

Introduction to Effective Philanthropy

For advisors interested in inspired, strategic philanthropy

February 16, 2022



Stanford PACS
Center on Philanthropy
and Civil Society

—
Effective Philanthropy Learning Initiative

Advisors in Philanthropy

The International Association of Advisors in Philanthropy (AiP)
is a network of diverse professional advisors devoted to mastering & promoting
the principles & practices of client-centered planning



AiP's Mission

...to inspire & educate advisors, helping them make philanthropic planning with their clients/donors an integral part of their practice

...to create a unique network of support through collegial relationships among an intentionally diverse spectrum of professionals attracted to membership in our organization

...to promote the highest ethical standards in philanthropic planning



Andi Kang, CFP®, CAP™, BFA™

Board of Directors President, AiP
President
Crown Wealth Management
Past President FPAOC



Marty Dutch, CAP™

Board of Directors (Former President), AiP
Vice President
Director of Philanthropy Services
First Foundation

Stanford PACS

The Stanford Center on Philanthropy & Civil Society (Stanford PACS)

is an interdisciplinary research center at Stanford University that develops & shares knowledge to:

Improve Philanthropy

Strengthen Civil Society

Effect Social Change



SUMMER 2017
CURRENT ISSUE



SPRING 2017



WINTER 2017



FALL 2016



SUMMER 2016



SPRING 2016



WINTER 2016



FALL 2015



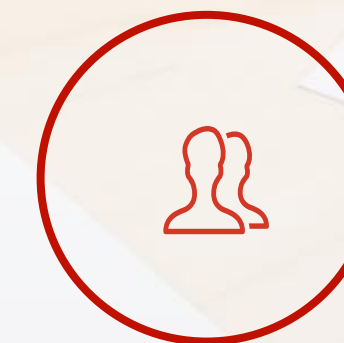
The Effective Philanthropy Learning Initiative

EPLI is an interdisciplinary lab within PACS working at the intersection of philanthropy, the behavioral sciences & design thinking to accelerate learning for donors & others in the donor-support ecosystem.

EPLI pursues its work through:



Research



**Tools &
Resources**



Education

Agenda

- **Overview**
- What is Effective Philanthropy?
- Sample Exercise: Finding Your Focus
- Research & Trends
- Next Steps
- Q & A

Assets on the Move

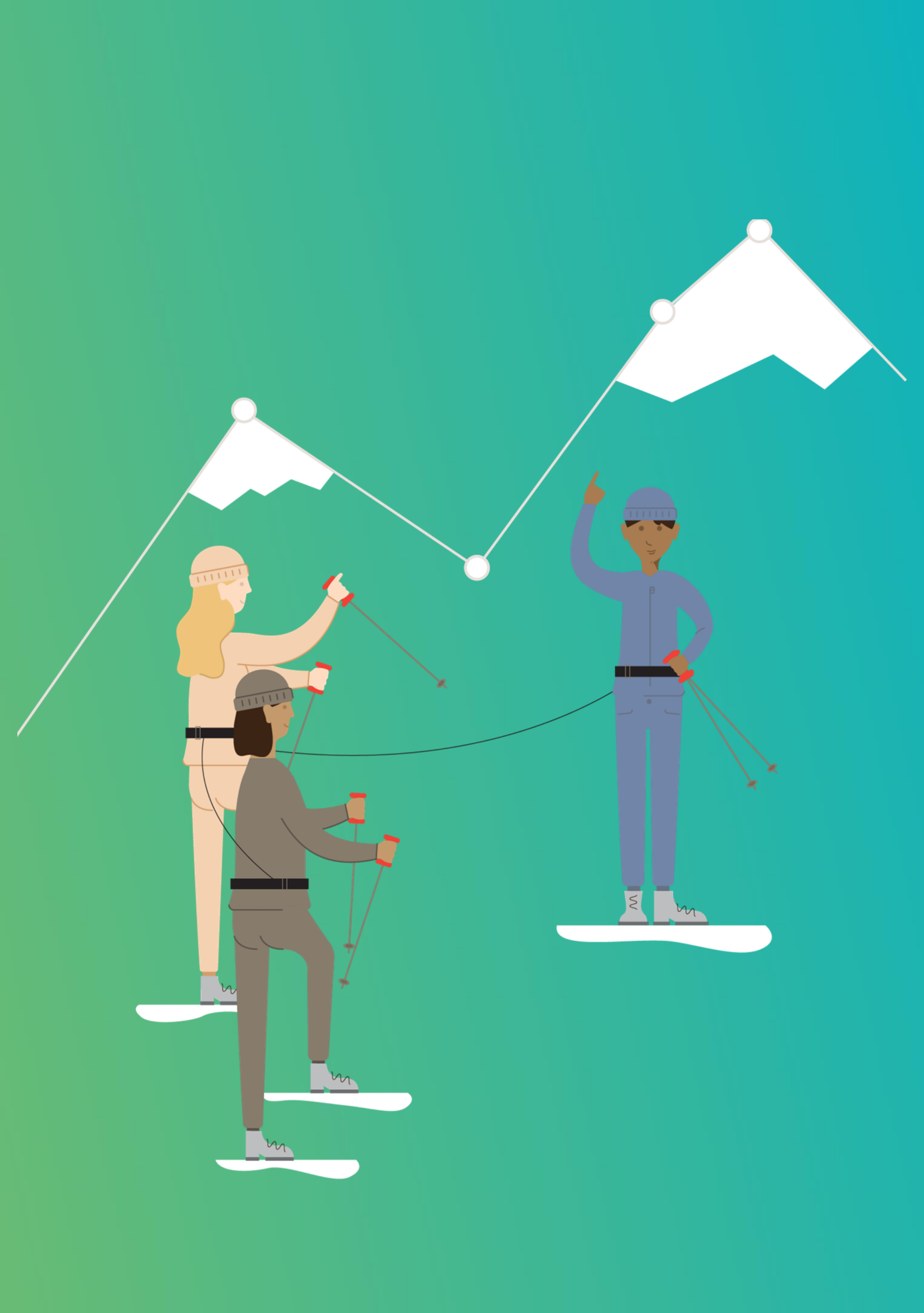
- **\$30-40 trillion will transfer in next 30-40 years**

Wells Fargo Investment Institute

- **90% of estate transfers result in advisors losing AUM**

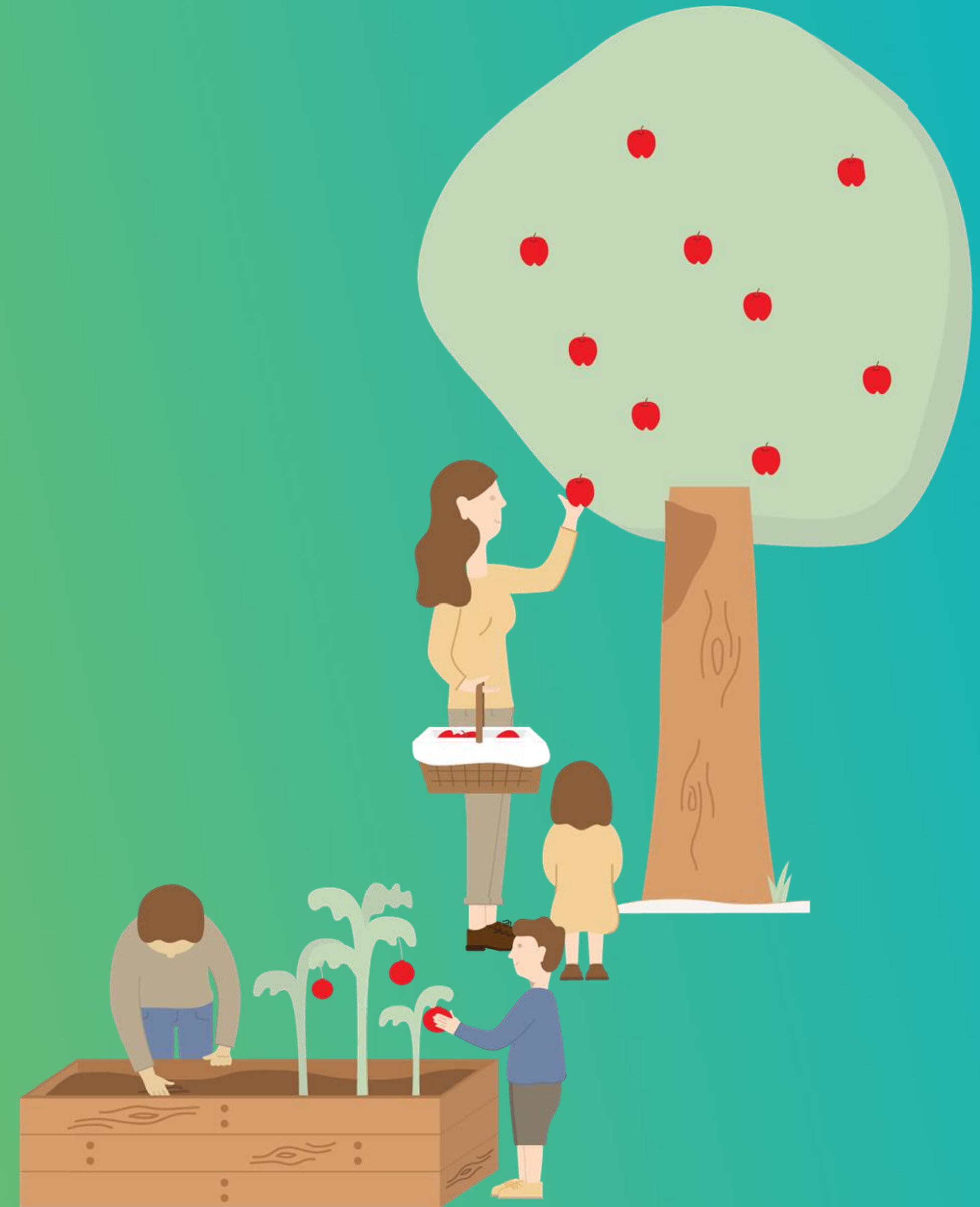
Preisser & Williams, "The Future of Estate Planning," Journal of Trusts & Estates, June 2010

***Advisors stand to lose
\$27 trillion dollars***



Advisors...

- Need deeper, broader, enduring relationships with clients & their families
- Need to help clients accumulate & protect wealth & *find the meaning of their wealth*
- Leverage philanthropy to make a positive lasting impact your clients & community



How can I engage
clients on effective
philanthropy?



What *is* effective philanthropy?

Effective philanthropists go beyond writing checks & are ready to engage in sustained, significant support for organizations aligned with their philanthropic missions.

We encourage effective philanthropists to:

- 1. Be Thoughtful**
- 2. Be Clear**
- 3. Commit**
- 4. Learn Together**
- 5. Trust**



The Stanford PACS Philanthropy Toolkit

The Toolkit is a practical, step-by-step resource designed to help donors, their families & advisors:

- Engage in thoughtful conversations
- Anchor philanthropy around deeply held values
- Be smart & effective in charitable giving
- Create a giving plan



Toolkit Modules

WHY & WHO



FINDING YOUR FOCUS

How do you find your focus areas?



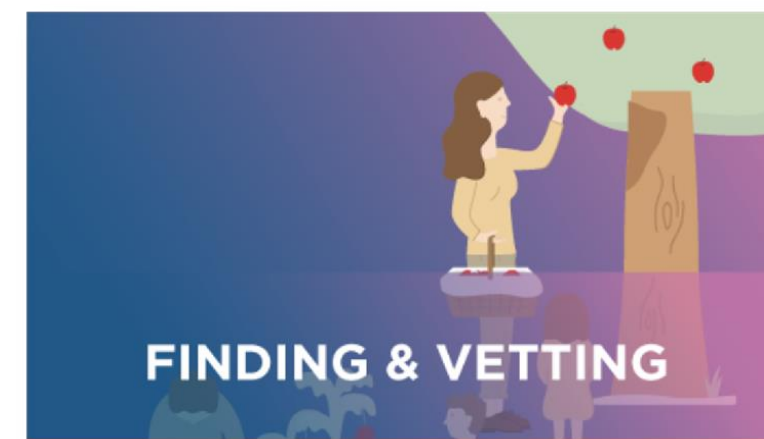
INVOLVING FAMILY

How do you involve your family?



ENGAGING OTHERS

Where can you learn more, seek professional advice and engage other donors?



FINDING & VETTING

How do you find and vet organizations?



STRUCTURING YOUR GIVING

How do you structure your giving?



MAKING & TRACKING GIFTS

How do you make gifts and track your giving?

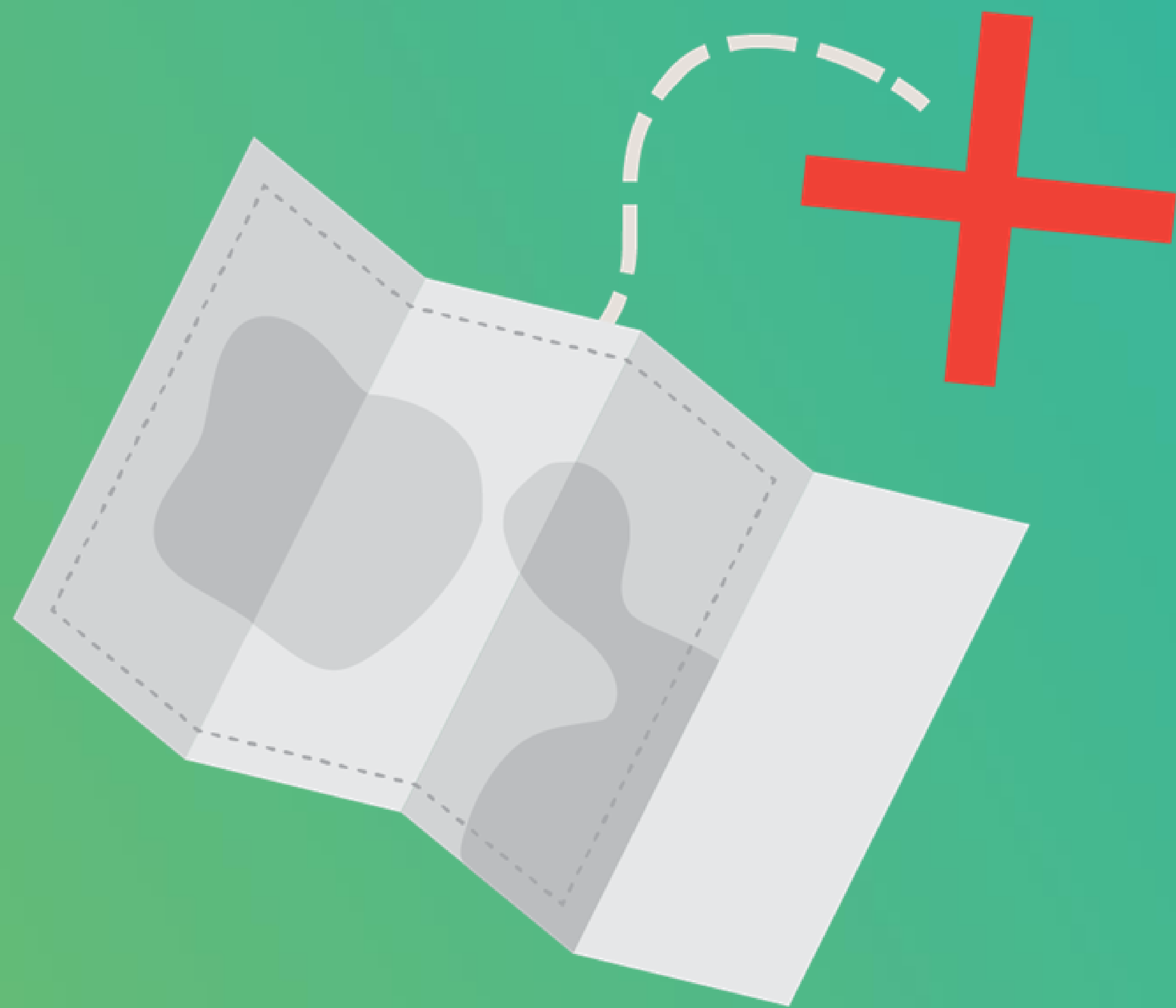
Finding Your Focus



Activity:

*Using the Toolkit with
Your Clients*





Finding your focus

How do effective philanthropists start their journey?

Activity Set-up: Grab your pen & paper




Finding Your Focus: Values Exercise

ACCOUNTABILITY	COMMUNITY	COURAGE	CREATIVITY
DIGNITY	DIVERSITY	EMPOWERMENT	EQUITY
FAIRNESS	FREEDOM	GENEROSITY	HONOR
HUMILITY	INNOVATION	INTEGRITY	JOY
JUSTICE	KINDNESS	LEADERSHIP	LOVE
PATRIOTISM	PEACE	RESPECT	SERVICE
STEWARDSHIP	WELLBEING	TRUSTWORTHINESS	SPIRITUALITY

Your Values Statement

If [*Value 1*], [*Value 2*], and [*Value 3*]
were flourishing in the world,
it would address many of the problems
I care about.


A faint, stylized graphic of a globe is visible in the bottom-left corner of the slide, rendered in a light green color that blends with the background.

Finding Your Focus: Issues Exercise

ANIMAL RELATED	ARTS, CULTURE & HUMANITIES	CIVIL RIGHTS & ADVOCACY
DISASTER PREPAREDNESS & RELIEF	EDUCATION	ENVIRONMENT
FOOD & NUTRITION	HEALTH	INTERNATIONAL DEVELOPMENT
LAW & SOCIETY	SOCIAL SERVICES	OTHER

Your Issues Statement

If I could make a significant difference on
[Issue 1], *[Issue 2]*, and *[Issue 3]*,
I would be pleased to have made that impact
in the world.

A faint, stylized outline of a globe is visible in the bottom right corner of the slide, showing the continents of North and South America.

Your Focus Statement

The *[name of your fund/foundation]*
is *[committed to/believes in]*
[Value 1], [Value 2], and [Value 3].

We aim to *[address/support/eradicate]*
[Issue 1], [Issue 2], and [Issue 3]
for *[target population]*
throughout the *[world/country/local geographic area]*.

Example:

The Andrews Family Fund is committed to **equality** .

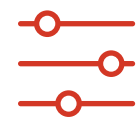
We aim to address **education inequality** for **low income elementary school students** in **East Palo Alto**.

Sector Trends



Trust

Donors seem to understand the value of unrestricted support



Research

Biggest area for opportunity: multi-year support of NPOs



Next Gen

More, younger donors are choosing DAFs as their giving vehicle



Crisis Response

Donors seem to be responding to calls to action during the crises of 2020: #HalfMyDAF



DEI

Greater donor interest in how to bring principles of diversity, equity, and inclusion into their grantmaking



Above & Beyond

Growing interest in impact investing and more holistic ways to think about “philanthropy”



Innovation

Younger donors demanding a different approach to philanthropy



*Focus is on high-capacity donors in the United States



Living Vehicle Research



CHECKBOOK

- Easy to use
- No administrative fees or barriers



DAF

- Must go through a fund sponsor
- Allows donors to receive a tax incentive when putting money in the fund and then distribute funds at a later point
- Particularly advantageous for donating appreciated stock



FAMILY FOUNDATION

- Requires 5% annual payout and reporting requirements
- Creates a visible family legacy
- High administrative costs and effort



LLC

- Fewer tax advantages
- Fewer reporting requirements and ability to support political organizations

DAF Research



- Timing of deduction & payout rates
- Gifts of complex assets to DAFs & their valuation
- Effects on charitable giving & operating foundations
- Values-based investing through DAFs
- Advice given by DAF sponsors to donors
- Restrictions on grantees & donor anonymity

Webinar:





















pacscenter.stanford.edu/event/donor-advised-funds-and-their-critics

Suggested reading: *Are Donor Advised Funds Good for Nonprofits?*

Paul Brest, Stanford Social Innovation Review





















EFFECTIVE PHILANTHROPY LEARNING INITIATIVE

GIVING VEHICLES COMPARISON CHART

CONSIDERATIONS	CHECKBOOK / OTHER DIRECT DONATIONS	DONOR ADVISED FUND (DAF)	PRIVATE FOUNDATION	LIMITED LIABILITY COMPANY (LLC)
ADMINISTRATIVE SUPPORT Do you need support for due diligence and administration, and can support be paid for by tax-exempt dollars?	 The amount of support needed depends on the complexity of your gifts. Support is not tax-deductible.	 The sponsor carries out administrative responsibilities. Extent of due diligence varies.	 Administrative responsibilities may be performed by paid staff or outsourced—and paid for from tax-exempt dollars.	 Administrative work is typically carried out by paid staff and is not tax-deductible.
ANONYMITY AND PUBLIC DISCLOSURE Can you give anonymously?	 Yes	 Yes	 No, private foundations are required to disclose the names of grantees and significant contributors (those who give more than \$5,000 in a year) on the annual 990-PF Form.	 Yes
ASSET GROWTH POTENTIAL AND INVESTMENT DECISIONS Will your philanthropic assets increase in value over time? If you can make philanthropic investments, do you have control over how to invest?	 Not as such. Your philanthropic assets are not differentiated from your other assets. If you give assets to charity before selling them, however, you will not pay tax on the gains.	 Yes. Any growth in assets is tax-free, offering the opportunity for greater philanthropic giving in the future. However, in most cases, the DAF sponsor is responsible for investment decisions.	 Yes. Any growth in assets is exempt from income tax, though it is subject to the 1-2% foundation excise tax.	 No
CONTROL OVER GRANTMAKING Can you retain control over funding decisions?	 Yes	 Donors can advise the DAF sponsor on how to distribute their DAF's assets, but the final funding decisions rest with the DAF sponsor. While donors are subject to IRS regulations on DAFs and the managing entity's policies, sponsors will usually act as advised.	 Yes, subject to the approval of the foundation board.	 Yes
DISTRIBUTION REQUIREMENT Is there an annual distribution requirement in place to keep your philanthropy moving?	 No	 No; though some DAFs have a minimum annual distribution requirement, which can begin at \$5,000, or a policy for funds that are inactive for two to three years.*	 Yes; private foundations are required to distribute 5% of their assets annually.	 No

EFFECTIVE PHILANTHROPY LEARNING INITIATIVE

GIVING VEHICLES COMPARISON CHART

CONSIDERATIONS	CHECKBOOK / OTHER DIRECT DONATIONS	DONOR ADVISED FUND (DAF)	PRIVATE FOUNDATION	LIMITED LIABILITY COMPANY (LLC)
FAMILY INVOLVEMENT Can your family members be involved in grantmaking decisions?	 Yes; this involvement will be informal.	 Yes; family members can have their own funds and/or can be named as successors to yours.	 Yes; this involvement can be formal, with family members serving on the board or as staff.	 Yes; this involvement can be formal, with family members serving on the board or as staff.
IMPACT INVESTMENTS Can you make investments that generate social as well as financial returns?	 Yes, but income made from impact investments may be taxable.	 Yes, an increasing number of DAFs are permitting funds under their management to be used for impact investments.	 Yes, private foundations can make program-related investments (PRIs) and mission-related investments (MRIs).	 Yes, but income made from impact investments may be taxable.
PERPETUITY Can the structure exist in perpetuity?	 No	 Yes; named advisors and successors can keep DAFs running in perpetuity.	 Yes; the endowment can either exist in perpetuity or be spent down over a period of time.	 Yes
POLITICAL CONTRIBUTIONS Can you make political donations or engage in lobbying?	 Yes; these contributions are not tax deductible.	 No—but public charities—including those to which you recommend donations and those that sponsor DAFs—can engage in lobbying, and community foundations can make grants for lobbying up to a certain limit.*	 No—but public charities to which you donate can allocate a portion of unrestricted general operating grants to lobbying.	 Yes; these contributions are not tax deductible.
TAX IMPLICATIONS What tax implications does this vehicle have for my giving?	 You are entitled to tax deductions if you support 501(c)(3) organizations.	 The entire amount given to a DAF is immediately tax deductible and you can give to it multiple times.	 The donor is eligible for a tax deduction when assets are transferred to the foundation—though on less favorable terms than gifts to public charities and DAFs. The income from assets held by a foundation is not subject to income tax, but foundations must pay an annual excise tax of 1%-2% of net investment income.	 When contributions are made to a 501(c)(3) organization, the LLC's members are eligible for a tax deduction; there is no deduction for support given to political activities or impact investments.

Current Research Projects

**The Relationship
Between
Profession,
Wealth, &
Philanthropic
Practice**

Spring 2021-Fall 2022

**Trust-Based
Philanthropy
&
Participatory
Grantmaking
in High-Capacity
Philanthropy**

Spring 2022-Summer 2023

**High-Capacity
Giving &
Advocacy Work:
How Donors
Approach
501(c)(3)s,
501(c)(4)s,
& Political Giving**

Spring 2022-Fall 2023

**High-Capacity
Donors
& Philanthropy in
Global Practice**

Summer 2022-Fall 2023

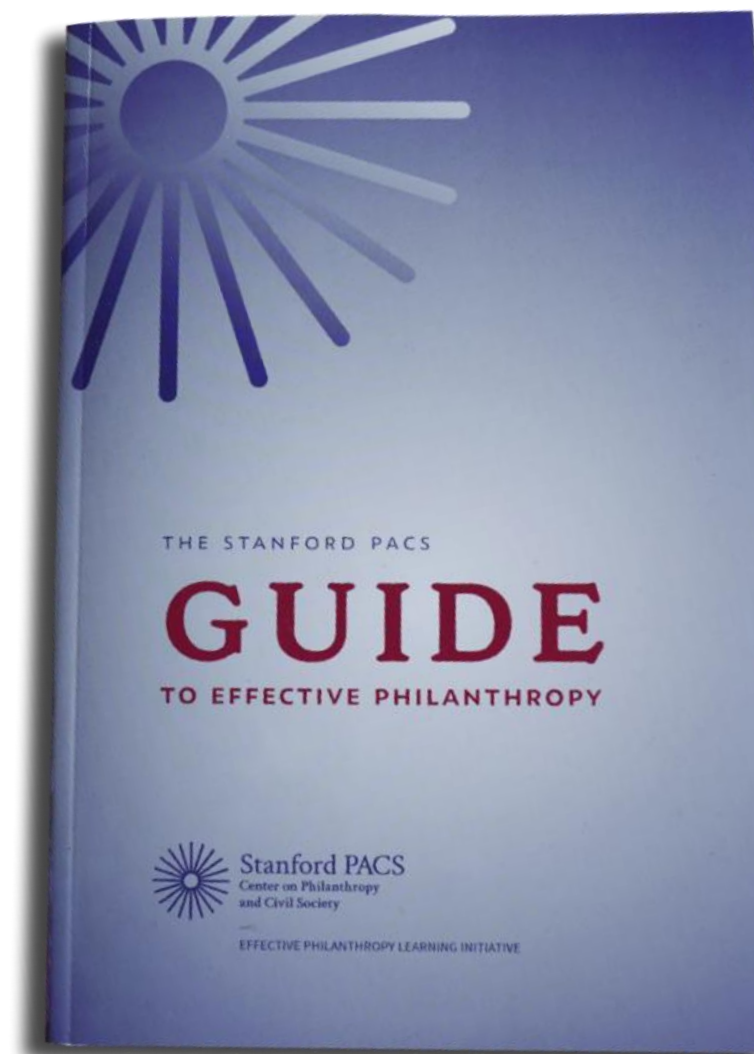
Tools & Resources

EPLI designs, develops & prototypes resources that help donors & their advisors increase philanthropic effectiveness & impact



Hands-on activity workbook to help donors create an effective philanthropy plan

(print & online)



In-depth DIY guide to walk donors through the components of strategic philanthropy

(print & online)

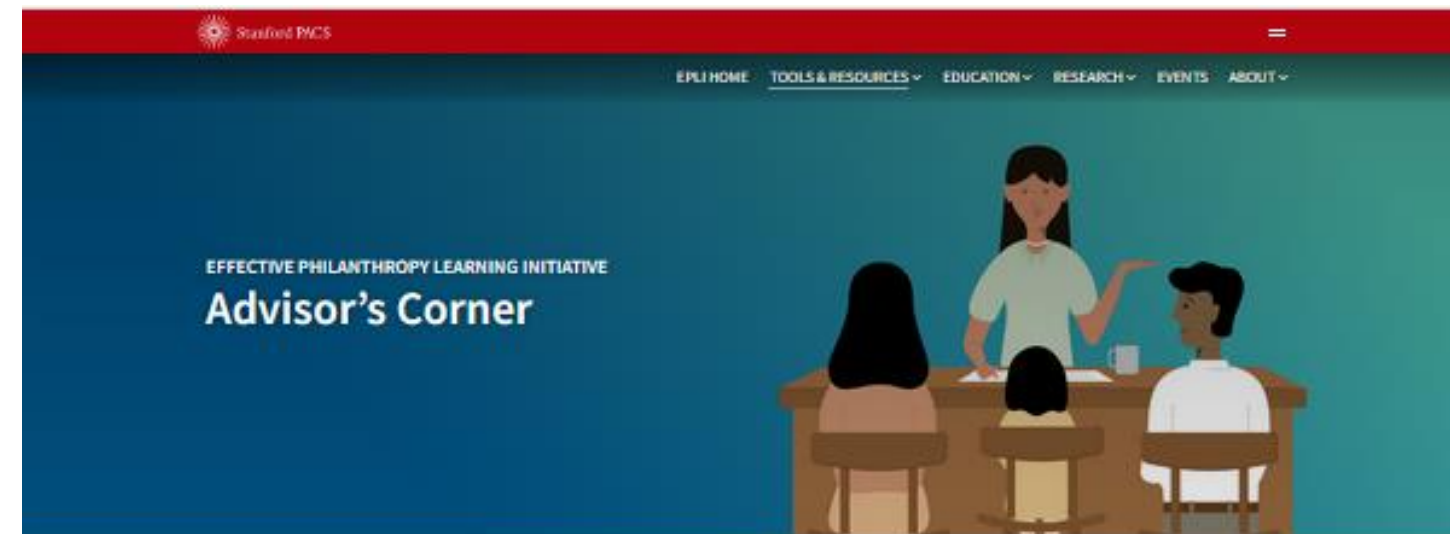


An online directory of 250+ philanthropic support organizations across the US

(online only)



Stanford Advisor's Corner



Client Powerpoint, Handouts, Videos, Infographics, Case Studies...

Welcome to the Advisor's Corner!

We have curated and developed the materials below to help advisors like you learn about effective philanthropy, and support your clients in elevating their philanthropic practice. You might use this information to refresh your memory about a workshop you attended with us, or maybe you want to share some of these materials in your presentations with your clients.

We love hearing your feedback on how to improve these resources, or ideas for what else might support you in your work.

Send suggestions to: contact-epli@stanford.edu

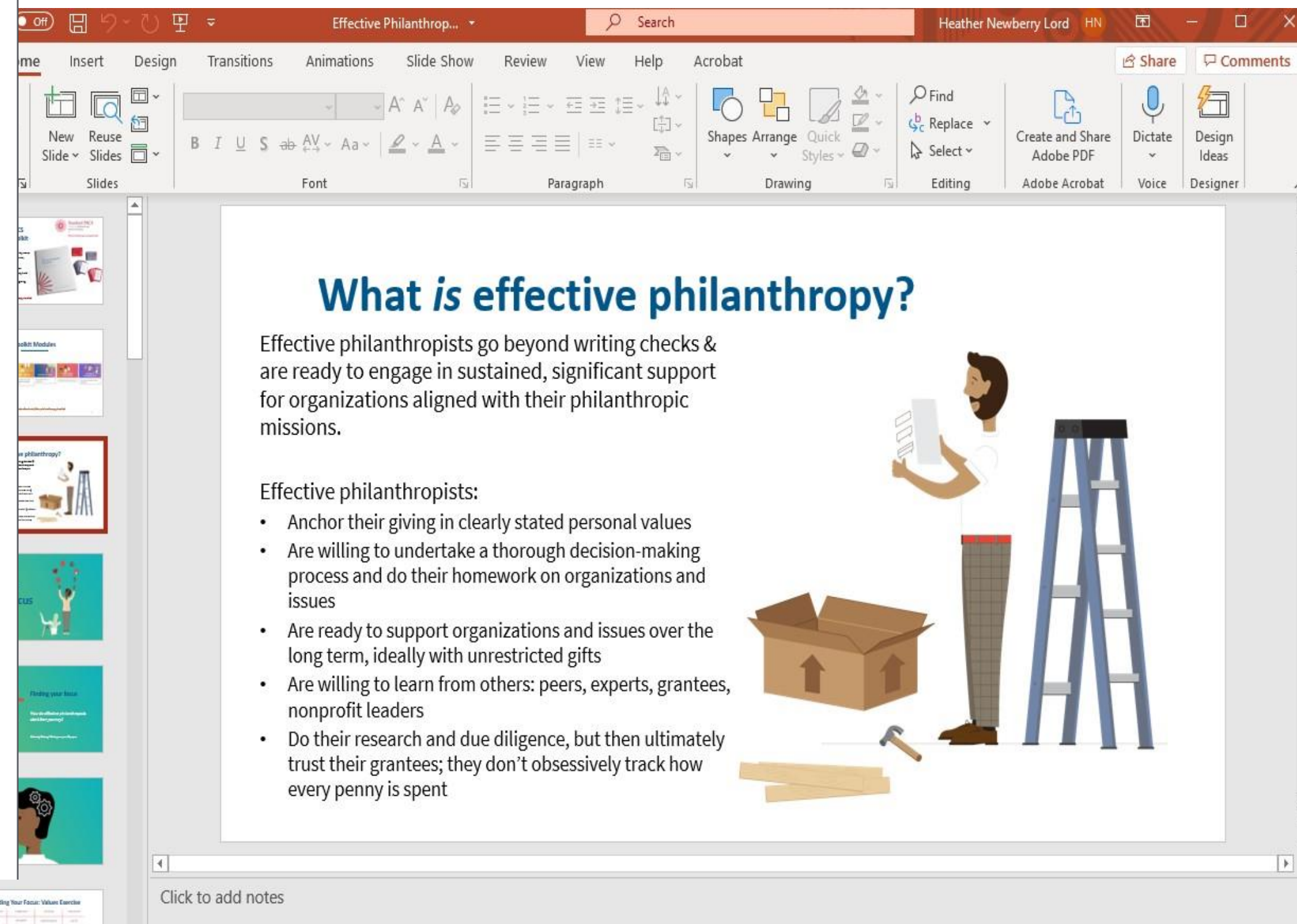
NOTE: All of our materials are under Creative Commons licenses, so we welcome you to use and adapt all EPLI materials found on our website, with the following attribution:

- > If you wish to cite the **Guide**, please use the following attribution language:
This work is a derivative of "The Stanford PACS Guide to Effective Philanthropy" by Stanford Center on Philanthropy and Civil Society, copyright 2020 Board of Trustees of The Leland Stanford Junior University, used under Creative Commons Attribution 4.0 license.
- > If you wish to cite the **Toolkit**, please use the following attribution language:
This work is a derivative of "The Philanthropy Toolkit: an Introduction to Giving Effectively" by Stanford Center on Philanthropy and Civil Society, copyright 2020 Board of Trustees of The Leland Stanford Junior University, used under Creative Commons Attribution 4.0 license.
- > If citing both or some of our general resources, please use the following language: This work is a derivative of "The Stanford PACS Guide to Effective Philanthropy" or "The Philanthropy Toolkit: an Introduction to Giving Effectively" by Stanford Center on Philanthropy and Civil Society, copyright 2020 Board of Trustees of The Leland Stanford Junior University, used under Creative Commons Attribution 4.0 license.

Videos



Handouts



5 Habits of Effective Philanthropy Advisors

- 1) **Lead The Conversation**
Are you including substantive philanthropy conversations in your client meetings? Sharing cutting edge social impact sector resources & trends? Getting your colleagues & networks to address philanthropy?
- 2) **Engage Family**
*Are you using philanthropy as a tool to open family communication & trust?
Are you helping prepare heirs?*
- 3) **Learn Continuously**
Are you open to continuous learning opportunities?
- 4) **Walk the Walk**
What's your own philanthropic engagement strategy? Can you share your stories with clients? Can you share how this adds joy to your life & work?
- 5) **Grow Your Trusted Expert Network**
Are you creating a network of experts that can help your clients execute their giving?

Next Steps

- **Stanford-AiP Workshops**

*Effective Philanthropy for Advisors
(2 half-day sessions, CE credit)*

- **March 22-23**

- **June 15-16**

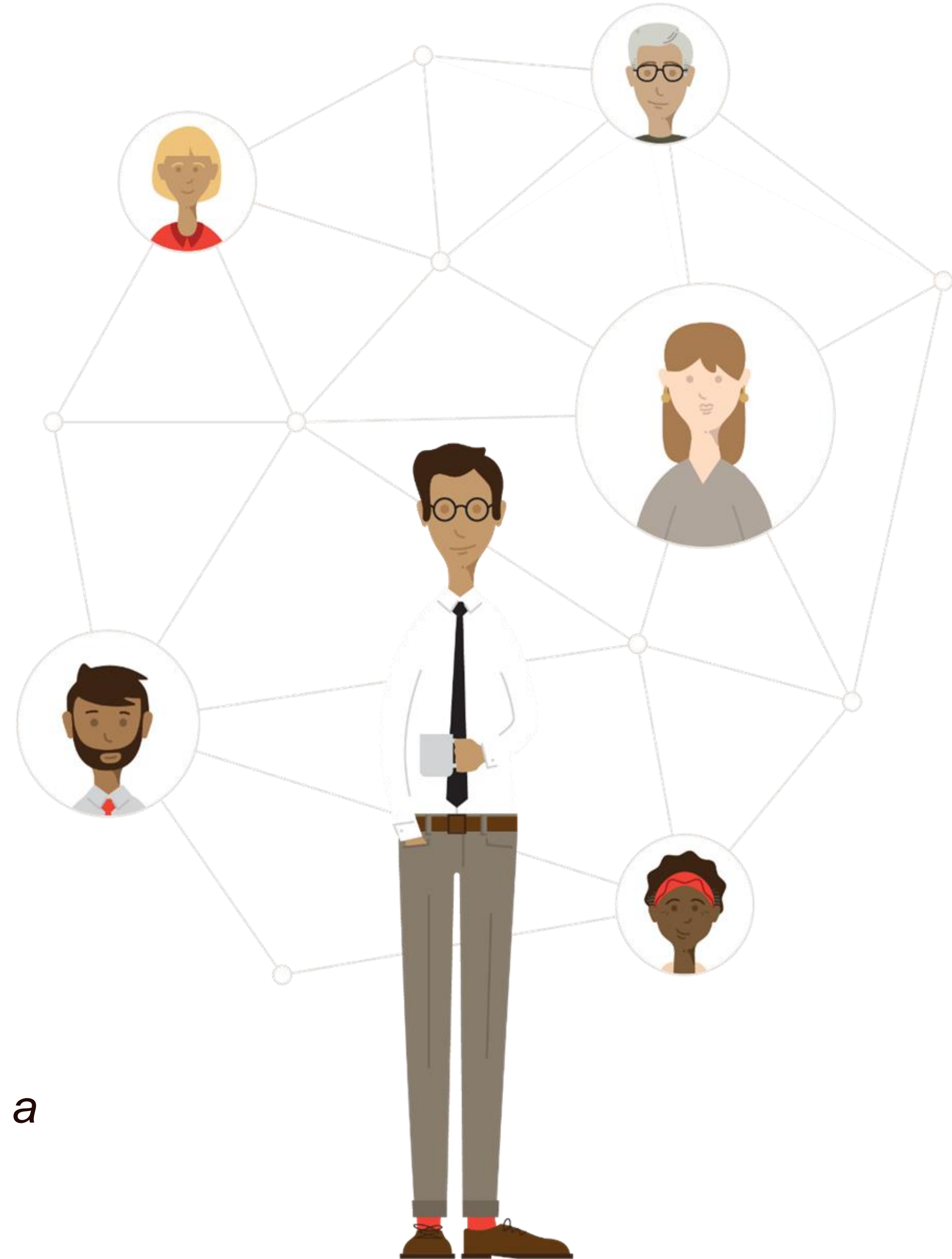
- **September 22-23**

- **Partnerships**

Custom educational & training engagements

- **Research**

Connect with Stanford if you or your clients would like to be a part of Stanford's donor behavior research



Stanford PACS Resources
pacscenter.stanford.edu/epli

AiP Events & Workshops
www.advisorsinphilanthropy.org

Andi Kang, CFP[®], CAP[®], BFA[™]
akang@crownwm.com

Marty Dutch, CAP[®]
mdutch@ff-inc.com

Andi Kang, CFP[®], CAP[®], BFA[™]

CFP[®]- CERTIFIED FINANCIAL PLANNER[™] Professional

CAP[®]- Chartered Advisor in Philanthropy[®]

BFA[™]- Behavioral Financial Advisor[™]

Securities offered through Registered Representatives of Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC. Advisory services offered through Cambridge Investment Research Advisors, Inc., a Registered Investment Adviser.

Crown Wealth Management, Inc. and Cambridge are not affiliated. Andi Y.H. Kang, CA Insurance License #0822454

Andi Kang, Marty Dutch, and Cambridge are not affiliated.