

Talking about Charitable Planning With Your Clients

Talking about charitable giving in the context of legacy, impact, and values can yield tremendous benefits in getting to know your clients better and in tailoring an approach to their goals.

I. How to Recognize Opportunities to Ask About Charitable Planning

The most advantageous gift plans incorporate two to three of the motivators below. In discussing charitable giving with a client, identifying the life events and financial considerations motivating their decisions can help ensure that you take an integrated approach, providing the most benefit available for your clients.

Motivator	Common Examples	Charitable Planning Considerations
Major Tax Event	Liquidation of Significant Asset: <ul style="list-style-type: none"> ▪ Privately-held business ▪ Initial Public Offering (IPO) ▪ Significant bonus or incentive compensation payout ▪ Other liquidation event 	<ul style="list-style-type: none"> ▪ Client needs deduction in same year as the liquidation ▪ A vehicle which will support giving over multiple years ▪ Granting levels which protect principal contribution
Capital Gains Tax Avoidance	<ul style="list-style-type: none"> ▪ investors with frequent smaller liquidation events ▪ investors with concentrated positions 	<ul style="list-style-type: none"> ▪ Client needs to transfer asset prior to liquidation to avoid triggering capital gains ▪ Client needs to avoid capital gains while diversifying their portfolio
Income Tax Reduction	High Adjusted Gross Income (AGI)	Client needs an annual deduction to offset high taxable income

II. Conversation Starters

Major Tax Event

Situation	Conversation Starter
Your client is receiving an inheritance or taking their company public.	"A 'major tax event' is considered a good problem to have. But if it's not handled well, it can be a real missed opportunity. There are many tax concerns we'll need to address, but first, let's take a step back: Have you thought about what you want this money to accomplish for you?"

Capital Gains Avoidance

Situation	Conversation Starter
Your client is writing a number of checks to charities without considering the source for the cash.	"It appears you write quite a few checks to charity-have you considered donating appreciated securities instead of cash? Because you avoid capital <i>gains taxes when you donate securities instead of selling them, you can give the same amount to charity, but it 'costs' you less.</i> "
You are discussing diversification, and specifically to address a concentrated position.	"I'm concerned about over-concentration in ABC Co., but instead of just selling the stock and triggering taxes, you may want to use a <i>portion of your holdings to meet your charitable goals and offset taxes.</i> "

II. Conversation Starters (Continued)

Income Tax Reduction

Situation	Conversation Starter
Your client makes a lot of transfers to different charities at the end of each year.	"The end of the year is a very active time for charitable giving. <i>A consolidated approach may make year-end giving easier for you; it's also typically easier for charities to receive donations in the form of a grant check as opposed to donations of securities.</i> Would you be interested in discussing how a charitable giving plan could benefit you - and the charities you support?"
You're having a general conversation with your client about income planning.	"You can choose to impact your community through paying taxes or through your <i>support for charitable organizations. If you choose to give to charity, those gifts can reduce your income tax.</i> Would you like to look at ways to incorporate tax planning and charitable giving?"

Life-Changing Event

Situation	Conversation Starter
Your client is experiencing a milestone event, such as a family illness, a death, retirement, or a child graduating from college.	"Estate planning can be very technical, but at its core is the question of what you want to accomplish with your money- how do you want to affect your family and the broader community?"

III. Choosing a Charitable Vehicle

Key Concerns	Questions for Consideration
<ul style="list-style-type: none"> ▪ Type of asset to be contributed ▪ Need for income and timing of that need ▪ Tax benefits ▪ Privacy ▪ Control ▪ Simplicity ▪ Flexibility ▪ Cost 	<ul style="list-style-type: none"> ▪ Are you currently using any charitable gift vehicles? ▪ What assets are to be contributed? ▪ What are the main tax concerns? ▪ What's the expected duration of funding (a single event, annual contributions, or more frequent or conditional contributions)? ▪ What's the desired duration of distributing (granting) to charities (one time, over the life of the donor or for multiple generations)? ▪ What are the client's future income needs?

For More Information

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