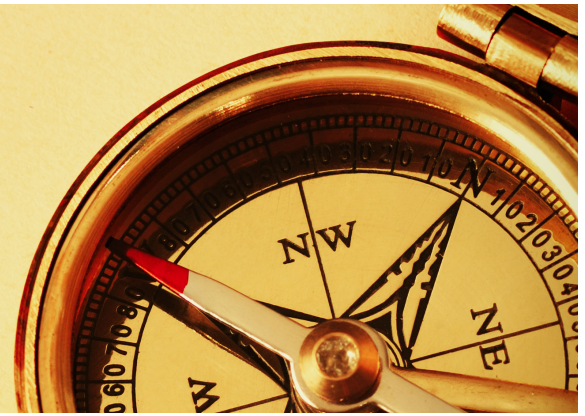


WEALTH STRATEGY & CHARITABLE GIVING



CAF America's initiative, *Wealth Strategy and Charitable Giving*, is an interview series about the ways that philanthropy and wealth services intersect, featuring leading wealth advisors and professionals dedicated to incorporating charitable planning in their practice.



Fred brings over 20 years of financial services experience to Schwab Charitable. He was formerly with MasterCard Worldwide, where he held senior-level positions in customer marketing, global sponsorships, and account management. Prior to that, Fred managed strategic relationships with key global financial institutions and led marketing initiatives with leading sponsorship properties at Visa. He began his career in advertising with Young & Rubicam in New York. Fred is actively involved in volunteer work, including past board service with Children's Council of San Francisco and United Way of the Bay Area's Marketing Advisory Council. He is a graduate of Boston College and is a former Coro Foundation fellow.



WEALTH STRATEGY AND CHARITABLE GIVING: A Conversation with Fred Kaynor, Vice President of Marketing and Business Development at Schwab Charitable

CAF America: Could you briefly explain what Schwab Charitable does for Americans who wish to make charitable gifts? What role do you play in this process?

Fred Kaynor: Schwab Charitable is a national donor-advised fund with a mission to increase charitable giving in the United States by providing a tax-smart and simple giving solution to donors and their investment advisors. We offer best-in-class tools, guidance, relationships, and solutions to make charitable giving an easy, integral part of wealth management—and ultimately make giving as efficient as possible. Donors can contribute cash or appreciated, non-cash assets into their Schwab Charitable account and receive current-year tax benefits if they choose to itemize their deductions. Then, they choose how to invest their contributions. Since our inception through June 2017, investment returns have made available—above and beyond the contributions themselves—an additional \$1.9 billion in assets for the charities our donors support. Finally, donors recommend grants to IRS-qualified charities, over time and at their convenience.

My role is to oversee the Business Development and Marketing functions of Schwab Charitable. I seek to optimize brand visibility and outreach to the various constituents in the charitable giving lifecycle. That includes: registered investment advisors, attorneys, CPAs, non-profit organizations, and the donors themselves.

CAFA: Once the donor has come to Schwab Charitable, how do you help them move from the idea of giving to the actual practical steps to start that lifecycle?

FK: We start by working continuously to increase the convenience and efficiency of giving through Schwab Charitable. We offer tools and step-by-step guidance that encourage donors to articulate a personal mission and then create a thoughtful giving strategy to meet their philanthropic objectives. It seems to be working because about two thirds of Schwab Charitable donors say that they give more as a result of having a donor-advised fund account.

We also help advisory firms throughout the country to create an exceptional experience for their clients that have a charitable proclivity or are ready to embrace a more efficient, and ultimately a more impactful, charitable giving strategy. We have a team of experts on staff to advise both advisors and their clients on how to maximize

the impact and tax benefits of charitable giving. We provide education by offering a host of different resources such as, videos, articles, and white papers that are relevant to advisors and their clients. We also offer continuing education credit courses that help advisors maintain their licenses.

Our donor-advised fund is an efficient, tax-smart way to incorporate charitable planning into an advisory practice. For example, we have different accounts for different types of advisor-client relationships. We have what we call “core accounts”, which donors open with a minimum balance of \$5,000 that they can invest for growth in a pre-selected list of 14 different investment pools. Donors with an account balance of \$250,000 or more have the option to have their account assets professionally managed by their designated advisor. This offers additional asset classes and investment opportunities and it’s a great way for advisors to broaden their relationships with clients.

One of the most common requests we receive from advisors is to help them identify the most tax efficient charitable contributions for clients. Most donations in the US are liquid assets: cash, check, or credit card. These are convenient, but usually aren’t the most tax efficient way to make charitable gifts. Donor-advised funds have the ability to accept a great variety of assets. At Schwab Charitable, we accept publicly-traded stock, restricted stock, private equity, real estate, art and collectibles, and interests in private businesses to name a few.

Contributions to a donor-advised fund account are donations, so donors qualify for a same-year tax deduction at the full fair market value of the appreciated assets – up to 30% of their adjusted gross income. By comparison, the tax deduction for contributions to a private foundation is generally limited to 20% of AGI and for assets that are not publicly traded, the cost basis instead of the fair market value. In addition to the tax deduction, donors avoid the capital gains tax they would otherwise incur for liquidating non-cash assets themselves. That means there is up to 20% more that could go to the charities they choose to support.

Lastly, we provide deep consultative support to advisors to help them build their business. We frequently share that, based on what we see statistically and qualitatively, incorporating charitable planning into an advisor’s wealth management practice results in a deeper, broader, and ultimately more profitable relationship between them and their clients. We provide a wealth, no pun intended, of resources to encourage that dialogue. For example, we have developed experience-based guides for advisors that

provide sample questions to help them discuss charitable planning with clients.

CAFA: What does Schwab Charitable recommend for its clients to maximize the impact of their giving?

FK: We encourage donors to apply the same thoughtful, strategic approach to their philanthropy as they do to their other financial matters. We break it down into five steps. First, donors need to decide what they are passionate about, what their mission is and which causes they want to support.

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Second, donors will need to decide what they want to give. It can be time, talent or money. This is one of the areas advisors have a natural role to play, even if they are not highly experienced with charitable planning. Advisors can help their clients be very thoughtful and deliberate in reviewing all of the assets that they have, determining which are the most appreciated and which will, simultaneously, have the most charitable impact and the most significant tax benefit.

The third thing to consider is whether donors can increase the impact of any financial support by funding a charitable plan in advance through a donor-advised fund, private foundation, gift annuity or charitable trust. These charitable vehicles can be used alone or in combination. In fact, donor-advised funds can be used with all these vehicles to add flexibility and convenience.

The fourth question is how to time charitable grants to have the greatest impact on the causes the donor supports. For smaller charities especially, the benefit of consistent giving over time and through the whole economic cycle can be enormous. On the other hand, one-time grants may make

the most sense for some needs, such as a capital raising program for a new facility.

Any support, financial or otherwise, can and should be evaluated by the donors so they can adjust giving over time to stay aligned with their own mission and the needs of the charities they support. So that's the fifth question: how do you track and evaluate your charitable giving? Donors can see their entire giving history with Schwab Charitable through convenient online and mobile tools that help donors make sure their giving stays aligned with their charitable goals.

CAFA: Digging slightly deeper into one of those aspects, the starting point for a passion for charitable giving is often defining a charitable mission. How does Schwab Charitable help donors define their goals in this area?

FK: We provide education and support to donors and advisors in this area. Donors are often surprised at how powerful it can be to simply write down a charitable mission. Some donors know exactly what they want to achieve before they come to Schwab Charitable. Others need to do some soul searching to find their vision for change. Either way, it's important to make a plan for exactly how you expect to achieve your goals.

To that end, we offer access to GuideStar, which includes program descriptions, financial information, and supplementary information for almost two million non-profit organizations. Other places donors can research charities are Give.org, Charity Watch, and the BBB Wise Giving Alliance, which has reviews of over 1,000 national charities and 10,000 local charities, and Charity Navigator, which looks at the financial health and transparency of charities.

Donors should also contact the organizations they intend to support and ask questions. Find out about the charity's

finances, what projects it has in mind and what kind of support could be most helpful. Both Give Well and Charity Navigator have good summaries of questions to ask charities that cover mission and resources, constituent feedback, third-party validation and reporting. We link to these resources from the Schwab Charitable web site.

CAFA: How does Schwab Charitable work with advisors to determine which vehicles suit a client's needs. For example, why would a DAF work well with a remainder trust or a private foundation? How does Schwab Charitable navigate or facilitate that conversation?

FK: We partner with advisors to help them embrace a consultative, action-oriented approach to supporting their clients' charitable giving in an informed and effective manner.

There are three questions advisors can explore with their clients to help them choose the best vehicle to meet their philanthropic goals. First, ask clients how they would rank the importance of cost, tax benefits and the ability to make grants to individuals and organizations that are not IRS qualified. At a very high level, donor-advised funds are cost efficient and offer higher tax deductibility for contributions in many cases compared to private foundations, whereas grants from private foundations are not limited to IRS-qualified charities.

For donors who value tax benefits, advisors can deepen their client relationships by understanding how the right contribution into the right vehicle at the right time can increase tax benefits and charitable impact simultaneously. For example, for many affluent and high net worth donors the tax law passed at the end of 2017 has significantly increased the appeal of concentrating charitable contributions in some years and taking the standard deduction in others. This strategy is easily and cost-effectively accomplished through a donor-advised fund.

Another question to explore is the importance of guaranteed income. A charitable gift annuity or charitable remainder trust can provide a guaranteed income stream,



and donor-advised funds can be added to the mix to increase the flexibility of granting and help create a lasting legacy.

The third question advisors can ask their clients is whether reducing gift or estate tax is a priority. For donors who want to support charitable causes during their lifetime while enjoying gift and estate tax savings, a charitable lead trust or donor-advised fund may be a good option and these two vehicles can also work together by naming a donor-advised fund as the lead beneficiary for a charitable lead trust.

We have a lot more information about all these vehicles on our web site as well as a team of experts who support donors when they augment or replace a charitable vehicle with a donor-advised fund. But let me give you a few hypotheticals, if I may. Let's say a couple came to their advisor and said "we are just about to experience a significant wealth event (for example: retirement or taking a company public), and we want to donate a significant portion of the assets to charity in the most efficient, impactful manner possible. We have a private foundation run by our daughter and dedicated to educational causes but we have philanthropic interests beyond that mission. We want to find a way to achieve our philanthropic goals that is efficient from a resource perspective yet maximizes the impact our donations have on the charities we choose to support."

What Schwab Charitable might theoretically do in that case is help the couple and their advisors develop a plan to complement the private foundation with a donor-advised fund (DAF). The private foundation would continue to support its mission and programs, such as scholarships, that DAFs cannot support. For donations outside the educational mission of the foundation, the DAF would provide a low-cost way to support charitable goals such as global health or disaster relief. For example, Schwab

Charitable works with extraordinary intermediaries, such as CAF America, to help international charities receive grants in a tax-efficient, impactful way.

When the couple's daughter retires from the private foundation they could also have a plan in place to transfer the assets into the donor-advised fund to continue supporting the couple's philanthropic goals and create a lasting legacy that could be managed with significantly less time and effort by the next generation of family members.

CAFA: The example you gave illustrates that some individuals have an intention to give but they don't know exactly who or where they want to donate to specifically. How does Schwab Charitable help their clients identify the charity that matches their charitable goals and mission?

FK: Frequently our donors know the causes they want to support, but to your point there are others that benefit from consultative, strategic support and we are always ready to give it to them. As we discussed, we offer guidance to donors and their advisors on how to create a deliberate, structured approach to understanding a donor's mission, identifying resources, aligning vehicles, structuring the giving and measuring and monitoring impact. We facilitate this process with research tools and thought leadership, all of which provide a base foundation for their charitable endeavors.

We also provide referrals to highly regarded independent philanthropic consulting organizations that help connect donors with charities that fit their intentions and purpose. These organizations help donors get to know the charities that they choose to support, going into details like how resources are deployed, what the administrative overhead is, and what the scope of their mission is beyond a particular project. It is a deep and thoughtful approach and something that has worked extremely well for our donors.