Douglas County Community Foundation
CELEBRATING 20 YEARS

Professional Advisor News

February 2022

Greetings!

We're honored to work with so many attorneys, accountants, and financial advisors who are committed to helping clients achieve their philanthropic goals. Every day, we are inspired by our donors — your clients — who frequently tell us how grateful they are for the strong working relationship between you, as their trusted advisors, and our team, as a trusted source for community knowledge and charitable gift planning.

In that spirit, we provide this newsletter to help you stay current on the charitable giving topics that are on the minds of your philanthropic clients, including tax developments that impact charitable giving. Our goal is to provide a valuable top-line rundown and an open invitation to reach out to our team to discuss topics that catch your eye. We would be happy to share more and add value to your work. As always, we love hearing from you!

For your clients with family-owned businesses

More than half of the country's GDP is generated by the 5.5 million family-owned businesses in the United States. The vast majority of family business owners report that factors other than profits — such as culture, community, charity, and values — are also important to the business. Although it is not surprising that philanthropy is a vital part of the family business fabric, setting up the right structure to leave a legacy is not a cakewalk. As you advise business-owner clients, asking the right questions can help them create or grow a corporate philanthropy program within the family enterprise.

Getting organized

Does the company have a strategy or system for prioritizing sponsorship requests, charity event invitations, and requests for donations? Is the strategy based on the owners' values, along with employee input? What is the communication strategy for maintaining positive relations with the charities whose requests the company turns down? How are requests from employees handled? Could a corporate donor-advised fund at DCCF help streamline administrative load? Is there a corporate foundation in place and if so could it be streamlined into a corporate donor-advised fund to save administration hassles and better leverage tax strategies?

Getting employees engaged

If the company has a community engagement program, how popular is it? For example, is there a matching gifts program, and is it being utilized as expected? Are employees eager to attend community events to sit at the company's tables, or is it sometimes hard to fill seats? Are there opportunities for employees to volunteer together at local nonprofits? Has the company surveyed employees to learn about their favorite causes and the ways they prefer to give back (e.g., donate money, volunteer, serve on boards)?

Getting the word out

How is the company letting employees and other stakeholders know about its community commitments? Is it a priority to share civic engagement with the outside world, such as through a page on the company's website — or is the company's approach to stay under the radar? Do the employee handbook and recruiting materials describe community engagement opportunities for employees?

The sale of a closely held business creates strong opportunities for tax-savvy charitable giving and it is critical to plan ahead. The team at DCCF can help you serve your family business clients by setting up corporate donor-advised funds, assisting with matching gifts programs, creating donor-advised funds for employees, collaborating on philanthropic components of business sales, and more. Just call! 785-843-8727.

Hard-to-value assets:
Not just real estate anymore

Giving hard-to-value assets to a client's donor-advised fund at DCCF has multiple benefits. Because the community foundation is a public charity, your client is eligible for the maximum allowable tax deduction for their contributions. This is because a client typically can deduct the fair market value of the asset given to the fund. Then, when the fund sells the asset, DCCF (as a public charity) does not pay capital gains tax. This means there is more money in the donor-advised fund to support charities than there would be if your client had sold the hard-to-value asset on their own and then contributed the proceeds to the donor-advised fund.

Individuals can take advantage of giving hard-to-value assets, and so can businesses. When a business is sold, its owners may find themselves with artwork, insurance policies, or real estate on their hands, any of which can be donated to a donor-advised fund with the favorable tax treatment described above. Gifts of real estate have long been popular gifts to charity, sometimes making up nearly 3% of the value of all charitable contributions in any given year.

And the universe is expanding! In 2021, gifts of novel non-cash assets such as cryptocurrency made their mark as a viable way to fund donor-advised accounts and other charitable efforts. NFT (non-fungible token) auctions resulted in more than $1 million in 2021 Giving Tuesday charitable donations processed by Giving Block.

We can help your charitable clients make any type of gift by guiding you and them through the gifting process — and, in the case of crypto, collaborating with well-vetted intermediaries like Giving Block — so that their donor-advised funds can grow and support your their favorite charities.

The team at DCCF is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients.

Transfer of wealth: Following the money

"The greatest wealth transfer in modern history has begun," according to a mid-2021 report in the *Wall Street Journal*. And, with tax reform's big bite into estate values off the table, at least for now, many of your older clients may be thinking seriously about their legacies.

These legacies will be significant. As of March 31, 2021, according to data collected by the Federal Reserve, Americans in their 70s and older had a total net worth reaching almost $35 trillion. By 2042, an estimated $70 trillion will change hands, including an estimated $9 trillion flowing to charities, according to research conducted by Cerulli Associates.

As you advise an older client, an important part of the conversation will be to determine the best charitable giving vehicles to achieve their community goals. Your clients are learning about their options in the media and likely have a greater level of awareness about charitable giving options than ever before. Here are key points to keep handy for those conversations (as you pick up the phone to call the community foundation team!):

- A donor-advised fund at DCCF costs nothing to set up, and ongoing fees are minimal.
- A donor-advised fund can be created quickly — within a week or even days. A private foundation, by contrast, requires establishing a legal entity through state and IRS filings.
- Donating hard-to-value assets to a donor-advised fund delivers better tax benefits (deduction of fair market value) than does a gift of the same assets to a private foundation (deduction of cost basis).
- A client can deduct a greater portion of AGI (e.g., cash deductible up to 60% of AGI) with a gift to a donor-advised fund than with a gift to a private foundation (e.g., cash deductible up to 30% of AGI).
- Ongoing operations of a donor-advised fund through DCCF are very easy, with no tax filings required.
- Sometimes, both a private foundation and a donor-advised fund are useful tools to meet a client's charitable giving goals. We can help you develop a structure for your client that maximizes the benefits of each vehicle within an overall philanthropy strategy.

Consider encouraging your clients to make charitable giving part of "living large" in their golden years, especially in light of an emerging trend that some retirees are spending their money instead of giving it away.

Remind your clients that the best time to set up their philanthropic plans really is right now. By being proactive, your client has nothing to lose and everything to gain in ensuring that their charitable wishes are carried out. To that end, we regularly work with advisors helping clients who wish to establish "shell funds" to receive bequests after the clients pass away. A shell fund allows a client to describe charitable intentions, including naming advisors and suggesting nonprofits to receive fund distributions, to guide the heirs through the client's charitable legacy. Your client can name the fund, and even provide that DCCF's board of directors work with advisors to make grants and evaluate impact. A shell fund agreement can be modified anytime before your client's death.

Douglas County Community Foundation
CELEBRATING 20 YEARS

900 Massachusetts, Suite 406
Lawrence, KS 66044
785-843-8727
785-843-8735 fax
www.dccfoundation.org