

A Sunsetting Tale

09.23.20 | Linda J. Rosenthal, JD



Once upon a time, there was an American billionaire who amassed a fortune in retail but continued to live frugally despite his enormous wealth. He said long ago that he wanted to “die broke.”

Unlike most other philanthropists in the kingdom, he created a foundation with a name – gasp! – that did not include his own. And many years back, he let it be known throughout the land that this organization would *not* hover around in perpetuity like a meddling fairy godmother doling out bits and pieces of largesse here and there. It would make billions of dollars of “high-risk, high-impact” donations worldwide (much of them anonymously) and sunset in 2020.

And, lo and behold, on September 14, 2020, 89-year-old Charles (Chuck) Feeney “closed up shop” on The Atlantic Philanthropies, having given away “all his money.” See [*Exclusive: The Billionaire Who Wanted To Die Broke . . . Is Now Officially Broke*](#) (September 15, 2020) Steven Bertoni, *Forbes*.

And he lived happily ever after.

Sunsetting Foundations: Not a Radical Idea

The COVID-19 pandemic has apparently begun to trigger shockingly revolutionary thoughts and actions in certain previously staid and traditional foundation boardrooms. Paltry annual payouts along with [paternalistic grantmaking practices](#) and procedures [are no longer sacrosanct](#).

And now the “Big P” word – perpetuity – may be heard in hushed whispers when trustees discuss how to confront the here and now [“rainy day”](#) they’ve all said is the *raison d’être* for their massive and growing endowments. It’s pouring buckets everywhere and new thinking is in order.

“There was a time,” we wrote in [*The Sunsetting Foundation: Trend of the Future*](#) (June 9, 2017), “when families who were establishing private foundations rarely thought about an end to the foundation. They assumed what they had created would [last \(as intended\) in perpetuity](#) from generation to generation. What they discovered, as John D. Rockefeller observed years ago, is that ‘perpetuity is a very long time.’”

While the “notion of ‘perpetual foundations’ remains the [majority position in American philanthropy](#) today,” the idea of changing away from this model has picked up steam in the past few years. In any

event, it's not a new idea. See our discussions in [*A Sunsetting Foundation In Its Twilight Hours*](#) (September 19, 2019) and [*A Plea for Higher Foundation-Payout Rules*](#) (January 15, 2020).

The “sunsetting” concept “dates back at least to the 1920s and 1930s.” For example, Sears founder Julius Rosenwald “devoted the lion’s share of his philanthropic resources to building schools for black students in the South, and was publicly vehement in his opposition to permanent endowments.” And during the debates on the new private foundation rules in the Tax Reform Act of 1969, there was a proposal made – but not included in the final statute – to sunset all foundations after forty years.

A Call to Action

Several foundation leaders have recently banded together to issue a call for action right now. See [*There Is No Better Time Than Now for Philanthropy to Spend Itself Out of Existence*](#) (July 28, 2020), Ellen Friedman (Compton Foundation) Glen Galaich (Stupski Foundation) & Pia Infante (Whitman Institute), *The Chronicle of Philanthropy*.

They speak from the experience of their own sunsetting organizations and against the background of the current dire circumstances. “As our nation grapples with a confluence of crises,” they explain, “philanthropy is abuzz with how best to respond. Some are increasing payouts. Others are allowing grantees more flexibility in how they spend funds. A few have issued bonds to increase their charitable giving without tapping endowments. These are all useful steps, but none do enough to uproot historical inequities and upend power structures in society and philanthropy.”

They “offer an alternative solution,” encouraging “foundations to join the growing movement to distribute all their philanthropic assets within the next few years.” The goal is to “encourage grant makers to redistribute private philanthropic wealth back into communities instead of holding on to funds so their institutions can exist indefinitely.” It’s a matter of “living our values,” they assert. After all, they ask: “What are we saving our endowments for?”

Specifically, they urge philanthropists to take “bold collective action to respond to this historic moment...”; that is, to “spend every dollar on transformational change” and “upend traditional power structures.”

Conclusion

Read more about these intriguing and important ideas in The Whitman Institute blog:

- [*The Potential of Limited Life Philanthropy in Uncertain Times*](#) (June 12, 2017) John Esterle
- [*Our Spend-out: What’s Changed, What’s Next*](#) (June 22, 2020) John Esterle & Pia Infante
- [*Spend-Out as a Marathon, Not a Sprint*](#) (August 11, 2020) Pia Infante
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