MAKING MONEY MORE MEANINGFUL

By Clare Golla and Marisa Swystun

"Is this it? We just give it away, and we accept that's the best we can do?"

I'd been called in to meet with a client of our firm who had set up and funded a private non-operating foundation using proceeds from a business sale. His wealth advisor had informed me that the client had already been quite generous with his giving, and now, post-transaction, he wanted to focus more on philanthropy. He had some questions he hoped I could answer, and this was how he kicked off our conversation.

As I responded with some open-ended questions of my own, his concerns became clearer. He explained that his business success had relied heavily on essential financial tools like leverage and debt financing, pooled capital from private investors, and significant investment in critical areas like research and development or client acquisition. Yet as he delved into the conventional practices of traditional grantmaking, he found them to be limited, leaving him feeling underwhelmed and unsatisfied.

What do we mean by "traditional grantmaking"? Think of the common scenario where a donor or funder contributes funds to qualified 501c3 nonprofit organizations, typically meeting or slightly exceeding the 5% required charitable distribution if it's a private non-operating foundation. The grantees then provide some confirming information, the donor feels satisfied, and the cycle continues. For countless donors—from the "mass affluent" who give in response to appeals often from friends and family to more structured foundations that primarily donate to the same institutions annually—this approach works well, and there is nothing inherently wrong with it.

This client, however, represented a growing number of individuals and family offices who are taking control of their philanthropic capital and are not necessarily content with the status quo. They're seeking a more expansive toolkit to stretch their philanthropic resources, and are asking, "What are others like us doing to make a bigger difference?" There are tens of thousands of foundations and donors giving at levels between megadonors and grassroots campaigns. Despite their significant collective potential, they often remain unfamiliar with one another and receive far less media attention than they deserve. Further, limited staff support, lack of internal systems, and isolation from "professional" philanthropic networks make it harder for this cohort to achieve the impact they aspire to with their philanthropy.

In a paper published this summer, we dubbed this elusive group the "Meaningful Middle" of philanthropy. These donors, including many family offices, possess outsized, untapped potential and a unique opportunity to effect positive community impacts in ways that others simply cannot. To maximize their impact, they can employ various strategies and structures, including:

Donor Collaboratives: Also known as "pooled funds" or "funder collaboratives," these are intentional efforts among multiple donors to grant toward similar initiatives, programs, and/or social outcomes. Since no single donor can fully address any social challenge—even at local levels—lasting impact is more likely achieved through collective efforts.

Nontraditional assets: By thinking outside the box, donors can marshal the full suite of their assets by leveraging diverse assets like real estate, business interests, and collectibles. With the right professional and nonprofit partners, these often-overlooked resources can be transformed into impactful charitable contributions, especially during the "great wealth transfer." Family offices, with their diverse asset portfolios, are uniquely positioned to lead in this area.

Charitable LLCs and 501c4s: Nontraditional vehicles and entities that promote flexibility, creativity, and innovation—for the donor, specific organizations supported, and broader issue areas represented—can be powerful fit-for-purpose tools.

Recoverable grants, Program Related Investments, etc.: There are plenty of opportunities to pursue impact beyond traditional grantmaking by aligning invested capital with a strategic mission. Family offices can leverage their investment expertise to create sustainable impact through these innovative financial instruments.

Support "Beyond the Check: Tapping into relational and reputational capital or using influence to help unlock additional sources of financial support can be an incredibly valuable asset for partner organizations. Family offices, with their extensive networks, can amplify their impact by connecting nonprofits with these kinds of resources and opportunities.

Here are just a few examples of giving that reflect the spirit of support "beyond the check":

Source gifts with impact in mind by purchasing from social enterprises, nonprofit organizations, and causes that reflect the change you want to see in the world—especially those that will resonate with the recipient.

Discuss the "Five T's" with an organization important to you and make some commitments: Treasure (consider funds beyond your family foundation, like a DAF or employee matching program); Time (volunteerism by family and/or employees); Talent (pro bono resources); Ties (opening up a part of your professional or personal network); and Testimony (spreading the word).

Remind your trusted advisors to scan the balance sheet for "low hanging fruit" such as appreciated assets, IRA qualified charitable distributions, and investment strategies that align with your values.

Engage and enlist your family, friends, staff, clients, and professional partners in your efforts. So, what happened to that client from the beginning of this article? I just received a request to meet with him again. He's now looking for professional contacts I might recommend as potential board members for a local grassroots organization he supports.

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