'What if…' questions

BETSY BRILL HIGHLIGHTS HOW CHANGING LIFE CIRCUMSTANCES CAN BE AN OPPORTUNITY FOR CLIENTS TO REVIEW THEIR PHILANTHROPIC PLANNING

TRIGGER EVENTS IN clients' lives are the perfect time to engage in the charitable planning conversation. When there is a sale of a business, divorce, death or decline in health, the discussion of charitable planning becomes paramount, both as a way to help clients navigate new life circumstances and for tax mitigation reasons. Advisors have a unique opportunity to help clients think strategically about how they want to use their wealth when they are in the midst of, or anticipating, significant change.

The timing of these conversations is critical. In the case of the sale of a business, exploring how charitable giving can afford clients a significant way to mitigate capital gains in advance of formalising the deal is an important step for the client. This is true whether or not the client is charitably inclined.

Sales of privately held businesses are at an all-time high. Many sources claim that we are experiencing a 'silver tsunami'.[1] Baby boomers own 2.34 million privately held businesses, and it is projected that 64 per cent will change ownership in the next ten years.[2,3] Helping clients understand how to use charitable giving as a good business decision is important for advisors to consider. Too often, those conversations take place too late or not at all.

The increase in sales of closely held and family-owned businesses may dominate the business press, but there are other liquidity events (triggers) in people's lives that have as much, if not more, impact on financial planning. The Pew Research Center has determined that the divorce rate has doubled since the 1990s for those aged 50 and older. For the 65+ population, the divorce rate has tripled.[4] And, of course, the largest intergenerational transfer of wealth is underway, with some estimates as to the figure passing hands from one generation to the next reaching USD59 trillion.[5]

Trusted advisors cannot always anticipate when clients will face a trigger event that has the potential to dramatically affect their lives, and the lives of their family, but it is virtually guaranteed that something, whether personal, business- or health-related, will require serious conversation around the disposition of financial resources. This is one of the reasons why it is so important for advisors to have ongoing charitable planning discussions with clients that reach beyond the transactional or technical aspects of their giving. In so doing, advisors deepen client relationships and, because these conversations should include other members of the family on a regular basis, it is a way to begin to secure the next generation of clients. It is also the best way to help a client navigate from lifetime to legacy giving and understand the impact and implications of making financial decisions, including around any charitable gifts, early on. These decisions can always be amended, but you cannot amend something that does not exist.

> 'Advisors have a unique opportunity to help clients think strategically when they are in the midst of, or anticipating, significant change'

BETSY BRILL TEP IS CO-FOUNDER AND PRESIDENT OF STRATEGIC PHILANTHROPY

EXAMPLES OF 'TOO LITTLE, TOO LATE'

A client in his late 80s had both an estate plan and a foundation. When he sold his business late in life, the estate plan called for USD40 million to go into the foundation after his death. However, there was no road map to guide the foundation. Unfortunately, this donor was suffering from severe Alzheimer's and had lost the capacity to make decisions. The bank was the trustee and had no idea how to use the results of this man's life's work to support his charitable intent. With no children, nor any previous articulation about his philanthropic interests or his legacy wishes, it was clear that his advisors had waited too long.

Another client was facing a divorce involving a significant amount of money; she was completely unprepared for this kind of financial responsibility and was clearly overwhelmed. While a family foundation and trusts for the children had been established, she was never aware of the details. This huge shift in life forced her to quickly get up to speed, with the help of her own team of trusted advisors. With more time and financial resources at her disposal, she wanted to focus on her philanthropy, and do so with her children. She now has a plan and necessary protocols for her foundation, and she and her family have begun to educate themselves in philanthropy and wealth management, ensuring they never end up in the same situation again.

As illustrated, life circumstances are constantly changing, and while philanthropy is not the solution to everything, it is certainly an important part of the conversation, particularly for charitably inclined clients. Proactively anticipating the 'what if…' with clients and regularly revisiting this conversation is one of the most important ways advisors can protect their clients.

1 Darren Dahl, 'How North Carolina Can Save Jobs from the Coming Silver Tsunami', *Forbes*, 21 February 2017, bit.ly/2xJKFeD **2** Chris Farrell, 'Boomer Entrepreneurs: Selling their businesses without selling out', *Forbes*, 28 July 2017, bit.ly/2NK68hC **3** Mary Ellen Biery, 'When It's Time to Sell Your Business, Will You Get What You Deserve?', *Forbes*, 29 April 2015, bit.ly/2Dzr1aD **4** Renee Stepler, 'Led by Baby Boomers, Divorce Rates Climb for America's 50+ Population', FactTank (blog), Pew Research Center, 9 March 2017, pewrsr.ch/2mCxUfa **5** John J. Havens and Paul G. Schervish, *A Golden Age of Philanthropy Still Beckons: National wealth transfer and potential for philanthropy technical report*, Center on Wealth and Philanthropy: Boston College, 28 May 2014, p.5, bit.ly/2OTX0Ud