WEALTH ADVISER: Shaping How Clients Share The Wealth
DOW JONES NEWSWIRES

--The wealthy often are undisciplined when it comes to giving
--Strategic approach can be more efficient and bring 'more joy' to giving
--Tax planning around philanthropy is a means, not an end

By Thomas Coyle

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Most of the rich want to share some of their good fortune, but tend to be haphazard in their charitable giving. Some wealth managers work with them to develop more thoughtful approaches to philanthropy and make the most of their gift dollars.

An overwhelming majority of Americans worth at least $1 million say they give to charity--98.2% in 2009, according to a report by the Center on Philanthropy. But they frequently make donations in response to requests, instead of directing their generosity at causes they genuinely care about.

They are pursued so aggressively by charities "they sometimes say yes because they're tired of saying no," says Susan Colpitts, executive vice president of Signature, a wealth-management firm in Norfolk, Va., with $2.1 billion under management. "It can be exhausting for them."

Advisers should help clients devise "strategic" philanthropy plans. "It's a proactive way to bring more structure, and more joy, to giving," she says.

Getting to the heart of a client's charitable aspirations takes a lot of probing and questioning, Colpitts adds. Over multiple meetings, she asks clients about what really matters to them, desired outcomes, areas of interest, levels of commitment (writing a check is one thing; sitting on a board is another), and finally specific causes or organizations they want to help fund.

Colpitts recently helped a family through this process. Among other benefits, the second generation--siblings in their forties--decided to keep funding a local charity their 80-something parents have long supported "as a way to honor them" when they're gone.

Measured results are another aspect of strategic philanthropy. Many productive local charities are hard-pressed to show tangible outcomes, but bigger outfits--local United Way and regional Red Cross chapters, for example--increasingly stress metrics around outcomes and operational efficiencies.

The Center on Philanthropy found that 71% of millionaires consider how efficient a charity is with donations when making a gift.

This isn't lost on religious charities. Increasingly, they are stressing transparency and value for money, according to Wade Chessman of Chessman Wealth Management in Dallas, a firm that manages about $91 million.

A more-disciplined take on philanthropy has made some of his Christian clients "maybe give as much as ever, but they give it to fewer ministries," Chessman says. "You have to wonder if a ministry isn't willing to open its books."

The estate- and income-tax advantages of philanthropy come into play for strategic givers, but not in the sense one might think. The tax savings is often seen more as a way "to stretch their charity dollar," and not as a major factor in deciding whether or not to give, says Perry Moore of Payne Wealth Partners in Evansville, Ind., an investment-adviser firm that manages about $300 million.

"That's a lesson for advisers maybe," Moore says. "We can get so caught up on the 'hard' issues on behalf of clients that we forget that it's 'soft' issues they really care about."