

2. ADVISED FUNDS

An Advised Fund allows the donor the most involvement in the work of the Community Foundation. Under this option, the donor can create a fund without naming any specific charitable institutions as grant recipients. The donor retains the right to make recommendations to the Board of Directors of the Community Foundation on grants to charitable organizations of his or her choice over time. (For legal reasons, to protect the tax advantages of the gift, the board must ratify the grant recommendations.) The donor's spouse, children, and heirs may serve as advisors to the fund if so listed in the fund agreement.

The donor gets a full charitable deduction to the maximum allowed by law in the year that the fund is created (subject to IRS regulations). For tax-reporting purposes, the donor needs only to document gifts to the fund, not the many grants that will eventually be made from the fund.

Some donors will wish to manage this process with little assistance from the Foundation. Others will ask the Foundation to provide information on community needs and priorities from time to time, or to help the donors make grant decisions in a particular field of interest. The foundation is glad to work with the donors in this way. As an added service to the donor, the Community Foundation oversees grants from Advised Funds and conducts a due diligence review of grantees to make certain that all grantees are legitimate charitable organizations. Grants can be made to organizations or programs outside our area provided that the Community Foundation can verify the tax exempt status of the grantee.

Types of Advised Funds

Advised Funds allow donors to simplify and consolidate all their charitable giving without the legal and administrative burdens of running a private foundation. These funds may be established in either of two forms:

•Permanent Advised Fund

Such funds are maintained as endowments with distributions calculated to grow the market value of the fund over the long term to provide larger annual distributions and to work in the community until the end of time.

•Temporary Advised Fund

Allows the balance to be spent out completely if in keeping with the donor's charitable intent.

Requirements for Creating an Advised Fund

A minimum gift of \$25,000 is recommended to establish a **Permanent Advised Fund**. Funds can be established with a lesser gift with the intent to reach the goal within a predetermined time period. A simple agreement with the donor is required to establish the fund. Additional contributions may be made throughout the donor's lifetime or through a variety of planned gifts or estate planning arrangements.

A **Temporary Advised Fund** can be established if, after conversation with the donor, it is determined that such an arrangement is well suited to the charitable intent of the donor and the mission of the Foundation.

PART TWO: TYPES OF FUNDS (CONTINUED)

Using an Advised Fund as part of Family Wealth Management

A family has established an Advised Fund in the Community Foundation of Southern Wisconsin with a generous contribution and subsequent additions through the donation of appreciated securities and arrangements in a variety of planned giving vehicles. The intent is to involve multiple generations of this fine family in making decisions about community needs and making contributions to support those needs. What a tremendous legacy to leave to the community and the family.

Clients best suited for Advised Endowment Funds:

- The client who wants maximum flexibility to give to varying charities or to change beneficiaries over time.
- The client who wants to involve spouse or children in charitable giving.
- The client who is considering a private foundation but would like to avoid the requirements of a private foundation and enjoy the favored tax status that such an arrangement provides compared to private foundations.
- The client who currently makes cash gifts to numerous charities but would save substantially in income taxes by making gifts of appreciated securities instead.
- The client who wants to maintain a steady level of charitable giving but whose income fluctuates.
- The client who has an exceptionally high income year in which he or she would like to make a tax-deductible gift but would like to defer making grants until a later time.
- The client who would like anonymity in the creation of the fund or in grant-making from the fund.
- Persons who are charitably inclined but would appreciate administrative support with the details.