Charitable Giving and Tax Reform:

How Financial Advisor Conversations About Philanthropy Are Changing

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Financial advisors increasingly embrace and promote charitable strategies post-tax reform

Giving to charity is a decision that clients make from the heart, but after tax reform, clients and their advisors are approaching giving decisions more strategically. Advisors say that nearly half of their clients are charitably-inclined, and they are urging more of them to make the most of that generosity—in ways that can benefit both themselves and the charities they care about.

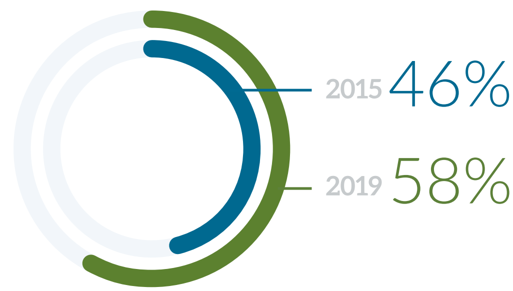
Signed in December 2017, the Tax Cuts and Jobs Act overhauled the American tax code. The law pushed clients—and their advisors—to find new strategies to maximize tax savings. Charitable giving remains deductible under the new law, so it became an even more important piece in the tax planning puzzle. Advisors are incorporating philanthropy into more conversations with clients than they were before. Yet, despite this increase, there is still significant opportunity for advisors to further expand the scope of these conversations to include a broader segment of their client base.

Fidelity Charitable conducts periodic tracking studies among advisors to measure how attitudes and adoption of charitable planning tactics have evolved. The 2019 survey also aimed to understand the impact of tax reform and how advisors adapted their recommendations when the new law was passed. This report highlights several significant shifts in advisor-client conversations about charitable planning in the wake of tax reform.

Advisors discuss charitable giving with nearly 60 percent of their clients.

Since 2015, the number of clients with whom advisors discuss giving has risen from 46 percent to 58 percent. Particularly after tax reform, advisors are thinking of charitable giving as a financial decision with significant tax implications—a decision that should be considered carefully and incorporated into a holistic financial plan. However, that still leaves a significant portion of most advisors' client base, indicating an opportunity to further expand the conversation.

Average percentage of clients with whom advisors have discussed charitable giving



Though many advisors seem to be comfortable discussing a variety of charitable topics with clients, most want to learn more about philanthropic planning.

Charitable giving is a significant planning opportunity for advisors to engage more deeply with their clients. Philanthropy opens the door to build stronger client relationships and more holistic financial plans. And after tax reform, clients could often benefit even more from smart charitable planning. Advisors seem to have recognized the opportunity and are having philanthropic conversations with clients—and seeking advanced education so they can engage even more deeply.

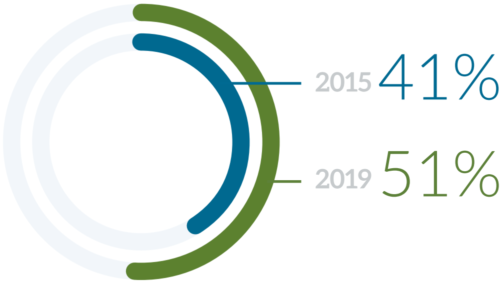
Percentage of advisors who understand charitable topics and discuss them with clients

	Understands topic well but wants to learn more	Has discussed topic with many/most clients
Planning charitable giving in retirement	65%	55%
Creating a multi-year financial giving plan	59%	55%
Creating a charitable legacy	59%	47%
Planning charitable giving after windfall/influx of money	58%	48%
Involving family in giving	54%	54%
Creating pledges to specific nonprofits	54%	46%

Advisors feel that a charitable giving vehicle is appropriate for half of their clients.

Advisors believe that 51 percent of clients—up from 41 percent—could benefit from a charitable giving vehicle, like a donor-advised fund or private foundation. With several bull market years and a major overhaul of the tax system—and as advisors learn more about advanced charitable planning tactics—they see more opportunities for clients to make smarter decisions related to charitable giving. Advisors increasingly understand that charitable giving vehicles are not only for ultra-high net worth clients, but are important financial tools from which a wider array of clients could benefit.

Average percentage of clients for whom a charitable giving vehicle is appropriate

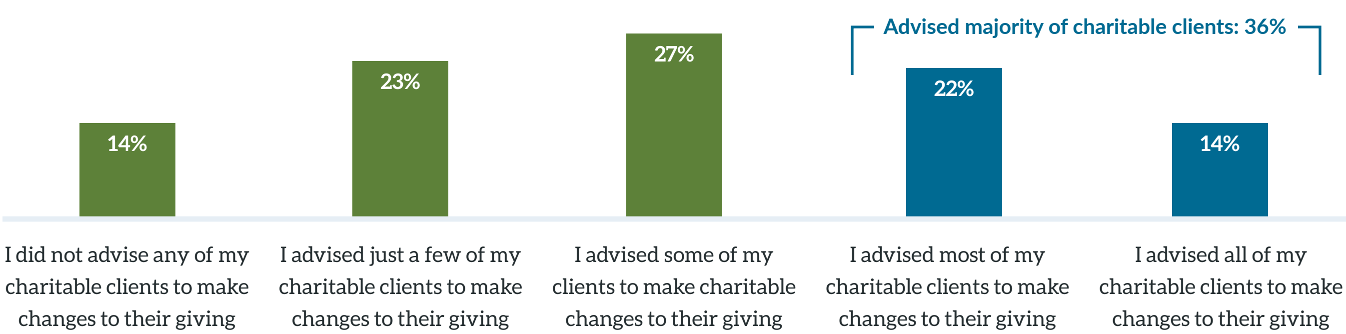


More than a third of advisors recommended that most or all of their clients adjust their charitable giving in response to the tax reform law.

Tax reform was a game-changer for financial and tax planning. The standard deduction doubled and many popular tax deductions were reduced or eliminated, making it more difficult to surpass the threshold at which it makes sense to itemize tax deductions. Simply put, many clients no longer receive the same tax benefits for the same financial decisions they made in the past. Adjustments must be made, and charitable giving is one of the few levers left to pull to affect a client's tax burden or benefit.

However, 64 percent of advisors advised only some or none of their clients to adjust their giving. This may indicate that advisors have not been broad enough in discussing the implications of tax reform with their full client base and suggest that additional opportunities exist to expand the conversation to help clients maximize their giving and minimize their tax burden post-tax reform.

Advised clients to adjust charitable giving based on tax reform



Nearly half of advisors report that many or most of their charitable clients adjusted their giving strategy in response to tax reform.

There are a variety of charitable giving strategies a client may use to increase their tax benefit, and many clients used a combination of strategies. More clients may make adjustments to their charitable giving strategy throughout 2019 as the full implications of tax reform become clear.

Percentage of advisors who say "many or most" of their clients used giving tactics in response to tax reform

Increased giving overall due to the loss of other deductions	47%
Made a qualified charitable distribution from an IRA	47%
Established a donor-advised fund	46%
Donated appreciated securities to maximize deductions	46%
Employed bunching strategy to maximize charitable deductions	44%
Established a private or family foundation	42%

Conclusion

These results demonstrate that advisors are becoming an important part of the charitable giving equation. Advisors who are knowledgeable and confident about charitable planning can set off a chain reaction that has a lasting impact on the full charitable sector. When advisors are prepared to give sophisticated charitable advice, donors become savvy philanthropists who are able to make financial decisions that fit their priorities and needs. And more educated giving decisions are better for charities, who receive the maximum funds possible.

While this is a promising shift in many advisor-client relationships, it is also clear that most Americans are not giving in the most strategic way. This results in a major missed opportunity, most significantly for charities and those they serve. Advisors would be well-served to continue their charitable planning education so they are postured to guide clients toward decisions that are best for their financial plan and the charities they care most about.

Methodology

W5, an independent research firm, conducted a research study on behalf of Fidelity Charitable about financial advisors and the charitable conversation. 250 professional advisors in the U.S. were surveyed in 2019, including financial advisors, certified public accountants (CPAs), and attorneys. This data analysis focuses on data collected from 175 financial advisors whose assets under management have a total market value of $25 million or more.

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