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Signs Your Clients Need Help With Charitable Planning

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Charitable donations typically drop off after a surge at the end of the year.

Though donors often question why they wait until the end of the year to make their donations -- and vow to do so earlier in subsequent years so they can be more strategic and proactive in making charitable giving decisions -- this goal may be a bit difficult to achieve since they donate for several key reasons at the end of the year:

1. Nonprofit organizations that they care about (and many they don't) increase their appeals.

2. There are many more stories in the press about people and organizations in need.

3. Clients reflect about how much money they earned or how fortunate they are and feel that they are able to be generous.

4. CPAs and their other advisors remind the clients that their opportunity to donate appreciated securities, distributions from their IRA or other assets must be completed by December 31.

However, there are numerous advantages for clients in planning their charitable giving earlier in the year. These include being able to research various nonprofit organizations; visit the nonprofits to meet the staff and see their work; get the family involved; solicit input from advisors, family members, friends and experts; set up a charitable vehicle if the donors and advisors deem that to be the most effective and efficient way to donate; sell appreciated securities or other assets if those would be the best sources for the charitable giving; and make the decision-making less stressful for both the donors and their advisors at the end of the year.

Advisors and clients agree that having a conversation about charitable giving and planning is important, yet clients stated that advisors initiated this discussion only 17% of the time, according to a study by U.S. Trust and the Philanthropic Initiative last October. Additionally, as only 10% of the donors in the study donate primarily for the tax benefits, there are many benefits to both the clients and advisors of having this discussion.

Meanwhile, there are numerous indications that clients need help with their charitable planning, and these signs are especially evident in the first quarter, when clients provide the previous year's records of their charitable donations to their accountants and advisors.

Some of these indications include:

1. When clients have difficulty keeping track of their donations, can't find receipt letters from the charities, can't remember if they donated to an organization with a check, appreciated stock, credit card or some other asset.

2. When clients donate assets that are not optimally tax-efficient and have other assets that should be used.

3. When clients donate several times during a year to the same charity.

4. When clients donate very different amounts from year to year, often because their income and asset levels vary from year to year. Many of these clients would like to give a consistent amount and know that it is easier for their favorite charities to budget if this is done. Donor-advised funds and other vehicles could enable donors to fund these causes during good years so they can donate similar amounts over time.

5. When clients donate to different charities every year with no real pattern. This often indicates that they simply give in response to requests and are not knowledgeable or passionate about particular causes or organizations. Philanthropic advisors, community foundations and some donor-advised funds can help educate and work with these donors.

6. When clients give to organizations that are not 501(c)3 tax-exempt groups so their donations are not tax deductible.

7. When clients are very generous in their contributions to charities but their children, some of whom may work at the family firm, barely donate at all. A family charitable vehicle may enable the parents to involve their children.

8. When clients express frustration with the process, question why they are giving to certain organizations, wonder what impact they are having, don’t know where to give, feel that they are just throwing their money away by donating, or just give because they know they should and don't feel a sense of pride and satisfaction that should result from their generosity.

9. When clients have a charitable vehicle like a private foundation but don't like the complexities of operating one, so a simpler solution like a donor-advised fund may be appropriate.

10. When clients have other assets that heirs do not want, and these assets, such as real estate, farmland, or collectibles, can be used to fund their charitable giving.

11. When wealthy clients do not have heirs and despise paying taxes, but have not started to give significantly to charity or have not included charity in their estate plans.

12. When clients regularly give to charity and are getting ready to sell a business or other asset. Options are available like a donor-advised fund to donate pre-sale stock or assets, receive fair market value for contributions, and avoid or reduce capital gains and income taxes. In the end, clients would have much more available to donate for charitable purposes for now and the future.

This is an ideal time to have a charitable conversation with clients and to help them be more effective and efficient with their charitable giving. Clients often do not realize that their advisors can help them identify the strategies, resources and perhaps even charitable vehicles that would help them better achieve their charitable goals, and they will be very appreciative of their advisors’ help and advice. The clients will also likely feel a greater sense of satisfaction, pride, confidence and even joy in knowing that this discussion and planning will further help the causes and charities that are most important to them.