

# U.S. Trust Study Reveals Disconnects in Philanthropic Conversations Between HNWI Individuals and Professional Advisors

## Release Date:

Wednesday, October 9, 2013 9:00 am EDT

## Terms:

[Global Wealth and Investment Management](#) [Merrill Lynch](#) [U.S. Trust](#)

## Dateline City:

NEW YORK

Professional advisors almost universally agree that philanthropy plays an important role in their high net worth (HNW) clients' wealth experience, and that engaging clients about their philanthropic ambitions is good for their own business. However, a recent U.S. Trust study reveals several disconnects between HNWI individuals and advisors centering on the initiation and substance of philanthropic conversations. For instance, many advisors underestimate their clients' desire to discuss their charitable goals and passions, and overestimate the importance of tax benefits as a motivation for giving.

"Discussing philanthropy is an excellent way for advisors to learn what matters most to their clients," said Claire Costello, national philanthropic practice executive for U.S. Trust, Bank of America Private Wealth Management. "The vast majority of wealthy individuals give to charity<sup>1</sup>, and many cite charitable giving as one of the greatest freedoms of wealth. Philanthropy today is no longer simply what one does with 'what's left,' but rather a pivotal consideration at the front end of the wealth structuring process. For this reason, we are seeing individuals and families rely increasingly on advisors to help them integrate their philanthropic pursuits into their overarching wealth plan."

To better understand advisors' approaches to and HNWI individuals' expectations of these discussions, U.S. Trust partnered with The Philanthropic Initiative (TPI) on a nationwide study, conducted in August 2013, of more than 300 advisors – including wealth advisors, trust and estate attorneys, accountants and other tax professionals – and a random sample of 120 HNWI individuals with \$3 million or more in investable assets who are actively engaged in charitable giving. Key findings from the [U.S. Trust Study of the Philanthropic Conversation](#) include:

- Most advisors (89 percent) discuss philanthropy with at least some of their clients, and 71 percent make it their regular practice to ask clients about their interest in charitable giving. Meanwhile, only 55 percent of HNWI individuals say they discuss philanthropy with a professional advisor.
- One-third of advisors (33 percent) say they are the one to initiate these discussions with their clients, and that clients initiate them just 20 percent of the time. However, among HNWI individuals who report having discussed philanthropy with an advisor, half (51 percent) say that they are typically the one to initiate the conversation, and that their advisor brings up the subject on their own just 17 percent of the time.
- What matters more to HNWI individuals than who initiates the philanthropic conversation is that it be had in a meaningful way early in the relationship. Advisors indicate that they are more likely to bring up the subject of philanthropy once they have greater knowledge of a client's personal (40 percent) or financial goals (47 percent), or when they are aware that a client volunteers or is active in the community (43 percent). However, one-third (34 percent) of HNWI individuals feel the topic should be raised during their very first meeting, and virtually all (90 percent) agree that this discussion should occur within the first several meetings with their advisor.
- Among advisors who discuss philanthropy with their HNWI clients, nearly all (91 percent) encourage their clients to give to charity, with 41 percent of advisors doing so regardless of a client's asset level. However, half (50 percent) of advisors prefer to wait until a client has accumulated at least \$500,000 in liquid assets before encouraging charitable giving, and one-quarter (24 percent) place the starting point at \$3 million or more.

## Wealthy seek values-based conversations about philanthropy

The study also found that less than half of HNWI individuals (41 percent) are fully satisfied with the philanthropic conversations they have with their advisors. One reason may be that twice as many advisors (71 percent) say that they raise the philanthropic discussion from a technical perspective – focusing on tax considerations or wealth structuring, for example – compared to those who do so beginning with their clients' philanthropic goals or passions (35 percent).

Once initiated, 41 percent of advisors say their further philanthropic discussions also center on technical issues, compared to 38 percent who tend to focus more on their clients' charitable goals. HNWI individuals report otherwise, with nearly two-thirds (63 percent) finding that ensuing discussions with their advisor about charitable giving tend to center on the more technical issues, while just 27 percent indicate that these discussions center on their charitable goals, values and interests.

"While philanthropic conversations are taking place, unfortunately they too often fall short of their potential value and impact," said Jim Coutre, a partner with TPI. "While many HNWI individuals rely on the technical expertise of their advisors in this area, they are also seeking conversations that are deeply meaningful on a personal level."

Despite these disconnects, many HNWI individuals (73 percent) who discuss philanthropy with an advisor still believe such conversations are important, and the majority (82 percent) still feel that their advisor plays an important, if not very important (33 percent), role in their charitable giving.

## Misimpressions about why people give and why they don't

The top three reasons why advisors believe their HNW clients engage in charitable giving are consistent with the top motivations reported by HNW individuals themselves, which are: being passionate about a cause, having a strong desire to give back, and having a positive impact on society and the world. After that, however, reasons provided by HNW individuals and advisors differ significantly:

- The next three most cited reasons by HNW individuals were: to encourage charitable giving by the next generation (30 percent), religious or spiritual motivations (23 percent), and because they believe giving back is an obligation of wealth (22 percent). Meanwhile, advisors believed their clients' next most popular motivations would include: reducing their tax burden (46 percent), religious or spiritual reasons (41 percent), and creating a family legacy (30 percent). The study found that, in fact, just 10 percent of HNW individuals cite reducing taxes among their motivations for giving.
- Further evidence of a disconnect on the topic of taxes was found when advisors cited a belief that 40 percent of HNW individuals would reduce their giving if the estate tax were eliminated, and that 78 percent would do so if income tax deductions for donations were eliminated - whereas just 6 percent and 45 percent of HNW individuals, respectively, indicated they would reduce their charitable giving if these tax policy changes occurred.

The reasons advisors and HNW individuals cite for why HNW individuals don't give or hesitate to give to charity differ even more starkly. Advisors are under the misimpression that the top reasons HNW individuals may shy away from giving are that they won't have enough money to leave to their heirs (41 percent), they won't be left with enough money for themselves (34 percent), and they don't consider themselves wealthy enough to give (22 percent). On the contrary, HNW individuals cite a concern that their gift won't be used wisely by a nonprofit recipient (30 percent), their lack of knowledge about or connection to a charity (24 percent), and fear of increased donation requests from others (17 percent).

### **Utilization of giving vehicles**

Leading philanthropic industry research has found that the majority of wealthy donors (71 percent) give strategically, and have a plan for their giving versus merely responding to requests for donations<sup>1</sup>. This strategic focus has resulted in more HNW donors utilizing structured giving vehicles - such as donor-advised funds, private/family foundations and charitable trusts - to help achieve their philanthropic goals.

Our study here found that the use of giving vehicles is correlated with more advisor involvement. Among HNW individuals who discuss philanthropy with an advisor, 47 percent use one or more structured giving vehicles when making donations to charitable organizations - while such vehicles are used by just 12 percent of individuals who don't discuss philanthropy with an advisor.

### **Engaging the next generation**

The study found that a mere 14 percent of advisors are likely to raise the topic of philanthropy with clients (who have children) for the purpose of helping to instill charitable values among the next generation. Affirming this, just 9 percent of HNW individuals report that their advisor has suggested involving children and grandchildren in such discussions. Yet nearly half (45 percent) of HNW individuals feel it is important to involve children and grandchildren in discussions with their advisor about charitable giving.

### **Valuable knowledge**

Nearly one-third of HNW individuals (31 percent) indicate that they would be more likely to choose an advisor who is knowledgeable about charitable giving. More than half of advisors (57 percent) plan to increase their knowledge about philanthropy and to better their ability to advise clients about charitable giving. Among advisors interested in becoming more proficient at rendering philanthropic advice, the areas they would most like to learn about are:

- Developing a strategic giving plan (55 percent).
- Understanding more about giving vehicles (50 percent).
- Integrating a client's philanthropic values and goals into an overarching wealth management plan (46 percent).
- Engaging the next generation in giving (45 percent).
- The role that impact investing (or socially responsible investing) plays in their clients' philanthropic pursuits (38 percent).

### **Good for clients, good for business**

Three out of four advisors (74 percent) say that discussing philanthropy with clients is good for their business for a variety of reasons, including that it: presents a more comprehensive and holistic approach to managing a client's wealth (24 percent); demonstrates greater interest in their clients' charitable goals and aspirations (18 percent); shows clients that they are interested in more than just their clients' money (13 percent); and provides insights that help advisors better serve their clients (13 percent).

Many advisors (75 percent) find discussing philanthropy to be an excellent way to deepen relationships and establish new relationships (54 percent) by connecting with clients on something truly meaningful to them. Many HNW individuals (40 percent) agree that discussing philanthropy with an advisor has, in fact, deepened their relationship.

Please visit the [U.S. Trust Study of the Philanthropic Conversation](#) for additional findings.

<sup>1</sup> [2012 Bank of America Study of High Net Worth Philanthropy](#)

#### **Methodology**

The U.S. Trust Study of the Philanthropic Conversation was conducted in August 2013 by Phoenix Marketing International, an independent market research firm, on behalf of U.S. Trust and TPI. Key findings from this research are based on an online survey of a random sample of 312 advisors - including wealth advisors, trust and estate attorneys, accountants and other tax professionals - and a random sample of 119 HNW individuals with \$3 million or more in investable assets who are actively engaged in charitable giving. All data was tested for statistical significance at the 95 percent confidence level.

U.S. Trust, Bank of America Private Wealth Management is dedicated to the philanthropic and nonprofit communities. Through U.S. Trust Institutional Investments and Philanthropic Solutions we put our strengths and resources behind every mission – be it a nonprofit organization or a philanthropic individual or family. We provide specialized advisory, administrative and investment solutions to both nonprofit organizations and private philanthropic clients that help transform their charitable goals into meaningful action. We tailor mission-focused solutions and offer ongoing advice and guidance through a close working relationship with a dedicated advisor, helping organizations and individuals turn missions into milestones.

#### About The Philanthropic Initiative

The Philanthropic Initiative (TPI) is an innovative philanthropic consulting firm that helps corporations, foundations and families develop and execute customized strategies to increase the impact of their giving. Working nationally and globally, TPI helps donors achieve philanthropy that is more strategic, effective and fulfilling, and helps professional advisors build the capacity to do the same with their own clients. Over the past 25 years, TPI has directed more than a billion in philanthropic dollars and influenced billions more.

Visit the Bank of America newsroom for more [Bank of America news](#).

#### **Language:**

English

#### **Contact:**

Reporters May Contact:  
Matthew Card, Bank of America, 1.617.434.1388  
[matt.hew.card@bankofamerica.com](mailto:matt.hew.card@bankofamerica.com)

#### **Ticker Slug:**

*Ticker:* BAC  
*Exchange:* NYSE

---

**Source URL:** <http://newsroom.bankofamerica.com/press-releases/global-wealth-and-investment-management/us-trust-study-reveals-disconnects-philanthro>