FAMILY
WEALTHREPORT

Year-End Tips For Helping Clients Navigate Philanthropy

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As Thanksgiving approaches, now is a suitable time for individuals and families to talk about philanthropy. An expert in the field lays out advice.

A regular commentator on philanthropy and related issues in wealth management, Susan Winer, chief operating officer of Strategic Philanthropy, has these ideas and suggestions about giving. With Thanksgiving a few days away, now is an appropriate time to have these conversations.

The editors are pleased to share these views with readers; the opinions of guest commentators are not always shared by this publication, however. We invite readers with their own ideas on this subject to respond. Email tom.burroughes@wealthbriefing.com

I have been offering year-end tips to help clients navigate their philanthropic gifts for a few years now. With the new tax laws firmly in place, I thought it would be helpful to address some of the changes and what you, as a trusted advisor, should be talking about with your clients.

Once again, we are talking about this in November, before Thanksgiving, to give you and your clients more opportunity to talk and plan, and for the families to talk and plan over holiday dinner. The earlier the better - right?

Guiding clients

First, let's review a few basic things you can do while talking with your clients about year-end planning. Not only is this helpful for them, but it also demonstrates your role as a thought leader and your support of those aspects of their lives that are important to them.

- Discourage "knee-jerk" decisions about giving. At this time of year, we all receive hundreds of solicitations in the mail or from friends. Establishing clear parameters around what causes they give to and when they give to them helps reduce the stress of "reactive" giving.

- Have a deeper conversation about your client's philanthropic intentions and plans, perhaps as a prelude to 2019 financial, tax, or estate planning.

- Start a conversation about how to align their financial investments with their mission. Talk about the 'double bottom line' approach to investing. If they have a family foundation, this approach can potentially accelerate the impact or the focus of their grant-making.

- Suggest they revisit their estate plan and their charitable vehicles, particularly in light of the tax changes now in place, and ensure there is clarity about intended charitable gifts. They should consider:

  o Does their plan reflect how they would like to be remembered?

  o Is this the legacy they want to leave?

  o Is this still the amount they want to give?

o Have their financial parameters and interests changed over the past year or so?

o Are there clear terms and direction for successors and trustees regarding the administration and protection of their charitable legacy?

o Do they have a Charitable Distribution Advisor® who can help trustees and successors track, review, and adjust their charitable gifts?

o If they have a private foundation, when was the last time they looked at the bylaws, governance, and protocols for that foundation? Is the foundation operating as effectively as it could be? Is it still a satisfying experience for everyone?

o Have they considered accelerating their giving so that they could make a difference in real time?

o If the foundation was set up in perpetuity, is now a good time to consider a sunset?

o Is the foundation giving away only the mandatory 5%? Could this be increased to make more funds available for distribution?

o Are they up to date on tax and legal filings for their Foundation? Are their 990s in order?

o If they have a DAF, how long has it been since they made a gift from the DAF?

o Have they established a succession plan for their DAF? If so, have they shared their intent and interests with successors?

o Is it time to involve the next generation and integrate their passions? How will this be done? Do they want to create a DAF for each member of the next generation to empower those individuals to control their own charitable giving independently?

The impact and implications of the new tax law

You can probably count on the fact that your clients are not as knowledgeable about how the new tax law affects them as you are. According to a recent Fidelity Charitable survey, 58 per cent of donors still plan to itemize this year, including their charitable donations, even though doing so may no longer be the right strategy for them following the increased standard deduction ($12,000 for individuals and $24,000 for married couples filing jointly). Given these findings, it is important to help your clients understand how they will be impacted by the tax law changes, particularly if they have historically been charitable - whether for tax reasons or in general.

While many advisors are exhausted by the myriad articles about the new tax laws, it never hurts to keep in mind the key points that may apply to your clients. Consider this section a reminder of what your clients can do to be successful with their charitable giving while simultaneously protecting their tax exposure.

- If clients have a Donor Advised Fund (DAF), they can pre-fund it with multiple years' worth of charitable deductions at once. DAFs are a particularly flexible vehicle option for some donors and, in many instances, your clients can contribute cash, securities (including publicly traded stocks), and even the ever-present bitcoin. Virtually any asset can be contributed.

- A charitable lead trust can also be a good charitable giving vehicle in the current low interest rate environment, and should be looked at if it aligns with a client's interests.

- Discuss the concept of "bunching" charitable contributions when itemizing deductions, either by donating directly to a charity or depositing into a DAF.

- If your client is 70½ or older and has a traditional IRA, suggest they take advantage of the qualified charitable distribution (QCD) and donate the required minimum distribution to a charity. The QCD does not apply to donating to a DAF or private foundation, only to a charity.

- An outright charitable gift of cash for an immediate income tax deduction and/or contributing using appreciated stock in place of cash are options for clients to consider, and will serve to reduce capital gains in their portfolios.

- Explore non-cash asset opportunities. Is there a charitable opportunity for land, art or securities that they may own?

Other topics

There are myriad other things you can and should be talking to your clients about, particularly as these conversations often do not take place as frequently as they should. For example:

- How does your client define impact? What would make your client feel as if they were using their charitable dollars most effectively?

- Are there new opportunities that might offer even greater impact if they were to support them?

- Would they achieve greater impact by consolidating funding, rather than giving small amounts to a number of organizations?

- With the growing interest in impact investing, particularly among younger generations and women, it might be time to discuss aligning a client's financial investment portfolio with the charitable investment portfolio. Look at integrating SRI and ESG strategies that mirror their mission and have the potential to advance their interests more rapidly and more effectively.

- Talk to clients about how, or if, they are involving the next generations in their philanthropic planning. A few ways to initiate or deepen that conversation include:

    o Creating a shared family experience with organizations that they each like, or where there is consensus around learning more about the organization. As a family, find a hands-on activity to do: plant trees, volunteer at a food pantry, collect and distribute clothing, etc. Many things can be done to support an organization beyond donating money.

    o Encourage all generations to participate in or even lead the conversation around philanthropy, ways to bring their ideas and strategies to the table, and how to find commonality in interests or values.

    o Review financial investments together, with a focus on what can be done to more successfully align the investment portfolio with the particular passions, interests or issues that each generation cares about.

Consider introducing clients to a philanthropic professional who can facilitate a review of their charitable gifts to help them develop a 2019 strategy. They can learn more about the various tools in the philanthropic toolbox, blend their philanthropy for maximum impact, and better understand integrating lifetime and legacy giving.

Final thoughts

Your client's charitable giving is an important part of who they are and the "footprint" they want to leave for their families and their community. Helping them to articulate and accomplish their goals will deepen your relationship with them and strengthen your relationships with the future decision makers - women and Millennials who will be your future clients. Helping them to do this while mitigating taxes and taking advantage of the new tax law is even more beneficial. This is a reflection of how you approach your work with them; on a relational basis, not merely a transactional one.

About the author
Susan Winer is COO and a founder of Strategic Philanthropy, Ltd., (www.stratphilanthropy.com) a global philanthropic advisory firm based in Chicago and working solely with high net worth and ultra-high net worth donors.