Incorporating Philanthropy into Your Financial Plan

Tools, techniques and philosophies you can use today

Key Takeaways:

- While corporate tax deductions for giving are limited, corporate social responsibility is on the rise.
- Making giving into a family activity can also be helpful in preparing heirs for the responsible use of wealth.
- Make sure your advisor understands your family's values and goals. Philanthropy is not just about tax and estate planning.

Purposeful philanthropy is the art of thoughtfully, intentionally and purposefully integrating the passion, spirit and commitment of philanthropy into the fabric of our family system. With record numbers of boomers reaching retirement age and with a new generation of younger people looking to make gifts with social impact, the landscape of philanthropy has changed dramatically.

If you are a decision maker or influencer at your company, consider this: Corporate giving grew by 12 percent over the past year to nearly $18 billion—but represented just 0.7 percent of corporate profits. Is that really enough? What needs to change to incent corporations to share more with those in need?

Experts say corporate tax deductions for giving are limited. This is part of the reason for lower giving rates. But corporate social responsibility seems to be on the rise, and shareholder/consumer pressure is the best way to raise corporate awareness about community involvement and responsibility.

Also, experts say charities need to do a better job of addressing the ROI a corporation receives when it is a strong donor. For instance, some companies donate heavily to education in every community in which they have a presence. They do this for two reasons:

- First, they believe a strong community and an educated workforce are good for them.

- Second, they want to be identified as a good, responsible member of the community. They view corporate philanthropy as a way to build good will.

The impact conversation needs to happen with businesses. Philanthropy does not have to be about giving it away, but instead can really be a two-way street.

Americans as a group historically give around 2 percent of their incomes to charity. Is that likely to change pro or con as record numbers of boomers enter retirement years and a record amount of wealth will transfer into other hands over the next 15 years?

Philanthropic experts say affluent families that make giving into a regular activity are better positioned to prepare heirs for the responsible use of wealth. The family members can explore giving options and report back. This can not only teach giving wisely, it can also bring the family closer together.

Whether you are not you give at least 2-percent of your income to charitable causes, the "percentage of income" ratio can be a poor metric. Instead, measure giving as a percentage of your assets. Americans have less cash than any other asset class today, and until Americans and their financial advisors understand this, the percentage won't change. There are many more effective ways to give that are simply underutilized.

Biggest misconceptions about philanthropy

- First, many more people would give if they knew they right way to do so, especially from a tax-advantaged way. If you don't have experience with planned giving and you advisor is not able to help you, see if he or she can point you to a planned giving specialist within their network.
- Second**,** it's all about tax savings and estate planning. In reality, the key to unleashing your family's generosity and increasing its satisfaction around the impact of giving lies in understanding your most deeply held values and interests. Make sure your advisors understand those values, too.

Ask about smart gifts such as Charitable Remainder Trusts, Charitable Lead Trusts and Donor Advised Funds, etc.

Follow these three lessons from donors on effective giving:

1. Give with a warm hand. Donors who have the most impact and feel the greatest satisfaction are, first of all, ALIVE. They are actively, directly and personally deciding the use of their funds, matching their most compelling interests to the compelling needs of the institutions that best address causes they are [concerned] about.

2. Give with a warm heart. This, of course, is about the passion donors feel for the cause, the mission, their personal quest. It's core DNA for them; it embodies both the soul and heart of their values. My gift is for the benefit of ________, where it is essential for each person to fill in that blank, however [he or she chooses].

3. Give with a cool head. Give smart, not just with your heart. Use your advisors and encourage them to talk to each other on your behalf. If you want your giving to achieve balance, use your smart parts. Be strategic, and understand how and why to give, not just when. Invest in your philanthropic plan. Not just with CRTs, CLTs, CGAs, insurance, all the rest that pay at death, but with a stream of more modest gifts that can start up your plan while you are alive.

Conclusion

Planned giving is one of the most impactful things you can do with your hard-earned wealth. Just make sure you do your homework about where you decide to give, how you give, and who helps you give. You and your family will be glad you did.