

STEP ASIDE AND MEAN IT P. 27

PARTNER INSIGHTS
UBER HAS CHANGED
THE WORLD. NOW IT'S
CHANGING AGING, TOO.
SPONSOR CONTENT FROM
HARTFORD FUNDS

Financial Planning

INVESTED IN ADVISORS | JANUARY 2019


FINANCIAL-PLANNING.COM / @FINPLAN

WHY THIS ADVISOR HELPS CLIENTS GIVE AWAY MONEY

How to turn philanthropy into
an opportunity to grow AUM

Seth Corkin
of Single Point Partners



 SourceMedia™

Contents

January 2019 | VOL. 49 | NO. 1

22

Give Away Clients' Money — Yes, Really

It may seem counterintuitive, but robust philanthropic guidance can boost a bottom line.

BY KERRI ANNE RENZULLI

PARTNER INSIGHTS
**UBER HAS CHANGED
THE WORLD. NOW IT'S
CHANGING AGING, TOO.**

SPONSOR CONTENT FROM
HARTFORD FUNDS

Philanthropy is personal, and it's tricky to bring up with clients, says Seth Corkin of Single Point Partners.

Columns

11

A Lock on Data

Should it be custodians who hold control over financial data, or clients themselves?

BY BOB VERES

13

Building Trust Amid Skeptics

In today's world, clients and prospects will question your motives, challenge your facts and respond emotionally.

BY JOHN J. BOWEN JR.

15

Heartbreaking Challenge

With an elderly client suffering from Alzheimer's, a family turns to the advisor for help in making tough decisions.

BY KIMBERLY FOSS

17

Walking a Tightrope

A peaceful firm transition requires striking a balance between the interests of founders and successors.

BY BRENT BRODESKI

RIA IQ

19

IBD Going Full RIA?

As Commonwealth Financial Network helps advisors convert to full RIA status, some say it is shedding its traditional label.

BY TOBIAS SALINGER

21

When it's OK to Hang Up on FINRA

The regulator has issued a warning of phony calls and emails from impersonators.

BY ALAN J. FOXMAN

COVER PHOTO AND PHOTO RIGHT BY JOSH ANDRUS

Give Away Clients' Money — Yes, Really

It may seem counterintuitive, but offering robust philanthropic guidance can be a boon for your practice.

By Kerri Anne Renzulli

Wealthy clients trust few people as much as their financial advisors for information about charitable giving, yet planners can be understandably reluctant to encourage significant contributions. After all, the more clients donate, the fewer assets planners have to manage.

Yet discussions about philanthropy and its related tax advantages can help advisors fortify a strong bond with clients, or, alternatively, fray a weak relationship. That means it's vital to find ways to serve these needs or risk losing clients to competitors who will.

Fewer than half of HNW clients reported being satisfied with the philanthropic consultations they've had with their advisors, according to a recent U.S. Trust study.

"Philanthropy can be a differentiator," says Henry Berman, CEO of Exponent Philanthropy, a membership association for charitable giving. It can strengthen a client relationship over the long term and even extend to multiple generations."

There is a financial benefit as well. More than three-fourths of advisors say they earned more money after talking about philanthropy, according

JOSH ANDRUS

Philanthropy conversations with clients don't have to be uncomfortable, according to Seth Corkin, a financial planner at Single Point Partners.



Special Report: **PHILANTHROPY**

to the study, which surveyed 314 advisors and 103 clients with \$3 million or more in investable assets who make charitable gifts.

Sixty percent reported that the talks helped them find new clients, 74% said it deepened existing client relationships and 63% said the talks allowed them to build relationships with the client's extended family, according to the survey.

"The next generation will switch advisors in a heartbeat when there is a wealth transfer if there is no existing relationship with their parents' wealth advisors," Berman says. "So it makes sense to work with the entire family, and philanthropy is one of those legacy issues that people typically want their children and grandchildren to be a part of."

Some advisors are cautious about discussing this topic, perhaps because they worry about losing income. After all, why would an advisor want to help clients essentially deplete the assets they have under management?

"Helping clients give away money makes you a more valuable resource to them," says financial planner Mitchell Kraus, who co-founded Capital

Intelligence Associates in Santa Monica, California. "We've had clients brag about how we've helped them support their favorite cause, and it's become a great referral service for us."

Maybe you realize the importance of speaking with clients about philanthropic goals, but what's the best way to go about it?

Fewer than half of HNW clients reported being satisfied with the philanthropic discussions they've had with their advisors.

Bring the topic up early: Advisors underestimate how soon clients want to have discussions about philanthropy, the U.S. Trust study found.

Typically advisors prefer to wait until they have detailed knowledge of a client's financial picture or know more about their personal details to bring it up, but clients aren't always keen to wait.

Nearly one-third of clients surveyed said they wanted to talk about charitable giving at their first meeting, while another third said the topic should be raised within the first few meetings.

"It can be tricky to bring up since it is

such a personal thing," says financial planner Seth Corkin of Boston-based Single Point Partners. "You don't want them to think: 'This person is judging me, they don't think I'm giving away enough of my money.'"

One way to gauge a client's views on charitable giving: review several years of tax returns to understand how they gave and how much they gave, Corkin says.

To bring up charitable giving even earlier — say before a client has delivered documentation on past finances — many advisors shift the focus to goals or questions about values to determine how to broach the topic.

"Don't approach a client with 'Are you philanthropic?'" says Arlene Cogen, a financial planner and philanthropic leadership consultant. She suggests asking broad-brush questions that will help you spot their interest in giving. "What do they want to be remembered for? How do they define success? What was important to their success? What was something meaningful that happened to them that was made possible by the money they have? Make it a discussion of values and life lessons."

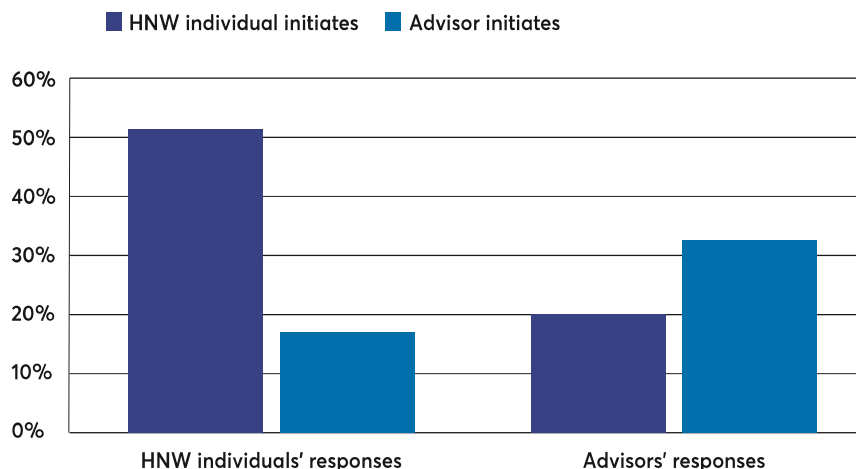
For existing clients, regular estate plan reviews, a large inheritance or a business sale can serve as catalysts to raise the topic again. Ensure the estate plan reflects the legacy a client wants to leave, and in the case of a sudden asset increase, make sure clients understand how charitable giving may reduce their taxable income.

Make it personal: Easing into conversations around charitable giving by inquiring about a person's values, passions, goals or background not only saves you from appearing judgmental or pushy, but also can endear you to clients.

Unsurprisingly, advisors tend to be thorough about discussing technical aspects of charitable giving such as using donations for tax benefits or estate-planning purposes. Clients, however,

Who Leads the Philanthropic Discussion?

A majority of wealthy clients say they bring up the topic first with their planners.



Source: U.S. Trust, The Philanthropic Conversation, 2018

would prefer an initial approach that balances financial topics with more personal suggestions on giving such as their motivations, which charities interest them, their specific philanthropic goals and what legacy they wish to leave.

Clients care about the philanthropic activities in which their advisor or the firm participates. That experience can inspire greater confidence in the advisor's philanthropic advice. More than half of clients surveyed placed greater value on information that came from advisors who also donated.

Daniel Andrews, a financial planner and founder of Well-Rounded Success in Fort Collins, Colorado, says he shares personal stories about his own volunteering and giving efforts in blog posts, on social media and in conversations to show clients he practices what he preaches. Those posts also encourage clients to brainstorm about the nonprofits or volunteer opportunities they might wish to participate in.

How Advisors Want to Improve

These are the most common areas of weakness in philanthropic planning they say they want to address.



Source: U.S. Trust, The Philanthropic Conversation, 2018

He also asks his clients to help him choose the charities he supports.

Each year he gives away 2% of his company's top-line revenue to a charity chosen by his clients through a survey. He announces his deeds through a banner on his web site. "It sets the tone that money is important, but that I also

feel it is important to give back," he says.

The tax law changes in 2018 have put further pressure on advisors.

"It's more crucial than ever to understand a client's tax situation, and whether they are expected to itemize or take the standard deduction each year, in order to optimize their charitable

Resources for Philanthropic Clients

- Clients can learn more about the charities that interest them by reading each organization's IRS Form 990 and other financial reports on GuideStar.org. The filings disclose the nature of a nonprofit's work, the amount of money raised and names of board members.
- The sites CharityNavigator.org and Give.org rank charities based on their finances, transparency and accountability. A good guide is to stick with groups whose administrative expenses total less than 25% of their budgets.
- When clients want to target a broad cause like environmental pollution or LGBTQ rights but do not have a specific organization in mind, other digital tools can help them learn more. Myphilanthropedia.org compiles expert reviews on almost 800 charities across 36 causes. GiveWell.org, GivingWhatWeCan.org, and TheLifeYouCanSave.org create shortlists of top-rated organizations that are managing costs effectively and are in need of more funding.
- For smaller or local charities, greatnonprofits.org can aid a client in the search for local people who work with the organization. Advisors might also encourage clients to test out a small charity firsthand by volunteering or donating small amounts at first, to see if they like the charity's programs and level of donor engagement.

Special Report: **PHILANTHROPY**

giving each year," Corkin says.

An increase to the standard deduction, for example, means many people who previously itemized and therefore received a tax break for their charitable giving may no longer be eligible for a deduction. Donation vehicles, such as donor-advised funds, can help advisors plan a little more creatively and help clients ease their tax burden.

One approach that's become more attractive in the new tax environment involves lumping donations together in a single year within a donor-advised fund.

"If someone gave \$10,000 per year to various charities, we might recommend contributing three to five years' worth of gifts (\$30,000 to \$50,000 in this example) into a donor-advised fund," says Joshua Stillman, an advisor with Capitol Financial Consultants in McLean, Virginia. "They can then use the donor-advised fund to grant out \$10,000 per year as they had done before, but from a tax perspective, they might receive more tax benefits as they can itemize deductions in one year and take the standard deduction in intervening years."

Learning about these vehicles also provides advisors with the opportunity

to connect with clients' families.

"If a family sets up a donor-advised fund or private foundation, grantors can include children and grandchildren as donor-advisors or trustees, or at the very least, set aside some annual grants to be made as family decisions," Stillman says. "This can facilitate a family discussion on values, causes and types of organizations the family agrees and disagrees on supporting."

Clients want guidance from their advisor about how to vet and select causes, but many advisors are unaware or unprepared to meet this need.

When clients already have specific organizations in mind, advisors can direct them to do a little online digging by pulling up the organization's IRS Form 990 and other financial reports on GuideStar.org. Such forms can reveal the kind of work the nonprofit is focused on, the money they've raised and who is on the board.

The reasons most clients give for not donating or holding back on giving include a lack of connections to nonprofit organizations and a fear that their gifts would not be used wisely. Advisors, on the other hand, completely

miss the mark thinking their clients are hesitant to give because of fears about not having enough money for themselves or heirs.

Clients want guidance on how to vet and select causes, but many advisors are unprepared to meet this need.

This presents a big opportunity for advisors to beef up their general knowledge of philanthropy and get acquainted with nonprofits so that they can become that resource clients are seeking. Of course, walking the balance between helping them do that and coming across as an advocate for a specific nonprofit can be tricky.

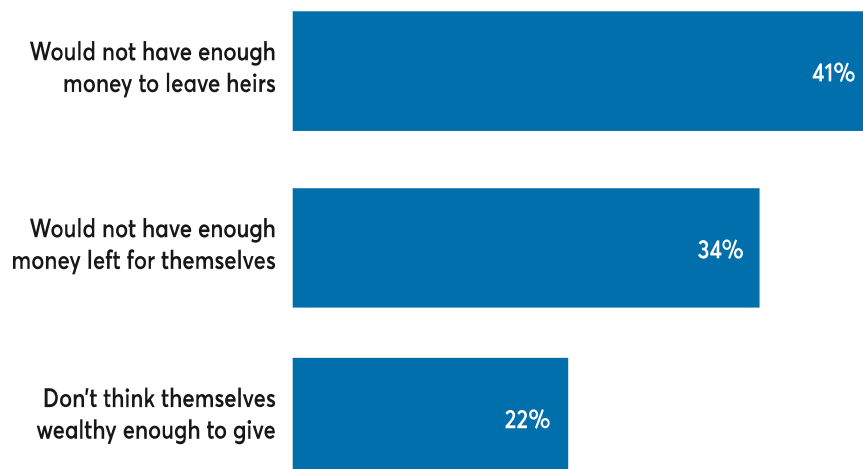
"Planners can be more involved in the actual giving strategy by helping them identify and articulate what causes they want to focus on," Stillman says.

In some cases, it pays to build relationships with local community organizations. Patti Black, a financial planner and partner at Bridgeworth in Birmingham, Alabama, connected with a community foundation that meets with potential donors and coordinates site visits to several nonprofits. That allows Black to steer clients to a helpful resource and makes her appear more knowledgeable.

Such strategies can boost clients' confidence in the advice received from advisors and foster greater giving to charities of the families' choice. That's the sort of giving that helps people far beyond the advisor-client partnership. **FP**

Kerri Anne Renzulli is a senior editor of Financial Planning.

Why Advisors Think High-Net-Worth Clients Don't Donate More



Source: U.S. Trust, The Philanthropic Conversation, 2018

