How Donor Advised Funds Work

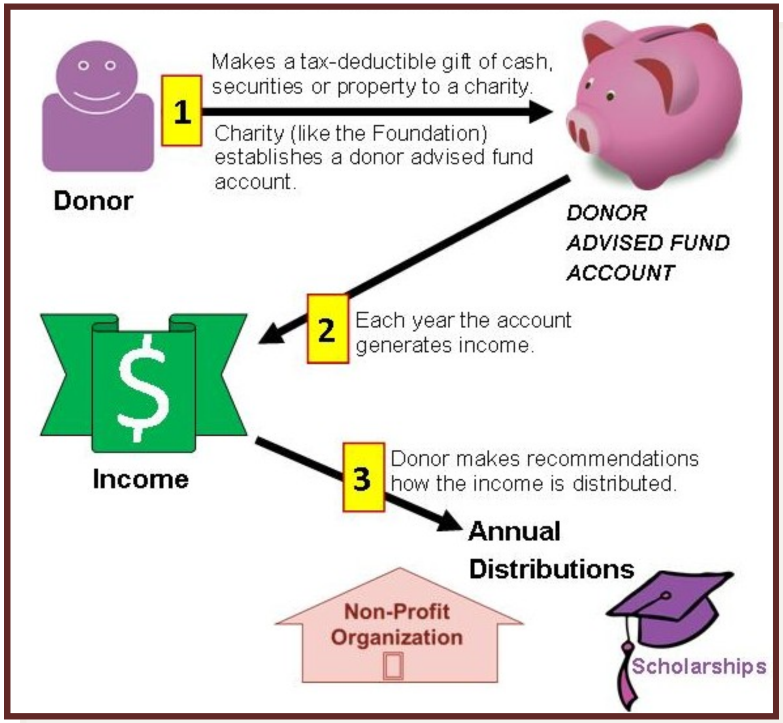
"For good, for ever"

If you are looking for a hassle free way to establish a fund that supports charitable organizations and causes - the Kenosha Community Foundation can offer a solution.

By establishing a Donor Advised Fund, you can provide a perpetual source of income to support the efforts of an organization or a worthwhile cause that you are interested in supporting.

Donations to the fund can be restricted for the designated organization's use only. Investment earnings from the fund can be regularly distributed or be reinvested in principal in order to build assets for future use by the organization.

A Donor Advised Fund can be established with a gift of $2,500.



1 A donor (an individual or group) makes a gift to the Foundation. The gift can be in form of cash, stock, real estate or other assets.

In return, the donor will receive a tax deduction in the year they make the donation.

The donor then signs an agreement with the Foundation both establishing the fund and restrictions on how and when to allocate the fund's earnings.

2 The Foundation invests the funds in the account to generate a steady annual income.

3 Annually, income from the funds is distributed as grants to non-profit organizations or perhaps as a scholarship based on the allocation instructions of the donor.

When to Consider a Donor Advised Fund

Donor Advised Funds can be used when a donor wants to delay the decision on how they would like to distribute the funds.

Donors can control the level of their charitable giving, increasing donations in years when the tax benefits are greatest, and benefit a cause in years when the tax deduction is not needed. For example, a family can use a Donor Advised Fund to create a tax deduction in the year that they sell a business or property.

The fund continues into the future so that second and future generations can be included in deciding who will receive benefits and to learn about charitable giving.

Institutions, such as BMO Harris Bank, have benefited from a Donor Advised Fund at the Foundation.

Kenosha Community Foundation

Advantages of establishing a Donor Advised Fund

⇒ As a fund within the Foundation (a public charity), it is exempt from income taxes under IRC section 501(c)(3).
⇒ The Foundation handles all administrative work of the Donor Advised Fund, including preparing/filing required reports to the IRS (ex. Form 990) and monitoring investment performance.
⇒ Donors can advise the Foundation on when and how and when to distribute its earnings.
⇒ Donors benefit by investing the funds in the Foundation's well-diversified portfolio that has consistently outperformed its benchmarks.
⇒ Donors who receive large amounts of ordinary income in a particular year (such as in a retirement year or in a bonus), a Donor Advised Fund can offer an offsetting tax deduction and the opportunity to develop a charitable giving plan.