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# TWO THINGS CERTAIN®

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## Donor Advised Funds: Where anyone can feel like a Rockefeller

By Dan Gasink, Esq.

Many charitably inclined people like the idea of creating their own foundation—an organization created by them to further the charities and causes they hold dear far beyond their lives. Such private foundations have historically been exclusively the province of the very wealthy and are rarely created for gifts below $2-3 million.

An alternative, for our readers who want to contribute to their communities but are a few nickels short of the ability to create a multi-million dollar endowment, is the Donor Advised Fund. A Donor Advised Fund allows the charitable creator (the Donor) to set aside cash or stocks in a fund and get an immediate income tax deduction. The assets in the fund may then henceforth only be distributed to charitable organizations. Over time, the donor gives non-binding (yet routinely followed) recommendations to the fund managers suggesting charities and amounts to be distributed. More assets can be added over time.

A Donor Advised Fund continues until one of the following events occurs: 1) The fund runs out of money and the fund ends when they last charitable check is written; or 2) The donor dies and the remaining fund assets pass to the previously named beneficiary. Alternatively, the donor can designate other family members or friends to advise the fund manager after the donor's death and the fund may continue in perpetuity.

**Example**

A Donor has $50,000 in highly appreciated stock. Donor wants to give to charity, but is unclear as to which organization and when. Donor wants to take a tax deduction in the current year. This Donor sets up a Donor Advised Fund to achieve all these goals. Donor recommends distributions over time to the fund manager. Donor may add additional assets over time.

**How to create a Donor Advised Fund**

Donor Advised Funds can be created with paperwork as simple as setting up a brokerage account. Such funds are often managed by community foundations; they can also be set up through financial institutions like Fidelity and Vanguard (See the following flyer from the Williamsburg Community foundation for more information).

**Alternatives**

The simplest alternative is to give directly to an established charity. One would use a Donor Advised Fund as a reservoir to finance a number of future gifts, not to make a single-sum payment. The device most commonly compared to a Donor Advised Fund is a Private Foundation. Private Foundations do two things that Donor Advised funds cannot:

1) Foundations allow a donor to mandate contributions instead of offering non-binding charitable recommendations; and
2) In foundations, family members can serve as compensated board members and the foundation can pay expenses for annual board meetings.

A Private foundation has drawbacks as compared to a Donor Advised Fund. The costs of creating and maintaining a Private Foundation are thousands of dollars. The allowable percent of adjusted gross income for tax deduction is lower than a Donor Advised Fund. A foundation must distribute at least 5% annually whereas a Donor Advised Fund has no annual distribution requirement. Perhaps most important, a Private Foundation's finances and board members' identities are available for public inspection under federal reporting and transparency requirements (e.g. at www.guidestar.org).

In short, Private Foundations are wonderful devices, but a Donor Advised Fund can achieve the same general goals in a much simpler and cost-effective fashion.

For more information on the benefits of a Donor Advised Fund and how to create one, see the information below provided by our friends at the Williamsburg Community Foundation.


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About the Author:

Dan lives in Williamsburg with his wife, Ginny, their young children, and their yellow lab, Lucy. Moving around much in early years, his family settled in Northern Virginia where he attended high school. At William and Mary, he majored in history, minored in religion, and received a teaching certificate. Upon graduating, he taught high school social studies in Hampton before returning to William and Mary for a law degree. He practiced Estate Planning law in the Washington D.C. metropolitan area until he married Ginny in 2005 and they soon returned to Williamsburg. Dan has been in private practice in Williamsburg since that move and enjoys speaking as an Estate Planning expert and as a continuing education teacher.