

Banking on it

Where's one of the first places the wealthy turn to when in need of philanthropic advice? Believe it or not – their bank. Becky Slack investigates if it's worth charities including financial institutions on their target list

The million dollar question (quite literally in some cases) for many charities is how to get the 747,700 high net worth (HNW) individuals in the UK to part with their cash. It's a well known fact that on average these people give only 0.7 per cent of their income, in comparison to the poor who give 1.7 per cent, contributing just £1.3bn tax-efficiently to the annual income of the sector – currently £7.1bn.

When you consider these people have onshore liquid assets worth £436.6bn, this offers huge potential for the sector – even more so when you add to the equation Datamonitor's forecast that the number of HNW individuals will rise to 912,700 by 2007, and that the number holding over £750,000 will increase by more than 10 per cent per annum.

So how can charities look to engage this section of the population? The answer could lie in the private banks which so many of the affluent trust with their finances. Research suggests these institutions are increasingly widening their remit to provide information on how best to embark on philanthropic behaviour, from one-off donations through to setting up trusts and foundations.

Theresa Lloyd, author of *Why Rich People Give*, says this is partly due to a change in attitude. "In the past banks were reluctant to bring up the subject because of concerns clients would think they were being judgmental," she says. "Now what they look to do is 'add value' to their client relationships. Because many people are interested in philanthropy, banks are including it within their strategic approach to wealth management."

JP Morgan Private Bank, for example, not only has a family business department that provides advice on philanthropy to its "ultra high net worth" clients (i.e. clients with

assets worth several million), but it runs seminars and events, and even hosts Family Business Honours, of which one award is dedicated to celebrating exemplary charitable activities. And it's not alone – Halls, Butterfield and Barclays Private Bank all offer similar services.

Once a client has informed a financial advisor of a desire to give to charity, it's then up to the advisor to help clients come up with a strategy that's most appropriate for them – but to do this they need the relevant details at their disposal, and it's here charities can play an important role. Not, however, by drowning advisors in various materials about particular charities, income and expenditure (a service soon to become redundant with the advent of Guidestar and the SIR) but by providing much needed information on the various ways in which to donate – an area in which many finance professionals lack awareness.

The Giving Campaign, when in existence, found knowledge and promotion of Share Giving, Charitable Trusts and Payroll Giving was minimal within the finance sector, and although it did some work distributing leaflets and actively encouraging advisors to discuss the tax breaks available on charitable gifts, there is still more charities can do.

Perhaps the sector would do well to look at the successes of the Legacy Promotion Campaign (also known as Remember a Charity) for inspiration as to how to go about improving finance professionals' knowledge of giving. Initiated by the Giving Campaign and working on behalf of around 130 charities, it lobbies solicitors and

independent financial advisors about the benefits of leaving legacies. Since its conception in 2002, it's influenced over 600 solicitors into supporting the scheme, which they do by prompting clients into considering a legacy, and by displaying information to show they are a "charity friendly" firm. And it's paying off – between April 2003 and April 2004 the number of pledges rose by 27 per cent. (See page 36 for more on the future of legacies).

So if this type of campaign can be so effective, why hasn't a similar scheme been launched that targets private banks? While it may help reach those much needed HNW donors, admits Andrew Watt, the Institute of Fundraising's head of policy and standards, there needs to be a distinct change in the government's attitude to tax before it can happen. "There's the sense they aren't wholly supportive of developing ways for the very rich to maximise giving. They've a tendency to see it as a way of avoiding paying tax," he explains. "But there's also a big challenge in educating charities as well as donors. In the US, charities see it as their obligation to sit down with donors and their financial advisors, and provide advice on the options available. One or two charities in the UK do this, but most are frightened of moving the boundaries."

It might be time they started. The rich are not going to give just because their bank tells them to, and it's crucial charities wanting to gain the support of HNW individuals build relationships with them first. With this in mind, charities should take the plunge and go face-to-face with both donor and financial advisor – it might just pay off.