FFM/C

FAMILY FOUNDATION MANAGEMENT / COUNSEL LLC

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NO SWEAT

Every January gym memberships spike. But by late February or March those trips to the gym fall off and many of us regress. We meant well. As in … is this the year you'll get around to setting up your family foundation? Research firm MELISSA BROWN ASSOCIATES says that around 3000 new family foundations are formed each year. Of course no one knows how many won't get going. (We don't have much data on procrastination).

One reason for delay might be the potential for intergenerational conflict that retards a family foundation's initial development or progress.

The founder - often the wealth creator and *paterfamilias* – is uncertain as to whom to delegate board or management responsibilities. And children who may be career building or starting families may not be inclined to take on the job. Among the generations – children, grandchildren, even great grandchildren, there may be or can be strong differences in style, temperament and most important strategic focus: where should the money go? To the charities favored by the founder, or to charities with appeal to the younger and emerging generations? Will there be a staff? Families discover that it is often easier to manage the wealth than to guide the foundation. The best advisors – financial or otherwise - become therapists by default. The family culture, internal dynamics and ability to communicate translucently are at the crux.

FFM/C can't get you to the gym and we don't manage money. Our skills, learned through decades of experience in serving nonprofits and their boards as all-around "organizational doctors" focus on issues that are often difficult and challenging for the family members to address openly and calmly.

ROOKIE ERRORS

New family foundations arise from new as well as established wealth. Founders, irrespective of age, are self-made. Individual personalities outsized or not are characterized by perseverance, intelligence, self-confidence and good luck. Wealth builders operate in a frenetic, dynamic market place.

Younger men and women, especially, are making money by disrupting the usual order: e.g., Amazon, Uber, etc. Older men and women operating their own enterprises have accreted great wealth over time, often sell out, and begin thinking about their legacies. A clergyman friend describes this as "cramming for heaven."

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ROOKIE ERRORS

1. Managing this foundation won't take much time.
2. The accountant, lawyer, other grown-up can do it.
3. Nonprofits would be better off if they operated more like businesses.
4. My plan to save the world, the animals, the neighborhood (whatever) is really new.
5. We'll stay under the radar.
6. We'll just make a few large grants or we'll just make a lot of small grants.

In 2008 and 2009 the dip following the 2007 market break slammed foundation portfolios hard. Those few years aside in other years family foundations saw their assets grow. That in turn required larger payouts a trend that is in full force for now so far in 2015. Ten million dollar plus foundations coming into being this year will in fairly short order be coping with inordinate demands on their time and their treasure. Ultimately they will choose to staff up. A two or three person contingent is par.

Between now and that point in staffing FFM/C can help by managing or consulting; in strategic planning; interpreting the needs of charities; generating grant-making guidelines; evaluating a specific charity's efficiency and effectiveness (not the same thing); and helping in senior staff recruitment. We can also help in networking your new family foundation to other like-minded organizations and foundations.

STEP UP

A hand on the railing; a foot on the step.

The decision to start a family foundation is not the beginning of a process but rather a point along an axis; one terminus is inaction, the other, action. In between the poles are family gatherings, individual conversations, input from trusted advisors, friends and others who may have begun a foundation. All factor in. Some people by nature procrastinate; others are decisive. Some families are close-knit, others are spread out – emotionally, by geography, varying philanthropic interests and commonly enough the heads of families, especially in their fortune building years may be slow to think about a philanthropic legacy, or even an estate plan. Some families communicate easily and transparently. Others don't communicate at all well. Discussions about money can be a sticky wicket masking other, deeper psychological and emotional issues.

Particularly vexing for some is the idea that an outsider is either needed or can help. A facilitated discussion is at worst an attempt that may fall short; but at best, like any mediation, such an intervention can help move the parties to the center and to a place where decision-making is made possible.