

LOEB & LOEB:

A Model in Guiding Clients in Their Philanthropy



(l-r) Alyse Pelavin, Regina Covitt, Paul Frimmer, Stu Tobisman and Leah Bishop (CCF photo by Jc Olivera)

The law firm of Loeb & Loeb LLP is among the most respected and prestigious in Los Angeles. Leah Bishop, Regina Covitt, Paul Frimmer, Alyse Pelavin and Stu Tobisman make it part of their practice to counsel clients – all high net worth, many with complex assets – on matters related to philanthropy. CCF recently sat down with them for this feature story.

What attracts your clients to create a private foundation?

Regina Covitt: Two big things. One is the perpetuation of the family name, and an ability to bring in the entire family... or the belief or hope that they will bring in the entire family and have the private foundation go on for generations. I think that the hope exists a lot more than the reality does.

The other is control. For many of the clients it's not control over the charities, but control over the investments. We have a lot of clients who are successful entrepreneurs, and who feel that they can do better with the investments of the foundation rather than letting some public charity manage for them.

Is it not always the case that heirs inherit the passion and sense of direction of the person setting up a foundation?

Regina Covitt: Unfortunately I think it is often the case that parents have a vision, a concept that their children don't share. There was a hope that the foundation would bring the family together in ways that they were not together in the parents' lifetime, and that just doesn't pan out.

Alyse Pelavin: One mistake some parents make is setting up a foundation with a very narrow focus because it's the father's interest. The son might be charitable but is not involved in that interest. If the foundation had been set up for a broad charitable purpose it would have worked better in bringing in the son.

Leah Bishop: And that is advice that we routinely give clients, that if there is something that you are committed to as parents, you can keep that commitment but leave some money, some discretion for your children to be involved in what they are passionate about. And more importantly, find out what they are passionate about when you

are still alive and listen to what they have to say.

When is it a better choice to establish a private foundation than set up a charitable fund at a community foundation?

Paul Frimmer: Most of my clients are entrepreneurial and prefer to have control of their investments. They prefer to keep control of their charitable wishes, and they also want their family to keep control. With most public funds you can't go beyond the child level, you cannot have grandchildren involved, you cannot have great grandchildren involved.

I think that may be more hopeful wishing than actuality, because most of these foundations don't last into the third or fourth generation. They either get dissolved, rolled into a public charity because the children and grandchildren do not really care, or get paid out because no one cares as much as the founders did. *[continued on next page]*

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When would establishing a fund at a public foundation such as CCF or the Jewish Community Foundation be better for a client?

Stu Tobisman: There are a couple of factors. One is economics of scale. A private foundation does not make sense, in my opinion, unless there is going to be a continued endowment in excess of two million dollars. Much below that and the cost in maintenance and upkeep simply makes it an inefficient means for carrying on the philanthropy.

But even more than that, many clients underestimate the regulatory environment and the maintenance and upkeep of a private foundation. They don't realize that giving away money is just as much of a challenge as creating it in the first place. And unless it is managed systematically, not only is it inefficient, but you get into trouble.

So frequently, the ability of a public charity like the California Community Foundation to handle all of the administrative responsibilities and really allow the client to focus on the philanthropic mission makes it a better choice for the client's philanthropy.

Leah Bishop: The other advantage of a community foundation is that you have the entire programmatic staff at your disposal. One of the things that is hard for private foundations is knowing who is doing the best work in the community in any given area...who is doing the best work in inner-city education, who is doing the best therapeutic dance program. There is no way that your average family foundation is going to know that without perhaps hiring an independent consultant.

Alyse Pelavin: I want to add that sometimes donors don't know what they don't know. For example, they can run afoul of the unrelated business taxable income rules or other rules. And if they had someone like CCF handling the investing, that wouldn't be a problem. But if they handle everything on their own, it could be a big problem.

Have you been surprised by something in working with a client or clients?

Stu Tobisman: Yes, one client is enormously philanthropic but insists on absolute anonymity. It is important to him that the anonymity is preserved, but he is probably one of the leading philanthropists in the community.

Have you ever had a problem, something that posed a dilemma for you?

Leah Bishop: Part of the dilemma for me is that some of my client's views are very different from mine. So, when a client asks me to form a charity that makes me cringe, I just have to put aside my personal beliefs and say: Ok, everyone is entitled to their own personal view. And on the other hand, there are the Joan Palevsky's of this world, and helping her fulfill her charitable goals has probably been one of the greatest thrills of my life.

Is there a segment within Los Angeles or Southern California that is the most giving in respect to income?

Stu Tobisman: Not in my experience. Philanthropy comes from people in all walks of life, and I think that's what makes what we do so gratifying, helping our clients fulfill their charitable objectives.

WHAT YOU SHOULD KNOW ABOUT COMMUNITY FOUNDATIONS

Community foundations are organizations that go beyond making monetary grants. They also identify current and emerging issues in their community, channel resources to address opportunities or needs, and help the people in their region prepare for the future.

COMMUNITY FOUNDATIONS:

- * Facilitate public discourse around public policy at local and regional levels
- * Spur opinion leaders, influencers and decision-makers to take action on community issues
- * Convene diverse groups of people to develop common solutions to shared problems
- * Provide management support to help nonprofit organizations improve efficiency and become self-sustaining

