

HELP TRANSFORM THE FUTURE

PROFESSIONAL ADVISORS AND ESTATE PLANNING



TALKING TO CLIENTS ABOUT PHILANTHROPY

The Community Foundation of Anne Arundel County (CFAAC) appreciates the role that you, as your clients' professional advisor and trusted confidant, have in assisting clients with their financial affairs, estate planning, and charitable interests. We are available to work in partnership with you to identify the best approach to maximize both the tax benefits of your clients' charitable giving and the impact in our communities. CFAAC helps to simplify the process and offer your clients choices about personal recognition and involvement, with the flexibility of a private foundation.

As advisors know, clients frequently reach out for a consultation at the occurrence of a milestone event like a birth, death, graduation, retirement, sale of an asset, or move to another residence. It is precisely when these events occur that clients reflect on their values and the legacy they wish to leave. For some clients, their legacy means giving back to the institutions that helped shape their values or to organizations that are supporting their own hopes for the world.

CFAAC can help you with resources and tools to engage with your clients to discuss their values and how those values may be reflected in their charitable interests. Research shows that clients welcome their advisors' expertise and experience in helping to establish their legacy. Partnering with the Community Foundation of Anne Arundel County can help support those conversations.





CFAAC IS A GOOD FIT WHEN YOUR CLIENT...

- Wants to invest in the causes they care about most.
- Would benefit from personalized service tailored to their philanthropic goals and interests.
- Is interested in community issues and needs and could benefit from the broad expertise of our professional staff.
- Hopes to involve children in charitable giving.
- Wants to include charities in their estate plan.
- Is thinking about establishing a private foundation.
- Wants to develop a corporate giving program.
- Would like to discuss the possibility of donating through more complex forms of giving, such as closely held stock or real estate.
- Is about to experience, or has experienced, a significant life event such as the sale of a business or an inheritance.



GIVING OPTIONS

CFAAC recognizes that each donor has unique philanthropic goals and objectives. Drawing on experience and creativity, we can help design planned giving solutions that address your client’s specific needs and interests.

BEQUEST BY WILL OR TRUST

A bequest is perhaps the easiest and most flexible way to have a lasting impact on causes your client cares about. CFAAC can be named as a beneficiary in a will or living trust, designating the gift of a specific dollar amount, a particular asset, a percentage of an estate, or the remainder of an estate once all of your client’s other bequests have been fulfilled.

With a bequest, your clients maintain complete control of their assets during their lifetime and can save on income taxes, capital gains taxes, and estate taxes. Sample bequest language might be:

“I give to CFAAC, a Maryland nonprofit corporation, or its successor, Federal Tax Identification Number 52-2098698 [then insert the percentage, dollar amount, residual amount, or asset].” (Note if contingent upon the death of other heirs.)

For this and many types of gifts, your client would then fill out a simple agreement with CFAAC, ensuring their gift will be used as they direct. This agreement can always be changed should their charitable interests change.

BENEFICIARY DESIGNATION

CFAAC can be named the beneficiary of many financial resources in the same way as any other charity. These can include a client’s IRA, 401(k) and

other retirement plans, bank accounts, commercial annuities, life insurance policies, and other assets. It can be as simple as making CFAAC a full or partial beneficiary of these accounts. In most cases all that is needed is to complete a revised beneficiary designation form with the company holding the donor's assets. A beneficiary designation for a charity can reduce income taxes and possibly estate taxes for a donor's loved ones. This gift would then be used for your client's individual charitable interests.

TAX-FREE IRA GIFT

Qualified Charitable Distributions (QCD), offer a wonderful way to make a tax-free gift using a qualified retirement plan. This gift may also satisfy the required minimum distribution (RMD). If a donor is 70 1/2 or older, they can rollover up to \$100,000 per year from their IRA as a charitable gift. The IRA administrator must transfer their gift directly to a charity such as CFAAC from a traditional or Roth IRA account. While the gift will not be taxed as income to the donor, they will not receive an income tax charitable deduction. A QCD cannot be made to a donor advised fund, but a client can set up a designated fund prior to the rollover, or contribute to a field of interest fund, or one of the many other grant programs at CFAAC.

CHARITABLE REMAINDER TRUST

A charitable remainder trust provides either a fixed or variable income for life or a term of years. At the end, the trust assets are a generous gift to your client's fund at CFAAC. There can be significant tax benefits depending on the circumstances.

CHARITABLE LEAD TRUST

Your client can make a gift via an irrevocable trust designed to provide fixed annual payments to one or more charities for a period of time, with the remaining assets eventually going to family members or other beneficiaries at reduced tax cost.

CREATIVE GIFT STRATEGIES

Many of the assets that have accumulated over a lifetime can be used to make a gift to CFAAC. Using noncash assets can save on income tax and possibly eliminate capital gains tax. Here are examples to consider:

PUBLICLY TRADED SECURITIES

Making a gift of any publicly traded stocks, bonds, and mutual funds that a donor has owned for more than one year can provide significant tax savings by avoiding capital gains taxation and providing them with a charitable deduction, all while offering impactful support.

REAL ESTATE

A gift of real estate, transferred now or through an estate plan, can support charities your clients care about while providing them with significant tax savings. A gift made during their lifetime can lighten the burden of an asset your client no longer wants or uses, such as a second home or vacation property. If the property serves as their primary residence, your client may want to consider donating the home now and retaining the option to live in it for the rest of their life.

CLOSELY HELD STOCK AND BUSINESSES

By making a charitable gift of shares in a closely held business, donors can deduct the appraised value of the shares if they have owned them for at least one year. We are happy to partner with advisors to determine the best strategy for any donor.

ESTABLISH A FUND

Establishing a fund at CFAAC is an easy and effective way for your clients to give to the causes they care most about. All that is necessary is a simple fund agreement and an initial gift to open the fund or an intention to create one via a planned gift. With either of these choices, a fund agreement ensures that your client's wishes will be implemented as they intended. Donors who give during their lifetime can make fully tax-deductible gifts to the fund when it is convenient for them and recommend grants to favorite nonprofits at any time using our online portal. We accept a wide variety of assets and can facilitate even the most complex forms of giving. We'd love to talk about how we can help you and your clients create a plan that meets their philanthropic giving strategy and financial goals.

TYPES OF FUNDS

- Donor Advised Funds
- Unrestricted Funds
- Field of Interest Funds
- Scholarship Funds
- Designated Endowment Funds
- Designated Funds
- Agency Endowed Funds
- Legacy Funds
- Corporate Advised Funds



MEDALLION INVESTMENT PARTNERS PROGRAM

Your clients can choose CFAAC's Medallion Investment Partners Program, which gives them the opportunity to establish funds at CFAAC, while having a qualified advisor of their choosing continue to manage the assets and receive investment management fees. Medallion status is awarded to investment advisors/firms that pass an annual due diligence review undertaken by CFAAC's Asset Management Committee.

The minimum amount to start a fund in the Medallion Investment Partners Program is \$500,000 with at least half of the beginning balance designated as endowed. The Medallion Investment Partners Program is only available for new gifts, however, existing funds managed under the program may continue to receive additional and/or planned gifts.

MEDALLION LEVELS:

Gold Medallion

A Medallion Partner currently managing CFAAC funds.

Silver Medallion

A Medallion Partner with a Planned Gift Agreement to manage CFAAC assets.

Bronze Medallion

A Medallion Partner not currently managing assets but has passed the due diligence process by CFAAC.

Donor Education

The Medallion Investment Partners Program information is posted on the CFAAC website under the "Individual & Families" and "Advisors" pages. Each Medallion Partner may, if desired by the Partner, have the firm's logo posted on both of the pages. Additionally, brochures, handouts, and social media posts will include the Medallion Partners logos where appropriate.

CFAAC DONOR ADVISED FUNDS VS. PRIVATE FOUNDATIONS

| Considerations | CFAAC Donor Advised Funds | Private Foundations (PF) |
|---|--|--|
| Ease of Establishment & Tax Exempt Status | Fund is established immediately with a simple agreement and covered by CFAAC's tax exempt status | Corporation or trust required; IRS application for tax exempt status may take 6+ months to process |
| Start Up Costs | One-time fee of \$250 | Generally, \$10,000-\$15,000 |
| Assets Required | \$10,000 minimum (\$25,000 for an endowment fund) | Varies, generally \$2+ million, depending on foundation goals |
| Investment of Assets | CFAAC Asset Management Committee oversees investment policy | PF must establish policies, select investments, and pay associated fees |
| Tax Deductions for Cash Gifts | Generally up to 60% of Adjusted Gross Income | Up to 30% of Adjusted Gross Income |
| Tax Deductions for Appreciated Publicly-Traded Securities Gifts | Full Market Value up to 30% of Adjusted Gross Income | Full Market Value up to 20% of Adjusted Gross Income |
| Excise Tax on Investment Income | No Excise Tax | 1.39% Excise Tax, with quarterly reports required |
| Payout Requirements | None, at donor discretion | Annual minimum payout of 5% with penalties if minimum is not met |
| Annual Tax Filings & Returns | Filed by CFAAC; Donors do not have to keep up with legislative or IRS changes | Must be filed by PF with required detailed reporting schedules and up to date on changing requirements |
| General Administration | CFAAC modest administrative fee is withdrawn biannually | Trustees must perform the work, contract, or hire staff |
| Grantmaking Control | Donor may recommend grants to any Qualified 501(c)(3); Grants approved by the CFAAC Board | Trustee appointed Board controls grantmaking to IRS Qualified Charities |
| Grant Administration | CFAAC staff verifies IRS status, distributes grants and confirms distribution | Trustees must perform the work, contract, or hire staff |
| Grantmaking Support | CFAAC monitors and researches nonprofits and offers expertise on local needs and nonprofits | Trustees must perform the work, contract, or hire staff |
| Privacy | Yes, fund size/grants are confidential | No, IRS 990-PF public record |
| Liability & Risk Insurance | Provided by CFAAC at no cost to donor | Must be purchased by PF |

OUR PROGRAMS

While many people choose to establish and give to specific organizations through their own funds at CFAAC, there are also funds like the ones listed below, which exist to fill a wide variety of needs within our community. Your clients can choose a fund like one of these if they prefer to give more generally. These funds are also eligible for IRA charitable rollover gifts. And, if giving to an endowed fund, your client may be eligible for Endow Maryland tax credits.

GRANT PROGRAMS

Community Crisis Response Fund: Established to provide flexible financial assistance to Anne Arundel County nonprofits immediately following a violent incident, natural disaster, or other crisis in our community.

Fund for Anne Arundel: Created to help meet critical needs and improve the quality of life for all county residents, now and in the future. The current focus area for grantmaking supports nonprofit organizations offering physical, mental, and behavioral health programs for children in Anne Arundel County.

Grants 4 Teachers: Funds creative ideas from Anne Arundel County Public School teachers that stimulate and inspire student learning not otherwise possible to implement due to school system funding constraints.

Help Our Neighbors: Supports local agencies that respond to urgent assistance for basic human needs for individuals and families (e.g., rent, utilities, licenses and certifications, transportation to work, medication, medical expenses).

Strengthening Nonprofits: Provides training and opportunities for Anne Arundel County nonprofit organization professionals, volunteers, and board members in fundraising development and nonprofit management.

FIELD OF INTEREST PROGRAMS

Arts & Culture Anne Arundel: Provides access and opportunities for economically challenged individuals and families to experience and/or participate in the performing, visual, fine, and decorative arts, as well as literature and language.

Environment Anne Arundel Fund: Supports Anne Arundel County nonprofit organizations working to protect and improve the environment in Anne Arundel County and the Chesapeake Bay.

Women and Girls Fund: Supports nonprofits that help women and girls pursue positive, productive lives.

PARTNERING WITH CFAAC

The Community Foundation of Anne Arundel County is a tax exempt, 501(c)3 publicly supported philanthropic organization, whose mission it is to inspire and promote giving in Anne Arundel County by connecting people who care with causes that matter. CFAAC helps to identify critical needs in our county, partners with donors to help them meet their philanthropic and financial goals, and promotes collaboration to help strengthen local nonprofits.

CFAAC works to build permanent funds whose earnings will be used to reinvest in the community year after year. As endowments grow, so will our ability to provide support for critical community projects, helping to ensure a vibrant and generous community that comes together to enhance the quality of life for all.



CONTACT US

Whether your client is an existing fund holder, or just beginning to explore options to create a personal giving plan, we are here to provide support to both you and your clients. We can add value to your practice by expanding your clients knowledge of giving options, assisting with identifying and implementing their goals for charitable giving, and strengthening relationships. To tailor a plan for your client's particular needs, reach out for a consultation with CFAAC or invite us to join a meeting with your client. Consultations are always completely confidential, free, and without any obligation.

For more information contact:

John Rodenhausen
Director of Gift Planning
john@cfaac.org
410.280.1102 ext. 103

900 Bestgate Road, Suite 400, Annapolis, MD 21401
www.cfaac.org

