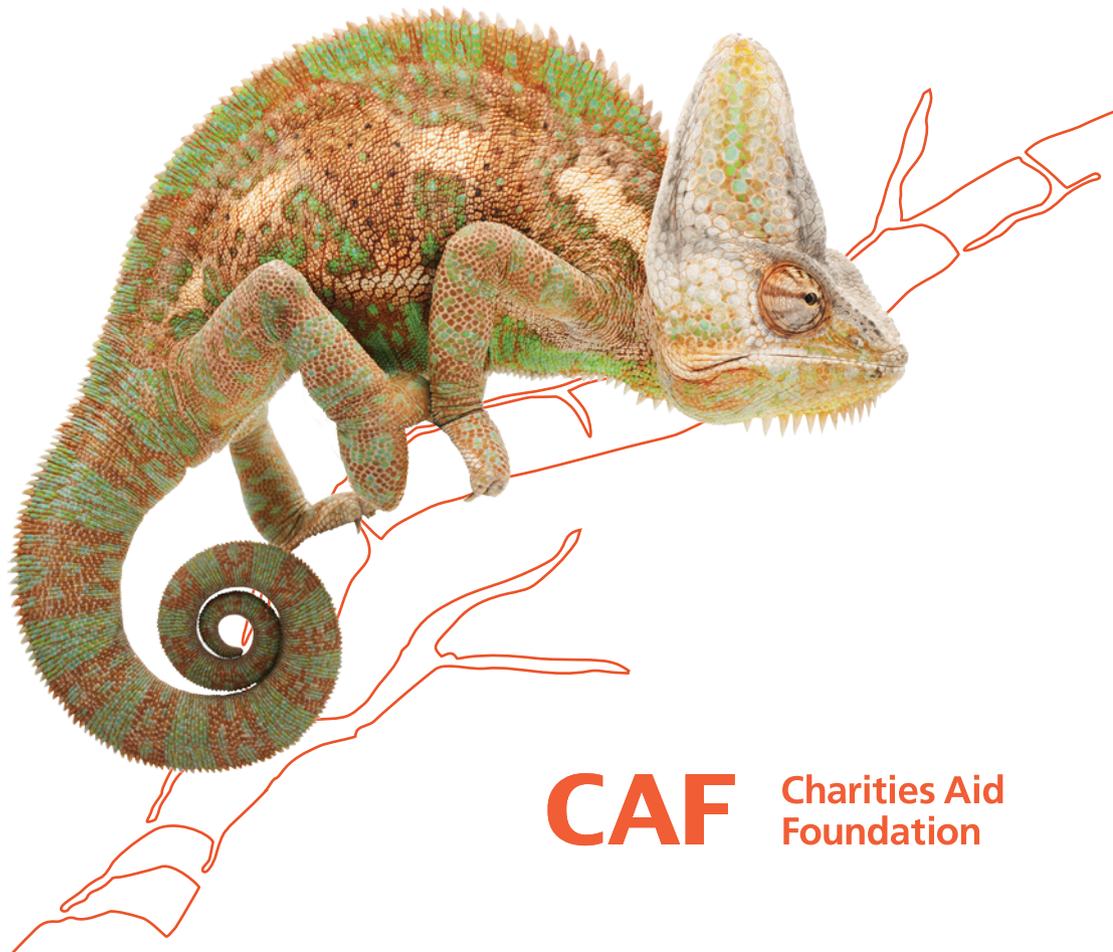


THE ART OF ADAPTATION

Why talking philanthropy transforms the adviser-client relationship



Registered charity number 268369

CAF Charities Aid Foundation

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FOREWORD

Strategic philanthropy advice has been a growing area of the UK professional services landscape for several years.

This area of specialist advice extends beyond tax, structuring and financial management of philanthropic gifts, embracing the goals of individual donors and their wider family's too.

It is an area of professional practice that is of deep interest to Charities Aid Foundation (CAF) and one we have been involved with for 90 years. Part of our mission is to encourage and facilitate effective philanthropy globally. That's why we are a staunch advocate of the value of taking professional advice.

So, when we polled over 1,000* wealthy individual donors in the UK – people with a minimum £1 million of liquid assets – we sought their views on the state of philanthropy advice. We asked whether wealth advisers in the UK were meeting their needs and where they could do more. We also wanted to understand how philanthropy advice influences the way major donors engage with the organisations they support.

The average wealth of these individuals was £7.5 million and we found that 39% had previously taken some form of philanthropy advice.

More significantly, two-thirds of those surveyed felt advisers could do more and those who had already taken advice tended to give considerably more than the average annual donation of £8,788.

This high level of giving among advice takers highlights the opportunity for professional advisers to support aspiring donors and play a role in helping more philanthropic capital get to where it is needed most. However, many professional advisers continue to face the question of how to align philanthropy advice with their wider practice.

In this paper, we explore the types of philanthropy advice sought by wealthy donors, the value they derive from the advice and the key areas where they would welcome additional support.

What is clear is that a significant number of donors take their giving very seriously and would value receiving professional advice. Some would also be willing to pay for philanthropy advice at a commercial rate. However, the evidence suggests that advisers still need to convince many clients that they have the expertise to help them get more out of their giving.

I hope you find this report of value and whatever your interest in philanthropy, please don't hesitate to get in touch if we can be of assistance.

David Stead
Executive Director
Philanthropy and Development



* The research was carried out in September 2013 by Scorpio Partnership using an online survey.

PHILANTHROPIC TIPPING POINT

The concept of a tipping point is an interesting one. Whether in sociology, politics or marketing, the moment when a new idea takes hold of the popular imagination is notoriously hard to spot, but the effects can change whole societies.

In recent years, philanthropy advice has become an area of professional services approaching a tipping point. Previously a niche area of financial and tax planning, the number of philanthropy specialists in wealth management, private banking, legal and accounting firms is generally acknowledged to have expanded in recent years.

These professionals are experts at setting up structures for philanthropy, managing tax requirements and administering financial assets. Extending beyond this, some offer what we are calling 'strategic philanthropy advice', by which we mean advice that aims to help clients to identify and achieve their personal philanthropic and financial goals.

Drivers of philanthropy advice

Yet, as professional advice goes, strategic philanthropy advice is pretty unusual. It is complicated and can be emotional, the scope of potential outcomes is vast, and, at least initially, it seldom attracts fees.

Professional advisers who step into this territory currently do so principally to build deeper and more meaningful relationships with existing clients. The strategic philanthropy advice itself may not be a paid-for service, but additional revenues are almost always generated indirectly as a result of the wider client relationship.

So, the question for many advisers is whether it is worth it and, if it is, how far they should go to support their clients' philanthropic endeavours.

Strategic philanthropy advice helps clients identify and align their philanthropic and financial goals.

SERIOUS PHILANTHROPY

Our research suggests that 39% of wealthy individuals in the UK have taken some form of philanthropy advice. In other words, two out of five wealthy people have turned to a professional adviser and asked for support with their giving structure or strategy.

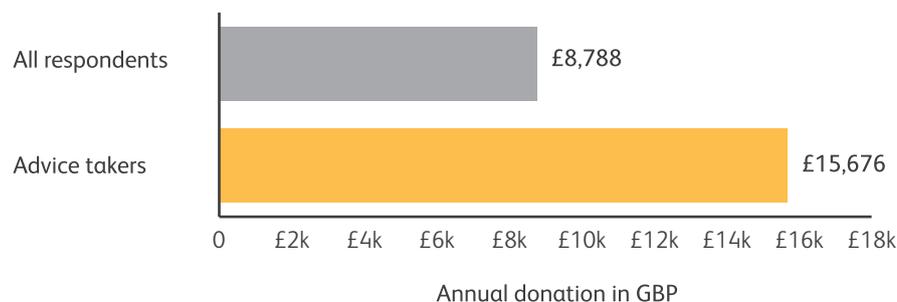
Not only that, the 39% who take advice are giving significant amounts of money each year to good causes. They take their philanthropy seriously.

In fact, among the 1,005 respondents to our survey, advice takers gave nearly twice as more to good causes in the preceding year, on average, compared to the overall annual donation level (Figure 1.1).

The average wealth of those who took part in the research was £7.5 million. For comparison, the average amount donated to charity in the previous year was £8,788 across all respondents, and £15,676 among advice takers.

This level of financial commitment to philanthropy among advice takers would suggest that professional advisers who offer philanthropy advice cannot afford to do so half-heartedly. The individuals who turn to them for counsel care deeply about their philanthropic activity and will expect services that match their own level of engagement.

Figure 1.1 Typical average annual donation to a chosen organisation among all respondents and advice takers



Q: And how much do you typically give to this organisation in the course of a year?

SERIOUS PHILANTHROPY

More precisely, on average, philanthropy advice takers in the UK have used 2.6 different advisory services (Figure 1.2).

Tax advice is most popular, but clearly they are not simply turning to their professional advisers to maximise the tax benefits of their giving. They are almost as likely to ask their trusted adviser's opinion of different social issues or causes. They also want support to select charitable organisations, to administer their donations and to monitor the impact of their giving.

In other words, a significant minority of the UK's wealthy are looking for comprehensive charitable advice from their professional advisers. Overall, two-fifths are already taking one or more forms of philanthropy advice.

Two-fifths of wealthy people in the UK are taking philanthropy advice.

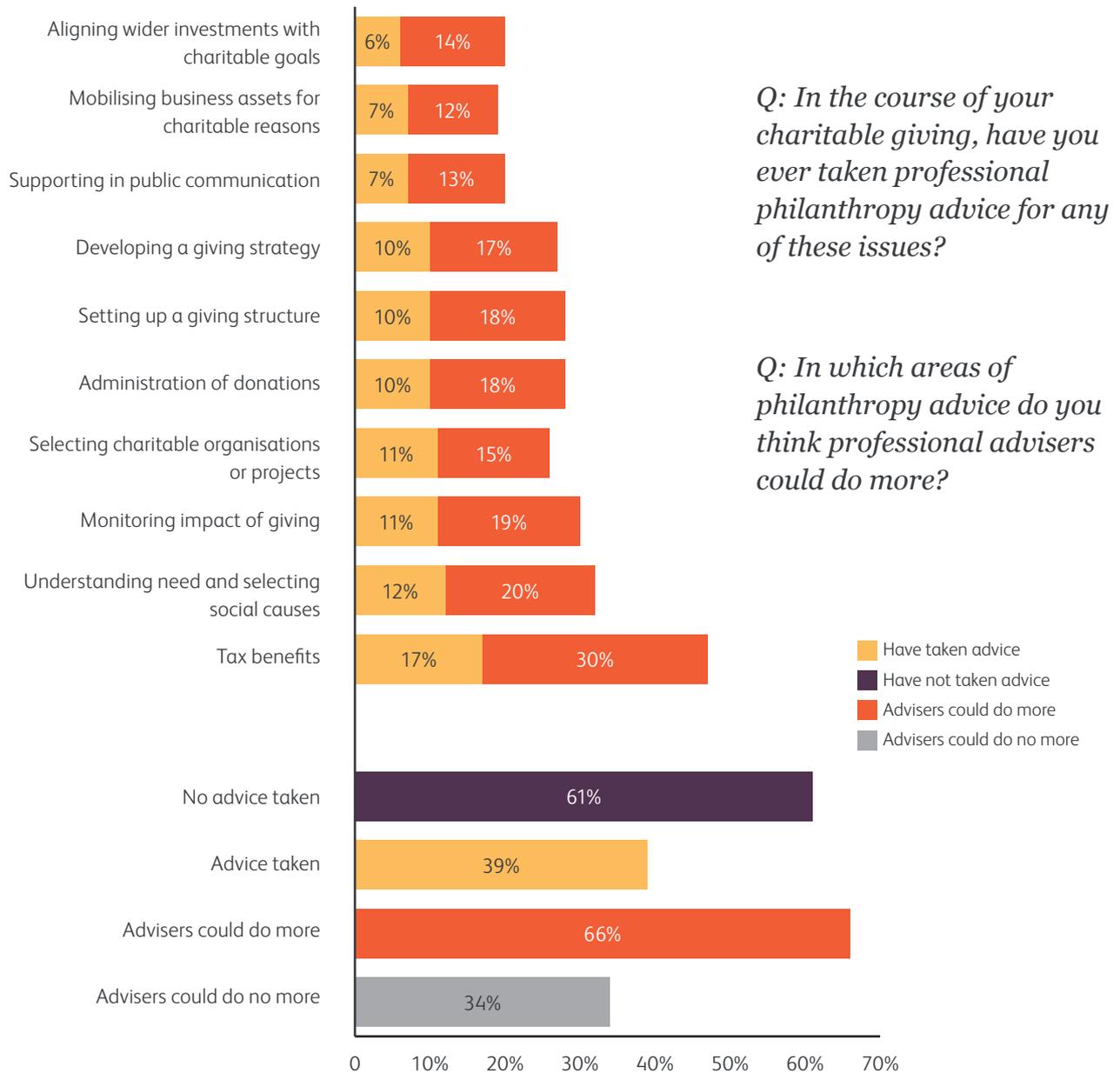
Growing appetite for advice

Even those who do not take advice today feel that professional advisers could do more in this area.

In fact, the research results suggest that two-thirds of the UK's wealthy believe professional advisers could and should provide more advice relating to philanthropy.

These findings strongly imply that there is an opportunity to provide broader strategic philanthropy advice to wealthy individuals in the UK. Equally importantly, those who take philanthropy advice commit significant resources to their philanthropy, which in its own right creates wealth planning and management opportunities.

Figure 1.2 Philanthropy advice taken to date, and where advisers could do more



Source: Charities Aid Foundation and Scorpio Partnership, UK major donor segmentation study, 2013 - n = 1,005

GETTING STARTED

The challenge for professional advisers is to align their commercial interests with the charitable aspirations of their clients. When asked what is most important when it comes to selecting philanthropy advice, a sizeable majority – 73% of wealthy individuals – said it should be a low-cost or no-cost service as one of their top three priorities (Figure 1.3).

With so many reluctant to pay, it is hard for advisers to justify the time and resource to deliver comprehensive philanthropic advice and services. Or is it?

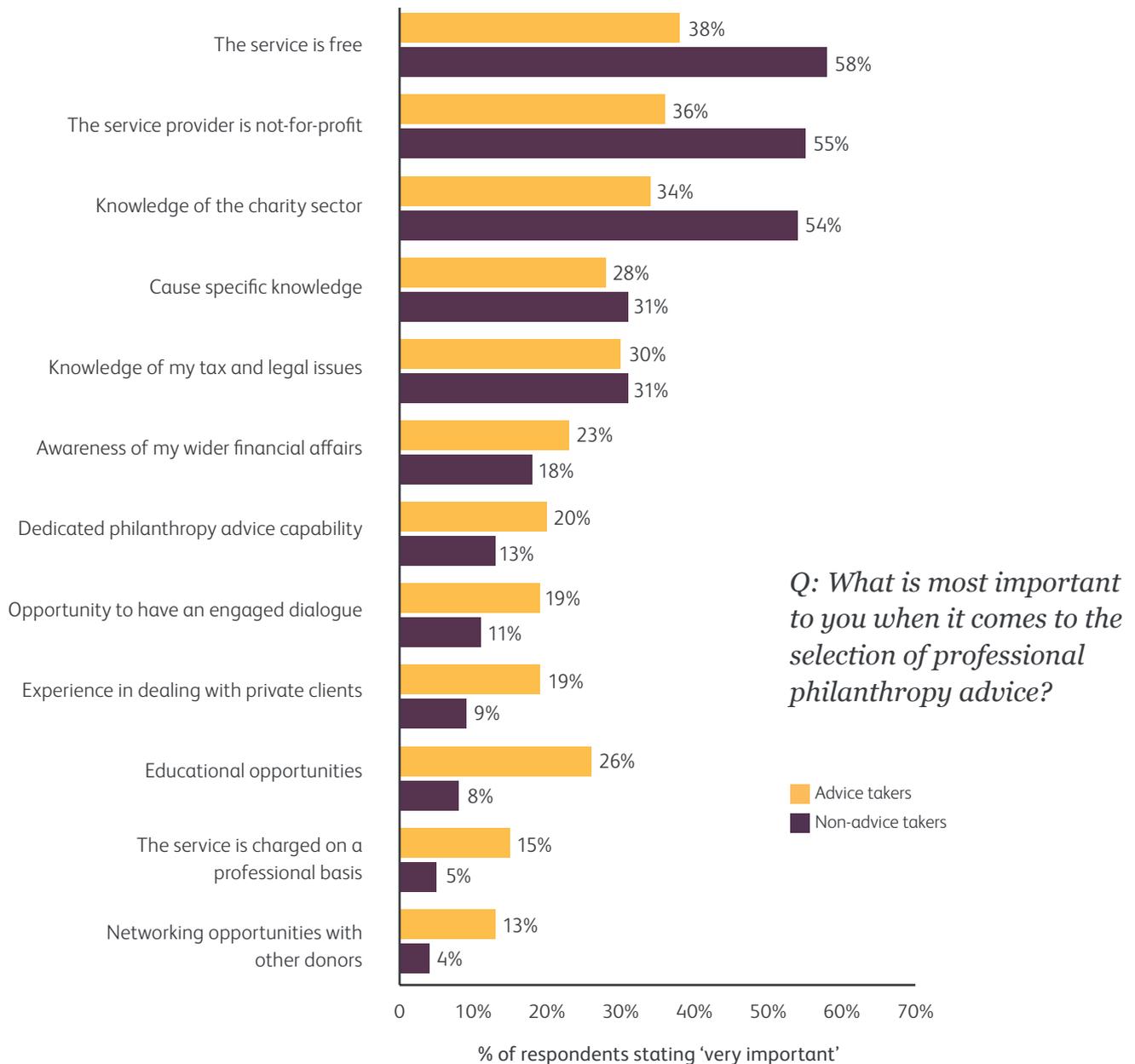
Rebecca Eastmond, managing director of The Philanthropy Centre at JP Morgan Private Bank in London, says not. She identifies five reasons why even non-paid philanthropy advice is good for business.

The challenge for professional advisers is to align their commercial interests with the charitable aspirations of their clients.

Why non-paid philanthropy advice is good for business

- 1** Aligns advisory firms with their clients' core interests
- 2** Deepens conversations with existing clients
- 3** A meaningful conversation starter with new clients
- 4** Can prompt clients to discuss their longer-term goals with you first
- 5** Demonstrates a genuine interest in what matters to clients

Figure 1.3 Philanthropy advice priorities among advice takers and non-advice takers (respondents could select three options)



Source: Charities Aid Foundation and Scorpio Partnership, UK major donor segmentation study, 2013 - n = 1,005

GETTING STARTED

Crucially among them, Rebecca believes it aligns the firm with the most fundamental interests of its clients.

“When you start talking to someone about their philanthropy, you learn what gets them up in the morning; how they want to change the world; what makes them angry; and what they want for their children.”

It deepens the conversations you have with existing clients and it can help start meaningful conversations with new ones. “Over time,” she adds, “it can also encourage clients who have multiple relationships to turn to you first when talking about their long-term goals for themselves and their children.”

“If you are only talking to people about their asset management, it can be a very defensive conversation. You are asking personal questions and the instinctive reaction of many people is: ‘why should I tell you?’”.

By contrast, helping people to ‘figure out what they really care about’ and then connecting them to other people who care about the same things demonstrates that JP Morgan Private Bank has a genuine interest in what matters to its clients, she concludes.

Enhancing client relationships

Lawyers and accountants who offer philanthropy advice also identify similar benefits.

“It is all about the client relationship,” says Ceris Gardner, partner at law firm Maurice Turnor Gardner. “It is about cementing relationships and taking a long-term view that it will be good for the business.”

The results from this research suggest that philanthropy advice takers value this kind of engaged relationship. Advice takers in particular want an advisory relationship that results in an engaged dialogue, education and access to a wider network.

Knowledge of the charity sector and specific causes also feature strongly as priorities, highlighting the value of being able to offer a comprehensive solution to wealthy individuals.

It is about cementing relationships and taking a long-term view that it will be good for the business.

The challenge for professional advisers, of course, is that the body of knowledge relating to philanthropy is potentially unlimited – encompassing every aspect of human society and the wider world. Not to mention the multiple technical disciplines there are across international tax, legal and financial administration.

Delivering quality advice across this spectrum would be a Sisyphean task for any organisation, and the yield of this effort questionable – especially given the apparent reticence to pay for this kind of service.

Most professional advisers focus on providing advice in their area of core competence, whether that is tax, legal or financial administration, on a chargeable basis. Some will then offer additional support on strategic philanthropy by helping their clients to access networks of other funders, experts or organisations, often on a non-chargeable basis. A few even offer coaching, counselling, or charitable selection and monitoring services, either in-house, or working with third parties.

“We have become much better at asking clients if they are interested in giving as part of a tax planning or will-writing exercise. It is then about laying out the options: where do they begin, how do they begin, what are the options and what are the tax issues?”, explains Ceris. “We essentially wrap philanthropy advice up in a planning exercise.”

Partnering with specialists

As a law practice, the firm has built relationships with specialist providers that can help set up, for example, donor advised funds or charitable foundations for their clients.

A leading provider of charitable giving vehicles is Charities Aid Foundation (CAF). Amy Clarke, Head of Private Clients at CAF, echoes the value of partnerships, “We work closely with advisory firms to offer their clients alternative options, such as donor advised funds, to setting up their own charitable trust or foundation – and support to help make their giving tax-efficient and effective”.

Meanwhile, JP Morgan Private Bank has extended the network further to encompass experts and foundations that have specialist knowledge in particular social sectors.

“Connections are vital,” explains Rebecca. “You have to try to know a little bit about a lot of things. You have to be prepared to learn all the time; to know who are the leading funders and experts in a particular area, and refer out if there are areas of technical competence that you need.”

We essentially wrap philanthropy advice up in a planning exercise for clients.

IMPROVING THE GIVING EXPERIENCE

This approach certainly opens up the dialogue about philanthropy and helps to set new donors on course. There are also relationship benefits for advisers that can support their clients in this way.

However, it remains difficult to determine precisely what long-term value clients draw from this kind of support.

For example, we asked what level of satisfaction wealthy individuals would give to their current personal philanthropy strategy and found that, on average, they were only somewhat satisfied.

In fact, today there is virtually no difference between the grades that advice takers and non-advice takers would give themselves for their personal philanthropy strategy, with an average of 6.84 and 6.86 out of 10 respectively (Figure 1.4).

More worrying still, among advice takers, fewer are likely to give themselves top marks.

Both groups clearly feel there is room for improvement and a goal for philanthropy advisers should surely be to help them achieve higher levels of satisfaction.

It is a challenge Ceris at Maurice Turnor Gardner recognises all too well.

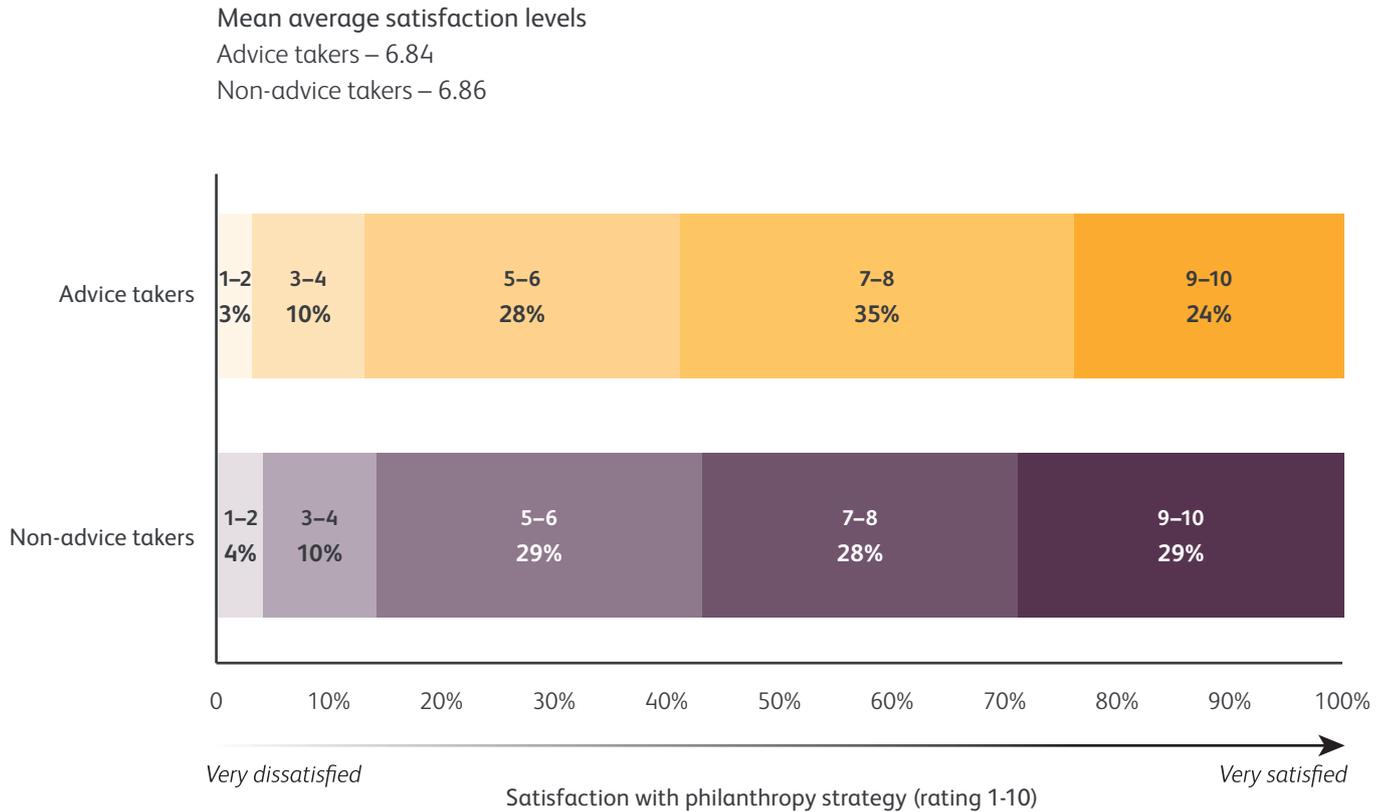
“It should be the role of any philanthropy adviser to help clients get the most out of their philanthropy. I am constantly asking myself: how does my advice add value to the client,” she says.

She identifies that the challenge for lawyers in this regard is that there is often no clear role for them in the longer term. Once the structure is established, the receiving organisations are vetted and the board of trustees is in place, the lawyer can fade into the background.

Indeed, the client may not even think of picking up the phone to their lawyer, or their accountant, on matters relating to the giving strategy once the vehicle is in place for fear of racking up additional fees.

Often, there is no clear role for legal advisers over the longer term.

Figure 1.4 Satisfaction levels with personal philanthropy strategy among advice takers and non-advice takers



Q: Overall, how satisfied are you with your philanthropy strategy to date?

Source: Charities Aid Foundation and Scorpio Partnership, UK major donor segmentation study, 2013 - n = 1,005

IMPROVING THE GIVING EXPERIENCE

“It is often simply the case that clients don’t call us so we may never hear how they are getting on,” explains Ceris. “Many clients seem to think we are there just to bill them and that every phone call and question raised will be charged for, but that is not true. An awful lot gets done with no charge and we are genuinely interested in our clients’ philanthropy strategy and its ongoing performance.”

For accountants, there may be a more regular dialogue. Annual tax reviews and charitable impact reporting provide reasons to re-connect regularly.

Annual tax reviews and impact reporting offer regular opportunities to reconnect with clients.

A conceptual challenge

The challenge they identify is that even the concept of achieving one’s philanthropic goals is a difficult one. Unlike other areas of strategic planning, few philanthropists set out to solve the social problems they tackle. So, inevitably they are left with the sense that their charitable work has an unbounded horizon.

“People who give do so because they have the resources to do so, but they are bound to feel that they are unable to solve all of the needs,” explains Simon Jennings, tax partner of Rawlinson & Hunter. “As a consequence, they seldom feel that they have done as much as they could do.”

Ongoing role for advisers

According to Amy at CAF, these challenges suggest that there is a role that advisers could carve out on an ongoing basis. Amy notes, “essentially, the work that we do with our clients is based on trust, it’s based on our ability to interpret what it is that they want to do and then helping them do that. This can involve helping individuals to set their expectations and objectives, to consider different ways to tackle issues, to measure progress and to help identify a network of collaborators who can provide ongoing practical and moral support”.

In other words, there is a role for advisers not just getting their clients started as donors, but to provide ongoing strategic philanthropy advice.

Assembling a network of collaborators can help advisers provide clients with ongoing practical and moral support.

Amy Clarke, Head of Private Clients
Charities Aid Foundation



STRATEGIC PHILANTHROPY ADVICE

When it comes to any kind of strategy, the most crucial step is the first one. When it comes to philanthropy, that first step starts with one question: ‘what difference do I want to make in the world?’

This in turn raises questions about the kind of philanthropist an individual wants to be, the causes they want to focus on and, perhaps most importantly, what are their personal goals. The role of a strategic philanthropy adviser is to coach them to the answers that are right for them.

This scenario is a familiar one for Amy, “Understanding clients’ deep-felt aspirations to effect change gives you the opportunity to get to know them on another level. A trusted adviser is well positioned to help clients enshrine their personal values in the setting of goals, and to apply a consistency of approach across the board – for both their financial and philanthropic investments”.

There are more questions still about how best to achieve this change by engaging with organisations in the field. Engaging with family members is also important, so that they can understand why family money is being given and to share the journey and the values that it expresses.

These steps should be – and sometimes are – precursors to the technical skills offered by most professional advisers, namely tax advice, legacy planning, vehicle structuring and financial management.

Where advisers could do more

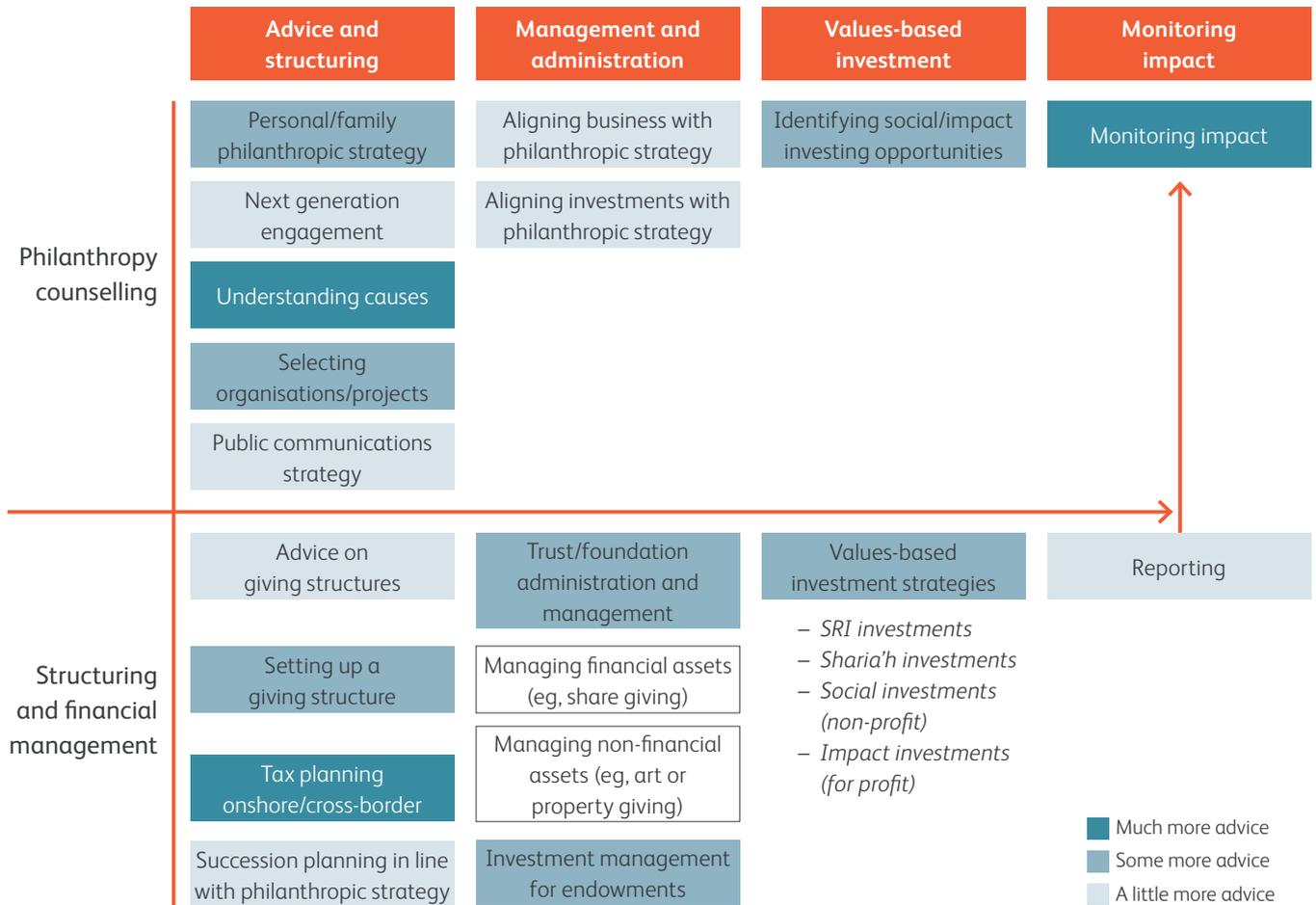
In mapping out these steps, advice and counselling come first, with the more technical steps following logically on from there. However, when asked how well professional advisers deliver in each of these areas of advice, the UK’s wealthy feel there are a number of fields where advisers could do more to help them achieve their philanthropic goals (Figure 1.5).

Most notably, many of these areas of opportunity relate to advice and counsel. Clients clearly feel that their advisers are doing a good job when it comes to structuring and succession planning, but they would like more support in developing a personal strategy, understanding causes and selecting projects. They also believe their adviser could offer more depth around structures and tax planning.

The other notable weakness is in the area of impact monitoring that would help individuals understand the extent to which their philanthropic activity is making a difference.

Overall, these results suggest donors would appreciate advice that is not just technical, but also practical, comprehensive and goal-oriented. The results imply that philanthropy advice could support clients long after they started their philanthropy journey; by helping them understand and reach specific goals.

Figure 1.5 Delivering philanthropy consulting and management services to wealthy individuals



Q: In the course of your charitable giving, have you ever taken professional philanthropy advice for any of these issues?

Q: In which areas of philanthropy advice do you think professional advisers could do more?

Source: based on Charities Aid Foundation and Scorpio Partnership, UK major donor segmentation study, 2013 - n = 1,005

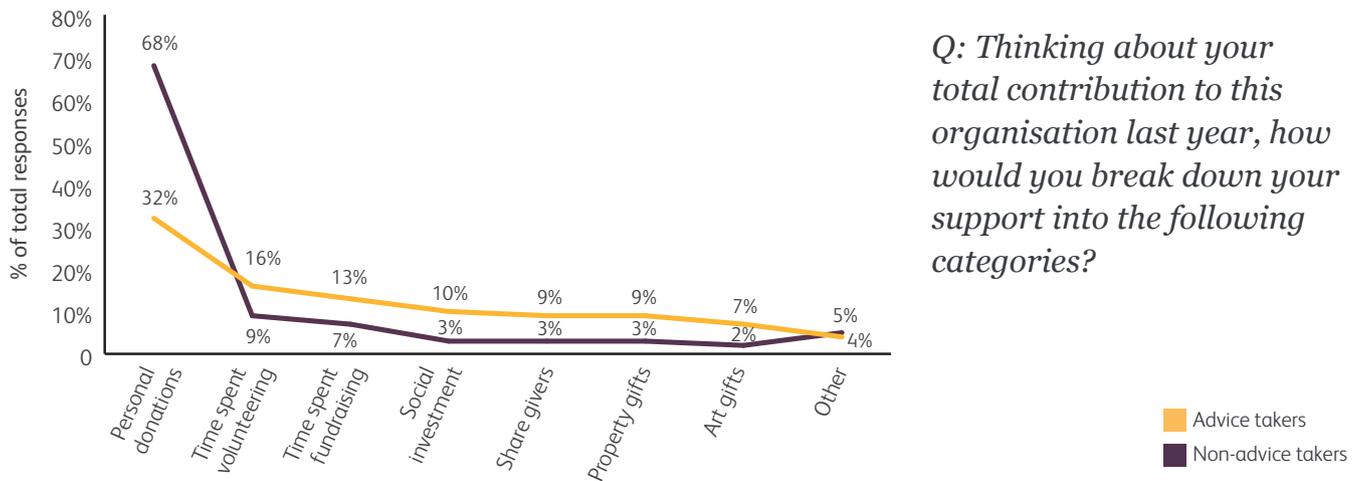
BEYOND GIVING

Advice takers are often committed philanthropists who spend time volunteering and fundraising.

It is also important to remember that there is much more to philanthropy than monetary donations. In fact, among advice takers, giving money accounts for only one-third of their philanthropic activity (Figure 1.6).

Advice takers are often committed philanthropists who spend time volunteering and fundraising. Equally, they have more interest in donating non-cash assets, such as shares, property and art, and are more likely to be social investors (seeking social returns from their financial investments).

Figure 1.6 Allocation of time, energy and financial resources to support chosen causes among advice takers and non-advice takers (total 100%)



Q: Thinking about your total contribution to this organisation last year, how would you break down your support into the following categories?

Source: Charities Aid Foundation and Scorpio Partnership, UK major donor segmentation study, 2013 - n = 1,005

For insight on how young social investors are balancing different approaches to their philanthropy, download our report *Philanthropy – A gift or an investment?*

cafonline.org/giveorinvest

This wide range of philanthropic activity presents significant challenges for advisers who root their advice in giving structures and taxation.

Views among advisers on this topic range across the spectrum. At one end, some

advisers do not believe their clients would direct questions about wider activities to professional advisers. Others believe advisers could offer informal suggestions or connections. While, at the other end of the spectrum, some advisers work with specialist philanthropy consultants to support client needs that go beyond their remit or expertise.

Partnering with philanthropy consultants can expand perspectives, as Amy explains, “The advisers we work with are committed to their client relationships. They align the interests of their business with clients’ goals, and pull in specialist expertise to offer holistic support. Rather than limit the pool of investable assets, taking a collaborative approach helps to unlock assets and encourage referrals.”

Developing a commercial proposition

This breadth of possible activity clearly demonstrates that meeting the needs of wealthy donors comprehensively requires the expertise of a number of different specialists. This, in turn, requires careful consideration when developing the commercial proposition for strategic philanthropy advice.

Given the general reluctance of wealthy individuals to pay, multiple fees will certainly be unwelcome.

However, a well-structured and coordinated solution that pulls in the right expertise to match the individual’s interests and expectations is a service many would welcome – if it can enable them to get more from their giving.

This kind of solution will likely require lawyers, accountants, wealth managers and specialist philanthropy consultants working closely together with a common understanding of how to deliver an integrated advice solution to donors.

For example, if each discipline had the capacity to work with individuals and families on outlining their philanthropic strategy, they would be in a position to bring in expertise from other disciplines as required. It may even be possible to deliver integrated charging as well (Figure 1.7).

BEYOND GIVING

Already some advisory firms are starting to operate in this way, which is further evidence perhaps that the strategic tipping point has been reached for philanthropy advice in the UK.

Rebecca at JP Morgan Private Bank, for example, says that one of the first questions she will ask a new client is whether they have a lawyer and tax adviser in place.

“If they want to maximise the amount they give then they have to get that advice at the outset,” she explains.

She sees it as her role to help clients to ‘identify issues and ask the right questions’, which is why she believes that building her network of other professionals is so important.

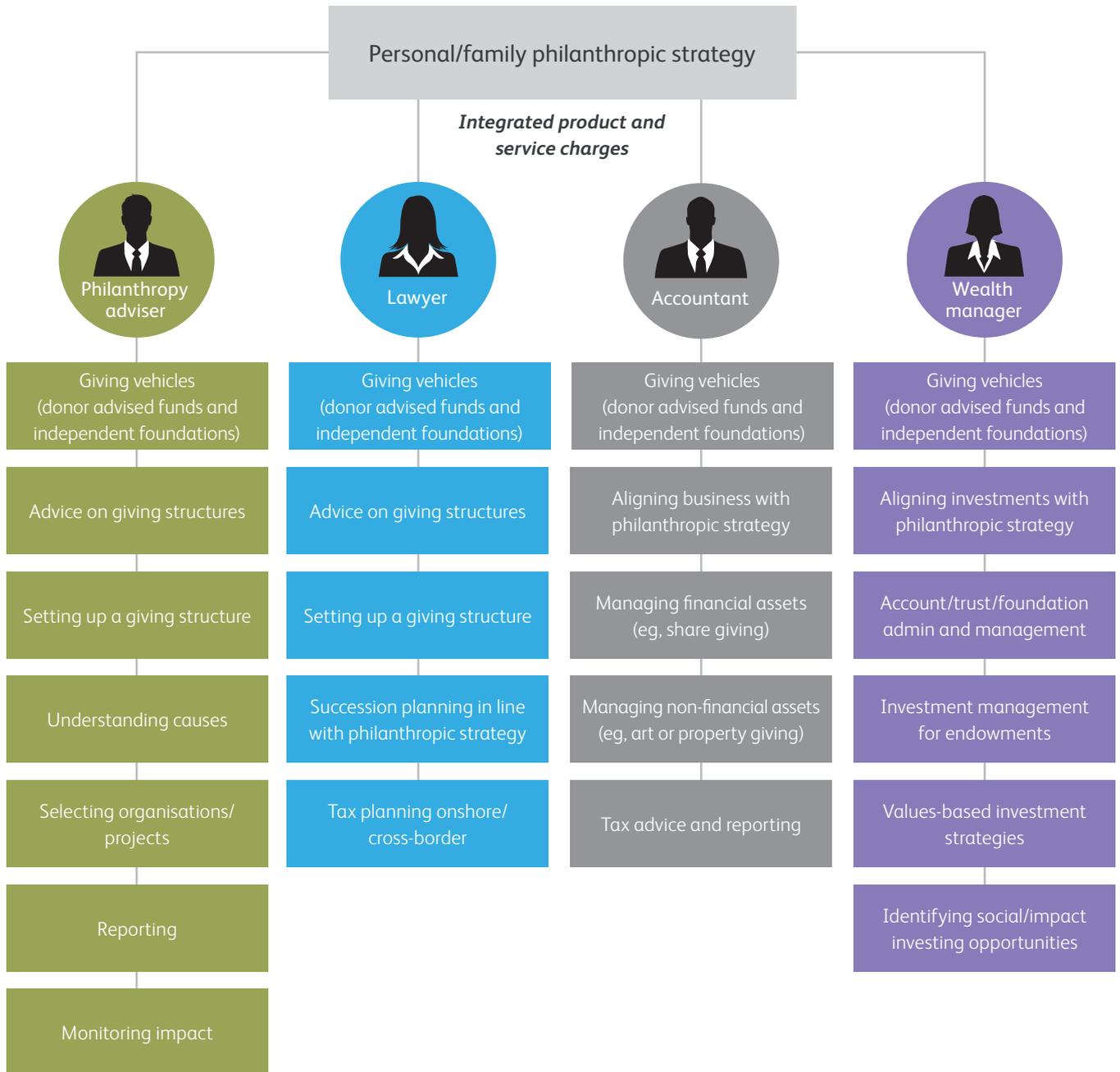
Building a network of other professional advisers is so important.

Growing appetite for advice

“If you are working with a diverse group of clients you have to cut your cloth accordingly. You cannot be an outsourced resource for all your clients,” but, she says, “you can be the adviser – the person on the inside helping them to achieve far more than they could on their own.”

Ceris at Maurice Turnor Gardner concurs. “We lawyers are good at the technical stuff, but we are getting much better at finding the right networks and the right people to help with some of the wider issues,” she concludes.

Figure 1.7 Integrated philanthropy consulting and management services



CONCLUSION: A WIN-WIN-WIN

Coming back to the question of whether providing philanthropy advice to wealthy individuals is worth it for professional advisers, the simple answer is yes.

For many, philanthropy is a significant part of their lives and not only are they giving regularly, they are giving in sizeable amounts. More than that, 39% of the UK's wealthy population have already sought professional advice relating to their philanthropic activity and two-thirds felt their adviser could do more on this subject.

What we can also see from this research is that the charitable sector is likely to be the ultimate beneficiary of philanthropy advice, given the higher-than-average gifting levels and regular philanthropic activity of advice takers. The challenge for advisers is integrating this complex area of specialist advice, especially as it is an area where the financial value tends to be lower and the commercial value less immediate and tangible than other areas of their professional practice.

Yet, mutually-beneficial rewards could be yielded with relatively little adaptation from the wealth advisory community. Many have found ways to open the dialogue about philanthropy with their clients, but perhaps need more support to help them achieve their goals across the spectrum of philanthropic activity.

The missing ingredient?

Across the industry, the specialist knowledge exists to provide this kind of comprehensive client support. What is missing, perhaps, is the coordination that would bring this expertise to the client in a cost-effective way.

More than that, this research suggests that at least one in seven individuals who have taken philanthropy advice appreciate the merit of paying professional fees for that advice.

While the remainder need to be convinced of the benefits of paid-for advice, perhaps the onus is on the wealth advisory industry to measure its own impact on philanthropic engagement and donor satisfaction to prove the value of advice to wealthy donors and even to the wider social sector.

Indeed, if over time it is possible to demonstrate increases in the levels of donor satisfaction as a result of taking professional advice, there will be a genuine triple-bottom line effect – philanthropy advice that is better for the individual, for the organisations they support and for the adviser too.

TALK TO US

Are you looking for opportunities to strengthen relationships with your private clients, and acquire a deeper appreciation of the passions and motivations that drive them? Then we can help you.

Call our Private Client team to discuss how working with us can help you create a competitive advantage and your clients fulfil their philanthropic ambitions.

03000 123 028

Lines are open Monday to Friday, 9am to 5pm (excluding bank holidays).

For more insight into developments in philanthropy and social investment, visit www.cafonline.org/resourcecentre

For an overview of how we can help to support your private clients, visit www.cafonline.org/philanthropy

Charities Aid Foundation (CAF) is a leading international, not-for-profit organisation, originating in the UK 90 years ago. We strive to make giving more effective and charities more successful.

Spanning six continents, with services provided by local experts in nine countries, we help donors – including individuals, major donors and companies – to create the greatest impact with their giving.

Donors and charities trust us to manage £3 billion and we distribute around £450 million to charities each year – money which transforms lives and communities across the globe.

We are a charity striving to make giving more effective and charities more successful.

Across the world, our unique experience and expertise makes giving more beneficial for everyone.

Charities Aid Foundation
25 Kings Hill Avenue
Kings Hill, West Malling
Kent ME19 4TA

T: +44 (0)3000 123 028
E: philanthropy@cafonline.org
W: www.cafonline.org

Registered charity number 268369

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