Philanthropists and Professional Advisers: Working Together for Lasting Change

14 June 2017

Chair  Dr Maximilian Martin, Global Head of Philanthropy, Lombard Odier

Panel  John Pepin, Chief Executive, Philanthropy Impact
Andrew Mackay, Manager Charity Service, Van Lanschot
Karl Auersperg-Breunner, Wealth Advisor, Lombard Odier
Ana Morales, Philanthropist & Founding Member of the Maverick Collective
Professional Wealth Advisers

The key to growing more and better philanthropy
Market Research Advisory Firms

Assessed/mapped top 383 professional wealth advisory firms and interviewed 22 advisers:

- 20% of the firms offer some form of private client philanthropy advice
- Few have fully comprehensive ability to offer philanthropy advice
- Only a handful offer social investment advice; typically through their investment teams
- Advice is mostly in planning and implementation services, little in monitoring & reviewing (23 services mapped)
Philanthropy advice has the same steps as other professional advice

Philanthropy Advice Process

STEP 1. PLANNING SERVICES

- Personal/family philanthropic strategy
- Family governance
- Tax advice
- Identifying social/impact investing opportunities

- Advice on giving structures
- Selecting organisations/projects
- Landscaping and context

STEP 2. IMPLEMENTATION SERVICES

- Setting up a giving structure
- Succession planning in line with philanthropic strategy
- Tax planning onshore/cross-border
- Aligning business with philanthropic strategy
- Managing non-financial assets (eg. art or property-giving)
- Managing financial assets (eg. share giving)
- Values-based investments (eg. social investment)
- Research, knowledge, networks and inspiration

STEP 3. MONITORING & REVIEW SERVICES

- Financial reporting
- Monitoring impact
- Tax reporting
- Monitoring implementation and tactical adjustment of strategy
The chart above reflects returns from the perspective of the investee and their impact - societal and/or financial.

Investors including intermediaries would decide on the appropriate investment mix depending on their objectives for capital and their values.
And, only one in five of the UK’s 16,000 advisory firms offer philanthropy advice, so provision is patchy.

Source: Scorpio Partnership analysis
On average, affluent & HNW advice-takers use 4.4 philanthropy advice services

Have you taken professional advice in any of these areas relating to your charitable activity?

**Philanthropy Impact research, Q3 2015, (N= question response rate 49)**
Advice takers value planning, implementing and monitoring advice

Which of these areas was most important to you to help you plan / implement / monitor your support for charities or causes?

Respondents welcomed advisory support across the planning, implementation and monitoring phases, although were split on which aspect they found most important.
Advisers Regularity Collaborate

- Private banks, wealth managers, law firms and family offices have developed the most comprehensive philanthropy advice capabilities to date; although provision is not universal.

- Advisory firms tend to build their philanthropy advice capability around their core strengths. They work with advisers with complementary expertise to provide holistic philanthropy advice.

- Private banks, wealth managers and trust companies often include strategic philanthropy advice within their relationship fees as a value added service; and will work with, or signpost their clients to, lawyers or accountants for technical structuring or tax advice.

NB. based on qualitative interviews.
503 Internet interviews of wealthy/HNW and UHNW individuals

Rated philanthropy services as poor: 5.9 out of 10
There is room for improvement in the advice received

How satisfied were you with the advice you received relating to the following?

Levels of satisfaction with the advice they receive is middling at best.

Advisers should monitor the extent to which they are adding value through their philanthropy advice.

Advice Satisfaction, 0-10

<table>
<thead>
<tr>
<th>Planning</th>
<th>Implementing</th>
<th>Monitoring</th>
<th>Average</th>
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<tr>
<td>6.08</td>
<td>5.91</td>
<td>5.70</td>
<td>5.91</td>
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(N=49)
Clients want more/better philanthropy advice and guidance

Clients no longer want just a financial return, more values based

Good for professional advisory business
  o Providing philanthropy support attracts client interest
  o Aligns advisory firms with their clients core interests/benefits advisory firms business
  o Deepens relationships/creates shared value; aids with client retention and referral of new clients
  o Get clients to discuss their long term goals, adding value to the discussion about their wealth
  o Addresses shifting values of next gen/millennials and the growing role of women in wealth
The Key to Increasing Philanthropic Giving

- Market research demonstrates the significant role that professional wealth advisers can play in encouraging more and better giving by their clients.
- 12% of UK wealthy population take philanthropy advice for their advisers; their giving accounts for 58% of the £1.3B of individual giving of HNW and UHNW individuals.
- UHNW individuals supported by their professional advisers on their donor journey give 17 times more - £335k vs. £19K.
- The results of the research suggest strongly that one of the reasons that the UK’s wealthy population hasn’t fully learned how to give is because many advisers have not yet learned how to guide, coach and support with the joined-up expertise needed to help would-be donors more effectively.
Individuals and Families of Wealth
Planning and Structuring
Managing
Operating

Wealth Creation

Achieving Personal and Family Wealth Goals

Philanthropy Creation

Attracting Capital (Human, Financial, Intellectual)
Professionalising Deployment Methodology
Portfolio Management

Planning and Structuring Philanthropic Giving
Implementing Philanthropic Plans
Monitoring and Review Philanthropic Activities

More and Better Giving
Leading to Greater Impact on Society

Philanthropy Impact
Encouraging Preparing and Supporting Advisers as They Help Their Clients Achieve Their Wealth and Philanthropic Goals
Engaging With Philanthropists, Trusts and Charities

Donor Journey

Professional Advisers
Private Client Advisors: Wealth Management, IFAs, Tax, Legal and Philanthropy
Supporting Individuals and Families of Wealth on Their Journey
7-14 Great Dover Street
London, United Kingdom SE1 4RY

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Charity Service

Andrew Mackay
Manager Charity Service
Agenda

• Why
• How
• What
Why

• Customers asked for it

• Fits our role as Wealth Manager

• Experience customers and bankers during the pilot: "Nice to talk about something else (meaningful)!!"
How

• Find out what our role should be
• Ensure support
• Launching of project
• Create (draft) materials
• Conduct a Pilot
• New Product Approval
What

1. Philanthropic advisory process in five steps
2. Facilitation of networking events
3. Providing information about Philanthropy
Some quotes from our clients...

“I am not fully satisfied about my philanthropic giving, it feels too much like I have to ‘compensate’ for something, this must change”

“How can I share the things that are important to me with people who have had fewer opportunities than me?”

“I want to learn my children something by letting them delve into one or more social themes and to involve them in the selection of charities”
Advisory process

Step 1: Orientation
Step 2: Your goals
Step 3: Determining your budget
Step 4: Form of giving
Step 5: Selection of charities

Step 6: Implementation
Step 7: Evaluation

Inventorisation
Analyses
Advice

Information

Execution by client
Remit to third party if requested
Some client experiences

“The advisory process has exceeded my expectations, it made me richer! I feel less worried and more at peace now“.

"I am particularly pleased with the structured approach to help me determine my philanthropic goals, the personal approach and the pleasant conversations."

“What I recall most from the advisory process is the professional approach“
Thank you for your attention
LOMBARD ODIER

FAMILIES & PHILANTHROPY

June 2017
Philanthropic interest of families – General observations

- Families are increasingly becoming involved in philanthropic activities, but as professionals, with a view to giving something back to society or building a family legacy.

- Combining philanthropy with family governance: It usually starts with defining family values and objectives as a first stage in drawing up a family constitution.

- Philanthropic activities encompass all private voluntary actions in the public interest: volunteering, donations, knowledge sharing, etc.

- Philanthropy is specific to the individual/family and their personal values – as distinct from government actions and the market economy.

- Various options being used by families:
  - Personal/individual engagement
  - creating their own foundation
  - supporting existing organisations

- No matter what solution they opt for, social entrepreneurship and a structured approach have become a necessity and the norm.
### Key drivers for every stakeholders

<table>
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<th>FOR FAMILIES</th>
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<tr>
<td>✓ The desire to share</td>
<td>✓ Inspired by a family tradition or faith</td>
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<tr>
<td>✓ Values shared with the family or children</td>
<td>✓ Preparing the next generation of family management – a different way of involving the family</td>
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<th>FOR BUSINESSES</th>
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<tr>
<td>✓ Sense of corporate social responsibility</td>
<td>✓ Philanthropy should reflect that sense of responsibility and corporate citizenship</td>
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<th>FOR INDIVIDUALS</th>
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<tr>
<td>✓ Altruism</td>
<td>✓ Wanting to leave a mark or realize a dream</td>
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Source: FSG Social Impact Advisors.
Combine philanthropy with family governance

Values are important within the family governance structure

Mission

Purpose

Vision

Image or representation of the future that they are aiming for

Values

Principles that they try to apply to achieve their mission

Family values influence business values
Families use different ways to make a difference

**CHARITY**
- One-off responses to requests from third parties

**TARGETED GIVING**
- Donations with a specific objective:
  - must be quantifiable and
  - achieved through effective partnerships on the ground

**PHILANTHROPIC LEADERSHIP**
- Taking responsibility for responding to a social problem
- Mobilising all those involved to identify coordinated, sustainable solutions

"Doing something good"

Increasing the social impact of each unit of spending

"Speeding up the pace of social change"

Source: FSG Social Impact Advisors.
Model of modern philanthropy – the Next Generation

- **Passing on values** from parents to children and grandchildren through
  - a shared family project
  - encouraging children and grandchildren to engage in philanthropic activities as a kind of competition
  - making membership of the foundation’s board a rite of passage for younger family members

- **Equipping younger generations**
  - to take on responsibility
  - to have values
  - to become independent

- Different approaches are possible, from a single family model to defining key principles (themes) within the family
Key issues and challenges to consider for families

- Alignment of philanthropic activities across generations versus individual initiative
- Global versus local philanthropic causes
- Single pursue versus portfolio of activities
- Various structures and degree of professionalism
  - Family business - forging a close link between family members in the interests of long-term business development
  - No family business: focus on the individual, personal desire to actively engage in philanthropy
  - Next generation as driving force
- How to measure impact – how to marry return/profit with purpose
- Low return environment versus high impact
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