

## Donor-Advised Fund Program

**Horizons Foundation is dedicated to building philanthropy for the lesbian, gay, bisexual, and transgender communities. Donor-advised funds are a useful vehicle for charitable giving both during and after a client's life. Horizons encourages advisors with LGBT clients to learn more about Horizons Foundation and the charitable giving vehicles and advice Horizons can provide your clients.**

Horizons Foundation has a newly launched, state-of-the-art donor-advised fund program, which has myriad benefits for your clients:

### **Flexible Charitable Giving Vehicle**

Donors make irrevocable charitable contributions of cash or appreciated securities to the Horizons Donor-Advised Fund Program now and recommend grants to charity now or later.

### **Immediate Tax Benefits**

Your clients receive an immediate dollar-for-dollar charitable federal income tax deduction for the full fair market value (up to the maximum allowed by law), for contributions to a donor-advised fund at Horizons Foundation, a tax-exempt public nonprofit, and contributions of appreciated assets are not subject to capital gains tax.

### **Grant Recommendations**

While the tax deduction is taken immediately, donors may recommend grants to their favorite charitable organizations throughout the life of their fund. This can be done easily through an online, password-protected section on Horizons' website or by filling out a simple form.

### **Specialized Grantmaking Advice**

Horizons Foundation staff can provide important expertise and up-to-date information about LGBT and other types of organizations in the Bay Area, nationally, and internationally. Horizons can provide a limited amount of research and docket preparation upon request, and assist in creating an individual strategic giving plan aligned with your client's values and interests. Horizons also maintains a searchable database of information about LGBT organizations for donors to use on their own.

### **Investment Options**

The Horizons Donor-Advised Fund Program provides donors the opportunity to recommend how contributions are invested. The fund offers donors several investment strategies to choose from, all monitored and evaluated by the Investment Committee of Horizons Foundation, including numerous socially responsible options.

### **Enhanced Giving Power**

Any potential growth in assets within a Horizons Donor-Advised Fund Program fund is tax-free, offering the potential for greater charitable grants in the future.

### **LGBT Giving Community**

By opening a fund at Horizons Foundation, donors automatically become part of a community of givers who are seriously committed to supporting the LGBT community and other causes. Horizons sponsors events and provides other opportunities for donor advisors to share experiences, leverage funding, and learn about work being done in specific areas of interest.

### **Philanthropic Legacy**

Your clients may want to establish a charitable legacy by recommending grants to be made from their donor-advised fund at the time of death. They may add to or change these recommendations at any time without amending their estate plans. Donors may also choose to name successor advisors to the fund, which allows them to include a partner, family members, or friends in building a philanthropic plan for giving, both before and after death.

### **Simplicity**

Donors enjoy simple, comprehensive administration of their philanthropic planning. A single contribution to the Horizons Donor-Advised Fund Program can benefit multiple nonprofits while requiring only one tax substantiation letter and no check-writing on the part of your clients. DAFs can be a great alternative to a private foundation.

### **We Charge No Fees**

If your clients choose to become a member of Horizons Foundation's Leadership Circle (\$1,000+ gift to Horizons and that gift is greater than 1% of their fund balance, Horizons will waive the charitable administration fee.

### **Identifying Program Prospects**

Donor-advised funds provide an efficient and effective way to donate to charity—with real tax benefits. You may have clients who are good prospects for donor-advised funds.

Below is a list of characteristics that can assist you in identifying clients who may benefit from the Horizons Donor-Advised Fund Program.

#### **CLIENT CHARACTERISTICS**

A Horizons Donor-Advised Fund may be appropriate for individuals with:

- **A large influx of cash**

There are a number of circumstances where a client's tax liability may be particularly large in a given year and they may need a sizable tax deduction to offset it.

*For example:*

Highly compensated individuals who receive cash bonuses.

An individual who sells a closely held business.

The beneficiary of an inheritance.

- **Substantial amounts of appreciated securities**

Clients who contribute long-term appreciated securities to the Horizons Donor-Advised Fund Program receive an income tax deduction for the full and fair market value of the securities (at the time of donation) and capital gains tax on those securities do not occur.

- **An immediate need for a tax deduction**

Contributions to donor-advised funds provide the highest maximum tax deduction for charitable giving available under IRS regulations. Donors are eligible for income tax deductions up to 50% of Adjusted Gross Income (AGI) for cash donations and up to 30% of AGI for donated securities.

- **A wish to establish a charitable legacy or “endow” a charitable organization**

Clients can name successor advisors, the LGBT Community Endowment Fund, or other charitable organizations to receive the balance of their funds when they pass away, continuing the tradition of giving past their lifetime.

- **A desire to give anonymously**

Unlike other charitable giving vehicles, clients can recommend grants to be given anonymously, secure in the knowledge that, if desired, all information will remain confidential at Horizons.

- **A strong affiliation with the LGBT Community**

For clients who desire to become more strategic in their giving approach, Horizons can help them think through their charitable giving goals, help align them with their values and priorities, and suggest opportunities for giving that match the individual interests of the client.

- **An alternative to a private foundation**

Clients who no longer want the administrative and legal burdens or the considerable expenses associated with operating their own foundation may find the program appealing. Private foundations are legally required to distribute 5% of their assets annually to charitable organizations—donor-advised funds qualify as recipients for this payout.

**The Horizons Donor-Advised Fund Program may not be appropriate for individuals who only make charitable contributions of less than \$250.**

### Client Scenario I: Avoiding Capital Gains Tax

**Situation:** Allison Smith, co-founder and large stockholder of a successful company that went public two years ago, is considering selling some of her shares. The sale of her shares will generate a sizable capital gains tax this year, as her cost basis is extremely low. Allison would like to reduce her tax liability as well as establish a charitable giving plan with the sale proceeds.

**Solution:** Instead of selling her shares, Allison can donate a portion of her stock to a donor-advised fund. In return for this irrevocable contribution, she generates a charitable income tax deduction for the full fair market value of the stock, up to 30% of your adjusted gross income,\* and avoids capital gain tax. A donor-advised fund will provide Allison with the immediate tax relief she needs and a flexible charitable giving vehicle.

### Client Scenario II: Building a Philanthropic Legacy

**Situation:** Kelly and Pat are in their late 60s and have been together for over 25 years. They have worked hard all of their lives and have enough savings to comfortably see them through retirement. They've been very involved in building the LGBT community center and want to ensure the successful future of the center by donating money to it over an extended period of time. They both have children from prior marriages. Kelly and Pat are looking to establish a giving plan that allows them to donate money to the center now and that will continue to benefit the center for many years.

**Solution:** Kelly and Pat choose to contribute some of their mutual fund assets to a donor-advised fund. They also named their DAF as the beneficiary of their retirement funds, which enables 100% of those dollars to go to charity, without having to pay any deferred income tax. Even though they are registered domestic partners, they are not entitled to roll over their retirement funds to one another, as married people are allowed. By establishing the donor-advised fund and naming their children as successor advisors, they are ensuring that the LGBT community center will be taken care of well into the future, as well as passing on philanthropic values to their children.

### Client Scenario III: Receiving An Immediate Tax Deduction

**Situation:** Brian Jones, an insurance executive who is very philanthropic, just received his year-end cash bonus and is facing significant taxes. His accountant recommended setting up a private foundation to generate an immediate income tax deduction.

**Solution:** A donor-advised fund is a simple charitable alternative to the foundation and it will provide Brian with an even greater tax deduction than a private foundation. Donor-advised funds also eliminate the need to file articles of incorporation and appoint board of directors, and have no start-up costs. Lastly, a donor-advised fund allows Brian the time to determine which charitable organizations he'd like to support since there's no need to identify the benefiting organization at the time the account is opened.

\* Any unused deduction may be carried forward up to 5 years.