
Shallow Review of Acquiring High Net Worth Individuals



**Note: This review was completely in approx. 33% of the time other shallow reviews were completed.*

Summary

After researching this area for ~15 hours I feel that there is very little information to calculate successes for each of the possible acquisition methods. I have encountered no detailed analysis about HNWNI acquisition. Everything is anecdotal in nature. Further, I haven't found and am unaware of any charities that put a large focus on HNWNI acquisition as a fundraising strategy. This makes me quite skeptical and informs a very conservative prior regarding all HNWNI acquisition strategies. There also seems to be a considerable publication bias in the available information with only successes are reported. Further these successes are not related to charitable giving and it is very unclear to what extent the methods used will be

cross applicable. Also those who attempt the HNWI acquisition don't appear good candidates to perform any reference class forecasting for our own prospects of success. It also at times seems like HNWI acquisition is a Black Swan event, something that was unpredicted and unexpected but rationalized afterwards. It is also worth noting that it seems that HNWI are rarely acquired by charities rather HNWI usually choose a charity based on their own preferences. In addition, I am inclined to risk aversity and all of the available acquisition methods are simply dominated by uncertainties because of a lack of any high quality evidence. Combining this with the previously mentioned conservative prior I remain very skeptical of this method and feel that allocating our resources elsewhere will likely help more people. However, individual giving is clearly power law distributed and because of this at some point in the future it is worth exploring this area. I would place clear time limits on this experiment and be aware of the sunk costs fallacy. The option that I would most like to experiment with is contacting wealth advisors but it would be wise to wait until our website has been significantly altered to appear much more professionally appealing before performing this experiment. I think this option is the most promising because wealth advisor emails are very easy to find, wealth advisors are in contact with many HNWI and there seems to be a demand for some sort of philanthropic advice. It is promising that HNWI seem to be interested in cost effective, efficient charities that will be able to have a large impact.

Super Shallow Report

There are 2 key variables at play here. How to contact HNWI and what to say when we do contact them. Firstly, here is a quick summary of the most interesting stats I came across for how HNWI's give:

HNWI give ~\$70,000 to charity. 75% of HNWI reported volunteering for a charity. Those who did volunteer on average gave 73% more. Education as a cause received the most donations. The highest percentage of wealthy households directed their largest gifts to religious organizations (34 percent) and educational causes (27 percent) – including higher education (19 percent) and K-12 (8 percent). Biggest motivation is believing that their gift can make a difference (74 percent). Wealthy donors have strong feelings about how the nonprofits they support should use their contributions and conduct themselves. For instance, the majority of these donors (81 percent) expect the nonprofits they support to spend an appropriate amount of their donation on general administration and fundraising, and to demonstrate sound business and operational practices (80 percent). When donors stopped giving to a particular charity they previously supported, the top reasons cited were because they received too frequent solicitation or the nonprofit organization asked for an inappropriate amount (42 percent), the donor personally changed philanthropic focus or decided to support other causes (35 percent), the organization was not effective (18 percent) and the nonprofit organization they supported changed leadership or activities (16 percent). Respondents who

rated themselves as “expert” (14 percent) when it comes to charitable giving gave a significantly higher amount to charity in 2013 (\$150,229), compared to those who describe themselves as “knowledgeable” (72 percent, \$64,599) or “novice” (14 percent, \$19,013). Slightly more than half of wealthy donors monitor or evaluate the impact of their charitable giving (53 percent). Among those who monitor the impact of their charitable giving, 29 percent are novice, 53 percent are knowledgeable and 78 percent are expert donors. Those who monitor their giving donate a much higher amount (\$104,265) than those who do not monitor (\$28,543). Taxes usually not cited as why HNWI give. All above stats from [1].

Other Interesting Things I Came Across:

In a 2010 study by Indiana University and Bank of America, HNWI donors reported giving on average \$35,000 a year when not engaged and \$124,000 when engaged. That amount jumped to \$158,000 when the organization tapped into the donors’ professional expertise. Engaging HNWI in thoughtful, meaningful and productive ways resulting in them being “All In” garners mega gifts [2]. The typical ultra-wealthy philanthropist donates US\$25 million over the course of his or her lifetime, is 64 years old, has an average net worth of US \$240 million, and an average liquidity of US\$46 million. The global UHNW population, which comprises 0.003 per cent of the world’s population, holds 13 per cent of the world’s total wealth [3]. 92% of HNWI men report that their spouses drive the amount given and the charities in which to invest [4]. Once the wealthy have decided on a general cause, it is efficiency and the amount spent on administration which are the two most important factors when selecting an individual charity (89% and 88% respectively). Yet, the majority of the wealthy (53%) believe that charities are inefficient in managing donations. Men are more sceptical than women and the very wealthy the most sceptical. 65% of UK-based ultra high net worth individuals (those with over £3m in investable assets) believe charities are inefficient [5]. The report, “Tomorrow’s Philanthropist”, found that the wealthy increasingly want to be engaged with the charities they support and are set to become even more involved with them over the coming decade [6]. However, despite widespread involvement, only a third will donate more than £10,000 a year – less than 1% of their net worth [7]. In fact, in the study mentioned earlier, the average gift from HNWI donors jumped to \$244,000 when their children were part of philanthropic engagement and decision-making [8].

My Thoughts

I was very surprised at how much HNWI volunteer for charities. It seems that the more a HNWI is involved with a charity the more they are likely to give. It was encouraging that HNWI care about what their giving achieves and that most don’t donate for tax purposes. It



was encouraging that efficient and effective charities may be quite appealing to HNWI. Interesting that family played such a strong role in giving patterns. It is problematic that the most popular donation was to religious organizations.

How to Contact HNWI?

In this section I initially brainstormed all the different ways I could think of contacting HNWI. Then I eliminated all the methods that I felt were least promising. To keep this report short I have another document for methods of contacting HNWI thought not to be promising. Methods of contacting HNWI thought to be somewhat promising:

INTRODUCTION THROUGH A MUTUAL FRIEND

A warm lead is going to be much better than cold calling. You'd be astonished to discover the number of people you know who you don't realize you know. By six degrees of separation, you probably do know Oprah!



I am unsure what the best way to go about seeking these introductions would be. We could do a general call for introductions to HNWI or announce that we are seeking an introduction to a specific HNWI. The specific ask for an introduction would require some research about who we want to be introduced to. My subjective sense is that we are more likely to get an introduction if ask for a specific introduction we use a specific call. I doubt that a general call for introductions to HNWI over the EA facebook group would be effective. I would predict that there would be a very low response rate to this. Likely only 0-6 people, which is ~0.1-.01% success rate [9]. This would likely generate few leads and then low subsequent conversions on these leads makes me think that that no HNWI can be successfully contacted in this method. We should also factor in how this may affect EA perceptions of CS. As a result of this I don't think that it is worth doing a general call, especially if it is on the EA facebook group. I somewhat feel that if we were going to meet HNWI's by an introduction through friends it either would have happened by now or there is little we can really do to accelerate the process. I am not fully aware of what the experience of CS has been with this method and think that it would be helpful to hear other people's experiences.

WEALTH ADVISORS

Talking to wealth advisors who have many connections to HNWIs. Honestly I know very little about wealth advisors and it was only listening to Charlie Brezler that made me think about it. Emails of wealth advisors are easy to come across see [here](#), [here](#) and [here](#). Many

HNWIs would appreciate the advice of a financial advisor in helping them reach their philanthropic aspirations. They would like this advice in the beginning stages of their relationship [10]. In the United States, 67 percent of the affluent population consults financial advisors [11]. As such it seems plausible that some wealth advisors may like to have free philanthropic advice. A promising strategy might be sending an email to many wealth advisors saying that we could be a philanthropic advisor. It will be worth it if 1 HNWI is influenced and it seems possible that we can reach one. In these emails we would really have to sell ourselves well. As a result of this, if we were to pursue this tactic I think that our website would need to be significantly updated so as this seems likely to be the first point of contact for an interested wealth advisor. This makes me think that presently we don't have the infrastructure required but that this may be a technique that should be considered in the future. I am really unsure how likely a wealth advisor is to follow up on free philanthropic services. Articles that I came across seemed promising, see [12] for an example. It might be worth arranging a skype with a wealth advisor to further explore this idea if we wish to pursue it.

CONFERENCES

This encompasses everything to do with conferences. Attendance, booths, reserve spots for a dinner at the conference to invite people to network at conferences. Katherine's past experience at conferences for teachers was that it is difficult to start conversations with teachers but that it is worth remembering that this was a different sort of conference and that most teachers were there because schools require them to go. Whereas at another conference Katherine met someone who runs a company that said that he'd include CS as one of only two charities for his wine startup's CSR program. At the conference for skeptics CS had both a booth and a presentation. At this conference we talked to many people and had lots of sign ups. What is more, many people said they would provide things, like a talk to a foundation, or introduction to people. However only one followed-through with a workplace presentation. Joey said that in terms of meeting HNWI we had had a success as at a recent conference because Katherine talked to Lawrence Kruass and Richard Dawkins. Joey felt that targeting people at these conferences was a much better way of trying to find HNWI rather than attending conferences that generally wealthy people attend. Tom was quite clear that he thought meeting HNWI at conferences was a no go and is not worth focusing on. I feel that we should be on the look out for HNWI at conferences but this should in most cases not be the sole or even the primary reason behind why we are attending conferences.



INTERVIEWING A HNWI

Interestingly, we can pay to talk to millionaires on Clarity fm. If we were to do this what should we say to them? Things we could

mention are the book, our research into HNWI and Give Well research. A more difficult question is who should we call when we use this service. Clarity has thousands of people in their directory. A quick scan indicated that a number of people donated the proceeds of their call to charity e.g. Jonathan Feldman. My general sense was that the service overwhelmingly seems tilted towards entrepreneurs. It also seems like there just isn't information available to determine who would be receptive to our ideas. This lack of information makes me feel that it is a longshot to use this service with the hope of establishing a relationship with a HNWI. Other people generally seem to use the service to get advice not to establish a contact. Feedback on Clarity seems positive e.g. see views expressed on a Quora [13]. My Intuition is that there is just going to be a lot of luck involved in deciding who to choose. One person may be very receptive to our ideas and someone else may not and there is not much that we can do about this. Calls will also likely cost ~2-50 dollars per minute.

Other services that may be useful for this process are Help A Reporter Out (HARO) and <http://www.prnewswire.com/profnet/>. More alternatives to these services are listed in this article (<http://everything-pr.com/earned-media-placements/241112/>). We could potentially contact a HNWI by email, cold call, letter, internet-blog or forum, at a conference or on Social Media. Response rates likely to be better through a service like HARO or profnet. There are mixed reviews here (<http://www.yelp.ca/biz/haro-help-a-reporter-out-allston>) for HARO. WE should ask for an interview a month in advance will give lots of time to prepare and be more likely to fit with the HNWI schedule. We could also attempt to leverage other sites for millionaires. Obviously before conducting the interview we should do a significant amount of preparation, research and planning to ensure the interview goes as well as possible.

It is important to note that during this research I came across essentially no information on interviewing HNWI. Honestly, it seems quite low probability to me as we. First we need someone to agree to an interview. Then we need someone to be sympathetic to us. This is problematic because the expected probability of a success is low it will take a long time to explore this area. This will also make us open to the sunk costs fallacy. It also has hints of Pascal's mugging about it due to its low probability but high possible returns.

Considerations for interviewing HNWs:

This interview could establish an initial relationship that we could call upon later. HNWI may be interested in CS and if they are interested it is likely that they will donate thousands. There is also a possibility that they could have some good advice. What is more, they may want to serve on the board. They may introduce us to other HNWIs. This interview will give CS more experience in dealing with HNWI. This HNWI may have really respected opinions and by them being interviewed creates a lot more success for Charity Science. Conducting an interview with a HNW will make us more credible when contacting and conversing with

other HNWI. The counterfactuals of their donations are likely really good. This could lead to a HNWI becoming interested in EA.

Considerations Against Interviewing HNWI:

There is so much uncertainty. Subjective sense is that there would be a lot of luck involved in who we choose to attempt to interview. There is a long and uncertain feedback loop. How long it would take to set up an interview? How receptive will the HNWI be to CS ideas? How long will it be before they donate? Hard to know how receptive the HNWI will be to our ideas until during the interview. Difficult to know how long it will be before they donate. Apart from the uncertainty involved in this technique there are also a number of possible negative consequences. Some people may be negatively affected when we ask for a warm introduction through them to a HNWI. It could come off very badly if HNWI perceives that they are being interviewed for an ulterior motive e.g. thought they were being interviewed about a book not being asked for a donation. We are guaranteed to interview if we do it through Clarity. But Cost Per Minute~ \$3-\$50, probably want 5-60 mins. Therefore cost will be ~\$15-\$3000. The effect of them possibly volunteering may be bad for the team. Offering spot on the board may have negative consequences if they are a bad board member. HNWI may just say what we want to hear initially and never follow through. We have very little experience doing this type of thing and very little reason to suspect that this tactic will be successful. The HNWI may give bad advice and because of the Halo effect we think it is good advice. It is possible HNWI dominates conversation and never really engages the topic. It will be hard to practice for the interview. One bad experience may make us less likely to approach HNWI in future. They publicly say negative things about CS.

UPGRADE

Upgrade the HNWI who are already donating to us/Create a personalized service for these top tier donors. Part of HNWI stewardship. Perhaps can offer a seat on a board or an advisory role. It may be useful to encourage volunteering of HNWI as a lot of HNWI volunteer ~90% [14]. I will defer to the Shallow Review of Donor Stewardship for specific tactics.

SOCIAL MEDIA

Leverage Facebook – friend millionaires with whom you have mutual friends. Normally I send a quick message that says, “I noticed you were friends with so and so too, and I thought it would be cool to connect.” Or “like” their page.

This gives you an initial forum in which to interact. Twitter – follow them on Twitter. Retweet relevant tweets, share their articles and begin conversations with them by tweeting a question. LinkedIn – join LinkedIn groups they’re a part of and join the



conversations. Have we heard of anyone having experience through contacting over Social Media? Forbes article on this topic. My subjective sense is that LinkedIn is the most promising. LinkedIn seems to be popular amongst HNWI [15]. Google + might also be okay [16].

When to contact a HNWI and what to say?

There are a number of things that we can say to HNWI. We could say that we are doing research into acquiring HNWI and then probe them with many questions. Talk about Givewell research and make them support it before we pitch to them. Ask if they would like to be on our board or on the advisory board. We could also ask for advice about how to market to HNWI. I predict that a HNWI would like this. If we were to establish a relationship with them at first I would really focus on giving (as in what we can do for them). This will strengthen ask when it is made. Is time consuming. Make yourself interesting. Sell us innovative. Establish a relationship. Schedule a time to meet again. Advertise yourself as a charitable giving advisor. Appeal to risk aversion. Mention how we are writing a book. Research the individuals. Their research should consist of studying the history of the HNWI and trying to understand methods of influencing them. Cultivate and nurture relationships with the donors to gain their trust. Very carefully make 'The Ask'. Be conservative, Appeal to efficiency and cost effectiveness, Use soft influence and persuasion tactics. Lots of donor stewardship to follow up. Do a heaps of donor stewardship. Continue the cultivation process once a gift has been made – if you want a donor to become a repeat donor, the relationship must always be nurtured.

Resources

- ❖ <http://www.quicksprout.com/2013/11/04/7-ways-i-got-to-know-over-100-millionaires-and-how-you-can-get-to-know-them-too/>
- ❖ <http://www.iwillteachyoutoberich.com/blog/how-to-meet-famous-people/>
- ❖ <https://www.marketingsherpa.com/article/how-to/how-to-market-to-super>

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8. <http://npengage.com/nonprofit-fundraising/high-net-worth-individuals-your-joyful-generous-and-inspired-donors/#sthash.kW0j57ni.dpuf>
9. EA FB group has ~6000 members.
10. http://c.ymcdn.com/sites/www.cagp-acpdp.org/resource/resmgr/Images/The_Philanthropic_Conversati.pdf
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