

STAGES OF GIVING: ADVISING YOUNG DONORS ON THEIR PHILANTHROPY

The Portsmouth Community Foundation is pleased to provide this important information for you. We hope that as you assist your clients with plans for retirement and taxes you will remember to ask about their charitable goals. Remember, we are your charitable planning resource.

Young donors can be passionate philanthropists, but they often need guidance. Advisors can better serve this segment by offering age-appropriate advice.

Many young donors confront charitable giving-related issues for which they have little or no preparation. Richard Ditizio, a managing director at The Citigroup Private Bank, compares the experience to jumping on a ten-speed bike without ever having been taught to ride.

Still, research by the United Way of America underscores that young investors—those between the ages of 18 and 34—are often more receptive to charitable messages than the older Baby Boomer generation. The problem is that most have simply never been asked to give, and advisors are often reluctant to teach them about philanthropy.

Increasingly, though, advisors will need to be prepared for the conversation. In 2003, Paul Schervish, Professor of Sociology and Director of the Social Welfare Research Institute at Boston College, reconfirmed his 1999 prediction that a wealth transfer of at least \$41 trillion will take place in the United States by the year 2052, with \$25 trillion going directly to heirs. That's assuming economic growth of just two percent a year—higher growth will mean an even greater wealth transfer. The upshot is that 120 million members of Generations X and Y will become the primary investor pool as the first Baby Boomers reach retirement age. Advisors must learn how to help members of this important demographic meet their philanthropic objectives.

How to Help Young Donors Give

Advisors can encourage and shape their young clients' philanthropic drive while looking out for their broader financial interests. Indeed, those that make a point of raising the subject with their clients report that it is often the most interesting and rewarding discussion they have.

"Their enthusiasm is unbridled," reports Eileen M. Wilhem, head of charitable services for Wachovia Wealth Management. "They have big plans and they want to make a difference."

Lynne Pantalena, a wealth advisor at the Fleet Private Client Group, says she helps define her clients' interests and develop a strategic approach that enables them to make meaningful and lasting commitments, without jeopardizing their own financial futures. She encourages them to make direct gifts and, depending on their level of wealth, to consider establishing a donor advised fund or a family foundation.

"They haven't yet saved enough in an IRA account to gift from there, and they aren't really good candidates for other planned giving vehicles, such as charitable remainder trusts, because their life expectancy is so long," she says. "But they are eager to give and deserve to be encouraged."

Different Approaches For Different Sources of Wealth

Advisors say the source of a clients' wealth should determine the optimal approach to encouraging and

channeling all this youthful ambition. Those just coming into an inheritance have different motivations and concerns than those starting to think about how to allocate money that they have earned. So, for that matter, do the increasing number of young people who have both earned and inherited wealth.

Young people with inherited wealth often have some exposure to philanthropy through their families, but are eager to define their own interests. As Stephen Johnson, a senior advisor at The Philanthropic Initiative puts it, their youth and energy means that are less likely than their parents or grandparents to write a check for the local hospital's oncology ward, and far more likely to become involved in a hands-on way in environmental and educational causes. It's important to respect and encourage their individualism, advisors say, without fretting about the impact on the extended family. (Besides, a lasting conflict of charitable interests is very rare, advisors add).

Young people who have earned their own money are also a potentially powerful force in the philanthropic world. As a group, they need a lot of guidance, both in defining their philanthropic interests, developing strategies and incorporating them into a holistic wealth management strategy. Often, that means advisors have to teach young donors to exercise restraint.

"Young donors want to make a big impact; to give back to the community very quickly," says Fleet's Pantalena. "They are very different from the 60-year old who has worked hard all his life and has just sold his business. A 30-year old thinks he or she can give it all away and make it all over again."

There are many rewards for effectively encouraging and guiding young clients who feel a sense of gratitude for what they have received and a strong desire to give back. Advisors who make it a point to raise the subject say it creates a lasting bond with the clients and helps get them off to a good start on their philanthropic journey.

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