

From FAMILY WEALTH REPORT

Families first: Strategic philanthropy and the family name

Charles Lowenhaupt - 8 November 2007

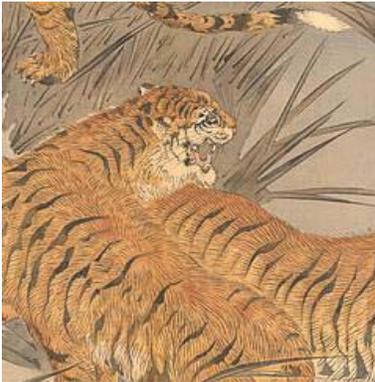
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Bill Gates and **Warren Buffet** used to be viewed primarily as heroes in the business world because of the companies they built and the value they created. Now they're mentioned more in terms of what they've accomplished or earmarked for charity than for the money they've made for themselves, their colleagues and their investors. In other words, they've effected a transformation of public perception: their names now mean something other than they did just a few years ago.

The engine of this transformation is something I call "strategic philanthropy." You can understand it by asking not what you and your family can do for philanthropy but what philanthropy can do for you and for your family.

Gilded age

Families can take a strategic approach to good works by building functionality around philanthropy and educating family members and succeeding generations about the value of wealth beyond consumption, creation and preservation. And that can connect the family -- in real and meaningful ways -- to the community for generations to come as they work together to make the world healthier, wealthier and safer.



But strategic philanthropy can also alter the public's perception of a family name. Nowadays "Rockefeller" is synonymous with good works; "Carnegie" calls to mind an enduring legacy of public literacy. Hospital wings, university chairs and countless scholarships are named for people once seen as criminals, robber barons, men of singular greed.

The most successful resurrections of family names have been helped along by wise advisors who work step by step with families to formulate deliberate processes to establish and maintain the families' philanthropic reputations. And though the public may at first be skeptical when it sees money being "thrown" at charities, it's apt to come around when it sees passion and dedication reflected in a true commitment to the community.

Memory hole

Sometimes it's a matter of changing the public's perception of the family name. Other times though, it's more a matter of building name recognition beyond the foundational works of the first-generation wealth creator. Succeeding generations don't just get the wealth of their forbears; they get the name too. So often it's the second generation that sets about changing the way their name is perceived.

Here's an example. Back in the 1920s there was a Midwestern investment professional who, for a while at least, did well for his clients. But in the Great Depression his business -- and his clients' investments -- went up in smoke, and the taint of scandal became attached to his name. His wife came through it with a great deal of wealth, however, and she supported him for the rest of his life. This widow and her children subsequently funded things like professorships, hospitals and public recreation facilities. The financier's grandchildren were raised to think of themselves as community leaders and scholars, and they now devote their lives and fortunes to public causes. A recent series of newspaper articles about the family extolled the "vision" of its patriarch and the philanthropic passion he instilled in his heirs. The newspaper profile also said the family's wealth was rooted in a successful investment business. It didn't say anything about bankruptcy, corruption or scandal.

So will future biographies of Bill Gates dwell on allegations of anti-trust violations? One-hundred years from now, will profiles of the **Michael Milken's** family mention junk bonds and criminal convictions?

Heirs of a jailbird

In Asia I met with several children of a man who created great wealth but got into trouble and wound up in prison. Though they live in different Asian countries, and though they are honest dealers, their father's reputation for malfeasance looms large over them and colors how others treat them.

I spoke with them about strategic philanthropy. The vision for their family's good works would have to be Asian and global; their father would have to appear as the font of this generosity. The program would have to involve health care, social services, education, and art so as to appeal to the entire constituency affected by their father's misdeeds which included his peers, employees, colleagues and associates.

Now this family is building a philanthropic program carefully, deliberately and strategically. And their name will be revered by future generations.

We will explore other strategic uses of philanthropy in this column. Redeeming a family name is an aspect of it that's fairly easy to grasp and offers a stark contrast between public benefit and private gain. Should name resurrection receive tax entitlements? Should we encourage it with plaudits when it's essentially self serving? Well, the simple fact of the matter is that this kind of philanthropy benefits society as much as any other. Bill Gates will help the world as much as **Mother Teresa** did. His gifts will cure the sick, enlighten the ignorant and comfort the bereft.

So as advisors, we should recognize opportunities to help our clients by designing philanthropic programs to meet their needs. As members of the community, we should appreciate these contributions even to the extent that we lose sight of the sins of some wealth creators and hold their names in reverence for the good that is not interred with their bones. -FWR

The illustration for this column is a detail from a Japanese woodblock print in the Charles A. Lowenhaupt Collection.

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