

PHILANTHROPY AS A STRATEGIC TOOL FOR FAMILY LEGACY AND CONTINUITY

Thursday, March 24 | 2 PM ET

Family Business | WEBINARS

For today's webinar

- Introduction by David Shaw, publishing director, *Family Business Magazine*
- There will be time for questions. Enter them from your computer anytime during the presentation
- Presentation materials will be emailed to all participants after the webinar
- The webinar is 60 minutes
- The audio portion of this webinar will stream through your computer. If you are not hearing sound, please check the speaker volume on your computer and on the player (look for the volume icon on the upper left side of the player).

WITH YOU TODAY



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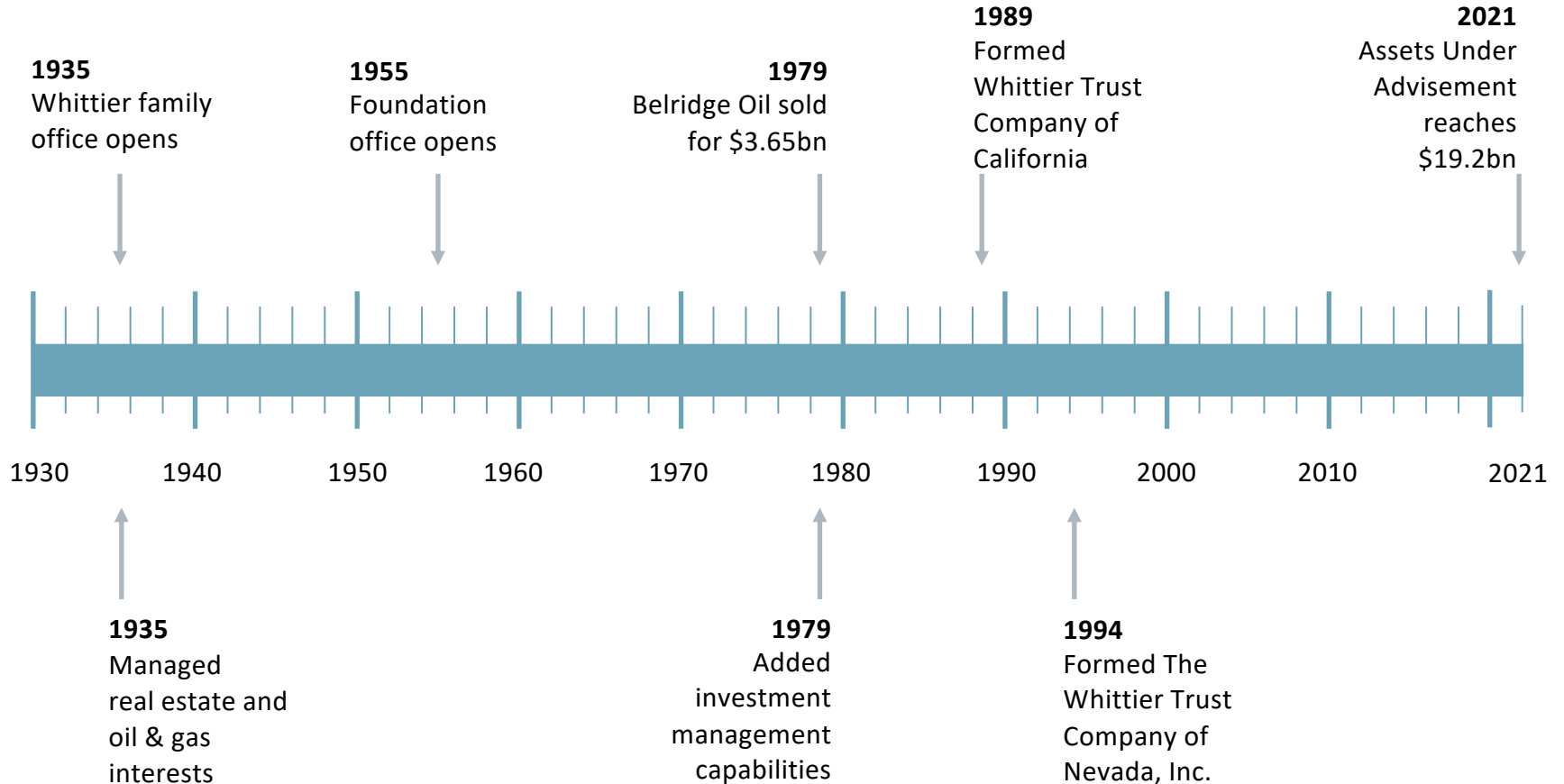
SUMMARY

1. The Whittier Family
2. Formalizing Family Philanthropy
3. Family Foundations vs. Donor Advised Funds
4. Family Continuity
5. Using Grantmaking for Training

1. The Whittier Family

Our Story

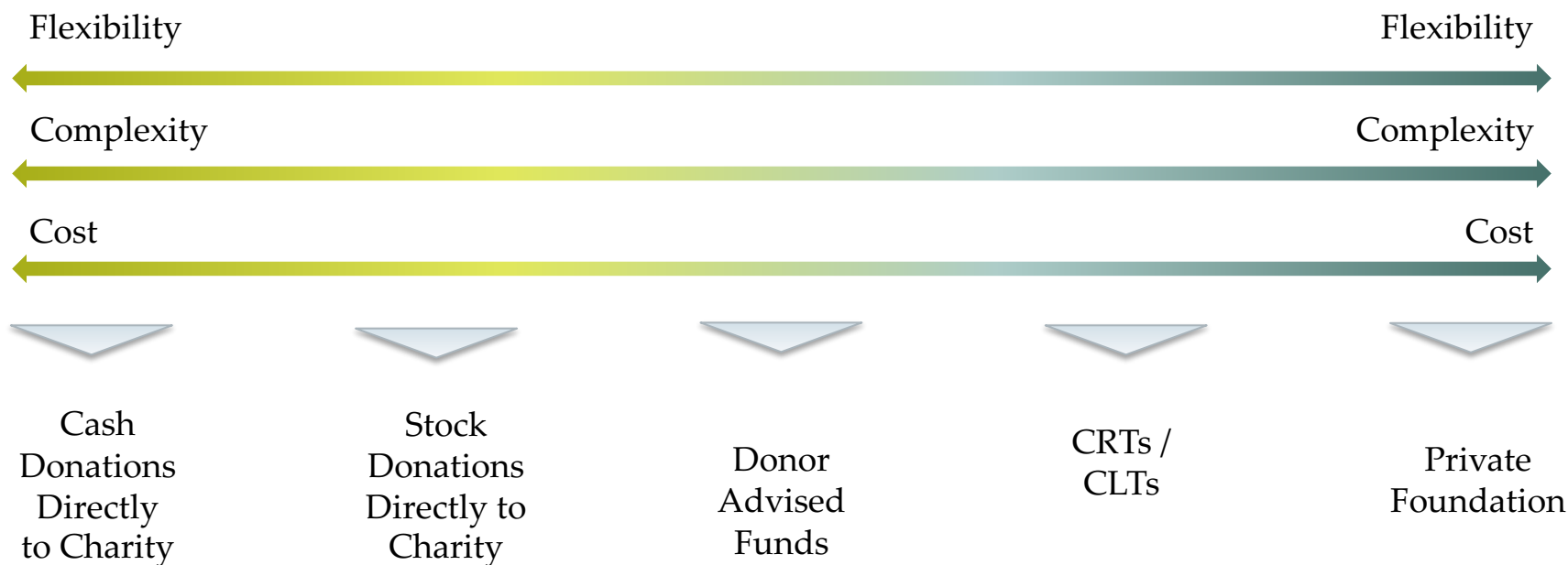
Wealth management capabilities organically developed over six generations



2. Formalizing Philanthropy

Formalizing Family Philanthropy

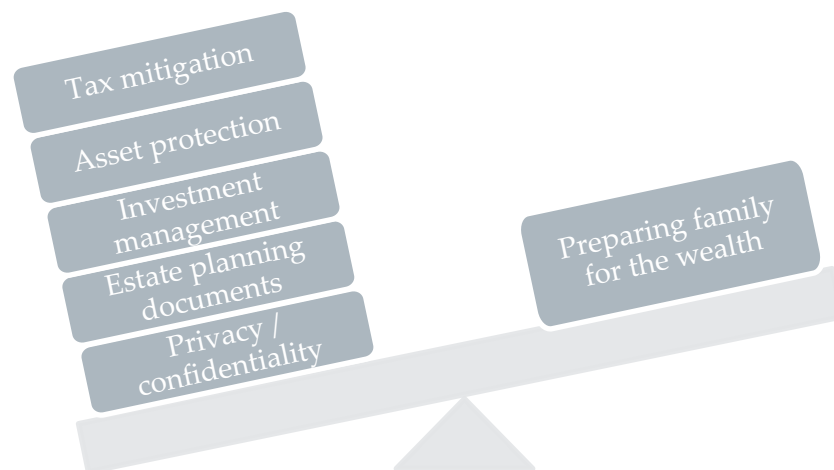
Moving away from “checkbook philanthropy” and towards philanthropic entities



Formalizing Family Philanthropy

- 70% of intergenerational wealth transfers fail by the end of the second generation for two primary reasons:
 - Poor family communication
 - Inadequate preparation

Study by Institute for Preparing Heirs, Williams & Preisser



Formalizing Family Philanthropy

Benefits to Your Entire Family

- Creates memorable experiences to define family values
- Provides a framework for preserving family values and stories
- Brings family from multiple generations/branches together
- Provides a level playing field for family members to work collaboratively
- Provides opportunities for education about investments, financial statements, evaluation, deliverables, etc.



Formalizing Family Philanthropy

Tips for Success

- Start early!
- Be intentional in your own philanthropy and talk about it
- Be consistent – develop family traditions

How to involve the next generation?

- Volunteering
- Family giving circle
- Junior Board
- Donor Advised Fund advisory



3. Family Foundation vs. Donor Advised Fund

Private Foundation vs. Donor Advised Fund

	Private Foundation	DAF
IRS Classification	501c3 Private Foundation	501c3 Public Charity
Required tax filings	990-PF (disclosure required)	None
Required Annual Distributions	5% of average asset value (less 1.5% cash reserve & expenses)	None
Required Compliance	Directors/trustees, annual meeting, minutes, bylaws, possible audit	None
Deductibility Limits: 1. Cash 2. Publicly traded securities (long term) 3. Non-public securities, real estate	1. 30% AGI 2. FMV up to 20% AGI 3. Cost basis up to 20% AGI	1. 60% AGI 2. FMV up to 30% AGI 3. FMV up to 30% AGI
Ability to manage investments?	Yes	Maybe
Can modify structure?	Yes	No
Subject to excise tax?	Yes	No

Choose A DAF?

YES

- Simplicity is desired.
- Plan is to initially fund with a relatively small amount.
- Seeking lowest overhead cost for charitable giving vehicle.
- Want highest available tax deduction for certain contributions.
- Want privacy related to grant making.
- Undecided as to what causes to fund, or who should be involved in grant making.
- Donor is major supporter of a small organization and is worried about tipping rule.

NO

- Uncomfortable with giving up legal control of grantmaking and perhaps investment management decisions.
- Want your specific grantmaking legacy/directions followed long after you're gone.
- Fund not be allowed to last in perpetuity with med successors.
- Fund may have restrictions on accepting and/or holding certain asset classes (read the fine print!).
- Want to fund causes other than 501c3's
- Want to employ or compensate family members.
- Anticipate significant expenses associated with giving.



WhittierTrust

Private Foundation or Donor Advised Fund?

- What assets to contribute?
- What level of involvement do you want?
- Who else will be involved?
- Amount to contribute initially or over time?
- Will it last forever?
- How important is control?
- How important is privacy/anonymity?



Choose A Private Foundation?

YES

- Interested in perpetuity, legacy and prestige
- Want to retain control of charitable decisions (maybe even from the grave)
- Interested in directing investments
- Want compensation for board service/expenses while on foundation business
- Can act as a buffer for donation solicitations
- Want formal meetings and process to govern Foundation business

NO

- Initial funding amount may not justify the costs to administer
- Want low overhead so that maximum amount of donated funds goes directly to charitable organizations
- No access to a skilled investment manager to provide financial oversight
- Privacy is of great importance
- Don't have buy-in from an active and involved Board
- Not sure about commitment - can be time consuming and complicated to terminate and dissolve the entity
- Prone to self dealing



Foundation or DAF? Why Not Both?

- Foundation at risk of not making 5% distribution, allocate remaining funds to a DAF.
- Want to gift appreciated real estate.
- DAF grants allow for anonymity.
- Can allow for grants that fall outside of the Foundation's mission.
- DAF grants avoid "tipping" for nonprofits.

4. Family Continuity

Best Practices

- Have Important Conversations
 - Identify a Philanthropic Mission
 - Identify Goals
 - Clarify roles each individual wants to play
 - Clarify roles each generation wants to play
- Empower Younger Generations
 - Employ family members as foundation staff
 - DAF provides a “safe” training ground for younger generation with the goal to “graduate” to the foundation board
 - Formal training ground for younger generations on a Junior Board

Roles of Each Generation

- Generation 1
- Generation 2
 - Have a board seat
 - Attend meetings
 - Speak up
 - Listen, take notes, learn best practices & learn from what hasn't worked in the past
 - Talk to Gen 3 about family business – figure out what might matter to them and explain why Gen 1 and Gen 2 has chosen what they have to focus on
 - Bring Gen 3 into meetings to listen
- Generation 3
 - Help guide the DAF to help learn the ropes before graduating to the foundation board

Family Philanthropy Example

Family Meeting – Sample Agenda

My wishes for you

- Pass on values
- Build legacy

My wishes for me

- Health
- Lifestyle

What I have prepared for you

- Trust
- Assets



5. Using Grantmaking for Training

Philanthropy as a Learning Tool

- Leadership/Management Qualities
- Sustainability and Scalability
- Reading and Understanding Financial Statements
- Evaluating the Strategic Plan/Business Model
- Understanding Fundraising Plan/Revenue Projections

Philanthropy as a Learning Tool

- Corporate Philanthropy
- Social Enterprise
- Impact Investing
- Mission Related Investments (MRI)
- Program Related Investment (PRI)

Miracles Foundation



- We introduced the option of a Program Related Investment (PRI).
- Foundation made an equity investment in an experimental testing apparatus in early stages of development.

Family Philanthropy Example #1

- G1 wanted their children to be confident Board members and shareholders of the family business.
- G1 wanted the extended family to be closer and more connected.
- The family chose to create a foundation
- G2 is in training to take over the foundation leadership
- G3 learning by involvement in DAF
- Annual Board meeting has become a family retreat

Family Philanthropy Example #2

- G3 involved in philanthropy related to veterans. G4 not at all connected to the cause.
- G4 got really excited about a nonprofit social impact film project.
- Foundation supported a documentary about veterans returning from combat.
- Family now is supporting a group introduced to them during the filming and looking for other creative grant making opportunities.

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QUESTIONS?

Family
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NextGen

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