

COMPARING DONOR ADVISED FUNDS AND PRIVATE FOUNDATIONS at The Greater PineBelt Community Foundation

Creating a successful charitable giving plan begins with understanding the differences between various charitable vehicles. Below are two frequently employed charitable-planning vehicles – the Donor Advised Fund (DAF) and the private foundation.

Compared to a private foundation, a DAF with The PineBelt Community Foundation is a smart way to achieve your philanthropic goals with greater tax advantages, fewer administrative hassles, more cost savings, with the same level of flexibility and impact on the community. It’s effective, safe, easier to manage, and less expensive.

Private Foundations that transfer assets to the PineBelt Community Foundation enjoy immediate excise tax relief, freedom from reporting requirements, and lower administrative costs. This often means that more of the foundation’s assets can be used for philanthropic purposes. Here’s an easy way to compare the two approaches:

Charitable vehicle	A DAF at the PineBelt Community Foundation	Private Foundation
Tax Status	Public Charity	Private Charity
Excise tax on investment income and net realized capital gains	None	Excise tax of 1-2% paid annually based on net income and net realized capital gains (no step-up in basis for assets donated to the foundation). Subject to additional excise tax if regulations are not properly followed.
Maximum Tax Deductibility of adjusted gross income (excess may be carried over five years)	<ul style="list-style-type: none"> - Cash: 50% - Publicly traded securities: 30% - Nonfinancial assets: 30% 	<ul style="list-style-type: none"> - Cash: up to 30% of adjusted gross income - Publicly traded securities: 20% Nonfinancial assets: 20%
Liability Insurance	Automatically covered by Community Foundation’s Liability Insurance Policy.	Director’s and Officer’s Liability Insurance, employee bonding, and office insurance must be separately purchased.
Investment Options	Uses the investment pools established by the PineBelt Community Foundation and overseen by a board appointed Investment Committee.	May not hold closely-held stock; may hold limited shares in a manner that does not violate the excess business holdings or jeopardy investment restrictions under IRS Sections 4943 and 4944.

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	A Donor Advised Fund at to The Greater PineBelt Community Foundation	A Private Foundation
Costs		
Initial Fees	None	Several thousand dollars in legal and accounting fees and filing expenses.
Minimum contribution	\$1,000 (with a commitment to \$10,000 in ten years – if an endowed fund).	\$5 million+ recommended.
Ongoing Costs	1% or minimum of \$200 if endowed fund; 2% or minimum of \$350 if a spenddown fund.	Annual accounting, investment, reporting and tax services.
Self-dealing rules	None specified.	Strict prohibition under IRS Section 4941.
Privacy	Individual donors or grants can be kept private if the donor wishes, the PineBelt Community Foundation can serve as a buffer between the donor and grantseekers.	Required to file tax returns on grants, investment fee, staff salaries, etc. These are public records and are compiled into grantseeker’s directories.
Payout Requirements	None	5% of net asset value
Reporting Requirements	Handled by the PineBelt Community Foundation.	Annual IRS Form 990-PF must be filed and made available to the public.
Accountability and Liability	Donors may remain anonymous. The PineBelt Community Foundation monitors regulatory requirements.	Donors are named on the 990-PF. Board responsible for adhering to regulations on investments and grantmaking. Significant penalties can apply.
Investment, Audit, Accounting & Tax Returns	PineBelt Foundation handles all financial and administrative management, files annual tax return and provides annual independent audit as part of its normal business plan.	Board or Trustees must contract for financial and administrative services; annual 99-PF tax return required.