



## Charitable Gift Fund FAQs

A Charitable Gift Fund (CGF) is a great way to manage donations to your favorite causes while optimizing your tax advantages. With a CGF, you can take a current tax deduction as you pre-fund your gifting for the years ahead. Also known as a “Donor Advised Fund”, the account is managed by a public charity, but the donor can specify how gifts will be distributed.

As with any [charitable giving strategy](#), it's important to understand how a CGF works and how to get the most out of it. Here are some answers to common questions from donors:

### *What is the benefit of gifting to a CGF instead of donating directly to a charity?*

A CGF donation provides an immediate tax deduction, even though you may spread your gifts over several years and across several charities. If you expect your income will decline in future years, it might make sense to take a larger deduction today.

### *What kind of assets can I donate to a CGF?*

You can contribute cash, stocks, mutual funds and other financial assets. In special circumstances, CGFs also accept complex assets, such as real estate, private equity, and privately held business interests.

### *What is the benefit of contributing appreciated investments vs. just cash?*

When you contribute stock or mutual funds that have increased in value to a CGF, you can take a charitable deduction for the full value of the investment on your tax return and avoid paying tax on the gains (if held over one year since purchase).

### *When do I receive the tax benefits?*

The donor receives an immediate income tax deduction for the value of assets transferred to the account. No additional tax benefits occur when gifts are made from the fund, or when assets in the fund appreciate.

### *What happens to funds once they are donated to a CGF?*

Funds can be invested either conservatively to align with a donor's near-term gifting intentions or invested in a balanced fund so the funds can grow until granted to charity in the future.

### *What can account funds be used for?*

Tax-free gifts can be made to any IRS certified 501(c)(3) charitable organizations or their foreign equivalents.

### *What can't account funds be used for?*

Funds can't be used to purchase anything of value or personal benefit, even items purchased for more than fair value, such as charity auction items. Meals, event tickets, parking privileges, or other sweeteners that come in exchange for donations are not allowed.

## Tips for Using Your Charitable Gift Fund (cont.)



### *Can I use the account to sponsor myself in a charity race?*

No. The race entry is considered an item of value.

### *Can I use account funds to satisfy a pledge?*

No. But you may instead send a letter advising the charity that funds are coming.

### *Can my employer match my gifts?*

Yes, but only when the funds are disbursed from the account. Employers may not match your donations to the account.

### *Is there a limit to the amount of funds I can donate?*

No. There is no cap on contributions.

### *Can anyone else make donations to my account?*

Yes. Anyone can make donations to your account. You may also make donations to other accounts. In each case, the donor of the assets would receive a tax deduction, not the account holder.

### *Does a CGF charge fees to account owners?*

Yes, the accounts carry annual fees, though they are significantly lower than fees for a private charitable foundation. CGF fees can range from as little as \$100 per year to a percentage of the assets in the fund.

### *Does a CGF require minimum distributions?*

Typically, yes, though the amount varies. For example, one large plan sponsor requires a distribution of at least \$50 every four years.

### *Can I donate assets from my IRA to my CGF?*

You may not use your IRA to fund your CGF while you are living. However, you may name your CGF as your IRA beneficiary, which would allow your IRA assets to be transferred to your CGF after your death.

### *What happens to my CGF if I die?*

You may name a successor to continue making grants. Some people name their children as successors. You can also choose a charity to distribute the remaining funds.

Supporting worthy causes can be very satisfying and provide valuable financial benefits. If you're considering using a Charitable Giving Fund to manage your donations, your Paracle advisor can help you build that into your financial plan.

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