

Debunking the Private Foundation Myth

WHY IT'S LIMITING
YOUR CLIENTS' GIVING

Somewhere along the way, the idea that a client needs at least \$10 million to justify a private foundation became conventional wisdom. It sounds plausible, given that foundations are often associated with the ultra-wealthy. Plus, establishing and managing foundations *used* to require significant time and expense.

The philanthropy landscape has changed, however—and for the better.

Today, private foundations can be a practical option for many high-net-worth (HNW) individuals and families who have substantially fewer assets than what most everyone assumes is needed. According to publicly available data from the IRS, **more than 67% of private foundations have less than \$1 million in assets.** At Foundation Source, we support a wide range of client foundations, from less than \$1 million to more than \$3 billion in assets.

This truth about foundation size is critical for wealth advisors to know because charitable giving continues to play an expanding role in holistic financial planning. According to The Philanthropic Initiative's (TPI) [2026 Study of the Philanthropic Conversation](#), **78% of HNW clients now use at least one structured giving vehicle—a donor-advised fund (DAF), charitable trust, private foundation or giving circle—which is nearly double the 43% reported in 2018.**

As structured giving becomes more prevalent in wealth management, clients will benefit from understanding the full range of vehicles available to them—including the private foundation—and how they can be used separately or in combination with each other (it doesn't have to be “either” “or”). For some clients, the simplicity and convenience of a DAF may be ideal. For others, a charitable trust may prove best for their income or estate planning objectives. And for families seeking greater flexibility and control over their giving—and perhaps also a desire to build a charitable legacy—a private foundation may be worth considering, even when their assets are nowhere near \$10 million.

Advisors who dispel the “\$10 million myth” and give private foundations equal consideration can open the door to more complete charitable planning conversations—ones that better align with clients' philanthropic and financial goals. Plus, since philanthropy discussions naturally reveal clients' values and aspirations, they help advisors build deeper, more meaningful client relationships.

Read on to understand philanthropy's recent evolution, its impact on private foundations, and how advisors can provide more comprehensive charitable planning solutions to clients.

Today's Private Foundations

For many years, establishing and maintaining a private foundation could involve outside legal counsel, accountants, investment professionals and, for larger foundations, dedicated employees. Those costs made a larger asset base necessary, so foundations historically were charitable vehicles of the ultra-high-net-worth. Hence, the “\$10 million myth” that foundations require substantial wealth.

Today, however, the infrastructure surrounding private philanthropy looks very different. Outsourced administration and philanthropy technology (PhilTech), such as Foundation Source services and software, make charitable vehicles—especially private foundations—much easier and affordable to manage. For example, our outsourced solutions offer a cost-effective foundation management model that gives our clients vast grantmaking flexibility and control—*regardless of their asset size.*

**PRIVATE FOUNDATIONS CAN
NOW BE A VIABLE GIVING
SOLUTION—JUST AS MUCH
AS DAFs—FOR CLIENTS WITH
A SMALLER ASSET BASE**



That said, private foundations can now be a viable giving solution—just as much as DAFs—for clients with a smaller asset base. They can now be an equal part of the philanthropy conversation because asset size alone no longer eliminates them from consideration. It's possible that a client with significant philanthropic ambitions but less than \$10 million in charitable assets may still value the control, flexibility and family engagement a private foundation can provide. And still other clients may benefit from [using both](#).

To compare these two vehicles in detail, turn to our [Advisor Checklist: Donor-Advised Funds vs. Private Foundations](#).

And to help you explore all popular charitable vehicles, including trusts, gift annuities and direct giving, check out our handy [comparison matrix](#).

The Charitable Planning Conversation: Goals First

Productive charitable planning requires far more than understanding structured giving vehicles, however. More meaningful conversations center around a client's philanthropic vision.

For a complete charitable planning conversation—and before determining which, if any, giving method(s) to recommend—it helps to learn what a client wants to achieve through their philanthropy, and why. This means broadening the discussion (beyond typical year-end planning of donations and their related tax benefits) to explore the client's values, family, legacy aspirations and intended philanthropic impact.

Proof that these deeper conversations are worthwhile lies in TPI's [2026 Study of the Philanthropic Conversation](#). It found that eight out of ten HNW clients expect philanthropic conversations with their advisors, and that personal topics (67%) now outweigh technical tax-related topics (40%) in advisors' approach to those conversations.

Also note that charitable planning is most effective if discussed regularly throughout the year—not just at year-end—as part of your client's overall wealth planning. Doing so can help uncover overlooked charitable goals and assets that might strengthen the client's total financial picture.

For more insightful charitable planning conversations with your clients, pose questions such as:

- **What motivates you to give?**

Is the client's primary goal to support a cause, help a specific community, strengthen family ties, or create a lasting philanthropic legacy?

- **Do you want to involve your children or grandchildren in your giving?**

Philanthropy can provide a meaningful way to bring multiple generations together around shared values. The degree to which clients can engage children in their giving varies by vehicle, from serving on a family foundation board to running a charitable program together, to collectively making grant recommendations to a DAF sponsor.

- **How much control do you want over your charitable assets, investments and grantmaking?**

Clients who want full authority over their giving may take interest in a private foundation which offers nearly endless capabilities such as hiring staff, compensating family board members, making grants and program-related investments, and participating in direct service efforts.

- **Do you want to donate non-cash assets to philanthropy?**

Charitable assets can extend beyond cash. They can also include publicly traded securities, bonds, restricted stock, life insurance, real estate, interests in private businesses, and tangible assets like artwork, jewelry and collectibles. Multiple charitable vehicles accept non-cash assets.

- **How do you envision making an impact?**

Some clients may simply want to make grants to established charities. Others may want to establish their own charitable programs, support individuals directly or explore other approaches to giving.

- **Do you want the ability to give anonymously?**

A client may prefer anonymity for every gift they make, in which case a DAF or charitable trust may be best since private foundations must publicly disclose their grants and financial records.

- **Do you have long-term philanthropic goals, for five or ten years from now?**

A client's current giving capacity may not tell the entire story. Business transitions, inheritances, wealth transfers and changing family circumstances can all affect a client's long-term philanthropic plans.

Your clients' answers can provide valuable insight that will help you determine the best charitable solutions for your client. A more extensive list of these questions is available through Foundation Source's [Client Meeting Checklist](#), a helpful resource for leading productive philanthropy discussions.

Help Clients See the Full Range of Possibilities

As philanthropy becomes more integrated into wealth and legacy planning, clients can benefit from knowing all their options. With the "\$10 million myth" dispelled about private foundations—thanks to advanced technology and cost-effective outsourced support—advisors can explore charitable planning more thoroughly with clients. And while asset size remains an important consideration, understanding clients' philanthropic aspirations will help advisors provide more effective and impactful charitable solutions.

Want To Learn More About Helping Clients With Their Giving?

[Schedule a call with us](#) or reach us at 800-839-0054. Together, let's #begiving.

ABOUT FOUNDATION SOURCE

Foundation Source is the leading provider of philanthropic software and services.

At the forefront of PhilTech, Foundation Source is the partner of choice for flexible software and services that offer end-to-end support for private foundations, donor-advised funds and planned giving. We offer a range of purpose-built, cloud-based platforms that facilitate all stages of giving and a configurable suite of administrative, compliance, tax, and philanthropic advisory services for donors, nonprofits and charities, and professional advisors, including RIAs and financial institutions serving wealth management and private banking clients.

With over 100 years of combined experience, Foundation Source empowers people and companies to create a better world through philanthropy. We support more than 27,000 charitable organizations, administer more than \$55 billion in charitable assets, and facilitate more than 190,000 grants and planned gifts annually.

HAVE A QUESTION?

Call 800.839.0054 or send us an email at info@foundationsource.com.

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