Sylvia Brown

Clients Want To Be Better Donors

Advisors focus too much on the tax angle of philanthropy; there is a differentiating opportunity to help clients measure their charitable impact as well.

Mark Miller | Dec 17, 2018

Sylvia Brown's family have been involved in philanthropy longer than most—about 300 years. She is an 11th-generation member of the Brown family, founders of Brown University and involved in charitable causes since before the Revolutionary War. That history has given Brown some unique insights about the evolution of American charitable giving—and right now she thinks a critical part of the philanthropic sector is at a turning point.

"Donors are just not comfortable with the impact that their giving is having on society," says Brown, who last year published a book about her own family's history in philanthropy, *Grappling with Legacy: Rhode Island's Brown Family and the American Philanthropic Impulse*. "They need better ways to be strategic and efficient in the ways that they donate. They need practical guidance."

Research by UBS bears out her point. It shows that only two out of five wealthy donors are pleased with the impact they are having on society through their giving.

Brown also thinks that financial advisors could play a big role improving the situation. She is developing a curriculum aimed at advisors who recognize the need to help clients be better philanthropists.

“Clients are really craving the opportunity to discuss this with advisers, and advisers know that talking about philanthropy is one of most powerful tools they can use,” she says. “If someone can be trained to know about issues related to philanthropy, like taxes and legal structures, they also can be trained to know about good giving … and how to pick a non-profit where you can make a difference.”

Where is the market opportunity for advisors? Very wealthy donors, who give more than $500,000 annually, typically work with a staff advisor or consultants who advise them on philanthropy. Private banks and wealth advisors also offer philanthropy services at this end of the market. Donors who give less than that—but more than $100,000—can take advantage of groups such as The Philanthropy Workshop, which provides strategic philanthropy education and networking opportunities to donors.

Just as investment services for institutions, endowments and family offices eventually roll down to the retail level, so does philanthropy. Brown believes the exciting opportunity lies in bringing the same kind of strategic advice to donors who give less than $100,000 annually. These mid-level donors account for as much as 70 percent of the estimated $410 billion that individuals gave in 2017, according to GivingUSA. Brown is also developing an online course initially for wealth managers of these clients, targeting donors who give less than $20,000 annually.

Brown’s own career includes 30 years working on international development everywhere from Wall Street to the United Nations High Commissioner for Refugees. Since taking her class at

The Philanthropy Workshop in 2007, she has spent much of the past decade helping donors better understand philanthropy to enhance the impact of their gifts. As the founder of Uplifting Journeys, she takes donors on trips abroad to get them out of their comfort zones; they learn how to pick a cause where small donors can make a real difference, and show how to measure the impact.

Most advisors consider conversations about philanthropy to be an important part of their relationship with clients, and that number is growing, according to research by U.S. Trust and The Philanthropy Initiative. This year 53 percent said the topic is “Very Important,” a 46 percent increase from a previous survey in 2013.

High-net-worth clients also agree that these conversations are important, U.S. Trust found. Thirty percent say the topic is “Very Important,” up from 18 percent in 2013. But the study also found that advisors tend to over-emphasize technical aspects of giving, such as tax issues.

Brown teaches a basic framework that focuses on how to choose a cause and a nonprofit and how to measure the impact of a donation, even a relatively small one.

“Most people give to institutions that often have nothing to do with the causes they care most about,” she says. “Advisors cannot be experts on dozens of issue areas, but they can encourage their clients to do enough background research on their favorite causes to develop some sense of which approaches most resonate with them.”

“Then they can help their clients choose non-profits that are implementing these approaches and guide them in analyzing these non-profits so that the clients can make their final selection—much as they would analyze a company,” she adds. “The process is similar to a client saying, ‘I want to invest in real estate’ and the advisor guiding the client through which aspect of real estate is most promising, then, which companies are successfully engaged in that specialty, and finally, which of these is the most suitable investment.”

Brown also suggests that advisers help clients decide what portion of their philanthropic portfolio should be devoted to active impact investing—she doesn't consider ESG portfolios to be part of that mix—and where on the spectrum of possible impact investments they wish to be. This can range from investing in impact funds to providing seed capital for social entrepreneurs.

Philip Cubeta, who teaches a [curriculum in philanthropy](#) at The American College of Financial Services, agrees that there are "points of dysfunction between advisers and clients" when it comes to charitable impact, but he also throws nonprofits and fundraisers into that mix.

"It's a system that doesn't work as well as it could," he says. "If you ask donors about their hesitation, they will say they fear their gift will be wasted. Or, they say they don't feel an emotional tie to the organization, or that they worry they will be asked for more, and treated like an ATM. These three worlds are not talking with one another."

What do advisors need to do?

"First, give clients credit—they are more interesting than you realize," he says. "Be curious and ask questions—probe for their higher aspirations, rather than just basic needs."

He recommends that advisors ask clients a series of questions aimed at generating more meaningful dialog on giving, including:

- If you had $1 million that you couldn't spend on yourself or your family, where would you give it, and why?
- What is the first memory you have of gift giving? How are you working to teach generosity to your children?
- Do you belong to a faith tradition that believes in taking care of people and healing the world? What does your faith or philosophy tell you about this?

Unlike Brown, Cubeta doesn't think advisors need to become the source of guidance on where to give, as that is usually based on a client's experience.

“People are guided by the communities around them—or the church or synagogue, or to institutions where they have an emotional connection for some other reason.”

BOOK RECOMMENDATIONS

Give Smart: Philanthropy That Gets Results, by Thomas J. Tierney and Joel L. Fleishman.

Inspired Philanthropy: Your Step-by-Step Guide to Creating a Giving Plan and Leaving a Legacy, by Tracy Gary.

Grappling with Legacy: Rhode Island’s Brown Family and the American Philanthropic Impulse, by Sylvia Brown.