

Charitable Gift Fund

What are the key benefits of a donor-advised account?

You receive immediate tax deductions for your gift, but you can make grant recommendations throughout your lifetime and even pass the privilege to a successor. A donor-advised account also offers a convenient way to divide one large gift, such as a block of appreciated stock, into many smaller gifts to a number of charities. The paperwork that many benefactors find onerous is eliminated with a donor-advised account as are the expenses that can make foundations burdensome.

What are the tax benefits?

You are eligible for the largest federal income tax deductions available in philanthropy, up to 50 percent of your adjusted gross income for cash contributions and 30 percent for appreciated securities held by the Donor for more than one year. Unused tax deductions for one year can be carried forward for five years. All appreciated securities are not subject to capital gains tax.

What kind of contributions can be made to a donor-advised account?

You can use cash, bonds, publicly held securities, and mutual fund shares, as well as grants from a private foundation or most other donor-advised account programs, to establish an account as well as to add to one.

What are the advantages of a donor-advised account over a private foundation?

A donor-advised account offers substantial tax advantages, involves far fewer expenses to operate, and is easier to administer. In addition, the Donor can remain anonymous; private foundation records are open to the public.

Can I put the five percent required payout from my private foundation into a donor-advised account?

Yes. However, you cannot recommend grants from a donor-advised account to a private foundation.

Is there a difference between this program and others? What should I compare?

When comparing donor-advised programs, you should analyze the experience and credibility of the nonprofit organization and the asset managers. Other factors to consider include fees, online capabilities, customer service, and investment choices.

What is a successor?

A Donor names a successor to take over the account after the Donor's death, incapacity or disqualification. Multiple successors can be named to an account. Depending on the Donor's wishes and account size, the account may be split equally or the responsibilities shared.

What is an advisor?

Advisors named by a Donor share the Donor's authority over the account and have the ability to recommend grants and a reallocation of investment strategies.

Can I transfer my account from another donor-advised account?

In most cases, yes. You simply recommend a grant to the ABE Charitable Gift Fund from an existing donor-advised account. The gift isn't tax deductible, however, because you received tax benefits when you established the first account. Be sure to check the terms of your existing account first; some charitable gift funds assess a fee for closing an account shortly after opening it.

What type of asset is best to contribute?

Appreciated securities that have been held for more than one year make the most effective contributions. Donors avoid capital gains tax on the securities and deduct the total value of the contribution from their income taxes up to 30 percent of their annual adjusted gross income. Because of these advantages, a donor-advised account effectively allows Donors to devote more money to charity.

What are the costs of the program?

There are three types of costs:

1. Liquidation cost: Generally for electronically transmitted securities the greater of 6 cents a share or \$20 as well as the SEC fee of 0.0033 percent. For other types of donated assets cost will vary and not exceed those actually paid by ABE. The account you created is credited with the net proceeds.
2. An annual fee of 130 basis points (1.3%) deducted monthly for administration, management, marketing, education and investment fees (fee is lower for accounts over \$100,000).
3. Money invested in the actively managed money market fund, is subject to an additional annual fee on the assets in the account of 15 basis points.

What charities and nonprofits can receive grants?

Grants can be made to charitable organizations that are tax exempt under Internal Revenue Code Section 501(c)(3) and classified as public charities under IRC Section 509(a) and to governmental organizations such as state universities. Donors also may recommend foreign organizations that are the functional equivalent of a U.S. public charity or governmental instrumentality.

Are there limitations on grants?

Yes. The ABE cannot approve grants that satisfy a pre-existing pledge or are used for any private benefit, such as dues, tuition, membership fees, benefit tickets, or goods purchased at a charitable auction.

Is the payout of 20 percent recommended to organizations in the legal field an obligation?

No, this is merely a request by the American Bar Endowment.

What are my Income Tax Consequences?

Contributions to the ABE Charitable Gift Fund generally qualify for an income tax deduction as a charitable contribution in the current tax year, subject to certain limitations. Because every individual's tax situation is unique, ABE encourages Donors to consult with qualified tax advisors to review the specific tax consequences of donating to ABE's Charitable Gift Fund.

Limits on Deductions. The amount of the charitable contribution for donations of securities or mutual fund shares held for one year or less is limited to the lower of cost basis or the fair market value of the securities or mutual fund shares on the date of contribution. For donations of securities and mutual fund shares held by the Donor for more than one year, the amount of the contribution is equal to the fair market value of the asset, calculated as the mean between the reported high and low prices on the date of contribution or in the case of mutual fund shares held for more than one year, the closing price of the mutual fund on the date of contribution.

Individual Donors are eligible for an itemized tax deduction for charitable cash contributions in an amount up to 50% of the individual's adjusted gross income ("AGI"), in the tax year when the contributions are made. Deductions for contributions of securities or mutual fund shares held for more than one year by the Donor are limited to 30% of AGI. Any excess contribution over the AGI limit may be carried forward and deducted in the five-year period following the year of the contribution, subject again to AGI limitations. For donations of securities or mutual fund shares held for one year or less, the deduction is limited to 50% of AGI. A Donor's ability to deduct itemized deductions may be subject to further limitations depending upon the Donor's specific tax situation.

How is the date of donation determined?

In general, a charitable contribution is deemed made for tax purposes when the property to be contributed is put beyond the Donor's control, even if the property is not yet under the control of the ABE. This can be an especially important issue when contributions are made close to year-end and a deduction is desired in the same calendar year.

Checks. Contributions made by check are deemed effective when there is an unconditional delivery of the check to ABE, provided that the check clears in due course and there are no restrictions as to the time and manner of payment of the check. In the case of a delivery by U.S. Mail, delivery occurs when the check is deposited in the mail with the correct postage and ABE address.

Wire Transfers. Contributions made by wire transfer are effective on the date the funds are received in the ABE's account for the ABE Charitable Gift Fund.

Certificated Securities. The contribution is effective when the Donor makes unconditional delivery of properly endorsed certificates. In the case of contributions by U.S. Mail, the effective date is the date the certificate is placed in the mail with the correct postage and ABE address, provided that the certificate arrives within a reasonable amount of time. A separate form, a stock transfer power, will also be necessary to effectuate a transfer of certificated securities. If the stock transfer power is inadequate, the correct stock transfer power must also be delivered.

How is the date of donation determined? (cont.)

Uncertificated Securities. Contributions of securities held in “street name” are effective, for tax purposes, on the date the transfer is irrevocably credited to ABE’s account for the ABE Charitable Gift Fund, not when a Donor instructs his or her broker to make a transfer of uncertificated securities. For example, if a Donor gives instructions to his or her broker on December 20 to transfer uncertificated securities to ABE for the ABE Charitable Gift Fund, but the transfer is not executed by the broker until January 2, the contribution is not effective until the later date.

Restricted Stock. Contributions in the form of restricted stock are subject to issuer approval, which may take three weeks or longer, especially during peak transaction periods, to complete. Gifts of restricted securities will be considered complete and irrevocable only when the issuer’s approval is received, ABE’s approval is obtained and the securities are sold by ABE for the ABE Charitable Gift Fund. Because the contribution of restricted securities will not be considered to be accepted by ABE and irrevocable until the securities are sold by ABE, the timing of any tax deduction will be affected by the timing of such sale.

Where does the income go that may accrue on an account?

Income that accrues in a Charitable Gift Account is included in the value of respective fund units. Such amounts do not constitute income to the Donor(s). The amount of a Donor’s tax deduction for a contribution of assets to ABE is determined at the time of contribution and is not affected by any appreciation or depreciation in the value of the Charitable Gift Account. However, the Donor will be entitled to make grant recommendations of the entire Charitable Gift Account balance, which will reflect any appreciation or depreciation in the value of the assets in the account.

Can an ABE Charitable Gift Account be considered part of my estate?

Donor contributions to the ABE Charitable Gift Fund made during the Donor’s lifetime, and any subsequent increase in the value of a Donor’s account, are not part of a Donor’s taxable estate and are not subject to estate taxes or probate. Assets in a Charitable Gift Account or the Legal Legacy Fund may not be appointed, willed or bequeathed to any person or organization.

Who are the Board of Directors who oversee the ABE Charitable Gift Fund?

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