

Donor Advised Fund: Cost-effective Alternative to a Family Foundation

A Donor Advised fund at the Community Foundation is a cost effective way to achieve all of the advantages of a private family foundation without the hassle, the cost and on-going administrative work. Here are a few of the advantages of a Community Foundation (CF) Fund compared with a Private Family Foundation (PFF):

- Setup time is reduced to one day from 2 to 3 months.
- There is no cost to establish a fund with the Community Foundation. PFFs require thousands of dollars of legal and accounting fees.
- CF Funds have a low annual administrative fee typically ranging from 1.5 to 2% per year. PFFs require substantially more in annual legal, accounting and administrative fees.
- Tax advantages of a CF Fund are substantially greater than a PFF which are limited.
- PFFs are required to file annual federal tax forms. None are required for a CF Fund.
- Investment management is provided automatically with a CF Fund. PFFs must hire their own investment managers.
- PFFs are required to pay out at least 5% of their fund each year regardless of income. There are no such requirements for a CF Fund.
- Grantmaking services are included with all CF Funds. PFFs must do their own research and grant management activities.
- PFF income is subject to excise tax (1 to 2%). CF Funds are not.

For more information on the advantages of establishing a Fund at the San Juan Island Community Foundation call our Executive Director, Carrie Unpingco at (360) 378-1001.