



Philanthropy across generations: creating a strategic roadmap

Families who give together know well that as their family grows in number and geographic reach through the generations, perspectives on philanthropic goals can take on new shapes and sizes. The initial charitable effort often evolves to reflect changes in family composition, affiliations with nonprofits, and diversity of giving vehicles. For many families, a primary goal is to create a smooth integration of the next generation into the family's philanthropic efforts. There are as many different approaches as there are families, and the most effective plans reflect their unique goals while employing the appropriate selection of the various giving tools available.

The topic of wealth transfer to the next generation has been well documented. Accenture estimated that \$30 trillion of financial and nonfinancial assets are ready to shift from baby boomers to their children in North America alone.ⁱ At the same time, there is a large and growing appetite for using wealth to solve social challenges and help those in need. In 2015, 98.4% of high net worth families gave to charity, and foundations contributed \$57.19 billion to nonprofit causes, a 6.5% increase over 2014.ⁱⁱ

To ensure that a family's charitable legacy lasts well into future generations, families can create a strategic roadmap to facilitate strong, multi-generational giving. There are myriad approaches, but they each share the common threads of promoting good governance practices and engaging family members in their most effective roles.

Depending on each family's philanthropic goals, strategies for integrating multiple generations into a cohesive family approach to philanthropy may include:

Selecting trustees based on factors other than age

In the past, family foundations may have seen the matriarchs or patriarchs lead a family's charitable giving efforts for decades at a time. Increasingly, families are choosing a more diverse group of trustees to guide their efforts. They may look for family members with





backgrounds that include experience with service on other boards, employment at a nonprofit or within government, or specific programmatic or business skills, including technology, accounting, human resources or investment oversight.

Creating term limits and rotations to open new board slots

To make room for family members of mixed ages, families may institute term limits to service or create a rotation schedule that allows for family members to serve at different times or on various committees, ensuring that board members continue to expand their depth and expertise.

Developing advisory boards or other non-trustee positions to provide a path toward greater involvement and responsibility

At times, family members may start their philanthropic training by serving on an advisory board. Perhaps that advisory board is charged with guiding the family's charitable efforts on one topic, or researching one issue. Alternatively, that advisory board may plan joint family learning on topics of interest, research and present the family history, or organize family service days or site visits to grantees of the family philanthropy. This discrete experience helps deepen the understanding of the overall complexities in the family philanthropic efforts and creates a pipeline of talent across multiple generations who are ready to serve in future decision-making roles.

Drafting foundation documents for a mix of control and flexibility down the line

Any governing documents of a family's philanthropy should be crafted with an eye to the future. Bylaws or trust documents often define the issues to address or even those to avoid. At the outset, some families make a decision about the duration of their joint family giving—and many decide to define their efforts as time limited. The best outcomes seem to arise through the right mix of stipulating the desires of the founding donors yet ultimately allowing for a family foundation to evolve over time.

Consider using alternative giving structures to accompany foundation giving

In the past, many foundations had an all-encompassing charter to be the vehicle for all of a family's philanthropy. However, increasingly over the last decade, use of new structures such as donor-advised funds has grown tremendously. As noted by Nonprofit Quarterly, "total charitable assets in donor-advised funds reached \$70.7 billion in 2014, an increase of more than \$13 billion from the previous year, the second consecutive year in which assets increased by more than 20 percent."¹¹¹





Donor advised funds can add a level of flexibility for a donor (an individual, a family or even a foundation) who wants to make a charitable donation in one year, but delay the exact choice of organizations and amounts until a later date. Other options include direct gifts, charitable trusts, giving circles, community foundations, or a small grants pool or other allocation within the foundation to allow for specialty giving (like next generation grants). These various vehicles are not mutually exclusive, and can be used in combination to yield optimal benefits for a family's philanthropic enterprise.

Make use of the increasing range of organizational structures to facilitate social change

As families make decisions about how best to accomplish their philanthropic goals, they are expanding the structures they use to make an impact on important issues. Mark Zuckerberg and Priscilla Chan made headlines in 2015 by launching the Chan Zuckerberg Initiative, a limited liability company (LLC) that will serve as a channel for both giving and investing. They used this approach to allow them maximum flexibility as they work toward social change, and so as not to limit their choices to not-for-profit efforts when approaching complex issues. Other tools include benefit corporations, a type of for-profit corporate entity authorized in some states that include in their legally defined goals positive impact on society, workers, the community and the environment, in addition to profit.

Many families share the objective of extending their philanthropy across multiple generations. A good philanthropic advisor can guide a family through the use of the many options in the philanthropic tool box. Insight and expertise can be tapped to invite participation of new family members while staying true to a family's philanthropic core values. In the end, the practice of good philanthropy requires laying out long term goals, identifying the right tools, and applying the appropriate blend of structure, flexibility and true joy in giving together as a family.

Endnotes

ⁱ The Greater Wealth Transfer, Accenture, 2015

ⁱⁱ National Philanthropic Trust, Charitable Giving Statistics <https://www.nptrust.org/philanthropic-resources/charitable-giving-statistics/>

ⁱⁱⁱ Donor-Advised Funds Growing Ever Faster: How Should Nonprofits Access the Wealth?, Patricia Schaefer, Nonprofit Quarterly, November 19, 2015

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