

5 best practices for philanthropists

Help your clients be the best philanthropists they can

As a trusted advisor, your clients look to you for guidance and advice when crafting long-term financial plans. Understanding your clients' charitable interests and passions can provide a unique opportunity for you to expand your relationship and help create a long-term strategic plan that also impacts their favorite charitable causes.

If you want additional insights for guiding your clients through the development of their charitable plan, Vanguard Charitable has gathered [five best practices](#) for philanthropists, drawing on years of experience working with donors and charities. These best practices are posed as questions below to help your clients consider the effectiveness of their philanthropy. The answers can serve as a guide for developing giving strategies and ensure that, over time, clients can optimize their donations, expand their giving, and fulfill their charitable plans.

1

How do I define charitable success?

Help your clients identify their charitable goals and how they will measure progress and achievement. Creating a mission statement is a great way to help define their purpose for giving and identify goals and methods to gauge progress.

2

How does charity fit into my overall financial plan?

In the broadest sense, individuals end up giving discretionary assets—i.e., their wealth—to three main areas: other individuals, the government, and charity. You can help your clients understand how giving to each area connects to estate and tax plans, and plays a role in managing a financial windfall. By helping your clients be savvy with when and what to give, you can help them diversify an existing portfolio, minimize tax repercussions, and optimize giving.

3

Who may I involve in my philanthropy?

Your clients should reflect on whom they want to include in their philanthropy and to what extent, as well as how they will affect their goals. Together, define what your role will be as their advisor in their philanthropy. Additionally, lead them through a discussion to plan what will happen to their charitable assets when they pass, and how to ensure their charitable intentions are honored.

4

What giving tool is best?

An assessment of six key factors can help you guide your clients in choosing the giving option that best supports their preferences and giving goals. Rank each factor by importance (high, medium, low), which will ultimately allow you both to review the [giving options](#) that meet their needs.

Tax efficacy

Review the timing and types of assets your clients give and what tools can maximize tax deductions.

Control

Ask your clients how much direct oversight and decision-making power is needed for each aspect of their philanthropy.

Legacy options

Work with your clients to understand how they want to leave their charitable legacy (i.e., bestow assets to charities, name a charitable beneficiary in a will), and determine which options will meet their legacy needs.

Cost

Help your clients understand the total cost of giving options and what they are willing to pay for philanthropic services, understanding that the more money spent on fees, the less is available for charity.

Distribution to charity

Ensure the giving tool allows your clients to support charitable causes in sync with their mission and, if desired, affords them the ability to give to charities on a consistent basis or grant one large sum in the future.

Recognition v. anonymity

Legally, not all giving tools can be sensitive to wishes for anonymity, while some may be able to cater to specific recognition requests. Understand your clients' needs and propose giving options accordingly.

5

How do I evaluate and monitor nonprofit organizations?

This last step in being a strategic philanthropist can often be overwhelming for clients. Guiding them through a few steps can result in more impactful philanthropy.

- Review an organization's IRS tax status, financials, and governance standards. Help your clients understand how the charity spends money, its track record for success, and who makes important decisions.
- Determine whether a donation should be used for a specific project or cause, or if it can be used at the discretion of the charity.
- Finally, engage with nonprofit representatives after giving money to continue conversations and monitor results.

Additional tools and resources to aid in charitable giving conversations with your clients are available at www.vanguardcharitable.org/advisors.