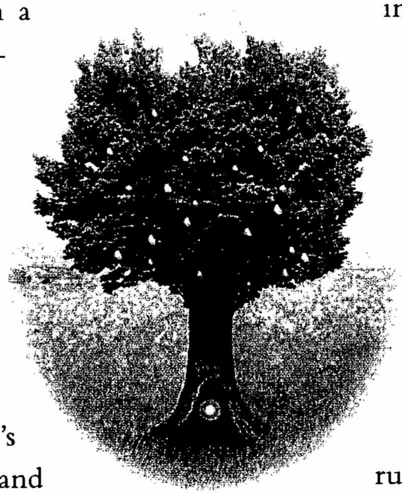
PART III

100 YEAR PLAN

WHY WE GIVE

PHILANTHROPY & THE FAMILY MISSION

GIVING HAS, SOMEWHAT paradoxically, always been a major cornerstone of preserving the wealth of our families. Not only do the charitable donations of time, money and energy strengthen and stimulate the communities in which we live and in which our businesses operate, but they also hone each generation's decision-making, financial and social skills, preparing each of us in turn for our own roles as leaders and contributors to the family enterprise. But as each generation learns, the rewards of philanthropy are no easier to attain than those of commerce: Operating and maintaining a useful and meaningful foundation or trust is as complex an undertaking as running a growing corporation.



ILLUSTRATIONS BY JONATHAN BARKAT

GIVE, AND WE SHALL RECEIVE

PHILANTHROPY STRENGTHENS AND SHAPES OUR FAMILIES' VALUES WHILE CONNECTING US TO IDEAS LARGER THAN OURSELVES.

By Brett Anderson

THE VANDERBILTS, AT the peak of their hegemony over social and financial life in the United States, contrasted sharply with their peers in two respects. First, they had more money: On his death in 1885, William H. Vanderbilt, president of the New York Central Railroad and son of "Commodore" Cornelius Vanderbilt, the family's founder, left his heirs $200 million, a sum that placed him, at the time, in the sometimes unenviable position of being the wealthiest man on Earth. Secondly—and chiefly—they exhibited an abiding reluctance to part with much of it for the purposes of charity, a financial and moral inertia that even their rivals for preeminence, the Astors, managed to overcome in the person of Vincent Astor (see "The Good We Do," page 78).

Of course, the members of America's wealthiest family (the fortunes of John D. Rockefeller and Andrew Carnegie were, at the time, mere embryos of ambition) did not entirely lack social conscience—William H.'s celebrated outburst ("The public be damned!") to a *Chicago Tribune* reporter in 1882 notwithstanding. The Commodore, renowned as much for his contempt for those of lesser commercial skills as he was fond of the capital they earned him, possessed the capacity for kindly gestures. The man who, on his deathbed, informed a friend that there would be "hell to pay" at the reading of his will, because he would not see his fortune ("a monument to my name") carved up among his two sons and eight daughters, did give $1 million for the founding of Vanderbilt University. And on one occasion, he allowed his wife to persuade him to donate $50,000 for the building of a church—with a stipulation that the gift be regarded as a friendly secular gesture, rather than as a religious one, for to do otherwise would be to profess a "religious sentiment I don't feel."

The gifts of the Commodore's descendants, like his, tended to be rather spontaneous one-offs, often posthumous. William H. gave $200,000 to the university his father founded and nominal bequests to hospitals and museums. His own son, Cornelius II—a man of rigid rectitude, as blithe a spirit as a Puritan magistrate—devoted a considerable portion of his time, as well as his purse, to charitable activities. He served in dozens of posts of varying degrees of responsibility, including that of vestryman, member of the finance committee of the Episcopal Board of Foreign Missions, member of the executive committee of the YMCA, and director of the American Museum of Natural History. Yet even Cornelius' philanthropic efforts received little formal structure outside his daily regimen, and his will made relatively modest provisions for these favored organizations. Beside the monumental bequests of later prominent clans—the Phipps, the Morgans, Frickes and Mellons—the Vanderbilts' philanthropic legacies were remarkably scarce: Other than Vanderbilt University and the Whitney Museum (the brainchild of Cornelius' daughter, Gertrude), the only monument to the Commodore's name that remains is Grand Central Station—appropriately, a commercial rather than a civic endeavor. Even the fortune, which the Commodore's last testament had guarded so jealously, is for all intents and purposes gone.

Philanthropy unites us across the distance of time to future generations.

This slow finale began with William H.'s decision to depart from his father's wishes in dividing the Vanderbilt estate among his four sons and four daughters: Each of the six youngest received $10 million, while William K. and Cornelius II each inherited equal allotments of $65 million. The family business, which had to that point served as the unifying element within the family, would persevere in that role for one more generation, as the elder brothers cooperated in its management—Cornelius as the captain of industry, William as the greaser of social wheels. But the brothers were the last to play any active part in the railroad; after them, the family's only common bond was their pursuit of social status and their willingness to spend unlimited sums in attaining it.

Their philanthropic disinterest may have contributed to the dissipation of wealth. The Vanderbilts' curious chronicle illustrates what attorney and family counselor James E. Hughes Jr. (see, "Growing a Great Family," page 54) describes as entropy—a gradual decline in vitality measured in terms of creativity, consciousness of the world and the family's place in it, a sense of purpose and of stewardship toward succeeding generations, and the recognition that wealth does not exist independently of the society in which it is generated. If we regard the complex of relationships, institutions, financial instruments and individuals that form the family enterprise as a kind of engine, then the addition of energy—time, talent, discipline, experience and money—is required to maintain it in working order from one generation to the next; without this fuel, it sputters to a halt. The Vanderbilts lived, figuratively and literally, off of their principle, both financial and intellectual.

PHILANTHROPY AS WEALTH PRESERVATION

"There are multiple reasons why this failure occurs," says Hughes. "But on a practical basis (and the world is a practical organ), no one will be good or useful in managing financial capital if they are not first thriving human beings and intellectually curious creatures. You don't just get born with financial skills. The greater problem that causes families to disappear is that they don't concentrate on creating thriving human beings in the next generation. They don't create an intellectual community within the family that is based on learning, sharing the learning, and then making the learning useful to the whole family."

In our 100-year family plans, philanthropy often furnishes a sense of community, particularly at points when businesses or merely geographic proximity no longer perform this vital function. The defining common values by which we identify ourselves as a family, and which shape our family mission, find their most meaningful expression in our charitable endeavors. And these endeavors, in turn, by exercising our values—by putting them into action—keep them vibrant, alive and evolving from one generation to the next.

"[People] ask themselves how they can draw their family together in a common purpose," observes Karen Putnam, principal and director of Philanthropic Advisory Services at Bessemer Trust, "and they see philanthropy—this notion of giving back—as a kind of canopy that arches over all of the different individual interests under which the members of the family gather."

In addition to strengthening our families' identities, philanthropy develops skills that contribute to the preservation of our wealth, values and missions. A family foundation operates in much the same manner as a business, and its board members, though giving rather than earning, assume the same responsibilities: They must understand the community (or market) they serve; they must consider both short- and long-term consequences of given strategies; and they must develop budgets, measure returns on their investments, and account for their decisions to the other board members, as well as to the rest of the family.

"It may seem counterintuitive," says Putnam, "but the thoughtful giving away of money requires a lot of the same skills as the thoughtful making of money. The skills are valuable however you accrue them. So in that sense, if the individual who generates the wealth wants to perpetuate those values that made him or her successful, philanthropy may be a good place to look."

Though some families consciously eschew any type of philanthropy, its relative ubiquity among affluent families (even the Vanderbilts engaged in some charitable giving) has prompted some thinkers to argue that it constitutes a form of social selection, whereby those in possession of significant capital preserve their privileges by establishiing and funding public institutions and services. Yet, while this social symbiosis may have some basis in fact, the more compelling motivation is the sense of meaning we derive from giving. Philanthropy not only instills in each of us an active, day-to-day connection to values and ideals that transcend our own personal goals and concerns, but it unites us across the distance of time to future generations of family members, strangers to us now, in the very human enterprise of powering the great engine of civilization.

Top view

deteriorates the fabric o... have no common bonds beyond blood and money. Philanthropy, as a component of our 100-year family plans, reinforces and reinvigorates the values we share with our family members across multiple generations. In addition to strengthening our ties to the communities in which we live, and society at large, philanthropy as a wealth-preservation tool:

- Gives family members a common goal and the opportunity to pursue it.
- Nurtures intellectual curiosity in individual family members, providing a community based on shared learning.
- Teaches our family members financial and decision-making skills, as well as accountability for decisions they make.
- Instills in us a sense of connection to ideas and ideals larger than the sometimes limited scope of our own daily lives.

PART III

100 YEAR PLAN

THE PRACTICE OF CHARITY

WHATEVER THE ROOTS OF OUR PHILANTHROPY, IN ORDER FOR OUR SHARED VALUES TO BRANCH THROUGHOUT THE FAMILY TREE, WE MUST CHOOSE OUR METHODS OF GIVING CAREFULLY.

By Brett Anderson &Thomas M. Kostigen

DOROTHY BUFFUM CHANDLER, wife of Norman Chandler, the publisher of the *Los Angeles Times*, loved music. Her interest in art was only passing. Theater could amuse at times. But music, to her way of thinking, distinguished civilized society from the barbaric. And the city of Los Angeles, in her view, had only recently managed to hoist itself up on its civic hind legs. The Chandlers had made the salvation of the "hellhole of the West" (L.A.'s quaint sobriquet in the 1870s) their vocation for almost a century, using the power of the *Times* to build harbors (Col. Harrison Otis, Norman's grandfather, made the construction of San Pedro Harbor his cause célèbre in the 1890s), lay out subdivisions (Hollywood, along with many other communities, was the personal creation of Harry Chandler, Norman's father), and found businesses (Harry backed Douglas Aircraft Co., which became McDonnell Douglas). In the process, they raised themselves up from obscurity to become one of the most influential families in America: In the West, what the Chandlers said, went. And Dorothy Chandler—"Buff" to her friends—said that Los Angeles would have a music center.

True to the entrepreneurial traditions of her husband's tribe, Dorothy set about her task with resolve. Her work as a fund-raiser for Children's Hospital of Los Angeles had already confirmed her reputation among the Old Guard of Pasadena and Hancock Park as a relentless soldier of fortunes (stalking them, that is), and then she commenced her personal program to construct a spectacular new home for the L.A. Philharmonic. Her sharp tongue and potent personality abetted her guerrilla tactics: She harangued and intimidated both friends and family members, often refusing to leave without a check in hand.

Top view

Our families' philanthropy can be classified in two ways: First, it can serve as one element of our overall identity, alongside the businesses we own and the political views we espouse. On the other hand, philanthropy sometimes has its roots not in the family, but in a personal passion to accomplish a goal. In either case, we must establish appropriate vehicles to not only achieve our specific charitable objectives, but to ensure that these efforts remain relevant to succeeding generations. A foundation or supporting organization, after all, must be run like a well-structured business with established operating guidelines. Yet these vehicles must also possess the flexibility to adjust to changing times and circumstances.

When the force of her own personality proved insufficient, she would wield the power of the *Times* as a bludgeon—an especially unfortunate tactic so far as her husband was concerned, for he could then count on a combination of alternating flattery and invective over their evening martinis until he agreed to publish whatever views suited Dorothy's immediate purpose.

She used her position to recruit other socialites to her cause, sending these storm troopers out into the city, not just to court the dollars of L.A.'s blue bloods, but those of the entertainment industry as well. She also dragooned *Times* employees into doing her bidding. When Nelson Rockefeller—then governor of New York and seeking the *Times*' support in the 1964 California primary against Barry Goldwater—offered to donate Picasso's *Blue Lady* to Dorothy's effort, a *Times* executive was dispatched to negotiate. Mrs. Chandler appreciated the gift, this emissary explained, but what she really needed was cash. After an explosive exchange, the governor at last said, "You can go back and tell Mrs. Chandler we have made a deal." And the painting (which, incidentally, ended up hanging over Mrs. Chandler's mantel, rather than in the music center) and a check for $4,000 were dispatched.

The funding of the Dorothy Chandler Pavilion (for which Mrs. Chandler collected more than $19 million) illustrates the second of two categories of philanthropist into which most of us fall: the first category, those of us who regard philanthropy as one aspect of our overall family identity, and the second, those of us for whom a passion becomes a consuming cause and, in a sense, a second career.

"You've got people who believe that part of their family's identity should be as philanthropists," explains Jay Steenhuysen, founder of Steenhuysen & Associates, a consultancy that assists families in evaluating their philanthropic options. "Then you have folks whose next big thing is their philanthropy—they are very different from those who simply have a philanthropic component to their overall family plan. These individuals have a very clear idea of who they are, what they are about. They're going to make this thing happen. Their philanthropy is a vehicle to learn about whatever it is they have a passion for, so that they can influence change. They set out to solve a problem."

"Venture philanthropy is one of the trends that is becoming more prominent," adds Karey Dye, vice president of the Investment Management Division at Goldman Sachs. "We actually do have a few clients who, when they stop operating their businesses, turn to actual operating foundations more than family grant-making foundations, where they try to accomplish specific objectives."

This class of entrepreneurial philanthropists includes (in addition to the late Dorothy Chandler) individuals like Lee Iacocca, who established the Iacocca Foundation after his wife's death from Type 1 diabetes. Since that time, he and his family have, through the foundation, poured more than $20 million into promising research programs around the world. "The Iacocca family has a real passion about diabetes," notes Steenhuysen, "and [in November 2003], they announced that they may have found a cure for the disease, which many people said could never happen. They've been involved for over 20 years. You have to be very engaged to have that kind of desire to become experts and focus on achieving a specific result."

By contrast, the first category views its philanthropic activities as one of several components of an overall identity. "Philanthropy is an expression for these families," explains Steenhuysen. "Their political involvement is an expression. If they own operating businesses, that's an expression, too, as is their family office. All of these entities vie for first place as the family's identity. We can pick out a political family—the Kennedys; the Rockefellers with their giving; the

INTENT AND OVERSIGHT

PHIL KNIGHT, FOUNDER OF NIKE, reneged on a $30-million pledge to the University of Oregon. Ted Turner has had to renegotiate the terms of his commitment to the United Nations. And hundreds of foundations are holding the now worthless donations of dot.com stock. Good intentions can go bad, but there are steps donors can take to avoid disappointments.

Each of us has to do our own personal due diligence, as well as due diligence on the charity to which we are giving, before we invest, says Ann Fritschner of the Association of Fundraising Professionals. "Both the donor and the organization should look at their expectations up front."

A study by the New York University School of Law found a general reluctance on the part of charities and donors to commence legal proceedings against one another. Into what is supposed to be a benevolent relationship, few want to introduce malice. However what may not play out in a judicial court sometimes does in the court of public opinion.

"There has been a shift in thinking from the nonprofit's perspective and the donor's perspective," says Tim Seiler, director of the Fundraising School and Public Service at Indiana University's Center on Philanthropy. "It's fine to feel good, but donors want to feel they are also making a good investment."

As the nonprofit world comes more and more to resemble the for-profit world in terms of its business practices, so too may change the feel-good relationship between philanthropist and philanthropy. This means embracing business-like practices to accomplish goals.

To protect themselves, donors should proceed slowly. "Join a committee first," recommends Fritschner. "Once you get to know the organization and get comfortable with the people and the programs, then make a board level commitment; it's like dating before you get married."

S.C. Johnsons for their business; and the Laird-Nortons in Washington state for their family office. All of these are candidates for leading identities."

Determining into which of these categories our relatives or we fit requires only a little introspection. If we find our contributions tend toward schools our children or we have attended, we are probably supportive but not passionate about them. But if we donate money or time regularly to a specific area—say, for instance, education—and continually seek out organizations conducting research in that field or advocating reform, we may be advancing along the path toward becoming venture philanthropists. Whereas the collective efforts of multiple members drive the former, the will of a single individual usually defines and controls the latter.

THREE PATHS TO GIVING

"WHEN WE ADVISE our clients on philanthropy, they usually ask us about giving from three different angles," says Karen Putnam, principal and director of Philanthropic Advisor Services for Bessemer Trust. "Usually the first is how the clients can give back to their communities. The value driving that is this sense of appreciation and responsibility, having enjoyed the benefits of the support of their communities as they made their wealth. And the second tends to focus on how to promote particular causes that they care about. These causes are often the organizations or the institutions that they feel have been instrumental in moving them to the place where they are in terms of affluence and influence in the community. And thirdly, they ask, 'How can we draw our family together in a common purpose?' The tricky part in that—the most challenging part of that trinity—is common purpose."

This common purpose itself, Putnam says, has two parts: "Recognize the importance of giving in and of itself, that's the first" she says. "The second is perpetuating shared values. When I work with some clients, they walk into the room and sit down at the table and begin articulating the values they want to perpetuate. They talk about opportunity, compassion, equality, responsibility, and they already have moved to a kind of broader realm in their thinking. But others come in, and they have specific organizations in mind. They want to support a particular literacy program or a hospice or a legal aid society or a faith-based community group. Then we begin the process of backing out the values that informed each of the choices they made. This comes in really handy for the second generation of family, since they may not want to support the same organizations as their parents, but they do want to carry on shared values."

The two categories, however, are not mutually exclusive: Many of our families include elements of both. The differences lay largely in the ways in which we relate to the charity or charities in question, as well as in the structures we put in place to organize and account for our giving. Understanding our short- and long-term objectives—whether these emphasize a specific social problem, a disease or cultural endeavor—enables us to better frame our charitable programs within the context of an overall 100-year plan. The logistics of a well-formulated plan can be daunting to some, and will inevitably require that family members refer back to their mission statement (see "Who We Are: The Family Mission Statement," December 2003). But whatever the particular objectives, certain general guidelines to organizing the family's philanthropic mission apply.

THE RIGHT VEHICLE

The majority of us view philanthropy as one reflection of ourselves, yet we also recognize its critical implications in shaping the characters of our children and their children, as well as those of the communities in which they live. Choosing the appropriate vehicles around which to structure our giving is perhaps as crucial as the choice of charity itself, since without the correct instrument, the gifts will, over time, potentially fail to reach the intended recipients.

In doing so, we should consult a qualified advisor—someone who understands the context of our family missions and with whom we have a dialogue—in order to establish our family goals. These discussions should occur before we arrive at any final decisions. As Steenhuysen notes, drawing up and signing the papers is rather like joining the military: Once we are in, and the papers are signed, most of the decisions have been decided for us. "There's a lot of flexibility in this field," he says. "But unfortunately, most foundations are set up by law firms who are cookie cutters. It's the Model T—pick any color you want as long as it's black. So coming up with a strategic plan for your philanthropy—a 100-year plan—is so important to making sure your philanthropy is effective. "

Toward this end, each of us must undergo a process in which we consider the following:

- Who will lead the initiative?
- What authority will be given?
- How will other family members be engaged?
- Will the foundation or trust have a board?
- How large should it be?
- How will power be shared among the board members?

Oftentimes, the financial leader of the family becomes the default leader of our foundations, since this person frequently possesses considerable administrative and investment acumen. In the second or third generation, however, where the wealth is predominantly inherited and not necessarily created by an individual, that natural sense of authority is not imbued in any one person in the same way that it is with the wealth creator. In these cases, unless the leader of the previous generation has anointed a successor, the job falls to the individual with the most interest.

Perhaps the most essential variable in the long-term success of this equation is not authority itself, but the sharing of it. Continuity being one of the prime directives of our 100-year plans, maintaining the meaningful engagement of all family members must be a prime directive. Here the challenge centers on maintaining an even playing field, even when the family leader is concerned. Those of us with a keener business sense or special knowledge of a certain discipline may be inclined to push our foundations—and our family members—in the directions we believe they should go. "But if the agenda for coming together as a family is to decide on where to give money away," observes Karen Putnam, principal and director of Philanthropic Advisory Services for Bessemer Trust, "it is one of the few occasions when you can have a level playing field if you are willing to be flexible in allowing individuals to articulate their own points of view."

Putnam recalls one family in which the adult children, after their father's death, explored the option of establishing discretionary sums to donate to charities of their choice. Having spoken with each of the individuals, she assumed this was an idea they would endorse. But the youngest sibling's reaction surprised everyone. "He said, 'Wait a minute, I'm not bringing my ideas here to have to justify them in front of all of you.' But when we made it clear that he would have discretionary funds to give regardless, and that all he would be doing is sharing his thinking and why he decided to make a gift, his whole perspective on the occasion shifted." Interestingly, Putnam notes, the resulting openness of this exchange led to healthier interaction when the family came to issues of financial planning and wealth management, because the group had established a kind of mental "muscle memory" for working together as equals.

Despite this focus on family, however, the introduction of nonfamily members to a board offers advantages, as well. "I've seen many foundations benefit from having independent members on their boards," says Goldman Sachs' Dye, "because of the expertise, knowledge and objectivity that those outside board members can bring to the organization. So many people think, 'As a family foundation we're going to have the family involved with this.' And so they don't tend to consider bringing in outside experts or outside advisors or board members. But oftentimes that is very enriching to the family and the entity itself."

THE SUPPORTING ORGANIZATION

Private foundations structured as corporations deliver the greatest flexibility to the board in terms of defining or redefining its mission. While this elasticity of interpretation may be regarded as an asset among those for whom philanthropy serves as one component of the family identity, for venture philanthropists intent on a mission, this presents rather a grave prospect. The venture (or activist) philanthropist, after all, wishes to remain in control: He or she will make

ANY VOLUNTEERS?

ACCORDING TO THE WEALTH with Responsibility Study conducted by Boston College in 2000, 92 percent of respondents (households with net worth in excess of $5 million) report volunteering their time to charitable causes, with 86 percent indicating they spend at least an hour each month supporting these activities, nearly double the national average. This volunteering most often included leadership roles, such as serving on a board of directors, fund-raising or planning an event.

"I'm not sure how much people learn simply from giving, from writing checks," admits Joel Fleishman, director of the Heyman Center for Ethics, Public Policy and Professions at Duke University. (Among his other accomplishments, Fleishman advised philanthropist Charles Feeney, founder of Duty Free Shoppers, who secretly gifted more than a billion dollars.) "I know that people who get deeply involved personally by volunteering in organizations, according to the statistics, end up giving at about twice the rate as people who don't volunteer or get otherwise involved. They learn a great deal about the problems they're dealing with, they learn a great deal about themselves, they learn a great deal about how to solve problems."

Through volunteerism, giving becomes a more multidimensional relationship. And this more qualitative approach to giving may be replacing the quantitative method of check writing. The More Than Money organization—a Cambridge, Mass.-based forum on the challenges of wealth and money for the affluent—indicates its constituency is most likely to devote time and money, as opposed to just money, to causes. "A change in philosophy would be them saying, 'Here's a check, good luck,'" says Robert Kenny, the organization's executive director. "They're not built that way."

Indeed, engaging in civic duty and philanthropy seems to be part of the industrious makeup of the baby-boom generation, which may be the most generous group in terms of both time and money. "Members of the working population aged 50 to 64 are more likely to have graduated college, volunteered in their youth and had parents who volunteered; these are all indicators of higher levels of adult civic involvement. This age group has the highest income level, gives the most, and has the greatest potential to increase volunteering and giving for years to come," states an *Independent Sector* report entitled "Experience At Work."

TRANSFORMING TRAGEDY

ONE OF THE WORST tragedies is losing a child. But Jeff and Deirdre Bronchick have transformed that tragedy into something positive for themselves and others.

When their daughter, Paige, diagnosed at birth with congenital heart disease, died at the age of 6 months, anguish of every type ensued. But Jeff and Deirdre decided to do something other than mourn: They founded the Paige Foundation—now The Heart of a Child Foundation—which funds medical research and provides grants in the field of children's congenital heart disease.

Initially, Jeff and Deirdre wanted to "make a big, fat donation" to a foundation that supports children's heart disease projects, but could not find one. Almost all of the American Heart Association's research is directed toward middle-aged heart disease, with less than 4 percent of its research efforts going toward pediatric heart research. They looked at community foundations, but found they would have to give up too much control. It took time, but after meeting another couple, Rashida and Raghu Mendu, who had lost their daughter, Samara, in a similar way, the Bronchicks merged their efforts with the Mendu's to form The Heart of a Child Foundation.

"I think there are two ways people can approach a calamity such as a daughter dying: They can run away, or they can seek to work through it," Jeff says. Creating a foundation to assist others helped him and his wife deal with some of the pain.

"I personally think it keeps her memory fresh—and that's good," he reflects. "It reminds me: What is the point of working and what has value?"

the decisions and is often reluctant to share power. Like Dorothy Chandler obsessed with her music center or Lee Iacocca in search of a cure for diabetes, this individual wants to determine to whom money will go and how. For this reason, when such a person chooses a private foundation as a vehicle, it is often structured as a trust, obliging the board members to heed (or at least consider) the founder's intent as outlined in the founding trust document. But just as frequently, this individual elects to employ a supporting organization as a vehicle.

The advantages to this instrument stem from its close ties to specific charities. In contrast to the private foundation, the supporting organization exists to serve and support charities around which it is established—those the founder chooses. Later board members (family members remain the minority on the board, the majority of seats being filled by representatives of the designated charity) cannot alter the organization's intent. The venture philanthropist, having circumscribed the charities to be funded, remains in the leadership role through the organization while, at the same time, developing a solid rapport with the charities that address his or her particular passion.

"There is a very intimate tie between the expert philanthropist and those charities that help that person to give money to them," notes Steenhuysen, "but the supporting organization also helps that person extract information and accountability back from them. The private foundation allows 100 percent of the family members on that foundation board, and the idea is to have the family give to all kinds of different causes. That's all about the relationships within the family. The other one [supporting organization] is all about the relationships with the charity. I've had several families create multiple structures—one structure being their platform for the expert and another being their platform for the family."

FLEXIBILITY

In both cases, our charitable trusts and foundations operate much like businesses. Over the long term, the same issues will crop up as in our businesses. Some family members will be extremely interested in and committed to the work at hand, while others will prefer to follow their own paths. Geographic dispersion, as our children and grandchildren relocate to different cities, can create tension between the original mission of a foundation (oftentimes charities are local) and the evolving lifestyles of our families.

For this reason, Bessemer's Putnam notes, flexibility is essential in upholding philanthropy's role within the family. "This is where shared values help us to transcend the particulars, for example, of our relationships with an institution," she says. "Today, where families no longer live in the same hometown generation after generation, each generation has to find charities that speak to them. The charity may vary, but everyone can regroup around the idea that the shared values are being promoted. It's very hard for a parent or a grandparent to let go of a particular charity, but there needs to be flexibility between the generations."

In some instances, flexibility can also mean terminating a vehicle. "Families do have people with different goals and objectives and different values," concludes Dye of Goldman Sachs. "Sometimes families continue resolved to stay together and work as one charity. But other times, I see a family say, 'You know it makes more sense to break this up,' and actually have different charities that can more efficiently respond to the needs of the geographic area they're interested in. I think that both are good models—whatever is going to work best for that family." W

RESOURCES

Bessemer Trust
212.708.9295
www.bessemer.com

Goldman Sachs
Private Wealth Management
877.GOLDMAN (877.465.3626)
www.gs.com

Steenhuysen & Associates
401.246.2110

PART III

100 YEAR PLAN

THE GOOD WE DO

THREE HISTORIC FAMILIES, WHOSE NAMES REMAIN SYNONYMOUS WITH POWER AND PRESTIGE WELL INTO THE 21ST CENTURY, EFFECTED THEIR MOST LASTING INFLUENCE ON AMERICAN LIFE NOT THROUGH WHAT THEY ACQUIRED, BUT HOW THEY GAVE IT AWAY.

By Daniel Gross

EACH OF US ARRIVES AT philanthropy by his or her own path; yet for those of us who recognize and value this essential aspect of preserving and renewing our wealth, the dividends can be deeply rewarding personally, while the investments themselves can far outstrip the impact of our businesses on the future of the society that has empowered us. As the Rockefellers, the Haases of Levi Strauss, and New York's Astors realized, our good deeds often do outlive us, even after the businesses (and sometimes the families) fade.

INDEPENDENT MEANS: THE ROCKEFELLERS

Starting in the 1880s, philanthropy in the Rockefeller household was a family affair. With his wealth skyrocketing, patriarch and oil magnate John D. Rockefeller found himself besieged with requests for aid. Spurred by his Baptist faith, he had been giving significant sums to charity, largely on a personal basis, since he had been a nondescript dry-goods clerk in Cleveland. In 1859 he gave funds to an African-American man to free his wife from slavery.

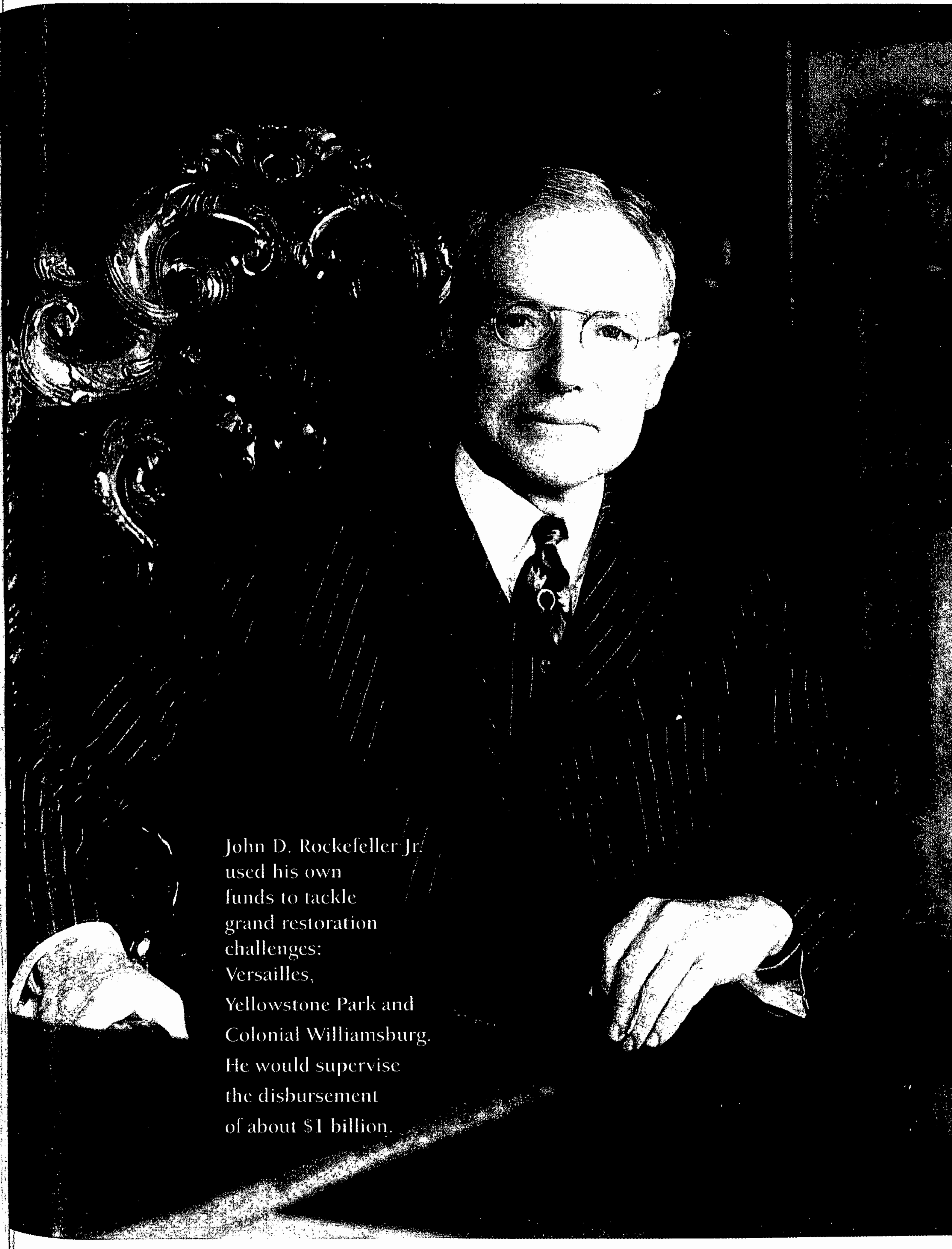
Deeply religious, and yet eminently ruthless, Rockefeller saw his wealth as part of a divine plan. "It has seemed as if I was favored and got increase because the Lord knew that I was going to turn around and give it back," he later said. And he set about giving it away as if it were a religious mission.

In his lifetime—nearly a century—Rockefeller's massive and unprecedented wealth brought opprobrium and unwanted attention to him and his family. As such, it was something of a burden. And for five generations, the Rockefellers have attempted to lighten the load. While family members have pursued their own interests in business, they have continued to pursue philanthropy together. By creating institutions, hiring people to staff them, and devoting their own lives to charity, they made giving away funds a profession. Philanthropy would become a full-time job for John D. Sr., his son, grandchildren and some of his great- and great-great-grandchildren.

By the 1890s, with the giant Standard Oil throwing off massive dividends, Rockefeller, who had essentially retired from management of the megalithic trust in his early 50s, devoted his time to dissipating his fortune. In 1892 alone he gave away $1.35 million.

At first, Rockefeller would parcel out requests to his children for evaluation. As biographer Ron Chernow writes: "In this seminal phase of Rockefeller philanthropy, the entire family judged the merits of applications, and the children sometimes audited important meetings."

He enlisted his son, John D. Rockefeller Jr.—known universally as Junior—to work with him full time, then, as giving became more and more an enterprise unto itself, he hired Frederick T. Gates to advise him. Just as he had systematized the chaotic early oil industry, Rockefeller set out to rationalize large-scale philanthropy. As Gates put it:



John D. Rockefeller Jr. used his own funds to tackle grand restoration challenges: Versailles, Yellowstone Park and Colonial Williamsburg. He would supervise the disbursement of about $1 billion.

Rockefeller "came to have hardly less pleasure in the organization of his philanthropy than in the efficiency of his business."

Rather than give funds to individuals or to individual organizations, he tended to establish new ones. In 1882, he backed the formation of Spelman College, a school for black women in Atlanta. A decade later, he created the University of Chicago. And in 1901, Rockefeller brought into being the New York-based Rockefeller Institute for Medical Research (later Rockefeller University), donating $61 million to create a self-sustaining, research center.

A key tenet of Rockefeller's efforts—and one that would carry down through the generations—was that philanthropy should attack the origins of social problems rather than treat their symptoms. And so another Rockefeller charity, the General Education Board, incorporated in 1903 to help schools in the South, focused on eradicating the boll weevil from cotton crops and improving medical education. In 30 years, the board gave out $130 million.

The more John D. Rockefeller gave—between 1856 and 1909 he would distribute $157.5 million—the more it seemed he needed to give, for the dividends from Standard Oil continued to gush in as fast as he could find worthy causes.

In 1913, John D. created the Rockefeller Foundation, endowed with about $180 million in its first six years, largely in Standard Oil stock. Junior was elected president and would devote the rest of his life to giving away his father's money. The Rockefeller Foundation embarked on crusades to eradicate infectious diseases and lavished funds on China. "By the 1920s, the Rockefeller Foundation was the largest grant-making foundation on Earth and America's leading sponsor of medical science, medical education and public health," wrote Chernow.

What set the Rockefeller tradition apart was a willingness to invest in ideas and knowledge—not just buildings. By the time John D. Rockefeller died in 1939, Junior had emerged as the era's leading philanthropist. He presided over the Rockefeller Foundation for several decades but also used his own voluminous funds to tackle grand restoration challenges: Versailles, Yellowstone Park and Colonial Williamsburg (on which he spent $55 million alone), to name just a few. In his lifetime, Junior would supervise the disbursement of about $1 billion in philanthropy.

The Rockefellers—and Rockefeller family trusts—continued to invest in developments like Rockefeller Center and other businesses. This allowed a third generation of Rockefellers to carry on the tradition. Each of Junior's five sons went into a different field. Nelson became a politician, David a banker, Laurance a venture capitalist. John III, like his namesake, would become a full-time philanthropist.

In 1940, the sons created the Rockefeller Brothers Fund (RBF), which was ultimately endowed with nearly $130 million in funds from Junior. And as the Rockefeller Foundation grew more independent over time, David Rockefeller wrote in *Memoirs*, "the Rockefeller Brothers Fund emerged as my generation's most significant joint philanthropic endeavor, and it was the principal vehicle for our support of groups in fields such as population, conservation, economic development, urban affairs and basic scientific research." By 1973, RBF was the country's 12th largest foundation.

John D. Rockefeller III, became chairman of the Rockefeller Foundation in 1952, and, like his father, plowed the foundation's funds into medical and scientific funds. When he died in 1978, for the first time in nearly 100 years, no single Rockefeller was recognized as that generation's leading, full-time, professional philanthropist.

Instead, today literally dozens of Rockefeller family members—virtually all of independent means—are involved in a dizzying array of nonprofit and philanthropic efforts, many having to do with the environment, education and social welfare. Starting in 1958, the first members of the fourth generation—this time daughters, as well as sons—joined the board of RBF, which now has assets of about $620 million. Today, the chairman of RBF is Steven C. Rockefeller, the son of Nelson, while David Rockefeller's daughter, Neva, serves as vice chairman.

The Rockefeller family business, Standard Oil, has long since passed into the hands of other investors, as the first John D. Rockefeller likely wished. So, too, has the Rockefeller Foundation, which has $2.6 billion in assets and not a single Rockefeller on its Board of Trustees. This neatly encapsulates the multigenerational approach Rockefeller formulated a century ago: Create institutions that can stand on their own two feet, and that continue to serve long after formal family control ceases.

Top view

Successful philanthropies bear much in common with the familiar characteristics of successful businesses. John D. Rockefeller Sr., having built Standard Oil into the world's greatest industrial colossus, later in life applied his organizational genius to establishing a system of family foundations that continues to profoundly influence the fabric of American life. The owners of Levi Strauss, from the company's beginning, employed philanthropy to strengthen and support the community of San Francisco, whose growth had fueled their own. And the Astor family, slow to come to the table of charity, reversed generations of public enmity and misperception by cultivating the cultural, renovating public spaces, and aiding children of the city they helped to create.

THE JEANS GENES: LEVI STRAUSS

Historians—especially those with a tendency to psychologize—have frequently cast John D. Rockefeller's philanthropic undertakings as expiation for the ruthless—and occasionally illegal—means through which he amassed his fortune. Be this as it may, some families have nevertheless found ways of harmonizing business and philanthropic efforts.

When it went public in 1971, Levi Strauss & Co.—at the time the world's largest apparel maker—included some unorthodox language in its prospectus: "The company's social responsibilities have for many years been a matter of strong conviction on the part of its management." Indeed, over the past 150 years, the five generations of the family who have controlled Levi Strauss have viewed their business and philanthropy as complementary activities.

Among the Haases, giving has been in the genes—and in the jeans—for longer than a century. Levi Strauss, a German-Jewish immigrant, arrived in gold-rush era San Francisco in 1853. In 1866, the dry-goods merchant built his first store, whose main product came to be sturdy, riveted jeans. By the late 1880s, the childless bachelor began to bring his four nephews—all with the last name of Stern—into the business, which they took over entirely when he died in 1902.

As Levi Strauss & Co. prospered, the Stern brothers supported a range of local religious, cultural and educational charities. Jacob Stern endowed Levi Strauss scholarships at the nearby University of California at Berkeley in the 1920s, for example. (Decades later, the family would create Berkeley's Haas School of Business.)

The third generation of family management married into the company. In 1914, Walter Haas, also the child of Bavarian immigrants, married young Elise Stern, the daughter of Levi Strauss' nephew Sigmund Stern. He joined the company soon thereafter, and was in turn joined in 1922 by his cousin Daniel Koshland. As president, Walter Haas (known as Walter Sr. after the birth of his son, Walter Jr., in 1916) ran the company from 1928 through the 1950s together with Koshland, who served as treasurer.


Elise Haas

Decades before corporate America's consciousness was raised in the 1960s, Haas and Koshland regarded the thriving business as not just a means to provide profits for them to support philanthropy on their own, but as a powerful means of effecting social change. They made a point of racially integrating the company's workforce in the 1940s, as well as Levi Strauss factories—many of which were located in Southern towns—in the 1950s. In the latter decade, they began offering stock to employees, and during this same period, when the firm turned 100, Koshland and Haas established the company-controlled Levi Strauss Foundation as a conduit for corporate contributions. Each year, the company would funnel a portion of its profits into the foundation, which frequently piggy-backed on the support given personally to cultural, educational and charitable organizations by the Haas and Koshland families.

Through personal example, they also inculcated a sense of service in the fourth generation. Walter Haas Sr. served on the boards of several universities, and Elise Haas was the president of Mt. Zion Hospital. In 952 the couple formed their own foundation, which helped support the arts, and their three children—Walter Jr., Peter and Rhoda—served on the board. "It's in the way we were brought up, serving in the community, helping when we could. I saw what my parents were doing. I guess we tried to emulate them," said Walter Jr.

In 1958, the fourth generation assumed the helm at Levi Strauss, as Walter Haas Sr. retired to volunteer as the president of San Francisco's Recreation and Parks Commission, a position his mother-in-law had held. With Walter Haas Jr. as president and Peter Haas as executive vice president, the company continued to grow into a global phenomenon, spurred by a popular culture that elevated jeans into a fashion statement. And while they continued the firm's philanthropic efforts (by the late 1960s, according to Levi's historian Ed Cray, "As a percentage of net profits the San Francisco apparel manufacturer was giving more than twice that of most other firms"), they also brought to it a new vision. Instead of confining donations to the San Francisco area, they began to invest in the communities around the country where Levi Strauss had operations. "It's not a question of whether or not a business can afford to undertake programs of social reform," Walter Haas Jr. argued. "We don't think a business can afford not to." At the same time, members of the fourth generation also formed their own personal foundations, while continuing to help run the Walter Sr. and Elise Haas Foundation.

The fifth generation carries on the tradition of the family business and family philanthropy. Robert Haas, the son of Walter Jr. and a veteran of the Peace Corps, served as CEO of Levi Strauss from 1984 to 1999 and is now the chairman, as well as a trustee of his parents' foundation.

In the past decade, the Levi's brand has suffered in the highly competitive fashion marketplace. Although the brand may no longer be what it once was, when it comes to philanthropy—and in marrying a family's commitment to give to a company's ability to assist—the Levi Strauss tradition has not only held up, but grown remarkably in strength.

AN IMAGE REDEEMED: THE ASTORS

The Astors, another storied American business family with roots in Germany, took a few generations to get the hang of philanthropy. But once they came around—by focusing resources on the city that had been the source of their wealth—they made up for lost time.

John Jacob Astor, born in the German town of Waldorf in 1763, came to America in 1783. After selling musical instruments, he entered into fur trading, shipped goods to and from China, and, ultimately, took up that most lucrative of enterprises, the acquisition of Manhattan real estate. In the last three decades of his life, he invested $1.25 million in New York property—an enormous sum for that period. "Could I begin life again, knowing what I now know, and had money to invest, I would buy every foot of land on the island of Manhattan," he once said. Instead, he satisfied himself with a substantial percentage.

In the end, John Jacob Astor was much better at getting than giving. The public was shocked to learn that in 1848, when he died, the richest man in America left only about $500,000 to charity. Most of this went to establish a library, to be built on land that he donated. With grudging support from the next two generations, the Astor Library—the only major reference library in New York—grew, providing the basis for what is now the mammoth New York Public Library.

Neither John Jacob Astor's son, William Backhouse Astor, nor his children—William Jr. and John Jacob III—felt any more inclined than the patriarch toward good works, even as the inexorable rise in Manhattan real estate made them still wealthier. William Jr. married Caroline Schermerhorn, whose lavish balls defined Gilded Age society and set new standards of snobbery. (She was known as *the* Mrs. Astor.) But John Jacob III's wife, Charlotte Augusta, began a new tradition. Deeply religious, Augusta supported Charles Loring Brace's pioneering Children's Aid Society, and spurred her husband to give $250,000 to support the construction of the Memorial Hospital for the Treatment of Cancer.

Augusta's nephew, Vincent Astor, the grandson of William and Caroline, preserved this fragile tradition. Born in 1891, he was, as Astor family biographer Derek Wilson acidly notes, "a hitherto unknown phenomenon in America: an Astor with a highly developed social conscience." A stroke of fate put him in charge of the family fortune at a young age. His father, Jack, went down with the *Titanic* in 1912, after chivalrously helping his second wife and several other women into lifeboats. And so, not yet 20, Vincent dropped out of Harvard and found himself in charge of an $87 million fortune.

He was intent on changing the family image from that of tight-fisted, high-living, aloof slumlords. Influenced by the various urban reform movements of the early 20th century, Vincent began to divest the family's slum holdings in lower Manhattan. He built a significant housing complex in the Bronx, complete with a large children's play area, and transformed a valuable plot in Harlem into a playground.

He funneled the cash raised from real-estate sales into other ventures, amassing stakes in publicly held banks and shipping companies and purchasing *Newsweek* in the 1930s. In 1948, the childless Vincent created the Vincent Astor Foundation, which began making grants to hospitals and children's homes.

In 1953, after his second marriage broke up, the 62-year-old Vincent met the recently widowed Brooke Marshall, a vivacious, well-bred woman who worked at Conde Nast's *House and Garden*. It was she—Brooke Astor—who would finally carve out for the family an important place on the map of great philanthropists.

When Vincent died on Feb. 3, 1959, half of his $130 million estate was given to the Vincent Astor Foundation. While he directed that his wife have the sole power to distribute the foundation's largesse, Vincent had not discussed his plans for the foundation with Brooke, beyond noting that the funds should be used for "the amelioration of human misery."

Brooke Astor called John D. Rockefeller III for advice. As she recalled in her memoir, *Footprints*, he said: "The person who has control of the money should also be personally involved in the giving."

For the next 40 years, the energetic Brooke Astor would devote her life to this work—and she did so with a distinctly un-Astorian sense of joy. "That is the fun of it all. Giving away money should be exhilarating," she said. She also did so with a sense of urgency. Since she and Vincent Astor did not have children of their own—Brooke had a son from a prior marriage—there was no logical heir to run the family foundation.

"As the original Astor fortune had been made in New York," she wrote, "I felt that the foundation money should be spent only within the five boroughs." Mimicking some of Vincent's earlier efforts, she used funds to beautify public housing projects, creating "outdoor living rooms." She built tiny parks all over Manhattan and established projects in Central Park to teach children about gardening and conservation. Although always decked out in fur and pearls, Brooke Astor was no Lady Bountiful. "Giving the money away would not mean nearly as much to me if I never saw what comes of it."

She also found a way to continue and bolster Astor traditions. As part of her Crown Jewels Program, she funded the city's great public institutions: the Metropolitan Museum of Art, the Bronx Zoo (where she gave $5 million to support construction of the Wild Asia exhibit) and Channel 13. Chief among her favorite jewels was the New York Public Library, which prior generations of Astors had supported, however grudgingly. Brooke Astor became a regular fixture at the vast Beaux Arts New York Public Library at the corner of 42nd Street and 5th Avenue, as well as at branches around the city. By 1997, when she formally closed the foundation, Brooke Astor had directed $30 million of the foundation's $195 million in net donations to the New York Public Library.

By giving shape and form to her husband's instincts, Brooke Astor not only managed to rehabilitate crucial and historic institutions in the city that had provided so much of the Astor family's wealth, she also managed to rehabilitate the family's historical image. ■

In 1919, the woman who would one day be Mrs. Brooke Astor collected money for the Salvation Army from Wall Street trader Helen Holmes.

"As the original Astor fortune had been made in New York, I felt that the foundation money should be spent only within the five boroughs... Giving the money away would not mean nearly as much to me if I never saw what comes of it."
—Brooke Astor