

# Schwab Charitable™ Private Foundation Conversion Service

*Schwab Charitable can help you determine whether converting your private foundation to a donor-advised fund may be beneficial. We also provide guidance throughout the process, including assistance with the conversion itself.*

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## **Reduce expenses**

Administrative fees on a Charitable Gift Account are typically less than those of a private foundation. We can calculate the savings based on your foundation's current expenses. Also, Charitable Gift Accounts are not subject to excise taxes on investment income.

## **Reduce administrative burden**

Schwab Charitable handles all of the oversight, due diligence, record-keeping and reporting, so that you can focus on the more enjoyable aspects of your philanthropy.

## **Enjoy greater privacy with their grantmaking**

Unlike a private foundation, grantmaking activity is not publicly attributed to specific Charitable Gift Accounts or individuals on our annual return. In addition, you have the option of having your grantmaking be private or allowing it to be publicly acknowledged.

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## **What we do**

- Provide tools and objective advice to help you determine if converting your private foundation to a Charitable Gift Account is the best solution for your philanthropic needs.
  - Assist with the paperwork associated with the transfer in the state where the foundation is held.
  - Facilitate the transfer of funds to a Charitable Gift Account.
  - Work with you and your financial advisor on all issues associated with transitioning your private foundation to a Charitable Gift Account.
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## **Next Steps**

- Review the following table comparing the benefits of a Charitable Gift Account to a private foundation
- For more information about Schwab Charitable or our Private Foundation Conversion Service, contact a Donor Relations Specialist at **800-746-6216** or visit [www.schwabcharitable.org](http://www.schwabcharitable.org).

## Benefits Comparison: Charitable Gift Account vs. Private Foundation

Features	Private Foundation	Charitable Gift Account
Set-up costs	May be substantial	None
Asset minimums	Generally recommended only for \$20 million or more in charitable assets	\$5,000
Expenses	May be substantial <sup>1</sup>	Comparatively low <sup>2</sup>
Administrative work required	Required record-keeping, asset management, reviewing grant solicitations, tax filings	Managed by Schwab Charitable
Reporting	Required annual state and federal tax returns	None at the Account level
Excise taxes on investment income	Up to 2% of annual investment income	None
Annual distribution requirements	5% distribution required annually	None
Professional asset management options	Yes	Yes
Privacy	Public disclosure of contributions and grants in annual tax filings	Transactions can be private
Tax deduction limits for contributions <sup>3</sup>		
Cash	30% of Adjusted Gross Income (AGI)	50% of AGI
Securities <sup>4</sup>	20% of AGI	30% of AGI
Real Estate and other assets	20% of AGI, deductible at cost basis	30% of AGI, deductible at fair market value

<sup>1</sup>Typically requires hiring an attorney to set up the foundation, hiring staff (if needed) to review grant submissions, perform grant due diligence, and to issue checks to grantees, hiring an investment manager or paying investment management fees (OERS on mutual funds or trading fees), and also requires the preparation and submission of an annual tax filing for the foundation, typically performed by a paid Certified Public Accountant (CPA).

<sup>2</sup>The only expenses for a donor-advised fund are the administrative fees for the sponsoring organization (0.60% or less depending on account balance) and the investment management fees for the investments recommended by the donor.

<sup>3</sup>A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation. A tax advisor can provide information on specific situations. For more information on the charitable contribution deduction and its limits, see IRS Publication 526.

<sup>4</sup>If a donor contributes long-term appreciated assets (other than publicly-traded stock) to a private foundation, the deduction is limited to the donor's cost basis. A higher, fair market value deduction applies if the same asset is donated to a Charitable Gift Account.



SCHWAB CHARITABLE™

*Your Partner in Tax-Smart Philanthropy™*

*We recommend that you consult your legal and tax advisors for all issues associated with your foundation and its dissolution in the state in which it is incorporated.*

*Schwab Charitable is the name used for the combined programs and services of Schwab Charitable Fund, an independent nonprofit organization, and Schwab Charitable Trust Services, a limited liability company owned by Schwab Charitable Fund. The Fund has entered into service agreements with certain affiliates of The Charles Schwab Corporation.*