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Professional Advisor Network

August 2023 Newsletter

Structuring the multi-generational philanthropy plan, tapping charitable giving to motivate clients, and three eye-catching news stories

Greetings from the community foundation!

It's August, and many of you have reported that you are already getting questions from clients about how to get organized this fall–really organized. It seems that many clients and their families are finally back in full swing after the pandemic restrictions. People are getting together in person more frequently, which includes attending events and gatherings hosted by their favorite charities.

We're offering a few suggestions for how you might support your clients as they dust off those charitable giving plans:

–Structuring a philanthropy plan is especially important for families who want to involve their children and grandchildren in a meaningful way. Many wealth and tax advisors notice that while the matriarchs and patriarchs might have a vision and a plan for the family's multi-generational approach to philanthropy, that vision and plan are probably not very clear to the younger family members. A family donor-advised fund at the community foundation can provide that much-needed structure and organization to help a family advance its philanthropic purposes for many years to come.

–It is always surprising to hear again and again that so many people do not have a will or any type of estate plan! Attorneys, financial advisors, and accountants do their best to recommend that their clients set up wills, trusts, beneficiary designations, and other estate planning vehicles, but some clients are too uncomfortable to directly deal with their own mortality. Approaching an estate plan through the more gentle lens of charitable giving can help break the ice and motivate clients to act.

–We're always on the lookout for the latest news that affects advisors and their work with charitable clients. The news is not always boring! Recently, stories about emojis, Aretha Franklin's will, and the rise of donor-advised funds within professional niches have caught our attention–and we can't resist sharing.

As always, thank you for the opportunity to work with you! We are honored to help you serve your charitable clients and appreciate the opportunity to do so.

Julie Buck, CAP®, Executive Director

Helping your clients get organized: Structure is a critical step in multi-generational philanthropy

Instilling the idea of charitable giving in children and grandchildren at first blush may appear to be easy, but where to begin, and how to make it ongoing? More and more, wealth advisors are being asked by their clients to weigh in on strategies for fostering a family's financial values, which frequently include charitable giving traditions.

An important first step in creating any multi-generational philanthropy plan is to advise clients to consider organizing their charitable giving, such as through a family donor-advised fund at the community foundation.

The process of organizing charitable giving itself creates much-needed clarity around the family's philanthropic purpose. This is because without an organized approach to family giving, it is easy for children and grandchildren to get confused about their parents' and grandparents' processes for making decisions about which nonprofits to support.

Consider this scenario:

"Before we got everything organized through the community foundation, our family seemed to take a shotgun approach to charitable giving," commented the daughter of an entrepreneur who formed a family donor-advised fund upon the sale of a business.

Her mother, the entrepreneur, had underestimated the confusion: "Nearly every check I'd ever written to a charity was aligned with my commitment to supporting a healthy workforce in our community. Without a healthy workforce, my business would never have been successful. Now, though, I see that because I was not involving the rest of my family in my giving and explaining why I was supporting certain causes, it might have looked chaotic to them."

Establishing a fund at the community foundation can be a very effective solution for many of your clients who are launching a multi-generational giving strategy. Here's why:

–Community foundation vehicles are extremely flexible and can be used to engage an extended family in the process of charitable giving. Donor-advised funds, for example, are popular because they allow your client to name children and grandchildren as successor advisors.

–When your client organizes charitable giving through a community foundation fund, the client can make a large transfer of cash or marketable securities that is immediately eligible for a charitable deduction. Your client then can recommend gifts to favorite charities from the fund when the time is right. This is especially useful in the case of clients who sell a business or for another reason experience a large influx of taxable income in a single tax year.

–Establishing a donor-advised fund at the community foundation can be a much better choice for your family-oriented clients than a donor-advised fund offered through a brokerage firm (such as Fidelity or Schwab). That's because, at a community foundation, your clients, as well as their children and grandchildren, are part of a community of giving and have opportunities to collaborate with other donors who share similar interests.

–The community foundation can work with a client and the client's family on a charitable giving plan that extends for multiple future generations. That is because the experienced team at the community foundation supports strategic grant making, family philanthropy, and opportunities to gain deep knowledge about local issues and nonprofits making a difference.

–Grantmaking across generations and geography is easy through a community foundation as we can send grants to any U.S.-based 501c3 across the nation, so it doesn't matter if family isn't living locally - a family DAF can support favorite charities anywhere in the U.S.

–Finally, the community foundation's tools and resources make it much easier for families to communicate across generations about the family's charitable giving purpose and goals for long-term impact.

We welcome the opportunity to work with you and any of your philanthropic clients to establish an enduring and rewarding family philanthropy program that is customized to meet each client's unique purpose.

Legacy giving: A conversation that's full of opportunity

August is National Make-A-Will Month. This means your clients may be reading articles and hearing about estate planning more this month than usual, which makes the next few weeks an especially good time to prompt your clients to review their estate plans–or get their wills and trusts in order if they haven't done so yet.

Charitable giving is an important part of any estate planning conversation. Certainly, bold legacy-making plans are frequently in the news because of the high-profile people who establish them. Your clients may not realize that they, too, (and nearly anyone, really) can leave a legacy to support favorite charitable causes.

By discussing what legacy charitable gifts are, how they work, what the client has in mind, and then formalizing the client's plan with the proper legal and financial documentation, you can help your clients tie up a few of "life's loose ends" far in advance of when that legacy gift is actually made—and give your client the peace of mind of knowing it will actually get done.

Clients' charitable giving intentions and the possibility of establishing legacy gifts should be a routine and standard topic of any financial or estate planning discussion, right alongside provisions in an estate plan for family and loved ones.

Here's a primer to help you simplify key principles as you convey to your clients what they need to know about leaving a legacy:

Q: What is a legacy gift to a charity?

A: Encourage your clients to think of leaving a charitable legacy as a post-life gift that the client structures in advance. Legacy gifts are often referred to as planned giving.

Q: What assets can be used to make a legacy gift?

A: Like the gifts to charity that your clients are already making during their lifetimes, cash, stock (especially highly-appreciated stock), real estate, life insurance, an IRA beneficiary designation (which is extremely tax effective), are examples of assets that can be the subject of a legacy gift. A legacy gift can be expressed in a client's estate planning documents as a dollar amount, percentage of the whole, or a legacy gift of the assets themselves. Your client will want to choose assets carefully, enlisting your expertise to do so.

Q: How is a legacy gift actually made?

A: Legacy gifts are typically spelled out in detail in a client's will or trust documents. This is especially important because after the client is gone, too much is otherwise potentially subject to hearsay or conflict. To attorneys, accountants, and financial advisors, this is common sense. But do not overestimate your clients' understanding about estate plans and how they work. A surprising 2 out of 3 Americans have no estate planning documents!

Q: How can a discussion about legacy gifts help motivate clients?

Estate planning can be an uncomfortable topic because, by definition, it requires a client to contemplate mortality. This is likely part of the reason that 40% of Americans say they won't even consider putting a will in place unless or until their life is in danger. Most clients think charitable giving, though, is a much more pleasant topic than discussing the end of their own lives. That's why legacy giving is a topic that can help break the ice and pave the way for the broader, essential conversation about overall estate planning.

Q: What are some particulars to be aware of?

A: Most legacy gifts can be revoked or altered through beneficiary or will changes while the client is alive. This is an important feature to mention to clients who want to include charitable giving in their estate plans but like the idea of flexibility as the overall family and financial picture changes over the years.

Q: What tools does the community foundation offer to help?

A: A particularly useful technique is for a client to establish a fund at the community foundation that spells out the client's wishes for charitable distributions upon death to specific organizations. The client's estate planning documents can, in turn, simply name the fund as the beneficiary of charitable bequests. The client can adjust the terms of the fund anytime during the client's lifetime to reflect evolving charitable priorities.

We look forward to working with you and your charitable clients as they firm up their legacy giving plans, whether in August or anytime of year!

Stories that caught our attention

Emojis are fun, but . . .

Words matter, and apparently, emojis do, too. At least in Canada, where a judge recently ruled that a thumbs-up emoji within a text message qualified as acceptance of a contract despite the sender's alternate intentions stated later—and at an eventual cost to him of more than $60,000. This differs drastically, for example, from doctrine such as a frequent and strict United States custom where clients' stock trade instructions to brokers can only occur through one-to-one voice instruction and not even via voicemail. For advisors who focus on fundamental legal documents such as trusts and beneficiary designations, whether charitable planning is involved or not, treatment of emojis may be a trend to keep an eye on.

Yikes!

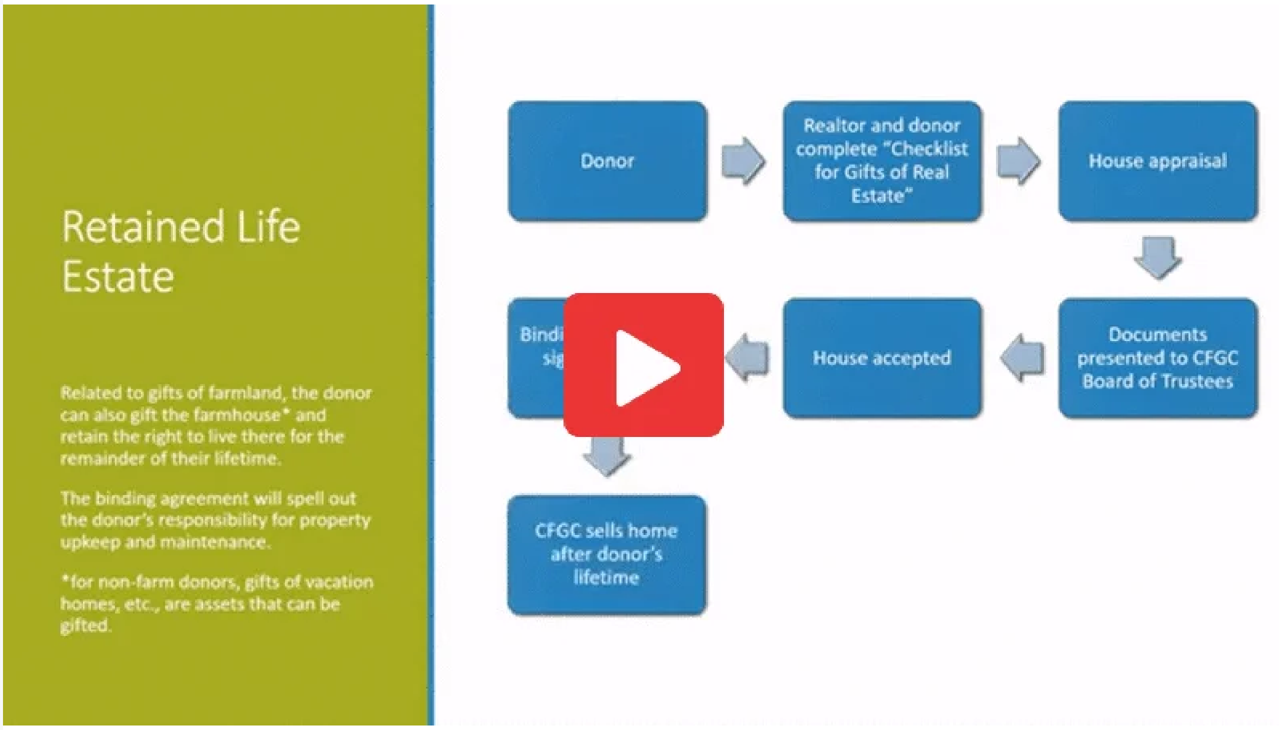
As a trusted advisor, you may wish to consider sharing with clients the cautionary tale of late singer Aretha Franklin's estate. A story like this might be the motivation it takes for resistant clients to finally implement estate planning! In a recent court decision, a jury found that the remnants of a 2014 will found in a sofa superseded Franklin's earlier-stated intentions—and over which family members argued for years.

The doctor is in

Donor-advised funds have gone mainstream! You may notice that the term "donor-advised fund" or "DAF" pops up more and more in your newsfeed. That's no accident! Even niche markets (such as physicians, for example) are getting on board. Just remember that a donor-advised fund established through the community foundation delivers all of the benefits to your client that a commercial donor-advised fund through Schwab or Fidelity delivers–plus so much more. Your community foundation is the hub for all things philanthropy and the best place for your clients to organize their giving, support favorite causes, and join with others to make a meaningful difference in the community they love.

7-minute video: Planned Giving Tools for Non-Cash Assets

How can your clients use non-cash assets to design funds at the Community Foundation of Grundy County to benefit their favorite charities?



Looking for back issues? You can find and print them at https://cfgrundycounty.com/adv...

The team at the community foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

Community Foundation of Grundy County

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