

Community or Private Foundation: Which option is right for you?

When you want to make a difference in your community and create a family legacy, your options range from creating a private foundation to the public charity alternatives offered by a community foundation, namely a donor advised fund or supporting organization. While private foundations allow for greater donor control, the administrative requirements and operating costs can be substantial. The chart on the opposite page compares some of the key features of a private foundation with those of a donor advised fund and supporting organization.

Though many people enjoy the experience of giving through a private foundation, sometimes private foundations run their course. In these cases, we provide an option for the transfer of funds, enabling you to terminate your private foundation yet continue its charitable mission. Terminating a private foundation may happen when:

- The work of a private foundation has become overwhelming.
- The next generation is uninterested or you have no heirs, but you wish to create a lasting legacy.
- Administration of the foundation seems too costly or cumbersome.
- Assets in the foundation have declined to an extent where the costs and annual payout requirement make it impractical to maintain.

comparing the options

Fund at Your Community Foundation

Private Foundation

Tax Deductibility

Deduct up to 60% (2018-2025) of AGI* for cash gifts; deduct up to 30% of AGI for gifts of long-term appreciated securities, real estate and closely held stock.

Tax Deductibility

Deduct up to 30% of AGI* for cash gifts; deduct up to 20% of AGI for gifts of long-term appreciated securities, deduction limited to cost basis for gifts of real estate and closely held stock.

Ease of Establishment

Simple and quick to establish; could be done in one day.

Ease of Establishment

Several months to establish.

Costs

Minimal fees; no start-up costs.

Costs

Typically costly to set up and maintain; annual 1-2% excise tax on net investment income.

Grantmaking

No minimum annual payout; philanthropic services provided by community foundation.

Grantmaking

Required 5% minimum annual payout; philanthropic services provided by private foundation.

*AGI: Adjusted Gross Income