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OPTIONS FOR CHARITABLE GIVING

You can always write a check or donate some stock to make a charitable gift, but if you want to give on a regular or ongoing basis, then there are other tools available. Which of these is best for you depends on several factors including: who you want to benefit and in what time frame, what kind of assets you want to donate and the size of your gifts. Tax planning and the value of your overall estate are also important. Here are the key factors and considerations of four common techniques: Private Foundations, Donor Advised Funds, Charitable Remainder Trusts and Charitable Lead Trusts.

Private Foundation

Summary: A separate 501(c) 3 charitable legal entity that receives, invests, manages and distributes charitable contributions on behalf of the donor.

Factor	**Considerations**
Structure	Must establish a separate legal entity, define bylaws, appoint board members, comply with federal regulations regarding charitable entities and file tax returns.
Taxes	*Donor:* Full tax deduction for contributions to the foundation; (except non-publicly traded assets); Annual tax deductions limited to 20% of AGI for securities and other appreciated assets; 30% of AGI for cash contributions; excess carries over up to 5 years; *Foundation:* Annual excise tax of 1% to 2% levied on net investment income; other excise taxes levied on required distributions not made; must file annual Form 990 disclosing all significant info such as top salaries, assets owned, contributions received and from whom, donations made and to whom.
Control	Foundation bylaws define how recipients are to be determined; IRS requires minimum of 5% annual distributions to charities, regardless of how investments perform; Limits on investments re: risk and ownership by disqualified persons; All information publicly available via tax returns
Administration	Administration costs can be high depending on how managed; Possible to hire staff or family to manage the foundation; management can also be outsourced to specialist groups, community foundations or qualified financial institutions.
Legacy	Allows possibility of continuing legacy for future generations if foundation is maintained.
Extra Caution	Significant excise taxes apply for self-dealing or taxable expenditures (i.e. unrelated to charitable purpose)
Best for	Donors committing assets of $5 million or more and making significant or frequent donations (to make the administrative costs worthwhile).

Donor Advised Fund (DAF)
Summary: A separately identified fund or account that is maintained and operated by a 501(c)3 organization. Each account is composed of contributions made by individual donors.

Factor	Considerations
Structure	Fund maintained and managed by a sponsoring 501(c) 3 organization; typically certain community fund groups or a charitable division within a major financial institution (Fidelity, Schwab, Vanguard, etc.).
Taxes	*Donor:* Full tax deduction for contributions to the foundation; (except non-publicly traded assets); Annual tax deductions limited to 30% of AGI for securities and other appreciated assets; 50% of AGI for cash contributions; excess carries over up to 5 years; *Fund:* Tax reporting done by sponsoring organization
Control	Once the donor makes the contribution, the organization has legal control over it. However, the donor, or the donor's representative, retains advisory privileges with respect to the distribution of funds and the investment of assets in the account. No IRS requirements for minimum annual distributions;
Administration	Managing entity does all recordkeeping and tax reporting; Typically two layers of fees: portfolio management and administrative cost; Administration costs lower than private foundation at lower funding levels but similar at higher funding levels.
Legacy	Allows possibility of continuing legacy for future generations if fund is maintained or separate funds created on death of donor
Extra Caution	Carefully vet sponsoring organization to ensure true charitable purpose; choice of charities may be limited
Best for	Donors committing under $1 million who want convenience offered by DAF.

Charitable Remainder Trust (CRT)
Summary: A charitable trust that pays an annuity or percentage amount to a designated beneficiary for a specific term or the life of the beneficiary with the remainder passing to a charity selected by the grantor.

Factor	Considerations
Structure	An irrevocable trust that makes an annual payment to beneficiary during their lifetime or specific term of years (max 20) with remainder passing to the named charity(ies) on death or end of term; Trust agreement must meet specific requirements to qualify as a CRT and receive favorable tax treatment.
Taxes	*Donor:* Immediate tax deduction for the remainder interest that is calculated as going to the charity; *Trust:* Must file trust tax return Form 1041 and pay tax on income (net of distributions) at higher trust tax rates
Control	Once the donor makes the contribution, the trustee has legal control over it. Trust document defines actions required of the trustee.
Administration	Typically managed by an independent corporate trustee; Low costs to manage
Legacy	Typically one charity is identified per trust; trust must be paid out when term ends.
Extra Caution	The trust is irrevocable so extra care needed in drafting of key provisions.
Best for	Individuals looking to provide a current benefit for themselves or their descendants for life or a specified term, with the remainder passing to a charity of their choice.

Charitable Lead Trust (CLT)

Summary: A charitable trust that holds, invests, manages and distributes charitable contributions during the donor's lifetime with the remainder going to the donor's beneficiaries on death.	
Factor	**Considerations**
Structure	An irrevocable trust that makes an annual payment to charity(ies) during donor's lifetime or specific term of years (max 20) with remainder passing to the donor or remainder beneficiary on death or end of term.
Taxes	*Donor:* Immediate tax deduction for the lead interest that is calculated as going to the charity; If grantor dies during term of the CLT, grantor required to recapture part of the charitable deduction on his/her final income tax return; CLT must be set up as a grantor trust with all trust income reported on the grantor's individual tax return to qualify for an income tax charitable deduction. *Trust:* Must file trust tax return Form 1041 and pay tax on income (net of distributions) at higher trust tax rates
Control	Once the donor makes the contribution, the trustee has legal control over it. Trust document defines actions required of the trustee.
Administration	Typically managed by an independent corporate trustee; Low costs to manage
Legacy	Typically one charity is identified per trust; trust must be paid out when term ends.
Extra Caution	The trust is irrevocable so extra care needed in drafting of key provisions.
Best for	High-net-worth individual looking to benefit a charity immediately, for a specified amount of time, move some wealth out of his/her estate and provide benefit to heirs at end of the CLT term.

This is a high-level overview of some options for structuring charitable donations. Please consult with your financial advisor, tax accountant and estate planning attorney for a detailed assessment of your personal charitable giving needs to determine which of these techniques may be appropriate for you.

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