

For Professional Advisors

A primer on the many ways
The Montgomery County Community Foundation (MCCF)
can help you help your clients.

Do these client situations sound familiar?

Your client needs a charitable deduction now, but isn't sure where to give.

Don't rush them! Set up an individual, family or corporate fund for a client in less than 24 hours; your client takes the tax deduction they need when they need it. Then, on a more relaxed timeline, they can explore their charitable interests with our staff who are experienced in helping folks become satisfied donors.

You are about to refer your clients to a commercial charitable gift fund at Fidelity, Schwab or Vanguard.

Stop right there! Encourage your clients to consider a fund at the Community Foundation as well as the commercial options. An MCCF family or corporate fund offers something very different for about the same price: "high touch" customer service from local staff who know and care about helping your clients become satisfied donors, no matter if their giving interests are local, regional, national or international.

Plus, if you are a money manager, your clients can recommend you to the Community Foundation to manage the assets of their charitable fund. Please see the attached chart to compare fees and services at the commercial funds and at MCCF.

Your client is selling a business.

Don't wait until after the sale to recommend a unique way to save on taxes! In many instances, a portion of your client's ownership position can be donated in advance of the business sale to a donor advised fund at the Community Foundation, such that your client saves considerably on capital gains taxes and can turn that benefit into good works in the community.

Your client has expressed interest in a private foundation.

Wait! Be sure your client considers the donor advised fund option as well. A donor advised fund is a simpler and more cost effective alternative to a private foundation. MCCF offers professional staffing that makes your client's donor advised fund feel like a staffed private foundation! Please see the attached chart for a more in-depth comparison of an MCCF donor advised fund and a private foundation.

Your clients are concerned their children have "affluenza" and would benefit from the experience of charitable giving.

Our staff are seasoned professionals in the art of grantmaking, which includes strategies for involving children and grandchildren in the family's legacy of giving.

(continued)

For Professional Advisors, Continued

Your client recently lost a family member or friend.

In less than 24 hours, you can help your client establish a named memorial fund (e.g. *The John Smith Memorial Fund*) at the Community Foundation that can receive checks from other family members, friends and colleagues. Then, when they are ready, and in perpetuity, the family of the deceased can support one or many charitable causes that honor the memory of their loved one. Our staff are experienced at working with grieving families to develop a meaningful memorial charitable giving plan.

You already manage a private foundation for a client who often has to be prodded to meet their annual grant payout requirement.

Our staff provides philanthropic counsel to the trustees of private foundations and other individuals who could benefit from highly skilled and affordable professional staff advice on annual grantmaking. We know how to help your clients become more satisfied donors! And, if the foundation has outlived its usefulness to the family and/or its assets are too small to justify the necessary operating expenses, it is easy to dissolve the foundation and convert it into a MCCF family fund.

Your client would like to receive a life income and be able to provide for one or several favorite charities in perpetuity.

We offer Charitable Gift Annuities (CGA) and other planned giving products that can provide a life income to your client or their designee, and subsequently benefit one or several charitable organizations. With a CGA, your client or their designee can receive a life income and then, at death, the annuity fund becomes a named memorial fund at the Community Foundation, supporting the charitable interests of your client in perpetuity.

Your client has a large IRA that may be subject to significant taxes upon death.

Your client wants to leave their estate to both family and charity and has substantial assets in retirement accounts, which may be highly taxed at death. Naming a family fund or memorial fund at the Community Foundation as the beneficiary of an IRA and directing other assets to heirs that are less vulnerable to estate and income taxes, can maximize the benefit to their family and community.

For more information, please contact:

Sally Rudney, Executive Director
The Montgomery County Community Foundation
301-588-2544, ext. 11
srudney@cfncr.org

“Commercial” Funds vs. The Community Foundation

The Montgomery County Community Foundation (MCCF) offers your clients a comparable donor advised fund product to what the commercial funds offer, but with considerable added value. We offer “high touch” personalized customer service to every individual, family and business that opens an MCCF donor advised fund. A fund with us “feels” like a staffed foundation!

One former Fidelity Charitable Gift Fund client who recently transferred his entire account to an MCCF fund remarked: *“The only call I ever got from Fidelity was when I was closing my fund; at the Community Foundation, I know I have a competent, knowledgeable staff team working with me to assure that my wife and I are satisfied donors.”*

Updated 10/2007	Montgomery County Community Foundation	Fidelity Charitable Gift Fund	Schwab Fund for Charitable Giving	Vanguard Charitable Endowment Program
Minimum to open a fund	\$10,000	\$5,000	\$10,000	\$25,000
Minimum Balance	\$0	\$2,500	\$0	\$5,000
Advised fund investment options, including ability to recommend outside money managers	Unlimited While MCCF offers 3 in-house investment vehicles, many clients prefer to recommend a money manager to MCCF to manage their donor advised fund.	11 Fidelity Funds At \$1 million, investors can access Fidelity’s Charitable Investment Advisor Program – where the investor can choose from Fidelity’s approved universe of funds.	8 Schwab Funds Unlimited investment options only for accounts over \$250,000, provided investments are custodied at Schwab.	6 Vanguard Funds Currently no ability to access outside managers – program’s offerings to be expanded in 2008.
Total fees for fund up to \$1 million	1.1% - 1.60% (1.1% admin plus investment fees based on donor’s selection of investment vehicle)	0.52% - 1.74% (0.6 % admin on first \$500K, 0.3% on next \$500K, plus investment fees)	0.55% - 1.85% (0.6 % admin on first \$500K, 0.3% on next \$500K, plus investment fees)	0.76% - 0.83% (0.57 % admin plus investment fees)
Total fees for \$500K fund with comparable investment portfolios	1.60%	1.40%	1.35%	0.85%
Investment Fee Range	50 bp (flat) if invested in Combined Investment Fund; Funds invested with money managers recommended by clients	7 bp - 114 bp (Total Market to International)	10 bp –125 bp (Equity Index to International)	19 bp – 26 bp (Growth; Total Bond to Gift Preservation)
Minimum Annual Fees	\$500	\$100	\$100	\$100 (maintenance fee for accounts < \$15K).
Grantmaking limitations	None—Local, national, international grants and scholarships allowed.	Yes. Scholarships and international grants not allowed.	Yes. Scholarships and international grants not allowed.	Yes. Scholarships and international grants not allowed.
Customized client services to ensure donor satisfaction; professional staff for grantmaking counsel if desired.	Yes	No	No	No

(over)

Private Foundation vs. The Community Foundation

Your clients can set up their own charitable giving fund with the Montgomery County Community Foundation (MCCF) to give to the causes they care most about around the world, in the metropolitan region, and especially in Montgomery County. No matter how big or small, their fund will feel like a staffed foundation, but without the time or expense!

	Montgomery County Community Foundation	Private Foundation
ESTABLISHING A FUND		
Ease of establishment	Fund opened in less than 24 hours with one standard agreement with the Community Foundation.	Must form a nonprofit corporation or trust organized as a private foundation; file for incorporation and tax exemption, create by-laws, select trustees. May take several months.
Tax-exempt status	Receives 501(c)(3) public charity status as component fund of the Community Foundation. No paperwork required.	Must establish separate tax-exempt status as private foundation.
Start-up costs	None.	Requires legal, accounting, and operational costs similar to a business.
Minimum size	\$10,000	No minimum, however \$3-5 million recommended to justify operating costs.
INCOME TAX DEDUCTIONS		
Cash gifts	Up to 50% of AGI.	Up to 30% of AGI.
Publicly traded securities	Fair market value up to 30% of AGI.	Fair market value up to 20% of AGI.
Real estate, closely held securities, and other special categories	Fair market value up to 30% of AGI.	Cost basis up to 20% of AGI.
GRANTMAKING		
Minimum payout	None required.	5% annual payout required.
Grantmaking	Donor recommends grants; Typical 3-5 day process for IRS required due diligence on prospective grantees & approval by Community Foundation Board.	Donor retains control over grantmaking; limited by IRS requirements.
Liability	MCCF assumes all liability and risk.	Responsible for all liability and risk; must maintain insurance.
Privacy	Donors and their grantmaking may remain anonymous.	IRS requires annual 990-PF to list all grants & officers/directors/trustees.
ADMINISTRATION		
Professional staffing	Staff provide customized "high touch" services to all fund holders.	Must employ staff or retain consulting services.
Investments	Many investment options including option to recommend preferred outside money manager to manage fund assets.	Research and manage own investment vehicles.
Annual taxes and reporting	None required; reported as part of overall Community Foundation reporting.	Annual tax returns required; annual IRS 990-PF. Excise taxes of up to 2% of net investments, including capital gains.
Operating costs	Admin fee of 1.1% of annual fund balance. Funds over \$500K receive reduced fees.	Private foundations under \$1M average costs of 4.8% of assets. Foundations \$1M to \$10M average 3% of assets.
Fiduciary responsibility	Community Foundation fulfills fiduciary responsibilities.	Board has total fiduciary responsibility.

(over)