

How to change the conversation when addressing charitable giving with younger clients

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Younger clients need to identify somehow with the mission of the organization they are donating to and want to take more of a hands-on approach, says an expert.

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When it comes to philanthropy, the size of donations from millennials and Generation Z may not yet equal those of clients in older demographics. But as they establish themselves in the workforce, many younger clients are looking to make a difference as they connect with causes and strive to enact meaningful change with their gifts.

For advisors, working successfully with younger clients on charitable giving – whether individually or via intergenerational wealth planning – means changing the conversation around philanthropy to focus on their values and explore strategic ways to make a measurable impact.

For example, a 2022 BNY Mellon Wealth Management survey showed that for baby boomer participants, a special cause and a sense of personal satisfaction about sharing their wealth were the factors that motivated them the most to donate, while those aged within the millennial group had slightly different priorities.

High-net-worth investors aged between 23 and 38 were more likely to place higher importance on the impact of their donations and their duty to give back, according to the survey.

Tina Tehranchian, senior wealth advisor at Assante Capital Management Ltd. in Richmond Hill Ont., has seen these differences in her practice with intergenerational wealth planning.

“With the older generation, you see a lot of support for local and community causes,” she says. “With the wealthier donors, there’s sometimes interest in having their names on the walls of this or that institution, being recognized.”

Younger clients are more interested in the impact of their donations over recognition and want to see social or environmental change. They also connect with the causes they care about on a grassroots level through volunteering.

‘Don’t write them off’

At the same time, she says, younger generations are still strategic about philanthropy.

CanadaHelps noted in its 2022 Giving Report that millennials are more than twice as likely than baby boomers to donate securities. Tax credits also increased the motivation to donate in almost half of those millennials and members of Gen Z surveyed, compared with a third of boomers and Generation X.

For advisors working with younger Canadians, Ms. Tehranchian says, it's important to raise the topic of charitable giving and be open to different generational views on philanthropy to help clients implement their individual goals.

That can be done through tax planning by discussing how they currently support charities and other options for donating more tax efficiently. Advisors should also bring up charitable giving in the context of estate planning, which is not always considered with younger clients. But people in their 20s and 30s are, sometimes, interested in leaving a legacy, she says.

“Don't write them off – either in terms of legacy or ongoing charitable giving – because many of them are doing it, but they may not be doing it as tax effectively as possible and that's where a good advisor can help,” Ms. Tehranchian adds.

Align strategy with values

For millennials and even Gen Z, who may still be coming to an advisor through their parents, trust and relationships are big drivers of charitable giving, says Lydia Potocnik, head of estate planning and philanthropic advisory services at BMO Private Wealth in Toronto.

“Unlike their parents, they really try to do research on charities,” she says. “They need to identify somehow with the mission of the organization and they want to take more of a hands-on approach.”

Advisors should look to align strategy with values, especially with millennials who are further along in their careers and ready to incorporate giving into their financial

plans.

“It’s not just about writing a cheque or making a donation of securities,” Ms. Potocnik says.

“It’s really tying the values to that specific gift and then obviously talking about, ‘How can we measure the impact that you’re having?’”

While they do want to understand the different ways to give tax efficiently, millennial donors may also benefit from advisors going beyond the wealth plan, she adds.

For example, advisors can play a key role in creating partnerships between younger clients and charities by researching and making introductions to organizations that are tackling community issues the client is interested in supporting.

Primer for inheritances

Christopher Dewdney, principal and certified financial planner at Dewdney & Co. in Toronto, says there’s common ground to be found between the generations in the underlying goal of giving back.

“For me, it’s understanding the needs of the client and then being best able to assist them,” Mr. Dewdney says.

“If the parents are discussing the tax deductibility, it’s very easy for us to do that calculation and put that into the projections for the overall planning. However, what I find with the children, more specifically, is a deeper conversation on the cause.”

Ultimately, advisors have a responsibility to discuss charitable giving with younger clients now, not only to ensure their donations are tax efficient today but to help them work toward their long-term philanthropic goals as they advance in their careers or receive an inheritance, he says.

“The heavy lifting of charitable giving is not done through these cohorts. Not yet. It will be, eventually,” Mr. Dewdney says.

These conversations are really a primer for the responsibility that they're going to have later on in life as they continue to grow and increase their net worth, he adds.

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