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4 Common Mistakes In Charitable Giving Conversations

Philanthropy is important and meaningful to your wealthy clients, not simply as a smart tax strategy but as a way to invest in their families, their communities and their futures. By offering counsel to your clients about their charitable giving, you find opportunities to know them on a deeper, more meaningful level. **The first step is to gain an understanding about their goals, priorities and challenges. You also want to make sure to avoid these four common mistakes when starting conversations about charitable giving with them.**

1. Leading With Tax Benefits

Wealth advisors sometimes assume that when a client asks for philanthropic advice, they're primarily interested in tax savings. But what really interests your clients about philanthropy—and what they want from you—may have nothing to do with money. That means you should keep an open mind. Rather than start with the tax details, start with probing questions that uncover your clients' most important and personal charitable objectives. For example, first ask them about their current giving to get a baseline on where they are focused and what their charitable budget is. Their answers will likely shed light on their passions, interests and frustrations, and show where creative philanthropy can help. By opening up this type of dialogue, you start a more fruitful discussion that can encompass, but not be limited to, any tax advantages that would be realized with the giving plan.

2. Waiting For The Giving Season

If you're only discussing philanthropy during the last few months of the calendar year, you may be missing an opportunity to provide more value to your clients. Yes, giving typically peaks during the year's end, but starting the conversation earlier gives clients more time to plan. Discussing charitable giving early and often can help improve your overall relationship with your clients as the frequency of your interactions accelerates and the range of subjects you cover becomes more diverse. The outcomes for nonprofit organizations may improve, too. Philanthropists usually have an idea of where they would like to deploy their dollars for the year, but when crises occur (such as earthquakes in Turkey and Syria, storms like Hurricane Ian and conflicts like those between Russia and Ukraine), your clients may want to pivot quickly to support those who need immediate assistance. It can be challenging to provide crucial ongoing support beyond the immediate aftermath of a sudden event. But with advanced planning and regular conversations, you can help clients strategically reserve and allocate dollars to respond more effectively.

3. Overlooking The Value Of Specialist Experts

When clients have complex needs, or when their philanthropy requires a substantial investment, it may make sense to confer with a charitable giving specialist. These experts can provide helpful benchmarks and illuminate trends to shape your clients' decisions; they can offer technical guidance for vehicles and tax considerations; and they can give you and your clients access to a broader network of philanthropic advisors. These skills will improve your clients' experience and reflect well on your practice in a variety of ways. Even clients who have had foundations, charitable trusts or donor-advised funds in place for years may have concerns and challenges that need attention and support. In particular, an experienced philanthropic consultant can offer support and insights to clients who want to increase the funding in a charitable vehicle, engage younger generations in making charitable gifts or address succession issues within a foundation's board.

4. Leaving The Dots Unconnected

When clients come to you for charitable giving support, it signals two important things—they trust you and expect to benefit from having more centralized oversight over a larger piece of their portfolio. They're giving you the opportunity to look across their investment accounts, estate plan, tax strategies, insurance policies, budgets and other areas to ensure there is alignment and efficiency wherever possible. When asked, you can point out any opportunities they might have to strengthen their portfolios, reduce their fees, increase their tax deductions or simply eliminate redundancies. You will thus get them better results and help them better understand how all the different pieces of their financial plan work together. But if you think only about charitable planning in isolation, that's a missed opportunity for both you and your clients.

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