



- Advisor requests grants and sponsoring organization must approve.
- Sponsoring organization manages all grantmaking, investment, and administrative matters (for sponsoring organizations with national reach, annual administrative fees are typically 0.6% and investment fees range from 0.015% to 0.99% depending on the sponsor).
- Uncertain flexibility for multiple generations.
- No assurance limits on annual donations and caps on distributions to any one or more organizations will be followed.
- Grants can be made anonymously.
- Income tax deductions for lifetime contributions: up to 60% AGI for cash donations; up to 30% AGI for other assets.
- No ability for involvement in financial decisions. Advisor should review investment success.
- Possibility charitable sponsor gains control of the funds.

- Board must approve grants.
- Board has complete control over investment and grantmaking decisions.
- Ability to designate and limit annual donations, subject to the 5% rule and cap distributions to any one or more organizations.
- Accounting expenses, compliance regulations, legal expenses, tax traps, tax returns, self dealing.
- Ability to provide different powers to family members.
- Must identify all grantees when annual IRS Form 990-PF is filed, which is publicly available.
- Required to distribute approximately 5% of their assets each year for charitable purposes.
- Must pay a 1.39% excise tax on net investment income and realized capital gains.
- Income tax deductions for lifetime contributions: up to 30% AGI for cash donations; up to 20% AGI for other assets.
- Code Section 4943 imposes an excise tax of 10% on excess business holdings (i.e., greater than 20% of a direct or indirect business holding).
- Perpetual duration.

Definitions:

Donor-advised fund (“DAF”): An account administered by a charitable sponsor that is used for philanthropic giving. A donor-advised fund is a giving vehicle that donors can establish and fund by making irrevocable, tax-deductible contributions to the charitable sponsor. Donors retain advisory privileges and may recommend grants from those funds to other charitable organizations. All recommendations are non-binding on the charitable sponsor, which retains exclusive legal control over contributed assets.

Private foundation: A tax-exempt organization recognized under Section 501(c)(3) of the IRC formed and controlled by a donor or small group of donors for the purpose of distributing money to charitable organizations or individuals.