

THE PHILANTHROPIC CONVERSATION:

DETAILED REPORT –

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 highly 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.



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 country¹ 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.

KNOWLEDGE ABOUT PHILANTHROPY & LEARNING MORE

- ❖ HNWIs are knowledgeable about philanthropy, though they do say they can benefit from more information.
- ❖ FAs claim a lower level of knowledge than HNWIs, and are most informed about the benefits of donating equities. There is certainly an opportunity for more educational training to increase advisors' technical knowledge and comfort level.
- ❖ Most FAs state an interest in getting more advice, tips and support in discussing philanthropic issues with their HNW clients. There would likely be great benefit from training on how to have a meaningful conversation about philanthropic values and passions.



IV.

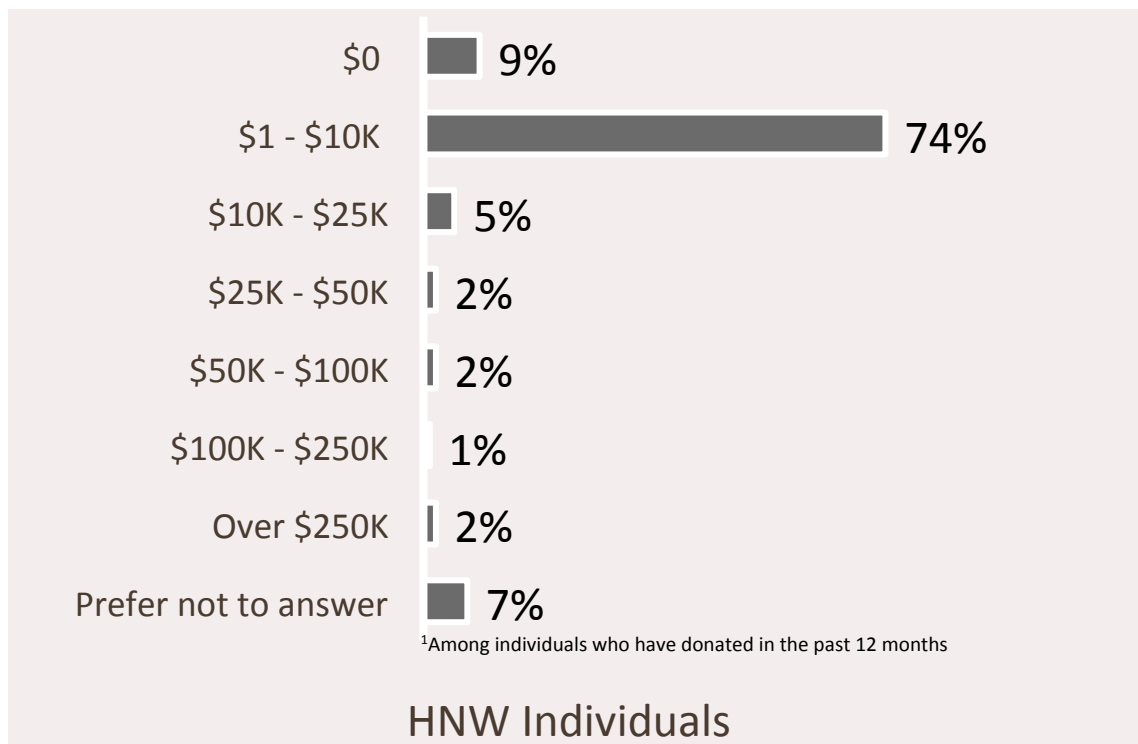
HNWI GIVING BEHAVIOUR, GIVING MOTIVATIONS & HESITATIONS



The vast majority of HNWI's have made donations in the past year

- Although 91% of HNWI's are donors, more than 8 in 10 report that their total donations are under \$10,000, representing less than 1% of investable/available assets.
- This exposes an opportunity for increasing donations among HNWI's for the benefit of our communities.

Total Amount Donated in Past 12 Months¹

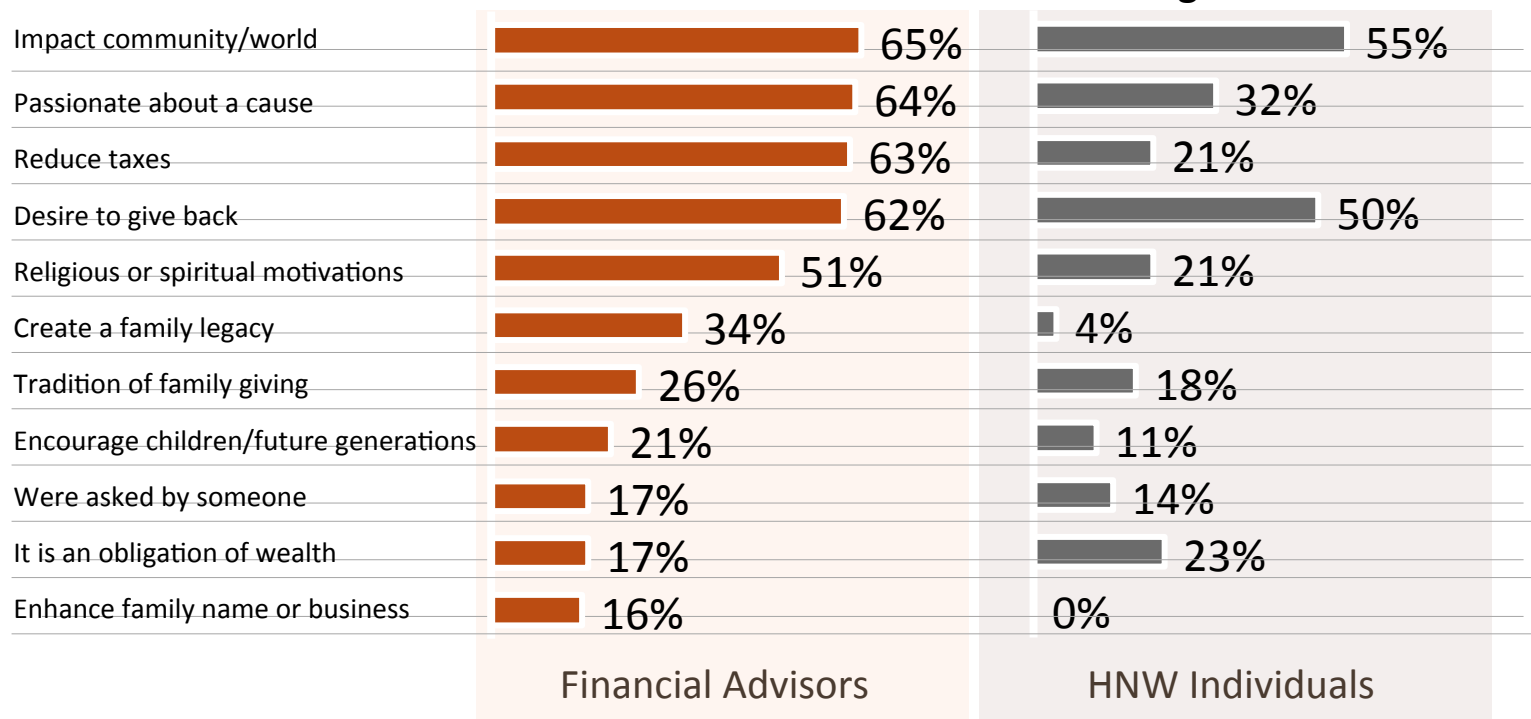




HNWIs are motivated by a desire to impact their community, to give back and their passion for a cause

- Reducing taxes is not a strong giving motivator, contrary to FAs' perceptions.
- Philanthropy means significantly more than tax reduction to HNWIs. Philanthropic conversations should focus on the impact, passion and emotions that are most important motivations for these donors. Focus on these key motivators will likely enhance the satisfaction that HNWIs experience from the philanthropic conversation.

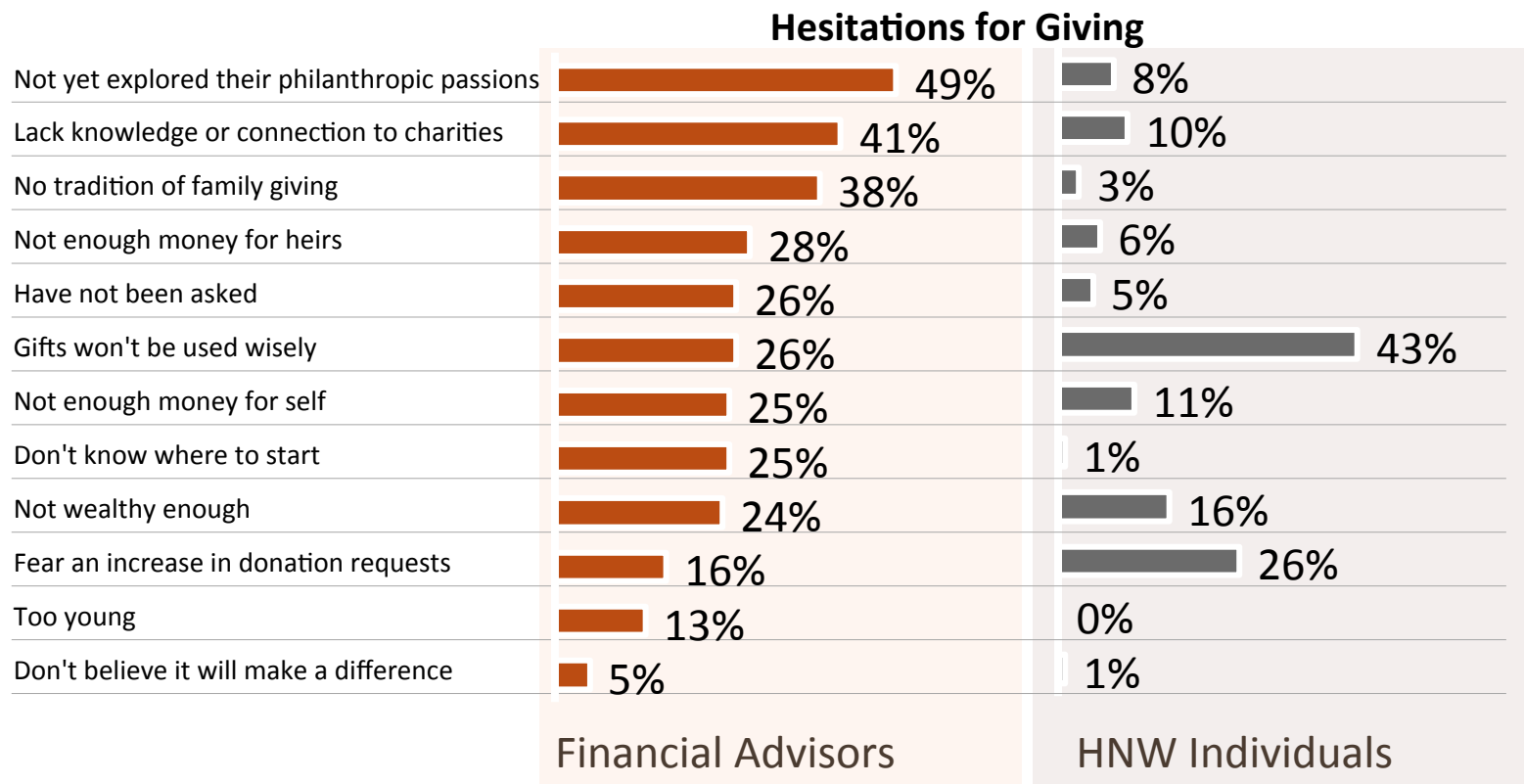
Motivations for Giving





HNWIs are sensitive to the possibility that their gifts will not be used wisely and fear an increase in donation requests

- FAs perceptions of HNWI hesitations do not match with actual HNWI stated concerns.
- Advisors may find it helpful to acknowledge and explore HNWIs' concerns in the course of a philanthropic conversation. FAs can offer a meaningful service to their clients by helping with how to select charitable causes wisely, and managing how to deal with future solicitations.

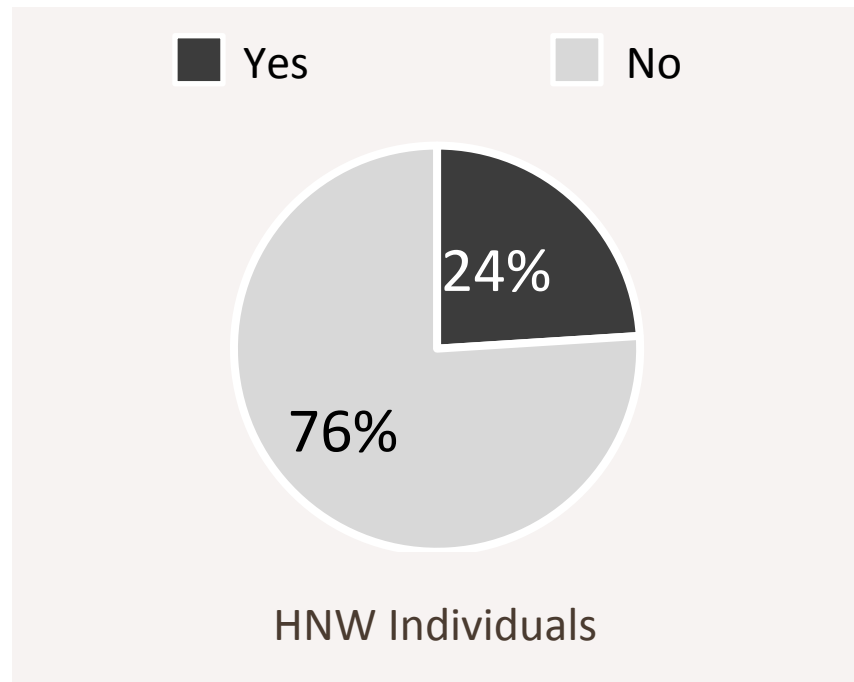




Few HNWI have philanthropic instructions in their will

- Less than a quarter of HNWI have made specific philanthropic plans in their wills, again exposing a major opportunity for FAs to add value and create impact.

Philanthropic Instructions in Will, Wealth Transfer Plans





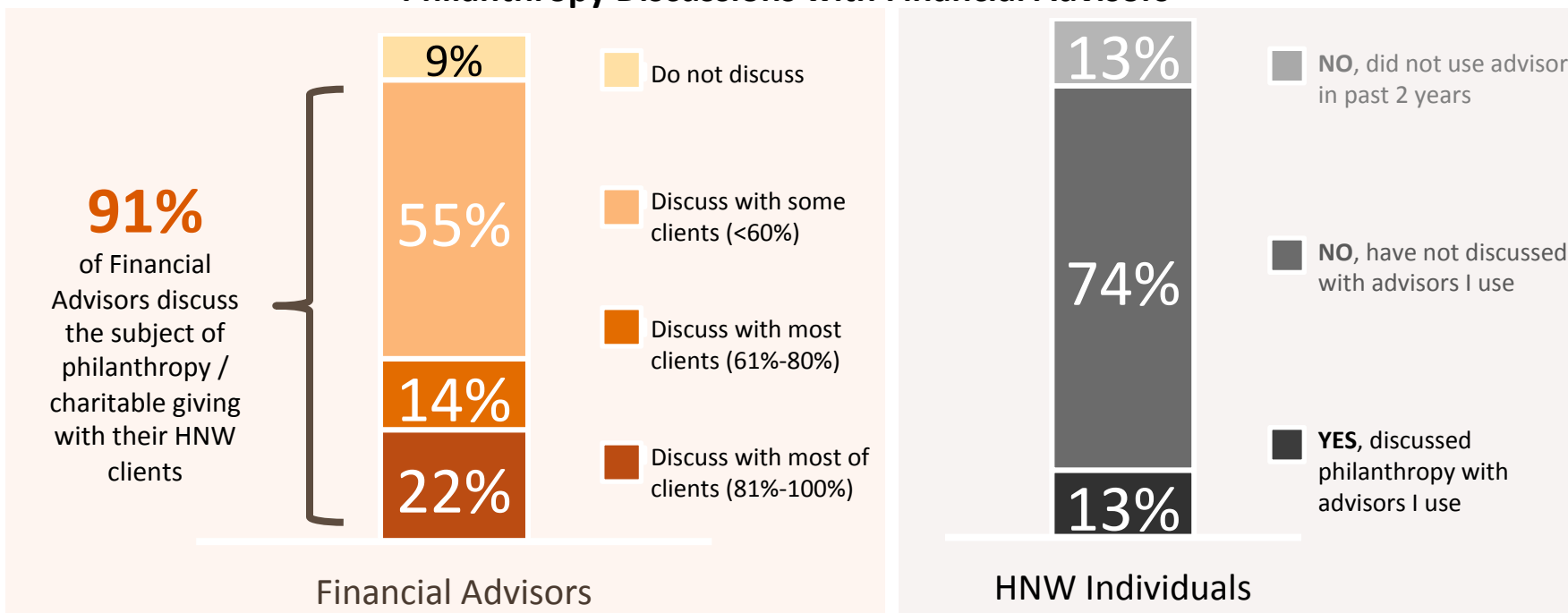
**DISCUSSIONS ON
PHILANTHROPY BETWEEN
HNWIs and FAs**



Most FAs report they discuss philanthropy with their HNW clients, however very few HNW clients say they are having these conversations

- There is a large disconnect in the perceptions of FAs (91%) compared to HNWIs (13%) about the philanthropic conversation. Perhaps this stems from differing perceptions of the words “discuss” and “conversation”.

Philanthropy Discussions with Financial Advisors



BASE: TOTAL FINANCIAL ADVISORS

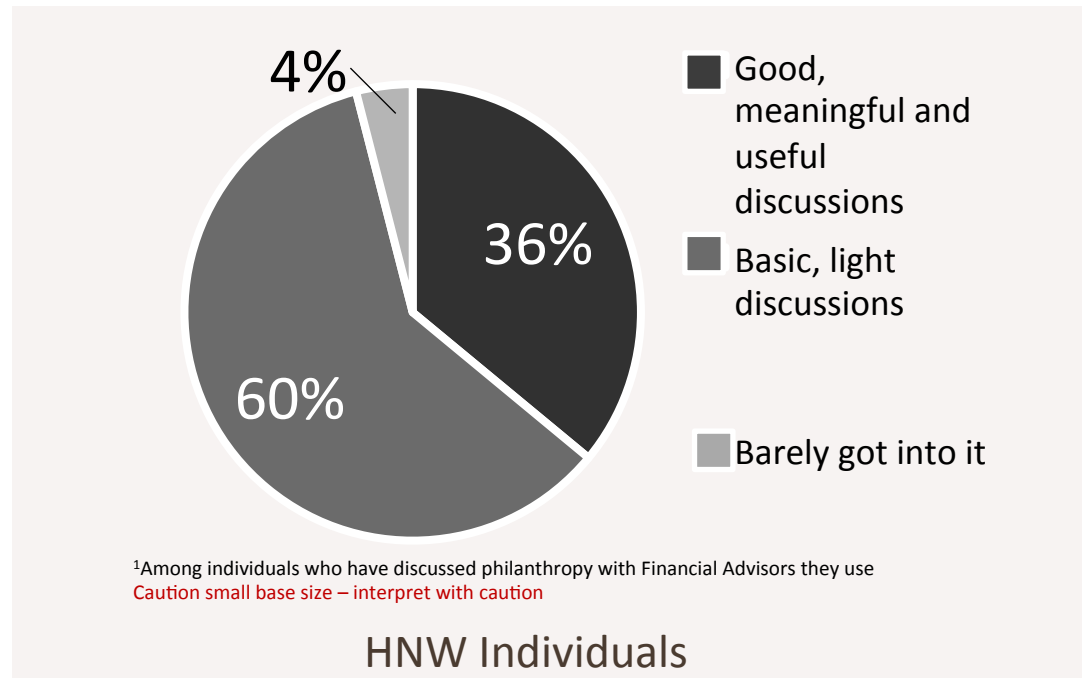
BASE: TOTAL HNW INDIVIDUALS



Most discussions about philanthropy take place at a basic, light level

- Among the small group that have discussed philanthropy with a FA, less than half experienced a good, meaningful discussion.
- This is consistent with the idea that HNWI's report not having these conversations. The implication is that the conversation is not meaningful enough to be memorable (or to be considered a conversation).

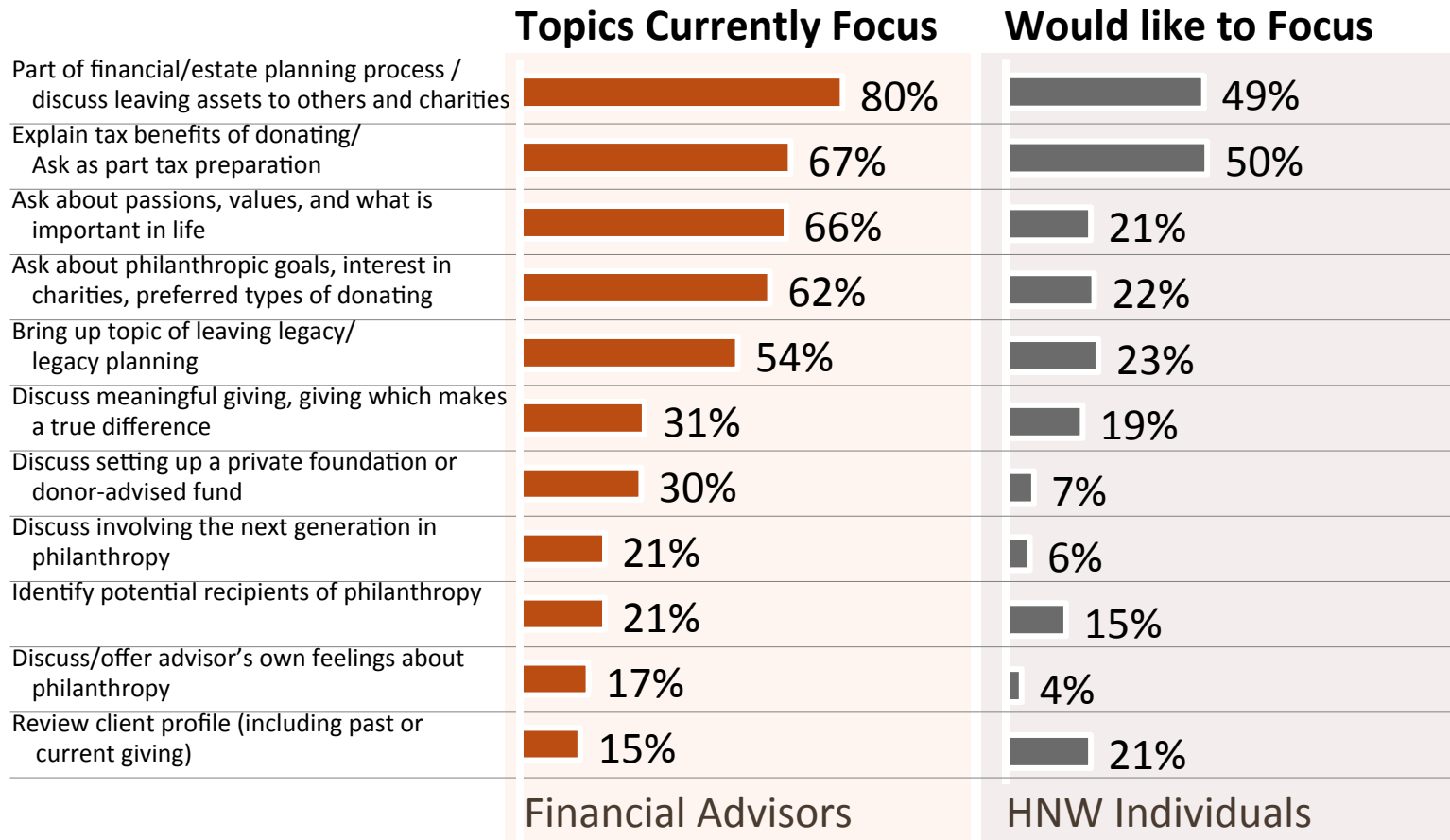
Depth of Discussion of Philanthropy with Financial Advisors¹





Top topics to discuss are wealth transfer to others and charities

- Tax benefits are important but other topics of interest to HNWIs touch on the importance of values and emotions in addition to the technical aspects of philanthropy.



BASE: FINANCIAL ADVISORS who have discussed philanthropy or charitable giving with HNW clients

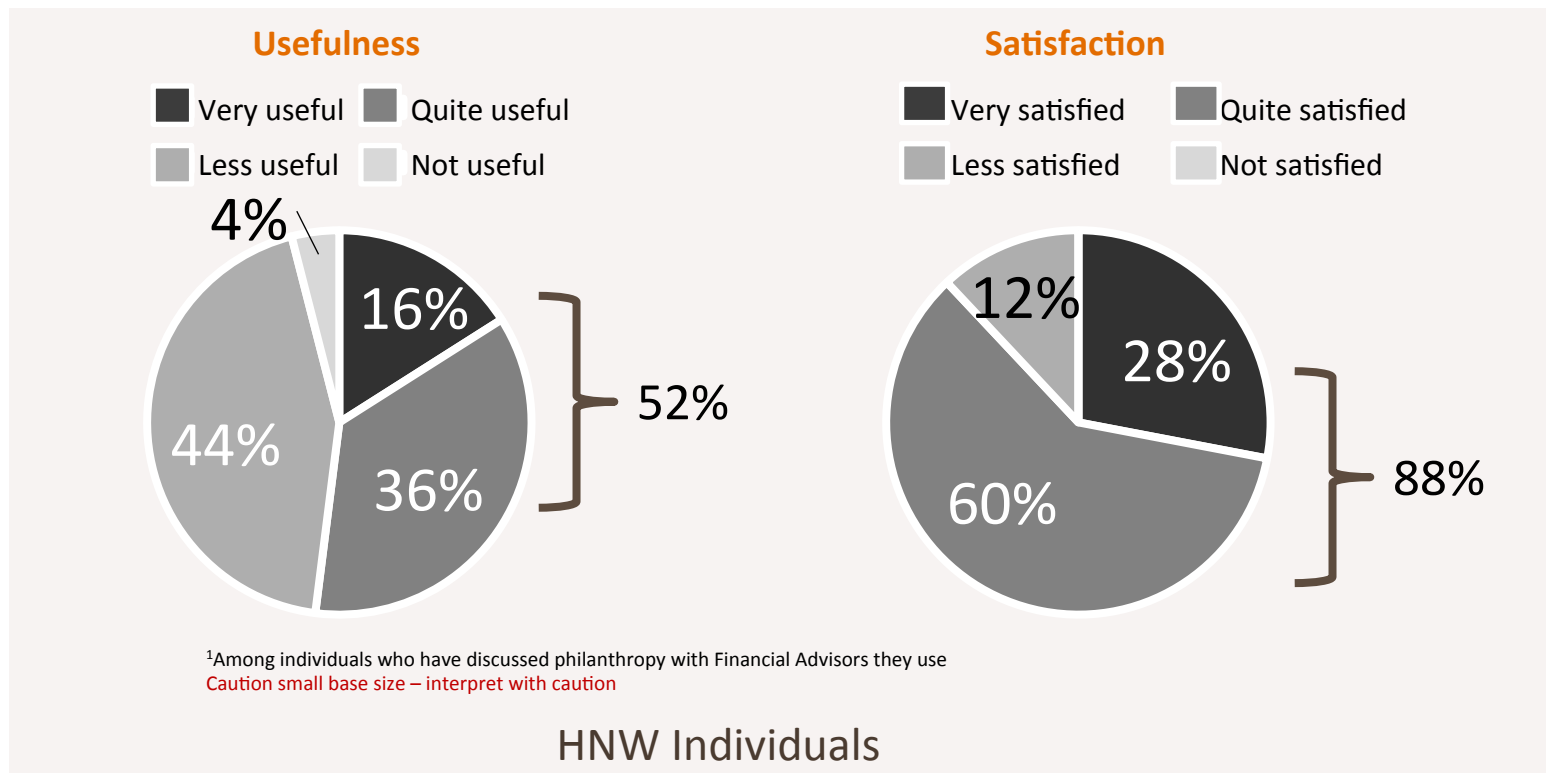
BASE: HNW INDIVIDUALS who said they could benefit "Very much" or "Somewhat" from information, better understanding and/or having questions answered



HNWIs find philanthropic conversations useful and are highly satisfied

- Among the HNWIs who had such conversations, more than half found the conversations useful and 88% were satisfied with the help they received regarding their charitable giving.
- The challenge is not as much in satisfying client expectations, but rather lies in how to increase the incidence and **depth** of these philanthropic conversations.

Philanthropy Discussions with Financial Advisors¹

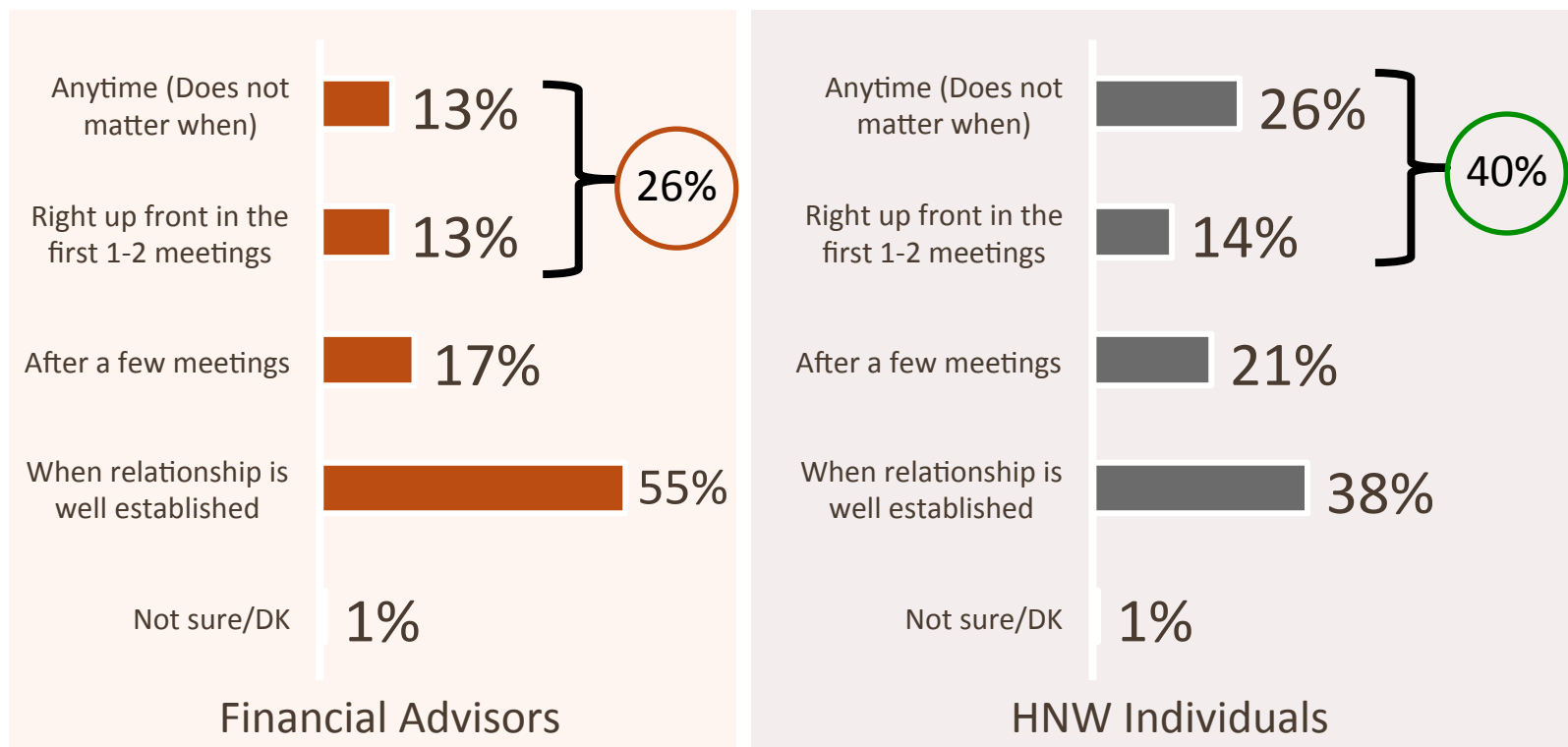




HNWIs are ready to have philanthropic conversations at an early stage in the relationship

- In contrast, FAs have more of a tendency to delay the conversation until the relationship is well established. The implication is that FAs should feel comfortable raising the topic earlier than they think.

Timing of Philanthropy Discussions



BASE: FINANCIAL ADVISORS who answered "Very appropriate" or "Quite appropriate"
BASE: HNWI INDIVIDUALS who answered "Very appropriate" or "Quite appropriate"



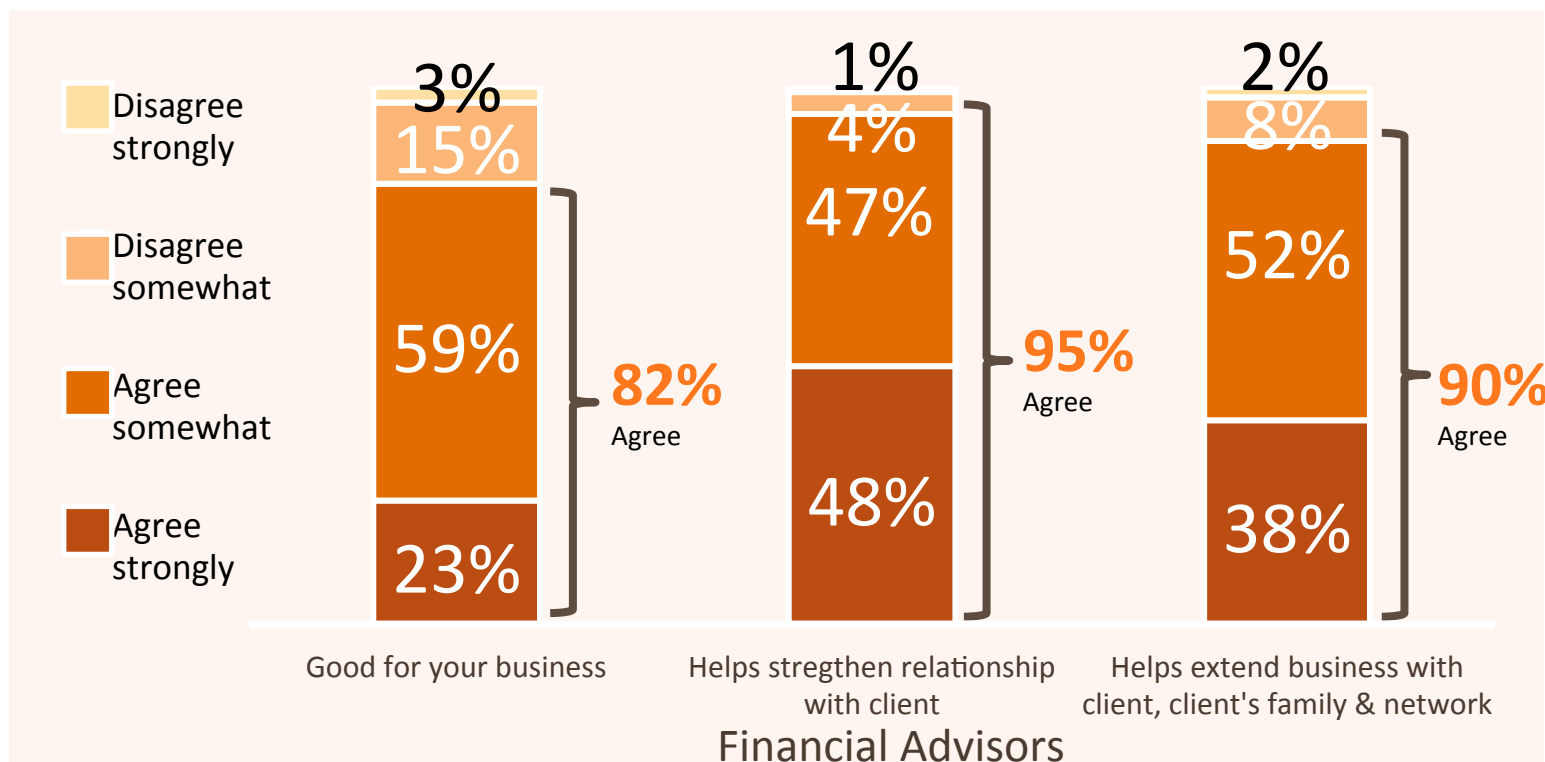
BENEFITS OF PHILANTHROPIC DISCUSSIONS



FAs strongly believe that discussing philanthropy with HNW clients is good for business and helps strengthen relationships

- FAs see the value in having the philanthropic conversation, particularly as a way to strengthen the relationship and extend their business.

Philanthropy Discussions Impact on Financial Advisors' Business





FAs are highly focused on client tax reduction as a good business practice

- Based on motivations of HNWI, tax reduction is not the area of focus that will most enhance their business.
- FAs recognize that a more comprehensive, holistic approach and better client insights is good for business. They would likely benefit more by exploring clients' philanthropic interests and desires to impact their communities, consistent with HNWI giving motivations.

Reasons Why Discussing Philanthropy with Clients is Good for Business¹

NOTE: 82% of FAs agree that discussing philanthropy is good business

Help client reduce taxes and protect their wealth	84%
More comprehensive/complete/holistic approach	82%
Leads to better insights/helps serve clients	74%
Increases your credibility/your reputation	63%
Shows my personal interest in clients	54%
Good for our image/we're not all about money	54%
Shows philanthropy is important to me	46%
Learn about other assets your client has (e.g. at other organizations)/ manage more assets	34%
Good for networking/connect with organizations	28%

¹Among advisors who "Agree strongly" or "Agree somewhat" that discussing philanthropic issues with HNWI clients is good for your business

Financial Advisors



Some FAs feel that philanthropy is a threat to their assets under management and therefore not good for business

- Taking a more proactive approach may in fact help FAs to connect with their HNWI clients and extend their business over the longer term.

Reasons Why Discussing Philanthropy with Clients is NOT Good for Business¹

NOTE: only 18% of FAs indicate that discussing philanthropy is not good business

Decreases assets under management	33%
Feel it is a private matter	12%
Clients not interested in charity	12%
Avoid conflict of interest or pressure	9%

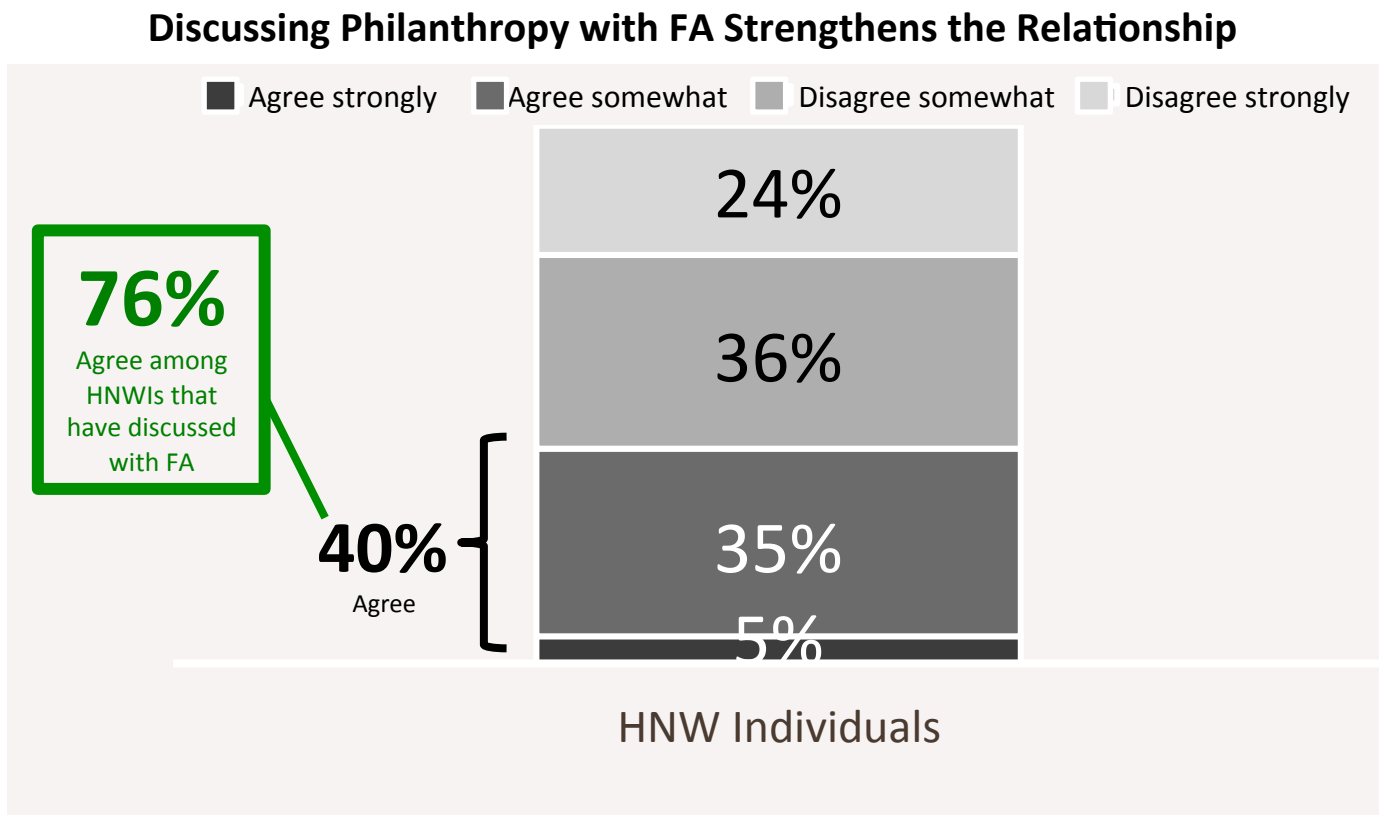
¹Among advisors who “Disagree somewhat” or “Disagree strongly” that discussing philanthropic issues with HNWI clients is good for your business

Financial Advisors



HNWIs that have had philanthropic discussions with FAs agree that it strengthens the relationship

- This is consistent with the view of FAs, who feel that embarking on philanthropic discussions can enhance the client relationship.



BASE: TOTAL HNW INDIVIDUALS



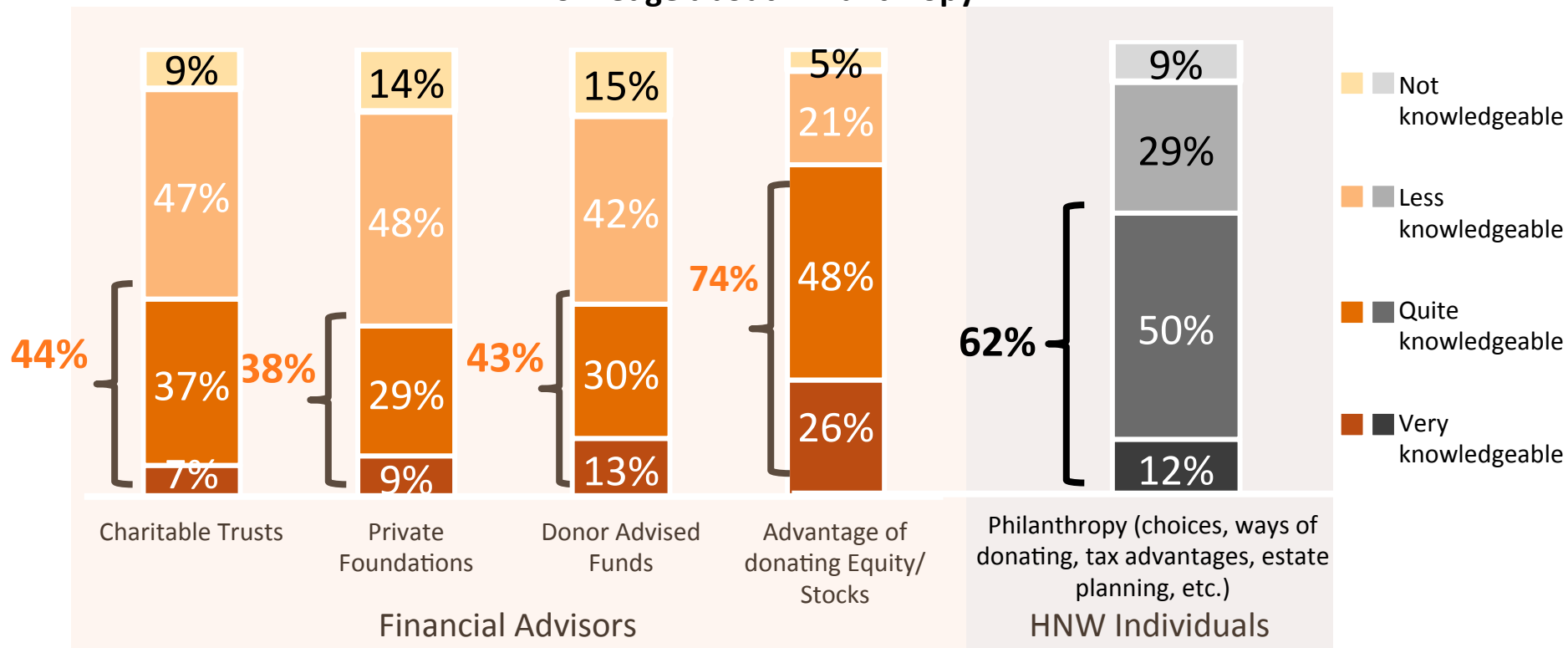
**KNOWLEDGE ABOUT
PHILANTHROPY &
LEARNING MORE**



HNWIs are highly knowledgeable about philanthropy

- FAs report a mixed level of knowledge about charitable giving, feeling the most informed about the benefits of donating equities.
- This implies an opportunity for more educational training to increase advisors' technical knowledge and comfort level. There would also be benefits from training on how to have a meaningful conversation about philanthropic values and passions, and how to help clients wisely select charitable causes.

Knowledge about Philanthropy



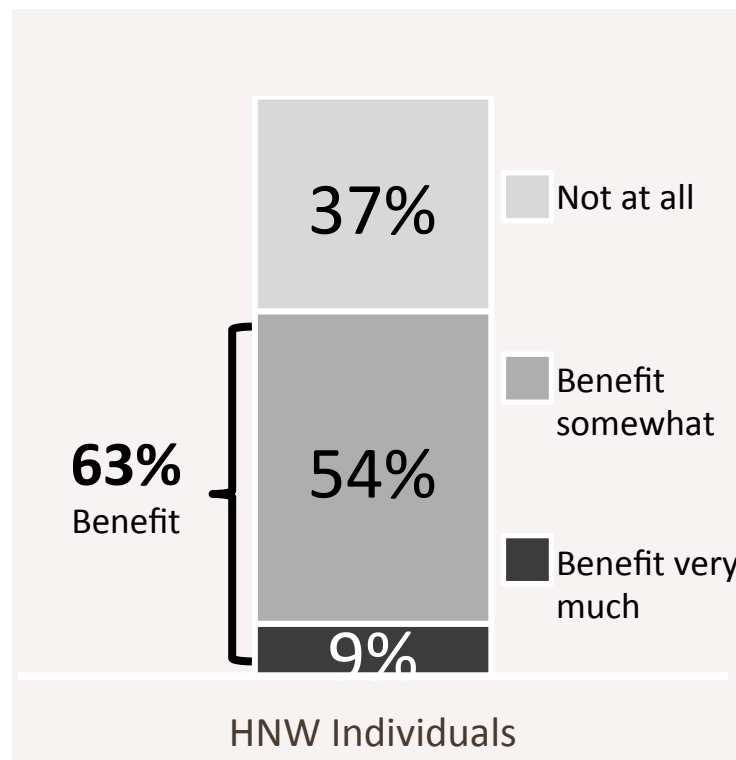
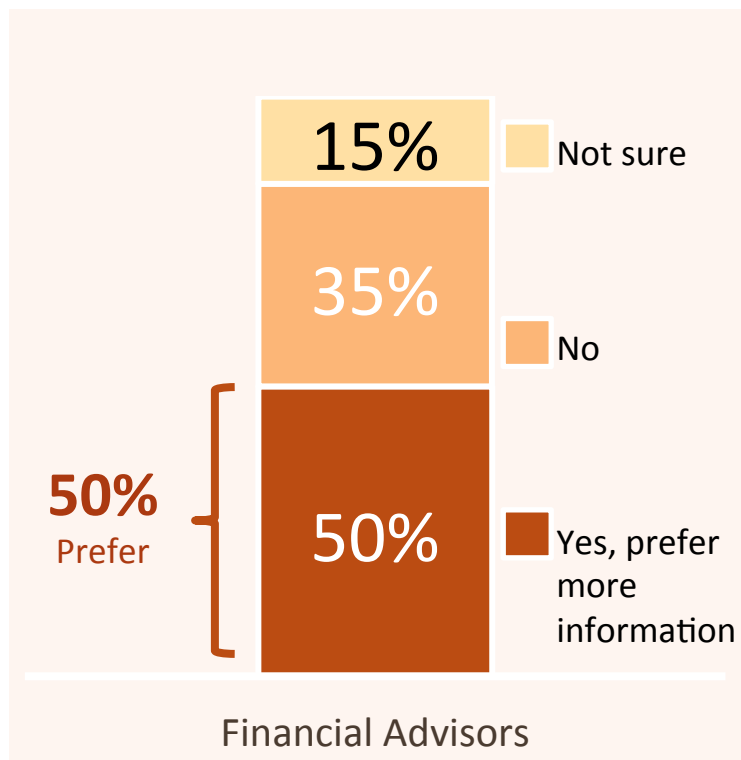
BASE: TOTAL FINANCIAL ADVISORS
 BASE: TOTAL HNW INDIVIDUALS



Both FAs and HNWI's express a desire for more information and understanding of philanthropic Issues

- HNWI's particularly say they would benefit from more information.

Prefer/ Benefit From More Information



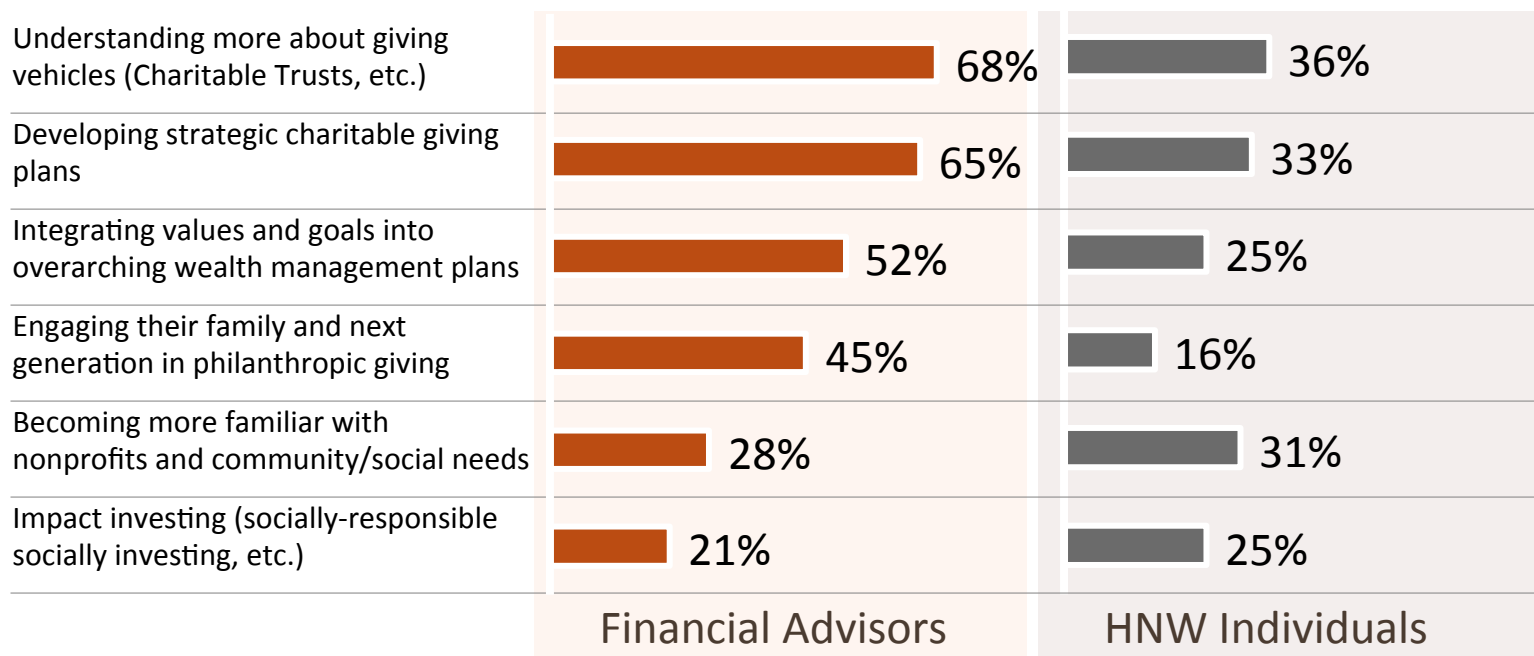
BASE: TOTAL FINANCIAL ADVISORS
BASE: TOTAL HNWI INDIVIDUALS



HNWIs would like to learn more about giving vehicles, giving plans and non profits and community needs

- FAs tend to overestimate their clients' interest in many topics, while they underestimate the desire to becoming more familiar with non-profits and community/social needs

Topics Would like to Learn About

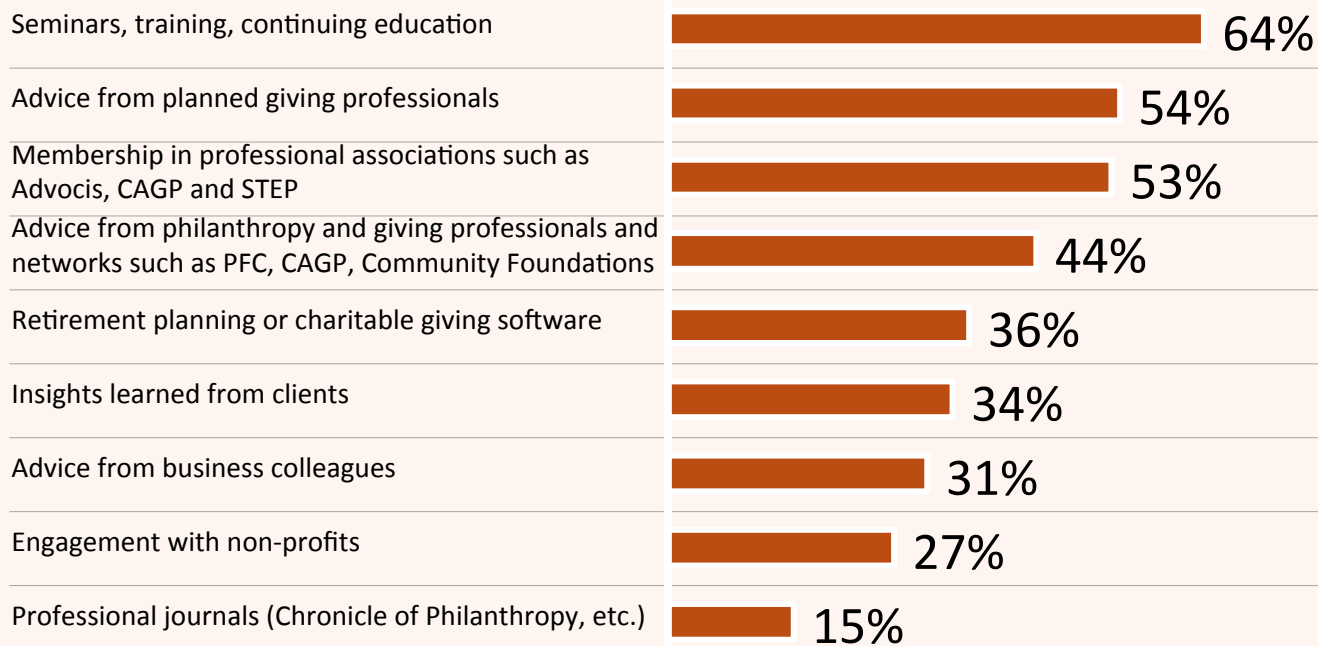


BASE: TOTAL FINANCIAL ADVISORS
BASE: TOTAL HNW INDIVIDUALS



FAs are very interested in learning more through continuing education, planned giving professionals and professional associations

Helpful Sources to Learn More



Financial Advisors



**FINANCIAL ADVISOR
PROFILES**



Financial Advisors Profiles

AGE		CLIENT ASSETS	
18-44	13%	Under \$100,000	60%
45-54	22%	\$100,000 to \$250,000	72%
55-64	43%	\$250,000 to \$500,000	78%
65+	23%	\$500,000 to \$1MM	84%
GENDER		\$1MM to \$2MM	90%
Female	10%	\$2MM to \$5MM	51%
Male	90%	\$5MM or more	31%
HOUSEHOLD INCOME		REGION OF BUSINESS	
\$100,000 or less	4%	BC	28%
At least \$100,000 but under \$150,000	11%	AB	24%
\$150,000 or over	72%	MB/SK	15%
Prefer not to say	12%	ON	55%
		QC ¹	1%
		ATL	11%

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.



Financial Advisors Profiles

HOLD INDUSTRY RECOGNIZED DESIGNATIONS

Yes	84%
No	16%

LICENSE REGISTRATION

Life insurance	97%
Mutual Funds	64%
Securities	12%
Other	14%

BUSINESS MODEL

Independent financial advisor	62%
Career/Exclusive Financial Advisor with one company	23%
Full service broker	7%
Other	8%

YEARS IN PRACTICE

1 to 10 years	9%
11 to 15 years	7%
16 to 20 years	12%
21 to 25 years	10%
25+ years	62%

FORM OF COMPENSATION

Commission on transactions	59%
Investment advisory asset management fee (percent of assets)	26%
Fixed fees for professional services (independent of client's wealth/assets)	4%
Other	11%



High Net Worth Individuals Profiles

INVESTABLE ASSETS		AMOUNT DONATED IN 2013	
\$1MM to just under \$2MM	65%	\$0	9%
\$2MM to just under \$5MM	28%	\$1 - \$10,000	74%
\$5MM or more	8%	\$10,000 - \$25,000	5%
ANNUAL HOUSEHOLD INCOME BEFORE TAX		\$25,000 - \$50,000	2%
Less than \$75,000	9%	\$50,000 - \$100,000	2%
At least \$75,000, but under \$100,000	16%	\$100,000 - \$250,000	1%
At least \$100,000, but under \$150,000	36%	Over \$250,000	2%
\$150,000 or over	27%	Prefer not to say	7%
Prefer not to say	14%	% OF ANNUAL INCOME DONATED	
DONATED IN PAST 12 MONTHS		0%	9%
Yes	91%	1%-2%	48%
No	9%	3%-4%	16%
		5%-6%	10%
		7%-8%	3%
		9%-10%	6%
		11%+	6%



High Net Worth Individuals Profiles

AGE		# OF CHILDREN	
18-44	5%	0	29%
45-54	15%	1	11%
55-64	30%	2	35%
65+	50%	3	18%
GENDER		4+	7%
Female	34%	# OF GRANDCHILDREN	
Male	66%	0	61%
REGION		1	4%
BC	15%	2	7%
AB	10%	3	7%
MB/SK	6%	4	4%
ON	45%	5	7%
QC	19%	6+	9%
ATL ¹	5%		

- Note, despite best efforts, we were unable to recruit a significant sample of HNWI in the Atlantic provinces. It is not known if this is simply a reflection of the reality or due to lower response rates in that region.

For questions or comments regarding this research please contact lys@giv3.ca