

Time of Thanksgiving: Asking the Charitable Question

Asking clients “the charitable question” is an important responsibility for advisors, but it can be difficult to determine the best ways of approaching the topic. A focused discussion is necessary to figure out the client’s philanthropic objectives and how to meet them.

Though it’s a crucial part of the financial advisor’s role, asking “the charitable question” can be a source of anxiety for attorneys, accountants, and planners. “I think sometimes we’re afraid of the second question that comes after the first,” says Drew Landry, a tax partner at John G. Burk & Associates in Keene, N.H. “If they have charitable intent, they could say, ‘Yes, but I don’t know where to give—do you have any recommendations?’ And then we’re on the horns of a dilemma.”

Happily, advisors can find concrete solutions to this dilemma. By asking the right follow-up questions and taking the proper action steps, you can identify clients’ philanthropic interests, define their goals, and carry out those goals with maximum benefit both to the giver’s family and to their most cherished causes. Oftentimes, a community foundation can be a vital partner in the collaboration.

Starting the Discussion

Though some clients have specific provisions in their wills or trusts for their favorite charities, many others have the desire to give but aren’t certain where or how to allocate their donations. “Any approach to advising a client regarding charitable giving must involve asking questions that solicit thoughtful responses,” says Kirk Hoopingarner, partner in the corporate department of Wildman Harrold in Chicago and a chair of the board of directors of the Evanston Community Foundation. “It should be an exchange of ideas with the client, instead of a tutorial to the client regarding charitable giving.”

To begin this exchange of ideas, advisors can keep in mind a series of open-ended questions for clients who want to give but don’t know where to start:

- Have you given thought to including charitable gifts in your plan?
- How do you view long-term stewardship of your family wealth by your children and grandchildren? How much is enough for them to live comfortably?
- Your children could inherit millions of dollars—could that be a disincentive for them to be productive? How do you feel about their inheritance in terms of your own value system?
- Do you want to promote long-term philanthropy?
- Do you wish to make gifts during your lifetime?
- Are there particular charities or services that interest you? Do you have a family member or a close friend who has benefited from the services of a nonprofit agency?
- Are you acquainted with our local community foundation? Did you know that we have one that could help you think about your charitable giving?

Clients sometimes request a specific recommendation of a charity, Landry says. “They may ask, ‘Who do you really recommend?’ I say, ‘It’s not my task to recommend any one charity; it would be inappropriate for me to do so. But if you would like, I can perhaps give you some education about possible donees.”

Of course, many clients will already have established themselves as dedicated and informed philanthropists. In these cases, Hoopingarner says, “You can start by talking about the client’s annual giving and any special endowments they’ve established during their lifetimes as providing a ‘road map’ for future giving and bequests at death.”

Practical Considerations, Personal Values

While preparing this giving “road map,” advisors usually find that clients are motivated primarily by a desire to give, rather than a desire to save money on taxes. In figuring out how to translate their values into giving opportunities, clients can serve their charitable interests at the same time that they make practical decisions to ease the tax burdens on their estate.

“It certainly does not hurt to start out with an estimate of estate taxes to be incurred if clients die with substantial taxable estates,” Hoopingarner says. “The net cost of giving a million dollars to charity can seem much less if the family would be subject to a large tax otherwise.”

“Tax savings are a secondary consideration, but they *are* a consideration,” Landry says. “Frequently, clients say, ‘I want to leverage my charity; I want to do it in the most efficient way I can.’ They’re not looking for tax savings, although that is a component; rather, they’re looking at the leverage that comes from the tax savings so that they can give more.”

The result can be a legacy that optimally benefits both one’s family and the greater society. A donor advised fund sponsored by a community foundation can help ensure that legacy by drawing on both the counsel of family trustees and the community foundation’s deep knowledge of local nonprofits.

Community Foundations Turn Knowledge Into Action

Community foundations are particularly well suited to helping clients answer the charitable question. “A community foundation is a knowledge base, a nexus of connections—and it’s the only organization in the community that has that kind of responsibility,” says Helen Monroe, a principal at the Endowment Development Institute in Vista, Calif., and former executive director of the San Diego Foundation. “For example, if a client wants to do something with education but isn’t sure how to go about it, a community foundation is a very good place to ask that question.”

Community foundations are uniquely equipped to:

- Educate clients about charitable opportunities.
- Work with professional advisors to make sure clients are well informed about opportunities for giving.
- Monitor charitable initiatives in order to alleviate clients' concerns about the proper handling of their gifts.
- Put donor families together in allegiances (such as field of interest funds).

“If it’s done right, the community foundation should be a safe place where people feel comfortable discussing issues,” says Hoopingarner. “It’s not a turf war and there is no hidden agenda. It’s a place to just float out issues and bring people together. Community foundations are great at focusing and fine-tuning a problem and addressing it. They should be viewed as being as inclusive as possible. They turn talk into action.”

Jessica Winter is a freelance writer based in Brooklyn, N.Y. Copyright 2006, Council on Foundations and Community Foundations of America. Used with permission.