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How to Maximize the Impact of Your Philanthropic Giving

High-net-worth investors and families most often engage in philanthropy or charitable giving for moral reasons. Thirty-four percent of advisors say clients feel a duty to make the world a better place, and 32% cite an ethical obligation to repay the people and institutions that contributed to their success, according to the Key Private Bank Advisor Poll on philanthropy.

Still, philanthropic investments have a significant role in overall wealth and legacy planning. More than one-quarter (27%) of advisors say clients are interested in tax benefits resulting from charitable giving. Nearly one-third (31%) cite aging clients looking to put their estates in order as the top trigger for philanthropic giving. Yet, when it comes to philanthropy planning, the biggest mistake advisors see clients make is failing to factor it into an overall estate and legacy plan.

Here is a checklist of the five core topics to cover when considering how to put charitable giving strategies to work for familial wealth.

☐ Develop a family philanthropic mission

Start philanthropy planning with a cross-generational family conversation on giving goals.

Nearly one-third (29%) of advisors say the most difficult part of philanthropy is defining a mission for giving, and another 20% say that communicating philanthropy desires to family members is the hardest part. This points to family financial conversations around charitable missions and interests as a critical component of philanthropy planning.

Key Private Bank's Advisor Poll on philanthropy surveyed more than 120 client-facing advisors, exploring wealth advisors' experiences working with high-net-worth clients on philanthropic investing strategies and execution. The 17-question poll, fielded between June 11, 2019 and July 18, 2019, examined donating habits, generational differences, the value of philanthropy in family financial planning, and measuring the impact of donations.

☐ Research causes and perform due dilligence

Once a family philanthropic mission has been established, remember to research potential causes and organizations thoroughly to ensure values and goals are aligned.

Two-thirds (65%) of advisors say "hardly any" or "none" of their clients use online tools like GuideStar, CharityWatch, and Charity Navigator to perform due diligence and vet potential philanthropic donations before giving, highlighting the need for families to better understand the organizations they want to support. Some advisors even recommend that clients get personally involved with charitable causes.

☐ Understand differences in giving approaches

Before choosing a giving approach, understand the fundamental differences between each and how they may impact your family's finances — immediately and in the future.

For example, certain types of donations can be claimed as tax-deductible expenses, but new deduction limitations introduced in the Tax Cuts and Jobs Act (TCJA) may impact high-net-worth investors' ability to do so. The TCJA was passed under the first Trump administration, and most of its provisions affecting donations continue in effect until midnight on December 31, 2025. What happens depends on future legislation.

But with the limitations enacted in 2017, nearly half (46%) of advisors say they see some high-net-worth clients choosing to donate in large lump sums (i.e., "bunching") in light of the tax changes, allowing them to itemize in their giving years to get the deduction and take the standard deduction in other years.

☐ Examine giving vehicles and strategies

As new types of charitable giving vehicles emerge — such as crowdfunding and peer-to-peer giving via social networks — consider which philanthropy strategies support overall family financial goals.

Advisors say clients are split in their philanthropic giving strategies, based on what works best with their financial plans — 49% of advisors say they see more high-net-worth investors directing one-time gifts to organizations; 47% say they see more clients establishing donor-advised funds.

☐ Measure the impact of donations

Philanthropy doesn't end after a charitable donation has been provided. Consider ways of staying connected with causes to track the long-term impact of gifts.

The most difficult part of philanthropic donation is measuring the impact of giving, reported 43% of advisors. That may be why high-net-worth families prefer to give to causes that hit close to home, with 71% of advisors saying clients are more likely to donate to a local cause within their communities, compared to just 2% of advisors who say clients primarily donate to national charities without a specific geographic focus.

For more information, please contact your advisor.

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