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Effective Philanthropy Learning Initiative

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# HELPING WEALTH ADVISORS INCREASE PHILANTHROPIC IMPACT FOR HIGH NET WORTH CLIENTS<sup>1</sup>

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Stanford University Effective Philanthropy Learning Initiative

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# EXECUTIVE SUMMARY

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To what extent do financial advisors and other intermediaries affect the philanthropic giving of their high net worth clients? Stanford University's Effective Philanthropy Learning Initiative (EPLI) has conducted a three-year study tracking how financial advisors engage their clients around philanthropy and the practices that can increase clients' philanthropic impact.

In the first phase of the project, EPLI interviewed a range of financial intermediaries and then refined the project's research questions through a workshop with selected stakeholders (see Appendix A for a list of intermediaries, specifically estate planners, accountants, heads of family offices, insurance agents, philanthropic advisors and robo-advisors, and Appendix B for details about the workshop and details about each phase of the project to date). In the second phase of this project, we narrowed the focus exclusively to the role of wealth managers based on the belief that there is potential to positively influence this space. EPLI will explore the role of the other intermediaries in advancing their client's philanthropic impact in subsequent research efforts.

This report documents the first and second set of exploratory interviews; discusses EPLI's findings on wealth managers' philosophies, abilities, and resources with respect to how financial advisors can more effectively engage their clients around philanthropy; and introduces a wealth advisor philanthropy toolkit prototype.

The majority of high net worth individuals (those with over \$20 million in assets) work with wealth managers. These managers may be affiliated with larger institutions (e.g., JP Morgan or Charles Schwab) or medium to smaller offices (e.g., Seattle-based DA Davidson or Oakland-based DeYoe Wealth Management), or they may work independently. Younger generations of high net worth individuals are also increasingly encoding philanthropy into their sense of "financial morality," limiting the amount of money left to their heirs and instead seeking out progressively more expansive lifetime philanthropic commitments.<sup>2</sup>

In a 2013 survey of high net worth consumers, U.S. Trust and The Philanthropic Initiative (TPI) reported that 87% consider conversations with their wealth managers

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1. This paper was written by EPLI Director Nadia Roumani. Research for this paper was completed by Roumani, EPLI Fellow Tina Sadeghi, and EPLI consultants Julie Aleman, Jeanne Isaacs, and David Janka; EPLI Fellows Celina Artusi and Gillian Raikes; and Stanford undergraduate student Devika Patel. Visuals were created EPLI Designer Anna Maria Irion.

2. Bishop, M., & Green, M. (2010). *Philanthrocapitalism: How Giving Can Save the World*. Bloomsbury Publishing USA

about philanthropy to be important.<sup>3</sup> However, the survey provided few details about these types of conversations and there is a general dearth of such information in literature on philanthropy.

In this project, we aimed to fill the gap in understanding how wealth advisors approach philanthropy through the following research questions:

- How do wealth advisors see their role with regards to philanthropy?
- What do wealth advisors think about including philanthropy-related conversations in client meetings?
- What resources do they turn to when their clients raise questions about philanthropy?
- Are they proactive or reactive regarding their clients' philanthropy needs?

In our interviews, several advisors stated that their clients are increasingly interested in discussing their philanthropy. Among the spectrum of advisors, we identified some who are committed to helping clients with their philanthropy, even though their primary responsibilities center on protecting or increasing their clients' financial assets, while others see philanthropy as outside of their remit. Furthermore, we found that advisors who want to support their clients' philanthropic efforts often struggle to find supporting resources and guidelines. In response to a question about resources, one advisor observed that, "Our industry is lagging so I'm excited about what [EPLI is] putting together."

In this paper, we have identified a spectrum of advisor engagement around their clients' philanthropic process, the obstacles that advisors face when engaging their clients, and some promising opportunities to increase an advisor's role in assisting clients in philanthropy planning with measurable impact.

A 2018 U.S. Trust survey found that 80% of advisors reported making it a practice to ask their clients about philanthropy, yet only 45% of high net worth individuals are fully satisfied with philanthropic discussions with their advisors.<sup>4</sup> Our research indicates that wealth advisors see the dearth of information about philanthropic giving as a significant barrier in advising clients effectively. Expanded, easily-accessible resources, especially from neutral and trusted organizations, would enable wealth managers to more actively support their clients' philanthropic interests.

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3. The findings were based on a comprehensive, quantitative, online survey conducted among a broad, random sample of 312 professional advisors who advise high net worth clients and 119 high net worth consumers who are actively engaged in charitable giving or philanthropy. <http://www.sjsu.edu/advancement/docs/philanthropic-conversation-study.pdf>

4. The U.S. Trust Study of the Philanthropic Conversation. The U.S. Trust and The Philanthropic Initiative. [https://www.bankofamerica.com/content/documents/philanthropic/Philanthropic\\_Conversation\\_Executive%20\\_Summary.pdf](https://www.bankofamerica.com/content/documents/philanthropic/Philanthropic_Conversation_Executive%20_Summary.pdf)

# HYPOTHESIS AND METHODOLOGY

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EPLI's guiding hypothesis for this research is that if we provide financial advisors with resources on philanthropic planning and strategy, they will be empowered to better engage with and help their high net worth clients increase their philanthropic impact. Such resources would also enhance wealth managers' advising toolkit and strengthen the advisor-client relationship. EPLI's definition of increased philanthropic impact is not restricted to an increase in dollars distributed; it also includes an increase in the ability of philanthropy resources to achieve a donor's desired outcome.

This hypothesis is based on the following assumptions:

- Some high net worth clients want to have meaningful and measurable impact with their philanthropy.
- Some high net worth clients want to discuss their charitable giving and philanthropic strategies with their wealth advisors.
- Financial advisors can do more to guide their clients' philanthropy, but may not fully appreciate the value of philanthropy in a client's portfolio.
- Some financial advisors want to do more, but do not have the necessary resources to answer clients' philanthropy-related questions.

Our research is guided by the methodology of human-centered design—an approach to problem solving that begins with close observation of selected individuals, then works outward from their expressed and implicit needs, goals, and challenges to identify opportunities for tangible solutions.<sup>5</sup> We prototype low-resolution solutions to test their viability, then evaluate and refine them in iterative cycles. We also combine human-centered design with behavioral sciences and a study of the organizational landscape, and focus specifically on areas where EPLI can have impact.

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5. For more about human-centered design, please see [paper](#).

This research project aims to:

- Understand the motivations, needs, and behaviors of financial advisors regarding their clients' philanthropy.
- Identify the philanthropy-related resources currently available to advisors.
- Identify areas for strategic interventions that may help financial advisors improve support for their clients' philanthropic impact.
- Guide EPLI in the future design and development of resources and tools (in-person and online) that financial advisors can use to increase their clients' philanthropic impact.

The goal of the research is to inform wealth advisors more fully of the value of philanthropic giving in their clients' portfolios and provide them with resources that help ensure effective philanthropy practices.

# WEALTH ADVISORS TO HIGH NET WORTH DONORS

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High net worth individuals tend to manage their wealth through complex financial structures. In a study conducted in 2014, CoreData found that around two-thirds of affluent individuals used a financial advisor to assist with different aspects of their financial planning and management.<sup>6</sup> According to the National Association of Personal Financial Advisors, more than 100 different financial advisor certifications are available, with great diversity in their fees, compensation, geographic distribution, and licensing.<sup>7</sup>

The following summarizes the definition and role of wealth advisors. Appendix A describes other relevant intermediaries that EPLI will explore in subsequent research projects.

## WEALTH MANAGERS

Wealth managers, also referred to as “wealth advisors,” “financial planners,” and “investment professionals,” are overseen by the U.S. Financial Industry Regulatory Authority. For professional certification, wealth managers most commonly obtain a CFP (Certified Financial Planner), but other add-ons include CIMA (Certified Investment Management Analyst), CPWA (Certified Private Wealth Advisor), CFA (Chartered Financial Analyst), CFC (Certified Financial Consultant), and CTFA (Certified Trust and Financial Officer).

Wealth advisors are spread across the United States, with some working for large wealth management companies and others situated in medium to small companies that focus on only one type of client, wealth group, or sociodemographic.

In 2008, the number of wealth advisors in the United States peaked at an estimated 325,000 before declining in response to the recession. By 2014, that number had dropped by more than 12% to some 285,000. More than half of current wealth advisors are over age 55.<sup>8</sup> This suggests that younger people are not entering the field in proportion to the numbers who retire from professional practice. If this trend

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6. Natixis. *Share of investors consulting investment advisors worldwide in 2014, by region.*

<https://www.statista.com/statistics/323145/investors-consulting-investment-advisors-worldwide/>

7. Pursuit of a Financial Advisor Field Guide. The National Association of Personal Financial Advisors.

<https://legacy.napfa.org/UserFiles/File/FinancialAdvisorFieldGuidev13.pdf>

8. Number of U.S. financial advisers fell for fifth straight year. Reuters.

<http://www.reuters.com/article/wealth-cerulli-advisor-headcount-idUSL1N0VL23920150211>

continues, the number of wealth advisors will continue to fall even as the client base of wealthy individuals continues to grow.

Many managers require a minimum dollar amount of investment placed under management and charge a fee, typically 1% annually, of the assets managed. Others may charge a flat fee per year, often in the range of \$3,500 for an annual portfolio review or \$5,000 for a financial plan. Some managers charge their clients a commission for different financial or insurance products.

### **WEALTH MANAGERS AND PHILANTHROPY SERVICES**

Although the number of wealth advisors are on the decline, high net worth donors continue to utilize wealth managers, especially those donors with complex financial assets. Wealth management firms are increasingly incorporating philanthropy into their services, with internal philanthropy units emerging within most of the wealth management firms and financial institutions. These units, while minimally staffed, are centralized units of advisors who are called in to support relationship and financial managers when clients request support on their philanthropy distributions.

These units are providing services that include:

- Helping clients identify their philanthropic issue areas of focus;
- Intergenerational conversations around legacy and philanthropy;
- Advising on the establishment of the appropriate philanthropic vehicles;
- Establishing complex philanthropy structures (such as foundations or charitable remainder trusts);
- Identifying organizations to support; and
- Developing long-term outcome-oriented philanthropy plans.

# OBSERVATIONS: WEALTH MANAGERS’ PHILANTHROPY ADVICE

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In this section, we describe what we learned from our interviews with approximately 40 wealth advisors, as well as testing our insights and prototypes with over 100 advisors to date. We explore themes and insights gleaned from observations, conversations, and prototype testing.

› **Clients do not always ask their wealth advisors about philanthropy, but when they do, the following are the most commonly asked philanthropy questions to advisors:**

- How much should I allocate to philanthropy? What are the tax benefits?
- What are the different giving vehicles and how do they differ?
- How can I give a substantive amount and still ensure I have enough for the future?
- What are others like me doing in this space? How much are others like me giving?
- How do I know if a nonprofit is effective?
- How can I engage my children in my philanthropy?
- How can I increase the impact of my giving?
- Can I give anonymously?
- How can I give but retain some control? Will my family have agency?  
What if I change my mind?
- How do I find organizations working on “x” issue?

› **Wealth advisors advise clients on which philanthropic vehicle to use based on tax optimization and ease of use. They rarely align the philanthropic vehicle with the client’s desired philanthropic outcome.**

Financial advisors strive to create a financial plan that is tax efficient. Advisors tend to steer clients toward the giving vehicle that will ensure the greatest tax benefit at the lowest cost when talking about how to make charitable gifts.

*“That’s been my orientation—saving people from paying so much of their hard-earned money to the government.”*

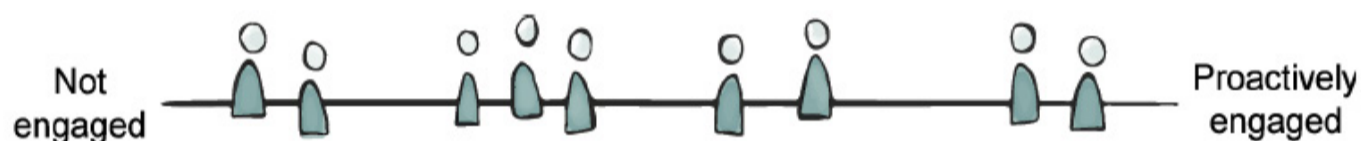
The most commonly recommended philanthropic vehicle recommended today is Donor Advised Funds (DAFs).



Most wealth advisors said that they recommend donor-advised funds (DAFs) because of their efficiency and ease of use. A DAF, sometimes described as a philanthropy savings account, is a charitable giving vehicle established at a public charity. Donors receive a tax deduction for the full amount of donations at the time they give to a DAF. Then, over time, they can recommend grants to any IRS-qualified public charities. In 2016, there were approximately 285,000 donor-advised funds in the United States, with \$85 billion in assets—an increase of almost 10% over the previous year.<sup>9</sup>

› **Wealth advisors exhibit a broad range of interest regarding the role they wish to play in their client’s philanthropy.**

As this sketch suggests, the wealth advisors we interviewed could be distributed along a spectrum of preference, from a desire to not engage, to a desire to be proactively engaged with a client’s philanthropy planning process. A more detailed spectrum is outlined below.



***Not Engaged Wealth Advisors***

At one end of the spectrum are wealth advisors who have little to no interest in pursuing the topic of philanthropy with their clients. “Not engaged” wealth advisors said this isn’t their responsibility and that it could even create potential conflict by making clients feel they are being judged. These advisors tend to be more structured in client relationships and oriented toward transactions that would generate revenue for their firms. Some of these wealth advisors are financially disincentivized to offer philanthropic advice, as their earnings are sometimes tied directly to their clients’ assets. These advisors asserted:

*“[Offering philanthropy advice] is not my role.”*

*“We discuss the taxes and the math. It’s not my responsibility or role to educate in philanthropy, the emotional aspect of it.”*

*“If you’re an advisor and you tell your client, ‘Why don’t you give \$1 million then there is less for you to advise on.’”*

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9. 2017 Donor Advised Fund Report. National Philanthropic Trust.  
<https://www.nptrust.org/daf-report/pdfs/donor-advised-fund-report-2017.pdf>

### ***Passively Engaged Wealth Advisors***

Along this continuum are those who may not initiate the conversation but will engage at the client's request. The tools they use often come from donor-advised funds, which they find to be sufficient. Ideally, these advisors are seeking, in one interviewee's words, a "smooth handoff" to a philanthropy expert who is usually either someone in their own firm or a third-party resource such as an independent philanthropic advisor in their network.

*"We're not experts at a philanthropic mission—so we help bring in folks from the outside to be part of the meeting and to help facilitate."*

*"I wonder how much we should engage in probing about that [philanthropy]..., we may ask more questions about standard things but less questioning on philanthropy and its impact ... but we certainly have an opportunity to talk about that."*

### ***'Want to Participate' Wealth Advisors***

Next on the continuum are those who "want to participate," but whose clients rarely discuss philanthropy with them. These are wealth advisors who want to feel more comfortable about including philanthropy in their client meetings and are open to trying tools that could help them decide when and how to do so.

*"If I had some process by which it was comfortable and natural for me to explore their philanthropy ... it'd be great."*

### ***Proactive Wealth Advisors***

At the end of the scale, we find "proactively engaged" advisors who routinely discuss charitable giving with their clients. These advisors walk their clients through conversations around articulating their values, identifying their desired philanthropic focus areas, engaging their family in their philanthropy process, evaluating nonprofit organizations to support, and developing a long-term philanthropic plan. These wealth advisors may be driven by a personal interest in the topic or may see it simply as a way to differentiate themselves in a competitive market. "Proactively engaged" advisors are often already involved in legacy or philanthropic planning. They encourage client conversations that are, according to them, "messy," "soft," or more "emotional." Over the years, they have developed their own tools and practices geared toward discussing philanthropy.

*"My role is to bring philanthropy up and discuss it with all my clients."*

*“Having philanthropy conversations is what really makes our business alive.”*

*“I have my own questionnaire that I use.”*

These advisors tend to have developed a deep knowledge about philanthropy over the years, and feel confident advising their clients on this topic.

- › **Even if advisors wish to engage their clients around their philanthropy, many wealth advisors feel uncomfortable raising the subject.**

Wealth managers believe that philanthropy conversations are personal and emotionally charged and can be difficult in a professional setting. We observed that this was especially true for ‘want to participate’ advisors who are new to the field of philanthropy. They want to speak to their clients about their philanthropy, but at the same time they don’t want to make their clients uncomfortable. If their client does not ask them a question specifically about their philanthropy, they are unsure whether or how to raise the subject.

*“[I] don’t want to be perceived as judgmental.”*

*“How do I know if they are interested in being philanthropic?”*

*“How do I start the conversation if they do not ask me a question?”*

- › **Wealth advisors, who want to incorporate philanthropy into their practice, are constrained by time and knowledge when considering whether to discuss philanthropy with their clients and how to integrate it as a core area of their practice.**

Advisors struggle to justify taking time to talk about philanthropy in the limited time they have with their clients. They are clear about their areas of expertise—such as taxes and resource optimization, and are hesitant to broach topics in which they do not feel they are experts. They are concerned about the time it would take to answer philanthropic questions fully and accurately. The time they do spend on philanthropy is usually focused on how clients want to make a gift, rather than on the recipients or goals of their giving.

*“We focus on the how, not the what. The what takes a lot more time.”*

› **Wealth advisors self-educate on philanthropy. There is little to no philanthropy training and few philanthropy resources for wealth advisors.**

Wealth advisors who are proactively discussing philanthropy with their clients self-educate. Among our interviewees, the most proactive advisors spoke of various sources they have used to learn about philanthropy, including their local community foundation, books on the topic, and organizations such as Advisors in Philanthropy (AIP). However, they all commented on the absence of reliable, neutral, easy-to-use resources on philanthropy education.

The following philanthropy-related education programs have been referenced by advisors interviewed for this study. (See Appendix C for additional information about each of these programs):

- American College's Chartered Advisor in Philanthropy (CAP) certification program
- Certified Specialist in Planned Giving (CSPG) courses
- Fellow in Charitable Estate Planning (CEPI)
- The Heritage Institute's training programs to educate advisors on philanthropy
- The International Association of Advisors in Philanthropy (AIP), a nascent network of financial advisors who are passionate about integrating philanthropy into their advisory work

Organizations such as these help advisors build a philanthropy-oriented network and provide some structure to an otherwise unorganized field of peer communication and knowledge dissemination. Additionally, various community foundations offer services to wealth advisors, and donor-advised funds and foundations are also beginning to provide consultation and guides on this topic.

› **Advisory firms are interested in and starting to invest in creating well-designed philanthropy-related tools for their advisors and their clients.**

In our research, we did not find elaborate philanthropy-related tools, whether at large financial institutions or smaller ones. Materials often included text-heavy workbooks, individual worksheets, or a deck of cards. Furthermore, these materials are not standardized or regulated, with each institution providing a slightly different set of resources, definitions, and frameworks for approaching philanthropy.

Across the board, we did not find resources that were truly interactive or engaging. One advisor, for example, described his wish-list for philanthropy conversations as:

*“... having simple and accessible tools, communicated in easy ways.”*

- › **In the event that clients do ask advisors about which organizations they should give to, advisors often send them to resources that the advisors have assembled in a random and ad-hoc manner.**

When clients ask advisors about where to donate, advisors reference ad-hoc resources they have individually assembled. These include articles and books, contacts at nonprofits and community foundations, other philanthropic advisors, and/or other clients in their existing network. Most advisors indicated that they do not have the time or resources to go beyond these unsystematic efforts.

*“Connection to the nonprofits come from my contacts. it started with connections I’ve had with friends of mine ... it’s kinda been by accident.”*

An advisor we interviewed, who was hosting a meeting for clients designed to directly introduce them to a group of local nonprofits in order to inspire his clients’ philanthropy, told us:

*“I’m shooting from the hip on this.”*

## CONCLUSIONS

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- › **In an increasingly competitive landscape, the ability of advisors to provide philanthropic advice may be a competitive advantage.**

In a competitive and crowded wealth management industry, philanthropic expertise could become a competitive advantage. The traditional financial compensation model based on assets under management is a real challenge for advisors who want to address their clients' philanthropic interests. However, we believe that philanthropic discussions are a value that advisors can provide to their clients. Equipped with the appropriate tools and resources, advisors could view philanthropic planning as an opportunity to build trust and rapport with their clients and thus set themselves apart.

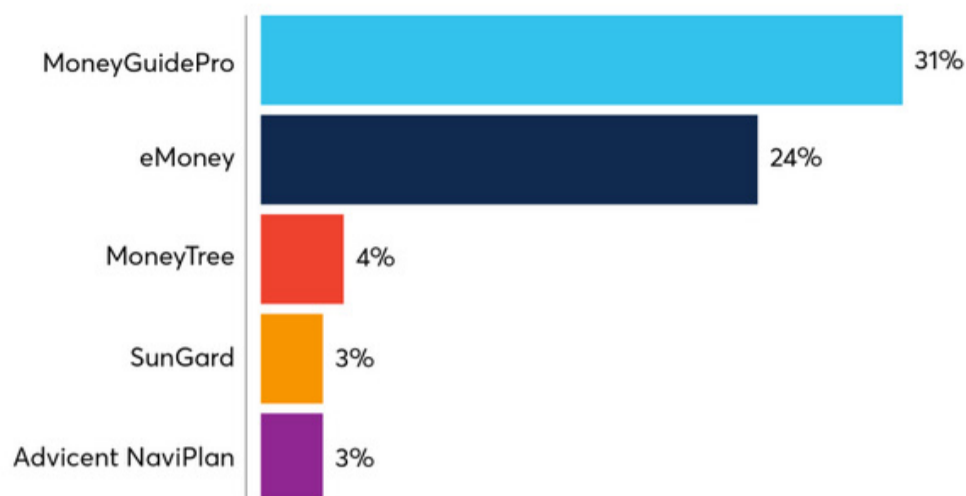
- › **Wealth advisors could integrate philanthropic planning as part of a holistic financial strategy.**

Just as they do with the financial-planning process, wealth advisors can play a role in helping their clients develop a philanthropic plan. This process goes beyond making individual philanthropic gifts and focuses on how clients can realize their philanthropic goals over a longer period of time, potentially fulfilling the legacy they envision. In creating a more holistic philanthropic plan, wealth advisors could help donors be more effective in their philanthropic efforts by better aligning their choice of vehicle with the donor's ultimate philanthropic objectives. Doing so would require preparing advisors with alternatives to narrowly tax-based considerations, as well as creating an incentive structure that allows for a more holistic approach to advising clients on philanthropic vehicles.

To this end, there is an opportunity to integrate a set of philanthropic tools into existing financial-planning software used by wealth advisors. Such an integration of philanthropy in software would guide advisors through philanthropic conversations and also make it more seamless for advisors to incorporate philanthropic conversations into discussions.

Advisors at large wealth management firms often use internal business software created specifically for the organization, and philanthropy modules could be integrated into these softwares. Two of the most commonly used back-end financial-planning software programs by wealth advisors include MoneyGuidePro and eMoney.

## Financial Planning<sup>10</sup>



Source: Financial Planning Tech Survey, 2017

These programs include modules that help clients plan for many aspects of their clients' lives (i.e., retirement, college, health care, etc.), but currently philanthropy is not included in these programs. Inserting a philanthropy module could lead to a more holistic financial and legacy planning process.

- › **Wealth advisors could benefit from a centralized body of engaging, educational resources designed to increase their ability to offer informed guidance on their clients' philanthropy.**

Current philanthropy-focused resources for wealth advisors are often dense, text-heavy, and abstract. Wealth advisors and their clients complain that they have difficulty assessing material directly relevant to their needs. An opportunity exists for trusted and neutral organizations to create standardized, interactive tools and resources that can be shared across the community of wealth advisors. Advisors would benefit from a well-designed, easily accessible digital philanthropy roadmap that helps them guide their clients through the different phases of their philanthropy. There is value in providing these resources to advisors and allowing them to brand or cobrand the materials for their use with their clients.

- › **There is value in providing a low-cost, easily accessible, expert resource for advisors, especially those at firms without an internal charitable unit, so that they may ask philanthropy-related questions as they arise.**

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10. Power Tools: Insights from Financial Planning's new Tech Survey. Financial Planning.

<https://www.financial-planning.com/slideshow/tech-survey-2018-ai-robot-advisors-predictive-analytics#slide-7>

While advisors at larger firms like JP Morgan and Schwab Charitable have access to philanthropy experts in-house, those at smaller firms do not have access and often must consult an outside philanthropic advisor or consultant. Depending on the need and available resources, some smaller firms have a team of experts on-hand to answer philanthropy-related questions that arise from their clients, or they have a roster of philanthropy advisors they introduce to their clients when needed. These smaller firms could benefit from a more systematic approach to addressing their clients' philanthropy-related questions. Furthermore, the smaller advisors would also be more competitive if they could also provide basic philanthropy planning services.

› **Enhanced training in philanthropy literacy would aid financial advisors in navigating the complex and ambiguous process of philanthropy planning.**

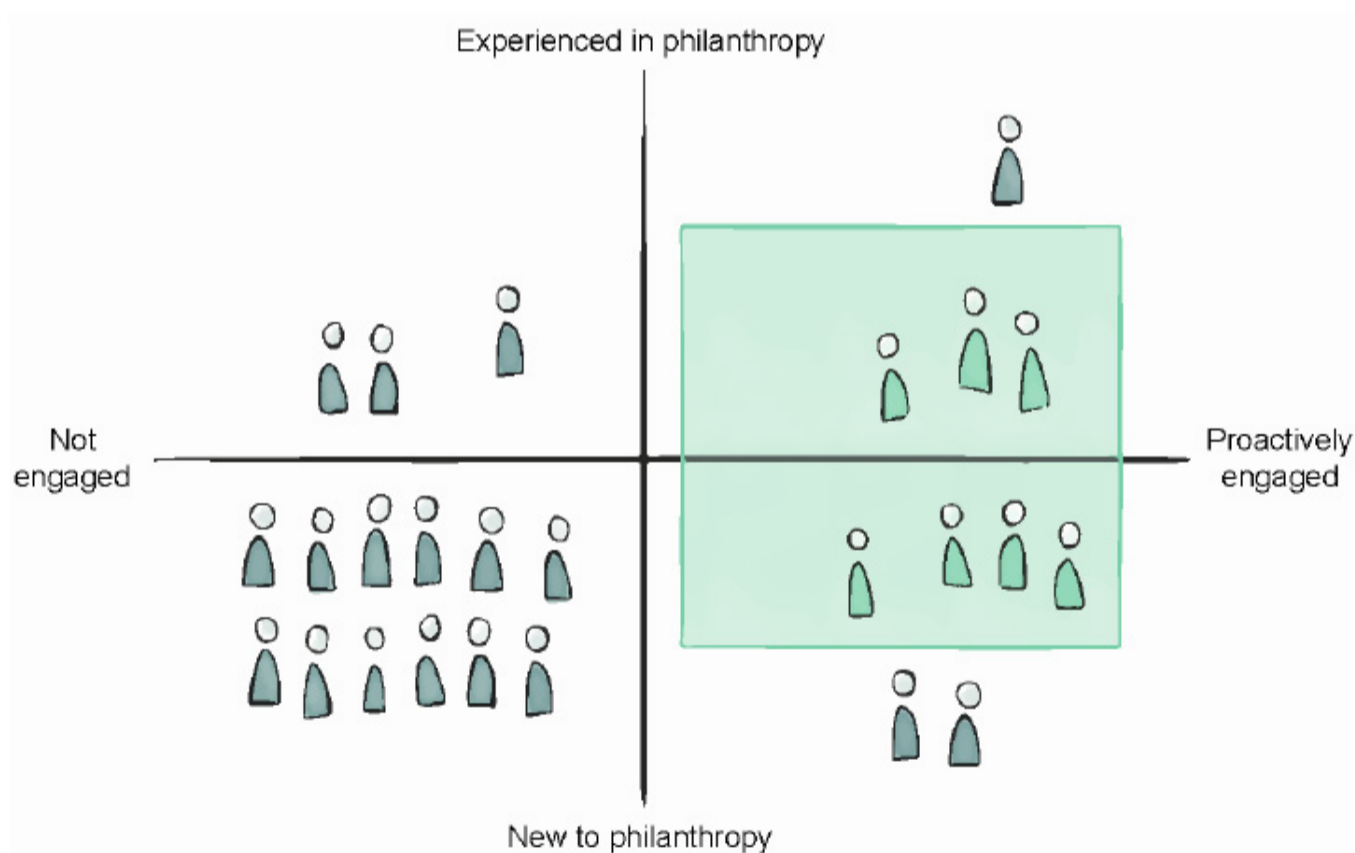
Even after learning about philanthropy-related topics, many advisors continued to experience a lack of confidence in speaking to their clients about philanthropy. They spoke of the “messiness” of the process. It is important to help advisors navigate client conversations that might be uncomfortable or inconclusive. Therefore, firms that are training advisors can supplement philanthropy literacy efforts with coaching and training that could include role playing and sample videos of how to start the conversation, engaging families in the philanthropy planning process, evaluating an organization's impact, and developing a philanthropy strategy.



## EPLI FORTHCOMING TOOLS

Wealth managers are positioned to help high net worth clients realize their potential philanthropic goals and achieve their desired impact. However, they need the tools and resources to do so. Such resources are scarce and, when available, highly general and incomplete. Stanford EPLI is working with several financial institutions to co-create these resources and provide them, through an open-source Creative Commons license, to the field at large.

The EPLI research team is designing tools specifically for the most enthused, proactive advisors who are familiar with philanthropy but are neither experts nor neophytes, as illustrated by the area shown in the green box.



EPLI is specifically developing resources that help advisors increase their confidence and comfort in having philanthropy conversations with their clients.

### **EPLI'S WEALTH ADVISOR TOOLKIT**

EPLI's first tool in development is a wealth advisor's toolkit, to be released in Fall 2018, which aims to provide advisors with a user-friendly guide to help them undertake conversations about philanthropy and more easily navigate available resources.



The toolkit, designed to be adaptable, efficient and self-explanatory, includes the following sections:

- Why do you give
- How to engage others
- How to structure your giving
- How to execute your mission and goals
- How to measure and evaluate your impact

EPLI developed the toolkit through prototype testing sessions with wealth advisors across the U.S. See Appendix B for visuals of some of our testing sessions.

#### **EPLI'S FINANCIAL INTERMEDIARIES IN PHILANTHROPY ROUNDTABLES**

In response to interviewees' desires for a cross-sector discussion about rapidly changing trends and needs across the sector, EPLI is planning to convene a group of wealth management firms, financial institutions, and donor-advised funds in 2019 in a series of roundtables to discuss prevailing research and sector needs.

## **ADDITIONAL EPLI CONCEPTS TO EXPLORE**

EPLI has also brainstormed additional resources to help advisors increase their knowledge, confidence, and comfort with supporting their clients with their philanthropic planning, including:

- Scenario-based training that provides advisors with an opportunity to test their philanthropy advising based on the most frequently posed client scenarios;
- Video library and case studies of donor stories that clients can reference to inspire their giving, or help them learn from other client experiences;
- A menu of existing collaborative philanthropy issue funds that can help clients address a specific topic in partnership with other donors; and
- Incorporating a philanthropy-focused planning module into existing back-end financial software.

## **CONCLUSION**

For more information about EPLI's continued work on financial intermediaries, please visit our EPLI website at

<https://paccenter.stanford.edu/research/effective-philanthropy-learning-initiative/>.

# APPENDIX A:

## SUMMARY OF OTHER TYPES OF ADVISORS TO HIGH NET WORTH DONORS

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### ESTATE PLANNERS

Estate-planning lawyers help arrange for the allocation of a client's estate in anticipation of his or her death. An estate consists of all property owned by the client (including real estate, bank accounts, stocks) and other securities, life insurance policies, and personal property such as jewelry, art, etc. Estate-planning lawyers help draft legal documents such as wills and trusts that outline the transfer of the estate's resources, as well as the client's health care wishes in the event that the client is incapacitated.

The estate-planning process can clarify critical questions such as: the state of financial affairs; the specific distribution of resources to family members and others, including charities; the designation of personal guardians for minor children; specific health care instructions; and funeral arrangements.

Estate-planning lawyers are often compensated on an hourly basis for time spent meeting with a client, reviewing documents, and drafting legal documents.

### ACCOUNTANTS

Accountants are professionals who help their clients with accounting functions, including processing their annual tax returns and conducting audits. In the United States, licensed accountants are Certified Public Accountants (CPAs) and, in certain states, Public Accountants (PAs). The requirements for receiving a CPA license differ from state to state. Unlicensed accountants may be Certified Internal Auditors (CIAs) or Certified Management Accountants (CMAs).

The US Department of Labor's Bureau of Labor Statistics estimates that 1,246,540 persons were employed as accountants and auditors in the United States as of May 2016.<sup>11</sup>

Accountants charge on average \$150–\$400 an hour or more, depending on the type of work, the size of the firm, and its location.

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11. Occupational Employment Statistics. Bureau of Labor Statistics. <https://www.bls.gov/oes/current/oes132011.htm>

## **HEAD OF FAMILY OFFICES**

Family offices manage the financial and investment side of ultra-high net worth family businesses. They are structured as single family or multi-family offices, thereby serving one family or multiple families at once. The office manages both the business needs and often the personal household management needs, including all services related to family-owned businesses, taxes, budgeting, insurance, travel, household management, as well as charitable giving.

## **INSURANCE AGENTS**

Insurance agents sell clients a range of insurance products, such as homeowner's and life insurance, to help families, businesses, and employers protect against a financial loss due to an incident involving loss of property or life. Insurance agents are either "captive" agents, who sell insurance from one company, or "non-captive" agents, who represent multiple insurance carriers.

An insurance agent is initially compensated by receiving a percentage of the amount paid by the client in the first year, at the time of the sale of the insurance plan. In later years, the agent receives a smaller percentage of the premium if and when a policy is renewed.

## **PHILANTHROPY ADVISORS**

A philanthropy advisor helps a client, and often his or her family, develop a philanthropy plan. This includes aligning the philanthropy strategy with the client's values, passion, and interests. The philanthropy advisor can often take on the tasks of identifying organizations that the philanthropist might support and exploring appropriate philanthropic gifts.

Philanthropy advisors are compensated with either a flat fee for a completed philanthropy plan, or an hourly fee for consulting services.

## **ROBO-ADVISORS**

A robo-advisor is a digital platform that provides automated, algorithm-driven, financial-planning services. Due to the low human involvement, the services of robo-advisors are offered for a fraction of a cost of a human financial advisor. Major banks are increasingly releasing their own robo-advisory services, such as [E-Trade Adaptive Portfolio](#) (E-Trade), Schwab Intelligent Portfolio (Schwab), Fidelity Go (Fidelity), and [TD Ameritrade Essential Portfolios](#) (TD Ameritrade).

## APPENDIX B: EPLI INTERMEDIARY RESEARCH PROJECT (2015-2017)

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Since launching in 2015, the project comprises three phases with a fourth phase nearing completion.

### *Phase I: Interviews (June–December 2015) and Review of Philanthropy Resources Available to Intermediaries*

The EPLI team conducted a literature review and created a database of philanthropy-related resources currently available to intermediaries, composed of wealth advisors, financial planners, brokers, investment advisors, accountants, estate lawyers, insurance agents, and philanthropy advisors. The definition of wealth advisors is included in the paper, while Appendix B provides a description for each of the remaining wealth advisors.

EPLI Director Nadia Roumani and David Janka, a lecturer at Stanford’s Hasso Plattner Institute of Design, interviewed 19 individuals in Seattle and the San Francisco Bay Area between June and December 2015. The interview group included 10 wealth advisors (large firms and boutiques), two estate planners, three accountants, two philanthropic advisors, and two other individuals in the field. Because intermediaries supporting high net worth individuals are compensated and incentivized differently, EPLI focused on the role each can play separately in helping high net worth clients with their philanthropy.

The affiliated companies for those interviewed include the following:

#### **Large Firms (>5,000 Advisors)**

BNY Mellon Wealth Management  
Goldman Sachs Group  
J.P.Morgan  
Morgan Stanley  
Schwab Charitable  
UBS

#### **Small firms (<100 Advisors)**

del Prado Philanthropy  
DeYoe Wealth Management  
Cornerstone Advisors  
Dorsey & Whitney  
Pratt Legacy Advisors  
Strong Legacy Planning

#### **Medium firms (100–4,999 Advisors)**

D.A. Davidson Companies (Seattle)  
RBC Wealth Management

We narrowed our focus on wealth advisors for Phases II–III of this research project. EPLI will focus on other intermediaries in subsequent research projects.

***Phase II. Advancing Effective Philanthropy Workshop in Partnerships with Seattle Philanthropic Advisors Network (June 2016)***

We designed a workshop for wealth advisors, focusing on their experiences with philanthropy advising and how they could engage their clients more effectively in this area. The workshop was held June 2, 2016, in partnership with the Seattle Philanthropy Advisors Network (SPAN) at the DA Davidson offices in Seattle, WA. During the workshop, we presented our initial findings to the 19 participants and gathered feedback. Then, in small groups we brainstormed solutions to five research questions: starting the conversation, making a plan, taking action, the business case, and the ecosystem. Workshop participants and the five research questions are listed below.

**Participants:**

- |   |  |
|---|--|
| 1. Jessica Breitbarth – Children’s Hospital                             | 10. Aya Hamilton – Goldman Sachs             |
| 2. Artie Buerk – Foster School of Business,<br>University of Washington | 11. Sarah MacLeod – Lane Powell              |
| 3. Jeff Clarke – Philanthropy Northwest                                 | 12. Tricia McKay – Luma Consulting           |
| 4. Steve Condon – D.A. Davidson Private Trust                           | 13. Randy Ottinger – Leader-2-Leader         |
| 5. Judy Courshon – Wellspring Group                                     | 14. Alan Pratt – Pratt Legacy Advisors       |
| 6. Mark Davis – D.A. Davidson Private Trust                             | 15. Jeff Raikes – Raikes Foundation          |
| 7. Lorraine del Prado – del Prado Philanthropy                          | 16. Jane Searing – Clark Nuber               |
| 8. Rob Fleming – Clark Nuber  | 17. Paul Shoemaker – Social Venture Partners |
| 9. Stan Foster – Williams Kastner                                       | 18. Mike Stevens – The Nature Conservancy    |
|   | 19. Janet Welcher – Fulcrum Asset Management |

**Five workshop questions:**

- How can we help advisors start the conversation about philanthropy?
- How can advisors create a philanthropy plan for their clients?
- Once a plan is in place, how can advisors help clients take action?
- How can we help advisors make the business case for incorporating philanthropy into their practice?
- How do we create a less fragmented ecosystem among wealth advisors?





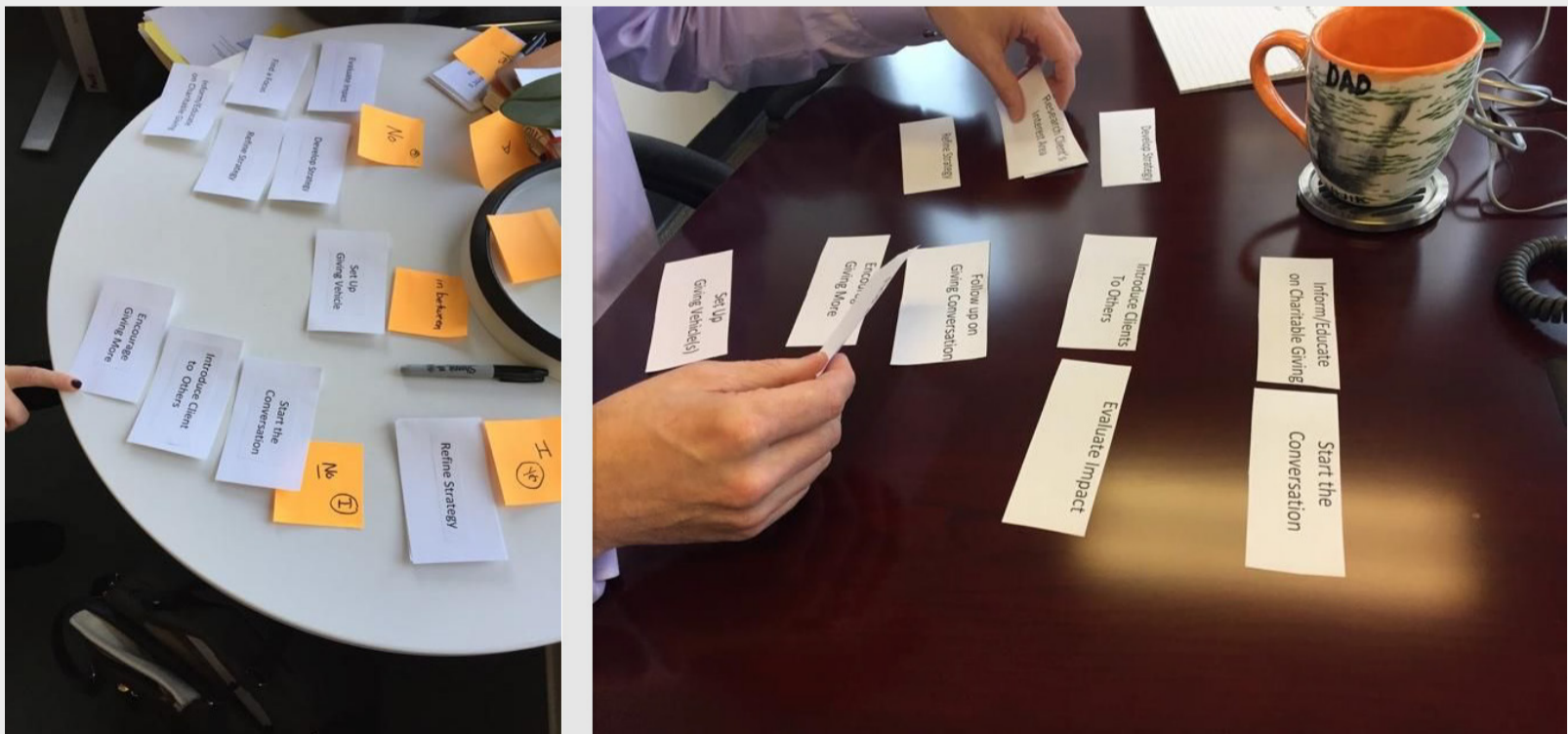




### *Phase III. Additional Interviews Using Interactive Prompts (November 2016–July 2017)*

In fall 2016, we conducted our second round of interviews, focusing specifically on wealth advisors. The interviewees worked at different-sized firms and had indicated varying experiences and degrees of comfort in discussing philanthropy with their clients. The interviews focused on identifying opportunity areas for improving conversations around philanthropic giving with high net worth clients.

As a tool to guide the conversation, we used interactive prompts. Interviewees were given cards representing moments or activities pertaining to charitable giving. We asked the wealth advisors to sort through the cards and place them into two piles: 1) “Yes, I currently do this,” or 2) “No, I do not do this.” We included additional cards labelled “Other” so they could include moments or activities we had not listed. Once the piles were sorted, we paid particular attention to the cards in the “No” pile to see if they represented opportunities for wealth advisors to engage their high net worth clients.



*Card-sorting exercise used during EPLI interviews with wealth advisors.*



***Phase IV: Building a Robust Prototype (August 2017–August 2018)***

In Phase IV, the EPLI built a comprehensive prototype of a wealth advisor’s philanthropy toolkit, and tested the toolkit with several advisors from a range of firms. The team is currently testing this toolkit and materials with wealth advisors across the country, including a recent test at the Association of Advisors in Philanthropy (AIP) annual conference in Nashville, Tennessee in May 2018. The team is working closely with EPLI partner Schwab Charitable to receive detailed feedback and continue to tailor the toolkit to the needs of practitioners and their clients. EPLI is scheduled to release the toolkit in October 2018.



*EPLI Fellows Gillian Raikes and Celina Artusi sharing the EPLI wealth advisor toolkit with Association of Advisors in Philanthropy (AIP) conference participants and obtaining feedback.*



*EPLI testing the toolkit with Perpetual advisors in Australia in July 2018.*



*EPLI team testing the toolkit with Schwab Charitable in August 2018.*



## APPENDIX C:

### SOME OF THE AVAILABLE PHILANTHROPY DESIGNATIONS/COURSES FOR WEALTH ADVISORS

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ORGANIZATION	DESIGNATION OR EVENT	DESCRIPTION & COST	WEBSITE
The American College of Financial Services	Chartered Advisor in Philanthropy® (CAP)	A program designed for self-study, leading to an exam in a local exam center. \$3,500 for three courses, or \$1,600 per course	<a href="https://www.theamerican-college.edu/designations-degrees/cap">https://www.theamerican-college.edu/designations-degrees/cap</a>
American Institute for Philanthropic Studies (AIPS)	Certified Specialist in Planned Giving (CSPG)	Multi-module curriculum in planned giving. \$5,600	<a href="http://www.plannedgivingedu.com/subs/learn.shtml">http://www.plannedgivingedu.com/subs/learn.shtml</a>
Charitable Estate Planning Institute (CEPI)	Charitable Estate Planning Institute (CEPI)	An advanced course in charitable planning techniques for professionals interested in expanding planned-giving knowledge and tools. \$895 max	<a href="http://www.cEPLanninginstitute.org/">http://www.cEPLanninginstitute.org/</a>
The Heritage Institute	Heritage Design Professionals® Coaching Program	Provides training programs to educate advisors on philanthropy. \$17,800 for year 1	<a href="http://theheritageinstitute.com/landing/">http://theheritageinstitute.com/landing/</a>
The International Association of Advisors in Philanthropy	Advisor in Philanthropy member	Network of financial advisors who are passionate about integrating philanthropy into their advisory practice. \$300 annually	<a href="https://www.advisorsinphilanthropy.org/">https://www.advisorsinphilanthropy.org/</a>

# ABOUT STANFORD PACS AND EPLI

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## ***Stanford Effective Philanthropy Learning Initiative (EPLI)***

The Effective Philanthropy Learning Initiative, an interdisciplinary team within the Stanford Center on Philanthropy and Civil Society, conducts applied research on the philanthropic interests, motivations, and behaviors of high net worth donors. Working at the intersection of strategic philanthropy, the behavioral sciences, and design thinking, Stanford EPLI aims to improve the knowledge of donors—and the intermediaries who provide donor education and advisory services—so donors can make more informed, outcome focused decisions and thereby increase their philanthropic impact.

<https://pacscenter.stanford.edu/research/effective-philanthropy-learning-initiative/>

## ***Stanford Center on Philanthropy and Civil Society (PACS)***

The Stanford Center on Philanthropy and Civil Society is a research center at Stanford University that develops and shares knowledge to improve philanthropy, strengthen civil society, and effect social change. Stanford PACS houses the Digital Civil Society Lab, Effective Philanthropy Learning Initiative, Global Innovation for Impact Lab, and Stanford Project on the Evolution of Nonprofits and publishes the preeminent journal *Stanford Social Innovation Review (SSIR)*. Through publishing SSIR and other resources, programming, and research, Stanford PACS connects students, scholars, and practitioners with three primary goals: building the pipeline of scholars in the field, increasing practice-informing research on philanthropy and social change, and improving the practice and effectiveness of philanthropy and social innovation.

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