The charitable choice: powering better wealth planning through family unity and shared goals

Mark Nelligan, managing director of BNY Mellon's Pershing Securities Singapore Pte Ltd, explained the benefits of encouraging clients to become more strategic in their philanthropy, and discussed a few approaches for coaching multi-generational families through the minefield of developing their socially responsible investment portfolios together.

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"AN ESTIMATED 85 PERCENT OF ASIA'S billionaires are first-generation,"[1] began Nelligan, "creating a plethora of wealth transfer opportunities over the next 20 years. Worldwide, fewer than 500 people are expected to hand over more than US$2.1 trillion to their heirs."[1] Nelligan was speaking at the Hubbis Independent Wealth Management Forum on March 8 in Singapore.

These statistics demonstrate the importance of working with high-net-worth (HNW) families to develop their investment portfolios and long-term estate plans, with strategies that will continue to serve the next generation.

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[1] UBS Billionaires Report 2016. https://www.globalphilanthropic.com/blog/2015/12/asian-philanthropy-and-wealth/

"The aim for wealth managers," continued Nelligan, "must be to set yourselves up with the next cohort of clients, happy to proceed with the plans you have laid out for them."

Nelligan then set out to explain an apparent paradox. "The family that gives together grows together, as research shows that charitable donations actually serve to increase wealth." This is critical for HNW clients looking to establish a meaningful and enduring legacy.

The generation game

However, families rarely agree on general family matters, and decision-making on charitable giving is no different. Yet there are strategies, suggested Nelligan, that can be used to increase the likelihood of success when dealing with HNW families.

"Senior family members have different philosophies to younger generations," elucidated Nelligan, "and the next generation has different views on what defines relevant and impactful investing."

Unfortunately, this often means that many inter-generational wealth transfers fail for two main reasons - a lack of communication between the generations, and a disagreement regarding goals. "The key is, therefore, helping families find a philanthropic passion, and a common purpose," Nelligan explained, "as well as identifying factors that lead to a successful transfer of wealth between generations."

Addressing the audience, he advised that a wealth manager's remit is to facilitate the conversation within the family. "If you guide that well, you will succeed. Shared 'giving' goals and common identity formation set the stage for a successful family philanthropic strategy." Nelligan recommended creating a starting point and framework for what he termed a 'transparent' dialogue among family members that involves asking the right questions.

Question time

Nelligan then provided this framework of questions that he said should usually elicit useful answers that will help smooth the process. "Firstly, find out which organisations the family currently support with their time and money, and then ask whether they would like their heirs to continue this tradition."

It is also important to find out whether they already have any long-term financial commitments to those organisations, or have provided for them in their estate plan. This is known as their philanthropic identity. "This determines what causes they want to make a difference to," clarified Nelligan.

"Next," he advised, "it is important to prioritise their motives, so attempt to clarify whether charitable donation plans have a basis in shared philanthropic values, or wealth management and power strategies." Unabashed honesty from both HNW families and wealth managers usually has better success, with everybody working towards the same goal, Nelligan advised. "This," he added, "is known as their giving personality."

He then discussed how to elicit the genuine values and beliefs from family members. "What are the core beliefs that underpin family decisions on giving? This is what you must find out by asking each family member, not just the current head of the family."

The next step is to craft vision and mission statements. Nelligan advised encouraging families to clearly state the difference they want to make through donating, ensuring every family member understands what is being created.

Forging bonds, fostering trust

Nelligan warned that even though wealth managers may currently have a close relationship with existing clients it is important to forge new bonds with their offspring and foster their trust in order to manage the wealth of the next generation.

"There is no right way of helping clients develop their philanthropic portfolio," he said. "But by working through how donors want to conduct their giving, fitting a bespoke plan to each HNW family, and making sure the whole of that family is working together to create a shared vision, can go some way to preserve, develop and retain clients for the future."

Nelligan concluded by stating that helping clients give away money actually makes good business for wealth advisers as it brings families together. "You are not giving investment advice, you are instead facilitating the discussion to create an atmosphere where these families can come together. When that happens, families find they have a common purpose, wealth gets transferred and you have your next generation of clients." ■

To learn more about charitable giving click here to view Pershing's white paper THE CHARITABLE CHOICE: Powering better wealth planning through family unity and shared goals

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