FOUNDATIONSOURCE

The Advisors Guide to Charitable Conversations with Clients

PRODUCTIVE CLIENT CONVERSATIONS AROUND PHILANTHROPY

WEALTH ADVISORS KNOW THAT HIGH-NET-WORTH CLIENTS TYPICALLY LOOK TO THEM FOR GUIDANCE AROUND THEIR CHARITABLE GIVING. THAT'S WHY CONVERSATIONS AROUND PHILANTHROPY ARE BECOMING INCREASINGLY COMMONPLACE— ESPECIALLY DURING YEAR-END CLIENT MEETINGS. HOWEVER, THERE'S A BIG DIFFERENCE BETWEEN "HAVING A CONVERSATION" AND HAVING A PRODUCTIVE CONVERSATION.

Our experience managing more than 2,000 private foundation clients suggests that when it comes to advising their philanthropic clients, there are *three distinct traps* for the unwary advisor:

Sticking to Dollars and Cents

Wealth advisors sometimes assume that when a client asks for philanthropic advice, they're primarily interested in tax savings (income tax reduction, sheltering capital gains, avoiding estate taxes, etc.). But what really interests your clients about philanthropy—and what they want from you—may have nothing to do with money. Your clients may want guidance to accomplish their most important and personal charitable objectives.

Making It Seasonal

If you're only discussing philanthropy during pumpkin-spice latte season, you may not be doing it at the right time or with sufficient frequency. Yes, interest in philanthropic giving typically peaks during year-end, but some clients want to discuss giving earlier in the year when there's more time to plan. And many clients want to discuss their charitable giving with you on a regular basis—not just at a year-end meeting.

Going It Alone

When clients have complex needs, or their philanthropy represents a substantial investment, it makes sense to confer with a specialist in charitable vehicles. A recent Foundation Source survey revealed that advisors may have misplaced confidence in their knowledge of private foundations and donor-advised funds, which could affect the quality of their counsel.

To help you serve your clients, this guide offers specific suggestions for discussing charitable giving with clients who:

- are just beginning to consider their needs
- are actively comparing charitable vehicles
- have established private foundations

Philanthropy is important and meaningful to your clients, not simply as a smart tax strategy, but as a way to invest in the family, the community, and the future.

Whether or not your clients have a formal giving vehicle (or have even begun to contemplate the need for one), the following sets of questions will help you understand their goals, priorities, and challenges.

/ IF YOU'RE NOT COUNSELING YOUR CLIENTS AROUND THEIR PHILANTHROPY, YOU COULD BE MISSING AN OPPORTUNITY TO GET TO KNOW THEM ON A DEEPER, MORE MEANINGFUL LEVEL /

Understanding Client Motivations

Although wealth advisors are accustomed to discussing the tax savings or estate planning aspects of charitable giving, clients typically approach the topic from a personal perspective. Their primary motivations may include establishing a permanent legacy, uniting their family through shared philanthropic activity, and/or giving back to the community where they made their wealth. You might therefore approach the subject by asking what they'd like to achieve with their philanthropy rather than starting the conversation with a technical presentation.

After you've opened this dialogue, the following questions can help determine whether your client's philanthropic aspirations merit a more in-depth discussion of the available options.

CLIENT CHECKLIST

- How important is charitable giving to you at this point in your life?
- Are there issues or problems facing society that have also touched your family?
- Are there personal goals that you've set for yourself that philanthropic giving could accomplish?
- What causes or organizations do you currently support and why?
- Are there charitable causes or specific organizations that you would like to support but haven't had the opportunity or time?
- How would you like to be remembered? What kind of legacy do you want to leave?
- Do you want to engage your family in your philanthropy, or do you envision it as more of a solo project?

> "My father used to say, 'You can spend a lot of time making money. The tough time comes when you have to give it away properly.' How to give something back, that's the tough part in life."
>
> LEE IACOCCA

Assisting Clients Who Are Actively Considering a Charitable Vehicle

At a certain level of wealth, clients are ready to move from checkbook philanthropy to a more formal giving vehicle. Not only does a giving vehicle provide a more organized and formal platform from which to conduct their giving, but it also provides important tax-planning benefits. The following questions will help you assess your client's current and prospective needs, and enable you to determine which charitable vehicle might be the best fit.

CLIENT CHECKLIST

- What motivates you to establish a charitable vehicle?
- Are you considering a particular charitable vehicle?
- How important is control over your investments? Over grant decisions?
- Are you planning to include your family in your philanthropy?
- Will you want to go beyond traditional gifting to other forms of support, such as loans, international giving, scholarships, awards, and donations made directly to individuals and families in need?
- Is anonymity a must-have? For some donations? All donations?
- Do you want to be able to reimburse charitable expenses?
- How would you like to fund your charitable vehicle, both initially and in the future? What level of funds would you like to start with?
- Would you like to hire staff or compensate family members for their philanthropic work?
- How long do you want your philanthropic legacy to continue? Do you want your family to retain control over your charitable assets in perpetuity?
- Do you want to run your own charitable programs (e.g., winter coat drive, school supply backpacks)?
- Are you planning any major gifts or multi-year commitments that might require a formal agreement with the grantee?
- What types of assets do you plan to donate? Do you have highly appreciated personal property or real estate that you would like to contribute?
- Will your initial choice of charitable vehicle be an irrevocable decision? Might future events inspire you to change your mind and move funds from this charitable vehicle to another?

ALTHOUGH THE FUNDS IN A PRIVATE FOUNDATION CAN ALWAYS BE TRANSFERRED TO A DONOR-ADVISED FUND, IT IS ALL BUT IMPOSSIBLE TO CONVERT A DONOR-ADVISED FUND INTO A PRIVATE FOUNDATION

Supporting Clients with Established Private Foundations

Clients with established private foundations might appear to have no further need for counsel around their philanthropic needs. Appearances, however, can be deceiving. Even clients who have had their foundations up and running for years may have concerns and challenges that you could help address. By asking the following questions around what's working well and what's not as satisfactory, you can engage your clients around their foundations and assess their needs.

CLIENT CHECKLIST

- What motivated you to start your foundation? To what extent is the foundation living up to your original vision?
- How do you currently administer your foundation? Which parts of running a foundation go easily and which are more onerous or time-consuming?
- How much time do you spend on foundation administration? Can you keep up with everything that needs to be done?
- When you need guidance or have a question, to whom do you turn to talk about funding, compliance, mission, governance, and grantmaking?
- What measures have you taken to minimize the risk of compliance issues and their potential for reputational harm?
- How does your family engage with your foundation? To what degree would you like them to be more involved?
- Are you satisfied with the results you're getting from your grantmaking?
- Do you feel like you're making a real difference?
- What are the ways in which you see your foundation changing in the next five years? Do you anticipate any of the following events?
  - Change of foundation leadership (e.g., next generation)
  - Influx of assets to endowment from sale of business or inheritance
  - Retirement of trusted advisor or key staff member
  - Geographic dispersion of family members
- How do you connect with other like-minded funders and stay on top of trends and best practices in philanthropy? Would you like to network with other foundations like yours?

Why Foundation Source?

WE'RE HERE TO HELP

Should any of these questions reveal a need for more information, your partners at Foundation Source, the private foundation specialists, will provide the expertise for you to confidently advise your clients and prospects in the area of philanthropic giving. Our services become the perfect complement to your core practice, enabling you to offer your clients the support they need to accomplish their philanthropic goals. And if any of the responses to these questions suggest a need for support, we will help you tailor a comprehensive solution for you to present.

Let us help you compete and excel in the philanthropic marketplace.

Technology

AMPLIFY YOUR IMPACT

Our tech platform was built with one thing in mind: more effective philanthropy.

- MDR Tracking
- Streamlined Grant Workflows
- Extensive Reporting

Expertise

YOUR PARTNER IN GIVING

Let us join you on your philanthropic journey with the experience and tools you need to reach your goals.

- Tax and Legal Specialists
- Philanthropy Advisory
- Advanced Grantmaking Support

Administration

MODERN PHILANTHROPHY STARTS HERE

Our tech-enabled solutions make giving – and having a foundation – easier.

- Grant and Expense Processing
- Compliance Monitoring
- Tax Preparation and Filing

ABOUT FOUNDATION SOURCE

Foundation Source **empowers people and companies to create a better world** through philanthropy. As the nation's largest provider of foundation management services, we're a trusted source for philanthropic expertise. We invest in industry-leading technology for private foundations and offer a configurable suite of administrative, compliance, tax and advisory solutions that meet you where you are in your philanthropic journey.

For more than two decades, we've worked with individuals, families, boards and professional advisors to preserve legacies and make giving easier. Today we are proud to support **more than 2,000 unique foundations** and have facilitated over **$10 billion in charitable aid.** With a 98% retention rate, we are honored to have earned the trust and loyalty of our clients.

HAVE A QUESTION?

Call 800.839.0054 or send us an email at info@foundationsource.com.

www.foundationsource.com

FOUNDATION**SOURCE**