

The Phantom Philanthropist

I am reminded of the comic strip, *Peanuts*, where Charlie Brown once tells Lucy that he wants to be a philanthropist. Lucy replies, “Everybody wants to be a philanthropist!” So true! But not everyone can be a philanthropist; or can they?

Of course, in order to give money away, you need to have money, and most of us need those funds to live on. What about a plan to be a philanthropist when we are no longer here—a “giver from the grave,” a “phantom philanthropist”—is that an idea worth considering?

Before we unpack that notion, let me ask you a question—have you ever heard of a “Legacy Fund”? Well, allow me to engage in a brief thought experiment to frame and define the term. If I were to ask you to list the first names of your eight great-grandparents, how many could you get? Two? Three? This is my point; investors today want to have their passions, values and the organizations they care for passed on to successive generations. They want to be remembered; they want a legacy.

A few years ago, when my publisher, John Wiley and Sons, asked me to write a book about managing foundations, the first name they proposed was, “Giving is the New Making”. They suggested that if the 80s and 90s were all about making money, the new millennium has shepherded in a new paradigm—one focused on giving and philanthropy. In my practice, I see clients every day who tell us they want to establish some sort of legacy that will be passed down to the next generation to continue the tradition of giving for many years to come.

This brings us back to our first question: how do you become a philanthropist without the discretionary dollars to give away? What many of our clients do is develop a Legacy Fund while they are still alive to manage those assets—all or certain segmented assets. From this fund, they choose to give to worthy causes that are meaningful to them. They design a Legacy Plan so they can have confidence and assurance that their philanthropy is cared for when they are gone. By doing this, clients achieve a few important objectives:

- To create a charitable legacy while they are alive, which will be funded when they pass
- To allow their families to take on the responsibility of carefully gifting these assets in the future, which furthers their mission and interests
- To achieve potential tax benefits
- To know that their favorite charities will be supported long after they are gone





HOW TO ESTABLISH A LEGACY FUND

Having a bequest provision in your will to a Donor Advised Fund (DAF) is an efficient and effective way to establish a Legacy Fund. The bequest can cover almost any asset—from simple bank or investment accounts, to more specialized real estate or tangible property (the latter may require some specific language and care). The DAF then becomes a 501c3 nonprofit entity, where family members (or whomever is designated in the will) can serve as the agent by whom the decisions of gift giving (to definitive, nonprofit, 501c3 organizations only) are made. The DAF can be named for the family of the deceased (i.e. “The Jones Family Charitable Fund”), or kept anonymous. The assets of the DAF are not required to be spent in a specific period of time; that is, they can be kept in the fund indefinitely and given away in the future. This provides an opportunity for these important philanthropic and legacy assets to grow. At Klein Wealth Management, we serve as fiduciaries to our clients—we put their interests first, period.

As stated, the assets in a DAF can be invested—wisely and within certain parameters—to compound and support continued giving well into the future. Imagine the great-granddaughter of the Fund’s grantor thinking about what her great-grandparents cared about and deciding which nonprofits to support in their names. That is the magic; that is a legacy.

At ALINE Wealth, we believe in the importance of discussing giving with our clients—in developing their gifting plans and managing the assets of these plans and the endowments of their favored nonprofits. As fiduciaries, we are well-suited for the role of reviewing their Investment Policy Statements (IPS), spending policies and managing their portfolios. We want to help our clients build their legacy.

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