

How to Help Families Make the Most of Their Philanthropy



Philanthropy is much more than making donations—it’s an effective way of sharing values across generations and illustrating personal and family interests, passions and creativity.

And when charitable clients have the tools to align their philanthropic, wealth management and legacy-planning objectives, it can enhance their giving while helping forge the multigenerational connections needed to ensure dynastic wealth.

Research conducted with family offices and financially successful families over the past two decades has uncovered some meaningful trends that (1) collectively provide historical context for the issues facing today’s philanthropic families and (2) present several opportunities for advisors to better serve and engage with their most valuable clients.

Early Findings /

The 2004 book, *Inside the Family Office: Managing the Fortunes of the Exceptionally Wealthy*, written by Russ Alan Prince and Hannah Shaw Grove, Foundation Source’s Chief Marketing Officer, indicated that many families had adopted an increasingly holistic approach to managing their affairs, creating numerous points of intersection among the various parts of their portfolio as they sought to achieve a range of investment, risk management, tax mitigation and philanthropic goals. However, many family offices felt there was room for improvement in the way philanthropy was conducted, as it did not fully reflect the personal interests and intent of the underlying family members.

Prince and Grove’s 2010 book, *The Family Office: Advising the Financial Elite*, revealed that as the leadership of the family moved from one generation to the next, they were likely to use the transition as an opportunity to tighten the focus of operations and streamline expenses within their family offices. Most commonly, this meant retaining investment management and related services in-house while outsourcing non-core services, such as philanthropic advisory and charitable planning. In many cases, the families still wanted and needed support for the outsourced activities but expected to rely on a carefully curated network of specialists rather than building that infrastructure within the family office.

The 2014 book, *Taking the Reins: Insights into the World of Ultra-Wealthy Inheritors*, by Prince and co-authors Jared Dubey, Richard J. Flynn, and Brett Van Bortel, explained that rising generations (those who were not yet controlling wealth but actively assuming larger and more influential roles within their family) were keen to use their resources to tackle key social and environmental issues but readily acknowledged some gaps in their own skills and experience. As such, there was high interest in learning more, meeting like-minded people, and getting more involved to improve philanthropic activities and outcomes.

New Discoveries /

Six years later, there is new research from two generations of family members with family offices that illustrates a natural evolution of the above-mentioned trends and shows that philanthropy remains an important but potentially undermanaged component of the family agenda due in part to diverging generational views.

In contrast to the founding generation, who are typically focused on wealth creation, inheritors are proportionately more involved in philanthropic endeavors and expect to have even greater involvement in the future (Exhibits 1 and 2).

Exhibit 1: Very or Extremely Involved in Philanthropy

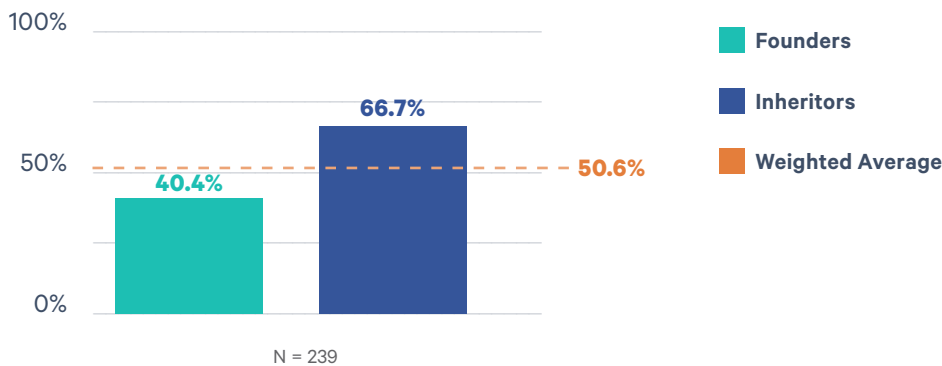
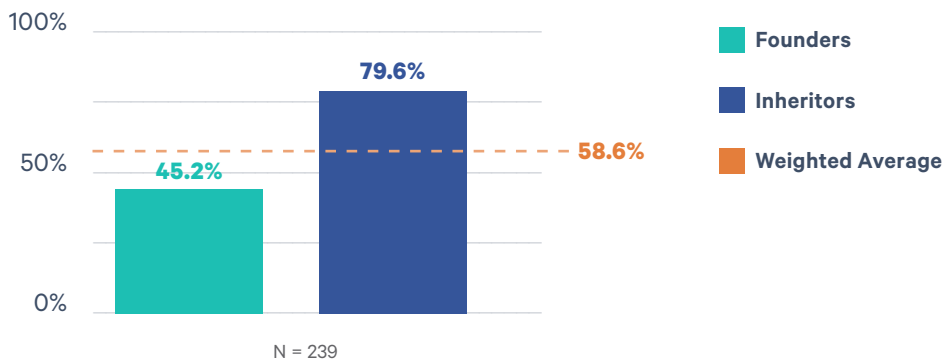


Exhibit 2: Greater Involvement in Philanthropy in the Future



For all generations in a family office, the core motivation is helping others but founders are more likely to see philanthropy as a way to build a personal legacy while inheritors see it as a mechanism for benefiting society (Exhibit 3).

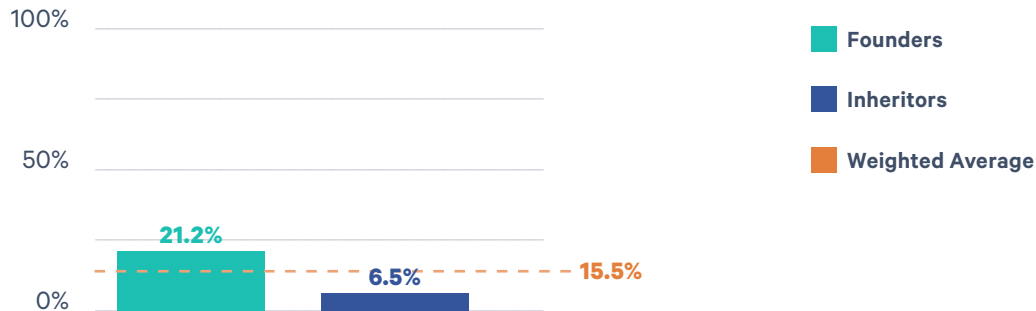
Exhibit 3: Motivations For Charitable Giving

Motivations	Founders	Inheritors	Weighted Average
Caring	96.6%	98.4%	97.5%
Legacy	81.4%	46.8%	63.6%
Influence	40.7%	61.3%	51.2%

N = 121

And, lastly, relatively few members of either generation have worked with outside experts like philanthropic advisors or private client attorneys to help formulate and execute their charitable agenda. This last point demonstrates that there is still room to enhance and possibly institutionalize the structure and process of their philanthropic activities (Exhibit 4).

Exhibit 4: Have Engaged Philanthropic Advisors



N = 239

Being charitable is an important consideration for many wealth creators and inheritors, but in many family offices, the support mechanisms for philanthropy are no longer part of the core operating infrastructure. And, as younger family members assume more prominent roles setting the direction for the family’s wealth management, there is wider acknowledgment that they need professional guidance and a peer network to synchronize the overarching priorities of the family and its charitable activities and ensure that philanthropic assets are deployed in ways that will deliver maximum impact.

Key Opportunities for Advisors /

These findings translate into several opportunities for advisors to better support their charitably inclined clients:

- Expand the client discovery process to include a discussion of charitable goals, which can help uncover unspoken aspirations and interests.
- Address philanthropy as part of the financial plan (and investment policy, as appropriate), which can lead to multi-dimensional relationships and new pools of assets.
- Help clients evaluate charitable vehicles based on their giving style and long-term objectives.
- Create client connections within your practice, and more broadly within your community, that will bring like-minded people together to learn and collaborate.
- Source technical expertise that will help your clients advance their philanthropic missions and provide a complementary perspective to yours, delivering a more complete service experience.
- Check in periodically with clients to diversify your conversations, evolve your relationship, and demonstrate the link between their financial plans and the realization of personal passions.

If you're ready to deepen the relationships with your most charitably inclined clients and set your practice apart from the crowd, consider discussing these findings with them.

About the Data

Unless another source is provided, the data in this report was compiled in conjunction with R.A. Prince & Associates, Inc., a specialty research and consulting firm known for building one of the largest, most comprehensive databases on the topic of private wealth and publishing a body of work representing the most complete empirical analyses on the same subject.

HAVE A QUESTION?

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