What is the advisor's responsibility?

GINA PEREIRA, CARLY DOSHI, SIANNE HALDANE AND MICHELE FUGIEL GARTNER DELVE INTO THE ISSUES OF WEALTH STEWARDSHIP AND SOCIAL EQUITY

KEY POINTS

What is the issue?
Responsible stewardship of wealth is increasingly critical as the world contends with the impact of the COVID-19 pandemic, opening the door for advisors to revisit their values and objectives with clients, and consider ways to contribute to the recovery.

What does it mean for me?
Practitioners have the opportunity and responsibility to incorporate clients' values into their wealth planning, helping to meet their objectives.

What can I take away?
Guidance to reflect on our role as advisors and suggested questions that we can raise with our clients to help lead a values-based discussion that will inform their wealth and succession planning.




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Though initially dubbed 'the great equaliser', in reality, the COVID-19 pandemic is disproportionately affecting lower socio-emotional classes. It shines a spotlight on the existing disparities in the health, wealth and wellbeing of individuals and groups around the globe. As governments struggle to support their economies, charities face immense pressure to deliver services despite significant drops in revenue. The public and non-profit sectors cannot facilitate recovery alone; private capital must also play its part.

Responsible stewardship of wealth, including philanthropy, is increasingly critical, extending to business operations, investment practices, advocacy engagement and consumer choices. An evaluation of current commitments and the potential impact of becoming more involved, and honest reflection on the consequences of failing to act, are essential.

The current climate has opened the door for advisors to initiate and revisit their planning with clients, and to explore opportunities for contributing to recovery. Although some advisors have traditionally taken a more reactive, neutral role on philanthropy, a proactive approach goes a long way to deepening the relationship with the client, paving the path to becoming trusted advisors.

HOW TO START INCORPORATING PHILANTHROPY AND VALUES INTO WEALTH AND SUCCESSION PLANNING

A values-based wealth-planning approach requires an advisor to first understand a client's values and goals; they are the foundation on which any plan is built and are thus inextricable from the succession-planning process. From this point of view, the role of the family advisor is not merely transactional; they are also the keeper and protector of a family's socio-emotional wealth. These non-financial aspects are what helps the family create and maintain its long-term focus, including the continuation of family values, enrichment of reputation,

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protection of family harmony and acknowledgement for their philanthropy.

For advisors without training in philanthropy, discussing the topic may be as simple as asking a few probing questions. Given the extraordinary circumstances in the world today, most have an opinion on what change is needed and how to achieve progress. As a trusted advisor, you may be in the best position to assist clients in closing gaps between their ideology and their current activities. Examples include:

- aligning investments with values;
- introducing new vehicles for charitable giving; or
- facilitating an introduction to an advisor who can help the client identify new philanthropic projects.

As the adage goes, philanthropy is a person's values in action; acts of personal generosity are an expression of what the funder holds dear. An advisor who spends time understanding a client's values can better incorporate them into the overall wealth- and succession-planning advice, to the benefit of the client, future generations and the advisor.

HOW TO BRING THE NEXT GENERATION INTO THESE DISCUSSIONS AND THE DECISION-MAKING PROCESS

It is expected that the next generation, whether through wealth transfer or wealth creation, will usher in a 'golden age' of philanthropy. Research has shown that generation X and millennials are eager to see the impact of their philanthropic giving and willing to try new charitable-giving tools. They are focused on solutions rather than products and services. If advisors are committed to the socio-economic wealth of the family, they must also support the succession of the family values through the next generation.

For advisors, working with next-generation donors means expanding their view of the family beyond that of the original wealth holder and engaging with different interests, perspectives and causes. They may be willing to interrogate how their family created their wealth, and they may be looking for ways to contribute to economic redistribution and social justice, areas particularly underserved by current philanthropy. Looking to develop solutions requires a different approach than offering products or services. A conversation on self-reflection and self-reflexivity can be a starting point.

Self-reflection can help the next generation explore their reasons for philanthropy by engaging with questions on the 'why', concerning legacy, values or impact. Their responses might mirror their families', but they may be unique. Self-reflexivity questions the 'how' of giving. These questions are both retrospective, examining past giving tools, and anticipatory, planning future strategic, tactical or values-based decisions. Self-reflexivity is an active practice throughout the giving journey and helps next-generation donors grapple with the tools and approaches they choose. The combination of self-reflection and self-reflexivity provides advisors with a conversational framework focused on building solutions for their next-generation clients.

HOW TO ENGAGE DURING TIMES OF TURBULENCE AND UPHEAVAL

In the wake of COVID-19, there is a greater focus on community and a realisation of how interconnected and vulnerable we all are. These shifts bring a genuine willingness to look at wealth through a different lens. This period has also accelerated many conversations around values, purpose and developing an impact strategy. We have seen this manifest in many ways, including unprecedented support for the Black Lives Matter movement across the globe, showing intolerance for social inequality. The *boni mores* of society are shifting towards purpose and taking responsibility, particularly for those with wealth. We believe that we will see more regulation, such as the increase of economic, social and corporate governance reporting across Europe, seeking to capture the positive impact of investments, and advocacy in California to increase accountability of donor-advised funds.

The convergence of social and regulatory events makes it particularly pressing for an advisor to have proactive conversations with clients, providing opportunities for creativity and for building authentic and grounded approaches to philanthropy. Those with existing philanthropic activities might consider adapting their programmes to ensure they are not inadvertently excluding any beneficiaries and explore if they have the capacity for an emergency gift. Family businesses may examine how they are supporting their employees and communities through this turbulence. Philanthropy can also be non-financial: lending a voice of support to social equity initiatives, sharing visions of good business to create more opportunities for equality, providing gifts in kind, or offering skills and services. The most important thing is to encourage clients to be reflective and realistic about what they want to achieve and build a way to deliver that impact.

Despite being in times of considerable uncertainty, meaningful contribution to recovery is possible and necessary. Each sector has a role to play to rebuild more equitably and resiliently. At the individual level, we have an opportunity to re-evaluate the wealth plan, identifying both the positive and negative impacts. There is both art and science to planning that includes values-based and technical considerations: they are two sides of the same coin. As the public and private sectors need to work together, likewise, collaboration among professionals is essential. The advisory role is a team effort, and knowing that a capable collaboration best serves the client supports a client-first mentality aligned with best practice. There is a role (and a need) for values-based advice from trusted advisors.

QUESTIONS FOR ADVISORS

- **How am I seeking to know my clients and their families?**
- **Where do I have the expertise and how is it deployed? If there are gaps, do I have an appropriate network of complementary providers?**
- **Do I consider a client's values and goals at the beginning of an engagement? Do I check in periodically to enquire if priorities have shifted?**
- **Which of my clients have given philanthropically during the pandemic, or wish to but need help getting started?**
- **Are my services meeting the needs and approaches of generation X and millennial family members?**

QUESTIONS FOR CLIENTS

- **What matters most and inspires you?**
- **What legacy do you wish to leave for your family and society?**
- **Does your family have a clear articulation of family values – a mission or impact statement?**
- **Is your current philanthropy in line with what you wish to achieve? Are there practices you want to change, amplify or cease altogether?**
- **How do you use the totality of family assets to help, including business, non-financial assets, volunteerism, influence and advocacy?**
- **Are you including younger generations in the family philanthropy?**
- **Are you connecting with other family networks or considering collaborative giving models?**

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