Comparing Donor Advised Funds vs. Private Foundations

Donor Advised Funds are the fastest-growing charitable giving vehicle in the nation and for good reason. Donor advised funds offer a highly personalized way to support the causes you care about and create a legacy of giving without the administrative responsibilities, guidelines and costs that come with a private foundation.

	COMMUNITY FOUNDATION DONOR ADVISED FUND	PRIVATE FOUNDATION
Startup procedure	Meet with staff to complete a fund agreement	Incorporate and apply for IRS tax-exempt approval
Startup timeframe	Immediate	Typically several months
Startup costs	None	Several thousand dollars for legal and accounting expenses and filing fees
Effective gift size for startup	Thousands of dollars	Millions of dollars
Involvement and control	Recommend grants to qualified nonprofits anytime, subject to board approval Can involve multiple generations	Appoint a board to control investments and grantmaking Can involve multiple generations
Grantmaking support	Community foundation shares local expertise and provides grantmaking support, research, nonprofit due diligence, accounting and communication with grant recipients	Create and support a grantmaking and monitoring structure Research and identify qualified nonprofits to support and handle all communication
Tax deductions	Up to 50% of adjusted gross income on cash, up to 30% on appreciated stock, up to 30% on real estate and closely held stock	Up to 30% of adjusted gross income on cash, up to 20% on appreciated stock, up to 20% on real estate
Excise tax	None	1.39% on annual net investment income
Tax status	Public charity	Private charity
Administration	None	Must file annual 990-PF
Operating costs and fees	Administration is pooled; typically 1.5% per year	Legal, accounting and administrative costs; typically in the range of 2%-4% per year
Privacy	May choose to make grants anonymously or in the name of the fund	Tax return is public record and includes grants, investment fees, board, staff salaries, etc.
Distribution requirements	Fund may not be inactive for more than 3 years	5% annual distribution required

INTERESTED IN LEARNING MORE?

We'd welcome the opportunity to meet with you and your professional advisor to explore whether a donor advised fund with the community foundation could be the right fit for you and your philanthropy. Reach us at (269) 962-2181 or development@bccfoundation.org.