



NATIONAL CENTER FOR
FAMILY PHILANTHROPY

SPLENDID LEGACY

CREATING AND RE-CREATING

YOUR FAMILY FOUNDATION



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ONE FAMILY'S STORY

A Conversation with **Bill Gates, Sr.**

*Bill Gates, Sr., is no ordinary father, and Bill Gates III is no ordinary son. But their experiences in creating the Bill & Melinda Gates Foundation are ordinary to all families beginning the journey into family foundation grantmaking. Bill Gates, Sr., who was present from the first idea of the foundation, talked about its origins and formation with Virginia M. Esposito for the first edition of *Splendid Legacy*.*

While much has changed at the Bill & Melinda Gates Foundation since this interview, we are pleased to share excerpts from this 2002 conversation in our second edition, since his insights are as important today as ever.

The earliest conversations about the advantages of a private foundation as against random personal giving were between my son and his professional advisors. There really wasn't anything you would call a family discussion. I was a part of it because I was a member of the law firm from which he was getting some of his advice. He and I did talk about it from time to time.

Bill resisted [the idea] for a long, long time because his view of life was that every time you create some kind of organization, it adds minor complications to your daily agenda. He was very reluctant to have to deal with another entity in this life. So, in spite of the financial advantages, he and Melinda were quite resistant to this idea.

Difficulties Keeping Up With Charitable Requests

After Bill's mother died in 1994, I had a conversation with him and Melinda about the fact that they were not doing a very acceptable job of keeping up with charitable requests that were being made of them personally. They didn't answer letters. They didn't get back to people. It wasn't a matter of lack of interest. It was a matter of priority. My son felt that the most important thing he had to do was to see to it that his company succeeded, that he brought in a lot of very bright, energetic young people as employees, and that they created products that are of value to the world at large. Those things were a clear preoccupation for him.

Bill's Father Makes a Suggestion

I had become less active in my law firm, and suggested to Bill that I could serve as a sort of screen and responding mechanism for some of those letters and requests. He and Melinda thought that was a terrific idea. Activity flowed from that moment very, very quickly. Now it made sense to have an entity, a foundation, because he had somebody to manage it, and it would actually subtract from his burden. Not very long after I started to help with these affairs and the mail started to be shunted over to me, we did form a foundation for their personal philanthropy. That's the beginning of the story.

First Formal Structure Is Set in Place

The foundation was created in the form of a trust. There is no Mission Statement, or at least there wasn't when Bill funded it with something in the neighborhood of \$200 million. Very shortly after that, we got into some discussion about things he and Melinda cared about, such as family planning. We then decided to become more proactive than we had contemplated. I did a survey, and invited proposals. We did select a couple of interesting projects to fund.

Discussion of Perpetuity

In terms of planning, there has been a continuous discussion of how long this foundation was going to last, and how ultimately it might be brought to a close. We don't yet know what the right answer is. It's very hard to think in terms of perpetuity. I don't know how rational it is, but there is a hesitancy about the idea of perpetual institutions.

The other consideration is that there is an attraction to having something like this for your heirs to participate in. This involves a risk, because you don't know much about the personality of your heirs, particularly the second generation. But if you assume that they are going to be quality human beings, then the idea of having this kind of an activity for them to be involved in is a very attractive thing.

We looked at the Rockefeller family philanthropy, a perpetual entity, which is an argument for perpetuity, because in our judgment it has continued to operate in a very imaginative and effective way. On the other hand, you can see models where family purposes have been diverted. The foundation gets diverted from what the person who started it, whose money it was, wanted to have happen.

Editor's Note: The Bill & Melinda Gates Foundation decided in 2006 to spend down its assets. The foundation intends to pay out all of its assets within 20 years after the deaths of Bill and Melinda.

Bill and Melinda Gates Find a Cause

Events imposed upon us the need for goal setting, and a more thoughtful approach to what we were about. These were not things we sat down and thought about in a preliminary way or in preparation for what we were doing. They were imposed on us by circumstances and our operations. We had an unbelievably large number of proposals coming in which we had to sort on the basis of what was most important to Bill and Melinda.

Then, in late 1995 or early 1996, Bill and Melinda read an article in *The New York Times* talking about the disease burden in the underdeveloped world, about how many people were dying from diseases that had long since been eradicated in the industrial world. Bill sent that article to me and asked if possibly we could do something about this.

That article showed the egregious inequity that a human being, by the accident of birth, is in a situation where a lifetime of good health is relatively hopeless compared with somebody in the United States, for whom good health care is virtually assured. That inequity is so gigantic that it does shake one's sense of justice. This was clearly the most directional event that happened in the history of the foundation. The size of the foundation began to increase hugely following that. In the course of about 12 months, Bill

and Melinda contributed something in the neighborhood of \$20 billion. That infusion of funds, plus Bill's developing interest in the problems of global health, gave us a very definite focus. That focus continues to narrow.

There is a lesson here of general applicability, which is that anybody who launches an activity of this kind will find themselves modifying and probably narrowing their focus and goals and the kinds of things they take an interest in. It's clear to me that, over time, as we have experience with the things we support, we may well modify even the relatively set ideas we have now. We will see the successes and non-successes.

Founder and Foundation Affect One Another

The array of interests and even prejudices that people have is so vast that, to somebody, the creation of an art museum, or the development of a symphony, or the enhancement of the quality of a school are things that appeal to personal passions — in very much the way that global health has caught on with my son and his wife.

That's the great beauty of private philanthropy — the enormous diversity of it. The amplification of one's charitable urges has a value of its own. It imposes a discipline on the activity that is very positive. It requires you to think about compliance with regulations, such as the business of minimum distributions — which I happen to be sympathetic to. It generates and continues to give a focus to what you're doing. The business of having an entity almost uniformly brings a third party, an objective player, into the mix, which is a very valuable contribution that weighs against indiscriminate, momentary passions or interests that a donor might be subject to. Almost everybody has, either within the family or in a circle of professional help, mentors and advisors, lawyers and accountants, people they talk with about important things. In that circle, there's bound to be constructive guidance and constructive day-to-day support.

Then there is the business of the contribution that the history of your

activity makes to your own evaluation of what you're doing and your own sense of doing it in the best, most effective way — that's an enormously positive contribution.

Grantmaking Style Develops with Experience

By and large, the creation of a family foundation is a positive thing to do. It's a positive contribution and something that people should approach with optimism. I would certainly encourage people to go into it with some degree of flexibility, recognizing that actually conducting a foundation over a period of time will very likely have a significant effect on one's views about what they want to do.

There are process choices here, as well as subject choices. There is something of a dichotomy between a rather freewheeling gifting of money to responsible entities to perform on, and a more staffed, programmed, controlling approach where, to a large extent, activities are carried out or closely followed by people

on foundation staff. When you get to a certain size, you have a choice between whether you do the work or the grantee does the work.

A Father Finds Gratification in His Son's Philanthropy

My gratification from involvement in my son's foundation is almost self-evident. It is such a joy to be a party to his philanthropy, and such a joy to see what he and Melinda are wanting to do and to be a part of it. No one should be surprised by the joy that flows from that. ■