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Help Clients Avoid Charitable-Giving Mistakes

By
VERONICA DAGHER
CONNECT
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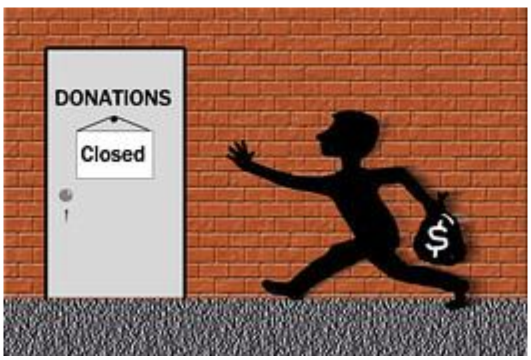
Charitable giving season is in full force, and advisers' clients are being bombarded with donation requests. Many will inevitably make mistakes in how and why they decide to give, even if their intentions are good.

Here some advisers describe the mistakes they most often see, and how they try to help keep clients from making them.



Bari Goodman

Cassidy Burns, principal, Riverbridge Partners: Waiting Until Year-End to Make Charitable Decisions

In the first quarter of each year, Ms. Burns helps clients craft a giving plan that includes a list of organizations they'd like to support. She then counsels them to set two times during the year when they will focus on making those gifts, say in June and December. That way, clients can be less reactive and feel less on the spot when requests come in.

Troy Sapp, financial consultant, Commencement Financial Planning: They're Afraid They'll Outlive Their Money

For clients who fear running out of savings, Mr. Sapp suggests including charitable bequests in their wills. "This seems to satisfy most clients in that they know the charities will receive funds if they're available at death, but it provides a cushion during their lifetime should markets tumble," he says.

Jay Hutchins, financial planner, The Wealth Conservatory: Giving Without a Long-Term Tax Strategy.

Clients need to plot out a multiyear plan to maximise the tax benefits of giving, Mr. Hutchins says. It may better clients to claim a deduction for several years' worth of giving at one time, to offset taxes from an income windfall. A donor-advised fund can enable them to receive a large tax deduction in a given year, and then actually dole out the donation to charities in ensuing years.

Phillip Christenson, owner, Phillip James Financial; Charles Haines, Jr., chief executive, Kinsight LLC: Giving to a Charity Without Getting to Know it First.

Clients can get fooled by charities whose names or marketing make them sound better than they actually are. Mr. Christenson suggests checking out a charity's financial statements, to see how they handle money and how efficient they are in delivering charitable goods and services. "Don't necessarily rely on a suggestion from a friend or a family member," he tells them.

Mr. Haines encourages clients to volunteer with a charity they are considering giving money to. They'll be able to see the organization's effectiveness firsthand and, if they get their families involved, they can perhaps pass on their values and commitment to the cause.

Alfred Peguero, partner, PwC's Private Company Services practice: Not Getting a Proper Receipt

Clients need regular reminders that, to substantiate a tax deduction for charitable contributions of $250 or more, a donor's acknowledgement letter is needed. It must include the amount and date of the contribution, the name of the charity and indicate that it's a 501(c)3 organization. The letter also should state that "no goods or services were provided in consideration for your gift" if that's the case.

Write to Veronica Dagher at veronica.dagher@wsj.com