Turmoil in banking and technology: Optimism for charitable giving?

And, the wild ride continues! It's been three years since the Covid-19 pandemic swept the globe and wreaked wide-ranging havoc on so many areas of the economy. Then came inflation, rising interest rates, and a volatile stock market. Now, in early 2023, advisors and clients are also dealing with concerns about the health of the banking system in the wake of Silicon Valley Bank's collapse.

Your philanthropic clients may seek your advice on how the recent events in the banking world could impact their approach this year to charitable giving. We're sharing three factors to keep in mind as you counsel charitable individuals and families.

The outlook is chilly for tech startups and the venture capital firms who fund them.

"It feels like winter is here," according to tech sector leadership. When tech was hot and it sometimes appeared that many start ups could do no wrong, you might have noticed an uptick in conversations with entrepreneurs and venture capital clients about planning for pre-IPO gifts of closely-held stock of a tech company or even investing in tech companies using philanthropic assets. Right now, though, opportunities like this may be rare. A silver lining may emerge, however. As both the failure of Silicon Valley Bank and the overall tech sector malaise shake out, what may emerge is a "more sustainable and streamlined asset class," which, in turn, could lead to more stable future opportunities for your clients to make gifts of highly-appreciated closely-held shares.

Nonprofit organizations should closely examine their reserve funds.

A nonprofit's accounts at a bank are subject to the same FDIC rules as a for-profit company, with a few additional twists that could allow a nonprofit to diversify. Many of your clients who serve on the boards of directors of their favorite nonprofits are well aware of this and may be working with fellow directors and nonprofits' executives to ensure that the money is safe. This is an excellent time for any nonprofit to review its reserve funds and consider whether establishing a fund at the community foundation might be a wise move to maximize a nonprofit's financial position–whether through a rainy day reserve fund, an endowment, or both–to ensure that the organization can meet community needs for the long term. A fund at the community foundation can be a cost-effective option for a nonprofit to access investment options that might not otherwise be available. Furthermore, the community foundation is committed to helping an organization exercise outstanding stewardship of its funds, including honoring donor intent.

Focus on the positive effects of technology on philanthropy.

Indeed, the softening of the tech sector may very well negatively impact tech stocks (and bank stocks!), at least in the short term, and therefore could diminish enthusiasm for your clients to transfer those assets to their donor-advised or other funds at the community foundation. That said, there is plenty of evidence to suggest that technology itself is increasing the opportunity and efficiency of charitable giving overall. In addition, even in the midst of an industry downturn, tech companies have made many people very wealthy, and their charitable giving stories are likely just beginning to be told. If your client base includes tech entrepreneurs and executives, it's most certainly appropriate (and likely expected) that you would include charitable giving in your conversations.

As always, the community foundation is here to help. Contact our team anytime to discuss your clients' options for meeting their charitable giving goals, even in today's challenging economic climate.