



The Community Foundation  
FOR GREATER ATLANTA

# Philanthropic Planning Guide

A professional advisor's guide to  
The Community Foundation

## What is the purpose of this guidebook?

Professional advisors are some of the most important stakeholders helping The Community Foundation make philanthropy happen. More than 90% of our donors find their way to The Community Foundation through a referral from one or more of their professional advisors. Consequently, one of the Foundation's primary roles in our community is to offer support and solutions that help professional advisors provide top quality advice to their clients on charitable giving.

This short guidebook is designed to help you quickly understand The Community Foundation and its services in order to decide if the Foundation might be a good fit for a client. In addition, it provides you with questions and comparative information to determine if other giving options might be appropriate. Of course, our director of gift planning is always available at 404-588-3183 to discuss any questions you may have, and our website, [www.cfgreateratlanta.org](http://www.cfgreateratlanta.org), has extensive information and updates on The Community Foundation and our services.

## Getting to The Heart of the Matter

**Professional advisors often ask us for our advice on how to begin a discussion about charitable planning with their clients. We suggest asking every client the following three threshold questions:**

- ◆ Are there charitable organizations that you support on an annual basis?
- ◆ Would you like to include any of these organizations in your financial or estate plan?
- ◆ If there were a way to shift dollars from taxes to charity, would you be interested in exploring the options?

**If the answer to any of the three question is "yes," then you have opened the door to a deeper conversation.**

**Some follow up questions to consider are:**

- ◆ What are the issues, causes and charities that you feel passionate about? Why?
- ◆ How would you prioritize them? Why?
- ◆ Which of your past charitable gifts have given you the most satisfaction? The least? Why?
- ◆ Given your other commitments, how much time do you have to devote to charity?
- ◆ What level of recognition and visibility interests you?
- ◆ To what extent would you like to get your family involved in your giving?
- ◆ How much wealth do you want to leave to your children and grandchildren? If there is excess, would you consider designating it for charity?
- ◆ Would you prefer to give during your life or after your death?
- ◆ What values would you like to pass on to your descendants?
- ◆ Do you think a family foundation (donor-advised fund, private foundation, supporting organization) could help perpetuate those values?
- ◆ How would you like to be remembered after you are gone? Would you like to leave a charitable legacy to perpetuate those memories?

**A conversation around these issues can lead to deeper, more meaningful planning and a stronger client relationship.**

## What is a community foundation?

There are more than 700 community foundations across the country, each with the same goal – to improve the well being of the geographic regions they serve. The Community Foundation for Greater Atlanta does that in the 23-county Greater Atlanta region by providing high quality services to donors and innovative leadership on community issues. Our goal is to help donors develop and implement a philanthropic plan so that they are actively engaged in giving back.

Because The Community Foundation is a 501(c)(3) public charity (not a private foundation), donors receive the most valuable tax benefits available under law for their charitable contributions – for both income and estate tax purposes. A donor may contribute to the Foundation to create a customized fund that meets his or her charitable objectives. Donors can add to their funds using current direct gifts and/or deferred planned gifts, and we are able to accept a wide array of asset types as contributions to a fund. Once a fund is created, donors receive extensive philanthropic services in exchange for the administrative fee charged against their fund balance. Donors may request that their fund be invested among a selection of investment options, including utilizing their own investment advisor if the fund is over \$250,000.

## Giving through The Community Foundation for Greater Atlanta

The Community Foundation provides multiple giving opportunities for individual and family donors. The three most often used options for donors wishing to set aside money for future giving are donor-advised funds, supporting organizations and private family foundations—and The Community Foundation provides opportunities for all three.

### Donor-advised Fund

With a donor-advised fund, donors can contribute to their fund and receive a tax deduction immediately without requirements on when they make distributions. This allows donors to recommend grants to nonprofits they wish to support on their timetable, over a course of years or even generations. A donor's family can remain actively involved in the fund's charitable grantmaking as long as money remains in the fund, and they can add to their fund whenever it suits their tax or giving needs. A donor-advised fund at The Community Foundation can make distributions to any public charity in the United States, including houses of worship, schools and universities, and we can facilitate grants to overseas charities as well.

### Supporting Organizations

A supporting organization is a separate legal entity, with its own board, its own bylaws, etc. However, it enjoys the status of a public charity because of its connection with The Community Foundation, a connection that is similar to a subsidiary of a corporation. We legally appoint a majority of the supporting organization's board of directors, and the supporting organization operates under The Community Foundation's "umbrella." Through a supporting organization, donors receive the benefits and services of the Foundation while maintaining a separate board of directors that manages the supporting organization's grantmaking, investments and other functions.

### Private Foundations

Many of Georgia's largest private foundations also maintain funds at The Community Foundation in order to access our services and expertise. To establish a relationship with us, a distribution may be made from a private foundation into a fund at The Community Foundation. If a donor determines that their existing private foundation is no longer meeting their objectives, they can convert the entire private foundation to a fund with The Community Foundation.

## Other Fund Options

### Common Good Funds

Our Common Good Funds are often the choice for donors who wish to provide a gift to nonprofits in the Greater Atlanta community without being involved in selecting which nonprofits receive that gift. Nonprofits regularly apply for dollars from our Common Good Funds through a competitive process, and our Board, with the assistance of our knowledgeable staff, makes the final decisions on which nonprofits receive funds based on the current critical issues in our community. Many donors choose the Common Good Funds as a charitable giving option because they are interested in leaving a legacy through their will or estate plan to benefit the community and do not have heirs they wish to involve in grantmaking decisions after their death.

### Designated Fund

A designated fund allows a donor to create a legacy to benefit one or more nonprofits perpetually without giving the entire amount directly to the nonprofit at the outset.

### Scholarship Funds

The Community Foundation administers an array of scholarship funds. When creating a scholarship fund, the donor has broad latitude to define the scholarship criteria and may remain involved in (but not control) the recipient selection process. We can provide all scholarship administration.

# Factors to consider when choosing between donor-advised fund programs

Donor-advised fund programs are like fingerprints – if you examine them closely, you will find that no two are exactly alike. Important features and policies may vary significantly between programs, so it is critical to review all relevant promotional materials and ask pertinent questions of both the program sponsor and your client before recommending a particular donor-advised fund sponsor. Some of the more important questions to consider are:

## What are the fees?

Donor-advised fund sponsors generally charge an administrative fee against the balance of a fund to compensate the sponsor for the services it provides. The fee usually is in the form of a percentage charge taken from the balance of the fund on a periodic basis. Fees vary significantly between sponsors, and any variance should reflect differences in the level of services provided.

Most sponsors quote their administrative fee separately from asset management fees that are charged by money managers for investing the assets in the fund. Confusion sometimes arises because a few sponsors combine the administrative and asset management fees when quoting their fee. You should get separate quotes for both the administrative fee and the asset management fees for each investment option. Usually, the sponsoring charity does not receive any of the asset management fees. However, make sure that the donor's fund participates in any investment returns attributable to the fund. Some fund sponsors take the earnings on assets in a fund in lieu of, or in addition to, their regular fees. Also be aware of additional fees that some sponsors charge, including fund set-up fees, fees charged for processing each grant, and mandatory grants to the sponsoring charity. Some sponsors combine these different fees in a way that inflates fees to an unexpected level, so do your due diligence.

## What services does the sponsor provide?

Even more than fees, the services fund sponsors provide vary widely. Commercial gift funds (e.g. Fidelity, Vanguard, etc.) tend to offer a simple, do-it-yourself, donor-advised fund program for modest fees. These funds may offer an 800 number, a good Internet interface and charity research database, but relatively little personalized service and advice. In contrast, other sponsors, including community foundations and Jewish federations, often provide extensive customized service and support, with commensurately higher fees.

Service questions to consider before selecting a donor-advised fund sponsor include:

- ◆ Does the sponsor assign a service specialist to each donor (like a private banker) to coordinate and deliver the various services provided?
- ◆ What methods for requesting grants and information are available (telephone, fax and/or Internet interface)?
- ◆ Does the sponsor have multiple service levels (i.e. do larger funds that generate greater fees receive more services)?
- ◆ Does the sponsor provide family philanthropy services (e.g. family meeting facilitation, next generation training, drafting of mission statements, education programs for family members of different ages)?
- ◆ What grantmaking services does the sponsor provide? Do those services include:
  - Customized research and reports on nonprofits of interest to the donor.
  - Site visits to nonprofits.
  - Access to the nonprofit expertise of professional grantmakers.
  - Training in strategic grantmaking.
  - Access to experts on charities in a particular geographic area, connected to a particular religious faith or performing a function that is of interest to the donor.

### Are there any limitations on the charities to which a donor may request a grant?

Most donor-advised programs will make grants to any charity in the United States. However, some sponsors limit the charities to which donors may request a grant to a certain geographic area or to charities that match their philosophy/mission (e.g. charities that do not contradict the religious principles of the sponsor). Also, if overseas giving is a priority of the donor, you should make sure that the sponsor can facilitate grants to foreign charities.

### What types of assets will the sponsor accept as contributions to a fund?

All donor-advised fund sponsors will accept cash and publicly traded securities as contributions to a fund. However, many sponsors will not accept private assets like real estate, private company stock, family limited partnerships, etc. In many cases the most tax advantaged asset to contribute may be unusual or private assets, so it is important to make sure the sponsor has the expertise to accept and sell such contributions.

### What are the investment options available for donor-advised funds?

Most donor-advised fund programs have multiple investment options. Many sponsors now also allow the donor to recommend an investment advisor of their choice for larger funds so long as the advisor follows the sponsor's investment policy. It is important to understand the investment options available and their cost.

### How many Successor Advisors does the sponsor allow?

Successor Advisor is the term used to describe individuals that the donor who creates a donor-advised fund may recommend to take over privileges with respect to the fund at his or her death or other stated time. Most sponsors today allow unlimited Successor Advisors so that family philanthropy can be promoted across generations.

However, some sponsors only allow one or two successor generations on a fund, at the end of which the sponsor usually assigns the remaining balance of the fund to its unrestricted endowment for organizational grantmaking. For obvious reasons, Successor Advisor policy is important to understand before creating a fund.

### What is the reputation of the sponsor?

Finally, it is important to consider the history and reputation of the sponsor.

- ◆ Does the sponsor have a long track record of providing excellent service and support to donors?
- ◆ Does the sponsor clearly comply with governing law and meet the highest standards in its governance (e.g. The Council on Foundations National Standards)?
- ◆ Does the sponsor have a large enough asset base to generate the fund fees necessary to have an expert staff and a full range of services?
- ◆ Does the sponsor have to fundraise from donors in addition to collecting fund fees to cover its operating costs?
- ◆ Does the sponsor represent an affinity group of other donors and stakeholders with whom the donor wishes to interact?
- ◆ Does the sponsor have a role in philanthropy beyond sponsoring a donor-advised fund program that appeals to the donor?

The questions above are only some of the many that may arise in selecting a donor-advised fund program. For many questions there is obviously no right or wrong answer. There is no one size fits all program. The objective in asking questions is to select the donor-advised fund program that will best meet the goals and objectives of the donor over time.

## Family Foundation Options

Attributes	Private Foundations	Community Foundations	Supporting Organizations (Type 1)
<b>Amount Deductible</b>			
Cash and Publicly-Traded Securities	Fair Market Value	Fair Market Value	Fair Market Value
Other Appreciated Property	Limited to Cost Basis	Fair Market Value	Fair Market Value
<b>Percentage Limitations</b>			
Cash Gifts	30% of Adjusted Gross Income	50% of Adjusted Gross Income	50% of Adjusted Gross Income
Appreciated Property	20% of Adjusted Gross Income	30% of Adjusted Gross Income	30% of Adjusted Gross Income
<b>Other Considerations</b>			
Excise Tax on Investment Income	2%	None	None
Donor Control	Legal	Advisory	Minority of Board Members
Anonymity	No – Must file detailed returns on grants, investments, fees, salaries, etc.	Yes – Donors and grants can be private. Foundation can serve as a buffer between donor and grantseekers.	Limited
5% Annual Distribution Requirement	Yes	No – Not for each fund. Although the Foundation collectively grants in excess of 5% annually.	No
Incorporation, Tax Exemption, Audit/Tax Returns, Directors/Officers Insurance, Grants Management, Investment Management, Compliance	Responsible for all functions, foundations less than \$10 million have annual expenses averaging .95% (this percentage does not include the legal costs associated with set-up or annual accounting and investment fees)	Community foundation handles all administration for a tiered fee based on fund size. Fees range from .65-1%. (Investment fees are assessed separately and vary depending on the option requested)	Attached to community foundation; fees are generally similar to private foundations.
<b>Primary Advantages</b>			
	Control, Independence, and Family Identity	Deductibility, Nonprofit Knowledge, Flexibility, Permanence, Simplicity and Freedom from Care	Deductibility, Separate Board, Family Identity, and More Apparent Control

## Donor Services

The Community Foundation for Greater Atlanta provides extensive, customized philanthropic service to individual and family donors. We have deep knowledge of nonprofits in the Atlanta region and beyond, and we are experts in strategic grantmaking. Each donor is assigned a philanthropic advisor who serves as the donor's personal guide in charitable giving. We provide full administrative support for all grants, and we offer donor engagement opportunities where donors learn and share ideas about philanthropy.

In addition, The Community Foundation maintains its Center for Family Philanthropy to provide donors a set of services similar to a staffed private foundation. This virtual center provides personalized services to donors and their families to create a philanthropic plan specific to that family as well as run a formal grantmaking cycle, engage multiple generations in giving and teach children about the value of philanthropy and getting involved in the community. Donors who establish a fund at the \$250,000 level or higher or have a planned gift of \$1 million or more automatically become members of the Center and have access to these customized services.

## What to Give

The Community Foundation has the technical expertise and resources to accept any appropriate asset as a charitable contribution. We regularly work with donors and their professional advisors to create and complete sophisticated giving strategies. In addition to cash, we regularly accept gifts of publicly traded stock, mutual funds, bonds and other debt obligations, real estate, privately held companies, restricted stock and intangible/intellectual property.

## Planned Giving Options

In addition to current gifts, donors may also establish or add to a fund at The Community Foundation through a planned gift. The Community Foundation can be the charitable beneficiary of any planned gift, including bequests, life insurance, charitable remainder trusts, charitable gift annuities, retirement accounts, charitable lead trusts and life estates.

Donors who establish a planned gift for The Community Foundation become members of our Legacy Society. As Legacy Society members, they have the opportunity to attend Foundation events and seminars, and receive Foundation publications that inform them about philanthropy and its impact on our community. If their planned gift is greater than \$1 million, the full range of services provided by our Center for Family Philanthropy are available as well.

## Fees and Fund Minimums

In exchange for the services we provide to donors, The Community Foundation charges an annual administrative fee against the balance of each fund. The fee for Common Good Funds and scholarship funds that are fully administered by The

Community Foundation is 85 basis points (i.e. .85%) per year. For donor-advised funds, designated funds and scholarship funds where The Community Foundation does not administer the selection of recipients, the annual fee is tiered according to the following fee schedule:

• First \$100,000	100 basis points
• Next \$400,000	85 basis points
• Next \$500,000	70 basis points
• >\$1 million	65 basis points

Investment management fees are separate from our administrative fee and vary depending on the investment option requested by the donor. The Community Foundation does not receive any fee revenue from the investment management of funds that it maintains.

A donor-advised fund, designated fund or Common Good Fund may be established with as little as \$5,000 with the intent to grow the fund to \$50,000 within three years. After three years, if a fund's balance does not exceed \$50,000 it will be assessed our minimum fee of \$125 per quarter (\$500 per year). Scholarship funds may be established with \$250,000 or more.

## Investment Options

Donors to The Community Foundation may request that their fund be invested according to one of four investment options:

**The Community Foundation Pool** – a diversified portfolio of assets invested broadly among institutional money managers. Managers are selected by the Investment Committee of The Community Foundation's Board with the assistance of a neutral investment consultant. The Foundation Pool is designed to support a distribution rate of 5%, while at the same time increasing the value of the corpus at a rate greater than inflation, net of grant distributions and expenses.

**American Funds Option** – a diversified portfolio of American Funds Mutual funds selected by the Investment Committee of The Community Foundation's Board and purchased without commissions. The American Funds Option is also designed to support a distribution rate of 5% while at the same time increasing the value of the corpus at a rate greater than inflation, net of grant distributions and expenses. In addition, the donor may request that his or her licensed investment advisor be listed as the advisor of record for the fund.

**Money Market Option** – a standard money market fund that is appropriate for funds wishing to protect principal and avoid market risk while earning money market rates of return.

**Individually Managed Option** – The Community Foundation permits donors with fund balances of \$250,000 or more to recommend the investment advisor of their choice to manage the assets in their funds. The Foundation will retain the recommended investment advisor to manage the assets for such a fund, if the investment advisor follows The Community Foundation's investment policy with regard to such funds.

## Professional Advisor Resources

We value the partnership between The Community Foundation and the professional advisor community, and we are your resource for philanthropic planning. We are happy to answer any questions you may have; not just about the Foundation, but about any issue involving philanthropy. Though we do not give tax or legal advice, we are available to discuss planning ideas and to refer you to resources that can help you get the best for solution for your clients' needs. Our director of gift planning is available as your information source at 404-588-3183.

In addition, we provide the following resources for professional advisors

- ◆ **The Planned Giving Design Center** – a web-based charitable and estate planning research database and virtual planning community. The Community Foundation provides access to the wealth of information in the PGDC at no cost to Atlanta area advisors. You can register by going to the Professional Advisor section of our website [www.cfgreateratlanta.org](http://www.cfgreateratlanta.org).
- ◆ **Planning for Philanthropy E-newsletter** – an e-newsletter designed specifically for professional advisors with updates of current legislation, planning ideas and timely information about Foundation services.
- ◆ **The Philanthropic Advisor Leadership Institute** – a multi-session leadership development program sponsored by The Community Foundation and The Jewish Federation of Greater Atlanta for a select group of Atlanta area professional advisors. The purpose of the Institute is to deepen participants' understanding of how values motivate philanthropic clients, hone existing estate and income tax planning skills as they relate to charitable planning, and forge strong and lasting professional ties between the various participants.
- ◆ **The Baleser Symposium** – an annual continuing education opportunity sponsored by The Jewish Federation of Greater Atlanta and The Community Foundation. The symposium focuses on charitable and estate planning issues, with prominent local and national speakers.
- ◆ **Professional Firm Presentations** – each year, The Community Foundation conducts many “lunch and learn” presentations for local professional firms on a variety of charitable planning topics.
- ◆ **Public Speaking** – The Community Foundation's professional staff is available to speak to professional and civic groups on topics related to philanthropy, charitable planning and community development.



The Community Foundation  
FOR GREATER ATLANTA

The Hurt Building, Suite 449, Atlanta, Georgia 30303  
404-688-5525  
Fax 404-688-3060  
[www.cfgreateratlanta.org](http://www.cfgreateratlanta.org)