



HILL INVESTMENT GROUP

—| Take the long view |—

Understanding Donor Advised Funds

What is a Donor Advised Fund?

A donor advised fund is a charitable giving vehicle wherein an individual or family makes an irrevocable, tax-deductible contribution of personal assets into a charitable investment account. At any time thereafter, they can recommend grant distributions to qualified charitable organizations.

What type of asset is best to contribute?

Appreciated securities that have been held for more than one year are ideal. You can avoid the capital gains tax on the securities and deduct the total value of the contribution from your federal income taxes. You may have the option of carrying forward unused deductions.

Why contribute to a Donor Advised Fund rather than directly to a charity?

Donor Advised Funds provide a number of benefits that direct donations to a charity may not, including:

- Separation of tax planning and charitable giving: donor receives tax deduction when contribution is made, but grants to charity can be made later.
- Simplicity: Contributions are easy to make and there is no need to keep track of grants to charities.
- Invest your contribution and watch it potentially grow over time.

How do I name the account?

Choose any name for the fund that you'd like. It can reflect your family name and/or the main purpose of the account. For example: *The Jones Family Foundation*. Each grant can be sent anonymously, with your name, with the name of the fund, or by special acknowledgment (In memory of, In Honor of, etc).

What happens to the fund at the donor's death?

Upon opening the fund, you will name a successor owner to take on the responsibility of making grants after your death. Multiple successors can be named to an account and you can specify whether they split the balance into separate funds or share responsibility on the total. Successors can name future successors to take over the account in the event of their own death, essentially leaving a legacy from one generation to the next.

When is a contribution considered a charitable donation?

A contribution is complete when the asset is out of the donor's control.

How are funds invested?

For Donor Advised Funds with over \$250,000, we invest the balance in custom portfolios like our regular investment accounts. Account balances less than \$250,000 are invested in a menu of funds provided by the custodian and at the discretion of the donor.

What charities and nonprofits can receive grants?

Grants from the Fund will be made only to U.S. organizations that are tax-exempt public charities (As defined in Internal Revenue Code Section 501(c)(3) and Section 509(a)(1), (2), or (3).), or to U.S., state or local governmental organizations qualified to receive tax-deductible charitable contributions, such as state colleges or universities.

The fund **cannot** approve recommended grants that fulfill a donor's pre-existing pledge to a charity, or would be used to support or purchase items at any charitable event, such as fundraising dinners, concerts, auctions or other benefit functions where the Donor would receive a quid pro quo. Chances are, the organizations you choose to support to fulfill your philanthropic goals will be acceptable, but you should keep in mind that the Fund has final discretion regarding grant recipients.

Tax laws require that your charitable gifts be irrevocable and unconditional in order for you to receive the associated tax benefits. If you were to retain control over the assets transferred to a Charitable Gift Account, there would be no "gift" for purposes of a charitable deduction.

How many grants can be made in a year?

There is no limit to the number of grants made out of an account. Most Donor Advised Funds have a minimum grant amount that can be as low as \$50.

**Other rules may apply. Consult with your advisor before opening an account.*