

DONOR ADVISED FUNDS VS. PRIVATE FOUNDATIONS: A COMPARISON

	<u>Comparison</u>	<u>Donor Advised Fund</u>	<u>Private Foundation</u>
1.	Start-up Costs	None	Legal and accounting fees and operational costs (several thousand dollars). Must be organized separately as non-profit corporation or trust and receive federal and state approvals.
2.	Start-up time frame	Immediate	Generally 2 to 6 months
3.	IRS approval	None. Shares public charity status with sponsoring charity.	Required. Must establish separate tax exempt status as private foundation.
4.	Practical Minimum Size	Depends upon sponsoring charity's policy, generally \$10,000 to \$25,000	Sustantial assets required, generally \$1 million and up.
5.	Donor Control	Donor (or designated advisors) may make recommendatons for grant making, but sponsoring charity makes final decision	Donor (or Board or Trustees) retains complete control over grant making and investments, limited only by IRS requirements.
6.	Charitable Deduction for Gifts of Cash	Deductible up to 50% of adjusted gross income	Deductible up to 30% of adjusted gross income.
7.	Charitable Deduction for Gifts of appreciated publicly traded securities	Full market value deductible up to 30% of adjusted gross income	Full market value deductible up to 20% of adjusted gross income.
8.	Charitable Deduction for Gifts of closely-held stock or real estate	Full market value deductible up to 30% of adjusted gross income or cost basis up to 50% of adjusted gross income.	Deduction limited to Donor's cost basis up to 20% of adjusted gross income.
9.	Tax on investment income (Excise Tax)	None	Up to 2% federal excise tax on investment income and net realized capital gain.
10.	Separate Annual IRS Tax Return	None. Reported as part of sponsoring charity's annual reporting.	Separate tax information must be filed annually on Form 990-PF.

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11. Minimum Distribution Requirements	None, except by sponsoring charity's policy	Must expend 5% of net assets annually regardless of fund earnings.
12. Annual costs	Generally, .75% to 1% of value of fund	Can be costly, including operational expenses, legal, accounting, auditing and investment management fees.
13. Investments, Accounting, Audit, Tax and Administrative Services	Provided by sponsoring organization	Board or Trustees must perform, contract or hire staff for these services.
14. Grantmaking Support/Administration	Provided by sponsoring charity	Board or Trustees must perform, contract or hire staff for these services.
15. Fiduciary responsibility	Sponsoring charity fulfills fiduciary responsibilities	Board or Trustees have full fiduciary responsibility.
16. Liability and Risk	Sponsoring charity covers liability and risk	Must be provided by Board or Trustees.
17. Confidentiality/Privacy	Donors have the option to be acknowledged or remain anonymous	All of the Private Foundation's information is publicly available on IRS Form 990-PF
18. Governance/Succession	Donor may name advisors to recommend grants and may also name successor advisors to ensure a continuing legacy	Virtually unlimited opportunities for Board/Trustee selection and bringing in the next generation.
19. Perpetuity	Can exist in perpetuity.	Can exist in perpetuity.
20. Summary of Advantages	Lower costs; less hassle; lower contribution minimum; tax advantages; flexibility; privacy; grant making support and screening services.	Full control of grant making and investments; ability to hire family; family legacy; cachet (greater prestige); desire to be visible