The Community Foundation
GREELEY AND WELD COUNTY

Professional Advisors Guide

Connecting Donors Who Care
With Causes That Matter

The Community Foundation Professional Advisors Guide

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The Community Foundation and Professional Advisors: A Strategic Partnership

The Community Foundation's goal is to enhance both the advisor/client relationship and client satisfaction by helping your clients to achieve their charitable objectives with minimum fees, simplicity, flexibility and maximum tax benefits. As you know, there is rarely an automatic fit when it comes to finding a solution to your clients' planning problems. This is why flexibility is an important part of the Community Foundation's approach. For example, at your clients' request, investment advisors may continue to manage fund assets with a required minimum fund amount, or the assets may be invested within the Community Foundation's investment pool.

The Community Foundation understands the importance of getting you the information you need, whether you are a novice or seasoned charitable gift planner. The Community Foundation provides free charitable gift planning assistance, including consultations, planned giving illustrations, referrals, annuity and tax projections and sample documents. We encourage you to contact us for additional information before finalizing will or trust language for clients interested in the Community Foundation. We can simplify the charitable designation in a will or trust and simultaneously articulate your clients' specific wishes in a fund agreement.

The Community Foundation works with your clients in various ways based on your desired level of involvement and expertise. We encourage advisors to stay involved and work with us and your clients' other advisors, taking the team approach. Working together, we can help you to help your clients meet tax, estate and financial needs along with the realization of charitable dreams.

If you would like more information on how your clients can benefit from the Community Foundation, please call us at (970) 304-9970 or visit our website at www.cfsgwc.org.

About our Community Foundation

The Community Foundation is a 501(c)(3) nonprofit, community corporation created by and for the people of Weld County. We are here to help our donors make a positive impact.

The Community Foundation Serving Greeley and Weld County promotes philanthropy to build resources, develops partnerships, and provides leadership that will be of lasting benefit to our communities.

History

The Community Foundation was established in 1997 to provide a permanent source of funds for the support of community needs in Weld County. We connect donors with issues they care about, invest donations prudently, provide support to area nonprofits and handle complex estate gifts in order to build an endowment to meet the future needs of the community.

The Foundation is a publicly-supported charitable foundation consisting of more than 120 funds established by many separate donors to support charitable activities in Weld County. The Foundation's grantmaking extends nationally.

Although the general public is less familiar with community foundations than with private foundations, community foundations have a similarly long history in this country. From the first community foundation established in Cleveland in 1914, the field has now grown to more than 700 organizations nationwide.

Private foundations, at their simplest level, are endowments usually funded by a single person, family, or organization to provide financial support for the charitable works of others. The Community Foundation, on the other hand, is funded by many people and groups—individuals, families, corporations, and nonprofit organizations—to support a wide range of charitable activities in the communities the foundation serves.

Because the Community Foundation receives support from a broad range of donors, the IRS considers the Foundation to be a publicly-supported charity. Gifts to the Foundation accordingly qualify for the most favorable tax treatment possible and the Foundation simultaneously avoids the complicated regulations that govern private foundations.

Raising the Charitable Giving Question

The advisor's role in philanthropy

Asking a client about philanthropy and their philanthropic interests may seem daunting. It is however, an important part of providing complete financial planning and professional advice to your clients.

For a host of reasons, any informed advisor should be prepared to talk with clients about charity.

- Many clients are already in the habit of supporting charity.
- For clients with substantial estates, minimizing or eliminating estate taxes is difficult to do without some charitable planning.
- Philanthropy can help resolve many personal issues that are deeply important to clients.

Beyond its practical uses, philanthropy can help clients answer questions such as: How can I feel that the world is better for my having been here? How can I balance the moral demands of my conscience or religious beliefs with my material wealth? And many professional advisors find that assisting clients in this area is personally rewarding as well, because they struggle with the same issues.

Asking about charity

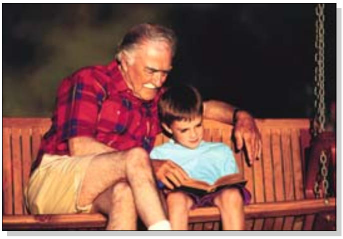
Some professional advisors hesitate to ask clients about charitable giving because of a number of misperceptions:

- Asking the question is too intrusive. It's none of my business.
- I might damage the relationship if I ask.
- My client won't be interested unless there are large tax savings.
- A charitable gift will interfere with my client's goal of providing for his family.

Recent studies of donors and their professional advisors by The Philanthropic Initiative of Boston, as well as charities extensive experience with donors, have shown just the opposite:

- Clients want help with their philanthropy and wish their advisors
- knew more.
- Good charitable advice strengthens the client relationship by providing better service to the client and generating greater client loyalty.
- When considering charitable gifts, clients are generally cause-driven first, tax-driven second.
- High-quality charitable planning can meet multiple goals, and can result in a larger benefit to family members.

Clients likely to be interested



To an experienced professional advisor, many common client situations are appropriate for raising the charitable question and considering the Community Foundation. Beyond the obvious indicators of the financial capacity to make a gift, here are a few situations to watch for while working with your clients.

Philanthropic interests

- Your client has contributed regularly to charities or a house of worship through annual giving.
- A particular charity or issue has had a significant positive or negative impact on your client or a family member.

Family circumstances

- Your client is unmarried or does not have children.
- Your client has children who are financially independent adults.
- Your client would like to memorialize a loved one, such as a deceased child.

Concern for self or others

- Your client wants to provide a steady source of income for herself or a family member.
- Your client expresses concern about ruining his children with too large an inheritance.
- Your client is philanthropic and wants to teach other family members about philanthropy.

Financial circumstances

- Your client has low-basis capital gain assets that have increased greatly in value.
- Your client is concerned about personal assets that are generating little or no income.
- Your client holds a significant amount of assets in a retirement account.

Property sales

- Your client is seeking to sell appreciated property.
- Your client has real estate that produces little or no income.
- Your client is considering taking a closely-held company public.

Personal beliefs

- Your client feels an obligation to their community for the benefits they received.
- Your client has strong religious beliefs.

Ways to start the conversation

There is no single, “right” way to raise the charitable question with clients. And if the client does not respond, or responds unfavorably, the advisor can simply drop the matter.

To ensure that you are meeting your client’s philanthropic interests, consider incorporating some of the questions listed below in your normal planning with clients:

- Do you currently support any charitable organizations, including your (church, synagogue, other house of worship, or alma mater) either by volunteering or by giving financially?
- Are you interested in supporting those organizations in any way after your death?

If a client responds to a question about charitable giving with a statement of intention such as “No, I want to leave everything to my kids.”:

- If there were a way to significantly reduce your income or estate taxes that involved a charitable gift, would you be interested in hearing more about that?
- If there were a way to leave more to your family by making a charitable gift, would you be interested in hearing more about that?
- Do you think your children would mind if you left 5% of your estate to charity?
- Would your answer be any different if your children could be involved in some way?
- Would you consider arranging for your retirement accounts to pass to charity as a tax-planning strategy?

If a client responds to a question about charitable giving with a statement such as “I haven’t done much before, and I just don’t know where to start now.”

- If someone with expertise in this area could help you identify some charities that are worthy of your support, would you be interested in exploring a charitable gift?
- If you had to give away $100,000 by the end of today, is there any group of people, such as needy children, that you would want to help?
- What cause would you like to be known for caring about and supporting?

Giving through the Community Foundation

Once you and your client have determined that the Community Foundation is best suited for his or her situation, your client can contribute to the Foundation in a number of different ways: unrestricted funds, field of interest funds, designated and agency endowment funds, scholarship funds and advised funds.

Each option sits on a continuum reflecting a different level of involvement by the client. Unrestricted funds, at one end of the continuum, confer all grantmaking authority to the Community Foundation without restriction. Donor-advised funds, at the other end, enable the donor to make recommendation on how grants are allocated.

Donors can either make gifts to establish these funds while living, or establish one of these funds through a planned giving vehicle such as a charitable gift annuity.

Whatever the type of fund, the Foundation includes the fund on its federal tax return, handles all accounting and audit responsibilities, and issues regular reports to the donor.

Types of Funds

Seed Funds

The Community Foundation recognizes that there are families and organizations who would like to create a legacy for themselves, their organization and their community but are not ready to give the $10,000 minimum required to establish an endowed fund all at once. The Seed Fund concept allows donors to grow their fund to the $10,000 level over a period of up to five years.

Agency Endowments

Non-profit organizations can establish an endowment fund at the Community Foundation. An endowment fund serves to protect their endowed monies to meet future needs, provide a relatively constant source of annual income, and fulfill their mission in perpetuity.

Donor-Advised Funds

Donor-Advised funds provide a simple, rewarding and highly personal approach to giving. They offer a low-cost, low-maintenance alternative to a private foundation. Opening a Donor-Advised fund allows your clients to make a gift now, receive an immediate tax deduction and then enjoy giving to their favorite charities over time.

Types of Funds, cont.

Designated Funds

Your clients can direct their gift to a specific nonprofit organization. Help provide ongoing funding for a senior center, museum, or virtually any nonprofit charitable organization. Nonprofit organizations can use a Designated Fund through the Community Foundation to build their endowment and enhance their ability to accept large and complex gifts.

Field of Interest Funds

Your clients can target your gift to support a particular area of interest such as education, the arts, aging or community development – but not a specific agency. They identify their personal interest area when making their gift; our board awards grants to community organizations and programs that are making a difference in the area they select.

Scholarships

Your clients can invest their gift in our community's future and show students they care, all with the guidance and personal services of the Community Foundation. They determine the criteria students must meet to receive the scholarship they establish. Donors may stay involved through an advisory relationship or may name an advisory committee to assist in the selection of recipients. The Community Foundation handles the necessary paperwork and ensures that scholarships and grants are distributed in an equitable manner.

Unrestricted Funds

Your client's gift can address ever-changing community needs – including future needs that often cannot be anticipated at the time their gift is made. The flexibility of their unrestricted gift enables the Community Foundation's program experts to respond to the community's most pressing needs, today and tomorrow.

Supporting Organizations

Your clients can use their gift to establish an excellent alternative to a private foundation – with only a fraction of the administrative responsibilities. They select some of the board members, maintain personal involvement and support the causes and organizations they care about while enjoying the favorable tax treatment of a public charity. Leave investment management, startup costs, grant administration and reporting to the Community Foundation.

Comparing four approaches to giving

Discover the benefits of working through the Community Foundation

	Community Foundation Donor-Advised Fund	Commercial Gift Fund	Community Foundation Supporting Organization	Private Foundation
Items to consider				
Donor Involvement	Donor recommends grants to qualified nonprofit groups. Grants are approved by community foundation board of directors.	Donor recommends grants to qualified non-profit groups. Grants are approved by trustees of the gift fund.	Community foundation and donor work together to appoint board. Supporting Organization board often controls investments and grantmaking.	Donor appoints board, which controls investments and grantmaking.
Tax Status	Public charity.	Public charity.	Public charity.	Public charity.
Income Tax Deductions for Gifts of:				
Cash	Up to 50% of adjusted gross income.	Up to 50% of adjusted gross income.	Up to 50% of adjusted gross income.	Up to 30% of adjusted gross income.
Appreciated Stock	Fair market value up to 30% of adjusted gross income.	Fair market value up to 30% of adjusted gross income.	Fair market value up to 30% of adjusted gross income.	Fair market value up to 20% of adjusted gross income.
Real estate and closely held stock	Fair market value up to 30% of adjusted gross income.	Fair market value up to 30% of adjusted gross income.	Fair market value up to 30% of adjusted gross income.	Fair market value up to 20% of adjusted gross income.
Grantmaking Support	Professional staff is available to help identify and assess grantees, provide input on community needs, and verify nonprofit status of groups.	Varies.	Professional staff available to help identify and assess grantees, provide input on community needs, and verify nonprofit status of groups.	Donors must arrange and support their own grantmaking and monitoring structure.
Start-up Costs				
Initial costs	None.	None.	Costs kept to a minimum through collaboration with community foundation.	Several thousand dollars for legal and accounting expenses and filing fees.
Minimum contribution	Thousands of dollars.	Thousands of dollars.	Typically millions of dollars.	Typically millions of dollars.
Administrative Requirements				
Ongoing costs	Pooled administration; annual fee.	Varies.	Costs kept to a minimum through collaboration with community foundation.	Several thousand dollars for legal and accounting expenses and filing fees.
Reporting	Community foundation handles reporting.	Financial institution handles reporting.	Annual 990 tax form must be filed.	Annual 990 tax form must be filed.

Ways to give

Cash

A cash gift is the simplest way to establish a named fund or to add to an existing fund. Your client's charitable gift qualifies for tax advantage under federal law.

Securities

Gifts of appreciated securities (bonds and stock, including stock in closely held companies) also may be used to establish a fund or add to an existing fund. Such gifts often provide important tax advantages. Their full fair-market value is deductible as a charitable contribution up to 30 percent of your client's adjusted gross income. As with gifts of cash, deduction amounts exceeding this limit may be carried forward for up to five additional years. The added benefit of giving appreciated securities is the avoidance of the capital gains tax on the appreciated portion of the gift. Gifts of closely held stock enjoy the same tax benefits as with publicly traded stock.

Real Estate

A gift of real estate held more than a year can provide the same federal tax advantages as those described for gifts of securities. Because the Community Foundation's ability to accept gifts of real estate depends upon a number of factors, such gifts are considered on a case-by-case basis.

Life Insurance

Life insurance policies can also be used as charitable gifts. If the Community Foundation is named as the owner and beneficiary of an existing or new life insurance policy, the donor receives an immediate tax deduction which usually approximates the cash surrender value of the policy. All premium payments thereafter made by the donor will also be deductible as a charitable contribution.

Qualified Retirement Plans

Due to changes enacted by The Pension Protection Act of 2006, individuals can roll over up to $100,000 from a qualified IRA to a charitable organization*. If the client is considering charitable gifts, it may be advantageous to name the Foundation as the full or partial beneficiary of the retirement plan, and use other, non–IRD assets for gifts to other heirs. Estate tax and income tax can be avoided if the plan participant makes a gift to the Community Foundation at death by beneficiary designation.

* Through 2011.

Bequests

Donors can provide for a specific charitable organization or purpose in their will through a bequest to the Community Foundation.

Charitable Lead Trust

A Charitable Lead Trust permits a named fund at the Community Foundation to receive an income interest for a specified period of time. Subsequently the Foundation's interest terminates, but the trust continues for the benefit or terminates in favor of one or more individuals, children, grandchildren, relatives or others.

Charitable Gift Annuity

A charitable gift annuity is a contract between the donor and the Community Foundation. The donor transfers property (cash, securities, etc.) in exchange for a fixed dollar payment during his or her lifetime. The payment can begin currently or can be deferred for a period of time determined by the donor.

Life Insurance Beneficiary

If the donor is not ready to give up ownership of a life insurance policy, the donor can still help the community through the Community Foundation by naming the Community Foundation as beneficiary. The donor retains ownership of the policy and has access to the cash value as well as the right to change the beneficiary. Since the donor retains ownership of the policy, there is no charitable deduction for the value of the policy upon designation of the charitable organization as beneficiary or for subsequent insurance premiums. Any proceeds payable to the Community Foundation at the donor's death, however, will not be subject to federal estate tax.

Charitable Remainder Trusts

The Community Foundation can administer both charitable remainder unitrusts and annuity trusts which pay lifetime income to donors and/or other named beneficiaries. Cash or property is transferred to the trust which distributes to the income beneficiary(ies) an amount equal to a fixed percentage of the trust's fair market value (unitrust) or a fixed dollar amount (annuity trust). Upon termination of the trust, its assets will be transferred to a component fund of the Community Foundation to support the charitable goals of the donor.

For Good.

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For Ever.