

With us magazine: making an impact - a unique philosophy for philanthropy

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Sometimes described as ‘the Amazon and PayPal of charity finance’, SharedImpact has a unique philosophy for philanthropy. As a global donor-advised fund, it allows philanthropists, family offices, donors, and foundations to manage their philanthropic capital in completely new ways, as well as recommending the most suitable charities to meet donors’ philanthropic objectives.

Co-founder, Paul Cheng explains how the fund works: “SharedImpact provides a marketplace where philanthropists can discover a whole range of charitable causes to support.” A quick look at the website gives an idea of that range. There are 17 impact sectors, ranging from education and fair trade to female empowerment and sustainable agriculture. Paul goes on: “They can define the product type through which the donation will be made, with a wide range of financial instruments on offer – many of which would normally only be available to larger-scale social investors.”

Using these instruments can provide donors with a choice of returns, or the option to simply make a grant to a selected charity. SharedImpact advises the donor on the most appropriate product to meet their aims, and to achieve the desired effect. “The analogy with Amazon or PayPal is not perfect, because we provide a more ‘concierged’ service, but it nicely covers our global reach, and breadth of activity, and the fact that we’re accessible via an online platform available 24/7.”

“Having ‘impact’ in our name is no accident,” adds SharedImpact’s co-founder and CEO, Bob North. “Our mission has always been to improve the financial efficiency and effectiveness of charities and social enterprise. One of the ways we do that is by helping them engage more efficiently with their donors internationally. By working through SharedImpact, they spend less time worrying about fundraising and more time focusing on making a difference.”

Specialist partners

From the outset, SharedImpact has worked with a wide range of specialist advisers to make sure they give their ‘clients’ – philanthropists and charitable causes – exactly what they’re looking for. Withers, for example, played an important part in establishing the organisation as a dual-qualified charity, registering it in the US, Hong Kong and UK.

Bob explains: “It may seem incongruous to be focusing on tax aspects in a charitable situation, but the reality is that the more tax-efficient a solution we can provide, the more funds are available for the charitable causes, and the more attractive they are to donors. Withers doesn’t just understand the detail of dual-qualified charities, they have effectively invented the genre.”

As one of the few dual-qualified donor funds, SharedImpact can offer a tax break in two jurisdictions for the same donation (if the donor is subject to tax in both places). It’s a capability, Bob predicts, that will completely transform the landscape of global philanthropy over the next few years.

A charitable middleman

Paul continues: “If you take a bird’s eye view, there are two key groups out there – the people with money, the philanthropists, and the charities and social enterprises that need funding and financing to make a social impact.

The motivation for SharedImpact was our belief that the mechanism for bringing together these two communities had started to break down.”

“We’d talk to philanthropists and they’d be asking us ‘what’s good out there?’ They just didn’t have time to do all the research themselves. And we’d talk to charities and social enterprises and they’d be constantly worried about cash flow and fundraising challenges. There’s plenty of money looking for a home. It was the mechanism for providing it that needed a new approach.”

Changing time, changing location and changing form...

Being a donor-advised fund means SharedImpact offers a mechanism through which philanthropists can make donations to charity before they know which charitable causes they want to support.

Paul explains: "The legal mechanism is remarkably simple: the philanthropist makes a donation to SharedImpact, which, being a charity, unlocks the tax breaks for the donor. In due course, they advise us on the various charitable causes they want to be supported with these funds."

In this way, Paul continues: "A donor-advised fund can be thought of as 'Changing Time' – getting the tax break before the ultimate charitable cause is identified and supported. But we take this further in two ways. First, 'Changing Location.' Because we are fairly unique in our international structure, a US philanthropist based in the UK (or Hong Kong) can, for instance, make a donation that is tax-efficient in both countries, and then effectively choose to support, say, an African social enterprise. The third way is 'Changing Form.' This is possible because we don't just deploy funds out as donations. We can also make loans, buy charitable bonds, take equity stakes in social enterprises and so on."

Checking the advantages

Compared to private foundations, donor-advised funds have some significant advantages. They're quicker and easier to set up, and much more flexible in what they can do. There's no need to recruit trustees or file regular accounts. Unlike a US private foundation, there's also no legal obligation to deploy a minimum percentage of the fund each year. And, of course, donations can be made anonymously.

Bob puts this in perspective: "With a grant to charity, there's never a financial return, just a charitable outcome. When we make a social investment – a loan to a charity, for example – there is the charitable outcome, and also the likelihood that we'll get our funds repaid to us.

But if they default, the worst-case scenario is the same, financially, as if we had given them the grant. So long as there's the charitable impact, we can still be happy." Charities often think of themselves as radically different from mainstream business, but in reality there are many similarities. "There are so many things in common," says Bob "that it's easier to list the two things that are different: they don't have shareholders with a profit-seeking motive, and their success is defined by their impact."

Unlike businesses, however, charities generally find it very difficult to obtain financing from banks. As Bob says: "Social investment takes a much more understanding approach. It can understand accounts that talk about impact, and it can accept a default, if it happens, without further damaging the charity."

With the pooled benefit of their background as lawyers, business strategists and social investment experts, both co-founders are excited to be helping to drive forward a new era for philanthropy. Paul sums up: "We feel we're in a very privileged position, not only to understand and provide leadership on philanthropic issues, but also to be able to provide the solutions people are asking for. There is much more to do, but this is such a worthwhile journey"

www.sharedimpact.org