

Pairing a private foundation and donor-advised fund

Private foundations and donor-advised funds are both effective tools for strategic philanthropy, each with its own advantages. However, they can be even more powerful when they are combined.

Private foundations and donor-advised funds both support strategic giving, allowing donors to contribute assets for a tax benefit, invest for growth over time, and give to a wide range of causes. When donors embrace the unique opportunities and benefits of each giving tool and use them to complement one another, their charitable impact can grow exponentially.



Tax efficacy

Working with your financial advisor, it is important to understand the benefits and tax implications of donating personal assets to a private foundation or a donor-advised fund. Certain assets are better gifted to a donor-advised fund than to a private foundation because the gift to a donor-advised fund enables you to enjoy higher deduction or valuation based on current fair market pricing, as compared to a gift to a private foundation which is limited to cost basis. Private foundations, however, allow donors to control the investments and invest the foundation's dollars in specific stocks, alternative investments, or other assets. Depending on your risk threshold and long-term goals, private foundation and donor-advised fund investments can be used together to create the strongest overall charitable portfolio.

By combining a private foundation and a donor-advised fund wisely, you can maximize your tax benefit and increase the charitable assets available for granting.



Technology

The digital marketplace is expanding, and every day more tools are available to simplify life. Donor-advised funds have developed sophisticated technology to make donating to charity as easy as logging in and clicking submit. Granting from a private foundation is often managed by committee, meetings, and granting cycles. By contrast, donor-advised funds provide the opportunity for quick, one-off grants entered through the online donor portal 24-hours a day, seven days a week. Donor-advised funds can issue unrestricted grants to larger, previously vetted organizations often the next business day, allowing you the time to focus on more complicated and strategic granting from your foundation.

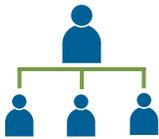
No matter what product or software you use, the goal is the same: support charities as quickly and efficiently as possible so they can continue their charitable programs.



Granting

While both vehicles ultimately support philanthropy and charitable causes around the world, private foundations and donor-advised funds manage granting in two distinct and effective ways. Most private foundations are focused on a particular subset of charities or narrower mission, granting based on in-depth research and long-term vision. Donor-advised funds sponsored by national organizations are not tied to a specific cause or location, allowing participants to support a wide variety of organizations, and do so anonymously or with restricted disclosure of the donor's identity.

By managing the distribution of grants from both a private foundation and a donor-advised fund, philanthropists are able to achieve personal and charitable goals with the widest range of options and flexibility.



Legacy

Both private foundations and donor-advised funds provide donors the opportunity to create a lasting philanthropic legacy. Through careful estate and succession planning, families can continue to impact their communities, and the world, for generations to come. A donor-advised fund can help expand this reach by allowing donors to establish a succession plan that either augments a private foundation, or allows donors to accomplish separate and distinct goals. Donor-advised fund advisory privileges may be passed from one individual to the next, or to multiple individuals, regardless of their affiliation with the original donor. Private foundation officers and directors must be elected or appointed, which may limit succession planning. Donor-advised funds can be designed with an endowed grant plan to support charities for a set number of years or in perpetuity without continued donor involvement.

Utilizing these tools strategically can help individuals and families see beyond the horizon and leave a lasting legacy.

CONCLUSION

Private foundations and donor-advised funds can complement each other for effective and impactful charitable giving. Understanding the differences and nuances of each giving vehicle helps you operate as a savvy donor and strategic philanthropist. Review your giving goals and preferences, and consider how using a donor-advised fund and a private foundation together can benefit your philanthropy.

For more information visit vanguardcharitable.org/givingoptions.