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# Having a Philanthropic Conversation with Your Client

## Meet the Hamptons

Bruce and Maggie Hampton are in their late 50s, live in a small Alberta town and have two adult children. They recently sold their business and now have almost $4 million in investable assets.

For 20 years they were passionate about their business. Through hard work and an eye on the longterm they met their business goals.

The Hamptons are actively involved in their community, and are members of a local church. Maggie and her daughter volunteer for the local food bank. Bruce sits on a church board.

The Hampton portfolio of $900,000 is invested in a mix of mutual funds, cash and securities. They own their own home. The couple is considering their options in regards to the $3-million in business sale proceeds, but they have expressed a desire to increase their charitable donations, currently at $5,000 per annum.

The advisor is Samantha Charles, an associate with a mid-sized financial firm. Sam has limited knowledge of philanthropy and family foundations, but fears losing a key client and the fees associated with a multi-million dollar portfolio.

It's time for the philanthropy conversation with the Hamptons. Sam is reluctant but her branch manager warns her, "They are already having the conversation with their friends, family, and their lawyer and accountant. You had better get your oar in the water."

## Where does Sam start?

First, it's important to remember that philanthropy is more than just a tax deduction. It's about "giving back", and impacting the community; it is also an opportunity to create a legacy of charitable giving for the family. The conversation will be about personal values, and perhaps more emotional than the conversation around rates of return.

Sam broaches the topic and soon learns the Hamptons question the impact they are having with their charitable donations. They also have difficulty keeping track of their donations, and can't always find their tax receipts. They want to move beyond cheque-writing and focus on two or three of their favourite causes. They want to feel in control and gain a sense of satisfaction from their charitable activities. They also talked about maintaining support for their key charities after they die.

It's time to develop a long-term charitable giftgiving plan.

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## What are the steps?

1. Draw up a list of the organizations the Hamptons wish to support.
2. Determine a target for annual grants to charities.
3. Establish the sources of funding:
   Cash from income
   Cash or Securities
   Beneficiary of an insurance policy
4. Establish a time frame.
5. Determine if the client is seeking anonymity or recognition.

The Hamptons tell Sam they want to increase their annual charitable gifts to $25,000, and build a longterm legacy plan. They want to use some of the proceeds of the business sale, reduce some of the tax hit, and create a portfolio that will help fund their retirement and build an inheritance for the children.

Sam turns to Canada Gives website and clicks on the START A PLAN to use the new Legacy Tool. On the assumptions page she enters $25,000 in the annual grants box, assumes a 5% rate of return net of expenses, and enters in a funding term of three years.

According to the results, by donating a total of $550,000 over three years the Hamptons can create a $500,000 Donor Advised Fund that will disburse $25,000 in charitable gifts every year without requiring additional donations. In addition, they will receive a tax credit of $255,255.

“That sounds good,” say Maggie and Bruce, after reviewing the plan created by Sam. “But how do we set up this structure? Sounds complicated and expensive.”

Should they consider a Donor Advised Fund for their family foundation or perhaps set up a private foundation?

### For more information on Canada Gives Donor Advised Funds or family foundation:

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