



# Donor Advised Funds: The Art of Strategic Giving

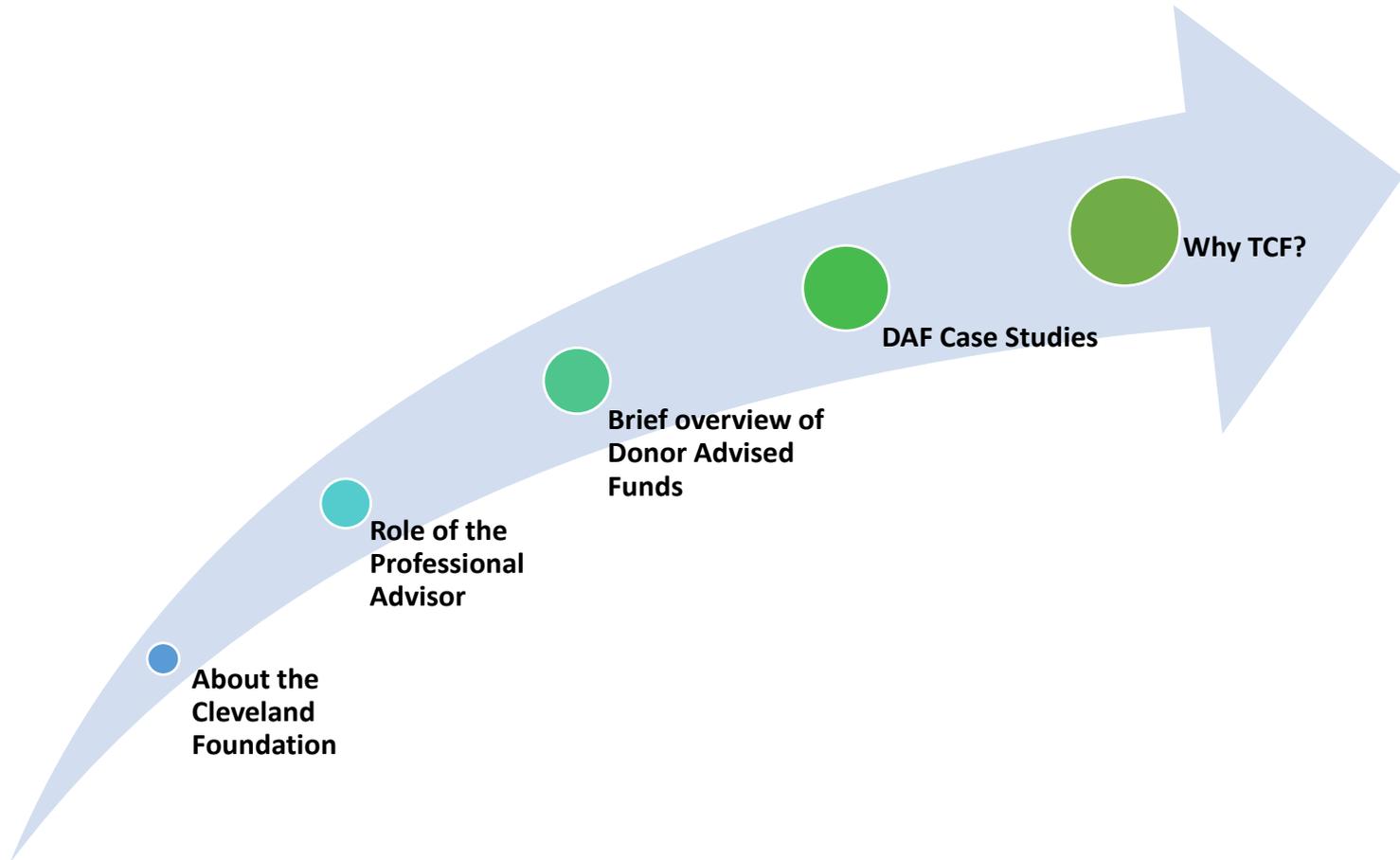
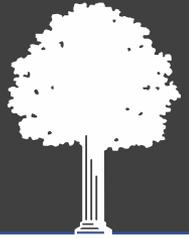
November 19, 2019

FPA of Northeast Ohio

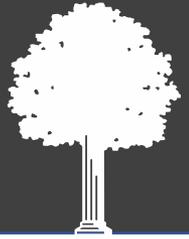
Terri Eason, Director of Gift Planning

Dave Stokley, Gift Planning Advisor

# Agenda



# Overview of the Cleveland Foundation



## Statistical Highlights

- One of the country's largest community foundations
- \$2.5B endowment
- \$90M average annual grants
- Over \$100 million granted in 2018
- Over \$2B in grants since 1914

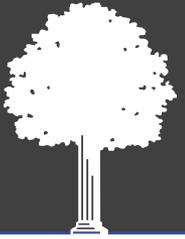


## Mission Statement

To enhance the lives of all residents of Greater Cleveland, now and for generations to come, by

- Working together with our donors to build community endowment
- Address needs through grantmaking, and
- Provide leadership on key community issues.

# How Grant Dollars are Distributed



The foundation's grant-making strategy is divided into three categories that highlight:

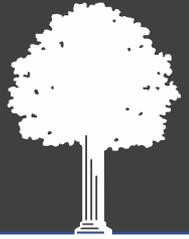
- Partnership
- Leadership
- Learning

30% Board Directed  
(Target Initiatives)

20% Community  
Responsive

50% Donor Directed

# Advancement Team of the Cleveland Foundation



## What We Do:

- Help your clients incorporate philanthropic objectives in:
  - Financial and retirement planning
  - Estate or tax planning

## How We Do It:

- Develop collaborative solutions for:
  - Closely held businesses
  - Liquidity events
  - Family dynamics
  - Resource preservation
- Create customized strategies for:
  - Outright giving (current)
  - Planned giving (future)
  - Optimization of assets

“

*The Cleveland Foundation staff works as an extension of my advisory team, so developing a plan that was flexible and resonated with my values was remarkably easy.*

”

- Ed Rivalsky, Founder of Clinical Specialties Inc.

# Role of Professional Advisors

## *Initiating the Conversation*



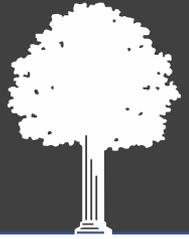
### Who brings up philanthropy as a planning topic?

|                                     | Advisors | Clients (Donors) |
|-------------------------------------|----------|------------------|
| Advisor always/usually brings it up | 39%      | 6%               |
| Donor always/usually brings it up   | 18%      | 61%              |

- Advisors second only to spouse/partner as most valuable source of information about philanthropy.
- 79% of HNW individuals say their advisors plan an important role in their giving.
- Only 45% fully satisfied with advisor conversations; 52% somewhat satisfied...

# Role of Professional Advisors

## *Why Do Donors Not Give?*



### Advisors

#### *Wealth-Preservation Concerns*

- The donor does not have enough money for himself or herself
- The donor is not leaving enough money to his or her heirs
- The donor does not consider himself or herself “wealthy enough”

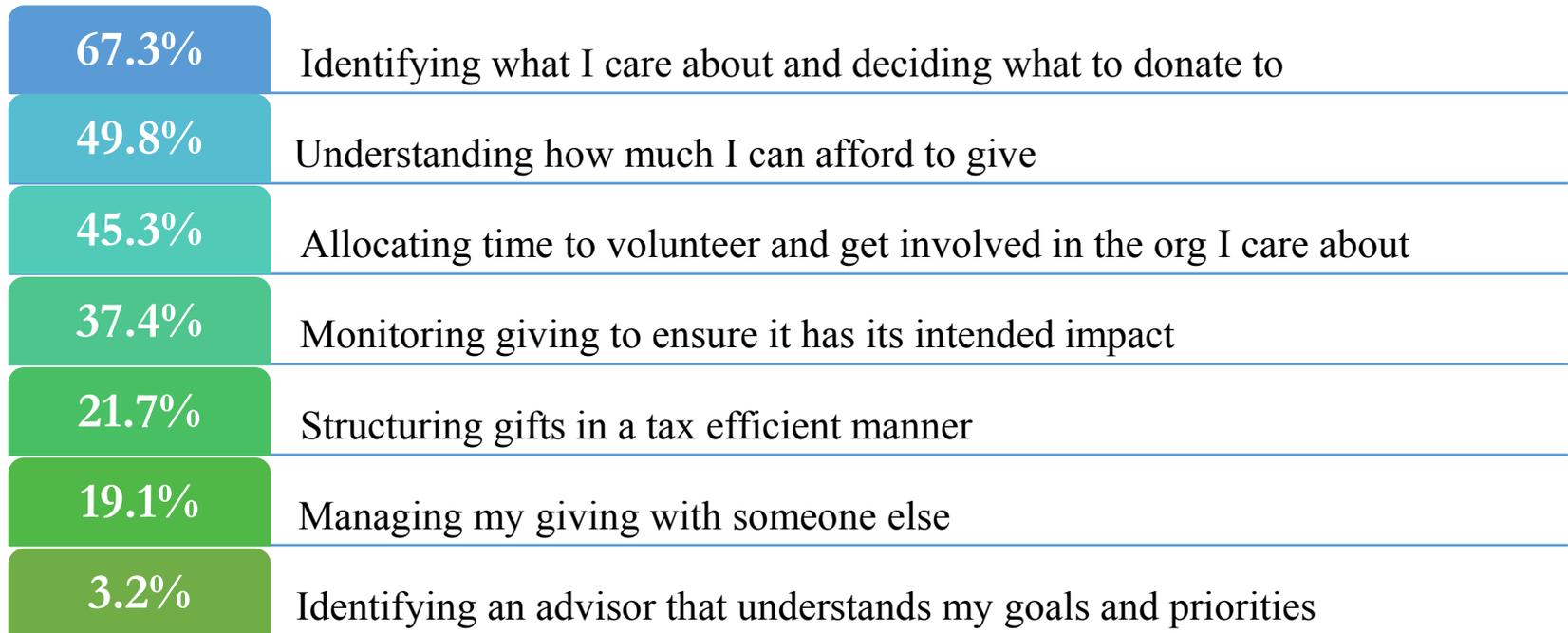
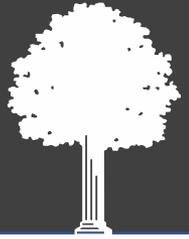
### Donors

#### *Need for Knowledge*

- Lack of knowledge/connection to charity
- Concern that gifts will not be used wisely by the charity
- Fear of increase in donation requests

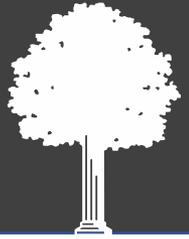
# Role of Professional Advisors

## *Challenges to High Net Worth Donors*



# Your Role

## *The Bottom Line*

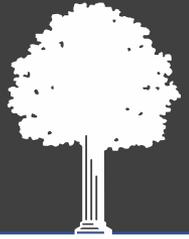


The frequency, depth, and quality of philanthropic conversations between advisors and HNW clients is increasing.

- 40% of HNW individuals more likely to choose advisor knowledgeable in charitable giving.
  - 63% of advisors plan to increase their knowledge about philanthropy.
  - 57% of want to understand more about giving vehicles.
-

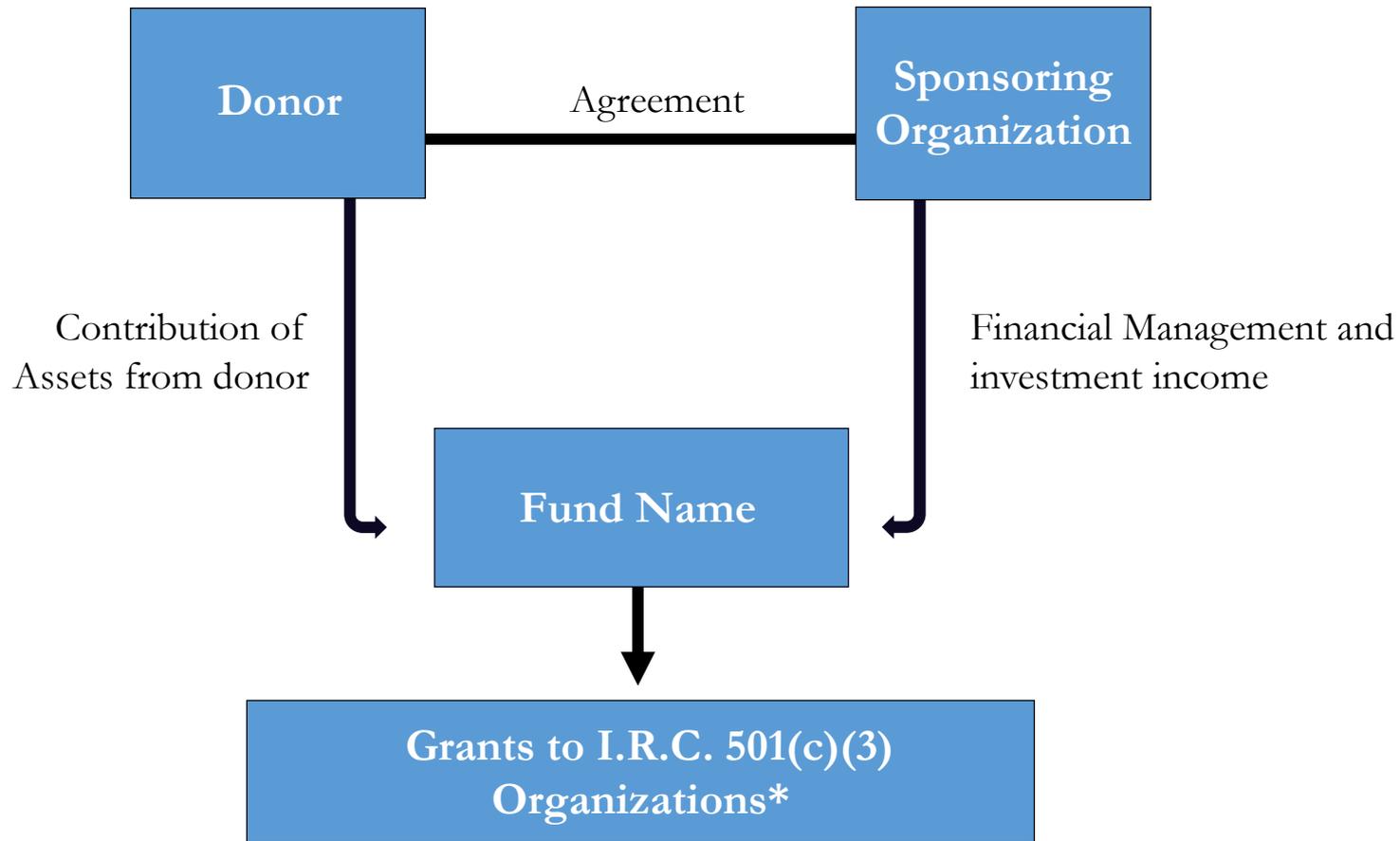
# Donor Advised Funds

## *The Basics*

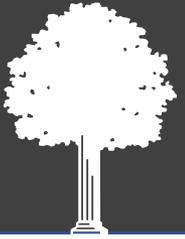


- Popular charitable vehicle due to ease and flexibility
- Tax deduction today, distribute to charity later
- Established in three easy steps:
  1. Donor makes a contribution of cash, stocks or other assets
  2. Cleveland Foundation invests the money for growth
  3. Donor distributes money to charities of their choice on their own timeline

# Mechanics of a Donor Advised Fund

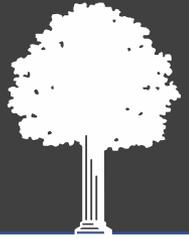


# Donor Advised Fund Benefits



- One tax receipt; no tax return
  - Can be set up immediately
  - Cleveland Foundation administers all back office and recordkeeping
  - Tax advantages of public charity over private foundation
  - No required distributions
  - Online access available for Donors
  - Donors can remain anonymous
  - Ability to involve multiple generations of family
-

# Asset Types



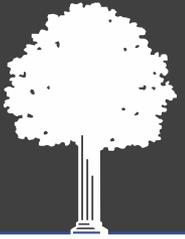
- Cash
- Marketable securities
- Business interests
  - Closely held stock
  - Partnership/LLC interest
- Personal Property
  - Artwork
  - Intellectual property
  - Collectibles
- Real estate
  - Personal Residence
  - Farmland
  - Commercial property
- Alternative Assets
  - Life insurance policies
  - Retirement plan assets
  - Oil & gas interests

# Private Foundation vs. Donor Advised Fund



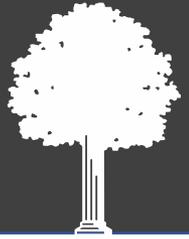
| Private Foundation  | Donor Advised Fund  |
|---|---|
| Separate nonprofit  | [sponsoring organization] Fund with Donor input on Grantmaking  |
| <ul style="list-style-type: none"><li>• Private Foundation</li><li>• Deductibility:<ul style="list-style-type: none"><li>-20% AGI for appreciated property</li><li>-30% AGI cash</li></ul></li><li>• 2% taxation of investment income</li><li>• Minimum payout of 5%</li><li>• Detailed annual filing with IRS</li><br/><li>• Staff support or actively engaged volunteers needed to handle requests and grant making support</li><li>• Trustees have complete control and responsibility of distributions and management of assets</li><li>• Public record of giving</li></ul> | <ul style="list-style-type: none"><li>• Public Charity</li><li>• Deductibility:<ul style="list-style-type: none"><li>-30% AGI for appreciated property</li><li>-60% AGI cash</li></ul></li><li>• No taxation on income</li><li>• No payout minimum</li><li>• All filings handled by sponsoring organization</li><br/><li>• Donor recommends grants</li><br/><li>• Giving can be anonymous</li></ul> |

# Three Common Uses for DAFs



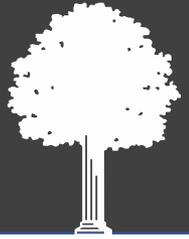
- Tax Planning
    - Liquidity events
      - Privately held businesses
      - Appreciated assets
    - Bunching
  - Simplify Giving
  - Pass on Philanthropic Values
-

# Case Studies: Liquidity Event



- Jan owns an industrial manufacturing business worth \$30 million (\$2m basis) that she's decided to sell.
- She wants to use the proceeds for charitable purposes.
- Option 1: Sell, then gift.
  - Capital gains tax of 20% takes \$6 million, leaving \$24 million
- Option 2: Gift, then sell.
  - Depending on charity structure can gift/deduct up to \$30m
  - Private foundation: limited to cost basis; other limitations
  - Direct to charity: full deduction, loss of control
  - DAF: deduct fair market value, retain control and legacy

# Case Studies: Bunching Gifts



- Why is this important? Tax Cuts & Jobs Act!

## I

### Increased Standard Deduction

---

- Single filer: \$6,500 to \$12,000
- Head of household: \$9,550 to \$18,000
- Joint filers: \$13,000 to \$24,000

## II

### Reduction In Itemization

---

- About 30% of taxpayers itemized their deductions in recent years
- 20.4M households are estimated to itemize deductions in 2018, down from 48.7M in 2017

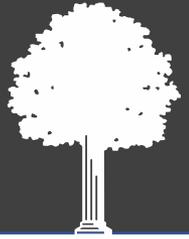
## III

### Reduction In Charitable Giving

---

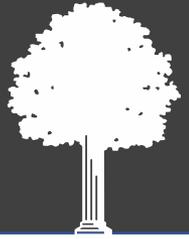
- Individuals are estimated to reduce charitable giving by \$13B annually
- Tax benefits can still be achieved under the new tax rules

# Case Studies: Bunching Gifts

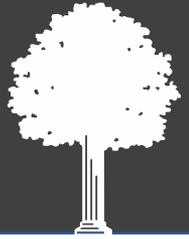


- Who should consider it?
  - Anyone whose aggregate itemized deductions (less charitable gifts) < standard deduction.
- Example 1
  - Married filing jointly.
  - \$15,000 annual charitable gifts only itemized deduction.
  - Strategy:
    - Donate \$30,000 in year 1, nothing in year 2.
    - Deduct \$30,000 in year 1, \$24,000 (s.d.) in year 2; TOTAL \$54k
    - Without bunching: \$48,000 deduction (s.d. x2)
    - Save \$1,440 (in 24% bracket)

# Case Studies: Bunching Gifts



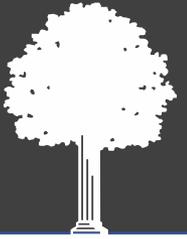
- Example 2
  - Married filing jointly.
  - \$30,000 annual charitable gifts only itemized deduction.
  - Strategy:
    - Donate \$60,000 in year 1, nothing in year 2.
    - Deduct \$60,000 in year 1, \$24,000 (s.d.) in year 2; TOTAL \$84k
    - Without bunching: \$48,000 deduction (s.d. x2)
    - Save \$5,760 (in 24% bracket)



# Case Studies: Bunching Gifts

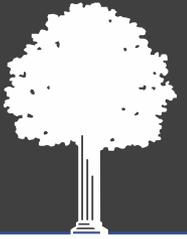
- Example 3 – Amplify It!
  - Married filing jointly.
  - \$30,000 annual charitable gifts only itemized deduction.
  - Strategy:
    - Donate \$90,000 stock with \$45,000 basis to DAF in year 1, nothing in years 2 & 3.
    - Deduct \$90,000 in year 1, \$24,000 (s.d.) in years 2 & 3;  
TOTAL \$138k
    - Without bunching: \$72,000 deduction (s.d. x3)
    - Save \$21,120 (32% income bracket) + \$9,000 (20% cap gains)  
TOAL \$30,120

# Case Studies: Simplifying Giving



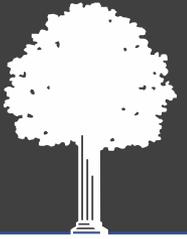
- Jim Smith makes \$40,000 in gifts to charity every year.
- Appreciated stock.
- ~ 10 charities; \$250 - \$10,000
  
- Jim opens DAF, funds with \$40,000 appreciated stock
- Call TCF or go online and direct distributions

# Case Studies: Teaching Philanthropy



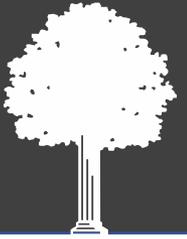
- Background
  - Gen A's desire to pass on a legacy of giving to Gen B through a multi-million dollar fund
  - Family brought ideas to the table, but didn't know how to execute grants and teach Gen B how to review, vet and establish grants
  - Professional advisor connected family to TCF; understood the family would desire personalized and customizable services as family's needs changed
- Protocol
  - DAF chosen for flexibility
  - TCF chosen for resources we provide, e.g. strategy, mapping policy and procedure.
  - Proactive approach with family
  - Formal annual review, with additional connections as needed

# What Differentiates the Cleveland Foundation



- Provide a customized approach for each donor with personalized services and up-to-date community knowledge curated by a Donor Relations Advisor and Team.
  - Serve as a partner to strategize and ideate charitable giving.
  - Ability to grant locally, nationally and even internationally.
  - Maximize tax advantages.
  - Ensure donor intent in perpetuity.
-

# What Differentiates the Cleveland Foundation



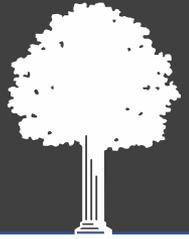
- Technology services
    - Quarterly fund statements
    - Online grantmaking
    - Web-based research capabilities
  - Educational events and networking opportunities
    - Exclusive donor conversations events twice a year
    - Invitations to special events
    - Early ticketing for Cleveland Foundation annual meeting
    - Donor recognition celebrations
-



Questions  
Observations  
cogitations Interrogative expressions  
concerns remarks  
thoughts ideas points  
comments considerations  
musings notes inspirations  
reactions inquiries reflections  
deliberations  
Answers

# Terri Bradford Eason, MBA

## Director of Gift Planning



Terri Bradford Eason manages the foundation's Gift Planning Program as a member of the Advancement team. Her primary focus is cultivating relationships that help individuals establish current and deferred philanthropic funds, legacy gifts and charitable giving strategic plans. As such, Terri works closely with professional advisors and their clients to identify, create and provide charitable planning options tailored to achieve specific philanthropic goals.

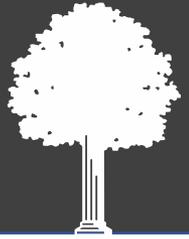
Terri joined the Foundation in October 2008 after gaining two decades of experience in the financial services industry. She had several positions with National City (now PNC) and supported several functions including wealth management, relationship management, new business development, and both private and corporate banking. As director of nonprofit business services, she was responsible for new business development and relationship management of nonprofit and higher education organizations. Throughout her tenure, Terri was dedicated to quality service for which she received the company's NCC Excel Award for extraordinary client and community service. She also was the recipient of the YWCA Women of Professional Excellence Award, TLOD Status of Women Award, the NCNW Phenomenal Women of Extraordinary Leadership and Service Award and the National Coalition of 100 Black Women, Inc.'s Woman of Vision award.

Terri has served the nonprofit community as a director on several area nonprofit boards, including Recovery Resources, Junior Achievement, the Women's City Club Foundation and the Legacy Village Lyndhurst Community Fund Committee. In addition, she is the Former President of the Alpha Omega Chapter of Alpha Kappa Alpha Sorority, Incorporated, and Former Chairman of the Alpha Omega Foundation, Incorporated. Currently, she serves on the Board of Cleveland Hearing and Speech Center (Past-Board President), Northern Ohio Charitable Gift Planners Council, Milestone Autism Resources, Inc., AKA Educational Advancement Foundation, Inc. (At-Large Director) and member of the Board of Trustees for Ohio North First Ecclesiastical Jurisdiction (Former Board Chairman).

Terri is a member of the National Black MBA Association, Inc., NAACP, Beta Gamma Sigma National Honor Society, Cleveland Chapter of Links, Inc., Top Ladies of Distinction, Inc. and Jack & Jill of America, Inc. She earned her Master of Business Administration degree from Cleveland State University and a Bachelor of Arts degree from Penn State University. Terri resides in South Euclid, Ohio with her husband Clayton Eason, Sr. and their two sons Clayton II, age 20 (Senior at Notre Dame College) and Bradford, age 18 (Sophomore at John Carroll University).

# Dave Stokley, J.D.

## Gift Planning Advisor



Dave joined the Cleveland Foundation's Advancement team in July 2019. He focuses on providing individuals, families and organizations with information regarding current and deferred charitable giving options. In addition, Dave works closely with professional advisors and their clients to identify those options that will achieve specific philanthropic planning goals.

Prior to joining the Foundation, Dave ran The Cleveland Orchestra's gift planning program for several years, providing charitable gift, tax and estate planning services to donors, overseeing planned giving marketing efforts, drafting and reviewing gift agreements, and providing educational opportunities on gift planning to colleagues. Dave previously held positions at the Cleveland Museum of Art and Stark & Knoll LPA.

Dave serves as the President of Northern Ohio Charitable Gift Planners, a local educational group for the gift planning profession. He is also on the Board of Directors of the Cleveland Baseball Federation. Dave maintains memberships with the National Association of Charitable Gift Planners, Northern Ohio Charitable Gift Planners, and Estate Planning Council of Cleveland. He earned his law degree from Ohio State University following undergraduate work at Wittenberg University.



**Terri Bradford Eason, MBA**  
Director of Gift Planning  
[teason@clevelandfn.org](mailto:teason@clevelandfn.org)  
(216) 615-7580

**Dave Stokley, J.D.**  
Gift Planning Advisor  
[dstokley@clevelandfn.org](mailto:dstokley@clevelandfn.org)  
(216) 685.2003

