

Philanthropy within Family Governance

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The benefits that implementing family governance (in the context of family businesses or within families generally) can offer as an effective means of pre-empting or assisting with the resolution of family disputes are much discussed and there appears to be an ever-increasing trend for wealthy families to formulate family charters- essentially the ‘club rules’ by which the family operates.

The primary objective of this charter is to document the various assumptions, understandings and expectations regarding the family’s wealth, business and succession planning generally and, in particular, how this is going to be managed, shared, applied and preserved for the future.

In broad terms, there are two possible approaches when it comes to philanthropy and family governance. There are those families for which the formulation of the family’s philanthropic strategy is integral to the governance process and the family’s own charter from the outset. In other cases, philanthropy is simply overlooked during the family governance exercise with the charter instead focussed on ensuring a smooth transition of a family’s wealth to successive generations – it is largely an inward-looking process.

Arguably, those families who fall into the latter category and disregard philanthropy as part of the governance process are missing an opportunity to establish some common/neutral ground amongst parents, children, partners and grandchildren in an area which is not solely focussed on the family business or the sustainability of the family’s wealth and instead looks to the wider community. This is of course a personal choice for the family and there is no imperative to address matters of philanthropy in the family governance process.

What these families do not always appreciate, however, is that there may be something else to be gained if the collective giving of the family group becomes a feature of the family governance discussions – namely, the opportunity to teach the next-generation family members the skills they will need to be successful stewards of the family legacy when their turn comes around. Philanthropy can be a key learning tool in this process.

Indeed, multi-generational active engagement with the philanthropic process can be excellent preparation for a life with wealth, enabling younger generations



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to acquire practical and commercial skills that will serve them well in both business and life generally but also allowing them to shape their own personalities and develop their self-confidence by taking ownership of some or all of the family's philanthropic projects and becoming ambassadors for the family in their interactions with others.

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One of common ways (but not the only way) that families achieve this is to establish a separate 'next generation' philanthropic fund for which the next generation will take sole responsibility. They can use this fund to pursue charitable activities based on their particular individual interests, personalities, skills and life experiences. The objectives are to encourage the younger generation to take responsibility for their projects and develop an entrepreneurial attitude- an attitude which they will hopefully then take through life with them.

They will learn how to work in (or even lead) a team - which is valuable in every aspect of daily life - and may helpfully be educated on the real value of money and the importance of careful wealth management along the way, especially where they are tasked with compiling and/or managing budgets. It can be excellent training for a role in the family business or simply life in the real world!

Putting the advantages of some training for real life aside for one moment, it is worth remembering that a family's philanthropic activities are a natural expression of its collective spiritual and personal values. Involving the next generation in the process of shaping and delivering these values can promote a sense of trust and cohesion within a family and potentially strengthen the bond between and among

the generations as they become part of a common family project that can bridge generational gaps.

Fostering an enthusiasm amongst the younger generations to establish a powerful family legacy is so often a real challenge for older generations and the reason that families pursue a family governance exercise – for all the reasons highlighted above, active engagement in philanthropy as part of that exercise may well be the key to overcoming this challenge.

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