



Top 5 Traits of Effective Family Philanthropy

Trusts & Estates

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Help clients create a long-lasting legacy

The Anderson family is justifiably proud of its philanthropic legacy. The family traces its charitable roots back several generations when Richard, their patriarch, was still establishing the family business and financial security was an aspiration, not the certainty it is today. Even before the Andersons built substantial family wealth, they shared their time and talents to support causes they cared about, particularly arts and education in their local community.

For many families of wealth, creating a long-lasting legacy is a fundamental goal, one that shapes both personal and financial decisions. And many of these families, like the Andersons, want that legacy to reach beyond the boundaries of family, making a positive impact on their communities and the world.

As the Andersons' wealth grew and the family expanded, they realized what a wonderful opportunity they had to meaningfully enrich their community. The family made a purposeful decision to approach philanthropy as a family enterprise. Over the years, their charitable efforts have fostered positive change in varied areas from the humanities to medicine and the environment. Recently, the family undertook a process of evaluating and fine-tuning its philanthropic strategies in preparation for a new generation coming of age.

Through our work with the Andersons, Pitcairn has seen firsthand how a family can build a lasting philanthropic legacy, and we've identified five key traits that contributed to their success. We believe other families of wealth can better achieve their own philanthropic goals by understanding and embracing these traits.

A Clear Mission

With a clear mission, a family can carry forth its founder's values or promote its own shared values and vision. A mission lets a family explicitly express its responsibility to society and its plan for giving back to the community. Committing to a stated mission helps the family coalesce around its philanthropic goals, but it may also enable individual family members to support their own chosen causes. For example, the Anderson family revised its family foundation bylaws to allow different branches of the family to champion their own areas of interest as long as the foundation's overall mission was met.

A Defined Decision-making Process

Having a defined structure for a family's philanthropy keeps the focus on philanthropic ideas and long-term objectives. Furthermore, designating who will be involved in the decision-making process and assigning

appropriate roles to those individuals helps to minimize conflict among family members. When adopting a structure, it's important for families to consider how flexible or restrictive they want to be. The Andersons preferred a collaborative philanthropic approach, but they realized that as future generations married and had children of their own, natural differences would arise among family members. Anticipating this development, they incorporated reasonable flexibility in their decision-making process and established a grant-making structure in which the family must unanimously approve half of the foundation's annual giving, while the other half is allocated by individual family branches. This foresight makes the Anderson family foundation an evolving philanthropic vehicle that can meet changing needs over many generations.

Deep and Open Dialogue Across Generations

While good communication among family members leads to stronger relationships and more effective philanthropy, the reverse is true as well. Lack of communication is often at the root of family strife and failed family enterprises. Interactions among multiple generations can be particularly challenging, and longer life expectancies mean families may have as many as four generations at the table. With its fourth generation now approaching adulthood, the Andersons are benefiting from a very proactive approach to communicating with older and younger generations. First, they instituted both formal and informal avenues for gathering feedback. Before each board meeting, the designated leaders of the foundation speak one-on-one with every stakeholder, giving them an opportunity to express opinions and have their voices heard. These preliminary conversations reduce discord at the actual meeting and often take discussions into new and exciting philanthropic areas. The family arranges for more formal feedback as well, inviting representatives from every adult generation to participate when the family's philanthropy is discussed. Finally, family members are actively encouraged to share their thoughts with foundation leaders at any time via phone, email or text. Feedback is valuable, but a deeper level of participation is also valuable. The Andersons see philanthropy as an important means to engage upcoming generations as they mature. Experienced family members actively involve children and grandchildren in selecting charitable recipients, which gives younger family members an important sense of ownership and responsibility.

Respect for Personal Passions

We all know that being part of a family means accepting that our parents, siblings and cousins have very different personalities and quite an array of likes and dislikes. As families grow, the range of opinions becomes ever more diverse. A family foundation tends to be most effective when it helps members find their own passions rather than forcing them into the founder's shoes, which for many family members can seem too big to fill. For the Anderson family, Richard was a larger-than-life patriarch. He'd created enormous wealth through vision and hard work, and he raised a family that remained close-knit largely due to the strength of his values and the sheer force of his exuberant personality. His descendants feared they could never live up to his accomplishments. However, because their philanthropic approach prized individuality and allowed for flexibility in grant-making, Richard's children and grandchildren eventually found their own philanthropic passions and were able to make valuable contributions of their own.

Receptive to Outside Expertise

Philanthropy is a complex undertaking. Few individuals are equally knowledgeable about regulatory matters and the issues or causes a family might want to support. For families to achieve their philanthropic objectives, they need expertise in the areas of trust and tax law, as well as matters related to potential grant recipients. Assistance from outside professionals can be instrumental when refining a foundation's focus or obtaining a better understanding of relevant technical issues. Some families choose non-family professionals to run their foundation, which helps minimize conflict between family members. When the

Anderson family realized how hard it was for them to constructively critique each other's performance, they hired a non-family executive director to administer the foundation. Family members still make the ultimate decisions about annual giving, but having a non-family administrator diffuses conflict and minimizes concern that one branch of the family might have disproportionate operational control.

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