

# Comparing three approaches to giving

Discover the benefits of working through **your community foundation**



|                                    | Community Foundation Fund                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Commercial Donor Advised Fund                                                                                                                                                                                        | Private Foundation                                                                                                                                                     |
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| <i>Items to consider</i>           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                      |                                                                                                                                                                        |
| <b>Background</b>                  | <p>National network of 155 local foundations, created by, and for, their communities. Work in collaboration with local charities.</p> <p>Pioneered Donor Advised funds in Canada establishing first fund in 1952.</p>                                                                                                                                                                                                                                                                                 | <p>Led by financial institutions and investment management firms.</p> <p>Came to Canada in 2004.</p>                                                                                                                 | <p>More than 2,300 active foundations in Canada. 85% are family foundations.</p>                                                                                       |
| <b>Administrative Requirements</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                      |                                                                                                                                                                        |
| <i>Start-up costs</i>              | None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | None.                                                                                                                                                                                                                | Legal and accounting expenses. Filing fees.                                                                                                                            |
| <i>Minimum contribution</i>        | Accessible to individuals of more modest means >\$10,000. Some foundations allow several deposits to reach minimum. Minimum depends on individual community foundation.                                                                                                                                                                                                                                                                                                                               | Varies from \$10,000 to \$250,000.                                                                                                                                                                                   | No mandated minimum but expert opinion varies from capital of \$1-million to \$5-million.                                                                              |
| <i>Ongoing costs</i>               | Pooled administration provides economy of scale, lowers annual fee to the 0.5% to 1.5% range.                                                                                                                                                                                                                                                                                                                                                                                                         | Fees vary from 1.5% to more than 2.5%. Additional fees may be charged for grant distribution, reporting and trailer fees.                                                                                            | Administrative fees vary from .75 to 1.5% of assets, depending on size and staffing.                                                                                   |
| <i>Reporting</i>                   | Community foundation handles reporting.                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Foundation administering commercial gift fund handles reporting.                                                                                                                                                     | Accountant, lawyer or staff person handles reporting.                                                                                                                  |
| <b>Governance</b>                  | Arm's length Board of Directors and committees comprised of cross section of local community leaders.                                                                                                                                                                                                                                                                                                                                                                                                 | Board membership varies but generally includes members of financial institutions senior staff and board of directors.                                                                                                | Board comprised of trustees/directors initially chosen by the donor. More than half of Board may be persons in a non-arm's length relationship with donor.             |
| <b>Tax Status</b>                  | Public charity.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Public charity.                                                                                                                                                                                                      | Private charity.                                                                                                                                                       |
| <b>Donor Involvement</b>           | <p>Donor can recommend grants to qualified non-profit groups. Grants are approved by community foundation board of directors.</p> <p>Donor can name fund for family or other loved ones. Can involve family in process and appoint successors to advise on fund after death.</p> <p>Local foundation can help donors develop focus and process for their granting.</p> <p>Opportunity for involvement in high-impact community leadership initiatives, foundation events, site visits as desired.</p> | <p>Donor can recommend grants to qualified non-profit groups. Grants are approved by trustees of the gift fund.</p> <p>Donor can name fund for family or other loved ones. Treatment of fund after death varies.</p> | <p>Donor appoints board, which controls investments and grantmaking.</p> <p>Donor can name foundation for family or other loved one and involve family in process.</p> |

|                                     | Community Foundation Fund                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Commercial Donor Advised Fund                                                                                                                                                                                 | Private Foundation                                                                                                                                                                                   |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Donor Options</b>                | <p>Work with local experts in philanthropic administration and grantmaking to choose from wide variety of funds. Giving and granting tailored to individual's needs and goals.</p> <p>Can coordinate giving and support entire range of charities.</p> <p>Gift agreements could take as little as 24 hours to complete.</p>                                                                                                                                                                                                                                                                                                             | <p>Usually one fund offered with several investment options.</p> <p>Can coordinate giving. Some limits on number of grants per gift.</p> <p>Gift agreements could take as little as 24 hours to complete.</p> | <p>Donor sets up foundation according to his/her wishes.</p> <p>Can coordinate giving and support entire range of charities</p> <p>Set up of foundation can take 6 to 12 months.</p>                 |
| <b>Tax Considerations:</b>          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                               |                                                                                                                                                                                                      |
| <i>Tax Credit</i>                   | Donors can claim credit to a maximum of 75% of their net income. Excess can be claimed in any of the next five years.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Donors can claim credit to a maximum of 75% of their net income. Excess can be claimed in any of the next five years.                                                                                         | Donors can claim credit to a maximum of 75% of their net income. Excess can be claimed in any of the next five years.                                                                                |
| <i>Appreciated stock</i>            | Capital gains tax is eliminated.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Capital gains tax is eliminated.                                                                                                                                                                              | Capital gains tax is eliminated.                                                                                                                                                                     |
| <i>Private company shares stock</i> | Immediate tax savings for most gifts of private company shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Immediate tax savings for most gifts of private company shares                                                                                                                                                | Tax savings are deferred and may be denied. Donation receipt can only be issued at time of disposition which must be within five years.                                                              |
| <b>Grantmaking Support</b>          | <p>Professional staff and board of community leaders can help identify and assess local grantees, provide input on changing community needs, and verify non-profit status of groups</p> <p>Foundation makes grant payments, monitors performance, reports to donor.</p> <p>Expertise and advice in broad range of granting areas including the arts, health, education, social services, the environment.</p> <p>Understanding of issues and connections in community creates opportunities for innovative work on pressing issues such as poverty.</p> <p>Strong relationships with government bodies, other funders and agencies.</p> | <p>Only Bank of Montreal FG offers local charitable expertise at national level.</p> <p>Foundation makes grant payments and reports to donor.</p>                                                             | <p>Foundation board and/or staff arrange and support grantmaking and monitoring structure.</p> <p>Foundation can adopt innovative approach to grantmaking, based on foundation's chosen mandate.</p> |
| <b>Investment Management</b>        | <p>Community foundation board sets investment policy</p> <p>Investment committee made up of volunteer investment and finance professionals who recommend the hiring of investment managers and monitor their performance.</p>                                                                                                                                                                                                                                                                                                                                                                                                           | <p>Participating financial institution sets investment policy in conjunction with public foundation.</p> <p>Financial institution's investment arm manages the funds.</p>                                     | <p>Trustees/directors set the investment policy.</p> <p>Trustees/directors manage the funds directly or hire professional investment managers and monitor their performance.</p>                     |