



# Creating a Donor-Advised Fund for Giving to CCPC

This document describes **Donor-Advised Funds**, which are a special type of investment account that you can set up to support your giving to charitable organizations such as Chevy Chase Presbyterian Church.

With a Donor-Advised Fund, you can receive a current tax deduction for donations and build a fund to maximize charitable donations in the future.

Here's how: You first set up a Donor-Advised Fund, which is managed by a sponsoring organization (see more information below). Once the Donor-Advised account is set up, you contribute cash, stock, or other assets to the account and take an immediate tax deduction for the amount that you contribute. However, the contributions you make to the account are irrevocable; you can't withdraw them later. The assets or funds are invested in the way you determine and grow tax-free. You pay an annual fee to the sponsoring organization managing the Donor-Advised Fund and the assets within it, typically in the range of one percent of the assets annually.

When it's time to make your charitable contribution or contributions, you recommend to the manager of the Donor-Advised Fund that a grant be made to any IRS-qualified public charity or eligible nonprofit (501-c-3) organization of your choice – in this case, CCPC. The sponsoring organization will then make that grant, and you notify the recipient organization – again, in this case, CCPC – that the grant comes from you and your account, so that you are credited with the grant. *You do not receive a second tax deduction*, because you took a deduction up front, when you created the Donor-Advised Fund.

Donor-advised funds are the fastest-growing charitable giving vehicle in the United States.

*You may wish to consult a financial planner or an advisor at one of the sponsoring organizations listed below to learn if a Donor-Advised Fund is the right vehicle for you and your personal circumstances. For example, depending on your age or tax bracket, another tax advantaged charitable method may make more sense, such as donating funds directly from an Individual Retirement Account (IRA) or transferring stock or other securities.*

(continued, next pages)

Below are frequently asked questions about Donor-Advised Funds.

## **Q. How do I set up a Donor-Advised Fund?**

A. You first select a sponsoring organization, which can be a community foundation, or a financial services company such as Fidelity, Schwab, or Vanguard. Most of these companies allow you to create the account online. If you wish, you can name your Donor Advised Fund – for example, the Joseph Smith Giving Foundation, or the Josephine Smith Charitable Fund.

Here is a partial list of organizations where you can set up a donor-advised fund:

- Presbyterian Foundation
- Fidelity Charitable Gift Fund
- Schwab Charitable Fund
- The Greater Washington Community Foundation
- National Philanthropic Trust
- Vanguard Charitable Endowment Program
- Goldman Sachs Philanthropy Fund
- American Endowment Foundation
- National Christian Foundation
- Morgan Stanley Global Impact Fund
- Bank of America Charitable Gift Fund

## **Q. What do I put into the account?**

A. You can donate a wide range of assets, including cash, stocks, or non-publicly traded assets such as private business interests or private company stock. You take an immediate tax deduction for the value of these contributions if you normally itemize your income tax deductions. However, these contributions to donor-advised funds are irrevocable commitments to charity; the funds cannot be returned to the donor or any other individual or used for any purpose other than grantmaking to charities.

There are tax advantages to you if you donate stocks or bonds that you have held for a long time and that have appreciated in value. In putting these assets into a donor-advised fund, you eliminate capital gains taxes, as well as the 3.8 percent federal Medicare surtax on net investment income (which is levied on married couples who earn more than \$250,000 of adjusted gross income (AGI) and single filers who earn \$200,000 in AGI).

## **Q. What investment options can I elect to grow my contributions to my Donor-Advised Fund?**

A. Much as with an Individual Retirement Account or a 401(k)-retirement account, sponsoring organizations typically offer an array of standardized investment strategies as well as others that can be tailored to your goals and interests. The asset pools that represent the contributions of multiple donors are typically managed by a professional investment manager associated with the sponsoring organization.

## **Q. Can I give to organizations other than CCPC?**

A. Yes, you can support any eligible IRS-qualified public charity -- from a homeless shelter to your alma mater. You can support most qualified 501(c)(3) public charities, including CCPC, with a minimum grant amount of just \$50.

The organization sponsoring your account will conduct due diligence to ensure the funds granted go to an IRS-qualified public charity and are used for charitable purposes. You can give anonymously, too, if you like, by letting the sponsoring organization know that you wish to remain anonymous – or, if you wish to be identified, the sponsoring organization that directs contributions to a charitable organization can provide your name and contact information to the recipient.

You can also specify for the sponsoring organization what use, campaign, or purpose for which you'd like your contribution to be used. Once you've attached this "special purpose" documentation to your grant request, the sponsoring organization is obligated to relay this to the charity. You can also make grant recommendations in honor or memory of someone.

## **Q. What are the benefits of a Donor-Advised Fund?**

A. First, you can easily contribute a broad range of assets, such as appreciated stock. Second, you get the immediate tax benefits once you contribute assets to your Donor-Advised Fund.

If you donate cash, you are generally eligible for an income tax deduction. If you donate long-term appreciated assets, such as stocks that you have held for a long time, you are eligible for an income tax deduction equal to the full fair-market value of the assets that you donate, up to 30 percent of your adjusted gross income, as well as potentially eliminating capital gains taxes on assets that you have held for more than a year.

Another benefit of a Donor-Advised Fund is that you don't have to keep track of every contribution that you make to every charity that you support. You just retain the receipts you receive when you make your contributions to the Donor-Advised Fund. When you want to support CCPC or another charity, you log onto your account and recommend a grant to it.

You can also make your Donor-Advised Fund a part of your estate and estate planning. You can make a bequest in your will to the sponsoring organization for your Donor-Advised Fund or make it the beneficiary of your retirement plan or life insurance policy. (Doing so may help reduce taxes on your estate, if it is large enough to be subject to these taxes.) You can then direct the sponsoring organization to support multiple charities or direct it to pass along any funds that remain in the account after you die to your heirs.

You can also pass along your Donor-Advised Fund by naming an individual, a charity, or a combination of both as your successor in charge of making recommendations for grants from our account. Listing beneficiaries for your Donor Advised Fund is recommended otherwise your account will be granted out according to policies set by the sponsoring organization.

## **Q. What can't you do with a Donor-Advised Fund?**

A. You can't support organizations that are not IRS-qualified, 501(c)(3) organizations, such as political groups or crowdfunding campaigns. You can't recommend grants that may provide a personal benefit, such as school tuition for a grandchild or tickets to a charity event that you will attend. You also can't recommend a grant to a so-called private foundation, which is a specific type of nonprofit.

## **Q. How much does a Donor-Advised Fund cost?**

A. The policies of sponsoring organizations vary, but many sponsors have no minimum initial contribution requirement and charge relatively low annual fees equal to about 1 percent of the balance. This amount is generally less than fees associated with making donations with the use of a credit card.

*If you have a donor-advised fund and want to let the church know to expect a contribution from it, please call the church's Business Manager, Valerie Burrows, at 202-363-2202, x28. For more information on creating a donor-advised fund, we advise that you consult a financial planning professional, lawyer or one of the organizations listed above.*

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