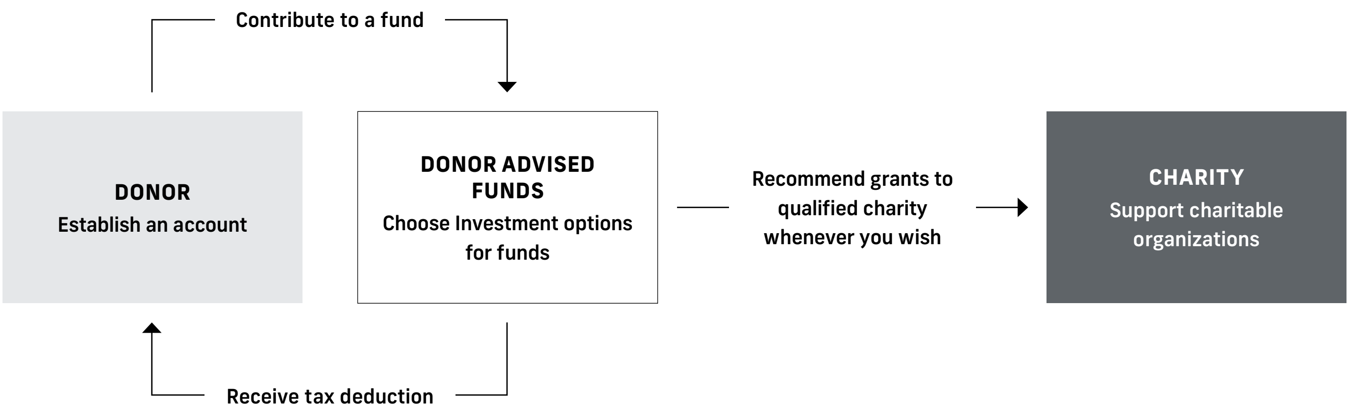
DONOR ADVISED FUNDS AT-A-GLANCE

What It Is

A Donor Advised Fund (DAF) is a charitable giving account that allows a client (donor) to manage their charitable contributions in a streamlined manner, but without the expense and complexity traditionally associated with private foundations.

By contributing to a DAF, a donor may be able to take a charitable deduction in the year the contribution is made, and subsequently direct gifts to charities over time. DAFs are simple to establish, involve no start-up costs, and require no ongoing administration by the donor.



What Benefits It Offers

A DAF simplifies the process of giving charitably and can be a tax-effective strategy:

- Allows you to realize the tax benefit of a lump donation in the year of the contribution and spread the grants to end organizations over time
- Assets are invested and continue to grow tax-free
- Donor has control over timing of grants to charities (and may maintain anonymity, if desired)
- Grantmaking is straightforward, and year-end reporting for tax filings is available for each account owner

- Donations of appreciated securities are accepted, increasing the potential tax benefit
- Useful way to implement "bunching" strategy, in which clients who utilize the standard deduction concentrate several years of charitable donations in one tax year in which they can exceed the standard deduction

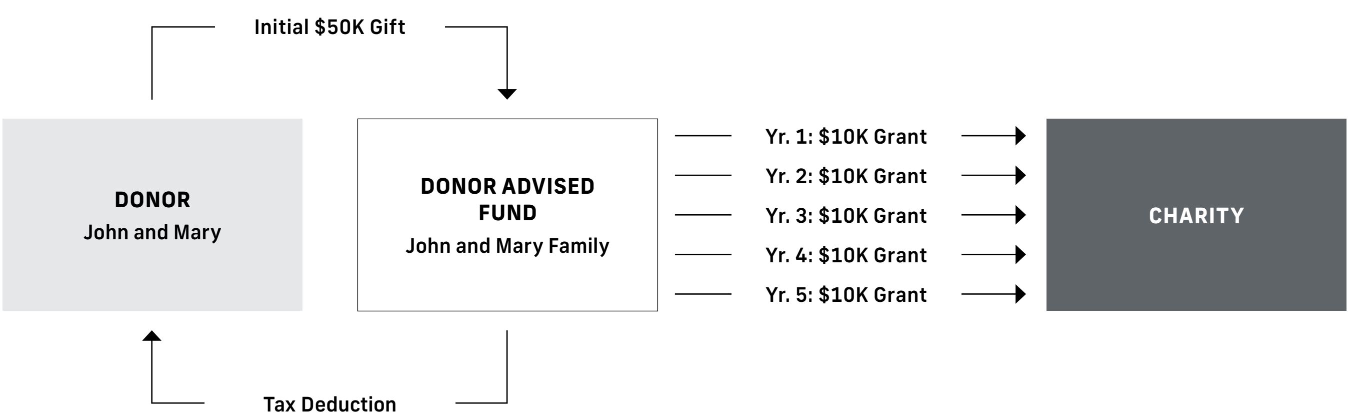
What Are The Details?

- Gifts made to a DAF are irrevocable, so once made, they cannot be reversed
- There are minimum grant requirements and some limitations on where you can grant
- Recipients must be an eligible 501(c)(3) public charity
- Fund administrators are extremely receptive to your direction on grantmaking, but legally the Fund owns the assets
- Contributions of Qualified Charitable Distributions (QCD) from IRAs are not allowed

Example

For the last several years, John and Mary have been giving $10,000 each year to their favorite charity. This year, John and Mary are expecting a significant increase in taxable income and would like to reduce their income taxes. Mary has been an executive at a large public company for over a decade and owns a significant amount of company stock. The stock has appreciated over the years and the cost basis is low. John and Mary would like to continue giving $10,000 per year for at least the next five years. Mary would like to reduce her company stock position as it has become a large portion of their overall portfolio.

Instead of gifting $10,000 in cash this year (as they have done in prior years), John and Mary establish a Donor Advised Fund and gift $50,000 worth of Mary's company stock, which has a cost basis of $20,000. By gifting the appreciated stock this year, John and Mary have "bunched" five years of charitable contributions and surpassed the standard deduction, allowing them to deduct the fair market value of the stock ($50,000) in the current tax year. In addition, they avoided paying capital gains tax on the $30,000 of unrealized gains in the stock. John and Mary can now distribute $10,000 per year from their new DAF or invest the money in the fund to be used for future giving.



CONTENT DISCLOSURES

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