

# THE PHILANTHROPY TOOLKIT

*An Introduction to Giving Effectively*

THE STANFORD UNIVERSITY  
EFFECTIVE PHILANTHROPY LEARNING INITIATIVE



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## SECTION 4

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# HOW DO YOU STRUCTURE YOUR GIVING?



## 4. STRUCTURING YOUR GIVING

Now that you have defined your philanthropic motivations, values, and focus areas, as well as developed a plan for engaging others in your giving, it is time to develop a concrete structure for your giving.

This section guides you through the following steps:

- 1 **Determine your philanthropy budget** in order to integrate your philanthropy with your broader financial planning.
- 2 **Select giving vehicles** best suited to both your personal and philanthropic objectives.

## 4.1

# DETERMINE YOUR PHILANTHROPY BUDGET

It is a personal decision to determine how much to give to your focus areas compared to reserving resources for you and your family's present and future needs. This toolkit intends to focus on proactive giving in the focus areas you identified in **Section 1**. The activities below will help you categorize and distribute your contributions into three buckets:

1. **PROACTIVE GIVING**, which includes contributions to organizations working on your selected issues
2. **REACTIVE GIVING**, which includes contributions to personal requests from family and friends to support their selected issue areas
3. **EMERGENCY GIVING**, which includes contributions to disaster and emergency relief funds, or dire situations that emerge from unexpected policy changes

### ACTIVITIES

- J** Recount Your Contributions
- K** Set Your Total Philanthropy Budget
- L** Allocate Your Philanthropy Budget

## 4.1

Additionally, there are two approaches you can take to arrive at your total philanthropy budget: you can use your previous contributions to inform your future giving related to the values and issues you identified in **Section 1: Finding Your Focus Areas**. Alternately, you may prefer to start with a clean slate to determine how much to give. Regardless of the approach you choose, you may want to discuss your overall financial plan with your advisor before determining your final philanthropy budget and giving cycles.

# J

## ACTIVITY RECOUNT YOUR CONTRIBUTIONS

### INSTRUCTIONS

This activity is for those who have made previous contributions to their selected issues.

Recount your previous contributions to understand your giving distribution across your selected issues and the total amount allocated.

Consider adjustments to make your giving more proactive.

Skip ahead to Activities K and L if you prefer to start from a clean slate with your future giving plans.

WORKSHEET  
**RECOUNT YOUR CONTRIBUTIONS**

**INSTRUCTIONS**

Identify the period of time you would like to review (e.g., a year or two) and recount your contributions. Record your contributions during this period in one of the three giving buckets below. Once you are finished, total each bucket. Reflect on these amounts to understand your giving distribution across your selected issues, and consider any adjustments to make your giving more proactive. Finally, total the amounts from each giving bucket to arrive at your total contribution during this period. Reflect on this total and consider any adjustments you want to make for future giving.

**GIVING BUCKET 1 – PROACTIVE GIVING**

Donations you made to organizations working on your selected issues.

ISSUE / FUNDING AREA	ORGANIZATION SUPPORTED	ELIGIBLE FOR DEDUCTION (Y / N / NOT SURE)	DATE / MONTH	AMOUNT GIVEN
<i>Education</i>	<i>Girls Who Code</i>	<i>Yes</i>	<i>Feb.</i>	<i>\$750</i>
<b>TOTAL AMOUNT:</b>				



WORKSHEET  
**RECOUNT YOUR CONTRIBUTIONS**

<b>GIVING BUCKET 2 – REACTIVE GIVING</b> Donations you made in response to personal requests from family and friends to support their issues and fundraisers.				
ISSUE / FUNDING AREA	ORGANIZATION SUPPORTED	ELIGIBLE FOR DEDUCTION (Y / N / NOT SURE)	DATE / MONTH	AMOUNT GIVEN
<i>Health</i>	<i>Martha's Alzheimer's disease walk</i>	<i>Yes</i>	<i>Dec.</i>	<i>\$250</i>
<b>TOTAL AMOUNT:</b>				

WORKSHEET  
**RECOUNT YOUR CONTRIBUTIONS**

The following table reflects contributions from \_\_\_\_\_  
 to \_\_\_\_\_.

<b>GIVING BUCKET 3 – EMERGENCY GIVING</b> Donations to disaster and emergency relief funds or to social issues as a result of policy changes.				
ISSUE / FUNDING AREA	ORGANIZATION SUPPORTED	ELIGIBLE FOR DEDUCTION (Y / N / NOT SURE)	DATE / MONTH	AMOUNT GIVEN
<i>Disaster relief</i>	<i>American Red Cross</i>	<i>Yes</i>	<i>Sept</i>	<i>\$500</i>
<b>TOTAL AMOUNT:</b>				

# K

## ACTIVITY

### SET YOUR TOTAL PHILANTHROPY BUDGET

#### INSTRUCTIONS

Review the questions in Activity K either on your own or with the support of your advisor, and jot down your thoughts. You do not have to answer all the questions.



WORKSHEET

SET YOUR TOTAL PHILANTHROPY BUDGET

INSTRUCTIONS

Reflect on the total philanthropy budget written down in the Section 1: Finding Your Focus Areas Section Summary, or identify a new desired total budget. Review the questions below, either on your own or with the support of your advisor, and jot down your thoughts. You do not have to answer every question.

How much do you wish to allocate to your philanthropy in the next year? Over the next three years? The next five to seven years? The next decade or more?

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What future financial situations or developments could affect how much you allocate to your philanthropy?

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What are the potential tax considerations for your different time horizons?

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Given your current financial circumstances, could you think about allocating more?

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WORKSHEET  
**SET YOUR TOTAL PHILANTHROPY BUDGET**

Are you in a position to consider giving appreciated assets as part of your philanthropy?

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How have you thought about allocating assets for the next generation?

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Would you like to revisit your allocations in the future? If so, when?

.....  
.....  
.....

How much are you setting aside as your total philanthropy budget?

L

ACTIVITY

## ALLOCATE YOUR PHILANTHROPY BUDGET

### INSTRUCTIONS

Determine how you would like to allocate your total philanthropy budget across your focus areas and giving buckets (i.e., proactive giving, reactive giving, and emergency giving) using the Budget Coins. Adjust your philanthropic allocations until they feel right to you.



# WORKSHEET ALLOCATE YOUR PHILANTHROPY BUDGET

### INSTRUCTIONS

Determine how you would like to allocate your total philanthropy budget across your focus areas (i.e., proactive giving, reactive giving, and emergency giving) using the Budget Coins.

Write in your total philanthropy budget and the time period. Use the Budget Coins to determine the percentage allocated to each column. Adjust your philanthropic allocations across your three buckets and focus areas until they feel right to you. When you feel satisfied with the allocations, write the budget amount in dollars in the last row.

<b>GIVING BUCKET</b>	<i>Example</i>
<b>FOCUS AREA / ISSUE</b>	<i>Early childhood initiatives in Oakland</i>
<b>% OF TOTAL PHILANTHROPY BUDGET</b>	10%
<b>BUDGET ALLOCATED</b>	<i>\$10,000</i>



WORKSHEET  
**ALLOCATE YOUR PHILANTHROPY BUDGET**

Your total philanthropy budget: \_\_\_\_\_

From \_\_\_\_\_ to \_\_\_\_\_

**PROACTIVE GIVING**

Write in your focus areas (or transfer your selected Issue Cards from the Finding Your Focus Areas Section Summary), including any commitments you have already made that you would like to include in your proactive giving.

1 Place Issue Card here	2 Place Issue Card here	3 Place Issue Card here
Place Budget Coins here	Place Budget Coins here	Place Budget Coins here





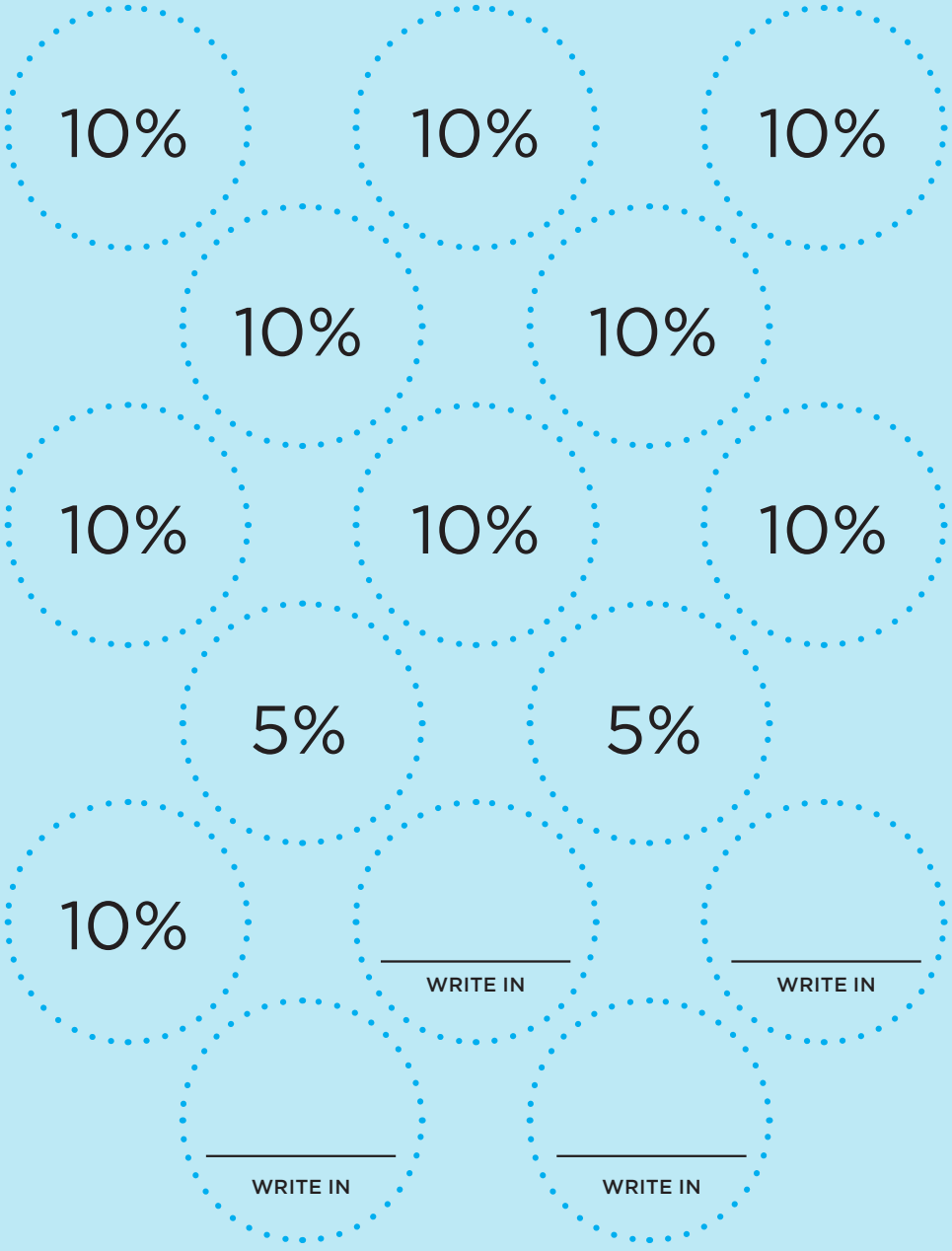
WORKSHEET

ALLOCATE YOUR PHILANTHROPY BUDGET

<b>REACTIVE GIVING</b> Record any commitments you have already made that you consider reactive.	<b>EMERGENCY GIVING</b> Record any commitments you have already made that you consider emergency.

L

ACTIVITY  
BUDGET COINS



## 4.2

# SELECT YOUR GIVING VEHICLES

A philanthropic giving vehicle provides a structure for you to carry out your giving. This section will help you identify which giving vehicles are best suited to your personal, financial, and philanthropic preferences. Keep in mind that you can achieve your philanthropic objectives through any vehicle; the goal here is to ensure that you select the vehicle or combination of vehicles that best aligns with your broader needs.

### ACTIVITY

#### **M** Reflect on Your Giving Vehicle Options

# MOST COMMON GIVING VEHICLES

## CHECKBOOK OR OTHER DIRECT CONTRIBUTIONS

The most common way to make a gift is by writing a check or using a credit card. Such contributions qualify for a same-year tax deduction. You can also qualify for tax deductions when you donate long-term appreciated non-cash assets (e.g., stocks) directly to charitable organizations or foundations. You may want to have a discussion with your advisor about the assets best suited to your goals.

## DONOR ADVISED FUNDS

A donor advised fund (DAF) is, in effect, a philanthropic investment account. You can contribute cash, securities, or appreciated non-cash assets to your account and qualify for a same-year tax deduction (equal to the deduction for giving to any public charity).

DAFs are managed by nonprofit entities, community foundations, and the charitable arms of for-profit financial service providers. Each managing entity has different minimum contributions, gifts, investment programs, and fees. DAFs within community foundations offer a local focus, with knowledgeable staff and donor education opportunities to enable place-based giving (conducting some of your giving beyond the local area is also typically allowed). DAFs at for-profit financial service providers and other independent sponsoring organizations offer the opportunity for a broader focus, as well as financial and investment expertise.

While DAFs allow you to postpone decisions about specific contributions (i.e., the nonprofit organizations receiving your gifts), the contributions to the managing entity are irrevocably given to the charitable purpose (though you can move them from one managing entity to another). Once this contribution is made, you can advise, but not direct, the managing

entity to support specific recipients. Typically they will do so—as long as those recipients comply with IRS regulations on DAFs and any additional guidelines the entity may set (and should share with you upfront).

### PRIVATE FOUNDATIONS

Private foundations are tax-exempt nonprofit organizations that must pay out at least 5% of their assets each year in the form of grants and operating charitable activities. These organizations are also required by the IRS to file an annual Form 990-PF—a publicly available document that describes the foundation's grants, investments, and expenses. You will receive a tax deduction when you transfer assets to a private foundation. A foundation must have a board of directors, typically of three or more persons. Depending on the size and activity of the foundation, paid staff may be necessary for management and administrative work. Some donors want their foundation to exist in perpetuity, while others may wish to spend down all the foundation's assets within their lifetime or over some set period of time.

Operating foundations, a subset of private foundations, primarily conduct their own charitable programs; some also make grants. Operating foundations have a legal classification under the IRS and are required to spend 85% of their assets each year on charitable activities.

### LIMITED LIABILITY COMPANIES

Limited liability companies, or LLCs, are business structures that limit donors' personal liability against lawsuits. LLCs are pass-through entities that can also function as philanthropic vehicles. As with business LLCs, income and charitable tax attributes flow through to its member(s). Contributions to the LLC itself are not deductible for charitable income tax purposes; it is only when the LLC makes a charitable contribution that its member(s) are eligible for a tax deduction. LLCs do not have annual distribution or public disclosure requirements.

# CHARITABLE GIVING THROUGH ESTATE PLANNING

These vehicles allow donors to benefit both non-charitable beneficiaries (i.e., the donor, the donor's children, etc.) as well as charitable organizations. These trusts can be created during the donor's lifetime or in a will.

## CHARITABLE REMAINDER TRUSTS

Charitable remainder trusts are irrevocable trusts from which there are payouts for life or a period of up to twenty years to a non-charitable beneficiary, after which one or more charities receive whatever is left (the "remainder"). For example, the trust may provide that the donor (or the donor and spouse, or any person named) gets the income for life, or for several years, and that everything left goes to a specified charity. Only the remainder is treated as a charitable gift; this amount is tax deductible when you create the trust.

## CHARITABLE LEAD TRUSTS

Charitable lead trusts reverse the charitable remainder trust—that is, the charities get paid out first. A charitable lead trust is an irrevocable trust that makes at least annual payments to designated charities for a set period of time. After that period, the trust ends and the balance passes to designated non-charitable beneficiaries, such as family members or others.

## BEQUESTS

Bequests are gifts from your assets—whether they be a transfer of cash, securities, or other property—made through your estate plan or will. You can make a bequest to designated charitable organizations by including language in your will or living trust. You can also designate an organization as a beneficiary of your retirement account or life insurance policy.

# M

## ACTIVITY

### REFLECT ON YOUR GIVING VEHICLE OPTIONS

#### INSTRUCTIONS

Review the list of giving vehicle considerations below. This list is not exhaustive, and we encourage you to speak to your advisor and those involved in your philanthropic decision-making about additional considerations relevant to your personal situation, preferences, and goals.

1. **ADMINISTRATIVE SUPPORT:** Are you willing to invest your time and effort on an ongoing basis and hire paid staff for your vehicle?
2. **ANONYMITY:** Do you prefer to give anonymously?
3. **ASSET GROWTH POTENTIAL:** Would you want your philanthropic investment to increase in value over time?
4. **CONTROL OVER GIVING:** Would you want to retain control over how beneficiaries use donated funds?
5. **DISTRIBUTION REQUIREMENT:** Would you want a vehicle with an annual distribution requirement in place to keep your philanthropy moving?
6. **FAMILY INVOLVEMENT:** Do you want your family members involved in giving decisions?
7. **IMPACT INVESTMENTS:** Would you like to make investments that generate social as well as financial returns? For more information on impact investing, see **Additional Resources: Section 4** at the end of this toolkit.
8. **PERPETUITY:** Do you want the structure to exist in perpetuity or would you prefer it to spend down in your lifetime or some set period of time?

*Continued on the following page.*

# M

## ACTIVITY

### REFLECT ON YOUR GIVING VEHICLE OPTIONS

9. **POLITICAL CONTRIBUTIONS:** Do you want to make political donations and engage in lobbying? Direct political contributions are not tax-deductible, though some lobbying and advocacy can be, depending on a number of factors. Seek further professional advice if politics is a priority issue for you.
10. **PUBLIC DISCLOSURE:** Are you willing to submit separate tax records that will be available to the public?
11. **TAX IMPLICATIONS:** Are tax implications important to your choice of vehicle? To understand how different taxes may be affected by your giving, see **Additional Resources: Section 4** at the end of this toolkit.



## REFLECT ON YOUR GIVING VEHICLE OPTIONS

## INSTRUCTIONS

Complete the survey below to identify your preferences when choosing a giving vehicle. For each consideration, determine how important it is to your philanthropy. Your responses will be useful when reviewing the EPLI Giving Vehicles Comparison Chart.

## CONSIDERATIONS

**ADMINISTRATIVE SUPPORT:** Are you willing to invest your time and effort on an ongoing basis and hire paid staff for your vehicle?

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**ANONYMITY:** Do you prefer to give anonymously?

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**ASSET GROWTH POTENTIAL:** Would you want your philanthropic investment to increase in value over time?

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**CONTROL OVER GIVING:** Would you want to retain total control over funding decisions?

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**DISTRIBUTION REQUIREMENT:** Would you want a vehicle with an annual distribution requirement in place to keep your philanthropy moving?

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**FAMILY INVOLVEMENT:** Do you want your family members involved in giving decisions?

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**IMPACT INVESTMENTS:** Would you like to make investments that generate social as well as financial returns?

\*For more information on impact investing, see **Additional Resources: Section 4** at the end of this toolkit.

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**PERPETUITY:** Do you want the structure to exist in perpetuity?

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**POLITICAL CONTRIBUTIONS:** Do you want to make political donations and engage in lobbying? Direct political contributions are not tax-deductible, though some lobbying and advocacy can be, depending on a number of factors. Seek further professional advice if politics is a priority issue for you.

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**PUBLIC DISCLOSURE:** Are you willing to submit separate tax records that will be available to the public?

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**TAX IMPLICATIONS:** Are tax implications important to your choice of vehicle?

To understand how different taxes may be affected by your giving, see **Additional Resources: Section 4**.

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WORKSHEET  
REFLECT ON YOUR GIVING VEHICLE OPTIONS

YES	NO	NOT SURE	HOW IMPORTANT IS THIS TO YOU? (1=NOT VERY / 5=VERY)				
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	1	2	3	4	5

## RESOURCE

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# EPLI GIVING VEHICLE COMPARISON CHART

Review the EPLI Giving Vehicle Comparison Chart to determine how your preferences align with the different giving vehicles available.

EPLI has highlighted the four most common giving vehicles that also allow you to give during your lifetime: checkbook/other direct donations, donor advised funds (DAFs), private foundations, and limited liability companies (LLCs). These vehicles in particular allow for more flexibility in your philanthropy. We encourage you to discuss these options with a trusted advisor.

# EFFECTIVE PHILANTHROPY LEARNING INITIATIVE GIVING VEHICLES COMPARISON CHART

Table continues on back

CONSIDERATIONS	CHECKBOOK / OTHER DIRECT DONATIONS	DONOR ADVISED FUND (DAF)	PRIVATE FOUNDATION	LIMITED LIABILITY COMPANY (LLC)
<b>ADMINISTRATIVE SUPPORT</b> Do you need support for due diligence and administration, and can support be paid for by tax-exempt dollars?	<p>The amount of support needed depends on the complexity of your gifts. Support is not tax-deductible.</p>	<p>The sponsor carries out administrative responsibilities. Extent of due diligence varies.</p>	<p>Administrative responsibilities may be performed by paid staff or outsourced—and paid for from tax-exempt dollars.</p>	<p>Administrative work is typically carried out by paid staff and is not tax-deductible.</p>
<b>ANONYMITY AND PUBLIC DISCLOSURE</b> Can you give anonymously?	<p>Yes</p>	<p>Yes</p>	<p>No, private foundations are required to disclose the names of grantees and significant contributors (those who give more than \$5,000 in a year) on the annual 990-PF Form.</p>	<p>Yes</p>
<b>ASSET GROWTH POTENTIAL AND INVESTMENT DECISIONS</b> Will your philanthropic assets increase in value over time? If you can make philanthropic investments, do you have control over how to invest?	<p>Not as such. Your philanthropic assets are not differentiated from your other assets. If you give assets to charity before selling them, however, you will not pay tax on the gains.</p>	<p>Yes. Any growth in assets is the opportunity for greater philanthropic giving in the future. However, in most cases, the DAF sponsor is responsible for investment decisions.</p>	<p>Yes. Any growth in assets is exempt from income tax, though it is subject to the 1%-2% foundation excise tax.</p>	<p>No</p>
<b>CONTROL OVER GRANTMAKING</b> Can you retain control over funding decisions?	<p>Yes</p>	<p>Donors can advise the DAF sponsor on how to distribute their DAF's assets, but the final funding decisions rest with the DAF sponsor. While donors are subject to IRS regulations on DAFs and the managing entity's policies, sponsors will usually act as advised.</p>	<p>Yes, subject to the approval of the foundation board.</p>	<p>Yes</p>
<b>DISTRIBUTION REQUIREMENT</b> Is there an annual distribution requirement in place to keep your philanthropy moving?	<p>No</p>	<p>No; though some DAFs have a minimum annual distribution requirement, which can begin at \$5,000, or a policy for funds that are inactive for two to three years.*</p>	<p>Yes; private foundations are required to distribute 5% of their assets annually.</p>	<p>No</p>

\*National Philanthropic Trust. "Giving Vehicles Comparison." nprtrust.org/donor-advised-funds/daf-vs-foundation

= no = sometimes

= yes

# EFFECTIVE PHILANTHROPY LEARNING INITIATIVE GIVING VEHICLES COMPARISON CHART

CONSIDERATIONS	CHECKBOOK / OTHER DIRECT DONATIONS	DONOR ADVISED FUND (DAF)	PRIVATE FOUNDATION	LIMITED LIABILITY COMPANY (LLC)
<b>FAMILY INVOLVEMENT</b> Can your family members be involved in grantmaking decisions?	✓ Yes; this involvement will be informal.	✓ Yes; family members can have their own funds and/or can be named as successors to yours.	✓ Yes; this involvement can be formal, with family members serving on the board or as staff.	✓ Yes; this involvement can be formal, with family members serving on the board or as staff.
<b>IMPACT INVESTMENTS</b> Can you make investments that generate social as well as financial returns?	✓ Yes, but income made from impact investments may be taxable.	✓ Yes, an increasing number of DAFs are permitting funds under their management to be used for impact investments.	✓ Yes, private foundations can make program-related investments (PRIs) and mission-related investments (MRIs).	✓ Yes, but income made from impact investments may be taxable.
<b>PERPETUITY</b> Can the structure exist in perpetuity?	✗ No	✓ Yes; named advisors and successors can keep DAFs running in perpetuity.	✓ Yes; the endowment can either exist in perpetuity or be spent down over a period of time.	✓ Yes
<b>POLITICAL CONTRIBUTIONS</b> Can you make political donations or engage in lobbying?	✓ Yes; these contributions are not tax deductible.	✗ No—but public charities—including those to which you recommend donations and those that sponsor DAFs—can engage in lobbying, and community foundations can make grants for lobbying up to a certain limit.*	✗ No—but public charities to which you donate can allocate a portion of unrestricted general operating grants to lobbying.	✓ Yes; these contributions are not tax deductible.
<b>TAX IMPLICATIONS</b> What tax implications does this vehicle have for my giving?	✓ You are entitled to tax deductions if you support 501(c)(3) organizations.	✓ The entire amount given to a DAF is immediately tax deductible and you can give to it multiple times.	✓ The donor is eligible for a tax deduction when assets are transferred to the foundation—though on less favorable terms than gifts to public charities and DAFs. The income from assets held by a foundation is not subject to income tax, but foundations must pay an annual excise tax of 1%-2% of net investment income.	✓ When contributions are made to a 501(c)(3) organization, the LLC's members are eligible for a tax deduction; there is no deduction for support given to political activities or impact investments.

\*Alliance for Justice, "Bolder Advocacy Playbook," [bolderadvocacy.org/wp-content/uploads/2015/09/AFJ-Advocacy-Playbook-web.pdf](https://bolderadvocacy.org/wp-content/uploads/2015/09/AFJ-Advocacy-Playbook-web.pdf)

## STRUCTURING YOUR GIVING SUMMARY

Now that you have completed Section 4, turn to the Structuring Your Giving Summary on the next page. Rank the giving vehicles best suited to your preferences and identify next steps for setting them up. Tear out the completed table to include in your Philanthropy Planner at the end of this toolkit.



