



# PROFESSIONAL ADVISOR NEWSLETTER

MONTHLY NEWSLETTER

APRIL 2025 TRENDING TOPIC 2

**YOUR PARTNER IN STRATEGIC PHILANTHROPY PROFESSIONAL  
ADVISORY SERVICES.** Empowering Financial Growth and Community Impact



## FRAN BROLLEY

President and CEO

Starved Rock Country Community Foundation



**GREETINGS FROM SRCCF!**

## UPDATES FROM YOUR COMMUNITY FOUNDATION TEAM FOR APRIL 2025

Hello from the Starved Rock Country Community Foundation!

The SRCCF team is honored to work with attorneys, CPAs, and financial advisors as you help your clients achieve their charitable giving goals. Put us on speed dial—we want to be your first call when the agenda turns to philanthropy!

As part of our service to you and other advisors, the SRCCF is committed to letting you know about trends and developments that may impact your clients' charitable giving strategies. To that end, we are releasing two April 2025 newsletters with topics that are popping up frequently in our conversations with both donors and advisors.

In our first April 2025 issue, Topic 1 addressed trust as being at the foundation of your client relationships.

In this issue, Topic 2 addresses private foundations and donor-advised funds to assist you in helping your clients make the best choice for them.

Please reach out anytime you're dealing with a client matter related to charitable giving. We can almost always provide a solution, and if we can't, we will recommend the best next steps for you and your client.

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## WEIGHING THE OPTIONS: PRIVATE FOUNDATION OR DONOR-ADVISED FUND?

**Deciding whether a private foundation or a donor-advised fund is the best vehicle for your client can be challenging, especially if the client walks in the door with preconceived notions. A donor-advised fund at the SRCCF may be more flexible and effective than you assume and often is the ideal tool to achieve clients' tax and charitable giving goals.**



When you're working on the charitable components of a client's estate or financial plan, one of the first areas you'll likely explore is the structure. Certainly you are familiar with both private foundations and donor-advised funds as useful charitable giving tools. Before you jump into one or the other for a particular client, though, it's important to review the similarities and differences between the two so that you can best achieve your client's goals.

**TO HELP YOU EVALUATE A CLIENT'S OPTIONS, HERE ARE THREE COMMON MYTHS ABOUT THE DIFFERENCES BETWEEN PRIVATE FOUNDATIONS AND DONOR-ADVISED FUNDS.**

### **MYTH #1: DONOR-ADVISED FUNDS ARE ALL THE SAME AND ONLY PRIVATE FOUNDATIONS CAN BE CUSTOMIZED**

Private foundations will always differ from donor-advised funds in important ways, not only because of their status as separate legal entities and the deductibility rules for gifts to these entities, but also because of the opportunities to customize governance. But it is a mistake to assume that a donor-advised fund is a cookie-cutter vehicle. Indeed, "donor-advised fund" is simply a term used to describe the structure of a fund and its relationship with a sponsoring organization such as the SRCCF. The donor-advised fund vehicle itself is extremely flexible.

Here's why:

- Donor-advised funds are popular because they allow your client to make a tax-deductible transfer of cash or marketable securities that is immediately eligible for a charitable deduction. Then, your client can recommend gifts to favorite charities from the fund when the time is right.
- A donor-advised fund at the SRCCF is frequently a more effective choice than a donor-advised fund offered through a financial institution. That's because at the SRCCF, your client is part of a community of giving and has opportunities to collaborate with other donors who share similar interests. Plus, we are local and are deeply knowledgeable about the needs of our region and the nonprofits meeting those needs.
- We can work with you and your client to build a charitable giving plan that extends for multiple future generations. That is because the team at the SRCCF supports your clients in strategic grant making, family philanthropy, and opportunities to learn about local issues and nonprofits making a difference.

## **MYTH #2: DECIDING WHETHER TO ESTABLISH A DONOR-ADVISED FUND OR A PRIVATE FOUNDATION MOSTLY DEPENDS ON SIZE**

The size of a donor-advised fund, like the size of a private foundation, is unlimited. The United States' largest private foundations are valued well into the billions of dollars. Information about private foundations, ironically, is not so private. The Internal Revenue Service provides public access to private foundations' Form 990 tax returns. That is not the case for individual donor-advised funds.

Similarly, donor-advised funds are not subject to an upper limit. Although information on the asset size of individual donor-advised funds is not publicly available, anecdotal information indicates that some donor-advised funds' assets may total in the billions of dollars.

Indeed, a donor-advised fund of any size can be an effective alternative to a private foundation, thanks to fewer expenses to establish and maintain, maximum tax benefits (higher deductibility limitations and fair market valuation for contributing hard-to-value assets), no excise taxes, and confidentiality (including the ability to grant anonymously to charities).

The net-net here is that the decision of whether to establish a donor-advised fund or a private foundation—or both—is much less a function of size than it is other factors that are tied more closely to the objectives a client is trying to achieve.

### **MYTH #3: DONOR-ADVISED FUNDS AND PRIVATE FOUNDATIONS ARE MUTUALLY EXCLUSIVE**

Make sure you're aware of the benefits of using both a donor-advised fund and a private foundation to accomplish clients' charitable goals. For example:

- Donor-advised funds can help meet the need for anonymity in certain grants, which is typically difficult using a private foundation on its own.
- A donor-advised fund can receive a client's gifts of highly-appreciated, nonmarketable assets such as closely-held stock and real estate, and benefit from favorable tax deduction rules not available for gifts to a private foundation.
- An integrated donor-advised fund and private foundation approach can help a client balance and diversify investment and distribution strategies to ensure that giving to important causes remains steady even in market downturns.

Some private foundations are even considering transferring their assets to a donor-advised fund at a community foundation to carry on the foundation's mission. Terminating a private foundation and consolidating giving through a donor-advised fund is sometimes the best alternative for a client when the day-to-day management and administration of the private foundation has become more time-consuming than expected and is taking time and focus away from nonprofits, the community, and making grants.

Along these lines, some families find that the tax rules related to investments, distributions, and "self-dealing" have become harder to navigate and are perhaps even preventing the family from maximizing tax benefits of charitable giving. Finally, the administrative load of managing a private foundation sometimes becomes overwhelming, especially if the family members who handled these functions initially have retired, passed away, or simply become busy with other projects.


**The bottom line here is that we encourage you to reach out to the team at the SRCCF anytime you are evaluating how to structure a charitable giving plan to achieve both your client's charitable goals and financial goals. Our team is here to help. In many cases, our tools and services are a great fit for your client's needs. If not, we will point you in the right direction.**

**As always, we want to be your first call! Please reach out to us anytime the topic of charitable giving comes up during a client conversation.**

## STARVED ROCK COUNTRY COMMUNITY FOUNDATION

*Connecting People Who Care  
With Causes That Matter*

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The team at the community foundation is honored to serve as a resource and sounding board as you build your charitable plans and pursue your philanthropic objectives for making a difference in the community. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice. Please consult your tax or legal advisor to learn how this information might apply to your own situation.

**THANK YOU FOR THE OPPORTUNITY  
TO WORK TOGETHER!**

