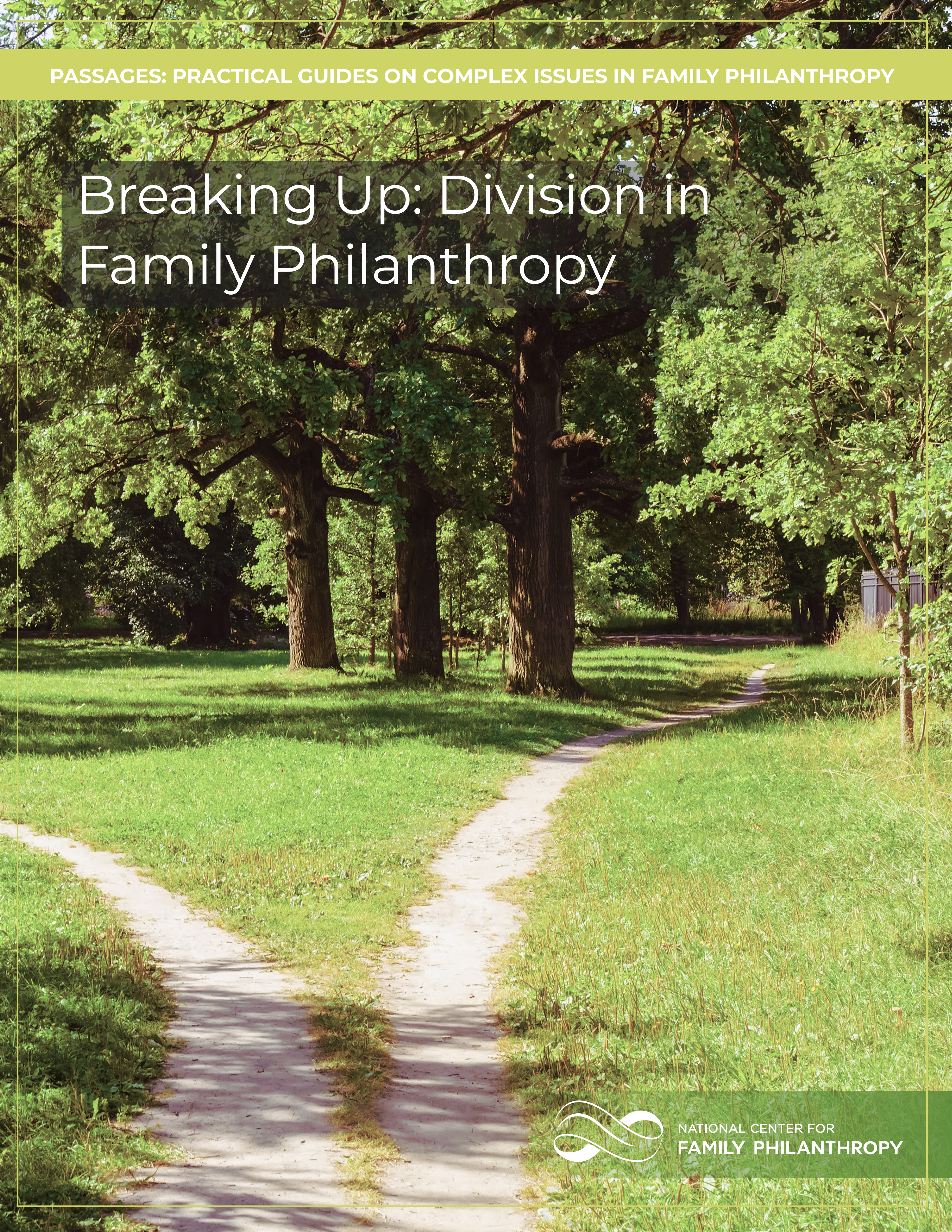
PASSAGES: PRACTICAL GUIDES ON COMPLEX ISSUES IN FAMILY PHILANTHROPY

Breaking Up: Division in Family Philanthropy



NATIONAL CENTER FOR
FAMILY PHILANTHROPY

Sometimes staying together isn't right for a family philanthropy. What happens if a family foundation decides to split into two or more separate foundations or funds? What's the impact of division on the family and the philanthropy, including grantees and the community? What are the lessons learned from those who have decided to divide?

This Passages is part two of a two-part series on divorce and division in family philanthropy, featuring tips for what board and staff can do to plan ahead for potential change.

Introduction

Family philanthropy is dynamic and ever-changing. In the lifecycle of any family philanthropy—particularly as a family grows larger, with multiple branches and individuals—there comes a transition point when family members either pull together in a collaborative manner, or choose a path of autonomy. The latter may result in a decision to split the philanthropic entity into two or more smaller foundations or funds, or spend down altogether.

Sometimes splits are amicable, where the board agrees it's best for all parties to go separate ways. In other cases, dividing a foundation's assets can be contentious or emotional. A split may be the result of years, sometimes even decades of diverging interests, distance (in terms of geography or ideologies), or known disagreements.

While splits may be hastened by these tensions, it's important to note that some splits are developmentally appropriate—and even the most well-intentioned families may face this transition at some point. It's important to consider both the short-term and lasting implications a split can have on a family philanthropy's governance, management, grantee relationships, and impact.

While every family philanthropy is different, and there is no clear roadmap for how to fully prepare for a split—there are ways to plan ahead for its possibility and to manage in the moment. In this guide, you'll read stories and advice from those who have been through, or advised, families as they divided their philanthropy. You will find that while changes like these can be challenging at the time, they may be the best outcome for the family and the philanthropy long-term.

The Decision to Divide

Imagine this: A large family foundation has been a distinguished player in its community for many generations. As the family grows larger and more dispersed, funding interests diverge and the energy for the overall vision wanes. Board members use multiple discretionary funds to pursue their personal passions, yet there is more desire and demand for individual accommodation. This need to continuously take the pressure off by accommodating individual personalities starts to chip away at morale and mission. There isn't enough commonality to keep the family and foundation focused, and underlying tension or resentment starts to mount. Board members may start to wonder: ***what am I entitled to? Would my family be better off on our own?***

For family foundations set up in perpetuity, one thing is certain: families change over time. As a family becomes larger, multi-generational, and geographically spread out, family members and branches may feel less connected to the original founder's intent, and stronger in their own ideologies, interests, and diverse working styles. This isn't necessarily cause for concern, as debate and disagreement in family philanthropy is a healthy way to learn from each other and challenge the board to make the best decisions.

Yet, in philanthropies where the core values, vision, and mission are not strong enough to unify the family—or when a board accommodates individual desires and personalities over shared purpose—cracks start to form. While there may be a desire to uphold the founders' intent, family members may feel the strain of policies and practices that aren't adapting fast enough to a changing family system as well as the changing social context. This may cause apathy or frustration, and some family members might question: ***what's holding this all together, anyway?***

In more difficult scenarios, board members may avoid rather than address the underlying conflict, until one day, they reach a boiling point, asking themselves: ***should we stay together as a foundation/fund, or go our separate ways?***

Thoughtful families don't wait for outright conflict. They recognize the signs that the system is changing, and they create solutions that work for the whole.

Ask Yourselves:

- *How is our family system changing? How might it continue to change over time?*
- *Is our philanthropy serving our family or our family serving the philanthropy?*
- *In what ways might we need to adjust our philanthropic entity to work for the whole?*

WHY SPLITS HAPPEN

Splitting can be caused by a number of factors, and there's no one tell-tale sign that a foundation is doomed to divide. However, there are some common trends among those that do decide to split. It most often happens when the second generation transitions to the third, or in smaller families, the third generation to the fourth.

In some families, there is perhaps not enough in terms of shared values, visions, and goals to bring them together in the first place. For example, they may have competing worldviews or lifestyles, live in different parts of the country, or have divergent interests. If the family is fragmented from the beginning, even the most intentional philanthropy policies and practices may not suit their needs over time, particularly in a fast-changing world. Founders may hold out hope that the philanthropy will miraculously unite everyone—yet without a shared sense of purpose, this is rarely the case.

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In other families, the founding generation may be too busy with their own careers or other concerns to appropriately engage the second and third generations early and often. In these situations, the successor generations never have a chance to feel a deep sense of connection or ownership to the philanthropy.

In order to avoid these strains, family boards must be clear that the overarching purpose of the foundation is a shared purpose. Without that clearly articulated shared purpose, individuals start interpreting what the founder intended or what they think the foundation should be, or what they are entitled to—and that is often the beginning of the end.

First, the founding and successor generations must be clear about what this enormous opportunity and responsibility means, and what the vision is for the philanthropy. Best practice is to help founders be as candid as they can be on why they want the family involved and what their hopes are for the philanthropy. Whether that is through conversations, written letters, audio or video recordings—

voicing the founder's vision for the family and philanthropy goes far in informing current and future leaders. "It gives the family a fighting chance to figure out what this privilege and responsibility means," says Ginny Esposito, founding president and senior fellow of the National Center for Family Philanthropy (NCFP).

Second, it's important to choose board members based on principle, not by personality—or by family branch. "I've seen more damage done in the name of branch equity. Foundations that try to give branches an equal say and an equal number of seats on the board often place family members who aren't the best fit. This can lead to hardships down the road," says Esposito.

Beyond a lack of clarity around founder intent and board eligibility that can cause splits, family conflict—and avoidance of that conflict—is also a common culprit. When constant disagreement, family tension, and infighting impede the work of the foundation, you know there's a problem.

"Conflict is natural in a growing, changing system, and a conflict named is never as bad as a conflict imagined," says Esposito. "If something untoward is happening within your family foundation, you owe it to the giving, to the public trust, and to the family to deal with it."

That's not to say that dealing with it will be easy, but it's worth confronting the conflict before it's too late. You don't want to allow anger or unspoken assumptions to guide the division process.

In the same way you can call on outside programmatic or community expertise, family boards have options to bring in support. Think of it as taking simple preventative measures, rather than ending up in the emergency room. A skilled philanthropy advisor and family dynamics expert can guide boards through conversations that can prevent a crisis from occurring.

> *No family philanthropy is worth risking the relationships that are so important to us as individuals or as a collective.*

Sometimes simply raising the option of dividing the foundation is enough to motivate the board to reflect on their values, their shared family legacy, and what it means to carry on the family philanthropy. With the time and space to explore it, board members may take a few deep breaths, have a real conversation, and affirm their commitment to make it work, if at all possible.

For others, a process like this may reveal that it's time to dissolve or divide the foundation. Members might agree that no one would have wanted to sustain the philanthropy at the expense of the relationships—and that forcing something on a family so full of differences is simply not worth it.

While difficult, a change in structure may ultimately feel freeing. It allows family members to make their own philanthropic decisions without having to argue or justify them to the other branches. Aside from the tension it inevitably causes, dividing a foundation may even allow family members and branches to meet their philanthropic aims in new ways, and maintain better relationships with each other over time.

"No family philanthropy is worth risking the relationships that are so important to us as individuals or as a collective," says Nick Tedesco, president and CEO of NCFP.

Ask Yourselves:

- *How strong and clear is our shared purpose?*
- *Do we have a clear and documented donor intent?*
- *Do we have clear policies on board eligibility?*
- *In what ways do we try to accommodate for branch equity? What do we see as the benefits and risks of that over time?*
- *How do we currently deal with conflict? In what ways do we avoid conflict, and how does that impact our effectiveness?*

SPLITTING IS NOT A SCANDAL

Decades ago, a prominent family foundation founder raised his four sons with a 'survival of the fittest' mentality, and he expected the four of them to come together and run the foundation after he passed. Yet they were in no position to do that—they competed in all areas of life, and they couldn't see eye-to-eye. Rather than keep the foundation intact according to their father's wishes, they promptly split it four ways, and were able to go off and do good work through smaller foundations of their own.

While the perception at the time was that splitting was the ultimate failure, this was in no way the case. Sometimes, splitting is in the best interest of the health of the family and the giving. "If they used a good process, it's not a failure. The best a family can do is become the architects of change, not the victims," says Esposito. "Get out in front of any issues by maintaining a strong mission, vision, and values—and policies and practices that allow for an evolving family system."

> *The best a family can do is become the architects of change, not the victims.*

WHAT DOES IT MEAN TO SPLIT?

Recognizing that family philanthropy is often focused on a private foundation, this section focuses on the splitting of a foundation, rather than a donor-advised fund or other type of philanthropic vehicle. Please see the end of the section for reminders about some of the legal complexities involved in any split.

Splitting means dividing the foundation assets to create two or more smaller private foundations or donor-advised funds. For example, family branches, generations, or other groups take portions of the foundation assets to endow their own separate foundations, with their own grantmaking interests.

There are several structural options for a board faced with this decision. They might:

- **Dissolve the original foundation entirely**, giving family members the option to start new foundations, donor-advised funds, or other philanthropic entities.
- **Carve out the foundation**, whereby one branch, individual, or group might split off but the overall foundation endowment stays intact. Or the foundation might split into separate foundations, but a small portion of the endowment stays intact as a legacy foundation.
- **Keep the foundation in its current legal form**—invested assets stay together, and the family divvies philanthropic assets into separate funds, governed by different family members.

For the above scenarios, often the question is how to structure the "deal?" In other words, who gets what, and who will broker that decision? Some foundations have relied heavily on neutral non-family board members and philanthropy advisors to guide them through these conversations. It's also always best to consult with an attorney who is familiar with the legal rules governing mergers and splits.

For foundations that don't wish to necessarily divide, but no longer want to exist in perpetuity, there are several options that allow the endowment to continue to make an impact over time:

- **Shift the family foundation into an independent foundation**, where governance is turned over to community members.
- **Transfer the endowment to a community foundation or other public charity**, or become a supporting organization to a public charity.
- **Merge with another private foundation**.
- **Spend down the endowment**—which grants all assets to the community or causes that fulfill the foundation's mission. In this case, the foundation files dissolution statements, and ceases to exist as an entity.

TIP: There are complex legal rules governing mergers and splits. Always consult with an attorney before entering into any contract. See Revenue Ruling 2002-28, which addresses three common private foundation termination scenarios—divorce, merger, and conversion from trust to corporation. For more information, see the resources listed at the end of this guide, or contact NCFP.

THE PRICE OF SPLITTING

Splitting is an expensive endeavor. A family foundation that starts off quite sizeable may end up quite small after a series of splits, and each new foundation must pay its own administrative expenses and annual tax filings. Families and boards need to weigh the options carefully, and determine how important it is for members to keep the family together over time and/or fulfill their own philanthropic aims.

Beyond the financial costs of a split, there can be a price to pay in terms of staff stress or departures, as well as how the community, grantees, and other stakeholders view the foundation and its board. Further, the impact on long-term grantees of the original foundation may be significant if the new foundations don't support those grantees at the same levels.

UNDER THE RADAR SPLITS: DISCRETIONARY FUNDS CAN HELP AVOID A FORMAL DIVIDE

Foundation boards have developed creative ways to manage differences within the family, without formally dividing. For example, a large fourth-generation foundation has kept most of its assets earmarked toward the shared mission, but assigned "family branch funds" to take the pressure off of diverging interests. Each branch is assigned a certain number of seats on the board, and the branch can nominate either family members or community members to fill those seats.

In another foundation, the board recently divided up the foundation assets whereby half would continue to be directed toward the mission, and the other half would be trustee-directed. This is a way to accommodate the branches of the family, while leaving a certain portion of the endowment as honoring the legacy.

Discretionary—or branch/trustee-directed funds—are essentially a way to split some of the assets with making it a formal, legal, or public split. This option can help a foundation stay together and keep its focus. Yet it helps if all discretionary grants must fall under the foundation's mission, and the entire board is aware of—and signs off on—all discretionary grants.

To learn more, see the National Center for Family Philanthropy's Collection on Discretionary Grants in our online Knowledge Center.

Before a Break-Up: Questions to Consider

Is a break-up on the horizon? What can the board and family do today to ensure the best possible outcome for the philanthropy—whether that's staying together, splitting up, or something in between? The following questions will spark important conversations as a board and family, and ideally help you plan ahead and navigate any potential divide before it happens.

TO PLAN AHEAD OR AVOID A POSSIBLE DIVIDE, ASK YOURSELVES...

FOR FOUNDERS:

- What do we really want for the philanthropy long-term?
- Why and how do we want family members involved?
- How committed are we to perpetuity?
- What potential challenges might arise in the next 10, 15, 20 years?

FOR FAMILY MEMBERS:

- What does the family foundation mean to us?
- Does the family serve the foundation, or does the foundation serve the family?
- If the founder(s) are still alive, how can we ensure there is a clear letter or description of donor intent?
- What do we value most: honoring the founder's legacy, keeping the family together over time and generations, or making an impact now, in our lifetimes? Or is pursuing our own individual philanthropic interests and desires more important to us than giving as a collective?
- At what points in our foundation life cycle does it make sense to assess whether we should keep going as is, or change the foundation's structure?
- What ground rules can we set, as a group, to prevent board disputes and rash decision making? How can we slow down or agree to interim decisions in the midst of a crisis?

FOR BOARD MEMBERS:

- How often do we revisit the perpetuity question? (Every five years is recommended.)
- How strong and clearly defined are our founding documents, including our bylaws and our mission statement? How might we strengthen them to avoid confusion or disagreements later?
- What policies do we have in place on board eligibility—particularly when it comes to spouses, extended in-laws, domestic partners, divorce, remarriage, and step-children? How do we ensure those we invite on the board are the best qualified to serve/what the philanthropy deserves?
- How might we ensure more neutrality on the board, particularly in the board chair role, in the event of a possible foundation change (such as a split)?
- What are the benefits and challenges to staying together as one family foundation? What are the benefits and challenges to splitting up?
- What is the appropriate role of non-family staff and board members during a family foundation crisis or big change? How can these non-family representatives serve the best interests of the foundation overall? What other resources/advisors can we call on to help us navigate the change?
- What support do we need to call in to mediate conflict, tense relationships, and unproductive communication?
- Who will be responsible for communicating big changes within the family or foundation? Who will determine and approve talking points, as applicable, for press and the community? Who will communicate directly with grantees and other stakeholders?

Four Stories about Splitting

1. Deep Political Divide Leads to Sibling Split

Ten years after its formation, and following the death of the founder, the founder's two adult children divided their family foundation into two. "There is a huge ideological divide between the brother and sister," which led to the split, says the former executive director.

Bickering began when the market melted down in the late 1990s. "We had to tighten our grantmaking belt, and that caused some friction. It raised questions for the board about which grant areas would be eliminated, which would stay. Trustees each had a discretionary fund of $1MM to give in their own ways, and they didn't want to give that up," she says.

Then two things happened that brought politics right into the middle of the board meetings: the 2000 election of George W. Bush, followed by the terrorist attacks of 9/11. The two siblings were on opposite ends of the spectrum in terms of their politics.

"We had missed our September board meeting because it was right after 9/11. We were all in such disarray as it was. Then at our November 2001 board meeting, one sibling said to the other: 'We want you to go away. We'll give you some money,'" she says.

"Springing it on us at a board meeting with no prior discussion, no chance of exploring different options together—it was done in an arbitrary way that wouldn't allow an outcome where the family would still want to be together," she says.

For the next two years, the siblings didn't meet in person. "We did all our grantmaking approval via conference call. There was constant fighting and legal wrangling about the split, and it took up all of our time and energy," she says.

"I spoke at length with the attorney to explore options. We thought, rather than split the investments, which were doing well, why not have a holding company and two funds under it? Yet one side would only accept a total split, which became two different foundations."

"I remember one of the board members said to me: 'This will be better for the family.' I said, "No it won't. Did you see the faces of those family members? This is the end of the family.'" Today—more than 15 years later, the brother and sister have no communication, and the cousins—their kids—have no relationship.

"To an extent, politics continues to play a role in this divided family. Both sides have hardened in their views," she says. "There were places they could have met in the middle, and they chose not to. They simply didn't have the will to get along. Are they happier now? I don't know."

COMMUNICATING THE SPLIT TO GRANTEES AND THE COMMUNITY

In times of change, foundation staff will most likely assume the role of sharing the news with the community.

"I was tasked with notifying the grantees, which I did before the news went public," says the former executive director. She also crafted a press release that explained that the new structure would allow the two foundations to pursue the diverse interests of their respective boards.

Despite the foundation's best efforts to communicate the change diplomatically, it still was a deep blow to the community. Grantees had legitimate concerns about whether and how the split would affect their funding. Even with the announcements and the press, the community was confused, says the executive director. Family dynamics didn't help.

"Unfortunately, there came a point where grantees were being held hostage by the two foundations—where one family branch would hold up funds if a grantee was funded by their sibling's foundation. I told them: 'This isn't right. You can't be taking out your family dynamics on grantees.'"

"In an ideal situation, the two foundations could have remained as incredible collaborators on some projects. Yet that didn't happen. They purposely don't collaborate, and the community may suffer as a result."

TIPS FOR COMMUNICATING A BIG CHANGE

It's important to have a clear communications plan in place for what to do in times of crisis or change. The plan doesn't have to be formal or lengthy—it can be a short document that outlines the following:

- Appropriate spokespeople to handle media and other inquiries (most likely, this will be the board chair and executive director, as applicable)
- Different audience groups, and who will communicate to each of them (e.g., audience groups may include the current board, extended family, board and staff alumni, current staff, grantees, peer funders, advisors, the wider community, other stakeholders)
- How the message will be communicated to each audience group (e.g., personal phone calls, emails, updates on the foundation's website, a news release, social media, etc.)
- Talking points that describe the change, the rationale, and what grantees and the community can expect (Tip: reinforce the positive, and be as forward-focused and solution-oriented as possible; strive for transparency when possible, while maintaining discretion around family-sensitive matters)
- Methods and milestones for updating key audiences with ongoing information, such as a fact sheet, website updates, FAQs, etc.

(See the Resources section in this guide for a sample press release from another foundation split.)

A CAUTIONARY TALE: WHAT NOT TO DO

This foundation split represents an example of what not to do, if at all possible. As the executive director puts it, "there was bad decision making from the beginning." Here is a list of learnings in retrospect, and what she says could have been different.

1. **Missing mission statement.** "If there's a true villain in this situation, it's that the founder left no mission statement," she says. "This left a lot of room for the kids to interpret their dad's wishes, and veer off course." To this day, she says, both foundations—although they fund very differently, claim emphatically: 'this is what Pops would have wanted.'"

2. **Hefty discretionary funds.** From the start, each family trustee had a large sum of money in discretionary funds to use as they liked. "When there is too much branch loyalty, or family members have too much freedom to give to what they want in their own communities, there is not enough integration as a whole," she says. "It's okay to have trustee-directed gifts, but if they are sizable, each family member or branch builds up their own kingdom, and over time will lose interest in the overall family giving."

3. **Picking the wrong board members.** Carefully consider who's on the board, and what skills they bring. "Don't put people on the board simply because they are family members or spouses, and especially if they hold 180-degree differences in values—that's asking for trouble," she says. "I can remember the mom talking about how the two siblings always fought growing up. I thought to myself, if a family isn't getting along to begin with, what makes you think they will get along with millions to give away?"

4. **One parent takes sides, or doesn't intervene.** In this family, the matriarch unintentionally took the side of one sibling, rather than staying neutral. "She never meant to take sides, and yet she made no attempt to intervene or create a fair solution. It could have been completely different if she had introduced the idea of splitting by saying: 'I see a lot of unhappiness here. I'm wondering if this foundation should go in two separate ways.' If she had taken the reins, this could have been dealt with so much more gently, and people may have welcomed the split rather than fighting over it."

2. When the Board Blows Up: A Non-family Perspective

"It's strange to be a non-family board member in the midst of an enormous crisis," says a non-family member who served on the board of a foundation that split into two. "There seemed to be a lot of tension between the two sides of the family, which likely went back decades, yet those of us outside the family knew very little."

It all blew up at a board meeting, she says. To everyone's shock, the chair came in and announced that the foundation was dissolving. "He essentially said, "That's it, we're done. This board isn't meeting anymore.'"

To be clear, this is an example of disfunctional governance. Ideally, a foundation's bylaws or trust documents would prevent one or more family members from dissolving the foundation on a whim. There should be a clear, articulated process in place. Yet, that wasn't the case in this foundation.

"At the time, I wished the family board would have communicated more with us non-family board members. We were seasoned people. They could have turned to us earlier on to help see the difficulties through. Instead, they hunkered down in their individual camps and dismissed the possibility of reconciling," she says. "Of course, it was easy to be critical when we didn't know what was really going on."

The foundation split did affect the board and dismantled the mid-sized staff. "It was all-consuming, and it diverted from the mission of the organization," she says. "I was concerned about what would happen to the staff and if it meant they were losing their jobs. It was a big deal. In the midst of splits, boards and staff both need to be mindful of that."

In the end, despite their ineffective governance practices, the family made the right decision, she says. "They weren't seeing eye-to-eye and there was a lot of tension. They are much happier now. Much like a divorce, even though it's painful, sometimes a foundation split is the best solution."

3. Surprise Foundation Leaves a Family Scrambling

When a grandfather died, to the family's surprise, he left $100MM of his estate to a new foundation—one the family had never heard of or discussed. The paperwork for the new foundation was complete, but it hadn't been funded. The founder had named his three children as trustees, yet did not leave them any guidance.

The foundation "had a completely generic mission," and the three siblings, who were all in their 50s and 60s at the time, operated it like three different funds, says the founder's granddaughter. "They each had their own investment advisors, and they shared a general grants advisor. They mostly did their own thing, following their own interests. They rubber stamped the others' grants."

This all went fine, until one of the brothers decided he wanted to do things differently. "His spouse ran a nonprofit, and the sibling wanted to make a grant to her organization. His sister wasn't comfortable with the potential conflict of interest, and suggested that they split the foundation into separate entities."

The two siblings weren't close before, and suddenly they were in an all-out war. "This is a case study in what not to do," says the granddaughter. "I believe the founder, my grandfather, received bad advice from his estate planner. He had a complicated estate, and likely set up the foundation as a placeholder, something to figure out later."

"I'm sure he would have never intended this to happen. It was poorly executed, and better planning could have prevented a riff that broke up a brother and sister. It didn't have to be that way," she says.

Later, the feuding brother sent a letter to join the board of the other family foundation. "Luckily, we had a policy in place governing how family members can come on the board, which is a year-long vetting process. I wrote him a 'thank you for your interest' letter with the board policy attached."

> *We saw first-hand how important it is to create policies before you need them.*

"We saw first-hand how important it is to create policies before you need them, and keep the focus on the process, rather than individual people. You may not be able to anticipate every possibility, but it can head off so much heartache, and provide clarity in the middle of a crisis."

Although the brother and sister never recovered their relationship, today, the next generation of cousins serve together on a family foundation board. "Serving on the board as cousins has truly offered healing for the family. Growing up, my cousins never knew why they were isolated from the rest of the family. They have been ideal board members and have loved getting to know the other family members in this way," she says.

"Family foundations can be the ultimate for breaking up the family, and also a place for healing."

IN THE HEAT OF THE MOMENT:

HOW TO PERSONALLY COPE WITH CONFLICT

Not all foundation splits involve family conflict, but those that do can feel like an all-consuming crisis. When you are the middle of conflict, it can be confusing and disempowering. While you can't necessarily control what's going on around you, you can choose to respond responsibly. Here are some reminders for managing the conflict internally. Consider sharing these with all of your family members.

- **Notice the common signs for when you feel threatened, offended, or triggered.** These could be shortness of breath, sweaty palms or other physical sensations, difficulty paying attention, emotional outbursts, shutting down, feeling victimized, blaming or judging defensively. Recognizing this in itself is a powerful practice.
- **Take space to re-center yourself.** When you feel angry, or hurt, there are two things to remember: Don't act (even though you really want to!), and try to find some space to center yourself. The idea is not to avoid a situation, but to return when you are more capable of managing it.
- **Shift the energy.** Sometimes you need to do more than take space; you need to physically shift your energy. Try deep breaths or moving your body (getting up, walking, stretching). Or use humor if you can, which can be a quick way to diffuse anger and change the atmosphere in a room.
- **Respond skillfully.** When you feel ready and able to think clearly, you can respond to the situation intentionally. Use "I" statements to clarify what you have heard, and what your needs, concerns and feelings are. Approach the conflict from a problem-solving point of view, and although you might be feeling angry or sad, try to stay calm and patient through the process.

Source: Avoiding Avoidance — Addressing and Managing Conflict in Family Philanthropy, National Center for Family Philanthropy, 2015

4. A Successful Split

Three sisters governed a family foundation after their parents passed away. They shared a passion for philanthropy and truly saw it as a family affair, and yet, they each lived in different parts of the country—Colorado, New York, and Arizona. While they honored their parents' intent for the family to give together over time, they also realized that it was becoming more of a burden on them to travel for board meetings (note: this was before Zoom) and spend all their time together on the "business" of the foundation.

As their kids entered early adulthood, the sisters recognized that they wanted to do more giving in their own geographic backyards. They also hoped to appeal to their kids' giving interests in order to engage them more in philanthropy. With foresight and open communication, they wondered what it might be like to split the foundation into three. To start, they decided to allocate separate endowments to each branch—within the larger endowment—to experience what it was like to "govern separately, without a formal split." The endowment became three separate funds, with all assets held under the same investment management.

This went well. Each branch was able to focus on what gave them energy and contribute to their own communities in a meaningful way. The next generation became more involved in their respective funds and even expressed interest in taking a leadership role. Moreover, when all the aunts and cousins got together, it felt more like a beach vacation and less like family business.

According to the former executive director, "The sisters recognized—with goodwill and respect—the different work they each were doing, and they set up their endowments to support that. It made for a happy transition and restructuring of the family foundation."

After six years of operating their three funds within the larger endowment, the sisters decided to formally split into three separate family foundations. They divided the endowment equally into thirds. The three new foundations were in a position to go to a new level of refinement—deciding what of the past they wanted to keep, and what they wanted to leave behind. This led them to more satisfaction in their giving—and more impact.

Conclusion: Planning Ahead for Potential Splits

As difficult as it may be for a family, there are times when dividing a philanthropic entity offers the best opportunity for learning and growth. A thoughtful approach to the division process may ultimately even lead to new and brighter beginnings for all involved. In time, family members move on—many expanding their own philanthropic footprint, and bettering the world in new and meaningful ways.

Whether you are planning ahead for the possibility of a split, or you are in the throes of a crisis, seek outside support from a philanthropy advisor or trusted colleagues. Know that although the situation may feel incredibly personal, many others have been through something similar, and you are not alone. Seek support when you need it, and reach out to the National Center for Family Philanthropy for resources.

Additional Resources

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Credits

About the National Center for Family Philanthropy
NCFP is a network of philanthropic families committed to a world that is vibrant, equitable, and resilient. We share proven practices, work through common challenges, and learn together to strengthen our ability to effect meaningful change. Our range of programs and services support family philanthropy at its many points of inflection and help families embrace proven practices and advance momentum. Explore our resources, all rooted in a Family Giving Lifecycle, by visiting www.ncfp.org.

About the Author
Elaine Gast Fawcett is a philanthropy advisor and communications strategist serving family foundations, nonprofits, and grantmaker associations. For 20 years, she has shared the stories and best practices of family philanthropy as the published author of 12 field-respected books for grantmakers, and hundreds of articles, tools, case studies, and guides. Elaine is a contributing writer for NCFP, a 21/64 multigenerational facilitator, and principal of PhilanthroComm.

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