

Please Note:

Issues of *Futures* appear as they were originally published. Information in these publications has not been updated to reflect changes that could affect calculations given in case examples.

Newsletter begins on next page.

A no-nonsense newsletter for estate planners and financial advisors from The Dayton Foundation

Family Foundation PlusSM – Building a Family Legacy to Withstand the Test of Time

By Jan A. Clark, Esq., Senior Development Officer, The Dayton Foundation

“When the IRA is properly left to a Family Foundation Plus fund, the assets pass free of all taxes.”

– Jan A. Clark, Esq.

Since 2003, The Dayton Foundation has offered a unique solution for those donors who dream of creating a foundation to pass on to future generations of their family. Once, the only option was to create a private foundation, which assumes that the donor has millions with which to fund the charitable dream. Now donors giving at least \$250,000 have access to a better solution through Family Foundation Plus.

What is Family Foundation Plus?

Family Foundation Plus is a donor-directed fund that operates through a board of directors created by the donors. Very often, the initial board is comprised of the donors and their adult children. It also may include friends and even children and grandchildren who are minors. The board is self-perpetuating, just like a private foundation's board, so it can continue from generation to generation.

The Dayton Foundation provides record keeping, compliance with IRS

regulations and supportive services to make giving easy and efficient for donors and their foundation board. Best of all, The Dayton Foundation can help keep the donors' philanthropic legacy alive through its reliable and steady service to successive generations.



JAN A. CLARK, ESQ.

In the four years since Family Foundation Plus was created, over 47 donors and their families have chosen this option for their charitable giving. Donors and their advisors have used Family Foundation Plus in a number of ways that illustrate its many advantages for tax-smart giving and fulfilling the charitable wishes of the donors. Here are just a few ways that these innovative funds have been utilized.

Real Estate Contributions

With the downturn in the market during the early part of this decade, not everyone had appreciated stock in their portfolio to give to charity. However, some donors found that they did have real estate that had grown significantly in value.

In some cases, the real estate was vacant land or land that had been farmed by tenant farmers. In other cases, the real estate included a commercial building, a shopping center or an apartment complex.

An outright sale of the property would have produced substantial income tax on the capital gains realized. However, by donating a part of the real estate to The Dayton Foundation, the donor was able to keep a portion of the proceeds, generate a current tax offset and use what would have been tax dollars to obtain a charitable benefit. When The Dayton Foundation and the donor, acting in concert, subsequently sold the real estate, The Dayton Foundation's share of the proceeds went into the donor's Family Foundation Plus fund to be used for future grants.

Gifts of real estate take careful planning and a little more time, but the rewards are worthwhile. The

donor must be careful to complete the gift before entering into any binding contract for the sale of the property, and the Foundation must exercise due diligence in determining whether to accept the gift. In addition, the property must be appraised by a qualified appraiser who certifies his or her findings to the IRS.

When the real estate gift is done correctly, the donor may be entitled to take a charitable deduction for the full fair market value of the gifted property, no matter how much it has appreciated. Compare this to gifts of appreciated real estate to private foundations, whereby only the donors' cost basis may be deductible. Family Foundation Plus offers a solution that benefits both the donor and philanthropy.

Deferred Gifts

Not all Family Foundation Plus funds receive assets while the donor is living. Many are set up to be funded with assets received from the donor's estate at the donor's death. The Dayton Foundation has seen a number of instances in which the bulk of the estate will be received by the Family Foundation Plus fund upon the donor's passing.

Of all the assets in an estate, none faces greater shrinkage from taxes than an IRA left to a beneficiary who is not the decedent's surviving spouse. Up to 75% of the IRA may be absorbed by estate and income taxes.

Family Foundation Plus provides a way to convert those tax dollars to charitable dollars, which then may be left to family members as social capital – dollars that they may grant later to those charities that they care

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“Family Foundation Plus funds offer a way for donors to create living memorials that have the power to nurture charities... and to improve the social landscape.”

—Jan A. Clark, Esq.

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I Believe!

Dayton Foundation donors and families who have stepped forward to become the first “I Believe! Partners” of The Dayton Foundation. Their commitment underwrites a full year of Dayton Foundation publications, thereby freeing resources for the Foundation’s other community work.

“I Believe! Partners”:
Robert C. Appenzeller,
Clarence E. Bowman, Jr.,
Theresa A. & David A.
Gasper,
Judy D. & William K.
McCormick,
Karen R. & Burnell R.
Roberts,
Carleen & Robert J.
Suttman, II

Family Foundation Plus – Building a Family Legacy to Withstand the Test of Time

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about. When the IRA is properly left to the Family Foundation Plus fund, the assets pass free of all taxes. As a result, family members receive maximum benefit as directors of the charitable fund and at very little cost in terms of family members’ overall inheritance.

Another way that donors can provide social capital for their family members is by naming a Family Foundation Plus fund as the charitable beneficiary of their Charitable Remainder Trust (CRT). Even with a CRT that already has been established, if the donor has retained the right to change the charitable beneficiary, a Family Foundation Plus fund may be just the solution.

Not infrequently, donors want to establish a fund that will address a particular need in the community, whether it is to support the performing arts, preserve natural areas or enhance the lives of area seniors. Family Foundation Plus provided an avenue for one childless couple to set up such a fund as part of their estate plan, and name trusted individuals to oversee grants within their field of interest. The donors could have set up a private foundation, but they were able to accomplish the same goals without the start-up fees, annual legal and accounting fees, separate tax returns and annual excise taxes.

Conclusion

Family Foundation Plus funds offer a way for donors to create living



“We like that after we are gone, our family will be able to direct gifts from the fund to help organizations that are important to us and that our family name and charitable interests will live on.”

—Family Foundation Plus Donors
Carolyn (Toni) Winger and
William Winger,
Founder, Hyde Park Electronics

memorials that have the power to nurture charities today and in the future and to improve the social landscape. Family Foundation Plus funds provide avenues for the donors’ descendants to honor the traditions and charitable passions of the founders, and to remember them not just in thought, but in deed.

Family Foundation Plus is simple to set up, but lasting in effect. Let The Dayton Foundation help you create a legacy. 🌱

(For more information about Family Foundation Plus, you may call (937) 222-0410 to request a Family Foundation Plus brochure or to speak to Joe Baldasare or Jan Clark.)

Note: Solutions differ from case to case. The above does not constitute professional financial or tax advice.

Before joining The Dayton Foundation in 2002 as Senior Development Officer, Jan A. Clark, Esq., served for 19 years with the Dayton Office of UAW Legal Services Plan, where she was managing attorney and provided estate planning, probate and real estate legal services to clients. She also previously has taught at University of Dayton College of Law and Antioch Law School; worked as an attorney in private practice and as a project attorney with Stein, Mitchell & Mezines in Washington, D.C., and served as a staff attorney for the Columbus Legal Aid Society.

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