



Minnesota Jewish Community Foundation Donor-Advised Fund v. Private Foundation

Having a donor-advised fund (DAF) at the Minnesota Jewish Community Foundation (MN JCF) will simplify your giving by relieving you of the paperwork, research, administration, and staff costs involved in managing a private foundation. MN JCF staff have broad expertise in charitable giving practices and are able to strategically guide you in meeting your philanthropic objectives.

MN JCF’s professional staff can advise fund holders in creating meaningful, personalized and customized philanthropic strategies, assist in family conversation around their giving, and assists in developing creative solutions to magnify the impact of your giving. If desired, we can partner with your professional advisors to help you reach your tax and estate planning objectives. MN JCF provides the highest level of customer service and many other services to our fund holders.

To assist you in choosing the right charitable vehicle based on your priorities, the table below provides a comparison of opening a MN JCF DAF versus a private foundation¹:

	MN JCF DAF	Private Foundation
Background	Permits fund holders to make charitable contributions, receive an immediate tax benefit, and recommend grants, all through a Jewish lens – however you define it.	Usually created and funded by an individual, a family or a group of individuals.
Origin of Tax-Exempt Status	Fund account of the MN JCF	Distinct legal entity (either trust of corporation) organized under state law and recognized as tax-exempt by the Internal Revenue Service (IRS).
Start-Up Costs	None	Significant legal and accounting fees
Ongoing Annual Costs	<p>Cost is the annual administrative fee that goes to the sponsoring public charity to provide the administration, filings, grant making, investment management, etc. This cost is generally much lower than a private foundation.</p> <p>100% this fee goes directly back into the Jewish community by supporting the work of a local Jewish organization, MN JCF.</p> <p>This is like a donation that goes to another Jewish non-profit; it supports a local Jewish organization and stays within the community, which allows you to maximize your charity; a double <i>mitzvah</i>!</p>	<p>Likely to be much more significant and expensive than a DAF.</p> <p>Administrative costs can range from 1% to 20% a year.²</p> <p>Costs include, but are not limited to: organizational costs, professional fees, ongoing management expenses and fees for legal and accounting advice and assistance, oversight of the initial set-up and phase, conducting the day-to-day activities (including grant-making), furniture, rent, utilities, and preparation and filing of tax forms and other required documents.</p>

¹ While we strive to maintain the most current information, this information is subject to change.

² Council on Foundations 2006 study on median private Foundation administrative expenses as a percent of assets. (<https://philanthropy.org/sites/default/files/resources/A%2520Closer%2520Look%2520at%2520Foundation%2520Administrative%2520Expenses.pdf>) (2007 Forum of Regional Associations of Grantmakers)

	MN JCF DAF	Private Foundation
Tax Deductions	<p>Larger and more immediate financial benefit.</p> <p>A charitable donation is available immediately – even if some of the distribution of the money to grantees, projects, or activities is delayed until later years.</p> <p>Overall deductions for donations to DAFs are generally limited to 50% of your adjusted gross income (AGI).</p> <p>For certain types of gifts, the limit increases to the following:</p> <ul style="list-style-type: none"> • 60% AGI for cash • 30% AGI for appreciated stock/property <p>The IRS permits a carryover for five tax years, should your charitable deduction exceed AGI limits in a given tax year.</p>	<p>Lower AGI limitation on charitable deduction:</p> <ul style="list-style-type: none"> • 30% cash • 20% appreciated property
Donor Control of Distributions	<p>Fund holders have advisory authority (aka, the right to <i>recommend</i> grants) – but not legally binding control over the charitable contributions.</p>	<p>Donor retains maximum control of board, investments and grantmaking, but limited by private foundation rules.</p>
Grantmaking	<p>MN JCF’s professional staff provides as much or as little advice as desired by fund holders or fund advisors.</p> <p>Permitted to IRS-qualified public charities based in the U.S.</p>	<p>Must create and support own grantmaking and monitoring structure.</p> <p>Permitted to IRS-approved, U.S.-based public charities, individuals, and international nongovernmental organizations if approved in advance by the IRS.</p>
Excise Taxes	<p>None</p>	<p>1% to 2% of investment income</p>
Minimum Annual Distribution	<p>No requirement</p> <p>Fund holders may generally take their time deciding when, where, and how much to give.</p> <p>MN JCF Administration Policy Statement says should be granting at minimum every two years, with some exceptions.</p>	<p>Must distribute at least 5% of their assets each calendar year.</p>
Privacy	<p>Grantmaking can be completely anonymous and names of fund holders and/or DAF can be kept confidential from the public, if desired. Alternately, fund holder’s name(s) can feature prominently in fund’s name and grantmaking if donor wishes.</p> <p>Additionally, aggregate reporting does not identify individual fund holders or fund providing complete anonymity.</p>	<p>Tax returns must specify the foundation’s income, grants, Board names and staff salaries reported to the public annually, with donor’s name.</p>

	MN JCF DAF	Private Foundation
Investment Flexibility	Fund holders choose among investment strategies offered by MN JCF. Investments structured by MN JCF’s Investment Committee in consultation with Investment Consultant.	Must divest excess business holdings (closely held stock) within 5 years or pay excise tax. The foundation’s assets must also be managed responsibly.
Administration	Nothing is required of the fund holder. MN JCF does the heavy lifting on all of the administration of each fund and the overall MN JCF, including but not limited to, reporting, accounting, filing tax returns, grant administration, etc.	Significant legal and accounting fees every year; filing fees and annual tax return are required. Must hire staff or outsource to conduct administration of foundation, including but not limited to, accounting, preparation and filing of federal and state annual tax returns, due diligence on grant recipients, and recordkeeping that documents the foundation’s compliance with various regulations (not to mention documentation for the expenses reported on the returns), cutting checks, opening the mail, answering the phones, setting up grantmaking meetings, etc. Usually consists of a team: an attorney, an accountant, a non-foundation employee (such as a family member, the administrator for a family business, or family office staff), and a great deal of donor’s own time to cover these functions. Is typically time-consuming and labor-intensive. It can also be expensive, cumbersome, and even potentially risky. Responsibilities can fall through the cracks, especially if they’re entrusted to people without the specialized knowledge it takes to keep a foundation running smoothly and in compliance.
	MN JCF DAF	Private Foundation
Start-Up Time	Can be set up quickly – sometimes as little as one day	Creation of the separate legal entity and securing government exemption (IRS approval) approvals can take months
Board of Directors	Not Required	Required
Continuity	Fund holders can name successor advisors for indefinite generations	Can continue to future for generations