Charity really does begin at home where the children of wealthy philanthropists learn the ropes and become successful fund raisers in their own right. Sewlyn Parker explores how modern philanthropists differ from their predecessors, and the unique set of challenges they face.

The business of philanthropy has long been the preserve of the older and overwhelmingly male generation. According to tradition, the founder and tycoon grows weary of the burden of running the business that made the family rich and hands over the reins to the heir apparent before withdrawing to the less stressful and possibly more rewarding job of dispensing charity on behalf of the foundation. That's how we remember the giants of philanthropy such as Andrew Carnegie, John D. Rockefeller and Andrew Mellon in America.

But no longer. The gilded younger generation are taking over the helm of the foundation and running it differently from their elders in what promises to be a new era in philanthropy. The average age of the new wave is about early thirties but some as young as 18 are being groomed for the job. They're not only learning from their parents but also taking formal courses that teach them how to extract the biggest bang for their philanthropic buck.

YOUTH, HOPE

But whether 18 or 40, the new generation has certainly inherited the giving bug. As Lisa Philp, a managing director of the Private Bank at J.P.Morgan and the global head of philanthropic services, which organises such courses around the world, told Wealth Collection: 'This generation is as philanthropic as any other. They will bring creativity and their own experience to the table.'

Indeed we can already see this happening. Where their parents or grandparents might have supported showcase projects such as libraries (famously, Carnegie), museums (Solomon Guggenheim) and universities (Mellon), the new kids on the block are more disposed to backing initiatives in the environment such as climate change and in emerging nations regardless of whether the family nameplate goes on them or not. 'They're looking for areas where their funds will have the most impact,' adds Philp. 'This is especially the case in the developing world where the dollar goes further.'

So why this sea change in philanthropy? International travel, for one. Until recently, children might have stayed behind when their parents went abroad, now they tag along or travel alone and see for themselves the big difference that well-aimed philanthropy can make.

These eye-opening experiences have made the scions of wealthy families more excited about what they might have regarded as the worthy but dull business of dispensing good in the local community.

In charity-conscious Asia, for instance, Indonesian tobacco billionaire Putera Sampoerna has enlisted the help of daughter Michelle in the gargantuan but thrilling task of reforming the nation's public education system. Sampoerna is in the process of pumping $150 million into the family foundation headed up by his daughter – and in Indonesia $150 million will go a long way. Similarly, China's richest woman, US-educated Yang Huiyan, is helping father Yeung Kwok Keung, founder of real estate developer Country Garden, to invest another fortune ($32 million in 2007) in domestic charities.

The example of Bill and Melinda Gates has also undoubtedly helped inspire the emerging, philanthropic generation in America, Britain and Europe. Although few foundations have $100 billion at their disposal, the Gates' fight against malaria, illness, hunger and other afflictions in some of the world's most ill-starred nations has provided a touchstone for the digital generation.

And then there's the isolated rich kid syndrome. As philanthropy professionals point out, some of the younger generation are embarrassed or even bored by serious wealth, and are consequently unexcited by the prospect of joining the family business and making even more money. However they quickly become enthusiastic about channelling wealth into projects that deliver obvious, measurable and deeply satisfying social returns.

Other not entirely altruistic reasons may also account in part for the trend towards younger people taking over the helm. Put simply, managing the family foundation can serve as a useful apprenticeship for the bigger stage of running the conventional business in the real economy.

'The role of taking care of the family foundation is a key job and the skills are often interchangeable,' adds Paul Knox, head of UK wealth advisory at the Private Bank, J.P.Morgan.

Whatever the reason, philanthropy professionals say this development has blossomed in the last decade or so. However there are precedents. It was 95 years ago when John D Rockefeller junior joined his father in establishing the family foundation and launching a series of global health, education and environmental initiatives. Combined, they reveal a remarkable resemblance in principle with the work of the Gates and similar foundations today.

Although John D senior had given generously before the foundation was formally established (again like the Gates), the great industrialist and his son quickly opened public health schools in 21 countries, poured money into the elimination of yellow fever in America, funded a maize research programme in Mexico that became the model for succeeding projects, and worked to eliminate prejudice in 'race, sex or creed' from American education. The foundation has never lost its outward-looking perspective and is today regarded as a pioneer in the philanthropic concept of 'smart globalisation'.

Too much too young?

As the new generation takes charge, the question inevitably arises: Can it be given the reins at too young an age? Not according to Lisa Philp, who points out that many of the bank's younger clients practically learned philanthropy at their parents' knee. For example, by helping out at soup kitchens and other charitable projects, one client absorbed at first-hand lessons in the responsible application of wealth.

'My father said "we don't just write the cheque, we follow it through." It's just what our family does.'

Consequently, for some the move into the foundation can be almost seamless, a perfectly natural thing to do.

'The more the younger generation engage, the better.' concludes Philp.

Philanthropy school

Even so, formal courses will greatly enhance family-taught skills and several banks now host them. Citibank, for example, staged a five-day course last year that invited along a panel of speakers including Alec Reed of The Big Give, a charity that matches up donors with charities. And a recent Merrill Lynch-run course brought in the charity, New Philanthropy Capital, to advise attendees.

Typically, at these courses the rising generation meets for the first time peers wrestling with similar problems, for instance issues of identity and purpose.

As Paul Knox explains: 'It's often the first time they've been on a course of this kind and they're exposed to 35 other people from all around the world who are in exactly the same position as they are and going through exactly the same process. They learn from each other and gain the confidence to address the big issues. The result is they come away with a much deeper understanding of where they are in the family wealth hierarchy. And when they go back home, they may feel confident enough to nominate what they'd like to do.'

The benefits often turn out to be enduring: As Philp adds: 'Long-running conflicts may be resolved such as whether money should be tied up in the family business or applied in philanthropy. The result is often a constructive dialogue with their family about their role going forward.'

In some cases the son or daughter persuades the family to throw their resources into one over-arching project rather than several disparate ones. In this way the giving process becomes more binding and exciting.

And having had a kind of epiphany at the course, the new generation often returns for one-on-one sessions involving practical, family-specific forms of tuitions such as site visits and other real-life experiences that help embed the new-found enthusiasm. They also provide nuts-and-bolt skills such as learning to speak in public, how to manage projects and, above all, how to identify niches where the foundation's dollar will make the biggest impact.

Power struggle

There are pitfalls in handing over the reins and it's not always what you might think. Too often, say professionals, the older generation is reluctant to let go.

One veteran giver explains: 'Parents give money to their children and away they go,' he says. 'They have to be willing to give children influence and responsibility – it doesn't work if the parents retain too much control.'

But if that seems too big a step, start by relinquishing small-dollar projects in a kind of apprenticeship. This has the effect of putting the parents' minds at rest about their children's capabilities.

And sometimes the older generation thinks it's letting go, but isn't. In one extended American family famous for its philanthropy, the older siblings had been allocating funds so long that it was done by auto-pilot. Over time the foundation's board meetings had become almost superfluous, rubber-stamping agreements made informally earlier. Thus the new generation found itself out of the loop and playing only a token role. 'All the older siblings had children and wanted them to be involved, but it was always a done deal,' explains Philp. 'We said 'let's slow the process it down and make everything more inclusive.' So it was very much a learning curve for the elders.'

It gives you sympathy for John D junior. In the Rockefellers' day there were no such courses and he must have had a struggle to wrest the reins from his strong-minded father. ■

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