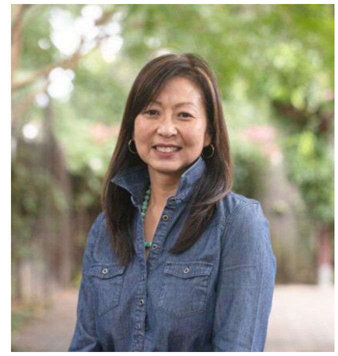
Is Spending Down Right for Your Philanthropy? How to Make the Decision and What to Consider in the Process

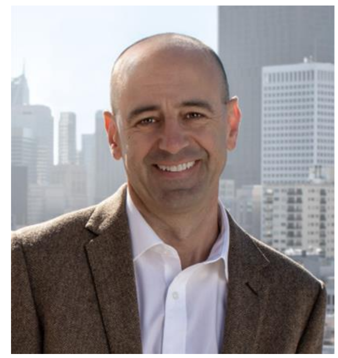
A *Community Conversations* webinar recorded on September 21, 2023.

NATIONAL CENTER FOR
FAMILY PHILANTHROPY

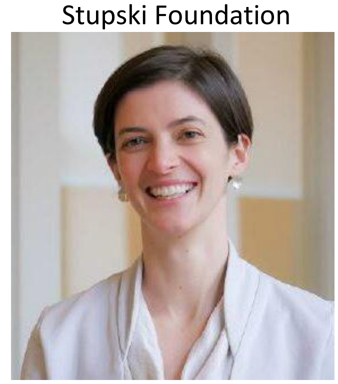
Featuring:



Priscilla Enriquez
The James B. McClatchy Foundation



Glen Galaich
Stupski Foundation



Anne Marie Toccket
Posner Foundation of Pittsburgh

Transcript of the Community Conversations webinar, Is Spending Down Right for Your Philanthropy? How to Make the Decision and What to Consider in the Process. Recorded on September 21, 2023.

Daria Teutonico:

Great. So, I think we'll get started. As people join us, we'll have a few minutes of introduction. So again, welcome, everyone. My name is Daria Teutonico, and I'm a Director of Programs here at the National Center for Family Philanthropy. If we go to the next slide, thank you. Thank you for joining us today for this community conversation. This is NCFP's third community conversation of 2023. As you may know, these community conversations are topical webinars on issues and trends and family philanthropy and are available to the field at large. These events lift up experts in the field, challenge philanthropists in their thinking and practices, and share timely stories and strategies in the family philanthropy community.

So, for today, we know that there's a very important topic that we're discussing. Determining the lifespan of a philanthropic effort is one of the most important decisions of philanthropy's board, staff, and family members can make. During the conversation today, we will hear from leaders at Family Philanthropies who can provide guidance on the critical questions to ask how to go about making a decision on lifespan and how to successfully navigate the spend down journey once that decision has been made.

In this webinar, we'll explore these framing questions, the ones on your screen. Would your philanthropy have more impact and better meet community needs by spending more or all of its assets in a limited timeframe instead of existing in perpetuity? How does a philanthropic family make this decision about lifespan? What plans must be put in place related to grant making, investing, staffing, and communications while a lifespan decision is being considered or when it has been finalized? Lastly, how do you successfully navigate the spend down journey once that decision has been made?

So, before we get started, I very briefly want to talk about our webinar technology. I know you probably all have been on lots of webinars in the past few years, but we really want this webinar to be interactive. So please submit your questions for the panelists. To ask a question, please use the Q&A box, which you'll find at the bottom of your screen as it's indicated on the slide here. When sending in a question, if you wish to remain anonymous, please indicate that.

Again, as a reminder, this webinar is being recorded and a replay will be made available to all attendees, actually, to all registrants. So, if you have a colleague who registered but couldn't attend, they will get the recording also. If you experience any technical issues, please reconnect to the technology or you can email my colleague, Jason Bourne. His email is on the screen to provide assistance. As always, if you'd like to, you can chat with us on Twitter about today's webinar using the hashtag NCFP web.

So, before I introduce the speakers because I know that's why you're all here, we just wanted to do two quick polls. So, the first poll is to see what's of most interest to all of you joining us today. This will help our speakers get a better sense of what to emphasize in their comments. So, our first poll as you'll see is just a multiple choice question with some of the key topics that we know are of interest to those who are considering lifespan, have decided already or just curious about it. So, we'd love to get you to fill that out and let us know which you're all doing, which is lovely. Thank you so much. Just give folks 30 seconds, a minute to do that. So, it's great. It feels like it's a little bit of a race. In the lead right now is making the spend down decision.

I realize you all can't see that and I'm talking about it because I can see it, but we'll share the results. Perfect. So, we can see that a couple of things that are top priority are making the spend down decision and how programming and grant making change during the spend down journey. So that's really helpful for our speakers to know. Obviously, communicating the decision, how you retain staff and your financial strategy are also important and of interest, but it seems making the spend down decision and looking at how programming, grant making change are your top priorities. So that's very helpful. Thank you for that. Great.

Our second poll, thanks, Jason, is really just for those on the call who are working with a family philanthropy. We just would love to know where you are in your journey. As you can read from the poll, have you decided to spend down, you're considering or you're just curious and you're here to learn more. There's no right or wrong answer. We're just curious to know who's in the audience. Again, it helps our speakers address some of your particular interests. So that's great. Wonderful to see who's with us today. Looks like ... Great, thanks Jason. So it looks like we have a lot of you here who are just curious about spend, which is wonderful. That's exactly why we're doing this webinar and opening it up to a larger audience.

Then obviously, there's still interest in ... Excuse me. So there's almost 25% of you who decided to spend down and almost 20% who are considering. That's great. We welcome all of you that are curious about learning more. We're so glad you joined us today. We're glad all of you joined us today. Wonderful. So, I really appreciate you taking part in those polls as you can see the results.

Great. Thank you so much. So, what we'll do now is I would like to now turn it over to our speakers because, obviously, that's why you're here today. So, I just want to briefly introduce them and then we'll move on into our discussion.

So today, we're joined by several leaders at family foundations that are currently spending down. They're also the current co-chairs of NCFP's Strategic Lifespan peer network, and they're wonderful partners to me and to NCFP. So, we have Priscilla Enriquez, Chief Executive Officer at the James B. McClatchy Foundation, Glen Galaich, who's the CEO of the Stupski Foundation, and Anne Marie Toccket, who is the Executive Director of the Posner Foundation of Pittsburgh.

So, I'm going to turn it over to Priscilla, Glen, and Anne Marie to get us started. I know that Priscilla was having a little bit of technology challenges, so she might join us a little bit late, but I'm excited to turn it over to all of you and get the conversation started. Thanks so much.

Priscilla Enriquez:

Thanks, Daria. Can folks see me or hear me?

Daria Teutonico:

Yes.

Priscilla Enriquez:

Okay. Good. I'm on my phone. So, I had a tech challenge, but I'm just super happy to be here and really grateful that you've all joined. I think it's a record audience to this webinar. So, thank you for being here. Let's see. So yes, I joined the James B. McClatchy Foundation in 2019. They were actually founded in 1994 by James McClatchy of the McClatchy Media Company and his wife Susan with their own resources, has nothing to do with the McClatchy Media Company at all.

They were focused on the needs of English learners on the First Amendment in California Central Valley. If you look on a map, it's that middle strip of land, which really takes up a lot of the geography of the state of California and a wonderful rich region, lots of history, complex issues, but really a vibrant place for the people who live there.

Fast forward to 2016, which is interesting because I had actually thought maybe it had something to do with the election, but the board decided to spend down, and it really wasn't for them a drawn out conversation. James had already passed. Susan doesn't have any ... They don't have any heirs together and they felt that they wanted to address problems today versus later. So we've been on this spend down trajectory trying to come up with a plan, which we now have. We're calling it Sunrise Plan, which I can talk about later, but that is the foundation, and we are focused now on a multiracial democracy. The way we want to achieve that is to center multilingual learners and their families advance the next generation of inclusive leaders and advance community-powered local journalism. So, with that, I will punt it over to Anne Marie.

Anne Marie Toccket:

Thanks, Priscilla. It's a hard act to follow. I'm Anne Marie Toccket. I'm the Executive Director of the Posner Foundation. We're located in Pittsburgh. The Posner Foundation's been around since 1965, but it was only in the last five or so years that the family and board of trustees came together to discuss whether another 65 years or more would be appropriate. The reason I'm here is because the answer ended up being no. So, we are one of the furthest out. We've got 17 years to go, and I'm as much in learning mode in these conversations as I am in present mode, but this was really a board-driven decision. The staff at the time, I was the only full-time staff member, a very small staff foundation, was really tasked with doing the research and finding learning resources like this one to bring the board along in its decision-making process.

So we are a global grant maker. We have five program areas and we'll talk, I think, a little bit more about strategy, but one of our challenges is how narrow is too narrow and how broad is too broad. So, I imagine some of the folks in the audience are having similar conversations as you consider spend down and what impact looks like and when you consider the legacy of the foundation, what you want the story to be. So, all good stuff to come and I'll punt it to Glen.

Glen Galaich:

Thanks, Anne Marie, and this is not the first time the three of us have been on a panel together. I like to refer to our little trio as the spend down roadshow. So, thank you all for joining. You're the largest audience we've ever had. I'm totally blown away by how many of you have signed up to be a part of it. I'm grateful, really grateful. I'm sitting in the Salt Lake City airports, so I apologize for the background noise. You might hear that one of the gates is about to board. So if you need to get to your gate, go ahead. I understand.

I'm with the Stupski Foundation. We have been around for about 25 years. The first 16 to 18 years was as an operating foundation, so really unique model in itself. The Stupskis were never afraid of innovation and being different. So when Larry Stupski passed away, the foundation took a bit of a pause. It was an education reform working nationally. They took a pause and Joyce Stupski, Larry's widow, reopened the foundation as a grant making spend down foundation in 2013, I believe it was, maybe late 2013.

I was hired in 2015 and we did a strategic plan as we all do in the foundation world. By 2019, we were ready to go so we set a 10-year trajectory at that point. Since that time, the staff of the foundation and the board today made the decision even with increased assets. We started with about 250 million. We accumulated about another a 100-150 million when Joyce Stupski passed away in 2021, but the staff and the board decided at that point going against the grain again. I think what we expected was that with the increased assets, we would extend our spend down date. We actually decided to expedite it.

So we moved from a 2029 date to a 2027 date. We really love spending down. I don't know how to…I'm a massive proponent of it. I've told many people I'm taking down one right now, and if I have my way, I'll take down many, many more foundations. I think it's the way to go, but I know it's really scary for a lot of foundation families and trustees. I'm in Salt Lake City, I was just talking to a whole bunch of people interested in spending down, and some of the things I had to say I think really were eye opening for them, but also scary. So we're here to make you feel comfortable. So we hope our comments today might help with that. I'll pitch it back over to Priscilla to take on our first topic.

Priscilla Enriquez:

If I could just add to that, Glenn, before going to the second question is... Sorry, I was a little frazzled having to switch from desktop to laptop to phone, but for the folks listening in, especially for those who are spend down curious, if you could just park what you know about philanthropy at the door for the rest of this webinar and presentation and imagine you're completely new to philanthropy and this is all new information, you really don't know what the roadmap is going to look like.

To Glen's point, for me, I've been at this, now this is my fifth year, I've used the word liberating, and it's a word I usually don't use, but it really has unstuck these old norms of philanthropy in terms of how we engage with the community, how we engage internally with each other, with the board, with staff, how we look at engaging our grant-making processes and practices.

So, with that, I'll just transition to the second question is, how did you communicate the spend down decision? We did it in the beginning, and as I said that our foundation decided in 2016 to spend down, and at the time, and maybe some of you on this call are like this, it was a very small staff, all part-time.

They'd never hired a full-time CEO. So, I came on board and activated a lot. There's a lot of capacity building internally, operational capacity I had to build. We had a lot of paper. So moving to tech, so modernizing our work, but at the same time trying to figure out, "Well, what's our strategy?" You could easily spend down in a matter of months just by writing a bunch of grant checks and you're done, but I knew, because of our region, and this is what's unique about all three of us, I think we're unique in terms of our purpose and where we're located and our mission, but because the California Central Valley is so under-resourced with philanthropy, I knew that our spend down, our sunset, could make a difference.

Hence, we called it a Sunrise. Actually, that came from a board member because we wanted to ignite greater philanthropy and investment in the region. So, it took us time to strategize on a strategic plan. We're calling it Sunrise strategy, a Sunrise plan, and we just launched that this past June. So, it wasn't quite a linear process. It had some twists and turns, which I think needed to happen for us to learn which direction we really wanted to go in. Already just a few months in, I find my thoughts evolving around what we might do.

So, we're in this communications mode. There's a lot of things that happen when you're sun setting in terms of staff's role and the decline of the grant-making dollars does have an impact, which actually I think is a good thing because it forces you to flex other kinds of muscles that you've never flexed before in terms of how you engage with community and what philanthropy really means and can do in the places that you're serving. So we're working on our comms plan and the first is that we're calling it a Sunrise. So all right, with that, I will hand it over to Anne Marie.

Anne Marie Toccket:

I have way less interesting fodder for this topic than Priscilla, but since we're so far out, so I should have said we made the decision at the end of 2020 to spend down over a 20-year timeframe, so ending in 2040, and that gives us about 17 years to go. So, one of our first questions, we have a pretty detailed work plan about what things we need to tackle now, which can be safely kicked down the road for later, and what we're doing now with communications is really just one-on-one with grantees mentioning in conversations that the spend down exists, that it's pretty far away, and that there is no impact on them in the short term.

Of course, we have two staff now. We've communicated with our staff. They knew going even into the interview process for their positions about the spend down, but we haven't done a thing like make a formal announcement or send a press release. Partially, that's the style of the family and the foundation that we work with, and partially, it honestly just feels premature.

So I'm really tuned into some of the conversations my peers and spend foundations are having not just about external communications, but also archival communications, internal communications, what we preserve, how we document what we do and how we're doing it, if anyone really cares about that, and if not, what the right role for comms and a very small staffed family foundation is.

I think an additional consideration here is that we often do grant-making anonymously. We're an invitation-only funder. So, the role of communications in its entirety is an evolving question for us, and the spend down is a bullet point beneath that. Glen?

Glen Galaich:

Thanks, Anne Marie. I was going to pass on this topic because we were not in a position of really needing to communicate because we had shut down for a couple of years before we reappeared, and we were not a grant maker before that. So it was, in some ways, I understand the challenge that you've gone through with your family's foundation, Anne Marie, in that you are midstream and you're making an adjustment, midstream at 65 years and making an adjustment, and that's tough. I understand that, and I really do empathize with those foundations that have to communicate these decisions to grantees that for better or for worse become dependent on the checks that you send on an annual basis, but what I will say about comms because I do want to talk about comms, we are very different than Anne Marie's Foundation.

Maybe it's just because I'm an extrovert or the people I've hired, but we are a loud and proud group. We push this idea. We are intending to increase our voice on this topic of spending down. We do have a very, I'd like to say for the size of our foundation, we have a pretty strong communications muscle and we're going to continue to build it as we close on the way to closing, which is why, obviously, to see so many of you sign up with curiosity about this model just brings so much happiness to me and my team because we hope we played some small role in increasing the question, increasing the idea of asking the question, why do we need to live forever?

What I really hope we can spend more time on in the future is what costs to the grant-making good you seek to do is there by living in perpetuity, what arrangements, what investments, what decisions do you have to make that potentially deprioritizes the humanity you seek to help to perpetuity itself? Just a question I leave hanging out there. What decisions are you making in your investment side? What decisions are you avoiding when you hear from grantees that they need more in a desperate moment to save what you can to be around forever and to live on a 5% payout? These are questions.

So, what I'll say and then I'll stop and I know we're going to get into grant-making practice and strategy next, and I'd love for Priscilla to start us out on that because Priscilla's done an incredible job at developing a wonderful strategy for McClatchy. I just would say the number one thing that has been a tremendous benefit to us, and we communicate about it all the time, is that our sector is one of control. We are a controlling bunch. Maybe you don't know it, maybe you haven't recognized it yet, but we certainly have as we have lived in the spend down environment, and we've realized that in 2027 we totally lose control because we shut down, we're gone.

In the process of living into that moment, we've learned a lot about the control we have over how we make grants, the control we have over our own culture, and how we are controlling money and controlling resources. So, it's been quite liberating. Priscilla used the right word. It's been very liberating to unleash or undo that control, to let go, and to see what happens from that, which is just, in my view, it's been the most exciting philanthropy to be a part of, and it's certainly the most incredible gatherings are when people from spend down foundations get together because it's like a challenge to see who can do more liberating philanthropy together.

So, I would say we want to communicate heavily about that and we will communicate heavily about that. I hope that that conversation picks up all across the sector as it certainly seems to be in many different areas. Priscilla, over to you on grant-making program strategy and strategic planning.

Priscilla Enriquez:

Right on. Right on, Glenn. So just a reminder, as I started off folks, park what you know about philanthropy at the door. This really is a different mindset once you embark on it because you need to be intentional about how you go about your spend down, at least that's my view.

A little bit on the communications and the strategy. One of the things I have to give a shout out to my Chief Impact Officer, Misty Avila, and our Grants Director, Madeline Porter. They've engaged in a lot of conversation with grantees. That's the other thing too. I think it's really heightened staff's interaction with grantees. A lot of foundations do that well. Most don't, I'm sorry to say, because I think there's that power dynamic. I know that there's a movement around trust-based philanthropy and funders really intently trying to listen, and the only way to do that is just to do it and make mistakes along the way.

In as much as you try to equalize the power dynamic, you're always going to have the upper hand because you're the funder, but I think most grantees, they're great people and they know that you're trying. So, for us, it's been, again, liberating to have those open conversations. One of the things that's, again, unique to the valley, we did a pilot grant making. Just a quick footnote on the McClatchy Foundation, we had a different name when I started.

It was a Central Valley Foundation and we have a community foundation with the same name. There's a long story behind that. I knew it was going to be a problem, so we changed our name and Jim McClatchy did not want to monument himself, so Susan thought it would be fine since we're spending down.

So, in our pilot grant-making, we found out that 39% of our pilot grantees had EDs that were underpaid or unpaid, and these are mostly BIPOC-led, which is an injustice, right? So, we want to correct that. So, we're using that data point in part of our comms. I think to Glen's point about how comms really makes a difference about what you're doing, how you're doing it, the metrics that you share to support that communication strategy are critically important.

So, I think for us, it's like communication slash grant-making slash program strategy all converge now, and those candid conversations with grantee partners, it's tough, but you have to have them. For some of us, we work a lot with grassroots organizations. Some of our boards, because they've been so small or, again, in the valley, they haven't had the opportunity for a great infusion of philanthropy. The ecosystem isn't as robust. So, some of their practices or their thinking may not be current or up-to-date. We still have boards that say "Why do I want to pay a competitive wage? We've all been doing this as volunteers for so many years".

Anyway, that's just one snippet in terms of how our grant-making strategy has changed, is changing, and I'm sure evolving. Misty calls it human-centered grant-making. Others call it trust-based. I think that even those terms will evolve. All right. Anne Marie.

Anne Marie Toccket:

Thanks, Priscilla. I was just taking furious notes on some of the things you were saying. The Posner Foundation had such an interesting experience since deciding to spend down. I'm the first staff person at the foundation and that's because about 10 years ago there was a big upload of assets into the foundation. So, at the same time we've decided to spend down, we're also ramping up spending, spending much more than we ever had before having to hire professional staff, now three full-time professional staff, and for the first time ever putting strategy around some of our programs.

I should note when I arrived, it wasn't that we didn't have grant-making programs, they just didn't have names. So, we've named them, we made a mission statement, we made a statement of values, a vision statement. All of these things didn't exist. So, we're really building a foundation at the same time as figuring out how to shut it down.

One, I'll get to our program strategy in a second, but a structural thing I want to mention because it may be a helpful liminal space for some of you who are making the decision is that at present, the way the board resolution is framed around the foundation's spend down is to significantly spend down the assets of the foundation to the point where there's certainly no longer professional staff needed, really take it very close to zero but not quite zero.

The reasoning for that is that perhaps a member of the next generation might like to be involved or put their own money into the foundation or perhaps the foundation's structure, private foundation structure should exist for a period of time after the final grants are made to do any monitoring or whatever needs to happen in the post foundation life. So that's the current plan.

One of the things we've been thinking about in the programmatic strategy is whether or not it makes sense for us, as many other spend down foundations have done, to pick an idea or a big bet or a big notion or two and really put a lot of resources behind them. That's option A or option B, maintain our five program areas that have good strategy around them, that have pretty well-defined with room for flexibility, pretty well-defined outcomes and topic areas and simply be supportive of a range of issues that are important to varying family members that are involved at the foundation.

That's a question we're still exploring. It's been a terrifically interesting conversation and I won't say point of debate, but there are varying views on it and I think all of the views on it are equally valid.

One observation that one of our board members had recently was that foundations who have chosen to do a super deep dive and attack an issue head on almost never solve the issue entirely. So, are we comfortable with that? What does enough progress look like, and how are we sure that we're going to reach it in 17 years?

So, the programmatic strategy is by far the most interesting part of this. I know we're going to talk about human resources and staff and so on in the meantime, but unfortunately, I think a lot of times in these spend down conversations we end up talking a lot about internal operations around taking care of staff and so on and so forth, but I always want to remember that the grantees are the ones in the organizations that are driving impact are the ones that we work for. So just a helpful reminder that I give myself daily. I don't know if, Glenn, if you want to weigh in on this because you've got real interesting stuff in the strategy bucket.

Daria Teutonico:

I just want to let you all know that there is a question just about this. How has your grant making changed since the decision to spend down, larger grants, multiyear grants, new programming, others?

Anne Marie Toccket:

Let me just say one more thing on that. We've always done primarily general operating support grants. Fewer larger grants is our mantra, and we don't really do program-specific grants with heavy reporting or evaluation requirements around it. So that's a trust-based philanthropy practice that the foundation's always had and that really allows for the grantees to lead on strategy.

Glen Galaich:

What you just said there, Daria, that question, because I struggle to say things in discrete, in simple form, that could take me an hour to go through it, but what I will just try to do is go for a couple of things. I'd say these are recent developments for us. As I mentioned earlier, my prior comments, we did a lot of introspection after Joyce Stupski passed away in 2021 and 2022. I'll tell you the one thing that has really...

What I'll say first is if I didn't say it earlier is once you make a spend down decision, once you've broken the cardinal rule of foundation work and said, "We're not going to be here forever. We're going to more more rapidly and spend down," it's been interesting to me just in the conversations I've had with lots of other spend down leaders, and you have two others here who I believe have had a very similar experience, Priscilla was already talking to this, once you break one big rule, it's funny how many other rules you start to question, and they're not even rules, right? They're like these practices that have developed over time in our sector that I believe inhibit our ability to be as community-centered as possible.

The foundation sector, and I'll just say this in my experience, is so donor-centered. It's all about the donor. We put our names on these foundations, we make decisions about what we like, what we think is good, what's good for the world. We're worried about our families and making sure that they are having a good experience in philanthropy. This is the mindset that we are all operating under and I think we all deserve a break if we decide to change that and not blame ourselves for what has happened before, whether you think it's good or bad, and really challenge some of these practices and rules that we follow.

One big one that came up for us at the foundation in 2021 where we really started to ask it of each other is, why are these assets more important for us to hold onto than the frontline organizations that need them now? Why are we holding onto these assets? What does the world get for us holding onto these assets more than the organizations on the ground that need it?

So I'd invite everybody to ask that question on occasion. You will certainly have answers there where you'll ... You'll have answers to that question where you'll be able to say, "Here's why we should hold onto these assets." There are reasons. So, I'm not trying to make this a black or white bipolar thing. It is very much there is a case that you should hold onto some assets, but I am willing to bet, I'd put a wager on this that if you ask that question sincerely of yourself, you might find that it's tough to answer it in a lot of cases, and it's tough to say, "Well, we should hold onto it."

I have heard, I've heard even from my own prior boards that I've had language that's quite patronizing about the knowledge and effectiveness and ability of grantees not able to handle these assets. There are concepts out there like absorbative capacity, which I just find crazy. As someone that raised money at one point, if you had come to me, if I had gone to you as a donor and said, "Hey, we could use $100,000," and you said, "How about two million?" can you absorb it? I would've said, "No problem," and I don't need you to help me foundation and figuring out how to do it, but that's a concept that is to me a huge rule that's fake, that needs to be knocked down.

So in doing that, in going through that process and asking that question, we actually expedited our spend down, it's probably going to be the case that we will be done with grant making in 2025 because the program teams could not say, "We should hold onto this longer than that." They have made enormous changes in the way they do their grants, and I'll just end by saying we have one really dynamic program.

Well, they're all really dynamic in the organization. I'm sorry, I love the team. I say things like that, but one of our team members works in Hawaii and she had a huge plan intended to put together a big cohort structure of grantees. She was going to do this over five years. She was going to meet with them, they were going to meet with her. There's going to be all this capacity building. Still a concept, I don't know what that means. All this work was going to happen.

She started asking the question, "Am I doing this for me or am I doing this for the grantees?" She came to the conclusion that this whole world she wanted to build was really for her. So, she decided to move all of the money in one year, one grant, which she saw as a five-year grant became one grant of more value than five years and let the grantees decide how they want to deal with it, as general support, restricted if they want to, whatever they want to restrict it to. Of course, they're not going to, smartly, and spend it as you want to. Is it a five-year? Is it a 20-year? It's whatever you want it to be, but it's yours. It's your money.

Just one final reminder, which I don't think we talk about enough in the foundation sector, these foundations that we either work in or we govern, this money is not our money. This money is public money that we steward. We put our names on it, we decide things as if it's our money. I have even had board members in the past say to me, "This is my money." It's not. When you made that donation to that foundation, you may be the one donor to that foundation, but it is not your money once you did that and you've gotten this wonderful tax benefit in return. So, there is no obligation on our part, I believe, to continue stewarding this money if we don't really understand or want to do it for the purpose of community.

If we want to do it for us, I think we should step away and do things with our money for ourselves, but if you're going to bring the taxpayer into the game, the public into the game, and a community that desperately needs these funds, I think it's our obligation to be as community-oriented as possible. I'll just leave you with a phrase that I hope stays with you for a long time. Try to strive beyond five. Try to strive beyond five. You don't have to go to full spend down, but I would hope that in the next years you can challenge yourself to strive beyond five. I think we need to talk about investment or if we have time for it, although I think we're near the end. Daria, if you want to do that, cut us off and go to Q&A, that's fine or I'll go to Priscilla on investment.

Daria Teutonico:

Well, I think we have a lot of interest about grant-making strategy and program, how that changes. So Priscilla, if you wanted to address that and we have plenty of time. We were already answering questions so we have plenty of time left for you to continue.

Priscilla Enriquez:

Are the questions in the chat reflective of the program, curiosity around programs?

Daria Teutonico:

Yes. So, there was a question that I read about the program strategy in grant-making, how does that change? Also, it was one of the top things in the polls. There's a lot of interest on that, so if you wanted to speak to that. There's also a question about what is it like being on staff of a spend down and knowing you'll be without a job at some point in the future. We have several. I don't want to ask too many at once, so please go ahead.

Priscilla Enriquez:

So much. I can talk forever too. Well, again, right on, Glenn, and strive beyond five, I have a comment on that. You said something about community, and I think that's the other piece on the grant-making strategy is it really cements how you feel about community and challenges you to let go of those old norms in grant-making, and you lead with community. That's a quality belief that I have and my team too. I know everyone here is community-minded, but when you're in a spend down mode, for us a Sunrise mode, it's a completely different thing. You really try to listen.

We've had hard conversations, and as much as you try to show up genuine and authentic, we've had some partners express disappointment, anger, frustration. You got to receive it and you can't be defensive. I've had so many conversations with funders where they get defensive. Sorry about that. They get defensive on the reporting. Ditto to what Anne Marie said, operating grants, multi-year grant-making, we are now moving towards conversations versus written reports.

I had a big funder, just another example, want a quarterly report. A quarterly report, really? So you've got to suspend your beliefs on what you think is working. Well, frankly, ask yourself. Are these practices really working for you right now?

So, on staffing, what I want to say, what's it like to be a staff? You have to be all in on this. It is a scary proposition I would imagine as a staff member knowing that your end is in sight, but it forces those conversations internally. We've had a lot of really open conversations about, "Well, how long do you want to be here?" and of course as the leader, you want to retain as...you want to retain your staff, but you can't dance around the issue. You just have to be open and honest with each other. That really changes the dynamic in the workplace too. That's the other liberating thought.

We talk about pay, we talk about titles, we talk about, "Well, do you want to go back to school? Do you want to take a sabbatical?" Imagine your current workplace. Do you talk about those things? Probably not. It probably helps for us because we are a small team, but it's really been a good thing, I would say. It's a good workplace practice. It's a good grant-making practice. It's a good philanthropic practice.
So on the strive beyond five, to Glen's point on the 5% payout, that's the other issue that's arisen, I would say, in the sun setting space for us. At least, 5% is the minimum. Imagine if you just gave a little bit more, if you gave half a percent more, do the math.

Maybe the first thing is, what is your payout? Do you know what your payout is? If 5% is the minimum, how can you maximize your work? So, you don't have to sunset. You could increase your grant-making. Obviously, you don't want to harm your corpus, but if you're not going to be in the sunset mode, but there are other ways. It might open the door for you to sunset eventually. So that's kicking the tires, if you will. All right. Daria, are there any other questions?

Daria Teutonico:

We have lots of questions. It's really just which ones you want to tackle. So we had a question, "How did your program strategy change because of the decision to spend down? How did you align your board and organization leadership on the Sunset/Sunrise plan, and how do you tackle strategizing spend down in a multi-generational framework, making sure legacies preserved and generational wishes are met?" So that's a lot.

Priscilla Enriquez:

Yeah. Well, I have a lot to say, but I want to open it up to Anne Marie and Glenn.

Daria Teutonico:

Great.

Anne Marie Toccket:

Maybe I'll just say a word about the multi-generational one. This is one of the major considerations we have at the Posner Foundation around what is the role of the next generation given the spend down and the timeframe.

Right now, my board of trustees are all members of the third generation of the family and the foundation, and hopefully they're all around to see the end of the foundation, but I think there's still an open question given how much time we have left of what is the interest, availability, capacity of members of the next generation, and is the opportunity to participate in the foundation equally available or of interest to all of them.

So, we're in the midst of that right now, and I'm in learning mode on that. I think it's a really specific question, especially for family foundations on how to invite people in given that there's a ticking clock and just recognizing inherent differences in generational priorities, maybe not values. We talk a lot about how the family values and the foundation values run through the generations, but perhaps they're manifested differently in priority areas or issue areas and how to accommodate all of that while staying focused in the context of a spend down. So, I don't have the answers, but those are the right questions.

Glen Galaich:

I don't know how to answer this one because I think it's going to be very unsatisfactory for whoever asked the question. I don't care about legacy, personally. The family has a huge legacy. The reason they have the wealth they have is because of amazing business prowess and they're known for it. So, I don't worry about how their legacy shows up in their philanthropy.

What I guess I'd say is I hope there is a legacy in that we did not worry about our legacy. That's the way I'll put it, and I hope I'd love to see more of that myself. We do have their name on the foundation and I sometimes wonder, "Do we need to?" Again, it's not their money, but I don't think we worry so much about that. In fact, one of my favorite moments a couple of years ago, one of the family members did join the board after what I thought would be the last family member passed away, one of the next gen members we the staff invited onto the board. After some reluctance, she decided to join and she said, "I sincerely hope that we are not going to review the ancient documents of the Stupski family to make decisions about what we give," I guess hearkening back to constitutional constructionists or whatever they are.

So, I was really moved by that. So, we don't think so much about legacy, but I do, again, recognize going back to the start of this conversation that if you are midstream doing this work, I can understand how challenging you'd be. I've had a chance to look at some of the questions that have come up from many of you, and I'm afraid with the time we have left, these are really good questions and they're big questions and I hope we can find a way to respond to you either in emails or otherwise, but I really do understand that to make the decision to transition to spend down is going to be a huge one for family and for staff and for grantees.

We certainly need to do much more work in the pro spend down community to really ease, have answers for that. We just haven't had enough of us yet, I think. We don't have the blueprint for some of these tough decisions and how we address legacy, how we address investments, how we address...we're working on it. These conversations are part of it. There are groups forming as a result of it. For those that truly believe this is the future of philanthropy, we need to have answers for those of you that are trying to make these tough decisions and help you to do that.

So, in fact, the thing I'm always shocked by, and I'm going to push a little bit at NCFP, as well as any philanthropy organizations, is I don't believe anybody's been invited to do a plenary session on spending down yet. We tend to get put over in the weirdo corner in the breakout session, but I would love to see more plenary sessions on this topic because the curiosity is high, and I think we have a lot to share about how to do philanthropy.

I think, why do advocacy? Which is a very common plenary session, I think we can move on from that one. Let's make room for spending down. So I hope we can spend more time and make more time available and develop more understanding about how to speak to this very difficult transition because once you get to the other side, it's a sunrise, as Priscilla would say.

Priscilla Enriquez:

Daria, can I add to the board staff alignment question?

Daria Teutonico:

That would be wonderful. I just want to say we don't consider people considering spending down weirdos at all. So, I just felt like I needed to say that.

Priscilla Enriquez:

Thank you. I'm not a weirdo.

Daria Teutonico:

Please, go ahead, Priscilla. Thank you so much. I know that's a question that comes up a lot.

Priscilla Enriquez:

It's a good thing. There's nothing wrong with weirdos.

Glen Galaich:

Poor, Daria. I'm sorry. I'm sorry, Daria. I'm sorry you have to put up with this, Daria. I'm sorry.

Priscilla Enriquez:

You're all wonderful.

You can tell we're a fun group because…anyway, the board and staff alignment piece is really important. I recognize it's dependent upon...every foundation here is different and unique and the relationship you have with your board chair, with family members, some probably fraught with generational issues and trauma and different values and political leanings. So, what I would just say is you need to find somewhere in you to be courageous to have these open, transparent conversations with your board chair, whether it's a family member or not.

Susan, right now, well, she's the only family member and they were intentional, they didn't want to bring any other family members on the board, and we have other members of the community on the board, but I know...that was my approach. In this developing the Sunset/Sunrise plan, as I said, it wasn't a linear process. We went down that traditional route of, and this is really interesting, I wanted a theory of change, a logic model. We all got to working on it, had this complicated, complicated graphic, and I looked at it one day, I'm like, "It doesn't make sense to me."

Part of it was I wanted to align. Like most foundations, you've got this program area and that program area and that program area, and for us, English learners and then First Amendment. What does that mean, right? So for me, the way I think, I had to align it.

So, when we were stuck, and I think this is the other thing about transparency, we as staff, you always want to protect, fix, correct before you go to the board. I just went to my board chair and I said, "I'm stuck." We used a consultant to...we had I call it a pivotal board meeting. We met offsite and it was our board chair who said, "Well, staff, find the nexus of these areas and come back to us."

I was concerned about timeline. Again, these are just constructs we've created in philanthropy like, "I want to get this done in a year." So those courageous conversations are incredibly important, and I think if you can't have that, then it's going to be tough. All right. What's next, Daria?

Daria Teutonico:

I think we have time for one more question. As you can see in the Q&A, there's a question about staff retention and investment strategy. I know that's a lot more than two, three minutes, but if one of you could address one of those key topics, just-

Anne Marie Toccket:

I can say just a word about investment strategy. I'm not the smartest person in the room on this, but being 17 years away, I'll use Priscilla's word, I was really stuck on what are the financial and investment questions we can even be asking right now. Just a few weeks ago, we worked with our portfolio managers to run a series of Monte Carlo projections that I gave them three different scenarios where I said, "Okay. Say we want to spend on a bell curve over the next 17 years where we peak and say, I don't know, year eight and then start tapering down in terms of spending, how much money do we need and how much do I have to spend every year?"

Scenario two, we called it the mesa. Our excellent consultant who some of came up with that with me. The mesa where we ramp up, we flatten out for a period of years, then we ramp down spending at the end or just a flat spend where we spend the same thing year over year over year over year and it's predictable and we know what we're going to do every year.

So they came back with a series of projections on what that would look like, how much money, how much cumulative money we would spend over 17 years in each of those scenarios, what some of the considerations are, when we would need to move into a bigger, heavier cash position, what it would need in terms of what decisions are sooner rather than later. It unlocked something I was so stuck on, which is how do we think about how the money is managed and how do we have the money available to us to meet commitments in the face of potential future market downturns, how much cash, how much not cash and why. So that has been, Priscilla's word, liberating, I think, for all of us to understand what those options are even 17 years out. We're going to do it every year.

Glen Galaich:

I'll just say really quickly, Daria, that if I had to do it all again, the way I would initiate the spend down, the way I would get a spending down is I would fully divest out of anything for profit, and by doing that, we would be earning 0%. Even if we could not strive beyond five, if it was just too difficult for us to imagine doing 6% or 7% a year, I'm already spending down because I'm at 0% in and 5% or 6% out.

The reason I say that is because as we analyze some of our investments, it became clear to me that we most likely were in more toxic activity than good activity. I'll let you, as a person listening to this, decide what is toxic or not toxic, but the way I'll put it is that I found, as I started to investigate some of the places our fund managers were putting us, that we were in things that were counter mission.

So my view was if we're doing harm with our portfolio, then maybe we could be an awesome philanthropy if we just get out of the harmful stuff because if we're neutral, we can't do harm, and the only thing we can do is good, I hope, with our grant making. So, we did begin fully divesting a couple of years ago. We did the same thing. We had the Monte Carlos, we had all that stuff, and I think it's really dynamic and interesting ways to approach planning and investing.

At the end of the day, again, because you start asking questions when you're in these places and when you're starting to divest, it forces you to look at what you're divesting from because you have to because you're spending down, you go, "Oh my goodness, I didn't even know we were in that," and what does investing in depressed economies mean? Have you ever asked that question? I certainly wondered.

Never really got an answer, but I'm scared enough to find out that we got out. So, I would encourage that model. It doesn't mean you're putting a date on your ending, but it is guaranteeing that you're spending down.

Daria Teutonico:

Well, that's wonderful. Thank you. I'm sorry that we have to end the conversation now. As I had said in the chat that we will be addressing the questions that we didn't get to in the follow-up email that we'll send with the recording. I also want to remind you about the optional networking that we have set up that's going to start right after this webinar. So my colleague is going to put a Zoom meeting link in the chat. That will be for the Zoom meeting where we'll have time to talk with our panelists, thanks so much, Jason, where we'll talk to panelists and it's an opportunity to ask them additional questions about what they spoke about or to ask the questions that we didn't get to.

Just to remind everyone because this isn't a community conversation, we know that some nonprofit colleagues of ours are on this call too, just want to make sure you're all aware that that networking is a non-solicitation space. It's not to talk about fundraising or how to get funds from family foundations and family funders. It's just an opportunity for families philanthropies to learn more from our amazing speakers about spending down. So as I said, the Zoom meeting link is in the chat, and as soon as we end this webinar, we will all join those of you who are able to join us. I hope some of you can.

So just brief, a few closing remarks for our NCFP members. I want to let you know about our upcoming next fundamentals of Family Philanthropy webinar, which is going to be October 12th, and it's going to be focused on eternal evaluation, internal, though we could think about eternal, but internal evaluation and learning. Also, as we talked about briefly in the chat, NCFP has peer networks that we're pleased to offer to those interested in connecting to family philanthropy colleagues with similar objectives, challenges, and shared experiences.

As we mentioned, there is a strategic lifespan peer network for those affiliated with a family philanthropy, whether staff or family members or trustees. Happy to tell you more about that. You can find more by emailing us at ncfp@ncfp.org. Also, you can go to our website, ncfp.org and find out there or please reach out directly. We'd be happy to give you more information about that.

So I just want to say thank you again to our amazing panelists, Anne Marie, Glen, and Priscilla. You're wonderful partners on the peer network. It's always wonderful. I always learn something from when we have a conversation with three of you. Thank you for spending the time with us on the webinar and we look forward to some of you joining us for our operational networking that's going to take place right after this. So thank you all so much and we hope you all have a great rest of your day and be safe and be well. Thanks again.