

A Woman's Perspective

Building Strong Financial Foundations

Engage, Enrich, Enjoy

A Woman's Perspective is designed to engage, enrich, and educate you about the importance of proactively managing your financial life.

Having your personal finances in order can give you the peace of mind needed to focus your attention and energy on what is most important in your life—your family, friends, health, and varied life passions.

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Comparing Philanthropic Vehicles: Understanding How To Structure Your Family's Charitable Giving

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Philanthropy has evolved over time to include more vehicles available for families to consider in their charitable planning. Determining what type of philanthropic structure to use is a personal decision based on your mission, vision, financial situation, and desired family legacy. On January 12, 2010, Silver Bridge Advisors hosted a luncheon and panel discussion entitled "A Woman's Perspective: Comparing Philanthropic Vehicles," aimed at empowering women to be more thoughtful and strategic in their giving.

Guest panelists Karen Ansara and Julia Owens brought their personal experiences in family philanthropy to the discussion. Ansara, a mother of four teenagers, is passionate about charitable giving and oversees her family's philanthropy using a donor-advised fund at The Boston Foundation. She eloquently shared her belief in her work by stating, "I have had the privilege of finding and supporting heroes who are saving humanity and saving the planet." The other panel member, Julia Owens, started her philanthropic endeavors at seventeen years of age when her parents started a family foundation as a way to educate her and her two siblings about wealth and the responsibilities that come with managing it wisely. Owens currently serves as a trustee on her family's private foundation as well as a Program Officer at Ridgeway Advisors.

Dune Thorne, Principal and Client Advisor at Silver Bridge Advisors, facilitated the panel and provided a brief overview of three common types of vehicles including outright gifts, private family foundations and donor-advised funds. She shared that the economic turmoil over the past eighteen months has impacted how her clients are giving and provided three helpful tips for guiding philanthropic efforts going forward. Thorne stated that it is vital to define your charitable vision and mission as well as to determine the right amount to give in terms of time and dollars. By taking these two steps you will be better equipped to decide how and where to donate your money and to explore the types of vehicle that can best to help you reach your objectives. Lastly, she encouraged the audience to remain open to re-evaluating their gifting plans periodically in response to changes in personal priorities, economic conditions and needs in the not-for-profit marketplace.

A Comparison of Three Types of Giving

There are a myriad of ways people can fulfill their charitable goals, including numerous types of charitable structures and trusts. Thorne focused the discussion by giving an overview of the three commonly used methods of giving.

Giving directly is the most common of the three types of giving where gifts are made in your name throughout the year. Examples of giving directly include putting cash into the church collection, donating clothes to the Salvation Army and buying Girl Scout cookies to support

your local troop. The major advantage of giving directly is that you can deduct cash and property donations, other than capital gains, at 50% of adjusted gross income, thus reducing your tax liability. Capital gains on property when given directly are taxed at 30% of adjusted gross income. The downside of giving directly in your name includes difficulty in maintaining accurate records relative to charitable activities and a tendency to be sporadic and not strategic in your gifting. She warns that by sprinkling gifts throughout the year without a strategic plan, people may psychologically “hold back” in the amounts they give, and thereby donating less than their full potential.

The second method for charitable giving is the **private foundation**. This vehicle is funded by the donor and is setup as a separate entity. Private foundations can be structured as corporations or trusts and often have rules governing the overall management of the foundation. Private foundations are run by a board of directors or trustees who are usually selected by the donor. These entities must distribute 5% of assets annually and pay taxes at a 1-2% tax rate. The main advantage is that the directors or trustees remain in control of the assets and final charitable disposition of the gifts. This continued control allows for more flexibility in the management of the underlying investments that can include mission or socially responsible investing.

The process of creating a foundation and the family conversations that result can be invaluable. According to Owens, the structure of a private foundation necessitates important conversations between family members around mission and values. Her family consulted with a philanthropic advisor when forming the foundation and she states, “The advisor asked tough questions in a way that was very beneficial.” Through this valuable process, her parents and siblings have come to know each other in a way that would not have been possible otherwise. In defining their family and identifying their values, the Owens family determined that their foundation would make grants to educate women and girls as well as fund HIV care and prevention.

The major disadvantage of a private foundation is the expense, time, and administrative burden involved in managing the entity. Legal and accounting costs as well as reporting and regulatory requirements make forming a private foundation a challenge for some families, especially ones with less than \$2 million dollars to give and limited time to invest in daily operations.

Donor-advised funds (DAFs), the final method of giving discussed at the luncheon, function similarly to a private foundation but can be both simpler and more cost effective to establish and maintain. The overall fund management and administration is performed by a for-profit or non-profit. The Boston Foundation and Fidelity are two examples of Boston-based organizations offering this type of giving vehicle. The tax considerations are the same as giving personally and there are no annual payout requirements.

While many families opt for donor-advised funds due to the simplicity of their management, one major drawback is that donors have less control over how the funds are invested and gifted. Although most donoradvised fund administrators will disburse funds to IRS approved charities that the donor selects, Ansara clarifies, “technically you are making recommendations for grants, not actually determining who receives the money.” DAFs are also not currently able to pay for philanthropic advisory services, although this is something that is currently being discussed by regulators.

A Hybrid Approach

Ansara and her family started out with a private foundation dedicated to supporting global anti-poverty programs in Greater Boston and six countries throughout the world. A few years ago, they transitioned to a donor-advised fund at The Boston Foundation. The main reason for the change was Ansara’s desire to focus on the relationship side of giving and leave the administration and reporting to others. However, the Ansaras decided to voluntarily adopt some of the formality of pri-

vate foundations. For example, the Ansara Family Fund takes grant requests. The family also holds regular meetings with philanthropic advisors at The Boston Foundation to review grant requests and make recommendations. They have also set up a website for their donor-advised fund in order to spread the word about their anti-poverty work and to encourage charitable giving. Ansara pointed out that her family adopted these structures in order to put a disciplined process around their giving, and to include and educate their children as well. She noted that donors of DAFs can make the process as simple they would like.

Deciding the appropriate philanthropic vehicle for your family's giving takes time, research, and ideally consultation with a trusted adviser. There are many alternatives, each with advantages and disadvantages, and many emotional and financial factors to consider. Ultimately, being more thoughtful and strategic in your giving makes good financial sense, is a great way to educate future generations about wealth, and is a wonderful way to positively impact the world around you.

A Woman's Perspective is spearheaded by Thorne who is passionate about empowering women to learn about finance in a trusted, collaborative environment. Having researched women and money, she knows firsthand that women prefer "relationship-based learning and make decisions not just learning from experts but learning from each other." The next event will be held the evening of February 2, 2010 and will be entitled "Raising Financially Thoughtful Children." For more information about the A Woman's Perspective and Silver Bridge Advisors, visit www.silverbridgeadvisors.com. ■

This article was written by Kathleen Burns Kingsbury, LMHC, CPCC, a wealth coach, writer and professional speaker helping financial service professionals and their clients create wealth from the inside out. For more information about her work, visit www.kbkconnections.com.

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