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## “Advisors Miss Out By Not Talking Philanthropy With Clients”

Lorie Konish | April 30, 2013

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**SEATTLE** - *Financial advisors underestimate their clients' interests in philanthropy, and consequently miss out on opportunities to tap into those passions and expand those relationships.*

“To some of our clients, this is what it’s all about,” said Bill Sutton, Jr., head of philanthropic services at UBS Financial services, after playing a commercial from Operation Smile at the IMCA annual conference. “This is what their kids care about, this is what their grandkids care about.”

*Just 48% of financial advisors believe their clients give to charity on an annual basis, Sutton said. But the reality is 93% of clients with \$1 million in assets give to charity on an annual basis and 98% of clients with \$5 million are donating each year.*



Giving to philanthropy also ranks as a top priority for high net worth clients, Sutton said, with 51% citing it as a focus. That comes as philanthropy contributions totaled \$300 billion in 2011, with **\$217.79 billion** of those funds **coming from individuals**.

Commitment to philanthropy also increases with net worth, with 41% of assets going to charity in wills and trusts for those with \$20 million and more, while 15% to 16% of assets go to charity for those with between \$5 million to \$20 million and 8% to 9% for the \$1 million to \$5 million set.

Those contributions also mean large transactions. Clients with between \$10 million and \$20 million in investable assets are giving away about \$211,000 per year to charity.



In spite of those large transactions, *only 8% of advisors actively initiate conversations with their clients about philanthropy.* Meanwhile, 80% of clients are bringing philanthropy up with their advisors.

“Even though clients give, and they give a ton, advisors are reluctant,” Sutton said. “Most advisors aren’t bringing it up.”

That hesitation can be attributed to a variety of reasons, Sutton said, such as advisors feeling that it is not their place to discuss it, that it is a difficult subject to talk about and that they do not have the tools to do it.

But while those conversations are not happening, clients are still making those contributions, Sutton said, whether it be through cash, securities that are sitting with a discount brokerage or through real estate.

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*Advisors can begin adding philanthropy to their work with clients by starting a donor advised fund vehicle, with a minimal amount of \$10,000 to \$25,000, Sutton said, as a way to “test drive” that kind of arrangement.*

“That way you can see how it feels, you can work with your family members and get it going,” Sutton said. “We’re seeing a lot of clients take an active look on that.”

Donor advised funds are the fastest growing area of philanthropy, according to Sutton, because they are simple. The funds involve opening an account with an existing charity. Clients can get an immediate tax deduction and the transaction does not have to go through a lawyer. And, clients can also track the activity of the funds online.

“Assets go in, you get a deduction, you have the giving account,” Sutton said. “And then if you want, assets go to charities. There’s no giving requirement.”

Another vehicle that advisors can use to add philanthropy to their work with clients is private foundations. Like philanthropy, advisors often underestimate clients’ interest in private foundations, Sutton said, with 67% of clients interested in learning more about them and just 15% of advisors assuming their clients are interested in them.



“You have the most control over this than any other giving account,” Sutton said. “You control the assets and where the assets go.”

The flexibility of private foundations can allow for grants to individuals and payment for travel expenses when the family gets together to discuss their philanthropic plans.

*With \$41 trillion in wealth set to transfer from generation to generation by 2052, working with clients on philanthropy offers advisors a way to develop relationships with all generations of a family, Sutton said.*

“I would encourage you to talk about giving just like everything else,” Sutton said.

“Make it part of an ongoing conversation with your clients to learn more about what they’re giving.”

*Are you meeting with a charitably inclined client this month? Contact the Community Foundation for a free information packet on charitable giving options.*

