

Comparing Charitable Options

The difference between donor-advised funds, private foundations and supporting organizations:

Component	Donor Advised Fund	Private Foundation	Supporting Organization
Costs to open	None	Must pay legal and accounting fees for incorporating, filing IRS paperwork, etc. (Usually \$5K-\$30K)	Must pay legal and accounting fees for incorporating, filing IRS paperwork, etc. (Usually \$5K-\$10K)
Costs to operate	Cost varies by public charity, but typically less than 1% of assets per year	Continual fees for legal advice, accounting, administration, etc. (\$5K-\$30K)	Continual fees for legal advice, accounting, administration, etc. (Usually \$5K-\$20K)
Governance and the donor's role	The public charity has control, but donors have advisory rights.	The donor family has total control of the board. After the donor passes, the board has total control.	The Donor may help select board members, as long as neither the donor nor a family member can control, directly or indirectly, more than 49% of the board.
Right to manage assets and grants	The donor can recommend where to grant and invest assets, but the public charity has ultimate control.	Subject to self-dealing rules, the board has ultimate control of where to grant and invest assets.	The donor can recommend where to grant and invest assets, but the board has ultimate control.
Required to distribute	No	Must distribute 5% of foundation assets annually	No
Grant to non-exempt individuals	No	Yes, following the same requirements as when granting to foreign charitable organizations.	Yes, following the same requirements as when granting to foreign charitable organizations.
Limits on tax deductible gifts for cash and publicly traded securities	Cash gifts can be deductible up to 60% of adjusted gross income (AGI). Publicly traded securities can be deductible up to 30% of AGI.	Cash gifts can be deductible up to 30% of AGI. Publicly traded securities can be deductible up to 20% of AGI.	Cash gifts can be deductible up to 60% of AGI. Publicly traded securities can be deductible up to 30% of AGI.
Limits on tax deductible gifts for non-liquid appreciated assets (long-term capital gain)	Gifts' fair market value can be tax deductible up to 30% of AGI.	Lesser of fair market value or the donor's basis in asset up to 20% of AGI.	Gifts' fair market value can be tax deductible up to 30% of AGI.
Excise Tax	No	Up to 2% of net investment	No
Granting anonymously	Yes	No ¹	No ¹
Private	Yes. All information from a DAF is combined under the public charity. DAFs do not require an individual tax return.	No. The donor must file a 990-PF Form, which must be made available to the public and which discloses detailed financial information.	No. The donor must file a 990 Form, which must be made available to the public and which discloses detailed financial information.
Reimbursing travel and other expenses	No	Yes	Yes, able to reimburse expenses except for disqualified persons.
Hiring staff, paying salaries and benefits	No	Yes, within reasonable compensation limits	Yes, within reasonable compensation limits, except for disqualified persons.
Exist in perpetuity	Yes	Yes	Yes

¹ If you combine a private foundation or supporting organization with a donor advised fund, your grants can be partially private and anonymous.