



# ***Best of Intentions***

Using Behavioral Design to  
Unlock Charitable Giving

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# Americans are setting new records for generosity.



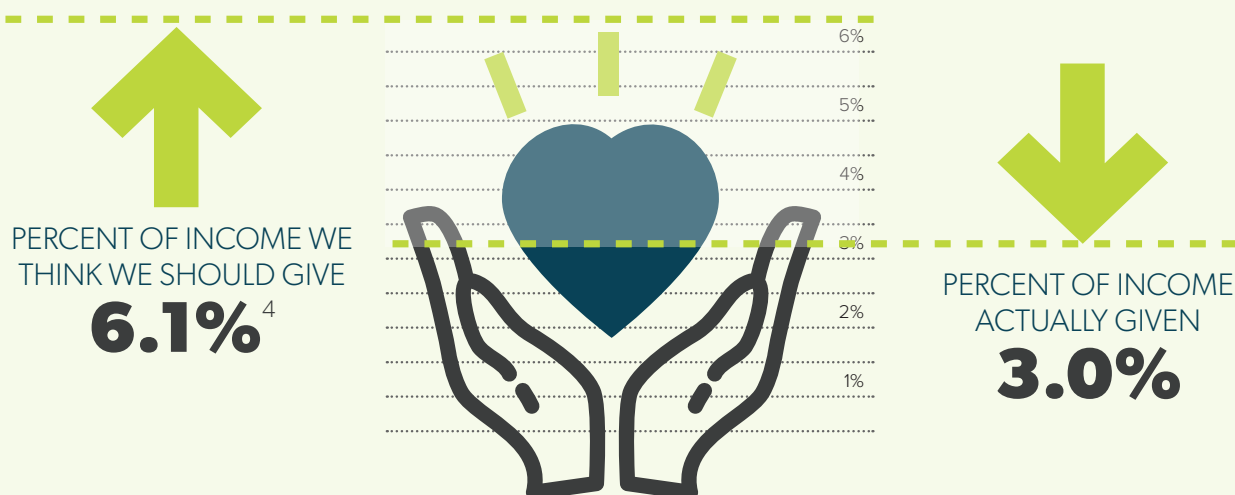
IN 2016, INDIVIDUALS GAVE **\$282 BILLION** TO CHARITABLE ORGANIZATIONS<sup>1</sup>

CLIENTS ADDED **\$23 BILLION** TO THEIR DONOR-ADVISED FUNDS<sup>2</sup>



EMPLOYEES DONATED NEARLY **\$4 BILLION** AT THE WORKPLACE<sup>3</sup>

## But are we as altruistic as we think?



➤ **We may be ignoring a \$291 billion giving gap.**

<sup>1</sup> <https://givingusa.org/giving-usa-2017-total-charitable-donations-rise-to-new-high-of-390-05-billion/>

<sup>2</sup> <https://www.nptrust.org/daf-report/>

<sup>3</sup> <https://www.charities.org/news/workplace-giving-campaign-best-practices-and-potential-pitfalls-avoid>

<sup>4</sup> [http://www.ideas42.org/wp-content/uploads/2016/11/Giving-Poll\\_2016-.pdf](http://www.ideas42.org/wp-content/uploads/2016/11/Giving-Poll_2016-.pdf)

# | Let's rethink donor behavior.

We're reimagining how better design can help everyday donors fulfill their true altruistic intentions.

## ➤ ***Can activating donor identities encourage people to be more consistently philanthropic?***

Donor-Advised Funds offer clients a tax-efficient way to make and manage their charitable giving. But does the unique structure of the funds encourage donors to put off giving decisions? We use a simple message to activate donor identities and create a sense of urgency to realign donors with their true giving intentions. **(p.10)**

## ➤ ***Would framing unused incentives as missed opportunities prompt donors to be more generous?***

An increasing number employees can now conduct their charitable giving through the workplace, with many being offered matching opportunities by their organizations. However, despite these incentives, workplace giving programs are often underutilized. We identify the right moments to highlight giving opportunities and emphasize unused incentives to encourage employees to take full advantage of available resources. **(p.14)**

## ➤ ***Do giving goals help people think more holistically about their charitable actions?***

Donors are generous when asked to support a cause or respond to a sudden need. But many people lack an explicit plan for how much they would like to give over the course of a year, potentially undermining their overall altruism. Through a workplace giving platform, we offer employees behaviorally informed goal-setting tools to help them be more thoughtful about their donations and reach higher levels of philanthropy. **(p.18)**

## ➤ ***Can curating charities lead donors to be more generous and select more effective organizations?***

With over a million charities in the United States, selecting an organization to support can be an overwhelming experience for many donors. Information on these charities is often limited and metrics are usually hard to compare, complicating the choice further. We simplify the choice through the use of expertly curated lists around specific cause areas to help donors choose well and with confidence. **(p.23)**

# Acknowledgements

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Finally, many thanks to the dedicated ideas42 team members who worked tirelessly to bring this portfolio of work to fruition. This report was completed with the support and efforts of Abigail Kim, Hannah Spring, Abigail Warren, Pranav Trewn, Mitra Salasel, and Liana Johnson.

## About ideas42



**ideas42 has a clear mission:** to use our unique experience as a non-profit at the forefront of behavioral science to change millions of lives. We create innovative solutions to tough problems in economic mobility, health, education, safety and justice, consumer finance, philanthropy, energy efficiency, and international development. Our approach is based on a deep understanding of human behavior and why people make the decisions they do. We work with a wide range of partners, from leading foundations and non-profit organizations, to government bodies and businesses—in short, anyone who wants to make a positive difference in peoples' lives.

Since 2016, ideas42 has partnered with leaders in the philanthropic sector to develop and implement behavioral solutions aimed at improving the giving process. Our work seeks to help practitioners apply evidence-based approaches to giving that promote greater generosity and enable donors to better support the causes they care about most.

Visit [ideas42.org](https://ideas42.org) and follow [@ideas42](https://twitter.com/ideas42) on Twitter to learn more about our work. Contact our corresponding author, Sarah Welch, at [sarah@ideas42.org](mailto:sarah@ideas42.org) with questions about our charitable giving portfolio.

# INTRODUCTION



**P**hilanthropy is exceptionally personal, and the motivations behind why people decide to give can vary widely. To adapt Tolstoy, every generous family is generous in its own way. But while interests may differ, there are some common features in how Americans approach their charitable giving. Specifically, for many, **giving is often impulsive and emotional**—a reaction to an evocative solicitation or a response to a sudden need. Certainly, this practice is beneficial for charitable causes, generating in 2016 over **\$282 billion** in donations from individuals across the country. In fact, everyday givers are the driving force behind philanthropy in the U.S., accounting for over **72% of charitable dollars** and far outpacing giving from foundations and corporations.

But if giving is reactive, are people fulfilling their true altruistic intentions, or are they falling short of their giving goals? To find out, we conducted a **simple poll** to ask Americans how much they believed their neighbors should donate to charity (we asked about neighbors to mitigate any temptation for self-aggrandizement). To our surprise, **the average respondent thought their peers should be giving about 6% of their income annually**. That would amount to more than double what households actually donate! When it comes to giving, even a small gap between donors' intentions and actions can collectively mean the loss of billions of dollars for social causes.

The mismatch between expected and actual donations can be partly explained by our imperfect behaviors around giving. We know, for example, that for relatively ambiguous tasks people tend to overestimate their future performance, including in matters involving generosity. **One study** demonstrated this phenomenon clearly through a college campus event in which daffodils were sold to raise funds for the American Cancer Society. At the outset of the campaign, researchers asked students how many daffodils they expected to buy over the four-day period. While many believed in their imminent generosity, nearly half the students who intended to buy flowers ended up buying none at all. And those who did follow-through with a purchase bought only around half as many as they had said they would. As with our poll, anticipated levels of altruism outpaced reality.

Of course, philanthropic impact is not only about how much money flows to charitable causes, but also how well that money is used. People give to organizations they deem capable of using their dollars to improve the world, however each of us defines that objective. Accordingly, in **a survey on charitable behavior**, 85% of donors said they pay attention to performance when giving to a specific nonprofit. Yet in a similar survey, **only 9% claimed to actually give based on the relative performance of charities**. This disparity also hints at a behavioral barrier. We know effectiveness matters, but we rarely devote time to seek out the best options. Can we change this dynamic?

## Unlocking Greater and Better Giving

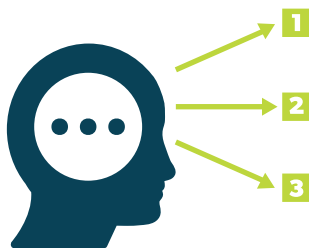
With the generous support of the Bill & Melinda Gates Foundation and in coordination with the Philanthropic Partnerships team, we are directly tackling the behavioral barriers that keep us from giving often and giving well. Over the past two years, we have examined how people give and explored innovative approaches to address common hurdles in the donor process. More precisely, we are applying a behavioral lens to philanthropy to help Americans be more **generous, intentional, and informed** in their everyday giving. We view these three dimensions as having the potential to optimize giving in the following ways:



**Generosity:** Americans continue to demonstrate an inclination toward altruism, but individually, we don't always translate these desires into actual donations. By tapping into this spirit of generosity and providing easy and timely ways to give, we can help people increase the amount they donate every year.



**Intentionality:** Giving can be unstructured and done on an ad hoc basis, leaving people unaware of how much (or how little) they give in the course of a year. Additionally, many give simply when asked, and not necessarily to causes that matter most to them. Offering tools that allow people to plan when and where to give can make their philanthropy more purposeful and aligned with their intentions.



**Informed Giving:** The impact of charitable dollars can be difficult for donors to trace and measure. Even for those motivated to find effective charities, seeking information is often prohibitively time-consuming and complex. Features that simplify choice, make comparisons clearer, and provide timely feedback can support donors who want to make the best use of their donations.

In designing for these three areas, we rely on insights from behavioral science to help us comprehend how people operate within a complex and textured world. Drawing from decades of research in the social sciences, we are able to create a more realistic framework for understanding when and how people make decisions and take actions. With charitable giving, as with all aspects of our lives, seemingly small and inconsequential details can undermine our intentions to give. Identifying and overcoming these deterrents has been the core mission of our work in this space.

Because there is not one central system for donating, it is difficult to pinpoint what drives donor behavior across the board. As a result, we focused our efforts on major touchpoints where a high proportion of philanthropic activity occurs: **workplace giving platforms, online charity evaluators,** and **donor-advised funds.** In coordination with nearly a dozen partners, we uncovered features of these platforms that may unintentionally suppress giving and implemented a series of interventions to reduce these barriers to better giving.

Our findings shed new light on giving behavior and can meaningfully inform how others in the charitable space engage donors. In this report we spotlight our projects to date, describing the impetus behind each intervention and its respective impact on giving. To help others put the insights from this work to good use, we label generalizable results where appropriate and highlight areas where more research could lead to promising findings. We also underscore the importance of testing any changes by presenting an experiment where the results of a pilot confounded our expectations, sparing the partner from scaling a counterproductive innovation.

Overall these findings provide a novel addition to the growing body of research on donor behavior. Building on these lessons, we will continue to work with partners in the field to generate new evidence about best practices in generous and effective giving. To ensure scalability, we encourage other practitioners to implement appropriate behavioral innovations on their own platforms. As we hope to show, even seemingly small measures can translate into extraordinary results for organizations that directly impact countless people's lives.



# GENEROSITY



**G**enerosity is often considered an innate and consistent trait that each of us possesses to some degree. According to this viewpoint, the most charitable among us are self-motivated to help those in need, and those individuals therefore donate money frequently and in abundance. But reality is rarely so straightforward. Imagine an inherently altruistic woman on her daily walk to work being asked for spare change. She wants to give, but finds that she's carrying no cash. Her benevolence is undermined by the limits on her ability to help in that moment. Now imagine if she had taken a different route; she wouldn't encounter the decision to give at all. These scenarios illustrate how generosity alone is not always enough to warrant action.

A [classic behavioral study](#) involving seminary students exemplifies how generosity can vary based on context. In the experiment, the researchers asked the subjects to individually travel to a specific location on campus, each presented with a differing sense of urgency (e.g., “you’re late”) before being sent off. As they made the journey, the students passed a slouched-over man who was groaning audibly. The level of urgency proved to be a crucial factor in whether or not the seminarians helped the man. Among those in no hurry at all, 63% stopped to help the man in need. As the level of haste increased, helpfulness dropped precipitously, with only 10% of those in the greatest rush stopping to help. Such a small change in the context was sufficient to drastically change behavior—even among a group as surely altruistic as seminarians.

As these examples suggest, **our current context regularly affects how and when we give to charity.** While the United States [ranks among the most generous countries](#) in the world, the amount that Americans give to charitable causes may actually fall short of their desired altruism. Like the woman with good intentions but no cash, the circumstances in which we are asked for donations or are expected to follow-through on those gifts can suppress how much we ultimately give.

As a result, ideas42 set out to better understand central facets of the giving context in order to identify and address common barriers to generosity. We worked with partners in the field to demonstrate how improving the environment in which people give can increase overall philanthropic activity.

Our first spotlight looks at one of the most dominant giving vehicles in today's charitable landscape: the Donor-Advised Fund. Their unique structure allows clients to set aside philanthropic funds before deciding which charities to support. This process facilitates initial steps towards donating, but may encourage donors to put off ultimate giving decisions longer than intended. Working with a leading fund, we sought to prime clients' altruistic identities at opportune moments as a way of realigning their charitable actions with their true giving intentions.

The second spotlight takes a closer look at donor engagement through workplace giving platforms. A growing number of organizations provide generous matching policies alongside these platforms, but the benefits are often underutilized. To increase uptake of the match and funnel more available cash to charitable causes, we worked with a large tech firm to reframe these unused benefits as a loss as a way of encouraging employees not to miss out on these giving opportunities. Our hope is to ultimately foster greater engagement from donors by underscoring moments to give, helping them successfully meet their philanthropic ideals.

# Activating Donor-Advised Funds

Promoting generosity through a holistic picture of giving

**Philanthropy is being transformed by a giving vehicle that most people have never heard of: the Donor-Advised Fund. These funds offer donors a tax-efficient channel to make donations and manage charitable giving. But their unique structure may also encourage donors to put off giving decisions longer than intended. Priming people's philanthropic identities and creating a sense of urgency can promote greater altruism and realign donors with their true giving intentions.**

## A New Giving Landscape

Over the past decade, Donor-Advised Funds (DAFs) have become one of the most dominant vehicles for Americans to organize and guide their giving—collectively accounting for over \$85 billion in charitable assets.<sup>1</sup> These funds allow donors to transfer tax-deductible contributions into their accounts, collect interest on held assets, and ultimately, direct grants from their balances to charitable organizations. However, with clients receiving the tax benefits as soon as funds are added to their DAFs, they may experience more urgency in making contributions into their accounts than in granting funds out. While these assets will eventually be granted (i.e., donated) to other non-profits, they may sit in accounts for longer than donors intend.

To identify innovative ways of encouraging greater and more timely giving, we partnered with a leading national DAF to better understand how clients approached their philanthropic decision-making. We found that for many account-holders, both contributions going into their accounts and grants directed out to charities were sporadic and relatively gradual when compared to their remaining balances. While some clients may be collecting assets for fewer, larger gifts or creating a family legacy of giving, we suspected there are behavioral barriers preventing many others from using their DAFs at a pace they would find ideal.

When examining the features of the DAF process, we found two main barriers that could hamper the amount of money flowing through these funds. First, client account pages emphasize financial metrics—such as account balance growth and interest earned—that prime a value-maximizing mindset over a philanthropic one. This perspective could drive donors to be overly cautious about drawing down their balances. Second, measures of social outcomes are difficult to assess and clients are not provided with an overall sense of the impact their dollars are having on real-world issues. This lack of cumulative metrics could be diminishing the level of gratification donors derive from their giving.

<sup>1</sup> <https://www.nptrust.org/daf-report/market-overview.html>

## Making Time for Reflection

We spoke with a variety of DAF clients to see how these barriers affected their philanthropy and to better understand what motivates their giving decisions and actions. While there was an appreciation for the tax benefits and efficiencies offered by DAFs, we found that most people opened their funds out of a desire to be effective givers—driven by a strong sense of altruism. Everyone we interviewed was thoughtful and deliberate about the grants they made and the charities they supported. However, some were unable to provide an accurate, holistic view of their cumulative giving to a single charity or their total grants over a period of time. Conversely, most had a more precise notion of how much was sitting in their accounts, likely due to the earlier noted fact that account balances are centrally displayed on the online donor portal.

This focus on current balances posed a challenge since clients need to know how much money is available in their accounts, but at the same time, the indicator establishes a reference point against which giving decisions are made. We know from seminal research<sup>2</sup> in behavioral science that, relative to a reference point, losses are felt more acutely than gains. In the case of DAFs, when grants are made, clients see in explicit terms the reduction in their balances in exchange for more nebulous social outcomes such as lists of supported charities. Even though the account holder intended to give the funds to charity all along, the balance decrease could feel like a loss. Changing this frame became a central aim of our intervention.

We produced a simple email that previewed a “year-end-review” of each client’s contribution and grant activity. The message was delivered at the end of November, giving donors the opportunity and time to still shape their overall measures of annual philanthropy. By sending donors a cumulative audit of their giving, we hoped to:

### ► **Prime clients’ philanthropic identities.**

We all strive to maintain consistency between our actions and our self-perception. In this vein, presenting DAF clients with their year-to-date activity can prime individuals’ donor identities while prompting them to act if their actual giving amounts are discordant with their personal expectations.



<sup>2</sup> Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47, 263–291

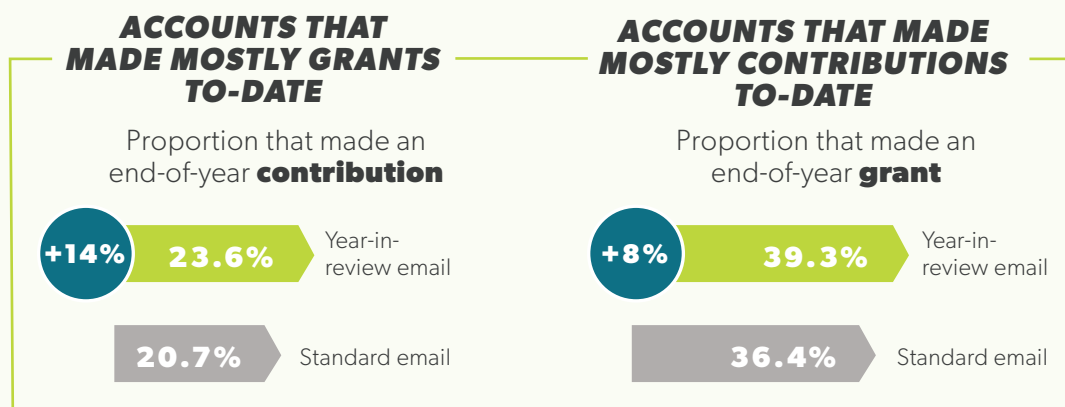
- ▶ **Make total social activity more salient.** Often giving is emotional and responsive to direct appeals, leading people to give on an ad hoc basis. Displaying cumulative figures of contributions and grants can encourage clients to think of their giving in holistic terms and deliver a clearer sense of overall impact (at least in dollar figures).
- ▶ **Impart a sense of urgency.** People tend to procrastinate on tasks that are not time-bound, confident that they will take action soon. Unfortunately, that confidence can be misplaced. The freedom offered by DAFs to grant at the donor's leisure may lead to repeated delays, but by showing annual giving figures, we can create an artificial deadline to counteract the effect.

## Motivated Giving

To test this intervention, our partner sent the specially designed email to half of their active clients, with the other half receiving an alternate message that included typical end-of-year accounting information. After the giving season concluded, we examined how account activity across these two groups differed, and found that the message did in fact change giving behavior. Specifically, more clients made a contribution when prompted by the year-in-review email. And while changes in the average dollar amounts contributed and granted were less conclusive, there was a meaningful increase among smaller account-holders (particularly the smallest 10 percent of accounts). This finding suggests that these lower-dollar clients may be engaging with their DAFs in a way that makes our identified barriers more pronounced—and thus the solution more effective.



As we examined these results, we also found that the cumulative picture of giving led many donors to correct imbalances in their DAF activity. Namely, those who through November had contributed more than they granted—or inversely, granted more than contributed (by drawing down existing balances)—were more likely to change their giving behavior to compensate for this asymmetry.



The results of this pilot demonstrate that behaviorally informed messaging sent at the right time can increase contributions to DAFs and prompt some people to grant funds to charitable organizations sooner than they might otherwise. This low-cost intervention shows promising potential for longer-term, scalable solutions that deepen clients' engagement with their funds and meaningfully increase the donations granted out to charities in a timely way.

## Looking Forward

The impact DAFs have had in unlocking the altruism of everyday givers cannot be overstated. But to further that mission, clients will need to be given the tools to be more intentional and consistent in meeting their philanthropic goals. Reframing how donors engage with their accounts and priming the right identities in the moments of choice are important first steps. In addition, our intervention demonstrated that offering clients a more holistic perspective on their impact is enough to spur action. These findings are especially true for the many smaller account-holders. Structural changes to DAF interfaces with clients that highlight social metrics over financial ones, place each grant in broader terms of cumulative impact, and prompt more timely action through small nudges can amplify the outcomes of this experiment. Making it easier for people to plan and act on their giving intentions could potentially release billions of additional philanthropic dollars—channeling more generosity toward critical issues and solutions.

## Fostering Charitable Giving at Work

Making employee giving opportunities more salient

**Workplace giving programs can be an attractive benefit to employees, providing them with an easy way to make and manage their charitable contributions. Moreover, organizations that offer matching programs can amplify the impact (and the “warm glow”) that employees are able to generate with their donated dollars. However, these programs are often underutilized, even by those who are donating through other channels. Finding the right moments to highlight workplace giving opportunities and emphasizing the loss when benefits go unused can encourage employees to take full advantage of available resources.**

### Good at Their Job

Giving at the workplace has become an efficient way for employees to make tax-deductible donations to charities. Whether through payroll deductions or one-time gifts, charitable contributions through these platforms now account for [approximately \\$4 billion in annual giving](#), with a growing proportion of that figure coming from employer matches. Yet even with all these incentives, [billions of dollars](#) in offered matching gift funds go unclaimed each year.

To better understand why workplace giving opportunities are underutilized by employees, we partnered with Yahoo for Good—now part of [Oath for Good](#)—which focuses on expanding access to opportunities for youth and underserved communities in science, technology, engineering, arts, and math. Together, we examined the hurdles faced by employees of a large tech firm and found that workplace giving opportunities are not always salient in the right moments. New hires of the company, for example, learn about the matching program during their orientation, at the same time they learn about their health insurance, retirement accounts, vacation, and other benefit policies. We know from behavioral research that as humans, we all have limited attention, so it is no surprise that a charitable giving match program benefit gets lost in the sea of information that employees receive when they start a new job. And even if employees are aware of the matching benefit, it may not be top of mind when they make a donation weeks or months later.

Recognizing this barrier, the company decided to offer new hires a giving credit to encourage them to sign up with their donation platform and start building a habit of workplace giving. However, providing an additional incentive would not necessarily solve the historically low uptake problem because limited attention would persist. We anticipated that, like workplace giving opportunities more generally, the credits would be overlooked by a majority of employees in favor of more urgent matters. To bolster redemption rates, we needed to make the credit more salient to a large number of employees.

## Watch Your Tone

Starting in 2016, all new employees were automatically credited \$25 to their workplace giving accounts, which they could donate to a charity of their choice within 30 days. An email from the company informed them of the gift, encouraging them to redeem the donation credit and start using the platform for future charitable gifts. ideas42 supported this launch by designing and testing two different email messages to identify an effective framing for encouraging people to use the gift.

The first version of the message used a straightforward tone that highlighted the corporate value of supporting social causes and actively urged employees to redeem their credits. By introducing a company culture of giving, the email communicated a clear social norm, providing an important cue of expected behavior for the new hire. The message also had an easy-to-understand subject line that explicitly mentioned the \$25 giving credit, direct links to the platform (reducing hassles), and a contact to address any uncertainty around the donation process or answer any questions. These elements served to simplify the process of redemption because even small hurdles can derail action. Finally, employees were asked to take “a few minutes today” to use their credit to make a donation—language that was included to signal the ease of making a donation as a way of preventing procrastination.

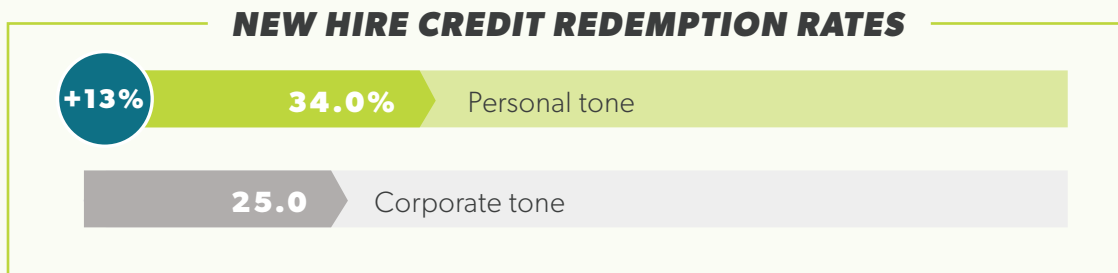
The second version, in contrast, used a personal, conversational tone that described the credit as a welcome gift. This approach was used to engender a sense of reciprocity that might encourage employees to in turn donate the funds they were given. Similar to the first message, direct links and a contact for any questions were provided to make redemption easier. However, in this version, employees were cautioned not to let their credit expire. This framing suggested that they would lose something if they did not act in time. A fundamental insight in behavioral science, loss aversion, is that we feel losses more acutely than gains. By utilizing loss-framing, we hoped to encourage action by making the expiration of the credit feel “more painful” to the employees.

## Getting the Credit

To identify which message would spur the most donations, we sent the two versions randomly among 750 new hires. We then examined whether or not the credits were redeemed before their expiration date. As expected, many of the employees overlooked the available funds—across the board, only 29% of the new hires used their credit to make a donation. However, there was a marked difference in redemption rates between the two email variants, providing insights about behaviorally informed messaging that can inform future communications.



Of the two emails, the version with the personal tone and loss-framing was more successful. The redemption rate among those who received the second message was 34%, compared with 25% for those who received the corporate culture-framing email. In other words, minor differences in wording and framing of one email were responsible for 36% more new hires engaging with the giving platform. While both emails had elements built in to encourage redemption of the credits, through testing, we were able to determine which approach resonated most with employees and, ultimately, increased the salience of workplace giving.



## Paying Attention

These findings have provided our partner company with a simple and actionable way to amplify their giving credits campaign. They have now adopted the loss-framing language with all subsequent new hires and will monitor the longer-term impact on continued use of the giving platform. However, there is still significant room for improvement since initial engagement rates remain low. Learning from this experiment, our partner can explore other proven methods for overcoming limited attention, such as timely reminders on a quarterly basis to encourage repeated use of the platform. For other employers looking to broaden usage of their giving programs or matching opportunities, these behaviorally informed approaches to reaching employees could similarly prove to be a cost-effective way of increasing uptake. But as shown above, testing is crucial to measuring the effectiveness of different types of messages before scaling widely. Without testing, employers may never learn how to properly promote their giving opportunities. And in this case, you *can* blame the messenger.

# INTENTIONALITY



**F**or many Americans, charitable giving is an act often made in response to a sudden need or an impassioned appeal. When a hurricane strikes or a picture of a refugee goes viral, millions of people open up their wallets to help. Reactions like these are undoubtedly valuable, but relying entirely on a reactive approach may leave donors with an imperfect picture of their overall philanthropy. This ad hoc nature of giving is like walking into a supermarket with no shopping list. You can choose items you need in the moment, but will you buy enough food for later or the right ingredients for a complete dinner? It's important for people to be able to give when sudden crises arise, but it shouldn't stop there: a lack of intentionality can limit how well or how often we give.

Because giving remains for many a spur-of-the-moment action, evocative appeals usually receive more support than those that align with a donors' innate preferences—which is why many organizations use them. Research has shown that the average donor **gives around twice as much to solicitations that tap into emotions**. While this responsiveness is helpful in moments of great need, donors that rely on these prompts may miss opportunities to give to causes they care about and perhaps unknowingly limit their giving overall. In fact, the Chicago Community Trust found **evidence** that even people who expressed sincere concern over an issue consistently failed to volunteer or donate money to that cause.

This isn't surprising: The charitable giving sector is woefully fragmented, rarely prompting donors to reflect on their giving decisions nor consistently supporting them in building broader giving habits. Without those moments of reflection, giving largely remains a sporadic, disjointed process. This scattered approach has significant consequences for donors and the issues they care about.

We believe that **helping donors be more deliberate with their giving can make their philanthropy more personally rewarding**. This increased gratification could, in turn, strengthen their motivations to donate at greater frequencies and in larger amounts to causes that matter most to them.

Our spotlight in this section puts this theory to the test by exploring how personal giving goals can affect donations at the workplace. We offered employees a goal-setting tool with a progress tracker to prompt more intentional thinking and hold donors accountable to their targets. By emphasizing purposeful plan-making, we hope to cultivate a more deliberate practice of charity.

# Helping Employees Fulfill Their Charitable Intentions

Incorporating goal-setting into workplace giving platforms

**The workplace has become a common place for employees to donate to the charities they care about, often with the potential to amplify the impact of their donation with a “matching” gift. However, billions of dollars in workplace matching gifts go unclaimed each year—and the barrier isn’t donor frugality. Rather, donors’ altruism may be curbed by a lack of clear intentions and competing obligations that make it all too easy to lose sight of charitable aspirations. Behaviorally informed goal-setting tools within these platforms can help employee donors reach higher levels of generosity, and unleash a wave of philanthropic resources for critical causes.**

## Billions of dollars in unused matching gifts

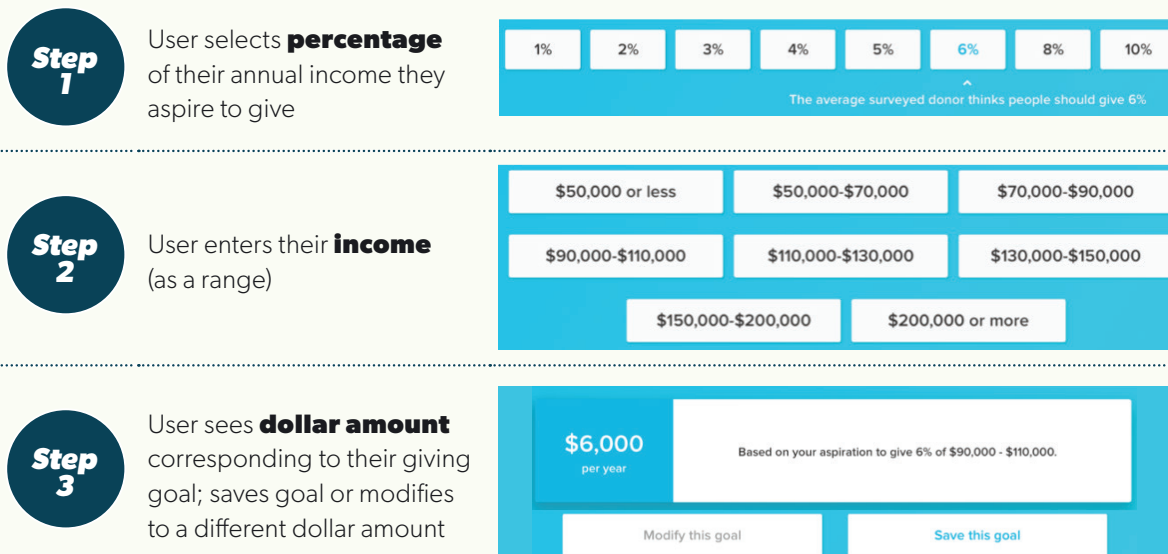
Each year, the philanthropic sector receives billions of dollars through workplace giving platforms. Typically, these programs support employee giving through the offer to match gifts and organize receipts for easier tax deduction claims. While these platforms currently facilitate an impressive amount of annual donations, each year an additional \$6-10 billion earmarked by employers for matching gifts goes unclaimed.

At first glance, not fully utilizing matching funds could signal that employees are satisfied with their current levels of generosity and do not aspire to give more. However, evidence suggests most donors want to be more altruistic. For instance, in an online poll, we identified a “giving gap”—while the typical donor intends to donate around 6% of their income each year, they ultimately give only half that amount on average.

We partnered with Bright Funds, a leading donation platform used by many workplace giving programs, to design innovative ways to enable employees to fulfill their charitable intentions and utilize unclaimed match funds from their employers. Together, we identified two features of the platform that may hinder Bright Funds donors’ altruism. First, users lack a moment of reflection to decide the “right” amount to give. Without this, it’s easy to lose sight of generous intentions. And even if an individual did try to concretize a specific number, there is little information available to determine the right amount for them. Second, in the onslaught of daily obligations it can be hard for donors to remember to follow through and give toward their identified “right” amount. Donors—like everyone—have limited attention and mental energy, and determining when to donate is often not top-of-mind. As a result, extended periods of time can pass without donors giving, even if they intend to, or with only sporadic donations made in response to active solicitations.

## A behaviorally informed goal-setting tool

To address these bottlenecks on the platform, we designed and integrated into the Bright Funds homepage a behaviorally informed goal-setting tool and progress tracker for that goal. We then supplemented these with personalized end-of-year emails reminding people of their goals, and laying out their progress to date.



The core behavioral features of these designs aimed to:

- **Highlight the social norm around giving amounts.** After clicking on the goal-setting tool, donors' first step was to select what percentage of their annual income they would aim to give to charity. To guide this choice, we included a message stating "The average surveyed donor thinks people should give 6%." This feature emerged from our tests on Amazon's Mechanical Turk crowd-sourcing platform, which showed that adding such a social norm message led to more generous goals. The behavioral science literature also demonstrated that setting more ambitious goals translates to improved outcomes.
- **Prompt donors to concretize a specific annual dollar goal.** After donors selected their annual percentage giving goal and their annual income, they were prompted to save the final dollar amount that came out of this goal-setting exercise or to modify their goal to a different dollar amount. This dollar amount then appeared on their personalized homepage for the remainder of the year.
- **Support donors in following through with their goal over time.** Once donors set a giving goal for that year, a goal progress tracker displayed how much more they had to donate by year's end to meet their goal. In addition, donors who set a goal received a reminder email in late December highlighting their year-to-date giving amount and how much they had left to reach the goal they had set for themselves.

## Goal-setting has a positive impact

During the last six weeks of the 2017 holiday giving season, which is traditionally a time period that sees an uptick in giving, we tested the tool's effect on 18,021 Bright Funds users, randomly assigning half of users to a homepage with the goal-setting tool, our treatment condition, and the other half of users to the standard Bright Funds homepage, our control condition.

We found that the goal-setting tool prompted users to donate more. The average control group user gave \$243, while the average treatment group user gave \$260, a **7.1% increase leading to a cumulative donation boost of over \$150,000 relative to the control group**.<sup>1</sup> Among users who, at the start of the experiment, had not yet donated in 2017, the average control group user gave \$195, while the average treatment group user gave \$229, a 17.7% increase.<sup>2</sup>

These results indicate that goal-setting paired with feedback on donors' progress towards their goals is a scalable method for increasing generosity in an online platform that, once built, will entail nearly zero marginal cost to maintain. In particular, the tool's differential impact suggests that infrequent givers—in this case, those who had not donated since 2016 or earlier—are most impacted by goal-setting.

## Goal-setting is just the start for better philanthropic giving

Goal-setting is one of the many behaviorally informed ways to amplify the philanthropic impact channeled through workplace giving platforms. Traditionally, the philanthropic sector has advocated for tax breaks and corporate matches to encourage altruism. While these incentives are well-intentioned and certainly do encourage giving, they fail to address the behavioral bottlenecks that can suppress the intended altruism of today's donors—and they require significant investment. Instead, these incentives should be combined with the low-cost, easy-to-implement methods we tested—simply prompting people to clarify their charitable aspirations and helping them follow through. As the philanthropic sector continues to explore how goal-setting can increase generosity, our future research will focus on identifying strategies that make goal-setting more compelling for donors—and, as a result, boost goal-setting rates—and learning what forms of feedback best help donors fully realize their charitable intentions.

Further work in this space can help unlock some of the billions of dollars in matching funds that go unused each year, which can lead to improved outcomes across a range of social and charitable causes. Continuing to learn and innovate across the philanthropic sector can help Americans follow through on their existing generous intentions and channel more of their money toward the causes they care about most.

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<sup>1</sup> This finding was not statistically significant.

<sup>2</sup> This finding was statistically significant at  $p=0.030$ .

# INFORMED GIVING



**W**hat motivates people to give to charity is an open debate in philanthropic circles. But it's safe to say that the desire to have a positive impact is a driving force for many donors. For those individuals, it should follow that choosing the most effective organizations would be a top—if not the top—priority. However, when surveyed, only a third of donors claimed to research the performance of charities they give to, and even fewer said they compared outcomes across non-profits. Certainly, there are other factors that people may consider more important than social impact (like a personal connection to a charity). But do these factors sufficiently explain why donors so infrequently attempt to optimize the social good their dollars are having?

An alternative explanation is that finding effective charities is not a simple task. Objective information on impact can be hard to come by and uniform metrics that allow for comparison between organizations can be extremely limited in scope. Even for the most motivated among us, seeking reports on outcomes is often prohibitively time-consuming and complex. From behavioral science, **we know that people have a hard time navigating and choosing from options that are difficult to assess or distinguish.** With over a million charities registered in the United States, choosing where best to give without clear information can be overwhelming—resulting in many selecting an organization without understanding its performance, or even failing to choose at all.

In the current landscape, proactive donors can turn to third-party rating sites for guidance from trusted sources and gather at least some insight into a charity's performance. But others may rely on implicit signals of effectiveness to figure out how to direct their dollars. One [study](#) that looked into matching opportunities identified an interesting dynamic at play. The researchers found that simply offering the match increased both the amount and frequency of donations, but that raising the ratio of the match (from 1:1 to 3:1) had no impact on giving. [Another study](#) discovered that having the Bill & Melinda Gates Foundation be the visible matching partner increased donation rates by 38% and volume by 44% compared to an unspecified match. These findings may suggest that people respond to matches as a signal of quality rather than a financial incentive alone—and that there is a desire for more trusted, simple signals rather than detailed reports.

If presenting a simple marker of quality can shift donor behavior, then **other ways to reduce complexity when choosing effective charities could significantly reshape giving.** These approaches could include offering specific guidance to potential donors as they explore causes or providing feedback on past giving that informs future decisions. Such features should be built seamlessly into the donor process to ensure the guidance is timely and actionable.

In the projects spotlighted in this section, we apply this understanding of decision making by using expert curation to present donors with more manageable sets of pre-selected charities. We highlight how donors respond to different types of curation and suggest in what context expert endorsements may be most useful. With relevant information being otherwise so decentralized, these curated lists could provide a welcome level of guidance to many donors.

# Unlocking Philanthropy Through Curation

How simplifying choice may increase giving

**Americans enjoy a vast set of options when selecting which charities to support. With so many organizations operating within a given cause area, it can be difficult for people to determine which ones are most aligned with their giving goals. Making this decision can overwhelm donors, which can lead them to give hastily, put off the decision, or not give altogether. Simplifying the choice with expertly curated giving lists may increase donor confidence and generosity.**

## How to Choose?

The United States has an active nonprofit sector with over a million public charities in operation<sup>1</sup> — many of which are clustered within a few major cause areas such as health, education, or the environment. Having so many organizations working for the public good is clearly valuable; however, this level of choice makes it challenging for donors to find and support the organizations most closely aligned with the impact they wish to make with their dollars. The presence of too many options—without a way to meaningfully differentiate between them—can lead people to make poor decisions, or fail to choose at all, a phenomenon known as choice overload.

When options are similar or attributes are hard to distinguish, people may have a difficult time choosing confidently. With charities, it is common to encounter multiple organizations working towards the same mission. But when comparing them, their relative effectiveness can be hard to measure and assess. Even the most determined donors may find it confusing to seek information on the performance of an organization. One study found that although 85% of donors said they care about the effectiveness of the charities they support, just 3% compared the relative performance of multiple organizations before making a donation.<sup>2</sup> This pattern makes it exceedingly likely that donors will not know if their gifts are going to the most impactful organizations. And this lack of sufficient guidance on the quality of their choices may suppress the frequency and generosity of their giving.

We set out to find a way to reduce the gap created by choice overload and help donors feel more confident in their ultimate giving decisions.

## Where Curation Comes In

On online giving platforms, where people can find and review information about different charities, users are presented with an expansive array of options from which to choose. But we know that inundating consumers with options can at times make their decisions more cognitively

<sup>1</sup> <http://nccs.urban.org/data-statistics/quick-facts-about-nonprofits>

<sup>2</sup> Hope Consulting, “Money for Good.” (<http://static1.squarespace.com/static/55723b6be4b05ed81f077108/t/566efb6cc647ad2b441e2c55/1450113900596/Money+for+Good+I.pdf>)



taxing, and potentially less fulfilling as the likelihood of making the “wrong” choice increases.<sup>3</sup> If donors are feeling this level of reluctance when giving, one possible way of mitigating the effect is by offering guidance on effective organizations through curation.

Our decision to explore expertly curated giving lists was informed by two behavioral insights:

- ▶ **Filtering options can reduce choice overload.** With a culled list of charities to consider, the cognitive burden of sifting through options is diminished for potential donors.
- ▶ **Signaling approval from trusted experts offers validation.** The approval of experts can assure donors that they are giving to effective charities.<sup>4</sup> Therefore, curation can reduce the onus to research each individual organization.

## Engagement & Validation

We partnered with Intentional Futures, a socially-minded consultancy, to test how curation affects giving behavior across a variety of giving platforms. To create the curated lists of charities, dubbed “GiveLists,” we turned to philanthropists and foundations with deep expertise in a range of popular cause areas. Each group compiled three to eight organizations that they believe are having a meaningful impact in their respective fields of interest—such as global poverty and conservation.

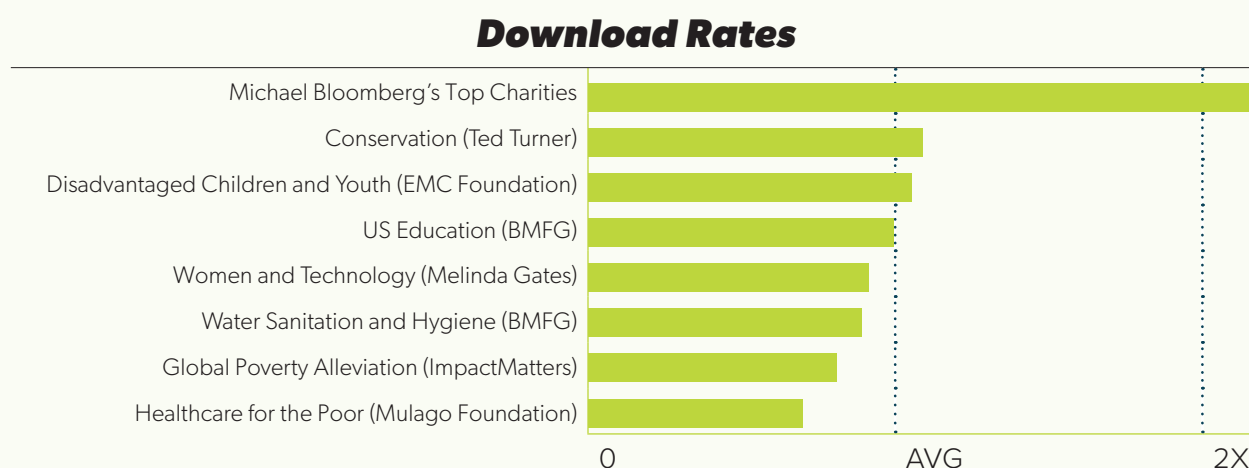
To test the effectiveness of these GiveLists, we offered them to potential donors through four separate partners, including two national donor-advised funds, a workplace giving platform, and an independent charity watchdog organization. Through each platform, we presented the lists to a subset of users and compared their actions to those who did not have access to the lists. Through these tests, we hoped to see whether the additional guidance would increase engagement with and donations to the charities people encountered.

The first important insight we gathered is that when curation is presented matters. When one partner sent a mid-year email with the GiveLists to clients, at a point when for many people philanthropic giving is not top of mind, engagement was unsurprisingly low. Conversely, on the charity watchdog site, where potential donors are actively looking for guidance, we found that those who received the GiveLists did change their behavior. They gave on average **more than twice as much per donation** as compared to those who were exposed to a similar, but non-curated, list. This increased generosity was a function of the limited choice set, but perhaps also due to the expert curator improving people’s perceptions of the selected organizations. The validation from the curator may have given people greater confidence that their donation was going to an effective charity. These promising results, with further investigation, could be ideal for other situations where donors are responsive to indications of organizational quality.

<sup>3</sup> Iyengar, S. S., Wells, R. E., & Schwartz, B. (2006). Doing better but feeling worse: Looking for the “best” job undermines satisfaction. *Psychological Science*, 17(2), 143-150.

<sup>4</sup> Karlan, Dean and List, John. 2014. “How Can Bill And Melinda Gates Increase Other People’s Donations to Fund Public Goods?” National Bureau of Economic Research.

We also looked into how different lists fared against one another, and found that some curators garner more interest than others from donors. In one experiment where eight lists were offered, the most popular one, with more than twice the average the number of downloads, was from Michael Bloomberg—with Ted Turner’s list coming in second (see graph below). One hypothesis is that the curator’s celebrity could be driving engagement, either because people are simply curious about their selections or because they have more faith in recommendations from a known name. We plan to run future tests to examine this theory and determine whether this greater engagement with the list actually leads to an increase in donations.



## Where Next?

Deciding where to donate is a complex choice in a marketplace full of worthy causes and organizations working to make a difference in the world. Because choice overload can reduce the frequency or amount of donations going to these organizations, it's important to find innovative ways to help people follow through on their giving intentions. While still preliminary, our early efforts to implement the GiveLists suggest that curation can be a useful mechanism for simplifying the donor process and spurring greater giving. These promising findings are the first step in understanding how and when curated lists can be best utilized in the charitable giving space. We plan to delve further into optimizing the delivery and presentation of curation to provide greater clarity into effectively adapting these lists across platforms.

Our work here is a starting point for facilitating giving that is not only more informed, but *better* informed, making it simpler for people to give to effective charities. Building on the lessons about expert validation we have uncovered and continuing to reduce choice overload has the potential to be among the most powerful tools we have in closing the giving gap, and better aligning people's actions with their generous intentions.

# THE IMPORTANCE OF TESTING

**T**he growing body of research on donor behavior holds enormous potential for promoting giving that is generous, intentional, and informed. Our projects build on this research and provide a small window into how practitioners can effectively use behaviorally informed designs to help donors meet their true giving intentions. However, even with the most compelling insights, we consistently recommend rigorous testing to ensure solutions applied in a new setting have the desired impact before being scaled widely.

At ideas42, testing is core to our process. While our designs are always built on evidence-based foundations, we never take for granted that designs that work in one setting would necessarily work in another. Testing is needed to learn how behavioral interventions translate across contexts, to allow for any needed course corrections that address unforeseen issues, and improve final designs before they're scaled.

While we use various methods for evaluating our behavioral innovations, our preferred method is the randomized controlled trial (RCT)—the gold standard in testing. RCTs are the experimental method pharmaceutical researchers use to determine how drugs affect health outcomes. In those tests, people are randomized to either receive a placebo or experimental drug. In ideas42 experiments, all subjects in the sample are randomly assigned to either experience a treatment condition (the behavioral innovation) or a control condition. Through the existence of a control group, **we can learn what outcomes the treatment group would have had in the absence of the innovation.** Therefore, any difference between the control and treatment groups can be understood to have been caused by the innovation.

## Case in point

An evaluation we recently conducted in our charitable giving work proved to be a stark reminder of the importance of testing. One of the behavioral innovations we tested did in fact produce a statistically significant change in generosity—but in the opposite direction. For this study, we partnered with the Bill & Melinda Gates Foundation during the 2016 holiday giving season to support the rollout of a program allowing their employees to have charitable donations automatically deducted from their paychecks. This “payroll deduction” program was launched to speed donation delivery to charities, reduce donation processing costs, and simplify giving for employees by automating donations and eliminating the need to manually enter match requests. However, behavioral barriers, including hard-to-break habits around donation payment methods, were leading to low adoption rates.

For this test, we designed a behaviorally informed email that announced the “payroll deduction” program and encouraged employees to sign up. However, instead of prompting employees to sign up and begin giving right away, our email encouraged them to sign up immediately and to select a “delayed start” option that deferred the withdrawal of their first donation for two months. This design was based on studies which find that people tend toward actions with immediate rewards and delayed costs. Consistent with these findings, a prior charitable giving [experiment](#) found donors who were asked to give more starting in two months gave 32% larger gifts than donors who were asked to give more now. With our delayed start intervention, we hypothesized that donors would similarly be more generous due to the immediate “warm glow” felt from registering a donation coupled with the absence of any immediate cost. To assess this intervention’s impact, we randomized employees to receive either our behaviorally designed email or a simpler email that announced the new program but did not highlight the option to delay the start of payroll deductions.

Surprisingly, the design had the opposite effect of what we expected, with the delayed start option resulting in *fewer* and *smaller* donations. When we compared the actions of the recipients, we found that among those who received our treatment email, 16% fewer employees donated—and of those who did make a donation, gifts were 26% smaller than those in the control group. Without further testing we cannot isolate the exact reasons our design failed to work as anticipated. But one theory is that employees in the delayed start condition read their email and took it as an implicit signal that it was ok to delay taking *any* donation-related action until the New Year. If we had implemented our design without verifying our assumptions through testing, we could have ended up inadvertently suppressing employee giving by offering them an excuse to procrastinate.

## Commitment to tests

As the above example illustrates, the effectiveness of innovations—even if proven elsewhere—should never be taken for granted. A commitment to testing will enable practitioners to deepen their own understanding of donor behavior and ensure that limited resources are dedicated to the best, most effective tactics for matching donor actions with donor intentions. We have several free resources available to help interested practitioners conduct their own experiments, including an online A/B testing tool (<http://abtesting.ideas42.org>) that offers a straightforward, scientific way to design innovations, collect data, randomize samples into groups, and learn definitively what works best.

# CONCLUSION



Getting a proper grasp on donor behavior may seem like a quixotic pursuit. The way we think about our giving, decide where to donate, and follow through on those intentions can feel disjointed and impossibly varied. But precisely for these reasons, behavioral science offers a valuable lens into the philanthropic world. While the charitable giving environment itself lacks uniformity, there are important commonalities around how people make decisions and act on their choices. By understanding this process, we can start to identify invisible barriers that may prevent people from following through on donating, and ultimately remove those barriers with thoughtful design.

Why is this so important? As we have found, people end up donating less than they say they want to give each year, while charitable organizations face growing pressures to find sufficient funds to support their beneficiaries and communities. Closing this giving gap would be mutually beneficial—and we believe behavioral science will play an important role in this effort.

We now have two years of insights from applying a behavioral lens to the donor context in the U.S. that can help shed light on the forces shaping how people give. Throughout this work, we have paid particular attention to the barriers that keep people from giving as often or as well as they themselves would like. We have addressed these barriers through innovative design and repeated testing to determine what does (and does not) achieve meaningful results. On a practical level, we have identified several cost-effective interventions that giving platforms and charities can adopt and build upon to help donors optimize their altruism.

From priming people's philanthropic identities to encourage greater **generosity**, to goal-setting tools that prompt donors to give more **intentionally**, to curating charities that helped people feel more **informed** and confident, behavioral design unlocked greater altruism across all three of these dimensions.

These findings are just the beginning of our exploration into giving behavior. We will continue working with partners to delve more deeply into these insights, as well as discover new ways to help donors form and fulfill their giving intentions. Our focus will expand to other promising areas of experimentation, including exploring how social norms can be used in novel ways to boost effective altruism. We will also seek unique approaches to overcoming limited attention so practitioners can deliver the right information to donors in an increasingly noisy world.

Building a better giving environment won't happen overnight, but we are encouraged by the progress we and others in the field have made to date. With behavioral innovations that make philanthropy more salient, easier to manage, and simpler to navigate—even by degrees—we can amplify the virtuous cycle of giving in the U.S. Unlocking billions of dollars in new and better-targeted giving can help donors fulfill their altruistic intentions and charities obtain the funds they need to further their missions, and ultimately support beneficiaries and critical causes that create wide-ranging public benefits across the country.

