THE BAM ALLIANCE®
A Community of Independent Advisors

Smart Philanthropy: Navigating Personal Values

Joe Delaney

Those with a desire to utilize their wealth to support important causes or enhance the lives of those in need must always balance their charitable intent against their ability to maintain overall financial health. Philanthropy does not mean not throwing money at charities on a whim, even if they are deserving organizations. It requires careful planning that comes out of a genuine desire to make the world a better place and pass on charitable values to future generations.

Below are three key questions to discuss with your wealth advisor as you begin making a philanthropic plan.

Question #1: How much do I give?

The simple answer to this question is to not give more than you can afford. You must consider charitable giving as a part of your overall personal financial plan, and based on one of many important values that go into shaping it. Stability, independence and family may be some of the values that counterbalance charitable intent. Consider how sacrificing too much in a given direction for any one of these would threaten the equilibrium of the whole. It's important to make sure you can not only give now, but also that you can continue to support the causes you are passionate about in the future.

Question #2: How do I give?

Giving Structure

One approach, which I believe is best for gifts of roughly $100,000 to $10 million, is to give through a donor-advised fund (DAF). These can be set up through a community foundation or national donor-advised fund providers, such as Charles Schwab or Fidelity. The main benefits to this approach are simplicity, access to charity research tools and the potential for maximum impact (because the organizations dispensing the funds generally have very low overhead and allow you more control over how much you give). Alternatively, you can set up a private foundation, which I believe is best for gifts of more than $10 million. Foundations are subject to 2 percent excise taxes and require donors to give 5 percent of the fund's value each year. However, the main benefit of a private foundation is maximum control over how the money in it is spent. (You may designate it be used toward a specific hospital wing rather than the general fund, for example.)

Non-Cash Gifts

Gifts of highly-appreciated stock or other assets can be an excellent choice for a variety of donation amounts because the tax benefits are twofold: You avoid paying capital gains tax and you receive a tax deduction for the gift. Qualifying charities can then sell the stock and pay no tax on the sale.

Question #3: To whom do I give, and why?

Charitable Focus

When you pursue giving in the context of your personal goals and values, you are able to evaluate not only the amount of your charitable giving, but also its effectiveness and focus relative to your mission. What are you passionate about? What organizations are aligned with your personal mission? This process is not necessarily about fiscal return on investment. These are investments in human capital, which have intangible benefits ranging from mental health to spiritual satisfaction.

Cautious Investing

Equally as important as the charity's mission is its stewardship of resources. It's important to have a trusted advisor with access to the resources that reveal the details about how your funds are being used. (Consider the recent news regarding the Wounded Warrior Project as a case in point.)

Take a holistic approach to determining how best to accomplish your financial goals. If you consider yourself a philanthropist, it's important that you see charitable giving as one component of (and just as important as any other factor in) comprehensive wealth management. Don't fear that you will have to ignore your head to appease your heart, or vice versa. A trusted financial advisor can help you ensure that, by the end of your days, you will have created the legacy of a life well lived.

About Joe Delaney, Managing Director, Lifeguard Wealth, San Rafael, CA

Joe Delaney founded Lifeguard Wealth to help others realize their goals and dreams. As a fee-only financial advisor, he is dedicated to putting clients first. Joe has more than 30 years of financial-industry experience as a CPA and CFO; he has held senior positions with institutional investment and wealth management firms. Since 2001, he has focused his career on creating and executing wealth management strategies for individuals and families. He is licensed to provide investment advisory services, and he holds a BA in economics from Stanford University and an MBA in finance from UCLA Anderson.