

Talking to Your Clients About Their Philanthropy

With so many of their clients engaged in philanthropy, you would think that the majority of financial advisors would be engaged in conversations about the place of giving—both outright and planned—in their clients' wealth management strategies. You would be wrong.

A surprising number of advisors are reluctant to engage their clients in conversations about their philanthropy, even though many studies show that most clients would actually welcome the advice in this area. According to a survey by the Luxury Institute, "twenty-eight percent of wealthy individuals want to discuss philanthropy. Another 25% would like their advisor to assist in crafting a giving plan." Advisors routinely underestimate their clients' interest in receiving specific information about the advantages of charitable vehicles, such as community foundations. Moreover, if you are able to speak confidently and knowledgeably about their philanthropic options, your clients are more likely to view you as a broad financial expert. Beyond providing better service for your client, a discussion about philanthropy provides an opportunity for you to connect with the client's core aspirations and values, and over time, with the client's family (and heirs). Forging a strong, meaningful relationship with your client's family now positions you as not just the parents' advisor, but as the advisor to the entire family.

What to Ask

Even if you know that your clients want to discuss their philanthropy, you might feel awkward initiating a conversation on such a "personal" matter. Open-ended questions like these can "get the ball rolling" and help you understand your client's priorities and concerns:

- Are you currently making gifts to any charitable organizations? Which ones? How much?
- What are your philanthropic goals? Do you have current outstanding charitable gifts or pledges?
- Is there a minimum amount of money you would want to leave to your children? Is there a maximum? What are your concerns about wealth and your children?
- Are there charitable causes or specific organizations in your community that you'd like to support? What would enable you to do that?
- Are there personal goals that you've set and not accomplished? How could philanthropy help you achieve them?
- Have you ever entertained the thought of becoming a major donor?
- Would you like your philanthropic work to continue beyond your lifespan? Would you like your children to be able to be involved in their own philanthropy? With you?

You need to become comfortable asking these questions and evaluating your client's responses strategically. The answers your client provides will inform a more meaningful wealth management strategy and enable you to become and remain your client's most trusted advisor.

Choose the Right Time for the Conversation

Choosing the right time to enter the philanthropic conversation with your client can make it easier to have this important conversation. Here are some of the occasions that might naturally trigger a discussion about philanthropy:

At a year-end client meeting

The financial benefits of charitable giving, and especially charitable vehicles, become especially relevant when reviewing the previous year's activities and financial changes and making plans for the future.

During conversations about estate planning

Charitable vehicles such as a private foundation, either alone or in concert with other charitable vehicles, can help preserve the estate and transfer wealth to the next generation in a controlled and protected manner.

When a client is contemplating a liquidity event, such as selling a business or receiving an inheritance

A foundation can minimize the potentially enormous tax bill incurred when a business changes hands. It is critical to have this conversation well in advance of final planning around a transfer of assets.

While reviewing non-performing assets in a client's portfolio

Many appreciated securities and some other low-basis assets can be donated to a foundation for full-market value without incurring capital gains tax recognition at that time.

Next Steps

Once you have verified that your client has an interest in philanthropy and perhaps has identified specific goals, you will want to help your client adjust his/her wealth management strategy accordingly. You might also want to explore the advantages and disadvantages of various charitable vehicles, including a foundation.

Briefly defined, a community foundation is a community development organization and tax-exempt enterprise established for a charitable purpose. A foundation is typically supported by individual donors, families, or companies. A foundation offers an unmatched degree of control for donors who wish to extend the beneficial impact of their wealth over time. Foundations are also, without question, the charitable vehicle of choice for results-oriented philanthropists because of their unparalleled flexibility in accomplishing targeted goals.