Five Lists That Can Help For-profit Advisers

BY KEN NOPAR

Though the primary charitable giving season may have concluded at the end of the year, the early months of the calendar year are the ideal charitable planning season. Charitable giving is still top-of-mind to the 95 percent or more of high-net-worth clients of wealth advisers, accountants, and estate planning attorneys who donate every year. Many of them just consulted with these advisers as they donated stocks and made other year-end charitable decisions, and April 15 looms.

In spite of the need for year-end donations, and the fact that some donations are larger during the holidays because donors feel more generous and fortunate, donors, their advisers, and nonprofit organizations would all benefit if the planning took place much earlier in the year rather than in the frenzy of the holidays. Just like people on diets are instructed not to go to the grocery store when they are hungry, similarly, donors do not often make their most prudent charitable giving decisions as the clock is about to strike midnight on New Year’s Eve.

Many nonprofit organizations, including community foundations, children’s hospitals, and others, recognize that one of the keys to their fundraising is to work with the local professional advisers. When these advisers proactively engage in the charitable conversation with their clients earlier in the year, everyone benefits, including the clients, who are often able to experience a greater feeling of pride, satisfaction, accomplishment, and even joy in knowing that their generous support is helping the causes and organizations that are most important to them.

The October 2013 release of a study by The Philanthropy Initiative and U.S. Trust showed, however, that there is a disconnect between advisers and clients “on the initiation and substance of their philanthropic discussions.” Even though 88 percent of the advisers indicated that this is an important topic to discuss, clients...
felt that advisers brought up the subject of charitable planning only 17 percent of the time.

**Move to the Softer Side**

Additionally, 63 percent of the clients stated that the advisers’ discussions centered on technical and tax issues. Only 27 percent felt that the conversations were about the topics in which they were most interested, including their charitable goals, values, and interests.

Most nonprofit organizations understand that advisers are not often asked for recommendations for charities their clients should support, so they would not automatically refer their clients unless there is a reason that the clients would be interested in the organization.

However, if there is no outreach to advisers, the chances for a referral are even less. One of the ways in which organizations can engage them is to determine how the nonprofit professional and his or her company can be a resource and complement or add value to the adviser’s work.

Attorneys, CPAs, and wealth advisers typically understand charitable giving from a technical standpoint, but often they have not been trained on the softer side to know how to have the charitable conversation with clients and how they and their clients benefit from this discussion. Sharing some of this information with the advisers will help them feel more comfortable and confident in having the discussions. More donations and planned gifts will follow.

**The “A” List**

For-profit professionals also recognize that they need to better understand with whom they should engage in the charitable conversation, other than wealthy and older clients.

1. Couples or individuals without children
2. Never-married adults
3. Divorced or widowed clients
4. Women (often live longer, often more charitably inclined)
5. Parents with very successful children
6. Parents who want to limit the amount they leave to their children for various reasons
7. Clients who are very involved with nonprofit organizations, with the community, or simply have charitable intent
8. Young entrepreneurs (generally more generous than inheritors)
9. Clients who may sell or have sold a business, or had or anticipate other liquidity events
10. Young families who want to get their children involved in philanthropy

Clients’ goals and interests may change over time, but advisers can help formulate a charitable plan while they are younger and can encourage wise decisions. The aforementioned study indicated that clients welcome this discussion. When attorneys and wealth advisers explain that it will enable them to provide the best possible legal, investment, and tax advice, clients welcome the opportunity to share their charitable plans and thoughts.

**Opening Questions**

A number of advisers are not sure how to start the charitable conversation with their clients. Here are some questions that can help.

1. Are you currently involved with any nonprofit organizations? (Are you a donor, volunteer, or board member?)
2. Do you typically support the same organizations every year, or does it vary from year to year?
3. How do you decide which nonprofits to support?
4. Do you give the same amount every year? Upon what does it depend?
5. What have you contributed in the past? Do you give using cash, checks, appreciated stock, or other noncash assets?
6. Do you want to donate primarily during your lifetime, at death, or for years after your death?
7. Have you named any charitable beneficiaries in your estate documents?
8. Do you have any charitable vehicles in place, such as a private foundation, donor advised fund, or charitable trust?
9. Which donations have provided you with the greatest satisfaction or regret?
10. Would you prefer to give anonymously or publicly?

**Find New Openings**

Sometimes advisers need help in iden-
tifying when one of their clients needs assistance with their charitable planning. Some of these situations are obvious, as when a client:
1. Cannot keep track of charitable tax receipt acknowledgements
2. Rushes to make contributions on Dec. 31
3. Gives to widely different organizations each year
4. Donates vastly different amounts every year
5. Repeatedly donates to the same organization at different times throughout the year
6. Donates assets that are not tax-efficient
7. Expresses frustration, bewilderment, dissatisfaction, or questions the impact of donations

Seize Opportunities

Advisers occasionally do not fully comprehend that there are many different ways clients will benefit from a conversation about their charitable plans.
1. They may be missing significant tax benefits through annual and estate giving and may not realize that other assets can be used to fund charitable donations
2. They may be receiving poor advice from friends or other advisers and may set up inappropriate vehicle or type of investment
3. They may create a legacy or strengthen families across generations and pass down values
4. They may plan in advance while they are in control and can make wise decisions before it’s too late
5. They may unknowingly be donating to organizations that are not 501(c)(3) or violating certain rules and regulations
6. They may be frustrated with frequent solicitations or keeping track of records (advisers can help protect and organize them by recommending solutions or charitable vehicles)
7. Some organizations will honor donors during their lifetime even if the donation is a bequest or other planned gift

Adviser Self-interest

Likewise, attorneys and wealth advisers benefit greatly from talking with their clients about their charitable thoughts.

1. By planning ahead, advisers can avoid the mad end-of-year rush of requests for stock transfers to charities, charitable vehicle creation, and other last-minute changes.
2. If this discussion does not take place, clients may make decisions that the adviser does not recommend or control, or raise questions as to why the adviser did not make suggestions.
3. The conversation enhances and deepens the professional-client relationship, and demonstrates that the adviser wants to do what is best for the client.
4. It can create opportunities to develop new clients who are charitably minded friends and family of those clients.
5. It may be a differentiating factor when soliciting new clients, and will likely help to retain existing clients and their children.
6. It can bring more assets under management. (When appropriate, advisers can encourage clients to donate other more complex assets such as real estate or privately held stock instead.)
7. This is something positive to talk about, in contrast to topics like death, taxes, and instability of the markets.

The first several months of the year can be an opportunity for individuals or their families and their advisers to begin to develop a thoughtful charitable giving strategy through December, and can continue to unite them for many years to come. These discussions may also enable clients to decide what they want to accomplish with their wealth during their lifetimes, at their deaths, and perhaps after their deaths.

Estate planning attorneys, wealth advisers, accountants, their clients, and the charities they support will all benefit when the charitable conversation takes place earlier in the year instead of December. Once advisers have determined their clients’ interest and capacity, they will be in a better position to help the clients plan and encourage them to develop relationships with the nonprofits that are most important to them.

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