Stimulate interest in giving among family members who lack enthusiasm for the foundation’s program areas;

- Encourage family members’ participation in their own communities;
- Motivate and train young family members to participate in philanthropy;
- Diffuse tension stemming from disagreements over grants;
- Allow board members who do not have much personal wealth to give more generously than they could manage on their own;
- Discourage pressure to use the grant budget for pet projects;
- Include family members in the family’s philanthropy who are not serving on the board (e.g., by dividing discretionary funds among family branches to donate as a family unit); and
- Recognize the volunteer services of board members by making small grants to nonprofit organizations where they serve.

Foundations vary widely in how they use discretionary funds. Some allow family members to donate funds to any bona fide nonprofit organization of their liking. Others stipulate that the funds be given only to organizations that fall within their guidelines.

Some family foundations steer clear of discretionary funds, which they regard as potentially troublesome. They believe that:

- Discretionary grants undermine the purpose of the foundation as a family endeavor based on shared values and aims;
- Foundation money should not be used for individual giving or be seen as a substitute for individual giving;
- Discretionary grants are not subject to the same standards of review;
- Discretionary grants confuse grantseekers about the foundation’s purpose; and
- The discretionary budget can grow unwieldy as the number of family members multiplies.

The term “discretionary fund” should not be interpreted too loosely. These grants are subject to the same legal...