

BEST PRACTICES

Asking the “Philanthropic Question”

Editors note: Steve Johnson developed this “virtual forum” on the best practices for supporting client and prospect giving as a companion to “Involving Advisors in Philanthropic Planning.” The forum, which was conducted online in November of 2004, grew out of TPI’s (The Philanthropic Initiative, Inc.) six years of work aimed at understanding how legal and financial advisors engage and support their clients around charitable giving.

The panel consisted of three senior professional advisors and two senior gift planners. In alphabetical order they are: **Charlie Collier**, senior philanthropic advisor, Harvard University; **Phil Cubeta**, chief of staff for New York Life’s Nautilus Group; **King McGlaughon**, executive vice president and chief academic officer at The American College; **Katelyn Quynn**, executive director of development at the Massachusetts General Hospital in Boston and director of planned giving at Partners HealthCare System, Inc.; and **Eileen Wilhem**, senior vice president and managing executive, Wachovia Charitable Services Group.

Johnson: Welcome, and thanks for joining our “virtual panel.” Can we begin by having you tell us a bit about your role in the gift and/or philanthropic planning process? What’s your methodology? How are you paid? What is your client or donor profile?

Quynn: I work with donors who make “special gifts,” usually \$3 million and up, some that include a planned giving component. I also work with development colleagues to help advise them on working with various types of planned gifts. At Partners Health Care System, I act as a planned giving consultant to our affiliated hospitals’ planned giving programs. I strategically

approach donors as well as respond to ad hoc inquiries. My goal is to find the right gift option for the donor that at the same time maximizes the gift. I work on a salary.

Collier: At Harvard I provide a service in charitable gift planning, family philanthropy and wealth psychology. I work full-time with alumni, although I do some limited speaking and consulting to other wealthy couples and families. The minimum net worth is \$30-40 million. I approach these families holistically, helping them identify and invest in their human, intellectual, social and financial capital.

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Abstract: A panel of senior advisors and gift planners discusses the best methods for starting a discussion of donors’ and clients’ philanthropic goals.

Wilhem: Wachovia is a true Wealth Management firm, so the client's relationship manager (RM) typically brings a charitable advisor in during the financial planning or estate planning process. We take a holistic approach to relationship management, discussing financial as well as family and philanthropic goals. We then structure a customized solution to reach the client's goals, with periodic checkups along the way. We earn a fee based on assets under management, plus any tax or special administrative services. The profile is clients with \$2.5 million or more in assets.

Cubeta: The Nautilus Group is an initiative of New York Life that serves the company's top 220 agents with estate, business and philanthropic strategies for their high-net-worth clients. Eighty percent of our clients are closely held business owners and their median net worth is \$8 million. As "chief of staff" for Nautilus and "charitable cheerleader" I coach the agents on how to elicit philanthropic goals, and how to integrate philanthropic planning with the client's overall estate and business planning. From time to time, agents bring clients to the office to talk with me about their giving. I am a salaried employee of New York Life.

McGlaughon: In my role at The American College, in addition to my executive responsibilities, I am engaged in overseeing the college's curriculum and programs offered to financial advisors nationally in the areas of financial, estate and wealth planning. I also continue to advise clients directly as an ancillary part of my professional life. Prior to coming to the college, I managed Merrill Lynch's nonprofit and charitable services division nationally and oversaw the delivery of training and support services to financial advisors who were engaging their clients in charitable and other types of financial planning. I have also served as a planned giving and nonprofit management consultant and as an attorney in private practice. In those various roles, I've been involved in fee-based charitable planning, asset-based planning (including charitable planning as a "value-added" dimension to investment and financial planning) and in providing charitable advice as an integral part of a salaried position. I generally work with clients and advisors who have clients with an excess of \$5 million in net worth.

While my methods vary, my overall approach is to assist clients and their advisors to develop a full discussion of all issues, goals and hopes that play off financial matters as part of their planning. This always involves some

discussion of what the client "really wants to accomplish" in their personal and family lives, as part of their desire to obtain a sense of completion or success in their lives. I find that clients will always articulate some philanthropic or charitable impulse among their goals and aspirations.

Johnson: Should all wealth and estate planners ask their clients about their interest in charitable giving at some point in the wealth or estate planning process, assuming the client meets some subjective wealth threshold? Is there a duty—ethical or otherwise—to do so?

Collier: Yes. Discussing the family's social capital (that is, their civic engagement) opens the door to a conversation surrounding their interest in sharing some of their financial capital with others beyond the family. It may not be an ethical duty, but in the current wealth-management climate, it is simply good for business.

Wilhem: While I agree with Charlie that it may not be an ethical duty, I certainly believe it is a moral duty. To offer truly holistic solutions to our clients we have to understand their values, their passions and their inspirations for social change. Financial advice is a commodity; customized solutions are not. These are important "soft issues" and our clients are willing to have heartfelt discussions about them. They frequently tell us this is the first time an advisor has asked them what values they want to instill in future generations, and philanthropy can be an important expression of those values. What would they like to see changed in their communities, the country, the world? These conversations really matter, and they work to solidify our relationships with our clients and their families.

Cubeta: I take a somewhat different view on this one. The advisor has a duty to serve the client, not society. Clients should be asked about all their goals, including their philanthropic goals. Beyond that, I tell clients that I am there to serve them as a professional, but also, if they wish, as a citizen and human being. As a person, I am engaged with nonprofits and care a lot about the sector. If invited to do so, I talk to the client as one human being to another, one citizen to another, as well as in my capacity as New York Life employee. I will sometimes say, "Imagine that we are sitting in the park outside the building, in our shirtsleeves, just talking about life. That is how I would like to relate to you, if you are willing. As two citizens trying to make a better life in a better world."

...THERE ARE VERY FEW SITUATIONS IN WHICH AN ADVISOR SHOULD NOT ENGAGE A CLIENT'S OR PROSPECT'S CHARITABLE PRACTICES, PLANS AND GOALS.

Quynn: I think that an argument can be made that there should be a moral or ethical duty to ask a client about charitable giving. It is one option of many for an individual's financial and estate planning. Many clients, donors or prospects may not have thought about this option. A good planner, whether working on the for-profit or nonprofit side of the fence, should feel an obligation to at least suggest the idea of making a charitable gift. It's the donor's decision whether or not to give, of course, but it's our obligation as planners to at least suggest the option.

McGlaughon: I agree with my colleagues. I believe there are very few situations in which an advisor should not engage a client's or prospect's charitable practices, plans and goals. Most clients and prospects are already giving on a regular basis. Most would give more if they knew how to do so without compromising their other financial goals in the process. 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.

Johnson: So are you saying it *is* an ethical obligation, King?

Given the current integration of charitable and non-charitable policies in the tax, financial and wealth structures of the country, I believe there is a professional obligation to educate clients about all of the above. This obligation rises almost to the level of an ethical requirement, especially as net asset values increase. Simply

put, under current policy and law, planning and wealth management benefits flow from charitable strategies and tools that cannot be obtained through other financial strategies. To fail to educate clients about those opportunities seems to me to be outside the boundaries of acceptable professional practice.

Johnson: Let's shift from the “if” to the “when and how.” When should the advisor or the gift planner raise the subject of charitable giving with a client? What are the “life-cycle” events that suggest that a client may be open to charitable or planned giving?

Cubeta: The impending sale of a major asset, particularly a business entity, is a key driver, but anyone planning his or her estate is planning for “last things,” and among those is a potential legacy.

Wilhem: An advisor should raise the subject of charitable giving when doing a financial or estate plan; when there are material changes in financial circumstances, such as an inheritance; and when a business or real estate is sold. As they assess a client's assets, there may be items such as art or antiques that the client may wish to give to museums, colleges or other nonprofits, while still providing financially for their families. An in-depth discussion around assets and their current or future disposition can lead to the philanthropic conversation. You want to help them solve problems, do good and realize their dreams for their family and society.

McGlaughon: Advisors, including gift planners, should raise the subject of charitable giving as early as possible in the client engagement process, certainly as soon as planning begins in earnest. As I said earlier, I believe the whole planning conversation can be elevated and enhanced through a discussion of charitable giving, and I want that enhanced experience to permeate as much of my relationship with clients as possible. But to be more specific, significant life changes (separation/divorce, career

changes, retirement, loss of a spouse or partner, for example) as well as critical financial decision points (anticipated sale of a business, diversification and re-positioning of significant assets and values for planning purposes, management of employer stock benefits and assets, for example) should dictate a close look at charitable tools and strategies as part of the planning process. In addition, family characteristics and dynamics can also prompt a useful discussion of charitable goals and opportunities because charitable tools and strategies can often be brought into solutions that address personal needs, crises and family succession matters.

Quynn: My answer is a bit different from those of my colleagues. In my institution, we look primarily to grateful patients or their loved ones who have had a positive experience with our hospital. Ideally, the prospect is already being cultivated with the intention of making a major gift. If there are no positive indicators from the donor, the gift planner needs to follow his or her instincts and suggest a gift to benefit a beloved physician or to benefit the institution generally. S/he should suggest various approaches and assets. Obvious times to ask for a gift include once a patient or family member has been treated successfully, or when a loved one who received excellent care has passed away and it might be appropriate or desirable to memorialize that individual through a gift.

Johnson: We're often asked by advisors: How do you initiate the "giving" conversation? What are the "discovery tools" you use to unearth an interest in direct or planned giving?

Wilhem: One method that has been very successful for us is to conduct seminars about focused philanthropy for our clients. What do they care about? Have they developed a personal mission statement around wealth and philanthropy? Have they thought about recent giving, and whether it's met their goals? About what percentage of their time, talent and treasure to give, and what assets? We then follow up, one-on-one, to discuss goals, strategy, methods, impact and effectiveness. Another simple approach is to ask if the client will be doing any year-end gifting. Those gifts can lead to a discussion about endowing their annual giving and ways that they can do that.

McGlaughon: Most often, I try to get the client to share with me the content of her early dreams and aspirations, prior to achieving financial success. For example, asking the question "When you were 30 and dreamed of a successful financial life, what would you have wished to accomplish as a result of that

success?" followed by, "And how much of that have you accomplished/done at this point in your life?" can shine a light on the forgotten hopes and dreams that have slipped out of the client's focus over the years. Most often, the "ideal" hopes and goals have given way to more practical, pragmatic concerns. The "ideal" often contains the "philanthropic" or "charitable" components of the client's forgotten objectives. Another approach is to simply ask a series of questions such as, "Do you currently give to charities? Are there others you'd like to support? What prevents you from doing so?" These questions often highlight perceived limitations on the ability to give that are not consistent with the client's actual wealth. Pointing out such inconsistencies can open up opportunities for creative planning that transform the planning process.

Collier: A frequent way I approach the conversation around philanthropy is to discuss at length how much money they have given or plan to transfer to their children. This leads to a very important question: how will you prepare your children for financial inheritance? One of the best ways to prepare children for financial inheritance is to get them involved in individual and family philanthropy. Philanthropy is an incubator of skills and competencies that carry over to the rest of life. Having said all this, many wealth-holders approach me because they are eager to learn the best practices for bringing children into the family's philanthropy.

Quynn: If I have not informed the donor in advance that we will be meeting to talk about a gift, then I will listen for cues that suggest that a donor might be open to such a suggestion. An expression of gratitude for care received is an obvious one. Or, after meeting a prospect for the first time I may follow up with a note saying that I enjoyed meeting them and ask whether they would like to meet again to learn more about the hospital, their physician's work, and how they might support us philanthropically.

Cubeta: The important part is to listen, and listen thematically, for what is said and not said. Philanthropic planning, beyond tax, is the "unlicensed practice of the liberal arts." I ask how the client wants to use all her days and all her dollars, what life she would like to live until death, and what she would like to see continue when she is gone. I treat it as a script, or a movie. I want her to walk me down the life line, and I listen for comedy, tragedy, irony; for heroism, for a life, a denouement that she herself considers meaningful. I want her to tell the story until it rings true. Then our job as planners is to make that dream real, to make it come true. It is about the story line, not the bottom line, but both are told

together. Eventually we will run our finger across the balance sheet and income statement, year by year, and tell a story of love and death, success and sacrifice, and what lives on.

Johnson: That's beautifully put, Phil, and if I do say so, a bit gutsy. Now, let me ask you all about the common confusion between merely recommending a giving vehicle or a gift to a client or a prospect, and true "philanthropic planning." TPI has done years of research that indicates that this misconception is rampant. Is that your perception, and if so do you have a theory as to the cause? The solution?

McGlaughon: That's certainly been my experience when working with advisors. Generally, advisor comfort and confidence in the area of philanthropy and charitable giving is lower than in other areas of the advisory relationship. Often, advisors revert to a more "product provider/service provider" approach in areas in which they have less experience or comfort. This tendency to "get back in control" of the process through the delivery of a "productized" offering limits the charitable conversation to a few familiar tools and strategies—for example the "CRT as diversification and capital gains tax avoidance" product familiar to most advisors today. I also see this dynamic when working with nonprofit professionals who limit their charitable planning conversations to their organizations' familiar tools and strategies, when a broader range of possible solutions would eventually result in larger gifts and closer relationships with key donors.

Cubeta: For advisors, planning is often about tools and techniques rather than the social ends served. We may talk foundations, but not grants, for example. We don't talk about Lake Champlain being denuded of nutrients by Zebra mussels; we talk tax and finance. We as an advisory team have to ask always, how does this plan enable the donor to lead a better life in a better world, by her definition of "better?" The solution is cross training and team building among allied

professionals, at least one of whom is a philanthropic resource or advocate.

Johnson: In the course of the planning process, do you ask your clients about their values, their philanthropic "passions," their desire to give back to their communities, and how such "intangibles" might translate into and inform their giving?

Quynn: This conversation is one of the very best parts of my job. I have the luxury of asking many of our donors about why they give, how it makes them feel, what they hope to accomplish through their gifts and how they became philanthropists. When I first work with a donor I try to find what motivates him or her to give. Whether it's someone who's grateful, purely philanthropic, aiming for social prestige, looking for an "insurance policy" in case they ever become sick and want to be known as a donor in the future, it helps to know why they are giving and the best way for me to work with them and play to this motivation. A donor who is looking for social prestige is more likely to want his or her name on a building than the donor who wants to build a relationship with his or her physician and make an unrestricted gift for the doctor's benefit, and I will propose options accordingly. After years of conversations with Charlie [Collier], I am far quicker to ask donors about how they work with their children in terms of giving. Are their children also involved in philanthropy? In the donor's philanthropy? How did they teach their children to give as youngsters? Was it a part of their family dynamic? These answers help me learn more about the donor, how best to work with him or her on the gift, and how best to work with future donors.

Collier: Absolutely. A thorough discussion around the social capital of the family will raise the prospect of their philanthropic passions and their deepest charitable interests. Often I just start with one question: What is important to you?

Johnson: Do you recommend to your clients that they

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involve their families in the creation of their philanthropic plans? If so, at what point in the planning process?

Cubeta: Yes, we like to involve husband and wife in the planning. Then a formal sharing of the plans with the heirs, if all are willing.

Collier: I suggest they involve their children early on. Begin by taking your children to a nonprofit when you volunteer. Then by the time they're seven or eight, about the same time parents should initiate an allowance, the parents can involve their children in giving away money and the joy of philanthropy. Of course, many parents don't want to involve their children because they think it may distract from their development or make them feel "different" than their teenage peers. I take a developmental perspective to the introduction and evolution of philanthropy in the family. *The Journals*' readers should know about a superb new book on this topic called, *Generations of Giving* by Kelin Gersick [published by Lexington Books and available on amazon.com].

McGlaughon: I, too, make that recommendation, and try to insist on it. My experience is that a successful wealth plan must have buy-in not only from the client, but also from all those who may (or may not) benefit from the plan that is finally adopted. I also find, especially in the area of charitable planning, that having the plan reflect the complexity and realities of interpersonal and family relationships is essential to the long-term viability and success of the plan. For example, if the primary client wishes to establish a fund for philanthropy that spans generations, the tool chosen to house that fund can almost always be shaped to provide flexibility for future participants while meeting the over-arching needs and goals of the primary donor.

Quynn: I agree. This is the best scenario, when family relationships work well. Early on, I try to determine if the donor wants to have other family members involved in his or her gift and encourage the donor to have them join in. We work hard to steward families; engaging donors' children may result in additional gifts or continued once the parents have passed away. When given the go ahead by the donor, we invite children to events, visit with them, provide institutional mementos, and copy them on correspondence. Conversely, we will help donors protect a gift they've made or wish to make to the institution, when the donor fears a child will work against making the gift.

Wilhem: I will simply add that some of the most satisfying work in this arena results from involving families in philanthropic planning. The conversations, the stories, the family values and the memories that emerge are very powerful. Facilitating this work is extremely gratifying. It also deepens our relationships with our clients because we talk about things that really matter, helping them verbalize their heartfelt passion to do good and to instill that passion in future generations. These conversations have been a key contributor to our success.

Johnson: How important is it to involve a client or prospect's other advisors in the philanthropic/gift planning process? When should that occur?

Collier: I believe it is critical to involve clients' legal and/or financial advisors in the process, especially when various charitable vehicles are involved, such as foundations and remainder trusts. Although it is often less important to bring them into the family philanthropy—for example, a family meeting around grant-making—I have found that many

advisors themselves are eager to attend and learn.

Wilhem: I share that view—always involve the client’s other advisors, and the earlier the better. When possible, it is important to discuss strategies with them *before* talking to the client. Other advisors may have a more complete picture of your donor’s financial situation and be able to offer valuable advice on a successful approach. Conversely, others may have little or no experience with the approach you are proposing—e.g., a CRUT or a CLAT—and can become roadblocks in the process. Educating them to the benefit and value that the approach can provide the client, even letting them initiate the idea, can generate a strong partnership, buy-in, and great client-focused solutions.

Cubeta: I think it depends on your role. The lead advisor, or trusted advisor, drives the process. Some like to bring the case into focus before involving others; some like to build a team from the outset.

Quynn: From the perspective of the nonprofit institution, it is crucial. The institution needs to know that someone is advising and counseling the donor. If anything goes wrong later on, and it certainly can, it is important to have had the donor’s advisor(s) onboard. The advisor is also, as Eileen says, more knowledgeable about the donor’s overall wealth picture. That said, sometimes our challenge is to respectfully educate the advisor, who may not fully understand the complexities of the gift options—either because they’ve never worked on a large or complex charitable gift before or because they have some other practice specialty.

McGlaughon: Again, given the nature of our assets, planning as a discipline and the evolving regulatory environment in which we work, it is essential that other advisors be included in any planning engagement, and as early as the relationships will allow. Each client relationship is unique and will reflect the personalities involved, but very few donors will or should complete any gift or plan without consulting at least two advisors. Having those people working together rather than off each other will always benefit the client, as well as all the advisors.

Johnson: How might nonprofits better reach out to the advisor communities, to make allies and fellow travelers of estate planners, CFPs, private bankers, CLUs, CPAs and the like?

Collier: Hold seminars for them on both the financial and

family dimensions of philanthropy and wealth. Provide them with good material with regard to charitable trusts as well as on the family dynamics side of philanthropy.

Wilhem: One way is by sponsoring timely and relevant seminars, presentations and workshops around philanthropic strategies, and offer CPE credits. Developing a core constituency and a clear, concise method of regular updates around recent developments, simple “did you know” case studies and stories of donor gifts and benefits also helps.

Quynn: In addition to holding seminars, we also like to thank advisors by inviting them to special events and keep them informed through regular mailings about programs and projects at the hospital.

Johnson: What could other planned giving officers learn from your work that would help them raise larger gifts?

Quynn: Planned giving officers around the country are eager to join with advisors and help educate them about the special nuances of planned giving. Advisors who wish to learn more are welcomed at local planned giving council meetings, NCPG’s annual conference and other planned giving seminars that teach the complexities of this special profession.

McGlaughon: Most donors have at least one advisor that they believe is their primary advisor and whom they will involve in all their financial decision making. That advisor can be a colleague in the gift planning process, or an unidentified disturber of the gift process. PGOs and financial advisors have traditionally managed separately parts of a conversation that should be one conversation. If both groups can see the other as teammates and partners in serving their donor/clients effectively, the whole dynamic can change. Very few of us can or should deliver “all the pieces” of any one gift transaction. When we perceive ourselves as able to deliver a gift alone, we heighten the possibility that we have not well served our donors, our organizations, or our professional selves.

Wilhem: Gift planners have a very important edge. Their donors care deeply about their organizations. Helping donors express their passions about the organization can lead to deeper conversations around what they would like to see the organization accomplish. This can surface opportunities to give in a very meaningful way that the

donor may not have considered, often due to concerns about providing for their families. The PGO can help the donor craft his/her legacy while still meeting family priorities. Meaningful, heartfelt dialogues plant seeds that result in greater near-term and future gifts.

Collier: Gift officers need to know—and most *do* know—that they can help their wealthiest prospects make a thoughtful and principled decision about the amount and timing of transferring money to their children. For many of the wealthy, their only estate planning question is: how much money do we give our children? If a planned giving officer can enter into this intimate conversation and help them quantify for themselves “what is enough,” then they will help their prospects define surplus financial wealth that can be used for charitable gifts.

Cubeta: Learn a bit about estate planning and financial planning. Join the Estate Planning Society. Take the Chartered Advisor in Philanthropy program. Recognize that advisors are not “gatekeepers,” but are there to protect the client. Approach the advisors in a spirit of doing what is right overall for the client. Emerge as the client’s charitable advisor, rather than just an exponent of a given charitable organization. Look out for the client first and foremost, as well as for the other advisors, and things will fall into place for your organization.

Johnson: We’re out of time and out of space, but on behalf of *The Journal of Gift Planning* and committed advisors, gift planners and donors everywhere, a heartfelt “thank you.” Both individually and collectively, you’ve all been terrific! ■

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