Advisor’s Enthusiasm Helps To Shape Client’s Charitable Role

The upcoming intergenerational transfer of what has been estimated to be in excess of $12 trillion has produced expectations that much of this wealth will become philanthropic capital - rivaling the generosity of the Gilded Era. The following article, based on extensive interviews with donors and advisors, seeks to outline why that charitable windfall may not happen, why advisors hold the key and what they can do to add value to their practice by proactively supporting their clients’ philanthropic interests.

In our work with those who are seeking to initiate or greatly expand their philanthropy, my colleagues and I are constantly reminded of the central nature of the advisor’s role in determining whether significant wealth becomes philanthropic capital. We have witnessed or been told stories about situations in which dedicated and knowledgeable advisors have been the key to helping clients utilize philanthropy as a means of making a difference in society and their lives. And we have observed in our ongoing relationships with donor-clients how much their willingness to become more charitable has been shaped by their advisors’ enthusiasm for philanthropy and their ability to share that passion.

The following distills what we believe is directly relevant to advisor professions and offers suggestions about how advisors might strengthen their ability to support clients’ charitable inclinations and interests in a time of great change and opportunity. Our world desperately needs those of means to be involved and engaged in their communities and to philanthropically invest their resources in ways that make a difference. That difference will be made if advisors see philanthropy as a primary element of the guidance they provide.

Advisors will probably recognize similar experiences in the following anecdotes:

The head, a CPA, of a family office who convinced older family members to encourage the next generation to create a common philanthropy in order to use expanded giving as a way to strengthen a shared purpose among a geographically-diverse group of cousins;

The long-standing family attorney who, in estate planning discussions, guided the patriarch through the value of establishing a foundation that would challenge his children to “give back” to communities where the wealth had initially been generated;

The private banker who, sensing that a family could become a major philanthropic force in its struggling community, exposed his clients to the positive philanthropic experiences of other families. As a result, a multi-generational family foundation was developed;

The attorney who, in his first estate planning interview with a new client, asked the elderly man if he had any unfinished business in the community where his company had been located? The discussion eventually led to the creation of a multi-million dollar private foundation;

The family financial advisor who, knowing that his clients were anxious to find a way - outside of the family business - to work with their adult children, encouraged the parents to transform their informal giving into a family foundation that could accommodate both generations as trustees.

In each of these examples, an advisor saw philanthropy as an important tool in his or her service to a family and also recognized the potential benefit that the client’s charitable giving could bring to society. In each case, the planning process and the philanthropic results served to deepen the advisor’s relationship to a client.

Conversely, we have observed the opportunities missed because an advisor did not feel that philanthropic matters belonged in serious discussions with clients or that philanthropy failed to be an integral part of the advisor’s professional “tool kit” and therefore, warranted no serious working knowledge of the issue. In addition, we realize that estate planners constantly must deal with competing advice from other professionals who often seem to be practicing estate planning without a license. Regardless, the impact of no, bad, uninformed or discouraging guidance is to daunt or diminish the philanthropic impulse that has been and is so critical to the well being of our communities. When we hear that a family lawyer told a client that his $20 million was insufficient to launch a foundation or that someone in the leadership of a regional estate planning council did not know that his city had a community foundation, we realize that philanthropy is still at the margins of the professional lives of too many advisors.

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Since 1989, The Philanthropic Initiative (TPI), a not-for-profit organization, has sought to market to individuals and families of high-net-worth the singular importance of philanthropy and the real value that private charitable initiative can bring to society and to their lives. We provide ongoing planning and program design assistance to some 75 donor clients and have responsibility for approximately $40 million in annual giving. In addition, we have presented our vision of strategic philanthropy to over 5,500 active and prospective donors, generally under the sponsorship of leadership advisor institutions and have interviewed, in depth, 500 donors regarding their philanthropic passions, the ways they pursue them and what they have learned from their giving. What we heard were stories of individuals and families who have found that philanthropy has become a core ingredient of their lives. They have told us that philanthropy:

- Presents an exciting path for personal growth and opportunities to broaden knowledge and deepen skills;
- Provides a forum for family democracy and intergenerational decision-making;
- Offers direct ways to give something back and challenges them to use their creativity to make a difference;
- Connects them to an extended family of fellow donors and recipients;
- Is richly rewarding.

We have also heard from advisors who proactively utilize philanthropy as an estate planning tool. When asked why they place questions about their clients' charitable pursuits on-the-table in estate planning discussions, they responded:

- Everyone has an obligation to give back to the common good;
- It is an integral part of a complete financial and estate plan, encouraging people to look at their lives and to leave a legacy to family and community while achieving tax advantages;
- It provides a proper context to ask clients what they want for themselves and their children or grandchildren and what belongs back in their communities and society;
- It adds meaning to clients' lives.

Such enthusiasm for philanthropy is desperately needed in our society as we approach the millennium. The present portents are distinctly unfavorable. For example:

- The devolution revolution is reducing and reconfiguring public spending;
- The corporate "pillars" of many communities are no longer home-owned and no longer seem to have the same commitment to local issues;
- Pressing and seemingly intractable needs appear to be growing exponentially;
- Public cynicism regarding the ethics and efficacy of charity, fueled by the United Way and New Era scandals, erodes the power of America's voluntary sector.

In a brief article in the April 1994 edition of TRUSTS & ESTATES[1], Peter Karoff stated that the coming multi-trillion dollar intergenerational transfer of wealth provides a unique window for the creation of significant philanthropic capital but that trends tracking the charitable giving behavior of wealthy Americans offer little reason for optimism. Peter suggested that advisors, because they have such a special connection to the legal, financial and estate planning decision-making of their clients, are in an extraordinary position to prompt more informed thinking about the roles philanthropy can play in helping people make sense of their wealth - within their lives and in society. He argued, however, for advisors to have that impact, they must begin to balance more traditional tax-driven advice with guidance that supports their clients' community and societal aspirations.

Later that year, in September, the Johnson Foundation of Racine, Wisconsin invited a group of donors and advisors to convene at its Wingspread Center to discuss the philanthropic implications of this intergenerational transfer of wealth. A paper[2] presented to the conferees reported that:

Only 20 percent of the wealthiest Americans leave anything to charity in their testamentary decisions;

Between 1980 and 1993, average annual itemized contributions from the wealthy declined 70 percent;

Top wealthholders give away only a small percentage of wealth during their lifetimes; estimates are that lifetime contributions total less than half of 1 percent of net-worth.

Asked to craft an antidote to these troubling facts, the conference's 40 participants identified two key remedies:

The educational and mentoring value of role models - peers whose philanthropy has become a core element of their lives and who are willing to tell their stories and share what they have learned from their experiences as donors;

The importance of advisors integrating an affirming and knowledgeable perspective of philanthropy into the counsel they provide to clients.

Since Wingspread, this second point has become the focus for a working group of donors, advisors and professionals in philanthropy which has formed to design a long-term strategy to reach out to the advisor professions and to develop training materials that will enhance advisors' expertise in philanthropy. This group has launched its work by interviewing a diverse number of advisors from across the U.S. For example, in Michigan, we have been working with the Council of Michigan Foundations in a concerted effort to interview over 100 advisors.

We believe that the initial responses we have heard provide insight into the challenges facing those who would seek to actively include the advisor professions in efforts to expand philanthropy in America:

- Few routinely ask their clients about philanthropic interests in estate or tax planning discussions;
- A majority will only discuss philanthropy if the client raises the issue;
- Discussions regarding philanthropy focus on the tax consequences of giving;
- Many advisors feel that any inquiry into a client's philanthropic interests is unprofessional and could result in a loss of the client's trust and, possibly, of his or her business.

Charitable Giving Questions Estate Planners Should Ask Their Clients

- **What are their values? What have been the principles that have guided how they have lived their lives, raised families, run their businesses?**
- **What charitable interests have they pursued as an outgrowth of their values?**
- **What have they learned from their giving? What would they do differently? Would they feel confident expanding their giving?**
- **What has been the most satisfying charitable gift that they have made? Why?**
- **How do they view their wealth in connection to their community, to society?**
- **What role has philanthropy played in their family? What role would they like it to play? What value would it bring to their children and grandchildren?**
- **What core values would they like to express through their giving? What do they want to stand for?**
- **When they think about the challenges facing their community, what are their major concerns?**
- **Are any of these or should any of these be the focus of their giving?**
- **What would they like to accomplish with their giving? What do they think is possible?**

Charitable Giving Questions Estate Planners Should Ask Themselves

- **What have they learned from their charitable or pro bono interests?**
- **What civic passions do they have and how are they pursuing them?**
- **What have they applied from the knowledge and experience gained from pro bono efforts to their professional practices?**
- **How have they appropriately and effectively shared with clients what they have learned as a way to inform and support clients' philanthropic pursuits?**

In light of these interview findings, the data tracking the downward giving trends of wealthier Americans may not seem so surprising. It appears that many advisors do not feel that philanthropy falls within the immediate purview of their work with clients. Not only are too few advisors willing to play an active role in promoting philanthropy, but a significant number also feel that their professional standards prohibit or limit such activity. Our response is to offer five suggestions for advisors to consider.

First, advisor professions need to agree that they will "ask the philanthropic question" in their estate planning work with clients. The Wingspread group recommends that there be an automatic inquiry into philanthropic interests for all clients having assets of $2 million or more. We would urge each profession to develop standards that expect advisors to place a discussion about philanthropy on the table when beginning estate planning work with clients. If each advisor profession participated in the promulgation of a common standard, the stated concerns about such matters being "unprofessional" behavior would diminish, as would the fears that clients would move to an advisor who did not inquire. Further, it is our hope to encourage graduate and business schools that provide academic preparation for advisor professions to include coursework on philanthropy - and not just on the technical and tax-consequence issues. We also plan to ask the continuing education programs for each profession to expand curricula that address philanthropic matters.

In addition to the current lack of a general standard, several experienced advisors have opined that others may not ask the philanthropic question because they are uncomfortable launching into such a line-of-questioning, fearful that clients may misinterpret the query as an attempt to promote a personal community cause or that the advisor will be seen as making a judgment about how charitable the client is or should be. Although legitimate concerns, they need not frustrate efforts to promote clients' thinking about philanthropy. From our experience, people want to be asked about their values, community interests and lessons learned from past charitable or volunteer involvements; most people care and wish to put some of their resources to work on behalf of important issues or in service to communities where they have lived, raised families or made their wealth.

We know that experienced advisors tailor their approaches to the backgrounds and needs of each client. If getting started on developing a client's philanthropic profile is a cause for discomfort for some advisors, we offer the following queries which have proven to be effective and which advisors can adapt for their own use. The key is to focus on the client. We recommend that advisors initiate discussions with clients about their philanthropic interests by asking some of the questions shown in the sidebar.

Answers to such questions help clients and advisors begin to:

- Ascertain the priority treatment the client gives to philanthropy;
- Determine the relative importance the client places on the tax consequences of giving;
- Bring into sharper relief the role giving plays and could play for the client;
- Provide advisors with an assessment of what the client would like to accomplish and insight into what has been achieved;
- Help sort out the structure and focus of an enhanced giving effort by the client;
- Assess the value of philanthropy to the family and, especially, to intergenerational dynamics;
- Finally, assist advisors develop and deliver information and resources that will support clients' philanthropic enthusiasms and priorities.

Second, we believe that advisors need to be, themselves, service-oriented. Pro bono and other volunteer service provide experience that broadens and deepens advisors' ability to connect clients to community. We realize that many see such work as good business because it enhances networking opportunities. We feel that it also provides a perspective on social needs and philanthropic opportunities that cannot be fully gained during the course of regular business. Further, as an advisor recently explained, "For advisors to promote philanthropy, they must be true believers; they must feel and understand the power of philanthropy in their communities."

We encourage advisors to ask themselves questions similar to those placed before clients, listed in the sidebar.

Third, we urge advisors to expand their understanding of the role philanthropy has played as a defining element of the American experience. There is now a sizable body of literature that historically tracks and explains the impact that private philanthropic initiative has had.[3] There is also a burgeoning infrastructure of experienced practitioners that now supports more organized efforts in philanthropy. Not unlike the interstate highway system, a donor support network has been built that now crisscrosses the United States. There are regional associations of grantmakers [RAGs] and community foundations in just about every area of the country.[4] They can connect advisors and their clients to donors with kindred priorities and approaches and can supply information on best practices, model programs and needs. In short, there is no reason for any advisor not to have a working knowledge of something that offers so much opportunity to their clients and them.

Fourth, advisors should work to demystify and simplify explanations of the technical options that surround the vehicles that donors may use to structure their giving. Donors have told us that their "eyes glaze over" when CRITS, CRATS, CRUTS and Q-TIPS are trotted out by advisors. Clearly, tax issues matter [or, at least, should not be ignored] but explanations often make giving seem overly complicated and perhaps not worth the effort. Thus, it makes it easier for even charitably-inclined people not to extend themselves. For philanthropy to work for most donors, it must be viewed as a user-friendly process - both in the giving and the vehicles that enable giving.

Finally, we think that advisors have an opportunity to become philanthropic "connective tissue" for their clients. We realize that strict confidentiality must govern the advisor-client relationship but have come to understand that our clients like to learn [and may learn best] from the philanthropic experiences of each other. Donors appreciate the stories that only other donors can tell about what they have tried to accomplish and what has actually been effective. With prior approval, there is nothing to keep advisors from connecting clients with similar interests or convening clients to discuss common issues that surround their philanthropic pursuits. We are convinced that such support to clients adds value to the relationship and expands the marketing reach of advisors' services.

We frequently convene clients or provide assistance to advisor institutions that bring their clients or prospects together to discuss philanthropy. As we have listened to the stories and experiences that donors have shared, we have begun to assemble a docket of the habits of effective and satisfied givers. As advisors learn more about their clients' philanthropic skills and experiences, we would appreciate hearing how their clients' "habits" match up with what we have been told in hundreds of meetings. Irrespective of the amount given or the specific focus of the giving, successful donors are:

- Values-oriented — their giving grows out of and reflects deeply-held beliefs and commitments;
- Focused — it is hard to be all things to all issues and causes; experienced donors commit all or a significant measure of funds to "dig deep" into an issue;

- Leveraged — attracting other resources to priorities;
- Connected to the due diligence work and advice of other givers;
- Results-driven — looking for outcomes with each decision;
- Involved — they visit projects, work with recipient programs and "kick tires" in their communities on a regular basis;
- Willing to explore and, if appropriate, address the public policy issues and questions that surround the areas in which they concentrate their funding.

From our direct experience over the past 7 years, people have wanted to be asked what matters to them in society. They have wanted to be encouraged to envision what they could achieve as civic or community-minded people. They have wanted to be supported in their desire to be good people.

We have witnessed the seminal power of philanthropy and have come to recognize that donors grow into their roles; central to that growth curve is the enabling and nurturing assistance that advisors can bring to the decision-making processes that will determine what of the intergenerational transfer becomes society's wealth. We believe that advisors have a professional obligation to ask the philanthropic question and an emerging professional opportunity to add value to their practice through the skillful provision of sound, knowledgeable guidance to clients on their philanthropic passions. Advisors with commitment to and understanding of the technical and programmatic aspects of philanthropy may reverse this country's downward slide of giving by the wealthy; in the process, advisors will also have added a very special competitive advantage to their practice.

Many of those in attendance at Wingspread argued for a new Andrew Carnegie, wishing for a 1990's "Gospel of Wealth" that would be a credible clarion call to those of considerable wealth regarding their moral obligation "to bestow" a portion of what has been gained back into society. One or more neo-Carnegies would be helpful and maybe even entertaining; but, perhaps, a greater impact could be generated by the advisor professions committing to ask the philanthropic question.[5]

End Notes

1. Trusts & Estates, The Advisor's Role in Philanthropy : A New Direction, April, 1994.
2. Lessons from Wingspread, The Ten Trillion Dollar Intergenerational Transfer of Wealth: A Philanthropic Game Plan, E. Remmer, editor; September, 1994. To order copies, fax, [617] 338-2591 or E-mail, eremmer@tpi.org.
3. For a complete bibliography, contact the Council on Foundations, [202] 467-0427.
4. For more information, contact Alison Wiley, Director, Forum of Regional Associations of Grantmakers, [202] 466-6512, ext. 380, fax [202] 466-5722.
5. The author is grateful to Linda Patterson, Director of Family Foundation Services, Council of Michigan Foundations, who edited this report and provided benign guidance throughout.