



Grace Nicolette Joins Us to Talk About the Importance of Philanthropy

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Dave

0:00

All right, folks, welcome to Investing for Beginners podcast today we have a very special show. We have Grace Nicolette, who is the vice president of Programming and External Relations at CEP which stands for Center? Oh, gosh.

Grace

0:14

It's okay, effective philanthropy.

Dave

0:17

Thank you. Grace is kind enough to join us today to talk about philanthropy. That's not an easy word for me to say. But giving is something that's very important to both Andrew and I, and this is something that we thought would be a really fun conversation.

So Grace, thank you very much for joining us today, we really appreciate you coming on, and taking the time out of your day to talk to us about this very important subject. Maybe we could start with a little bit with maybe kind of how you got started? And what led you to start doing this?

Andrew

0:45

Yeah.

Grace

0:46

You know, a lot of people always ask me, how do you get into working in philanthropy? Certainly, there's like a few, you know, grad school programs and things that you could study. But the vast majority of people like me sort of backed into it.

So I have a finance background, I was working in Shanghai, in finance for a semiconductor company, and just saw these needs, I was volunteering on the side, with some orphan and art projects in the community. And it really got me sucked in. And I haven't really looked back since. So I think that I always like to tell people, you know, if you do follow your passions, for me, this was one of them. It really did turn out. Okay.

Andrew

1:28

That's cool. Congrats to you. Can average investors get involved in philanthropy, even if they don't have much? And why should they consider it in the first place?

Grace

1:39

Yeah, that's a great question. I think that anybody can get involved in giving at any level. If you look at some of the stats, historically, some of the most generous people have actually not been the super wealthy, but have actually been everyday folks, maybe even on the lower income side of the spectrum. And so I think that it's really a mindset, and a value system that one embraces, it's the sense of, you know, we all got here to where we are with the help of others.

And so, if we can, we should, you know, be able to help others as well as we come up, and, and also that it just is such a part of the fabric of our social and civic society, right, that we help each other. And we get a lot in return,

Andrew

2:25

as well. Yeah, talk about some of that, getting back in return, I guess, something I'd never really even was on the radar until I heard an episode you did with Jeremy Lin, famous basketball player. What do you mean? Like how can that be a benefit to somebody? The focus is like giving back,

Grace

2:44

you know, yeah. Well, I often think that we sometimes see finances as being sort of the only kind of actual capital that counts in our world. And I think that that's not true, right? There's relationships, there's, you know, other kinds of ways that we can share finances, but other people can share things with us too. And that's one of the things that we find in this podcast that I co host giving done, right, that we've you know, interviewed all of these amazing inspirational donors like Jeremy Lin, over the years, and one of the things that we realize is that, if you ask them, they'll say that they actually get more than they put in into their giving.

And that's in terms of meeting people who are really inspirational, whom actually might be even more generous than they are in ways that the world doesn't necessarily see or appreciate. It's getting to understand how people in other communities live and actually kind of enter into life with them. And so I think that sometimes we can approach giving, thinking, you know, I'm here as like a whole person with these solutions and with these resources to share to communities that are in deficit in some way.

But actually, it is a two way street, right? Like, we may not even realize it, but we sometimes are lacking in the relationships and understanding of communities around us. And so it can be really mutually beneficial, both for a donor and a community, for us to be involved. And I think sometimes we forget that. So it's not just the giving of your money, but it's also possibly giving up your time, your relationships, opening doors for other people. And you know, to a person, generous donors will say that they receive more than they give

Dave

4:30

makes sense. Before we started recording today, you were kind of talking about the different skill sets that investors have versus donors. And maybe we could talk a little bit about that because I thought that was kind of an interesting.

Grace

4:43

Yeah. So I think one provocative statement I want to say up front is that giving is really not like investing. And so I know this is a show about investing, and I have so much respect for investing and it is such a vital skill set for all of us to know. I think that what I want to share or is that it's actually a separate skill set to know how to give well, and let me explain why. So in the business world in investing, right, like, as an investor you are in a particular relationship with your investors, these are the companies or the startups that you might give to that dynamic is actually really different when you're a donor giving to a nonprofit. So for instance, if I go to a restaurant, and I have a terrible experience there, I can feel really comfortable going on Yelp.

And saying, Don't ever come here, I had such a bad experience. But if I'm a nonprofit receiving funding from a donor, and and actually, you know, I lead the fundraising for the nonprofit where I work the Center for effective philanthropy, there is such a power dynamic between donors, and nonprofits, that actually nonprofits will never say anything, usually, because they don't want to jeopardize the funds. And so I certainly have been working in philanthropy for as many years as I have, have seen a lot of donors, really pressure nonprofits, or, you know, do things that are not so helpful, or maybe even bordering on unethical. And I don't actually necessarily have a pathway to say like, Hey, that was really messed up.

Because that dynamic, that power dynamic is so pervasive, and if you talk to any nonprofit leader, they'll share about that dynamic. So that's number one. The second is that, you know, in a business environment, a company's competitive advantage is you want that to be theirs, and theirs alone, right, you don't want to be sharing sort of what makes your company tick the special sauce, because other people are going to steal your idea. And then your business is going to go south, it is the exact opposite in the nonprofit sector. And in philanthropy, if you decide you want to get involved as a donor in a specific area, you know, pick any area that you might be interested in, it's actually really important that you understand what other people are doing, and that you actually share what your goals and strategy might be in your giving so that people can align to it, especially nonprofits, right?

So we see a lot of donors coming in, with really strong agendas for nonprofits, not really understanding that nonprofits are the ones on the ground, who really understand the needs of their communities. And actually,

like, we should listen to them, and understand what their needs are and support them. And so I think that sometimes, there can be sort of a carryover mindset of you, no sharp elbows, we're here to compete in the nonprofit sector, or, you know, I know better as a donor than you the nonprofit leader. And that's just not as helpful, I think of a posture, I think that we want to inculcate in donors, a real sense of humble listening.

And that actually, is not easy. Like, it's not something to be honest, that we all pick up growing up, or even in the business world, this idea of putting our own kind of agenda and our own ideas of what works best aside and really like listening to communities, and people around us and like what they need, and actually meeting those needs. I think that the other thing, too, is that there can be this real pervasive idea that for some reason, you know, nonprofits, you have to really worry about overhead costs with them. And reality is nonprofits need to be sustained when donors sustain them, right?

So like, you should not say to a nonprofit, where's your business model of like, you know, how are you going to start, quote, unquote, sustaining yourself, by sprouting a business model, when the reality is nonprofits are actually addressing problems that are created by market failures in a lot of cases, right.

And so the sustainability plan for them is actually when donors commit to sustaining them over the long haul. So I'll stop there. But as you can see, it is it is a really different mindset that a lot of really smart business, people who go into philanthropy, you know, who've kind of taken their hits will tell you that it took them a while to kind of switch that mindset.

Andrew

8:59

You're kind of differentiating how it's different from investing. In a way there is some similarities to that were great book called How to Invest by David Rubenstein talks about how sometimes people who are very successful as doctors or lawyers, will think that that transfers over and that makes them good investors. Yeah, then they become humbled very quickly, and learn from their own mistakes. So it sounds like when it comes to the philanthropy world, it could be something similar in that whatever skill set you picked up to accumulate this money that you're now giving, doesn't necessarily transfer over, you know, those ideas, and that viewpoint doesn't lead to success and philanthropy.

Grace

9:41

So, yeah, I think it was Andrew Carnegie. I know other people like Warren Buffett have said, it was actually harder to give away the money than it is to make it because it just is this like very different mindset and right there's a lot of like moral dimensions to it. That can also feel pretty challenging.

Andrew

9:57

What's like the first step towards because now starts to sound overwhelming. Yeah, so like picking a nonprofit that sounds really? Yeah. Good. Like, what's the first step to learning how to be a good donor? I guess?

Grace

10:11

Yeah. I mean, I think it's a combination of both the head and the heart. Right? So it's not wrong to start with either. And so what I often say is, what are your passions in your interests? Right, that's a great place to start. What are some areas where you know, your personal interest, or even sort of your personal story intersect with the needs of the world? And how might you get involved.

So whether that's volunteering, or actually writing a check, those are all great places to just get involved in, you know, any folks who work with donors will tell you that the change and the transformation that can happen for us doesn't actually start till that you've already made that first step. And so go ahead and do it. It doesn't have to be perfect. In the beginning, it's definitely a journey that you'll embark on. And so you know, write that check, call that nonprofit leader up for a conversation and sort of begin that journey meet other donors. So my hope is that it doesn't seem overwhelming, because really, as you get involved, sort of the next steps will unfold before you.

Andrew

11:16

Are there pitfalls to avoid that you mentioned the kind of power dynamics that can happen that can be more hurtful than helpful? Are there other pitfalls that people commonly stumble into?

Grace

11:28

Definitely. I mean, I think a couple of things. One is, you know, as I mentioned before, the problems that these nonprofits are trying to solve, or the problems that you might care about, are ones that are really

complex and really big sometimes, right? And so we want to have the right expectation around what change we can expect to see given our resources, right. So sometimes I see donors falling into a pitfall of, they write a \$2,000 check. And then they hound the nonprofit for some sort of attribution, that, you know, their dollars, somehow moved the needle on an issue.

And, and really, I think we just have to have humility about that, that the nonprofit can report out sort of their work. And that's all very fair game, you know, asking about how its thinking about evaluation, how its thinking about its impact, all fair game, but sort of tying the attribution to your gift, even for someone like MacKenzie Scott, who's given away billions of dollars, you know, she's really only asking for a three page memo for the nonprofit to narrate what they think the change has been. And she's not sort of driving her own agenda there.

So I think just having the sort of the right size expectations around the size of your gift, and what change you hope to see, I think the second thing really does go back to that overhead thing. I have had so many conversations with friends and donors who are just so worried about nonprofit overhead. And you know, sometimes what drives me nuts is like, at Christmas time, or around the holidays, I'll see on social media, people will post this thing about like, what different nonprofit leader executive directors salaries are. And you know, someone actually only makes \$10,000. And somehow that's viewed as like being the best. And I think that that is just totally the wrong mindset, right? Like, we don't ask Apple what their overhead cost is, right?

Like, I think that if you want a nonprofit, to be able to do its best work, it's got to be able to retain talent, it's got to have the best minds working on the work, it's got to be able to pivot when needed. So for instance, in with COVID, like in 2020, we saw nonprofits that were not working on let's say, food distribution, had to pivot because their communities didn't have any food. And so overnight, they went from, you know, being an after school program to actually a food distribution site.

And if you are a donor who's saying, I only want my funds to be spent on after school stuff, not on salaries, and not on anything else that you could think of that you might need to work on, then it actually really ties the hands of nonprofits to respond. And also, again, that sustainability thing where you want them to not have to always be kind of staying up late at night worrying about like where the payroll is going to come from, right. Like you want to be able to sustain them. So I think having the right expectations and mindset around that is important to

Andrew

14:22

do nonprofits do something specifically to try to avoid people who come in just to make a lot of money from a salary perspective and might not be as effective at creating impact. I mean, like in the business world, by the times you can see the tangible ROI from a hire and you can increase their salary because we want to retain them because they create a lot of value. I imagine that'd be a lot harder for nonprofits. Is that something they deal with a lot?

Grace

14:49

I mean, the dynamics with fundraising are such that generally nonprofit folks make way less than people on the for profit side, while needing sometimes a really complex set of skills, right, like community engagement, donor engagement, I mean, these are all different things that, you know, people may not think about nonprofit leaders needing to have. And so I would say that my experience has been that performance management in nonprofit is actually much stronger than people's might think. Because you don't have that much money. There's really no like fat in a nonprofit.

And so if someone's not performing, you need to manage them out and find them a better, you know, they need to find their next opportunity. But if you have someone who's really good, you know, sometimes that person is irreplaceable, because like, truly, I mean, what I mean by that is, obviously anyone is replaceable, but that like, the relationships that someone can build in a community are really hard to replicate and hire for sometimes, right.

So I think that the skill sets that you're looking for are really different. And so that retention, and you know, nonprofit leaders are seeing really hard things. And the level of burnout is very real. And that's really dangerous for all of us, right? Like we should be making sure that nonprofit leaders are not burning out because they are on the frontlines of serving the communities that we're in and the causes that we care about.

Dave

16:12

Yeah, I think that's very important. And that's probably something that's probably talked about enough. I think there's a stigma or a myth, kind of around nonprofits. And I feel like that there's a fine line, it seems like maybe this is my perspective, from an outside it feels like that nonprofits have to balance this razor edge of being able to, like you said to retain talent, but also being air quote, poor, because they don't want to

give this perception that they're benefiting from people giving donations, but like you said, you have to have people that can do the job.

And those take a certain type of skill set, and they need to be paid. And so they need to bills to pay like all of us, too. So am I right about that, that it feels like there's a razor edge that they have to kind of walk? Yeah, perception wise.

Grace

17:00

And I think that this is where donors can play a big role, like sort of what your expectations and the stereotypes that can exist that I think can be so wrong. So one perfect example really is, you know, MacKenzie Scott giving away billions of dollars, we actually received a surprise gift from her of our whole year's budget, actually, at in one time. And we've been talking to a lot of nonprofits and doing a study, basically, what has the impact been? And I think that donors can feel skeptical of like, oh, well, you just got all this money. So Okay, goodbye.

Like you won't need me anymore. But the reality is, I think that, again, these problems that nonprofits are working on are so complex and so entrenched, oftentimes, if you just free them by giving them the funding to work on those problems, it actually really advances your goals, right? Like, I think that you can ask a nonprofit, show me your financials, show me you know, how you think about your work versus your sustainability, all of that is fair game. But I think this expectation that nonprofit shouldn't be poor is one that we should just totally get rid of. Right? Like, I think that these are people who are really unsung, they are devoting their lives to these causes. I think they are thinking strategically in ways that perhaps we don't even have the skills to do about the needs in their communities.

And so we should really try to unleash them to do as much good work as possible and not keep them on such a short financial leash, there can be like, I think behind your question, the sense that like nonprofits are like bloated and poorly run and these like fat cats. And while you do see examples of that, I mean, I just want to remind us that that's true in the business world, too, right? Like, what are we talking about? We're talking about businesses, are we talking about Enron? Are we talking about, you know, the neighborhood drycleaner? Like, I think we just have to be specific about what we're talking about? Because, yes, they're definitely nonprofit scandals. But by and large, I think that they are doing really good work day in and day out.

Dave

18:57

A question that I kind of thought of while you were talking about MacKenzie Scott, can that sometimes be a when it's publicly announced that a nonprofit receives that kind of money? Can there be a negative backlash against that a little bit, like maybe even some donors won't go to that particular nonprofit? Because they know that they've received all this money? Or is it even more of a negative like, Hey, you should be doing more or you should be having a bigger impact because of the publicity surrounding her name and the Association of that?

Grace

19:29

That is a really valid question, which is actually the subject of a study that we have done that's actually coming out on November 15. And really, right, there's concerns about donors will leave and then also just like, what is the absorptive capacity of some of these small nonprofits, right? Is there a way in which there might be really negative unintended consequences?

If you just dig Lodz, someone with funds? So this is a first year study of a three year study and then I think that people are going to be studying this for decades to come. because it is just such an unusual way of giving. So far, we have not seen that donors are leaving those nonprofits. In fact, a lot of the nonprofits, and we were not expecting this basically said to us, you don't realize how much of a shot in the arm in terms of credibility This has given us. It's actually given me the courage to go out to other donors, and really ask for what we need. And instead of always just saying, Well, I mean, we don't want to ask for that, because I don't think they're gonna give it. But it's like actually been, in some ways a seal of approval that actually has these like, really positive reverberations.

And I think we were looking for those negative kind of throw off effects of something like this, but so far, we're not seeing it. And so I think the lesson for donors is, be as generous as you can, obviously, do your due diligence and ask, you know, good questions. But when you can unleash the nonprofit to do its best work.

Andrew

20:55

That's all very interesting. And something I guess, I've never really thought about or knew about. So thanks for sharing that. We can't wait to get out of here without talking about, of course, impact investing in that whole debate. Sure. I know you had a great guest interview on your podcast with you and Phil has talked about, I think it was maybe Phil, who mentioned something about it, not necessarily being the silver bullet

that sometimes paraded as, so what do you maybe you and Phil or just you in particular have as a specific viewpoint on it? What kind of pros and cons and things like that? Yeah. So

Grace

21:31

I think you're talking about the interview we had with Lisa Pritzker Simmons from the Pritzker Family, her firm actually does impact investing, I think a lot of it is It depends on what we're talking about with impact investing, right, like in the philanthropy world, it can mean a couple of things. One is, you know, instead of investing your corporis, in just traditional funds that are out there that you choose to invest it only in socially responsible for, like ESG type funds.

And what's been interesting is that the skepticism in years past has been, while those funds don't have the same returns as your typical kind of funds that you can choose from. So why would you do that when the goal is to maximize the amount of money that you can give away? Right? So shouldn't you maximize the returns, and then make sure you can do the most good, possible.

And I think that one of the things that Liezl mentioned in our interview, which I commend to your listeners, is that she doesn't see a trade off there. And we've been hearing this more with folks who have made the decision. And, you know, I don't know, independently whether I can, you know, say that that's true, but I do know that we're hearing that a lot more is that, hey, investors, there's a way you can still make the same returns while staying true to your values, even when it comes to where the money's invested. There's also talks about sort of negative, I mean, I think it's similar but like negative screens, right?

So like, there have been some really famous foundations that have divested no foundations who made their money in oil and gas, have now divested their endowments, from fossil fuels. And I think that that's a live debate on like, what is the impact? So on the one hand, it seems really important to have made that statement to them, at least from their perspective. And on the other hand, you know, detractors will say that money just flowed in from other investors immediately, and there was essentially no impact on those fossil fuel companies. And so I think it's a real live debate of whether or not that path is worth pursuing.

And I think that that's something that if your listeners are considering it, there are some really great resources out there to kind of wrestled with this, but it's not a settled thing right now.

Andrew

23:41

Definitely not. I guess I'm a little bit more on the skeptic side. And maybe that's just my lens of attend to invest in more mature companies. So these are companies that aren't, you know, they're not taking in capital to grow anyway. They're the ones actually distributing the capital. So it's how much impact is your shares in that stock? Really having? Yeah. But I can respect the idea that there's two sides. And like you said, a lot of it's still in progress.

Grace

24:08

Yeah. And I feel like the younger generation, right, there is a sense of like, and maybe not just the younger generation, but you know, with however we spend our money, it's important that we can align our values to the way that money is deployed. And so, yeah, so that's sort of the flip side, why people find it attractive to invest in funds like that.

Dave

24:28

Sometimes I think people feel like that they make a decision, and then the impact has to happen immediately. And I think sometimes it's a little bit like trying to turn the Titanic, it will turn, but it might take a little longer than we want. And I think patience sometimes is probably an important virtue to remember in situations like that, that it's not going to happen overnight. It is going to take some time to get some of these things to happen the way that we all want them to definitely. Well, I think you guys need to talk about Jeremy Lin. So

Grace

24:58

anytime

Andrew

24:59

you Yeah. Tell us about your episode that you did with Jeremy Lin. Yeah. What was your biggest takeaway from that?

Grace

25:06

Sure. So last season we had Jeremy on as well as his sister in law, Patricia son, who actually manages all of his external work. You know, it was great as an Asian American, I don't even follow basketball, I have followed Jeremy Lin, just because he was the first Asian American sign to the NBA. And, you know, he really does take a lot of his time out to give back. Right, so he has his own foundation. And, you know, we talked about what was the path for him to decide what things he would get involved in.

And one of the cool things about him, and he's such a humble guy, is that, you know, he and Patricia said, it's like, you know, we're really involved in Asian American Pacific Islander causes now. But that actually was not particularly true to him. When he first started out, I mean, really Linsanity sort of made him an icon of in general, but also particularly for Asian Americans.

And he had to go on a learning journey to basically understand his background, his upbringing, and, you know, as the first Asian American in the NBA, he dealt with a lot of racial dynamics, which, you know, he still kind of deals with to this day. And so where does he, where does that place him visa vie, the black community, what is the history there. And so it was really a journey that he was on. And he would say that in the beginning, being involved in Asian American things wasn't really kind of where his mind and heart were at. But then as he was learning more, he realized, that's actually where he could really make a difference.

And I think that he is very thoughtful about stewarding his platform for good. So you know, sometimes if you follow him on social media, he'll be doing a lot of things around mental health. And he's shared about his own mental health challenges, like the pressure that he was under after Linsanity. And basically trying to normalize it. So not just in his giving, but also kind of in the way that he talks about his own struggle. So yeah, I think seems to resonate with a lot of people and really brought into this impact beyond basketball, the dollars that go out the door, but it's also just representation and all of that, that it brings.

Andrew

27:10

Yeah, it's cool. Interesting to hear he kind of had like a journey, like you said, of really finding out what was most important for him, and probably something we can all learn from, if that's something we're pursuing. Yeah, definitely. Well, so that's if people want to hear that episode. That's on your podcast giving done right, we really want to thank you for your time, Grace, this was very educational. And we appreciate all the insights you gave to us. So podcasts again, giving done right anywhere else, people can learn more about what you're doing what you got going on online.

Grace

27:42

Yeah, the podcast website is giving done right.org. And if you're interested more in resources that the Center for effective philanthropy offers, we have a lot of stuff for donors. And so it's si p.org. And there's a section for individual donors there. And yeah, just welcome you to come visit. And we're all on this journey of learning how to be better donors together. So excited to have your listeners join us.

Dave

28:08

Awesome. Again, great, thank you very much for your time today. We really appreciate that. This is a very important topic and subject. And I know I learned a lot from the show today. And I know our listeners were as well. So we thank you for your time and your education and your patience with our ignorance and helping us learn more about all this stuff. So without any further ado, I will go ahead and sign us off everyone and go out there and invest with a margin of safety, emphasis on the safety. Have a great week, and we'll talk to you all next week.

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