Vanguard Charitable

Compare giving options

Choose a giving tool
that supports you
and your charitable mission.

The right giving tool for you

The purpose of various giving options—such as private foundations, donor-advised funds, trusts, or others—is to transfer assets to charitable causes, but choosing the right tool for you and your mission can be a complex process.

Rather than debate which giving tool is best, we encourage you to focus on what best supports your philanthropic preferences and giving goals through an assessment of six key factors.

Keep in mind that picking a giving tool is not an "either/or" decision: Many giving options make excellent complements to one another and, when paired, will optimize your charitable impact.

Your giving preferences

Consider the giving preferences below and determine what is important to you. Then, on the following pages, relate your priorities to the characteristics, guidelines, and benefits of each giving tool, and select one that is a good fit for you.

Cost

Decide what you are willing to pay for a specific philanthropic option, with the fundamental understanding that the more money spent on fees, the less is available for charity.

Most giving options have associated administrative fees to cover startup, employee, and service costs, and others may necessitate legal or accounting expenses.

Investment fees, often overlooked against other less subtle fees, play a crucial role in long-term giving plans. Over time, high expense ratios may erode returns and minimize charitable impact.

Distribution to charity

Ensure the giving tool allows you to support charitable causes in sync with your mission and, if desired, affords you the ability to give to multiple charities on a consistent basis or grant one large sum in the future.

Control or level of input

Choose how much direct oversight and decision-making power are needed for each aspect of your philanthropy, including areas such as grant-making, investing, or administrative work.

Often, strict legal regulations will dictate a donor's rights or ability to exercise control with different giving tools, and some giving options permit donor input or advice without allowing the donor to exercise direct control over the assets.

Legacy options

Leaving a philanthropic legacy is a personal decision that can take various forms, from bestowing assets to others, to naming a charity as a beneficiary in a will, or continuing a family tradition of giving.

By their very makeup, some giving tools cannot support specific charitable wishes and intergenerational philanthropy after a donor passes (e.g., direct giving).

Tax efficacy

Outline the types of assets you often gift, and ensure your giving tool allows for optimal tax deductions. Deductibility limits vary based on the asset donated, giving options, and personal benefit derived from the gift.

For example, a donation to a charitable gift annuity, which allows the donor to receive income, does not allow for as substantial a tax deduction as a direct gift.

The most tax-effective assets to donate are also sometimes the most difficult. If relevant, choose a tool that supports liquidation of complex special assets or appreciated securities. Giving options that provide a donor with income may allow for other tax advantages.

Recognition versus anonymity

Legally, not all giving tools can be sensitive to wishes for anonymity, while some may be able to cater to specific recognition requests.

For example, private foundations are required to file public reporting returns that include information on grants, trustees, and employees, whereas grants from an account with a donor-advised fund can maintain donor confidentiality, when preferred.

Relate these characteristics to your philanthropic priorities before comparing the giving tools in this booklet.

Giving tools

Charitable gift annuity

A contract established with a charity that allows individuals to transfer assets to the nonprofit organization in return for a partial tax deduction and a fixed income for the donor's lifetime. After the donor dies, the charity keeps the remainder of the gift.

Charitable gift annuities can be established for as little as $10,000 with organizations like community foundations or universities. Individuals considering an annuity should engage with well-run charities that operate in line with their missions.

An effective option for individuals who:

Require income and want to support only one charity through donations of easy-to-liquidate assets, such as cash or publicly traded securities.

Criteria	Characteristic	Details
Tax efficacy	Limited	Due to income received from the annuity, deduction is limited and generally equal to the amount of the contribution minus the present value of payments to be made to the donor during life. Donating appreciated assets can provide additional tax advantages.
Cost	Low	Minimal costs.
Control	Minimal	You can choose an organization to receive your donation; then it controls the assets and decision-making.
Distribution to charity	Restricted	Limited to one organization, which you choose.
Legacy options	Some	At death or end of the annuity contract, the remaining assets go to a charity of your choice. Depending on the sponsoring organization, you may be able to give the remainder to more than one charity.
Recognition v. anonymity	Some flexibility	Can remain anonymous to public but not to the sponsoring organization.

Charitable remainder trust

An arrangement that allows individuals to transfer assets or property to a trust for a partial tax deduction, receive income from the trust for a set period of time, and name a charitable beneficiary of the residual principal of the trust.

Charitable remainder trusts are traditionally set up at a financial institution, a process which requires legal expertise. While startup costs and minimums vary, contributions to a trust typically exceed $100,000. However, a trust may be opened with fewer assets.

An effective option for individuals who:

Prefer to receive income while fulfilling charitable goals and plan to gift to charity after they die.

Criteria	Characteristic	Details
Tax efficacy	Limited	Due to income received from the trust, deduction is limited and generally based on an estimated value of the remainder interest that will ultimately go to charity. Additional limits may apply if the charity is a private foundation. Donating appreciated assets can provide additional tax advantages.
Cost	High	Costs vary greatly across trusts; startup costs can be high.
Control	Maximum	Choose income, remainder beneficiaries, and trustee. For greater control, you may serve as the trustee.
Distribution to charity	Some restrictions	May change charitable beneficiary over time, as long as the tax deduction for the organization type is less than or equal to the deduction you received for your initial contribution.
Legacy options	Some	Choose one or multiple organizations as beneficiaries to your trust.
Recognition v. anonymity	Some flexibility	May choose to remain anonymous or be recognized.

A note about a charitable lead trust

While similar to a remainder trust in terms of tax efficacy, control, and granting options, a charitable lead trust is more expensive to establish, often requiring between $500,000 and $1 million. Also, the lead trust's legacy options are fundamentally different from the remainder trust's options. When a donor dies after receiving income from a remainder trust, a charity is the beneficiary of the remaining assets. With a lead trust, the charity receives payments through the term of the contract, and following that, the donor or donor's beneficiaries receive the remaining assets.

Direct giving

A donation made directly from an individual to an IRS-approved charity in return for a full tax deduction based on the fair market value of the gift. The vast majority of charitable gifts in the United States are given directly.

Direct giving allows individuals to choose each time they gift whether a donation will be made anonymously or with recognition. While individuals who give directly do not have startup costs or spending requirements, they may incur expenses each time they move assets out of an investment portfolio to initiate a donation.

An effective option for individuals who:

Gift smaller amounts of cash, prefer to personally manage their investments and contributions, and want maximum control over their donations.

Criteria	Characteristic	Details
Tax efficacy	Full	Full deduction based on fair market value. Certain limits may apply depending on the nature of the assets donated and if the charity receiving the donation is a private foundation.
Cost	None	No costs incurred when giving directly.
Control	Maximum	You manage all donation decisions and may work with a charity to determine the timing, type, and recognition of a gift.
Distribution to charity	No restrictions	May donate to any nonprofit organizations you choose subject to certain deduction limitations.
Legacy options	None	None, unless you establish a deferred gift plan with a charity of your choice.
Recognition v. anonymity	Some flexibility	Choose when and how you and your donation are represented each time you give. It may be challenging to give anonymously.

Donor-advised fund

A tax-effective way to donate, accrue, and recommend grants to 501(c)(3) public charities.

Donor-advised funds may only issue grants to other 501(c)(3) public charities. The structure of this option allows charitable assets to be invested in the markets, providing the opportunity for tax-free growth. While minimums vary, typically an initial contribution to a donor-advised fund is $25,000 or less.

Most individual donor-advised accounts are not subject to annual spending requirements, although many are required to make at least one grant every few years. Donor-advised funds can support a variety of legacy plans.

An effective option for individuals who:

Want to consolidate their giving in a tax-effective way and have the option to contribute all types of assets. Do not require complete control over assets or administrative details.

Criteria	Characteristic	Details
Tax efficacy	Full	Full deduction based on fair market value: 60% of adjusted gross income for cash gifts, 30% for securities held more than one year.
Cost	Low	Expenses are minimal (typically less than 1%) and are used to cover organization's cost to invest assets and administer grants.
Control	Moderate	Recommend investments and grants; you do not have direct control over assets.
Distribution to charity	Some restrictions	Generally support any 501(c)(3) public charities as long as you do not personally benefit.
Legacy options	Many	Create a personalized succession plan that passes/splits account privileges and/or grants remaining assets to charity.
Recognition v. anonymity	Flexible	Choose when and how your name shows each time you recommend a grant.

Private foundation

An independent charitable organization with governing legal documents and a governing body with complete control over investment and grant-making decisions.

Generally, start-up costs exceed $15,000, but ongoing operating, legal, and accounting costs will vary. Private foundations are subject to a 1-2% excise tax on the annual net investment income, require a 5% annual distribution of the net investment assets yearly, and must file an annual IRS Form 990-PF.

An effective option for individuals who:

Require total control over charitable activity, wish to involve family members in management of charitable assets, and are comfortable following strict compliance and granting regulations.

Criteria	Characteristic	Details
Tax efficacy	Partial	Deduction based on fair market value: 30% of adjusted gross income for cash gifts, 20% for securities held more than one year; not a good vehicle for the donation of appreciated securities other than publicly traded securities.
Cost	High	Startup and maintenance costs are extensive; private foundation is subject to 1-2% excise tax on annual net investment income.
Control	Maximum	You manage contributions, investing, and granting activity, as well as legal documents.
Distribution to charity	Some restrictions	Support any charitable cause subject to certain tax regulations; some foundations do not allow grants outside their mission.
Legacy options	Many	Succession plans can involve future generations, or remaining assets can be granted directly to a public charity.
Recognition v. anonymity	Not flexible	Required to publicize information about trustees or directors, certain employees, grants, income, and investments.

Complement a private foundation with a donor-advised fund

A donor-advised fund can be used in combination with a private foundation to:

- Recommend anonymous grants.
- Carve out assets that you would like invested differently.
- Reduce the cost of giving for a percentage of your charitable assets.
- Minimize the research and reporting associated with managing a foundation.
- Offer you the opportunity to recommend grants outside the foundation's mission.

For information on how to move assets from a foundation, or terminate it altogether, reference the *Steps to terminate a private foundation* worksheet.

For help selecting the right giving tool, contact us at 888-383-4483.

Vanguard Charitable

P.O. Box 9509
Warwick, RI 02889-9509

p 888-383-4483
f 866-485-9414

vanguardcharitable.org

Vanguard Charitable was founded by The Vanguard Group, Inc., as an independent, nonprofit, public charity in 1997. Although Vanguard provides certain investment management and administrative services to Vanguard Charitable pursuant to a service agreement, Vanguard Charitable is not a program or activity of Vanguard.