

Frequently Asked Questions about Donor Advised Funds

What is a Donor Advised Fund?

A Donor Advised Fund is a charitable giving vehicle wherein an individual, family, club or district makes an irrevocable, tax-deductible contribution of personal assets to the Kiwanis International Foundation and thereafter can recommend grant distributions to qualified charitable organizations.

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 filing of a 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% of adjusted gross income (AGI) for cash contributions and up to 30% of adjusted gross income (AGI) for appreciated securities; versus 30% of AGI for cash contributions and 20% 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 a 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 account. An account advisor can be (for individual and families) family members, or (for Kiwanis organizations) club or district officers.

Can an account be named after someone other than the primary account holder?

Yes, account holders can choose any name for the account. However, it is recommended the name reflect the account holder's name and/or the main purpose of the account. 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 account. The process usually takes less than two weeks.

What is the minimum to establish a Donor Advised Fund?

You can establish a fund with a minimum amount of \$10,000. Once a Donor Advised Fund account has been established and funds total at least \$25,000 you may recommend grants to charitable organizations.

What types of assets can be contributed?

Cash, mutual funds, bonds, most publicly traded securities and 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 can deduct the total value of the contribution from your federal income taxes, up to 30% of adjusted gross income. Unused deductions can be carried forward for 5 years. Because of these advantages, you are able to give more to the causes you support.

What charities and nonprofits can grants be made to?

Grants can be made to charitable organizations that 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 in a year?

There is no limit to the number of grants made out of an account. Grants may be requested for a minimum amount of \$500.