



# THINKING BEYOND...™

## Why the Wealthy Don't Give More to Charity

Why don't the wealthy give more to charity? After having worked with high income and high net-worth clients for years, our experience would conclude that there seems to be one of two possible explanations for this phenomenon.

The first reason the wealthy don't give more to charity is a **Lack of Planning**. It is astounding how many high income and high net-worth people have done little, if any, real *Family Wealth Planning*. In our practice we regularly run across multimillionaires who have done only the most traditional planning. They have been busy building their financial empires and have almost totally neglected *Family Wealth Planning* that would preserve their financial wealth for the next generation.

Because of this **Lack of Planning**, these wealthy people are concerned about giving too much away because they do not know how much they need to live for the rest of their lives, and, consequently, they do not know how much principal and/or income they can afford to part with before they might do themselves financial harm. So, as you would expect, these wealthy people err on the side of the conservative and give far less away than they actually could afford to give.

Their first and foremost concern, and rightfully so, is with their own financial

security and, secondly, the size of the inheritance going to their heirs. Giving money away to charity seems, from their perspective, to run contrary to both of these objectives.

The second reason the wealthy don't give more to charity is because of a **Lack of Know-How**. All they have ever heard from charities is, "Give us cash and give it to us now." So, when they think of giving to charity, they think of taking money out of their pocket and putting it into the pocket of the charity. "Now the charity has more, and I have less," they think.

Of course, this type of giving is only a small part of the plethora of giving options. But for most wealthy people this is the only idea they ever hear in regards to giving.

Many wealthy people are unaware that there are other extremely creative giving techniques that are as good for them as they are for the charity.

Charles W. Collier, Director of Planned Giving at Harvard University, says, "One of the real impediments to giving by many donors, including the wealthy, is that they are uninformed." Wealthy people just don't know what their options are. So, obviously, they do not know how to take advantage of all the giving possibilities available to them.

This lack of alternative information from

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## Why the Wealthy Don't Give... *continued from page one...*

charities is even further compounded by the fact that the estate planning industry, generally, has a very limited knowledge of the nature and application of many of these advanced philanthropic tools and how they can be effectively blended with more traditional estate planning tools. So, from both fronts, the charities and the estate planning industry, wealthy people are not receiving the information they need to take advantage of all the giving possibilities available to them.

The lack of comprehensive and effective planning, coupled with the lack of knowledge about the numerous planned giving tools, leaves this group that has incredible giving potential with their assets emotionally and practically locked up and unusable.

The solution to this problem is achieved by first helping clients develop a *Family Wealth Plan* that allows them to accurately determine “*How much is enough*” for themselves and for their heirs.

Then, once that is determined, they can begin to address how to minimize taxes and divert those monies--often substantially more--to the charities that they want to support and at the same time strengthen their current financial situation and further increase the inheritance to their heirs.

We have found that once both of these areas are adequately addressed in the context of an overall, comprehensive *Family Wealth Plan*, people open up and get quite excited about the philanthropic aspects of their *Family Wealth Plan* and find a whole new level of significance and fulfillment in the wealth they have accumulated.

Why don't the wealthy give more to charity? Our answer: they don't know how or how much to give, so they give far less than they could. But, once they are shown new, profitable and creative ways to give and how to **make a profit giving it away**, they become acutely interested in being involved in personal philanthropy.

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