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Advisers focus on donor values

Professionals talking to clients about their philanthropic goals.

By Todd Cohen

In helping a client write her will about a year ago, New York City lawyer Patricia Angus asked the young woman who should get her wealth if her family died before she did.

The client said her prep school had made a big difference in her life, and added she admired the work of a local environmental group.

Because the client felt that way, Angus asked whether she might want to make direct gifts through her will to the school and environmental group.

The client agreed, and ended up making specific bequests to those groups and other charities totaling several hundred thousand dollars.

“I am a strong believer that just asking the question up front will make a huge difference in the plan that is developed,” says Angus, who advises wealthy clients on setting up estates and trusts.

In the face of an unprecedented transfer of wealth between generations – expected to total at least $41 trillion over the next 50 years, according to conservative estimates by Boston College researchers -- a growing number of lawyers, accountants, estate planners, financial-services professionals and other advisers are talking to clients about philanthropy.

And experts such as Angus are working to help advisers better understand philanthropy and the kinds of questions they should ask their clients.

“Some advisers are loath to raise philanthropic questions with their clients,” says Steve Johnson, director of philanthropy promotion for The Philanthropic Initiative, a Boston-based nonprofit.

Advisers either may not be prepared to answer technical questions about “hard” issues such as tax matters related to charitable giving, Johnson says, or may not feel comfortable advising clients on “soft” issues involving their personal values and goals.

“We know there is misunderstanding and discomfort about the ‘soft’ side,” he says.

Angus, who has consulted with TPI, agrees.

“These are really difficult questions for any of us to consider,” she says. “There’s a taboo talking about your values.”

To better equip advisers to talk about philanthropy, TPI is working with New Ventures in Philanthropy, an initiative of the Forum of Regional Associations of Grantmakers in Washington, D.C., to create a philanthropy curriculum for advisers.

At a two-day “summit” in Boston in June 2001, the two groups brought together advisers and philanthropy experts to talk about the tools that advisers need to talk to clients about philanthropy.

Based on that meeting, and on its own research and consulting work for advisers, TPI and New Ventures are creating curriculum plans for advisers.

And in a project funded by the David and Lucile Packard Foundation in Los Altos, Calif., TPI and a group of California community foundations will prepare tools to help them work with their clients on charitable giving.

TPI's work lies at the heart of an emerging new role for professional advisers.

In the late 1980s, financial services firms began to recognize that serving the philanthropic needs of clients represented an opportunity to generate new revenue, says Phil Cubeta, chief of staff for The Nautilus Group, a Dallas-based division of New York Life that assists the insurer's 200 top agents in working with high-net-worth clients and their advisers on estate and business-succession strategies.

The pursuit of that emerging philanthropic market fed the growth of philanthropic services offered by mutual funds, banks, insurance companies, lawyers, accountants, estate planners and financial advisers.

Cubeta says financial-services firms always have had a business rationale for working with clients on their philanthropy because it involves money under management.

"Most advisers initially look upon philanthropic tools and techniques as a tool or technique of estate planning or financial planning," he says.

But advisers apparently wanted more: In a study of 500 advisers in 1999 and 2000, TPI found that while only half of the advisers consistently asked clients about philanthropy, and even fewer talked about philanthropic issues other than how to structure gifts, a small group was looking for tools to do a better job working with clients on their philanthropic goals.

"Over time, for some advisers and clients, philanthropy becomes the driving force of the overall plan," Cubeta says.

Using an approach known as "values-based planning," TPI and New Ventures are developing tools that include questions and issues that advisers can use and stories they can tell in talking to clients about philanthropy, along with resources they can use and a curriculum that focuses both on philanthropic values and the technical aspects of structuring gifts.

"We're interested in creating an alternative curriculum to address advisers' discomfort and lack of knowledge about how to advise clients on values and goals involving philanthropy," says TPI's Johnson.

Philanthropy experts say charities themselves can take steps to do a better job of providing philanthropic advice to donors – but added that charities and professional advisers also need to be careful about avoiding potential conflicts of interest.

Charities, for example, can create planned-giving advisory groups consisting of lawyers, accountants and other experts who can help the charities prepare themselves to work with donors, Cubeta says.

The experts also can provide free advice about potential donors and gifts, and can connect the charities with donors and with other advisers when a potential gift is in the works, he says.

Those connections, he says, can be used to assemble teams of advisers – including lawyers, accountants, estate planners, financial advisers, philanthropic advisers and others – who can work with specific donors to develop philanthropic gift plans.

"You really are forced, if you want to go after the major dollars, to make common cause with other advisers, Cubeta says.

Angus, the New York lawyers, says all the players, particularly donors, need to “understand the motives of the various people involved in the process.”

Charities, for example, mainly look for gifts, while financial institutions mainly look for assets to manage and advisers mainly look fees.

“I’m a strong believer in the importance of objective advice,” she says.

Michael Rierson, vice president for advancement at the University of South Florida in Tampa, says the role of charitable fundraisers also is changing.

“They have to represent to the donor what the nonprofits’ true objective is, and they have to represent back to the nonprofit what the donor’s desires are,” he says. “And sometimes they will match up and sometimes they will not. A fundraiser’s job is not to pound a round peg into a square hole.”

Charles Collier, senior philanthropic adviser at Harvard and a leading practitioner of values-based planning, says a new type of adviser is emerging who is an objective advocate for philanthropic principles and can help donors use philanthropy to address personal, family, financial and business issues.

“This cottage industry of independent advisers is growing and provides an important service surrounding the personal issues of family wealth, as well as designing philanthropic practices for individuals and families,” says Collier, author of Wealth in Families. “I am convinced that family philanthropy can enhance the well-being of the family as well as provide strategically placed resources to improve humankind.”

In the end, says Angus, providing philanthropic advice is a tough job.

"It takes a lot of time," she says, "to work with the client to develop a plan that will best meet their goals and society's needs."

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