

Comparison of ACT Donor Advised Funds versus Family Foundations



ACT for ALEXANDRIA
A COMMUNITY FOUNDATION

A donor advised fund can be a powerful vehicle for charitable giving, while offering many advantages over a private or family foundation in terms of simplicity, ease of administration and tax treatment.

| | ACT DONOR ADVISED FUND | FAMILY FOUNDATION |
|---|--|---|
| Cash Gifts | 50% deductible of adjusted gross income (AGI) | 30% deductible of AGI |
| Long Term Capital Gain Property | 30% deductible of adjusted gross income (AGI) | 20% deductible of AGI |
| Publicly traded Stock | Fair Market Value (FMV) at time of gift | Fair Market Value (FMV) at time of gift |
| Highly Appreciated Assets | YES | YES |
| Tax Status | Shares the tax-exempt status of ACT | Private charity-subject to annual excise tax of 2% |
| Taxes | NONE | 2% excise tax |
| Tax Reporting/CPA fees | NONE | Must file annual tax return |
| Minimum Payout Requirement | NONE | 5% annually |
| Start up Costs | NONE | YES: lawyer, CPA, other |
| Administration fees annually | 1% | 2.5-4% average median (according to National Philanthropic Trust) |
| Investment Management Fee | Included in 1%. Your financial advisor may charge additional fee. | Variable |
| Donor Control over Investment | YES. Your financial professional can still manage. | YES. Board must meet and approve all decisions. Must be documented. |
| Reporting of Investment and donation choices | NONE | Board minutes |
| Simplicity of tax reporting for tax preparation | One donation to donor advised fund can be for multiple donations. | Documentation of each donation on required IRS Form 990 tax return. |
| Grant making support | ACT can help identify and access grantees, provide input on community needs and verify nonprofit status. | You must arrange and support your own grant making and monitoring structure. You can hire someone to do this for you. |
| Administrative requirements | NONE. ACT handles all reporting. Administration is pooled and included in overall fee. | Requires legal and accounting expenses and filing fees. Must file annual IRS Form 990 tax return. |
| Privacy/Anonymity of giving | YES. Names of individual donor can be kept confidential & grants made anonymously. | NO. Must file detailed public tax returns on grants, investment fees, trustee names, staff salaries |