



### Comparing Options for Formalized Giving

There is a privilege and a sense of joy that accompanies charitable giving. That privilege and joy will grow exponentially if you, the generous donor, have a proactive versus a reactive approach. Being thoughtful and intentional in giving will yield greater satisfaction for you, AND facilitate better gifts to the charitable organizations that are supported.

### Helping You Plan Your Options

As the community's trusted philanthropic advisor, Central Indiana Community Foundation (CICF) helps individuals, families, and businesses extend the effectiveness, impact, family involvement, and tax advantages of their charitable giving. CICF can work with you and your advisors in a confidential, no-cost setting to explore your best options to maximize your charitable and financial goals and minimize your challenges.

Establishing a separate entity – a donor-advised fund, a supporting foundation, or a private foundation – gives you a structure and provides groundwork to your charitable giving. An organized approach can provide you or your business a more strategic way to give back, a lifetime of personal fulfillment and tax benefits, and a legacy that others can carry on.

- Donor-advised funds allow you to consolidate your giving into a single charitable fund. You can use as much of the gifts as you wish for grants over time, or endow them to leave a permanent legacy. You, or others that you name, can advise grants from the fund with no administrative burden. CICF's board authorizes the grants to ensure they meet current federal and state rules. For larger funds, your financial advisor can manage the investments through the American Funds Community Foundation Program or through a separate agreement with CICF.
- Supporting foundations (Type I Supporting Organizations) allow you to create a 501(c)(3) public charity connected to CICF. The supporting foundation's own board of directors makes grants and investment decisions, and takes other actions without needing approval of CICF's board. To meet IRS requirements, CICF consults with you to appoint a simple majority of the organization's board.
- Private foundations allow extensive donor control over board selection, making grants, and running services. They allow the most flexibility in the family's paid or volunteer involvement. However, private foundations face the highest regulatory burdens and lowest tax benefits of the three options.

CICF has compiled the following comparison chart to help you explore the pros and cons of these options. Page four shows additional options for private foundations and our services for supporting foundations and donor-advised funds.



### Start-Up

### Donor-Advised Fund at CICF\*

### Supporting Foundation with CICF \*\*

### Private or Family Foundation

<b>Legal Status</b>	Component fund of CICF's public charity status	Separate public charity legally connected to CICF	Private foundation tax-exempt status
<b>Initial Investment</b>	A charitable gift of \$25,000 or more (or \$250 to create a future fund)	A charitable gift of \$2 million or more	A charitable gift of at least six figures, plus several thousand dollars for legal and accounting expenses and filing fees
<b>Timeframe</b>	A couple days	A few months	A few months

### Gifts and Income Tax Deductions (unless subject to Alternative Minimum Tax)

<b>Cash</b>	Up to 50% AGI	Up to 50% AGI	Up to 30% AGI
<b>Publicly Traded Securities</b>	Fair market value up to 30% AGI	Fair market value up to 30% AGI	Fair market value up to 20% AGI
<b>Real Property &amp; Closely-Held Securities</b>	Fair market value up to 30% AGI	Fair market value up to 30% AGI	Cost basis up to 20% AGI
<b>IRA Rollover</b>	Not eligible	Not eligible	Not eligible

### Donor and Family Involvement

<b>Board</b>	Select advisor(s)	Appoint simple minority of board members (CICF works with you to appoint the rest)	Appoint board
<b>Successors</b>	One generation; two for funds \$1 million+	Unlimited generations	Unlimited generations
<b>Services</b>	Strategic charitable planning, family philanthropy meetings, site visits, youth philanthropy programs	Strategic charitable planning, family philanthropy meetings, site visits, youth philanthropy programs	Create or find own options
<b>Self-Dealing Rules</b>	Donors and their families cannot receive benefits from grants	Donors and their families cannot receive benefits from grants	Strict regulations (4940(a), 4941(a)(1)) prohibit most transactions between the foundation and its donors, including related persons or corporations
<b>Visibility</b>	Gifts and grants can be anonymous, or fund name is acknowledged in grant letters and CICF annual report	IRS 990 is public; individual gifts and grants can be anonymous, or can be acknowledged in grant letters and annual report	Cost basis up to 20% AGI

\* Commercial entities also provide donor-advised funds. They have similar tax, start-up, and administrative benefits, but have lower administrative costs because they provide few services.

\*\* "Type 1, 509(a)(3) Supporting Organizations" to your legal and tax advisors

Grants and Expenditures	Donor-Advised Fund at CICF*	Supporting Foundation with CICF **	Private or Family Foundation
Minimum Annual Payout Requirements	None	None	Must pay out for charitable purposes minimum of 5% of its avg. asset value regardless of its annual income
Grant Control	Recommend grants to any U.S.-based public charity; CICF board authorizes the grants to ensure they meet federal and state rules	Make grants to any U.S.-based public charity	Make grants to U.S. and international charities
Grants to Individuals	No, but can contribute to or set up scholarship fund	No, but can contribute to or set up scholarship fund	Allowed in some circumstances with extra IRS approval and oversight
Grantmaking Services	CICF staff can research and monitor grantees, provide educational programs and site visits	CICF staff can research and monitor grantees, provide educational programs and site visits	Use own research, proposal management, and grant monitoring services
Hire Own Staff	No	No	Yes
Run Programs	No	No	Yes

### Ongoing Operations

Annual Costs	1% for endowed fund or 2% for pass-through fund (fees decrease for larger funds). Investment costs netted from returns.	1% annually (fees decrease for larger funds); plus actual investment expenses, audit fees, and tax return preparation	Legal and accounting fees, audit and tax return preparation, staff, administration, and facility expenses***
Separate Tax Return	No	Yes – CICF can assist	Yes
Separate Audit	No	Yes – CICF can assist	Yes
Investments	Use CICF's high-performing pool, or larger funds can work with own investment advisor	Choose own investment policies and managers, or access CICF's expertise	Choose own investment policies and managers
Administration	CICF does recordkeeping, gift & grant management	CICF does recordkeeping, gift & grant management	Manage own administrative work
Annual Taxes	None	None	Excise taxes of 1-2% on net investment income; taxes on payments to non-qualified charities & excess business holdings
Fiduciary Responsibility	CICF fulfills the associated fiduciary responsibilities	Administrative guidance provided by CICF	Fulfills own fiduciary responsibility
Liability & Risk Insurance	Provided by CICF	Provided by CICF	Purchase own

\*\*\* A Council on Foundations survey showed that the median annual administrative expenses of all private foundations is 8.6% of assets, and around 15% for smaller foundations

## CICF Is Your Trusted Philanthropic Advisor

CICF's mission is to inspire, support, and practice philanthropy, leadership, and service in our community. Our expertise in grantmaking, charitable giving, and community leadership offers you a trusted advisor, partner, and friend who will help you personalize your philanthropy. CICF can maximize your gift's potential and make your philanthropy effective, meaningful, and enjoyable. CICF is a tax-exempt public charity established in 1997 as a unique partnership between The Indianapolis Foundation and Legacy Fund Community Foundation. Our family of charitable funds and partners has combined charitable assets of more than \$550 million, and gives more than \$35 million annually in grants and scholarships in central Indiana and beyond.

## CICF's Services for Donor-Advised Funds and Supporting Foundations

Our experienced staff can:

- Work with you and your professional advisors to determine the assets and giving tools that will give you and your family the best tax advantages
- Help you discover, refine, and implement your charitable mission and goals  
Offer site visits, workshops, and other tools to help you involve other family members
- Take care of the administrative and regulatory details of giving and grantmaking
- Offer resources in identifying charitable needs and ensuring impact from your grants

## CICF's Options For Private Foundations

"With an increasing burden on officers and directors, we found our private foundation to fit rather neatly in an arm of Central Indiana Community Foundation."

-Eugene Miller, donor

Managing a foundation over the long haul can prove to be more challenging than many people expect. CICF can provide you custom solutions to challenges, including minimizing regulatory burdens, increasing tax deductibility, maintaining anonymity, smoothing transitions between generations, mission statement development, developing or assessing grantmaking strategy and procedures, and others.

- Use CICF as a resource to obtain fee based consulting services as needed
- Create a companion fund or supporting foundation to your private foundation to access CICF's services and have advantages of both
- Donate your private foundation's annual payout to a CICF fund when you face timing issues or have difficulty deciding on charitable organizations
- Terminate or transfer a private foundation to a CICF fund or supporting foundation

## For More Information

For more information on exploring your options now and in your estate planning, contact one of the following at 317.634.2423:

- Jan Edmondson, ext. 510 or [jane@cicf.org](mailto:jane@cicf.org)
- Rob MacPherson, ext. 509 or [robm@cicf.org](mailto:robm@cicf.org)
- Mary Stanley, ext. 319 or [marys@cicf.org](mailto:marys@cicf.org)

615 Alabama Street, Suite 119 Indianapolis, Indiana 46204 TEL. 317.634.2423  
1405 E. Broad Ripple Ave. Indianapolis, Indiana 46220 TEL. 317.634.2423  
515 Main Street, Suite 100 Carmel, Indiana 46032 TEL. 317.843.2479

[www.cicf.org](http://www.cicf.org)