

CAP
Chartered Advisor in Philanthropy

**PHILANTHROPIC PLANNING FOR
HIGHEST CAPACITY CLIENTS**

Phil Cubeta, CLU®, ChFC®, MSFS, CAP®
Sallie B. and William B. Wallace Chair in Philanthropy
The American College of Financial Services
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AGENDA

- What high capacity clients want
- Why us?
- Conversation starters
- Meet the Rileys
- Reflections

WHAT CALLS US TO THIS WORK?

You – You personally as a citizen, human being, fundraiser, advisor, donor, client, professor, or board level leader



WHAT HIGH CAPACITY CLIENTS AND DONORS WANT

FROM ADVISORS AND NONPROFIT GIFT PLANNERS

WEALTHY DONOR PERSPECTIVE


- “Donors do not want to feel sold, solicited, handled, or managed” – H. Peter Karoff

We are all equal....

4 schools, total life time giving. Data from Peter Wylie 2013 at Cookdata.wordpress.com

- Top 10% give 96%
- Top 1% give 81%
- Top 10% of the 1% give 61%
- Top 1% of the 1% give 42%

A REVOLUTION IN GIVING

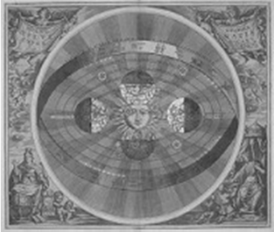


Charles Bronfman and Jeffrey Solomon in *The Art of Giving*, 2010

- "...donors used to support nonprofits to help them achieve their mission. Now we support nonprofits to help *us* achieve *our* personal mission."

COPERNICAN REVOLUTION

"In the realm of nonprofits, it's a transformation as dramatic as the one that Copernicus created in society when he discovered that the sun did not revolve around the earth, but the reverse." *The Art of Giving*




HIGH CAPACITY DONOR PERSPECTIVE

- *I don't have any idea of what all this jargon (major gift, planned gift, ultimate gift) means!*
- *And I don't care.*
- *I am the focus, my family and I, and our vision.*
- *You are one of many causes we support.*
- *Ask me, listen to me, serve me.*

HIGH CAPACITY DONOR PERSPECTIVE

- *How can I use some combination of strategies now, later, at death, and beyond death to get the results I want?*
- *For me? My family? For the nonprofits I care about? And through the nonprofit, for the community?*
- *What makes your organization the best investment of my scarce resources?*

Chris Tall



- C level exec. with Fortune 50 firm
- Age 48, married to a corporate attorney, with children in high school
- Ivy League MBA
- Board member of several nonprofits

HOW BEST APPROACH YOU?

- *“Interesting challenge! I would start by clarifying HOW I would like to interact with a philanthropic advisor. Specifically, that I am looking for someone who could be a mentor and philosophical advisor to me with respect to my philanthropy.”*

HOW BEST APPROACH YOU?

- *“I do not want to be sold products, causes or someone else’s vision of what is important. I also want someone who is interested in learning a bit about my family and loved ones so they can better understand what I want for them and what I worry about. Finally, I want someone who could help me to translate what I’d like to accomplish into specific causes or organizations that might share my vision.”*

WHY US?

LESSONS FROM THE RESEARCH

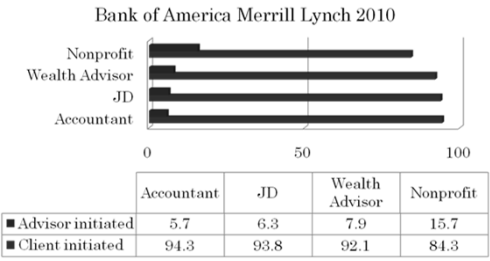
WHOM DO THEY CONSULT?

Source of Advice	Percentage
Bank Staff	12.1
CF Staff	18.1
Peers	19.8
Nonprofit	24.1
Financial Advisor	38.8
JD	40.8
Accountant	67.5

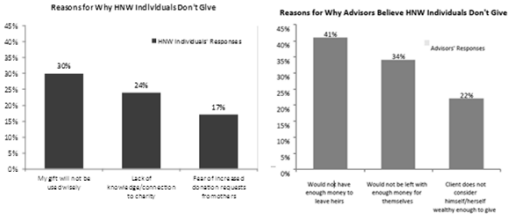
■ Source of advice on giving sought by donors with investable assets of \$3 mil or more

Bank of America Merrill Lynch Study, Created with Indiana University, 2010

WHO INITIATES?



INHIBITORS TO GIVING



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SATISFIED WITH ADVISORS?

Only 21% of the wealthy say, Yes

- Overwhelmingly, donors reported it is *they* who typically raise the philanthropic question.
- Many donors say saving taxes is important, but they are weary of the "tax lead."
- 50% + say advisor did not discuss personal or social values, or help them develop a philanthropic mission.

Bank of America Study, 2008 and The Philanthropic Initiative, 1999-2003

CONVERSATION STARTERS


THE PLANNING HORIZON

Why?

How?

Adapted from Scott and Todd Fithian, *The Right Side of the Table*

MICHAEL SHAUGHNESSY



- What kind of person do you want to be?
- In what kind of world?

Teaches ethics at St. Ignatius College Prep School in San Francisco

CHARITABLE PHILOSOPHY



▪ Do you recognize any element of luck, blessing, or grace in your success?

- Via Steenhuisen, "Philanthropy Planning," 2012 National Conference of PPP

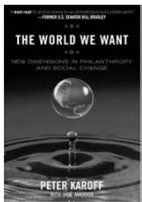
OBLIGATIONS UNMET



▪ Do have any obligations you have not yet fulfilled?

H. King McGlaughon, JD, M.Div., Former Wallace Chair in Philanthropy at the American College, CEO Foundation Source

THE WORLD WE WANT





H. Peter Karoff, MFA
Founder of The Philanthropic Initiative

PETER'S QUESTIONS

- What is your vision of a better world?
- What conditions are needed to realize it?
- What are the obstacles?
- What parts of the vision are realistic and what ideas, strategies and plans can make it so?

INSPIRED PHILANTHROPY

TRACY GARY'S QUESTIONS


- What would you like to change or preserve in the world?
- Has past giving reflected your hopes?
- What are the causes behind the issues?
- What might change the situation?
- Who joins you in this work?
- How will you experiment and revise?

ROCKEFELLER PHILANTHROPY ADVISORS

- Why are you giving?
- What do you want to achieve?
- How do you think change will happen?
- How will you assess progress?
- Who will join you?

- “Your Philanthropic Roadmap”


CONVERSATION STARTERS



- If your family had a crest what would be the motto?
- What keeps you awake at night?

Joe Breitenicher,
The late President
of TPI


ESSENTIAL QUESTIONS



- “What principles have guided your legacy planning to date?”
- “What are you up against with your children?”
- “How wealthy do you want your children to be?”

Charles Collier,
M. Div. Senior
Philanthropic
Consultant, Harvard

CONVERSATION STARTERS




- Jill, when you were younger, were there things you wanted to accomplish in life that you have not yet done?
- How might you get back to that while you still have time?

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RABBI MORDECHAI LIEBLING

- Your last will and testament is your final teaching.
- What do you want it to say?



CONVERSATION STARTERS

- Beyond self and family, is there anything else in the world on which you would like to have a positive impact?

WHAT IS ON THEIR MINDS?

- What is the business without me?
- What am I without the business?
- Who will run it when I exit?
- Who could ever run it as well as I do?
- Where will I go every day?
- What will we do with our time?

From Hausner and Freeman, *The Legacy Family: The Definitive Guide to Creating a Successful Multi-Generational Family*, 2009

MORE QUESTIONS OWNERS ASK

- What will we get?
- How much do we need for ourselves?
- How much is enough for children?
- How much is too much?
- How can we have an impact on society?
- How can we reduce taxes in favor of children or philanthropy?
- “Is that all there is....?” Peggy Lee

NON-LINEAR NARRATIVES

Tell me...

Past Present Future

TRANSITIONING TO PLANNING

	2016	2017	2018	2019	2020	2021	2022	2023	Death

Dollars Dates Proper Names

Plus Decorative Text


TRANSITIONING TO PLANNING

- Where do you want to have an impact?
- When?
- With how much? (Time, talent, treasure)
- With what assets?
- Through what tools?
- Through what organization?
- Via what program or project?
- With that expected results?
- How managed, by whom?

MEET THE RILEYS

1/19/2016


ACKNOWLEDGEMENT



Founder of
Wealth Design
Consultants

- Case created with Dave Holaday, ChFC®, CAP®
- For more than 28 years David Holaday has provided consulting services in the areas of tax, charitable & wealth transfer planning. <http://www.wdcplan.com/>

J.D. AND MARY RILEY



J.D. and Mary

- 70 and 69
- Several children (40-48) and grandchildren

ASSETS AND INCOME
<ul style="list-style-type: none"> ▪ Own S Corp “Ulrastone” ▪ No basis, worth \$18 mil ▪ Net worth is about \$21 mil ▪ Their after tax spending is \$240,000 a year ▪ Plus about \$40,000 for family gifts and \$50,000 for life insurance premiums ▪ Charitable giving of about \$30,000 a year

TRADITIONAL PLANNING GOALS
<ul style="list-style-type: none"> ▪ Be financially secure. ▪ Sell the business in 1 to 3 years. ▪ “We do not want to transfer the business to Garrett.” ▪ Reduce income tax on the sale of the business. ▪ Minimize estate tax.

GOALS
<ul style="list-style-type: none"> ▪ “We feel that giving is a responsibility. We want to develop a strategy to accelerate and facilitate the philanthropic motivations of our children and grandchildren.”

DISTRIBUTION GOALS

- “Asked how we would like to divide our estate we said:
 - 75% to family, 25% to charity and 0% to taxes.”

WHOSE DONORS ARE THEY?

- House of Worship
 - \$5,000 annually
- His under grad
 - \$5,000 annually
- Her Undergrad
 - \$5,000 annually
- Save our Children
 - \$10,000
- Plus 20 other charities
 - \$10,000
- Total
 - \$30,000

1/19/2016

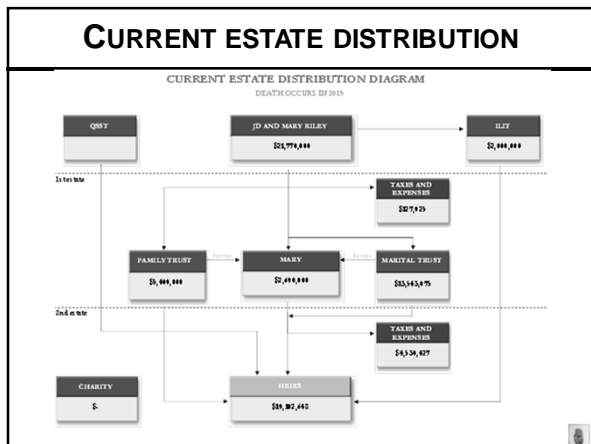
GIVING PHILOSOPHY

- Give while living.
- Be “hands on” with the charity
- Set example for children.
- Get specific impact.
- Where possible maintain control.
- Do something more for Save our Children and our House of Worship. But....they are so fragile....

GARTH BROOKS

- “A wave of unwelcome publicity has engulfed a nonprofit hospital in Yukon, Okla., hometown of the country music singer Garth Brooks, after a jury last month ordered it to return a \$500,000 gift from the star—and pay him another \$500,000 in damages.”
 - *Chronicle of Philanthropy*, Holly Hall, “Hospital Loses to Garth Brooks in Lawsuit Over \$500,000 Donation,” Feb.6., 2012

OVERVIEW OF EXISTING PLANNING



INCOME TAX

- Sell S-Corp for \$18 million
- Pay \$3.6 million in capital gains tax

REFLECTIONS?

OUR SEATS AT THE TABLE?

Trusts and Estates Attorney
CPA
Financial planner

Business valuation expert?

Community Foundation?

Trusted Advisor?
Counselor?
Catalyst?

Via Scott and Todd Fithian, *The Right Side of the Table: Where do you Sit in the Minds of the Affluent?*

Inspire?
Give Expert Advice?
Sell? Solicit?

A BETTER LIFE IN A BETTER WORLD

	Past	Present	Future
Self	Schools House of worship Values Ultrastone	Sell business efficiently Consider charitable tools Begin giving and learning to give effectively	Build our legacy Involve children And grandchildren
Family	Parents Children Grandchildren	Communicate plans and ideals Get them involved	Heirs run the philanthropy, or CF carries it on
Community	What we received	Our growing engagement	The amazing impact we will have

LIKELY RESULTS FOR ADVISORS

- Planning fees for business exit
- Fees for revised estate plan
- Fees for revised retirement analysis
- Fees for any tools needed
- Fees for business valuation
- \$18 million of new money under management
- Insurance to replace gifted assets?

HIGHEST HOPE



"New Orleans, Louisiana montage" by Infrogmation via Wikipedia
