By **Susan R. Schoenfeld**

Charity Should Begin at Home

Help clients develop a satisfying approach to philanthropy

The saying that "charity begins at home" is typically cited to justify a lack of philanthropic activity, but it can be turned around to mean just the opposite: By modeling philanthropic behavior at home for their children, parents can influence them to have a sense of social responsibility toward those who need our help. This behavior encompasses not only writing checks to causes we care about, but also volunteerism, taking the kids along on the midnight run or volunteering at a soup kitchen or whatever the family cause happens to be.

Likewise, from a practice development and management standpoint, the attorney's or estate planner's personal philanthropy, particularly board service, can help guide clients and broaden one's network. In this way, the attorney can "do well by doing good."[1]

Here are six issues for you to consider. Thinking about these issues and discussing them with your clients may help you to help your clients develop a satisfying approach to philanthropy.

Why Get Involved?

Clients may ask you for guidance on more than just taxes and probate matters. In the course of an estate-planning engagement, clients frequently seek guidance on handling matters of legacy and philanthropy and establishing a mechanism for giving that lasts beyond the current generation.

In fact, it's by building that type of advisory relationship with clients that you, as the lawyer, become the family's trusted advisor. The estate planner who looks beyond the four corners of the document and instead serves as a resource is the one who builds lasting relationships with clients instead of merely transactional one-offs.

Motivation for Giving

To better advise clients who are embarking on their family giving journeys, begin by thinking about what motivates your own giving and volunteerism. Did you donate to help victims of Hurricane Katrina, the typhoon in the Philippines, the earthquake in Nepal or other natural disaster? Why? Reflecting on what motivates your personal call to action can help you to guide your clients to discover their motivations.

Encourage your clients to explore their personal values and to uncover the values held by their children and grandchildren individually and by the family as a whole. The family can then mindfully employ the family foundation, donor advised fund (DAF) or other family philanthropic vehicle as an expression of those values.

Studies have shown that the next generation is influenced by the giving patterns of their parents and grandparents:

> My family has taught me almost everything I know about giving and how to give. I approach it very differently and, of course, bring different things to the table as a young person with a fresh perspective.... But everything that I do, my 'roadmap,' essentially, to giving is based upon what they have taught me.[2]

By opening the door to productive conversations about the family's values and modeling and encouraging giving behavior for the next generation, senior generations can have a marked impact on the family attitude toward philanthropy for generations to come. They

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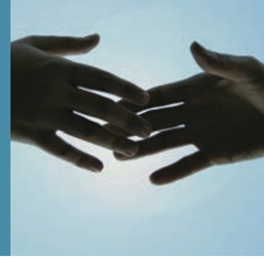

may embrace different causes, different techniques and different approaches, but will lay the foundation for the commitment to social responsibility.

Goals to be Accomplished

Encourage your clients to think about their giving in strategic terms. Are they interested in the proverbial "give the man a fish" by donating to alleviate a short-term need, such as disaster relief, or would they prefer to teach the man to fish, a longer term goal that might involve an investment in the arts, education, research and infrastructure?[3]

Are they interested in serving a narrow geographic area, such as their hometown, or are they global thinkers who want to serve a particular cause no matter where the location?

Importantly, are they interested in building a philanthropic structure that will live on and be managed by future generations of their family, or do they prefer to allow each generation to craft their own philanthropic identity?

For the estate planner's own philanthropic activities, first focus on the end goal for the activity. What sectors are you most interested in benefitting, and what practice development objective might also be promoted by that activity?

Help your clients (or yourself) explore what matters most, and suggest the ideal structure that will best accomplish their goals, is tax efficient, financially satisfying and emotionally gratifying.

Family Philanthropic Vehicles

There are a number of philanthropic vehicles that your clients may employ to accomplish their giving. The family foundation can be a wonderful technique not only to introduce the importance of philanthropy to the next generation, but also to enable the family to learn the fundamental concepts and skills of investment management that they'll need to understand throughout their lives, including asset allocation, the importance of diversification and how to manage their wealth managers.

The family foundation meetings can also serve as the pretext or basis for the initial family meeting, a means to get everyone to the table, even potentially reluctant participants.

Barbara and Bradley Robertson[4] formed a family foundation specifically for this purpose. They wanted to introduce their children to their team of estate planners and wealth managers in a non-threatening setting and

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begin discussions that would eventually lead to regular family meetings. They established the Robertson Family Foundation and named their children as members of its board of directors. The first-ever family foundation meeting included not just Barbara, Bradley and their children, but also the estate-planning lawyer and the relationship manager from their wealth management firm. The agenda incorporated not just foundation investment and distribution business, but also other agenda items identified as important by Barbara and Bradley, including a general description of the family asset holdings and an explanation of their estate plan so that the children could better manage their expectations for the future.

Be mindful that family foundations aren't a panacea for family disharmony. Forcing the family to act together isn't always a good idea. More than one senior generation has established a foundation as a family giving tool, thinking that it will bring their future generations together for long philosophical discussions about giving back to society over holiday dinners, only for the family advisors to see the next generation disband the foundation and break it up into separate entities so that each branch of the family can direct their own giving and benefit the causes important to them.

Family foundations are by no means the only, or even the best, structure to accomplish a family's philanthropy. An alternative family giving vehicle is the DAF, which generally qualifies as a public charity for tax purposes. It allows donors to make a charitable contribution, receive an immediate income tax deduction and then recommend grants to other public charities from the fund over time, as long as no personal benefit is received.

Tom and Jessica Martin have three young children, all pre-adolescent. They wanted to involve their children in activities and discussions around giving and volunteering, but weren't yet ready to make a significant enough commitment of financial resources to justify establishing a family foundation. Instead, they created the Martin Family DAF gift account and were able to involve their children in identifying causes that mattered to them. One year, they donated money to the nursery school that one of the children had attended towards the construction of a new playground.

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Vanessa and George Kelly also established a DAF instead of a family foundation, but for a very different reason. Unlike family foundations, whose tax filings are public record, DAFs offer their donors a measure of anonymity if they so desire. The Kelly family chose not to name their DAF "the Kelly Family Fund," but instead opted for a far less identifiable name. In this way, they're able to privately direct their giving without becoming a magnet for unwanted grant seekers.

Another way to get involved in giving back is participation on boards of public charities. This involvement can provide wonderful networking opportunities for estate planners to meet prominent and influential notables in their area of interest. It can also be a rewarding experience for clients, providing them with these opportunities, as well as preparing them for a seat at their own family foundation's board table.

Board Membership

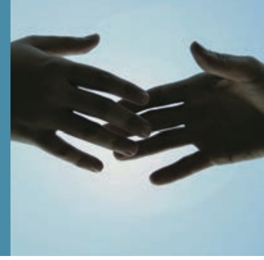
When families establish their selected giving structure, they must decide which family members (or non-family advisors) will be the decision makers. Board members typically include the parents, and sometimes the children or grandchildren, depending on age. Some families even include the children's spouses, perhaps after some threshold number of years of marriage.

James and Mary Jones established the Jones Family Foundation. In addition to James and Mary, the board members were their son Robert and his wife Patricia, and their daughter Michelle and her husband

SPOT LIGHT

A Walk in the Sun

"Portrait of a lady with a parasol" (39 15/16 in. by 30 11/16 in.) sold for $737 at Bonhams' Art & Antiques auction in Oxford, England on Sept. 9, 2015. "Inglesil" is signed on the back of the piece; it's unclear whether this is the artist's name.



Charles. They also created an advisory program for their grandchildren to sit in on board meetings at a certain age to learn and participate in age-appropriate ways. This spirit of inclusiveness bonded Patricia and Charles into the family, gave them a sense of belonging and quite literally a seat at the table where family values were being discussed. Robert and Michelle were gratified that their parents welcomed their spouses and valued their opinions. The grandchildren were also satisfied with the opportunity to contribute in age-appropriate ways.

Advisors should encourage clients to determine an age when children and grandchildren are eligible for board membership. They can create an advisory board for those too young for full board membership to still allow them to participate. A variation is to allow younger family members to be non-voting members, who may not have an official voice at the table but who are nonetheless involved in the overall process.

Education of Family Members

Not everyone has the same experience level to enable them to assume a decision-maker role right away. As advisors, we can help our clients educate incoming board members, whether the next generation coming into majority or even in-laws who may come from very different family backgrounds and have very different capabilities.

There are several different topics that may be explored for incoming board member education programs. One such topic is grantmaking, both general principles and those particular to that family foundation. Review of historical family grant focus, procedures for due diligence into the grantee organizations and the process for follow up on special purpose grants are all fertile ground for education themes.

Another common board member education area is information about the foundation's investment policy and thinking. Training can begin with the fundamentals of investment management and then expand to include the current foundation holdings and investment philosophy.

A third subject might be a review of the board practices and process, including defining the roles of each board member. Incoming board members will gain a greater understanding of their own part of the larger whole, and it may head off possible resentment borne of misunderstanding.

Even if there's no formal family foundation, clients can still determine an age when younger family members are given discretionary funds to give away as they like. Have them make a presentation on which charitable organization they donated to, why they chose that particular charitable organization and whether they felt afterwards that it was a successful gift.

Vincent and Grace King introduced their children to the satisfaction of giving by designating $5,000 for each child to give away annually. The only proviso was that the child had to do his own due diligence on the recipient organization and explain to his parents why he selected it; as long as Vincent and Grace were satisfied that there was a solid foundation for the designation, they would honor their child's request without imposing their own filters on it.

Be careful not to force family members to act together, as it may well drive family members apart, rather than the intended effect of bringing them closer together. Family philanthropic activities can be an effective way to share family values with the next generation and foster a sense of social responsibility.

Endnotes

1. *www.benfranklin300.org/etc_article_entrepreneur.htm.*
2. The #NextGenDonors research project, a collaboration of 21/64 (*www.2164.net*) and the Dorothy A. Johnson Center for Philanthropy (*www.johnsoncenter.org*).
3. *www.knowyourphrase.com/phrase-meanings/Give-a-Man-a-Fish.html.*
4. This example, as well as the other examples of family philanthropy mentioned in this article, is based on real-life families I've encountered in my career. I've changed the names to protect their privacy.