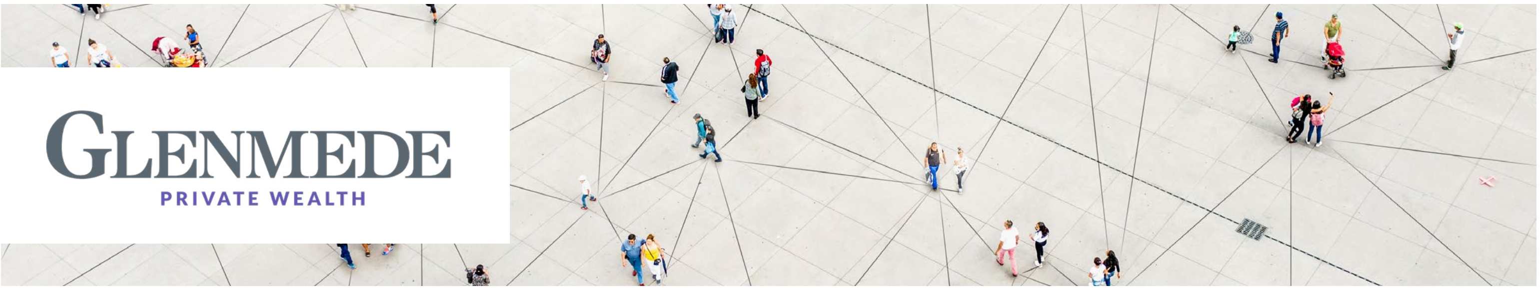

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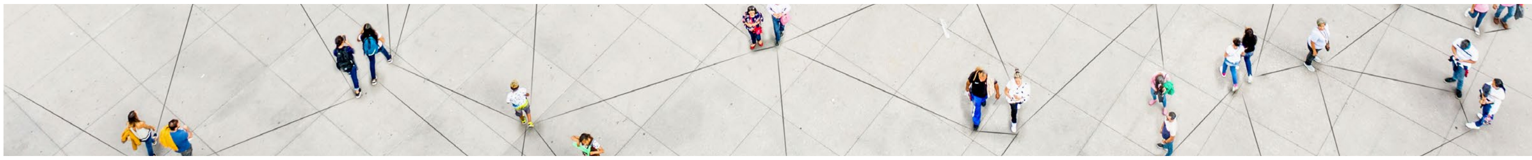
A Comparison of Two Grantmaking Vehicles: Private Foundations and Donor-Advised Funds

Both private foundations and donor-advised funds (DAFs) allow donors to make tax-deductible contributions and grants to nonprofits over time, but there are meaningful distinctions between the two. Answering the following questions may help you and your family decide which grantmaking vehicle is the most appropriate.

	Private Foundation	DAF
How much control do you want?	As an independent entity with its own board and governing document, a private foundation allows considerably more control, making it easier to institutionalize philanthropy within the family and involve multiple generations. The IRS requires foundations to distribute at least 5% of net assets annually for charitable purposes.	DAFs are associated with a sponsoring nonprofit; DAF donors retain advisory privileges for distribution of the assets. DAF donors retain advisory privileges with respect to investment and distribution of the assets they contribute. DAF distribution requirements are currently set by the sponsoring organization. However, lawmakers have proposed legislation that would require distributions from certain DAFs.
How does the IRS treat contributions to each?	Not all charitable contributions are created equal. Contributions to a private foundation have stricter limitations than contributions to a DAF. Contributions of appreciated assets other than cash or marketable securities are generally only deductible up to the donor's cost basis.	The IRS treats DAFs as "public charities," allowing DAF donors the most favorable tax treatment. For example, contributions of special assets like real estate, restricted stock and private business interests to a DAF may be deducted at fair market value.
Are activities public record?	The activities of private foundations are public record. Anyone can research the grants a foundation has made, its total assets, donors and contribution amounts, board members and any compensation received from the foundation.	DAFs are not required to identify donors, and grants can be made anonymously.
What are the start-up and maintenance costs?	Establishing a private foundation entails forming a new legal entity and obtaining tax-exempt status. Once established, a foundation must file annual tax returns, pay excise tax on net investment income and ensure it is compliant with all other ongoing legal obligations. These requirements come at a cost in the form of accounting, legal and filing fees.	DAFs generally do not have up-front costs, but the nonprofits administering them do collect annual administration fees and investment fees. For these reasons, private foundations are generally recommended only at higher contribution levels.



Conclusion

It is important to note that DAFs and private foundations are not mutually exclusive. It is common for private foundations and foundation trustees to establish DAF accounts as a complement. Some foundations use DAFs for foreign grantmaking or to achieve a higher degree of privacy with respect to grantmaking. Others use DAFs to give trustees the flexibility to support nonprofits that do not necessarily align with the foundation's funding priorities, or to expose the next generation of leaders to philanthropy before they join the board. Smaller foundations may benefit from winding down and converting to one or more DAF accounts. Although private foundations can transfer assets to DAFs, DAFs generally may not transfer assets to private foundations.

If you have any questions, please reach out to your Glenmede Relationship Manager or email PhilanthropicAdvisory@glenmede.com.

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