

## **The Self-serving Motivations of the Indianapolis Trust Companies that Created The Indianapolis Foundation, 1893-1916.**

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This research is a chapter from a larger dissertation on the early history of the Indianapolis Foundation and its funding of the arts, covering the time frame of 1916-1986. Although my original historical questions were centered on what kinds of arts organizations were funded, at what level and why, an even more intriguing question emerged. Why is it that for the first 50 years of community foundation development, the vast majority were started by trust companies, and even then, usually only one trust company? As I backed up my research to 1893, new insights began to emerge. Although some of the motivation might have been due to a sense of civic duty, there were also strong business motivations.

Most of the literature on the beginnings of community foundations holds that trust companies started mostly in the Midwest and Northeast regions of the U.S. because those communities were less metropolitan and the businesses and their leaders were more connected to the communities in which they resided. It has also been widely claimed that the main reason for the idea of a community trust was because of the plethora of mortmain, or “dead hand” trusts that had been rendered useless because the legal recipient, cause or organization had become obsolete. Therefore, a community trust or foundation that could receive these funds and use them for the greatest need of the community as these needs changed made sense. But why wasn't this attempted before by lawyers who were administrators of trusts? Or by wealthy individuals? Or by local governments? Or Bankers? Why only trust companies?

What I found was that much of the motivation was driven by profit. Although trust companies made money on the interest of “dead hand” trusts, they were denied the very profitable administration fees of handling transactions within the trust. Although they could legally change the recipient of such funds using the cy pres legal procedure, to do so was expensive, sometimes taking decades to accomplish, and with no guarantee of success. In addition, as several trust officers admitted, banks and trust companies were good at making and investing money, but poorly prepared to give it away. It was a time consuming and expensive task. Therefore, it was in their financial best interest to have a community foundation that could solve the cy pres problem by doing away with mortmain trusts, allow them to charge fees for administration of the trust funds, and relieve them of the unprofitable burden of distribution to a worthy recipient. In addition, because banking in general suffered from a lack of trust by the public, a trust company that was associated with a community foundation benefitted in terms of marketing, public relations and increased deposits in its coffers. In short, a community foundation made good business sense.