A New Generation Seeks to Give It All Away Now

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When the Robina Foundation was created in 2004 with $150 million, it had an unusual mandate: Spend all the money within 20 years.

Family foundations are typically created to establish a philanthropic legacy that can span generations. But James H. Binger, the former chief executive of Honeywell who married into the family that started the 3M empire, started Robina to give away his money in two decades. A renowned philanthropist, he stipulated that it had to make transformative gifts.

This year, the foundation will close four years ahead of schedule, having made 45 grants to just four organizations. The largest was nearly $29 million to the University of Minnesota Law School to create the Binger Center for New Americans. The foundation also made two grants of more than $20 million to Yale University to start a human rights fellowship at the law school and build a theater for new drama.

“I think a lot of family foundations should do this model if they have the time to devote to it,” said Susan V. Berresford, the vice chairwoman of Robina and a former president of the Ford Foundation. “If they’re going to have a family foundation to make an impact, it’s a great model."

Family foundations have a reputation for providing a steady drip of funding to established institutions, and their giving can act as a bond for extended family members. But the scale of problems in certain areas of society has moved some family foundations to marshal their resources and put them to work quickly in highly focused areas.

These "time-limited" foundations, also known as spend-down or limited-life foundations, are on the rise, according to a study from Rockefeller Philanthropy Advisors and Campden Wealth, which looked at about 200 family foundations that combined give $2.4 billion annually.

The increase was being driven by donors who were more engaged in issues and more interested in seeing the impact of their gifts, said Melissa A. Berman, president and chief executive of Rockefeller Philanthropy Advisors.

"Donors are thinking much more proactively about what they're doing," Ms. Berman said. "Fewer of the major donors are choosing a few organizations and setting it on autopilot or settling their giving as bequests."

Image

James H. Binger, left, the founder of the Robina Foundation, with the Broadway producer Rocco Landesman in 2002.Credit...Stormi Greener/Star Tribune, via Getty Images

Foundations created in perpetuity still constitute the bulk at 71 percent, according to a separate report coming from NORC at the University of Chicago, which conducted the research on behalf of Rockefeller. Limited-life foundations accounted for 21 percent of the total.

Before the 1980s, there were virtually no spend-down foundations. But by the 2010s, 44 percent of new foundations were set up to spend the assets over a set period, the NORC report found.

The report also noted that about a third of the spend-down foundations that had been founded in perpetuity voted to adopt the limited-life structure later.

That's the path the Compton Foundation took. It was started after World War II by the Danforth family, whose money came from Ralston Purina pet food, with the initial goal of ending war. That mission evolved over the years to make grants in the areas of peace and national security, the environment and climate change, and women's reproductive rights.

But in 2018, the great-grandchildren of the founders voted to spend all the assets within seven years, given what they saw as urgency in the three areas of focus.

"It was really a recognition that we have a responsibility to the public, not just our family," said Ellen Friedman, the foundation's executive director. "If we don't address these issues now, we're going down a very different path."

The growing interest by younger generations was not surprising, said Joe Grasso, associate dean of finance, administration and corporate relations at Cornell University's School of Industrial and Labor Relations.

"When you look at foundations, it's much like having a family business," Mr. Grasso said. "Some businesses get handed down to the offspring, but with other businesses, the offspring don't want to be part of the family business anymore."

The Rockefeller report found three drivers for a spend-down foundation: to see the impact of the gift in the donor's lifetime, to narrow the philanthropic focus and to send more money to urgent causes sooner rather than later. Those who opted to maintain a foundation in perpetuity were motivated to address continuing problems, strengthen their family's values and purpose, and have an impact on beneficiaries over several generations.

One of the best-known spend-down foundations is the Atlantic Philanthropies, created by Chuck Feeney, who helped found Duty Free Shoppers. Through it, Mr. Feeney has given away an estimated $8 billion.

In 2002, he decided he wanted to give away all of his money in his lifetime, setting 2016 as the date for the last of it to be donated.

“This whole notion of limited life does concentrate the mind,” said Christopher G. Oechsli, president and chief executive of the Atlantic Philanthropies, told me in 2014. “It introduces a dimension of urgency.”

That sense of immediacy was common, the Rockefeller/Campden Wealth report found, particularly for foundations that changed to a spend-down model later.

The S.D. Bechtel Jr. Foundation, which was started in the 1950s by a grandson of the founder of the engineering firm Bechtel, had for decades been making grants focused on issues the family cared about. But in 2009, Mr. Bechtel decided he wanted the foundation to focus on what he felt were imminent concerns in California — integrated water management and STEM education for children.

“He wanted to make a bigger difference on key issues in California,” said Barbara Kibbe, director of effectiveness at the foundation, who was hired in 2013 to spend its money. “He wanted to do more than just spend 5 to 10 percent a year. He wanted to go deep.”

What made giving the money away more complicated was that Mr. Bechtel began to add to the foundation’s resources at the same time he decided to spend them down. In 2009, the foundation had $182 million and gave away $17 million. Since then, the foundation has given away $1.1 billion.

The number of the foundation’s recipients has fallen, and the size of its grants has increased. “We wanted to push the rock up the hill to a flatter place,” Ms. Kibbe said. “We knew it wouldn’t all be done. We wanted to get where we could make it better to carry on after us.”

Time-limited foundations work better in some areas of philanthropy than in others. Families often go the spend-down route, the report found, when their focus has a greater sense of urgency.

An area like the environment was a focus for institutional foundations, for instance, but not family foundations, the Rockefeller report found.

“We thought families who were concerned about the environment would be much more apt to adopt a time-limited strategy,” Ms. Berman of Rockefeller Philanthropy Advisors said. “I think for families, the engagement of the next generation may be trumping the sense of urgency. There are still a lot of baby boomers who are calling the shots.”

On the other hand, more persistent social-service needs lend themselves to family foundations structured in perpetuity, the Rockefeller study found. Hunger is one example. Mr. Grasso of Cornell pointed to philanthropies that focus on a town or an area, like the Allyn Foundation in Syracuse, N.Y., and the John R. Oishei Foundation in Buffalo.

“They want to continue to have a voice in the community to be a convener of important social conversations,” he said.

There is another area where this strategy requires planning: how to call it quits on the stated date. Market returns can push donation amounts up or down, for sure, but there is also the practical issue of having someone around to make sure those last grants are used properly.

The Atlantic Philanthropies gave its last grant in 2016, but it is shutting down just this year. In the case of the Robina Foundation, a few trustees were designated to review grant reports for the next two years. After that, the lights go out.