

Morgan Stanley



Family Philanthropy Toolkit

Philanthropy Management

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Creating a Philanthropic Mission Statement

Why and How to Develop a Mission Statement

Developing a philanthropic mission statement is important for families who plan on working together as donors

- Identifying shared values will help families agree on a direction to follow in the future
- Culminates in a statement that articulates what the family wants to accomplish

Having a precise mission statement will help families

- Focus their philanthropy
- Create a clear and lasting legacy
- Communicate effectively with potential grantee nonprofit organizations

A mission statement is not a static document and should involve periodic re-examination

- Missions can evolve in tandem with the organization's goals
- Enables flexibility required by changes in society, the economy, and new foundations and organizations entering the field

Families may consider organizing a family retreat or hiring a family retreat facilitator to run a retreat.¹ Retreats are helpful to:

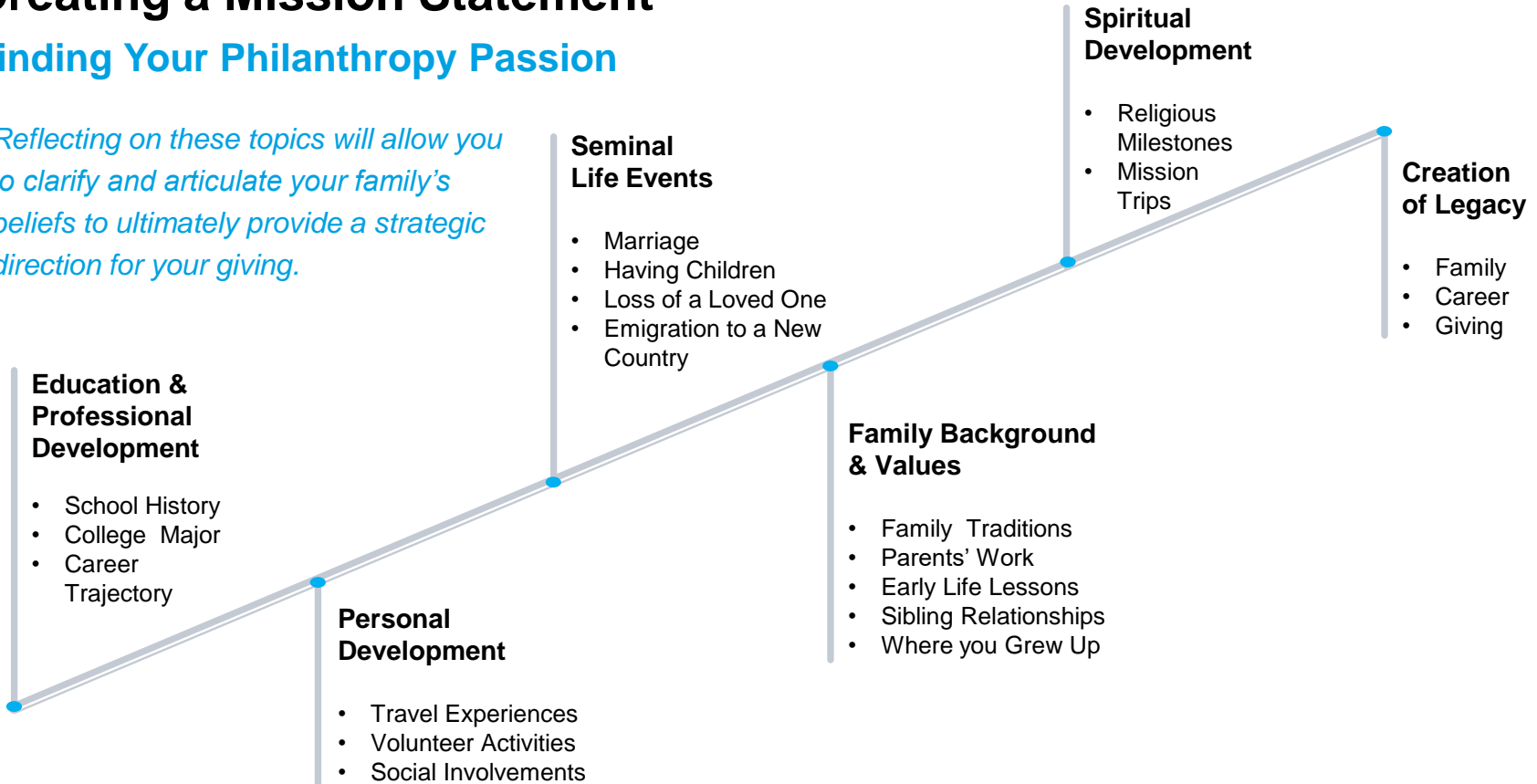
- Facilitate discussions required to memorialize a family mission statement
- Encourage a process that captures all family members' interests and input

1. See Appendix A for sample one-day agenda for family philanthropic retreat

Creating a Mission Statement

Finding Your Philanthropy Passion

Reflecting on these topics will allow you to clarify and articulate your family's beliefs to ultimately provide a strategic direction for your giving.



Creating a Mission Statement

Discovering Values and Interests

Values

- ✓ **Ethical:** *honesty, justice, fairness*
- ✓ **Personal:** *modesty, loyalty, faithfulness*
- ✓ **Emotional:** *compassion, kindness, generosity*
- ✓ **Public:** *good citizenship, community involvement, common good*
- ✓ **Cultural:** *beauty, taste, aesthetics, history, loyalty*
- ✓ **Financial:** *financial responsibility, frugality, independence*
- ✓ **Physical:** *health, relaxation, exercise, well-being*

Interests



Are there places you have **lived, traveled, or vacationed** that had an impact on you?



Have any **books, art works, or films** made a particular impression on you?



Do any **causes or issues** spark your enthusiasm?



Have you had any **life experiences** that have had a profound impact on you?



Do you have any **hobbies or leisure activities** that you particularly enjoy?

Creating a Mission Statement

Sample Family Philanthropic Missions Statements

Subject Area	Sample Mission Statement
Place-Based	“The Smith Family is a not-for-profit private foundation whose primary mission is to improve educational, community and health opportunities for underprivileged and/or disadvantaged children in City, State.”
Environmental & Sustainability	“The Greene Family’s primary mission is to support environmental organizations, with an emphasis on those organizations that work toward systemic change and sustainability, particularly where the areas of the environment and economic development come together.”
Cancer Care	“The Johnson Family is dedicated to creating a more humanitarian environment for cancer patients. The family has a particular interest in supporting services for cancer patients and in complementing the work of the Johnson Family New Drug Development Program at ABC Hospital. The family also supports, to a lesser extent, selected projects in the arts and programs supporting women and children.”
Women’s Health & Breast Cancer	“The Miller family is on a mission to educate women about breast cancer. We are hoping to inspire women to take control of their own breast health, by sharing personal survival experiences and life-saving messages.”

Charitable Giving Vehicle Comparison

	DONOR-ADVISED FUNDS	PRIVATE FOUNDATIONS
Description	Cash or property donated to a charitable fund administered by a public charity. Donations invested according to donor's advice and grants made to qualified public charity(ies) according to donor's recommendations, subject to approval of administering charity. Donors can choose successors to advise on investments and recommend grants after donor's death.	Cash or property donated during donor's life or upon death to a private, nonprofit, grant-making organization formed as a trust or corporation. Foundation typically receives most of its funding from one source, usually an individual or family. Foundation makes charitable distributions as determined by trustees/managers. Subject to 1.39% excise tax on net investment income, prohibitions on self-dealing and other stringent rules.
Start Up Costs	None	Legal fees, IRS tax exemption application fee, and other fees
Annual Fees	Administration and investment management fees.	There may be trustee/director, investment management, administration and tax return preparation fees.
Level of Complexity	Low	High
Donor Control	Medium	High
Minimum Initial Contribution	Typically, \$25,000 for initial contribution and \$5,000 for additional contributions. Other conditions may apply.	Typically, \$5-10 million for initial contribution or expectation that assets will total \$5-10 million by end of first year.
Donor's Potential Charitable Tax Deduction	Generally, charitable income tax deduction for lifetime cash donation but limited to 60% of AGI. Any unused deduction may be carried forward for up to five years. Generally, charitable income tax deduction for full fair market value of donation during life of long-term appreciated stock, but limited to 30% of AGI. Any unused tax deduction may be carried forward for up to five years. Charitable gift tax deduction for full fair market value of lifetime donation. Charitable estate tax deduction for full fair market value of donation at death.	Generally, charitable income-tax deduction for lifetime cash donation but limited to 30% of AGI. Any unused deduction may be carried forward for up to five years. Generally, charitable income-tax deduction for full fair market value of donation during life of long-term qualified appreciated stock, but limited to 20% of AGI. Charitable income tax deduction for other long-term capital gain property for the donor's basis in the property, but limited to 20% of AGI. Any unused tax deduction may be carried forward for up to five years. Charitable gift-tax deduction for full fair market value of lifetime donation. Charitable estate-tax deduction for full fair market value of donation at death.
Income Stream to Donor/Beneficiary	No	No
Timing for Charity to Receive Donation	Any time, according to the donor's own timetable, until all assets from donor's DAF account are distributed. No annual distribution requirement.	Generally, at least 5% of assets must be distributed to charity(ies) annually, but distributions can be greater if directors/trustees choose.
Documents Needed	Agreement with charity administering fund.	Trust or corporate bylaws/governing provisions.

Charitable Giving Vehicle Comparison

	CHARITABLE REMAINDER TRUST	CHARITABLE LEAD TRUST
Description	Cash or property transferred during donor's life or upon death to an irrevocable trust. Trust makes a payment (at least annually) to donor and/or other beneficiary(ies) for their life or lives or for a specified term of not more than 20 years. Amount of annual payment can either be (i) the same each year, based on a fixed percentage of initial value of trust assets or (ii) variable, based on a fixed percentage of the value of trust assets computed each year. Minimum payment rate is 5%. Charity(ies) receive any remaining trust assets at the end of payment term.	Cash or property transferred to an irrevocable trust. Trust makes a payment (at least annually) to charity(ies) for life or lives of donor and/or beneficiary(ies) for a specified term of years. Amount of annual payment either can be (i) the same each year, based on a fixed percentage of initial value of trust assets or (ii) variable, based on a fixed percentage of the value of trust assets computed each year. At the end of payment term, donor or other beneficiary(ies) receive any remaining trust property.
Start Up Costs	There may be legal fees to create a trust	There may be legal fees to create a trust
Annual Fees	There may be trustee, investment management, administration and tax return preparation fees.	There may be trustee, investment management, administration and tax return preparation fees.
Level of Complexity	High	High
Donor Control	High	Medium
Minimum Initial Contribution	None	None
Donor's Potential Charitable Tax Deduction	Generally, charitable income tax deduction for lifetime donation is equal to present value of gift ultimately passing to charity (subject to certain AGI limits) and same charitable gift tax deduction without AGI limits. Any unused income tax deduction may be carried forward for up to five years. For a Charitable Remainder Trust created at death, charitable estate tax deduction is equal to the present value of assets ultimately passing to charity.	Lifetime donations to some (but not all) types of Charitable Lead Trusts may provide donor with a charitable income tax deduction equal to the present value of the charity's payment stream (subject to certain AGI limits). Any unused deduction may be carried forward for up to five years. For a charitable lead trust created during life, the charitable gift tax deduction is equal to the present value of the charity's payment stream. For a Charitable Lead Trust created at death, charitable estate tax deduction is equal to the present value of the charity's payment stream.
Income Stream to Donor/Beneficiary	Yes, fixed or variable amount.	No, but donor or other beneficiaries receive remaining trust assets at end of charity's payment term.
Timing for Charity to Receive Donation	At end of specified payment term (i.e. at death of payment recipient(s) or end of specified term of years).	During specified payment term at least annually until death of measuring life or lives, or end of specified term of years.
Documents Needed	Trust	Trust

Charitable Giving Vehicle Comparison

	CHARITABLE GIFT ANNUITY	POOLED INCOME FUND
Description	Cash or property donated during donor's life or upon death to a public charity or community foundation in exchange for the charity's promise to make a fixed lifetime payment (at least annually) to donor and/or other individual(s). Generally, payment amount conforms to a prescribed table measuring payment on recipient's life expectancy. Charity keeps any remaining assets upon death of the payment recipient.	Cash or property donated by separate donors and commingled in a single fund for investment purposes. Each donor or the donor's designated beneficiary receives a proportionate share of the income earned by the fund each year. Charity keeps the remaining assets from each donor's share of the fund upon each donor's death.
Start Up Costs	None	None
Annual Fees	Administration and investment management fees	Administration and investment management fees
Level of Complexity	Medium	Medium
Donor Control	Low	Low
Minimum Initial Contribution	Typically \$10,000 minimum of cash or stock. No additional contributions permitted.	Typically \$10,000 minimum of cash or stock.
Donor's Potential Charitable Tax Deduction	Generally, charitable income tax deduction for actuarially determined value of gift ultimately passing to charity (subject to certain AGI limits) and same charitable gift tax deduction without AGI limits. Any unused income tax deduction may be carried forward for up to five years.	Generally, charitable income tax deduction for actuarially determined value of gift ultimately passing to charity (subject to certain AGI limits) and same charitable gift tax deduction without AGI limits. Any unused income tax deduction may be carried forward for up to five years.
Income Stream to Donor/Beneficiary	Yes, fixed amount.	Yes, variable amount.
Timing for Charity to Receive Donation	At end of contract (i.e., at death of payment recipients).	At end of contract (i.e., at donor's death).
Documents Needed	Contract with charity	Contract with charity

Family Philanthropy Governance

Defining Roles and Involvement

Among the first decisions your family may make when beginning your philanthropic journey are which family members should be involved and what role each of them will play. Most modern families are a complex composition of the traditional nuclear family plus additional individuals such as spouses, ex-spouses, domestic partners, stepchildren, adopted children and family friends. Some considerations for defining roles and responsibilities amongst family members are listed below.



Blood Relatives vs. Extended Family:

- Some families may choose to restrict involvement in their philanthropy to immediate blood relatives, while other families prefer to be more inclusive, recognizing the advantages of including extended family members and outsiders in their philanthropy because of the diverse knowledge and skill sets they can bring to the table.



External Consultants & Family Office Involvement:

- More and more families are inviting outside attorneys, accountants and grantmaking consultants to assist in their charitable giving, particularly in light of the heightened regulatory environment.
- Families may ask family office staff to assist with philanthropy management.



Succession Planning:

- It is important for families to take steps to ensure the continuity of their family's philanthropy in the wake of death, divorce, remarriage or adoption.
- For example, discussing and implementing a succession plan is paramount if a family expects a seamless transition of authority from one generation to the next when the patriarch or matriarch passes away.

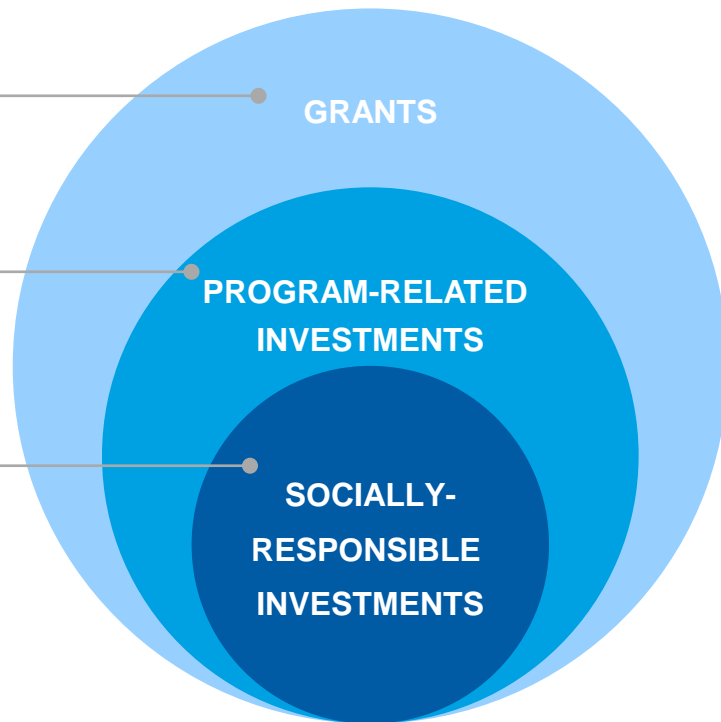
Trends in Modern Philanthropy

Grants and Investments

Short-term for specific projects; multi-year restricted or unrestricted funding; scholarships; capacity building to improve effectiveness of board, development staff, management, etc.; general operating support

Private equity and debt investments, including program-related investments (PRIs), which can be used to provide a line of credit or collateral to help strengthen the financial credibility of a non-profit or mission-driven organization

Public equity and fixed-income investments, often coined as sustainable, responsible and impact investing (SRI)—or Investing with Impact, as we refer to it at Morgan Stanley, which follows a range of approaches to achieve positive social and/or environmental outcomes



Mission Align 360°

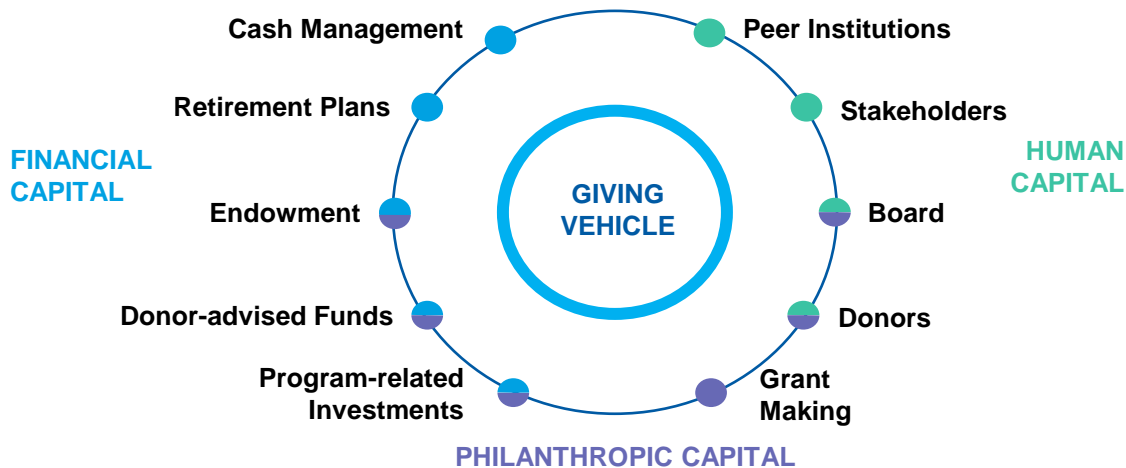
Aligning All Pools of Capital with Mission

More and more, families are leveraging sustainable and impact investing, in addition to their grant-making strategies, to achieve their charitable missions. Many families, however, have the capacity—and increasingly the desire—to do more. Mission Align 360° is the process by which a family examines itself from every vantage point—a 360 degree view. This examination requires a family to assess its human, financial and philanthropic capital and how such capital is allocated in order to accomplish its mission.

Human Capital: The collective skills, talents, knowledge or other intangible assets of individuals that can be used to create value

Philanthropic Capital: Capital that has no, or low, expectation of financial return such as grant-making and program related investments

Financial Capital: Investments that seek to achieve specific goals while targeting market-rate financial returns



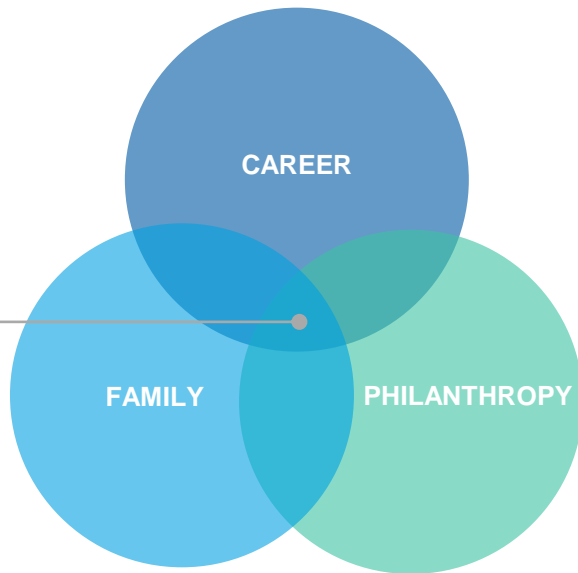
The Creation of Legacy

How Do You Want to Be Remembered?

One of mankind's greatest needs is to leave a legacy. What mark do you want to leave behind? This series of questions seeks to identify the lens through which you view the future, and the imprint you wish to create.

Your Legacy

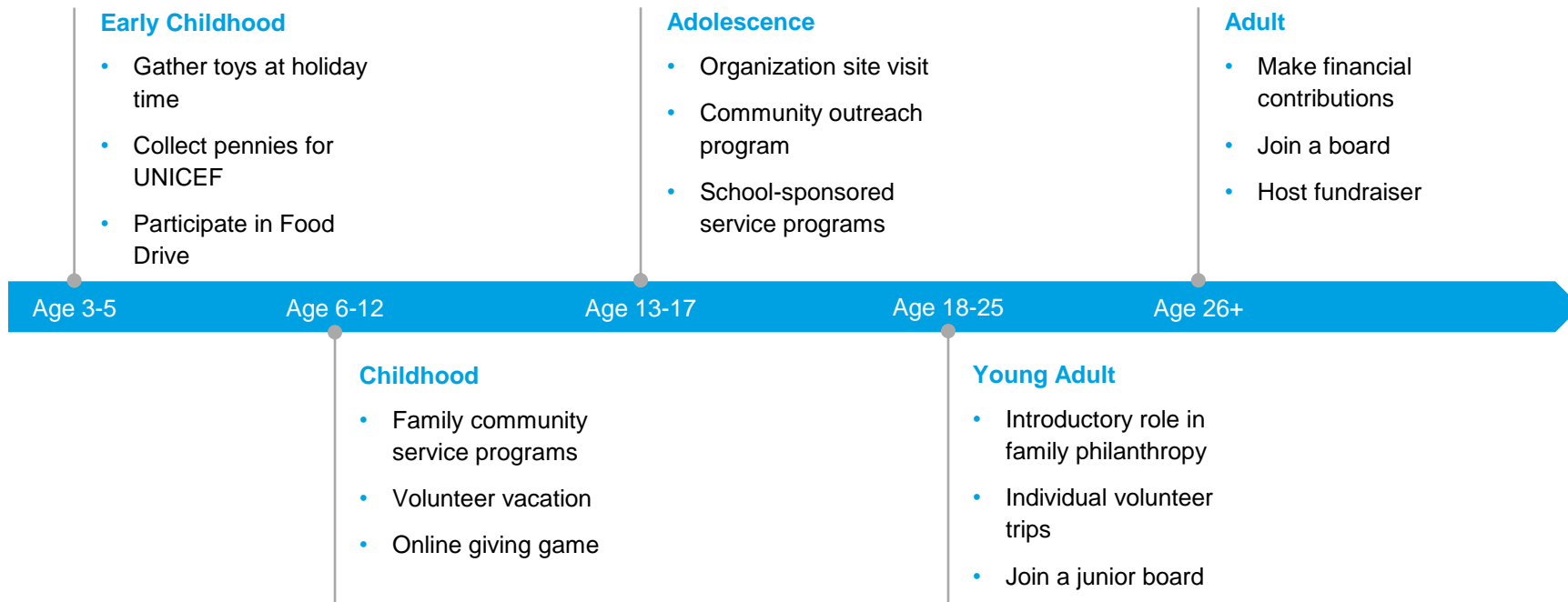
Other than your family, your giving may rival only your career as the principal component of your legacy.



1. What activity gives you the greatest feeling of personal fulfillment and significance?
2. What circumstances would have to happen between now and the end of your life for you to leave this world with no regrets?
3. When people think of you, what are two things that you want them to remember most?
4. If you had only 30 days to live, had perfect health and unlimited financial resources, how would you spend this time?

Philanthropy Across All Ages

Engaging the Next Generation in Family Philanthropy



Giving as a Family Case Studies

Fostering Family Unity

- Family of five makes an organizational site visit during its family vacation
- Inspired by the experience, they decide to volunteer together when they return home
- The family begins to host fundraising events and attend volunteer opportunities together on a bi-monthly basis
- Philanthropy enables the family to spend time together amid busy lives and conflicting schedules
- The experience fosters collaboration and communication amongst family members

Instilling Charitable Ethic

- A family of six has four children spanning from elementary school through senior year of high school. Parents hope to instill the same charitable ethic in their children that they have found rewarding in their own lives
- Parents help 2nd grader organize his classroom's local food and clothing drive
- Parents sign up twins to take a month-long service trip during their summer break
- Parents encourage daughter to become a junior board member at a nonprofit that supports causes she cares about

Establishing Legacy

- Patriarch of a family sells his family business for a small fortune and establishes a family foundation
- The family determines a mission statement that reflects the values they hope will guide their family in generations to come
- Second generation family members contribute to the foundation annually to ensure it is endowed in perpetuity
- The family becomes known in its community for affecting positive change in the areas decided upon in the family's mission statement

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Appendix

Appendix A: The Family Philanthropic Retreat

Sample One-Day Agenda

9:00 - 9:15 A.M.

Welcome/Overview of the Day

Discussion: What do you want to make sure we cover and/or address?

Step One: Defining Values, Strengths and Conditions

9:15 - 9:45 A.M.

A Review of What the Family Has Done To-Date with Its Wealth Management and Philanthropy

Why: To ensure that prior work is woven into this discussion

Discussion: What elements or concepts of past conversations should be sure to recognize as crucial to our philanthropic work going forward?

Outcome: Select items and place them with the proper steps in the agenda

9:45 – 11:00 A.M.

Part One: A Look at Motivations, Values, and People, Places and Things

Why: To understand what will energize the family's charitable giving

Discussion:

- What motivates the family's interest in philanthropy?
- What values are driving the family's interest in philanthropy?
- What people, places and things have influenced the family and their philanthropy?

Outcome: A common understanding among the family members about underlying dynamics that influence their charitable giving

11:00 – 11:15 A.M.

Break

Appendix A: The Family Philanthropic Retreat

11:15 A.M. – 12:30 P.M.

Part Two: Identifying the Family's Talents, Resources, Tools and Causes

Why: To understand how the family's philanthropy will behave or perform.

Discussion:

- What are the talents the family wants to bring to their philanthropy?
- What resources and tools do you want to bring to the family's philanthropy?
- What are the causes you want to focus on?

Outcome: An understanding and agreement on what elements discussed above are to be used in the execution of the family's philanthropy.

12:30-2:00 P.M.

Lunch

Step Two: Developing a Philanthropic Strategy

2:00-3:00 P.M.

Shaping the Strategy – Part One: A Look at Current Giving

Why: To analyze the family's current charitable giving and to take best practices and apply them to future philanthropic work.

Discussion:

- The family's recent philanthropy: Who or what have you donated to in the last 12 months? Why?
- Characteristics of the groups you supported
 - What issues did they address?
 - What was the scope or reach of the organization?
 - What strategies did they employ?
 - Based on what you see, what would you do differently as you move forward?
- **Your relationship to groups you gave to:**
 - How well do you know the group and their work?
 - How well were you treated?
 - How well were you kept informed of progress? Or lack of it?

Outcome: Identification of likes and dislikes of current philanthropy and what should or should not be carried forward in future philanthropy.

Appendix A: The Family Philanthropic Retreat

3:00 – 3:15 P.M.

Break

3:15 – 4:15 P.M.

Shaping the Strategy – Part Two: Philanthropic Tactics (How You Want to Give)

Why: To understand the different approaches to giving (and to possibly select a few of them) and incorporate them into philanthropic plans.

Discussion:

- Different modes, different outcomes (phrased as questions):
 - Concentrate on a specific cause? Or two? Or three?
 - Provide unrestricted support? Or invest in capital projects?
 - Offer targeted support for programs?
 - Help nonprofits become financially self-sufficient?
 - Provide matching or challenge gifts?
 - Provide scholarships and/or fellowships?
 - Offer technical assistance?
 - Provide support in a multiyear time frame?
 - Involve others in your decision making?
- **Case Studies:**
 - Think about groups you have supported, What kind of grantmaking best supports their work?
 - What kind of philanthropy do you think would have the most impact for them? Would the nonprofit's managers agree with you?

Outcome: Identify and understand the different tactics and how they influence a family's philanthropy and its impact.

Step Three: Designing a Vision of Giving

4:15 – 5:15 P.M.

Putting it All Together: Building Your Philanthropic Plan

Why: Through a set of defining questions, this session will bring together the day's discussion into a cohesive set of ideas, tactics and commitments regarding the family's philanthropy.

Discussion:

- Having considered the values and issues you care about and what you have done with your charitable giving already, what do you want your family's philanthropy to focus on going forward?
-

Appendix A: The Family Philanthropic Retreat

4:15 – 5:15 P.M

Putting it All Together: Building Your Philanthropic Plan (cont'd)

- What outcomes would you hope for and in what time frame?
- How would you be involved to maximize impact?
- How would you share your vision with others?
- Now, consider what you have to invest philanthropically.
 - What do you think you want to do?
 - What do you think you can do?
 - How would you get this accomplished?
 - Who could you help?

Outcome: The shaping of a framework for the family's philanthropy.

5:15 – 5:30 P.M.

Review / Conclusions / Feedback

5:30 P.M.

Adjourn.

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