Creating a Legacy Inspired by Philanthropy

Your legacy communicates your beliefs, accomplishments, and values. The decisions you make on this life journey, and the actions you take, help define the legacy you leave behind for generations to come.

Philanthropy can be an integral part of that legacy journey. You can direct your philanthropy in a way that supports the values you want to preserve and the areas of society you want to promote. The following questions can help you explore the connection between your legacy and your philanthropy:

- Is philanthropy a part of the legacy that you are living and want to perpetuate?
- How does your philanthropy reflect your family’s beliefs and values?
- How does your philanthropy reflect your overall legacy? If philanthropy and your legacy are inconsistent, what can you do to align them more closely?
- Does your family have a consistent vision of what philanthropy is for you? If not, how do you get everyone aligned to the desired goal while remaining flexible enough to take everyone’s interests into consideration?
- How do your actions (for example, the organizations you fund, how you measure impact, how you execute against your mission) build the legacy you hope to perpetuate?

Your legacy is defined by what you do every day. By involving the most important people in your life and engaging in the activities that are most meaningful to you, you have an opportunity to define and create a legacy that your family can be proud of for generations to come. Philanthropy is a meaningful way to chart the course of your legacy.

Impact Philanthropy – An Overview

You may have encountered the term “impact philanthropy” in conversations or in publications. What is impact philanthropy? Simply put, impact philanthropy is creating the highest social benefit with available resources to support a particular outcome. Philanthropists, both large and small, have a view on what they would define as highest social benefit, as well as the changes they would like to see in the world. Table 1 (page 2) provides examples from a few foundations with their views of the highest social benefit for the foundation’s resources.

Private foundations and philanthropists in general are seeking better ways to answer the question, “Are we doing any good here?” We believe defining your desired impact and connecting it to the larger framework of your family’s legacy is critical if you want your
Table 1

**Foundation Examples**

*The John D. and Catherine T. MacArthur Foundation* supports creative people and effective institutions committed to building a more just, verdant, and peaceful world. In addition to selecting the MacArthur Fellows, the Foundation works to defend human rights, advance global conservation and security, make cities better places, and understand how technology is affecting children and society.


*The Marinus & Minna B. Koster Foundation* will provide grants in three areas: Yiddish culture—Preservation of the Yiddish culture, including Yiddish language, theatre, and scholarship; Recent immigrants—Providing financial assistance to help recent immigrants to the United States, especially Jewish immigrants; and Music education—Providing assistance to musically talented children and young adults in their musical education pursuits.


Guided by the belief that every life has equal value, the *Bill & Melinda Gates Foundation* works to help all people lead healthy, productive lives. In developing countries, it focuses on improving people’s health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it helps all people, especially those with the fewest resources, have access to the opportunities they need to succeed in school and in life.


Philanthropy to have the desired impact, whether through a private foundation, donor-advised fund, or direct contributions to causes that are important to you. (See the December 2014 Hawthorn Institute paper, *Structured Philanthropy: Private Foundations and Selected Alternatives.*)

**Defining Your Mission**

One of the first steps in moving toward impact philanthropy is defining your mission. This is an important part of connecting your philanthropy and the legacy that you hope to perpetuate.
A foundation’s mission statement is the overall guiding principle on which its work is based. The statements suggested earlier provide some examples of well-crafted mission statements. Each of the statements is brief, memorable, and enduring.

As you consider your personal mission, it should direct you toward your desired impact. Your mission statement articulates the purpose behind your philanthropy and distinguishes between what is a priority for others and what is a priority for you.

Your mission also gives you and your family members a frame in which to express your own philanthropic passions as well as leverage your strengths, interests, and experiences. A clear philanthropic mission gives you the opportunity to focus your impact on those things for which you have the most passion and commitment, and to which you can make significant contributions, both intangible and monetary.

**Defining Your Desired Impact**

Once you have a clear direction for your philanthropy, as articulated through your mission statement, you can then define your desired impact. Before diving into the details of how much to give to which organizations, you must be clear on what you want your philanthropy to accomplish. Your legacy can offer a starting point for this conversation. Also, thoughtful responses to the following questions can help you identify areas of passion and commitment for you and your family and point you in a direction consistent with your beliefs and values:

- What are your family’s philanthropic values?
- Are there causes that have a personal or special meaning?
- Is there a consensus within your family regarding charitable causes?
- What change would you like to see your philanthropy create?

Once you have moved closer to defining an area of impact, you can refine your vision by exploring two additional questions:

- What problems must we address to make a difference in our areas of focus?
- What does success look like if we address the problems effectively?

The first question considers root causes of the challenge you are trying to address through philanthropy. For example, if you would like to reduce homelessness in a particular area, consider the root causes and contributing factors that create homelessness. Is it inadequate employment? Lack of education? The result of a period of mental or physical illness? One could invest many resources across all of those factors and still not have an impact on homelessness. An impact-based approach suggests that you consider the factors that contribute to the less-than-ideal outcomes, prioritize the factors, and then make investments to address the factors that you believe are most important in addressing homelessness. That way, your philanthropy will have a true and meaningful effect on the changes you most want to see, in this case, the reduction of homelessness.

The second question begins to frame how you define success. This definition of success will help shape how you measure whether your philanthropy will ultimately have the impact you desire. However, before defining measurement and success
more fully, you should evaluate your options for where and how to make your investments.

**Philanthropic Investment**

Given your mission, vision, and desired impact, you can now begin to think about where and how to make philanthropic investments. The following are some factors that you want to consider in your decision-making process:

**Where**
- geographic location of both the organization and the impact of its work;
- number of people benefiting from the work of the organization;
- scope of the impact (relative improvement in quality of life);
- level of impact relative to philanthropic mission (closely aligned, tangentially aligned);
- duration of impact (short, medium, or long term); and
- sector of impact (for example, education, arts and culture, social services), especially if you have multiple philanthropic priorities.

**How**
- collaborative versus standalone giving:
  - join with others in support of a cause/organization for greater impact
  - give to what is important to you, regardless of support from others
- type of funding you would like to provide:
  - special projects;
  - programming;
  - multiyear gifts;
  - endowments;
  - capital (bricks and mortar);
  - general operations;
  - debt reduction (increasing fiscal viability); or
  - capacity building (human resources).

Developing a decision matrix based on these factors and their importance to you will help determine your ideal philanthropic investment and how close to this ideal any particular grant request falls. You will also be able to make consistent decisions over time based on what is truly important to you and your family.

**Measurement and Evaluation**

Before you make an investment in an organization through your philanthropy, ask yourself, “Are we doing any good here?” Turn your focus to the question of actual impact, that is, what has happened as the result of your investment in an organization.
One of the enduring questions of philanthropic investment revolves around what to measure to truly gauge success. Supporting causes that are important to you and your family can be rewarding. That reward can be enhanced as you get confirmation that your investments are truly having a positive impact. Consider the following questions as you begin to think about measuring your philanthropy:

- What information do you need to know if your work is successful?
- What are clear measurements of the impact you hope to have?
- Who has this information? For example, does someone in the organization have the information, or the audience the organization serves?
- What questions do I need to ask to obtain the information I desire?
- What barriers to buy-in might exist relative to obtaining this information?
- How do I collect the necessary information?
- Once I analyze the information, what does it tell me? Does it provide me with the information I need to determine our level of success?

This may seem an insurmountable task, especially if you are new to measuring the impact of philanthropy. Do not be discouraged: Measurement is often a trial and error process, so your first attempts at measuring “the right things” may not be 100% successful. You may discover that you got the answer to the question that you asked, but that it was not the right question. You may also discover that you did not ask a question that would have given you information that would have been helpful in measuring the impact that you are having. Looking not only at the questions but also at the responses and associated information will help you shape the next iteration of questions.

In addition to looking at the questions you are asking, and the data they produce, consider actively partnering with those organizations that will benefit from your philanthropy. Partnerships like this may also provide clues for measuring impact. Getting a clear sense of how organizations define their own success in addressing the area of impact may point you in a different direction. Asking how the organization defines success—a simple but often difficult-to-answer question—can help you reinforce principles of shared accountability for success. As a philanthropist hoping to have impact on an issue of importance, you are essentially a partner with the organizations that you fund.

Measurement and evaluation are ultimately management reporting tools for the medium and long term. As you think about your measurement strategy, determine which initiatives are most important to measure rather than measuring every initiative. Once you have a clear sense of the key initiatives, determine which facets of each critical initiative are most important to measure, and ultimately are most predictive of the outcomes you are hoping to achieve through your philanthropy. This will drive your data collection in a specific way, rather than collecting a large amount of data that are not useful in evaluating the impact of your philanthropy. Remember, this process will likely take some time to develop. Be persistent, but know that this is not something that usually happens on the first attempt.
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Professional Advice
With all of the questions regarding mission, impact, and measurement, as well as tax and compliance matters, recordkeeping, and the like, the work of philanthropy may seem like too much for one individual. If this is the case for you, there are many providers who support philanthropic endeavors in a variety of ways. From your attorney and accountant, online grant-making resources, to Hawthorn’s Private Foundation Management Services (PFMS), you can find resources to support your grant making in a way that best matches your individual needs and style of philanthropy. Following are a few attributes/factors to consider, should you decide to engage outside support:

- alignment with your philanthropic mission and values;
- resources available to support your philanthropy;
- experience in philanthropy;
- ability to grow with you as your philanthropy grows; and
- knowledge of current trends in philanthropy.

Whether you engage outside assistance with the administration of your philanthropy or pursue it within your family, be aware that local, regional, and national networks of philanthropists may also offer support. You could also connect with fellow philanthropists who are doing similar work, as well as with those who are addressing similar challenges with the work of philanthropy. From clarifying mission and vision to considering the more complex questions of measurement, impact, and legacy, professional counsel can provide you the additional resources to enjoy your philanthropy more and minimize time spent on administration.

Hawthorn’s Private Foundation Management Services
Families of wealth are often committed to building both a family legacy and a charitable legacy, using wealth to foster positive change within and well beyond the family circle. Hawthorn’s Private Foundation Management Services helps families envision, articulate, and achieve unique charitable legacies.

PFMS offers comprehensive support services to private foundations. We have experience in key aspects of private foundations, from best practices to forming a foundation’s mission statement to customized, cost-efficient grant distribution processes. Our goal is to support a family’s grant distribution responsibilities, allowing you to focus greater attention on your foundation’s mission. Our team employs a collaborative and customized approach to confirm that all advice and solutions are consistent with the foundation’s mission.

PFMS gives you access to knowledge gained from extensive experience working with complex foundations. We reduce the burden of grant administration while you guide your foundation’s overall mission, set its course, and witness the positive results of your philanthropy.
Conclusion
As you think specifically about your legacy and philanthropy, intent becomes key. A clear view of your desired impact, succinct and direct articulation of your mission, and thoughtful measurement practices will lead to closer connections between legacy and philanthropy, and a more rewarding journey in sharing your wealth in ways that advance what is most important to you and your family.

Bibliography

