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New Philanthropists Put Donations to Work; Shifting Away From Aiding Big Charities

By REED ABELSON

It isn't his father's philanthropy.

In Sioux Falls, S.D., where Scott Reardon grew up, giving meant supporting the local United Way or leading a fund-raising drive for a school in the area.

But for Mr. Reardon, the president of the Dakon Group, a venture capital firm in Sioux Falls that backs communications and technology companies, the impulse to give is different. "I don't feel attached to the local community," said Mr. Reardon, who divides his time between Sioux Falls and Darien, Conn. And he does not find appealing what he described as "write a check and walk away" charity.

Keenly aware of his own success, Mr. Reardon, 51, said that he was interested in seeing his charitable giving have a geographically wider impact, with the potential to create greater changes. "I ask myself, 'Where can I make a difference?' " he said.

His current choice is the Deutsche Bank Microcredit Development Fund, a program that funnels money to organizations that grant loans, often of just a few hundred dollars, to individual entrepreneurs, typically women. Mr. Reardon, rather than simply giving money to the organization, serves as the fund's chairman and helps decide which local organizations scattered around the world will receive money.

There have always been a few wealthy people whose philanthropy was directed at sweeping change, and who often chose to start a new charity, said Paul G. Schervish, director of the Social Welfare Research Institute at Boston College, who helped conduct a new study on wealth and philanthropy. But today giving in this nontraditional form is spreading among the ranks of the wealthy, he said, and not just the superrich, high-profile technology gurus like William H. Gates or the many dot-commers making their fortunes from the Internet. As they are able to make more substantial gifts, they are increasingly demanding that charities show they can produce the kinds of specific results familiar to those in the business world but not always prized in the past by charitable organizations.

At the same time, affluent givers seem especially eager to have a more direct role. They seem to want to carry over to charity the entrepreneurship that helped make them successful. And many want to address the other side of the extraordinary wealth created in recent years: the problems of poverty, hunger and the lack of access to health care and housing.

"There is a return to the Carnegie philosophy -- getting engaged while you're alive," said Eugene R. Tempel, executive director of the Indiana University Center on Philanthropy. Among the changes, he added, is a shift away from gifts to established charities as the public has become increasingly skeptical of these organizations.

Today's philanthropists, many of whom do represent new wealth, particularly seek out fresh initiatives, said Mr. Tempel, adding, "It's just a generation trying to flex its muscles and do things differently."

The recent survey Mr. Schervish helped conduct, an anonymous study of wealthy people by Deutsche Bank's Bankers Trust Private Banking unit, whose clients provide some of the microcredit program's financing, suggests that Mr. Reardon has plenty of company in his desire to participate in a kind of charity he considers both personal and effective, Mr. Schervish said.

The survey, which was not limited to the company's clients, probed the thinking of the very rich -- nearly all 112 respondents were from households whose net worth was at least \$5 million. The findings of the survey, which has not yet been released, were made available to The New York Times.

While those surveyed are only a small sampling of the roughly 600,000 households in the United States with wealth exceeding \$5 million, Mr. Schervish said, their responses offer some insight into the behavior of the very wealthy.

Like most Americans, they said they were convinced of the importance of giving. The overwhelming majority describe themselves as self-made, deriving some or all of their wealth from entrepreneurial and professional efforts. On average, they gave to charity \$1.2 million, or about a fifth of their family income, in 1997.

The respondents also favored giving through their own foundation, trust or gift fund. Two-thirds reported using such a vehicle.

Of course many wealthy people view philanthropy primarily as a social milieu: sitting on the board of an opera guild, say, with three dozen or so other prominent figures. Many others prefer to limit their involvement to signing checks or to making a donation that leads to a building at a college or hospital engraved with their name.

But a lot of people with money are increasingly interested in taking a more active role in their charity.

"We don't tend to give to big institutions because they have support," said Robert H. Arnow, whose

family has long been active in charity. Mr. Arnow, 75, is the semiretired chairman of Weiler Arnow Management, a New York real estate company. He and his wife, Joan, are involved in a variety of causes, ranging from the arts to after-school programs, but he has become most concerned over the Bedouins in the Middle East and their lack of educational opportunities. Traditional Bedouin social and economic structures have been severely undermined as they make the transition from their ancient, nomadic way of life to an urban society.

The former chairman of Ben-Gurion University in Israel, Mr. Arnow pushed to establish the university's Center for Bedouin Studies and Development. He is now considering building an endowment for it.

While Mr. Arnow works closely with the university and the center to back initiatives like developing a special set of math and science courses for Bedouin high school students, he is not operating through an organized charity. "It's one man's efforts," he explained.

Closer to home, Burton M. Freeman, 74, who retired two years ago as a lawyer for Bankers Trust, is also taking a hands-on approach. Through his family foundation, Mr. Freeman has started a program that has allowed some 600 third graders in East Harlem to each buy \$50 worth of books. He accompanies the classes to the Bank Street Bookstore, a children's bookstore near Columbia University. At one such session, Mr. Freeman helped a girl pick out a book on human biology and then one on evolution featuring the Galapagos Islands. "I get some real big thrills," he said. Mr. Freeman works with the chancellor's office at the New York City Board of Education to identify some third-grade classes and, through an associated not-for-profit fund, to finance the program.

To be sure, education, which appears to be a perennial favorite cause, was cited by 60 percent of the respondents in the Bankers Trust survey when they were asked which policy issues they wanted to influence. The category of poverty, inequality, hunger, affordable housing and health care for the uninsured was listed by nearly half. Arts and culture was named by only a third, followed by family stability and economic growth.

While many entrepreneurs say their business activities accomplish worthy social goals by employing people, according to Mr. Schervish, they also seem to increasingly favor endeavors that blend aspects of capitalism with charitable goals. Mr. Reardon, for example, was attracted by the micro-loans idea because it bypassed governments and bureaucracies and harnessed the power of the marketplace to accomplish social change.

Scott Berrie, 34, whose father started Russ Berrie & Company, an Oakland, N.J., maker of picture frames and stuffed animals, is also interested in blurring traditional lines. While Mr. Berrie is active in his father's foundation, which finances a variety of local initiatives, including Dorot, a New York agency for the elderly, the younger Mr. Berrie wants to combine his passion for doing good with his business. And he has taken an approach similar to one made famous by Ben Cohen and Jerry Greenfield, the ice cream entrepreneurs. Mr. Berrie recently helped found an eyeglass company, Scojo Vision, that will give 5 percent of any pretax profits to Helen Keller Worldwide, a New York charity that focuses on

providing eye care and glasses to the poor.

"The main difference in the way our generations think about philanthropy is we think about it holistically, that work and philanthropy should be combined," he said.

Nearly all the survey's respondents also said that they had volunteered for a favorite cause in the last three years. While 71 percent served on a charity's board, many were also active in other ways, helping to raise funds or plan a specific project.

"A lot of people find meaning in direct service," Mr. Tempel said.

Virginia W. Meyer, whose great-grandfather built a fortune from coal mining in Czechoslovakia, for example, elected to spend her 50th birthday last year building a house in Jacksonville, Fla., for Habitat for Humanity, the seventh such project she has done for the charity. "I like to work with my hands," she said. "It gives me great satisfaction" to construct the house and know who will eventually live in it, she added, emphasizing what she called the "intimacy" involved.

Her husband, Juan, also noted the selfish aspects of participating in charity. "At the end of the day, it feels good," he said. "It feels good to be doing something creative and, at the same time, creating a better environment."

Ms. Meyer is interested in bringing some of that direct involvement to her family's Panwy Foundation. "We were doing a little too much check writing before," she said.

The foundation, which has supported charities geared to strengthening the family, has tried to be entrepreneurial in its financing. Interested in preventing child abuse, Ms. Meyer discovered and supported a pilot program in Connecticut, where she lives, that helps new parents cope with the stresses of child rearing. The program, Healthy Families Connecticut, has expanded to 12 sites and recently received state financing.

That is just the kind of start-up venture the foundation prefers to back. "The problem with the very large organization is impact," Mr. Meyer said, and the family prefers to play a more significant role in a charity's success. That way, "everybody feels good," he said.