

Private Foundations: A Model for Family Governance & Legacy

Many families begin their philanthropic journey informally, supporting causes with personal meaning and responding to requests. Over time, successful families adopt various formalities to bring structure and scale to their philanthropic efforts, many going so far as to create a private family foundation.

From such fundamental considerations as defining the values the family holds most dear to the more seemingly mundane as to who meets to consider giving and how often they meet, the formalities of a private foundation can radically transform ad hoc efforts into a disciplined, strategic approach. And perhaps best of all, good governance enables family members across generations to collaborate, learn, and lead together.

Evolving from Ad Hoc Giving to a Private Foundation

The philanthropy of very- and ultra-high-net-worth families typically evolves over time, and each stage involves a deeper level of purpose, structure, and accountability.

When moving past the initial stage of ad hoc giving, some families move toward coordinated giving, pooling resources to support shared priorities. Many establish donor-advised funds (DAFs), which combine immediate tax benefits with simplified administration and modest long-term planning. Families often form philanthropic committees or family giving councils,

introducing governance, education, and next-generation involvement. Some later adopt supporting organizations, blending structure with operational simplicity.

Families who want enduring influence and autonomy create private foundations governed by the family itself. A private foundation is a charitable entity created and funded by an individual, family, or corporation to support causes aligned with its stated mission. It typically operates by making grants to other charitable organizations rather than directly running programs. In the United States, private foundations are regulated under Section 501(c)(3) of the Internal Revenue Code and are required to distribute at least five percent of their assets annually for charitable purposes.

As a separate legal entity, a private foundation enjoys tax and other benefits afforded by law and, correspondingly, must comply with its legal obligations, including the IRS's distribution, reporting, and public disclosure requirements. These external requirements often reinforce internal discipline—much as formal bylaws or board procedures strengthen any well-governed organization.

Although many families choose not to establish a private foundation due to its formality and cost, most can nonetheless capture many of its advantages.



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Good Governance Is Essential

Families that choose not to establish a private foundation can still leverage much of its value by adopting its best practices. Many begin by developing written mission statements and grantmaking guidelines to ensure that their giving reflects shared values and long-term intent.

Governance encompasses the ways a family makes decisions, exercises oversight, and ensures that its mission is pursued effectively, ethically, and sustainably. Thus, even with very light governance, many families enjoy the key benefits of a private foundation: clarity of purpose, intergenerational communication, and accountability.

Family Harmony & Legacy Secured by Working Together with a Shared Purpose

Governance also involves determining who participates in giving decisions, how often they convene, and how meetings are used to discuss values, financial and investment performance reports, priorities, concerns, and other issues. Families that define roles and responsibilities, such as expectations for preparation and communication, and establish regular meeting rhythms often strengthen family harmony. Working together toward shared goals reinforces relationships and reduces the potential for conflict around wealth, particularly when multiple generations have coordinated over a long period of time.

Long-term Sustainability Enhanced through Investment Discipline

Another key part of governance for a private foundation is an investment policy statement (IPS). An IPS establishes investment objectives, risk tolerance, asset allocation guidelines, spending policies, and a governance framework to ensure prudent and consistent management of assets.

Many foundations aim to preserve purchasing power by targeting returns that exceed both inflation and the IRS's 5% annual distribution requirement—a balance that requires disciplined governance, particularly in periods of market

volatility or persistent inflation. Families who do not create a foundation may still want to have an investment policy that is designed to protect and grow the assets through appropriate spending levels and investment strategies.

Simplifying the Complex with Goelzer

As families seek to transform their generosity into a lasting legacy, they can face a daunting set of options and tasks. We help our clients make well-informed and timely decisions about which of the multitude of family governance-related options and the various tax, estate, and investment strategies are best suited for their family. Our philanthropic services leverage:

- **Goelzer Private Office:** Helping families integrate philanthropy, estate planning, and investment oversight within a tailored governance framework.
- **Institutional Advisory Services:** Leveraging best practices from across the institutions we serve—from those with under \$10 million to those with hundreds of millions of dollars.
- **Investment Management:** Providing institutional-quality research, disciplined portfolio construction, and customized reporting across public, private, and closely held assets.

When it is all brought together and the complex is made clear, that is The Goelzer Experience.

Conclusion

Philanthropy becomes most powerful when generosity is guided by shared purpose and sound stewardship. By embracing the right disciplines, families not only magnify the reach of their giving but also strengthen the bonds that define them.

DISCLAIMER: This report includes general statements and observations regarding family governance and philanthropic practices; however, there is no guarantee that these statements or opinions will prove to be correct or appropriate for all readers. The views expressed are subject to change without notice. The information is provided for informational purposes only and is not intended to provide, and should not be relied upon for, accounting, legal, tax, or investment advice. Readers should consult their professional advisors regarding their specific circumstances before making any related decisions.

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