



Why Now's an Ideal Time to Talk With Clients About Charitable Giving

Twelve questions to consider and discuss.

[Ken Nopar](#) | Jun 11, 2020

The year 2020 has been unlike any other that we've experienced. Nearly everyone has been personally impacted by the COVID-19 pandemic.

We've seen how others' and our own livelihoods, lifestyles and health have been affected. Charities have been significantly impacted as the needs of the people they help have increased, yet funding has dropped because critical fundraisers have been canceled and the number of donors has dropped. Many charities are expected to close or merge.

Fortunately, many clients have responded to the great need that exists and have made generous donations to charities they've previously supported, as well as to newer grantees that are addressing the needs of those impacted by COVID-19. Some have sent in cash while others have made grants from their donor-advised funds (DAFs) or private foundations (PFs). During March and April alone, the number of grants increased by 40%, the amounts granted increased by 60% at the American Endowment Foundation DAF, and similar numbers were reported by many other DAF sponsors.

Some donors have had to curtail their giving because their businesses and incomes have been impacted, but others who are more fortunate have stepped up and maintained or increased their giving. They've moved up their giving timetable from the end of the year to the spring, accelerated multiyear commitments to the current year and allowed nonprofits to use their project-related grants for badly needed general operating support.

Hopefully many clients consulted their advisors before they made their donations, but in the chaos and rush to send out their support, many didn't. Because the needs of the charities and the desire to continue to give won't decrease in the immediate future, this is an ideal time for advisors to reach out to clients to discuss the best strategies for giving from this point forward.

Fortunately, clients have been very receptive to the charitable advice of their financial, tax and legal advisors because of recent changes made by the 2017 Tax Cuts and Jobs Act, the Setting Every Community Up for Retirement Enhancement Act and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. During challenging times, high-net-worth donors have traditionally continued to support charities, and this year is no exception.

Reach Out to Clients

Advisors should reach out to their clients now to discuss the next wave of giving and whether there may have been missed opportunities. Many of the clients who listened to their advisors previously established and contributed highly appreciated assets to DAF accounts. They're very thankful that they did because they already had ready-to-give assets for periods like this. Many others who didn't follow the advice regret that they didn't and would now be receptive to suggestions and act on their advisors' recommendations, especially now that markets have bounced back.

Each situation is different, and one strategy isn't ideal for every client; however, clients who are charitable want to provide support to needy organizations, and if they can also pay less in taxes, that would be icing on the cake.

Twelve Questions

Questions that can be considered and discussed:

1. How much should clients donate this year? Which highly appreciated assets have retained their value this year and which assets outside the control of the advisor can be donated?
2. Should clients make grants from their DAF account, or does it make sense for them to donate cash directly to charities because the CARES Act temporarily increased the deduction limit to 100% of adjusted gross income? Or should the donor contribute a certain amount to his DAF and more to charities?
3. If a client is concerned that the market will drop again if the economy doesn't recover or there's a second wave of the pandemic in the fall or winter, should the client donate a particular asset now or donate some now and the rest later in the year?

4. Does the client plan to sell a business or other complex asset in the future, and would he be interested in donating some or all of the asset before the sale, thereby saving on taxes and resulting in a larger donation?
5. Are clients frustrated by the expense or complexity of running a PF, and are they interested in decreasing their expenses by replacing the PF with a DAF or opening a DAF to complement their PF?
6. Do clients want to involve others in their families in their charitable activities? Did the death of George Floyd and resulting protests cause children or grandchildren to become involved or interested in providing support to charities that address inequities in society?
7. Should clients bunch their donations and create or fund a DAF or other charitable vehicle? Or should they give directly to charities?
8. With the recent volatility, should the investments in the clients' DAF or PF be adjusted?
9. Though the CARES Act temporarily suspended required minimum distributions from individual retirement accounts, should older clients still make qualified charitable distributions from their IRAs directly to qualified charities because their need is great?
10. Is a client's business succeeding while others aren't? Does he feel that it makes sense for his company to increase the amount that it contributes, or does he want to set up a corporate giving plan or giving vehicle to involve others within the company?
11. Is a client's company struggling but will bounce back soon? Has the client determined that when it does come back, the firm can set up a giving plan?
12. Are any donors struggling with where to give? They may have always supported the same charities, but because this year has been jarring to many, they may feel that it's time to alter course but are unaware of how to pivot. Can the advisors provide or bring in any resources to help?

Changed Perspectives

Many clients have been unsettled by the year's events. While most know that financially they'll be in good shape, their perspectives may have slightly or even significantly changed. The year may have jolted them and made them realize: (1) They can make an impact on charities and those who've been affected; (2) They won't live forever, and they should update their estate plans and discuss with heirs what those plans include; and (3) They should determine what type of legacy they'll leave behind.

By engaging clients in the charitable planning conversation, advisors will demonstrate their interest and concern to their clients. This will enable them to engage their clients' spouses and children, some for the first time, which may lead to continued relationships for many years. Because nearly all clients and their families are donors to varying degrees, this may be the opportunity to cement relationships and allow for an ongoing discussion about a topic of great interest and concern to them.

Ken Nopar is the vice president and senior philanthropic advisor for the American Endowment Foundation donor-advised fund.