

KEY TAKEAWAYS

Philanthropic Planning: How a Focus on Philanthropy Can Help Grow an Advisory Practice



OPTIMIZE YOUR OFFERING

In giving their clients superior service, financial advisors focus on all phases of each client's wealth trajectory. Yet many overlook the role that charitable giving can play. Philanthropy provides advisors an opportunity to talk to clients about the things that matter most to them—their values. It also informs other aspects of clients' overall wealth management plans and can more fully capture the totality of their interests and ideals.

Philanthropy helps advisors understand client legacy goals and family values in a way that's proactive. With the **largest generational wealth transfer** on the horizon, it's smart to connect with the next generation and head off a potential asset flight in the future. By engaging this way, advisors can deepen relationships and increase wallet share.

Recently, **Elizabeth Wong, national director of philanthropic advisory services at Foundation Source**, and **Julia Reed, national director of charitable consulting for Schwab Charitable**, presented a webinar about how philanthropy can fit seamlessly into a wealth management practice.

Here are some tips from Elizabeth for advisors to use when engaging clients around philanthropy.

Incorporate Philanthropy into Wealth Management /

While advisors are eager to introduce a variety of topics to their clients, charitable giving isn't always one of them. But if you are not talking about philanthropy with your clients, someone else is. And doing so positions you as a professional who can address the entirety of your clients' financial needs.

Put charitable giving in the context of other wealth planning tools like insurance or estate planning. Leading with purpose gives clients a framework to think about what they want to accomplish with their resources both in their families and communities.

Advisors can use also periods of transition to introduce charitable giving, such as when clients are selling a business or retiring. Foundation Source recently worked with a family that had a foundation, although it wasn't a front-burner issue for them. That changed when they sold the successful business they had been running for 25 years. We showed them how the foundation could be a receptacle for assets from the sale and an opportunity to redefine and re-orient around their purpose. The foundation has since grown tenfold.

The tax benefits of philanthropy can also be a motivating factor for some clients, although it may not resonate with all.

Start the Conversation

Conversations about charitable giving can be hard if they haven't traditionally been part of your service offering. Try these suggestions to find a natural entry point:

- Start by asking clients what they're already doing philanthropically to identify areas of interest. Sometimes clients don't equate giving to their children's school, alma mater, church, or synagogue as philanthropy.
- Ask about issues that matter to clients and their families. Use our [Family Philanthropy Checklist](#) to engage the entire family around charitable giving.
- Introduce giving when discussing their overall wealth management plan.

Consider the Different Charitable Vehicles

Clients have [several options to consider](#) when thinking about how to fund their philanthropic work.

- **Donor-advised funds (DAF):** These allow clients to build an account for charitable giving that they can distribute to charities over time. Donations to a DAF allow clients to take current-year tax deductions, although they can make donations at a later date.
- **Private foundations:** A private foundation gives clients control and flexibility in their giving and can exist in perpetuity, helping them to pass on their legacy. Foundations enjoy tax-exempt status if they meet certain state and federal requirements.
- **Charitable trusts:** For gifts that will happen after a client's lifetime, trusts can help ensure that the assets will be passed down and eventually deployed in the way your clients intend.

Many clients choose to use more than one vehicle depending on what they want to accomplish.

Maximize Impact Through Private Foundations /

Your clients may understand the basics of grantmaking and how private foundations work. However, they may not be aware that foundations offer them flexibility around their wealth management goals, too, including the option of having their advisors manage the endowment assets in concert with their taxable portfolio. What's more, clients have the option to take advantage of some **under-utilized strategies** to maximize their impact even more. They may be excited to learn about the full range of possibilities, including:

- **Direct charitable activities:** A foundation can carry out its own programs directly, such as running a museum, restoring an historically significant building or monument, or operating a camp.
- **Program-related investments:** Foundations can make loans to public charities at below-market rates to help them expand what they do and invest in for-profit ventures that align with the foundation's mission. PRI dollars are generally recovered in part or in whole, and may even earn some return for the foundation.
- **Scholarships, prizes, and grants to individuals.** Private foundations can provide aid to individuals or families directly in response to hardships or emergencies. In addition, foundations can provide scholarships and prizes to individuals in acknowledgment of academic achievement or to encourage the pursuit of a specific academic aim.

Educate Yourself on Philanthropy /

Once you help clients make giving a part of their overall financial and estate plans, you may need help and resources to learn about the many issues charitably-minded clients could encounter. Seek out experts to educate yourself on the range of tools and support that are available.

For example, experts can help you figure out the available technology and financial tactics that you can take to clients to make their philanthropy more effective. A specialty provider like Foundation Source has the domain expertise and dedicated staff to advise you on complex transactions like privately held assets, giving greater depth to your wealth management work.

Connect Clients with the Right Resources /

To give clients the best experience with their charitable giving, consider adding subject matter experts, like those at Foundation Source, to your bench of resources alongside other professionals such as attorneys and accountants. As clients move through their philanthropic journeys, they will need integrated technology as well as legal, tax, philanthropic advisory, and advanced grantmaking strategies. Being able to direct them to relevant resources is at the heart of holistic financial planning.

Foundation Source can help set up private foundations or take on the administration of existing ones. In particular, we can provide guidance in these areas:

- **Proposals:** Foundation Source can help create the documents that fully describe foundation goals and how charities should deploy grant funding when offered. We recently worked with a client who was excited to use their resources for the public good by making grants. However, they didn't know where to start. Foundation Source offered step-by-step guidance and helped them develop clear grantmaking guidelines.
- **Grant agreements:** Foundation Source can assist in articulating the commitment the foundation is making to a public charity and what the public charity is committing to. Another Foundation Source client was an expert in her field, but she was new to philanthropy and didn't know how to go about communicating her goals to her grantee partner. Foundation Source worked closely with her to develop an effective grant program with robust proposal descriptions about the work that would be funded.
- **Site visits or grant reports:** Continue the dialogue with the public charity or the grantee partner on how the work is going, what could be changed, and how to achieve the greatest impact. Foundation Source can help facilitate this communication after funding has taken place and create online systems to keep them organized.
- **Governance and board management:** Our robust governance tools enable board members to be more effective.
- **Technology platforms:** Our foundation management software supports every aspect of a foundation's operations and makes it easy for family members, staff, and board members to see a unified view of activity.

To hear additional insights from Elizabeth, [listen to the full webinar](#).

HAVE A QUESTION?

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

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