

Helping Clients Give More: How to Calculate Giving Capacity?

When figuring out how much to give each year, most people begin with a percentage of their annual income. We think there's a better way.

Instead of annual income, think: **liquid net worth**. Training clients to give out of their **assets instead of their income** can unlock significantly higher giving capacity each year.

If clients can afford to pay 1% of their liquid net worth per year to hire a financial advisor team to optimize their wealth, they can also most likely afford to donate an additional 1% per year of their liquid net worth to charitable causes, and still be on track to achieve their other personal or family goals.

Let's say Maya has \$2M in liquid net worth (value of her house, for example, excluded). Depending on her circumstances, there is high likelihood that she can sustainably give away \$20K per year without derailing her long-term financial security.

Moreover, capacity for giving gets larger the larger a person's net worth because there is a diminishing utility of dollars. For example, the difference between having \$1M in net worth versus \$2M in net worth has a huge impact on financial security. The difference between \$99M and \$100M in net worth has far smaller ramifications. Giving capacity at higher levels is greater, as those dollars truly become discretionary.

But there's another component of this calculus. When thinking about net worth, you should also consider whether the client is still working. A mid-career 40-year-old with

\$5M of liquid net worth will have higher giving capacity than a retired individual with that same net worth, based on the likelihood of their continued earning years.

Here’s visual way to think about giving capacity in relation to income and net worth:

	High Income	Low Income
High Net Worth	Very High Giving Capacity	Medium/High Giving Capacity
Low Net Worth	Low/Medium Giving Capacity	No Giving Capacity

You can see the highest giving capacity comes from some combination of income plus high net worth.

Helping clients think about their giving sources as a combination of income and assets can unlock the greatest giving potential. Clients will feel amazing when they realize they can give at higher levels than they previously thought without impacting their current bottom line or long-term financial goals—and you get to take the credit for helping them realize this additional potential! The biggest winner here, however, are the community-based organizations who will receive additional funding to achieve their missions and help those in need.

More, better, now.

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