

Demand for advice on strategic philanthropy is growing exponentially

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Emotional intelligence is important when advising clients on philanthropic matters, but must be paired with practical knowledge of the strategies that apply to philanthropic tax planning to help them achieve their objectives

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Charitably-minded Canadians are increasingly looking to their team of professional advisors for guidance in making a meaningful, tax-efficient impact with the assets they're planning to donate.

For financial advisors, having the philanthropic conversation with high-net-worth individuals (HNWI) – and being aware of the tools available to amplify the impact of their donations – is essential to developing and strengthening relationships with these clients.

A 2018 [survey of HNWI](#) conducted by The Economist Intelligence Unit on behalf of RBC

Wealth Management found that two-thirds of younger Canadian HNWIs – defined as those born between 1965 and 2000 – think societal causes have become more important than wealth accumulation in defining a legacy.

Keith Thomson, founding member and managing director of Stonegate Private Counsel, a division of CI Private Counsel LP, in Toronto and member of the board of directors of the Canadian Association of Gift Planners (CAGP), has also noticed this trend among older clients. He says that's helping to drive the exponential growth in demand for advice around strategic philanthropy.

"The kids have moved out, the mortgage is paid off and baby boomers are looking for more meaning in their life. Philanthropy is an obvious avenue to achieve that meaning," he says.

However, Nicola Elkins, president of Westmount, Que.-based Cause Strategies Inc. and chief executive and founder of BenefAction Foundation, says that many of those wealthy Canadians don't know where to start and are turning to their trusted advisors for guidance.

"They often work with more than one advisor as well, so they need someone to be able to bring those people together to help them get the best philanthropic advice they can," Ms. Elkins says.

Strategic philanthropy involves using tax and financial planning to multiply the impact of a client's charitable giving, either during their lifetime or via bequests, says Tina Tehranchian, branch manager and senior wealth advisor at Assante Capital Management Ltd. in Richmond Hill, Ont.

"Every client that I've talked to who is charitably inclined is interested in converting taxes to more charitable donations," she says.

Although some advisors may be reluctant to open up this conversation with clients for various reasons – for example, if they lack confidence about their level of expertise on the more technical aspects of the process – HNWI clients, in particular, expect to have these discussions, Ms. Elkins says.

Charitably-minded clients, she says, will be looking for advice on how giving fits with their overall financial plan; which assets will be the most appropriate to gift – whether cash, securities, real estate, life insurance policies, or registered plans; and when to give.

They will also be looking for guidance on the most appropriate vehicle for philanthropic giving – whether donating directly to the charity, or via a private foundation or donor-advised fund. Some, Ms. Elkins says, may also require assistance in selecting a cause or charity.

As Jo-Anne Ryan, vice-president, philanthropic advisory services, at TD Wealth in Toronto explains, advisors will need to work with clients as part of this process to develop a philanthropic plan that reflects their values.

“When you have the discussion with clients about what values are important to them, what they’re passionate about, you’re learning about your clients – and you’re strengthening the relationship,” Ms. Ryan says.

As much of the discussion will focus on clients’ beliefs, the process will require a high level of empathy and trust between client and advisor, Mr. Thomson says.

But while emotional intelligence is important when advising clients on philanthropic matters, Ms. Tehranchian says it must be paired with practical knowledge of the strategies that apply to philanthropic tax planning to assist clients properly in achieving their objectives.

Although many advisors will work as part of a team with other professionals, such as lawyers and accountants, during the philanthropic process, they still need to be well-informed in order to know where opportunities exist, Ms. Ryan says.

Indeed, advisors need to understand the key differences between various charitable structures to guide their clients toward the option that’s best suited to their needs, Ms. Elkins says.

“For example, because of non-qualifying securities and business excess holding rules, a donor-advised fund at a third-party arm’s length public foundation can often be a better solution than a private foundation for entrepreneurial clients,” she says.

Currently, donor-advised funds are one of the fastest growing vehicles for philanthropic giving in Canada – an easy alternative to establishing a foundation, Ms. Ryan says. At the same time, clients also seek a bequest in their will or use insurance as a way to build their legacy.

As such, advisors looking to build more strategic philanthropy into their practices should look to increase their knowledge around the tools and strategies available to multiply their clients’ philanthropic impact.

Advisors can look to the CAGP for courses and webinars on philanthropic-planning related subjects, but those seeking to specialize can also now pursue the recently launched master financial advisor-philanthropy (a.k.a. MFA-P) designation program to become philanthropy services specialists.

The program, a collaborative effort of the CAGP, Spire Philanthropy and the Knowledge Bureau, offers participants certificate courses in understanding strategic philanthropy, the charitable sector and integrating giving with client-centric planning.

In addition to having the right skill set, it's important for those providing advice on charitable gifting strategies to "walk the talk" on these matters, Mr. Thomson says, so it may be a good idea to join a charitable committee or a charitable organization's board of directors.

Ultimately, for advisors interested in strategic philanthropy, providing value starts with broaching the subject – and then having frequent, meaningful discussions with your clients about charitable giving with the aim to helping them establish their philanthropic vision.

"If you want to work in the high-net-worth space and you consider yourself a financial advisor or financial planner, it completely behooves you to bring up the subject," Mr. Thomson says. "Because here's the thing: if you're not bringing it up to your clients, I guarantee your competitors are or will."