

“Innovations in the Charity/Advisor Partnership: The Compelling Social Capital Connection”

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An Essential Partnership

- Our relationship with donors is very important.
- Yet, it is not the only relationship that donors have.
- Donor decisions are often influenced by professional advisors, many of whom know more about our donors than we do.
- The reality is that those advisors may have limited interest in donor giving.
- These advisors include: attorneys, CPAs, financial planners and wealth advisors, life insurance professionals and more...

The Advisor Partnership is Key

- Our donors will consult with advisors before making planned or major gifts.
- Not all advisors have knowledge of charitable giving techniques.
- Important to share information, education and training on planned giving tools and techniques.
- In addition...
 - Share information on mission and stewardship
 - Exhibit understanding of gift planning options

The Conversation with Advisors is About Wealth

Two Types of Wealth

- Terminal wealth (for self)
- Instrumental wealth (for others)

Instrumental wealth reminds us that as people consider sharing their wealth they often think of it as an investment of resources – whether that be in family or in charities.

Three Possible Destinations

HEIRS

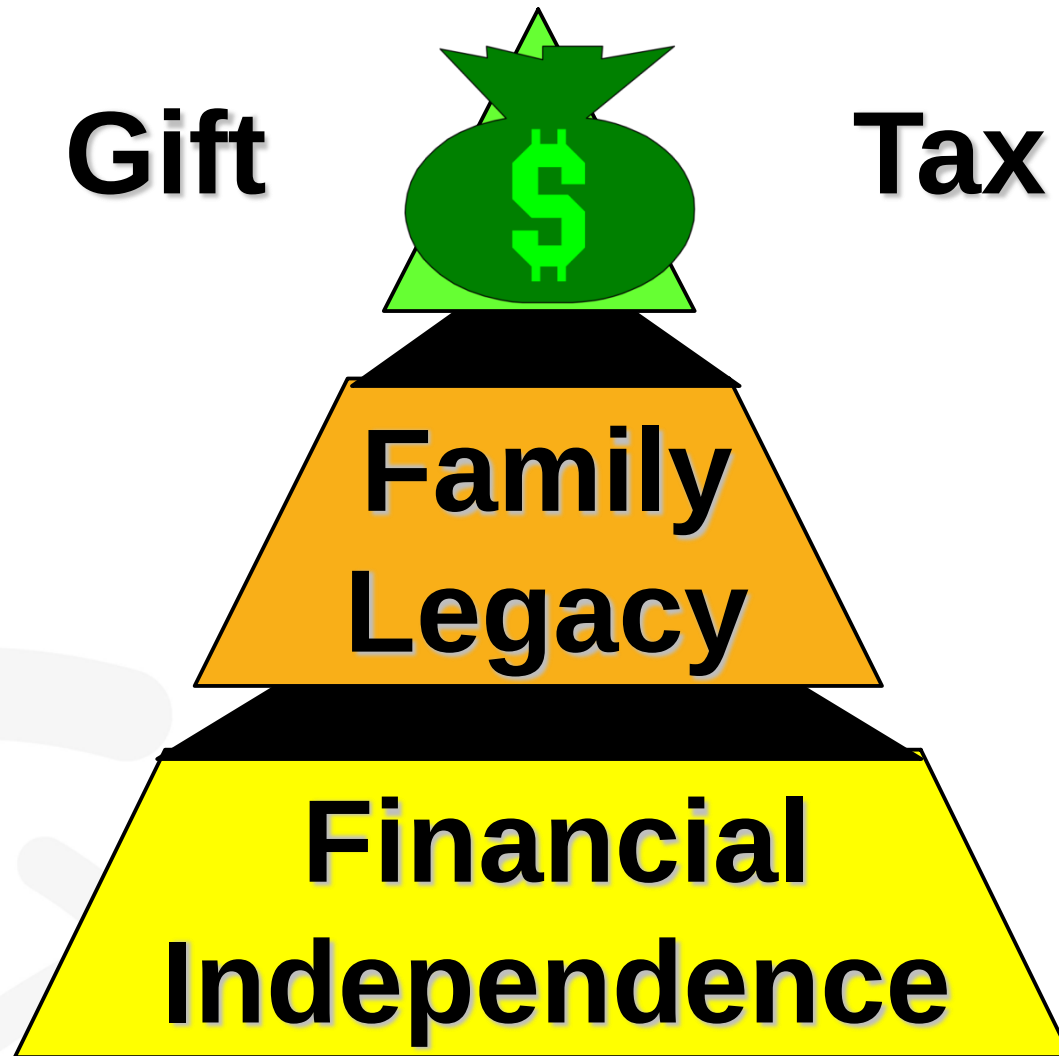
TAXES

CHARITY

Hierarchy of Values

Gift

Tax



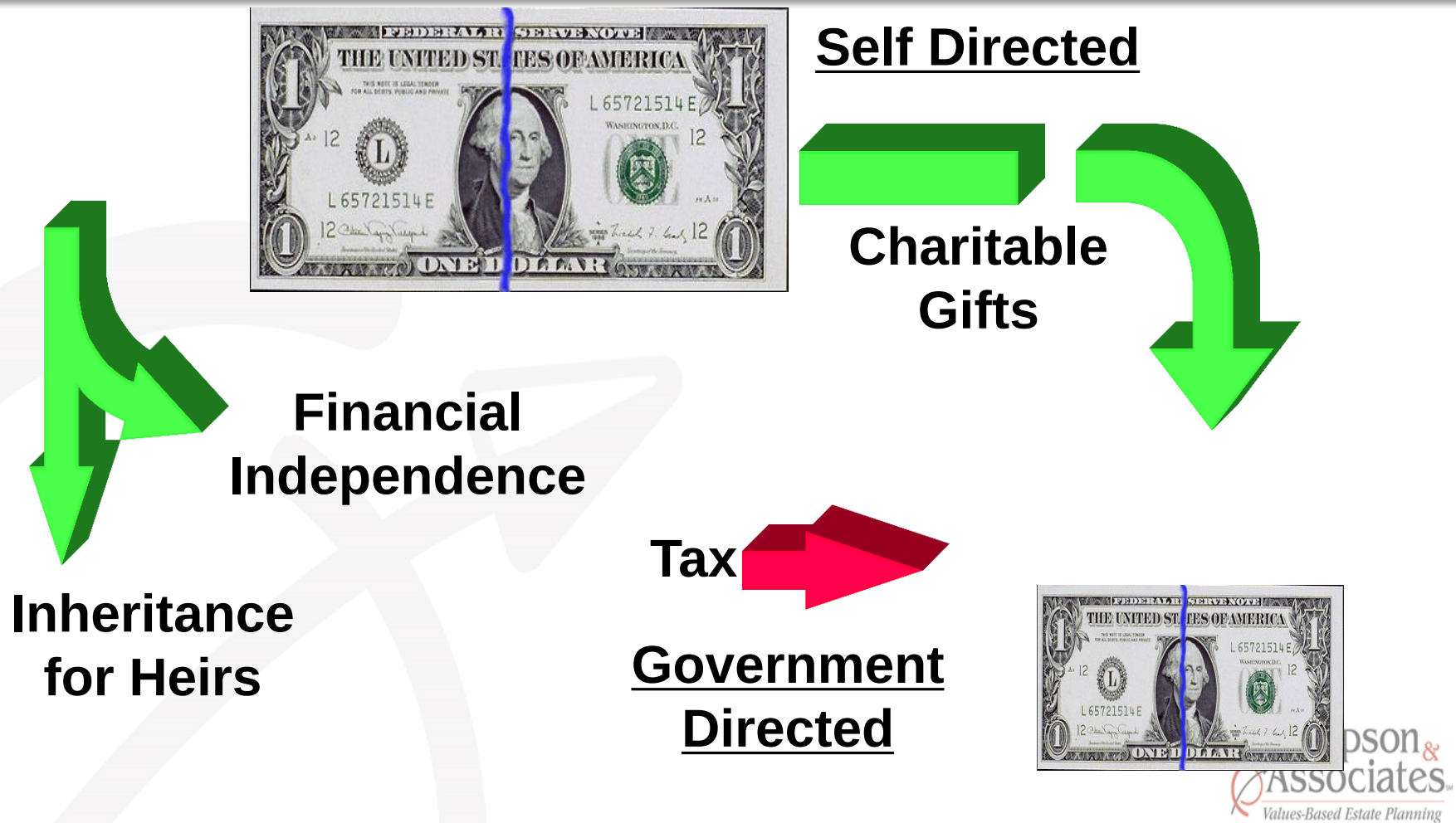
Getting to the nub of the matter

***If you had to give away
a large sum of money,
what would you do?***

Asking the right question

When your executor writes a large check from your estate, would you rather it go to the IRS or to your favorite charities?

An Innovative Way to Understand Total Wealth



Social Capital

What is “Social Capital”?

We will all have to part with a portion of our wealth.

Voluntary versus Involuntary Social Capital...

- Assumes an individual has a choice between tax and gift
- Does not dictate which is the better choice
- The decision is a function of the client's values

Social Capital

Personal Financial Capital – the portion of what an individual earns and owns that they will be allowed to keep or pass on to heirs.

Personal Social Capital – the portion of what an individual earns or owns that they will NOT be allowed to keep or pass on to heirs.

Social Capital

Conventional Estate Planning –

- Utilizes strategies that produce the greatest benefit for clients and their heirs
- Little value is placed on the client's personal social capital

Personal social capital is often viewed as taxes alone.

So...most advisors make little or no effort to maintain family control over these dollars...

Social Capital

Social Capital is viewed as something to reduce, rather than something that may be controlled and used.

Conventional planning does not consider the **IMPACT** of redirecting these tax dollars.

Social Capital

An innovative approach to estate planning attempts to maximize control over both one's financial capital and social capital.

The focus changes to strategies that provide the client with the greatest control over all resources...maximizing potential influence.

Social Capital

An innovative, modern approach moves from a focus on tax and *decreasing* social capital... towards a focus on *increasing* and controlling social capital through the use of charitable gifts and charitable techniques.

Conventional Estate Planning Goals VS. Modern Estate Planning Goals

Conventional Estate Planning	Modern Estate Planning
1. Help clients keep as much as they can. 2. Help clients pass on to heirs as much as they can. 3. Help clients reduce some taxes through basic planning techniques.	1. Help clients keep as much as they want. 2. Help clients pass on to heirs an amount they deem appropriate. 3. Help clients control the distribution of what is left.

Help clients move beyond an estate plan with financial success, to an estate plan with greater effectiveness and a deeper sense of significance and impact beyond the family – reflecting one's values.

Social Capital

Process:

1. Review client's goals and objectives.

Would they like to:

- Increase their income?
- Increase asset diversification?
- Reduce income tax liability?
- Avoid capital gains tax?
- Reduce estate tax liability?
- Make gifts to charity?
- Transfer assets to children?

Social Capital

Process:

2. Help clients identify their social capital.
3. Review client's financial resources.
 - What is the client's net worth?
 - What types of assets does the client own?
 - Are the client's assets liquid or illiquid?
 - Are the client's assets highly appreciated?
 - What asset preferences does the client have?
4. Process then shifts to problem solving and applying innovative solutions.

(Acknowledgements to my colleague Jason Meredith, J.D. for these social capital insights.)

When Personal Financial Capital Becomes Social Capital

“The secret to a good estate plan is to leave your children enough so they can do whatever they want, but not so much that they won’t do anything.”

- Warren Buffett

“The Kids are (going to be) All Right”

...or are they?

Prince Group Survey Those Expecting to
Inherit \$7.5+ Million

- 93% expected dramatic change in lifestyle
- 88% anticipate quitting their jobs
- 77% believed it would create conflict within families
- 54% concerned about conflict w/ spouse

“The Kids are (going to be) All Right”

...or are they?

A Tale of Disappointment and Failure

Money
vs
Values

“The Kids are (going to be) All Right”

...or are they?

70% of all Wealth Transfers Fail

The Williams Group

“Preparing Heirs”

“The Kids are (going to be) All Right”

...or are they?

80% to 90% of the time

All inheritance is gone within 18 months

“The Kids are (going to be) All Right”

So, ask your donors:

“To whom do you attribute your success?”

And you will confirm:

- ✓ It's fine to pass on values without wealth
- ✓ It's a disaster to pass on wealth without values
- ✓ It is far better to pass on values and wealth together

The Psychology/Spirituality of Giving

Basic Tenets of Faith

Stewardship of Life

“Where your treasure is, there will your heart be also.”

“To whom much is given, much is expected.”

“If I am not for others, who am I?”

The Psychology/Spirituality of Giving

Our National Culture

- A unique trust in charity (first observed as early as the work of Alexis de Tocqueville)
- 95% contribute to charity
- 91% of high net worth (HNWD) donors trust charity to solve societal problems
- 56% trust the government

Philanthropic Conversations

U.S. Trust Study of Philanthropic Conversations *“Understanding Advisor Approaches and Client Expectations”*

Random Sample

300 Advisors and 120 Individuals

\$3 million+ investable assets

Active in charitable giving

Philanthropic Conversations in Contrast

- 88% of Advisors believe that discussing philanthropy is important

55% of HNWD say they discuss philanthropy with their advisors

- 33% of advisors say they initiate the conversation and clients initiate it 20% of the time

51% of HNWD say they initiate the conversation; advisors initiate 17%

Philanthropic Conversations in Contrast

Advisors will look for cues before initiating

Financial goals

Charitable activity

Personal goals

34% of HNWD feel topic should be brought up during the first meeting

90% of HNWD feel topic should be brought up within first several meetings

Philanthropic Conversations in Contrast

47% of HNWD feel advisors good at discussing personal/charitable goals with them

41% of HNWD feel fully satisfied with discussion

71% of advisors raise charitable giving from technical perspective

35% of advisors raise charitable giving from client's personal/charitable goals

Philanthropic Conversations in Contrast

Once philanthropic discussion begins...

Advisors say

41% on technical

38% on client's charitable goals

HNWD say

63% on technical

27% on their goals, values, interests

Philanthropic Conversations in Contrast

Top Motivators for Giving

1. Passionate about the cause
2. Strong desire to give back
3. Positive impact
4. Encourage next generation vs reducing tax
5. Religious/spiritual
6. Obligation to give back/family legacy

Note: 10% HNWD cite taxes as reason to give

Philanthropic Conversations in Contrast

If Estate Tax Eliminated...

Advisors: 40% of HNWD would reduce giving
while

6% of HNWD said they would reduce giving

If Charitable Income Tax Deduction Gone...

Advisors: 78% of HNWD would reduce giving

45% of HNWD said they would reduce giving

Philanthropic Conversations in Contrast

Reasons HNWD Do Not Give

Advisors

1. Not enough for Heirs
2. Not enough for Self
3. Do not consider themselves wealthy

HNWD

1. *Gift not used wisely*
2. *Lack of knowledge/connection with charity*
3. *Fear of increased solicitation*

What Can We Learn from All This?

- People want to give more than most advisors would think. The idea of social capital is powerful.
- Conventional planning focuses on retention and taxes – but doesn't often enough think outside the box to explore values and personal interests.
- Our task and our great opportunity, should we decide to accept it, is to build advisor/charity relationships that spark innovative planning.
- Our privilege is to bring together great people with great plans to create great impact.

Two Seas in Palestine

“...The Sea of Galilee receives but does not keep the Jordan. For every drop that flows into it another drop flows out. The giving and receiving go on in equal measure.

“The other sea is shrewder, hoarding its income jealously. It will not be tempted into any generous impulse. Every drop it gets it keeps...

Two Seas in Palestine

“The Sea of Galilee gives and lives. The other sea gives nothing. It is named Dead.

“There are two kinds of people in this world. There are two seas in Palestine.”

- Bruce Barton



Questions?