



## SOME GOOD REASONS TO CONVERT A PRIVATE FOUNDATION TO A DONOR ADVISED FUND

A private — or family — foundation can offer charitably minded individuals numerous advantages. But maintaining a foundation can be expensive and time consuming. If you're frustrated with the time, effort, and money necessary to operate your family foundation, you may want to consider making a change that increasing numbers of private foundation trustees are making: replacing your foundation with a donor advised fund.

### *An Effective Alternative*

The Adirondack Trust Company Community Fund (The Community Fund) was established to serve as a perpetual source of philanthropic support for local charities. An independent 501(c)(3) charitable organization, The Community Fund is one of the few in our area that is qualified by the IRS to offer donor advised funds.

A donor advised fund with The Community Fund offers you an effective alternative to your existing private foundation for several reasons.

**Flexibility.** Like a private foundation, your donor advised fund can be set up to reflect your family name and values. And similar to your private foundation, you choose how you would like the assets in your donor advised fund to be distributed by advising the sponsoring organization as to the charities or charitable purposes you'd like to benefit. While The Community Fund makes every effort to honor your requests, The Community Fund is required to retain the right to make the ultimate distribution decisions.

**Simplified Administration.** The Community Fund will handle the paperwork and due diligence involved in distributing your contributions and managing your fund's investments. And you won't have the tax-reporting requirements that apply to a private foundation.

**Lower Administrative Costs.** Simplified administration also means lower administrative costs. You don't have to hire your own staff to run the fund. Nor do you have to shoulder the responsibility for managing that staff.

**Potentially Lower Investment Management Costs.** A small family foundation with a modest amount of assets under management may have to pay relatively high investment management fees. Donor advised funds can benefit from the economy of scale of being part of the sponsoring organization's bigger pool of funds.

**No Excise Tax on Investments.** Investment gains in a donor advised fund are generally tax free, whereas private foundations typically pay a 2% federal excise tax annually on net investment income.\*

**No Payout Requirements.** Certain private foundations also must distribute at least 5% of their assets for charitable purposes and administrative expenses each year, which may put the future of the foundation in jeopardy if financial markets decline several years in a row. A donor advised fund may not have the same requirements to make annual distributions.

**Greater Privacy.** A donor advised fund allows you more privacy in your charitable gift giving. A private foundation's tax forms are public records. These forms contain information about a foundation's operation and some personal information, such as the trustees' names, grants made, names of major donors, investment fees, and staff salaries — information you may prefer not be made available to all. In contrast, you can keep your contributions to a donor advised fund confidential, if you choose, and grants can be made anonymously.

**Expert Advice and Support.** In addition to providing the required administration and investment management for your donor advised fund, The Community Fund can help you establish goals and strategies, and will serve as a liaison with charities.

Before making a decision about converting your private foundation to a donor advised fund, you'll want to consult with your tax and legal advisors.

**Please contact Jack Barry at 518-584-5844 (x) 2311 to learn more about the Adirondack Trust Company Donor Advised Funds and General Fund. Or email us at [mail@atccf.org](mailto:mail@atccf.org) or visit [www.atccf.org](http://www.atccf.org).**

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