

Donor Advised Funds

A Donor Advised Fund is an extremely simple and effective way for you to support your favorite charitable causes in a tax efficient and cost effective manner. Donor advised funds are very flexible tools that can fill a variety of needs. For example, they can be used for annual gifting, for creating charitable reserves for future charitable activities, for passing along charitable values to other family members, for establishing a charitable legacy – or all of the above! There are many other ways in which they can be used and our staff will be happy to work with you and your professional advisors on developing a plan just for you.

A Donor Advised Fund is a separate fund within the Community Foundation for Southeast Michigan that is established by an individual, a family, a business or a foundation, and for which a designated individual or group of individuals serve as advisors. These advisors may make recommendations to the Community Foundation with respect to grants from the fund to support other public charities and the investment of the fund.

The “Community Foundation Difference”

One benefit of establishing a Donor Advised Fund with the Community Foundation is having access to our professional staff. They can help you with planning gifts into your fund, researching charities that you may wish to support, creating family charitable mission statements and otherwise ensuring your charitable giving experience is enjoyable. The staff can also work with your professional advisors in connection with your charitable planning.

Creating a legacy

Another benefit is that all Donor Advised Funds become endowments when there are no longer advisors to the fund. However, the name of your Donor Advised Fund will remain in effect creating a permanent legacy of your generosity. Most funds - when there are no longer advisors serving – become unrestricted sources of support for charitable causes throughout southeast Michigan. You may designate in advance a specific charitable purpose for the endowment if you desire.

Establishing a Donor Advised Fund

It is simple to establish a Donor Advised Fund. Simply call the Community Foundation at 888-WE-ENDOW (933-6369). In most cases, you can establish the fund with information you provide to us over the phone in a matter of minutes. Or, we can meet with you to go over the benefits of a Donor Advised Fund. Information that we will need includes the name you want the fund to have (or you can decide to create an anonymous fund), who will be the advisor(s) to the fund, what investment option you would like to recommend the fund be invested in, and basic contact information. You can also complete a Donor Advised Fund *Application* to help organize this information. A minimum contribution of \$10,000 will also be required.

Advisors to the Donor Advised Fund

Any person can be an advisor to the Donor Advised Fund. Advisors are limited to two lineal generations – typically spouses and then their children. In a non-family situation such as a business, the Community Foundation and the founder determine, in advance of establishing a fund, who will serve as adviser(s) and for how long they may serve.

Gifts to a Donor Advised Fund

Gifts can include cash and marketable securities including mutual funds. Restricted stock, closely held business interests, real estate, qualified intellectual property and other assets may

also be contributed in particular circumstance as well as other assets acceptable under the Community Foundation's gift-acceptance policy and applicable federal and state law. Please contact us if you are interested in contributing an asset other than cash or marketable securities to discuss the details.

Donor Advised Funds typically receive gifts from only one source – a family or a business. Sometimes children will also contribute to a fund. Community Foundation policies do not permit the use of fundraising events to secure gifts for a Donor Advised Fund, nor can Donor Advised Funds be used as memorial funds.

Grants from a Donor Advised Fund

It is easy for the Advisor(s) to recommend grants from a Community Foundation Donor Advised Fund. Grants may be recommended to *any eligible 501(c)(3) public charity in the United States for charitable purpose* provided that the grant:

- is at least \$250
- does not result in a personal benefit to any individual (as provided by Federal tax law)

Under Federal tax law, improper personal benefits include payments on enforceable pledges, fundraising event tickets, nonprofit memberships, or grants earmarked for the benefit of any individual. See *Recommending Grants from your Donor Advised Fund* or contact us for more details.

Tax benefits

Because the Donor Advised Fund is part of the Community Foundation, a public charity, your contributions to the fund receive the most favorable charitable income tax deduction treatment. You can deduct up to 50% of your tax contribution base (basically AGI) for gifts of cash into your fund. You can also deduct up to 30% of your tax contribution base for gifts of appreciated, long-term marketable securities, without recognizing the gain. Any amount you cannot deduct in the year of the gift may be carried over for deduction during the next five years.

Gifts into the Donor Advised Fund can be deducted when completed, not when grants are paid from the fund. As such, you can make gifts into the fund at year end for income tax deduction purposes and then recommend grants from the fund in future years.

Donor advised funds grow tax free and are not subject to mandatory distribution requirements like private foundations. There is also no requirement to file annual tax returns or other regulatory forms as the fund is included in the filings of the Community Foundation.

Quarterly reports

You receive quarterly reports that summarize the activities of the Donor Advised Fund. The report shows contributions, investment returns and distributions to charities. You may also review fund activity online at any time using Donor Central, a free, secure internet access service provided by the Community Foundation.

Donor Advised Funds are regulated by Federal law. As such, the Community Foundation (i) reserves the right to amend its policies and procedures relating to donor advised fund grants without notice as necessary to comply with any applicable statute or regulation, and (ii) any provision herein contrary to such statutes or regulations is modified to comply with same.