

LEGACY:

THE HELPING HAND *of*
FAMILY PHILANTHROPY*By Charles H. Hamilton*

Family foundations give modern philanthropy its dynamic character. Founded by a donor within a family context, they are independent foundations where the original donor(s) or family members are still active on the Board. Each family foundation has its own rich heritage of values, goals and experiences, whether it has just been formed with an active donor at the helm (though “donor” is something of a misnomer, since most family foundations are the combined initial efforts of at least a couple and increasingly of a whole family) or has just gone through complex succession planning for the fifth generation of siblings and cousins. Whether constant or constantly changing, this heritage is the legacy of a family foundation.

This third volume of the National Center for Family Philanthropy’s *Journal* series is about the legacy that expresses and continues the values of the donor and the family through multiple generations. Sometimes that family legacy—as we will often call it—is the continuation of a donor’s intent, which has either been clearly expressed or extracted from historical records and recollections. In other cases, it is a more general legacy of family values that is affirmed by each generation in changing and expanding ways.

Some people worry that the values and priorities of deceased donors and distant generations (the “dead hand of the past”) are determining the future directions and grantmaking of many contemporary family foundations. Others view those values and priorities as sacrosanct elements of a donor’s intent. Both perspectives are rather static views of how foundations actually carry on their work and of what donors and successor trustees usually want. It is precisely the ongoing legacy of values, vision, and giving that holds family foundations together (or may tear them apart), propels them creatively into the future, and is the basis of their positive impact on society. Just as donor intent has received important attention over the last fifteen years, it is hoped that the more robust idea of a living legacy will receive much more attention in the next fifteen years. Legacy is not a “dead hand”; it is, instead, a living, “helping hand” that is entrusted to and guides succeeding generations of family trustees and foundation staff.

THE LEGACY OF PHILANTHROPY

Giving in America is now booming, in part because of the current economy. While the economic boom will not continue indefinitely, growing recognition of the importance of donors, family foundations, and the idea of a legacy will continue to change the nature of family philanthropy. It may help, then, to start with a little historical context: What is the legacy of American philanthropy?

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When historian Daniel Boorstin commented that “in America, even in modern times, communities existed before governments were here to care for public needs,” he went on to write that “philanthropy has arisen in America out of our poignant and pressing sense of community.” (*The Decline of Radicalism: Reflections on America Today*, 1969) What Boorstin noticed at our founding

is what we have come to call the independent sector, that critically important web of voluntary associations and nonprofit organizations that help provide for many public goods. That societal legacy of voluntary action has gone through great periods of expansion and contraction. By 1993, author Richard Cornuelle, who originated and popularized the term “independent sector,” saw that a revival was underway: “I am more than ever certain that the revival of the independent sector is essential to the survival of American society.” (*Reclaiming the American Dream*, 1965, 1993 revised edition)

The current growth in the independent sector is fueled in many ways by the growth of new family philanthropy. The number of foundations has more than doubled in the twenty years since 1980, from approximately 22,000 to 58,000. They now give more than \$20 billion annually. Nearly all of these foundations start as family foundations and most remain so for some time. Family foundations start small and most remain small, though the creation of wealth in this economy has led to more foundations that are large from their inception—the Bill and Melinda Gates Foundation being only the most famous example. At the death of the original donor, or upon the sale of a family business, there can be significant increases in the endowment. And it looks like this growth in the number of foundations will continue. A recent book predicts that there might well be 250,000 foundations by 2050! (Joel Orosz, *The Insider’s Guide to Grantmaking*, 2000) The vast majority of them will be family foundations.

This stunning growth of and prospect for family philanthropy has bemused most commentators. Indeed, it is worth remembering that there was a time, not so long ago, when philanthropy itself was thought to be unimportant and on the way out. In an early scholarly look at philanthropy in America, economist Solomon Fabricant asked in his introduction “Should not the trend toward public philanthropy [government payments that might be considered “philanthropic”] be encouraged, and should not private philanthropy be expected to retire from the scene?” (Frank G. Dickinson, *The Changing Position of Philanthropy in the American Economy*, 1970) And when Arnold Zurcher wrote *Management of American Foundations* in 1972, he thought family foundations were “primitive” and would no longer be set up with generous endowments.

Thus, it is not completely surprising that the role of donors, families, and family foundations was for many years nearly invisible. The “mega”-donors like Rockefeller and Carnegie were historically given attention, of course. Little attention had been paid to current donors or family foundations until recently. For instance, the Philanthropy Roundtable, which began as a national association of donors, was not founded until 1987. The larger nature, future, and challenges of family philanthropy escaped most



public attention until the Council on Foundations inaugurated the Program on Family Philanthropy in 1994.

A number of factors have influenced the dramatic increase in family foundations besides the booming economy. There have been some key changes in the tax code. Many of the newly wealthy are quite young and there is a greater propensity for charitable giving at a younger age. The new range of giving vehicles and their ease of use have encouraged greater philanthropy as well. The oft-discussed intergenerational transfer of wealth is now expected to range between \$41 and \$136 trillion between 1998 and 2052. As Paul Schervish and John Havens report in “Millionaires and the Millennium” (1999),

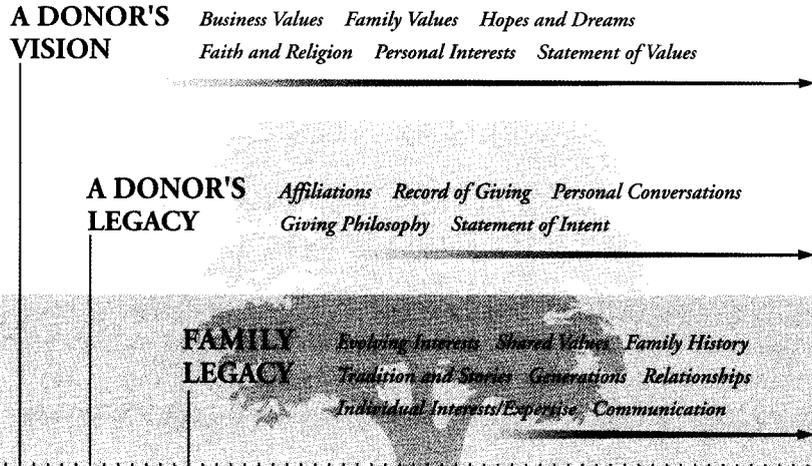
Although it is impossible to project with certainty the horizon of material wealth, we do believe it will be substantially large and that greater wealth accompanies a general proclivity toward increased charitable giving in general and for individuals... Apparently something more profound than tax aversion and tax incentives is generating a greater predilection for philanthropy. This more profound factor, we believe, is at least in part a growing public culture and personal spirituality of care.

These and other factors do presage “a golden age of philanthropy.” The most important, however, is a social and psychological shift that is affecting this country, but is not yet fully recognized. While commentators discuss with either approval or disapproval the change in the social contract such that government is supposed to do less, the real change is the feeling that individuals, families, and communities should do more. There is a great awakening of a more profound sense that problems can be addressed voluntarily. One shouldn’t underestimate this fledgling and still inchoate “growing public culture and personal spirituality of care.” Individuals and families are feeling newly empowered to take on precisely the responsibilities that Boorstin and Cornuelle alluded to. Robert Putnam reminds us in his recent book *Bowling Alone* (2000) that family is both a form of community and a means by which we can help society, “Your extended family represents a form of social capital.”

It is no surprise, then, that donors and families are forming foundations at a quickening pace and want to be involved in ways previously unknown. They believe that they can and should be heard. We don’t know how this attitude will develop over the next several decades, but it underlies much of the desire of donors and families to pass on a legacy of values to their “next” generation and to society.

Family foundations are both the incubators of organized American philanthropy and a reaffirmation of a great American legacy that giving with purpose, goals, and a vision is a responsibility and opportunity to effect change. In order for this amazing growth to be better grounded, more focused, and increasingly effective, donors and families are beginning to attend to the legacy that propels their giving.

A DONOR'S VISION, DONOR LEGACY, *and* FAMILY LEGACY



“Over time, family members change and program priorities change; what holds the family and its philanthropy together is the legacy of its values.”

—Bruce Sievers, executive director, Walter and Elise Haas Fund

Over time, a family foundation develops an ongoing legacy, contributed to by each family member, from the donor and successive generations of trustees. At one time, the foundation began through a donor's clear action. Whether explicit and written down or hidden and implicit, the founding values and vision of the donor are a starting place and may well infuse the family foundation legacy “in perpetuity”.

This complex interaction across generations is presented in diagram form. It is meant to convey two related perspectives. On the one hand, a donor's vision can, through many interactions and additions, become a family legacy that could bear little resemblance to the founder's purposes. In this sense, there can be a progression from donor legacy to family legacy as succeeding generations adapt, enrich, and “own” what has come before (suggested by the downward diagonal). On the other hand, a donor's intent and a family legacy may clearly be to further the founder's vision and purposes, so those values become the ongoing mission of the foundation (suggested by the three horizontal arrows).

The more explicit the vision, intent, and legacy the better. The journey family foundations take into the future may protect and honor an original purpose or progress through what look like stages from a donor's vision to a fuller family legacy. Both roads are challenging. And both roads honor the special place of family and values in the work of family foundations.

Let us look now at three major legacy themes that parallel the organization of this volume:

- 1) the legacy of values that underlie family philanthropy,
- 2) the importance and limitations of a donor's original actions and intentions in starting a family foundation, and
- 3) the ongoing effort of donors and succeeding generation to discover, maintain, and develop an ongoing family legacy.

FAMILY LEGACY

The distinguished sociologist Edward Shils once likened tradition to “an old building, lived in and used and modified over the years, continuing to be similar to what it was and to be thought of as still being the same building.” (*Tradition*, 1981) What a fitting image for the tradition of a donor and family legacy! The essence of family philanthropy over time is exactly like that, of a home filled with memories and mementos, pictures and stories. Values that seem explicit and obvious coexist with those that may be more ambiguous or contentious. One can almost see a kitchen table laden with food around which stories are told, values disputed and decisions made. The account of the McKnight Foundation mentions how a new generation of family members and prospective trustees actually discovered the foundation and the values of the family at family meals. Bill Graustein tells a number of marvelous family stories that resonate through the workings of the William Caspar Graustein Memorial Fund. All the family stories presented throughout this volume are rich examples of how memories and events come to symbolize values and lessons for the donor, succeeding generations of family trustees, staff, and the community at large. These stories and the values they expose get passed on within the inner workings of family foundations and animate their giving programs.

Not enough stories are being told. Sadly, the values that stand behind the decision to form a foundation are set aside almost from the beginning. For all the emphasis given to the importance of tax planning, both financial incentives and tax aversion are usually secondary considerations when a donor or family makes such an important philanthropic decision. And yet the values and purposes that underlie family philanthropy—the family legacy—get lost as various immediate legal, organizational, and accounting matters get pushed to the forefront.

And, after all, values are not easy to discuss. When money, power, and family dynamics are part of the equation, they are doubly difficult to discuss. Making those founding values as explicit as possible, though, is one of the most important tasks in establishing and maintaining a philanthropic legacy. It is always better if these founding values and purposes are formulated and communicated at the beginning, when the donor is alive. It is also more common today to see new family foundations facing this issue head on by engaging both donors and other family members in a discussion of family values and legacy from the beginning. In several stories in this volume, family trustees actually seek clear guidance about the values and intentions behind the founding from a reluctant donor.

Even when there appears to be no donor intent or legacy, the values embedded in the family provide continuity and flexibility to address the needs of the future. One founda-

tion in New York City, for instance, has no explicit mission or donor's intent to fall back upon, but has such a strong family culture and common values that it has sustained itself and its focus through three generations. Each generation has worked through different approaches to similar problems based on a generally common core of values. Change over the years becomes an opportunity to recommit to old values in new ways.

A philanthropic legacy doesn't, of course, have to begin or end with an organized foundation, though that is the focus of this volume. The legacy hoped for by two recent donors, for instance, is no longer to perpetuate the family foundation they formed ten years ago, which they now intend to spend out. The foundation was originally part of an estate plan: their "ethical will" to pass on the values of giving to their sons. Now these parents see it as one tool among many to help their children develop meaningful values so that they will do the right thing, whether that means starting their own small foundations, or just leading a good life.

"My family is my #1 interest!" exclaims H. D. Leighty, echoing a sentiment common among both donors and family trustees of succeeding generations. The idea of a family philanthropic legacy is about communicating and transmitting values across generations. Even with the most explicit intent, over time, the donor's legacy becomes a family legacy. While family legacy for a foundation doesn't stop with a statement of donor's intent, the issue of legacy does start with the donor. How much better if there is clarity from the beginning.

DONOR LEGACY AND DONOR INTENT

New donors draw on the inspiration and lessons of their family, their personal and professional mentors, lifetime influences, interests, and skills. Sometimes they draw on the experience and legacy of other foundations, as Ronald Austin Wells suggests in his article. Nonetheless, donors have a critically important role as "institutional" founders. Their intentions matter, and what has come to be known as donor intent is one aspect of a family foundation legacy.

There are a number of examples throughout this volume of statements developed by donors or families, variously called a Preamble to founding documents or a Statement of Donor Legacy. The most basic purpose of such a statement is to express the values, purposes, and grantmaking goals of the donor. It is their money and they are making a charitable commitment that may well exist in perpetuity. Second, a clear statement provides a benchmark by which to measure grantmaking; is it helping to accomplish the stated goals and values the donor set down? It can help protect a foundation and its funds from being used in ways that would be inimical to the donor's wishes. Third, and most important for an ongoing family legacy, a donor's statement offers crucial guidance to family trustees and staff as they take the reins of the grantmaking program. As Mary Phillips describes the opportunity taken by the donors and family of the Stoneman Family Foundation, prior to the death of the donors, "(S)uch a statement could ease any lingering doubts or anxieties family members might have about giving away inherited wealth or assuming responsibility for more of the foundation's grantmaking ..."

Any statement of donor intent or legacy is like life: it is a work in process, first for the donor, and then for succeeding generations as well. It is far better to set down what one

knows and feels now. A fuller statement can always be developed over time as experience matures one's values and intentions. The costs of not doing so, or of not being clear, are manifold, as many of the selections in this volume suggest. For new and young family foundations, being clear about the founder's values and purposes is critically important. As foundation critic Waldemar Nielsen has written, it all starts with donor intent: "Very serious problems exist involving departure from donor intentions as well as in the activities and operations of many foundations. On the whole, I believe that most of those problems derive from faults and failures of donors..." (*The Donor's Role in Donor Intent*, 1993)

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As important as donor intent undeniably is, it is a limited term that both advocates and critics have turned into an ideological tool. The real difficulties of defining and maintaining donor intent transcend—or afflict—all political viewpoints. On the one hand, some people defend donor intent as the only way to save foundations from wandering. Even with the clearest documents delineating donor intent, however, interpretations can vary widely. One large foundation started in the 1950s has a detailed guiding memorandum of nearly 150 pages and yet there is much public and private controversy over whether that intent is being maintained. Some commentators have advocated sunset provisions so that foundations spend out after a set term. There is certainly nothing wrong with sunset, as long as it is "private policy" and not public policy. Requiring sunset could have a very detrimental impact on the long-term institutional capacity of civil society and the independent sector to be effective and independent. And, in fact, most donors want a family legacy in perpetuity, so sunset usually contradicts a donor's wishes. Some people suggest that a donor's intent is best protected only during the lifetime of the donor and the next generation, who presumably knew what the donor wanted. Who is to say that a donor's intent will even survive that generation? Sunset can also be an excuse by current trustees to spend out rather than be more careful stewards of the legacy for future generations. In the end, care for the ongoing legacy and vision of a donor and foundation is an uncertain but important goal.

On the other hand, some people dismiss donor's intent too quickly as the "dead hand of the past." One donor expressed it thus: "It is immoral to have others do your work for you when you are gone." Those that worry that adhering to a specific intent will limit the creativity of succeeding trustees or staff want to offer *carte blanche* to trustees and staff without any reference to the donor's views. A number of legal cases have shown that ignoring a donor's intent can cause serious legal complications if the donor was clear in the beginning. There is also the moral issue. The original donor made the money and decided to set up a foundation to advance particular values and views. Aren't trustees and

staff in some sense accountable for following the legacy of values and purposes left by donors and maintained and adapted by succeeding generations of trustees?

Establishing a donor's intent at the beginning clarifies the values and purposes to the donor(s) and offers valuable guidance to succeeding generations. By itself, donor intent is a limited concept that ignores the extraordinary and difficult family and generational dynamics that actually animate family foundations over time. Family foundation trustees and staff know that donor intent is very important and that it is just the beginning of a multi-generational process that develops and honors a dynamic family legacy. Family foundations should start with a sense of the donor's intent or the family's values. But it doesn't stop there.

LIVING THE LEGACY

Providing the guidance of a statement of donor intent then, is not the “dead hand of the past” as many claim. It is, once again, a “helping hand” that provides insight into the values, vision, and purpose of the foundation. As Will Close reports in one of the articles, “For our fiftieth anniversary, we had a two-day retreat to examine the future of the foundation. Although we made some fundamental changes in the way we make grants, I cannot overemphasize the importance of donor intent and the work of the past generations in our thinking.” Over time, the donor's legacy is enriched and becomes an ongoing family legacy.

What if there is no statement of the donor's wishes, as is so often the case? After the death of a donor in a family foundation, children and grandchildren are often at a loss as to what to do without some guidance from the founding donors. They usually want to honor the past and need, as well, to look to the future and make the foundation their own. For several of the families and foundations discussed below, a profound sense of loss is felt when there is no direction from the donor or donors. Succeeding generations typically don't want a blank slate; they want guidance from the donor or earlier generations of trustees. It is obviously harder to reconstruct what those values and purposes are generations later. One of the questions raised in many of the stories in this volume is “How can one discover or reconstruct what is often a lost and vague intent and then nurture a legacy over time?” The articles in chapter four and the stories in chapter five give many fascinating examples of how different foundations and families have rediscovered a family philanthropic legacy.

Each successive generation within a family foundation is faced with the exciting task of respecting and passing on what becomes a family legacy. It is sometimes surprising—and certainly heartening—to see how hard so many family foundations work to discover their pasts. Succeeding generations of trustees must engage in inquiries of various kinds to determine the legacy of values and goals left by those who came before. When those purposes are too general, the actions of a donor during his/her life are an expression of values and a vivid source for determining a donor's legacy. One foundation sought to uncover a donor's values by systematically reviewing years and years of tax returns and checkbook stubs to unearth a deceased donor's giving history, and, by implication, her values and interests. Even when a donor's intentions are quite specific, succeeding generations may be left adrift if specific grantees disappear or issues become irrelevant. Once

again, the question is how do trustees and staff determine, revive, and apply the values that animated such specific goals? There is no single or simple answer, but each foundation and family trustee can explore the question.

As Tom Lambeth notes, “the only thing more dangerous than having the conversation is not having it.” An almost infinite number of factors can make this conversation easier or harder: whether there is a statement of legacy, the size of the family and board, and the size of the foundation. The foundation’s relative importance compared to a family business, the wealth and talents of succeeding generations, geographic proximity or dispersion of family members, cohesiveness of values, sibling and cousin relationships, and changing times all influence how legacy develops in a particular family foundation.

Whatever the unique features of a particular family foundation, spending some time on the issue of legacy is an important and rewarding effort.

Unfortunately, it seems that passing on what is known about a foundation legacy is often ignored. At the 2000 Family Foundations Conference of the Council on Foundations, for instance, trustees and staff were asked if the board had a plan for educating the next generation of foundation leaders. Over 50% responded “No.” Katherine Tyler Scott describes in this volume an ongoing educational process to develop a strong sense of trusteeship based on the foundation’s history, mission, publics, and future. Dr. Robert Lynn put it this way: “An institution whose leaders are out of touch with its movement through time—its trajectory—is often in serious difficulty.”

Discovering and communicating a legacy requires a careful, balanced eye. Discussions of donor and family legacy should avoid two extremes. The first is the tendency for foundations to lionize the founder and his or her legacy. We have all seen examples of hagiographic family or foundation histories that serve little purpose. At the other extreme are cases of subsequent generations of foundation trustees that seek guilt-ridden contrition for the sins they see in the actions of the founders. They so abhor the way the money was earned, or the uses to which it was put, that they overreact and likely miss out on understanding some of the nuances that may be there and may still impact the family legacy of values.

A foundation’s legacy can also play two important roles as the foundation world addresses renewed calls for accountability: both for the foundation itself and for the community of foundations as well. We all say we want results and accountability for foundations. Almost by its nature, significant results must be based on clear goals and must be seen in the long term. A focus on the legacy of a foundation provides a lens by which to assess how we have all done, from the donor’s original values and purpose

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through the continuity and change provided by the family legacy of succeeding generations. If a foundation is unconnected with its past and changes direction every few years, for instance, meaningful impact and assessment are more difficult. The resulting grant-making may be more dilettantish than strategic. Reference to the donor and family legacy of a specific foundation is one of the primary ways we assess how it is doing: “is the foundation following its mission and values?”

Legacy and accountability are also related when it comes to the foundation world as a whole. Commentators on foundations have worried that they don’t have shareholders (owners) and customers in the usual sense. These stakeholders do exert tremendous power on commercial organizations. Nor do they have voters as our democratic institutions do. A self-perpetuating board, then, can be open to the charge of self-interest and unsupervised action. The oversight of journalists is often uninformed and phrased in sound bites. Governmental oversight by legislation and by the State’s Attorney General are saddled with the same problems. In fact, surveys show that legislators in particular know little about foundations and also tend not to believe in that form of voluntary action.

A short excerpt in this volume by the former President of the Rockefeller Brothers Fund, Colin Campbell, makes the case that “telling our story” may be the most persuasive response to both the internal and external needs for accountability:

Accountability means giving an account of yourself—put simply, it means telling your story... One thing today’s family philanthropists can do is to tell their stories more publicly and openly, to circulate widely the values, lessons, and examples that will inspire and enable tomorrow’s family donors to follow in their footsteps... By becoming storytellers, family foundations speak not only to new generations of their own donor families but also to others who will be in a position to inherit or dispose of substantial wealth...

In our process oriented world, exploring a family foundation’s legacy is not merely a useful internal exercise for trustees and staff. It adds depth and content to grantmaking programs. A sense of family legacy adds significantly to a foundation’s “bottom line,” the impact it can have on its chosen areas of interest. And it provides another, longer term way of asking how foundations are doing. Telling the story of how a foundation and its trustees are actually “living the legacy” reminds us of exactly how foundations—here family foundations—act in a manner accountable to their origins, to their values, and to their future.

CONCLUSION

Returning to Edward Shils' metaphor of tradition as a building, it is generally better to restore and renovate than simply to tear down and build anew. As family foundations take their past into account, they build a living, family legacy. If there was a specific intent from the donor, maintaining and communicating those values across generations—across the kitchen table—makes them an integral part of a broader, ongoing family legacy. If there was no clear statement, discovering that heritage of values and interests through family stories and records in dusty trunks builds a similar family legacy. Finally and inevitably, each generation makes changes; they adapt and add their own values and viewpoints. In all of these cases, the legacy is important not as a concession to the past, but as a “helping hand,” a vital and rich part of the present that shows the way to the future. Paul Ylvisaker wrote that,

There is something distinctive and precious about family foundations that suggests they should remain as they are: a unique opportunity for families to make and leave their mark on the society around them, to share with others the fortune they have enjoyed and the creative energies they so often possess. (*Conscience & Community: The Legacy of Paul Ylvisaker*, 1999)

The many stories and examples in this volume show that the opportunity remains only if the legacy is attended to.

Maintaining, discovering, adapting, and carrying out a family legacy through multiple generations helps build dynamic, values-based family foundations. Living the legacy of a family foundation is also a powerful way to strengthen the larger societal legacy that is our responsibility. It is certainly not too much to hope for both results. Now that is a legacy worth pursuing!

