

## Donor-Advised Funds: Strategic Vehicles for Family Philanthropy

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Philanthropy can strengthen family ties; offering family members a unique opportunity to articulate and act on their shared values. Donor-Advised Funds offer an effective means of passing on your family's philanthropic legacy through the generations as well as the opportunity to involve family members now.

### Getting Started...

Families wishing to give together with a Donor-Advised Fund, can begin their work by identifying charitable goals and crafting a plan to achieve them.

Many families seek out a philanthropic advisor—a professional with extensive nonprofit sector expertise—to act as an objective third-party facilitator, helping families to create philanthropic plans that both reflect their personal interests and contribute to positive social change. A philanthropic advisor can coach families through the process of assembling the key components for effective and meaningful family philanthropy that is outlined below.

- **Mission Statement**

A mission statement can help families to situate their giving in the context of their specific family history and values while clarifying a purpose for their giving activities. A well written mission statement outlines the specific issue areas in which donors plan to invest (e.g. the arts, cancer research, ending homelessness, etc.), the outcomes they hope to achieve, and the strategies they will employ to realize their goals. Mission statements should be reviewed and revised every few years to ensure relevancy, as interests and goals change over time.

- **Governance Framework**

Understandably, some families are initially hesitant to put formal structure around family interactions. However, philanthropic families benefit greatly from establishing an agreed upon structure that addresses the following questions:

- How will decisions be made about which organizations to fund? Who makes the decisions? By selecting a leadership group or "giving committee", donors ensure that there is a formal decision-making body charged with overseeing all aspects of the family's philanthropy: from identifying aligned non-profit organizations to making grant decisions and engaging the next generation.
- Will we convene formal giving meetings? If so, will they coincide with family business meetings or holidays? How often will they occur and who will be included?
- What kind of due diligence will we engage in when it comes to choosing grantees?
- What expectations do we have of grantees when it comes to application and reporting? Donors often find it beneficial to solicit written requests for funding from potential grantees. Doing so allows them to get a full sense of the organization's work and provides more information about a grant's potential impact.
- What kind of support do we want to give to organizations? (Project specific? General operating? Emergency support?)

Some families develop their own written guidelines outlining their areas of interest that they send to potential grantees. This step helps to ensure that the organizations that request funding are aligned with the family's interests.

- **Legacy Plan**

Donors giving as a family may be interested in ensuring harmony among successive generations. Legacy plans record a founding generation's motivations for creating a philanthropic entity and outline the objectives they hope to achieve through their charitable endeavors. These expressions of personal values and charitable intent give future generations a reference point to consult should doubts surface about how to focus their giving.

Legacy plans typically address who will become the successor advisor to the DAF when the current advisor passes and who will take responsibility for overseeing the "giving committee". This succession planning aspect of the legacy plan helps to ensure effective stewardship of charitable assets across generations.

- **Proactive Next Generation Involvement**

Family giving presents a significant opportunity to pass down values across generations and to teach valuable lessons related to wealth and inheritance. For these reasons, it is important to involve younger family members in the family's philanthropy early and often.

When inviting next generation members to participate it is important to recognize that they may approach giving differently than older generations. For example, Millennial donors (roughly ages 18-29) are typically more hands-on with their giving and more interested in giving globally than their parents and grandparents.

Some families decide to set up separate donor-advised funds that children or grandchildren can use to distribute small grants to organizations of their choosing. These funds allow for valuable learning around grantmaking, budgeting and working as a family. Other families invite next generation members to recommend one grant per year (for example in honor of their birthday or graduation) to a charity of their choosing provided they engage in the appropriate due diligence.

This training will help the next generation make good use of the family's charitable giving and instill them with a spirit of generosity that they are likely to carry with them.

- **Collaboration**

Seeking out opportunities to collaborate with peer funders around projects of mutual interest can help families to leverage their charitable dollars and create a more enriching giving experience. Funder networks, like the Women Donors Network and regional associations, like Philanthropy New York, bring donors together to learn and connect with each other and with leaders in the field. National associations like the National Center for Family Philanthropy offer workshops and webinars on numerous topics related to family giving.

- **Focus on Impact**

Family members are more likely to develop a sense of pride around their giving if they feel like their gifts are making a difference. Developing evaluation criteria can help donors to assess the progress their grantees are making on specific social issues and/or can assess the change they're creating in select geographies (such as their hometown). The more families know about how effective their gifts are, the more wisely they will be able to spend their charitable dollars in the future.

- **Fun**

Although giving away money is serious business, it should also be fun! Families who engage in meaningful giving together will find that while there are certainly challenges, there are also moments of great joy that result from connecting with loved ones and giving strategically to the causes they cherish.

The more involved a family is in how their Donor Advised Funds are put to work, the greater the potential impact and value of their charitable contributions. Drawing on the support of professionals who are steeped in philanthropy can not only help to ensure that the intent of your giving is followed but it can enhance the experience, increase the level of satisfaction from your charitable activities and deepen family relationships around shared experiences.

<http://www.fidelitycharitable.org/giving-strategies/family-philanthropy/strategic-vehicles.shtml>

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## Case Study: The Tabor Family Uses a DAF to Give as a Family

Louis and Elaine Tabor, a retired couple in their mid-60s, decided that after years of writing checks to local charities in their hometown, they wanted to establish a formal giving vehicle that would allow them to share the philanthropic experience with their three adult children who live throughout the country. Unsure of how to get started, Louis and Elaine sought the counsel of a philanthropic advisor who recommended that they establish a donor-advised fund (to be known as "The Tabor Family Fund") at a national DAF sponsor that will allow them to easily facilitate gifts to organizations throughout the country whose work resonates with each of the family members.

In order to determine the mission and priorities of the newly formed fund, the philanthropic advisor facilitated a family retreat over Thanksgiving when all three children were home to visit their parents. During the meeting, family members discovered that many of the organizations they had been individually supporting reflected collective interests in education and environmental conservation. The children recalled how Elaine, a former school teacher, involved all of them in volunteering with an after school mentoring program. And they all shared fond memories of family trips to national parks out West that gave them a deep appreciation of nature.

Based on these commonalities, the advisor provided insights about the larger landscape of opportunities for private donors in conservation and education and worked with the family to draft a mission statement that would provide a framework for the types of organizations their family fund would support. Louis, who had founded and run a successful retail company, expressed a desire to bring the same analysis and rigor to the family's philanthropy as he had brought to bear on running his business. As such, the advisor agreed to coach family members as they learned to conduct thorough due diligence (examining financials, outcomes, governance structure, etc.) on the fund's first grantees. Finally, the philanthropic advisor encouraged the family to think about when and how to involve the third generation (now ages 3-8) in the family's giving. To this end, Louis and Elaine are considering inviting each grandchild to recommend a grant of their choosing each year, beginning on their 10th birthdays.

The family has since agreed to re-convene each year at Thanksgiving to revisit their mission and focal areas, to review grant decisions, and to continue to plan for involving the next generation. The process of giving together has helped the Tabors feel close to family members who are physically far away. They are taking pride in being part of a collective project aimed at doing good in the world and look forward to using their fund as a platform for teaching their grandchildren important lessons about wealth and giving back.