



EXITING THOUGHTFULLY

Elizabeth Docteur, Grantmakers In Health

Several prominent grantmakers in the health field operate as so-called life-limited foundations, electing to exhaust or “spend down” their assets by a set date, rather than to continue in perpetuity. Among them is the world’s largest philanthropy, the Bill and Melinda Gates Foundation, which announced in 2013 its intent to complete operations 20 years after the deaths of its founders, now in their 50s (Gates 2013). The end dates for two life-limited health grantmaking organizations are now approaching: The Atlantic Philanthropies, which announced in 2002 (20 years after its founding) that it would spend down its assets in 2016, and the Jessie B. Cox Charitable Trust Fund (also known as the Cox Trust), which began in 2008 to prepare for the foreseen end of its operations in 2017, when it will exit the field after 35 years of giving.

While life-limited foundations have been the object of considerable public attention in recent years, it is not evident that choosing the life-limited route is more common today than in the past. One recent study found that nearly a quarter of the total assets of the 50 largest foundations was held by limited-life foundations, up from just 5 percent 50 years ago (Markham and Ditkoff 2013). When the assets of the Bill and Melinda Gates Foundation were excluded from the analysis, however, the share of assets held by life-limited foundations was virtually unchanged (Gopal 2014). Survey data from the Foundation Center indicate that approximately 1 in 10 foundations has decided to spend down their assets, while as many as one in four is considering doing so (Renz and Wolcheck 2009).

The reasons why a foundation chooses to work toward a defined date on which to wrap up work rather than to operate indefinitely vary. In the case of The Atlantic Philanthropies, its founder, Chuck Feeney, decided he would like the foundation to carry out its philanthropic vision during his lifetime (Sullivan 2014). A motivation for Bill and Melinda Gates was the desire to direct maximum resources to resolving current problems, with the confidence that a future generation of philanthropists would address emerging problems. Other motivations include a desire for freedom to front load larger investments than would be possible under a perpetuity model, and a desire to use today’s knowledge to solve existing problems in fields like health and education, where there is a gap between what we know and what we do (Callahan 2015).

Foundations that have adopted a limited-life approach have employed a number of principles to guide them in wrapping up their work. Several of these guidelines offer best practices for funders who are exiting from a field or retiring from grantmaking altogether. These lessons may in some cases also be relevant for foundations transitioning from an ongoing support model to a model of one-time/high-impact grants.

ESTABLISH YOUR LEGACY

A life-limited foundation or a foundation exiting a field of grantmaking will wish to consider explicitly its legacy. Such a legacy may take the form of a goal accomplished, as the Bill and Melinda Gates Foundation intends with respect to eradication of polio (Gates Foundation 2015). It may also take the form of funding physical infrastructure, providing endowments, or investing in the long-term development of human capital (La Piana and Oechsli 2014).

Drawing upon their experience advising both life-limited foundations and those operating in perpetuity, Markham and Ditkoff (2013) identified six pathways that can lead to enduring change: 1) investing in those who will become leaders in the future, 2) building the capacity of institutions and networks to continue making progress, 3) influencing other philanthropists, 4) funding proven programs that create lasting results, 5) supporting pioneering research to develop new solutions, and 6) changing government policies. Given a foundation’s desire to establish a legacy in a particular field in a defined period of time with a certain level of resources, some pathways may be more fruitful or more feasible than others.

INVEST IN GAME-CHANGING IDEAS

The final years of intentional spend-down provide an opportunity to make atypically large-scale grants or an unusually large number of smaller-scale grants, resulting in levels of commitment in excess of endowment returns. Foundations executing a spend-down strategy must determine the balance and mix of grants in accordance with the outcomes they seek. The Atlantic Philanthropies chose to make several large final grants to advance prior philanthropic investments (La Piana and Oechsli 2014). Its late-stage large grants were made possible through creation of a large dedicated investment reserve.

While seizing grant opportunities with the greatest potential for transformative impact is an objective of many grantmakers, the importance of identifying and prioritizing such opportunities escalates when a grantmaker plans its imminent departure from the field. The Cox Trust (2015) has indicated its intent to use its last years of grantmaking to invest in innovative ideas suitable for large-scale replication and prospective impact beyond the life of the trust. For example, over its final three years of grantmaking (2014-2016), the trust plans to provide close to half a million dollars to develop a system for improved and expanded care for high-risk patents in Rhode Island.

PUBLICIZE SUCCESSES, NEEDS, AND OPPORTUNITIES

Whether a foundation is concluding grantmaking or exiting a field in which there are remaining challenges, a focus on communications that distill the experience and expertise of the foundation can help avert inappropriate duplication of effort and ensure future progress (Petrovich 2011). For example, creating a catalog of a foundation's endeavors can provide an invaluable resource for those who will champion a similar cause in the future. Such a resource may be particularly valuable by highlighting not only the successful ventures, but also the areas in which hindsight suggests a better possible approach.

IDENTIFY AND DEVELOP CHAMPIONS TO CARRY WORK FORWARD

To promote continued progress, those exiting a field can do well to engage field actors in determining outstanding needs, supporting those opportunities, and attracting other donors into the field through strategies such as matching grants and special "tie-off" grants that provide grantees with funding to assess experience or distill lessons (Petrovich 2011). The Atlantic Philanthropies, for example, has used a multi-pronged strategy to ensure the continued viability of efforts focusing on achievement of universal children's health care coverage, including engaging actors at the state level to identify needs and prospective champions for its KidsWell Campaign (Hoag et al. 2015).

HELP GRANTEES TRANSITION

In cases where a limited-life foundation represents a sizeable share of a grantee's operating revenues, it needs to consider strategies for helping that organization continue its work. La Piana and Oechsli (2014) identified a variety of strategies that can be used under such circumstances, ranging from endowing organizations, paying off debt, investing in enhanced organizational capacity, or encouraging administrative consolidation or cross-organizational cooperation.

PLAN FOR STAFF TRANSITION

When working in the face of a known end date, planning, communication, and transparency can help ensure retention of the high-quality staff needed to accomplish a foundation's mission during its limited life. The Atlantic Philanthropies used a system involving retention bonuses to incentivize staff members to stay with the organization through an agreed date, with transitions scheduled for six-month intervals to limit the anxiety associated with staff reductions (Sullivan 2014).

ADJUST LEADERSHIP PRIORITIES WHEN THE END IS IN SIGHT

The goals of a limited-life foundation's leadership will likely evolve when the foundation enters its final phase. In planning for a limited-life foundation's exit, its board will be engaged in big decisions regarding

final grantmaking strategy, investment trajectory, and oversight of staff release plans; however, with those decisions made, the board's responsibilities will fall off precipitously and may warrant a reduction in board membership, as well as activity (La Piana and Oeschli 2014). In addition, once the big-picture strategy is set, a CEO will shift focus to tasks such as ensuring sound execution of the strategy, ensuring staff engagement, and enhancing the legacy of the foundation (La Piana and Oeschli 2014).

CONCLUSION

While the perpetuity model is still dominant among foundations, there are some indications that the limited-life approach is likely to be increasingly popular in years ahead, particularly among recently created foundations and those with living founders (Callahan 2015). Furthermore, those foundations that do intend to operate in perpetuity sometimes choose to exit from areas of grantmaking so as to free resources to address emerging problems or shifting priorities. In this environment, guidelines that promote a thoughtful exit are relevant to a growing number of health grantmakers.

THE KIDSWELL CAMPAIGN

The Affordable Care Act created an opportunity for The Atlantic Philanthropies to make significant progress in addressing shortfalls in children's insurance coverage. In 2011 Atlantic created the **KidsWell Campaign**, which aims to achieve universal children's health care coverage and to create an infrastructure that would remain after Atlantic's funding ends.

Through KidsWell, nearly \$10 million in grants went to state-based advocacy organizations in seven states—California, Florida, Maryland, Mississippi, New Mexico, New York, and Texas. In addition, close to \$19 million went to 10 national organizations to strengthen advocacy campaigns in the seven selected states, to disseminate information and resources to support campaigns in other states, and advocate for federal health policies to promote children's access to health insurance (Hoag et al. 2015).

In 2013 Atlantic funded Grantmakers for Children, Youth and Families (GCYF) and Grantmakers In Health (GIH) to convene funder meetings in the seven KidsWell states to maximize the impact of Atlantic's initial investment in the campaign. Atlantic's funding also supported GCYF and GIH to develop a series of short publications that capture Atlantic's strategies, methods, and results.

ACKNOWLEDGEMENTS

This publication was produced by [Grantmakers In Health](#) and [Grantmakers for Children, Youth and Families](#), under a grant from The Atlantic Philanthropies.

REFERENCES

Callahan, David. “Score One for the Spend-Down Team: Another Big Foundation That Plans to Sunset.” *Inside Philanthropy* blog post. July 23, 2015. <http://www.insidephilanthropy.com/home/2015/7/23/score-one-for-the-spend-down-team-another-big-foundation-tha.html>.

The Jessie B. Cox Charitable Trust (Cox Trust). “Strategic Priorities.” Accessed July 10, 2015. <http://www.jbcostrust.org/#>.

Gates, Bill. “William H. Gates III COL ’77, LLD ’07 Q&A/The Harvard Campaign Launch.” Sanders Theater, September 21, 2013. <https://www.youtube.com/watch?v=cBHJ-8Bch4E>.

The Bill and Melinda Gates Foundation (Gates Foundation). “Polio Strategy Overview.” Accessed June 22, 2015. <http://www.gatesfoundation.org/What-We-Do/Global-Development/Polio>.

Gopal, Ramya. “Foundations’ Sunsetting: A Burgeoning Trend?” The Center for Effective Philanthropy blog post. March 27, 2014. <http://www.effectivephilanthropy.org/foundations-sunsetting-a-burgeoning-trend/>.

Hoag, Sheila, Debra Lipson, and Victoria Peebles. *On the Road to Universal Children’s Health Coverage: An Update on the KidsWell Campaign*. Issue Brief. (Washington, DC: Mathematica Policy Research, May 1, 2015).

La Piana, David, and Christopher Oechli. “A Good Ending.” *Stanford Social Innovation Review*. Fall 2014. http://ssir.org/articles/entry/a_good_ending.

Markham, Amy, and Susan Wolf Ditkoff. The Bridgespan Group. *Six Pathways to Enduring Results: Lessons from Spend-Down Foundations*. October 2013. <http://www.bridgespan.org/getmedia/6eb1236c-b25a-4ee9-9f53-1b85233a331f/Six-Pathways-to-Enduring-Results.pdf.aspx>.

Petrovich, Janice. *Exiting Responsibly: Best Donor Practices in Ending Field Support: A Study for the Robert Wood Johnson Foundation*. December 2011. <http://www.cof.org/sites/default/files/documents/files/RWJ%20Report%20-%20Exiting%20Responsibly%20-%20Best%20Donor%20Practices%20in%20Ending%20Field%20Support.pdf>.

Renz, Loren, and David Wolcheck. *Perpetuity or Limited Lifespan: How Do Family Foundations Decide? Intentions, Practices and Attitudes*. (New York, NY: Foundation Center in cooperation with the Council on Foundations). April 2009. <http://foundationcenter.org/gainknowledge/research/pdf/perpetuity2009.pdf>.

Sullivan, Paul. “A Billion to Spend and Only Two Years to Do It.” *The New York Times*. October 31, 2014. http://www.nytimes.com/2014/11/01/your-money/a-billion-to-spend-and-only-two-years-to-do-it.html?_r=0.