Perspectives on Philanthropy - Part 2

In Part 1 of our series, we discussed one of the most important questions in planning for philanthropy, “How much can I give?” Using our Wealth Assurance Report,™ Brightworth advisors help clients determine their long-term sustainable capacity for spending and giving. This provides our clients the freedom to make educated decisions on their lifestyle and philanthropic endeavors. In Part 2, we look at how the world of giving is changing, and explore the question “How, and in what manner, should I give?” as donors are increasingly focused on making the maximum impact.

According to a 2010 survey of high net worth giving, 72 percent of high net worth individuals said they gave when they believed their gift would make a difference.¹ This could mean several things, such as social, cultural or political change, improving the quality of life for one person, fighting disease or hunger, etc. Regardless, many donors today want to see results from their giving.

Next, in the United States we currently have tax incentives that may encourage taxpayers to make gifts to charity. In recent years, several bills have been introduced in Congress to limit the itemized deductions of wealthier Americans. Some charities are beginning to encourage their donors to accelerate their giving in anticipation of decreased revenue in later years if personal tax benefits are less favorable. Understanding your financial ability to give and what tools to use is key to deciding whether and how you should accelerate your giving strategy.

Another way that donors are ensuring impact is by getting their hands dirty. Volunteerism is on the rise. This is a win-win situation as getting involved with the actual work of a charitable organization has a galvanizing effect with the donor, leading to increased giving. The study of high net worth givers found that those who volunteered more than 200 hours a year gave 51 percent more than those who volunteered less. Donors are using their unique gifts and talents to make a difference and change lives.

When a very successful friend of mine retired several years ago, he envisioned day after day of playing golf and living the good life. He had been a financial supporter of several charities through the years and would continue to do so. One day he was asked to accompany members of our church’s mission team to Botswana to look into a new partnership with a local church in fighting the AIDS epidemic. He went on the trip and his retirement plans changed. Now he is invested — financially, emotionally and physically — in fighting this dreaded disease, working closely with the local church and government leaders in Botswana. He still plays golf, but his passion has changed. This is just one example of how philanthropy can and does benefit donors personally, and the trend of sharing this impact with others is on the rise.

Finally, charitable organizations are being viewed, more and more, as businesses with charitable “investment” opportunities. The same survey noted that among the top
characteristics givers look for in a charity are sound business practices, appropriate overhead costs, and full financial disclosure and transparency. Many donors are using their business acumen to assist charities in these areas by serving on their boards, helping them to become more effective and efficient.

This is an exciting time in the world of philanthropy. Donors are looking for maximum impact and efficiency in their contributions and causes. They are using their wealth, their talents and their passion to “get the job done” while holding organizations accountable for their stewardship of resources and the accomplishment of their mission along the way. On the surface, many of these trends reflect a need for control among donors. However, by transferring the focus of a portion of their wealth from themselves to others, many are redefining the views of retirement, success and purpose.

¹2010 Bank of America Merrill Lynch Study of High Net Worth Philanthropy.

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cjordan

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Income Tax Planning [2]
Philanthropy [3]
Read More [4]


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