



ADVISOR'S EDGE

Summer 2007

I am pleased to again bring you a thought-provoking article to expand your wealth of information from which to draw when helping a client plan their charitable giving. Planning always involves considering the issues to be addressed. When it comes to charity, the current needs are well known. Today's issues may cease to exist, but surely others will emerge. Some philanthropists like to support current efforts, but how do you continue to do that after you're gone. The following is an answer to that dilemma.

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The Enduring Value of an Unrestricted Gift

Clients who wish to make a meaningful philanthropic gift to support changing local needs should consider an unrestricted gift to a community foundation.

“One of the most lasting and powerful ways a donor can support a local community is through an unrestricted gift to a community foundation,” says Elizabeth Upjohn Mason, a philanthropist and past board member of the Kalamazoo Community Foundation in Michigan. “The value of endowed unrestricted gifts is that they are perpetual—lasting many years beyond a donor’s lifetime—and they are managed by a skilled group of community guardians to meet unanticipated community needs.”

If your clients are considering their charitable legacy, an unrestricted gift to a community foundation may be the best way for them to continue to provide significant support to the community no matter how needs evolve in the future.

Supporting Communities as They Change

Unrestricted funds are essential resources for a community foundation because today's most pressing needs are not likely to be tomorrow's future needs, according to Jack Hopkins, President/CEO of the Kalamazoo Community Foundation. “Twenty-five years ago, when I came to the Foundation, domestic and sexual assault may have existed before, but it had not surfaced as a service need. Unrestricted funds allowed us to provide needed education and support services through the local YWCA.”

As a donor, Mason says that unrestricted gifts give her a greater focus on how she supports the community. “I like helping solve future unknown problems of a community that means so much to me,” Mason says. “Before joining the community foundation, my charitable giving had no strategy; I gave gifts in response to solicitations and disasters. I was impulsive and was not looking for assurances about the outcomes my gifts were supporting. I soon came to appreciate the value of community foundation resources, donor endowments and unrestricted gifts in particular.”

Community Case Study: Kalamazoo



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Eight years ago, economic viability was not a primary concern in Kalamazoo, according to Ann Fergemann, Vice President of Donor Relations at the Kalamazoo Community Foundation. But today, due to the transfer of manufacturing overseas, corporate mergers and acquisitions, and the loss of more than 1,200 jobs at Pfizer, Inc., the area's largest employer, it has become a major challenge.

In response, the Foundation has leveraged its unrestricted assets to make a community investment in a research park and provide a low-interest loan to help create an incubator with lab space to encourage pharmaceutical scientists to stay in the community and start their own businesses. The group has also provided loans to help fund a mixed-use housing project and interactive museum to encourage tourism.

This example demonstrates some of the benefits of unrestricted gifts:

- The community foundation had the funds and flexibility to stimulate economic development in creative ways.
- Donors could see the impact of their gifts. For unrestricted perpetual gifts, the principal was protected and the interest was used to meet an important community need that was unforeseen, and will continue to provide for community needs in the future.
- Unrestricted gifts were leveraged with other donors' gifts and grants for greater impact.
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Rolling Restricted Funds into an Unrestricted Gift

"Most of the donations to the Kalamazoo Community Foundation become unrestricted at the donor's death, such that 46 percent of our funds are unrestricted," Hopkins says. Rolling restricted funds into an unrestricted gift provides several advantages:

- Allows donors to support what they are interested in during their lifetime.
- Provides a record of their interests after death and helps the community foundation match future needs to donor history.
- Leaves a legacy to support the future needs of an evolving community.

"Today's nonprofit programs and institutions may not be here in the future or the nature of their services may change," Hopkins says. "The donors who choose to make their gifts unrestricted are mature philanthropically, understanding that the future needs of the community are unknown and trust us to prioritize them."

A Major Bequest in Los Angeles

Last year, the California Community Foundation (CCF) received an unrestricted gift of more than \$200 million in the form of a bequest from the late philanthropist Joan Palevsky. With the additional funds, it has been able to double its annual competitive grant-making to about \$20 million per year. Because the gift is unrestricted, CCF can use its expertise and knowledge of the local community to select nonprofit



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organizations within the foundation's priority areas of health, education, neighborhood revitalization and arts and human development that can have the greatest impact with additional resources.

"Joan Palevsky's generous gift allows us to permanently expand our support for local community organizations," says Namju Cho, Director of Communications at CCF. She adds that competitive grants, compared with donor advised grants, account for a small proportion of the Foundation's total of \$100 million in grants a year. The Foundation seeks to raise the proportion of competitive grants to implement its long-term strategic goal of becoming an agent for positive social change in Los Angeles County.

Palevsky reportedly selected CCF based on her estate planning attorney's recommendation, an appealing story in the *Los Angeles Times* about a CCF textbook initiative and her positive experience of donating a one-time gift of \$2,200 for this school textbook project.

"Many donors will, at first, come to us to set up a donor advised fund where they make recommendations on where the funds will go," Cho says. "Once we demonstrate the value-added we bring in terms of community knowledge, strategic partnerships and long-term impact, however, we see donors come to realize the importance of unrestricted gifts to respond quickly to emerging needs of the community."

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