NATIONAL CENTER FOR
FAMILY PHILANTHROPY

PASSAGES Issue Brief

EXPLORING KEY ISSUES IN FAMILY GIVING

In Times of Growth: Planning for an Influx of Assets

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IN THIS ISSUE

An influx of assets is a powerful transition point in your philanthropy. With rising resources comes the budding potential to do *more* of what you're already doing—or, perhaps, try something new. Either way, additional resources will often provide your foundation with new options for making a difference according to your foundation's mission.

With more money comes opportunity as well as challenge. For family foundations—particularly those for whom the influx comes as a complete surprise, or who haven't planned in advance—a change in asset size can feel downright disorienting.

This *Passages Issue Brief* will help you plan now for growth tomorrow, and manage change if you're in the midst of it today.

"In the same way that sudden wealth can be disorienting to an individual, it can also affect a giving enterprise. Whether you are a lottery winner or a foundation undergoing an influx of assets, the impact of increased wealth is mighty."

– Claire Costello, U.S. Trust, Bank of America Private Wealth Management

Ready or Not, Here Comes Change

At some point in most every foundation's life cycle, a surge of assets comes to the foundation. Sometimes an influx of assets can come as a windfall—the sale of a family company, capital gains on an investment, or some other liquidity event. Most typically, it comes as the result of the death of a donor or other family member, who has bequeathed part or all of his or her estate to the foundation. This death may be sudden or expected, and as the foundation's bank account burgeons, family board members may be grappling with grief and loss.

If you're reading this, you and your fellow board members may know that an influx of assets is coming sometime in the future, and you want to know what steps to take now to prepare for the change; or you may be a founder or advisor who wants to proactively set things up so that the assets transition in a good way; or you are a family member who has been assigned the task of "figuring it out."

Regardless of your role, this is a pivotal moment—an opportunity to revisit the past and reinvent what is possible for the future. You may not yet know where your foundation is going as it tries on its new size, but one thing is certain: it's going to take a lot of decisions to get there. And the more your foundation can plan ahead and make some of those decisions in advance, the easier it will be on everyone when the change occurs.

When it Comes as a Surprise

Some family boards don't know the influx of assets is coming. One foundation trustee put it this way: "They may know Mama and Papa have money in the bag, but they don't know how much is bequeathed to the foundation. They wake up one day and suddenly have oodles of money to manage."

This is what happened to the Satterberg Foundation in Seattle.

The late Virginia Satterberg Helsell formed the foundation in 1990 with a small gift of $250K. A few small additions took the foundation assets up to the $2-3 million range, where it hovered for more than a decade. Family members expected there would be a sizeable increase when their father William Helsell passed away in 2012, but were surprised to find out how large the bequest was.

According to executive director and family member Mary Pigott, "Dad never shared the details with us, and we thought we would grow to around $100 million at most. Over a period of 12-18 months after Dad died, assets started to trickle into the foundation to the tune of $400 million. We had *no* idea it was coming."

The foundation, she says, is still reeling in the process.

"The most immediate question as a board was: How would we ever make the required payout? We knew we had a grace period, but that payout requirement never goes away. It just keeps adding on," says Pigott. The foundation went from making about $400,000 in grants per year to $20 million, or as Pigott says, "a heck of a lot of money to get out the door."

According to Mark Neithercut of Neithercut Philanthropy Advisors, LLC., "A foundation may have been operating as a charitable checkbook, and then, boom, the board suddenly has to deal with a monster increase in assets."

When You Know it's Coming

Other foundations may know an increase is coming, but it feels sudden all the same, and there will likely be surprises.

Take the Hidden Leaf Foundation. David Brown started the Hidden Leaf Foundation 25 years ago to promote wisdom practices into social change work. The foundation, which is now governed by David's three daughters, is in the midst of an influx of assets as a result of their father's recent passing.

According to director Tara Brown, "We started thinking about the transition of assets ten years ago. Dad was convinced it was more tax efficient to keep the assets in his personal accounts. Thus, we consciously didn't transfer the assets until after he died. In hindsight, there may be significant costs to this approach."

Up until he passed away in October 2013, the family board members managed no assets. Suddenly they were responsible for managing $30 million.

"Dad was the business man of the family. It made sense that he was the one managing the assets. We knew he was working to transition the assets in a clean, easy way," says Brown. Four years before he died, Dave Brown brought Tara's sister Karie on as executor of the trust. "Karie worked with Dad to learn what she needed to know about the real estate business and the legal rules and to develop relationships with the accountants and lawyers. We knew the transition would be demanding, but we thought we were pretty well prepared. We learned that 'You never know what you don't know!'"

"A significant portion of the assets are held in a small real estate firm, and it is proving more challenging to transfer them than we understood before Dad died. It would have been useful to have Dad's guidance. As it stands, the transfer process has taken greater time and attention—not to mention legal and financial advisory fees—than anticipated."

If Brown could turn back the clock, she would do things differently.

"You never know what you're going to face until you get into it. If we had started transferring the assets five or ten years ago, we would have learned these issues were going to surface," she says.

"My sisters and I have limited financial and real estate acumen. It would have been so much better to face all the legal and real estate asset conundrums when we had access to the wisdom of the person who knew it best—our dad," says Brown.

"It is not the strongest of the species that survive, not the most intelligent, but the one most responsive to change."

– Charles Darwin

Planning to Plan

An influx of assets is a tricky thing to gauge. Often, it comes at a time of death or big change, and that's hard to plan for. Notes one philanthropic advisor, "you can't hire a bunch of staff and have them sit around until someone dies." What you can do is take some practical steps to make the transition a little easier—so that when tomorrow comes, it's not such a shock to the system.

If you're talking about a smaller increase, the changes may not be a big deal. A new staff member, for example, or refreshing the foundation's website. For a more substantial increase, however, a foundation might create a whole new identity and enterprise—with more grants, more staff, more structure and new strategies.

Philanthropy advisor Mark Neithercut makes this analogy: "If a family owns a hardware store and buys two more hardware stores, there's some change in operations, but they are already in the business of doing it, so it's not that hard. Whereas if a family who isn't running a hardware store suddenly has to run a chain of 10 hardware stores, that's a huge hurdle. They suddenly have to run a major entity with no experience."

Any way you look at it, an influx affects business as usual—and your foundation must learn to adapt to the change.

Are there ways to plan for an influx of assets to help the transition go more smoothly when it occurs? Yes. There may not be a one-size-fits-all solution; however there are steps you can take to help your family prepare for the transitions ahead, and cope with challenges as they come up.

So where do you start?

An influx of assets, especially one that is substantial, touches every part of the foundation and what you do in it. Grantmaking and governance, investments and operations, office space and staffing—these all will likely shift to accommodate the new level of wealth.

There's more than one way to plan for an influx, and no way is the right way—it's just the way that works for you. Here is one path:

1 | **Get clear on the voices that matter in this planning process.** Who is in charge of planning? How can you solicit and hear everyone's voice that matters? "Voices" likely include the current board of trustees, the "voice" of the major donors (interpreted by family members, if the donors are no longer alive), the foundation's professional staff (if applicable), and the community (allies, grantees and the public).

2 | **Think of dividing everything the foundation does into two big categories: 1) your mission—the reason you are in existence and the purpose of your grantmaking and 2) your operations—the tactical approach you take to fulfill your mission.** Each of the stem from your foundation's values, and there are many sub-categories under each. If you consider everything else you do under these two categories, it may make it seem easier to approach.

3 | **Of these two categories, look at your mission and grantmaking first.** Grantmaking is based on the foundation's values, and everything else stems from that. Every other decision the board makes—from investing to staffing to succession—should be in support of your mission

and grantmaking. It is, after all, most likely why you and your family members are involved in the foundation in the first place.

If they haven't done so already, the family needs to come to a deep understanding of why they are part of the foundation, and that the money is only a tool by which you they work. As one advisor tells her clients: don't fuss about the money; fuss about the foundation's mission.

4 | **Next, go methodically through every aspect of your grantmaking and operations.** Ask yourselves time and again: how will the new asset level affect this area of our work, and what do we want to do about it? How do we approach making this decision? What support or additional information do we need?

Keep in mind, you can outsource certain aspects of the foundation's day-to-day operations as a tool to manage the increase. For example, you might outsource your grantmaking for a time while you and the board work on governance and staffing. As you build internal capacity, you can reduce the outsourced work and bring it in house.

5 | **Take your time. Focus on the family process and hearing all voices rather than rushing to the next phase.** Lay out a three- to five-year plan that gives you a visual for which decisions you need to make and when. This way, you can see what is urgent and what can wait.

In times of change, go back to your mission and values. They are likely the reason you got into the foundation in the first place. Get them clear, make sure everyone agrees, and revisit them, time and time again.

IS TIME ON YOUR SIDE?

The time horizon for when the foundation receives the assets can seriously change the entire planning process. No one can predict how fast an estate will settle, for example, or when a business will sell. It may happen fast—which can leave the board befuddled at best or frantic at worst. Or it may happen slower than anyone ever expected, leaving the board in a bit of a limbo.

One foundation was thrown into the planning process after the sudden death of one of the family members. Because of the bequest, the foundation's payout doubled in less than a year. According to the director, "It was an explosion of activity. Having to double our giving so quickly was hard on our culture. With a geographically dispersed board, the trustees couldn't keep track of what was happening at the rate it was happening. We had to staff up, and we didn't even have time to staff up. We were all incredibly stretched."

Despite the size of the gift and quick timeline involved, the foundation decided to plan holistically and take a longer timeframe to ramp up. Planning centered on a time horizon of three years and an estimated assets base of $100 million by 2015. Setting this time for the planning process helped the board pace itself through all the changes, rather than fall to the pressures of transforming overnight.

Changes to Grantmaking

Mission and Values

In times of change, it's important to anchor to your foundation's core values. You may find your mission grows or changes with incoming assets, however your foundation's values stay the same.

One of the first few questions a board can ask themselves is: What are the foundation's core values that inform our mission and how we work together? How will doubling (or tripling) in size change our mission? Does this increase in assets open up a whole new realm of possibilities and are we ready to explore them?

The Cynthia & George Mitchell Foundation had the benefit of focusing its mission while the founders were still alive. According to president and granddaughter Katherine Lorenz, "In 2004, the family gathered for our first strategic planning exercise, and it was one of our best experiences as a family. It was then that we came to understand the foundation would be a big endeavor, and ask ourselves: what are our core values?"

When she took the role of president, Lorenz looked at her grandfather's past giving, and tried to understand what he wanted going forward. "I used the past as a way to open the discussion with him," she says. "It can be a hard conversation to have: 'when you're gone, what do you want us to do?' Yet, understanding what motivated his past giving was helpful for us in planning the future.."

Some foundations don't have the luxury of conversations with the founder. And if the founder hasn't left a roadmap for the family—with a clear mission and donor intent (including rules around trustee succession and what he or she wants as far as the lifespan of the foundation), it can leave the board bewildered.

"In cases where the founder is gone, you might have a group of people who have never worked together, or who have not worked together in the same way," says Mark Neithercut. "Without a common, endorsed, agreed upon sense of purpose, the family may fight about the foundation, even if they love each other. They will all have a different vision for what Mom and Dad or Granddad wanted."

Lorenz saw glimpses of this in her own family after her grandfather passed away. "Everyone has their own vision of what the foundation is going to be, and it's not necessarily the same vision. No one is right or wrong, they just have different ideas," she says. "It's important to get on the same page about the foundation's mission and goals. Getting people aligned enough to feel they are part of the process, and that their vision and voice is heard is huge."

The Hill-Snowdon Foundation went through the process when they anticipated an increase in assets. According to vice president Ashley Snowdon Blanchard, "In the past, the foundation was used to fund projects of personal interest to family members. Given the anticipated size of the foundation, which felt enormous, we knew if we picked something really focused, we could create some real change. Everyone was on board with that, and it didn't have to be 'my thing' or 'your thing.'"

"We wanted the foundation to be truly a family endeavor. It wasn't about reflecting our own individual interests; it was about creating a philanthropic legacy for the Snowdon family."

"We knew we were never going to be a big foundation, but we realized if we focused our grantmaking, we could have an influence greater than our size," says Blanchard. "We also saw the power of using our voice—even if our assets are smaller—to influence other funders."

ON MISSION AND VALUES—ASK YOURSELVES:

- What does more money do to our sense of purpose?
- Is our current mission based on our core values?
- How do we come together as a foundation with shared values, vision and mission (or revisit those that we have)?
- How might our mission change based on our new asset size?
- How can we retain our core values even in a time of great growth?

Grantmaking Strategy and Style

Once the board is clear on the foundation's mission, take the next step: look at your grantmaking strategy—how you're going to achieve the mission. Can you give smarter given the increase in assets you have to work with? This is an opportunity to evaluate what you've been doing well, and correct or refresh your strategy in ways that might be better.

For example, maybe more assets means you can afford to convene experts or commission research around your funding focus. Perhaps you build a collaborative approach with other funders that you didn't have the money to do before. Maybe you can make bigger bets because you have more to fail forward.

Either way, more money is going to influence the board's strategy going forward. The good news is, you don't need to know all the answers up front. In fact, as other foundations would tell you, learning is a big part of change.

To figure out the best grantmaking strategy for them, the Mitchell Foundation holds what they call "learning journeys." According to Lorenz, "Our board zeroed in on a few key areas we wanted to learn about, and then educate ourselves as a family to find out where we can have the most impact." The foundation hires experts to talk about the issues and where the needs and opportunities are. Learning journeys can last a couple of hours or a few days, and have "raised the bar for us" in bringing the family together and clarifying grantmaking goals.

At the Satterberg Foundation, grantmaking strategy became a big topic of discussion soon after they realized how much money was transferring.

"We were happy with our mission, vision and values—but we knew we would have to think about doing things differently. Our sweet spot had always been funding small nonprofits. However, we realized we couldn't only keep working with small organizations when we had such a big payout need," says executive director Mary Pigott.

After looking at other funder models for ideas, the board decided to modify its grants program—making larger multi-year grants to strengthen the nonprofit sector, in addition to supporting individual organizations.

"We agreed that the first couple of grants would be learning opportunities, and that we would figure out what makes sense as we do it."

One of the hardest things for any foundation is let things take the time they take to find out if they're working or not, says Pigott. "You can't make a grant today and expect to see long term results in six months. It's the same when an influx of assets occurs. You can't change everything overnight."

However, more assets might give a foundation more creative freedom to explore different grantmaking styles. For example, you might explore multi-year grants for the first time, or opt to run a matching grants program in order to be the tipping point for other efforts.

As the Keith & Judy Swayne Foundation has grown in assets, they have changed their grantmaking style to serve their grantees. "We've always given small grants, and with the change in asset size, we decided to give general operating support over multiple years to small organizations where we can have a bigger impact. This change came directly out of our transformation as a foundation," says founder Keith Swayne.

ON GRANTMAKING STRATEGY—ASK YOURSELVES:

- Where do we focus? How can we have the most impact?
- Is this an opportunity to find or add new focus areas? Create new giving areas?
- What's our new required payout? What's a possible interim strategy we can use to meet the payout requirement?
- Is the foundation set up in perpetuity or will it sunset? How does this affect our grantmaking decisions now and in the next five to ten years?
- Should we give more grants to more organizations, or bigger grants to fewer organizations?
- Do we consider funding intermediaries as opposed to individual organizations?
- How might we leverage our funding?
- What are some different grantmaking styles that we might explore (e.g., multi-year funding, general operating funding, matching grants, etc.)?
- Given our new asset level, what's our risk tolerance in our grantmaking? How could that change, and what are the benefits of doing so?

COLLEAGUE STORY: LEGACY GRANTS TO MEET PAYOUT

When the Satterberg Foundation received more assets than they ever imagined, the board quickly realized it needed an interim strategy to meet payout and not leave past grantees in the lurch.

The board decided to roll out a new grantmaking strategy. But in the meantime, the payout requirement loomed.

"To hit our payout amounts the first and second year, we decided to make what we call Legacy Grants—a one-shot 'here's a bucket of money' to those recipients that closely matched our dad's passions," says Pigott. "These are organizations on which he was on the board, and that he cared about. They don't fall within our new mission; they are more a way for us to honor our dad and what he loved."

How did they communicate this to grantees? "In a one-on-one meeting, I explained this was a one-time grant to honor our dad, and we wanted to do something impactful," says Pigott. " We then worked with them to find a way to announce it publicly without it being about us—for it to be about them."

Grantmaking Process

Your foundation may have gotten by with an ad-lib grantmaking process in the past, but more assets means you may need more A to Z structure for how you make your grants. More money needs to get out the door in an effective way, and this requires process for vetting, awarding and monitoring grants that everyone agrees on and adheres to.

According to Kathy Coopman, executive director of the Nancy Buck Ransom Foundation in Monterey, California: "When our founder Nancy was alive, her theory of grantmaking was 'oh they sound good, let's give to them.' There was no strategy, no due diligence, very little process. I was appointed to the Board after her death, and began by getting an audit, a web site, and designing an application process. That was also when we changed investment managers. I was hired as ED two years later and then the real restructuring began."

Coopman and the board worked on their grant guidelines to focus and clarify them on what they fund and don't fund. "We got more stringent about our requirements, and put more boundaries in place so that get more fitting and capable grantees."

The foundation created a new grant application that requested certain financials and other information from applicants. They also created a website that made the application available online. This increased the number of applications coming in: "We went from 10-15 of the usual suspects to 100 or so applications per year."

In order to handle the added work of reviewing those proposals, the board went from one to two grant cycles per year. "We did it to break up the work load, but found it also helps our grantees, since many of them have different fiscal years."

ON GRANTMAKING PROCESS—ASK YOURSELVES:

- How can we clarify and tighten our grant guidelines?
- How might we streamline our grantmaking process—for grant applicants and internally?
- What tools can we use to better support our grantmaking process as our volume grows (e.g., online application, grantmaking software, etc.)?
- How will our new asset level affect our due diligence process?

Communicating with Grantees

When a foundation changes its grantmaking process, it's important to communicate this to grantees, says Coopman. "In the first year, I explained to them via a mailing our new grant guidelines, where to find applications, and that we're now requiring an evaluation at the end of the grant. Next year we will be tightening our requirements, and there will be another mailing along with individual meetings. Every time I speak with a grantee representative, even when we have had to decline their proposal, they see that we are trying to help them get the funding, and they appreciate that immensely."

Communicating with grantees sets them up for success, she says.

Tara Brown of the Hidden Leaf Foundation agrees. "If we're going to expand our grantmaking, we want to do it wisely and with our core allies. I initiated a series of conversations with our grant allies, and acknowledged we would be doubling or tripling our funding. I asked them: how can we make the most transformative change in the field?"

With the incoming assets, the foundation, she says, is now exploring forming an advisory body of grantees and/or allies to work with the board. "It's something we've never done before—we've been very much an all-family foundation. We've never had others sitting in a formal role with Hidden Leaf. Our intention is to grow in collaboration with our grantees, and this may be a great way to include their voices as we continue to evolve."

ON COMMUNICATING WITH GRANTEES—ASK YOURSELVES:

- How accessible are we as a foundation to our grantees and grantseekers?
- How will the increase in assets affect our grantees?
- How can we keep our grantees informed as we go through this process?
- In what ways do we currently communicate with grantees, and how might we do a better job of that?
- Do we currently have a website, and if so, how functional and user-friendly is it?
- How can we engage our grantees and allies to help inform our process?

COLLEAGUE STORY: HIRING CONSULTANTS TO HELP

When facing an asset influx, it helps to *get help*. Many foundations seek the guidance of outside advisors and philanthropy consultants, both to prepare for change as well as to *help* them navigate it when it's happening.

Ashley Snowdon Blanchard of the Hill-Snowdon Foundation remembers her first board meeting after the assets had transferred. "The new payout requirement had us scrambling to find organizations to give to. It felt like we *literally* could not give away money fast enough. We weren't able to keep up with the increase in assets, and quickly realized that this wasn't a good way to operate. We clearly needed help."

The foundation hired professional advisors through the Tides Foundation. "It was the first time we had ever even heard of a professional advisor. We were intentional about going through a learning process as trustees. For example, how do we review proposals? What does this budget line item mean? We hadn't been that professional in the past, and we needed a guide to get there," she says.

It's important for trustees to be involved and own the transition. Still, a foundation might hire an individual philanthropy consultant or firm to provide specific governance or grantmaking expertise, or day-to-day management support. To find a consultant, contact other funders for recommendations or ask NCFP.

Changes to Infrastructure

Governance

BOARD POLICIES

The story of one family foundation board goes like this:

"The family never worked together before the increase in assets: They came on board after the benefactor died, and it's been hard to get them on the same page. Some of the board members want to be strategic, and others just want to write checks to their pet projects. They still have some confusion about it being "their money" to direct as they please. Educating them up front and setting policies about what it means to be on a foundation board would have been so helpful."

There's a lesson in this story. If your foundation already has governance policies in place—such as who is eligible for board service and what the qualifications are, how board membership is divvied up among siblings and family branches, terms and rotation, and clear trustee roles and responsibilities—fantastic. You are ahead of the curve.

If you don't have these policies yet, an increase in assets is a great trigger for setting them. According to one foundation executive director, "I came on as the first staff member, and within the first six to nine months, created an entire set of policies and procedures with the board—everything from how we accept applications to a disaster response plan."

If you don't have an idea where to start, you might call on a qualified consultant to guide the board through this process, or form an ad hoc governance committee that can lead the way. You can also seek the advice and sample policies from your colleague foundations or NCFP for ideas on how others do it.

The point is, having clear policies and procedures in place will save a lot of headaches down the road.

"The biggest challenge I see families face in a growth period is when there are no rules around succession—how trustees will be selected and serve. If the founder doesn't set these rules in his or her lifetime, it can lead to rivalries and fights about who gets seats on the board when the assets double or triple," says philanthropy advisor Mark Neithercut.

BOARD MEETINGS

When planning for an imminent influx, you will find the board needs to meet more often. Early on, for example, it's not uncommon for a foundation in influx to meet monthly, simply because there is so much work to do, and it's critical for the board to be fully engaged in the planning process.

Of course, for boards that are geographically dispersed, face-to-face meetings might not always be feasible. In this case, the board can participate in a few face-to-face meetings per year, and the rest through video-conferencing.

A board may be able to get by with more relaxed rules when it's just Mom, Dad and two siblings at the table. But as the foundation grows—both in assets and in board size—nothing will serve your board better than to have clear policies in place.

NEW GOVERNANCE STRUCTURES

If there is a rapid and significant increase in assets, a foundation needs a board that is fully engaged and available. This might mean instituting new committees or other governance structures on the board.

According to one director whose foundation doubled in less than a year, "We experienced so many changes, so rapidly, and with a geographically dispersed board, there was not enough board engagement. We as staff did our best to keep them informed, but it was difficult for them to keep up with the number of changes and why we needed to implement them."

As a result, it left trustees feeling out of the loop—as if they didn't fully own the transition.

"If we could do it again, we would change our governance structure—adding a 'transition committee' or some other structure to communicate better with the board. Having a committee like this would engaged them and helped them understand the operational and programmatic impact in this short period of time.

The Satterberg Foundation changed its governance structure, but for a different purpose: to keep the family front and center. The board added grants committees for each of the new strategic funding areas. Each committee comprises one staff person, two board members, and three family members, including the younger generation.

According to Mary Pigott, "This new structure has enabled us to more deeply involve our family. We now give kids and grandkids an opportunity to serve on a grants committee and make decisions. They gather in our office, eat chips, and discuss the merits of this grant proposal over that one. In return for their service, they can nominate one organization of their choice to receive an honorarium. Our hope is to engage them in the process, so that they, then, go tell their cousins: hey, you can do this too."

ON GOVERNANCE—ASK YOURSELVES:

- How can we make sure the board is fully engaged in planning for this change?
- What policies do we need to put in place to bring clarity the board, now and in the future?
- How often should the board be meeting during this transition?
- What committees or other governance structures (e.g., committees or advisory roles) could support the process?
- What tools can the board use to streamline the planning process (e.g., board portal on website, document sharing tools, etc.)?
- What support does the board require during this transition, and where can we find it?
- How can the board and staff communicate more effectively?

Staffing

As the assets rise, your foundation might hire its first or second staff member, be it family or nonfamily, to function as an administrator, executive director or CEO, a foundation manager or grants manager, or a program officer or associate. The titles vary, as do the roles and responsibilities.

Before thinking in terms of what staff to hire, first look at what the foundation and the board needs. For example, your immediate need might be a bookkeeper or accountant who can manage the incoming assets. Or the board might be lacking in program expertise, and want to bring in one or two program experts to guide and implement a new grantmaking strategy.

Katherine Lorenz of the Cynthia and George Mitchell Foundation offers this advice: “A lot of families say they want one thing, but they actually need something else. Do you *really* want an issue area expert with his/her own agenda and ideas for how to make change leading the foundation? Do you want a visionary or do you want an implementer? Do you want someone who knows the field to tell you how to do it, or do you want to decide how to do it and then have someone implement that? Who do you hope will drive the strategy and tactics? Family or staff?”

Tara Brown of the Hidden Leaf Foundation found it challenging to decide what staff to hire. “Teasing out the appropriate hires was a long complex process, and an area where I could have used more help,” she says. “To figure it out, I started keeping track of all the tasks I do related to finances—the endless stream of activity. I kept a list of all the details, and eventually I saw categories emerge. From these categories, I realized that it was two distinct jobs we needed to hire for: a high-level bookkeeper and then someone to handle administrative tasks.”

In the middle of a growth spurt the urge may be to hire as many staff as possible, as quickly as possible. Yet that might not be the right move in the long term.

As the Satterberg Foundation increased in assets, for example, one of the biggest questions on the board’s mind was how to maintain the foundation’s soul amidst all the work.

“Some of the board had strong feelings that the path we should take is to hire twenty people to administer twenty times the grants we were used to making. We had several conversations about this. I asked them, if we hired a mass of people to do our work for us, would you still have the same heart connection with the foundation? Would you still be as engaged and involved?” says executive director Mary Pigott.

In the end, the foundation hired three program positions to manage its new grantmaking areas. This was an adjustment for the board, which had always been a family volunteer-run organization. In order to stay engaged in the work, the board regularly talks about what the funding is enabling in the community, and how they can stay connected to that.

ON STAFFING—ASK YOURSELVES:

- Given our new (or expected) asset level, what work do we need to cover? (Make a list of projects, tasks and responsibilities.)
- What skills and expertise does this work require?
- How much do we want the staff to be involved in developing the vision versus implementing the strategy? Who is driving the work?
- What will the interaction between family/board and staff be? Is there clarity among board and staff for creating and keeping appropriate boundaries?
- What's important to us when considering how we will staff the foundation (e.g., how much visibility, ownership and involvement do you want? What's the budget for staffing?)
- What position(s) do we need to hire?
- As the foundation staffs up, how can the board stay connected to grantees and the community?

Investments

FINDING WISE INVESTMENT ADVISORS

With more assets under management, it is a good time to revisit your foundation's investment policy and revisit whether you have the right advisors working for you.

"Our founder's investment philosophy had always been: get good stocks and hold onto them," says Coopman of the Nancy Buck Ransom Foundation. "For years, we had an investment manager out of state who held onto what we had—she didn't do much buying and selling. When the assets came in, we knew we needed to let her go. We wanted to work with someone more local, who could bring in more diversity in allocation."

The Ransom Foundation's board and staff were smart enough to know what they didn't know. They appointed someone to the board who was an expert in investments, who could help hire and oversee new investment managers.

"It's important to have someone on the board who understands investments, says Coopman. "The foundation hired two investment managers, each of whom are quite different in their outlook. As a result of the need to hired two full-service firms in place of one small firm, the costs of their investment management tripled.

"In spite of the costs, it was a good move. It was chunk of change, and we wanted to make sure we were doing the right thing."

The Hidden Leaf Foundation drafted a goals and vision statement for its asset management. It was important to the board to find investment advisors who aligned with the foundation's values.

"We promote self awareness, authentic communication, and commitment to relationship as critical to the social change process. We only work with grantees that actively live into those values. Nevertheless, it would have been easy to drop all that when dealing with accountants and investment managers," says trustee Tara Brown. "It has demanded an unexpected degree of courage to bring our transformative practices into these new professional circles and it's still a work in progress."

Given the steep learning curve in managing the assets, Hidden Leaf has decided to work actively with two investment advisors (rather than consolidating the assets with one). "We see this as a learning process" says Brown, "so we chose two sets of advisors who are closely aligned with our values."

EXPLORING NEW INVESTMENT TOOLS

A growth period is good time to explore new investment tools. "More assets often means access to more tools," says NCFP Board member Claire Costello, the National Philanthropic Practice Executive for Philanthropic Solutions at U.S. Trust, Bank of America Private Wealth Management. "With extra money kicking around, there's room to play with your investment outlook. You might reformat your investment policy, and perhaps explore additional strategies, such as program-related investing or impact investing."

The Satterberg Foundation is doing just that. "We're on trend with a lot of foundations trying to be more intentional about getting our investments to align with our mission. Now that we have more assets to work with, we want to put a socially responsible lens on all of our investing. To start, we will dedicate part of our assets (our target is 10 percent) to impact investing, and we'll hire someone who specializes in that to manage the process."

ON INVESTMENTS—ASK YOURSELVES:

- Given our new asset size, what changes do we need to make in our asset allocation and investments?
- What's the lifespan of our foundation? How does that affect our investment decisions?
- Do we have expertise on the board overseeing our investment decisions and investment managers/advisors?
- What other investment tools or strategies might we consider at this time, such as program-related or impact investing?
- How can we align our investment decisions with our values?
- Do we have the right policies in place to protect yourselves?

Operations

Foundation operations include just about everything it takes to get the work done. Running an office, handling the administrative tasks, making sure you are meeting the legal and financial requirements, controlling the cash flow, managing grants, hiring and overseeing staff, and communicating with the board, grantees and the public—these all fall under the realm of operations.

Just as you need policies in place for the board, so too will you need clear procedures for how the foundation operates in the day-to-day. If you already have these procedures in place, revisit them in this phase of ramping up. Survey what you will need to support the foundation's new size, and get help if you need it. Remember that every operational and management decision you make is in support of your mission and values.

Many foundations start off wanting to keep their expenses lean in order to save their funds for grantmaking. This is understandable. However, you may find in order to build infrastructure and effective grantmaking programs, you need to pay for it.

"A family that suddenly receives a big influx of assets into its foundation typically doesn't understand the magnitude of the operation that's required," says philanthropy advisor Mark Neithercut. "It's a stumble-along, make-mistakes and learn-from-them approach, rather than a business-like approach from the beginning. Eventually they realize, oh wow, we need to run a major entity here."

Neithercut often shares data from other funders that shows the typical staff set up and administrative budget of a foundation their size. "That often opens their eyes. They realize they need more than a part-time secretary to run a $200 million operation."

Keep in mind: It takes time and money to find the right office space, hire and retain staff and consultants, join local and national associations, research new funding areas, visit grant partners, and become leaders in local causes. A good rule on administrative budgets: think not in terms of how much should you spend, but in terms of what you want to accomplish.

ON OPERATIONS—ASK YOURSELVES:

- Given our new asset size, what do we want to accomplish as a foundation?
- What will we need to spend to meet our goals?
- Do we have set procedures and internal controls for how the foundation operates? If so, what's working well? What needs to change?
- Will our current office accommodate our new size? If not, what steps do we need to take to locate new commercial or shared office space?

> It's not the plan that's important; it's the planning.
>
> *– Dr. Gramme Edwards*

COLLEAGUE STORY: TRANSFERRING ASSETS SLOWLY

The Keith & Judy Swayne Foundation takes a mindful approach to transferring assets to the foundation: they are doing it slow and steady.

Keith Swayne is slowly transferring assets to the foundation he and his wife Judy started in 2004, headquartered in Orange County, California. The sale of his company triggered the original funding of the foundation, and Swayne has transferred between $1-2 million per year since that time.

"It was never our intention to take a large sum of money and put it in the foundation right out of the box," says Swayne. "Before it became a large foundation, we wanted to involve the next generation—to find out if they were even interested and committed to running a foundation. We also want to slowly build the infrastructure we will need when the foundation does get to a larger level."

His daughter Anne Swayne Keir became president of the foundation, and along with the board and one part-time administrative assistant, has been making sure the foundation's internal structures are solid. As the foundation slowly grows, the grantmaking becomes more focused, she says.

Still, she has questions about the future. For example: "As we grow, what will allow us to move forward efficiently and through the generations? How many board members do we need, how many of them are family members? Do we need more staff? Who should serve on our advisory board?"

This father and daughter team says consistent strategic planning is key to keeping the foundation on course. "Every year, we reflect on our strategic plan, our mission, and our grantmaking. We challenge ourselves, asking: are we still okay with what we say we want to do? Having this discipline in place now has helped guide us. The process of planning, for us, is a constant questioning and refining of what we're doing."

This level of planning has given Keith confidence that the foundation will go on, even as he takes a lesser role. "As a founder I feel comfortable that if I weren't here tomorrow, the foundation would go on and be governed well. That doesn't just happen—it takes work and a willingness to share the reins with family members. The worst thing a founder can do is be in charge, call all the shots, and then die. How would the family know what to do? I've worked hard to try to have a good transition."

In Sum—Advice from Your Colleagues

For many of us, thinking ahead to the future does not come intuitively—especially when it involves a future without our beloved family member or a business that has been around for decades. Thinking five years ahead is a challenge, and ten years feels like an eternity. Here is some advice from your colleagues who have been through an influx.

Talk with the founders. If at all possible, be sure to get as much information and guidance as possible from the founders. Create a video, record their voices, and ask as many questions as you can before it is too late.

Plan early and often. It's easier to plan ahead than to react in the midst of an imminent or overwhelming change. One way to plan ahead is to constantly refine where you are at today with your grantmaking and operations. How will it change with a new level of wealth? Together imagine the new possibilities.

Start learning now what you don't know. Even if there are tax consequences for transferring the assets before you are ready, it might be worth it to learn what might help you later.

Revisit your mission and goals. Many funders use transition points to examine what's working well (and what's not), and if and how the mission is still relevant to the family and the community needs. Be sure your mission and goals align with your foundation's values.

Focus your grantmaking. Many colleagues encourage foundations to use the asset increase to focus their giving, as opposed to opting for the trustee discretionary model. As one trustee says, "With this new pot of money to focus on, you could go on a powerful process learning together and identifying shared values."

Find wise investment advisors. You don't have to know it all. You just have to know an advisor is serving you well. If the foundation has a advisor that is not a good match, end the relationship sooner rather than later.

Engage consultants who can guide you through the transition. Working with consultants is a commitment that takes time and dollars, but it can help you navigate the process with far better results. Think of outsourcing as a tool to manage the increase and allow you the time you need to navigate the changes. Outsourcing can also be a time-saver in the long-term: for example, it might take your board five years to make all the changes alone, or you could hire a consultant and do it in three.

Reach out to other funders and grantmaker support organizations. Other foundations and organizations like the National Center for Family Philanthropy can help you think through the issues and provide sample policies and procedures. As one trustee says, "We made sure we had membership in place to provide us advice on infrastructure and offer a network of support. Being open to support is really important."

Treat the foundation like a business, not a hobby, Be sure everyone on the board understands that the foundation requires the same level of responsible management as any family business or corporation. Encourage all board members to share their voices, participate actively and own the transition.

Allow change to happen over time. An influx of assets, and all the changes a foundation must make because of it, isn't something that happens overnight. Just as you don't see immediate results of a grant, don't expect to see immediate results from a foundation in the midst of change. As one trustee says, "As foundations, we get to try things and see how they work. This takes time. You have to live into it."

Conclusion

As you approach or navigate an influx of assets, remember this: Change is rarely a single event with an exact start and stop point. It's a process, and one that takes time, patience and courage.

"An influx of assets is like a Rubik's cube. You can't secure one piece until the other pieces are in place. You have to keep tweaking and tweaking until it all clicks into place," says Claire Costello of U.S. Trust. "There are no right or wrong answers. Change is about making choices, and adjusting along the way. The best a foundation board can do is be a student of the process and be willing to fail forward.

As you enter into this process, keep asking yourselves: What makes sense for us as a family, and what is best for the community we serve?

"An influx of assets is really a rite of passage for a board. It's a time where the past has died away and the new is yet to come," says Tara Brown of the Hidden Leaf Foundation. "It helps to embrace the transitional space, the not knowing."

"You can fight the changes and frame this as a difficult murky time. Or you can choose to welcome the uncertainty, and hold onto the simple innocence of where you are."

An influx of assets, after all, is a process of transformation. In the end, it can bring greater focus, intention and joy to your family giving, and more impact that you ever imagined.

In movement there is life, and in change there is power.

– Alan Cohen

HOW TO NAVIGATE CHANGE ON A PERSONAL LEVEL

Change happens. Sometimes we anticipate it, and other times, we don't see it coming. Whether the unforeseen sale of a company, the loss of a loved one, or a sudden increase in wealth, a big change can leave us bewildered as to the best way to move forward. The life we've known is gone and in its place is a world of uncertainty.

Leaders plan ahead for the unknown, and reestablish a sense of balance for themselves and others when it happens. Below are some ways you can lead yourself and your board interpersonally through big change.

- **Mourn first, then move on.** If the influx of assets is caused by a sudden or expected death, allow yourself and others time to mourn. Set aside a certain amount of time before diving into the details of the **planning process.**
- **Create a safe space for emotions to arise**. Change can stir up the emotional pot, and everyone feels something—whether it's joy, excitement, anger, fear, sadness, or confusion. Leaders acknowledge their own feelings and those of others, and in doing so, help move the group forward.
- **Strive for perfect effort, not perfect results.** Change is about choices, and you and the board may find you don't get it right on the first try. Cut yourself some slack: You can always change course if needed, and often, it's the missteps that bring about the best learning.
- **Break long-term changes into doable chunks.** With so much to do in dealing with an influx, it can easily feel overwhelming. Keep the big picture in mind, but break your long-term goals into immediate next best steps. What are the top two or three things the board can focus on today to further your goals for tomorrow?

About the Author

Elaine Gast Fawcett is a philanthropy writer and content strategist who has been telling people's stories since fifth grade, when she crafted her first class newsletter. Over the past fifteen years, Elaine has interviewed 1000+ philanthropists, entrepreneurs and nonprofit leaders, and published a number of books, toolkits, articles and reports for foundations, nonprofits, and grantmaker associations (including NCFP).

About the National Center for Family Philanthropy

The National Center for Family Philanthropy (NCFP) is the only national nonprofit dedicated exclusively to families who give and those who work with them. We provide the resources, expertise, and support families need to transform their values into effective giving that makes a lasting impact on the communities they serve. Together, we make great things happen.

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