

## Comparison of Donor Advised Funds With Private Foundations

	<b>Donor Advised Fund</b>	<b>Private Foundation</b>
<b>Description</b>	Fund created by Donor via a gift to public charity. Donor recommends grants.	A charitable organization created, funded, and controlled by a single donor or family.
<b>Creation</b>	Established via written agreement with a public charity.	Established via Federal and State filings as a non-profit corporation or trust.
<b>Tax Exempt Status</b>	Shares the tax exempt status of the public charity under which it was established.	Must apply with the IRS to receive tax exempt status.
<b>Start Up Costs</b>	Typically no cost to donor.	Similar to the costs associated with a corporate start up; substantial legal, operational, and accounting costs.
<b>Size to Create</b>	\$5,000 or more.	\$1,000,000 or more.
<b>Cash:</b>	Deductible up to <b>50%</b> of AGI per year	Deduction limited to <b>30%</b> of AGI per year
<b>Appreciated Property:</b>	<b>Fair market value</b> deductible up to <b>30%</b> of AGI per year	<b>Cost basis</b> deductible up to <b>20%</b> of AGI per year
<b>Corporate Charitable Deductions</b>		
<b>Cash:</b>	Deductible up to <b>10%</b> of taxable income per year.	Deductible up to <b>10%</b> of taxable income per year.
<b>Appreciated Property:</b>	Deductible up to <b>10%</b> of taxable income per year.	Deductible up to <b>10%</b> of taxable income per year.
<b>Fund Naming</b>	Donor's choice.	Donor's choice.
<b>Governing Board</b>	Donor typically does not sit on board, but can advise board.	Consists of donor, members of donor's family, and others as appointed by donor.
<b>Duration of Fund</b>	May have unlimited time frame, or may be limited to a specific term, such as donor's lifetime or 25 years (depends upon Vendor's rules)	Donor's choice.
<b>Donor Granting</b>	Donor makes advisory grant recommendations, while final authority rests with board of the public charity.	Donor retains complete control over grant making, subject to IRS regulations.
<b>Donor Investment</b>	Donor may make recommendations for investment decisions, while final authority rests with board of the public charity.	Donor retains complete control over investments, subject to IRS regulations.
<b>Self-Dealing Rules</b>	None.	Strict rules prohibit most transactions between a private foundation and its donors, including related persons or corporations.
<b>Distribution Requirements</b>	None.	Must distribute for charitable purposes <b>at least 5% of its asset value</b> on an annual basis, regardless of foundation's annual income.
<b>Administrative Issues</b>	Administrative services are provided by the public charity under which the DAF operates.	Must establish / obtain these services.
<b>Annual Costs</b>	Minimal.	May be quite high.
	<b>Donor Advised Fund</b>	<b>Private Foundation</b>

<b>Annual Taxes</b>	None.	Generally, income is tax exempt, but is <b>subject to excise tax of 2%</b> of net investment gain including capital gains (may be reduced to 1% if amounts in excess of minimum required payout are distributed)
<b>Penalty Taxes</b>	None.	May be imposed for failure to make minimum distributions (15% tax on undistributed amounts), for excess business holdings, for unacceptable investments, for taxable expenditures.
<b>Annual Tax Filings / Returns</b>	None. (Included as part of public charity's annual report.)	Must be filed by private foundation.
<b>Informational Return Required by IRS</b>	Form 990 (Filed by the DAF's affiliated public charity.)	Form 990PF (Filed by the Private Foundation.)
<b>Fiduciary Responsibility</b>	Public charity has complete fiduciary responsibility.	Private foundation board has complete responsibility.
<b>Liability and Risk Insurance</b>	Typically provided by the public charity.	Must be purchased by private foundation.
<b>Best Used When:</b>	<p>When donors:</p> <ul style="list-style-type: none"> <li>• Have a moderate dollar amount to gift;</li> <li>• Do not wish to be involved with management of the entity (other than providing "advice");</li> <li>• Seek a quick and simple solution;</li> <li>• Seek most-favorable tax treatment for the gift;</li> <li>• Desire anonymity;</li> <li>• Are concerned with expenses.</li> </ul>	<p>When donors:</p> <ul style="list-style-type: none"> <li>• Have large dollar amount to gift;</li> <li>• Wish to pursue their own charitable endeavors;</li> <li>• Wish to be intimately involved with the management of the entity;</li> <li>• Desire flexibility to alter entity's purpose;</li> <li>• Desire permanency;</li> <li>• Are not concerned with expenses;</li> <li>• Are not concerned about the less-than-favorable tax deductibility;</li> <li>• Are not concerned with regulatory and compliance complexity;</li> <li>• Completely understand the rules.</li> </ul>

**Note: entities offer similar benefits:**

- A strategy to implement philanthropic objectives;
- Immediate generation of tax deduction;
- Postponement of the granting decision;
- Control, to a greater or lesser extent, over the granting decision;
- Potential involvement of second- or third-generation family members;
- Potential for the creation of a permanent legacy;
- Opportunity to grow the gift over time in a tax-efficient environment.

## Donor Advised Funds and Private Foundations Relative Comparisons

	<b>Donor Advised Fund</b>	<b>Private Foundation</b>
<b>Description</b>	Fund created by Donor via a gift to public charity. Donor recommends grants.	A charitable organization created, funded, and controlled by a single donor or family.
<b>Set Up Ease</b>	Easiest	Most Difficult
<b>Set Up Cost</b>	None	Substantial
<b>Management</b>	Easiest	Most Difficult
<b>Regulations</b>	Easiest	Most Difficult
<b>Governance</b>	Minimal	Substantial
<b>Granting</b>	Some (donor “advises”)	Maximum (PF Board directs grants as it sees fit)
<b>Investments</b>	Some (donor may be able to “advise”)	Maximum (PF Board has complete control, subject to IRS regs.)