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Matthew Schuerman , Written by HNW for Community Foundations of America.

What happens to a donor advised fund when the donor dies? Many donors may not immediately consider this important question when they are establishing their giving plan, yet they should.

To be sure, donors could designate that the money go to the discretionary endowment of the institution where the funds were deposited. But almost all community foundations-and many other non-profit organizations that offer such funds - also permit donors to name their children or other loved ones as successors advisors, enabling them to offer guidance on how that money should be given away.

That possibility opens up a host of questions: Whom should you name as successor advisors? Should you restrict grants after your death to be made in a specific field? Is it better to leave the money to the full discretion of the institution that has custody over it? Or, as a donor, would you prefer distributing all that money during your lifetime?

When planning your charitable giving, one of the most important things to consider is your own personal philosophy of philanthropy. Finding the answers to the how, when and why of your giving will help you decide how to structure your philanthropic plan.

Creating a Giving Legacy

If you believe it is important to teach future generations to give back, you might choose to pass your fund on to your heirs. Because of the option to name successors, donor advised funds-vehicles that allow individuals to give money to a community foundation or another non-profit organization and then recommend how it is distributed -have become a popular way for parents to teach children the value of giving.

If you decide you might want to pass on a giving legacy, it's important to learn about succession policies when opening a fund. While most community foundations permit the naming of successor advisors, there are a few that permit only one's children to act as successor advisors. Others require only that the successor be alive at the time of the transfer. "One of our donors died at age 105 and was even able to name great-grandchildren as successor advisors," says Robert Edgar, the director of donor relations at New York Community Trust. After the successor generations pass, the fund becomes managed as part of the foundation's unrestricted endowment, although grants can continue to be made in the name of the original donor.

By involving successors early in the process, donors can better plan how their fund will be used. Donors can give the successor generation instructions on how they would like their legacy sustained, but it is essential to make clear which is more important: that the successors have the power to advise, or that the money continues to be directed to certain causes. Otherwise, it may turn out that your successors

may not agree with or understand your instructions.

"You may want to say that the majority of grants have to fund a certain area and then give your kids the opportunity to direct the rest of the grants," says Bonita Hindman, the vice president for donor services at the Rochester Area Community Foundation in New York. Giving your children the option to recommend grants can ensure your legacy continues while they also fulfill their own philanthropic wishes. It is also possible to break a donor advised fund into multiple, separate named funds, allowing individual children advisement authority over a portion of the assets, but you would want to make this clear in advance to the charitable entity.

Letting Go of Guidance

Some donors decide it is better to give full discretion over the fund to the institution that holds it. "Many people who set up donor advised funds are willing to release them to the community as a whole and leave it up to the foundation board to do right with the money," says Julie Kittross, founding partner of The Giving Practice, a philanthropic advisor firm in Seattle.

The donor can convert the instrument into a field-of-interest fund, in which the donor is assured that future grants will be given in one or more causes, such as health research or environmental conservation, but the choice of actual charity to receive the money is left up to the custodial institution. (Sometimes this conversion takes place automatically after the first successor generation.)

Why would a donor want to let guidance of the fund go out of the family? Their children might have charitable funds of their own, or they may be estranged from their children, or not have any. Also, many children move and have less of a geographic tie to the place where the fund was established in the first place. While donors can advise a fund from outside the city where it was established, "Some donors believe that their children who move away do not have the same feelings about their former hometown after they leave, and they want their money to stay and support local causes," says Rick Schwartz, vice president of communications for the Rhode Island Foundation.

When to Sunset the Fund

Finally, a small percentage of donors choose not to pass on anything at all they deliberately spend down their funds while alive or instruct their successor advisors to do so in the few years following their deaths. Some philanthropists argue that giving a lot now is better than giving a little over a longer period of time. "A dollar invested today to provide help for hunger, for example, is going to pay dividends in 10 years far beyond what spending \$2 in 10 years will pay," says John Stanley, president and founder of the Legacy Group, a philanthropic consultant firm in Milwaukee.

Yet the ability to spend down the principal of a donor-advised fund, and what principal means, varies from one community foundation to another. In Rochester, for example, each fund spends out 5 percent a year, and any income gained from investments beyond that amount is added back and considered principal. The foundation there offers charitable checking accounts for people who want to dip into the

principal. Many community foundations, however, allow donors to spend down the entire principal. The key is to know to ask.

No matter what route is chosen at the outset, philanthropists can easily change succession plans for their donor advised funds. Normally, all it takes is a letter to the custodial institution to tell them you've changed your mind. Creating or updating your philanthropic succession plan will give you an opportunity to examine your giving values and help you determine the best way for your philanthropic gifts to be distributed.

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