

MAKING THE COMMITMENT TO

Family Philanthropy:

A MANAGEMENT TOOL

FOR COMMUNITY FOUNDATIONS

By

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NATIONAL CENTER FOR
FAMILY PHILANTHROPY

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Foreword

Family philanthropy has been a life force in community foundations since most were first formed. Often, local philanthropic families started the community foundation in their region both to focus attention on the needs and resources of the region and to provide an important grantmaking strategy for donors.

With the advent of donor advised funds and supporting organizations, the opportunity to access the experience of the community foundation and take advantage of newer giving structures has grown family philanthropy within community foundations dramatically. Even families with private foundations have found an important new giving partner in the community foundation. Some establish funds at the community foundation to complement their existing foundation or to learn more about their region; some look for a way to be flexible given the grantmaking priorities and timing of their foundation; and still others look for it all: the tax advantages, the collegiality, and the expertise.

The National Center for Family Philanthropy has been working with families and community foundations since our founding. We first examined the trend formally in 2002 with the monograph, *The Practice of Family Philanthropy in Community Foundations*. We also looked at how donors were starting and using donor advised funds in our monograph, *Family Philanthropy and Donor Advised Funds*. We have presented at more than 100 meetings of community foundation donors, boards, staff members, and financial advisors. Our commitment to understanding and supporting the work of family philanthropy and community foundations is strong and it was natural we would look for the next logical opportunity to provide leadership and encouragement for this work.

That opportunity presented itself as the result of a summit of community foundation leaders. Convened in the summer of 2004 by the National Center for Family Philanthropy and The Philanthropic Initiative, leaders from throughout the United States considered what would help the field grow this practice effectively. Much thoughtful advice and a range of ideas came out of that meeting but one strategy had unanimous and enthusiastic support: a management tool to assist community foundation leaders in assessing the readiness of their foundation to take on or expand their family philanthropy services.

With the continued generous support of the Charles Stewart Mott Foundation, we were able to commission Bryan Clontz, former vice president of the Community Foundation for Greater Atlanta and now an associate of Ekstrom & Associates, to accept the summit challenge. Bryan understands community foundations and his previous work in this area made him the natural candidate for this project. His sensitivity and skill is well reflected in this new work, *Making the Commitment to Family Philanthropy: A Management Tool*.

My sincere thanks to all who contributed so generously to the development and production of this assessment. My own experience with community foundation leaders—donors, volunteers, staff and advisors—makes me particularly excited to share this tool with you. Families look to you for inspiration and encouragement as well as for strategy and skill. We think this tool will help you respond to all of these requirements.

You are about to consider critical questions of motivation and capacity and your readiness to take on the practicalities of supporting family philanthropy. You will also be reminded of the joy that comes from working with a donor to achieve philanthropic goals and the possibility of sharing that joyful experience with generations of that donor's family. You are probably well aware of the extent to which these services may affect your staffing, fee structures, and other program work. But you may be surprised that your response to this tool may also challenge your sense of mission and purpose. I hope it does. Only through such a deeply candid and fundamental conversation—one that includes but goes beyond time and talent to vision and values—can family philanthropy and community foundations truly enrich one another to the betterment of all those who are touched by your partnership.

Virginia M. Esposito
President
National Center for Family Philanthropy
Washington, D.C.

November 2005

“Family philanthropy has caused us to be more open to our role as a mobilizer of philanthropy rather than a capturer of philanthropy.”

—Lynn Andrews, *Community Foundation of Greater New Haven*

Preface

I will never forget my “aha” moment during the annual board retreat at The Community Foundation for Greater Atlanta. The following question was asked of each board member: “Why do you give your time, treasure and talent to this community?” All 17 responses were effectively the same: “I was taught that it was important to give back to the community as far back as I can remember. It is part of me, a family value that was passed along. Without much hoopla or fanfare, it was made clear that helping others in need was expected. What influenced me the most was watching other family members set the example.” It was interesting how many board members cited aunts, uncles, grandparents and influential family friends as being the examples they remembered most vividly.

After this retreat, the three key questions for our community foundation were:

- As families are becoming more disjointed, busier and geographically more separated than ever, are charitable values being passed down in the same way or might our community wake up two decades from now with only half the number of “movers and shakers”?
- Should our community foundation develop the expertise, services and structural models to facilitate family philanthropy, to help engage multiple generations around charitable values, to foster grantmaking with impact, and to help family members become enthusiastic philanthropists—or are there other service providers already serving this role?
- And finally: If we develop this service, what are all the questions we need to answer, to avoid creating unrealistic expectations?

I am thankful to the following community foundations and friends who helped identify their key questions and added their insights to this project. This family philanthropy decision-making tool that has been developed is much richer because of their assistance.

Anne Monell, Community Foundation of Louisville
Laura Berry and Lynn Andrewsen, Community Foundation of Greater New Haven
Maggie Willard and Lori Rabb, Hartford Foundation for Public Giving
Merri Ex, Chicago Community Trust
Susan Ross and Sharon Reiss, Fairfield County Community Foundation
Ash McNeely, Peninsula Community Foundation
Nina Waters, Nicole Bryan and L. A. Bell, Community Foundation in Jacksonville
Lew Feldstein and Peter Lamb, New Hampshire Charitable Foundation
Pam Velo, Central Indiana Community Foundation
Marilyn Zack, Grand Rapids Foundation
Carleen Rhodes, St. Paul Foundation

Alicia Philipp, Jeremy Arkin and Christine Hunt,
Community Foundation for Greater Atlanta
Mary Jalonick, Dallas Foundation
Keith Burwell, Toledo Community Foundation
Karen Simmons, Chester County Community Foundation
Shannon Sadler Hull, Community Foundation for Palm
Beach and Martin Counties
Brenda Hunt, Battle Creek Community Foundation
Douglas Kridler, Columbus Foundation
Joe Lumarda, California Community Foundation
Andrea Reynolds, Community Foundation of Greater
Memphis
John D. Swallow, Permian Basin Area Foundation
Anne Swarbrick, Toronto Community Foundation
Greg Chaillé, Oregon Community Foundation
Andrea Montag, The Wilbur and Hilda Glenn Institute for
Philanthropy and Service Learning
Fred Stang, Triangle Community Foundation
Ben Johnson, Greater New Orleans Community
Foundation
Carolyn Doelling, East Bay Community Foundation
Amy Cheney, Greater Cincinnati Foundation
Nan Edgerton, Norfolk Foundation

I am especially grateful for my professional association with Helmer Ekstrom, who conducted most of the interviews for this piece as well as providing insightful counsel, and Eleanor Sacks, who was not shy about using her masterful editing skills.

Bryan Clontz
Ekstrom & Associates
November 2005

“We want to know how
to be more intentional about
family philanthropy;
know actual cost and how to price,
systems approach, etc.”

—Ben Johnson, Greater New Orleans
Community Foundation

I. Introduction: Project Purpose

This tool is designed as a complement to *The Practice of Family Philanthropy in Community Foundations* by Helmer Ekstrom, published by the National Center for Family Philanthropy in 2002, which was devoted to an environmental scan of family philanthropy practices, approaching the subject from a family's perspective. This follow-on piece approaches the topic from the strategic, philosophical, structural and practical considerations related to community foundation management—in effect, an internal scan, with a self-evaluation tool at the center. A particular emphasis will be on a benefit/cost decision framework to help community foundations decide whether or not to offer family philanthropic services, and if so, in what way. It also offers a tool to perform a thorough self-assessment with which to identify internal and external strengths and weaknesses. The benefit/cost analysis extends beyond the financial considerations and includes: branding, mission, lost opportunity costs and optimal resource utilization. The comprehensive management decision matrix is meant to guide both the program design, intended consequences and appropriate family philanthropy model selection. And finally, broad resources are suggested for community foundations, based on reconciling deficiencies of their current reality with their ideal family philanthropy expectations. After working through this management decision-making tool, each community foundation should be able to answer the following questions:

- To what extent, if any, should our foundation be in the family philanthropy business?
- If so, how broad and deep should we go?
- How can we customize a strategy that best fits our community and our foundation, given our current level of readiness and our vision for the future?

Caution: It bears repeating that each community, community foundation, and its staff and resources are unique. With the help of this tool, community foundations should be able to choose the appropriate level of family philanthropic services that suits them best.

“The staff **cultural shift** family philanthropy **requires** has to be worked on. Some get it sooner than others. Some resist. It helps to have **commitment** to do this coming right from the top of the food chain.”

—Pam Velo, *Central Indiana Community Foundation*

II. The Current State of Family Philanthropy in Community Foundations

In *The Practice of Family Philanthropy in Community Foundations*, family philanthropy was identified as a “new and emerging priority for community foundations.” Today family philanthropy, as a distinct service area for community foundations, is more prevalent and accepted. This is manifest in both the quantity and sophistication of programs. Many more community foundations have entered the arena and now publically present themselves as a resource to families interested in practicing philanthropy. Community foundations with a longer history of serving families have continued to refine and expand their offerings based upon lessons and insights drawn from their experience.

The emergence of family philanthropy as a priority for community foundations across the field has been stimulated by several factors, chief among them:

- The experiences of community foundations that pioneered the focus on family philanthropy
- The leadership of major national family philanthropy resource organizations
- The growing number of families and family foundations looking to community foundations for help.

Ekstrom & Associates conducted interviews with a broad spectrum of community foundations, in order to learn from the experiences of those early pioneers, and from the thinking that has shaped family philanthropy strategies for those who have launched their programs more recently.

What follows are the lessons and insights that emerged from this effort that community foundations can use to inform their decision making when considering offering family philanthropy services.

Lessons Learned: If I Knew Then What I Know Now

We asked community foundations with the longest experience of offering family philanthropic services what they would have done differently if they could do it all over again. Four areas for consideration surfaced repeatedly. These community foundations said they would:

1. Examine whether offering family philanthropy services is in sync with the community foundation’s mission. If the answer to why we are doing this is not connected to mission, something must change. The connection to mission is the reference point for most of the big decisions about the form a family philanthropy program will take. These issues include: its focus, its reach, the policies governing its operation, and how it integrates with the community foundation’s other strategies and services.

“We started 6 months ago due to a new donor advised fund set up by a very prominent family. It caused us to **consciously think** about other funds and wonder why it took so long for us to realize this is a very **family oriented** community.”

—*Marilyn Zack, Grand Rapids Foundation*

2. Be sure the design of the programs and services offered is well within the community foundation’s capacity to deliver. This may mean positioning the program to under-promise and over-deliver. Map costs carefully to insure that revenue sources are available to cover the costs. For example, one foundation offered family philanthropy services to three distinct groups at three different points in time because of a timing concern and potential over-utilization.
3. Make the move into family philanthropy an integral part of the community foundation’s strategic plan—not an isolated service. Family philanthropy inherently relates to program and development strategy, as well as the foundation’s professional advisor strategy. Ideally, as part of the bigger scheme, it promotes better internal alignment of energy, resources, and focus.
4. Look at family philanthropy holistically and create a total package of services rather than letting the program evolve. Many community foundations described their approach to offering family philanthropy with words and phrases like “an experiment,” “testing the waters” or “dabbling in it.” While proceeding carefully into an unknown and potentially costly territory is wise, a better way to do that, they suggest, is to delay launch and invest the time in careful planning. This eliminates, or at least minimizes a constant change in focus and services which confuses prospective and current donors, and even potential partners, the board, and staff colleagues.

Benefits

The benefits for community foundations offering family philanthropy services are several. First, the meteoric growth in the formation of private foundations, most of which are family foundations, suggests that the level of interest families have in practicing philanthropy as a family is high. This translates potentially into an enormous opportunity for community foundations to expand their market.

Some community foundations see offering these services as a way to leverage their community knowledge and gift planning expertise and to distinguish themselves in the marketplace. Some point to it as an important demonstration of their tag lines—“The Family Philanthropy Go-To,” “Giving Expertise,” “Your Philanthropic Advisor,” “The Center For Philanthropy.”

Others see the provision of family philanthropy services as a key strategy in protecting existing giving and growing new philanthropy for their community. They are very conscious of the substantial intergenerational wealth transfer now under way and worry that successor generations may not be as committed to giving to their community as their predecessors.

Some look beyond the potential for increasing assets held by their foundation and include services to family foundations in their family philanthropy strategy. They see themselves as being in the effective philanthropy business and believe that, while holding assets is desirable, good grantmaking does not require it. Therefore, they offer their expertise and services to family foundations, and other grantmakers as well, to improve the effectiveness and expand the reach of grantmaking in their community.

Others see this simply as being responsive to customer needs. As one community foundation CEO put it : “If you are going into family philanthropy, it must be integral with every thing you do—not isolated. It helps every fund you have -- because every fund is a family” [Nina Waters, Jacksonville Community Foundation, FL]. Donors may not have requested these services before because it never occurred to them that community foundations could help them. Family philanthropy further engages existing donors, attracts new ones, and results in more gifts from both sources.

Challenges

During our conversations with community foundation leaders about family philanthropy, we heard about the challenges they have overcome, as well as some of their ongoing challenges, including:

1. The lack of models for the field that are not organization-specific. The existing models, represented by leading community foundations, even if very good, are generally ad hoc
2. How to appropriately set and communicate expectations, while maintaining a balance of cost control and good customer service
3. How to offer an attractive menu of services, while controlling donor utilization of these services, especially if there are staff capacity concerns
4. How to price these services
5. What the reasonable expectations for outcomes are and the time it takes to achieve them
6. How to handle situations in which the community foundation may not be the best solution for the donor
7. How to determine the point in time when it is best to bring in outside resources to address a family's needs

Promising Approaches

The combination of donor/fund segmentation and tiered services is at the core of an approach that is gaining support.

Donor/fund segmentation is based on donor preferences and fund size (i.e., the ability to generate fees). The idea is to balance the level of services delivered with the revenue to pay for it, thereby ensuring effective delivery on what is promised. In the credit card industry, this might be referred to as the Green Card, Gold Card and Platinum Card model. In the community foundation field, a foundation first determines the expected costs of delivering levels of donor service and then sets a minimum fund level necessary to generate an equivalent level of fee revenue. For example, a foundation might determine that it would cost \$5,000 per year for a package of intermediate services that would require a \$500,000 minimum fund to qualify (assuming a 1 percent annual fee). This approach, of course, depends on a thorough understanding of indirect and direct costs and what is driving them.

Tiered services has three distinct models. One model varies the *number of services* on the menu for each donor/fund segment. For example, one segment may be eligible for a core set of six basic services while another is eligible for the basic six plus an enhanced set of three more services.

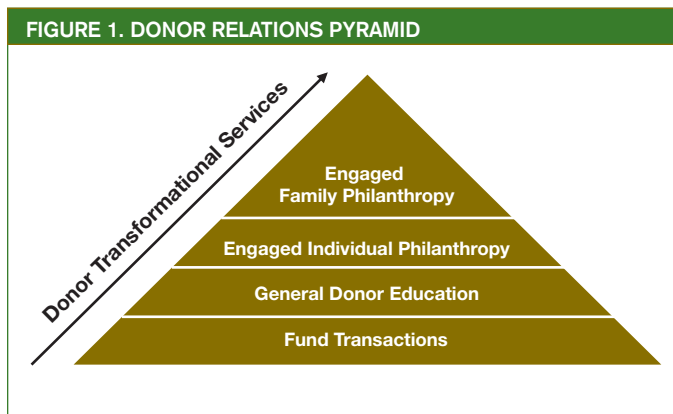
Another model varies the amount of *personalization and customization*, with the number of services being fixed. So, for example, while everyone may receive help in creating their family's strategic philanthropy plan, one segment is eligible to participate in a workshop and receive a planning toolkit, while the enhanced segment is eligible to meet individually with foundation staff who facilitate the process.

The third model is a blend of the two, thereby varying both the number of services and the level of personalization and customization.

Note: An excellent overview of this topic can be found in "The Practice of Family Philanthropy in Community Foundations" in the section on Market Fusion.

Family Philanthropy Fit

Family philanthropy within a community foundation can be characterized as an enhanced form of donor relations, delivered to two people or more, and generally across generations. Where does it fit within a typical community foundation and what services are offered and when? The illustrations below attempt to answer these questions.



Note: While the top of the pyramid is Engaged Family Philanthropy, this is not meant to suggest that this is what community foundations should strive for; only that, as it relates to complexity, resource requirements and donor/family transformational impact, this would be the highest point.

External and Internal Trends Affecting Family Philanthropy

A key trend, external to community foundations, which began in the early 1990s and has continued to accelerate, has been the development of a vast array of new charitable vehicles and service providers. Consider how this landscape has changed in just the last fifty years.

Fifty years ago, the primary family philanthropy vehicle was a private family foundation and the primary service provider was the local bank trust department.

Today the line between charitable vehicles and service providers has blurred. The majority of high net worth donors uses at least two charitable vehicles and multiple service providers. A donor might have a private foundation, a donor advised fund at a national charitable gift fund and a large scholarship fund at a community foundation. She might be offered family philanthropy services by her private foundation's administrative services provider (with a philanthropic consultant on staff); her boutique financial planning firm managing her personal investments (with a philanthropic consultant on staff); a brokerage firm managing the private foundation's assets (with a philanthropic consultant on staff); and/or a community foundation (with a philanthropic consultant on staff). Within this framework, the community foundation may be providing fee-for-service work for her private foundation and the boutique financial planning firm might be investing her community foundation scholarship fund. The number of combinations and permutations creates both donor confusion and access opportunities for the service providers.

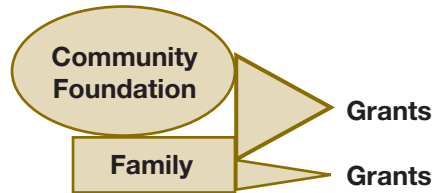
One very large midwestern community foundation reports that a law firm in their building has a fully developed private foundation services platform and has hired family philanthropic consultants to provide additional donor services. A southeastern community foundation feels family philanthropy "competition" from a local money manager offering many of the same donor services, using family philanthropy as a key client service to differentiate his practice from other financial advisors.

FIGURE 2. COMMUNITY FOUNDATION OPERATING MODELS

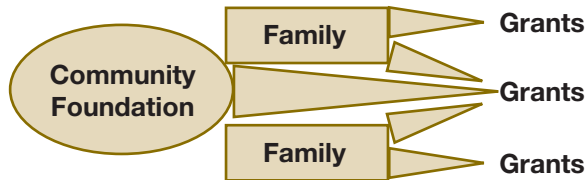
Community Foundation Drives Grants



Community Foundation/Donors Drive Grants



Donors/Families Define/Drive Grants



Family Philanthropy Characteristics

- Donor Relations Function Usually In Program Department
 - Policies May Restrict Geography or Successor Advisors to One Generation or Grant Type
 - Donors/Families Know That Community Foundation Will Expect Grants to Its Key Grant Priorities
 - Most Family Philanthropy is Tier 1 and Tier 2 Services Delivered to Maximize Funding for Key Grant Priorities
 - Usually Older Foundations with Large Discretionary Asset Base
-
- Donor Relations Function Usually A Separate Department or Co-Managed With Program and Development Department
 - Policies May Restrict Geography or Successor Advisors to Two Generations or Grant Type
 - Donors/Families Know That Community Foundation Will Encourage Grants to Its Key Grant Priorities
 - Most Family Philanthropy is Tier 1 or Tier 2 Services Delivered to Balance Family Interest and Foundation Key Grant Priorities
-
- Donor Relations Function Usually In Development Department
 - Policies Do Not Restrict Geography or Successor Advisors or Grant Type
 - Donors/Families Know That Community Foundation Will Not Solicit Grants to Its Key Grant Priorities
 - Tier 1, 2 and 3 Family Philanthropy Services are Delivered to Achieve Family Goals - Some Grants May Align With Foundation Key Grant Priorities and Some May Not
 - Usually Younger Foundations with Large Donor Advised Asset Base

This said, community foundations should be less concerned about direct or perceived competition and more concerned about how the foundation fits within their community and with developing mutually beneficial collaborations. The way a community foundation chooses to operate may either impede or facilitate such collaborations. Community foundations may determine that family philanthropy vehicles and/or services may best be delivered by another local or national vendor. Further still, the community foundation itself may offer a basic family philanthropy package, while choosing to outsource or partner with specialized local or national experts (e.g., using a consulting firm to facilitate family meetings or next generation training).

A recent internal trend is that community foundations are more clearly defining their ideal operating model. Over time, foundations have tended to gravitate toward either a donor service model (donor-defined grants—in a practical, not legal sense), a discretionary grant model (community foundation defines grants) or a hybrid model (community foundation and donors define grants). See Figure 2 for a graphical depiction of the different characteristics.

As one community foundation donor services staff member put it, “...This (my job) is not exactly what **I had envisioned**. I saw myself helping families with their grantmaking and getting the kids engaged. Instead, it seems I spend most of my time chasing down errors in their fund statements.”

Most foundations are not entirely one model or the other and typically have characteristics of each at various levels. At the extreme, an example of a “donor defines grants” foundation would be a national charitable gift fund or a community foundation with a donor advised fund focus. This might also be defined as a “donor facilitation” model, where the vast majority of a community foundation’s grants are recommended by donors with little to no influence from the foundation. A “community foundation defines grants” foundation would primarily work with donors who wish to support the foundation’s discretionary grant focus. And more recently, a “community leadership” model has begun to emerge, which tends to share more of the characteristics of a discretionary grant model at its core. Each community has differing resources and needs that, in turn, demand a community foundation design tailored to its circumstances. What proves successful in one community at one point in time, can rarely be adopted wholly by another community to produce similar results.

In addition to more clearly defining the ideal operating model, two key community foundation trends have emerged in the last three years, each having a different impact on family philanthropy. These trends include: 1) an increased emphasis on matching fund revenues with costs, focusing more heavily on the high net worth donor often with support from the

National Marketing Action Team’s (NMAT) efforts; and 2) developing a more intentional and collaborative outreach to private family foundations (often utilizing NMAT’s Family Foundations Portfolio). Regarding cost effectiveness, delivering family philanthropy services is heavily staff driven with accompanying high costs. Due to the high costs, these services usually fit best with high net worth donors who have become the primary development target. Community foundations that market family philanthropy services to private family foundations as a unique value proposition are in a position to create additional synergies.

Looking forward, some questions remain:

1. How “institutionalized” will family philanthropy become within the field generally and within community foundations, specifically?
2. What models will emerge and what additional lessons will be learned from early adopters?
3. How will families change over time in terms of structure, geography and relationships?
4. How will the external providers (e.g., consultants, financial services companies, law firms) collaborate or compete with community foundations?
5. How will community foundations answer the questions “What business are we in?” and “Who is our primary customer?”
6. How will multiple community foundations develop the technology and structure to serve individual families?
7. How will community foundations capture best/effective family philanthropy practices?
8. How might a deeper involvement in family philanthropy change community foundations as they coordinate geographically to accommodate families?

Answers to these questions will have a varying degree of impact on the multi-dimensional field of family philanthropy.

III. Key Family Philanthropy Issues for Community Foundations

Community foundations need to address a number of key issues prior to offering family philanthropy services.¹ The most critical issues are:

“Technology can be a **community foundation’s friend** in transitioning from costly, labor intensive services to ‘do-it-yourself-on demand service’ - the **donor wins too.**”

—*Ash McNeely,*
Peninsula Community Foundation

- Compatibility between a focus on family philanthropy and the community foundation’s broader mission.
- Staff capacity and skills (including managing family dynamics) and an affinity for working with families.
- Impact of a family philanthropy focus on the community foundation’s core business.
- Capacity to stimulate growth of new philanthropy among successor generations.
- Need for education of advisors about how community foundations can work with family clients, including addressing perceived or actual competition for their services.
- Costs of providing personalized and high-quality services to families.

Each of these will be explored more deeply in the following self-assessment and decision matrix sections.

¹This section draws directly from “Community Foundations and Family Philanthropy... Stepping into the Future—A National Summit of Community Foundation CEOs.” This conference occurred in June of 2004 and was sponsored by the National Center for Family Philanthropy and The Philanthropic Initiative.

IV. A Family Philanthropy Self-Assessment Tool

This self-assessment tool, composed of 25 questions and a diverse set of possible answers, has been developed to allow foundations to determine their current level of readiness to undertake or expand a family philanthropy program. At the end of the process community foundations will be able to assess whether their organization has an “Optimal Fit”, “Partial Fit” or “Minimal Fit” with family philanthropy. Each community foundation using this tool should select the answer that best represents the foundation’s current position, or feel free to create a customized answer for questions 7–25.

To make effective use of this tool, you will need to plan on a time commitment of 2-3 hours to complete the exercise; and include all critical staff members (e.g., senior staff, donor relations/program staff, etc.) either individually or collectively, in assessing current status and readiness.

The exercise has a three-fold purpose:

1. To capture the issues and constraints identified by the field;
2. To offer current practical examples for how these issues or constraints are being addressed in community foundations nationally; and
3. To stimulate your thinking about which set of family philanthropy services, if any, can be optimally delivered by your community foundation.

Caution: Given the design of the questionnaire, the responses may come across as too distinct. Community foundations should not infer that a “minimal fit” foundation is undesirable and that an “optimal fit” foundation is the ideal. This is not the intent. The questions are designed to assess the foundation’s current situation and stimulate thinking about where family philanthropy fits in the overall mission of the community foundation, now and in the future.

Family Philanthropy Self-Assessment Tool for Community Foundations

SECTION I. MISSION/CORE BUSINESS COMPATIBILITY:

Scoring Key: Each letter receives a numbered score.
A = 3 points; B = 2 points; C = 1 point; D = 0 points

Answer the questions below by selecting the response that best completes the sentence.

1. **If a donor with an interest in family philanthropy read our foundation's mission and/or vision statement, he or she would:**
 - A.** Assume that we offered a comprehensive menu of family philanthropy services.
 - B.** Assume that we would offer family philanthropy services if a family's grantmaking interests matched that of the foundation.
 - C.** Assume that we did not offer family philanthropy services beyond basic donor relations.
 - D.** Would not be able to determine our foundation's position as the language used best describes an endowed, discretionary fund objective.

2. **What would our foundation's leadership, i.e., senior management and board of directors, want the donor to assume:**
 - A.** We offer a comprehensive menu of family philanthropy services.
 - B.** We would offer family philanthropy services if the family's grantmaking interests matched ours.
 - C.** We do offer family philanthropy services beyond basic donor relations.
 - D.** We have a primary focus on building endowed, discretionary funds.

3. **What sentence best describes your community foundation:**
 - A.** Our primary mission is to serve donors, to increase the size of the charitable pie, without much concern about which vehicles donors use, and to help facilitate as many gifts as possible to as many charities as possible. **We match donors with their interests.**
 - B.** Our primary mission is to serve donors in a way that educates them about community needs, and will attract the most dollars possible to those specific areas. While we are comfortable with donors giving outside of these areas, it is our hope that most of their giving will eventually be guided in some way by our foundation, and at the very least, stay in our geographic region. **We match donor dollars with critical community needs.**
 - C.** Our primary mission is to be a discretionary grantmaker and to help donors fully appreciate our programs and discretionary process. We have a strong development focus on unrestricted or field-of-interest funds and consider these funds to be a higher "value" than donor advised funds. **We are a discretionary asset-builder and a high-quality grantmaker.**
 - D.** Our primary mission is to be a change-agent for our community by taking on a catalyst/convenor role. We desire to take a very strong leadership position on difficult or contentious issues and then seek to galvanize not only discretionary, donor advised and any other funds necessary but also use political and other means to achieve a position we believe to be important. **We are a dynamic change-agent for community good.**

4. **Currently, our foundation offers philanthropic services (donor services or grant research) to:**
 - A.** Any individual, group, private foundation, corporation or other entity, whether a fund is created or not, even if they wanted to make grants outside our service area (assuming the community foundation believes it is prudent from a benefit/cost and mission alignment standpoint)
 - B.** Any individual, group, private foundation, corporation or other entity, whether a fund is created or not, only if they want to make grants inside our service area (assuming the community foundation believes it is prudent from a benefit/cost and mission alignment standpoint)

- C.** Any individual, private foundation, corporation or other entity only if a community foundation fund is created. We offer customized and personalized services to particular funds or particular fund sizes.
- D.** Any individual, private foundation, corporation or other entity only if a community foundation fund is created. We offer standard services for most all funds and all fund sizes.

5. How would you objectively grade the working relationships and flow of information between your development, donor relations and program departments:

- A.** Seamless
- B.** Good overall, but there are some small bumps from time to time
- C.** Good generally, but best when a collaborative project is clearly defined
- D.** Each department has a silo mentality and generally functions separately from the other

6. What statement best reflects your staff's view on donors overall:

- A.** We can't wait to get to work to see how we can better serve donors and their families.
- B.** We like working with donors insofar as they don't become too demanding—we wish we could only work with the easy ones sometimes.
- C.** We want to convince more donors to give to the specific causes our foundation feels are important rather than so much money being wasted on frivolous grants.
- D.** Ideally, we prefer to receive estate gifts.

CALCULATE YOUR SCORE FOR QUESTIONS 1-6:

14–18 points “Optimal Fit”

Family philanthropy is at the core of your foundation and is considered a major priority. Your plan, either short or long term, should offer 1st, 2nd and 3rd tier services (see Figure 4—The Family Philanthropy Delivery Model Continuum).

8–14 points “Partial Fit”

Family philanthropy has a place within your foundation, however, it needs to be structured and delivered in such a way as to complement the mission and core business model. Such a score may necessitate a reevaluation of the current mission. Your plan, either short or long term, should offer 1st and some specific 2nd and 3rd tier services (see Figure 4).

0–8 points “Minimal Fit”

You need to evaluate whether family philanthropy is an appropriate activity for your foundation at all. Launching any level of family philanthropy program can be resource intensive, cause lost opportunities, and cause mission-drift, if not aligned with your core business. If you still believe family philanthropy has a place at your foundation, you should consider how it might fit within your mission and incorporate specific action steps to address these issues within your strategic plan.

SECTION II. CAPACITY AND RESOURCES

Scoring Key:

Optimal = 5 points; customized answer between Optimal and

Partial = 4 points;

Partial = 3 points; customized answer between Partial and

Minimal = 2 points;

Minimal = 1 point

7. Do you have staff dedicated to donor services?

- Optimal:** We have an experienced donor relations team that proactively manages every donor relationship where practical and possible. They are judged on the ability to engage donors across a number of indicators.
- _____
- Partial:** We have a donor relations staff managing too many donors. They are barely able to keep up with grant distributions and new donor orientations.
- _____
- Minimal:** We don't have anyone solely dedicated to donor services. We all have to do a little bit of everything to keep the foundation running. We only react to donor requests.

8. How would you describe the quality and consistency of your basic donor services?

- Optimal:** Our basic services run like clockwork. We make advised grants consistently by the deadline. We respond to donor calls within 24 hours. Donor statements are accurate and on-time. Donor communications are well-designed, informative and consistent.
- _____
- Partial:** Our basic services are well-delivered most of the time, but we have had inconsistencies that have not quite resolved themselves.
- _____
- Minimal:** Our workload can overwhelm us at certain points of the year and donor service sometimes falls through the cracks. Our statements have gone out late and we have upset some donors by sending out advised grants late on occasion in the last year.

9. How effectively do you use technology in donor services?

- Optimal:** Donors are able to access their funds on-line, frequently use e-mail to communicate with their relationship manager and use our website database to do some grantee research. We also have a phone protocol system so that every donor will be routed to the appropriate person if their primary contact is not available.
- _____
- Partial:** We have not been able to offer on-line services yet, and because of that, our donor relations staff is spending more than half its time in the office on administration rather than on building relationships with donors.
- _____
- Minimal:** Our donor relations staff spends more than three-quarters of the time in the office dealing with administrative issues. We know that we can use technology more effectively, but haven't been able to find the time to implement a plan we developed a year ago.

10. Does your foundation have a general idea about what donor services cost and what the cost drivers are?

- Optimal:** We have reviewed our internal activities and costs down to the staff function level. Because of this, we have instituted minimum fund sizes and fees, and have developed a consulting model for high end donor/family/foundation services to charge on an hourly basis. [Note: Your foundation might also offer tiered services at different fund levels.]
- _____
- Partial:** We have a general idea of our costs and know which funds are not breaking even, however, we are not sure how to calculate the costs for specific services.
- _____
- Minimal:** We really have no idea what donor services cost, and we wouldn't know where to start.

CALCULATE YOUR SCORE FOR QUESTIONS 7-10:

Total Score:

- 16-20 Optimal Resources and Capacity
- 10-16 Partial Resources and Capacity
- 0-10 Minimal Resources and Capacity

SECTION III. STAFF CAPACITY AND SKILLS

Scoring Key:

Optimal = 5 points; customized answer between Optimal and

Partial = 4 points;

Partial = 3 points; customized answer between Partial and

Minimal = 2 points.;

Minimal = 1 point

11. What are the staff's skills in dealing with primary and extended family units?

Optimal: Our staff has been well-trained in dealing with family dynamics and has practice in interpersonal tension and conflict resolution.

Partial: Our staff has received some family dynamics training. However, they have not had the opportunity to put it into practice.

Minimal: Our staff has not received specialized family dynamics training.

12. What does a donor relations staff person do when he/she realizes specialized help is needed (e.g., family meeting facilitation, junior board training, grant strategy beyond or outside of the community foundation's expertise, etc.)?

Optimal: Our donor relations staff has a resource list identifying published articles/texts, web-based materials/tools, and subject-matter experts/consultants. They can quickly recognize when and what outside assistance is needed, and have successfully introduced outside counsel into family philanthropy.

Partial: Our donor relations staff can usually recognize when they need help and then work to identify the appropriate resources.

Minimal: Our donor relations staff has not yet faced a situation where they need help and do not have a resource guide if the need does arise.

13. How do donor relations staff see themselves—as family philanthropy facilitators, consultants or leaders?

Optimal: Our staff can play whatever role that best fits the family, however, they are at their best when they serve a proactive leadership/facilitator/consulting role.

Partial: Our staff functions more like reactive consultants/facilitators when needed.

Minimal: Our staff functions best as reactive facilitators.

14. Do staff have primary performance measures that conflict with or distract from family philanthropy services (e.g., development goals or fundraising goals for a specific program or issue)?

Optimal: Every staff member of the foundation has some general donor relations success measures, and donor relations staff have specific family philanthropy success measures.

Partial: Donor relations staff have family philanthropy success measures, however, other goals may take precedence from time to time.

Minimal: Our donor relations staff do not have specific family philanthropy success measures and their primary goal is to “move” money to foundation priorities.

15. Who is the “client”—the primary donor or the family?

Optimal: While there is usually a point person, which in many cases is the primary donor, we make it clear that for family philanthropy to be most effective, the entire family must be engaged and empowered.

Partial: We view the entire family as our “client” but we could probably set better expectations and clearer boundaries to ensure this happens. We find that the majority of families we work with are clearly being led by the primary donor.

Minimal: We follow the lead of the primary donor and facilitate his/her objectives.

16. If a family asks for help in grantmaking, how does the process work?

- Optimal:** We have a series of questions and an interview process to first determine a strategic grantmaking plan for the family. This includes a comprehensive review of past grants as well. We then work very closely with our program staff and external experts to prepare specific, customized grantmaking research reports and recommendations.
- _____
- Partial:** We work with our program staff to develop customized research reports and recommendations.
- _____
- Minimal:** Our program staff provides either existing issues reports or recommends specific projects from a recent discretionary grant cycle.

CALCULATE YOUR SCORE FOR QUESTIONS 11–16:

Total Score:

20–30 Optimal Staff Capacity and Skills

12–20 Partial Staff Capacity and Skills

0–12 Minimal Staff Capacity and Skills

“Suggesting **what was best** for the donor, rather than the foundation, demonstrated to this donor that we were **objective** and could be **trusted**”

—Amy Cheney,
Greater Cincinnati Foundation

SECTION IV. MARKETING FAMILY PHILANTHROPY TO PROSPECTIVE/CURRENT/SUCCESSOR DONORS

Scoring Key:

Optimal = 5 points; customized answer between Optimal and

Partial = 4 points;

Partial = 3 points; customized answer between Partial and

Minimal = 2 points;

Minimal = 1 point

17. Describe your foundation's and your community's existing family philanthropic wealth.

Optimal: A large percentage of our donors represent high net worth family wealth and many of them already have large funds. We also have a large number of high net worth prospective donor families and family foundations.

Partial: Our community does not have a large number of high-net-worth families, however, most of them have funds at our foundation.

Minimal: Our community does not have a large number of high net worth families or private foundations and few of those have funds with our foundation.

18. Describe the current demand for family philanthropy.

Optimal: A number of our larger family donors have requested various kinds of services or have come to family philanthropy events that we have sponsored. We have conducted a focus group and found a strong interest from current and prospective donors, as well as from professional advisors.

Partial: Our donors are not directly requesting services. However, many would seem to be ideal candidates if they were approached. We have informally discussed potential services with professional advisors and received a good response.

Minimal: We have discussed services informally with some of our largest donors and they did not show much interest.

19. In general terms, do your larger family donors and their children/grandchildren live in your service area or are they geographically dispersed?

Optimal: Most of the families with large funds live within close proximity of their children and relish the fact that they live close to the grandchildren.

Partial: Most of the families with large funds do not live within close proximity of their children. However, it is typical for them to get together at least once a year (e.g., holidays, family foundation meeting, vacation, family business meeting, etc.).

Minimal: Most of the families with large funds do not live within close proximity of their children, and they do not tend to get the entire family together on a consistent basis. They still want to involve their family in philanthropy but it would require multi-city coordination.

20. Describe your donor advised fund policies.

Optimal: Our donor advised funds allow unlimited successor advisors, are non-endowed and allow grants to any US charity.

Partial: Our donor advised funds allow two generations of successor advisors, are non-endowed and allow future principal distributions to other community foundations.

Minimal: Our donor advised funds allow one generation of successor advisors, are endowed and restrict grants to charities within our geographic service area.

21. Describe your family foundation marketing and service program.

Optimal: We have an aggressive private foundation outreach program with a customized list of services. We will offer these services if the foundation creates a fund with us, or we can customize a service/fee agreement.

Partial: We have a number of private foundation funds, although we do not currently have an intentional outreach program. We offer them a list of services if they create a fund.

Minimal: We do not have many private foundation funds and limit our donor services to the traditional package we offer all donors.

22. How do you determine which donors get which services?

- Optimal:** We have segmented our donors into two or more levels based on fund size so that projected revenues will cover our projected costs. We have packaged our services into a unique offering and have branded it for marketing purposes (e.g., Family Philanthropy Center).
- _____
- Partial:** We have segmented our donors. However, we are not offering a unique package of services, and our services have not been branded for marketing purposes.
- _____
- Minimal:** We have not segmented our donors, and we are not offering a unique package of services.

23. How have you priced your family philanthropy services?

- Optimal:** We have conducted an internal cost study to determine the minimum fund size to offer a specific set of services. For anything offered beyond the base level of services, we charge an additional fee based on the required staff time or hire specialized outside consultants as appropriate and directly charge the fund.
- _____
- Partial:** We are modeling our fees and minimum fund sizes based on our peer community foundations.
- _____
- Minimal:** We are not charging any additional fees nor do we require a minimum fund size to receive these services.

24. What services are you offering to successor advisors/next generation?

- Optimal:** We encourage families to involve their children/grandchildren in their charitable giving and provide them with articles/books on this topic. We also provide specific training programs for successor advisors and arrange for family volunteer opportunities when appropriate.
- _____
- Partial:** We encourage families to involve their children/grandchildren in their charitable giving. We have also had “family” events where donors are encouraged to bring the successor advisors.
- _____
- Minimal:** We have anecdotal evidence of families involving children/grandchildren in their giving, but there has not been much interest in offering additional services/events.

25. How do professional advisors perceive your family philanthropy program?

- Optimal:** Our professional advisory committee is very supportive of our developing a family philanthropy program. As many of them said: “While we are asked to perform some of these services, we are not the experts.” Some see very clear applications for their family foundation clients.
- _____
- Partial:** Our professional advisors are generally supportive, although some have said that some advisors might see this as competition unless they can continue to be involved at some level (e.g., invest the money, participate in family meetings if the donor wishes, etc.).
- _____
- Minimal:** Our major referral sources have their own family philanthropic consultants and have marketed these services as a unique value proposition. They have made it clear that they would view this as competition to their program.

CALCULATE YOUR SCORE FOR QUESTIONS 17–25:

Total Score:

- 30–45 Optimal Marketing Family Philanthropy
- 15–30 Partial Marketing Family Philanthropy
- 0–15 Minimal Marketing Family Philanthropy

SECTION V. SETTING EXPECTATIONS AND FAMILY PHILANTHROPY GOALS

Scoring Key:

Optimal = 5 points; customized answer between Optimal and Partial = 4 points;
Partial = 3 points; customized answer between Partial and Minimal = 2 points;
Minimal = 1 point

26. What is your current donor intake process?

- Optimal:** We have a comprehensive donor orientation that captures information about the family's giving history, goals and challenges. We probe for interest in family philanthropy at that time and describe the various levels of services we offer.
- _____
- Partial:** We have a donor orientation that primarily covers how the foundation works and how the donor can use and add to his/her fund. We provide them with a listing of the family philanthropy services and cover them briefly.
- _____
- Minimal:** We do not typically conduct a formal orientation, but the services are listed on our website and other materials.

27. What are your foundation's expectations for family philanthropy?

- Optimal:** Family philanthropy is a signature service designed to attract larger funds; engage multiple generations around philanthropy; educate successor advisors so that they can be better grantmakers; help match families with the critical needs we identify; and connect them with other donor families with similar interests.
- _____
- Partial:** Family philanthropy is a logical extension of our donor services, and we also see it as providing us a reason to contact private foundations in our area. We see it as more of a supplemental service than a signature program.
- _____
- Minimal:** We only plan to offer family philanthropy services when asked and only then to our largest donors. At this stage, it doesn't make sense for us to build a program, although circumstances may change in the future.

28. How do you measure the success of your family philanthropy program?

- Optimal:** We provide donors/families with an annual performance survey as well as track specific activities that indicate success (e.g., number of family meetings, grants to recommended charities/programs, families attending events). Each family also has a family philanthropic plan outlining their goals, action plan and timeline. We measure the progress of plan execution.
- _____
- Partial:** We track the families' activities.
- _____
- Minimal:** We measure the number of events and attendees and probe donor satisfaction by adding a few questions to our bi-annual standard donor survey.

CALCULATE YOUR SCORE FOR QUESTIONS 26-28:

Total Score:

- 12-15 Optimal Setting Expectations and Goals
- 7-11 Partial Setting Expectations and Goals
- 0-6 Minimal Setting Expectations and Goals

Caution: This self-assessment questionnaire should be viewed as a subjective guidance tool. While some of the answers and summary conclusions may seem absolute, they are not. Most importantly, the questions raised and the range of responses should prove helpful as you begin to plan your ideal program and to identify areas that will need to be improved.

V. A Family Philanthropy Strategic Decision Tool

Upon completing the self-assessment, a community foundation should have a clearer idea of how a suitable program might be designed and offered. The next phase is to consider the summary self-assessment scores in the context of the foundation’s operating model and, most importantly, its compatibility with the mission/core business. If there is a potential fit, a delivery and service model can now be considered.

Many community foundations have explored a variety of delivery models as a way to make some of the key decisions prior to launching a family philanthropy program. A delivery continuum can be seen in Figure 3.



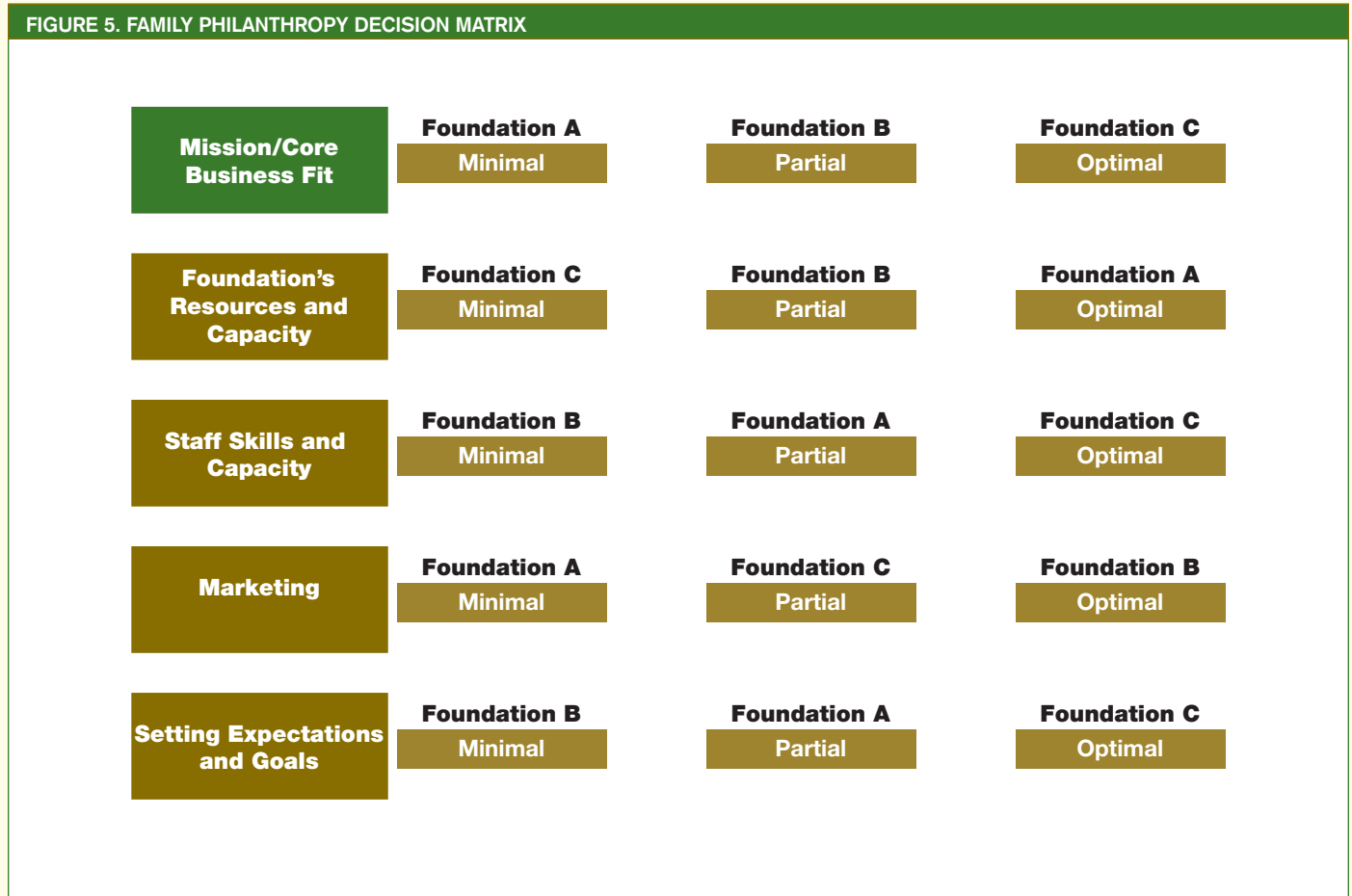
Figure 4 illustrates a family philanthropy services continuum.



“Our thinking is high net worth families have financial advisors, legal advisors, etc.....we **want to be** their Philanthropic Advisor.”

—Anne Monell, *Community Foundation of Louisville*

As a last step, plot the foundation’s current level of readiness, based on your self-assessment scores by category, against your ideal family philanthropy program. Use the Family Philanthropy Decision Matrix in Figure 5.



This figure depicts three sample community foundations: A, B and C. Foundation A has a minimal mission fit. However, given its strong results in many of the other categories, it is well positioned to offer family philanthropy in the future. Foundation B has a partial mission fit. However, it has minimal scores in two of the four areas. The areas that need improvement should be addressed and, ideally, strengthened prior to launching a program. Foundation C is similar, although with an optimal mission fit, its minimal resources and capacity score is worrisome. Clearly, this is an area that needs attention.

As you plot your foundation’s scores, use Figures 2-5 to make specific decisions to create the best fit. Or, if you have selected a partial program, you should have at least a score of “Partial Fit” in each of the five critical categories. To the extent that you have an individual score in a lower category than that selected, use the resources identified in Section VI to strengthen those specific areas.

To help illuminate the characteristics of each level of program, three case studies of existing programs are included below.

Three Case Studies: Blended Models Scaled to Available Resources and Capacity

The following case studies offer examples of tiered service packages and activities based on the level of resources and capacity. Nearly every foundation wishing to offer family philanthropy may be able to do so at some level, and some of the following examples might be helpful in developing your foundation's plan.

TIER 1—PARTIAL MISSION FIT WITH LIMITED RESOURCES AND CAPACITY

Rationale and strategy:

Be a solid, high-quality core resource for families who practice philanthropy. Minimize overall cost, invest in fixed-cost resources, avoid hard-to-control variable costs, especially staffing. Primary service delivery is on a do-it-yourself basis. Begin to segment high-end funds for potential users of add-on services, outside resources, and prospects for future specialized fee services.

- Lending library resource materials
- Reposition current services to adapt to families
- Resource “How To” tool kits:
 - Develop a grantmaking strategy
 - Organize your family philanthropy process
 - Engage your children
 - Help your children develop good practices, etc.
- Stable of outside resources for referrals

Add-ons:

- Family Philanthropy Online (available by subscription)
- Access to National Center for Family Philanthropy teleconferences

TIER 2—MINIMAL MISSION FIT WITH AMPLE RESOURCES AND CAPACITY

Rationale and strategy:

Be a solid, high-quality complete resource for families who practice philanthropy. Segment high-end funds for Enhanced Level services. Invest in fixed cost resources, minimize hard-to-control variable costs, especially staffing, reserving them for enhanced level personalized and customized services. Deliver as much as possible on a do-it-yourself basis.

Standard Level

- Lending library resource materials
- Reposition current services to adapt to families
- Resource “How To” tool kits and workshops:
 - Develop a grantmaking strategy
 - Organize your family philanthropy process
 - Engage your children
 - Help your children develop good practices, etc.
- Family Philanthropy Online (available by subscription)
- Access to National Center for Family Philanthropy teleconferences

Enhanced Level

- Family philanthropy events
- Alliances with outside resources to provide needed special services to donor families (and train staff)
- Selected personalized and customized services for a fee

Add-ons:

- Offer grantmaking, administrative, and other services to private/family foundations

TIER 3—OPTIMAL MISSION FIT WITH ABUNDANT RESOURCES AND CAPACITY

Rationale and strategy:

Be a solid, high quality full range/full service resource for families who practice philanthropy, including family foundations. Segment high-end funds/foundations for enhanced level services. Invest in fixed cost resources, minimize hard to control variable costs, especially staffing reserving them for enhanced level personalized and customized services. Deliver as much as possible on a do-it-yourself basis.

Standard Level

- Lending library resource materials
- Reposition current services to adapt to families
- Resource “How To” tool kits and workshops:
 - Develop a grantmaking strategy
 - Organize your family philanthropy process
 - Engage your children
 - Help your children develop good practices. etc.
- Family Philanthropy Online (available by subscription)
- Access to NCFP teleconferences

Enhanced Level

- Family philanthropy events
- Alliances with outside resources to provide needed special services to donor families (and train staff)
- Selected personalized and customized services for fee
- Custom grantmaking services to private/family foundations

Add-ons:

- Administrative services for private/family foundations

Note: These models are also readily adaptable for donor family segments within a community foundation based upon the fee income levels.

VI. Needs-Mapping to Family Philanthropy Resources

Take a moment to review your scores from the previous questionnaires and then provide an objective assessment of the current reality. By highlighting areas where reality does not match expectations, you can map the specific issue to the resource guide below. The answers should provide some guidance for improvement, and when combined with this resource list, a community foundation should have a clearer idea for next steps. Clearly, some areas can be improved quickly (e.g., resource links), some slowly (e.g., internal buy-in) and some areas may be beyond the community foundation's control (e.g., number of high net worth prospects/donors).

National Center for Family Philanthropy

General Research

- *The Practice of Family Philanthropy in Community Foundations*
- *What California Donors Want*

Staff Skills and Capacity

- *Demystifying Decision-Making in Family Philanthropy*
- *Managing Conflict and Family Dynamics in Your Family Philanthropy*

Setting Expectations and Goals

- *Voyage of Discovery*
- *Opportunities of a Lifetime: Young Adults in Family Philanthropy*

Online and Remote Support

- FP Online (available by subscription only—more than 1,000 articles and publications on family philanthropy)
- Family Philanthropy Monthly Teleconferences—sign up at www.ncfp.org

Consulting Support

- Consultant Referrals—Call NCFP
- *What to Look for in a Family Philanthropy Consultant*

The Philanthropic Initiative (“TPI”)

General Research

- *What’s a Donor to Do?*

Foundation Resources and Capacity

- Ethics and Values—Values Exercises (Worksheets)
- Clarifying Objectives—Worksheet

Staff Skills and Capacity

- *Giving Together: A Primer for Family Philanthropy*
- *Giving Together: A Workbook for Family Philanthropy*
- *Volunteering Together*
- *Site Visit Checklist*
- *The Venturesome Donor Series*
- *Philanthropy for the Wise Donor-Investor: A Primer for Families on Strategic Giving*

Setting Expectations and Goals

- *Raising Philanthropic Children*

Consulting Support

- *Signs and Situations on When to Call in Outside Help*

Staff Skills and Capacity

- *Raising Philanthropic Children*

Council on Foundations

General Research

- *Key Questions for Community Foundations Considering a Focus on Families*—2004 Fall Conference
- COF Family Foundation Materials

Setting Expectations and Goals

- *Succession Workbook*—Kelin Gersick

National Marketing Action Team

Marketing

- CD—Family Foundation Portfolio
- CD—Professional Advisor Portfolio
- Professional Advisor Outreach Peer Learning Group Training

Foundation Study Group

Foundation Resources and Capacity

- Benefit/Cost Analysis—Cost Study Research

This cursory list of resources is by no means complete, however, it should give your foundation a jump-start on identifying specific information and resources. For National Center for Family Philanthropy materials, go to www.ncfp.org, for The Philanthropic Initiative materials, www.tpi.org, for Council on Foundations materials, www.cof.org.

VII. Conclusion

Many community foundations already have begun to be more engaged in family philanthropy or are strongly considering doing so. The benefits are clear: natural evolution of donor services; attractiveness to larger funds/private foundations; deepening the role of the foundation as the philanthropy expert; and engaging and educating multiple generations of donors. However, the costs are: increased staff time analyzing program/developing plan/packaging; staff time delivering services; staff training; mission drift or misalignment; lost opportunity costs; program/development/donor service staff friction; lost trust if expectations are not met; and perceived or direct competition with referral sources.

Community foundations can learn many lessons from their more experienced peers. Community foundations should be careful to avoid the common pitfalls of either trying to recreate another foundation's program, or backing into a family philanthropy program because one large donor is asking for specific services. In no other arena does the phrase "death by opportunity" apply more readily. The large downside risks should compel foundations to carefully consider and develop a customized program only if it connects current readiness with future goals.

The self-assessment and strategic decision tools in this toolkit provide an effective framework and methodology for developing a successful family philanthropy program within a community foundation—one that is based on an assessment of a community foundation's current capacity, and its mission and vision for the future.

“We are based in a very wealthy region. We must do **everything we can** to help people exercise philanthropy.”

—Susan Ross, Fairfield County
Community Foundation



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