

PROFESSIONAL ADVISERS:
How to take advantage of an emerging
commercial opportunity by providing
philanthropy advice

**THE BENEFITS OF PROVIDING
A BETTER SERVICE TO CLIENTS**

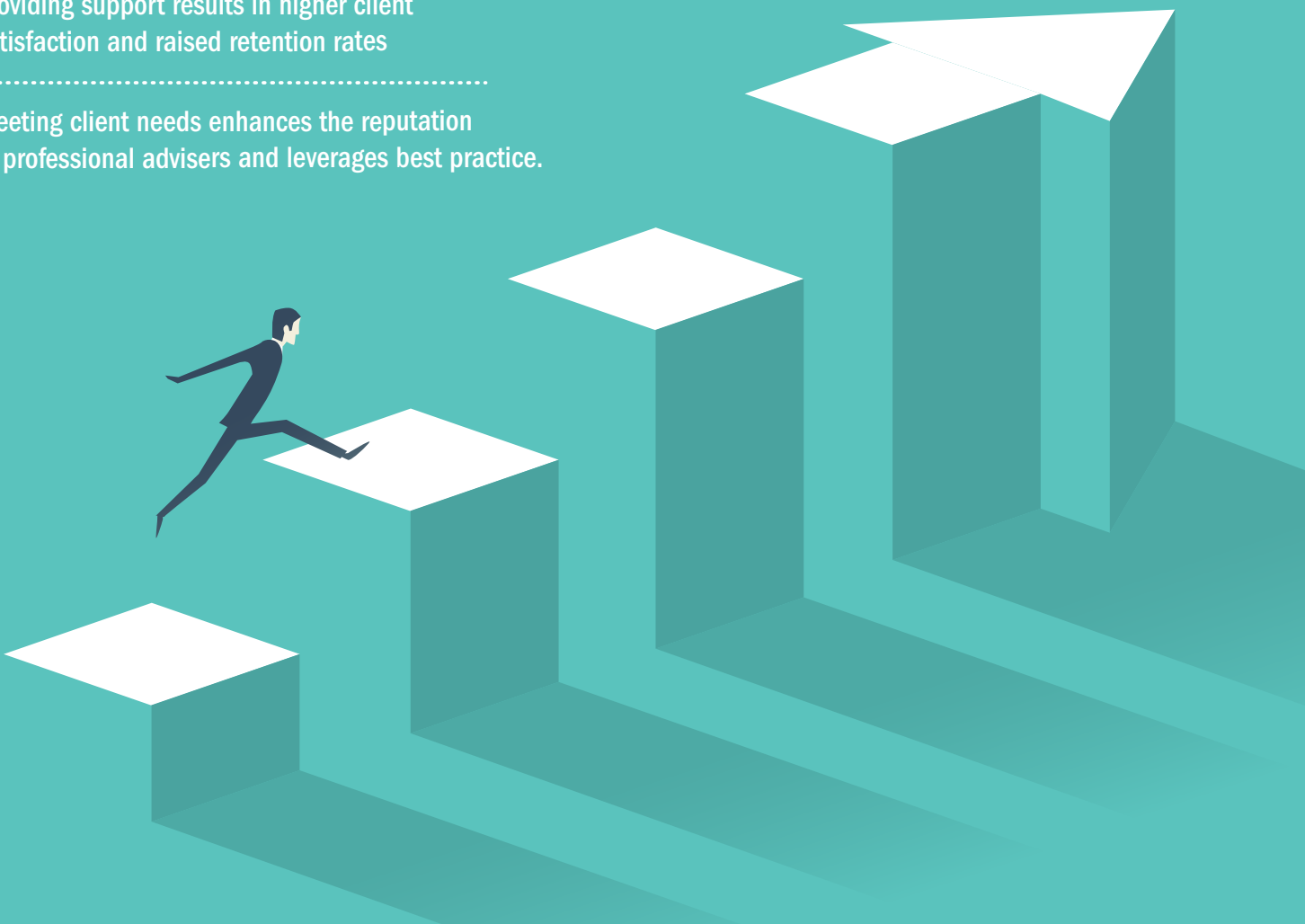
Providing clients with the support they need brings more depth to the client/adviser relationship

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Providing support results in higher client satisfaction and raised retention rates

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Meeting client needs enhances the reputation of professional advisers and leverages best practice.



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INTRODUCTION

High net worth and ultra high net worth (HNW and UHNW) individuals' needs are changing. Increasingly, they want more and better support from their professional advisers (Private Client Advisers, Wealth Management, Private Banking, Independent Financial Advice, Tax and Legal Sectors) on their philanthropic journey. They also want to know what role their wealth can play in society and understand in what ways they can most effectively serve a social purpose.

Following the financial crisis in 2008 there are two noticeable trends among private clients:

- ➔ Values are shaping decisions around how they distribute their assets
- ➔ The resources they give are expected to have a positive impact on the environment and society.

Decisions for HNW and UHNW individuals on how to ensure their wealth is having a positive impact in society may encompass how to build their businesses, how to invest their money or how to give their money away to good causes. These are complex choices and individuals are looking to their professional advisers for support.

This shift in clients' advisory needs, expectations and demands concerning the philanthropic support and social investment they receive from their professional advisers has opened up a new, exciting marketplace for professional advisers to serve.

To help prepare to meet your client needs, see training opportunities:

[Click here to view PDF file.](#)

Information can also be found in the Philanthropy Impact Handbook:

[Click here to visit website.](#)



Recent research by Philanthropy Impact shows that the advice clients receive falls short of expectations, leaving room for significant improvement. Philanthropy and social investment advice, influencing the potential use and distribution of client resources, was poorly rated, at **5.9** out of **10**.¹ The principal reason for this is that many advisers are not able to provide the range of advice and support that clients need to fulfill their ambitions.

INTRODUCTION (CONTINUED)



In addition, **66%** of those surveyed by the Charities Aid Foundation felt professional wealth advisers could and should give them philanthropy advice. But at the time of the survey, only **39%** of the respondents had taken some form of philanthropy advice.² One third would like their advisers to better support their charitable activity.³ These findings have been supported by other institutions and academics on an international scale.⁴

Additional issues to be aware of include how the values of women of wealth, millennials and the next generation are shifting:

- ➔ Women will inherit more than **70%** of the money passed down over the next two generations and right now women own more than **50%** of the investable assets in the US so it is important to meet their investment needs. Women's personal goals are as important as investment performance and they are the group most likely to switch advisers.
- ➔ Women also have a greater appreciation of high quality human interactions. When looking for an adviser they place a higher value on referrals from families and friends, and transparency and clarity is an important driver of trust. They also tend to be more open to the use of digital technology.
- ➔ Millennials have a greater belief in social entrepreneurship – such as social investment and impact investing – and not necessarily always an interest in traditional not-for-profit organisations. They wish to make a change today and are happy to use digital channels to promote causes and find grantees.
- ➔ Millennials also have a greater belief in the effectiveness of collaboration and tend to enjoy working together to support new ideas, best practices and achieving impact.

UNDERSTANDING PHILANTHROPIC AND SOCIAL INVESTMENT ACTIVITY

To meet clients' needs, it is important to understand what types of philanthropic giving and social investment are available and trends in how HNW and UNHW individuals give their money. There are various options clients can use to achieve impact including philanthropic giving, venture philanthropy and social investment.

Research carried out by Scorpio Partnership shows that in the UK wealthy individuals typically give **0.18%** of their wealth annually, equating to approximately **£3bn** per year. A small number of individuals also make major, one-off gifts, which totalled around **£3bn** in **2016**.⁵ The wealthy are also more likely to engage in social investment and legacy giving which accounts for a significant amount of activity.

The vast majority (**80%-95%** globally) of HNWs regard giving time, money or expertise for social causes to be important or extremely important for them. Around half of the world's wealthy population give regularly to good causes.

As ethical investment and social finance strategies have developed in the last decade, wealthy individuals are increasingly looking to allocate capital to specialist social investment strategies, or to have their endowment or investment portfolio managed in ways that reflect their social values.

REASONS FOR GIVING

The main reasons given by wealthy philanthropists for their engagement with charitable activity are:

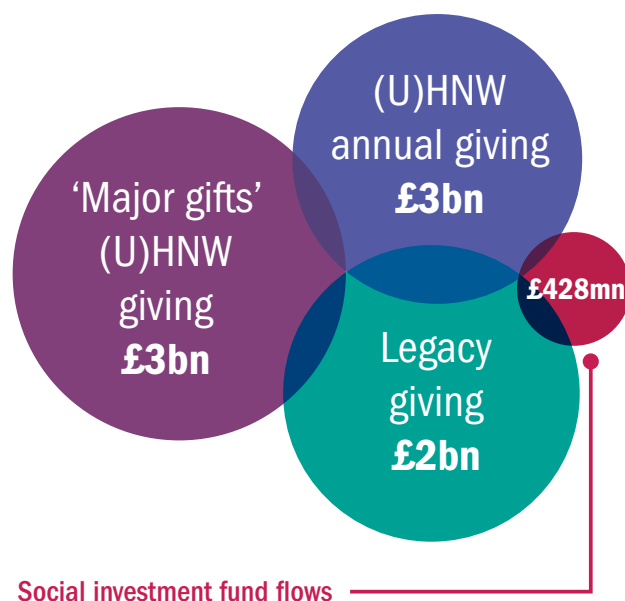
- **Responsibility:** having created wealth they feel a responsibility to give back to the individuals and society that helped them on their way.
- **Family values:** they come from a family that gives, or they want to demonstrate to their children the importance of empathising with those who are less fortunate.
- **Peer group:** they are part of a community (often religious) that gives and they continue in that tradition.

- **Life-changing event:** whether selling a company or coming to terms with a tragic loss, life-changing events often change the priorities of individuals. They may have more time on their hands and want a new challenge. Or they may have very personal reasons for focusing on a particular cause.

- **Legacy:** it is a cliché that the first half of life is about success and the second half is about significance. However, for some wealthy donors the desire to leave traces of a well-led life is a powerful motivator. Others leave gifts to charity for estate planning purposes or because they don't have children to whom they can pass their wealth.

Giving by the wealthy in the UK

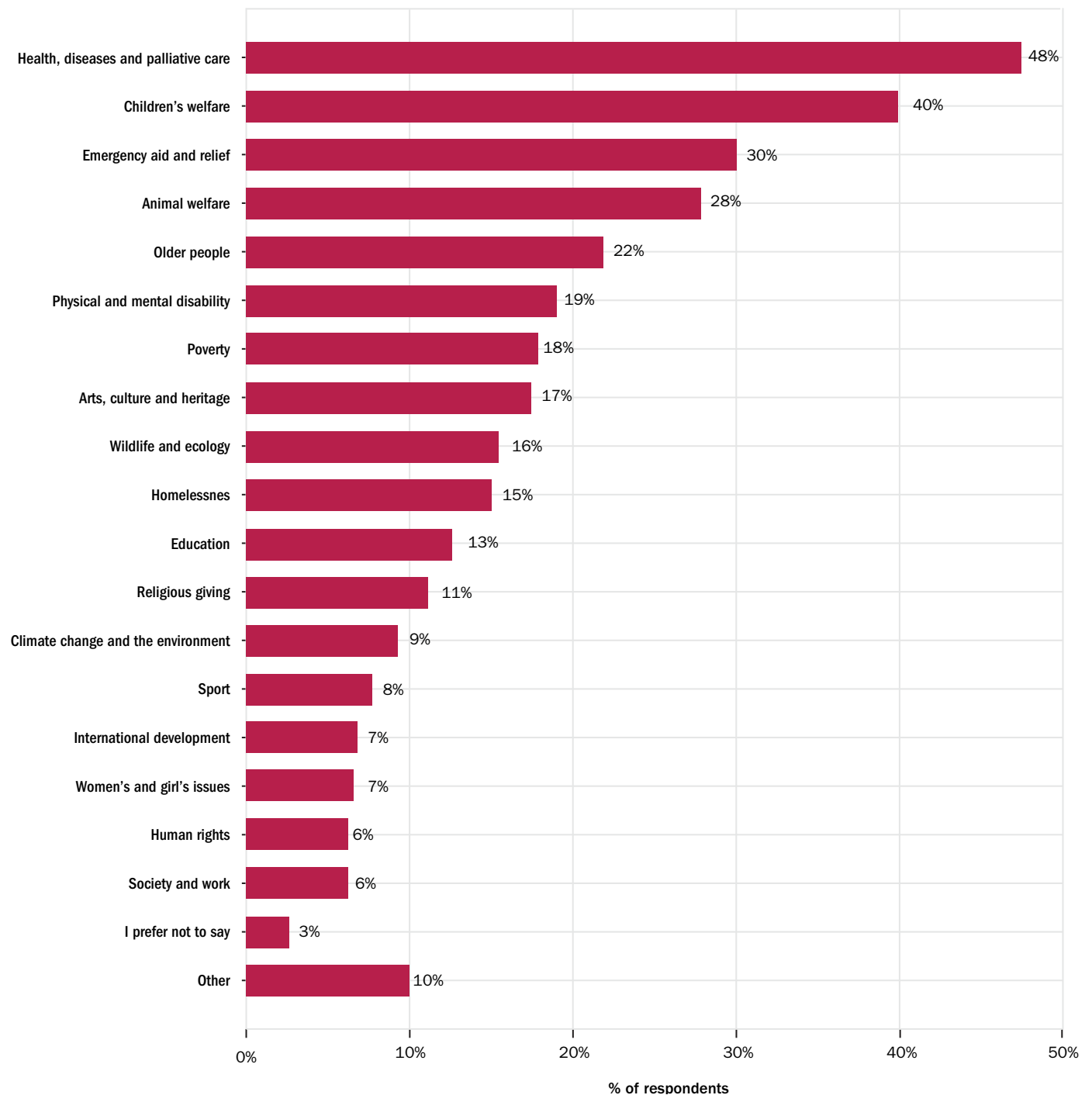
Sources: Scorpio Partnership, Sunday Times Rich List, NFP Synergy, Big Society Capital



UNDERSTANDING PHILANTHROPIC AND SOCIAL INVESTMENT ACTIVITY (CONTINUED)

Which causes do HNW and UHNW individuals regularly support?

Source: Philanthropy Impact Scorpio research N=502



UNDERSTANDING PHILANTHROPIC AND SOCIAL INVESTMENT ACTIVITY (CONTINUED)

Philanthropy advice process

Source: Philanthropy Impact research

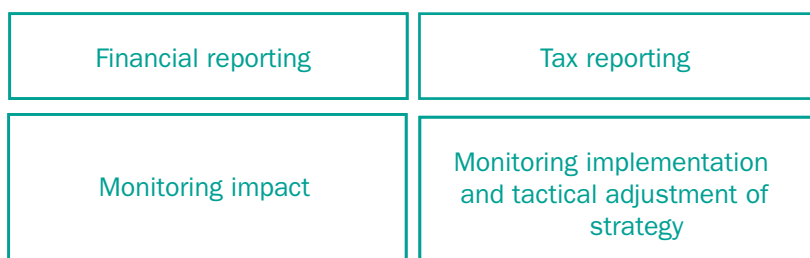
STEP 1. PLANNING SERVICES



STEP 2. IMPLEMENTATION SERVICES



STEP 3. MONITORING & REVIEW SERVICES



THE ROLE OF PROFESSIONAL ADVISERS

Giving money effectively to social causes is, surprisingly, often more difficult than might be expected. Donors must understand the change they are hoping to achieve with the money they want to give. They must then identify the most appropriate method to achieve those goals – whether that is through a gift, a loan or an investment. They must also identify the right organisations to support, and then consider how much to give or invest, how frequently and for how long.

To achieve their goals, clients are reaching out to three different groups:

- ➔ Professional advisers who can play a key role in bringing their clients' ambitions to life
- ➔ Peer groups and friends, with whom they share views and experiences about key trends in philanthropy and the current drivers of change
- ➔ Beneficiaries on the ground who can help them to build a more solid understanding of the impact being made and the solutions to societal and other issues.

Our findings suggest there is significant potential for advisers to refresh their services to meet client expectations. Advisers are not expected to be experts in all areas of philanthropy advice. Rather, their opportunity is to work more closely together as a network of experts in support of their clients' ambitions. The wealth advisory industry will thrive where groups of advisers work together to complement each other's disciplines, bringing best practice to clients, irrespective of the source.

Recognising the changing needs of HNW and UHNW individuals and new patterns of personal wealth use and allocation is a valuable first step to understanding what services clients want their professional advisers to provide.⁶

Some clients will have a clear vision for their giving and will know which organisations they want to support and how. But often when clients first think about how they can have an impact in society, they do not know which cause is of most interest to them: for many, it is a process of discovery. Advisers do not need to make recommendations – they simply need to be aware that their client is on this journey and to ask how they can help. They can act as a valuable sounding board in this process, keeping in mind that there are a wide range of issues and causes that could be of interest to clients.

“ ‘Assembling a network of collaborators can help advisers provide clients with ongoing practical and moral support.’

.....
AMY CLARKE

*Former Head of Private Clients,
Charities Aid Foundation*

OPPORTUNITIES AND CHALLENGES

There are many benefits for professional advisers in offering better philanthropy advice including:

- ➔ Deeper relationships with clients
- ➔ Direct client referrals
- ➔ Reputational enhancement
- ➔ Positioning at the forefront of social, political and economic thinking
- ➔ Leveraging best practice.

Professional advisers do face some challenges in meeting the growing expectations and demand for philanthropy and social investment services⁷, however, these challenges are often based on a number of myths that can be relatively easily addressed via changes in perceptions and communications strategies.

MYTH 1: CLIENTS ARE NOT INTERESTED IN PHILANTHROPY OR SOCIAL INVESTMENT

Despite the financial crisis in 2008, the philanthropy market has emerged as an unexpected success story. In 2015, HNWI and UNHW individuals in the UK gave **£1.3 billion** to good causes,⁸ while in 2016 total private giving through charitable foundations amounted to **£17.8 billion**.⁹

MYTH 2: CLIENTS DO NOT WANT PHILANTHROPY OR SOCIAL INVESTMENT ADVICE

Individuals have disparate goals in terms of outcomes and impact they aspire to achieve through their philanthropy or social investment journey. But the common factor is that they are increasingly reaching out to others in efforts to build their knowledge and to understand the tools and strategies that will help them to achieve success in their personal endeavours. Most of them cannot – nor wish to – go through their donor journey alone.

“ ‘Hoare’s service is bespoke. Partners and relationship advisers must understand all of their customers’ interests so it is impossible not to be aware of their philanthropic as well as their finance needs.’

ALEXANDER HOARE

C. Hoare and Co



CREATE SHARED VALUE WITH YOUR CLIENTS

Connect with their values and provide the services they need to meet their ambitions.

OPPORTUNITIES AND CHALLENGES (CONTINUED)

MYTH 3: CLIENTS DO NOT WANT THEIR ADVISERS TO PRY

Conversations about philanthropy and social investment do not need to be intrusive. Clients choose how and where to use their personal wealth for a reason. By regularly exploring that reasoning, an adviser can bring more depth to the client-adviser relationship.

MYTH 4: PHILANTHROPY AND SOCIAL INVESTMENT ADVICE DOES NOT PROVIDE A POSITIVE RETURN IN THE FORM OF FEES FOR THE ADVISER

Opportunities to meet with clients may be infrequent. But focusing at each meeting on developing a clear understanding of clients' needs and what they want their assets to bring them will increase the value of the service. At the same time, retention, succession and referrals to other clients create indirect value and can ultimately lead to growing an advisory practice.

MYTH 5: PHILANTHROPY AND SOCIAL INVESTMENT ADVICE IS ONLY FOR EXPERTS IN THE FIELD

Professional advisers sometimes worry that a lack of detailed understanding of the comprehensive range of philanthropic and social investment causes, opportunities and different tools that are available may be a problem. But signposting clients to other sources of advice and to providers of complementary services will bring significant value and respect to client relationships.

“ ‘We can discuss a client’s interest in philanthropy while still respecting privacy, values, personal boundaries and relationships. In close relationships with clients, advisers will already have discussed subjects that are as private, if not more so, than their potential interest in, and possible reasons for, giving.’

.....
MANDY LAMKIN

Enrich Australia

“ ‘Strategic social and philanthropic investment is beneficial to social objectives when approached collaboratively.’

.....
LEESA MUIRHEAD

Adessy Associates



Personalise your communication strategies to connect with clients, raising the standard of service.

LEARN HOW TO MOVE FORWARD TO MEET YOUR CLIENT'S EMERGING NEEDS

To learn more about the steps needed to prepare for meeting your client needs and the tools available to you as an adviser please go to:

TRAINING BROCHURE: *Click here to view PDF file.*

PHILANTHROPY IMPACT HANDBOOK: *Click here to visit website.*

INFORMATION IS AVAILABLE ON:

- ➔ How to integrate this into your service offerings, how to manage supporting your clients along their philanthropic journey (planning, implementing and monitoring stages)
- ➔ How to structure it within your organisation including the different options, their pro/cons and how to choose the best option for your organisation and your clients
- ➔ Advice including guide questions and conversations you might have with your clients at each stage of their journey - planning, implementation and monitoring
- ➔ Numerous useful resources, a glossary of terms and references to call on.

For complete information on everything the Philanthropy Impact Handbook has to offer, please see the Table of Contents overleaf.

THE PHILANTHROPY IMPACT HANDBOOK - TABLE OF CONTENTS

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SUMMARY

There has been a shift in the expectations and demands of private clients in relation to philanthropy and social investment. Values are becoming embedded in how donors want their personal wealth to be managed and how they wish some of their assets to be directed towards a social purpose. This gives advisers plenty of opportunities to engage on this agenda with their clients.

Although there are challenges in developing work in this area, many of the objections commonly cited are, to a large extent, myths. The style and spirit of communication with clients needs to adapt to match today's socially conscious environment, as opposed to emphasising technical knowledge about philanthropy and social investment.

Taking the time to talk to clients and learn about their values will pay dividends as will understanding the next generation who will become the next cohort of clients. Using the three-stage donor journey is a useful way to start this process.

It is important to recognise the growing need that the philanthropy and social investment advisory industry is expected to fulfil – and that industry peers should be seen less as competitors, more as collaborators.

“ ‘If you want to see progress and see if you are having impact, you have to understand what problem you’re trying to solve. If you don’t know what kind of change you’re trying to make, it’s going to be hard to figure out if you’re making any progress.’

.....
MELISSA BERMAN

CEO Rockefeller Advisors

FURTHER INFORMATION

For complete information on the topics discussed in this document, please follow the links below:

[TRAINING BROCHURE](#)



[PI HANDBOOK](#)



Full access to the Philanthropy Impact Handbook can be purchased through the website.

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