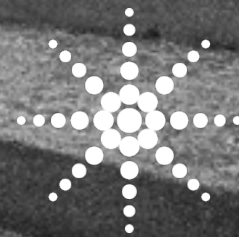


COMPARING OPTIONS FOR CHARITABLE GIVING

Central Indiana Community Foundation
February 11, 2022



CICF

CENTRAL INDIANA
COMMUNITY FOUNDATION
THE INDIANAPOLIS FOUNDATION
HAMILTON COUNTY
COMMUNITY FOUNDATION

WHO WE ARE



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WHAT WE DO

CICF is the umbrella organization for The Indianapolis Foundation and the Hamilton County Community Foundation.

Together, We Do Three Things:



OUR MISSION

To mobilize people, ideas, and investments to make this a community where all individuals have equitable opportunity to reach their full potential – no matter place, race, or identity.



ONE MISSION, TWO PLANS

THE INDIANAPOLIS FOUNDATION

- Family Stabilization
- Economic Mobility
- Criminal Justice Reform
- Neighborhood Empowerment & Placemaking
- Dismantling Systemic Racism

HAMILTON COUNTY COMMUNITY FOUNDATION

- Mental Health
- Family & Youth Empowerment
- Inclusive Economic Growth

THREE WAYS TO ENGAGE YOUR CHARITABLE ASSETS

1

Start Your Own Fund

Organize your charitable giving

Donor-advised Fund
Scholarship Fund
Future Fund

Effective Philanthropy and
Back-Office Services

2

Give Directly to CICF/HCCF

Equity Partners Fund supports
community leadership work

Projects to address the
initiatives in our strategic plans

Lilly GIFT Initiative: triple
your impact

3

Impact Investing

“Recycle” your charitable
giving

Your own IMPACT Account

You source deals or co-invest
with IMPACT Central Indiana



**DONOR-
ADVISED
FUNDS**

WHAT IS A DONOR-ADVISED FUND (“DAF”)?

Defined by the Pension Protection Act of 2006, which added IRC Section 4966(d)(2), and provides a three-pronged definition of a DAF:

1. A fund or account owned and controlled by a sponsoring organization (e.g., CICF);
2. Which is separately identified by reference to contributions of the donor or donors; and
3. Where the donor (or a person appointed or designated by the donor) has or reasonably expects to have advisory privileges over the distribution or investments of the assets.

“WHY SHOULD I START A DAF?”

- Streamline your giving and maximize tax benefits
- Be strategic and intentional in your philanthropy
- Expand your knowledge of the philanthropic community
- Eliminate all administrative hassles and recordkeeping
- Let CICF do all the work while you have all the fun

“But what about a private foundation?”

DAFS & PRIVATE FOUNDATIONS: START-UP

| | DAF at CICF | Private Foundation |
|--------------------|---|--|
| Legal Status | Component fund of CICF's public charity status | Private foundation tax-exempt status |
| Initial Investment | Any amount – CICF has no minimum balance requirement to establish a DAF | <i>At least</i> six figures, plus several thousand dollars for legal and accounting expenses and filing fees |
| Timeframe | A couple days | A few months |

CHARITABLE CONTRIBUTION

CICF can accept any number of assets to fund a DAF, including:

- Cash
- Publicly traded stock
- Real estate
- Privately held business interests
- Some personal property
- Other assets

DAFS & PRIVATE FOUNDATIONS: TAXES

| | DAF at CICF | Private Foundation |
|---|--|---|
| Cash | Up to 60% AGI | Up to 30% AGI |
| Publicly Traded Securities | Fair market value up to 30% AGI | Fair market value up to 20% AGI |
| Real Property and Closely Held-Securities | Fair market value up to 30% AGI | The lower of fair market value and cost basis up to 20% AGI |
| IRA Rollover | Not eligible <i>*But CICF has other flexible fund types that can easily accept a rollover</i> | Not eligible |

DONATE NOW, DECIDE LATER

- Make a charitable contribution to a DAF and receive the tax benefits now:
 - Charitable income tax deduction
 - For donation of appreciated assets (e.g., publicly traded or privately held stock, real estate, etc.), avoidance of capital gains tax
 - Bunching strategy
- There is no time period during which the funds must be granted out
- Choice of endowed or pass-through fund

DAFS & PRIVATE FOUNDATIONS: DONOR(S)

| | DAF at CICF | Private Foundation |
|--------------------|--|--|
| Board | Donor selects advisor(s) | Donor appoints board |
| Successors | Varies depending on fund balance | Unlimited generations |
| Services | Strategic charitable planning, family philanthropy meetings, site visits, youth philanthropy programs | Create or find own options |
| Self-Dealing Rules | Donors and their families cannot receive benefits from grants | Strict regulations prohibit most transactions between the foundation and its donors, including related persons or corporations |
| Visibility | Gifts and grants can be anonymous, or acknowledgement can be limited to fund name. Can be done on a grant-by-grant basis | Anonymity not an option as 990PF requires disclosure of board members' names, all grants made, and all contributors |

DAFS & PRIVATE FOUNDATIONS: GRANTS

| | DAF at CICF | Private Foundation |
|-----------------------------------|---|---|
| Minimum Annual Payout Requirement | None | Must pay out for charitable purposes a minimum of 5% of its average asset value regardless of annual income |
| Grant Control | Recommend grants to any US-based public charity; CICF board authorizes the grants to ensure compliance with IRS regulations | Make grants to US and international charities |
| Grants to Individuals | No, but donor can contribute to or set up a scholarship fund at CICF | Allowed in some circumstances with extra IRS approval and oversight |
| Grantmaking Services | CICF staff can research and monitor grantees, provide educational programs and site visits, and request reports | Use own research, proposal management, and grant monitoring services |
| Hire Own Staff | No | Yes |
| Run Programs | No | Yes |

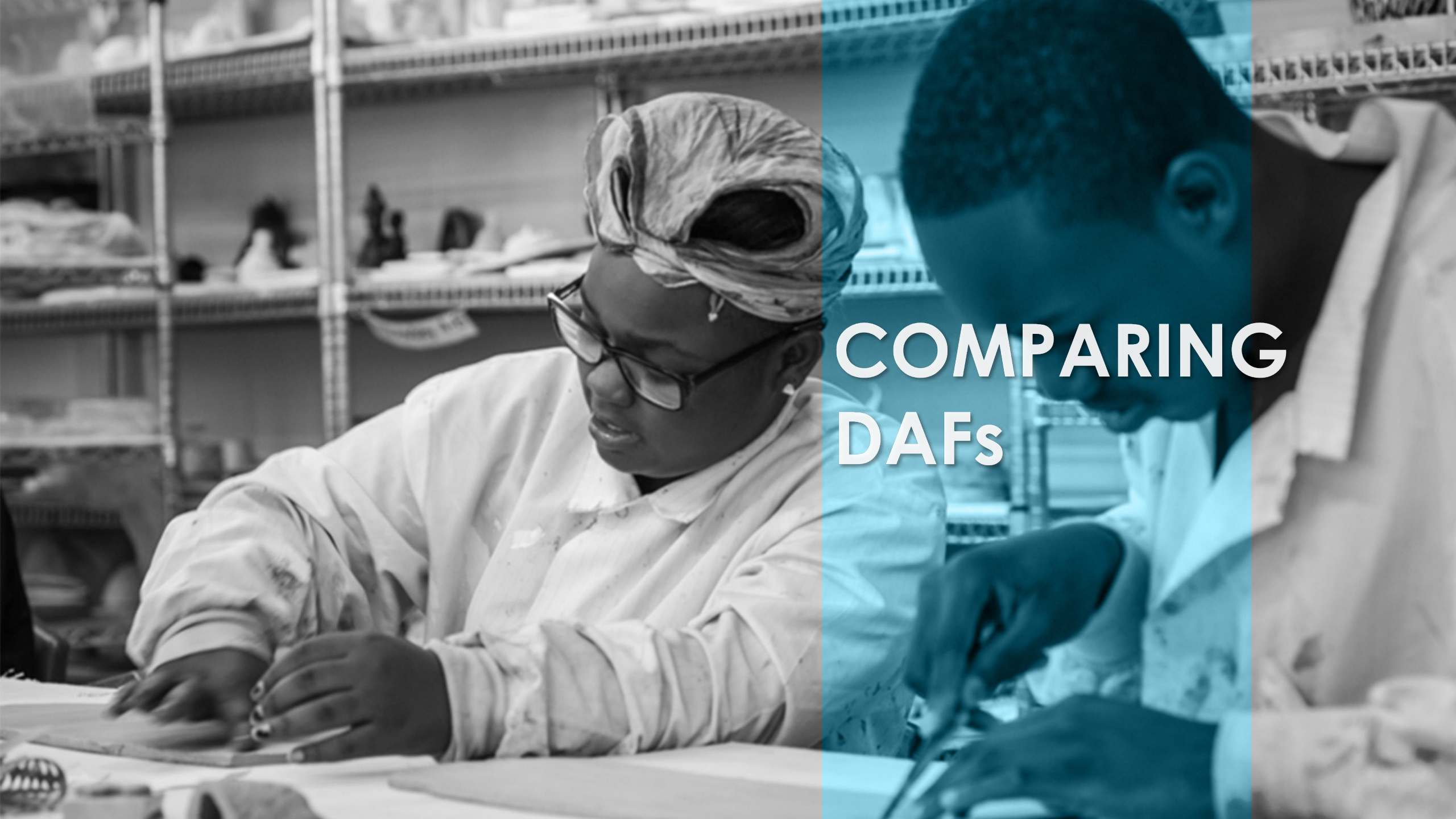
DAFS & PRIVATE FOUNDATIONS: OPERATIONS

| | DAF at CICF | Private Foundation |
|----------------------------|---|--|
| Annual Costs | 1% tiered annual administrative fee (minimum annual fee: \$250); investment costs netted from returns | Legal and accounting fees, audit and tax return preparation, staff, administration, and facility expenses |
| Separate Tax Return | No | Yes |
| Separate Audit | No | Yes |
| Investments | CICF has three investment pools or donors can work with their own investment manager | Choose own investment policies and managers |
| Administration | CICF does recordkeeping, gift, and grant management | Manage own administrative work |
| Annual Taxes | None | Excise tax of 1-2% on net investment income; taxes on payments to non-qualified charities and excess business holdings |
| Fiduciary Responsibility | CICF fulfills required fiduciary responsibilities | Fulfill own fiduciary responsibility |
| Liability & Risk Insurance | Provided by CICF | Purchase own |

ADMINISTRATION & MANAGEMENT

CICF:

- Makes all grant payments
- Assures compliance requirements, including all tax filings
- Acknowledges and tracks grants
- Maintains detailed files on all activity
- Provides the donor with 24-7 online account access through CICF's state-of-the-art donor portal, CICF Connect
- Provides donors with investment options



COMPARING DAFs

WHY CICF?

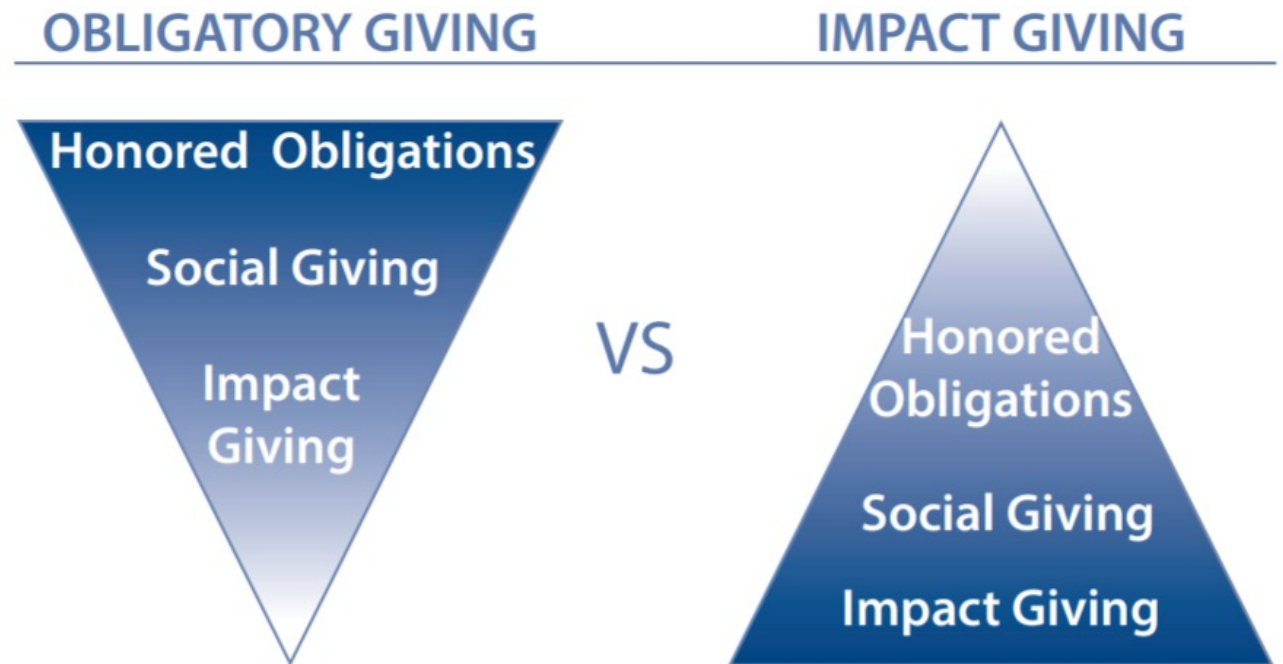
| DAF at CICF | DAF at Fidelity, Schwab or Vanguard |
|--|---|
| Competitive Fees Stay Local and Are Reinvested in This Community | Fees Go to Corporate Headquarters in Boston, San Francisco or Elsewhere |
| Access to Personal, Assigned Effective Philanthropy Officer and Support of the Effective Philanthropy Team | Access to a 1-800 Number |
| Opportunities (if desired) for Local Co-Investment in CICF-Led Initiatives or CICF-Vetted Funding Opportunities | No Co-Investment |
| Investment Options – Including the Ability to Retain Management of DAF Assets for Donor's Trusted Investment Advisor | Several Investment Options But Potentially Limited Outside Investment Advisor Involvement |
| Truly Unlimited Succession/Legacy Options Fully Customizable to Donor's Preferences | Limited Succession Options |
| Unmatched Philanthropic Expertise in This Community – Period. | |

WORK WITH EFFECTIVE PHILANTHROPY

- Clients can take time to explore their values, interests and purpose
- Involve their family now and pass on their charitable values to the next generation
- Engage in planned giving exploration
- Go on site visits to learn more about organizations that interest them
- Utilize CICF's expert staff to research, analyze and report on the organizations their fund supports

IMPACTFUL GRANTMAKING

- Make charitable grants to the organizations your clients care most about and that align most closely with your clients' mission-driven philanthropy
- Any 501(c)(3) public charity: your clients are not limited to central Indiana
- May specify a program or purpose
- May be anonymous





**COMPANION
DAFS**

USING A DAF WITH A PRIVATE FOUNDATION

Your clients can utilize a DAF at CICF as a companion to their private foundation in order to:

- Meet 5% Distribution Requirement
- Make Grants Anonymously
- Use as the Recipient of a CLT
- Obtain Greater Tax Benefits
- Disclaim to a DAF Instead of a Private Foundation



**PRIVATE
FOUNDATION
TRANSFERS**

PRIVATE FOUNDATION TRANSFERS

Reasons for Terminating a Private Foundation:

- Burdensome – time-consuming, expensive, complicated filing requirements and tax rules
- Family disagreements – grantmaking priorities, who should run the foundation, more work than originally anticipated
- Volatile economy – may lead to reduced funds for grantmaking

Small private foundations may be especially burdened, as they may not be able to afford to hire staff, making management very difficult or impractical.

PRIVATE FOUNDATION TRANSFERS

IRS rules permit the termination of a private foundation in either corporate or trust form and a distribution of its assets to a public charity, provided the charity has been in existence for five years preceding the distribution.

Private foundations can terminate into a DAF at CICF and frequently do. No advance IRS, court, or attorney general approval or notice is required, and dissolution under Indiana law is straightforward and relatively simple.

The board of the private foundation can continue in a very similar capacity as the advisory committee of the DAF to recommend charitable grants.



**TAX-SMART
CHARITABLE
GIVING TIPS**

DONATE LONG-TERM APPRECIATED PROPERTY

Provides Double Tax Benefits:

- Avoid Capital Gains Tax
- Receive a Charitable Income Tax Deduction

Think Beyond Publicly Traded Stock:

- Real Estate
- Closely Held Business Interests

BUNCHING

With the increased standard deduction under the Tax Cuts & Jobs Act:

- Establish a DAF to “bunch” multiple years’ worth of contributions into a single year in order to exceed the standard deduction and secure a charitable income tax deduction for the donation in that initial year.
- In subsequent years, the donor can take the standard deduction while making charitable grants from their DAF.

REQUIRED MINIMUM DISTRIBUTIONS

If your client is 70½, they may transfer up to \$100,000 of their annual required minimum distribution from their IRA assets directly to a qualified public charity like CICF:

- When transferred directly to charity, it will not be recognized as income to the donor
- May not be transferred to a DAF or a private foundation
- CICF can help:
 - Single-Purpose Designated Fund: operates like a DAF for the benefit of one organization
 - Scheduled Distribution Designated Fund: operates like a DAF and may grant to any number of organizations as long as the assets are designated for distribution at the time of funding
 - May be transferred to any of CICF's other non-DAF fund types

SECURE ACT

- The SECURE Act went into effect on January 1, 2020
- Eliminates the “Stretch IRA” for most non-spouse beneficiaries
- Two solutions for charitably-minded clients:
 - Testamentary charitable remainder trust
 - Testamentary charitable gift annuity

SECURE ACT

- Permits working individuals over 70½ to continue to make tax deductible contributions to their IRAs
- Beware of “Anti-Abuse Rule” if clients might EVER make a qualified charitable distribution
- Any tax-deductible, post-70½ IRA contributions must be netted from future QCDs

PLEDGES

Section 4 of IRS Notice 2017-73 addresses personal pledges and effectively allows DAFs to make grants that satisfy pledges so long as the DAF sponsor does not reference the pledge in the grant letter or check.

While a private foundation may make and fulfill its own charitable pledges, it may not satisfy a personal pledge of a board member or other foundation “insider.”

OTHER CHARITABLE FUND TYPES

CICF offers other charitable fund types:

- Scholarship funds
- Donor-designated funds
- Donor field-of-interest funds
- Charitable organization funds

Estate Planning Tip: A current DAF can be set up to terminate into any of the above fund types after your lifetime.

DON'T FORGET ABOUT FUTURE FUNDS!

All of CICF's charitable funds can be established and funded through your client's estate plan.



QUESTIONS?

THE CALL IS ALWAYS FREE!

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