



# Engaging the next generation in the family's philanthropy

By Jacqueline Denton

"Family philanthropy" usually refers to bringing family members together around a specific philanthropic project. Even if a common goal cannot be agreed upon, you can still inspire your children and grandchildren to commit time and financial resources to improving the world. Above all, family philanthropy is about coming together, understanding each other's interests and ideas, and bridging the generations to benefit society.

## INTRODUCTION

You may have spent your lifetime working to create and preserve your wealth with the hope that one day you can benefit your children and the charitable causes most dear to you. You may have a strong passion for the charities to which you have dedicated your intellect, time, and financial resources over the years. You may hope

that your children or grandchildren have the same enthusiasm for and devotion to such causes. In our experience, however, your family members may have their own ideas about how they want to improve their communities. Engaging the next generation in the family's philanthropy does not have to end with a particular philanthropic project. Instead, it can result in learning about your child's values, encouraging them to give back, and deepening the family bond. The following steps can help you to engage your children and grandchildren in the family's philanthropy.

## MAKING YOUR CASE

Before you can expect your children or grandchildren to join you in your vision of the family's philanthropy, it is important to help them understand why you have chosen your

particular philanthropic path. The first step is to gather the different generations of your family together for a family meeting. When you sit down with your family, explain your values and beliefs and how you have translated them into your philanthropic goals. Give examples of charities you have benefitted and explain the ways in which you have benefitted them and why you have chosen to do so.

They say a picture is worth a thousand words, so in addition to speaking with your children, showing them the places that have benefitted from your generosity and the impact you have made can be powerful. For example, a client who supports the local food bank organized a visit to the warehouse where their family spent several hours sorting food that would be distributed to their community. Another client who provided funds to build a water well in a small village in Africa traveled to the village with their family to see how the well had changed the lives of the villagers. Work with your charities to see if they can help you arrange a way for you to showcase your good works to your family. A charitable field trip can also be a great way to bond with your children and grandchildren.

## LISTEN TO DISCOVER THEIR PASSION

After helping your children understand your philanthropic goals, your next step is to explore theirs. Your children may already have a passion for a particular cause that they haven't shared with you. First inquire if they have a charity in mind that they would like to support. Then try to understand what they care about or what concerns them. Dig into those thoughts and ideas. You may be surprised to learn that they are aware of charities that match their goals.

Many younger children have not yet focused on charitable giving, so they require more guidance. For example, if your young children say they care about animals, suggest helping your local animal shelter. Remember to keep an open mind, even if your children believe in supporting a cause that you cannot relate to or you do not think is worthy. The first step is to get the family engaged in philanthropy –any philanthropy –and over time, you can perhaps draw together around a common vision. If you

are dismissive of their concerns for the world, then they may not give credence to your concerns either. Bear in mind that the overall goal is to engage them in philanthropy. You can help them focus on a cause by understanding their values, concerns and likes. There are an endless number of charitable causes, and your goal should be to help your children find their passion.

After you have listened and discovered what it is that your children and grandchildren care about, help them focus on how to help. You can help them research charities that are designed to support their stated cause. Encourage them to volunteer at the organizations to get a closer look at what those charities are actually doing to help. For adult children, suggest they join the board of a charity that has the same goals as they do. If there are no charitable organizations that meet the desired philanthropic goals, consider working with your child to start your own charity.

If you feel at a loss to help your children yourself, you can participate in a philanthropy workshop with an experienced moderator who will help draw out those passions and provide thoughtful options on how to engage in philanthropy.

## RELINQUISH CONTROL

Once you have helped your children formulate their charitable vision, give them control over a portion of the money you have earmarked for charity. For young children, consider a summer project that requires your children to research various charities and present to you their selected charity. The goal is for your children to persuade you through their research to donate to the charity they have chosen. Your children should be able to explain the charity's mission to you and describe why they think this is a worthy cause. They should also do sufficient research to be able to explain how the donation will be spent, at least in general terms. Once your child has made their case, you can donate the allocated funds to the charity.

Another way to involve your family in your philanthropic vision is to consider a donor advised fund (DAF). Many of our clients establish DAFs to fund their family's philanthropy. A DAF

is a separate identified fund or account that is maintained and operated by a public charity, which is called a “sponsoring organization.” A DAF permits a donor to make a charitable contribution, receive an income tax deduction and retain the ability to make recommendations with respect to grantmaking and investing the fund’s assets. You can involve your children in an informal way by letting them pick a charity to benefit from the DAF. You can also formally involve them by naming them as the successor on the account, which will allow the child to direct the grants of DAF funds after your death, thereby continuing the family’s philanthropic legacy. Another alternative is to encourage your child to create a DAF with their own funds.

If you find your family wants to be very actively involved in philanthropy, then you may want to consider creating a private foundation. A private foundation is a charitable organization to which the donor can make gifts that qualify for income, gift and estate tax charitable deductions. You can appoint your family members to assist with the foundation’s operations, make grants and run the foundation. Private foundations are complex to administer and can be costly to maintain, so this form of charitable entity is not usually well-suited to a family making relatively minor charitable donations.

## AN OPPORTUNITY TO TEACH BEYOND PHILANTHROPY

Engaging with your children and grandchildren to formulate the family’s philanthropic mission can serve as a platform for developing other skills, such as investing and operational management. If, for example, you create a private foundation, you could give your child a seat on the board and your child could be responsible for managing the day-to-day

operations of the foundation. You can also have your children involved to a lesser extent but still provide an opportunity to learn. For example, you can have a biannual meeting with your children to explain how the foundation or DAF’s assets are invested. This would also be a good time to introduce your children to your financial advisor, who can help educate your children on investments and financial responsibility. As part of the philanthropic discussion, you can also educate your children on the importance of financial planning and estate planning. Many clients are not comfortable sharing their balance sheet with their children, but you can share enough information with them to give them comfort that the family can continue to comfortably engage in philanthropy while maintaining their current lifestyle.

## CONCLUSION

If you follow the steps above you will likely succeed in engaging your children and grandchildren in your family’s philanthropy. By starting with an explanation of your own charitable goals, you help your family understand what is most important to you and why. Then, if you listen to their concerns and wishes for the world, you will understand how their philanthropic goals may fit within yours. Even if charitable interests diverge, consider sharing your charitable dollars to support the charities chosen by your family members as a way to encourage their involvement in giving. Over time, perhaps you can find a common vision or at least a project to focus on together. At the very least, you will feel more connected to your children by having a better understanding of their values.

*Jacqueline Denton is an Associate Wealth Strategist in the Advanced Planning Group.*



## ADVANCED PLANNING GROUP

The Advanced Planning Group consists of former practicing estate planning and tax attorneys with extensive private practice experience and diverse areas of specialization, including estate planning strategies, income and transfer tax planning, family office structuring, business succession planning, charitable planning, and family governance.

The Advanced Planning Group provides comprehensive planning and sophisticated advice and education to UHNW clients of the firm. The Advanced Planning Group also serves as a think tank for the firm, providing thought leadership and creating a robust intellectual capital library on estate planning, tax, and related topics of interest to UHNW families.





## Disclosures

### **Purpose of this document.**

This report is provided for informational and educational purposes only. It should be used solely for the purposes of discussion with your UBS Financial Advisor and your independent consideration. UBS does not intend this to be fiduciary or best interest investment advice or a recommendation that you take a particular course of action. The information is current as of the date indicated and is subject to change without notice.

### **Personalized recommendations or advice.**

If you would like more details about any of the information provided, or personalized recommendations or advice, please contact your UBS Financial Advisor.

### **Conflicts of interest.**

UBS Financial Services Inc. is in the business of establishing and maintaining investment accounts (including retirement accounts) and we will receive compensation from you in connection with investments that you make, as well as additional compensation from third parties whose investments we distribute. This presents a conflict of interest when we recommend that you move your assets to UBS from another financial institution or employer retirement plan, and also when we make investment recommendations for assets you hold at, or purchase through, UBS. For more information on how we are compensated by clients and third parties, conflicts of interest and investments available at UBS please refer to the 'Your relationship with UBS' booklet provided at [ubs.com/relationshipwithubs](https://ubs.com/relationshipwithubs), or ask your UBS Financial Advisor for a copy.

### **No tax or legal advice.**

UBS Financial Services Inc., its affiliates and its employees do not provide tax or legal advice. You should consult with your personal tax and/or legal advisors regarding your particular situation.

### **Important additional information applicable to retirement plan assets (including assets eligible for potential rollover, distribution or conversion).**

This information is provided for educational and discussion purposes only and are not intended to be fiduciary or best interest investment advice or a recommendation that you take a particular course of action (including to roll out, distribute or transfer retirement plan assets to UBS). UBS does not intend (or agree) to act in a fiduciary capacity under ERISA or the Code when providing this educational information. Moreover, a UBS recommendation as to the advisability of rolling assets out of a retirement plan is only valid when made in a written UBS Rollover Recommendation Letter to you provided by your UBS Financial Advisor after a review of detailed information that you provide about your plan and that includes the reasons the rollover is in your best interest. UBS and your UBS Financial Advisor do not provide rollover recommendations verbally.

With respect to plan assets eligible to be rolled over or distributed, you should review the IRA Rollover Guide UBS provides at [ubs.com/irainformation](https://ubs.com/irainformation) which outlines the many factors you should consider (including the management of fees and costs of your retirement plan investments) before making a decision to roll out of a retirement plan. Your UBS Financial Advisor will provide a copy upon request.

### **Important information about brokerage and advisory services.**

As a firm providing wealth management services to clients, UBS Financial Services Inc. offers investment advisory services in its capacity as an SEC-registered investment adviser and brokerage services in its capacity as an SEC-registered broker-dealer. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that you understand the ways in which we conduct business, and that you carefully read the agreements and disclosures that we provide to you about the products or services we offer. For more information, please review client relationship summary provided at [ubs.com/relationshipsummary](https://ubs.com/relationshipsummary), or ask your UBS Financial Advisor for a copy.

Original Publication Date: December 2018

Approval Code: IS2202169

Expiration Date: 4/30/2023

© UBS 2022. All rights reserved. The key symbol and UBS are among the registered and unregistered trademarks of UBS. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA. Member SIPC.