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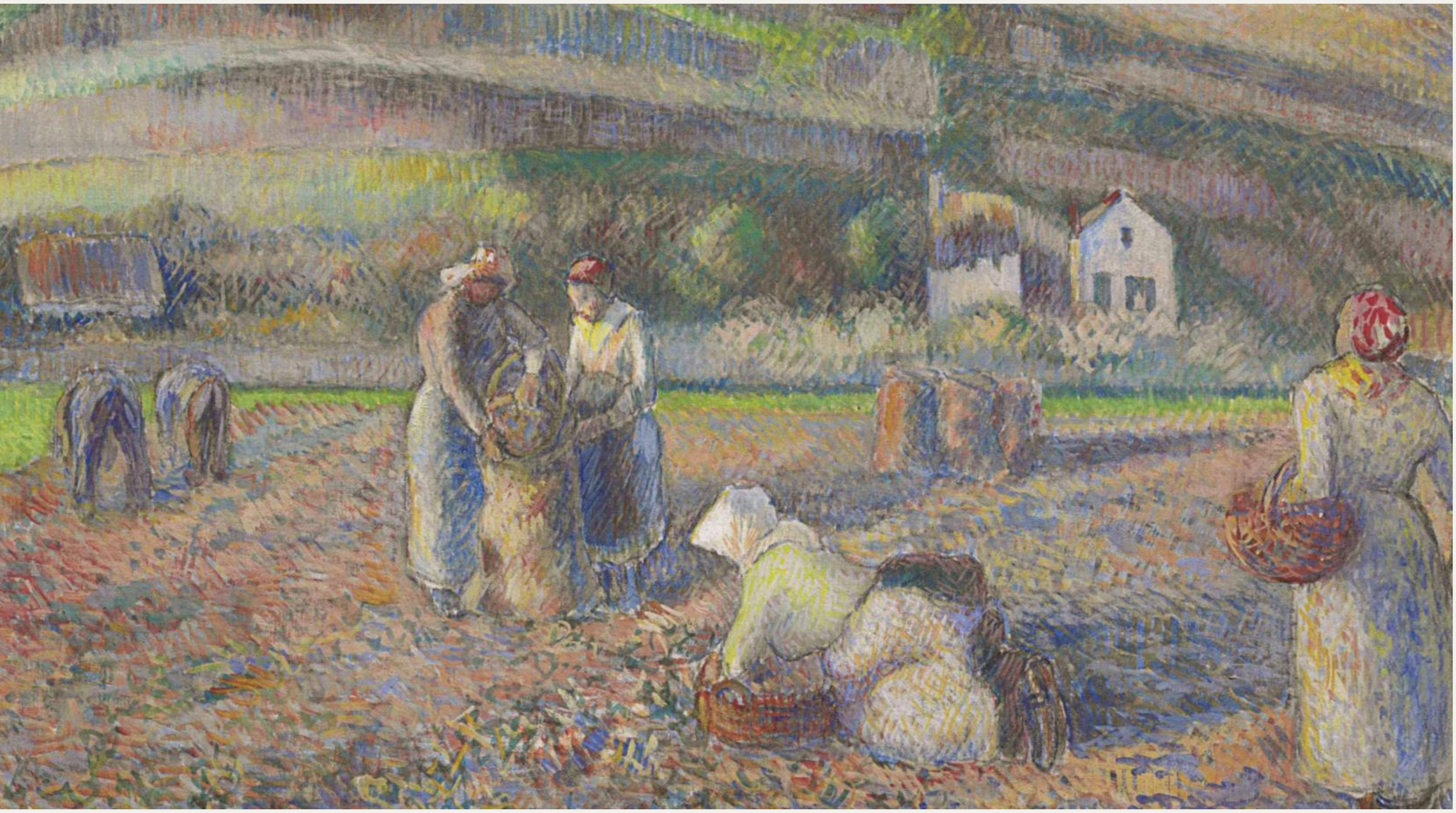

Demystifying Donor-Advised Funds and the Rockefeller Charitable Giving Fund

Rockefeller Insights

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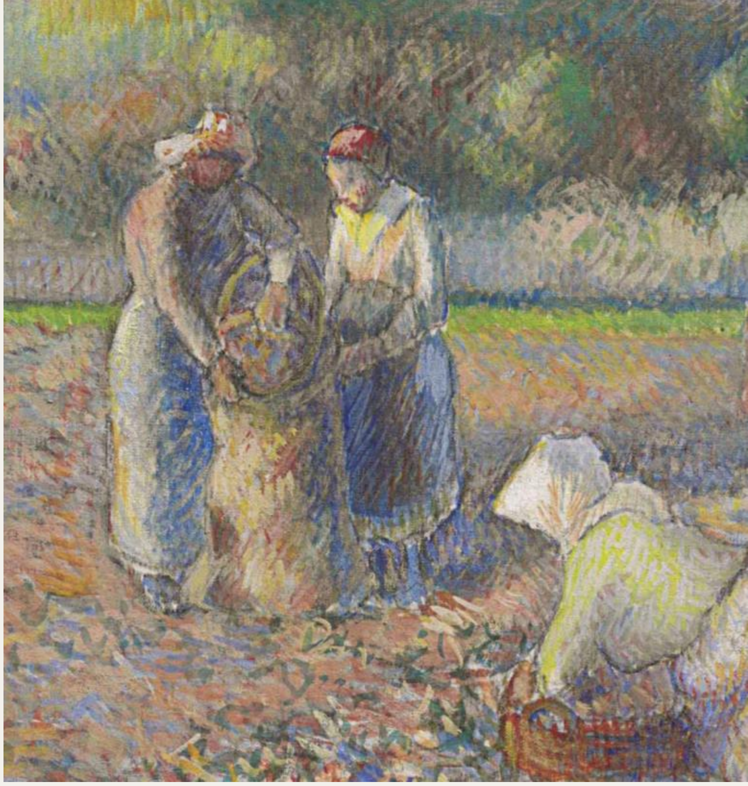

Demystifying Donor-Advised Funds and the Rockefeller Charitable Giving Fund

WHAT IS A DONOR-ADVISED FUND?

A donor-advised fund (“DAF”) is a separately identified account created for charitable giving maintained and operated by a sponsoring organization that qualifies as a public charity, which is known as a sponsoring organization.

Because the sponsoring organization is treated as a public charity for tax purposes, when a donor funds a DAF account he or she will receive tax benefits for contributing to the account. In addition to the tax benefits of making a contribution, the donor may invest the contributed funds and allow them to grow, without subjecting any appreciation and investment income generated by investments within the DAF account to income or capital gains tax. Once a DAF account is funded, the donor has flexibility to recommend grants of the funds to IRS-qualified public charities over time as they desire. DAF accounts are not currently subject to annual distribution requirements.

Once a grant recommendation is made, the sponsoring organization is responsible for conducting due diligence on the recommended grantee to ensure it is an eligible charity and that the funds distributed will be used for charitable purposes.

WHAT ARE THE TAX BENEFITS?

Making a contribution to a DAF account can result in multiple tax benefits to the donor. Once a donor contributes to a DAF account, the amount contributed will no longer be included in the donor’s estate. This means that the donor will no longer pay tax on any income or appreciation generated by the assets contributed, and when the donor dies, the contributed amount will be excluded from calculating the value of the donor’s estate for estate tax purposes. Donors can also designate DAFs as beneficiaries in their estate plans which preclude any assets going to the DAF at death from being subject to the estate tax. This can be particularly effective with tax-deferred retirement accounts, as the DAF is not subject to the same income taxes as individual beneficiaries when funds are distributed from the tax deferred accounts after the donor’s death.

In addition, when a donor who itemizes deductions on their federal personal income tax return contributes to a DAF account, he or she becomes eligible to receive an income tax deduction for the contribution. The amount of the income tax deduction depends on the type of contribution made:

- For a cash contribution, the donor is eligible to receive a federal income tax deduction of up to 60 percent of adjusted gross income ("AGI"). Note that the income tax deduction for a cash contribution is set to return to 50 percent of AGI in 2026.
- For a contribution of long-term appreciated assets (such as stocks, bonds, closely held business interests, and real estate), the donor is eligible to receive a federal income tax deduction of the fair market value of the contributed asset up to 30 percent of AGI. In addition, the donor generally will not have to pay capital gains tax on any unrecognized appreciation shifted from his or her balance sheet to the charity by way of the contribution.

WHY USE A DAF?

There are many potential benefits to using a DAF to facilitate a donor's philanthropy. With a DAF, donors can:

- Quickly and easily set up a giving account with no setup charges;
- Avoid added expense of alternative giving vehicles if additional complexity of structure is unnecessary to achieve the donor's goals;
- Achieve immediate charitable goals and receive available tax benefits;
- Simplify charitable giving and record keeping;
- Grow most contributed assets tax-free;
- Initiate and engage in multigenerational conversations around philanthropy;
- Fund anticipated future giving in advance; and
- Make grants anonymously.

WHAT SHOULD A DONOR CONSIDER WHEN ESTABLISHING A DAF?

Once a donor determines a DAF is a proper vehicle for his or her philanthropic goals, there are several factors the donor may wish to consider:

What should the giving account be named?

A donor has significant latitude in naming a DAF account. The name of the account can reflect the donor's name or family name, but it is not required to do so. Alternatively, the account may be given a name that has no connection to the donor or donor's family.

Who should be involved in the grantmaking?

An individual who is empowered to recommend grants is referred to as a "Donor-Advisor". The donor of a DAF account is typically the Donor-Advisor on the account, but he or she may name additional Donor-Advisors to serve with him or her. Also, a donor may name successor Donor-Advisors to serve once a current Donor-Advisor is no longer able to serve.

What happens to the DAF account when the donor dies?

A donor should consider naming successor Donor-Advisors to manage the DAF account when he or she is no longer able to do so. Alternatively, a donor may name a charity or charities to receive all of the assets remaining in the DAF account at his or her death. If a succession plan is not in place at the death of a Donor-Advisor, the DAF sponsor may control distribution of the remaining funds.

What is the mission and grantmaking strategy the donor wishes to pursue?

Mission statements and grantmaking strategies are not just for private foundations and other more complex philanthropic structures. These considerations around goals and outcomes can be extremely beneficial in guiding grantmaking activities of a DAF account. For example, DAFs can be used to fund multi-year support, endowed or non-endowed scholarships, and other specific programming of grantee organizations. Having a clear strategy in place can help guide the donor and others engaged in grantmaking from the DAF account.

WHAT IS THE ROCKEFELLER CHARITABLE GIVING FUND?

The Rockefeller Charitable Giving Fund ("RCGF") is a DAF offering made available to clients and advisors through a partnership with American Endowment Foundation ("AEF").

Established in 1993, AEF is one of the nation's largest independent DAF sponsors with $7 billion in assets under management. AEF's approach centers on flexibility for both financial advisors and donors. This offers financial advisors broad investment options and donors flexible grant recommendations to align with diverse charitable giving strategies.

Through the RCGF, Rockefeller clients have access to a seamless DAF experience that integrates their charitable activities into their overall engagement with the Rockefeller Global Family Office.

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