Twitter Thread by Evan Sparks



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So, as the #MegaMillions jackpot reaches a record $1.6B and #Powerball reaches $620M, here's my advice about how to spend the money in a way that will truly set you, your children and their kids up for life.

Ready?

Create a private foundation and give it all away. 1/

Let's stipulate first that lottery winners often have a hard time. Being publicly identified makes you a target for "friends" and "family" who want your money, as well as for non-family grifters and con men. 2/

The stress can be damaging, even deadly, and Uncle Sam takes his huge cut. Plus, having a big pool of disposable income can be irresistible to people not accustomed to managing wealth. https://t.co/fiHsuJyZwz 3/

Meanwhile, the private foundation is as close as we come to Downton Abbey and the landed aristocracy in this country. It's a largely untaxed pot of money that grows significantly over time, and those who control them tend to entrench their own privileges and those of their kin. 4

Here's how it works for a big lotto winner:

1. Win the prize.
2. Announce that you are donating it to the YOUR NAME HERE Family Foundation.
3. Receive massive plaudits in the press. You will be a folk hero for this decision.
4. Appoint only trusted friends/family to board. 5/

Step 5. Give foundation jobs to friends/family you want to reward.
6. Get your kids/grandkids on your board eventually.

Voila! You have created an institution that will provide your family with comfortable salaries and massive social privilege -- indefinitely! 6/

A $1.6B-asset foundation would instantly be among the country's top 75 foundations. Foundations are (generally) required to give away at least 5% each year -- this is an $80 million annual payout. Little secret: this payout can include your administrative expenses. 7/

Now to salaries. Per 990 filings, it is very reasonable to pay the CEO of a $1.6B foundation as much as $1 million. You can live well on a million bucks for life, plus the social prestige of running a large and generous charity. 8/

Top executives can pull down $700-800k. Your hangers-on can easily justify $200-300K salaries as program directors.

Don't go crazy -- you don't want to attract IRS/AG attention. Benchmark to peers but honestly you can pay yourself and your staff a lot. 9/

This overhead will still be a tiny portion of an $80M annual payout. Think of how many people will be trying to get a piece of that. You will be inundated with invitations to parties, to speak at events, to get honorary degrees. Say no or yes as you like. 10/

As a friend says who now works for a family foundation, "I'll never tell an unfunny joke again." When you work for a big foundation -- and especially, run a big foundation -- you can call anyone you like and get a meeting with anyone you want. 11/

Colleges will court your kids, all in hopes of getting access to grants. They can work outside the foundation if they want, but your kids will always have the fallback of working for the foundation. It will always be there to support the family and its privilege. 12/

I always chuckle at the thought that Warren Buffett didn't spoil his kids. (https://t.co/PKJFCq4h3s) He gave each of them a billion-dollar foundation! They are set for life! (Howard Buffett is a genuinely interesting philanthropist, I'll add. 13/

Please don't read this to suggest that I am opposed to private foundations. I think they're a great vehicle and an important part of the fabric of American civil society. I just think we should be aware of the dynamic of family privilege they create. 14/

So if you win the big jackpot, take it from me. Spend it all in one place: on creating a private foundation. You'll be a public hero, minimize your tax liability, and set yourself and your family up for life. Not a bad deal. 15/15

So... this blew up.

A few parenthetical thoughts:

1. I think the vast majority of family foundations out there are doing great work, finding and funding and sustaining the charitable enterprises that are a major part of our national and local economies. Sincere applause!

2. For some families, philanthropic giving is a fun thing they do together that has benefits for their communities. This should be encouraged! We should simply recognize the dynamics around wealth, philanthropy, and social status.

3. I was a bit tongue-in-cheek about creating foundation jobs for family. These jobs can pay comfortably but obviously not obscenely, as that would constitute self-dealing.

4. The whole thread was just a thought experiment in how to spend lottery winnings in a way that would ensure lives of comfort for the winner and his/her loved ones, maximize the winner's social standing, minimize downside risks of winning, and possibly benefit the community.

5. Finally, no one should buy lotto tickets! The end. Thanks for reading!