



# 2023 Key Fiduciary and Philanthropic Trends

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# Who Are We?

Global firm with boutique culture

## Aligned with Our Clients

- Singular focus
- A united firm with one objective: create the best outcomes for our clients
- No proprietary trading
- We are not a bank
- We do not leverage our balance sheet
- Act as agent rather than principal in fixed income

## History

**55+** 

Years helping clients reach their financial goals

## Offices

**54** cities

 **27** countries

## Assets Under Management

**\$691**

Billion 

## Revenue

**100%**

From investment research and management



## Research Analysts

 **398**

## Private Wealth AUM

**\$116**

Billion 

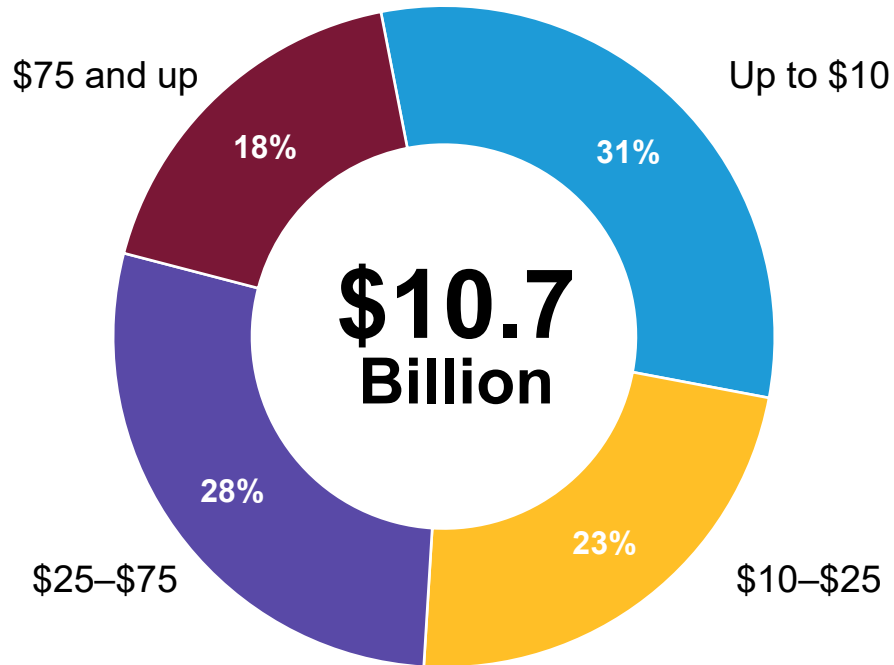
## What We Know

- The fiduciary standard is the only standard a client should accept.
- A successful client-advisor relationship must transcend investment results.
- Rigorous planning based on priorities fuels investment execution.
- Outsourcing all investments lacks accountability and creates suboptimal outcomes.
- Fee transparency should be the standard, not the exception.
- Our innovation and evolution are vital to client outcomes.

As of June 30, 2023. The number of research analysts and employees directly supporting responsible investing initiatives relates to all analysts and employees working at AllianceBernstein L.P. affiliated subsidiary companies. Please note, Bernstein Research does not provide investment management services to Bernstein Private Wealth Management clients. Source: AB

# AB Foundation and Institutional Advisory Business (FIA)

AUM (USD Millions)\*



Snapshot of Bernstein's FIA Business

- 950 national social sector clients; roughly half are foundations, half are nonprofits.
- Average size ~\$10MM
- Acts as a guide for decision-makers and institutional memory for fiduciaries of the future.
- We bring a host of additional benefits and resources relative to institutional challenges beyond investment management.

**Bernstein serves as a fiduciary partner for organizations of your size and scope to successfully grow their portfolio as well as their impact.**

As of December 31, 2022\*AB Institutional manages \$2.4B of the \$10.1B AUMClients on this list have not been selected based on portfolio performance. Inclusion on this list does not constitute an endorsement of Bernstein Private Wealth Management by any of these clients. It is firm policy that we treat all clients in a confidential manner. Please do not release this information to any other party and refrain from reaching out to the institutions on our representative client list until we obtain the agreement of our clients to be contacted. We would be happy to provide specific client contact information upon request.

# Mid-year Mixed Messages

““ Fed Officials Say Higher Interest Rates Are Needed to Reach 2% Inflation Goal.”

—Bloomberg

““ Wall Street Soothsayers Are Bewildered About What’s Next.”

—Bloomberg

““ The banking crisis isn’t over. But how bad will it get?”

—AP News

““ How Melinda French Gates and MacKenzie Scott Are Shifting the Focus of Philanthropy.”

—Forbes

““ U.S. Labor Market Softens as Job Openings Drop, Layoffs at Highest Level in Over Two Years.”

—Reuters

““ Inflation is Easing, But Nonprofits Still Feel a Crunch.”

—The Chronicle of Philanthropy

““ Drop In Giving From ‘21 to ‘22 Was Among the Steepest Ever, ‘Giving USA’ Found.”

—The Chronicle of Philanthropy

““ Blistering Stock Returns This Year Make the Case for a Strong Second Half.”

--Yahoo Finance

Current analysis does not guarantee future results.

# Call to Action



## Update and Align Investment and Spending Policies

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Ensure IPS, allocation, and spending align with current and expected market conditions, include all relevant asset pools, and align with your institution's goals



## Strategically Size and Allocate Reserves

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Our reserves analysis examines patterns of revenues, spending, time horizon and other factors to help inform decisions re: size and allocation of near-term reserves



## Analyze Inflation Sensitivity

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Allocation, spending and revenues each guide the size and type of inflation sensitive assets for any given account



## Revisit Alternative Assets

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Alternatives are a critical piece of a well diversified puzzle and can help address market volatility and returns expectations



## Align Investments with Mission

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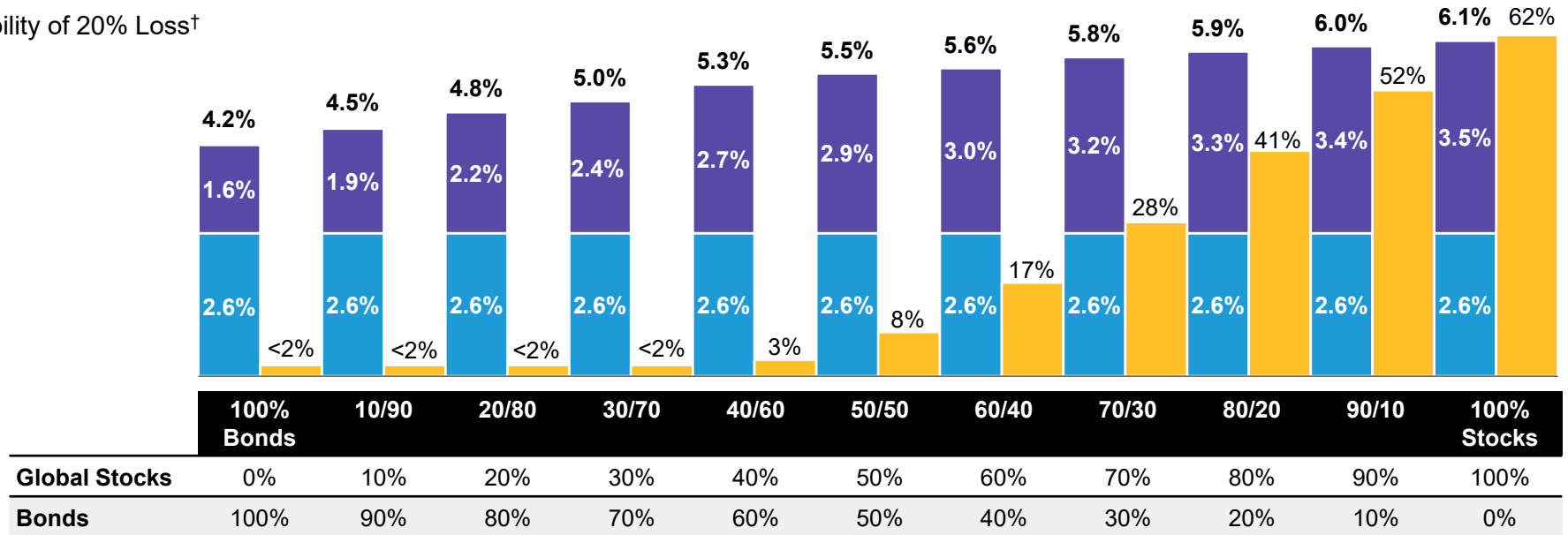
Investors increasingly consider investments as additional capital that can be deployed in service to the community, the environment,

For illustrative purposes only.

# Projected Median Outcomes and Sustainable Spending Rates

Next 10 years (Percent)

- Inflation
- After-Inflation Amount You Can Spend\*
- Probability of 20% Loss†



\*Based on median projected 10-year compound annual growth rates for stock/bond portfolios and inflation. Globally diversified stocks are represented by the following allocation for a 100% Return-Seeking allocation: 17.3% US value, 17.3% US growth, 12.8% US diversified, 6.4% US small-mid cap, 19.7% developed foreign markets, 10.9% emerging markets, 10.2% US Low Vol Equity, 5.4% high-risk international. Equity geography weights may shift in proportion to total return-seeking allocation. Bonds are represented by the following allocation for a 100% Risk-Mitigating allocation: 50% diversified intermediate term taxable bonds and 50% global intermediate taxable bonds (hedged) in the proportions noted. Additional detail regarding allocation available upon request.

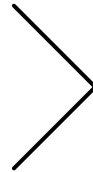
†Data indicates the probability of a peak-to-trough decline in pretax, pre-cash-flow cumulative returns of 20% over the next 10 years. Because the Wealth Forecasting System uses annual capital markets returns, the probability of peak-to-trough losses measured on a more frequent basis (such as daily or monthly), may be understated. The probabilities depicted above include an upward adjustment intended to account for the incidence of peak-to-trough losses that do not last an exact number of years.

Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 10 years as of 6/30/2023. Data do not represent past performance and are not a promise of actual future results. See Notes on Wealth Forecasting System in Appendix for further details.

# IPS Should Codify Strong Governance Practices

## Living Document

- Review/re-ratify annually
- Balance structure and flexibility
- Clearly define roles and responsibilities
- Align with current and expected market conditions



## Success Measurement

- Tie the investment success to mission
- Measure Returns vs. Risk—weighted allocations & forecasted expectations
- Monitor for strategies that are outliers
- Confirm returns net of *all* fees and expenses



## Institutional Memory

- Document both decisions and rationale
- Use as onboarding tool for new fiduciaries
- Reference as guide in times of stress
- Add/include all asset pools overseen by fiduciaries

# Size Reserves Based on Factors Impacting Shortfall Risk

## Risk Factor

### Revenue Risk

More Uncertainty or Potential for Disruption = More Reserves



### Spending Risk

Fixed Commitments or Potential for Spike = More Reserves



### Timing Differences

Variability, Seasonality, or Timing Mismatch = More Reserves



### Borrowing Risk

Access to Margin or Loan from Affiliate Org. or Donor = Less Reserves



- Less Reserves Required
- Some Reserves Required
- More Reserves Required

The screenshot shows a questionnaire titled 'Cash Reserves Analysis Questionnaire' from Bernstein. It includes sections for 'Sizing Short-Term Reserves' with several questions, and a table for 'Reserve Funding Needs' with columns for 'Reserve as % of Total' and 'Probability Will be Required'. Below the table is a 'Click Here' button.

Hypothetical client profiles presented. Historical analysis is not necessarily indicative of future results. There is no guarantee that any estimates or forecasts will be realized. Source: Bernstein analysis

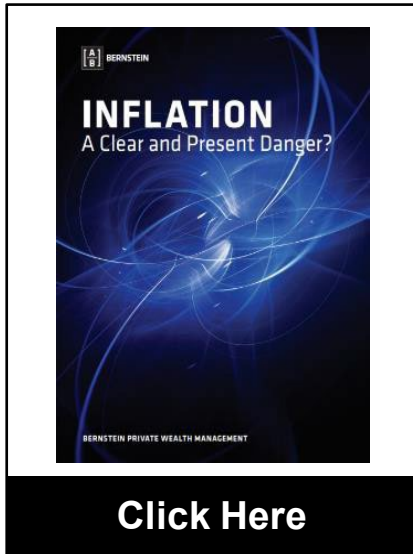


# Inflation Protection | What, Where, and How Much?

## Key takeaways from our research

### Takeaways

- Most should benefit, over time and to some degree, from inflation protection, but it's more critical for some organizations than for others
- Inflation is episodic so there will likely be a “cost” to the protection during sustained, non-inflationary environments



### Low/No Revenue

### Incoming Revenue



**Asset Allocation to Bonds**  
More Bonds = More Sensitive



**Revenue as Percent of Assets**  
Less Revenue = More Sensitive



**Spending as Percent of Assets**  
More Spending = More Sensitive



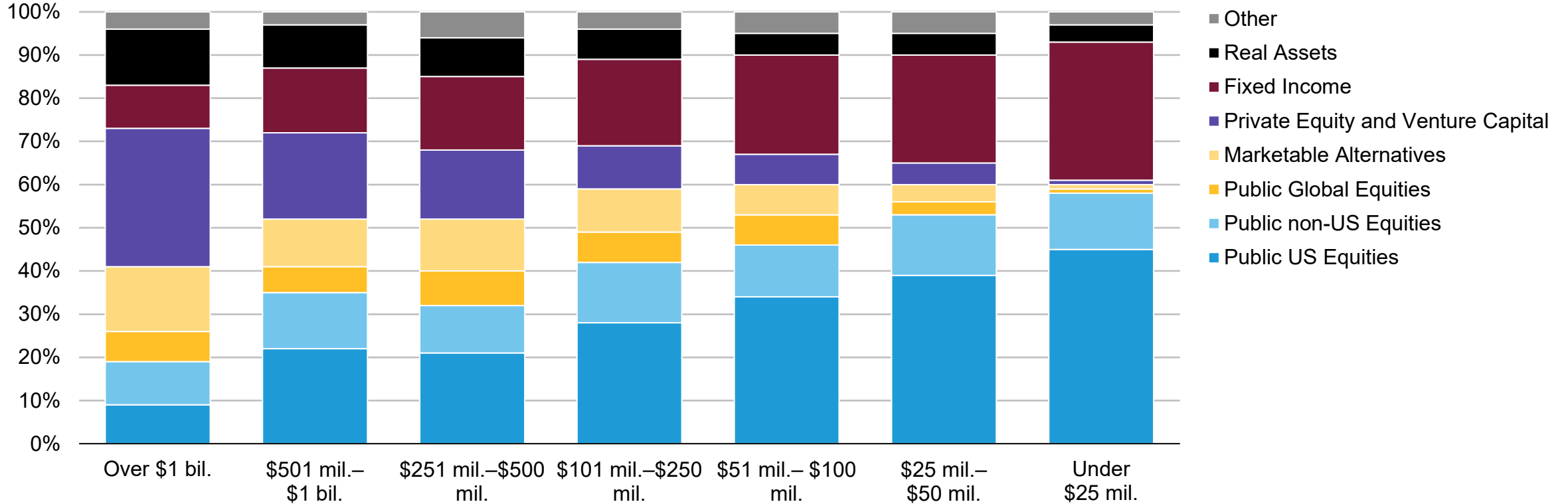
● Less inflation-sensitive

● More inflation-sensitive

Hypothetical client profiles presented. Clients' risk tolerances and bond allocations may vary. Based on capital markets conditions as of December 31, 2021. Historical analysis is not necessarily indicative of future results. There is no guarantee that any estimates or forecasts will be realized. Source: AB

# NACUBO's Latest: Massive Endowment Allocation Differences by Size

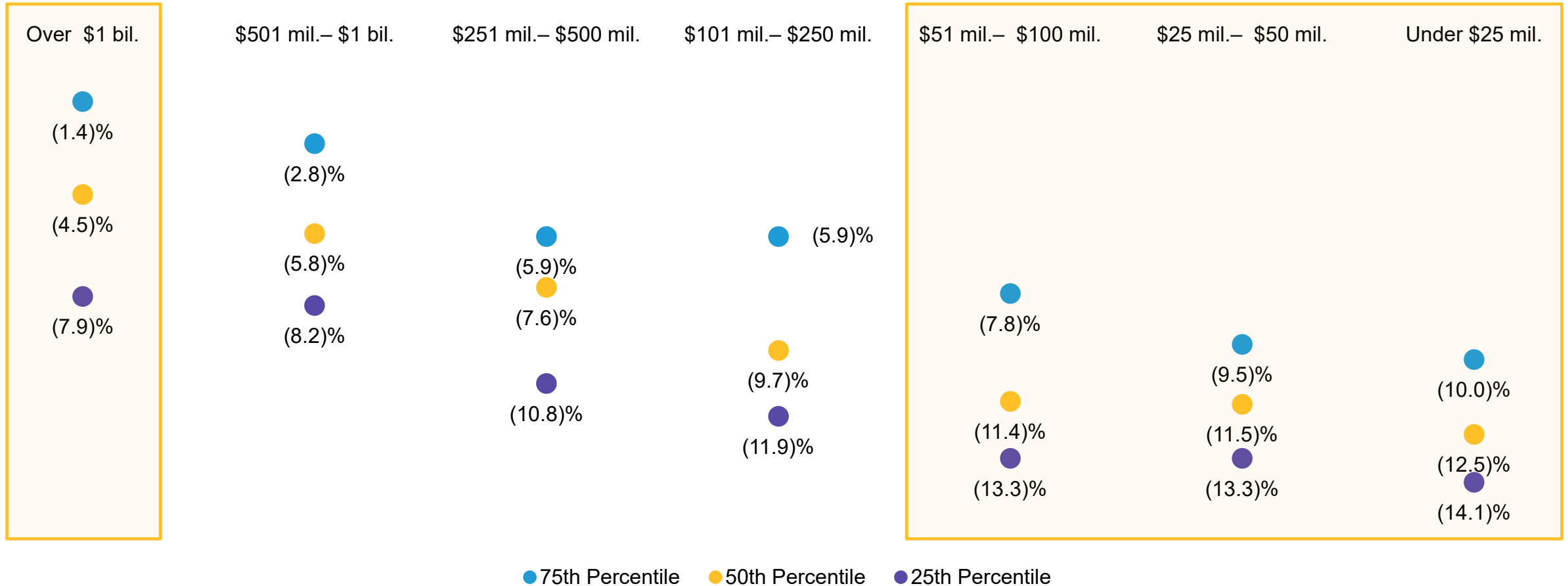
Asset allocations for endowment cohorts, FY 2022



As of 2022  
Source: NACUBO-TIAA Study of Endowments

# Exposure to Private Assets Can Drive Higher Returns but Wider Dispersion

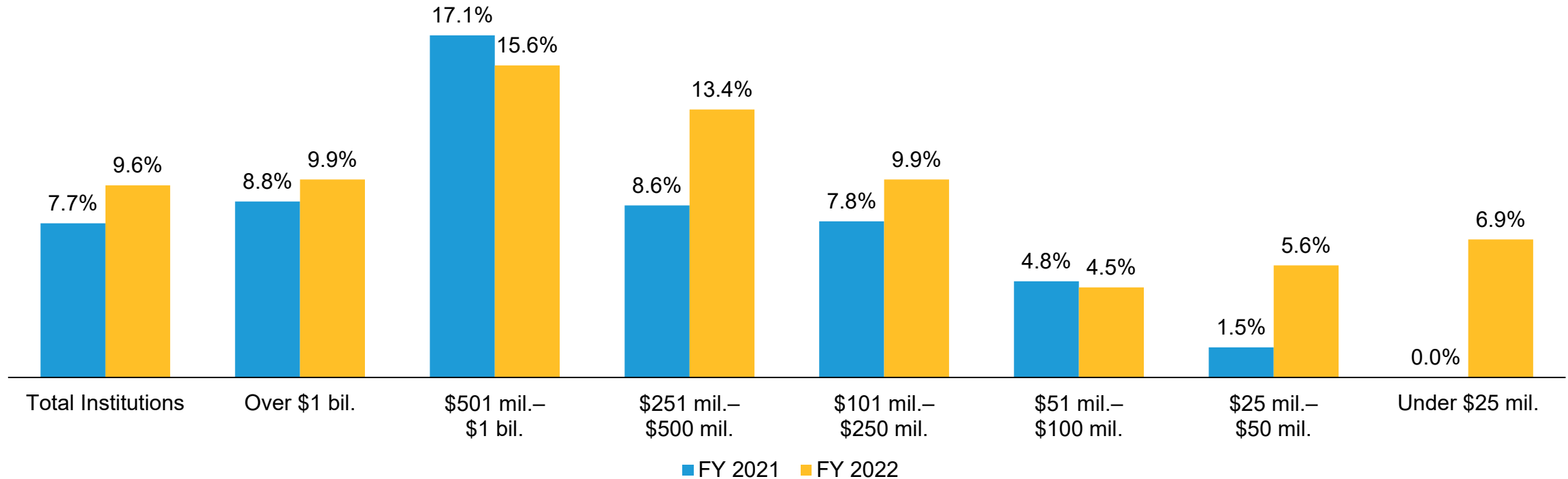
Interquartile dispersion of one-year returns, FY2022



Source: 2022 NACUBO-TIAA Study of Endowments

# Diversity, Equity and Inclusion

University has a DEI policy for investment manager selection



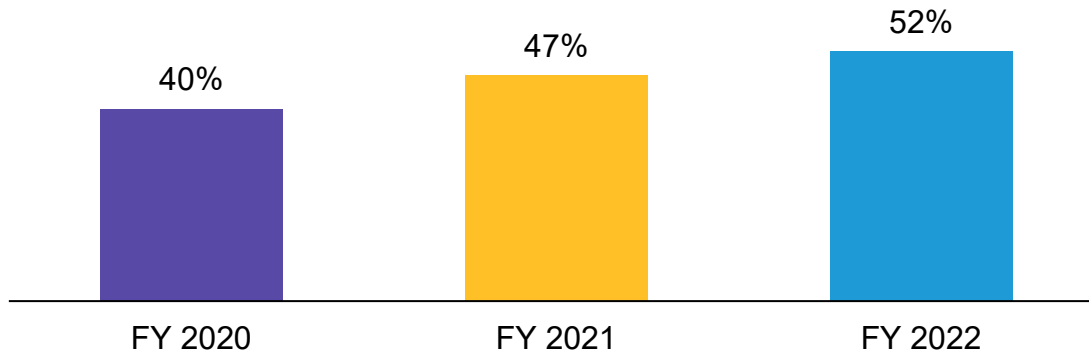
Source: 2022 NACUBO-TIAA Study of Endowments

# Responsible Investing

Adoption increases but barriers remain

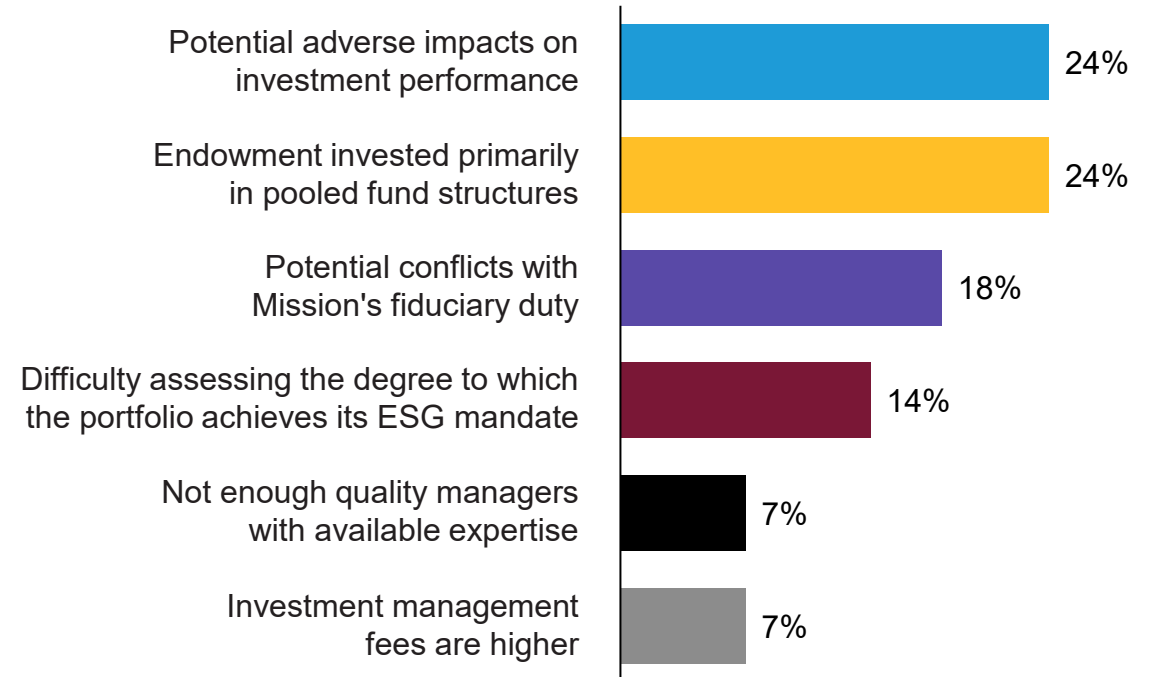
## Manager evaluation

Percent of endowments that factor responsible investing into their investment manager due diligence and evaluation process:



## Barriers to implementation

Percent of endowments reporting that the following factors were reasons for not pursuing environmental, social and governance (ESG) investing, socially responsible investing (SRI) or impact investing:



Source: 2022 NACUBO-TIAA Study of Endowments

# Five High-Level Philanthropy Trends



## Larger gifts, fewer donors

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GUSA reports 2022 as “mixed bag” but long-term trends hold



## Giving Within & Informed by Community

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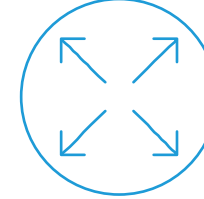
Philanthropic partnerships, giving circles, & more



## Trust-Based Philanthropy

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Shifting power dynamics



## Holistic Impact

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Beyond grants and gifts



## Planned Giving

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No longer a “nice to have”

# Appendix

# Giving USA 2023 Key Findings: Mixed Bag

Annual Philanthropy Report | Top Ten 2023 Trends Featured in Appendix

**Overall, giving is down (3.4%) from record high of \$516.6 billion in 2021**

**Giving by foundations, bequests, and corporations all increased, while individuals declined by (6.4%)**

- Individual giving loosely correlates to S&P500
- Corporate earnings were positive
- Foundations stepped up. Bequests are consistent across economic cycles

**Adjusted for inflation, down (10.5%) overall**

- 8% inflation in 2022 hurt
- Even as inflation declines, expenses are still higher

## Where are donors giving?

- Giving to foundations (community, public, operating) and international affairs both increased even after inflation
- Donor Advised Funds are increasingly important, with an in-depth section on giving to/from DAFs
- Giving to public society/benefit orgs decreased by (8.4%) and by (15.2%) after inflation.

## Long-term Growth Trends Continue

- Individuals as % of total giving have decreased from 81% in 5-yr period ending 1987 to 67% in 5-yr period ending 2022:
  - Foundations have increased from 6% to 19%
  - Bequests and corporations hold steady at 9% and 5% respectively
- Giving remains roughly 2% of GDP. Corporate giving as % of pre-tax profits has declined from 1.6% in 1982 to 0.9% in 2022:
  - As % of total, giving to religion declines while human services, foundations, health, international, education all increased

Source: [Giving USA 2023 Annual Philanthropy Report](#)



# Giving In Community and Giving Informed by Community

- **Giving to foundations** (independent, community, and operating foundations) increased by 10.1% in 2022, to US \$56.8 billion (2<sup>nd</sup> highest growth for a recipient group)
- **Philanthropic partnerships:** co-creating solutions with practitioners in affected communities and partnering with each other for greater scale/impact

**Giving Circles** are growing in number and influence, with approximately 2,500 worldwide and an active online directory and resources

- Often support smaller, diverse led local orgs with great need, and foster broader mix of new philanthropists
- In person events have returned, but at significantly higher costs to the host organizations

## Considerations for Practitioners

- Research growing community of giving circles and philanthropic partnerships as potential funders, but also consider creating for your specific organization

## Considerations for Donors/Funders

- Check out [Global Giving Circle Directory](#)
- Visit your [regional philanthropy serving organization](#) to build peer relationships

Source: [Charity Navigator](#); Giving USA 2023

# Trust-Based Philanthropy | Shifting Power Dynamics

Six practices of trust-based grantmaking



## Give Multi-Year, Unrestricted Funding

Long-term flexible funding allows organizations to allocate resources where they are most needed, making room for innovation, emergence and impact.



## Do the Homework

It is the funder's responsibility to get to know the issues and organizations in their funding landscape, saving nonprofits time in the early stages of the vetting process.



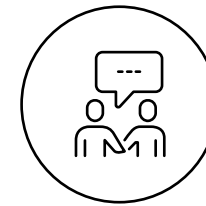
## Simplify and Streamline Paperwork

Nonprofits spend an inordinate amount of time on reports and applications. A more relational approach saves time and helps funders gain a deeper understanding of the work.



## Be Transparent and Responsive

When funders model transparency, power awareness and vulnerability, it helps build relationships rooted in trust and mutual accountability.



## Solicit and Act on Feedback

A foundation's work will be inherently more successful if it is informed by the expertise and experience of grantee partners and communities.



## Offer Support Beyond the Check

Funders have more to offer than dollars alone. Responsive, adaptive, non-monetary support bolsters leadership, capacity and organizational health.

Source: Trust Based Philanthropy Project

# Holistic Impact | Beyond Grants and Gifts

- Aligning traditional investment portfolio with values (“the other 95%”)
- Social enterprises, blended financing/funding, expanding philanthropic and financial tools
- Rise of ‘Corporate Social Responsibility’—customers, investors, employees and execs highly value
- Movement toward an ‘integrated life’
- Diversity, Equity and Inclusion—the foundational level of DEI in all aspects of the business
- GUSA 2023 new section: “Many Paths to Generosity” features many ways individuals, foundations, and corporations manifest generosity, including unique giving campaigns, different giving vehicles, and unique approaches to philanthropy

## Additional Resources

- [A Look Inside the Six Types of Social Enterprise](#)
- [15 Eye-Opening Corporate Social Responsibility Statistics](#)
- [Handbook for an Integrated Life](#)

# Why Planned Giving?

## Worth the Investment

Less than 6% of Americans include a charitable bequest in their will or estate plan BUT 1/3 say would consider doing so if asked

\$30 trillion in wealth will transfer in US from Baby Boomers to heirs/beneficiaries in next 30–40 years. “If we don’t ask, other nonprofits will.”

Planned gifts have increased roughly 5% every year—even in recessions

A donor’s current giving increases dramatically after including an organization in estate plans

## Worth the Wait

The typical completed planned gift is 200 times the size of a donor’s largest annual fund gift

Average time from when gift is made to maturity is 7–10 years (only a few years—most campaign pledge periods)

Average planned gift is US\$35,000–US\$70,000

Over US\$237 billion given by bequest in the 5-yr period ending 2022, close to double the amount given by corporations

Planned Giving [The Importance of Planned Giving](#); Stelter [Planned Giving’s Positive Impact on Annual Giving](#) and [How to Make Your Board See the Value of Planned Giving](#); GivingUSA’s [Leaving a Legacy: A New Look at Planned Giving Donors](#); The Council on Nonprofits: [Legacy Giving Are Your Donors Waiting to Be Asked About Their Legacies?](#); Giving USA 2023.

# Recent Banking Sector Fallout: Nonprofit Considerations

| Bank Deposits—FDIC Insurance   | Investments—SIPC Insurance  |
|--|---|
| <ul style="list-style-type: none"> <li>• “Federal Deposit Insurance Corporation”</li> </ul>                | <ul style="list-style-type: none"> <li>• “Securities Investor Protection Corporation”</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Protects depositors against loss if insured bank fails</li> </ul> | <ul style="list-style-type: none"> <li>• Protects customers if insured brokerage firm fails</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Standard FDIC coverage: \$250 thousand per depositor</li> </ul>   | <ul style="list-style-type: none"> <li>• Standard SIPC Coverage: \$500 thousand, \$250 thousand of which can be cash</li> </ul>   |
|  | <ul style="list-style-type: none"> <li>• Firms can purchase excess SIPC coverage               <ul style="list-style-type: none"> <li>• Bernstein’s excess SIPC insurance increases overall coverage to \$100 million per client, of which \$1.9 million can be cash</li> </ul> </li> </ul> |
|  | <ul style="list-style-type: none"> <li>• Certain money market funds (e.g., Bernstein’s Government Reserves) are considered investments for purposes of SIPC coverage</li> </ul>   |

**Key Considerations**

- Loans may be harder to access; terms may be less attractive/more costly
- Banks’ financial pressures may result in reduction of philanthropic support of local nonprofit partners
- Other donors/funders may “press pause” while digesting headlines and market volatility

**Action Items**

- Discuss with your banker the relative health and implications of current environment
- Right size cash: Is your money working hard enough and is it appropriately allocated by time horizon and liquidity needs?
- Diversify revenue streams where possible
- Be transparent with board and loyal supporters: leverage their support

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