

Donor-advised Fund or Private Foundation

Many people are uniquely positioned to benefit the charitable causes and institutions most important to them and believe that private family foundations are the best answer to meeting their charitable, financial and estate planning needs. There is, however, another alternative. You have the ability to structure your giving in two unique ways: either a donor-advised fund (DAF) or a private foundation (PF).

A **donor-advised** fund at The Dallas Foundation allows donors to recommend which charitable causes they would like to support. Contributions to donor advised funds qualify for full tax deductibility. A donor may contribute to the fund at any time and turn to the Foundation for grantmaking assistance as desired.

Private foundations allow extensive donor control over distributions and board selection. But they are highly controlled by the government with many special restrictions, including administrative and reporting burdens, excise taxes, and a required minimum payout.

The chart below may help you structure a vehicle to best meet your needs.

Comparisons	Donor-Advised Fund	Private Foundation
Tax-exempt status	Shares public charity status of TDF	Must apply to IRS for status as a PF
Start-up costs	No cost to donor	Similar to a corporate start-up, requiring legal, accounting, and other costs
Recommended size	\$25,000 or more	Significant assets needed to justify start-up and operating costs
Charitable deductions (cash gifts)	Tax deduction up to 50% of AGI; Maximum deduction allowed by law	Tax deduction limited to 30% of AGI
Charitable deductions (appreciated property)	Tax deduction available up to 30% of AGI; Tax deduction available at full fair market value	Tax deduction limited to 20% of AGI; Tax deduction available for full fair market value
Donor control	Donor makes grant recommendations, TDF board ratifies	Donor retains complete control over investments and grant making, subject to IRS requirements
Self-dealing rules	Do not apply	Strict regulations prohibit most transactions between a private foundation and its donors (including related persons or corporations)

Comparisons	Donor-Advised Fund	Private Foundation
Payout requirements	Do not apply	Must pay out for charitable purposes at least 5% of its investment asset value regardless of annual income
Administration	Affiliation with TDF provides access to existing services	Must establish or obtain these services
Fund Name	Donor has naming rights	Donor has naming rights
Grantmaking Services	Extensive services and expertise available	Must hire staff or contract labor
Family Philanthropy Institute	Expertise in advising families on generational philanthropy	N / A
Annual costs	See TDF Fee Schedule	Administration can be costly
Annual taxes	None	Generally income is tax exempt but subject to excise tax of up to 2% of net investment gain including net capital gains
Annual tax filings and returns	Reported as part of TDF's annual reporting; all donor lists are confidential and sources of individual grants are not listed	Must be filed by the PF with required supporting schedules; donor lists and all grants are public information
Investments	Recommendation of outside investments by donor	Must research and secure its own investment services
Fiduciary responsibility	TDF fulfills the associated fiduciary responsibilities	Private foundation board has full fiduciary responsibility
Liability and risk insurance	Provided by TDF	Must be purchased by private foundation