

Use Charitable Planning Questions to Strengthen Client Relationships

Or: “I wasn’t asking the right questions.”



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I could see a tear at the edge of his eye; he was trying not to cry as he said”
If only I had known what I know now when I sold my business several years ago. I could have made a million dollar gift here instead of paying all that tax.”

We were sitting in the privacy of a small conference room at the children’s charity offices talking about what he wanted to do support it. A board member for many years, he had been a donor for many more. Although he had worked with some of the best advisors, with his new advantage of hindsight, would he be able to trust their advice on the big issues again? Would he recommend to his peers? Would you?

“I always ask my clients about charitable giving,” he told me at an Estate Planning Council meeting. The speaker was a senior attorney with a prominent firm that was known for its strong emphasis on estate planning.

“He never brought up charitable planning,” said the donor who was known for her philanthropy. “I would really like to find someone to talk with more about it. My advisors don’t talk about it,” the donor told me as we sat in her well appointed living room talking about a nonprofit mission that was special to her, while referring to the *very same* estate planning attorney.

Why the gap in perception? Why the lost opportunities for the professional advisor, the donor/client, and charitable organizations?

This question was the genesis of two presentations for financial and legal professionals in Portland and Eugene, Oregon on behalf of Oregon Health Sciences Foundation. In each of them, the participants included trust

officers, CPA's, attorneys, and financial planners; they were asked about their approaches when discussing charitable planning with their clients. In particular, this article features discussions of some of the comments, interactions and insights from such sessions, and includes follow up conversations with several professional advisors and nonprofit executives.

Are People Willing to Include Charity in Estate Planning?

There is research that suggests there is widespread interest, or willingness, about including charity in estate plans. An analysis of studies of philanthropy in US households indicates that "One in three of all surveyed respondents indicated that they currently did not have a charity named in their wills but would be willing to consider adding one,"¹ . The findings in this research, reported in 2007, also included data from another study conducted by Bank of America and published at the end of 2006.²

Other similar studies echo such levels of donor interest. When statements like "I already have a charity in my will," are combined with other statements such as "I would consider including a charity in my will without being asked," and "I would include a charity if asked" totals may exceed 50% in terms of interest and willingness.

An increasing number of donors report to nonprofit executives and development staff that they want assistance in charitable planning. Often times, advisors report that they provide such assistance. However, anecdotal reports from donors and charities, as well as some industry research, suggests that the phenomenon of having "the philanthropy conversation never coming up with the advisors" continues to grow.³

¹ "Bequest Donors: Demographics and Motivations of Potential and Actual Donors" by Emily Krauser, Campbell and Company Research Fellow, Center on Philanthropy at Indiana University, March 2007.

² Bank of America Study of High Net-Worth Philanthropy- Initial Report. Researched and written by The Center on Philanthropy at Indian University, October, 2006. The survey was based on a survey of 30,000 households in high net worth neighborhoods in the United States.

³ "Advisors continue to be reluctant to fully explore philanthropy with their clients. Since the mid-1990s, The Philanthropic Initiative (TPI) in Boston has conducted numerous studies on Advisor behavior as it relates to how they see their role vis a vis their clients' philanthropic objectives. In all of the studies, even as recent as a January 2004 study entitled 'Doing Well by Doing Good in California Improving Client Service, Increasing Philanthropic Capital: The California Legal and Financial Advisor's Role', the Advisors interviewed demonstrated that philanthropy was too often only an occasional or incidental component of Advisor/client wealth planning. Clearly this must change, in order to take advantage of the business opportunity that the next generation provides." Excerpt from "Talking Philanthropy to the Next Generation," Betsy Brill and Susan Winer,, *Journal of Practical Estate Planning*, Editor's Choice, October-November, 2005

Professional advisors assist clients at many critical life stages and business events; they also often may have a breadth of knowledge about a client’s situation that on one else may have. Professional advisors are ideally situated to provide charitable planning assistance. However, as indicated in the table below, when asked about the type of advisor that was consulted when making a charitable decision, a higher proportion of high net-worth households reported consulting fundraisers or other nonprofit staff than any other group.⁴

Fundraisers / Nonprofit Staff	41.2%
Peers or peer networks	35.9%
Accountant	26.6%
Financial / Wealth Advisor	16.6%
Attorney	16.4%
Foundation staff	15.2%
Others	12.3%
Bank or Trust Co. staff	8.7%
Broker	7.1%
Coaching programs	3.7%

An attorney with a well established practice reported, “I try and bring up the question of charity but I don’t get near that (level of) response.”. When asked how he raised the question he said that he included a question about charity within a “planning goals” section nestled among several other pages of his firm’s standard estate planning questionnaire. “Most say ‘no’ to the charity question,” he said. His experience raises the question of how and when best to broach this important topic? Are we raising the right question at the right time?

Advisors are Important

Much has been written about the transfer of wealth now in progress and to continue for several decades to come.⁵ As generational wealth is transferred, heirs face new responsibilities regarding managing assets. The change in control often trickles down to a change in asset, legal, and financial

⁴ Bank of America Study of High Net-Worth Philanthropy- Initial Report. Researched and written by The Center on Philanthropy at Indian University, October, 2006. Figure 23. The survey was based on a survey of 30,000 households in high net worth neighborhoods in the United States.

⁵ For a list of reports on the wealth transfer see the Boston College Center on Wealth and Philanthropy index at <http://www.bc.edu/research/cwp/publications/az-index.html>.

managers. These types of shifts present tremendous business opportunities for professional advisors.

In addition, changes in tax law—in particular estate tax reductions and the uncertainty of repeal drove much additional planning as clients planned for different, and sometimes unpredictable, estate tax law. The current estate tax law is due to expire in 2010 and then revert to the laws and higher tax levels that existed in 2001.⁶

Advisors have responded to these challenges and opportunities. The percentage of donors who cite financial or legal advisors as the source of the idea for a planned gift increased to 29% in 2000 compared with only 4% in 1992.⁷

However, in a more detailed analysis of the largest study conducted to date, “One third of donors have NOT made a cash gift (to charity). There are many current planned gift donors, and many more potential donors, of bequest or trust, who simply are not known to charities. The only way to reach these donors is through published materials, good relationships with their for-profit advisors, a solid profile within the community, or occasionally, good research that may open a potential direct contact.”⁸

King McGlaughon, executive vice president and chief academic officer at The American College, put it well when he wrote, “For advisors who wish to be their clients’ primary advisor, it is essential to engage the client’s charitable side. When this subject is raised, the advisory role changes, almost always for the better. Clients seldom expect to be engaged about their dreams, ideals, hopes and concepts of worth and significance. When an advisor is able to do so, s/he is perceived as much as a confidant and colleague as a service provider. Advisors generally find this kind of engagement very satisfying once they understand the longer-term benefits to their own business that can follow—not to mention the “intangible” lift in the advisor’s sense of personal and professional accomplishment that inevitably results from such conversations.”⁹

⁶ The portion of an estate that is exempt from the estate tax is scheduled to rise incrementally to \$3.5 million in 2009 (\$7 million for a couple), and the estate tax is repealed in 2010. The repeal remains in place for only one year, because all of the tax cuts enacted in 2001 sunset at the end of 2010.

⁷ National Committee on Planned Giving, Donor Survey 2000.

⁸ “Planned Giving in the United States: 2000. *Journal of Gift Planning*, Vol. 5, No. 1, p. 33

⁹ “Best Practices: Asking the Philanthropic Question”. Steve Johnson. *Journal of Gift Planning*, Vol. 9, No. 1, March 2005. Pp 16-23 (8)

Many financial or legal planning opportunities can also be an excellent time to begin discussing charitable strategies that could have useful planning or tax implications. (See the attachment for a list of examples.)

The usual questions: Do they get the usual answers?

Do you know how your client views her/herself in her/his current circumstances? One retired doctor with whom I worked wanted to “die broke”¹⁰ and managed his affairs to provide himself with a stable lifetime income and made liberal use of large charitable gift annuities with his favorite charities. His financial advisors were aghast. So he sought help, advice and established business relationships elsewhere. Would the result have been different if the financial advisor had sought to understand and perhaps begun a new conversation with an open ended question something like “How do you view your circumstances today?”

Open ended questions are valuable opportunities to begin conversations about the future as well as dreams and values. Here’s an excellent one to further the question of philanthropy:

“If you had unlimited resources, what would you do _____ (to help, make the world a better place, etc.)?”

It’s not a question such as “Do you have any philanthropic intent?” or “Do you want to leave anything to charity in your estate?” Such questions technically address the topic but do little to truly engage the larger questions and values that are integral part of our lives and that drive the big life decisions.

**“The real voyage of discovery
consists not in seeking new landscapes
but in having new eyes.”¹¹**

More questions to expand a positive conversation, in no specific order, might include:

“What excites you most about the future?”

“In which traits and characteristics do you take most pride?”

¹⁰ Die Broke and Live Rich are two books by Stephen Pollan. Both are published by HarperBusiness Books.

¹¹ Unleashed: Expecting Greatness and other secrets of coaching by Gregg Thompson, Select Books, 2006.

“For what do you want to be known?”

“Where have you achieved your greatest successes?”¹²

Note: good listening is important here too, as well as being prepared with easy to ask follow up questions such as “Tell me more about that;” or “What happened? Even a one word statement/question can be effective: “Really?”

Silence is the mother of truth.

Benjamin Disraeli

A pause in the conversation may be important for inner reflection. This isn't radio and you don't need to fill every second with a voice.

As you know, often plans are made but not carried out. Here are several questions you might consider to keep the process dynamic and alive:

“What actions do you need to take but are avoiding?”

“What is the most exciting outcome you can imagine?”

“Which difficult conversation has to happen?”

“What is the most potent first step?”

What Did You Do?

Is Your Favorite Charity in Your Plan?

One of the most effective ways to introduce or expand the conversation of philanthropy is to tell the story of your own process of choosing and implementing your choice. Imagine telling a story of some of the emotions, questions and challenges along with the lessons you learned along the way. You don't have to reveal every detail. Rather it is the experience and process that serve as a n example. Your telling of a personal story can also result in permission for your client to tell or imagine they could tell a similar story about their philanthropy.

¹² The book Unleashed: Expecting Greatness and other secrets of coaching contains many good suggestions about conversations and questions you may be able to put to work with clients and donors. Unleashed: Expecting Greatness and other secrets of coaching by Gregg Thompson, Select Books, 2006.

Story Telling Tips

Story telling is an art. Andy Goodman, story teller extraordinaire, says stories are about showing and not telling. Here's an example¹³ of each:

“When the nurse visited the family at home she was met with hostility.”

“When they all sat down for the first time in the living room, the family members wouldn't look her in the eye.”

There are specific aspects to a well told story:

- Stories are about people
- People have to want something
- Fixed in time and place
- Use to show (not tell)
- There's a moment of truth
- Have clear meaning

What story will you tell?

When will you tell it?

Who will be the first to hear your story?



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¹³ For more about storytelling, several articles and resource materials, see: www.agoodmanonline.com

CLUES

to trigger opportunities to talk about charitable plans

Here is a short list of a few of the opportunities for gift planning that may combine tax, timing, and charitable advantages. Each concept is followed by several possible charitable gift options. A detailed discussion of each is beyond the focus of this article. Rather, briefly noting these situations or trigger points may stimulate useful client discussions and may help to open up substantive conversations about charitable gifts.

- Selling appreciated property** (gifts of assets for tax deductions)
- Taking a closely held business public (various trust and gift options for donations, establishing valuation, easing transfer, buyback of shares, and more)
- Selling appreciated stock** (it can be a very cost effective gift when compared to cash)
- “It’s time to talk about a family foundation or plans for the next generation.”**
- A colleague or family friend has passed away and the estate was not handled as well as it could have been. **“How can I avoid that”** the client asks?
- A wish to make **a gift to a housekeeper** or other such persons (a charitable trust could give a housekeeper or trusted friend lifetime income)
- Receiving a large bonus** or one time payment (gifts or vehicles such as a charitable trust could be used to soften the tax impact, set aside for retirement, or provide a one time special gift for charity)

- ❑ **Low yielding securities** but grumbling about capital gains taxes (charitable gift vehicle examples may be just the thing to trigger a good discussion)
- ❑ **Large IRA** or retirement account balances (recent legislation allows special transfers, gifts of IRA funds can be tax advantaged ways to give compared with other assets)
- ❑ Desire to **transfer the business to heirs** (various trust and gift options for donations, establishing valuation, easing transfer, buyback of shares, and more)
- ❑ **Unmarried family or partners who wish to financially benefit others** in their estate planning (a charitable trust can provide income, professional fund management, and economic support for loved ones)
- ❑ **International travel to unique, unstable or very isolated locations** (“If something were to occur, what would you like to make sure happens?”)



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