

The Top Charitable Trends Every Advisor Should Know in 2020

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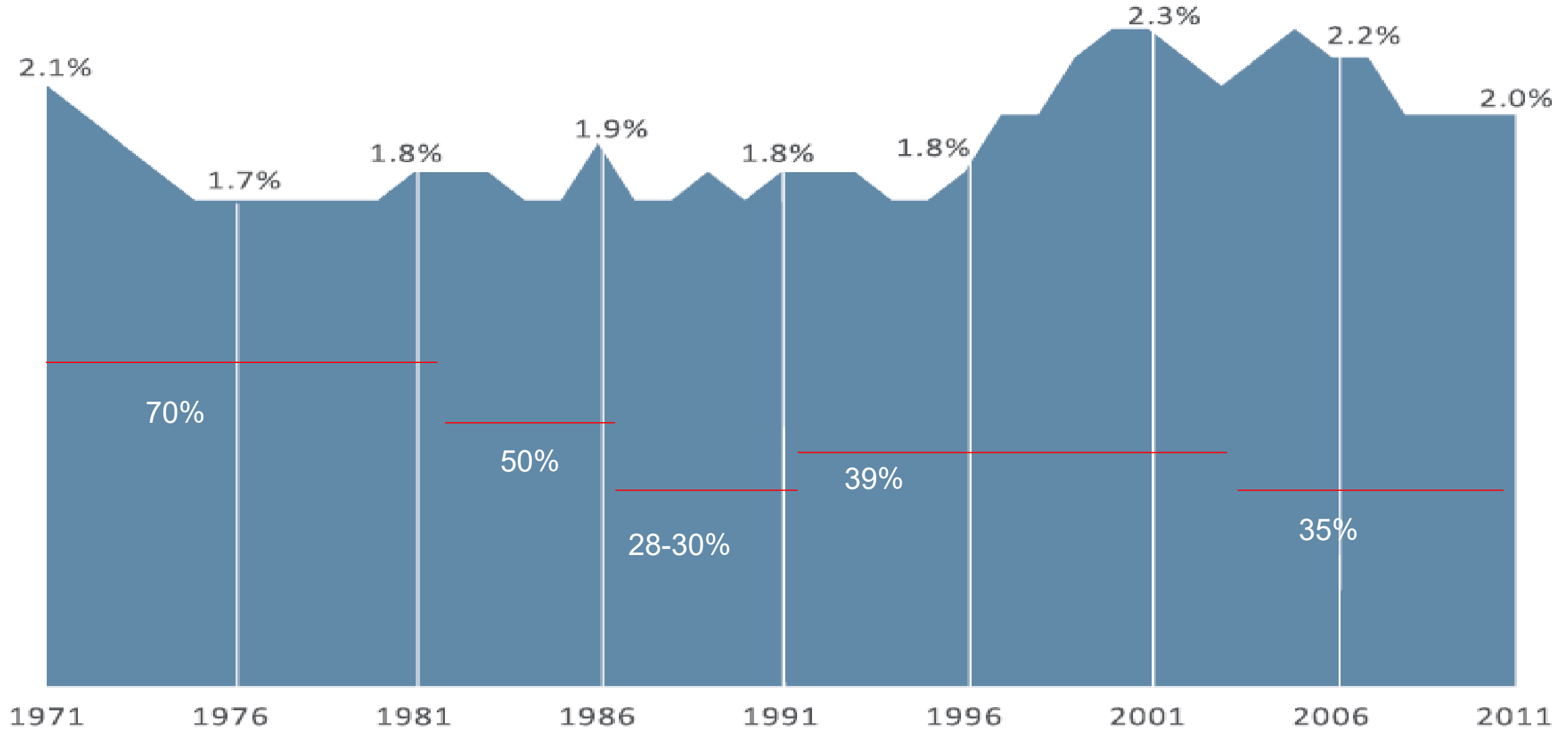
Trend #1 –

Philanthropy Is Alive and Well – Kind of No Matter What!

- People see need now more than ever and are responding with different assets and to different causes (Giving USA reported total charitable giving fell 5-6% in depths of recession from 2007 levels)
- If **conspicuous consumption is charity's only competitor**, good times may be ahead!

Total giving as a percentage of Gross Domestic Product, 1971–2011

(in inflation-adjusted dollars, 2011 = \$100)



- From 1956-1972, charitable giving was consistently at 2% or higher of GDP – Source 2012 Giving USA Report

Trend #2 –

Demographic Trends are Your Best Friend or Worst Enemy

- Americans 85 and older represent fastest growing age group
- Women are controlling...
or will control an unprecedented level of wealth!
- Depression-Era – Very trusting, give discretionary gifts, traditional institutions
- Boomers – More controlling, want more information to make giving decisions, engaged from a distance
- Gen X and Y – Must be engaged first, heavy personal involvement, love grass roots and social change orgs, social networks drive connections and giving

Trend #3 – Competition is Everywhere!

- There are currently 1.3 million charities, **125-150 new orgs formed every single day**
- Major trends of Philanthropic/Endowment departments of financial institutions (**professional advisors now create over 65% of all charitable gifts**), the rise of community foundations, the rise of national donor advised funds, the rise of issue-based charities, and the fall of United Ways
- **Development plans exclusively focusing on high net worth**, major gift donors (one university received 90% of campaign from 6% of donors)

Trend #4 – Simplifying Language and Asking the Right Question at the Right Time

Formal terms lower charitable interest

2014 Survey, 1,246 Respondents, Groups D/E

**Interested
Now**

**Will Never
Be
Interested**

23%

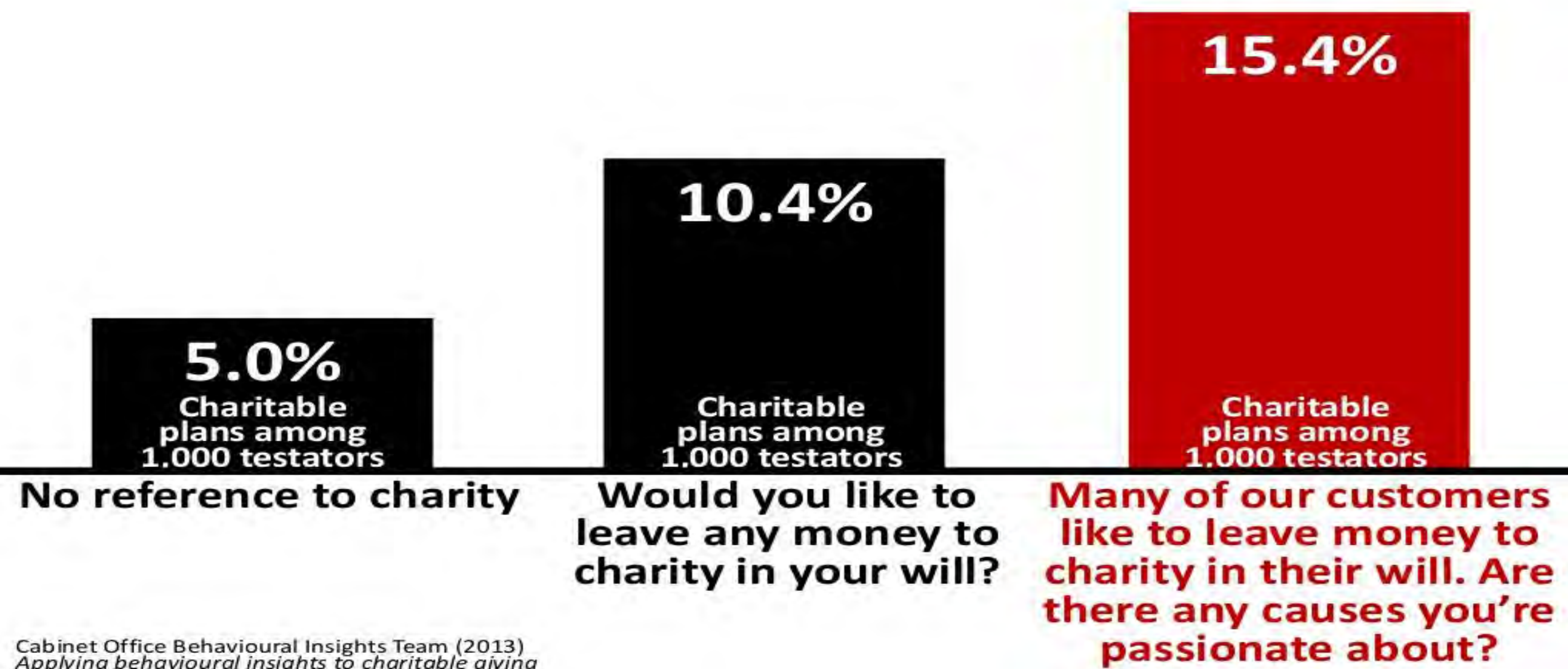
Make a gift to charity in
my will

12%

12% Make a **bequest** gift
to charity

14%

Charitable bequests are influenced by a simple social example



Trend #5 –

The Giving Pledge is Resonating with Millionaires Next Door

- Baby Boomers are transitioning out of businesses and are focused on legacy/values planning more than ever before
- “How Much is Enough for Kids?” and then, what do we do with the rest?
- Buffett, Gates and Pickens are creating a new wealth conversation and the millionaires next door are the ones really listening

Trend #6 – The Wealth Transfer's Death is Greatly Exaggerated and Taxes Matter Even Less Than Before!

- The 1999 Havens/Schervish study on wealth transfer estimated \$10 Trillion would transfer by 2020 and another \$31 Trillion would transfer over the next 30 years with a 2% asset growth rate (by 2052) – it is back-loaded
- Interestingly, 7 of the top 10 gifts nationally were bequests in 2016
- The estate tax conversation has been replaced with the income and capital gains tax triggering and values conversation

Trend #7 – Large Charitable Gift Annuities are Smokin' Hot

- Estimated \$2 Billion in CGAs issued by 1,500 Charities
- Average Age 78
- Average Gift \$60,000 (Doubled Since 1999 – Many Huge CGAs!)
- Most Popular Form of Life-Income Gift
- CRTs are finally coming back again as well and more CLTs have been created in the last few years than ever before (but still a small number of large trusts)

Trend #8 – Tax Planning Under the Recent Tax Act (and CARES)

Opportunity #1: Don't Touch Cash – Donate Non-Cash Assets!

- Non-cash market – real estate, closely held stock, weird assets, is estimated to be 4-6 times entire stock market
- Non-cash gifts are accelerating to reduce lifestyle, maximize tax benefits and retain liquidity
- Largest non-cash donations in history have been made in last two years
- Cash **BAD**, everything else **GOOD** – donate long-term capital gain property with lowest adjusted cost basis
- Under CARES Act, 100% AGI deduction for cash contributions – many are pairing larger gifts with Roth IRA conversions

Opportunity #2: Life Insurance and IRA Gifts

- **Estate Planning Impact**
- **Life Insurance Impact**
- **IRA (Qualified Charitable Distribution) Impact**

IRA Case Study

- **72 Year-Old Female with \$250,000 IRA and \$250,000 in Cash/Stocks**
- 1. Qualified Charitable Distribution Benefits/RMD**
 - 2. Charitable Beneficiary Benefits**

Opportunity #3: Donor Advised Fund Donation Bunching

- Impact of Pease Deduction Limitations/Phase-Out Repeal
- Impact of Standard Deduction Increase on Itemizers
- Donor Advised Funds Ideal for Donation Bunching and Tax Optimization

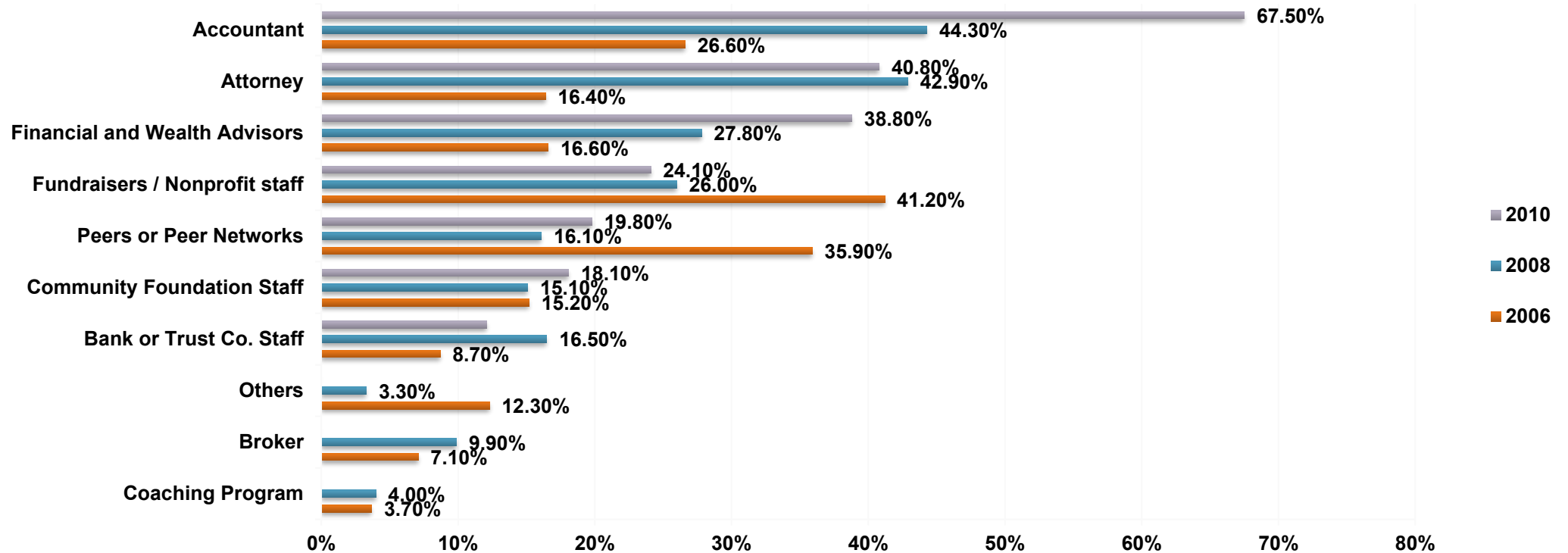
2018 Donor Advised Fund Facts

- 728K DAF (469k in 2017)
- \$121 Billion in Assets
- \$37 Billion in New Contributions
- \$23 Billion in Grants (21% Payout Rate)
- Average Fund Size \$166,000
- From 4% of total giving in 2010, to 12.7% in 2018

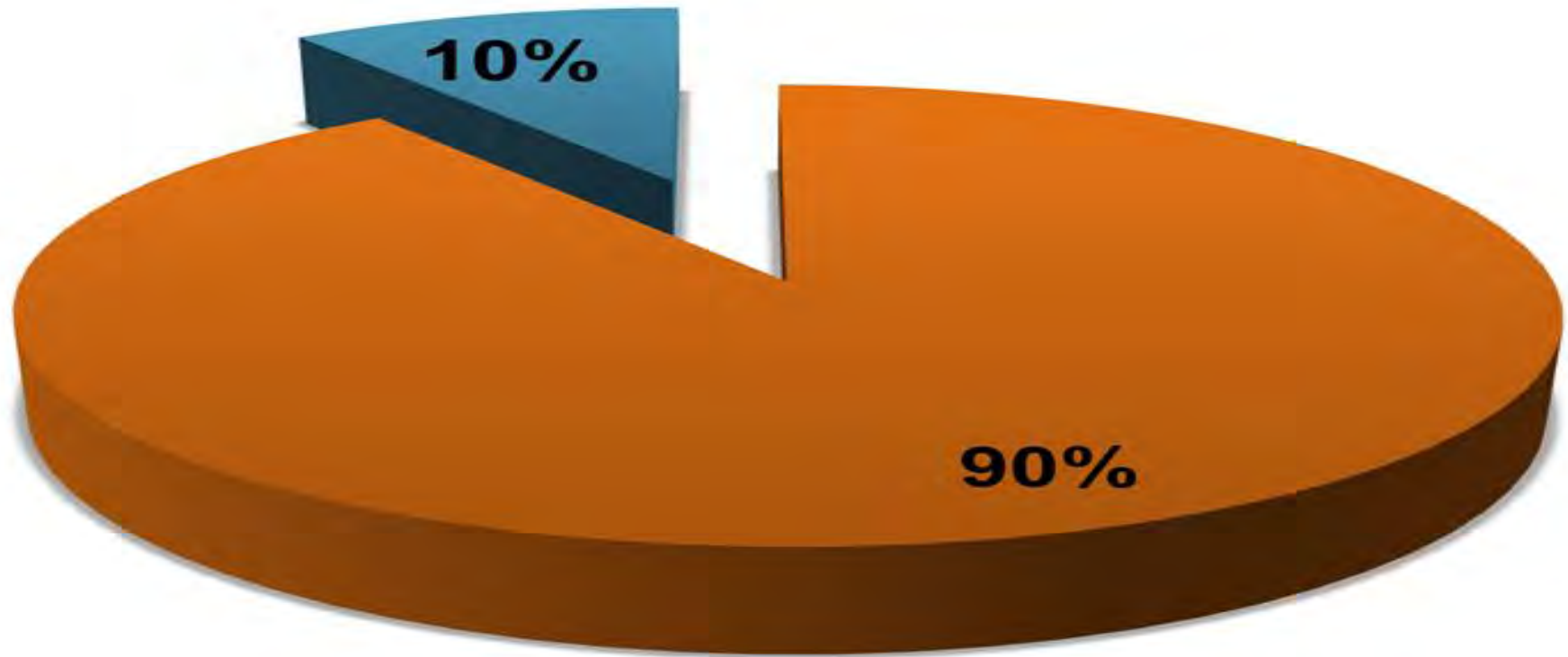
2019 NPT Donor Advised Fund Report

Trend #9 – Professional Advisors are Driving the Bus – But Not Well!

HIGH NET WORTH HOUSEHOLDS CHARITABLE GIVING DECISIONS BY TYPE OF PERSON CONSULTED (%)



Who Initiated the Philanthropic Conversation?



■ Donor ■ Advisor

Trend #10: Still a Priority Disconnect Between Advisors and Their Clients

Key Findings: U.S. Trust Study of the Philanthropic Conversation: Oct. 2013

Chart 3: Tax Benefits as a Motivation for Giving: Less Important than Advisors Think

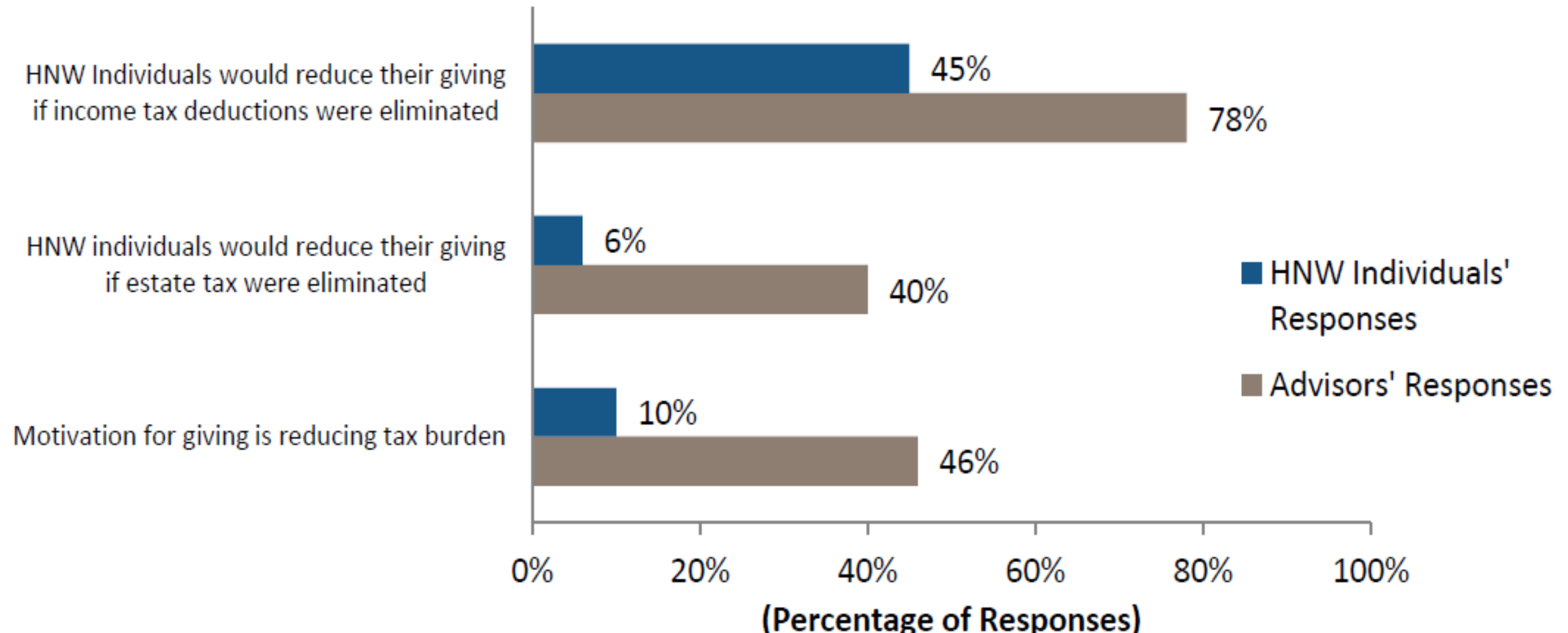
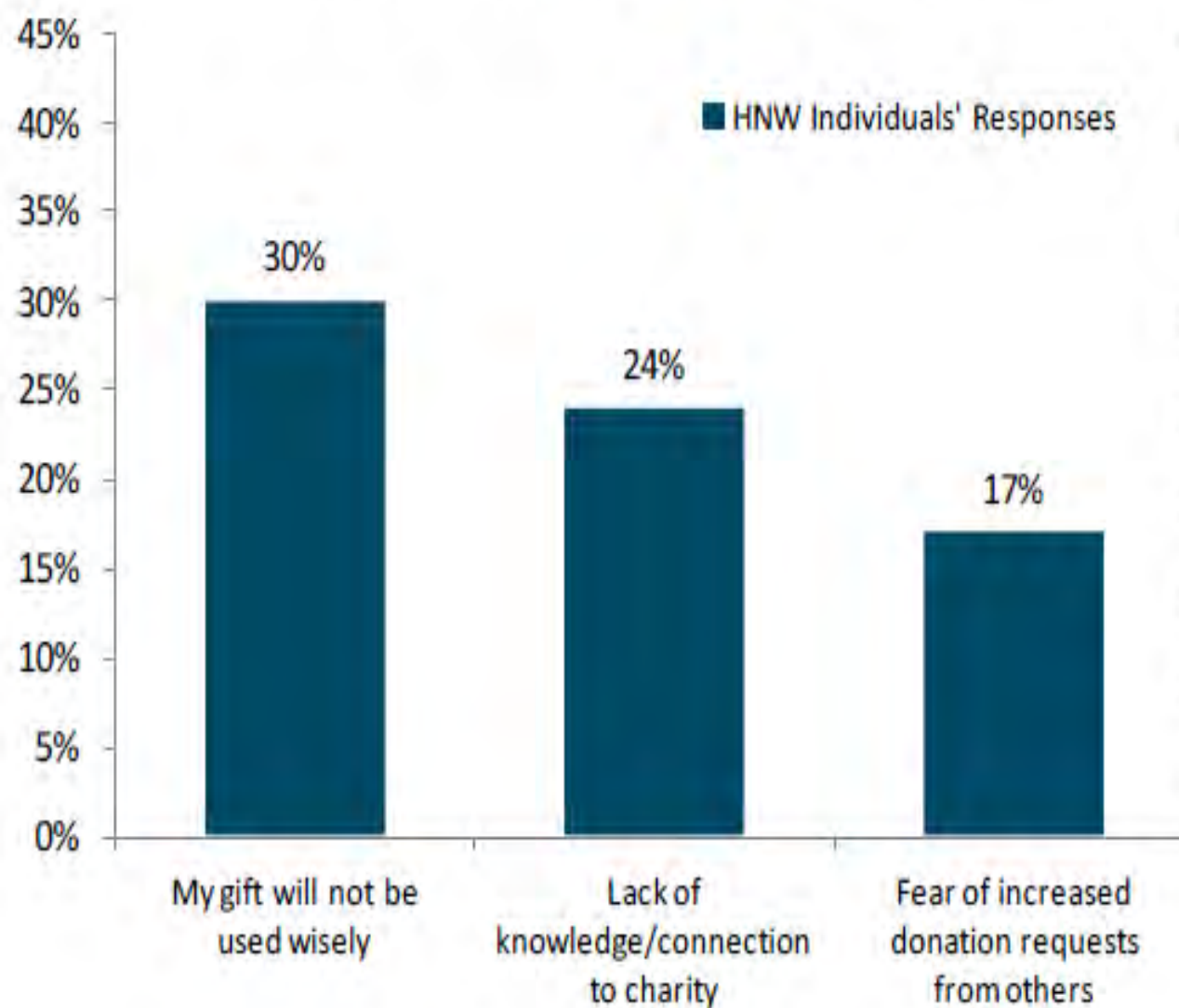


Chart 4: Inhibiting Factors of HNW Giving: Advisors Perceptions Not Always on the Mark

Reasons for Why HNW Individuals Don't Give



Reasons for Why Advisors Believe HNW Individuals Don't Give

