

# Community Foundation FOR MISSISSIPPI

## Donor Advised Funds and Private Family Foundations

*Maximize your charitable giving*

Deciding whether to establish a donor advised fund or a private family foundation can be a difficult decision. Both options have advantages. Donor advised funds are relatively inexpensive to establish and administer. Private foundations allow for greater control of assets. Some donors actually decide to do both.

The staff of the Community Foundation for Mississippi has years of experience working on critical issues with nonprofit organizations and community leaders. Whether you choose to establish a donor advised fund, private family foundation or both, we can provide the tools and support you need. We offer comprehensive philanthropic services, from grantmaking strategy to investment management, to help you be efficient and effective in your giving.

### Comparing donor advised funds and private family foundations

|  | Donor Advised Funds at CFM  | Private Foundation   |
|--|---|--|
| Start-up Time  | Immediate   | Can take several weeks   |
| Start-up Costs   | \$250   | Legal and other fees are typically substantial, often \$3,000 to \$5,000   |
| Tax deduction limits for gifts of cash                   | 60% of adjusted gross income (AGI)  | 30% of adjusted gross income (AGI)   |
| Tax deduction limits for gifts of stock or real property | Tax deduction available up to 30% of adjusted gross income in any one year. Deduction available for full fair market value. | Tax deduction available up to 20% of adjusted gross income in any one year. Deduction available for full fair market value only if publicly traded stock. Other appreciated assets receive deductions limited to cost basis. |
| Valuation of gifts                                       | Fair market value (FMV)   | FMV for publicly-traded stock, the lower of FMV or cost basis for all other gifts, including gifts of closely-held stock or real property.   |
| Required grant distribution                              | None  | Must expend 5% of net asset value annually, regardless of how much the assets earn.  |
| Privacy  | Names of individual donors can be kept confidential if desired and grants may be made anonymously.                          | Must file detailed and public tax returns on grants, investment fees, trustee names, staff salaries, etc.  |
| Annual Taxes   | None  | Generally tax-exempt, but subject to excise tax of up to 2% of net investment gain, including net capital gains.   |
| Ongoing Administrative Fees                              | 100 bp (1%) or less based on size of fund, plus investment management fees, which depend on investment option(s) chosen     | Can be in the range of 100-400 bp (1% to 4%) per year  |
| Administrative Responsibilities                          | Recommend grants to favorite charitable causes  | Manage assets, keep records, select charities, administer grants, file state and federal tax returns, etc.   |
| Annual tax returns                                       | Not required (reported as part of community foundation's annual reporting)  | Must be filed by the private foundation with required supporting schedules   |
| Investments  | Fund assets are professionally invested through the community foundation  | Must manage its own investments  |
| Fiduciary responsibility                                 | Community foundation fulfills the associated fiduciary responsibilities   | Private foundation board has full fiduciary responsibility   |