

CONSIDERATIONS WHEN TERMINATING YOUR GRANTMAKING PRIVATE FOUNDATION

Moving your private foundation to a Giving Fund

For some families, the financial and administrative responsibilities of running a private foundation may overshadow the joy of its original purpose. If you want to continue your philanthropy without these types of burdens and expenses, you may consider terminating your foundation and transferring some or all of its assets to a Giving Fund (donor-advised fund) at the National Christian Foundation (NCF).

There are many tax and legal considerations involved in such situations, especially when it holds complex assets, and immediate termination may not be possible. But our team would love the opportunity to talk with you and your advisors about the possibilities. Here is a quick overview of the typical process:



Typical steps in the process

The following steps provide a general outline of the transfer and dissolution process. Please note that this list is not exhaustive and does not constitute legal, tax, or financial advice.

- 1. Start with your board** – Your foundation’s board must authorize the dissolution in accordance with the foundation’s governing documents and the laws of its home state and federal tax laws.
- 2. Identify and pay all outstanding liabilities** – Your foundation is required pay projected taxes and estimate costs of dissolution, like legal and accounting fees and hold them in reserve. Prior to the end of the foundation’s last calendar year, it will be required to pay all of its costs.
- 3. Make a grant to your NCF Giving Fund** – After completing Step 2, your board must authorize the distribution of your foundation’s cash and publicly traded securities to your Giving Fund at NCF. Visit ncfgiving.com/forms for transfer instructions and an application to open a new Giving Fund. Grants recommended from the Giving Fund will need to continue to advance the purposes of the private foundation.
- 4. Comply with state dissolution requirements** – State law may require additional steps to terminate your foundation’s legal existence as a non-profit corporation or charitable trust. File the documents, provide the notification, and pay the fees as required by state law to dissolve your foundation. Please keep in mind that dissolution may take several months to complete.
- 5. File a final return** – File a final Form 990-PF and pay any remaining federal taxes. The IRS may require additional documentation.

More about the Giving Fund

A Giving Fund at NCF is an easy-to-create, low-cost, flexible account for charitable giving that is a popular alternative to creating a private foundation. Also known as a donor-advised fund, it's the fastest growing charitable vehicle in America today.

- **Make tax-deductible gifts** – Give cash and publicly traded securities like stocks and bonds.
- **Choose an investment option** – Select from our investment pools that give your fund balance the potential to grow tax free. Funds with balances over \$300,000 may be managed separately by your professional advisor.
- **Recommend grants** – Log in anywhere, anytime from your computer, tablet, or phone to view your fund balance and browse thousands of charities or recommend new ones. When you're ready, select your favorite charities, and NCF manages the grant distribution process for you.

Other things to consider

Some items to consider before terminating your private foundation include:

1. If your private foundation has complex assets like business interests, real estate, or private equity investments, immediate distribution of all your foundation's assets followed by termination may not be possible. Please call our team, and we will work with you and your advisors to discuss the possibilities.
2. If your private foundation compensates family members for their work, this cannot be done in a donor-advised fund.
3. Grants from your private foundation to a donor-advised fund cannot go back to a traditional grantmaking private foundation because DAFs can only make grants to public charities.

Note: NCF does not provide legal, tax, or financial advice. You should always consult professional advisors concerning the consequences of your charitable activities and your specific tax and legal situation.