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"The Value of the Philanthropic Conversation; An Important Advisor and Client 4th Quarter Conversation"

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There's an old saying: "the only things certain in life are death and taxes". As the 4th quarter of the year begins, taxes and the planning around them-- to avoid them or pay them--is top of mind for a great many people, particularly those in the high net worth and ultra-high net worth categories.

A significant percentage of these individuals are charitable as a matter of course, and their charitable instincts kick into high gear in the 4th quarter but despite conversations about managing assets and impending taxes, ***many legal and financial advisors—who are all highly qualified and knowledgeable professionals—fail to engage in deeper conversations with their clients about their philanthropic interests and activities. The question is WHY? Why is this topic not broached more often?***

One explanation is that advisors don't think that their clients have a deep interest in philanthropy, or feel that their clients' philanthropy is a "personal" matter. However, study after study show this to be a fallacious assumption. For example: a survey conducted by Fidelity Charitable (Trustees of Fidelity Charitable, 2012) found that advisors estimated that, on average, 54% of their clients with at least $1 million in assets gave $2,500 or more to charity in the prior 12 months. In fact, half (51%) of the HNW individual surveyed report they give at least double that amount – between $5,000 and $100,000 or more – to charity each year.

In its 2012 Study of High Net Worth Philanthropy, Bank of America found that less than one-third (32%) of the donors interviewed cited tax advantages among their chief motivators for giving. A significant percentage (50%) reported that they would maintain their current charitable giving levels even if income tax deductions for donations were eliminated, and 95% would maintain or increase their bequest giving even if tax deductions for estate giving were permanently eliminated.

In the 13 plus years that we've worked with high net worth and ultra-high net worth donors helping them insure that their charitable investments have impact and are aligned with their intent, we've found repeatedly that whether inheritors or wealth creators, donors see charitable giving as an important extension of their value system. Equally as important, they want their advisors to hold the same sense of importance and value…if they are to continue to be their advisors. But, several studies, over the past several years, (Rafferty Consulting Group, Bank of America and Schwab Charitable), have noted that a substantial number of HNW individuals (79% according to Rafferty) interviewed are not satisfied with the guidance they receive on giving from their wealth advisors.

What's meaningful about all of these findings? While many advisors do discuss charitable giving with their clients, most often that conversation is cursory. Even the philanthropic legacy aspect of an estate plan is rarely fully articulated, leaving the trustees of an estate without the direction, the guidance, they need to fulfill the donors' intentions. In other words, too often the philanthropic interests and activities of a client are not top of mind for many advisors…even in the 4th quarter of the year.

Not only does this do the client a disservice, it frankly is not a good business decision for the advisor. Philanthropy is probably the easiest way to build deeper relationships with clients, make inroads into the next generations of clients, and add value to the traditional services the advisor provides. But there is still a general discomfort among advisors about initiating a more robust conversation about a client's charitable intentions and activities.

So what are the pitfalls of avoidance of, or token attention to, a client's philanthropy?

1. You risk someone else asking the right questions and losing a valued client.

2. You may never get to know (or perhaps even meet) the client's children or grandchildren who will, after the death of the parent, seek out other counsel or representation that is more in touch with their interests and intentions.

3. Philanthropic goals and investments may conflict with, or impact, the financial planning and financial portfolio management.

4. Trigger events or liquidity events in a client's life may not be properly planned for or integrated into their wealth planning if charitable interests are an important consideration.

5. Decisions around when to give so that it maximizes tax advantages may not be brought to the table. This year or next? What are the tax and liquidity advantages and disadvantages?

6. There may be better ways for them to express their charitable intent; non-cash assets, giving securities to organizations rather than selling them, thus avoiding certain capital gains taxes.

7. They may want to involve family members in their wealth planning, but haven't discussed the family's financial picture and…there are family dynamic issues in place. Philanthropy is a non- threatening and easy way to introduce financial discussions across generations.

8. They may want to be fully protected in terms of the philanthropic legacy portion of their estate plan but don't know what that really means.

9. They pass away without having left the directions and necessary information for trustees to honor their memory or fulfill their passions.

10. They think you don't really care about them as a whole person, perhaps see them as an investment portfolio or a legal document.

And finally, they are committed to being philanthropic and want to be smarter about their philanthropy. They want their gifts to be more effective, achieve greater impact and be aligned with, and respond to, their interests and passions. They just don't know how to make this happen and could use some guidance from a trusted advisor.

So back to the original premise: If philanthropically inclined clients want to talk about their philanthropy with their advisor(s) and want to make sure that their philanthropy is an integrated part of their wealth planning, whose responsibility is it to bring the topic up? If an advisor waits for the client to initiate the discussion it may be too late to get the full story or fully understand what would be most helpful to the client in pursuing his or her philanthropy. But the client will talk to someone, at some point, you can bet on that.

All it takes are a few questions to open up a dialogue about a client's philanthropy and to change the paradigm of client/advisor communication. Consider asking:

- What issues or causes do you currently support and why?
- What motivates your charitable giving activities? Do you want to make an impact or create or facilitate change within your community? With specific populations? Around specific issues?
- What vehicles are you using for your charitable giving?
- How involved are you or do you want to be, in managing your charitable giving?
- How would you like to be remembered? What kind of "legacy" do you want to leave?
- Do you want your giving to occur primarily during your lifetime or after your death?
- Have you talked with anybody (advisors, family members) about how you want your wishes represented in your annual giving? In your estate plan?
- What attracted you to the organizations you have given to thus far?
- How often do you monitor or review your charitable gifts?

Note: The preceding questions and others designed to elicit reflection about a client's philanthropic endeavors have been adapted from the 3rd Edition of Strategic Philanthropy, Ltd.'s Charitable Planning Desk Reference® for Advisors.

Being an active partner with a client around their charitable activities affords an amazing opportunity to build more robust relationships with all of the stakeholders; family members and the other advisors who are part of that client's life. Being able to point a client to appropriate professional resources to help them build and manage a viable and meaningful philanthropic portfolio demonstrates a scope of knowledge and connections outside the advisor's traditional practice. That's far more meaningful to a client then a lot of advisors might realize.

Susan Winer is co-founder and Senior Vice President of Strategic Philanthropy, Ltd., a global philanthropic advisory practice based in Chicago serving clients worldwide. The firm works with individuals, families, closely-held and family-owned businesses helping them plan, assess and manage their charitable giving.