

Getting Started in Family Philanthropy

— National Center for Family Philanthropy

A business family's philanthropic activities are driven by the family's vision and goals. There are many choices available to establish a family philanthropy framework. The charitable vehicles that a family chooses to achieve its philanthropic objectives depends on what are those objectives. The family members need to determine what sort of impact they need to have on the community they aim to serve. The moot question that they must ask themselves is - "what do we aim to accomplish with our philanthropy?" The answer to this would bring clarity of purpose and help the family choose the appropriate mechanism to route their philanthropic initiatives.

Family Considerations in Giving

Decisions regarding philanthropic activities of a business family are driven by multiple considerations. The family needs to discuss and decide a collective response with respect to each of these considerations. This would help them in formulating an effective philanthropy strategy that meets the family's objectives. These considerations include the following -

1. Asset Control: The family needs to decide whether it will control the philanthropic assets for generations to come or delegate control to public organisations. The family can achieve the former through its own foundation's initiatives or the latter by giving direct gifts.

2. Family Involvement: The family must decide whether one or more members will be directly involved in philanthropic activities. If more than one generation of the family is interested to get directly involved in philanthropy then a more structured organisation like a family foundation would better suit the objectives.

3. Start-up costs: For families that wish to avoid the start-up and administrative costs of setting a structure for philanthropic initiatives, direct gifting is more economical than setting up a family foundation. It makes more sense in case the family does not view philanthropy to have a strategic role in its wealth management plans.

4. Tax considerations: For families that wish to maximize tax benefits the direct gift model would better achieve that goal compared to the foundation or any other option.

5. Public Recognition: Families can retain highest level of anonymity of their philanthropic activity when it is a direct gift, whereas this is not possible through a family foundation as it is subject to audit disclosures.

6. Strategic Philanthropy: If the family wants to support strategic or multi-generational philanthropy with family members involved over an extended period, then it must establish a family foundation that would provide the necessary structure to support the objective.

Engaging Family Members

Families must involve and engage members across generations from the very beginning of philanthropic efforts. This would help in cohesive formulation of objectives and active involvement of members. Next generation members need to be sensitized and educated about the charitable causes pursued by the family. Philanthropy can then

become a strategic rather than a one-off activity.

A formal giving structure such as a family foundation would ensure that family philanthropy transcends through multiple generations. This will make a lasting impact on the communities served and make philanthropy an integral part of the family's legacy.

Source: 'Getting Started in Family Philanthropy' by National Center for Family Philanthropy, USA (<http://www.ncfp.org> - accessed on June 15, 2015).