



Rancho Santa Fe
FOUNDATION
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Family Foundations Can Shift Assets to A Donor Advised Fund

According to the New York Community Trust, in an article in the Wall Street Journal of April 22, 2009, there are approximately 64,000 private foundations in the U.S. Of those, 37,000 or so are family foundations, 605 of which have assets of less than \$1 million. Since the economic downturn of the last 18 months, these small foundations have lost 28% on average, and now find themselves with high expenses, and diminished grantmaking capacity.

Donor Advised funds (DAF) have proven to be a very viable and cost effective alternative to a private or family foundation. The number of donor advised funds has more than tripled in the United States since 2000, representing assets of \$27.7 billion in 2007.

Foundations are required by law to make annual distributions of 5% of their assets, regardless of their investment portfolio. Donor advised funds have no such requirement, although data shows that a typical donor advised fund makes grants in excess of 15%-20% annually. In addition, there are definite tax advantages to creating a donor advised fund; donations to a DAF are deductible up to 50% of AGI for cash and up to 30% for contributions of appreciated securities. Donations to a private foundation are less (30% for cash and 20% for appreciated securities).

Our experience has shown that in addition to the above facts, that donors to a DAF are most appreciative of the low costs associated with their relationship with the Rancho Santa Fe Foundation. In addition to managing the investment of the fund, most recommendations for distributions from a DAF are accomplished the same day and we take care of getting all acknowledgements of grants from the grantees. All back office work is done by our capable staff for a modest, and market competitive administrative fee. Each fund receives a quarterly Fund Status Report.

One of the most costly and burdensome tasks of a foundation is to prepare and file the annual tax returns. With a donor advised fund at RSFF, your DAF does not have to file a separate return – your fund activity is included in that of the Rancho Santa Fe Foundation.

And finally, if you are simply making your charitable donations out of your checkbook, when it comes to tax time, you must gather all of your receipts and itemize your deductions. For many, this is a very laborious task, with high potential for error or omission. With a donor advised fund, you can make one annual contribution, with one itemized deduction associated with that, and make many charitable grants from your fund, with no extra work on your part.

So, whether you have a private foundation that is not providing you with the cost efficiencies it once did, or you are looking for a more streamlined vehicle for your charitable giving, a donor advised fund at the Rancho Santa Fe Foundation may be a very good solution.

Please contact Christy Wilson, Executive Director, at 858-756-6557 or info@rsffoundation.org to request a complimentary brochure about the comparative advantages of donor advised funds.