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Learning to Give Before You Have to Decide

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The years before an exit are the right time to build philanthropic legacy.

When selling their company, founders will have to make more consequential financial decisions in the 90 days before closing than in the previous decade. Who receives the proceeds? How much will the family keep? Which trusts to set up? Somewhere along the line, they may have to decide how they want to express their philanthropic values?

Most Founders fail to answer these questions. Not because they lack philanthropic intent, but because they have not had the opportunity to build expertise around this topic. Few entrepreneurs would acquire a business without due diligence. Nor would they hire a CFO without a rigorous interview process. Yet, when it comes to an exit, sometimes they are called upon to create a plan around philanthropy without the needed planning and preparation.

A Short Note on the Landscape

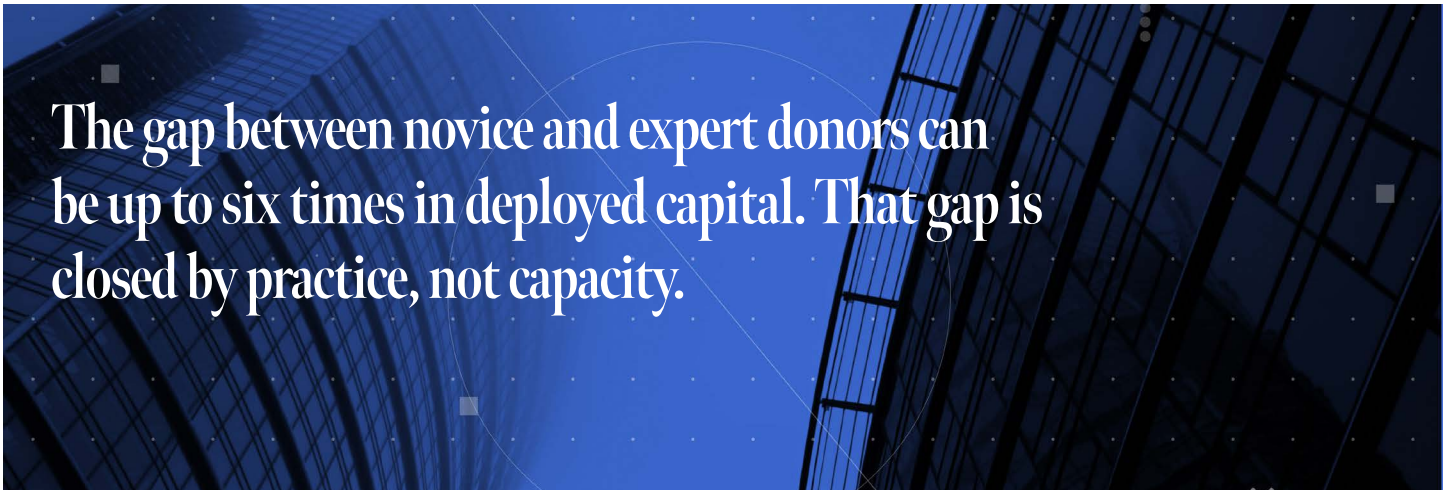
A recent 2025 Bank of America Study of Philanthropy, (conducted in conjunction with the Indiana University Lilly Family School of Philanthropy) revealed that affluent households are donating less than in the past. Philanthropic participation among affluent households has fallen from 91% to 81% between 2014 and 2024. This decline was observed across all income levels. More importantly, the study asked affluent donors to describe their level of philanthropic knowledge. Those who described themselves as novices gave on average $4,466, while knowledgeable donors gave $12,070. Donors who called themselves experts gave $28,350.

Philanthropic capacity is not purely a function of wealth, it is also a function of competence and confidence. These are developed by gaining experience. Founders who arrive at the exit as novices will hesitate to commit larger amounts because they lack the comfort provided by expertise.

The gap between novice and expert donors can be up to six times in deployed capital. That gap is closed by practice, not by capacity.

Developing Philanthropic Expertise Before the Sale

There are practical reasons to become an experienced donor while you still own the business. The most obvious is that you still have the time to learn and make mistakes. The period of time leading to a transaction can be the busiest in the entrepreneurial journey. When dealing with the due diligence, negotiations and coordination of the exit, there is little time left for thinking about philanthropy.



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While running the company, the founder occupies a role in the community that opens doors. As an employer, sponsor, and consistent donor, you are sought after by not-for-profit organizations. They seek your financial support, offer you board seats, and highlight your giving to inspire others to do the same. This access and the relationships created can ease the transition to life after exit if one chooses to practice philanthropy.

Consistent giving whether large or small while running the company constitutes community participation and leads to a type of competence and confidence to practice philanthropy at scale. Prior involvement in the community as a donor allows the founder to distinguish between those organizations that are efficient with deploying large gifts and the rest.

Mistakes are less costly, and all donors make them. A small donation to a failing organization can lead to important lessons learned. Identifying organizations that are poorly run, fail to adhere to the mission or have internal governance issues comes with experience. That is where one acquires competence and confidence to pursue philanthropy at scale.

What the Work Looks Like

Meeting people, asking questions, and eventually putting money at risk in small amounts. Four things, roughly in order:

1. Go Deeper Where You Already Are

   Most owners are already involved somewhere. Most likely a hospital, school or religious institution. Additional affiliations could include: Chambers of Commerce, the Arts, and other cultural organizations. Instead of looking for something new, the best step is to go deeper with organizations where you already are active.

   Deeper means doing your due diligence by:

   - Going on a tour beyond the standard donor tour.
   - Asking the executive director what keeps them up at night, and what it would take to address that issue.
   - Review the budget and strategic plan.
   - Identify the main sources of funding.

   This process will reveal more about the inner workings of an organization than a fundraising luncheon or gala dinner.



2. Show Up

   Attend the galas, annual meetings, site visits, volunteer days, donor briefings, and capital campaign presentations. A consistent presence as an active donor, committee member, or volunteer demonstrates the level of commitment required to develop acumen as a philanthropist. Events are not the point. Showing up enables you to meet other like-minded philanthropists and to develop a clear understanding of which organizations are well run. That insight cannot be gleaned from perusing a website or a Form 990. It comes from being in the room enough to notice patterns. Attend some things you have no intention of funding. The comparative information is where the value is. If you have only ever been inside one organization, you have no baseline.

   The same BofA study found that volunteering among affluent households rose from 30% in 2020 to 43% in 2024. Moreover, volunteers give roughly two and a half times what non-volunteers give. The clear conclusion is that proximity produces conviction, and conviction generates giving.

3. Serve on a Board

   Board service is the single highest-density learning experience available in this whole process. Business owners are among the most effective board members. They are already familiar with budgets, audits, executive compensation, succession problems, fundraising strategy, and the gap between a mission statement and operating reality. Certain boards require a give-or-get expectation along with a minimum level of participation. Board service comes with a financial commitment as well as a commitment of time that is sometimes unstated. Understand the requirements and what it takes to be in good standing. Poor attendance and unmet expectations around giving can jeopardize the board experience.

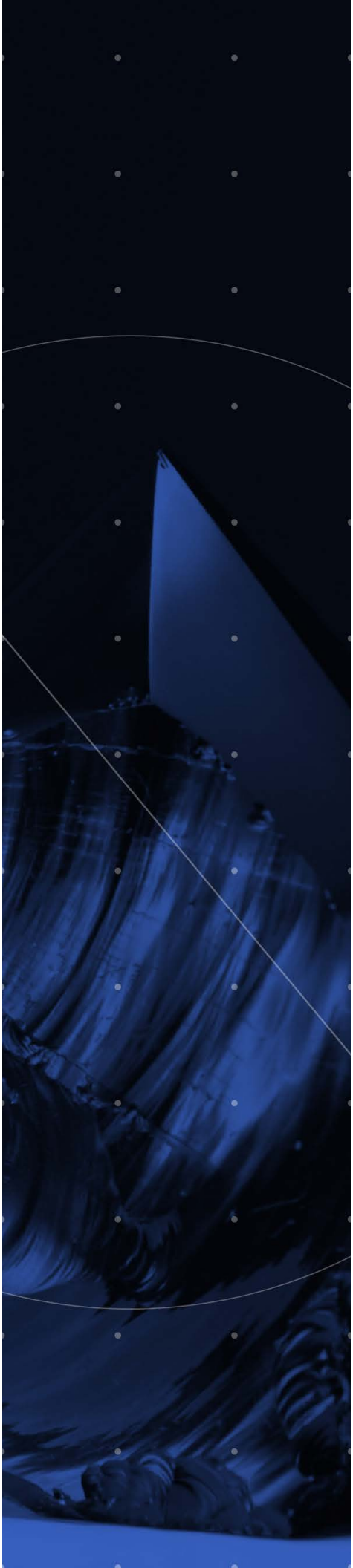
4. Start Writing Checks & Keep Them Small

   Practicing philanthropy and developing expertise is best done by funding and contributing time on a consistent basis. Starting small is often the most effective. Amounts ranging from $5,000 to $50,000 qualifies donors for status and organizations take notice. Insights into how the organization, leadership, and mission are aligned can be gleaned. Armed with this knowledge, donors can decide whether to commit further or disengage.

   The simplest way to donate is to make a direct gift. Cash, and marketable securities that have appreciated in value are the easiest assets to donate. Contributing marketable securities with significant gains provides the donor with a tax deduction at the fair market value of the shares contributed thereby avoiding capital gains.

   Another vehicle for contributing is a Donor Advised Fund (DAF) whereby donors contribute assets at one time to a fund and receive the tax deduction in the year of the contribution. Grants and donations can be made from that fund on an annual or other periodic basis chosen by the donor. This mechanism can provide anonymity when desired and the flexibility to make small donations to many organizations. For a learning phase that involves a lot of small gifts to a lot of organizations, this is the cleaner structure. As donors go through the learning curve of philanthropy, a DAF is an effective way to get started. Roughly one in four affluent donors now give through a DAF, family foundation, or similar structured vehicle (2025 BofA Study of Philanthropy).

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What You Are Actually Building

The foregoing represents a framework for founders to develop expertise in philanthropy to make informed decisions when they have the capacity to scale. Following the framework enables donors to develop:

1. A working knowledge of which organizations in your region and your areas of interest are effective, which are not, and who runs them.
2. A network of executive directors, development officers, other donors, and board members.
3. Track record of giving that establishes you as a donor rather than as a prospect.
4. A point of view regarding what causes and organizations you would like to support.

Entrepreneurs in the middle of an exit process are making decisions under the pressure of the deal and tight time frames for tax planning. Having developed expertise about philanthropy will make these decisions as a continuation of a process rather than a new area to be mastered.

Where to Start

Entrepreneurs who are several years from a sale can begin their philanthropic journey by:

1. Choosing an organization whose mission you care about and meeting the executive director.
2. Attending several charitable events and galas in the next six months and selecting an organization that is new to you.
3. Volunteering, joining a committee, or accepting the offer to join a board of an organization.
4. Establishing an annual giving budget for the next three years, deciding whether to set up a Donor Advised Fund, and deciding if contributions will run through a DAF or direct gifts.

Let's talk.

For more information, call 305-728-7000 or visit newedgewealth.com/onward.

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