



Donor Advised Fund

Official Guidebook

1301 Springdale Road

Cherry Hill, NJ 08003

Phone: 856.673.2560

www.jcfsnj.org

Contents

Welcome	2
Introduction and Explanation	3
What is a Donor Advised Fund?	3
Quick Reference Guide/FAQ	6
Getting Started.....	6
Investments and Operations	6
Fund Advisors	8
Distributions.....	9
Advantages.....	11

Welcome

Thank you for your interest in a Donor Advised Fund with the Jewish Community Foundation, Inc. (the “Foundation” or “JCF”). We hope that this guide will serve as a useful resource as you begin a new philanthropic journey.

Inside this guide you will find an introduction and explanation of the Donor Advised Fund as a giving tool as well as a handy “Quick Reference” divided into categories. For additional information please refer to the JCF Donor Advised Fund Policies and Procedures.

We hope this guide will serve as a resource for you, both in establishing your fund and in using it to achieve your philanthropic goals.

Please feel free to contact a Foundation professional if you have any questions, want more information on Donor Advised Funds, or any of the other charitable options offered by the Foundation.

Introduction and Explanation

What is a Donor Advised Fund?

One of the most effective – and increasingly popular – charitable vehicles in North America today is the *Donor Advised Fund*. A Donor Advised Fund, also known as a “DAF” or a “philanthropic fund,” is a component fund of the Jewish Community Foundation, Inc. It is established by agreement between the JCF and the Donor(s), in consideration of an irrevocable contribution of money or property to the JCF. The assets in a Donor Advised Fund are owned by the JCF. The donor, and designated or successor advisors, may *recommend* distributions from the fund to public charities whose purposes generally are in furtherance of the purposes of the JCF. These recommendations are advisory only, and the JCF has the final authority to approve the grant recommendations.

Donor Advised Funds create a broad base of financial support for the Jewish community as well as the general community. They offer a simple and economical means for benefiting the community and encouraging family philanthropy. Donor Advised Funds advance the values and goals of the JCF by:

- Helping members of the Jewish community to engage in *tzedakah*, and training future philanthropists.
- Caring for individuals in need in South Jersey, around the country, in Israel and around the world by providing financial resources
- Building leadership and social capital in the South Jersey Jewish community.
- Establishing priorities that consider the future needs of the South Jersey community by helping to build endowments to sustain our community.
- Reinforcing the positive perception of the JCF as a philanthropic partner with the broader community, by leveraging the public relations value of gifts from JCF Donor Advised Funds to a broad array of charitable causes.

Why open a Donor Advised Fund: Who Benefits?

The Jewish Community

The **Jewish Community** benefits, from the relationship established between the donor and the JCF which leads to an ongoing dialogue about investing in community programs and institutions to address challenges and meet needs. Through efficient administration, sound investment policies, stewardship, and educational programming, the JCF builds relationships of trust with current and future donors, increasing the likelihood of enhanced giving and involvement. This includes future permanent endowment funds through estate planning and additional investment in the JCF's Endowment Fund for the Jewish Community. In addition, the Donor Advised Fund program provides additional opportunities for donor engagement in the organized South Jersey Jewish community and gives the JCF insight into individual donor priorities.

Furthermore, as nonprofit programs and charities outside of the Jewish community benefit from the activities of our Donor Advised Funds as well, the JCF helps create and reinforce a more positive presence in the broader community. This, in turn, increases goodwill between the Jewish community and local nonprofits, businesses and government, contributing to an environment that is favorable to the fulfillment of the JCF's mission.

The Donor

Establishing a Donor Advised Fund with the Jewish Community Foundation, Inc. **benefits the donor in many different ways.** At the JCF, we work with each of our donors, getting to know their philanthropic passions and interests. Donors are people, not an account number. While donors may not receive an impermissible "material benefit" (discussed further below), they enjoy ready access to the knowledge and experience of the JCF's staff regarding the South Jersey Jewish community's needs and the organizations that exist to serve them. Donors may also take pride as they engage other family members and involve children and grandchildren in the grant making process, as well as meeting like-minded community philanthropists. As donors develop these philanthropic habits, they will further derive satisfaction from meaningfully investing in worthy causes, in the Jewish Community and beyond.

A donor advised fund is a simple low-cost philanthropic vehicle that allows you to set aside charitable dollars in a tax-efficient way for grantmaking now or in the future. The fund generally bears the name of the donor or another individual selected by the donor. You may recommend grants to a full range of charitable organizations in the Jewish and general communities. Donors have no tax on investment income or capital gains earned in these funds. The donor receives an

immediate tax deduction when a contribution is made to the fund, and yet can defer to a later date the decision about specific charities to support with these funds.

One major advantage of a Donor Advised Fund over a private foundation is the freedom the donor enjoys to give anonymously, when the donor so chooses. A private foundation can be besieged by a near constant stream of unsolicited funding requests since its grant making is a matter of public record. In contrast, Donor Advised Funds allow donors to keep information about the total amount of assets in, as well as the programs, organizations and causes supported by a specific fund are strictly confidential.

Donor Advised Funds are also significantly less expensive to start and maintain than private foundations. Another advantage for the Donor Advised Fund donors is the freedom from administration and record keeping. There are no separate tax returns or public filings. The JCF reports receipts, disbursements and investments of Donor Advised Funds via JCF's federal and state tax returns (in the aggregate - not on a fund by fund basis), provides an independent audit, processes disbursements, mails checks to recipients and grant reports to donors, administers and invests the assets of the fund and issues regular financial reports on the status of the fund to the donors. All of this work leaves donors free to concentrate on the substance of charitable giving.

Your Donor Advised Fund will streamline your annual giving.

With the JCF, you can also support any charitable cause of your choice for many future generations through an endowment fund. You can even create this legacy at little or no cost during your lifetime.

To learn more, contact us at 856-673-2560 or infojcf@jfedsnj.org or visit jcfsnj.org. Thank you.

Quick Reference Guide

Getting Started/ Frequently Asked Questions

Can I give assets other than cash to a fund?

Yes. You may contribute stock, mutual fund shares, and, in many cases, privately held stock, real estate or other tangible property. Contributions of stock, both publicly traded and closely held, have become more popular in recent years because of the benefits of gifting appreciated assets.

What is the suggested minimum contribution required to open a Donor Advised Fund?

\$2,500

Am I allowed to make additional contributions to the fund? Is there a minimum amount?

The JCF encourages additional contributions to the fund and there is never a minimum amount required to do so. You are entitled to a tax deduction each time you make an additional contribution. Furthermore, other individuals, family members, friends or corporations may contribute to the fund you have established. This is especially useful for gifts in honor of a special occasion.

Am I allowed to make a contribution from my Required Minimum Distribution?

Required minimum distributions can be made only to certain qualified charitable organizations, as defined in the Internal Revenue Code. Currently, RMDs cannot be made to donor-advised fund sponsors, private foundations and supporting organizations, though these are categorized as charities. An RMD may be used to fund an endowment fund at the JCF to support many charitable purposes, including the Jewish Federation of SNJ and the family of agencies, synagogues and day schools. Please contact the JCF to learn more.

Investments and Operations

How are funds invested?

Donor Advised Fund investments are managed by our outside managers, SEI Investments, and overseen by the JCF Investment Committee.

The funds can be invested in one or more of the four asset allocation strategies developed in partnership with SEI. The strategies take into account individual risk tolerance along with the most efficient asset allocation to help ensure consistency and growth in line with your granting time horizon. The Jewish Community Foundation Investment Committee currently employs the Global Core Growth and Income Portfolio as the default option for all donor advised funds.

Investment Model	Target Asset Allocation
FIXED INCOME PORTFOLIO	100% Fixed Income
MODERATE PORTFOLIO	40% Equity, 60% Fixed Income
GROWTH PORTFOLIO	57% Equity, 43% Fixed Income
AGGRESSIVE GROWTH PORTFOLIO	77% Equity, 23% Fixed Income
MONEY MARKET PORTFOLIO	100% U.S. Government T-Bills

Can I choose where my money is invested?

Donors may select their own investment strategy from one or all of the asset allocation model portfolios.

Donors may request that the investment is a separate unit from the investment pool or a specially tailored investment. The minimum opening balance and requirements shall be determined by the Executive Director and Executive Committee. Any investment pool outside the JCF pool or special investments within the JCF pool shall require approval of the JCF Investment Committee and Executive Committee.

What are the fees? Do I have to pay those out of pocket?

The JCF’s asset management fee is 1% (100 Basis Points) of the yearly average value of the fund for the first \$249,999 in assets, plus an investment fee of 0.46% (46 Basis Points). The Foundation charges a sliding scale based on the following chart:

Donor Advised Fund Size	Annual Fee Percent (tiered)	Effective Fee Percent for Fund at Top End of Fund Size Category
<\$250,000	1.0%	1.0%
\$250,000 - \$499,999	0.8%	0.9%
\$500,000 - \$999,999	0.6%	0.75%
\$1,000,000 - \$1,999,999	0.4%	0.585%
\$2,000,000 and over	Negotiable	N/A

If the Donor Advised Fund’s balance fails to surpass \$2,500 at any point throughout the fiscal year, a \$25 fee will be charged in lieu of the 1% fee. The JCF fiscal year is from October 1 through September 30.

In addition to the services provided to administer your DAF, the fee supports the overall mission of the JCF to foster and facilitate sustainable philanthropy.

Can I close a fund?

Contributions to a Donor Advised Fund are irrevocable gifts to the JCF. All money in the fund must ultimately be held for or disbursed to qualified public charities. However, because you reserve the right to make grant suggestions, you can terminate a Fund by making grant suggestions equaling the entire balance of the fund to be disbursed to a qualified public charity.

Is there a minimum balance the fund must maintain?

Yes. The JCF required a minimum balance of \$2,500. The Fund is required to reach that balance at least once throughout the fiscal year.

Is there a minimum activity required to maintain the fund?

Yes. Donor Advised Funds with the JCF require that a distribution be made at least once every two years. If a recommendation from the donor is not made for two or more years, a distribution based on 5% of the Fund’s balance may be contributed to the JCF Community Grants Fund annually until such time as the donor uses the fund or closes the fund. A Donor may request that the DAF not be charged an inactive fee if there a reason that the fund remains inactive. The grant distribution to the Grants Program will not be charged without prior written notification by the JCF to the donor.

How often will I receive a statement?

Statements are available on-line on a quarterly basis, usually four to six weeks after the end of a calendar quarter. You will be able to check the status of your fund through our online accounts database (please send an email to infojcf@jfedsnj.org to receive your account and password information). Statements may be mailed upon request.

Fund Advisors

My spouse and I both want to be advisors. Is more than one advisor allowed?

Yes. A couple may both be named to make recommendations during their lifetimes. Donor(s) can appoint up to an additional three people to make recommenders.

I would like my children to be involved. Is that possible?

Your children can be named as lifetime recommenders and/or successors advisors – meaning that they will have the right to make grant suggestions from the fund. In addition, if you wish to engage in “family philanthropy” (meaning that several generations of your family will work together to support common interests or organizations over time), the JCF can work with you on different ways to involve the family in philanthropy. We also offer “B’nai Tzedek Funds” for children under 18.

What happens to my fund after I die?

You have the option of choosing a plan of succession. The plan could include naming one or more successor advisors to manage the DAF or establishing an endowment fund to benefit a charity or field of interest of your choice. If you have not named a successor advisor, the fund will be contributed to Jewish Community Foundation, Inc. Community Endowment Fund to benefit the South Jersey Jewish community.

Distributions

What is the minimum distribution amount I can suggest?

\$100

What are the restrictions on distribution?

By law:

- The JCF can only make distributions for public charitable purposes. The JCF will distribute only to qualified tax-exempt 501(c)(3) charities that are public charities (not private foundations).
- Similarly, the JCF cannot make a distribution that will enable a donor to receive material benefit of goods and services (e.g., raffle tickets, meals, event tickets, payment of a relative’s tuition to an educational institution, etc.).

- Furthermore, the JCF may not make a distribution that pays for the tax-deductible portion of a program or event that is bundled with a non-deductible portion, otherwise known as bifurcation.

What do I do when an organization asks for a pledge?

A donor might respond to a request for a pledge in this way:

We have suggested (or We will be suggesting) that a distribution be made from the {name of fund} of the Jewish Community Foundation to {organization}. Pending approval by the JCF, a check will be issued from the Jewish Community Foundation to {organization}."

Can I pay my JCC membership from this fund?

No. JCC membership normally entitles you to health club privileges– a material benefit of goods or services – as well as other privileges that are nondeductible. Therefore, none of the membership fee (even any portion which may be tax deductible) is payable from the DAF.

Can I pay for a fundraising event?

IRS regulations state that a DAF cannot be used for a fundraising event if it is bundled with non-deductible benefits. For example, if you wanted to recommend a distribution that would pay for your entry to your favorite charity's annual gala that included a meal, a Donor Advised Fund cannot be used for any portion of the event, including the "tax-deductible portion" of the event.

What about my synagogue dues?

This is the exception to the membership rule. Because no physical goods or services are exchanged for your dues, they can be paid out of a Donor Advised Fund.

Why does the JCF have the final authority to approve or deny the distributions?

IRS regulations require that a donor relinquish control over the gift at the time a contribution is made. (Donors only qualify for a tax deduction if they give the money to a public charity and relinquish the right to control it.) Consequently, the JCF is legally empowered to approve or deny a donor's recommendations.

Are recommendations ever denied?

The JCF reserves the right to review each and every recommendation on a case by case basis. If the recommended recipients are qualified public charities that fall within the general scope of the JCF's mission, and there is no suggestion of private benefit to the donor, the JCF will make every effort to honor the donor's wishes. In

cases where recommendations are denied, they typically have been because they were to organizations that:

- 1) Do not qualify for tax-exempt public charity status; and/or
- 2) Provide material benefits of goods or services to the Donor as a result of the distribution, (event tickets, meals, auction items, etc.).

To what organizations can I recommend distributions?

The fund can make distributions to any 501(c)(3) that is a *public charity*. Private foundations do *not* fall under this definition.

Can I recommend distributions to organizations outside the Jewish community?

Yes, almost every qualified public charity in the U.S. may receive grants from The JCF's Donor Advised Funds. In addition to Jewish institutions, JCF Donor Advised Funds can support charitable organizations whose fields include education, arts & culture, social services, animal welfare and health service. The exceptions occur where a charity's mission falls outside the general scope of the JCF's mission.

Is there a limit to the number of distributions I can recommend each year?

No. There is no limit to the number of distributions you may recommend in any given year.

Do I have to make distributions in every year?

You are under no obligation to make recommendations from the fund in a given year. However, a recommendation must be made at least once every two years.

How quickly will a check be cut once I submit my grant recommendation?

Checks are typically cut once a week. Recommendations received by Wednesday of each week will be sent within 5-7 business days. Any distribution recommendation to an organization that has not been previously reviewed will be submitted for approval and may take an additional 5-14 business days processing.

Can I remain anonymous when establishing a fund or recommending grants?

Yes. Advisors may request that grants be awarded anonymously. Some donors prefer to use a pseudonym when naming funds.

Advantages

What are the tax advantages of establishing a Donor Advised Fund at the Jewish Community Foundation?

Donors who contribute stock and other appreciated assets are eligible for tax deductions, and they can avoid capital gains tax. Also, there are many ways a charitable fund may help a donor reduce estate taxes, and provide gifts for charity. The JCF's professional staff works closely with attorneys, accountants and other advisors to help donors make the best choices for their families.

What are the advantages of establishing a Donor Advised Fund at the Jewish Community Foundation compared to other foundations?

Our experience and expertise in the Jewish and general community philanthropy makes your philanthropic experience easy, relevant, fulfilling and sustaining. The JCF staff research organizations that match your areas of interest and evaluate programs and organizations on an ongoing basis.

For more information about the JCF or questions about your fund, please contact us at 856-673-2560 or infojcf@jfedsnj.org.