

Comparing Donor Advised Funds vs. Private Foundations

Donor Advised Funds are the fastest-growing charitable giving vehicle in the nation and for good reason. Donor advised funds offer a highly personalized way to support the causes you care about and create a legacy of giving without the administrative responsibilities, guidelines and costs that come with a private foundation.

| | COMMUNITY FOUNDATION DONOR ADVISED FUND | PRIVATE FOUNDATION |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Startup procedure | Meet with staff to complete a fund agreement | Incorporate and apply for IRS tax-exempt approval |
| Startup timeframe | Immediate | Typically several months |
| Startup costs | None | Several thousand dollars for legal and accounting expenses and filing fees |
| Effective gift size for startup | Thousands of dollars | Millions of dollars |
| Involvement and control | Recommend grants to qualified nonprofits anytime, subject to board approval Can involve multiple generations | Appoint a board to control investments and grantmaking Can involve multiple generations |
| Grantmaking support | Community foundation shares local expertise and provides grantmaking support, research, nonprofit due diligence, accounting and communication with grant recipients | Create and support a grantmaking and monitoring structure Research and identify qualified nonprofits to support and handle all communication |
| Tax deductions | Up to 50% of adjusted gross income on cash, up to 30% on appreciated stock, up to 30% on real estate and closely held stock | Up to 30% of adjusted gross income on cash, up to 20% on appreciated stock, up to 20% on real estate |
| Excise tax | None | 1.39% on annual net investment income |
| Tax status | Public charity | Private charity |
| Administration | None | Must file annual 990-PF |
| Operating costs and fees | Administration is pooled; typically 1.8% per year | Legal, accounting and administrative costs; typically in the range of 2%-4% per year |
| Privacy | May choose to make grants anonymously or in the name of the fund | Tax return is public record and includes grants, investment fees, board, staff salaries, etc. |
| Distribution requirements | None | 5% annual distribution required |

INTERESTED IN LEARNING MORE?

We'd welcome the opportunity to meet with you and your professional advisor to explore whether a donor advised fund with the community foundation could be the right fit for you and your philanthropy. Reach us at (810) 444-8852 or kdickens@4ccf.org.