

Help Your Clients Give Generously—and Retire Comfortably

Many of the nation's 78 million baby boomers have reached the perfect time in their lives to develop a charitable giving plan. They may be preparing for retirement, but their flower-child roots are still firmly committed to improving their communities through donations and volunteer work. After all, using philanthropy for positive goals appeals to boomers. Born between 1946 and 1964, this generation grew up during the turbulent 1960s and 1970s. It was a period of upheaval, war, and social and political activism. As youngsters, many members of this generation participated in causes, such as civil rights and women's liberation, that reshaped America.

A Desire to Give Back

The same idealism that inspired their youthful civic engagement now is leading boomers to consider giving to causes and organizations that they believe in, says Kimberly C. Kur, senior advancement officer, professional advisor services, with the Arizona Community Foundation. As a result, financial advisors will find that these clients want to explore in detail their philanthropic desires, goals, and options.

Savvy boomers recognize the wisdom and benefits of integrating philanthropy into a financial strategy. Handled correctly, generosity can support good causes and provide donors with retirement income and tax deductions. So it's easy to see why members of the We generation are ready and eager to discuss this subject with their financial advisors.

Balancing Philanthropy and Retirement

Harmonizing giving and retirement planning is a wise move. The two can efficiently complement each other. But doing so takes careful planning. Consulting with a charitable advisor from a local community foundation during the process will provide a helpful, experienced hand in creating the right strategy for your client.

"Potential donors should always have a giving plan. We're seeing a growing number of high-net-worth individuals using charitable giving as part of their investment strategy," says Terri Hansen, chief executive officer of the Gulf Coast Community Foundation of Venice in Florida.

Given boomers' experiences and attitudes, planners should be prepared for questions about what kind of options are available for getting involved in charitable giving. What clients may not know, and what community foundations can help to identify, is that their assets often shape the kind of donations that will be made. For example, a client with significant stock holdings will need a different philanthropic strategy than one with many properties or a surplus of cash. Regardless of their overall net worth, your clients will be pleasantly surprised to discover that they can give substantial help to charities and at the same time enjoy a secure, comfortable retirement.

“People assume you have to be really wealthy to give or establish a fund with a community foundation. You don’t need that much money. At our community foundation, you can start a fund with as little as \$10,000,” Kur says.

As philanthropic discussions develop, it’s important to again keep in mind that giving and retirement are closely linked and, if carefully blended, can help the donor as well as a charity. This is especially true for potential donors concerned about having sufficient retirement income. Many options exist to address this issue. Two of the most common financial vehicles for doing so are the charitable remainder trust and charitable gift annuity, according to Kur.

Tailored Giving Plans

With a charitable remainder trust, a donor puts money in a trust and receives income from it until his or her death, when remaining funds in the trust go to a designated charity. A charitable gift annuity involves a contract between a donor and a charity. With it, the donor transfers cash or property to the charity in exchange for a lifetime stream of annual income at a guaranteed fixed rate. When the donor dies, the charity keeps the donation. Both these vehicles offer donors certain tax advantages in addition to income.

Once key issues, such as income and taxes, are resolved, the giving plan should be put in writing, Hansen says. This clarifies responsibilities, goals, and how the plan will work and mesh with the donor’s retirement strategy. Hansen recommends that every plan have a formal mission statement. This helps focus all charitable activity. Some people initially find devising such a statement tough.

“The mission statement doesn’t usually trip right off somebody’s tongue,” Hansen says. “But when you start to ask about what matters to them or what they enjoy doing or what makes them happy, it comes quickly.”

Not only does drafting a giving plan make sense, but so does including a charitable advisor in the planning process. Local community foundations can provide a wide range of information and knowledge.

“Financial advisors can talk to us about giving vehicles. We can suggest ones that make sense for clients and their special situations,” Kur said. “We also have software programs where we can do calculations for clients working with their assets, age, and other information. This can illustrate what can be done with their money.”

As financial advisors work with boomers on a giving plan, they should recognize that they are extremely serious about philanthropy. They’ll enjoy discussing the topic and learning about options, techniques, and tools that make their donations possible. In short, they’ll be deeply engaged.

“When it comes to producing a giving plan, donors probably are more involved than with any other type of financial planning,” Hansen said. “The reason is simple. This is their legacy. It’s what gives them meaning in life.”

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