

The future of family philanthropy

Inspiring and engaging the rising generation



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Individuals often want to pass on their values, as well as their wealth, to their rising generation. Including family members in charitable giving creates a unique opportunity for families to share their values and prepare them for the responsibility of managing wealth. It may also help the next generation develop a sense of stewardship of their family wealth, and to gain a sense of connection, purpose, generosity, and community engagement. This article explores how families can include the rising generation in family philanthropy.

Share your philanthropy

A good place to start is to share your approach to philanthropic giving with other family members. Discuss with your relatives how you decided to support a particular cause or charity. Talk about your volunteer work and the positive impact it has had on the charity and yourself. Debate the charity's successes and their challenges. These conversations may differ depending on the ages of your family members and their interests, but even young children can learn about the charities and causes you support.

You can also include your family in the charity's community events. Forward the charity's social media posts and annual reports. Making philanthropy a regular topic of conversation can help you share your values and connect your family to meaningful activities.

Learn about the rising generation

Take the time to learn about the causes that are important to your family members. They may be passionate about saving the environment, ending bullying, or music. Ask them how they developed this passion, and why the cause matters to them. Find out how they are supporting these causes. Are they looking forward to any upcoming events? Have they been volunteering? Do they donate to the charity and discuss the cause with their friends?

In Canada, the number of volunteers and the number of individuals who claimed a charitable donation on their tax return has been decreasing. Encouraging your rising generation to volunteer or give to charity according to their own means is important to building life-long values of giving back to our communities and reversing this trend.

Private foundations and donor-advised funds

Some families engage in philanthropy together. Your family may have established a private foundation or donor advised fund (DAF). Each year, the family has an ongoing responsibility to grant funds from the private foundation or DAF to registered charities or other qualified donees.

How you include the rising generation in the family's philanthropy will depend on their interests, skills, and availability. Again, a good place to start is to share information about your current giving. Discuss the causes your family has been supporting and your charitable mission statement if you have one. Talk about your private foundation or DAF, including how it operates, and how you make decisions. Share how much money is in the foundation and how it grants to other charities each year.

Roles and responsibilities

Explore how individuals want to be involved in the family's philanthropy. These roles will change over time as people's interest and availability changes. There are many different ways individual family members can contribute. You may want to review your charitable mission statement and prioritize causes. The family needs to consider potential charities to support, evaluate them, and make grant decisions. Someone should also follow up with the charities to learn about their impact, which will help you decide on grants when you donate next year. Individuals may be interested in donating additional funds or volunteering. If you have a private foundation, then there is also an opportunity to be involved with its administration such as: bookkeeping, board minutes, and filing a charitable tax return.

If you are inviting the rising generation to join the family's philanthropy, then we recommend having a family conversation and being as clear as possible on what the family members can expect over time. Outline the roles and responsibilities each person will have. Remember that it can be difficult to get excited about helping if you get additional work without a vote or voice. If you want the rising generation to take on more responsibility, then you need to allow them to share their opinions and eventually see some of their ideas implemented. Sharing your goals with your family can help avoid misunderstandings and create a smoother transition.

Preparing for wealth

Most people donate to charities because of they want to contribute to society. In addition, family philanthropy can also teach younger generations skills that will prepare them to manage wealth.

Due diligence

Many donors want to give responsibly. They want to find organizations that are making a real difference in our communities. They undertake due diligence to learn about charities and consider their impact. Many families consider the charity's financial statements, success stories, site visits, as well as its reputation before making decisions. This process can help the rising generation consider the work involved in evaluating opportunities and stewarding wealth.

Working together

Family dynamics can be complex. Families have history, expected roles and other quirks. Working together on philanthropy will not solve existing issues. But it is an opportunity to gain experience in working together. Philanthropy can be a place to practice effective governance and clear communication. Individuals can debate ideas and learn to compromise to work together.

Investing

Philanthropy can offer an opportunity to learn about investing. By including the rising generation in a private foundation or DAF, there is an opportunity to attend meetings with the fund's Investment Advisor. Individuals can learn from your CIBC investment team about prudently investing the charity's fund.

Planning

Foundations open the door to conversations about budgeting and financial planning. Each year the fund has investment income and may have new donations. It will make grants to other charities, and it may have expenses. The family must balance the needs of the various charities they support and decide how to allocate the funds between the current year and the desire to support charities in future years.

Philanthropy can be a rewarding endeavor and have a positive, meaningful impact. It is also an opportunity to transfer family values, practice family governance and learn about wealth. Most importantly, your family can gain a strong sense of purpose in supporting important causes together.

If you're interested in discussing your charitable giving, your CIBC advisor is happy to assist. If you'd like, consider including your rising generation in the conversation.

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