

Balancing Purpose, Payout, and Permanence

September 2, 2020 Webinar

**Cosponsored by the Council on Foundations and
National Center for Family Philanthropy**

Featuring

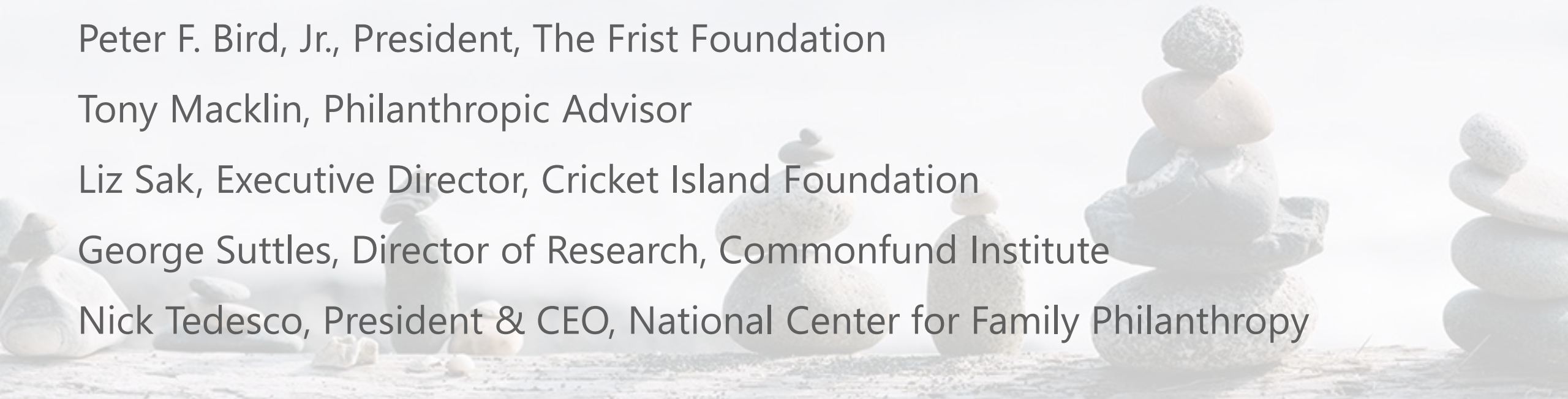
Peter F. Bird, Jr., President, The Frist Foundation

Tony Macklin, Philanthropic Advisor

Liz Sak, Executive Director, Cricket Island Foundation

George Suttles, Director of Research, Commonfund Institute

Nick Tedesco, President & CEO, National Center for Family Philanthropy





The Council on Foundations fosters an environment where philanthropy can thrive and cultivates a community of diverse and skilled philanthropic professionals and organizations who lead with integrity, serve as ethical stewards and advocate for progress.



NATIONAL CENTER FOR
FAMILY PHILANTHROPY

NCFP is the only national nonprofit dedicated exclusively to families who give and those who work with them.

NCFP empowers donors and their families to define and pursue their purpose, establish thoughtful policies and practices, and build community.

Webinar Takeaways

- Help you revisit your foundation’s role as an investment steward.
- Introduce the surprisingly wide spectrum of equally valid choices endowed foundations have made in balancing permanence, purpose, and payout.
- Provide ideas for helping your own board or family thoughtfully answer “How much should we spend?”

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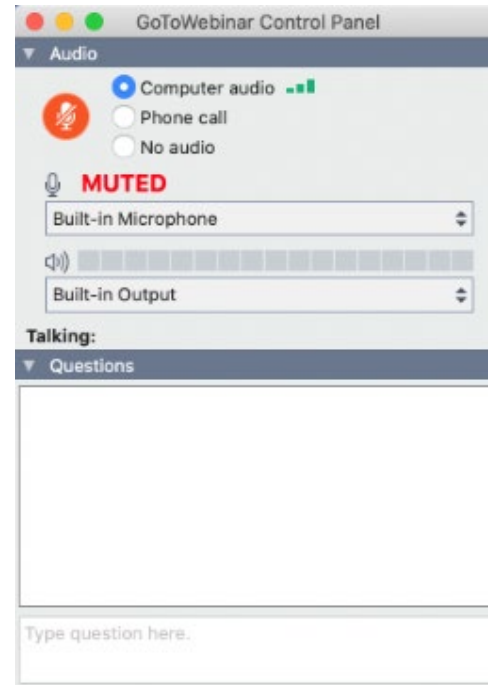
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Submit Your Questions

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Nick Tedesco

President and CEO,
National Center for
Family Philanthropy



Tony Macklin, CAP®

Philanthropic
Advisor

Poll 1: What's Your Primary Role in Attending Today?

- Private foundation
- Charitable trust
- Community or public foundation
- Other funder or re-grantor
- Investment, legal, tax, philanthropic advisor
- Philanthropic service organization
- Other

Poll 2: Private Foundations Only: What is Your Typical Payout Rate?

- 5%-ish
- 5.1-6%
- 6%-8%
- 8.1-10%
- Over 10%
- It varies a lot

Poll 3: If you're asked to spend more than 5%-ish, what challenges do you face? (pick all that apply)

- None – we already do easily
- None – we're firm in saying no to that request
- Founding docs specifically prohibit
- Dominant board/family member shuts this down
- Investment or other advisor shuts this down
- Board/family/staff conflict
- Worry about long-term investment performance
- Other

**“How much should our
foundation spend?”**



New Guides

Balancing Purpose, Payout, and Permanence: Strategy Guide

AUGUST 2020



NATIONAL CENTER FOR
FAMILY PHILANTHROPY



COUNCIL on FOUNDATIONS

BALANCING PURPOSE, PAYOUT, AND PERMANENCE: DISCUSSION GUIDE

AUGUST 2020

INTRODUCTION

"How much should we spend?" is a fundamental question facing founders and boards of endowed private foundations. Answering it becomes more complex and emotional when your foundation faces an economic downturn, natural disaster, or other unexpected crisis or opportunity that increases demand for funding. In the *Balancing Purpose, Payout, and Permanence Strategy Guide*, you learn that:

1. Your foundation has a range of equally valid options for answering the question of spending. Most endowed foundations spend more than 5% annually, with some spending much higher during crises.
2. You can weigh a variety of factors in your decision-making and still meet modern prudent investing standards and UPMIFA. It is important to ground the decision in *both* the foundation's enduring values and purpose *and* in changing community and economic conditions.
3. While making decisions, it helps to revisit your foundation's founding documents, principles of effective investment governance, and your organizational leadership's assumptions about foundation stewardship.

This Discussion Guide distills ideas from the Strategy Guide to help you facilitate decisions about foundation payout. The decisions are best made when your foundation is not facing a crisis and if time allows may take more than one meeting to learn about options and achieve consensus. That said, you will find specific ideas if you are faced with a crisis. Depending on power, race, family, or other dynamics in your board and staff, a trusted facilitator could be useful in leading some of the discussions.

The [National Center for Family Philanthropy](#) and [Council on Foundations](#) are encouraging your private foundation to reflect more deeply on its spending rates in good and bad times. We hope you will test your assumptions and find new ways to connect purpose, permanence, and payout. We will champion whatever choices you make at the end of your discussions and celebrate your role in the diversity of perspectives in philanthropy.

1. What Factors Drive Your Spending Rate?

PURPOSE

Your foundation's "why" - its charter, values, mission, internal and external goals and more; considerations of race, equity, and power.

TIME HORIZON

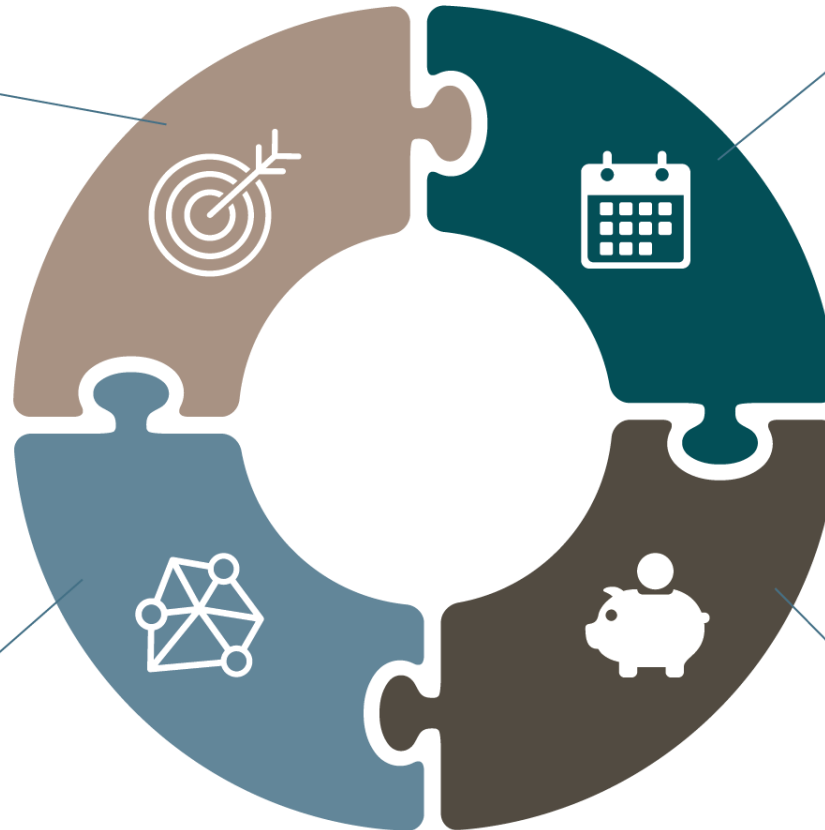
The time horizon for your foundation (perpetual, time-limited, in-between).

CONDITIONS AND TRENDS

Urgent needs and timely opportunities; economic and regulatory conditions; impact of trends in communities and issues served; ecosystem of partners.

ASSETS FOR MISSION

Purpose-infused policies and goals for investments, grants, programs, operations; access to other financial resources.



2. How Do You Approach Investment Stewardship?

1. Fiduciary responsibility for assets, mission, *and* causes/communities
2. Strengthening skills and confidence in investment governance
3. Strengthening accountability and alignment of your investment advisor

3. Will You Challenge Assumptions?

1. Permanent endowment and primacy of portfolio growth might not be mandatory
2. Most endowed private foundations spend more than 5%
3. In the long run, spending more might not damage intergenerational equity
 - *Intergenerational equity isn't just about \$*

4. Where Will You Land in a Spectrum of Options?

	Traditional	“New Norm”	“The creative zone”		Not permanent		
Spending	Around 5% annually	Above 5% regularly and/or more in times of crisis	Treating investment growth flexibility - e.g. ‘balancing test’ or putting \$ into a rainy day fund	Flexible to meet changing demands	Tied to time horizon	Spend some, most, or 100%	
Time Horizon	Perpetuity	Perpetuity	Perpetuity	Long-term	TBD or flexible	Time-limited	TBD or flexible
Investment Goal	Maximize growth	Go for growth, willing to sacrifice some	At least maintain inflation-adjusted value	OK to erode principal to maximize purpose	Many options	Tied to time horizon (any options to the left)	Liquidity (pass-through fund)



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Conversation





Peter F. Bird, Jr.

President and CEO,
The Frist
Foundation



Elizabeth Sak

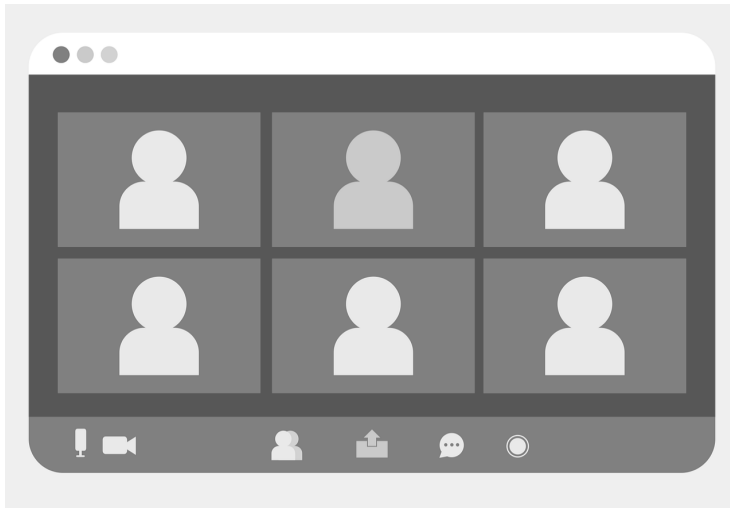
Executive Director,
Cricket Island
Foundation



George Suttles

Director of Research,
Commonfund
Institute

Continue the Conversation



NEW: Balancing Purpose, Payout, and Perpetuity Peer Learning Call(s)

- Look for sign-up information in a follow-up email
- Email **program@ncfp.org**

Upcoming Council on Foundations Programs

**Sept
9-10**

HR Retreat 2020

The 2020 HR Retreat, co-hosted by the Council on Foundations and CHANGE Philanthropy, is a unique opportunity to learn, share and grow with other culture, talent and HR leaders in philanthropy. This event is for those committed to fostering a work force and institutional culture rooted in diversity, equity and inclusion.

**Sept
17**

Outsized Challenges Demand Creative Solutions: Expanding Payout through Debt Financing

Webinar presented in partnership with the Ford Foundation

Other publications:

Navigating Mergers & Acquisitions: Guidance For Corporate Philanthropy Leaders

Download it today!

Legal Compendium Chapter on Hardship Funds

Available this week

Upcoming NCFP Programs

**Sept
23-25**

2020 Trustee Education Institute

NCFP's Trustee Education Institute provides a comprehensive introduction to important legal, investment, ethical, grantmaking, and family dynamics issues facing family foundation board members.

**Oct
14-15**

Philanthropic Spend Down: A Retreat Sponsored by the S. D. Bechtel, Jr. Foundation

This gathering is for board members and senior staff of foundations that are considering or have decided to spend down their assets. Engage with experts and peers to learn about successful approaches and troubleshoot key challenges.

Please connect with us

membership@cof.org



ncfp@ncfp.org

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