



## Sunset Foundation – How Foundations Spend Down Affects the Impact on Staff and Grantees

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Discussions around sunset foundations – foundations that exist for a limited time – are gaining increased attention in the discussion on impactful and more equitable philanthropy. Given the limited evidence on how foundations navigate this phase, the authors analyse 11 sunset foundations to identify patterns leading to decisions to sunset, as well as management and grant making practices applied throughout the process.

The study explores the following questions:

- What causes the deliberate sunset of a grant-making foundation
- What are the logics through which the remaining endowment is spent?
- How do these causes and logics influence strategic actions of sunset foundations?

Four distinct sunset strategies are identified through this study, which adds to a better understanding of the strategic and managerial requirements leaders of sunset foundations should consider, and the intended impact goals connected to a sunset.

[#spendingdown](#) [#sunsetfoundations](#) [#counteringperpetuity](#)

### Background

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### Context



- **Rethinking Perpetuity:** While perpetuity has long been a default goal for foundations, growing social and environmental urgency has sparked critique. Spending down is increasingly seen as a more equitable, high-impact alternative to preserving endowments indefinitely.
- **Reasons for Closure:** Foundations may sunset due to pre-set legal timelines, external pressures, or intentional strategic decisions to focus remaining assets more effectively.
- **Approaches to Spending Down:** Sunset foundations follow different logics — some prioritize spending based on remaining funds, while others align disbursements with specific needs, even if it means shifting away from existing grantees.
- **Strategic Management Matters:** The effectiveness of a sunset depends not only on impact goals, but also on leadership across human resources, grantee relations, operational planning, and external communication. These elements shape the overall success of the closure.

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### Take aways & Learnings



- The **causes leading to the foundation’s closure** — whether deliberate or forced — significantly influence its ability to plan strategically. Planned sunsets offer more opportunities to support grantees and staff, while abrupt closures risk causing harm through rushed exits.
- **Strong leadership** is essential to maintain organizational productivity and staff wellbeing during a sunset. Board members and executives must ensure transparent communication and a structured, goal-driven process to navigate the uncertainty of the closure phase.
- The **impact on grantees** varies depending on the sunset type and can range from catalysing to fatal. A key challenges across all sunset models is aligning the foundation’s impact objectives with the evolving needs of its grantees throughout the sunset period.
- **Managing financial assets** is a key part of sunset strategic planning to be clear on the size of the endowment and ensure investments can be transformed into liquid assets in a given timeframe.
- Despite being the final phase, a sunset necessitates **ongoing strategic and operational decisions** to achieve the intended impact goal. Therefore, it is not merely a phase of consolidation but a time of strategic reorientation and adaptation.

	Ideal-typical sunset strategies			
Strategic type	Fade Out	Resource Spender	Urgency Responder	Impact Accelerator
Spending logic	Focus on spending resources		Focus on highest impact	
Cause	Driven by failure to adapt to external pressures or mismanagement	Predefined or planned closure	Driven by external factors which create an urgency to act	Internal strategic decision to maximize long-term impact
Intended impact goal	None or unclear	Ensuring long-term continuity for individual grantee organizations	Focus on mid-term survival of grantees and partners	Transformational field-level impact
Key Operational Features				
Human resource management	Fluctuating due to lack of strategic alinement	Adds staff to increase capacity	Focused on retaining staff	Actively supporting staff transition
Grantee management	Fragmented, abrupt, risk of negative impact on grantee in absence of exit strategy	Focuses on “big players” to accelerate spending	Flexible, high-trust funding to grantees	Collaborative development of shared strategic goals
Operative preparedness	Overstretched and limited capacity to adapt grant- making	Reporting-heavy and control-based to ensure outcome	Efficiency-oriented; unbureaucratic for fast reaction time	Effectiveness-oriented investment in tools and processes
Communication	After-the-fact	Instrumental	Transparent	Strategic and intentional

Table 1: Ideal-Typical Strategies of Sunset Foundations

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