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Effective Philanthropy Learning Initiative

The Toolkit in action: How one wealth advisor is using Stanford PACS' Philanthropy Toolkit resource with clients

By Erinn Andrews, Director of Philanthropy Research and Education, Effective Philanthropy Learning Initiative, Stanford's Center on Philanthropy and Civil Society (PACS)

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For years, the Effective Philanthropy Learning Initiative at Stanford's Center on Philanthropy and Civil Society has worked with financial planners, wealth advisors, philanthropic advisors and others to develop materials for advisors to guide their clients in practicing effective philanthropy. In this story, I highlight how one advisor has integrated the Stanford PACS Philanthropy Toolkit into his practice.

Chris has been developing and refining his financial planning practice over the last 13 years. As he has grown, so have his clients. Located in the Bay Area, Chris specializes in working with some of the tech industry's highest earning employees—in terms of wages, benefits, and company ownership. Of course, not every one of his clients has experienced an IPO or major liquidity event through exercising stock options, but that number has been growing quite steadily and significantly over the last few years.

Chris' advisor-style is best described as relational, decidedly not transactional. He gets to know his clients as people, understanding where they've come from, what they care about, and what they want to achieve. In many cases, he's the only person his clients ever talk to about money. He sees his job as part advisor, part work/marriage/life therapist, and that's precisely what draws people to him and what makes him so good at his job.

Recently, as Chris' clients' wealth has soared with the stock market surge and frequent tech company IPOs, his clients are experiencing extreme new levels of wealth that go beyond any of the traditional savings-related needs and wants, like a house, kids' college funds, retirement savings, cars, or vacations. As he looks to continue growing alongside his clients, he has realized that philanthropic planning is a very important—and personal—topic to bring up with newly wealthy clients.

When and how to have the philanthropy conversation: Chris broaches the topic of philanthropy during a regular check-in meeting or after a major wealth event with the simple exploratory question: "How does charitable giving fit into your priorities?" Almost immediately, Chris' clients will ask him how much they can give—a question that is difficult to answer quickly or definitively. In response, he says, "let's first talk about how to start and how to be effective, and then we'll get to how much."

If the client indicates an interest in charitable giving, Chris sets a follow-up meeting and says, "I'm going to send you an exercise to do at home ahead of time" and shares [this link](https://pacscenter.stanford.edu/the-philanthropy-toolkit/) to an Effective Philanthropy activity designed to help donors find their focus and identify their values. He describes the exercise as "a 2-glass-of-wine conversation to have with your partner—and it's worth doing the homework." Chris loves this "Find your Focus" exercise because it's inspiring, straightforward, and his clients come into their next meeting with their values clarified, a draft Focus Statement they are eager to discuss, and even sometimes with an idea of what kinds of organizations they want to give to.

In the meeting, he shares his own family's Focus Statement:

> Our family values community, equity, self-actualization, and kindness. We look to support community-based organizations in the Bay Area led by people of color in the fields of education and social justice. In particular, in the education space, we are interested in supporting low-income, underserved elementary school-aged children and high-schoolers on the path to college.

His clients appreciate this personal and concrete example. He asks them, "What did you think about the exercise? What values were you drawn to?" This is an extremely powerful moment for Chris and his clients to connect. "You don't get these moments very often after working with them for years," Chris says. These are the moments that build his relationship with clients and solidify trust. In this meeting, he uses a PowerPoint presentation developed by our lab (based on the content in the Stanford PACS Philanthropy Toolkit) that addresses a wide range of philanthropic topics. He jumps around the slides depending on what specific questions clients have and their level of philanthropic sophistication, and by the end of the meeting, Chris has helped them articulate their philanthropic focus.

Busy lives: Most of the clients Chris works with have a lot of momentum in their lives. They may have had a liquidity event but not yet be used to their new level of wealth. Often, they're not strategic in their giving because they're not actually sure how much they can give away and don't have time to spend finding new organizations to give to. It's pretty easy to see where they've given in the past, but that may not be where they want to give in the future, especially at whatever new level of giving is now possible.

https://pacscenter.stanford.edu/the-philanthropy-toolkit/

How much to give?: Chris says there is no right answer for how much to give away. He gives the example of how he came up with his own annual philanthropy budget and set up a donor advised fund (DAF). He provides examples of how other clients do this as well—benchmarking can really help donors who are just ramping up their giving. The biggest insight he offers clients is a new way to think about where they should be pulling the funds for charitable giving. He says,

> "In any given year, your income might go up a bit, but your investments go up a ton. Think about giving away money from your assets, not your income. If we look at your invested liquid net worth, not your house or retirement money, just your other investments, those may have gone up by more than 20% last year. If you give $30,000 out of your income, that's almost as big as a mortgage payment, but if you give 1% of your invested assets, you can give away the growth on those assets and never have to pay capital gains taxes. As a result, you'll get a full income tax deduction on that donation. Suddenly, your capacity for giving is a lot bigger than you thought! For my family, we know from our planning that giving away 1% of our liquid invested assets is a sustainable number, and for a lot of clients that's the case too. Just think about giving away some of that growth."

Donor advised funds: Chris is aware of the variety of giving vehicle options and makes recommendations based on the client's goals and personal situation. Usually, Chris recommends a donor advised fund (or charitable checking account) for clients with appreciated stock. Some platforms allow donors to set up an account in 3-clicks. With a DAF, clients can do a once-a-year transfer, qualify for matching gifts from their employer, etc.

"Don't aim for perfection," Chris urges. "Come up with a number, put it in the DAF, and if you can't give it all away this year, that's OK. And if you end up giving it all away in 3 months, put some more in there. Start somewhere, get the process in place, and see how it feels."

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A Side-Note About Misaligned Incentives

I've heard a number of DAF critics argue that financial advisors aren't incentivized to help clients give away money because it will mean fewer assets under management (AUM), which is a main source of revenue for many advisors. **Chris finds that the most important thing in his practice is the long-term relationship with the client and stewarding their finances for the long-term. The incremental loss of assets through charitable giving is a drop in the bucket compared to the value of the relationship.** If Chris is managing $5M for a client, he may be earning $30K in revenue from that one account. If he helps that client give away 1% or $50K, all he's "losing" in terms of revenue is $300/year. That's nothing compared to the personal value he's offering his client by helping them feel a sense of connection to their money, their values, and their life goals, not to mention the benefit to society by supporting organizations making a difference in the community.

Which organizations to fund?: Many of Chris' clients already have favorite charities, however if they've been giving $30 a month to the local public radio station and they're upping their giving, do they want to suddenly start giving $5,000 a year? What a donor might not think of as a significant amount of money, many nonprofits consider a major gift (sometimes starting as low as $1,000). If a donor does start giving to organizations at a significant level, they may want to contact the development and fundraising staff to touch base. Clients should think carefully about how much they really want to engage with nonprofits and how much they have time for. In addition to making a financial gift, this moment could be a good opportunity to pick 1-2 nonprofits to begin exploring volunteer opportunities, serving on the board, organizing events, etc.

Regular philanthropy check-ins: Chris feels it's critical to have his clients write down their giving statements (or as we at Stanford PACS call it, the Focus Statement) and then bring it up with the client on an ongoing basis. Chris believes the frameworks that the advisor offers add value to the client—circling back to the statement at annual reviews, nudging the client to make gifts out of the DAF, and asking how he can additionally support the client. As clients get clarity on their philanthropic values and vision, it can also sometimes change how they want to allocate their other investments. There is an increasing trend in clients shifting portfolio investments to align with the values articulated in their focus statement, perhaps creating environmental or pro-social filters.

Inspiring collective action: Chris plans to start tracking how much he's helped his clients give away as a way to build a sense of community among his clients. In his newsletters, he plans to share how many conversations he had with clients about charity and how much was collectively given away. He hopes this will inspire more of his other clients to ask about giving and invite him to start that conversation with them as well. It can be hard for Chris to build a sense of community with his clients, but it's critical to the success of his practice, and this is one great way to do it.

Whether or not Chris ever officially labels himself as a financial advisor who specializes in philanthropic planning, he's taking important steps to grow his practice alongside the evolving needs of his clients. He cares most about building a long-term relationship and stewarding clients' dollars for decades to come. The incremental loss of assets under management through charitable giving is a drop in the bucket compared to the personal value he's offering his clients by helping them feel a sense of connection to their money, their values, and their life goals, not to mention the benefit to society by guiding them in supporting organizations making a difference in the community.