

# Options for Managing a Private Foundation



/ MAKE THE BEST CHOICE  
FOR YOUR NEEDS /

**T**here are many different options for administering a private foundation. It's not a question of finding the best one, but rather the best choice for your individual circumstances. The chart on the following pages provides a **quick overview of the advantages and disadvantages of six common approaches to managing a foundation.**

	ADVANTAGES	DISADVANTAGES
<b>Do-It-Yourself/ Volunteer Board</b>	<p>Cost-effective.</p> <p>Can be highly fulfilling when responsibilities are undertaken willingly.</p>	<p>Time intensive: can place a heavy burden on the founder, family members, and directors.</p> <p>Increases the risk of compliance missteps and associated liabilities.</p> <p>Steep learning curve: requires a significant investment in self education.</p> <p>May not have requisite skills and experience.</p>
<b>Hand-Picked Team of Advisors</b> (attorney, financial advisor, accountant, consultants, etc.)	<p>Allows you to work with advisors you already know and trust.</p> <p>Can be economical, if advisors already handle your other business.</p>	<p>Time and effort required to oversee and coordinate multiple advisors can outweigh the benefits.</p> <p>Can result in an overlapping or mismatched patchwork of services.</p> <p>Current advisors may not have the expertise to properly handle private foundation business, leading to errors and problems.</p>
<b>Bank Trust Departments</b>	<p>Typically provide both foundation administration and investment services.</p>	<p>If you don't like their investment services you're stuck. Must keep foundation assets at that institution and use their managers.</p> <p>Major loss of control if required to nominate one or more bank trustees.</p> <p>Must conform to bank procedures.</p> <p>Usually don't have a sophisticated technology platform—rely on paper-based systems.</p> <p>Cost of services are often hidden in investment management fee.</p> <p>Administration and philanthropic advisory services often a loss leader—not usually a strong focus.</p>
<b>Community Foundation (CF)</b> Private foundation (PF) services	<p>Often have extensive knowledge of community needs and the nonprofits in place to serve them.</p> <p>Eliminates administrative responsibilities.</p> <p>Often provide access to peer-to-peer networking.</p>	<p>Invariably ask you to terminate. Typically require closing down PF and opening a donor-advised fund or supporting org, which have fewer philanthropic options.</p> <p>Must conform to CF's systems and procedures.</p> <p>Donor only has advisory role. Control transferred to CF.</p> <p>Very difficult to remove assets if you want to resign from a CF.</p> <p>If you want your advisor to manage the assets, you may have to use their investment policy and have advisor work through their investment staff.</p>

	ADVANTAGES	DISADVANTAGES
<b>Paid Staff</b>	<p>Can hire the right talent for the job.</p> <p>Individuals are dedicated exclusively to your agenda.</p>	<p>May end up with a larger organizational infrastructure than intended, expenses can blossom.</p> <p>Managing employees can be time consuming.</p> <p>One person rarely has all the requisite skills (need to supplement with outside consultants).</p> <p>Top talent can be difficult to find and expensive to hire.</p>
<b>Full-Service Foundation Management Provider: Foundation Source</b>	<p>Everything you need to manage your foundation in one place: administration, compliance, philanthropic advisory services.</p> <p>No need to coordinate multiple advisors.</p> <p>Provides economies of scale.</p> <p>Can hire wealth advisor of choice or manage investments yourself.</p> <p>Top-tier talent already vetted for your foundation needs, always on call. (No need to hire additional staff.)</p>	<p>Initial set-up requires a modest time commitment.</p> <p>May not need or continuously use all the services provided. (Other service plans are available.)</p>

## ABOUT FOUNDATION SOURCE

Foundation Source empowers people and companies to create a better world through philanthropy. We make giving easier for more than 2,000 foundations with innovative technology backed by philanthropic expertise.

## HAVE A QUESTION?

Call 800.839.0054 or send us an email at [info@foundationsource.com](mailto:info@foundationsource.com).

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