CHAPTER 8

Fulfill Your Charitable Aspirations

"You have everything you need right now to be an extraordinary philanthropist."

—Laura Arrillaga-Andreessen

The previous chapter required emotional work that was perhaps difficult and painful. In this chapter we are going to continue considering emotional issues, but we are switching gears to contemplate how to organize charitable giving. I can almost promise this discussion about gift giving will involve feel-good emotions only. In fact, medical research has shown that the emotions you feel when you grant or bestow gifts are good indeed.[8] Medical tests have indicated that giving of your time, your talents, or your money stimulates a part of the brain that results in the same gratification as when you eat food or have sex.

Not only will fulfilling your charitable aspirations feel good, a byproduct of choosing to give is the enhancement of your sense of confidence in three powerful ways:

1. You are taking action, and action builds confidence.
2. You are affirming gratitude, and gratitude is a powerful confidence builder.

[8]Arrillaga-Andreessen, Laura. *Giving 2.0: Transform Your Giving and Our World*. New York: Jossey-Bass, 2011.

3. You are aligning your money with your values, and it is empowering to know your money is serving personally important purposes.

Clearly, contributing to charitable causes is a win-win. But many women are not sure how to put their aspirations into practice, and financial advisors not ascribing to a holistic wealth management approach are unlikely to pursue this conversation with their clients. Therefore, while earlier chapters offered guidance about managing your wealth and protecting your style of living, this chapter offers tangible guidance designed to help you explore your philanthropic aspirations.

A philanthropist is one who gives passion, compassion, financial gifts, or knowledge. In light of these attributes, this chapter will emphasize:

- Giving time and energy
- Giving money
- Enhancing the culture of giving in your community

According to philanthropist Laura Arrillaga-Andreessen, "You have everything you need right now to be an extraordinary philanthropist." By the end of this chapter I hope you will feel empowered to take action and will experience enhanced personal confidence—one of the many positive consequences of choosing to give.

Giving Time and Energy

Giving time and energy can be an effective stimulus to your philanthropic aspirations. Consider what you are passionate about and what needs exist in your local community. Of course you can achieve your philanthropic aspirations by giving time and energy beyond your immediate community. But I guarantee you will discover some needs close to home that will benefit from your compassion and expertise. For example, Anna discovered she could satisfy her philanthropic aspirations within a ten-mile radius of her home. That suited her because she wanted to spend her time teaching, not commuting.

When her two college-aged children left the nest, Anna felt ready for a substantial volunteering endeavor. Due to her training as an elementary school teacher, she was attracted to becoming an adult literacy volunteer. For more than three decades now, Anna has served as a literacy volunteer in her community. She has worked with numerous waves of immigrants. Without leaving her hometown, she traveled the world and experienced multiple cultures. Anna's students were usually assigned to her shortly after they arrived on American soil. She has taught English to Vietnamese, Korean, Russian, Iraqi, Serbian, and Croatian immigrants—to name a few. Many of her students knew few words of English when they landed in her classroom. She has reported countless heart-wrenching stories revealing their sense of inadequacy as they faced life in a country where they could not communicate.

It was Anna's job to teach her students rudimentary English, spoken and written, but Anna taught them so much more. She was the face of America to her immigrant students. She offered them the hope of acclimating to and communicating in a new world, a world forced on them because life in their home countries had become untenable. Anna's tireless efforts were recognized by the state in which she lives when she was awarded her state's Literacy Volunteer of the Year award in 2002.

Philanthropy and the Next Generation

Not surprisingly, parents who volunteer their time become role models leading their children and grandchildren to seek relevant opportunities for community service. These gifts of community service not only shape the values of the next generation but can provide young people with extracurricular activities college admissions boards like to see. Founding executive director of Tulane University's Center for Public Service (CPS) Vincent Illustre highlighted this paradigm when he said, "We are seeing more and more high schools and middle school require service hours. We're looking beyond that, for stellar community service activities."[9]

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[9]NobleHour blog. "How Volunteering and Service Can Help with College Admissions," Dolly Duplantier. November 6, 2013 @ 9 AM.

Actually, Anna's experience provides a good example of what universities are looking for. She followed her passion for teaching when choosing her volunteering endeavor and supported it with her training and expertise. Universities want proof that admission candidates have engaged in a sustained community service activity or two, and they want proof that the activity was selected on the basis of the student's passion and commitment. "Once and done" or short-term efforts are not considered remarkable. To evaluate the commitment to service of prospective students, a university admissions office often seeks and evaluates answers to questions such as:

- How does this student frame her giving-back activities?
- What is her rhyme and reason for this particular endeavor?
- What made her undertake this particular project?

Tulane University is nationally known for its leadership in focusing on personal and public service as core elements of a twenty-first-century education. They offer some specific suggestions for your high school child or grandchild, which include:

- Explore a variety of volunteering interests during freshman and sophomore years of high school.
- Select one or maybe two topics or issues of interest by the beginning of your junior year in high school. Research organizations that support these interests.
- Now take the interest to the next step. Delve deeper. Enthusiastically pursue community engagement with the issue selected.

Like Tulane University, a growing number of universities are focusing on public service as a core element of higher education. For that reason, a substantive commitment to community service may even help position your child or grandchild to be awarded scholarship assistance.

Giving Money

Just as we teach young children to share, most of us adults want to share, too. And that includes our financial resources, not simply our time. In fact, America tends to be a generous nation. About 95 percent of us contribute money annually to causes for which we care deeply. Our national desire to give back to the community was recently cited as a chief motivation for our gifts.

Similarly, the concept of giving money for the benefit of others has been present across the globe for centuries. For instance, it is fundamental to many religious teachings. In fact, a number of religions expect their faithful to tithe. Often the tithing contribution identified in religious teachings is 10 percent of what you earn. Whether you choose to tithe or to give whatever you believe you can afford, many of us women would prefer to give more. But we fear we might run short of money if we are charitable. Or we rationalize that our gifts won't make that much difference anyway, especially if we compare them to sizable foundational gifts like those of Bill and Melinda Gates or Warren Buffett.

About eight years ago, Stella, my colleague, decided she wanted to pursue serving on a board. To that end, she started a dialogue with the leadership team of a small arts organization in her local community. She chose the organization because she loved art and was interested in giving back to the arts, an arena that is often overlooked by donors. Now, eight years later, her contribution of time, energy, and money has transformed the giving culture of the organization, and her quiet efforts have become a potent illustration of return on investment.

Stella spent the first few years getting to know the organization by serving on its board. Next she took advantage of an opportunity to help the arts group plan in detail their upcoming annual budget. For a number of years the organization had become accustomed to the concept of living *beyond* their means. This practice led them to follow the strategy of "buy now, pay later," as illustrated by the large bills they incurred for their building. Rather than planning ahead for inevitable repairs and periodic replacement of things such as the HVAC system, they waited for a crisis to occur and then tapped into their line of credit to pay the unexpected bill. Naturally, this practice increased their costs due to the monthly principal and interest payments that would continue for years into the future while they slowly repaid the credit line.

Stella urged the board to reverse their thinking. She encouraged them to consider the economic impact they would derive from living *within* their means. Making this strategic change of thinking was not easy. For instance, the means or income of the board fluctuated annually according to gifts and grants received, which were influenced by the economy. Understandably, planning for unpredictable large expenses can seem to be an untenable goal when annual revenues are uncertain. In addition, implementation of the concept of living within one's means would result in board members receiving a challenge. They would be expected to contribute an increased amount of financial support—that is, to pay higher annual dues.

No one could remember the last time annual dues were recalibrated. Now, with unanimous board approval, a schedule of increases was adopted for a period of three years. The group believed that the increased board dues would be sufficient to cover a portion of the organization's annual operating expenses in order to avoid being hurt by income shortfalls during economic times when revenues were somewhat diminished. Moreover, Stella advanced three benefits of this strategy:

1. With a portion of basic operating expenses covered, there would not be a need to tap into a line of credit for funding; this would save the organization quite a bit of money in the years ahead.
2. When applying for grants they were more likely to be awarded funding if their budget was in balance and not debt-dependent. Donors prefer giving to a successful organization, and a balanced budget is a key indicator of success.
3. General fund-raising efforts were more likely to be successful because a larger proportion of money raised would go directly to programs. And most individual funders prefer to help people rather than to help the organization keep the lights on.

Generally speaking, Stella was pleased that her suggestions were valued and adopted. Furthermore, because she aspired to make a financial gift to a cause that was personally important, she decided now was the time. After discussing with the organization's leadership team what she had in mind, Stella gifted $25,000 to institute a stability fund for the organization. Her gift provided the seed money for a fund to generate earnings that could be tapped for extraordinary expenses, thus helping end the organization's cycle of living beyond their means. In the meantime, the board achieved a balanced budget and secured substantial board support in the form of increased dues.

Now that the leadership team was energized by their accomplishments, they felt ready to approach a local foundation with a request for a gift of $50,000. The foundation countered with a qualified yes. They agreed to honor the request if the board would match Stella's gift dollar-for-dollar. In other words, the foundation would match whatever amount the board was willing to commit to the organization.

It is easy to see why Stella expressed pleasure as she told me her story. Her gift of $25,000 to institute the stability fund was quickly matched by contributions from individual board members totaling more than an additional $25,000. With a total of over $50,000 in the stability fund, the organization returned to the foundation to seek a matching sum of $50,000. Accordingly, the request was granted. To put it another way, within six months, Stella's $25,000 gift grew to $100,000. But the story did not end there. A year and a half later the leadership team of the organization secured a gift worth several hundreds of thousands of dollars to endow a curatorial position they had created. What a superb return on investment. And it all started with a small concept: choosing to value living within one's means. What a powerful lesson for all—individual, family, or organization.

Enhancing the Culture of Giving in Your Community

Any time you give your time, your energy, or your money, the culture of giving in your community is enhanced by your commitment. Both Anna and Stella provide outstanding examples of this phenomenon. In Anna's case her gift was time and energy, and in Stella's situation she began with gifts of time and energy, and then expanded to a gift of money, which was structured for an exceptional return on investment. The needs in your community are as diverse as we are individually unique, so feel free to be creative as you develop opportunities.

One obstacle I have encountered with clients regarding the fulfillment of charitable aspirations is a lack of familiarity with, or understanding of, tools that can help them achieve their charitable goals. Therefore, to help you select the tools most likely to enable you to build a culture of giving within your family or community, let us take a moment to review some basic charitable giving tools. Note that some options permit you to gift after your passing and some are structured for gifts made while you are still living:

- A **bequest** is a provision in your will or trust fund, directing funds to a charitable endeavor.
- A **charitable gift annuity** provides income to you (and your spouse or your designated beneficiary) for life in return for a lump-sum charitable gift.
- A **charitable remainder trust** provides a fixed amount of income to you (and your spouse or your designated beneficiary) annually for a specific period of years. Remaining assets (the remainder) are gifted to a charity.
- A **charitable lead trust** provides a fixed amount of income to a charitable endeavor for a specific period of time. Remaining assets return to the donor.
- A **pooled income fund** is a pool of gifts from a number of donors. Donors share in the income generated annually from the pooled funds. At the passing of each donor, his/her proportionate share of principal is gifted to the charity.
- A **retained life estate** transfers ownership of your residence to a charity. You retain the right to live in your gifted property. At your passing the charity may sell the property and make use of the proceeds.
- A **charitable bargain sale** permits you to sell your property to a

charity for less than the fair market value. The charity may then sell the property for full value and use the difference to advance its mission.

- A **community foundation** is an organization designed to pool donations into a coordinated investment and grant-making facility. Community foundations are often dedicated to the social improvement of a given place.
- A **private foundation** typically makes grants (donations) to other charities or 501(c)(3) non-profit organizations. A private foundation is defined under section 501(c)(3) of the Internal Revenue code just like any other charitable organization. As with other charitable endeavors, a private foundation must benefit the public in order to maintain its tax-exempt status. For example, in our story about Stella, a private foundation (a charity) gave the $50,000 to the small arts organization (a 501(c)(3) non-profit organization).
- A **donor-advised fund** permits you to set up one account called a donor-advised fund from which you make grants of differing amounts to charities of your choice. It allows an individual to streamline the management of her charitable gifts.

As you can see, there is a wide array of options for cultivating your charitable interests and satisfying your intent to give back. And this list barely scratches the surface of options you might consider. For a comprehensive look at the world of giving, I encourage you to read Laura Arrillaga-Andreessen's *Giving 2.0: Transform Your Giving and Our World*.

Impact Investing

Before taking an in-depth look at the donor-advised fund—a specific charitable tool that families often find particularly satisfactory—it would be remiss not to introduce impact investing. While impact investing is not technically philanthropic, for investors interested in aligning their money with their values, such investing can serve an important role. Quite simply, impact investments are investments made into companies, organizations, and mutual funds with the intention to generate social and environmental impact alongside a financial return. Another way to think of impact investing is, "Doing well (financially) by doing good."

The four core characteristics of impact investing are:

1. Intention—an investor's intention to have a positive social or environmental impact through investments
2. Investment with return expectations—an investor's expectation to generate a financial return on capital, or at minimum, a return of capital
3. Asset classes—an investor's selection of asset classes designed to target market returns based upon the assumption of risk
4. Impact measurement—an investor's commitment to measure and report upon the social and environmental performance and progress of underlying investments

You may wonder why more investors are not aligning their values with their money by selecting to implement impact investing. Several reasons for this come to mind. First, few financial advisors explore impact investing with their clients unless the client initiates an inquiry requiring them to respond. This paradigm leaves many investors uninformed about options available to them.

Second, one reason impact investing is not explored is because in the past there was widespread concern about the underperformance of what was then called "socially responsible" (now impact) investing. While such concerns no longer need be a deterrent to investors due to the breadth of impact investment choices currently available, that former underperformance concern still lurks in the background.

A third reason impact investing is not broadly embraced is the difficulty investors expect to encounter as they aim to design a risk-appropriate asset allocation. They are uncertain what asset class selections exist with which to build their portfolios. Asset allocation, you may recall, was illustrated in Chapter 4 using the red gravy metaphor. Fortunately, as number three above reveals, there are now a sufficient variety of impact investment asset classes to fulfill investors' desired asset allocation requirements.

Although impact investing is a portfolio-building tool and not a charitable endeavor, it provides another opportunity for investors to fulfill their values. Investors may do well financially while doing good.

The Donor-Advised Fund

Now let us return to our discussion of dedicated philanthropic tools by examining the features of a donor-advised fund (DAF). The DAF is flexible in a number of ways and, as such, is a useful tool for families:

- It is a single account from which donations may be made to a wide array of charitable causes.
- A relatively small amount of money is needed to establish a DAF account. For example, a community foundation may offer to establish a donor-advised fund for you with a minimum investment of $10,000. A mutual fund company offering such funds usually requires a minimum account investment of $25,000.
- Little administration or reporting is required. The funds invested in your DAF may entitle you to an income tax deduction in the year in which you establish the account. Therefore it is necessary to consult with your accountant about income tax filing procedures.

By the same token, a donor-advised fund can offer families a meaningful learning experience. Let me tell you about Jill, a grandmother with a strong commitment to teach future generations about sharing. As a younger woman Jill had worked hard and had become affluent. As time passed, giving back became a tangible way to express gratitude for the well-being she and her family had achieved. In her middle years, like Stella, she saw the value and importance of serving of boards. Along with board service, she gave financial gifts from time to time without having a specific plan in mind.

Then, one day, she had the good fortune of meeting Gerry Lenfest, the philanthropist, at a Temple University Trustees Dinner, and aspects of her life began to change. As Jill tells her story, after a brief moment of intimidation at being introduced to the rich man seated next to her, she vowed to herself to find a moment during dinner when she could inquire about his foundation. She wanted to know how he had structured the charity to encourage his children to take ownership of grant-making decisions.

As the main course was served, she turned to him and asked how he and his wife had chosen to involve their children in the grant-making decisions of the Lenfest Foundation. He seemed quite comfortable pursuing this line of conversation and told Jill that he did not believe in family foundations. Instead, he believes each individual should own his or her own foundation without interference. He added that he does not believe in perpetuity; therefore his foundation will end no later than thirty years after the death of his wife and himself. And as we learned with our previous description of private foundations, the Lenfests do not give to individuals, only to 501(c)(3) charities.

Jill reported to me that she was inspired to translate the Lenfest family philosophy of owning a charitable account without interference to her own charitable planning. Rather than utilizing a foundation for each family member, however, which would require a larger investment of money than she could commit as well as significant ongoing maintenance, she established a donor-advised fund for each of her children and grandchildren. What a perfect solution, she thought, for helping to introduce her grandchildren to the concept of sharing money as well as the concept of making grants to cause(s) of greatest interest to them.

Charitable Plan Roadmap

Clearly, Jill's financial aspirations reached far beyond astute investment planning. What a perfect example of the holistic wealth management process in action. Not only was she committed to designing a roadmap for her charitable intentions, she was planning to use sharing with others as a teaching tool for the next generation. Jill decided she wanted a roadmap to illustrate her charitable plan. Perhaps her illustration in Figure 14 will prompt your thinking as you consider the plans you might make.

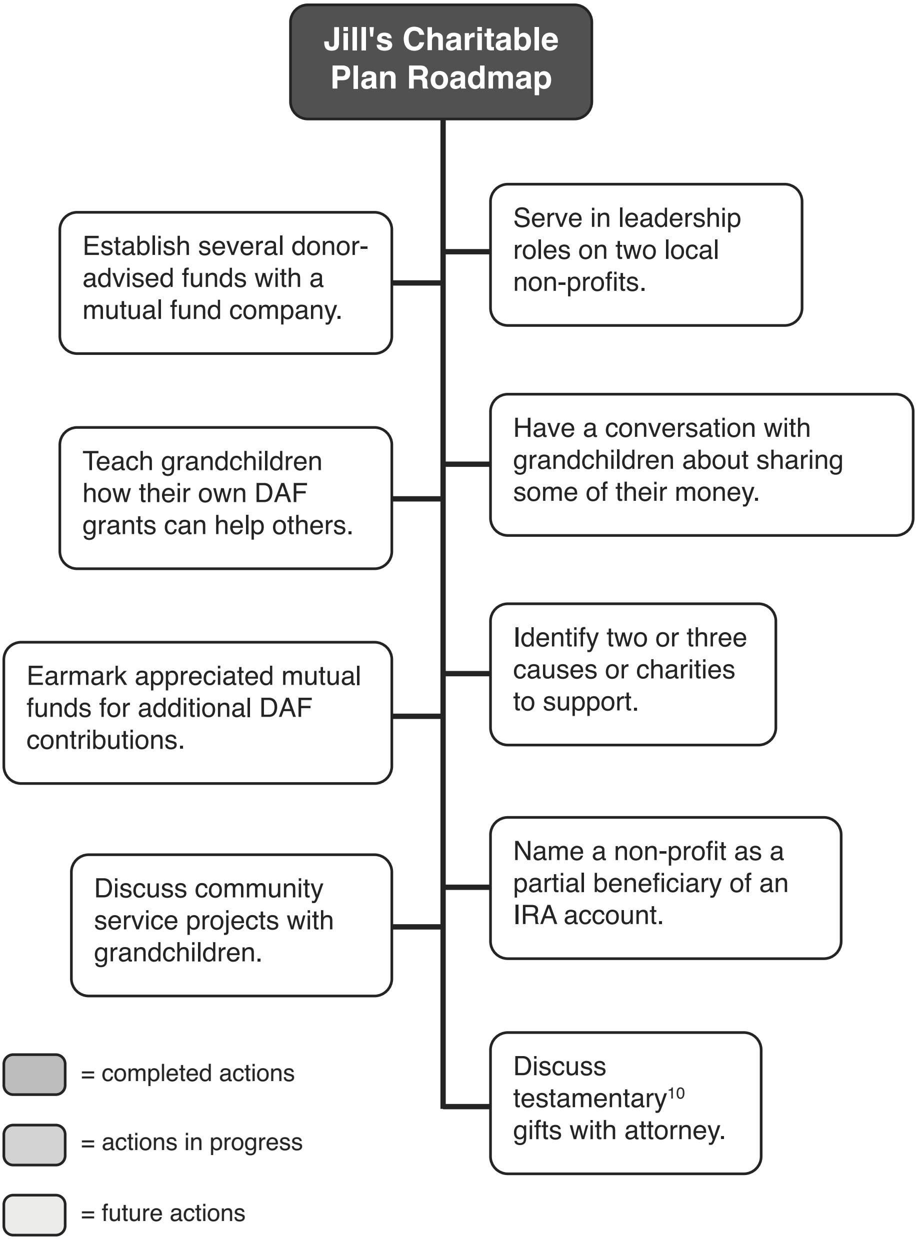

Figure 14: Charitable Plan Roadmap

[10]Testamentary gifts transfer by will after death.

As you can see, there are a number of steps involved in fulfilling charitable inclinations. Jill's conversation with Gerry Lenfest motivated her to formalize a plan, which she ultimately found satisfying because it led her to have intergenerational conversations about giving. She felt good about enhancing the culture of giving within her family, especially because from these family beginnings, the culture of giving would expand across a larger community.

Balancing Act Implications

You now have concrete tools to assist you in following your dreams of being a philanthropist. You may wish to give of your time and energy, or your money. You may want to make giving back a family affair. You might prefer to give now or to leave a legacy through your estate plan. Regardless of the choice(s) you make, your gifts enhance a culture of giving with exponential ripple effects of benefit.

One of these benefits is how good you will likely feel. Taking action with respect to philanthropy can affirm your sense of gratitude; it can reinforce the alignment of your values and your money; and finally, your charitable endeavors will likely prove to be a true confidence booster. If your financial advisor has not opened a dialogue with you about planning to fulfill your charitable aspirations, I encourage you to start the conversation. As you remember from our discussion about holistic wealth management in Chapter 5, addressing your financial concerns that go beyond your investment planning, such as charitable planning, may be essential to ensure you achieve all that is important to you.

Should you need just one more push of inspiration, pay a visit to **www.womenmovingmillions.com**. This organization is committed to philanthropy, and it is committed to women, globally. Women Moving Millions is comfortable acknowledging the power of philanthropy and the boldness women can bring to fulfilling their aspirations to give back.

Many women have charitable inclinations but may not have utilized a framework for identifying them or formulated a plan to fulfill them.

The exercises that follow are intended to help you do both: the questionnaire in *Exercise #1* will help you focus on how you prefer to help, and *Exercise #2* offers you a diagram so you can map out or create a picture of your intentions.

Exercise #1: How I Want to Give Back

Remember that your desire to give back is uniquely yours. To assess whether your charitable aspirations are focused or not, answer the following questions as honestly as you can:

- What am I passionate about?
- If I could make a difference, what arena matters most to me? What comes second?
- If I could spare two hours each week, what cause or organization would I like to help or support in those two hours?
- If I am not already providing assistance, what is holding me back?
- Do I respond to helping in person? Or is long-distance helping just fine for me?
- How much money am I able to contribute to a cause or to an organization?
- Am I interested in making a leadership gift at some point? Generally speaking, a leadership gift is intended to be a major gift to support a particular endeavor and is given in part to motivate other contributors to fill a financial gap with their contributions so the endeavor can proceed. Stella's stability fund contribution is an example of a leadership gift.

Exercise #2: My Charitable Plan

Jill's charitable planning was illustrated using a mapping diagram (Figure 14). The following sample roadmap (Figure 15) utilizes a number of charitable tools. Compare the sample plan to Jill's Charitable Plan Roadmap.

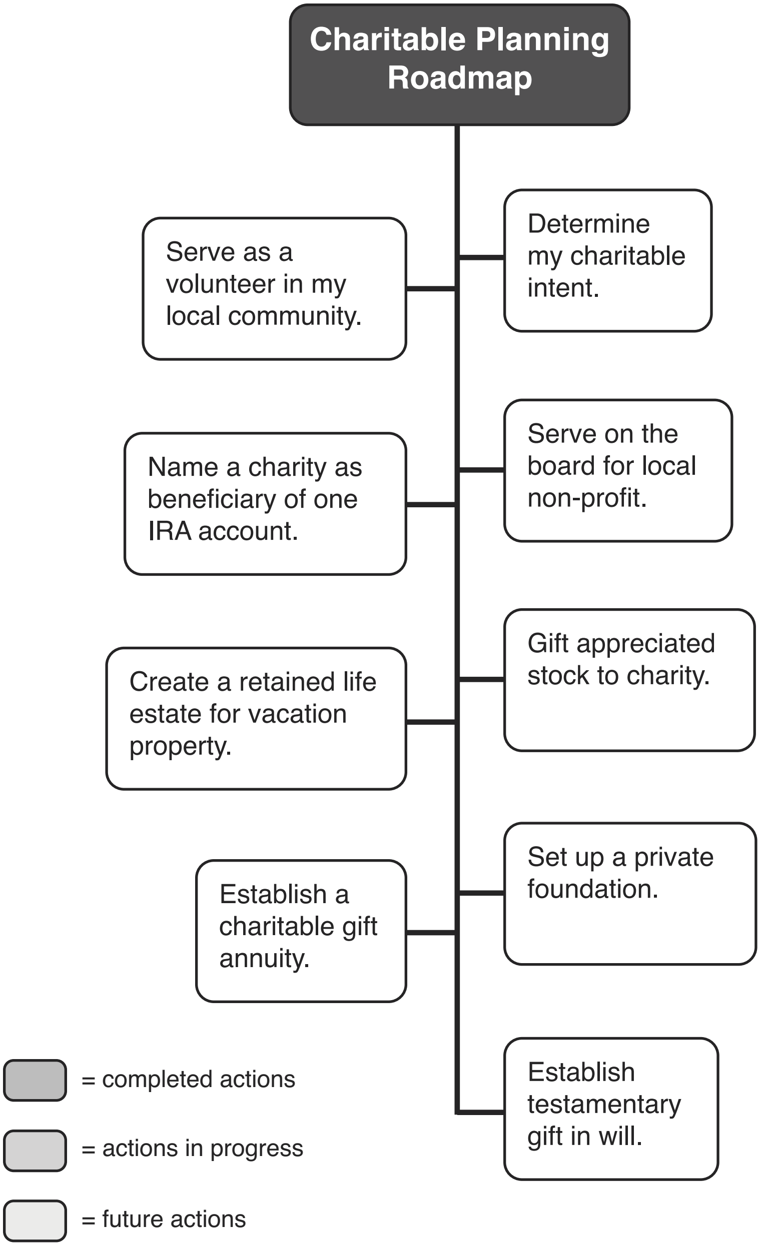

Figure 15: Sample Charitable Planning Roadmap

Next, review your answers from *Exercise #1*. You are ready to start formulating your own charitable plan! Visit **Balancingactbook.com**, click on the **Resources** tab, and download the Chapter 8 *Charitable Planning Roadmap* to diagram your intentions.

The door is always open for you to fulfill your charitable aspirations. The women who permitted their stories to be told in Chapter 8 certainly believed this. There is another fundamental door I believe the world needs each of us women to open: the door to serving in leadership roles.