

Message from the Executive Suite

Don't Wait Until You're Dead



Roger Silk, CEO



James Lintott, Chairman

When we tell people we run private foundations, they often respond by asking about estate planning. Many people think of a foundation as something to create in your will. Foundations can be created as part of an estate plan, of course, but the most effective foundations are usually those created during the life of the donor.

Creating a foundation upon your death can reduce or eliminate estate taxes, but waiting until then means you will miss out on a much bigger benefit: the *income-tax-free growth of foundation assets* during your lifetime. You can greatly increase the benefits to yourself, the charities you support, and your heirs by creating a foundation while you are alive.

If you create a foundation while you are in your mid-fifties (when you can expect to live another 25 years) and add to it every year, the income-tax savings alone can *more than double the amount of money* available for your charities and your heirs, as compared to the amount that

would be available if you waited until death to fund your foundation. Contributing to your foundation early can also eliminate the need to contribute later. Richard H. Driehaus of Chicago donated \$3.74 million to his foundation from 1984 to 1987. Even though the foundation has given away \$20.5 million, it is still worth \$92 million, thanks to income-tax-free compounding, smart investing, and early contributions.

“You can’t hear thanks from the grave.”

Starting earlier offers other advantages, not all of them readily quantifiable. For example, creating a foundation during your lifetime lets you establish a pattern of giving. Your heirs and successors, working with you, will have the opportunity to learn first-hand how you think about your giving, what values guide your giving, and how you want your foundation to perform when you’re no longer able to guide it yourself. Then, after your death, your successors can use your track record to guide their donations.

Starting a foundation now also gives you a chance to explore, or even gradually move into, what can be an

extremely rewarding second career as a philanthropist. A recent U.S. Trust survey of affluent high-technology professionals found that only 15% plan a traditional retirement, while 37% expect to work part-time, or start a new career or business. More and more successful people are finding that their new career is philanthropy—either part-time or full-time. Philanthropy can tap skills you already have, but allow you to use them in ways you were never able to before.

This year, at age 44, James Craig retired from the Janus Fund to devote his time to the Craig Foundation. At the same time, he is continuing to pursue his first love: buying and selling stocks. The difference is that he will donate his winners to the foundation, where he and his wife will hand out grants for education, housing, and children’s health care.

Randy Pond, 46, hasn’t quit his job as vice president of Cisco Systems, but he has put \$1.2 million in Cisco stock into the Pond Family Foundation. His father-in-law is an officer, and his 16-year-old daughter is a non-voting board member. “I didn’t want to leave enough money to my children to ruin them,” he says.

Financial advisor Stephen Pollan says, “To many Americans, how large an estate they leave is a measure of how successful they are as people. But you can’t hear thanks from the grave.”

To Maintain Newspaper's Independence, Family Donates Business to School

The owners of one of the few large independent newspapers in the United States have donated their business to a non-profit school to avoid estate taxes and the prospect of being forced to sell out to a newspaper chain.

The Union Leader of New Hampshire is now controlled by the Nackey S. Loeb School of Communications, which began operating last spring and is named for the newspaper's late publisher. Mrs. Loeb's daughters said their mother had directed them to donate her controlling stock to the school. Otherwise, federal estate taxes would have forced the family to sell the newspaper to a national chain.

There are fewer than 50 independently owned newspapers of more than 50,000 circulation.



Although *The Union Leader* is known for its conservative editorials, the family based its plan on one used by the liberal *St. Petersburg Times*, Florida's largest newspaper—which was transferred to the Poynter Institute, a journalism school founded after the death of *Times* owner Nelson Poynter.

College Thesis Turns Into \$10 Million Non-Profit Group

In 1989, Wendy S. Kopp wrote as her Princeton University senior thesis a business plan for a national charity that would recruit recent college graduates to teach in low-income school districts. When she graduated, she put the plan into practice and now, 11 years later, she runs

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an organization with a \$10 million budget, 120 employees, and a corps of 1,600 teachers nationwide.

Those who sign up with Teach for America commit to two-year teaching stints. Of the group's

5,000 alumni, 60% have remained in education. Another 4% work for other charities, and at least eight alumni have started their own charities, while another dozen have started charter schools.



Did You Know?

■ Linda Barnes of Downers Grove, Ill., couldn't write big checks to charity after her husband died, but used three criteria to choose another philanthropic activity: pick something you do well, which improves things for other people, and that you love. For this former English teacher, that translates to buying children's books at garage sales and the like, and donating them to poor children. Since 1987, she has delivered about 36,000 books to the Lutheran Family Mission, which distributes them to children.

■ The six Americans who died when a small plane crashed in Mexico recently were volunteers with the Flying Doctors, which offers free medical and dental care in rural Mexican villages. The Silicon Valley group (also known as Los Medicos Voladores) has been operating since 1974, and vows to continue. "It's a work of love, and I think that is why it will continue," says Vice President Max Trescott.

■ A high-tech version of the Peace Corps has been created in North Adams, Mass., by a group of "techie" who call themselves the Geekcorps. Six Geekcorps volunteers are now teaching computer-programming languages in Ghana, where the idea first came to founder Ethan Zuckerman, 27. Studying there in 1993, he noticed that the University of Ghana library had few books published after 1957, when the nation became independent from Great Britain. "I thought, if there was just an Internet connection, you could more than double this library."

See Did You Know, page 4

Consultation Corner by Roger Silk

Cut Your Taxes and Help Your Family with College Admissions

Saving income taxes is a recurring theme in our discussions with people who are considering creating their own foundation. And the income tax benefits of a foundation are certainly powerful. Having the government give you back 50 to 75 cents for every dollar you contribute to your foundation is a valuable benefit. It allows you to do much more good in the world.

And making a difference in people's lives is what your own foundation is really all about.

Many of our clients, even as they enjoy their own success, have a strong desire to share their vision of a better world, and to teach their values to their children or grandchildren. A private foundation can play a key role. Here's one story of how.

John is a successful businessman. He's made more money than he and his family will need, and he's looking to give something back. He also has teenage sons. In talking with John, it became clear that his children are very bright, and are excellent students. John's sons share the ambition to get into Ivy League colleges after high school.

As John and I talked, he painted a profile of his sons that wouldn't rank them high on the "diversity" scale that is an important part of Ivy League college admissions today. They're privileged, they're white, they're male, and they live in one of the most exclusive communities in the country. In other words, even with perfect grades and exam scores, it would be a toss-up as to whether they'd get admitted to the schools of their choice.

"So what does all this have to do with philanthropy and private foundations?" John asked. My answer was that John could use his foundation to create opportunities for his

sons to gain experience, knowledge, and perspective that will help them throughout their lives, and might also help differentiate them from the crowd of highly qualified privileged applicants seeking admission to Ivy League schools.

John could do this through Sterling's *Vision, Values, and Family* program—a systematic approach to using your private foundation to share your philanthropic vision with your children, grandchildren, or other young people who are important in

**Your foundation
can help your children
or grandchildren get
into college.**

your life. Emphasizing hands-on involvement, the program provides an excellent framework within which to teach your philanthropic values, encourage charitable behavior, and develop your own family tradition of philanthropy.

The concept is simple: your foundation helps your child (or grandchild, etc.) develop and implement a series of increasingly ambitious philanthropic projects. You and the foundation provide guidance, support, and resources to help ensure an interesting, fun, and rewarding experience for your child.

Depending on the student's level of sophistication and experience, the student takes an appropriate level of responsibility for all aspects of the project. With the necessary guidance and assistance, he or she identifies a goal or problem, researches the issues

surrounding it, generates possible approaches or solutions, selects one and—by working with others in the non-profit world (such as recipient charities)—implements a solution that has real results.

Clients have found that these projects add direction and purpose to the lives of young people who lack direction or focus only on themselves. Projects like this can help your loved ones gain practical experience, develop greater maturity, and build depth of character—qualities that have tangible payoffs. As college admissions become more and more competitive, the bottom-line value of this type of experience has become clear to our clients. Practical experience, demonstrated concern for the general welfare, and the proven accomplishment of completing valuable projects in the real world can set an applicant apart from his or her peers and make a real difference in the admission process.

It is important, of course, to select problems and solutions that are appropriate for the abilities, interest, and resources of both you and your child(ren). Sterling's staff can tailor a program for your specific family or foundation situation, and will provide guidance and assistance with all aspects of the program.

If you have a private foundation, or are considering creating one, Sterling will be happy to consult with you at no cost and no obligation. Our professionals can help determine how to get the maximum possible tax savings, and how to use your foundation to most effectively achieve your charitable goals. Please call 888-567-3090 and ask to speak to Erica to schedule a free consultation.

Book Briefs

What Makes Charity Work? A Century of Public and Private Philanthropy edited by Myron Magnet

What's Love Got to Do with It? A Critical Look at American Charity by David Wagner

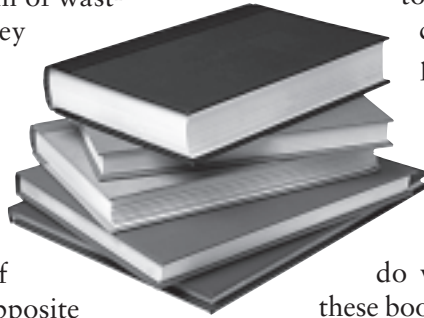
It's hard to imagine two more widely differing views of the proper role of charity than those espoused in these two volumes. Myron Magnet laments that charities no longer promote personal responsibility and self-reliance on the part of those they help. Instead of trying "to inculcate the missing and crucial virtues and skills that would allow recipients to succeed on their own," too many charities now concentrate on seeking more government handouts, or direct their aid to those suffering largely from their own mistakes, such

as alcohol and drug abuse. Because these groups see the real problem not as personal failures but as an unjust society, they are less concerned with saving individuals and more concerned with reforming the nation.

That's exactly what David Wagner thinks charities *should* be doing. In fact, he accuses them of wasting time and money preaching to poor people when they should be launching a wholesale restructuring of American society instead. His chief complaint is the opposite of Magnet's: philanthropists are too eager to impose their own views of proper behavior on those they pretend to help. Current charitable efforts are really designed merely to

give donors "opportunities for redemption, coping with guilt, and showing off," Wagner maintains, which is why they have made so little progress eliminating poverty and other problems. He proposes instead that the federal government redistribute more income from the wealthy to the poor, so the poor can solve their own problems.

Anyone contemplating donating significant sums to charities that help the poor would do well to read *both* of these books—especially whichever one challenges your own preconceived notions. You might learn something from reading the opposing view, and you certainly won't be bored.



Did You Know, from page 2

■ Harvard University's endowment grew 32% over the past year to reach \$19.2 billion—a sum "larger than the annual budgets of 142 countries, including Cuba, Jordan, and Lithuania," according to *The Boston Globe*. The increase itself is larger than the endowments of most other universities, including MIT, Dartmouth, and Columbia.

■ Several major charities have joined forces with Hewlett-Packard and I2 Technologies to create an electronic clearinghouse to channel surplus goods to charities. The Dallas-based agency, Aidmatrix, hopes to offer manufacturers not merely a tax deduction, but also a fast way to get rid of excess inventory, which has often been the stumbling block preventing surplus goods from going to charity. CARE, the American Red Cross, and America's Second Harvest have already signed up. Aidmatrix plans to announce donors by the end of this year and make its first distributions early next year.

■ Alberto Vilar, who invested early in AOL, Yahoo and Amazon.com, is the world's biggest supporter of opera. In the past year, he gave \$100 million to major opera houses. "I love to make money to give it away," he says.

"Opera never pays its way. It is so expensive to mount a production that it always loses money. But what would the world be without Mozart?"

It's Not Too Late to Cut Your Taxes!

There are only a few weeks left in the year, but you can still create a private foundation this year and lock in your tax deduction for 2000. Sterling can create your foundation surprisingly quickly; once



the foundation is created, as long as you fund it this year, you can take the tax deduction for 2000. To guarantee your foundation can be established and funded before the year-end rush, call us

now at (888) 567-3090.