The Dallas Foundation

Maximizing Client Engagement: Innovative Philanthropic Strategies

February 13, 2025

Why Philanthropy?

The Value Proposition for Advisors

- Philanthropy provides advisors an opportunity to talk to clients about the things that matter most to them—their **values.** It also informs other aspects of clients' overall wealth management plans and can more fully capture the totality of their interests and ideals.

- Philanthropy helps advisors understand client legacy goals and family values in a way that's proactive. With the largest generational wealth transfer on the horizon, it's smart to connect with the next generation and head off a potential asset flight in the future. By engaging this way, advisors can deepen relationships and increase wallet share.

Two Key Approaches

Family Philanthropy

- The active involvement of all family members in philanthropy and can include multiple generations

A Focus on NextGen

- Multiple generations of donors who share a common goal: to create lasting impact.
- Next-gen philanthropy is not limited to a younger generation of individuals in their 20s or 30s, but rather represents a collective approach that spans across generations.

Why Family Philanthropy

Giving Unites Families and Strengthens Legacies

Philanthropy as a Bridge:

- Creates a neutral platform for family discussions
- Reduces conflicts by focusing on shared values
- Encourages collaboration and long-term planning

By Facilitating Meaningful Conversations:

- Identify shared family values and goals
- Discuss long-term legacy and impact
- Encourage open dialogue across generations

By Preserving Family Legacy

- Align wealth with values and vision
- Engage multiple generations in making decisions
- Strengthen family unity through shared purpose

Women in Philanthropy

The Growing Role of Women in Family Giving

- Women often lead family charitable decisions
- More likely to prioritize philanthropy in wealth planning
- Strengthen intergenerational engagement through giving

Incorporating Family Philanthropy

Family Philanthropy: A Giving Strategy for Families

- Help clients articulate giving goals
- Help families develop a Family Mission Statement
- Help them decide where to give
- Help them select the appropriate Giving Vehicle
- Help them assess impact

Remember: Community Foundations are here to help.

Why Engage the Next Generation

Establishing relationships ensures continuity as wealth transitions between family members

Next-gen clients represent new opportunities for expanding services, increasing revenue, and achieving long-term sustainability.

Building trust with the entire family fosters loyalty, reducing the risk of losing clients after wealth transfers.

Advisors who engage families comprehensively and emphasize their unique value stand out in a crowded marketplace.

[1] "How Advisors Successfully Grow with Next-Generation Clients." *Proactive Advisor Magazine*, https://proactiveadvisormagazine.com/how-advisors-successfully-grow-with-next-generation-clients/. Accessed 27 Jan. 2025.
[2] "Attract and Keep Multigenerational Clients." *Capital Group*, https://www.capitalgroup.com/ria/insights/articles/attract-and-keep-multigenerational-clients.html. Accessed 27 Jan. 2025.

Why Engage the Next Generation

Philanthropy aligns advisors with the family's core values, appealing to younger generations who prioritize purpose-driven financial decisions.

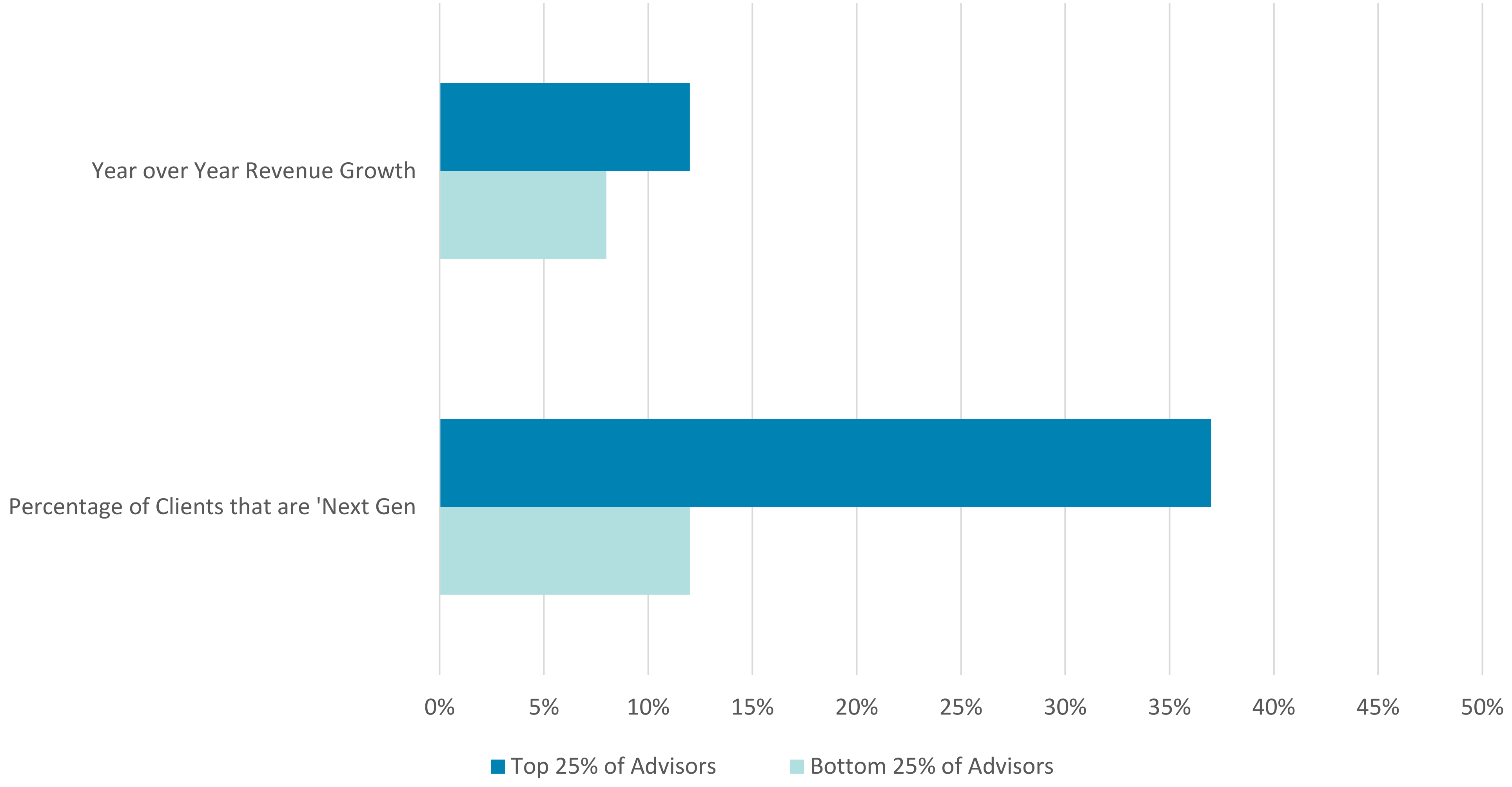
Integrates into wealth management strategies, showcasing the advisor's ability to address broader goals beyond financial returns.

Hosting family philanthropy discussions or organizing charitable events fosters unity and trust across generations.

Advisors who champion philanthropy position themselves as trusted partners in achieving both financial and social impact goals.

[1] "How Advisors Successfully Grow with Next-Generation Clients." *Proactive Advisor Magazine*, https://proactiveadvisormagazine.com/how-advisors-successfully-grow-with-next-generation-clients/. Accessed 27 Jan. 2025.
[2] "Attract and Keep Multigenerational Clients." *Capital Group*, https://www.capitalgroup.com/ria/insights/articles/attract-and-keep-multigenerational-clients.html. Accessed 27 Jan. 2025.

NextGen: Two Data Points



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[1] PriceMetrix. *The State of Retail Wealth Management 2018*. McKinsey & Company, 2018. https://www.mckinsey.com/industries/financial-services/pricemetrix/our-insights. Accessed 28 Jan. 2025.

Rising GENerosity

Designed to inspire and equip the next generation of philanthropically minded young professionals and emerging philanthropists aged 25 to 45—through education, mentorship, and strategic guidance on effective giving.

Focus Areas:

- The trend of incorporating philanthropy.
- Advantages of working with community foundations like The Dallas Foundation.
- Build meaningful connections between advisors, clients and the community.

Community Foundations

Why Work with a Community Foundation?

Dedicated philanthropic advisors providing guidance and advice to help clients achieve their charitable giving goals.

Knowledgeable in identifying organizations and causes aligning with clients' philanthropic goals.

Customized services to meet specific needs, including complex gifts, strategic gifting, and legacy planning.

Experienced in best practices in grantmaking, Next Gen, and family philanthropy.

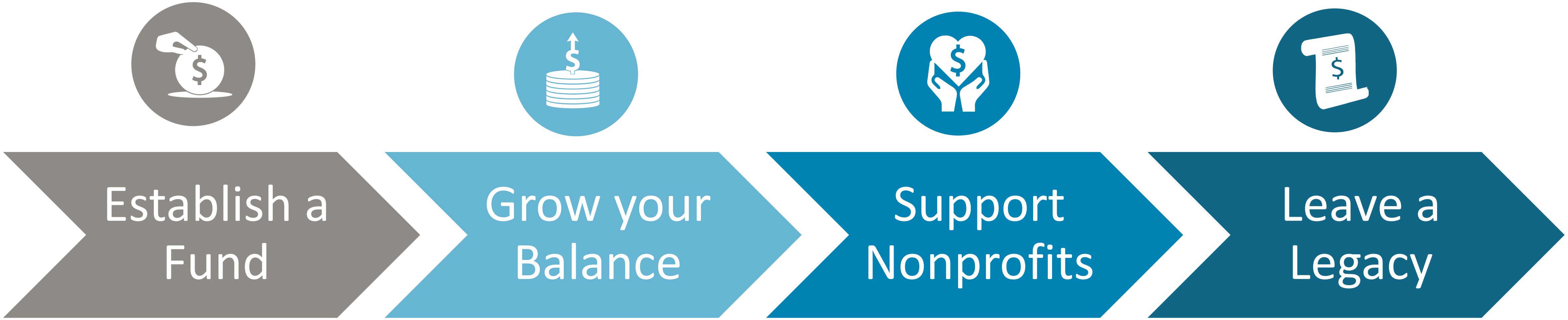
Expertise in strategic and impactful giving.

Educational Opportunities such as the Mary M. Jalonick Women's Philanthropy Institute

Donor Advised Funds & Supporting Organizations

How they Work

Simple, expertly managed charitable giving accounts for Philanthropy
Designed to invest, grow, and give assets to charities for meaningful and lasting impact, including donations of cash, marketable securities, and other illiquid donations.



DAFs Help Facilitate the Transfer of Complex and Illiquid Assets

Benefits of giving noncash assets

- Avoid capital gains taxes.
- Make up a majority of a client's total assets.
- Maximize charitable impact.

What noncash assets can be donated that clients don't normally think of?

- Publicly traded securities
- C-Corporation stock and assets
- S-Corporation stock and assets
- LLC and other business interests
- Partnership interests
- Real estate
- Art and other collectibles
- Life insurance
- IRAs
- Mineral interests
- Other tangible assets

Note: No automatic requirement to liquidate illiquid assets in contrast to commercial DAFs.

How Do Different DAF Sponsors Compare?

	Community Foundation	Commercial
Customized client services and local knowledge of community needs	✓	No
Illiquid assets maintained for long periods	✓	No
Can accept IRA gifts	✓	No
Endowment	✓	limited
Accept non-cash assets	✓	limited
Personal assistance with philanthropic planning	✓	limited
Immediate tax deduction	✓	✓
Avoid capital gains on appreciated securities	✓	✓
Give anonymously	✓	✓
Online platform	✓	✓

What are the Considerations for Different Charitable Vehicles

- Donor control
- Start-up and Administration
- Distribution Requirements
- Grant Recipients
- Tax Benefits to Donor
- Privacy
- Excise Taxes
- Conversion is One Directional

Charitable Vehicle Comparisons

COMPARISONS	DONOR ADVISED FUND	SUPPORTING ORGANIZATION	PRIVATE FOUNDATION
Charitable deductions (cash gifts)	Tax deduction up to 60% of AGI; maximum deduction allowed by law	Tax deduction up to 60% of AGI; maximum deduction allowed by law	Tax deduction limited to 30% of AGI
Payout requirements	Do not apply	Do not apply	Must pay out annually for charitable purposes at least 5% of its investment asset value regardless of annual income
Investments	Usually limited to traditional asset classes including cash and marketable securities	Broader spectrum of asset classes available to Supporting Organization board, including nontraditional assets, such as closely held business or real estate investments	Must research and secure its own investment services

Private Foundations:
The Case for a Companion DAF

- Meet annual distribution requirements
- Make grants anonymously
- Accept non-cash assets
- Provide DAF solution for conversion of private foundation
- Succession and legacy planning services for next generation
- Public Charity Support Test, Tipping

Case Studies

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1. Passing a Legacy to the Next Generation:
   A Blessing or Burden?
2. L is for Last Minute: Limited Family Partnership
3. Creating a Future Legacy, Today
4. The Logistics Dilemma
5. Corporate Philanthropy
6. Shoes for Good
7. Have Art, Need Cash
8. A Thanksgiving Resort

Case Study 1:

Passing a Legacy to the Next Generation: A Blessing or Burden?

- Father and Mother started a private family foundation 20 years ago to support their charitable interests.
- Now in their 80s, they wish to retire and pass responsibilities on to their 4 adult children.
- Children have had no involvement or knowledge of the workings of the foundation.
- Children live around the country.
- Founders wish to gauge the interest of children, pass on knowledge of the foundation, and continue the legacy of charitable giving.

Case Study 1:

Passing a Legacy to the Next Generation: A Blessing or a Burden?

- The Dallas Foundation met with family members individually.
- The Foundation facilitated family meeting to discuss their charitable legacy, goals, and responsibilities.
- Family develops mission statement, strategic focus, and agreement on roles and responsibilities.
- Family feels supported and confident in charitable legacy.

Case Study 2:

L is for Last Minute - Limited Family Partnership

- Aging matriarch wants to involve the next generation in philanthropy today.
- Wants the charitable vehicle to be long-term in nature and structured for generational giving.
- She wants to leave business interests intact.
- She is working with Professional Advisor on Dec 26th and wants to complete the transaction by year-end.

Case Study 2:

L is for Last Minute - Limited Family Partnership

She owns 100% of multiple LPs → She donates 30% of a LP → Creates a DAF for her and her family → Becomes an endowment for children upon her death

Donor receives immediate tax deduction.

MOU: Donor agrees to cover any potential remediation issues from environmental impact study (post gift acceptance).

Case Study 3:

Converting a Future Legacy, Today

- Matriarch passes away.
- Estate passes family business interest into a disclaimer trust.
- Family wishes to keep control of business interests.
- Family wants a philanthropic tool to honor mother's legacy today.
- Family understands excess business holdings rules and disqualified person issues (advisory rights).
- Family understands there must be no pre-existing obligation that the Dallas Foundation will sell its donated business interest.

Case Study 3:

Converting a Future Legacy, Today

Disclaimer Trust → Daughter, Daughter → Private Family Foundation

Petition Probate to release to public charity today → The Dallas Foundation → Dallas Foundation sells business interest back to family → Scholarship Fund Created

Case Study 4:
The Logistics Dilemma

- Donor goes from flat broke to wildly successful businessman in the Logistics industry.
- Donor wants to give back now and give more when the business sells in 3-5 years.
- Donor owns 60% of the business, so with excess business holdings, must find the right charitable vehicle.
- Any charity will have to consider unrelated business income taxes.
- Money is no longer needed for personal use. Donor wants to make additional tax-efficient donations over time.

Case Study 4:

The Logistics Dilemma

Donor gifts 5% interest in LLC
To Supporting Organization

Donor makes more gifts of business interest overtime (for tax purposes)

- Donor experiences the joy of philanthropy now.
- Excess business holdings mitigated.
- Holding company pays taxes at corporate rate.
- Dallas Foundation avoids UBIT issues.

Supporting Organization assigns 100% of interest to a Holding Company

Holding Company declares dividends and remits to Supporting Organization

LLC Business Entity pays share of earnings to Holding Company

Case Study 5:
Corporate Philanthropy

- Dallas Foundation works with corporate officers of large local healthcare organization though donor-advised fund vehicles and legacy plans (referred by local professional advisors).
- Company needs vehicle for strategic support of the community.
- After seeing employees go through the Covid crisis, company wanted to provide hardship and disaster relief for both employees and contract laborers (traveling nurses).
- Company want to make sure any hardship program is handled by a third-party and not declared a benefit of employment or other contractual obligation.

Case Study 6:
Shoes for Good

- National Shoe Company has life insurance policy on its original founder and wants to get a charitable deduction for premiums.
- Shoe Company realizes original founder is near end of life and wants to start a charitable corporate plan in his honor.
- Company wants to be able to make grants in all areas of the country where they have retail stores.
- Professional advisor wants to manage any charitable proceeds.

Case Study 6:
Shoes for Good

Company donates policy and cash → Creates a Corporate DAF → DAF pays premiums until death → Dallas Foundation assisted with CSR Strategy and grantmaking

- Company receives immediate tax deduction
- Company receives an additional tax deduction for any deposits to cover premiums

Case Study 7:
Have Art, Need Cash

80% used to create DAF & Designated Funds

Donor donates split interest in a $25M painting to TDF

The Dallas Foundation sells the art

Designated Fund for local museum ($17M)

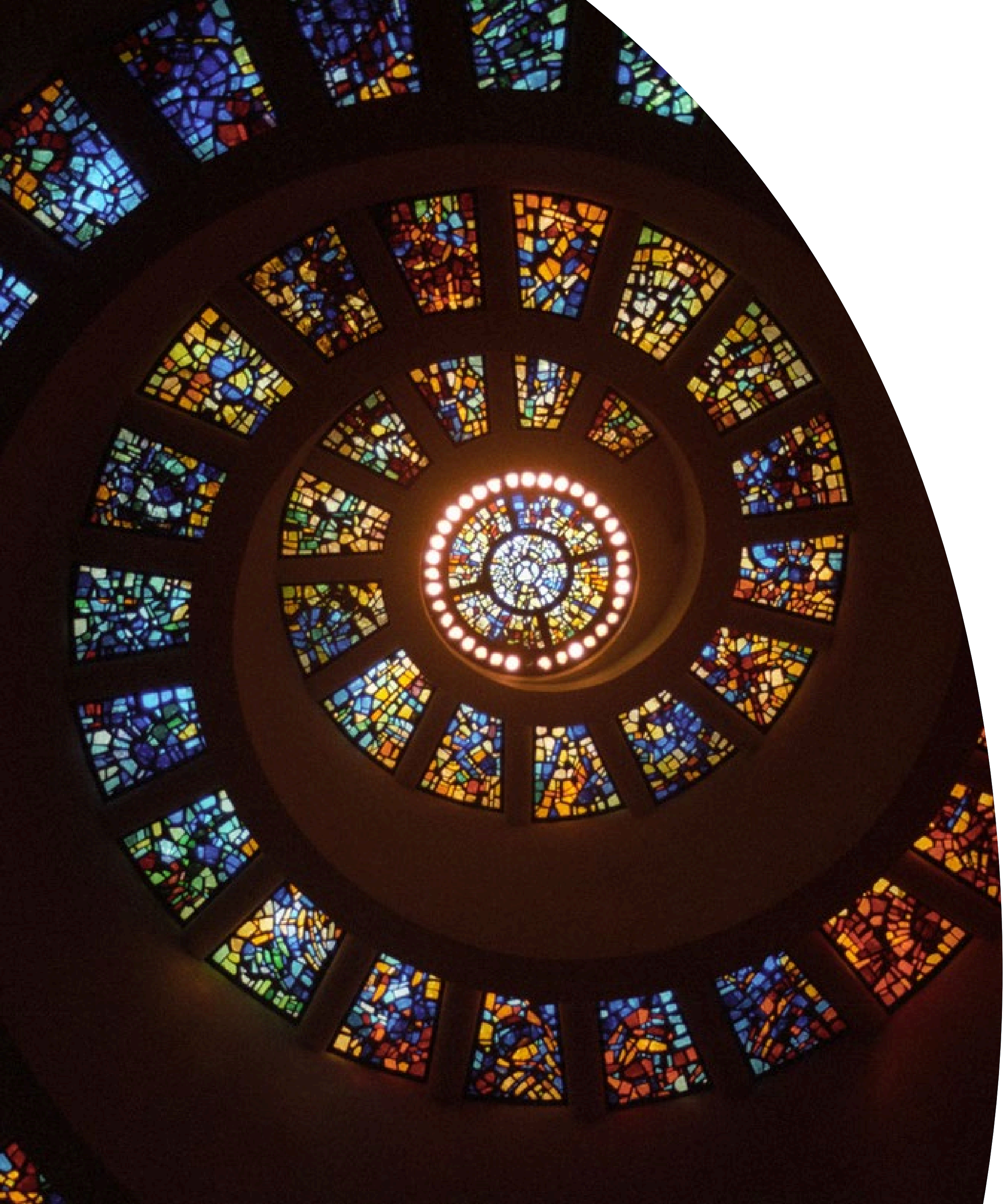
Donor Advised Fund ($3M)

Anonymity: (provenance) **Dallas Foundation becomes seller of record**

Cash Needs: **20% of sales proceeds goes to back to the donor**

Case Study 7:
Art, Eye of the Beholder

This bizarre picture from 1998 juxtaposes two figures who remain isolated in different spaces within one room: in the foreground a clothed man engrossed in a book; at a window behind, almost as distant as the figures on the other side of the pane and suffused in the same white light as them, a naked man – substituted at a late stage for a female model – suckles a baby.



Case Study 8:
A Thanksgiving Resort

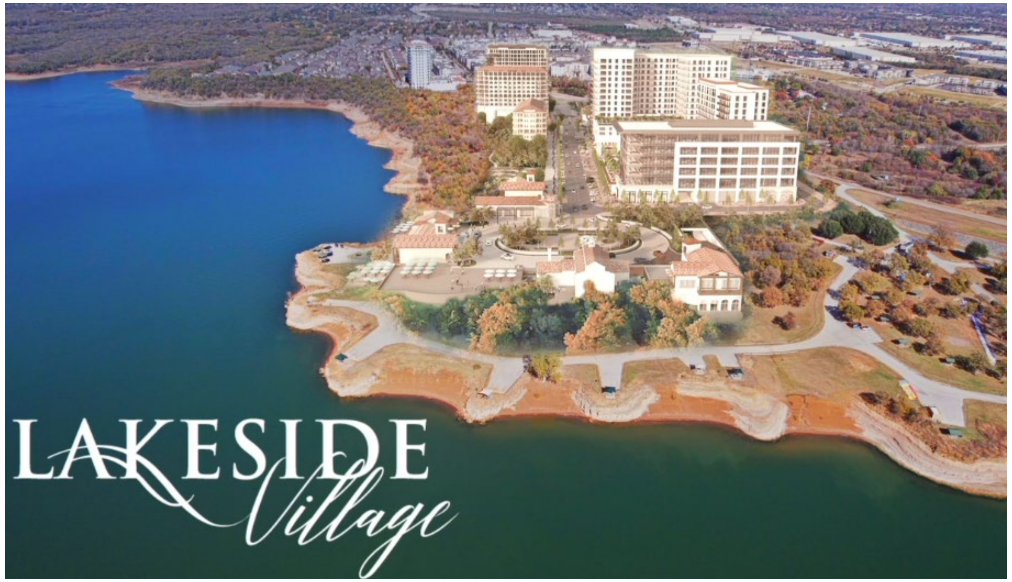
- Founder of Thanks-Giving Square which is part of the Thanks-Giving Foundation.
- Thanks-Giving Foundation can not accept a complicated asset from an estate.
- Donor wants to help preserve his lifelong legacy but wants family oversight.
- Real estate heavy family is invested in new venture on Lake Grapevine.

Case Study 8:

A Thanksgiving Resort

Father passes away in 2018 – estate enters probate

Dallas Foundation receives a 10% non-voting interest in resort venture



- Dallas Foundation takes a seat in the venture (which includes all family members).
- To honor father, family agrees to absorb any potential cash calls with no penalty to the Foundation.
- At death, project was still a parcel of land. Project 50% complete with more coming online soon.
- Additional land was acquired in 2022, to expand footprint.
- The value of the legacy will be 10-15 times original gift after completion.

Contact us

Gary Garcia, CAP®
Vice President, Philanthropic Partnerships
gwgarcia@dallasfoundation.org

Kevin Betancourt, CAP®
Manager of Advisor Relations
kbetancourt@dallasfoundation.org

Follow us

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Phone
214-741-9898

Web
dallasfoundation.org