

SO YOU WANT TO GIVE?

There are many ways to give.

This will be your guide to finding the choice that is right for you.

Forum of Regional Associations of Grantmakers

Washington, DC

202 467 1120

We are a giving people

By giving to charitable and philanthropic organizations we exercise our support for the goals, the people, and the purposes we believe in. It is our individual response to human needs; an opportunity to give is an opportunity to be involved. It is caring and serving. Philanthropy gives our wealth meaning, and engages us as stewards in the betterment of society.

Why do people give?

There are many motivations for giving one's money and other resources for charitable and philanthropic purposes, but the following nine reasons seem to be widely affirmed by those who practice it:

- Helping people gives us a feeling of value and satisfaction.
- We wish to leave a lasting imprint on society while making a significant difference.
- We desire to perpetuate a certain viewpoint or philosophy.
- Giving as a family unites family members around a purposeful mission.
- By giving we can memorialize a friend or loved one.
- We wish to return something to the communities that have nurtured us or in which we have earned our wealth.
- We feel a responsibility or a desire to be leaders in our communities.
- We would like to get involved and connect with others who share our interests and passions.
- The tax advantages can be considerable.

How do people give?

- Make a direct gift to an established charity
- Create a family foundation or other private foundation
- Contribute to a fund within a community foundation or other public foundation
- Develop a corporate giving program or corporate foundation
- Establish a supporting organization
- Make a planned gift to an established philanthropy or charity

Interested in knowing more?

Here, then, is a brief summary of the key points you will want to know about these seven options for giving. This summary will give you a better understanding of these options and will help you as you consider them or discuss them with your financial advisor and move forward to the next phase of your giving plan.

With the various giving options in mind outlined below, your contribution may consist of almost any property, tangible or intangible.

Frequent gifts are cash, marketable securities (quotations usually must be available on an established securities market), stock in a closely held corporation, life insurance policies, mutual funds, income from trust funds, artwork, and real property (with values determined by independent appraisal).

A direct gift to an established charity

such as a church, educational institution, or other nonprofit organization working in such areas of interest as health care, education, the environment, human services, and others, is probably a familiar route for you. It usually is easy to find a charity that provides programs and services that reflect values similar to your own—you probably know of some already. If you have questions about the reliability of a particular national nonprofit, the National Charities Information Bureau (212-929-6300) and the Council of Better Business Bureaus (703-276-0100) are two sources of information on larger, well-established nonprofit organizations. You will want to make sure that the organization you give to has tax-exempt status from the Internal Revenue Service, so that you may claim the appropriate federal tax deduction for your gift. The tax deduction for gifts of cash to charity can be up to 50 percent of your adjusted gross income for the year. It is also possible to give gifts of property to your chosen charity or charities, including real estate, mutual funds, stocks, and other securities. These gifts entail different deductions for tax purposes (see the chart located elsewhere in this brochure).

Federated funds, like the United Way, the Black United Fund, and others, participate in annual workplace giving campaigns that raise millions of dollars for distribution to local, state, and national nonprofit organizations. Check with your employer for details.

For local charitable organizations we suggest you consult with your local community foundation, United Way, state nonprofit association, or chamber of commerce. They are familiar with the nonprofit activities in your area and can advise you as to specific organizations that match your particular interests.

Create a family foundation or other private foundation

to retain personal control and flexibility in your giving program, or to provide a forum in which family members and others can work toward common goals. Such foundations can provide for the long-term needs of the organizations and the people you want to help. By making endowed gifts, the donor's influence continues to make an impact for generations to come. Organized either as a nonprofit corporation or as a charitable trust, you can appoint yourself, as well as other family members or friends, to the governing board of the foundation. Since it is a charitable organization it is exempt from federal income tax on its income, and your gifts to it afford you certain tax advantages. You may deduct up to 30 percent of your annual adjusted gross income for cash donations. Gifts of property may be deducted according to the chart that follows at the end of this

brochure. If any of your gifts in any year exceed the allowed maximum deduction, you may carry over the excess deduction for up to five years.

Another important benefit is that your funds continue to provide charitable capital as long as the foundation exists. This is possible because the funds are invested and income is paid out annually in grants. Generally, the principal or endowment is not spent, only the investment income. Therefore the principal can increase with inflation and good investment, and this can insure the foundation's continuation and growth. (By law, private foundations must pay out in annual grants funds totaling 5 percent of their assets, and must pay a 1-to-2 percent excise tax on net investment income.)

In addition to the private, grantmaking, endowed foundation, there are two other variations of private foundations to consider:

The *pass-through foundation* is a private grantmaking organization that distributes all of the contributions it receives each year (not just 5 percent of assets). The pass-through option may be made or revoked on a year-to-year basis.

The *private operating foundation* uses the bulk of its income to actively run a charitable program or service. Examples include the operation of a museum, library, research facility, or historic property. Some private operating foundations also choose to make some grants to other charitable organizations.

NEXT STEPS ...

As a next step for individuals and families interested in starting a private foundation, we suggest you review several publications: (1) *Establishing a Private Foundation*, published by the Forum of Regional Associations of Grantmakers (202-467-0383); (2) *First Steps in Starting a Foundation*, published by the Council on Foundations (1-888-239-5221). Your regional association of grantmakers (RAG) can also help you obtain these publications, or link you to donors in your own area who have chosen this philanthropic option. (To locate your local regional association, visit the Forum of Regional Associations of Grantmakers website at www.givingforum.org or call 202-467-1120.) The National Center for Family Philanthropy (202-293-3424) has a number of publications and programs that can help get you started. None of these is a substitute for qualified legal advice. You should secure a qualified attorney in order to proceed.

Give to or through a community foundation or other public foundation

and you will enjoy some distinct advantages and options. Community foundations are local charitable entities that may administer a number of endowed funds primarily for local purposes, to solve community or regional problems, and to improve the lives of people in their geographic area.

Community foundations are found in most major cities, and in numerous counties and smaller towns. Some are statewide.

Because community foundations are public charities supported by donors from across the community, all contributions are allowed the maximum tax benefits (up to 50 percent of adjusted gross income).

As a donor, you have several ways in which you can make a gift to a community foundation. You may simply make an *unrestricted gift*, the income from which is used where the foundation's board of knowledgeable local leaders/volunteers deem it is most needed. Or you may support a *field of interest fund* for the arts, education, the environment, or other area of charitable interest. You may also elect that a specific charitable organization or organizations benefit from your gift.

Many individuals, families, and even corporations are creating *donor-advised funds* with their local community foundations. You can name the fund, establish a broad purpose for the fund, or designate a specific charitable organization—such as the local library—to benefit. You may also assign other family members to join you in advising the community foundation on how the income from your fund should be distributed. While the final decision on grant distributions rests with the board of trustees of the community foundation, your fund is not subject to the excise tax and payout requirements of a private foundation.

A donor-advised fund can be established quickly and easily. While the community foundation will charge a small annual fee for administering your fund, research indicates that, depending on asset size, it is normally less expensive than the annual operating expenses of a private foundation.

You may also choose to support one of the other *public foundations* in your area. A typical public foundation is a public charity established to address a particular issue (e.g., the environment) or support the needs of a particular demographic segment (e.g., women and girls). Its geographic focus may be local, statewide, national, or international. Examples include the Boston Women's Fund, the Florida Education Fund, The Foundation for the Jewish Community, and the Children Affected by AIDS Foundation.

Public foundations offer the same giving opportunities and tax advantages as community foundations. (Community foundations are in fact a special kind of public foundation.)

NEXT STEPS ...

Consult with your local community foundation and public foundations about your charitable interests. If you are not familiar with your local foundations, call your local regional association of grantmakers and its staff will direct you. (To locate your local regional association of grantmakers, visit the Forum of Regional Associations of Grantmakers website at www.grantmakers.org or call 202-467-0383. To locate a community foundation in your area, check the Council on Foundations' community foundation locator at <http://int1.cof.org/council/map.html>.)

Develop a corporate giving program or a corporate foundation

if you are the owner of a family business or an officer of a corporation. There are at least two vehicles for charitable giving by the company for you to consider.

Many corporations have an *annual giving program* to make grants, funded as part of each year's operating budget for the company. Owners can blend the family business with family philanthropy by channeling support through their family corporation(s). This kind of program has no independent endowment, and corporate staff, directed by the CEO or an advisory committee of management staff members, administers its budget. The corporate giving program is not subject to the rules and regulations governing private foundations.

However, many corporate leaders have chosen to take the next step by creating a *corporate foundation* as an independent tax-exempt private foundation or creating a fund at a community foundation. Advantages that may appeal to you in this option include the ability to preserve the company's charitable giving during lean economic times and the ability to preserve the company's name in an era of mergers and acquisitions.

The corporate foundation is usually started with a single gift that can become the endowment, which may be added to on an annual basis or when, and if, profits allow. The foundation's officers are usually the company owners and key executives, although leaders from corporate headquarter communities have been known to be included. At some companies, committees of employees make recommendations to executives in charge of giving about projects they believe are worthy of support. The corporate foundation is subject to the same rules and regulations applicable to other private foundations.

For those owners of Sub-Chapter S Corporations (S Corps) it is now (as of January, 1998) possible for such companies to give, and private and community foundations to own, S Corporation stock. Of course, there are limitations that accompany ownership of such stock, and the recipient organization(s) should be encouraged to consult their counsel prior to accepting such a gift from you.

In addition to grant programs that enhance the corporation's strategic business interests, corporate foundations and giving programs often offer to match employee gifts of cash and volunteer time to nonprofit organizations. Because the priority is to serve those communities where company employees and facilities are located, companies may make "in-kind" gifts of products to charities and/or organize workplace volunteer efforts for the good of the community.

NEXT STEPS ...

The Council of Michigan Foundations (616-842-7080) has two excellent publications to help you get started: *The Basics of an Organized Corporate Giving Program* offers sample guidelines and other useful tools such as the Common Grant Application Form. *The Matching Gift Manual* shares lessons learned on how to design the employee matching gift program for your company. The Association of Baltimore Area

Grantmakers (410-727-1205) has a very helpful booklet titled *Organizing a Corporate Giving Program*. For more information, consult your local regional association of grantmakers and its staff will direct you. (To locate your local regional association of grantmakers, visit the Forum of Regional Associations of Grantmakers website at www.givingforum.org or call 202-467-1120.)

Establish a supporting organization

if you are seeking an alternative to establishing your own private foundation but still prefer close involvement with grant decisions. In terms of control by you, the donor, a supporting organization, in all its forms, lies somewhere between a private foundation and a donor-advised fund at a public foundation. As the name implies, a *supporting organization* is closely tied to a public charity in a way that is significant to the total support of that public charity. A community foundation will often—though not always—be the public charity supported by this type of organization.

Since the supporting organization is identified with a publicly supported charity, the donor enjoys the tax benefits of a public charity, and the donor and/or members of the donor's family may serve as members of its separate board. This board is normally comprised of members appointed by the donor and members appointed by the public charity. In the most common form of a supporting organization, the public charity controls a majority of the board appointments. The mission of the supporting organization must also be compatible with the mission of the public charity with which it is identified.

Creation of a supporting organization provides an excellent means for a donor to involve family members in grantmaking decisions, and often provides access to the program staff of the public charity for assistance with those decisions. The popularity of the supporting organization as a philanthropic vehicle has grown rapidly as donors have come to realize that this option avoids many of the disadvantages of private foundations without requiring that the organization abide by other restrictions on public charities.

NEXT STEPS ...

The book titled *Legal Compendium for Community Foundations* contains an excellent chapter on supporting organizations. It is published by the Council on Foundations and is available from the Council (888-239-5221).

Establish your own giving circle

Many donors are discovering the joys of philanthropy by joining with other like-minded individuals to form *giving circles*. To form a giving circle, donors pool their funds, invest them, and then make joint decisions about how to distribute the income and/or principal of these funds to other philanthropic or charitable organizations in the form of grants. Donors will often commit to participation in a giving circle for a number of years at an established dollar level. The pooled funds may be held at a public foundation (in

the form of a donor-advised fund, for example), at a local bank, or at some other nonprofit or commercial entity that will invest the funds and enable them to earn income.

Have you thought of some new way to give? We'd like to hear about it!

NEXT STEPS ...

Your regional association of grantmakers or your local New Ventures in Philanthropy coalition can help you explore some of your giving options. To locate the one nearest you, call the Forum of Regional Associations of Grantmakers at 202-467-1120, e-mail us at giving@givingforum.org, or try our website at www.givingforum.org/givingcircles

Explore your planned giving options

by working with a qualified attorney, certified financial planner, or other professional financial advisor. Planned giving makes it possible for you to give to the philanthropy or charity of your choice while meeting your current income needs and providing for your heirs.

The *charitable remainder trust*, a popular planned giving instrument, lets you take a charitable deduction for your gift to the trust in the year in which the trust is formed. (Additional funds can be added in later years.) You then receive income from the trust for life, after which the assets pass to a philanthropic fund or charity that you have designated.

A *charitable lead trust* established by you provides for a regular, fixed amount to be paid to a philanthropic fund or charities of your choosing for a specific number of years. At the end of that specified period, the remainder of the trust passes to your designated heirs or other noncharitable beneficiaries.

Please consult with your financial or legal advisor about the many other kinds of planned giving options that are available to you.

In each case, you may designate a particular nonprofit organization (or organizations), your own private foundation, your local community foundation or other public foundation, or your own supporting organization to receive the benefits of your planned gifts.

NEXT STEPS ...

Speak with a trusted financial or legal advisor about your planned giving options. For general information about planned giving, visit these websites: National Committee on Planned Giving: www.ncpg.org; and the Society of Financial Service Professionals: www.financialpro.org.

Comparison of Options for Giving

The decision to create a private foundation, give directly to an established charity, establish a fund within a community foundation, or choose another option, should be determined on the weight of a variety of factors. Professional detailed advice should be secured from an attorney or certified public accountant familiar with foundations, trusts, and planned giving. Your area's regional association of grantmakers, which helped prepare this brochure, will be glad to advise you on how to move forward with the next important step.

The table on the following page suggests differences in tax deductions. It is admittedly simplistic but provides a basis for comparisons.

Factors	Gifts to Established Charity	Private Foundation	Giving to a Community Foundation or other Public Foundation	Corporate Giving or Corporate Foundation	Supporting Organization
Donor Can Control Assets and Priorities	No	Yes	Limited ¹	Yes	Limited
How Likely to be Perpetual	Low	High	High	NA	High
Donor or Family Member May Sit on Governing Board	No ²	Yes	No ²	Yes	Yes
Requires Donor Time and Effort, Plus Expense of Staff, and Management	No	Yes	No ³	Yes	Yes
Minimum Payout Required	No	Yes	No	Yes, if a foundation	No
Must Pay Tax on Investment	No	Yes (1-2%)	No	Yes ⁴ , if a foundation	No
Tax Deduction for Gifts of Cash (% of adjusted gross income that may be deducted)	50% ⁵	30% ⁵	50% ⁵	10% of pre-tax profits ⁵	50% ⁵
Tax Deduction for Gifts of Stock or Real Property (% of adjusted gross income that may be deducted)	30% ⁵	20% ^{5,6}	30% ⁵	10% of pre-tax profits ⁵	30% ⁵

1. A restricted gift can be confined to the stated purpose, but the donor relinquishes control of the investments and its disposition. A donor advised fund permits the donor to make recommendations subject to the ultimate control of the community foundation.

2. Any citizen may be elected or appointed to the board of any public charity. The donor gift does not guarantee such an outcome except in the case of supporting organizations.

3. Community foundations often assess a management or administrative fee.

4. Corporate foundations must pay the same excise tax as any private foundation. See earlier discussion of private foundations regarding the payout requirement.

5. One year's excess donations can be carried forward for five years.

6. The deductible value of lifetime gifts of closely held stock or real property is limited to the cost, not market value. The deductible value of gifts of publicly traded stock is fair market value.

Accurate as of September 1999. Check with your local regional association of grantmakers or your financial advisors for any updates.

There are many more needs for private funds than will ever be met. Each individual or family who establishes a charitable giving program is making a far-reaching contribution to improve the human condition. It is an investment in humanity that brings a great sense of accomplishment and satisfaction. It is meeting the truth of James Russell Lowell's

observation: "All the beautiful sentiments in the world weigh less than a single caring action."

REGIONAL ASSOCIATIONS OF GRANTMAKERS and Other Resources for Donors

Regional associations of grantmakers are nonprofit membership associations created by private grantmakers to enhance the effectiveness of philanthropy in their cities, states or regions. They work in close partnership with their national counterparts, the Forum of Regional Associations of Grantmakers and the Council on Foundations. More than 3,300 private, community and corporate foundations, corporate contributions programs, and other types of organized grantmakers belong to one or more regional associations.

Each regional association of grantmakers responds to specific needs and interests of its members, and typical services include:

- Increasing communication and sharing of information among members;
- Providing information about changes in the laws governing charitable giving;
- Encouraging networks and collaboration of members concerned about similar societal needs;
- Encouraging the development of new philanthropies; and
- Impacting public policy on issues affecting philanthropy.

For more information or assistance on giving choices in this brochure, please contact:

Forum of Regional Associations of Grantmakers
1111 19th Street, NW
Suite 650
Washington, DC 20036
202-467-1120

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