Kiwanis International Foundation
Donor advised fund: Frequently asked questions

What is a donor advised fund?
A donor advised fund is a charitable giving vehicle wherein an individual, family, club, club foundation, district or district foundation makes an irrevocable, tax-deductible contribution of personal assets to the Kiwanis International Foundation and thereafter recommends grant distributions for qualified charitable purposes.

Donor advised funds offer the opportunity to create an easy-to-establish, low cost, flexible vehicle for charitable giving as an alternative to direct giving or creating a private foundation. Donors enjoy administrative convenience, cost savings and tax advantages by conducting their grant making through the fund.

Because the fund is housed in the foundation, donors receive the maximum tax deduction available, while avoiding excise taxes and other restrictions imposed on private foundations. Further, donors do not incur the cost of establishing and administering a private foundation, including staffing and legal fees.

What is the difference between donor advised funds and private foundations?
Starting a private foundation can involve substantial start up costs and administrative expenses, such as the yearly filling of IRS Form 990. But one of the most important differences is that donor advised funds receive more favorable tax treatment than private foundations. Donor advised funds allow donors to take a federal income tax deduction up to 50 percent of adjusted gross income (AGI) for cash contributions and up to 30 percent of AGI for appreciated securities; versus 30 percent of AGI for cash contributions and 20 percent of AGI for appreciated securities for a private foundation. Donor advised funds also offer the ability to recommend grants anonymously, if desired. It is also possible to convert an existing foundation over to a donor advised fund to simplify on-going maintenance and record keeping.

Why contribute to a donor advised fund rather than directly to a charity?
Donor advised funds provide a number of benefits that direct donations to a charity may not, including:

- Ability to accept and process appreciated securities for which the donor does not have to pay capital gains tax.
- Capacity to receive one block of securities that can benefit multiple charities.
- Creation of a legacy versus providing a one-time gift.
- Separation of tax planning and charitable giving, donor receives tax deduction when contribution is made, but grants to charity can be made later.
- Simplicity, a single contribution can benefit multiple charities while only requiring one tax substantiation letter.

What is an account advisor?
An account advisor is named by the donor to recommend grants from the fund. Account advisors may include family members (for individual or family accounts) or club or district officers (for Kiwanis organization accounts).

Can a fund be named after someone other than the primary account holder?
Yes, account holders can choose any name for the fund. However, it is recommended the name reflect the account holder's name and/or the main purpose of the fund. Each grant has the ability to be recognized by either the fund's name, anonymously or by special acknowledgment (for example, In Memory of, In Honor of).

When is a contribution considered a charitable donation?
A contribution is complete when the asset is out of the donor's control. The time frame varies depending on the type of asset and when it's transferred to the fund. This process usually takes less than two weeks.

What is the minimum required to establish a donor advised fund?
You can establish a fund with a minimum contribution of US$10,000. You may begin recommending grants to support Kiwanis causes once the fund balance reaches $25,000.

What types of assets can be contributed?
You may contribute cash, mutual funds, bonds and most publicly traded securities, as well as real estate on a case by case basis. Please give us a call to help review your holdings to determine if they are appropriate for use in a donor advised fund.

What type of asset is best to contribute?
Appreciated securities that have been held for more than one year make the most effective contributions. You can avoid the capital gains tax on the securities and deduct the total value of the contribution from your federal income taxes, up to 30 percent of adjusted gross income. Unused deductions can be carried forward for five years. Because of these advantages, you are able to give more to the causes you support.

Can grants be made to support non-Kiwanis causes?
An endowed gift of at least $50,000 allows you to grant at least sixty percent of the annual spendable amount to Kiwanis causes. The remaining forty percent of grantable dollars may be granted to one or more non-Kiwanis organizations which are tax exempt under Internal Revenue Code Section 501(c)3 and public charities under Internal Revenue Code Section 509(a). Grants can be made to private operating foundations but cannot be made to private no-operating foundations. Most established religious organizations and educational institutions are not listed as 501(c)3 nonprofits but are nevertheless tax-exempt charitable organizations.

How many grants can be made each year?
There is no limit to the number of grants made from a fund, up to the total annual spendable amount. Grants may be requested for a minimum amount of $500.