Five Questions With Bryan Clontz

The president of Charitable Solutions LLC discusses how advisors can counsel clients about alternative ways to contribute to charities

By Michelle Lodge
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Philanthropy is alive and well, contends Bryan Clontz, who co-founded Charitable Solutions LLC, a planned-giving, risk-management consulting firm in Jacksonville, Fla. Here, he talks with contributor Michelle Lodge about how financial advisors can counsel clients on alternative ways of contributing to charities while retaining liquidity and saving big on taxes.

1. In this post-2008 climate, what's the best way advisors can help their clients make charitable donations?
Financial advisors need to look at any of their client's long-term capital assets and see how they can be contributed to a charity. This is not a time for advisors to be lazy and consider only the most highly-appreciated stock. They have to look further across the balance sheet for other long-term, capital gain assets, like real estate, closely held stock, C shares, S shares, LLP shares, and LLC shares and other capital assets. Before the financial crisis, when people owned appreciated stock, it was the easiest thing to use for charitable donations. And now, even if clients own appreciated stock, it represents liquidity, which they want to hold onto. Many donors want to contribute illiquid assets and realize the same tax benefits, without impacting their liquidity.

2. And what's the usual outcome in those scenarios?
The bottom line is that giving this way has the same effect as if they were using stocks. Say a client bought Coke stock at $5 a share, and now it's worth $50 a share. The client can contribute the stock to a charity and receive the full fair market deduction of $50 a share, and the organization isn't required to fork over capital-gains taxes when the stock is sold. Similarly, what most advisors don't realize is that real estate, for example, works the same way. If a client purchased property for $50,000, and it's now worth $500,000, the client could donate the real estate and receive the full fair market value deduction and the charity doesn't have to pay the capital-gains tax at the time of sale. The advisor could substitute the previous examples with privately held business interests or other capital-gains property, such as an art collection, wine cellar, yacht, S-corp stock, foreign real estate, oil and gas interests with the same outcome.

3. Why don't advisors employ these strategies?
Some are unaware of them, but mostly it's because financial advisors are focused on stocks and bonds. They aren't as knowledgeable about other opportunities. And most financial advisors struggle to find a charity that's comfortable receiving illiquid assets.

4. What's the best way to deal with such a charity?
An advisor can start by doing the obvious: call the charity to see if it accepts illiquid assets as a donation. If not, then a donor-advised fund or a community-based foundation could take the assets and then grant them to the charity. A charity's reason for rejecting an illiquid asset outright could be one of many, such as that the asset may be complex and accepting it creates risk for the organization.

5. How can advisors work with their clients in giving charitably?
Financial advisors need to ask clients the deeper values-based questions, such as, do you volunteer your time and for which organizations? What are the best and worst gifts you've made? The answers tell the advisor what drives and motivates their clients. If an advisor says, "If there were a way I could help you fund either charitable giving or legacy gifts for 10 cents, 30 cents or 50 cents on the dollar, is that something that you would be interested in?" In fact, asking those questions is what clients expect and value from financial advisors.

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