

Comparing donor-advised funds and private foundations

Sometimes donors believe they must establish a private foundation to accomplish their philanthropic goals. Often, a donor-advised fund may be a more flexible and cost-effective option.

POINTS TO CONSIDER	DONOR-ADVISED FUND AT CONNECTICUT COMMUNITY FOUNDATION	PRIVATE FOUNDATION
Legal Identity	Component fund at Connecticut Community Foundation	Separate nonprofit entity
Tax Status	Public charity	Private foundation
Donor's Role	Donor recommends grants to nonprofits, subject to approval by the Foundation's board; donor may name a successor advisor	Private foundation's board controls investment, grantmaking, and administration
Privacy	Donor may remain anonymous	All information about assets, gifts and grants is public
Minimum Contribution	\$10,000	Typically millions of dollars
Annual Charitable Payout Requirement	None	At least 5% of assets
IRS Reporting	Handled by Connecticut Community Foundation	Annual IRS Form 990 and required schedules
Liability and Risk Insurance	Provided by Connecticut Community Foundation	Purchased by the foundation
Income Tax Deductions		
For Cash Gifts	Deductible up to 50% of adjusted gross income	Deductible up to 30% of adjusted gross income
For Appreciated Stock Gifts	Deductible at fair market value up to 30% of adjusted gross income	Deductible at fair market value up to 20% of adjusted gross income
For Real Estate and Closely Held Stock Gifts	Deductible at fair market value up to 30% of adjusted gross income	Deductible at cost basis up to 20% of adjusted gross income
Grantmaking and Administration		
Grantmaking	Connecticut Community Foundation helps donor identify and vet potential grantees	Foundation must establish and maintain grantmaking and monitoring procedures
Start-up Costs	None	May involve legal and accounting fees, insurance, staff and other expenses
Administration	Services provided by Connecticut Community Foundation	Accounting, investment and IRS filings handled by foundation
Service and Investment Fees	Moderate	Varies with size and complexity
Excise Taxes	None	Up to 2% annually