

**CHOOSING HOW TO GIVE TO CHARITY:
DIRECT GIVING AND THE PRIVATE FOUNDATION AND DONOR-ADVISED
FUND ALTERNATIVES**

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- Donors wishing to support their favorite charities – including Princeton University – often ask, “What is the best way to give?”
- The answers are more complicated than the question and change depending on a variety of factors:
 - Do I want to have the pleasure and recognition of making a gift during my lifetime?
 - Would I prefer to do my giving as a legacy after my death?
 - Do I want to move assets out of my estate during my lifetime, for which I will claim income-tax charitable deductions?

- Do I want to leave my assets intact and let my estate claim an estate-tax charitable deduction at my death?
- Do I want my heirs to continue charitable giving after my lifetime through a family foundation or donor advised fund?
- The best way to give also depends on what kind of assets you want to give:
 - Cash
 - Stocks
 - Bonds
 - Real estate
 - Your IRA
 - Your pension plan benefits

COMPARING WAYS TO GIVE

	<u>Comments:</u>
Direct giving	<ul style="list-style-type: none">• Income-tax charitable deductions for gifts may vary depending on the type of property and whether the recipient is a public charity (such as Princeton University, your donor-advised fund, your church or temple) or a private foundation (your family foundation).• <u>Example:</u> You paid \$10,000 for a rare book in 1950. It is appraised for \$50,000 today. You can claim a \$50,000 contribution deduction if you give it to Princeton's library during your lifetime, but only a \$10,000 deduction if you give it to your private foundation.
Giving to a private foundation	<ul style="list-style-type: none">• There are 57,000 private foundations in the U.S. today. Many of these are family foundations. Formed as a not-for-profit corporation or trust, a foundation must be recognized by the IRS as exempt from federal income taxation. It must file an annual information return detailing its grants, assets, and administrative expenses. Information returns for all charities are posted on a public website, www.guidestar.org.• Foundations must give away an amount equal to 5% of their assets every year.• Foundations are limited in their dealings with the

COMPARING WAYS TO GIVE

	<p><u>Comments:</u></p> <p>donor's family. For example, a foundation cannot pay office rent to the family.</p> <ul style="list-style-type: none">• Foundations cannot satisfy legally binding pledges of their founders or directors.• The economics of a private foundation argue for \$2 million or more in assets.• Promote family values by involving children and grandchildren as officers.
Giving to a donor-advised fund	<ul style="list-style-type: none">• There are over 70,000 donor-advised fund accounts in the U.S. today.• A donor-advised fund is an account set up at an existing public charity as to which the donor (or the donor's designees) retain the privilege to make grant recommendations and investment-allocation recommendations.• Fidelity Charitable Gift Fund is the largest, and 600 community foundations offer them as well.• A donor-advised fund is "private foundation lite."• These accounts bear the names of particular families or individuals.• Because many accounts are sponsored by a single charity, start-up and operating costs are very low.• Donor-advised funds cannot satisfy legally binding pledges of their founders or advisors.• Giving can be done anonymously and the sponsoring charity, not the individual funds, file the annual information return seen by the public.• Promote family giving values by involving children and grandchildren in advising gifts.• Check the sponsoring charity's policies carefully before giving:

COMPARING WAYS TO GIVE

Comments:

- -- What are its fees?
- -- Does it limit giving to one geographic area?
- -- What investment options are available?
- -- Can successor advisors designate their successors or is there a limit before the account reverts to management by the sponsoring charity?

SUMMARY

	<u>Advantages:</u>	<u>Disadvantages:</u>
Direct Gifts during lifetime	Simplest way to give, limited paperwork	Must obtain and keep deduction records for each gift
Giving to a private foundation	Creates a lasting institution, can teach children and grandchildren about philanthropy, timing of payouts	Relatively expensive to set up and operate, so generally justified only for assets of \$2 million or more
Giving to a donor-advised fund	Simpler and faster than a private foundation to create, with almost all of the grant making advantages, timing of payouts	The donor does not control investments

MORE INFORMATION

For more detailed information on tax deductibility, steps in creating a private foundation, or lists of sponsoring charities of donor-advised funds see "Choosing Among the Private Foundation, Supporting Organization or Donor-Advised Fund," by Victoria Bjorklund, available free of charge at www.simpsonthacher.com.