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# 12

VOLUME 20 | EDITION 03

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# “My family wants to set up a foundation. What should we take into account now to minimize conflicts in the future?”

By Jeffrey H. Thomasson, Robert W. Hauswirth, Charles L. Heekin and Millicent H. Holmes

**With some families any joint activity creates conflict, and no amount of planning and preparation will eliminate it.**

However, several things can be done to help maintain family harmony and to enhance the effectiveness of your foundation. These ideas are beneficial even for families that get along.

**Set expectations up front.** As with any endeavor, setting expectations up front is essential. Articulate your vision for the foundation to your family. Ask for their input and ideas. If family members feel like their ideas are considered, they are more likely to be supportive of the end result. Share your values and aspirations with them and ask them to do the same. Work toward understanding and consensus. Discuss your expectations of board members. Will board members be compensated? What are their responsibilities? What are your expectations with respect to time and attendance?

**Create a clear mission statement.** A mission statement explains why a foundation exists. A narrowly focused mission may ensure your philanthropic goals will be met; however, it may also promote conflict. Consider building some flexibility into the foundation mission. Express the promotion of certain values as opposed to a specific cause. The foundation's governing documents may allow its charitable purpose or mission to be changed without court approval. While you may be tempted not to allow such a change, consider what would happen if the purpose of the foundation became

obsolete or if your objectives evolved significantly.

**Create a governance structure.** Consider how decisions will be made. Top-down decision making (i.e., what I say goes), may foster complacency or rebellion among board members.

Use of a majority vote can create adversarial debate and the formation of competing factions. Requiring some amount of consensus-building activity may help prevent conflict and disengagement.

Instead of requiring 100 percent of grants to be mission driven, consider allowing family board members discretion over a certain dollar amount or percentage. This is a great way to promote their engagement in the activities of the foundation. You may wish to create guidelines, such as research, interviews and site visits, for evaluating worthy charities. Requiring board members to obtain a basic understanding of private foundation rules may help avoid compliance issues.

**Admit non-family board members.** Generally, individuals behave better in public. Consider adding non-family board members to bring a higher level of professionalism to board meetings. They can bring an objective perspective as well as additional talent and experience.

A family foundation is a wonderful way to pass on your beliefs and aspirations. However, without proper planning and forethought, it can also highlight and exacerbate value differences among family members. ☹

## CREATIVITY CAN RESOLVE CONFLICTS BEFORE THEY START

Conflict over the activities of a family foundation is a common concern. For example, one donor created a foundation with a mission to promote education in his community. He felt strong ties to his friends and neighbors, individuals who he felt helped him become successful. The problem was his adult children had moved far away from the community and severed their ties with it. How would he be able to engage them while at the same time ensure that his philanthropic goals were met?

His solution was multifaceted. His children were given discretion over 10 percent of the foundation's grants each year. In addition, two board members from the local community foundation served on the board. They brought specific knowledge of the needs of the community and the effectiveness of local charitable organizations. In addition, they brought objectivity and professionalism to the foundation governance.

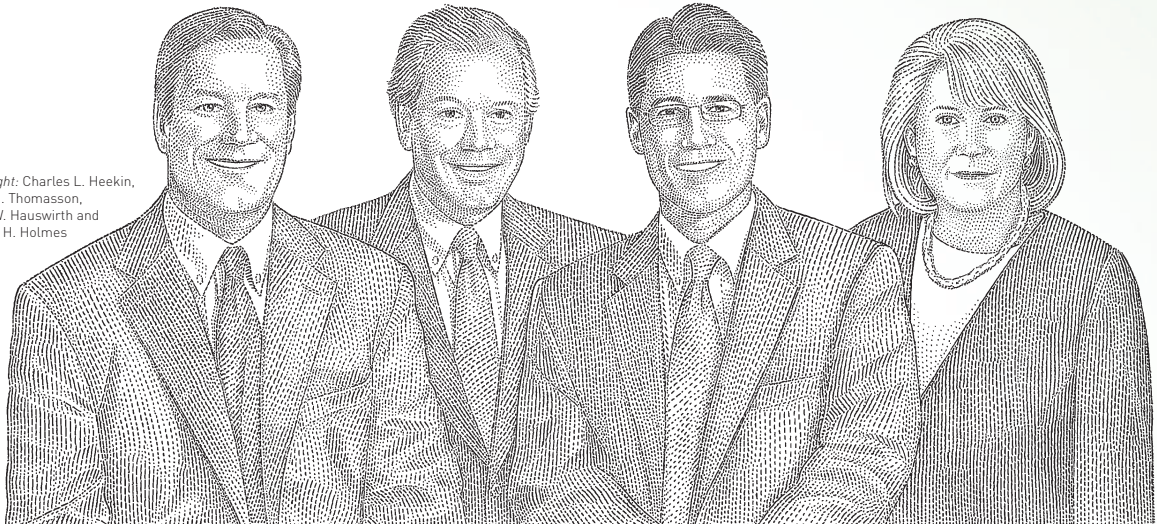
**“If family members feel like their ideas are considered, they are more likely to be supportive of the end result.”**

– Jeffrey H. Thomasson, Robert W. Hauswirth, Charles L. Heekin and Millicent H. Holmes

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Left to right: Charles L. Heekin, Jeffrey H. Thomasson, Robert W. Hauswirth and Millicent H. Holmes



### About Oxford Financial Group, Ltd.

Founder Jeffrey H. Thomasson is CEO and managing director of Oxford Financial Group, Ltd. He is committed to serving clients' financial and investment planning needs and has been doing so for more than 25 years. He obtained the Certified Financial Planner designation through study in the fields of investment, insurance and retirement and estate planning. He received the Indiana University Kelley School of Business Distinguished Entrepreneur Award. Robert W. Hauswirth is a director in Oxford's Chicago office, where his focus is providing clients with comprehensive investment and financial advice, which he has been doing for more than 15 years. He earned his MBA from Northwestern University's Kellogg School of Management. Charles L. Heekin is a director in Oxford's Chicago office, focusing on business development and advising clients. His experience includes 10 years on Wall Street working in capital markets, advising professional money managers, financial institutions, charities and endowments. Millicent H. Holmes is a director in Oxford's Chicago office, where her focus is providing clients comprehensive investment and financial advice. She earned degrees in financial planning and finance from DePaul University and the University of Texas at Austin respectively, and maintains memberships in the Financial Planning Association, the American Institute of CPAs and the Illinois CPA Society.

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