



October 11, 2005

Active Philanthropist or Passive Donor: Why Giving Profiles Matter

"When it comes to philanthropy, every client is as unique as a fingerprint," CFSV President Peter Hero says. "Some care about young children and education, others want to save the Valley's beautiful open spaces. Some want to leave a legacy; others want to make an impact today and leave future generations to worry about future needs."

There is no one-size-fits-all philanthropy. Understanding the basic types of donors can help you steer your clients toward the appropriate charitable vehicles—and help them meet their financial goals. "Clients run the gamut—from very active donors, who give money, time and talent, to passive donors, who may write a single check at the end of the year," says David Bromelkamp, the President of Touchstone Investment Consultants in Minneapolis and an advisor to wealthy individuals and families.

Understanding the Three Types of Philanthropists

Advisors agree that most of their clients fall into one of three categories:

The Reactor

- Has desire but no giving strategy
- Responds to requests as they come in
- Considers end-of-year check-writing a tax strategy
- May want and need coaxing to develop a more proactive approach

"This is the client who has a shoebox full of charitable receipts at the end of the year," says Jean Sazevich, Senior Philanthropic Consultant with Piper Jaffray & Co., in Minneapolis. Helping this type of client develop a giving strategy boosts the impact of a gift, she says, while complementing their family's mission and overall financial plan.

The Activist

- Has a definite giving strategy and charitable goals
- Wants total legal and operational control and willing to devote time and energy to achieve it
- Wishes to involve family members and leave a giving legacy
- Needs assistance in estate planning

"A typical activist might be a 50-year-old person who has just sold a business for \$10 million, can retire, but still wants to keep busy," Bromelkamp says. "They're used to having total control in a business setting and don't mind the day-to-day work involved."

For such individuals, a private family foundation can be a good—but also difficult—option. "I always warn clients about the tax, business, and management issues involved," says Robert Harrison, partner with Keegin, Harrison, Schoppert & Smith LLP in San Rafael, Calif. "Looking carefully at all the ramifications within their tax and estate plans is critical."

The Prudent Delegator

- Is often a successful businessperson with ability to delegate
- Approaches investments and financial planning in a disciplined way
- Prefers to delegate day-to-day operations to trusted advisors once plan is established
- May differ in the amount of involvement they wish to have

"The majority of our clients are high-net-worth individuals who have accumulated wealth through success in business, and that usually means they know how to delegate," Bromelkamp says. "They are tireless in finding an advisor or charitable institution they trust, but once that trust is established they prefer to delegate daily management of the portfolio."

Community foundations make ideal resources for Prudent Delegators, according to Doug Stasek, Director of Gift Planning at the Minnesota Community Foundation. "Many donors we work with are very busy," he says. "They want a vehicle that has great impact but they don't want to worry about the minutiae."

Nevertheless these donors differ in the amount of control they wish to have. Community foundations offer various levels of involvement—from a one-time gift to an unrestricted fund, to investing in a field-of-interest fund, to opening a donor advised fund that allows donors to make grant recommendations based on the causes they support.

Bromelkamp, who considers himself a Prudent Delegator, established a donor advised fund at The Minneapolis Foundation after a personal windfall jumpstarted his philanthropy. "They helped us clarify our charitable intentions," he says. "I found that I'm passionate about literary endeavors and higher education, while my wife is focused on children and the elderly. The Foundation deals with the administrative aspects, identifies the best-performing charities, makes sure our broad charitable strategy is carried out, and informs us when new opportunities arise."

Helping Clients Achieve their Goals

Beyond articulating their passions, clients need to consider everything from the desired level of family involvement to whether they need an income stream for life.

In addition to discussion, advisors often use visual tools such as graphic presentations, take-home charts comparing various vehicles, and lists of questions clients should consider.

Many advisors choose to partner with community foundations, which already deploy such tools in-house.

Partnering with Community Foundations

Community foundations can lighten the load for advisors, because they focus exclusively on philanthropy, and are skilled at addressing the concerns of high-net-worth clients.

"Community foundations are particularly good at helping clients work through the issue of control and how much they want in terms of their philanthropy," Harrison says.

Given his own experience, Bromelkamp often recommends donor advised funds, whether as the final step in a giving strategy, or as an intermediate step in moving from more passive to active giving. "Donor advised funds are also great for estate planning purposes. Donors know that their gift is safe, and they can take a charitable income tax deduction on it," he says.

"We take clients down a certain path and want to hand them over to qualified experts we trust for implementation," Szevich says. She often collaborates with community foundations in Minnesota and elsewhere, and staff members of foundations note that many donors they work with have been referred by advisors.

Copyright 2005, Council on Foundations and Community Foundations of America

Used with permission