

WHITE PAPER



Family Philanthropy

Ideas for Making the Most of Group Giving

At the time of this writing, the composition of the United States Congress has recently undergone a dramatic shift between the Democratic and Republican parties. Historically speaking, this is a normal and expected event that occurs as political cycles in the U.S. ebb and flow. Commensurate with these cycles is the prospect of tax law changes that may influence future charitable giving. Depending upon your perspective, these can represent a boom or a bust outlook for the future of philanthropy in America.

The purpose of this paper is to focus on longer-term matters related to family philanthropy rather than shorter-term political factors. Specifically, we will explore ways in which families use charitable giving to build stronger communities, enhance relationships and instill a love of altruism within family members. These are worthy goals, and they often transcend the technical details that go along with ever-changing tax laws and various gifting techniques/vehicles.

We do not believe that family philanthropy has to be complicated in terms of structure, but we do believe that commitment to a process

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produces better results. We are fortunate to work with clients who use trusts, private foundations, donor-advised funds and other techniques for charitable giving. Sometimes our clients choose to gift directly from their personal accounts and they may use low-basis stocks, art/collectibles or real estate as gifting vehicles. Regardless of where one lands on this spectrum, we offer a few observations from our collective experience that can help make charitable giving a family affair.

Consider Your Purpose

Before beginning, families are wise to consider the questions of who, why, where and when for their giving. Senior family members may exert more influence on the answers but, ideally, all opinions should be considered. The answers to these questions can help define and document goals for family giving. Once those exist, families are in a better position to accomplish their charitable goals and they will find it easier to implement the suggestions within this paper.

Getting the Family Involved

A common technique involves creation of an advisory board that includes family members. The primary reason for an advisory board is to share giving responsibilities. Think of this as a governing body that can “democratize” giving among the participants. Members should be expected to take an active role by helping to research, recommend/approve and report on charitable giving activities. This process can be formalized and followed regardless of the type of giving vehicle that a family uses. The important take-away is that family members benefit most when formal roles and responsibilities are given.

One form of responsibility that we often see is to assign specific grant amounts to family members. This can be assigned in the form of a set dollar amount, a percentage of grantable funds or even to a specific giving category such as education. Focused categories can be used to help families develop deeper expertise as individual family members have an opportunity to engage and learn about specific types of grants. To use education as an example, the family member who focuses on

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this might become the “subject matter expert” on which scholarship programs within their community are most effective or closely aligned with family goals.

In some cases, it makes sense to actually transfer any assigned grant amounts to a dedicated and independent account. The type of account can vary from family to family. While a formal fund like a donor-advised fund often makes sense there are times when a simple checking account will suffice. Either way, separate funds or accounts can provide family members with ownership and responsibilities that we believe are beneficial. Some families use these to effectively involve younger generations in their charitable giving as the independent funds or accounts can provide a “training wheels” approach to prepare individuals for future leadership and stewardship of charitable assets.

A final observation on involvement relates to geography. As families grow and the generations sometimes disperse to different locations it can be helpful to direct charitable giving back to a certain place, region, or even state. For example, the senior generation might establish a requirement for grantmaking within the community where the family originated from or where they built a successful business. This highlights a shared bond among family members and may help them find a common cause for a portion of their grantmaking. In some cases, it can drive interest in family reunions or activities at locations that are important parts of family history.

Best Practices

Once families begin to give together they can shift their focus to improving giving in a way that maximizes their charitable efforts and results. We note several beneficial practices that we have observed in the following paragraphs.

If giving is done by consensus it presents an opportunity for family members to present recommendations to a larger group. We believe that developing a comfort level and proficiency in preparing and presenting gift recommendations is a valuable life skill. In many cases,

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a younger generation can develop negotiation skills, learn the art of compromise and enhance their public speaking skills. At the same time, senior generations can provide valuable mentorship and they may even learn a few lessons related to patience, delegation and respect for differences in opinion across generations.

The “practice makes perfect” adage applies to the paragraph above. One way to ensure this is to pay attention to repetition and routine. We believe that family members benefit most when meetings are held at regular intervals and when they follow a certain routine. Each family differs but we recommend that philanthropic meetings take place at least once a year. For those meetings, we recommend common elements such as a review of gift proposals/requests, a financial review of the underlying gift funds and a review of prior gifts. In person presentations from a representative of a charity or even from a tax, legal or investment advisor are often worthwhile. Site visits to potential grantees can also be a helpful learning tool as they often reveal more than a traditional written grant request can.

We also see opportunities for engagement after a particular grant or gift is made. One idea is to require recipients to provide a formal follow up at a specified point in time after a gift is completed. This holds the recipients accountable for the use of funds and it provides family members a way to review the success or failure of a particular gift. In time, this use of hindsight can hopefully improve grantmaking decisions as family members develop experience and a memory for successful grantmaking practices. We do caution that a trade-off is at work here; time spent by a non-profit on due diligence and reporting may mean time that is not spent on the mission. So, any reporting requirements that families place on grant recipients should be carefully considered.

Another practice that we like relates to grantmaking data. Historical records can be helpful with future grantmaking as they can help identify past patterns. This can help direct giving towards, or even away from, certain factors like individual charities, causes, locations, etc. For those that wish to take this a step further, it can sometimes be of benefit to examine the nature of historical grants such as those for

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operations, capital campaigns or endowment support. Thankfully, this information can be captured with the help of a spreadsheet, planned giving software or a CRM system. Community foundations are often accustomed to maintaining this type of data and can be great partners in this regard. They typically have a grasp of giving metadata as well due to their scope/reach that can extend well beyond a particular fund.

A Few Other Ideas

As advisors ourselves, we find this paragraph easy to write, and we hope that any other advisors who read this paper will agree. Families should make it a practice to include a trusted advisor(s) in their philanthropic endeavors. We are here to help and the backgrounds that led us to this career often intersect with charitable giving. This might include someone with legal, accounting, insurance, investment, business advisory, non-profit management or other expertise. Regardless, we will strive to help with the items previously mentioned in this paper.

When families and advisors need additional expertise, they can often turn to other resources like affinity groups, non-profit forums, family office networks, community foundations, philanthropic consultants, etc. These groups are a great way to engage with others in similar circumstances and they can often provide additional best practice reference materials. Community foundations, for example, can be a great partner at a local level because they understand their communities and they serve as a catalyst for uniting local philanthropists around specific initiatives. Non-profit forums often serve to promote cooperation among grantmakers at a regional, state or national level. Their work as a resource for networking among non-profits can improve the impact and effectiveness of giving for all grantmakers. These two examples are just the tip of the iceberg and advisors can often serve a valuable role in connecting families with the right resources.

Individual family members can also pursue informal and formal learning opportunities. For a sense of the informal side, simply search “how to become a philanthropist” and brace yourself for a deluge of results. Despite the volume, that search will reveal valuable

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information. On the formal side, undergraduate and graduate degrees are now available in philanthropic studies and non-profit management. There are even designations for professional advisors that focus on mastering the process of working with charitable clients, giving vehicles and non-profit organizations.

Closing Thoughts

To close we should circle back to the beginning and reflect upon why families give and what they want to accomplish from doing so. We reference the excellent resource “Wealth in Families” by Charles W. Collier for help with these questions. Within the book, Family Questionnaire #2 contains 18 questions that can help families identify the purpose and benefits that they are seeking from charitable giving. The questionnaire references a family foundation in several questions but we believe that the names of other giving vehicles are interchangeable. Our favorite question among these is number 5 which actually asks multiple questions:

“Individually, we have a history of charitable giving and volunteerism. Do we know why we made those gifts of money and time? Do we feel good about our choices? Do we know if our efforts made any differences?”

Collier, Charles W. Wealth in Families, Second Edition. Harvard University, 2006.

For those families that are willing to examine themselves and their giving in this way the rewards can be significant. As we said at the beginning, we believe that family charitable giving can help to build stronger communities, enhance relationships and instill a love of altruism within family members.

We hope that this paper provides valuable insight and guidance for the reader. We also hope that the benefits outlast most political cycles!

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