



# NATIONAL CENTER FOR FAMILY PHILANTHROPY'S 2015 TRENDS STUDY

Results of the First National Benchmark Survey of Family Foundations

## SIZE AND SCOPE

**The majority of family foundations are relatively small in size and young in age.**

- Nearly 70 percent of family foundations were created after 1990.
- Seventy percent have less than \$10 million in total assets; 3 percent have assets of \$200 million or more.
- About two-thirds report total giving of less than \$500,000 in 2014; 2 percent gave more than \$10 million.

**Place-based philanthropy is the most common focus of family foundation giving, but this focus may shift over time.**

**2 IN 3**  
FAMILY FOUNDATIONS  
FOCUS GIVING ON  
GEOGRAPHY

**1 IN 3**  
FAMILY FOUNDATIONS  
FOCUS GIVING ON BOTH  
GEOGRAPHY AND ISSUES

### FOCUS GIVING ON GEOGRAPHY

**80%**  
OF FOUNDATIONS CREATED  
BEFORE 1970

**40%**  
OF FOUNDATIONS  
CREATED SINCE 2010

**Issue-based philanthropy is practiced by 55 percent of family foundations.**

- The most frequently supported issues are education and training (nearly half work in this area) and poverty (40 percent work in this area).
- Other issue areas include health (19 percent), children and youth (15 percent), religiously affiliated programs (14 percent), arts and culture (13 percent), and the environment (11 percent).

**About 30 percent of family foundations use community foundation donor-advised funds or give directly to community foundations.**

- Midsize foundations, those with giving of \$500,000 to \$1 million per year, and family foundations formed before 1970 are most likely to use this vehicle.
- Just over 10 percent use other types of donor-advised funds offered by financial firms or charities.

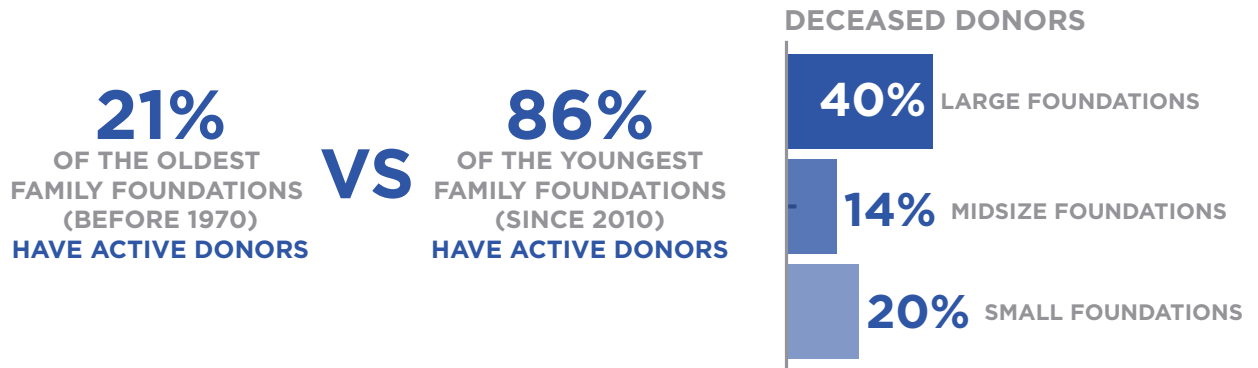




# BOARDS AND GOVERNANCE

## GOVERNANCE

**Two out of three family foundations have founding donors still actively involved in the foundation, but this varies with the foundation’s age and size.**



**Most family foundation boards are composed of first- and second-generation family members.**

- Nonfamily members make up less than 25 percent of board members in more than 70 percent of foundations, regardless of the foundation’s age or size.
- As the age of the foundation increases, the share of third- and fourth-generation family board members increases. However, on average, less than 10 percent of foundation boards have a majority of third- and fourth-generation family members.

**About 60 percent of family foundations, regardless of size or age, have no limits on board service.**

- The most common restriction noted by fewer than 10 percent of family foundations is different time limits for family and nonfamily board members.
- Fewer than 5 percent of family foundations said they limit the number of years a board member can serve.

## RECOGNITION OF BOARD SERVICE: BOARD COMPENSATION AND DISCRETIONARY GRANTS

**Eighty-five percent of family foundations do not compensate board members for their service beyond reimbursable expenses.**

- The largest foundations (\$1 million or more in giving) are most likely to provide compensation; about 20 percent report paying a fee for board service.

**Most family foundations (85 percent) allow individual board members to recommend discretionary grants for foundation funds.**

- However, over 90 percent of foundations with discretionary grants require the grant be approved by the board.
- Eighty percent require the grant meet the foundation’s overall mission.



## BOARD ACTIVITIES

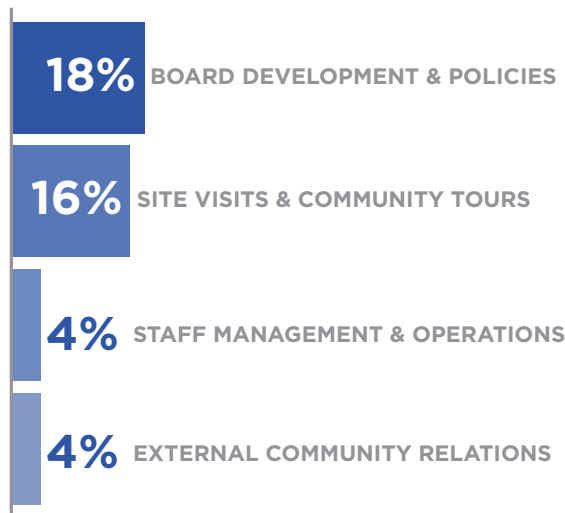
### THREE MOST-MENTIONED BOARD ACTIVITIES



**31%** OF THE OLDEST FAMILY FOUNDATIONS **VS** **10%** OF THE YOUNGEST FAMILY FOUNDATIONS

**REPORT ENGAGING THE NEXT GENERATION IN THE FAMILY FOUNDATION IS A TOP 3 ACTIVITY**

### LEAST-MENTIONED TOP 3 BOARD ACTIVITIES



### Family foundation boards learn new ideas through several means.

- The most frequently cited method is reading materials on these topics (85 percent of all respondents).
- Serving on other nonprofit boards (73 percent) and site visits (71 percent) are two other frequently named methods.
- Presentations by board staff (79 percent) or experts (62 percent) are common learning tools for the oldest foundations.





# FAMILY ISSUES

## FAMILY DYNAMICS

**The survey findings suggest that for the most part, these organizations have little perceived family conflict.**

- Almost 90 percent of survey respondents agree that most family members work well together.
- More than three-quarters also agree that family dynamics do not affect the foundation's work in negative ways.

**However, perceptions of family dynamics differ between family members and nonfamily paid staff.**

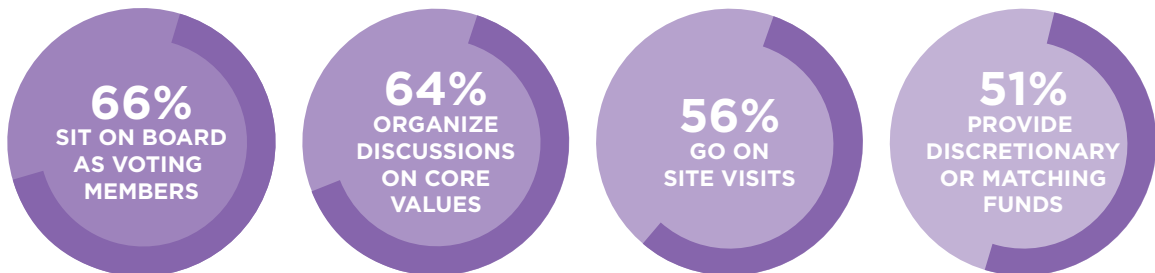
- Family members agreed less often than nonfamily paid staff with the statement "the family avoids discussing difficult topics" (17 percent versus 32 percent).

## ENGAGING THE NEXT GENERATION

**Overall, 56 percent of family foundations engage younger family members in the foundation.**

- As the age of the foundation increases, the more likely the foundation will engage its younger generation.
- There is no statistical difference in engagement by size of foundation.

**The most common methods of engaging younger generations include allowing them to sit on the foundation board and group discussions of core values.**



**Regardless of age or size, family foundations that are engaging their younger members believe younger generations bring new ideas and vibrancy to the foundation.**

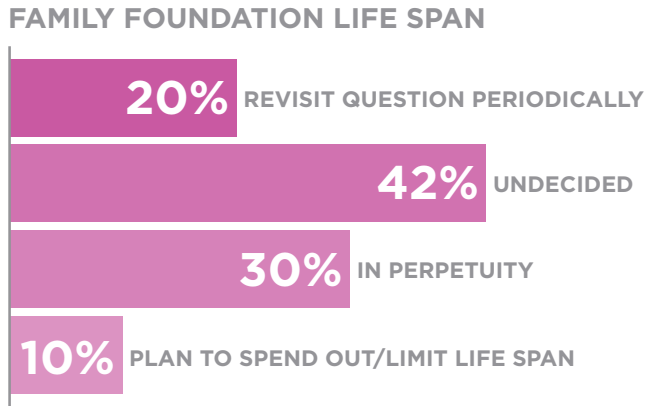
**But respondents also noted some challenges and potential areas of conflict.**

- Forty percent say younger family members have moved away from the foundation's geographic location.
- Forty percent also say the younger generation is interested in different issues than the older generation.
- About one-quarter believe the younger generation has no time to serve on the board.
- Another one-quarter believe the older generation is reluctant to share decisionmaking with the younger generation.



# GRANTMAKING STRATEGY

## CURRENT PLANS FOR FAMILY FOUNDATION LIFE SPAN



NOTE: Percentages do not add up to 100% due to rounding.

**20%**  
OF THE YOUNGEST FAMILY FOUNDATIONS HAVE DECIDED TO OPERATE WITH A LIMITED LIFE SPAN

**40%**  
OF THE OLDEST FAMILY FOUNDATIONS HAVE DECIDED TO OPERATE IN PERPETUITY WHILE ONLY 3% WILL LIMIT LIFE SPAN

## TYPES OF GRANTS

Family foundations understand the value of capacity building and long-term relationships with their grantee partners.

- Roughly 83 percent report making general operating grants.
- Sixty-eight percent provide multiyear grants.
- Sixty-three percent give capacity-building grants.
- Fewer than 10 percent provide support for individual leaders or social entrepreneurs or provide loans to their grantees.

## PAYOUT RATES

Most family foundations (62 percent) had recent payout rates between 5 (the minimum legal requirement) and 6 percent of corpus, but roughly 30 percent had payout rates above 6 percent; half of these (15 percent) gave more than 10 percent of corpus.

Seven percent of family foundations are pass-through foundations.

- The youngest foundations (created since 2010) are most likely to be pass-through foundations.

The most generous payout rates are from family foundations created in the 1990s and 2000s and those with an active donor.

**1 IN 5**  
FAMILY FOUNDATIONS ESTABLISHED IN THE 1990s AND 2000s GIVE MORE THAN 10% OF CORPUS AS DO FOUNDATIONS WITH AN ACTIVE DONOR

**87%**  
OF THE OLDEST FAMILY FOUNDATIONS PAY OUT 5-6% OF CORPUS



## RELATIONSHIP WITH THE COMMUNITY

**Family foundations of all sizes and ages tend to use fairly standard approaches to interact with the community.**

- About 75 percent say they build relationships with nonprofits in the community.
- Seventy percent say board and staff members represent the foundation in the community.
- Just under half (45 percent) participate in collaborative efforts with other funders or donors.

**But communication regarding the foundation's giving priorities and giving process are less widely practiced.**

- Only one in three family foundations display such information on its website or other vehicles.
- Older, more established family foundations engage in these practices more often than younger ones.
- Less than one-third of very young foundations use their websites to convey grantmaking priorities or processes.

## ACCOUNTABILITY AND EVALUATION

**Family foundations hold grantees accountable in several ways.**

### FAMILY FOUNDATION ACCOUNTABILITY



**Though the average family foundation does not currently have a strategy for assessing the impact of its own giving, roughly half of the oldest (48 percent) and youngest (56 percent) family foundations are exploring how to assess their impact.**

- This finding may foreshadow a growing interest in measuring and evaluating foundation outcomes.
- Depending on the foundation's age or size, one-quarter to about half engage in self-assessment.



# A LOOK TO THE FUTURE

## ANTICIPATED GROWTH IN ASSETS AND PAYOUT RATE

**About half the respondents anticipate receiving additional assets into their foundation in the next four years; only 5 percent anticipate a reduction in assets.**

**Asset growth is most likely to affect younger foundations created after 1990.**

- Roughly 60 percent of younger foundations expect assets to increase.
- In contrast, just 15 percent of family foundations created before 1970 anticipate more assets.

**An increase in assets will not necessarily encourage more family foundations to increase their payout rates.**

- Foundations with already high payout rates (above 6 percent) are more likely than those with lower payout rates (6 percent or less) to increase their payout rate in the future (25 percent versus 17 percent, respectively).
- While additional assets may encourage some family foundations to give more, past patterns of higher payout may be the stronger predictor.

## ANTICIPATED CHANGE IN LEADERSHIP

**Family foundations most commonly expect changes to board composition in the next four years.**

- Forty-three percent of family foundations expect to add to or increase the number of younger-generation family members on the board.
- Twenty-four percent of family foundations expect a change in board leadership.

**These changes are likely to be felt most strongly in older family foundations.**

- More than half of family foundations created before 1990 expect to add younger-generation family members to their boards.
- Nearly half of those formed before 1970 anticipate a change in board leadership.
- About one in five family foundations are anticipating both changes in the next four years.

## FUTURE RESEARCH DIRECTIONS

These findings provide a national baseline for understanding family foundations, and offer a starting point for monitoring the field over time. Going forward, at least three factors are likely to shape the future of the field:

- **Leadership and structure of family foundations.** The aging and passing of the baby boom generation will give rise to a new, younger generation of leaders. These younger leaders may bring new ideas and new ways of conducting foundation business. This study hints at potential disagreements regarding management and operating styles, as well as confidence that the underlying values of family foundations will be preserved.
- **Asset growth and issue focus.** Many younger family foundations anticipate an influx of new assets. How these assets are invested and the philanthropic vehicles used will have a major influence in the field. In addition, some evidence indicates that family philanthropy in the future may be less tied to a place-based strategy and may take a more global view of issues.
- **Outcome measurement and evaluation.** Many family foundations are interested in exploring how best to measure and evaluate grantee outcomes and the effectiveness of their own philanthropy. For some family foundations, empirical measurement may become an integral part of grantmaking.



## ABOUT THIS STUDY

**The National Center for Family Philanthropy** engaged the Urban Institute to design and conduct a nationally representative survey of family foundations. The study creates a profile of family foundations documenting the current number, size, age, assets, and giving levels of family foundations across the nation. This groundbreaking survey provides a baseline for tracking trends in family philanthropy over time.

### HOW THE SURVEY WAS CONDUCTED

The survey is based on a nationally representative sample of 2,500 family foundations drawn from the Foundation Center’s family foundation database. To be eligible, a foundation had to have assets of at least \$2 million and annual giving of at least \$100,000. The sample was stratified by foundation asset and giving levels and had an oversample of large foundations. This mixed-mode survey (conducted by mail, web, and phone) collected data from April to June 2015. In total, 341 family foundations answered the survey, yielding a 17 percent response rate. Forty-seven percent of the respondents were founders; less than 15 percent were paid staff. During analysis, sample weights were applied to the data to account for possible nonresponse bias. The weights were also adjusted for slightly lower response rates among small family foundations and for an oversample of large foundations.



#### ABOUT THE URBAN INSTITUTE’S CENTER ON NONPROFITS AND PHILANTHROPY

The nonprofit Urban Institute is dedicated to elevating the debate on social and economic policy. Its Center on Nonprofits and Philanthropy analyzes the role, trends, and impact of nonprofit organizations and philanthropy.

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NATIONAL CENTER FOR  
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#### **The National Center for Family Philanthropy**

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

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