

'Tis the Season: Creating a Giving Strategy That Lasts Beyond the Holidays

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Featuring:

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VO [00:00:01] Is your wealth strategy supporting your long-term goals? Welcome to *Your Active Wealth* with BNY Mellon Wealth Management, where we offer insights that can help you move closer to your goals. We'll tackle timely topics through the lens of the five pillars that comprise our Active Wealth framework: Invest, Spend, Manage, Borrow and Protect, and provide guidance on navigating the unpredictable, to help you build and sustain wealth.

Ben [00:00:30] Hi. I'm your host, Ben McGloin, head of advice, planning and fiduciary services at BNY Mellon Wealth Management. And welcome back to *Your Active Wealth*. Today's episode is especially timely this holiday season as we are going to discuss how you can make an impact with charitable giving. Our guest today is Crystal Thompkins, head of philanthropic solutions at BNY Mellon Wealth Management. Crystal joined the firm in 2006 as a manager for the Planned Giving Group. She has more than 20 years of experience working with donors and nonprofits, having started in tax preparation and later moving to client relationship management. She has deep knowledge in all aspects of gift planning and donor stewardship and is an avid speaker and contributor to leading industry publications. Crystal, welcome to the podcast.

Crystal [00:01:09] Thanks, Ben.

Ben [00:01:10] So, Crystal, what makes December so special for charitable giving?

Crystal [00:01:14] Well, tis the season of giving. People are really motivated by the events like Giving Tuesday, which just occurred last week, Thanksgiving and the December holiday season. Generally speaking, this time of the year is the most popular time for giving, with over one third of all annual giving happening in December. And when you think about it, Americans give a lot to charity just generally. This past year, 2021, saw giving over \$400 billion, which broke all previous records. And when you think about a third of that being given in December, that's a really, really busy time. So, you know, people are motivated by the season. They're also motivated by just their desire to make a positive difference in the world, but also taxes. Taxes play a major role, particularly at year end, as people prepare for that looming April 15th deadline, in ways that giving can also provide some tax benefits.

Ben [00:02:10] And I know we'll circle back to the tax elements in a little bit, but maybe moving beyond December, in your opinion, how can individuals make a larger impact with an overarching philanthropic plan?

Crystal [00:02:20] Well, most people simply practice what we'll call checkbook philanthropy, where they're just writing the check to the charities that they love and care about. But we recommend taking a more strategic approach and really thinking about how to integrate philanthropy into an overall wealth plan, because that's what's going to help maximize your tax benefits, but also maximize the impact that you're making through philanthropy. Earlier this year, we talked to high-net-worth investors and asked them about their opinions and motivations for giving. And what the survey results showed is that most high-net-worth investors found that charitable giving and overall wealth strategy go hand in hand. So, they understand that philanthropy played a part in their overall wealth strategy, but only over half, a little over half currently have a charitable giving strategy in place. So looking to our role as wealth advisors, we understand that most affluent investors are looking to us and their family members in helping to develop a giving strategy. And the survey results showed that with over 63% of investors surveyed saying that they had worked with their wealth advisor to develop their strategy. So again, simple check writing is fine, but integrating a more holistic approach in a wealth plan, integrating that philanthropic piece into that plan is much more effective over the long term.

Ben [00:03:46] So Crystal, in your experience, what motivates people to give?

Crystal [00:03:49] You know, it's been my experience that people are motivated to give because they want to make an impact. They want to make a difference in the world. They want to build on the legacies for both their families and the communities that they care about. It's a very personal decision. In that same study, we learned that personal satisfaction and personal connections ranked as the top two motivators of charitable giving. Having said that, there's also tax benefits to charitable giving, and each vehicle has its own specific tax benefits. So it's important to think about all those tax benefits as part of your overall philanthropic planning and to discuss those with your wealth professional and your tax advisor to make sure that you're optimizing your giving both from a philanthropic and a tax perspective.

Ben [00:04:36] So, Crystal, you just touched upon giving vehicles. Could you elaborate and share the specific vehicles that people should consider for their charitable giving?

Crystal [00:04:45] Sure. Most families use multiple tools because charitable giving isn't kind of a one size fits all. So they use different tools to address various needs, be it philanthropic or planning. Those tools and vehicles can include things like family foundations, charitable gift annuities, and charitable trusts. Specifically, charitable trusts are very commonly used by families to address both tax planning needs because they offer an opportunity to mitigate and defer some capital gains realization while also receiving income. And families use that as a tool to make significant gifts to charity over the course of a lifetime as opposed to a one-time outright gift. But one tool that a lot of families use for a variety of different reasons are donor advised funds, because donor advised funds are a tool that can solve multiple problems. They're easy to set up. They're easy to manage. And they give donors an ability to make a charitable gift and still maintain a measure of control. Not to mention DAFs also provide several tax benefits to donors. And those include you can potentially get a current income and gift tax deduction for contributions to a DAF. You can potentially reduce or eliminate estate, inheritance or gift taxes. If you're able to contribute highly appreciated qualified securities, you can reduce your capital gains exposure and you can also be eligible for deduction for gifts of long-term appreciated securities that's based on fair market value. Donor advised funds are a tool that are very commonly used, widely used, not just singularly as a sole vehicle, but as I mentioned, as part of an overall wealth strategy and multiple tools that families use for philanthropic giving.

Ben [00:06:25] And so, Crystal, I know with the exponential growth of donor advised funds, DAFs, over the years, there has been some recent chatter, in fact, some proposed legislation around making some changes. Could you touch upon those and maybe some of the likelihood for our audience?

Crystal [00:06:40] Sure. There's been a lot of conversation around donor advised fund and whether or not they are really fulfilling a charitable purpose. And what the information shows or the data shows is that while the donor advised funds are some of the largest charities in the world, but there's also a significant amount of grantmaking coming out of those funds, and they are an integral part of a lot of nonprofits fundraising resources. While the IRS and the legislation is being considered around trying to put some controls in place around making sure that those donor funds contributions are ultimately used for charitable purpose, I think that overarching there's data that supports the idea that donor advised funds are really instrumental in a lot of the social and community and global change that we're seeing that are funding the work that the nonprofits are doing. So it's going to be on people's radar because it is such a much used tool. But I think that overall, it's been our experience and in what we've seen in the data that donor advised funds really do serve a charitable purpose.

Ben [00:07:50] And so I do want to circle back. You talked about family members having kind of more than one charitable mission. And I know sometimes different generations have different charitable priorities. So again, from your experience, how can families address maybe some of these generational issues and challenges?

Crystal [00:08:05] Sure. I think, you know, the biggest challenge is that we are in the first time in history working across five different generations in the philanthropic conversation, as people are living longer, those multiple generations are now involved in giving and philanthropy. And it looks very different depending on the generation. We're actually in the process of releasing a Next Gen study that we developed in partnership with Campden Wealth, and it captures the attitudes and experiences across the generations but specifically next generation of ultra-high-net-worth individuals. And what we found in that study was really quite interesting. Next Gen, they have a desire to give back. They understand that wealth is a privilege. And notably, 82% of them are active in philanthropy. And they also said that giving back is one of their most important lifestyle activities. Next Gen is integral in the conversation around philanthropy. They're engaged, they're involved, they're active. But we shouldn't dismiss that the older generations are also still very active in philanthropy as well. So I think the key here is to make sure that it's not just either or, it's

not just a Next Gen conversation or an older generation conversation. It really should be a multigenerational conversation.

Ben [00:09:25] Wow. Those are some fascinating statistics that you shared, Crystal. Could you maybe share some of your suggestions for families that are preparing for this massive shift?

Crystal [00:9:34] Sure. So the first thing, as always, is communication. Start the conversation. We have to open up and start having conversations around philanthropy, but most importantly, around values, because the family's values is what leads and guides how those values are expressed through their philanthropy. So if you can find common ground on the values that you share as a family, then any kind of differences that you might have around how to deploy capital for impact, you've had those conversations so you can align around family values. Identify common threads, rather than focusing on the differences, think about coming together around commonalities across generations, whether you're a boomer, a Gen X or millennial. There's a common thread of people wanting to do good. They want to make things better, make the world a better place, and have really altruistic reasons for doing so. So instead of picking up on the differences, pick up on the commonalities, and try to find ways to work together towards expressing those common goals. And then, most importantly, don't just talk about it. Put a plan in place. Once you've identified those shared beliefs and values, once you've identified the areas of interest and focus that there are some common ground around, then work together to build an approach and a strategy, to create a plan to execute, to set up a meeting with your wealth advisor to talk about how, again, to integrate those philanthropic conversations and what you want to do to make the world a better place as a family, to take those ideas and put them into a plan so that your strategy is as impactful as you intend as a family. It may seem like sometimes that we're across generations, we're speaking a different language, and there may be a giant chasm between the generations. But really the key to all of this is honest and open communication, and not just one time, but ongoing communication and ongoing conversations about philanthropy. That's what's going to help your philanthropic goals as a family last for generations to come.

Ben [00:11:39] Terrific. Thanks, Crystal, for joining us today to discuss creating philanthropic strategies for all seasons.

Crystal [00:11:44] Thanks, Ben.

Ben [00:11:45] At BNY Mellon Wealth Management, we have over 200 years of experience working with individuals to help craft philanthropic strategies. As a leading wealth management firm, we understand the motivations of donors and the complex philanthropic and estate planning approaches used to preserve wealth while giving back to the community. To learn more about how BNY Mellon Wealth Management can help your charitable giving efforts, I encourage you to reach out to BNY Mellon wealth manager. I'm Ben McGloin, thanks for joining us and we'll see you on our next episode of *Your Active Wealth*.

VO [00:12:15] Thank you for listening to this episode of *Your Active Wealth*. Be sure to subscribe to this podcast on Apple Podcasts, Spotify, Google Podcasts or Stitcher and visit bnymellonwealth.com to view the latest insights on the subjects that matter most to you.

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