

# FOUNDATIONS

## PRIVATE CLIENT GROUP

*Philanthropy can take a variety of forms. For many individuals and families, creating a foundation or supporting organization is an effective way to channel their philanthropic activities and maintain maximum control of how their contributions are used. In this way, an individual or family can create their own charity and control the activities of that charity.*

A family's philanthropic mission and personal financial circumstances will affect the type of entity that will be most appropriate for them.

### PRIVATE FOUNDATION.

A Private Foundation is a non-governmental, nonprofit organization that has a principal fund of its own, managed by its own trustees or directors. Private Foundations can be created for a specific purpose or a broad mandate, and are typically established to maintain or aid social, educational, charitable, religious or other activities serving the common welfare.

A Private Foundation:

- Results in the creation of a charity solely in the control of the creators
- Can help to establish a family's legacy by perpetuating the family name if that name is used
- Provides a tax deduction now by funding future giving, making it a popular entity for deferred giving
- Can be created as a trust or a corporation
- Can be created for a limited duration or in perpetuity

Private Foundations are a popular charitable giving vehicle for individuals and families who want to have the option of changing their giving strategy as the needs of the community evolve over time. They offer an individual or family control over all aspects of the foundation management, including its investment strategy.

### SCHOLARSHIP FOUNDATION.

A Scholarship Foundation is a special purpose private foundation that is exclusively devoted to funding scholarships for education. Scholarship grants are typically made directly to post-secondary students, although in certain cases, support may be provided to elementary or high school students. Scholarship grants can also be made directly to educational institutions, such as universities, that in turn work with you to identify students who meet your foundation's requirements. These foundations are ideal for individuals and families whose primary interest is in ensuring educational opportunities and educational excellence in their communities.

### SUPPORTING ORGANIZATION.

A Supporting Organization functions much like a Private Foundation, but is created to fund one or more specific operating charities. This giving vehicle is ideal for individuals and families who want to support a few long-established charities, which will likely be in operation for decades to come. Their close relationship to the charities they help can allow Supporting Organizations to receive more favorable tax treatment than Private Foundations.

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They can also enable the benefiting charity to have input into the Supporting Organization's governance. Because a Supporting Organization supports a few of the client's preferred charities it often requires less of the families' time to administer.

A Supporting Organization:

- Is a separate legal entity from the charities it supports
- Is exempt from excise taxes and the administrative requirements that private foundations are subject to
- Entitles a donor to more generous tax deductions than are available for contributions to a private foundation
- Is not required to distribute a certain percentage of its assets annually
- Can own an unlimited amount of closely-held stock, unlike a private foundation

#### ESTABLISHING A FOUNDATION OR SUPPORTING ORGANIZATION.

Some philanthropists shy away from creating a foundation because of the administrative requirements and day-to-day demands of operating such an entity. In U.S. Bank's Private Client Group, we have extensive expertise and experience in structuring, creating and administering foundations.

Issues to consider include:

- Obtaining tax exempt status and adhering to tax compliance issues
- Developing grant/scholarship guidelines
- Marketing the availability of grants from your foundation
- Grant proposal evaluation and selection criteria
- Record keeping and grant/scholarship administration
- Investment management and risk management

Please note the following about investments:

NOT FDIC INSURED	NO BANK GUARANTEE	MAY LOSE VALUE
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#### ASK YOUR PERSONAL TRUST RELATIONSHIP MANAGER FOR DIRECTION.

These giving options, while fulfilling, are also very complex and time-consuming to administer. After consulting with your attorney, the Private Client Group at U.S. Bank can work with you to create a foundation or supporting organization management plan that allows you or your family the degree of involvement you prefer. By taking the drudgery out of the day-to-day administration, we can help ensure that your community investments are personally rewarding and financially beneficial.



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