

## INDUSTRY INSIGHTS

# Navigating the future of art funding:

## Insights from J.P. Morgan Private Bank



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### Interviewed by



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As the art market evolves in the face of dwindling public funding for cultural institutions, family offices and next-generation philanthropists are presented with unique opportunities to engage in art investments.

**Cindy van de Luijtgaarden** (*Partner Tax & Legal and head of Private Clients Services Deloitte Netherlands*) authored this article which includes insights from **BJ Goergen Maloney** (*Managing Director and Global Head of J.P. Morgan Private Advisory*) on emerging trends, the role of private funding and strategic considerations for impactful art investments.

### Opportunity amid public funding decline

According to a 2012 report by the National Endowment for the Arts (NEA),<sup>181</sup> public funding for the arts in the US had already dropped by nearly 30% since 2001. Given the US' latest budget plans, the NEA is under serious threat.<sup>182</sup> This funding trend is mirrored across Europe and other regions.<sup>183</sup>

This global decline has created a pressing need for private investment in cultural institutions. Family offices and younger philanthropists increasingly recognize that their contributions can plug funding gaps, enabling innovative projects and ensuring the sustainability of the arts.

High-net-worth individuals (HNWIs) can play a crucial role by funding specific projects, exhibitions, or educational programs that align with their interests, allowing them to support the arts and enrich their legacy. By choosing targeted initiatives, donors can ensure their contributions create a lasting and meaningful impact.

#### KEY TREND:

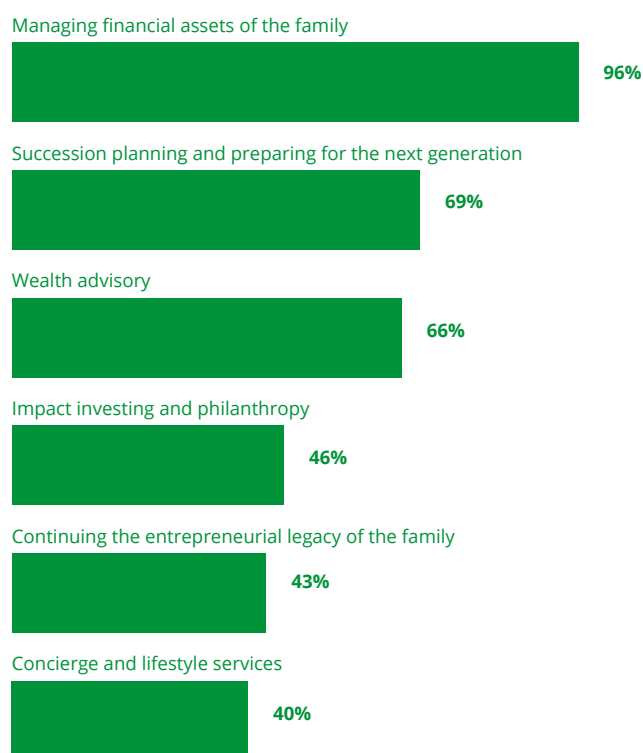
##### Increased private investment

A J.P. Morgan survey of family offices<sup>184</sup> revealed that 46% globally aim to pursue impact investments and philanthropy. In particular, US-based family offices are more likely to engage the rising generation family members in philanthropy, using it as an entry point to prepare them for greater responsibilities. For example, younger family members may identify areas of need and/or causes of interest, such as reviewing grant proposals or recommending future initiatives.

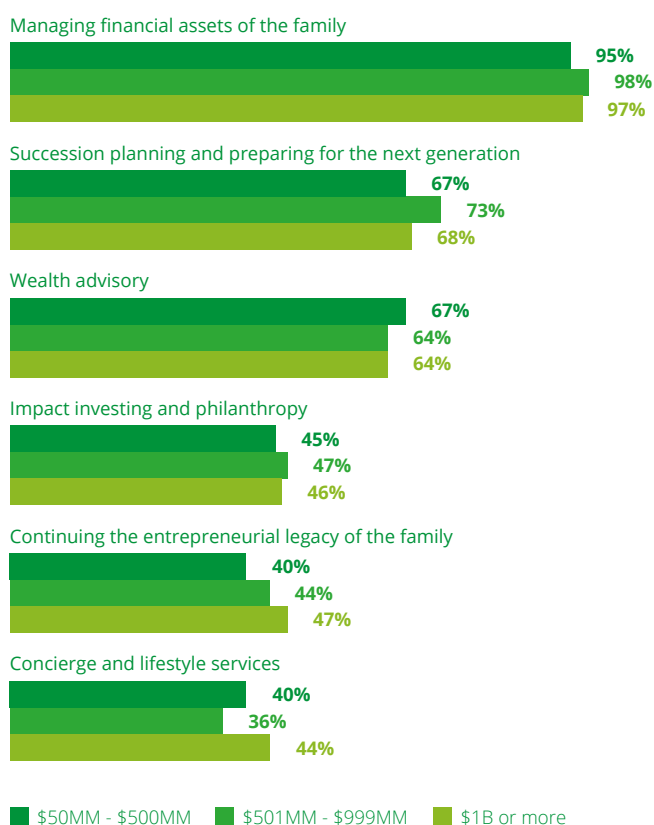
**Figure 110: What are your family office's objectives?**

Source: J.P. Morgan Private Bank, 2024 Global Family Office Report

#### Global overview



#### Global by assets under supervision



## Importance of governance and community engagement

This funding shift is also significant to the art sector itself.

### BJ Goergen Maloney:

*"Sometimes you don't realize the magnitude of a tectonic shift while it's happening, but the current environment reminds me of the changes cultural institutions faced during COVID-19. Amid the pandemic, visitors couldn't come in person and some art institutions used those challenges as an opportunity to strengthen their organizations. They developed better boards, achieved greater alignment with their funders, senior staff and programs,*

*and emerged from the COVID-19 era stronger than before. The organizations that didn't undertake this hard work really struggled."*

With the current shift in funding, many organizations are asking themselves how to cope.

### BJ Goergen Maloney:

*"Should we use our endowment to continue our programs? Should we pause certain programs? Should we pause expansion to new communities? These are excellent questions to ask that help prioritize future strategy. Organizations that view this funding shift as an opportunity will emerge much stronger on the other side of the public funding gap."*

Effective leadership necessitates diverse boards and strong community ties. Regular evaluations of board composition and partnerships are vital for innovation and relevance.

### BJ Goergen Maloney:

*"You want to make sure the board collectively has a broad range of experience. You need individuals who understand the private sector, the arts, and the community. That knowledge doesn't always exist within the same person."*

## Innovative funding models

As traditional funding mechanisms falter, innovative private funding models are emerging.

One notable trend is the establishment of collaborative funding pools. Family offices are joining forces to support high-impact art projects, enabling greater risk-sharing and resource pooling. This allows them to support significant initiatives that may be too large for individual funding.

Moreover, these partnerships can foster innovative ideas and provide more significant returns for the arts community. Donors must engage actively with the organizations they support, ensuring their funding aligns with strategic goals and community needs.

### KEY TREND:

#### Collaborative funding initiatives

Collaborative funding models can increase the scale and reach of philanthropic efforts. For example, a recent initiative in the UK<sup>185</sup> resulted in a combined donation of £30 million to support art institutions.

There has also been an increase in larger institutions seeking access to flexible capital.

## Measuring social impact

### BJ Goergen Maloney:

*"Nonprofit organizations didn't traditionally open lines of credit, but that's something our clients do every day to manage cash flow and maintain flexibility, especially for future commitments. We see increased mission-related investments (MRIs) and program-related investments (PRIs), particularly for projects like constructing a new building or piloting initiatives in a new community. It's helpful when institutions and their board members share stories of successful PRIs and MRIs, because it encourages more individuals to feel comfortable making these investments in the future."*

Cultural institutions usually have a handful of donors who have supported their work for a long time. As funding dynamics shift, it's crucial to consider strategies for replacing these contributions. The *Giving USA*<sup>186</sup> report tracks donation megatrends across the US.

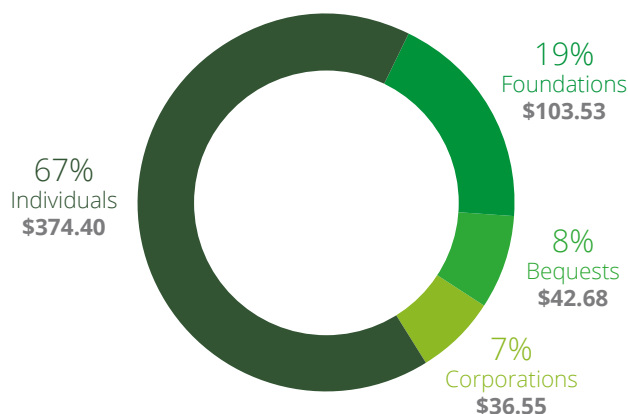
### KEY TREND:

#### 75% of giving in the US is done by individuals

- Individuals (67%), including giving by bequests (8%), represented 75% of the contributions in 2023.<sup>187</sup>
- Adjusted for inflation, giving to arts, culture, and humanities remained flat between 2021 and 2022 (0.9%), but grew by 6.6% between 2022 and 2023. Cumulatively, giving to arts, culture, and humanities increased by 7.6% in inflation-adjusted US dollars between 2021 and 2023.<sup>188</sup>
- Giving to the arts, culture, and humanities subsector represented 4% of total giving in 2023.<sup>189</sup>

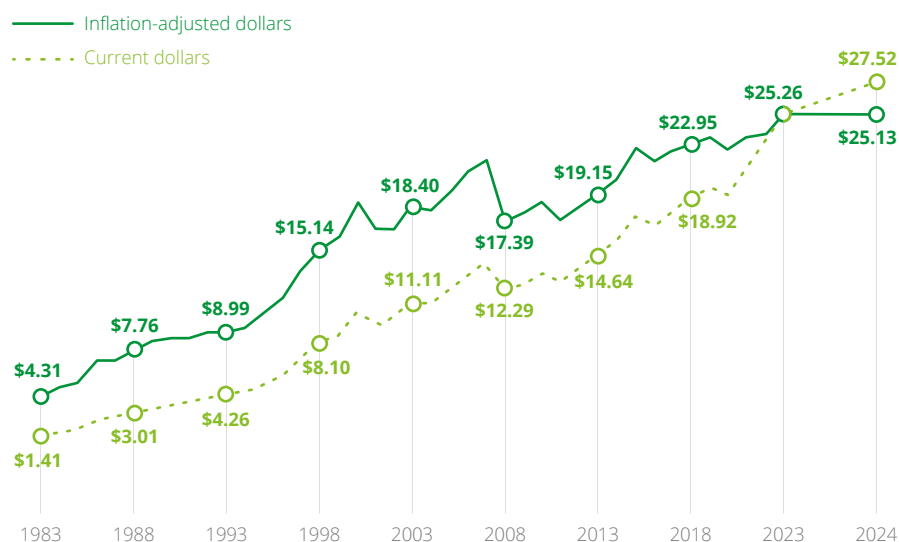
**Figure 111: 2023 contributions: US\$557.16 billion by source of contributions**

Source: Lilly Family School of Philanthropy, *Giving USA 2024: The Annual Report on Philanthropy for the Year 2023*



**Figure 112: Giving to arts, culture and humanities, 1983–2024**

Source: Lilly Family School of Philanthropy, Giving USA 2025: The Annual Report on Philanthropy for the Year 2024



#### BJ Goergen Maloney:

*"Organizations should have a strategy to engage a broad range of individuals to support their mission. Most organizations, especially those with a few major funders, lack a strategy for reaching a wider audience. When a key funder stops their support, it creates a crisis for the organization. Nonprofit institutions should prioritize a comprehensive fundraising strategy before it's necessary—plan for the worst-case scenario but expect the best. It helps build the organization's sustainability."*

In that way, it's crucial to understand the needs of the next-generation donor. In a landscape where accountability and transparency are paramount, measuring the social impact of art contributions is essential. Next-generation donors are particularly focused on understanding how their investments translate into community benefits.

#### BJ Goergen Maloney:

*"They are not passive donors. It's important to find ways for people to touch, see and feel the work directly. This is where art and cultural organizations have an advantage because their art and programs can be experienced first-hand."*

#### KEY METRICS

##### for impact measurement

1. **Participation rates:** assessing the number of individuals engaged in art programs.
2. **Community feedback:** collecting qualitative data through surveys and interviews to gauge audience satisfaction and impact.
3. **Educational outcomes:** evaluating the educational benefits of art programs, particularly for underserved communities.

#### BJ Goergen Maloney:

*"When investing in an organization, the first step is to define what you care about, because this allows you to measure outcomes against your goals. By offering a variety of investment options, you can attract different donors for different initiatives. It's important to communicate successes to donors, but organizations can also build trust when they share what hasn't worked and what they've learned from it."*

## The Great Wealth Transfer: A changing landscape

In the near future, the potential group of next-generation donors will expand due to the Great Wealth Transfer.

#### BJ Goergen Maloney:

*"Research shows that the 'Great Wealth Transfer' will involve the largest families holding significant wealth, but will also impact many families across all wealth levels. This transfer will happen through real estate, retirement accounts, and other investments. For the art sector, this is an opportunity to refresh your organization's story for a new, broader audience."*

## The future of art funding

In conclusion, these insights underscore the importance of philanthropy in the arts, particularly amid the Great Wealth Transfer. The evolving landscape presents both challenges and opportunities—requiring art institutions to be proactive, innovative, and deeply connected to the communities they serve.

With the right strategies in place, family offices and the next generation of philanthropists can play a transformative role in shaping the future of the arts.

# Endnotes

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