# Time-Limited Foundations

## Lessons from a CEO Peer Group

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Dorothy A. Johnson Center
FOR PHILANTHROPY

Grand Valley State University

## Dorothy A. Johnson Center for Philanthropy

The Dorothy A. Johnson Center for Philanthropy at Grand Valley State University was established in 1992 with support from the W.K. Kellogg Foundation. Our mission is to be a global leader in helping individuals and organizations understand, strengthen, and advance philanthropy, resulting in a smart, adaptive sector that helps create strong, inclusive communities.

We put research to work with and for professionals across the country and the world. Through professional education offerings; research, evaluation, and consulting services; and bold thinking to advance the field, we support a philanthropic ecosystem defined by effective philanthropy, strong nonprofits, and informed community change.

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# Introduction

> *We're closing. We have nothing to lose so we are free to call out things we see that are wrong in the sector. Our new tagline is 'Spending Out and Speaking Up.'"*
>
> – **Ellen Friedman, Compton Foundation**
> Limited Life Foundations: Lessons from CEOs
> https://www.ncfp.org/event/limited- life-foundations-lessons-from-ceos/

## Background and Definition

While private and family foundations have traditionally been designed to exist in perpetuity with no foreseen end date to their strategic time horizon, a new wave of foundations is responding to significant social, technological, economic, environmental, and demographic shifts by defining an end date or a triggering event (Rockefeller Philanthropy Advisors, 2020). These "limited-life" foundations believe a greater impact can be made by spending down their assets using strategies mindfully and explicitly connected to the impact areas important to them and to the legacy they want to leave behind. Donors may want to make sure that decisions about how the assets are deployed are made by people who knew them and will honor their values. "Sunsetting," as it is also known, is a unique approach extending specific benefits and possessing specific characteristics.

> *Twenty-five years ago, sunsetting was a dramatic, unusual thing to do. Today, it's increasingly seen as a best practice."*
>
> – **Tom Riley, Connelly Foundation**
> Philanthropy Roundtable
> https://www.philanthropyroundtable.org/donor-intent-hub/article/donors-who-choose-to-give-while-living-and-time-limit-what-remains

The fact of having an end date influences each and every aspect of the foundation. In the spirit of supporting peer learning, a group of executive leaders of limited-life foundations formed in 2019. Over the course of two years, the Dorothy A. Johnson Center for Philanthropy facilitated a series of peer learning conversations. As the discussions unfolded, it became clear that these executives had valuable insights to share with the field. The range of experiences and strategies, and the collective learnings from this group, are captured and presented in this guide for those interested in spending down their foundation.

## The Guide

This guide distills the experiences of this peer group and seeks to provide practical and customizable support for donors, founders, and trustees looking to create their own path to having an impact through spending down their foundation.

> *A few foundations have been deliberate about sharing their strategies … but the resources we found, while helpful, were specific to their circumstances and insufficient to guide us on our unique journey."*
>
> – **Catherine Brozowski & Tom Blabey**
> Lessons from a Sunsetting Fund
> https://ssir.org/articles/entry/lessons_from_a_sunsetting_fund

This guide is organized around seven key operational and management domains that all foundations must address, and highlights the nuances that occur in the limited-life context. While a level of nonlinear fluidity is to be expected, this guide has attempted to capture the flow of decisions that feed into one another. In loose priority order, the sections are as follows:

1. Legacy
2. Investments
3. Budget
4. Grantees and Grantmaking
5. Staff
6. Evaluation
7. Closing Administration

Boards of Trustees for limited-life foundations face different responsibilities than those serving a traditional foundation. This often translates into a need for tailored administrative structures and management. Implications and actions for trustees are embedded throughout the guide.

## Words and Impact

First, a word about terminology. A variety of terms have been applied:

limited-life
sunsetting
wind-down
spend-down

spend-out
foundation termination
philanthropic wrap-up
giving while living

time-limited foundation
dissolution
strategic lifespan

Terms such as wind-down, spend-down, or dissolution don't accurately capture the mindfulness, or the well-planned strategy employed by these foundations. This guide will use "limited-life" and "spend-down" most frequently.

No matter what words you choose, it is important to acknowledge the deep thinking put into such endeavors — the phases of development, building on the sector's and the community's collective knowledge, developing trusting and genuine partnerships, and leveraging the combined histories of foundation board, staff, leaders, and beneficiaries.

Foundations choosing a limited-lifetime may do so for a variety of reasons — often a combination of wanting to concentrate giving to increase impact, to ensure that the priorities and values of the donor are kept in mind, and to be humble about being able to foresee future needs. Limiting a foundation's life may also prevent the foundation from becoming primarily focused on its own survival rather than having an impact.

Note: Some foundations begin as a limited-life foundation, while some begin as perpetual foundations that decide to end their operations. There will be nuances related to the starting point to consider, such as closing documentation and filing.

# Legacy

## What is legacy?

Legacy is more than the sum of grantmaking. It is what is being left behind in the world, the enduring impact beyond the individual grants, and often intricately linked to an individual (or small set of individuals) and their personal legacy. While the limited-life foundation will not live on in perpetuity, the hope is that its legacy will.

## What is unique about legacy at a limited-life foundation?

Legacy development at a limited-life foundation can feel counterintuitive in many ways. Defining what the foundation will be remembered for when it's gone is best done in the beginning to provide clarity that will inform strategy, decisions, and activities so that it may affect a meaningful end.

The desired legacy may be written explicitly into the founding documents. In other foundations, interpreting donor intent may be an early task of the trustees or CEO who knows the original donor and what was important to them. Contrary to how legacy is often seen and experienced, this CEO peer group emphasizes legacy as the mission work the foundation does, independent from personal or familial legacy. Some of this group's founders take that even further with the belief that they're returning resources back to the communities their wealth came from, shifting the focus from the individual entirely to the community. In some cases, the legacy may become clear when trustees and others reflect on the work of the foundation after some initial grantmaking has been done, when the through-lines of the work become visible.

## Unique Goals, Implications, and Considerations

### What All Must Do

Define, sharpen, and clarify aspirations for what is important to the foundation's legacy.

### Unique Consideration

The realization of a limited-life foundation's legacy is visible on the horizon, versus being so far in the future that it feels indeterminate. As such, it is likely to drive behaviors and decision-making more urgently and more explicitly than for a perpetual foundation. The sooner and more clearly the hoped-for legacy can be defined, the greater the likelihood of it being accomplished.

### So what?/Actions to Take

Among the peer group, understanding the values behind the donor's decision to have a limited-life foundation was an important driver for getting clarity on legacy. Keeping a focus on those values enables more clarity on what and how the foundation will use its resources. Aligning the work with original intentions is an ongoing process that should be codified and communicated within the foundation as well as externally. Doing so enables trust as well as accountability and minimizes uncertainty.

Addressing the following issues in a communication plan will help to keep the focus on values and legacy:

a) What are we doing? Why are we doing it? How will the world be different when we are gone? (Answers to these questions are the horizon point board members and staff will be able to get behind.)

b) How will the fact that we have a limited lifespan help us to achieve that impact? What can we do differently? (Answers to this will allow people to let go of tradition and/or what they've known before in order to work toward a new vision.)

c) What will be difficult about doing this? What challenges can we expect? (Answers here will allow for processing, dialogue, trust-building, managing expectations, etc.)

d) What are the practical steps we need to take, the timeline, the details as we know them today, etc. (Knowledge of practical steps alleviates a good deal of uncertainty and related anxiety. Keeping communication regular, frequent, and redundant is very helpful in maintaining a sense of purpose and commitment.)

Applying change management principles can have a huge impact on individuals and outcomes. Successful organizations take the time to communicate what is happening, why it is happening, what practical steps come next, and address perceived costs. Create scripts for common situations unique to staff, grantees, and other stakeholders. Clear, frequent, and redundant communication internally will significantly influence behavior and culture at the foundation while outward communication will affect the story of impact the foundation leaves behind.

Staff leadership and board leadership who partner together on crafting and owning these messages ensure authenticity and alignment with legacy.

### What All Must Do

Donors, leaders, and trustees regularly evaluate risk factors, tolerance, and responses.

### Unique Consideration

As the end-of-life date approaches in a spend-down foundation, the importance of planning becomes more and more crucial. There are factors specific to spending down which require room for the unknown such as precise balances left for final payouts, the dynamics of buyers interested in office real estate and equipment, staff leaving more quickly than ideal, and myriad uncontrollable external circumstances. In chosen impact areas such as science and technology — where changes are rapid and trajectories can be dramatically redirected with the introduction of one new idea — the foundation will need to work to ensure its funding is flexible in ways to achieve the legacy.

### So what?/Actions to Take

Leadership and appropriate trustees can determine, to the extent possible, what those triggers might be and what process the foundation should use to adjust or redirect accordingly. Identify changes that may happen using future scenario ideation, and then decide which of those will alter the foundation's plans — for the amount of giving, for staffing, for funded impact areas, for the end date, and anything else that feels well defined.

It is often assumed that once the time span is determined, it is firmly adhered to. Experiences from the CEO peer group tell us that holding flexibility is necessary. Unexpected external influences and events will most certainly arise and may inform changes — pushing up or slowing down the timeline. For example, the pandemic of 2020-2021 caused some foundations to spend down more quickly. Opportunities to have impact may also present themselves affecting the spend-down rates in ways previously unanticipated. Having the flexibility to adjust the spend-down arc to be able to respond to such opportune moments is important to impact and legacy.

### What All Must Do

Be an example for others.

### Unique Consideration

In addition to having an impact on issues or places, for those in the peer group the paradigm of being a limited-life foundation is one of the key legacies they would like to leave. They valued sharing the benefits and challenges of living out a purposeful limited life. Once the foundation is gone, how will the foundation ensure the right people and processes are in place to share with others? The philanthropic field has an appetite for more knowledge and more case studies that support spending down. Because these foundations do not go on in perpetuity, there is greater opportunity for telling a complete story.

### So what?/Actions to Take

Answer, decide, and act on: Who / What / How.

How will the foundation leave behind resources that can provide the learnings from the lessons and provide insight into what things failed and why?

What does the foundation want to share? What level of visibility aligns with the foundation's legacy goals? Among the peer group, some foundations' trustees want to be very humble and not have the foundation's name in public. Others are honoring the donor by naming buildings or places in their honor.

The answer has implications for how the foundation will shape the narrative which connects to how the foundation will engage with grantees, grant requirements, and post-closure publishing goals and external communications.

For those foundations focusing on particular issue areas, how will insights and learning be captured and shared? Thinking as early as possible in the lifecycle of the foundation about setting up active file systems, for example, may make archiving and sharing easier and simpler down the road. Some end-of-life foundations have created publications about the organization's history, process, outcomes, and legacy in partnership with a university.

### What All Must Do

Honor the legacy of the donor.

### Unique Consideration

Honoring donor intent takes on an important nuance within the CEO peer group's foundations. They have re-centered legacy around the foundation itself and the impact it is looking to effect, versus any one individual. In all cases, board members are entrusted with honoring that legacy. At perpetual foundations, board membership will eventually be comprised of people who did not personally know the founding donor or origins of the intended legacy. In foundations with a shorter lifespan, board membership is likely to have a mix. In these situations, it is important to give equal voice and equal weight to all of the trustees through inclusive practices.

### So what?/Actions to Take

To achieve equity with voices on the board, self-awareness for those trustees who have that history with the foundation's origins is crucial. Challenge oneself to apply humility in being mindful and distinguish between what is holding a special place for legacy and what might be "just" strong opinion.

One option for keeping the donor's intention(s) alive for those who did not know them personally is storytelling. Stories highlighting the values and actions that connect to aspirations for the foundation's legacy. This can be a combination of verbal and written.

**Two Examples of Intended Legacy**

The Whitman Institute's grantees conveyed to the Institute's staff that they wanted other foundations to adopt the style of grantmaking used by the Institute. This led to the Institute spending its final resources on creating the Trust-Based Philanthropy Project to promote broader adoption of the key principles of trust-based philanthropy.

The Compton Foundation worked with many long-term grant partners and realized that the relationships they built among their grantees were a key part of their legacy. As they near the end, they are consciously focusing on strong networks among nonprofits working in their issue areas.

# Investments

## Description

Limited-life foundations give at a level that intentionally leads to zeroing out assets. Doing this is extraordinarily complex legally and logistically.

## What is unique about investing at a limited-life foundation?

Most financial assets naturally increase in value over time. Managing the opposite — a thoughtful and strategic spend-down of those assets — requires different thinking about risks and rewards and the best strategy for drawing funds to zero over a planned horizon. It can be tough to strike the right balance between liquidating assets now versus nearer the end of the foundation's lifecycle. As an example, long-term investments may not become liquid until after the foundation closes, requiring someone to manage the assets longer-term — or require planning to exit long-term investments earlier than the foundation otherwise would in order to have a clean close on the end date.

## Unique Goals, Implications, and Considerations

### What All Must Do

Create an investment strategy that ensures that adequate resources are available to address the foundation's mission and meet obligations to grantees.

### Unique Consideration

While perpetual foundations typically focus on achieving maximum return while minimizing risk to the main corpus, a limited-life foundation must match returns with spend-down goals and commitments. This will often require the ability, willingness, and even expectation to shift investment policies over the course of the foundation's lifecycle. Spend-down foundations often align investment areas more intentionally with mission and timespan.

### So what?/Actions to Take

Board and staff leadership work together to determine:

- What is the best spend-down arc projection? Explore the relationship between the arc and the impact the foundation wants to have. Considerations include speed and magnitude — how fast or slow and how big or small to spend — to have the kind of impact, to build the kind of legacy, the foundation intends. You may determine that slow, consistent annual allocations every year where the foundation ramps up slowly and accelerates spending toward the end makes sense. Or you may want to affect a bigger impact more immediately, wind down in the middle, and accelerate spending toward your close. You may find that it makes sense to ramp up grantmaking at the beginning to build capacity and strengthen grantees and lower the levels of support toward the end.
- The appropriate frequency for evaluation/re-evaluating investment strategy. Frequency and duration may be highest at the beginning phases of planning, will likely taper off perhaps once or twice per year, and could increase back to monthly as the end date nears. All financial reviews should include important decision makers.
- What level of diligence to apply to aligning investments and mission.
- The board's level of risk tolerance — and how that tolerance changes as the foundation approaches the organization's end date. For example, a limited-life foundation with a 25-year lifecycle may have one asset allocation from year one to year 20, and then a very different risk tolerance (and therefore investment allocation profile) each year for the final five years.
- In consultation with the foundation's investment advisors, a clear articulation of how the foundation will change its risk tolerance and investment profile based both on external shocks (e.g., rapidly increasing vs. declining equities market, historically high vs. historically low interest rates) as well as when those shocks occur (e.g., at the foundation's lifecycle midpoint versus three years prior to the foundation's end date).

Leverage financial tools to model and align the asset mix over time, under a variety of market conditions, so that assets are distributed by the end date while supporting the grantmaking strategy (e.g., honoring multi-year and endowment commitments).

- Peer group members used tools such as scenario planning and Monte Carlo simulations to understand how the foundation would change plans if the market changed quickly, especially near the end date, and to model different investment outcomes based on different possible market conditions. Both the conversation and the modeling are needed to guide investment and grantmaking decisions as the end date gets closer.

The spend-down timeline will show when and how to liquidate equities and may include moving from stocks and equities to bonds and cash.

- In addition to the investment assets, real estate and other assets may need to be factored in. Among the peer group members, some bought space that they will later determine how to get rid of, others intentionally rented space so that they would not have real estate to dispose of as they closed operations. Long-term investments like private equity may not become liquid until after the foundation closes and could require continued management after the life of the foundation. Or, conversely, long-term private equity investments may require the foundation to remove those asset classes from its portfolio earlier than it otherwise would — which has implications for annual investment return — to ensure that investment contracts and commitments are cleared well before the foundation's end date. Multiple foundations have expressed that, given the opportunity, they may not have made some of these investments because of the increased complications with fixed investment terms. Ensuring liquidity of assets as the foundation ends is a major theme among peer-group members.

Portfolios may need to be "de-risked" to stabilize how much money is available as the spend down happens. As an example, a foundation may consider a revised investment strategy to transition completely out of stocks and into more predictable and conservative fixed-income bonds. Investments are shifting from conservative to even more conservative, in an effort to protect foundations' portfolios. One foundation's ongoing process of "methodically de-risking" their portfolio clarifies available money as spend down continues, while maintaining a reserve for unforeseen issues or extra grantmaking.

Of course, a de-risking plan may turn out to be "wrong" — markets are very likely to be higher or lower than projections when the first decision gate is reached, and therefore the foundation may have to re-evaluate its plan based on actual market conditions. For example, a foundation relatively heavy in equities that encounters a bear market right as it starts migrating equities to cash would be selling equities at a low point. This foundation might be better off pushing its de-risking plan back one year so that its equities have the opportunity to rebound from the lows before being sold to more conservative investments.

## Budget

### Defining the Budget

The annual budget is one of the fundamental building blocks of sound financial management. It helps the board and staff plan for anticipated income and expenses and serves as a guide for financial activity in the months ahead.

### What is unique about budgeting at a limited-life foundation?

While financial stability is linked to a well-crafted, reliable budget, it should never be written in stone. This is especially true of planning for a budget with a certain end date.

### Unique Goals, Implications, and Considerations

#### What All Must Do

Plan for changes in circumstances that may be possible, but their occurrence is uncertain.

#### Unique Consideration

It becomes tricky to create a predictable and reliable budget that allows room for a good deal of contingency planning for the unexpected, decreasing assets meaningfully, maintaining staff counts when someone leaves before their end date, and more.

#### So what?/Actions to Take

Following is a list of budget considerations — not all-inclusive, but focused on unique aspects of being a foundation with an end date:

- Once the cascade of spend outs is roughly understood, the budget needed for staff retention and administration needs will become clearer. (See staff section for retention considerations connected to financial considerations.)
- Regular evaluations will help identify how much it is costing to operate the foundation and whether to stay the course or make adjustments to the end date (e.g., pay out the principal to grantees ahead of schedule). If a foundation is making endowment gifts to key grantees it may make sense to speed up the endowments as the foundation de-risks its portfolio. A grantee with a long-term (or perpetual) time horizon will likely earn more investment return than the limited-life foundation itself as the foundation de-risks its own portfolio.
- Create a line item for the use of consultants. Short term replacements for premature vacancies and the need for more specialized expertise may be needed.
- A reserve fund to cover surprise expenses after closure will ensure the unforeseen does not interfere with the foundation's long-term impact. Hopefully, the foundation will not need these funds, so it can be helpful to plan for where any unused funds will go. To determine the appropriate amount as well as length of time to hold those funds, you will want to involve tax, legal, and business experts to assess liabilities (e.g., pending or potential litigation, tax concerns, etc.).
- Consider setting aside a specific amount of equity assets to change to cash for meeting final obligations. Revisit individual staff retention and severance plans at each budget review to ensure they reflect appropriate departure time frames and anticipated shifts in costs. A foundation's human resources costs are likely to increase roughly three years before its end date. Severance plans including outplacement support can be costly.

## Grantees and Grantmaking

### Description

Grantmakers and grantees are more than just funders and recipients. They are partners in tackling complex issues and having a lasting impact. Funding and relationships are critical and serve as the basis for change to take place.

### What is unique about grantees and grantmaking at a limited-life foundation?

Grantmaking strategy at a limited-life foundation necessarily differs in important ways from grantmaking at a traditional foundation, and will vary based on each foundation's unique situation. Knowing termination is certain inherently forces sunsetting foundations to look at grantees as the vehicles to carry on their work and legacy. This paradigm creates partnerships with open two-way communication that are stronger and often atypical of traditional power dynamics found in grantmaking relationships with perpetual foundations.

## Unique Goals, Implications, and Considerations

### What All Must Do

Emphasize grantee sustainability.

### Unique Consideration

Limited-life foundations can take specific steps to ensure their grantees continue to thrive after they exit the field. Knowing the foundation will close inherently puts more intense focus on organizational capacity building for grantees. Some choose to utilize vehicles other than traditional grantmaking — such as establishing or contributing to endowments and purchasing property or equipment to further a nonprofit's mission — to provide grantees with sustainable support moving forward.

Some executives help grantees find other funding, take steps to ensure that grantees' other funders are committed to maintaining support after the foundation's exit, "think sustainably" when making grants, and build in sustainability to their grantmaking early on. As one foundation staff member said, "How do we just leave without things falling apart?"

### So what?/Actions to Take

Responding to what grantees know they need can lead to outcomes that enable and empower them to move forward with their mission. Helping them to also focus on the fact that support is finite will guide the conversation around building their capacity to ensure they stay strong after the foundation is gone.

One of many ways to help grantees with continuity is to take the time to partner with them in identifying areas of unmet needs within their organizations and explore creative ways to support them. Empower your program officers to spend time connecting grantees with other funders and funder networks or, where one-to-one matchmaking may be too time-consuming, create the conditions where those connections can happen. Invite grantees to other funders' events. Partner on speaking engagements in the field, providing the grantee increased visibility to other funders.

- ***Loaning staff.*** As interests and capabilities align, this is an option for both keeping staff engaged and providing grantees with high performing and potential staff members while still employed by the foundation.

Incorporate cultivating relationships with funding partners into the responsibilities of the foundation, especially those that can continue to support the foundation's grantees after its closure.

### What All Must Do

Grantmaking aligned with legacy goals.

### Unique Consideration

Limited-life foundations have an especially important concern about ensuring continuity at their grantee partners — organizationally and programmatically. The limited-life foundation works to ensure partners' continuity through building grantees' fundraising capacity and financial stability, providing general operating support, and focusing on organizational capacity building for grantees as the foundation nears closure.

## So what?/Actions to Take

Prioritizing relationship building and collaborative grantmaking will build trust. Engage funding partners in collaborative grantmaking models (e.g., joint investments in particular grantees or crafting funding strategies jointly with traditional foundations). Also, joining more collaborative funds is a creative way to help mitigate an organization's reliance on your contributions alone.

Strategic investments in operating support can shore up a nonprofit's sustainability strategy. Grantees may appreciate how grants were made as much as they appreciate the dollars. Choosing to provide general operating support and advocating for other funders to do so, operating from a "trust-based philanthropy" perspective, and supporting network building are examples. **Keep in mind:** General operating support is highly valuable to nonprofits — and can also be especially difficult to replace. Removing grant restrictions from purpose as well as from time could help the grantee organization supplement their reserves, and grow a more lasting infrastructure.

You will not know exactly how much money your foundation will have at the end. Legal counsel can help to develop language informing grantees of the final grant amount generally intended and explaining that the exact amount will depend on the value of assets at that time. Unless addressed ahead of time, this can cause confusion for grantees and staff. Also, different pay-out strategies may be appropriate for different focus areas of the foundation's work / the work of grantees. Be clear about the unknowns, what you anticipate will trigger a change in approach. Be intentional about frequent and regular communication.

The arc of grantmaking over the lifespan of the foundation is a critical decision. Some may emulate a bell curve, starting slowly, ramping up, then winding down as assets sunset. Others may adopt a strategy of holding on to more funding for the last two years to enable endowments or matching grants programs. For foundations working in well-established areas with established organizations, the latter may be a good fit. For those working in areas that are less developed or where the foundation is less familiar, the former strategy may help test various strategies before major investments are made. Of course, different lines of work may adopt different models.

Determine the mix of grant types with the foundation's end in mind:

- Establish endowments to support key grantees into the future.
- Consider, as you approach the final phases, more large, culminating grants.
- Employ mini-grants, matching grants, and general operating support to strengthen the position of grantees before the foundation's exit.
- Determine whether the foundation will spend a percentage of total assets each year to achieve the end date goal while supporting impact areas, give in a way that preserves the foundation's principal to distribute as endowments to grantees at termination, give annuities that can provide income to grantees after the foundation closes, or create other innovative ways to transfer wealth-ownership to the community.
- **Note:** As the "exciting" work of grantmaking winds down, some board members may become less interested. Consider resizing the board to keep a group that has the skills and interest to make decisions about closing.

#### What All Must Do

Maintain and cultivate meaningful grantee relationships.

#### Unique Consideration

Limited-life foundations prioritize relationship building and collaborative grantmaking, especially nearing closure. Tension can exist between the desire for trust and collaboration and the knowledge of the finite nature of that collaboration. It can be difficult to partner when there is a certain end to the relationship.

Working group members identified grantmaking as a broad topic of interest. One significant aspect of grantmaking they identified is the relationship they as funders have with grantees throughout the process of spending down. Many foundations have reduced their number of grantees throughout the exit process. Most foundations chose which grantees they wanted to continue to fund based on history with the grantee, mission, and effectiveness.

#### So what?/Actions to Take

Many, if not most, grantees will be unfamiliar with the concept of a limited-life foundation. An intentional communications strategy that embraces a consistent narrative and frequent check-ins can help ease their anxiety and set the stage for a smooth transition. Use the messaging created in the Legacy section of this guide to build a communications plan that includes setting clear expectations. Consider ways to revisit the conversation and the implications of your closure on a regular and frequent basis. Reinforce your timeline and close-out date. Be prepared for grantees to not believe you are *really* closing.

## Staff

### Description

Continuity of staff and leadership can have a large impact on the foundation's effectiveness, well-being of the staff who work there, and the grantees.

### What is unique about leaders and staff at a limited-life foundation?

Personnel at limited-life foundations face the understandable conundrum that their employment will predictably expire. Limited-life foundations need to be very intentional about the inherent tension between certainty and uncertainty. A shared vision with a certain end is wonderful for creating a sense of urgency and a shared commitment to achieve end goals. However, it also inherently creates great uncertainty for individuals around what's next for me? This can be a tremendous stressor if not acknowledged and managed appropriately.

### Unique Goals, Implications, and Considerations

#### What All Must Do

Retain necessary leaders and staff.

#### Unique Consideration

Clearly, a limited-life foundation will face increasingly difficult challenges with staff retention as the closure date nears. Additionally, there are unique considerations with respect to expertise needed at various points of the spend-down process and as those with the needed skills and background become even more important to the smooth operations of the foundation.

### So what?/Actions to Take

The foundation has many options for retaining staff. As with all other areas, a mindful strategy and clear goals will help narrow and direct you to options that fit within your foundation's unique situation, support the spend-down goals, and enable the realization of the foundation's legacy goals. Following are steps you can take to develop your retention strategy:

***Step 1: Who is needed and for how long?*** Leaders should align staff capabilities and numbers with the cascading needs of the foundation from now until closure. For instance, connecting to the spend-down objectives and purpose (your legacy), determine who is needed and for how long to distribute the last grant, collect impact data on grant outcomes after close, and do final publicity or archiving, etc. Once it is clear what and who is needed for each step along the way of the spend out, then you can focus on the next step.

***Step 2: What can we afford?*** Compensation strategy must always be subordinate to the spend-out strategy. A common misstep leaders will often make is paying staff more to retain them than can potentially be afforded. Build a retention strategy around the capacity and needs of the foundation.

***Step 3: What will we do to keep our staff secure and engaged?*** Help them navigate the unknown. While it is common to throw money (bonuses and/or salaries linked to outcomes), keep in mind that employee engagement is rarely about the money. People in this situation are more concerned about what happens when the job comes to an end. If you can provide for your staff after the doors are closed, they can then focus on the mission without worrying about what will happen when it's over. Consider the following, as examples and possibilities:

- Insurance benefits. Consider extending benefits past the end date commensurate with both tenure at the foundation and how long we reasonably expect it to take to find a new job (possibly six to 12 months).
- Income protection. Structure a severance package (lump sum or income continuation with similar logic to benefits) tied to releasing all claims against the trust/foundation.
- Keeping staff connected as ambassadors. Consider a 'good citizenship' clause as well that ensures another dollar amount is distributed after a defined period. This rewards ongoing positivity while also leaving the door open to call for support, clarification, information, etc., as needed post-closure.
- Stipends for ongoing career support.
- Fellowship programs.
- Allow staff to pursue other nonprofit career interests while they are still on the foundation payroll.
- Staff bonus payouts upon the foundation's closure.
- Up to a specified amount to apply annually to an individual's professional development.
- Vesting employees immediately in retirement programs.

One foundation developed staff retention and severance plans and every January they update staff with a new potential end date to their position. Make things as transparent as possible. One foundation acknowledged that having staff leave at different times was impacting morale. To combat this, they developed a model that communicated staff's end dates via a departure list plus a commitment to individualized support.

Applying change management principles and acknowledging the practical and emotional challenges when managing ambiguity will help your staff survive and thrive in the context of constant change. Frequent and redundant communication is incredibly important when considering formal and informal, internal and external communications. Elements of a thoughtful communication plan include taking the time to develop a documented change communication strategy, mapping out responses to:

- What are our key messages (see a–d on page 7)? (What are we doing, why are we doing it, what are our expected outcomes, what are the expected challenges, etc.)
- Who are our stakeholders? (Grantees, staff, community partners, other funders, etc.)
- With what frequency will we communicate with internal and external stakeholders?
- Who is responsible for message delivery to each stakeholder group?
- What tools and resources are needed to ensure consistent and timely messaging?
- What kinds of mechanisms do we have in place to enable circles of healthy feedback?

### What All Must Do

Ensure continuity by managing staff capacity and meeting their fundamental needs.

### Unique Consideration #1

Limited-life foundations will have unique pulls on their capacity, depending on, of course, individual roles and how multi-disciplinary or specialized the staff make-up is at the foundation. Knowing that grantee relationships are crucial and that priorities will shift for competing attention, the limited-life foundation must pay special attention to balancing realistic expectations put on staff during the spend out process.

### Unique Consideration #2

The limited-life foundation will have an interest not typically found at the same level as other foundations in individual staff career aspirations. The limited-life foundation will likely incorporate individual goals more intentionally into the spend-down process — both out of concern for the future of their valued staff members, and also out of concern for the foundation to be able to operate optimally and without disruption.

### Unique Consideration #3

With respect to cultivating an organizational culture aligned with legacy goals, perpetual foundations may feel that there is always time to shape and grow. Limited-life foundations need to put effort, sooner rather than later, into shaping organizational culture because it is an inward reflection of legacy and will impact all that you do.

### So what?/Actions to Take

Be ready to take on consultants at key moments as an effective bridging tool to manage continuity organizationally. As mentioned earlier, there is typically an increase in demands for outside support in the final few years of the foundation's life. Having pre-established relationships with third parties and even contracts at-the-ready will help ensure smoother transitions.

Taking the time to understand your staff members' career aspirations can inform your foundation's strategy for retention. Are they just beginning a career or ready for retirement?

- Consider timing implications — if possible, time retirement with close date.
- Fund professional development and outplacement services for those looking for another job.
- Provide fellowship program outplacement to get experience elsewhere.
- Succession planning becomes more like contingency planning at some point; aggressive cross-training at all levels mitigates the negative effects of unexpected departures. Consider retaining consultants or contract workers ready to engage as needed and on short notice if needed.
- Develop retention bonuses for those who stay to the end and contingency plans for those who end up leaving early.

Explore demands on staff that will ebb and flow with the spend-down timeline. Consider how the skills needed may evolve over the arc of grantmaking. In situations where the lifespan of the limited-life foundation is 20+ years, three different types of staff are needed at different times of the lifecycle. To wit — you need staff who are comfortable in a startup/entrepreneurial environment in the first one to three years as systems are getting established. Next, transition to "regular" foundation and grantmaking staff during the decade(s) of typical operations. Last, transition in the final three to five years away from a "traditional grantmaking" staff to a staff comfortable with organizational exits as well as endowment gifts.

Consider how many staff (and who) will engage with grantees (how and with what frequency) as well as one-to-one meetings, all-staff meetings, daily job duties, fluctuations, etc. There are several necessary ongoing tasks that are unique to limited-life foundations that will require staff support in terms of time, skills, and/or emotional energy such as:

- Collecting lessons learned along the journey for both improving in the moment and for sharing post-closure.
- Early grantmaking may be very much like traditional grantmaking. Over time, skills like negotiating endowment terms or understanding capacity building may become more important.
- Managing closing administrative tasks such as notifying vendors, packing and storing and potential move coordination, increased levels of communication/engagement with grantees, etc.

Open, regular, and frequent communications are critical for meeting the needs of staff. This guide has already addressed many aspects of crafting important messages and developing a communication plan taking into account all of the foundation's stakeholders. In addition to these best practices, a limited-life foundation may consider modeling their staff notifications and potential offerings (such as outplacement support) after Human Resource WARN notification requirements.

- The Worker Adjustment and Retraining Notification (WARN) Act helps ensure advance notice in cases of qualified plant closings and mass layoffs. The U.S. Department of Labor has compliance assistance materials to ensure requirements are met: https://www.ecfr.gov/cgi-bin/text-idx?SID=99ed6ca6283e86ebd5f28437ff29ba23&mc=true&node=pt20.3.639&rgn=div5

## Evaluation

### Description/Definition

Metrics, measurements, and evaluation considerations are inextricable from the foundation's efforts to define and realize its legacy. Defining what's important to measure and mechanisms for measuring (metrics/measurement) are woven into making the connection to the cause area and foundation goals (legacy).

### Subtext

While most limited-life foundation evaluation approaches are similar or the same as more traditional grant makers, there are some nuances to consider for limited-life foundations. The impact of any foundation's work may only be visible long after investments are made. In the case of limited-life foundations, that may mean years after the foundation closes its doors.

#### What All Must Do

Focus on your own effectiveness.

#### Unique Consideration

The often overlooked component of evaluation for a limited-life foundation is evaluating the spend-down process itself. There is a great opportunity for limited-life foundations to create and implement measures and processes to assess the effectiveness of its own efforts. Outcomes of such an evaluation will be valued for sharing with others in the field.

#### So what?/Actions to Take

Develop and deploy an evaluation mechanism as feedback during the spend-down process. Engage your grantees, any co-funders, and other key institutions in the community to get feedback, input, and even guidance on how you're doing with impacts being realized. Explore options with these partners to ensure your departure does not leave them exposed.

Use time now (versus waiting to get close to the spend-down date) to create a strategy for capturing the information and sharing with others.

- Who will be tasked with the evaluation efforts pre and post closure?
- How long will the evaluation take place (annually for five years after close? Longer? Shorter?)
- To what degree will grantees' success be a measure of foundation impact?
- To what extent does foundation leadership think the impact is going to come from what is funded or how the foundation goes about doing the grantmaking? (Note: *how* has a great impact on the legacy that you leave behind.)
- How will evaluation outcomes be incorporated into organizational archives and lessons learned for the field?
- What will the foundation accept as evidence of success? Are there specific goals and indicators that can be decided on now to determine success?
- Where/how will stories and anecdotes be captured and incorporated?

## General Tactics and Considerations

### Description

Managing to an end date requires certain considerations as well as tasks that are not always natural to consider. A foundation's closure is likely an event that a leader, staff member, and trustee experience only once in a career. The following list includes general tasks, questions, and considerations that may impact the foundation's end date, how the foundation weathers changes in circumstances, donor control, and monetary value.

### General Considerations for Managing to an End Date

- Adjust board terms to avoid adding new members near the end date.
- Define IRS and legal requirements for closure. Document well ahead of time IRS and legal implications of termination.
- Consider developing a mechanism for altering endowment terms once the foundation closes so that the owner of the endowment does not have to take legal action to amend the terms. It can be time consuming and costly to hire lawyers to go through state attorneys general office to approve amending the endowment agreement.
- Consider changes in economic conditions that could result both in either higher or lower balances than expected during the final wind-down year when shaping how much flexibility to leave with respect to spend out timeline.
- The board will need to pay attention to key decisions or strategic questions that will emerge as the end date gets closer, such as when to give endowment gifts, resize staff, or dispose of other assets.
- The more time there is before closure, the more guarantee there is that asset values will fluctuate.
- The world could/will change. Spend too quickly and it changes again.
- Allow for/plan for some purposeful inconsistencies in grant-making philosophies to meet unique priorities of grantee mix and spend-down timing and goals.
- There are specific items such as long-term investments that may not become liquid until after the foundation closes that will require identifying a manager to oversee those assets into the future. Potentially design a role for board members to continue monitoring investments, permanent vehicles, or other legacy projects into the future.
- Transfer/grant stock (to grantees) that is left nearing the end.
- How long do you plan on administration? One foundation planned for a year, but wonders if that is enough. Another foundation planned on closing grantmaking a year prior to the official close of the foundation, and then once the foundation closes, everything is done.

## Closing Administration

### Description

Finally, the actual closing of the foundation will require taking important steps. The following checklist is intended to call out some of those practical steps and considerations for practitioners.

### Checklist for Closing Shop

- ☐ Engage an experienced accountant and attorney to navigate this list and to highlight other considerations important to the proper closing of your foundation.
- ☐ File final tax returns and IRS Form 990s.
- ☐ File application for dissolution (check state laws and IRS regulations).
- ☐ Process and distribute final Forms W-2 and Forms 1099.
- ☐ Understand government requirements for record retention and ensure you have budget available for whatever is necessary.
- ☐ Review and terminate vendor agreements accordingly.
- ☐ Send final communications to mailing lists and other contacts.
- ☐ Sell, dispose of property, computers, buildings, furniture, miscellaneous office equipment, etc. / Approaches: 1) Invest in renovating space as part of the legacy, gifting the buildings along with an endowment to maintain it to a key partner. 2) Plan to rent instead of purchase office space.
- ☐ Pay final bills and close bank accounts (set aside funds for unanticipated costs that may arise even after termination date).
- ☐ Considerations for any final assets: Turn over to a community foundation, make any final donations to grantees, or give remaining assets to another private foundation.
- ☐ Contact a library or university for archival support. Include managing or shutting down your website and domain name. Determine who the audience is and what the purpose of sharing things publicly will — consider legacy/impact as well as what can be of service to help others, improve the system, etc. If archiving is too costly, consider a report, book, or posting to the website.
- ☐ Consider commissioning a report on the foundation's activities for posterity and sharing lessons with the field.

## Additional Resources and Further Reading

**Sunsetting: A Framework for Foundation Life as Well as Death**

This 2011 paper outlines distinct benefits and characteristics of sunsetting organizations developed through an analysis of four sunsetting foundations. The foundations were selected because each has taken a thoughtful and strategic approach to their end in their own way.

Aspen Institute: https://www.aspeninstitute.org/wp-content/uploads/files/content/docs/pubs/Sunsetting2.pdf

**Atlantic Insights: Operating for Limited Life**

The Atlantic Philanthropies closed their doors in 2020. This 108-page report of insights shares what they have learned along the way.

Atlantic Philanthropies: https://www.atlanticphilanthropies.org/wp-content/uploads/2018/10/Limited-Life_10-25-18.pdf

**Balancing Purpose, Payout, and Permanence**

The Council of Foundations and National Center for Family Philanthropy co-sponsored this 2020 webinar that includes an exploration of the balance of payout, lifespan, and current conditions regardless of perpetuity or spend-down.

NCFP & COF: https://www.youtube.com/watch?v=funv6ZNLG54

**Beldon Fund Archives**

The Beldon Fund closed its doors in 2009 and worked with the Indiana University-Purdue University Indianapolis University Library Philanthropy Collections to capture and share the spend-down journey and lessons with others in the field.

Beldon Fund Archive: http://beldon.org/

**Foundation Exits: A Survey of Foundations and Nonprofits**

The Dorothy A Johnson Center for Philanthropy produced this 2019 report for the S.D. Bechtel, Jr. Foundation. The goal of the report was to better understand the success of exit processes and how exits affect the long-term sustainability of grantees, a field, and the broader community.

Dorothy A. Johnson Center for Philanthropy at Grand Valley State University: https://johnsoncenter.org/wp-content/uploads/2020/10/FoundationExits2019.pdf

**Beyond 5% - The New Foundation Payout Menu**

This 2008 report examines foundations that grappled with questions and solutions outside of traditional boundaries, and shares instructive lessons learned from each.

National California Grantmakers: https://ncg.org/sites/default/files/resources/Beyond_5%25_Report.pdf

**Strategic Lifespan and Limited-life foundations: Balancing Purpose, Payout, and Perpetuity**

This NCFP Content Collection is aimed at anyone contemplating the idea of a limited-life foundation, as well as existing foundations with a set closing date.

National Center for Family Philanthropy Collection: https://www.ncfp.org/collection/spending-up-considering-your-strategic-lifespan/

### Strategic Time Horizons: A Global Snapshot of Foundation Approaches

Rockefeller Philanthropy Advisors (RPA) and NORC at the University of Chicago surveyed 150 philanthropic organizations of various types in North America, South America, Europe, and Asia. Their 2020 report provides insights into how organizations view and make decisions regarding strategic time horizons, and how time horizon choices affect their philanthropic activity.

Rockefeller Philanthropy Advisors: https://www.rockpa.org/wp-content/uploads/2020/01/Strategic-Time-Horizons-a-Global-Snapshot-of-Foundation-Approaches_FNL.pdf

### A Date Certain: Case Studies of Three Limited-life foundations

Short case studies published in 2017 about each of the foundations' approaches to spending down.

The Center for Effective Philanthropy: https://cep.org/wp-content/uploads/2017/03/CEP-A-Date-Certain-Case-Studies.pdf

### Perpetuity or Limited Lifespan: How Do Family Foundations Decide?

This original research report is a study of family foundations in 2008, based on survey responses from 1,074 family foundations. Questions it explores include how many active foundations are planning to spend down or exist in perpetuity (or have not yet made a decision), their motivations and decision making.

The Foundation Center: http://www.philanthropy.org/seminars/documents/PerpetuityorLimitedLifespan_HowDoFamilyFoundationsDecide_Fullreport.pdf

### The Foundation Review, Vol. 9, Iss. 1 – *Exit Strategies*

This peer-reviewed, quarterly journal published a special issue in 2017 to expand what we know about how to achieve lasting impact through their exit strategies.

Dorothy A. Johnson Center for Philanthropy at Grand Valley State University: https://scholarworks.gvsu.edu/cgi/viewcontent.cgi?article=1356&context=tfr