



## *Converting a Foundation to a Donor-Advised Fund*

*By Jeff Gerold, CFP, Senior Director of Development, Southwest Region*

Private foundations are excellent giving vehicles for many families, but it's not uncommon for a family's philanthropic needs to change. That was the case for Andrew and Katherine<sup>[i]</sup>, two siblings who were running a foundation their father started years ago. The brother and sister, both in their 70s, were growing tired of the daily work of the foundation—and their children, busy with careers and young families, weren't interested in taking over.

With just under \$5 million in assets, the foundation seemed too small to pay staff to oversee it. Katherine and Andrew were already paying an accountant to handle taxes and a money manager to invest the assets. By doing the rest of the work themselves, they had more money to give to charity. But they faced another challenge: The two siblings had different charitable goals and didn't see eye-to-eye on the causes they wished to support.

The final straw came when they realized that their money manager was not making the best investment choices. Overwhelmed, they turned to their personal financial advisor, who suggested that they split the remaining assets in the foundation among two donor-advised funds, one for each of them. This would remove any tension over grant recommendations.

What's more, by switching to a donor-advised fund (DAF), Andrew and Katherine would no longer have to do administrative work, perform due diligence with grants or oversee their accountant. Their sole responsibility would be to recommend grants to the charities they wished to support. By naming their children as successor advisors, they would enjoy greater peace of mind, knowing that they were leaving the next generation with a giving tool that they would be more likely to enjoy and that would fit into their lives.

If you are interested in transitioning from a family foundation to a DAF, your private foundation's board must review its governing documents and state law to determine the steps involved in dissolving the foundation. While you can set up a DAF in less than a day, you will need to confirm that all of the foundation's outstanding liabilities have been paid prior to transferring foundation assets to the DAF and retain a reserve in the foundation to pay any final expenses.<sup>[ii]</sup> The average time to complete the conversion to a DAF is three to six months. For more information, please contact us at (888) 878-7900 or by email at [npt@nptrust.org](mailto:npt@nptrust.org).

<sup>[i]</sup> Names and some details have been changed to protect anonymity.

<sup>[ii]</sup> The information here is an overview. If you decide to dissolve your private foundation and set up a donor-advised fund account, NPT strongly encourages you to consult with your tax advisor or attorney before beginning the dissolution process or making any charitable contribution.

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*Jeff Gerold, CFP is NPT's Senior Director of Development, Southwest Region and is based in Austin, Texas. In 2009, Jeff earned the Chartered Advisor in Philanthropy® (CAP®) designation. Jeff has worked in advanced charitable planning for nearly a decade.*