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# WELL-BEING & INHERITANCE

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*Developing the intersection of well-being science and trust & estate planning*



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## ***HOW CAN CHARITABLE GIVING SUPPORT DONOR WELL-BEING?***

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In 2022, Americans gave \$499.33 billion to charity, representing \$62.43 billion above pre-pandemic levels, with \$319.04 billion coming from individuals and \$105.2 from foundations.

Charitable giving is an important part of estate planning. For many, it is an essential component of their family legacy. While the impact of giving back to the world can be high, many times, the value of the positive impact on the family members' well-being is disregarded.

Numerous studies on charitable giving have been done with the goal of helping charitable organizations improve their fundraising. The objective is to better understand the demographics of the donors and their motivations, as well as to ascertain the most effective mechanisms to reach donors.

### **A new lens**

With the emergence of positive psychology and well-being science, a new angle of study offers insights on the benefits of giving for the charitable donor. The goal here is to help individuals make the most out of their charitable giving experience. In other words, there is an opportunity to increase the donor's well-being with the potential of more positive impact for the beneficiaries too. Engaging in virtuous actions, such as philanthropic activities, begins a cycle of building upon strengths and virtues of the donor that generate happiness, which at the same time fuels the desire for more virtuous actions. This cycle builds psychological capital for the individual, which leads to lasting gains in happiness.<sup>2</sup>

Charitable giving and well-being are correlated. Prosocial spending activates the reward areas of

the donor's brain. The emotional consequences cascade into physical benefits too, including better health, increased physical strength and better mood.<sup>3</sup> Individuals giving their time and money tend to report higher life satisfaction, and better mental health and psychological well-being.

Self-determination theory<sup>4</sup> offers a framework for understanding when and why giving leads to happiness. Self-determination theory is a motivational theory that distinguishes between autonomous and controlled motivation. When individuals are autonomously motivated, they engage with full intention with what they do because they find it enjoyable, interesting, or consistent with their own values. They are highly likely to experience positive emotions, and a sense of flexibility and freedom of choice. In contrast, when people's motivation is controlled, they act out of coercion, seduction, or obligation and tend to experience pressure and compulsion, rather than deep engagement and a sense of choice.

✦ *Autonomous motivation in charitable giving is preferred for donor well-being.*

According to this self-determination theory, well-being depends on the satisfaction of three basic needs: relatedness, competence, and autonomy.<sup>5</sup> Hence, monetary giving is likely to increase well-being when fulfilling these three basic needs.

✦ *Giving to an organization that works with individuals who are close to the donor because they share a cause, a specific bond or a community is more impactful to donor well-being because it activates the experience of relatedness.*

✦ *Donor's ability to curate the charities they support based on their leadership, trajectory, and proven achievements and impact not only reinforces self-determination but also happiness for giving.*

✦ *Freedom to give and to choose is positive for donor well-being.*

### Family charity and donor well-being

For wealthy families, charitable donations are an opportunity to build well-being for family members. This requires incorporating elements of self-determination theory in their giving back mechanisms and offering each family member the experience of relatedness, competence, and autonomy.

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**Relatedness** is a fundamental need for social connection and belonging. Research shows that donors are happier when giving provides the opportunity to connect with others. Additionally, the happiness boost is higher when the beneficiaries are close ones rather than just acquaintance.<sup>6</sup> Close ties are based on self-categorization of people in one's life and not necessarily meaning family or close friends.



**Competence** is tied to seeing the impact of generous actions. Individuals feel happier when giving money to effective, competent helpers whose actions have proved to make a real difference.



**Autonomy** is the freedom to choose. In the case of giving, donor well-being increases when they have the choice about when to give and to whom. The less restricted and more spontaneous the donation behavior, the more significant the increase in happiness.<sup>7</sup>

Philanthropy holds the potential to be a positive force that helps each family member pursue a good life, as he or she defines it, including contribution and engagement in their communities and beyond. Thoughtful families use charitable giving to cultivate and promote the best in their members. We work with them to structure a solution that offers the desired experience of relatedness, competence and autonomy.

We expanded on these charitable ideas in our 2020 Bloomberg Tax article entitled [Well-Being Supported by Family Wealth — A Foundation to Flourish](#).<sup>8</sup> In the Bloomberg article, we explain how to structure private family foundations, charitable lead trusts and charitable remainder trusts to promote self-determination. Sample language is provided for foundation articles and charitable trusts.

If you are interested in learning more about possible options to you and your family, do not hesitate to contact us.

## REFERENCES

- <sup>1</sup> [Giving USA 2023 Annual Report](#)
- <sup>2</sup> Garnett, *Positive Psychology and Philanthropy: Reclaiming the Virtues of Classical Liberalism*, Conversations on Philanthropy, Vol. V, 5 (2008).
- <sup>3</sup> Dunn, E. & Aknin, L. & Norton, M. *Prosocial Spending and Happiness: Using Money to Benefit Others Pays Off*, Current Directions in Psychological Science, pp. 23. 41-47.(2014)
- <sup>4</sup> Deci, E. & Ryan, R., *Self-Determination Theory*, Editor: James D. Wright, 2nd Ed., International Encyclopedia of the Social & Behavioral Sciences, pp. 486-491 (Elsevier 2015)
- <sup>5</sup> See Dunn & Aknin & Norton, *supra* note 3, p. 42-45.
- <sup>6</sup> Aknin L., Sandstrom, G., Dunn, E. & Norton, M., *It's the Recipient That Counts: Spending Money on Strong Social Ties Leads to Greater Happiness than Spending on Weak Social Ties*. PLoS ONE 6(2), (2011) (e17018).
- <sup>7</sup> Wu, Y. & Yu, Y. & Yao, Y. & Su, M. & Zhang, W. & Ti, S. & Lin, X. & Zhang, S. & Zhang, S. & Yang, H. *Share Rose, Get Fun: The Influence of Donation on Happiness*: Front Social.(2021).
- <sup>8</sup> Franklin, R. & Tordini, C., [Well-Being Supported by Family Wealth — A Foundation to Flourish](#), 45 EGTJ 03, pp. 15 – 19, (2020).

### More information

**For more information on how to positively use family wealth and inheritance to foster family well-being - thriving in multiple domains of life, see our [Family Wealth and Inheritance Services](#) page or contact [Richard Franklin, rfranklin@fkl-law.com, \(202.495.2677\)](mailto:rfranklin@fkl-law.com), [Claudia Tordini, ctordini@fkl-law.com](mailto:ctordini@fkl-law.com) or your FKL attorney.**

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