by JIM COUTRÉ

Raising the Philanthropy Question: A Triple Win for Advisers, Clients, and Society

Too few financial advisers take the initiative when it comes to engaging clients on the question of philanthropy. Yet, having a meaningful conversation about charitable giving is an effective way of deepening client relationships and differentiating one's firm. What is important, however, is that advisers frame the discussion around the client's values, interests, and goals—not simply around the technical aspects of taxes and philanthropic vehicles.

As a trusted adviser and CFA charterholder, you are in a unique position: You have ongoing relationships with your clients, are present during their key financial decisions and life transitions, understand the broader financial picture, and can raise the tough personal questions that challenge clients to pause and think hard about the meaning of money and the role that wealth can play in their broad life goals, including their philanthropic aspirations.

Despite this exclusive role, few financial advisers properly raise the philanthropy question, even though doing so would distinguish them from their competitors and is an effective way to deepen relationships with clients.

Financial advisers who *can* discuss philanthropy are in a position to improve service to their clients because clients then are likely to reach more of their goals—not simply their financial goals but also their life goals.

Being knowledgeable about how to work toward philanthropic goals can also differentiate an adviser and his or her wealth management firm from competitors. Philanthropy can be a marketing tool and an entry point to new relationships. Advisers who don't raise the philanthropy question are at risk of losing relationships to advisers who do understand how valuable those conversations can be to their practice.

Effective financial advisers are the ones who are able to discuss philanthropy not only from the tax perspective or the charitable vehicle perspective but also from a values, interests, and goals perspective. Here is why: In all my time in philanthropy, I have not come across a single inspiring philanthropist who has been motivated to give solely to avoid taxes. Thoughtful donors certainly maximize tax deductions and make charitable giving an integral part of their comprehensive financial plan, but they are driven to philanthropy for other reasons, including a desire to act on their values, to make a difference in their communities, and to "give back" in appreciation for all they have received.

In fact, fewer than one-third of high-net-worth donors surveyed by Bank of America cited tax advantages among their chief motivators for giving.[1] Half reported they would maintain their current charitable-giving levels even if income tax deductions for donations were eliminated.

So, why are so many financial advisers still entering the philanthropy conversation from a technical perspective—focusing on taxes and giving vehicles rather than on values and goals? Their approach is not only puzzling but also potentially harmful to the community because it prevents advisers from helping transform some of their clients' wealth into philanthropic capital that can be used for the benefit of society.

IN PHILANTHROPY, MEANING LEADS TO GREATER IMPACT

The most effective and rewarding philanthropy—to the giver and to society—comes when philanthropy is an extension of an individual's or family's values, interests, and goals.

Realizing these values and hopes through philanthropy excites a donor in a way that no obligatory gift can. It focuses and engages the donor and fosters passion, which leads to even greater investment of time and talent in seeking solutions to a better world. This progress up "the philanthropic curve" is seldom seen when giving lacks personal relevance or emotional resonance.

Although most professional advisers report that they do talk about philanthropy with their clients, The Philanthropic Initiative (TPI)—with nearly 25 years of experience in advising donors—as well as research conducted with high-net-worth and ultra-high-net-worth individuals suggest that only a small percentage of advisers consistently raise the topic before their clients do.[2] Even fewer go beyond conversations on the tax implications or private foundation structures to ground the discussion in their clients' values and interests.

GETTING PERSONAL

A decade ago, those of us promoting philanthropy spent much of our time easing the concerns of advisers who thought that this topic was too personal for them to raise, that they would be overstepping bounds, or that they would appear to be imposing their own values or moral code on their clients. The good news is that today, we are having only a fraction of these conversations because the benefits to financial advisers of discussing philanthropy with clients are more widely accepted. Raising the philanthropy question "can only deepen your relationships," an adviser recently told me. As you learn more about your clients, you form deeper, richer relationships with them. This, in turn, allows you to provide greater value and be associated with the personal satisfaction that comes from expressing yourself through generosity.

You also strengthen loyalty with your clients and their children. With philanthropy as a discussion point, advisers can build authentic relationships with "the next generation," who may feel emotionally detached from their parents' money and their financial advisers. Engaging in the family's philanthropy can give children of any age a sense of connection to the wealth and thus a strong connection to shared family values—and the family's adviser.

Research from the National Center for Family Philanthropy has shown that values-based philanthropy helps donors achieve personal satisfaction, adds a new dimension to their lives, gives them an opportunity to explore and transfer family values across generations, and can connect them with other like-minded people to make a difference in the world around them.[3]

And there is the reality that if you do not talk with your clients about their philanthropic goals and aspirations, someone else will. Ultra-high-net-worth clients want, and expect, objective, unbiased advice about how to realize their philanthropic goals, navigate a sea of information, learn best practices, and find role models, collaborators, or peers.

OVERCOMING OBSTACLES

If philanthropy is good for advisers, clients, and society, what barriers keep advisers from starting these conversations? How can these hurdles be overcome? The obstacles are diverse, but several surface more often than others.

The reason most advisers give for not starting these conversations is that they feel uncomfortable initiating a values-based conversation about philanthropy. This uneasiness can stem from many sources: (1) The conversations feel "too personal," despite the reality that they are no more intimate than values-and-goals–based financial planning; (2) advisers often believe that philanthropy "isn't their job," despite contradictory expectations from high-net-worth clients; (3) they fear they will appear "preachy," which can easily be avoided by presenting philanthropy as an opportunity rather than an obligation and by simply asking open-ended questions.

Advisers also hold back because they are not confident that they possess the understanding, skills, and experience to help their clients explore and craft a philanthropic plan. Although some financial advisers have built successful practices by acquiring the skill to develop philanthropic plans for clients, for those advisers who have not, there are lots of resources that both the adviser and client can tap into for real progress—resources that are valuable only if the adviser opens the conversation first. Philanthropic support organizations (such as the National Center for Family Philanthropy and Worldwide Initiatives for Grantmaker Support), community foundations that are located in most major cities around the globe, and a host of philanthropic advisers are just a call or click away.

Clients' perceptions of their own wealth can also be a hurdle, especially when advisers assume (correctly or incorrectly) that clients are too worried about having enough money left for themselves or their children to think about being more charitable. Strategies that advisers have found successful in addressing the disconnect between a client's perception and the actual magnitude of the client's wealth include showing clients actual assets needed to meet future lifestyle requirements, engaging clients in goals-focused conversations that map the impact they would like to have, and talking candidly about the kind of legacy they wish to leave.

WORKING ON "YOUR OWN STUFF"

If you are not motivated to give charitably beyond the incentive to reduce your tax burden, how can you expect a client to be?

An adviser summit hosted by TPI identified a number of best practices in integrating philanthropy into wealth planning. Not surprisingly, those advisers who raise the philanthropic question from a values-based rather than tax-defined perspective, who have positioned their practices as good corporate citizens, and who realize a competitive advantage by embracing philanthropy are philanthropic themselves.

This does not mean they are Bill Gates or Warren Buffett or even that they give at levels close to those of their clients. But it does mean that they have made the connection between their own values and interests and their gifts of time and money and that they find this giving personally rewarding and fulfilling. Thus, it feels natural and right to these advisers to help their clients find the same rewards.

So, if you think deeply about your own giving and volunteering, will you more successfully engage your clients in meaningful conversations that move them up the philanthropic curve? Let's see: Grab a pencil, paper, and some time to reflect on these five questions:

1. What are some of the formative experiences or influences that have shaped who you are?
2. What are the values or principles that have guided you throughout your life—be it in your family or business?
3. When you think about the world and society today, what inspires or excites you? What upsets or angers you?
4. What do your values and interests say about the kind of giver you would be and the areas that you could see yourself becoming passionate about?
5. What role has philanthropy (the giving of your time, skills, and money) played in your life? What role do you want it to play? What value could it bring to you, your children, and your grandchildren? To the world around you?

What did you find from this experiment? Did you uncover strong connections between who you are and your gifts of time, treasure, and talent? Did you scratch your head in wondering how you let solicitations or institutional allegiances keep you from supporting the causes and approaches that reflect your priorities?

Regardless, you are now better positioned to engage your clients in a values-and-goals–based conversation on giving. These are the same questions that top advisers have found helpful for prompting meaningful, productive conversations with clients. They are nonjudgmental, open, and challenging yet rewarding. By using questions such as the five I have suggested, you will be likely to move your clients beyond "checkbook charity" to something much more rewarding.

NOTES

1. Bank of America and the Center on Philanthropy at Indiana University, "The 2012 Bank of America Study of High Net Worth Philanthropy" (November 2012).
2. Steve Johnson, "Doing Well by Doing Good," The Philanthropic Initiative (June 2000).
3. Deanne Stone and Jan McElwee, "What California Donors Want: In Their Own Voices," National Center for Family Philanthropy (2004).

Jim Coutré is a partner at The Philanthropic Initiative, a nonprofit consulting firm that helps families, foundations, and corporations across the globe advance the art and the science of their philanthropy.