

## DONOR ADVISED FUNDS

January 7, 2008

### What is a donor advised fund?

- A donor advised fund has three characteristics: (1) Cash or property is given to a foundation or other public charity and it becomes subject to the ownership and control of the foundation or other charity. (2) A fund is separately identified with reference to the donor and contribution. (3) The donor has, or expects to have, the privilege of providing advice as to investment or distribution of the fund.
- Proceeds in the fund can be released to the foundation or charity where the fund resides, or distributions can be made to other qualifying charities.

### How does a donor advised fund work?

- You can establish a donor advised fund at a foundation or other public charity and fund it on a *current basis* (i.e., a one-time gift of cash or property, once a quarter, etc.). Or . . . you can establish a donor advised fund now but fund it on a *deferred or testamentary basis* (i.e., upon death or the happening of some future event).
- You can give cash, stock, real estate or other property. You can advise the foundation or other charity as to how you would like the proceeds in the fund distributed.

### Are there possible tax advantages to a donor advised fund?

- A gift to a foundation or other public charity for a donor advised fund works just like any charitable gift – i.e., the gift is a charitable gift in the eyes of the IRS, completed for tax purposes at the time the gift is made.
- Timing is often important in tax planning. For example, you may save taxes by giving appreciated stock or a portion of real estate or some other property to a donor advised fund *before the asset is sold*. Or you may save taxes by giving cash or property to a donor advised fund *before the end of a particular tax year*.
- *But, unlike an undesignated gift to charity, you can decide later how you would like the proceeds in the donor advised fund distributed – i.e., what amounts you want to go to which ministries.*

### What are some other uses or advantages of a donor advised fund?

- Timing can be important in investing. For example, you may think the value of a particular stock is high and want to give it to ministry quickly. With a donor advised fund, *you give now and can decide later which charity benefits (even in another tax year)*.
- Think of a donor advised fund as your own private foundation where someone else handles the paperwork.
  - You make one gift but fund multiple ministries, perhaps over a period of time.
  - If privacy is desired, use your donor advised to make anonymous gifts.
  - Use your donor advised fund to train or disciple children or others in Christian stewardship.

### What are some of the benefits of a donor advised fund at Westminster Ministries Foundation?

- Westminster Ministries Foundation is a local Christian foundation, not a secular foundation like Foundation for the Carolinas or a secular donor advised fund like Fidelity or Vanguard. *You can know that none of your dollars will ever, directly or indirectly, go to organizations that may be antithetical to your Christian beliefs.*
- In the case of a testamentary donor advised fund, you can “hard-wire” the Foundation into your will or living trust or charitable trust, but then use a letter to say how you want the Foundation to distribute the funds. The letter remains on file at the Foundation and *can be changed at anytime*.

**Want to know more? . . . Please contact Edwin Barnes, Jr.**