Becoming More Than We Are
Ten Trends in Family Philanthropy

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In *The Cathedral Within,* Bill Shore talks about how the builders of the world's great cathedrals considered inspiration and faith to be at the core of their work. "Somehow," he writes, "it has been both communicated and understood that it wasn't just that building a truly great cathedral would require everyone to share their strength, but rather that everyone sharing their strength would result in a truly great cathedral."

Perhaps the same can be said for the family philanthropy field. Philanthropic families invest in their communities and in their family legacies over the long term. When assets drop, they are often the first donors to dip into their philanthropic principal to help their grantees. They have been the quiet and often anonymous donors in their communities who have sustained and supported grassroots organizations for generations.

Changes in the world over the past twenty years—economic, environmental, global, and social—have inexorably changed the nonprofit and philanthropic sectors. Family philanthropy, once quiet and private, has become much more public and transparent. As a way to help make sense of some of this, in this issue of *Passages*, the National Center for Family Philanthropy takes a look at ten trends driving and shaping the family philanthropy scene.

TREND #1: THE CREATION OF FAMILY FOUNDATIONS AND FUNDS

In the past fifteen years, more people have created giving vehicles than in any other period in American history, creating a massive influx of funds into U.S. philanthropy. In fact, the National Center for Family Philanthropy and the Foundation Center estimate that family foundations may now control more than $300 billion in philanthropic assets. During this same period, there has been equally spectacular growth in donor-advised funds and in the kinds and numbers of organizations now offering and managing them.

The *Chronicle of Philanthropy* reported in 2002 that the assets of the nation's largest donor-advised funds had quadrupled since 1995 to more than $12 billion, with grants awarded of about $2 billion. While many individuals and families with $1 million or more in assets and income are using donor-advised funds as an efficient way to manage their char-

> **Did You Know?**
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> **From 1990 to 2002, the number of active grantmaking foundations doubled, from approximately 32,400 to more than 64,800.**
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> ***Source: The Foundation Center, Foundation Growth and Giving Estimates, 2004.***

NATIONAL CENTER FOR FAMILY PHILANTHROPY

itable assets and donate to their favorite causes (*Wall Street Journal,* "Not-So-Rich Families Find Donor-Advised Funds Work," December 26, 2002), numerous families and donors have substantial ($100 million plus) donor-advised funds in community foundations as well.

It seems, despite thorny economic times, that there are still tens of thousands of individuals and families with the ability to make a sustained, organized commitment to philanthropy and community service—at all giving levels.

TREND #2: GENERATIONAL SUCCESSION

We are in the midst of the much-discussed transfer of wealth. The generation that garnered entrepreneurial wealth is literally dying. The biggest trend is the formal transfer of the philanthropy to the next generations, and all of the challenges which accompany that.

—Richard Marker
Independent philanthropy advisor and
senior fellow, George H. Heyman, Jr. Center for
Philanthropy and Fundraising,
New York University

Family foundations formed during the post World War II period are undergoing a significant change in leadership. Members of the founder generation are passing the torch to their children and grandchildren who are now the foundations' trustees and staff. In fact, a recent survey by the Association of Small Foundations (with almost 3,000 members) found that the need to plan for leadership succession is one of the three most pressing issues among its members. Will new inheritors and the next generation of foundation trustees be as effective as stewards of the family's wealth and generosity as their parents and grandparents?

What does it mean that members of the Baby Boomer generation (born between 1943 and 1960) are taking over the trustee and staff positions in many family enterprises? Neil Howe, co-author of *Generations* and several other books on societal generations says, "Boomers are different, and everyone is trying to figure them out. They have significant potential to be philanthropic as they claim inheritances and accumulate household assets."

In addition to inheritances, many Baby Boomers have earned substantial wealth and are grappling with how or whether to involve their own children in a family philanthropy. "One of the hallmarks of Boomers," says Howe, "is their desire to make a difference and to involve their children in their activities." Doug Mellinger, vice chairman and founder of Foundation Source—which provides outsourced services and technology for private foundations as well as back-office services (e.g., administration, compliance monitoring, tax filings, grants management)—sees many of the donors and trustees of the 200 plus foundations his firm manages involving children at younger ages. Mellinger, a Boomer himself, believes that Internet technology makes this easier.

Did You Know?

Researchers at Boston College predicted in 1999 that $41 trillion would be transferred via estates over the next 50 years. The $41 trillion figure included an estimate that approximately $6 trillion will go to charity.

Source: The Boston College Social Welfare Research Institute

Baby Boomers' children, however, may be more skeptical about engaging in social change activities than their parents are. In fact, Rebecca Ryan, founder of Next Generation Consulting, names skepticism as one of the defining characteristics of Gen Xers (born 1961 to 1981). Many of these adults, now in their thirties, have already earned or inherited wealth. Ryan adds that Generation X is bending and massaging its roles and responsibilities to fit family situations. For example, Gen Xers include their children in philanthropic and volunteer activities at very young ages, by taking them along on site visits or providing on-site childcare during board meetings.

The world is drastically different for Generation Xers than it was for their parents. "Keep in mind," says Ryan, "that this generation is the first to have grown up with an environmental sensibility. We remember the image of the garbage barge going up and down the East Coast. We know about Earth Day and recycling because it was built into our school curriculum." Undoubtedly, these types of generational characteristics will affect how this generation chooses to give.

Those in family foundations and funds will continue to experience the joy, renewal and the confusion that can be part of preparing a new generation of foundation trustees and fund advisors. We will continue to see families looking for ways to inspire their children and prepare their young adults. And, hopefully, they will find that honoring donor legacy and welcoming fresh perspectives do not have to be mutually exclusive.

—Virginia Esposito
President, National Center for
Family Philanthropy

Members of the senior generation, at the same time, are asking hard questions about how to involve adult children in the family's philanthropy. Do the children have an interest? Do they appreciate the family's philanthropic legacy? Will they honor the donor's intent? Should they? Will they continue to support the community in which the family business was located? Should they?

Virginia Esposito, president of the National Center, recommends that families balance issues of donor legacy with a welcoming of new ideas and perspectives to most effectively engage a new generation. She provides the following specific recommendations for accomplishing this objective:

- Establish criteria for participation, and clearly articulate expectations and responsibilities. Be flexible about time constraints and personal priorities.
- Encourage family members to be personally philanthropic.
- Articulate family values and develop a mission, guidelines, and practices based on those values.
- Address questions of perpetuity early, and revisit them over time.
- Develop structures for governance and family participation that serve the best interests of the foundation and community as well as the family.
- Address issues of personal wealth.
- Speak to family dynamics and family issues.
- Embrace all of the family by making others feel a part of the legacy even if they are not directly part of the foundation or fund.

TREND #3: VENTURE PHILANTHROPY

In the past ten years, a new form of giving known as venture philanthropy has become prevalent among donors. This is especially true for younger donors (ages 30 through 50) who earned their wealth during the 1990s' technology boom.

For example, Venture Philanthropy Partners is a network for entrepreneurs who invest in nonprofit organizations serving the educational needs of children from low-income families in the National Capital Region. Many of VPP's donors are entrepreneurs and individuals from the high-tech industry in their 30s and 40s. VPP defines venture philanthropy as "an approach in which the funders or 'investors' are directly and personally engaged and involved with their investment partners (or grantees) beyond providing financial support. Often this engagement takes the form of strategic assistance, which can include help with long-term planning, board and executive recruitment and coaching, raising capital, accessing networks, identifying additional resources, and facilitating partnerships."

The Pacific Northwest provides another example of the impact of the technology boom on philanthropy. Seattle has become a hotbed of philanthropic activity and innovation because of the number of high technology millionaires who came out of Microsoft and other software companies. Known as the "Microsoft millionaires," these and other donors are following the example of Bill Gates, Steve Kirsch, Paul Brainerd, Mario Morino, and others, by becoming major donors at relatively young ages. These givers are entrepreneurial and energetic, apply their business models to their philanthropy, and are driven to solve immediate social problems. For example, a recent *BBC News* article reported that "In language that would not seem out of place in a modern company business plan, The Gates Foundation has pledged to 'aggressively pursue a comprehensive approach' in the fight against AIDs. 'We must marshal the will and resources necessary to distribute an AIDs vaccine,' Mr. Gates has said."

This approach is further reflected in the National Center for Family Philanthropy's 2004 report, *What California Donors Want:*

> *A characteristic of the high-tech entrepreneurs is the "can-do" attitude with which they embraced philanthropy. They not only brought money to philanthropy but also an eagerness to apply their business skills to solving social problems. After spending a year educating himself about the field, a vice president of a high-tech company said, "My impression is that the experts in the field of philanthropy don't know how to*

Did You Know?

Bill Gates is not the only Microsoft employee in a position to give back to society. According to the Washington State Employment Security Department, nearly $30 billion in Microsoft company stock options were exercised in greater Seattle from 1995 to 2002, resulting in an estimated 10,000 "Microsoft millionaires" during that period among employees of the firm. An article in the *Washington Post* reports that Gates' leadership within the company includes the example he sets with his philanthropy. One employee noted, "I respect him and his discipline about philanthropy."

Source , "Microsoft Millionaires Grapple With Wealth," Washington Post , March 8, 2003.

tap into the new population of wealthy young people who have money and talent to contribute. For example, I developed theories and models about how to introduce products at our company. I'd like to bring to the field of philanthropy methods that have had an impact in the business world."

Family business owners, many of whom choose to involve family members in philanthropy as well as in the business, also attest to the rewards of hands-on giving. Lyman Orton, chairman of the Vermont Country Store, his family's mail order business, told *Family Business Magazine* that one of the reasons he chose to start a family foundation is that it is "a hell of a lot more fun to do when you are alive than when you are dead." Many people in the field believe that donors today want more control over their giving than ever before—regardless of the vehicles they have chosen.

TREND # 4: DEFINITION OF FAMILY

The composition of the family is in continual flux. Family members marry, divorce, remarry, form domestic partnerships and, in many cases, move far away from the family home. Whether expected or unexpected, these changes affect participation in the family's philanthropy. Yet, few anticipate and plan for these contingencies.

—Deanne Stone, *Families in Flux: Guidelines for Participation in Your Family Philanthropy,* National Center for Family Philanthropy, 2004.

No one can dispute that the American family has undergone significant structural and psychological changes in the past 20 years. The Leave It To Beaver nuclear family with a husband, wife, two children, and one income is now the exception rather than the rule. A typical family enterprise today can involve direct descendants of the donors, blood relatives, spouses, in-laws, adopted children, ex-spouses, stepparents, stepchildren, close family friends, life partners (homosexual or heterosexual), and significant others.

While all of this seems to make defining family and structuring a family enterprise more complicated, perhaps the true myth was that families could ever be simply defined and categorized. This scene from *Anna Karenina* written in the 1800s exemplifies the complexity of families and resonates even today. In fact, *Anna Karenina* appears on Oprah Winfrey's summer 2004 recommended reading list:

Did You Know?

In 1960, approximately 45 percent of the American population was part of a nuclear family—married couples living with children. By the 2000 census, the percentage of Americans living in nuclear families had declined to less than 25 percent of the population.

Source: "The Nuclear Family Takes a Hit," Salon.com, June 7, 2001.

Everything was in confusion in the Oblonsky's house. The wife had discovered that the husband was carrying on an intrigue with a French girl, who had been a governess in their family, and she had announced to her husband that she could not go on living in the same house with him. This position of affairs had now lasted three days, and not only the husband and wife themselves, but all the members of their family and household, were painfully conscious of it. Every person in the house felt that there was no sense in their living together, and that the stray people brought together by chance in any inn had more in common with one another than they, the members of the family and household of the Oblonsky's.

—Leo Tolstoy
Anna Karenina

Deanne Stone believes that the changing composition of families today requires that families ask themselves hard questions about how they define their family and who will be eligible to serve on the board. She recommends a candid discussion about board eligibility and service, and policies that are based on principles that fit with the family's ethos. The family must set criteria for board members to ensure that those eligible to serve on the board have the qualities and qualifications the foundation or fund needs to do its work well. Do they have the time, interest, and commitment necessary to meet their responsibilities? Are they willing to educate themselves about funding areas and issues? Do they have the potential to be leaders and decisionmakers? As a group, do they bring diverse perspectives and provide the range of expertise the board needs?

TREND #5: NEW GIVING VEHICLES

Most donors use a combination of philanthropic channels to help meet their various charitable and family

DEFINITIONS OF FAMILY THROUGH THE YEARS

- "A relationship of indeterminate duration existing between parent(s) and children." *(Nimkoff and Ogburn, 1934)*
- "A social group characterized by common residence, economic cooperation and reproduction, including adults of both sexes, at least one of whom maintain a socially approved sexual relationship, and one or more children, own or adopted, of the sexually cohabiting adults." *(Murdock, 1949)*
- "The family is...a group of persons united by ties of marriage, blood, or adoption; constituting a household; interacting and communicating with each other in their respective social roles of husband and wife, mother and father, son and daughter, brother and sister, and creating and maintaining a common culture." *(Burgess, et al, 1971)*
- "A family is any group of persons united by the ties of marriage, blood, or adoption, or any sexually expressive relationship in which: (1) the people are committed to one another in an intimate, interpersonal relationship, (2) the members see their identity as importantly attached to the group, and (3) the group has an identity of its own." *(Rice, 1990)*
- "Family refers to a collection of people, related to one another by marriage, ancestry, adoption, or affinity, who have a commitment to one another and a unique identity with each other. This collection forms an economic unit. The adults in the collection have varying degrees of responsibility for young members that might be a part of the collection." *(Bidwell and Vander Mey, 2000)*

Source: Dr. Lee Bidwell, Longwood College (http://www.ryoung001.homestead.com/FamDef.html)

goals. These could include starting a family foundation, establishing a donor-advised fund in a community foundation, giving without a formal mechanism, or giving through their family office or business, among others.

In *Just Money: A Critique of Contemporary American Philanthropy,* Peter Karoff writes that foundations are becoming less and less the center of power in philanthropy as many individuals forgo foundations as their main giving vehicle, pushing other giving vehicles into the nexus of philanthropic activity. For example, banks and financial institutions have successfully started and marketed philanthropic services programs and donor-advised funds. Fidelity Investments, which started its donor-advised fund program in 1992, is now the largest provider of these funds in the U.S. Fidelity has over $2 billion in assets in more than 30,000 donor-advised funds. In recent years, The Citigroup Private Bank has joined with community foundations worldwide to create the first-ever international donor-advised fund in the U.S.

Vehicles for giving that were unheard of ten years ago are now popular and influential among new donors. These include supporting organizations, donor collaboratives, venture funds, giving circles, women's funds, and many others. For example, the Central Indiana Community Foundation hosts The Women's Fund, a $6 million field-of-interest endowment fund that provides financial support for programs that give opportunities, encouragement, knowledge, and hope to women and girls in central Indiana.

Finally, giving or donor circles, in which donors come together, formally or informally, to pool their resources, have emerged as a powerful grassroots philanthropy force in recent years. The Baltimore Giving Project reports that in Maryland alone in the last five years some 14 giving circles have been created consisting of approximately 800 donors. Jane B. Ransom, vice president of strategic initiatives at the Minnesota Women's Foundation, considers giving circles an important emerging vehicle for women's philanthropy. Giving circles in her region are typically small groups of rural women with very personal aims (Source: www.womenenews.com).

TREND #6: ACCOUNTABILITY AND EFFECTIVENESS

> ***Among democratic nations it is only by association that the resistance of the people to the government can ever display itself; hence the latter always looks with ill favour on those associations which are not in its own power; and it is well worthy of remarking that among democratic nations, the people themselves often entertain against these very associations a secret feeling of fear and jealousy, which prevents the citizens from defending the institutions of which they stand so much in need.***
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> —Alexis de Tocqueville
> *Democracy In America*

Peter Goldmark, the former president of The Rockefeller Foundation, once said that "Philanthropy is relatively immune from the three chastising disciplines of American life—the bottom line, the ballot box, and having the press walk up and down your back every day." This is no longer true. Elizabeth T. Boris, director of the Urban Institute's Center on Nonprofits and Philanthropy says, "It is no longer acceptable for nonprofits and foundations just to 'do good;' now they must show that they are making an impact."

Furthermore, with Congressional hearings and myriad newspaper articles on foundation and nonprofit management, salaries, and operating expenses, the nonprofit sector is revisiting all manner of its operations and trying to measure as well as demonstrate the impact it may be having on society.

In *Trouble in Foundationland: Looking Back, Looking Ahead,* Harvard Assistant Professor Peter Frumkin asserts that Congress is looking at foundation payout now as carefully as it did in the 1960s. While the tax code requires private foundations to pay out at least five percent of their assets annually, legislators and others, such as the National Committee for Responsive Philanthropy, argue passionately that these levels should be increased. Many believe that spending funds sooner rather than later is a way to attack current social problems and possibly prevent them from becoming intractable. Also, new money is continuously entering the philanthropic field and replacing funds that are being spent. Finally, while there has been considerable variation in the range of estimates of the forthcoming intergenerational wealth transfer, inheritors are still likely to devote significant amounts of money to philanthropy.

Frumkin and others, however, present equally valid reasons for leaving the payout rule as it is. They note that foundations may want to conserve resources for the future, when new social problems may emerge and when existing problems may become more acute. They point out that financial markets may remain volatile for years to come. Moreover, changing the foundation distribution rules now could cause major disruptions in foundation management and oversight.

The Internal Revenue Service has not reviewed foundation practices since the 1980s, but recently announced that it has begun auditing 400 foundations and closely examining nonprofits that pay their executives $1 million or more per year.

It seems increasingly certain that significant changes are on the horizon for both funders and nonprofits.

TREND #7: GIVING ACROSS GEOGRAPHIC DISTANCES

In many prosperous families, family members no longer reside in the region or community where the family made its wealth. Family foundations and families with donor-advised funds that have historically given to a specific community are faced with the challenge of continuing to support a community in which most—if not all—of the family members no longer live. Will the fact that fewer and fewer individuals live the majority of their lives in one place lead to less community-based philanthropy?

In *Grantmaking with a Compass,* Deanne Stone addresses five of the most important considerations for geographically dispersed family philanthropies:

(1) Geographic dispersion warrants periodic reassessment of the foundation's mission and guidelines.

(2) Foundations that want to fund in areas where family trustees no longer reside must determine how they can maintain contact with these communities. Some families include community representatives either on the board or on advisory committees as a way to help make their local grantmaking as effective as possible; others plan site visits back to the community or hold board meetings there.

(3) Dispersed families may want to develop guidelines for grants among program areas, family branches, and regions. This ensures that family members have the wherewithal to give in the communities in which they currently reside as well as to the community in which their parents, grandparents, or great-grandparents lived.

(4) Communication becomes more important than ever for geographically dispersed families. While Internet technology is now integral to the operations of most family funds, it does not take the place of telephone calls or, more importantly, face-to-face contact. Families must arrange for times and places to get together to discuss the philanthropy's goals and directions. Venues such as the Council on Foundations' annual Family Foundation Conference serve as an excellent way for families to get together, while also allowing them to benefit from the seminars, workshops, and other events taking place.

(5) Geographic dispersion can create new opportunities for families, such as the ability to share ideas and prac-

Did You Know?

Nearly 3.8 million Americans resided overseas according to data collected in July 1999 by the Bureau of Consular Affairs. Number one on the list? Mexico, with more than 1 million ex-pats. (This does not include U.S. Government—military and nonmilitary—employees and their dependents.)

Source: Overseas Digest (http://overseasdigest.com/amcit_nu2.htm)

tices from the various communities in which board members live. The challenges of keeping in touch may help the family to think of creative ways to communicate (conference calls, email, family newsletters) and may provide an added incentive for periodic family gatherings.

Another recent phenomenon is the practice known as "Diaspora philanthropy." This refers to immigrants living in the U.S. who give to causes in their countries of origin or another country with which they have a strong cultural, ethnic, or religious identification. Jewish philanthropy for Israel has been around for a long time; but the recent surge of immigration to the U.S. has brought a diverse wave of immigrants to nearly every state and community, giving back to countries such as India, China, Mexico, Thailand, Cuba, and many others. Some immigrants send funds to relatives back home or support their former communities through international nonprofits (e.g., Rotary International, Red Cross) while others create family foundations to support charitable activities in their native countries.

TREND #8: PERPETUITY AND THE ROLE OF DONOR INTENT

In *Splendid Legacy: The Guide to Creating Your Family Foundation,* Virginia Esposito writes about how a donor or family goes about creating a charitable legacy. "Often referred to as 'donor intent,' some see donor intent as the 'dead hand' (implying that the wishes and the interests of founders can't possible be relevant to current future stewards)." She encourages donors to think instead in terms of donor legacy: what are you trying to accomplish and why? "Legacy speaks to the process of renewal that reenergizes the foundation with each new family member, trustee, grantee, advisor, and colleague."

More and more of those donors that are choosing or in the process of deciding to establish an endowed private foundation are questioning whether their foundation can or should continue in perpetuity. Some trustees or donors may believe it is imperative to address immediate social needs, while others believe in the value of long-term, or even perpetual endowments. Still others may be overwhelmed with the prospect of managing a third- or fourth-generation foundation with a geographically dispersed family.

Perhaps the seminal issues in family philanthropy, perpetuity and donor intent evoke strong feelings from virtually all corridors of American society. Francie Ostrower of The Urban Institute notes in *Attitudes and Practices Concerning Effective Philanthropy,* "Most foundations believe that adhering to the founding donors' wishes is a very important component of effectiveness." Marion R. Fremont-Smith of Harvard University's Hauser Center for Nonprofit Organizations writes that the concern about foundation and trusts' perpetuity goes back to the days of Henry VIII, who dissolved the English monasteries—at least in part—because of their control of large endowments. She adds that longevity and control were linked in the *1965 Treasury Department Report on Private Foundations,* which recommended limiting donor control of foundations to 25 years after formation. And, in 1969, the Senate Finance Committee recommended terminating all foundations after 40 years of existence.

While donors from the post-World War II generation were more likely to think about setting up a foundation later in life, or even upon their death, donors today are starting their philanthropies at much younger ages than their parents or grandparents. Several prominent donors, including Steven and Michele Kirsch, Charles Feeney, and Richard Goldman, have recently stated their intention to either spend out their foundations during their lifetimes or within a set period of time following their deaths, or to focus exclusively on achieving the foundation's mission, regardless of its impact on the endowment. This echoes the sentiments of one new donor at a Young President's Organization (a membership association of more than 8,000 young global business leaders in more than 75 nations) meeting who said, "I don't care about my money being passed on to my children—what I care about are my values."

In an address to the Philanthropy Roundtable, Sheila Johnston Mulcahy, program officer for the William E. Simon Foundation, states that the three primary areas that have the greatest impact on donor intent are "clarity of philanthropic principles, board selection, and the decision to sunset the foundation or not." She adds that, while it is important for a donor to be clear about his intent, it is equally important that he not be too specific. She cautions against setting directives that may be impossible for future trustees to comply with.

> ***I believe that family foundations are giving more and more thought to the issue of perpetuity. Limiting the lifespan of a foundation is a rare choice and likely to remain so. After all, the ability to establish a philanthropic legacy for generations to come is a compelling motivation for starting a family foundation. But I think we are likely to see family foundations make a choice about perpetuity more intentionally—as a matter of donor reference, family goals, programmatic strategy, and management concerns. After all, as John D. Rockefeller once said, 'Perpetuity is a long, long time.'***
>
> —Virginia Esposito
> President, National Center for
> Family Philanthropy

Many donors set up their foundations with very general directives to future generations. Susan Packard Orr in *Living the Legacy* writes that the Packard family asked David Packard several times to specify what he wanted the foundation to support after he dies. He refused, saying that he had changed his own mind over the years and could not foresee what issues would be most important in the future.

TREND #9: GRANTS FOR OPERATING SUPPORT

The combination of a sluggish economy and the growing number of donors engaging in venture philanthropy has led to reinvigorated attention on the role that general operating support plays in helping nonprofits to become sustainable. Mario Morino and Bill Shore, authors of *High-Engagement Philanthropy: A Bridge to a More Effective Social Sector,* state that:

> ***Most of the organizational challenges that the investors [funders] and investment partners [grantees] discuss . . . include lack of management depth, ability to recruit and retain leaders, inadequate investing in infrastructure, etc. All of these problems, we believe, stem from a lack of growth capital or are exacerbated by it.***

The Foundation Center's 2004 *Foundation Growth and Giving Estimates* reports "Sampled foundations provided a record-high 19 percent of grant dollars for general operating support grants, which helped sustain nonprofits in a difficult economic environment." Recently, the National Committee for Responsive Philanthropy submitted a recommendation to Congress that at least half of foundation grant dollars should be in the form of core operating support or flexible grants. NCRP argued that these grants lead to stronger organizations; superior support for the communities served; and improved relationships between grantors and grantees. Sharon King, president of the F.B. Heron Fund and National Center for Family Philanthropy Board Member adds, "Seventy-five to 80 percent of the F.B. Heron Fund's grants go to operating support. Foundations that give operating support recognize that either they accomplish their goals through effective organizations, or they don't accomplish them at all."

TREND #10: COMMUNITY FOUNDATIONS WORKING WITH FAMILIES

One of the most rapidly growing philanthropic phenomenons is the practice of multi-generational family philanthropy within community foundations. Despite this, the staff and boards of many community foundations remain uncertain about how or even whether they should develop a special or new approach to supporting and cultivating this donor group. Community foundations that have developed targeted strategies and launched services for families are facing new challenges and questions related to this work. Some of these challenges and questions include:

- How can community foundations ensure that their programs and services meet the culture of family philanthropy?
- How does a community foundation determine whether working in family philanthropy is right for them? Does it fit the mission of the foundation?
- How does working with donors and families with donor-advised funds relate to or differ from working with family philanthropists who choose to give through a family foundation or other vehicle that is not affiliated with the community foundation?

Did You Know?

There are currently more than 700 community foundations in the United States. The largest is the New York Community Trust, with assets of more than $1.77 billion as of the end of 2003. The oldest is the Cleveland Foundation, established in 1914.

Sources: Council on Foundations and The Foundation Center

Did You Know?

Donor-advised fund assets from a sample of 86 leading organizations, including community foundations, rose 9.4% between 2002 and 2003.

Source: "Donor Funds are on the Rise Again," Chronicle of Philanthropy, May 27, 2004.

- What resources (information, materials, communication strategies, networks, and experts) does a community foundation require to work effectively with family philanthropies?

Families with donor-advised and other funds in community foundations are more interested than ever in multi-generational giving. In turn, community foundations are adding staff with expertise in working with families. Family givers continue to be committed to local, community-focused philanthropy despite geographic dispersion. Community foundations can be helpful in addressing this particular challenge by sharing their community needs assessments and helping donors connect with one another and with grantees.

In May 2004, a group of community foundation CEO's and experts in family philanthropy attended a gathering co-sponsored by the National Center and The Philanthropic Initiative to explore how community foundations are working with families. Participants identified the following as the most critical issues for the field at this point in time:

- Community foundation staff capacity, budget skills, and affinity for working with families.
- Compatibility of a family philanthropy focus with the community foundation's mission.
- How working with family donors affects the core business of a community foundation.
- The growth of new philanthropy in successor generations.
- The education of wealth advisors about how community foundations can work with family clients.

TO THE LIGHTHOUSE

While times are certainly changing at a faster pace than ever before for family philanthropy, one thing remains constant: families—in whatever shape they take—will continue to give and to be the backbone of American civil society. Changes in philanthropic regulations and economic challenges remain but so does the creation of new wealth, new donors, and new social problems to solve.

In Bill Shore's latest book, *The Light of Conscience,* he likens having a social conscience to the steadfastness of a lighthouse: "I can't fail to view a lighthouse as like one's conscience. It's always there, an insistent reminder of important truths. But whether we allow its light to guide us is something different entirely. The choice is ours to make or reject."

Peter Karoff, founder of The Philanthropic Initiative, believes that philanthropy, at its intelligent and passionate best, is a critical element in creating a compassionate society and world. Karoff writes, "John Gardner once observed that, at best, we only use 50 percent of our personal potential for doing meaningful work, and for becoming truly engaged in love and life. I believe that is true personally and true organizationally. We need not only to be trusted. We need to work a lot harder."

It is not just about working harder; it is also about working more effectively. The trends discussed in this *Passages* point toward a larger, more engaged, and ultimately much smarter philanthropic sector. Like Bill Shore's lighthouses, philanthropy is about striving to be more than we are.

> "Families—in whatever shape they take—will continue to be the backbone of American Civil Society."

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1. We value the participation of individuals and families in private, organized philanthropy.
2. We value the donor's right and ability to direct charitable assets through the philanthropic vehicles and to programs of choice.
3. We value both the concern for privacy and the responsibility of a public trust that are inherent in private, organized philanthropy.
4. We value the pursuit of excellence in philanthropy.
5. We value the role that philanthropy and philanthropic citizenship plays in a civil society.
6. We value the participation of new voices in our field
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