

# Price & Farrington's Estate Planning

## Fast Faxes December, 2000

### Price & Farrington

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### DONOR-ADVISED FUNDS:

Simply Doing Well While Doing Good



*Dear Appraiser...*  
"From Halloween to Christmas everyone loves me. Then comes December 26th—Whamo! Nobody calls, nobody writes. . . ."

You or your clients can consider a simple, inexpensive and innovative approach to philanthropy: donating cash or appreciated securities to a donor-advised fund (DAF).

**Ground rules:** Donor-advised funds are pools of assets intended for charitable giving. Such funds are available through local community foundations such as the Seattle Foundation and through charities created by major financial firms such as Schwab, Fidelity and Vanguard. Donors make irrevocable gifts to the sponsoring charity and claim an upfront deduction for the full value of the donated assets.

**Limit:** Deductions for appreciated securities held for more than one year can be no more than 30% of Adjusted Gross Income (AGI). For similar gifts to private foundations the limit is 20% of AGI.

In either case excess deductions can be carried forward up to five years.

#### How to Give

Generally, the process for giving to DAFs is simple. You fill out a form that you get from the sponsoring charity.

Besides publicly traded securities, many DAFs will accept restricted and privately

held stock. Once the securities are donated, they're sold by the sponsoring charity, which won't owe any tax on your prior gains. The proceeds are then placed in various investment accounts chosen by the donor. After the contribution you, as the donor-advisor, recommend to the sponsoring charity the amount and timing of grants to various recipients. There are no required distributions, so you can take your time about spreading your wealth.

Even though you can claim an immediate deduction, the actual charitable donations from the DAF (known as "grants") may be spread over a period of years. Thus, you, as the donor-advisor, retain the privilege to recommend grants from money or other assets you've given away.

Recommending grants is uncomplicated. You simply send information regarding the gift to the sponsoring charity which in turn will send a check directly, indicating that the gift is from your fund. Grants may be very specific, such as to your town to support the local library. Bear in mind that you can't recommend a grant that will provide you with a personal benefit.

#### Favorable Facts

When do contributions to donor-advised funds make sense?

• **You have one highly appreciated stock position** and want to recommend gifts to multiple charities. Contributing \$50,000 to a DAF and then recommending ten grants is an easy way to accomplish this goal.

• **You need year-end planning help.** Your December tax planning calls for you to donate appreciated securities right away but you can't name all the charities or you don't want to go through the paperwork. You can donate the securities to the DAF, claim the deduction, and recommend the grants later. Contributing appreciated assets may get you out of an investment or a portfolio

you've refrained from selling because of the tax consequences.

• **Suppose your income increases this year**, perhaps from an exercise of stock options. Giving assets to your DAF may bring your 2000 taxable income into a lower bracket.

A donor-advised fund offers many of the benefits of a private family foundation — retaining control over future charitable contributions, a long term approach that can involve family members and "bequeath" to them the responsibility for charitable giving, the opportunity to associate with local leaders involved in community affairs, and immediate tax advantages — without the expense, burdensome tax compliance and self-dealing rules of private foundations.

**Bottom line:** Local or national, donor-advised funds provide an easy way for you or your clients to get involved in philanthropy, complete with simplicity, immediate tax advantages and a long-term approach involving other family members. ■

For further information on how a donor-advised fund would apply to you, contact us or your tax advisor.

#### You Are Invited To 3 Seminars!

"PROTECT YOUR ESTATE!  
THE NUTS & BOLTS of  
ESTATE PLANNING"

Tues. Jan. 23, 7:00-9:15 p.m.

and

Thurs. Jan. 25, at 10 a.m.-12:15 p.m.

so

"PAY NO ESTATE TAX!

ADVANCED ESTATE PLANNING  
FOR ESTATES OF \$2M and UP"

Thurs., Jan. 25, 7:00-9:15 p.m.

so

"IRA PLANNING:

TOOLS, TIPS and TRAPS"

Tues., Jan. 23, 10:00 a.m.-12:15 p.m.

All 3: Bellefield Conf. Ctr. In Bellevue  
2 hours CE: Call us to Register.



### Happy Holidays

From all of us at:

### Price & Farrington

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