Manage your client's charitable investments, *grow* your practice, and *earn the loyalty of your clients' heirs* with a Donor Advised Fund sponsored by ***iGiftFund***.

Financial Advisor Benefits

Benefits include:

- **Manage your client's charitable investments on your familiar platform in open architecture at all fund size levels.**
- **Add long term, recurring revenue stream** to your existing book of business.
- **Attract and retain** high-net-worth clients seeking philanthropic and wealth management services.
- **Stem the loss** on assets that might otherwise be liquidated due to tax and estate planning decisions.
- **Convert illiquid assets** (highly appreciated closely held stock, real estate, and life insurance) to assets under management.
- **Convert AUM in other Donor Advised Funds and Private Foundations** to your investment platform.

What is a Donor Advised Fund?

Donor Advised Funds are charitable-giving vehicles that provide simple, tax-smart and meaningful ways to help your client manage their charitable giving. Your clients can enjoy immediate and maximum tax advantages, make grants on a flexible time table, build their charitable legacy, and increase philanthropic funds for future grantmaking. Here is how it works for your clients

- **Establish the Fund:** Contribute a wide range of assets
- **Enjoy** immediate and maximum tax benefits.
- **Invest the Assets:** Your clients trust you to manage their charitable assets on your investment platform.
- **Recommend Grants:** By using this simple tool Donors can recommend grants on a flexible timetable.
- **Leave a Legacy:** Donors can use this tool to teach and pass on family values and to prepare their heirs, and to become successful, responsible and caring adults.

Donor Benefits

The program provides numerous benefits for the donor:

- **Tax wise:** Your clients enjoy the maximum income tax deduction, avoid capital gains and estate taxes, assets grow tax-free.
- **Simple and fast:** Simple and fast solution that enables your clients to manage their charitable giving, similar to a private foundation (with significant advantages).
- **Efficient:** iGiftFund handles oversight and administration including, gift acceptance, grant processing, recordkeeping, compliance and tax reporting.
- **Private:** Your clients decide whether to keep their charitable giving private or allow it to be acknowledged.
- **Flexible:** Another advantage that distinguishes ***iGiftFund's*** DAF program is the type of assets we can accept. We are not in the business of quickly turning the assets your client contributes into some proprietary mutual fund. This means we can accept and hold gifts of closely held stock, real estate, life insurance policies, and other assets that other DAF programs will not.

Identifying Client Opportunities

A Donor Advised Fund can be a solution for a client who:

- is experiencing an extraordinarily high income year.
- will be selling a highly appreciated asset in the near future (closely held stock, real estate).
- wants to support several charities through one substantial gift.
- wants maximum flexibility to change the charitable beneficiaries over time.
- wants to involve a spouse, children and grandchildren in charitable giving.
- makes cash gifts to numerous charities, but would benefit by giving appreciated assets.
- experiences fluctuating income but wants to maintain a steady level of giving.
- is concerned about the complexity of a private foundation and lack of privacy.
- wants to support a charity, but is not confident with the organization's investment management capability.
- wants to keep his or her charitable giving confidential.
- wishes to support a particular charity, but wants to ensure that the gift is used as he or she intended.

Your role

iGiftFund allows you to keep your client relationship as trusted advisor and work in your usual way, (i.e. as a broker or in a managed account relationship).

Steps in Setting Up a Fund

Setting up a fund is easy:

- You assist your client in completing ***iGiftFund's*** Donor Advised Fund application.
- You send the completed application, and investment account paperwork to ***iGiftFund***.
- ***iGiftFund*** completes investment account paperwork and returns it to you.
- You establish the new investment account (registered as ***iGiftFund*** fbo Smith Family Charitable Fund).
- Client authorizes the transfer of assets to the new investment account.
- ***iGiftFund*** sends client a gift receipt letter and instructions for secure online access.

Why iGiftFund?

As pioneer of the national donor advised funds, ***iGiftFund*** offers a level of personalization, a depth of experience and a standard of cost effectiveness that cannot be found elsewhere.

Fees

Administrative Fee

- ***iGiftFund's*** tiered administrative fee schedule is the most competitive in the marketplace. It is charged directly to the client's DAF, starting at 45 basis points of the first $500,000, lower on larger funds.

Investment Management Fee

- The client's DAF is charged with the investment management expense associated with your role as investment manager.

For additional information, call or email Phil Tobin at 1-800-810-0366 or philtobin@iGiftFund.org

iGiftFund
stewards for donor advised funds

By Phil Tobin, Chairman/President iGiftFund

An early pioneer of donor advised funds, Philip T. Tobin is chairman and co-founder of the Hudson, Ohio-based iGiftFund, a national, independent sponsor of donor advised funds. Formerly CFO for the Cleveland Foundation and co-founder of the American Endowment Foundation (AEF), Phil is now dedicated to creating unique experiences for donors and financial advisors at iGiftFund. Learn more at www.iGiftFund.org or by calling: 1-800 810-0366

What Are Donor Advised Funds?

Donor advised funds (DAFs) are a simple, affordable and flexible charitable giving tool within the reach of many Americans. Yet financial advisors often avoid discussing them because they don't have the information they need.

This article removes the mystery of DAFs, describing how they are set up, their advantages and disadvantages to clients, and ways to find a sponsoring organization. We'll also provide questions you can use to ask a sponsor. Costs, tax implications and family considerations surrounding DAFs are also included, as is a comparison of DAFs to private foundations.

Americans are currently experiencing the greatest transfer of wealth in history. The statistics paint the picture: An **estimated $59 trillion** will pass from an aging generation to younger generations by 2061, including $21 trillion destined for charities. At the peak, between 2030 and 2045, 10 percent of the total wealth in this country is expected to **change hands every 5 years.**

This **massive transfer of wealth between generations** presents significant challenges for many of your clients who now own these assets, for their heirs and for the charities who will be beneficiaries of this wealth. And in the face of this transfer there is evidence that many financial advisors are not fully prepared to successfully navigate this intergenerational movement. National investment studies conclude that, in over 90 percent of wealth transfers, the financial advisor of the client loses out to the financial advisor of the heirs.

The Three Generations Cycle

"Shirtsleeves to shirtsleeves in three generations" is a common saying in our business that refers to the common familial wealth cycle: The first generation builds wealth, the second generation spends the wealth, and the third generation has to start over again. This theme is expressed the world over. In Japan they say "Rice paddies to rice paddies in three generations." The Scottish say "The father buys, the son builds, the grandchild sells, and his son begs." And the Chinese simply state, "Wealth never survives three generations." The first generation comes from a life of hardship and is determined to make a better life for themselves and their families. They're willing to work hard and make sacrifices in order to reach this goal. In later years, their efforts pay off; they're able to enjoy a more comfortable lifestyle, often with assets to pass on.

Their children, the second generation, grow up a witness to their parents' toil and struggle. They understand the importance of hard work. Although they now live a more comfortable lifestyle, they may still remember a childhood filled with frugality. Because of this awareness, they typically make sound financial and educational choices that help them build upon the foundation their parents worked so hard to create. Nevertheless, by their later years, the second generation is lucky to have not spent the wealth.

The third generation, however, has no memory of want or struggle. They only know a life of plenty and are often unaware of the work that went into creating the lifestyle they now enjoy. Without this understanding, it's no surprise the third generation simply squanders the wealth their parents and grandparents worked so hard to build.

So how can you keep shirtsleeves to shirtsleeves from happening? How can you as a parent or grandparent make sure that the future generations will live even better lives than we did – fuller, happier, longer, and more meaningful? As you seek answers these questions, consider the role of philanthropy.

The Role of Philanthropy in Legacy Planning

Your clients, like most parents, have high hopes and dreams for their children and grandchildren. They to see them create loving relationships, achieve professional success, and make productive contributions to society. They want to see them grow up as caring, generous adults with deeply held philanthropic values.

Family philanthropy provides opportunities for family members of all ages to experience the joy of giving. It also allows them to understand the meaning of the family wealth. It is a powerful tool to help family members learn to work together and prepare before the wealth transition. Family philanthropy is a key component to helping families create a legacy that will survive more than three generations.

Charitable giving is an easy subject to avoid, especially given the complexities that can be involved. Before pushing the subject to the sidelines, your clients owe it to themselves and to your family to consider DAFs.

Retaining the trusted advisor relationship with your client while concurrently earning the loyalty of heirs is crucial to retaining the long-term, multigenerational relationship. This guide is intended to give you an overview of the benefits of donor advised funds (DAFs), and how this simple, tax smart, and meaningful tool can help you earn the loyalty and retain the trusted-advisor relationship with the next generation, adding long-term value to your practice.

Charitable giving is an easy subject to avoid when advising clients, especially given the complexities that can be involved. Before pushing the subject to the sidelines, you owe it to yourself—and your practice—to consider DAFs. These funds are within the reach of many charitable-minded Americans.

DAFs are the fastest growing form of planned giving in America, outnumbering private foundations nearly three to one. As evidence of their increasing popularity, consider these statistics, according to NPT's 2018 DAF Report:

- DAF assets jumped from $87 billion to $110 billion in 2017, an increase of 27% over the previous year.
- Contributions to donor advised funds increased in 2017 to $29 billion, an increase of 17% over the previous year.
- The compound annual growth rate for contributions from 2012 through 2016 was 16% per year.

How a DAF works

A DAF is simple: Your client contributes cash or a wide range of other liquid or illiquid assets to a public charity that sponsors donor advised funds. This public charity is called a sponsoring organization. Minimum contributions vary by sponsoring organization but can be as small as $5,000. Your client receives several tax benefits from making the contribution, including:

- An immediate and maximum income tax deduction
- Avoiding capital gains taxes if the gift is appreciated long-term property
- Avoiding estate tax, assets invested can grow tax-free, and reduced AMT, if applicable

Your client retains the privilege of advising the sponsoring charity on important matters affecting the fund, including investment management, grantmaking, and appointing the person responsible for taking over as successor. The sponsoring organization does all the legal, philanthropic, and accounting work. This allows your client to focus his or her energy on grantmaking functions, although even this activity can be delegated to others, if your client so desires.

Typically, your client recommends which charitable organization will receive grants, when such grants will be distributed, and the amounts. However, the sponsoring organization has the final approval on the grants because certain guidelines must be followed, such as making sure that the contributions go to qualified nonprofit organizations. Although some sponsors are more restrictive than others, there are 1.5 million nonprofit organizations registered in the country, so finding a qualified charity is seldom an issue for donors.

Investment choices vary among sponsoring organizations. One independent sponsor, iGiftFund for example, allows the client's financial advisor to manage DAF assets in an open architecture as a brokerage relationship or a managed account capacity. Other sponsors require the client to select from the investments offered through the sponsoring organization's program and investment platform. At the opposite end of the spectrum, some sponsoring organizations may give donors no choice with regard to investment platform or investment strategy.

Endowment vs. Non-endowment Funds

Two approaches can be used when granting money to DAFs: endowment or non-endowment. In most cases, it is up to your client to decide how they will grant the money, although some community foundations require donors to choose one or the other.

- **Endowment.** The distinguishing characteristic of an endowment is planned longevity of the fund. Your client contributes assets to a DAF and a pre-selected charity or charities to support. As investment manager, you would invest assets in an endowment manner to generate a reasonable, real, long-term rate of return, five percent for example. Grants are distributed in accordance with pre-determined spending policies, with any additional earnings or losses credited to the fund. The goal is for the fund to continue in perpetuity, matching predictable income and grants each year. This appeals to many donors because it creates an endowed family legacy for charitable giving and enables giving to a cause the family holds dear for years into the future.
- **Non-endowment.** Your client contributes assets to a DAF and grants to the charities as much or as little as he or she wants each year. There is no five percent minimum distribution requirement. The fund can last for a short or a long time, and your client can support several favorite organizations and causes or focus on one.

Who Sponsors Donor Advised Funds?

There are a number of potential sponsors of DAFs.

- **Local community foundations.** Early pioneers in DAFs, community foundations are established in over 750 cities in the country for the express purpose of providing local residents with a structure that makes it easy to give to community organizations and causes. There are 70,000 DAFs with charitable assets totaling $30 billion in community foundations across the country. Certain grantmaking support services may be provided to your client by the foundation, such as providing information about the changing charitable needs of the community and current work in areas of client interest. Therefore, local community foundations can be an excellent place to start investigating whether there is a good match between the client and a donor advised fund.

- **Commercial sponsors.** Many mutual fund companies and brokerage firms have DAFs. Four of these commercial DAF sponsors are included on the Chronicle of Philanthropy's list of the ten top grantmaking charities in the country:

Sponsor	Ranking	New DAF Contributions $ in billions
Fidelity	#1	$ 6.8
Schwab	#3	3.1
Vanguard	#6	1.5

- **Single issue charities.** The predominant categories include religious, educational, international aid, and micro lending charities. This group includes 55,000 DAFs with charitable assets of $13 billion, serving large communities through many programs or supporting a single-neighborhood through targeted programs.

- **Independent sponsors.** There are only few sponsors in this category. Because of their independence, broadly defined or narrow, these sponsors do not typically mange investments, sell financial products or services. They tend to be more flexible and allow more choice in the types of assets accepted and held, investment management, grants, donor personalization and next-generation succession. iGiftFund is included in this category of sponsors.

Important Questions

It is important to keep in mind that not all sponsoring organizations operate in the same way. Here are some questions to ask:

- *What assets will the sponsor accept and hold in addition to cash and marketable securities?* At iGiftFund, we accept closely held securities (C-Corp, S-Corp), limited liability arrangements, real estate, artwork, life insurance policies, and more.

- *What investment flexibility does the financial advisor maintain?* At iGiftFund, financial advisors can manage investments at all levels in an open architecture with the broadest choice of independent products.

- *What is the minimum value required to set up fund?*

- *What fees apply for administration, investment management, and account maintenance?*

- *What fees apply for administration, investment management, and account maintenance?*

- *What services do they offer?* For example:
  - A friendly donor interface?
  - Personalized donor support versus a call center?
  - Letterhead stationery with fund name?
  - Access to professional philanthropic counselors?
  - Personalized grantmaking services?
  - Recognition options ranging from anonymous to full recognition?
  - Ability to succeed over multiple generations?
  - Independent statement of account status?

Advantages of DAFs

As you and your client explore whether a donor advised fund might be appropriate, consider both the advantages and disadvantages.

Let's begin with the advantages:

- **Easy set up.** There are no complicated legal documents. A short, four-to-six-page, fill-in-the-blank form is typically all that is necessary to create a fund.

- **Cost efficiency.** Administrative Fees vary by sponsor. Usually, the sponsoring organization charges the fund a tiered administration fee. iGifFund Administrative fees are the lowest in the industry starting at 45 basis points (.0045 of assets), decreasing 7.5 basis points (.0007.5 of assets on larger amounts. Investment management fees are extra depending on the investment program of the financial advisor.

- **Simplicity**. Charitable giving can be complex, but with DAFs, your client has just a few decisions to make. These include which assets to contribute, overall investment management, grantmaking, and successor appointment.

- **Tax benefits**:
    - An immediate and maximum income tax deduction subject to annual AGI limits on the type of assets contributed with five-year carryover.
    - No capital gains tax on appreciated long-term assets contributed.
    - No estate tax on DAF funds.
    - Assets in the DAF grow tax-free.
    - If your client is subject to AMT, contributions to the DAF will reduce AMT liability.
    - No excise taxes on investment income.
    - Favorable tax strategies on contributions of S corporation securities.
    - iGiftFund offers alternative gifting strategies may reduce taxes on IRA Required Minimum Distributions (RMD).

- **Flexibility**. With a DAF, the tax deduction decision is separate from the grantmaking decision. There is no minimum annual grant distribution requirement as is true for private foundations. The donor can make grants on their own convenient timetable.

- **Grant making support**. Some community foundations supply information on the activities of various charities and how to choose charities for grants. iGiftFund.

- **Donor recognition.** Some sponsors provide letterhead stationery.

- **Visibility choice**. With DAFs, clients can give anonymously or with full recognition.

- **Legacy of family philanthropy**. A DAF that is set up and managed as an endowment will continue grantmaking in perpetuity.

- **Educational benefits**. DAFs that involve both parents and children in grantmaking can be a rich training ground to pass on family values and establish a tradition of family philanthropy.

- **An easy decision-making structure.** The donor is involved in all decision making, unlike a private foundation whose board must be consulted, which can be a time-consuming process.

- **An alternative to a bequest**. A straight bequest to a donor's favorite charity is always an option, but a DAF offers the possibility of an ongoing legacy.

- **The ability to receive donations from private foundations.** Private foundations must distribute five percent of assets yearly and, if they have not decided on a specific charity, they could give the five percent to a DAF for later decision making.

DAFs work well in conjunction with other charitable giving strategies, such as charitable remainder trusts, charitable lead trusts, private foundations, bequests, and insurance policies. In addition, private foundations can set up a complementary DAF, thus giving the donor choice of which strategy works best. The private foundation that wants to terminate can roll its assets into any DAF.

Disadvantages of Donor Advised Funds

When considering DAFs, there also exist some potential disadvantages:

- **Lack of absolute control**. Unlike a private foundation where the donor has absolute control, the donor's role in a DAF is advisory; the sponsor has final authority. However, depending on the flexibility of the DAF sponsor, the donor is likely to realize most of the benefits of the private foundation without the cost, taxes, lack of privacy, and compliance hassles of a private foundation.

- **Lack of investment choice.** Some sponsoring organizations limit investment choice and the ability of the FA to participate. However, this is the not the case with iGiftFund.

- **Lack of flexibility**. Some donors like to support a wide range of charitable organizations or causes. Some DAFs have program limits or geographical restrictions. Again, this is not the case with iGiftFund.

- **Limitations**. Some sponsor limit succession to the life of the donor and spouse or down one generation. Others, like iGiftFund, offer unlimited succession.

- **No income**. DAFs are not a technique to be used if your client wants income from contributed assets.

- **No staffing**. DAFs lack the ability to hire staff, as is possible with a private foundation.

- **DAFs can only support qualified charities**.

DAFs vs. Private Foundations

Although private foundations have long been considered the gold standard of family philanthropy, DAFs offer some distinct advantages to both small and large donors. Primarily,

DAFs are simple to start and run, and have grant-making as their main focus. Private foundations allow your client to have more control and visibility, but more work and cost are involved.

Donors should weigh the following factors when choosing between a private foundation and a DAF:

- **Size of initial contribution**. Opinions vary, but most experts agree that private foundations don't make economic sense for less than $ 5 million. A donor can set up a DAF with as little as $5,000.

- **Administration fees**. Fees for a private foundation can range up to three and a half percent, whereas administration fees on DAFs range from 60 basis points to 80 basis points or more. iGiftFund's administrative fees are the lowest in the industry starting at 45 basis points.

- **Desire for control.** A wealthy donor, particularly an entrepreneurial one, often likes the control that a private foundation offers. In addition, there may be opportunities for family members to work in the foundation and be paid by the foundation. Expenses for family meetings to do the foundation governance and grant making can be covered. Attorneys, CPAs, and investment brokers all can be handpicked. A key question, however, is how will the foundation run after the initial donor is gone?

- **Visibility**. All private foundations are public record. In contrast, DAFs are totally private.

- **Tolerance for complexity.** If a family cannot deal with the tax, legal, compliance, and financial matters required of a private foundation, a DAF makes more sense.

- **Functionality of the family.** How well does the family function in terms of its decision-making capabilities? If the family is not strong in this area, grant making may be all the family can handle and a DAF may make more sense than a private foundation.

Note: See below for a cost comparison chart.

Who is a DAF right for?

A DAF can be a solution for a client who…

- is experiencing an extraordinarily high income year.
- will be selling a highly appreciated asset in the near future (closely held stock, real estate,
- a business, or something else).
- wants to support several charities through one substantial gift.
- wants maximum flexibility to change the charitable beneficiaries over time.
- wants to involve a spouse, children or grandchildren in their charitable giving.
- currently makes cash gifts to numerous charities, but would benefit by giving appreciated
- assets instead.
- experiences fluctuating income, but who wants to maintain a steady level of
- charitable giving.
- is concerned about the complexity or lack of privacy of a private foundation.
- wants to support a charity but is not confident with the organization's investment
- management capability.
- wants to keep his or her charitable giving confidential.
- wishes to support a charity but wants to ensure that the gift is used as he or she intended.

Something Remarkable

Your clients don't go into philanthropy to build something ordinary. They are doing this to create something unique, something meaningful, something remarkable… and that intent can differ from client to client.

At iGiftFund, we aim to provide for a new kind of platform that supports the way people give in the 21st century. We created an independent platform through which client funds can be a personal expression of their individual and evolving needs—who they are they now, the values they hold, the family's mission to carry out those values, the legacy they want to leave for future generations, and how they want to make their world a better place.

The result is iGiftFund – Simple, Accessible, Affordable

These are our core beliefs:

- **Each donor is unique**. We focus on what your client wants their legacy to be and how we can work with you to help them get there.

- **Giving is personal.** We won't force or lobby your client to have anything in their fund that they don't want.

- **We always play well with others.** Closed ecosystems are limiting, divisive, and outdated.

- **Transparency is essential.** Our independence is your independence. Objective advice shouldn't come with proprietary investment products and unspoken agendas.

- **Your client's fund shouldn't become outdated**. It should evolve with them and their needs and desires.

- **Each donor has the right to true independence**. No matter where your client is on their journey of giving, and where they hope to be in the future, true independence serves your client and you as his or her trusted financial advisor. Simply put, with your help, your clients can create something remarkable.

- **We're here to help, and it's our pleasure to serve you.**

DAFs Versus Private Foundations – Comparison

Cost Comparison iGiftFund vs. Private Foundation	iGiftFund	Private Foundation
Minimum start-up donation:	$5,000	$5,000,000+
Startup time:	15 Minutes	Weeks or months
Startup costs:	None	Substantial
Admin Fees:	45 bps (0.45%) or less	Range from 2.5%-4%
Annual AGI deduction limits:*		
Cash:	60%	30%
Securities & property:	30%	20%
Valuation of gifts:	Fair market value	Fair market value for publicly traded stock cost basis for all other gifts
Annual minimum distribution:	None	5% of net asset value annually
Excise taxes:	None	1% to 2% of net inv. income
Privacy:	Confidential or recognition	No Privacy
Ongoing admin responsibilities:	Included	Ongoing administration, legal, state and federal filings
Fun:	Fun!	Not fun

** Five-year carry forward available.*

Note: In contrast, private foundations offer no privacy and no anonymity. Thanks to the internet, anyone with a computer can access information about any private foundation through services like Guidestar (www.guidestar.org).

Since all of the information is pulled from a foundation's 990-PF (sometimes, a scanned copy of the original 990-PF is available), anyone can see the asset balance, the directors, salaries, contact information, administrative fees paid, every grant that's made (including the amount and recipient organization's name), and investment management fees (holdings are sometimes included).