



# Your Charitable Checking Account

A Guide to Donor Advised Funds



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*The news shouts disaster—lives are impacted—people are hurting and in need. You want to respond, but how, with whom, and when? If you had a Charitable Checking Account in place, with pre-positioned resources for just this type of event, you could respond to the need with an immediate gift of cash!*

# What Is A Donor Advised Fund?

A *Donor Advised Fund (DAF)* is like having your own **charitable checking account**. You transfer cash, securities, real estate or other assets to a managing charity. Your gift is a completed transfer which qualifies for a current income tax charitable deduction. The charity receives the gift, subject to a Donor Advised Fund Agreement which allows you to advise where and when income and principal will be distributed among other qualified ministries.

## Benefits Of A Donor Advised Fund

- You can make a single gift that can benefit one or multiple ministries.
- You receive a current income tax charitable deduction when you fund your agreement—though specific grants maybe made in the future.
- You can give cash, securities, real estate, business interests, or other complex assets.
- Your gift can be invested to produce additional funds for ministry.

- You can choose how the assets are managed.
- You can make anonymous grants if you choose.
- Your giving is simplified with a single tax receipt.
- You can choose to involve family members in ministry grant decisions.
- A DAF can be a cost effective alternative to a private foundation.

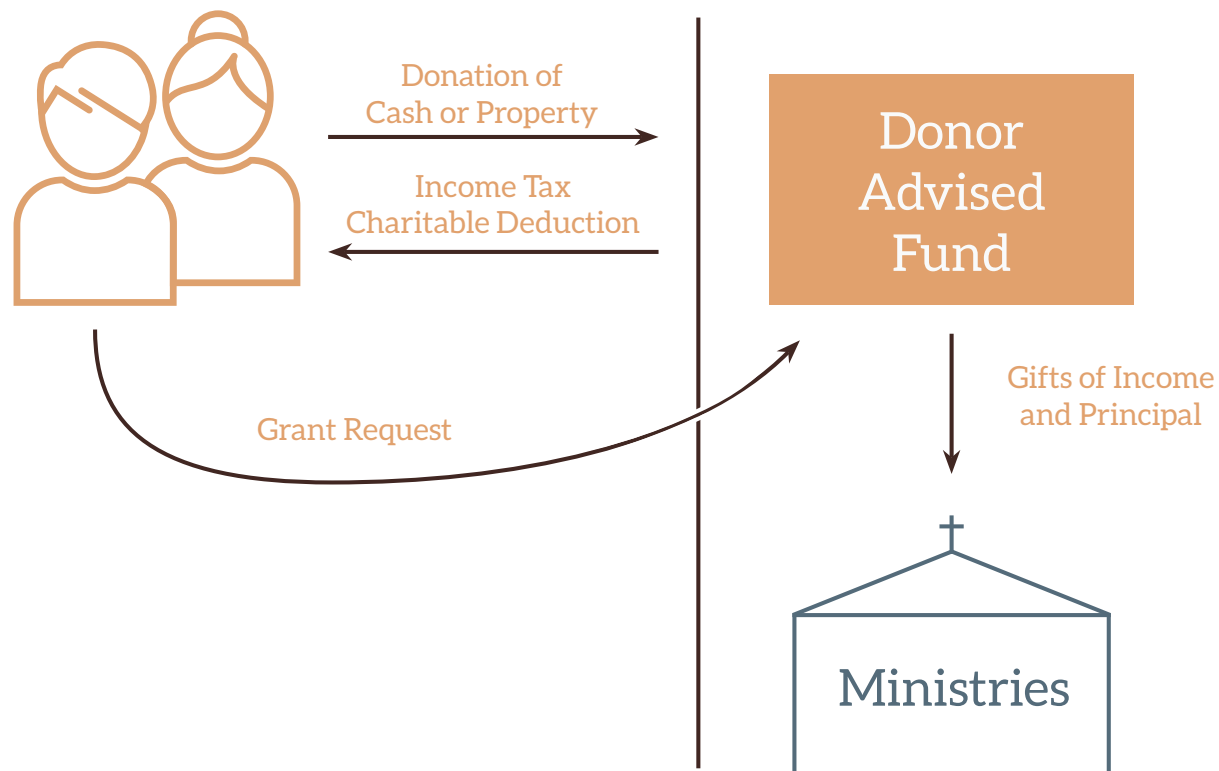
## How A Donor Advised Fund Works

1. A contribution of cash, securities, or other non-liquid assets is made to the DAF. Your contribution (typically converted to cash) is held and invested in a personally-named account.
2. You receive a current income tax charitable deduction for the legal value of your gift.
3. The charity managing the DAF tracks your individual balances, provides tax reporting for your contributions, invests the assets transferred, and credits gains to your DAF.

## What Is A Donor Advised Fund? (cont.)

4. You request grants to be made from your DAF to specific qualified ministries to support your charitable goals.

### How a Donor Advised Fund Works



# Funding A Donor Advised Fund

A DAF can be funded with cash, securities, real estate, business interests, or possibly other unique assets which you own.

When the DAF is funded with cash or marketable securities, you can make grants immediately. When your DAF is funded with an asset which must be liquidated, grants can be made once the asset is sold and funds are available.

You may request grants up to the net value of your DAF. Funds which are not immediately granted are typically invested to provide growth and future funds for you to grant.

# How To Establish A Donor Advised Fund

Opening a Donor Advised Fund is simple. You complete an application with another charitable manager. In your application, you can name your Fund to identify with you, your family, your business, or the charitable goals of your account.

You can also choose one or more advisers to your account who will be able to recommend grants during your lifetime. Many families find this is an ideal way to involve children and grandchildren in charitable giving—by sharing their generosity goals with future generations.

If you desire, your DAF can also be established to continue beyond your lifetime. It can receive assets from your estate and allow your family or other selected advisers to continue the generosity you have taught. An alternative is to name a qualified charity as beneficiary of your account, to receive any remaining assets of the account at the death of the original donors.

## Are You Ready To Explore The Possibilities?

If you would like to begin a more strategic plan of generosity—a Donor Advised Fund provides the opportunity. You can make contributions when most effective from a tax or financial planning perspective, and request grants to the unique missions and ministries you love on a separate timetable.

A Donor Advised Fund may change the way you give, but it will not change *why* you give. You will continue to express your generosity and stewardship goals through the grants you request and ministries you love and support.

Please contact us to learn more and to discuss the possible benefits of a DAF for your unique situation.



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# Frequently Asked Questions

## **Q: What can I contribute to a Donor Advised Fund?**

A: A DAF can be funded with many assets, including cash, publicly traded securities, appreciated real estate, closely held stock, or business interests. Other unique assets, such as art, or collectibles, can be given but may require special handling.

## **Q: What charities can I choose to receive grants from my DAF?**

A: When you establish your DAF, your gift is to a qualified charity who is responsible to make certain that grants are made only to other charities qualified under section 501(c)3 of the IRS Code. In addition, your Fund Agreement may contain specific language as to the types of charities acceptable.

## **Q: Do I have to request grants be made at a specific time?**

A: Your DAF Agreement will clearly state any required minimum distributions in a given year. It will also outline your overall goals for your Fund. Most DAFs can make regular grants, or specific grants at your request.

## **Q: I have signed a pledge to the building fund at my church. Can I request a grant from my DAF to fulfill that pledge?**

A: Under current regulations, a DAF cannot grant funds to fulfill an existing written pledge to a charity. However, they can be used to fulfill a verbal commitment to make a gift.

## Frequently Asked Questions (cont.)

### **Q: Can my children recommend grants to ministries they love?**

A: Many families use the DAF to share lessons in generosity with children and grandchildren. As the donor, you can authorize future generations to be involved in the granting process as a way to teach your stewardship principles.

### **Q: I have real estate I want to use to make gifts to my church, my alma mater and missions. Can I gift the property to my DAF and request grants to each charity?**

A: The DAF is an ideal vehicle to make multiple grants from a single asset. In addition, if the property has appreciated in value there will be no capital gains tax implications when you gift the property to your DAF. Your charitable deduction will be for the full legal value of the property. It is important to note that grants cannot be made from the DAF until there are net proceeds in the account.

### **Q: I am over 70 1/2 and wish to make a charitable gift from my IRA account. Can the transfer be made to my DAF?**

A: Under current tax law, a qualified charitable distribution from an IRA cannot be made to a DAF. It must be made directly to a qualified charity with no restrictions.

### **Q: Is there a minimum gift amount required to open a DAF?**

A: Each managing charity determines this minimum (if any) as well as any administrative costs charged to the DAF.

### **Q: If I have property that is more valuable than the amount I want to place in my DAF, are there split-interest options?**

A: Yes. Most managing charities can assist with the sale of appreciated assets when only a portion of the proceeds will be used to fund a DAF.