

Working with a Philanthropic Advisor

Professional Advisors' Session

2013 Philanthropy Learning Exchange

September 19, 2013

Rachel J. Sherman

Rachel J. Sherman, J.D.

Director, Client Service



Rachel J. Sherman JD
Director, Client Service
T: 607.962-7649
F: 607.962.6709

rsherman@marketstreettrust.com

Rachel is responsible for the management of client relationships for individual, trust, and foundation accounts. She works with individual and family group clients on financial and estate planning and advises clients concerning fiduciary and related issues. Rachel also advises and works with multiple family foundations to achieve their philanthropic aspirations.

Prior to joining Market Street, Rachel practiced law in Boston, Massachusetts, first with Goodwin Procter LLP and then with Nutter McClennen & Fish LLP. As an attorney, Rachel represented and advised clients with respect to myriad litigation and business matters. Rachel also gained experience as a law clerk to the Honorable F. Dennis Saylor, IV, of the federal district court in Massachusetts.

During her undergraduate work at Cornell University, Rachel spent a year studying abroad at Oxford University. After receiving her B.S. from Cornell, she attended Harvard Law School and earned her J.D., graduating cum laude. Rachel has broad experience in family foundations and philanthropy, currently serving as President of the Grantmakers Forum of New York. She also is an officer and director of The Triangle Fund, a family foundation serving a three-county area in New York, and has been a grants panelist for the Community Foundation of Elmira-Corning and the Finger Lakes.

Rachel is a member of the Trusts and Estates section of the New York State Bar Association and has advised Corning Community College on its planning giving program. Rachel has written articles and made presentations to donors and advisors on topics and issues around family legacy through philanthropy, most recently for the Financial Research Associates Family Office Executive Summit in May 2013.

Seven Questions

1. Who is a philanthropic advisor?
2. Do clients need a philanthropic advisor?
3. Do clients want support for their philanthropy?
4. Does the advisor benefit too?
5. What might the philanthropic advisory process look like?
6. How can I become a philanthropic advisor (or a better one)?
7. How can I get help in serving the philanthropic advisory needs of my clients?

1. Who is a philanthropic advisor?

One definition: One who is passionate about helping another pursue his or her philanthropic passions.

This is not an industry term! No formal credentialing required!

Under this definition, philanthropic advisors can include:

- Wealth advisors
- Private client advisors
- Legal advisors
- CPAs, tax advisors
- Someone with deep community knowledge and not-for-profit involvement, such as community foundation personnel
- Philanthropy consultants

2. Do clients need a philanthropic advisor?

Yes!

Many clients give, and give substantially.^{3,5}

Charitable Giving by Family Net Worth⁵

Net Worth	Annual Amount Given to Charity (rounded)
\$1m – \$5m	\$13,113
\$5m – \$10m	\$65,780
\$10m – \$20m	\$211,000
\$20m – \$50m	\$488,000

Why? Philanthropic advisory services:

- Provide necessary information how much clients they can give and still meet financial goals
- Identify tax efficiencies in giving, helping clients expand the size of the pie
- Support clients' legacy and values sharing with their children and grandchildren
- Improve the client's experience with the advisor by taking an interest in what is important to them

2. Do clients need a philanthropic advisor?

There may be “trigger points” that accelerate the need:

- Sale of business
- Receipt of an inheritance
- In final earned income years before retirement
- New marriage/partnership or dissolution of a marriage/partnership
- Decision to wind down a legacy family foundation
- Overwhelmed by “asks” from colleagues, community, churches
- Express interest in involving children, grandchildren in giving
- When giving moves beyond annual gift amounts to “major” gift amounts
- Want a new business positioned as a good corporate citizen
- Entering a new community and needs culture/protocol/etiquette guidance
- Leaving a community and wants to be aware of giving opportunities

3. Do clients want support for their philanthropy?

Yes!

- Clients view their financial plans and their charitable plans as related.^{3,7}
- Clients want to be more strategic about their giving. They are trending away from ad hoc check writing and toward strategically addressing their charitable interests.³
- Clients want advice about inheritance and “how much is enough” for heirs.

The myths that might hold advisors back from providing this service are just myths.

3a. When should I build out the philanthropic advisory team?

Further expertise may be needed to meet the needs and wants of clients.

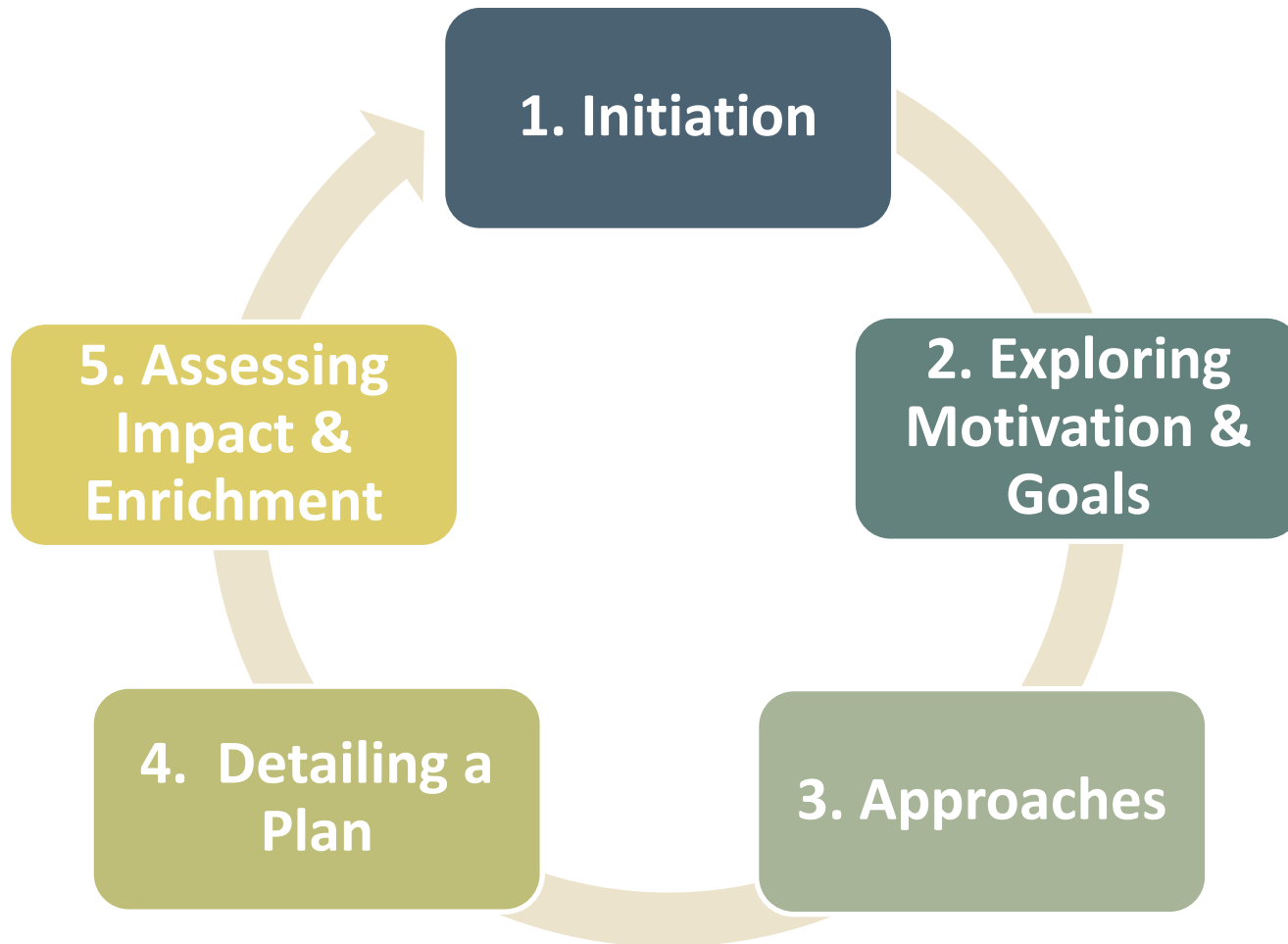
If so, you might build out a philanthropic advisory team.



4. Does the advisor benefit too?

- Clients are becoming more and more aware of their needs.
- There is often a disconnect between the needs of clients and services their advisors are providing.
- Unmet Need = Opportunity to Position your Solution
 - Demonstrating your expertise and resourcefulness
 - Connecting with the next generation of wealth owners
 - Deepening your relationship with your client, increasing loyalty
 - Obtaining referrals to new clients

5. What might the philanthropic advisory process look like?



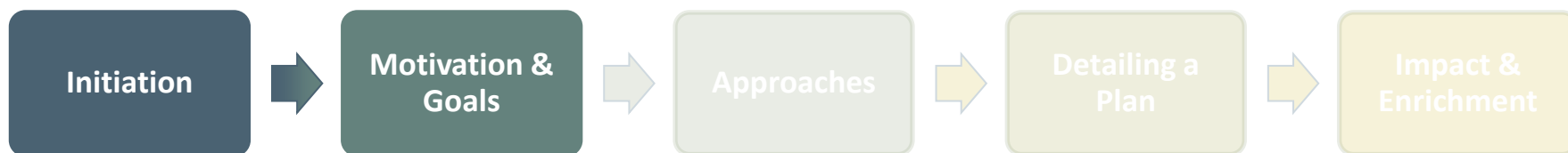
Adapted from Rockefeller Philanthropy Advisors, Your Philanthropy Roadmap, available at www.rockpa.org (2012)

5. What might a philanthropic advisory process look like?

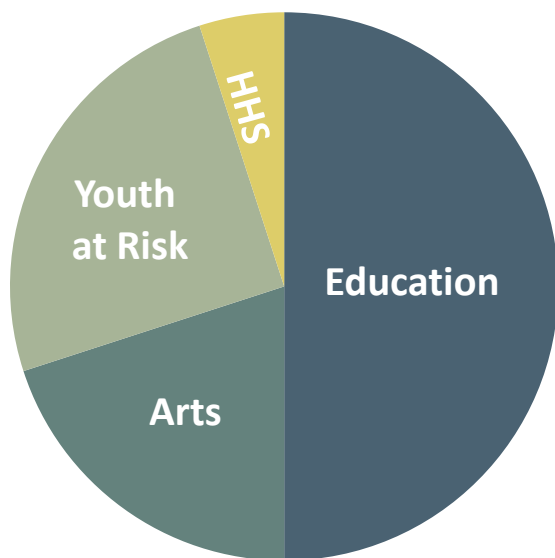


This process may proceed in 5 steps or phases

5. What might a philanthropic advisory process look like?



1. Past Giving Analysis



2. Ask Foundational Questions

- *Why are you giving?*
- *What do you want to achieve?*
- *What is the most satisfying charitable gift you ever made?*
- *How do you think change will happen?*
- *How will you assess progress?*
- *Who will join you?*
- *See questionnaire example*

Charitable Contributions History/Plan (Sample)

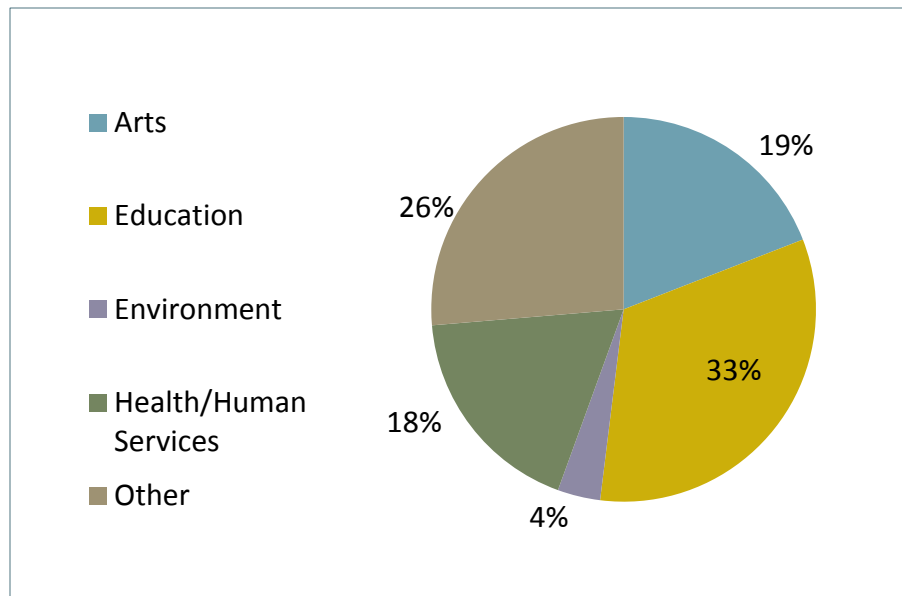
Mrs. Anderson

Organization	Issue	Type	2008	2009	2010	2011	2012	2013
171 Cedar Arts Center	Arts	Annual Campaign	\$ 2,500	\$ 5,000	\$ 5,000	\$ 5,000	\$ 8,000	\$ 8,000
Corning Museum of Glass	Arts	Capital Campaign	1,200	1,200	1,200	1,200	1,200	1,200
Orchestra of the Southern Finger Lakes	Arts	Program Support	500	800	800	1,500	800	
Rockwell Museum	Arts	Program Support	1,000	1,000	1,000	2,500	2,500	
The Arts Council of the Southern Finger Lakes	Arts	Capital Campaign	250	250	250	500	500	
All Saints Academy	Education	Annual Campaign	2,000	2,000	1,500	2,000	2,500	2,500
Cornell University	Education	Annual Campaign	2,500	2,500	2,500	2,500	2,500	2,500
Keuka College	Education	Annual Campaign	1,000	1,000	1,000	25,000		
Southeast Steuben County Library	Education	Program Support	1,500	1,500	1,500	3,000	3,300	
Cornell Lab of Ornithology	Environment	Capital Campaign			230	230	230	
Finger Lakes Land Trust	Environment	Program Support				2,000	2,000	2,000
Catholic Charities	Health/Human Services	Program Support	500	500	500	500	500	500
Community Foundation	Health/Human Services	Program Support	2,500	2,500	2,500	2,500	3,000	3,000
Corning Meals on Wheels	Health/Human Services	Annual Campaign		500	500	500	500	500
Fund for Women - Community Foundation	Health/Human Services	Annual Campaign			500	500	500	500
Habitat for Humanity	Health/Human Services	Annual Campaign	15,000	15,000	10,000	2,000	1,000	
Health Ministry of the Southern Tier	Health/Human Services	Program Support	500	500	500		1,000	
United Way	Health/Human Services	Annual Campaign	5,000	5,000	5,000	5,000	5,000	
Corning YMCA	Other	Capital Campaign		10,000	10,000	10,000	20,000	
Red Cross	Other	Annual Campaign	500	1,000	1,500	2,000		
Various Contributions under \$250	Other	Annual Campaign	330	420	550	385	300	
Total			\$ 36,780	\$ 50,670	\$ 46,530	\$ 68,815	\$ 55,330	\$ 20,700

Charitable Contributions by Issue (Sample)

Mrs. Anderson

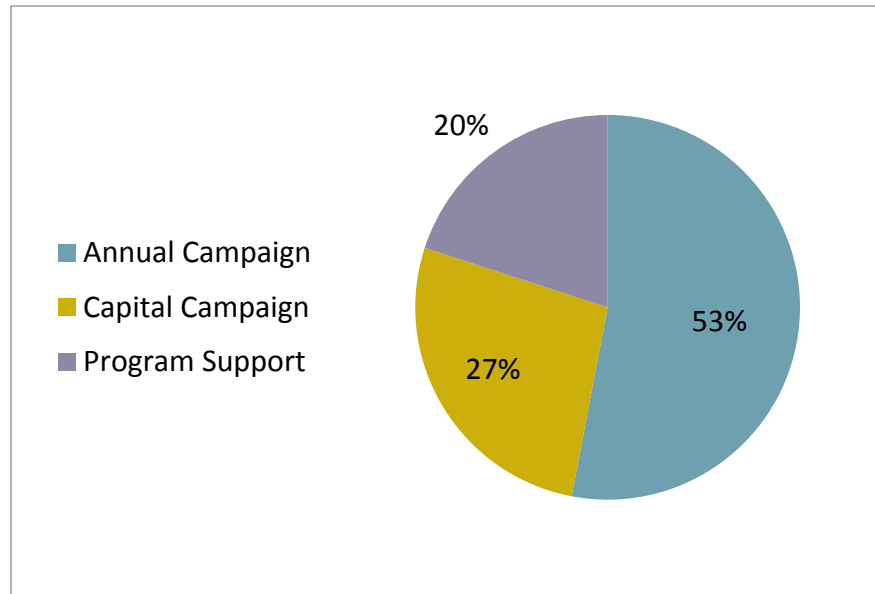
Issue	2011		2012		Total	
Arts	\$ 10,700	16%	\$ 13,000	23%	\$ 23,700	19%
Education	32,500	47%	8,300	15%	40,800	33%
Environment	2,230	3%	2,230	4%	4,460	4%
Health/Human Services	11,000	16%	11,500	21%	22,500	18%
Other	12,385	18%	20,300	37%	32,685	26%
Total	\$ 68,815	100%	\$ 55,330	100%	\$ 124,145	100%



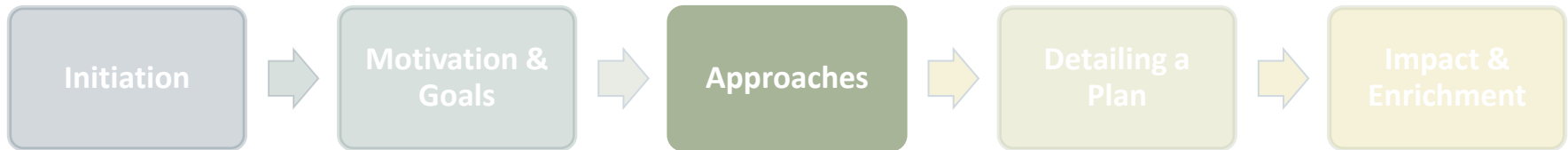
Charitable Contributions by Type (Sample)

Mrs. Anderson

Type	2011		2012		Total	
Annual Campaign	\$ 44,885	65%	\$ 20,300	37%	\$ 65,185	53%
Capital Campaign	11,930	17%	21,930	40%	33,860	27%
Program Support	12,000	17%	13,100	24%	25,100	20%
Total	\$ 68,815	100%	\$ 55,330	100%	\$ 124,145	100%

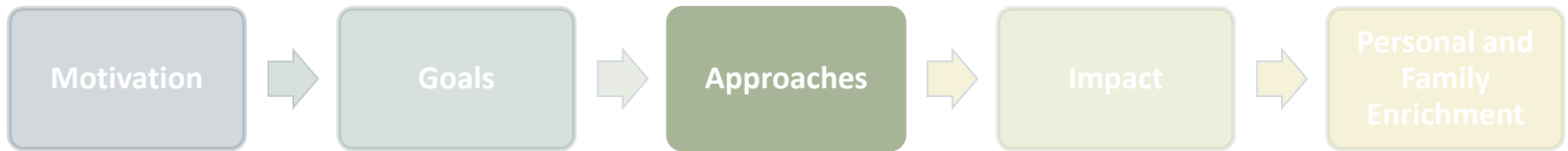


5. What might a philanthropic advisory process look like?



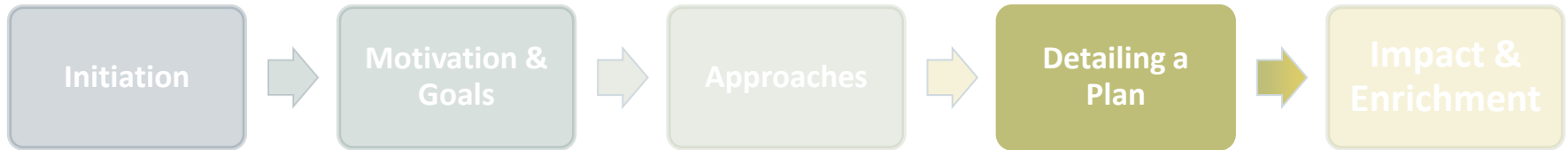
- Direct gift to charity from personal funds
- Support for community foundation or supporting organizations
- Establishing a family foundation
- Establishing charitable remainder or lead trusts to further other wealth transfer goals
- See the sample in the handout

Comparison of Charitable Giving Vehicles



Consideration	Direct Gift to Charity	Family Foundation	Community Foundation Fund	Charitable Lead Trust	Charitable Remainder Trust
Benefits charity immediately	✓	✓	✓	✓	
Tax deduction to donor	✓	✓	✓		✓
Tax preferred growth		✓	✓		
May work well with appreciated securities	✓	✓	✓	✓	✓
Removes assets from donor's estate	✓	✓	✓	✓	✓
May provide wealth transfer to children				✓	
Continued income to donor					✓
Educates / increases human capital of children		✓	Can be arranged with Community Foundation		
Anonymity in giving			✓ (if desired)		
Ongoing management		✓ (trustee / director)		✓ (trustee)	✓ (trustee)
Minimum distributions to charities required		✓		✓	✓ (at end of trust)

5. What might a philanthropic advisory process look like?



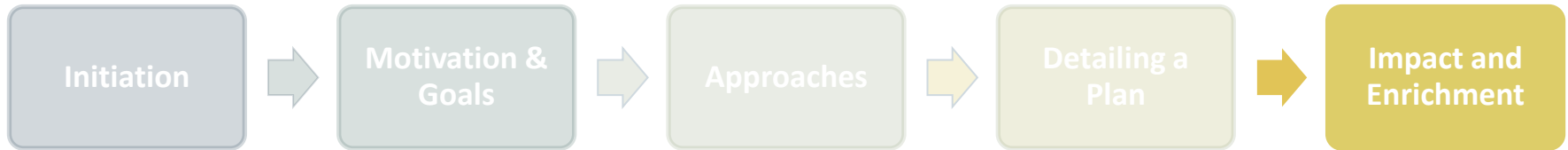
- Detail the plan (example to follow), and incorporate into the client's financial plan
- Use members of the philanthropic advisory team to assist as needed
- Regularly review the plan, and proactively raise questions and suggestions when the client's situation changes

Charitable Contributions History/Plan (Sample)

Mrs. Anderson's Strategic Giving Plan

- Continue annual giving to alma maters at current level
- Continue annual giving to other charities at current level
 - Document annual plan and use as needed as shield against “asks”
- Maximize deduction available in final year before retirement through major gift/donor advised fund/family foundation
- Update estate plan to establish CLAT at death to further tax efficient wealth transfer goals with initial beneficiaries a charity (e.g., the arts field of interest fund and the human services field of interest fund with the local Community Foundation) and the remainder beneficiaries her three children

5. What might a philanthropic advisory process look like?



1. How do you measure impact?
2. What progress is being made on the cause or issue the client cares about through his or her philanthropy?
 - This is where a Community Foundation really shines: great ideas, can aggregate the dollars, use special powers (e.g., variance power)
 - For family foundations, an executive director or dedicated trustee may assess impact
3. Would it be helpful to partner with others with experience in this to report on the impact of the client's philanthropy?

5. What might a philanthropic advisory process look like?

Questions your clients may ask you along the way:

- Why do I need philanthropic advisory services?
- What philanthropic advisory services do you offer?
- How do you go about incorporating philanthropy into a financial plan?
- Are you knowledgeable about giving vehicles that can advance my wealth transfer plans while achieving my philanthropic goals?
- What are the different options available to me to have the greatest impact in my philanthropy?

6. How can I become a philanthropic advisor (or a better one)?

- Know and discuss the options
- Partner with people already very good at this; e.g., Community Foundation, experienced attorneys and CPAs
- Refer clients to peers, provide information
- Join professional networking and professional development groups (e.g., GFNY as advisor member; Estate Planning Council)
- Don't be shy about discussing your own giving, but don't promote your giving agenda
- Read industry publications
- See resources list

7. How can I get help serving the philanthropic needs of my clients?

1. Magazines & News sources: Family Wealth Report; Private Asset Management; Private Wealth; Trusts and Estates Magazine; Journal of Wealth Management; Journal of Philanthropy; NPQ Quarterly

2. Not-For-Profits devoted to effective philanthropy:
 - Community Foundation of Tompkins County; www.cftompkins.org/resources
 - National Committee for Responsive Philanthropy; www.ncrp.org/publications
 - FSG Consultants; www.fsg.org/knowledgeexchange

3. Professional Associations:
 - Grantmakers Forum of New York; www.grantmakers.org/gfny/advancing
 - International Association of Advisors in Philanthropy; www.advisorsinphilanthropy.org

Sources

1. Barclays Wealth and Investment Management Wealthbriefing, *The New Normal: Codifying Superior Client Experience in Wealth Management*, 2012.
2. Byrnes, Mike. *Preparing for a Wave of Wealth Transfers*. “Financial Advisor Magazine”, May 16, 2013.
3. Lassar, Meg. *Initiating the Philanthropic Conversation*. “Family Wealth Report”, March 14, 2011.
4. Vega, Hilda and Meg Lassar. *Working With a Philanthropic Advisor*. “Family Foundation Advisor”. Civic Research Institute, March/April 2011.
5. McGlaughon, King. *Your Clients’ Philanthropy: Is It Your Business? (It Should Be!)*. Foundation Source Philanthropic Services Inc., 2012.
6. Winer, Susan. *Leaving a legacy*. “Private Asset Management”, October 2012.
7. Elliott, Robert C. *Regaining Client Trust Requires Further Commitment by Wealth Managers*. “Journal of Wealth Management”, Summer 2013.