Show Them the Money: Understanding and Working with Professional Advisors

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INTRODUCTION

There are many supportive, positive, hardworking, objective professional advisors that serve their clients with the utmost loyalty and care. These professional advisors are indispensable counselors, and clients are fortunate to have them at their side. During your fundraising efforts, you may, however, run into certain difficult situations and challenges when dealing with some professional advisors.

This presentation seeks to address those unique situations and challenges and will offer insight, encouragement, and practical approaches to understanding and successfully working with donors' professional advisors. We will also address real life examples and case studies and discuss the strengths and weaknesses of the strategies involved.

THE PLAYERS

1. Attorneys (estate planning, tax, business, real estate, family):

are persons trained and licensed by a relevant jurisdiction to practice law and to represent clients in legal matters and to give legal advice. An attorney may file legal pleadings and argue cases in any court of that state (federal courts, usually require a separate admission), provide legal advice to clients, and draft important legal documents such as wills, trusts, deeds, and contracts.

2. Certified Public Accountants (CPAs):

are the statutory titles of qualified accountants who have passed the uniform CPA exam and have met additional state education and experience requirements for certification as a CPA. Whether providing services directly to the public or employed by corporations or associations, CPAs can operate in virtually any area of finance including:

Assurance and Attest Services
Financial Accounting
Corporate Finance (Merger & Acquisition, initial public offerings, share & debt issuings)
Financial Planning
Financial Analysis
Forensic Accounting (preventing, detecting, and investigating financial frauds)
Tax Preparation and Planning
Estate Planning

3. Financial Planners (CFPs):

The Certified Financial Planner designation is a certification mark for financial planners conferred by the Certified Financial Planner Board of Standards. To receive authorization to use the designation, the candidate must meet education, examination, experience and ethics requirements. CFPs deal in a wide array of areas, such as:

General principles of financial planning
Insurance planning
Employee benefits planning
Investment planning
Income tax planning
Retirement planning
Estate planning

4. Insurance Professionals (CLUs):

A Chartered Life Underwriter is an educated, experienced, and qualified specialist committed to the financial well being of your family, your business, and yourself. A CLU can provide expert advice on a broad range of financial planning and insurance topics. With the help and knowledge of a CLU you can:

Create a Sound Financial Plan
Achieve Financial Security through Life Insurance
Enhance your family's security through the accumulation of an estate
Manage a Successful Business

5. Other professional advisors that you may deal with when working with a donor:

a) Wealth Counselors
b) Investment Managers
c) Stock Brokers
d) Bankers and Trust Officers
e) Real Estate Professionals

EDUCATION AND TRAINING THEMES OF PROFESSIONAL ADVISORS

1. Asset Growth

2. Asset Accumulation

3. Asset Conservation

4. Asset Protection

5. Timing and Minimization of Taxes

6. Maximize Asset Transfers

7. Maximize Control and Flexibility

8. Minimize Obstacles and Delays

9. Cost Effective and Value Producing Counsel

10. Legal and Numbers Oriented

How does your gift plan proposal meet these goals and objectives?

How do you respond to objections and concerns by the professional advisor about your proposals?

How do you respond to objections and concerns by the professional advisor?

Which goals are most important to your donor, to the advisor, to your charity?

How are your goals as a fundraiser different than that of the professional advisor?

Can the differences be reconciled or are they simply competing interests?

COMMON CAREER GOALS AND THEMES OF PROFESSIONAL ADVISORS

1. Provide cost-effective solutions to clients' goals and problems

2. Give the client objective and independent advice

3. Minimize risk and uncertainty to the client

4. Provide a high level of competent service

5. Establish and maintain excellent reputation and credibility

6. Build networks and alliances with other advisors

7. Grow and retain a loyal client base, stay ahead of the competition, receive referrals

8. Keep client and themselves "out of trouble"

9. Create a financially successful practice (fees and/or commissions)

10. Give back to the profession and/or community

How does your professional advisors' marketing plan further these goals and objectives?

How does your relationship with the advisor community produce value?

How does your advisory counsel fit into your goals and the advisors' goals?

WHY PROFESSIONAL ADVISORS ARE IMPORTANT TO YOUR GIFT PLANNING EFFORTS

1. Relationships. As gift planners know, building trust and relationships with donors is critical to a gift planner's fundraising success. In many cases, an advisor has a strong relationship and history of trust with our donors. The donor may even view the advisor as "family." It is not uncommon, therefore, for the advisor to have a better and closer relationship with the donor than the gift planner has with the donor. Thus, it is extremely important that a gift planner respect and understand the pre-existing advisor/client relationship and integrate this knowledge into his/her fundraising strategy.

2. Gatekeepers. The advisor in many cases will have a great deal of access to a donors' financial and legal information. The advisor is, accordingly, also the person who will likely protect the confidentiality of that information. When a donor is ready to disclose or open to limited disclosure of such information, the advisor will need to feel comfortable with the applicable release of the confidential information. Gift planners should always be considerate of this important advisor role. In addition, advisors can be gatekeepers to simply getting access to the donors themselves. Many times a donor may be in a position where direct access is not possible and, therefore, a gift planner must work through the advisor to gain the interest and attention of the donor.

3. Power. Advisors are generally compensated to provide financial and legal counsel. Plus, advisors are deemed "experts" in their respective field. As a result, there opinions, recommendations, and personal beliefs can have a significant impact on a donor's course of action. There is no question that an advisors' counsel will result in a great deal of influence on some donors.

4. Approval and Consent. Since most major gift proposals will cross the desk of one, two, or even three advisors before being closed, advisors again play a key role. Advisors will review the tax, financial, and legal aspects of the major gift proposal and offer counsel accordingly. An advisors' counsel can

either “bless the gift,” “block the gift,” request further information, or suggest an alternative course of action. Consequently, with this important role, an advisor can have a great effect on our fundraising efforts.

5. Referrals. Professional advisors build relationships and service clients. It is not uncommon in fact for advisors to have hundreds and hundreds of clients, many of whom might be good donor prospects. Therefore, a good working relationship or past successful collaborations with advisors may lead to client introductions and new leads.

REASONS WHY PROFESSIONAL ADVISORS MAY “JUST SAY NO” TO PROPOSED BIG GIFTS

1. Knowing the specific situation and circumstances of their client, they think the gift plan is a poor financial, tax, or estate planning decision.

2. Approving the proposed gift plan goes against the very goals and objectives that the advisor was trained and paid to achieve.

3. The client has not made his/her gift intentions clearly.

4. If not adequately involved early on, the advisor may feel loss of client control or not appreciated or respected by the gift planner.

5. The advisor does not understand the gift plan.

6. The advisor does not wish to spend or does not have the time to understand the features and benefits of the gift plan.

7. The advisor is not charitable and does not see any reason for making such big gifts.

8. The advisor will lose (or not gain) fees, commissions, or future business if the gift is made.

HOW DO PROFESSIONAL ADVISORS VIEW YOU AND YOUR PROPOSALS?

1. Competent gift planning professional or reckless planned giving student, i.e. lack of technical expertise?

2. Client-centered focus, balanced advocate for your non-profit and your donor, or self-interested fundraising machine?

3. “One size fits all” proposals or well-tailored and customized gift plans?

4. Sensitive professional who can be trusted with confidential information or water-cooler gossiper?

5. High pressure salesman or respectful and thoughtful professional fundraiser?

HOW TO SUCCEED WITH PROFESSIONAL ADVISORS AND CLOSE MORE GIFTS

1. Send in your own professional advisors. Just like using volunteers and board members to fundraise, use peer-to-peer advisor communications to leverage your results and influence. If an advisor does not respect your ideas or will not give you the time to express your ideas, then find a supportive and loyal advisor to do it for you. This advisor could be on your board, a donor, a patron, an alumnus, and/or a friend.

2. Retain a consultant. Similar to sending in your own advisor, you can use a competent and knowledgeable consultant on an as-needed basis to assist you in your professional advisor communications and visits.

3. Increase your skills and reputation. Improve your own "advisor" skills by attending conferences and seminars and doing self-study. Learn the language and culture of your advisor groups. Give presentations to advisor groups and demonstrate your area of expertise to them. Lastly, obtain professional designations which help you standout and show your commitment to your craft. By sharing interests and knowledge with advisors, advisors will look more favorably upon you, your proposals, and your non-profit.

4. If you cannot beat them, join them. Join and attend professional advisor groups, associations, and social networks. If you cannot join them, then go as a guest frequently. By whatever means, find out where advisors congregate and get involved.

5. Everyone loves a party. Host social events and continuing education events for professional advisors. Social events can include golf tournaments, casino night, receptions, and after work get togethers. Since most advisors need continuing education, the hosting of CE events is a great service and a great way to network with advisors in your community.

6. Be a resource. Advisors are usually busy people who work long hours and need to be very productive. As a result, advisors love time-saving resources that give them answers, information, or tips to find either. Be that resource for them, especially as it relates to your non-profit, gift planning, and advisor referrals. Use tax software, websites, calculators, and research tools to add value to your advisor network. If you do establish yourself as a resource, then be sure you provide quick, responsive, and accurate information. If you do, you will gain excellent credibility. If you do not, the relationship will flounder.

7. Educate and motivate professional advisors. There is great impact and reward of informing advisors about the benefits of gift planning and the mission and vision of your non-profit. You should cultivate advisors through newsletters, brochures, presentations, personal visits, email, and other marketing efforts. The more advisors understand and believe in the power of gift planning and your non-profit the more likely they will support major gift proposals generated by you for their clients.

USE MOVES MANAGEMENT STRATEGIES WITH PROFESSIONAL ADVISORS

1. Prospect key and powerful advisors in your community.

2. Cultivate, Cultivate, Cultivate them.

3. Stewardship of advisor after the client makes a gift.

4. Referrals are a two-way street. When used with discretion, disclosure, and objectivity, it can further enhance the gift planner-advisor relationship.

TIPS TO OVERCOME ADVISOR OBJECTIONS AND HURDLES

1. Stay on message. If the advisor starts to "attack" certain technical aspects or tangential issues, return to the needs, opportunities, and impact a gift would have on your non-profit. Remind the donor why the meeting was called and the proposal was made. The majority of big gifts occur because of the charitable desires of the donor and not the tax benefits. Focus on how to make gift best not whether or not gift should be made at all. Helpful questions to use: what does the donor really want to happen out

of this transaction? Why are we really here today? Who will benefit from this gift and to what extent? Is the tail wagging the dog?

2. Raise the white flag when appropriate. One of the best things a gift planner can do early on in a confrontation/disagreement with an advisor is acknowledge a weakness or drawback with the gift plan. No gift plan is perfect in all ways. There will be some less than perfect aspects to any gift. By admitting to some of these, you still positively convey several key messages, for example: you understand and empathize with the advisor's concerns; you are not so one-sided that you do not see some of the shortcomings of the plan; you care about the client and are not just trying to get the deal done; you want to close a gift but are willing to look at all the options.

3. "Go for broke" or "take what you can get." One of the most difficult decisions during a gift proposal process is deciding when to stick to your guns and push for the proposed original gift amount or whether to take a step back and "compromise" on a smaller gift. This skill is definitely more art than science, and there is never one best way to approach it. Nevertheless, it is a situation that comes up frequently if you are asking for gifts and having those asks be reviewed by advisors and family members. Obviously, one way to still close a gift under possible protest is to settle on a smaller amount.

4. Investment versus "expense." It is important to remember that not every financial decision or cash outflow is an "investment." We all – donors, advisors, gift planners – make lots of cash expenditures that have little or no financial investment return. For example, a donor may purchase a $100,000 luxury automobile, a $50,000 around the world cruise, or $25,000 of high end furniture. So, a major gift should not be simply viewed as a poor financial investment decision. Sometimes, it is better to view a major gift as similar to a discretionary, luxury purchase – it is something that adds value and reward to one's life, but not necessarily causes an increase in one's financial net worth.

5. Inheritance is relative. In many instances, the heirs do not need, deserve, or even want 100% of the donor's estate. Yet, the conversation regarding estate gifts usually begin with the premise that 100% is going to family and gifts to charity will cut into that 100%. So, immediately, there is a lose-win mentality that must be overcome. Instead, try to frame the issue starting at 0% for family and charity and move upward to find the right balance between all parties involved. As a result, there is a more thoughtful and purposeful approach to the estate division and more likely the parties will feel that a win-win result was achieved.

6. Philanthropists are not cut from the same fabric. Philanthropists come in all shapes, sizes, and backgrounds. Some are very generous and some can be down right Scrooge-like. The truth is that there is no one measuring stick for how to give and how much to give. As a result, do not let advisors predetermine the generosity of their clients and pigeonhole them accordingly. Instead, let advisors know that there are many ways a client can make gifts and the level of generosity – i.e. the charitable deduction – can vary greatly and can be structured to that client's desires.

HOW INVOLVED SHOULD A GIFT PLANNER BE?

Do you care if the donor can "afford" to make the gift? Should you care?

Should you ask whether a donor can "afford" to make a gift? Will the question offend the donor?

Is it entirely up to the donor and the donor's advisors to deal with the affordability issue?

How much should you rely on research, past giving, and anecdotal stories when setting ask amounts?

CASE STUDIES

THE VOLUNTEER WITH A HEART OF GOLD

Georgia Tasaka, 75, was named volunteer of the year by a local charitable organization. Since retiring, Georgia spends a great deal of her time volunteering. She loves helping local elementary school children with after school activities, and she loves helping distribute and serve food to homeless families. Georgia now wants to do more than volunteer her time. She wants to make a major gift to your charity to honor her parents.

During your visit with her, Georgia tells you that she has never married and has no immediate family to leave assets to. She has an estate of $1.5 million, and her home represents $1 million of that $1.5 million. In addition to her hard assets, Georgia has a defined-benefit pension plan where she is guaranteed a certain amount of income for life. She tells you that she is very comfortable financially and has more than enough resources annually for her modest lifestyle.

Georgia tells you that she wants to bequest her $1 million home to your charity. You are so happy and grateful for her generosity, and tell her about all the great ways her bequest will help people in need.

Thinking quickly, you realize that a gift of a remainder interest in home may be a perfect suggestion for Georgia's situation. First, it would reward Georgia with a substantial income tax deduction. Second, it would turn the revocable gift into an irrevocable gift, which would ensure the eventual benefit to your charity. Of course, you also communicate the downsides of the gift plan. Namely, it is an irrevocable gift, and Georgia would be giving up a big chunk of her estate value.

After hearing about the pros and cons of the gift plan, Georgia enthusiastically says, "Let's do it." Georgia plans to live in the home until she dies, and she figures that she planned on giving the home eventually – why not get a tax break for doing it now! As a result, you run some projections for her and tell her to have her attorney and CPA review it. She thanks you and promises to be in touch.

Three weeks later, Georgia calls you. She tells you her attorney strongly advises against it. The attorney said she should not give away such a large asset irrevocably. Alternatively, the attorney suggested creating a revocable living trust and drafting a bequest provision in the trust for the home. Georgia also tells you that her CPA advised against the gift plan too. Based upon Georgia's annual AGI of $80,000, the CPA said that a big portion of the deduction would get "wasted" and goes unused. Georgia sounds a bit disappointed.

What do you tell Georgia and her advisors? Do you have a fallback plan, or should you just concede and reaffirm the bequest option?

THE FARMBOY AND HIS FAMILY AND FAITH

Keith Lee grew up on his family's farm and learned early on the responsibilities and hard work that go into a business where the land is the source of life. Keith is now in his 70's and his grandparents and parents have since passed away. The family farm is no longer filled with crops and livestock as it is now locked in the middle of urban growth. With mixed emotions, Keith decides to sell the family "farm" and use the proceeds for retirement needs and inheritance for his children.

Keith's financial advisor knows there will be a huge capital gain as the farm is highly appreciated, and is aware of the benefits of charitable remainder trusts. He calls you to set up a meeting as he knows you are very knowledgeable about CRTs – he heard you give a presentation on them at his advisory group meeting.

At the meeting with the advisor and his client, you explain the features and benefits of a CRT and how the client's seven-figure gift could greatly impact your non-profit's mission. After you are finished, the advisor begins to discuss how adding a life insurance policy could be used in conjunction to the CRT to provide a substantial inheritance to the client's children.

With the use of both vehicles, the advisor explains that the client can achieve all of his goals plus make a significant gift to charity.

The advisor looks to you for positive feedback and input? How do you reply? Does it depend on how much you know about life insurance or about the client's situation and needs? If you feel differently about the insurance component, do you voice your concerns or is it not your place to do so?

THE END

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