

PODCAST
PRESENTATION

THE DIVERSITY OF PHILANTHROPIC MOTIVATIONS

HOST: Hello, and welcome. Northern Trust is proud to sponsor this podcast, The Diversity of Philanthropic Motivations, the first in a three-part series on the diversity of giving. Today's podcast will be of particular interest to anyone looking for a fresh perspective on the age-old question "Why do people give?"

I'm Bill Whitt, director of research at Northern Trust and our guest today is Marguerite Griffin, National Director of Philanthropic Services for Northern Trust. Marguerite consults with clients, their families and their advisors on charitable giving strategies and grantmaking practices. Her experience – including estate and charitable gift planning, private foundation administration and non-profit organization and management – has helped establish Marguerite as an industry-recognized expert.

Please understand that the information discussed during this podcast is not intended to be legal advice. As always, you should contact your attorney or tax advisor to review any strategy in light of your own specific situation.

Marguerite, thank you for being here today.


MARGUERITE GRIFFIN:

It's my pleasure. Thank you for having me.

HOST: Well, let's dive right in then. It seems hardly a day goes by that I don't read something in the paper about the rise in charitable giving or about a significant contribution by a well-known individual. Is this really the case?

MG: Philanthropy is increasing – in fact, high-net-worth households increased their charitable contributions by over 20% in 2006 from the previous year. Scholars, philanthropic advisors and wealth planning experts have actually described the early 21st century as "the golden age of philanthropy." For example, the generosity of donors like Warren Buffet, Bill and Melinda Gates, Ted Turner and others probably sound as familiar as the Rockefellers, Vanderbilts and Carnegies of the past. As a result, billions of dollars from these donors have been earmarked for a variety of charitable causes.





Historically, Americans have always made significant investments of time and money in support of social welfare, charitable organizations and mutual aid societies. Many of the charitable funds and philanthropic institutions that were started during the 19th century by Carnegie and Rockefeller, for example, created the libraries, schools, hospitals and museums that continue to provide significant cultural and social services to our communities. And we now see a new wave of high-profile individuals, like Mr. Buffet, who are picking up what others before them have started.

HOST: That makes sense. Along those same lines, it seems that there are so many organizations deserving of gifts or contributions these days. How can one sort through them all and arrive at a decision on who or what is most deserving?

MG: Deciding what causes to support is a very personal decision, based on an individual's values, experiences and goals. Deciding which charitable causes to contribute to or finding the right giving solution to accomplish your goals can be daunting tasks. Before you can figure out where to give, it is often a good idea to reflect on your underlying motivations for giving.

HOST: Okay, so I think we are now getting to the crux of our topic: the motivations of giving. What are some of the more common reasons why people give?

MG: Because each individual or family is unique, specific motivations for giving can be complex and quite diverse. But there are several motivations that appear to be common among those inclined toward philanthropic giving, reasons ranging from deeply personal to highly practical.

Altruism is a common motivation for giving. Altruistic donors believe that everyone has a responsibility to give to those who are less fortunate, that giving is a moral imperative and should occur without regard to reward or recognition.

Then there is social stewardship. These are individuals who are driven to give based on a strong sense of duty or obligation to fellow human beings and a deep concern for society to function fairly.

There also are people who give due to a sense of gratitude. These individuals are aware that they are the recipients of significant material benefits and they would like to acknowledge their good fortune by "giving back" in some way.

Individuals also give based on personal interests and passions to ensure that others will continue to have access to the programs and experiences that they have found to enhance their quality of life. For instance, if your life has been enriched by the arts, you may be inspired to support museums, orchestras and similar institutions.

Along those same lines is giving due to direct experience. A large percentage of the financial contributions received by health facilities come from individuals or the families of individuals who have received services in the past from such institutions.

Which brings us to honoring or being honored. Many individuals are motivated to give because they wish to honor a family member or a friend who has made a positive impact in their lives. Some philanthropists will establish private foundations in their name or their family's name during their lifetimes or at their death – to do good, most assuredly, but also to be acknowledged and remembered.

Some individuals have the desire to transfer positive values to younger family members. For many donors, charitable giving is a family tradition that they have “inherited,” just as wealth is passed to succeeding generations.

And last, but not least, people often give simply because they have been asked.

HOST: It sounds like there are a variety of reasons people give – are there other motivating factors that drive philanthropy? And do the reasons for giving change during an individual's lifetime?

MG: There are indeed a myriad of reasons for giving, and usually there is more than one reason underlying an individual's philanthropy. I've tried to cover some of the more common reasons, but there are others too.

And to answer your question – yes, philanthropic activities can be greatly affected by significant financial or life events, such as a career change or the birth or death of a family member. Age is also a major factor in how donors consider giving. Throughout your lifetime, you may periodically reconsider how to divide your resources among family, career and community interests. How you give, why you give and the causes you wish to support will undoubtedly evolve as your life situation changes. It is normal and should really be encouraged. Keep this in mind as you and your advisors develop your philanthropic plan or strategy.

HOST: Excellent. So let's say I have explored my motivations and I'm ready to move forward. What now?

MG: After clarifying your basic motivations and your true philanthropic interests, it is a good idea to share them with your family members and your team of advisors – your attorney, accountant, financial and trust advisors. It is through sharing your motivations for giving that you can begin to create your desired legacy, engaging family members and others in the process.

HOST: Marguerite, I'm familiar with tax plans, estate plans and budgetary plans. But do most families really have a philanthropic plan?

MG: Most families do not devote much time to developing a philanthropic plan. But such a plan will help you determine whether your charitable giving is in line with your family's principles and values. A philanthropic plan is just one element of a comprehensive wealth transfer plan, and must occur within the context of examining your balance sheet, your tax situation and your family's need for income.

As a necessary step to implementing your plan, you and your advisors will determine which structures to use, such as trusts or donor advised funds, how to time your giving to maximize tax benefits and which assets to use to fund your charitable gift. You may even decide to adopt several charitable giving solutions to fully leverage your resources and provide opportunities for your family to participate in all of your philanthropic activities.

HOST: You just touched on a big issue. Taxes. I know it's different for everyone, but what are some common tax implications to giving?

MG: It is very different for everyone. And I'm somewhat reluctant to go into details for that exact reason. Though usually not the primary motive for philanthropy, the income and estate tax benefits of giving will likely influence your choice of charitable structures. A comprehensive review of your philanthropic motivations and how charitable giving can ease your tax burden will likely encourage consistent and long-term giving. You will certainly need to explore the available tax-advantaged charitable giving vehicles and solutions in order to make the maximum impact. An effective wealth transfer plan should accomplish your charitable intent in a manner that is the most tax-efficient. Once again, your advisors really should assist you in this area.

HOST: Very good advice. Marguerite, I'd really like to thank you again for joining us today. Before we go, do you have any last words for our listeners?

MG: You are most welcome. I think I'd like to end by saying only this: We each have our own charitable intentions and goals. Your desire to give may stem from altruistic notions or your dreams of creating a better community for your children and grandchildren. Most donors and charitably-inclined families will admit that their desires to give come from feeling deeply connected to others who may share similar life experiences. Ultimately, your ideas about giving and the expression of your charitable intent will be rooted in your values and your expectations for how your generosity can make a difference – now and in the future.

HOST: That's a great way to put it.

We hope that you have enjoyed this podcast and that you will join us for part two of this series when we discuss the "Diversity of Philanthropic Solutions." Until then, be sure to download a copy of the companion white paper at www.NorthernTrust.com/giving. For a comprehensive listing of our podcasts, please visit www.NorthernTrust.com/podcasts.

I'm Bill Whitt, and on behalf of Marguerite Griffin and Northern Trust, thank you for listening.

IRS CIRCULAR 230 NOTICE: To the extent that this message or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law. For more information about this notice, see <http://www.northerntrust.com/circular230>.

LEGAL, INVESTMENT AND TAX NOTICE: This information is not intended to be and should not be treated as legal advice, investment advice or tax advice. Clients should under no circumstances rely upon this information as a substitute for obtaining specific legal or tax advice from your own legal or tax advisors.

OPINIONS EXPRESSED are those of the author, do not necessarily reflect the opinions of Northern Trust Corporation, and are subject to change without notice. Information has been obtained from sources believed to be reliable, but its accuracy and interpretation are not guaranteed.

northerntrust.com

© NORTHERN TRUST CORPORATION NORTHERN TRUST BANKS ARE MEMBERS FDIC EQUAL HOUSING LENDERS



Northern Trust

Q18214 (04/07)