



## DONOR ADVISED FUND

### Getting Started

There are 5 Steps to opening a Donor Advised Fund (DAF) to begin making gifts to the causes closest to your heart:

**1**

Review the DAF Guidelines and FAQs, which include fee information to make sure they align with your giving needs.

**2**

Complete a DAF application, which includes naming your fund, identifying any additional advisors, and successor advisors of the fund, and what your wishes for continuation are.

**3**

Contribute an initial gift to your fund (minimum of \$25,000) and automatically receive a letter from the Foundation for your contribution as a fully tax deductible donation.

**4**

Complete an Investment Options Recommendation Form to indicate how you would like the funds to be managed.

**5**

Make a grant via the online donor portal or complete a Donor Suggestion Form and send it to our office via email, fax, or mail. We will process your request within 7 days.

### Benefits of a DAF over Checkbook Giving

- You can contribute a gift of cash and non-cash assets to the fund whenever you want and receive an immediate income tax deduction, then decide later what causes you wish to support; You enjoy a quick and easy set-up within 48 hours with a \$25,000 minimum initial gift;
- You can select anonymity on a grant-by-grant basis, or for all your charitable disbursements;
- You can involve your children and other relatives and use your DAF as an efficient and meaningful vehicle for your family's philanthropy;
- You can build a significant gift by contributing multiple smaller gifts over time but receiving an immediate tax deduction for the smaller gifts;
- You receive the maximum tax benefit available for charitable giving (more than you would with a private foundation).



## **DONOR ADVISED FUND GUIDELINES AND FAQs**

### **Guidelines**

The following guidelines have been established to govern the handling of the CFSJ Donor Advised Fund (DAF):

1. A DAF is a component fund of the CFSJ and is fully subject to the terms and conditions of its governing agreements.
2. The donor, or another advisor named by the donor when a fund is established, submits grant recommendations to be made from the fund.
3. Donor recommendations are typically processed within 14 business days.
4. The Foundation may call advisors' attention to special community needs and programs and invite participation in special program initiatives if these opportunities are aligned with the donor's stated interests. The Foundation's program staff is always available to consult with fund advisors.
5. Grants from a DAF may not be used to satisfy a *binding* pledge made to a charity by a donor or to pay for a membership or dues or anything else that might be perceived as giving material benefit to the donor, the donor's family or business. Grants may not be made to support galas, benefits, fundraisers, or other events which would yield a benefit such as tickets or material goods to CFSJ or any donor.
6. Typically, grants from a DAF are only made to nonprofit organizations exempt from Federal taxation under section 501(c)(3) of the Internal Revenue code. Except in the case of scholarship and award programs that meet IRS criteria, grants may not be made to individuals or to agencies for purposes designed to benefit specific individuals.
7. Grants are made in the name of the fund from which they are paid. When requested, however, the donor's anonymity will be strictly preserved.
8. In most cases, advisory relationships may be assured for multiple generations. To the extent feasible, the Foundation will attempt to keep succeeding generations of family members involved with the fund and its use.
9. Donor advisors are encouraged to make recommendations of grants in the amount of \$100 or more. If the donor wishes to make a number of smaller grants regularly, a special fee may have to be assessed because of the costs of processing such grants.
10. Investment fees may be charged to the fund, depending upon the investment option selected by the donor. The fund's administrative fee may vary in relation to the complexity of the fund. The Foundation works with each donor to determine all applicable fees.

As a catalyst for giving, community problem solver and convener of community groups and agencies, the Community Foundation of South Jersey is committed to increasing the level and effectiveness of philanthropy in southern New Jersey to create a more livable and sustainable community for all. Our donor advisors are an important part of the Community Foundation of South Jersey family and are encouraged to join us in all facets of these efforts when there is alignment with donor interests.

## **Frequently Asked Questions**

### **I. Considering the Merits of Your Fund**

*Who should consider a DAF?*

Donors who want an efficient, cost-effective solution that will give them the flexibility to make grants to multiple charities (domestic and international) over time will find value in having a DAF. A DAF may also be appropriate as an alternative to a private foundation, especially for private foundations that do not intend to hire staff.

*What are the benefits of using a charitable fund to support my favorite causes instead of giving directly to a nonprofit?*

- A low-cost, flexible giving vehicle that is easy to establish.
- Administrative convenience (e.g., consolidation of the management and tracking of tax receipts associated with charitable donations).
- Give complex or unusual assets at fair market value (e.g., real estate, closely-held stock).
- An efficient vehicle for supporting meaningful issues and causes, in southern New Jersey and beyond.
- Involve family in your philanthropy.
- Donate anonymously if you so choose.

*Do I have complete control over grants?*

You are free to recommend grants to any eligible public charity. However, the Foundation has a legal obligation to deny grants that do not meet criteria established by law. This includes a grant request that is not charitable in nature, provides a direct benefit to the donor advisor or a related party, or is directed to an individual. Otherwise, you are free to support the cause of your choice.

### **II. Opening a Your Fund**

*Who can open a DAF account?*

Individuals, families, companies, community groups, foundations, and other entities can start a donor-advised fund account by contributing assets.

*How much do I need to open a DAF?*

To start a donor-advised fund account with CFSJ, you will need to make a contribution of \$2,000 or more. Once your account is established, you can make subsequent contributions to grow your fund.

*Can my DAF account be named after someone else other than me?*

Yes. You can choose any name for your donor-advised fund account. Most donors choose a name that reflects the main purpose of the account such as “*The J. R. Schultz Educational Fund.*” Other donors select a name that allows them to remain anonymous such as “*The Fund for Environmental Sustainability.*”

*How long does it take to open a DAF fund account?*

At CFSJ, it takes less than 48 hours. Once you submit a completed donor fund agreement, your account is established and ready to receive contributions.

### III. **Managing Your Fund**

*What types of fees will be charged to my fund?*

CFSJ assesses an administration fee to your account to cover grantmaking, recordkeeping, annual audits, tax filing, quarterly statements, insurance and various other operating expenses. Based on the average daily balance of your account, 1/12<sup>th</sup> of the fee percentage (based on the schedule below) is assessed at the end of the month (in addition to the investment fee assigned by the asset manager).

<b>Asset Balance</b>	<b>Fee</b>
Up to \$1million	1 percent
Between \$1million and \$5million	0.75 percent
Over \$5 million	.35 percent

*Can more than one person be an advisor?*

Yes. In addition to individuals, groups, boards and companies can also be named.

*Can a donor advisor change current advisors or name successor advisors?*

Yes. Successor advisors may be named at any time by the original fund advisors. Fund advisors can also be changed at any time. A majority of fund advisors must approve a change.

### IV. **Contributing to Your Fund**

*Can I donate to my fund as much as I like?*

Yes. You can contribute multiple gifts to your fund anytime with a variety of gifts including cash, stock and real estate. Make a gift of cash or non-cash assets by contacting the Community Foundation or through our website.

*Can I invite others to give to my Donor Advised Fund?*

Yes. Others can give gifts to your Donor Advised Fund if the gifts are not designated for a specific purpose. We can provide a direct website link to your fund for online donations or donations can be mailed to our office.

### V. **Taxes and Your Fund**

*Are there limitations to charitable deductions?*

Under the Internal Revenue Code, deductions for charitable contributions are subject to a stated percentage of your adjusted gross income ("AGI") in the year you take the deduction. Contributions of more than this amount may be carried forward for additional years.

CFSJ is a public charity and therefore you will enjoy the maximum tax benefits available. Deductions for contributions of long-term capital gain property, such as appreciated securities held for more than one year, are limited to 30 percent of AGI. Deductions for all other contributions including cash may be taken up to 50% of AGI. Your ability to take itemized deductions may be subject to certain other limitations as noted by your tax advisor.

*Does my deduction differ based on the type of asset I contribute to my donor fund account?*

Yes. Generally, deductions for gifts of cash, publicly held securities, privately held securities, and real estate are varied. For example:

**Cash:** Your charitable deduction is the amount of your cash contribution.

**Publicly held securities:** If you have owned your donated securities for more than one year, your charitable deduction is the fair market value of those securities.

**Privately held securities:** If you have owned your donated securities for more than one year, your charitable deduction is the fair market value of those securities.

**Real Estate:** For contributions of real estate, your charitable deduction is the fair market value of that real estate, determined by a reasonable manner on the date you contribute it. The IRS may require you to obtain a qualified independent appraisal.

## **VI. Making a Grant from Your Fund**

*How do I recommend grants from a Donor Advised Fund?*

Complete and return the Grant Recommendation Form provided by the Community Foundation or recommend grants online through the Foundation website Donor Login.

*How often can grants be recommended?*

You can recommend grants as often as you like. We encourage you to make a minimum grant amount of \$100.

*Can I make grants to churches and schools?*

Yes, churches and schools are charitable organizations that qualify to receive grants from your DAF.

*Can I make grants to national and international organizations?*

Yes, the Community Foundation facilitates grants to local, national, and international charities.

*Can I make a grant to support an individual?*

No. The Pension Protection Act of 2006 prohibits making grants from a DAF, including scholarships, directly to individuals. Grants must always be made to a qualifying nonprofit organization. However, CFSJ does provide a scholarship fund vehicle separate from the DAF.

*Do I have to make grants every year?*

No. One advantage of establishing a DAF over a private foundation is that grants do not have to be made every year. However, if we are unable to contact fund advisors after three years of inactivity, the fund may be turned into a Designated, Better Together or Field of Interest fund that continues to meet the advisor's original intent.

## **Contact Us**

Community Foundation of South Jersey offers individuals and families a variety of ways to grow and increase the effectiveness of your philanthropy, while supporting the causes you care about most. If you want to explore the options and benefits available to you through a DAF, call us today at **856-528-3385** or send us an email at **info@communityfoundationsj.org**.