

Why Gates/Apollo

The Gate Apollo combination would bring together the worlds greatest philanthropist and a top investment mgmt firm. The fund would initially be open for a minimum contribution of 500 million dollars. In following up on the successful pledge campaign , it would offer a solution to giving at the large level.

-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 giving space and Apollo's sophistication in the investment arena would provide options free of conflicts

-Flexible Investment Management:

They may also recommend an independent investment advisor to manage the assets in your Donor Advised Funds.

-Greater Reach:

One can expand their grant recommendations to help charities throughout the country, possible internationally in addition to the local community take advantage of the Gates Foundation experienced large giving machine.

The GA Donor Advised Fund program would be specifically designed to enhance opportunities for large giving. The problems of effective giving at a large scale are unique. They include a scarcity of experience at the big giving level. Charities are rarely set up to accept very large donations. Though 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 a 1 billion dollar gift.

The privilege of being able to give away serious wealth is burdened by the lack of creative new ideas and expertise of the smaller charitable organizations. Benefits include:

-Immediate and maximum tax benefits, timed on an individual basis. Because GA is a public charity, contributions immediately qualify for all the maximum tax benefit

-They would join and if they wanted be able to partner with Bill and share his giving and investment experience.

-They 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...at the same time deciding on privacy or enhanced recognition as one of Bill's select partners in philanthropy.

-Privacy. As charitable giving can be quite personal, they may prefer a buffer between themselves and charity seekers. GA enables you to select recognition or privacy as desired (i.e.: privacy in contributing assets, privacy in grant-making and even anonymous grant-making)

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

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

Tax Benefits

Save 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) Avoid capital gains on gifts of appreciated property.
 - 3) Avoid estate taxes.
 - 4) Investments in a Donor Advised Fund can grow tax-free.

Other tax considerations

When contributing the following asset types to AEF, donors can deduct the full market value of the asset subject to the AGI limitations mentioned above. If contributed to private foundations, the donor's deduction would likely be limited to cost basis.

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

Americans who wish to support charitable organizations at a big level find themselves with few well thought out choices. 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 1000 foundation employees and Apollo's experience managing over a hundred billion dollars.

Clarity of Purpose

Establish policies and procedures that define their program interests and their fundamental objectives.

Governance

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 others prefer confidentiality. Their approach may change over time. [See Privacy](#)

Legal

Complying with the law is both complex but essential and we recognize that 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 their 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 aware that:

Smaller charities are often not equipped to handle gifts of illiquid, non-cash assets, or if accepted, the liquidation is poorly handled resulting in fewer dollars to charity.

Breaking up concentrated holdings for distribution to multiple charities creates execution challenges. Most larger charities want to liquidate gifts of illiquid, non cash assets immediately. How might this impact your decision?

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 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. Because they are donations to a public charity, contributions to a Donor Advised Fund qualify for more favorable charitable deduction treatment than contributions to a private foundation. Because they are assets of a public charity, Donor Advised Funds are not subject to the self-dealing, payout, and taxable expenditure rules applicable to private foundations. Finally, because the 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) to gain information on any private foundation. Since 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. You recommend grants to charities on your 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. Your Donor Advised Fund provides you the maximum deduction allowed by law, and AEF has the expertise to accept the widest array of assets.

Make the Most of Your Charitable Dollars

You or your advisor can recommend the investment strategy for your contributions to your 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. You can make grants to multiple charities and you will need only one tax substantiation letter (for each contribution to the account). You can also review your history of grant-making online before making future gifts.

Leave a Lasting Legacy

Your Donor Advised Fund can establish an enduring family legacy for philanthropy. Your family can continue involvement in grant-making and investments by naming successor advisors to your account.

Provide for Accountability

GA can accept and hold a wide array of assets. Below you'll find a brief overview of some of the most common types of assets that you can donate to an AEF 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. AEF can accept and hold a wide array of assets. GA will offer uniquely flexible investment options to help each donor meet his or her unique philanthropic objectives.

- **Investments:** Your 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:** The Apollo experience permits donors to recommend a financial advisor for their account. The recommended advisor can provide the Fund an investment approach that is balanced and customized.
 - Separately Managed Accounts at GA one can choose to comingle investments and contribution decisions.
 - Customization. If you so desired, you can appoint your own advisor who can recommend a tailored investment program for your Donor Advised Fund.
 - Transparency. At GA, you will always be able to access your portfolio; you know which securities are held in your Fund's portfolio.
- **Custody Flexibility:** You or your advisor can recommend where investments are custodied.

Bequests From Wills

This platform allows one 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

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

1. A donor contributes to a CRT, receives capital gains tax benefit, income tax deduction, and lifetime income stream.
2. At termination of trust, the remainder interest is transferred to a Donor Advised Fund at American Endowment Foundation.
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

- 1) Continuing family involvement.
- 2) This strategy eases the pressures associated with deciding the ultimate charities. AEF, an IRS recognized 501 (c)(3) charity, qualifies for the maximum and immediate tax deduction.
- 3) The donor can use the Donor Advised Fund as the vehicle for their lifetime charitable giving.
- 4) When income from the CRT is no longer needed, the Donor Advised Fund can become the charitable overflow to the CRT.
- 5) 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 [terminating a Charitable Trust](#)

Naming AEF as Income Beneficiary on a Charitable Lead Trust

A donor contributes an asset to a CLT for a specified period (either a term of years or someone's life), and receives tax benefits.

Distributions are made annually from the CLT to the family's Donor Advised Fund.

The donor, and then children recommend distributions periodically to charities from the family Donor Advised Fund.

After specified period, the principal goes to your family (or other designated beneficiaries).

Benefits

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

Charitable Trust Termination

Complete terminations of charitable remainder trusts 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, the donor(s) may decide that they no longer need the trust payments. The donor 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 American Endowment Foundation. The donor(s) 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 (PRI) is a way that family foundations can use 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. Some foundations provide low interest loans to charities that must be repaid and therefore are available for future grant-making.

	Private Foundation	GA Donor Advised Fund
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 AEF
Confidentiality	*None - All information is publicly available via form 990-PF	Donor has flexible options Full recognition, or partial, or full anonymity

AT GA, we would encourage a level of donor creativity not typically available in other donor advised fund programs. An example of this creative approach to family philanthropy is the use of 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 investments, the donor recommends an investment from his or her Donor Advised Fund in the charity with the understanding that the investment may be recovered within an established time frame. PRI's include financing methods commonly associated with banks or other private investors, i.e. loan, loan guarantees, etc.

Program-related investments often take one of the following forms:

- At-the-market, 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.

file:///Users/jeffreyepstein/Downloads/Philanthropy_101.pdf

Comparison: Private Foundation with GA's Donor Advised Fund

*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) 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.

Terminate a Private Foundation into a 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. [see Comparison](#). GA will be 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 you and your client 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