



A donor advised fund is a contractual arrangement with a sponsoring charity through which donors make irrevocable charitable contributions. Donors and their designees, are not required, but retain the right to recommend grants to qualifying charities in amounts and frequency of their choosing, according to their contractual agreement with the sponsoring charity.

A donor advised fund is easy to establish and maintain and does not require a custom drafted legal agreement. It is a separate account, owned and controlled by the sponsoring charity.

Mechanics

- A lifetime transfer to a donor advised fund is treated, for both property law and tax purposes, as a direct transfer to the sponsoring public charity.
- Typically, donations to a donor advised fund are tax deductible up to 60% of adjusted gross income for cash and up to 30% of AGI for appreciated securities held more than one year with a five-year carryover. Gifts of appreciated publicly traded stock are generally deductible at fair market value, but gifts of non-marketable property are limited to tax cost.
- The sponsoring charity may be a community foundation, another type of large public charity, such as a hospital or educational institution, or a public charity created by and associated with a major financial institution.
- Because the sponsoring organization owns the donor advised fund account, all earnings of the account appear on the tax return of the sponsoring organization. So there's no need to file a separate tax return for the new entity.
- Upon the death of the donor, successor advisors may continue to make grants to charities.

Advantages

- One key element of a donor advised fund is the ability of the donor and/or their designees to name family members and friends as "account advisors", thereby promoting family philanthropy.
- The names of individual donors/advisors can be kept confidential, if desired, and grants can be made anonymously.
- A donor advised fund also offers flexibility in the amount, frequency and timing of donations to programs and charities of special interest.

Securities and investment advisory services are offered through the firms: Osaic Wealth, Inc., Osaic Institutions, Inc., broker-dealers, registered investment advisers, and members of FINRA and SIPC. Securities are offered through Osaic Services, Inc. and Ladenburg Thalmann & Co., broker-dealers and members of FINRA and SIPC. Advisory services are offered through Ladenburg Thalmann Asset Management, Inc., and Osaic Advisory Services, LLC., registered investment advisers. Advisory programs offered by Osaic Wealth, Inc. are sponsored by VISION2020 Wealth Management Corp., an affiliated registered investment adviser.

- Donor advised funds can be an excellent alternative to private foundations because of the ease of administration.

Considerations

There are important differences among donor advised funds, differences beyond fee structure and available investment options. Depending on your situation and charitable objectives, important factors to consider are:

- Whether the fund will accept non-traditional assets such as closely held stock or partnership interests
- The number of individuals who may serve as advisors during your lifetime or after your death
- The presence or absence of requirements to make distributions to the sponsoring charity
- Whether expert advice on grant recommendations is available from the sponsoring charity
- Minimums for contributions and additions

Example

Mary West and her husband Ted have two daughters. Their usual AGI is \$200,000; however, Mary also will receive a bonus of \$50,000.

By contributing her bonus to a donor advised fund and naming her family members as fund advisors, Mary begins to cultivate a family tradition of giving. Since her contribution grows tax-free, the potential for future grant-making increases.

From a tax perspective, Mary and Ted offset their taxable income with a \$50,000 income tax charitable deduction. Longer term, Mary has removed the \$50,000 – as well as any associated future earnings – from her taxable estate.