiguity and infeasibility of these additional requirements in their attempt to meet their cross-border giving goals. Two changes have made it easier. First, in recent years, the IRS has provided clarifying guidance on the specific requirements for both ER and ED. The clarifying guidance has helped philanthropists ensure compliance. Second, a cadre of partners and vendors who will complete the necessary due diligence have
developed. These third-party providers have allowed philanthropists to focus on what they care about – grantmaking – while outsourcing the compliance.

In the coming decade, wealthy families likely will continue to move to cross-border locations. Driven by the recognition by multinational families of need across the world, the interest in cross-border giving will continue and increase. As a result of this increased interest, the IRS is likely to provide additional clarifying guidance. Further, market providers will work to develop solutions that help multinational families accomplish their goals. As a result, multinational philanthropist families will be better positioned to accomplish their philanthropic goals regardless of geographic lines.

**Blurred Lines Between Grantmaking and Investing**

Philanthropists often address society’s most pressing challenges through their grantmaking. They make grants to charities that work toward addressing issues such as climate change, hunger and limited opportunities through arts and education. Increasingly, though, philanthropists are taking a broader view. Instead of focusing solely on grantmaking, philanthropists may try to further their philanthropic goals through their investment returns, thus blurring the line between grantmaking and investing. While traditional investments solely seek financial return, philanthropists may seek investments where there is a potential for positive social impact in addition to financial return.

There has been a growing interest among philanthropic investors around environmental, social, and governance (ESG) investing. ESG investing involves assessing environmental, social, and governance criteria – such as climate change risk, labor practices and risk management – and incorporating these qualitative criteria into the decisions relating to investment selection and the portfolio construction process. The focus on qualitative criteria slightly blurs the line between grantmaking and investing. However, ESG investing is profit-oriented, and investors should not expect to sacrifice return by using this approach.

Impact investing is an evolving practice that seeks to generate positive social impact and positive financial return. It involves direct investment in a company with an intent of having an impact on a specific cause (for example, making an investment in a for-profit safe drinking water company in Africa). The extent to which impact investments weigh and prioritize social impact and financial return varies depending on the investor. One type of impact investment is a program-related investment (PRI). A PRI prioritizes social impact above financial return, meaningfully blurring the line between grantmaking and investing. For a PRI, the primary purpose is to accomplish one or more of the foundation’s exempt purposes, and the possibility of a financial return is secondary.

"Effectively leaving a legacy begins with identifying core values – the values that are underlying all aspects of a person’s life – and aligning those values with the overall plan."

In the coming decade, philanthropists will continue to seek creative solutions to society’s biggest challenges. In addition, philanthropists will want to ensure that their investment objectives are aligned with their philanthropic objectives. As a result, the line between grantmaking and investing will continue to be blurred.

**Blurred Lines Between Philanthropy and Legacy**


Increasingly, clients are thinking about their overall legacy in an integrated way, blurring the lines between philanthropy and other aspects of their lives. The seeds of legacy may include philanthropy, family, community and professional life. Effectively leaving a legacy begins with identifying core values – the values that are underlying all aspects of a person’s life – and aligning those values with the overall plan. Consider the following example:

Cameron was born in a midsize Southern town and was diagnosed with dyslexia as a child. He worked hard to overcome the challenges associated with his dyslexia. After college, Cameron began working with a real estate developer and eventually left to start a successful residential and mixed-use real estate development firm in the then-burgeoning Southern city. The rapid development created great opportunity for Cameron’s business, but the city was faced with certain challenges relating to lack of economic mobility for its most vulnerable citizens.

When thinking about legacy, Cameron wanted to be certain the philanthropic component was integrated with his community and professional experiences. Cameron created a foundation with a twofold grantmaking strategy focused on providing opportunity with an eye toward increasing economic mobility in the community. The first grantmaking pillar was on the full range of affordable housing options. Desiring to bring the full range of real estate business acumen to bear, Cameron assembled an advisory board of real estate professionals to work toward effective affordable housing solutions.

In this example, Cameron reflected on overall legacy in a way that integrated community, business and philanthropic interests. This integration between philanthropy and other aspects of life is likely to continue, as it draws on core values to create a legacy that is deeply personal and meaningful.

The blurred lines of philanthropy will likely continue into the next decade. It reflects the determination of families to find creative solutions to collaborate on issues that are important to them – wherever located. It reflects a desire for alignment across investment and philanthropic strategies. And it reflects a desire to leave a legacy that is reflective of values and is meaningful. Your BBH wealth planner would be pleased to discuss our Philanthropic Advisory services and strategies to help you and your family accomplish your philanthropic goals.