Strategic Philanthropy in Family Estate Planning

Charitable giving is a cornerstone of comprehensive financial strategies for many families, combining lifetime donations and estate planning bequests. It's also a great way to share values and missions between family members — uniting people across generations, geographies and life circumstances.

When incorporating philanthropy into estate planning, the focus expands beyond the distribution of assets. It presents a multifaceted opportunity that can help you save on taxes and build wealth while also building a legacy reflecting your family's values.

Cultivating a Family Legacy of Giving

Integrating philanthropy into your family can also be a great way to pass on healthy attitudes about money and giving. Engaging your children in philanthropic planning is a profound way to instill a sense of community responsibility and a commitment to charitable work. A balanced approach is key, one that combines your desire to support favored organizations and causes while securing your family's personal and financial needs.

While most families won't be able to give like this, it's widely known that Warren Buffett pledged to give 99% of his fortune and wealth to charity. His children are very involved in the family foundations.

Establishing a Legacy through Philanthropy — and Tax Planning

Giving and helping others can feel good, but it's also a gift that gives back. Integrating philanthropy into estate planning transcends simple asset distribution, presenting opportunities for tax savings and the establishment of a generous legacy. Contributing to charitable causes during one's lifetime and bequests planned as part of an estate may significantly reduce potential federal and state estate (and income) taxes, offering a strategic avenue for legacy building.

Strategic Philanthropic Vehicles

There are multiple ways to transfer assets and facilitate your family's philanthropic initiatives. Here are just a few:

- **Charitable trusts:** Charitable remainder trusts (CRTs) and charitable lead trusts (CLTs) can be pivotal in transferring assets. CRTs provide income to donors or beneficiaries, with the remainder benefiting chosen charities. CLTs support charities for a set period before transferring assets to non-charitable beneficiaries, typically family members.
- **Family foundations:** For larger philanthropic undertakings, a family foundation can educate young members about wealth management and philanthropy while you endorse charitable participation. A family foundation can exist and thrive over multiple generations.
- **Donor-advised funds (DAFs):** These are very straightforward, allowing for immediate tax deductions and enabling donors to recommend grants to preferred qualified charities over time — making them an excellent introduction to philanthropy and financial planning.

Engaging Your Children in Philanthropy

It's well-documented that children are more likely to engage in giving when their parents do. Educating them about philanthropy's strategic aspects — empowering them to make informed decisions and genuinely appreciate the impact of their giving — is essential to fostering this tradition. Including children in discussions about estate planning and charitable financial tools provides them with valuable financial insights and nurtures a sense of belonging and responsibility.

By allowing the younger generations to take the reins on certain philanthropic initiatives, they gain practical experience and develop a personal connection to the outcomes of their charitable actions. A well-defined plan for the continuation of giving ensures the endurance of your charitable legacy that aligns with your values and vision. Including family in these conversations — particularly those concerning estate planning and charitable financial tools — fosters a sense of belonging and accountability.

Philanthropy Across Life Stages

There are lots of ways to include the whole family in discussions and building plans around charitable giving. For elementary-age children, you can begin with simple discussions about giving and share personal stories of charitable efforts to cultivate foundational values. You can also implement a divided allowance — saving, spending, giving — to teach financial prudence and the joy of helping others. Choose charitable destinations together to make the process interactive and meaningful. Creating monthly family rituals, such as park cleanups or food drives, teaches teamwork and community service. You could also develop a matching scheme: For every dollar a grandchild is willing to donate or raise, you can match it (up to a certain amount!).

Adolescents are often ready to learn more practical tactics and strategies around financial literacy and philanthropy. Seamlessly blending talks about money management with lessons in philanthropy can encourage giving and volunteer work for causes close to their hearts, fostering a sense of autonomy and community connection. It may be appropriate to introduce the concept of "discretionary giving," guiding them to manage a part of the family's philanthropic funds, emphasizing the importance of strategic giving.

For college-age children and young adults — our future leaders — you can try elevating their involvement in discretionary giving, especially significant if the family has notable philanthropic engagements, to honor their maturing understanding of philanthropy's nuances. Encouraging participation in non-profit committees or board memberships can offer leadership experience and networking opportunities. It's important to foster open discussions as their perspectives on the world expand, leading to the discovery of new, shared passions.

Remember, though, what you feel passionate about may not be the same as what future generations do. It's unlikely our grandparents were as concerned with changes in our climate, say, as our children and grandchildren may be.

The Impact of Philanthropic Planning With Family in Mind

The strategic inclusion of philanthropy within estate planning is not merely about funding causes; it's about engaging your family in the planning process and in a legacy of giving. By incorporating practical examples like the matching scheme, families can see firsthand the profound impact of their philanthropic efforts, not just on the causes they support but also on the younger generations who carry forward those values of generosity and engagement. By leveraging sophisticated financial tools and educating your children about the intricacies of finance and philanthropy, you ensure the continuation of a legacy that's as financially savvy as it is committed to community support.

The Importance of Expertise

Estate planning, especially around the complexities of charitable giving, can be complicated and require real expertise — good advice is paramount to ensure your gifts are meaningful and effective. If you need help firming up your loved ones' giving strategies, contact a Choreo advisor today to discuss ways to make charitable giving part of your family's estate plan.