Policy and Practice Roadblocks in Community Foundation Family Philanthropy Services

History

In 2002, NCFP released *The Practice of Family Philanthropy in Community Foundations,* authored by consultant Helmer N. Ekstrom. The report was the first public document from NCFP's work with community foundations beginning in 2000.

In interviews with wealthy donor families, Ekstrom heard the following roadblocks to working with community foundations:

1. *"Perception of Partiality – There is a perception on the part of some donor families that community foundations favor one type of philanthropy over another, and for this reason they choose not to use a community foundation to help them practice their philanthropy. We found two sources of this perception most commonly reported: advice on philanthropic vehicles and program issues [fear of being lobbied by staff for pet projects].*
2. *Perception of the Need to Retain 100% Control – We learned in several interviews and the focus groups that some donors feel discomfort with the sense that they have less than 100% control over funds once they are given.*
3. *Rigid Policy Provisions – Requirements such as limitations on the appointment of successor advisors, geographic boundaries of grantmaking, and restrictions on asset management, are usually cast in policy provisions of a community foundation. Some families may view these as unfavorable depending upon the specific provisions."*

In addition, Ekstrom saw problems with community foundation websites and marketing materials:

> *"The marketing strategy used by community foundations…is product-centered rather than customer-centered. In the product-centered approach 'what we sell' is stressed. The customer-centered approach, while it may use products, is responsive to who our customers are and what our customers need. [Annual reports] did a good job describing products and services, but in most cases did not link them to families' objectives, or the objectives of any other specific group, such as individuals and businesses."*

Present

Some of those policies and practices still make community foundations less attractive to donors wishing to engage their families over time.

Limited successor generations – Foundations that limit successor advisors to one generation after the founders will not appeal to the many families who envision grandchildren actively carrying on a family legacy. They don't encounter similar limitations in most independent and commercial DAF providers.

Endowment-first focus – NCFP's *2015 Trends Study* showed that only 30% of family foundations have completely committed to being permanently endowed. Only 8% have committed to a limited life, leaving 62% who haven't made a commitment to a lifespan yet or wish to revisit lifespan over time. Smaller and younger family foundations were less likely to commit to a lifespan or endowment. *Do these statistics hold true for your prospective customers?*

Convert your private foundation messaging – The *2015 Trends Study* showed that about 30% of family foundations also have a charitable fund at a community foundation or other DAF sponsor. Donor couples and families are increasingly using multiple tools to both achieve social impact and keep family members engaged. NCFP's Knowledge Center contains a Featured Search with stories of how family foundations are working with community foundations. And, our May 2017 Spark Session webinar showcased how the Chicago Community Trust and Orange County Community Foundation serve families with multiple tools.

Lack of impact investing options – An increasing number of philanthropic families are already, or interested in, aligning their financial resources with their values. Their interest and creativity as investors have already grown sustainable and responsible investments to 1 in 5 dollars under professional management in the United States. Women of all ages and members of younger generations – the same people benefiting most from the intergenerational transfer of wealth – are most interested in options for impact investing. They are also very willing to leave the advisors who served the creators of that wealth.