

# Overcoming Psychological Barriers to Giving

By Piyush Tantia, Nicholas Tedesco, and Betsy Erickson

**Getting started with—and scaling up—philanthropic giving is hard. Even the most enthusiastic and driven donors often become overwhelmed and anxious, causing them to put off, stall, or curtail their efforts, which in turn hinders impact and strips the joy out of philanthropy. Why are so many otherwise accomplished individuals and families stuck? The answer is deceptively simple: giving triggers psychological barriers that can have a bigger impact on donors than we might think.**

Donors often face too many choices and are daunted by the complexity of what it takes to give well. They also contend with a fear of judgment, making mistakes, disrupting familial relationships, and more. Everything feels urgent, and yet the issues we face are so big that it doesn't seem as though any one individual effort can do much, dulling the pressure to give right away and making it easy for donors to defer action. Moreover, a lack of time to devote to philanthropy provides another justification to put it all off. While each of these barriers alone might challenge even the most committed practitioner, they often combine into a perfect storm of psychological overwhelm.

Such psychological barriers have always existed, but a confluence of modern circumstances has created a more heightened state of stress. For example, many donors now inherit or create wealth in a more meteoric fashion than donors in the past, which means they are forced to navigate these barriers all at once. Technology has greatly increased the information available to donors, challenging their ability to make quick decisions. New technologies have also created additional avenues for groups and individuals to levy personal requests for resources. Meanwhile, social media has made the actions of donors more public and easier to judge. Such a swirl of factors often makes it tricky for donors to isolate where to start to reduce the overwhelm.

The good news is that donors can overcome these barriers by applying scientific findings from psychology and behavioral economics (or behavioral science). These fields of research study the situation rather than personal characteristics of the person,<sup>1</sup> and find that unintuitive features of our environment and circumstances—such as how choices are presented, what information is available, what others are doing, and even what time of day or year it is— affect our behavior more than our personal traits and skills do. Once we understand what is affecting our behavior, we can design our situation to be less troublesome—without having to

<sup>1</sup> This seminal book on social psychology delves deeper into this idea: Ross, L., & Nisbett, R. E. (2011). *The Person and the Situation: Perspectives of Social Psychology*. Pinter & Martin Publishers.

rely on exerting more willpower or pursuing internal change. Insights from these fields have already proven powerful for helping people reach personal goals such as walking more steps every day, saving more for retirement, or adopting numerous other beneficial behaviors by encouraging simple shifts in people’s routines, mindsets, and environments. There are many decades of scientific findings waiting to be used in the design of products, user experiences, and everyday life itself—including philanthropy.

This report is the result of interviews with more than 75 donors, family-office staff members, and advisors; informal conversations with dozens more; and decades of experience advising donors. Drawing on the expertise of ideas42, a pioneer in using behavioral science to solve complex challenges, the report delves into research to determine how donors can apply behavioral science insights to their circumstances, propelling them over the barriers and toward the positive change they wish to help make in the world.

In addition to outlining the 10 most common barriers to giving and ways to overcome them, this report offers case studies that illustrate common combinations of barriers that tend to show up at the same time. As every donor faces different challenges, not every barrier may apply. Similarly, different suggested solutions may work for different donors. This report offers a menu of options rather than a set of universally applicable prescriptions. It also provides a diagnostic tool in the appendix that will help donors pinpoint which barriers are holding them back from creating lasting and satisfying impact.





# The Barriers

# Barrier 1:

## Too many choices

Engaging in philanthropy is a conscious choice in and of itself—and it comes with a series of choices that donors must make again and again. Many interviewees reported feeling overwhelmed by too many options. First, philanthropists feel pressure to decide on a vision for their giving. What typically follows are decisions about the approaches and vehicles they can use to realize that vision, the operations and structures that can support that work, and the ways to involve and reach consensus with family. Throw in choosing the specific issues to address and the grantees who will receive their support, and the possibilities are endless—and overwhelming. The choices in philanthropy have always been significant, but many donors are highlighting the growing complexities of the issues they feel compelled to consider supporting, such as strengthening democracy, advocating for climate justice, building public-interest technology, and more. This heightened complexity creates more choice points for donors than ever before.

Our intuition is that more choice is always better, but psychology research finds that too much choice can be paralyzing. In fact, it can be so paralyzing that we fail to choose altogether.<sup>2</sup> In cases such as giving, where there is no requirement to make a choice, nor necessarily any urgency, the easiest path is to postpone making the decision. We find it particularly difficult to choose when there are a lot of options, when it is hard to compare them, when we don't have a strong prior preference, and when we haven't made that type of decision before.<sup>3</sup>

**Our intuition is that more choice is always better, but psychology research finds that too much choice can be paralyzing.**

We also particularly struggle to choose when we're trying very hard to make the best choice possible versus simply making a good choice. Because the social issues donors hope to address are often personally meaningful to them—and in many cases appear to pose an existential threat to society and our own safety—it feels even more paramount to make the best possible choices about what solutions to support and how to use limited resources. That pressure to choose perfectly can add to the paralysis.

<sup>2</sup> Iyengar, S. S., & Lepper, M. R. (2000). "When Choice is Demotivating: Can One Desire Too Much of a Good Thing?" *Journal of Personality and Social Psychology*, 79(6), 995.

<sup>3</sup> Thaler, R. H., & Sunstein, C. R. (2009). *Nudge: Improving Decisions about Health, Wealth, and Happiness*. Penguin.

## HOW TO OVERCOME THIS BARRIER

### Start with one grant

Donors don't need to have everything figured out to begin giving. When facing too many choices, donors can use one grant to help them gain clarity and inform future directions. Making just one "learning" grant—even an imperfect one—can help a donor get unstuck. Rather than waiting for a passion to find them, they can work proactively to discover their passion through their engagement.

Take, for example, a family who wanted to create economic opportunity in their local city but felt overwhelmed by all the paths they could take to do so. To get unstuck, they gave one learning grant to a community-led organization that provided education, food security, housing, and other supports. Through their relationship with the grantee, they learned about the needs of the neighborhood from those closest to the issues, discovered other organizations that complemented the first grantee's work, and solidified their understanding of the types of approaches that most resonated with them. After a few years, the family was able to create a strategy they felt confident in and energized by.

### Embrace a learning mindset

Keep in mind that no choice has to be perfect or final; a donor's philanthropy will evolve as they learn and as needs on the ground shift. With a learning mindset, even perceived mistakes can help philanthropists grow as grantmakers and will ultimately lead to stronger results. One of our interviewees who had built a successful business through a series of innovations decided to call the first three years of their giving "research and development." They applied some of the same approaches from their business to test, assess, and refine their giving, which allowed them to learn about their field of interest, best practices in philanthropy, and the types of relationships and activities that gave them confidence and felt fulfilling, without feeling pressure to get it all right. Talking to peers who have experimented with and embraced a learning mindset and hearing how their experience evolved can also help take the emotion and worry out of adopting a learning approach.

### Narrow the options

Many donors connect with peers to source vetted ideas and understand paths to action that others have taken successfully. They also enlist experts or advisors who can bound the choices in front of them using different criteria. Others join a collaborative fund with other donors where experts have already narrowed the choices within an issue area. Organizations such as Candid may also help donors search and sort potential grantees and partners.

# Barrier 2:

## Burdensome and tedious tasks

The administration of giving can be as simple as writing a check and getting a tax receipt, but for families with complex financial lives and a desire to engage in philanthropy in a significant way, it can quickly become complicated. Most giving vehicles come with compliance factors such as payout and other reporting requirements; there are fees to keep track of; and donors must contend with a slew of other governance, people management, and legal needs. It doesn't help that, increasingly, wealthy families are managing multiple giving vehicles and structures that create even more tedium and burden.

We don't need psychology research to tell us that a feeling of overwhelm is an impediment to success. However, what the research does tell us is that complex and tedious tasks like the ones donors routinely encounter have a much bigger effect on us than we might realize. Even a very small administrative task, such as approving the annual fee increase for an insurance policy, can make us procrastinate for days, or even avoid the task altogether. We especially tend to avoid administrative tasks that come with a risk of costly compliance errors. We do this even when the task can lead to life-changing benefits.<sup>4</sup>

**Complex and tedious tasks like the ones donors routinely encounter have a much bigger effect on us than we might realize.**

The psychology of procrastination is helpful to understand. Two main forces drive us to procrastinate: First, costs in the present loom much larger than future benefits. Second, we are overconfident that we will be more virtuous in the future. When faced with a tedious task today, we find the tedium too painful and decide to complete the task tomorrow. We are certain we will be disciplined later. When tomorrow comes, the tedium again feels painful and we put off the task another few days. This cycle repeats itself until we have missed the deadline, forgotten about the task, or decided it isn't important after all.

For donors who are working within complex systems of family, business, and philanthropy, there is never just one or two tasks on their to-do list. And, because philanthropy-related tasks are usually less timebound and are seen as more optional than professional and family obligations, donors often push them down the list. We also tend to address the squeaky wheels on our to-do list—the items that are drawing our attention in some way—even if they are not the items we ought to prioritize.

<sup>4</sup> Bettinger, E. P., Long, B. T., Oreopoulos, P., & Sanbonmatsu, L. (2012). "The Role of Application Assistance and Information in College Decisions: Results from the H&R Block FAFSA Experiment." *The Quarterly Journal of Economics*, 127(3), 1205-1242.

This barrier can be even more pronounced for donors working without staff members or an advisor. It is also important to name that while advisors and service providers can be a huge help, outsourcing also can mean more people and communications to manage—particularly if a donor is left to quarterback all the workstreams. For example, one donor we interviewed noted that she recently opted to deal with simple tasks by outsourcing most of them, but because she was the conduit between the bookkeeper, wealth manager, and philanthropy advisors, she ended up spending more than a dozen hours coordinating among these functions. This is not an uncommon frustration for donors.

## CASE STUDY

### When Tedious Tasks and Lack of Time Converge

Saurabh and Milan were excited about the potential impact of the new, more personalized strategic giving they were doing through their donor-advised fund (DAF). They had just entered all 45 of their year-end gifts into the DAF platform before the deadline. They felt a sense of relief and accomplishment at having crossed off a big to-do from the long list of items they needed to complete before shutting down and spending time with their grandchildren over the holidays.

Three days later, they were surprised and dismayed when they received more than a dozen emails and calls from different representatives at their DAF provider with questions and compliance flags. The tasks they needed to follow up on were not particularly complex but would require multiple actions: phone calls to the DAF provider to understand the nature of the concerns, meeting together to confer on next steps, and crafting communications to grantees to reflect any clarifications or adjustments to the grants. They realized there was no way they would be able to get it all done before the holidays. And, once the year-end deadline passed, they didn't feel any urgency, so they didn't turn to the tasks until March. The process left them feeling as though they had let people down and that their delay had dampened the impact of their giving. Instead of feeling excited by this year's portfolio of strategic grants, they just feel overwhelmed.



## HOW TO OVERCOME THIS BARRIER

### Delegate

Donors don't have to tackle tedious tasks themselves. They can take a step back and assess their ecosystem of support to see who might be well positioned to manage the specific items. Donors can add philanthropy as a standing agenda item in advisor or staff meetings and elevate for discussion the items they'd like to delegate. It might not be an obvious service offering, but if asked, family-office staff members, lawyers, accountants, administrative assistants, or outside consultants can often step in to help. Even if not, individuals or firms may at least be able to provide thought partnership on tasks that feel onerous from a time or stress perspective. Also, they often hold the expertise and networks that can not only get the job done but can do it more efficiently and effectively. For example, one interviewee felt a significant burden in managing the documentation of their giving, until they named their financial institution as an agent of their philanthropy and hired it to manage the administration. This allowed the donor to focus on their relationships with grantees.

### Automate

Donors can use online grant-management systems to help streamline the back-end work of giving, such as collecting proposals, communicating with applicants, and tracking historical grantmaking information. Creating calendars to get tasks done at set times throughout the year can also help spread out the burden and spur a donor to cross tasks off their list in an efficient way.

### Break to-dos into chunks

Breaking down tedious tasks into smaller steps can create momentum. When we make even a small amount of progress toward a goal, we feel more motivated to continue striving toward it. We also feel more motivated as we get closer to our goal.<sup>5</sup> Planning a time to complete administrative tasks also helps avoid procrastinating. Research studies have shown that making a simple plan increases the proportion of people completing tedious tasks, such as voting and getting their annual flu shot.<sup>6</sup> Additionally, bundling the tedious task with a reward may be all a donor needs to create additional motivation.<sup>7</sup>

<sup>5</sup> Ideas42 (2016). "Nudging for Success: Using Behavioral Science to Improve the Postsecondary Student Journey." [www.ideas42.org/wp-content/uploads/2016/09/Nudging-For-Success-FINAL.pdf](http://www.ideas42.org/wp-content/uploads/2016/09/Nudging-For-Success-FINAL.pdf)

<sup>6</sup> Nickerson, D. W., & Rogers, T. (2010). "Do You Have a Voting Plan? Implementation Intentions, Voter Turnout, and Organic Plan Making." *Psychological Science*, 21(2), 194-199.

<sup>7</sup> Milkman, K. L., Minson, J. A., & Volpp, K. G. (2014). "Holding the Hunger Games Hostage at the Gym: An Evaluation of Temptation Bundling." *Management Science*, 60(2), 283-299.

One donor we worked with carved out time one morning a week to answer emails and address things he felt were tedious and then rewarded himself with an afternoon on the golf course. He unexpectedly ended up looking forward to those days.

## Focus on the impact

Behavioral economists have found that people tend to be vulnerable to “present bias,” which is the tendency to over-weight immediate costs and benefits relative to those in the future.<sup>8</sup> Tedious tasks related to philanthropy may seem to cost a lot of time and stress in the present, but they can yield significant benefits in the future. So, when faced with administrative tasks, it can be helpful for donors to remind themselves of the impact of the task. For example, items such as collecting electronic transfer information or writing and tracking checks is tedious and time-consuming, but focusing on the fact that the money is going to a cause they care about can help spur the donor to act. Reviewing stories of impact from past grants could help donors better visualize the impact of present grants. Even re-reading a thank you letter could boost motivation.



<sup>8</sup> O'Donoghue, T., & Rabin, M. (2015). “Present Bias: Lessons Learned and to be Learned.” *American Economic Review*, 105(5), 273–279.

# Barrier 3:

## Lack of urgency

One of the greatest paradoxes of giving is the relationship between change and time. It often takes many years to see meaningful progress on social issues, which is not unnoticed by donors. Therefore, when donors delay addressing complex issues, it doesn't feel costly; it feels in line with the pace of change. And yet, because social issues reside in complex systems, they tend to become exponentially harder to solve the longer they're left unaddressed. Climate change is a good example, as we may reach a point of no return within just a few years. Moreover, it's also hard to get started when the solution or the timeline for discovering one is unclear.

A major psychological barrier here is precisely the magnitude and complexity of change. Psychologists who study motivation suggest that we are most energized to act when we have a moderately difficult task and accessible deadline. Easy tasks don't excite us, and impossible ones make us give up.<sup>9</sup> The more donors study a social issue, the more impossible it can feel to solve it—potentially reducing any feeling of urgency they might have had.

The same line of research on motivation also finds that goals that are the *end* (an outcome we want to see) rather than the *means* (the way to get there) are more motivating. For example, we are more likely to be motivated by a goal to achieve some positive social outcome (cure cancer) rather than the details of the strategy for achieving that outcome (fund basic research). Because a donor spends much more time, attention, and effort on executing the components of a giving strategy, the original vision for positive change in the world can get lost. That vision must always remain salient to maintain the joy of giving, as well as the motivation that drives it.

Diffusion of responsibility—or believing that someone else will act—is another possible psychological barrier. We often hear from donors that they not only believe someone else will jump in but that those other donors are better positioned to be more successful than they are,

**Psychologists who study motivation suggest that we are most energized to act when we have a moderately difficult task and accessible deadline. Easy tasks don't excite us, and impossible ones make us give up.**

<sup>9</sup> Fishbach, A. (2022). *Get It Done: Surprising Lessons from the Science of Motivation*. Pan Macmillan, 22–23.

which isn't necessarily true. Moreover, the simple presence of others often causes inaction. When we are aware of other bystanders, we feel a lesser sense of personal responsibility to help.<sup>10</sup> Psychological phenomena like this often stack with others. For instance, some of us may use the presence of bystanders to justify the inaction that originally resulted from feeling overwhelmed by tasks that seem too difficult.

Finally, psychology research finds that we are very unlikely to act toward a goal when there is no real deadline or fundamental accountability for taking action or achieving a certain outcome. In giving, donors can largely set their own pace. As a result, they often delay in the near term or entrust giving to future generations. Urgency must be self-generated and constant to propel action.

<sup>10</sup> Darley, J. M., & Latané, B. (1968). "Bystander Intervention in Emergencies: Diffusion of Responsibility." *Journal of Personality and Social Psychology*, 8(4p1), 377.

## HOW TO OVERCOME THIS BARRIER

### Set a deadline

When a task has multiple parts, spacing out the deadlines for each part improves the likelihood of completion.<sup>11</sup> Deadlines also work best when there is some cost to missing them. Even self-imposed deadlines can be effective. As giving is very personal, self-imposed deadlines that stem from an aspiration to achieve impact more quickly are more likely to motivate action. For example, one of the families interviewed chose a donor-advised fund (DAF) for the tax benefit and ease of administration but decided to follow a private foundation calendar that their advisor had shared when they were trying to understand the differences between vehicle options. They set an annual giving budget in January, established two grantmaking cycles, and held four board meetings a year. While this was all optional, built-in timelines allowed them to advance objectives and course-correct consistently. Donors can even ask advisors, staff members, or others to set deadlines for them.

### Reframe urgency

Donors ought to think of social issues just like a rapidly spreading virus—the longer we wait to do something, the harder it will be to eradicate the infection. And, just like in a crisis situation, it's important not to overthink, as doing so will dull the urgency to act. Many problems, such as climate change, are also growing at a rate faster than wealth, so waiting often means additional support will be needed.

### Find ways to connect to the work

We tend to be more concerned about issues that feel psychologically close to us. (“Psychological distance” is our perception of how distant something feels rather than the actual distance in space or time.) For example, one study found that greater psychological proximity to climate change was associated with greater intentions to engage in sustainable behaviors.<sup>12</sup> Talking to experts who understand the context and timelines of an issue or learning more about the issue by talking with peers, going on site visits, or attending briefings and conferences can reduce a donor's psychological distance and help connect them to the issue in ways that spur action. One interviewee shared how her family was drawn to support climate justice efforts, but the issue always felt too distant. Finally, she organized a trip to the Amazon to learn more about deforestation. Upon the family's return, they decided to make a firm commitment to support efforts to stabilize our environment.

<sup>11</sup> Ariely, D., & Wertenbroch, K. (2002). Procrastination, Deadlines, and Performance: Self-Control by Precommitment. *Psychological Science*, 13(3), 219-224.

<sup>12</sup> Spence, A., Poortinga, W., & Pidgeon, N. (2012). “The Psychological Distance of Climate Change.” *Risk Analysis: An International Journal*, 32(6), 957-972.

# Barrier 4:

## Fear of attention and public scrutiny

In many conversations with donors and advisors, we heard stories of donors feeling the real or perceived negative judgment of their peers and the public—something our interconnected world makes increasingly easy. This experience led some interviewees to hesitate to do anything significant with their philanthropy. Donors often fear being judged for the issues, communities, and partners they support, as these choices can be seen as a reflection of the donor's values. For a high-profile family, avoiding negative public criticism is a very legitimate concern. However, two psychological phenomena could be at play here that worsen this fear.

The first, called the availability heuristic,<sup>13</sup> is about how we assess the risk of something. Behavioral research finds that we estimate a higher probability of some outcome if we can more easily recall examples of it. The more vivid the examples, the easier they are to recall. As a result, we tend to overestimate the risk of vivid events such as shark attacks and underestimate the probability of events that are far less attention-grabbing in public discourse but in fact much riskier, such as dying from falling airplane parts. (We are 30 times more likely to die from falling airplane parts than from a shark attack.)<sup>14</sup> Stories about major grants that have failed publicly feel much more vivid than those of successes. The availability heuristic could therefore make donors overestimate the risk of a public failure when considering their grantmaking. For example, a donor we interviewed shared that the seeming failure of Mark Zuckerberg's efforts to improve education in Newark, New Jersey, loomed large in their mind, yet those types of failures are much less common than grants that go on to achieve success but may not garner public attention.

**We estimate a higher probability of some outcome if we can more easily recall examples of it. The more vivid the examples, the easier they are to recall.**

The second phenomenon at play relates to the judgments that come privately from peers—an equally powerful barrier as public scrutiny. A fellow funder may tell a donor that they are taking on too much risk, or that some problem is too big to solve. They also may not agree with what the donor is funding or how they are funding it. These comments can have a powerful effect because they set a social norm—the behavior we believe to be socially acceptable. Social norms have been shown to strongly influence our decisions.<sup>15</sup> Any criticism

<sup>13</sup> Tversky, A., & Kahneman, D. (1973). "Availability: A Heuristic for Judging Frequency and Probability." *Cognitive Psychology*, 5(2), 207-232.

<sup>14</sup> Ahuja, S. B., Banerjee, R., & Bendle, N. (2013). "Three Cognitive Traps that Stifle Global Innovation." *Harvard Business Review*, <https://hbr.org/2013/10/three-cognitive-traps-that-stifle-global-innovation>.

<sup>15</sup> Reno, R. R., Cialdini, R. B., & Kallgren, C. A. (1993). "The Transsituational Influence of Social Norms." *Journal of Personality and Social Psychology*, 64(1), 104.

from peers feels very uncomfortable, so we avoid it by acting only in the ways that are socially acceptable. This barrier is particularly prevalent now given the polarization in society and the dynamism of so many issues. Increasingly, as philanthropy has become more professionalized, donors feel as though they are not solely judged on the issues they choose to support but on the practices and approaches they employ, as well.

In addition to public and private scrutiny, donors tend to shy away from attention for fear of solicitation or confrontation. Donors are often anxious that public gifts might prompt a high volume of asks—made even easier, more targeted, and more frequent with technology—which can become overwhelming. One study showed that people dislike being asked to donate so much that they avoided the supermarket entrance where a Salvation Army bellringer was visibly standing.<sup>16</sup> The researchers theorized that people feel guilty refusing a fundraising request but also feel they must stick to their grantmaking budgets. Many donors also want to focus on a particular issue or approach, so they avoid the guilt by avoiding the ask altogether.

## CASE STUDY

### **When Too Many Choices, Fear of Public Scrutiny, Discomfort with Risk, and Lack of Time Converge**

David is a partner at a major hedge fund who established a private foundation with aspirations for being highly engaged and achieving impressive impact. He also sits on a handful of nonprofit boards. Ten years in, despite having significant assets, the foundation has only given to organizations for which David is a board member and to organizations his friends have asked him to support. He flows the remainder of his 5-percent payout to a donor-advised fund.

By restricting the foundation's giving to organizations for which he, as a board member, has a full understanding of the financials and leadership team, David is unable to scale his giving. Moreover, he finds it hard to delegate grantmaking decisions to his spouse, children, staff members, or advisors. Yet, at the same time, he feels pressure to expand the foundation's grantmaking because many of his partners at the hedge fund are ahead of him in their philanthropy with public giving programs.

David isn't sure how to free up his time and mental energy to think strategically about the issues he cares most about, how he might find a new way to gather and be confident in the information he needs to make decisions, and to delegate effectively. In the meantime, the assets are just growing—as are his stress levels.

<sup>16</sup> Andreoni, J., Rao, J. M., & Trachtman, H. (2017). "Avoiding the Ask: A Field Experiment on Altruism, Empathy, and Charitable Giving." *Journal of Political Economy*, 125(3), 625-653.

## HOW TO OVERCOME THIS BARRIER

### Set expectations

Donors can set their own benchmarks for success—and diffuse public scrutiny by letting people know what they are. For example, a donor who had been working to reinvent higher education announced that over the course of three years she was going to experiment with a few different approaches. She shared that she expects some of those approaches will fail, and that she intends to learn as much from what didn't work as from what did. By owning her narrative, she was able to set the expectations for what success looks like—a vision that valued the stumbles she anticipated along the way.

### Tell a success story

As discussed above, dramatic negative stories loom large. But the same holds true for dramatic success stories, too. Donors can talk to peers or advisors to discover examples of bold philanthropic endeavors that saw real results. They can also proudly share what is working for them, which will help change the narrative that projects fail more than they succeed, in turn providing other donors with confidence.

### Give anonymously

Donors give anonymously for many reasons, including out of principle, because they want the freedom to experiment with new strategies, and to avoid public scrutiny. They can give through donor collaboratives, pooled funds, or a DAF—all of which can enable a lower public profile.



# Barrier 5:

## The worry that you need to learn more to make good decisions

Making a decision—especially one of consequence—is often difficult and creates a significant barrier to progress. Consider an example that is universal to donors: grantmaking. When a donor must decide on a grant, there can be quite a lot of uncertainty about whether it will be successful. The mere act of giving is a leap of faith, which can often create discomfort. As a result, donors tend to seek out opportunities that seem accessible, understood, and certain, which is why the common path for most new donors is to give to their alma mater or organizations they know well. When donors try to expand their giving to a grantmaking program that is less familiar, they often face copious amounts of jargon-filled information and experts with divergent views about the best strategies. If donors decide to expand their grantmaking portfolio further, they encounter even more complexity—increasing the scope of information they feel they must understand in order to give well and heightening their anxiety even more. In our interviews, several donors described times when they felt pressure to keep learning more about an issue before starting to make grants or expanding their support. After all, many donors have deep expertise and have had significant success in their fields and are accustomed to feeling informed and empowered in their decision-making. Given this experience, it is no wonder donors often feel paralyzed when operating in a realm beyond their comfort zone.

There is a vast amount of psychology research on making decisions under conditions of uncertainty, but one set of findings is particularly applicable in the case of philanthropy: We become less willing to make a risky bet when we don't feel sufficiently competent to evaluate its risk. Ironically, consuming more information can backfire if the information relies on unfamiliar background or skills that must be understood. For example, one study found that subjects are less willing to make a bet when they are given technical information that they are not able to understand.<sup>17</sup> Therefore, interacting with an expert in ways that make understanding information difficult can result in inaction. Moreover, we may also feel less competent if we have just considered a decision in some other area we know a lot about.

Donors often must sift through complex, technical information and are likely interacting with nonprofit leaders or advisors who maintain a significant technical advantage. Moreover, chances are that the donor has also made many decisions in areas where they are indeed accomplished—and comfortable—experts. All these cues can make anyone feel like they know less than they actually do, and therefore feel under-prepared to make risky bets.

<sup>17</sup> Fox, C. R., & Weber, M. (2002). "Ambiguity Aversion, Comparative Ignorance, and Decision Context." *Organizational Behavior and Human Decision Processes*, 88(1), 476-498.

## HOW TO OVERCOME THIS BARRIER

### Get started

Just as when contending with too many choices, starting with one grant can help donors overcome the worry that they need to learn more before making a good decision. For example, one interviewee wanted to focus on economic mobility in her city but didn't feel confident that she knew enough about it. In her conversations about the field, one national organization kept coming up. She decided to give a grant to this field leader, sharing with the organization her desire for this grant to help her learn. (Knowing this request would require more time than typical for the organization's team, she made a bigger grant than she would have otherwise, as a way to acknowledge their efforts.) The donor gained valuable insights into the landscape and knowledge of what was happening in other cities. And, ultimately, she received introductions to several local leaders and other giving opportunities that she then felt more confident in supporting.

### Create a learning agenda

Adopting a learning mindset—and developing a plan for learning—can help donors start to evaluate their knowledge against different, more motivating benchmarks, which will help them overcome the fear that they need to know more to give well. They can reflect on how much more they know now relative to when they started working in the issue area at hand. They can also reflect on how much they know about the field relative to other issue areas they are interested in but haven't engaged with as much. It's also helpful to remember that the issues donors are addressing are challenging and evolving; even experts are continually learning about them. Donors may never feel fully prepared, but knowing they have asked the right questions and identified the right partners can go a long way toward putting their minds at ease.

### Learn with others

Donors can join learning communities such as regional associations of grantmakers, community foundations, or donor collaboratives. Exposure to the issue alongside peers allows for learning that promotes curious inquiry and creates a safe and trusted community to explore complex issues. Moreover, learning alongside peers often helps donors realize they already know quite a lot in comparison to others like them. And, their peers are less likely to use jargon, which will help them avoid a false sense of not knowing enough.

## Outsource the research

Donors can enlist a consultant to scan the options and make recommendations in an accessible manner that is more easily understood than speaking directly with experts. Donors ought to instruct the consultant to provide them only with summaries that contain the most critical information without jargon or technical details that are not essential. This will again circumvent the false sense of not knowing enough to make a risky bet. Consultants can also help a donor identify the many things they do know and how those experiences and skills can be powerfully applied in philanthropy (as well as where such an application is not appropriate). Shifting their mindset in this way can help jumpstart a donor's journey.



# Barrier 6:

## Lack of trust in nonprofits and others

Donors often have a tenuous relationship with control and trust. Nowhere is this more evident than in their funding preferences. In our conversations, we hear from donors time and time again that it feels uncomfortable to provide funding to nonprofits that aspire to achieve systemic changes over a long period, and therefore require substantial resources. Smaller grants to pay for direct services such as meals or scholarships are easier to make. Research shows that donors of all sizes and scales prefer to fund direct services versus systems change.<sup>18</sup> The reason is clear: donors don't always trust nonprofits to achieve significant change.

Giving requires a lot of trust for a number of reasons. Social issues are complex and take time to solve, and outcomes are difficult to measure. This is especially true of efforts to change systems in pursuit of lasting impact. In many situations, donors must trust expert opinions (which can conflict with one another) on the best strategies. Plus, it's not always feasible to take an experimental approach that generates data along the way about what works and doesn't work. These fundamental features of impact work are hard to mitigate and are likely exacerbated by several psychological factors.

**Social issues are complex and take time to solve, and outcomes are difficult to measure.**

The first factor relates to the fact that people erroneously judge nonprofits to be warmer but less competent than for-profit firms.<sup>19</sup> Unsurprisingly, research finds that people are more willing to purchase from companies that they judge to be competent. More surprisingly, the research also finds that people's judgments of competence are grounded in stereotypes attached to whether the organization is for-profit or nonprofit—not on facts.

This stereotyping behavior is very similar to how we judge other people. Social psychology research shows that we tend to judge people on two main dimensions: warmth and competence. Most often, these two dimensions are inversely correlated; if we think of someone as warm, we also think of them as less competent.<sup>20</sup> For example, we often see the elderly as warm but less competent and the rich as the opposite. The same inverse correlation may apply to our judgments of nonprofits and their leaders: we think of nonprofits as less competent because we see them as focused on helping others, and therefore warm.

<sup>18</sup> O'Donnell, N. "What Do You Mean by 'Systems Change?' The Challenge of Communicating Social-Sector Lingo to Everyday Givers." <https://www.ideas42.org/blog/challenge-of-communicating-social-sector-lingo-to-everyday-givers>

<sup>19</sup> Aaker, J., Vohs, K. D., & Mogilner, C. (2010). "Nonprofits are Seen as Warm and For-Profits as Competent: Firm Stereotypes Matter." *Journal of Consumer Research*, 37(2), 224-237.

<sup>20</sup> Fiske, S. T., Cuddy, A. J., Glick, P., & Xu, J. (2018). "A Model of (often Mixed) Stereotype Content: Competence and Warmth Respectively Follow from Perceived Status and Competition." *Social Cognition*, 162-214. Routledge.

The language we use to describe successful nonprofits may also be fueling this false narrative. We speak about nonprofits differently than we describe business. In philanthropy, we rarely talk about disrupters, unicorns, hockey-stick growth, excellent unit economics, and efficient distribution channels—even though these terms all apply.

The second psychological factor that might be at play is that we tend to overestimate the risk of corruption or poor governance among nonprofits. When a case of corruption or lack of accountability occurs and becomes very visible, it triggers the availability bias<sup>21</sup> we discussed above, which holds that the most visible and vivid instances are easier to recall. We therefore end up overestimating the probability of governance failures, which, in reality, are rare. In contrast, millions of nonprofits operate with responsibility and success, but we do not hear about their contributions to the sector in quite the same way.

The third factor comes from what donors may hear from peers, colleagues, and advisors. Donors are asked to trust nonprofits, but also hear conflicting messages such as, “make sure you do this right,” “don’t be the only funder,” and “don’t fund the same organization for too many years.” In situations where we are unsure of what the right course of action is, we look to others to guide our behavior. We either do what we believe society expects of us, or we do what we see others doing. Once again, social norms<sup>22</sup> become a powerful driver of behavior.

## CASE STUDY

### **When Uncomfortable Family Dynamics, Lack of Urgency, and Lack of Time Converge**

A tech founder has generated a great deal of wealth through developing a groundbreaking app. His wife is a deeply passionate social impact practitioner, but he holds control over the finances. He does not have much time to devote to philanthropy and doesn’t see the urgency. He’d rather use his time to grow his business and turn to giving later in his life. As a consequence, his wife doesn’t feel empowered to put many dollars to work on her own as much as she’d like to. She’s actively avoiding raising the topic with her husband because it may bring to light a larger conflict regarding power dynamics in their relationship. Her resentment continues to grow while opportunities to make change on important issues pass them by.

<sup>21</sup> Tversky, A., & Kahneman, D. (1973). “Availability: A Heuristic for Judging Frequency and Probability.” *Cognitive Psychology*, 5(2), 207–232.

<sup>22</sup> Reno, R. R., Cialdini, R. B., & Kallgren, C. A. (1993). “The Transsituational Influence of Social Norms.” *Journal of Personality and Social Psychology*, 64(1), 104.

## HOW TO OVERCOME THIS BARRIER

### Connect with nonprofit leaders

Creating opportunities to learn more about grantees—their successes, challenges, needs, and expertise—can help donors build confidence in the partnership and in their own ability as grantmakers. It is also often helpful for donors to establish trusting working relationships with the leaders of the organizations they are considering supporting over the long term, especially if donors may make more significant gifts in the future. The Trust-Based Philanthropy Project offers useful resources on how donors can approach these efforts. In addition, donors can lean on philanthropic service organizations that can offer expertise and outside perspectives on which effective leaders and organizations might align with their goals.

### Reframe nonprofits

By applying a familiar frame—in this case, one of investing—donors can become more comfortable with the unfamiliar. Donors should think of their nonprofit partners as nimble, well-run startups. After all, many nonprofits operate just like highly resource-constrained startups working in challenging environments—and many an investor is comfortable taking a risk on them. On the other hand, many national, established nonprofits are run like scaled-up businesses—and thus need to invest in reasonably paid leaders. Understanding the needs of an organization can help a donor draw comparisons to other organizations and models they do know and trust.

### Rely on those they trust

Nonprofit leaders know and interact with other nonprofits working in their issue area. If a donor has come to know one leader well, they can ask that individual to recommend other nonprofits they respect. They can also help donors conduct due diligence on a prospective grantee. The Roddenberry Foundation has used this approach very successfully over the last few years to identify hidden gems in various geographies.<sup>23</sup> The foundation asks leaders and experts who are close to the issue to nominate a peer for funding. If the foundation supports their nominee, the recommender also receives a small honorarium, and it asks both organizations to nominate other peers in subsequent funding cycles. Getting referrals also has the added benefit of revealing the ecosystem of nonprofits working in a particular issue area. Social issues are complex, and no one organization can ever address all aspects of the problem.

<sup>23</sup> Ipp, L. (2023) "Peer Nominations for a More Diverse Funding Pipeline." *Stanford Social Innovation Review*, [https://ssir.org/articles/entry/peer\\_nominations\\_for\\_a\\_more\\_diverse\\_funding\\_pipeline](https://ssir.org/articles/entry/peer_nominations_for_a_more_diverse_funding_pipeline)

# Barrier 7:

## The possibility of uncomfortable family dynamics

Practicing philanthropy can bring families closer together, build important skills, honor a collective legacy, and instill shared values throughout generations. But those benefits are often overshadowed by the fear that philanthropy will cause old tensions to surface, conflict to brew, and relationships to suffer. These fears can stymie action and diminish the positive impact on family engagement.

Some donors we interviewed felt that their relationships with friends and extended family changed once the full extent of their wealth was revealed through events such as making a public gift or other indicators. Many donors fear encountering similar awkward situations and worry they will have to navigate the emotional burden of fielding dozens of asks to support worthy causes that relatives bring forth. Just as donors react to the fear of public scrutiny, as discussed above, many seek to avoid the guilt of saying no by trying to avoid the asks altogether.<sup>24</sup>

Donors—like most people—also tend to avoid discomfort and conflict, particularly when it comes to family relationships. This fear is heightened as more generations and perspectives emerge and strive for collaboration amid the backdrop of increased polarization and the ongoing threat of injustice and irreparable social harm. Many donors avoid conflict by putting off decisions, shelving initiatives, and sticking to what they see as safe. They are, as behavioral science tells us, regulating their emotions by choosing to disengage from their situation.<sup>25</sup> We tend to take this path when faced with an intensely negative situation or our perception of what could become an intensely negative situation. Disengaging might help a family avoid risks, discomfort, and conflict in the short term, but it could also mean they miss opportunities to build family resilience, cultivate engagement, and practice critical skills needed for the family to navigate change and thrive.

**Many donors avoid conflict by putting off decisions, shelving initiatives, and sticking to what they see as safe. They are, as behavioral science tells us, regulating their emotions by choosing to disengage from their situation.**

<sup>24</sup> Andreoni, J., Rao, J. M., & Trachtman, H. (2017). "Avoiding the Ask: A Field Experiment on Altruism, Empathy, and Charitable Giving." *Journal of Political Economy*, 125(3), 625–653.

<sup>25</sup> Sheppes, G., Scheibe, S., Suri, G., & Gross, J. J. (2011). Emotion-Regulation Choice. *Psychological Science*, 22(11), 1391–1396.

Finally, many parents fear exposing their children to the scale of their wealth and are anxious that inviting their kids to participate in giving or disbursing significant gifts in the community might negatively affect their children's relationships, sense of self, and development. To combat this, families sometimes keep their wealth opaque, and their children may not know the full scale of it—sometimes well into adulthood. As a consequence, many of these next-generation members aren't prepared to manage the complexity of wealth. This is particularly true for parents who recently experienced an influx of assets and are still new to wealth. They often value the aspects of their upbringing that they feel have contributed to their success, such as grit and excellence, and worry that wealth might tamp down those qualities in their children, leading them to become what many donors fear are stereotypical “trust-fund brats.”

This barrier is also heavily influenced by the availability heuristic,<sup>26</sup> introduced in Barrier 4, which shows we estimate a higher probability of some outcome if we can more easily recall examples of it. Most of us have dozens of personal and pop-culture examples of entitled rich kids behaving poorly or of privilege damaging family health. The adage that families go from “shirtsleeves to shirtsleeves in three generations”—describing the risk of grandchildren improperly managing inherited wealth—is well known and has been systematically fostered in the wealth management industry for decades. Much of that fear-based narrative was fueled by a 1987 study on family businesses that recent analysis has debunked, considering the study methodologically weak.<sup>27</sup> A more sound 2011 study found the rates of success and failure for family businesses matched normal trends and that business families, even if they shuttered a business, most often continued to find success and maintain strength by diversifying to other industries and launching new ventures.<sup>28</sup>

<sup>26</sup> Tversky, A., & Kahneman, D. (1973). “Availability: A Heuristic for Judging Frequency and Probability.” *Cognitive Psychology*, 5(2), 207–232.

<sup>27</sup> Grubman, J., Jaffe, D. T., and Keffeler, K. (2022), “Wealth 3.0: From Fear to Engagement For Families and Advisors.” <https://jamesgrubman.com/wp-content/uploads/2022/03/2022-02-Wealth-3-0-Grubman-Jaffe-Keffeler-TrustsEstates-mag.pdf>.

<sup>28</sup> Baron, J., and Lachenauer, R. (2011). “Do Most Family Businesses Really Fail by the Third Generation?” *Harvard Business Review*. <https://hbr.org/2011/07/do-most-family-businesses-really-fail-by-the-third-generation>.



## HOW TO OVERCOME THIS BARRIER

### Think long-term

When it comes to the fear of uncomfortable family dynamics, it's vital for donors to consider their long-term family goals and the attributes they feel will enable their family to thrive for generations. Worries about uncomfortable dynamics caused by wealth can be a barrier, but when done collaboratively, philanthropy can also be fuel for connection, capacity-building, and purpose. One family we know was concerned that their philanthropy might stir up conflict in the family due to differing political views and perspectives that were heightened during the pandemic. The grandmother decided to host a weekly Zoom with her grandchildren. During that call, the family members talked about timely issues, and the grandmother was able to share perspectives from her 80 years of life and model skills of deep listening, bridging divides, and empathetic curiosity. These conversations helped equip the family with tools necessary to work effectively together—and cleared the way to help solve issues they care deeply about.

### Set a new table

Far too many families fail to consider what they might need to adjust in order to work in a new context together before moving from the family dinner table to the “boardroom” table, which often causes conflict and uncomfortable dynamics. Some couples and families document ground rules or collaboration agreements that outline how they want to work together and what behaviors or commitments will best foster personal engagement and advance their impact goals. Deciding together the methods and structures they will use to make decisions also can decrease the chance of conflict.

### Address discomfort early

When we avoid hard conversations or unpleasant feelings to maintain the status quo in family relationships, we often create more conflict, so doing nothing when an inkling of discomfort or misalignment pops up often means donors will need to contend with a bigger obstacle in the future. The Pinch/Crunch model<sup>29</sup> helps us understand the importance of tackling minor issues (pinches) before they become major conflicts (crunches). In fact, it is estimated that 90 percent of difficult conversations could have been avoided if only participants had engaged in an easier conversation earlier.

<sup>29</sup> University of Victoria (2021), “Pinch/Crunch Theory,” <https://www.uvic.ca/hr/assets/docs/ld/Pinch%20Crunch%20Job%20Aid.pdf>.

## Reframe conflict

We tend to think that conflict or family misalignment is always negative, viewing it as a scary hindrance to the family engagement or impact objectives we seek. However, in many ways, conflict is an important ingredient for getting complex things done. One distinction that is often helpful is to distinguish between types of conflict. For example, relationship conflict, which is based on deep-seeded roots in family history, can be more challenging to work through. Task conflict, which concerns disagreement about how we are going to get something done, is easier and involves less emotional complexity. In fact, working through task conflict can lead to stronger ideas, clearer thinking, and braver action. Reframing conflict as a potentially additive mechanism to strengthen your work and acknowledging that some conflict is productive during times of change or innovation can help donors to expect and embrace some friction. Many families seeking to get comfortable working through conflict start on lower-stakes issues or decisions to practice and learn about skills and resources they might need to build this muscle.

## Seek a neutral facilitator

An outside facilitator with blended expertise in family dynamics and philanthropy can provide a neutral perspective and help donors build an enabling environment for shared learning and strong collaboration. An important competency of an outside facilitator is their ability to introduce external sources of insight, such as cases studies, research, and frameworks that can help a donor see pathways forward, understand the pros and cons, and feel more empowered to make decisions. Alternatives to using an external consultant include engaging a trusted and neutral friend, family member, other professional advisor, or an independent or community trustee.



# Barrier 8:

## Feeling too uncomfortable with risk and uncertainty

We generally are attracted to what is known, comfortable, and safe—and this is true when it comes to philanthropy, as well. Research finds that people would rather donate to less risky options—even when they are less effective.<sup>30</sup> The researchers theorize that this is probably because people want to be certain that their money will not be wasted.

The philosophies of spending versus investing are a useful frame as we explore the concept of risk. For example, if we think of a charitable gift as something we spend in order to procure goods or services (in the case of philanthropy, often in the form of direct relief), we understand its value, which minimizes risk in our minds. The model provides a direct yield. However, if we direct a gift to an unproven solution, especially one that yields benefits far in the future, it often feels too risky because it requires us to consider the future value of the grant, which is not always tangible. In that way, it is more akin to the way we think about investments, where risk is inherent.

**People view giving as subjective and often make decisions based on emotion.**

In addition, people view giving as subjective and often make decisions based on emotion, whereas they perceive investing as rooted in strategy and analytics.<sup>31</sup> In fact, studies show that donors choose charities they subjectively prefer even if they are told there is a more effective option.<sup>32</sup> Personal relationships with people at nonprofits often amplify the emotional aspect of giving and allow donors to feel safe and secure.

Moreover, donors often crave connection—to the cause but also the organization that stewards their gifts. Accordingly, donors often think about their giving decisions individually—and making one “bet” is naturally riskier than a portfolio of grants where some may fail and others succeed. While most donors do make several grants over time that collectively are less risky than any individual one, they don’t typically think of their giving as a portfolio. Thus, they are more likely to fear the pain that may come with an individual failure.

<sup>30</sup> Caviola, L., Schubert, S., & Nemirow, J. (2020). “The Many Obstacles to Effective Giving.” *Judgment and Decision Making*, 15(2), 159–172.

<sup>31</sup> Caviola, L., Schubert, S., & Greene, J. D. (2021). “The Psychology of (In) Effective Altruism.” *Trends in Cognitive Sciences*, 25(7), 596–607.

<sup>32</sup> Berman, J. Z., Barasch, A., Levine, E. E., & Small, D. A. (2018). “Impediments to Effective Altruism: The Role of Subjective Preferences in Charitable Giving.” *Psychological Science*, 29(5), 834–844.

In contrast, the same wealth-holders usually make investment decisions at the portfolio level to diversify risk, often through intermediaries such as funds or wealth managers. When they do make big financial bets on a founding team or investment strategy, they are comfortable doing so because they know that any losses will be offset within a large, diversified portfolio. By contrast, giving failures are isolated and therefore more visible.

## CASE STUDY

### **When Worry That You Need More Information, Lack of Trust, and Discomfort with Risk Converge**

A group of family philanthropists came together to design and launch a new program focused on closing the achievement gap at a local university. While committed to the gift, the donors did not fully trust the university, given its size, political pressures, and shifts in its leadership. In addition, the philanthropists were having a hard time sorting through layers of information and a lack of responsiveness from the university regarding its current efforts, data on student performance, and comparisons to other schools. This compounded the lack of trust and the feeling among the philanthropists that this was a risky gift that might be less impactful than they would like. They felt stuck and were hesitant to finalize the agreement.



## HOW TO OVERCOME THIS BARRIER

### Think of giving like an investment portfolio

Donors can become more comfortable with risk if they reframe how they think about their grantmaking to embrace a portfolio approach. While there may be some grants that don't have the impact they sought, donors will most likely see positive results from their portfolio of grants as a whole. Like with investing, donors can choose approaches that have always resonated with them. Or, they can diversify by creating a grantee portfolio that includes trusted, long-term grantees as well as newer ones and combines tried-and-true interventions with untested innovations. Donors can measure their overall (non-financial) returns over several years rather than the returns of each investment over a short period of time. Also, donors should consider all their past grants as a part of their portfolio. Some of those organizations may have grown their impact considerably since the initial investment.

### Partner with peers

Donors can mitigate risk by working alongside trusted peers, either by sharing due diligence or by giving together as part of a donor collaborative or pooled fund. Working with peers might also help donors remind themselves that avoiding risk is not the social norm among the savviest donors. One interviewee and his family had aspirations to fund children and families in the United States but felt ill-equipped to assess potential partners. The donor subsequently joined a national collaborative after encouragement from his peer. The experience of making decisions in a structured environment alongside trusted partners allowed the donor and his family to commit to action.

### Think about risk as an avenue for growth

As we discussed under Barrier 4 as related to public scrutiny of failures, most social issues need quite a lot of research and development to discover the most effective solutions. That means failures are inevitable and critical for learning. Donors can then think of taking on risk as part of their strategy, akin to startups where “smart” failure is baked into the business model. One donor we spoke with shared their mantra: “Failure informs our learning and the learning of others.” In addition, for many donors, risk has been something they have faced in creating their wealth in the first place. Reminding themselves that they have navigated risk before, albeit in a different arena, can help too.

# Barrier 9:

## Operating with a scarcity mindset

Nearly every professional staff member and advisor we interviewed—and many we’ve worked with over the years—had stories about donors feeling hesitant to allocate more of their assets to their giving despite feeling compelled to support more causes and organizations. Insights from psychology about peer comparisons may help us understand why that fear of scarcity can exist even when there is ample wealth.

Psychology research going back to the 1950s has studied our very familiar tendency to evaluate ourselves by comparing ourselves to our peers.<sup>33</sup> As we mentioned above when discussing the fear of attention and public scrutiny, there are also very robust findings about how we are strongly influenced by what we see (or even believe) others around us are doing.<sup>34</sup> When we don’t have benchmarks to judge ourselves or are unsure how to behave, we rely on these social comparisons even more.

This applies to donors in two ways. First, donors often define success in terms of the quantity of wealth because of the peer groups they are in. Second, as there is no universally defined level of wealth that indicates success, the threshold for success becomes a moving target. Most importantly, it is possible that the target constantly increases as greater wealth lands people in wealthier peer groups. In fact, a study of high-net-worth households found that the more wealth they had, the more money they felt they needed to feel fully financially secure.<sup>35</sup>

These benchmarks are important because donors are likely to approach their wealth differently depending on how they view what they have. Psychology research finds that people tend to spend windfalls (i.e., money you view as extra or unexpected) more easily than money you believe you have earned or saved.<sup>36</sup> This phenomenon may apply in the case of high-net-worth donors who had previously thought of their wealth as necessary and not as extra resources, as well as to those who hold the memories of sacrifice (often in the form of time and relationships) close in their minds as they reflect on the wealth creation.

**As there is no universally defined level of wealth that defines success, the threshold for success becomes a moving target.**

<sup>33</sup> Festinger, L. (1954). “A Theory of Social Comparison Processes.” *Human Relations*, 7(2), 117-140.

<sup>34</sup> Cialdini, R. B., Reno, R. R., & Kallgren, C. A. (1990). “A Focus Theory of Normative Conduct: Recycling the Concept of Norms to Reduce Littering in Public Places.” *Journal of Personality and Social Psychology*, 58(6), 1015.

<sup>35</sup> Schervish, P. G., & Havens, J. J. (2001). “The Mind of the Millionaire: Findings from a National Survey on Wealth with Responsibility.” *New Directions for Philanthropic Fundraising*, 2001(32), 75-108.

<sup>36</sup> Arkes, H. R., Joyner, C. A., Pezzo, M. V., Nash, J. G., Siegel-Jacobs, K., & Stone, E. (1994). “The Psychology of Windfall Gains.” *Organizational Behavior and Human Decision Processes*, 59(3), 331-347

In addition to feelings of inadequate wealth relative to external—and artificial—benchmarks, donors may also fear future scarcity if they spend too much of their wealth now. This is especially true when conditions of economic uncertainty are present, which in turn create anxiety about what the future will hold. What’s more, illiquid assets can be volatile, and the past losses of donors or others can stick in their minds because they feel more vivid than everyday gains. This can trigger the availability heuristic we discussed earlier: we estimate risks based on how easily we can recall examples. Many people and systems in donors’ orbit also reinforce a scarcity mindset. Their wealth advisors often emphasize the goal of preserving and growing wealth by protecting assets, minimizing taxes, and maximizing returns.

Finally, any fear of scarcity goes hand-in-hand with the lack of urgency. The younger the donor, the more uncertainty there is about future needs for wealth, and the lower the urgency to start giving immediately.



## HOW TO OVERCOME THIS BARRIER

### Plan to give

As a donor builds a strategy for their giving, defining their personal financial goals can help them shift from a scarcity mindset. They should generously count what they need and want for themselves and their future generations, including adverse scenarios, then calculate what is left. Chances are they will feel a greater sense of abundance, and that “extra” wealth may even feel like a windfall that is easier to give away. As discussed in the family dynamics barrier, it is also critical for donors to step back and think about important elements of inheritance beyond the wealth itself, such as connection to community, collective alignment on family values, and thoughtful action in the face of stressful issues and situations.

### Seek peers who align with your goals

Peer pressure is very difficult to ignore, but by finding peers who are not chasing external benchmarks of wealth or who define their goals differently, donors may be able to better approach their philanthropy with a sense of abundance. The inescapable influence of social norms comes up again and again, but the good news is that they are powerful only when they come from a group you feel closely connected to.<sup>37</sup> Finding likeminded peers through formal networks, such as the National Center for Family Philanthropy, Generation Pledge, or the Solidaire Network, or by creating an informal network with peers will help donors recognize and define abundance in ways that align with what they feel is most important to them.

### Reject benchmarks misaligned with values

External benchmarks can draw donors’ attention away from what they truly care about. It is easier said than done to ignore those benchmarks, but reflecting on one’s values can help. As donors think about how they define success and what brings them joy, they may find that external benchmarks for wealth, such as public rankings and the size of vacation homes, are not important to them. Specifically, there is a large body of psychology research on “self-affirmation” showing that recalling instances of positive events or accomplishments aligned with one’s values can counter the effects of a negative situation.<sup>38</sup> For example, if a donor is feeling anxiety about the size of their grants budget, they could recall past successes in their impact work. One donor we spoke to mentioned listening to recordings of update calls from a grantee he particularly enjoys working with when he needs inspiration.

<sup>37</sup> Ideas42. 2017. “Encouraging Water Conservation.” [https://www.ideas42.org/wp-content/uploads/2017/02/Project-Brief\\_Belen.pdf](https://www.ideas42.org/wp-content/uploads/2017/02/Project-Brief_Belen.pdf).

<sup>38</sup> Sherman, D. K., & Cohen, G. L. (2006). “The Psychology of Self-Defense: Self-Affirmation Theory.” *Advances in Experimental Social Psychology*, 38, 183–242.



# Barrier 10:

## Lack of time

A lack of time amplifies many of the other barriers to giving. Most studies of donors, including our own research, highlight time as a major constraint. We all feel how the onslaught of communications from more channels and the pressure to stay up-to-speed on so many issues in an increasingly global society crowd out free time. The complexity and number of workstreams that high-net-worth donors contend with eats up even more time. When we suffer from scarcity of time, we constantly have to make tradeoffs between what we want to do, what we must do, and what can wait. Research shows that when we juggle a resource that is scarce, such as time, it taxes our brains so much that it is the equivalent of losing a whole night's sleep. That heavy tax makes decision-making, planning, and self-control more difficult.<sup>39</sup>

Two of the effects of the cognitive tax levied by scarcity are particularly relevant. The first is a behavior psychologists call tunneling, which refers to our tendency to adopt tunnel vision. When facing scarcity, we prioritize what's right in front of us even if that is not the most fruitful or pressing task to deal with. Tunneling can explain why we sometimes get sucked into answering emails only to realize that hours have passed and we have made no progress on the tasks we really wanted to accomplish. It also explains why many donors spend time muddling through insignificant tasks on their own, even if they know that seeking support to work through more important projects, like reflecting on their philanthropic vision or priorities, would be a better use of time.

The second symptom of chronic scarcity is that self-control becomes harder. This is simply because the analytical part of our brain becomes fatigued from having to make a lot of decisions about which tasks to prioritize, and it becomes less able to stop us from choosing more tempting options. The cognitive tax of scarcity likely makes it harder for donors to prioritize a few hours for their impact work over activities they perceive as less tedious or stressful.

**When facing scarcity, we prioritize what's right in front of us even if that is not the most fruitful or pressing task to deal with.**

<sup>39</sup> Mullainathan, S., & Shafir, E. (2013). *Scarcity: Why Having Too Little Means So Much*. Macmillan.

## When Too Many Choices, Public Scrutiny, Discomfort with Risk, and Lack of Time Converge

A couple who very much thought of themselves as seasoned philanthropists, having donated and volunteered their entire lives, inherited and sold a very successful family business and wished to significantly scale their giving to have a greater impact on regional and national issues. However, they did not anticipate the steep learning curve and the many more choices—from available structures to strategies to prospective grantees and partners—they would need to wade through. Their focus on creating meaningful impact on issues that were deeply personal to them only raised the stakes. These overwhelming circumstances coincided with their plans to enjoy the early years of their retirement by traveling and pursuing other interests.

The couple was also very concerned about protecting their two adult daughters, both in their late twenties, from the family wealth and any public attention that their philanthropy may bring. They did not want their daughters to be burdened with any stress, overwhelm, or public scrutiny as they navigated their early careers, relationships, and identities. The couple planned to convene the family to reflect on the opportunities and align on objectives but it felt too overwhelming. Months started to slip by and the couple had not yet carved out any time to begin their planning, which began to feel like an insurmountable task.



## HOW TO OVERCOME THIS BARRIER

### Define priorities

Prioritizing will help donors find more time to devote to their giving. Donors must be honest with themselves about what they have the capacity to take on and when. As mentioned above, the debilitating cognitive effects of scarcity happen when we constantly make a lot of small tradeoff decisions. It causes us to tunnel in on immediate priorities, keeping us from doing the one thing that can relieve our scarcity permanently: making long-term plans and determining tradeoffs. Resisting the urge to tunnel takes self-control, which is likely to be easier when we're less tired. Donors can also find periods of less scarcity to make bigger decisions about what to prioritize. For example, certain times of the year may be less busy than others, so scheduling certain tasks to align with a donor's availability can help. Donors can also work with their staff members or advisors to identify items that need their attention and ones that don't, freeing them to concentrate on the highest-priority tasks.

### Outsource tasks

The best long-term solution to scarcity of time is to outsource tasks to service providers, but finding and onboarding them can often feel burdensome. In addition, when faced with an urgent task such as dealing with an unexpected IRS letter, donors are likely to postpone hiring external support while they rush to contend with the issue at hand. Yet, putting support into place is precisely the action that will help them reduce time scarcity in the long run. Ideally, a donor can carve out time to audit the tasks they don't feel they have time for and line up a provider to help. If they find themselves in the midst of addressing an urgent task, donors could block out time on the calendar in the near future to explore bringing on outside help before the idea slips from their mind.

### Share the load

Some donors find that sharing services with others can help create time to concentrate on the aspects of their philanthropy that are most meaningful to them or require their expertise and input. Options include conducting a single due diligence process on shared prospective grantees or joining an affinity group or donor collaborative that can streamline learning, grantmaking, and grant tracking. One interviewee noted that when she was getting started as a conservation funder and needed to make some grants quickly, a consultant connected her with two larger foundations that had already landscaped the field and conducted due diligence on several smaller nonprofits. She was able to piggyback off the diligence, and because one of the larger foundations had only been able to fund 80 percent of a critical new program, she was able to fill that funding gap. In the end, she built a strong relationship with an expert program team that unlocked other opportunities and shared monitoring and reporting tasks.

# Moving Past the Barriers

Knowing how certain circumstances might affect how a donor approaches their work can help them adjust those circumstances and their reactions to them, allowing them to sail over the obstacles.

The solutions presented under each barrier on the preceding pages can be springboards, but donors can also find a path forward in five cross-cutting ways:

**1. Act:** Just doing one small thing—making one grant, tackling one task, or getting to know one nonprofit leader—can yield big results. Motion creates momentum, especially when donors undertake an action with an orientation toward learning and experimentation. Many of the barriers stem from unfamiliarity—a new type of decision, a new social issue, an unknown nonprofit—so small actions that increase a donor’s experience even just a little can be catalytic.

**2. Reframe:** It sounds almost too simple, but one of the most effective ways for donors to overcome many barriers is to shift their mindset. Reframing how donors view success, how risk can lead to learning, the role philanthropy plays in their life, and how they approach it can propel them forward with their giving.

**3. Simplify:** Just as laying out gym clothes the night before or arranging to meet a friend can get a reluctant exerciser to the gym, there are ways to simplify philanthropy that clear obstacles. Keeping things simple by narrowing a pool of choices, outsourcing work to specialists, building in automation and deadlines, breaking down tasks into small steps, or sticking to one priority task or strategy can help donors feel a sense of spaciousness and accomplishment.

**4. Connect:** Chances are if a donor is feeling blocked by one of these barriers, they aren’t the first and won’t be the last. Connecting with peers who have faced similar circumstances can help a donor source ideas, build their confidence, and discover footholds to get them over the obstacles in their way.

**5. Get Help:** Donors can enlist a wide variety of experts to help them overcome common barriers. Issue experts, consultants, and advisors can work with donors to narrow options, get a better understanding of an issue or approach, facilitate uncomfortable conversations, and more. That said, it’s important to pinpoint the donor’s exact needs and to ensure the expert’s competencies align with those needs.

We know from our work with families that new psychological barriers will likely arise as a donor’s philanthropy—and the circumstances in which they work—evolves. For that reason, we encourage donors to revisit the diagnostic tool in the appendix regularly to pinpoint what might be holding them back from making the impact they seek. By recognizing these common barriers and understanding solutions for overcoming them, donors can move toward impact in ways that are even more effective and meaningful.

*We wish to thank the Gates Foundation for supporting this research. We would also like to acknowledge Joseph Brooks, Alissa Gulin, Asha Hossain, and Molly Lyons for their contributions to this report.*

### **About National Center for Family Philanthropy**

The National Center for Family Philanthropy is a network of philanthropic families committed to a world that is vibrant, equitable, and resilient. We share proven practices, work through common challenges, and learn together to strengthen our ability to effect meaningful change. Our range of programs and services support family philanthropy at its many points of inflection and help families embrace proven practices and advance momentum. Explore our resources, all rooted in a Family Giving Lifecycle, by visiting [www.ncfp.org](http://www.ncfp.org).

### **About ideas42**

Fifteen years ago, ideas42 started in a small office at Harvard University. Since then, we have partnered with foundations, nonprofits, government agencies, and socially minded companies to work on more than 600 projects in over 55 countries, using behavioral science to improve tens of millions of lives around the world. We have team members in New York; Boston; Washington, DC; San Francisco; Accra, Ghana; Dakar, Senegal; Cape Town, South Africa; Mexico City, Mexico; New Delhi, India; and Nairobi, Kenya. But we work on projects in almost every corner of the world. The organization is made up of a group of talented, creative professionals from diverse backgrounds and disciplines, united by our expertise in and passion for applying insights from the behavioral sciences to today’s most complex social problems.

### **About Arabella Advisors**

Arabella Advisors is an award-winning consulting firm and certified B Corporation dedicated to making philanthropy more efficient, effective, and equitable while helping our clients derive greater meaning and satisfaction from their work. We provide bespoke guidance and operational support to changemakers of all kinds—including families, individuals, foundations, corporations, and nonprofits—to help them achieve significant social and environmental impact. A small, dedicated team of family and individual giving experts ensures our clients experience the feel of a boutique firm while benefitting from our expansive set of services, deep networks, and complex implementation insights. Learn more at [www.arabellaadvisors.com](http://www.arabellaadvisors.com).

@2024 National Center for Family Philanthropy

# Appendix:

## Diagnostic Workbook

This tool will help donors and their advisors identify the barrier or barriers that are holding them back from effective giving. For each statement, mark on a scale of 1 to 3 how much the donor agrees with that statement, with 1 being “disagree” and 3 being “strongly agree.” At the end of each barrier, add the number of times the donor selected “strongly agree” to determine which barriers to prioritize addressing.

### Barrier 1: Too many choices

I am unsure where and how to get started.



I get overwhelmed by all the possible grantees I could support.



I have been procrastinating choosing an issue area I'd like to work in.



I find myself giving only in response to requests for funding.



I don't know which social-impact vehicle is right for me.



Total number of times you responded with a 3:

## Barrier 2: Burdensome and tedious tasks

I am worried about legal and tax compliance.



I have been procrastinating on addressing a long to-do list related to my giving.



I feel like my philanthropy has become tedious.



I don't look forward to meetings about my giving.



I dread making decisions about my giving.



**Total number of times you responded with a 3:**

### Barrier 3: Lack of urgency

I feel that I have plenty of time to develop or expand my giving strategy.



I see our philanthropy as something that future generations will primarily steward.



The social issues I want to work on are so big that it doesn't matter when I start.



Weeks and months go by and I am not making much progress toward my philanthropic goals.



I am comfortable with the status quo.



Total number of times you responded with a 3:





## Barrier 4: Fear of attention and public scrutiny

I am mindful of the opinions of my peers.



I worry about public judgment, both in terms of my wealth and approach to giving.



I don't want to receive more pitches for funding.



I worry about being embarrassed if one of my grants fails to generate results.



I feel unprepared to defend my giving.



Total number of times you responded with a 3:



## Barrier 5: The worry that you need to learn more to make good decisions

Philanthropy is complicated and I don't feel that I know enough yet.



I only want to invest if I can have the highest possible impact with my dollars.



I feel that I know less than my peers who are working in the same issue areas.



I need to learn more before I make larger investments.



I get pitched solutions for the same issue that seem to contradict each other.



Total number of times you responded with a 3:



## Barrier 6: Lack of trust in nonprofits and others

If I make a grant, I want to know exactly how my money will be used.



Private-sector companies are much more efficient than nonprofits.



The private sector can attract much higher-caliber employees than nonprofits.



I don't want my money to be used for overhead, including salaries.



I worry about nonprofits mismanaging dollars.



Total number of times you responded with a 3:



# Barrier 7: The possibility of uncomfortable family dynamics

Family harmony is important.



I worry about how wealth might influence my relationships with family.



I am anxious about receiving requests from family and friends for financial or philanthropic support.



If our children know about the scale of our wealth, they may lose motivation.



The thought of conflict or awkwardness with my loved ones makes me physically uncomfortable and stressed.



Total number of times you responded with a 3:

## Barrier 8: Feeling too uncomfortable with risk and uncertainty

I try to avoid risky situations.



I worry that my money will be wasted.



I want every grant to be successful.



I like to personally make a decision about each grant I make.



I feel frustrated that there is no standard way to measure progress and outcomes for grants.



Total number of times you responded with a 3:



# Barrier 9: Operating with a scarcity mindset

I have many friends, colleagues, and peers who are more successful than me.



I want to save my money for big, unexpected expenses.



I feel that I need a little more capital to feel totally financially secure.



My wealth goes up and down often, so I don't want to give too much away too quickly.



I don't feel comfortable investing a large proportion of my funds in issues that have so much uncertainty attached.



Total number of times you responded with a 3:

# Barrier 10: Lack of time

I feel overwhelmed by many competing priorities.



I don't have time for the things I really enjoy.



I have a lot of responsibilities, tasks, and projects.



My impact work takes up too much time.



I would like to spend more time on my impact work than I do.



**Total number of times you responded with a 3:**

