



NEW WEALTH PHILANTHROPY AND THE IMPACT OF THE CRISIS



Olga Alexeeva
Charities Aid Foundation

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CAF

New wealth and the impact of the crisis

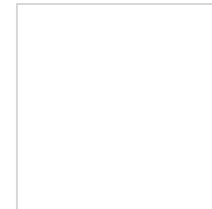
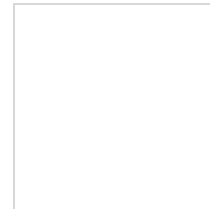


- **Russia:** wealthiest individuals lost over 1/3 of “paper” wealth, some up to 90% of the value of assets. But very few so far sold business or went bankrupt
- **Russia:** the state provided support to several private companies, but in exchange for absolute loyalty and part of assets
- **China:** the most dramatic decrease in over 20 years, growing unemployment and returning internal migrants
- **India:** similar picture of “paper” wealth loss, fear of losing logistics business
- **Brazil:** best among others so far, slight decrease

Impact of the crisis on due diligence



- Russia and China: increased role of the state in private enterprise, strengthened connections between ultra wealthy individuals and the government
- Retail millionaires, relatively independent from the state, suffer profit losses and risks of outright bankruptcy – the only credible source of credit is now the state
- All countries: return of the shadow economy and “grey” dividend schemes



Key trends in philanthropy in 2000 - 2007



Russia and China:

- Explosive growth of private foundations and other private philanthropy structures;
- Explosive – in China from 1% of population to 80% of population, in Russia from 2% to 49% - growth of middle and upper middle class giving
- Recognition of corporate social responsibility as an accepted practice – slow move from understanding CSR only as corporate charity towards CSR as an integral part of better corporate governance

India and Brazil:

- review of hundreds of years of tradition,
- major arrival of “Western” style philanthropy in India and
- move from patronizing “Christmas” giving to social investment in Brazil

Why such major changes in less than 10 years?



- **Russia and China:**

- Philanthropy as a form of civil freedom and freedom of opinion and action;
- “Mid-life” crisis of ultra wealthy new billionaires
- Middle class: critical mass of people who moved from survival towards planned living
- Companies: enter foreign markets with different rules of the game, especially the USA and EU, more companies go public

- **India and Brazil:**

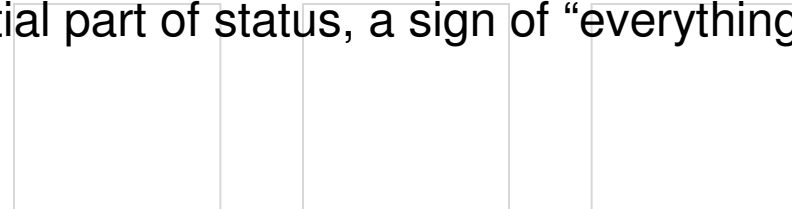
- pressure of new, Oxbridge educated generations and diasporas
- Globalization of opinion and fashion
- Stronger and much more active non-profit sector

The impact of the crisis on philanthropic behaviour



- **Russia** – ultra HNW:
 - Slowing down the process of creating new foundations, but not stopping it;
 - Smaller financial commitments;
 - Review of strategy: from “khotelki” (expensive and usually not very effective projects) towards more focused and long term programmes.

HNW and middle class: moves back to survival but will not stop giving – giving is now an essential part of status, a sign of “everything is fine”



The impact of the crisis on philanthropic behavior



- **China** – ultra HNW:

- Will continue to give, albeit also smaller sums and with more care
- Private philanthropy expansion beyond borders: was likely 6 months ago, less likely now.

HNW and middle class: will be extremely selective in where and whether to give, will resist government pressure.

- **India and Brazil** – ultra HNW:

- Return to patronising old fashioned giving
- Enormous public pressure and challenge of responding
- Absolute “philanthro-patriotism”

HNW and middle class: smaller sums, more traditional causes

Challenges and opportunities for advisors



- Market shrinks but it does not disappear
- Straightforward sales may not work, need more creative approaches, including facilitating partnerships between clients
- Donor education is needed more than ever
- Attacks on tax havens may force a number of clients to choose other locations for philanthropic funds, however growth of “grey” economy presents due diligence challenges
- Increased stigmatizing of the wealthy and government pressure forces more ultra HNW to engage in philanthropy but economic pressure forces them out, hence an increased demand in very visible but inexpensive interventions



CAF Global Trustees: one stop shop for new philanthropists



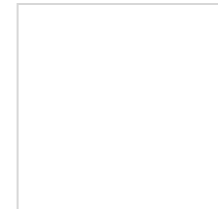
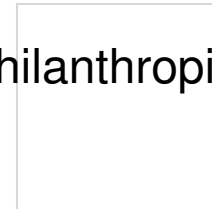
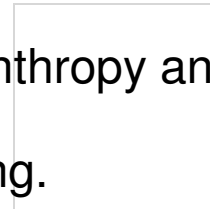
CAF Global Trustees – a division of the Charities Aid Foundation established in 2005, CAF GT helps high net worth overseas donors to establish endowed **charitable foundations** in the UK to support charitable activity in their home country and throughout the world.

CAF GT provides:

- Corporate Trusteeship for private and corporate trusts established in the UK by overseas donors

CAF provides:

- Administrative support in establishing charitable trusts;
- Accounting and reporting to the UK authorities and the Charity Commission;
- Consulting on strategic philanthropy and philanthropic programmes;
- Administration of grant-making.





Contact us:



Olga Alexeeva
Head
CAF Global Trustees

Tel: +44 207 832 3019
Mobile: +44 7917 128 772

Email:
oalexeeva@cafonline.org

