



# What Do Donors Want?

## The Advisor's Role in Family Philanthropy

By Jason Born

A growing number of individuals and families want to use their accumulated wealth to become effective philanthropic donors. Many Americans have the financial resources but not yet the inspiration, inclination, or opportunity to become philanthropic. At the same time, many financial advisors are hesitant to wade into this subject.

In a research study, the National Center for Family Philanthropy (2000) found evidence that advisors are the weak link in the chain helping wealthy individuals achieve their philanthropic potential.

Bank of America Merrill Lynch and The Center on Philanthropy at Indiana University (2010) found that advisors initiated philanthropic discussion in just 10 percent of consultations with high-net-worth clients who were seeking advice in this area. This same study found that only 13 percent of high-net-worth households consider themselves to be experts in the charitable giving experience. So some clients may be ready to bring up philanthropy without initial input from advisors. Meanwhile, by being proactive, advisors can play a crucial role in helping a broader universe of potential donors to think about the role that philanthropy can play in their lives.

**What do donors think the role of advisors should be?** Those who have gone through estate planning have a unique perspective on how advisors can best support clients in pursuing charitable interests. Since its founding in late 1997, the National Center for Family Philanthropy has conducted more than 400 interviews with donors and family members about their relationships with advisors.

Interviewees are asked how their ideas about philanthropy were shaped by advisors, what they found helpful, and what advice they have for other potential donors who are looking for effective professional planning advice. Most of those interviewed have made considerable fortunes or are managing wealth for their families.

**Is philanthropy too personal to discuss?** Without exception, donors agree that philanthropy is no less personal than any of the other important decisions that advisors help them make. Wealth planning is about all the things you can do with your money, and giving strategically with your family is one of those things. Raising questions related to philanthropy does not imply a moral judgment on the advisor's part. It should be part of an advisor's responsibility to ask all questions relevant to a client's interests, such as: What do you want for your retirement? For your children? For your community? For the world at large? "Philanthropy should be made an early topic of discussion in an advisor relationship because it is a fundamental way of accomplishing outcomes most people would like to achieve," says one donor.

**Philanthropy should be related to the client's and the advisor's experience.** The term "philanthropy" may be off-putting to some donors. An advisor should link questions to a client's everyday concerns and interests, such as church, alma mater, and other organizations near and dear to the client. One family member said that most potential donors have charitable hearts but do not always recognize that characteristic as philanthropy.

Similarly, nearly all donors cited the importance of an advisor's own

personal charitable interests. "I respect an advisor more who is an active giver him or herself," said a donor from Connecticut. Donors establish longer, more meaningful relationships with advisors who have a personal charitable commitment and who are not afraid to talk about it. Many donors report that an advisor's commitment to philanthropy strengthens the advisor-client relationship and they now look for this commitment in all their advisors. (One important caveat: When discussing charitable interests, advisors should refrain from promoting their own giving agendas.)

**Advisors do not need to be experts on all aspects of giving and family dynamics.** Clients do not expect their planners to be all things to all people. They recognize and respect expertise in individual areas and rely on key advisors to raise questions about other aspects of planning and make referrals where appropriate. To the extent possible, advisors should become familiar with the advantages and disadvantages of various giving vehicles. Donors may choose among many styles or forms, and the vehicles they use may change over time depending on many variables.

Being willing to refer clients to peers, information, and other organizations can help advisors complement their expertise and build trust with donors. A growing support network is available to donors, families, and advisors. Become aware of these resources and help clients connect with them. Donors are more likely to respect and trust an advisor who knows when to look for assistance.

"Obviously, advisors can design their practice the way they want," says



Claire Costello, national foundation executive for philanthropic management at Bank of America Merrill Lynch. “But if they don’t have the knowledge or ambition to become fully knowledgeable about philanthropy, they need to at least surround themselves with resources and develop a network so that they have the ability to provide advice about philanthropic giving to clients.”

**Make giving about living and having fun.** Many donors report that their fears of talking about philanthropy are related to their fears of estate planning in general, and they usually are linked to mortality. So make this a discussion about living goals. The fulfillment of philanthropy does not have to be postponed until death. As one Texas family member explained, “Why should the fun of giving be left to someone else after you’re gone?” Keep the plan simple and frame it in terms of the donor’s primary interests. “Complexity of a plan is a great disadvantage; it makes giving a chore rather than helping it become a natural part of one’s life,” says one donor.

**Philanthropy is about much more than taxes.** Without exception, donors stated that tax implications should not be the focus of any estate plan. “These decisions are about personal passions, hopes for my family, and the future of the people and institutions I have come to care about,” said one donor. “To miss the roles these considerations play when advising me is to deny what is fundamental to encouraging and sustaining my commitment.”

Costello agrees: “Having a conversation about taxes, wealth structuring, or legacy planning should not double as a philanthropic conversation. What donors really want is a more meaningful conversation about their life goals and the highest and best use for their wealth. It’s one thing to say, ‘What’s your tax bracket, what’s your income level, let’s see what we can do here to lessen that tax base, let’s figure out how we might donate

## Making the Most of the Philanthropy Conversation: Additional Reading

Interested in working more closely with your clients to help them explore and realize their charitable goals? Here are three free resources from the National Center for Family Philanthropy to get you started:

**The Power to Produce Wonders: The Value of Family Participation in Philanthropy**, available at: [http://www.ncfp.org/what\\_we\\_do/value-of-family-in-philanthropy](http://www.ncfp.org/what_we_do/value-of-family-in-philanthropy)

**Family Giving News monthly e-newsletter**, available at: <http://familygivingnews.wordpress>

**Ask the Center** has answers to frequently asked questions in the field of family giving, available at: [http://www.ncfp.org/resources/ask\\_the\\_center](http://www.ncfp.org/resources/ask_the_center)

to charity.’ It’s entirely another to ask a client: ‘What do you want for your life, for your children’s life, and for your community? Let’s see how we can put your wealth toward achieving that.’ That’s a totally different conversation, and that’s the one that needs to happen more frequently.”

Just as taxes are not the only consideration in choosing to get into philanthropy, they also are not the only consideration for choosing a charitable vehicle. While the factors that influence this decision rightfully include the amount of the gift and the tax savings implications, they also include a variety of other considerations such as the following:

- How much involvement and what ability to direct the gifts does the client desire?
- How is the client’s family likely to be involved in these decisions and for how long?
- What kinds of management needs do they require?
- What are the specific interests they want to pursue?

“Taxes may have gotten me in the door, but they sure didn’t keep me there,” said a California entrepreneur.

**Ask questions and listen.** Advisors shouldn’t be afraid to ask questions, said one donor. “It was so much more helpful when my advisor encouraged me to do my own thinking and prompted me through it—over a period of some time—than when I thought I was being led to choices the advisor wanted me to make.” She benefited from seeking out advice and from those advisors that encouraged her to do so.

**Encourage clients to use their business and management skills in planning for giving.** Clients benefit from seeing all the planning and work involved. They should be encouraged to rely on advisors for advice rather than being told what to do. When clients feel involved in the planning, they gain confidence to take full advantage of the strategies that an advisor may recommend and likely will be happier and more effective in the long run. One entrepreneur said that he knew the value of a mission statement, strategic planning, and goals and evaluation for his business, but it never occurred to him to apply those same management principles to his philanthropic plan.

**And finally, involve family members early.** Clients should

*Continued on page 12*

# Born

Continued from page 10


consider carefully the role of their families in planning for philanthropy. Determining ways to involve family members, including children, as early as possible will help the whole family understand and appreciate the donor's goals. Philanthropy offers a family a rare opportunity to work together in a way few can, but it is rarely a solution for family problems. It can provide a cherished opportunity that enhances the family and the communities.

### The Critical Role of the Advisor

Many donors are no longer content to write checks and leave the decision making to others. They want a greater role for themselves and their families as an expression of personal commitment, values, traditions, and interests in their charitable choices.

“Given their proximity to and influence over their client's wealth planning process, advisors are often

in the unique position to ask ‘the philanthropic questions,’ Costello said. “If these questions go unasked, not only might that advisor not be enabling the client and the family to achieve maximum fulfillment from their wealth, but they might well be precluding the opportunity for the community or the world at large to benefit from a philanthropic allocation by the client.”

Recognizing the desires of donors and their families, and appreciating the advantages of the various options available to them, is a crucial role for the donor advisor. Involving clients in the planning process, sharing philanthropic experiences, and beginning the discussion early are all strategies that advisors can take to ensure that the donor and family get the most out of their giving. 

*Jason Born is the senior program director for the National Center for Family*

*Philanthropy. He earned an MA in economics from Tulane University. Contact him at [jason@ncfp.org](mailto:jason@ncfp.org).*

### References

- Bank of America Merrill Lynch and The Center on Philanthropy at Indiana University. 2010. The 2010 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities among Affluent Households (November 2010), available at [http://www.philanthropy.iupui.edu/Research/docs/2010BAML\\_HighNetWorthPhilanthropy.pdf](http://www.philanthropy.iupui.edu/Research/docs/2010BAML_HighNetWorthPhilanthropy.pdf).
- National Center for Family Philanthropy. 2000. The Donor Advisor: The Critical Role of the Advisor in Family Philanthropy, available at [www.ncfp.org](http://www.ncfp.org).