

Top Ten Charitable Trends Every Advisor Should Know in 2018

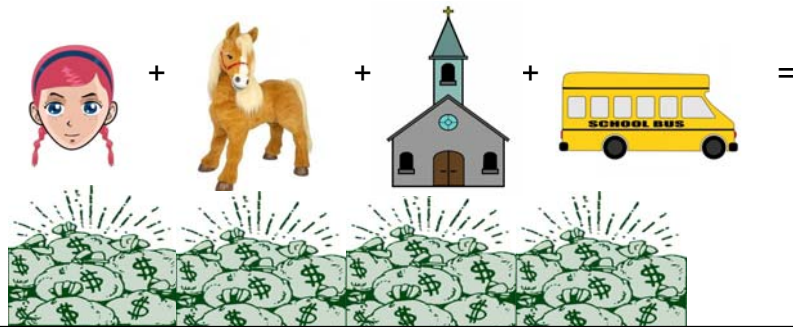
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Agenda

- 1. Philanthropy Is Alive and Well – Kind of No Matter What!**
- 2. Demographic Trends are Your Best Friend or Worst Enemy**
- 3. Competition is Everywhere!**
- 4. Advisor Collaboration is Not Everywhere... Yet!**
- 5. Harnessing the Power of Non-Tech Language and Social Norms**
- 6. The Giving Pledge is Resonating with the Millionaires Next Door**
- 7. The Wealth Transfers Death is Greatly Exaggerated and Taxes are Even Less Important than Before**
- 8. Large Charitable Gift Annuities are Smokin' Hot**
- 9. Charitable Planning Under the New Tax Act: Noncash Assets, QCD/IRA Gifts, Bunching and Deferred Life Income**
- 10. Professional Advisors are Driving the Bus... But Not Well**

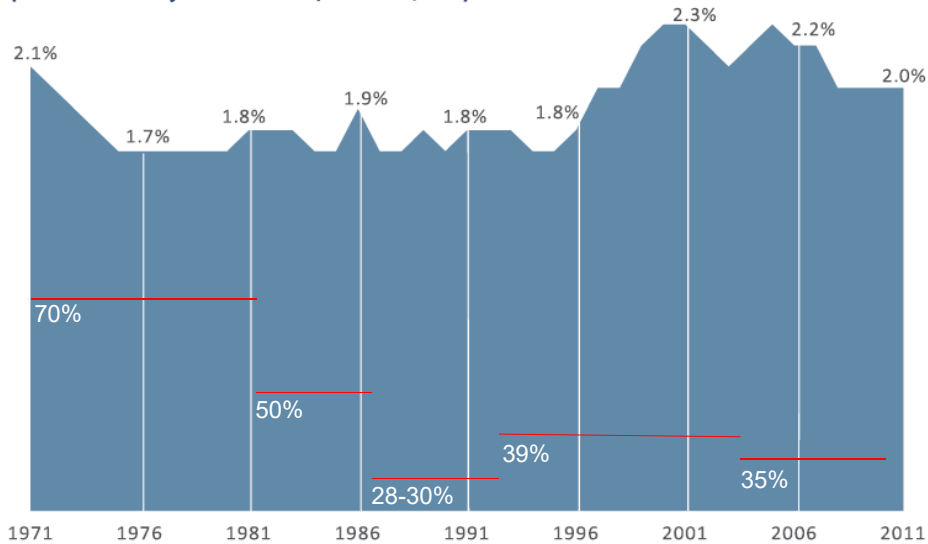
Trend #1 – Philanthropy Is Alive and Well – Kind of No Matter What!

- People see need now more than ever and are responding with different assets and to different causes (Giving USA reported total charitable giving fell 5-6% in depths of recession from 2007 levels)
- If conspicuous consumption is charity's only competitor, good times may be ahead!



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Total giving as a percentage of Gross Domestic Product, 1971–2011
(in inflation-adjusted dollars, 2011 = \$100)



- From 1956-1972, charitable giving was consistently at 2% or higher of GDP –
Source 2012 Giving USA Report

Trend #2 – Demographic Trends are Your Best Friend or Worst Enemy

- Americans 85 and older represent fastest growing age group
- Women are controlling...
 or will control an unprecedented level of wealth!
- Depression-Era – Very trusting, give discretionary gifts, traditional institutions
- Boomers – More controlling, want more information to make giving decisions, engaged from a distance
- Gen X and Y – Must be engaged first, heavy personal involvement, love grass roots and social change orgs, social networks drive connections and giving

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Trend #3 – Competition is Everywhere!

- There are currently 1.3 million charities, 125-150 new orgs formed every single day
- Major trends of Philanthropic/Endowment departments of financial institutions (professional advisors now create over 65% of all charitable gifts), the rise of community foundations, the rise of national donor advised funds, the rise of issue-based charities, and the fall of United Ways
- Development plans almost universally focusing on high net worth, major gift donors (one university received 90% of campaign from 6% of donors)
- Competition forcing differentiation to survive, find “sweet spot” for optimal relevance, and more creative and flexible structures, policies and approaches

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Trend #4 – Advisor Collaboration/Initiation is Not Everywhere... Yet!

- 2004 CapGemini World Wealth – **72% of high-net-worth valued team-based, holistic, integrated planning**
- 2012 Bank of America study of \$3 million+ clients said **90% expected to discuss philanthropy with their advisors within the first several meetings – and 34% want it to be discussed at the first meeting**
- 2010 Fidelity survey of 500+ financial advisors shows **48% of advisors are not proactively addressing charitable planning**

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Trend #5 – Harnessing the Power of Non-Technical Language and Social Norms

Formal terms lower charitable interest

2014 Survey, 1,246 Respondents, Groups D/E

Interested
Now

23%

Make a gift to charity in my will

Will Never
Be
Interested

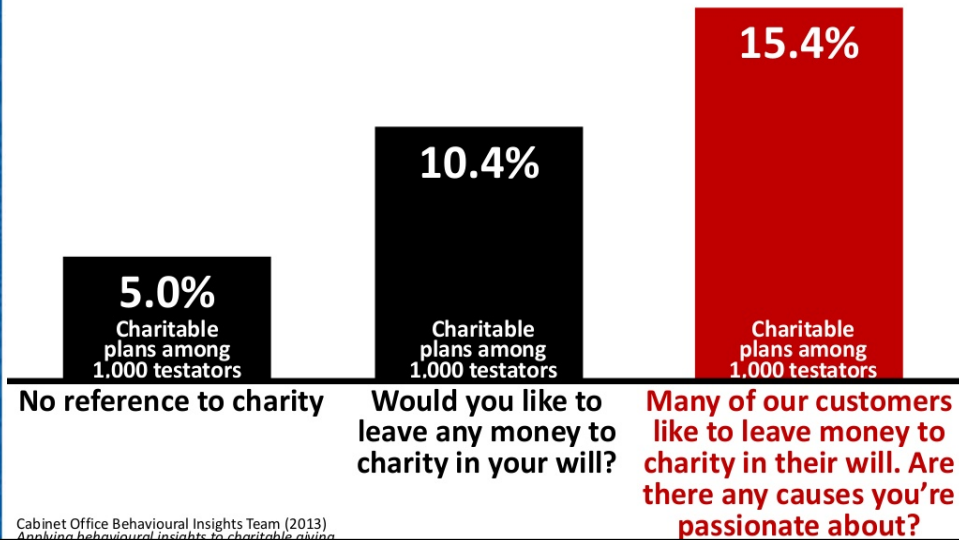
12%

12% Make a **bequest** gift to charity **14%**

Russell James, Ph.D., CFP – Texas Tech

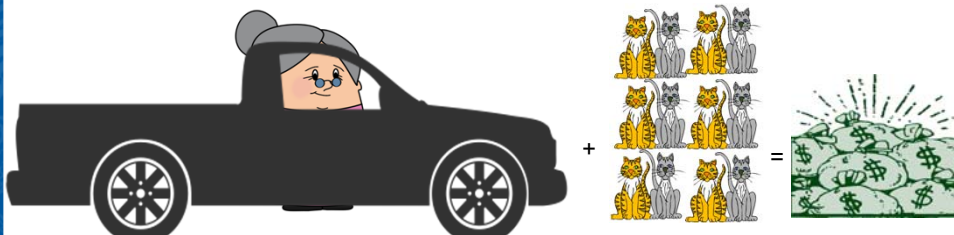
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Charitable bequests are influenced by a simple social example



Trend #6 – The Giving Pledge is Resonating with Millionaires Next Door

- Baby Boomers are transitioning out of businesses and are focused on legacy/values planning more than ever before
- “How Much is Enough for Kids?” and then, what do we do with the rest?
- Buffett, Gates and Pickens are creating a new wealth conversation and the millionaires next door are the ones really listening



Trend #7 – The Wealth Transfer's Death is Greatly Exaggerated and Taxes Matter Even Less Than Before!

- The 1999 Havens/Schervish study on wealth transfer estimated \$10 Trillion would transfer by 2020 and another \$31 Trillion would transfer over the next 30 years with a 2% asset growth rate (by 2052) – it is back-loaded
- Interestingly, 7 of the top 10 gifts nationally were bequests in 2016
- The estate tax conversation has been replaced with the income and capital gains tax triggering and values conversation

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Trend #8 – Large Charitable Gift Annuities are Smokin' Hot

- Estimated \$10-15 Billion in CGAs issued by 4,000 Charities
- Average Age 78
- Average Gift \$60,000 (Doubled Since 1999 – Many Huge CGAs!)
- Most Popular Form of Life-Income Gift
- CRTs are finally coming back again as well and more CLTs have been created in the last few years than ever before (but is it still a small number of huge ones)

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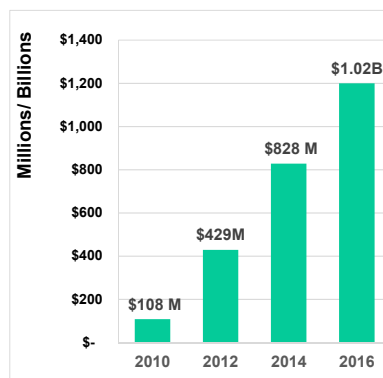
Trend #9 – Tax Planning Under the New Tax Act Opportunity #1: Don't Touch Cash – Donate Non-Cash Assets!

- Non-cash market – real estate, closely held stock, weird assets, is estimated to be 4-6 times entire stock market
- Non-cash gifts are accelerating to reduce lifestyle, maximize tax benefits and retain liquidity
- Largest non-cash donations in history have been made in last two years
- Cash **BAD**, everything else **GOOD** – donate long-term capital gain property with lowest adjusted cost basis

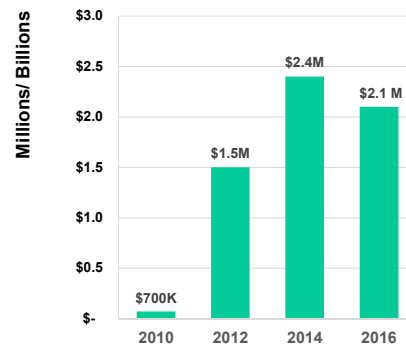
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Non-cash gifts have more than doubled in contributions and size to only three charities!

Non-cash gift contributions



Average value (size) of non-cash gifts



Source: Charitable Solutions, LLC 2018 based on 2016 990 data

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Opportunity #2: Life Insurance and IRA Gifts

- Estate Planning Impact
- Life Insurance Impact
- IRA (Qualified Charitable Distribution) Impact

IRA Case Study

- 72 Year-Old Female with \$250,000 IRA and \$250,000 in Cash/Stocks
1. Qualified Charitable Distribution Benefits/RMD
 2. Charitable Beneficiary Benefits

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Opportunity #3: Donor Advised Fund Donation Bunching

- Impact of Pease Deduction Limitations/Phase-Out Repeal
- Impact of Standard Deduction Increase on Itemizers
- Donor Advised Funds Ideal for Donation Bunching and Tax Optimization

2016 Donor Advised Fund Facts

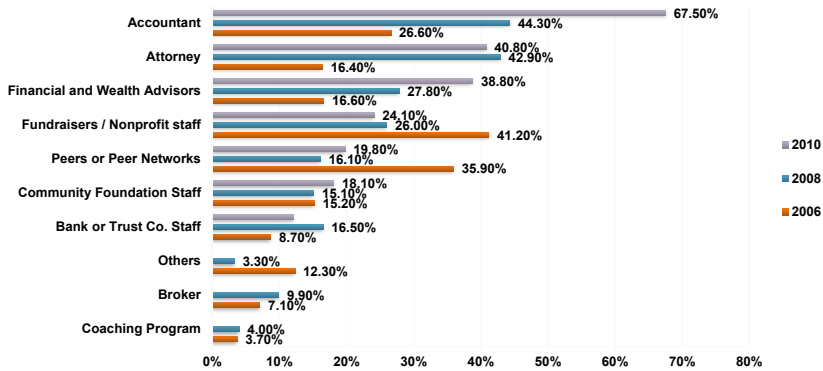
- 284,965 DAFs
- \$85 Billion in Assets
- \$23 Billion in New Contributions
- \$15 Billion in Grants
- Average Fund Size \$298,809

2017 NPT Donor Advised Fund Report

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Trend #10 – Professional Advisors are Driving the Bus – But Not Well!

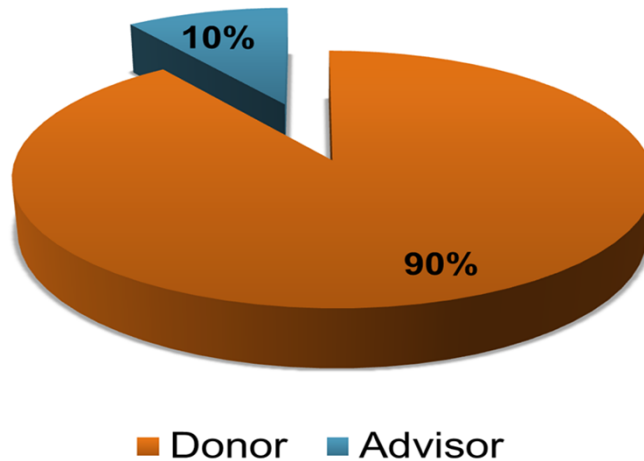
HIGH NET WORTH HOUSEHOLDS CHARITABLE GIVING DECISIONS BY TYPE OF PERSON CONSULTED (%)



The following slides were developed from data derived from "The 2016 Study of High Net Worth Philanthropy" Sponsored by Bank of America and researched and written by The Center on Philanthropy at Indiana University

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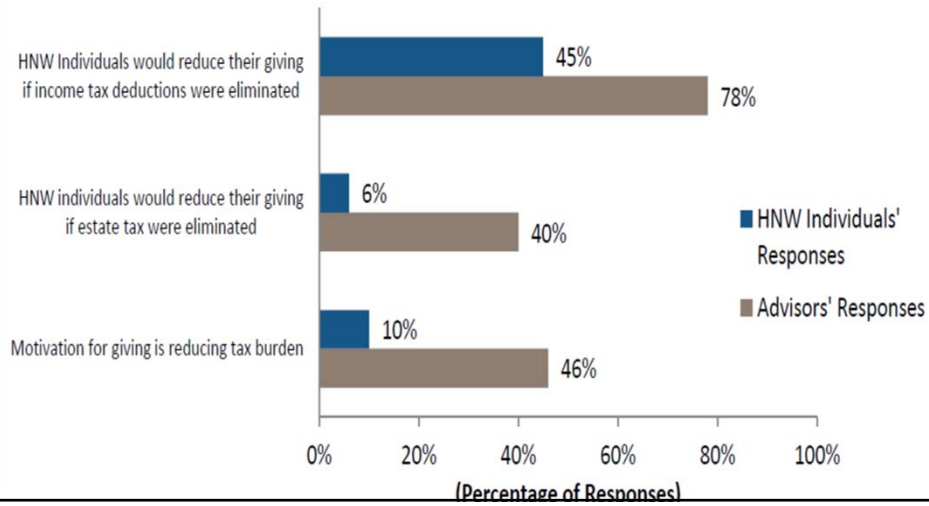
Who Initiated the Philanthropic Conversation?



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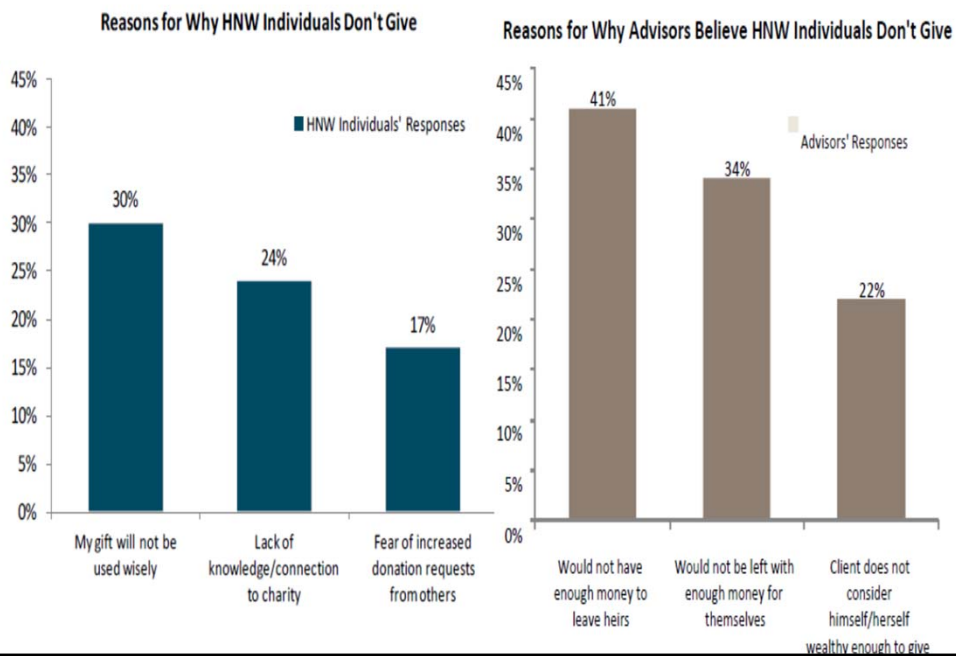
Key Findings: U.S. Trust Study of the Philanthropic Conversation: Oct. 2013

Chart 3: Tax Benefits as a Motivation for Giving: Less Important than Advisors Think



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Chart 4: Inhibiting Factors of HNW Giving: Advisors Perceptions Not Always on the Mark



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