

Compare Your Options: Donor-Advised Fund vs. Private Foundation

If you wish to play an active and ongoing role in recommending the beneficiaries of your charitable giving, creating a donor-advised fund through the Community Foundation may offer considerable advantages over setting up and administering a private foundation.

DONOR ADVISED FUND (DAF)

Simple and Quick to Establish

There are no fees to design a new DAF with a community foundation. A fund agreement can be prepared in one day and our donors may choose to remain anonymous.

Stronger Tax Advantages

Our donors may deduct up to 60% of adjusted gross income (AGI) for cash gifts and generally 30% of AGI for gifts of real estate, publicly traded securities, and closely held stock, they can deduct up to 30% of AGI. Our fund partners also avoid excise taxes and we prepare the annual tax return that is comprehensive of all funds in our care.

Flexible Grantmaking

The Community Foundation only requires some grant activity once every three years. Our fund partners maintain the privilege of advising us on all grants to be distributed from their fund. Foundation staff vet all grant recipients and provide our partners with recommendations that may match their interests. We also prepare and deliver all grants.

Professional Oversight

The Community Foundation's Board of Directors selects and provides oversight of investment management services, ensuring responsible stewardship and alignment with donor intent. Fund assets are pooled for investment purposes, allowing for diversified portfolios and cost efficiency. Investment fees (presently 0.21%) are shared across funds, keeping costs lower for each donor.

PRIVATE FOUNDATION

Complex and Costly

Formation can cost thousands of dollars in legal, accounting, and IRS filing fees, and approval can take six months or more. There is little anonymity with a private foundation as asset and grant information is public.

Limited Tax Deductions

Deductions are limited to 30% of AGI for cash gifts, 20% of AGI for gifts of publicly traded securities, real estate and closely held stock. One must also pay excise tax on net investment income. Private foundations also must file annual reports of investments, grants, trustee fees, staff salaries, and other such payments.

Mandatory Payouts

Private Foundations must distribute approximately 5% of net principal value each year. While the directors and appointed trustees have complete authority over grant making decisions, they are also responsible for the administration of the grant making processes which may require hiring staff, professional advisors, and investment management services.

Full Responsibility

All compliance, governance, and reporting obligations rest entirely with the private foundation's board and officers. Assets are invested independently, requiring the board to select and monitor investment advisors, manage performance, and cover associated fees directly.