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Elevate Your Well-Being Through Philanthropy

The act of giving has been linked with increased happiness and long-term health—consider ways to build it into your family life.

While financial capital often serves as a pillar of a family's wealth, the physical and mental health of its members is critical to its long-term cohesion, stability and productivity. In many cases, an individual's illness or mental challenges can have ripple effects across the whole family and compromise its ability to thrive collectively. Therefore, proactively cultivating the family's "holistic health" can help nurture and protect the most important "assets" on the family's balance sheet, the individual family members themselves.

Importantly, research has highlighted the connection between philanthropic activity and the participants' health, both physical and emotional. Below, we briefly discuss some of those studies and offer specific ideas to help in your philanthropic journey and reinforce family well-being.

Happiness and Giving

Although financial resources can provide security and comfort, the adage that "money doesn't buy happiness" may also hold true. In further defining the connection between money and well-being, research has demonstrated that how people spend their money can matter a great deal. Specifically, those who spend money on others may experience more happiness than those who spend on themselves.

In one experiment, researchers approached individuals on a university campus and offered them a certain amount of money to spend by the end of the day, with specific terms. They instructed half to spend it on themselves and the other half to spend it on someone else. That evening, those who had been asked to spend the money on others reported a happier mood over the course of the day than the rest.¹ Interestingly, the amount received had no bearing on the happiness measurement. In another experiment, university students randomly assigned to purchase treats for a sick child reported feeling happier afterward than those assigned to purchase treats for themselves.²

Although any single spending decision may have short-lived effects on the body and mind, these decisions may compound over time to affect health outcomes. Older adults who report giving more money and resources to others exhibit better overall health—from fewer sleep disorders to better hearing—even after controlling for a wide range of variables (e.g., gender, income, physical mobility).³ Thus, the benefits of spending for others aligns with the gratification that often results from charitable giving.

ACTION STEPS

If you wish to make your giving more intentional, streamlined and tax-efficient, consider the following:

Review your philanthropic budget to consider allocating to the causes and organizations you most value. Intentional charitable budgeting, as opposed to reactively responding to appeals, may provide a greater sense of strategy and prioritization that can feel rewarding.

Simplify the giving process by consolidating all your charitable activity into a single tax-exempt account known as a Donor Advised Fund (DAF). This charitable vehicle can enable you to initiate and track donations online so that you can allocate your philanthropic budget in real time without having to retrieve multiple receipts.

Consider enhancing the tax-efficiency of your giving by donating appreciated marketable securities (including mutual fund shares) held for over a year, instead of cash. Doing so can save capital gains taxes that would otherwise result from selling, and help to rebalance your portfolio tax-free.

Individual Retirement Account owners over the age of 70½ may also channel up to \$105,000 (for 2024) in Qualified Charitable Distributions (QCDs) from the IRA directly to charity, bypassing income taxation on those assets.

Time Is of the Essence

With year-end approaching, you may need to act quickly to execute certain giving strategies. Consult with your advisors early to identify optimal assets to donate, and to ensure that you make the transfers for the tax year you intend.

- **Donating securities** often entails some lead time, especially for mutual fund shares that can take over a month to transfer.
- **QCDs from IRAs** may also require some time to ensure that the distribution goes to your designated charity.
- **Private foundations** on a calendar year must distribute their 5% minimum annual required distributions to charity by year-end; thus, when it comes to reviewing potential grants, earlier is better.

Fostering Positive Development

Parents often hope that generosity may arise at a young age, and the literature appears to bear this out. In one study, researchers provided toddlers with a pile of treats. The children were asked to give one of their snacks away to a puppet that enthusiastically “ate” the treat. In addition, the experimenter retrieved an extra treat, which she asked the child to give to the puppet. Researcher assistants observed the children’s facial expressions, finding that they appeared happier when they gave treats away than when receiving treats themselves.⁴ The children showed the most happiness when giving away a treat from their own supply. This suggests that even young children can experience emotional benefits in using their resources to help others.

ACTION STEPS

Parents and their children can join toy distribution drives or other events to provide opportunities for the children to give.

Parents can further accustom their children to giving by providing them with charitable DAF gift certificates allowing them to recommend donations from the parents’ DAF account.

Celebrating a child’s display of generosity can increase the happiness “boost” from benefiting others.

Magnifying the Happiness Boost

“Prosocial” spending can become even more gratifying if donors can see how their generous actions have made a difference. In one study, participants had the opportunity to donate to organizations dedicated to children’s health in two ways: In option one, for every \$10 donated, the charity would provide a “bed net” to protect a child from malaria. Option two entailed giving without a tangible outcome. You can probably guess the result: Those who donated to the bed-net project said that they felt happier than before the donation, while those who gave money without a visible result expressed no such benefit.⁵ Thus, it seems likely that donors get more out of giving when they know it has clearly made a difference.

As to whether mandating charitable giving (especially for younger family members) can boost happiness, research confirms the value of agency in timing and approach. In one study, participants observed through a brain scan showed stronger activation in reward areas of the brain when they freely donated to a local charity, compared with when they were required to make a donation.⁶ Thus, it appears giving can be more rewarding when there is a degree of autonomy in the process.

ACTION STEPS

Balancing general support with donations that create a specific impact may enhance your gratification from giving. Examples of the latter may include the purchase of specific equipment, financial aid or mentoring of a specific pool of students.

Such emotional benefits may extend to consumer choices and investments aligned with your values. Becoming informed about the path of these dollars may enhance your satisfaction.

Inviting, rather than requiring, charitable activity by younger family members can help cultivate their independence, as well as increase the happiness boost of philanthropy.

Health Benefits of Volunteering

Research has also confirmed that helping others becomes more emotionally rewarding when it satisfies the need for social connection. A lack of that connection can directly affect the physical health of individuals, and coincides with a greater risk of cardiovascular disease, dementia, stroke, depression, anxiety and premature death. Indeed, the mortality impact of being socially disconnected is roughly that of smoking up to 15 cigarettes a day.⁷

With respect to emotional health, individuals appear to derive more happiness from giving when it also provides the opportunity to connect with other people.⁸ The impact of volunteering also extends to physical health. In one study, middle-aged volunteers were less likely to have abdominal fat and high blood glucose than non-volunteers. They also had healthier levels of “good” HDL cholesterol. Older volunteers were less likely to have high blood pressure than their non-volunteer counterparts.⁹ Other research confirms that helping others mitigates the impact of stress on the helper’s mortality factors, specifically identifying volunteering as a “stress buffer.”¹⁰

ACTION STEPS

Search for volunteer opportunities offered by nonprofits you support, and also through platforms that highlight current openings. [Giving Compass](#) posts listings nationally, with the ability to search by area and location. Organizations like [New York Cares](#), [Chicago Cares](#) and [L.A. Works](#) focus on regional events.

Volunteer together. While schools often coordinate volunteer activities, we think nothing matches the impact and modeling opportunity of a family participating together.

Apply your specific skills and talents. Skills-based volunteering can harness your natural abilities and professional experience in supporting an organization (in marketing, graphic design, logistics—whatever applies).

Leaning In

While health depends on multiple factors, research confirms the good news that individuals and families can take a proactive approach to enhance their health, physically as well as emotionally, through giving and communal activity. Some avenues of philanthropy may develop over a lifetime, but other actions may require more timeline implementation, for example, as part of your year-end planning process. Consulting with your advisors, including your NB Private Wealth team, can help structure your efforts to support the nonprofits of your choice while fostering family well-being.

Endnotes

- ¹ Dunn, Elizabeth W, Aknin, Lara B. and Norto, Michael I., "Prosocial Spending and Happiness: Using Money to Benefit Others Pays Off," *Current Directions in Psychological Science*, 2014.
- ² Aknin, L. B., Dunn, E. W., Proulx, J., Lok, I., and Norton, M. I. (2020). "Does spending money on others promote happiness?: A registered replication report," *Journal of Personality and Social Psychology*, 2020.
- ³ Brown, W.M., Consedine, N.S., and Magai, C., "Altruism relates to health in an ethnically diverse sample of older adults," *The Journals of Gerontology, Series B, Psychological Sciences and Social Sciences*, May 2005.
- ⁴ Dunn, Elizabeth W, Aknin, Lara B. and Norto, Michael I., "Prosocial Spending and Happiness: Using Money to Benefit Others Pays Off," *Current Directions in Psychological Science*, 2014.
- ⁵ Ibid.
- ⁶ Ibid.
- ⁷ "Our Epidemic of Loneliness and Isolation: The U.S. Surgeon General's Advisory on the Healing Effects of Social Connection and Community," 2023.
- ⁸ Dunn, Elizabeth W, Aknin, Lara B. and Norto, Michael I., "Prosocial Spending and Happiness: Using Money to Benefit Others Pays Off," *Current Directions in Psychological Science*, 2014.
- ⁹ Merschel, Michael, "Help others, help yourself? Why volunteering can be good for you," *American Heart Association News*, April 14, 2023.
- ¹⁰ Poulin, Michael, J. PhD, Brown, Stephanie L., PhD, Dillard, Amanda J., PhD, and Smith, Dylan M., PhD, "Giving to Others and the Association Between Stress and Mortality," *American Journal of Public Health*, 2013.

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