

Giving the missing link to retirement happiness?

Zuckerbergs' generous philanthropic announcement may spark client conversations about donating time and money, which research shows can boost retiree fulfillment

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By Liz Skinner

Facebook Chief Executive Mark Zuckerberg and his wife's announcement Tuesday that they will be donating 99% of their Facebook stock in their lifetimes could encourage clients to ask about philanthropic giving while they're still around to witness the impact, rather than waiting to bequest funds at death.

It turns out, giving time and money in one's later years — when most people have the wherewithal to do so — could even be the key to retirement happiness, according to new research.

Accordingly, advisers bent on helping clients achieve fulfillment in retirement may need to provide more guidance on giving rather than receiving.

While not meant to ignore the importance of income generation during post-employment years, it turns out Americans over age 50 overwhelmingly believe it's better to be charitable than rich.

About 85% of this group defined a successful retirement as “being generous,” while 15% chose “being wealthy” as the measure of achievement, according to a recently released Bank of America Merrill Lynch survey fielded in July.

The report presents evidence that giving of one's time and money during this later stage of life provides retirees with a feeling of success and helps to replace lost social connections. Therefore, advisers who help guide clients' philanthropic efforts may be ensuring they have a more fulfilling retirement.

“The biggest downfall that I have seen when people retire are those who are bored,” said Rich Wald, a Merrill Lynch financial adviser. “Those who started working with a charity before retirement, or at least have talked about what they will do charitably with their time in retirement, have a certain bounce in their voice that others don't.”

It's really not that surprising that those who watch seven or eight hours of television a day are going to be less satisfied than those who are meeting new people and making friends while volunteering, he said.

When Mr. Wald discusses giving with clients who are nearing retirement, the conversation often begins with how that future retiree will spend their time, not charitable giving of money. He encourages them to think about the causes they feel passionate about, often because they have been impacted by certain experiences.

The number one reason retirees donate their time and money is thankfulness, the Merrill Lynch study found. About 54% said gratitude was a top motivator for giving, while 48% said faith. On the other end of the spectrum, only 3% said guilt is what drives them to volunteer.

How older Americans contribute also is important to how fulfilled they are by giving.

About 43% said they were most satisfied when both donating money and volunteering, compared with 32% for volunteering time and 26% for donating money, the Merrill Lynch survey found.

Eileen Heisman, chief executive of National Philanthropic Trust, a large grant-making institution, said retirement is a great time for giving, especially if a retiree has used their working years to accumulate money in donor-advised funds or foundations.

“Then retirees can use these sources for giving and don't have to spend their money meant to live on,” she said. “When you are retired, you also have the time to participate more with the organizations you care about, whether it's joining the board or being an active volunteer.”

Especially for social people who suddenly are retired, volunteering with charities can give meaning to their new lives and direction to their days, Ms. Heisman said.

She recalled her own mother, who was a nurse, spending her retirement volunteering several times a week in hospital emergency rooms and other health facilities.

Ms. Heisman recommends retirees pick one charity they feel strongly connected to and believe is well run. They should get trained to volunteer with them “and then stick with it,” rather than spreading out one's volunteering among multiple organizations, she said.

This time of year advisers should be reminding clients of their philanthropic goals and showing them how they did financially over the year so clients feel more comfortable allocating charitable dollars. They can also discuss appreciated assets that can be an even better way to gift, she said.

A quarter of all donations to U.S. charities come in during the last five weeks of the year, mostly because of the Dec. 31 deadline for a tax deduction and because by that time families have a good sense of how much they can afford to give that year, Ms. Heisman said.

In discussions about giving, Mr. Wald said many of his clients ask about the percentage of a nonprofit's budget that goes toward expenses rather than providing actual aid.

Such questions are part of an overall trend of clients seeking to make sure their charitable dollars and time are well spent.

“Clients are much more educated givers today,” Mr. Wald said. “They are more focused, hands on and they want their dollars to have an impact.”

In fact, 49% of baby boomers in the Merrill Lynch survey said they seek to understand how a charity uses its funding before they give, well above the 9% of the previous generation who felt this was important.

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