

Of all the big stories of 2020 – you know: things like the global pandemic, racial tensions, bruising political campaigns and so on – it's an unprecedented batch of initial public offerings (IPOs) that seems poised to have the last word on a news-packed year.

Despite some delays and early-pandemic concerns, IPOs are red hot, with media using phrases like “record-setting” and “biggest-ever” to describe the 2020 market. It's not hyperbole: With companies like Airbnb, Palantir, Snowflake, DoorDash, Wish, GoodRx and Asana having launched or in the process of preparing to launch stock into the public marketplace, the year is approaching \$80 billion in IPO value. That means 2020 IPOs already have generated more value than in all of 2019. With more stock debuts on the way, Reuters has declared 2020 to be “on track to be the busiest [for IPOs] since 2014, and second-biggest since 2000.”

In addition to providing up-and-coming companies with access to capital, this boom also will give countless individuals new wealth, and many of them will have a clear and simple agenda for that wealth: They'll want to put it to work for a good purpose, and they'll want to avoid as much tax impact as possible. As a result, society soon could be enjoying the benefits of a bumper crop of first-time philanthropists.

The Social Impact Win-Win

In years past, investors who enjoyed big batches of capital gains might have made tax implications their top concern. However, recent studies suggest that a growing number of American donors are thinking first of social impact, with tax avoidance certainly factoring into their decisions but not in a primary role.

Fortunately, investors can address both of these objectives at once, and they have a variety of options for doing so. By embracing what's known as impact investing, investors who benefit from the IPO boom can align their charitable desires and tax strategies. Assessing broader philanthropic and financial goals, they can choose the donor tools and vehicles that best suit them. For example, while some donors might choose to use proceeds from a sale of IPO stock to give cash to a nonprofit, others might create a fund within a nonprofit organization that allows them to make both an immediate and long-term impact for the organization. Donors especially concerned about capital gains taxes can choose to donate shares of stock directly to a nonprofit, letting the nonprofit dispose of the assets and receive the proceeds. Other options will address other donor needs and priorities.

One option that can serve a wide range of needs and that has been growing in popularity is the Donor-Advised Fund (DAF). This approach offers a number of benefits. Most notably, perhaps, in addition to meeting many tax-reduction and social-impact goals, it gives investors an ongoing opportunity to recommend how a fund's proceeds are distributed and allows them to pass that opportunity on to their heirs. The result? Donors can instruct the next generation about philanthropy and develop a family legacy of giving.



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Thousands of New Millionaires

In March of 2019, Forbes reported that Andy Rachleff, the CEO and cofounder of Wealthfront and cofounder of the venture capital firm Benchmark, was anticipating that 2019 tech IPOs alone would create as many as 6,000 new millionaires. With this year outpacing 2019 in terms of both number and value of IPOs, the number of people hitting that millionaire milestone could be unprecedented.

In addition to bumping up sales at luxury car lots and adding new heat to the high-end housing market, the minting of so many new millionaires could mean we see an unprecedented number of people seeking to jump into high-level philanthropic giving for the first time. Many of these people previously might have done little more than contribute to nonprofit campaigns, participate in fundraising events or make occasional gifts to a church or favorite charity. Thanks to their new wealth, they'll be looking for ways to have a more meaningful impact. The key for them will be ensuring that they do this in ways that help them preserve and grow their wealth so their impact has a long tail and isn't a one-and-done phenomenon that fails to serve all of their financial goals.

Interested in Learning More?

If you're interested in learning more about aligning a Donor-Advised Fund with impact investing, [contact us today](#) at (800) 843-0050 or consulting@reninc.com