

## **Holding The Charitable Conversation With Clients**

November and December are the months when attorneys, wealth advisors, and accountants most frequently talk about charitable giving with clients. Charitable giving is top-of-mind to clients at this time of year because they are often solicited by non-profits for year-end contributions, are in a generous spirit during the holidays, and reflect upon their own good fortune and often realize that they have earned a considerable amount of money or have significant assets. Though very few donate solely for tax reasons, they still want to receive the greatest tax benefits possible.

The October 2013 TPI/US Trust study again indicates that there are a number of disconnects between advisors and clients “on the initiation and substance of their philanthropic discussions.” Clients feel that advisors bring up the subject of charitable planning only 17% of the time, even though 88% of advisors indicate that this is an important topic to discuss. Nearly two-thirds of clients state that their advisors’ discussions center on technical and tax issues while just over one quarter feel that the conversations center on the areas in which they are most interested, including values, ideals, and charitable goals.

There are many opportunities available for advisors to make these discussions more beneficial and productive. For example, although these year-end conversations are very important, it would be helpful if advisors would initiate these discussions earlier in the year. With advance planning, clients are more likely to be in a position to enjoy a deeper sense of satisfaction, pride, and even accomplishment in knowing that their generous donations are helping the causes and organizations that they are passionate about.

Donors to non-profit organizations have become more varied and many attorneys and advisors are recognizing that they need to have the charitable conversation with many types of clients, not just older and wealthier clients who have children. These discussions will enable clients to decide what they want to accomplish with their wealth during their lifetime, at death, and perhaps even after death. Some of the diverse types of clients who need and want to discuss their charitable plans with their advisors include:

1. Couples or individuals without children.
2. Never-married adults.
3. Divorced or widowed clients.
4. Women (Often live longer, often more charitably-inclined).
5. Parents with very successful children.
6. Parents who want to limit the amount they leave to their children for various reasons.
7. Clients who are involved with non-profit organizations, with the community, or simply have charitable intent.
8. Young entrepreneurs (Entrepreneurs are generally more generous than inheritors).

9. Young families who want to get their children involved in philanthropy.
10. Clients who may sell or have sold a business, or had or anticipate a liquidity event.

Clients' goals and interests may change over time, but with the help and encouragement of their attorneys and other advisors, they can establish a path early enough so that they can be in control and make sound decisions. Sadly, there are many examples of clients who are asked to make choices too late and when their thinking is not as clear as it once was.

Proactively engaging clients in the charitable conversation should be a natural part of the dialog since over 95% of wealthy Americans are already donors to non-profit organizations. When attorneys and wealth advisors explain that this conversation will enable them to provide the best possible legal, investment, and tax advice, clients will welcome the opportunity to share their charitable plans and thoughts. Here are some of the many questions that can be asked to begin the conversation:

1. Are you currently involved with any non-profit organizations? In what capacity? As a donor, volunteer, or board member?
2. Do you typically support the same organizations every year or do these vary from year to year?
3. How do you decide which non-profits to support?
4. Who is involved with the decisions to give?
5. Do you give the same amount every year? Upon what does it depend?
6. Which donations have provided the greatest satisfaction or regret?
7. Would you prefer to give anonymously or publicly?
8. What types of assets have you used when you have donated in the past?  
Cash, checks, appreciated stock, other non-cash assets?
9. Do you have any charitable vehicles in place, such as a private foundation or donor advised fund?
10. Do you want to donate primarily during your lifetime, at death, or for many years after your death?

It is often easy to identify when a client needs help, such as when the client calls at the tail end of every year in a panic; gives to different organizations each year; donates vastly different amounts each year; can't keep track of receipts; repeatedly donates to the same organization at different times throughout the year; or, donates assets that are not tax-efficient. Even if these red flags are not immediately obvious, initiating the conversation will likely uncover similar client activities and opportunities where you can be of help.

There are innumerable benefits for clients when they discuss charitable planning with their advisors. Some of the many ways in which clients can benefit from talking with their attorneys and other advisors include:

1. Clients may be missing significant tax benefits through annual and estate giving and may not realize that other assets can be used to fund charitable donations.
2. Clients may be receiving poor advice from friends or other advisors and may set up inappropriate vehicles or investments.
3. Clients can create a legacy or strengthen families across generations and pass down values.
4. Clients can plan in advance while they are in control and can make wise decisions before it's too late.
5. Some organizations will invite and honor donors during the donor's lifetime even if donation is a planned bequest
6. Clients may unknowingly be donating to organizations that are not 501(c)(3)s, or may be violating certain rules and regulations.
7. Clients may be frustrated by recordkeeping requirements, or by frequent solicitations. Advisors and attorneys can help protect and organize them by recommending appropriate solutions, or efficient charitable vehicles.

Likewise, attorneys and wealth advisors benefit greatly from talking with their clients about their charitable thoughts:

1. By planning ahead, advisors can avoid the mad end-of-year rush to transfer stock to charities, create charitable vehicles, or make last-minute changes.
2. If this discussion does not take place, clients may make decisions that their advisor would not recommend or facilitate and may even question why their advisor did not make suggestions.
3. Demonstrating that the advisor wants to do what is best for the client enhances the relationship and strengthens the connection.
4. Creates opportunities to meet other charitably-minded friends and family members of clients.
5. Establishes a differentiating factor when soliciting new clients, and can help to retain existing clients and their children.
6. May bring in more Assets Under Management and, when appropriate, advisors can encourage clients to donate complex assets such as real estate or privately-held stock, rather than AUM.
7. Provides something positive to talk about instead of death/taxes/instability of the markets.
8. Gives advisors and attorneys another reason to meet with clients on a regular basis to review estate and charitable planning.

The upcoming holidays are an ideal time for families to discuss their charitable contributions because they will most likely be with the people who are most important to them. Families can use the following framework to begin to develop a thoughtful charitable giving strategy that can unite the family for many years to come:

**Who** should be involved in the charitable decisions? **When** should the giving take place? **Where** do they want to give? **What** causes and organizations should they support? **Why** should they give? **How** (and **How much**) should they give?

Estate planning attorneys, wealth advisors, accountants, and their clients will all benefit from the charitable conversation. Once advisors have determined a client's charitable intent and capacity, they will be in a better position to make short and long-term recommendations to help clients achieve their goals, recommend or bring in other resources if appropriate, and enjoy deeper and longer-term relationships with their clients and perhaps even the client's family and friends.

And finally, this discussion will not only create very positive immediate and ongoing results for advisors and donors, it will also greatly benefit the causes and non-profit organizations that clients support.

Ken Nopar is the Principal of Nopar Consulting, a firm that trains wealth management and law firms, banks, and other professional firms how to have the charitable planning conversation with clients and how this discussion benefits the firms and clients. The firm also helps non-profit organizations work more effectively with the professional advisors in their communities. The firm's website is [www.noparconsulting.com](http://www.noparconsulting.com).