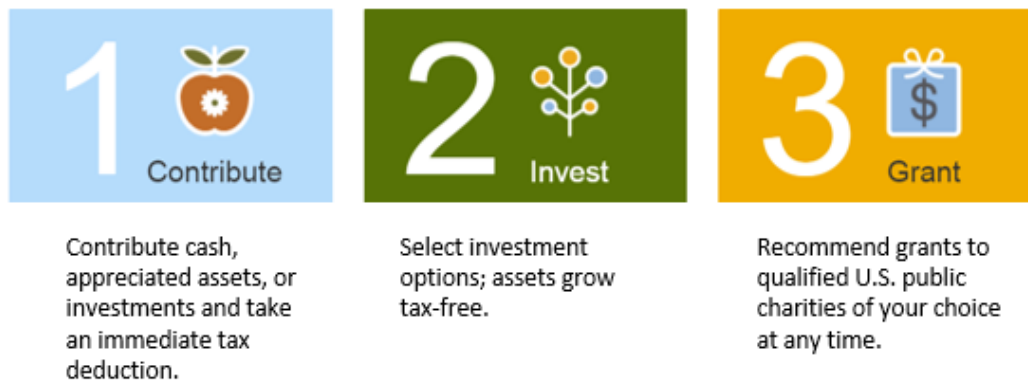


USING A DONOR-ADVISED FUND TO ENHANCE CHARITABLE GIVING

If philanthropy is in your future, establishing a donor-advised fund (“DAF”) account might be an appropriate strategy for fulfilling your charitable giving goals. Utilizing a DAF account is a tax-smart, flexible and efficient option for maximizing your giving potential and opens numerous avenues for creating a philanthropic legacy.

HOW A DONOR-ADVISED FUND ACCOUNT WORKS

A DAF account could best be described as a waiting room for charitable donations. A donor opens an account with Schwab Charitable (or other public charity established to offer donor-advised funds), contributes cash, securities or appreciated assets to that account, and elects how the assets will be invested. The donor surrenders ownership of the assets contributed, and in return receives an immediate deduction on their taxes for the amount they have “donated”, and retains discretion over when and how much is distributed to the organization(s) of their choosing.



ADVANTAGES OF GIVING THROUGH A DONOR-ADVISED FUND

Perhaps the biggest benefits to giving through a DAF account are tax-related:

- ◆ **Giving through a DAF enables you to receive an immediate tax deduction¹ for each contribution to your account**, as opposed to when a grant is made.
- ◆ Growth generated after assets are contributed to your account is considered the property of the public charity offering the DAF and therefore is not reported on your personal income tax return. Your assets grow tax-free over time, resulting in more assets available for charitable giving.
- ◆ Donating appreciated assets (public securities, privately-held businesses and real estate) to your DAF account can often increase your giving capacity substantially. This is because **you can potentially eliminate capital gains taxes¹ on the sale of those assets**.
- ◆ Contributions to your DAF account and any subsequent increases in the value of the account are not part of your taxable estate and are not subject to estate taxes or probate.

Other benefits include:

- ◆ Unlike private foundations that mandate annual distributions of at least 5%, requirements on how much or how often DAF grants are made are minimal.

¹A donor's ability to claim itemized deductions and to also avoid capital gains taxes on the contribution of any appreciated investments or assets is subject to a variety of limitations depending on the donor's specific tax situation. Consult with your tax advisor for more information.



- ◆ Private foundations, charitable remainder trusts and charitable lead trusts can take months to establish and are costly. A DAF account can usually be opened in just a few days, without legal work (and fees), and with a minimum of paperwork and maintenance costs.
- ◆ You can create a special name for your donor-advised account, such as the Smith Family Foundation.
- ◆ Grants can be made in anonymity or with recognition.

CREATING YOUR PHILANTHROPIC LEGACY

A DAF account also provides several options to help you pass your commitment to philanthropy on to the next generation. For instance, you can appoint others to serve as secondary account holders, working alongside you with full and equal account access and privileges. A succession plan can be established at any time, identifying the individuals to succeed you as account holder. You can also specify charitable organizations as beneficiaries of your account, or your account as a beneficiary of your retirement plan, will, trust, or insurance plan, in a way that reflects your personal values and leaves a lasting legacy by which your family and community will remember you.

MINIMUM ACCOUNT SIZE AND INVESTMENT OPTIONS

DAF accounts can be established at Schwab Charitable with a minimum initial contribution of \$5,000, and invested directly in any of the index or actively managed fund choices offered by Schwab Charitable.

For Princeton Portfolio Strategies to manage the portfolio, an initial contribution of at least \$250,000 is needed. Accounts of that size may be invested in a broad range of investment options including stocks, bonds, ETFs, and mutual funds. We typically recommend a diversified investment approach, which mitigates market risk and preserves capital.

ADMINISTRATION

The administrative services provided to DAF account holders includes account documentation, online donor services, phone support, grant administration, tax filings, annual account summaries, and communications. A fee is assessed to cover the expense of these services; Schwab Charitable charges an asset-based rate that starts at 0.60% on the first \$500,000, then 0.30% on the next \$500,000, and declines in further increments thereafter to 0.10%.

IN SUMMARY

The unique structure of a donor-advised fund allows you to be strategic about giving and managing your charitable donations in a tax-effective, flexible, and convenient way. Beyond the up-front benefits, such as an immediate tax deduction, DAF accounts also enable your charitable contributions to grow tax-free.

Please let us know if you have questions or comments about donor-advised funds, or would like more information about financial planning or any other aspect of our wealth management services.

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