

Figure 2:

REASONS FAMILIES DO NOT ALLOW DISCRETIONARY GRANTS

The majority of family foundations do not use discretionary grants. Some of the most common reasons they give for not allowing discretionary grants include:

- 1) Family foundations are supposed to be about family—by allowing individuals to make their own grants, you take the *family* out of the decision
- 2) Family foundation grantmaking is not intended to be about one's personal prerogative
- 3) The full board is legally required to approve all grants, and allowing discretionary grants—without developing a formal review and approval system—may increase the likelihood

of self-dealing or conflict of interest in grants (or at the very least, it may increase the perception of this)

- 4) Ensuring that discretionary grants are made to eligible grantees and filling out the necessary paper work for a large number of small grants takes significant time and effort
- 5) Discretionary grants that are outside of standard guidelines can send mixed messages to grantees and potential grantees, particularly where grants lists are included in the annual report and/or other printed materials
- 6) Discretionary grants that do not support the goals and purpose of the

foundation make it more difficult for the foundation to be effective in reaching its stated long-term goals

- 7) Some family members may feel that discretionary grants are a substitute for a personal responsibility to give and families may not want to encourage this attitude
- 8) Once the practice of discretionary grants is started, it can be difficult to keep it from escalating, with a growing percentage being allocated to discretionary grants each year. This is especially true if the number of trustees is increasing as the generations participating in the foundation increase.