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Five reasons to make philanthropy a family affair

Is your family involved in philanthropy? If not, you could be missing a truly massive opportunity to teach your children and other loved ones about smart financial decision-making — and impart key financial values that can guide them throughout their lives. Check out the impact family philanthropy can have — and the great tool that can help you maximize your family's charitable impact.

This report was selected especially for you by Falkenberg-Poetz & Pidhirniak Wealth

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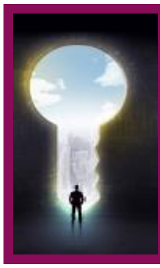

Key takeaways

- Getting your family involved in charitable giving can create a powerful legacy.
- Private foundations offer the most control and flexibility for family giving.
- Family philanthropy can also boost your bottom line, thanks to generous tax breaks.

For a growing number of successful people, there's a strong urge to "pay it forward" by financially supporting causes and organizations that are near and dear to their hearts. Many of you already make regular and sizable charitable contributions. And we know from our research that one key reason people like you want to become even wealthier is to help other people increase their own success and advance in the world.

But have you gotten your family involved in philanthropy? If not, you could be missing a truly massive opportunity to teach your children and other loved ones about smart financial decision-making and impart key financial values that can guide them throughout their lives.

Round up the kids

If you're like most of today's successful business owners, you're what we call a Family Steward. That means your deepest financial concerns are focused on taking care of your family and ensuring they enjoy lives that are financially stable and financially responsible.

Family philanthropy is one great way to fulfill your Family Steward role. The benefits of engaging family in charitable giving include the following.

- Working together to define your shared values around wealth, community and building a better world
- Helping individual family members identify their own specific charitable values and intentions
- Making financial decisions as a team
- Learning about the power and responsibilities of wealth — building it, growing it and using it to positively impact others — as well as critical financial management skills
- Developing important life and business skills — critical thinking and analysis, listening and communicating, and negotiating and compromising to reach a desired goal

TIP. To decide how best to involve family members, consider factors such as their ages, levels of maturity and independence, and interests. You might involve younger children only peripherally, and expand their roles and influence over the family giving as they grow (and if their interest in it grows with them).

The family office approach: private family foundations

One tool that can both maximize your charitable giving options and engage family in philanthropy at a deep level is a private family foundation.

A private foundation is a not-for-profit organization (i.e., charity) that's primarily funded by a person, a family or a corporation. The assets in a private foundation produce income. That income is used to support the operation of the private foundation and, most important, make charitable grants to other non-profit organizations.

While there are certainly costs associated with creating and managing a private foundation, there are distinct benefits of doing so. Three of the most pronounced — often interconnected — reasons why family offices often go the private foundation route include the following.

- **Caring.** At its core, philanthropy is about caring. A private foundation is a very powerful way to convert caring into financial and related support for worthy causes. You need to care deeply about some charitable causes to justify establishing and running a private foundation.
- **Legacy.** Many people create private foundations to honor loved ones. They're effective in binding family members together around something they consider meaningful. Often, private foundations are part of the education of inheritors in helping them become wise philanthropists. You would probably want to create a legacy — of one kind or another — if you chose to create and maintain a private foundation.
- **Permanence.** You can establish your private foundation in perpetuity. Consequently, you can ensure that the charitable institutions and causes that are important to you will continue to be funded indefinitely. The ability of a private foundation to last forever, if you so choose, is a very appealing characteristic to many affluent families.

IMPORTANT. Setting up a private foundation can be an intricate and involved process, as can the ongoing management of your private foundation. In this regard, running a private foundation is very much like running a business. Detailed accounting and the filing of tax returns are required. A variety of experts, such as legal and accounting professionals, are usually needed to handle regulatory and compliance matters. If you're overseeing the assets of the private foundation, investment professionals will regularly be engaged.

Key advantages of private foundations for family giving

To see why private foundations are especially compelling to wealthier families who are philanthropically inclined, consider the fundamental ways they differ from another, more commonly used charitable giving tool — the donor-advised fund — in the following key areas.

1. **Control**. A private foundation gives you significant control over your choice of charitable organizations you want to support. With a donor-advised fund, you're only making recommendations to a firm responsible for both managing and distributing the money. While it's unlikely that your suggestions will not be followed, there could be times when this will be the case.

   A private foundation enables you to make a wider array of grants than does a donor- advised fund. With a private foundation, for example, you can make pledge agreements to support one or more charitable causes over a period of time. The lack of personal control in a donor-advised fund makes that impossible. Private foundations also can make grants to specific individuals, something a donor-advised fund cannot accomplish.

How the assets are managed also differs between the two. With a donor-advised fund, the assets are managed by the firm you entrusted with your money — often a mutual fund sponsor or similar investment firm, or a community foundation. In a private foundation, you — or the investment advisors you select — get to manage the assets as you see fit.

BOTTOM LINE. Private foundations can be much more creative than donor-advised funds in how they manage the endowment and how they give.

2. **Family involvement and creating a legacy.** In the case of a private foundation, the succession possibilities are unlimited. This enables the family to exercise control across the generations — helping them pass philanthropic values and specific goals (as well as money aimed at those goals) to children, grandchildren, great-grandchildren and beyond. In contrast, many donor-advised funds have limitations on succession. When that limit is reached, the money no longer belongs to the donor or his/her family. Instead, it's transferred into a general pool of the company or organization that sponsors the donor-advised fund.

   BONUS. With a private foundation, you can decide who sits on the governing board and how the funds are spent. In contrast, a board selected by the sponsoring organization governs the donor-advised fund.

UPSHOT. If you're motivated to have your charitable giving live on after you — including permitting your descendants to take the reins — private foundations tend to be the more effective choice.

Next steps

Please feel free to contact us to discuss your options for addressing your charitable goals.

Please feel free to contact us

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