



TOOLS FOR GIVING: COMPARING TWO APPROACHES

| | PRIVATE FOUNDATION | COMMUNITY FOUNDATION DONOR-ADVISED FUND |
|---------------------------------------|--|--|
| Control | Donor retains maximum control of board, investments, and grantmaking. | Donor provides advice to Community Foundation on grants to qualified nonprofit groups, subject to approval by the board. Investments structured by Community Foundation's investment committee. |
| Tax Deductibility | Cash up to 30%; real property, appreciated and closely held stock up to 20% | Cash up to 50%; real property, appreciated and closely held stock up to 30% |
| Minimum payout requirement | 5% annually | None |
| Investment Flexibility | Must divest excess business holdings (closely held stock) within five years or pay excise tax. | Donors choose among investment strategies offered by the Community Foundation |
| Continuity | Can continue to future generations. | Donor may name a successor advisor(s) to his or her fund. |
| Grantmaking Support | Must create and support own grantmaking and monitoring structure | Community Foundation's professional staff provides as much or as little advice as needed |
| Administration | Legal and accounting fees run to thousands every year; filing fees and an annual tax return are required | Nothing required of donor; Community Foundation does all reporting. Administration is pooled for a modest annual fee. |
| Privacy | Income, grants, Board names and staff salaries reported to the public annually, with donor's name | Aggregate reporting allows complete anonymity; donor's name not attached to fund's grantmaking or reporting, if desired. Alternately, donor's name can feature prominently in fund's name and grantmaking if donor wishes. |
| Excise Taxes | 1% to 2% of investment income annually | None |
| Liability & Risk Insurance | Must be purchased by the private foundation | Provided by the Community Foundation up to \$10 million |
| Staff | Can employ family members. | Access to Community Foundation staff (for investment, grantmaking expertise) |
| Start-Up Timeframe | Months for IRS approval | Immediate - can be done in a day |
| Start-Up Costs | Thousands in legal and accounting fees | None |
| Ongoing Costs | Thousands to prepare and file tax return and other documentation | Fund pays modest annual fee to Community Foundation for pooled administration and investment management |