

# **From Accumulation to Allocation: The Changing Needs of Wealth Holders and Financial Institutions**

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## **1. Current Trends**

There are two consequential trends currently affecting wealth holders and the philanthropic and financial organizations that interact with them. The first is the significant growth in the number of wealth holders and the magnitude of their wealth. The second is the desire of wealth holders to allocate their wealth in a way that is as effective and personally fulfilling as they accumulated it.

### **Wealth Holders**

Increasing numbers of wealth holders are achieving and exceeding their financial goals with respect to the provision for the material needs for themselves and their families, and doing so at younger and younger ages. This phenomenon raises a significant question for wealth holders, namely how to allocate the growing amounts by which their financial resources exceed their material needs. The major attribute of such excess wealth is that it offers a greater range of choice, especially in the realm of allocation where personal choice has the greatest potential to be unlimited, creative, and purposeful.

As such, it matters much to wealth holders that the quality of their wealth-allocation decisions is high, and that they make their decisions with discernment. For wealth holders, discernment is a process in which they figure out the wisest uses of their time, talent, and treasure and implement their decisions in an effective and competent manner.

Three alternatives suggest themselves. The first, increased consumption, when their own and their family's material needs have been satisfied, should not be significant. The second, increased investment is a culturally dominant influence for them and will always remain a realistic option. The third, philanthropy, presents to wealth holders the opportunity to participate in activities that are of a different and perhaps more fulfilling order than those experienced in the world of commerce. Such philanthropic activities cannot be adequately described but must be experienced. Similarly they cannot be compelled, but must be freely chosen.

## **Philanthropic Organizations and Financial Intermediaries**

These aspirations and dispositions of wealth holders have not gone unnoticed by the charitable organizations, fundraisers, community foundations, financial institutions, and private financial advisers who now recognize an unprecedented opportunity to advance their own prospects by providing new sources of value to their clients and donors. This opportunity coincides with the habitual desire of charitable and financial professionals to distinguish themselves by offering their donors and clients specific new services that fall within their expertise and meet the needs of wealth holders to allocate their wealth in a more self-reflective and discerning manner. Such new services often result in wealth holders choosing to make substantial contributions to one or more charities, but the process of discernment insures that wealth holders remain at the center of a decision-making process based on liberty and inspiration, and are invited rather than pressured to make a particular decision that meets the needs of charities or financial firms to the exclusion of their own needs.

### **New Directions**

Driven by wealth holders' desire for clarifying who they are, what they want to do, and how to use their wealth to achieve their purposes, financial and philanthropic intermediaries are looking to restructure themselves, especially to offer wealth holders a process of discernment that helps wealth holders first in establishing financial goals, second in quantifying the goals, and third in devising a plan to reach the goals. But many charities and financial intermediaries do not currently have in-house either the orientation or knowledge to effectively engage wealth holders in this manner. Although charities and financial institutions are devoting more resources in order to enhance their capacity to meet the needs of wealth holders for the services described above, it is important that this enhanced capacity entail a qualitative and not just a quantitative change.

## **2. Consultation for Individual Wealth Holders**

### **Market Needs of Wealth Holders:**

The distinctive trait of wealth holders is that they enjoy the fullest range of choice in selecting and fulfilling who they want to become and what they want to do for themselves, their families, and the world around them. If, as Aristotle says, the path to happiness is wise choices, wealth holders need to be especially self-reflective about how to refine the quality of their choices. Wealth holders who view themselves as financially secure do not need to own more money but to discern how make wise choices about how to employ their wealth to achieve greater effectiveness and significance.

Important decisions are made most soundly when individuals are able to identify the patterns in their life, the aspirations for which they strive, and the choices that enable them to realize their goals. What is needed is not more persuasive convincing, cultivation or planning techniques, but a new approach that helps individuals chart their future directions from the recognition of their material capacity, desire to be effective, experience of blessing, and personal identification with some dimension of the world around them. This approach does not deny the importance of duty, but seeks to make such duty self-discovered and hence more wholeheartedly pursued and sustained. It allows wealth holders the opportunity to reflect on their material capacities and spiritual inclinations in an atmosphere of liberty and inspiration rather than one of guilt and dictated expectations.

The new approach is a supply-side rather than a demand-side approach in that donors are presumed to be looking for ways to intelligently allocate their wealth rather than to be looking for ways to hoard it. The new approach does not presume that philanthropy is always the most worthy use of wealth—although most wealth holders are inclined to be seeking to expand the amount and effectiveness of philanthropy. It does presume that wealth holders are inclined to make wise decisions about how best to allocate their resources of time, talent and treasure—be that to business, family, or philanthropy—and that wealth holders would invite an opportunity to reflect on their material capacities and spiritual inclinations in an atmosphere of liberty and inspiration rather than one of guilt and dictated expectations.

#### **Value Proposition of Consultation:**

- Considers need for effectiveness and significance in wealth allocation to be as important as in wealth accumulation, and to increase in priority as wealth accumulation ceases to be a primary concern.
- Views wealth holders as decision-makers actively discerning rather than passively receiving new directions from advisors and fundraisers.
- Opportunity for wealthy holders to review the formative adversities and blessings that have shaped their life and which may suggest areas for philanthropy.
- Financially disinterested assistance in identifying level of financial capacity, projected expenditures, and the amount of resources available for fulfilling aspirations.
- Increase probability that allocation decisions will be more wisely suited for self and family, will be more beneficial for others, and will produce greater personal happiness.
- Particular interest in and ability to listen for and reflect upon the deeply seated aspirations, bonds, worries, and blessings that comprise spiritual and religious beliefs, emotions, and practices.

### **Specific Services:**

- Individualized in-depth interviewing that helps clients discover the self-understanding that forms the most solid foundation for making wise choices about their money.
- Development of a biographical profile that clarifies the people and events that shaped their life; identifies what they desire for themselves, their families, and the world around them; and uncovers the personal and financial conditions that they see will hinder or advance the achievement of their goals.
- Individualized assistance in choosing, effectively funding, and carefully evaluating philanthropic endeavors.
- Individualized assistance in deciding upon and locating the professional services needed to create specific philanthropic instruments such as family foundations, gift funds, outright grants, trusts, and community foundation donor advised funds.
- Recurrent reviews of changes in personal situation, financial status, and interests in order to identify whether and how previous allocation decisions in regard to self, family, and philanthropy need to be refined or revised.

### **3. Consultation for Financial Institutions**

#### **Market Needs of Financial Institutions:**

Major financial institutions live daily with the market need to better help their clients discharge their financial responsibilities and set new courses. Fortunately, there are over one million families with net worth at or above \$5 million who, when they come to clarify their level of financial resources and philanthropic concerns, can choose to make formative charitable contributions; and the number of such families is growing.

The problem is that institutions that pursue conventional approaches to financial planning, while able to generate modest success are falling short of their ability to tap into the growing financial capacity and personal desire of wealth holders to explicitly decide how to allocate their wealth to themselves, heirs, and charitable causes. In the competition for clients, those institutions will thrive which treat financial planning as a way to help their clients achieve valuable personal outcomes, fulfill their aspirations for effectiveness and personal happiness, and identify specific philanthropic endeavors that capture their interest.

All this requires that financial institutions practice a new financial advisement approach. This does not mean that financial institutions cease to carry out their traditional banking and investment services. It means that they carry out these services in a new way, namely one that recognizes the needs of wealth holders to find a genuine compatibility between their wealth allocation and personal aspirations. More specifically, financial

firms and banks need to provide products and services that address wealth transfer related issues; provide cross-selling opportunities with additional value-added services for existing clients; attract new clients with unique offerings; differentiate product offerings; and train their professionals to work with clients using a client-centered biographical approach.

### **Value Proposition of Consultation:**

- Providing resources and unique offerings to serve current clients and to attract new clients
- Unique insight into client decision-making dynamics
- Repositioning private client services in view of expanding material potential and personal inclination for allocating wealth to family and philanthropy
- Integrating new directions in wealth management with institutional mission
- Carrying out and training about individual client consulting and biographical interviewing
- Implementing financial planning methods and relations that accentuate donor interest and choice
- Staff education on how to understand and mobilize the material capacities and spiritual motivations of clients
- Increase effectiveness of financial professionals and of products and services that address wealth transfer related issues
- Increase assets under management
- Develop a stronger inter-generational relationship

### **Specific Services:**

- Help reposition financial institutions to benefit from new insights into the trends and motivations of wealth holders.
- Help orient financial professionals and acquaint them with the kinds of donor-oriented financial strategies that are currently unleashing considerable amounts of financial planning, including charitable giving.
- Offer seminars and personal interview services to help clients and potential clients obtain clarity about their own needs for effectiveness and significance in allocating their wealth, especially in regard to family and philanthropy.
- Help clients identify and implement charitable purposes.
- Help clients chart financial, moral, and philanthropic legacy for heirs.