

DAD WOULD HAVE WANTED IT THIS WAY

THREE WAYS FAMILY FOUNDATIONS HANDLE DONOR LEGACY

The following article was excerpted from Families and Their Foundations: On the Charitable Side of the American Dream, a work in progress by Judith K. Healey, a consultant to family foundations and their boards and the Council on Foundations. The book was commissioned by the Frey Foundation in Grand Rapids, Michigan as a handbook to guide family foundations on issues ranging from privacy to intergenerational succession, and after additional research will be published by the Council on Foundations.



Every family foundation must deal with donor intent at some point. More often than not, donors do not leave clearly articulated philanthropic philosophies along with their money. This means each successive generation of trustees finds the need to balance its desire to honor a founder's wishes with changing times and new foundation leadership. In fact, it appears from our research that family foundation giving traditions often evolve from the habits of an entire family over one or more generations.

There are many variations. In some cases, the donor was a philanthropist during his or her life, and in some the original donor's specific interests dominate the giving program into the third and fourth generations. In others, the one remaining vestige of donor legacy is a commitment to serve a specific geographic area. But in almost every case there is evidence of an underlying belief in the duty to share wealth with those less fortunate, and to construct private solutions to problems, rather than to rely totally on government. There is also an implicit belief that one's family will somehow be the vehicle to carry on these values.

The stories that follow illustrate three different donor situations. None of these donors dictated specific philanthropic directions to their descendants. Instead they taught through example, leaving their successors free to evaluate the needs of their times in light of the donor's lifetime activities.

THE LAWRENCE WELK FOUNDATION SANTA MONICA, CALIFORNIA

It is difficult to name an entertainer more charismatic than bandleader Lawrence Welk was in his day. He delighted an entire generation of Americans with his particular ebullient brand of music. That music eventually made him a very fine living and gave his family security in the form of an ongoing corporation.

The same fame that made Lawrence Welk a household name across America also made him the object of countless requests for charity. Viewers saw him as approachable, and contacted him for help when they needed it. The personal charity started by Lawrence Welk in response to these requests evolved into the Lawrence Welk Foundation, which today provides \$300,000 annually in grants.

Says Shirley Welk Fredericks, Welk Foundation chair: "Dad wasn't interested in a particular area, but he was interested overall in making people more self-sufficient. He believed in the spirit of

entrepreneurship. He was always interested in the community in which we lived. He also believed it's important to help young people gain confidence in their abilities and get a start in life."

When Fredericks became chair in 1980, she suggested that the board (consisting of her brother and sister and two outside members) take a year to reflect on its mission and grantmaking program. Keeping Lawrence Welk's principles in mind, the foundation decided to concentrate its grantmaking on families in poverty. Of its \$300,000 in annual grantmaking, 80 percent now goes to this area.

Fredericks believes that the foundation's grantmaking now assists families in ways her dad would have liked. And he would also like the way the foundation fills a welcome role as a Welk family catalyst. An adjunct board composed of all ten of the bandleader's grandchildren prepares the next generation to carry on his philanthropic tradition. "The foundation provides a place for the family to come together and learn from one another," says Fredericks.

Yes, there are tensions in the family, she acknowledges, born of differing interests and experiences among the children of Lawrence Welk. "But we have strong values in common," she says. "Compassion toward less fortunate people is important."

THE PATRICK AND AIMEE BUTLER FAMILY FOUNDATION ST. PAUL, MINNESOTA

"In some ways perhaps the third generation is better able to carry out the donor's intent than the second." So says Sandra Butler, who serves both as board member and staff person to the Patrick and Aimee Butler Family Foundation, which was endowed by her parents.

"There are several reasons for this," she explains. "The second generation has been active in our own communities. We are attached to our own projects and the programs we believe in. In some cases these are similar to Patrick and Aimee's interests and sometimes not. The third generation, on the other hand, is learning philanthropy. They will be freer to return to the interests of the donor, but to look at those interests through twenty-first-century eyes.

Patrick and Aimee Mott Butler made their home in St. Paul, Minnesota. The foundation they began in 1954 has assets of \$10 million and continues to make grants to benefit that city and its twin, Minneapolis.

Patrick Butler was personally committed to certain causes: He was a founding member of Hazelden, a treatment center for alcoholism that has become a national model for rehabilitating alcoholics. With his strong tradition of Irish Catholicism, he also supported many Catholic institutions in the Twin Cities. Aimee Mott Butler, on the other hand, had a strong affinity for the arts.

Patrick Butler died in 1990 and Aimee passed away in 1993. Prior to Patrick's death, the board consisted of three of their children, one daughter-in-law and one grandchild. Around the time of his death, the second generation anticipated changes in the foundation's board and began to plan for them.

The foundation's planning activities spanned two years, filled with many long hours of discussion. Ultimately the donor's emphasis on Catholic institutions was somewhat diminished, although some Catholic social service projects are still funded along with other local agencies.

"The children loved their grandparents," says Sandra. "They will always honor them by continuing to give to projects that support alcoholic treatment and the arts in their memory. The fourth generation, however, won't have the emotional connection or memory. They may do something entirely different."

THE Z. SMITH REYNOLDS FOUNDATION WINSTON SALEM, NORTH CAROLINA

Z. Smith Reynolds came from a long line of givers, but he never developed a philanthropic tradition of his own. He was the youngest of four children, and one of the heirs to the vast Reynolds tobacco fortune. Though both of his parents had predeceased him, Z. Smith Reynolds had not yet come into his inheritance when he died tragically at the age of 20 in 1932.

As one might imagine, there were numerous lawsuits over his assets, including some brought by his wife and siblings. Eventually the courts approved a request by the two sisters and one brother to direct a portion of the wealth into the Z. Smith Reynolds trust, which would control a charitable foundation of the same name.

Mary Mountcastle, family-member trustee and president of the Z. Smith Reynolds Foundation, and Tom Lambeth, executive director, agree that the Z. Smith Reynolds Foundation came into being because of the family's strong philanthropic ethos.

One clue to how the ethos evolved may be found in the story of Z. Smith Reynold's mother, Katharine Smith Reynolds. Before marrying R.J. Reynolds, founder of R.J. Reynolds Tobacco Company, she lived a remarkably independent life. She attended college—at a time when most women did not—and went on to establish a day-care center. She was also an advocate for better conditions for poor women. Even though she died at a young age herself, Katharine Smith Reynolds apparently inculcated the value of concern for others into her children.

"All of the parties to the initial lawsuit, including the wife and other family members, wished to set up a charitable foundation from the proceeds," says Lambeth. Nearly all of Z. Smith Reynolds' immediate family were philanthropically inclined: his son and two sisters all endowed their own foundations, and his uncle, William Neal Reynolds, directed his trust to pay income to the foundation in his deceased nephew's name.

Several of the charities founded by members of the Reynolds family focus on programs in the state of North Carolina, where the family made its fortune. Although Z. Smith Reynolds did not directly state a charitable legacy, his family called on its own traditions to create a charitable statement in his name. -FN

LEARNING YOUR LEGACY

The following questions may help foundation trustees examine their own foundation's legacy.

HISTORY AND TRADITION

1. What is the history and tradition of your foundation? Does your foundation have a mission statement? Does it need one?
2. Were there overt directions to the family from the donor regarding future philanthropic interests?
3. If there were no specific directions, would an examination of your founder's life reveal any special interests or guiding values?

CURRENT PRACTICE

- I. If there were specific directions to the foundation, do you have a process for reviewing and amending them to reflect changing needs and times?
2. Is there a common value system that characterizes your family? Is it evident in the way the family handles the foundation's philanthropy today?
3. If there were no specific directions from the donor of your foundation, do you have a process for setting goals for your philanthropy and reviewing or modifying them regularly? Do the goals relate to both program management, including investments?

FUTURE IMPACT

1. What does the donor mean to your family foundation, either as a symbol, or in legal direction spelled out in the instrument of gift or the bylaws of the foundation?
2. How will the next generation view the donor's legacy to your foundation? What is your responsibility to interpret the donor's intent for generations that follow you?

MAKING WISHES KNOWN

The following questions may help prospective donors to new or existing family foundations clarify their wishes concerning future disposition of their funds.

1. Have you reflected on why you wish to establish a family philanthropy, what is the mission and purpose of this philanthropy and what is the meaning for your family?
2. Have you ensured that your values and core beliefs are reflected in the legal, written document establishing the foundation? Have you expressed your values in other documents that might help your family govern the foundation according to your wishes?
3. Have you incorporated flexibility into the foundation you are endowing? Have you taken into account the changing needs of society and encouraged your descendants to respond to them?