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Family Foundations – New Tricks from an Old Dog

By Terry Green, CFP[®], AIF[®]

The pinnacle of family success and legacy has always been the private family foundation. For years, only the ultra-wealthy could enjoy the rewarding aspects of philanthropy and the pride of influencing generations to come. These vehicles are not just for the Rockefellers and Gates anymore.

New innovations have reduced the cost and administrative hassles of establishing, maintaining, and running a foundation. Today, a private foundation may be an attractive option for a family with as little as \$250,000 to contribute. These changes have opened the door for a new generation of philanthropists. These families can now share in the many benefits that these charitable tools offer.

Legacy – Because of the ongoing nature of foundations, a donor can leave a lasting impression in the community for decades, if not centuries. Maybe more important though, it brings families together. By involving family members in the operation and decision-making, it allows the donor to pass on important values to their children and grandchildren.

Control – Donors and families can choose which charities and causes to support. They choose when and how much to give. They even get to decide how to manage the investments.

Tax Reduction – Money and assets donated into a foundation receive immediate income tax deductions. Appreciated assets even avoid the capital gains tax. All donations are also removed from your estate and therefore not subject to estate taxes.

The benefits and rewards of a private foundation can be quite gratifying. However, for many, administration and cost had often been too big of a hurdle. Over the years though, that has changed. The internet has revolutionized many industries including philanthropy. Today, most of the grind is outsourced.

Third-Party Providers – They handle the heavy lifting in the operation of a foundation. They prepare the paperwork and required filings. They also monitor the regulatory issues such as reviewing your grants for IRS eligibility and making sure you are compliant with your annual minimum distributions so you don't accidentally break any rules.

Family Websites – These “philanthropy headquarters” are set up to conveniently connect with relatives across the country. Donors can set up accounts to permit family members to donate up to predetermined amounts. Family advisors may also be given access, so they stay informed and offer their expertise. Past and future grants can easily be

managed from anywhere there is internet access. Donating is as simple as clicking a button.

Online Databases - Due diligence in researching charities used to be a time consuming and daunting task, if performed at all. Not anymore. Research thousands of IRS-approved charities by category, size, and location. Review a charity's non-profit status, mission and goals, and see how they compare to similar charities. Online databases allow a person to take the guesswork out of giving.

The advent of such solutions means that foundations are less work, and more fun. Families have more time to learn from and bond with one another. Charitable giving takes the forefront again, and everybody wins.

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