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Philanthropists Set Spending Deadlines

By SHELLY BANJO

A growing number of philanthropists are adopting spending deadlines and sunset provisions to ensure urgent global needs are addressed in a timely way.

By granting the entirety of funds within a certain period of time, these charitable efforts are looking to have a bigger immediate impact than traditional foundations, which are typically set up to last forever and pay out roughly 5% of assets a year.

The economic meltdown, an increased awareness of pressing environmental issues and a political climate ripe for policy change are all feeding the sense of urgency.

Jennifer and Peter Buffett, the son and daughter-in-law of billionaire investor Warren Buffett; Charles Feeney, co-founder of Duty Free Shoppers Group; and Microsoft Corp. co-founder Bill Gates are among prominent philanthropists who have implemented so-called spend-down or sunset provisions in recent years.

Getty Images
Jennifer and Peter Buffett want to focus on today's pressing issues

"There are such pressing needs now, from climate change to the escalating economic challenges facing our communities; we need to get focused and step up in a big way now," said Jennifer Buffett, president of the NoVo Foundation, which aims to empower women and girls.

NoVo received a pledge of Berkshire Hathaway Inc. B shares in 2006 to be distributed yearly from Warren Buffett, with the condition the funds be spent during Peter Buffett's lifetime.

This month the Beldon Fund, a New York-based environmental-policy foundation, will intentionally close its doors. In 1998, founder John Hunting endowed the foundation with $100 million from the sale of Steelcase Inc. stock and decided to grant the entire amount within 10 years to build a national consensus to achieve and sustain a healthy planet.

The fund's Web site now serves as an example to other philanthropists, replete with case studies, results and independent strategy evaluations.

"Given the state of the environment and global warming coming at us like a freight train, it was unethical to retain money for the future when who knows what the future might look like," Mr. Hunting said.

The Beldon Fund spent an average of $14 million a year, as opposed to the $4 million the foundation estimates it would've spent if set up to operate in perpetuity. To accelerate progress by their grantees, the fund gave large amounts to single causes such as the Minnesota Environmental Partnership. With help from Mr. Hunting, the partnership grew from a small informal hub in 2000 to an influential statewide umbrella organization and, in 2007, pushed four initiatives in the state legislature. It succeeded with three, including a campaign that helped bring the country's first ban on phosphorous pollution.

Limited-life foundations represent slightly more than 10% of active family foundations, according to a recent study by the Foundation Center, a nonprofit U.S. research firm. The numbers have inched upward since a 2004 study, but there's definitely more discussion around the topic since the economic crisis, said Melissa Berman, president and chief executive of Rockefeller Philanthropy Advisors.

Many foundations were hard-hit by the market turmoil and, without the funds to make significant grants, some may -- instead of spending -- decide to preserve capital. Others may be concerned a spend-out model wouldn't preserve their family's philanthropic legacy.

According to Ms. Berman, those who choose to spend down are saying, "Let the next generation create new philanthropic capital for their own priorities and mission."