

Examining the Philanthropic Component of Financial Advising to High Net-worth Clients

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Sample of Canadian Financial Advisors

- Sample N = 84
- Sent out 600 paper surveys

High-net-worth (HNW) or affluent is defined here as holding net assets excluding the principal place of residence in excess of \$1.2 million.

F.A. Client Descriptives

Percentage of HNW Clients with Whom Advisors Discuss Philanthropic Giving

Percentage of HNW Clients	Advisors %
10% or less	29
11 - 40%	14
41 - 80%	43
Over 80%	14
Missing	0
Total	100

What percentage of your HNW clients intends to make a substantial philanthropic bequest or create a trust/foundation on their deaths?

Less than 5%	41.7
Between 5 and 10%	20.2
Between 10 and 20%	26.2
Between 20 and 30%	6.0
Over 30%	6.0
Total	100.0

Fewer than 1 out of 5 HNW clients make bequests.

HNW Client Motives

What do you believe are the key reasons that HNW individuals do engage in substantial philanthropic giving?

	Response %
They care greatly about a cause, issue or institution.	82.1
They have religious or spiritual motivations.	76.2
They want to improve their community.	58.3
They want to create a legacy.	58.3
They have already looked after personal and family needs.	48.8
They are asked and can afford it.	47.6
They have no or little family.	33.3

Motivations:

Expression of values.

Leave a legacy.

No heirs or heirs have been financially provided for.

What do you believe are the key reasons that clients do not give?

	Response %
They want to pass on their money to their children.	76.2
They haven't really thought about it (e.g., too busy)	63.1
They believe they may need the money themselves.	60.7
They may be unsure of how best to do this.	54.8
They underestimate their financial capacity	36.9
They don't think their money will be used wisely by charities.	31.0

The Financial Advisors

How informed are you about your <u>clients'</u> <u>interest</u> in philanthropic giving?	
	%
Not informed at all	1.2
Not very well informed	13.1
Somewhat informed	35.7
Well informed	40.5
Extremely well informed	9.5
Missing	0
Total	100

Would you develop a strategy for a HNW client interested in philanthropic giving?

	(%)
Yes, I would personally develop a suitable strategy.	78.6
No, but others in my firm would.	4.8
No, but I would refer my client to someone outside my firm who could.	1.2
No, I do not expect this to come up.	3.6
Not sure, not applicable	10.7
Missing	1.2
Total	100

How informed would you describe yourself generally about providing philanthropic giving advice to clients?

	Not informed at all	Not very well informed	Somewhat informed	Well informed	Extremely well informed
Response %	1.2	13.1	33.3	46.4	6.0

Motivations that underpin advisors' interest in providing advice about philanthropic giving.

	Not very important	Somewhat important	Important	Extremely important
Provision of this kind of advice should be part of our overall service	1.2	15.5	57.1	25.0
By planning wisely, philanthropic giving can reduce taxes	0	6.0	45.2	48.8
People can find a lot of satisfaction in giving	1.2	13.1	54.8	29.8
It is important for people to make a difference if they can	1.2	27.4	38.1	32.1
The client may have limited family ties or no obvious beneficiaries.	13.1	29.8	31.0	26.2

To what extent are you personally interested in providing advice to HNW clients about philanthropic giving?

Not interested	Interested	Somewhat interested	Very Interested	Extremely interested
0	14	14	57	14

**Do you personally engage in
philanthropic giving? (>\$1,000
annually)**

	Response %
Yes	77.4
No	22.6
Missing	0
Total	100

Conclusions

Issues

- Many F.A. assume their clients are not interested in philanthropy. Plausible explanations:
 - They are not personally involved in philanthropy and assume other people are not as well.
 - Their orientation is wealth accumulation, wealth preservation, and tax avoidance.
 - While these may be their clients' primary concern, they may not be their only concerns.

Issues

- Many F.A. assume their clients are not interested in philanthropy. As a result:
 - They are reluctant to broach the topic
 - They are not well informed about philanthropic advising
 - They are poorly equipped to work with clients on philanthropic planning

The Way Forward

- Encourage F.A. to see philanthropic advising as an additional service they can offer
- Encourage F.A. to view philanthropic advising as a means of building relationship with client
- Encourage F.A. to view philanthropic advising as a means of differentiation

What nonprofit sector can do

- Get more involved in F.A. community
- Learn more about philanthropic advising
- Offer to speak at professional meetings on philanthropic planning
- Advocate for inclusion of philanthropic planning in F.A. education and certification
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