

When US clients give globally

BETSY BRILL AND JOAN SHERMAN EXAMINE, FROM A US PERSPECTIVE, HOW ADVISORS CAN BEST SUPPORT PHILANTHROPIC CLIENTS

GLOBAL GIVING IS no longer the rare choice it once was. In fact, over the past few years, international giving has been on the rise. In 2016, giving to international affairs was the fastest-growing subsector in terms of contributions received. International giving also had the highest two-year growth rate in 2014–2016, and now stands at USD22.03 billion.¹

These statistics provide an important context for advisors who are seeking to understand their clients' philanthropic interests, particularly if they wish to engage in global giving. This is an opportunity to help clients be a successful part of a larger effort to address problems and support innovations beyond US borders.

Many studies have confirmed that high-net-worth individuals and families are seeking the advice and counsel of their advisors. A demonstrated interest in, and willingness to engage with, clients' philanthropic desires is paramount to retaining them, as well as securing the next generation of clients. And if you don't go there, someone else will.

We have found that, over 17 years of conversation with advisors about philanthropy, the greatest stumbling block seems to be where to begin – particularly if the client's interests include cross-border giving.

ASK QUESTIONS

One of the best places to begin is to discuss the client's specific interests and needs. For example:

- Do they want to give internationally?
- Have they explored how they want to be involved?
- Have they learned about the needs of their chosen region, country or community?
- Have they identified organisations they may want to support?
- Do they know how to conduct due diligence?
- Do they understand the risks and opportunities connected with cross-border

'Keeping your clients informed and ensuring that they have access to tools and resources will reaffirm your value to them as a trusted advisor'

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giving (i.e. that their contributions go a long way internationally and smaller contributions can make a significant difference)?

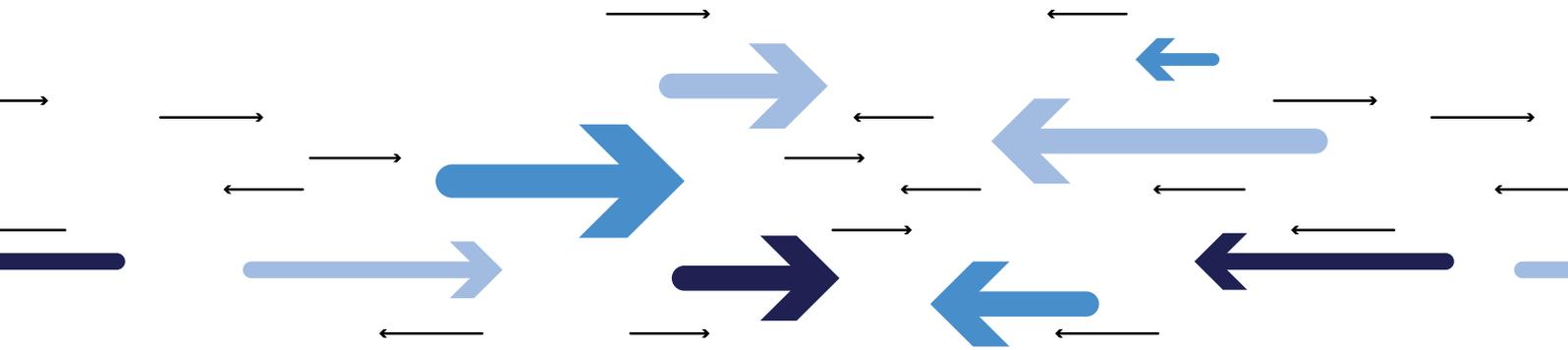
- If they want their giving to be multigenerational, do they know how to foster collaboration with next-generation family members, who might be even more focused on global issues?

By having this kind of conversation with your client, you will be helping them be more mindful, and so have greater impact through their globally focused philanthropy.

If you are uncomfortable entering into these discussions because the topic is not your usual area of expertise, there are tools and resources you can share with clients that will help you become more conversant. These tools can inform a client's giving, particularly when it comes to the choice of a charitable vehicle, tax mitigation factors, and the most beneficial assets to use to fund the chosen or recommended vehicle.

TOOLS AND RESOURCES FOR ADVISORS AND DONORS

- Donor-advised funds (DAFs) are a readily available and accessible means by which to engage in global giving. You can advise your clients to choose an agnostic DAF – for example, the National Philanthropic Trust or Fidelity Charitable – or you can suggest that your client choose a DAF with a sector-specific mandate that aligns with their passions – for example, Global Fund for Children, Global Greengrants Fund or ImpactAssets. Choosing a DAF provider with international expertise and an established presence can help clients learn about the issue areas they are funding, attend visits to organisations, and ensure that their funds will be spent on initiatives that align with their interests.
- Introduce your clients to the services of a philanthropic advisory firm with international expertise. It can help clients develop,



implement and assess the impact of a plan appropriate for cross-border giving. If your client has an agnostic DAF, advisory fees can be paid for directly out of it, much like a private foundation.

- **NGOsource**, a project of the Council on Foundations and TechSoup, is designed to provide philanthropists (or ‘grant-makers’) with information on international grant-making processes. This can be an especially useful tool for smaller foundations, for which costs are an important consideration. NGOsource does the legwork for donors (for a fee), investigating and verifying the status of non-governmental organisations (NGOs) to help streamline grant-making. It undertakes equivalency determination and expenditure responsibility,² affording your client the assurances they need to proceed with a gift to an international NGO, while complying with the required tax and legal mandates for cross-border giving.
- **Charities Aid Foundation** produces an annual *World Giving Index*, which provides useful background information on philanthropy across borders.³ It is a helpful way to situate a client’s interests, compare regions and identify gaps in NGO funding.
- If a client is interested in disaster relief, a useful reference is the *Disaster Philanthropy Playbook*, created by the Center for Disaster Philanthropy and the Council of New Jersey Grantmakers. This website provides essential information on key strategies and best practices for responding to disasters.⁴

STAY ABREAST OF CURRENT TRENDS

Informing clients of current trends in global philanthropy is another way to demonstrate your value. Explore with them the current trends in US global giving to ensure they are well informed and acting on the most recent research.

For example, today it is critical to pay attention to what millennials care about.

They engage in philanthropy at a younger age and tend to care more about international issues. As digital natives, their philanthropic inclinations know no borders; they see social and environmental issues as global problems. They tend to be more socially responsible and often seek out less traditional ways to use their wealth to help others. In addition, they are adept and open to employing a wider range of tools, such as social media, and strategies that include impact investing and crowdfunding, pushing global giving in new and interesting directions.

The current surge in migration is front and centre in the media. On virtually every continent, refugee displacements and various related issues are demanding attention and resources. Philanthropy has always played a major role not only in addressing the immediate needs of vulnerable populations, but also in supporting groups working to challenge policies and practices that exacerbate the situation. Interest in immigration issues in the US has seen a dramatic increase in the past six months, with foundations supporting immigrant communities, and addressing advocacy and litigation needs.⁵

IMPACT INVESTING AS A FORM OF GLOBAL ENGAGEMENT

Impact investing has been at the top of trend lists for years now, because it has proven to be an effective strategy for creative deployment of resources. In 2016, investors poured USD5.8 billion into socially responsible investment strategies, tripling the amount invested in 2015, according to Morningstar.⁶ As entrepreneurs and investors realise they can be innovative not only in supporting social change, but also in generating returns on their investments, they have begun to explore how to use their investments – the corpus of a foundation or their personal investments – as a complement to traditional giving. Through impact investing, your client can potentially reach a broader range of global actors and achieve a double bottom-line return that

provides both a monetary return on investment (although often below market rate) and also creates a social impact.

DEVELOPING TECHNOLOGY

One of the reasons why impact investing has gained such traction is the ubiquitous nature of technology in today’s world, another trend worth keeping your clients up to date on. Access to information, online tools, online banking, data and so on, is transforming the way people do business and how they manage partnerships. For example, an investor in New York can support a women’s cooperative in Nepal, helping to reshape gender norms while funding a viable financial model and providing these women with access to capital.

CONCLUSION

These are only a few of the trends influencing philanthropy today. Keeping your clients better informed and ensuring that they know about, and have access to, the tools and resources that will enhance their philanthropic practices will reaffirm your value to them as a trusted advisor.

Good practice is good for the world; the better we all are at responsible philanthropy, the better chance we have of creating a lasting, positive impact.

¹ Lilly Family School of Philanthropy, *Giving USA 2017: The Annual Report on Philanthropy for the Year 2016* (2017), p309

² Equivalency determination is a process by which a US grant-maker evaluates whether an intended foreign grantee is the equivalent of a US public charity. The grant-maker must collect a set of detailed information, outlined in *IRS Revenue Procedure 92-94*, about the grantee’s operations and finances, and make a reasonable determination of its equivalency. Expenditure responsibility is a set of grant-making and monitoring procedures and requirements designed to ensure that grant funds are used for charitable purposes. These procedures and requirements enable US grant-makers to make grants to foreign organisations that are recognised as neither 501(c)(3) public charities nor the equivalents of US public charities. See bit.ly/2fMHrOy ³ *CAF World Giving Index 2017*, bit.ly/2fIFjMU ⁴ For information, see www.disasterplaybook.org ⁵ *Giving USA 2017*, p122 ⁶ Janice Kirkel, ‘Is the “Trump Bump” in SRI Sustainable?’, *Wealth Management* (21 July 2017), bit.ly/2fulZzR