

Navigating the Philanthropic Journey

Philanthropy can be a way to give back, help others, support your community, set an example for your family and leave a permanent legacy. Philanthropy is also extremely personal – often an expression of an individual’s or family’s most closely held values.

The philanthropic journey is a process that often starts with articulating a mission and identifying the best legal structure, and then moves to defining a strategy, selecting grant recipients and monitoring impact.

We help our clients address all elements of their philanthropic plans and goals, no matter where they are in their journey. Our role is to help them create a lasting and positive impact through the support of their chosen causes, communities and loved ones.

To learn more about how we can help you and your family, contact your relationship manager or visit us at www.bbh.com/philanthropy.



Charting the Course

The first part of the philanthropic journey often involves defining the role of philanthropy during your life and in your estate plan, including values identification, family engagement and mission creation.

Simply put, a charitable mission is the reason for your philanthropic activity. Articulating a mission creates an intentional expression of your values, and it can also help your family create and sustain a philanthropic legacy. The following three steps are helpful in crafting a mission for your charitable giving.

> Look Back

Successful philanthropists understand the “why” – or the motivational values – behind their giving. Values – or what is most important – often have deep roots that trace back to ancestors we may have known in childhood, vivid memories from our early years and “first” experiences. To determine how to move forward with your philanthropic mission, it is important to first look back and understand why you give.

> Look Forward

Once you have considered why it is important for you to give, the next step is to consider how your philanthropy can be impactful for others. How does your purpose align with a positive change you want to make in the world? While a separate vision statement is not always necessary, articulating a vision of success can be helpful in focusing your mission. In other words, when you achieve the desired impact, what would have changed?

> Write It Down

As a result of the time and reflection dedicated to the first two steps, a few clear ideas should be taking shape. Putting pen to paper can be daunting, but it is important to capture your thinking so it can be revisited and revised as you find the right words and make refinements.

Brown Brothers Harriman (BBH) has helped countless families with their philanthropic interests. Our Building Your Charitable Mission Statement worksheet offers a step-by-step guide to creating a mission that reflects your values. If you would like a copy of the worksheet, please feel free to reach out to us at BBHPrivateBanking@bbh.com.



Structure and Formation

As your philanthropic plan takes shape, the structure used to facilitate your philanthropy can help maximize the tax benefits, as well as the impact on your family and your charitable donees. At this point, you might want to consider: whether to set up a philanthropic vehicle and what type, and what asset to give away.

- > **What charitable vehicle is right for me?** Once donors are ready to move beyond writing checks to charity, they often grapple with the question of whether to use a private foundation or a donor-advised fund (DAF) or both. In the past, the answer may have turned on size. Those making large gifts funded private foundations, while smaller gifts utilized DAFs. Though size may remain a consideration – individuals can establish a DAF with \$5,000 but would not set up a private foundation at that level – it is no longer a deciding factor for large charitable vehicles. There are advantages and limitations to both, and some donors are choosing to use both a DAF and a private foundation to maximize the tax efficiency and impact of their giving.
- > **What asset should I give?** If you are about to write a check to support your favorite charity, you should consider other alternatives. Cash is often the most “expensive” asset to give away on an after-tax basis. Giving away appreciated assets – even marketable securities – often results in dual tax benefits: avoidance of capital gain and a tax deduction of the value given to charity. For business owners, if the value of your business has appreciated significantly, gifting appreciated business interests instead of cash can maximize the benefits to you as well as the charity.



Governance and Administration

Once your charitable vehicle is up and running, a framework around governance, compliance and other administrative policies and procedures is critical.

All philanthropic structures have their limits, and before a donor commits to using one, it is important to understand the rules related to governance and potential burdens of administration. Both private foundations and donor-advised funds have the benefit of tax-exempt status, which requires that they follow certain rules and regulations.

A fundamental characteristic of charitable funds is that they must be used only for charitable purposes. Assets held in a DAF or private foundation cannot be used, either directly or indirectly, to benefit the donor – such as to purchase tickets for a charitable gala or other event or for a donation that confers a benefit back or perk to the donor. Generally, DAFs do require less ongoing compliance and administrative hassle than foundations, which require separate tax returns and governance procedures.



Strategy, Execution and Impact

Being a strategic philanthropist requires crafting a strategic plan, building an effective team, designing grants and measuring impact.

To solve today's most challenging problems, many donors and private foundations have embraced strategic philanthropy, creating clear goals, data-driven strategies, heightened accountability and rigorous evaluations. As the world is dynamic and ever-changing, to maximize impact, donors often have to revisit and adapt their strategies and activities. In addition, many charitable organizations, like the Rockefeller Foundation, are choosing to collaborate with others to tackle complex issues, which requires forging connections and co-creating strategies.¹



Beyond Giving

If you are ready to move beyond traditional philanthropy, you might want to think about innovative ways of structuring your charitable activities and investing directly in positive change.

Philanthropy has become increasingly innovative, and donors are seeking new ways of having impact. Philanthropists are utilizing new structures, new ways of investing and nontraditional grants to reach their objectives. For example, hybrid vehicles, like B corps, seek to combine the best attributes of both for-profit commercial enterprises and charitable entities. These new structures have both a profit motive and create positive social impact.

To learn more about these topics or to access our philanthropic advisory articles, visit www.bbh.com/philanthropy.

¹Strategic Philanthropy for a Complex World (SSIR)." Stanford Social Innovation Review: Informing and Inspiring Leaders of Social Change. https://ssir.org/articles/entry/strategic_philanthropy.

Finding True North

Building Your Charitable Mission Statement

What Is a Charitable Mission?

A charitable mission is the reason for your philanthropic activity, whether that activity consists of making financial contributions or providing nonfinancial resources such as your knowledge, network or time spent volunteering.

Why Have a Charitable Mission?

Benefits of a charitable mission statement:

1. Creates an intentional expression of your values
2. Helps to create and sustain a legacy
3. Increases public awareness of your activities and defines giving parameters (helps you say “no” when necessary)
4. Generates greater impact by focusing charitable activities

Considerations

What is the purpose of a charitable mission for you? _____
(e.g., to guide your lifetime giving, to be more strategic or impactful, to help children understand philanthropy)

Who should be involved? _____
(e.g., spouse, next generation)

Creating a Mission in Three Steps

STEP 1: LOOK BACK

Consider the following questions to start discovering your own stories and philanthropic values.

Why is it important to you to give? What has inspired you? Think of specific moments, stories and memories that help you describe your philanthropic motivation.

The following tools may be helpful in identifying your philanthropic values.

- What Am I Inheriting?
- Motivational Values Cards

What is the most satisfying gift you have ever made? What about it made you feel good?

What is the most important gift that you have received? What impact did it have on your life?

STEP 2: LOOK FORWARD

Consider how your philanthropy can be impactful for others.

How does your purpose align with a positive change that you want to make? What need do you see in the world?

Start with what resonates with you and your family. Is it an issue, a place or a population?

The following tool can help you identify and communicate what you want to accomplish and the legacy that you want to leave behind.

- Picture Your Legacy

STEP 3: WRITE IT DOWN

The process of articulating the meaning behind your charity can result in greater impact and ensure that your efforts are moving you closer to your North Star.

Mission Statement (aim for 2-5 sentences)

Key considerations when drafting a charitable mission statement:

- Keep it big enough
- Keep it small enough
- Make it short
- Be positive

To learn more about creating a charitable mission statement, read "Finding True North: Defining Charitable Mission to Guide Your Philanthropy" in the Winter 2019 issue of Women & Wealth Magazine.



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