



MINNESOTA COMMUNITY FOUNDATION



THE SAINT PAUL FOUNDATION

Establishing Family Foundations

Two Alternatives

Is A Family Foundation For You?

Because of your personal success, you are in a unique position to benefit those people and organizations you care most about. As you develop your financial and estate plans, you may discover that charitable giving will benefit you both personally and financially. A traditional mechanism for philanthropy and charitable giving has been the private family foundation. While this structure is still available, there is another interesting alternative you can consider. Minnesota Community Foundation and The Saint Paul Foundation have prepared this comparison to help you decide which structure is right for you.

Donor Advised Funds

You can structure a foundation for your family as a Donor Advised Fund. Through an agreement with either foundation, your contribution will be set up in a specially named fund. The fund will be managed and administered by Minnesota Community Foundation/The Saint Paul Foundation. You will be able to choose fund advisors and advise the Foundation about preferences regarding grant recipients and gift amounts. Distributions will be made in the fund's name and you will receive quarterly financial statements. As the fund is considered part of Minnesota Community Foundation/The Saint Paul Foundation's holdings, it will receive all related tax-exempt benefits.

Private Foundations

Private foundations allow extensive donor control over distributions and board selection. However, they are highly controlled by the government with many special restrictions, including administrative and reporting burdens, public access to information, excise taxes and a required minimum payout.

Minnesota Community Foundation/The Saint Paul Foundation

Minnesota Community Foundation and The Saint Paul Foundation are community foundations. Each foundation is a public charity that administers and manages charitable funds—including family foundations—on behalf of private donors, families and nonprofit organizations. We would welcome the opportunity to work with you as you consider establishing a family foundation.

For more information about establishing a family foundation, contact:

Minnesota Community Foundation/The Saint Paul Foundation, 55 Fifth Street East – Suite 600, Saint Paul, Minnesota 55101-1797

Telephone: 651.224.5463 or 800.875.6167 • Fax: 651.224.9502 • www.mncommunityfoundation.org • www.saintpaulfoundation.org

As described in this chart, Donor Advised Funds are managed and administered by
Minnesota Community Foundation / The Saint Paul Foundation.

Comparisons	Donor Advised Fund	Private Foundation
Creating the Foundation	Established at Minnesota Community Foundation/ The Saint Paul Foundation	Nonprofit corporation or trust organized as a private foundation
Tax-exempt Status	Shares the public charity tax exempt status of Minnesota Community Foundation/The Saint Paul Foundation	Must apply for private foundation tax exempt status from the IRS
Start-up Costs	No cost to donor	Similar to corporate start-up requiring substantial legal, accounting and operational start-up costs
Recommended Size	\$10,000 or more	Substantial assets required
Charitable Deductions • Cash Gifts	Tax deduction available up to 50% of adjusted gross income in any one year	Tax deduction is limited to 30% of adjusted gross income in any one year
Charitable Deductions • Appreciated Property	Tax deduction available for full fair market value Deduction available up to 30% of adjusted gross income in any one year	Tax deduction available for full fair market value Applies only to publicly traded stocks Other appreciated assets receive deductions limited to cost basis The deduction is limited to 20% of adjusted gross income in any one year
Donor Control	Donor recommends grants; IRS requires that final decisions rest with Minnesota Community Foundation/The Saint Paul Foundation	Donor retains complete control over investments and grantmaking, subject to IRS requirements
Self-dealing Rules	Federal law prohibits any grant, loan, compensation or other similar payment to donors, advisors, members of their family and related entities.	Strict regulations prohibit most transactions between a private foundation and its donors (including related persons or corporations)
Payout Requirements	Do not apply	Annually must distribute for charitable purposes at least 5% of its asset value regardless of its income
Administrative Concerns • Personnel, facility, gift and grant management	Services provided by Minnesota Community Foundation/ The Saint Paul Foundation	Must establish and/or obtain these services
Annual Costs	Minimal	Administration can be costly
Annual Taxes	None	Generally income is tax exempt but subject to excise tax of up to 2% of net investment gain including net capital gains
Annual Tax Returns	Not required (reported as part of Minnesota Community Foundation/ The Saint Paul Foundation's annual reporting)	Must be filed by the private foundation with required supporting schedules
Investments	Fund assets are professionally invested through Minnesota Community Foundation/The Saint Paul Foundation	Must research and secure its own investment vehicles
Fiduciary Responsibility	Minnesota Community Foundation/The Saint Paul Foundation fulfills the associated fiduciary responsibilities	The private foundation board has full fiduciary responsibility
Liability and Risk Insurance	Provided by Minnesota Community Foundation/ The Saint Paul Foundation up to \$10 million	Must be purchased by the private foundation