

Philanthropic Strategies for the Family Office



BRAEBURN
FAMILY OFFICE

Contemplating and planning strategically is essential for any business, initiative, or idea that is brought to market.

Philanthropy is no different than any other serious endeavor and requires as much strategic attention as other important areas of a family's financial, business, and legacy dynamics.

Strategic philanthropy allows families to meet financial, tax, family, and philanthropic goals in tandem; focusing on the intersection between each area and maximizing impact against family goals in all these important components of their family business. An opportunity exists for complementary synergies that often increase emotional as well as financial benefits for family members and across generations.

For many families of significant wealth, a commitment to philanthropy is integral to their legacy. Wealth, and the privilege often attached to it, is about more than amassing and passing financial assets to future generations; it is about passing important values through generations by giving back to one's community, creating a positive change in the world, and sharing a common passion for one or more cause areas. Many families use philanthropy to deepen their social consciousness and increase personal fulfillment.

A well-crafted, dedicated family philanthropy strategy unifies generations and at the same time supports tax planning through the implementation of specialized financial vehicles.

KEY PLANNING ELEMENTS

Each family has a unique culture, value set, history, geographic ties, size, number of generations and other defining characteristics. No two plans will ever be the same, yet many plans contain common elements that create a useful starting point when thinking about strategic philanthropic planning. These include:

Theory of Change – THE WHY

Mission and Vision – THE HOW

Philanthropic Objectives – THE WHAT

As a part of all reflective practices, starting with the WHY offers constructive insight into the purpose of a family's philanthropy, its current status, and its forward-looking trajectory. The WHY helps to inform the HOW and the WHAT. During a series of facilitated conversations and following correspondence with a philanthropic advisor, family members and/or trustees of a family foundation can explore what their individual WHY is, as well as what they believe it is (and should be) for the foundation and family (collectively).

In working with a recent client with a \$50mln family foundation, there were several themes that resonated with all trustees as the WHY (Theory of Giving), HOW (Mission and Vision), and WHAT (Philanthropic Objectives) conversations ensued. Those themes included:

- Accessibility.
- Inclusivity.
- Investing in Leadership.
- Capacity Building.
- Community.
- Social Justice.
- Arts as a Human Right.
- Improving Quality of Life.

The trustees reaffirmed that they all generally supported WHAT the foundation is doing, but there existed an appetite for a framework regarding WHY and HOW some decisions have been made. From that process, a comprehensive rubric was developed and changes to the foundation's grantmaking resulted. These changes included:

- Consolidating grantmaking categories.
- Updating giving guidelines.
- Refining values and differentiating values from grantmaking categories.

While the foundation has focus to its work, the trustees composed a mission and vision statement that is reflective of the foundation and its future direction. Although this family has gifted away approximately \$2mln annually for decades, and further formalized the entity almost 20 years ago, they

never embarked on a strategic planning process including creating guide posts such as vision and mission statements.

The vision statement defines the foundation's path and what it aspires to achieve if successful in its mission.

A mission statement outlines the reason the foundation exists and/or the need it is meeting in the community.

VISION STATEMENT

Creating a vision statement is a valuable exercise in affirming a foundation's assets and how family members intend to use these assets. The exercise creates commitment and shared understanding of goals by painting a written picture of the intent of the foundation's trustees. Once final, the vision statement provides clarity and structure to the foundation amidst other planned and unforeseen changes. It is a north star guiding the family into their philanthropic future.

It is beneficial to review and discuss vision statements from other family foundations before crafting and deciding on a final statement that reflects what the foundation is working to achieve if it is successful in executing its mission. Keep the statement brief, clear, and inspiring—as it does not outline the tactical steps to achieve the foundation's work—and stay focused on what the family's Big Hairy Audacious Goal (BHAG) is for the future impact it wishes to make.

MISSION STATEMENT

Creating, refining and composing a mission statement that best reflects a family foundation's work encourages grantmaking focus and strategic operations. It creates space for multi-generational engagement by providing a frame that future trustees can operate within, all while respecting the legacy and wishes of past and current leadership. The statement also stimulates family togetherness and unity in working towards a shared focus. Families usually reflect on previous grantmaking, the founder's intentions, and the passions of the current trustees when creating their current mission statement. Similar to the vision statement brainstorm, it is valuable to review

other family foundation mission statements, especially those that share a similar focus or other perceived commonalities.

Some family foundations value and therefore decide to create dual missions. An external mission—what the foundation does as well as why, how and for who—is most common and has already been addressed. Many foundations also create an internal mission—to outline how the foundation will provide a vehicle for passing along family values as well as building cohesion and educating succeeding generations on legacy among other topics important to the family. Many families focus on strengthening family traditions, improving family participation and connectivity, developing business acumen and success, memorializing family history, and/or grooming younger generations for future leadership responsibility.

THEORY OF CHANGE

A Theory of Change (or Theory of Giving as some families prefer) provides a framework that foundation decisions can be made within. When discussing this with a long-established foundation, they shared the purpose of the Theory of Change is to codify what the foundation is endeavoring towards. When working with a newly formed foundation, Theory of Giving allows engaged family members and/or trustees to map objectives that result in achieving its ultimate impact goal. The visual we use incorporates “if then” statements that lay out the interconnected steps that result in the end impact goal. We have renamed the concept from ‘Theory of Change’ to ‘Theory of Giving’ to better reflect this purpose in the context of working with many families.

OTHER AREAS TO ADDRESS

Philanthropic strategies often focus on:

- Meaningful incorporation of succeeding generations into the current leadership of the foundation and designing and/or refining systems of operation that support an inclusive and balanced multi-generation dialogue.
- Thinking through and planning future leadership structure and leadership succession planning.

- Creating infrastructure, operational, and governance processes and systems.
- Assessing, clarifying, and affirming grantmaking (areas) and developing go-forward grantmaking plans and structure.
- Creating new Board of Trustees and/or Advisory Board composition options.
- Considering, researching, and mapping out a potential sunset plan.
- Researching and designing leadership and trustee professional development and education.
- Evaluating current grantmaking impact and developing a grantmaking evaluation system.
- Deciding on a planning timeline – i.e. a new plan every 5 years.

BEST PRACTICES FOR THE 21st CENTURY

Philanthropy continues to evolve and a number of highly analytical and collaborative organizations and leaders have emerged as experts and champions of the industry. Many affinity groups exist that provide valuable resources for families. Local and national conferences and gatherings are available to join, and thought leadership is stimulating and inspiring throughout the philanthropic community.

Perhaps most importantly, build a culture of lifelong learning amongst family members and the professional team managing your philanthropy.

Terrific books and articles are readily available with additional resources published on a regular basis. A few well-regarded examples:

SUNSETTING & GENERATIONAL READINGS

- *Ofalea Foundation Sunset Reflections* via National Center for Family Philanthropy.
- *Example of an Ethical Will* by The Sprout Fund.
- *Growing Number of Foundations Planning to Sunset* by Philanthropy News Digest.
- *Philanthropy, Heirs & Values: How Successful Families Are Using Philanthropy to Prepare Their Heirs For Post-transition Responsibilities* by Roy Williams and Vic Preisser.

- *Generations of Giving: Leadership and Continuity in Family Foundations* by Kelin E. Gersick.
- *Raising Financially Fit Kids* by Joline Godfrey.
- *Raised Healthy, Wealthy & Wise: Lessons From Successful and Grounded Inheritors on How They Got That Way* by Coventry Edwards-Pitt.

INDUSTRY/SECTOR READINGS

- *Philanthropy Road Maps* by Rockefeller Philanthropy Advisors
- *TED2013: The Way We Think About Charity Is Dead Wrong* by Dan Pallotta.
- *Uncharitable: How Restraints on Nonprofits Undermine Their Potential* by Dan Pallotta.
- *Doing Good Better: How Effective Altruism Can Help You Help Others, Do Work That Matters, and Make Smarter Choices About Giving Back* by William MacAskill.

EXISTENTIAL & BIG PICTURE READINGS

- *TEDxPuget Sound: How Great Leaders Inspire Action* by Simon Sinek.
- *Find Your Guiding Purpose in Philanthropy* by Exponent Philanthropy.
- *Give Smart: Philanthropy That Gets Results* by Thomas J. Tierney and Joel L. Fleishman.
- *Wealth in Families* by Charles W. Collier.
- *Can't Not Do: The Compelling Social Drive That Changes Our World* by Paul Shoemaker
- *Giving: How Each of Us Can Change the World* by Bill Clinton.
- *The Promise of a Pencil: How an Ordinary Person Can Create Extraordinary Change* by Adam Braun.
- *Half the Sky: Turning Oppression Into Opportunity for Women Worldwide* by Nicholas D. Kristof and Sheryl Wu Dunn.
- *Begging for Change: The Dollars and Sense of Making Nonprofits Responsive, Efficient, and Rewarding For All* by Robert Egger.
- *The Blue Sweater: Bridging the Gap Between Rich and Poor in an Interconnected World* by Jacqueline Novogratz.

FOUNDATION OPERATIONS READINGS

Utilizing quality site visits to inform grantmaking

- How Should our Family Foundation Think about the Use of Site Visits? Ask The Center's Response by the National Center for Family Philanthropy.
- *Thoughtful Site Visits* by Exponent Philanthropy.

Utilizing a consent agenda for Board Meetings

- *The Dos and Don'ts of Consent Agendas* by BoardForward.
- *The Power of the Consent Agenda* by SVSU.

Conflict of Interest

- *Conflicts of Interest at Foundations: Avoiding the Bad and Managing the Good* from Board Source.
- Sample Conflict of Interest Policy from Council on Foundations.
- Sample Conflict of Interest Policy and Code of Ethics Policy from the Anneberg Foundation.
- *The Power of Impact Investing: Putting Markets to Work for Profit and Global Good* by Judith Rodin

NEWSLETTERS & WEBSITES

- Reflective Practices
- Chronicle of Philanthropy
- Resource Generation
- SSIR
- Nonprofit Quarterly
- Philanthropy News Digest

Partner with and listen to the beneficiary organizations, leaders, and communities. Don't be a carpetbagger philanthropist. No one appreciates know-it-all outsiders. People doing the work on the ground and who live in the communities understand and possess invaluable insights into the issues they are tackling. Utilize these experts as resources, data miners, story tellers, and partners. Be their partner. The Liberty Hill Foundation is a great example of a funding and capacity building organization who works closely with community members and organizers to achieve its significant results.

Speaking of collaboration; connect with your peers. Most community's issues and opportunities are too big to tackle and successfully address singularly. Research, find, and connect with others with similar funding missions. Share best practices with other families and foundations. Learn from each other on all levels of your business. Fund together for greater impact, enjoyment, and personal and family growth, and legacy building. Join local, national, and global membership organizations focusing on sharing best practices and learning together as funders. Some examples include:

- Center for Family Philanthropy.
- Southern California Grantmakers (SCG) and its peer organizations in other regions.
- Council on Foundations (COF).
- Grantmakers for Effective Organizations (GEO).
- Social Venture Partners (SVP).
- Exponent Philanthropy.
- Resource Generation.

Fund for maximum impact and fund what grantees actually need in order to achieve results. This often requires considering unrestricted funding and multi-year commitments. Start a conversation with beneficiaries and ask them non-threatening questions in search of real answers. LISTEN. The Real Cost Project is a great resource for the topics that should be examined to determine "what does it really cost to deliver a nonprofit's programs and impact they are striving to achieve?"

Like all investment strategies, focus on the people managing and leading the organization.

The Board and professional team are the experts, culture builders, governing body, and lynch pins to the success of philanthropic impact. Focus on professional development of these teams, continuous learning, improvement, and growth. Contemplate including a tranche of funding for this important area of nonprofit leadership.

Hold everyone accountable. Design a grantmaking and evaluation protocol that performs to the level of complexity and desired philanthropic impact. Execute it consistently and proficiently. Collect, analyze, and report funding

over a period of time. Aggregate data and flush out patterns to create a meaningful story. It is important to maintain a judicious and realistic reporting workload. Balance information requirements to assess impact against demanding extraneous data that may be cumbersome for grantees to track.

Celebrate and appreciate milestones and significant achievements, as well as the people driving them. Build a culture of gratefulness for both family members as well as all collaborators outside the foundation but key to philanthropic success. Shine a spotlight on grantees doing the hard work on the ground, other partners and stakeholders, and all generations involved in building family legacy. Philanthropic success is a collaborative effort and is achieved when all involved check their egos at the door.

Learn from failures. Create a culture that embraces boundless curiosity. The most successful philanthropy is entrepreneurial. Fine tune the foundation's best practices, systems, and ultimately work and results. All generations should be comfortable learning about philanthropy and exploring innovative, interesting, and agreed upon ideas. The occasional failure of an idea is a dynamic the team will learn from and ultimately the entire enterprise will benefit from the experience.

GIVING SMART

Strategic and successful philanthropy is about melding the brain and heart together to create a family's best philanthropic efforts and achievements. Thomas J. Tierney and Joel L. Fleishman created an incredibly valuable resource for philanthropists in their book, *Give Smart: Philanthropy That Gets Results*. It is highly recommended reading along with other resources previously shared. Their over-arching framework is worth highlighting: questions are more important than answers and there is no one best kind of philanthropy or way to do philanthropy. Rather there is a best path forward for each family or individual based on specific circumstances, values, and goals. The authors recommend engaging in a process of rigorous inquiry around six questions:

- What are my values and beliefs?
- What is "success" and how can it be achieved?

- What am I accountable for?
- What will it take to get the job done?
- How do I work with Grantees?
- Am I getting better?"

Approaching family philanthropic strategic planning through these queries provides tactical clarity. This protocol establishes quantifiable objectives and the action plan to best achieve these ambitions. It is a great way to determine what results the family will hold itself accountable to as well as launching an ongoing evaluation learning process. The authors are pragmatic, guiding readers through the realities faced every day; the challenge of making strong, permanent, and impactful change in the community through partner nonprofits. Success requires focused, determined, and consistent commitment by all stakeholders. This dynamic must be appreciated prior to investing significant resources.

Other questions to consider before embarking on a philanthropic journey, or while revisiting a philanthropic strategy include:

- Who will receive gifts? What issues are important? What specific geographic regions and/or types of people will be supported? What size organizations are most appealing and why? And what type(s) of funding will be provided?
- What is the timing of gifts? How frequently and over what period of time? Is there a desire to exhaust all philanthropic resources while alive or endure in perpetuity?
- What form of gifts: financial, non-traditional assets, time, networks, expertise, and knowledge? How does the combination of gifts interconnect and work together for leverage?
- Will gifting be public or anonymous? Do you want to partner with other donors, such as joining giving circles or funding collaboratives? What form will grantee engagement take? What giving vehicle(s) will be utilized initially and over time while layering in additional structures?

Many additional details exist, and it is essential to engage tax, financial, and philanthropic advisors to ensure all implications are thoroughly vetted. The journey is rich, exciting, and may continue for generations. Creating a strong, prudent philanthropic strategic platform is the beginning of a lifelong

pursuit of making the world a better place. Successful family philanthropic dynamics strengthen family relationships, capabilities, and legacy.

Braeburn Family Office is pleased to collaborate with Marta Ferro to produce this White Paper.

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Marta Gazzera Ferro is President of Starfish Impact, a philanthropic advisory firm founded in 2005. Marta brings her nonprofit, philanthropic and corporate clients the same entrepreneurial spirit, business management skills, and deep relationships she brought to her work at Goldman Sachs and in international business. Marta is also an SVP-LA Partner, Liberty Hill Foundation Board Member, Westland School Trustee, Founder of #SupportingOurSector, Co-Founder of GoodAdviseHers and Angeles Art Fund, and a Southern California Grantmakers Member. Marta earned her MBA from the Anderson School at UCLA. She graduated Cum Laude from Vassar College and was co-captain of the women's soccer team.