

A Professional Advisor's Guide to Working with Non-Profit Organizations



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A Brief History

For the past twenty years, professional advisors have considered the non-profit sector as a fertile field of prospective business in several primary areas: investment management, tax reporting, providing infrastructure for planned giving programs, serving as trustee of charitable remainder trusts, and client referrals. After initially meeting resistance from non-profits, professional advisors have steadily increased their relationships with the third sector and today are an important partner with charities in securing and managing charitable gifts.

There were early issues that caused tension between the for-profit advisors and non-profits. The culprit was the cultural differences between the sectors. Today, there is greater understanding and appreciation between both sectors, but differences still exist. For example, as opposed to the long-term strategies of money managers and insurance professionals, the realities of depending on federal, state, and private support on an annual basis result in planning priorities for charities that are often short, not long term. Some charities still operate under the old, "we are serving society and therefore may not be required to follow accepted business practices" credo. This attitude has both puzzled and frustrated the professional advisor industry. Some argue that the code of ethics governing the charitable sector is not necessarily in congress with the code of ethics for the for-profit sector. As an example, the payment of commissions or bonuses to development officers is not considered ethical, while in the professional advisor world, it is standard recompense. In opposition to the disciplined and assertive approach of professional advisors in creating new and opportunistic charitable gift options, charities have been more interested in conservative approaches because they are ever mindful of preserving the charitable income tax deduction.

Over the years, driven primarily by the success of planned giving concepts and the corresponding need to understand legal and tax applications, the practice of philanthropy came to a crossroad. The ethos of *doing good* with volunteer driven efforts that were not necessarily financially driven, gave way to concepts of public accountability, professionalism and effectiveness. Legal and tax strategies swept into the vocabulary of development offices and the business strategies of the for-profit sector began to be heard and appreciated. The non-profit sector moved in spirit and reality into a blending of altruistic motivations combined with the application of business-oriented strategies. The acceptance of business strategies was welcomed by professional advisors who retooled their approach to charities to accommodate the remaining issues separating the charitable world from the world of professional advisors.

There is one important fact for professional advisors to keep in mind -- *non-profits want and need to have a good working relationship with you*. They are interested in establishing relationships with you and your colleagues because they are well aware of the increasing number of gifts that are being created due to the suggestion of donors' professional advisors. Moreover, relationships with professional advisors augment the professional credibility of the charity in the community. Many advisors reading this article have already been approached by charities. Many professional advisors however are searching for constructive ways to approach charities in their community. This article is first focused on providing ideas for those seeking appropriate approaches to charities and second on providing an update on current non-profit issues for those advisors already involved with charities.

Basic Issues at Non-profit Organizations

1. Internal politics and policies

The natural inclination for a for-profit planner desiring to bring a specific product to build a relationship with a charity is to seek out a board member or president and begin discussions. While this may be the right approach in special circumstances or with small charities, it is often not productive in larger organizations because of an internal structure and policy that charges the development department with bringing new product ideas to management and eventually the board. In other words, ideas and program approval percolate up, not necessarily down the organizational ladder. Thus the professional advisor who plays golf with the president of the organization is still well advised to seek out the development professional to begin a relationship.

2. External politics and policies

The very minute a charity agrees to work with an individual person or company representing a specific product, all persons representing competitive interests, locally and nationally, are offended. Universities learned this lesson early on when they

agreed to promote specific insurance products to encourage gifts from alumni, only to discover that most of their graduates in the insurance business worked for competing companies and were not pleased to have been left out of the arrangements. Today, most non-profits stay away from identifying a single company, product or individual as their representation in the public arena.

3. Perception in the market place

Charities care about public perception. In fact, public relations are of paramount importance. In today's world, charities must present a message that encompasses their charitable mission and vision, yet conveys sound business and financial acumen. This duality of message, combined with a desire to be viewed as a benefit to the community, dictates a policy of affiliation with community leaders and industry leaders who are well known, respected and trusted in the community.

4. Fee for service or pro bono work

Whether professional advisors are paid for their work with a charity or are expected to serve in a volunteer capacity usually depends on two factors: the size and longevity of the charitable organization, and the circumstances under which professional advisors are engaged by the charity.

Larger charities having a history of successfully accomplishing their mission tend to have experienced fundraisers who can readily identify specific situations requiring the expertise of professional advisors. They further understand and appreciate that paying an advisor for services classifies them as a valuable client of the advisor. Fee for service advisors are typically professionals whose reputations precede them in the community. These advisors are sought out by the charity -- as opposed to the advisor seeking out the charity. This is not to say that highly visible advisors in the community will not or do not volunteer their time for charities of their choice. However, in the case of larger charitable organizations, volunteer services from professional advisors usually come after the professional client/advisor relationship is in place.

Smaller charities and charities with less experience tend to work with professional advisors who are willing to donate their time providing advice and services. While this relationship can transform into a fee for service situation, it is sometimes difficult for the advisor to know how and when to begin to charge for services, and for the charity to adjust expectations to accommodate the new arrangement. If the professional advisor's goal is to eventually begin a fee for service relationship with the charity, it is wise to negotiate such an arrangement in the beginning.

In the case of smaller, newer charities, or for charities just starting a planned giving program, it is typical that professional advisors interested in assisting the charity will contact the charity to begin the relationship. In general, if the professional advisor approaches the charity, the initial assumption is that the professional would like to volunteer their time. The charity will be interested and appreciative but will be interested to know what the advisor will expect in return, if anything. It is wise for the professional advisor to keep in mind that even inexperienced charities understand that certain items such as donor lists are private and not to be shared with allied professionals.

5. Economic conditions.

Since early 2000, a general reduction in the amount and number of gifts has forced many charities to place emphasis on obtaining annual gifts, as opposed to planned or deferred gifts. Additionally, for many charities, the importance of raising endowment dollars has been underscored recently by very tight annual budgets allowing little to no flexibility in operating funds. Charities are interested in establishing relationships with professionals who can assist them in solving current, as well as future, financial issues.

6. Getting the name right.

It is imperative that the exact name of the charity, including the use of any acronyms, be known and understood. While this sounds ridiculously simple, it can be deceptively complex. For example, the University of Denver in Denver, Colorado, is widely known and referred to as DU. To go by the acronym it would appear that the name is Denver University -- a term only those unfamiliar with the institution would use. Allied professionals who want to work together, but have not taken the time to get something as simple as their name correct discourage non-profits.

7. Non-Profit priorities.

To the extent possible, understand the non-profits priorities. In addition to being aware of the need for current income, it will be important to be aware of any campaigns in place, for example, a capital or endowment campaign. A discussion that includes how your ideas might help with a current priority will illustrate the care and research you took before establishing the meeting and the importance you place on a future relationship.

How to Begin a Relationship with a Non-Profit

1. The approach.

Identifying the right person to approach at the non-profit is an important decision and, as mentioned above, it is not necessarily the president or board member. In fact, many larger charities depend on the development staff to identify possible products, companies or individuals with whom a working relationship may be developed. While the development staff may not be the ultimate decision maker, you are well advised to obtain the development staff's endorsement before proceeding with other contacts at the charity.

2. Advisor credentials.

The non-profit is going to want to know your background and experience level. If you are unknown to the charity, here is a partial list of important questions that may be asked during the meeting.

- What professional services are being provided for clients?
- How long have you been in the business?
- What is your experience with charitable giving?
- What is your knowledge level with charitable gifts?
- Are your current clients creating gifts?
- What is your fee structure?
- What other charitable organizations are you affiliated with now or have been in the past?
- Are you wishing to volunteer your services or are you seeking a fee for services?
- How do you see us working together?

3. The initial meeting.

At the initial meeting, explain why you want to get together and clarify the nature of the relationship you wish to develop. If it is, for example, to be on the charity's referral list for donors or prospective donors seeking a professional advisor, do not hesitate to say so. If it is to promote an insurance concept, you may assume the development staff has at least some working knowledge of insurance as a gift vehicle, but may be unaware of the details of particular programs. You can plan on providing extensive information and explanations for the staff. For smaller organizations, it is not wise to assume an understanding of asset management, endowment investing or spending policies; and the same is true for trust administration. The goals for the initial meeting should be to:

- Ask questions regarding the interests of the non-profit demonstrating your familiarity with general non-profit issues and any specific issues regarding the organization you have been able to identify.
- Listen to the answers.
- Provide information about yourself and your services.
- Explore mutual interests.

4. Explore mutual interests

You may search for areas providing an opportunity for mutual interests. For example and to the degree they are appropriate, the following are areas of participation that will interest non-profits:

- Explore the possibility of assisting the non-profit with their participation in the local Leave a Legacy program.
- Offer to assist the development staff with the preparation of financial calculations for major or planned gifts.
- Offer to assist with marketing strategies.
- Offer to assist with training for staff.
- Offer to serve as a volunteer on an advisory board or on a special project or event.

5. The National Committee on Planned Giving

Join the local or regional National Committee on Planned Giving (NCPG) and attend the regularly scheduled meetings. The planned giving program is the center of attraction for most professional advisors because it encompasses the areas of bequests, trusts, endowment, asset management, and client service oriented products and attitudes. Planned giving staff members are very likely to be attending the NCPG programs and your attendance will provide the networking opportunities necessary to meet these fundraising professionals. One example of a professional advisor who gained the trust and respect of several organizations over a short period of time is a person who joined the local NCPG chapter and volunteered to assist in rewriting the by-laws. Other advisors have become known to charities by accepting leadership roles in local chapters of NCPG.

Maintaining the Relationship

Once the relationship is established, all the rules of good client relations apply. Provide consistent attention to the non-profit. To every degree possible, provide productive interactions with staff, leadership and board members; exhibit patience with the sometimes frustrating institutional policies and procedures; and finally, be a good partner with the development staff of the charity. Being a good partner includes being a sounding board for new ideas from the development staff, providing new ideas and concepts to staff, and putting the good of the organization above the personal benefits likely to be gained as a result of your affiliation with the non-profit.

The charity owes you certain courtesies as well. You deserve to have your time utilized as efficiently as possible and your efforts recognized and honored. You can expect your association with the non-profit to provide an opportunity to meet other professionals and acquire new skills. Along the way, you may have the opportunity to meet with current and prospect donors as they contemplate new and additional gifts, train staff and board members, offer seminars, and assist with gift calculations and proposals.

Today, there is a symbiotic relationship between professional advisors representing the for-profit industry and the boards, staffs, and donors of non-profits. Each has the capacity to reach out and enhance the productivity and success of the other.

If you have worked in the for-profit and nonprofit sectors, you know they are quite different; each having its own culture, vernacular, and business practices. Many well-meaning advisors approach nonprofit and charitable organizations seeking to partner with them in their fundraising efforts. Some are successful while others are not. In this article, Colorado-based planned giving consultant and former NCPG President Betsy Mangone discusses the challenges advisors face in working with charities, and how they can begin and maintain effective working relationships.



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