## Donor-Advised Funds vs. Private Foundations

**General Advantages of Having a Vehicle for Charitable Giving**

1. Formalizes giving  
2. Can deposit money for future giving  
3. If liquidity event or large income in a year, can deposit money in vehicle to get tax benefit  
4. Can use money in vehicle for donations even if income or investments drop during a year  
5. Client can still continue to donate without fearing that they are dipping into savings or investments  
6. Smaller organizations client supports may not be capable of utilizing large donation at one time  
7. Donor may want to spread out donations to organization(s) over time so organization(s) use donations wisely  
8. Charity may not be able to accept complex asset (or even appreciated stock)  
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.  
10. Vehicle can be used to help teach philanthropy to children

**Advantages of Donor-Advised Funds over Private Foundations**

1. No start up fees and minimal donation required to establish account  
2. No tax on income earned (2% excise tax on Private Foundation)  
3. Simple to establish and use (Grant at click of button)  
4. No minimum distributions  
5. Minimal professional advisor fees  
6. Online access to account  
7. Low annual costs  
8. No required annual tax filings (no 990-PF)  
9. Anonymity if desired  
10. Can get guidance from Community Foundation regarding selection of recipients and family meetings/planning  
12. Cash donation deductible up to 50% of AGI vs. 30% of Private Foundations  
13. Stock Gifts deductible up to 30% of AGI vs. 20% of Private Foundations  
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.  
15. Donor-Advised Fund will verify that recipient is 501C3  
16. Can use Donor-Advised Fund when grant is outside of mission of the Private Foundation  
17. Can use Donor-Advised Fund as training ground for next gen in family’s Private Foundation  
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  
19. Easy to check to see how much has been granted to different charities in previous years  
20. Can allow distributions to U.S. “Friends of” international charities

**Advantages of Private Foundations over Donor-Advised Funds**

1. Control over grants. Grants are assured, not recommended  
2. Control over investments with more options  
3. Can last in perpetuity  
4. Can hire staff/family member  
5. Can select scholarship recipients (with IRS approval beforehand)  
6. Can fulfill pledge agreement  
7. Wealth advisor can invest funds  
8. May grant to individuals in cases of hardship  
9. Can grant to for-profits when used for charitable purposes. PRI, MRI, impact investing. Grants to for-profit firms for public benefit.  
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)  