PHILANTHROPY

Featured Book Excerpt: How Great Philanthropists Failed & How You Can Succeed at Protecting Your Legacy

Read an excerpt from the 4th edition of CRC Senior Fellow Martin Morse Wooster's book on the problem of preserving donor intent

Eastman largely retired from Eastman Kodak at age 45 and spent the rest of his life as a philanthropist. The two chief recipients of his philanthropy were both universities: the University of Rochester ($54 million), located in Eastman's hometown of Rochester, New York, and the Massachusetts Institute of Technology pictured above ($24 million). Credit: Andrew Hitchcock License: https://goo.gl/JHeZjy.

by Martin Morse Wooster

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Summary: *In November, CRC will publish the fourth edition of Martin Morse Wooster's seminal book on donor intent.* How Great Philanthropists Failed & How You Can Succeed at Protecting Your Legacy *tells the horror stories of foundations that have violated their donors' intent, as well as the stories of philanthropies that have been more faithful to their original donors. The book's conclusion explains—briefly and powerfully—how all donors can make sure their legacy will provide their grandchildren with the*

same America they have enjoyed. In the excerpt below, Wooster shows how donors can use two strategies—term-limiting their foundation or giving generously while living in-stead *of building a foundation—to ensure their philanthropic goals are met.*

*[**Editor's note:** The excerpt below does not include the endnotes that appear in the book.]*

The Two Most Powerful Strategies

Time is not the friend of foundation vigor and effectiveness. In fact, with the passing of years, decay and stagnation are quite common, if not epidemic. ***-Historian Waldemar Nielsen***

Money is only useful when you get rid of it. It is like the odd card in 'Old Maid'; the player who is finally left with it has lost. ***-Evelyn Waugh***

As we have seen, disrespect for donor intent often occurs when donors establish perpetual foundations and offer little or no restrictions on how their wealth is to be used. Two of the most powerful strategies to maintain donor intent are (1) to term-limit your foundation, or (2) even more radically, to do your giving while you're living, and if you still have a significant estate at the end of your life, leave it not to a foundation but to charities you trust.

This chapter will examine a few donors who are exemplars of these strategies in American philanthropy. Their stories show that employing these two means often produces giving that is far more powerful—and exciting—than the conventional mediocrity which so many foundations eventually fall into. Term-limiting a foundation, for example, can help a donor and his or her trustees focus tightly on a particular mission, because of the necessity of meeting a final deadline, and have a more powerful impact than diffuse, unfocused giving would produce.

Term-limited foundations can also have more impact because of the larger sums they can invest. A conventional, perpetual foundation typically makes grants of only 5 percent of its assets each year (the legal minimum), while term-limited foundations typically invest two to four times as much of their assets annually, punching far above their weight, as it were.

The Popularity of Term Limits

Term-limited foundations seem to be enjoying increasing popularity. The nation's two richest donors, Warren Buffett and Bill Gates, have in effect created foundations with term limits. Buffett's wealth, except for the funds given to his three children and his first wife, will be turned over at his death to the Bill and Melinda Gates Foundation with instructions that it be paid out within ten years of the final settlement of Buffett's estate. The namesake founders of the Gates Foundation in turn have directed that their foundation is to spend itself out of existence no later than twenty years after the death of Bill or Melinda Gates (whoever survives the longest).

The nation's two richest donors, Warren Buffett and Bill Gates, have in effect created foundations with term limits.

Foundation term limits are not a left/right issue. True, several prominent conservatives, including John M. Olin and William Simon, placed term limits on their foundations, as we shall see. But in all likelihood, liberal donors have sunsetted more foundations than conservative ones, if only because there are far more liberal foundations than conservative ones. The largest foundation to spend down, the Atlantic Philanthropies, is left wing. So too is the foundation run by former New York mayor Michael Bloomberg, who has announced that his foundation will spend itself out after his daughters' lifetimes.

No one knows how many foundations are term-limited, but studies suggest around 10 percent of them are. The Foundation Center and the Association of Small Foundations surveyed 1,074 family foundations in 2008 and found that 12 percent had a term limit, while 25 percent were undecided about whether they should terminate at some point, and the remaining 63 percent intended to exist in perpetuity. The study hinted strongly that donors are wary of perpetuity, however, because foundations with living founders were three times as likely to have a term limit and twice as likely to be undecided, compared to foundations who no longer had a founder to exercise authority over them. Also, the younger a foundation, the more likely it was to have a term limit. Foundations with no endowment were more likely to have limited lives than foundations with an endowment.

Another study by Francie Ostrower, a public policy professor at the University of Texas, surveyed 850 private foundations in 2007 and 2008 and discovered that 8 percent had imposed term limits, while another 15 percent had not made up their minds. The remaining foundations planned to exist in perpetuity. Ostrower noted that her findings were consistent with those of Elizabeth Boris, who surveyed 435 foundations in the early 1980s and found 10 percent had imposed term limits.

The foundations Ostrower surveyed (which were not limited to family foundations) were also more likely to spend down if the founder was still alive. Younger foundations were more likely to have term limits than older ones, as were foundations on the West Coast compared to their East Coast cousins.

“Perhaps the most common argument made by advocates of limiting foundation life is that it promotes adherence to donor intent,” Ostrower wrote, “while perpetual life foundations drift away from that intent after the death of their donor. Our findings are consistent with this position. Among limited life and perpetual life foundations whose donors are deceased, a far higher percent of limited life foundations (91 percent) than perpetual ones (65 percent) say that adherence to the founding donor’s wishes are very important. These differences endure even with controls for asset size and age.”

The Debate Over Perpetuity

The first half of the twentieth century saw passionate debates over perpetual foundations. I have written at length on this history in my book *Should Foundations Live Forever?* (available from Capital Research Center, the publisher). For now let us note that these debates were carried on not only by philanthropists, who disagreed on the desirability of perpetual foundations, but also by political activists and politicians, some of whom didn’t want large foundations of any kind to be legal in the first place.

The political foes of foundations did not succeed in banning them or even mandating that they be term limited, and I don't think term limits should be set by federal or state law. Yet I do believe that it is best for a donor who does establish a foundation to legally require it to spend down by 25 years after the donor's death. A lucky few foundations have been able to maintain donor intent and be productive for longer than that, but their rarity proves the rule.

At the dawn of the modern philanthropic era, as the nineteenth century ended and the twentieth began, the titans who would launch the vast foundations that still dominate American life did not urge perpetuity. It is commonly believed that men like Carnegie and Rockefeller wanted their foundations to exist forever in order to make their names immortal, but little evidence supports this notion. None of the great philanthropists argued that foundations' lives should be immortal; several argued for limited foundation lives.

Carnegie in his "Gospel of Wealth" (1889) warned donors of the danger of giving money without imposing limits. Even by his day, he found that the history of "legacies bequeathed is not calculated to inspire the brightest hopes of much posthumous good being accomplished by them." Donor intent is often "thwarted," he added, and even when it is not intentionally ignored, it regularly fails to be accomplished.

Carnegie's advice was seen as common sense by most of his peers. The first modern philanthropist, industrialist George Peabody, created a foundation in 1867 with a fifty-year term limit. Russell Sage, a well-known investment banker of the 1890s, also favored limits. John D. Rockefeller Sr. rarely committed his views to print, but his grandson, John D. Rockefeller 3rd (1902-1978), testified to Congress that both his father and grandfather opposed perpetual foundations. "As my grandfather once said, 'perpetuity is a very long time.'" Nonetheless, Carnegie, Sage, and Rockefeller ended up endowing massive institutions that were not firmly required to term limit themselves and ended up refusing to do so.

That was a common phenomenon of the time, in fact. Foundations whose donors toyed with the idea of term limits, or even expressly permitted their philanthropies to spend down, ended up giving their wealth to institutions that decided the fun should never end. Such entities were called “optional perpetuities,” and the leaders of few to none of them ever chose the option to relinquish the pleasures of job security and power.

Two examples can be found in the John Simon Guggenheim Memorial Foundation, established in 1925, and the Twentieth Century Fund, established in 1919.

Simon Guggenheim, in creating the Guggenheim Foundation, said his trustees could spend the endowment in any way they chose or spend it down if they desired. “The endowment I am now making,” Guggenheim declared, “carries with it the expectation that in the ordinary course it will be kept invested and the income applied to the corporate purposes, so that the work and influence of the Foundation will be continuous and permanent; but no limitation is placed on the lawful authority of the Trustees and their successors to apply the principal of the fund, or any part of it, in case an emergency shall arise which makes a change of policy advisable to the judgment of the Trustees. We are confident that you would not use the power to deplete the principal except in a distinct emergency, and it is our hope that the principal always may be maintained intact.”

In 1922, Edward A. Filene donated $417,200 to the Twentieth Century Fund, “the income of which shall be applied to the purposes enumerated in the Certificate of Incorporation or any amendments thereto.” A year later, Filene wrote a letter to the Fund’s trustees stating that his 1922 gift could be interpreted “to make the Fund perpetual, which is not my wish. It is my desire that after twenty-five (25) years from the date of transfer, that is, on or after March 30, 1947, the Trustees shall have full power at their discretion to use the principal as well as the income of the Fund for the purposes specified, and I modify my gift accordingly by authorizing the corporation to use principal as well as income after March 30, 1947.”

Foundation historian M.M. Chambers notes that similar clauses exist in many other foundations of this era, including the Commonwealth Fund, the John and Mary R. Markle Foundation, the A.W. Mellon Educational and Charitable Trust, and the Alfred P.

Sloan Foundation. All of these foundations still exist, and none have spent down. The Twentieth Century Fund outlived the twentieth century and is now the Century Foundation.

Perpetual foundations continued to be created in the 1920s. But they were to face their greatest foe in one of America's greatest philanthropists: Julius Rosenwald.

The Achievements of Julius Rosenwald

"The perpetuities, rigidities, and the bureaucracies against which Rosenwald inveighed were in charities whose purposes were too specific and hence likely to become obsolete. But the foundations who dominate the scene these days are extremely general in their purpose. The public dangers that arise from them come precisely from the fact that there is no prospect they will ever become obsolete." ***— Daniel J. Boorstin (1962)***

Julius Rosenwald (1862-1932) was the most important philanthropist to warn about the problems of perpetual foundations. His two most famous essays about the subject, published in the Atlantic Monthly in 1929 and 1930, provide valuable advice to today's grantmakers.

Perpetual foundations faced their greatest foe in one of America's greatest philanthropists: Julius Rosenwald.

Unlike most of the great philanthropists, Rosenwald was not notable for building businesses from scratch but for improving an existing business. His wealth came from Sears, Roebuck, which Rosenwald did not create but ended up heading for many years. In 1895, Alvah Roebuck retired, and Richard Sears began looking for another partner. He found Aaron Nussbaum, who made a small fortune selling ice cream and soda pop to attendees of the 1893 Chicago World's Fair. Nussbaum borrowed the $15,000 he needed to invest in Sears, Roebuck from his brother-in-law, Julius Rosenwald, who joined the famous company.

Rosenwald steadily rose through the department store's ranks, becoming chairman of the board in 1908. His great achievement was to create a way to enable Sears, Roebuck to fulfill orders more efficiently. Working with Sears's chief of operations Otto C. Doering, Rosenwald constructed a 40-acre warehouse on Chicago's West Side that enabled employees to fulfill 100,000 orders a day. The time taken to process orders fell from four months to one day. No one had created such a huge warehouse before, and some historians say Rosenwald and Doering's achievement was an ancestor of Ford Motor's innovative assembly lines.

Rosenwald's active giving began after he read *Up From Slavery* by black leader Booker T. Washington in 1911. Rosenwald and Washington became friends, and Rosenwald began to donate to the South—first to Washington's Tuskegee Institute, later to YMCAs and schools in the South. Following Andrew Carnegie's strategy with libraries, Rosenwald would only contribute to building a school for African-Americans if the states agreed to continue them and if local blacks contributed to the school's construction.

The results of this educational project are one of the greatest achievements in American philanthropy. By the time of Rosenwald's death in 1932, he had donated $4.4 million to build 5,357 schools in the South. This giving leveraged $18.1 million in government funds, $1.2 million from foundations, and $4.7 million from African-Americans.

By the mid-1920s, Rosenwald began his other major philanthropic achievement: warning about the dangers of perpetual foundations. Rosenwald's first substantial statement about the dangers of perpetuity was made in a 1913 address to the American Academy of Political and Social Sciences: "Permanent endowment," Rosenwald warned, "tends to lessen the amount available for immediate needs, and our immediate needs are too plain and too urgent to allow us to do the work of future generations."

But Rosenwald's views did not receive national prominence until 1927. Rosenwald had created the Julius Rosenwald Fund to handle his giving in 1917, but he didn't hire a staff to administer its grants until 1927. As Rosenwald was hiring, he decided to endow the Rosenwald Fund with 20,000 additional shares of Sears, Roebuck stock, boosting the fund's endowment to $20 million. But in making this gift, Rosenwald imposed a condition: the fund must spend itself out within 25 years of his death.

"I am not in sympathy with this policy of perpetuating endowments," Rosenwald wrote in his deed of gift, "and believe that more good can be accomplished by expending funds as Trustees find opportunities for constructive work than by storing up money for long periods of time. By adopting a policy of using the Fund for this generation, we may avoid those tendencies towards bureaucracy and a formal or perfunctory attitude toward the work which almost inevitably develops in organizations which prolong their existence indefinitely. Coming generations can be relied upon to provide for their own needs as they arise."

Rosenwald also decided to take his case to the press, first in a 1929 Saturday Evening Post article, then in "Principles of Public Giving," published in the May 1929 Atlantic Monthly. This essay is one of the most important in the history of philanthropy.

Rosenwald began by discussing charities that had outlived their usefulness, such as a fund designed to give students at one of Oxford University's colleges half a loaf of bread a day, or the will of late-eighteenth-century donor Robert Richard Randall, which turned his Manhattan farm into a retirement home for sailors. The farm, known as the Sailors' Snug Harbor, was located on prime Manhattan real estate worth over $30 million in 1929—an amount that "vastly exceeds any reasonable requirement for the care of retired seafarers."

But far worse than old nonprofits ruled by the dead hand, Rosenwald wrote, were living institutions with large endowments whose trustees only spent the interest the endowments created. While serving as a trustee of the University of Chicago, Rosenwald found his fellow board members reluctant to touch the endowment, even for such useful purposes as buying books or aiding professors' research.

"I think it is inevitable that as trustees and officers of perpetuities grow old they become more concerned to conserve the funds in their own care than to wring from those funds the greatest possible usefulness," Rosenwald wrote. "That tendency is evident already in some of the foundations, and as time goes on it will not lessen but increase."

"The cure for this disease is a radical operation," Rosenwald concluded. "If the funds must exhaust themselves within a generation, no bureaucracy is likely to develop around them."

"Principles of Public Giving" created a sensation in the philanthropic world. Rosenwald received hundreds of letters from colleagues who headed foundations and universities—and a surprising number agreed with him. Rockefeller Foundation president George Vincent wrote that the case against "specific permanent endowments" has "been proved over and over again." Edward A. Filene declared that Rosenwald was one of America's ten most important business executives because his "business experience has led him to see through the shams of philanthropy and the pretenses of greatness which so often go with the accidental accumulation of great wealth." Brookings Institution founder Robert Brookings told Rosenwald that the wealth he had given away "was insignificant" compared to "the value of this idea" of term limits for foundations.

Rosenwald did have some imitators. He helped Conrad Hubert, founder of American Ever-Ready (now Eveready Battery), dispose of a $6 million estate in 1929. Maurice Falk, a Pittsburgh industrialist, specifically cited Rosenwald's ideas in his decision to set a term limit on the Maurice and Laura Falk Foundation, which disbursed its endowment on Pittsburgh-based charities and good government organizations until it spent itself out in 1965.

Rosenwald also influenced his own family. The Stern Fund, begun by Rosenwald's daughter Edith Rosenwald Stern and her husband Edgar Stern, was created in 1936 with a fifty-year time limit. It was in many ways a continuation of the Rosenwald Fund, since the Rosenwald Fund's last action in 1948 was to transfer $900,000 and some staff members to the Stern Fund. The Stern Fund spent itself out of existence on schedule in 1986.

Philip Stern, Edgar Stern's son and an investigative journalist, created the Stern Family Fund. It was also created with a term limit and spent itself out in 2005. The fund's president, David Stern, said that "we inherited this belief" in term limits "from my great-grandfather. It has become almost biblical in our family. Foundations become almost more interested in their own preservation than in doing the social change work they were set out to do."

As for the Rosenwald Fund, it spent itself out of existence in 1948, nine years ahead of schedule.

Rosenwald even had an influence on Congress in the 1950s and 1960s, when that body considered changing the laws governing foundations.

The two major Congressional investigations of foundations in the 1950s, chaired first by Rep. Eugene Cox (D-Ga.) and then by Rep. B. Carroll Reece (R-Tenn.), had little effect, although the latter's committee did urge a 25-year term limit on all foundations because that would "avoid the calcification which sometimes sets in on foundations" and "minimize the seriousness of the danger that the foundation might, at some future period, pass into the control of persons whose objectives differed materially from those which the creator of the foundation intended."

The next Congressional critique came from Rep. Wright Patman (D-Texas), a populist who complained in 1967 "The foundations of America, which as a whole make up one of the powerful economic and propaganda forces in modern times, are virtually unregulated." Rep. Patman grounded his criticism on Julius Rosenwald's critique of perpetuity. He quoted Rosenwald and former Rockefeller Foundation president Max Mason, who said, "old man Rockefeller did not set up the foundation, or any of his philanthropic enterprises for that matter, with the idea of everlastingness.... It is clear that numerous foundations violate the spirit of their charters by hoarding rather than giving. They also violate the principle of the era upon which their founders established them."

"It is clear that numerous foundations violate the spirit of their charters by hoarding rather than giving." —Rep. Wright Patman (D-Texas)

Rep. Patman, who chaired the House Ways and Means Committee, helped shepherd the Tax Reform Act of 1969 through Congress. The Senate's version of the Act would have imposed a 40-year term limit on foundations' lives, but after a lobbying effort by foundations that historian Thomas C. Reeves calls "the most extensive publicity campaign in their history," this provision was dropped in conference committee.

The final version of the Act did address perpetuity indirectly in Section 4942 by imposing a minimum annual distribution of grant money (six percent of assets, later reduced to five percent). Foundations refer to this as "the payout," and the proper size and nature of the payout has been a source of endless discussion ever since.

Establishing the payout is as close as Congress has come to mandating any sort of term limit on foundations. Although Congress has occasionally threatened other alterations to the laws on foundations, little change has occurred since 1969. That means decisions to limit the lives of foundations are the responsibility of donors and boards of trustees.

Recent Term-Limited Foundations

The number of term-limited foundations is now so large they cannot adequately be described in one chapter. Readers who want more such history should consult my book *Should Foundations Live Forever?* (published by the Capital Research Center). Here we will consider what can be learned from a few of the most important limited-life foundations, before we turn to the most radical option for donors, exemplified by George Eastman of Eastman Kodak, who gave his fortune away without the help of a foundation.

Chuck Feeney was born in 1931 in a poor Irish Catholic neighborhood in New Jersey. By the mid-1970s, Feeney's wealth—which came from co-founding a duty-free retail company—reached $250 million and led to the creation of Atlantic Philanthropies. Credit: UC San Francisco/Screenshot. License: https://goo.gl/P3dqDK.

Atlantic Philanthropies

The Atlantic Philanthropies is the largest foundation to have a term limit. It ceased active grantmaking in 2016 and will spend itself out by 2020, 38 years after its creation. Its lifetime grants will total $8 billion.

Atlantic is the creation of Chuck Feeney, born in 1931 in a poor Irish Catholic neighborhood in New Jersey. Feeney's wealth came from Duty Free Shoppers or DFS, which he founded with three partners. By the mid-1970s, Feeney's wealth reached $250 million and he pondered what to do. He turned to New York University law professor Harvey P. Dale, who gave him a thick reading list. Feeney was particularly impressed with the advice of Jesus in the Sermon on the Mount and of the great medieval rabbi Maimonides, both of whom taught that the best way to give is anonymously. Feeney was also struck by the view Andrew Carnegie taught in "The Gospel of Wealth": after providing "moderately for the legitimate wants of those dependent upon him," a philanthropist should "consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer…. The man who dies rich, dies disgraced."

The Atlantic Foundation (the philanthropy's original name) was established in 1982 in Bermuda. This was in part to allow it to give money anonymously. Also, under Bermuda law, Feeney could transfer his entire 38.7 percent stake in DFS stock to his charity, something he could not do under American law.

The Atlantic Philanthropies' existence was publicly disclosed in 1996, when DFS was sold to the French company LVMH and Feeney's decision had to be made public. Atlantic's historian, Tony Proscio, says that it was always assumed that the Atlantic Philanthropies would have some sort of term limit, but the decision was not formally made until Feeney, at a 1999 press conference, said that Atlantic's giving would rise to $400 million a year, a pace that would cause the foundation to spend out between 2020-2030. An anonymous trustee told Proscio, "We knew what Chuck wanted to do and there was such reverence for him around the table that there was no way anyone was going to oppose it…. If we kept on making grants at the rate we were making them, the spend-down was going to happen anyway."

After several years of planning, Atlantic's board ultimately settled on the dates of 2016 for an end to new grants and 2020 for shutting down entirely. As Proscio wrote in 2010, most of this large foundation's task for its final decade would be "forecasting, planning, allocating resources, and in relatively few years' time, execution."

John M. Olin Foundation

The John M. Olin Foundation is the most prominent conservative foundation to spend itself out of existence. The foundation's historian, John J. Miller, says that as early as 1975, John M. Olin was given a memo by Frank O'Connell, later to become the foundation's first president, saying that the foundation "should not aim at perpetuity, but rather at liquidation within a given period (perhaps 25 years)—or sooner, in the discretion of the Trustees, should events indicate that to be a necessary or desirable course."

According to Miller, Olin "worried that if it did not cease to exist at some point in the not-too-distant future, the enemies of free enterprise might gain control of the foundation's assets and turn them against their original objective. Moreover, Olin believed that later generations of Americans would be much better able to address the problems they faced than he would be able to anticipate them. Meanwhile, the intellectual defense of capitalism needed all the help it could get as soon as it could get it."

William E. Simon Foundation

William E. Simon (1927-2000) was not only a former Secretary of the Treasury and the man who worked with John M. Olin to shape the John M. Olin Foundation. He was also a successful entrepreneur in his own right, whose leveraged buyout of Gibson Greetings in the early 1980s was the basis of his fortune.

While the Olin Foundation's mission was primarily to influence public policy, the Simon Foundation's primary purpose is poverty fighting. "The main purpose of my foundation is to help the needy by providing the means by which they may help themselves," Simon wrote in his autobiography. He added that he agreed with Andrew Carnegie, who said in "The Gospel of Wealth" that "in bestowing charity," the philanthropist should provide only "part of the means by which those who desire to improve may do so," because it is best "to assist, but rarely or never to do all."

Unlike the Olin Foundation, the Simon Foundation has a fixed term limit; it is to spend itself out within 30 years of Simon's death, or no later than December 31, 2029. In a 2000 interview with Philanthropy, Simon stated, "I have asked that the foundation's work be complete within the lives of my sons Billy and Peter, who are in their late forties now." He added that in order to ensure that the foundation spends down on schedule, he had created "a lead trust that will start on the day that I die. There is a very complex process by which my children can recoup part of the trust, but only after all of the foundation's money has been given away." To ensure that they understand their commitment to helping the less fortunate, Simon Foundation board members can only retain their seats on the board if they perform at least 150 hours a year of volunteer work in helping the poor.

In a 2008 interview with the Wall Street Journal, William E. Simon Jr. said he fully supported his father's intention that the Simon Foundation has a hard term limit. "It was something Dad felt strongly about," Simon said, adding, "People's behaviors change…. You have to be targeted in your focus and it's harder to do that as you…get further away from the donor."

The Power of Giving While Living

> *If a man has wealth, he has to make a choice, because there is the money heaping up. He can keep it together in a bunch, and then leave it for others to administer after he is dead. Or he can get it into action and have fun, while he is still alive. I prefer getting it into action and adapting it to human needs, and making the plan work.* ***—George Eastman (1923)***

George Eastman (1854-1932) remains the most important philanthropist who never set up a foundation. Although few people today realize just how powerful his achievements were, even a brief sketch of them will make clear that he was an American giant.

George Eastman remains the most important philanthropist who never set up a foundation.

During his lifetime, he gave away $125 million. While this was less than Andrew Carnegie, John D. Rockefeller Sr., or John D. Rockefeller Jr., it was enough to put him into the rarefied list of donors of his generation who gave more than $100 million, which includes James B. Duke, Edward Harkness, and Nettie Fowler McCormick.

Eastman never set up a foundation for several reasons, but chief among them was his desire for privacy. Journalist B.C. Forbes, founder of Forbes magazine, interviewed Eastman in 1917 for a book on profiles of business leaders of the day. “I could not draw from him one fact about his benefactions.” Forbes nonetheless concluded, “George Eastman has little use for money except as an instrument for establishing worthy aims.”

After perfecting the portable camera, Eastman largely retired from Eastman Kodak at age 45 and spent the rest of his life as a philanthropist. The two chief recipients of his philanthropy were both universities: the University of Rochester, located in Eastman’s hometown of Rochester, New York, and the Massachusetts Institute of Technology, which trained many of Eastman Kodak’s best engineers. Ultimately the University of Rochester received $35 million during Eastman’s lifetime, and an additional $19 million from his estate. MIT received $24 million, and much of Eastman’s giving there was anonymous—leading students to a frantic but unsuccessful search to discover who actually was the benefactor the faculty called “Mr. X.” Indeed, Eastman saved MIT during a financial crisis. Without his strategic giving at that moment, no one living today might even have heard of MIT.

Although Eastman gave generously to MIT and to African-American institutions in the South, most of his philanthropy went to the city of Rochester, including the city’s main hospital, many dental clinics for the poor, and the Eastman Theatre, first home of the Rochester Philharmonic Orchestra. The city of Rochester’s chief historian, Blake McKelvey, notes that by 1925 Eastman’s donations to Rochester were so great that the city became known primarily as George Eastman’s home. The city, McKelvey wrote, had been “made over in Eastman’s image.”

Most of Eastman's philanthropy went to the city of Rochester, including the city's main hospital, many dental clinics for the poor, and the Eastman Theatre, first home of the Rochester Philharmonic Orchestra. Credit: Rochester Philharmonic Orchestra/YouTube screenshot. License: https://goo.gl/JoHDKg.

Eastman's sprawling largesse wins him a place in the Philanthropy Roundtable's donor Hall of Fame, which summarizes some of his grandest achievements:

> Eastman established brand-new campuses for two universities that became among the best of their kind. He established a medical school, and did pioneering work in improving the dental health of children in the U.S. and Europe. He built one of the greatest music schools in the world. And he was the largest contributor to the education of African Americans during the 1920s.

In 1924, Eastman announced that he was giving away $30 million to the University of Rochester, MIT, Hampton Institute, and Tuskegee Institute. (James B. Duke in the same week announced the creation of the Duke Endowment.) The Boston Globe declared in an editorial "Few can endow great universities. But many can apply George Eastman's philosophy of giving; invest in your own community and do so while your money can be put to work while you still live."

After giving away the overwhelming majority of his fortune by his death in 1932, Eastman bequeathed the remainder, about $25 million, in his will.

Lessons Learned

As this chapter makes clear, donors have multiple reasons to be wary of creating another perpetual foundation. The dangers of your own foundation eventually betraying your intentions are great, as is the threat of mediocrity that all institutions face over time. In contrast, there are significant advantages to term-limiting a foundation. The limitation often forces a philanthropy to be more focused and effective, and it also causes a foundation to have significantly higher sums each year to invest in good works, compared to a perpetual foundation peer.

But for donors who are especially brave and hardy, and want to maximize their own pleasure in doing good, there is the higher road of giving while living. In this scenario, donors avoid the difficult challenge of ensuring that a long-lived foundation stays on the right path. Instead, they get to enjoy the delight of seeing just how much they have improved the world with their philanthropy.

To request copies of the 4th edition of *How Great Philanthropists Failed & How You Can Succeed at Protecting Your Legacy*, contact Kristen Eastlick at

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