Choosing the Right Charitable Vehicle: A Comparison of Private Foundations, Supporting Organizations, and Donor Advised Funds

Executive Summary. Many different types of vehicles are available for charitable giving. For large gifts, it is important for philanthropists to choose a vehicle that is right for their goals and needs. Common considerations in choosing the right vehicle include:

- Start-up costs;
- Maintenance and compliance requirements;
- Level of control for the donor; and
- Type of property to be donated.

This outline provides a summary comparison of charitable vehicles.

Charitable Vehicles. For large gifts, donors have several general choices, including:

- A direct gift to a charity;
- Establishing a Donor Advised Fund;
• Establishing a Supporting Organization;
• Establishing a Private Foundation; and
• Charitable Trusts.

A description of each type of vehicle is below, followed by a chart comparison.

**Direct Gifts.** A direct gift to a charity is a straightforward gift to a charity, potentially under a gift agreement. With a direct gift, a donor has limited oversight over the gift and no ongoing management responsibility for the gift. Direct gifts are typically best for a donor that wants to support a specific charity, without providing oversight or management on an ongoing basis. Alternatively, if the donor would like to establish an ongoing grant program, teach family members the joys of charitable giving, or establish a family fund or foundation, another charitable vehicle is more appropriate.

**Donor Advised Funds.** Donor advised funds are held and administered by other charitable entities, including:

• Community Foundations, which typically focus on giving to charitable programs in a local region or community;

• National sponsors (such as the Fidelity Charitable Gift Fund, the Schwab Fund for Charitable Giving and the Vanguard Charitable Endowment Program);

• Other Public Charities, such as schools and hospitals.

Donor Advised Funds are typically easy to set up and require minimal administrative tasks from the donor after the fund is established. Funds can typically be named after the donor, such as the "The Smith Family Foundation." Donor Advised Funds can allow a donor an immediate charitable tax deduction for a fund or endowment that will last for years.

**Private Foundations.** Private foundations are privately-funded charitable organizations. Typically, a private foundation makes grants to other organizations rather than conducting its own charitable activities. Private foundations offer a maximum level of control to donors. A donor can fully control the board of a private foundation. While offering donor control, private foundations are subject to restrictive tax rules and require ongoing administrative management.

**Supporting Organizations.** Supporting organizations are charities organized to support one or more other charities (each a "supported organization"). A supported organization is usually a public charity. By supporting another charity, a supporting organization avoids being classified as a "private foundation," thus avoiding many of the restrictive regulations applicable to private foundations. However, supported organizations are typically controlled by the supported organization (rather than the donor) and the purposes of the supporting organization are limited to supporting the supported organizations. Supporting organizations require ongoing administration and management.

**Charitable Trusts.** Charitable Trusts (such as charitable lead trusts and charitable
remainder trusts) can be useful estate planning tools. Please contact one of our estate planning team members to learn more about the use of charitable trusts in your estate plan.

**Comparison Charts.** Key advantages and disadvantages of starting a donor advised fund, private foundation or supporting organization are outlined on the chart, followed by a comparison chart of the general tax and compliance regulations applying to each type of charitable vehicle. These charts are not intended to be comprehensive, but instead compare a few aspects of the different types of charitable vehicles available to a donor.

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