

# Comparing the Options: Donor Advised Fund versus Private Foundation

While creating a private foundation may have its appeal, the benefits of a **Donor Advised Fund** with the First Community Foundation Partnership of Pennsylvania often outweigh the costs and limitations usually associated with creating a private foundation. A **Donor Advised Fund** allows you to concentrate on the mission of your fund, without the burden of daily administrative tasks.

	<u>PRIVATE FOUNDATION</u>	I	<u>DONOR ADVISED FUND</u>
<i>Start-up Costs &amp; Administration</i>	Legal, accounting, tax reporting, and administrative costs can be substantial.		Tax exempt status and incorporation automatically covered by Foundation's status. Operating policies for funds are established. Services are provided at a nominal cost due to economies of scale.
<i>Income Tax Deduction</i>	<i>Cash gifts</i> -Up to 30% of donor's adjusted gross income (AGI). <i>Appreciated Assets</i> -Up to 20% of donor's AGI.		<i>Cash Gifts</i> -Up to 50% of donor's adjusted gross income (AGI). <i>Appreciated Assets</i> -Up to 30% of donor's AGI.
<i>Estate Tax Deduction</i>	100% of gift.		100% of gift.
<i>Excise Taxes</i>	Usually 2% of the Foundation's annual income.		No excise tax liability.
<i>Required Distribution</i>	5% of the Foundation's assets annually.		No required payout—may accumulate income for special projects.
<i>Reporting Requirements</i>	Trustees must perform, contract, or hire staff for these services.		Foundation staff handles all accounting, tax, and audit requirements and maintains records.
<i>Awarding Grants</i>	Trustees must perform, contract, or hire staff for these services.		Foundation staff coordinates grant committee meetings, provides due diligence, and writes checks.
<i>Investment Management</i>	Trustees must perform, contract, or hire staff for these services.		Foundation's investment consultant provides oversight of investment managers, and ensures performance standards are met.