

This survey is designed to help you explore the options of using a non-operating private foundation* or a donor-advised fund account as charitable vehicles for your philanthropy. Keep in mind that in many situations, combining these options may be the most effective approach to meeting your charitable goals. Below are 10 objective questions about various aspects of your charitable giving, and some helpful information that you might want to consider for each. Please select the most appropriate response to each question.

This survey provides general information only. It is not designed to address all relevant considerations and does not represent legal or tax advice. Because individual circumstances vary, please consult your legal and tax advisors about your specific situation.

Administration & Compliance

Question (Choose One Response)

1. How would you describe your overall interest in managing the administrative and regulatory responsibilities of your philanthropy?

- 1 I can devote time to the administrative and regulatory responsibilities of my philanthropy, and feel that I have the expertise to do so.
- 3 Don't Know/No Opinion
- 5 I would rather not spend time on the administrative and regulatory responsibilities of my philanthropy, and/or may not have the specific expertise to do so.

Since charitable giving is rewarded and encouraged through tax benefits to the donor, the IRS has established specific requirements for charitable activities that must be followed carefully. These include recordkeeping, grant due diligence and annual reporting.

Private Foundations: Private foundations are subject to fairly complex rules and regulations which are outlined in IRS Publication 578. Many foundations hire paid staff, consultants, attorneys and/or accountants to help manage their foundations to ensure compliance with these IRS requirements. It is the responsibility of the board of directors of the foundation to comply. Risks of non-compliance include revocation of the foundation's tax-exempt status, fines and negative publicity.

Donor-Advised Funds: Individual donor-advised funds are not responsible for IRS filings or regulatory compliance. Instead, the donor-advised fund sponsor (such as Schwab Charitable) files an aggregated return and assumes administrative, recordkeeping and oversight responsibilities for its donor-advised fund accounts. For example, the donor-advised fund sponsor takes on the responsibility to evaluate charitable grant recipients against certain IRS and government agency databases to confirm they are in good standing.

Considerations:

* For the purposes of this survey, "private foundation" will reference non-operating private foundations only.

Privacy

Question (Choose One Response)

2. How important is it for you to have the option to keep all or some aspects of your charitable giving private?

- 1 I am not at all concerned about privacy, and like to be recognized for all of my giving.
- 2 I am not too concerned about privacy, and generally like to be recognized for my giving.
- 3 Don't Know/No Opinion
- 4 I have substantial concerns about privacy, and want the option to be recognized or to give anonymously.
- 5 Protecting my privacy is a critical element of my philanthropy, on which I am not willing to compromise.*

There are both benefits and consequences associated with the degree of privacy surrounding charitable giving. Some donors want their giving to be public because they feel that it may act as a catalyst for others' gifts and/or they enjoy the benefits to their personal and professional reputation. Others place a premium on their privacy. They may want to avoid conclusions drawn about their implied wealth, avoid being solicited for additional grants or have safety concerns for their families. They may also want to reduce speculation about their values or lifestyle based on the causes they support.

Private Foundations: Private foundations are required to complete an annual filing called a 990-PF. This contains comprehensive information about the foundation, including names of directors and officers, contributors and the amount of each contribution, revenue and expenditures of the foundation and a list of all grant recipients and amounts. Copies must be furnished to the attorney general in each state in which the private foundation is registered. The foundation must also make the 990-PF available to the public. This requirement is usually met automatically by on-line providers that publish all private foundation tax returns from the IRS, making private foundation filings accessible via the internet.

Donor-Advised Funds: Individual donor-advised funds do not file an annual IRS return. Instead, the donor-advised fund sponsor files an aggregated return. As such, the specific transactions and donor names associated with a donor-advised fund account may be kept private. Limited donor information is provided to the IRS for exceptionally large contributors only. Donors may also choose to be recognized or to give anonymously to charities for each grant they make.

Considerations:

* A donor-advised fund is likely the more appropriate charitable vehicle for you because it offers more privacy.

Control

Question (Choose One Response)

3. What level of legal control do you want over your philanthropy?

- 1 I am only comfortable if I have full legal control over all aspects of administration, investment management and grantmaking.*
- 3 Don't Know/No Opinion
- 5 I am comfortable giving up some legal control as long as I feel that my investment and grant recommendations will be followed, absent a legal or regulatory obstacle.

Relinquishing ownership of an asset to a charitable entity is the trigger event for claiming a charitable tax deduction. Control or donor influence beyond that point varies depending on the charitable vehicle chosen.

Private Foundations: The board of directors of a private foundation legally controls all administration, investment management and grantmaking activities. They can directly hire staff, charge appropriate expenses to the foundation and grant to a wide variety of causes. The donor(s) who establish the foundation may select the board of directors.

Donor-Advised Funds: With individual donor-advised funds, donors retain the right to recommend how the charitable assets are invested and granted to public charities of their choosing. Donors' recommendations are generally honored except for explicit regulatory or legal reasons. Typically these are limited to situations in which the recommended charity has lost its tax-exempt status or the grant would result in some personal benefit to the donor. This due diligence performed by the donor-advised fund sponsor is protective of the donor and ensures appropriate use of charitable assets.

Considerations:

* A private foundation is likely the more appropriate charitable vehicle for you because it offers more legal control.

Cost

Question (Choose One Response)

4. How concerned are you about the costs incurred in managing your philanthropy?

- 1 I am not at all concerned about the costs, and/or feel that they are immaterial relative to what I am able to grant to charity.
- 2 I am not too concerned about the costs, and/or feel that they are reasonable relative to what I am able to grant to charity.
- 3 Don't Know/No Opinion
- 4 I am somewhat concerned about the costs, and would like to reduce them to be able to grant more to charity.
- 5 I am very concerned about the costs, and would like to minimize expenses to be able to grant more to charity.

The costs associated with philanthropy can vary considerably, depending on the vehicle selected.

Private Foundations: Private foundations tend to be more expensive to establish and run than a donor-advised fund account:

- Start-up costs of generally \$10,000-\$25,000¹ to create the foundation (typically requires the services of a qualified attorney or accountant)
- Annual operating costs for most private foundations range from 4.87% of assets (for foundations with <\$1MM) to 0.28% of assets (for foundations with >\$10MM).¹ These costs include grant processing and administration, preparation of the annual 990-PF filing, legal and consulting costs and staff (if so desired).
- Excise taxes of 1-2% on net investment income
- Investment management fees vary depending on the foundation's investment choices and use of outside investment manager(s).

Donor-Advised Funds: Donor-advised funds are, in general, significantly less expensive than private foundations because of the aggregation of administration and the use of technology to improve efficiency:

- No start-up costs
- Annual administrative costs at most donor-advised funds range from 0.60% of assets (for accounts under \$500,000) to 0.19% or less of assets (for accounts over \$10MM).
- No excise taxes on net investment income
- As with private foundations, investment management fees vary depending on the types of investments and use of outside investment manager(s).

Considerations:



Questions (Choose One Response for Each)

5. Is it important to you to be able to make grants to individuals (i.e., for scholarships or research)?

- 1 Yes, and I want to be able to name individual grant recipients.*
- 4 Yes, but I am fine with supporting a general scholarship fund and not naming the individual recipients.
- 5 No.

6. Is it important to you to be able to make grants directly to charitable activities or organizations outside of the United States?

- 1 Yes, and I want to be able to support some international activities or organizations that may not be overseen by a U.S. charity or approved by the IRS.*
- 4 Yes, but I am happy to direct my giving through IRS-approved organizations doing work internationally.
- 5 No, I prefer to focus my giving domestically.

For most donors, the ability to select grant recipients is a critical part of their motivation to give. There are key differences in how grantmaking works for private foundations versus donor-advised funds.

Private Foundations: Private foundations offer the ability to make grants directly to U.S.-based public charities and other organizations. In addition, they may make grants directly to specific individuals for scholarships, research, missionary work and other charitable purposes. They may also make grants directly to support international organizations that do not have U.S. affiliates, as long as they take on the responsibility of expenditure oversight reporting.

Donor-Advised Funds: Donors can generally recommend grants to U.S.-based public charities, to international organizations that have U.S. affiliates, or to a domestic charity which will take on the responsibility of following the regulations regarding expenditure oversight reporting for the international charitable activity (generally for a fee). In some rare circumstances, the donor-advised fund sponsor may take on that responsibility. Grants from donor-advised fund accounts may not be made to individuals, but can be given to scholarship funds at schools, who can then name individual recipients.

Considerations:

* A private foundation is likely the more appropriate charitable vehicle for you because it can make grants directly to individuals (under IRS-approved procedures) and international charitable activities (with appropriate expenditure oversight reporting).

Family
Involvement &
Compensation

Questions (Choose One Response for Each)

7. Which of the following best describes your desired approach to involving your family in your philanthropy?

- 1 I would like my family to be involved in my philanthropy and would like to create an incentive for them to meet periodically to discuss family philanthropy, including covering reasonable expenses associated with these meetings from my charitable vehicle.
- 4 I would like family members to be involved, but do not want the obligation of board meetings and/or I do not want my charitable vehicle paying the expenses associated with such meetings.
- 3 I am unsure about whether to involve my family in my philanthropy.
- 5 I am not eager to involve family members and/or I'm worried that forcing interaction or agreement on grantmaking may create tension and be counter-productive.

8. How important is it to you to employ specific people (i.e., family members or others) as paid staff or paid board members through your charitable vehicle?

- 1 It is critical that I have the option of compensating members of my family as paid staff or paid board members.*
- 2 I would like to employ specific people as paid staff who are not members of my family.
- 3 I would like some extra help with some aspects of my giving, but do not necessarily want to employ specific people for that support.
- 5 It is not important for me to employ specific people as paid staff or board members.

The degree to which donors involve family members in their giving is an important consideration.

Private Foundations: Private foundations provide the ability to offer family members (as well as others) paid positions within the foundation or positions as board members. In addition, the expenses associated with meetings can be covered by the foundation. Compensation and expenses are subject to strict IRS guidelines. Donors may also choose to have their children continue their charitable legacy by building a succession plan into the foundation's governing documents.

Donor-Advised Funds: Donors and their family members may not receive compensation in connection with donor-advised funds, but they may involve family and friends in their philanthropy in other ways. Some donors designate family members or others as advisors on the account or name them as successors so that they may continue to recommend grants into the next generation. Others choose not to have family involved and instead recommend specific charitable beneficiaries to receive the full balance (or a portion) of the donor-advised fund account upon the donor's death. Some families meet to discuss the granting from their donor-advised fund account, but the expenses of such meetings are not paid by their account.

Considerations:

* A private foundation is likely the more appropriate charitable vehicle for you because it offers the ability to employ family members and specific individuals.

Deductibility
Limits

Questions (Choose One Response for Each)

9. Do you expect that in some years your deductible charitable contributions might exceed either 30% of your Adjusted Gross Income (AGI) for cash contributions or 20% of AGI for the contribution of securities?

- 1 No
- 3 Don't Know
- 5 Yes*

10. How important is it to you that the charitable deduction you receive for contributions of long-term capital gain assets (such as real estate or closely-held stock) be calculated based on current fair market value vs. original cost to purchase the asset?

- 1 This is not important to me, as I do not expect to contribute appreciated real estate or closely-held stock.
- 3 Don't Know
- 5 I do expect to contribute appreciated real estate or closely-held stock and it is important to have my charitable deduction calculated based on its current fair market value.*

Leveraging the tax deductibility of charitable contributions can be an effective way to maximize philanthropic impact. For some types of donated property, the deductibility rules are the same whether the property is donated to a private foundation or to a donor-advised fund. For example, a fair market value deduction generally is available for contributions of appreciated publicly-traded stock held for more than one year to either a private foundation or a donor-advised fund. In other areas, the deductibility rules differ:

Private Foundations:

- Contributions to private foundations are subject to an annual income tax deductibility limit of 30% of Adjusted Gross Income (AGI) for cash contributions and 20% of AGI for contributions of securities.
- For contributions of appreciated securities (other than publicly-traded stock) and real estate held for more than one year, the amount of the deduction generally is limited to the donor's cost basis.

Donor-Advised Funds:

- Contributions to donor-advised funds are subject to a higher annual income tax deductibility limit of 50% of AGI for cash contributions and 30% of AGI for contributions of securities.
- For contributions of appreciated securities or real estate held more than a year, the amount of the deduction is based on its current fair market value.

Considerations:

* If this is important, a donor-advised fund may be the more appropriate charitable vehicle for you because it may provide a higher charitable tax deduction.

Please consult with your tax advisors.

Scoring Your Responses

Your Score

Thank you for taking the time to complete the survey. We hope you found it to be a thought-provoking tool as you consider the benefits and limitations of each charitable vehicle. Based on your responses, your score is shown in the box to the left. Please see below for an explanation of your score and suggestions for next steps.

Note: if you chose to print/complete the survey manually, simply total the numbers below each response you selected to calculate your score.

Explanation of Scoring

If you scored between 10-20 points:

A private foundation may be the better charitable vehicle for you.

For additional information:

- Council on Foundations www.cof.org
- Tax Information for Private Foundations www.irs.gov/Charities-&-Non-Profits/Private-Foundations
- Foundation Center www.foundationcenter.org
- Association of Small Foundations www.smallfoundations.org

If you scored between 21-40 points:

Your score indicates that there are some aspects of private foundations & donor-advised funds you would find useful.

We suggest you prioritize the benefits and limitations of each charitable vehicle in order to guide your decision. We also recommend that you consult with your legal and tax advisors.

In some instances, a combination of vehicles may be the best solution for your philanthropy. A donor-advised fund can be a strategic complement to a private foundation, providing benefits such as anonymous grantmaking, higher tax deduction limits, and no administrative or reporting requirements. At Schwab Charitable, many of our donors use both charitable vehicles to fulfill their charitable mission.

If you scored between 41-50 points:

A donor-advised fund may be the better charitable vehicle for you.

Visit www.schwabcharitable.org to learn more about Schwab Charitable's Donor-Advised Fund Account and view our video: A Better Way to Give.

If you have an existing private foundation, we offer a Private Foundation Conversion Service that can assist you with the process for converting your private foundation to a donor-advised fund account.

If you have any questions about this survey, please call us at 800-746-6216 and we'll be happy to assist you.

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. Where specific advice is necessary or appropriate, Schwab Charitable recommends consultation with a qualified tax advisor or CPA.

Schwab Charitable is the name used for the combined programs and services of Schwab Charitable Fund, an independent nonprofit organization. Schwab Charitable Fund has entered into service agreements with certain affiliates of The Charles Schwab Corporation.