

A Solid Foundation

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Joyce and Michael Shinn can easily list their reasons for forming a private foundation: tax benefits, the creation of a centralized location from which to grant money and a desire to give.

"Having a spiritual background has helped us want to give and do more," said Joyce Shinn, who retired in 2004 from KeyBank of Cleveland as a vice president and trust officer. "It comes back in so many ways; it comes back financially, spiritually and lovingly from the people you're surrounded by."

The Shinns, who financially support the organizations with which they have personal involvements, typify the hands-on family foundation officers who have emerged since the 1980s.

"Traditionally, charitable giving was a legacy event -- in the will -- left to the family to get started after a person's death," said Virginia Esposito, founder and president of the National Center for Family Philanthropy of Washington, D.C.

These days, however, Ms. Esposito said, the establishment of planned charitable vehicles is associated with living donors, active participants in designating how donations are distributed.

The establishment of a private foundation, often called a family foundation, can occur for any number of reasons -- in preparation for retirement; in recognition of an important family event; because of anticipated tax consequences; or due to the sale of a business, said Caprice Bragg, vice president for gift planning and donor relations with the Cleveland Foundation.

Some of those considerations arose in 2002 when Joseph and Marcia Romano of Shaker Heights established the Romano Family Foundation, with the asset management support of Sally Gries, president of Gries Financial LLC of Cleveland.

The Romanos set up their foundation using a stock award from Mr. Romano's former employer, A.T. Kearney Inc., a global management consulting company. Rather than sell the stocks and be taxed, the couple funded the foundation.

Over the years, the Romano Family Foundation has remained at about \$600,000 to \$700,000 with annual giving averaging about \$30,000, said Mr. Romano, who now works as

a math teacher in Shaker Heights. Locally, the foundation has given to Verlezza Dance of Shaker Heights, Cleveland Peace Action and the dance program at Case Western Reserve University in Cleveland.

While the Romanos always were giving, the foundation led to a different mind-set.

"Our lives were too full to pay attention," Ms. Romano said. "I don't remember it (charitable giving) being a formalized thought in our heads. If it just came up we gave. With a foundation, you really focus your attention on it."

Options for giving

Larry and Sheila McHale of Aurora also assumed a systematic approach to giving with a charitable vehicle -- in their case, through a donor- advised fund with the Cleveland Foundation.

"We consciously say, 'What percentage of our income have we put in the (fund)? What percentage have we spent?'" said Larry McHale, president of R.A. Staff Company of Middleburg Heights, which represents manufacturers of custom- engineered components to the automotive and appliance industries. "We have certain goals, and it allows us to check and identify if we meet them."

The Shinns and Romanos opted for foundations because they wanted more control, creativity in the donor process and hands-on participation -- particularly for family members.

By contrast, the McHales in 2004 chose a donor-advised fund, in part for the ease in administration. The fund, called the Lawrence E. and Sheila Rowan McHale Foundation, was recommended to them by their financial planner William Hawke, a partner with Cedar Brook Financial Partners LLC of Mayfield Heights.

A foundation offers more donor control, but requires more administrative oversight. A donor-advised fund is managed by a sponsoring organization, offering a donor more time to concentrate on philanthropy, said Andrew Hastings, vice president of external affairs for the National Philanthropic Trust of Jenkintown, Pa., an independent public charity.

A donor-advised fund can be established through a community foundation, like the Cleveland Foundation, with a minimum contribution of \$10,000 and realize an immediate tax advantage. In the McHales' case, grants of \$250 or more are recommended by the McHales, and following due diligence, are made by the Cleveland Foundation.

The Cleveland Foundation manages about 375 donor-advised funds, ranging in size from \$10,000 to \$10 million; the average fund is \$300,000, said Marie Monago, a Cleveland Foundation gift planning officer.

Higher purpose

For those who set up grant-making vehicles, it's not just about donor benefits; it's about support and giving.

The McHales said they primarily recommend grants to arts and higher education organizations, including the Cleveland Play House, Ohio University and the Aurora Library Trust on behalf of the Aurora Community Theatre. They also recommend grants to launch programs and projects.

"We think there are so many brilliant ideas that are almost realities, and people just need the money," said Ms. McHale, managing partner of S M Investment Properties of Aurora.

And their giving is not restricted to the fund. The McHales always have actively volunteered with multiple nonprofit organizations.

"Was (the fund) advised from a tax standpoint? Absolutely," Mr. McHale added. "But we didn't become philanthropists because of that account ... the fund hasn't changed anything."

