

DONOR ADVISED FUNDS vs. PRIVATE FOUNDATIONS

“Unlike with (private) foundations, donor-advised funds' investment gains are generally untaxed. In addition, fund managers perform all record-keeping and perform due diligence on charities you recommend to receive grants.”

From “Family Charities Shift Assets to Donor Funds,” April 29, 2009, Wall Street Journal



	Donor Advised Fund	Private Foundation
Startup Costs	None and can be established immediately.	Legal fees and other costs can be substantial; typically takes several weeks and often months to create.
Less Hassle	Tasks such as filing paperwork, researching potential recipients, and conducting due diligence of donations are handled by CFSJ.	Administrative tasks are handled by the donor and/or their paid staff.
Tax Advantages	<p>Gifts of private assets (e.g. real estate, private company stock) are deductible at their <u>fair market value</u> up to 30% of the donor's adjusted gross income.</p> <p>Gifts of publicly traded securities are generally deductible at <u>fair market value</u>, including capital gain, up to 30% of the donor's adjusted gross income.</p> <p>Gifts of cash are deductible up to 50% of the donor's adjusted gross income.</p> <p>No excise taxes.</p>	<p>Gifts of private assets (e.g. real estate, private company stock) are deductible <u>at the contributor's basis</u> up to 20% of the donor's adjusted gross income.</p> <p>Gifts of publicly traded securities are generally deductible at <u>fair market value</u> including capital gain, up to 20% of the donor's adjusted gross income.</p> <p>Gifts of cash are deductible up to 30% of the donor's adjusted gross income.</p> <p>Excise tax of 2% of net investment income annually.</p>
Flexibility	Donor-advised funds have no annual distribution requirements. Also, for donors who wish to keep their private foundation, a donor advised fund can be used to fulfill the five percent requirement.	Private foundations are required by the IRS to make annual distributions totaling five percent of their total assets.
Private	Information about donor-advised funds is not made public and donations to such funds can be made anonymously.	Private foundations' tax forms are public documents as are the details of the foundations' operations.
Administrative Management Fees	.75% or less for funds over \$1 million.	Typically 2.5 to 4 percent annually.
Investment Options	The flagship portfolio offered through the foundation is reviewed regularly by expert investment managers. In some cases a donor that converts an existing private foundation can keep their investment managers.	The donor is individually responsible for finding and monitoring the effective investment management firm overseeing their foundation.

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