



SO YOU WANT TO BE A PHILANTHROPIST?



Carol A. Sheehan
Real Estate, Taxation

Consider A Donor Advised Fund

Many of us do not have sufficient assets to contribute to our favorite charities to justify establishing a charitable foundation.

Or do we? A donor advised fund may help you accomplish your philanthropic goals.

What It Is. Sometimes dubbed the “poor person’s charitable foundation,” a donor advised fund is typically named after the donor. It is owned and controlled by a charitable organization. The donor or his designee has advisory privileges as to the distribution and investment of amounts held in the fund.

How It Works. You donate cash or other property, such as appreciated stock, to the fund. You avoid paying capital gains tax on the value of the appreciated stock and get an immediate charitable deduction in an amount equal to the value of the property contributed. The invested assets of the fund grow tax free, subject to minimal administrative and investment management fees. You advise the charity how the fund should be invested. You advise the charity, which generally follows your recommendations, which charities should receive donations from your fund and when. An initial minimum contribution of \$10,000 is generally required. You can make additional contributions to your fund, generally in minimum increments of \$1,000, for which you will be entitled to additional charitable deductions. You will need only one tax substantiation letter for each contribution to the fund to claim your charitable deduction. You will be provided annual statements as to grants made from your fund. You need not apply for tax exemption for your fund and no annual IRS filings are required of you.

Your fund can outlive you. You can designate your heirs as successor advisors or recommend future lump sum or annual grants to your designated charities.

Who Should Hold Your Donor Advised Fund. Choose an organization that has approved donations to charities that support your values. Understand the policies and procedures to which your fund will be subject, including minimum contribution and distribution requirements, costs and investment options. If you wish to focus your charitable giving in a particular geographical location, consider a community foundation in that area. Many major financial institutions and financial services firms have established donor advisor funds.

Wealthy individuals have traditionally established charitable foundations to promote their favored causes. A donor advisor fund is like a charitable foundation, without the costs and administrative burdens. With a donor advisor fund established in your name, you, too, can be listed with “The MacArthur Foundation” in the donor listings on the websites of your favorite charities.