

WEBINAR

The Philanthropy Advantage:

7 Ways Charitable Planning Can Elevate Your Practice



Philanthropy is far more than a niche topic limited to year-end tax discussions —it’s a way for your clients to express their values, which can help with all aspects of their financial planning, from legacy building to wealth transfer to family engagement. In a recent Foundation Source webinar, our experts **Jessica Donahue** and **Justin Murphy** shared seven practical ways that integrating philanthropy services throughout the year can strengthen and distinguish your advisory practice. Highlights of their presentation follow below.



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Why should financial advisors discuss philanthropy and charitable planning with clients?

It’s a really important and timely discussion because it’s a way for you to capture new assets under management. It’s also a topic that almost every high-net-worth and ultra-high-net-worth individual is interested in. If you start by discussing these **seven key areas of philanthropy** with your clients, it will lead to prospect conversations that you maybe didn’t have before.

#1 High-Net-Worth Expectations

When is the best time to discuss charitable planning with clients?

While fourth quarter is a great time, from a bigger picture, the answer is early and often. We know from research that most individuals are charitable in some form or fashion, even if they don't yet consider themselves as "philanthropists." As an advisor, you can help your clients view themselves as such or even just generous. They may not be able to see the overall picture of their giving patterns. For example, a client who described themselves as "not philanthropic" then proceeded to tell me how they allocate one of their rental properties to a domestic violence organization. So, it really may not be the way they see themselves, even if it's the truth.

To help clients gauge their giving, you can ask questions like: How much are they giving to whom and through what vehicles? Are they giving on their own or do they want to involve their families and friends? Are they fundraising for a certain cause?

Why do people engage in philanthropy?

There are three very meaningful and important reasons that people typically engage in philanthropy. They're looking to:

- 1) **Bring their families together** around values that span generations
- 2) **Make a difference** for others
- 3) **Build a lasting legacy**

Typically your client is going to be impacted by some combination of these three reasons.

From an advisor perspective, though, it's really the **growth in charitable vehicles** that's going to solidify your role in this conversation. So it's up to you to optimize what works best for your client to help them achieve their giving goals.

Which charitable vehicles should advisors be able to discuss with high-net-worth clients?

The vehicles you're going to see most commonly are **private foundations, donor-advised funds (DAFs), which may be one of the big institutional DAFs or a community foundation, and charitable trusts**—either a charitable lead trust or a charitable remainder trust.

When you open a **DAF**, you're really opening an account at a public charity. You're making an irrevocable gift to this public charity, which is your DAF service provider. And then you are advising (not directing) as to the ultimate recipient of those funds.

In contrast, a **private foundation** is an independent legal entity wholly under the control of the donor and the board of directors. When you contribute to a private foundation, you are contributing to a charitable vehicle with an irrevocable gift. So, once that money goes in, it stays in. The donor makes all of the decisions about investments, gifting and legacy. It really creates an opportunity of more control for the donor.

A **charitable lead trust** and **charitable remainder trust** are both split interest vehicles. Part of them goes to charity and part creates an income stream either back to the donor or to another beneficiary.

Most of the clients we work with have some combination of these three vehicles, with the most common pairing being a private foundation and a donor-advised fund. But there are lots of donors who choose to have a charitable remainder trust with the remainder then going into a private foundation or DAF.

As advisors, knowing the basics and who to call to explain the specifics, such as a philanthropy expert, can be helpful.

Doesn't starting a private foundation require at least \$10 million?

The median private foundation in the United States has assets of just under \$1 million. That makes a private foundation a viable option for more donors than you would think. When clients initiate a conversation around philanthropy, many advisors default to a donor-advised fund—but if you don't come away with anything else from this presentation, you should be prepared to offer your client options when they start to talk about philanthropy.

#2 Underserved Opportunity for Advisors

Do most advisors provide philanthropy guidance to their clients?

According to research published by Charities Aid Foundation America (CAF), about 21% of advisors recognize a direct link between winning business and offering philanthropic services and advice. It's a trend that's expected to grow as the demand for these services increases. Advisors who are confident in their philanthropic expertise, according to the statistics, are two and a half times more likely to work with ultra-high-net-worth individuals than those who lack that confidence in this particular area.

This same CAF America study also says advisors lack the confidence because they know they're not the experts. You don't have to be the expert, though. Simply know the basics and know who to call to get more information.

What are advisors risking by not discussing philanthropy with their clients?

Really, it's everything. You never know what kind of floodgates are going to open by discussing these topics with your clients and prospects. For example, my first client at Foundation Source was a young attorney who wanted to set up a charitable vehicle in honor of her parents and eventually have her daughter manage it. She had less than a million dollars to work with. Her financial advisor only knew about donor-advised funds and was really pushing her to set one up—but doing so wouldn't meet the needs of what she was trying to

accomplish. Luckily she found Foundation Source. We helped her set up a smaller foundation and she couldn't be happier.

As another example, someone with a \$300 million foundation approached Foundation Source because their financial advisor didn't focus on charitable giving. As an advisor, you need to at least be able to discuss the different options between the vehicles and broach the subject with clients. They're looking for that sort of knowledge, and if you're not giving it to them, someone else will. And philanthropy experts can help. We partner with advisors to help provide more specialized guidance when needed.

As an example of how we can help you grow your practice, a lot of advisors come to us when they have a prospect with a private foundation. We don't charge for the service, but we'll review the prospect's foundation tax form (the 990-PF) and inevitably, we'll find something that either was missed or a best practice that wasn't implemented. The advisor can then go back to the prospect and either say, "Listen, we have this partner in Foundation Source," or not even mention us and say, "We noticed some things here." The prospects appreciate that the advisor focused on their charitable giving.

#3 Adjacent Services

Why is it important for advisors to offer comprehensive, integrated services?

Investors are seeking comprehensive integrated advice, a trend that grew from 29% in 2018 to 52% in 2023. Additionally, 80% of affluent households prefer human-centric, values-driven engagement, and we're also seeing that younger people really want to make an impact. Further, the Ernst & Young (EY) Global Wealth Research Report concluded that wealth managers must add adjacent services to remain competitive and meet evolving client expectations.

As you support your clients, look at what they're trying to accomplish with their charitable giving. Are they trying to get the best tax benefits? Are they looking to get extended family involved? Are they looking to give internationally or offer scholarships? These are the things you should be listening for—not just their level of wealth and what they're trying to accomplish by putting X number of dollars into a vehicle.

#4 Versatile Planning Tools

What have you observed as far as trends for versatile planning tools?

The need for comprehensive integrated services is really where philanthropy fits—particularly with respect to trends we’ve observed around three things: estate plans, liquidity events, and annual giving.

Estate Plans. During the pandemic, many people became more family-focused and decided to revamp their estate plans to address what they will leave to their next generations. They’re doing so by establishing one or multiple charitable vehicles, to be prepared for when their assets are eventually passed down.

Liquidity Events. We’re seeing a lot more exits in the private markets than IPOs at the moment. As people plan for these liquidity events, advisors can earn a lot of points with forward thinking to get charitable vehicles established in advance.

Annual Giving. As you help your clients review their annual plan and budget, do so not only from a tax planning perspective, but from an annual commitment perspective as well. Ask them: How are they committed to philanthropy? And what example do they want to set for the next generation? In doing so, their annual giving becomes very much a part of their day-to-day existence.

So, if you look at philanthropy in the context of a planning tool, it can really help your clients take a long-term, potentially multigenerational perspective on making decisions. For instance, if they’re comfortable talking about a dynasty trust or a generation skipping trust, they can look at their philanthropic vehicle in the context of their grandchildren or even their great-grandchildren.

#5 Rise of Women’s Wealth

How will the rise in women’s wealth impact the role of advisors?

The majority of the wealth in the U.S. by 2030 will be controlled by women. As of year-end 2021, the CDC reported US life expectancy for women to be about 79 years and for men about 73 years—and media accounts show that widows tend to change advisors within one year of their spouse’s death. This highlights the need for broader relationships between you (as the advisor) and the whole family, rather than a one-to-one relationship between an advisor and a single family member.

This shift in control of the world capital is not only empowering women financially, but it’s also enabling them to define how they want to use that capital. And for many women, it’s game-changing investments in philanthropy. As women create, inherit or manage more significant assets, we’re increasingly helping them do so with philanthropy.

#6 Next-Generation Engagement

What does the future of giving look like?

Millennials boosted giving by 22% in 2024; 87% of Millennials and 71% of Gen Z make financial donations; and Gen Z started giving at the age of 14. So, advisors who offer purpose-driven services with an emphasis on values and social change can help build relevance and retention with next-generation clients. Philanthropy is the ideal tool for accomplishing this goal.

Get a practical framework for engaging these younger cohorts and next-generation engagement strategies in [our report](#) on how Gen Z and Millennials view charitable giving.

#7 Multigenerational Impact

How can philanthropy help advisors strengthen multigenerational bonds?

Philanthropy has a role for everyone in the family. It can build bridges across generations. Families with giving traditions report closer bonds than those without. It's about collaborating around values and impact, and it helps foster leadership, succession and shared values. For example, we see foundation clients creating junior boards of directors so kids even as young as five, six and seven years old are involved with the family philanthropy. We also see families more informally sit around the dinner table to decide how they want to give in the coming months or year.

What's the best way for advisors to get started with offering philanthropy guidance?

It first helps to consider these over-arching themes:

- How do you build trust with your clients?
- Are you providing authentic advice based on a point of holistic understanding of their needs?
- Are you engaging with clients multigenerationally—not only with the next gen, but have you thought about your clients' parents?
- Have you actively cataloged the resources available to you, and do you understand the options that are available for your clients?
- How can technology make this easier for you and for your clients?

Also remember that for certain clients, you may not want to lead a charitable planning discussion by promoting tax benefits. Philanthropy's powerful ability to strengthen family ties may resonate greater with them. Additionally, take time to build strategic partnerships with philanthropy experts like Foundation Source and others who can be part of the team that you field on behalf of your clients. If you suggest the good idea of charitable planning, it's important to have the resources available to execute on that good idea.

This is a condensed, edited version of the conversation. Get full insights by watching the entire video of the presentation [here](#).

ABOUT FOUNDATION SOURCE

Foundation Source empowers people and companies to create a better world through philanthropy. We support more than 27,000 charitable organizations with innovative technology backed by philanthropic expertise.

HAVE A QUESTION?

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

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