



# Futures

A no-nonsense newsletter for estate planners and financial advisors from The Dayton Foundation

## Private Foundation Alternative Serves Clients with Strong Commitment to Charitable Giving

By R. Scott Blackburn, Chairman of Estate Planning & Probate Department, Coolidge Wall Co., L.P.A.

*“Our firm has had many clients take advantage of this unique vehicle [Family Foundation Plus].”*

—R. Scott Blackburn

The residents of Greater Dayton historically have had a strong commitment to charitable giving, and our clients are no different. People of all means not only give generously to charities during their lifetimes, but they also often include charities in their estate plans.

There are many different ways to incorporate charitable giving into an estate plan. One option, available through The Dayton Foundation, is called The Dayton Foundation’s Family Foundation Plus.<sup>SM</sup> Our firm has had many clients take advantage of this unique vehicle. The best way I can describe how it works and its benefits is through an example with a hypothetical “Smart family.”

### Example

Joan and John Smart started their business 40 years ago, a classic example of Dayton ingenuity and entrepreneurship, building widgets in their basement. After years of hard work and sacrifice, Smart Widgets grew to be one of the largest widget manufacturers in the United States.

The Smarts have three children, none of whom were interested in continuing the family business. Last year, after a few months of savvy negotiations, Joan and John sold their Smart Widgets company, securing the family’s financial future.

While Joan and John were busy growing their company, a separate dream was being cultivated through their charitable influence throughout the community. The Smarts always had been involved in many different charities, and they consistently had included their children in their charitable pursuits. As a result, their family already had a strong culture of charitable giving that they were determined to continue after the sale of their business. The Smarts also were looking forward to enjoying their well-deserved retirement.

Like many clients, the Smarts had done their homework prior to meeting with us to revise their estate planning documents. With their business sold, their children, now young adults with careers of their own, and with a renewed vision of making a difference through their charitable endeavors in the community, the Smarts were interested in a private foundation or other charitable trust. So they sought advice on the best vehicle that would keep them involved, but not to the extent of having to administer and oversee their foundation. They also hoped to continue to encourage their children to participate in charitable giving.

### Determining the Best Option

In deciding which option to choose, we compared private foundations to The Dayton Foundation’s alternative, Family Foundation Plus (FF+), and used the following criteria.

**1. Ease of start-up.** In order to establish a private foundation, it requires the expense and time associated with attorneys and tax professionals to provide the appropriate documentation necessary to set it

up and to qualify it as a charitable organization under the Internal Revenue Code. Family Foundation Plus, on the other hand, already has been established as a public charity under The Dayton Foundation, and there are no start-up fees. As a result, the amount of time and expense required to set up a fund is significantly less with FF+ than with a private foundation.

**2. Donor direction.** With a private foundation, donors have the ability to control where grants are made. Family Foundation Plus also allows donors to exercise discretion over the grantmaking process and to pass that responsibility on to future generations.

**3. Ease of administration.** In order for a private foundation to run efficiently, it must employ its own managers to perform everyday operational tasks and manage investments, as well as administer the reporting and tax requirements associated with a private foundation. Often it is necessary to hire tax professionals, attorneys and accountants, which add to the cost of administration. Family Foundation Plus takes care of these reporting and administrative matters, including investment management of the fund, the expense of which is covered by a reasonable annual assessment. Overall costs and administrative efficiencies are optimized with a FF+ fund.

**4. Taxes and annual payout requirements.** Private foundations are subject to annual minimum distribution requirements of at least 5% of net investment assets, as well as an excise tax. A separate tax return, the Form 990PF, must

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R. SCOTT BLACKBURN

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*Continued from page 1*

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Futures is made possible by five Dayton Foundation

## I Believe!

donors and families who have stepped forward to become the 2012-2013 “I Believe!” Partners of The Dayton Foundation. Their commitment underwrites a full year of Dayton Foundation publications, thereby freeing resources for the Foundation’s other community work.

“I Believe!” Partners:  
Alpha Kappa Alpha Sorority, Inc.,  
Beta Eta Omega Chapter,  
Michael E. Ervin,  
Jane B. & Bond R. Hattershire,  
Barbara N. O’Hara,  
Carol S. Warner & Frank J. Winslow

be filed by a private foundation. Deductibility of donations to a private foundation has substantial limitations. Alternatively, FF+ is not subject to an annual minimum distribution requirement — only that a \$750 grant must be made every seven years. There is no excise tax with a FF+ fund, and deductibility of contributions to the fund is treated as a gift to a public charity under The Dayton Foundation. This is more favorable tax treatment than a private foundation receives.

### 5. Size of charitable donation.

Due to the significant costs of establishing and administering a private foundation, the charitable donation required to justify those expenses usually is much larger than with Family Foundation Plus. In fact, many donors start with an initial contribution, followed by additional contributions during their lifetime and at their death.

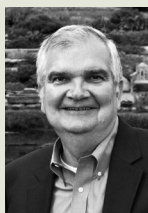
**6. Future charitable giving stays in the family.** Similar to a private foundation, a Family Foundation Plus fund allows for the family’s philanthropy to be passed along from generation to generation.

### Making the Choice

For the Smarts, ultimately, the ease of start-up and administration of the fund swayed them to use The Dayton Foundation’s Family Foundation Plus option. It enabled them to enjoy their retirement and continue to be as involved as they wished in pursuing their philanthropic goals.

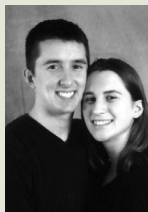
They implemented an estate plan that provided for an initial current gift to establish the Smart FF+ fund, with plans to make additional contributions during their lifetimes and at their deaths. This option allowed them to enjoy their retirement and actively participate in

## Dayton Foundation Donors Talk About Their Experiences with Family Foundation Plus



“My family loves how easy Family Foundation Plus makes our charitable giving and the tax advantages it gives us. In addition, our focus on helping this region is so consistent with The Dayton Foundation’s mission.”

- Jerry Tatar, The Dayton Foundation’s first Family Foundation Plus donor



“Through our Dayton Foundation Family Foundation Plus fund, we feel that we can work with our community to realize its goals and be a part of its future.”

- Frank and Becky Levinson



“It’s important to keep the community moving forward. This means helping our neighbors in need. Our Dayton Foundation Family Foundation Plus fund helps us to do this.”

- Kevin and Karen Crotty



“We like that after we are gone, our family will be able to direct gifts from the fund to help organizations that are important to us and that our family name and charitable interests will live on.”

- William and Carolyn (Toni) Winger

this very important aspect of their family culture that had been cultivated over the years. The Smarts were pleased that they were able to name their children and grandchildren as successor directors to their FF+ fund, knowing that their family could continue to be involved without having to worry about the details of the day-to-day administration of their fund.

If Family Foundation Plus sounds like something you and your family would be interested in, I would encourage you to talk to a Development officer at The Dayton Foundation to explore the opportunities it provides. I have worked with the Foundation’s Development officers numerous times over the years to address charitable giving opportunities for clients. I always have found them to be professional, cooperative, knowledgeable and exceptionally responsive to the clients’ needs. 🌱

Note: Solutions differ from case to case. The above does not constitute professional financial or tax advice. The contents of this article are not intended to serve as legal advice related to individual situations or as legal opinions concerning such situations. Counsel should be consulted for legal planning and advice. To the extent this communication contains any advice construed as written tax advice under Circular 230, the recipient may not use or rely on such written advice to avoid penalties asserted by the Internal Revenue Service. If you have any questions concerning this notice, the requirements of Circular 230, or how you may obtain written advice for protection against penalties, please contact the author.

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