

Charitable Endowment Donor Advised Funds



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Donors often have very particular ongoing programs or projects within a given charitable organization or foundation that they wish to support over time. In some cases, the donor may even want to foster a new program targeted at a unique aspect of a charity's mandate that has special meaning to the donor. In both instances, donors will have very specific requirements on the use of funds and will require that the capital portion of the gift be left intact to maximize the flow of income over time.



Endowments are used to support specific programs or activities of a charity, foundation or qualified institution (Hospital, University etc.). They can also be used to construct or purchase an asset such as a building, undertake repairs and maintenance, purchase new capital equipment, support research, employ qualified staff or support the longterm tenure of uniquely skilled individuals or teams.

Endowment Funds, also referred to as Perpetual Funds, are designed to ensure that the gifted capital remains intact and the income generated by the capital is used

for a purpose specified or agreed upon by the donor. Through the use of a *Gift Funds Canada* Donor Advised Fund (DAF), any deviation from the agreed upon use of capital or income can only occur with the express permission of the donor.

A charitable endowment program utilizing a *Gift Funds Canada* Donor Advised Fund structure offers the donor total flexibility including not only the ability to have a firm hand on how and when the income is deployed, but also in determining where and how the capital is invested. The donor also has the right to redirect the income to other

programs or charities at anytime as their DAF still retains control over the capital within the *Gift Funds Canada* structure.

In contrast to using a Donor Advised Fund, endowed gifts made directly to specific causes will be subject to the terms of a gift agreement, often limiting the donor's involvement in the decision making process until such time as the beneficiary activity or function ceases to exist within the charity. Donations made directly to a charity are generally invested on a pooled investment basis over which the donor has no influence or control.

Ways of Gifting Using Donor Advised Funds



All gifts-in-kind will receive an immediate donation receipt for the fair market value of a gifted asset



A current gift of capital to a Donor Advised Fund for Endowment Purposes. Donors to a DAF established for endowment purposes can make gifts of cash, publicly traded securities or a gift-in-kind with an immediately realizable cash value. All gifts-in-kind will receive an immediate donation receipt for the fair market value of a donated asset. In the case of publicly traded securities, additional tax benefits may apply to a gift of appreciated securities. Special rules effectively eliminate the capital gains tax and the donor receives a donation receipt for the full value of the donated securities. Some foreign publicly traded securities also benefit from this rule.

A deferred gift of capital to a Donor Advised Fund for Endowment Purposes. A gift of life insurance, a traditional bequest under the terms of a Will, a beneficiary designation of a RRSP, RRIF or TFSA account or a residual interest gift may also be gifted to a DAF. Upon maturity of the life insurance policy, probate of a Will or the receipt of future proceeds from the sale of a gifted asset, the donated funds will be placed into a DAF on behalf of the donor with instructions stipulating the use of funds. The donor's family, a designated successor or *Gift Funds Canada* may take responsibility for ensuring the donated funds are used and invested in accordance with the donor's wishes.

Donor Advised Funds for Endowment Purposes

There are a number of benefits to gifting through a *Gift Funds Canada* Donor Advised Fund for endowment purposes as outlined above.

An Endowment Fund approach to gifting can offer support to specific cash intensive projects, such as medical research, in the form of an ongoing reliable income stream.

In some cases, such projects may be unplanned but promising spin-offs of larger projects or initiatives searching for longer-term innovative solutions to pressing social or health-related issues.

They may also provide much needed support for building repair and maintenance, new construction,

purchasing new equipment, employing specifically qualified staff or supporting program-specific field trips, amateur sport, eldercare or summer camps for those in need. These represent just a few of the causes that can benefit from the recurring charitable income of a Donor Advised Fund being used as an Endowment Fund.





For further information or to discuss establishing your own Donor Advised Fund, please contact us at:

Gift Funds Canada

645 Gardiners Rd., Suite 202

Kingston, Ontario K7M 8K2

Web: www.GiftFunds.com

Email: contactus@giftfunds.com

Phone: (866) 712-5988