Giving good advice

A summary of an NOP World research report into the role of financial services professionals in providing client advice on charitable giving
**Introduction**

The Giving Campaign's aim is to develop a culture of giving in the UK and to increase both the number of donors and the amount of donations to charity. The Campaign believes that financial service professionals have a key role to play in promoting charitable giving to clients and will derive business benefits from doing so.

Looking to the US, it has long been the case that professional advisers prompt discussion about charity whilst giving advice on their clients' financial and taxation planning. Advice on charitable giving is often seen as the key to building stronger client relationships.

Bob Bullivant, Managing Director, SOFA comments:

“In the past, a common misconception has been that involvement with charitable giving is simply a case of doing 'good' or boosting your corporate social responsibility profile. But, providing advice on tax-effective giving creates a real opportunity to strengthen relationships with clients by helping them to make the most of their giving and generating discussion of a more personal nature. In this way, we can help to increase the income to charities, while educating clients about the tax relief they are entitled to. The financial services industry is in a position to make a real difference here.”

This research report explores whether financial advisers in the UK are becoming more proactive in generating discussion about charity and the tax implications of clients' donations.

**Background and methodology**

The Giving Campaign first commissioned research to find out what financial advisers knew about tax-effective giving and how and when it was raised with their clients from MORI* in 2001. This research indicated that few advisers understood the tax breaks available for donors and fewer still were advising clients on their giving.

In 2004, the Campaign commissioned NOP World Financial to repeat the research, using a comparable sample base and methodology, to identify whether advisers' knowledge and promotion of charitable giving had changed. The research was based on a web survey of financial services professionals with the help of three key trade bodies; Association of Independent Financial Advisers (AIFA), Society of Financial Advisers (SOFA) and Association of Private Client Investment Managers and Stockbrokers (APCIMS).

Results

The results suggest that providing advice on tax-effective giving is still not a common occurrence amongst advisers, but there has been some improvement with 25% of advisers giving advice often or fairly often, compared to 18% in the 2001 survey.

Thinking about your clients as a whole, how often do you give advice to your clients about tax or other aspects of giving money to charity?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Often</td>
<td>9%</td>
</tr>
<tr>
<td>Fairly Often</td>
<td>16%</td>
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<tr>
<td>Occasionally</td>
<td>22%</td>
</tr>
<tr>
<td>Hardly ever</td>
<td>33%</td>
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<tr>
<td>Never</td>
<td>19%</td>
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</tbody>
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Who, in your experience, usually raises the issue of giving money to charity?

<table>
<thead>
<tr>
<th>Party</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Adviser</td>
<td>20%</td>
</tr>
<tr>
<td>Client</td>
<td>34%</td>
</tr>
<tr>
<td>Both</td>
<td>45%</td>
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The research suggests that although it is the client who often takes the lead role, 45% of advisers say both parties (client and themselves) are likely to raise the issue of giving. This does differ from the 2001 survey when 56% stated that clients were significantly more likely to have prompted the discussion. This would indicate that advisers are gradually becoming more confident and proactive in generating discussion about charity.
When the client initiates this discussion, this is usually a result of one of the following:

- Wishing to sort out their financial affairs (e.g. write a will)
- Wishing to support good causes (e.g. general desire to give to charity)
- Wishing to support personal causes (e.g. donation to charity that works to research a medical disease from which a family member is suffering)
- Financial event (e.g. inheritance, windfall)

**Awareness of tax-effective giving**

The research suggests that many more advisers now seem to be aware of tax-effective giving than in the earlier research project, albeit with various degrees of familiarity. The majority of respondents said they would be comfortable giving advice on leaving money to charity in a will (80%) and donating through Gift Aid (64%). However, less than 30% of advisers said they would be comfortable talking about Share Giving with clients and only 21% would be likely to raise the issue, with fewer still talking about Charitable Trusts and Payroll Giving.

<table>
<thead>
<tr>
<th></th>
<th>Legacy Giving</th>
<th>Gift Aid</th>
<th>Share Giving</th>
<th>Charitable Trusts</th>
<th>Payroll Giving</th>
</tr>
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<tbody>
<tr>
<td>Which of the following would you be comfortable giving advice on?</td>
<td>80%</td>
<td>64%</td>
<td>29%</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>Which of the following would you be most likely to raise when providing advice on tax-effective ways to help good causes?</td>
<td>77%</td>
<td>58%</td>
<td>21%</td>
<td>20%</td>
<td>16%</td>
</tr>
</tbody>
</table>

As a consequence of these discussions, 73% of advisers state that their clients sometimes, often or always arranged for something to be left to charity in a will and some 43% used Gift Aid to support a good cause. (It should be noted that wills are frequently facilitated via a financial or legal intermediary, but Gift Aid donations can be made quickly and easily with a simple phone call to the donor’s preferred charity. Therefore, advisers are less likely to be involved, or even aware of, whether a Gift Aid donation has been made following any advice given).
Incentives to providing advice

When asked about the incentives for offering advice about tax-effective giving to charity, three main reasons were selected, as follows:

- The opportunity to do a good job for the client (78%)
- Enhancing company reputation (46%)
- Personal fulfilment (42%)

The primary reason for offering advice on clients’ giving is undoubtedly the opportunity to provide a comprehensive advisory service for the customer. It is interesting to note that financial incentives do not seem to be a driver for advice on giving and this is consistent with the research from 2001.

Zurich’s Community Affairs Director adds:

“For many of our clients, charitable giving is as relevant to their financial planning as investment or protection planning. Advisers can meet a real need by building informed advice – about tax breaks and incentives – into the sales process. A few well-placed prompts could create a powerful stimulus for those clients not already taking advantage of the tax reliefs available to them.”

Barriers to giving advice

When asked about the barriers to giving advice on charity, the main reasons given were a lack of information, training and suitable financial products. These barriers are much the same as those identified within the initial research project undertaken in 2001, although advisers also said they had seen much publicity about legacy giving and Gift Aid, with 27% and 19% of advisers saying they had seen a large amount of information on the two respective methods.

Breaking down the barriers

The research suggests that advisers would be more likely to provide advice on giving if:

- Clients proactively sought this information from them (90%)
- They had access to tailored information on the subject (78%)
- They knew of a screening database for charities (73%)

Although client demand is undoubtedly the key motivational tool, almost 70% of advisers said they would see the introduction of financial products that facilitate charitable donations as an incentive.
Market opportunity
Awareness of the tax-effective giving methods could be significantly increased, but the research also implies two defined market opportunities for financial service professionals, they are:

• **Share Giving**
  Share Giving is undoubtedly the most generous tax relief available to donors in the UK. Donors who give shares to charity are entitled to full income and capital gains tax relief. Advisers are accustomed to talking to clients about their shareholdings and yet only 29% are comfortable talking about how this tax break works. The latest figures show that £150 million of shares are donated to charity by higher rate taxpayers each year, generating as much as £60 million in tax relief for those donors.

• **Charity Financial Products**
  One of the barriers that prevents financial service professionals from advising clients on their charitable giving, is a ‘lack of suitable financial products’. This demand for products that facilitate charitable giving echoes a recent NOP World research report into consumer demand for a range of ‘charity financial products’ - financial vehicles that allow individuals to donate to charity and gain tax relief at the same time (e.g. Charity ISA). When asked to choose whether they would invest in a charity financial over a regular financial product, around 30% of people chose the charity option, although as many as 4 in 10 of young and wealthy individuals made this choice. In the US, as much as 40% of all income to the voluntary sector comes via financial products and services and yet, in the UK, the market is embryonic.

Conclusion
Although it has not become the norm for advisers to offer advice on charitable giving, they are increasingly comfortable talking about giving with clients. Charitable legacies and Gift Aid are certainly the two most well understood methods, but knowledge and promotion of Share Giving, Charitable Trusts and Payroll Giving remains minimal and should be increased.

Financial service professionals do recognise the benefits of promoting charitable donations, and the tax implications of those gifts to clients, but there is a long way to go before charity becomes a regular item on an adviser’s agenda.

The Giving Campaign encourages all financial advisers to make tax-effective giving a part of their day-to-day service to clients, and features an online tax-effective giving resource centre at www.givingcampaign.org.uk

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Technical note:
NOP World conducted this research via a web survey of advisers who are members of three professional bodies: APCIMS, AIFA and SOFA. 202 respondents completed the survey.
Previous reports available from The Giving Campaign include:

1. **Advice worth giving?** – A summary of a MORI survey on the role of financial advisers and related professionals in providing client advice in charitable giving, October 2001
2. **Giving Nation** – A summary of an NOP survey examining attitudes to charity and giving by secondary school pupils and teachers, June 2002
3. **The Future of Giving?** – A study of the potential market for planned giving products in the UK, July 2002
4. **Giving at the office** – A summary of NOP research into perceptions and understanding of Payroll Giving amongst high earners, August 2002
5. **A giving relationship** – A summary of MORI research into recruiting and developing high value supporters, May 2003
6. **Charity financial products** – A new approach to giving, September 2003
7. **A wealth of opportunity** – how the affluent decide the level of their donations to charity, March 2004

Further copies of this report are available from The Giving Campaign and the full research report can be downloaded from our website.
There has never been a better time to give

The Giving Campaign (July 2001 to June 2004) was established – with Government and voluntary sector support - to encourage a stronger culture of giving in the UK and increase the amount of money donated to charity. The Campaign website (www.givingcampaign.org.uk) remains as an online resource centre for tax-effective giving.