

Comparison of a Donor-Advised Fund with a Private Foundation

	Donor Advised Fund	Private Foundation
Setup	Easy with no setup costs/Exempt status through sponsoring organization	Substantial work/Legal entity created with state filings and application to IRS for exempt status/Similar cost to corporate start-up
Public Disclosure	None required/Grants to charities can be sent with or without donor recognition	Annual returns and filings open to public inspection (available on Guidestar.com)
Charitable Deduction Limits:		
▪ Cash Gifts	50% of Adjusted Gross Income (AGI)	30% of AGI
▪ Appreciated Securities	30% of AGI using fair market value at date of gift	20% of AGI using fair market value at date of gift
▪ Real Estate and non-marketable securities	30% of AGI using appraised value	20% of AGI using the lower of cost basis or appraised value
Annual Tax Return	None	990-PF return filed annually with IRS
Excise Tax on Investments	None	2% excise tax on net investment income including capital gain
Minimum Annual Spending requirement	None	5% annual payout requirement regardless of income
Self-dealing rules	None	Regulations prohibit transactions between a private foundation and its donors, including related parties (persons or corporations)
Donor Control	Charity has legal control/Donor recommends grants and investment allocations	Donor retains complete legal control over investments and grant making
Professional services - investment management, insurance, etc.	Provided by sponsoring organization	Must be obtained through third parties
Grant Restrictions	Must be made to other 501(c)3 organizations with restrictions on benefits to individuals	Gifts may be made to individuals or organizations with designations to support an individual

Why use a Donor Advised Fund?

- Easy to setup and administer
- No legal or IRS reporting
- Higher charitable deduction limits
- No public disclosure of activities

Why use a Private Foundation?

- Donor able to maintain legal control of foundation
- Donor can make grants to individuals or designate for individuals
- Involvement and compensation of family members in management of foundation