# The Giving Pledge at 10: A Case Study in Top Heavy Philanthropy

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# The Giving Pledge at 10: Top Heavy Philanthropy in Action

This Inequality Brief is part of an ongoing research project examining the impact of the Giving Pledge. See our full report on "top heavy philanthropy:" ***Gilded Giving 2020: How Wealth Inequality Distorts Philanthropy and Imperils Democracy*.**[1]

August 2020 marks the tenth anniversary of the Giving Pledge, an initiative cofounded by Bill Gates and Warren Buffet to boost giving by America's billionaire class. Members of the Giving Pledge promise to give at least half of their net worth to charity, either while living or upon their death.

The Giving Pledge went public on August 4, 2010 with an initial 40 signers, all from the United States.[2] At that time, there were 403 billionaires in the country. Now, ten years later, the U.S. has 648 billionaires, and dozens more of them have taken the Pledge.[3] In total, over the past decade, 210 individuals and couples have signed on, and the group has expanded to include international Pledgers.

Our ongoing analysis of Giving Pledge signers has yielded two primary discoveries so far. One is that while some Pledgers earnestly intend to fulfill their promises, many are unable to because their assets are simply growing too fast. The second is that many Pledgers will likely fulfill their pledge by giving to a private family foundation instead of to direct working charities, potentially creating perpetual family-controlled institutions that may exist for generations. **This raises concerns that what began as a civic-minded initiative to spur generosity may serve to concentrate hereditary private wealth and power at taxpayer expense.**

## Billionaire Assets Are Growing Too Fast to Give Away

The Giving Pledge is a positive statement by a significant portion of U.S. billionaires that they intend to share their wealth. But the wealth of the billionaire class is growing so fast—even during the current pandemic—that it has outstripped billionaires' current capacity to give it away. **If Pledgers want to make their promises real, they will have to dramatically accelerate their giving just to keep up with their asset growth.**[4]

- **The 62 living U.S. Pledgers who were billionaires in 2010 have seen their wealth grow by 95 percent over the past decade, when adjusted for inflation.** Their combined assets increased from $376 billion in 2010 to $734 billion in 2020.

- Of these 62, 11 have seen their wealth go down because of aggressive charitable giving or market changes. But the remaining 51 have had significant increases in their net worth.

- **9 of them have seen their wealth increase more than 200 percent over the past decade, when adjusted for inflation.** These include Mark Zuckerberg (1,783 percent), John Doerr (416 percent), Marc Benioff (400 percent), Bernie and Billie Marcus (311 percent), Ken Langone (288 percent), Ray Dalio (280 percent), Arthur Blank (277 percent), Stephen Schwarzman (245 percent), and Scott Cook and Signe Ostby (221 percent).

- The 100 living U.S. Pledgers who were billionaires on March 18, 2020 had a combined wealth of $758 billion at that time. By July 18, 2020, their collective assets had grown to $972 billion. This means that over the worst four months of the pandemic so far, these 100 people saw their assets rise by $214 billion, or 28 percent.

- Right now, as of July 2020, the 100 living U.S. Pledgers hold an estimated $972 billion in assets. **If they all fulfilled their pledges today, they would be giving an estimated $486 billion to charity.**

- If the Pledgers then took charitable deductions for those gifts, **the U.S. Treasury would lose as much as $360 billion in reduced income, estate, and capital gains taxes.** This lost revenue would in turn need to be subsidized by the rest of U.S. taxpayers.

These losses in tax revenue are based on a conservative assessment of the charitable deductions taken by households in the top 0.1 percent.[5] The exact amount would depend on gift timing, asset classes, appreciated value, and the use of trusts or other devices to reduce estate and gift taxes.

## Reliquishing or Sequestering Wealth?

Charitable donors theoretically give up any benefit from, and control over, donated funds in exchange for hefty tax reductions. But our analysis indicates that most Giving Pledge donations are going either to private foundations controlled by family members or to donor-advised funds.

Giving to private foundations slows the flow of charitable funds to active nonprofits. It allows wealthy donors and their families to retain significant philanthropic and cultural power and, in some cases, personally from foundation assets through fees and salaries. It enables those donors to retain significant managerial control over millions of philanthropic dollars. **It means that most of the Giving Pledge revenue could be held in family foundations, giving away on the statutory minimum, in perpetuity.**

And if Pledgers instead give to donor-advised funds (DAFs), the movement of money to active charities could screech to a halt, since DAFs have no payout requirement at all. They can also use their DAFs as personal accounts with which to experiment with impact investing or to pass on as part of their legacies.

Many Pledgers establish foundations and DAFs with the best of intentions. But the result is that money that can end up warehoused in institutions that are charitable in name, but not always in deed. And U.S. taxpayers will subsidize these institutions for decades with little return. We must ask what our civil society would get back from their estimated $360 billion subsidy if every Pledger fulfilled their charitable promises by giving to a private foundation.

## Giving Pledger Case Studies

The Giving Pledge is entirely voluntary, and its administrators have clearly stated that they are not in the business of tracking which Pledgers have given what.[6] But based on public announcements and media reports, we have assembled pieces of the picture.

Only a tiny handful of Giving Pledgers have actually given away half their assets to date, or have publicly announced that they have set up their wills to do so. But there are examples of Giving Pledge members who have given away substantial wealth over the last decade, many directly to active charities, modeling the importance of moving money out of their personal domain and to organizations that need it.

Some Pledgers, however, will need to pick up the pace substantially or their promise may be viewed only as a publicity stunt. Others are engaging in fulfillment strategies that are questionable at best—and self-interested tax avoidance schemes at worst.

And the bequests of Pledgers who have died since signing on can give us valuable insight into whether others will truly fulfill their commitments.

### Bold and Direct Givers

- **Chuck Feeney**, the cofounder of the Duty Free Shoppers Group, gave away $8 billion over 22 years in an effective and focused manner through his Atlantic Philanthropies foundation. Feeney is no longer a billionaire and lives in a modest apartment in San Francisco. The Atlantic Philanthropies purposely began to spend down its assets in 2012 and will close permanently this year, all of its holdings given out to working charities.

- CNN founder **Ted Turner** is currently worth about $2 billion, but has given billions directly to various health and environmental charities. His giving includes a single gift of $1 billion in 1998—a third of his wealth at the time[7]—which he wanted to give to the United Nations, but used to set up the U.N. Foundation when it turned out the U.N. didn't accept private donations. Turner originally intended the foundation to sunset after 10 years, but extended its lifespan when the U.N. itself urged him to, citing its effectiveness in reducing childhood diseases and providing humanitarian relief globally.

- **Marc Benioff,** the founder of Salesforce, and his wife **Lynn** nearly always give directly to active charities. They gave over $200 billion between 2017 and 2019 alone; their gifts included funding for medical research centers, University of California schools, and the purchase of an old hotel in San Francisco to house homeless people. Marc has been vocal in his criticism of foundations and donor-advised funds, and believes the wealthy should give their money away as they earn it—what he calls the "pay as you go" model.[8]

- **MacKenzie Scott**, the former spouse of Jeff Bezos, recently made a bold first announcement about how she plans to fulfill her Giving Pledge to give away most of her wealth, currently valued at $52 billion. In her statement on Medium, MacKenzie Scott announced $1.67 billion in direct grants to 116 charities, mostly addressing racial injustice and other aspects of inequality. Instead of parking money in perpetuity in a private foundation or a donor-advised fund, Scott pledged "to give the majority of wealth back to the society that helped generate it, to do it thoughtfully, to get started soon, and to keep at it until the safe is empty."

### Time to Pick Up the Pace

For their commitments to be meaningful, some Pledgers need to dramatically pick up the pace.

- Spanx founder **Sara Blakely** signed the Pledge in 2013. Blakely had already established the Spanx by Sara Blakely Foundation in 2006 to focus on women's issues, but has given less than $150,000 of her own assets to the foundation so far. In her Giving Pledge signatory letter she wrote that she intended to build her business first before focusing on charitable giving, promising that "when the time comes I will have an amazing opportunity to help women in an even bigger way."[9] It is unclear at this point exactly when that time will come.

- **John Paul DeJoria**, cofounder of John Paul Mitchell Systems and Patrón Spirits, has accumulated a net worth of roughly $3 billion. In 2018 he gave $50 million to his Peace, Love, and Happiness Foundation, enabling him to offset significant capital gains taxes following his sale of Patrón that year. Outside of that atypically large gift, he has donated an average of only $3 million each year to the foundation since he founded it in 2011. The foundation itself had reported assets of $38 million in 2018, and has awarded an estimated total of just $19 million in grants since its inception eight years ago.[10]

### Reliquishing Dominion and Control?

The challenge with any form of mega-giving is to not just park billions of dollars in private family-controlled foundations or donor-advised funds. The publicly-funded charitable tax deduction should reward donors who give up dominion over revenue and transfer it directly to active working charities. Giving Pledgers—and all other mega-donors—doing the former should reconsider their giving methods to better fulfill not only their Pledges, but the civic responsibilities which were the justification for the charitable deduction in the first place.

- Controversial hedge fund manager **Paul Singer** is currently worth $3.6 billion. Including gifts from his firm, Elliott Management, he has given an estimated total of $750 million—about a fifth of his assets—over the past eight years.[11] But those gifts have gone almost exclusively to Singer's two private foundations, and have been taking a long time to find their way out to working charities. The Paul E. Singer Foundation, the larger of the two, typically meets its annual 5 percent payout requirement only through grants to Paul Singer's donor-advised funds—including three corporate-sponsored DAFs at J.P. Morgan Chase, Charles Schwab, and Donors Trust. Without these DAF grants, the foundation would have met the minimum payout requirement in only one year, 2011, out of the last eight. According to tax documents, of the grants made by the foundation, 68 percent of the money granted each year went into Singer's DAFs.[12]

- Facebook CEO **Mark Zuckerberg** has received accolades in recent years for his philanthropic generosity, including his pledge to give away 99 percent of his Facebook shares.[13] And Zuckerberg and his wife Priscilla Chan have given an estimated $7 billion to charity over the past decade.[14] But Zuckerberg's giving has been strikingly outstripped by the growth in his net worth, which has increased by 59 percent in the first four months of the pandemic alone and now stands at $86 billion.[15]

  And the methods of their giving have been confusing and controversial, to say the least. In the past, Zuckerberg and Chan have given primarily either to their Chan Zuckerberg Foundation or the Silicon Valley Community Foundation, a DAF which became embroiled in scandal in recent years.[16] Since 2015, they have conducted the bulk of their giving through the Chan Zuckerberg Initiative, which is not a nonprofit but rather a limited liability corporation. Zuckerberg transfers shares of Facebook stock to the CZI, and then directs the CZI to make grants to charities. Zuckerberg cannot take a tax deduction for gifts to the CZI, but using it as his charitable giving vehicle provides him with certain other advantages. In particular, he retains control over any Facebook shares he gives; he can use its funds for political contributions and lobbying activities; and its granting transparency and executive pay disclosure requirements are significantly more lax.[17] Currently, the assets of the CZI stand at an estimated $17 billion and it has given out a self-reported total of $2 billion in grants.[18]

## Lessons from Pledgers Who Have Passed

14 U.S. Giving Pledgers have died leaving no surviving member to continue to fulfill the Pledge. There is incomplete information about their giving pledge fulfillment but our analysis of public sources indicates that most funds went to family foundations.

- Microsoft cofounder **Paul G. Allen** took the Giving Pledge in 2010 when his wealth was $13.5 billion. He died in 2018 with $20 billion in assets, having given away just $2 billion to charity during his lifetime.[19] Upon his death, almost $1 billion of his estate went into the Paul G. Allen Family Foundation which is administered by his sister, Jody Allen.[20] It is unclear if Jody will fulfill Paul's Pledge by giving away nearly half of the remainder, either to his foundation or directly to charity. Due to the time it takes estates of this size to settle, it may be years before we find out.[21]

- **Barron Hilton** signed the Giving Pledge in 2010; he died in 2019 with an estimated $4.5 billion in assets. While he was living, he had given away $1 billion to charity.[22] Upon his death, $2.4 billion from his estate went to the Conrad N. Hilton Foundation, founded by his father in 1944.[23] With these gifts, both during and after his life, Hilton fulfilled the terms of his Pledge.

  According to its most recent tax return, prior to the bequest, the Conrad N. Hilton Foundation had assets of $2.8 billion and gave out $101 million in grants in 2018. They also declared $51 million in overhead that year, however, which included $5.6 million in compensation of officers, directors and trustees; $9 million in other employee salaries and wages; $3.6 million in pensions and employee benefits; and $1.9 million in travel. The compensation included $1.56 million in salaries to each of two vice-presidents, and over $693,000 to the foundation's president and CEO. The foundation also paid out $35,000 to each of the six Hilton family members serving on the board.[24]

- Investment banker **Pete Peterson** was among the first group of 40 to take the giving pledge in 2010. In 1969, early in his career, he chaired the groundbreaking Peterson commission which recommended several key charitable governance reforms, including the first annual payout requirements for private foundations.[25] He supported the New York Community Trust for decades,[26] and then in 2008 gave $1 billion to establish the Peter G. Peterson foundation.[27] Shortly before he died, he gave $10 million to the Sesame Workshop and announced that he was leaving an additional $10 million to them in his will. He died in 2018 leaving an estate of $1.6 billion. He reportedly left the bulk of his estate to his foundation, but the exact amount of that gift is not public at this point.[28]

## Actions to Ensure the Giving Pledge Benefits Society

We need to make sure that taxpayer-subsidized donations from Giving Pledgers—and other mega-donors—provide an equivalent return to the public. There are several actions we can take to do this.

First and foremost, we should pass an **emergency charity stimulus bill** to move $200 billion off the charity sidelines to frontline nonprofit organizations. This would include three-year mandates to double the payout requirement of private foundations from 5 percent to 10 percent and to require donor-advised funds—which currently have no payout requirement—to distribute 10 percent of their assets. The bill should also eliminate loopholes that currently allow excessive overhead, for-profit investments, and donations between foundations and DAFs to be counted toward payout rates.

In the longer term, we should ensure, through statute, that charitable deductions can only be taken by donors when they give up dominion and control over the destination and management of donated funds.

We also need to reform the rules governing philanthropy to curb the warehousing of charitable wealth in private foundations. This would include eliminating taxpayer-subsidized deductions for donations to closely-held family controlled private foundations; implementing a wealth tax that also taxes the assets in closely-held private foundations and donor-advised funds; and establishing a limit on the lifespan of any newly-chartered private foundation.

And we need to democratize and decolonize philanthropy: to enable wide participation in charitable giving by ordinary Americans, and to transfer revenue and decision-making from entrenched institutions of the wealthy to more broadly representative organizations and communities. We need to support working charities and community foundations that are focused on funding the causes that need it now, rather than on preserving themselves in perpetuity.

For a more detailed analysis of the actions that can be taken to reform U.S. charitable giving, please see our report *Gilded Giving 2020: How Wealth Inequality Distorts Philanthropy and Imperils Democracy*.[29]

## End Notes

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