



INFORMATION FOR ATTORNEYS AND FINANCIAL PLANNERS



*Let your legacy
make a difference in
Chester County*

THE COMMUNITY FOUNDATION OPTION: STRATEGIES FOR GIVING

The *New York Times* article “New Philanthropists Find Drudgery-Giving Away Cash Can Be More Cumbersome than Glamorous” (NYT, 1/12/03) captures the challenges for smaller private foundations which have led them to convert to funds, foundations, and supporting organizations under the auspices of community foundations across the U.S. The article quotes...

Dr. Charles A. Sanders, former chair of Glaxo, who created a foundation to support community initiatives. Instead of working to develop and finance programs for education causes he loves, he found himself “saddled with a tremendous amount of paperwork.” Dr. Sanders converted his foundation into a fund at a community foundation in North Carolina.

Henry Wendt III, retired chair of Smith-Kline Beecham, converted his foundation to a fund at a community foundation in California. “Setting up the foundation was the easy part,” he said. “The hard part is making sure the money is invested and managed properly. And then, of course, there’s the business of choosing the right charities and doing the appropriate due diligence.” He adds, “In many respects, giving away money responsibly is harder than making it.”

Some of our Chester County Community Foundation fund advisors initially considered creating a private foundation. But the costs of start-up and administration, the lack of privacy, reporting and compliance details, and limited tax deductibility led them to create a foundation under the auspices of the Chester County Community Foundation instead. In addition, the Community Foundation’s knowledge of local issues, priorities, and the nonprofits best suited to meet community needs provides an advantage that is unparalleled.

The *Wall Street Journal* covered this trend in “Strategies for Giving” (11/28/05):

Community foundations are a kind of clearinghouse for your wishes. Your donation is set aside...whenever you desire, you can request that a donation be made from your fund to a specific charity. Community foundations provide full-time professional staff devoted to the administration of each donor’s fund and the vital research necessary for ensuring each gift is made to a legitimate nonprofit and a nonprofit which adheres to its mission. These imperative and time-consuming services are handled by professionals but at a fraction of the cost of a private foundation.

At the Chester County Community Foundation, our fund advisors and donors find that they can make a rewarding charitable impact, enjoy recognition and family involvement as they desire, and receive the greatest level of tax benefits. And, as compared to charitable giving products offered by commercial institutions, they have access to the expertise, service, and all the benefits of working with an experienced local partner intimately familiar with the intricacies of nonprofit organizations and community issues. We invite you to compare the options and consider joining the Community Foundation as a philanthropic partner.

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| COMPARE THE OPTIONS | CHESTER COUNTY COMMUNITY FOUNDATION FUND | PRIVATE FOUNDATION | COMMERCIAL DONOR ADVISED FUND |
|---|---|--|--|
| Start-Up Incorporation Tax Exemption | Easy and inexpensive to set up. No set-up fees. Fund can be established in one brief meeting. | \$3000-\$5000 in professional fees, 3-6 months to incorporate, create bylaws and receive 501(c)(3) determination from IRS. | No set up fees. |
| Asset Size | Appropriate for any asset size over \$10,000. | Typically established with substantial assets of \$10+ million. | Varying minimum balances for assets from \$10,000 to \$30,000. |
| Required Payout | No annual distribution requirements; can accumulate toward sizeable project or grant. | 5% annual distribution required. | Varies. |
| Excise Taxes | No excise tax on income. | Excise tax of up to 2% of annual net investment income. | No excise tax on income. |
| Tax Treatment of Gifts | Donors enjoy maximum tax advantages: | Tax treatment is not as favorable: | Tax treatment is not as favorable: |
| Cash gifts | Deduction up to 50% of adjusted gross income for cash contributions. | Deduction up to 30% of adjusted gross income. | Deduction up to 50% of adjusted gross income for cash contributions. |
| Publicly traded securities, closely held stock, and/or real estate | Deduction up to 30% of adjusted gross income for long-term appreciated property including publicly traded securities, closely-held stock and real estate. | Deduction up to 20% of adjusted gross income for publicly traded appreciated securities. | Deduction up to 30% of adjusted gross income for publicly traded appreciated securities. |
| Gifts of real property | Deduction of fair market value for gifts of most assets. | Deduction of only cost basis for gifts other than cash or publicly-traded securities. | Most do not accept gifts of real property, such as real estate, privately held stock, S-corporation stock, or artwork. |
| Liability, Insurance & General Administration | CCCF handles financial and administrative matters including investments and accounting; legal filings; annual tax return and annual independent audit. | Donor must perform, contract, or hire staff for these services. | Commercial gift fund handles these services. |
| Grantmaking & Grant Administration | CCCF offers knowledge of community needs, issues education, system for evaluating requests for grants and verifying tax-exempt status of grantees, and expertise in appraising nonprofits and monitoring performance. | Donor must perform, contract, or hire staff for these services. | Verifies tax-exempt status of grantees. |
| Privacy | Anonymity, if desired. | A private foundation's tax return, which includes the names of its contributors, is public record. | Anonymity, if desired. |
| Family Involvement | Donor can involve family and heirs in charitable giving. | Donor can involve family and heirs in charitable giving. | Donor can involve family and heirs in charitable giving. |
| Fund Establishment | Can be established during lifetime, or through trust, charitable gift annuity, or estate. | Can be established during lifetime, or through trust or estate. | Can be established during lifetime, or through trust or estate. |
| Investment Management Fees | Varies. | Varies. | Varies |
| Annual Costs | Annual administrative fees are 1% of fund balance, or less with larger endowments. | Annual administrative fees are typically greater than 1% of fund balance. | Annual administrative fees vary, up to 4% of fund balance. |