

STEP JOURNAL

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Raising the bar

How clients can differentiate themselves through philanthropy.

How do I involve my children in my giving? Where can I learn about co-funding opportunities? How do I even get started? Clients are increasingly looking to their trusted advisors for advice on philanthropy. In interviews carried out by Scorpio Partnership with high-net-worth individuals across Europe, a staggering 90 per cent said they wanted philanthropy support from their advisors. However, this same number also said they did not feel their wealth advisors were meeting that need.

Even in today's climate, advisors should not be fooled into thinking the recession has dampened the giving spirit of high-net-worth donors. A recent survey by one private bank indicated that 90 per cent of its clients planned to continue or increase their giving in 2009. The *Sunday Times* Giving List showed that the UK's top 100 philanthropists actually increased their collective giving by 8 per cent from 2007 to 2008, to GBP2.9 billion.

And in these tough times, donors are even keener to ensure every pound they give works harder. Rebecca Eastman, Head of UK Philanthropy at JPMorgan Private Bank has noticed this change. 'People who've been giving to charities are continuing to do so but in a more strategic way', she reflects. 'I think they see the increased need around them and realise that they need to be more focused in their giving.' With this desire to create the largest impact with their giving comes an even greater demand from donors for philanthropy advice.

The growing demand, coupled with a gradual increase in the number of advisors working to meet this demand, is set to lead to a rise in the standard of philanthropy offerings. In the future, what sets wealth advisors apart will no longer be whether they offer a philanthropy service to clients, but how they offer it.

In today's growing marketplace for philanthropy advice, advisors need to find a way to differentiate their offerings. Increasingly, firms are realising that they have to offer more to their clients than simply advice on tax-efficient giving or help setting up a foundation, in an environment that *The Wall Street Journal's* Victoria Knight observes is becoming 'an increasingly competitive marketplace for wealthy clients.'

Many advisors stress the necessity of being able to talk confidently to their clients about philanthropy. They know that philanthropic investments can be as important to their client as their financial investments, and that discussions on philanthropy help to build and reinforce strong relationships with clients. 'Talking to people about managing money can be a very dry conversation', says Eastman of her experiences. She continues: 'when you start talking to them about their interests and their family's interest in philanthropy, the conversation becomes warmer and the body language changes. It definitely further cultivates the relationship between us and our clients.'

The key to differentiating a philanthropy offering lies in not only being able to answer questions clients ask about philanthropy, but also in knowing what questions clients should be asking. Often, when they first talk to their advisors, clients will not have clear ideas about their giving. Instead they have dreams and goals they want to achieve and causes that tug their heartstrings. It is the job of good

advisors to take the lead in guiding discussions and getting their clients thinking about important questions, such as where they want to focus their giving, whether they want to involve their family, and what personal and social objectives they want to achieve, with the end aim of making their client's giving more rewarding, more enjoyable and less stressful.

One married couple we worked with first approached their private bank for philanthropic advice following the sale of their business. In early meetings the couple announced that their big goal was to eliminate poverty in the developing world. Working alongside the advisor, we helped the couple to learn how they could create more impact by focusing their giving, narrowing down to fund causes they are passionate about: microfinance, education and sanitation charities internationally and mental health charities in the UK. Three years on we are still working with the couple and their advisor to build their philanthropic projects. The couple find learning in-depth about the issues they care about an exciting process, as it gives them the opportunity to visit charities around the globe and be introduced to experts in social issues, rather than simply giving in an ad-hoc, unfulfilling way. The husband, John, describes the experience saying: 'it is early days, and we are still on a learning curve, but I'm finding this far more exciting and satisfying than another business career.'

The marketplace for philanthropy advice in the UK is slowly growing. Over three quarters of the 100 European advisors interviewed as part of Scorpio Partnership's 2008 research said they offered some form of philanthropy advice to clients, with 60 per cent believing that philanthropy advice would become a core pillar of private client services in the next five years.

Tim Thornton-Jones, a partner at law firm Lawrence Graham, recently attended a training session run by NPC in association with STEP, designed to help advisors to feel more confident in supporting clients with their philanthropy. Despite being experienced in the field himself, Thornton-Jones says he found the experience 'invaluable.'

'My involvement [in offering philanthropy advice] started about 25 years ago when a client of mine came into a vast amount of money from selling his business and saw it as a means of involving his family in charity.' He then went on to persuade his friends to do the same.' Today, Thornton-Jones supports many wealthy individuals in the UK and overseas who want to be philanthropic.

'I have definitely seen an increase in the need for philanthropic advice over the last five years', he says, when asked to give his reflections on changes in the marketplace. 'The current recession has not stopped clients from being philanthropic. If anything, there has been more interest in giving and certainly more interest in getting it right.' He adds: 'people don't just want to give a large cheque to a charity, they want to be personally involved and sometimes set-up their own trust or charity and get their children involved.'

Over the last 12 to 18 months in particular in the UK there has been huge energy and interest in advisors thinking about how best to serve their clients' philanthropic needs. In the last six months alone, two private banks made big changes; Standard Chartered set up a new philanthropy offering, and JPMorgan Private Bank hired Eastman, an expert in charitable giving, to head up its UK

philanthropy team and to build on the company's long-term experience of philanthropy advice in the US. Earlier in 2009, Barclays Wealth also appointed a Head of Philanthropy. One private bank highlighted the increasing preference for appointing someone in-house to think solely about philanthropy, saying: 'we need someone to live, breathe and think philanthropy and to be the go-to person for the relationship managers when the giving question comes up.'

However, despite these developments, the rhetoric about the quality and quantity of philanthropy advice still far exceeds the reality and the industry is falling short of client expectations. An upcoming NPC report to be launched in the coming months examines the philanthropy advice market. It highlights a number of barriers that NPC believes are holding back the growth of this market. One key barrier it mentions is the fact that few advisors have developed a solid business model for delivering philanthropy advice. There is also unwillingness among companies to share information about best practice, an absence of innovation in products and services offered to clients, and a lack of knowledge among advisors about philanthropic issues.

This lack of knowledge is one reason why a growing numbers of advisors are seeking training to build their knowledge of philanthropy, and to increase their confidence in raising the subject with clients. Following one recent NPC training session, where participants ranged from private client lawyers and bankers through to advisors from family offices, all attendees commented that the session has left them feeling more confident about discussing philanthropy with their clients. Many also said they had found it helpful to meet and discuss the issue of philanthropy advice with other advisors from different industries.

Whichever way advisors choose to expand their philanthropy offering, whether by developing services and expertise in-house, or by choosing to enlist the help of expert third-party providers, the market for philanthropy advice looks set to continue to grow over the coming years. Advisors that are ahead of the game will be looking now for ways to differentiate their philanthropy offering and to better meet the philanthropy needs and questions of their clients.

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