

## **Why Gates/Apollo**

The Gates/Apollo (GA) combination would bring together the world's greatest philanthropist and a top investment management firm. The fund would initially be open for a minimum contribution of 500 million dollars. In following up on the successful pledge campaign [**←NOT SURE WHAT YOU ARE TRYING TO SAY HERE**], it would offer a much needed alternative for charitable giving at the highest levels.

### **-Contribution Flexibility:**

The GA Donor Advised Fund can accept and hold a wide array of assets.

### **-Investment Choice and True Independence:**

GA's unique combination of experience in the charitable giving space and Apollo's sophistication in the investment arena would provide options free of conflicts.

### **-Flexible Investment Management:**

Donors may recommend an independent investment advisor to manage the assets in their Donor Advised Funds.

### **-Greater Reach:**

Donors can expand their grant recommendations to help charities throughout the country, possibly internationally, in addition to the local community, and take advantage of the information, resources and unique charitable opportunities available through the unparalleled large-giving experience of the Gates Foundation.

The GA Donor Advised Fund program would be specifically designed to enhance opportunities for large-scale giving. The problems of effective giving at a large scale are unique. They include a scarcity of experience at the large giving level. Charities are rarely set up to accept very large donations. Although over 500 billion in wealth was transferred to only the Forbes 400 last year alone, there are few charities that are capable of dealing with even a 1 billion dollar gift.

The privilege of being able to give away substantial wealth is burdened by the lack of creative new ideas and expertise in what are typically

smaller charitable organizations. Benefits from the large giving expertise of GA include:

-Donors will be able to achieve immediate and maximum tax benefits, timed on an individual basis. Because GA is a public charity, contributions immediately qualify for all the maximum tax benefits.  
**(see Tax Benefits)**

-Donors will join and, if they want, be able to partner with Bill and share his giving and investment experience.

-Donors will enjoy tax-free growth, which means more dollars for charitable purposes, managed by the country's top investment professionals. Investments in the GA Fund obviously grow tax-free to support more giving in the future. The GA Donor Advised Fund would let them structure their giving over time, enabling them to leverage the impact of their grants to worthwhile causes. For example, they would be given the opportunity and flexibility of joining/partnering with Bill in one of his already established 27 silos of giving.

-Privacy. Because charitable giving can be quite personal, Donors may prefer a buffer between themselves and charity seekers. GA enables Donors to choose between enhanced recognition as one of Bill's select partners in philanthropy or the option to remain more private in their charitable endeavors, including maintaining privacy in contributing assets and privacy, even complete anonymity, in grant-making

-Simple and effective fund management. Donors can research charities online, sit with Gates Foundation experts, recommend grants online, track giving over time and/or consolidate their tax reporting.

-Create a lasting legacy of giving. Donors would have access to Bill's unprecedented scope and experience in the world of charitable giving. He has committed his future time to philanthropy and would hold private or small group meetings to explore new ideas.

## **Tax Benefits**

### **GA saves Donors taxes in four ways**

1. Contributions are tax deductible in the year they are made. Because GA is a public charity, contributions qualify for immediate and maximum tax benefits.
  - Deduction for cash: Up to 50% of adjusted gross income (AGI).
  - Deduction for securities and other appreciated assets: Up to 30% of AGI.
  - Five year carry forward of unused deductions.
2. Avoids capital gains on gifts of appreciated property.
3. Avoids estate taxes.
4. Investments in a Donor Advised Fund can grow tax-free.

### **Other Tax Considerations**

When contributing the following asset types to GA, donors can deduct the full market value of the asset, subject to the AGI limitations mentioned above:

- Closely held stock (C-Corp or S-Corp).
- Real estate.

If contributed to private foundations, a donor's deduction would likely be limited to cost basis.

Americans who wish to support charitable organizations at a substantial level find themselves with few well thought out alternatives. The great wealth and responsibility of charity has moved from the public sector into the private sector. This burden is shared with Bill's team of over 1000 foundation employees and Apollo's experience in managing over a hundred billion dollars.

### **Clarity of Purpose**

Donors are able to establish policies and procedures that define their program interests and their fundamental objectives.

### **Governance**

Donors can create an identifiable person, board, committee or other decision-making body that is responsible for establishing and implementing their policies and procedures and reviewing and revising them on a regular basis.

### **Public Recognition or Privacy**

Some donors prefer recognition, while others prefer confidentiality. Their approach may change over time. GA makes it easy to move between between privacy and recognition as and when desired See Privacy.

### **Legal**

Complying with the law is complex but essential, and inadvertent violations can occur if the basic legal rules are not understood. GA reviews all charities prior to fulfilling a grant recommendation. And in many cases has already begun a program in a particular charity's area of interest.

### **Issues to Consider:**

#### **Contributions**

Donors considering charitable contributions of illiquid, non-cash assets ( i.e. closely-held stock or real estate) should be made aware that smaller charities are often ill-equipped to handle gifts of illiquid, non-cash assets. If they do accept such gifts, the liquidation is poorly handled resulting in fewer dollars to charity. Breaking up concentrated holdings for distribution to multiple charities also creates execution challenges. Moreover, most larger charities want to liquidate gifts of illiquid, non cash assets immediately.

#### **Accountability**

With large giving, capacity becomes an issue in almost all cases. It is important to match the size of the contribution to the capacity of the charity. Capacity is a term that encompasses size, administrative capability, stability, and accountability of the charity's board. Are the charity's administrative expenses reasonable? Does the charity have the sophistication to use a large gift effectively? Large grants can be problematic to a small charity. Better than a private foundation for many donors, Donor Advised Funds are an attractive alternative to creating a private foundation. This is because contributions made to Donor Advised Funds are donations to a public charity, and qualify for more favorable charitable deduction treatment than contributions to a private foundation. In addition because contributions are assets of a

public charity, they are not subject to the self-dealing, payout, and taxable expenditure rules applicable to private foundations. Finally, because an experienced and dependable public charity owns and administers the Fund, the donor is freed of the administrative burden of creating and maintaining a private foundation and also benefits from the philanthropic and substantive expertise of the public charity.

### **Privacy**

Donor Advised Funds provide donors with flexible options for recognition or privacy. In contrast, private foundations have little confidentiality and offer no anonymity. With the advent of the Internet, information is more available than ever. Today, anyone with a computer can access Guidestar ([www.guidestar.org](http://www.guidestar.org)) to gain information on any private foundation. Because all of the information is pulled from a foundation's 990-PF, anyone can see the asset balance, the directors, contact information, administrative fees paid, every grant that is made (organization name and amount), and investment management fees (holdings are sometimes included).

### **Donate Now, Decide Later**

A contribution to GA separates the tax event from the grant-making event. Donors recommend grants to charities on their own timetable thus reducing year-end pressures to select one or more charities to support.

### **Facilitate Special Asset Considerations**

Not all charities accept or have the knowledge or capacity to accept gifts of stock and other appreciated assets. GA's Donor Advised Fund affords Donors the maximum deduction allowed by law, and GA has the expertise to accept the widest array of assets.

### **Make the Most of Their Charitable Dollars**

Their advisors can recommend the investment strategies for Donors' contributions to a Donor Advised Fund. This eliminates the concern about how charities manage or mismanage investments. Any growth in assets is tax-free, which provides the potential for greater charitable gifts.

### **Reduce Recordkeeping Frustrations**

A Donor Advised Fund account provides consolidated reporting and record keeping. Donors can make grants to multiple charities and they will need only one tax substantiation letter (for each contribution to the account). They can also review their history of grant-making online before making future gifts.

### **Leave a Lasting Legacy**

A Donor Advised Fund can establish an enduring family legacy for philanthropy. The families can continue involvement in grant-making and investments by naming successor advisors to their accounts.

### **Contribution Flexibility**

GA can accept and hold a wide array of assets. Below is a brief overview of some of the most common types of assets that can be donated to a GA Donor Advised Fund.

- Checks
- Publicly traded securities
- Closely held stock
  - C-Corp
  - [S-Corp](#)
- Life insurance
- Real estate
- IRA assets

While most donors will choose to make contributions to GA by check or by contributing publicly traded securities, some donors make gifts from more complex assets. GA can accept and hold a wide array of assets.

### **Investment Flexibility**

GA will offer uniquely flexible investment options to help each donor meet his or her unique philanthropic objectives.

- **Investments:** The Fund may invest in a broad range of securities, including stocks, bonds, and mutual funds. Contributed assets can also be held in-kind.
- **Investment Management:** GA permits donors to recommend a financial advisor for their accounts. The recommended advisor can provide the Fund an investment approach that is balanced and customized.

- **Separately Managed Accounts at GA:** Donors can choose to comingle investments and contribution decisions.
- **Customization:** If so desired, Donors can appoint their own advisor who can recommend a tailored investment program for the Donor Advised Fund.
- **Transparency:** At GA, Donors will always be able to access their portfolio; they know which securities are held in their Fund's portfolio.
- **Custody Flexibility:** Donor advisors can recommend where custody of investments is maintained.

### **Bequests From Wills**

This platform allows Donors to feel comfortable that their hard earned money will be invested and given away with the integrity backed by Bill.

### **Enhancing Charitable Trusts with Donor Advised Funds**

#### **Charitable Remainder Trusts (CRTs)**

Donors can create an opportunity for continuing family involvement by naming GA Foundation as the remainderman in a Charitable Remainder Trust. Here's how it works:

1. A donor contributes to a CRT, receives capital gains tax benefit, an income tax deduction, and a lifetime income stream.
2. At termination of the CRT, the remainder interest is transferred to a Donor Advised Fund at GA.
3. A donor's family can stay involved in these meaningful assets after the CRT terminates. The family can then recommend distributions from the Donor Advised Fund to charities over time.

#### **Benefits**

- Continuing family involvement.
- This strategy eases the pressures associated with deciding the ultimate charities. GA, an IRS recognized 501 (c)(3) charity, qualifies for the maximum and immediate tax deduction.
- Donors can use the Donor Advised Fund as the vehicle for their lifetime charitable giving.
- When income from the CRT is no longer needed, the Donor Advised Fund can become the charitable overflow to the CRT.

- If a donor wants to accelerate a CRT in order to give more to charity now or in the near future, he/she can collapse the CRT into a Donor Advised Fund.

See Charitable Trust Termination

### **Naming GA as Income Beneficiary on a Charitable Lead Trust (CLT)**

1. A donor contributes an asset to a CLT for a specified period (either a term of years or the term of someone's life), and receives tax benefits.
2. Distributions are made annually from the CLT to the family's Donor Advised Fund.
3. The donor, and then children, recommend distributions periodically to charities from the family Donor Advised Fund.
4. After a specified period, the principal goes to the donor's family (or other designated beneficiaries).

### **Benefits**

- Continuing family involvement.
- Provides a unique forum for families to work together.
- Offers the opportunity for several generations to join in a common purpose.
- May become the "link" that connects families whose branches are increasingly geographically dispersed.

### **Charitable Trust Termination**

Complete terminations of CRTs are appealing for two primary reasons. The donors no longer want or need the income, and/or they want to give to charity in the present or near term. At some point during the trust term, donors may decide that they no longer need the trust payments. Donors may at that point transfer to charity their right to receive future trust payments. Depending on state law, the controlling language of the trust document, and the trust maker's charitable inclinations, one possible solution is to create a Donor Advised Fund with GA. Donors can use this Fund to recommend grants immediately, and the family can stay involved in these meaningful assets for future grant-making.

### **Program Related Investment**

Program Related Investment provides a way for family foundations to leverage their philanthropic dollars. Unlike grants, however, foundations get a return on their investment, through either repayment or return on equity. Also called “Mission Driven Financing”, Program Related investments are alternatives to outright grants. Program Related Investments include financing methods commonly associated with banks or other private investors, i.e. loan, loan guarantees, etc. Some foundations provide low interest loans to charities that must be repaid and therefore are available for future grant-making.

GA would facilitate a level of donor creativity not typically available in other donor advised fund programs, for example, through the use of Program Related Investments. At GA Donors can use assets in a Donor Advised Fund to fund a charitable cause where commercial funding sources are either not available to the charity or not available at attractive terms. In a Program Related Investment, Donors would recommend an investment from their Donor Advised Fund in the charity with the understanding that the investment may be recovered within an established time frame.

Program Related Investments often take one of the following forms:

- At-the-market loan, below-market loan (most common), or interest-free loan.
- Loan guaranty or letter of credit.
- Equity investment.
- Low-interest-rate deposit with a bank or other financial institution linked to line of credit lending vehicle for charitable or other exempt purposes.

### **Terminate a Private Foundation into a GA Donor Advised Fund**

Private foundations have a number of financial and administrative disadvantages when compared to a Donor Advised Fund. These drawbacks include greater investment restrictions, mandatory distribution and reporting responsibilities; fewer tax benefits and the sometimes-heavy burden of personally administering a private

foundation. In addition, private foundations provide little confidentiality. With the advent of the Internet, information is more available than ever. Today, anyone with a computer can access Guidestar ([www.guidestar.org](http://www.guidestar.org)) to gain information on any private foundation, including a scanned version of its 990-PF. Available information includes balance sheet detail (including investment holdings, a listing of directors (including contact information), every grant that is made (organization name and amount), and detail of administrative and investment management expenses. see Comparison Between a Private Foundation and a GA Donor Advised Fund, below.

GA is a public charity into which a private foundation may distribute all of its assets. The first step in the termination process is the establishment of a Fund at GA into which the private foundation's assets will be distributed. Second, GA will work with Donors to take the necessary steps to terminate the private foundation -- whether it is in trust or corporate form -- and arrange for the transfer of assets to the new Fund at GA.

**COMPARISON BETWEEN A PRIVATE FOUNDATION AND  
A GA DONOR ADVISED FUND**

	<b>Private Foundation</b>	<b>GA Donor Advised Fund</b>
Valuation for charitable deduction: closely held stock or real estate	Cost Basis	Fair Market Value
Valuation of publicly traded securities	Fair Market Value	Fair Market Value
Income tax deduction - percentage of AGI, with 5 year carry over	30% for cash, 20% for appreciated assets	50% for cash, 30% for appreciated assets
Excise tax on investment income	1-2% of income	No excise tax
Set up expense	Costly	No set-up fees
IRS approval process	Time consuming	A Fund can be established in less than a day
Annual distribution requirement	5%	None
Investment options	Wide range	Wide range
Preparation of tax returns, IRS compliance, accounting, grants management, fiduciary oversight, legal and audit	Donor must arrange for these services	Provided by GA
Confidentiality	*None - All information is publicly available via form 990-PF	Donor has flexible options: Full recognition, or partial, or full anonymity