



fountain hills community foundation

## Donor Advised Funds

What if you could recommend and potentially support all of your favorite charities with just one donation? That's the power of a Donor Advised Fund (DAF).

Generally, a donor advised fund (DAF) is a separately identified fund or account that is maintained and operated by a section 501(c)(3) organization, which is called a *sponsoring organization*. Each account is composed of contributions made by individual donors. Once the donor makes the contribution, the organization has legal control over it; however, the donor, or the donor's legal representative, retains advisory privileges with respect to the distribution of funds and the investment of assets in the account.

A donor-advised fund is like a charitable investment account, for the sole purpose of supporting charities you care about. When you irrevocably contribute cash, securities, or other acceptable assets to a donor-advised fund at the **Fountain Hills Community Foundation (FHCF)** as the *sponsoring organization*, you are generally eligible to take an immediate tax deduction on the contributions up to the IRS limits. Then those funds can be invested for tax-free growth [*unless a person who has benefited from an excess benefit transaction is disqualified and becomes liable for an excise tax*] and you can recommend grants to virtually any IRS-qualified public charity.

When you give, you want your charitable donations to be as effective as possible. Donor-advised funds are the fastest-growing charitable giving vehicle in the United States because they are one of the easiest and most tax-advantageous ways to give to charity. Let's take an in-depth look at how a donor-advised fund works.

### How A Donor Advised Fund Works:

#### You make a tax-deductible contribution:

Donate cash, publicly traded stocks, or other acceptable assets to be eligible for an immediate tax deduction. Additionally, in 2006 the Qualified Charitable Distribution (QCD) became available. You can donate by requesting that your *Required Minimum Distribution*, or up to \$100,000, from your Qualified Retirement Program be sent directly from the Program to a Donor Advised Fund with the FHCF to prevent showing the distribution as "Income" on your tax return. A contribution to a Donor Advised Fund is an irrevocable commitment to charity; the funds cannot be returned to the donor or any other individual or used for any purpose other than grantmaking to charities. The Minimum DAF initial contribution is \$10,000 (ten thousand) and subsequent contributions are a minimum of \$1,000 (one thousand). While a DAF is not *required* to distribute any donations, when it does do so, the Donor Advised Fund *must* make its grants to another public charity (that is in good standing with the IRS).

#### Grow your donation, tax-free:

While you're deciding which charities to recommend that the FHCF support, your donation can be invested for potential growth, making available even more money for charities. The FHCF Investment Committee will seek your recommendation from a variety of investment options in regard to an investment strategy for the charitable dollars you irrevocably donate to the FHCF. The FHCF has an administrative fee of only one percent (1.0%) of the initial donation and one-fifth percent (0.20%) each calendar quarter thereafter of the previous month's then current value of the assets in the fund. Fund management fees on the underlying investments will vary depending upon the entity managing the funds as recommended by the donor and ultimately utilized by the Investment Committee of the FHCF.

**Note:** The information provided herein is for informational purposes only and should not be interpreted to constitute legal and/or tax advice. Donors should consult their legal and tax advisors regarding their specific situations.

## Support charities you love, now or over time:

You can support virtually any IRS-qualified public charity with grant recommendations from the Donor Advised Fund. However, the funds deposited into the FHCF are primarily designed to provide long-lasting support for our Foundation's Mission, which is "To build a legacy in Fountain Hills and the surrounding communities by investing in non-profit organizations whose work improves the lives of our youth, seniors, families, and community", but we do want to also facilitate the desires of our donors. Thus, limited exceptions to our general Mission policy, if requested by the donor of the DAFs and approved by the Board of Directors, may be made by the Giving Committee of the Foundation Board as an exception to the general mission guidelines of the FHCF. The FHCF Giving Committee will conduct due diligence to ensure the funds granted go to an IRS-qualified public charity and are used for charitable purposes. Other Reasons to Set Up a Donor-Advised Fund:

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| Conduit for Appreciated Stock Donations | Teaching Charitable Giving to Children               |
| To Donate Gifts Anonymously             | A Legacy Family Giving Vehicle                       |
| Creating an "In Memoriam" Fund          | Evaluate a Charity's Fiscal Responsibility Over Time |

## How Do You Recommend a Grant?

You, your legal representative, or your successors provide your grant recommendation details, such as the charity you wish to support and the grant amount. The FHCF confirms how you would like your grant recommendation to be funded. You submit your grant recommendation to the Giving Committee of the FHCF. The FHCF may fund the recommended charity after review and approval by the FHCF Giving Committee and the FHCF Board of Directors. The minimum grant to be given is \$500 (five hundred) and no more often than twice per year to any one recipient.

## Primary Tax Benefits to Donors:

Donor advised funds (DAFs) may provide five primary tax benefits to the donor:

- 1. Income Tax:** You receive an immediate income tax deduction in the year you contribute to your DAF. Since the FHCF is a public charity, contributions immediately qualify for maximum income tax benefits. The IRS does mandate some limitations, depending upon your adjusted gross income.  
*Donor Advised Funds are a good fit any time there's a desire to contribute (and get the tax deduction) now, but given the potential of a Donor Advised Fund to separate the timing of the contribution and tax deduction, from the final donation to the charity itself, the most common strategy for using a DAF is to "front load" your charitable contribution in a high income year, when the tax deduction threshold for charitable contributions will be higher and then recommend that the DAF make subsequent distributions to the charities themselves in the future. By using this strategy, the donor can maximize the value of the tax deduction in a high-income year but retain the flexibility to make recommendations in the future to which charities the funds will actually go.*
- 2. Capital Gains Tax:** You will incur no capital gains tax on gifts of appreciated assets (i.e., securities, real estate, other illiquid assets.)
- 3. Estate Tax:** Your DAF will not be subject to estate taxes.
- 4. Tax-Free Growth:** Your investments in a DAF can appreciate tax-free.
- 5. Alternative Minimum Tax (AMT):** If you are subject to alternative minimum tax (AMT), your contribution will reduce your AMT impact.

## Why Establish Your DAF with the FHCF?

The Fountain Hills Community Foundation is a local foundation emphasizing the needs of Fountain Hills and the surrounding communities. The members of the Giving and Investment Committees and the Board of Directors are your friends and neighbors. We can better meet your local and area charitable wishes as a smaller foundation that knows the charities within the regional area. Donors gain a high level of community expertise and grantmaking support.

**For information about giving options, please contact the Foundation [FountainHillsGives.com](http://FountainHillsGives.com) or call Bill Pape at 480-836-8680 or Mark Dalton at 480-390-7255.**

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