Doing Well By Doing Good

Improving Client Service,
Increasing Philanthropic Capital:
The Legal and Financial Advisor's Role

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Preface and Acknowledgments

This report was prepared in the spring of 2000 by The Philanthropic Initiative, Inc. (TPI) as part of TPI's ongoing efforts to further the understanding of philanthropy. Founded in 1989, TPI is a not-for-profit organization that offers philanthropic design and management services to individuals, foundations and corporations. In addition, TPI: works to advance the scope and impact of philanthropy; offers a range of educational programs designed to help donors make their giving more effective; and seeks to foster creative philanthropic approaches to social problems.

TPI's interest in the role of the professional advisor is longstanding. In 1994, TPI and the W.K. Kellogg Foundation co-sponsored a conference entitled *The Ten Trillion Dollar Intergenerational Transfer of Wealth, A Philanthropic Game Plan.* A central recommendation from that conference was to understand better and enhance the role of the legal and financial advisor in promoting philanthropy. Subsequent TPI research with the Council on Michigan Foundations (1996) found the professional advisor to be missing important opportunities to advance philanthropy.

In December 1998, with the support of a generous grant, TPI launched the research initiative that is the subject of this report. Its intent was to test the continued validity of the Michigan findings and to learn more about: advisor/donor behavior, advisor motivations for giving philanthropic advice, the philanthropic tools advisors recommend and donors employ, and the kinds of resources and tools advisors need if they are adequately to address philanthropy in their wealth counseling.

This report was authored by Steve Johnson, a Senior Associate at TPI, with the assistance of Lisa Gregory, a research associate. In-house TPI advisor interviews were conducted by Jane Maddox of TPI, and Lisa Gregory; Ms.Gregory also performed the quantitative analysis of those interviews. Important advice and contributions were provided by Peter Karoff, Ellen Remmer, Joe Breiteneicher, and Elizabeth Nill, all of TPI. TPI is especially grateful for the help of the project's Advisory Committee (see Appendix B), which provided invaluable assistance throughout.

We also extend our thanks to: the nearly 100 advisors who granted TPI in-depth interviews during the course of the project; the 500+ advisors who made themselves available to Opinion Dynamics Corporation (ODC) researchers in telephone interviews; to ODC for its professionalism during the course of this work; and to the Boston chapter of the Institute of Certified Financial Planners, for its help in staging a key focus group.

Finally, TPI gratefully acknowledges the assistance of the following professional associations in providing access to their membership lists: (1) Association for Advanced Life Underwriting (2) ABA Section on Real Property, Probate, and Trust Law (3) American Institute of Certified Public Accountants, and (4) International Association for Financial Planning.

Contents

Summary

> *"Most people have a philanthropic tendency, it just has to be cultivated. I had a client who just didn't realize that he had choices. But given the opportunity he began to think about his community and making a difference."*
>
> *Accountant*

As the new millennium begins the opportunity to increase philanthropic giving has never been greater. The forthcoming intergenerational transfer of wealth – now estimated at between $40-130 trillion dollars over the next 50 years – has no precedent. The legal or financial advisor to the donor or potential donor can play a central role in ensuring that the opportunity is seized.

Many advisors have the access and opportunity to influence the way their clients think about, use, and allocate their wealth. The estate planner working on a will, the financial advisor sorting through investment strategies, and the family business advisor helping a family prepare for succession, have multiple reasons to raise the subject of philanthropy with their clients.

The encouraging news is that more and more advisors appear to be "asking the philanthropic question" – discussing their clients' interests in philanthropy during the course of the wealth planning process. It is also clear that many advisors do not feel they are asking the question well. And many of their clients – donors and potential donors – agree.

The report that follows is a discussion of how advisors do – and often do not – make philanthropy a part of client wealth counseling, and of ways in which philanthropy might become a more consistent, integral part of advisor practice.

Project Background and Methodology

Since its creation eleven years ago The Philanthropic Initiative, Inc. (TPI) has sought to increase the quantity and improve the quality of philanthropy. One of the ways it has done so is by trying to understand better the ways in which the advisor professions – lawyers, financial planners, bankers, insurance professionals, and others – approach the subject of philanthropy with their clients.

In 1996 TPI, working with the Council of Michigan Foundations, interviewed 150 Michigan advisors. Among the findings from that study (reported in *Trusts & Estates,* August 1996): few advisors routinely asked their clients about their philanthropic interests; a majority only discussed philanthropy if the client raised the issue first; discussions about philanthropy focused largely on the tax consequences of giving; and many advisors felt that any inquiry into a client's philanthropic interests was unprofessional and could result in the loss of the client's trust, and possibly of his or her business. Some advisors feared that such inquiries might actually be unethical.

In the same year, a TPI study for Bankers Trust of 80 of the private bank's high-wealth clients ($100 million +) found that fewer than half of the respondents had been encouraged to be philanthropic by their legal or financial advisors, even though the majority looked to their advisors for such guidance. The study also suggested that many advisors did not feel it was their role to ask "the philanthropic question."

In December 1998, TPI launched this research initiative to test the continued validity of the earlier findings and to learn more about: advisor motivations for and methods of providing advice about philanthropy, client motivations for charitable giving, and the kinds of philanthropy-related resources advisors need.

The project was guided by some 20 senior members of four advisor professions, advisors who served as an Advisory Committee to provide the project with content and process guidance.

The project's principal research components included:

- A survey of some 500 advisors – insurance professionals, financial advisors, accountants, and lawyers.
- Numerous donor surveys and interviews.
- In-depth interviews with another 89 advisors.
- Focus groups, workshops, and group conversations with advisors and development professionals to refine and interpret project data and findings.

While the research data offer encouragement about advisor practice and philanthropy, they also point up opportunities for advisors to serve clients better, to add value to their own practice, and to increase the nation's social capital.

Advisor Behavior

Many advisors are well aware of their clients' needs for effective counsel about philanthropy, as part of the wealth-planning process. Many are genuinely eager to help. But in their own words, too many "are afraid to ask the hard questions." Many "move too quickly" to discussions of giving mechanisms, before fully engaging their clients around values and motivations. And many "would do more if they knew how."

The TPI/ODC survey of 500+ advisors revealed, among other things:

- Almost 90% of advisors make it a practice to raise the subject of philanthropy or charitable giving with their high net worth clients.

- However, of the advisors who do raise the subject with clients, only half (54%) discuss it with all of their high net worth clients.
- More than nine in ten advisors raise the subject of philanthropy with their clients if there are highly appreciated assets, confirming that tax considerations remain an important motivation for many such discussions.
- Eighty-six percent of advisors disagreed with the proposition that they only discuss charitable giving "when the client expresses an interest in it first."
- Advisors say that clients' motivations for giving are, first, caring about a cause or institution (73%), and second, the tax benefits of such a gift (57%).
- But advisors are far more likely than their clients to feel that tax planning *should be* the primary reason for clients to engage in charitable giving. Clients should give "to make a difference, to help people" (41%) and for "tax reasons" (40%).
- Advisors believe that the greatest deterrent to greater client charitable giving is the fear that if they do they will not have enough money left for themselves (54%) or their children (48%).
- Surprisingly perhaps, the high-net-worth clients (net assets exceeding $2 million) of these advisors do the great majority of their giving through direct gifts. Very few use private foundations, charitable trusts, or donor advised funds at either community foundations or for-profit gift funds.

On their face, these survey findings suggested that there might have been a significant change in advisor behavior since TPI's Michigan work in 1996, and that more advisors were talking consistently with their clients about philanthropic objectives and practices. But through subsequent in-depth TPI interviews with advisors, a different picture emerged:

- Over half of those advisors interviewed – many of whom are highly experienced practitioners – do not discuss their clients' charitable or social values, or help them develop a philanthropic mission. There is still a perception that values-based discussions about philanthropy are highly personal and therefore risky.

- A substantial majority of these advisors would like to become more knowledgeable about how to make charitable giving conversations with clients more effective. That said, many would continue to refer their clients with complex philanthropy objectives to third-party philanthropy professionals.

- A majority of advisors want more and better materials, templates, and other resources to help counsel clients about their philanthropic options. There is a perception that there is adequate access to technical tools, but that methods and materials for addressing broader-based philanthropy planning needs are in short supply and not easily found.

- Nearly two-thirds of the advisors interviewed employ a very limited number of charitable planning tools, consistently relying on one or two planned giving vehicles, regardless of the client's circumstances or charitable intent.

Based on the results of the TPI/ODC survey, TPI's own interviews, focus groups and workshops, and the insights of TPI's panel of senior advisors, the following three advisor profiles emerged:

<u>Initiators</u>

- Advisors who fit the "philanthropy initiator" profile almost always raise the topic of philanthropy with their clients.
- They believe an important part of their advisory role is helping clients use philanthropy to make a difference in society and "in their lives." They are advocates for philanthropy.
- Initiators often see their role, in part, as promoting good citizenship.
- Many advisors who fit this profile feel that helping clients incorporate philanthropy into their wealth planning helps the advisor stay competitive in his/her profession and practice.
- Initiators frequently reference their own philanthropy as a tool in working with clients.
- Based on this research and its interpretation by the project's senior advisors, our estimate is that Initiators comprise no more than 5-10% of the total wealth-planning advisor population.

<u>Facilitators</u>

- "Facilitators" are advisors who see philanthropy-related counsel as an important component of the service they provide, but often feel they lack the skills to provide "holistic" counsel around giving.
- Facilitators sometimes discuss their clients' personal values and philanthropic goals, but most rely on third party philanthropy professionals for program research and design.
- Facilitators rarely reference their own giving as a strategy to enrich charitable giving conversations with clients.
- A majority of Facilitators would like to be more proactive in discussing philanthropy as part of client wealth counseling, and would do so if they had the tools.

<u>Followers</u>

- "Followers" are advisors who may sometimes see their role as Facilitators, but most often follow the lead of the client. For these advisors, tax planning remains the most important – and often the exclusive – reason to discuss charitable giving with their clients.

- Followers seldom talk values or focus. They find such discussions personal, difficult, and risky.
- They sometimes see philanthropy as an important part of the discussion, but only if the client raises the subject. They fear they may alienate their clients if they push too hard.
- Followers are often wed to the use of one or two planned giving vehicles, often to the exclusion of others.
- Many would be willing to incorporate more charitable giving counsel into their practice, but only if it is clear they will not be "imposing their own morality" on clients.

What is the Donor's Perception of the Advisor Relationship?

From interviews conducted in connection with this research and from TPI's experience with hundreds of other donors over the years, it is clear that many wealthy individuals are on a quest for meaning in their lives. Part of that meaning is often rooted in and expressed through their personal and family philanthropy. Many donors actively seek:

- To achieve a higher level of comfort with their wealth.
- Stimulation and/or cultivation of their philanthropic interests.
- The opportunity to translate inspiration into action.
- Opportunities to explore, develop, and/or refine a sense of mission that will motivate and guide their giving.
- Opportunities to create effective and/or innovative gifts and giving programs.
- Philanthropic planning that will lead to effective and intended outcomes.

A more comprehensive discussion of donor needs and available resources can be found in TPI's recent report, *What's a Donor to Do? The State of Donor Resources In America Today*.

The donors whom TPI questioned for this study were, by and large, high-wealth individuals with considerable experience as donors. As such, their experience and their perceptions may not be entirely representative of donors generally. Still, their insights are revealing:

- In overwhelming numbers these donors report it is they and not their advisors who typically raise the subject of philanthropy.

- These donors wish their advisors were more knowledgeable about philanthropic planning, that advisors would take a more comprehensive approach to their giving, rather than focusing heavily on tax planning and specific giving vehicles.

- Most of the donors surveyed believe their advisors are technically competent, but they also believe most advisors lack the tools and/or comfort levels to link technical counsel to more personal, values-based philanthropy planning.

- These donors say they want to be guided in their philanthropy to achieve important personal and social objectives. They want help in creating comprehensive and cohesive giving programs, and to acquire the tools necessary to become effective donors.

- If their advisors are not knowledgeable about philanthropic planning, donors seek referral to others who can.

These findings suggest that what donors need and want in the way of education and information, and what many professional advisors can and are willing to provide, are in many cases inconsistent. The question here, then, is how can advisors be more responsive to their clients' interest in well-informed, high-quality, inspired philanthropy-planning help?

Opportunities

Professional advisors alone, certainly, do not bear the responsibility for tapping the nation's philanthropic potential in the new millennium. But with sufficient encouragement, continuing professional education around philanthropy, and the proper tools, they can play a critically important role in the process.

Project research data indicate that advisors are talking the talk more than they were even a few years ago. But it is also clear they could be doing more still to encourage their wealthy clients to consider philanthropy as part of their wealth planning, to increase the level of social capital, to make a difference in the quality of life of the many at the margins.

Certainly not all advisors will *wish* to become philanthropy advocates or experts. Nor will every advisor who is a philanthropy Facilitator wish to move up the curve to become an Initiator, nor will most Followers become Facilitators. In the course of this research numerous commentators expressed the view that resources should be concentrated on those advisors who "get it," advisors whose values dispose them to their own charitable giving, and/or to the growth of philanthropic capital. Advisors who do not wish to get it are not likely to be candidates for philanthropy-related continuing education, nor to make use of materials and tools provided on-line or elsewhere.

Such caveats aside, the large majority of advisors that TPI and its pollsters talked with in the course of this study expressed a real interest in acquiring a more complete understanding of philanthropic planning, and in acquiring new tools to facilitate wealth-planning work with their clients. This section of the report distills the findings and conclusions of the preceding sections, presents opportunities for achieving both interim and long-term objectives, and provides an inventory of those philanthropy-planning tools that advisors indicate would be most helpful to them.

The opportunities inventoried here have numerous audiences. Some will appeal and/or be appropriate to individual advisors, others to advisor professional associations, still others to philanthropy promotion organizations and initiatives, e.g., New Ventures in Philanthropy and its numerous philanthropy incubators, the Forum of RAGs, TPI, the Council on Foundations, etc. We have purposefully not categorized the opportunities by target audience, for fear of appearing to suggest that some opportunities are not appropriate candidates for action for some kinds of philanthropy proponents. Our view: If the shoe fits, wear it.

This research suggests opportunities to:

- Help educate advisors about the opportunities for philanthropic impact, community enrichment, and client service inherent in the multi-trillion dollar intergenerational transfer of wealth.

- Illustrate the value for both client and advisor in incorporating philanthropy counseling into client practice. Highlight for advisors the ways that incorporating philanthropy into wealth counseling can enrich advisor-client relationships.

- Appeal to advisors' sense of community and social responsibility – society's needs are great, and the opportunities for their clients to "make a difference" are many.

- Address head-on the often unspoken question, What's in it for me? The answer: (1) deeper, richer client relationships, (2) client loyalty as a consequence of better service, (3) the certainty that if "you don't provide the service, someone else will," (4) positioning the advisor and her firm as civically-engaged citizens; and (5) the personal satisfaction of helping clients make a difference.

- Illustrate for advisors the simple and effective ways to discuss philanthropy with clients, ways that are neither pushy nor overbearing, ways that respect a client's desire for privacy about deeply held values.

- Illustrate for advisors the experienced donor's view of the difference between comprehensive philanthropy planning and narrowly focused tax advice.

- Provide advisors with materials presenting proven strategies and workable processes for engaging clients in discussions about philanthropic values, interests, objectives, and strategies.

- Illustrate the role that expert partners – philanthropy advisors and philanthropy-related organizations – can play in the planning process. Develop local directories of such resources.

- Create an affirmative expectation that every wealth planning advisor will include philanthropy on a checklist of discussion issues and raise the subject with net assets of $2 million or more.

- Establish local, regional, or national cross-sector networks of legal and financial advisors, philanthropy advisors and professionals, and individuals and organizations active in promoting philanthropy.

- Inventory and share existing tools for incorporating philanthropy into wealth counseling. Create new ones where obvious gaps exist.

  Among those tools and resources advisors say they need are:

- Materials on methods and strategies for helping clients develop their philanthropic values, goals, and missions
- Sample personal/family philanthropy mission statements
- Sample lines of questions about philanthropic objectives, and colloquies that illustrate effective and ineffective practices
- An outline of the philanthropic planning process, from values identification to "social investment strategies"
- An outline of "best practices"
- A bibliography of outstanding tools
- A flow-chart illustrating the process for bringing philanthropy advisors and organizations into client counseling
- A chart showing various giving mechanisms, identifying the merits of each
- Materials offering a step-by-step process for creating various giving vehicles, including donor advised funds and family foundations

Next Steps

What can be done to convert these opportunities into action? Based on what advisors reported in the course of this research, some subset of the following steps would represent a strong beginning:

- Build on existing partnerships with other organizations and associations committed to enhancing the advisor's role, e.g., New Ventures in Philanthropy, the National Association of Philanthropic Planners, professional associations, the Council on Foundations, etc.

- Continue to publish research findings. In the last few months, TPI's senior staff has shared these results with several hundred advisors and development professionals around the country. In addition to publishing this report, a summary of this research recently appeared in *Trusts & Estates*. This outreach has just begun.

- Inventory and develop philanthropy-related materials for advisors as needed. While many good materials now exist – e.g., through the Planned Giving Design Center, the National Association of Philanthropic Planners, and professional associations – their availability is not widely known.

- Find partners with whom to promote changes in professional school curricula to include the subject of organized and strategic philanthropy. Begin state-by-state campaigns to include questions on philanthropy-related practice on professional licensing exams.

- Give consideration to a national conference or series of regional conferences to discuss these and related findings, and to create implementation strategies and action plans.

- Create speakers bureaus from the ranks of experienced advisor philanthropy advocates. There is great promise in "peer-to-peer" strategies for motivating and informing advisors about the opportunities in organized and strategic philanthropy.

If the campaign to make the professional advisor a consistent and potent advocate for philanthropy is to succeed, there will be plenty of work for everyone – for all those who believe that philanthropy planning is an essential component of the effective advisor's role; for all those who believe in the power and the potential of philanthropy; and for all those who would energetically address tomorrow's challenges. Because that is, after all, philanthropy's role and philanthropy's promise.

Introduction

> *"What we find is that people do care. Some of the toughest, seemingly most difficult [clients] to deal with end up being the most philanthropic."*
>
> *Insurance Planner*

As the new millennium begins, the opportunity and the imperative to increase philanthropic giving is greater than at any other time in history. The advisor to the donor or potential donor can play an important role in ensuring that the imperative is recognized, that the opportunity is seized.

Over the next 50 years the United States is expected to witness an intergenerational transfer of wealth estimated at between $40 and $130 trillion dollars. Those who have accumulated this wealth and their inheritors have the opportunity to direct a significant share of these resources toward philanthropic capital.

Many advisors have the access and opportunity to influence the way their clients think about, use, and allocate their wealth. The estate planner working on a will, the financial advisor sorting through investment strategies, and the family business advisor helping a family prepare for succession, have multiple reasons to raise the subject of philanthropy with their clients.

As the results of this study demonstrate, more and more advisors appear to be "asking the philanthropic question." It is also clear that many do not feel they are asking it well. And many donors and potential donors agree.

The Objective

For the last 11 years The Philanthropic Initiative has been committed to increasing the quantity and improving the quality of philanthropy. The research summarized in this report is a direct outgrowth of that commitment.

Prominent among TPI's strategies for promoting strategic philanthropy has been the search for new ways to support professional advisors – lawyers, financial planners, accountants, insurance professionals, and others – in discussing with their clients philanthropy's power and potential.

Supported by a generous grant, TPI recently concluded 15 months of research on the advisor's role. In the course of that work we sought to:

- Contribute to what is known about the advisor's role in encouraging philanthropy
- Identify strengths and weaknesses in current advisor practice

- Identify strategies for further advisor education around strategic philanthropy and its practice

- Indirectly motivate advisors to be more active in encouraging their clients to become strategic donors

- Tap the experience of donors in educating advisors about being effective philanthropy advocates

- Gauge advisor interest in participating in a cross-sector network(s) of advisors interested in and committed to promoting philanthropy

- Contribute to the national dialogue among advisors, donors, and philanthropy professionals about philanthropy's promise and potential

The Professional Advisor

The professional advisor can play an important role in adding to America's social capital, not only because of his/her technical role in creating giving strategies, but because good counsel can provide clients with a glimpse of the workings and satisfaction in becoming effective donors. Many advisors understand the importance of strengthening their role, thereby better serving the client, deepening the advisor-client relationship, and becoming more competitive in an increasingly competitive arena. But many others have yet to be convinced.

Advisors to the wealthy have a unique opportunity to help leverage their clients' philanthropic potential. They can provide the tools that will help their clients meet their personal, financial and tax-planning needs, tools that can help clients convert personal wealth into social capital. Advisors can help clients make a difference both in society and in their personal lives, through effective giving.

But professional advisors today face multiple challenges in advising clients on philanthropy planning, and doubt may be the greatest of those challenges. How aggressive should they be in encouraging charitable giving? What kinds of additional training do they need to advise clients about philanthropy more effectively? What resources are available to help them? This research attempts to answer these and related questions.

Earlier Research

Research conducted earlier in the 90's showed that philanthropy was too often only an occasional or haphazard component of advisor/client wealth planning. Too few advisors were raising the subject, "asking the philanthropic question," due either to limited knowledge about appropriate/available tools, or out of concern about possibly alienating clients by raising highly personal issues. With some notable exceptions, the majority of those advisors who were talking philanthropy with their clients appeared to be motivated primarily by tax planning considerations. And even among those advisors who did raise the topic, it was difficult to identify clear patterns or trends in their philanthropy-related practice. Among the earlier findings:

- In 1996, TPI conducted research with the Council of Michigan Foundations. In personal interviews with 150 seasoned lawyers, financial planners and others, we found that most advisors did not raise the subject of philanthropy with their clients. When they did, for the most part they discussed it only in the context of tax planning. Personal satisfaction, family unity, and value transference benefits were rarely discussed. Many advisors also reported that they were reluctant to pursue the topic for fear of appearing to impose their own values on their clients, or of promoting a personal cause. The greater fear was diminishing client trust. In addition, advisors who recognized the limits of their knowledge were far less likely to raise the subject of philanthropy, presumably for fear of revealing their knowledge deficit.

- In 1997, TPI and a group of sophisticated advisors who had attended the Wingspread conference on promoting philanthropy conducted numerous interviews on advisor practice. They learned that while many highly experienced advisors routinely raised the issue of philanthropy with new clients, among those that did there were few common denominators with respect to the content of those conversations.

- A 1997 study conducted for the *Chronicle of Philanthropy* found that a majority of professional advisors had only limited knowledge of the technical aspects of planned and charitable giving. The study found that donors who felt they received good, well-informed advice on planned giving were far more likely to make additional gifts in the future. Those donors who felt they had not received high quality advice said in overwhelming numbers that they would be unlikely to make additional planned gifts. Many of the donors who were interviewed for the survey not only reported that too many advisors lacked technical knowledge about planned giving, but also felt their advisors treated planned gifts as financial transactions, rather than as vehicles for expressing philanthropic and charitable values.

- TPI’s 1996 study of 80 high-wealth individuals ($100 million +) for Bankers Trust found that fewer than half of the respondents had been encouraged to be philanthropic by their legal or financial advisors. It also suggested that advisors did not feel it was their role to raise the philanthropic issue.

It was these studies and anecdotal evidence from TPI’s own clients that provided much of the impetus to conduct the research that is documented in the following pages.

Methodology

"Each client's plan must match their mission and goals. But everything is customized. There isn't any standard constellation of mechanisms, no cookie cutter approach." *Attorney*

The project effectively began in January 1999. Thereafter it evolved in two overlapping phases: Phase One – quantitative research – and Phase Two, qualitative research and analysis.

Phase One

Advisory Committee

In January 1999, TPI staff and advisors began to assemble an Advisory Committee to provide process and content guidance on the project. The functions of the Committee were to provide expert advice to project leadership on various project components, and to serve as liaisons and intermediaries to their respective professional associations. The Advisory Committee consisted of 22 members, including senior representatives of the key professions on which the work focused, as well as a number of interested philanthropy professionals. (See Appendix B, Advisory Committee Membership)

The Committee was helpful throughout, opening doors to professional associations, helping to craft and refine the survey instrument, and reviewing and analyzing research findings. As the survey instrument evolved, project staff solicited extensive input from the Committee re composition of the survey sample, geographical considerations for survey administration, and other issues.

Public Opinion Research Consultants

Early in 1999, TPI retained Opinion Dynamics Corporation, Inc. (ODC), a Cambridge-based, national public opinion research firm, to act as the consultant to conduct the telephone survey of advisors. ODC assisted in survey design, formulated a strategy for creating the appropriate survey sample, administered the survey, and authored the primary report on survey findings (see Appendix A).

Survey Instrument

The survey instrument was developed by TPI and ODC. It was first drafted by TPI senior staff, next reviewed by the Advisory Committee, and finally revised and refined by Opinion Dynamics and TPI.

The survey addressed a number of specific areas of interest: (1) the characteristics of clients who receive philanthropic advice, (2) advisor motivations for giving philanthropic advice – including why they do or do not raise the subject, (3) client motivations for charitable giving, (4) the tools and mechanisms employed for charitable giving, and (5) the value of various potential resources to advisors who give philanthropic financial advice to clients.

The survey contained a total of 70 questions, including four “open-ended” questions. Four demographic questions were also included. The survey required 15-20 minutes to administer.

<u>The Sample</u>

The population of 506 advisors sampled for this research comprised four professions whose members typically give professional advice on wealth planning and philanthropy: financial planners, accountants, estate planning attorneys, and insurance planners.

The sub-samples in the survey were drawn from:

> Accountants/CPAs – American Institute of CPAs. Subset of the 2500 members designated Personal Financial Specialists. Volunteered list.
>
> Attorneys - ABA Section on Real Property, Probate, and Trust Law. Subset of members who have designated their primary practice area as Trusts and Estates. Purchased list.
>
> Financial Planners - International Association for Financial Planning. Subset of 7,000 members who have received the Certified Financial Planner designation. Volunteered list.
>
> Insurance Professionals – Association for Advanced Life Underwriting. Volunteered list.

TPI is grateful to all four associations for their cooperation and assistance.

Introductory letters were mailed to the prospective respondents introducing TPI, explaining the purpose of the research, and informing potential respondents of a potential call requesting the interview. Random samples were generated from these lists.

Of the 1,581 individuals contacted, 813 refused outright to participate, 21 terminated the interview while in-progress, 113 declined to participate because they “do not provide advice,” and 128 were screened out because they did not advise clients with a net worth of $2,000,000 or more. (See the following section for a discussion of response bias.)

The interviews were conducted from May 12 through May 25, 1999 by the Opinion Dynamics Telephone Center. The following table provides the demographic breakdown of the respondents by sub-sample.

Demographic Breakdown of Survey Respondents by Sub-Sample

	Respondent Profile				
	Total	Insurance	Financial	Accounting	Lawyer
N=	506	104	151	117	134
Percent of total	100%	21%	30%	23%	26%
Male	85%	93%	80%	76%	93%
Female	15	7	20	24	7
40 or Younger	19	9	23	26	16
41 to 50	36	16	39	45	39
51 to 60	27	38	27	21	25
Older than 60	18	38	11	8	20
Large City	16	24	9	13	20
Medium City	27	32	17	28	33
Small City/Town	17	11	18	23	16
Suburbs	26	29	36	21	18
Rural	14	5	20	15	13

Response Bias

In designing this study TPI was concerned about the possibility of "self-selection bias," i.e., whether those who chose to participate might be more favorably inclined to philanthropy and philanthropy-related counseling than those who declined.

Opinion Dynamics believes that any non-response or self-selection bias would have little, if any, impact on the research results. There are several reasons to support this view, quoted here from the ODC report (see Appendix A):

1. The overall production rates for the study are consistent with past research experience. That is, the refusal rate for this kind of professional survey was what we expect from numerous other surveys we have conducted. Were a significant response bias present, the people refusing to be interviewed because of self-selection should have lowered the production rate.

2. There are no significant demographic differences in the responses. The sheer similarity of widely disparate groups suggests that the behavior is, indeed, as universal as respondents portray it.

3. Many people in the sample admit that they do not speak with some or all of their clients about philanthropy. If a selection bias exists, it is clearly not a strong or universal one, since respondents admit to less than universal discussion of the issue.

Phase Two Research

Phase Two research was aimed at obtaining qualitative insights into advisor behavior and needs, capturing the donor's perception of the advisor/client relationship, and analyzing the findings.

Phase II Advisor Interviews and Data Collection

Phase Two advisor interviews focused both on advisors who were identified as "philanthropy-savvy" by their colleagues, and on a random selection of advisors. Because the ODC survey findings suggested that advisors had become more consistent in discussing philanthropy than previous research had indicated, the research team concentrated on identifying and exploring best practices among advisors who make philanthropy a regular and important part of their client service. This data was collected both through phone interviews and written questionnaires.

Phase Two questionnaires and interview templates were drafted by project and other TPI staff, and were subsequently reviewed and refined by the project's Advisory Committee. The advisor questionnaire contained 20 questions and addressed: (1) the characteristics of advisor behavior during philanthropy-related conversations, (2) values-based philanthropy, (3) advisor interest in education and training, (4) advisor identification of helpful tools and resources.

Phase Two advisor interviews ranged from 15 minutes to an hour, depending on the experience level and patience of the advisor. The National Association of Philanthropic Planners was very helpful in identifying advisors with whom to speak.

In Phase Two, TPI's project consultant collected information from 80 advisors, 65 through phone interviews and 15 through questionnaires. 44 of the phone interviewees were identified through the ODC-survey sample described above; 21 interviews were conducted with seasoned advisors identified by others as "sophisticated about philanthropy planning" – those who regularly provide philanthropy planning as part of their client service. The 15 completed questionnaires were returned from a sample of 150 advisors who attended the 1999 National Association of Philanthropic Planners' annual meeting.

Capturing the Donor Experience

This component of the project proved to be complex, both in scope and execution. Donors often tend to be quite private about their philanthropy. By and large they are not eager to have their philanthropic motives or experience subjected to scrutiny. They are certainly not eager to be quoted.

To maximize the size of the potential sample, project staff created both a template for oral interviews and a written questionnaire. The donor survey was furnished to the following groups and organizations, which were asked for their cooperation in administering it to clients and constituents:

- Eight private banks with which TPI has had relations over the years, with a request to share the questionnaire with wealthy client donors.
- Past and current TPI clients, as well as donors who have attended TPI's symposia over the years.
- All the nation's regional associations of grantmakers (RAGs).
- All grantees of the National Initiative to Promote the Growth of Philanthropy (now New Ventures in Philanthropy).

For a variety of reasons – most having to do with "protecting our donors" – few groups were willing to assist in this aspect of the research.

The client/donor questionnaire contained 15 questions and addressed four principal issues: (1) client motivation for being philanthropic, (2) the role advisors play in their client's charitable giving, (3) the elements of advisor/client discussions that are most helpful to clients regarding philanthropy planning, (4) the kinds of advice, education, and materials that are most useful to clients. In the end, 37 donors either submitted completed questionnaires or were interviewed by project staff.

<u>Focus Groups and Other Group Data Collection</u>

In September 1999, TPI conducted two informal "focus group/workshops" with professional advisors and planned giving officers in Phoenix and Minneapolis. In each instance groups of approximately 40 advisors were led through a questionnaire that tracked other project questionnaires aimed at advisors. The responses were consistent with those obtained in the ODC survey.

In January 2000, TPI convened another focus group to test and give context to the ODC data and Phase Two interview findings, and to collect additional insights regarding the philanthropy planning field generally. The sample was recruited from the Greater Boston membership of the Institute of Certified Financial Planners by the president of the Boston chapter, and comprised eight sophisticated financial planners with considerable experience in philanthropy counseling.

The strategy of the January 2000 group session was to present the participants with the findings from the ODC and Phase Two interviews and test the validity of their interpretation. The discussion supported the project's analysis to that point, underscored the importance of additional advisor continuing education on key issues, and confirmed some of the previously-identified obstacles to advisor activity around philanthropy counseling.

In February 2000, project staff used the project's own Advisory Committee as a sample, sending each member a questionnaire about the study's findings, and asking for his or her interpretation. Members commented on a draft summary of the project report that included: key findings from the ODC report and Phase Two interviews; advisor profiles; tools and opportunities for advisor education; and project recommendations. The responses assisted staff in explaining discrepancies in advisor reporting identified in the ODC survey, confirmed the overall integrity of the analysis, and underscored the significance of a number of important findings.

Discussions with external audiences aimed at informally testing the validity of project findings and their interpretation, and learning more about new and emerging donors and their advisor-related needs, are ongoing.

> *"We talk about it as a puzzle, we have to look at the picture of the puzzle and decide what picture we want to create … But if they [clients] develop the vision it helps them to make decisions all along. Planners need to take the time to do it, and recognize that it will take time."*
>
> *Insurance Planner*

I. The Landscape

> *"Generally, I am in a service industry. I serve others as an attorney. Philanthropy should be part of what I do. It's this kind of core element, of who we are, that makes up this country… It's part of my philosophy, its part a series of conversations."*
>
> *Attorney*

The landscape in which professional advisors ply their trades and clients/donors act out their philanthropic objectives is different than it was a generation ago. The opportunities for advisors to encourage charitable giving and for donors to act are greater, and the stakes arguably higher. Concerted action by advisors and committed engagement by donors have the potential to add considerably to social capital.

Opportunities and Risks

For almost two centuries, philanthropy has been near the heart of the American experience, exemplifying a dedication to self-reliant, caring democracy. Robert Payton of the Indiana University Center on Philanthropy has said that the philanthropic tradition is America's most distinctive virtue.

The opportunities to capitalize further on this remarkable phenomenon are striking:

- An unprecedented accumulation of wealth, including the $41 trillion to $136 trillion dollars that will change hands in the intergenerational transfer over the next 50 years.

- The growing concentration of wealth among the wealthiest 1% of Americans.

- The growing volume of philanthropic giving. *Giving USA* reports that in 1999 Americans donated $175 billion to non-profit organizations, a nine percent increase over the previous year.

- The recent rapid increase in the number of family foundations. According to IRS records, in 1989, 37,000 private family foundations filed Form 990, compared with 54,500 in 1997, a growth rate of 47.3 percent.

- A proliferation of "philanthropy promotion" efforts – 25 to 40, depending on how "promotion" is defined – around the country.

- Burgeoning interest in more strategic, high-impact giving. TPI interviews and first-hand experience with more than 500 high-net-worth families and individuals indicate donors are interested in becoming increasingly strategic and proactive in their giving.

- Americans are among the most generous people on earth, ranking second only to Canada in terms of average individual donations to charity.

- In 1999 Americans donated $175 billion to nonprofit organizations. Just over three quarters of that sum came from living individuals ($134 billion); the rest from foundations ($18 billion), bequests ($13 billion) and companies ($9 billion).

- It is conservatively estimated that each of more than 2,500 American households today has a net worth exceeding $100 million.

Paul Schervish and John Havens, researchers at Boston College, report that:

- Households with incomes exceeding $125,000/year give away, on average, 3.3% of their income.

- Approximately 10% of all $125,000/year households give away more than 10% of their income to charity – considerably higher than any other income groups.

- Rates of participation in philanthropy rise with income, until it reaches more than 90% for households with incomes exceeding $50,000.

But not all is rosy in the future of American philanthropy. Challenges also abound, beginning with the fact that much of the "new wealth" may not be easily converted to new philanthropic capital. Among the worrisome trends are:

- Giving as a percentage of personal income has remained virtually stagnant for the last 30 years. While the percentage has increased slightly over each of the last three years, it is still only 2.1%, the same figure as in 1968.

- An increasing number of the wealthy leave no philanthropic legacy -- eight out of ten Americans with annual incomes of $1 million or more leave nothing to charity in their wills.

- As the wealth of the United States has grown over the last several decades, it has also become increasingly concentrated. According to researcher Edward Wolff of New York University, the top 1% of the richest families held 27% of our country's wealth in 1981, 39% in 1986, and an estimated 42% in 1992. This is the widest disparity of any industrialized country, including France where the top 1% held 26% of all wealth in 1989, and Canada, where they held 25% of all the wealth in the same year.

- There is evidence that new donors may not be much interested in addressing some of the nation's more pressing social challenges – e.g., persistent poverty, or race relations – issues that have been the historical focus of many of the country's large foundations.

The Growth in Family Philanthropy

Much of the optimism about the future of American philanthropy is related to the rapid growth in family philanthropy witnessed in the last decade. Consider that:

- Family foundations – those entities formed with family wealth and principally governed by family members – are being created at a rate of roughly 1,000 a year.

- According to IRS records, in 1989 private family foundations (those with single donors) numbered 37,000, compared with 54,500 in 1997, a growth rate of 47.3 percent. Again, this relatively new figure is substantially higher than any ever reported by The Foundation Center.

Why this growth in family philanthropy? In numerous interviews TPI has conducted with the creators of these new philanthropies, donors have identified a number of factors in addition to "family legacy" that motivated families to establish foundations:

- Giving provides "elevated ground" for family members to work together.

- It offers the opportunity for several generations to join in a common purpose.

- It may become the "glue" that binds families whose branches are increasingly geographically diverse.

- It may replace a family business that has been sold as the family enterprise that holds the family together.

The Challenge

Despite the abundant opportunities, there are also worrisome trends afoot:

- While the United States is home to 276 billionaires, 350,000 individuals with a net worth of $10 million, and five million millionaires, recent research indicates that no more than 20 percent of them are engaged in philanthropy beyond responding to routine gift requests.

- More than two thirds of total contributions to philanthropy are made by the upper third of earning households. Yet the data show that the wealthiest Americans currently give a smaller *percentage* of their income to charity each year than the poorest (3.5 percent of those earning under $20,000 a year).

- According to the Independent Sector, only 15% of households gave 2% or more of their household income to charity in 1996. The American Association of Fund-Raising Counsel Trust for Philanthropy (AAFRC) notes that 25% of individuals account for 60% of all contributions. Paul Schervish and John Havens of Boston

College found in their research that 10% of households (giving more than 5% of their income) contribute 54% of all contributions.

- Data show that the wealthy give away a tiny percentage of wealth during their lifetimes, averaging half-of-one-percent of net worth. Only 35% of wealthy households make charitable bequests. IRS reveals that charitable institutions are getting a decreasing share of the wealth in the estates of wealthy individuals - 12.8% in 1976, but only 6.3% in 1992.

Looking Ahead – Social Trends

What challenges will those who seek to invest their social capital effectively face as we move into the 21st century? Several social trends will have an important effect on philanthropy:

- Uneven distribution of income. Demographic trends suggest that we will increasingly be a nation of economic extremes, with a declining middle class, a number of very affluent households, and growing numbers of very poor families. One of the implications of this is likely to be greater resistance to taxation from a shrinking middle class, leading to more cuts in government services to the poor. The nonprofit sector will be expected to do more for those in extreme poverty.

- An aging population will create increased pressures to spend public and charitable resources on the problems of the elderly. To some extent this has already occurred: social security and other programs have drastically cut poverty among the elderly in the last two decades. Worrisomely, however, the number of children in poverty has increased significantly.

- An increasingly diverse population provides the opportunity to benefit from the richness of a multicultural society, but offers a challenge to building consensus around public policy. Nonprofit organizations will be obliged to develop increased skills at working with new constituencies. For example, major cultural institutions are already recognizing the need for new audience development strategies.

- The changing role of government will continue to affect the nonprofit sector. Devolution, privatization, and the implementation of managed care all create opportunities and place pressures on the nonprofit organizations that perform services under government grants and contracts. Many human service organizations, for example, are finding that they must consider mergers or acquisitions so they can grow to a scale that can compete for managed care contracts. The overall trend also continues to point towards reduced government funding for a wide range of social service and cultural organizations. In real dollar terms, government funding of the sector is now less than it was in 1980.

- Short term political and policy time frames mean that resources are increasingly allocated to address crises rather than prevent problems. Even though research demonstrates the efficacy of prevention programs in the areas of health and child welfare, for example, there is little government investment in such strategies. Even though there is greater lip service being given to prevention, the high cost of taking care of abused or mentally disturbed children means that direct care will continue to absorb the lion's share of public dollars - particularly since the number of very poor teenagers will dramatically increase by the end of the century. This means that we will be addressing the effects rather than the causes of poverty and other social problems, and that areas such as the arts may be seen by many to be unaffordable add-ons rather than as central to healthy community life.

- Globalization of the economy and the world culture suggests it will be increasingly difficult to address problems such as employment, education, and the environment on a local basis.

All of these trends point to a future in which the range and complexity of problems addressed by philanthropy will steadily increase.

Looking Ahead – Giving Trends

Donors are already focusing on an increasingly complex future, as a number of recent giving trends indicate.

- There is renewed and growing interest in philanthropy as a vehicle for civic engagement and the renewal of democracy, with many funders supporting civic education, community organizing, and other efforts to rebuild a sense of community and connectedness. Donors are also recognizing that to accommodate a more diverse society with a changed role for government, nonprofit organizations will need to develop new skills, skills that include: building consensus, forming partnerships and coalitions, effectively involving a wide range of constituencies, and managing diversity.

- There is growing interest in learning how to bring promising models to scale**.** In school reform, for example - an area where millions of charitable dollars have been invested in the past decade - there is a growing sense that we have learned a great deal about effective models and pilot programs that can turn a school around. What we don't know is how to transform an entire school system. Sophisticated donors are becoming increasingly interested in learning more about how good ideas get translated and spread to other settings.

- The emerging group of new major donors tends to place less emphasis on pure charity and more on entrepreneurship.

There is growing evidence that the next generation's philanthropy will differ materially from its parents.' Several observers of baby boomers have suggested that while these inheritors are not expected to abandon totally the philanthropic traditions of their parents, their giving style is different. Based on TPI's experience with over 500 donors, we have seen the following:

- A preference for giving to a cause rather than an institution.
- Avoidance of large institutions, which are perceived as bureaucratic, and a preference for giving to smaller, community-based groups.
- Equality, fairness, and making a difference are significant considerations in giving.
- Less emphasis than in the past on perpetuating the family name – at least with "bricks and mortar" gifts.
- Freedom and individualism are key values; younger donors want to feel in control.
- Concern with the character and integrity of grantees.
- Active, hands-on participation in their philanthropic endeavors.

There is also growing evidence that women and people of color in this generation are increasingly participating in philanthropy.

Conclusion

America's wealthy are faced with an historic opportunity. Whether they are prepared and willing to convert a portion of their personal capital to social capital depends on a number of factors, one of which is the ability of the advisor professions to engage them, to discover or nurture their clients' philanthropic inclinations and capacity. Whether advisors are prepared to engage their clients on the "soft side" of philanthropy – the side that links personal and family values and interests to philanthropy, that can make donors passionate and committed repeat donors – and how they can be persuaded and equipped to do so, is the question.

> *"It's important that advisors be sold on the idea that people do care and it's a matter of how you approach it with them. If you really talk to them, ask them to think about the legacy they want to leave, they will engage."*
>
> *Financial Planner*

II. The Advisor

"I ask my clients what they want to do that is significant and meaningful, and emphasize how to design taxes for social good. Sometimes, we, as advisors, are afraid to ask the hard questions, but advisors will lose clients because they don't have meaningful conversations with them."

"My criticism of planners is that they move too quickly, instead of trying to establish why the client is motivated, instead of identifying the purpose for their giving."

"We would do more if we knew how."

These statements and many like them were made by legal and financial advisors during the course of this research. They serve to illustrate the fact that despite advisors' best intentions, not all clients are receiving the quality counsel that will equip and motivate them to achieve their full philanthropic potential.

Many advisors are well aware of their clients' interest in comprehensive, intelligent, sensitive counsel around the philanthropic process. Many are genuinely eager to help, to become more adept in providing that service. But too many "are afraid to ask the hard questions." Many "move too quickly" to discuss giving mechanisms, before fully engaging their clients around values, interests, and motivations. And many "would do more if [they] knew how."

When it comes to wealth planning and philanthropy, too many advisors first talk mechanics, rather than their clients' personal values, values on which the most sustained philanthropy is based. They initiate conversations about vehicles for giving, when they could first discuss those goals and philanthropic interests about which their clients feel most passionately. They are too often "tool driven" rather than concept driven.

The objective of this research was certainly not to find fault with advisors; there are numerous and very real hurdles to counseling clients around philanthropy. The objective was instead to identify areas in which philanthropy-related advisor practice fails to achieve its potential, to listen to advisors as they diagnosed their shortcomings, and to record carefully their self-prescribed remedies.

The fundamental questions include: What are advisors really doing in the realm of philanthropy counseling, what aren't they doing, what do clients wish they were doing, and who can help them do more, and how?

Previous Research

As noted above, in 1996 TPI, working with the Council of Michigan Foundations, interviewed some 150 professional advisors in Michigan, a sample that had been prescreened to identify some of the most seasoned and capable advisors in the state. Among the findings (reported in *Trusts & Estates,* August 1996):

- Few advisors routinely asked their clients about their philanthropic interests during the course of estate and tax planning discussions.
- A majority only discussed philanthropy if their client raised the issue first.
- Discussions about philanthropy focused largely on the tax consequences of giving.
- Many of the Michigan advisors felt that any inquiry into a client's philanthropic interests was unprofessional and could result in the loss of the client's trust and, possibly of his or her business. Some advisors feared that such inquiries might actually be unethical.

In the same year, a TPI study for Bankers Trust of 80 of the private bank's high-wealth clients ($100 million +) found that fewer than half of the respondents had been encouraged to be philanthropic by their legal or financial advisors, even though the majority looked to their advisors for such guidance. The study also suggested that many advisors did not feel it was their role to ask "the philanthropic question."

Quantitative Findings: The Opinion Dynamics Survey

In this research TPI determined to test the continued validity of the Michigan findings on a broader, more diverse sample of advisors. We set out to learn more about (1) the characteristics of clients, (2) advisor motivations for giving philanthropic advice, (3) client motivations for charitable giving, (4) the philanthropic mechanisms they employed, and (5) the value of various potential resources for advisors who give philanthropic advice to clients.

As described above (see "Methodology") a total of 506 legal and financial advisors from four professions (insurance professionals, financial advisors, accountants, and lawyers) were surveyed by TPI's public opinion research consultants, Opinion Dynamics Corporation (ODC). Respondents were screened to ensure that they advised high net worth clients (over $2 million) on their charitable giving and philanthropy.

The data gathered in the TPI/ODC study are consistent with some of the principal findings from the 1996 Michigan study, and contradictory of others. Some of the highlights:

- Almost 90% of advisors say they make it a practice to raise the subject of philanthropy or charitable giving with their high net worth clients.
- However, of the advisors who do raise the subject with clients, only half (54%) discuss it with all of their high net worth clients.
- More than nine in ten advisors raise the subject of philanthropy with their clients if there are highly appreciated assets, confirming that tax considerations remain an important motivation for many such discussions.

- Eighty-six percent of advisors disagreed with the proposition that they only discuss charitable giving "when the client expresses an interest in it first."
- Advisors say that clients' motivations for charitable giving are, first, caring about a cause or institution (73%), and second, the tax benefits of such a gift (57%).
- But advisors are far more likely to feel that tax savings *should be* the primary reason for clients to engage in charitable giving. Clients should give "to make a difference, to help people" (41%) and for "tax reasons" (40%).
- Advisors believe that the greatest deterrent to greater client charitable giving is the fear that if they do they will not have enough money left for themselves (54%) or their children (48%).
- Surprisingly perhaps, the high-net-worth clients (net assets exceeding $2 million) of these advisors do the great majority of their giving through direct gifts. Very few have private foundations, charitable trusts, or donor advised funds at either community foundations or for-profit gift funds.

These findings were remarkably consistent across key advisor characteristics: advisor profession, gender, age, city size, and office size (see Appendix A, ODC Report).

On first impression, some of the central findings of the ODC study would seem to suggest that the landscape had changed, that advisors are more willing to raise the subject of philanthropy, and that tax planning is not the key motivator that it once was, e.g., the fact that ninety percent of advisors now say it is their policy to ask their clients about their interests in philanthropy. Similarly, only 4% would avoid the topic because of concerns that it would be uncomfortable for their clients.

But a telephone survey, no matter how carefully constructed, can only reveal so much. There is a level of inquiry and subtlety that requires less structured, more open-ended conversations. It was with this in mind that Phase Two "discovery" was conceived.

Phase Two Findings

ODC's survey work was completed during the summer of 1999. In the fall, TPI staff launched Phase Two, a series of in-depth interviews with advisors aimed at obtaining a more nuanced picture of advisor practice and motivations. Among the findings:

- Over half of those advisors interviewed – many of whom were highly experienced practitioners – do not discuss their clients' personal or social values, or help them in developing a philanthropic mission. There is still a perception that "values based" discussions about philanthropy are risky and highly personal.

- A substantial majority of these advisors would like to become more knowledgeable about how to make charitable giving conversations with clients more effective. That said, many would continue to refer their clients with complex philanthropy objectives to third-party philanthropy professionals.

- A majority of advisors want more and better tools to help counsel clients about philanthropic options. There is a perception that there is adequate access to technical tools, but that methods and materials for addressing broader-based philanthropy planning needs are in short supply and not easily found.

- Nearly two-thirds of advisors have very limited philanthropic "toolboxes," consistently relying on one or two planned giving vehicles regardless of the client's circumstances or charitable intent.

- A large majority of advisors who do actively pursue charitable giving conversations with clients consider themselves to be philanthropic

- Advisor perceptions about their role continue to vary, from those who see opportunities to help clients "make a difference" to those who continue to believe that even to raise the topic of philanthropy may create a risk of alienating the client.

These findings, together with the donor perceptions discussed in the following section, strongly suggest that not a great deal has changed in advisor practice since TPI's 1996 work with the Council of Michigan Foundations.

What Gets in the Way?

> *"Advisors want to know about the whole process. Often they will say, that's not my area of expertise. What am I doing with these tools? Who am I to be asking them about their deep values? I don't know how to do it. I don't have the professional skills to deal with it."*
>
> *Financial Planner*

What gets in the way of conversations with clients about philanthropy?" In crafting the telephone survey instrument, TPI and its advisors attempted to anticipate the likely impediments to such conversations:

(See table, following page.)

Impediments to Asking the Philanthropic Question

"How important are the following reasons for *not* raising the topic of charitable giving and philanthropy with your clients, on a scale of one to seven, where one represents not important and seven represents very important?"

Scale: 1 = Not Important 7 = Very Important

Average rating:	**Total**	**Insurance**	**Financial**	**Accounting**	**Lawyer**
20. The client has not expressed charitable interests in the past	2.50	1.94	2.69	2.60	2.63
21. I lack familiarity with a client's personal life or values	2.05	1.92	2.09	2.16	2.02
22. I lack personal knowledge of tools of charitable giving	1.69	1.70	1.96	1.68	1.36
18. Raising the topic would be uncomfortable for clients.	1.67	1.45	1.74	1.79	1.65
17. It's not my job to raise the topic	1.55	1.37	1.49	1.82	1.53
23. I don't have personal experience/history with charitable giving	1.51	1.36	1.85	1.47	1.24
16. I don't feel comfortable talking about the topic.	1.45	1.43	1.47	1.54	1.38
19. I worry the client will question my motives.	1.35	1.25	1.34	1.33	1.45

The ODC data suggests that none of these factors is a significant hurdle to asking the philanthropic question. The most important of them – the fact that clients have not expressed an interest in charity – rates no more than a score of 2.50 overall.

However, once again, the Phase Two advisor interviews tell a different story, albeit from a much smaller sample. From the 80 in-depth interviews and discussions with the projects Advisory Committee came the following observations:

- Unless an advisor really has a "service" view of the world, s/he may be unwilling to raise the subject of philanthropy.
- They don't know how to bill the time for such conversations, so they don't raise it.

- They don't believe clients really want to discuss the subject.
- They think they're having full discussions about philanthropy, but they're really not.
- For some there is a perceived conflict of interest between being "conservators" of their clients' wealth and encouraging clients to "give [some of] it away."
- For lawyers especially, a client advocacy mentality may get in the way of being social advocates.

Advisor Profiles

Based on the results of the ODC survey, TPI's own interviews, focus groups and workshops, and the insights of TPI's panel of senior advisors, the TPI team created the following advisor profiles:

Initiators

- Advisors who fit the "philanthropy initiator" profile almost always raise the topic of philanthropy with their clients.
- They believe an important part of their advisory role is helping clients use philanthropy to make a difference in society and "in their lives." They are advocates for philanthropy.
- Initiators often see their role, in part, as promoting good citizenship.
- Many advisors who fit this profile feel that helping clients incorporate philanthropy into their wealth planning helps them stay competitive in their professions and their practice.
- Initiators frequently reference their own philanthropy as a tool in working with their clients.
- Based on this research and its interpretation by the Advisory Committee, our estimate is that Initiators comprise no more than 5-10% of the total wealth-planning advisor population.

Facilitators

- Facilitators are advisors who see philanthropy-related counsel as an important component of the service they provide, but often feel they lack the skills to provide comprehensive counsel around giving.
- Facilitators sometimes discuss their clients' personal values and philanthropic goals, but most rely on third party philanthropy professionals for program research and design.
- Facilitators rarely reference their own giving as a strategy to enrich charitable giving conversations with clients.
- A majority of Facilitators would like to be more proactive in discussing philanthropy with their clients, and would do so if they had the resources.

Followers

- Followers are advisors who may sometimes see their role as Facilitators, but most often follow the lead of the client. For these advisors, tax planning remains the most important – and often the exclusive – reason to discuss charitable giving with their clients.
- Followers seldom talk values or focus. They find such discussions "personal," difficult, and risky.
- They sometimes see philanthropy as an important part of the discussion, but only if the client raises the subject. They fear they may alienate their clients if they push too hard.
- Followers are often wed to the use of one or two donative tools, to the exclusion of others.
- Many would be willing to incorporate more charitable giving counsel into their practice, but only if it is clear they will not be "imposing their own morality" on clients.

Similar profiles are emerging from the Baltimore Giving Project, a New Ventures in Philanthropy promotion project, which has made advisor research part of its promotion agenda. BGP and its focus-group facilitators distinguish between 1) advisors who are advocates for philanthropy and advance it as a cause with clients, and 2) those who see themselves as "advisors … instruments of their clients' desires and intentions." Baltimore's "advocates" resemble TPI's Initiators, while BGP's "advisors" have more in common with Facilitators and Followers.

Specific Issues

A number of issues surfaced by the TPI/ODC phone survey and the subsequent interviews gave rise to further questions. The observations that follow are based on the quantitative and qualitative surveys, TPI workshops and focus groups, and a questionnaire directed to the project's Advisory Committee.

Are Advisors Really Talking More About Philanthropy?

This question was prompted by an inconsistency in advisor behavior reported in the ODC survey: an overwhelming majority of advisors claim they raise the topic of philanthropy on a regular basis, but only slightly more than half say they discuss it with *all* of their wealthy clients. Why the discrepancy?

Ninety percent of the ODC survey respondents reported that it is their policy to ask about their client's interest in philanthropy. This figure is consistent across all four advisor professions.

Percentage of Advisors Raising the Subject of Philanthropy

"Is it your practice to ask clients about their interest in charitable giving or philanthropy?"

	Total	Insurance	Financial	Accounting	Lawyer
1. Yes	90%	91%	89%	88%	89%
2. No	10	9	9	10	10

However, only 54% of advisors discuss philanthropy with *all* their high net worth clients.

Percentage of Advisors Who Always Raise the Subject of Philanthropy

"With about what percentage of your high net worth clients have you discussed philanthropy or significant charitable giving?"

	Total	Insurance	Financial	Accounting	Lawyer
All	54%	43%	59%	55%	55%
81% to 99%	9	11	6	8	14
61% to 80%	12	12	12	12	12
41% to 60%	12	17	10	14	8
21% to 40%	7	9	6	5	7
1% to 20%	6	7	7	5	4
None	--	--	--	1	--

Members of the project's Advisory Committee believe there is a high likelihood of over-reporting in the 90% figure, that it may reflect the "expected answer." The 54% figure may suggest that there is still considerable resistance to discussing philanthropy when there is a belief that (1) the client may be uncomfortable with the subject, or (2) the conversation may be difficult, or (3) the discussion may lead to questions the advisor may not feel competent to answer.

Advisors interviewed in Phase Two of the project supported this interpretation, especially those interviewees who fit the Follower profile. "Followers" were quick to cite lack of knowledge as a deterrent to in-depth charitable giving conversations.

Members of the project's Advisory Committee also suspected that the 54% figure was likely inflated, suggesting that many advisors confuse isolated advice about particular giving mechanisms with more holistic philanthropy planning.

Tax Reduction Continues to be a Strong Motivator

For many advisors, tax planning continues to be the most important reason to discuss charitable giving with their clients, rating 6.10 out of a possible 7 points. ("[Client] personal or family satisfaction" rated 5.54 on the same scale of relative importance.) (See ODC Report, Appendix A, page 13.) ODC survey respondents further reinforced this point: advisors are most likely to discuss philanthropy if the client has highly-appreciated assets. They are also more likely to discuss the subject when they fully understand their client's financial picture, and where there are "more assets than needed."

Motivators for Raising the Subject of Philanthropy

	Agree	Disagree
26. I often raise the subject of philanthropy if there are highly appreciated assets.	92%	6
25. I am much more likely to raise the subject of philanthropy when I have a detailed knowledge of my client's financial picture.	86%	13
28. I often raise the subject of philanthropy if there are more assets than needed.	84%	13

Donors surveyed in connection with the study continue to find that their advisors are still too likely to bring a tax focus to wealth planning conversations.

<u>Tool-Based Advice v. Philanthropy Planning</u>

Advisors continue to focus heavily on the mechanics of giving. Approximately two-thirds of advisors interviewed in Phase Two recommend the same one or two giving mechanisms to all clients, often after little or no exploration of client values or philanthropic interests. Again, surprisingly few high-net-worth clients of the advisors surveyed here appear to be using any planned giving vehicle with much frequency.

Percentage of Clients Using Certain Giving Vehicles

	0%	1% to 20%	21% to 40%	41% to 60%	61% to 80%	81% to 99%	100%
6. Private foundations or charitable trusts governed by trustees, including your clients themselves?	22%	52	11	8	2	1	2
8. Donor-advised funds at a community foundation or with another charitable giving program?	39%	46	8	3	2	–	–
7. Charitable trusts managed by institutions who will ultimately receive the principal?	42%	45	7	3	1	–	–
9. Donor-advised funds at a for-profit fund, such as Fidelity. Charitable Gift Fund?	76%	19	2	1	–	–	–

The most seasoned advisor – the Initiator, who consistently incorporates comprehensive philanthropy planning into his/her practice – endorses custom planning, drawing on a wide range of giving vehicles: trusts, foundations, and gift annuity mechanisms. The less-seasoned advisor appears more prone to move quickly to recommend one or two favored planning tools, building less individuality into client giving plans.

Donors said repeatedly in the course of the survey that advisor practice that focuses on the tools and mechanics of giving does not, in their view, constitute comprehensive philanthropy planning. Clients want advisors to engage them in a process that will create a more holistic approach to giving.

Most Advisors Do Not Assist their Clients with Program Focus

Seasoned planners underscore the importance of matching giving mechanisms to client values, interests and mission. But data from the ODC survey indicate that less than half of all advisors assist their clients in defining a focus for their giving.

> "Leaving aside conversations with clients about their interest in philanthropy generally, do you develop strategies for helping clients develop a focus for charitable giving?"

	Total	Insurance	Financial	Accounting	Lawyer
1. Yes	39%	41%	44%	26%	43%
2. No	60	57	56	73	56
3. (Not sure)	1	2	--	1	1

This data supports Phase Two findings, in which over half of advisors interviewed said they do not engage clients in discussions about charitable values, mission, or focus. When advisors point to those skills they would most like to acquire, they often express a keen interest in training in this area of wealth counseling.

Advisors Are Putting Donors in Touch with Philanthropy Resources

Another unexpected trend that surfaced in the ODC survey was the relatively high frequency of client referrals to third parties:

> "Do you refer clients to other parties who can help them focus their giving or identify worthy gift recipients?"

	Total	Insurance	Financial	Accounting	Lawyer
1. Yes	50%	65%	50%	46%	42%
2. No	49	34	49	53	57

Earlier research and anecdotal evidence suggested that many advisors were unwilling to refer clients to other sources for philanthropy-related counsel, either for fear of losing control of their clients, or simply because the advisor failed to recognize the need for additional expertise. Now, 50% of those surveyed say they will, where warranted, bring a philanthropic advisor or non-profit organization into the discussion to provide more detailed or more sophisticated advice. This is a positive finding, but it may illustrate an important truth in the advisor's statement "We would do more if we knew how."

Conclusion

It is encouraging that even when the survey numbers are adjusted downward for potential over-reporting, most advisors appear to be raising the subject of charitable giving with their clients. However, many advisors appear to be unclear about their clients' priorities, about their interest in comprehensive wealth planning that includes a thorough and sensitive treatment of philanthropy.

Only half of those advisors surveyed discuss philanthropy or charitable gift planning with all their high-net-worth clients. This finding is subject to multiple interpretations. In some cases it may be that astute advisors are simply reading accurately their clients' marginal appetites for charitable giving. But read in the context of other survey data, and from what we learned from advisors interviews, it also points up continued advisor discomfort with philanthropy counseling, and a certain level of advisor confusion about the extent of client interest in comprehensive philanthropy planning. In addition, while some advisors may refer some clients to philanthropy professionals for counsel that exceeds the advisor's expertise, others are still tied to a very limited number of planning tools.

The donor opinions reported in the following section largely support these findings.

III. The Client

Lawyers and financial planners, tax experts and insurance professionals alike say they are raising the subject of philanthropy with their clients, asking "the philanthropic question." No doubt many are. But what questions are they asking, and are they asking them in ways that respond to many clients' hopes for in-depth conversations, discussions focused as much on charitable values and objectives as on tax planning?

No understanding of advisor behavior around philanthropy would be complete without an examination of the donor's point of view. Are advisors' views of the philanthropy-related counsel they provide consistent with those of their clients? Or is there sometimes an inconsistency between donor expectations and advisor behavior?

Many donors and potential donors both seek and receive philanthropy-related advice from their financial and legal advisors. Much of it is tax driven and neither addresses nor is intended to address the client's values or deeper interests in philanthropic giving. In many cases this may be appropriate, and may be consistent with the client's planning preferences. But in other instances we know that clients are frustrated by their advisors' hesitancy to move beyond tax, the advisor's reluctance to facilitate a fuller exploration of philanthropic intent and practice.

The observations that follow derive from three sources: this research, secondary sources, and TPI's experience with its own clients over the past 11 years.

Who is Today's Donor?

There is considerable "buzz" about the new donors, how they behave, and what they want from their giving. In this and related research recently reported in TPI's *What's a Donor to Do? The State of Donor Resources in America Today* we found enough conflicting evidence to be wary of generalizations. Stereotypes are at best simplistic, at worst misleading.

As part of this advisor research we talked with a large number of development officers, those fundraisers who see donors every day. In presentations to and conversations with some 200 development officers in March 2000, TPI asked the questions: Is there a new donor out there? How many? Do they behave fundamentally differently than traditional donors, the donors of a generation ago?

While not all the evidence is in, it is clear that there are a lot of new donors on the scene, and there may well be many more waiting in the wings, just coming into being. The intergenerational transfer of wealth will add to the potential social capital of millions of Baby Boomers, a generation raised with different values than their parents. And while entrepreneurs and others who represent the "new wealth" are still a tiny percentage of all those who give, their significant wealth makes their giving styles and expectations a important to those who seek to understand and meet their needs for advice and counsel.

General Observations

- Although most donors may still be engaged in "checkbook philanthropy," they are showing a growing interest in giving that is more strategic and linked to specific outcomes. Increasingly, donors seek to structure their giving around an understanding of and involvement with a particular issue, and they want their advisors to help them.

- Among experienced donors whose family philanthropy may have spanned generations, there is often a long-standing commitment to philanthropy, cultivated by the legacy of family giving. For these experienced donors, "making a difference" is far more likely to be their motivator than tax savings. Such donors may have longstanding family relationships with well-established advisors and firms, but that is no guarantee that the client's philanthropic-planning needs are being fully met.

- At least some new donors are adopting an entrepreneurial model of giving. Some want to take active hands-on roles in their philanthropy. But some are far too busy to do so and are happy to delegate to intermediaries (witness the growth and success of New Profit, Inc.). It seems likely that in at least some instances they may turn to their legal and financial advisors, perhaps for involvement in making particular gifts, more frequently in identifying philanthropy-expert intermediaries with whom to work.

- Some among the new generation of donors would prefer to give to a cause rather than an institution. They stress the importance of achievable results, and they want to take charge and move quickly. Such donors may seek help from their advisors in identifying organizations that are consistent with their mission, or perhaps even creating new ones.

- Among donors whose work experience has been entrepreneurial, their professional backgrounds may encourage strategic planning and accountability. Such donors may prefer to work with smaller, community-based groups that they view as less bureaucratic.

- The new donor may dislike hierarchy, and may be accustomed to working independently or in functional teams.

- There is evidence that some new donors are drawn to philanthropy that is collective in nature, and may seek to participate in giving circles, affinity groups and support circles.

- Many of the newly wealthy are far younger than in previous generations, and much of that wealth has been accumulated far faster than in the past. For some, the new wealth has come from the technology sector, for others from financial services/investments, and for yet others it may have come from success in "old technology" businesses.

- Some new high-wealth donors may be the executives of large companies, athletes, or inheritors of post World-War II wealth. Women, minorities, and youth are increasingly evident.

Again, for a more comprehensive discussion of new donors and the resources available to them, see *What's a Donor to Do? The State of Donor Resources in America Today*.

How Donors See Advisors

In our attempt to capture the donor experience with advisors, TPI sent questionnaires to 200 donors, a sample derived from TPI's own client and former client base and individuals who had attended TPI's symposia over the years. In addition, in the course of the study we asked numerous intermediaries to assist us in broadening the reach of the research. At least two private banks and one Regional Association of Grantmakers (RAG) are known to have distributed the donor survey.

These efforts netted roughly 40 completed donor questionnaires and interviews. Because most donors submitted their completed questionnaires anonymously, it is not possible to generalize about the demographics or other characteristics of the sample. But it is fair to say that the following findings, based on a limited sample, constitute more qualitative than quantitative donor impressions of advisor behavior.

- Rebutting the survey findings in which 90% of the respondents reported that it was they who raise the subject of philanthropy with their clients, our donor sample took issue with that claim. Almost without exception they reported that it is they, rather than their advisors, who typically raise the subject of philanthropy.

- These donors wish their advisors were more knowledgeable about philanthropic planning, that advisors would take a more "holistic" approach to their giving. As in past research findings, they report too great a focus on tax planning, not enough on philanthropic mission and goals.

- Most of the donors surveyed believe their advisors are technically competent. But the respondents also believe that most advisors lack the tools and/or comfort levels to link technical counsel to more personal, values-based philanthropy and charitable gift planning.

- Donors say they want to be guided in their philanthropy to achieve important objectives. They want to be equipped to create cohesive giving programs, do real due diligence on potential donees, and evaluate the impact of their gifts.

- Some donors reported that advice received early on values, mission and focus is the most important philanthropy-related advice they have ever received.

The findings from this research provide interesting parallels and contrasts with findings from a 1997 study conducted for the Chronicle of Philanthropy. In that study 63% of donors who had made deferred gifts of $75,000 or more were unhappy with the *technical* quality of the advice they had received. The same study found that:

> … past experiences had a big influence on future plans to give. Among donors who had a negative experience with financial advisors, only two percent said they intended to make another planned gift. Fewer than one percent would recommend planned giving to others. *Chronicle of Philanthropy*, August 7, 1997, p. 42.

Another study found that many donors feel that advisors often try to "sell" them giving vehicles as financial products, rather than as part of a process of philanthropy planning.

What Donors Want from Their Advisors

Donor behavior and expectations vary according to wealth levels, age, position on the "philanthropic curve," working style, and relationship to institutions. However, a growing number of donors want their giving to have high-impact, measurable results.

What donors say they need most is objective, unbiased advice about how to realize their philanthropic objectives. They need help in navigating the oceans of electronic information about giving now available to them. They want to learn "best practices" from other donors. Many want help finding role models, identifying collaborators, and connecting with peers.

Donors obviously want their advisors to be knowledgeable about tax and financial planning. However, many high-wealth individuals also increasingly expect their legal and financial advisors to be able to assist them with strategic philanthropy. When a client's need for philanthropy-related counsel exceeds the advisor's ability to advise, donors expect that their advisors will recruit knowledgeable philanthropy advisors or philanthropy-related organizations as needed. They want their advisors to be able to point them in the direction of useful resources.

Whether these are reasonable expectations to make of all professional advisors is a fair question. Many advisors may not wish to become involved in the "soft side" of giving, the values and mission side of philanthropy, and perhaps those who do not should not. However, as many as 50% of all advisors surveyed indicate that they are providing some level of advice about organizations to which to give, about the programmatic side of giving. Others advisors have said expressly that they wish to become better equipped to advise their clients on values-based giving. This is clearly not a one-size-fits-all world.

Many wealthy individuals and wealthy families say they want some or all of the following in their advisors:

- Stimulation and/or cultivation of their philanthropic interests. Many donors need to achieve a comfort level with their wealth. They say they want the opportunity to translate inspiration into action. The best approach to helping these donors in their giving will include a combination of tax and financial planning, information on giving mechanisms and strategies, and tools and techniques related to the values and mission side of philanthropy planning.

- Opportunities to explore, develop, and/or refine their mission that will motivate their giving. As one donor put it, "I want to imagine the impact that I will have on my community." Many donors feel that many advisors do not spend sufficient time focusing on the development of philanthropic goals, and/or the narrowing of philanthropic interests.

- Advisors who are knowledgeable about philanthropic planning, or who can put them in touch with others who can. Donors feel that even if an advisor is knowledgeable about philanthropy planning, he or she may be an anomaly, not representative of the field of planners in general. Many donors say they expect referrals to the experts who can meet their specific giving needs.

- Advisors who can link information about giving choices to a larger philanthropic process, one that embraces strategic planning. Many donors say they make an important distinction between philanthropic planning and isolated advice about giving methods. They believe too few advisors are clear about this distinction.

- Opportunity to create effective and/or innovative gifts and giving programs. Donors want to understand issue areas and community needs. They want to learn about best giving practices linked to specific issue areas, and the best tools/approaches for giving in those areas.

- Philanthropic planning that will lead to effective and intended outcomes. Some of those donors surveyed expressed real frustration when their giving failed to achieve its hoped-for outcome.

Conclusion

What donors need and want in the philanthropy counsel they receive and what the professional advisor can and is willing to provide are in many cases out of synch. But it is important that advisors continue to ask the philanthropic question, that more advisors add to their expertise in giving philanthropic advice, and that they be able and willing to make referrals to other sources of philanthropy expertise and counsel as needed.

IV. Opportunities

Professional advisors alone, certainly, do not bear the responsibility for increasing the nation's philanthropic capital in the new millennium. But with sufficient encouragement, continuing professional education around philanthropy, and the proper tools, they can play a critically important role in the process.

Project research data indicate that advisors are talking the talk more than they were even a few years ago. But it is also clear they could be doing still more to encourage their wealthy clients to consider philanthropy as part of the wealth planning process, to increase the level of social capital, to make a difference in the quality of life of the many at the margins.

Certainly not all advisors will *wish* to become philanthropy advocates or experts. Nor will every advisor who is a philanthropy Facilitator wish to move up the curve to become an Initiator, nor will most Followers become Facilitators. Numerous commentators expressed the view in the course of this research that resources should be concentrated on those advisors who "get it," advisors whose values dispose them to charitable giving themselves, and/or to the growth of philanthropic capital. Advisors who do not wish to get it are not likely to be candidates for philanthropy-related continuing education, nor to make use of materials and tools provided on-line or elsewhere.

Such caveats aside, the large majority of advisors that TPI and its pollsters talked with in the course of this study expressed a real interest in acquiring a more complete understanding of philanthropic planning, in acquiring new tools to facilitate wealth-planning work with their clients. This section of the report distills the findings and conclusions of the preceding sections, presents opportunities for achieving both interim and long-term objectives, and provides an inventory of those philanthropy-planning tools that advisors indicate would be most helpful to them.

The opportunities inventoried here have numerous potential audiences. Some will appeal and/or be appropriate to individual advisors, others to advisor professional associations, still others to philanthropy promotion organizations and initiatives, e.g., New Ventures in Philanthropy and its numerous philanthropy incubators, the Forum of RAGs, TPI, the Council on Foundations, etc. We have purposefully not categorized the opportunities by target audience, for fear of appearing to suggest that some opportunities are not appropriate candidates for action for some kinds of philanthropy proponents. Our view: If the shoe fits, wear it.

Opportunity: Help educate advisors about the opportunities for philanthropic impact, community enrichment, and client service inherent in the multi-trillion dollar intergenerational transfer of wealth.

Advisors, more than most, are aware of the tremendous amount of wealth that is poised to change hands – in many instances is already changing hands – in the intergenerational transfer over the next 50 years. But they may not be fully conscious of the potential impact of that transfer on the growth of social capital, of the opportunities for their clients to make a difference. Nor, this research reveals, are they fully aware of the profound satisfaction that many of their wealthy clients will feel in being part of the solution.

The most sophisticated wealth planners see their role, in part, as supporting the "whole client," including the client's potential interest in civic engagement. To be sure, the good advisor knows the importance of tax planning. But for many donors tax savings are secondary to finding personal satisfaction through giving, or promoting social good. Despite this, advisors surveyed here continue to rank tax planning as the most important reason to engage clients in discussions about philanthropy.

For years those interested in enhancing the advisor's role in promoting philanthropy have been intrigued by the prospect of better integrating an understanding of philanthropy's role into professional school curricula. Based in part on the results of this research we see a valuable opportunity here to create a pilot project at one or more professional schools to make philanthropy a part of the curriculum, to begin now to build an awareness of organized and strategic philanthropy in the next generation of advisors.

Opportunity: Illustrate the value for both client and advisor in incorporating philanthropy counseling into client practice. Highlight for advisors the ways that incorporating philanthropy into wealth counseling can enrich advisor-client relationships.

Effective client counseling is really about relationship building. But according to seasoned advisors interviewed for this project, one of the biggest stumbling blocks to incorporating conversations about charitable values, interests, and objectives into wealth planning is the failure to recognize that to do so will add value to client service.

Experienced planners told us that it is critical for advisors to recognize that philanthropy planning, rather than inappropriately imposing advisors' values on clients, actually makes the process more client-driven. Philanthropy planning is part and parcel of an ongoing dialogue and relationship that develops with clients, often over many years.

Advisors may resist counseling their clients about philanthropy because of a concern that the process may require too much time, or add excessively to client fees. It is vital that advisors recognize that philanthropy planning is no less important and no less billable than any other valuable advice that s/he provides a client.

In short, address head-on the often unspoken advisor question: What's in it for me?
The answer: (1) deeper, richer, client relationships, (2) client loyalty as a consequence of better service, (3) the certainty that if "you don't provide the service, someone else will," (4) positioning the advisor and the advisor's firm as civically-engaged, (5) the personal satisfaction of helping clients make a difference.

Opportunity: Illustrate for advisors the experienced donor's view of the difference between comprehensive philanthropy planning and narrowly focused tax advice.

Many donors make a clear distinction between one-off advice about a tax strategy or a particular giving vehicle, and comprehensive philanthropy planning. Many advisors do not. Seasoned advisors identify this failure to distinguish one from the other as a primary reason for many advisors' failure to engage in more comprehensive planning. As one member of the initiative's Advisory Committee member put it "they think they're doing it but they're not." Continuing professional education in this area holds great potential.

Research data confirm this point: nearly two-thirds of those advisors surveyed repeatedly use the same one or two planned giving mechanisms with all clients, at the same time that a majority do not discuss client personal values. An earlier study by Prince & Associates reported that most clients feel they are "sold" particular giving vehicles as financial transactions, rather than advised about philanthropy.

Opportunity: Provide advisors with materials presenting proven strategies and workable processes for engaging clients in conversations about philanthropic values, interests, objectives and strategies.

Many clients feel strongly that most advisors do not spend sufficient time and effort inquiring into client charitable motivations, into their charitable interests, or in developing related goals. Many donors and potential donors want to explore, develop, and/or refine their sense of mission, to define the purpose that will drive their charitable investments.

Sixty percent of those advisors surveyed in the telephone poll do not assist clients in creating a focus for their charitable giving. Over half of those advisors do not discuss personal or social values with their clients, or help their clients in developing a philanthropic mission statement.

When advisors were asked to identify the type of philanthropy-related education in which they are most interested, they most often identified learning how better to help clients identify and express their personal and philanthropic values. There are simple and effective ways to discuss philanthropy with clients, ways that are neither pushy nor overbearing, ways that respect a client's desire for privacy about deeply held values.

Opportunity: Illustrate the role of expert partners who can assist in the philanthropy planning process. Create directories of such experts.

The TPI/ODC survey found that 50% of advisors sometimes refer clients to third parties who can help clients focus their giving or identify worthy gift recipients. This is gratifying, and consistent with donors' expressed interest in (1) engaging in a philanthropy planning process that will lead to "effective outcomes," (2) guidance that will assist them in their evaluation, of programs and organizations, and (3) better understanding issues and community needs.

But it is not clear that legal and financial advisors always know where to turn for such referrals. Many professional advisors need better information about how third-party resources can be enlisted to assist their clients, who they are, and where to find them.

There is a rich array of resources available to advisors and their clients who seek to bring additional expertise to the philanthropy-planning process. (See TPI's recent publication *What's A donor to Do? The State of Donor Resources in America Today*.) These resources include but are not limited to: the development community; community foundations; peers; business roundtables; the Internet; affinity groups and giving circles; and certain academic institutions.

Opportunity: Create an affirmative expectation that every wealth planning advisor will include philanthropy on a checklist of wealth planning issues and discuss the subject with clients with net assets of $2 million or more.

At least as far back as the 1994 Wingspread conference on promoting philanthropy, there has been interest in creating a national standard to guide advisors in raising the subject of philanthropy with their clients.

In the course of this research many advisors told us that they were uncertain about the appropriate wealth threshold at which to ask their clients "the philanthropic question." There is, of course, no objective measure of wealth at which a discussion of philanthropy becomes imperative. That said, in screening advisors for participation in this study's phone survey the Advisory Committee felt that respondents, to qualify for the survey, should advise clients with net assets of at least $2 million or more. Somewhat arbitrarily, we suggest that number here.

Opportunity: Establish cross-sector networks of legal and financial advisors, philanthropy advisors and professionals, and individuals and organizations active in promoting philanthropy.

Sixty-seven percent of respondents in the TPI/ODC survey expressed an interest in participating in a network committed to enhancing philanthropy-related wealth practice. (See chart, below.) This is an unexpectedly strong endorsement of cooperation and collaboration in enhancing advice around philanthropy. Such a network could serve to catalyze the conversation that has already begun among the various interested professions. It could also serve to identify educational opportunities, related tools, and potential client resources.

Opportunity: Inventory and share existing tools for incorporating philanthropy into wealth counseling. Create new tools where obvious gaps exist.

In TPI interviews with advisors we were surprised to find that a majority of advisors were unfamiliar with the full range of information and educational tools available to assist advisors and their clients with philanthropy and wealth planning. The Planned Giving Design Center, as but one example, offers a wide range of high-quality resources for advisors. The National Association of Philanthropic Planners (NAPP) is another source of such tools.

Tools and Resources

Advisors seek more and better information about philanthropy's role in wealth planning, and they would like to access it through multiple media. In both the TPI/ODC survey and TPI's own interviews, advisors expressed strong interest in better access to materials, in a variety of forms and forums.

In TPI's interviews with advisors they expressed the greatest interest in tools and materials addressing:

- The development of client values, goals, and philanthropic mission
- Comprehensive philanthropy planning
- The creation of family foundations
- An inventory of giving mechanisms
- Guides to client relationship building

Advisors we surveyed and interviewed reported that they need concise and easily-reproduced information, information to work with and to share with clients. They favor easy-to-use flow charts, step-by-step outlines, sample documents, checklists, and "how to" articles, including:

- Materials on methods and strategies for helping clients shape values, goals, and mission
- Sample mission statements
- An outline of a philanthropic process, from values identification to social investment strategies
- An outline of best practices
- A bibliography of outstanding tools for advisors
- A flow chart highlighting a process for bringing philanthropy advisors and organizations into client service
- Tips on how to advise and engage families in philanthropy planning
- Materials offering a step-by-step process for creating family foundations
- A chart of giving mechanisms, identifying the relative merits of each

Advisors surveyed by ODC were asked to rate the helpfulness of ten potential resources for working with clients on philanthropy. Two such resources – "how to" articles in professional journals, and educational materials to share with clients – were viewed as particularly helpful. This endorsement holds true across all four advisor types and across all demographic subgroups.

Tools for Advisors and their Clients

Resource	Very Helpful or Somewhat Helpful	Not Very Helpful or Not At All Helpful
59. "How to" articles in professional journals	89%	10%
63. Educational materials about philanthropy to share with clients	87	12
60. A single volume providing an overview of philanthropic options	77	21
64. Case histories	72	28
65. Interactive Web site	66	31
66. Helpline for advisors at the local community foundation	66	30
61. Sample fund agreements with community foundations	65	34
62. Sample documents for private foundations	61	38
67. A Listserve(s) devoted to developments in charitable giving	55	25

Advisor Network

Advisors are also eager to stay informed, to continue to learn effective practices, and to learn collaboratively with their peers. In both the TPI/ODC survey and Phase Two TPI interviews advisors said they would like to continue the learning process. ODC reported the following:

> "If a network of professional advisors were to be formed to promote the growth of charitable giving and philanthropy, and to identify resources that would be useful to advisors … would you be interested in participating?"

Advisors Interested in Participating in Philanthropy Network

	Total	Insurance	Financial	Accounting	Lawyer
1. Yes	67%	75%	69%	56%	68%
2. No	20	14	18	28	19
3. (Not sure)	13	11	13	16	13

Learning Opportunities and Resources

Advisors surveyed by ODC as well as those interviewed by TPI expressed an interest in learning through seminars and conferences, from their peers, and through various other media.

Advisor Interest in Various Philanthropy Learning Tools

Resource	Very Important or Somewhat Important	Not Very Important or Not At All Important
50. Seminars and training	84%	14%
55. Advice from colleagues	83	17
51. Professional journals such as *Trusts & Estates*, *Journal of Planned Giving*, etc.	78	21
54. Advice from planned giving professionals	74	22
53. Retirement planning or charitable giving software	66	34
52. Stories told by donors	54	45

TPI interviews found advisors to be interested in:

- National and local conferences. Suggested sponsors of national conferences included: the National Association of Philanthropic Planners, The Nautilus Group, The Legacy Companies, and The Philanthropic Initiative. Recommended hosts of local gatherings included community foundations, Regional Associations of Grantmakers (RAGs), local committees on planned giving, and local affiliates of professional associations of planners.

- On-line resources, e.g., (1) downloadable tools and succinct "how to" information, (2) articles culled from a variety of professional journals, updated regularly, (3) issue-specific information geared to clients, and (4) samples of advisor/client conversations demonstrating effective and ineffective philanthropy planning.

- Articles in professional journals on, e.g., (1) the findings from this study, (2) how philanthropic planning adds value to client service, (3) the tools of philanthropy planning, and (4) sample advisor/client colloquies highlighting best practices and common pitfalls.

Other potential resources cited in the TPI/ODC survey received only limited endorsement:

"Are there any other resources and materials that are important in helping you advise your clients on philanthropy?"

Resource	Percent
Charitable organizations	6%
Tax codes	4
Colleagues	4
The media	4
Accountants	3
Wealth counselors & associations	3
Universities and other continuing education courses	3
Internet	3
Attorneys	3
Direct mailings from charities	3
Trade Journals & periodicals	3
Personal knowledge and experience	2

Conclusion

The great majority of advisors that TPI and its pollsters talked with expressed a keen interest in acquiring a more complete understanding of philanthropic planning and in acquiring new tools for doing so. If such needs are to be met fully, advisors, their professional associations, and philanthropy-related organizations will be busy indeed.

> *"I would like to have more information to give to clients regarding issues that they are interested in. If you care about children and education, you can do more than simply write a check."*
>
> *Attorney*

V. Recommended Next Steps

> *"I'd be happy to receive any kind of information that will enhance my understanding of where more opportunities are in the process."*
>
> *Attorney*

What has this research taught us, and where might the philanthropy field and the advisor professions go with the findings?

Many donors and prospective donors now receive philanthropy-related advice from their financial and legal advisors. The majority of that advice is primarily tax oriented. It neither addresses nor is intended to address a client's philanthropy-related values, interests, or mission-related objectives.

In some cases, philanthropy-related advice that is limited to tax planning may be all that is warranted, e.g., where it is consistent with clear client preferences. But in other instances donors have told is they are frustrated by their advisors' reluctance to move beyond the technical, their advisor's wariness in probing the client's deeper interests in charitable giving, and the advisor's seeming unwillingness or inability to assist the client in realizing her philanthropic objectives.

Many advisors are increasingly aware of their clients' interest in comprehensive, creative counsel around the philanthropic process. Many are genuinely eager to help, to become more adept in providing that service. But too many "are afraid to ask the hard questions." Many "move too quickly" to strategy and giving mechanisms, before fully engaging their clients around charitable values, interests and motivations. And many "would do more if they knew how." The challenge now is to help those advisors who wish to do more to do so, by "knowing how."

Much of the groundwork is now in place and requires only the right combination of motivation, leadership, and resources to move the agenda forward. Some of the available human and institutional capacity includes:

- This research study's Advisory Committee, leading advisors from the four professions, a committee that has and could conceivably continue to serve as ambassadors to their respective professional associations and to act as a resource for national or regional advisor networks.

- Those professional associations that assisted TPI in conducting this research, as well as other associations with which we did not work.

- A cross-sector network of advisors, the beginnings of which are represented by the 350 advisors surveyed and interviewed during the course of this project who said they would join such a network.

- The National Association of Philanthropic Planners, a multi-disciplinary association of planners committed to advancing philanthropy and creating and sharing some of the resources and tools identified in this research.

- The Council on Foundations' new advisor service.

Those interested in advancing this agenda might do some or all of the following:

- Continue to publish these and related research findings from other studies. In the last few months, TPI's senior staff has shared the results of this research with several hundred advisors and development professionals around the country. In addition to publishing this report, a summary of this research recently appeared in *Trusts & Estates.* This publications campaign has just begun.

- Inventory and develop (as needed) philanthropy-related materials for advisors. While many good materials now exist – e.g., through the Planned Giving Design Center, the National Association of Philanthropic Planners, and professional associations – their availability is not widely known.

- Find partners with whom to promote changes in professional school curricula to include the subject of organized and strategic philanthropy. Begin state-by-state campaigns to include questions on philanthropy-related practice on professional licensing exams.

- Give consideration to a national conference or series of regional conferences to discuss these and related findings, and to create implementation strategies and action plans.

- Create speakers bureaus from the ranks of experienced advisor philanthropy advocates. There is great promise in "peer-to-peer" strategies for motivating and informing advisors about the opportunities in organized and strategic philanthropy.

- Build on existing partnerships with other organizations and associations committed to enhancing the advisor's role, e.g., New Ventures in Philanthropy, the National Association of Philanthropic Planners, professional associations, the Council on Foundations, etc.

Creating Action Plans

Going into this project it was proposed that a national convening could provide a forum and opportunity to discuss the findings, with the ultimate objective of developing comprehensive, concrete, and realistic strategies to improve advisor practice around philanthropy into the next century.

What was then contemplated was bringing together a diverse group of leading advisors and leaders from the philanthropy field. In a format similar to that of the Wingspread conference on promoting philanthropy (October 1994), participants could review, discuss, and analyze the findings, and recommend strategies for converting the findings into action to increase advisor activity around philanthropy.

A number of variables – resources, institutional leadership, professional interest – will determine if and how such a convening might occur. It may well be that a number of local or regional conferences would better meet the need for responsive models.

TPI's Role

A number of advisors whom TPI interviewed in the course of this research expressed the hope that TPI would make available to professional associations its expertise in helping the wealthy become effective and satisfied donors. TPI would be pleased to share that experience, work with partner organizations, provide content, etc. It is, however, the advisors professions themselves that should take the lead in this campaign.

What we also heard during the course of this research is that peer-to-peer learning from conventional providers (read "the professional associations") stands the greatest chance of gaining the attention and the acceptance of the practitioner. It is also true that much of the curriculum and many of the materials that advisors say they need will focus on both technical and more values-based philanthropy planning skills. The former is clearly the province of the advisor professions.

It was also suggested that there is a role for a "secretariat" or "circuit rider" or "positive neutral" to coordinate and sponsor some of this activity. These are roles that TPI has played in the past, and could certainly play again.

Going Forward

If the campaign to make the professional advisor a consistent and potent advocate for philanthropy is to succeed there will be plenty of work for everyone. For all those who believe that philanthropy planning is an essential component of the effective advisor's role. For all those who believe in the power and the potential of philanthropy. And for all those who would energetically address tomorrow's challenges. Because that is, after all, philanthropy's role and philanthropy's promise.