

## **GUEST ARTICLE: Reaching Out To The Next Generation - Why Philanthropy Matters**

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Philanthropy can be a bridge to the next generation in terms of communication among families, the author of this article, a noted expert in the field, argues.

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Last month I wrote an article about advisors not always talking to the right decision maker. I noted that women were an often overlooked and under estimated market for legal and financial advisors. This is not because advisors do not recognize that women have significant say about and often have sole control of, substantial wealth. It is often because many do not know how to advance the conversation successfully with this population.

This same dilemma and challenge is in place for advisors relative to retaining or attracting the next generation of their clients. There have been any number of studies and surveys conducted, the findings have been relatively consistent, and all say very much the same thing:

- In a survey of 1,000-plus investors conducted by MFS Investment Management in 2013, 75 per cent of clients said their children had never even met their Financial Advisors.
- Fidelity Charitable, as well as the Institute for Preparing Heirs, say that 90 per cent to 95 per cent of offspring leave their parents' advisors upon receiving their inheritance.
- Millennials increasingly consult peers and media before acting on advisor recommendations; fewer than 10 per cent of investment decisions are made alone. At the same time, word-of-mouth and personal recommendations significantly influence the buying decisions of about 50 per cent of millennials including advisors (Deloitte's 2015 Millennial Wealth Management Trends Study).

With an aging demographic and a changing wealth landscape, advisors need to build client relationships across generations within a family, or directly with a younger population of wealth holders if they are to protect the legacy of their practice (and revenue streams). How to do this however, is often a challenge.

Gen X and Gen Y (and the still evolving Generation Z) are different from one and other in many ways and yet there are certain similarities. These generations are hardwired to the internet and social media and are very much aware of the issues and needs that plague world communities.

They are motivated by wanting to see problems addressed now; climate change, poverty, human rights abuses, etc., are important. They are living their values and putting their time and money where their heart is more often than their parents did or do. They also are willing to share what they care most deeply about and they want to be included in the conversation but only if they are heard.

If advisors take their cue from this reality and initiate a deeper conversation based on values and philanthropic interests, they can open a dialogue across generations that will not only be meaningful but also serve to deepen relationships with current and potential clients.

Philanthropy is not just a “good” thing to engage in, it also provides a platform for establishing common ground and a means for perpetuating values. It is both a landscape that tolerates and encourages different perspectives and a context for deepening financial and business skills for younger people.

Since our firm was founded in 2000, we have observed numerous ways in which philanthropy has been transformed and transformative:

- Donor Advised Funds are being created at a rate almost three times that of private foundations.
- The popularity of investing in social enterprises that integrates social good with financial return and aligning investment portfolios with social or personal missions for double bottom line returns.
- Impact Donor Advised Funds such as Impact Assets and Triskeles Foundation respond to the interests of donors who want to explore innovative ways to use their charitable dollars.
- The globalization of giving.
- The growing number of publically held, private and family owned companies that have incorporated philanthropy as part of their business and marketing plans.
- A heightened interest in economic and environmental sustainability and a deepening commitment to human and civil rights, globally and domestically.
- The creation of travel companies offering trips that are opportunities to volunteer in communities and countries around the world for singles and families.

If you ask someone who is 70 years old to articulate his or her values or talk about the legacy they want to leave, and then ask the same question of someone who is 25 years old, you know to expect different kinds of answers...if only because of the age differences.

It is also about life experiences, motivations, and not just based upon the number of years they have been alive.

Traditionalists (born between 1925 and 1945) were largely defined by the Great Depression, World War II and movies. Baby Boomers (born between 1946 and 1964) experienced the post-war boom, the Vietnam War, civil rights and television. Gen X (born between 1965-1980) had very different experiences: AIDS, a growing divorce rate, the end of the Cold War and MTV. Gen Y (born between 1981-1999) has totally different experiences that define them: The Oklahoma City bombing, September 11, the war in Iraq, Columbine and the advent of the internet, cell phones, social media and 24/7 news and information access. (Source: 21/64) How they perceive the world around them and express their values differs as well.

Initiating a discussion about the values that guide each generation’s life will not only be enlightening but it will also provide information that can shape subsequent conversations, not necessarily around philanthropy. Some questions you might consider are:

- What do you value most in your life?
- What are you seeking to accomplish with your philanthropy?
- What vehicles and tools do you want to employ to “invest” in the causes and organizations you care about?
- How do you define philanthropic impact and what would success look like to you?

Recognizing the triggers to decisions, and knowing how to involve and invest each generation in decisions can both improve professional relationships and bring families together around common interests. Just as important, it is the next generation that will be taking over businesses, determining the direction of financial investments and they have different approaches to how they integrate work, families, money and philanthropy into their lives, compared with prior generations. Bringing them into the conversation early and understanding what motivates them and what engages them is a valuable and practical skill.

Family dynamics can be complicated. Helping to establish better lines of communication can have a positive ripple effect across the entire spectrum of family interests, including philanthropy, and will serve as an important step in securing the next generation of clients.

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