



TOOLS TO GIVE NOW

TYPES OF FUNDS

Donor Advised Funds

Donor Advised Funds are established by donors who wish to actively participate in the grant-making process. Individuals who establish a donor advised fund recommend grants to charitable organizations they want to support. It is easy to give to multiple nonprofits through a donor advised fund. Our Board of Directors is legally responsible for approving all grants. A sample of the Donor Advised Fund Agreement is included in Appendix 1.

Designated Funds

Donors who wish to support a specific agency or cause can establish a Designated Fund. If the original charity ceases to exist, becomes obsolete or is unable to perform its charitable purposes, our Board of Directors is able to redirect the funds to organizations providing similar services without the cost of expensive legal action. Many nonprofit organizations establish an endowment fund with us in order to grow assets to meet both current and future needs. They look to our Board of Directors for strong investment oversight services and ask our staff to manage all of the administrative details of the endowment. This can provide a relatively constant source of annual income and help maintain their mission in perpetuity. It also frees the nonprofit to focus on what they do best in the community. Donors can create a new designated fund, or contribute to an existing one.

Field of Interest Funds

Field of Interest Funds are often established to support particular interest areas, specific program initiatives, causes or geographic areas. At the donor's request, the use of funds is restricted to a specified area of interest, but flexibility remains to meet changing situations.



TYPES OF FUNDS (CONTINUED)

Scholarship Funds

The creation of a scholarship fund is attractive to many donors and can be structured to benefit students at any education level, or for a specific institution. A scholarship fund can also be established to honor a loved one. Some donors choose to stay involved through advisory relationships, while others name advisory committees to assist in the selection of recipients. Either way, our staff will handle all of the details and will ensure that scholarships are distributed in an equitable manner.

Unrestricted Funds

Unrestricted Funds are not specifically designated for use by a particular agency, cause or area of interest. Our Board of Directors oversees the use of these funds, setting priorities for their use and determining how grants will be distributed to support the charitable needs of our community. Unrestricted funds give us the ability to respond to pressing and often changing needs in the community.



COMPARISON CHART

Donor Advised Fund

This type of fund provides the donor with the greatest flexibility to meet philanthropic objectives. Contributions to donor advised funds generally qualify for the best available tax deductions as gifts to a public charity. The donor is given the right to recommend grants to any non-profit organization [501(c)(3)] in the country in the form of investment income, appreciation and/or the corpus of the fund. Distributions will be made in the fund's name, and the donor receives quarterly statements. The donor also has the right to name advisors to the fund who can make grants in the fund's name after the death of the donors.

Supporting Organization

Through a unique collaboration with GHCF, a person can form a supporting organization. Structured as a separate corporation or trust, a supporting organization has its own trustees. However, by sharing management and administration with GHCF, a supporting organization is particularly cost effective. Most importantly, it is - for tax purposes - a public charity, thereby entitling its donors the best available charitable tax deductions.

Private Foundation

A private foundation allows extensive donor control over distributions, board selection and investment management. However, private foundations are highly controlled by the IRS with many special restrictions and regulations, including administrative and reporting burdens, excise taxes and a required minimum payout.

As described in the chart in the next section, Donor Advised Funds and Supporting Organizations are managed and administered by the Greater Houston Community Foundation.

Comparisons	Donor Advised Fund	Supporting Organization	Private Foundation
Creating the Foundation	Established at GHCF by a simple agreement	Nonprofit corporation or trust created with assistance from GHCF	Nonprofit corporation or trust organized as a private foundation
Tax Exempt Status	Shares the public charity tax exempt status of GHCF, as a “component” of GHCF	Shares the public charity tax exempt status of GHCF	Must apply for private foundation tax exempt status from the IRS
Start-up Costs	No cost to donor	Primarily legal fees, similar to a corporate start up	Similar to a corporate start-up requiring substantial legal, accounting, and operational start-up costs
Recommended Size	\$50,000 or more	\$2 million or more	Substantial assets required
Charitable Deductions for Cash Gifts	Tax deduction of up to 50% of adjusted gross income (AGI)	Tax deduction of up to 50% of adjusted gross income (AGI)	Tax deduction of up to 30% of adjusted gross income (AGI)
Charitable Deductions for Appreciated Property	Tax deduction available for full fair market value of marketable securities & other property Tax deduction available up to 30% of adjusted gross income (AGI)	Tax deduction available for full fair market value of marketable securities & other property Tax deduction available up to 30% of adjusted gross income (AGI)	Tax deduction may be taken for fair market value of marketable securities up to 20% of AGI. Tax deduction for other property is limited to the <i>lower</i> of cost or fair market value
Donor Control	Donor makes advisory grant recommendations; final decisions rest with GHCF’s board of directors	Donor holds significant organizational influence and may appoint minority of the board members	Donor retains complete control over investments and grant making, subject to IRS requirements
Self-Dealing Rules	Private foundation self-dealing rules do not apply	Private foundation self-dealing rules do not apply	Strict regulations prohibit most transactions between a private foundation and its donors (including related persons or organizations)
Payout Requirements	Do not apply	Do not apply	Must pay out for charitable purposes at least 5% of its asset value annually, regardless of its income
Administrative Concerns (personnel, facility, gift, and grant managing)	Services provided by GHCF	Affiliation with GHCF provides access to existing services	Must establish and/or obtain these services
Annual Costs	Minimal	Shared by GHCF and therefore kept at a minimum	Administration can be costly
Annual Taxes	None	None	Subject to an excise tax of up to 2% of net investment gain, including net capital gains & income
Annual Tax Filings & Returns (990 Report)	Not required (reported as part of GHCF’s annual reporting)	Can be prepared and must be filed by GHCF, or GHCF can oversee preparation	Must be filed by the private foundation with required reporting schedules
Investments	Fund assets are professionally invested through GHCF’s investment program	May avail itself of investment services offered by GHCF or manage itself	Must research, secure, and carefully monitor its own investment vehicles
Fiduciary Responsibility	GHCF fulfills the associated fiduciary responsibilities	The board of the supporting organization has fiduciary responsibilities	The private foundation board has fiduciary responsibility
Liability & Risk Insurance	Provided by GHCF	Provided by GHCF	Must be purchased by the private foundation



TOOLS TO GIVE LATER

Your clients can take advantage of several estate planning strategies designed to help them make charitable gifts while enjoying tax benefits and preserving economic security for themselves and their loved ones. Some examples are:

Bequests, which enable clients to reduce their estate taxes while supporting their community.

Charitable Remainder Trusts, which enable them to increase their income (or provide income for another person) with the knowledge that the funds remaining when the trust terminates will be used to support their charitable interests.

Charitable Lead Trusts, which enable clients to make significant charitable gifts in the near term while transferring substantial assets to beneficiaries and potentially benefiting from significantly lowered gift and estate taxes.

Retained Life Estates, which are vehicles that ensure that as a donor, a client has lifetime security in a home he or she has given to the Foundation as a charitable contribution.

Life Insurance, which can be used as a charitable asset, thereby enabling someone to be eligible for a charitable tax deduction based on the current value of a paid-up policy.

Retirement Fund Plans, which can be used to support charitable interests while achieving significant tax advantages for one's heirs.

BEQUESTS

A bequest is a way to give that is:

Flexible: Donors can change their mind at any time.

Personal: They can name specific charitable recipients or support a particular area of interest.

Economical: The estate may claim a tax deduction for the full amount of the charitable bequest.

Efficient: Donors can give almost any asset, including stock and real estate.

It is ideal for families and individuals who want:

Complete access to all their assets during their lifetimes

To leave a legacy to benefit their community

Maximum impact from their charitable dollars

To redirect assets from taxes to charities of their choice



CHARITABLE REMAINDER TRUSTS

A Charitable Remainder Trust is a way to give that is:

- **Smart:** Donors can ensure lifetime income for themselves and/or another person.
- **Tax-efficient:** CRTs can enable donors to defer capital gains taxes on sale of appreciated assets, including stocks, bonds, closely held stock, and real estate. Donors may also claim an income-tax deduction in the year the trust is established for the present value of the amount that will pass to charity when the trust terminates.
- **Flexible:** Income payments are tailored to meet the donors' needs. They can receive fixed or variable income for a specific number of years or for life.
- **Personal:** They can recommend the charity or area of interest that will benefit from the gift, and can involve their children in recommending grants.
- **Enduring:** Donors may choose to fund a donor-advised fund with the remainder of the trust. Their family can then recommend grants from the fund.

A charitable remainder trust is ideal for people who:

- Require continuing income
- Own securities, real estate, or other assets that have increased in value (although they can create a trust with cash as well)
- Are in a position to make an irrevocable gift to charity
- Want to minimize income, estate, and capital gains taxes
- Are ready to eliminate property management responsibilities

Financial facts

- Many advisors recommend a minimum to establish a charitable remainder trust of at least \$1,000,000.
- Income is paid on a chosen schedule.
- Income may be fixed or variable.
- Assets are removed from the estate, which may reduce estate taxes.
- CRTs are normally exempt from capital gains tax.
- Available income tax deductions are claimed in the year of the gift.
- The donor selects a trustee of choice.



CHARITABLE LEAD TRUSTS

What is a charitable lead trust?

A charitable lead trust makes regular distributions to a charitable fund at the Greater Houston Community Foundation for a specific period of time. When the trust terminates, the remaining assets are transferred back to the individual or heirs, usually with significant transfer tax savings. A charitable lead trust can be established for a specified number of years, or it can end upon the death of the donor.

A Charitable Lead Trust is a way to give that is:

- **Smart:** Donors can make current gifts to charitable groups while assuring that their heirs receive an inheritance at minimum tax cost, and at a time that is appropriate for them to have access to it.
- **Tax Efficient:** In most circumstances, they reduce or eliminate transfer taxes on an appreciable asset by locking in today's value.
- **Flexible:** They decide how long the trust should last and the amount of the charitable distributions. Annual distributions can be a fixed percentage of trust assets or a fixed dollar amount.
- **Personal:** They can recommend which nonprofit organizations they wish to support or they can involve their children. The fund can bear their name; the name of the family, business, or someone they would like to honor; or a name that will not identify them at all.

Who is it for? A charitable lead trust is ideal for someone who:

- Can afford to set aside a portion of their assets for a certain number of years
- Wants to ensure their heirs receive an inheritance - but not immediately
- Wants to reduce estate taxes
- Owns securities, real estate, or other assets that they expect to increase in value over the term of the trust

Financial facts

- The recommended minimum to establish a charitable lead trust is \$1 million.
- As typically structured, charitable lead trusts are not exempt from income tax. Therefore, their tax benefit is primarily in the gift and estate tax savings.
- Assets may be passed to heirs based on their value at the date of gift - which can save substantial taxes on assets that appreciate during the trust's term.
- Distributions to charity may be either fixed or variable.
- Donors may select a trustee of their choice.

RETAINED LIFE ESTATES

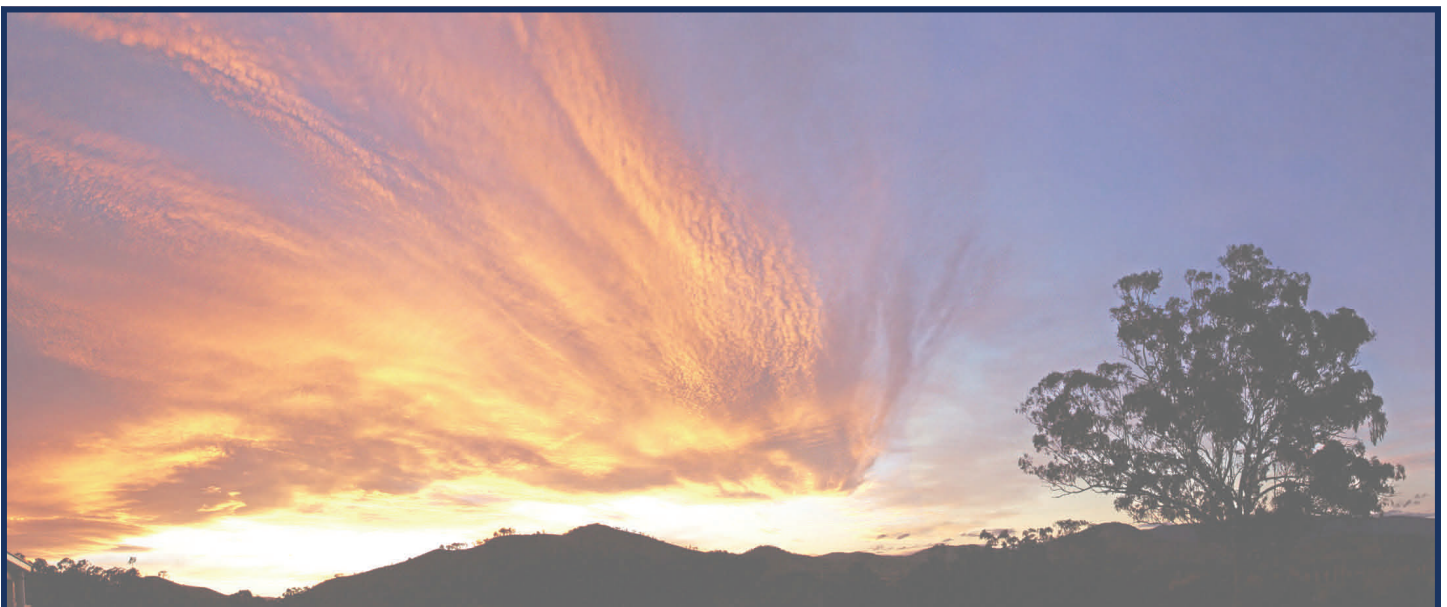
What are they?

Donors can turn their property's value into community good--while receiving financial and tax benefits--by making a charitable gift of real estate.

Donors can continue to live in and fully enjoy their home (or vacation property) as long as they like while still giving the future ownership of it to the Foundation. This is called a retained life estate. The gift of the "remainder interest" is a charitable contribution in the year the gift arrangement is made, which may result in a substantial income tax charitable deduction. When the life tenancy terminates, the Foundation becomes the owner of the property. The proceeds of the property's sale will go into a charitable fund your client establishes at the Foundation or be distributed to the charitable organizations they specify.

Highlights

- The personal residence may be a farm or vacation home as well as one's principal residence.
- The donor avoids capital gains tax on the appreciation provided there is no mortgage on the property.
- The donor may claim an income tax charitable deduction in the year of the gift, with carryover privileges for up to five additional years.
- The property is removed from the donor's estate, which will realize estate tax savings. The gift will also avoid probate and estate administration expenses.



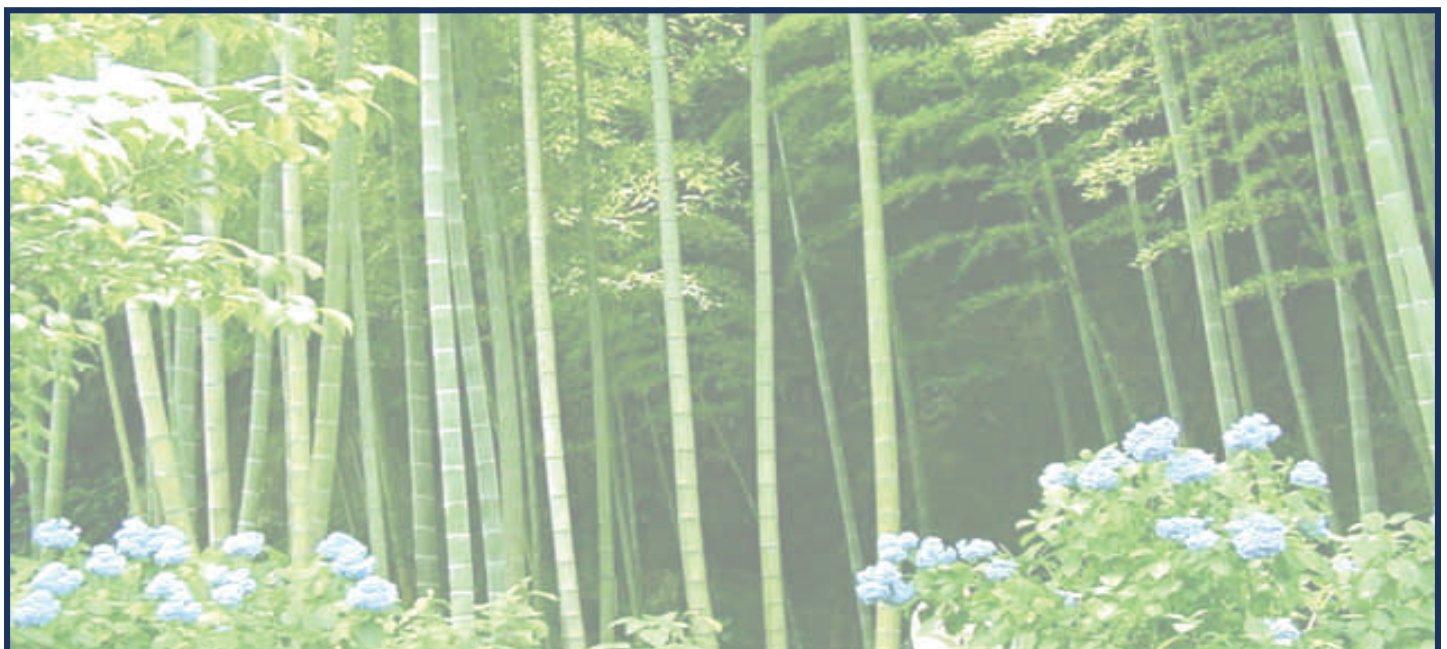
GIFTS OF LIFE INSURANCE

What are they?

There are two good and easy ways donors can use life insurance to fund their giving. If they have a paid-up (or cash value) life insurance policy that they no longer need for its intended purpose (e.g., children are grown, their spouse is pre-deceased, or tax laws have changed), they can give the policy to a fund at GHCF. The policy will be cashed in, and they can use the proceeds to make grants to charities they recommend immediately. Or, they can make life insurance part of their estate planning by naming the Foundation as a partial and/or contingent beneficiary of any insurance policy's death benefit. If one or more of their primary beneficiaries predecease them, their share can go directly into a fund they establish at GHCF.

Highlights

- When your donors make an immediate gift of an insurance policy, they may claim an income tax deduction based on the policy's current value. GHCF can cash in the policy and have proceeds go directly into the fund they establish. Or, they can convert the assets of the policy into a charitable remainder trust.
- Your client reduces estate taxes, since the value of the policy is removed from their estate.
- Naming the Foundation as the beneficiary or contingent beneficiary of their life insurance enables them to protect their loved ones while providing for the causes they care about if the policy's beneficiaries predecease them.
- They remove an unneeded asset from their estate--without affecting their income.



GIFTS FROM RETIREMENT PLANS



Why make a gift from a retirement plan?

Giving the remainder of a retirement plan is a way for a donor to make sure they have access to all their assets during their lifetime while protecting “left-over” funds from taxation at death.

It is a way to give that is:

- **Flexible:** Donors can change their mind at any time.
- **Economical:** Their estate will be entitled to an estate tax deduction, and no income tax will be due on the assets that pass to the Foundation.
- **Personal:** Their children may carry on the family’s tradition of giving. They may designate a particular area of charitable interest or name specific charitable recipients, wherever they are located.
- **Efficient:** The only documentation required is a change of beneficiary form, which is available from their plan’s administrator.

Who is it for? A gift from a retirement plan is ideal for those who want:

- Access to all their assets during their lifetimes
- To make a difference in their community
- To achieve the maximum impact with their charitable dollars
- To redirect their dollars from taxes to the causes and/or organizations of their choice
- To involve their children in family giving

Financial facts

- There is no minimum amount required for this type of gift.
- There is no fee to establish a fund.
- An administrative fee of 0.5% - with an annual minimum of \$500 - will be charged on the fund balance annually after the retirement assets are received.