

What Does It Take to Spend Down Successfully?

Increasing numbers of grantmakers are opting for a spend-down strategy — meaning they intend to give away *all* of their philanthropic resources within a specific, limited timeframe and then close their doors. They do so for a variety of reasons. Some want to “give while living” and be personally involved in their philanthropy. Others see sunseting as a way to become more agile and flexible in their grantmaking. Most hope that by exhausting their resources in relatively short order, they will be able to have a larger and more immediate impact on problems they see as simply too pressing to delay action on.

Research suggests that 8 to 12 percent of foundations are using a spend-down approach,¹ representing a sizeable proportion of all philanthropic dollars. According to Bridgespan, nearly a quarter of the total assets of America’s 50 largest foundations were held by spend-downs in 2010.² Many individual philanthropists are also looking to donate their resources within a limited span of time.³

So, what does it take to spend down effectively? Valuable lessons have begun to emerge from the experiences of grantmakers who have taken this path. In 2015, GEO conducted a review of existing literature and spoke with several grantmakers in the field to identify keys to success for funders who have elected to spend down. Most of these principles echo those of effective grantmaking more generally, but also reflect the sense of urgency that comes with a firm end date for a funder’s work.

1. Plan carefully, but be flexible.

There are numerous issues that require careful planning for spend-down foundations — from high-level strategic decisions about what issues to focus

¹ Frances Ostrower, “An Unconventional Foundation Life,” Philanthropy Roundtable, 2012. Available at

http://www.philanthropyroundtable.org/topic/donor_intent/an_unconventional_foundation_life

² In 2010, 24 percent of the total assets of the largest foundations were held by spend-downs, compared to 5 percent fifty years ago. Amy Markham and Susan Wolf Ditkoff, “Learning from the Sunset,” Philanthropy Roundtable, 2013.

http://www.philanthropyroundtable.org/topic/donor_intent/learning_from_the_sunset

³ Susan Wolf Ditkoff and Colin Murphy, *Forbes*, October 29, 2013. Available at <http://www.forbes.com/sites/kerryadolan/2013/10/29/why-philanthropists-like-bernie-marcus-are-spending-themselves-out-of-business/>

on and how to achieve the best results in the time allotted, to the challenges of developing staff and managing investments with closure on the horizon.

At the same time, unanticipated problems and opportunities arise. The California-based [S.D. Bechtel, Jr. Foundation](#) invests in the areas of education and the environment and aims to spend down its assets by 2020. As part of its planning process, the foundation recognized the need to be responsive as circumstances change and established a reserve of flexible resources for just this purpose. S.D. Bechtel, Jr. Foundation's Director of Organizational Effectiveness, Barbara Kibbe, explains, "The foundation is intent on flexibility in the context of focused outcomes. In our case, focus means working to accomplish a few big things with the resources and time remaining. Flexibility means that funds are set aside for unanticipated opportunities to bolster — or even accelerate — impact within the foundation's chosen focus areas."

The experiences of other spend-down foundations reinforce this point.⁴ In the span of a few years or even months, the policy environment can change. New research relevant to the foundation's work might surface. Grantmakers who are spending down must plan carefully, but also be nimble enough to respond when the unexpected occurs.

2. Communicate with grantees openly, clearly, early and often.

While communication with grantees is always important, it becomes even more essential in the context of a spend-down. Grantees have to understand when and how the foundation's support will end so they can line up new resources and adjust their programs as needed. Conversations about the foundation's spend-down plans should be clear, direct and ongoing.

Sai Seigel, formerly of [The Bayview Hunters Point Community Fund](#), which supported youth serving organizations in the Bayview Hunter's Point neighborhood of San Francisco from 2001-2014, says: "You need to give grantees as much time as possible to prepare. We told them at each stage what they could expect. I talked to them probably once a month, and every conversation included that reminder, 'You're losing our money soon. What are

⁴ "The Limited Philanthropy," Duke University Sanford School of Public Policy Center for Strategic Philanthropy and Civil Society, <http://cspcs.sanford.duke.edu/time-limited-philanthropy>

See also Frances Ostrower, "Sunsetting: A Framework for Foundation Life as well as Death," The Aspen Institute Program on Philanthropy and Social Innovation, 2011. Available at <http://www.aspeninstitute.org/sites/default/files/content/docs/pubs/Sunsetting2.pdf>

you planning to do?” (Bayview also devoted considerable time and energy to helping grantees answer this question.)

Of course, good communication is a two-way street. As important as it is for grantmakers to clarify their own goals and plans, it is equally important that they listen to their grantees. S.D. Bechtel, Jr. Foundation conducted more than 20 interviews with grantees and other key stakeholders to solicit candid feedback about the foundation’s work. They asked about how the foundation’s support had been helpful, but also about where they might have “mis-stepped,” what the foundation could have done differently and what challenges grantees face because of the foundation’s planned departure. S.D. Bechtel, Jr. Foundation is now using this feedback to inform their final five years of giving and plans to reach out to their informal spend down advisors at least annually.

3. Focus on building robust, sustainable organizations.

Helping grantees build their sustainability and capacity as effective organizations takes on new urgency for spend-down grantmakers. The [AVI CHAI Foundation](#) is a case in point. In 2005, AVI CHAI announced that it would complete its grantmaking by 2020. As Joel Fleishman has documented in [several reports](#) about AVI CHAI’s spend down, the foundation’s investments in North America had “long concentrated on programmatic achievement rather than on building durable organizations,” but the decision to spend down spurred a new commitment to grantees’ “organizational strength.” AVI CHAI retained a consulting firm to work closely with grantees on such issues as leadership, program strategy, and finances.⁵

This attention to grantee capacity is a common thread among many spend-downs. Francie Ostrower, who conducted an in-depth study of limited-life foundations, has argued, “Since they’re going to be gone, these foundations have to look outside themselves to others to carry on the legacy.” The foundations in her study “identif(ied) grantees whose work they believed in and...invest(ed) heavily in their organizational health and sustainability. They stuck with the same grantees over long periods of time, and gave general operating support and technical assistance to build their capacity.”⁶ Spend-down foundations often winnow their number of grantees as the sunset date

⁵ Joel Fleishman, “Shifting the Spend-Down into High Gear,” Duke University Sanford School of Public Policy Center for Strategic Philanthropy and Civil Society, 2011. Available at <http://cspcs.sanford.duke.edu/sites/default/files/Fleishman%20Third%20Report%202011%20FINAL.pdf>

⁶ Ostrower, “An Unconventional Foundation Life.”

approaches, choosing to work with organizations they know well and that are particularly open to — and likely to benefit from — capacity-building support. Grantees in Ostower’s study reported numerous benefits from this kind of relationship, reflecting that the foundations’ support had helped them “to grow and become more independent.”⁷

It’s not always easy to predict what kind of capacities organizations will need to develop to become more sustainable. The Bayview Fund worked closely, over many years, with a small group of grantees indigenous to the local community, and provided them with a wide range of capacity-building support. Eventually the Fund learned that grantees could use help in areas that weren’t immediately apparent. Sai Seigel recalls, “After 10 years, we realized what was really needed was healing and well-being work...Working in this stressful neighborhood had taken a toll. You can’t have a strong organization if you don’t have strong leaders, and to build strong leaders, you have to ask, ‘do they have that internal strength to continue to do the work?’”

It should be noted that spend-down funders often acknowledge that not every grantee is going to be sustainable. But they also work tirelessly to “do no harm.” This means assiduously avoiding funding cliffs and doing everything possible to help grantees make realistic plans for the future.

4. Develop knowledge, funding and expertise that live on.

Many spend-down foundations are conscious not only of building individual grantee capacity, but also leaving behind field-wide resources — such as knowledge, new funding streams and human capital — that can continue to have an impact long after the foundation is gone. AVI CHAI has documented its interest in “developing the fields” in which it works, as has [The Atlantic Philanthropies](#).⁸ With plans to conclude its grantmaking in 2016, Atlantic has adopted a number of strategies to strengthen its fields of focus, including efforts to support its major causes, and circulating important lessons learned concerning system reform (e.g., advocacy, use of research and data) and philanthropic practice (capital building, matched grantmaking) from the

⁷ Frances Ostower, “Foundation Sunset: A Decision-Making Guide,” The Aspen Institute Program on Philanthropy and Social Innovation, 2011. Available at <http://www.aspeninstitute.org/sites/default/files/content/docs/pubs/DecisionGuide2.pdf>

⁸ The Atlantic Philanthropies is developing resources for the field based on their research and learning experiences in concluding operations. More information is available at: <http://www.atlanticphilanthropies.org/search/learning>

foundation's work.⁹ Other limited-life foundations have similarly sought to develop field-wide resources, including:

- **Knowledge.** Research and evaluation can shed light on effective program strategies — which has the potential to benefit countless organizations that work on similar issues. Yet, funders need to be careful not to place too heavy of an evaluation burden on grantees who are already dealing with the impending loss of a major funder. S.D. Bechtel, Jr. Foundation's formal evaluation principles include that staff "Monitor comprehensively and evaluate selectively and strategically" and "Ensure that evaluations are... cost effective and not unnecessarily elaborate, choosing methodologies that are well aligned with learning and improvement goals." Likewise, the Bayview Fund tried to reduce what it asked of grantees as its end date approached, focusing on information that would be most useful for learning and decision-making.

A related line of questions revolves around how to effectively communicate the findings and lessons that come from evaluations — and from spend-down funders' experience. How will learning be preserved and shared after the foundation has ceased operations? Funders need to make thoughtful plans for the ongoing curation of their accumulated knowledge. Some argue that this knowledge should continue to grow and develop, with evaluations that extend well beyond the life of the foundation and allow for a more complete, retrospective look at what the foundation and its grantees have accomplished.

- **Funding.** Spend-down foundations often focus on attracting new funding to the organizations and causes they care about. This may mean promoting government investments in key areas or working with other foundations and individual donors to pool resources. These partnerships can be complicated, as grantmakers rarely have identical goals, strategies, timelines or work cultures. It helps for funders to approach these partnerships with a spirit of openness, cooperation and mutual learning. This enables partners to find common ground and undertake joint work that advances their shared goals.
- **People.** One common challenge among spend-down foundations is how to attract staff and keep them engaged in jobs that will inevitably end (this is an issue that arises for grantmakers making other kinds of exits, as well, such as closing a program or shifting their issue focus.) Foundations like the Atlantic Philanthropies and S.D. Bechtel, Jr.

⁹ Tony Proscio, "Harvest Time for The Atlantic Philanthropies," Duke University Sanford School of Public Policy Center for Strategic Philanthropy and Civil Society, 2012. Available at https://cspcs.sanford.duke.edu/sites/default/files/Atlantic%20Report%203%20-%20Final_0.pdf

Foundation have spent a good deal of time thinking not only about how to communicate with staff and treat them fairly, but also how to help them build valuable skills and continue doing impactful work in other organizations. Indeed, Bridgespan’s Amy Markham and Susan Wolf Ditkoff highlighted this as a major lesson from [their work](#) with foundations that are spending down, citing the importance of “investing in people who will carry your values and priorities into the future.”¹⁰

5. Share control.

Being attuned to power dynamics is crucial for grantmakers who are spending down. As they prepare to close out their work, funders need to nurture their grantees’ autonomy, authority and influence. Doing so often requires taking a back seat. Barbara Kibbe of the S.D. Bechtel, Jr. Foundation explains, “We are shifting the locus of leadership, slowly extracting ourselves, making ourselves more of a shadow presence.” Her colleague Allison Harvey Turner, who directs the foundation’s environment program, concurs: “At its essence, the spend down is a shift in power and control, from us to the field...We increasingly feel like partners to our grantees. It’s a very rewarding relationship. We’re in it together, rolling up sleeves to get the work done.”

In this way, spending down creates opportunities to upend traditional funder/grantee roles. Funders can promote a sense of openness, trust, and transparency, encouraging their grantees to share information freely—especially in the areas where they’re struggling. Funders can look to grantees for guidance when making big decisions. And they can strive for honest, authentic relationships with their grantees in the limited time they have left.

Closing Thoughts

Keys to successfully spending down include careful planning combined with flexibility; clear and open communication; capacity-building efforts that foster resilient, sustainable organizations; and a willingness to relinquish some measure of control to grantees and other partners. These principles are not unique to spend-downs, but the margin of error is likely much smaller for grantmakers that will only be in business for a short time. Having a clear end date for one’s work limits opportunities for mid-course correction and amplifies the impact of each decision. As S.D. Bechtel, Jr. Foundation President Lauren

¹⁰ Amy Markham and Susan Wolf Ditkoff, “Learning from the Sunset,” Philanthrop Roundtable, 2013. http://www.philanthropyroundtable.org/topic/donor_intent/learning_from_the_sunset

Dachs reflects, “Our doors are going to close. We’re trying to be very careful about what gets ramped up, what gets supported, what gets wound down and the pacing of all it. So, in the end, we have left organizations — and the field — stronger.”

Notable Resources

- “[Doing Spend Down Right](#),” published by GrantCraft, chronicles lessons from the Andrea and Charles Bronfman Philanthropies.
- Philanthropy Roundtable has published a number of articles on spend-down philanthropy, including pieces by [Frances Ostrower](#) and [Bridgespan](#).
- Two other reports by Francie Ostrower are available through the Aspen Institute: [Sunsetting: A framework for Foundation Life as well as Death](#) and [Foundation Sunset: A Decision-Making Guide](#).
- “[To Spend Down or Not to Spend Down?](#),” published by Stanford Social Innovation Review, explores the reasons why some foundations select this strategy.
- The Duke Sanford Center for Strategic Philanthropy and Civil Society’s collection on [Time-Limited Philanthropy](#) offers multiple reports on AVI CHAI (by Joel Fleishman) and [The Atlantic Philanthropies](#) (by Tony Proscio), as well as other resources.