

Companion to the Donor-Advised Fund

General Information

A donor-advised account is the easiest, most efficient way to manage your charitable giving.

It affords you efficient and superior tax treatment – greater than that offered by private foundations and other financial planning tools.

The Donor-Advised Fund (DAF) operates much like a private foundation with Lutheran Legacy Foundation managing the administrative and regulatory burdens often accompanying charitable giving. *Consider the following:*

- Private Foundations require legal and accounting fees (\$5,000 to \$10,000) for establishment. The cost to create a donor-advised fund (DAF) may be zero.
- The DAF has greater tax benefits. (Deductions of up to 60% of adjusted gross income for cash donations compared to 30% for Private (Family) Foundations.)
- Excise taxes must be paid by Private Foundations, but not by DAF.
- Private Foundations incur administrative costs for liability insurance and filing the annual 990-PF. The DAF does not.
- The Private Foundation has a required annual distribution of 5%. This is not required for a DAF.
- Since contributions are immediately tax-deductible when placed in your DAF, there is no pressure to disperse the account assets. This allows you to approve grants at your leisure and to your satisfaction.
- It is possible to convert a private foundation to a DAF to reduce maintenance cost and simplify record keeping.

Your Lutheran Legacy Foundation Donor Advised Fund is easy to set up and manage.

- 1) Fill out a Lutheran Legacy Foundation Donor-Advised Fund Application and submit it with a minimum contribution of \$5,000.
- 2) Lutheran Legacy Foundation invests your Fund and it grows tax free.
- 3) You advise Lutheran Legacy Foundation about grants you wish to make to your favorite charitable organization(s).
- 4) Lutheran Legacy Foundation distributes the grant.
- 5) Additional donations to the Fund may be made in any amount at any time. For each donation you receive a tax substantiation letter from Lutheran Legacy Foundation.

A Donor Advised Fund affords you the opportunity of giving beyond your lifetime while preserving your charitable legacy.

During your lifetime you may approve personally selected family members or heirs to be involved in your philanthropic activities. Your named heirs will continue administering your charitable assets. You may specify that your appointed successor-advisors only recommend grant disbursements falling within your stated charitable intent.

A final thought: Your Donor Advised Fund holds advantages over giving to one organization at a time.

- Contributing to a DAF allows the donation to potentially grow over time.
- Tax reporting is simplified.
- One donation of cash, a block of securities, or a combination of cash and securities, may be donated to benefit multiple charities.

Unlike other donor-advised plans, Lutheran Legacy Foundation is absolutely committed to a clearly defined mission, helping individuals convey their Christian values to future generations. If this commitment aligns with your personal charitable goals, Lutheran Legacy Foundation can be trusted to honor your charitable legacy.

Guide to the Donor-Advised Fund Application

Who is the Donor?

The donor is the person or persons responsible for making the contribution(s) to the Donor Advised Fund.

What may I name my Fund?

Most of the time Funds are named for the individual donor, or the donor's family, but you may choose other names.

Must I write a fund purpose?

No, you do not have to identify the purpose of your fund. You may donate to a variety of organizations as long as they are charitable. However, there are two reasons for providing information on the intent of your fund.

- 1) Your fund is a charitable entity and as such others may donate to it and receive a tax benefit if your fund's purpose fits their interests.
- 2) When Lutheran Legacy Foundation maintains your Fund you will be given your own page on our website (www.lutheranlegacyfoundation.org). Organizations looking for grants may visit your page, and wish to apply for a grant. If you are open to requests you may include an application and contact information on your page. Lutheran Legacy Foundation offers you assistance in building your page.

Should I use an attorney?

You do not need an attorney. Lutheran Legacy Foundation can help you set up your Fund and operate it without an attorney or accountant. However, an attorney is advisable for the following situations:

- The Fund is part of an estate plan.
- The organizations you choose to support must be verified as charitable. If you do not have the required information an attorney may obtain it.
- To set up a contingency plan for an incapacitated advisor.

- To establish and notify a successor advisor upon the death of the current advisor.
- You wish to convert a private foundation into a donor-advised fund.

What is the Term of Advisement?

The Term of Advisement is a list of Account Successors. An account successor is the person identified by the donor to take over the advising function of the account after the donor's death. Multiple successors can be named to an account and advising may be shared according to the donor's wishes. 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.

What happens when the Term of Advisement ends?

One of the following options may be selected:

- 1) You may choose to have the entire Fund distributed to one or many charitable organizations.
- 2) You may choose one or many organizations to receive ongoing support from an annual percentage of the Fund.
- 3) You may choose to donate the Fund to Lutheran Legacy Foundation to be used according to its mission.

What assets may be contributed to the Fund?

- Cash, mutual funds, bonds, most publicly traded securities, and real estate on a case by case basis.
- Appreciated securities that have been held for more than one year make the most effective contributions. You can avoid the capital gains tax on the securities and deduct the total value of the contribution from your federal income taxes, up to 30% of adjusted gross income. Unused deductions can be carried forward for 5 years. These advantages allow you to give more to the causes you support. The interaction of various percentage limitations has been affected by the 2017 Tax Cuts and Jobs Act. Please consult your tax advisor.