

Giving away cash a drudgery?

Advantages of a Named Fund

Donors don't need to be exceptionally wealthy to do create a Named Fund – many baby boomers are inheriting and very simply, they can have a fund within a community foundation. It's simple and quick to set up, and has no start-up fees or costs. The community foundation handles all financial and administrative management, provides annual independent audit, and donors have access to the foundation's strategic grant-making services. Individual donors or grants can be kept private. If the donor wishes, the foundation can serve as a buffer between donor and grant-seekers.

The New York Times recently carried an article highlighting that new philanthropists are finding that giving away money is 'more cumbersome than glamorous.'^{*} In the last decades thousands of wealthy people from the worlds of entertainment, sports and business created their own personal foundations. Now however they are finding that the amount of paperwork and compliance required is more than they had bargained for.

Community foundations across the United States are reporting that would-be Carnegies and Fords are abandoning their visions of building private foundations and converting their foundations into funds managed by community foundations. Fuelling

the trend is the collapse in stock market values – The Community Foundation Silicon Valley had its first conversion eight months after the stock bubble burst, quickly followed by 12 others.

Research by the Council on Foundations (the umbrella group for US foundations) shows that the average \$5 million foundation cannot afford to spend more than \$41,250 on administrative expenses – less than the salary for a part-time executive, and legal and accounting fees. Otherwise it risks contravening principles that discourage administrative costs exceeding 15% of charitable giving.

As an example of a foundation struggling to manage itself, the article cites Henry Wendt III who retired as chairman of Smith-Kline Beecham in 1994 and set up the Wendt Charitable Foundation with over \$6 million in assets. 'Setting up the foundation was the easy part,' he says. 'The hard part is making sure the money is managed properly. And then of course, there's the business of choosing the right charities and doing the appropriate due diligence.' So in January 2001, Mr Wendt decided to convert the foundation into a fund at the Community Foundation of Sonoma County in California where he is chairman. He calculates that it costs him a little more than he would pay a professional investment manager but says that the community foundation's ability to review charities made up for the additional expense. 'In many respects, giving away money responsibly is harder than making it.'

^{*} 'New philanthropists find drudgery' *New York Times*, Jan 12 2003