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Paul
'Chip'
Hurd

Chief Philanthropy Officer,
United Way of the Greater Lehigh Valley, PA

When you live in the same community for 50 years, relationships go deep. For Chip, who was born and raised and raised his kids in the Lehigh Valley, many United Way donors are not just professional acquaintances, but personal friends.

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Q&A with John Nersesian, Head of Advisor Education PIMCO Investment Management Company



INTERVIEWED BY KAREN MARTIN

John Nersesian teaches and consults with financial professionals around the country. He has nearly four decades of experience in investment and financial services, and he graciously agreed to speak with *Giving Tomorrow* about an encouraging trend he sees emerging among financial advisors.

Q *Do financial planners talk about charitable giving with their clients?*

A I'd say ten years ago most advisors didn't address charitable giving, but the good news is that's definitely evolving and improving.

Q *Why were these conversations not happening until recently?*

A For one thing, financial advisors didn't know much about charitable planning. Our job was to give investment advice. You don't want to embarrass yourself talking about something you're uninformed about. For another thing, in the older models, advisors weren't paid to have charitable giving conversations. It wasn't considered part of their job. For another thing, the clients didn't think of their financial advisor in that context. A client would go to a financial advisor for guidance on how to save for their child's

education or if they were about to retire with a pile of cash. But they didn't think to ask for advice on charitable planning.

Q *And you think this is starting to change?*

A It absolutely is. Almost every conference I go to these days, this topic is receiving more attention. I teach a couple workshops myself on philanthropy, and it's well received. Good wealth advisors genuinely want to be helpful to their clients, and philanthropy is a huge part of that.

Q *What's driving the change?*

A It's at least in part being driven by client demand. Clients are asking for guidance on charitable planning.

Spectrem Group did a study a couple years ago among families worth \$5M and up. The survey asked about the financial matters these families wanted help with. There was a huge gap between the desire for charitable and philanthropic planning services (87%) and families indicating they actually received that service (6%).

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Q *So is it fair to say that today's families want help with charitable*

planning and financial planning institutions are providing it?

A It's moving in that direction. I led a conference 15 years ago or so when we used the phrase "Advice beyond investing." That really describes a trend across the industry. When I started at Merrill Lynch almost 40 years ago, the job was very

different. Manage assets and pick stocks—that's it. Now there's so much more. Today financial advisors can't provide the personal comprehensive advice clients need by only focusing on assets. They need to incorporate a bigger picture of that person's lifestyle, family, values, and goals.

Q *Do tax benefits motivate people in their charitable giving plans?*

A While not the primary motivation for charitable giving, tax savings are a consideration for many people. As we know, the Tax Cuts and Jobs Act (TCJA) eliminated or reduced many of the popular itemized deductions that were previously available to taxpayers, but charitable giving remains an available option for those who itemize instead of claiming the standard deduction. Many could benefit from two important concepts that maximize the benefits of their charitable activity: giving appreciated property (to avoid the capital gain recognition) and bunching their contributions to exceed the standard deduction amount.

Q *What is reasonable for a client to expect from a financial advisor in terms of guidance for charitable giving?*

A If I'm the client, number one, you should understand what I'm passionate about. Money is not the ultimate goal, of course. Money serves an objective—for travel, lifestyle, giving back. My advisor needs to understand the purpose of my wealth. And number two, the advisor should be educated on how to implement charitable giving in a way that makes sense. For example, the

standard deduction today is a lot higher than it used to be. The advisor need to know if I am claiming the standard deduction or if I'm itemizing. That has a big impact on my charitable giving. I would expect my advisor to understand my personal circumstances and advise me accordingly.

Most philanthropy is reactive. I get an email from my brother-in-law who's riding in a race to raise money for cancer. Will I pledge \$100 for every mile? I do it. That's reactive philanthropy. But families can be more intentional and thoughtful. It's not always about giving away more money. It's about allowing the giving you're already doing to be more impactful. A good advisor can be very helpful in those kind of conversations.

Q *If a gift planning professional wanted to network with a wealth advisor, how might they approach that relationship?*

A Maybe they could say something like, "I know that your clients are actively involved in philanthropy and I suspect they would appreciate your help. Are you interested in learning more about charitable giving tools?" I would respond positively to a request like that. If I were asked to meet with the head of the organization just to generally learn more about that charity, no thanks. But if it's a meeting to understand a charitable giving tool kit, yes! Help me better advise my client. Tell

me what I should be looking for. For example, if a family needs to make a five percent distribution from their private foundation, what are some attributes they should be looking at to choose a charity responsibly?

Q *Do you have any other advice for charitable organizations?*

A Make yourself visible. Help me understand your mission and the good work you are doing. Make it convenient or easy for me to find you and to give to you. And give me flexibility to give how and when I want. It's frustrating for people who have a donor-advised fund to "click here" and then be asked for their credit card to make a donation. I don't want to give my credit card! I bunched my charitable giving dollars to get the deduction, and now my money is growing tax-free in the DAF—those are the dollars I want to use. If I'm not itemizing, swiping a credit card does nothing for me. People don't think about

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this. If you get 10 investors to write a check for \$1000 to a charity of their choice and ask them, "Are you getting a tax benefit for your gift?" I bet 9 out of 10 would say yes. But that's only true if they're

itemizing, which most people aren't doing these days. Charities talk about the tax benefits of giving; they need to offer an obvious option to give from a DAF so their donors are actually getting the benefit. ●

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