

Fidelity Charitable launches NFT raffle amid crypto downturn

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A visitor wearing a face mask walks past artwork displayed at an NFT (non-fungible token)-themed coffee shop at the China International Fair for Trade in Services (CIFTIS) in Beijing, Sept. 3, 2022. Fidelity Charitable, the nation's largest grant maker, is getting into NFTs, the digital images that are registered on the blockchain, despite a torrent of bad news from adjacent world of cryptocurrencies. Credit: AP Photo/Mark Schiefelbein, File

Fidelity Charitable is getting into NFTs, the digital images that are registered on the blockchain, despite a torrent of bad news from the adjacent world of cryptocurrencies.

The nation's largest grantmaker is sponsoring a raffle that ends Tuesday, where participants can claim one of the NFTs, which stands for nonfungible token, and 50 will win \$1,000 to donate through a donor advised fund at Fidelity.

"The reason we're doing this is we really believe there's a whole new generation of givers and philanthropists out there," said Amy Pirozzolo, head of donor engagement for Fidelity Charitable. "We want to be where they are and the channels they use and the formats they use and further encourage their generosity."

Around 16% of Americans say they invested in cryptocurrencies, according to a poll from [Pew Research Center](#) last year. The demographic most likely to invest were men between the ages of 18 and 29, with 43% reporting that they had invested.

The blockchain is the technology that underlies the trading of cryptocurrencies, but it can also record the ownership of digital items like images, videos or Tweets. Fidelity said that 50,000 different wallets, potentially representing that many individuals, have already registered to create an NFT and potentially win the money to donate.

Contributions in cryptocurrency to donor advised funds at Fidelity exploded last year, growing from the equivalent of \$28 million in 2020 to [\\$331 million in 2021](#), Fidelity has said.

Speaking of the NFT project, Jacob Pruitt, president of Fidelity Charitable, said, "I think it'll be a unique way to engage with next gen investors. It's another way that I think Fidelity is innovating and leaning

into a new space."

Donor advised funds allow donors to claim a tax credit for charitable donations, but do not require them to give those funds away within any specific timeframe. Organizations that host DAFs, like Fidelity Charitable, also handle more complex donations, which includes exchanging the assets for cash and producing receipts for donors for tax purposes.

"Many of the nonprofits either can't take on these assets or they have to hire outside counsel or people to staff to do it," Pirozzolo said.

One reason for the jump in cryptocurrency donations is that until recently, their value had appreciated significantly. The cryptocurrency market saw a huge boom in 2021 with the price of Bitcoin, the first cryptocurrency, rising to an all time high of around \$68,000 in November last year.

But the meltdown of Terra—a stablecoin, or a type of cryptocurrency that tries to peg its value to an asset like the U.S. dollar—in May brought down a series of major cryptocurrency businesses. Then, earlier this month, one of the largest cryptocurrency exchanges, FTX and related entities, suddenly filed for bankruptcy leaving both American and international users unable to access assets they held on the exchange.

James Lawrence, co-founder and CEO of Engiven, which facilitates cryptocurrency to nonprofits, including Christian ministries, observed that many people giving cryptocurrencies are making major gifts and that often those happen in the last quarter of the year. That means it's too early to say how the cryptocurrency market's fluctuations may impact donations this year. He said he doesn't see people donating cryptocurrencies as that different from other donors.

"They just have a different asset to give and they're going to give the most appreciated asset they can," Lawrence said.

Of the more than 1.5 million nonprofits registered with the Internal Revenue Service in the U.S., Lawrence estimated that only four or five thousand could receive cryptocurrency donations directly.

"That's a huge market that still doesn't," he said. He also has observed that many giving large donations in cryptocurrency (they facilitated one donation of \$10 million in cryptocurrency assets) are the same types of people who give large donations in general, and not necessarily the younger demographics that are more likely to invest in cryptocurrency.

"Many of the largest gifts we've processed have been from an older demographic who have a tradition of giving large gifts in multiple asset classes," he said.

Another organization, Endaoment, also facilitates cryptocurrency donations to nonprofit organizations as well as hosting pooled funds to benefit certain types of nonprofits. Robbie Heeger, the organization's president and CEO, said besides that fact that nonprofits may receive donations from cryptocurrency donors that they wouldn't otherwise, cryptocurrency proponents are also eager to draw in new users.

"This is a leapfrog opportunity for nonprofit organizations to move from paper checks" to cryptocurrency Heeger said. "And the crypto space is very focused on adoption flywheels, on ways to incentivize or encourage the traditional economy to migrate into the crypto economy."

He encouraged newcomers to the cryptocurrency space to carefully research projects they might get involved with and to look for ones that have gotten outside audits from professional auditors.

Pirozzolo argued that the Fidelity Charitable promotion using NFTs is separate from the cryptocurrency ecosystem.

"This is really about the blockchain and having a fun way to celebrate with digital art the generosity of giving," she said.

The company is paying for the cost of creating the NFTs, which includes a "gas" fee that pays for the creation and registration of the item, and also said that it has compensated the artists who made the images.

People who claim the NFTs will need to sign up for a cryptocurrency wallet that has access to the Polygon blockchain. The Fidelity Charitable NFTs will be hosted on the platform OpenSea.

Participants will see the NFT in their wallet when they sign up, but the art itself and the winners of the \$1,000 tickets won't be revealed until Giving Tuesday, Nov, 29.

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