

boomer™

MARKET ADVISOR THE BOOMER RETIREMENT EXPERTS

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PRACTICE what you PREACH

Judy Seid

Blue Summit Financial Group

Socially Responsible
Advisor of the Year

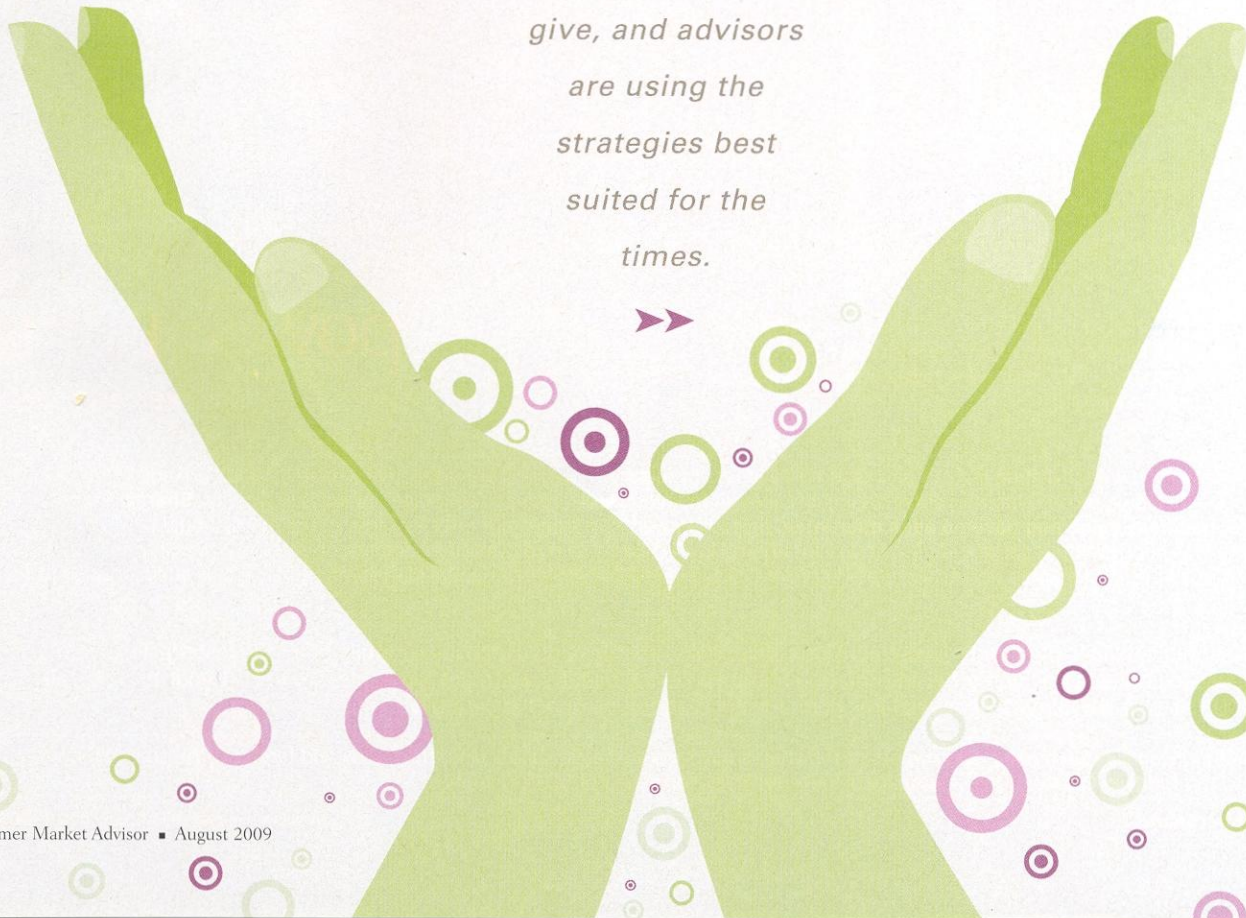
Advisor Judy Seid proves
that socially responsible
isn't fiscally irresponsible.

Boomer Women —
**CHANGING
THE FACE OF
CHARITABLE
GIVING**

Retirement Income
**BACK TO
BASICS**

LEAVE a lasting LEGACY

*Despite the
economy,
boomers are still
in the mood to
give, and advisors
are using the
strategies best
suited for the
times.*





BY MIKE WERLING

MARK JOHNSON'S CLIENT HAD A DILEMMA:

the property he wanted donate was now worth \$4.5 million less than what it was a few years ago. Not a good time to give.

Johnson advised the client gift the property to the charity through his will. That way, if the property regains its value, the client can give it to the charity later and change his will; but, if something were to happen in the meantime, the charity will still receive the gift. This is the kind of environment boomer advisors find themselves in right now.

"We've got to be more creative," says Johnson, CFP, founder of Fountain Professional Group Inc. (www.fountainprofessional.com) in Fountain Hills, Ariz.

And so it is, say all of the advisors interviewed for this story. They say clients are no less willing to give – especially among the high-net-worth crowd – they're simply looking for ways to maximize their gifts in a climate where many assets have depreciated. They've always been charitably-inclined, despite the economy.

"I'm not seeing any reduction in desire," says Ken Nussbaum, CPA, founder of K. Nussbaum & Associates (www.knussbaum.com) in Richmond, Vt. "Some clients are even thinking, 'Boy, I've got to give more because others can't.' So they're not giving less; they're being more cautious and selective."

Some might even call it gun shy. Call it Bernie Madoff Syndrome, if you will. Lots of boomers saw their charitable gifts disappear in a cloud of collapsed pyramid-scheme rubble when entire charities simply ceased to exist. They're not about to let that happen again.

"Boomers want a higher level of involvement," says Kim Tillotson Fleming, president of Pittsburgh, Pa.-based Hefren-Tillotson Inc. (www.hefren.com) "They are asking about the viability of the systems and investment strategies. They want to know an organization's investment strategy."

Despite the elevated level of wariness and the depreciated level of many assets, boomers are going to keep giving, Scott Freund believes,

because for most people it's not about the money. Freund, president of McLean, Va.-based GCC Family Wealth Management (www.gccfamilywealth.com), says people give to charity for four reasons:

1. It's a cause they believe in.
2. They want to leave a legacy beyond money. Many are trying to instill values in the following generations.
3. They may be looking for a little recognition.
4. They want to save taxes. Freund says, however, that this is rarely the sole reason for giving.

And if the latest numbers from the Giving USA Foundation are any indication, Freund is correct – and charitable advisors are going to be busy creating gifting plans for the foreseeable future. In 2008, according to "Giving USA 2009," while giving dropped when measured in current dollars – a first in the report's 54-year history – Americans still gave more than \$307 billion to charitable causes, more than 2 percent of GDP.

STRATEGIES

The strategies for charitable giving haven't changed as a result of the recession. Those are going to remain no matter the environment. Nussbaum says they are all still viable. What has changed, he adds, is the focus. It's sharper. >>



“CRTs are less attractive right now because there is not as much to put in.”

— Mark Johnson

“More people are asking, ‘What do I really want to accomplish?’” Nussbaum says.

Do they need the income during their life? Do they want the charity to have the immediate income and then retain the asset in their estate upon death? Do they have retirement assets and accounts they aren’t going to need? Do they want to set up a family legacy through a trust or foundation? Would they rather just write a check?

All of those questions matter when fitting charitable giving into an overall financial plan. For families with more money than they can possibly spend, a private foundation might be the way to go, creating a lasting family legacy and having a tremendous long-term impact on a charity or two. For those not in that financial stratosphere, there are still ways to make an impact. Fewer people, Tillotson Fleming says, are making that impact with appreciated assets. That’s a trend she sees in this environment.

Johnson says people who can afford to forego the immediate income – and who want a current tax deduction – are looking to charitable lead trusts as an option. In fact, he says CLTs are looking more and more attractive to boomers than charitable remainder trusts because of the beating many assets have taken. They can put the beaten-up asset in a CLT and let the charity receive the income over a number of years instead of receiving an asset that isn’t worth as much as it once was.

“CRTs are less attractive [to certain boomers] right now,” Johnson says, “because there is not as much to put in.”

And even if clients do go with a CRT, if they are doing well enough to eschew the income, they can leave it in there and let the

trust grow for the charity. Fleming says CRTs still retain some attraction for certain clients because interest rates are so low. With the CRT, clients can lock in a guaranteed income during their lifetime that is interest-rate resistant and still leave their charities with a significant asset upon their death.

One strategy that’s not very popular right now, advisors agree, is the gift annuity. A depreciated asset isn’t going to provide the income it once would have, and people are worried about assets losing even more value right now. People already in gift annuities have seen their incomes fall as the asset funding the annuity has depreciated. But, as with most anything else in the investment world, Nussbaum points out, one’s use of a gift annuity is likely tied to one’s comfort level with taking risk.

Something else that’s gaining steam in this environment is the donor advised fund. Freund says DAFs are great options for boomers who want to do more than write a check to a charity. People like them because they can control how much they are giving, they know the paperwork is being handled properly and, with many funds, they know how much of every dollar is going to the charity. Maybe it harkens back to the Madoff fallout. Donors are not likely to see the administrator of a DAF making a perp walk on CNBC. Granted, they might not see 10 percent returns year after year, but in reality neither were Madoff’s investors.

WORTH IT?

Whether it’s their own philanthropic leanings, their desire to serve clients in every possible way or their understanding that it’s just the



For more information on charitable giving products and strategies, check out "Do well by doing good" by David Port in the August 2008 charitable giving issue of *Boomer Market Advisor* at www.boomermarketadvisor.com.

right thing to do, advisors acknowledge that during good times and bad, charitable giving belongs in the financial plan of everyone who wants it to be.

"It's absolutely worth it," Tillotson Fleming says. "In fact, there may not be a better time [to be a charitable giving expert]. Charitable giving is always going to have a place. People who do it don't back off when times are tough."

In fact, Tillotson Fleming says the advisors at her practice bring up the subject with their HNW clients and usually find them more than willing to explore the matter, if they haven't already. It comes natural, she says, because it ties into the company culture of giving, a culture that routinely places Hefren-Tillotson in the top 10 during the United Way campaign.

Nussbaum doesn't hesitate to proclaim the value in being a charitable expert. "No. 1," he says, "it helps clients. No. 2, more than anything – except maybe estate planning – it's such a personal and important decision. It's so important to them. If I can help, it increases my ability to be an important part of clients' lives."

Plus, Freund says, "It's hard to imagine all [charitable giving] strategies not picking up a little bit," in the future.

Even when clients have dilemmas about charitable giving, the dilemma is rarely a question of should they do it. The question, as seen in the situation with Johnson's client, is "How can they do it?" How can the client and the advisor work together to accomplish something that both of them know is important? Advisors just have to stay abreast of what's happening and what strategies are going to benefit everyone involved, because the charitable spirit doesn't know a bull from a bear. **B**

Ranking of funds and causes

The level of American charitable giving continues to be higher than 2 percent of GDP, which charity groups take as a positive sign, especially during tough times. The National Philanthropic Trust (www.nptrust.org) keeps an eye on the largest foundations, trusts, funds and causes.

Here is a list of the five largest donor advised funds (by assets):

1. **Fidelity Charitable Gift Trust: (\$1.9 billion)**
2. **Schwab Charitable Fund: (\$855 million)**
3. **Vanguard Charitable Endowment Program: (\$784 million)**
4. **National Philanthropic Trust: (\$660 million)**
5. **National Christian Charitable Foundation: (\$490 million)**

Source: *The Non Profit Times*

The Trust also provides a list of the five most popular causes Americans give to:

1. **Religious/Faith-Based (\$102.3 billion)**
2. **Education (\$43.3 billion)**
3. **Human Services (\$29.64 billion)**
4. **Health (\$23.15 billion)**
5. **Public-society benefit (\$22.65 billion)**

Source: *Giving USA 2008*, published by American Association of Fundraising Counsel