Guide To Donor-Advised Funds

Is the fastest-growing option in charitable giving right for you?
Donor-advised funds are the fastest-growing charitable vehicle in the United States. For good reason: You can create one in as fast as two hours and receive the maximum tax benefit permitted by the IRS. There’s no cost to start a fund, and you can use the fund to support your favorite causes and charities now and for years to come.

The following “Guide to Donor-Advised Funds” was prepared by Akron Community Foundation to walk you through the history of donor-advised funds, their benefits, and how they compare to other charitable options so you can make the best choice for you.

**Does a donor-advised fund make sense for you?**

The answer may be yes if you:

1. Want maximum flexibility to give to various charities or change charitable beneficiaries over time.
2. Wish to involve your spouse, children, grandchildren or colleagues.
3. Could save income taxes by giving appreciated property instead of cash.
4. Are considering creating a private or family foundation but want to avoid the cumbersome and complicated IRS requirements for operating a foundation, as well as the considerable expense.
5. Want to maintain a steady level of charitable giving despite fluctuating income.
6. Have had an exceptionally high income year in which you need immediate charitable tax benefits but would prefer to defer your donations to charities until another time.
7. Prefer to be somewhat or fully anonymous in your giving.
8. Prefer to have someone else handle the management, like check writing, legal details and paperwork, while you get to choose which charities to donate to.

**The Charitable Choice of Millions**

Donor-advised funds are the fastest-growing charitable vehicle in the United States.

**Donor-Advised Funds: Dividends of a Different Kind**

Think of a donor-advised fund as something like a combined savings and checking account through which you can support your favorite causes and charities. An individual, family or company can establish a donor-advised fund at an IRS-approved nonprofit. The nonprofit handles all the work, including processing your contribution, which may be as complex as non-liquid appreciated assets; conducting quarterly accounting; and sending grant checks to the nonprofits of your choice—when and where you recommend them. The nonprofit will even make sure your recommended causes are legitimate and IRS approved.

Your initial and subsequent gifts to a donor-advised fund earn you an immediate tax deduction. Many people like this because it gives them the tax break when they need it without requiring them to disburse their charitable donations until they’re ready to make grants.

But please note: Just like any other charitable gift for which you receive a deduction, your donor-advised fund is irrevocable. In some situations, you can carry over your excess charitable deductions for up to five consecutive years.

**Benefits of a Donor-Advised Fund**

1. **Low cost**
   Donor-advised fund costs are minimal. The administering organization usually charges the fund an annual fee of 2 percent or less to cover administration and investment fees, but only after you have received your full tax deduction for gifts to the fund. Starting a donor-advised fund is free and can be done in as little as a day. In comparison, starting a private foundation requires upfront fees, tax filings and IRS approval, which can take months.

2. **No administration for you**
   Donor-advised funds relieve you of all the work. The public charity where you establish the fund handles all the due diligence, record keeping, check writing, gift acceptance and tax filings.

3. **Greater tax deductibility**
   Donations to donor-advised funds are deductible up to 60 percent of adjusted gross income on gifts of cash, and 30 percent on gifts of appreciated assets like stock, mutual funds and real estate. Donating long-term appreciated assets to a donor-advised fund may even eliminate capital gains taxes. In comparison, deduction limits on gifts to private foundations are 30 percent and 20 percent, respectively. What’s more, private foundations are required to distribute a minimum of 5 percent in grants each year, while donor-advised funds require no such minimum.

4. **Strategic charity**
   Donor-advised funds give you time to plan and be strategic about your charitable giving. Establish or donate to your fund when it makes the most tax sense, then distribute charitable gifts through grants from the fund when the right charity or project comes along. In the meantime, your donor-advised fund’s assets will be invested, with earnings growing untaxed.

5. **Streamlined gift accounting**
   Support as many charities as you wish through your donor-advised fund. For tax purposes, you only need to track your contributions to the fund. Are multiple members of your business or family conducting charitable giving? By consolidating everyone’s charity in a donor-advised fund, you can minimize confusion and duplication.

6. **Privacy**
   While private foundation giving is public record, grants made through donor-advised funds can be made anonymously. You can also name your fund in such a way that fully protects you from funding appeals.

7. **Legacy**
   Donor-advised funds can make a statement. You can name them for your family or company, or in honor of a co-worker or loved one. They are also an effective way to encourage philanthropy with your family or employees. You can involve your children, grandchildren and even future generations of family members in your grantmaking and name them as successor advisors. Depending on the fund administrator you choose, you also have the option to endow your donor-advised fund so it will grow in perpetuity. The dollars available for grantmaking will be limited, ensuring your fund lasts forever. Also, depending on the administrator, you can convert your fund to support a specific nonprofit or cause upon your death.
The Donor-Advised Fund Originators

Community foundations pioneered donor-advised funds back in 1931. In the 1990s, many national for-profit companies and some major nonprofits began offering them, too. But, we still believe your best partner is close to home, and if you live or work in Greater Akron, your local donor-advised fund partner is Akron Community Foundation. We offer everything the others do, but in your backyard, serving your community, and with the following extra benefits others can't offer:

We’re accessible online, by phone and in person.
No question, you’ll find our website to be complete and informative. We also respond quickly to email and phone calls. But the special advantage of working locally comes when you want to meet someone face to face. Our helpful staff is always ready to meet in person with you, your family, or your advisor about any issue you wish to discuss, from gift planning to grantmaking. Our office is centrally located in downtown Akron. Or, we can come to you. We also host family grant-making sessions, should you want them.

We help you learn about local nonprofits.
A donor-advised fund at Akron Community Foundation opens your door to the region’s best knowledge about nonprofits and issues, from education and the arts to homelessness and the environment. We’ll share with you our more than 60 years of experience – including which organizations are collaborating, which ones meet a service gap, and where your grantmaking will be most effective – but only when you ask. We’ll never interfere with your personal charity.

Our fees are low and stay in your community.
Create your donor-advised fund at Akron Community Foundation, and your fees directly benefit Summit County; they don’t go to a broker’s pocket on the other side of the country. Plus, our 1.25 percent administrative fee is one of the lowest in the industry.

We’re happy to work with your advisor.
We understand how important your relationships are with your legal and financial advisors. It is common for us to work with advisors to set up all kinds of charitable funds. If you wish to establish a large fund with us, you can request that your advisor continues to manage the fund’s assets. We also have relationships with nearly all of the region’s banks.

We can connect you with charitable people like you.
Would you like to meet or collaborate with other donor-advised fundholders in Greater Akron? As an Akron Community Foundation fundholder, we’ll invite you (if you wish) to social and educational programs, including behind-the-scenes tours of local nonprofits.

We’ll always be here, for you and future generations.
Like the nation’s 750 other community foundations, Akron Community Foundation’s endowment is invested and managed to ensure that we last forever. If you choose to endow your fund, you create a charitable legacy that will give back forever in your name. You can be confident that we will always honor your charitable intent, whether you choose to pass your donor-advised fund on to future generations, convert your fund to benefit a favorite nonprofit or cause in perpetuity, or support the community foundation’s focus on community issues.

We offer many tax-smart ways to give.
We’ll work with you or your professional advisor to determine the best asset to start your donor-advised fund. You can donate a wide variety of assets, including cash, appreciated stocks, closely held securities, real estate and personal property. You’ll always receive the maximum possible charitable tax benefits. You can also plan for the future. We offer estate-planning options such as charitable remainder trusts, which enable you to design future charitable gifts, provide you with income today with under-performing assets, and limit your tax exposure.

---

### Donor-Advised Fund, Charity or Private Foundation?

<table>
<thead>
<tr>
<th>COMPARE YOUR OPTIONS</th>
<th>STARTING A DONOR- ADVISED FUND AT ACF</th>
<th>GIVING DIRECTLY TO FAVORITE CHARITY</th>
<th>STARTING A PRIVATE FOUNDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set-up time</td>
<td>As little as 1 day</td>
<td>Immediate</td>
<td>6-9 months</td>
</tr>
<tr>
<td>Start-up costs (e.g. legal and accounting fees)</td>
<td>None</td>
<td>None</td>
<td>Typical costs of creating a corporation (legal, accounting, etc.)</td>
</tr>
<tr>
<td>Annual costs</td>
<td>Total fees less than 2%</td>
<td>None</td>
<td>Extensive administration, legal and investment costs</td>
</tr>
<tr>
<td>Initial gift minimum</td>
<td>$5,000</td>
<td>None</td>
<td>$5-10 million recommended</td>
</tr>
<tr>
<td>Annual tax filings and returns</td>
<td>Not required (part of ACF annual reporting)</td>
<td>Charity conducts</td>
<td>Must be filed by private foundation staff</td>
</tr>
<tr>
<td>Record keeping / accounting</td>
<td>Provided by ACF staff</td>
<td>No</td>
<td>All services arranged by private foundation staff</td>
</tr>
<tr>
<td>Administrative support</td>
<td>ACF professional staff</td>
<td>Charity’s staff</td>
<td>None, must hire private foundation staff</td>
</tr>
<tr>
<td>Payout required</td>
<td>None</td>
<td>None</td>
<td>Yes – 5% annually</td>
</tr>
<tr>
<td>Annual taxes</td>
<td>None</td>
<td>None</td>
<td>Yes – up to 2%</td>
</tr>
<tr>
<td>Governance and oversight</td>
<td>ACF board of directors</td>
<td>Charity’s board</td>
<td>Private foundation board</td>
</tr>
<tr>
<td>Grantmaking strategy assistance; information on community issues</td>
<td>Yes, if donor desires</td>
<td>No</td>
<td>None, must hire private foundation staff</td>
</tr>
<tr>
<td>Confidentiality</td>
<td>Yes. Donor can choose anonymity both in giving and grantmaking</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Donor control of distributions</td>
<td>ACF carries out donor's wishes via grant recommendations, subject to ACF board approval</td>
<td>Donor can request restrictions on gift, but charity has final say</td>
<td>Subject to private foundation’s board</td>
</tr>
<tr>
<td>Ability to give to multiple nonprofits and causes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Investments</td>
<td>Active board oversight, record of long-term growth by top-tier investment managers</td>
<td>Charity not required to invest gift for growth</td>
<td>Private foundation staff must oversee, management could be costly, depending on assets</td>
</tr>
</tbody>
</table>

---

www.akroncf.org

---

www.akroncf.org
Ways to Give to an Akron Community Foundation Donor-Advised Fund

TYPE OF ASSET

CASH

SHORT-TERM CAPITAL GAIN PROPERTY
- Stocks, bonds, capital assets held less than one year
- Inventories

ORDINARY INCOME PROPERTY
- Automobiles
- Artwork
- Bequests
- Farmland
- Vacation
- Inventories

LIFE-FOCUSED PROPERTY
- Close held stock
- PLANNED GIFTS
- Bequests
- Gifts that pay income

CHARITABLE DEDUCTION AND LIMITATION

For a cash gift, the deduction is typically deductible up to 60% of the donor’s adjusted gross income (AGI) in the year the gift is made, if the donor itemizes deductions. Any excess contributions can be carried over the next five years.

Example: Mr. Jones has an adjusted gross income of $300,000. He makes a cash gift of $200,000 to the community foundation. The first year he may deduct up to 60% of his $300,000 AGI (up to $180,000). The remaining $20,000 of his charitable gift may be deducted the following year.

Or, if you decide to give property other than cash, the deduction is typically limited to cost basis and is deductible up to 50% of the donor’s AGI in the year the gift is made, if the donor itemizes deductions. Any excess contributions can be carried over the next five years.

On the other hand, if Mr. Jones gave the same $200,000 to a private foundation instead, he would be limited to a charitable deduction of only 30% of his $300,000 AGI (a one-time deduction totaling $90,000).

LONG-TERM CAPITAL GAIN PROPERTY
- Stocks, bonds, capital assets held more than one year

TANGIBLE PERSONAL PROPERTY
- Antiques
- Artwork
- Jewelry

REAL ESTATE
- Home
- Apartment building
- Vacation property
- Farmland
- Commercial property
- Income-producing or non-income producing land

Raw land without any depreciable property is equal to the fair market value of the land; the 30% limitation applies. If the property contains depreciable assets or is mortgaged, a separate calculation is made. If special environmental or other concerns exist, consult Akron Community Foundation staff.

Deductions for gifts of personal property to community foundations are generally based on the cost basis of the gift and are deductible up to 50% of the donor’s AGI. Excess contributions can be carried over the next five years. Special rules may apply to gifts of artwork.

CLOSETHELD STOCK
Charitable gifts of stock in a closely held corporation may be made to a community foundation with the same deduction rules as publicly traded securities. (This is not true for gifts to a private foundation.) Because of the special issues of valuation and corporate privacy inherent, consult Akron Community Foundation staff.

PLANNED GIFTS
- Bequests
- Gifts that pay income
- Gifts that protect assets

Akron Community Foundation offers donor-advised fundholders the unique ability to perpetuate their philanthropy after they are gone. In addition to offering unlimited succession to heirs, we also offer many options to grow your fund through gifts from your estate, trust, CCA, retirement assets or life insurance policy. See all our planned giving options at www.myakronlegacy.org.

View Akron Community Foundation’s full gift acceptance policy at www.akroncf.org/giftpolicy.

ABOUT AKRON COMMUNITY FOUNDATION

Akron Community Foundation embraces and enhances the work of charitable people who make a permanent commitment to the good of the community. In 1955, a $1 million bequest from the estate of Edwin Shaw established the community foundation. Today, it is a philanthropic endowment of nearly $220 million with a growing family of funds established by charitable people from all walks of life. More than one-third are donor-advised funds, and that list continues to grow.

Trusted leadership
Our 24-person volunteer board represents the citizenry of Greater Akron in all facets of our community. It includes financial and legal experts, nonprofit leaders, government representatives and members of the faith community. They take very seriously their role as leaders, conveners and advocates for your community and your charitable interests.

Proven growth
Our portfolio consists of approximately 60 percent equity investments, 20 percent fixed income and cash investments, and 20 percent alternative investments. Our five-year annualized net return is 6.7 percent, net of all fees and cash flows. Our financial policies and historical investment performance are available in detail at www.akroncf.org/financials.

Prudent investments
Akron Community Foundation’s board is also responsible for protecting and growing your charitable assets. Our financial practices maintain the highest possible standards for our fundholders and nonprofits alike. We take great care to invest your funds wisely, transparently and prudently so they grow over time and are available for grant-making next month or next decade. Our Finance and Investment Committee and staff follow a strict financial discipline and provide regular oversight of our investments. A board-approved independent investment consultant professionally manages investments, oversees investment performance, and recommends policy and performance benchmarks, which we consistently meet or beat.

Personalized service
Nothing can match having your donor-advised fund in your own community, and no one does it better than Akron Community Foundation. From our rich history in the community and our experience managing hundreds of charitable funds, to our relationship with professional advisors and our knowledge of the nonprofit sector: Our service and commitment to you, your community, and your charitable wishes is unparalleled. We love meeting with you, hearing your charitable dreams, and helping you plan for wherever those dreams take you. And for that, we’ll never charge you a dime.

Learn more about donor-advised funds and our five other charitable fund options at www.akroncf.org/givingyourway. Or, schedule a free charitable consultation with Margaret Medzie, vice president and chief development officer, at mmedzie@akroncf.org or 330-436-5610.
345 W. Cedar St., Akron, OH 44307
330-376-8522
www.akroncf.org

CONNECT WITH US

345 W. Cedar St., Akron, OH 44307
330-376-8522
www.akroncf.org