

Making More Foundations *Great Foundations*™



TAKING YOUR FOUNDATION TO THE NEXT LEVEL

FIVE KEYS TO SUCCESS

ATLANTIC TRUST
PRIVATE WEALTH MANAGEMENT

In partnership with
FOUNDATION
Source®

INTRODUCTION

With family foundations, it's personal. The causes you care about and the goals you seek are not based on some abstract set of ideals. They have arisen because of the way you have led your life and the way you have earned your money; your personal and business experiences shape your world view and animate your philanthropy. And they generate an energy and enthusiasm that big foundations are rarely able to match.

Nimble, quick and bold. With little or no bureaucracy to bog them down, family foundations can be the speed demons of philanthropy. Leapfrogging over the sink-holes of committees and “infrastructure,” more time and effort can be spent on actually pursuing tangible results, rather than talking ideas into oblivion. Where large foundations can sometimes over-think strategy and execution to the point of paralysis, family foundations typically seize an idea and run with it, making mid-course corrections on the fly and keeping the momentum vigorous. And, unlike institutional funders, there is no reticence to tackle controversial or risky issues.

Why? Because your passion is not limited to an organization site map. It comes from what inspires you and what you think is possible. And the more passion you bring to your mission, the more likely you will ensure it will be fulfilled.

Families in action. Joining together for a cause can be life-altering. Done right, it really can become Team Family. Given the opportunity to meet, talk and share ideas, you get to know each other on new levels, new ways—elevating ordinary conversations to thoughtful dialogues about important social issues. It's the kind of eye-opening interaction that can reveal unrealized strengths and talents, and deepen relationships. Did we mention fun? Engaging new pursuits. Working with friends and family. Abandoning your comfort zone. Stretching your mind. Think about it: Wasn't this always the whole purpose?

THE ROUTE TO EXCELLENCE

Family and donor-led foundations, however, have some special hurdles to navigate to reach this kind of promised land and achieve their full potential. Compliance and workload issues need to be resolved and administrative requirements addressed. You'll need to do some serious planning in order to get your family working in sync and ensure your foundation has some serious impact. While family foundations are as different as the people who create them, our work with nearly 900 foundation clients has consistently shown us that the most successful are those who address five key components. While there is no playbook on how to take on these issues, dealing adroitly with the more immediate needs (at the bottom) generally paves the way for success in the longer-term challenges (at the top). You can run, but you cannot hide from these responsibilities. And the most successful foundations—those achieving or exceeding their philanthropic goals and recharging family relationships—have mastered all five:



COMPLIANCE

Yes, the word has an undeniably unpleasant ring, but in order to excel, you have to bow to its demands. The fact is, you have entered a kind of regulatory maze: the tax code, S.E.C. regulations, fiduciary duties, governance requirements, state-specific rules. Consider this the price of admission for foundations. And if you don't pay it, there's considerable downside: hidden financial or legal exposure, nagging doubts, serious penalties and, in rare cases, the headline with your name in it and a story bashing your family. The most successful family foundations typically rely on two keys to taming the compliance beast:

■ ***Know when to tap expert advice.***

Successful foundations backstop their existing advisors by relying on experts who fully understand the complex, constantly changing tax and legal requirements philanthropies face. Once this arrangement is cemented, successful foundations stride confidently forward to build their boards, set priorities and take risks, all without insomnia.

■ ***Foresee and prevent problems.***

Technology is available to simplify many, if not all of the compliance details, and it should be an integral part of foundation setup. Successful foundations hand off compliance monitoring to a trusted partner who can offer steady oversight, including screening of individual grants, scanning for common "scrutiny triggers," spotting possible pitfalls and ensuring that annual tax returns and other required filings are accurate and complete.

OPERATIONAL EFFECTIVENESS

Family and donor-led foundations can be complex organizations. It's almost like running a small business, but with special layers of administrative, reporting and filing requirements. Writing a grant check is simple enough, but setting up a governance structure, tending to investments, establishing policies and procedures, managing document flow and a host of other daily process delights can be tedious.

Donors and family members want to enjoy the work of the foundation, not dread its green-eyeshade drudgery. But if you're not minding the store, these mundane tasks can swamp effectiveness and sap enthusiasm. Here are two techniques used by the most successful foundations to guard against organizational ennui:

■ ***Make the most of everyone's strengths.***

When the workload threatens to become a distraction, high-performing foundations pause and recalibrate their focus and the division of labor. By recommitting to their core mission—making thoughtful decisions on plotting the foundation's direction and approving grants to make it happen—they regain a grounded perspective. Reviewing the special gifts individual family members bring to the table is also key. If Uncle Desmond loves talking to potential investors, he should make that his primary job, not the site visits that he has little appetite for and that Aunt Ruth finds the most satisfying aspect of the foundation's work. In other words, queue up the chores to get the most out of family members' limited time.

■ ***Capitalize on outside resources.***

Taking this path links successful foundations to organizations with world-class capabilities across a range of operational functions. Foundations that handle all their processes in-house are challenged to achieve the same level of efficiency and proficiency. Relying on the external providers frees up successful foundations to focus on what matters most: their philanthropy.

ENGAGING THE FAMILY

Getting family members involved is often the number one reason for establishing a foundation—just as important as having an impact in the external world. Successful family foundations strengthen family bonds and help members discover what they stand for. They serve as training grounds to build practical competencies such as leadership, teamwork, investment management and social awareness. And they connect family members scattered throughout the global village. Working as a team makes their philanthropy more fun and rewarding.

Yet, despite the best of intentions, enlisting the family in the foundation presents a range of challenges: fierce competition from outside activities, careers and social and community life; physical dispersion among time zones; and conflicting interests and political viewpoints. How can these hurdles be overcome? Successful foundations find ways:

■ ***Forge a common purpose.***

High-performing foundations tap into the natural enthusiasms of family members and recognize particular strengths and abilities lurking in the family tree that can coalesce into a philanthropic mission that resonates with all.

■ ***Offer age-based options.***

Getting younger children involved with “grant certificates” is a good way to introduce them to the foundation; forming junior boards gives teens a taste of the foundation’s mission; establishing apprenticeships brings young adults on board and sets up mature family members as mentors to cultivate the next generation.

■ ***Bank on technology.***

Successful foundations lower the barriers of time and distance by taking advantage of state-of-the-art innovations. The wonders of technology enable family members and advisors to easily communicate and collaborate on foundation activities. E-mail notifications keep the entire family aware of foundation activities. Individual family members can go online and make discretionary grants according to their own interests. Pre-determined grantmaking authority gives a traditionalist dad a shot at monitoring his liberal-minded offspring’s grants—before they go out. And they can log in and transact their philanthropy virtually anywhere—vacation, Europe, second home, college. Farewell, wood-paneled board room.

MISSION AND IMPACT

The philanthropic instinct is deeply ingrained and can be a powerful motivator. People create foundations for many reasons, but seeing their efforts result in positive change on the issues and causes that matter most to them is what keeps successful foundation members engaged over time. Missions can range from making their town a better place to live in, to sophisticated strategies that test new ideas or take on vexing problems: cleaning up a nearby polluted river, saving a local landmark from the wrecking ball, or fast-tracking research on a disease that claimed a family member.

But achieving real, measurable impact is far from easy. There will never be enough money to solve the world's—or your community's—problems. And it's tempting to throw money at too many projects or programs and be lured by the varied interests and recommendations trumpeted by family, friends and colleagues. The lack of a tightly focused purpose can waste time and money, dissolve morale and slow momentum. How can you keep your eye on the ball? High-performing foundations take the following steps:

■ *Learn from others.*

By carefully scanning the landscape of their philanthropic cause and studying the winning tactics—and misguided failures—of others, successful foundations avoid squandering resources and re-inventing the wheel. Regular networking with experts and other donors and family foundations helps spread knowledge around to the benefit of all.

■ *Perform due diligence.*

Look before you leap. Fully vetting grant seekers and charities helps ensure that foundation assets are put to good use.

■ *Explore the full grantmaking arsenal.*

By carefully considering all of the creative grantmaking options available to family foundations—including Program-Related Investments (loans and equity investments); emergency and hardship grants to individuals; international grants; micro-finance programs; and awards and scholarships—successful foundations find the best tool to get the job done right.

CONTINUITY, LEGACY AND CHANGE

Imagine Family Foundation X. In its first five years, it's made real progress in attaining many of its philanthropic goals. What's more, family members are divvying up the tasks so that everyone is contributing and working at full potential. But here's the tricky part: how do they keep it going? In 25 years, what will they be known for? Most important, how will they cope with the swirling inevitability of change?

Successful foundations know that the best insurance policy against change is to plan for it. Not planning for it can be a dangerous option. Sudden asset growth can outstrip a foundation's ability to deploy its money wisely, leading to waste, sloppiness and damage to the family brand; failure to prepare the next generation leaves the foundation without trained leaders. High-performing family foundations steer

clear of these pitfalls. Instead of fearing change, they embrace it, knowing that self-examination and reinvention are the keys to a fresh and thriving philanthropic enterprise. If set up for perpetuity, they can be a kind of time capsule, preserving the founders' interests and values for generations to come. Successful foundations anticipate change and plan for the future in the following ways:

■ ***Take the long view.***

Planning for the next set of grants usually takes center stage. But by discussing high-level hopes for the next 10-20 years, foundations can be better prepared for shifting social and political climates ahead.

■ ***Plan for asset growth.***

Projecting long-term asset and activity trends helps build capacity ahead of time rather than having to play catch-up.

■ ***Anticipate family dynamics.***

Families are complicated. By discussing the implications of potential family situations—divorce, remarriage, the role of in-laws—*before* they arise, unpleasant squabbles are averted.

■ ***Cultivate the next generation...***

Involving and preparing the next generation for leadership positions is the best way to achieve continuity.

■ ***...And listen to them.***

By incorporating the perspectives of younger generations, successful foundations ensure their engagement, rather than expecting them to blindly carry on the interests and giving patterns of the preceding generation.

GO FOR IT

Yes, money is the necessary starting point for a family or donor-led foundation. But when the above five key steps are executed proficiently, that raw dollar figure is trumped in so many ways by the intellect, savvy and passion of family members caught up in a cause that inspires the heck out of them. In the quest to make a difference (and have loads of fun in the process), it's an opportunity to be seized.

WORKING WITH ATLANTIC TRUST AND FOUNDATION SOURCE

Atlantic Trust has partnered with Foundation Source, the number one provider of management and advisory services for private foundations.

Foundation Source runs over 1,000 private foundations, of all sizes, nationwide. Running foundations is what separates us from consultants and software companies, and it's why our clients turn to us. We step in to operate, advise and strengthen all working aspects of the foundation, while Atlantic Trust manages the foundation's assets. This combined approach frees donors and families to enjoy their philanthropy with total ease and confidence while we handle the details.

We work with both established foundations and individuals interested in starting a new foundation. For every foundation, we provide complete back-office administration, award-winning online systems and experienced philanthropic advisors. The result is a foundation that always runs smoothly, engages the family, and has the impact every client wants.

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