



# Private Foundation Options

While private foundations are effective vehicles for your current and planned charitable giving, they come with a set of administrative tasks and regulatory requirements that can sometimes distract from the philanthropic mission.

**The Community Foundation of New Jersey offers custom alternatives for your charitable giving, each of which afford you more time and greater leverage to make a philanthropic impact in the communities or causes you care about.**

**It is the Community Foundation's fiduciary duty to serve your giving, and we do so around the clock—in person, over the phone, or via email. With a fund at the Community Foundation, you are a valued partner receiving the support and guidance your giving deserves.**

## **Establishing or Converting to a Donor Advised Fund**

By establishing—or converting your private foundation to—a donor advised fund, you give your family's philanthropy the gift of time. A fund at the Community Foundation eliminates the time-consuming administrative and legal responsibilities while you enjoy the flexibility of a private foundation, access to a suite of fundholder services, and the added benefits of:

**Reduced Costs.** Tap into expert resources that streamline investing and grantmaking and eliminate accounting and tax filings.

**Greater Tax Benefits.** Receive the maximum tax benefits on future gifts, such as a fair market value deduction of non-publicly traded assets (e.g. closely held stock) and higher adjusted gross income deductibility thresholds for cash and publicly traded security gifts.

**Keep Grantmaking Private.** Information about private foundations is readily available for public inspection. Use a donor advised fund to achieve a charitable goal with anonymity.

**More Giving Time.** Without the required annual 5% payout of a private foundation, you can give at your own personal pace. Enjoy the time you save by focusing on your philanthropy and making a difference in the organizations, issues, and communities that are most important to you and your family.

**A Visual Brand.** Create a brand, such as a logo or supporting materials, to reflect the goals and aspirations of your fund. The Community Foundation can even develop a simple microsite where you can expand on your fund's founding, purpose, or mission. Other fundholders choose no recognition at all—an easy option with a donor advised fund.



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**The Same Structural Benefits of a Private Foundation.** You may create and serve on a board for your fund, continue to engage family members or trusted friends in your giving, and guide your fund's investment options—preserving the most popular features of a private foundation without the administrative and legal costs.

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### **Complementing a Private Foundation with a Donor Advised Fund**

Establishing a donor advised fund with the Community Foundation creates tax advantages and opens a whole new set of charitable options. You can use a donor advised fund to complement an existing private foundation and gain access to all of the Community Foundation's donor services, plus a number of other benefits, including:

**Excise Tax Planning.** Contribute additional qualifying distributions to a donor advised fund, and reduce excise taxes on realized gains and earned investment income.

**5% Payout Solution.** Gain flexibility in your grantmaking plans by making your required annual 5% IRS payout to your donor advised fund at the Community Foundation.

### **Engaging the Community Foundation to Manage a Private Foundation**

With the Community Foundation's support, the creators, families, and directors of private foundations can focus more on their charitable vision, and less on administrative tasks and regulations. Here are three ways in which the Community Foundation can help you simplify and amplify your giving:

**Strategic Design and Focus:** The Community Foundation's staff can provide in-depth research and explore key area trends and historical grant patterns. We can also follow up on end-of grant reports and present evaluations.

**Grant Management:** The Community Foundation can handle all grant inquiries, filter unsolicited grant requests, accept and review grant proposals, issue grant checks, and process declination and award letters—basically all the administrative tasks that might otherwise slow you down.

**Board Preparation:** The Community Foundation's staff can settle board meeting schedules, agendas, and location; prepare the board book and minutes; create grant summaries and recommendations; and handle all communications—all the functions that help professionalize your giving.



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Features	Private Foundation	Our Donor Advised Fund
<b>Start-up Considerations</b>	Most incorporate as a nonprofit or create trust and apply to IRS for tax-exempt status. Cost is several thousands of dollars. Can take several months to establish	Simple agreement, can be set-up immediately
<b>Personalized Services</b>	Board must arrange and support all grantmaking. Any additional support must come from hired or volunteer staff that must be managed or directed	Expert staff available to support your grantmaking and philanthropic goals, help define strategy, engage extended family, assess the effectiveness of grantees and more
<b>Investments</b>	Donor appoints board or trustees, who control investments	Donor selects from four pools to invest in or may recommend an independent manager (minimums apply)
<b>Grantmaking</b>	Donor appoints board or trustees, who control grantmaking and must make sure grant recipients are qualified nonprofits	Donor recommends grants to qualified nonprofit organizations
<b>Tax Deduction</b>	Cash: up to 30 percent of adjusted gross income; publicly traded securities: fair market value up to 20 percent of adjusted gross income	Cash: up to 50 percent of adjusted gross income; publicly traded securities: fair market value up to 30 percent of adjusted gross income
<b>Excise Tax</b>	Subject to an annual excise tax of up to two percent on net investment including net capital gains	No excise tax
<b>Valuation of Gifts</b>	Fair market value for publicly-traded stock, cost basis for all other gifts, including gifts of closely-held stock or real property	Fair market value including closely-held stock or real property
<b>Minimum Distribution Requirements</b>	5 percent of assets annually	None
<b>Tax Status</b>	Private charity as a separate 501(c) (3) organization under Section 509(a)	Public charity as a fund under the community foundation's public charity status
<b>Taxes and Administrative Requirements</b>	Must independently perform financial and administrative services or hire staff; annual tax return and reporting required. Excise tax of up to 2% of net investment earnings, other taxes may apply	None, part of the community foundation
<b>International Grants</b>	Allowed	Allowed
<b>Continuity</b>	May continue for future generations	May continue for future generations
<b>Privacy</b>	Must file detailed public tax returns on grants, investment fees, staff, salaries, etc.	Names of individual donors may be confidential and grants may be made anonymously

We look forward to helping you make a plan for your philanthropic giving.



**For more information, please contact:**

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