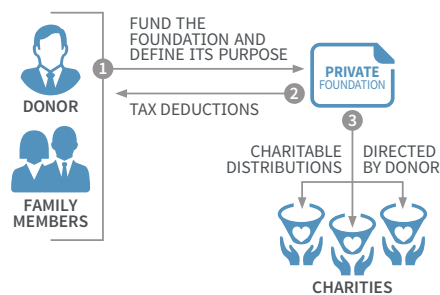


A foundation for family generosity

For those with significant wealth and a generous spirit, a private foundation can be a powerful vehicle for meeting both your charitable and estate planning goals. Unlike public charities, private foundations are set up, funded and controlled by an individual, family or family entity. They are tax-exempt entities, just like hospitals or universities, but must pay a nominal excise tax of 1% or 2% on their net investment income. And of course, they are required to make charitable distributions throughout their taxable year.

THE ANATOMY OF A PRIVATE FOUNDATION



Private foundations are often considered costly and complicated to set up, however thanks to increased efficiency, economies of scale and technological advances, that is less and less the case. While at one time it only made sense to start a private foundation with a minimum contribution of \$5 million, now \$2 million is widely considered a sufficient initial contribution. Your foundation can also be funded with a wide variety of assets including stock, real estate, jewelry, art, insurance policies and more, making it an advantageous option for those looking to minimize their estate. Contributions trigger an immediate tax deduction, plus those assets are removed from your taxable estate. You can also avoid capital gains tax by contributing highly appreciated stock or other investments.

OTHER BENEFITS OF PRIVATE FOUNDATIONS INCLUDE:

Foundations often make grants to public charities but can also run programs, provide services, and conduct direct charitable activities such as hardship aid.

It may be possible to hire a staff to assist with administration and your charitable efforts.

Founders select a board of their choosing to manage the foundation.

Foundations encourage collaboration and harmony among family members, who can get involved as staff or board members.

The foundation can reimburse you for operating expenses. You're able to negotiate and enforce grant agreements.

NEXT STEPS

Private foundations offer the opportunity to make a real difference while also enjoying tax benefits to help you reach your wealth planning goals.

- Consider your charitable goals and how they could be carried out with a private foundation.
- Have a conversation with your family about your values and how they can get involved as staff or board members.
- Work with your financial advisor, accountant and attorney to consider the implications and tax benefits of a private foundation for your comprehensive financial and estate plans.

Your decision to start a private foundation is a significant one. Your financial advisor is readily available to serve as a knowledgeable sounding board as you explore the charitable vehicles and estate planning strategies available to you.

A living family heirloom

PRIVATE FOUNDATIONS SERVE AS
A POWERFUL, TAX-EFFICIENT WAY TO
PASS ALONG WEALTH AND VALUES

Passionate patrons of their local arts community, Nicole and Keith had long envisioned starting a nonprofit that provided music lessons and instruments for underprivileged children in their community. As parents to a daughter and son in their 30s, they also sought a forum to actively share their values of philanthropy and financial stewardship with their children.

Working with their financial advisor, they decided a private foundation would allow them to define and execute their charitable mission as they wished, offer them the control they sought in managing the funds along with the freedom to apply those funds how they wished. And because private foundations can be funded in a variety of ways, they were able to include some appreciated stock they owned as well as a baby grand piano that could be used for lessons or performances. Not only were they able to set their dream in motion, but they also benefited from an immediate tax deduction on their contributions to the fund and avoided capital gains tax on the appreciated stock they contributed. Further, everything they gave to the foundation was removed from their taxable estate.

Nicole and Keith started the foundation with an initial funding of \$2 million and named their children as well as a few local business executives and philanthropists to their board of directors. By setting up their foundation to exist in perpetuity, their charitable mission and legacy will endure as long as the foundation does. They look forward to the opportunities and joy they can bring to children in their community, as well as the chance to create a living family heirloom that can be shared and passed down to generations still to come.

RAYMOND JAMES

This case study is for illustrative purposes only. Individual cases will vary. Any information is not a complete summary or statement of all available data and does not constitute a recommendation. Prior to making any decisions, you should consult with your financial advisor about your individual situation.

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