

Wealth Advisors and Their Role in HNWI Giving

Host: Ted Hart

Guest: Eileen Wilhelm – CAF America

David Ratcliff – US Trust

Male Speaker: Welcome to the *CAF America Radio Network*, a production of the Charities Aid Foundation of America. As the leader in global giving, CAF America offers more than 20 years of experience and expertise to corporations, foundations, and individuals who wish to give internationally and with enhance to due diligence in the United States. Through it's industry-leading grants management programs and philanthropic advisory services, CAF America helps donors amplify their impact.

This show is dedicated to these donors and the charities they support. CAF America is uniquely positioned to serve as the bridge between these important partners and transforms vision into meaningful action. Guests on the *CAF America Radio Network* are leaders in their field who share tips for success and stories that inspire. Our host is Ted Hart, the CEO of the Charities Aid Foundation of America.

This is a live call-in show. Add your voice by calling 914-338-0855. After the show, you can find all of our podcasts at cafamerica.org. Don't forget to dial 914-338-0855. Now, welcome to the host of the CAF America radio network, Ted Hart.

Ted Hart: Welcome here to this latest edition of the *CAF America Radio Network*. We've got a very exciting show for you. As you know, periodically we get together with top leaders in the philanthropic space to learn what is new and to discuss with you, our listening audience, what you need to know to succeed in philanthropy both in the United States and around the world. Today we're going to start off by welcoming to our show Eileen Wilhelm. Eileen brings more than 30 years of philanthropic experience and has broad experience with family offices, foundations, philanthropists, non-profit organizations and their intermediaries. She's the founder of Pinnacle Philanthropy Partners and currently serves as director of philanthropy here at CAF America. Welcome here on *CAF America Radio Network*, Eileen Wilhelm.

Eileen: Thank you Ted. It's my pleasure to introduce David Ratcliff. David and I have been competitors, colleagues, and co-conspirators in the field of philanthropy for decades. David is managing director and national philanthropic solution sales executive for US Trust, Bank of America, Product Wealth Management. They are who conducted the groundbreaking studies on how Networks Philanthropy as well as the study on advisors in the philanthropic conversation we'll discuss today. David oversees institutional and private philanthropy sales and consulting for the country. He and his team work with private clients to develop and implement strategic charitable giving strategies including investment management, administration, and grants management services. Welcome, David.

Ted: Welcome David.

David: Thank you. I'm grand to be here.

Ted: You're well known expert in this area. David, can we ask you to start off by teeing the background behind this US Trust study?

David: Sure. We conducted the US Trust study of the philanthropic conversation in August of 2013. We contracted an independent marketing research firm on our behalf. They did a random sampling of over 300 advisors. Advisors being wealth advisors, trust and estate attorneys, accountants, and other tax professionals. Then a sample of 100 high-network individuals with three million or more. The purpose of the study really was to gauge the effectiveness of the philanthropic conversation between the centers of influence advisors and the high-network clients to see how the synergy and the sharing of information between those two was working.

Ted: In focusing in on the philanthropic conversation that was turned is-- Philanthropy is one of the top work concerns for the wealthy. Why do think that advisors are hesitant to engage in philanthropic conversation if in fact it is related as such an important topic by the wealthy?

David: Ted, what we find through to study is that there are a couple of things. Number one, the advisors have a bit of a niche perception about what is important to the client. It's also about a comfort zone, and they're pretty much inter-related. Advisors are much more comfortable having a more technical conversation, a more quantitative conversation around philanthropy. They tend to focus on and ask those types of technical questions and deal with the technical issues, so whether it's tax planning, whether it's the type of vehicle that's being used, etc. That's the focus and that's their comfort zone.

What clients are looking for is not only the technical expertise but they're also looking for more qualitative discussion. A discussion around their values and how they can actually make an impact relevant to those values. Advisors typically aren't comfortable with that discussion. I think also advisors tend to have a mindset that philanthropy is something that gets discussed after the advisor has dealt with all of the other wealth management or distribution issues that a client might have. Then what's left over is when the philanthropic discussion comes into play. Again, the consumers are reporting, "Now, we really would like to have that conversation sooner rather than later."

Ted: A lot of advisors treated as maybe an afterthought or not the main topics, but in fact it's rated in the top four. David, I know you and Eileen are engaged in important initiative here at CAF America and this is a new, a wealth advisory council here at CAF America. Learning from this study and understanding what you just shared about the perspective of advisors, what's the thought behind this advisory council?

David: Eileen you want to address that?

Eileen: Yes, I waited to see who you wanted to answer that, Ted. Sure. Well, advisors are very important to CAF America. Their connections with their donors bring them to CAF, which provides an easy solution to giving abroad, which is very difficult normally. We've talked to advisors to see what is it they'd like to know more about? One of the things they said is how to engage in the philanthropic conversation which is why we started here today. They are also

looking for other information that will help them bring value and advice to their clients. CAF America really can be a trusted partner for them through our advisory services, through our global network. We're looking to inform the advisory community, well, they also inform us. What are their needs? What can they share that we can share with other advisors to bring value to their clients and donors.

Ted: Yes. My feeling is this definitely has started off as a two-way street where we're really learning from each other in enhancing both positions. David, going back to this philanthropic conversation is one of the areas that we can grow together is in the knowledge base of what is philanthropy and where philanthropy can fit in an overall plan, since we're hearing in the study that the wealthy would like to have the conversation. Is it an issue of helping advisors feel more knowledgeable on the topic?

David: Yes. It absolutely is. In fact in this study, we asked the advisors what they felt they needed or were they interested in actually elevating the conversation. They reported that, yes, they were. They reported that they intended to either develop their own skill set or develop a network. The individuals who had the skill set around philanthropy that they could bring to the table. They have expressed an interest in wanting to be able to have that value safe conversation, then wanting to be able to talk about the importance of mentoring children or grandchildren through philanthropy and how you actually engage a conversation.

What are the right questions to ask? What are the right signs to look for when working with a family? I think by virtue of creating things like the advisory council, CAF America is actually bringing to the table and helping to fill a need with advisors to give them the ability, the comfort level, the confidence for advisors to really engage individuals around the value-based philanthropic conversation.

Ted: We know increasingly, David and Eileen, that the ultra-high-net-worth and those who may be turning to advisors are tending to think more globally, they may even consider themselves to be global citizens. Is part of the dialogue here on both sides building that confidence that the wealthy can trust and turn to advisors to have the information but also advisors feeling the confidence that raising the topic is actually a welcome topic?

Eileen: Yes, Ted. I would agree with that. The advisors aware of the challenges of giving abroad, and they're looking for ways that can make it effective, easy, and efficient. CAF America can help them with that, where we have our expertise in giving over 325 million in the past five years in 85 countries. We've got a global reach, and we're there as a trusted partner for them to add value to their relationships. We have many ways to help those donors who may have made their money in the developing world, or give back to their countries of origin through our vast Global Alliance and Network. It's a partnership and a way to take some of those conversations to another level and enable them to give abroad. David, what would you add?

David: Well, I say, certainly more and more clients are expressing an interest in international giving in some form or fashion. They are looking for a way to implement and execute on that, that is the most effective where they know the money's going to go to serve the needs that

they are interested in. They are looking for effective ways to be able to evaluate their own strategy, but then also evaluate the effectiveness of the gift. By working with organizations that have an international line like CAF America, I think it does enhance their confidence around it.

Ted: Back to the study on philanthropic conversation, 50% of the high-net-worth customers consumers who participate in the report actually said that they would like their advisor to bring the topic of philanthropy up in the first few meetings. What are some of the ways that an advisor might be able to do that? What are some of the ways to broach that subject and maybe not just strictly technical terms?

David: Philanthropy, as we mentioned earlier, is no longer something that people do after they've done everything else. Philanthropy is integrated into the conversation early when it comes to trying to address what the wealth distribution plan for that high-net-worth consumer might be. Our recommendation, and what the study indicates is that advisors need to bring it up early in the conversation and be able to address it.

I think there are a number of ways that an advisor can't bring it up when they're doing their official due diligence with a family around what it is the family is trying to accomplish. For example, I think part of the disconnect between the way advisors they discuss philanthropy, and yet the way the clients perceive that discussion to go is that a client might-- I'm sorry, an advisor might simply ask that question, "Do you make philanthropic gifts?"

Well, the question really is not, do you make philanthropic gifts? The question really is, Why are you engaged in philanthropic giving? Why is philanthropic giving important to you. What is it that you're trying to achieve by engaging philanthropy in your ongoing giving strategy? Because when an advisor starts to ask how and why and motivational question, it's not a check the box conversation. It's not "do you", it's "why do you," and that will then open the door and give the advisors some indication that this is how important philanthropy might be that client and why it needs to be addressed early in the process.

Ted: Even just to ask, do you consider yourself philanthropic? Are there favorite charities that you like to support? Are there things you've wanted to do philanthropically? Again, unless more of a dialogue in that. I think David things from a back to this US Trust study, it seems that one of the themes is this notion of conversation versus just the technical aspect. Does it become difficult for some advisors to see themselves as more than a technician?

David: It is difficult, I think. Again, I think it goes back to what they see as their value proposition in the discussion with their client, and it's a comfort zone. If they perceive their value proposition to be having technical expertise around giving strategies, understanding what the tax deduction implications are, then they're going to tend to be more technical in their conversation. In fact, one of the things that the study points out is both centers of influence, advisors, and high-net-worth clients, they both agree that is an important aspect of the plan and it is important to both.

However, the next set of important factors the advisors say are tax deductions. High-net-worth clients, rate tax deductions, really very low in terms of the philanthropic discussion. Yes, it's part of the discussion, yes, it's going to impact how, what, and when is done, but it's not the motivation. The motivation more is around impact, values, mentoring children, grandchildren, giving back to the community, et cetera. Advisors have to get comfortable with having that aspect of the conversation elevated early on.

Ted: Eileen, I know this is one of the areas that you have particular expertise and is the personalizing of philanthropy. In the study, it was shown that advisors actually say that having a philanthropic conversation with high-net-worth individuals is good for business. Again, we seem to have the study of philanthropic conversation endorsing the notion of this being good both for advisors and for donors, but there's still seems to be trouble with the bridge.

Eileen: There is advice on-- David said it well, they don't ask because they have concerned they won't do it well, and they believe that philanthropy is really too personal and intimate realm to get into. The bottom line is, philanthropy is no more intimate than most aspects of their work. Asking those philanthropic questions helps deepen their client relationships and takes them to a higher level. We like to joke that philanthropy is really the glue that holds the family together, and it can help with many things around the family conversations.

It helps them learn new skills, such as collaboration, compromise, shared decision making, they tell their family stories, they learn their shared values. It really can help family unity over the long term and advisors that get that and bring that to their firm, their clients and their families, whether they do it themselves, or they bring in a trusted advisor to conduct that, really add value to the relationship and strengthen their own book of business, and probably gain referrals while they're at it.

David: Eileen I would agree.

Ted: I just wanted to insert in there. Should the advisor discuss their own philanthropic engagement as a way to show the personal aspect of giving?

Eileen: Yes they should-- Oops, I'm sorry, you go ahead David.

David: I'm sorry. Was that directed to me, Ted?

Ted: Yes. They were both of you but let's go with David first.

David: Okay. The study does indicate that advisors who are engaged in philanthropy should be very visible about that. It is certainly a way for them to be known in the community as having philanthropic expertise and philanthropic sentiments, and really a measure of their own ability to give back. What philanthropic clients report is that they are drawn to advisors who have demonstrated their own philanthropic interest and their own commitment to philanthropy. They're drawn to those advisors because, number one, they are sure that they will have a satisfying conversation around their philanthropic intent.

They also believe that those advisors may know more about how to structure a philanthropic giving plan and whatever appropriate vehicle et cetera because they themselves are involved in it. I think if advisors are philanthropic, they need to be visible about that, and the result is a more enhanced business model.

Ted: Eileen, do you have to be a philanthropist to be an advisor in philanthropy?

Eileen: You don't have to be a philanthropist, but it does help, I think David said it eloquently. You have individual partners you can bring that can help you with that conversation, whether it's CAF American and its advisory services, David and his team, US Trust and their advisory services. There are philanthropic consultants out there that can help guide those conversations. They are important. David's right, if the advisor can speak from their own experience, there is a deep level of engagement. You're getting the heart engaged in the conversation and a higher level of trust.

Ted: David, one the topic that always comes to mind for me is, as donors are thinking of money to give outside of the United States, you mentioned before that it's not always the tax deduction that draws them to the topic. In specific, a lot of folks do not understand the requirements the US government has for vetting charities, managing philanthropic outside the United States, compliance with the Patriot Act, and in other aspects of international giving. I know that it sounds awfully technical, one of the things that CAF America is particularly good at is serving as a back office to advisors to help them ensure that their donors have compliance. Where does the whole notion of risk management and compliance come in as you stack that up to?

David: Well, I think obviously you're going to have a subset of advisors who have made it their practice to be engaged in an international calling and telling that they've been well in international giving, or even for domestic clients who might want to get them internationally. They are more likely to have made it their business to really understand these technical aspects. If an advisor is been faced with that, it behooves them to reach out to someone like a CAF America. It does have the expertise. It can backstop the conversation to make sure that they're meeting and being compliant with their recommendations. Eileen, you probably have much more to add to that.

Eileen: Okay. You said it very well, though, David. You are correct. There are some advisors that have made international and cross-border philanthropy a significant portion of their practice. Many of those advisors still turn to CAF America for help with that, knowing that we will take on the fiduciary responsibility, and make those gifts. They may help to plan the strategy behind it. We've seen a great rise in dual US/UK taxpayers. CAF has a very unique solution that provides them with the tax benefits and a simple way to support charities anywhere in the world. That's through our CAF effort, charities, aid foundation, CAF America-- I'm getting it wrong.

Ted: CAF America Donor Fund. The CAF American Donor Fund. [crosstalk]

Eileen: [laughs] This is where I go in like ahead of my brain. CAF America Donor Fund, it offers a solution allowing taxpayers to claim gift aid in the UK, while still benefiting from a Tax deduction in the US. We have other opportunities that we work with those advisors to facilitate.

Ted: David a lot of wealthy US [crosstalk]. Yes, go ahead, David.

David: I was just going to say at US Trust, when we have clients that are looking to this kind of brand, we work very closely with CAF America to make sure that those are being vetted properly.

Ted: That's where an excellent synergy between CAF America and all sorts of advisors, and certainly US Trust has been an important partner in that area. I wanted to ask you both, and we'll with David. Wealthy individuals, typically many of them have gotten there by being very smart and creative entrepreneurial, very savvy in what they do.

Having a team with an advisor who, as David said, a backstop of having CAF America to ensure that we follow the three Rs the CAF America always talks about, which is making sure that you have regulatory compliance, removing the risk from the donor and advisor, and making the gifts. Also, David, when you're in that realm of working with ultra-high networth risks reputation protection becomes an important topic when you're doing things outside the US as well.

David: Yes, absolutely. Often times, you're dealing with individuals and they may be higher profile or it's certainly the risk exposure there. It's important that reputational risks be addressed to make sure that the funding and the impact that these clients are looking to achieve is actually being met but being met with risk management in large.

Ted: Eileen, what about these savvy donors, where does all of this bring us as we learn from the study of philanthropic conversation? We have the technical aspect, we have the personal story aspect. What is, again, the topic today, the role of the advisors to bring all these pieces together?

Eileen: The advisors worked with the families wealth and its legacy and how it will go on, and to help them with their philanthropy as well. Donors today want to give money away as smartly as they made it. They're looking for connections to give them answers to global issues, whether it's climate change, or water, or education. They're looking for someone who can connect them to resources on the ground that understand the impact of these programs.

It's really a critical time for advisors to partner with each other that have different levels of expertise to bring a holistic solution to their clients. The answer there need for understanding the impact of their giving is more of an investment for them than it is a handout. They want to know what the social return on investment is. They want to understand that there's been a miserable change, and they're looking to be engaged. We claim the donors today really, you're getting their head, their heart, and their hands because they truly want to understand the

impact of what they're doing, know that that's sustainable and understand the overall performance.

Ted: Terrific. David, I'm going to let you wrap us up since this is the US Trust. Very important study that has been released here. We have about a minute left here on the show. What's the final takeaway?

David: I would just simply say that advisors, more and more are realizing that particularly as the baby boomers look into retirement, and that baby boomers are, of course, known to be change agents, they're not going to go quietly into the night. That really does impact their philanthropy. To Eileen's point, they want to make sure it's been done well. They want to make sure it's integrated properly into their overall wealth management plan. They want it to be looked at as a holistic wealth distribution plan that does include addressing their values through their philanthropy. It's important for advisors to be comfortable with the conversation, to be able to talk about it, to have a network around them that can help deal with the more values-based conversation because I think that's what the clients are looking to achieve. The only way they're going to be able to meet that need is to actually have that conversation.

Ted: David, very well said. That's David Ratcliff, Managing Director and the National National Philanthropic Solutions, sales executive for U.S. Trust, Bank of America Private Wealth Management. Also joining us today, Eileen Wilham, founder of Pinnacle Philanthropy, partners and directors of Philanthropy here at CAF America. I can't thank you both enough for sharing the study with us today, and bringing us up-to-date on how advisors can succeed in helping their donors give internationally.

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