FAMILY WEALTHREPORT from WealthBriefing

GUEST ARTICLE: Ten Reasons Why Philanthropy Is Good For Business

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August 3, 2016

In this article, Krystal Kiley, vice president of relationship and practice management at the organization, offers ten reasons why advisors should be sure to include charitable planning on their menu of wealth management services.

Charitable planning is one of the most significantly overlooked opportunities for advisors and firms today. With $30 trillion in motion expected to transfer from the Boomer generation to their heirs, 27 per cent is expected to be given to charity by 2026, mostly in the form of lifetime giving (source: Accenture: *The 'Greater' Wealth Transfer: Capitalizing on the Intergenerational Shift in Wealth*).

Though this massive transfer of wealth is expected over just the next 10 years, only about 10 per cent of advisors provide charitable planning as part of a holistic wealth management offering, according to US Trust and Lilly Family School of Philanthropy's *2014 Study of High Net Worth Philanthropy.* Having worked with advisors and firms across the US to successfully incorporate charitable planning and sophisticated philanthropic strategies, I've compiled the top 10 reasons doing so can help your business:

1. Differentiate

Given that so few advisors incorporate charitable planning, and considering an overwhelming 98 per cent of high net worth clients give to charity annually (according to the above-mentioned study), offering charitable planning can help advisors stand out in what has become a very competitive market.

2. Drive referrals

Helping clients give more strategically, efficiently and effectively can also provide valuable referrals—the number one source of growth (source: *Cerulli Edge, Advisor Edition, 2Q 2016*). Advisors I've worked with have said their clients are more comfortable discussing philanthropic impact than overall financial success with family and friends. These conversations about charitable giving not only demonstrate the added value the advisor brings but also create more opportunities for referrals.

3. Attract the next generation of talent

Almost nine in 10 Millennials (87 per cent) believe that "the success of a business should be measured in terms of more than just its financial performance," according to The Deloitte Millennial Survey 2016. This is a strong indication that Millennials, who tend to be more purpose driven, choose employers whose values reflect their own. Engaging the next generation of talent is one of the biggest existential challenges the sector is facing today.

Data from the consulting firm Accenture shows that only 5 per cent of advisors working in the US are under the age of 30 (source: *The New York Times*). Offering charitable planning, and including it as part of your value proposition, can therefore help attract new talent.

4. Expand your network

Helping clients set up planned giving vehicles or plan for complex donations enables you to strengthen relationships with other advisors your clients use to facilitate these transactions. For example, Fidelity Charitable will often work with a client's financial planner, CPA and attorney to facilitate a charitable donation in connection with the sale of a business or real estate. These networks often lead to future opportunities and new client referrals down the road.

5. Provide value-added services beyond investing

With advances in technology enabling clients to make informed decisions through lower cost entrants like robo-advisors, many advisors will need to seek new avenues to add value with clients. Providing a comprehensive planning offering is particularly important as investment management services become increasingly commoditized. Charitable planning fits squarely in the "value-added" space of the total wealth picture—and aligns with conversations you're likely already having with clients, as there is a strong tie among philanthropy, life events, the family's value system and the legacy they want to leave behind. Take retirement, for example—we've seen that 62 per cent of our donors set up a donor-advised fund (DAF) to sustain giving through retirement, as shown in the *Fidelity Charitable Giving Report 2015*. Helping Baby Boomers plan their giving as they transition through life stages and plan their legacy is sure to resonate.

6. Reach next-gen clients

One of the most common challenges advisors face is building relationships with the next generation. A PricewaterhouseCoopers survey showed that an astounding 98 percent of heirs make a change from the benefactor's advisor soon after receiving a transfer of wealth. Charitable planning can help bridge that gap by providing an opportunity to meet and include the next generation in discussions—while also providing value to clients who want to include family members in their giving.

7. Engage female clients

With as many as nine out of 10 women solely responsible for their finances at some point in their lives (source: National Center for Women and Retirement Research) serving female clients is an important focus for many advisors. Incorporating philanthropy can help you to engage or deepen relationships with women. In fact, research shows that women in the Baby Boomer generation and older give 89 per cent more to charity than men of the same age group (source: Women's Philanthropy Institute, 2012).

8. Find common ground with diverse clientele

Charitable planning allows you to connect with clients with whom you may have little in common. For older advisors, philanthropy can be a great way to reach Millennials—who tend be more philanthropic than previous generations. Conversely, younger advisors can connect with Baby Boomer clients by having values-based discussions when they may not be able to relate to life events which they have yet to experience, such as selling a home or business and retirement.

9. Help clients be more impactful

Charitable planning not only allows you to add value by showing your clients how they can be more strategic with their giving, it can help them maximize their financial and philanthropic goals. Nearly 88 per cent of HNW clients still give by cash or check—even though they can be the least efficient ways to give (source: *The 2014 US Trust Study of High Net Worth Philanthropy*). Helping clients understand their breadth of assets and options to give not only helps your clients be more impactful and do so in a more financially prudent way, it can mean more going to the charities they give to as well.

10. Create your own succession plan

Charitable planning shouldn't be ignored when it comes to your own succession planning—which over 75 per cent of advisors don't have (source: The 2014 Fidelity Advisor Insights Study). Donating a portion of your business could be a smart move that furthers philanthropy and helps your tax situation.

Having worked with those who aren't yet having these conversations with their clients, as well as those who are and are looking to up the ante, I have found the majority of the advisors I talk to cite either challenges with how to incorporate and implement charitable planning into their offering, or a lack of confidence on the topic. Incorporating charitable planning can help you solve for common challenges, stay ahead of trends while better serving the needs of clients as the demand for strategic philanthropic advice grows, and strengthen your business.

Fidelity Charitable recently rolled out a program for advisors seeking advice on how to incorporate charitable planning into their wealth management offerings, details of which can be viewed here.