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Accountancy issues

The Accountant's Angle

Philanthropy is all about capturing hearts, minds and money, says Richard Hill

More individuals and companies are becoming attracted to philanthropy, but many don't know where to start and so are turning to trusted advisors for guidance.

But advice given by accountants varies greatly. As do motivations to support worthwhile causes. These are of course dependent on a number of factors. Not least, attitudes to faith, family and community, as well as past experiences of giving.

Our experience is good philanthropy successfully blends objectivity with compassion. At GSM, a number of clients have been inspired to become philanthropic and are enjoying the rewards.

It might seem incongruous speaking of rewards when considering philanthropy, but if donations are to be more than gestures, these should be undertaken in a sophisticated manner, having compared benefits to recipients and donors.

By examining such a relationship, one can construct a portfolio with defined objectives, adopting a 'giving strategy', where charitable impact can be evaluated, as well as ensure that donations are tax efficient. With over 50 charities and NFPs on our books too, GSM are well placed to look at both sides of the coin.

Like other sensitive issues on which accountants advise clients, discussing philanthropy can be done unobtrusively, respecting privacy and values. This doesn't preclude an accountant taking the time to understand what clients and charities want to achieve.

A new survey from JP Morgan bears this out. It reveals that high net worth individuals are encouraged to give more when they know more of the impact their giving could have. So, establishing

a strong 'fit' between philanthropist and good cause pays dividends for both parties.

In short, by accountants offering continuous professional impartial advice on how to give more effectively and to whom, their clients can make a positive long-term impact with their giving.

JP Morgan's survey also found that 30% of high net worth individuals would give more to charity if there were better tax incentives. They would therefore probably welcome the brush-up given to IHT in the most recent budget, which reduces the rate of IHT applied to an individual's estate where at least 10% of the estate is given away to charity.

In advising clients on how to manage their affairs tax-efficiently, it is important that we give the facts to facilitate better giving, to strike a balance between giving to worthy causes and to meet the obligations they have to their families and stakeholders.

To make tax-efficient gifts, an individual does not have to wait until they're dead! However in passing on their wealth to their beneficiaries, clients need to be informed of the tax implications of making gifts which could fall into their taxable estate if they die within seven years.

The good news is that if a client can demonstrate that any gifts made are from excess income rather than capital, then they and their beneficiaries can rest assured that these will not be caught within the IHT net.

Of course, clients want advice on taxation and on the best vehicles for giving. But giving is not just about tax. It's about capturing hearts and minds too.

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