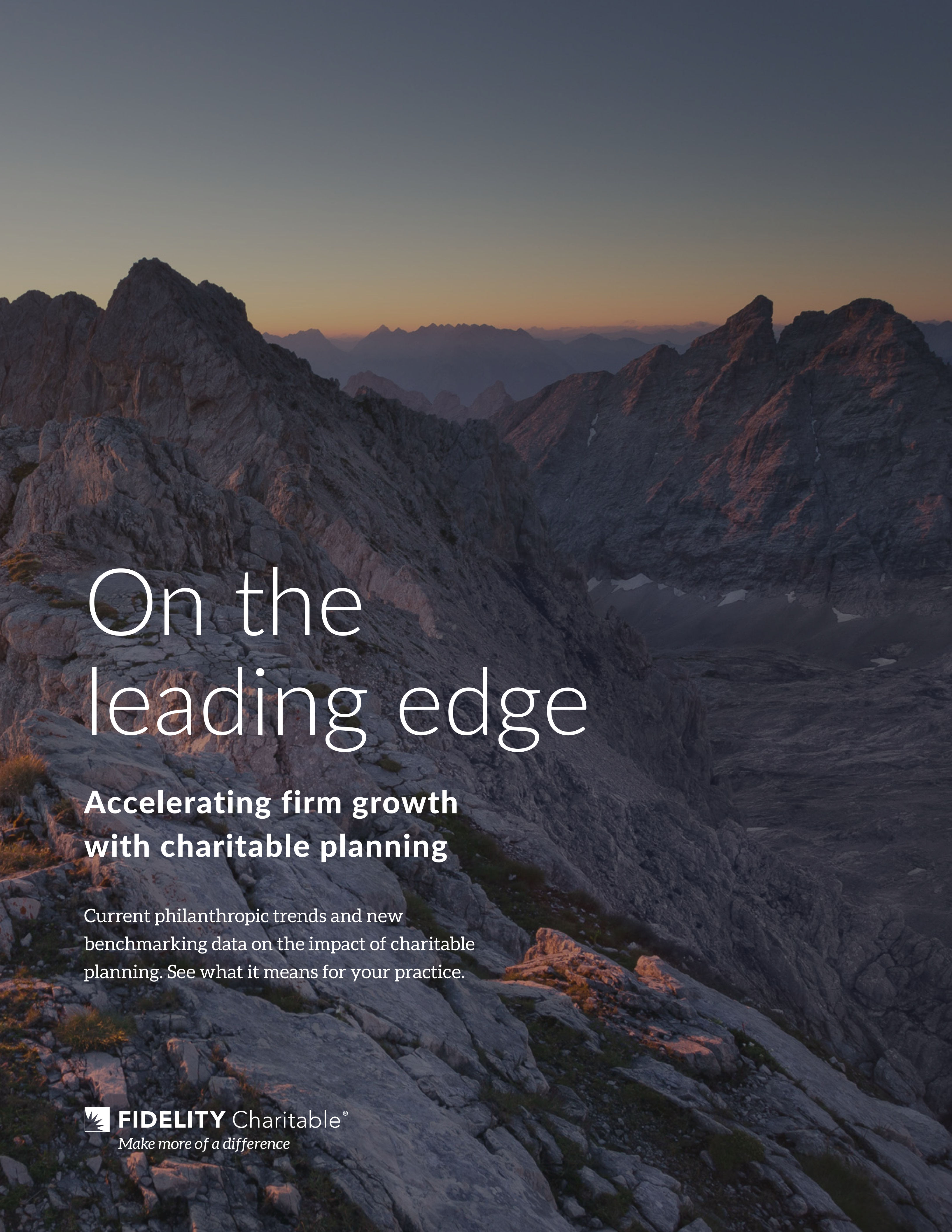

On the leading edge

Accelerating firm growth with charitable planning

Current philanthropic trends and new benchmarking data on the impact of charitable planning. See what it means for your practice.

FIDELITY Charitable®

Make more of a difference

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The current charitable landscape

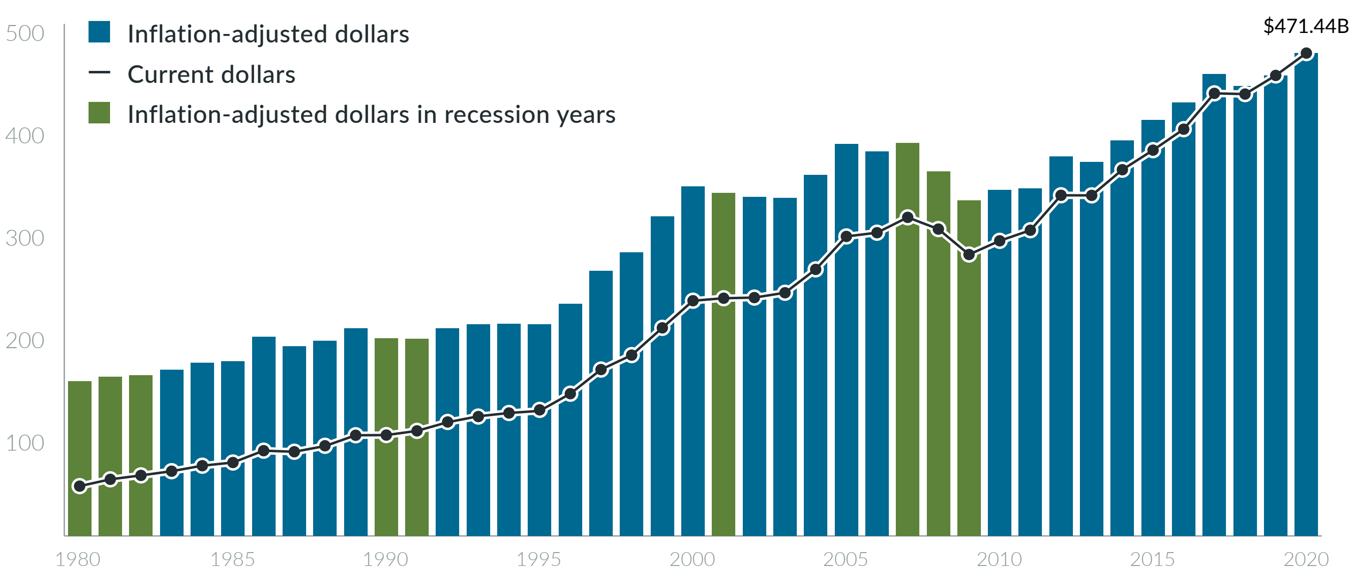
History has shown that during challenging times or the aftermath of a disaster, Americans respond with philanthropy. For the past two years, as mounting need from the pandemic, natural disasters and racial injustice dominated the headlines, Americans looked for ways to give back in their communities and across the country. The result was an outpouring of generosity—charitable giving in America reached **a record $471 billion in 2020**. Notably, 78 percent of that giving came from individuals and bequests (as opposed to corporations and foundations).[1]

Philanthropic activity has only continued to grow since then; 92 percent of investors planned to maintain or even increase their future charitable giving, when surveyed in late 2021.[2] Though the unprecedented need of the past years prompted a spike in charitable activity, this generosity is by no means a rarity. Ever since the 1970s, philanthropy has steadily been on the rise.

While the numbers have climbed, so has **the sophistication with which individuals are giving**. As a result, donors are looking for more effective and tax-savvy ways to give, and ways they can give with more impact. Strategies range from donating unexpected assets, to choosing socially responsible investments, to using giving vehicles. For example, the number of donor-advised funds has grown from 290,111 in 2016 to over a million in 2020.[3]

The focus on philanthropy will only become more significant as this up-and-coming generation controls more wealth in the next decade. The Millennial generation is now between the ages of 25 and 40 and nearly three-quarters call themselves philanthropists (compared to just 35% of Boomers).[4] And it's about more than donating their money. Being socially responsible is a holistic mindset and a filter through which this generation makes everyday decisions—where to work, what products to buy and where to invest their savings.

Technology and social media play a role by making it that much easier to engage in philanthropy—with more than half of Millennials having made a donation through their mobile device.[4] The landscape is quickly shifting as Millennials bring their unique experiences and behaviors to the table. It is critical for advisors to realize that strategic charitable planning should now be a part of all of their client conversations.



Source: "Giving USA 2021 Study," Lilly Family School of Philanthropy.

Why do you incorporate charitable planning into your practice?

"We partner with our clients to align their wealth, passions, and purpose so they can pursue the life that truly fulfills them. **Our goal is bigger than anyone's financial peace of mind**—it's their happiness. We offer philanthropic advising because we believe that giving back plays a crucial role in happiness, and we want to support our clients' philanthropic journeys so they can increase their impact, find joy in their giving, and shift their donations from transactional to transformational.

By going beyond the mechanics of giving, Brighton Jones **advisors have the chance to engage clients on their values, motivations, and visions** for the world. Whether it's identifying the causes they care about, connecting directly with nonprofits, setting up family giving plans or joining one of our Community Impact Circles, **the result is deeper and more meaningful relationships between our clients and advisors**."

Jon Jones
Co-Founder and CEO of Brighton Jones, RIA firm

Growing your business with charitable planning

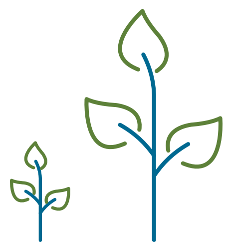
As philanthropy takes center stage, it is critical that financial advisors not only be part of the decision-making, but initiate the conversation with their clients. Charitable planning opens the door for advisors to reinforce the breadth of their wealth management expertise and build stronger client relationships and more holistic financial plans.

Firms that have strategically incorporated charitable planning into their practices are seeing success. An analysis[5] of over 1,200 RIAs and Family Offices found that those offering charitable planning tended to have significantly greater assets, organic growth and new money. In many cases, charitable planning is a key strategy used to deliver on a firm's objective of providing holistic wealth management.

Firms that offer charitable planning

6x ASSETS

Firms that offer charitable planning had 6x the median assets of those that do not offer charitable planning.



3x ORGANIC GROWTH

Firms that offer charitable planning had 3x the median organic growth of those that do not offer charitable planning.

1.3x NEW MONEY

Firms that offer charitable planning had 1.3x the median new money per investor of those that do not offer charitable planning.

Higher Net Promoter Score (NPS)[6]

Additionally, findings from recent studies of affluent investors illustrate the value of incorporating charitable planning into your practice. The research[7] found that clients who receive charitable planning are **more loyal and likely to recommend** their advisor compared to those who don't, as measured by a higher Net Promoter Score® (NPS). Advisors who offer charitable planning had an NPS of 67, while those who don't offer charitable planning had an NPS of 49.

Advisors who offer charitable planning

NPS: 67

Advisors who don't offer charitable planning

NPS: 49

Drivers of NPS among millionaires[8]

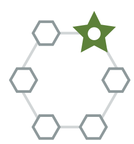
Clients who receive charitable planning tend to rate their advisors significantly higher on key drivers of NPS:

7% HIGHER

Trust my primary financial advisor to make decisions that are in my best interest

13% HIGHER

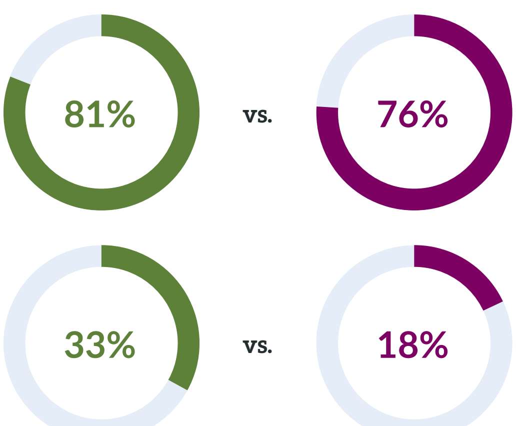
Demonstrates that he/she is **considering my unique needs**/ goals/preferences



27% HIGHER

Is a **multigenerational resource** to my family

Advisors who offer charitable planning[9]



tend to have larger share of wallet

tend to have a higher proportion of clients with $1M+ in managed assets

Offer charitable planning

Don't offer charitable planning

Key client segments

Charitable planning is an appropriate topic to broach with all of your clients if you're looking to deepen the relationship, but particularly with the following client segments:

More than 75 percent of entrepreneurs say charitable giving is a critical part of who they are. And they're walking the walk: Their median charitable giving is 50 percent higher than that of non-entrepreneurs.

When it comes time to exit their businesses, **69 percent** hope to incorporate charitable giving into the exit plan.[10]

$68 trillion of wealth will transfer to heirs over the course of the next 25 years.[11] Charitable giving is an effective and nonthreatening topic to engage a multigenerational family in planning and legacy conversations.

Three-quarters of Millennials identify as philanthropists (compared to 35 percent of Boomers).[4]

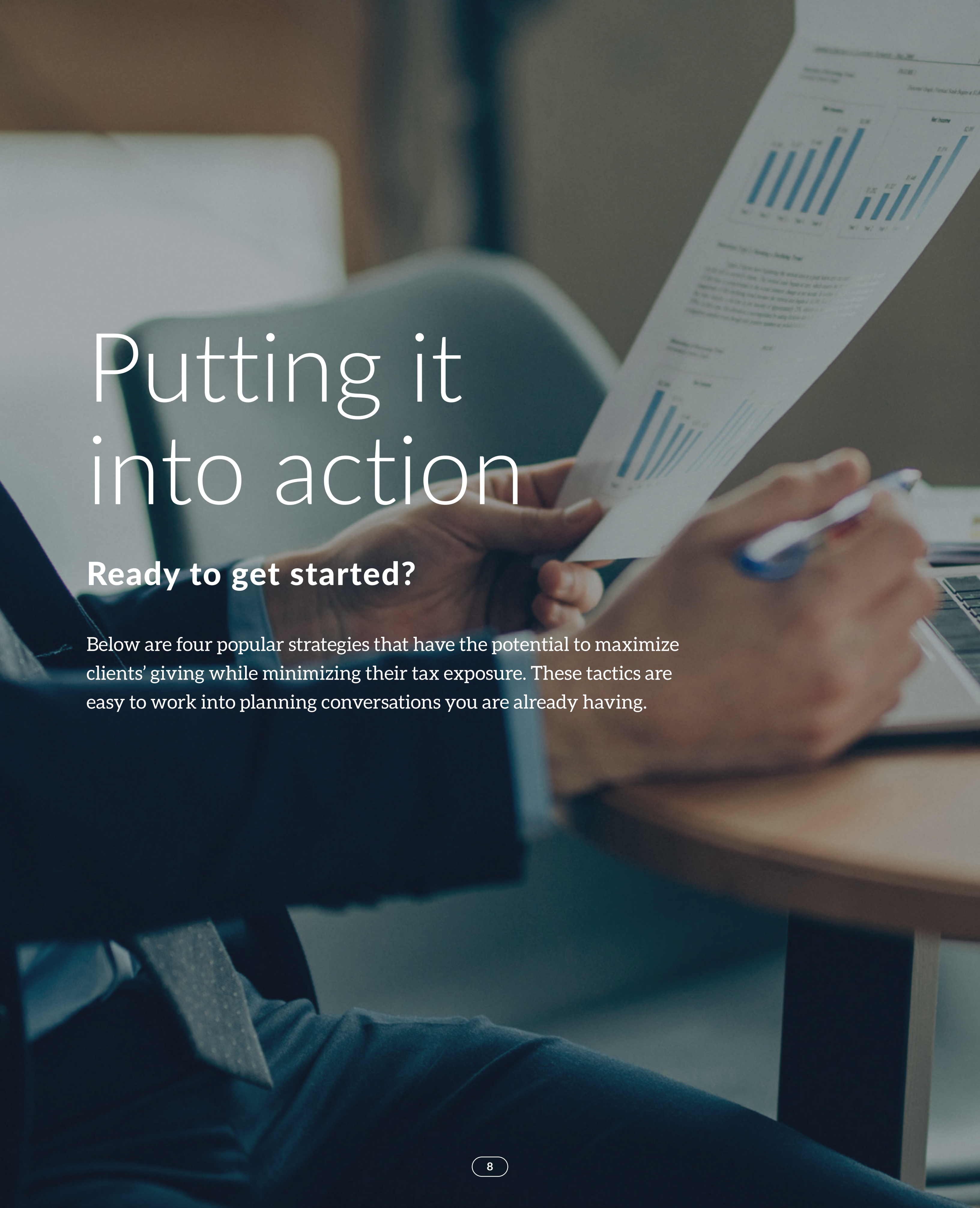
Across the board, this younger generation is much more confident they can make a difference with their wealth, and they're eager to consult with financial experts on how to do that most effectively.

60 percent of executives are interested in learning how company stock can be used to maximize charitable giving.[12]

9 in 10 women wish they could be doing more to create positive social change, but only 14 percent have spoken to a financial advisor about charitable planning strategies.[13]

"I spend time asking about the ways clients support the causes they believe in. It's amazing how a simple and short question could spur so much conversation. Clients love talking about being charitable and feel proud of it."

Sirma Tzoutzova
CFP®, CWS®, Wealth Manager at Fidelity Investments®



Putting it into action

Ready to get started?

Below are four popular strategies that have the potential to maximize clients' giving while minimizing their tax exposure. These tactics are easy to work into planning conversations you are already having.

1 Funding philanthropy with non-cash assets

Long-term highly appreciated securities are often the best assets to donate.

Most Americans are still using checkbooks or credit cards to support their favorite charities, and they're missing out on significant tax savings as a result. If your clients donate long-term appreciated assets, such as bonds or stocks, directly to charity, **they generally won't have to pay capital gains and can take an income tax deduction for the full fair market value**.

Be sure to scan clients' portfolios for long-term appreciated stocks, which are ideal candidates for charitable gifting. It's also a good idea to keep charitable giving in mind during routine portfolio rebalancing. If high-performing investments are sold, your client will be exposed to capital gains taxes. One simple method to offset this tax is to donate the long-term highly appreciated securities.

Consider this: If you were to sell the long-term appreciated stock and donate the net cash, you become subject to capital gains tax. In the highest income bracket, that is 23.8 percent—with the potential to increase even more if proposed tax legislation passes.

Instead, if the stock is donated directly to a public charity, your client minimizes their capital gains tax and becomes eligible for an immediate income tax deduction. This results in more money going to the charitable cause. Imagine this scenario:

Complex, non-publicly traded assets to donate

- private company stock (S-corp or C-corp)
- cryptocurrency
- private equity interests
- restricted stock
- oil interests

"Typically, I see this when C-suite executives are retiring. They're leaving and they realize that 45 percent of their wealth is tied up in XYZ company stock, and it's about time to diversify and make that charitable contribution."

Leon LaBrecque
JD, CPA, CFP®, CFA, Chief Growth Officer for Sequoia Financial Group

- Client is in the 37% federal income bracket
- Owns long-term (>1 year) appreciated securities valued at $50K with long-term unrealized gains of $30K that, if sold, will be subject to the 20% capital gains and 3.8% Medicare surtax

Value of long-term appreciated securities ❯ $50,000

	Donate cash proceeds	Donate securities directly
Capital Gains and Medicare surtax	$7,140	$0
Net charitable donation	$42,860	$50,000
Income tax savings	$15,858	$18,500

Additional amount donated to charity: $7,140

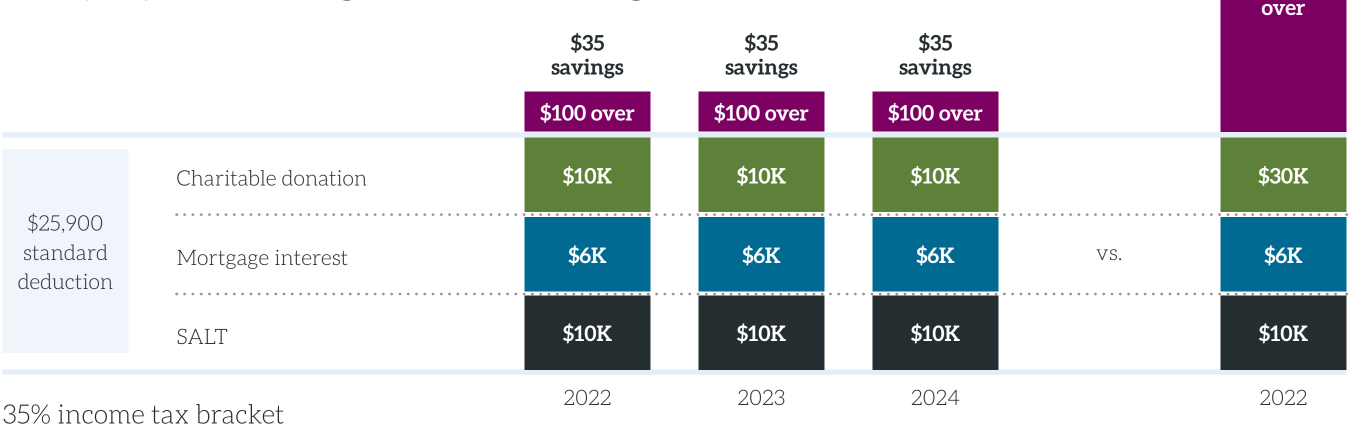
This assumes all realized gains are subject to the maximum federal long-term capital gains tax rate of 20% and the Medicare surtax of 3.8%. This does not take into account state or local taxes, if any. This hypothetical case study is provided for illustrative purposes only. It does not represent an actual donor.

2 Bunching

A tax-savvy strategy of accelerating charitable giving in order to surpass the standard deduction and offset a high-income year.

If you have a client who regularly gives to charity but won't surpass the standard deduction threshold, consider "bunching" multiple years' worth of charitable giving in one year. (In off-years, your client can take the standard deduction.) Take a look at how this could work:

Ramp up tax savings with bunching



When bunching with a donor-advised fund, your client benefits from a tax deduction in the present year plus potential growth of their invested funds in the account. The donor then has charitable funds set aside to maintain their annual support for the causes they care about.

Offset a high-income year for clients

- participating in an IPO
- selling a business
- with vesting equity compensation awards

"It might be a simple strategy, but it's really important because with such a high standard deduction, we have to do better for our clients. This is money in your client's pocket, and that's what it comes down to. If someone wants to be generous, it's our collective job to let the government share in their generosity to the greatest extent possible. So, this type of plan will do it."

Robert Keebler
CPA/PFS, MST, AEP, CGMA, Partner with Keebler & Associates, LLP

"For many business owners, cash flows can fluctuate significantly from one year to the next. If a business owner anticipates a higher-than-average income, it might make sense to bring forward the next few years' donations in order to maximize the deduction in the year of contribution."

Sharon Appelman
CFP®, Senior Wealth Planner at Neuberger Berman

3 Using a giving vehicle

Vehicles like donor-advised funds help donors carry out their philanthropic goals.

Savvy donors interested in using a giving vehicle are faced with a number of options, from private foundations, to trusts, to donor-advised funds. Each vehicle comes with its advantages and limitations—and different tax deductions–so it's important that advisors understand the unique scenario of each client. To help make the decision, start by asking about your client's short- and long-term goals, how much time they want to dedicate to their philanthropy and how much money they have to contribute.

Keep in mind that oftentimes, giving vehicles complement each other for the greatest impact. This Fidelity Charitable® guidebook explores two of the most popular vehicles, private foundations and donor-advised funds, to help a client understand all the factors involved in making their giving vehicle selection.

Donor-Advised Funds

More people are turning to donor-advised funds to amplify their charitable giving and make more effective and tax-efficient donations. Here's how it works:

Give

When you donate to a public charity with a donor-advised fund program, you're making a tax-deductible donation to the sponsoring organization.

Grow

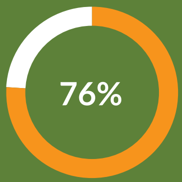
Your donation is invested based on your recommendations, so it has the potential to grow tax-free while you're deciding which charities to support.

Grant

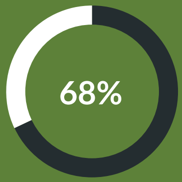
Then, you advise the sponsor on how to grant the money out to your favorite charities.

Clients benefit from donor-advised funds' ease of use and the ability to invest the charitable funds for potential tax-free growth. Like an investment account for charitable giving, donor-advised funds allow your client to support their favorite charities—whether that be their alma mater, a religious organization or local food bank—even in times of economic uncertainty, as many experienced in 2020.

Why do clients use a donor-advised fund?[14]

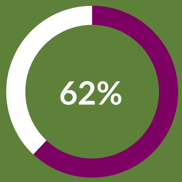


To donate appreciated assets, such as publicly traded stock and privately held assets



To give me time to decide where to give

- Unexpected financial windfall
- Sale of business
- Inheritance
- Variable income or year-end bonus



To sustain their giving through retirement

4 Legacy planning

Philanthropy is an effective, nonthreatening way to discuss estate and legacy plans with your clients.

With a focus on holistic wealth management, philanthropy and legacy planning should be considered part of the entire financial planning conversation. Discussing this topic with clients and their families is a great strategy to deepen relationships with current clients as well as to create new relationships with the next generation of family members. Legacy planning can be a powerful way for families to pass along their shared beliefs and values. It can also provide unique opportunities for families to spend time together and collaborate. As a trusted advisor, you have the opportunity to facilitate these conversations. For assistance on getting started, leverage this guide from Fidelity Charitable: Family Forward: Create a Legacy of Giving.

Also, clients can incorporate charities and some giving vehicles into estate plans by making a bequest in their will or by making a charity a beneficiary of a retirement plan, life insurance policy or charitable trust. These gifts can help reduce or eliminate the burden of an estate tax for your clients' heirs—becoming a valuable tool for legacy and estate planning.

"Charitable planning is **great for intergenerational wealth transfers**. Because it's about bringing the family together. It's about asking 'What kind of legacy do you want to leave as a family?' And I've picked up multigenerational clients that way. I might start with an executive, and next thing you know, I'm talking to their mom, dad, or both, and then I'm talking to their adult kids. Pretty soon, it's an essential part of all their financial plans."

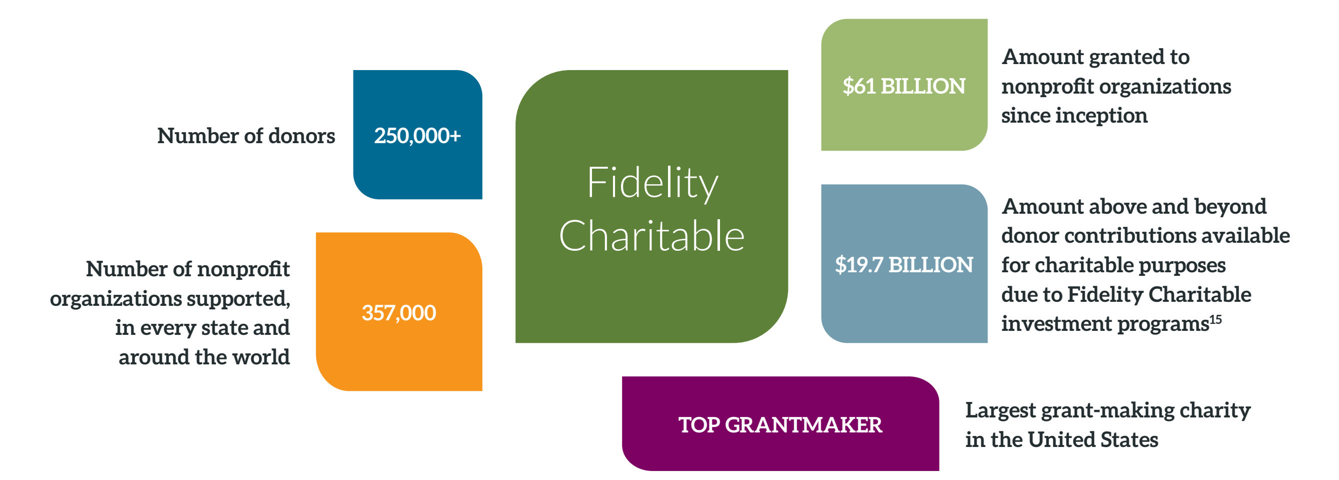
Leon LaBrecque
JD, CPA, CFP®, CFA, Chief Growth Officer for Sequoia Financial Group

Fidelity Charitable is here to help

Think of Fidelity Charitable as your extended team.

As the largest donor-advised fund sponsoring organization with more than 30 years of experience, we have the charitable planning expertise to help you provide value-added advice to your clients and grow your business.

Our national network of charitable planning specialists is available to provide professional development for your advisors as well as information to serve and educate your clients and prospects.



Data as of 12/31/21

Give us a call to learn more: 800-262-6039

Leverage calculators, tools and videos to support your charitable conversations.

Visit our website for client resources

3 small steps you can take to get started

1 Include information about charitable planning on your website.

2 Educate your teams so they feel comfortable having the charitable conversation.

3 Include questions about charitable giving in every new client onboarding.

[1] *Giving USA 2021 Study, Lilly Family School of Philanthropy.*

[2] *Year-end Charitable Giving: A 2021 snapshot of how Americans plan to give, Fidelity Charitable, 2021.*

[3] *2021 Donor-Advised Fund Report, National Philanthropic Trust.*

[4] *The Future of Philanthropy, Fidelity Charitable, 2021.*

[5] *Advanced Analytics, Fidelity Institutional, 2021.*

[6] *Net Promoter, NPS, and Net Promoter Score are trademarks of Satmetrix Systems, Inc., Bain and Company, Inc., and Fred Reichheld.*

[7] *The 2020 Fidelity Investor Insights Study: The Investor Insights Study was conducted during the period October 15 through October 24, 2020. It surveyed a total of 1,181 investors, including 560 Millionaires. The study was conducted via a 25-minute online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of investable assets (excluding employer sponsored retirement assets and primary residence), age, and income levels.*

[8] *The 2019 Fidelity Investor Insights Study: The Investor Insights Study was conducted during the period August 6 through August 26, 2019. It surveyed a total of 2,026 investors, including 1,102 Millionaires. The study was conducted via a 25-minute online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of investable assets (excluding employer-sponsored retirement assets and primary residence), age, and income levels. Millionaires are defined as investors with $1M or more in investable assets (excluding employer-sponsored retirement assets and real estate).*

[9] *The Fidelity Financial Advisor Community Background Survey 2020: The study was an online blind survey (Fidelity not identified) and was fielded during the period October 5th, 2020 through March 4th, 2021. Participants included 859 advisors who manage or advise upon client assets either individually or as a team, and work primarily with individual investors. Advisor firm types included a mix of banks, independent broker-dealers, insurance companies, regional broker-dealers, RIAs, and national brokerage firms (commonly referred to as wirehouses), with findings weighted to reflect industry composition. The study was conducted by an independent firm not affiliated with Fidelity Investments.*

[10] *Entrepreneurs as Philanthropists, Fidelity Charitable, 2018.*

[11] *U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2018: Shifting Demographics of Private Wealth, Cerulli, 2018.*

[12] *Fidelity Participant research, 2018.*

[13] *Women and Giving, Fidelity Charitable, 2021.*

[14] *2015 Fidelity Charitable Giving Report.*

[15] *Based on cumulative contributions since inception minus cumulative grants since inception, subtracted from current assets as of December 31, 2021.*

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Make more of a difference

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