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How to Have Conversations About Charitable Giving with Clients

By Ken Nopar
Senior Philanthropic Advisor for American Endowment Foundation[*]
Chicago, Illinois

Increasingly, estate planning attorneys, financial advisors, and accountants are engaging their clients in discussions about their present and future charitable giving. Because so many high net worth clients are active donors, the conversation should be very natural and will often enable clients to have a greater impact on the causes and charities that are of most importance to them.

Donors continue to be generous, and sometimes are even more generous, during times of political change and economic uncertainty. They have benefitted from the recent increases in the markets, yet they are quite aware of challenges that many of the charities that they support continue to face or may encounter in the future. As a result, they want to be sure that they are able to provide funding in future years, even if markets and assets decline. On their own, they may not be aware of how to do this, yet with the help of their professional advisors, they will be able to establish a plan or create a charitable vehicle that will provide peace of mind and the confidence that will enable them to achieve their philanthropic goals.

One of the interesting aspects of the charitable conversation is that it is now relevant for nearly every client at every age. Traditionally, the discussion took place primarily with older clients, but now, many younger clients who are donors and active with charities are interested in providing support, while other clients who may never marry or have children need to contemplate what they will do with their assets. Because so many clients are involved in or passionate about philanthropy, they enjoy talking about the subject and in many cases are more interested in discussing this with their advisors than talking about taxes, death, and the ups and downs of the markets. This conversation often helps advisors deepen and expand these client relationships.

Clients will welcome the opportunity to talk about their charitable plans and support when advisors explain that this will enable them to provide the best possible legal, investment, and tax advice. Because clients' interests and plans change over time, this discussion should take place on a regular basis. By proactively engaging their clients, attorneys, wealth advisors, and accountants can be sure that their clients receive expert guidance instead of the questionable advice of their brother-in-law, golfing buddy, or ''online expert.'' When they understand that their professional advisors have their best interests in mind, clients will increasingly turn to them for help when they have charitable planning as well as other questions.

Though each situation may be different, some of the questions that attorneys and other advisors can ask include:

1. Are you actively involved with any nonprofit organizations? In what capacity? As a board member, volunteer, or donor? Do you intend to be more or less involved in the future?
2. How do you decide which organizations to support?
3. Do you typically support the same organizations every year?
4. Do you donate the same amount every year? Upon what does it depend? Do you anticipate that the amount will change at some point in your life?
5. Who is involved in the decisions about where and how much to give?

[*] Founded in 1993, AEF is one of the country's leading independent donor-advised fund sponsors, working with over 4,000 donors and their attorneys, financial advisors, and accountants throughout the country.

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6. When do you typically make your donations? Throughout the year or at one time?

7. Have you ever regretted making any donations or is there anything that frustrates you with the giving process?

8. Do you prefer to give during your lifetime, at death, or for many years after death? If after death, who will make the decisions?

9. Is a charitable legacy important to you?

10. In your estate plan, have you named any charities to which you will leave money?

11. Do you prefer to give anonymously or publicly?

12. Are you interested in supporting many or few organizations? Large or small charities?

13. How do you make your donations? Checks, cash, credit cards, stock, other assets? Are you aware that you can use assets other than cash and publicly traded stock?

14. Do you have any charitable vehicles already in place? Any desire to change? Any issues with those you have?

Some clients may have never been philanthropic but due to a liquidity event, retirement, or some other impact or influence, they now have the time, interest, or wealth and wish to begin their philanthropic journey. Advisors can ask them similar versions of the above questions in addition to the following ones:

1. Is there anything you want to do to honor people, organizations, or institutions that have been important to you?

2. Are there certain geographic areas that have been important to you, your family, or your business?

3. Would you be interested in supporting some of the causes and charities that people you admire support?

For those very few clients who express no interest in philanthropy but who dislike taxes and the government even more, the following questions could be helpful:

1. If you could only choose between the two, would you like to give your assets to the government so they could fund its programs, or would you like to give your assets to charities of your choice?

2. If you had unlimited wealth, are there any problems in society or the world that you would want to fix?

3. Have you or any family members or friends suffered from any misfortune, illness, or situations that you may be able to support so others may not have to suffer?

The list of types of clients with whom to have the conversation is extensive, but some of these have not yet been mentioned:

1. Couples or individuals without children.

2. Divorced or widowed people.

3. Women, because they are generally more charitably inclined and involved than men and have a longer life expectancy.

4. Parents who want to limit what they leave for their children or have already gifted what they intend.

5. Young (or old) parents who want to involve their children in philanthropy.

6. Business owners who have sold or will sell their businesses.

7. Clients who own homes, other real estate, insurance, artwork, or other assets they no longer want or need, have heirs who have no interest in the assets, and are in a secure financial position so they don't need the proceeds from their sale and can donate these assets.

8. Clients who have received an inheritance or will at some point soon, and may want to increase their charitable giving or establish a charitable vehicle to honor their parents' legacy.

9. Clients who are already advanced in years but can still make sound philanthropic decisions.

10. Clients who will retire in the near future, and while they are still earning a substantial income may now want to establish a charitable vehicle in order to set aside charitable dollars for future giving, and by doing so, can benefit more from a tax deduction than in the future when their income will be less.

Once the conversation has occurred, and recommendations have been made, it is important that advisors encourage their clients to implement the plan and help them do so. Collaboration with the clients' other advisors is most beneficial for the clients, and when necessary, philanthropic advisory firms can be brought in to help.

Because they now often recommend donor-advised funds to their clients, attorneys, financial advisors, and accountants have largely been responsible for the nearly doubling of the number of donor-advised fund accounts in the past eight years to 270,000 at the end of 2015. Private foundations have increased just

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slightly to 82,000 during this time.[1] Because there are many different donor-advised fund sponsors, should advisors recommend this vehicle, it is essential that they help clients select the most appropriate one since different sponsors have different policies. Questions to ask include:

1. Which assets can sponsors accept as donations? Liquid and illiquid assets?
2. Are there any geographic or other restrictions on causes or charities to which clients can make grants?
3. What happens at the death of a client? Can accounts have successor advisors? Can they continue in perpetuity?
4. Who manages the assets in the accounts? Can the client's financial advisor manage assets and at what minimum amount? What are the investment choices?
5. What are the fees, minimums for opening accounts and making grants, timeframe for processing grant requests?
6. Who will be the client's point of contact once an account is opened? Does the sponsor provide guidance or serve as a resource when clients need help with charitable giving?
7. Are there limits of how much clients can grant each year?
8. Does the sponsor require that it receive a percentage of grant amounts during lifetime or at the death of the donor?

It would be ideal if clients ask their attorney, wealth advisor, and accountant for help when making charitable planning decisions, but often they do not. A 2013 U.S. Trust study indicated that they would welcome this discussion with their advisors but felt that the advisors did not frequently initiate this conversation. The study also showed that the clients felt that the advisors who did engage in the discussion concentrated too much on the tax aspects of charitable planning rather than on the goals of the philanthropic plan.[2]

Even if clients do not ask for help, accountants who prepare the tax returns and attorneys and financial advisors who review the returns can recognize signs that their clients can benefit from their advice. Some of these indications are that the clients donate to different charities every year, give substantially different amounts each year, write checks instead of give more tax-efficient assets, are disorganized or frustrated or can't find tax-receipt letters, or wait until the very end of the year to make donations.

The conversation will provide numerous benefits to all parties. Clients will be able to donate more to charities and pay less in taxes, involve their families and create a legacy, and have a greater impact on the charities most important to them. Advisors benefit in many ways as well, as they will solidify client relationships, will be referred to their clients' charitably-minded friends, family, and colleagues, and will manage more of their clients' assets or do additional legal or tax work for the clients.

There is no downside to bringing up the subject. The few clients who are not interested will quickly indicate this, but significantly more will appreciate the questions. Most importantly, this discussion will allow advisors to provide the best possible advice to help their clients achieve their charitable goals and create a positive impact on society.

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[1] National Philanthropic Trust, *2016 Donor-Advised Fund Report*, at 4 (Nov. 2016), https://www.nptrust.org/daf-report/pdfs/donor-advised-fund-report-2016.pdf.

[2] U.S. Trust, Bank of America Private Wealth and the Philanthropic Initiative, *The U.S. Trust Study of the Philanthropic Conversation: Understanding Advisor Approaches & Client Expectations*, at 12-15 (Oct. 2013), http://www.ustrust.com/publish/content/application/pdf/GWMOL/USTp_ARBQVGNH_2018_1.pdf.

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