Giving with humility (and where I donated to last year)

Humility is hard. Humility with money is especially hard. We like to hold our money close to our chest. So close that our financial decisions are rarely discussed. Allowing other people to choose what happens with our money is even more taboo. Over the last few years, I have been questioning this paradigm. Sometimes showing a bit of humility pays.

Consider this: if you were to invest your money in stocks, you broadly have two options:

1. Invest in individual stocks,
2. Invest in an investment fund.

The general advice for all but the most expert investors is to choose option 2. The motivation for this is that it’s very unlikely that you will select the optimum choice of stocks to invest in unless you are an expert. Rather, you are very likely to lose money investing in this way. Instead of choosing stocks yourself, get an expert to do it for you. Acknowledging that experts can make better decisions than you, then deferring investment decisions to them, will get you a higher return. This is financial humility. And it pays.

Investment funds are a good idea to optimise your return by letting experts take the reins. Here’s an extension: let’s say that rather than optimising for financial gain, you want to optimise for having the largest positive impact on the world (which for me looks most like improving the expected future wellbeing of sentient animals, including humans, as much as possible), then you can let experts in philanthropy take the reins on your donation decisions. Just like you can use managed investment funds to maximise your return on investment, you can use a managed donation fund to maximise the impact of your donations.

This is precisely how I decided to donate over the last year. My donations this year, which make up over 10% of my earnings in line with my giving pledge (LINK TO BLOG POST), have gone to the Effective Altruism Funds. This is a group of four funds across four cause umbrellas: global development, animal welfare, long term future, and the effective altruism community. Each fund is managed by an expert in that cause umbrella, and moves money from the fund to the giving opportunities that they deem most important (based on things like the scale, neglectedness, tractability, and room for more funding LINK TO BLOG). You can choose what proportion, from 0% to 100%, of your donation goes to each fund, allowing your underlying moral values to have an influence. Additionally, donating to the EA Funds is free! There is no cost as you might expect from investment funds.

I expected that donating in this way would make my expected impact higher than if I were to pick and choose giving opportunities on my own. I think this is has happened. I expected this largely because the fund managers know much more than I about their respective cause areas. Looking back over my past year of giving, I have also come across several unanticipated benefits of donating to a managed fund, which you’ll find below.

Unanticipated benefits of donating to a managed fund:

* Saving time – I don’t need to spend a long time deciding which organisations to donate to, and don’t need to spend time setting up accounts to donate to many different charities individually.
* More opportunities - Economies of scale mean that you can have an impact in funding organisations that would not otherwise be available to individual donors.
* Better informed decisions - Organisations make applications to receive funding from the EA funds, therefore the fund managers can factor in how much room for more funding there is within the organisation, information that is not available to individual donors.

Unanticipated negatives of donating in this way:

* You are even further removed from the people/animals you are trying to help. If you donate to a charity directly, you sometimes get nice emails or post about the good work that has been done with your money. This is not a serious problem when compared to the increase in leverage and effectiveness you get with a fund.
* Money is moved slowly – it takes time for fund managers to research the very best giving opportunities, so donated money usually sits in the fund for some time before it is granted out. This is money that could have been improving lives now, or helping far-future research now, or making money in a high interest bank account now.

The EA Funds is in its infancy. It is impressive just how well it has been running, and how much money it is moving to effective organisations. However, nothing is perfect. Here are my suggestions for improvement:

* Move more money more frequently – or at least give explicit reasons why you are holding on to money.
* Contact us donors more frequently - once/twice a year email wouldn’t hurt. Although some fund managers are better at this than others.
* Answer questions from the community – perhaps set up a (live?) Q+A session with each fund manager once a year, where donors can ask them questions about the past or upcoming grants.

Really, I have been very happy donating in this way for the last year. I will happily continue doing so until I learn of a good reason not to or if a better giving opportunity opens up to me, which is unlikely for the foreseeable future.

So that’s where a lot of my money went this year, and I encourage you, the reader, to think about doing the same. As a wise investor might invest in a mutual fund, a wise philanthropist might give to a managed fund. Defer to the experts. Give with humility.