FIDELITY Charitable®
Make more of a difference

Create a big impact for clients—and your business

We all want to make a difference in the world—particularly in difficult times. The reality is that many people may find it challenging to create a charitable impact when their own finances are volatile. However, high-net-worth Americans are different—they consistently and actively employ charitable giving in overwhelming numbers.

From improving tax efficiencies to multiplying the impact of a charitable gift, high-net-worth investors can potentially benefit from planned charitable giving. For advisors, this may provide an opportunity to grow their practice and deepen client relationships while helping to maximize these philanthropic benefits for their clients.

In this report, three advisors share how they have done just that in their own firms.

"Simple strategies, such as helping your clients recognize the right assets to give, can increase their charitable impact and highlight your value as an advisor at the same time."

Sarah Libbey
President, Fidelity Charitable

WHAT'S INSIDE

GIVING MORE THAN WE THINK

In 2012, we conducted a comparative study of financial advisors and high-net-worth individuals.* What did advisors expect the level of giving to be? Advisors estimated that, on average, just over half (54%) of clients with at least $1 million in assets gave $2,500 or more to charity in the past 12 months.

The reality, however, shows a much bigger opportunity. More than half (51%) of the clients surveyed reported they give at least double that amount—from $5,000 to $100,000 or more—to charity each year. In total, 93% of wealthy clients who work with a financial advisor say they make charitable contributions on an annual basis.

The bottom line: Charitable giving is not only an effective tool to solve high-net-worth goals and problems—it's also a tool that your clients will understand and welcome.

With 93% of affluent individuals contributing to charities on an annual basis, more and more clients are looking to their advisors for charitable planning assistance.

PROFILED ADVISOR FIRMS

	Covenant Multifamily Offices, LLC	MAI Wealth Advisors, LLC	Tortoise Investment Management
Location	San Antonio, TX	Cleveland, OH	White Plains, NY
Leadership	John Eadie, Founder and Managing Director	Rick Buoncore, Managing Partner	Ian Yankwitt, President
Assets under Management *(as of June 30, 2012)*	$1.3 billion	$2.4 billion	$350 million
Typical Clients	Ultra-high-net-worth families, including families with $5 million or more in investments	Ultra-high-net-worth individuals and families, including business owners with more than $5 million in investments	High-net-worth individuals and families with $1 million or more in investments

*The 2012 Fidelity Charitable Advice & Giving Survey conducted by Harris Interactive, composed of 146 financial advisors with clients averaging at least $1 million in investable assets, and 183 individuals who use a financial advisor and have at least $1 million in investable assets and $100,000 in household income.

TRUST BUILDER

A Process-Driven Planning Approach

"Charitable planning can help clients realize dreams that they didn't even know were possible."

John Eadie
Founder and Managing Director, Covenant Multifamily Offices, LLC

He talks it every day. Conversations around charitable planning are a natural part of a comprehensive planning process used by John Eadie's San Antonio firm, Covenant Multifamily Offices, LLC. While Covenant's discovery process is driven by the complexity of its clients' needs, the firm applies a thoughtful and comprehensive approach to all clients on a regular basis.

The firm uses proprietary tools to identify client hot buttons, what they're passionate about, and their values. Eadie and his team then develop a set of financial objectives and, ultimately, a comprehensive plan.

"At the end of the day," Eadie emphasizes, "this process, which we conduct on an ongoing basis with clients, is crucial to the development of client trust."

Eadie and his team help clients allocate their assets using the following three categories:

- Lifetime spending and lifestyle needs
- Family legacy/gifts to heirs
- Philanthropy

"Regardless of the amount of money they have, all our clients want to be sure they have enough assets to take care of themselves," Eadie says. "They seek our assistance with determining what that number is."

At Covenant, charitable planning is part of the broader wealth strategy and planning process.

STRATEGY IN PRACTICE

Conduct ongoing client discovery to understand goals.

Having a conversation about charitable giving can occur only once a strong bond is established. Conducting an ongoing discovery process with clients versus a one-time initial meeting can help build trust and leads to deeper conversations about your clients' philanthropic goals.

Patience is also essential: Building trust isn't an overnight event; it's a multiyear endeavor.

Eadie shares the following hypothetical example:

"A client may have $10 million in investments, and our team may determine the family needs $7 million of that for lifetime spending and gifts to heirs. The question then arises: What to do with the balance of $3 million? This is our opportunity to help clients realize big goals for giving back that they never knew were feasible."

Advisors have the opportunity to help clients realize big goals for giving back that they never knew were feasible.

Eadie cautions that the charitable conversation can occur only after he and his team establish a high threshold of client trust. He says, "Advisors need to realize that this can take two to four years of ongoing discovery conversations in order for clients to feel comfortable enough to open up about more personal matters. At the early part of the financial advisory relationship, clients want to be 100 percent certain that their firm is more than capable of helping them meet their basic goals."

Many of Covenant's charitable planning clients have at least $10 million in investable assets—some significantly more. But that doesn't mean they do not have concerns with giving. Eadie notes, "All clients, regardless of the amount of wealth they've accumulated, want to be certain that they have ample funds to live the lifestyle they desire for the rest of their lives before earmarking assets for charity. They don't want to run the risk of running out of money. They don't want to give away their money, especially by committing to a planned giving vehicle, until they are certain they have enough. The adequate amount varies by client. Covenant works with clients to determine what's 'enough'."

Eadie says, "Our clients frequently tell us they're looking for ways to simplify their lives. Using a donor-advised fund, such as the Fidelity Charitable® Giving Account®, provides one way to do this when it comes to managing their giving."

TIMING MATTERS

The How and When of Effective Giving

"We often work with clients as they sell a business. It's crucial to show them that if they ever dreamed of charitable giving in a meaningful way, now's the time to start."

Rick Buoncore
Managing Partner, MAI Wealth Advisors, LLC

When selling a business, owners face a myriad of decisions — and choosing charities is rarely one that rises to the top of the list. Rick Buoncore and his team at MAI Wealth Advisors have sought to change that. "The most frequent response we hear," says Buoncore, "is, 'I don't know where I'm going to give' or 'I'm afraid to give all at once in case the money isn't used as I wish.'"

Buoncore and MAI turn these objections into an opportunity to educate their clients. When conducting tax planning for business owners preparing for a pending sale, he shows clients how the timing of major gifts can impact their tax efficiency. MAI also walks through the advantages of using various types of giving vehicles as opposed to giving directly.

"On those occasions when the client knows where they want to give, and the gift is timely from a tax perspective, it makes the most sense to make the big gift immediately and directly," Buoncore says.

Benefits of a Donor-Advised Fund

For those clients not yet ready to decide, he highlights the benefits of using a donor-advised fund. "The benefits are so obvious for those who want to give over the remainder of their lifetime and who have a short window to make one major gift.

"A donor-advised fund program, such as the one offered by Fidelity Charitable, gives our clients the feeling they have their own foundation without the paperwork," says Buoncore. These planned giving vehicles also provide a way for some of MAI's clients to transition from traditional "checkbook" giving to the gifting of appreciated assets, where one donation can be used to provide support to many charitable causes over time.

Creating a Family Legacy

Like clients of many advisors, MAI's wealthy clients want to be sure they have enough for themselves and their children before making meaningful gifts to charity. "They appreciate their success, see needs in our society that they can help fulfill, and want to make a meaningful difference," says Buoncore.

Buoncore says donor-advised funds can help involve the entire family. He often suggests that clients set up a "family board" to identify a giving vision, mission, and appropriate charities. This can help children understand that the family's wealth is being used to meet philanthropic goals, teaching them how to handle wealth as well as how to understand and continue the family's legacy.

During a financial and estate planning process, the determination of how much to leave to charity as well as how and when to disburse funds from a donor-advised fund become an integral part of Buoncore's client conversations. "As a general rule of thumb," he says, "we advise clients who would like to maintain their Giving Account for a long life span to grant three percent to five percent of fund assets each year."

STRATEGY IN PRACTICE

Identify strategic opportunities for giving.

Special situations, such as the sale of a business, can provide unique opportunities for maximizing charitable giving. Rick Buoncore of MAI tells us that the timing for initiating a charitable giving strategy plays a vital role for those about to experience a major taxable event.

Consider his approach:

- Turn objections into educational opportunities
- Demonstrate the tax benefits
- Explain how various charitable giving vehicles work
- Show the potential of different giving vehicles, such as a donor-advised fund, to provide a means for making more gifts than were ever imagined over one's lifetime

SITUATIONAL SOLUTIONS

Finding Opportunities to Give

"Almost everyone has something in their investment portfolio that would be better to gift than cash."

Ian Yankwitt
President, Tortoise Investment Management

Even when clients are building their wealth, they are good candidates for charitable planning. Many of Ian Yankwitt's clients are successful professionals in their 40s and 50s with young families, who are balancing saving for retirement and college with the high cost of living in the greater New York City area. Some of his clients have concerns that not only their own children, but a parent or sibling could become financially dependent on them. Despite their myriad financial responsibilities, many of these clients regularly make gifts to charity and appreciate being able to do so more tax effectively.

As founder and president of Tortoise Investment Management, Yankwitt shares, "When I'm meeting with clients early in the relationship, I usually ask whether they give to charity. For charitably minded clients, I help them give more efficiently." Emphasizing his respect for the personal nature of giving, Yankwitt won't explore the topic if he senses it's off limits.

While the types of charitable assets he may recommend can vary based on his clients' unique situation, the following three opportunities are always on his radar screen:

- **Stock with no known cost basis.** Yankwitt says, "Clients express an audible sigh of relief that there's an easy way to address the no-basis stock in their portfolio." They can gift it to charity and still receive a tax deduction. It's not uncommon that investors own some type of stock that has multiplied over the years through splits, buyouts, or spin-offs.

  Clients often have no idea of the stock's cost basis and are anticipating a tremendous amount of research—involving time and money—to determine the basis.

  A donor-advised fund, such as the Fidelity Charitable Giving Account, is perfect for these situations. By gifting these shares to charity, the investor is spared a tremendous amount of time, effort, and often money, while gaining the ability to support multiple charities over time.

STRATEGY IN PRACTICE

Include philanthropy as part of a comprehensive planning process.

Your clients need not fall into the ultra-high-net-worth category to start a conversation. Ian Yankwitt of Tortoise Investment Management emphasizes that if you sense your clients give regularly to nonprofits, initiate a dialogue during the planning process to assess:

- The amount of their annual charitable giving
- Ways they can be more tax efficient in making those gifts, given the nature of their assets

- **Concentrated positions.** A concentrated position can be a stock for which an investor has some personal interest or affection. In Yankwitt's own situation, a gift of Pepsi stock he received from his grandfather accumulated over many years to become a concentrated position in his own investment portfolio. It was a difficult security to part with: Performance over the years was great, and he had a personal attachment to the stock. Knowing from his own experience that concentrated positions are great candidates for gifting—because it reduced his overall portfolio risk—and that the money would ultimately make a difference in the world at large, he used a portion of it as a contribution to Fidelity Charitable, feeling confident his grandfather would approve.

- **Unrealized gains in a taxable account.** Tortoise uses index funds for client portfolios and is a big believer in periodic rebalancing. For clients with meaningful assets in a taxable account with unrealized gains, contributing assets from these accounts to a donor-advised fund program at fair market value can reduce a potential capital gains tax liability.

"There's a benefit when you help someone with both a known and an unknown problem. Clients like that. It also makes me feel good," says Yankwitt.

POSITIONING A DONOR-ADVISED FUND

"It's always better to make a bunch of small decisions than one big decision," Ian Yankwitt of Tortoise Investment Management tells his clients. Fidelity Charitable offers his firm's investors a way to make a small decision by establishing a donor-advised fund, then adding contributions of securities over time. A donor-advised fund offers tax efficiency and flexibility for Yankwitt's clients. They can take a tax deduction now and recommend grants to nonprofit organizations on a timetable that works for them.

Tortoise uses GivingCentral®, the Fidelity Charitable online platform that enables advisors to more easily manage their clients' charitable giving needs and helps them facilitate the grant recommendation process.

CONTACT US

For help designing philanthropic strategies to address your clients' charitable needs and goals, contact our Charitable Planning Specialists at 800.682.4438 or visit us at FidelityCharitable.org.

JOIN US ON LinkedIn

The Giving Strategies Network is a private LinkedIn group and educational resource for all your charitable planning needs.

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