The Philanthropic Initiative

Act boldly. Give wisely.

The Power of Family Philanthropy

By Ellen Remmer

This article was excerpted from A Family's Guide to Wealth: Insights from Thought Leaders and Pioneers

We are sitting around a hotel conference room having a surprisingly tense debate, once again, about this incredible bonanza that has happened to our family: a windfall from selling our father's business. Should we invest it safely or try to grow it by putting it into another business? Who will be involved in making these decisions? What will be the impact of this wealth on our lives? Someone pipes up, "I'm really concerned about the message that we send to our kids about money. We need some balance to this discussion about preserving and growing more money than any of us need. How about we take some of these resources and put them into a family foundation?" We pause; there are a range of responses but no one dares object; we deliberate about how much and agree on a "starter" fund that can be augmented if we decide it is a success and our financial performance allows.

THE GIFTS OF GIVING

This conversation happened over 25 years ago. We've come along way and the experience of working with my family on philanthropy has been nothing short of transformational, both for me individually and my family collectively. It has also been my privilege, through working at The Philanthropic Initiative (TPI), to personally support dozens of other families[1] who have decided to take on family philanthropy and to seek to inspire many more to give it a shot. I count myself extraordinarily lucky to live the work I love and to have been able to play some small part in shaping and growing the field of family giving. By working in this field, I can bring best practices to my own family. Living this work keeps me humble about the limitations of best practices on the ground with real families, in their real lives. I continue to learn more every day.

1 TPI has worked with hundreds of individual donors, family foundations, independent and community foundations, and companies, helping to create, launch, and manage strategic giving programs.

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I am a passionate advocate for family philanthropy. When designed and executed appropriately, I have seen family giving enterprises produce one, and typically more, of the following rewards:

- provide family members a deepened connection to each other and to the outside world through a sense of shared enterprise;
- give the family a platform to test and articulate shared values, to define what the family stands for as a group, and to put those values into action;
- become an intergenerational common ground, a venue where as many as three generations can share their knowledge, skills, passions, and perspective, and collectively embark on an odyssey of deep learning;
- offer opportunities for individuals in the family to develop skills and competencies—to "self actualize";
- present an emotional and functional bridge between wealth, purpose, and society; and
- develop, strengthen, and perpetuate a legacy for succeeding generations.

As Jay Hughes wrote about philanthropy in his seminal book on preserving a family's long-term wealth, "It offers every family the chance to experience the joy of rediscovering it's most important values and offers a family a way to share the thrill of successfully helping others. Most important, it tightens family bonds–the family glue–by recognizing and acknowledging the creativity and passions of each member."[2] According to Charles Collier "philanthropy can be a key component of a family's social capital and can provide multiple benefits to family members as well as to society."[3] Both Hughes and Collier cite the importance of investing in a family's "social capital" as a way to perpetuate family wealth and defy the universal proverb "shirtsleeves to shirtsleeves in three generations."

KEYS TO SUCCESS

So if these are the rewards, where do you sign on? Why doesn't every family have a family giving enterprise? And among those who do, why don't they all garner all these benefits? Because... it's not quite so easy; like most things worth doing, it takes some careful attention and work.

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It seemed easy when I first started consulting to other families because I knew what they should do. My family had come together and defined a very clear focus for our giving; we had decided that no one would promote a personal cause and we agreed decisions would be made through consensus, giving each person veto power if they couldn't live with the decision. It was quite a surprise to me to discover that this winning formula did not apply to every family. Despite my best efforts to convince those unlucky first clients, and fortunately due to the wise advice of my TPI colleagues, I learned that just as each family has its own unique culture— its unique constellation of personalities and heritage—each must create a family giving enterprise uniquely designed to serve its goals.

After working directly with hundreds of families as well as studying and contributing to the emerging literature on family philanthropy and family enterprise[4], my colleagues and I have learned that there are some fundamental principles that apply to most successful family philanthropies. These keys to success transcend heterogeneity of purpose and culture, and we recommend that every family consider their application.

2 Hughes, Jay, Family Wealth: Keeping It in the Family, 2004.
3 Collier, Charles, Wealth in Families, 2001.
4 There was almost no literature on family philanthropy per se until the late 1990s, when the National Center for Family Philanthropy was formed, as well as the Association of Small Foundations. Evidence of the growing institutionalization of this field is the establishment of a Chair in Family Philanthropy at Grand Valley State University's Center for Philanthropy and Nonprofit Leadership.

1. Identify the goals and the shared "dream"

Any definition of success is relative to purpose, and so it is with family philanthropy. Kelin Gersick, in the only major research study conducted to date of successful family foundations, calls this "the shared dream."[5] According to Gersick, "the viability of an organization like a foundation is dependent on its connection to the Dreams of its participants.

To reach that critical mass, the individual Dreams of enough participants must overlap and be woven into a collective family Dream for the family in the foundation." And citing his partner Ivan Lansberg, "the shared Dream endows the family enterprise with meaning–it conveys a profound explanation for why continuing the [enterprise] is important to the family." In TPI's Giving Together Workbook for Family Philanthropy, we suggest that founding donors and other engaged family members both individually and collectively address the following questions in an effort to define their shared dream:

- Why philanthropy? What are your personal reasons for giving?
- Why family philanthropy? What benefits to the family do you hope to gain? What are the goals?
- What are your individual and shared values? How will they influence your family giving
- What is your vision for the impact of your philanthropy on society? On the family?
- How do you want to be involved personally?
- What will be the family philanthropy's purpose or mission statement?

The initial dream may be as diverse (and typically as broad) as "bringing the family closer together" to "passing on philanthropic values and the spirit of giving to the next generation" to "leaving a legacy in our community" to "making a difference on issues of importance to family members." The "dream" for a family philanthropy will in all likelihood change over time as the family gains more experience giving together, perhaps as founding donors become less connected and as next generation members come into their own. The mission is a logical outgrowth of the dream and serves to enact the dream; it is exceedingly important for strategic givers. But undergoing a process of defining the dream is critical for families who work together and is something that should be periodically revisited by every family.

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One step sometimes overlooked in families is offering the invitation to join the family giving enterprise. The older generation may not appreciate that next generation members are too busy to participate in a family philanthropy at a given time and the younger generation may not understand that declining to join the venture at a given point in time does not disqualify him or her from the family. If a family member has not been given the choice to opt in (or out), this can become an obstacle to participating in the shared dream.

2. Develop Structure and Build Skills

We have observed that many families resist the concept of establishing anything that smacks of formal structure or governance when they first start a collective family giving effort. They think "this is just family" and "why do we need to create bureaucracies and rules like those that run the rest of our lives?" For small families who are extraordinarily close and used to working together in other enterprises, and who are

5 Gersick, Kelin et al., Generations of Giving, 2004, pg. 182-183.

blessedly devoid of rivalries and/or have a great sense of humor, this may indeed be just fine–at least until they invite or include additional members. Yet our experience has demonstrated that most family philanthropies benefit greatly from establishing some agreed upon structure in such areas as: who makes the decisions; how are decisions made; how often will we meet; what information do we want from potential grantees; what kind of reporting/accountability do we want from our grantees. The process of codifying these decisions helps clarify expectations about how the family philanthropy will work, helps it run more smoothly, and ultimately allows the family to focus more time on the philanthropy itself, and less energy on resolving process disputes or misunderstandings.

The parallel opportunity and "best practice" in successful family philanthropy is to spend some intentional effort on skill development among participants. These skills can range from process skills such as decision making and resolving conflict constructively to more technical skills such as interpreting nonprofit financial statements or evaluating grant proposals. A collective philanthropic enterprise provides an excellent platform for learning and using those skills—through workshops at national conferences or through specialized consultant training programs, for example—and many of these skills can be enormously helpful to participants in other parts of their lives.

3. Focus on Philanthropic Impact

Most philanthropic families hope their giving will have a positive impact not only on the organizations and issues that they care about, but also on the health and happiness of their family and its individual members. It is not unusual for a family to sacrifice philanthropic discipline and high impact in pursuit of the goals of family harmony. Kelin Gersick's study, however, affirmed a phenomenon that we at TPI had also concluded based on our work with families. "Foundations that take the work most seriously are in fact the ones that have the most positive impact on relationships.

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The participants develop a sense of true pride. There are few bonding experiences more powerful than real accomplishment as a result of challenging hard work. In more than a third of the [research study] cases, the family credits the foundation with fostering closeness, and perpetuating family cohesion across branches, geography, and generations."[6]

Family foundations that make a significant impact are likely to: 1) develop one or more foci for much of their giving—on an issue, a cause, a community or an operational strategy; 2) work hard and continuously on learning about the issues and needs they care about; 3) consider each philanthropic donation as a serious investment, meriting extensive due diligence; and 4) go "beyond the money" to personal engagement in an organization or field, adding value through making critical connections, convening key stakeholders, and providing technical assistance.

Because family members typically have different interests, many families assume that they will not be able to develop a focused strategy for collective giving. We have found several ways to help families develop strategic giving programs that can make a marked difference. For some families, simply agreeing to experiment with focus is enough to enable them to find an overlapping interest in common. Other families may come together around a signature project that offers potential high impact while doing additional services and giving on an individual

6 Gersick et al., pg. 206.

basis. For others, the centripetal force for a cohesive giving strategy might come from a focus on a certain type of gift, such as technology capacity or board development. Again and again, we find that families who may initially resist this type of focused giving derive enormous pride and satisfaction from the impact they ultimately make. And the families that never find the raison d'être for collective giving beyond making sure everyone can fund the organizations that they care about, often struggle forever with issues of process and purpose.

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For example, when the Simmons family launched their family foundation, they decided to fund broadly in the different areas that interested their five trustees. These areas included the environment, the arts, medical research, and community programs. Tempers sometimes ran short in meetings because there were many more funding opportunities than money available, and the trustees each staunchly supported their own proposals. About five years into the foundation, a new trustee came on board and suggested that the family select an area of overlapping interest that represented a gaping need in the community for a portion of their giving: arts education to keep young people engaged with school. The family commissioned research on opportunities, worked with the school district and local cultural facilities, and created a signature program. Other community members joined in to make the program sustainable. The family was so proud of their accomplishment that they decided to convert 80 percent of their giving to proactive focused philanthropy.

FAMILY BUSINESS AND FAMILY PHILANTHROPY

There are some interesting challenges and opportunities for families who are still managing a family business and operating a family philanthropy. It is not uncommon for the two enterprises to be deeply intertwined, in a synergistic mode, especially if the family business is deeply grounded in the community in which most of the family lives and works. So for example, a health magazine publishing company may appropriately support the capital campaign for a community fitness center from the family's foundation. The family is proud of their contribution, the employees are proud, and the community benefits.

However, mixing family business and family philanthropy can also create unnecessary tension and obscure opportunities that could be available with independent efforts. In the best of all worlds, a business driven philanthropy is aligned with strategic business goals and builds employee loyalty and morale by engaging employees in areas such as giving committees, matching grants, and volunteerism projects. If the business primarily supports the interests of its family owners, it misses these opportunities. Similarly, if a family's philanthropy only supports its business interests, the family may lose the opportunity to engage a broader group of family members and build a bigger family legacy.

To ensure that the family realizes the full potential of family philanthropy, and that a family business also reaps the rewards available from strategic giving, it is critical that the family clarifies its goals for both domains.

GENERATIONAL TRENDS

Many families choose family philanthropy for similar reasons to my family—to send a message to the next generation about the meaning and purpose of money. Many affluent parents are also concerned about the potential risks of wealth on their children's healthy development, sense of self-worth, initiative, and values. They look

7 TPI has written the monograph, "Raising Children with Philanthropic Values," which is available on our website. Many new resources for parents and children are available and referenced in this monograph.

to philanthropy as a way to surmount these challenges.[7] My experience—and research data—suggests that we need not worry so much. Younger generations are taking the commitment to contribute to society very seriously. It is incumbent on older generations to capitalize on what the next generation brings to the table.

The Center on Philanthropy at Indiana University released a study in 2008 that examined differences in giving trends across five generations.[8] The research showed that, when controlling for income, education, and religious service attendance, the Millennial generation (born after 1981) are just as philanthropic as other generations. It also found that younger donors are more likely to cite "the desire to make the world a better place to live" than other generations, are more likely to focus on global impact, and are less interested in giving to religion than older generations. Other observers have spoken about the everyday use of social networking tools by younger generations to engage in social activism, noting that this group volunteers more at their age than any previous generation, and that corporate recruiters find that offering paid volunteer time is one of the best ways to attract young people. In TPI's work with families, we see similar attitudes and behavior, especially the interest in international causes and organizations (probably because they travel so much at such a young age) as well as their interest in integrating giving into their entrepreneurial business ventures.

Families of wealth can encourage and learn from the younger generations. Many families have great success setting up a next generation fund that is run by a collective of cousins age 16 or 18 and up (note: in some cases there is a narrow age range such as 18-25; but in other cases, the "next generation" can be as old as 50!). I have seen the parents' generation modify their own giving strategies based on the experience of the younger generation's work. I have known several families who became much more focused in their giving based on the experience of the younger generation. Some families set up a matching gift program for the next generation, sometimes matching dollars or even matching volunteer hours. Cross-generational mentoring programs (uncles to nieces or aunts to nephews, for example) help build family relationships and can teach both parties. Grandparent/grandchildren funds are a spectacular opportunity to deepen connections, encourage giving, and develop a legacy.

A few years after my mother passed away, we decided that it was time to test the waters on bringing in more family members into the family foundation. With GenSpring staff as facilitators, we crafted two major projects in honor of Mom, one by the three sisters and their husbands, and one by the next generation of cousins, age 14 to 24. For both groups it was a wonderful opportunity to discuss Mom's legacy, the values that she had lived her life by, and the values that we shared collectively. Different family members stepped up and took the time and interest to make the gifts happen. Everyone enjoyed the experience of crafting a testament to the family's values. This marked the beginning of the next generation of giving.

This article was excerpted from A Family's Guide to Wealth: Insights from Thought Leaders and Pioneers. The Guide was published by GenSpring Family Offices in commemoration of the firm's 20th anniversary (1989—2009).

8 Indiana University Center on Philanthropy, "Generational Differences in Charitable Giving and in Motivations for Giving," published for Campbell & Company, 2008.

RESOURCES

The growth in family philanthropy in recent years—a doubling in the number of family foundations, and enormous growth in donor-advised giving and charitable trusts—is a testament to the health of our civil society and the growing recognition of the potential power of family giving. To support this emerging field, an infrastructure of membership organizations, consultants, and web resources have sprung up, and myriad financial and family wealth advisors now incorporate philanthropic planning for families into their toolbox. When my family started its foundation 20 years ago, much of this did not exist. The good news for families is that there are many more supports available to help them get started, learn about best practices, and engage specialized resources or hands-on help. Here are a few to get you started.

Organizations:

www.ncfp.org – The National Center for Family Philanthropy conducts research, and develops educational materials and programs for families and individuals.

www.exponentphilanthropy.org – Exponent Philanthropy is a membership organization that assists foundations with few or no staff and donors with donor-advised funds, publishes many resources, and organizes educational conferences and meetings.

www.cof.org – The Council on Foundations is a membership organization of foundations that publishes useful materials for family foundations, and conducts an annual conference and periodic webinars.

www.givingforum.org – The Forum of Regional Association of Grantmakers includes regional, state, and community associations of grantmaking members, many of which conduct educational programs for family foundations.

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About the author

Ellen Remmer is a recognized leader in the field of strategic philanthropy. She has been with TPI since 1993 and served as President and CEO of TPI from 2007- 2012. Ellen has developed many of TPI's philanthropy promotion initiatives and signature donor learning programs. She speaks internationally on the subjects of strategic giving, family philanthropy, growing philanthropy and women as donors. Among the many publications Ellen has authored are: What's a Donor to Do? The State of Donor Resources in America Today; Philanthropy for the Wise Donor-Investor: A Primer for Families on Strategic Giving; Raising Children with Philanthropic Values; Making a Difference: Evaluating Your Philanthropy; and Passion: Discovering the Meaning in Your Philanthropy. Ellen has been featured in publications ranging from the Wall Street Journal and Forbes to Chronicle of Philanthropy and Town & Country.

About GenSpring Family Offices

GenSpring Family Offices is a wealth management and advisory firm for ultra high-net-worth families. Founded by families for families in 1989 as Asset Management Advisors (AMA), GenSpring is an affiliate of SunTrust Banks, Inc. With nearly $15 billion under advisement, it has been chosen by more than 600 families to manage their wealth across generations. GenSpring is headquartered in Palm Beach Gardens, Florida and has local family offices in Atlanta, Charlotte, Greenwich, New York City, Miami, Orlando, Palm Beach, Tampa Bay, Sarasota, Washington, DC and Phoenix. www.GenSpring.com

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The Philanthropic Initiative is a nonprofit advisory firm that helps companies, foundations, families and individuals find innovative ways to maximize the impact of their giving. Working around the globe, we have invested in the promotion and practice of strategic philanthropy since 1989.

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