Playbook: Helping clients organize their giving through a donor-advised fund

Your clients will arrive in 15 minutes. You're reviewing the file. Everything is in order. The estate planning documents are up to date, you're ready to share the latest investment results, and you are prepared to debrief the 2021 tax season and make tax planning recommendations for the remainder of this year. It sounds pretty typical up to this point, right?

As you continue to scroll through the materials, you see the names of several charitable organizations that your clients have supported every year for at least a decade. Ah ha! This is an opportunity to add even more value to your clients. Easy for a busy advisor to overlook, charitable giving habits are actually an important window into helping a client make planning decisions around their philanthropic intentions.

Here's a simple playbook to guide you through a client conversation to begin establishing a charitable giving plan using a donor-advised fund at the community foundation.

–Call your clients' attention to their charitable giving history. They might not even be aware of how much they are giving or how long they've been supporting their favorite charities.

–Gather more information about why the clients support those particular causes. Family tradition? Past involvement as a beneficiary of an organization's services? Desire to impact a particular area of need?

–Talk with your clients about their community involvement. Do they serve on any boards of directors? Do they volunteer at local organizations?

–Review any charitable giving provisions in the current will or trust. Are the clients leaving a bequest to favorite charities?

–Ask your clients if they've ever considered organizing their giving through a donor-advised fund. If they are not familiar with donor-advised funds, perhaps offer a quick primer, and certainly offer to introduce the client to a member of the community foundation team.

–Briefly mention that a donor-advised fund can be an effective alternative to a private foundation, thanks to fewer expenses to establish and maintain, maximum tax benefits (higher AGI limitations and fair market valuation for contributing hard-to-value assets), no excise taxes, and confidentiality (including the ability to grant anonymously to charities).

–Also mention that a donor-advised fund at the community foundation is frequently a more effective choice than a donor-advised fund offered through a brokerage firm (such as Fidelity or Schwab). That's because, at a community foundation, the donor is part of a community of giving and has opportunities to collaborate with other donors who share similar interests. In addition, the donor is supported in strategic grant making, family philanthropy, and opportunities to gain deep knowledge about local issues and nonprofits making a difference.