

Strategic
Philanthropy



Charitable Planning Desk Reference[®] for Advisors

5th Edition

INTRODUCTION

The Charitable Planning Desk Reference® for Advisors (CPDR) is a cornerstone of our ongoing effort to provide tools and resources to help advisors work more effectively with clients around their charitable intent. The first edition of the *CPDR* was introduced in 2011. Since then, the *CPDR* has become a valuable asset for advisors, helping them become more comfortable engaging in the charitable conversation with clients. With each new edition, we add or enhance content to reflect changes in the philanthropic sector that advisors should know about and that, we feel add relevance and value to an advisor's practice.

Our heartfelt thanks to the colleagues who graciously contributed their intellectual capital to the fifth edition of the *CPDR*, in particular Kirk Hoopingarner, Attorney at Quarles & Brady, LLP, who has been a thoughtful partner in content development since the beginning and who has annually updated his contributions. This edition also has an expanded conversation about Impact Investing, and it now includes a look at Insurance as a Charitable Giving tool.

You can find the names of authors below their chapter titles in the table of contents and also noted at the end of their chapters. We appreciate the continued interest and partnership with all of these advisors.

So many of you have found *the Charitable Planning Desk Reference® for Advisors* a valuable resource, and we hope this fifth edition will continue to help you more effectively support your clients by

- Engaging them in discussion about their intent, options, and opportunities
- Providing them with a team of professionals and collection of resources to support their lifetime and legacy giving
- Ensuring they know about the responsibilities, opportunities, and personal satisfaction that come with meaningful philanthropy

To our many professional friends and colleagues with whom we work regularly and with whom we share clients, thank you for sharing this journey with us.

THE CHANGING LANDSCAPE OF PHILANTHROPY

Since we introduced the first edition of the CPDR, much has changed. Charitable giving is no longer a sidebar or afterthought in wealth and financial planning or in the media. It is now a more important and topical discussion. Significant shifts in demographics, wealth accumulation, technology, and the construct of services for wealthy families have all had an impact on how philanthropy is practiced and how it is supported. The clients of today and tomorrow seek different kinds of support from their advisors. The focus has shifted to Non-Investment Services (NIS) that respond to diverse interests and expectations. Philanthropy is a key NIS that clients now seek. In fact, according to the 2018 report by State Street Global Advisors, 59% of high-net-worth (HNW) clients reported they were likely to be “significantly more satisfied” with their advisor if they were discussing philanthropy as a part of their planning.¹ Similarly, a U.S. Trust survey found that 89% of HNW clients want to have the philanthropic conversation with their advisors before making a charitable gift.²

One paradigm shift of note is the emergence of Donor Advised Funds (DAF) as an increasingly popular charitable vehicle, challenging the historic leader: private foundations. DAF providers have observed that, in the wake of tax reform, the number of DAFs being created has increased. In 2016, there were 284,965 Donor Advised Fund accounts, compared with 83,275 private foundations. In that same period, “charitable assets in donor advised funds grew by \$7.52 billion in 2016 to \$85.15 billion”.³

Demographics are changing as well. With the largest wealth transfer in history underway, there is greater awareness of where that money is going. Most of the private wealth that changes hands in the coming decades will likely go to women. They already control

¹ State Street Global Advisors, *The Philanthropy Opportunity for Advisors: A Roundtable Discussion*, 2018, <https://us.spdrs.com/docs-education/practice-management/multi-generational-wealth-management/the-philanthropy-opportunity-for-advisors.pdf>

² Bank of America Private Wealth and the Philanthropic Initiative, *The U.S. Trust® Study of the Philanthropic Conversation*, Bank of America, 2015. https://www.bankofamerica.com/content/documents/philanthropic/Philanthropic_Conversation_Full_Report.pdf

³ National Philanthropic Trust, *2017 Donor-Advised Fund Report*, National Philanthropic Trust, 2017, <https://www.nptrust.org/daf-report/>

almost 40% of all investable assets, and many are entering their peak earning years making them significant wealth creators in their own right. Historically, women have been charitable, quietly driving the charitable decisions in their home. Now they are coming to the fore, actively taking charge of their own wealth planning.

Meanwhile, Millennials are also building economic security and wealth, and they stand to inherit substantial funds over the next 20 years as well. Having grown up in the digital age, they truly see themselves as global citizens. Millennials are hands-on donors who expect that their charitable dollars and personal involvement will achieve real-time and meaningful change. They are significant drivers of the growth in the impact investing space as well, and they see this as a very real companion to traditional grantmaking.

These two markets alone are permanently changing both how philanthropy is viewed and how it is discussed. Today, both demographic groups are more vocal leaders and want to make good philanthropic investments that lead to real change.

Another change in the philanthropic landscape is the increasing amount of wealth globally. According to the latest edition of the Credit Suisse's *Global Wealth Report*, global wealth rose at a rate of 6.4%, the fastest pace since 2012.⁴ And with this wealth accumulation, there is also a growing trend toward giving back. The number of individuals who have signed the Giving Pledge has risen from 40 signatories; all based in the US, in 2010 to 175 signatories in 22 different countries as of April 2018. Wealth-X forecasts that the potential pledged value could be as high as \$600 billion by 2022.⁵

Americans contributed over \$410 billion to charities in 2017, representing a 5% increase over 2016, and cross-border giving now exceeds \$22 billion, demonstrating the awareness of how closely connected we all are.⁶

As the demographics of clients change and global wealth increases, so do the opportunities for advisors to adjust their approach and practice. This is an opportunity to be seized, and it is increasingly necessary if advisors are to stay ahead of the curve and remain responsive to clients across generations.

⁴ Credit Suisse Research Institute, *Global Wealth Report 2017*, Credit Suisse Group AG, 2017, <https://www.credit-suisse.com/corporate/en/research/research-institute/global-wealth-report.html>

⁵ Wealth-X, *Billionaire Census 2018*, Wealth-X, 2018, <https://www.wealthx.com/report/the-wealth-x-billionaire-census-2018>

⁶ Giving USA, *Giving USA 2018: The Annual Report on Philanthropy for the Year 2017*, a publication of Giving USA Foundation, 2018, researched and written by the Indiana University Lilly Family School of Philanthropy. Available online at www.givingusa.org.

TABLE OF CONTENTS

WHAT IS SUCCESSFUL PHILANTHROPY?

THE CHARITABLE PLANNING CONVERSATION

FAMILY PHILANTHROPY

LEAVING A PHILANTHROPIC LEGACY

DUE DILIGENCE FOR DONORS

CHARITABLE GIVING VEHICLES

Giving Vehicle Chart

BENEFITS OF CHARITABLE REMAINDER AND LEAD TRUSTS

Kirk A. Hoopingarner
Quarles & Brady LLP

NON-CASH ASSETS

Bryan Clontz
Charitable Solutions, LLC

INSURANCE AND CHARITABLE GIVING

Life Insurance as a Philanthropic Tool

Sanford Schmidt, CFP®, CHFC®, CLU
Schmidt Financial Group

Leveraging Life Insurance

Robert A. Bensman
The Bensman Group

TAX CUTS AND JOBS ACT OF 2017: PROVISIONS AFFECTING CHARITABLE GIVING

Kirk A. Hoopingarner
Quarles & Brady LLP

PHILANTHROPIC STRATEGIES

What is Impact Investing

Benjamin Bingham, CFP®
Scarab Funds

How to Talk About Impact Investing

Program-Related Investments vs. Mission-Related Investments

Jolie M. Howard
Ytterberg Deery Knull LLP

INTERNATIONAL GIVING

Issues in International Charity and Philanthropy

Alana Petraske
Withers LLP, London

Legal Fundamentals of International Grantmaking

Janice E. Rodgers and Amanda Blaising
Quarles & Brady LLP

GLOSSARY OF TERMS

RESOURCES