

# ➤➤➤ Donor Advised Funds and Private Family Foundations ➤➤➤

## *Maximize your charitable giving*

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### **KNOW YOUR OPTIONS**

Deciding whether to establish a donor advised fund or a private family foundation can be a difficult decision. Both options have advantages. Donor advised funds are relatively inexpensive to establish and administer. Private foundations allow for greater control of assets. Some donors actually decide to do both.

The staff of the Saint Paul & Minnesota Foundation has years of experience working on critical issues with nonprofit organizations and community leaders. Whether you choose to establish a donor advised fund, private family foundation or both, we can provide the tools and support you need. We offer comprehensive philanthropic services, from grantmaking strategy to investment management, to help you be efficient and effective in your giving.

### **SAINT PAUL & MINNESOTA FOUNDATION**

The Foundation is a network of people and organizations that includes private family foundations, donor advised funds and many other types of charitable affiliates. These affiliates share knowledge and services in order to have the greatest possible impact through charitable giving.

Working in close partnership with your professional advisor, the staff of the Foundation can help determine which option works best for you. Together, we can create a giving plan that fulfills your charitable aims—now and in the future.

## Comparing donor advised funds and private family foundations

	Donor Advised Fund	Private Foundation
<b>Creating the structure</b>	Established at the community foundation	Nonprofit corporation or trust organized as a private foundation
<b>Tax-exempt status</b>	Shares the public charity tax-exempt status of the community foundation	Must apply for private foundation tax-exempt status from IRS
<b>Start-up costs</b>	No cost to donor	Similar to corporate start-up requiring substantial legal, accounting and operational start-up costs
<b>Charitable deductions – cash gifts</b>	Tax deduction available up to 60% of adjusted gross income in any one year	Tax deduction is limited to 30% of adjusted gross income in any one year
<b>Charitable deductions – appreciated property</b>	<ul style="list-style-type: none"> <li>• Tax deduction available up to 30% of adjusted gross income in any one year</li> <li>• Deduction available for full fair market value</li> </ul>	<ul style="list-style-type: none"> <li>• Tax deduction available up to 20% of adjusted gross income in any one year</li> <li>• Deduction available for full fair market value only if publicly traded stock</li> <li>• Other appreciated assets receive deductions limited to cost basis</li> </ul>
<b>Anonymity</b>	Contributions, grants and donors can be anonymous	Contributions, grants and board members are listed on annual tax documents, which are available for public review
<b>Donor control of grantmaking</b>	Donor recommends grants; IRS requires that the final approval rests with the community foundation	Donor retains complete control over investments and grantmaking, subject to IRS requirements
<b>Payout requirements</b>	Does not legally apply	Annually must distribute for charitable purposes at least 5% of its asset value regardless of its income
<b>Administration (includes staffing, facility, financial and grant management)</b>	Services provided by the community foundation	Must establish and/or obtain these services
<b>Annual taxes</b>	None	Generally tax-exempt, but subject to excise tax of up to 2% of net investment gain including net capital gains
<b>Annual tax returns</b>	Not required (reported as part of community foundation's annual reporting)	Must be filed by the private foundation with required supporting schedules
<b>Investments</b>	Fund assets are professionally invested through the community foundation	Must manage its own investments
<b>Self-dealing rules</b>	Federal law prohibits any grant, loan, compensation or other similar payment to donors, advisors, members of their family and related entities	Strict regulations prohibit most transactions between a private foundation and its donors (including related persons or corporations)
<b>Fiduciary responsibility</b>	Community foundation fulfills the associated fiduciary responsibilities	Private foundation board has full fiduciary responsibility