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Tapestries of Life: Legacies that Inspire

Are Professional Advisors Engaged in Philanthropic Discussions?

presented by

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Charity vs Philanthropy

Charity

"Unplanned giving" or "checkbook philanthropy" is generally thought of as direct, small and irregular cash contributions to charity.

Philanthropy

is part of an organized, ongoing and long-term approach to gifting. Planned giving is designed not only to benefit the charitable organization, but also to give the donor such benefits as current tax deductions, avoiding capital gains taxes and reducing estate and gift taxes.

Charities (Traditional Funding Methods)

Current Funding (Charity)

- Direct Mail (1 to 2% response rate - $2.00 raised for $1 spent)
- Newsletters (5 to 15% response rate)
- Telemarketing to donors (25 to 30% response rate)
- Gala Dinner ($3.00 raised for $1 spent)
- Golf tournaments ($3.50 raised for $1 spent))
- Capital Campaign

Charities

Charities are suffering from

- Report Overload
- Mission Drift
- Human Resource Fatigue
- Donor Short-Term Funding
- Lack of Government Funding
- Donor Fatigue

Charities (Funding Methods of the future)

Future Funding (Philanthropy)

- Planned Giving

13% of charities have a planned giving officer

54% of charities planned giving is a part time job

24% of charities use planned giving frequently

33% of charities use planned giving periodically

The professional counsel required to assist donors properly incorporate philanthropy into their family plans is beyond the scope and financial ability of most charities to be able to provide.

Donors are fatigued

- Donors are suffering from "donor fatigue" and are not impressed with the "old" fund raising strategies, in fact, they are developing immunity to the phone calls, direct mail requests and capital campaign asks.
- They know there are tax, estate and family legacy benefits to their giving and therefore wish to incorporate a more strategic approach to their philanthropy.
- This new generation of donors gives in order to make a difference, rather than out of a sense of duty. They want more involvement in their giving and assurance that their philanthropy is going towards worthwhile causes.

Preserving wealth. Creating legacies.

Donors (Why do People give?)

82.6% to give back to the community
68.5% to make the world a better place
57% to fulfill a religious belief
26% to leave a legacy

OR

To feel the "warm glow of philanthropy"

- Giving money to feel the glow that comes with being the kind of person who is helping charity.

Donors are interested in philanthropy

- 84.6% identified themselves as highly motivated towards philanthropy
- 79.2% interested in teaching philanthropy to their children
- 73% say charities need more funding

YET

- only 54% of families have a will
- Only 20% have left a bequest in their will*
- 34% said they would donate in their will … if only they were asked

* Taxpayers who have a bequest in their will typically make twice the charitable donations than those that don't

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Where do Donors look for advice in Charitable Planning?

67.6% Financial Advisors

11.8% Planned Giving Officers

7.6% Agency Board and Staff

4.3% Lawyers and Accountants

4.3% Peers

3.2% Family

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Professional Advisors

Philanthropic planning
by it's very nature creates
economic value
for professional advisors

Preserving wealth. Creating legacies.

Questions donors are asking Professional Advisors?

- Can I afford to give a large gift now or should I wait and give a gift by bequest?
- If I give substantially, will there be enough funds for my retirement and old age?
- If I leave too much for my children, will I stifle their initiative and work ethic?
- How do I best model giving to my children?
- Which charitable vehicles are most tax wise and are most appropriate for my situation?
- How do I know which charities are most deserving?
- Is there a benefit in establishing a family foundation?

Only 10% of Advisors raise the Giving Question

1. Discomfort in Initiating the Technical & Values Conversation
   - Staying current with Tax changes
2. Fear of Losing Clients
   - Too personal a topic
   - May alienate client who does not want to give
3. Concern about loss of income
   - How do you get paid for charitable intent conversation?
   - Loss of assets under management
4. Not Giving Themselves

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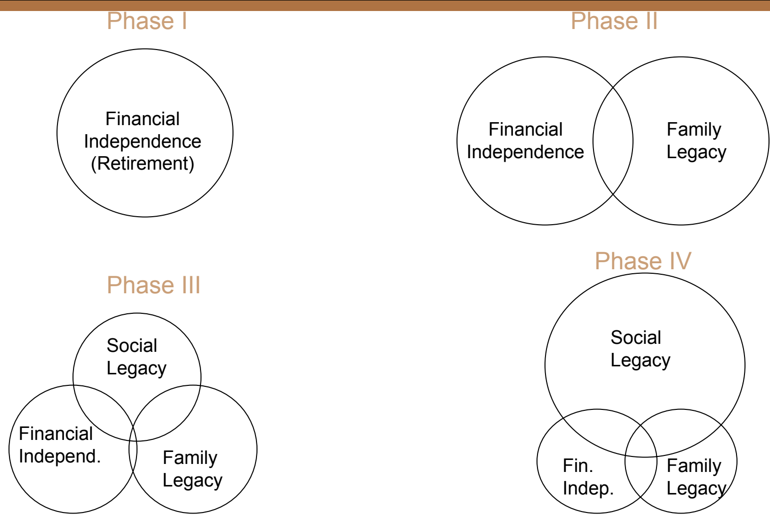
Evolution of Family Philanthropy



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Our Challenge & Our Opportunity

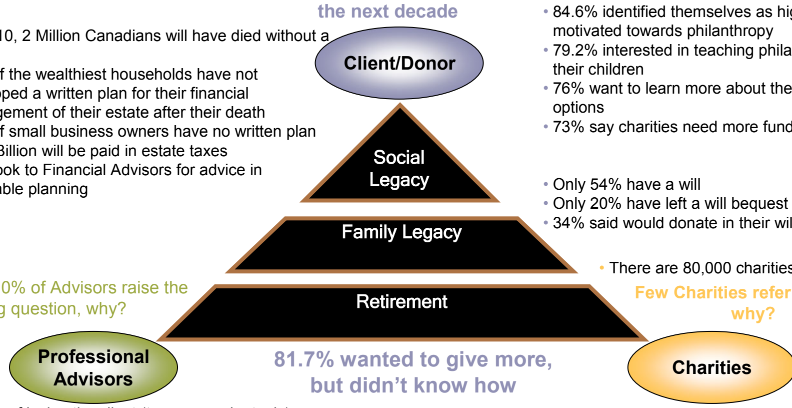
$1.0 Trillion estate transfer in Canada over the next decade

- By 2010, 2 Million Canadians will have died without a will
- 43% of the wealthiest households have not developed a written plan for their financial management of their estate after their death
- 86% of small business owners have no written plan
- $250 Billion will be paid in estate taxes
- 67% look to Financial Advisors for advice in charitable planning

- 84.6% identified themselves as highly motivated towards philanthropy
- 79.2% interested in teaching philanthropy to their children
- 76% want to learn more about their charitable options
- 73% say charities need more funding

- Only 54% have a will
- Only 20% have left a will bequest
- 34% said would donate in their will if asked

- There are 80,000 charities in Canada



Only 10% of Advisors raise the giving question, why?

Few Charities refer advisors, why?

81.7% wanted to give more, but didn't know how

1. Fear of losing the client (too personal a topic)
2. Concern about loss of income
3. Not giving themselves
4. Unease with technical aspects of gifting

1. Human Resource Fatigue
2. Perceived conflict of interest
3. Lack of Advisor confidence
4. Lack of knowledge