

## Passing Down with Purpose: Five Keys for Transitioning to a Multi-Generational Family Foundation

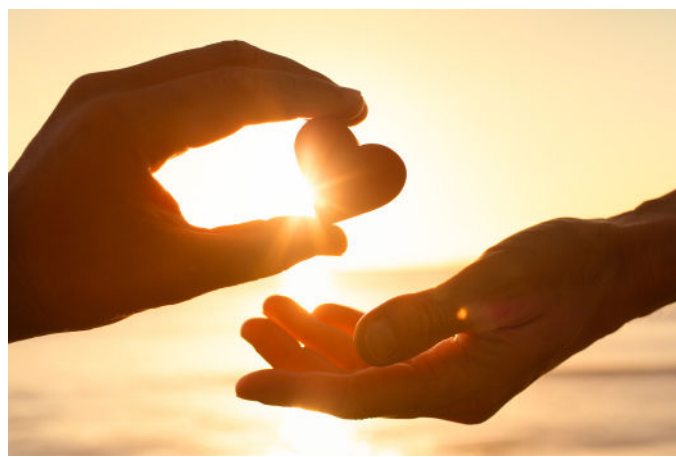
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In January of 2022, the market research firm, Cerulli Associates, projected that more than \$84 trillion will be transferred to family heirs and philanthropic interests by 2045 in the U.S. alone. Since then, these numbers have been further verified with significant implications for generational wealth and opportunities for philanthropic endeavors for families.

As a result, financial firms are lining up to help heirs invest those funds, including providing support in setting up foundations for their philanthropic endeavors. These firms are also appropriately realizing the importance of identifying family values that drive charitable giving, providing education for next-gen family members, and even designing family meetings. But many of these firms are also discovering that delivering these non-financial services is much more complex than what most accountants and attorneys are prepared to tackle.

This is particularly evident as first-generation founders of family foundations consider not only the transfer of wealth, but the legacy of family philanthropy to subsequent generations who might have different views of how to best help the communities historically targeted by the foundation.

According to a significant benchmark survey conducted by The National Center for Family Philanthropy, 74% of family foundations reported that their charitable giving has shifted over the past 10 years to be more issue driven. More specifically, NCFP's Trends 2025 report indicates that while education, college access, and literacy are still common issue focus areas, the number of family foundations shifting their focus to human rights, civil liberties, and civil rights has increased nearly 150% over the past 5 years. Similarly, the number of family foundations



focusing on environment, sustainability, and climate increased to 30% compared to 18% in 2020, followed by a slight increase in focus areas of poverty, hunger, homelessness, and social and family services.

While the NCFP's data also reports that the majority of family foundations closely follow the founder's intent, they also indicate that that founder currently remains actively participating in the foundation. However, as the transfer of significant wealth ramps up and those founding donors are succeeded by their heirs, the shift in charitable focus of family foundations is likely to continue. As a result, families are discovering that moving from a founding donor foundation to a multi-generational one requires asking thoughtful questions that give way to important conversations that impact philanthropic focus, governance, and family engagement. Here are five key steps to help smooth a transition from founder/donor to the rising generation(s) in family philanthropy.

### 1. Clarify the Vision and Mission of the Family's Legacy of Giving

Inherently, family philanthropy is rooted in a collective

commitment to some form of social improvement or support, often dedicated to a specific geographic area and usually driven by the founder-donor's original vision. Whether to education, poverty alleviation, nutrition, or simply community engagement initiatives, family foundations codify that founder's vision creating a legacy of positively impacting those communities.

Assuming the founder's vision did not include a plan to "spend down" funds over time, it is important that families consider how to build in longer term sustainability not only for maintaining funds but also in agreeing to what extent the founder's vision of giving permanently remains in place and under what circumstances it might shift in the future. These trends could indicate greater flexibility in a family's vision for giving over generations.

Questions to be considered:

- To what extent do we understand the history and unique perspective of the founding generation's mission for giving? What was most important to them?
- How might we best honor that mission and legacy of "doing good in the world" in subsequent generations?
- At what point, if at all, might the family consider a shift in the mission?
- What policies and processes might be created to help guide those conversations and give guidance to the foundation board?

## 2. Build in Opportunities to Reassess Impact and Need

The NCFP survey indicates that family-giving practices are slowly becoming less influenced by history, the founder, individual family, or board interests. Instead, giving is trending toward being driven by philanthropic mission, program areas, and the needs of grant seekers and the community thereby potentially providing a broader range of giving opportunities.

Assessing the impact of the family's giving on a specific community is key to the ongoing success of those endeavors. This includes creating a regular touch point that revisits the original vision for giving and to what extent community needs may have shifted over time. By creating an ongoing, transparent process of understanding how foundation funds are being utilized by grantees over time, family members and foundation boards can gain insight into what extent grantees are effectively contributing to the mission of the family foundation. Simple practices

like site visits can strengthen relationships with grantees, provide insight into financial needs, and ensure continued alignment with the foundation's mission.

Questions for consideration:

- How do we ensure that our grantmaking remains both relevant and impactful?
- How are our funds making a measurable difference in the communities we support?
- Have the community's needs shifted since we established our giving strategy? If so, how should we adapt?
- How frequently should we review and refine our giving priorities?
- What qualitative or quantitative data should we collect to better assess our impact?

## 3. Engage the Next Generation in Active Giving

Family foundations often face the challenge of transitioning from a founder-led vision to a multi-generational enterprise that both honors the founders' intent and engages younger family members in those philanthropic endeavors. Younger generations may have different perspectives on how to make an impact, yet the founders likely envisioned their children, grandchildren, and beyond continuing the family's legacy of doing good in the world. Successfully managing this transition requires balancing tradition with innovation to inspire ongoing family involvement.

Some family foundations have successfully engaged family members across generations by offering individual giving and grantmaking opportunities. This approach allows family members to support causes beyond the foundation's official mission while fostering their long-term involvement in philanthropy.

Questions for consideration:

- Who should be part of philanthropy in the next generation: blood relatives, spouses, etc.?
  - When and how should non-family members be included in a foundation board?
  - Is funding expected to be generated from one central "pot" representing the extended family or do family branches manage their own giving?
  - Should individual family members be provided funds to donate to their preferred charities?
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## 4. Create Clear Pathways, Structures, and Policies for Family Involvement

Just as strong governance is essential in other parts of a family enterprise, establishing clear pathways for family involvement in board service, leadership roles, and grantmaking is crucial for the long-term success of family giving practices. Well-defined structures and policies not only support sound decision-making but also help prevent conflicts among family members and branches over time.

Questions for consideration:

- From fund investments to grant decision making, who manages the foundation?
- What is the relationship between the family office and the foundation?
- How might family create seamless enterprise-wide governance processes that provide clear opportunities for board engagement, including within the family foundation?
- What will be the requirements for next-gen board service?
- Under what circumstances might the family/board consider compensation for officer positions (board chair, vice chair, etc.)?
- How are financial and funding decisions communicated to the broader family?
- What policies are in place about funding publicity?
- What gifts might be private or anonymous versus made public?
- What has been the founder's vision regarding both public and anonymous gifting?
- Under what circumstances might the family consider whether "naming" gifts are appropriate?

## 5. Managing the Foundation Together

Engaging family members across generations in a family foundation is essential to the long-term success and impact of a family's philanthropic mission. While some family foundations are successfully managed and governed by non-family members, the foundation offers significant opportunities to build family cohesion that maintains the family legacy of giving over time. As in every aspect of the family enterprise, creating processes that clearly outline support for multi-generational engagement not only uphold the family's legacy for philanthropy but also can ignite excitement in subsequent generations in the family's commitment to a unique philanthropic mission.

Questions for consideration:

- How can we ensure that our definition of family inclusion in the governance and management of the foundation is as broad as possible?
- How can the family best use the family council to support future generational engagement within the foundation?
- What conversations need to take place to ensure that conflicting perspectives and interests are addressed early in the process?
- To what extent and when might subsequent branches of the family create their own philanthropic endeavors separate from the foundation established by the original founder-donor?

## Conclusion

These five key steps are good starting points for families to consider, particularly as they prepare for the coming transfer of wealth and how they might fully enact a mission of doing good in the world. By reflecting on the guiding questions outlined in this article, families can engage in meaningful discussions, assess their philanthropic impact, and ensure their giving strategies remain effective, inclusive, and aligned with their legacy.

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