

# THE PHILANTHROPIC CONVERSATION:

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EXECUTIVE SUMMARY –

Understanding Financial Advisors' Approaches and  
High Net Worth Individuals' Perspectives

OCTOBER 2014



# PARTNERS

The following partners collaborated on this research project in order to explore the nature of the philanthropic conversation in Canada and assess the opportunity for Canadian financial advisors to lead philanthropic discussions with their high net worth clients.

## BMO Harris Private Banking

Backed by the stability and resources of BMO Financial Group, professionals at BMO Harris Private Banking are responsible for the successful management of wealth by providing expert advice and high personalized services in banking, investment management, wealth planning, estate, trust, succession planning, business transition and philanthropic services - all in a coordinated approach.



## Canadian Association of Gift Planners (CAGP)

CAGP is a national nonprofit organization whose mission is to champion the growth and development of strategic charitable gift planning in Canada. We are the only professional association that enables fundraisers and professional advisors to collaborate and network. Our 1200 members are engaged through 23 local RoundTable chapters and include lawyers, estate and financial planners, accountants, tax specialists, fundraisers and senior charitable leaders.



## GIV3

The GIV3 Foundation operates a public awareness campaign with a mission to encourage more Canadians to be more giving through philanthropy, volunteering and inspiring others. GIV3 managed and executed this research study in partnership with CAGP, PFC and BMO. For any questions about this research please contact [lys@giv3.ca](mailto:lys@giv3.ca).



## Philanthropic Foundations Canada (PFC)

Philanthropic Foundations Canada (PFC) is a national member association of grantmaking foundations, charitable organizations and corporate giving programs. Established in 1999, PFC numbers over 120 members. PFC promotes the growth and development of effective and responsible foundations and organized philanthropy in Canada through provision of membership services, resources and advocacy.





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# **BACKGROUND & OBJECTIVES**



# BACKGROUND

In late 2013, US Trust and The Philanthropic Initiative published American research which revealed:

- Many High Net Worth Individuals (HNWIs) would appreciate and value the advice of their financial advisor (FA) in helping them reach their philanthropic aspirations. Such philanthropic conversations are seldom taking place.
- When the philanthropic conversations do take place, FAs most often focus on the technical and tax aspects of giving, while HNWIs prefer to discuss their values and passions regarding giving.
- Contrary to the FAs' perceptions, HNWIs would like to have a philanthropic conversation in the beginning stages of their relationship with their advisors.
- Such philanthropic discussions would likely improve the client-advisor relationship, and strengthen future business opportunities for professionals.

Anecdotal evidence has suggested that the situation in Canada is rather similar. BMO, CAGP, GIV3 and PFC, set out to explore the philanthropic conversation in Canada and assess the opportunity for Canadian financial advisors to lead philanthropic discussions with their HNW clients.



# OBJECTIVES

To assess the level of potential for Canadian financial advisors to lead philanthropic discussions with their high net worth clients.

To assess the following key parameters in greater depth:

- ✓ HNWI giving behaviour, motivations and barriers to giving
- ✓ Incidence and nature of philanthropic discussions between FAs and their HNW clients
- ✓ Barriers to having such conversations
- ✓ Benefits of philanthropic discussions to FAs and their HNW clients
- ✓ FA and HNWI knowledge about philanthropy and interest in learning more



# METHODOLOGY



## Survey

In September 2014 two quantitative online surveys were conducted through Ipsos Canada among financial advisors and HNWI's.



## Sample

- 1. Financial Advisors:** A random sample of 258 financial advisors recruited from across the country<sup>1</sup> in partnership with a national membership association. FAs were screened to include only those who work with HNWI clients with investable assets greater than \$1MM.
- 2. HNWI's:** A random sample of 178 HNWI's recruited by Ipsos from a pan-Canadian online panel. Respondents were screened to include only those with investable assets greater than \$1MM.

## Weighting

The HNWI sample was weighted to match the expected representation of wealthy individuals in the overall Canadian population. The FA sample was not weighted as there is no known expected representation for FAs.

1. Note, despite best efforts, we were unable to recruit a significant sample of FAs serving the province of Quebec due to a low response rate.





# EXECUTIVE SUMMARY



# EXECUTIVE SUMMARY – The Big Picture

The vast majority of High Net Worth Individuals are already philanthropic, though there is room for improvement in the levels of giving. Financial advisors have the potential to have deep and meaningful discussions with their HNWI clients on the topic of charitable giving. However, the incidence of such conversations is low. HNWIs that have had philanthropic conversations with their FAs, have found them useful and highly satisfying.

**FAs should feel confident initiating philanthropic discussions because their clients are already givers. When approached correctly, these conversations will be useful, satisfying and help deepen the impact of HNWIs' philanthropic giving.**

HNWI donors are motivated mainly by emotional considerations such as their desire to impact the community and their passion for a cause. They are also interested in ensuring that their gifts are used wisely.

**FAs should take a balanced approach to the philanthropic conversation, with an emphasis on their clients' personal motivations, values and desire to make a difference, in addition to technical considerations and tax implications. It is valuable for them to know the basics about how to review charities to help clients make wise choices.**

HNWIs are comfortable discussing philanthropy early in the relationship and, when they have such conversations, they agree that it strengthens their relationship with their FA.

**FAs should feel comfortable raising the philanthropic discussion early in the relationship. They will likely improve their relationship and business if they bring a balanced discussion with a focus on the interests and concerns of HNWI individuals (making an impact, expressing their values, wise use of donations).**



# EXECUTIVE SUMMARY – The Big Picture

## HNWI GIVING BEHAVIOUR, GIVING MOTIVATIONS & HESITATIONS

- ❖ Virtually all HNWI are donating to charity, however there is an opportunity to engage these individuals at a higher level regarding the impact of their giving and the amounts they are giving.
- ❖ HNWI donations are motivated by a desire to impact the community, to give back and passion for a cause. Contrary to FAs' perceptions, tax reduction is not a primary motivation for charitable giving.
- ❖ The biggest hesitations to charitable giving are fear that gifts will not be used wisely and fear of an increase in donation requests. Very few HNWIs say they don't have enough money for themselves or their heirs, while some FAs believe that HNWIs hesitate to give because they lack money for their heirs or themselves.

## DISCUSSIONS ON PHILANTHROPY BETWEEN HNWI & FAs

- ❖ HNWIs that have philanthropic conversations with their FA find them useful and highly satisfying, and many agree it helps to strengthen their relationship with their FA, however these philanthropic conversations are seldom taking place.
- ❖ Financial Advisors (FAs) feel it is important and appropriate to raise the discussion of philanthropy with their HNWI clients and most report that they are having these conversations with many of their clients. The apparent disconnect between HNWI and FA perceptions may be related to the depth of these philanthropic conversations; the majority of HNWIs say that their philanthropic conversations were basic and light in nature (not deep, meaningful discussions).
- ❖ HNWIs are interested in discussing their giving values (making a difference, giving back, personal passions) in addition to discussing more technical issues, such as tax reduction and tactical tax planning. HNWIs have a good level of understanding about charitable giving. This implies that the discussions should be balanced, with a focus on how to plan giving as a reflection of the HNWIs' values. To HNWIs philanthropy is about much more than just tax reduction!
- ❖ HNWIs feel it is relevant to have philanthropic discussions with a FA earlier in the relationship than what FAs tell us. The majority of HNWI individuals are comfortable discussing philanthropy early in the relationship.



# EXECUTIVE SUMMARY – The Big Picture

## **BENEFITS OF PHILANTHROPIC DISCUSSIONS**

- ❖ FAs strongly believe that discussing philanthropy with HNW clients is good for business and helps strengthen relationships. This matches the opinions of HNWIs when they have had such conversations, who also agree that it strengthens their relationships.
- ❖ FAs are focused on client tax reduction as an attractive theme for philanthropic discussions, however they also recognize that a more comprehensive, holistic approach and better client insights is good for business. FAs would likely benefit most by exploring clients' philanthropic interests and desires to impact their communities, consistent with HNWI giving motivations.

## **LEARNING MORE ABOUT PHILANTHROPY**

- ❖ Both FAs and HNWIs say they would benefit from getting more information about philanthropy.

For questions or comments regarding this research please contact [lys@giv3.ca](mailto:lys@giv3.ca)