



THINKING BEYOND...™

Creating a Family Foundation the Easy Way

Many people who have a desire to give to charity would like to set up a private family foundation, but are often intimidated by the process. But starting a family foundation does not need to be a complicated procedure. It may, in fact, be incredibly simple by using a donor advised fund at a community foundation to create a family foundation.

When Dave Hokanson, *Family Wealth Counselor*, started his own foundation, his initial goal was merely to give back to a community that had given his family so much. Like many others, he started his foundation as a true private foundation, but over the years, came to

understand that most of what he needed from a foundation could be accomplished much more effectively and efficiently with a donor advised fund. Both venues work, but there are significant advantages to donor advised funds.

Costs associated with donor advised funds are reasonable and the process is not complicated. The foundation can be set up by filling out a few simple forms, contributing at least a minimal asset amount to a community foundation, and then on a regular basis, advising the community foundation of organizations the family would like the donor advised fund to support.

There is a legal requirement that the donor advised fund board advise the community foundation of the charities they would like to support. However, as a practical matter, if the choices are qualified

501(c)(3) organizations, there is never a reason for the community foundation not to accept the recommendations.

From a practical standpoint, there is no reason that a donor advised fund cannot be operated like a private foundation in most areas. For example, it can be wonderful tool for building family unity. That means

setting up an annual board meeting with the family and putting together an agenda. The agenda can help in the philanthropic education of children and become an effective training ground for their personal financial affairs.

For example, at these meetings, the family could

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discuss:

- The recommendation, by each member, of a grant request made to the family’s foundation.
- The appropriate investment strategy for the fund and diversification of its investment portfolio.
- The frequency and location of these family meetings.
- The review and approval of goals and objectives of the fund such as the types of charities to be supported, as well as the annual amount to be distributed

All of these decisions and issues can be discussed, and responsibilities for these choices shared with children and grandchildren, thus making it the perfect training ground for future generations. Certainly, if a child has the opportunity to review an investment portfolio as part of the family

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What is NAFWC?
(The National Association of Family Wealth Counselors)

NAFWC is a non-profit member-run association of Family Wealth Counselors.

A Family Wealth Counselor has command of a revolutionary new approach to working with affluent families, which is sweeping across the country. Family Wealth Counseling addresses the financial, social, spiritual and emotional aspects of a family’s life and wealth within a broader context of *life planning* instead of the more traditional and less effective context of estate planning.

Family Wealth Counselors help families seize their remaining time, employ their unique talents and mobilize their accumulated treasures to find fulfillment and significance as they discover and carry out their life purposes.

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foundation, that information can go a long way in transferring to a child's personal financial affairs. It will, in all likelihood, help create a child who is effective at projecting and meeting goals in the future.

More importantly, the donor advised fund becomes a meaningful way to pass on the family legacy to children and grandchildren. It teaches them to be responsible stewards of the money entrusted to them. It gives them a way to repay a community

that has allowed them to enjoy a wonderful lifestyle by giving back a little of what they have earned over their careers.

The philosophy of passing on the family legacy is enhanced by the opportunity it provides for sharing valuable time with one's family. Hokanson said that nothing is more powerful than spending time together with children and grandchildren who focus on how, as a family, they can benefit their community.

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