



# *PASSAGES Issue Brief*

EXPLORING KEY ISSUES IN FAMILY GIVING

## Family Governance and Family Philanthropy

Principles and policies to make  
the most of your family's giving.

SUMMER 2016

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A donor-advised fund, like the Giving Account<sup>®</sup> by Fidelity Charitable<sup>®</sup>, provides your family a wonderful opportunity to make a difference in the world and to build a legacy that spans generations.

But for your philanthropy to have an impact, you need more than just a donor-advised fund and good intentions. You must also be thoughtful about what you hope to accomplish — and how you plan to get there.

*A proper governance structure is often the key to unlocking your philanthropic potential.*

*Family governance is the framework in which a family manages its joint affairs. A family applies guiding principles to general policies and specific practices for carrying out the roles and responsibilities of their joint activities, such as family philanthropy.*



“When you pay attention to governance, every other piece of your work becomes much easier — and much more rewarding,” says Virginia Esposito, president and founder of the National Center for Family Philanthropy. “By taking the time to figure out your vision for your fund — and how you want to carry out that vision — you can begin to see your philanthropy making a difference.”

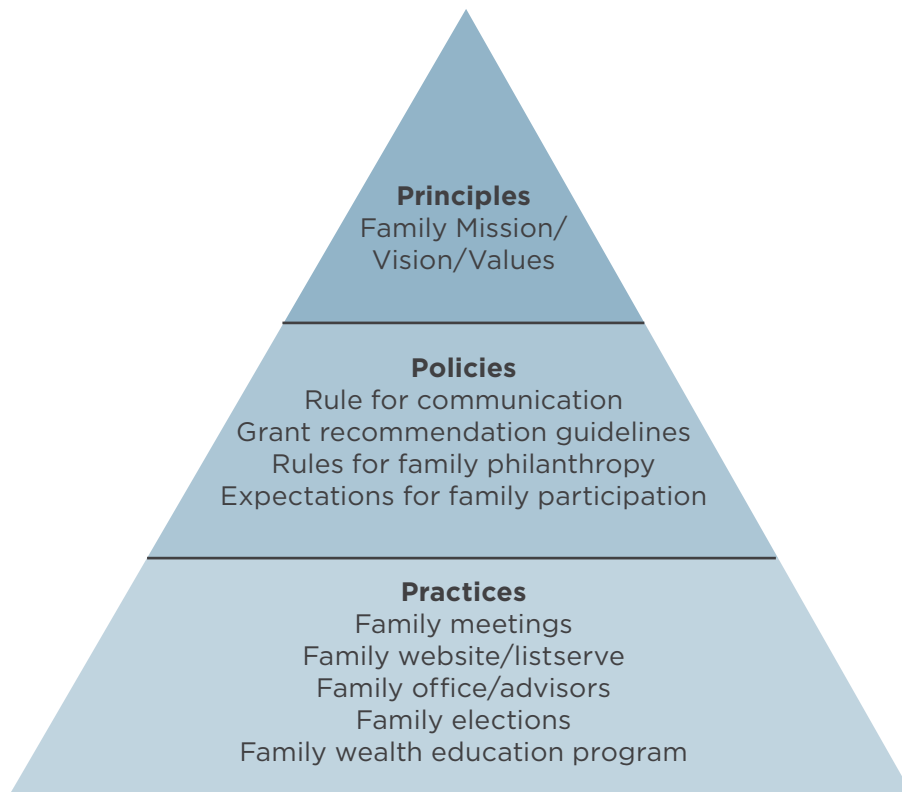
Effective governance structures help your family set expectations within and between generations, provide guidance for your grant recommendations and provide a level of accountability for your shared family philanthropy.

How can you ensure that you’re taking the proper steps to creating a governance structure that works for your family? Not surprisingly, there’s no one-size-fits-all model. However, we’ve found that **successful governance structures often include three key elements:**

- Principles
- Policies
- Practices

Let’s explore how your family might consider developing these elements into a useful governance structure for your fund.

## The Family Governance System



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Note: The examples listed above are not meant to be exhaustive, but rather a sample listing.

**"When you pay attention to governance, every other piece of your work becomes much easier — and much more rewarding."**

—Virginia Esposito, President, National Center for Family Philanthropy

# Establishing Your Principles

Effective governance first requires a vision—or a unifying set of beliefs. The Founding Fathers created the Constitution and the Bill of Rights to serve as the vision for the United States. Similarly, your family should develop your own set of guiding principles to focus and frame your philanthropic work.

Start by carefully considering the following questions:

- What are our shared beliefs?
- What distinguishes us from other families?
- What vision do we hold in common?
- Why did we create this donor-advised fund — and what do we hope to accomplish?

The answers to these questions will be different in every family. And the way in which they are articulated can vary, as well.

Families might choose to develop a mission statement, vision statement, or a list of shared values (*see below for examples of family values*).

Whatever specific statements your family chooses to create, it is important to expect — and perhaps even encourage — intense debate about how you answer these questions. You should not assume that everyone will agree to each value — and you must respect your differences while working to define the values that hold you together as a family.

This can be a challenging process — but we promise it will be worth your while. You will emerge not only with a clear vision for how you'll create a lasting impact with your donor-advised fund, but also with a better understanding of your family members.

It will also help the future generations of your family stay connected to your vision for the fund as they become its stewards.

## Examples of Family Values

Many families choose to codify certain values that they hope to see reflected in their giving strategies and practices. One of the nation's most well-known family philanthropies, the Rockefeller family, developed the following list to help guide its work:

### *Philanthropic Values of the Rockefeller Cousins and Fifth Generations*

- Think long term
- Keep every topic within the larger context
- Serve effectively within communities
- Manage resources effectively
- Participate enthusiastically
- Nurture family through generations
- Maintain unity
- Respect diversity
- Be willing to take risks



- Maintain importance of leadership, responsibility, and stewardship
- Be leaders of social change

*Source: Collaborative Grantmaking: Lessons Learned from the Rockefeller Family's Experiences, National Center for Family Philanthropy, 2003*

# Creating Your Policies

Once you've determined your key principles, you'll need to focus on ensuring that those principles are maintained and carried out in your philanthropy.

Families with ongoing giving programs — whether with a donor-advised fund, a family foundation, another structure, or combination of vehicles — should consider how policies can help guide their giving process. Donor-advised funds often provide greater flexibility than other forms of philanthropy, but that flexibility can make it a bit more difficult to know where to begin when it comes to establishing a governance structure.

**Minimally, your family should consider creating a conflict-of-interest policy and a policy for recommending investments in and grants from your fund.**



It is also helpful to define how decisions are made and the responsibilities of each family member. Spelling out these policies will help avoid conflicts and should help provide those who are new to your family's philanthropy with a blueprint for how they should approach their work. Some larger families choose to create a Family Executive Committee that is charged with overseeing its governance policy or, in some cases, making final grant recommendations.

Policies should be written or, if not, at least be simple enough that all family members can remember and agree to them.

## Sample Conflict of Interest Policy

It is the policy of the Brown family that family members not engage in activities that present a conflict of interest with regards to recommending grants from the family's donor-advised fund, or receive direct personal benefits including salary or any other forms of compensation from their association with the fund. If any of the above individuals, or a member of that person's family, receives money from, is a major contributor to, or serves as an advisor, director or trustee with an organization which may receive funds from the Brown family's donor-advised fund, then the potential conflict must be declared and handled in a manner appropriate to the circumstances. Similarly, when the family is considering a transaction or arrangement that might benefit the private interests of a family member, the potential conflict must be declared and handled in a manner appropriate to the circumstances. Any family member having a conflict of interest with respect to a grant recommendation, transaction, or other arrangement decided upon by the family, shall be precluded from voting on matters pertaining to such grant recommendation, transaction, or arrangement.

*Additional sample conflict of interest policies are available in NCFP's Family Philanthropy Online Knowledge Center at [www.ncfp.org](http://www.ncfp.org).*

# Putting it Into Practice

Once you've established your principles and policies, the fun part begins — actually doing the work!

To carry out the day-to-day work of recommending grants, it is important to develop a set of accepted practices that supports your principles and policies.

For many family funds, these practices can be fairly simple.

At the highest level, families should consider how frequently they wish to meet and how they prefer to communicate. Some families create a secure website or listserv to share information about finances, grant applications, minutes from past meetings, and a grant recommendation record from the fund. As part of this process, families should work with their Fidelity Charitable® relationship managers to create a system for keeping and maintaining records.

If you are thinking about involving multiple generations, these practices can include the development of an education program that helps new stewards to understand their roles and responsibilities as it relates to the family's fund. You can also consider the option of creating separate funds for individuals in your family and provide guidance on how they can apply your family's guidelines to the management of those individual funds. These separate funds allow new stewards to have a measure of independence in how they participate, within the family's preferences.

It can also include systems for working with outside advisers, lawyers, and other professionals who provide guidance.

As your philanthropy evolves, these practices should be revisited and, when appropriate, updated to reflect its changing needs.

## Sample Governance Policy: Family Involvement

The Jones family ties its family mission—supporting nonprofits to which the family has enduring ties—to its family donor-advised fund through a policy on family involvement and identifying and selecting non-profits to support.

### I. Mission Statement:

The Jones family is dedicated to supporting non-profit organizations that reflect our commitment to family, friends, communities and especially causes that our family has become involved with through time, energy and a deeply impactful relationship

### II. Grant Recommendation Review and Voting Process:

- a. **Annual Meeting:** The Jones family will hold an annual meeting in November/December at which the family will review the outcomes, lessons learned, and any relevant communications from a non-profit from the previous grants recommended in that calendar year. Following this dialogue, each of the “cousins” i.e., the third generation of Jones family members, will present a nonprofit for consideration for a new grant recommendation, including relevant details for decision making.
- b. **Ad Hoc Grant Recommendations Outside of Annual Meeting:** Any family member who would like to suggest a grant outside of the Jones Family Annual Meeting will email the Jones Family Executive Committee to present the non-profit organization name, relevant background on the non-profit's mission and any family connection to the organization, the use of the recommended grant in addition to the suggested amount. The Family Executive Committee will decide on whether to recommend the grant at that time, or will notify the requesting family member that the decision will be made at the annual meeting.

### III. Roles and Responsibilities:

The Chair\* and Vice Chair\* decided upon by the Jones family will serve four-year terms. If at any time these members can no longer fulfill the duties of their roles, they may resign from the role and remain a member of the Executive Committee\*. The Executive Committee will vote to appoint the new Chair and Vice Chair once the term is up or if a family member resigns.

### IV. Investment Strategy/Financial Oversight:

The Jones family's investment strategy will be overseen by two members of the Executive Committee. The goal of the Jones family is to recommend grants in an amount equal to the appreciation of the investment pools that the Fund is currently invested in (i.e., grant out 5-7% of the value of the Fund) while preserving the principal so that the Fund can exist in perpetuity. In advance of the Annual Family Meeting at the end of the calendar year, the two responsible members will be in touch with Fidelity Charitable to request a report that highlights the activity of the Fund, including distributed grants, the administrative fee, and appreciation due to the investment pools the Fund is currently allocated in.

\*The terms “Chair,” “Vice Chair,” and “Executive Committee” are not formal roles with respect to the Fidelity Charitable donor-advised fund. These roles are informal and relate only to the family's activities.

# Conclusion

A Fidelity Charitable donor-advised fund is a powerful vehicle for making a difference in the world and for building stronger family bonds across generations. But to truly maximize the impact of your fund, it's important to develop principles, policies and practices that ensure that you are managing your donor-advised fund effectively and responsibly.

This paper offers an introduction to the importance of creating strong governance structures for your family's philanthropic activities. But if you are serious about developing sound governance structures, we encourage you to dig deeper.

As you move forward with your efforts to build governance structures for your family philanthropy, you may find the following National Center for Family Philanthropy materials helpful. While many of these resources are available only for NCFP Funders, through a special arrangement with Fidelity Charitable, Fidelity Charitable donors may receive a complimentary copy of these materials by filling out a short publications request form at [ncfp.org/contact/fidelitycharitable](http://ncfp.org/contact/fidelitycharitable).

- *Avoiding Conflict of Interest Passages*
- *Demystifying Decisionmaking Passages*
- *Family Governance – A Primer for Philanthropic Families*
- *Family Governance Meets Family Dynamics – Strategies for Successful Joint Philanthropy*
- *Philanthropy's Role in Developing Responsible Adults*

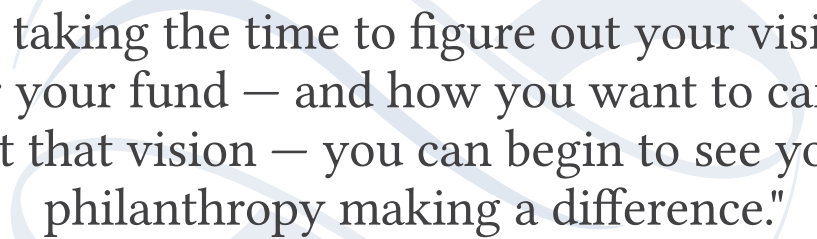
You may also be interested in other guides in this special series:

- *Engaging the Next Generation (Available August 2016)*
- *Family Dynamics and Giving Together (Available October 2016)*
- *Transitions in Family Philanthropy (Available December 2016)*

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## Seven practical tips for effective family governance for your Fidelity Charitable donor-advised fund:

1. Identify the family's objectives and establish governance structures that ensure that the objectives can be carried out.
2. Educate family members on the duties and responsibilities of their roles — including which family members have access to specific elements of the Giving Account® — and identify a family champion(s) who will ensure that the family's best interests are being advanced.
3. Develop written policies on grant recommendations, conflicts of interest, and investments.
4. Review principles, policies, and practices from time to time; for example, consider reviewing mission statements and guidelines every five years.
5. Schedule formal meetings that focus solely on family philanthropy.
6. Develop and distribute family "fund packets" for each new participating family member, including summaries (or copies) of governing documents, mission statement, responsibilities, and expectations of board members.
7. Schedule meetings in advance to allow for optimal preparation and participation.



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*About the National Center for Family Philanthropy*

The National Center for Family Philanthropy is the only national nonprofit dedicated exclusively to families who give and those who work with them. We provide the resources, expertise and support families need to transform their values into effective giving that makes a lasting impact on the communities they serve. Together, we make great things happen.

*About Fidelity Charitable*

Our mission is to further the American tradition of philanthropy by providing programs that make charitable giving simple, effective, and accessible. The Giving Account, a donor-advised fund, was introduced in 1991 when Fidelity Charitable was founded. Today, we work with over 100,000 donors to support more than 200,000 charities and make more of a difference every day.

[www.fidelitycharitable.org](http://www.fidelitycharitable.org)

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