



From checkbook giving to strategic philanthropy: Six questions to start a family giving discussion

A combination of changing wealth demographics, external market influences, and new technologies has democratized charitable giving in the United States. The more individuals respond to the ease with which people can now donate, for example, via social media platforms or by texting to contribute, the less families coordinate giving efforts to meet broader philanthropic goals.

How families execute philanthropic decisions often translates to other legacy and estate planning activities, but according to Key Private Bank advisors, most parents are neither discussing philanthropy with their children — nor agreeing with them on charitable causes.

Family conversations around philanthropic goals can present teachable moments that introduce more complex financial planning issues to the next generation, while also educating them on the importance of giving back.

Would you like to get your family on the same page about philanthropy decisions? Here are six questions to help you lead that all-important family discussion.

Why do we want to give back?

The largest question each family must address before setting their giving strategy is, “What kind of difference do we want to make?” Philanthropy is about more than giving dollars, it’s about having a positive impact on organizations that make a difference in the world and matter to you most. One important byproduct of this conversation is how parents can foster their children’s leadership skills by allowing them to weigh in on household philanthropic investment decisions.

Which causes matter most to our family?

More than half (57%) of Key Private Bank advisors say that generational differences in philanthropy strategy stem from a lack of conversation between parents and children. At the outset, it’s important for all members of the family to be open and transparent about where they’d like to make an impact. For example, are you motivated by wanting to make the world a better place? Would you like to repay the people and institutions who contributed to your success? Understanding individual preferences, such as environmental/sustainability causes, faith-based charities, or local issues, helps families identify a common denominator for what motivates their philanthropy decisions.

Which philanthropic vehicles are at our disposal?

Two powerful vehicles that can enable families to be strategic, both tax-wise and “philanthropy-wise”, are Charitable Remainder Trusts (CRT) and Donor-Advised Funds (DAF). A CRT is an especially effective way to convert low-basis assets, such as stock and real estate, into lifetime income, while generating substantial tax savings and providing support for important causes. DAFs offer a 1-2 punch in the form of tax-saving benefits, providing high-net-worth families with the flexibility to be thoughtful about giving to causes near and dear to their hearts. Additionally, you can name beneficiaries for your DAF to continue with your giving as part of your legacy plan.

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Which tax strategies will help us make the most of our gift?

There are a number of tax-advantaged approaches to philanthropy. One such example for individuals over age 70½ is to consider making a Qualified Charitable Distribution (QCD), which is a transfer of funds from an Individual Retirement Account (IRA), made payable to a charitable organization. By using or preparing to use a QCD, you can meet your RMD requirements, satisfy your charitable intentions, and save money on taxes now and into the future.

What kind of legacy do we want to model for our family?

There are four generally recognized forms of wealth — human, intellectual, financial, and social. It is a family's "social wealth," including relationships, family, and community support, as well as its shared responsibility as good citizens and neighbors, that help inform charitable giving and volunteer work. Openly discussing your family's philanthropy goals encourages thoughtful conversation that goes beyond how much to give and to which causes and begins to create a shared vision of values and priorities for familial wealth.

How can we foster thoughtful, productive giving conversations with our family?

There is no "one-size-fits-all" approach to discussing philanthropy. Each family's motivations and strategy for giving is highly personalized, but one thing is certain: Philanthropy can be a critical component of building family unity and ensuring members of the next generation are proper stewards of wealth. Experienced advisors can help guide families through sensitive dynamics and provide a framework for having meaningful and strategic philanthropy conversations.

For more information, please contact your Key Private Bank Advisor.

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