Term Limits and Rotation

Term limits provide more opportunities for others in the family to serve, rather than a few entrenched trustees, and ensure that the board stays fresh with new ideas and energy. Some board members like to be term limited so they know in advance what the job will entail and for how long. Term limits also make it easier to remove a board member who isn't functioning at a high level.

It's best to consider the issue early. You don't want to wait until your aging aunt is having health and memory issues to consider an age limit. Voting on term limits at that point is likely to be hurtful.

That doesn't mean the rotation rule has to apply to everyone evenly. Increasingly, family foundations are bringing on the third generation with term limits while promising that the founding generation and their children can stay on for life, as they wish. This practice provides a special bridge between the founders and future generations, ensuring that those who knew the founders best pass that legacy and intimate knowledge onto their children and grandchildren.

Some foundations create shorter term limits for community trustees than for family members. They may also limit certain categories of trustees, such as younger generation members, to provide an introductory experience and more opportunities to others.

By giving non-family trustees different term lengths than family members, you can rotate different perspectives into board deliberations over time. If, for example, you are funding in a particular focus area, it's often helpful to have someone with expertise in that area on the board. By setting a term limit of two or three years, you'll be free to renew that term or seek a different person with fresh perspectives or knowledge.

Families that use a rotation system typically have representatives from specific generations or individual branches rotate membership every year or two. It's helpful to stagger rotations so that when new trustees come on the board, there are still several left to ensure continuity and institutional memory.

Payment for Board Service

The complex issue of whether to pay family foundation board members for their service is a long-running debate. Most family foundations don't compensate their board members. NCFP's 2015 research, *Trends in Family Philanthropy*, found that only 15% of respondents report doing so. But many reimburse board members for travel costs and other expenses incurred through their board service. In addition, it is perfectly legal to compensate individual board members for serving as the foundation's staff or for providing specific professional services such as the legal, banking, or investment activities the foundation needs as long as the fees are reasonable and necessary. See the Legal chapter (page 68) for more on compensation.

Note: Trustees must declare as income any reimbursements not considered a requirement for board service, such as a spouse's travel to foundation events, child care, etc.

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