

## Donor-Advised Funds vs. Private Foundations

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General Advantages of Having a Vehicle for Charitable Giving	Advantages of Donor-Advised Funds over Private Foundations	Advantages of Private Foundations over Donor-Advised Funds
<ol style="list-style-type: none"> <li>1. Formalizes giving</li> <li>2. Can deposit money for future giving</li> <li>3. If liquidity event or large income in a year, can deposit money in vehicle to get tax benefit</li> <li>4. Can use money in vehicle for donations even if income or investments drop during a year</li> <li>5. Client can still continue to donate without fearing that they are dipping into savings or investments</li> <li>6. Smaller organizations client supports may not be capable of utilizing large donation at one time</li> <li>7. Donor may want to spread out donations to organization(s) over time so organization(s) use donations wisely</li> <li>8. Charity may not be able to accept complex asset (or even appreciated stock)</li> <li>9. Client may not want to donate entire asset to one charity and may want to split it up among numerous charities. Easier to do from vehicle.</li> <li>10. Vehicle can be used to help teach philanthropy to children</li> </ol>	<ol style="list-style-type: none"> <li>1. No start up fees and minimal donation required to establish account</li> <li>2. No tax on income earned (2% excise tax on Private Foundation)</li> <li>3. Simple to establish and use (Grant at click of button)</li> <li>4. No minimum distributions</li> <li>5. Minimal professional advisor fees</li> <li>6. Online access to account</li> <li>7. Low annual costs</li> <li>8. No required annual tax filings (no 990-PF)</li> <li>9. Anonymity if desired</li> <li>10. Can get guidance from Community Foundation regarding selection of recipients and family meetings/planning</li> <li>11. Greater tax advantages over Private Foundations.</li> <li>12. Cash donation deductible up to 50% of AGI vs. 30% of Private Foundations</li> <li>13. Stock Gifts deductible up to 30% of AGI vs. 20% of Private Foundations</li> <li>14. Donors are generally entitled to a tax deduction of the full fair market value of the long term appreciated private company C or S Corp Stock (or LLC and limited Partnership interests, real estate, etc.), not just the original cost basis applicable to a private foundation. So no capital gains tax.</li> <li>15. Donor-Advised Fund will verify that recipient is 501C3</li> <li>16. Can use Donor-Advised Fund when grant is outside of mission of the Private Foundation</li> <li>17. Can use Donor-Advised Fund as training ground for next gen in family's Private Foundation</li> <li>18. Only need to provide one statement of contributions to Donor-Advised Fund to Accountant each year instead of keeping track of all acknowledgements of donations from different charities</li> <li>19. Easy to check to see how much has been granted to different charities in previous years</li> <li>20. Can allow distributions to U.S. "Friends of" international charities</li> </ol>	<ol style="list-style-type: none"> <li>1. Control over grants. Grants are assured, not recommended</li> <li>2. Control over investments with more options</li> <li>3. Can last in perpetuity</li> <li>4. Can hire staff/family member</li> <li>5. Can select scholarship recipients (with IRS approval beforehand)</li> <li>6. Can fulfill pledge agreement</li> <li>7. Wealth advisor can invest funds</li> <li>8. May grant to individuals in cases of hardship</li> <li>9. Can grant to for-profits when used for charitable purposes. PRI, MRI, impact investing. Grants to for-profit firms for public benefit.</li> <li>10. Can be more advantageous when supporting international organizations provided equivalency determination is made or expenditure responsibility if exercised (only some Donor-Advised Funds can do this)</li> <li>12. Greater status of having a Private Foundation.</li> </ol>