

A RESOURCE FOR CHARITABLE GIVING

— Let the Long Island Community
Foundation help you with your clients'
charitable giving —

Who we are

Long Island Community Foundation

- Public charity established in **1978**
- Mission is to **promote philanthropy** and improve the quality of life on LI
- Work with **individuals, families, businesses and groups** who have charitable intent
- Granted over **\$180 million**

- Operating division of the New York Community Trust (est. 1924)
- One of the nation's oldest and largest community foundations
- More than \$3.1 billion in assets
- Consisting of over 2,300 individual charitable funds
- Reputation for intelligence, integrity, and service

Attorneys, financial advisors, and accounting professionals are increasingly offering charitable advice.

We work through you.

You stay in control of your client relationships; we're here to help you plan and carry out charitable giving intentions of your clients.

We partner with you.

We provide support, information, and expertise related to charitable giving options.

We help you connect across generations.

When you help families establish a fund with us, you begin an ongoing process of involvement with current and future generations.

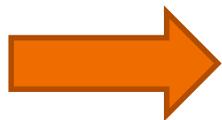
We support you.

We're there every step of the way in the charitable giving process. You get credit for supplying the perfect solution.

Shouldn't you be the first person your clients turn to for help?

Seeking Options

Here are some opportunities to introduce LICF to your clients



Year-end tax planning

-Establish a donor-advised fund for an **immediate tax deduction** and make grants for years to come.

Private foundations

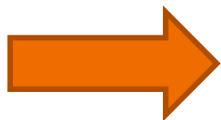
-Your client may be interested in establishing a **private foundation** or have an existing foundation that has become too burdensome and costly to manage.

Sale or disposition of highly appreciated assets

-Give appreciated stock to a community foundation and receive a tax deduction on its **FULL market value**, while **AVOIDING the capital gains** tax that would otherwise arise from the sale of stock.

Seeking Options

Here are some opportunities to introduce LICF to your clients



High estate taxes

- Reduce taxable estate through charitable bequest or other planned gift.
- Create a personal legacy in community that stays true to your clients charitable intent forever.

Closely held stock

- Donate company stock to the community foundation and receive fair market value deduction of gift.

Sale of business

- Structure a charitable gift of stock before the company is sold to reduce capital gains and increase charitable deductions.
- Establish a donor-advised fund so a once-in-a-lifetime event can help a client do good forever.

Charitable Gifts of Closely Held Business Interests and Other Illiquid Investments

Many donors hold a significant part of their wealth in illiquid securities, such as interests in closely held businesses and restricted stock of corporations, or alternative investments, such as hedge funds and private equity funds.

Closely held businesses and alternate investments may be organized as corporations, or they may be limited partnerships or limited liability companies (LLCs) that are taxed as pass-through entities, with each partner or member taxed on his or her share of net income or gain. The entity's form affects the tax consequences of a charitable gift of an equity interest.

Scenario A

Outright gift of stock of a closely-held company, which later went public via a merger. The shares given to charity were cashed out.

The donor and his family kept shares that in the transaction were exchanged, in a tax-free merger.

Why to LICF?



As a result, the donor's deduction was limited to his basis in the stock if given to a private foundation—but it qualifies for a fmv deduction if given to a public charity like LICF. (*Private Letter Ruling 9247018.*) .

FMV deduction was available only if given to a public charity. Private foundation simply was not an option because this stock had substantially appreciated in value.

By giving part of the stock, the donor reduced his tax on the transaction.

Why to the community foundation, and not outright to 2 or 3 favorite operating charities? The donor did not want to give so much at one time to any one organization, and the amount “set aside” was enough to support a lifetime of charitable giving.

Scenario B

Transfers of stock of a closely held company into a charitable remainder trust. The community foundation is the remainderman of the CRT. The closely held company was later acquired, and the shares in the CRT were cashed out.

Why to LICF?



The identity of the remainderman—as a public charity or private foundation—matters in calculating the deduction. The income tax deduction for gift of closely held stock to CRT is calculated by reference to fmv only if remainderman is a public charity.

Because the CRT is tax-exempt, no capital gains tax on the sale of transferred shares inside the CRT.

The donor was able to receive an income stream from the CRT.

Scenario C

Contribution of publicly-traded stock. Shortly afterward, the stock was acquired through a tender offer.

Why to LICF?



Could have gone to a private foundation, although the lower deduction ceiling (20% of AGI instead of 30%) may have been a factor. Donor not interested in the responsibility of a private foundation.

Why to LICF and not outright to 2 or 3 favorite operating charities? Again, the donor did not want to give so much at one time to any one organization, and he wasn't even certain where his charitable interests lay. But he knew he wanted to put something back into his community.

Of course, it didn't hurt that we knew what to do with the tender offer.

What kinds of funds did these donors create?

Scenario A

The donor created a donor-advised fund. These are legally unrestricted funds, and in this case, the donor and his wife are the advisors who recommend grants out of income or principal. At their deaths, their children will serve as advisors, but they may only recommend grants from income. The parents want the principal to remain at the community foundation, where it will be a significant source of funding for the foundation's grant program.

Scenario B

The donor created an unrestricted fund.

Scenario C

In the third example, the donor and his wife created a donor-advised fund. And based on our experience with them, they were right not to create a private foundation.

She's a highly regarded doctor, he's a CEO; neither has much free time. We do a lot of research of some of the unusual organizations they've asked to support, and they like the level of due diligence we perform.

When doesn't a gift to the LICF make sense?

It won't be a successful relationship if the donor is fixed on absolute control of either investments or grants. And, because the principal reason for being of the community foundation is to build a permanent endowment for the needs of the community, we expect that a donor intends a long-term commitment.

We require all of our funds have at least a 5-year life.

As a result, we will turn away the donor who wants to pay out a fund in a relatively short time. Commonly, that situation arises where the donor initially wants to deal with a single charity to make his life easier, but knows that he wants to grant out the proceeds quickly to a number of specific organizations.

QUESTIONS--commonly asked questions:

1. Do we ever agree to keep the contributed assets?
2. Grants outside Long Island?
3. CFI as trustee?

Starting a fund

Minimum

We have funds that are \$100+ million, but our minimum to start a fund is \$5,000, which is also the minimum amount that must be maintained in the fund. There is no maximum.

Types of Assets

- Cash
- Securities traded on major exchanges
- Closely held stock
- Mutual fund shares
- Retirement plan assets
- Interests in limited partnerships
- Literature copyrights, movie and television rights
- Patents

Easy & Fast

We can open a donor-advised fund in less than one business day.

Annual administrative fees are kept low. Currently, the fee is 2.5 percent of grants paid or 50 basis points of market value, whichever is greater.

Can be Permanent

Funds are required to remain open at least five years, but we hope that donors will consider making their funds permanent.

Donors choose the name of the fund, typically using their own names or names of individuals to be honored or memorialized.

Fund vs. Private Foundation

Fund vs. Foundation Benefits Comparison

Fund in the LICF		Private Foundation	
👍✓	Fund can be established in less than a day	👎✗	Takes months to establish
👍✓	Inexpensive to establish and administer	👎✗	Expensive to establish and administer, plus ongoing accounting and record keeping costs
👍✓	Appropriate for a greater range of assets	👎✗	Typically established with substantial assets
👍✓	No annual tax returns	👎✗	Annual tax returns are required
👍✓	No annual audit	👎✗	Annual audit must be performed
👍✓	No annual payout requirements	👎✗	Requires 5% of assets to be paid out annually
👍✓	No excise tax	👎✗	1%-2% annual excise tax on net investment income
👍✓	Income Tax Deductions:	👎✗	Income Tax Deductions - more limited:
	✓Cash - up to 60% of adjusted gross income		✗Cash-up to 30% adjusted gross income
	✓Public Securities - fair market value up to 30% of adjusted gross income		✗Public Securities - fair market value up to 30% of adjusted gross income
	✓Appreciated property - fair market value up to 30% of adjusted gross income		✗Appreciated property - cost basis up to 20% of adjusted gross income
👍✓	Low annual administration and management fees	👎✗	Costly ongoing administration and management fees
👍✓	Anonymity can be maintained, if desired	👎✗	Requires public disclosure
👍✓	No penalty taxes	👎✗	Penalty taxes imposed for excess business holdings or self-dealing
👍✓	Professional staff available for grantmaking consultation	👎✗	May need to obtain expert advice for effective grantmaking
=	Can be established during lifetime or through trust and estate	=	Can be established during lifetime or through trust and estate
=	Fund name chosen by donor	=	Foundation name chosen by donor
=	Donor can involve family and heirs in grantmaking	=	Donor can involve family and heirs in grantmaking

The choice is simple....



Your trusted ally in giving.

Your clients trust you because you're an expert. You can trust us for the same reason. The Long Island Community Foundation offers everything you need to talk to your clients about philanthropy. We help you stay on current giving trends, benefits, issues, and opportunities. And when you're ready to create a charitable trust or fund for your client, turn to us.

Questions?

Visit our website at LICF.org.
Like us on Facebook and follow us on
Twitter @LICommunityFndt and connect with us on LinkedIn.
