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The Power of Now

February 23, 2010

(Jessica Sklair joined the London-based Institute of Philanthropy as director of research in January 2009. In addition, she is doing research for her Ph.D. in anthropology at Goldsmiths College, University of London. This is her first post for PhilanTopic.)

In keeping with its role as world leader in philanthropic giving, both in terms of scale and innovation, the United States tends to generate many of the new trends in global philanthropy. This has certainly been true in the case of "spend out" -- the decision to limit the lifetime of a foundation rather than build a permanent endowment to support its existence in perpetuity. While a report published last year by the Foundation Center and the Council on Foundations (*Perpetuity or Limited Lifespan: How Do Family Foundations Decide?*) suggested that around 12 percent of family foundations in the U.S. have chosen to spend out, informed anecdotal evidence from the United Kingdom suggests that the number on this side of the Atlantic is around 0.5 percent. In the UK, even the terminology used to describe spend out is comparatively new, a fact that creates further difficulties for gathering data on the subject.

Later this week, however, the Institute for Philanthropy will publish a new research paper, *The Power of Now: Spend Out Trusts and Foundations in the UK* (56 pages, PDF), which reveals that while spend out may be rare among British foundations, many of those that have chosen to adopt the model are using it to develop a strategic form of high-impact grantmaking. The paper, which presents findings based on survey responses and in-depth interviews with a sample of spend out and recently closed trusts and foundations, explores the spend out landscape in the UK, what motivates trusts and foundations to choose spend out as a model, and the experiences and practicalities of spending out in the British context. Key findings from the survey data are compared with those from the 2009 Foundation Center/Council on Foundations report and show that spend out is a broadly comparable phenomenon in the two countries.

As debate on strategy, impact and effectiveness in grantmaking continues to rage within the philanthropic community on both sides of the Atlantic, the spend out trusts and foundations surveyed in our paper add a strong and convincing voice to the discussion. While our sample revealed huge diversity in the size, origin, and issue areas of spend outs in the UK, the majority of foundations we spoke to told us that spend out had helped bring clarity, focus, and parameters to their work, aiding them in defining their objectives and in building the grantmaking strategy necessary to create real impact with their philanthropy.

Indeed, a particularly interesting finding concerned trusts' approach to the issue of the long-term impact of their work. A common argument against spend out is that, by using all one's resources in the short term, foundations are depriving future beneficiaries of support and not taking into account the long-term nature of the problems they seek to address. Many of the trusts and foundations we spoke to, however, were quick to disassociate the idea of their own continuing existence from the potential impact their work might have over decades. Through funding strategies such as endowing grantee institutions, providing grants to help NGOs invest in mechanisms to ensure their own sustainability, or supporting the creation of forums and partnerships that strengthen the work of whole sectors, these foundations were investing in long-term, systemic change. In fact, as many told us, it is the very condition of spend out -- which makes available the funds to support these strategies -- that enables them to do so.

Spend out trusts and foundations in the UK are well aware of the work of their American counterparts, and the growing body of literature on the subject coming from the U.S. serves as an extremely helpful source of information in developing the practice on this side of the Atlantic. At the same time, our research shows that many of those who have chosen to spend out in this country are doing so in bold, innovative, and highly strategic ways that merit consideration by foundations on the other side of the Atlantic. There aren't many of them, but UK spend outs have much to contribute to the growing international debate on the benefits of this model of grantmaking.

One of the recommendations in our paper is for the boards of foundations to have a discussion about spend out. Whether this leads to a decision to limit the life of any one foundation or not, it can be a useful exercise for revisiting mission and considering whether a foundation's current grantmaking strategy is the most effective one for achieving it. With that in mind, the Institute for Philanthropy has designed a number of questions to help trustees frame such a conversation:

1. Is the way we are using our resources truly aligned with the pursuit of our philanthropic mission?

2. Are there any particular funding opportunities in the areas we support that could benefit from greater capital investment right now?
3. Where do we see our foundation in ten, twenty or fifty years' time? What do we want to have achieved by then? Are we on track to do so?
4. Who will manage the foundation once we have rotated off or stepped down from the board? Will the foundation be a burden to them? Are we comfortable with the possibility of mission drift by the foundation in the future?
5. How do we feel about shifting to a higher impact grantmaking strategy? Would choosing to spend out or increasing our yearly payout make it easier for us to do so?
6. If we had to spend out over the next ten years, how would we alter our grantmaking strategy? Are there any elements of such a situation that we could incorporate into our grantmaking now?

We hope you'll take a few minutes to review the report. And if you have any comments about our finding or spend out as a strategy for U.S. or UK foundations, we'd love to hear from you.

-- *Jessica Sklair*

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