

Q&A with Avery Fontaine, Head of Strategic Philanthropy for BNY Mellon Wealth Management

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Meet Avery Fontaine. Avery's background encompasses brokerage, corporate finance, charitable trust administration and philanthropic sales. She holds a Philosophy/Art History degree and MBA which together combines to bring extensive knowledge and background to her role as Head of Strategic Philanthropy for BNY Mellon Wealth Management.

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Q: How did you come to this field?

A: It was an iterative process. I worked in nonprofit development early in my career and was struck by the huge responsibility of creating revenue flow for the arts, an area for which I care deeply. At that stage in my career, I was very uncomfortable asking wealthy families to give large sums of money when I knew very little about their overall picture of investments or planning. I often wondered aloud, how could I help them make sound decisions? So, I started as a broker in the late 90's to learn

firsthand investment management. As I got better at time, project, and resource management, I craved more meaning in my work. That's when I discovered Greg Dees' whitepaper, "The Meaning of Social Enterprise," and had an a-ha moment. Being productive or revenue-focused and solving a real problem were not mutually exclusive goals. I lucked out and got to learn from him at The Fuqua School of Business at Duke University. My work in a philanthropic services group after grad school only solidified my belief that deploying capital to solve real problems was expanding across a spectrum of models for investment.

Q: Can you talk about the state of the philanthropic market in the United States?

A: It's changing rapidly. Donors have multiple levers to pull in order to achieve their goals, and nonprofits are catching up to donor demand by partnering together, and across the investment spectrum, collaborating with for-profit and nonprofit models alike. Everyone is learning together, in the best scenarios. In more challenging environments, tension still exists between traditional and new methods.

Q: What are the forces you see creating change in U.S. philanthropy?

A: Age demographics certainly play a role. We have five generations operating simultaneously right now. Each is very different, with unique pressures and goals – How can

we best work together for the benefit of all?

New Funding Models: Those generational differences have given rise, in part, to new ways of funding social endeavors. Instead of focusing on the pure nonprofit operating model, philanthropy becomes part of a portfolio approach to expressing social values. There are new levers to pull -- investing debt or equity in the form of direct investment in early stage social ventures and private B Corps, pay for success structures or loan guarantees in both for-profit social ventures and nonprofits -- to name a few.

Tax Code & Jobs Act: While the new tax code doesn't change philanthropically minded individuals' plans, we see greater interest in new strategies to deploy capital for good. As such, we often hear from our clients that traditional grantmaking isn't as meaningful to them. They want to be part of a solution. Either they feel a bit helpless that they can't be a mega donor and wipe out global issues like malaria, or they have analysis paralysis and aren't sure where to begin. It can be overwhelming. The new tax code doesn't inspire charitable intent, necessarily. But handled well, the successful conversation focuses on values and how best to look at areas of interest coupled with multiple avenues open to that particular family. Income reduction plus values integration, instead of tax avoidance, then becomes a key part of the vehicle choice and direction. We see an increased use of the Donor Advised Fund and Charitable LLC. People want anonymity

and flexibility while they try new things.

Q: How do you find this intersecting with impact investing?

A: Obviously, impact investing, as defined by direct funding of a for-profit social venture, is a key part of this conversation. It's a new tool. The hard part is finding the opportunities for investment.

Q: Can you talk about what this ecosystem looks like for social ventures?

A: For our families interested in funding for-profit social ventures that support the environment, for example, we look at the local ecosystem first. Is there a double or triple bottom line incubator in town? How are they organized? Can our family volunteer or what kind of introduction can we make? Usually we have strong ties to the academic community, and many social venture incubators or accelerators are part of the local business school or economic development initiatives. Co-working spaces, meetups, and groups like Social Innovations Journal are more connected now than ever. Many communities are actively building databases of social entrepreneurs for donor/investor use. Wouldn't it be great to do this nationally? A new marketplace, perhaps? Organizations like Social Enterprise Alliance, Skoll Foundation, and Ashoka (note to layout team – hyperlink recent Ashoka edition) have been doing this work for more than 15 years,

and are great resources.

For families with significant assets, I encourage them to recognize this is an iterative process. Let's start with nonprofit funding and an ESG portfolio and use that combination as a springboard to connecting to the local entrepreneurial scene as well as regional and national social venture funds. For family offices, the CIO often researches the various member interests. My job at that point is to add value as a connector to new people, ideas, and strategies. So, yes, the ecosystem remains young and fragmented. But that's exciting to me -- to be part of the maturation process.

Q: How can an impact investor or philanthropy best align their portfolio with social ventures across the spectrum/returns continuum? What does this look like in tackling a particular social issue area? What about improving a place/neighborhood?

A: Take arts and culture funding, for example. Out of a foundation, DAF, charitable llc, or charitable trust, a family may choose to make grants to the museum, ballet, symphony, or opera. They may even create a prize model like the MacArthur Genius Grant. Moving along the spectrum, they could fund a nonprofit with a revenue-generating model by loaning money to restore an historic theater in a community revitalization project. Or they may grant to a Community Development Finance Institution (CDFI) that lends money to early stage entrepreneurs and

stipulate the grant funds go towards those models focused on the creative economy (digital marketing firms, artisans, or ironworks/foundry models). For impact investing, they may invest debt or equity into a gaming or virtual reality startup that uses a design-centered model to solve a problem like mental health for teens. Or fund an affordable artist space and real estate development in an urban area. For B Corps, private or public, they could invest in models like Etsy, Patagonia, Kickstarter. Another option is to invest in social venture funds aggregating creative economy business models like Upstart Co-Lab. Lastly, food security, environmental solutions, education, and economic development solutions all depend upon creative, design-centered innovation. Buying shares of those large, publicly traded companies across industries who rely on such innovation to thrive is one way to tilt an investment portfolio.

Q: Can you speak about what this means for different generations and the opportunity to connect different generations through philanthropy?

A: The challenge and the blessing is that no two families are alike. But there are generalized qualities and differences between generations that hold up. Millennials and baby boomers see the world very differently, often at odds with one another. The best option to help families rise above conflict is to help them connect back to the values, origin stories, and family lore that they alone share. What makes that family unique? Help them connect

to that, and then find the common ground philanthropically. If there are strong authoritarian structures within a family, those are difficult to overcome. But there are ways to manage it. Often the practice of philanthropy itself can be a bridge-builder; connecting over our shared humanity, thinking in centuries vs decades, can be a powerful force.

Q: How can we better develop this market to unlock and move capital to where it is most needed?

A: With the GIIN estimating the impact investment market currently at \$502B, which is \$100B more than the U.S. domestic philanthropic market as of June 2018 of \$410B (source: Giving USA), no one can logically dismiss impact investing as a fad any longer. The big issue is scale. Is the impact investing arena to remain a small batch, place-based investment opportunity? Would that be a bad thing? How can large pensions, endowments, and 401K plans find opportunities to fund early stage social entrepreneurs in a private equity or debt-like model? They can't do this easily right now. Why? Two reasons: first, companies with social vision struggle with the capacity to put large sums of money to work, to scale. And second, the process of finding, doing due diligence, and planning for exit often looks very different for double or triple bottom line models. There is no standard model yet. While an established public company can certainly show progress with measuring adherence to the UN's SDG's and even go one step further to become a B Corporation,

the earlier stage ventures are in new territory. The B Corp model may well be our best hope – they have a standard of audit reporting. Of course, this is where the opportunity lies: creating a demonstrable, repeatable process for evaluation, investment and exit.

Q: What does a successful "exit" look like for a social venture?

A: It depends. Some are solving problems, like predatory payday lending, that may always have a market. They can scale and merge with other financial institutions if they choose. Others may be solving a problem in disease care/eradication where new technology may outpace them, or where the goal is to go out of business by solving the problem. The important thing to remember is that a good business model solves a problem, and savvy leaders find a way to evolve and solve new problems instead of institutionalizing suffering. In this era of social media, perpetuating a problem simply for profit is a risk most are unwilling to take.

Q: What do you see for the field in the coming year? 10 years? What do you see as some challenges/roadblocks? What are you most excited about?

A: The business of advising families on their social purpose and impact strategies is just getting started. Likewise, for nonprofits and their leadership. It's an

exciting time. I'd like to see more integration within the nonprofit community across a spectrum of models. We don't want nonprofits to lose their unique position and identity; I see the sector becoming an evolving resource for donors with more deliberate partnerships and strategies across a broader range of models. I also look forward to those conversations with our families as these concepts become more normalized. The estate planning and CPA communities are just beginning to notice a difference in client demand as well. The biggest challenge is education, and that is rapidly overcome as the next generations both influence their families' decision making and take over family operations.

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