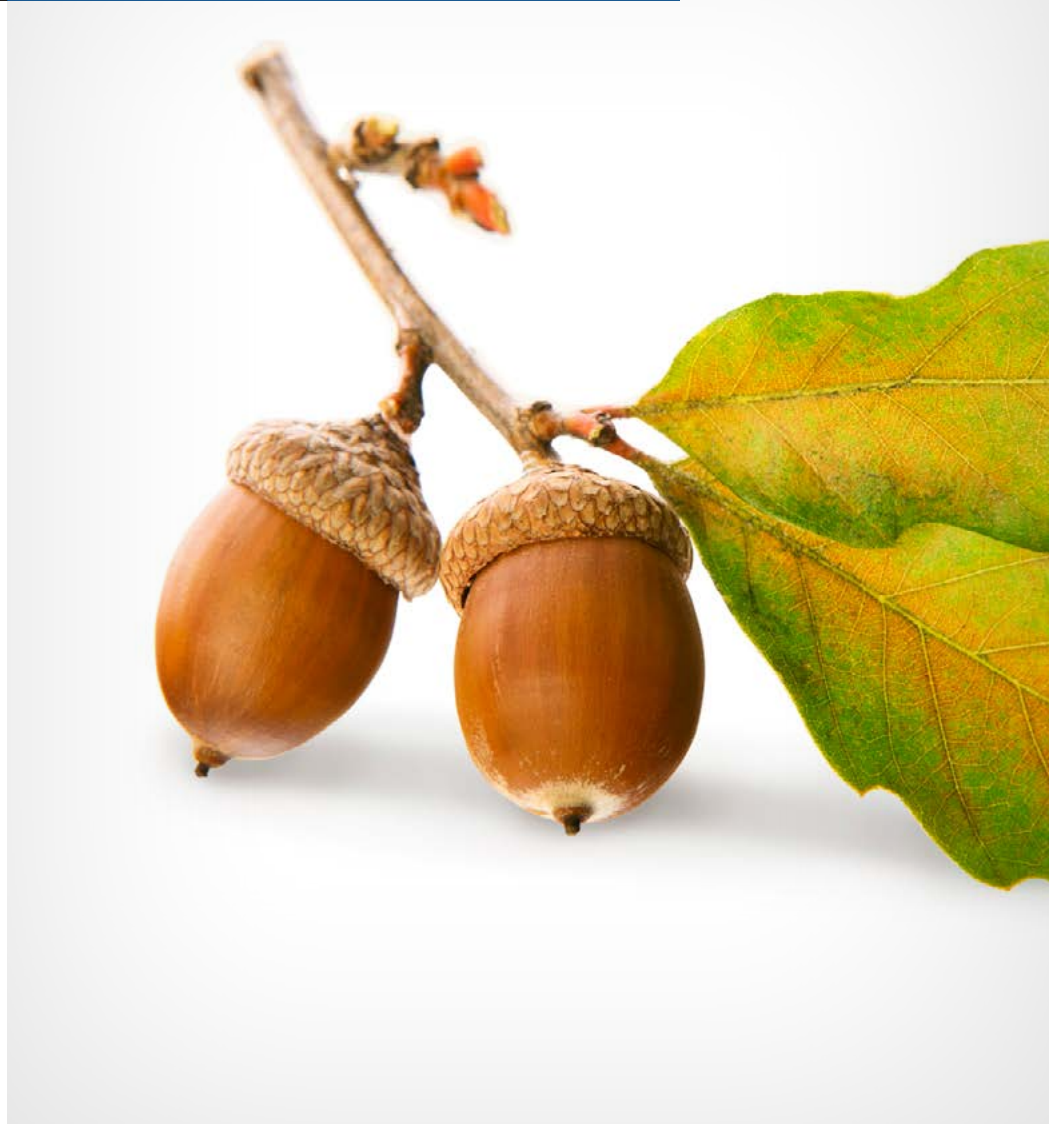


Private Bank



Engaging the next generation in family philanthropy

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Introduction

Sustaining and growing the family legacy across multiple generations is a key challenge for wealthy families all over the world.

Most, if not all families know that their legacies depends on their ability to prepare younger family members to succeed them and continue the family mission. However, many do not know how to do this and become deeply concerned their legacy will dissipate as a result.

A family's legacy is so much more than just its wealth. It is also its reputation, influence, and actions in business, community, culture, and philanthropy. A family's legacy is a reflection of its united identity, and therefore can often evoke stronger emotions in all family members, compared to simply sustaining family wealth. The legacy should convey what the family stands for and what kind of global impact they want to have.

One way families can ensure their legacies continue is by creating a strategy to engage younger family members well before they are likely to take the reins. Families must carefully choose which areas to engage the 'next generation' or 'G2' in at the start. For many families, philanthropy provides an excellent opportunity to prepare the next generation to succeed. This is because philanthropy is typically the 'glue' that binds a family together in shared values and interests.

There are a number of benefits to engaging younger family members in philanthropy. When family philanthropy is strategically planned and run like a business venture, it can provide a low-risk environment for the next generation to learn and grow. For example, younger family members who are involved in the family foundation may develop skills in asset management, governance, and also have a clearer sense of their own philanthropic interests and experiences.

According to the National Center for Family Philanthropy (NCFP), a nonprofit philanthropic organization, "the best family philanthropy happens when every generation has a seat at the table". The benefits of bringing generations together through philanthropy include:

- Families develop deeper ties through giving and philanthropy;
- Families learn to work more effectively with individuals of different ages, beliefs, and experiences;
- Every family member has the opportunity to learn and to develop skills in collaboration, compromise, and shared-decision making, helping each member to grow both personally and professionally;
- Young people bring older family members up to speed on new technology, media, and communication; and
- The next generation becomes advocates for philanthropy and generosity¹.

¹ "Opportunity of a Lifetime 2.0: Multigenerational Family Philanthropy", National Center for Family Philanthropy, 2017, Kylie Musolf and Danielle LaJoie.

Beginning the discussion

Early conversations engaging the next generation in family philanthropy can be awkward and stressful. The motivations that drive philanthropy are deeply personal, and therefore family members may take disagreements or constructive criticism personally, and existing family dynamics could even exacerbate the stress. Older family members - commonly referred to as 'wealth creators' or 'G1' - may believe that younger members are not interested in philanthropy, want little to do with the responsibilities, or do not yet possess the required skills. Equally, the next generation may view their family philanthropy as elusive at best or a burden at worst. They may lack understanding about philanthropy or feel uncertain that the older family members even want their involvement, or if so, what that would entail.

While each family's discussion will be unique, the aim for all families is to gain acceptance and buy-in from both the next generation and maybe more importantly from the older generation, as new ideas can lead to change and disruption in the status quo. Conversations are most effective when they are scheduled at a time convenient for all family members to meet in person. An advisor or trusted friend could attend the meeting to act as a buffer and help diffuse potential tensions.

Families should set realistic expectations before beginning a discussion and be prepared to listen without judgment. These discussions require thoughtful and careful consideration, should be courteous and tactful in nature, and be respectful of all participants. All family members must remember that no ideas are stupid.

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Acknowledging that the older generation is at a different life stage than the younger is foundational to this conversation. The younger generation may be just beginning their personal and professional lives and may have a different knowledge base and perspective on philanthropy. The older generation will be more experienced but will often have various time constraints. Recognizing these as differences and not deficiencies can set the tone for an open dialogue.

Older family members should share their experiences, motivations, and reasons for why philanthropy is meaningful and rewarding to them. Equally, younger family members should be encouraged to share their experiences, however limited, and their perspectives on philanthropy, in order to feel as though their views are respected. Storytelling can be a very effective and powerful tool for both generations to share experiences and motivations behind philanthropy.

Speaking openly about the family's shared values and what distinguishes them from other families can help clarify areas or causes that are important to them, how they define success, and the communities and regions that they want to focus on. If the family is already giving in some capacity, a discussion on track record is also advisable. Families should also use this time to brainstorm new ideas and areas of interest and focus. This discussion can be used to define or refine the legacy and mission of their philanthropy, forming the basis for giving and investment guidelines.

Similarly, consensus should be reached on governance. The next generation should provide input on the decision-making process, including the types of decisions that will need to be made, who will be responsible for those decisions, and how much latitude will be given to make them. All family members should agree on how involved each family member will be, their expected time commitment, and availability.

These conversations should be ongoing and will evolve as life evolves. It is important to accept that things may not - and most likely will not - go as planned. That is okay. There will be more than one conversation and having the time to reflect can help guide and focus the next meeting.



The most important outcome of these discussions is for both generations to truly understand each other's motivations and philanthropic aims and find common ground that resonates with each group. As a way to deepen the conversation, we have identified some key topics for both generations to think about before the initial meeting. They are designed to be thought-provoking and to stimulate active dialogue among all family members and should not be answered without careful consideration.

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- Share some formative experiences in your life and how they shaped you;
- Name two or three individuals that have been strong influences in your life and why;
- Explain what motivates your philanthropy or why it's important to you;
- Identify a few of your core values or beliefs;
- Describe how your family differs from other families;
- Determine whether impact investing, board service, volunteering, or other efforts are important to you to supplement granting efforts and if so, how they can be used;
- Identify the focus areas (e.g. education, art) or geographic regions in which you would like to make impact;
- Share the types of initiatives you'd like to be involved with and why (e.g. workforce development as part of an education focus)
- Describe what philanthropic success looks like to you;
- Share the level of engagement and time that you can commit to philanthropy;
- Share the aspects of philanthropy that most interest you (e.g. investments or granting strategy, board or committee service, operations)

Engagement in action²

Because each family is unique, there is no 'one size fits all' approach to engaging younger family members in philanthropy. It is important to fully understand both older and younger generations' wants, needs, and aspirations. Families should also ensure they assess younger family members' personality, skills, and experience to create the right learning opportunity for them specifically.

Over the years, families who have successfully handed over their philanthropy to the next generation started with some of the below methods. Those looking for ideas or inspiration may find the following helpful:

Professional development and nonprofit board service

Access to conferences, workshops, peer groups, learning and network events helps guide the new generation in their professional development within the nonprofit sector. Serving on a board of a nonprofit provides valuable training, but also helps the new generation to see things from another perspective. Internships, mentorships, and scholarships to attend a university philanthropy program are also excellent professional development tools.

While many families focus their efforts on their current leaders, it is vital that families recognize the need for active management of the development of future leaders.

Discretionary Grant Program

Under this type of grantmaking program, a family allocates a sum of money to next generation family member(s) for their individual grantmaking. This allows the next generation to research initiatives they care about, and develop necessary skills to understand grantmaking and the nonprofit sector. It also gives them the autonomy to support initiatives that may be outside the scope of the family mission.

Although older and experienced family members may want to guide the next generation through this process, it is important not to be too prescriptive. This program should be viewed as ideal learning for younger family members to make decisions independently.

Grant Matching Program

This type of grantmaking program can be used in conjunction with the Discretionary Grant Program or can stand on its own. Under this model, any donation made by next generation family members to a nonprofit will be matched with additional funds from the family foundation.

It can also be used as an incentive to foster volunteerism. For example, for every portion of volunteer time with a nonprofit, a selected monetary amount will be donated to the nonprofit, matching the volunteer hours to the dollars given.

Collaborative Giving Program

As the name implies, this type of program is collaborative in nature and helps to teach next generation family members how to work together either as a group or with existing family members. It invites the participants to either contribute or raise funds to collectively pool and allocate. The program is often issue-based and can have an educational component to help participants learn about the issue being supported.

² "Opportunity of a Lifetime 2.0: Multigenerational Family Philanthropy", National Center for Family Philanthropy, 2017, Kylie Musolf and Danielle LaJoie.

Observing board/Advisory committee member

As an observer without the right to vote, next generation family members are offered a seat on the foundation's board or advisory committee. It not only allows the family member to observe the board/committee in action, but it also provides them the opportunity to contribute to the board/committee discussions. It serves as a stepping stone in preparing the family member for full voting participation on a board/committee.

Junior (Next Gen) board

When there are several younger family members to engage with, setting up a grantmaking board that operates separately from the foundation board or granting committee of the board is a good way to cultivate the new generation. They are typically given a modest amount of funds with which to allocate. Depending on the maturity and skill level of the individuals, they can be supervised by a current board member or self-governed. This method helps encourages collaboration and instills sound governance practices.

Voting board member

A family gives next generation family members a seat on the board/committee where they have the right to vote on foundation business or grantmaking.

Practical experience

If applicable, participation in part- or full-time occupational training programs of a family foundation or site visits to family-supported nonprofits give the next generation the opportunity to work alongside foundation staff. This hands-on experience helps the next generation to understand programs supported by the family's philanthropy, as well as internal foundation operations from the inside.

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Conclusion

Many families want to create meaningful impact and enduring legacy but find engaging the next generation overwhelming. Both the older and younger generation may not be sure where to begin or how to start the conversation. The benefits of engaging the next generation in philanthropy can have a larger impact on overall family succession planning. The guidelines and tactics around the philanthropic discussion translate easily into discussions about wealth transfer and family business succession. Opening a communication channel between generations can only benefit the larger family planning discussions going forward.

The keys to success are:

- Spending time before the discussions to think critically about some of the topics noted;
- Conducting discussions with courtesy, tact, and an open mind;
- Listening and looking for common threads that bind the family and elicit true engagement from everyone; and
- Understanding that these discussions are ongoing and getting consensus may not be simple or straightforward.

Philanthropy in and of itself can be very rewarding. When the whole family is engaged it really creates the opportunity to enrich the lives of all family members, both individually and collectively. Not only can these discussions be a wonderful way to bring families together, but and in many instances, they bring families closer.



Karen Kardos is the Head of Philanthropic Advisory and advises families, foundations, and endowments on philanthropic strategic development and best practices to meet their philanthropic goals.

Previously, Karen served for 10 years as the Director of Finance and Philanthropic Operations for a private foundation in the multifamily office practice of Geller & Co. Her experience not only includes advising clients on philanthropic strategies, she is also well versed in private foundation operations, governance, and compliance.

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