



CASE STUDY:

Establishing a Successful Charitable Vehicle

For individuals and families with substantial wealth, private foundations offer a tax-advantaged way to put their wealth to work for the greater good of chosen communities or favored causes and institutions. But these vehicles also bring with them a host of tax, payout and organizational issues and requirements, challenging benefactors and their advisors to take great care in choosing the proper form and in taking appropriate steps to ensure sustainability.

Challenges and Key Considerations

1. Mission

- Mission statement for grant making
- Expected duration – perpetual or defined time of existence
- Short-term and long-term goals
- Communication
 - Goals and timeframes
 - Benefactor feedback channels

2. Investment Manager Relationship

- Board Members
 - Needs and expectations
 - Professional staff
 - Key constituents
 - Audit requirements
 - Director and officer insurance
 - Custody
 - Non-judicial remedy for purpose clause
 - Entity form transfer
- Family members
 - Family’s charitable goals
 - Family members’ involvement

3. Investment Management

- Liability-driven investing
 - Financial goals and objectives
 - Cash inflows and outflows
 - Annual payout targets
- Investment solutions
 - Equity
 - Fixed income
 - International
 - Alternatives
 - Hedge funds
 - Private Equity
 - Real estate
 - Socially responsible investing
 - Other

3. Investment Management (cont.)

- Performance
 - Return objectives
 - Volatility
 - Real return
 - Transparency
 - Cost control
- Cash flows
 - Spending rates as percentage of operating budget
 - Real dollar spending
- Active management
 - Monitor asset allocation
 - Compliance
 - Audit/Risk

4. Wealth Management Capabilities

- Fiduciary Services
 - Trust review and administration
- Policy development
 - Investment policy
 - Spending policy
- Tax reporting
 - Annual 990PF preparation
 - Quarterly payment estimates
- Grant making support
 - Guidelines for grant seekers
 - Administration of grant-making process
- Banking services
 - Checking, savings and treasury management
 - Credit services

5. Financial Support

- Donors
 - Private and public businesses
 - Generational funding by family members

Client Background

Mr. Curtis and several of his family members are conducting a family governance meeting. He would like to discuss the formation of a private family foundation that would support musical organizations. His family includes many talented artists: His uncle, George, is a highly esteemed composer; his sister Mia, is an aspiring opera singer; and his children, William and Zoe, are both accomplished musicians. Mr. Curtis's net worth exceeds \$10 million.

Goals and Issues

The first challenge is for Mr. Curtis and his family to understand and articulate their organizational objectives. With the help of their advisors, they can then choose a form of private foundation that will match their ultimate objectives. Also key is that they partner with a wealth manager who understands what they are trying to accomplish and can offer the experience, expertise and resources required to help achieve their goals. Going forward, the foundation will only be sustainable over time if the wealth manager employs an active management approach to help the foundation's assets grow.

Challenges and Considerations	Issues and Concerns	Solutions and Recommendations
Mission	Craft a mission statement to reflect family's goals	The Wealth Management team at Peapack-Gladstone Bank helped the family define a clear purpose, goals and objectives for the Curtis Family Private Foundation. The Curtis family decided to form a private family foundation that would make grants to aspiring musicians.
Investment Management Relationship	Ensure clear, continual communication	The Wealth Management team at Peapack-Gladstone Bank met with the family to better understand their needs and expectations. Together, they agreed to schedule quarterly meetings to ensure that the foundation would remain on track with their goals and to review key information such as performance, distributions, etc.
Investment Management	Allocated assets to meet objectives and timeframes	The Wealth Management team at Peapack-Gladstone Bank provided a liability-driven investment analysis that incorporated the Curtis Family Private Foundation's spending and investment policies. The analysis helped determine an optimal asset allocation for the foundation.
Wealth Management Capabilities	Address requirements beyond investing	The family sought a banking relationship to help manage the foundation's transactions. The team introduced the family members to a Peapack-Gladstone Bank private banker who could help them manage their banking needs and transactions.
Financial Support	Ensure funding to sustain the family legacy	The portfolio manager arranged annual meetings with the family to discuss distributions and investment performance. These meetings also provide an opportunity to discuss additional funding commitments by family members who wish to continue their legacy.

Conclusion

Beginning with a thorough understanding of the Curtis family's desires, the Wealth Management division of Peapack-Gladstone Bank helped to create a family foundation, established initial strategies, addressed planning requirements, and developed an ongoing relationship with the Curtis family. Drawing on its experience and proven expertise in this area, Peapack-Gladstone Bank now will maintain the foundation with the Curtis family's input going forward.