



CPNS Mission

To bring to the community the benefits of teaching, research, technology and service relevant to the philanthropic and nonprofit communities.

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Queensland University of Technology The Australian Centre for Philanthropy and Nonprofit Studies

CPNS Current Issues Information Sheet 2009/2

Is Philanthropy Relevant to Professional Advisers?

CPNS' new Working Paper looks at the role of professional advisers as *intermediaries* between donors and the nonprofit sector in smoothing the path to higher levels of charitable giving. We report findings from a national survey of 235 professionals in mid-2008, before economic indicators plummeted. This timing has inadvertently proven useful given our interest in trends; it will be left to further research to explore the impact of the current crisis on these trends.

Findings confirm a growing interest within the Australian advisory sector to provide philanthropy advice to high-net-worth (HNW) clients, although the rate of change has slowed since 2005. Advisers are now more likely to see benefits in providing this type of counselling, as well as benefits for their clients in engaging in philanthropy.

More Australian advisers are moving into this area of assistance but, on the whole, they are doing so tentatively. Few appear to be actively helping HNW clients clarify their philanthropic interests and to find expression of these through the right mix of philanthropic vehicles. Limits to their capacity to offer advice are in play, despite philanthropic services being advertised.

In this study, we also tested factors around adviser 'profiles', given that previous studies, including our 2005 survey, hypothesised whether advisers' provision of philanthropic services might be predicted. The inclusion of additional survey questions allowed wider statistical testing and, indeed, showed that two distinct types of adviser exist. There is support for the notion of a 'warm' adviser in terms of his or her thinking and practices around assisting clients with philanthropy, as well as a 'cool' one. That 'warm' and 'cool' advisers on philanthropy exist may come as a surprise to clients - and even firms who employ them. For the warm adviser, the question of whether philanthropy is relevant is answered simply, yes; the cool, in contrast, would say *not so much*. This report explains the difference.

Further, findings point to a positive correlation between an adviser's own philanthropic behaviour and whether they advise interested clients about philanthropy. While the former may not be the *cause* of such behaviour, it does help to explain why advisers are willing to move into this new services space. Those who themselves gain satisfaction from giving are arguably more likely than their peers to see the value of philanthropy for their clients, as for the community.

Here are the key findings in summary.

On the positive side:

- 93% of all 235 advisers surveyed had a positive view of philanthropy.
- Advisers reported an annual donation of \$6,656 in 2007-08, more than *ten times* than for Australians generally in 2006-07 (\$440) and, incidentally, more than for financial advisers and planners generally (\$696).¹
- Only 8% said they *did not expect* their HNW clients to be interested in philanthropy and only 11% expressed concern that raising the topic might damage client relationships.
- The top reasons for providing philanthropic advice were:
 - Its potential to lead to client satisfaction (most supported reason);
 - Their advice could reduce a client's taxes;
 - That this kind of advice should be part of an overall service; and
 - It is important to make a difference if one can.

¹ Note that these comparison figures are drawn from the Australian Taxation Office, thus only include donations made and claimed for deduction, and were for the year prior to the donation period referred to in the survey. Deductible gifts by postcode and occupation can be viewed online at: <http://www.bus.qut.edu.au/research/cpns/postcode.php>

- 65% of survey respondents expressed a desire to discuss philanthropy with their HNW clients, with 63% interested in providing philanthropy advice themselves.
- Statistical tests show that there is a profile of a 'warm' adviser for the provision of philanthropy advice. This adviser is much more interested in philanthropy and better informed about philanthropic giving, discusses philanthropy with more of his or her clients, and is more motivated to assist clients with philanthropy than their 'cool' peers are.

However, on the whole, the provision of this advice was constrained:

- 40% of the overall sample described themselves as uninformed about their clients' *interest* in philanthropy, and only 20% have discussed philanthropy with 40% or more of their HNW clients.
- 39% were unsure how *best* to advise their HNW clients about philanthropy, with some 40% reporting insufficient training.
- 45% believed that fluctuating financial markets would mean less client interest in philanthropy, however, 55% disagreed (keeping in mind that perceived client engagement in philanthropy was low).

Overall, the findings suggest key needs around two primary issues.

Issue 1: Discussing philanthropy with HNW clients - two needs

1. To see philanthropy as an essential part of an overall service to clients; and
2. For constraints to be addressed, particularly the view that philanthropy falls outside one's professional role and how to manage a negative client reaction.

Issue 2: Providing quality philanthropy advice - five more needs

3. To feel sufficiently informed to provide philanthropic assistance;
4. To have sufficient training to advise about philanthropy;
5. To locate philanthropic planning resources easily;
6. To have organisational support in providing philanthropic assistance; and
7. To see their peers providing high quality advice about philanthropy.

This survey raises questions that beg consideration by both the nonprofit sector and the advisory sector, especially peak bodies in both sectors that promote advice excellence. *If* it is useful that more advisers counsel clients about their philanthropic giving, what can be done to address the gap in advice that exists? How should adviser needs be addressed? What changes are warranted and how might these be achieved? Clearly, there remains a long way to go before the average financial adviser, accountant, or lawyer advising HNW individuals, includes philanthropy in their normal dialogue with clients, to test philanthropic interests not to fabricate them.

Discussions around these questions are needed across countries. The Australian advisory scene does not operate in a vacuum, as illustrated by the recent about-turns in the economies of the world. The trends we are seeing here reflect world trends – although it appears we are more limited in the advice we offer – and the challenge to improve donor advice is a shared one. There are signs that HNW interest in philanthropy is growing around the globe, including in Australia. With longer-term trends showing higher levels of wealth across a larger HNW population, the pressure for independent financial and legal advice about philanthropy will increase. How will that demand be met?

This survey has attracted more respondents than ever before, and more now come from the accounting and legal professions. The door is open to wider participation in future years.

The Information Sheet was issued on 1 July 2009.
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Electronic copies of the complete working paper CPNS 43: Is Philanthropy Relevant? A Study of Professional Advisers in Australia are available from the Publications page at www.cpnس.bus.qut.edu.au or via EPrints http://eprints.qut.edu.au/25924/
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