

## Private Foundations vs Donor Advised Funds

	Private Foundations	Donor Advised Funds
Maximum Tax Benefits	No	YES
AGI Tax Deduction Limitation – Cash	30%	60%
AGI Tax Deduction Limitation Long-Term Capital Gain Property (Publicly Traded Stock, Closely Held Stock and Real Estate)	20%	30%
Gifts of Qualified Appreciated Securities (i.e., Publicly Traded Stock)	Fair Market Value Deduction	Fair Market Value Deduction
Gifts of Real Estate or Closely Held Stock	Cost Basis Deduction	Fair Market Value Deduction
Privacy/Confidentiality	No Disclosure of IRS Form 990PF is required	YES Confidentiality Maintained
Excise Taxes on the Sale of Highly Appreciated Gifts	Yes	NO
Annual Excise Tax Payments	1-2% of Net Income and Net Realized Gains	NONE
Custom Investment Program for Each Charitable Entity or Fund	Yes	YES Financial Advisor Program*
Ease and Cost of Establishing Charitable Entity or Fund	Complex Legal Expenses and IRS 1023 Application Fees and Expenses	SIMPLE No Cost, No Minimums to Establish
Annual Minimum Distribution Requirement	5%	NONE
Personal Service and Custom Donor Education Programs	No	YES

*\*No minimum balance required to work with an outside financial advisor to manage assets. We do not provide tax, legal or accounting advice. This comparison chart is for informational purposes only. Please consult your own professional advisors about your specific situation.*

## Private Foundations vs Donor Advised Funds

### 5 Steps

in Converting a Private Foundation to a Donor Advised Fund

Private foundations are powerful giving vehicles but can be both costly and time-consuming to maintain. LBCF can help you convert all or part of your private foundation to a donor advised fund.

#### 1 Board Approval

Your private foundation board must review its governing documents (and applicable state laws) to determine whether the desired dissolution is permissible. If so, the private foundation can be dissolved by a trust attorney.

2

#### Liability Management

If your private foundation has any outstanding liabilities such as taxes, grants, or fees, these need to be identified and paid before transferring assets to a donor advised fund. A reserve must be created for any additional anticipated expenses. Once assets are transferred to a donor advised fund account, they can be granted to public charities or other permissible entities. Assets cannot be granted back to the private foundation to cover past expenses.

3

#### Account Set-up

You can create a donor advised fund account by completing forms to name the account, designate current advisors, recommend investment options, and determine a succession plan.

4

#### Asset Transfer

Donor advised fund accounts are housed in public charities, like the Long Beach Community Foundation. Therefore, transferring your foundation's assets to a donor advised fund account is like issuing a grant to any public charity. Most gifts of cash, stock, mutual funds, and other tangible personal property can be donated into a donor advised fund.

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#### Tax Filing

When asset transfer is complete, your private foundation must make necessary filings in the state where it was created before it can be dissolved. If your private foundation is a trust, a final court accounting may be required. It must also file a final IRS form 990-PF.

### Key Facts

- You will incur less overhead and have increased grant flexibility with a donor advised fund.
- You may use your foundation's name as your donor advised fund name.
- The average time to convert a private foundation to a donor advised fund is 3 to 6 months.
- To terminate under Section 507 (b)(1)(A) of the IRS code, the sponsoring charity must have been in continuous existence for the immediately preceding 5 years. If this is not the case, additional compliance, including written notice to the IRS is required and a trust attorney should be consulted.