

# The DuPage Community Foundation

*www.dcfdn.org*

## The Professional Advisor's Role in Philanthropy

Asking a client about philanthropy may seem daunting, but it is an important part of providing complete financial planning and professional advice to your clients. For a host of reasons, an informed advisor should be prepared to talk with clients about their charitable intentions. In addition:

- Many clients are already in the habit of supporting charities.
- For clients with substantial estates, minimizing or eliminating estate taxes is difficult to do without some charitable planning.
- Philanthropy can help resolve many personal issues that are deeply important to clients.

Beyond its practical uses, philanthropy can help clients answer questions such as:

- How can I ensure that the world is better for my having been here?
- How can I raise children with good values?
- How can I balance the moral demands of my conscience or religious beliefs with my material wealth?

Many professional advisors find that assisting clients in this area is personally rewarding as well, because they struggle with the same issues.

### **Why Talk About Philanthropy?**

**It's good for your business, your clients, and the community.** If you're like many professional advisors, you've hesitated to raise the subject of philanthropy with your clients. But research shows that people are eager to learn more about charitable giving from their professional advisors. In other words, if you make an effort to become better informed about the pivotal role philanthropy can play in estate planning, your clients will thank you.

Working with The DuPage Community Foundation and other not-for-profits can also bring you into contact with local community leaders and may result in new business opportunities. Besides, helping your clients touch someone else's life through philanthropy is a good feeling.

## **Expanding Client Services & Improving Client Retention**

Increasingly, becoming an effective and satisfied donor is an important objective of many individuals and families. The professional advisor who wishes to effectively counsel his or her client not only has the opportunity to enrich that relationship by becoming conversant with the ways and means of philanthropy, but arguably has an ethical duty to do so. And recent research into advisor practice around philanthropy indicates that advisors who are able and willing to engage their clients around philanthropy enjoy both their clients' respect and loyalty.

By becoming informed about and skilled at working with your clients to achieve their philanthropic potential, you, the professional advisor, stand to:

- Expand the range of services you offer your clients
- Distinguish yourself from your competition
- Build client satisfaction and loyalty
- Increase the likelihood of a long-term relationship with your client
- Elevate the potential for client referrals

## **When Do I Bring It Up?**

Each change in your clients' financial or family circumstances can be an opportunity to talk about philanthropy. By creating a charitable fund or trust, you can help your clients avoid capital gains taxes, leave more of their estate to their children, and benefit the community.

Following are just a few situations that might present a charitable opportunity:

- Creating an estate plan
- Approaching retirement
- Disposing of long-term capital gain property
- Minimizing the tax impact of a financial windfall
- Ownership transitions in closely-held companies
- Managing an inheritance

## **Asking About Charity**

Some professional advisors hesitate to ask clients about charitable giving because of a number of misperceptions:

- "Asking the question is too intrusive. It's none of my business."
- "I might damage the relationship if I ask."
- "I don't know enough about philanthropy to start the conversation."
- "I would have to 'sell' the client on a particular charity."
- "My client won't be interested unless there are large tax savings."
- "A charitable gift will interfere with my client's goal of providing for his family."

But recent studies of donors and their professional advisors by The Philanthropic Initiative of Boston, as well as charities' extensive experience with donors, have shown just the opposite:

- Clients want help with their philanthropy and wish their advisors knew more.
- Good charitable advice strengthens the client relationship by providing better service to the client and generating greater client loyalty.
- Clients expect referrals to experts in charity, just as they would with other specialties like accounting or law.
- When considering charitable gifts, clients are generally cause-driven first, tax-driven second (although men are more motivated by tax savings than women, and tax savings do affect the size of gifts).
- High-quality charitable planning can meet multiple goals, and can result in a larger benefit to family members.

### **Clients Likely To Be Interested**

To an experienced professional advisor, many common client situations are appropriate for raising the charitable question. Beyond the obvious indicators of the financial capacity to make a gift, here are a few situations for which to watch.

- **Philanthropic Interests**
  - Your client has contributed regularly to charity through annual giving.
  - A particular charity, such as a hospital or university, has had a significant positive impact on your client or a family member.
  - A particular issue, such as homelessness, has had a significant impact on your client or a family member.
  - Your client gives regularly to his or her church, temple, or other house of worship.
- **Family Circumstances**
  - Your client is unmarried.
  - Your client does not have any children.
  - Your client has children who are financially independent adults.
  - Your client would like to memorialize a loved one, such as a deceased child.
  - Your client is recently divorced and is looking for new interests.
- **Concern for Self or Others**
  - Your client wants to provide a steady source of income for himself or herself or a family member.
  - Your client expresses concern about "ruining" his children with too large an inheritance.
  - Your client is philanthropic and wants to teach other family members about philanthropy.

- **Financial Circumstances**
  - Your client has low-basis capital gain assets that have increased greatly in value.
  - Your client is concerned about personal assets that are generating little or no income.
  - Your client experiences a financial windfall, such as a bonus, late in the tax year.
  - Your client holds a significant amount of assets in a retirement account.
  - Your client owns a small business that he or she would like to pass to children.
  - Your client's wealth is self-made.
- **Property Sales**
  - Your client is seeking to sell appreciated property.
  - Your client has real estate that produces little or no income.
  - Your client is considering taking a closely held company public.
- **Personal Beliefs**
  - Your client is interested in channeling money away from the government through taxes and putting it to another use that better reflects his or her values.
  - Your client feels an obligation to repay society or the community for the benefits he or she has received.
  - Your client struggles with his or her conscience over issues related to wealth.
  - Your client has strong religious beliefs.

### **Ways To Start The Conversation**

There is no single, "right" way to raise the charitable question with clients. And if the client does not respond, or responds unfavorably, the advisor can simply drop the matter.

To ensure that you are meeting your clients' philanthropic interests, consider incorporating some of the questions listed below in your normal planning with clients:

- Do you currently support any charitable organizations, including your [church, temple, other house of worship, or alma mater] either by volunteering or by giving financially?
- Are you interested in supporting those organizations in any way after your death?
- Have you ever thought about what kind of personal legacy you want to leave?

*[If a client responds to a question about charitable giving with a statement of intention such as "No, I want to leave everything to my kids."]:*

- If there were a way to significantly reduce your income or estate taxes that involved a charitable gift, would you be interested in hearing more about that?
- If there were a way to leave more to your family by making a charitable gift, would you be interested in hearing more about that?
- Do you think your kids would mind if you left 5% of your estate to charity? Would your answer be any different if your kids could be involved in some way?
- How much money do you think a parent can leave to a child without harming the child's future? Two million dollars? Five million dollars? If your estate proves larger than that, would you want to consider a charitable gift with the excess?
- What if your spouse and children do not survive you? What would you want to do then? Would you prefer to have all or part of your assets pass to charity rather than to distant family members?
- Would you consider arranging for your retirement accounts to pass to charity as a tax-planning strategy?

*[If client responds to a question about charitable giving with a statement such as "I haven't done much before, and I just don't know where to start now."]*

- If someone with expertise in this area could help you identify some charities that are worthy of your support, would you be interested in exploring a charitable gift?
- If you had to give away \$100,000 by the end of today, is there any group of people, such as needy children, that you would want to help?
- What cause would you like to be known for caring about and supporting?

### **What If I Don't Have Answers To My Client's Philanthropy Questions?**

**Don't worry. We're here to help.** The DuPage Community Foundation offers a variety of support -- from on-line answers to group presentations and personal, customized, and confidential service -- to help you help your clients get the most from their charitable giving. Give us a call us to discuss your client's situation.

### **We're A "One-Stop Shop"**

Executing a smart charitable plan that will meet the unique needs and objectives of each and every client can be tricky -- not to mention time consuming. That's where The DuPage Community Foundation can help. We have an outstanding reputation for integrity and service to donors. Working with us is easy for you, because we're a one-stop shop for philanthropy. Fortune 500 CEOs, moderate- to high-net-worth clients, and small business owners can all benefit from our many fund options. In addition, we have the expertise to invest principal wisely and disburse assets in accord with your client's charitable vision.