

# Keys to Effective Charitable Giving

## DONOR-ADVISED FUND

### **The Legacy of a Foundation**

*The names have a familiar ring: Rockefeller, Carnegie and Ford. They are the people who have established America's greatest Private Foundations. Through the tool of a Private Foundation, they have seen their charitable dreams take shape and have defined philanthropy.*

### **A Private Foundation ... is it the right tool for today?**

In many ways, the Private Foundation seems to be an ideal tool. It allows for involvement in a wide range of charitable and ministry ventures, while making it possible for you, the donor, to retain control over your giving decisions. And, while the private foundation may have benefits for those with very large assets, it is far from ideal for everyone.

A new strategy brings the lasting legacy of the private foundation to a wider range of individuals. It is known as the Donor-Advised Fund (DAF). While rooted in the same broad charitable support and lasting impact as the foundation, for many, the DAF offers even greater benefits and increased flexibility.

### **The Advantages of a Donor-Advised Fund**

For many families and individuals, the Donor-Advised Fund represents a more attractive option than the private foundation when it comes to realizing charitable objectives. In fact, the DAF is a planning option that is increasing in popularity.



### **Name Recognition**

Much like the foundation, the Donor-Advised Fund makes it possible to take action today that will bear witness to your philanthropic wishes for years to come. And, since you, the donor, are invited to provide advice (hence the name), it serves as a lasting witness to your values and priorities as the one whose name adorns the fund.

### **Flexibility to Realize Objectives**

One of the major attractions of the Donor-Advised Fund is that, like the private foundation, it is flexible enough to remain true to your charitable desires. By design, the DAF lends an attentive ear to the donor's charitable wishes. Depending on the DAF administrator's procedures, you may be able to choose your fund's investment strategy (conservative or moderate, growth, etc.). You can give to the charities you choose now or over time. And, though the final distribution and administration rests in the hands of the ministry, you will be able to see your objectives and goals realized.

## Economic and Administrative Efficiency

One of the major concerns of any charitable steward is that as much of every dollar goes for ministry purposes as possible. Since the Donor-Advised Fund is one part of a much larger whole—that is, a part of a larger sum administered by the ministry’s Cru® Foundation—costs are shared, and minimized. In the process, the DAF benefits from the experience of experts in the management of these funds. By contract, for private foundations with less than \$10 million in assets, the costs related to managing and administering a fund can dramatically reduce grants for charitable purposes.

## Income Tax Deductions

The Donor-Advised Fund offers you some very attractive income tax deductions, especially when compared to those of the private foundation. Because the legal right to distribute the DAF resides with a private charitable organization, it qualifies for the standard charitable income tax deductions. This means that your cash gifts under current tax law are deductible up to between 50% and 100% of adjusted gross income, and your appreciated property is deductible up to 30%. (Deductions for the private foundation are limited to 30% and 20%, respectively.) With both the private foundation and Donor-Advised Fund, gifts are irrevocable.

## Additional Benefits

- A Donor-Advised Fund can be used as a memorial fund, with an appropriate title being assigned (e.g., “John P. Smith Memorial Fund”).
- It provides flexibility in making contributions to charity through your estate plan. (Any changes would require a simple notification to the DAF administrator vs. changing your will or trust.)
- A Donor-Advised Fund can enable you to include your family in the process of meeting regularly to decide on charities worthy of receiving distribution. It keeps the concept of giving and stewardship in the minds of the

family members. It can be done during your lifetime or after death.

- It allows you to give anonymously. (This can be a very important feature for a number of people.)
- The fund gives you the opportunity to control the tax rate at which you do your giving. (If you have unusually high income due to business success, a bonus, sale of taxable asset, etc., you can make contributions to your DAF in that year, and “pre-fund” some of your future giving. This allows you a tax deduction in the higher tax-bracket year at a time when your cash flow is greater. Then, in subsequent years, when your income may not be as high, supplemental contributions can be made from the DAF, when cash flow is lower and the tax deduction is not as important.)

When all of these benefits are considered, it is easy to see why so many people are taking a serious look at the Donor-Advised Fund. If you would like more specific information on how a DAF can help you and your family meet your philanthropic objectives, you are invited to contact us today. A team of professionals, specially trained to answer your questions and help you review the options that best meet your needs, is ready to serve you. (All information is provided without cost or obligation, and any communication is treated in strict confidence.)

## Benefits of a Cru® Great Commission Donor-Advised Fund

A Great Commission Donor-Advised Fund (DAF) is a “charitable giving fund” that serves much like a private foundation, but without the expense and red tape. One can establish a fund with Cru® Foundation with as little as \$5,000 cash, stock, or other appreciated assets. The donor realizes tax benefits in the year of the donation. They can then advise Cru Foundation to make distributions over time from the fund to the charities and evangelical ministries of their choice.

Cru Great Commission Donor-Advised Funds are tracked online. So as a donor, you can log in anytime and see your fund balance and your giving history. You can even make distribution requests (grants) online.

Unlike most Donor-Advised Funds, Cru Foundation does not charge administrative fees and provides most of the account services at no charge.

A Great Commission DAF has the potential for tax-free growth. Cru Foundation works with a Christian investment advisory firm to provide low-cost investment options.

They keep costs down by using a passive investment approach, efficient exchange-traded funds (ETFs), and quality mutual funds. The fees charged by those funds along with the investment advisory service the foundation uses to find quality funds comprise the total investment costs. The combined costs have been reduced to approximately 0.5%.

When all the benefits are considered, it is easy to see why many are taking a serious look at the Cru Great Commission Donor-Advised Fund.

You are invited to contact our Cru Foundation should you have any questions.

Contact us at 800-449-5454 or email [info@crufoundation.org](mailto:info@crufoundation.org) to start a conversation today.

*The information above is for general education and not professional tax or legal advice. Please contact a professional tax advisor about your specific situation. Reprinted with permission from Michael Occhipinti formerly with the Saddleback Memorial Foundation.*