



# NEXT STORIES



## Why a limited life foundation

NEXT thinking on spending  
down in ten years

‘He panehe toki  
ka tu te tangitangi kai’

*A little axe well used  
will produce much food*



## Focus to achieve impact

- Neal and Annette Plowman's thinking was with focus you can achieve substantial impact through a limited life foundation structure
- There are pressing issues facing Aotearoa New Zealand in the areas of environment and education requiring immediate focus
- Over recent decades philanthropy has seen some big changes, including increases in 'giving while living' and limited life foundations
- It is important for all philanthropic organisations to consider the sustainability of the organisations they invest in - this is particularly the case for spend down foundations

# Why limited life?

'All of Neal's instincts were to have a short life, get in, do something substantial and move on ... \$100 million spent over ten years if focused can really make a difference. The other thing is from a purely financial point of view, with yields and interest rates at the moment, by the time you put money into a perpetual fund, set aside some for capital protection, deduct expenses, the amount of money you are actually putting to work rather than the capital sum is tiny.'

Chris Liddell  
FOUNDING NEXT CHAIR

'Neal and Annette weren't interested in a perpetual endowment ... It was always their intention to do a few large inspirational projects where they can make a difference ... If you take \$100 million and the income, you can't do much with that. With Bill's guidance I am very pleased with how NEXT is going. It was wonderful to see Neal and Annette and many of their friends get right behind it at the launch ... I find them such a fantastic couple ... They just want to get on with it ... Annette is tough when it comes to asking the questions.'

Barrie Brown  
TRUSTEE

From the outset of NEXT Foundation the intent was clear - to deliver a 10-year \$100 million spend down programme, be strategic in approach, focus in the areas of education and the environment and invest millions (while remaining flexible).

Neal and Annette Plowman with support from their trustees were clear on structure, with a preference for a limited life foundation. Their thinking was

- You can achieve more substantial impact by spending down
- There are serious issues facing New Zealand at the present time requiring immediate focus
- With a perpetual fund energy can dispel with time; institutional rigidity is a risk; and with yields and interest rates - once you set aside funds for capital and expenses - the amount you are putting to work is diminished
- \$100 million spent down over ten years - if concentrated on areas of strategic focus - can have real impact

# Context – a changing landscape

Over recent decades philanthropy has undergone significant shifts including an increase in

- Long-term relationships and thinking
- More strategic, focused approaches and tackling of systemic issues
- Collaboration, partnering and convening (bringing together stakeholders across sectors)
- Venture capital and business influence - driving increased focus on what the need is; due diligence; planning; social and environmental returns (setting targets and measuring impact); and value add such as access to networks
- New ways of communicating, giving and investing, such as crowd-funding
- Innovations and new solutions to issues, such as social enterprise and pay for success experiments (including social impact bonds)
- Mission and impact investing. For example in 2017 the Ford Foundation announced a commitment of up to \$1 billion over the next ten years in mission-related investments [www.fordfoundation.org](http://www.fordfoundation.org)
- Investing in advocacy and philanthropy having an increasingly influential voice in public policy
- More limited life foundations and 'giving while living' rather than perpetual endowments
- Those with an intent to make a difference are often choosing to give more and give sooner, with a preference for time-limited philanthropy. The Giving Pledge created by Bill and Melinda Gates and Warren Buffett in 2010, aims to help shift the social norms of philanthropy toward giving more, giving sooner, and giving smarter [www.givingpledge.org](http://www.givingpledge.org)



NEXT invests in the Manaia Kalani initiative, addressing educational inequality by supporting digital and collaborative learning in low income communities. CREDIT Daniel Lee.

# The case for spending down

'I have heard of a fund which provides a baked potato at each meal for each young woman at Bryn Mawr, and of another, dating from one of the great families, which pays for half a loaf of bread deposited each day at the door of each student in one of the colleges of Oxford ... The list of these precisely focused gifts which have lost their usefulness could be extended into volumes.'

Julius Rosenwald  
[www.wikipedia.org](http://www.wikipedia.org)

- Avoid the risks of family differences and divisions over time which can impact negatively on the family and the foundation; and/ or loss of founder and family influence, values and control
- Keep operating costs low
- Have an impact now - rather than be reliant on stocks, the economy, fees and unpredictable yields
- Be highly motivated to leverage all available tools for maximum possible impact in a timeframe - for example collaboration, convening, advocacy, research, learning and focusing on systemic issues
- Enjoy giving while living and seeing the fruits of these efforts

## RISKS OF LIMITED LIFE

- Having gained credibility and traction, it's time to close the doors - loss of impact opportunity
- There is less time to learn from mistakes and apply this learning
- Unless well documented and shared, knowledge can be lost when the foundation sunsets
- Heavily funded projects become dependent and face closure due to lack of diverse and sustainable funding
- Funds invested quickly for completion rather than impact

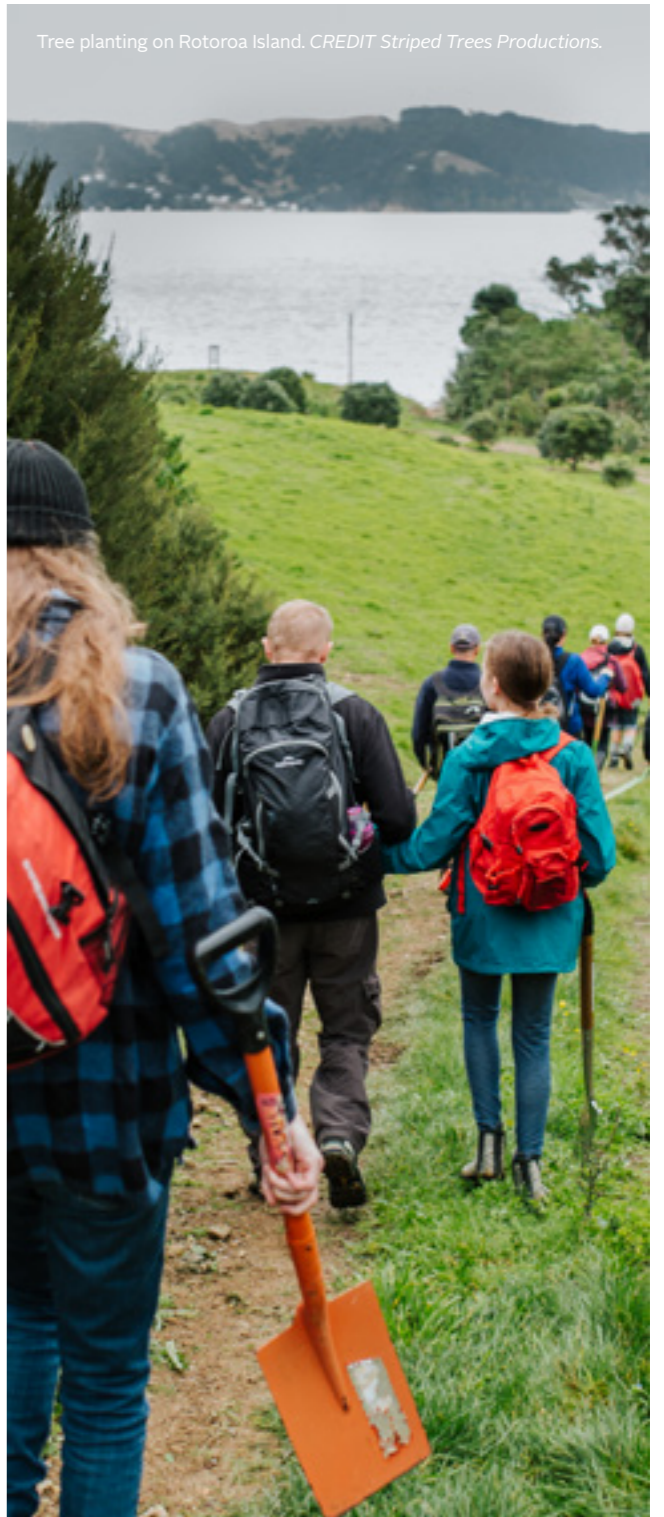
## THE BENEFITS OF ESTABLISHING A LIMITED LIFE FOUNDATION INCLUDE AN ABILITY TO

- Take action and have strong impetus to ensure investments have an impact on the urgent needs of today and produce genuinely sustainable outcomes
- Ensure mission remains relevant - the original purpose of many perpetual funds become obsolete with time
- Ensure focus and energy for the founder's intent - avoid mission drift and complacency
- Hand-pick trustees who are aligned with the vision and values of the donor
- Minimise the risk of trustees becoming arrogant, lethargic or building bureaucracy

# The case for perpetual foundations

The benefits of establishing a perpetual foundation include an ability to

- Have an ongoing impact in perpetuity
- Build a legacy over many decades. For example the Ford Foundation legacy is one of 'social justice' and over eight decades 'has invested in innovative ideas, visionary individuals, and frontline institutions advancing human dignity around the world' [www.fordfoundation.org](http://www.fordfoundation.org)
- Tackle complex problems that may require many years to shift
- Build specialist knowledge and reputation in an area of focus
- Experiment, capture learning and apply that learning long term
- If established thoughtfully and with flexibility - mission can be refined to ensure future relevance
- Local examples of perpetual foundations include Foundation North, J R McKenzie Trust, the Tindall Foundation and others



# Examples of limited life foundations

There are a rising number of limited life foundations, examples include:

## Atlantic Philanthropies

Chuck Feeney was the entrepreneurial founder of Duty Free Shoppers, was uncomfortable with displays of wealth and in 1984 transferred the majority of his fortune to Atlantic Philanthropy. His example of 'giving while living' influenced the world's wealthiest, including Warren Buffet and the Gates. He insisted on anonymity until the scale of his philanthropy made this too hard. Feeney supported numerous large scale projects around the world - from Vietnam to Ireland and Australia. He supported universities; research into cardiovascular and cancer; and building and upgrading health facilities in Vietnam. He was actively involved in his philanthropy and believed government matching contributions was important. His wish was to leave the planet a better place asking, 'Why would you reduce the amount of good you can do?' Chuck Feeney will have invested \$8 billion in charitable projects from 1982 to 2020 [www.atlanticphilanthropies.org](http://www.atlanticphilanthropies.org)

## The Brainerd Foundation

The Brainerd Foundation has a strategic focus on environmental protection of the Pacific Northwest United States. The organisation plans to spend out its endowment by 2020, believing this will have 'greater impact in the near-term'. Paul Brainerd outlines his thinking on the Foundation's website, 'The ecological challenges before us are as significant as humanity has ever faced. I believe we must each do whatever we can to protect the natural resources that sustain this planet ... There are many ways to accomplish this, of course, and mine is to see that the Foundation's entire endowment is spent in my lifetime.' Environmentalists Paul and Debbie Brainerd have a connection to Aotearoa New Zealand - falling in love with Glenorchy 20 years ago and choosing to spend much of their time there. In 2018 they

opened Camp Glenorchy - New Zealand's first net zero energy accommodation, as part of the Headwaters. This is an inspiring revitalisation of classic camping, cabins, group gathering and retail services [www.brainerd.org](http://www.brainerd.org)

## The Gates Foundation

The Bill and Melinda Gates Foundation believes 'all lives have equal value' and has a strategic focus on reducing inequity. It is the wealthiest private foundation in the world and intends to terminate 20 years after the death of its second founder, demonstrating a preference for sunset or limited life philanthropy. In 2015 TIME Magazine reported on what the Foundation had achieved fifteen years on, 'The number of children under five who die each year worldwide has been nearly cut in half, from a high of nearly 13 million to 6.5 million today. Polio has been chased to the very brink of extinction ... Drought-tolerant seeds are dramatically increasing agricultural yields; economies in the once-desperate countries in sub-Saharan Africa are now matching the developed world in rate of annual growth' [www.time.com](http://www.time.com) and [www.gatesfoundation.org](http://www.gatesfoundation.org)

## The S.D.Bechtel, Jr. Foundation

The S. D. Bechtel, Jr. Foundation and the Stephen Bechtel Fund 'envision a productive, vibrant, and sustainable California that is a model of success and a source of innovation'. This limited life foundation has two programme focus areas – education and environment. It sees partner sustainability as important and supports capacity and resilience building of partners, 'so that they can carry on their important work long after the Foundation's sunset. The Foundation supports a broad range of capacity-building requests from its current grantees such as strategy development and scenario planning, management and leadership training, communication assessments, business planning, and fundraising feasibility studies and development plans' [www.sdbjrfoundation.org](http://www.sdbjrfoundation.org)

## The Stupski Foundation

The Stupski Foundation established by Larry and Joyce Stupski over two decades ago has a focus on improving the lives of people in the San Francisco Bay area and Hawaii. They believe in dreaming big and have a vision to 'create a reality where the lives of the underserved and under-resourced in the San Francisco Bay Area and Hawaii are significantly improved through addressing the issues of hunger, life options for low-income youth and end of life care.' It recently redefined its mission and reviewed how to have greatest impact, resulting in an intention to spend down 'at least \$300 million of the Foundation's assets over the next ten years. We believe that operating as a limited-life foundation will be a tremendous opportunity to commit to longer-term, more flexible, and more holistic investments with a select cohort of grantee-partners' [www.stupski.org](http://www.stupski.org)



Philanthropists Paul and Debbie Brainerd fell in love with Glenorchy - and opened New Zealand's first net zero energy accommodation there.

# Lessons from limited life foundations

'The element of time provides a level of focus that is a significant advantage.'

Jeffery Solomon of the Andrea and Charles Bronfman Philanthropies  
(Charis Loh and Ellie Buteau, 2017)

'New foundations should commit to a limited life strategy before everything else.'

Stupski Foundation  
(Charis Loh and Ellie Buteau, 2017)

In 2017, the Centre for Effective Philanthropy published 'A DATE CERTAIN - Lessons from Limited Life Foundations.' This paper was based on interviews with leaders from eleven limited life foundations and documents various lessons:

- One in ten larger foundations in the United States plan to limit their life - the most common reason is a belief this approach will have 'greater impact'
- A sense of focus and urgency to be strategic was identified as the biggest opportunity by several leaders - forcing the question, 'What do we want to accomplish by a certain point in time?'
- Archiving knowledge is important
- Spending down at the rate originally planned can be difficult
- Some saw an opportunity to increase the difference made through social impact investments. For example John Merck's Board committed to mission-aligned investments at 70% and the Whitman Institute committed to investing 'as much as possible' in social impact investments
- Various staffing models can work, with particular planning and care required as the sunset date approaches
- Sustainability matters and sustainability of grantees was seen as important. Most leaders emphasised the desire to leave grantees in a strong position after the foundation has closed its doors - seeing grantee success as part of their legacy
- Avoid unhealthy dependencies on the foundation
- Be transparent in communications with grantees, particularly regarding the spend down plan



As a limited life foundation, NEXT has supported teachers to upskill in technology through an investment in The Mind Lab.

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School children at Point England school in Auckland, where the Manaiakalani programme NEXT invests in was developed. It is addressing education inequity in low income communities.

*COVER IMAGE CREDIT Daniel Lee.*

For more information go to the NEXT website

**[WWW.NEXTFOUNDATION.ORG.NZ](http://WWW.NEXTFOUNDATION.ORG.NZ)**



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