Greater Black Point
COMMUNITY FOUNDATION

Three imperatives for wealth advisors in the era of multigenerational philanthropy

WORK, LIFE, AND COMMUNITY HAVE CONVERGED IN TODAY'S CULTURE, MAKING IT CRITICAL FOR FINANCIAL ADVISORS, ATTORNEYS, AND ACCOUNTANTS TO UNDERSTAND SOCIAL IMPACT.

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Introduction

As a wealth advisor, you are accustomed to staying on top of shifts in today's dynamic and competitive financial and advisory services industry. You may already have even imagined a marketplace where separate and previously distinct cultural trends begin to intersect, and the ripple effect causes a dramatic change in the way your clients want to work with you.

It's happening now. Attorneys, accountants, and financial advisors are beginning to experience the effects of the convergence of work, life, and community in our society. Social consciousness and civic responsibility are on everyone's radar. This means philanthropy is taking a front seat at professional advisory firms striving to grow their practices across generations and fulfill their community responsibilities.

A tax and estate planning attorney summarized the "social impact culture" phenomenon like this:

> *"Wealthy individuals are no longer interested in superficial discussions about their charitable intentions. The families we represent are actively seeking ways to make a positive impact in the lives of others and engage their children and grandchildren in their philanthropy.*
>
> *Our client base, as well as our firm, are determined to support 'good' in a world where it's easy to see only bad. Our communities and clients' charitable priorities have captured all of our hearts."*

Against a backdrop where clients seek meaning for themselves and strive to improve the lives of fellow human beings, the advisor's role in social impact has never been more important. Fulfilling your social impact responsibility requires staying up to date on philanthropic strategies. You and your firm not only will deepen your clients' loyalty to your practice through philanthropic planning, but you also will help build a social impact movement across your diverse region.

This paper outlines three imperatives to help guide your firm's work with your philanthropic clients, including engaging the next generation of your client base as your practice grows.

IMPERATIVE #1

ADVISORS MUST STAY UP-TO-DATE WITH ECONOMIC TRENDS IN PHILANTHROPY

For more than a century, Americans have supported charitable organizations with their dollars. According to Giving USA, Americans gave $390.05 billion to U.S. charities in 2016, representing a 2.7 percent increase over 2015 levels measured in current dollars.

Giving is just the tip of the iceberg. Giving is an anchoring component of a full range of social impact behaviors, which includes not only giving, but also activities such as volunteering, recycling, serving on boards of directors, marketing favorite causes, purchasing products that support a cause, donating necessities to people in need, sharing with friends and family, caring about health and wellness, and celebrating at community events.

The expansion of the "doing good" footprint in America has contributed to the continued enthusiasm for dollars flowing into favorite causes, whether those causes are supported through philanthropic institutions such as community foundations, through workplace giving programs, or through direct giving.

So what's going on? A powerful transformation of the philanthropic marketplace has occurred in three phases over the past 30 years.

PHASE I: PRIVATE PHILANTHROPY

Key perspective: "We write checks to charities."

Before the rapid growth, beginning in the 1980s, of donor-advised funds, private foundations, charitable remainder trusts, and other structured giving vehicles, many people viewed philanthropy as primarily a private act. Families supported organizations they loved, frequently by writing checks. Wealth advisors sometimes played a role in philanthropic planning, but most families organized their giving activities on an ad hoc basis and typically consulted their advisors only when they wanted to establish charitable bequests as part of their estate plans.

PHASE II: INSTITUTIONAL PHILANTHROPY

Key perspective: "Our advisors help us structure our philanthropy."

As formalized philanthropic planning vehicles gained popularity during the decades before and immediately following 2000, families and individuals became more interested in working with their advisors to establish structured charitable giving plans both during their lifetimes and through bequests. It was during this period that donor-advised funds increased in popularity, along with charitable remainder trusts and other philanthropy tools. In addition, the notion that advisors are a key part of the philanthropic conversation became widely accepted, with an increasing number of individual and family donors relying on advice and assistance from attorneys, accountants, financial advisors, and experts at their local community foundations

PHASE III: PUBLIC PHILANTHROPY

Key perspective: "Social impact is an important part of my lifestyle."

Driven in large part by the next generation of workforce talent, social impact has become a key component of a well-rounded life across all generations. This is especially the case with individuals whose approach to community engagement is in sync with the "millennial mindset," as well as the rise of social media where acts of philanthropy are celebrated across public channels.

> Today's culture of philanthropy embraces the full range of social impact behaviors, especially through workplace community engagement programs and consumer branding efforts by corporate America. Today's market leaders view social impact behavior as a catalyst for connecting human resources with marketing, building emotional loyalty with employees and consumers and, in turn, boosting business results.

Consider the data:

- In his book, *Grow*, Jim Stengel, Procter & Gamble's former global marketing officer, released the results of a ten-year study of 50,000 brands. It found that a business built upon ideals outperforms the S&P 500 by four times.
- Deloitte's third annual Millennial Survey of nearly 7,800 Millennials indicated that a clear majority of the younger talent base wants to work for companies that are committed to charitable giving, volunteering, and making a positive impact on the bottom line and beyond.
- The 2014 Millennial Impact Study by the Case Foundation showed that 94 percent of people in this demographic want to use their talents for doing good.
- Working to benefit a good cause increases productivity by up to 30 percent, according to a 2015 study published in Management Science. While personal financial incentives have long been part of corporate culture, the study shows that social incentives such as gifts to charities also boost performance. Interestingly, the greatest increase in productivity was among those workers who initially fell into the "least productive" category.

The hearts and minds of Americans are more socially-conscious than ever. Philanthropy in our culture is expanding. Thousands of new nonprofit organizations are created every year. Clients are demanding that their advisors offer cutting-edge, tax savvy tools to organize charitable giving. Executives and workplace leaders must navigate and prioritize the hundreds of community engagement options for recruiting and retaining key employees while simultaneously achieving business goals.

The challenge and opportunity for wealth advisors is to meet the expectations of clients. Clients want to know that their accountants, attorneys, and financial advisors are in touch with the thriving culture of philanthropy in America.

IMPERATIVE #2 ADVISORS MUST BE FAMILIAR WITH THE WAY PHILANTHROPY TRIGGERS EMOTIONAL LOYALTY

Consider the following:

- People enjoy giving to charities—it makes them feel good.
- People recognize and give to big charities, but they also donate to local organizations and causes that are meaningful for personal reasons.
- With total annual giving topping $390 billion in 2016 according to Giving USA, supporting charities is an important part of American life.

None of that surprises you. What might surprise you, however, is just how powerful philanthropy can be as an emotional and psychological hook for increasing engagement, fostering trust, and increasing loyalty to advisors who are willing to help a client pursue his or her social impact goals.

In a 2014 study conducted by the *Social Impact Benchmark*, interviewees were asked this question: What are you favorite causes, and why do you enjoy giving to these charities? As the research team interviewed more and more people, they noticed a trend. When people talked about giving, they relaxed. They became more upbeat. They leaned in. They kept on talking. They were proud, confident, and emboldened. They were happy because doing good *felt* good. Take off your wealth advisor hat for just a moment and think about the last time you gave money to your favorite cause. You're probably smiling right now just thinking about it.

At first glance, philanthropy and positive psychology appear to have very little in common. Philanthropy is a term generally associated with giving money to charities, doing good in the community, and creating social value. Positive psychology usually connotes an academic approach to emotional strengths and virtues that enable people to thrive. But there is indeed a connection. After all, philanthropy, according to the classic dictionary definition, means a “love of humanity” in the sense of caring, nourishing, developing, and enhancing “what it is to be human” on both the benefactors’ and beneficiaries’ parts.

What’s more, the benefits aren’t limited to mood. The *Social Impact Benchmark* research team spent months scouring websites, journals, blogs, articles, and more. They uncovered dozens of studies linking philanthropic behavior and improved physical health. Research suggests activities such as volunteering and giving can lead to a longer life, lower blood pressure, and better pain management.

The well-documented positive effects of charitable giving should cause every wealth advisor to ask themselves whether they are doing enough to help their clients with philanthropic planning. Not only is it good for the community and the client, but the process itself is also a powerful accelerator for creating a strong advisor-client relationship.

According to the most recent U.S. Trust Study of High Net Worth Philanthropy conducted in partnership with the Indiana University Lilly Family School Philanthropy, 98 percent of high-net worth clients are giving to favorite charities each year, and they want help from their attorneys, accountants, and financial advisors! Unfortunately, only 14% of advisors actually offer to help their clients with charitable planning, and only 20% of advisors target younger family members. This is part of the reason next-generation loyalty to advisors is so low.

Philanthropy is a natural connector across generations. When you work with your clients on their charitable goals, it's very natural and appropriate to involve children and grandchildren. Philanthropic planning allows advisors to build next-generation relationships with clients' heirs while the clients are still alive and well. Now is the time for advisors to make the most of this opportunity.

IMPERATIVE #3

ADVISORS MUST BE ABLE TO TALK ABOUT SOCIAL IMPACT AT A BARE BONES LEVEL

You know the drill. A client mentions a specific charity in the community and asks you whether that charity is reputable and effective. That's a tough question to answer! Most attorneys, accountants, and wealth advisors are not in a position to know the ins and outs of how charities in the community are being managed. That’s okay, as long as you have a few strategies for client conversations when they do arise.

Your responsibility to your clients in today’s social impact culture is to be equipped with at least a minimum level of working knowledge. For example:

- Tell your client to consider the source. Your talk track can go something like this: "If it’s a friend, colleague, or a neighbor asking you to support a cause she knows and loves, you can be more confident in your contribution. Ask about the organization to find out whether it’s a fit for you. Don’t worry—you won’t offend your friend by asking questions. Instead, your interest in the cause your friend is marketing will give her a chance to tell the story about how that organization is making a social impact."
- If the charity is brand new and not one you’ve heard of, suggest that your client start with something other than money. You can say something like the following: "Giving money to a charity is not the only way to do good. Supporting causes includes a wide range of other activities, such as recycling, volunteering, serving on boards, donating canned goods or clothing, attending community events, marketing a favorite nonprofit, sharing with friends and families in need, purchasing brands that support causes, and caring for your own health and wellness. So, if you are uncomfortable with a monetary contribution, do something else for the charity you’re being asked to support. Volunteer for an hour or two, donate household items, or attend one of the charity’s events by buying a ticket instead of making an outright donation. These activities give you a chance to check things out."
- Encourage your client to go online. Here's what you can say: "You should check out the charity online. Giving is big business, and charities today know they need to report compelling information on their websites about the difference they’re making

with your dollars. Be sure to look at the charity's Form 990, too, available through GuideStar.org. The Form 990 is the charity's tax return, and it will contain important disclosures to provide a glimpse into the financial stability of the organization."

Above all, make it a point to familiarize yourself with the experts in your region. Remember that the Community Foundation is here for you. Our mission is to increase charitable giving in the community, connect donors to causes, and lead on critical community issues to improve the quality of life in our region, now and in the future. We are integrally involved with nonprofits in the community, and our team knows how to help you help your clients improve the quality of life for everyone.

Conclusion

As a wealth advisor in today's community-minded marketplace, the priorities for building your practice must include philanthropic tools and the social impact awareness your clients expect. Attorneys, accountants, and financial advisors share an opportunity to educate clients about strategies for improving lives of others through charitable giving vehicles and social impact initiatives. Your clients, your community, and your firm will thrive because of the trust and loyalty you build across the generations as families' see their philanthropic missions grow and thrive thanks to your good work.

READY TO LEARN MORE?

THE COMMUNITY FOUNDATION IS HERE FOR YOU. OUR MISSION IS TO INCREASE CHARITABLE GIVING IN THE COMMUNITY, CONNECT DONORS TO CAUSES, AND LEAD ON CRITICAL COMMUNITY ISSUES TO IMPROVE THE QUALITY OF LIFE IN OUR REGION. CONTACT US AT ADVISORS@GREATERBLACKPOINTCF.ORG.