

Perpetual Giving: Setting Up a Family Foundation



St. Francis of Assisi said, “For it is in giving that we receive.” Giving from the heart, whether it is a monetary donation or one of time, can be a very personal and satisfying experience. Creating a family foundation can establish and maintain a sense of giving within your family that can directly impact communities while helping the younger generation of the family gain knowledge and experience by getting involved. For families who donate significant amounts to charities and organizations, setting up a family foundation may be a great vehicle to enable change in the world and also develop skills necessary for their family’s continued success.

The Council on Foundations defines a family foundation as a ‘private foundation established by an individual donor with the donor and/or the donor’s family playing a significant governing role.’ Developed for myriad reasons, motivation can come from the desire to create positive change in the world, perpetuate family traditions of giving back, utilize the foundation as an educational tool and acquire tax advantages. Setting up a family foundation has, in many ways, become a streamlined process that can provide a wealth of benefits. Consider the following when evaluating whether a family foundation is right for your family:

Thousands of opportunities exist to make a difference in the world, and it can be difficult to decide where your time and money would best serve. By operating your own foundation, you choose which causes to support and how funds directed toward that cause will be apportioned. If there are specific charitable objectives you would like to accomplish, you have the freedom to set guidelines in your foundation to ensure those objectives are met. Change can be enacted quickly and emergency funds can be set aside to respond to immediate needs of your cause.

Foundations have a similar structure to businesses and getting the heirs involved in the foundation can involve them in ‘running’ a business from an early age. An apprenticeship role allows them to learn from the older generation and develop experience for taking a larger role in operating the foundation. Heirs will also be encountering community members that can serve as mentors or aid them in their career and future. Some families are concerned about leaving a large inheritance to their heirs without giving them the tools to manage it. By placing some of the inheritance into the family foundation and teaching your heirs how to run it, they can develop skills to help them manage wealth.

Running a family foundation can also serve as a means to bring families that spread out across the nation back together. Whether virtually or in person, they help families stay connected. Some choose to meet once a year to conduct business and have social time in the same setting. Meetings held at an enjoyable location (i.e. resort) not only help perpetuate the mission of giving as a family unit but also provide an effective way to help maintain family relationships. Many families enjoy spending time volunteering together for the cause their foundation supports. Getting involved in the charity more than monetarily can show first-hand the difference your foundation makes.

A private family foundation is set up as a charitable organization and receives tax benefits for this designation. Any gift given to fund the foundation may result in one, or a combination, of income, gift and estate tax deductions. Family foundations have traditionally been an attractive method used to minimize estate tax liability. Speaking with a professional will help you determine which benefits may be available to you.

The groundwork for your family foundation is one that requires careful consideration and starting early can ensure you are able to devote enough time and effort into building a foundation to function how you wish and to show your family the direction you want the foundation to take. Consider working with an experienced financial advisor to aid you in the initial stages of setting up your foundation, developing goals, and implementing processes and procedures to prepare your foundation for continued success well into future generations. By establishing a foundation, you and your family will not only give, but will also receive. Why not start now? ☪

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